

CITY OF *Alexandria* VIRGINIA



MANAGING FOR RESULTS

FY 2008 APPROVED BUDGET IN BRIEF JULY 1, 2007 – JUNE 30, 2008



ALEXANDRIA CITY COUNCIL

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Budget in Brief

FY 2008 APPROVED BUDGET OVERVIEW

The City Council approved a General Fund Operating Budget of \$519.5 million for FY 2008, an increase of \$21.8 million or 4.38% over last year's amended budget, and a FY 2008-2013 Capital Improvement Program (CIP) calling for \$66.1 million in City funding in FY 2008 and \$389.1 million over six years.

This Approved General Fund Operating budget increased the real estate tax rate 1.5 cents from \$0.815 to \$0.83 per \$100 of assessed value, although the average residential tax bill will still be lower than the previous tax year due to lower assessments.

The new budget process adopted by Council, including expenditure targets, was designed to provide more time for Council and the public to consider difficult budget choices. This year a new budget format presented information in more detail in more than 500 activities, most of which have various measures of performance and expected results.

BUDGET SUPPORTS EIGHT GOALS OF THE COUNCIL'S STRATEGIC PLAN

The FY 2008 Approved budget advances the eight goals of the strategic plan. Those goals are:

- Quality development and redevelopment that is well planned and consistent with Alexandria's vision.
- A City that respects, protects, preserves and enhances the natural environment and historic resources.
- An integrated, multi modal transportation system that efficiently and effectively gets people from point "A" to point "B."
- A strong local economy that is growing in varied small businesses and job opportunities.
- A caring community that is diverse and affordable.
- A City government that is financially sustainable, efficient and community oriented.
- Public schools that are among the best in Northern Virginia (in partnership with the Alexandria Schools).
- A City that ensures the safety, security, emergency preparedness, and well being of the community.

By advancing these goals, the Approved Operating budget and CIP are intended to work toward the City Council's long term vision for Alexandria. That vision is:

Alexandria 2015 is a vibrant, diverse, historic, and beautiful City with unique neighborhoods and multiple urban villages where we take pride in our great community.

Budget in Brief

FY 2008 APPROVED EXPENDITURE INCREASES (In Millions)

General Fund	FY 2007 Amended	FY 2008 Approved	\$ Change	% Change
City Operating Expenditures	297.8	303.3	5.5	1.8%
Transit Subsidies	14.2	15.4	1.2	8.5%
Capital Projects/Debt Service	35.8	40.6	4.8	13.3%
City Appropriation to Schools	149.9	160.2	10.3	6.9%
Total General Fund Budget	\$497.7	\$519.5	\$21.8	4.38%

MAJOR “BUDGET DRIVERS” SHAPING THE APPROVED BUDGET

Some of the main “drivers” of the budget in FY 2008 are Metro transit subsidies, financing for the CIP, and the reduction of federal and state grants for social services and schools.

The budget provides an additional \$1.2 million to maintain current Metro and DASH transit service levels, most of which is for Metro.

The budget provides an additional \$4.8 million for General Fund financing of the CIP through increased debt service and pay-as-you-go payments.

The budget identified \$3.5 million in savings sufficient to contain additional spending for other City operations to only \$5.5 million or a 1.8% increase.

The City must pay salaries and benefits that are competitive with neighboring jurisdictions and the generally tight job market in the Washington D.C. area, or risk losing good employees. To do so, this budget approves pay step increases (\$3.9 million), and a 1.5% COLA (\$3.3 million for City employees).

The Schools’ budget is increased by \$10.3 million or by 6.9%. This includes a 1.5% COLA (\$2.1 million) and pay step increases (\$3.8 million).

Budget in Brief

FY 2008 APPROVED EXPENDITURE SUMMARY

The budget for City Operations, transit subsidies and capital project funding increases \$11.5 million. The budget provides \$3.8 million for spending increases on City operations, and provides \$3.3 million for a Cost of Living Adjustment, \$3.9 million for step increases, \$4.8 million for capital project funding, and \$1.2 million for transit subsidies, offset by \$5.5 million in savings.

City Expenditure Changes	
<u>Change</u>	<u>Cost</u>
Cost of Living Adjustment (COLA for City Employees)	\$3.2
Step Increases (including benefits linked to pay)	\$3.9
Other Adjustments to Base	(\$2.0)
Transit subsidies (includes DASH COLA of \$0.1M)	\$1.2
Capital Project funding	\$4.8
Spending Increases on City Operations	\$3.9
Expenditure Reductions	(\$3.5)
Total	\$11.5

ALEXANDRIA CITY PUBLIC SCHOOLS

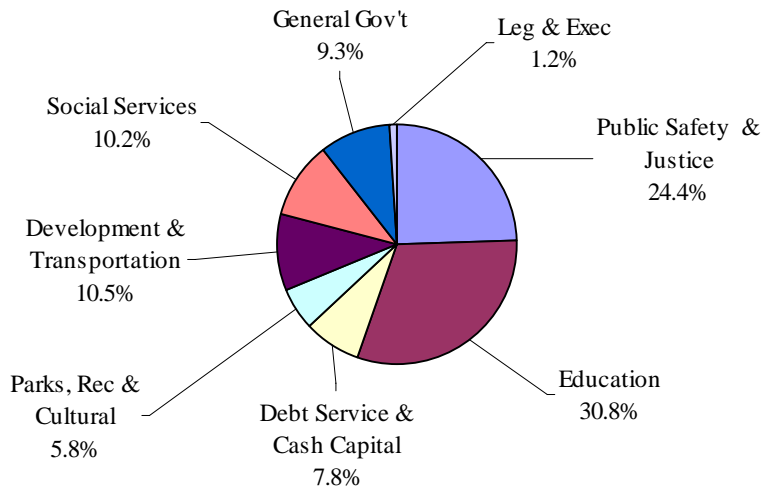
Alexandria desires public schools that are among the very best in Northern Virginia. The City's primary role in achieving this end is responsibly funding the Schools' operating and capital needs. The Approved Operating Budget for FY 2008 provides \$160.2 million in City funds for School operations, a \$10.3 million increase over last year. City funding for School operations increases by 6.9% over FY 2007. This means that almost 50% of the total budget increase goes to the Schools.

The \$10.3 million increase is sufficient to fund step increases, a 1.5% COLA and increased healthcare and retirement costs.

The Approved CIP provides \$81.1 million for the School Board's submitted capital program for FY 2008 – FY 2013 and fully funds the School's request for those years.

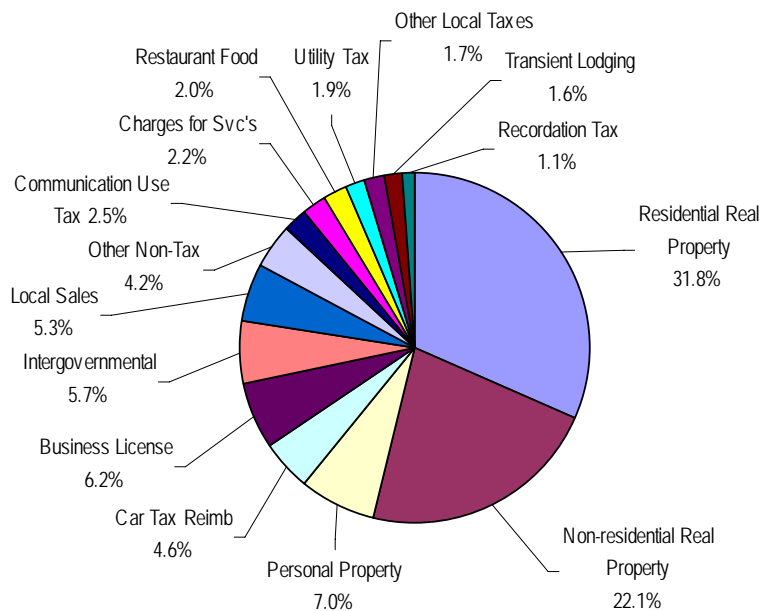
Budget in Brief

FY 2008 COMBINED GENERAL FUND EXPENDITURES, WHERE IT GOES...



FY 2008 General Fund Expenditures \$519.5 Million

FY 2008 COMBINED GENERAL FUND REVENUES, WHERE IT COMES FROM...



FY 2008 General Fund Revenues	\$516.2
Use of Prior-Year Surplus	\$2.0
Sewer Fund Transfer In	<u>\$1.3</u>
Total General Fund Revenues	\$519.5

Budget in Brief

FY 2008 APPROVED REVENUE SUMMARY

The Approved General Fund revenues are projected at \$516.2 million. Another \$1.3 million in sanitary sewer fund revenues are available to finance that program's share of debt service. An additional \$2.0 million in FY 2006 surplus revenues have been designated for use in FY 2008. As a result, a total of \$519.5 million is available to support the proposed City and Schools' General Fund expenditures, a 4.38% increase in total revenues.

Real Estate tax revenues are projected at \$278.2 million, a 4.7% increase as compared to last year's approved budget, reflecting the tax rate increase of 1.5 cents and a combination of slightly declining residential assessments, increased commercial assessments and new construction.

- This reflects an increase in the real estate tax rate from 81.5 to 83.0 cents per \$100 of assessed value, and no change in the program guidelines providing real estate tax relief to elderly and disabled homeowners, or targeted relief (AHOP) to low and moderate income homeowners.
- The collection of Other Taxes are expected to increase by 6.3%; Other Non-tax revenues are expected to increase by 7.3%; and Intergovernmental revenue from federal and state sources are expected to increase by 6.1% from last year's approved budget.
- The budget also includes an increase in solid waste collection fees by \$27 from \$237 to \$264 per residence to keep that activity self-supporting through user fees.

Millions of dollars				
	FY 2007 Approved	FY 2007 Projected	FY 2008 Approved	Change from FY 2007 Approved
Real Property Tax	\$265.6	\$268.7	\$278.2	4.7%
Other Taxes	144.7	145.3596	153.7	6.3%
Non-tax revenue	29.0	29.29184	31.2	7.3%
Federal & state revenue	50.114	52.04887	53.2	6.1%
Prior year surplus & other fund transfers	8.2	8.218714	3.310659	(59.6%)
Total	\$497.7	\$503.6	\$519.5	4.4% *

* The total change from FY 2007 Projected Revenues is 3.2%.

Budget in Brief

CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS

The City of Alexandria's Capital Improvement Program is a comprehensive plan which identifies the City's future infrastructure and facility needs, and the corresponding funding required to meet those needs.

Capital Improvement Program costs on a six-year basis through FY 2013 are up significantly reflecting the future plans to continue to improve the City's infrastructure. Last year's Amended CIP totaled \$326 million over six years; this year's Proposed CIP totals \$389.1 million. The Proposed CIP contains some new projects, some increased costs for existing projects, and some reductions compared to last year's CIP.

The six-year CIP would be funded by \$179.3 million in borrowing and \$124.4 million from City funds and \$85.3 million from sources to be determined or else a reduction in planned projects. Planned funding sources include: \$64.0 million in cash capital contributions from current revenues, \$13.7 million from open space funds, \$26.3 million from sewer use and connection fees, \$5.4 million from an increase in the State vehicle registration fee, \$2.7 million from fund balance, \$6.8 million from bond interest earnings, and \$5.5 million from other miscellaneous sources. The CIP complies with the policy limits governing the amount of allowable debt and debt service costs, and ensures retention of the City's top AAA/Aaa ratings by the two major bond rating agencies.

The major building projects funded in the CIP over the next 6 years include the completion of a new public high school, a new police headquarters, the renovated Patrick Henry, Charles Houston and Chinquapin Recreation Centers, Windmill Hill Park, and athletic field improvements, All-City Sports Complex, historic property preservation, restoration of areas damaged by the flood of 2006 and new fire stations in Eisenhower Valley and Potomac Yard. Significant funding also is provided for transportation and sewer infrastructure projects.

The CIP for FY 2008 through FY 2013 provides \$389.1 million over a six-year period as follows:

- \$81.1 million for public schools;
- \$92.9 million for public buildings, including \$51.3 million for construction of the new police headquarters;
- \$69.8 million for streets, bridges, pedestrian improvements, and other traffic improvements and mass transit;
- \$72.3 million for recreation and parks, including \$20 million for renovations and improvements to the Chinquapin Recreation Center and \$13.7 million for open space acquisition;
- \$32.3 million for reconstruction, extension and rehabilitation of sewers (sanitary sewers funded 100% from sewer fees);
- \$22.8 million for information technology projects; and
- \$17.8 million for community development, libraries and other regional commitments.

Budget in Brief

FINANCIAL OUTLOOK

During consideration of the FY 2008 budget, several longer range challenges continue to be considered and require future attention to assure the financial condition of the City is sustainable.

The City faces future challenges in meeting competitive pressures of the regional labor market. Health care insurance premiums for current employees are increasing, and accounting standard changes are causing the City and Schools to each develop multi-year plans to fund long-term liabilities for retiree health and life insurance benefits. Although increased premium cost sharing with City employees helps mitigate this budget pressure, longer term strategies need to be developed. The City also must redesign the process by which it measures and maintains staff pay and benefit competitiveness with other Washington metropolitan jurisdictions.

The City has positioned itself well financially to be ready for the slowdown in the real estate market. For future planning purposes the budget assumes little growth in assessments next year. The City has the ability to adjust City spending by slowing down planned capital projects, and staff can closely monitor spending and revenues during the year so that any negative trends in revenues or expenditures can be identified and make quick adjustments as necessary.

Over the long range, the economic vitality of the City is the major determinant of the budget health of the City. The Mayor's Economic Sustainability Work Group plans has recommended actions that the City could take to enhance and attract retail, commercial, and office prospects. Retaining existing businesses and non-profit associations is equally important. A final report from the Work Group is expected this fall.

The funding plan for the CIP contains \$85.3 million in to-be-determined funding to pay for planned CIP expenditures in FY 2009 and FY 2010. The City will have to examine closely whether it can afford those expenditures, or whether it can use pay-as-you go financing or additional borrowing to provide a portion of the additional \$85.3 million needed to balance the CIP in FY 2008.

OPTIONS CHOSEN ABOVE THE TARGET

During the budget process, City Council considered options to add funds to the proposed \$508.9 million budget, which was drafted using a low initial target allowing only 2.25% growth. These options were carefully considered and Council added a 1.5% COLA worth \$3.3 million for City employees, where the proposed budget had no COLA. City Council also added \$4.7 million above the initial target to maintain the quality of public education for Alexandria's youth (\$2.1 million of the \$4.7 million provides a 1.5% COLA for School employees). The School Board had requested \$6.8 million above the target. City Council also added additional funds for a variety of City programs and activities and capital projects in the amount of \$2.6 million, for a total increase of \$10.6 million above the target. To balance the budget, City Council increased the real property tax rate by 1.5 cents per \$100 of assessed value and made other minor tax and fee increases.

Budget in Brief

TAX FACTS & ASSESSED VALUE

Type	Unit	FY 2007 Actual Rate	FY 2008 Approved Rate
Real Estate	\$100/AV	81.5 cents	83.0 cents
Personal Property & Relief Percentage	\$100/AV	\$4.75 / 69%	\$4.75 / 69%
Refuse Collection Disposal	Household	\$237	\$264

Average Residential Home Assessed Value	\$509,593
Average Residential Tax Bill CY'06	\$4,277
Average Residential Tax Bill CY'07 (Proposed 81.5 cents rate)	\$4,153
Average Residential Tax Bill CY'07 (Approved 83.0 cents rate)	\$4,230

Median Assessed Value of Homes and Condominiums 2007

<u>Assessed Value</u>	<u>Units</u>	<u>Total Value</u>	<u>Median</u>
Less than \$100,000	31	\$2,241,864	\$78,200
\$100,000-\$249,999	4,697	\$998,271,094	\$216,300
\$250,000-\$499,999	18,989	\$6,893,379,467	\$353,700
\$500,000-\$749,999	10,029	\$6,062,685,725	\$594,400
\$750,000-\$999,999	3,764	\$3,212,023,919	\$845,400
\$1,000,000-\$1,999,999	1,667	\$2,142,589,013	\$1,206,500
\$2,000,000 and over	230	\$872,590,225	\$2,423,600

Source: Department of Real Estate Assessments

The value of each one-cent on the real property tax rate is approximately \$3.4 million for FY 2008, but because it would impact FY 2007 revenues, a one penny change in the tax rate would have a \$5.0 million value for the eighteen-month period to which the new tax rate would apply.

Budget in Brief

FY 2008 BUDGET CALENDAR

City Council held two public hearings and thirteen public work sessions to review the budget in depth. The Budget schedule and work session agenda items were as follows:

Thursday, February 15	7:00 p.m.	Presentation of Proposed FY 2008 Operating Budget and Proposed FY 2008-2013 Capital Improvement Program
Thursday, February 15	9:00 p.m.	Work Session on Revenues
Wednesday, February 21	7:00 p.m.	Work Session on Personnel Compensation
Monday, March 5	7:00 p.m.	Work Session on Capital Improvement Program
Monday, March 12	7:00 p.m.	Work Session on Public Safety & Justice
Monday, March 19	7:00 p.m.	Work Session on Development & Transportation
Wednesday, March 28	7:00 p.m.	Joint Work Session with the ACPS School Board
Thursday, March 29	7:00 p.m.	Work Session Social Services
Monday, April 9, 2007	4:00 p.m.	Budget Public Hearing
Wednesday, April 11	7:00 p.m.	Joint Work Session with the School Board
Monday, April 16	7:00 p.m.	Work Session on Recreation and Cultural Activities
Wednesday, April 18	7:00 p.m.	Budget & Fiscal Affairs Advisory Committee Work Session
Monday, April 23	7:00 p.m.	Work Session on General Government
Tuesday, April 24	6:00 p.m.	Public Hearing on the Effective Real Estate Tax Rate at Regular Council Legislative Session
Tuesday, May 1	7:00 p.m.	Work Session on Preliminary Add/Delete List Review
Monday, May 7	6:00 p.m.	Work Session on Finalization of Add/Delete List
	7:00 p.m.	Budget and Tax Rate Adoption Special Council Meeting

Reference copies of the budget are available online at alexandriava.gov/budget and are also available at all Alexandria City public libraries.