

# CITY OF *Alexandria* VIRGINIA



M A N A G I N G   F O R   R E S U L T S

## FY 2010 APPROVED BUDGET IN BRIEF JULY 1, 2009 – JUNE 30, 2010



### ALEXANDRIA CITY COUNCIL

William D. Euille, Mayor

Redella S. Pepper, Vice Mayor

Ludwig P. Gaines

Rob Krupicka

Timothy B. Lovain

Paul C. Smedberg

Justin M. Wilson

### CITY MANAGER

James K. Hartmann

Information about the budget is available online at [alexandriava.gov/budget](http://alexandriava.gov/budget) or by contacting:

Office of Management and Budget  
City Hall, 301 King Street, Room 3630

703.746.3737

Monday - Friday 8AM - 5 PM

# Budget in Brief

## FY 2010 APPROVED BUDGET OVERVIEW

The Approved Budget decreases total General Fund spending by 6.7 percent or \$37.9 million below what it would cost to maintain current City and School services. The budget decreases spending by 2.2% or \$12 million below the FY 2009 Approved budget. In accordance with City Council guidance, the operating transfer to the Alexandria City Public Schools decrease by 2.0% or \$3.4 million from last year's approved budget and funds managed by the City decrease 2.3%.

The average homeowner's real estate tax burden will change only slightly with the real estate tax rate increasing by 5.8 cents to 90.3 cents per \$100 assessed value. Since residential property values have decreased, the net effect is that the amount of the average tax increases by 1.8%. The tax rate for commercial property owners will remain significantly lower than surrounding jurisdictions because the budget continues the current policy of no add-on tax on commercial property. Our real estate tax rate for homeowners among the lowest in the region and is the lowest for commercial property. Given the economic difficulties facing our taxpayers, only one other tax rate was changed – an increase of 10 cents in tax on a pack of cigarettes. The Approved Budget does increase a number of user fees and charges for services to recover more of the costs of providing those services.

Working together, we have been able to deal with this situation responsibly and still maintain our quality of life. To do so, we have focused our remaining resources on our community priorities. City Council provided a roadmap with those priorities in its budget resolution passed last November. The approved budget respects those priorities, and continues to fund most services provided to our residents, businesses and visitors. The budget increases the share of the budget devoted to education, public health, safety and assisting the least fortunate. The Capital Improvement Program focuses primarily on maintaining existing infrastructure. The Approved Budget, even at its reduced level, can maintain a capable and competent workforce, and continue to promote long term economic sustainability.

Sacrifices are broadly required and shared in this budget. It has been difficult to balance the needs for City services with our diminished ability to pay for those needs and desires. Of 42 departmental budgets, 36 will decline compared to last year's approved budget, and all will decline compared to what it would cost to maintain current services. This is a budget of shared sacrifice by everyone, and the pain will be shared by residents, businesses and visitors, a well as by City employees.

# Budget in Brief

## **BUDGET SUPPORTS EIGHT GOALS OF THE COUNCIL'S STRATEGIC PLAN**

The FY 2010 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 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 2010 APPROVED EXPENDITURE INCREASES (In Millions)

<b>General Fund</b>	<b>FY 2009 Approved</b>	<b>FY 2010 Approved</b>	<b>\$ Change</b>	<b>% Change</b>
City Operating Expenditures	318.7	307.5	(11.2)	(3.5%)
Transit Subsidies	16.7	16.0	(0.7)	(4.0%)
Capital Projects/Debt Service	38.6	41.8	3.2	8.3%
<i>City Subtotal</i>	<i>374.0</i>	<i>365.4</i>	<i>(8.6)</i>	<i>-2.3%</i>
City Appropriation to Schools	168.0	164.6	(3.4)	(2.0%)
<i>Schools Subtotal</i>	<i>168.0</i>	<i>164.6</i>	<i>(3.4)</i>	<i>-2.0%</i>
<b>Total General Fund Budget</b>	<b>\$542.0</b>	<b>\$530.0</b>	<b>-\$12.0</b>	<b>-2.2%</b>

### MAJOR “BUDGET DRIVERS” SHAPING THE APPROVED BUDGET

The downturn in the national economy has brought with it major changes to the financial world, including falling housing prices, tight credit, significant job losses and overall reductions in consumer spending. As a result there have been major reductions in revenue generated by real estate and other local taxes. This means that the City government has less money available to fund the City budget, and we must find ways to spend less. We began this process last fall when nearly \$10 million in budget rescissions were identified and taken to meet a revenue shortfall in the current fiscal year.

Fortunately, Alexandria has had strong fiscal management for many years as a result of adhering to Council-adopted debt policies and financial guidelines, that helped the City earn two triple A bond ratings, the first in 1986 and the second in 1992 and retained those ratings over the years, including two triple A ratings by Moody’s and Standard and Poors reaffirmed in just the last few weeks. We need to continue to take the actions needed to mitigate future revenue losses and to ensure the long-term viability of the City government.

The Approved Budget contains reductions unprecedented in the last 30 years. The budget eliminates 119 funded positions -- about 4 percent of our workforce. Approximately 74 of those positions were vacant. Another 16 of them involve an incumbent who has been reassigned or chose retirement. The remaining 29 positions are subject to an involuntary termination and subject to our Reduction in Force procedures. We have made every effort to find another position for which the incumbent is qualified and for which funding is available. For the first time in almost 20 years City employee pay will be completely frozen for a year. Also, new employee benefits will be reduced. The Approved Budget makes many reductions in programs and activities that are unprecedented as well. Delivery of some City services will be affected in this budget, and our ability to remain as responsive as in the past will be compromised.

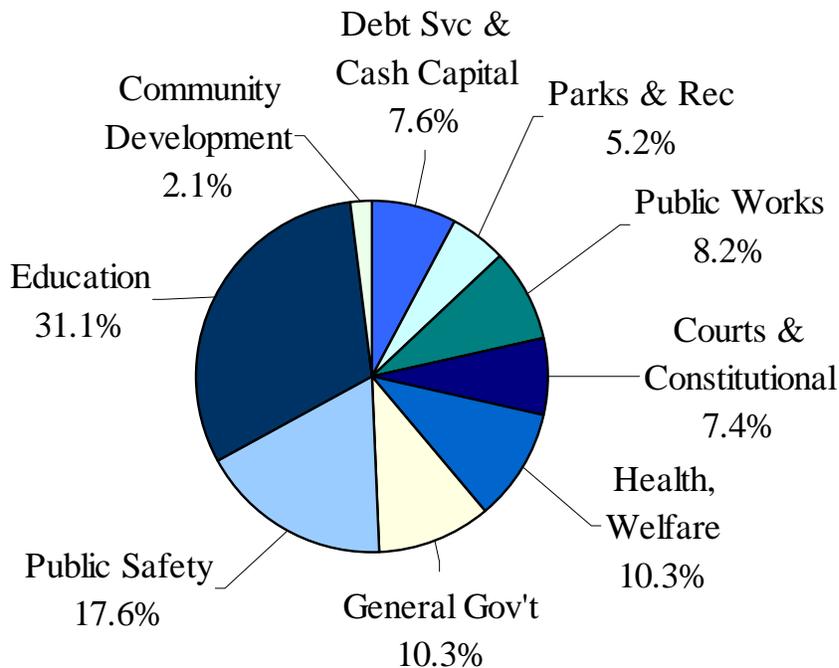
# Budget in Brief

## ALEXANDRIA CITY PUBLIC SCHOOLS

The Approved Operating Budget for FY 2010 provides \$164.6 million in City funds for School operations, a \$3.4 million decrease over last year. City funding for School operations decreases by 2.0% over FY 2009. The schools budget transfer accounts for 31% of total City expenditures.

In addition to the operating budget, the School Board approved a FY 2010-2015 Capital Improvement Program totaling \$86.7 million, which includes a \$21.6 million request for FY 2010. As requested by the City, the Schools categorized projects for FY 2010 and FY 2011 based on the whether projects maintain existing facilities or improve facilities. The City Manager's FY 2010-2015 Approved CIP includes \$64.8 million in funding for the Schools, of which, \$12.0 million is dedicated for FY 2010.

### FY 2010 GENERAL FUND EXPENDITURES WHERE IT GOES... \$530 Million

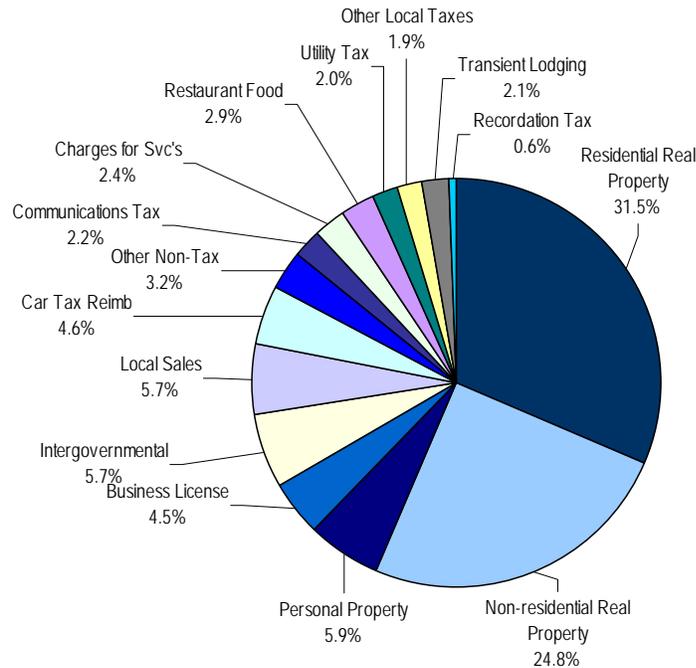


# Budget in Brief

## FY 2010 COMBINED GENERAL FUND REVENUES, WHERE IT COMES FROM...

**\$526.4 million**

(excluding prior-year surplus and sewer fund transfer)



FY 2010 Approved General Fund Revenues	\$526.4
Use of Prior-Year Surplus	\$1.5
Other Transfers In	\$2.1
<b>Total General Fund Revenues</b>	<b>\$530.0</b>

The Approved General Fund revenues are projected at \$526.3 million. Another \$2.5 million in transfers that consist of sanitary sewer fund revenues available to finance that program's share of debt service and revenues to cover WMATA debt service. An additional \$1.5 million in FY 2009 surplus revenues have been designated for use in FY 2010. As a result, a total of \$530.0 million is available to support the approved City and Schools' General Fund expenditures, a 2.2% decrease in total revenues.

# Budget in Brief

## FY 2010 APPROVED REVENUE SUMMARY

Real Estate tax revenues are projected at \$296.3 million, a 0.9% decrease as compared to last year's approved budget, reflecting a combination of decreasing residential and commercial assessments as well as a drop-off in new construction.

- This reflects the real estate tax rate increasing to 90.3 cents per \$100 of assessed value, and no change in the program guidelines providing real estate tax relief to elderly and disabled homeowners. However, the City's relief program targeted to low and moderate income homeowners, AHOP, is approved to be eliminated in FY 2010.
- The collection of Other Taxes are expected to decrease by 5.0%; other Non-tax revenues are expected to decrease by 13.8%; and Intergovernmental revenue from federal and state sources are expected to decrease by 0% from last year's approved budget.
- The budget also includes a \$30 increase in solid waste collection fees from \$301 in FY 2009 to \$331 per residence in FY 2010 to keep that activity self-supporting through user fees.

Millions of dollars

	<b>FY 2009 Approved</b>	<b>FY 2009 Projected</b>	<b>FY 2010 Approved</b>	<b>Change from FY 2009 Approved</b>
Real Property Tax	\$293.6	\$295.5	\$296.3	0.9%
Other Taxes	157.0	150.0	149.1	(5.0%)
Non-tax revenue	32.0	25.9	27.6	(13.8%)
Fed & state revenue	52.8	53.3	53.4	0.0%
PY surplus & other fund transfers	6.6	6.6	3.6	(45.5%)
<b>Total</b>	<b>\$542.0</b>	<b>\$531.3</b>	<b>\$530.0</b>	<b>-2.2% *</b>

\*The total change from FY 2009 Projected Revenues is -0.2%

# Budget in Brief

## CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS

The City Manager's FY 2010 – 2015 CIP was proposed to City Council on February 12, 2009. City Council subsequently held two budget worksessions to discuss various issues related to the capital budget and whether any changes were necessary.

The result of the budget worksessions was City Council's decision to not dedicate an additional penny specifically as a CIP cash funding source. Instead, City Council reduced borrowing by \$2.0 million to serve as a cash funding source in FY 2010. In addition, \$1.0 million was decreased from the HR/Payroll System project within the IT Plan in FY 2010 and shifted to FY 2011.

City Council funded four of the City Manager's recommended additional capital expenditures as outlined in the Proposed CIP. The Back-up Government Operations Center was not funded. City Council instead decided to provide \$0.6 million for the DASH Bus Replacement program. City Council's changes to the Proposed CIP include:

- James Polk Elementary School Gymnasium - \$1.4 million
- Artificial Turf Field Program - \$0.9 million
- Transit Pedestrian Improvements Grant Match - \$0.3 million
- Street and Sidewalk Reconstruction - \$0.2 million
- DASH Bus Replacement - \$0.6 million
- HR/Payroll Project - \$(1.0) million (restored in FY 2011)

The City Council Approved FY 2010 – 2015 CIP totals \$383.9 million in local funding and \$398.4 million in total funding. This represents a decrease in 4.7 percent in local funding and a decrease of 12.7 percent in all sources of funding.

The community's appetite for capital investment continues to grow at a rapid rate. The FY 2008 – FY 2013 Approved CIP identified \$85.3 million of projects above what the City could afford. This shortfall number was \$61.3 million in the FY 2009 – FY 2014 Approved CIP. Now, in the FY 2010 – FY 2015 Approved Capital Improvement Plan, the gap between requested capital expenditures and the City funding capacity has grown to \$124.1 million.

The CIP for FY 2010 through FY 2015 provides \$398.4 million over a six-year period as follows:

- \$64.8 million for public schools;
- \$107.7 million for public buildings, including \$78.1 million for construction of the new police headquarters; and for public safety communications and technology equipment replacement;
- \$111.3 million for public transportation and traffic control;
- \$33.0 million for streets, bridges, pedestrian improvements, other traffic improvements and mass transit;
- \$61.7 million for recreation and parks;
- \$59.1 million for reconstruction, extension & rehab of sewers-sanitary sewers funded 100% from sewer fees;
- \$17.0 million for information technology projects;
- \$12.8 million for community development, libraries and other regional commitments;
- \$3.7 million in other regional contributions;
- \$72.6 million in reductions to be determined.

# Budget in Brief

## FINANCIAL OUTLOOK

An extraordinary degree of uncertainty remains about our revenue projections in FY 2010 and beyond. Unfortunately, the bad economic news is likely to continue for many months, and it may get worse before it gets better. We need to manage the significant downside risks that still exist by being prepared to react quickly to any further negative economic news. After the fiscal year begins, we must be prepared to make mid-course corrections, like we did earlier in FY 2009. The Approved Budget includes a \$4.3 million reserve for meeting possible FY 2010 revenue shortfalls. We have improved our ability to monitor and track both revenues and spending during the year, and to make mid-course corrections by reducing spending should that become necessary.

The City's focus is not only on FY 2010, but the long range future of Alexandria. We believe that the future holds promise. Working with our dedicated City employees, we believe we can successfully navigate these treacherous financial times. We will not look the same when this crisis is over, and we cannot preserve all of today's services. We believe we can build for the future by reforming how we lead and manage the City. We can make the City more purposeful and goal directed through better focus on our strategic priorities, more coordinated and productive through better organizational structures and policies, and more operationally efficient through continuous improvement in our procedures and systems. In short, we believe the challenges of today will make us not weaker, but stronger and more able to meet the challenges of the future.

# Budget in Brief

## TAX FACTS & ASSESSED VALUE

Type	Unit	FY 2009 Actual Rate	FY 2010 Approved Rate
Real Estate	\$100/AV	84.5 cents	90.3 cents
Personal Property & Relief Percentage	\$100/AV	\$4.75 / 69%	\$4.75 / TBD
Refuse Collection Disposal	Household	\$301	\$331

Average Residential Home Assessed Value .....	\$476,490
Average Residential Tax Bill CY'2008 .....	\$4,227
Average Residential Tax Bill CY'2009 (Approved 90.3 cents rate) .....	\$4,303

### Median Assessed Value of Homes and Condominiums CY 2009

<u>Assessed Value</u>	<u>Units</u>	<u>Total Value</u>	<u>Median</u>
Less than \$100,000	21	\$1,613,717	\$86,541
\$100,000-\$249,999	8,302	\$1,622,392,219	\$195,094
\$250,000-\$499,999	17,747	\$6,481,963,264	\$362,563
\$500,000-\$749,999	8,549	\$5,172,707,061	\$598,195
\$750,000-\$999,999	3,485	\$2,968,992,700	\$842,544
\$1,000,000-\$1,999,999	1,593	\$2,051,069,834	\$1,210,815
\$2,000,000 and over	229	\$835,474,211	\$2,419,628

Source: Department of Real Estate Assessments

The value of each one-cent on the real property tax rate is approximately \$3.3 million for FY 2010.

# Budget in Brief

## FY 2010 BUDGET CALENDAR

There were two public hearings on the budget on Wednesday, March 11 and Tuesday, April 13 and a public hearing on the tax rate on Saturday, April 18 that citizens were invited to participate in. City Council also held fourteen public budget work sessions.

**February 10, 2009** – Introduction and Presentation of Budget (7:00 pm City Council Chambers, City Hall)

**February 11, 2009** – Work Session on Revenues (6:30 pm)

**February 18, 2009** – Work Session on Employee Compensation (6:30 pm)

**February 23, 2009** – Work Session on CIP (6:30 pm)

**March 3, 2009** – Work Session on Transportation/Transit (6:30 pm)

**March 5, 2009** – Work Session on Social Safety Net Programs and Activities (6:30 pm)

**March 11, 2009** – Budget Public Hearing (6:30 pm City Council Chambers, City Hall)

**March 16, 2009** – Work Session on CIP Follow-Up Issues, Parks and Rec., Historic Alexandria, and Library. (6:30 pm)

**March 23, 2009** – Joint Work Session with School Board on ACPS Budget (7:30 pm Samuel Tucker Elementary)

**March 24, 2009** – Work Session on Fire Department Activities (5:30 pm, City Council Work Room on, 2nd Floor, City Hall)

**March 31, 2009** – Work Session on City Administration and Management Programs and Activates. (6:30 pm)

**April 06, 2009** – Work Session on BFAAC and Public Safety and Administration of Justice and Other Economic Sustainability Programs and Activities. (6:00 pm)

**April 13, 2009** – Budget Public Hearing (4:00 pm City Council Chambers, City Hall)

**April 14, 2009** – Alexandria Convention and Visitors Association (ACVA) and Alexandria Economic Development Partnership (AEDP) Work Session (5:30 pm, City Council Work Room, 2nd Floor, City Hall)

**April 14, 2009** – Introduction of Tax Ordinances (7:00 pm City Council Chambers, City Hall)

**April 18, 2009** – Public Hearing on effective tax rate increase (9:30 am, City Council Chambers, City Hall)

**April 20, 2009** – Work Session on Preliminary Adds/Deletes (6:30 pm)

**April 27, 2009** – Work Session on Final Adds/Deletes (6:00 pm City Council Work Room, 2nd Floor, City Hall)

**April 27, 2009** – Special Session to Adopt Budget and CIP (7:00 pm City Council Chambers, City Hall)

Reference copies of the budget are available online at [alexandriava.gov/budget](http://alexandriava.gov/budget) and are also available at all Alexandria City public libraries.