

# CITY OF ALEXANDRIA, VIRGINIA

Leadership & Management Institute Graduates



Emergency Operation Center Staff



Workers during Blizzard 2010

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

## FY 2012 PROPOSED BUDGET IN BRIEF JULY 1, 2011 – JUNE 30, 2012



### ALEXANDRIA CITY COUNCIL

William D. Euille, Mayor

Kerry Donley, Vice Mayor

Frank H. Fannon

Alicia Hughes

Rob Krupicka

Redella S. Pepper

Paul C. Smedberg

### 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

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Monday - Friday 8AM - 5 PM

## **FY 2012 Proposed Budget OVERVIEW**

The FY 2012 Proposed Operating and Capital Budgets represent a culmination of years of effort to redesign our approach to fiscal planning, make our budgeting processes more inclusive and transparent, and improve upon our strategic decision-making. These fiscal recommendations to City Council were developed using the same framework employed by City Council to craft the City's Strategic Plan. Focusing on the goals of the City as defined by Council and the community, cross-departmental staff teams have worked for several months to recommend where taxpayer resources are best invested to accomplish our objectives and realize our goals, while still working within a constrained resource environment. The result is total General Fund spending increases by 4.1% or \$21.8 million compared to the FY 2011 Approved Budget. The appropriation to schools increases \$6.9 million, following Council guidance to provide an appropriation equal to the FY 2011 appropriation increased by the same rate of revenue growth.

The proposed operating budget is balanced without the necessity of increases in tax rates, fees, fines or service charges, and without the necessity of new programmatic reductions. The budget contains numerous cost saving and efficiencies in all City operations. Of particular impact are the provisions for increased cost sharing by employees of retirement and health care benefits.

The average homeowner's real estate tax burden will change slightly (\$18) with no tax increase. The tax rate for commercial property owners will remain significantly lower than surrounding jurisdictions. The budget includes a proposal for a transportation add-on tax on commercial property of 12.5 cents with a proposed reduction to business license taxes to partially offset the cost impact of this tax on the business community.

## BUDGET SUPPORTS SEVEN GOALS OF THE COUNCIL'S STRATEGIC PLAN

**In June 2010, City Council adopted a new Strategic Plan containing the City's overall vision, goals, objectives and initiatives. The goals of the new plan currently are:**

- Goal 1: Alexandria has Quality development and Redevelopment, Support for Local Businesses, and a Strong, Diverse, and Growing Local Economy.
- Goal 2: Alexandria Respects, Protects, and Enhances the Health of its Citizens and the Quality of its Natural Environment.
- Goal 3: A Multimodal Transportation System that Supports Sustainable Land Use and Provides Internal Mobility and Regional Connectivity for Alexandrians.
- Goal 4: Alexandria is a Community that Supports and Enhances the Well-Being, Success and Achievement of Children, Youth and Families.
- Goal 5: Alexandria is Financially Sustainable, Efficient, Community Oriented and Values its Employees.
- Goal 6: The City Protects the Safety and Security of its Residents, Businesses, Employees and Visitors.
- Goal 7: Alexandria is a Caring and Inclusive Community That Values its Rich Diversity, History and Culture, and Promotes Affordability.

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

### **Our mission is:**

*Alexandria City Government is financially sustainable, provides excellent services that are valued by its customers, and engages the entire community as it plans for its future.*

# Budget in Brief

## FY 2012 PROPOSED EXPENDITURE INCREASES (In Millions)

| <b>General Fund</b>              | <b>FY 2011<br/>Approved</b> | <b>FY 2012<br/>Proposed</b> | <b>\$<br/>Change</b> | <b>%<br/>Change</b> |
|----------------------------------|-----------------------------|-----------------------------|----------------------|---------------------|
| City Operating Expenditures      | 305.5                       | 315.4                       | 9.9                  | 3.2%                |
| Transit Subsidies                | 16.0                        | 15.9                        | (0.1)                | -0.6%               |
| Capital Projects/Debt Service    | 42.2                        | 47.3                        | 5.1                  | 12.1%               |
| <i>City Subtotal</i>             | <i>363.7</i>                | <i>378.6</i>                | <i>14.9</i>          | <i>4.1%</i>         |
| City Appropriation to Schools    | 167.9                       | 174.8                       | 6.9                  | 4.1%                |
| <b>Total General Fund Budget</b> | <b>\$531.6</b>              | <b>\$553.4</b>              | <b>\$21.8</b>        | <b>4.1%</b>         |

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

The City Council provided guidance that the FY 2012 Proposed Budget should include no real estate tax increases. The FY 2012 Proposed Budget does include a proposal for a transportation add-on tax of 12.5 cents. In addition, a 20 cent per \$100 tax on real estate in the Tier 1 part of the Special Tax District of Potomac Yard is proposed in this budget to support initial costs leading to a potential Potomac Yard Metrorail Station.

The budget includes a net increase in spending and revenues of \$21.8 million almost entirely due to increased costs to provide current services and an increase in real estate values which has led to increase revenues with no need to raise taxes or fees.

# Budget in Brief

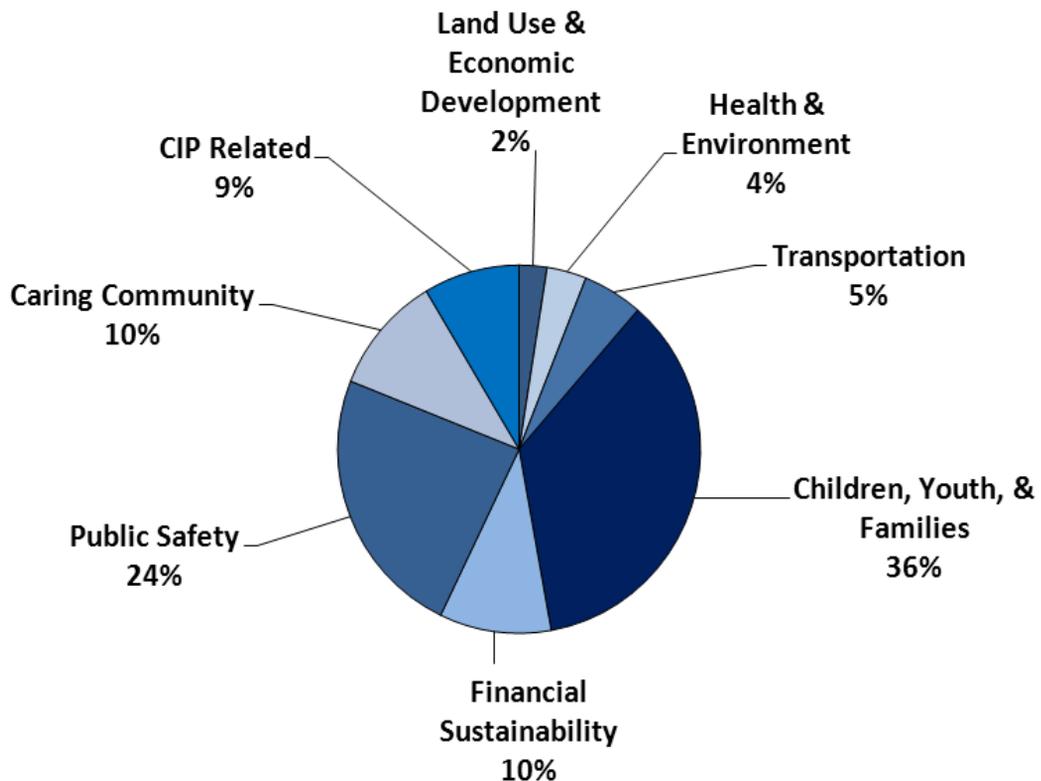
## ALEXANDRIA CITY PUBLIC SCHOOLS

The operating transfer to the Alexandria City Public Schools (ACPS) for our public school system in the FY 2012 Proposed Budget increases by \$6.9 million compared to FY 2011.

This 4.1% increase in the City's contribution to public education follows City Council guidance to include in the base budget a General Fund transfer to the Schools for operating expenses equal to the transfer approved in FY 2011 increased by the same percentage as the percentage increase in General Fund revenues for FY 2012. The Superintendent's proposed budget requests a slightly lower (about \$800,000) but the amount of the transfer is based on more recent revenue estimates not available to the Superintendent when he proposed the School's FY 2012 Operating Budget to the School Board.

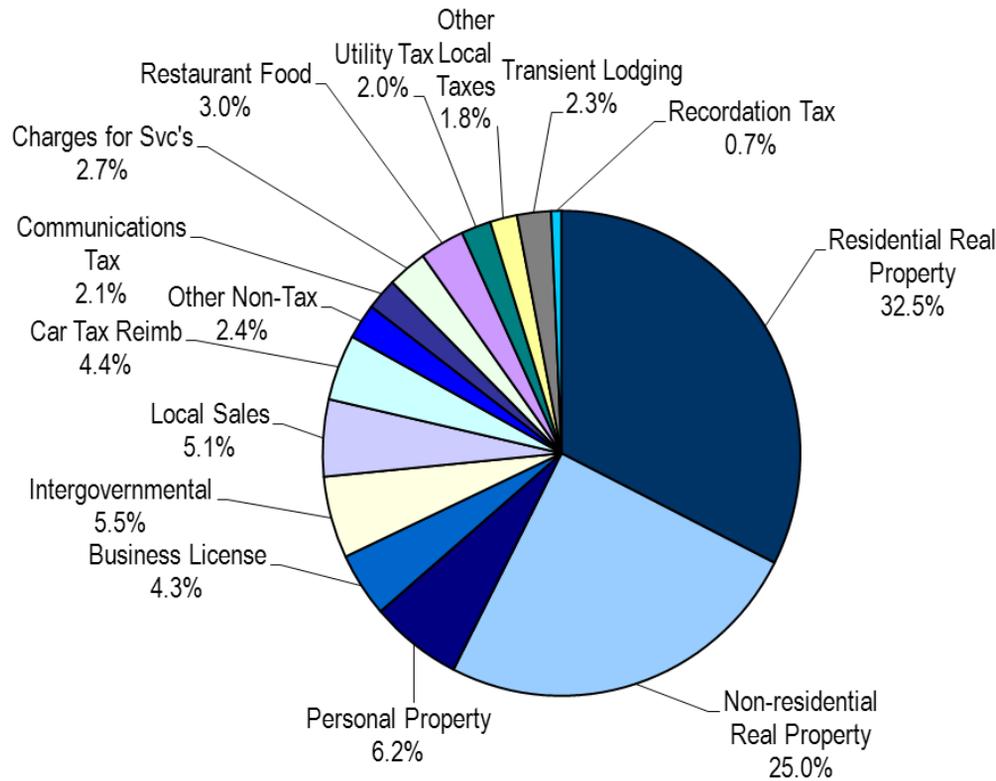
### FY 2012 GENERAL FUND EXPENDITURES WHERE IT GOES... \$553.4 Million

### The Operating Budget By Strategic Plan Goals



# Budget in Brief

## FY 2012 COMBINED GENERAL FUND REVENUES, WHERE IT COMES FROM...



|  |                |
|--|----------------|
| FY 2012 Proposed General Fund Revenues | \$548.4        |
| Use of Prior-Year Surplus              | \$5.0          |
| <b>Total General Fund Revenues</b>     | <b>\$553.4</b> |

The Proposed General Fund revenues are projected at \$548.4 million. An additional \$5.0 million in prior year revenues have been designated for use in FY 2012. As a result, a total of \$553.4 million is available to support the approved City and Schools' General Fund expenditures, a 4.1% increase in total revenues.

# Budget in Brief

## FY 2012 PROPOSED REVENUE SUMMARY

Total taxes paid by residents, visitors and businesses will increase by \$21.8 million or 4.1% in the base budget. Due to higher assessments and rising economic activity, no proposal has been made to increase the tax rate for General Fund revenues, though an optional transportation add-on tax of 12.5 cents on commercial property has been proposed. With an unchanged real estate tax rate, the average homeowner would pay \$18 more a year (+0.4%). The CY 2011 total overall value of real property increased 2.5% from last year's January 2010 assessments.

In December, 2010, City Council approved the Tier I Special Services Tax District for Land Bay F, G, and H and the multi-family portion of Land Bay I in Potomac Yards. The Tax District will help providing funding for improvements in Potomac yards, including the development of a Metrorail station in Potomac Yards.

No other tax rate would be raised. Furthermore, no fee increases are proposed in FY 2012. Federal and State revenues are estimated to remained essentially unchanged. City asset sales are proposed to raise \$0.9 million for capital program purposes. If more asset sales materialize, those funds would be dedicated to the capital improvement program.

### *Millions of dollars*

|                                      | FY 2011<br>Approved | FY 2011<br>Projected | FY 2012<br>Proposed | % Change<br>11 Approved/<br>12 Proposed |
|--------------------------------------|---------------------|----------------------|---------------------|---|
| Real Property Tax                    | \$296.2             | \$308.0              | \$315.2             | 6.4%                                    |
| Other Taxes                          | 149.1               | 150.2                | 153.8               | 3.2%                                    |
| Non-tax revenue                      | 27.6                | 26.5                 | 27.7                | 0.4%                                    |
| Fed & state revenue                  | 51.7                | 52.4                 | 51.7                | 0.0%                                    |
| PY surplus & other<br>fund transfers | 6.9                 | 6.9                  | 5.0                 | (27.5%)                                 |
| <b>Total</b>                         | <b>\$531.6</b>      | <b>\$544.0</b>       | <b>\$553.4</b>      | <b>4.1%</b>                             |

# Budget in Brief

## CAPITAL IMPROVEMENT PROGRAM HIGHLIGHTS

The Proposed FY 2012-FY 2021 Capital Improvement Program (CIP) totals \$956.9 million. When including the Potomac Metro Yard Station approved by City Council in June 2010, this ten year program represents a \$25.2 million decrease over the Approved FY 2011 – 2020 CIP, primarily due to the majority of the new Police facility construction costs being funded in FY 2011. Not included in the \$956.9 million, or base CIP, is the optional transportation Add-On tax on commercial properties, which totals \$127.5 million in transportation related capital infrastructure investments over the ten year program.

The Proposed FY 2012 - 2021 CIP addresses two broad areas of expenditure:

- Protection of the City's investment in existing public facilities or infrastructure (physical assets); and
- Planning and construction of major new public facilities and infrastructure, including new or replacement Information Technology systems.

The City Manager's guidance in developing the FY 2012 – FY 2021 CIP was to keep funding generally consistent with levels approved in the Approved FY 2011 – 2020 CIP. While applying this guidance to the majority of City projects, three important issues will require additional attention and potential City Council action:

- The Proposed CIP includes the same level of funding for the Alexandria City Public Schools (ACPS) as the Approved FY 2011 – 2020 CIP. City staff will continue to work with the public, City Council, and School Staff to analyze and review the Superintendent's Proposed FY 2012 – 2021 CIP;
- Projects associated with the optional 12.5 cent transportation Add-On tax on commercial properties are included above the base CIP; and
- Funding for the Potomac Yard Metro Station is included at \$275.0 million, and will be funded with the resources that the City would obtain from multiple sources including net new tax revenues from Potomac Yard, a Special Services Tax District and from developer contributions. It is estimated that through the year 2040 Potomac Yard could potentially generate for the City's General Fund \$661.8 million in new local tax revenues.

The Proposed CIP for FY 2012 – FY 2021 provides \$956.9 million as follows:

- \$158.1 million for public schools (same level of funding as the Approved FY 2011 – 2020 CIP);
- \$111.7 million for public buildings;
- \$394.8 million for public transportation and traffic control including \$275.0 million for the Potomac Yard Metro Station
- \$38.8 million for streets, bridges, pedestrian improvements and other traffic improvements;
- \$75.9 million for recreation and parks;
- \$54.5 million for information technology projects including \$18.0 million to fund the Computer Aided Dispatch and Records Management System for Police, Fire and Emergency Medical Services;
- \$32.5 million for community development, and other regional commitments;
- \$28.5 million for stormwater management projects;
- \$38.1 million for the sanitary sewer system; and
- \$24.0 million allowance for inflation or additional projects.

# Budget in Brief

## FINANCIAL OUTLOOK

In the City's mid-range estimate for revenues and expenditures, the FY 2013 budget forecast includes a shortfall of \$11.6 million. Most of the deficit is due to expenditure increases, which are projected to total a little over 4% in FY 2013. Revenues, while increasing, are expected to increase by less than the rate of expenditure increase. The worst case forecast is a \$18.4 million deficit. The best case forecast scenario is a \$3.9 million deficit. The model assumes no across the board salary adjustment for employees in FY 2012.

In order to balance the FY 2013 budget, it will probably be necessary again to do a combination of revenue and tax increases and expenditure reductions. The exact balance between the two types of actions would be determined by Council.

We must continue to work together responsibly as we emerge from this financial crisis with a long term perspective and strategy. As Council has directed, we will work this spring to develop a 10 year blueprint for linking the strategic plan – its goals, objectives and initiatives – to future budgets. This Operating Budget and Capital Improvement Program for FY 2012 is only a first step in developing a 10 year blueprint for both a long term, strategic focus on financial sustainability and maintaining the high quality of life enjoyed by Alexandrians.

# Budget in Brief

## TAX FACTS & ASSESSED VALUE

| Type                                  | Unit      | CY 2010<br>Actual<br>Rate | CY 2011<br>Proposed<br>Rate |
|---------------------------------------|-----------|---------------------------|-----------------------------|
| Real Estate                           | \$100/AV  | 97.8 cents                | 97.8 cents                  |
| Personal Property & Relief Percentage | \$100/AV  | \$4.75 / 69%              | \$4.75 / TBD                |
| Refuse Collection Disposal            | Household | \$331                     | \$336                       |

|   |            |
|---|------------|
| Average Residential Home Assessed Value .....                         | \$449,411  |
| Average Residential Tax Bill CY'2010 (Equalized).....                 | \$4,378.72 |
| Average Residential Tax Bill CY'2011 (Proposed 97.8 cents rate) ..... | \$4,395.24 |

### Median Assessed Value of Homes and Condominiums CY 2011

| <u>Assessed Value</u>   | <u>Units</u> | <u>Total Value</u> | <u>Median</u> |
|-------------------------|--------------|--------------------|---------------|
| Less than \$100,000     | 682          | \$59,273,022       | \$88,167      |
| \$100,000-\$249,999     | 10,453       | \$1,935,548,995    | \$186,646     |
| \$250,000-\$499,999     | 15,566       | \$5,820,859,692    | \$375,193     |
| \$500,000-\$749,999     | 8,803        | \$5,343,817,617    | \$600,637     |
| \$750,000-\$999,999     | 3,190        | \$2,697,749,622    | \$833,752     |
| \$1,000,000-\$1,999,999 | 1,501        | \$1,924,082,494    | \$1,206,012   |
| \$2,000,000 and over    | 173          | \$468,778,569      | \$2,395,782   |

Source: Department of Real Estate Assessments

The value of each one-cent on the real property tax rate is approximately \$3.258 million for CY 2011.

# Budget in Brief

## FY 2011 BUDGET CALENDAR

Citizens are invited to participate in a public hearing on the budget on Monday, March 7 at 4PM and a public hearing on the tax rate on Saturday, April 16 at 9:30AM. City Council will also hold nine public work sessions denoted below (all sessions are held in City Hall, Sister Cities rm. #1101, unless otherwise noted):

|          |           |   |
|----------|-----------|---|
| Feb. 8   | 7:00 p.m. | Introduction and Presentation of Budget (Council Chambers)  |
| Feb. 9   | 7:00 p.m. | Work Session: Revenues and Capital Improvement Program Overview   |
| Feb. 15  | 7:00 p.m. | Work Session: Transportation and Economic Development   |
| Feb. 23  | 7:00 p.m. | Work Session: Financial Sustainability  |
| March 7  | 4:00 p.m. | Budget Public Hearing (Council Chambers)  |
| March 12 | 9:30 a.m. | Public Hearing on Maximum Tax Rate (Council Chambers)   |
| March 14 | 7:00 p.m. | Joint Work Session with School Board on ACPS Budget (George Washington Middle School)                   |
| March 21 | 7:00 p.m. | Work Session: Health and the Environment; Children, Youth, and Families; Caring and Inclusive Community |
| March 22 | 7:00 p.m. | Introduction of Tax Ordinances (Council Chambers)   |
| April 11 | 7:00 p.m. | Work Session: BFAAC Report, Public Safety   |
| April 16 | 9:30 a.m. | Public Hearing on Effective Tax Rate Increase (Council Chambers)  |
| April 25 | 7:00 p.m. | Work Session: Preliminary Add/Delete  |
| May 2    | 6:00 p.m. | Work Session: Final Add/Delete (Council Work Room, 2 <sup>nd</sup> Floor, City Hall)                    |
| May 2    | 7:00 p.m. | Budget and Tax Rate Adoption  |

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.