

City Manager's Updated Message

June 22, 2011

To the Honorable Mayor and Members of City Council:

The FY 2012 Approved Budget increases by \$35.3 million, or 6.6%, over the FY 2011 Approved Budget.

It is my pleasure to present the Approved Fiscal Year 2012 Operating Budget and the Approved FY 2012-2021 Capital Improvement Program (CIP). The budget passed by City Council on May 2, 2011 not only affirms the City's commitment to maintaining long term financial sustainability and providing quality services but also includes significant investments in transportation improvements and the Schools.

The real estate property tax rate for CY 2011 increases by 2.0 cents per \$100 assessed value, of which 2.2 cents are reserved for transportation improvements.

City Council's approved changes to the proposed budget are listed in the attachment to this updated message entitled "Budget Memo #89: FY 2012 Budget Adoption – Actions Taken."

The average homeowner's real estate tax bill increases by \$107, or 2.4%.

The budget approved by City Council increases total General Fund spending by \$35.3 million, or 6.6, percent over the FY 2011 approved budget. The \$566.9 million General Fund operating budget maintains current City services while increasing funding for Schools operations by \$7.1 million, or 4.2%, and together with the CIP adds \$13.5 million for transportation improvement projects and \$3.0 million for school construction projects in FY 2012 beyond those funds included in the proposed CIP. The approved CIP includes \$524.7 million over ten years for transportation improvements and \$211.1 million over ten years for Schools projects.

There are no other tax or fee increases in this budget.

The approved CIP includes \$13.5 million of additional funding for transportation improvements in FY 2012 and \$144.8 million over ten years.

The transportation improvements are funded by a real estate property tax rate reservation of 2.2 cents per \$100 assessed value, which was offset by a 0.2 cent rate reduce in general real estate tax revenues for a net real estate tax rate increase of 2.0 cents. The average homeowner's real estate tax bill will increase by \$107, or 2.4%, as a result. City Council chose to increase the real estate tax rate on all properties rather than implementing the transportation add-on tax on commercial property presented in the proposed budget. The general property tax is not subject to the legislative restrictions attached to the transportation add-on tax and therefore provides greater flexibility. There are no other tax or fee increases included in this budget.

City Manager's Updated Message

The CIP also includes \$211.1 million over ten years for Schools projects.

Employee compensation includes merit/step pay increases but also increased health insurance cost sharing.

Any possible changes to the City's current defined benefit retirement plans will be considered in the context of the FY 2013 budget following the ad hoc retirement benefit advisory group's report to City Council.

The City will continue to rely on City Council's Strategic Plan and emphasize multi-year financial planning to make limited strategic improvements in the short term until more robust economic growth eventually returns.

The Schools CIP includes \$84.3 million to address capacity issues through projects such as new K-8 facilities at the Jefferson-Houston and Patrick Henry campuses, \$81.8 million for major facilities maintenance projects, and \$12.6 million in Eco City related projects.

Funding is provided in this budget for employees to receive merit/step pay increases for the second fiscal year in a row. Merit/step increases were suspended in the FY 2010 budget as a result of the economic recession.

Employees will pay a greater share of their health insurance costs in FY 2012, and the employee share is planned to increase again in FY 2013 to 20%. City Council chose not to require most employees to contribute 1% more of their salaries to pay for their retirement benefits as included in the proposed budget. City Council had previously established an ad hoc retirement benefit advisory group to examine the structure and financing of the City's current defined benefit retirement plans and recommend changes if necessary. City Council chose to wait until this group's report is received before making any other possible changes in these retirement plans as part of the FY 2013 budget process. The advisory group is scheduled to present its recommendations in the fall.

While the City has weathered the recession better than most due to careful financial planning and its location in the center of the Washington, D.C. metropolitan area, the multi-year revenue and expenditure forecast models suggest resources will continue to be constrained for the next two to four fiscal years. During such time, the City will continue to rely on the guidance of the City Council's Strategic Plan and emphasize multi-year financial planning to make limited strategic improvements in the short term and position the City government to address the community's long term strategic needs as more robust economic growth eventually returns.

Sincerely,

Bruce Johnson,
Acting City Manager

City Manager's Message

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 3, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO: 89 FY 2012 BUDGET ADOPTION - ACTIONS TAKEN
MONDAY, MAY 2, 2011

The following represents the budget actions taken during budget adoption Monday, May 2, 2011. City Council considered and adopted the FY 2012 General Fund Revenue and Expenditure Operating Budget in the amount of \$566,862,748 including the FY 2012 Cash Capital share of the Capital Improvement Program of \$16,529,994. This budget is based on the City Manager's FY 2012 Proposed Budget of \$553,374,401 with the following amendments identified in the Final Add-Delete spreadsheet, which is attached.

(Note: The actions taken by City Council and the impacts on Departmental budgets will be presented in detail in the FY 2012 Approved Operating Budget and FY 2012 to FY 2021 Capital Improvement Program documents which will be published in early July.)

This memorandum is organized into eight sections as follows:

- I. Expenditure Budget Changes
 - a. Technical Adjustments
 - b. Changes to Proposed General Fund Operating Budget
- II. Revenue Budget Changes
 - a. Technical Adjustments
 - b. Changes to Proposed General Fund Operating Budget
- III. Fund Balance Designations
- IV. Contingent Reserves
- V. Capital Improvement Program (CIP)
 - a. Changes in the Cash Capital Transfer to the CIP
 - b. Changes in Borrowing for the CIP
- VI. Special Revenue Fund Budget Changes
- VII. Summary of FY 2012 General Fund Budget
- VIII. Comparisons to FY 2011 Approved and FY 2012 Proposed Budgets

City Manager's Message

I. *Expenditure Budget Changes:*

a.

Technical Expenditure Adjustments to Proposed Budget (Budget Memo #53)

\$ (63,675)	City supplement decrease due to increased State funding - Court Services Unit
\$ (103,950)	City supplement decrease due to increased State funding - Other Public Safety
\$ (24,052)	Alexandria Economic Development Partnership
\$ (90,000)	Turnover rate to 3% (from 2.5%) - DCHS
\$ (40,000)	Shift portion of 1.0 FTE costs to Special Revenue Fund - DCHS
\$ (40,000)	Reduction in administration costs in the Office of Aging - DCHS
\$ (94,000)	Optimizing Medicaid waiver revenue decreasing General Fund expenditures - DCHS
\$ (30,000)	Reduction in administration costs for Out of School Time administration - DCHS
\$ (50,000)	Reduction in supplement to day care providers based on actual expenditures - DCHS
\$ (50,000)	Reduction in support for dental services based on actual expenditures - DCHS
\$ (12,694)	Bringing in-house State Criminal Alien Assistance Program (SCAAP) - Sheriff
\$ (100,000)	Reduction in medical services contract based on utilization - Sheriff
\$ (61,820)	Reduction in mental health services based on actual expenditures - Sheriff
\$ (12,000)	Reduction in contract costs associated with parking adjudication - Finance
\$ (20,000)	Reduction in tax season overtime - Finance
\$ (10,000)	Shift depreciation of new mobile stage to FY 2013 - RPCA
\$ (62,500)	Potomac Greens Park maintenance beginning in FY 2013 - RPCA
\$ (76,650)	Transfer of City's Alcohol Safety Action Program (ASAP) to State - General Services
\$ 28,750	Re-key Police and Sheriff's surplus vehicles - General Services
\$ 10,471	CPI adjustment for Animal Shelter - Other Public Safety Agencies
\$ 125,000	Second year of Microsoft Enterprise Agreement - ITS
\$ 170,000	Health insurance premium increase for Kaiser Permanente (5% to 7.5%) - City-wide

\$ (607,120) Total Technical Expenditure Adjustments

City Manager's Message

b.

City Council Changes to Proposed City General Fund Operating Budget Expenditures	
\$ 196,992	Increased access to preschool - ACPS
\$ 253,008	Increased access to preschool - DCHS
\$ 75,000	Fort Ward archaeology Stage II-A- Office of Historic Alexandria
\$ 75,000	Fort Ward archaeology Stage II-B - Office of Historic Alexandria
\$ 75,000	Additional Civil War Sesquicentennial funding - Office of Historic Alexandria
\$ 375,000	Increased street paving
\$ 760,000	Contingent Reserve Designations (details in Section IV.)
\$ 1,600,000	Do not implement the 1% employee retirement contribution - City-wide
\$ 100,000	Inova indigent care
\$ 24,500	Library evening hours
\$ 175,000	Increase Cash Capital to CIP for Detention Center security cameras
\$ 2,991,859	ACPS CIP request - Joint City/ACPS staff proposal (Cash Capital)
\$ 108,141	ACPS CIP request - Joint City/ACPS staff proposal (Debt Service)
\$10,704,965	Cash Capital to CIP - Reserved Real Estate Tax for Transportation Improvement Fund (2.2 cents)
\$ 909,044	Increase Cash Capital for Transportation Improvement Fund
\$ (2,250,873)	Decrease in Cash Capital due to CIP expenditure reductions & use of fund balance
\$ (120,000)	Planning and Zoning (P & Z) work program
\$ (25,000)	Reduction in Youth Master Plan funding
\$ (31,169)	City Hall security
\$ (300,000)	City Council contingent reserves
\$ (240,000)	First responder line of duty health and death benefit costs (Non-Dept.)
\$ (661,000)	Reduction in salary scale adjustment - City-wide
\$ (425,000)	Fire overtime reduction to Contingent Reserves
\$ (275,000)	Fire overtime reduction

\$14,095,467 Net City Expenditure Increases and Reductions (Total)

\$ 13,488,347 Total Expenditure Budget Adjustments (a +b)

City Manager's Message

II. Revenue Budget Changes:

a.

Technical Revenue Re-estimates to Proposed Budget (Budget Memo #52)

FY 2012

\$ 500,000	Increase	in Personal Property Tax revenue
\$ 100,000	Increase	in Sales Tax revenue
\$ 200,000	Increase	in Utility Tax revenue
\$ 225,000	Increase	in Business License Tax revenue
\$ (100,000)	Decrease	in Transient Lodging Tax revenue
\$ (275,000)	Decrease	in Restaurant Meals Tax revenue
\$ (100,000)	Decrease	in Admissions Tax revenue
\$ (75,000)	Decrease	in Telecommunications Tax revenue
\$ 60,000	Increase	in Licenses, Permits and Fee revenue
\$ 32,468	Increase	in Charges for Services
\$ 1,262,089	Increase	in Intergovernmental revenue

\$ 1,829,557 Total FY 2012 Technical Revenue Re-estimates

\$ 1,829,557 Total Increase in Revenue and Other Sources Recommended by the City Manager

b.

City Council Changes in Proposed Tax and Fee Rates and New Revenues

\$ 1,625,000	Apply the \$1.625 million proposed BPOL tax relief to other City priorities
\$10,704,965	Reserved Real Estate Tax rate for Transportation Improvement Fund (2.2 cents)
\$ (19,463)	Recreation Program 15% Senior Discount
\$ (651,712)	Reduction in the Real Estate Property Tax revenue for general operating

\$11,658,790 Total Increase in Tax and Fee Rates and New Revenues

\$ 13,488,347 Total Revenue Increases (a+b)

City Manager's Message

III. Fund Balance Designations

City Council Changes in Proposed Fund Balance Designations (requires Super majority)	
Designations	
\$ (321,467)	Reduction in Fund Balance designation for CIP (FY 2011 Tax Rate \$0.02 adjustment: 50% FY 2012, 50% FY 2013)
\$ 500,000	Increase in Fund Balance designation for CIP (reduction in snow emergencies designation: 50% FY 2012, 50% FY 2013)
\$ 1,691,000	Increase in Fund Balance designation for CIP (FY 2011 technical revenue re-estimates: 50% FY 2012, 50% FY 2013)
\$ 460,214	Increase in Fund Balance designation for CIP (FY 2011 Contingent Reserves: 50% FY 2012, 50% FY 2013)
\$ 2,329,747	Changes in Fund Balance (as of the end of FY 2011)

IV. Contingent Reserves

City Council Changes and Reservations of City Council Contingent Reserves	
\$ (300,000)	City Council contingent reserves
\$ 150,000	Gang prevention funding - Court Services Unit
\$ 425,000	Fire overtime
\$ 75,000	ANHSI
\$ 110,000	Other Fort Ward Management Plan funds
\$ 460,000	Increase in Contingent Reserves

City Manager's Message

V. *Capital Improvement Program Budget Changes*

a.

City Council Changes in the Cash Capital Transfer to the CIP	
\$ (50,000)	Non-Motorized Transportation (Safety) projects
\$ (75,000)	Non-Motorized Transportation (Mobility) projects
\$ (61,000)	Environmental Restoration project
\$ (900,000)	WMATA capital program
\$ (1,164,874)	FY 2012 Fund Balance designation for CIP
\$ 175,000	Detention Center security cameras - Sheriff
\$10,704,965	Reserved Real Estate Tax rate for Transportation Improvement Fund
\$ 2,991,859	ACPS CIP request - Joint City/ACPS staff proposal
\$ 909,044	Transportation Improvement Fund Cash Capital
\$ 12,529,994	Total FY 2012 Cash Capital Transfer Increases to the CIP

b.

City Council Changes in Borrowing for the CIP	
\$ 5,300,000	ACPS CIP request - Joint City/ACPS staff proposal (General Obligation Bonds)
\$ 5,300,000	Total FY 2012 Changes in Borrowing for the CIP

VI. *Special Revenue Budget Changes*

City Council Changes in Special Revenue Budgets	
\$ 44,129	Third year of state funding for Crisis Intervention Team - DCHS
\$ 510,380	Tier I Potomac Yard Metrorail Station Special Services District
\$ 554,509	Total Increases to Special Revenue Funds

City Manager's Message

VII. *Summary of the FY 2012 General Fund Budget*

Summary of Growth in FY 2012 Budget	
\$553,374,401	FY 2012 Proposed General Fund Operating Revenues and Expenditures
\$ 13,488,347	Total Change in City General Fund Operating Budget Expenditures over Proposed
\$566,862,748	Resulting FY 2012 General Fund Operating Budget
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\$ 2,329,747	Change in Fund Balance Designations (at the end of FY 2011)
\$ 12,529,994	Change in Cash Capital Funding of the FY 2012-FY 2021 CIP

VIII. *Comparisons to the FY 2011 Approved and FY 2012 Proposed General Fund Budgets*

	City	Schools	Total
FY 2011 Approved General Fund Budget	\$363,724,972	\$167,886,567	\$531,611,539
FY 2012 Proposed General Fund Budget	\$378,614,973	\$174,759,428	\$553,374,401
FY 2012 Approved General Fund Budget	\$391,906,328	\$174,956,420	\$566,862,748
Amount Over FY 2011 Approved	\$28,181,356	\$7,069,853	\$35,251,209
Percent Over FY 2011 Approved	7.7%	4.2%	6.6%

February 8, 2011

City Manager's Proposed Budget Message

Over the years we have redesigned our approach to fiscal planning, making our budgeting processes more inclusive and transparent, and improving upon our strategic decision-making

We are circumspect in our requests for resources and mindful of the fact that we are only now beginning to see the early signs of growth and expansion

This budget is based on cautious optimism -- the financial tide has turned but we cannot project a rapid recovery.

To the Honorable Mayor and Members of City Council:
It is my pleasure to transmit the Proposed Fiscal Year 2012 Operating Budget and the Proposed FY 2012-2021 Capital Improvement Program. The submission of these documents marks my last proposed budget to you as City Manager. It has been a challenging, exciting, and instructive experience managing the City's finances over the last six years.

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 you 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 work has been challenging to all involved. Several years of economic downturn has created some desire for service expansion to those residents facing economic hardships, calls to reverse recent budget reductions deemed necessary during the past few years, plans to meet delayed City organizational needs as well as pressures for City infrastructure and facility improvements. Regardless, we are circumspect in our requests for resources and mindful of the fact that we are only now beginning to see the early signs of growth and expansion.

This budget is based on cautious optimism. We are optimistic that the financial tide has turned. We are cautious in that we cannot project a rapid recovery. Rather we must base our plans on an expected slow and measured improvement in our local economy.

City Manager's Message

No tax rate increases and no new programmatic reductions

The budget contains numerous cost saving and efficiencies in all City operations.

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.

This result did not occur by chance. We have kept our financial reserves, when compared against City financial policy guidelines, strong. We finished FY 2010 in the black, and we will similarly finish FY 2011 with a surplus due to the turnaround in our real estate values. Our current revenue projections from last October appear to be on target for the remainder of FY 2011. We do not have to pay now for past budget gimmicks. In past budgets we have not used one-time revenue sources to fund ongoing expenses; neither do we propose doing so in this budget. We also have not relied on temporary one-time expenditure reductions, such as furloughs or delays in pension funding. The programmatic reductions taken in past years were difficult. We took \$9 million spending reductions mid-year in FY 2009, \$38 million in FY 2010, and \$23 million in FY 2011. These necessary budget choices are now yielding cumulative savings. We expect those savings will continue in the years to come.

City Council Fiscal Guidance and Budget Highlights

FY 2012 budget in accord with the guidance provided by City Council

City operational expenses increasing a modest 3.2%

Few programmatic increases – all directly support City Council strategic goals and initiatives

I am proposing a FY 2012 budget in accord with the guidance provided in City Council Resolution #2426. This budget does not increase any General Fund tax rate. The increase in City operational expenses, exclusive of subsidies for transit operations, the Schools transfer, and debt service and cash for capital projects, is a modest 3.2%.

Few programmatic increases are included in the proposal, and those that are included directly support City Council strategic goals and initiatives. Per City Council guidance, we have held level overall staffing funded by General Fund revenues. In some instances, there are increases to programs and services offered for Council consideration. These are presented as options to be considered above the base budget proposal. In accordance with Resolution #2426, these options are ranked in order of priority preference. These options also are linked to City strategic goals and objectives.

City Manager's Message

Significant operational savings by having employees share a greater portion of the cost of their benefits

This budget achieves significant operational savings by having our employees to share a greater portion of the cost of their benefits. The budget proposes continuing our previously announced policy of gradually increasing the minimum City employee share of health insurance premiums. Also, the budget proposes a 1% minimum in the employee share of the cost of City supplemental retirement benefits, as well as a 1 percentage point increase in Police Officer and Firefighter pension contributions. I should note that City Council has already formed an ad hoc Retirement Benefit Advisory Group to review current practices and look into the possible need for additional long range changes in retirement defined benefit plans. This Group will report back next fall in time for consideration of its recommendations in the next budget cycle.

Some increases in salaries to mitigate additional benefit cost sharing and provide a more competitive salary structure

To mitigate the negative impacts of additional benefit cost sharing on employee's compensation and to provide employees with a fair, regionally competitive salary structure, the proposed budget provides funding for increases in salaries. The budget sets aside \$0.7 million in funds for the first year of a three year program to implement pay adjustments to be competitive with neighboring jurisdictions. It also provides funding for merit-based step increases for qualified City employees, but no across-the-board pay increases for the fourth year in a row.

4.1% increase in operating funds for the Schools

City Council's direction to share with the public schools a funding increase equal to the overall increase in the budget will result in a 4.1% increase in the amount of monies provided ACPS. As you know, the Schools have considerable discretion in how they may use these funds. I understand budget choices that meet this overall fiscal guideline are being prepared by the Superintendent for School Board consideration and adoption on February 24th.

No more borrowing and cash capital from current General Fund revenues than was contained in last year's approved CIP

As Council directed, the proposed CIP funding plan assumes no more borrowing and cash capital from current General Fund revenues than was contained in last year's approved CIP. As a result, a total of \$158 million is committed to ACPS capital projects, the same amount provided in last year's approved plan. This amount is far less than the \$372 million proposed by the Superintendent. Funding designated for City related projects is primarily focused on the maintenance of existing City facilities and infrastructure. A modest amount of funding provides for expansion or reconstruction projects.

City Manager's Message

A Transportation Add-on Tax on commercial properties is proposed of 12.5 cents for transportation improvements

A Transportation Add-on Tax on commercial properties is proposed to begin in FY 2012. This proposal would levy an additional 12.5 cents per \$100 tax on real property used for commercial purposes. A comprehensive 10 year plan proposes to use these funds to achieve a wide variety of necessary transportation improvements benefitting all parts of Alexandria. Continued population and economic growth in the region and in Alexandria places increased stress on the City's transportation network each year.

The capital budget includes revenues and expenditures related to the construction of a Metrorail station in Potomac Yard

As part of this proposal and as requested by City Council, business license taxes are proposed to be reduced to partially offset the cost impact of this tax on the business community.

The capital budget for the first time includes revenues and expenditures related to the construction of a Metrorail station in Potomac Yard as approved by City Council in June 2010. To begin funding the early stages of the project, a 20 cent per \$100 tax on real estate is proposed for the Tier 1 part of the Special Service Tax District of Potomac Yard (west of the railroad tracks), which was created just two months ago by City Council. The CIP 10 year plan also includes a section showing the financial plans for the Potomac Yard Metrorail station.

The largest rate of growth (12.1%) is for debt service and pay-as-you go financing of the Capital Improvement Program (CIP).

As one can see from the following chart summarizing changes in the proposed Operating Budget, the largest rate of growth is for debt service and pay-as-you go financing of the Capital Improvement Program (CIP). The 12.1% rate of growth is a result of increased borrowing for capital projects in the last two budget cycles.

FY 2012 Proposed General Fund Base Operating Budget

Millions of Dollars

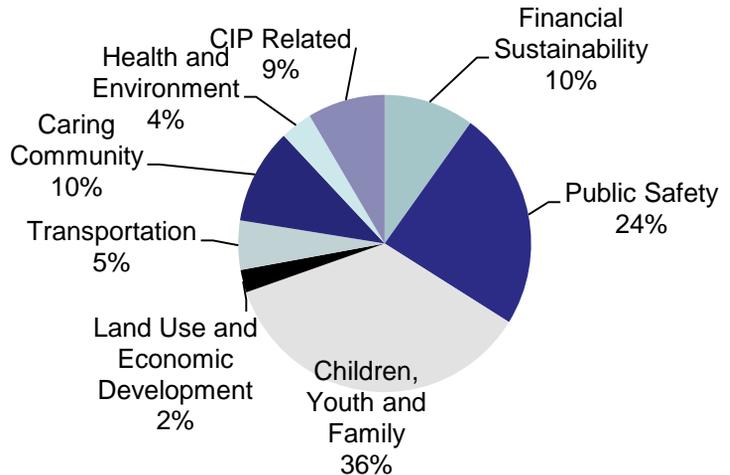
	FY 2010 Actual	FY 2011 Approved	FY 2012 Proposed	\$ Chg FY11/12	% Chg FY11/12
City Operating	304.8	305.5	315.4	9.9	3.2%
Transit Subsidies	13.1	16.0	15.9	(0.1)	-0.9%
Capital Program Funding	39.5	42.2	47.3	5.1	12.1%
City Total	357.3	363.7	378.6	14.9	4.1%
ACPS	164.6	167.9	174.8	6.9	4.1%
City & ACPS Total	521.9	531.6	553.4	21.8	4.1%

City Manager's Message

The majority of funding (60%) is for two strategic goal areas: public safety and children youth and families

The City's General Fund Operating budget can be divided into the seven strategic goal areas (plus funding for capital projects (CIP-related)). The majority of funding (60%) is for two strategic goal areas: public safety and children youth and families (a category which includes the transfer to the Schools).

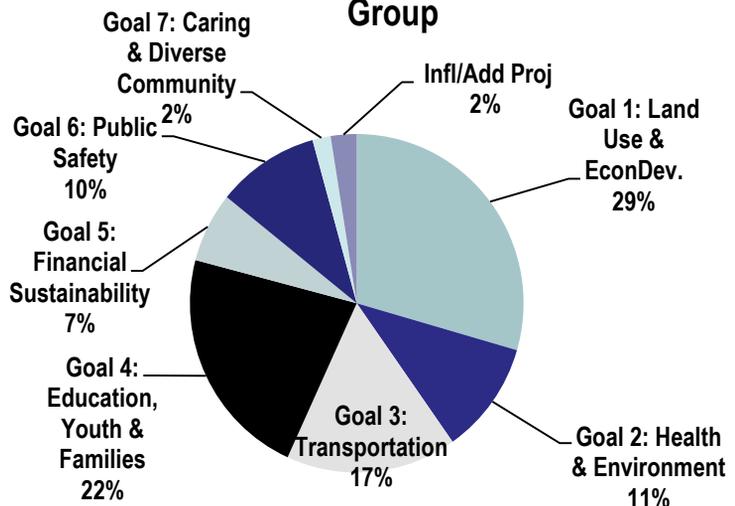
FY 2012 General Fund Operating Budget by Strategic Goal Area



The largest share of the CIP (29%) is for land use and economic development, a category that includes the Potomac Yard Metrorail station project.

The City's Capital Improvement Program is also divided by strategic goal groups below. The largest share of the CIP (29%) is for land use and economic development, a category that includes the Potomac Yard Metrorail station project. The transportation share (without the effects of the Transportation Add-On tax) is another 17%. Goal 4, which includes Schools capital projects is the second largest category over the 10 years at 22%.

Proposed FY 2012 - 2021 CIP by Strategic Goal Group



City Manager's Message

Notable proposed changes to City programs and public service delivery efforts are described in the budget overview that immediately follows this message.

As I have suggested above, some cautious optimism about the City's fiscal condition is warranted. We are in considerably better financial shape than most state and local governments nationwide and only a few of our neighbors can come close to matching our current financial condition. The investment in our economic development structure and strategy over the past few years is now beginning to yield results. We are well positioned to achieve the measure of financial sustainability we all desire, and we are poised to have an operating budget and capital improvement program that is structurally balanced for the long term.

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.

Sincerely,

James K. Hartmann
City Manager

We are in considerably better financial shape than most state and local governments nationwide

Only a few of our neighbors can come close to matching our current financial condition

We must continue to work together responsibly as we emerge from this financial crisis with a long term perspective and strategy.

Attachment

Compliance with City Council Guidance in Resolution #2426

This Proposed Operating Budget and Capital Improvement Program is in accord with all guidance provided by City Council in Resolution #2426.

- Section 1. There is no increase in the real estate tax rate of \$97.8 cents.
- Section 2. The General Fund Operating Base Budget of 4.1% is balanced without any increase in tax rates.
- Section 3. The transfer to the Alexandria City Public Schools increases at the same rate as that rate of increase in total General Fund Operating budget revenues (4.1%).
- Section 4. A Transportation Add-On tax on commercial property is proposed of 12.5 cents in addition to the base budget. A partial offset in the Business, Professional and Occupation License tax is proposed of \$1.625 million and \$0.375 million increase in support for economic development activities in support of business is proposed as part of the base budget, contingent on passage of a Transportation Add-On tax.
- Section 5. The budget proposes continuation of the other dedicated portions of the real estate tax without change, including portions dedicated to Storm Water Infrastructure Improvements, Open Space Trust Fund, and Affordable Housing purposes.
- Section 6. The budget does not propose an increase in any other tax rates except the Transportation Add-On tax.
- Section 7. Although allowed by the resolution, the budget proposes no increases in fees and service charges.
- Section 8. City staffing levels do not increase except for those substantially funded by non-General Fund revenues (grants or other special revenue sources) as allowed by section 8.
- Section 9. The base budget includes funding for merit/step increases for eligible employees including an additional step.

City Manager's Message

- Section 10. The budget does not include funding for an across-the-board salary schedule adjustment for either City or Schools staff.
- Section 11. The budget does include \$0.7 million as initial funding in FY 2012 as part of a 3 year phase-in of the implementation of competitive pay adjustments called for by the City's compensation philosophy.
- Section 12. The budget continues to implement the multi-year plan to phase-in a 20% minimum employee contribution for health care premiums. In FY 2012 that minimum is proposed to be 16%.
- Section 13. The budget proposes a minimum 1% employee contribution for retirement from all employees, and a 1% increase (from 8% to 9%) for retirement and disability benefits for police officers and fire fighters.
- Section 14. The City Council has by Resolution #2432 formed an Ad Hoc Retirement Benefit Advisory Group to look at the need for any future changes to defined benefit pension plans created under the authority of the City Council.
- Section 15. 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.
- Section 16 a. The CIP provides specific estimates for FY 2012 through FY 2017 and preliminary estimates for FY 2018 through FY 2021.
- Section 16 b. The CIP uses no more General Fund cash capital from current year revenues than planned for FY 2013 through FY 2020.
- Section 16 c. The CIP uses no more debt issuance than that planned for FY 2012 through FY 2020 in the Approved FY 2011 – FY 2020 CIP, except for debt financed by various other sources of dedicated revenues (e.g., grants, special revenues)

City Manager's Message

- Sections 16 d and e. The budget proposes a one time use for funding the CIP of \$11.0 million of the FY 2010 operating budget surplus as well as an additional \$6.0 million of expected FY 2011 operating budget surplus.
- Section 16 f. The CIP provides specific descriptions of projects that can be funded within recommended levels of funding and their costs are estimated for all years. (Note: the Schools CIP has not yet (as of February 8, 2011) been approved by the School Board. Specific descriptions of ACPS capital projects will be provided after the School Board adopts its proposed CIP.)
- Section 17. The CIP has \$0.9 million in funding assumed from the sale/lease of capital assets.
- Section 18. Although not submitted as part of this budget, City staff are continuing work on an incentive program to encourage City employees to develop and implement efficiency cost saving ideas. This program will be presented to Council this fiscal year for its consideration.

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