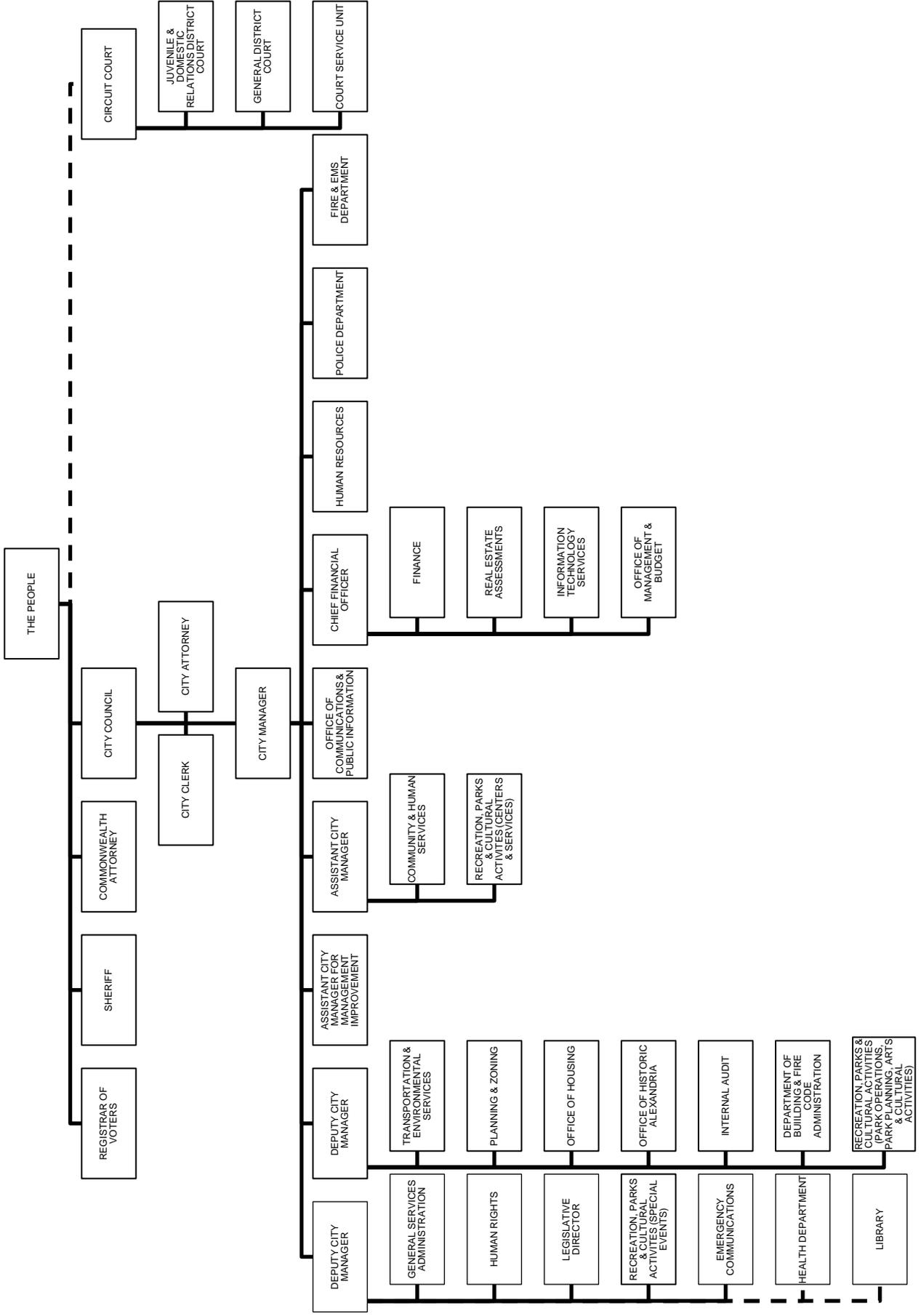


# **Understanding the City's Operating Budget**

# ALEXANDRIA CITY GOVERNMENT



# Understanding the Budget

The City's budget serves as the blueprint for the financial and policy decisions that City Council will implement during the fiscal year. Budgeting is necessary for several reasons.

## FISCAL PLAN

First, the budget is a fiscal plan. Budgeting provides estimates of the costs that will be incurred if activities are carried out as planned; the revenues necessary to finance these activities; and the rates of taxation necessary to generate these revenues. The appropriation ordinance adopted by the City Council establishes the legal authorization for the expenditure of public monies and becomes the approved financial plan for the upcoming fiscal year.

## POLICY DOCUMENT

Second, the budget is a policy and management tool. The budget process provides an opportunity for the City Manager, department directors and agency heads to evaluate the City's services and recommend the best means of allocating resources to prioritize and provide effective and efficient services. As a management tool, the budget serves to establish accountability for the effective and efficient operation of programs and activities and to locate responsibility for the delivery of City services. Beginning with City Council's establishment of a long-term vision and a set of major goals for the City of Alexandria, combined with the economic outlook of the City presented by staff and a public hearing to gather citizen input in October, and continuing through the adoption of the FY 2012 budget on May 2, 2011, the budget process weighs short and long term objectives of stakeholders against the available financial resources.

## OPERATIONS GUIDE

The budget describes the activities, services and functions carried out within each organizational unit. Every Department within the City is characterized by Programs and Activities and includes both financial and personnel resources necessary to carry out the functions of the government. Programs and activities within each department provide a map detailing what each department does with their resources, for whom these activities are undertaken and why. Performance data are associated with each activity and help to the measure each activity in terms of output, effectiveness and quality.

### FY 2012 Budget Planning

On November 23, 2010, City Council passed a resolution establishing the budget guidance for the entire General Fund budget. The guidance allowed for a City operating budget to be built based on a real estate tax rate no higher than the CY 2010 real estate tax rate. The budget was also to incorporate a transfer to the Schools budget that was increased from the transfer in FY 2011 by the same percentage as the percentage increase in General Fund revenues. The guidance was based on preliminary forecasts of revenues, expenditures, and capital needs presented at the City Council works session on October 18, 2010. City Council also directed the City Manager to consider other taxes, fines, fees and charges, as well as reductions in programs and activities through efficiencies and reduced service levels, as necessary in order to propose a balanced budget.

The allocation of all resources are based on the following seven Strategic Plan goals:

- Alexandria has quality development and redevelopment, support for local businesses, and a strong, diverse, and growing local economy.
- Alexandria respects, protects and, enhances the health of its citizens and the quality of its natural environment.
- A multimodal transportation network that supports sustainable land use and provides internal mobility and regional connectivity for Alexandrians.
- Alexandria is a community that supports and enhances the well-being, success and achievement of children, youth, and families.
- Alexandria is financially sustainable, efficient, community oriented and values its employees.
- The City protects the safety and security of its residents, businesses and visitors.
- Alexandria is a caring and inclusive community that values its rich diversity, history and culture, and promotes affordability.

# Understanding the Budget

These objectives were coupled with existing policies and guidelines for developing the budget, including the City's Compensation Philosophy and the Debt-related Financial Policies. These other policies are described below.

## **Other Continuing Policy Guidance and Planning**

**Debt-Related Financial Policies:** The City Council's debt-related financial policies, which guide decision-making throughout the annual operating and capital budget development cycle, are printed in the Capital Improvement Program (CIP) Related Information section of this document, and the City's Approved FY 2011 to FY 2020 Capital Improvement Program (CIP) is consistent with these policies.

**Compensation Philosophy:** On June 22, 2010, City Council adopted the City of Alexandria's Compensation Philosophy, which is intended to provide a broad framework to help City Council, management, employees and the citizens understand and guide decisions that affect City employee pay. The Compensation Philosophy is printed in the Appendices section of this document. Approved FY 2011 employee compensation adjustments are recommended based on the guidance provided by the Compensation Philosophy.

**Youth Policy:** The Youth Policy Commission was established by City Council in 1997 to emphasize delinquency prevention, and to target activities that effectively promote positive outcomes for youth and support families through optimal use of existing funds, development of new resources, and engagement of the community. Initiatives that require new or reallocated funding are proposed in the annual budget process, and the Commission monitors success in achieving goals for youth through a biennial Community Report Card.

The chart on the following page identifies the budget process as it relates to the various stakeholders in the City.

# Understanding the Budget

## City of Alexandria FY 2012 Budget Process

| MONTH     | RESIDENTS  | MAYOR & CITY COUNCIL   | CITY ADMINISTRATION  |
|-----------|--|--|--|
| JULY      |  |  | <b>Strategic Plan Goal Group Meetings</b>  |
| AUGUST    |  |  | Staff from departments collaborated through work teams representing each of the Strategic Plan's seven goals to identify the steps necessary to implement the plan and achieve the community's strategic goals.  |
| SEPTEMBER |  |  |  |
| OCTOBER   | <b>Budget Hearing</b><br>The fall budget hearing officially kicks off the budget process for members of the public. City Council communicates overall goals and objectives for the upcoming budget process. Members of the public communicate thoughts and feelings on the budget. | <b>City Council Work Sessions</b><br>City Council holds planning work sessions. The upcoming budget process is discussed in detail. City staff presents information on the overall budget situation, including revenues, planned expenditures, and economic conditions.<br><br><b>Budget Target</b><br>City Council gives City staff guidance on overall expenditure and revenue limits. This guidance drives the decisions of the City Manager. | <b>Strategic Plan Goal Group Initiatives</b><br>Strategic Plan Goal groups develop proposed initiatives for the upcoming fiscal year as well as future years.<br><br><b>Strategic Plan Initiative Analysis</b><br>Proposed initiatives are evaluated by OMB and Goal groups. Initial recommendations for funding are provided to the City Manager. |
| NOVEMBER  |  |  |  |
| DECEMBER  |  |  | <b>Proposed Budget Development</b>   |
| JANUARY   |  |  | OMB works with the CMO to begin developing the Proposed Budget that fits within the City Council budget guidance. This involves prioritizing Department requests and developing expenditure reduction options.   |
| FEBRUARY  | <b>BFAAC Review</b><br>Resident advisory committee holds weekly meetings to review the budget and provide City Council with feedback.  |  | <b>PROPOSED BUDGET PRESENTATION</b>  |
| MARCH     | <b>Budget Public Hearings</b><br>Members of the public are welcomed to comment on the Proposed Budget and offer suggestions to City Council for the Approved Budget through the Spring public hearing or the City web site.  | <b>Budget Work Sessions</b><br>City staff meets with City Council to provide background information on the Proposed Budget. City Council requests additional information on specific budget issues from staff through Budget Memos.  | The City Manager presents the Proposed Budget to City Council.   |
| APRIL     |  |  | <b>Budget Memos</b>  |
| MAY       |  |  | OMB and other City staff respond to inquiries from City Council through Budget Memos.  |
| JUNE      |  | <b>FINAL BUDGET ADOPTION</b><br>City Council makes final decisions and adopts the official City of Alexandria Budget for the upcoming fiscal year.   | <b>Approved Budget</b><br>OMB produces the Approved Budget document and begins to develop Budget Guidelines for the next fiscal year.  |

# Understanding the Budget

## **Organization of the Budget Document**

In addition to presenting the City's financial plan, the budget document is intended to be a resource and reference guide, providing information on City programs and services. The budget document has been divided into two volumes: one containing the Operating Budget document and the other containing the Capital Improvement Program document.

- The Operating Budget document groups City operating departments together by general government program areas, using the program categories defined by the Auditor of Public Accounts for the Commonwealth of Virginia (APA) as a guide. This organization is offered to assist the public in gaining an understanding of the total resources provided in a particular program area.

Section I contains the Table of Contents. Section II includes the City Manager's Message and a budget overview that provides general budget information including summaries of the proposed changes in expenditures, and revenues and the process by which the City achieved the budget. Section III provides the reader with a guide to understanding the budget. Section IV includes revenue and expenditure summaries, various charts and schedules that provide overall information on the City's finances, personnel summaries, multi-year revenue and expenditure forecast scenarios and fund balance information.

Sections V through IX present budget information for each department. The major elements in these sections are described at the end of this section.

Section X provides an overview of the Capital Improvement Program (CIP), its impact upon the operating budget, and an explanation of the City's debt ratio policies. Section XI is the "Community Profile," which provides a description and basic statistical information on the City.

Section XII provides a glossary of relevant budget terms. Section XIII includes the legislative references and charter provisions relating to the budget. Section XIV is comprised of Appendices, which include the salary schedules and classification structures applicable to the City government as well as the Alexandria Compensation Philosophy. Section XV is the Program/Services Index, providing a locator guide to program information in the Operating Budget document.

- The Capital Improvement Program document describes each capital project that the City plans to undertake over the next ten years. This description includes a justification for each project, the priority assigned to the project and the estimated impact of each capital project on the City's budget throughout the six-year period. (Detailed information on individual school capital projects is presented in the Alexandria City Public Schools 2012-2021 Capital Budget, available from the Office of the Assistant Superintendent for Administrative Services, 2000 North Beauregard Street, Alexandria, Virginia.)
- The Information Technology Plan describes the City's commitment to building and maintaining an essential information and technology infrastructure. The plan will enhance information technology services and build on existing City hardware, networks and software that have been implemented over the past decade.

## **Budget Amendments**

During the fiscal year, the approved budget can be amended by either the reappropriation ordinance (generally in November) or the supplemental appropriation ordinances (generally two or three times during the fiscal year). A reappropriation ordinance allows encumbered monies from the previous fiscal year to be recognized in the current fiscal year. These encumbered monies are specifically identified within the previous fiscal year's Comprehensive Annual Financial Report (CAFR). A supplemental appropriation ordinance amends the budget for grant programs to reflect actual revenue received and to make corresponding balancing adjustments in grant program expenditures. A supplemental appropriation also amends the budget for duly docketed City Council items during the fiscal year that increase or reduce the current fiscal year appropriation. A supplemental appropriation ordinance may, therefore, either increase or reduce the City's total budget from the original approved budget appropriation.

# Understanding the Budget

The approved budget may also be amended by City Council at the end of the fiscal year via a resolution to transfer appropriations to adjust the various departmental accounts according to projected final expenditure patterns. The transfer of appropriations has no net impact on the aggregate approved budget amount, but rather enables the Council to adjust the budget of a given department for unanticipated expenditures.

Budget transfers within a department may be approved by the City Manager, as discussed in the following section on Budgetary Accounting.

## **Budgetary Accounting**

The City's financial operations are budgeted and accounted for in a number of "funds." A fund is an independent fiscal and separate accounting entity, with a self-balancing set of accounts including revenues and expenditures, assets and liabilities. Separate funds that have been established by the City include the following: General Fund, Special Revenue Fund, Capital Projects Fund, Internal Services Fund, and the Sanitary Sewers Enterprise Fund. The Funds are described in detail in the Fund Balance Section.

All tax revenues and most other revenues -- with the notable exception of State and federal grants -- are budgeted and accounted for in the General Fund. Likewise, all expenditures funded by General Fund revenues are budgeted as direct General Fund expenditures.

This "direct" treatment of expenditures is a concession to a more informative budget presentation. Technically, certain expenditures funded by General Fund revenues -- specifically, grant matches and the City appropriation to the Alexandria City Public Schools -- are accounted for as "transfers out" of the General Fund, "transfers in" to Special Revenue Funds and "expenditures" of Special Revenue Funds. Conceptually, however, these are expenditures of General Fund revenues.

In contrast with the accounting for private enterprises, where the primary focus is the calculation of profits and losses, governmental accounting is directed toward expenditure control and budgetary compliance. The accounting system's budgetary control function is accomplished by incorporating budgetary accounts into fund ledgers and recording appropriations -- expenditure authorizations adopted by City Council. All appropriations are legally controlled at the department level for the General Fund and Special Revenue Funds.

Budgets are prepared for the Capital Projects Funds on a project basis that cover the life of the project. The Internal Services Fund is controlled at the total Net Assets level.

Appropriations are administratively controlled at the "character" level of expenditure -- personnel, non-personnel and capital outlays -- reflected in the budget document. The City Manager may, at any time, transfer any unencumbered appropriation within the budget of an office, department or agency. Transfers of appropriations between expenditure characters within the same department or agency budget must be approved by the City Manager (or his designee). Budget detail pages, showing the budget at the "sub-object" level are available for inspection during business hours in the Office of Management and Budget.

The City's budget follows the same basis of accounting used in preparation of the City's audited Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with "Generally Accepted Accounting Principles" (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia (APA). The budgets of the General, Special Revenue and Capital Projects Funds are prepared on the "modified accrual" basis of accounting. Under this method of accounting, revenues are recognized in the period that they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. The budget and financial statements of the Proprietary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

# Understanding the Budget

## Historic Alexandria

The MFRI process requires every department to have an overall Mission Statement. This appears at the top of the first page of each department section.

**Mission Statement:** The mission of the Office of Historic Alexandria is to preserve and promote the appreciation among members of the public for Alexandria's unique history and historic places in Alexandria.

## Expenditure and Revenue Summary

| Expenditure/By Classification           | FY 2011            | FY 2012            | FY 2012            | % Change 2011-2012 |
|---|--------------------|--------------------|--------------------|--------------------|
| Personnel                               |                    |                    |                    | 1.4%               |
| Non-Personnel                           |                    |                    |                    | 1.0%               |
| Capital Goods/Outlay                    |                    |                    |                    | 0.0%               |
| <b>Total Expenditures</b>               |                    |                    |                    | <b>1.3%</b>        |
| <b>Funding Sources</b>                  |                    |                    |                    |                    |
| Internal Service                        | \$0                | \$0                | \$0                | 0.0%               |
| Special Revenue Fund                    | \$383,631          | \$509,013          | \$510,901          | 0.4%               |
| <b>Total Designated Funding Sources</b> | <b>\$383,631</b>   | <b>\$509,013</b>   | <b>\$510,901</b>   | <b>0.4%</b>        |
| <b>Net General Fund Expenditures</b>    | <b>\$2,597,967</b> | <b>\$2,501,575</b> | <b>\$2,539,510</b> | <b>1.5%</b>        |
| <b>Total Department FTE's</b>           | <b>26.9</b>        | <b>26.0</b>        | <b>26.0</b>        | <b>0.0%</b>        |

The expenditure and revenue summary table breaks down total expenditures by personnel, non-personnel, and capital outlay costs. Revenues are also described by type. The bottom expenditure line show the net result on the General Fund for each department. This table also displays the total department FTE's by year.

## Highlights

- In FY 2012 the General Fund budget for the Office of Historic Alexandria (OHA) increases by \$37,935, or 1.5%.
- FY 2012 personnel costs increase by \$32,795 or 1.4%. Personnel increases associated with merit step increases and benefit costs increases were offset by new employees hired at salaries less than their predecessors (which also decreases benefits costs).
- Total non-personnel costs increase by \$7,028 or 1.0%. Non-personnel costs include: telecommunications system (to allocate costs to user departments: \$10,800); and bank fee charges associated with Departmental (\$4,900). Those increases were offset by a budgeted reduction in estimated FY 2012 costs.
- Additionally in non-personnel, \$25,000 was included to initiate Civil War Sesquicentennial heritage tourism publications, website development, public programs and interpretive materials.

The department highlight section contains a brief overview of overall changes to a department's budget.

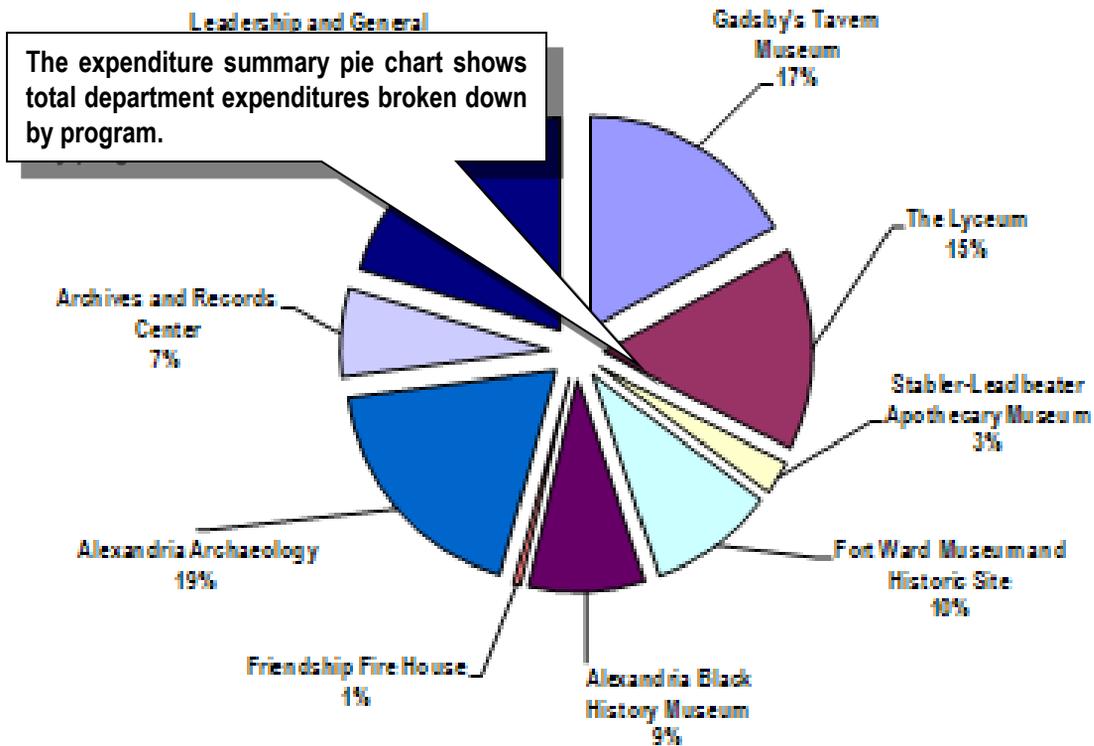
## Historic Alexandria

### Selected Performance Measures

| Selected Performance Measures  | FY 2010<br>Actual | FY 2011<br>Approved | FY 2012<br>Proposed |
|--|-------------------|---------------------|---------------------|
| % of visitors to City historic sites rating the in overall experience as good to excellent | 95%               | 95%                 | 95%                 |
| % of visitors who state they have gained an appreciation of local history                  | 95%               | 95%                 | 95%                 |
| Total number of visitors/program participants served                                       | 140,700           | 120,000             | 130,500             |

The Selected Performance Measures table displays a collection of departmental measures deemed most relevant or interesting.

### FY 2012 Proposed Expenditures by Activity



# Understanding the Budget

## Historic Alexandria

### Summary Information

The expenditure summary table shows total department expenditures broken down by program.

#### Expenditure Summary

| Expenditure By Program | FY 2010<br>Actual | FY 2011<br>Approved | FY 2012<br>Proposed | % Change<br>2011-2012 |
|------------------------|-------------------|---------------------|---------------------|-----------------------|
| Historic Resources     | \$2,981,598       | \$                  | \$                  | 0%                    |
| Total Expenditures     | \$2,981,598       | \$                  | \$                  | 0%                    |

The staffing summary table presents each department's FTE count by program.

#### Staffing Summary

| Authorized Positions (FTE's) by Program | FY 2010<br>Actual | FY 2011<br>Approved | FY 2012<br>Proposed | % Change<br>2011-2012 |
|---|-------------------|---------------------|---------------------|-----------------------|
| Historic Resources                      | 26.9              | 26.0                | 26.0                | 0.0%                  |
| Total Full Time Equivalents             | 26.9              | 26.0                | 26.0                | 0.0%                  |

Each departmental section contains a complete listing of programs and activities.

### Historic Resources

#### Historic Resources

- Geddy's Tavern Museum
- The Lyceum
- Stabler-Leadbeater Apothecary Museum
- Fort Ward Museum & Historic Site
- Alexandria Black History Museum
- Friendship Fire House
- Alexandria Archaeology
- Archives & Records Center
- Leadership & General Management/ Lloyd House

### Dept Info

#### Department Contact Info

703.838.4554  
<http://www.alexandriava.gov/>

#### Department Head

Lance Malen  
 703.838.4554  
[Lance.Malen@alexandriava.gov](mailto:Lance.Malen@alexandriava.gov)

The department information area provides the name and contact information for the department head as well as the names of key department staff

# Understanding the Budget

## Historic Alexandria

### Historic Resources Program

The goal of Historic Resources is to preserve significant buildings, places, objects, documents and artifacts on behalf of City residents, and to foster an appreciation for Alexandria's significant role in American history through public use, education and enjoyment of these resources.

Each individual Program section starts with the goal statement.

| Program Totals  | FY 2010<br>Actual | FY 2011<br>Approved | FY 2012<br>Proposed |
|---|-------------------|---------------------|---------------------|
| Total Expenditures  | \$2,981,598       | \$3,010,588         | \$3,050,411         |
| Less Revenues   | \$383,031         | \$500,013           | \$510,901           |
| Net General Fund Expenditures   | \$2,597,947       | \$2,501,575         | \$2,539,510         |
| Program Outcomes  |                   |                     |                     |
| 96% of visitors to OHA reported their overall experience as good to excellent | 95%               | 95%                 | 95%                 |
| 95% of visitors gained an appreciation of local history                       | 95%               | 95%                 | 95%                 |

The table immediately following the program goal contains total Program expenditures and revenues, as well as a program outcome performance measure.

| Activity Data  | FY 2010<br>Actual | FY 2011<br>Approved | FY 2012<br>Proposed |
|--|-------------------|---------------------|---------------------|
| LEADERSHIP AND GENERAL MANAGEMENT - The goal of Leadership and General Management is to actively preserve and interpret historic resources in order to enhance and encourage public use. This function is housed in and also manages Lloyd House. This activity also includes the new National Harbor initiatives operated by OHA. |                   |                     |                     |

|  |  |  |  |
|--|--|--|--|
| Expenditures   |  |  |  |
| FTE's  |  |  |  |
| Total number of visitors/program participants served |  |  |  |
| OHA operating costs per resident                     |  |  |  |
| % of department outcomes achieved                    |  |  |  |

Each Activity within a Program has its own table that contains total expenditures, FTE counts, and Activity performance measures for output, efficiency, and service quality. These tables also include the Activity goal statement.

|  |           |           |           |
|--|-----------|-----------|-----------|
| <b>GADSBY'S TAVERN MUSEUM</b> - The goal of Gadsby's Tavern Museum is to actively preserve and interpret this historic landmark and its collections in order to foster an appreciation by City residents and the general public of its historic value. |           |           |           |
| Expenditures   | \$513,038 | \$533,502 | \$520,880 |
| FTE's  | 4.1       | 4.1       | 4.1       |
| # of visitors/program participants   | 22,424    | 18,000    | 18,000    |
| Cost per visitor/program participant   | \$22.91   | \$29.64   | \$28.94   |
| % of visitors who rated their experience as good to excellent  | 99%       | 95%       | 95%       |

|  |           |           |           |
|--|-----------|-----------|-----------|
| <b>THE LYCEUM</b> - The goal of The Lyceum is to actively preserve and interpret this historic landmark and its collections in order to foster an appreciation by City residents and the general public of its historic value. |           |           |           |
| Expenditures   | \$448,430 | \$454,550 | \$470,733 |
| FTE's  | 4.8       | 4.8       | 4.8       |
| # of visitors/program participants   | 23,088    | 32,000    | 32,000    |
| Cost per visitor/program participant   | \$19.70   | \$14.20   | \$14.71   |
| % of visitors who rated their experience as good to excellent  | 95%       | 95%       | 95%       |

# Understanding the Budget

## Historic Alexandria

### Summary of Budget Changes

The Summary of Budget Changes section contains descriptions of any base budget adjustments to maintain current services, supplemental adjustments, expenditure reductions, and fee increases.

| Maintain Current Service Levels |                   |     |                  |
|---------------------------------|-------------------|-----|------------------|
|                                 | Adjustment        | FTE | FY 2012 Proposed |
| Utilities                       | Electricity Costs |     | (\$37,720)       |

The Utilities/Electricity budget for the Office of Historic Alexandria (OHA) is reduced by \$37,720. The reduction is based on historical expenditures and estimated costs for FY 2012.

### Supplemental Request

| Activity   | Adjustment  | FY 2012 |
|--|-------------|---------|
| Civil War Sesquicentennial Funding   | Advertising |         |
| <p>Funding is provided for heritage tourism activities associated with the Civil War. The request is to develop and implement a Civil War marketing plan, including advertising, as interpretive programs and publications to enhance visitor understanding of the conflict, for both visitors to and residents of Alexandria. Initiatives include lectures, Civil War re-enactments, and Civil War living history interpreters at City museums, Market Square, and the waterfront (\$20,000), and designing and producing rack cards/maps/brochures associated with Civil War places and events throughout Alexandria to be distributed within the City at various locations (\$5,000).</p> |             |         |

Each adjustment to the budget contains a brief description and explanation. These tables also display the total value and the Activity to which the adjustment applied.

# Understanding the Budget

## FY 2012 Budget Schedule

### ***Budget Schedule***

Members of the public are invited to participate in a public hearing on the budget scheduled for Monday, March 7, 2011 at 4:00 pm and a public hearing on the tax rate on Saturday, April 16 at 9:30 am.

City Council will also hold a series of eight public work sessions denoted to the right, followed by adoption on May 2, 2011.

All work sessions are held in City Hall, Sister Cities Conference Room #1101, at 7:00 pm unless otherwise noted.

- 2/8 Proposed Budget Presentation (7:00 pm in Council Chambers)
- 2/9 Work Session - Revenues & CIP
- 2/15 Work Session - Transportation and Economic Development
- 2/23 Work Session - Compensation and Financial Sustainability
- 3/7 Budget Public Hearing (4:00 pm in Council Chambers)
- 3/12 Public Hearing Docket Item to Advertise the Maximum Tax Rate (9:30 in Council Chambers)
- 3/14 Joint City/Schools Work Session (7:00 pm at George Washington Middle School)
- 3/16 Advertise Effective Tax Rate
- 3/21 Work Session - Health and the Environment; Children, Youth & Families; and Caring and Inclusive Community
- 3/22 Introduce Tax Rate Ordinances (if necessary)
- 4/11 Work Session - Budget & Fiscal Affairs Advisory Committee (BFAAC) and Public Safety
- 4/16 Public Hearing on Tax Rate Ordinances (if necessary) and Effective Tax Rate
- 4/18 City Council Add/Delete Items Due
- 4/25 Work Session - Preliminary Add/Delete
- 5/2 Work Session - Final Add/Delete (6:00 pm in City Council Work Room)

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