

City Manager's Message

DATE: JULY 1, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER

SUBJECT: FY 2013 APPROVED BUDGET TRANSMITTAL

It is my pleasure to present the Approved Fiscal Year 2013 Operating Budget and the Approved FY 2013-2022 Capital Improvement Program (CIP). The \$587.9 million operating budget passed unanimously by City Council on May 7, 2012, maintained the City's real property tax rate, restored some previous service cuts and offset some reductions in state and federal funding. City Council's approved changes to the proposed budget are listed in the attachment to this updated message entitled "Budget Memo #69: FY 2013 Budget Adoption – Actions Taken Monday, May 7, 2012.

The budget approved by City Council increases total General Fund spending by \$21.0 million, or 3.7% over the FY 2012 approved budget. The FY 2013 budget maintains the City's core services and reflects an increase of \$4.5 million, or 2.6% in the transfer of funds to the Alexandria City Public Schools. The Approved FY 2013 – 2022 Capital Improvement Program totals \$1.138 billion and represents a 3.8% increase over the previous 10-year CIP. The first year of the ten year plan includes \$134.5 million in total projects, including \$58.9 million for Schools, \$28.8 million for Transit and Transportation, \$11.5 million for Public Buildings and \$15.4 million for Information Technology. The continuation of the reserved 2.2 cents on the base real estate tax rate for the Transportation Improvement Program, which was established by City Council in FY 2012, provides \$13.1 million in FY 2013 funding and \$65.0 million over the ten-year plan, including cash capital and bonds.

City Council used the City's Strategic Plan as the foundation for its decisions and maintained core services, including public safety, transportation, public schools and human services. Some service cuts that were made in the proposed budget and in previous years either in response to state and federal funding losses or limited general fund resources have been restored in the Approved Budget. Some of these restorations include:

- Support for Complete Streets, a new program that reactivates the City's efforts to implement pedestrian, vehicular, and bicycle-friendly transit and safety measures throughout the City (\$532,000).
- Restoration of senior citizen taxi reservation services provided by Senior Services of Alexandria (\$70,000), and contingent reserve funding dedicated to expansion of the City's Meals on Wheels service for senior citizens (\$39,983).

City Manager's Message

- Funding for maintaining a position, previously funded by the federal government, to help prevent gang crime (\$85,000).
- Restoration of funding for programs impacted by state budget cuts including, Healthy Families (\$56,607) and the Teen Wellness Center, operated by the Alexandria Health Department (\$65,000).
- Funding for marketing and advertising used by the Alexandria Economic Development Partnership to attract businesses to Alexandria (\$83,365).
- Support for increasing the operating hours of the Alexandria Library Special Collections Branch at the Barrett Library (\$50,000), which were reduced by the City in FY 2011.

City Council was faced with limited options in the budget deliberation process due to the actions of the Virginia General Assembly, which passed legislation in April 2012, requiring local governments participating in the Virginia Retirement System (VRS) to ensure that employees contribute 5% of their salary to VRS. Local governments must provide employees with a 5% salary increase. The City will gradually implement the 5% contribution and salary requirement at 1% per year, beginning July 1, 2012. The cost of this legislation in FY 2013 will be nearly \$0.6 million and will continue to increase each year throughout the 5 year phase in.

The Alexandria City Public Schools were faced with the same mandate from the State. During the Governor's final budget approval process, an additional \$1.2 million was approved for ACPS to provide resources for inflationary increases, the cost of competing in Northern Virginia and the increased salary costs to offset the retirement contribution changes. ACPS has opted to implement the full 5% contribution rate shift in FY 2013 and will utilize the funds provided by the City in FY 2011 for future VRS costs. ACPS will also use their own existing fund balance to fully cover the costs in FY 2013. The additional state funding of \$1.2 million enabled the City to reduce the General Fund Appropriation to the Schools by the same amount, without impacting services.

The Approved FY 2013 Budget continues to reflect the difficult decisions and tradeoffs that are required to maintain financial sustainability in difficult economic times. Eligible employees will receive a merit increase in FY 2013, but there is no funding for across-the-board market rate adjustments. In addition, employees will be paying a greater share of the health insurance costs, which are rising in FY 2013. However, almost \$1 million is included in the FY 2013 budget to address public safety compression issues (\$0.4 million) and to improve opportunities for career ladders (\$0.5 million). In addition, funding has been included for an Innovation Fund and other professional development opportunities.

Thanks to careful financial planning that considers the long-term implications of current funding decisions, the City continues to weather the recession better than most and will be well-positioned to address the community's long term strategic needs as economic conditions strengthen in the years to come.

City Manager's Message

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 10, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER

SUBJECT: BUDGET MEMO #69: FY 2013 BUDGET ADOPTION - ACTIONS TAKEN
MONDAY, MAY 7, 2012

The following represents the budget actions taken during budget adoption Monday, May 7, 2013. City Council adopted the FY 2013 General Fund Revenue and Expenditure Operating Budget in the amount of \$587,861,196, including the FY 2013 Cash Capital share of the Capital Improvement Program of \$6,955,483. This budget is based on the City Manager's FY 2013 Proposed Budget of \$585,605,758 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 2013 Approved Operating Budget and FY 2013 to FY 2022 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
- 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 the Use of Fund Balance Funding of the CIP
 - c. Changes in Borrowing for the CIP
 - d. Changes in Non-City Funding for the CIP
- VI. Summary of FY 2013 General Fund Budget
- VII. Comparisons to FY 2012 Approved and FY 2013 Proposed Budgets

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I. *Expenditure Budget Changes:*

a. **Technical Expenditure Adjustments to Proposed Budget (Budget Memo #53)**

\$ 492,000	One percent shift in contribution rate for VRS - All Departments City Supplement increase for State Employees in the Health Department - Health
\$ 54,400	Department City Supplement increase for State employees in the Court Service Unit, Adult
\$ 34,000	Probation and Parole and the Public Defender's Office - Other Public Safety
\$(1,233,000)	Decrease in the City Appropriation to the Alexandria City Public Schools
\$ (28,977)	Decrease in anticipated Kaiser Permanente rate increase - All Departments
\$ 441,624	Increase in anticipated United Health Care rate increase - All Departments
\$ 100,000	Increase in the estimate for Line of Duty premium costs - Multiple Departments
\$ 90,723	Transfer of lease costs for 421 King Street - TES
\$ 13,150	Transfer of lease costs for 421 King Street - Internal Audit
\$ 137,919	Increase in costs for Community Services Act cases - DCHS
\$ 22,036	Correction to the FY 2013 Proposed budget for seasonal staff - RCPA
\$ (8,162)	Decrease in membership costs for COG and VML - Non-Departmental

\$ 115,713 Total Technical Expenditure Adjustments

b. **City Council Changes to Proposed City General Fund Operating Budget Expenditures**

\$ 532,000	Complete Streets (Traffic Calming) - TES and Non-Departmental
\$ 56,607	Healthy Families - DCHS
\$ 61,500	Adult Clinical Services Unit position - DCHS
\$ 70,000	Restore reservation services provided by Senior Services of Alexandria - DCHS
\$ 125,067	One additional pre-school class - DCHS
\$ 83,368	Restore marketing and advertising funds - AEDP
\$ 400,000	Public Safety pay compression - Non-Departmental
\$ 500,000	Career ladders and promotions - Non-Departmental
\$ 25,000	Banner design, fabrication and initial installation - ACVA
\$ 6,200	Banner maintenance - TES
\$ 50,000	Library hours - Libraries
\$ 20,000	Concerned Citizen Network of Alexandria - DCHS
\$ 39,983	Contingent Reserves - Meals on Wheels Sunday service - DCHS Contingent Reserves - Community outreach and public process technology upgrades -
\$ 20,000	Planning and Zoning
\$ 65,000	Teen clinic funds to offset lost state aid - \$65,000 Gang IPE position (\$9,339 in new funding, remainder from existing Contingent
\$ 85,000	Reserves) - CSU

\$ 2,139,725 Net City Expenditure Increases and Reductions (Total)

\$ 2,255,438 Total Expenditure Budget Adjustments (a +b)

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II. Revenue Budget Changes:

a.

Technical Revenue Re-estimates to Proposed Budget (Budget Memo #48)

FY 2013

\$ (1,000,000)	Decrease in Delinquent Real Estate Tax Collections
\$ 700,000	Increase in Recordation Tax revenue
\$ 304,352	Increase in Personal Property Tax revenue
\$ 505,000	Increase in Penalties and Interest payments
\$ (300,000)	Decrease in Consumer Utility Tax collections
\$ 40,000	Increase in Business License Tax (BPOL) collections
\$ 500,000	Restaurant Food Tax collections
\$ 256,000	Increase in Local Sales and Use Tax collections
\$ 40,000	Increase in Telecommunications Tax (Right of Way) collections
\$ (200,000)	Decrease in Tobacco Tax revenue
\$ 210,000	Increase in Intergovernmental revenue
\$ (124,464)	Decrease in Licenses, Permits and Fees
\$ (100,000)	Decrease in Fines and Forfeitures
\$ 400,000	Increase in Charges for Services
\$ 20,000	Increase in Miscellaneous Revenue
\$ 12,509	Increase in Use of Fund Balance based on revenue re-estimates
\$ 1,263,397	Total FY 2013 Technical Revenue Re-estimates
\$ 1,263,397	Total Increase in Revenue and Other Sources Approved by City Council

City Manager's Message

III. *Fund Balance Designations*

City Council Fund Balance Commitments (requires Super majority)	
<u>Designations</u>	
\$ 75,661	Commitment for Gang IPE position (Source is FY 2012 remaining Contingent Reserve for gang prevention activities)
\$ 1,700,000	Commitment for existing encumbrances
\$ 535,000	Commitment for one-time land use and planning studies
\$ 1,100,421	Commitment for current financial policy compliance
\$ 1,755,000	Commitment to fund the FY 2013 (and beyond) CIP
\$ 255,762	Commitment for equipment replacement
\$ 200,000	Commitment for professional development
\$ 200,000	Commitment for an innovation fund
\$ 50,000	Commitment to implement Alex Stat
\$ 928,879	Increase in the commitment to fund the FY 2013 General Fund Operating Budget
\$ (125,051)	Decrease in the commitment for the FY 2013 Capital Improvement Program
\$ 6,675,672	Changes in Fund Balance (as of the end of FY 2012)

IV. *Contingent Reserves*

City Council Changes and Reservations of City Council Contingent Reserves	
\$ 39,983	Meals on Wheels service expansion
\$ 20,000	Community outreach and public process
\$ 59,983	Increase in Contingent Reserves

V. *Capital Improvement Program Budget Changes*

a.	City Council Changes in the Cash Capital Transfer to the CIP
	\$ 350,000 Traffic Calming
	\$ 350,000 Total FY 2013 Cash Capital Transfer Increases to the CIP
b.	City Council Changes in the Use of Fund Balance Funding of the CIP
	\$ (125,000) Fire Station 210 - Adjust project budget for actual FY 2013 cash flow needs
	\$ (51) Adjustment required for rounding of General Obligation Bond borrowing
	\$ (125,051) Total FY 2013 Use of Fund Balance for the CIP

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c.	City Council Changes in Borrowing for the CIP
	\$34,871,000 Full budget authority for new Jefferson-Houston K-8 facility to align with signing of primary construction documents. Includes funding for synthetic turf field.

\$ 34,871,000 Total FY 2013 Borrowing Increase to the CIP

d.	City Council Changes in Non-City Funding for the CIP
	\$ 394,000 DASH Bus Replacement - Fully appropriate the balance of Urban Funds planned for FY 2014 in FY 2013 to provide funding flexibility in future bus purchases.

\$ 394,000 Total FY 2013 Non-City Funding Increase to the CIP

VI. *Summary of the FY 2013 General Fund Budget*

Summary of Growth in FY 2013 Budget	
\$585,605,758	FY 2013 Proposed General Fund Operating Revenues and Expenditures
\$ 2,255,438	Total Change in City General Fund Operating Budget Expenditures over Proposed
<u>\$587,861,196</u>	Resulting FY 2012 General Fund Operating Budget
\$ 6,675,672 Change in Fund Balance Designations (at the end of FY 2012)	
\$ 350,000 Change in Cash Capital Funding of the FY 2013-FY 2022 CIP	

VII. *Comparisons to the FY 2013 Proposed and FY 2012 Approved General Fund Budgets*

	City	Schools	Total
FY 2012 Approved General Fund Budget	\$391.9	\$175.0	\$566.9
FY 2013 Proposed General Fund Budget	\$404.9	\$180.7	\$585.6
FY 2013 Tentative General Fund Budget	\$408.4	\$179.5	\$587.9
Amount Over FY 2012 Approved	\$16.5	\$4.5	\$21.0
Percent Over FY 2012 Approved	4.2%	2.6%	3.7%

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City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 14, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER

SUBJECT: FY 2013 PROPOSED BUDGET TRANSMITTAL

The proposed Fiscal Year (FY) 2013 General Fund operating budget for the City of Alexandria of \$585.6 million addresses the guidance presented by City Council in the fall, provides for the core service needs of residents, business owners, and visitors and meets the requested needs of the Alexandria City Public Schools (ACPS). The City is very fortunate that we are continuing to see an economic recovery that enables us to be cautiously optimistic. The willingness to make difficult choices and continue strong fiscal policies over the past five years helped build the foundation for the City's comparably strong fiscal condition and provides the ability for Alexandria to maintain core services, fund new operations and initiatives approved by City Council, and provide a modest pay increase for City employees, without the necessity of a real estate tax increase. In the fall, City Council held a series of work sessions during which staff presented a projected shortfall of City operations alone of \$14.4 million. Not included in this amount were similar increases in funding for current service needs for the school system and transit operations of approximately \$7.8 million. In order to provide the same level of service at the same real estate tax rate as 2011, we began the budget decision process with the need to identify additional resources of \$22.2 million.

Each year when the City begins the budget process, we calculate what our estimates for revenues are based on current policies and identify the expenditure needs to fund our current programs and services with our existing workforce. Unfortunately, rising personnel costs, maintenance agreement obligations and equipment replacement needs result in increased expenditures for providing the same level of service. In addition, each year, new policy decisions and the desire to enhance and expand service cause the need for additional resources in the budget.

City Manager's Message

Although revenues are increasing by \$18.7 million, or 3.3%, they are not increasing at the same level as our costs. The difference between our expenditure needs to maintain current service and fund new policy initiatives and the new revenue growth compared to the prior year represents a budget shortfall that has to be addressed through increases in revenue, or reductions in spending.

A portion of the resources needed to address that gap was provided by \$9.0 million more than anticipated growth in revenues, primarily real estate property taxes, as compared to our initial estimate. The modest growth in real estate assessments of 3.4% results in an increase in the average residential tax bill in FY 2013 of \$52, or 1.2%. In addition, the growth in real property will provide a revenue surplus of \$7.5 million in FY 2012. I am proposing to use some of this surplus for one-time initiatives in FY 2013, as well as a capital reserve to fund future anticipated cash capital requirements. The one-time initiatives include a Landmark/Van Dorn land use study (\$100,000), an Eisenhower West transportation study (\$100,000), a Waterfront Union Street traffic congestion study (\$300,000) and a \$100,000 contingency for additional Waterfront study needs, a public arts master plan (\$60,000), a data quality study of the City's real estate assessment information (\$75,000), and start-up money for an Old Town valet parking program.

In order to address the remaining shortfall, City Departments worked together throughout the fall as Strategic Plan Goal Groups to consider reduction options that would help to make up the shortfall and considered potential service reduction options totaling \$17.8 million. Of that amount, we are recommending \$6.8 million in expenditure reductions. Included in this reduction is the elimination of 27 City positions for a savings of \$1.7 million. Our Human Resources staff will begin working with these employees to explore their opportunities both inside and outside the organization. Tradeoffs and reallocations were implemented throughout City operations, the School system and the Alexandria Transit Company (DASH) to meet the expenditure demands of new and existing services while minimizing the tax burden on residents and business owners in the City.

New Initiatives

The FY 2013 budget includes \$1.4 million in new funding initiatives. These initiatives include new staffing for implementation of priority capital projects such as the Waterfront and Beauregard corridor (\$309,000); additional staffing to enhance operational performance and increase accountability (\$236,000); destination advertising to increase tourism; an emergency planner in the Health Department (\$105,000); a new home-based youth therapist in the Department of Community and Human Services (\$46,000), and a City-wide ethics initiative (\$25,000). This budget also includes expanded DASH bus service planned for FY 2013 in the FY 2012 budget and funded by 2.2 cents of the real estate tax reserved for transportation improvements (\$1.0 million).

FY 2013 Operating Budget

The FY 2013 Proposed General Fund Operating Budget is \$585.6 million, a 3.3% increase compared to FY 2012. The real estate tax rate for calendar year 2012 is proposed to remain at \$99.8 per \$100 of assessed value. **No tax rate increases of any kind are proposed in this budget.** Fees and charges for services have been reviewed and adjusted when necessary to continue City Council's policy of full cost recovery.

The proposed appropriation for ACPS is \$180.7, an increase of \$5.8 million or 3.3%, and reflects the City Council guidance in which the transfer to the Schools for operating expenses increases at the same percentage rate as total General Fund revenues. My proposed budget for the ACPS fully funds the General Fund transfer request included in the Superintendent's proposed budget.

General Fund Revenues

Real estate tax revenue continues to be the primary source of funding for the City's General Fund Operating budget, providing 58% of total revenues. The total growth in real property tax revenue is projected to be 4.1%, from the FY 2012 budgeted amount of \$ 321.7 million to \$334.9 million estimated for FY 2013. Other sources of general fund revenue are growing at a very low rate or are flat compared to FY 2012. Two areas of modest growth are \$2.6 million in increased personal property tax revenue, \$1.1 million in increased business license tax revenue.

FY 2013 – 2022 Capital Improvement Program

The Capital Improvement Plan (CIP) proposes \$1.1 billion in expenditures for the next 10 years and \$99.0 million in FY 2013. It is funded by \$61.7 million in the operating budget for cash capital and debt service. This represents a \$2.6 million increase over the FY 2012 approved budget. The CIP prioritizes maintenance of existing facilities and infrastructure and funding for the new Fire Station. Some other examples of major projects included in the CIP are:

- A computer-aided dispatch system (\$15.0 million)
- Bus rapid transit and a new Metrorail station in Potomac Yard (\$279.0 million)
- Holmes Run greenway improvements (\$5.6 million)
- Waterfront open space acquisition and flood mitigation (\$1.8 million)
- Jefferson-Houston and Patrick Henry school replacements (\$84.1 million)
- Patrick Henry recreation center replacement (\$6.1 million)
- Fire station renovations (\$35.3 million)
- Sewer capacity expansion (\$73.0 million)

City Council Guidance and the Strategic Plan

Each year City Council provides guidance in the fall to help the City Manager propose a budget that reflects City Council's expectations for the coming fiscal year. City Council has also directed that City staff consider the Strategic Plan when developing, implementing or reviewing the delivery of public services, and in presenting request for fiscal resources. The FY 2013 budget reflects the guidance set by the public and City Council in the Strategic Plan revised and adopted in June 2010. The seven goals of City Council, as well as many objectives, are reflected in the funding decisions presented in the FY 2013 budget.

Objective – Expand fire and injury prevention activities, in concert with City and other partners, to help reduce the community's risk of emergency incidents arising from all hazards.

City Council's guidance provided a clear message that the provision of public safety services is a core function of the city and that services should be preserved. In 2014, the City will be expanding fire protection services with a new Fire Station in the Eisenhower Valley. The FY 2013 budget includes funding to hire and train the individuals who will provide this core service. The rate of growth of the City's budget for all public safety activities is 4.7%.

Objective – Increase the vitality and economic success of the City Waterfront and King Street Corridor while maintaining and strengthening the City's commitment to historic preservation and neighborhood quality of life.

In January 2012, City Council approved the implementation of a new Waterfront Plan. The proposed budget includes several new initiatives to begin work on this historic transformation. Recognizing the limitations of resources available for new initiatives, I am proposing an assignment of fund balance for several one-time costs. The vibrancy of King Street remains a high priority and resources have been included in the proposed budget to maintain and enhance this vital corridor, including Waterfront plan implementation funds and staffing, a request for proposals to sell or lease City owned parking lots on King and Patrick Streets, development of a parking smartphone application, creating a on Old Town valet parking program, accepting credit cards at City owned parking garages, and extending holiday lighting through March. Despite the slow economic recovery, neighborhoods throughout the City are in various stages in the planning and redevelopment process. I am proposing funding to address land use and transportation planning in both the Landmark/Van Dorn and Eisenhower Valley areas of the City.

City Manager's Message

As we see commercial construction projects taking place throughout the City, it is important to keep in mind the revenue generated by the permitting process. In FY 2011, we established a Code Administration Enterprise Fund to more closely align the revenue and services associated with building permits. By dedicating the revenue generated from permits, we were able to dedicate staff to streamlining the permitting process. Initially, the revenues were only sufficient to cover the direct costs, but as the economy continues to improve, we are projecting sufficient revenues to cover the costs of more of the indirect support associated with permitting, including payment processing and database administration.

Objective – Maintain a competitive compensation program that attracts, retains and motivates a work force that can deliver quality services and programs to the community, reflects the diversity of that community, and provides for the fair and equitable treatment of all those employees.

My proposed FY 2013 operating budget recognizes the value of our employees and the competitive market that exists in this region for a talented workforce. Based on City Council guidance, this budget includes funding for a merit/step increase for all eligible employees, including those at the top of their grade. It also continues the final year of a multi-year plan to phase in a 20% minimum employee contribution for healthcare premiums and maintains the current policies guiding the employee retirement contribution rates. Based on recent study of the City's job classifications, it was determined that the salary scales for both General Government and Sworn Public Safety employees had fallen behind the market when compared to our neighboring jurisdictions, making it difficult for us to attract and retain our workforce. The FY 2012 Approved budget included the addition of one step and subsequently brought the Public Safety scale in line with the market. In FY 2013, I am proposing to bring the general pay scale more in line with the market by eliminating the two lowest steps and adding an additional step to the top of the schedule (and also providing compensation for public safety employees at the top of grade). This is the first of several planned initiatives to change the City's pay practices, including pay banding and a shift to a pay for performance system.

Intergovernmental Revenues

The same economic difficulties that are facing the City of Alexandria are also evident in other levels of government. The most significant impact for the City is lost federal revenue for housing programs. Although the appreciation in the City's real estate tax base provides additional resources in FY 2013 through the dedication of real estate taxes for affordable housing, the Office of Housing is estimating a reduction of \$1.2 million in CDBG and HOME revenues from the federal government. It is not possible at this time for these resources to be made up with general funds and there will be a reduction in loans for lower and moderate income residents and public employees to become home owners.

Although the lost revenue to the Office of Housing represents the largest service reduction, throughout City and Schools operations there are reallocations of resources to better serve the community and to provide funding to maintain core services throughout the City. The specific details of these decisions are described in detail in the departmental section of this document. The focus of the FY 2013 Operating Budget and Capital Improvement Program is to maintain current services, including public safety, transportation, education and public infrastructure.

Next Steps My proposed budget represents the beginning of the FY 2013 budget development process to be conducted over the next several months. Through work sessions, public hearings and countless tradeoffs and difficult decisions, City Council and the community will work together to identify an FY 2013 budget that will reflect the priorities of the City of Alexandria, balancing both core service needs with the need to continue the City's history of strong economic sustainability.