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To the Residents and City Council of Alexandria:

As we began the Fiscal Year (FY) 2015 budget development process, we found ourselves with the same challenging fiscal outlook we have had since 2008: the cost of providing the same City services, at the same level, exceeds our projected revenues for the upcoming fiscal year. In November, City Council provided me with their annual budget guidance. They requested no tax rate increase, asked us to invest in our employees, and directed us to hold our capital funding level consistent with the 10-year plan adopted in FY 2014. Understanding our fiscal challenge, and having this guidance from Council, I could no longer lead the City through a budget process using the same methods as in the past. We needed a bold, new approach to a continued challenge.

The reality my team and I faced was that we could no longer provide the same level of City services that we have historically, at the same level, with proportionately less funding than last year. The traditional approach to budgeting, and one we have employed for many years, treats every program the same, and every cut or reduction the same; spreading mediocrity across City services. Through discussions with the City Council and evaluating best practices from other jurisdictions, we have established an approach to budgeting that changes the budget conversation. I am eager to share this approach and together ensure that we are investing in the programs that matter most to you.

This new approach embodies the changes we began making last year to our budget process, and represents a dramatic shift in our philosophy: aligning long term outcomes with the City services our residents want. We are doing this by opening up the entire budget for discussion to ensure all historic funding decisions still reflect our priorities as a City. Through the framework we developed with the City's performance management system, Results Alexandria, my team and I changed everything about the way we made decisions for this proposed budget. Rather than beginning the conversation with what departments spent last year and making adjustments from there to achieve a budget solution, we instead looked at the outcomes defined in the City Manager's Performance Plan and the City's Strategic Plan and focused our financial resources accordingly.

The City Manager's Performance Plan defines the results we expect City Government to achieve. It outlines our strategy to meet the goals of the City's Strategic Plan and deliver the measurable results our community values. It shows how the City's programs and services contribute to achieving our shared vision for Alexandria, and helps decision makers determine where to invest City resources. The Performance Plan is crucial for realizing one of the City's Four Guiding Principles: aligning our work with our Strategic Plan.

With the framework and Performance Plan in place, departments proposed a level of funding to achieve those outcomes. Funding decisions were focused and prioritized. The result is a more balanced, sustainable budget that pushes resources towards services that advance the outcomes we seek, while reducing, or in some cases eliminating, funding for programs that are duplicative, less effective, or of a lower priority.

You will see that my FY 2015 Proposed Budget is organized around four Focus Areas, each with a distinct mission and long-term outcomes that illustrate what success looks like in our community: 1) Accountable, Effective & Well-Managed Government; 2) Healthy & Thriving Residents; 3) Livable, Green & Prospering City; and 4) Safe, Secure & Just Community. The departments, and their respective programs, that comprise each Focus Area are found in the "Results Alexandria" section of the FY 2015 Proposed Budget. Within each Focus Area below are some examples of the budget decisions that were made using this new approach. For more details on department budgets, and changes to service levels, see the detailed pages within this FY 2015 Proposed Budget.

### **Accountable, Effective & Well-Managed Government**

The Accountable, Effective & Well-Managed Government Focus Area is charged with pursuing the City's vision and effectively managing public and private resources, as it is comprised of the internal departments of the City that are necessary for all other focus areas to achieve their outcomes. I asked this Focus Area to invest in the maintenance and readiness of existing assets, core functions, and our workforce. The investment in existing assets is demonstrated by additional staffing in the areas of Information Technology Services (ITS) – to better secure our network and IT infrastructure – and General Services – to provide necessary and critical preventative maintenance and energy conservation of our building assets.

This is my third budget as the City Manager of Alexandria and each budget has reflected my commitment to investing in our City workforce. Even during our challenging economic times, we must continue to invest in the people who provide the services that the community deeply values. This year, we are proposing to fund merit increases and career ladders for those employees who earn them through performance and skill building. We are also revamping our professional development and training programs, with an additional investment of \$40,000 to provide development opportunities that are more broadly applied throughout the organization to assist employees in honing skills they need to be more effective in their job. There will be no increase in employee health care premiums, and we are exploring new vision and dental program options.

To ensure a workplace that is safe and mitigates the risk of injury and accidents, we are also making investments to update and better define our pre-employment standards and physical requirements. This will enable us to better select and retain a talented, top-notch workforce.

### **Healthy & Thriving Residents**

The Healthy & Thriving Residents Focus Area is committed to ensuring our residents are in good physical, mental, social and spiritual health, and have fulfilling lives. To achieve this, we looked closely at the intended outcomes of City services in this area and scrutinized whether the services best reached the intended population and provided the best value for the dollars invested. This is a difficult evaluation to make. In this budget, I propose to eliminate the case management services provided by JobLink, Alexandria's one-stop career center, while preserving the core functions of the JobLink program. This includes the resource room where individuals can conduct job searches and have the benefit of programs and classes that will assist in preparing for interviewing and obtaining a job. We also prioritize and preserve the mental health services in the Department of Community and Human Services (DCHS) that more effectively address the needs of the most vulnerable adult population we seek to support.

Another example is our investments in senior programs and services. We are recommending expanding the senior rent relief program by adjusting the eligibility requirements and providing more resources so that more seniors can benefit from the service and stay in their homes longer. We also recommend eliminating the Senior Taxi program, but preserve our investments in DOT Paratransit and the Office of Aging bus service that would still offer senior transportation services similar to that of Senior Taxi. We are also revamping the elderly tax relief program to restrict those with greater assets from receiving the tax credit, while preserving it for those in most financial need.

Investments in our recreation and parks programs are key components of this Focus Area, and to the health and quality of life of our residents and visitors. This year, the full cost of operating 10 new parks takes effect, requiring an infusion of funding to support their upkeep. Because the maintenance of a park ebbs and flows with the seasons, we are proposing to change our service delivery model by funding more seasonal and contractual staff rather than full-time resources. In addition, we are changing the hours at select recreation centers to include Durant, Lee Center, Patrick Henry and Barrett to more closely align with the public's demand, thus reducing the resources needed to operate while still maintaining the service level desired.

### **Alexandria City Public Schools (ACPS)**

One of the great success stories of our school system is that the community is choosing to enroll their children here, rather than in private schools or moving out of the area. The continued challenge of this is the financial strain the increasing enrollment has on our schools, and therefore, for the City. In this budget, I have incorporated an additional \$5.0 million contribution to ACPS. This operating contribution represents a 2.7% increase over their FY 2014 appropriation for a total General Fund transfer to ACPS of \$190.6 million.

In addition, the City's General Fund pays for the entire capital program of the schools. For FY 2015, the City will contribute \$4.9 million of its General Fund in cash capital and pay debt service of approximately \$1.27 million, on \$18 million of General Obligation bonds to be issued, on behalf of ACPS. In the 10-year capital improvement plan, the City is providing \$149.5 million for capacity projects including four significant school re-builds or new projects. Also, another \$129.5 million for non-capacity related projects is funded.

### **Livable, Green & Prospering City**

The Livable, Green & Prospering City Focus Area aims to ensure the City and its neighborhoods are amenity-rich, inclusive, diverse, attractive, historical, and well-functioning; the City's natural and built environment is healthy; and the City has a strong local economy. To achieve these goals, we concentrated on investing in existing physical assets, like roads and sidewalks, and core functions, such stormwater maintenance and transit. We are also adding a resource to advance our civic engagement commitment through our *"What's Next, Alexandria"* initiative.

Affordable housing is an important issue within this region, and a priority for City Council and the community given the recent adoption of the Housing Master Plan. In order to advance the goals of the plan, my proposed budget prioritizes affordable housing and proposes to shift \$870,000 from the housing home ownership program to affordable rental housing.

We were able to invest significantly in transportation-related projects in part due to House Bill 2313, which was signed into law during the 2013 General Assembly session. This law provides significant funding for transportation projects in Northern Virginia and the Hampton Roads regions of the Commonwealth, through the Northern Virginia Transportation Authority (NVTA). My proposed budget incorporates this additional funding into our Capital Improvement Plan (CIP) and ensures that we are meeting the 'maintenance of effort' in local transportation. This funding is required to leverage these funds.

The regional funding we will receive from the NVTA provided us an opportunity to invest more local dollars in our core transportation maintenance projects. My budget proposes using the City's Transportation Improvement Program (TIP) – a Council-imposed 2.2 cent reservation of the City's real estate tax rate – to fund additional road resurfacing and sidewalk reconstruction projects. Since adoption in 2011, the TIP was used only for expanded transportation and transit priorities. However, we propose using this funding more flexibly and to accelerate necessary road and sidewalk repairs while still investing considerably in new transportation and transit services. Because such repairs are traditionally supported by the General Fund, many years of deferred maintenance and budget cuts have seriously degraded the City's transportation infrastructure. For more than a decade, the City has only funded repair of 20-22 lane miles of roads, or about 5% of our network, each year.

For FY 2015, we are increasing our investment to achieve about 40 lane miles of roads resurfaced, or 7.1%. Our goal is to repair 10% of our roads each year. Through the TIP, we are also expanding the hours of operation of the successful King Street Trolley to begin at 10 am during the week and run to midnight on Thursday through Saturday.

This budget also reflects the focus we have on ensuring that our capital project investments are completed on time and within budget. The Department of Project Implementation, created during FY 2014, is up and running with the necessary resources, mostly by consolidating staff from both Transportation & Environmental Services and Planning & Zoning. During FY 2015, we should begin to see successes from this concentrated and focused effort on capital project implementation.

As the City continues work toward modernizing our stormwater system, and complying with federal and state mandates, we are investing in our infrastructure. We will add staff to assist with stormwater Best Management Practice (BMP) maintenance, or facilities/structures that reduce the water quality impacts of stormwater runoff from developed areas. These investments in stormwater maintenance help protect our environment by treating and routing stormwater back into our natural environment. In addition, we will be expanding our stormwater capacity at Lake Cook to help us with our permit requirements.

### **Safe, Secure & Just Community**

Alexandria is a safe place to live, and we want to keep it that way. This Focus Area aims to maintain a safe, secure, and just community, where all community members, visitors, employees, and their property are protected from harm, and everyone receives just treatment. Ensuring we give all necessary resources to the men and women who make Alexandria a safe place to work, live, and visit is always a priority in our budget – and this year is no different.

For the Fire Department, in FY 2015 we will open Station 210 in the Eisenhower Valley on the West End. To staff this new station, we plan to relocate one engine and its crew from Station 204 in Powhatan Park. This move will help balance firefighting resources more effectively and provide a consistent level of service across the City. This may result in slightly increased response times on the City's East side, but will decrease response times significantly on the West side where the demand for service is higher.

We are also making a major investment in our public safety technology systems by implementing a new Computer Aided Dispatch (CAD) and Records Management System that will help our Police, Fire, and Emergency Communications Departments run more efficiently. The initial \$15 million capital investment in this new system is nearly complete and we now need to invest in the staff resources to operate and maintain it. These systems are central to ensuring efficient and effective emergency response capabilities.

## **FY 2015 Capital Budget/10-Year Capital Improvement Program (CIP)**

Part of Council's guidance to me in developing this budget is to continue to invest in capital projects at a level that was envisioned when we developed last year's budget.

The 10-year FY 2015-2024 CIP totals \$1.46 billion, adheres to the City's current debt and financial policies (excluding the Potomac Yard Metrorail Station funding), and continues to invest significantly in transportation (notably NVTa funding), open space, ACPS facilities, information technology, stormwater/sanitary sewers, and public buildings.

For the FY 2015 Capital Budget, we will be investing \$92.5 million. Notable projects include continued work on the Waterfront Small Area Plan, including dredging of the City marina and the beginning phases to replace the Windmill Hill Park bulkhead; new restrooms in the marina area, investments in Complete Streets, a new permit processing center for our Code Administration; the design work for Fire Station 203 (Cameron Mills) rebuild; fully-funds ACPS non-capacity needs at \$11.0 million and continues funding preliminary design and engineering for a Patrick Henry K-8 capacity project.

### **Five-Year Financial Plan**

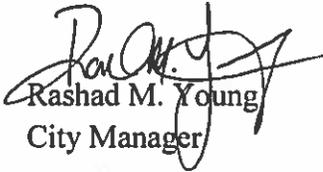
During a retreat last October, the City Council asked for a better way to show our future opportunities and risks as it relates to the financial performance of the City. After budget adoption, we will develop a five-year financial plan that will take into account the future revenues and expenses as we now know them – whether it is new revenue from a major development, such as the National Science Foundation, or a new fire station that needs to be staffed as part of the Beauregard redevelopment. The FY 2015 budget will serve as the starting place for this plan, which will help us set more long-term, sustainable fiscal goals rather than year-to-year decision-making to balance a budget.

To stay on track, we will begin using a financial modeling tool to help us look at the budget as we go through the next few months towards adoption in order to: prioritize the need for, and level of, services we provide; make sustainable decisions about those services; all while considering the long-term implications of those decisions. For example, there are several large development projects such as the Waterfront, National Science Foundation, and Potomac Yard that will be realized in the ensuing years, but the financial benefit to the City will occur at different times. This model will help us show how decisions that we make on the CIP side will impact the operating budget either through Debt Service and Cash Capital contributions to pay for the investment or through the additional operating costs. By inputting different scenarios into the modeling tool, we can better predict the effects on our debt service, revenue, or other financial measures, and make decisions to keep us on track with the Five-Year Financial Plan.

## Conclusion

I am proud of the work that we have done to present you with a balanced, strategic, and sustainable budget for FY 2015. We have entered a new era; one that focuses on strategy, outcomes and execution against our plans. Our new philosophy focuses us on where money is spent and goes back to the basic question: what is government supposed to provide? This framework helps us answer that question. It allows us to focus resources on our priorities and tie programs to measurable outcomes.

Sincerely,



Rashad M. Young  
City Manager