CITY OF ALEXANDRIA

PROPOSED BUDGET VERSION 2.0

FISCAL YEAR

2021

CITY OF Alexandria VIRGINIA

4/7/2020

CITY OF ALEXANDRIA, VIRGINIA

FY 2021 Proposed Budget Version 2.0

Revised April 7, 2020

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City Manager's Message

April 7, 2020

To the Alexandria Community and City Council:

At the time the original Fiscal Year (FY) 2021 budget was prepared, the City's economy was expanding, City tax revenues were growing steadily, and prospects for long-term growth were very good. That was before the COVID-19 pandemic hit the United States and triggered the biggest health crisis in a century, and caused what may be one of the biggest, most sudden economic downturns the nation has ever seen. We don't yet know the full extent to which this deadly virus will impact Alexandria residents, businesses and government. While we remain optimistic that the City will be able to rebound and return to its former economic position, no one knows just how steep the downturn will be and for how long it will last.

Given the high degree of uncertainty characterizing the next 15 months, prior revenue projections have been reduced by $35.8 million for FY 2020 (ending June 30) and $56.4 million for the 12 months of FY 2021 (July 1, 2020, through June 30, 2021). These revenue losses result in a combined total $92.2 million budget gap through the end of FY 2021, for which offsetting actions must be taken to keep the City's budget in balance as required by state law. It is incumbent upon the City government to recognize this new fiscal reality and revise our spending plans accordingly. As a result, today I am presenting a revised fiscal plan for City Council and community consideration, which will close this $92.2 million budget gap in a reasonable and responsible manner. My revised proposal for an $753.3 million operating budget in FY 2021 is 5.8% lower than the $799.9 million operating budget I previously proposed, and represents a 1.6% decrease from the current-year operating budget. While it will require the rethinking of operating budget and capital plans, my revised plan will keep the core services of City government stable.

Revenue Projections: The revenue reprojections detailed in Section 4 for FY 2020 and FY 2021 show major declines in consumer-based taxes such as sales, restaurant meals, transient occupancy and personal property. These taxes are founded on consumers' ability to pay and confidence in their current and future economic conditions. Economists project that with billions of dollars in investment losses and tens of millions of job losses, consumers will be cautious about buying new cars and other goods, eating out and spending on leisure travel. All of these consumer choices impact the City's tax revenue collections. As the business segment suffers economic declines, business license and business equipment tax revenues will also decline, as will ancillary City revenues such as parking meter fees and parking ticket fines. Declining interest rates will also mean precipitous declines on what the City earns on its short-term cash investments.

I, and many others, have long been concerned that Virginia localities must rely heavily on real estate taxes. While this tax category comprises some 60% of City General Fund revenues, it represents a 19th century tax system legacy. However, as much as one can bemoan this tax source, it is stable, reliable and increases incrementally in the low- to mid-single digits most years. The converse of this is that real property taxes also decline more slowly than other tax revenue sources. That slower decline will help temper the overall revenue loss picture for FY 2020 (where valuations are already set) and for FY2021 (when valuations are still expected to grow, but only by 1.15% overall).

City Manager's Message

Less than two months ago, I proposed a 2-cent increase in the real estate tax to fund City and Schools capital projects. Given the current state of the economy, I am no longer proposing this increase. This will mean the loss of some $12.8 million in proposed revenue generation for the City's capital improvement program, and require that City and Schools projects be rescheduled.

Specifically, I am proposing that $30.5 million previously budgeted for the beginning phases of the Waterfront Park and Flood Mitigation plan be rescheduled for FY 2023. Similarly, I am also proposing that $103.7 million in funding for the new Alexandria City Public Schools (ACPS) high school facility project at the Minnie Howard Campus also be rescheduled for FY 2023. The rescheduling of these two projects will allow other priority projects, such as the new MacArthur Elementary School project, to proceed on schedule. This shifting of projects from FY 2021 to FY 2023 will also allow shifting the significant debt service that those two projects will eventually trigger to FY2024 and beyond.

FY2021 Recommended Balancing Solutions to Close the $56.4 Million Budget Gap:

Compensation: The largest category of spending for local governments is the salaries, wages and benefits for the staff who provide needed services to our community. In order to maintain essential staffing to respond to the current public health emergency, and to avoid contributing further to the region's economic crisis, City employees continue to receive their scheduled salaries and benefits in FY 2020. While nearly half of the City's approximately 3,000 employees are currently teleworking, and many are unable to work due to illness or family care obligations, approximately 1,200 employees must work on-site to provide essential services. These employees are currently receiving an emergency response pay supplement of $4 per hour for each hour worked on-site. I am proud of the commitment our dedicated workforce has shown to our community during this unprecedented crisis, and I am proud to honor our community's commitment to provide employees with the compensation they expected to receive under the current budget.

Given the scale it represents, we must make difficult decisions about employee compensation as we look to FY 2021. As revenue returns, we will be able to consider compensation enhancements again. For now, severe declines in revenues require deferral of $12.5 million of previously proposed employee compensation initiatives. As of a result of the following deferrals, it will not be necessary to eliminate any incumbent positions or furlough current employees.

- Elimination of an 1.5% increase in all City pay scales ($3.5 million)
- Elimination of merit and career ladder pay increases for FY 2021, impacting about 80% of City employees ($3.6 million)
- Deferral of targeted public safety pay increases ($0.8 million)
- A freeze on new hiring of City employees, with few exceptions, through mid-FY 2021 ($4.3 million)
- Deferral in contribution to OPEB Fund ($0.3 million)

To maintain equity between City and ACPS employees, I have reduced the recommended City operating transfer to ACPS by $7.4 million. This amount is equivalent to the cost to ACPS to provide merit step increases, a 2% bonus for top of scale, targeted

market rate adjustments, and a 1.5% decrease in the employee contribution to the ACPS supplemental retirement plan. Section 5 provides the details of these changes.

City Programs and Services: The $3.9 million in program enhancements I proposed in February must now be scaled back significantly. I have deferred 20 of these additions to future fiscal years, totaling $2.1 million. Of these, $0.8 million in enhancements could be potentially funded from the recently-approved federal COVID-19 related CARES legislation. Another $1.0 million of CARES funding will be allocated to the Alexandria Health Department to be used along with potential state funding for increased epidemiological staffing. The City is committed to increased funding for public health. Although the Alexandria Health Department is a division of the Virginia Department of Health, more than 50% of its budget is funded by the City. Section 5 provides the details of these changes.

Capital Improvements: I am recommending that several projects in the 10-year Capital Improvement Program be either reduced in scope or deferred from FY 2021 to a future fiscal year. The proposed project deferrals total $140.6 million, of which $22.4 million is cash capital funding and $118.2 million is bond funding. The deferral of cash capital provides immediate budget relief, and the deferral of bond-funded projects provides future fiscal year debt service relief.

The two largest project deferrals include $30.5 million for construction costs for the Waterfront Park and flood mitigation project, and $103.7 million for the new high school facility project at the Minnie Howard Campus. While planning for these two projects would continue in FY 2021, construction funding would be delayed until FY 2023. Funding for the municipal fiber project would be rescheduled to fit its likely construction schedule, the projection for affordable housing funds from the meals tax would be reduced by $1.0 million, and funding for a number of other projects funding would be reduced to reflect likely FY 2021 spending or deferred to FY 2022 or FY 2023. Section 6 details these changes. For FY 2021, the $140.6 million in spending reductions and deferrals would result in a cash capital savings of $22.4 million and a bond issuance savings of $118.2 million.

Other Adjustments to Close the FY 2021 Budget Gap: As additional efforts to close the budget gap for FY 2021, I am recommending that:

- The deprecation charges in the Equipment Replacement Fund be reduced by $4.0 million as vehicles are lasting longer and do not need to be replaced as often;
- The Contingent Reserve amount of $0.5 million be zeroed out;
- Travel and training accounts be reduced by 25%, for $0.5 million in General Fund savings;
- The DASH operating subsidy be reduced by $0.4 million unless federal CARES monies allocated to DASH could offset part or all of that reduction. While there may be some overhead and administrative savings, it is likely that any reductions would need to derive from service cutbacks.

City Manager's Message

Use of Fund Balance: A common practice in local government financial management is "use of fund balance," meaning a small portion of prior-year funds is used as a current year funding source. For a number of years, the City has enjoyed the ability to balance its budgets without the use of fund balance, and has in fact built up its fund balance to higher levels in order to be better prepared for economic uncertainty. The City has reserved $5.0 million specifically for an economic downturn, and an additional $3.0 million for natural disasters and other emergencies. I am proposing that these allocations be used as the final amounts to close the FY 2021 budget gap.

Recommendations to Close the $35.8 million Budget Gap in FY 2020:

Compensation: A hiring freeze with few exceptions for the remainder of FY 2020 could save as much as $3.0 million.

Metro Funding: When the COVID-19 pandemic began to appear as a serious threat to the United States, with state transit revenues exceeding the planned FY 2021 budget, and with a delayed Silver Line opening and start-up costs deferred by Metro, City budget staff initiated the use of state transit funds available through the Northern Virginia Transportation Commission to fund the City's fourth-quarter FY 2020 payment to Metro. This saved the City $5.0 million in FY 2020.

Capital Improvements: Since there is very little opportunity to close a major budget gap in FY2020 with just three months left in the fiscal year, staff reviewed previously budgeted capital projects to see what options were available. A total of $24.0 million in capital projects have been identified for cancellation, deferral or reduction. The major changes proposed are:

- A $2.5 million reduction in open space funding. No privately-owned open space parcels are currently under negotiation for purchase. Open space funding is proposed to restart in FY 2022.
- $2.0 million in City fueling station funds can be shifted to FY 2022 or beyond, pending the outcome of the Witter-Wheeler Master Plan study. This fuel facility must be replaced, but the future schedule and location has yet to be resolved.
- $6.1 million previously set aside for the renovation of the Health Department building at 4480 King St. can be cancelled until it is clear what the reuse (or sale) of the building will be. The Health Department is now scheduled to move into the IDA Building at Mark Center, along with the City's Department of Community and Human Services.
- $5.0 million for the multi-year municipal fiber project can be rescheduled for FY 2022, given the need to revise the project schedule. Sufficient FY 2021 funds remain to keep this project active.
- $8.4 million in smaller amounts can be reduced from various projects, some of which will be rescheduled for FY 2021 or FY2022 and some of which will not need to be rescheduled.

City Manager's Message

Next Steps:

Budget and Tax Rates Adoption: I will further present my budget recommendations to City Council and the community at the April 14 City Council meeting. City Council will hold a public hearing on April 18 to receive community input on my recommendations, other amendments proposed by members of City Council, and the effective real estate tax rate. City Council will then hold work sessions on April 21 and April 27, and is scheduled to adopt the FY 2021 budget and FY 2020 tax rates on April 29. All of these meetings will be held online in order to observe physical distancing guidelines. For details about how to view these meetings or participate in the public hearing, check the listing at alexandriava.gov/Calendar a few days before each event.

Preparation for the Future: While the above actions close the budget gap on paper and allow decisions on priorities to be made, there remains a large uncertainty as to the near-term future in terms of whether the City's revenue projections are too high and whether further reductions will be needed in FY 2021. If economic recovery is slower than projected, further reductions may also be needed for FY 2022. Given those fiscal circumstances, City staff will undertake a deep review of programs and priorities starting this summer. This will allow us to be ready with options in the event that actions are needed to reduce spending during FY 2021 or FY 2022. With circumstances requiring a new approach to City operations over the last month, we have learned much about resource needs and ways to work differently. It is time for a top-to-bottom review.

I want to thank the staff of the Office of Management and Budget, the Department of Finance, and the Capital Planning Committee for their work, under great pressure, to help develop solutions to close the City's budget gaps for FY 2020 and FY2021. I am grateful for our outstanding City employees, who have continued to work diligently to serve our community during a very difficult and stressful time for many. Finally, thank you to Alexandria's residents, businesses, and nonprofit organizations, who are uniting -- while physically distant -- to face this crisis. Together, we will meet today's challenges and look forward to a brighter future.

Mark B. Jinks
City Manager

CITY OF ALEXANDRIA, VIRGINIA

General Fund Summary
Revenues and Expenditures

Revenues	FY 2019 Actual	FY 2020 Amended	FY 2020 Estimate	FY 2021 Proposed	FY 2021 Revised	FY21 Rev/FY20 Amd $ Chg	FY21 Rev/FY20 Amd % Chg
Real Estate Property Tax	451,685,949	462,848,143	459,370,705	492,543,516	477,554,000	14,705,857	3.2%
Personal Property Tax	50,007,122	56,926,910	53,929,638	59,130,000	55,213,000	(1,713,910)	-3.0%
Penalities & Interest	2,923,419	2,708,000	1,762,663	2,808,000	2,808,000	100,000	3.7%
Other Local Taxes	140,260,786	135,488,090	114,648,459	144,982,090	114,611,090	(20,877,000)	-15.4%
Licenses, Permits & Fees	2,802,064	2,615,350	1,419,920	2,780,200	2,339,631	(275,719)	-10.5%
Fines & Forfeitures	4,297,753	4,930,450	3,373,968	4,854,200	3,502,615	(1,427,835)	-29.0%
Federal Revenue	8,513,569	9,397,000	9,123,029	8,155,303	10,234,303	837,303	8.9%
State Revenue	47,610,552	48,143,046	47,334,071	48,209,212	48,001,386	(141,660)	-0.3%
Charges for Services	22,276,812	15,790,462	11,449,323	16,732,021	14,299,398	(1,491,064)	-9.4%
Use of Money & Property	11,265,651	11,406,650	10,596,325	8,373,892	5,498,250	(5,908,400)	-51.8%
Miscellaneous	1,378,502	859,769	1,870,285	925,670	925,116	65,347	7.6%
Non-Revenue Receipts	13,206,486	10,428,398	10,123,517	10,432,943	10,350,223	(78,175)	-0.7%
Budgeted Fund Balance	-	3,822,711	13,660,406	-	7,939,135	4,116,424	107.7%
Total Revenue	**756,228,665**	**765,364,979**	**738,662,309**	**799,927,047**	**753,276,147**	**(12,088,832)**	**-1.6%**

Expenditures	FY 2019 Actual	FY 2020 Amended	FY 2020 Estimate	FY 2021 Proposed	FY 2021 Revised	FY21 Rev/FY20 Amd $ Chg	FY21 Rev/FY20 Amd % Chg
City Operations	381,422,473	387,914,632	384,204,960	404,094,198	387,672,198	(242,434)	-0.1%
City CIP							
Cash Capital	38,216,651	41,062,143	24,759,750	41,233,231	27,317,835	(13,744,308)	-33.5%
City Debt Service	40,912,798	37,863,075	37,863,075	37,288,071	37,288,071	(575,004)	-1.5%
City CIP Subtotal	79,129,449	78,925,218	62,622,825	78,521,302	64,605,906	(14,319,312)	-18.1%
Transit	29,577,638	38,743,382	32,052,777	38,782,049	38,382,049	(361,333)	-0.9%
ACPS							
Operating Transfer	223,829,302	231,669,496	231,669,496	241,437,296	234,037,296	2,367,800	1.0%
Schools Debt Service	28,924,085	28,112,251	28,112,251	28,578,698	28,578,698	466,447	1.7%
ACPS Subtotal	252,753,387	259,781,747	259,781,747	270,015,994	262,615,994	2,834,247	1.1%
Total Base Expenditures	**742,882,947**	**765,364,979**	**738,662,309**	**791,413,543**	**753,276,147**	**(12,088,832)**	**-1.6%**
Two Cent Real Estate Tax Rate Increase for ACPS/City Capital	-	-	-	*8,513,504*	-	-	
Total Expenditures	**742,882,947**	**765,364,979**	**738,662,309**	**799,927,047**	**753,276,147**	**(12,088,832)**	**-1.6%**

General Fund Revenue Summary

General Fund Revenue	FY 2019 Actual	FY 2020 Approved	FY 2020 Estimate	FY 2021 Proposed	FY 2021 Revised
General Property Tax Revenue					
Real property tax	451,685,949	462,848,143	459,370,705	492,543,516	477,554,000
Personal property tax	50,007,122	56,926,910	53,929,638	59,130,000	55,213,000
Penalties and Interest	2,923,419	2,708,000	1,762,663	2,808,000	2,808,000
Total general property tax revenue	*504,616,490*	*522,483,053*	*515,063,006*	*554,481,516*	*535,575,000*
Other local tax revenue					
Local sales tax	28,787,034	28,800,000	25,888,795	31,800,000	26,194,000
Utility tax	11,264,818	12,000,000	12,600,000	12,700,000	12,700,000
Business licenses	36,883,865	34,378,000	30,800,000	38,128,000	22,000,000
Motor vehicle licenses	3,558,915	-	-	-	-
Recordation	5,915,166	6,000,000	7,254,688	6,500,000	5,900,000
Cigarette	2,513,138	2,600,000	2,600,000	2,600,000	2,600,000
Transient Lodging	12,879,159	12,800,000	6,966,061	13,850,000	10,833,000
Restaurant food	23,999,949	24,231,000	14,599,336	25,500,000	20,500,000
Admissions	574,440	670,000	389,579	520,000	500,000
Communications service	9,167,402	9,200,000	8,710,000	8,275,000	8,275,000
Other miscellaneous	4,716,902	4,809,090	4,840,000	5,109,090	5,109,090
Total other local tax revenues	*140,260,789*	*135,488,090*	*114,648,459*	*144,982,090*	*114,611,090*
Non-tax revenue					
Licenses, permits, and fees	2,802,064	2,615,350	1,419,920	2,780,200	2,339,631
Fines forfeitures	4,297,753	4,930,450	3,373,968	4,854,200	3,502,615
Use of money and property	11,265,651	11,406,650	10,596,325	8,373,892	5,498,250
Charges for services	22,276,812	15,790,462	11,449,323	16,732,021	14,299,398
Noncategorical State (PPTRA)	23,578,531	23,578,531	23,578,531	23,578,531	23,578,531
Intergovernmental revenues	32,545,590	33,961,515	32,878,569	32,785,984	34,657,158
Miscellaneous	2,663,744	2,016,285	2,701,920	2,112,186	2,028,912
Total non-tax revenue	*99,430,145*	*94,299,243*	*85,998,556*	*91,217,014*	*85,904,495*
Total General Fund Revenues	**744,307,421**	**752,270,386**	**715,710,021**	**790,680,620**	**736,090,585**
Other financing sources (uses)					
Appropriations to/from Fund Balances					
Contribution to/Use of Fund Balance	-	-	13,660,406	-	7,939,135
Transfer from special revenue acct.[1]	11,921,244	9,271,882	9,291,882	9,246,427	9,246,427
Total Transfers In	*11,921,244*	*9,271,882*	*22,952,288*	*9,246,427*	*17,185,562*
Total General Fund Revenues and Other Sources	**756,228,665**	**761,542,268**	**738,662,309**	**799,927,047**	**753,276,147**

[1.] Transfers from special revenue accounts include sanitary sewer fee revenue transferred to the General Fund to pay for sanitary sewer debt service budgeted in the General Fund; transfers from the sanitary sewer fund, storm water fund, residential refuse fund, permit fee fund, and the Torpedo Factory Operations account for indirect costs; and a transfer from the Potomac Yard Fund for the cost of City and School services provided to properties within Potomac Yard.

Revenue Adjustments

The following is a list of major adjustments and the assumptions included in the revision of the Proposed Budget submitted in April 2020.

Source	Assumption	FY 2020 Adjustment	FY 2021 Adjustment
Real Estate Property Tax	The CY 2020 assessment is unchanged, however there is an expected decrease in FY 2020 collections due to some taxpayers' ability to pay. For FY 2021, the assessed value growth rate has been reduced from 4.5% for residential and 3.0% for commercial to 2.0% for residential and flat for commercial. Also, in FY 2021, $8.5 million in revenue from a planned two-cent rate increase included in the proposed budget for Schools and City capital projects has been removed as the two-cent tax rate increase is proposed to be deferred.	($10.32 M)	($14.99 M)
Personal Property Tax	The self-assessing Business Personal Property tax return is due to the City on May 1st, temporarily deferred to July 1st due to the COVID-19 health crisis. Business personal property taxes for FY 2021 are expected to reflect a 3% decrease from FY 2020 based on the potential economic impact from COVID-19. This is similar to the decrease experienced during the Great Recession. Fewer acquisitions of tangible business personal property are anticipated during calendar year 2020, which generates the FY 2021 business personal property tax base. Vehicle personal property tax revenue for FY 2021 is expected to be flat with the revised FY 2020 forecast. Due to the economic disruption during calendar year 2020 from COVID-19, to include a drop in consumer confidence and higher unemployment, car sales are expected to be suppressed. With flat growth, the resulting estimated average prorated tax levy is $301.	($2.84 M)	($3.92 M)
Sales Tax	Revenues projected for FY 2020 are based on sales through January 2020. The economic impact of COVID-19 is projected to see Sales Tax revenue decrease for the remainder of FY 2020. The estimate for FY 2021 assumes continuation of the decline by 38% in the first quarter of the fiscal year, followed by a 20% decline in the fall's second quarter, and then turning to more normal growth of 3% in the final six months of FY 2021. The cumulative net change from the FY 2020 revised estimate is nominal growth of 1% overall.	($5.01 M)	($5.61 M)

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Revenue Adjustments

The following is a list of major adjustments and the assumptions included in the revision of the Proposed Budget submitted in April 2020.

Source	Assumption	FY 2020 Adjustment	FY 2021 Adjustment
Business License Tax	FY 2021 BPOL revenue is based on gross receipts of businesses generated during calendar year 2020. Due to the major economic impact from the shutdown of most businesses, the forecast assumes gross receipts from February through June will be down approximately 80%; July through September 2020 will be down 25%, and October through December will be flat with FY 2019. On a cumulative net basis, this puts FY 2021 BPOL revenue down 29% overall from the revised FY 2020 estimate. Unfortunately, due to the uncertainty as to the length of economic shutdown, and the potential for any disease rebound in the fall/winter, there is no precise roadmap for gauging the eventual impact at this time.	($6.20 M)	($16.13 M)
Recordation Tax	Projected revenue of $7.2 million for recordation tax revenue in FY 2020 is based on current receipts and a 10 percent reduction for the remainder of the fiscal year from previous projections due to limited activity through the end of the year. FY 2021 revenues of $5.9 million are unchanged from previous estimates.	($0.25 M)	($0.60 M)
Transient Lodging Tax	Revenues projected for FY 2020 are based on collections through February 2020 and City Council action to provide a moratorium allowing for the deferral of spring tax payments for the rest of the fiscal year without penalties and interest. Only a small amount of additional tax revenue is expected through the end of FY 2020. Given the radical drop in actual hotel revenue and extended payment plans for any deferred revenue actually realized, deferral payments are not anticipated to have a significant impact in FY 2021. Transient Lodging taxes are still expected to be suppressed at the start of FY 2021, with the first quarter of the fiscal year estimated to be down 50% from FY 2020. Fall's second quarter is expected to realize a slight improvement, but still down 25%. The last six month of FY 2021 are expected to be flat with FY 2019 actual revenue. The net change is an improvement of approximately $3.9 million over FY 2020, but still 16% below FY 2019 actual revenue.	($6.29 M)	($3.02 M)

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Revenue Adjustments

The following is a list of major adjustments and the assumptions included in the revision of the Proposed Budget submitted in April 2020.

Source	Assumption	FY 2020 Adjustment	FY 2021 Adjustment
Restaurant Meals Tax	Revenues projected for FY 2020 are based on collections through February 2020 and City Council action to provide the deferred tax payment moratorium from February sales through June, 2020. Only a small amount of additional tax revenue is expected through the end of FY 2020. The FY 2021 estimate is expected to follow the same trend as with Transient Lodging-- down 50% from FY 2020 collections in the first quarter of the fiscal year, then down 25% in the second quarter, and flat with FY 2019 collections for the remainder of FY 2021. While this represents a net gain of $5.9 million from FY 2020, it is approximately 15% below FY 2019.	($10.36 M)	($5.00 M)
Licenses, Permits, and Fees	FY 2020 revenue from licenses, permits and fees is expected to decline by 30% in March and 40% in April through June for services identified as relatively inelastic, such as fire prevention permits, and by 80%-90% for targeted travel-related revenues, such as taxi fees and temporary no-parking signs. The FY 2021 projection is based on a medium rate of recovery through the end of CY 2020, increasing to 40% in the first quarter and to 75% by the second quarter.	($0.81 M)	($0.44 M)
Fines and Forfeitures	FY 2020 revenue from fines and forfeitures is expected to decline by 30% in March and 40% in April through June for services identified as relatively inelastic, such as court fines, and by 80%-90% for identified travel related revenues such as parking fines and red light violations. The FY 2021 projection is based on a low rate of recovery through the end of CY 2020 of 0% in the first quarter and 25% in the second quarter.	($1.48 M)	($1.35 M)
Use of Money and Property	FY 2020 revenue from City parking garage and lots is expected to decline significantly from March through the end of the fiscal year due to social distancing and the Governor's stay-at-home order and recover slowly in FY 2021 due to diminished economic activity as a result of the global economic crisis. Use of bond interest earnings in FY 2020. Investment earning assumptions are reduced based on the Federal Reserve's most recent reduction in interest rates.	$1.91 M	($2.88 M)

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Revenue Adjustments

The following is a list of major adjustments and the assumptions included in the revision of the Proposed Budget submitted in April 2020.

Source	Assumption	FY 2020 Adjustment	FY 2021 Adjustment
Charges for Services	Charges for services include revenue received from parking meters, fee-based recreational programs and activities, ambulance transport fees, and development fees. Significant adjustments were made to revenues anticipated to be most impacted such as those relating to travel, recreation and development activities while ambulance charges are expected to be less affected. Ambulance fees were proposed to increase in FY 2021 to offset the cost of providing EMS services and has been deferred. In all cases, the most significant impacts are anticipated in the final quarter of FY 2020 due to social distancing and the stay-at-home order with slow rates of recovery in FY 2021, particularly for the first half of the fiscal year.	($4.52 M)	($2.43 M)
Intergovernmental Revenues	General Fund revenue from the federal and state governments is not significantly changed at this time. The state budget is being revised due to declining revenues, which may impact the amount of state aid to localities, however there is also likely to be federal and state assistance for COVID-19 response and recovery. Federal revenue was increase by $2.0 million in FY 2021 in anticipation of future government assistance.	($0.49 M)	$1.87 M
Stormwater Utility Fee *(Stormwater Utility Fund)*	The Stormwater Utility Fee was adopted to provide a dedicated funding source to more equitably fund stormwater management and Chesapeake Bay clean-up mandates. The Stormwater Utility Fee was proposed to increase by $6.30 or 4.5% in FY 2021, from $140 per billable unit/year to $146.30, and has been deferred until likely FY 2022.	-	($0.38 M)
Use of Fund Balance	Spendable fund balance are resources that City Council can use to fund unforeseen, unbudgeted, one-time needs.	$13.66 M	$7.94 M

Expenditure Adjustments

The following is a list major adjustments and the assumptions included in the revision of the Proposed Budget submitted in April 2020.

Source	Assumption	FY 2020 Adjustment	FY 2021 Adjustment
WMATA Operating	Reduced the FY 2020 General Fund WMATA operating transfer and utilize funding from Northern Virginia Transportation Commission (NVTC) fund balance in the same amount.	-$5.00 M	$0
Hiring Freeze	Implement a hiring freeze with few exceptions beginning in April 2020. Savings for FY 2020 assume all current vacant positions will remain vacant through FY 2020. FY 2021 assumes most vacant positions will remain vacant for at least six months (excludes some public safety positions).	-$3.00 M	-$4.30 M
1.5% Pay Scale Increase	A 1.5% adjustment to all employee pay scales included in the FY 2021 proposed budget is being deferred and removed from the budget in FY 2021.	$0	-$3.50 M
Merit Increases and Career Ladder Elevations	All merit increases and career ladder elevations planned in the FY 2021 proposed budget are being deferred and removed from the budget in FY 2021.	$0	-$3.60 M
Public Safety Target Pay Increases	The targeted pay adjustments for several public safety job classifications is being deferred and removed from the budget in FY 2021. Fire —Defer the grade increase from 10 to 11 for the Fire Fighter 1 classification. Defer moving the Chief Deputy positions to the Executive Pay Scale. Police— Defer the two-grade increase for Police Captain and Police Lieutenant classifications. Sheriff—Defer the grade increase for Sheriff Captain and Sheriff Lieutenant classifications. Defer moving the Chief Deputy Sheriff positions to the Executive Pay Scale.	$0	-$0.83 M
Other Post Employment Benefits (OPEB)	Reduce the contribution budgeted for OPEB costs in the FY 2021 budget. This is a technical adjustment.	$0	-$0.30 M
Travel and Training	This represents a General Fund reduction of all travel and training related line items by 25%. Travel and training opportunities are expected to be limited in the first quarter of FY 2021.	$0	-$0.50 M
Contingent Reserve	Remove the undesignated program contingency for City Council in the FY 2021 budget.	$0	-$0.50 M
Affordable Housing	Due to the re-estimate of anticipated revenue from the Restaurant Meals Tax, the associated expenditure for the dedicated 1% for Affordable Housing will be reduced accordingly.	$0	-$1.00 M

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Expenditure Adjustments

The following is a list major adjustments and the assumptions included in the revision of the Proposed Budget submitted in April 2020.

Source	Assumption	FY 2020 Adjustment	FY 2021 Adjustment
The following supplemental initiatives were included in the FY 2021 Proposed Budget and are now deferred:			
Community and Human Services	Early Childhood Program Expansion (Federal Grant may fund summer program)	$0	-$0.51 M
Visit Alexandria	African American History and Diverse Neighborhoods Content for Community and Visitor Education	$0	-$0.05 M
Finance	Business Compliance Pilot program (1.0 FTE)	$0	-$0.11 M
General Services	Energy and Climate Change Action Plan Update (funded by moving to CIP)	$0	-$0.11 M
Historic Alexandria	Museum Administrator (1.0 FTE)	$0	-$0.11 M
Historic Alexandria	Full Time Archaeologist (0.25 FTE)	$0	-$0.05 M
Historic Alexandria	Software Licenses	$0	-$0.01 M
Library	Additional Acquisition of Library Materials	$0	-$0.05 M
Non-D Contingent	NOVA Economic Development Alliance Funding	$0	-$0.08 M
Other Health—Neighborhood Health	Contingent Funding	$0	-$0.10 M
Planning & Zoning	Overhire positions for Land Use Services	$0	-$0.21 M
Police	Police Sergeant position (1.0 FTE) (Body Worn Camera Study)	$0	-$0.15 M
Police	Forensic software for electronic devices	$0	-$0.15 M
RPCA	Waterfront Parks Maintenance Upgrade	$0	-$0.10 M
RPCA	Portable Restrooms	$0	-$0.01 M
RPCA	Natural Turf Improvements	$0	-$0.01 M
TES	Site Plan Review Engineer (1.0 FTE)	$0	-$0.10 M
TES	311 Customer Liaison (1.0 FTE)	$0	-$0.08 M
TES	The King Street Place Pilot Project	$0	-$0.05 M
TES	Traffic Engineer (1.0 FTE)	$0	-$0.10 M

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Expenditure Adjustments

The following is a list major adjustments and the assumptions included in the revision of the Proposed Budget submitted in April 2020.

Source	Assumption	FY 2020 Adjustment	FY 2021 Adjustment
Equipment Replacement	This represents a General Fund reduction of all equipment replacement charges in the FY 2021 budget. Vehicles for FY 2021 will be purchased using equipment replacement fund balance.	$0	-$4.00 M
General Fund Transfer to Capital Improvement Program (CIP)	Cancel, defer or reduce various CIP projects proposed for funding in FY 2021. For details, refer to section VI. CIP Adjustments.	-$24.00 M	-$22.40 M
ACPS Operating Transfer	The ACPS operating transfer adjustment assumes a reduction in employee compensation items similar to the City. These items include: • Defer step increases for ACPS staff—$5.5 M • Defer 2% bonus for top-of-scale and hold-step employees — $0.6 M • Defer targeted market rate adjustments —$0.5 M • Defer 1.5% decrease for employee contribution to the ACPS supplemental retirement plan —$0.8 M	$0	-$7.40 M
DASH Operating Transfer	The DASH operating transfer adjustment is to be determined.	$0	-$0.40 M
Alexandria Home Ownership Preservation Grant Program	The City Manager recommends re-instatement of the Alexandria Home Ownership Preservation program (AHOP) for tax year 2020. Grants will be paid in FY 2021. This program provides a grant for affordable home ownership preservation.	$0	$1.25 M
Health Department	Additional funding for the Health Department based on the request submitted on March 25, 2020 in relation to staffing for public health.	$0	$1.00 M
COVID-19 Response and Recovery Contingency	Undesignated contingency funds for programs to assist Alexandria residents and businesses with recovery from the economic impacts of COVID-19.	$0	$2.00 M
TOTAL		**-$32.00 M**	**-$46.65 M**

CIP Project Adjustments

The following is a list of adjustments to capital project funding schedules. This includes both adjustments to prior appropriations and the FY 2021 capital budget. Project adjustments listed below total $24.0 million in previous appropriations which will be reallocated to the General Fund FY 2020 operating budget, and $140.6 million in FY 2021 capital appropriations, which will offset projected revenue reductions in FY 2021 and reduce planned FY 2021 borrowing.

Adjustments identified below will be reconsidered as part of the FY 2022 Capital Improvement Program (CIP) development process, where restoration of funding or permanent reduction of funding will be decided.

CIP Project Adjustments

		Appropriated-to-Date Adjustment		FY 2021 Adjustment	
CIP Project	Description/Notes	Cash	Borrowing	Cash	Borrowing
Community Development					
Affordable Housing Funding (Meals Tax)	This represents the reduction in the Restaurant and Meals Tax dedication for Affordable Housing that is projected for FY 2021.	-	-	-$1.0 M	-
Development Studies	Reduces prior year balances for a study put on hold in FY 2019. Funding can be replaced in future CIP when study is reactivated.	-$0.1 M	-	-	-
Environmental Restoration	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.2 M	-	-	-
Office of Historic Alexandria Initiatives	This would defer funding proposed for the Waterfront History Plan to a subsequent fiscal year.	-	-	-$0.1 M	-
Public Art Acquisition	Project will maintain adequate balances to sustain immediate term needs of project.	-	-	-$0.2 M	-
Stream Valley Design Guidelines	Project can be deferred to subsequent fiscal year; substantive work has not yet started on this project.	-	-	-$0.3 M	-
Transportation Signage & Wayfinding System	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.3 M	-	-	-
Waterfront Small Area Plan Implementation	Existing project balances can sustain immediate term needs of project., including work to refine project scope and design.	-	-	-$5.0 M	-$25.5 M

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CIP Project Adjustments

		Appropriated-to-Date Adjustment		FY 2021 Adjustment	
CIP Project	Description/Notes	Cash	Borrowing	Cash	Borrowing
Recreation & Parks					
Cameron Run Regional Park Feasibility Study	Project can be deferred to subsequent fiscal year; substantive work has not yet started on this project.	-	-	-$0.1 M	-
Citywide Parks Improvements Plan	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.03 M	-	-	-
Community Matching Fund	Project will maintain adequate balances to sustain immediate term needs of project.	-	-	-$0.1 M	-
Fort Ward Management Plan Implementation	Project will maintain adequate balances to sustain immediate term needs of project.	-	-	-$0.2 M	-
Open Space Acquisition and Development	Project will maintain adequate balances to sustain immediate term needs of project.	-	-$2.5 M	-	-
Pavement in Parks	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.2 M	-	-	-
Torpedo Factory Space Programming & Improvements	Project can be deferred to subsequent fiscal year; project has sufficient balances for immediate needs and emergency repairs.	-	-	-$0.3 M	-
African American Heritage Park	Department has identified this project as substantially complete; this reduction represents project closeout funds available to repurpose.	-$0.04 M	-	-	-
City Marina Utility Upgrades	Project will maintain adequate balances to sustain immediate term needs of project.	-	-$0.3 M	-	-

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CIP Project Adjustments

		Appropriated-to-Date Adjustment		FY 2021 Adjustment	
CIP Project	**Description/Notes**	**Cash**	**Borrowing**	**Cash**	**Borrowing**
Recreation & Parks					
Four Mile Run Connector Bridge	Department has identified this project as substantially complete; this reduction represents project closeout funds available to repurpose.	-$0.04 M	-	-	-
Park Maintenance Facilities Planning	Department has identified this project as substantially complete; this reduction represents project closeout funds available to repurpose.	-$0.03 M	-	-	-
Potomac Yard Park Basketball Court Lights	Department has identified this project as substantially complete; this reduction represents project closeout funds available to repurpose.	-$0.02 M	-	-	-
Windmill Hill Park	Phase II improvements at Windmill Hill Park have not significantly advanced at this time. Project phase and funding can be deferred to subsequent fiscal year.	-$0.5 M	-	-	-
Public Buildings					
Emergency Power Systems	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.8 M	-$0.7 M	-	-
Energy Management Program	Project will maintain adequate balances to sustain immediate term needs of project.	-$1.0 M	-	-$0.7 M	-
Fuel Island Renovation	Project will maintain adequate balances to sustain immediate term needs of project (design).	-$2.0 M	-	-	-

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CIP Project Adjustments

		Appropriated-to-Date Adjustment		FY 2021 Adjustment	
CIP Project	**Description/Notes**	**Cash**	**Borrowing**	**Cash**	**Borrowing**
Public Buildings (continued)					
Gadsby's Tavern Restaurant Kitchen Equipment	This project is pending additional renovations to the Gadsby space and can be deferred until those renovations are completed.	-$0.2 M	-	-	-
Health Department CFMP (4480 King St. Capital Maintenance)	This funding can be deferred given the planned move of the Health Department with DCHS into the IDA Building at the Mark Center. Reuse of 4480 King by the City or disposition is a decision that will not likely be implemented until FY 2022 or later.	-	-$6.1 M	-$0.1 M	-
Union Station Improvements	Project can be deferred to subsequent fiscal year; substantive work has not yet started on this project.	-	-	-$0.3 M	-
Transportation					
Complete Streets	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.1 M	-	-$0.6 M	-
Miscellaneous Undergrounding	Department has identified this project as substantially complete; this reduction represents project closeout funds available to repurpose.	-$0.1 M	-	-	-
Seminary Rd. @ Beauregard Ellipse	Project will maintain sufficient balances to advance traffic study and preliminary design work.	-$0.1 M	-	-	-
Shared-Use Paths	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.3 M	-	-	-

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CITY OF ALEXANDRIA, VIRGINIA

CIP Project Adjustments

		Appropriated-to-Date Adjustment		FY 2021 Adjustment	
CIP Project	Description/Notes	Cash	Borrowing	Cash	Borrowing
Sewers					
Four Mile Run Channel Maintenance	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.3 M	-	-	-
IT Plan					
Application Portfolio Management	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.1 M	-	-	-
Document Imaging	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.1 M	-	-	-
Electronic Citations Implementation	Project can be deferred to subsequent fiscal year; substantive work has not yet started on this project.	-$0.4 M	-	-	-
Enterprise Camera System	Project can be deferred to subsequent fiscal year; substantive work has not yet started on this project.	-$0.2 M	-	-	-
Enterprise Maintenance Mgmt System	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.4 M	-	$0.0 M	-
Enterprise Resource Planning System	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.4 M	-	-	-
Enterprise Service Catalog	Project will maintain adequate balances to sustain immediate term needs of project.	-	-	-$0.2 M	-

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CIP Project Adjustments

		Appropriated-to-Date Adjustment		FY 2021 Adjustment	
CIP Project	Description/Notes	Cash	Borrowing	Cash	Borrowing
IT Plan (continued)					
FOIA System Replacement	Project can be deferred to subsequent fiscal year; substantive work has not yet started on this project.	-$0.1 M	-	-	-
Migration of Integrated Library System to SAAS Platform	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.03 M	-	-	-
Municipal Fiber	Project will maintain adequate balances to sustain immediate term needs of project.	-$5.0 M	-	-$1.8 M	-
Parking Citation System Replacement	Department has identified an alternative method for project delivery and will utilize existing Finance -IT project balances to complete project.	-	-	-$0.5 M	-
Phone, Web, Portable Device Payment Portals	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.1 M	-	-	-
Project Management Software	Project can be deferred to subsequent fiscal year; substantive work has not yet started on this project.	-$0.1 M	-	-	-
Purchasing System Upgrade	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.02 M	-	-	-
Radio System Upgrade	Project will maintain adequate balances to sustain immediate term needs of project.	-$1.1 M	-	-	-

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CITY OF ALEXANDRIA, VIRGINIA

CIP Project Adjustments

		Appropriated-to-Date Adjustment		FY 2021 Adjustment	
CIP Project	Description/Notes	Cash	Borrowing	Cash	Borrowing
IT Plan (continued)					
Real Estate Accounts Receivable	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.2 M	-	-	-
Real Estate Assessment System (CAMA)	Project will maintain adequate balances to sustain immediate term needs of project.	-$0.05 M	-	-	-
Recreation Database System	Project can be deferred to subsequent fiscal year; substantive work has not yet started on this project.	-$0.1 M	-	-	-
Time & Attendance System Upgrade	Project will maintain adequate balances to sustain immediate term needs of project.	-	-	-$0.1 M	-
Alexandria City Public Schools					
High School Project	Construction of Minnie Howard replacement will be deferred to FY 2022 or FY 2023. Substantive planning and design work remain for this site.	-	-	-$11.0 M	-$92.7 M
SUBTOTAL		**-$14.4 M**	**-$9.6 M**	**-$22.4 M**	**-$118.2 M**

Subtotal (Appropriated-to-Date)	-$24.0 M
Subtotal (FY 2021)	-$140.6 M
TOTAL Adjustments	**-$164.6 M**

CIP Project Adjustments

CIP TECHNICAL ADJUSTMENTS

The following project adjustments are to recognize Non-City funding sources for capital projects that were not included as part of the Proposed FY 2021—FY 2030 Capital Improvement Program. These adjustments include:

- **Waterfront Small Area Plan Implementation (+$676,186)** —Developer Contributions dedicated to improvements at the City Waterfront.
- **Strawberry Run Stream Restoration (+$800,000)** - Recognize a Stormwater Local Assistance Fund (SLAF) grant awarded for this project.
- **Taylor Run Stream Restoration (+$2,255,000)** - Recognize a Stormwater Local Assistance Fund (SLAF) grant awarded for this project.
- **Adaptive Signal Control (+$675,900)** - Adjust FY 2022 and FY 2023 funding schedule for project to reflect final award amount from Virginia Department of Transportation (VDOT) for project.

The tables on the following pages reflect both the technical adjustments listed above and the FY 2021 adjustments recommended as part of the response to revenue reductions from the COVID-19 incident.

CIP Project Adjustments

CIP PROPOSED TO ADJUSTED CROSSWALK: FY 2021

FY 2021 Capital Budget		Changes		
CIP Section	FY 2021 Proposed	City Funding	Non-City Funding	FY 2021 Adjusted
ACPS	$198.8 M	-$103.7 M	-	$95.1 M
CIP Development & Implementation Staff	$6.8 M	-	-	$6.8 M
Community Development	$45.0 M	-$32.0 M	$0.7 M	$13.7 M
IT Plan	$18.2 M	-$2.6 M	-	$15.6 M
Other Regional Contributions	$0.8 M	-	-	$0.8 M
Public Buildings	$20.8 M	-$1.1 M	-	$19.8 M
Recreation & Parks	$7.0 M	-$0.6 M	-	$6.3 M
Sanitary Sewers	$4.1 M	-	-	$4.1 M
Stormwater Management	$4.9 M	-	$3.1 M	$7.9 M
Transportation				
High Capacity Transit Corridors	$0.5 M	-	-	$0.5 M
Non-Motorized Transportation	$1.8 M	-$0.6 M	-	$1.2 M
Public Transit	$18.4 M	-	-	$18.4 M
Smart Mobility	$2.0 M	-	-	$2.0 M
Streets & Bridges	$13.8 M	-	-	$13.8 M
Total	**$342.7 M**	**-$140.6 M**	**$3.7 M**	**$205.8 M**

CIP Project Adjustments

CIP PROPOSED TO ADJUSTED CROSSWALK: FY 2021—FY 2030

FY 2021—FY 2030 CIP		Changes		
CIP Section	FY 2021-2030 Proposed	City Funding	Non-City Funding	FY 2021-2030 Adjusted
ACPS	$530.7 M	-$103.7 M	-	$427.0 M
CIP Development & Implementation Staff	$89.1 M	-	-	$89.1 M
Community Development	$213.6 M	-$32.0 M	$0.7 M	$182.2 M
IT Plan	$109.2 M	-$2.6 M	-	$106.6 M
Other Regional Contributions	$9.0 M	-	-	$9.0 M
Public Buildings	$318.4 M	-$1.1 M	-	$317.4 M
Recreation & Parks	$135.9 M	-$0.6 M	-	$135.2 M
Sanitary Sewers	$53.7 M	-	-	$53.7 M
Stormwater Management	$93.7 M	-	$3.1 M	$96.8 M
Transportation	-	-	-	-
High Capacity Transit Corridors	$69.9 M	-	-	$69.9 M
Non-Motorized Transportation	$35.1 M	-$0.6 M	-	$34.5 M
Public Transit	$275.5 M	-	-	$275.5 M
Smart Mobility	$19.1 M	-	$0.7 M	$19.8 M
Streets & Bridges	$151.4 M	-	-	$151.4 M
Total	**$2,104.3 M**	**-$140.6 M**	**$4.4 M**	**$1,968.0 M**