



OFFICE OF MANAGEMENT AND BUDGET

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January 26, 2010

Mr. Joseph Judson Smith, III
401 Wilkes Street
Alexandria, Virginia 22314

Dear Mr. Smith:

Thank you for your analysis of the City budget between FY 2000 and FY 2009. We prepared a similar and even more detailed analysis of growth in the City's General Fund Operating budget between FY 2000 and FY 2010 last October and provided it to City Council. We welcome your transition from someone who, as you say, "paid casual attention to the city's governance and management over the last 25 years" to someone who is now becoming knowledgeable. Like your analysis, our analysis confirmed that actual growth exceeded a per capita inflation adjusted growth rate.

Nevertheless, we do not agree that this growth in the budget reflects "an astonishing lack of management, leadership, and governance in our city". What this growth reflects are choices made each year in the budget process that reflect the community's desire for City services and facilities and a balancing of that desire with the ability of the community to pay for those services. Over the last 10 years these were not easy choices, and the upcoming FY 2011 budget will present even more difficult choices.

Our analysis, which you can read in its entirety in the attachment, in summary finds several main drivers of the budget increase: "population growth, programmatic changes and additional positions, inflation, higher costs for employee compensation, debt service, an expanded Capital Improvement Program, and the appropriation to the Alexandria Public Schools."

You may not agree with the choices made during the last 10 years, not everyone who participated in those debates does; but that is local government and democracy at work. Our job now is to be sure that these choices are being clearly presented in a very transparent budget process and made after an opportunity for public input and extensive deliberation by our elected community leaders.

Sincerely,

Bruce Johnson
Chief Financial Officer

Attachment: Oct. 14, 2009 Memorandum to Honorable Mayor and Members of City Council, "Analysis of General Fund Budget Growth from FY 2000 – FY 2010"

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 14, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: ANALYSIS OF GENERAL FUND BUDGET GROWTH FROM FY 2000 – FY 2010

This memorandum is in response to Councilman Frank Fannon's request for an explanation of the budget growth in the past ten years, including new programs and activities. In FY 2000, the City's General Fund budget was \$288.2 million compared to a \$530.0 million budget in FY 2010, or approximately an 84% growth of \$242.0 million more in 10 years (a 6.28% average annual rate). There are several main drivers of this increase: population growth, programmatic changes and additional positions, inflation, higher costs for employee compensation, debt service, an expanded Capital Improvement Program, and the appropriation to the Alexandria Public Schools. Attachment 1 provides a General Fund budget comparison of FY 2000 and 2010 by department.

While the increase in the operating budget is large, it is important to remember that much has changed in City since 2000. For starters, over the past ten years the City's population has increased by nearly 17% from 123,200 to 144,023. In concert with population growth has been increased development throughout the City. In order to adequately serve and protect this growing population of residents and maintain new development the City has had to increase services. This can impact the operating budget in several ways. In some cases increased services require the City to raise staffing levels thus adding to the personnel budget. Another contributor is an increase in debt service as a result of new City facilities being brought online through the Capital Improvement Program. These factors and other programmatic changes are tied to the changes in population growth and development that Alexandria has experienced in the past ten years.

The number full-time employees working for the City has grown by 9.8%. Attachment 2 provides a comparison of FY 2000 and FY 2010 full-time position levels by department. Below is a sample of some of the full-time positions that were added to support new and expanded initiatives that have been implemented since FY 2000.

Of an increase of 40 new full-time positions in the Fire Department:

- 8 medics for a 5th Medic Unit added to the Fire Department in FY 2002

- 6 medics to increase advanced life support capacity in FY 2005

Of 26 positions added to the Sheriff's Office:

- 9 sworn Sheriff positions added with federal funds in 2003, but ultimately paid for through the General Fund in 2005 to provide perimeter security for the public safety center.

Of 47 positions added to the Police Department:

- 38 new sworn Police officers over 10 years

Of 18 full-time positions added to the Department of Planning & Zoning:

- 15 new planning positions were added over ten years

Of 36 positions added for social safety net departments:

- 10 positions for the Safe Haven Facility in the MH/MR/SA department

For the remaining City departments, other noteworthy positions that were added included:

- 20 new positions in Recreation to staff renovated and expanded programs at the Ramsay, Buddie Ford, Charles Houston and Durant recreation centers, including 8 positions transferred from the Schools to take on additional maintenance responsibilities at the school facilities
- 10 new Library positions needed with the opening of the Beatley Library and the re-opening of the Burke Library, which was scheduled to close, and the Community Learning Center

In total, 210 positions have been added to provide new and expanded programs in the past ten years. Over half of the positions have been added to the Fire, Police and Sheriff's Departments. Some of the positions, such as in the Bureau of Code Enforcement and Planning & Zoning, were initially paid for with developer fees to facilitate development in East Eisenhower and Carlyle and develop plans for Potomac Yard. But in many cases ultimately these positions have resulted in increased demand for general funds. Attachments 3 and 4 provide comparisons of the FY 2000 and FY 2010 General Fund budgets and full-time position levels categorized by major initiatives.

It is important to note the role that inflation has had in the \$242.0 million increase. Assuming an average annual rate of 2.6% over the ten year period, approximately \$80.7 million of the total increase could be "explained" as the result of general (CPI-U) inflation.

One aspect of the inflation related increase is the market rate adjustment (MRA – formerly called a Cost of Living Adjustment or COLA) that historically has been provided to both City and Schools employees. The City's budget for personnel compensation accounts for the majority of the operating budget. The purpose of the MRA is to maintain a competitive level of employee compensation when compared to our neighboring jurisdictions and local labor market. From 2000-2008, City employees received MRA's ranging from 1.5%-3.0%. In the past two years City employees received no MRA. On average, as a result of inflation, the general salary adjustment for the past decade is just over 2.0%.

Other aspects related to the City's personnel compensation policies have contributed to the overall General Fund budget increase. Prior to FY 2010, City and Schools employees received a merit/step increase each year assuming satisfactory performance. The annual cost of this has

grown to approximately \$4.4 million on the City side and has typically reflected approximately a 2.0% increase in total personnel costs each year. In total, City salaries were \$80.6 million in FY 2000 compared to \$131.3 million in FY 2010, a 63% increase.

In total, benefits increased by \$23.1 million since FY 2000, or an 85% increase, while overall the budget for both personnel salaries and benefits increased by \$73.8 million, or 69%. Over the past decade, the cost of health benefits has risen dramatically. For example, the cost of family health insurance provided by Kaiser Permanente in FY 2000 was budgeted at \$5,076. For FY 2010, the same plan costs \$11,300. As a result, in FY 2000 the City spent \$6.6 million for health insurance out of the general fund compared to \$14.3 million in FY 2010 – a 117% increase.

Retirement costs have also increased significantly. In FY 2000, the rate for the VRS and City Supplemental plans for general government employees was 13.9% of salary. Based on this rate, the City budgeted \$13.3 million for retirement in FY 2000. In part the cost for the supplemental plan has increased due to improvements to the supplemental retirement benefit for Sheriff's Deputies, Fire Marshalls and Fire/EMS medics. Today, for existing employees the same benefits plan (VRS + supplemental) requires a contribution of 20.74% of salary, or approximately a 49% increase in the contribution rate. In 2004, the City changed the Police-Fire pension plan from a 22.35% defined contribution plan to a 25.58% defined benefit plan, which resulted in increased City Costs. In FY 2010 total retirement costs are budgeted at \$24.8 million, an increase of 87% since FY 2000.

Debt Service in FY 2000 was \$8.9 million compared to \$37.1 million in FY 2010. Debt Service is a direct result of an expanded Capital Improvement Program in the last ten years. Spending on Cash Capital for capital projects has declined over this same period by 40.1% from \$7.3 million in FY 2000 to \$4.4 million in FY 2010. In the past decade, we have built a new public library (Beatley), a new elementary school (Samuel Tucker), a new high school (T.C. Williams), paid for a portion of a new fire station (Potomac Yard), and opened the joint RPCA/T&ES maintenance facility (Business Center Drive). There were also a number of significant renovations in that time, including Duncan Library, the Buddie Ford Nature Center and the Health/Mental Health facility at 4480 King Street. Major school renovations at George Washington and Francis Hammond Middle Schools were conducted as well. The Charles Houston Recreation Center was also completely rebuilt.

Finally, a significant driver of the General Fund budget growth over the past decade is the result of increased City appropriations to the Alexandria City Public Schools (ACPS). The City's General Fund appropriation to ACPS was \$92.4 million in FY 2000, compared to \$164.6 million in FY 2010, a 78.2% increase. As reported by the Schools, in FY 2000 we spent \$10,112 per student for a student population of 11,017. In FY 2010, the rate is \$18,003 per student and our student population is now 11,757. These increased costs largely reflect increased efforts to meet Standards of Learning (SOL) requirements imposed by the Commonwealth and No Child Left Behind (NCLB) requirements imposed by the federal government.

As previously noted, the 84% growth of the General Fund budget took place during a decade when Alexandria experienced a 17% rise in population. A review of the previous decade (1990-

1999) reveals that the City's population grew by just less than half the amount it did from 2000-2010. Capital spending during the 1990's was greatly constrained which led to a large build-up of capital needs. Additionally, the demands on law enforcement activities increased in a post "9/11" world. Finally, mandates for certain social service programs, particularly for youth in foster care and for children with special education needs, increased dramatically. As a result, the General Fund budget did not grow over the ten years of the 1990's at close to the same amount it did during this most recent decade. From 2000-2010, as the Alexandria experienced an influx of new residents it was necessary for the City to respond to increased demands by providing increased services. This fact, coupled with rising inflation, the increased cost of employee compensation, the need to expand our facilities, and increased regulations from the state and federal governments resulted in a \$242.0 million increase in the General Fund budget over ten years.

STAFF:

Bruce Johnson, Chief Financial Officer

Kendel Taylor, Budget/Management Analyst, OMB

Ryan Touhill, Budget/Management Analyst, OMB

Analysis of General Fund Changes: FY 2000 Approved to FY 2010 Approved

	FY00 Approved	FY10 Approved	\$ Change	% Change
<u>Legislative & Executive</u>				
City Council	419,087	524,157	105,070	25.1%
City Manager	986,184	1,654,638	668,454	67.8%
City Attorney	1,214,814	2,806,519	1,591,705	131.0%
City Clerk & Clerk of Council	288,382	419,178	130,796	45.4%
Total Legislative & Executive	2,908,467	5,404,492	2,496,025	85.8%
<u>Courts & Constitutional Officers</u>				
18th Circuit Court	846,692	1,340,904	494,212	58.4%
18th General District Court	106,925	79,228	(27,697)	(25.9%)
Clerk of Court	1,243,920	1,563,551	319,631	25.7%
Commonwealth Attorney	1,766,051	2,626,465	860,414	48.7%
Court Services Unit	505,668	1,381,760	876,092	173.3%
Juvenile & Domestic Rel. Court	29,888	34,155	4,267	14.3%
Law Library	47,406	116,927	69,521	146.7%
Other Public Safety & Justice	2,780,655	5,173,292	2,392,637	86.0%
Registrar of Voters	550,335	1,070,439	520,104	94.5%
Sheriff	15,121,277	25,826,168	10,704,891	70.8%
Total Courts & Constitutional	22,998,817	39,212,889	16,214,072	70.5%
<u>General Government</u>				
Citizens Assistance	538,714	557,595	18,881	3.5%
Finance	6,498,977	8,496,407	1,997,430	30.7%
Internal Audit	0	223,233	223,233	-
Procurement	0	910,105	910,105	-
General Services	8,156,641	11,400,484	3,243,843	39.8%
Human Rights	549,215	614,003	64,788	11.8%
Office on Women	742,244	1,321,444	579,200	78.0%
ITS	4,573,383	6,504,441	1,931,058	42.2%
Office of Management & Budget	842,888	1,139,968	297,080	35.2%
Non-Departmental	6,637,340	12,264,978	5,627,638	84.8%
Cash Capital	7,351,063	4,400,038	(2,951,025)	(40.1%)
Debt Service	8,866,071	37,418,614	28,552,543	322.0%
Human Resources	1,740,035	3,090,821	1,350,786	77.6%
Real Estate	882,503	1,516,494	633,991	71.8%
Office of Communications	0	1,306,261	1,306,261	-
Total General Government	47,379,074	91,164,886	43,785,812	92.4%
<u>Operating Agencies</u>				
Fire	21,752,074	39,443,967	17,691,893	81.3%
Police	30,615,343	53,632,400	23,017,057	75.2%
Health	5,759,119	6,866,006	1,106,887	19.2%
Other Health Activities	0	1,038,600	1,038,600	-
Human Services	15,688,993	29,709,708	14,020,715	89.4%
MH / MR / SA	8,212,010	17,222,379	9,010,369	109.7%
Housing	882,217	2,306,072	1,423,855	161.4%
Economic Development Activities	1,639,691	3,246,153	1,606,462	98.0%
Planning & Zoning	1,756,879	5,337,436	3,580,557	203.8%
Historic Alexandria	1,860,189	2,533,323	673,134	36.2%
Library	3,902,748	6,074,971	2,172,223	55.7%
RPCA	12,023,653	18,949,746	6,926,093	57.6%
Transit Subsidies	5,026,065	16,035,685	11,009,620	219.1%
Transportation & Environ Svc's	13,449,329	27,217,327	13,767,998	102.4%
Total Operating Agencies	122,568,310	229,613,773	107,045,463	87.3%
<u>Education</u>				
Schools	92,360,410	164,594,674	72,234,264	78.2%
Other Educational Activities	13,120	12,304	(816)	(6.2%)
Total Education	92,373,530	164,606,978	72,233,448	78.2%
Grand Total	288,228,198	530,003,018	241,774,820	83.9%

Analysis of Full-time City Position Changes: FY 2000 Approved to FY 2010 Approved

	FY00 Approved	FY10 Approved	# Change	% Change
<u>Legislative & Executive</u>				
City Council ¹	14	0	(14)	(100.0%)
City Manager	9	10	1	11.1%
City Attorney	13	12	(1)	(7.7%)
City Clerk & Clerk of Council	3	4	1	33.3%
Total Legislative & Executive	39	26	(13)	(33.3%)
<u>Courts & Constitutional Officers</u>				
18th Circuit Court	10	13	3	30.0%
18th General District Court	0	0	-	-
Clerk of Court	20	23	3	15.0%
Commonwealth Attorney	29	28	(1)	(3.4%)
Court Services Unit	8	9	1	12.5%
Juvenile & Domestic Rel. Court	0	0	-	-
Law Library	1	1	-	-
Other Public Safety & Justice	0	0	-	-
Registrar of Voters	4	6	2	50.0%
Sheriff	193	219	26	13.5%
Total Courts & Constitutional	265	299	34	12.8%
<u>General Government</u>				
Citizens Assistance	7	4	(3)	(42.9%)
Finance ²	75	78	3	4.0%
Internal Audit ²	2	2	-	-
Procurement ²	8	8	-	-
General Services	69	67	(2)	(2.9%)
Human Rights ³	6	4	(2)	(33.3%)
Office on Women ³	14	17	3	21.4%
ITS	48	43	(5)	(10.4%)
Office of Management & Budget	11	11	-	-
Non-Departmental	0	0	-	-
Cash Capital	0	0	-	-
Debt Service	0	0	-	-
Human Resources	20	20	-	-
Real Estate	11	14	3	27.3%
Office of Communications ⁴	0	10	10	-
Total General Government	271	278	7	2.6%
<u>Operating Agencies</u>				
Fire ⁵	266	306	40	15.0%
Police	407	454	47	11.5%
Health	9	10	1	11.1%
Other Health Activities	0	0	-	-
Human Services	200	228	28	14.0%
MH / MR / SA	265	273	8	3.0%
Housing	19	17	(2)	(10.5%)
Economic Development Activities	0	0	-	-
Planning & Zoning	24	42	18	75.0%
Historic Alexandria	17	16	(1)	(5.9%)
Library	43	56	13	30.2%
RPCA	119	139	20	16.8%
Transit Subsidies	0	0	-	-
Transportation & Environ Svc's	188	198	10	5.3%
Total Operating Agencies	1,557	1,739	182	11.7%
Grand Total	2,132	2,342	210	9.8%

¹ In FY 2010, City Council and Council Aides positions are counted as part-time. The table represents only full-time positions.

² In the FY 2000, Operating Budget total full-time positions for the Finance Department included Internal Audit and Procurement. These functions have since been made into independent offices. For FY 2000 the table represents full-time positions as if these departments were in existence.

³ In FY 2000, positions in Human Rights and Office on Women were combined under the Human Relations Department.

⁴ The Office of Communications was created in FY 2008 from staff in both the City Manager's Office and ITS.

⁵ Total includes Code Enforcement positions.

- The table below shows changes to the General Fund budget categorized by major program initiatives. The subtotals provide the dollar and percentage change from FY 2000-2010. Also included is change as a percent of the total growth during these years (far right column).
- From FY 2000-2010 the six selected programs accounted for \$179 million, or 74%, of the \$242 million increase to the General Fund. Of these programs, spending on Education and Public Safety grew the most by 30% and 21% respectively.

Analysis of General Fund Changes: FY 2000 Approved to FY 2010 Approved

	FY00 Approved	FY10 Approved	\$ Change	% Change	As a % of Total Growth
<u>Public Safety</u>					
Police	\$30,615,343	\$53,632,400	\$23,017,057	75.2%	
Fire	\$21,752,074	\$39,443,967	\$17,691,893	81.3%	
Sheriff	\$15,121,277	\$25,826,168	\$10,704,891	70.8%	
Total Public Safety	67,488,694	118,902,535	51,413,841	76.2%	21.3%
<u>Social Safety Net</u>					
Human Services	\$15,688,993	\$29,709,708	\$14,020,715	89.4%	
MH / MR / SA	\$8,212,010	\$17,222,379	\$9,010,369	109.7%	
Total Social Safety Net	23,901,003	46,932,087	23,031,084	96.4%	9.5%
<u>Housing</u>					
Housing	\$882,217	\$2,306,072	\$1,423,855	161.4%	
Total Housing	882,217	2,306,072	1,423,855	161.4%	0.6%
<u>Community Development</u>					
Planning & Zoning	\$1,756,879	\$5,337,436	\$3,580,557	203.8%	
Economic Development Activities	\$1,639,691	\$3,246,153	\$1,606,462	98.0%	
Total Community Development	3,396,570	8,583,589	5,187,019	152.7%	2.1%
<u>CIP Expenditures</u>					
Cash Capital	\$7,351,063	\$4,400,038	-\$2,951,025	-40.1%	
Debt Service	\$8,866,071	\$37,418,614	\$28,552,543	322.0%	
Total CIP Expenditures	16,217,134	41,818,652	25,601,518	157.9%	10.6%
<u>Education</u>					
Schools	\$92,360,410	164,594,674	\$72,234,264	78.2%	
Total Education Expenditures	92,360,410	164,594,674	72,234,264	78.2%	29.9%
Subtotal Programs	\$204,246,028	\$383,137,609	\$178,891,581	87.6%	74.0%
<u>Remaining City Departments</u>					
Total Remaining Departments	\$83,982,170	\$146,865,409	\$62,883,239	74.9%	26.0%
Grand Total	\$288,228,198	\$530,003,018	\$241,774,820	83.9%	100.0%

- The table below shows changes to the full-time positions categorized by major program initiatives. The subtotals provide the number of full-time positions added and the percentage of change from FY 2000-2010. Also included is position change as a percent of the total growth during these years (far right column).
- From FY 2000-2010 the three selected programs accounted for 167, or 80%, of the 210 full-time positions added during this period. Of these 167 new positions, 113 are for public safety departments.

Analysis of Full-time City Position Changes: FY 2000 Approved to FY 2010 Approved

	FY00 Approved	FY10 Approved	FT Position Change	% Change	As a % of Total Growth
<u>Public Safety</u>					
Police	407	454	47	11.5%	
Fire	266	306	40	15.0%	
Sheriff	193	219	26	13.5%	
Total Public Safety	866	979	113	13.0%	53.8%
<u>Social Safety Net</u>					
Human Services	200	228	28	14.0%	
MH / MR / SA	265	273	8	3.0%	
Total Social Safety Net	465	501	36	7.7%	17.1%
<u>Community Development</u>					
Planning & Zoning	24	42	18	75.0%	
Total Community Development	24	42	18	75.0%	8.6%
Subtotal Selected Departments	1,355	1,522	167	12.3%	79.5%
<u>Remaining City Departments</u>					
Total Remaining Departments	777	820	43	5.5%	20.5%
Grand Total	2,132	2,342	210	9.8%	100.0%