

FISCAL YEAR 2023 PROPOSED BUDGET

February 15, 2022



AGENDA

- Overview
- Budget Development
- Revenue Projection
- Expenditure Budget
- Compensation & Benefits
- Priorities & Core Services
- Capital Improvement Program (CIP)
- Budget Calendar





OVERVIEW



FY 2023 Budget Priorities

Recovery

Infrastructure

Climate Change and Environmental Justice

Housing

Youth Support

Community Engagement

Employee Compensation

Fulfill Our Mission

Working together to foster a thriving Alexandria

Pursue Our Vision

A culture that supports each of us and inspires excellence

Live Our Values

- Respect: We are open-minded and treat all people with dignity
- Teamwork: We do great things together
- Integrity: We are thoughtful stewards of the public's trust
- Continuous Improvement: We challenge ourselves to learn and grow



Strong Fiscal Management

- Fund Balance Policy Reserves equal to a minimum 15% of General Fund revenue.
 Historically, the City has maintained reserves at or above this threshold. FY 2021 year-end was 22.62% and is forecasted to be 22.03% at FY 2022 year-end.
- Cash Capital Policy General Fund Capital transfer target of 2.5% and a "floor" of 2.0% of General Fund expenditures to support the CIP. FY 2023 proposed is 4.4%.
- 10-year Debt Payout Ratio target of 50%
- **Bond Rating** The City continues to maintain the highest bond ratings of AAA/Aaa by two rating agencies.



Adopted Reductions

Prioritized administrative efficiencies and reductions with minimal service impacts

FY 2021

- 25% reduction in travel, education
- Cancelled equipment replacement charges (\$4.0M in General Fund)
- Eliminated merit and career ladder pay increases
- Implemented soft hiring freeze
- \$22.4 M cash capital reduction

FY 2022

- 50% reduction in travel, education (\$0.7M in General Fund)
- Reduced equipment replacement charges
- Hiring freeze for 38 positions (\$3.4M)
- One-time reductions (surveys, employee parking, temporary services, marketing, contributions, etc.)



FY 2023 Proposed Budget Highlights

- FY 2023 proposed General Fund operating budget = \$829.9 M
- \$59.2 M (7.7%) increase over FY 2022 approved
- \$30.0 M (3.7%) increase over FY 2021 proposed, which was reduced by \$46.7 M in the FY 2021 approved budget due to COVID-19



FY 2023 Proposed Budget Highlights Continued

- No change in tax rates
- Significant investments in employee compensation for market competitiveness and to recruit and retain a high-quality work force
- Targeted investments in priority services areas



FY 2023 Proposed Budget Highlights Continued

- \$2.73 B FY 2023-FY 2032 Capital Improvement Program (CIP)
- 2.4% increase over the previous plan
- Both the operating budget and CIP fund 100% of the School Board adopted operating budget and CIP





BUDGET DEVELOPMENT



Best Practices









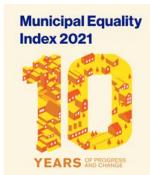
















Budget Strategy

- Balance the need to continue priority services and an affordable tax and fee burden
- Include fair and competitive employee compensation
- Present alternative scenarios for additional funding
- Identify cost saving measures



Budget Strategy

- Evaluate proposals for equity impacts
- Include recommendations for ARPA (presented with the proposed budget) and the Infrastructure Investment and Jobs Act (pending further information from the federal government)
- Seek public input from a community survey and budget town hall



Budget Development Process

- Forecast revenue growth coming out of the pandemic
- Determine cost of returning to pre-pandemic service levels
- Seek public input through Boards, Committees, and Commissions; community budget survey; and budget town hall
- Review regional salary competitiveness and develop pay scale adjustments
- Prioritize targeted investments
- Develop two budget alternatives for increased real estate tax rates

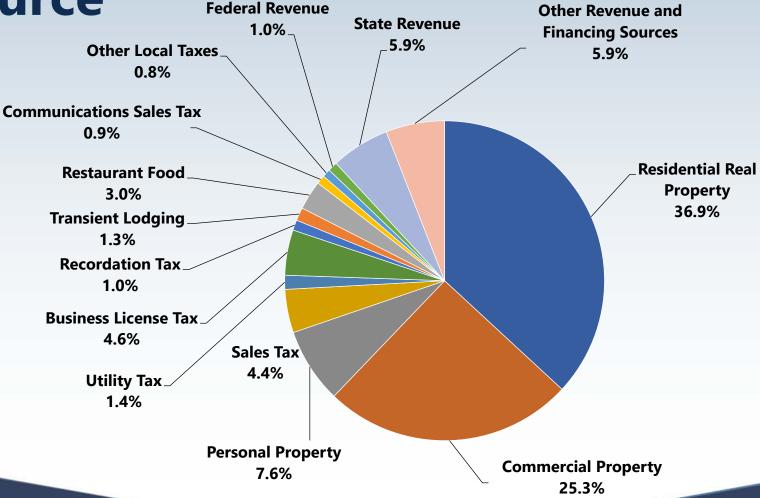




REVENUE PROJECTION



FY 2023 General Fund Revenue by Source Federal Revenue State Povenue Other Revenue



FY 2023 Tax Rate Highlights

- No change in real estate tax rate
 - Proposed Real Estate Tax Rate: \$1.11 per \$100 AV
- No change in personal property tax rates
 - \$5.33/\$100 of assessed value (vehicle)
 - \$4.75/\$100 of assessed value (business tangible personal property)
- No change in other tax rates



Enterprise Funds

- **User fees** = 100% of capital and operating and debt service expenses
- No change in sanitary sewer rate = \$2.28 per 1,000 gallons
- **Stormwater** = \$294 per year for average single-family house (\$14 increase from \$280)
- No change in residential refuse rate = \$484.22
 - Commercial refuse fee increased from \$411 to residential rate



Property Tax Base

Assessed Value of Taxable Real Property Tax Base Percent Change (CY 2013-CY 2022)





Jurisdictional Comparisons

LOUDOUN COUNTY \$0.980 residential

and commercial

FY 2023 Proposed = \$0.895 8.5¢ below the current rate

PRINCE WILLIAM COUNTY FY 2023 Proposed = \$1.1325

- 6.5¢ below the current base rate of \$1.115
- Rate includes Fire & Rescue Levy 8.0¢ and 0.25¢ Mosquito & Pest Management

FAIRFAX COUNTY

\$1.141 residential

\$1.266 commercial

Proposed Budget February 22, 2022

ARLINGTON COUNTY

\$1.013 residential

\$1.138 commercial

No proposed rate change

CITY OF ALEXANDRIA

\$1.11 residential and commercial

No proposed rate change



FY 2023 Impact on the Average Residential Household

Fees and Taxes	FY 2021	FY 2022	FY 2023 Proposed
Real Estate Tax	\$6,584	\$6,836	\$7,281
Personal Property Tax	\$602	\$554	\$604
Trash Removal Fee	\$460	\$484	\$484
Decal Fee	\$0	\$0	\$0
Utility Tax on Natural Gas	\$24	\$24	\$23
Utility Tax on Electricity	\$33	\$33	\$32
Utility Tax on Water	\$25	\$24	\$24
Communication Sales and Use Tax	\$90	\$84	\$81
Sanitary Sewer System Capital			
Investment & Maintenance Fee	\$123	\$123	\$123
Storm Water Utility Fee	\$210	\$280	\$294
Total	\$8,151	\$8,442	\$8,946



General Fund Revenue Change

- General Fund revenue increase = \$59.2 M
- 55% from real estate appreciation +6.7% (\$32.5 M)
- 35% from recovery in tax sources reduced by COVID-19 (\$17.7 M)
 - Sales tax +15%
 - Business licenses +12%
 - Transient Occupancy +69%
 - Meals +23%
- 8% from personal property +14% (\$7.9 M)





EXPENDITURE BUDGET



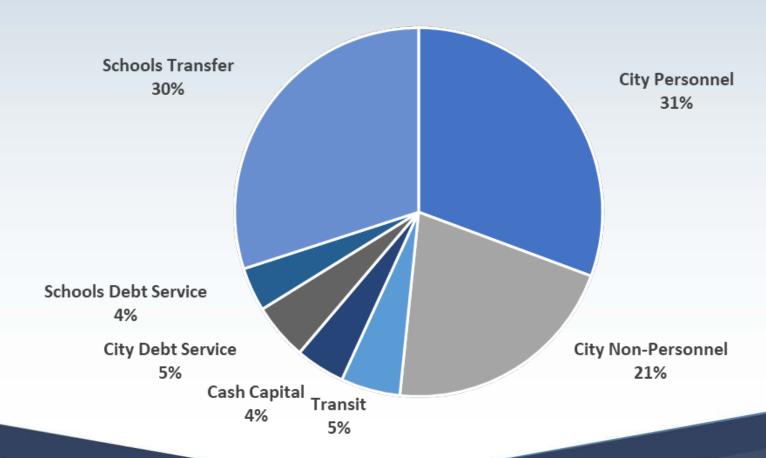
General Fund Expenditure Changes

General Fund Expenditures	FY22 Approved		FY23 Proposed		\$ Change		% Change	
City Operations	\$	391.8	\$	428.5	\$	36.7	9.4%	
Transit		39.6		43.4		3.8	9.6%	
Cash Capital		34.4		36.2		1.8	5.2%	
Schools Transfer		239.4		248.7		9.3	3.9%	
Schools Debt Service		29.0		31.9		3.3	11.5%	
City Debt Service		36.9		41.2		4.3	11.7%	
Total	\$	770.7	\$	829.9	\$	59.2	7.7%	

(\$ in Millions)



FY 2023 Proposed General Fund Budget



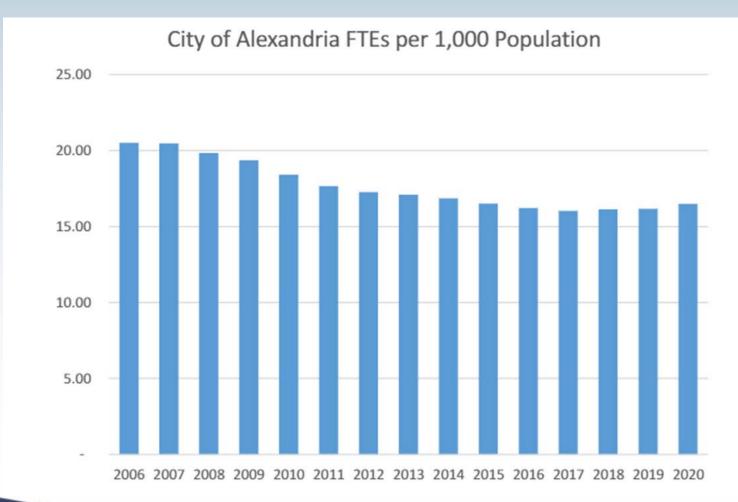




COMPENSATION & BENEFITS

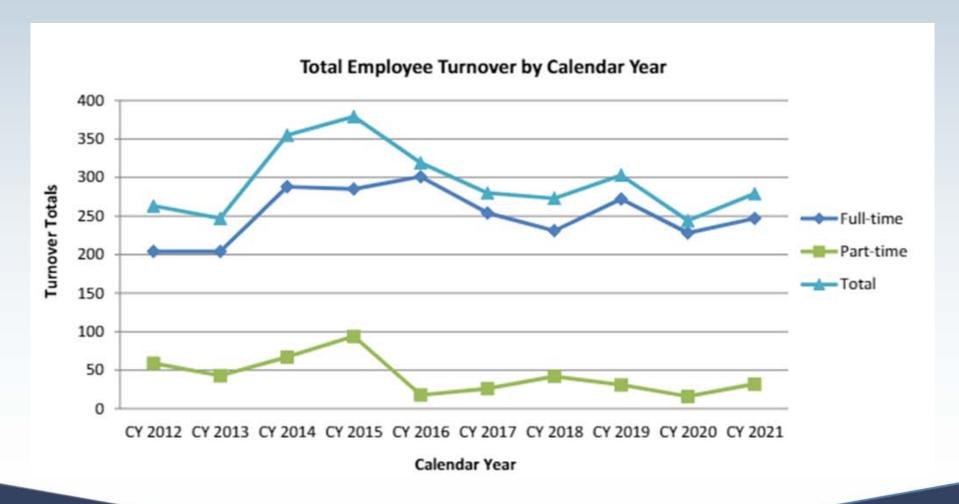


FTEs per Capita





Employee Turnover





Compensation Enhancements

- Recommending approval of merit increases (2.3-5%)
- Market Rate Adjustments
 - Sworn Fire, Medics and Fire Marshals 6%
 - Sworn Police and Sheriff's Deputies 5%
 - Non-public Safety 4%
- Expanding General Scale Pay Ranges
 - Adding 3 steps
 - 7% increase in salary potential
 - 328 employees at end of pay range would be eligible for merit increases



Average Salary Adjustment

	BEFORE			AFTER			
	MIN	MID	MAX	MIN	MID	MAX	
FIREFIGHTERS (6%)	-10.26%	-5.72%	-3.16%	-4.02%	0.26%	2.68%	
MEDICS (6%)	-8.75%	-4.22%	-1.66%	-2.59%	1.68%	4.09%	
FIRE MARSHALS (6%)	1.76%	5.51%	7.63%	7.32%	10.86%	12.86%	
POLICE (5%)	-5.43%	-3.50%	-2.42%	-0.41%	1.43%	2.46%	
SHERIFF (5%)	-5.84%	-2.75%	-1.00%	-0.80%	2.15%	3.81%	
GENERAL SCALE (4% + 3 steps)	-4.95%	-9.15%	-11.86%	-0.58%	-0.13%	-0.01%	

Employee Benefits

- Health Insurance premiums being finalized
 - Estimates: Kaiser +9.0%; United Healthcare +15.6%
- Ways to save
 - Alex: Financial guidance tool helps identify the best benefits for employees
 - Work's Well: Offers up to \$600 health care premium savings per year by tracking fitness, attending wellness events and recognizing peers.
 - **Summer:** Financial wellbeing tool that helps employees save on student loan payments and access personal guidance from student loan advisors.
 - Spring Health: Employee Assistance Program (EAP) that offers personalized mental healthcare with mental health resources, coaching, in-app wellness exercises, virtual therapy, and crisis support.





PRIORITIES & CORE SERVICES



City Government Operations

• \$36.8 M total increase

- \$20.0 M compensation
- \$ 7.0 M priority investments
- \$ 3.1 M increase in dedicated revenue for affordable housing, transportation improvements, and Potomac Yard Metro
- -\$1.3 M efficiency savings
- \$ 8.0 M return to pre-pandemic service levels
 - \$3.4 M to restore 38 positions frozen during the pandemic
 - \$1.5 M to restore equipment replacement funding
 - \$0.8 M to restore travel and training



Budget Efficiency Reductions

- Departments received a 2.5% budget reduction target
- Efficiencies include in the proposed budget:
 - Provided \$1.3M in citywide efficiency savings
 - Eliminates 4.8 positions, all vacant
 - No reductions in City programs or services are expected

- DCHS Short Term Substance Use Disorder Contract Savings (\$429,824)
- Finance Cancellation of Legacy Personal Property Tax Support Contract (\$235,000)
- DCHS Birmingham Green Savings (\$200,000)
- T&ES Garage Management Contract Reduction (\$50,000)
- ITS City Internet Circuit Efficiency Savings (\$48,000)



Recovery

- ACORP (Alexandria Co Response Program) Expansion for DCHS Senior Therapist and Police Officer: \$277,313 (GF) + 2.0 FTEs
- Body Worn Camera Consulting Services: \$200,000 (GF)
- Citywide COVID Expense, Response and ARPA Grant Administration: \$2.0 M (ARPA)
- Enhanced Cleaning Supplies for City Facilities: \$200,000 (ARPA)
- Volunteer Alexandria CERT Training: \$106,000 (ARPA)
- Re-Employment and Upskilling Project: \$500,000 (ARPA Continuation of Tranche #1 Project)
- Economic Sustainability Study: \$200,000 (ARPA)



Infrastructure

- DASH Staffing Enhancements: \$350,000 (GF)
- T&ES Grants Coordinator: \$127,012 (GF)
- **Broadband Initiative Staffing:** \$432,000 (ARPA)
- Stormwater Development Plan Reviewer: \$120,937 (Other Funds)
- Network Cybersecurity Monitoring: \$28,000 (GF)
- Cloud Backup Solution: \$80,000 (GF)



Infrastructure (continued)

4850 Mark Center Drive

- 5 General Services FTE's: \$439,539 (GF)
- Operations & Maintenance: \$1,577,724 (GF)
- Shuttle Service: \$150,000 (GF)
- Finance Branch: 2.0 FTEs & \$161,550 (GF)
- Neighborhood Health Equipment and Furniture: \$400,000 (ARPA)
- Contract Telecommunications Engineer, West End: \$137,959 (GF)



Climate Change & Environmental Justice

- Electric Vehicle Charging Station Navigator (FY 2021 Carryover added to FY 2023 Budget) (GF)
- Brine System Canopy: \$45,000 (FY 2022 Carryover) (GF)
- Energy and Climate Change Action Plan Heat Vulnerability Analysis, Planning, and Community Engagement: \$100,000 to be funded in FY 2022 from revenue surplus (GF)



Housing

- Rent Relief for Elderly and/or Disabled Renters with Low Incomes: \$306,000 (GF)
- Arlandria Chirilagua Housing Cooperative: \$2.5M (ARPA)
- AHDC Arlandria Project Infrastructure: \$10M (ARPA in FY 2024)
- Eviction Prevention and Support Services: \$500,000 (ARPA Continuation of Tranche #1 Project)
- Eviction Prevention Data Analytics: \$99,782 (ARPA Continuation of Tranche #1 Project)



Youth Support

- Out of School Time Program Investments: \$200,000 (GF)
- Enhanced Support for Children with Disabilities
 Participating in After School and Summer Out of School
 Time Programs: \$77,185 (GF)
- Mental Health Services for Court Involved Youth and Families: \$115,000 (GF) + 1.0 FTE



Community Engagement

- City-Wide Community Outreach and Engagement: \$400,000 (GF)
- **RASE Program Manager:** \$97,500 & 1.0 FTE (GF)
- Land Use Services Urban Planner III: \$77,748 & 1.0 FTE (GF)
- Alexandria Community Remembrance Project: \$115,000 (ARPA)
- City 275th Commemoration: \$230,000 (ARPA)
- Scottish Christmas Walk: \$72,000 (Other Funds)



Community Engagement (continued)

- Improved Virtual and Hybrid Public Meeting Spaces in City Hall: \$100,000 (ARPA)
- Contracted Staff to Support Boards and Commissions Meetings: \$50,000 (ARPA)
- Virtual Public Meeting Platform Licenses: \$60,000 (ARPA)
- Audio Video Technical Support Staff: \$220,000 (ARPA)
- Library Mobile Hotspot & Chromebook Lending: \$30,000 (ARPA)



Public Safety

- 20 SAFER grant-funded firefighters: 20.0 FTE & \$2.2M (Grant)
- Weapons Violation Taskforce staffing for the Police Department: 5.0 FTE & \$591,200 (GF)
- 5.0 Over hire Sheriff Deputies: \$340,000 (GF)



ARPA Funds (\$59.6M Total)

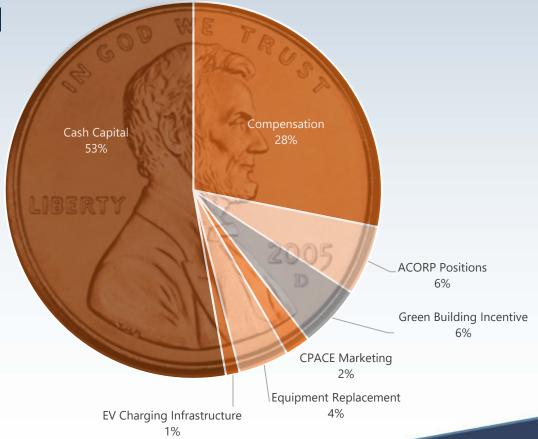
FY22 City Council Approved Uses (Tranche #1)	\$29.8M
 FY23 ARPA Projects Previously Committed Employee Bonuses (3.0M) COVID Response & City-Wide Cleaning (2.2M) Re-Employment & Upskilling (0.5M) Eviction Prevention and Support (0.5M) Arlandria Chirilagua Housing Cooperative (2.5M) 	\$8.7M
AHDC Arlandria Project infrastructure	\$10.0M
 Additional FY23 ARPA Projects Proposed COVID-19 Recovery (0.1M) Community Engagement (0.6M) Historic Alexandria & Economic Growth (0.8M) Eviction Analysis (0.1M) Community Infrastructure (0.8M) 	\$2.4M
Overall FY23 Total	\$21.1
Remaining ARPA Funding	\$8.7M



Alternative Budget Option 1

One cent = \$4.6M and \$66 on the average residential tax bill

- Pay scale adjustment: \$1,300,000 (0.5% increase across the board)
- ACORP positions: \$277,000 (2 FTE)
- Incentive program encouraging green building renovations for existing buildings: \$250,000
- CPACE outreach plan and funding: \$100,000
- Electric vehicle charging infrastructure readiness strategy implementation: \$55,000
- Replacement of gas-powered equipment: \$200,000
- Cash Capital: \$2,438,416





Alternative Budget Option 2

Two cents = \$9,240,832 Total; **Option 1 Plus:**

- Remote Work and Community Engagement: \$150,000
- Affordable Housing: \$2.75 M
- City Hall Design: \$600,000
- Electric Vehicle Charging Infrastructure at City Facilities to Transition City Fleet to electric: \$1.1 M



ACORP Positions

Green Building

Incentive...



CAPITAL IMPROVEMENT PROGRAM



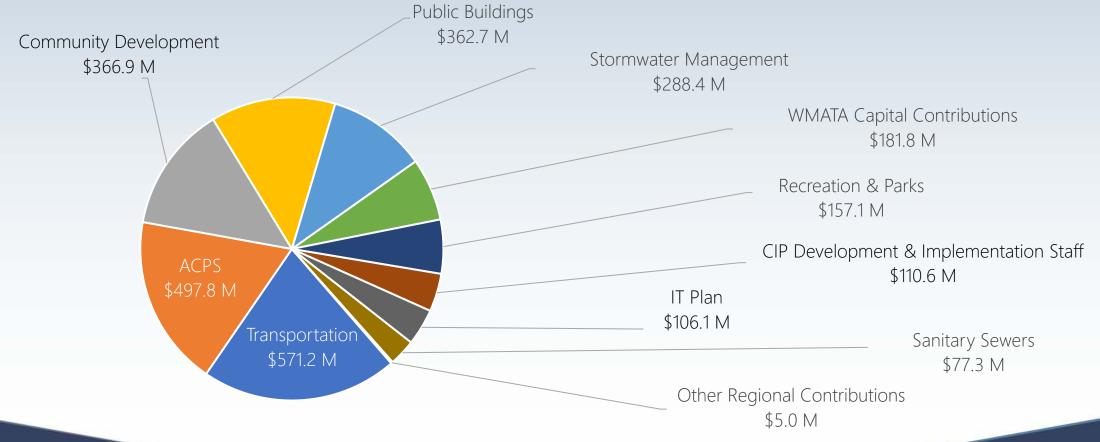
Capital Improvement Program

- \$2.73 B for FY 2023 FY 2032
 - +2.4% over last year's Approved CIP
- Maintains funding for previously planned initiatives, while accommodating funding for new initiatives, and complying with City debt policies:
 - Collocated City Services at Minnie Howard Campus (\$12.1 M)
 - ACPS Purchase/Renovation of 1705 N. Beauregard Office Building (\$42.0 M)
 - ACPS Inclusion of Aquatics Facility at Minnie Howard (\$12.5 M)
 - Funding to continue efforts to renovate and revitalized Torpedo Factory Arts Center (\$19.4 M)
- Funds 100% of School Board Approved FY 2023 FY 2032 capital funding request (\$497.8 M)



Proposed FY 2023 - FY 2032 CIP

\$2.73 billion







BUDGET CALENDAR



Budget Development Dates

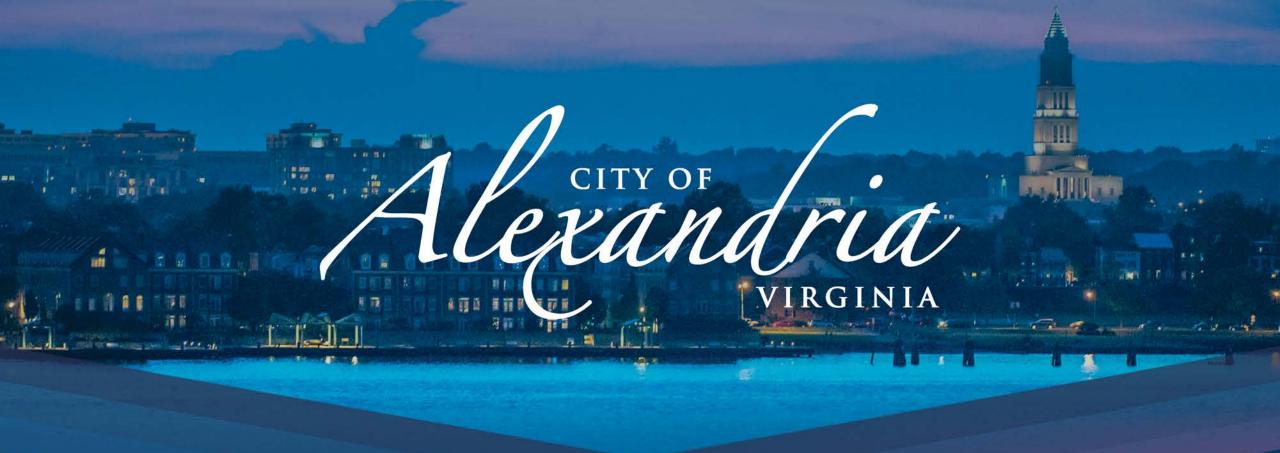
Date	Time	Meeting Topic
Tuesday, February 15, 2022	7:00pm	FY 2023 Proposed Budget Presentation
Thursday, February 17, 2022	7:00pm	Proposed Budget Presentation - Public (virtual)
Wednesday, February 23, 2022	7:00pm	Budget Work Session: Capital Improvement Program
Wednesday, March 2, 2022	7:00pm	Budget Work Session: Alexandria City Public Schools
Monday, March 7, 2022	5:30pm	Public Hearing FY 2023 Budget
Tuesday, March 8, 2022	7:00pm	Introduce the Maximum Property Tax Rates
Wednesday, March 9, 2022	7:00pm	Advertise tax rate
Wednesday, March 16, 2022	7:00pm	Budget Work Session: Healthy & Thriving Residents
Wednesday, March 23, 2022	7:00pm	Budget Work Session: Livable, Green & Prospering City
Wednesday, March 30, 2022	7:00pm	Budget Work Session: Safe, Secure & Just Community
Wednesday, April 6, 2022	7:00pm	Budget Work Session: Accountable, Effective & Well-Managed Government/BFAAC
Thursday, April 14, 2022		Add/deletes due
Wednesday, April 20, 2022	7:00pm	Budget Work Session: Topic TBD (if needed)
Saturday, April 23, 2022	9:30am	Tax Rate Public Hearing/ Add/Delete Public Hearing
Tuesday, April 26, 2022	7:00pm	Budget Work Session: Preliminary Add/Delete Discussion
Monday, May 2, 2022	7:00pm	Budget Work Session: Final Add/Delete Discussion
Wednesday, May 4, 2022	7:00pm	Budget Adoption/ Tax Rate Adoption



City Council Add/Delete Process

- Council member proposals due no later than April 14
- Must be co-sponsored by 3 members (sponsor + 2)
- Must have been the subject of a work session, public hearing, budget memo, or public discussion
- Adds must be presented with equal revenue source or expenditure reduction
- Contact Office of Management & Budget with questions





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