

ALEXANDRIANS FOR A 3% COMPROMISE

P.O. Box 3570

Alexandria, VA 22302

(phone) 703/212-6750, (fax) 703/212-6751 & (email) 3PercentMakesSense@Cordia.com

4-4-05

April 4, 2005

Dear Alexandria City Council,

City Manager Hartmann

We are writing to ask you to stop another huge property tax increase in Alexandria this year, and vote on May 2nd for a "3% Makes Sense" Compromise. This 3% Compromise strikes a balance between last year's spending level and this year's upper limit of 6.4% that City Council imposed on March 22, 2005. Our "3% Makes Sense" Compromise is an immediate short-term solution that would allow this year's FY'06 Budget to grow 3.5% over last year, resulting in a tax bill increase of 3%. There is also an additional \$10 million (or 2% more) available for city services should the money be needed. Please read the attached Petition and Fact Sheet for more information and further explanation.

Our objective is to give the City Council the political support you will need to say "no" to 5% of the 8% increase in spending the City Manager and Staff proposed in its FY'06 Budget submission on March 8th.

Given the fact that there are only two months between March 8 and May 2 that the City Council has to consider the budget, and the fact that we citizens have only two days to be heard by City Council on April 4 and 16, we implore you to direct the City Manager and Staff to immediately prepare a budget that increases spending 3% so you and fellow Alexandrians could see exactly what they would propose with 3% growth. We believe that serious professionals in city government, when asked to increase the budget by 3% after five years of growth at 7-to-8% per year, would be able to do so if given that direction from City Council.

In calling for a 3.5% increase in the city's budget, Alexandrians For a 3% Compromise join several other organizations and individuals calling for similar 3% increases:

- a Civic Association Resolution, being circulated to Civic and Citizens Associations, calls for a 3% increase;
- Seminary Hills Civic Association adopted a resolution calling for no more than a 3% budget increase;
- ParkFairfax Association is calling for an 87.5 cent property tax rate; and
- North Old Town Citizens Civic Association is calling for, I think, increasing the budget by the rate of inflation plus a population increase.

In April, we are going to get 5,000 petitioners to support the "3% Makes Sense" Compromise, urging you to vote for the Compromise on May 2nd.

Our second Request or Call To Action is to undertake a serious and comprehensive investigation of how to restrain the growth of real property taxes and control spending for FY'07 and beyond. Both City Council and citizens have acknowledged the need for institutional reform. It's time for all of us to work together to get these changes made in Alexandria, Richmond and Washington.

Sincerely,

Lou Cordia

Attachment (3% Compromise Petition & Budget/Tax Fact Sheet)

ALEXANDRIANS FOR A 3% COMPROMISE

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To: Mayor Bill Euille, Vice Mayor Del Pepper and Council Members Ludwig Gaines, Rob Krupicka, Andrew Macdonald, Paul Smedberg and Joyce Woodson
From: Alexandria Homeowners, Condo Owners, Business Owners, Renters and Voters
Re: PETITION TO SUPPORT A "3% MAKES SENSE" COMPROMISE

I am joining fellow Alexandrians who are very concerned about our ever-increasing property tax bills, and am urging the City Council to take two immediate and important steps. Among our concerns are:

- Over the last 5 years, the average residential property tax bill has increased at double-digit rates each year, rising an average of 13% per year [as determined by the average residential property tax bill of \$4,043 in Calendar Year 2005 and \$2,450 in CY2000 (using 2005 dollars)]. For this year's average home valued at \$441,823 and at the 91.5 cent tax rate, our average residential property tax bill would go up another 12.5% over last year. By next year at this rate, our tax bill will double from what it was in 2000.
- Residential homeowners are also having to pay a greater share of the tax burden, paying 60% of all real property taxes while commercial property owners pay 40%. Moreover, real property taxes are accounting for a greater share of all taxes. In FY'06, property owners are being asked to pay 56.2% of all taxes, a steep rise over the last 5 years from 47% in FY'01.
- Over the last 5 years, property owners have paid nearly \$1 billion in taxes; and the city is proposing record tax bills this year.
- City Council and Staff must stop talking about "tax relief." It is intellectually dishonest to call huge tax increases "tax relief." Proposing a tax rate "cut" of a minimum of 8 cents (99.5 to 91.5 cents per \$100 of property value) combined with the largest assessment increase in 25 years significantly increases our tax bills. A real tax cut would lead to our paying less taxes than the year before. Council would have to impose a tax rate of 79.4 cents per \$100 to begin to get a "real tax cut."
- The City Staff proposed yet another year of 8% growth in city spending when it presented the FY'06 Budget to City Council on March 8, 2005. That was on top of an 8.7% increase from FY'04 to FY'05. With this year's proposed increase, city spending over 5 years will reach nearly \$2.5 billion.
- During this same 5-year period, the cost of living in Alexandria has increased on average only 2.7% per year, including an increase of 2.8% in each of the last two years.
- During this period, long-time residents and small businesses left Alexandria; and in the foreseeable future, they will continue to leave unless we take action now. We need to preserve our community and stop the exodus of those Alexandrians who cannot stay because they cannot pay. Our tax bills have increased at 4-to-5 times inflation and city spending at 2-to-3 times inflation. We have City tax and budget policies that are driving out families on fixed incomes, teachers, firefighters, policemen and women, single parents and those in the military whose incomes grow at or near 2.7%. Democrats and Republicans, liberals and conservatives, rich and poor, and owners and renters (who see increased costs passed along to them) all have been cutting into our family budgets to pay for the city budget. It is time for the city to live within our means - like our families must do.

CALL TO ACTION: In signing this petition, we urge the City Council to take two very important steps:

- (1) "3% Makes Sense": As an immediate short-term, stop-the-bleeding solution, the City Council should direct the City Staff to increase the FY'06 Budget no more than 3.5% over last year's spending level. The revised FY'06 Budget would be \$539.2 million or an increase of \$18.4 million. In addition to increasing the budget .7% over last year's inflation rate, the city will have a cushion of an additional \$10 million (or 2% more) in reserve because real property tax revenues that are actually collected have always been greater than each year's projected revenues. For FY'05 & FY'06, the City should expect to receive another \$10 million each year over the projected revenues, as was the case in FY'03 & FY'04. To pay for the 3.5% spending increase, our collective tax bill would increase 3% over last year, resulting in a tax rate of 86 cents/\$100 of assessed value. This 3% Compromise strikes a balance between last year's spending level and this year's 6.4% cap that City Council imposed on March 22, 2005. On March 22nd, the City Council declared that this year's tax rate could not exceed 91.5 cents/\$100, thereby determining that the maximum city spending level to be \$554.1 million [See the fact sheet on the other side of this page for details]. On March 22nd, the City Council said that it would consider a real estate tax rate lower than 91.5 cents. If the City Council and Staff cannot manage one lean year after five fat years, they will never be able to. The time is now for our elected leaders to show good faith in hearing and acting upon our crucial and reasonable request.
- (2) During calendar year 2005, undertake a serious and intensive investigation of how to restrain the growth of real property taxes and control spending for FY'07 and beyond. Both City Council and citizens have acknowledged the need for institutional reform to stop the unpredictable and unsustainable current tax policy that balances the city budget on the backs of property owners and renters.

PLEASE PRINT

My Full Name: _____

Street Address: _____ Alexandria, VA _____ (Zip Code)

Home Phone: (703) _____ - _____ Home Fax: (703) _____ - _____

Email Address: _____

My Signature: _____ Date: ____/____/2005

Please mail your signed petition to Alexandrians For a 3% Compromise, PO Box 3570, Alexandria, VA 22302. Should you want copies of this petition and fact sheet, please request them via email (3PercentMakesSense@Cordia.com). Any questions, please call 703/212-6750.

ALEXANDRIA CITY BUDGET & TAX BILLS

		FY'05 City Council Approved	FY'06 3% COMPROMISE	FY'06 CITY COUNCIL CAP
ALEXANDRIA SPENDING	City, Schools & Capital Projects Budget [All Funds Budget, inc. Fed. & VA monies]	\$520.8 million [inc. \$38.7m from Virginia & \$33.1m from Feds]	\$539.2 million [inc. \$40.9m Virginia (+5.6%) & \$35.7m Feds (+7.6%)]	\$554.1 million [inc. \$40.9m Virginia (+5.6%) & \$35.7m Feds (+7.6%)]
	Budget Increase Over FY'05		+\$18.4 million +3.5%	+\$33.3 million +6.4%
	Total Budget Increase, inc. \$10 million collected over projected revenues (or +2%)		+\$28.4 million +5.5%	+\$43.3 million +8.3%
ALEXANDRIA REVENUE	Revenue From All Sources, except from Real Property Taxes	\$292.3 million	\$303.8 million	\$303.8 million
	Revenue Needed From Real Property Taxes For Budget	\$228.5 million	\$235.4 million	\$250.3 million
	Alexandria's Property Tax Bill Increase		+\$6.9 million +3%	+\$21.8 million +9.5%
	Total Assessed Value of Alexandria Property	\$22.58 billion	\$27.36 billion	\$27.36 billion
	Resulting Property Tax Rate Needed For Budget	99.5 cents/\$100 of assessed value	86 cents/\$100 of assessed value	91.5 cents/\$100 of assessed value
WHAT THE IMPACT IS ON YOUR TAX BILL			3% Compromise (tax rate = 86 cents/\$100)	City Council Cap (tax rate = 91.5 cents/\$100)
	If your property assessment increased 10%		your tax bill is cut 4.9%	your tax bill increases 1.2%
	If your property assessment increased 15%		your tax bill is cut .6%	your tax bill increases 5.8%
	If your property assessment increased 20%		your tax bill increases 3.7%	your tax bill increases 10.4%
	If your property assessment increased 25%		your tax bill increases 8.0%	your tax bill increases 15.0%
	If your property assessment increased 30%		your tax bill increases 12.4%	your tax bill increases 19.5%
	If your property assessment increased 35%		your tax bill increases 16.7%	your tax bill increases 24.2%
	If your property assessment increased 40%		your tax bill increases 21.0%	your tax bill increases 28.7%
Sample Properties	If your property was assessed at \$200,000 last year, then this year's assessed value would be...	Last year's tax bill was \$1,990	This year's tax bill @ .0086 would be...	This year's tax bill @ .00915 would be...
	\$220,000 @ 10%		\$1,892 (-\$98/-4.9%)	\$2,013 (+\$23/1.2%)
	\$240,000 @ 20%		\$2,064 (+\$74/3.7%)	\$2,196 (+\$206/10.4%)
	\$260,000 @ 30%		\$2,236 (+\$246/12.4%)	\$2,379 (+\$389/19.5%)
	\$280,000 @ 40%		\$2,408 (+\$418/21%)	\$2,562 (+\$572/28.7%)
	If your property was assessed at \$600,000 last year, then this year's assessed value would be...	Last year's tax bill was \$5,970	This year's tax bill @ .0086 would be...	This year's tax bill @ .00915 would be...
	\$660,000 @ 10%		\$5,676 (-\$294/-4.9%)	\$6,039 (+\$69/1.2%)
	\$720,000 @ 20%		\$6,192 (+\$222/3.7%)	\$6,588 (+\$618/10.4%)
	\$780,000 @ 30%		\$6,708 (+\$738/12.4%)	\$7,137 (+\$1,167/19.5%)
	\$840,000 @ 40%		\$7,224 (+\$1,254/21%)	\$7,686 (+\$1,716/28.7%)
	If your property was assessed at \$1,000,000 last year, then this year's assessed value would be...	Last year's tax bill was \$9,950	This year's tax bill @ .0086 would be...	This year's tax bill @ .00915 would be...
	\$1,100,000 @ 10%		\$9,460 (-\$490/-4.9%)	\$10,065 (+\$115/1.2%)
	\$1,200,000 @ 20%		\$10,320 (+\$370/3.7%)	\$10,980 (+\$1,030/10.4%)
	\$1,300,000 @ 30%		\$11,180 (+\$1,230/12.4%)	\$11,895 (+\$1,945/19.5%)
	\$1,400,000 @ 40%		\$12,040 (+\$2,090/21%)	\$12,810 (+\$2,860/28.7%)