


City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 19, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF RESOLUTION ESTABLISHING FISCAL YEAR 2012 BUDGET GUIDANCE FOR THE ALEXANDRIA CITY GOVERNMENT AND THE ALEXANDRIA CITY PUBLIC SCHOOLS

ISSUE: What Budget Guidance to Provide for FY 2012.

RECOMMENDATION: That City Council adopt the resolution to establish budget guidance for the City Manager to use in preparing a FY 2012 Operating Budget and Capital Improvement Program (Attachment 1).

BACKGROUND: At its November 10, 2009, legislative meeting Council passed Resolution #2368 establishing the procedures to use during its term for developing the annual operating budgets and Capital Improvement Programs (CIPs) (Attachment 2). This fall, Council has held four Budget Work Sessions (including one joint work session with the School Board) and one public hearing on the FY 2012 budget.

The attached draft resolution provides the guidance for the FY 2011 General Fund Operating Budget and the FY 2011-FY 2020 CIP called for by Resolution #2368. It reflects the recommendations of the Mayor after consultations with all of Council, but not necessarily the views of every individual Council member.

The attached draft Resolution provides comprehensive guidance to the City Manager that focuses preparation for the upcoming budget on Council's primary fiscal policy concerns. The highlights of the draft resolution are:

- The General Fund Operating base budget is to be balanced assuming that there is no increase in tax rates. The current estimate is that General Fund revenues would increase 3.6 percent under current tax rates, although this estimate may change.
- The transfer to the Schools for operating expenses is to increase at the same percentage rate as total General Fund revenues.
- In addition to the Base Budget, the City Manager is to propose a Transportation Add-On Tax for City Council's consideration, partially offset by changes in business license taxes.
- Other than the Transportation Add-On tax, there is to be no increase in the base real estate tax rate of 97.8 cents per \$100 of assessed value or in any other tax rates.

- There is to be no increase in total City employment levels unless justified by certain limited circumstances.
- There would be no general, across-the-board City employee salary increase for the fourth year in a row, but the guidance would allow upward merit based step adjustments in salaries for individual City employees earning them as a result of positive performance evaluations. Also, the budget would begin a three year phase-in of salary adjustments for certain types of jobs to maintain the City's competitive position based on a benchmark survey of surrounding jurisdictions.
- The guidance provides for continuation of a gradual increase in employee contributions for health care and allows for consideration of possible increases in employee contributions for retirement benefits.
- The resolution announces the intent to form a Retirement Benefits Advisory Group to examine the need for long term changes in the City's defined benefit pension plans
- Generally, the guidance would contain the City's 10 year Capital Improvement Program (CIP) to the same overall level of costs approved in last year's CIP.
- The City Manager is to propose an incentive program to encourage City employees to develop and implement efficiency savings as part of the upcoming budget.
- The City Manager is to submit a multi-year plan later in the spring for linking the Strategic Plan to future operating budgets and CIPs.

By section the draft Resolution provides the following specific guidance to the City Manager to:

Section 1 - Propose a total General Fund Base Operating Budget that will be limited by those revenues available under current tax rates.

Section 2 - Propose a General Fund transfer to the Schools for operating expenses that increases at the same percentage rate as total General Fund revenues with no increase in tax rates.

Section 3 - Propose, in addition to the Base Budget, a Transportation Add-on tax and projects and activities to be funded by that tax as well as proposed reductions in other business license taxes as a partial offset.

Section 4 - Not increase the Base Real Estate tax rate of 97.8 cents per \$100 assessed value.

Section 5 – Continue existing taxes at the same levels for Storm Water Infrastructure, Open Space Acquisition and Affordable Housing purposes

Section 6 - Not increase any other tax rates.¹

Section 7 - Propose changes in fees, fines and service charges as the City Manager deems equitable, fair and administratively feasible.

¹ In regard to the proposed Tier I Special Tax District proposed for the Potomac Yard Metrorail Station (Landbays F,G, H and the multi-family portion of Landbay I), if City Council approves this Tier I district at its December 14, 2010 meeting, then it is assumed that the FY 2012 Operating Budget and CIP would reflect implementation of this Special Tax District. It should be noted that the Tier II Special Tax District (Landbays A (Potomac Greens) I, J, and the non-multi-family part of Landbay I) is not scheduled for City Council consideration in December or as part of the FY 2012 budget.

Section 8 - Not increase total City employment levels in the base budget above those estimated in the Approved FY 2011 operating budget except in certain limited circumstances.

Sections 9 and 14 - Propose funding for merit/step increases for City employees but no Market Rate Adjustment for all employees (aka COLA).

Section 10 - Propose initial funding in FY 2012 as part of a three year phase-in of the implementation of benchmark pay adjustments called for by the City's compensation philosophy.

Section 11 - Continue to implement a multi-year plan to phase-in a 20% minimum employee contribution for health care premiums.

Section 12 - Consider proposing changes to employee contributions to pay for retirement benefits.

Section 13 - Assist City Council in forming a Retirement Benefit Advisory Group to look at the need for future changes to City defined benefit retirement plans.

Section 15 - Continue to identify and implement cost saving measures and efficiencies in all City operations.

Section 16 -- Include in the base Capital Improvement Program (CIP) only those projects that can be funded within the funding levels contained in last year's previously Approved CIP for FY 2011 – FY 2020 with some limited exceptions.

Section 17 - Propose measures to sell or lease excess City capital assets as appropriate in the base budget and use those proceeds to fund the CIP as cash capital.

Section 18 - Propose an incentive program to encourage City employees to develop and implement efficiency savings.

Section 19 - Propose whatever additional operating costs and capital projects for Council consideration above those specified in the base budget that can be demonstrated as necessary to meet strategic goals and objectives or to diminish risks to the community. These additional options must be clearly identified and prioritized.

Section 20 - Provide a special analysis of projected expenditures and revenues for FY 2013 under the base budget as well as any options proposed for additional operating costs and capital projects proposed above the base budget.

Section 21 - Submit a multi-year plan later in the spring for linking the Strategic Plan to Operating Budgets and Capital Improvement Programs through FY 2021.

The City Manager plans to present his proposed budget at Council's Tuesday February 8, 2011 legislative meeting. This proposed budget will be the subject of numerous work sessions and at least two public hearings before Council adopts a budget, tax rates, and CIP on May 2, 2011. Regardless of the guidance given in the attached draft Resolution, Council may choose to amend any element of the City Manager's proposed budget in accordance with the provisions of Resolution #2368 that requires each amendment to include an offsetting change to balance the budget.

ATTACHMENTS:

Attachment 1 Draft Budget Resolution Setting Guidance for FY 2011 General Fund Operating Budget and Capital Improvement Program for FY 2011-FY 2020

Attachment 2 Resolution #2368

STAFF:

Bruce Johnson, Chief Financial Officer

Resolution No. _____

Budget Resolution Setting Guidance for FY 2012 General Fund Operating Budget and Capital Improvement Program for FY 2012-FY 2021

1. **WHEREAS**, the City Council of Alexandria passed Resolution 2368 on November 10, 2009, that established the process to be used for formulating the budget during the term of this Council and requires that City Council set budget guidance for the City Manager and the School Board for the FY 2012 budget;

2. **WHEREAS**, the City Council held a public hearing on the FY 2010 budget on October 16, 2010; and

3. **WHEREAS**, the City Manager and the Alexandria City Public Schools presented to City Council at its October 18, October 19, November 8 and November 16 , budget work sessions their preliminary forecasts of revenues, expenditures and capital needs in lieu of a one-day retreat; and

4. **WHEREAS**, the City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

5. **WHEREAS**, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to focus on managing for results; and

6. **WHEREAS**, the City Council is committed to continue performing fully its obligations to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria; and

7. **WHEREAS**, the national economy is slowly and very gradually recovering from the "great" recession experienced in the last few years and there still remains considerable uncertainty about the economic future; and

8. **WHEREAS**, real estate assessments in the City are finally expected to increase slightly in CY 2011 and 2012; and

9. **WHEREAS**, there are still potential losses in State and Federal revenues for both the City General Fund budget and the Schools operating budget; and

10. **WHEREAS**, considering all these factors, the best current estimate is for an increase of 3.6% in the General Fund revenues of the City at current tax rates;

11. **WHEREAS**, this amount of increase is expected to be only sufficient approximately to maintain current services in City and School operations and fund the previously approved multi-year Capital Improvement Program; and

12. **WHEREAS**, the budget must contain sufficient funds for all contractual commitments, including debt service; and

13. **WHEREAS**, the City Council will not make any material changes that may threaten the City's AAA/Aaa bond rating; and

14. **WHEREAS**, the City Council has adopted a multi-year strategic plan in June 2010 and understands that City staff have described some 372 action items in support of the 7 goals 22 objectives and 110 initiatives outlined in that strategic plan; and

15. **WHEREAS**, the City Council expects the City Manager and City staff to begin or continue implementation of the action items that do not require additional funding to be implemented to accomplish those strategic initiatives, objectives and goals; and

16. **WHEREAS**, the City Council understands that it will be a challenge to achieve all the strategic goals, objectives and initiatives in the constrained fiscal environment facing the City; and

17. **WHEREAS**, the City Council recognizes the need to prioritize action items in support of the strategic plan, to deemphasize lower priority, low yield programs and activities, to identify efficiencies, and emphasize a multi-year plan to link future budgets to the achievement of strategic goals and objectives;

NOW, THEREFORE, BE IT RESOVED BY THE CITY COUNCIL OF ALEXANDRIA THE FOLLOWING:

1. **Total Base Budget Limitations:** Total General Fund expenditures in the Base Budget shall be no more than General Fund revenues provided under the following sections of this resolution. These sections provide that the City Manager shall submit a proposed FY 2011 General Fund Operating Base Budget that does not increase any tax rates, provided that a transportation add-on tax may be proposed as described in section 3 below in addition to the Base Budget. (Also, see sections 4, 5, 6 and 7 below for additional guidance on sources of revenue.)

Optional Section 1

Base Budget for City-Managed Programs and Activities: The City Manager shall submit a proposed FY 2011 General Fund Operating Base Budget for City-managed programs and activities of no more than

\$xxx,xxx,xxx million (x.x% above the FY 2011 General Fund Operating Budget) for City operations, debt service and cash capital to fund the CIP, and transit subsidies.

2. **Schools Transfer:** The City Manager shall include in the Base Budget a General Fund transfer to the Schools for operating expenses of an amount equal to the transfer provided in the Approved FY 2011 General Fund Operating Budget increased by the same percentage as the percentage increase in General Fund revenues available under the provisions of this resolution and proposed in the City Manager's FY 2012 General Fund Base Operating Budget. (Note that such an increase shall not include any amounts proposed as a Transportation Add-On tax as described in section 3 below.)

Optional Section 2

Schools Transfer: The City Manager shall include in the Base Budget a General Fund transfer to the Schools for operating expenses of \$xxx,xxx,xxx (x.x% above the FY 2011 General Fund transfer to the Schools).

3. **Transportation Add-On Tax:** In addition to the Base Budget described in section 1 above, the City Manager shall submit a proposal for Council to consider an add-on tax for transportation purposes on commercial real estate as allowed by the Code of the Commonwealth of Virginia, and the expenditures funded by that tax shall be structured as an option in addition to the Base Budget. As part of this proposal the City Manager shall submit proposed reductions in the Business, Professional and Occupation License (BPOL) tax rates and/or structure as a partial offset to any transportation add-on tax proposed under section 3 above.
4. **No Increase in the Base Real Estate Tax Rate:** The City Manager shall propose in the Base Budget a base real estate tax rate in CY 2011 no greater than that levied in CY 2010 (\$97.8 cents per \$100 assessed value).
5. **Other Dedicated Portions of the Real Estate Tax Rate:** The City Manager shall propose continuation in CY 2011 of the dedication of 0.5 cents per \$100 to Storm Water infrastructure improvements, and sufficient amounts from Real Estate Tax revenues to provide funding for existing debt service payments for the Open Space Trust Fund and for Affordable Housing purposes.
6. **Other Taxes:** The City Manager shall not propose an increase in any other tax rates except as provided in section 3 above.
7. **Fees, Fines and Service Charges:** The City Manager may propose changes to whatever combination of fees, fines and service charges that are

equitable, fair and administratively feasible provided that these proposals are within the constraints imposed by the Code of Virginia.

8. **City Staffing Levels:** Except as provided, the City Manager shall not increase total City employment levels (as measured on a full-time equivalency basis) in the base budget above those estimated in the Approved FY 2011 base operating budget. The City Manager may propose reallocations of staff between programs and activities, and the City Manager may propose a net increase in the base budget staffing levels above those funded last year:
 - a. If those increases result in efficiency savings in specific programs and activities (i.e., lower total costs),
 - b. If those increases result in an equivalent or greater increase in General Fund or Special Revenue Fund revenues, or
 - c. If those staffing positions are substantially funded by special revenue fund sources (e.g., State or Federal grants and other dedicated taxes and fees).
9. **City Merit/Step Pay:** The City Manager shall include in the base budget funding for merit/step increases for eligible employees including at least one additional step.
10. **City Benchmark Pay Adjustments:** The City Manager shall propose initial funding in FY 2012 as part of a 3 year phase-in of the implementation of benchmark pay adjustments called for by the City's compensation philosophy. The City Manager may propose necessary and appropriate changes in the City's pay schedules as part of a phase-in of benchmark pay adjustments, including additional steps on the pay schedule.
11. **City Employee Health Benefits:** The City Manager shall continue to implement the multi-year plan to phase in a 20% minimum employee contribution for health care premiums.
12. **City Employee Retirement Contributions:** The City Manager may propose changes in employee contributions to various retirement programs to the extent allowed by law.
13. **Retirement Benefit Advisory Group:** The City Council shall, by subsequent resolution, form a Retirement Benefit Advisory Group:
 - a. To look at the need for any future changes to defined benefit pension plans created under the authority of the City Council,
 - b. To examine the current financial status of the City's pension funds,
 - c. To advise the City Manager and City Council Pension and Compensation Subcommittee on any options that should be considered to meet the following objectives:

- i. To protect benefits already earned (accrued) by retirees and current employees,
- ii. To ensure the City remains competitive in competing with neighboring jurisdictions for capable and effective public service employees,
- iii. To provide an opportunity for City employees to save for and have a secure retirement,
- iv. To consider the advantages and disadvantages of defined benefit vs. defined contribution pension plans and make recommendations on the structure of future plans, and
- v. To create a fiscally sustainable plan for funding future benefits whether earned or to be earned in the future.

14. **Market Rate Adjustment:** The City Manager shall not include a market rate adjustment for either City or Schools staff.

15. **Cost Saving Measures:** The City Manager shall continue to identify and implement cost saving measures and efficiencies in all City operations.

16. **Capital Improvement Program (CIP):** The City Manager's proposed CIP shall include:

- a. Specific estimates for FY 2012 through FY 2017 and preliminary estimates for FY 2018 through FY 2021,
- b. No more General Fund cash capital from current year revenues than that planned for FY [2012] 2013 through FY 2020 in the Approved FY 2011 – FY 2020 CIP. Such a limitation does not apply to:
 - i. The cash capital provided by a Transportation Add-On tax as described in section 3 above,
 - ii. Any adjustments for amounts determined by the dedication of 0.5 cents to the Storm Water Special Revenue Fund and the Open Space Trust Fund, the Sanitary Sewer Fund, and available for Affordable Housing purposes, and
 - iii. Cash capital available from the sale of assets as described in section 17 below, or
 - iv. Any increase in cash capital in the FY 2012 General Fund Operating Budget that may be otherwise allowable under the provisions of this resolution.
- c. No more debt issuance than that planned for FY 2012 through FY 2020 in the Approved FY 2011 – FY 2020 CIP; other than debt, if any, to be serviced by revenue provided by a Transportation Add-On tax as described in section 3 above, by revenue provided by the Storm Water Special Revenue Fund, the Sanitary Sewer Fund, the Potomac Yard Metrorail Station fund, and for Affordable Housing Purposes,
- d. The use of additional General Fund operating budget surplus from FY 2010 in the amount of \$11.0 million as a commitment for capital projects in FY 2012 and beyond,

- e. The use of expected additional General Fund operating budget surplus from FY 2011 as commitment for capital projects in FY 2012 and beyond, provided that (1) the first \$2.75 million of any such surplus will be designated for the FY 2012 General Fund operating budget, (2) \$0.8 million will be committed for storm emergencies, and other funds will be committed or assigned as necessary for incomplete projects,
 - f. Specific descriptions of projects that can be funded within recommended levels of funding and their costs estimated for all years (FY 2012 – FY 2021), and
 - g. Identification of projects that exceed the recommended levels of funding whether or not the estimated costs are identified or remain to be developed. These projects should be shown by year if known or alternatively listed in a general appendix.
17. **Sale/Lease of Capital Assets:** The City Manager shall propose measures to sell or lease excess City capital assets as appropriate in the base budget and use those proceeds to fund the CIP as additional cash capital.
18. **Employee Efficiency Incentive Savings Program:** The City Manager shall propose an incentive program which will encourage City employees to develop and implement efficiency savings. A portion of those savings will be made available for employee one-time bonuses or employee training and development opportunities. Such a program will be proposed in detail as part of the FY 2012 budget submitted to City Council. Such details shall include procedures to ensure that such savings are not the result of service level reductions and that such savings are distributed equitably among the workforce. City Council shall review and establish such a program as soon as practicable for possible use in the remainder of FY 2011 and FY 2012.
19. **Options for Additional Operating and CIP Expenditures:** The City Manager may propose whatever additional staffing levels, operating costs and capital projects are deemed appropriate for Council consideration above those specified in the base budget, together with appropriate sources of revenue available within the constraints imposed by the Code of Virginia, so long as those staffing levels, operating costs and capital projects can be demonstrated as necessary to meet strategic goals and objectives, and/or can be demonstrated to diminish risks to community. These additional items, if any, shall be clearly designated as above the base budget and prioritized by the City Manager on an individual operating activity and project basis.
20. **Fiscal Year 2013 Special Analysis:** The City Manager shall prepare a special analysis that shows the projected expenditures and revenues for FY 2013. That analysis shall contain:
- a. Revenue estimates at the same level of detail as shown in the long range forecast section of the budget document, including three forecast estimates – high, mid and low level,

- b. Revenue estimates that assume the same tax rates as those proposed for FY 2011 in the base budget,
- c. Expenditure estimates in the same level of detail as provided in the long range forecast section of the budget document, and
- d. A detailed estimate of the impact in FY 2013 of any recommended expenditures in the FY 2012 base budget, including:
 - i. The impact on FY 2013 revenues and expenditures of any of the options for additional operating and CIP expenditures proposed under the authority of sections above,
 - ii. A general discussion of the types of actions that might be necessary to balance the FY 2013 budget if there is a projected deficit for that year, and
 - iii. Estimates of the revenue and expenditure impact in FY 2013 of any budget amendment proposed by a Council member for consideration during the FY 2012 budget development process.

21. **Multi-year plan linking the Strategic Plan and Future Budgets and Capital Improvement Programs:** The City Manager shall submit to City Council, in time for consideration before June 30, 2011, a proposed multi-year plan for linking the Strategic Plan to Operating Budgets and Capital Improvement Programs through FY 2021. Such a plan shall be consistent with the long range financial outlook under current tax rates and policies (including any changes under consideration for FY 2012 as allowed or specified above) and any operational considerations that may require a particular scheduling or sequencing of action items in support of strategic initiatives, objectives and goals.

ADOPTED: _____

ATTEST:

WILLIAM D. EUILLE MAYOR

Jacqueline M. Henderson, CMC, City Clerk

Resolution No. 2368

**Budget Resolution Establishing the Process To Be Used
To Adopt Operating Budgets and Capital Improvement Programs**

WHEREAS, the Alexandria City Council wishes to establish specific policies to guide upcoming budget deliberations to ensure responsible actions with current economic resources; and

WHEREAS, resolutions No. 2088, 2150, 2166, and 2256 previously adopted by City Council have now expired; and

WHEREAS, City Council wishes to establish a budget process that is responsive to the economic times in which we live and that provides the Council and community with clear information about the trade-offs between revenues and services in order to facilitate the creation of the final budget; and

WHEREAS, City Council understands that after four years of program reductions, audits and efficiency efforts, the capacity of the city to do the same work for less money has been essentially eliminated; and

WHEREAS, City Council believes that flexibility is needed for both the preparation and evaluation of expense items as well as with regard to diversifying the sources of revenue available to fund the General Fund Operating Budget; and

WHEREAS, City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

WHEREAS, the City Council desires to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria, but understands that economic reality will require stark trade-offs between services and revenues; and

WHEREAS, over the last ten years, residential real estate taxes have borne an increasing share of the burden of paying for City and School services both because of the earlier run-up in residential home value and development and most recently because of the decline of commercial property values; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to properly balance residential real estate taxes; and

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools improve student performance, decrease drop-out rates and in achieving its mission and being among the best in Northern Virginia; and

WHEREAS, the City-Council understands that delayed infrastructure maintenance threatens the health and safety of the community as well as its long-term economic prosperity; and

WHEREAS, the City Council is committed to maintaining a fair, reasonable and competitive compensation plan for City and School employees; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to continue its focus on managing for results, sharing services with the Alexandria City Public Schools, and developing clear accountable metrics for all city programs and services; and

WHEREAS, the City Council is committed to maintaining its top AAA/Aaa credit ratings; and

WHEREAS, the City Council desires to achieve the vision and strategic goals, objectives, and initiatives as outlined in the City Council's Strategic Plan; and

WHEREAS, sufficient time for the budget process is necessary for the City Council and the community to deliberate on the various issues raised given the budget's complexity and importance.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Alexandria, Virginia, that the Council shall, for the purposes of consideration of the Budget for the City of Alexandria, adopt this resolution and adhere to the following rules of procedure:

Section (a) The Timing of the Setting of Budget Guidance by City Council and the City Manager's Budget Submission to City Council

(1) That the City Manager shall plan and prepare the proposed Operating Budget and proposed six-year Capital Improvement Program and that such preparations shall include, but not be limited to, requests for City departments to identify efficiencies, low priority programs not crucial to achieving City Council strategic goals, objectives, and initiatives, potential discretionary supplemental increases crucial to achieving City Council's strategic goals, objectives, and initiatives, and potential City-wide process changes that would be beneficial to City operations and to the public.

(2) That the City Manager shall present to City Council in time for the fall Council Retreat a preliminary forecast and outlook for (a) revenues (including the outlook for real estate assessments), (b) expenditures necessary to maintain appropriate services and policies (including in the City Manager's forecast of cash capital and debt service costs related to the most recently approved Capital Improvement Program and estimates of the cost of any appropriate market rate-adjustment for City and School staff), (c) the outlook for possible additional requests for City operating needs in the upcoming fiscal year and future capital needs in the upcoming fiscal year and succeeding 5 to 10 fiscal years, (d) the outlook for possible budget reductions and increases in fees, fines and charges for services, and (e) the outlook for Federal and State grants and the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

(3) That the Alexandria City School System shall separately present to City Council, but in a format coordinated with the City Manager, its preliminary forecast and outlook for (a) expenditures necessary to maintain appropriate services and policies, (b) the outlook for additional requests for Schools operating in the upcoming fiscal year and capital needs through the upcoming fiscal year and the succeeding 5 to 10 years, (d) the outlook for possible budget reductions and increases in fees, fines and charges for services, and (e) the outlook for Federal and State grants, and the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

(4) That as part of its fall Retreat, City Council will consider this information and any other relevant information available to it at that time from the efforts described above, including resident input to be provided by a public hearing on the upcoming budget to be conducted prior to City Council's fall Retreat.

(5) That City Council shall, as a result of information available to it at the Retreat, direct that the City Manager prepare a budget resolution to be adopted by City Council to guide the preparation of the upcoming Operating Budget and next Capital Improvement Program.

(6) That City Council plans to adopt such a budget resolution during the month of November for the next fiscal year.

(7) That the City Manager shall submit a proposed Operating Budget and Capital Improvement Program to the City Council no later than the first legislative meeting of Council in February, prior to the upcoming fiscal year. Such budget shall meet any guidance for General Fund revenues and expenditures established by City Council.

(8) That the Board of the Alexandria City Public Schools is requested to approve an Operating Budget and Capital Improvement Program no later than the week of the first legislative meeting of the Council in February, prior to the upcoming fiscal year. Such budget, if it shall exceed or otherwise not comply with the guidance provided by City Council, shall clearly identify what operating programs and activities would be funded, if additional funding were provided above that guidance, and the reasons therefore.

(9) That the Council shall hold a budget public hearing on the City Manager's proposed budget in the month following the budget submission by the City Manager and may hold an additional public meeting on the budget, if Council deems it necessary, in April, in addition to any effective tax-rate public hearing needing to be held prior to budget adoption.

(10) That the council requests that staff create a way for residents and organizations to submit written budget comments to the Council in lieu of or in addition to participation in public meetings.

(11) That City Council shall consider these recommendations and endeavor to enact an Operating Budget and Capital Improvement Program that balances the needs of the community with the community's ability to afford services to meet those needs.

Section (b) Proposed Budget for the City of Alexandria -

(1) For purposes of this resolution, the proposed budget of revenue rates and expenditure levels for the fiscal year shall be that proposed by the City Manager.

(2) For purposes of this resolution, the Chief Financial Officer shall provide revenue and/or expenditure projections for any motion or amendment that could affect the proposed budget specified in Section (b) (1).

Section (c) Maximum Expenditure Levels May Not Exceed Sum of Projected Revenue and Appropriation from Fund Balance in Proposed Budget

(1) It shall not be in order in the Alexandria City Council to consider any motion or amendment to the proposed budget of the City of Alexandria if there has not been a budget memo requested that relates to the specific item or a Council discussion of the proposal during a budget work-session or public hearing and

(ii) such motion or amendment would have the effect of increasing any specific budget expenditures above the level of such expenditures contained in the proposed budget specified in Section (b) of this resolution, or would have the effect of reducing any specific revenues below the level contained in the proposed budget specified in Section (b) of this resolution, unless such motion or amendment makes at least an equivalent reduction in other specific budget outlays, identifies an equivalent increase in other specific revenues, or an equivalent combination thereof, and

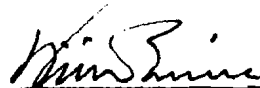
(iii) such motion or amendment is not provided in writing electronically or in hard copy to all members of Council and the City Manager or Chief Financial Officer at least 7 days before the first budget work session to consider such motions or amendments (the preliminary add-delete work session), or discussed at the preliminary add-delete work session to be considered at the final add-delete work session.

(2) In the Alexandria City Council, any appropriation from the Fund Balance or any like account beyond that proposed in the Manager's proposed budget shall require an affirmative vote of five Council Members.

(3) In the event that the City Manager recommends final revenue technical adjustments that result in a net increase or net decrease from the revenue estimates specified in section (b) of this resolution, the net change in the revenue estimate shall be reflected as a change in the proposed appropriation from the Fund Balance. As specified in Section c (2), any appropriation from the Fund Balance beyond that proposed in the Manager's proposed budget, including the net effect of final revenue adjustments, shall require an affirmative vote of five Council Members.

Section (d) Expiration -- The provisions of this resolution shall expire with the expiration of the term of this City Council.

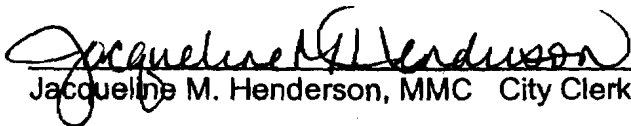
ADOPTED: 11/10/2009



William D. Euille

Mayor

ATTEST:



Jacqueline M. Henderson, MMC City Clerk

RESOLUTION 2426

Budget Resolution Setting Guidance for FY 2012 General Fund Operating Budget and Capital Improvement Program for FY 2012-FY 2021

WHEREAS, the City Council of Alexandria passed Resolution 2368 on November 10, 2009, that established the process to be used for formulating the budget during the term of this Council and requires that City Council set budget guidance for the City Manager and the School Board for the FY 2012 budget;

WHEREAS, the City Council held a public hearing on the FY 2010 budget on October 16, 2010; and

WHEREAS, the City Manager and the Alexandria City Public Schools presented to City Council at its October 18, October 19, November 8 and November 16 , budget work sessions their preliminary forecasts of revenues, expenditures and capital needs in lieu of a one-day retreat; and

WHEREAS, the City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to focus on managing for results; and

WHEREAS, the City Council is committed to continue performing fully its obligations to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria; and

WHEREAS, the national economy is slowly and very gradually recovering from the "great" recession experienced in the last few years and there still remains considerable uncertainty about the economic future; and

WHEREAS, real estate assessments in the City are finally expected to increase slightly in CY 2011 and 2012; and

WHEREAS, there are still potential losses in State and Federal revenues for both the City General Fund budget and the Schools operating budget; and

WHEREAS, considering all these factors, the best current estimate is for an increase of 3.6% in the General Fund revenues of the City at current tax rates;

WHEREAS, this amount of increase is expected to be only sufficient approximately to maintain current services in City and School operations and fund the previously approved multi-year Capital Improvement Program; and

WHEREAS, the budget must contain sufficient funds for all contractual commitments, including debt service; and

WHEREAS, the City Council will not make any material changes that may threaten the City's AAA/Aaa bond rating; and

WHEREAS, the City Council has adopted a multi-year strategic plan in June 2010 and understands that City staff have described some 372 action items in support of the 7 goals 22 objectives and 110 initiatives outlined in that strategic plan; and

WHEREAS, the City Council expects the City Manager and City staff to begin or continue implementation of the action items that do not require additional funding to be implemented to accomplish those strategic initiatives, objectives and goals; and

WHEREAS, the City Council understands that it will be a challenge to achieve all the strategic goals, objectives and initiatives in the constrained fiscal environment facing the City; and

WHEREAS, the City Council recognizes the need to prioritize action items in support of the strategic plan, to deemphasize lower priority, low yield programs and activities, to identify efficiencies, and emphasize a multi-year plan to link future budgets to the achievement of strategic goals and objectives;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF ALEXANDRIA THE FOLLOWING:

1. **No Increase in the Base Real Estate Tax Rate:** The City Manager shall propose in the Base Budget a base real estate tax rate in CY 2011 no greater than that levied in CY 2010 (\$97.8 cents per \$100 assessed value).
2. **Total Base Budget Limitations:** Total General Fund expenditures in the Base Budget shall be no more than General Fund revenues provided under the various sections of this resolution. These sections provide that the City Manager shall submit a proposed FY 2011 General Fund Operating Base Budget that does not increase any tax rates, provided that a transportation add-on tax may be proposed as described in section 3 below in addition to the Base Budget. (See sections 1, 4, 5, 6 and 7 for additional guidance on sources of revenue.)
3. **Schools Transfer:** The City Manager shall include in the Base Budget a General Fund transfer to the Schools for operating expenses of an amount equal to the transfer provided in the Approved FY 2011 General Fund Operating Budget increased by the same percentage as the percentage increase in General Fund revenues available under the provisions of this resolution and proposed in the City Manager's FY 2012 General Fund Base Operating Budget. (Note that such an increase shall not include any amounts proposed as a Transportation Add-On tax as described in section 4 below.)
4. **Transportation Add-On Tax:** In addition to the Base Budget described in section 1 above, the City Manager shall submit a proposal for Council to consider an add-on tax for transportation purposes on commercial real estate as allowed by the Code of the Commonwealth of Virginia, and the expenditures funded by that tax shall be structured as an option in addition to the Base Budget. As part of this proposal the City Manager shall submit proposed reductions in the Business, Professional and Occupation License (BPOL) tax rates and/or structure as a partial offset to any transportation add-on tax proposed under this section.
5. **Other Dedicated Portions of the Real Estate Tax Rate:** The City Manager shall propose continuation in CY 2011 of the dedication of 0.5 cents per \$100 to Storm Water infrastructure improvements, and sufficient amounts from Real Estate Tax revenues to provide funding for existing debt service payments for the Open Space Trust Fund and for Affordable Housing purposes.
6. **Other Taxes:** The City Manager shall not propose an increase in any other tax rates except as provided in section 4 above.
7. **Fees, Fines and Service Charges:** The City Manager may propose changes to whatever combination of fees, fines and service charges that are equitable, fair and administratively feasible provided that these proposals are within the constraints imposed by the Code of Virginia.
8. **City Staffing Levels:** Except as provided below, the City Manager shall not increase total City employment levels (as measured on a full-time equivalency basis) in the base budget above those estimated in the Approved FY 2011 base operating budget. The City Manager may propose reallocations of staff between departments as well as programs and activities within departments, and the City Manager may propose a net increase in the base budget staffing levels above those funded last year:
 - a. If those increases result in efficiency savings in specific programs and activities (i.e., lower total costs),
 - b. If those increases result in an equivalent or greater increase in General Fund or Special Revenue Fund revenues, or
 - c. If those staffing positions are substantially funded by special revenue fund sources (e.g., State or Federal grants and other dedicated taxes and fees).
9. **City Merit/Step Pay:** The City Manager shall include in the base budget funding for merit/step increases for eligible employees including one additional step.
10. **Market Rate Adjustment:** The City Manager shall not include a market rate adjustment for either City or Schools staff.

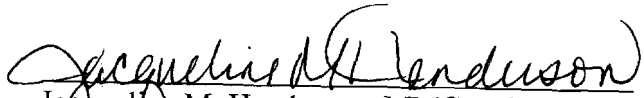
11. **City Benchmark Pay Adjustments:** The City Manager shall propose initial funding in FY 2012 as part of a 3 year phase-in of the implementation of benchmark pay adjustments called for by the City's compensation philosophy. The City Manager may propose necessary and appropriate changes in the City's pay schedules as part of a phase-in of benchmark pay adjustments, including additional steps on the pay schedule.
12. **City Employee Health Benefits:** The City Manager shall continue to implement the multi-year plan to phase in a 20% minimum employee contribution for health care premiums.
13. **City Employee Retirement Contributions:** The City Manager may propose changes in employee contributions to various retirement programs to the extent allowed by law.
14. **Retirement Benefit Advisory Group:** The City Council shall, by subsequent resolution, form a Retirement Benefit Advisory Group:
 - a. To look at the need for any future changes to defined benefit pension plans created under the authority of the City Council,
 - b. To examine the current financial status of the City's pension funds,
 - c. To advise the City Manager and City Council Pension and Compensation Subcommittee on any options that should be considered to meet the following objectives:
 - i. To protect benefits already earned (accrued) by retirees and current employees,
 - ii. To ensure the City remains competitive in competing with neighboring jurisdictions for capable and effective public service employees,
 - iii. To provide an opportunity for City employees to save for and have a secure retirement,
 - iv. To consider the advantages and disadvantages of defined benefit vs. defined contribution pension plans and make recommendations on the structure of future plans, and
 - v. To create a fiscally sustainable plan for funding future benefits whether earned or to be earned in the future.
15. **Cost Saving Measures:** The City Manager shall continue to identify and implement cost saving measures and efficiencies in all City operations.
16. **Capital Improvement Program (CIP):** The City Manager's proposed CIP shall include:
 - a. Specific estimates for FY 2012 through FY 2017 and preliminary estimates for FY 2018 through FY 2021,
 - b. No more General Fund cash capital from current year revenues than that planned for FY 2013 through FY 2020 in the Approved FY 2011 – FY 2020 CIP. Such a limitation does not apply to:
 - i. The cash capital provided by a Transportation Add-On tax as described in section 4 above,
 - ii. Any adjustments for amounts determined by the dedication of 0.5 cents to the Storm Water Special Revenue Fund and the Open Space Trust Fund, the Sanitary Sewer Fund, and available for Affordable Housing purposes, and
 - iii. Cash capital available from the sale of assets as described in section 17 below, or
 - iv. Any increase in cash capital in the FY 2012 General Fund Operating Budget that may be otherwise allowable under the provisions of this resolution.
 - c. No more debt issuance than that planned for FY 2012 through FY 2020 in the Approved FY 2011 – FY 2020 CIP; other than debt, if any, to be serviced by revenue provided by a Transportation Add-On tax as described in section 3 above, by revenue provided by the Storm Water Special Revenue Fund, the Sanitary Sewer Fund, the Potomac Yard Metrorail Station fund, and for Affordable Housing Purposes,
 - d. The use of additional General Fund operating budget surplus from FY 2010 in the amount of \$11.0 million as a commitment for capital projects in FY 2012 and beyond,
 - e. The use of expected additional General Fund operating budget surplus from FY 2011 as commitment for capital projects in FY 2012 and beyond, provided that (1) the first \$2.75 million of any such surplus will be designated for the FY 2012 General Fund operating budget, (2) the next \$0.8 million will be committed for storm emergencies, and other funds will be committed or assigned as necessary for incomplete projects,

- f. Specific descriptions of projects that can be funded within recommended levels of funding and their costs estimated for all years (FY 2012 – FY 2021), and
 - g. Identification of projects that exceed the recommended levels of funding whether or not the estimated costs are identified or remain to be developed. These projects should be shown by year if known or alternatively listed in a general appendix.
17. **Sale/Lease of Capital Assets:** The City Manager shall propose measures to sell or lease excess City capital assets as appropriate in the base budget and use those proceeds to fund the CIP as additional cash capital.
18. **Employee Efficiency Incentive Savings Program:** The City Manager shall propose an incentive program which will encourage City employees to develop and implement efficiency savings. A portion of those savings will be made available for employee one-time bonuses or employee training and development opportunities. Such a program will be proposed in detail as part of the FY 2012 budget submitted to City Council. Such details shall include procedures to ensure that such savings are not the result of service level reductions and that such savings are distributed equitably among the workforce. City Council shall review and establish such a program as soon as practicable for possible use in the remainder of FY 2011 and FY 2012.
19. **Options for Additional Operating and CIP Expenditures:** The City Manager may propose whatever additional staffing levels, operating costs and capital projects deemed appropriate for Council consideration above those specified in the base budget, together with appropriate sources of revenue available within the constraints imposed by the Code of Virginia, so long as those staffing levels, operating costs and capital projects can be demonstrated as necessary to meet strategic goals and objectives, and/or can be demonstrated to diminish risks to community. These additional items, if any, shall be clearly designated as above the base budget and prioritized by the City Manager on an individual operating activity and project basis.
20. **Fiscal Year 2013 Special Analysis:** The City Manager shall prepare a special analysis that shows the projected expenditures and revenues for FY 2013. That analysis shall contain:
- a. Revenue estimates at the same level of detail as shown in the long range forecast section of the budget document, including three forecast estimates – high, mid and low level,
 - b. Revenue estimates that assume the same tax rates as those proposed for FY 2011 in the base budget,
 - c. Expenditure estimates in the same level of detail as provided in the long range forecast section of the budget document, and
 - d. A detailed estimate of the impact in FY 2013 of any recommended expenditures in the FY 2012 base budget, including:
 - i. The impact on FY 2013 revenues and expenditures of any of the options for additional operating and CIP expenditures proposed under the authority of sections above,
 - ii. A general discussion of the types of actions that might be necessary to balance the FY 2013 budget if there is a projected deficit for that year, and
 - iii. Estimates of the revenue and expenditure impact in FY 2013 of any budget amendment proposed by a Council member for consideration during the FY 2012 budget development process.
21. **Multi-year plan linking the Strategic Plan and Future Budgets and Capital Improvement Programs:** The City Manager shall submit to City Council, in time for consideration before June 30, 2011, a proposed multi-year plan for linking the Strategic Plan to Operating Budgets and Capital Improvement Programs through FY 2021. Such a plan shall be consistent with the long range financial outlook under current tax rates and policies (including any changes under consideration for FY 2012 as allowed or specified above) and any operational considerations that may require a particular scheduling or sequencing of action items in support of strategic initiatives, objectives and goals.

Adopted: November 23, 2010


WILLIAM D. EULLE MAYOR

ATTEST:


Jacqueline M. Henderson, MMC City Clerk

21

 11-23-10

Amendments to Budget Guidance Resolution
 Bruce Johnson

to:

Honorable Paul C. Smedberg, Honorable William Eulle, Kerry Donley, Frank Fannon, Frank Fannon,
 Alicia Hughes, Honorable Redella S. Pepper, Honorable Rob Krupicka

11/22/2010 10:08 PM

Cc:

Jim Hartmann, Jackie Henderson
 Show Details

(Resending to updated list of Council members)

Mayor and Members of Council:

I have received from Councilman Smedberg the following suggested amendments to the Resolution you will be considering tomorrow night that provides guidance for the FY 2012 Budget and CIP.

Since Councilman Smedberg will not be there tomorrow night (he remains out-of-town on business), he offers these amendments for your consideration. They have been separated into 5 particular amendments which could be offered separately or as a package by any member. A brief statement of his rationale is provided for each amendment.

Bruce

Amendment 1 -- Reordering Sections

Section 4 (**No Increase in the Base Real Estate Tax Rate**) would be renumbered Section 1. Section 14 **Market Rate Adjustment** would follow what is now Section 9 and be renumbered Section 10. All other sections would be renumbered accordingly.

Rationale: This amendment puts the "signature" provision of this Resolution first, and puts side-by-side the three sections that cover employee salary adjustments in FY 2012.

Amendment 2 -- Allowing Reallocations of Staff Between Departments in Section 8

City Staffing Levels: Except as provided, the City Manager shall not increase total City employment levels (as measured on a full-time equivalency basis) in the base budget above those estimated in the Approved FY 2011 base operating budget. The City Manager may propose reallocations of staff between *departments as well as* programs and activities *within departments*, and the City Manager may propose a net increase in the base budget staffing levels above those funded last year:

Rationale: This change clarifies that reallocations of staff between departments are explicitly to be allowed.

Amendment 3 -- Mandating only One Additional Step at Top-of-Grade in Section 9

City Merit/Step Pay: The City Manager shall include in the base budget funding for merit/step increases for eligible employees including [at least] one additional step.

Rationale: The need for any more than one additional step at the top-of-grade may be part of any Benchmark Pay Adjustment 3 year implementation plan (see Section 10) and should not be part of section 9.

Amendment 4 -- Delete Language re: Retirement Benefit Advisory Group in Section 13

[13. **Retirement Benefit Advisory Group:** The City Council shall, by subsequent resolution, form a Retirement Benefit Advisory Group:

- a. To look at the need for any future changes to defined benefit pension plans created under the authority of the City Council,
- b. To examine the current financial status of the City's pension funds,
- c. To advise the City Manager and City Council Pension and Compensation Subcommittee on any options that should be considered to meet the following objectives:
 - i. To protect benefits already earned (accrued) by retirees and current employees,
 - ii. To ensure the City remains competitive in competing with neighboring jurisdictions for capable and effective public service employees,
 - iii. To provide an opportunity for City employees to save for and have a secure retirement,
 - iv. To consider the advantages and disadvantages of defined benefit vs. defined contribution pension plans and make recommendations on the structure of future plans, and
 - v. To create a fiscally sustainable plan for funding future benefits whether earned or to be earned in the future.]

Rationale: This provision should be considered as a separate resolution and not be a part of budget guidance.

Amendment 5 -- Deleting Employee Efficiency Incentive Savings Program in Section 18

[18. **Employee Efficiency Incentive Savings Program:** The City Manager shall propose an incentive program which will encourage City employees to develop and implement efficiency savings. A portion of those savings will be made available for employee one-time bonuses or employee training and development opportunities. Such a program will be proposed in detail as part of the FY 2012 budget submitted to City Council. Such details shall include procedures to ensure that such savings are not the result of service level reductions and that such savings are distributed equitably among the workforce. City Council shall review and establish such a program as soon as practicable for possible use in the remainder of FY 2011 and FY 2012.]

Rationale: This provision should be considered as a separate resolution and not be a part of budget guidance.

Possible Amendments to Budget Guidance Resolution

Additions in italics and underlined

[Deletions in brackets]

Amendment 1 -- Reordering Sections

Section 4 (No Increase in the Base Real Estate Tax Rate) would be renumbered Section 1. Section 14 (Market Rate Adjustment) would follow what is now Section 9 and be renumbered Section 10. All other sections would be renumbered accordingly.

Rationale: This amendment puts the "signature" provision of this Resolution first, and puts side-by-side the three sections that cover employee salary adjustments in FY 2012.

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Amendment 4 -- Delete Language re: Retirement Benefit Advisory Group (Section 13)

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Rationale: This provision should be considered as a separate resolution and not be a part of budget guidance.

Amendment 6 – Base Budget for City Managed Programs and Activities (Section 1)

1. **[Total Base Budget Limitations:** Total General Fund expenditures in the Base Budget shall be no more than General Fund revenues provided under the following sections of this resolution. These sections provide that the City Manager shall submit a proposed FY 2011 General Fund Operating Base Budget that does not increase any tax

rates, provided that a transportation add-on tax may be proposed as described in section 3 below in addition to the Base Budget. (Also, see sections 4, 5, 6 and 7 below for additional guidance on sources of revenue.)] **Base Budget for City-Managed Programs and Activities:** The City Manager shall submit a proposed FY 2011 General Fund Operating Base Budget for City-managed programs and activities of no more than \$xxx,xxx,xxx million (x.x% above the FY 2011 General Fund Operating Budget) for City operations, debt service and cash capital to fund the CIP, and transit subsidies.

Amendment 7 – Schools Transfer (Section 2)

- 2. Schools Transfer:** [The City Manager shall include in the Base Budget a General Fund transfer to the Schools for operating expenses of an amount equal to the transfer provided in the Approved FY 2011 General Fund Operating Budget increased by the same percentage as the percentage increase in General Fund revenues available under the provisions of this resolution and proposed in the City Manager's FY 2012 General Fund Base Operating Budget. (Note that such an increase shall not include any amounts proposed as a Transportation Add-On tax as described in section 3 below.)] The City Manager shall include in the Base Budget a General Fund transfer to the Schools for operating expenses of \$xxx,xxx,xxx (x.x% above the FY 2011 General Fund transfer to the Schools).