


## City of Alexandria, Virginia

## MEMORANDUM

DATE: NOVEMBER 16, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF RESOLUTIONS ESTABLISHING THE FY 2009 BUDGET GUIDANCE FOR THE ALEXANDRIA CITY GOVERNMENT AND THE ALEXANDRIA CITY PUBLIC SCHOOLS

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**ISSUE:** Consideration of resolutions establishing budget guidance for FY 2009.<sup>1</sup>

**RECOMMENDATIONS:** That City Council:

- (1) Discuss the attached resolutions establishing the FY 2009 budget guidance;
- (2) Set the adoption of those resolutions for Council's November 27 legislative meeting; and
- (3) At the November 27 meeting adopt scenario D which would:
  - (a) provide a maximum rate of growth in the average residential real estate tax of 3.0% at the November 27 meeting;
  - (b) establish a maximum rate of growth in City expenditures (including transit subsidies and CIP-related expenditures) of 5.0%;
  - (c) establish a maximum rate of growth in the transfer to the Schools of 5.9%; and
  - (d) establish a minimum market rate adjustment for both City and School employee salaries of 1.0%.

**BACKGROUND:** City Council has long had procedures governing its consideration of the budget, including procedures governing the "add-delete" process. In the spring of 2005 for use in the FY 2007 budget process Council established additional procedures calling for a discussion of the budget at the fall retreat, after which budget "targets" would be set for the City Manager and the School Board's guidance as they developed their respective budgets for the coming fiscal year. After the FY 2007 budget was adopted and with the installation of a new Council, a revised set of procedures was adopted

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<sup>1</sup> The term "guidance" is used in lieu of "target" throughout both proposed resolutions to better express the City Council's intent that the guidance provided in November is not meant to be the end of the budget process, but rather the beginning. The eventual decisions of the City Council resulting in an approved budget may diverge from the guidance given early in the process to the City Manager and the Alexandria City Public Schools as opinions and input are acquired from the public, new information is available on economic conditions, operational questions are answered by City staff, and specific tradeoffs are assessed between programs and activities and various possible revenue sources.

last fall for use in the FY 2008 budget process. This docket item builds on those experiences, makes marginal changes in the underlying budget process, and suggests specific, quantifiable guidance for the FY 2009 budgets of the City Manager and the School Board.

One proposed resolution (see Attachment I) would modify and replace Council Resolution 2205 adopted October 10, 2006 that established budget processes for the use of this Council for the remainder of its term in office. This resolution continues the schedule for consideration of the budget, the manner in which guidance is provided to the Alexandria City Public Schools, and the add-delete process established in Resolution 2205 for the term of this Council with no changes. Its changes focus on the manner in which budget guidance is provided to the City Manager prior to proposing a budget for City managed operating expenses, along with providing sufficient revenues to balance the total expenditures of the General Fund Operating Budget and Capital Improvement Program.

A second proposed resolution (Attachment II) provides specific guidance for use by the City Manager and the Alexandria City Public Schools for developing their FY 2009 operating budget requests and a proposed Capital Improvement Program. This guidance is shaped in accordance with the recommended and revised budget processes to be established by the first resolution (Attachment I).

Attachment III provides a table that summarizes the preliminary forecasts for FY 2009 presented to City Council at its retreat on October 27, 2007 by City and Schools staff. It shows a preliminary estimate of a current services and policy baseline budget for both the City government and Alexandria City Public Schools with and without a 1.0%, 1.5% and 2.0% market rate adjustment in salaries for City and Schools staff.

## **DISCUSSION:**

### **General Budget Process Resolution Recommendations (See Attachment I)**

#### **Recommendation 1: Add new guidance on the maximum rate of growth in average residential real estate taxes.**

- It is recommended that new guidance be given to the City Manager to contain the rate of growth on the real estate taxes paid by the average, residential homeowner. This would be a maximum rate of growth, and the City Manager would be encouraged to find alternative sources of revenue that might support the budget at a lesser rate of growth.
- Although an alternative exists to provide guidance expressed as a real estate tax rate (cents per \$100 assessed valuation), it is recommended that this guidance be based on the percent growth in the average residential real estate tax because:
  - This type of guidance provides flexibility based on the actual assessments issued in February compared to the assessments estimated at the time of the retreat.
  - Guidance based on percentage growth in the average real estate tax paid by residential homeowners will work better in the long run during both bull and bear housing markets.

- If the housing market experiences an extreme decline (like that occurring in some other Washington area jurisdictions this year), phrasing the guidance in terms of percent growth in taxes paid allows the rate to be increased in proportion to the decline in assessed values.
  - If the housing market experiences an extreme increase (like it did from CY 2001 to 2006), gauging the reduction in the tax rate based on the impact on the average residential homeowner's tax bill seems reasonable.
- Guidance expressed in this manner can be adjusted according to the most current local rate of CPI inflation at Council's option on an ad hoc basis. While the headline or total inflation rate is now relatively stable around 2.5% to 3.5%, it could run at a significantly higher level in the future.
  - Because all homeowners must be taxed at the same rate and individual assessments vary in the rate of change from year to year, this alternative does not eliminate or mitigate in any fashion the variation for individual property owners in the rate of growth/decline in real estate taxes.
    - There is significant variation for individual homeowners in the rate at which their assessments and taxes change, but taxes paid will reflect this difference no matter what.<sup>2</sup>
    - Because less expensive properties tend to decline in a downward trending type of housing market more than expensive properties, the effect of either type of guidance is likely to be progressive (increasing taxes at a higher rate on more expensive properties) at the current time. During an upward trending housing market, the opposite effect would occur.

## **Recommendation #2: Continue Expenditure Guidance for City and Schools**

- Expenditure guidance needs to be continued and imposed simultaneously with guidance on the maximum average rate of growth in residential real estate taxes paid.
  - The Schools should be provided expenditure guidance to which they can peg their request. The School Board is enabled by State law to ask for an amount higher than the guidance level, but the resolution requests that the Board prioritize the items/activities that cause it to be over the guidance level with their FY 2009 request.
  - The City needs expenditure guidance as well.

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<sup>2</sup> Budget Memo #59 from last year showed 18% of homeowners had no change in assessed value; 23% had an increase and 59% had a decrease.

- Expenditure guidance puts a cap on what could be spent if new construction or increases in the commercial real estate property tax base would otherwise permit an excessive rate of growth.
- Such guidance could allow for additional revenue to be raised by means other than the real estate property tax, if reasonable to propose. In other words, within this expenditure guidance the City Manager could swap out real estate tax revenue for other types of revenue, thus diversifying the tax base.

### **FY 2009 Budget Guidance Recommendations (See Attachment II)**

#### **Recommendation #3: Establish a minimum market rate adjustment for City and Schools pay schedules of 1.0%.<sup>3</sup>**

- City staff believes a minimum MRA of 1.0% percent should be required by the budget guidance.
  - Other local jurisdictions are not likely to be providing generous across-the-board pay increases this coming budget season.
  - City staff will monitor this situation and could propose a greater increase if necessary to maintain competitive position.
  - An increase of greater than 1.0%, however, would likely be above the expenditure guidance level.
  - Inflation as measured by the CPI-U in the Washington metropolitan area has been running at 3.4% for the last 12 months.

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<sup>3</sup> The resolutions change the language from “COLA or cost-of-living adjustment” to MRA or market rate adjustment. This change reflects more accurately the market driven motivation for this system wide adjustment in salaries. Many jurisdictions in the region compete for a skilled public sector workforce and the great majority of Alexandria City and Schools employees live outside the City. Each year the City Manager proposes and City Council has adopted a system-wide adjustment in salaries that is driven by the need to keep our salaries competitive with similar system-wide adjustments to salaries made in neighboring jurisdictions.

**Recommendation #4: Establish a maximum rate of growth in the average tax paid by residential homeowners of 3.0%.**

- Based on preliminary estimates discussed at the City Council retreat on October 27, 2007, such a cap would result in a maximum real estate tax rate of 85.8 cents, 2.8 cents higher than the current rate.
- The City Manager would be encouraged to produce a budget that substitutes other taxes, fines, fees, and charges for services for real estate taxes so that revenue sources can be diversified and the percentage change in the residential real estate taxes can be minimized.
- Such a rate of growth would likely be at or below that of local area inflation (now running at about 3.4%).
- Such a rate of growth, if it occurs, is expected to be sufficient to fund a budget that increases by 5.0% for the City and 5.9% for the Schools (see guidance below).

**Recommendation #5: For FY 2009 provide guidance that the maximum growth in the City expenditures should be no more than 5.0% or \$377.2 M.**

- This growth rate would provide for the previously planned increase in CIP related funding for cash capital and debt service of 11.3% that supports both City and Schools projects. This rate of growth does not provide any additional funding to meet the previously projected shortfall in CIP funding of \$45 M in FY 2009. City staff will be searching for other solutions to this shortfall within the total City expenditure guidance.
- Such a growth rate, coupled with the cap on the maximum rate of growth in average residential real estate taxes, may allow the use of alternative sources of revenues to the real property tax. The City Manager would be encouraged to do so.
- This growth rate provides for substantial increases in transit subsidies of greater than 10% caused primarily by WMATA subsidy needs and the National Harbor related King Street Trolley.
- City operations (excluding transit subsidies and CIP funding but including a 1.0% MRA) could increase by 3.9% (assuming the above amounts are provided for CIP and transit subsidy funding).

**Recommendation #6: The guidance for the operating transfer to the Schools would be set at a growth rate of 5.9% or \$169.6 million.**

- The Schools preliminary “high” scenario at the retreat estimated a 7.9% rate of growth in the operating budget transfer to the Schools with a 1.0% MRA or \$174.6 million. Such guidance would be significantly below the “high” scenario – (\$169.6 million vs. \$174.6 million)
- Such guidance would be slightly lower than the “low scenario” presented at the retreat (\$169.6 million vs. \$170.4 million including a 1.0% MRA).
- Any amount above the guidance level would need to be prioritized by the School Board.

Note the separate recommendation in Docket Item #20 being presented concurrently to City Council at this November 19 legislative meeting. It is recommended that Council separate the consideration of a commercial/industrial real estate tax for transportation purposes from the guidance setting process for the General Fund Operating Budget.

- City staff has recommended that Council adopt the resolution establishing a study process to examine this issue.
- These revenue amounts would not be assumed in formulating the expenditure guidance for the FY 2009 proposed budget.
- After reviewing the recommendations of the study committee, Council would decide in the context of the FY 2009 budget whether to establish such a tax and rate as well as which costs of various activities and projects would qualify.

**Summary:**

The tables on the next two pages show 5 scenarios in relation to expenditures as well as to real estate revenues.

GUIDANCE SCENARIOS							
	SCENARIO DESCRIPTIONS	City (\$ in M)	City % Increase over FY 2008	Schools (\$ in M)	Schools % Increase over FY 2008	Total (\$ in M)	Total % Increase over FY 2008
	FY 2008 Approved Budget	\$359.3		\$160.2		\$519.5	
A	Total expenditures up no more than 3.4% -- Based on Current Revenue Rates and Policies	\$371.5	3.4%	\$165.7	3.4%	\$537.2	3.4%
B	Total expenditures up no more than 4.7% -- Allows additional non-property tax revenues than current rates and policies, with City expenditures capped at +5.0% -- Requires 1% MRA for both City and Schools	\$377.2	5.0%	\$166.7	4.1%	\$543.9	4.7%
C	Allows additional revenue above that available under current rates and policies, but caps the rate of growth in the average residential real estate tax paid to 2.5% -- Both City and Schools expenditures are capped at +5.0% -- Requires 1% MRA for both City and Schools	\$377.2	5.0%	168.2	5.0%	\$545.4	5.0%
D	City Manager's Recommended Guidance -- Total expenditures up no more than 5.3% -- Average residential real estate tax up maximum of 3.0% -- Requires 1% MRA for both City and Schools	\$377.2	5.0%	\$169.9	5.9%	\$546.8	5.3%
E	Current Services Baseline (Retreat forecasts) + 2% MRA = Total expenditures up no more than 7.1%	\$380.3	5.8%	\$176.3	10.0%	\$556.6	7.1%

- Scenario A -- budget guidance based on current revenue rates and policies;
- Scenario B -- budget guidance based on an allowance for the City to raise additional non property tax revenues of \$6.7 million above scenario A with \$5 million of these funds available to the City and \$1 million available for transfer to the City Schools;
- Scenario C -- budget guidance based on an expenditure growth caps of 5.0% for both the City and the Schools;
- Scenario D -- the City Manager recommended budget guidance; and
- Scenario E -- a scenario which would fully fund the current services baseline estimates provided by City and School staff at the October City Council retreat, including a 2.0% market rate adjustment for City and Schools employees;
- A minimum market rate adjustment for City and Schools employee salaries of at least 1.0% would be directed within all scenarios.

The following table shows the five scenarios in relation to real estate revenues.

	SCENARIO DESCRIPTIONS	Real Estate Tax Rate (per \$100 assessed value)*	Average Residential Real Estate Tax (Existing Properties)*	% Increase in Average Existing Residential Real Estate Tax Bill*
	FY 2008 Approved Budget	\$0.83	\$4,230	
A	Total expenditures up no more than 3.4% -- Based on Current Revenue Rates and Policies	\$0.83	\$4,217	-0.3%
B	Total expenditures up no more than 4.7% -- Allows additional non-property tax revenues than current rates and policies, with City expenditures capped at +5.0% -- Requires 1% MRA for both City and Schools	\$0.83	\$4,217	-0.3%
C	Allows additional revenue above that available under current rates and policies, but caps the rate of growth in the average residential real estate tax paid to 2.5% -- Both City and Schools expenditures are capped at +5.0% -- Requires 1% MRA for both City and Schools	\$0.853	\$4,336	2.5%
D	City Manager's Recommended Guidance -- Total expenditures up no more than 5.3% -- Average residential real estate tax up maximum of 3.0% -- Requires 1% MRA for both City and Schools	\$0.858	\$4,357	3.0%
E	Current Services Baseline (Retreat forecasts) + 2% MRA = Total expenditures up no more than 7.1%	\$0.886	\$4,501	6.4%

\* These calculations assume that the average residential assessment will decline 0.3%. This is consistent with the preliminary forecast of assessments presented at Council's fall retreat on October 27, 2007.

The guidance for real estate taxes would vary by scenario:

- In scenarios A and B, the proposed real estate tax rate would remain unchanged.
- In scenario C, the City Manager may not propose a real estate tax rate that would result in an increase of more than 2.5% in the average residential real estate tax paid by homeowners. It may be less to the extent the budget can be balanced with other sources of revenue.
- In scenario D, the City Manager may not propose a real estate tax rate that would result in an increase of more than 3.0% in the average residential real estate tax paid by homeowners. It may be less to the extent the budget can be balanced with other sources of revenue.
- In scenario E, the City Manager may not propose a real estate tax rate that would result in an increase of more than 6.4% in the average residential real estate tax paid by homeowners. It may be less to the extent the budget can be balanced with other sources of revenue.



**ATTACHMENTS:**

- Attachment A. Budget Resolution Regarding the Processes to Be Used To Plan For and  
To Adopt Operating Budgets and Capital Improvement Programs
- Attachment B. Budget Resolution Setting Guidance for FY 2009 General Fund Operating Budget
- Attachment C. Preliminary Forecast Current Services and Policies Baseline Budget with Market Rate  
Adjustment Scenarios

**STAFF:**

Mark Jinks, Deputy City Manager  
Bruce Johnson, Director, Office of Management and Budget

**Resolution No. \_\_\_\_\_**  
**Budget Resolution Regarding the Processes To Be Used To Plan For and**  
**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, and 2166 and previously adopted by City Council have now expired; and

WHEREAS, City Council believes changes in resolution No. 2205 previously adopted by this Council for its term are appropriate to provide more focus on changes in the average residential real estate taxes in the budget process

WHEREAS, City Council believes there should be more flexibility in 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 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, residential real estate taxes have borne an increasing share of the burden of paying for City and School services; and

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

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools in achieving its mission and being among the best in Northern Virginia; 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 focus on managing for results, 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 and objectives outlined in the City Council's adopted 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, repeal Resolution 2205, adopt this resolution in lieu thereof, 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 objectives, potential discretionary supplemental increases crucial to achieving City Council's strategic objectives, 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 an appropriate cost-of-living adjustment for City and School staff), (c) the outlook for additional requests for City operating needs in the upcoming fiscal year and future capital needs in the upcoming fiscal year and succeeding 5 fiscal years, (d) 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 five years, (c) the outlook for Federal and State grants, and (d) the outlook for 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 citizen 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 and that such a resolution would contain (a) a maximum rate of change in the average annual real estate tax paid by residential homeowners (b) a maximum target for City General Fund expenditures (including any market rate adjustment (MRA) for City staff and cash capital and debt service), and (c) a target for a budget transfer to the Alexandria City Public Schools (including the cost of any MRA for School staff).

(6) City Council shall establish for the City Manager and the Schools what preliminary minimum percentage MRA should be included in the guidance established in sections 5(a), 5(b) and 5(c) above.

(7) That City Council plans to adopt such a budget resolution during the month of November.

(8) That the Board of the Alexandria City School Schools is requested to approve an Operating Budget and Capital Improvement Program by no later than January 31, prior to the upcoming fiscal year. Such budget, if it shall exceed the Council approved budget guidance for the Operating Budget transfer given to the Alexandria City Public Schools, shall clearly identify what operating programs and activities would be funded if additional funding were provided above that guidance.

(9) 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 in February, that does not exceed the guidance for the rate of change in the average annual real estate tax paid by residential homeowners, and the guidance for General Fund expenditure growth established by City Council. Such budget shall clearly identify what operating programs and activities and capital projects would be recommended if additional funding were provided, and/or what other tax rate and fee changes could be enacted with whatever additional revenues might be available above the revenues needed to meet the expenditure guidance and still provide a structurally sound budget, including a proposed real estate tax rate necessary for financing the budget provided for that rate, as well as provide tax, fee and other revenue options necessary for financing the budget, as appropriate, so long as the real estate tax rate proposed does not exceed that allowable under section 5 (a) above. The City Manager may recommend, and Council may adopt, a different percentage MRA in his proposed budget than that established by City Council under section 6 above, but such a recommendation shall not change the guidance established by sections 5 (a), (b) and (c) above. The proposed Operating Budget shall include as a line item of expenditure (instead of as a designation of fund balances) the cost of any other market-based

salary adjustments proposed to maintain the City's ability to attract and retain any class or classes of employee.

(10) 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 Office of Management and Budget 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 Undesignated 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 such motion or amendment would have the effect of increasing any specific budget outlays above the level of such outlays 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.

(2) In the Alexandria City Council, any appropriation from the Undesignated 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 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 Undesignated Fund Balance. As specified in Section c (2), any appropriation from the Undesignated 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.

(4) It shall not be in order for any member of the Alexandria City Council to initiate any amendment to the proposed budget of the City of Alexandria which would increase any specific budget outlay by more than \$50,000, unless written public notice of the member's intent to offer such an amendment, and a general description of the proposed

amendment, is given to the City Manager and City Clerk at least one week prior to the spring budget public hearing.

- (a) The provisions of this paragraph may be waived if the proposed amendment is raised by a member of the public at the spring budget public hearing (but not an amendment raised at the separate public hearing on the effective real estate tax) and at least three members of the Alexandria City Council formally request a budget memorandum from staff in regard to such proposed amendment within 3 days of the public hearing.
- (b) The provisions of this paragraph also may be waived for good cause by an affirmative vote of five Council Members. As used in this paragraph, "good cause" shall include, but not be limited to, a change in the amount of state or federal funding included in the proposed budget.

**Section (d) Adoption of Budget that exceeds target.**

The adoption of a budget that in total exceeds the guidance established in accordance with sections 5(a), 5(b) and 5(c) (or the highest target if more than one target is established for each section) shall require an affirmative vote of five Council Members.

**Section (e) Expiration -- The provisions of this resolution shall expire on June 30, 2009.**

ADOPTED:

\_\_\_\_\_  
William D. Euille      Mayor

ATTEST:

\_\_\_\_\_  
Jacqueline M. Henderson, CMC   City Clerk

RESOLUTION NO. \_\_\_\_\_

Budget Resolution Setting **Guidance** for FY 2009 General Fund Operating Budget

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

**WHEREAS**, the City Council held a public hearing on the FY 2009 budget on October 13, 2007; and

**WHEREAS**, the City Manager and the Alexandria City Public Schools Superintendent have presented to City Council at its October 27, 2007 retreat their preliminary forecasts of revenues, expenditures and capital needs; 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 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**, residential real estate taxes have borne an increasing share of the burden of paying for City and School services; and

**WHEREAS**, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to help address the issue of increased residential real estate taxes; and

**WHEREAS**, the City Council is committed to assisting Alexandria City Public Schools in achieving its mission and being among the best in Northern Virginia; 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 focus on managing for results; and

**WHEREAS**, the City Council is committed to maintaining its top AAA/Aaa credit ratings; 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 CITY COUNCIL OF ALEXANDRIA:**

1. That the City Manager shall submit a proposed FY 2009 Operating Budget and Capital Improvement Program to the City Council no later than February 12, 2008, that results in the change real estate taxes for the average residential homeowner to no more than 3.0%.
2. That the City Manager shall regard this percentage as a maximum, and shall endeavor to produce a budget that substitutes other taxes, fines, fees and charges for real estate taxes so

that the percentage increase in the average residential real estate taxes paid shall be a lesser percentage.

3. That the City Manager's proposed FY 2009 Operating shall not exceed a \$377.2 million for General Fund expenditures. The guidance includes the cost of whatever market rate adjustment is to be provided to City employees. This guidance does not include the operating budget transfer to the Alexandria City Public Schools.
4. That the School Board of the Alexandria City Public Schools is requested to approve a FY 2009 Operating Budget and Capital Improvement Program by no later than January 31, 2008. Such budget shall seek not to exceed a target of \$169.6 million for the operating budget transfer provided to the Alexandria City Public Schools. This guidance includes the cost of whatever market rate adjustment is to be provided to Schools employees. Such budget, if it shall exceed the Council approved budget guidance for the Operating Budget transfer, shall (as specified in section a (8) of Resolution \_\_\_\_\_) clearly identify what operating programs and activities would be funded if additional funding were provided above that target.
5. That the budget documents of both the City Manager and the School Board shall clearly describe what operating programs and activities and capital projects could be funded within the budget target and what operating programs and activities and capital projects and other policy options may exceed the budget guidance and, to the extent possible, what the impact would be on the performance of those programs (the results) that are proposed either for possible expansion or reduction.
6. That the City Manager and the School Board shall assume on a preliminary basis that a market rate adjustment of 1.0 % is included in the guidance established in sections 1, 2 and 3 above. The City Manager may recommend, and Council may adopt, a different percentage market rate adjustment than that assumed above, but such a recommendation shall not change the guidance established by sections 1, 2 and 3 above.
7. That the City Manager shall propose a real estate tax rate, and other tax, fee and other revenue options necessary for balancing the budget, as appropriate, provided that the real estate tax rate proposed does not cause the average residential real estate tax rate to change by more than the percentage specified in section 1 above.

ADOPTED: \_\_\_\_\_

\_\_\_\_\_  
WILLIAM D. EUILLE

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
Jacqueline M. Henderson, CMC

\_\_\_\_\_  
City Clerk



ATTACHMENT III	Preliminary Forecast							
	City Forecast				Schools Forecast		Grand Total	
	City Ops	Transit	CIP	Subtotal City	Low Scenario	High Scenario	w/ Low ACPS	w/ High ACPS
FY 2008 Approved Budget	\$ 303.3	\$ 15.4	\$ 40.6	\$ 359.3	\$ 160.2	\$ 160.2	\$ 519.5	\$ 519.5
Adjustments to Maintain Current Service Levels and Policies								
Personnel								
Step Increases	\$ 3.6	\$ -	\$ -	\$ 3.6	\$ -	\$ 4.3	\$ 3.6	\$ 7.9
Increase in Lapse/Vacancy Savings	\$ (1.2)	\$ -	\$ -	\$ (1.2)	\$ (1.8)	\$ (1.9)	\$ (3.0)	\$ (3.1)
Other Salary Increases	\$ -	\$ -	\$ -	\$ -	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3
Retirement+ Disability	\$ 1.4	\$ -	\$ -	\$ 1.4	\$ 2.9	\$ 2.9	\$ 4.3	\$ 4.3
Health Insurance	\$ 1.6	\$ -	\$ -	\$ 1.6	\$ 0.9	\$ 0.9	\$ 2.5	\$ 2.5
Retiree Health Benefits (increased pay-as-you-go)	\$ 0.2	\$ -	\$ -	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.4
Other Post-Employment Benefits (OPEB) Funding	\$ 1.4	\$ -	\$ -	\$ 1.4	\$ 0.8	\$ 0.8	\$ 2.2	\$ 2.2
Other Miscellaneous Personnel Costs	\$ -	\$ -	\$ -	\$ -	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Subtotal Personnel	\$ 7.0	\$ -	\$ -	\$ 7.0	\$ 5.0	\$ 9.2	\$ 11.9	\$ 16.1
Non-Personnel								
City Assorted Non-Personnel Costs (3% increase)	\$ 3.3	\$ -	\$ -	\$ 3.3	\$ -	\$ -	\$ 3.3	\$ 3.3
ACPS Non-Personnel Costs	\$ -	\$ -	\$ -	\$ -	\$ 2.7	\$ 2.7	\$ 2.7	\$ 2.7
DASH Subsidies (based on preliminary DASH request)	\$ -	\$ 0.5	\$ -	\$ 0.5	\$ -	\$ -	\$ 0.5	\$ 0.5
WMATA Subsidy (6.5% increase)		\$ 0.4		\$ 0.4	\$ -	\$ -	\$ 0.4	\$ 0.4
GF transfer to Housing Fund	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ 0.1
CIP Debt Service (approved plan)	\$ -	\$ -	\$ 5.5	\$ 5.5	\$ -	\$ -	\$ 5.5	\$ 5.5
CIP Cash Capital (approved plan)	\$ -	\$ -	\$ (0.9)	\$ (0.9)	\$ -	\$ -	\$ (0.9)	\$ (0.9)
National Harbor Initiatives	\$ -	\$ 0.7	\$ -	\$ 0.7	\$ -	\$ -	\$ 0.7	\$ 0.7
Subtotal Non-Personnel	\$ 3.4	\$ 1.6	\$ 4.6	\$ 9.6	\$ 2.7	\$ 2.7	\$ 12.3	\$ 12.3
School Fund Balance and Other Financing Changes	\$ -	\$ -	\$ -	\$ -	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8
Total Adjustments to Maintain Current Service Levels & Policies	\$ 10.4	\$ 1.6	\$ 4.6	\$ 16.6	\$ 8.5	\$ 12.7	\$ 25.0	\$ 29.2
Total Current Services and Policies Baseline	\$ 313.7	\$ 17.0	\$ 45.2	\$ 375.9	\$ 168.7	\$ 172.9	\$ 544.6	\$ 548.8
% Increase	3.4%	10.4%	11.3%	4.6%	5.3%	7.9%	4.8%	5.6%
Total Current Services and Policies Baseline + Market Rate Adjustment Scenarios (MRA)								
Total Current Services and Policies Baseline + 1% MRA	\$ 315.8	\$ 17.1	\$ 45.2	\$ 378.1	\$ 170.4	\$ 174.6	\$ 548.5	\$ 552.7
% Increase	4.1%	11.0%	11.3%	5.2%	6.4%	9.0%	5.6%	6.4%
Total Current Services and Policies Baseline + 1.5% MRA	\$ 316.9	\$ 17.1	\$ 45.2	\$ 379.2	\$ 171.2	\$ 175.4	\$ 550.4	\$ 554.6
% Increase	4.5%	11.0%	11.3%	5.5%	6.9%	9.5%	5.9%	6.8%
Total Current Services and Policies Baseline + 2% MRA	\$ 318.0	\$ 17.1	\$ 45.2	\$ 380.3	\$ 172.0	\$ 176.2	\$ 552.3	\$ 556.5
% Increase	4.8%	11.0%	11.3%	5.8%	7.4%	10.0%	6.3%	7.1%

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