


EXHIBIT NO. 1

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~~4-17-10~~ 3
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~~3-13-10~~

City of Alexandria, Virginia

MEMORANDUM

REVISED AS OF 3/12/10

DATE: MARCH 10, 2010
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER 
SUBJECT: PROPOSED REAL AND PERSONAL PROPERTY TAX RATES
ORDINANCES AND PROPOSED EFFECTIVE TAX RATE INCREASE FOR
CALENDAR YEAR 2010 (FISCAL YEAR 2011)

ISSUE: What real property (residential and commercial) and personal property tax rates should be adopted?

RECOMMENDATION: That City Council:

- (1) Pass the proposed ordinance on first reading after establishing the tax rates to be advertised for residential and commercial real property and personal property; and
- (2) Set the ordinance for public hearing on Saturday, April 17, and second reading and final passage on Monday, May 3.

The maximum rates authorized by City Council in the attached ordinance reflect:

1. A base real estate tax rate on residential, commercial and industrial property for calendar year 2010 of \$___ per one hundred dollars of assessed valuation;
2. An add-on real estate tax rate on non-residential commercial and industrial property for calendar year 2010 to be dedicated for transportation purposes of \$___ per one hundred dollars of valuation; and
3. **Assumed in this proposed amount is the continued dedication of 0.3% of real estate tax revenues for the Open Space Trust Fund Account to pay debt service costs on prior year borrowing for open space properties and the continued dedication of 0.6 cents for affordable housing;** and
4. ~~The continued dedication of 0.7 cents for affordable housing; and~~

4.-5. A personal property tax rate on vehicles and business tangible property for calendar year 2010 of \$4.75 per one hundred dollars of valuation.

DISCUSSION: Under the requirements of The Code of Virginia (The Code), the City Council annually must establish real property and personal property tax rates for each calendar year. The Code also establishes certain advertising and public hearing requirements prior to the adoption of these property tax rates. One of these Code requirements is that the rates that Council chooses to advertise are the highest rates that Council can consider adopting when they vote on the budget and set tax rates on May 3.

The State Code since 1990 has required a special tax hearing and tax increase hearing public notice. The applicable State Code section does not deal with the circumstance of assessments declining combined with a proposed tax rate increase.¹ However, I recommend that the 2010 real estate tax rate setting process be handled as it has for nearly two decades with a special notice and separate hearing continuing for 2010. Under normal circumstances, the deadline for setting the tax rate to be advertised is Wednesday, March 17.

I propose that City Council act on Saturday, March 13, to establish the maximum real estate tax and personal property tax rates which will be advertised in advance of the April 17 public hearing on the tax ordinances to be considered, including any special commercial real estate tax for transportation purposes.

The following is the proposed schedule for calendar year 2010 (FY 2011):

<u>Date:</u>	<u>Topic:</u>
March 10	Budget Public Hearing
March 13	Council sets maximum real estate tax rates and personal property tax rates to be advertised and introduces tax ordinance
April 17	Public hearing on the real and personal property tax rates and property tax related ordinance
May 3	Final adoption of the budget and related tax ordinance

The following chart on the next page illustrates alternative real estate tax rates that Council might consider for the base real estate tax rate which applies to residential, commercial, and industrial properties:

¹ The total value of taxable real property within the City has been assessed at \$31.8 billion including non-locally assessed properties. This reflects a 6.3% decrease in total assessments on an equalized basis. Of the total decrease, approximately 6.8% (\$2.3 billion) is due to declining values of existing property, partially offset by \$176.2 million in new growth, including \$40.9 million in new residential growth and \$135.2 million in new commercial growth. The reassessments of existing properties decreased \$2.3 billion. Existing commercial real property depreciated \$1.3 billion; the value of existing residential property decreased by \$989.5 million. Under the proposed \$0.973 tax rate upon which the FY 2011 proposed budget is based, the tax bill for the average residential unit in 2010 is expected to increase by \$103.

Tax Rate Increase Over Current \$0.903	FY 2011 (in millions) Revenues change from Approved FY 2010	Average Change in Residential Tax (\$) (%)	
4.0 cents	-\$9.2	-\$31	-0.7%
4.7 cents	-\$7.0	\$0	0.0%
5.0 cents	-\$6.1	+\$14	0.3%
6.0 cents	-\$3.1	+\$58	1.4%
7.0 cents (proposed budget)	\$0.0	+\$103	+2.4%
8.0 cents	\$3.1	+\$148	+3.5%
9.0 cents	\$6.1	+\$193	+4.5%
10.0 cents	\$9.2	+\$238	+5.6%

The FY 2011 proposed operating base budget reflects a 7.0 cent increase in the real property tax rate of \$0.903 per \$100 to \$0.973 per \$100 of assessed value, but does not include any add-on commercial property tax rate option. A commercial tax rate of 3.0 cents per \$100 of value would raise an additional \$2.7 million for transportation purposes above the base budget.

The proposed budget ~~and the proposed ordinance~~ assumes within the ~~\$0.903~~ \$0.973 rate the ~~continuation of the~~ dedication of ~~0.7~~ 0.6 cents of the base real estate tax rate for affordable housing and 0.3 percent of the real estate tax revenues for open space (exclusive of any add-on tax for transportation purposes on commercial properties).

As part of the transportation funding initiatives which the General Assembly approved (HB3202) during its 2007 session, local governments in Northern Virginia also were each given a commercial real estate tax option to be used for transportation purposes. Under the commercial real estate tax option, localities are now authorized to adopt a differential real estate tax rate on non-residential commercial and industrial property in the City of no more than 12.5 cents per \$100 of value. (Apartments and all other residential property in the City would be excluded from this new tax.) Non-residential commercial property includes office, retail, hotel, general commercial, industrial and public utility real property. If the 3 cent increase in the commercial tax rate in the optional budget were adopted, the tax rate would be considerably lower than in surrounding jurisdictions. In their proposed budgets, Arlington County's add-on tax for commercial property is \$0.125 and Fairfax County's add on rate is \$0.11. Prince William County is also considering this add on tax among a number of tax alternatives.

Based on work session discussions, Council may wish to consider advertising a further increase in the real estate tax rate as an equivalent to the revenues that could be generated by the proposed new stormwater utility fee included as an optional service enhancement outside the City Manager's FY 2011 Proposed Budget. The stormwater utility fee is described on page 18-29 of the budget. Proposed stormwater utility fee revenue of approximately \$2.6 million could be made up with an increase of 0.8 cents in the real estate tax rate.

Also, if Council wants to consider adding to the FY 2011 base budget, as a hedge to accommodate some of the budget hearing requests, an increase its funding to Metro, State aid reductions, or to cover possible tax revenue shortfalls (which may become evident as part of the April revenue re-estimates), then advertising a higher tax rate than a 7.0 cent increase would be a way to accomplish creating budget consideration flexibility, and not prematurely locking in a rate which would limit future budget flexibility.

The FY 2011 Proposed Operating budget reflects no change per \$100 of assessed value to the current various personal property tax rates:

- \$4.75 for tangible personal property,
- \$3.55 for vehicles with specially designed equipment for use by the physically disabled,
- \$4.50 for machinery and tools used in machinery and manufacturing business, and
- \$.01 for privately-owned pleasure boats and watercraft that are used for recreational purposes only.

The attached ordinance assumes that the personal property tax rates for machinery and tools, specially equipped vehicles for the disabled, and boats would not change for 2010.

FISCAL IMPACT: A one cent increase in the overall real estate tax on each \$100 of assessed value is expected to generate an additional \$1.6 million in FY 2010 and \$3.1 million in FY 2011. Each increase of one cent of the commercial real estate rate add-on real estate tax if enacted would generate \$0.5 million in FY 2010 and \$0.9 million in FY 2011.

Since 2004 the City has dedicated by ordinance a portion of real estate tax revenues to the acquisition and development of open space. The dedicated tax rate for open space started as \$0.01 of the real estate tax rate, and then in 2007 was changed to 1 percent of real estate tax revenues. In 2009, the Open Space dedication was reduced to 0.3 percent. The 0.3 percent dedication continues in CY 2011 to pay debt service costs on prior year borrowing for open space purposes.

In the FY 2010 Approved Budget, the City reduced its dedication for affordable housing to 0.7 cents. The FY 2011 proposed budget the dedication of approximately 0.6 cents of the real estate tax rate, which would be sufficient to raise \$1,706,625.² A separate ordinance to establish this rate will be required and introduced at the time of budget passage.

ATTACHMENT: Proposed Ordinance

² The dedication of ~~0.7~~ 0.6 cents is sufficient to cover two separate debt service costs in FY 2011: \$1,436,625 for \$15 million of debt issues in 2006 for affordable housing, and \$270,000 for \$3.1 million of possible debt to be issued for the James Bland ARHA property redevelopment. If Council should wish to change the dedicated amount during add/delete, it may do so. A separate ordinance will have to be introduced to change the dedicated amount from its current 0.7 cents, but this could be done at the time of passage of the budget.

STAFF:

Mark Jinks, Deputy City Manager

Michele Evans, Deputy City Manager

Bruce Johnson, Chief Financial Officer

Laura Triggs, Director, Finance Department

Eric Eisinger, Budget and Management Analyst

1	Introduction and first reading:	3/13/10
2	Public hearing:	4/17/10
3	Second reading and enactment:	5/3/10

INFORMATION ON PROPOSED ORDINANCE

7 Title

8
9 AN ORDINANCE Section 3-2-181 (LEVIED; AMOUNT) and Section 3-2-188
10 (CLASSIFICATION AND TAXATION OF CERTAIN COMMERCIAL AND
11 INDUSTRIAL PROPERTY), of Division 1, (REAL ESTATE), and Section 3-2-
12 221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN
13 MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR
14 VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY
15 DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED,
16 MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES,
17 BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON
18 MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING
19 BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES;
20 AMOUNT), Section 3-2-224 (LEVIED ON AUTOMOBILES, TRUCKS,
21 TRAILERS, SEMI-TRAILERS ANTIQUE MOTOR VEHICLES, TAXICABS,
22 MOTORCYCLES, CAMPERS AND OTHER RECREATIONAL VEHICLES,
23 BOATS AND TRAILERS; AMOUNT) of Division 3 (TANGIBLE PERSONAL
24 PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND
25 COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3
26 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of
27 Alexandria, Virginia, 1981, as amended.

29 Summary

30
31 The proposed ordinance sets the city's 2010 general tax rates for (1) real property;
32 (2) tangible personal property; (3) commercial and industrial property. 0.3 percent
33 of estimated 2010 real estate tax revenue continues to be set aside for the Open
34 Space Trust Fund to cover debt service on Open Space Trust Fund supported
35 bonds.

36
37 The ordinance sets the 2010 real property tax rate at \$ _____ on each \$100 of
38 assessed value, compared with the 2009 rate of \$0.903. Personal property tax
39 rates are unchanged from 2009. The ordinance levies for calendar year 2010, an
40 additional real property tax of \$ _____ per \$100 of assessed value on all
41 commercial and industrial property in the City. City Council has the authority to
42 lower the tax rates set forth in the ordinance.

44 Sponsor

45
46

1 Staff

2

3 Mark Jinks, Deputy City Manager
4 Laura Triggs, Director of Finance
5 Bruce Johnson, Chief Financial Officer
6 James Banks, City Attorney

7

8 Authority

9

10 Article X, § 4, Virginia Constitution
11 §§ 2.02(a)(1), 6.15 Alexandria City Charter
12 § 58.1-3221.3, Code of Virginia

13

14 Estimated Costs of Implementation

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16 None.

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18 Attachments in Addition to Proposed Ordinance and its Attachments (if any)

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20 None.

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ORDINANCE NO. _____

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AN ORDINANCE to amend and reordain Section 3-2-181 (LEVIED; AMOUNT) and Section 3-2-188 (CLASSIFICATION AND TAXATION OF CERTAIN COMMERCIAL AND INDUSTRIAL PROPERTY), of Division 1, (REAL ESTATE), and Section 3-2-221 (LEVIED ON TANGIBLE PERSONAL PROPERTY OTHER THAN MOBILE HOMES, AUTOMOBILES, TRUCKS, ANTIQUE MOTOR VEHICLES, TAXICABS, MOTOR VEHICLES WITH SPECIALLY DESIGNED EQUIPMENT FOR USE BY THE HANDICAPPED, MOTORCYCLES, CAMPER AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT), Section 3-2-222 (LEVIED ON MACHINERY AND TOOLS USED IN MINING OR MANUFACTURING BUSINESS; AMOUNT), Section 3-2-223 (LEVIED ON MOBILE HOMES; AMOUNT), Section 3-2-224 (LEVIED ON AUTOMOBILES, TRUCKS, TRAILERS, SEMI-TRAILERS ANTIQUE MOTOR VEHICLES, TAXICABS, MOTORCYCLES, CAMPER AND OTHER RECREATIONAL VEHICLES, BOATS AND TRAILERS; AMOUNT) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS), all of Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 2. That Section 3-2-181 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-181 Levied; amount.

There shall be levied and collected for the calendar year ~~2009~~2010 on all real estate located within the territorial boundaries of the city and subject to taxation for city purposes under the constitution and laws of this state and city, a tax of ~~\$0.903~~\$___ on each \$100 of the assessed residential property value thereof and ~~\$0.903~~\$___ on each \$100 of the assessed commercial residential property value thereof, for the support of the city government, for the payment of principal and interest of the city debt and for other municipal expenses and purposes.

Section 3. That Sec. 3-2-188 of The Code of the City of Alexandria, 1981 as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-188 Classification and taxation of certain commercial and industrial real property.

(a) Pursuant to the authority granted by Section 58.1-3221.3 of the Code of Virginia (1950), as amended, all commercial and industrial real property in the City of Alexandria classified by the General Assembly as a separate class of real property for local taxation shall be designated, assessed and taxed as a separate class of real

1 property. Such separate class of real property shall not include any residential uses
2 excluded by Section 58.1-3221.3 of the Code of Virginia.

3
4 (b) In addition to all other taxes and fees permitted by law, the class of real
5 property designated in this section may, and if imposed by ordinance shall, be subject to a
6 real property tax, in addition to that imposed by City Code Section 3-2-181 and any other
7 applicable law, at the rate established by the City Council of the City of Alexandria
8 not to exceed the rate authorized by the Code of Virginia.

9
10 (c) All revenues generated from the real property tax imposed by this Section
11 3-2-188 shall be used exclusively for transportation-related projects and services that benefit
12 the City of Alexandria.

13
14 (d) The real property tax imposed by this Section 3-2-188 shall be levied,
15 administered, enforced and collected in the same manner as set forth in Subtitle III of Title
16 58.1 of the Code of Virginia and Chapter 2 of this Title for the levy, administration,
17 enforcement and collection of local taxes.

18
19 (e) The director of the department of real estate assessments shall separately
20 assess and set forth upon the City of Alexandria's land book the fair market value of that
21 property that is designated as a separate class of real property in accordance with the
22 provisions of this section.

23
24 (f) There shall be levied and collected for the calendar year 2010 on all real
25 estate located within the territorial boundaries of the city and subject to taxation
26 pursuant to this section, a tax of \$___ on each \$100 of the assessed value thereof, for the
27 purposes set forth in subsection (c) above.

28
29 Section 4. That Section 3-2-221 of The Code of the City of Alexandria,
30 Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as
31 follows:

32
33 Sec. 3-2-221 Levied on tangible personal property other than mobile homes, automobiles,
34 trucks, antique motor vehicles, taxicabs, motor vehicles with specially
35 designed equipment for use by the handicapped, motorcycles, campers and
36 other recreational vehicles, boats and boat trailers; amount.

37
38 There shall be levied and collected for the calendar year ~~2009~~ 2010 on all tangible
39 personal property, other than mobile homes, automobiles, trucks, antique motor vehicles,
40 taxicabs, motor vehicles with specially designed equipment for use by the handicapped,
41 motorcycles, campers and other recreational vehicles, boats and trailers, owned or held by
42 residents or citizens of the city or located within the territorial boundaries of the city or
43 otherwise having a situs within the city and subject to taxation for city purposes under the
44 constitution and laws of this state and city, a tax of \$4.75 on every \$100 of assessed value
45 thereof, for the support of the city government, for the payment of principal and interest of
46 the city debt and for other municipal expenses and purposes.

47

1 Section 5. That Section 3-2-222 of The Code of the City of Alexandria,
2 Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as
3 follows:
4

5 Sec. 3-2-222 Levied on machinery and tools used in mining or manufacturing business;
6 amount.
7

8 There shall be levied and collected for the calendar year ~~2009-2010~~ on all machinery
9 and tools used in a mining or manufacturing business taxable on capital and subject to
10 taxation for city purposes under the constitution and laws of this state and city, a tax of
11 \$4.50 on each \$100 of assessed value thereof, for the support of the city government, for the
12 payment of principal and interest of the city debt and for other municipal expenses and
13 purposes.
14

15 Section 6. That Section 3-2-223 of The Code of the City of Alexandria,
16 Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as
17 follows:
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19 Sec. 3-2-223 Levied on mobile homes; amount.
20

21 There shall be levied and collected for the calendar year ~~2009-2010~~ on all vehicles
22 without motor power, used or designed to be used as mobile homes as defined in section
23 46.2-100 of the Code of Virginia, owned or held by residents or citizens of the city or
24 located within the territorial boundaries of the city or otherwise having a situs within the
25 city and subject to taxation for city purposes under the constitution and laws of this state and
26 city, a tax of \$_____ on each \$100 of assessed value thereof, for the support of the city
27 government, for the payment of principal and interest of the city debt and for other
28 municipal expenses and purposes.
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30 Section 7. That Section 3-2-224 of The Code of the City of Alexandria,
31 Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as
32 follows:
33

34 Sec. 3-2-224 Levied on automobiles, trucks, trailers, semi-trailers, antique motor vehicles,
35 taxicabs, motorcycles, campers and other recreational vehicles, boats and
36 trailers; amount.
37

38 (a) Except as provided in subsections (b), (c) and (d), there shall be levied and
39 collected for the calendar year ~~2009-2010~~ on all automobiles, trucks, trailers, semi-trailers,
40 antique motor vehicles (as defined in section 46.2-100 of the Code of Virginia, 1950, as
41 amended, which may be used for general transportation purposes as provided in subsection
42 C of section 46.2-730 of the Code of Virginia, 1950, as amended), taxicabs, motorcycles,
43 campers and other recreational vehicles, boats and boat trailers owned or held by residents
44 or citizens of the city or located within the territorial boundaries of the city or otherwise
45 having a situs for taxation in the city, a tax of \$4.75 on every \$100 of assessed value thereof,
46 for the support of the city government, for the payment of principal and interest of the city
47 debt and for other municipal expenses and purposes.
48

1 (b) There shall be levied on and collected for the calendar year ~~2009-2010~~ on all
2 automobiles, trucks, trailers and semi-trailers with a gross vehicle weight of 10,000 pounds
3 or more which are used to transport property for hire by a motor carrier engaged in interstate
4 commerce, and are owned or held by residents or citizens of the city, are located within the
5 territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of
6 \$4.50 on every \$100 of assessed value thereof, for the support of the city government, for
7 the payment of principal and interest of the city debt and for other municipal expenses and
8 purposes.
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10 (c) There shall be levied on and collected for the calendar year ~~2009-2010~~ on all
11 automobiles and trucks which are equipped with specially designed equipment for use by
12 the handicapped and are owned or held by residents or citizens of the city, are located within
13 the territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of
14 \$3.55 on every \$100 of assessed value thereof, for the support of the city government, for
15 the payment of principal and interest of the city debt and for other municipal expenses and
16 purposes.
17

18 (d) There shall be levied on and collected for the calendar year ~~2009-2010~~ on all
19 privately owned pleasure boats and watercraft, which are used for recreational purposes
20 only, and are owned or held by residents or citizens of the city, or are located within the
21 territorial boundaries of the city or otherwise have a situs for taxation in the city, a tax of
22 \$.01 on every \$100 of assessed value thereof, for the support of the city government, for the
23 payment of principal and interest of the city debt and for other municipal expenses and
24 purposes.
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26 (e) For tax years commencing in 2006, the City adopts the provisions of Item
27 503.E of Chapter 951 of the 2005 Acts of Assembly (the 2005 revisions to the 2004-06
28 Appropriations Act, the "2005 Appropriations Act"), providing for the computation of tax
29 relief under the Personal Property Tax Relief Act of 1998, sections 58.1-3523 et seq. of the
30 Code of Virginia, as amended, as a specific dollar amount to be offset against the total taxes
31 that would otherwise be due but for the Personal Property Tax Relief Act of 1998, sections
32 58.1-3523 et seq. of the Code of Virginia, as amended, and the reporting of such specific
33 dollar relief on the tax bill.
34

35 (i) The City shall, following adoption of the annual budget adopted pursuant to
36 Chapter 25 of Title 15.2 of the Code of Virginia and sections 6.01 through 6.15 of the City
37 Charter, set the rate of tax relief under this subsection at such a level that it is anticipated
38 fully to exhaust relief funds under the Personal Property Tax Relief Act of 1998, sections
39 58.1-3523 et seq. of the Code of Virginia, as amended, provided to the City by the
40 Commonwealth. Any amount of relief funds under the Personal Property Tax Relief Act of
41 1998, sections 58.1-3523 et seq. of the Code of Virginia, as amended, provided to the City
42 by the Commonwealth, not used within the City's fiscal year shall be carried forward and
43 used to increase the funds available for personal property tax relief under this subsection in
44 the following fiscal year.
45

46 (ii) Personal property tax bills shall set forth on their face the specific dollar amount
47 of relief under this subsection credited with respect to each qualifying vehicle, together with
48 an explanation of the general manner in which such relief is allocated.
49

1 (iii) Allocation of relief under this subsection shall be provided in accordance with
2 the general provisions of this section, as implemented by the specific provisions of the
3 City's annual budget relating to relief under this subsection.
4

5 (iv) Relief under this subsection shall be allocated in such as manner as to eliminate
6 personal property taxation of each qualifying vehicle with an assessed value of \$1,000 or
7 less.
8

9 (v) Relief under this subsection with respect to qualifying vehicles with assessed
10 values of more than \$1,000 shall be provided at a rate, annually fixed in the City budget and
11 applied to the first \$20,000 in value of each such qualifying vehicle, that is estimated fully
12 to use all relief funds under the Personal Property Tax Relief Act of 1998, sections 58.1-
13 3523 et seq. of the Code of Virginia, as amended, provided to the City by the
14 Commonwealth.
15

16 Section 8. That this ordinance shall become effective January 1, 2010, nunc pro
17 tunc.
18

19 WILLIAM D. EUILLE
20 Mayor
21

22 Introduction: 3/13/2010
23 First Reading: 3/13/2010
24 Publication:
25 Public Hearing:
26 Second Reading:
27 Final Passage:
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5-3-10

Docket Item #2

Motion to Adopt the Annual Operating Budget for FY 2011 (including Schools) and the Capital Improvements Program for FY 2011 – 2020

Mr. Mayor, I move the adoption of the annual general fund operating budget for FY 2011 of \$531,611,539 with the following amendments to the City Manager's Proposed Budget. The details of each amendment are described in the April 30, 2010, memo from the City Manager "FY 2011 Budget Adoption – Draft of Tentative Actions for Monday Night" accompanying docket item #2:

Technical expenditure decreases (net of increases) of \$4,554,481

Other expenditure increases (net of decreases) of \$2,038,021

Revenue Re-estimate decreases (net of increases) of \$4,546,480 and

Tax and fee rate and new revenue increases of \$2,030,020.

The total increase in expenditures compared to the City Manager's Proposed Budget is \$2,516,460, including an increase in cash capital funding of the FY 2011 – 2020 Capital Improvement Program of \$295,000 and an increase in Contingent Reserves of \$1,600,000.

In addition, I move that we authorize the City Manager to make technical adjustments to each affected Departmental Budget from the Non-Departmental Budget to reflect the proper allocation to departmental budgets of the adjustments related to items such as health insurance premiums, travel and education, fuel, postage and consulting services, details of these adjustments will be presented for approval by City Council in the context of the FY 2011 Appropriations Ordinance in the June.

**Motion to Assign Special Projects to the
Budget and Fiscal Affairs Advisory Committee (BFAAC) in FY 2011**

Mr. Mayor, I move that the City Council assign the Budget and Fiscal Affairs Advisory Committee (BFAAC) the following special projects in the 2011 Fiscal Year:

1. BFAAC should work with City staff to develop adequate metrics to evaluate the total financial burden from all taxes, fees, fines and charges on the average resident in the City of Alexandria.
2. BFAAC should work with City staff to propose an amendment to the City's debt-related financial guidelines that includes a policy, similar to other guidelines, on the use of Cash Capital from current revenues, prior year surpluses, and other sources to fund the Capital Improvement Program.
3. BFAAC should work with City staff to examine the use and funding of City contracts and consultant services and the provision of funding for employee travel and education expenses.

Motion to Express the Intent and Understanding of City Council that the School Board Will Set-Aside a Portion of the Schools Operating Budget Transfer for Future Virginia Retirement System Costs

It is the intent and understanding of the City Council in adopting the FY 2011 General Fund Operating Budget:

1. That the Schools realized \$2.0 million in savings in FY 2010 from the waiver of their 4th quarter Virginia Retirement System (VRS) payment provided by General Assembly action;
2. That the Schools need \$4.9 million less in FY 2011 than requested in the School Board approved budget and provided by the adopted budget due to the lower than budgeted VRS rate.
3. That these artificially low rates of payment being required in FY 2010 and FY 2011 will lead to large future cost increases for the Schools as the VRS rates increase to make up for years of underfunding;
4. That the Schools Staff and School Board are to be commended for considering a responsible way to use these funds to minimize future increases in the Schools budget for the cost of VRS benefits;
5. That it is Council's intent in including \$4.9 million in the operating transfer to the Schools, that those funds are for purposes of minimizing increases in the Schools' budget for the future cost of VRS benefits;
6. That it is the understanding of City Council that the School Board will include in its motion adopting a FY 2011 operating budget language setting aside \$4.9 million in funds for future VRS payments in accord with the April 12th and April 28th memoranda from Schools Staff suggesting this course of action.
7. That the Schools will face costs in implementing a Federally required transformation plan to address the designation of T.C. Williams as an persistently lowest-achieving school;
8. That the Schools Staff believes that \$2.0 million in the Schools' fund balance available from the FY 2010 VRS 4th quarter payment waiver may need to be used in funding the costs of a transformation plan for secondary schools in a plan addressing the designation of T.C. Williams as a persistently lowest-achieving (PLA) school;
9. That to the extent this \$2.0 million is not needed for this transformation plan for secondary schools, such funds shall also be set-aside for future VRS rate increases; and
10. That nothing in this addendum shall be construed as imposing a legal obligation on the Schools to spend these funds in any particular manner.

Motion to Increase the Sanitary Sewer Fee from \$1.00 to \$1.25

I move that City Council authorize the increase of the Sanitary Sewer Fee from \$1.00 to \$1.25 as proposed in the City Manager’s Operating and Capital Improvement Program Budgets. The revenues generated from the Sanitary Sewer Fee are segregated in a Special Revenue Fund and are used to support both operating and capital expenses related to the Sanitary Sewer system. *This change will be reflected in a subsequent ordinance to be introduced in May.*

Motion to Appropriate General Fund Balance to support the operations of the City government in FY 2011

I move that City Council authorize the appropriation from General Fund Balance of \$5,499,291. This reflects an increase of \$755,000 compared to the City Manager’s Proposed budget. The source of this increase will be from cancelled Contingent Reserves projects currently budgeted in FY 2010.

Motion to Adopt the Revised the Capital Improvement Program

Mr. Mayor, I move the adoption of the proposed FY 2011 to FY 2020 Capital Improvement Program of \$707.1 million in total and \$691.8 million in local funding, with \$106.1 million in total and \$100.7 million in local funding in FY 2011; \$65.1 million in total and \$60.9 million in local funding in FY 2012; \$72.0 million in total and \$71.6 million in local funding in FY 2013; \$59.3 million in total and \$59.2 million in local funding in FY 2014; \$62.3 million in total and \$62.2 million in local funding in FY 2015; \$73.0 million in total and \$72.0 million in local funding in FY 2016; \$68.4 million in total and \$67.4 million in local funding in FY 2017; \$66.9 million in total and \$65.9 million in local funding in FY 2018; \$66.7 million in total and \$65.7 million in local funding in FY 2019; and \$67.2 million in total and \$66.2 million in local funding in FY 2020. The specific dollar amounts for each year of the Capital Improvement Program will be equal to the amounts provided to Council members as part of this motion and will be reflected in the action docket for this meeting.

[Note to reader: the total amounts budgeted for the CIP are as follows. These will be included in the action docket.]

Fiscal Year	Local Funds	All Funds
2011	\$100,676,926	\$106,126,923
2012	\$60,948,447	\$65,103,447
2013	\$71,639,776	\$72,044,776
2014	\$59,186,616	\$59,341,616
2015	\$62,191,026	\$62,346,026
2016	\$72,002,706	\$73,002,706
2017	\$67,408,843	\$68,408,843
2018	\$65,876,697	\$66,876,697
2019	\$65,666,406	\$66,666,406
2020	\$66,215,607	\$67,215,607
Total	\$691,813,050	\$707,133,050

Docket Item #3
Motion to Establish the Real Estate and
Personal Property Tax Rates for Calendar Year 2010

Mr. Mayor, I move final passage of an ordinance to set the City's 2010 blended real property tax rate at \$0.978 (ninety-seven point eight cents) on each \$100 of assessed value, an increase of \$0.075 (seven and a half cents) from the 2009 rate. \$0.973 (ninety-seven point three cents) will provide general fund revenues in support of City government operations. The sum of \$0.006 (six tenths of one cent) on each \$100 of assessed value of the \$0.973 (ninety-seven point three cents) real property tax rate will be dedicated for affordable housing purposes to continue to pay budgeted debt service on affordable housing bonds, beginning July 1, 2010. *This change will be reflected in a subsequent ordinance amending City Code Section 3-1-5, to be introduced in May.* In addition, the sum of 0.3% (three tenths of a percent) of real property tax revenue will continue to be dedicated to the Open Space Trust Fund to continue to pay budgeted debt services on borrowing for open space purposes. **The sum of \$0.005 (five tenths of one cent) on each \$100 of assessed value of real property tax will be collected for stormwater management and established as a separate special revenue fund to address operating and capital needs related to stormwater management. *This change will be reflected in a subsequent ordinance to be introduced in May. The total blended real property tax rate for the City in 2010 will be \$0.978.*** Personal property tax rates remain unchanged from 2009.

Docket Item #4
Motion to Increase the Annual Fee for the City's Collection and Disposal of Solid Waste, Yard
Debris and Recyclable Materials

Mr. Mayor, I move that we adopt this resolution to increase the residential refuse fee from \$331 per household to \$336. This increase enables the City to continue the City's policy of 100 percent cost recovery of the full cost of residential refuse collection and disposal and provides \$9 to fund the use of larger recycling bins to increase recycling rates and improve convenience and service to users.

Docket Item #5
Motion to Adopt Code Administration Fee Increases and to Establish a Special Revenue Fund for
New Construction Activities

Mr. Mayor, I move that we adopt this resolution to increase Code Administration Fees by the amounts described in Docket Item #5 and that we establish a Special Revenue Fund for New Construction-related activities that is fully funded by permit and inspection fees.