

# City Manager's Message



## OVERVIEW

The following pages include the City Manager's Message from the Proposed Budget, which explains in greater detail the strategic approach used to develop the Proposed Budget and is still applicable, followed by a list of technical adjustments and Add/Delete items which detail changes in the FY 2023 Approved Budget.

On February 15, 2022, the City Manager presented the Fiscal Year (FY) 2023 Proposed Budget to City Council based on the budget guidance provided in the fall. After the presentation of the Proposed budget, which proposed no increase in the City's real estate tax rate, included priority investments in employee compensation, race and social equity initiatives, public safety support programming, climate change initiatives, and full funding of the Schools budget and capital request, City Council deliberated and the public provided input through a series of budget work sessions and public hearings. At the conclusion of the deliberation process, City Council amended and approved a final budget through add/delete budget mark-up sessions. On May 4, 2022, the Alexandria City Council approved a \$839.2 million General Fund, \$59.2 million more than compared to the FY 2022 Approved Budget and an additional \$9.3 million more than the FY 2023 City Manager Proposed Budget. During the add/delete work sessions, City Council approved the following amendments to the FY 2023 Proposed Budget:

### Technical Adjustments to the Proposed Budget

- Revenue re-estimates from an improving economy and higher than anticipated vehicle personal property totaling an increase of \$9,329,750 in the General Fund
- A \$138,080 net reduction in city-wide health insurance premium costs due to final rates coming in 6.6% lower than budgeted; this reduction includes a two-pay period premium holiday for employees
- A \$45,000 increase in the RPCA budget to better align seasonal pay rate with comparative jurisdictions
- A \$52,468 increase in the DCHS budget to fund the continuation of the multilingual pilot pay program
- A \$84,000 reduction in the City's General Fund transfer for Library operations as Library staff now projects generating this additional revenue from passport applications
- A \$48,000 increase in General Fund support to DCHS' Rental Relief Program (RRP) to address current program waitlists.

### City Council Approved Add/Delete Items

- A \$490,000 increase in Police Department budget for photo speed monitoring devices in school crossing zones
- A \$1,273,710 citywide increase adds an additional 0.5% pay scale adjustment for all employee compensation groups (Fire, Police, Sheriff, and General Schedule)
- A \$492,998 increase adds an additional 0.5% pay scale adjustment for sworn Public Safety groups
- A \$1,200,000 increase adds funding for a body worn camera program with allocations flowing to Police Department, City Attorney's Office, Commonwealth Attorney's Office, and Information Technology Services
- A \$1,848,166 increase in the revenue for affordable housing brings the dedication to a full penny
- A \$277,000 increase in both Police and DCHS budgets to add an additional ACORP team (1.0 Police Officer and 1.0 DCHS Therapist)
- A \$150,000 increase adds 1.0 Civil Engineer III FTE to support the CIP's Complete Streets Vision Zero projects
- A \$100,000 increase adds 1.0 FTE in the Race And Social Equity (RASE) Office to provide additional support to the RASE Officer to conduct further internal work and begin on external proposals
- A \$358,000 increase in the Fire Department budget to raise the Advanced Life Support (ALS) incentive to \$10,000 for all dual-role ALS providers
- A \$18,000 increase in the City Clerk's budget for professional development and licensure programs and additional flexibility for office supply usage.

# City Manager's Message



## OVERVIEW

### City Council Approved Add/Delete Items (continued)

- A \$1,140,000 increase in the General Fund transfer to the DASH fund for expanded service of DASH Line 30
- The reallocation of \$800,000 from contingent reserves to the Police Department budget for police patrol staffing
- A \$1,850,000 Climate Change contingency will focus on climate change initiatives that prioritize sustainable solutions in the Environmental Action Plan (EAP)
- A \$300,000 Language Stipend contingency to expand the existing language stipend program, will consider staff that pass a language assessment for additional pay (stipend or bonus) if their language skills are utilized on a regular basis during the course of their regular workday, week, or if they enlist to be on call for a bonus
- A \$400,000 Early Childhood contingency to improve the quality and availability of early childhood services
- The Out-of-School-Time contingency of \$200,000 was reallocated from RPCA departmental contingency to non-departmental contingent reserves. The movement from departmental to non-department contingency will have a neutral general fund impact.



# City Manager's Message

## FY 2023 City Manager Budget Message

To the Alexandria Community and City Council:

The City of Alexandria has a stellar reputation for being a great place to live, work, learn and visit. The city is also known as a caring community that looks after its most vulnerable members, as demonstrated by Alexandria's response to the COVID-19 pandemic. As the City government navigated a public health emergency, it continued to conduct long-range projects and maintain its excellent financial status. Alexandria is resilient and standing strong.

As your new City Manager, I am pleased to submit my budget proposal, which is the result of a robust, months-long process that features City Council's priorities, the hard work of City staff and collaborative partners; and input gathered from our community. This process has formed the solid foundation for the budget that I present today.

The values and strategies in my budget proposal align with those that have been in place for several years—strategies and policies that underscore careful financial management; strategic investments in current and future needs; and support for new, creative ways to deliver essential services to maintain the health, safety and quality of life for all Alexandrians.

This document proposes a General Fund operating budget of \$829.9 million for Fiscal Year (FY) 2023 (beginning July 1, 2022) and a \$2.73 billion 10-year Capital Improvement Program for FY 2023 to 2032. While my proposed budget requires no tax increases to fund ongoing government operations, City Council has also requested "Plan B and C" budget options that propose one and two-cent increases, if needed. The proposed budget also includes \$248.7 million, which funds 100% of the Alexandria City Public Schools (ACPS) funding request.

My FY 2023 proposed budget:

- Builds on our successes, addresses emerging issues and maintains core services.
- Supports those who need help the most and promotes equity through maintaining programs to maximize our city's affordability and accessibility.
- Meets short-term goals that maintain and strengthen our current infrastructure.
- Continues to invest in our education system and in the City's employee workforce.

The proposed budget achieves these goals while:

- Balancing revenues and expenditures in accordance with state law.
- Incorporating budget guidance from City Council.
- Applying input from diverse community stakeholders, including residents, businesses, nonprofit organizations, boards and commissions, and partner agencies.

Thanks to skilled budgeting and federal Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act funds—along with community input on where best to spend





# City Manager's Message

them—the City has several programs and services in place, such as emergency safety net programs; food assistance; eviction prevention; and family and youth programs. Our finances are stable; Alexandria is still a center of innovation and growth; and there are many exciting projects slated. However, the need to tackle "nuts and bolts issues," such as maintaining and strengthening our infrastructure, has necessitated some changes and reductions. Departments identified \$1.3 million in citywide efficiency savings with no reductions in City programs or service levels. Some of the changes in key areas include:

- **Recovery (COVID, Economic and Equitable):** ACORP (Alexandria Co Response Program) program expansion; Re-Employment and Upskilling Project; Race and Social Equity operations staffing; Community Emergency Volunteer Management; Citywide COVID Response Contingency; Economic Sustainability Study; Arts Study; West End Service Center Branch
- **Infrastructure (Smart, State of Good Repair):** Broadband Initiative Staffing; West End Service Center Facility; Stormwater Development Plan Reviewer; Network Cybersecurity Monitoring; DASH Staffing Enhancements
- **Climate Change and Environmental Justice (Green Community):** Energy and Climate Change Action Plan, including Heat Vulnerability Analysis, Planning, and Community Engagement; Electric Vehicle Charging Station Navigator; Brine System Canopy
- **Housing:** Eviction Prevention and Support Services; Rent Relief Program for elderly and/or disabled renters with low incomes; Arlandria Chirilagua Housing Cooperative; AHDC Arlandria Project Infrastructure
- **Youth and Family Support (Out of School Focus):** Out of School Time Program investments; Enhanced support for children with disabilities participating in afterschool and summer Out of School Time Programs
- **Community Engagement:** Alexandria Community Remembrance Project; City 275th Commemoration; Community Engagement Contingency
- **Employee Compensation:** Citywide compensation increases; step increases; adding steps at the top of the general schedule pay scale; and a 1.5% pay scale increase granted in FY 2022

This budget invests in our best asset, our City employees. They bring our policies, plans and programs to life, so we need to recruit and retain the brightest, most innovative talent to continue our success. The City has long invested in the health, well-being and fair compensation for its employees, but more is needed to strengthen our competitiveness in the market. My FY 2023 budget continues that commitment with citywide compensation increases for sworn Fire, Medics and Fire Marshals (6%), sworn Police and Sheriff's Deputies (5%), and Non-public safety (4%).

My proposed budget continues to support the City's substantial investment in its schools. This budget fully funds the School Board's approved capital funding request. The proposed CIP continues the City's support and funding of school facilities, including a new high school,



# City Manager's Message

renovation and retrofitting of the 1705 N. Beauregard office building for use as a swing space, and renovation and expansion of Cora Kelly and George Mason elementary schools.

In closing, I would like to thank all those who contributed to this proposed budget, including City Council, residents, business owners, members of boards and commissions, employee associations and civic groups. I especially thank the entire Office of Management and Budget staff for their continued leadership and technical expertise in preparing this budget proposal. I also want to thank the City's department heads and staff for working tirelessly to keep the government running smoothly, and for their outstanding dedication and service to our community.

Sincerely,

A handwritten signature in black ink that reads "J. F. Parajon".

James Parajon  
City Manager



# Alternative Budget Scenarios

## FY 2023 PROPOSED ALTERNATIVE OPTIONS

On November 9, 2021, City Council adopted Resolution 3030 setting guidance for the FY 2023 General Fund operating budget and Capital Improvement Program for FY 2023 through FY 2032. As part of that guidance, Council directed that staff prepare, in addition to a balanced proposed operating budget, two alternative budget scenarios based on higher and lower revenue amounts.

At the time, staff was forecasting a potential budget shortfall of \$8.4 million plus employee compensation increases. Staff expected that a real estate tax rate increase and potential service reductions may be required to balance the FY 2023 budget. As a result, City Council guidance granted staff the flexibility to consider a real estate tax rate increase in the proposed budget but also directed that staff present two alternative tax rate scenarios including one in which tax rates are maintained at the current level and one in which the real estate tax was increase above the rate included in the proposed budget.

However, real estate assessments and other key revenue growth areas exceeded expectations and staff was able to propose a budget that included employee compensation increases and investments in key priority areas without a real estate tax rate increase or significant service reductions. In keeping with Council guidance to present two alternative tax rate and budget scenarios, the following pages contain recommendations on items to fund with 1 and 2 cent real estate tax rate increases.



# Alternative Budget Scenarios

## FY 2023 PROPOSED ALTERNATIVE OPTIONS

### ALTERNATIVE BUDGET OPTION #1: 1 Cent Increase

A one-cent rate increase on the real estate tax rate would generate approximately \$4.6 million in additional revenue in FY 2023 plus \$2.3 million from the second half payment in FY 2022. If City Council considers a 1 cent rate increase, staff recommends funding the following:

- **Pay scale adjustment:** A 0.5% pay scale adjustment to increase the pay scale adjustments in the proposed budget from 6.0% for Fire, 5.0% for Police and Sheriff, and 4.0% for general schedule employees to 6.5%, 5.5%, and 4.5% respectively (\$1.3 M)
- **Additional ACORP team:** The proposed budget includes funding to create a second Alexandria Co-Response Program (ACORP) team to assist the existing team added in the FY 2022 budget. This option would add a third team. (\$277,000 and 2 FTEs)
- **CPACE outreach plan and marketing:** This funding would be used to develop and implement a plan to promote the City's recently adopted Commercial Property Assessed Clean Energy (CPACE) program and encourage businesses and commercial property owners to obtain low-cost, long-term financing for clean energy, stormwater management, and resiliency improvements. (\$100,000)
- **Gas-powered equipment replacement:** This funding would be used to replace City-owned gas-powered small equipment. The amount identified is a current estimate subject to refinement. (\$200,000)
- **Electric vehicle charging infrastructure readiness strategy implementation:** Provide community information on installing charging infrastructure in homes, multi-unit dwellings, and businesses and develop policies and procedures for charging infrastructure within public rights-of-way such as curbside. (\$55,000)
- **Green building renovations incentive program:** Evaluate the creation of a green bank and/or community choice aggregation program to compliment the existing CPACE program and incentivize existing property renovations and purchase renewable energy. (\$250,000)
- **Cash capital:** Cash capital funding for the CIP was significantly reduced during the pandemic and has not been restored to previously planned levels, and debt service to fund the proposed CIP is expected to increase by \$19.3 million in FY 2024. Increasing cash capital in FY 2023 would reduce the amount of bond funding required to fund the CIP, and a portion could be converted to debt service funding in FY 2024 to reduce in the overall General Fund increase in CIP funding. (\$2.4 M)

# Alternative Budget Scenarios



## FY 2023 PROPOSED ALTERNATIVE OPTIONS

### ALTERNATIVE BUDGET OPTION #2: 2 Cent Increase

A two-cent rate increase would generate approximately \$9.2 million in additional revenue in FY 2023 plus \$4.6 million from the second half payment in FY 2022. If City Council considers a 2 cent rate increase, staff recommends funding the items listed in Alternative Budget Option #1 from the first penny and the following from the second penny:

- **Remote work and community engagement:** Funding would provide information technology resources necessary to continue some of the remote work, collaboration, and customer service practices adopted during the pandemic on a permanent basis. (\$150,000)
- **Affordable housing:** Provide an additional \$2.75 million to the affordable housing CIP project which is budgeted to receive \$4.9 million in dedicated meals tax revenue, \$1.0 million in undesignated General Fund cash capital, and \$2.5 million from ARPA in the FY 2023 proposed operating budget and CIP. (\$2.75 M)
- **City Hall renovation design:** Provide funding to initiate in FY 2023 the design of the City Hall renovation project currently programmed to begin in FY 2024 in the FY 2023-2032 proposed CIP. (\$600,000)
- **Electrification:** Install electric vehicle charging infrastructure at City facilities to transition the City vehicle fleet to electric vehicles as adopted in the alternative fuel policy and Environmental Action Plan 2040. (\$1.1 M)