

City of Alexandria, Virginia
FY 2025 Proposed Operating Budget & CIP
Budget Questions & Answers

March 29, 2024

Question:

The City Council directed the City Manager to provide a recommendation for the use of additional revenue beyond the 1.0 cent recommendation he presented with the proposed budget.

Response:

At the March 12, 2024, legislative meeting, City Council set the maximum real estate tax increase to be considered at add/delete at 4.0 cents and directed the City Manager to provide a recommendation for the use of revenue beyond the 1.0 cent recommendation he presented with the proposed budget. The 1.0 cent recommendation included:

- \$3.4 M to reduce borrowing and debt service costs to address future cost pressures on the City and ACPS operating budgets and CIPs, such as future cash capital and debt service increases required to fund the current CIP; ACPS and/or other City employee collective bargaining agreements; the local share of future State teacher pay increases; middle school capacity needs; expiring ARPA, ESSER, and grant funding; local and regional transit funding needs; and the potential for continued stagnant revenue growth.
- \$1.0 M to fund potential City employee classification analysis and adjustments as identified through position studies conducted regularly on a four-year cycle.
- \$165,000 for youth safety and resilience initiatives.
- \$100,000 for one specialized Sheriff's Deputy position.

For council's consideration, with an additional 1.0 cent in tax revenue, the Manager recommends the following:

- \$3,455,000 for ACPS teacher support
- \$600,000 to extend the ARISE guaranteed basic income through the end of FY 2025
- \$180,000 to restore the DASH line 104 bus service reduction in the proposed budget
- \$465,000 to increase elderly and disabled real estate tax relief as displayed below

Current:

Existing Program, Maximum Allowable Net Assets = \$430,000 (not including value of the home)

% Relief	Income Range	Count	Taxes Relieved
100%	<= \$40,000	410	\$2,169,655
50%	\$40,001-\$55,000	143	\$407,100
25%	\$55,001 - \$72,000	90	\$129,464
		643	\$2,706,219
Deferral	\$72,001 - \$100,000	1	---

Proposed for FY25:

Keep Net Assets Unchanged at \$430,000

% Relief	Income Range	Count	Increased Income Range
			Additional Cost
100%	<= \$55,000	553	\$407,100
50%	\$55,001-\$60,000	26	\$40,000
25%	\$60,001 - \$72,000	64	\$0
		643	\$447,100
Deferral	\$72,001 - \$100,000	1	

With the addition of \$3,455,000 for teacher pay, the increase in the approved City operating transfer to ACPS would be \$13.8 million, or 5.3% over the FY 2024 approved budget.

In addition to the \$3,455,000 for teacher support in staff's recommendation, City staff observed non-teacher compensation items in the ACPS approved budget that the School Board could consider reallocating to teachers. Items like leave payout incentives, retention bonuses, and new positions could be reprioritized by the School Board to shift some of these funds to the ACPS's stated top priority for teacher pay. While these items are important, if the most critical need is for teacher salary adjustments, we would recommend that the Board shift funding that is already in the proposed budget to teacher pay that would cover the additional 2% cost of living adjustment for teachers.

Attached is some additional information related to ACPS comparison with other school divisions in the region that can be instructive in this year's budget. Attachment 1 shows the employer funding support for health plan premiums. As the table shows ACPS is at the top of the share of healthcare costs covered by the employer. Attachment 2 shows the current comparison of average teacher salary. Attachment 3 shows the employee compensation changes since 2021 to the present as it relates to City and ACPS compensation. It should be noted that attachment 3 shows both city employees and ACPS employees did not receive a merit increase in 2021. One of the primary reasons for this was the loss of revenue due to the pandemic. The loss of revenue to the City, which covers the compensation for ACPS and City

employees, was between \$60-\$70 million. While our economy has recovered to account for this revenue, the loss of revenue growth has not been made up since 2021.

Beyond a 2.0 cent recommendation above, staff recommends that any additional rate increase beyond 2.0 cents be used to reduce borrowing in the short term and provide additional revenue to address potential future funding needs as described in the first 1.0 cent option.

Attachments:

Attachment 1 – Semi-monthly Healthcare Premium Cost Sharing

Attachment 2 – Average Teacher Salaries

Attachment 3 – City-wide Pay-scale Adjustments

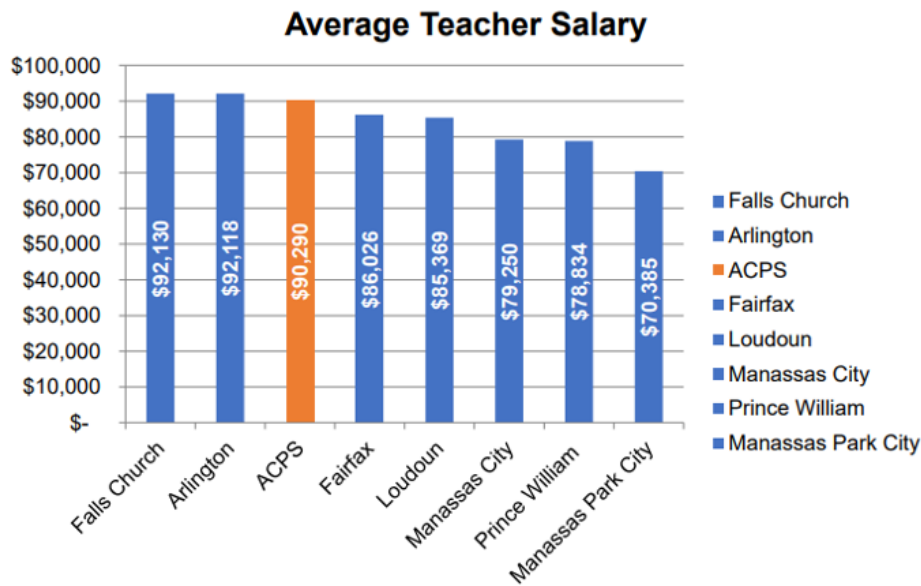
Semi-Monthly Healthcare Premium Employer/Employee Cost Sharing

Point of Service Plans		
	Employer	Employee
ACPS*	80.00%	20.00%
Arlington	62.00%	38.00%
Fairfax	76.60%	23.40%
Falls Church	75.00%	25.00%
Loudoun	82.00%	18.00%
Manassas City	66.60%	33.40%
Manassas Park	53.00%	47.00%
Prince William	70.00%	30.00%

*ACPS pays 90% of Support Staff's Healthcare Premium



Our Commitment to Competitive Salaries



- Step Increase for All Eligible Employees (2.85% average)
- Funding to support FY 2024 2% Mid-Year Pay Raise
- Continued Commitment to Salary Enhancements for Specific Employee Groups Below Market
- Salary Scale Adjustments (Adding a New Top Step)
- Reconfigured Bus Driver Scale
- Retention and Recruitment Bonuses for Hard to Fill positions
- Leave Payout incentive for School Leadership

Attachment 3

	General	Police	Fire/Medics	Sheriff	Labor & Trades	All City pay scales	ACPS
FY 2021	<ul style="list-style-type: none"> Revenue decline resulted in cancellation of 1.5% adjustment to all pay scales, certain targeted public safety improvements, as well as step increases. All of these changes (except the one-grade increase for Fire Fighters) were proposed and approved as mid-year FY 2022 adjustments (see below). 						<ul style="list-style-type: none"> 2.5% bonus paid with vacancy savings (not budgeted)
FY 2022	<ul style="list-style-type: none"> 1.5% General pay scale adjustment \$3,000 bonus \$1% bonus 	<ul style="list-style-type: none"> Two-grade increase (10%) for Police Lieutenants and Captains 1.5% Police pay scale adjustment \$3,000 bonus 1% bonus 	<ul style="list-style-type: none"> Deputy Fire Chief moved to Executive pay band (2.8%) 1.5% Fire and Medics pay scale adjustment \$3,000 bonus 1% bonus 	<ul style="list-style-type: none"> One-grade increase (5%) for Sheriff Deputy Captains and Lieutenants Chief Deputy Sheriffs moved to Executive pay band (2.8%) 1.5% Sheriff pay scale adjustment \$3,000 bonus 1% bonus 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Step increases 	<ul style="list-style-type: none"> Step increases 2.4% COLA 2.5% bonus paid with vacancy savings (not budgeted)
FY 2023	<ul style="list-style-type: none"> 4.5% pay scale adjustment 	<ul style="list-style-type: none"> 6% pay scale adjustment 	<ul style="list-style-type: none"> 7% pay scale adjustment 	<ul style="list-style-type: none"> 6% pay scale adjustment 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Step increases Addition of 3 steps to top of non-public safety City pay scales 	<ul style="list-style-type: none"> Step increases 2.5% COLA 4.5% bonus paid with vacancy savings (not budgeted)
FY 2024	<ul style="list-style-type: none"> 2% pay scale adjustment 	<ul style="list-style-type: none"> Police Officers and Detectives consolidated to one grade, for an increase of 5-10% for junior officers 2% pay scale adjustment for Police Lieutenants and Officers, and 4.5% for Police Sergeants Alignment of steps based on years of service 	<ul style="list-style-type: none"> New pay scales for collectively bargained employees, equivalent to an increase of 1-2 grades or a 5-10% pay scale adjustment 	<ul style="list-style-type: none"> 2% pay scale adjustment 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Step increases 	<ul style="list-style-type: none"> Step increases 3% COLA Targeted market rate adjustments 2% mid-year adjustment in January 2024

	General	Police	Fire/Medics	Sheriff	Labor & Trades	All City pay scales	ACPS
Proposed FY 2025	<ul style="list-style-type: none"> 2% pay scale adjustment 	<ul style="list-style-type: none"> 2% pay scale adjustment 	<ul style="list-style-type: none"> 2% pay scale adjustment 	<ul style="list-style-type: none"> 2% pay scale adjustment 	<ul style="list-style-type: none"> 2.25% pay scale adjustment \$1,000 bonuses 	<ul style="list-style-type: none"> Step increases 	<ul style="list-style-type: none"> Superintendent proposed budget: step increases and a continuation of the 2024 mid-year 2% adjustments School Board proposed budget: all adjustments included in the Superintendent's proposed budget, with additional 2% COLA for all employees, and retroactive steps granted to employees who previously had steps frozen