

# 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 2025 Approved Budget.

On February 27, 2024, the City Manager presented the Fiscal Year (FY) 2025 Proposed Budget to City Council based on the budget guidance provided in the fall retreat. After the presentation of the Proposed budget, which proposed no increase in the City's real estate tax rate, included priority investments in public safety, affordable housing, multi-lingual community engagement, youth and families, economic growth, staff retention and recruitment, climate action initiatives, and increased support for the Alexandria City Public Schools (ACPS) operations and facilities, 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. To address the growing demand for services and needs across the city, including within the Alexandria City Public School system, the FY 2025 budget was unanimously adopted on May 1, 2024 with a 2.5 cent increase to the real estate tax rate. This increase will generate \$11.75 million in additional revenue of which \$8.7 million is allocated for ACPS' operating and CIP needs and \$3.0 million will fund approved affordable housing pipeline projects. The FY 2025 Approved General Fund budget of \$926.4 million is \$42.1 million more than the FY 2024 Approved Budget and \$15.1 million more than the FY 2025 City Manager's Proposed Budget. During the add/delete work sessions, City Council approved the following amendments to the FY 2025 Proposed Budget:

### Technical Adjustments to the Proposed Budget

- Revenue re-estimates based on additional months of collection data result in an overall General Fund increase of \$648,460 compared to the amount estimated in the City Manager's Proposed Budget.
- A \$121,000 increase in the Health Department's budget: A State Health Department grant currently reimburses the City's general fund for an IT Informatics Specialist position. As the grant was scheduled to end in FY 2025, the position was removed from the FY 2025 proposed budget. The Health Department has reviewed available grant funding and determined that there are enough grant funds to reimburse the City for the position's expenses for all of FY 2025. The reimbursement has been included as part of the revenue re-estimate in the miscellaneous revenue category.

### City Council Approved Add/Delete Items

- A \$4,700,000 increase in capital projects funding for the George Mason and Cora Kelly projects in the Alexandria City Public Schools (ACPS) CIP.
- A \$4,000,000 increase in the ACPS operating budget appropriation. While the ultimate allocation of the funding is the purview of the School Board, it is the intent of this increase to provide funds to help support parity in the Market Rate Adjustments provided to ACPS employees with adjustments proposed for non-collectively bargained City employees.
- A \$42,000 increase to continue funding for senior services outreach.
- A \$165,000 increase for youth safety and resilience.
- A one-time \$500,000 increase in additional support for Visit Alexandria's regional and national marketing.
- A \$40,000 increase for a City Clerk's Office part-time position.
- A \$200,000 increase in additional funding for food security.
- A \$98,000 increase for shuttle service support for the Del Pepper West End Service Center.
- A \$180,000 increase for DASH Bus Line 104 to restore service that was reduced in the proposed budget.

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## OVERVIEW

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

- A \$1,027,999 reduction in General Fund revenue to expand the graduated tax relief program.
- A one-time \$50,000 increase in funding for City Clerk's Office records management.
- A \$24,484 increase in City funding for one part-time Library community outreach position and the authorization of one State-funded community outreach position.
- A \$519,977 increase in cash capital funding to reduce borrowing in the CIP and the impact of debt service on future operating budgets.
- \$3,000,000 in one-time funding for affordable housing to be allocated by staff to provide funding to approved, unfunded projects in the affordable housing pipeline.

In addition, City Council assigned funding to the Contingent Reserve for staff to prepare and present recommendations on the following items :

- \$900,000 to fund pay-scale adjustment to address pay competitiveness and retention for direct client facing mental health positions within DCHS. City Council requested that staff return with a plan to apply funding to the areas of most significant need.
- \$1,750,000 to provide one-time targeted retention bonuses for City Departments experiencing high turnover and significant vacancy rates. This includes but is not limited to DCHS, the Sheriff's Office, the Department of Emergency and Customer Communications (DECC), and the Circuit Court Clerk's Office. City Council requested that staff return with a plan to apply funding to the areas of most significant need.
- \$1,000,000 to implement cyclical employee pay adjustments as identified through position studies conducted regularly on a four year cycle.
- \$550,000 in one-time funding for staff to develop the best application of funding to bridge the completion of the ARISE pilot program and the FY 2025 budget to allow for evaluation of a permanent program during the FY 2026 budget process.
- \$150,000 in funding for the City Manager and Sheriff's Office to address the need for an additional deputy position focused outside the jail and/or extending a hiring bonus program for those deputies working in the jail position.
- \$150,000 in one-time funding for staff to develop and present to City Council a proposal to hold an Economic Sustainability Summit similar to the event held in 2007.
- \$5,000 for staff to develop and present to Council a proposal for a Boards, Commissions, and Committees stipend program for young Alexandrians. The proposal should address such questions as who would be eligible and why; how access, equity, and volunteerism would be considered; and how it would be implemented.

# City Manager's Message



Mayor Wilson, City Council, and all Alexandrians—

It is through the lens of our budget priority- to foster a thriving Alexandria- that I share with you the proposed Fiscal Year 2025 (FY25) budget. To balance the ongoing increasing demand for resources throughout our community, with the unforeseen needs of our future, City leadership has prudently navigated the current uncertain and challenging fiscal circumstances. However, through a strong commitment to responsible financial management, I'm confident this proposed budget captures our current state and helps keep the City's approach to fiscal decision making smart and agile.

The proposed FY25 General Fund Operating Budget is \$911.3 million (beginning July 1), as well as a \$2.33 billion 10-year Capital Improvement Program (CIP) for FY 2025 – 2034. This budget was guided by City Council's priorities, and while they evolve to complement our Community's needs and wants, they remain grounded in Community Connection, Employee Retention & Attraction, Increased Diverse Housing Opportunities, the Elimination of Community Disparities, and Building Economic Strength.

In FY25, we will continue to build onto past years' ongoing significant investments leading to increased service enhancements.

- Building on City Council's 2021 ordinance approving collective bargaining, we have expanded our bargaining units, adding Labor & Trades, to our existing Police and Fire agreements. This provides a space for union employees to negotiate pay, benefits, safety policies, and other key terms of employment. That is a total of \$3.7 million in FY 2025 for all three bargaining groups.
- Our compensation philosophy dictates that our greatest investment is in our workforce. We continue our pursuit to become an "Employer of Choice" throughout the region by committing funding for a 2% pay scale adjustment for non-collectively bargained employees and step increases from 2.3 to 5 %. Library employees will see a targeted increase of \$0.4 million following a mid-year compensation study.
- The proposed budget fully funds the ACPS Superintendent's transfer request as part of the City's commitment to youth education, safety, and wellness. Our schools have the highest capital costs of any other department across the City's spending portfolio. This includes a 10-year (CIP), totaling \$314.0 million, for two elementary schools, and the maintenance of existing school facilities.
- We continue to invest in providing affordable housing and eviction prevention funding totaling \$33.1 million.
- We will also fund the continued operation of the Northern Virginia Juvenile Detention Center, including the Sheltercare Program, is a combined \$4 million, a \$1 million increase for both.
- Alexandria Transit Company's DASH bus will remain free for riders in FY 2025.



# City Manager's Message

Currently, Alexandria is experiencing its lowest real estate assessment growth since the 2008 recession. The commercial real estate market continues to struggle post-pandemic, and the falling assessments there have resulted in placing a full 2% of the City's tax burden on our residents. As we align our strategic investments and are guided by Council's priority to build the City's economic strength, diversifying our tax base has become an even more urgent fiscal objective. While we will continue to explore all options for commercial growth, without viable post-pandemic solutions to this funding imbalance, we expect it will continue to grow.

- Despite the challenges and uncertainty, there are no proposed changes in real estate tax, personal property tax or any other tax rates.
- There is no change in the sanitary sewer rate
- Stormwater fees continues as previously planned 5% growth at \$324.10 per year for average single-family house to fund future project needs

The proposed \$2.33 billion 10-year CIP for FY 2025 – 2034 maintains compliance with all City adopted capital financial management policies: debt as percentage of fair market real property value, debt service as percentage of general government expenditures, 10-year debt payout ratio, and recurring general fund cash capital transfer as percentage of general fund expenditures.

Over the past seven years, we've seen 11 projects approved that are significantly driving current costs. These 11 projects alone represent 3/4 of a billion dollars in expenditure and \$ 4.4 million in debt service payments in FY 2025 budget.

- Landmark Mall Redevelopment Land Purchase
- Del Pepper Community Center Building Purchase
- Ferdinand T. Day Elementary School Building Purchase
- 1703 N. Beauregard Street Building Purchase
- Douglas MacArthur Elementary School
- George Mason Elementary School
- High School Project
- Minnie Howard Pool Addition
- Waterfront Flood Mitigation
- Four Mile Run Bridge Program
- City Hall Renovation

These once-in-a-generation investments we committed to, whose costs are now coming to bare- while we continue to navigate both local and geopolitical factors- are causing additional pressures in our capital spending. This is a key reason we must delay additional spending and give ourselves the chance to assess our future needs and ambitions for City resources and service delivery.

It is imperative our constituents understand the budget process to support their need to ask questions and provide feedback. There are opportunities to learn more and ask questions during numerous public meetings in the coming months.

# City Manager's Message



All meetings will begin at 7pm unless otherwise noted.

- Feb. 27** Proposed Budget Presentation
- Feb. 28** Work Session #1: City and ACPS Capital Improvement Programs
- Feb. 29** Public Budget Presentation
- Mar. 6** Work Session #2: Alexandria City Public Schools (Operating)
- Mar. 11** Budget Public Hearing (5:30 p.m.)
- Mar. 12** Introduce and Set the Maximum Property Tax Rates
- Mar. 13** Work Session #3
- Mar. 16** Budget Public Hearing (9:30 a.m.)
- Mar. 20** Work Session #4
- Apr. 3** Work Session #5
- Apr. 13** Add/Delete Public Hearing (9:30 a.m.)
- Apr. 24** Tax Rate Public Hearing 6 p.m. & Preliminary Add/Delete Work Session (7 p.m.)
- Apr. 29** Final Add/Delete Work Session
- May 1** Budget Adoption/Tax Rate Adoption (6 p.m.)

City Council will make the final decisions and adopt a budget on Wednesday, May 1. You can learn more about budget priorities and investments, and the budget development process, in my full budget message at [alexandriava.gov/Budget](http://alexandriava.gov/Budget).

City leadership, supported by the expertise, patience, and guidance of the Office of Management and Budget team, put forth fiscally-responsible and community-centric budget considerations. I am grateful for their diligence and dedication in keep Alexandria an incredible place to live, learn, work, and play.

Best,

James F. Parajon  
City Manager