

RESOLUTION NO. ____

**Setting Guidance for FY 2023 General Fund Operating Budget
and Capital Improvement Program for FY 2023 to FY 2032**

WHEREAS, the City Council of Alexandria will pass a resolution establishing Council’s process for formulating the Operating Budget and the Capital Improvement Program (CIP) and requires that City Council set budget guidance for the City Manager and the School Board for the FY 2023 budget after the new City Council is installed in January 2022; and

WHEREAS, the City will seek input into the development of the FY 2023 budget; and

WHEREAS, the City Council’s budget deliberations and annual spending decisions should reflect a balancing of the goals articulated in the adopted FY 2017 to FY 2022 City’s Strategic Plan (the “Strategic Plan”) to be updated in calendar year 2022; and

WHEREAS, those services directly supporting the achievement of the City’s strategic goals are considered for funding support; and

WHEREAS, the City Council on November 6, 2021 designated employee compensation priority for consideration in the FY 2023 Proposed Operating Budget; and

WHEREAS, additional priorities beyond those identified in the Strategic Plan have emerged since its adoption including recovery from the COVID-19 pandemic and related economic downturn, policing reform, and flood mitigation in response to climate change related increasingly intense and frequent major storm events; and

WHEREAS, the City Council is committed to continuously improving the efficiency and effectiveness of City government and expects the City Manager, City staff and all organizations that receive City budget dollars to focus on achieving service outcomes and providing programs that benefit the community and its residents; and

WHEREAS, the City Council is committed to the goal of continuing to provide core services expected of a municipal government including the provision and maintenance of the City’s facilities and capital infrastructure; and

WHEREAS, the City Council will make budgetary changes that support maintaining the City’s ‘AAA’/‘Aaa’ bond ratings; and

WHEREAS, the City Council acknowledges that the resources required to achieve the goals of the Strategic Plan, various other adopted Strategic Plans and Master Plans, and other emerging priorities must be balanced with the tax responsibility placed upon residents and businesses; and

WHEREAS, the City Council recognizes the need to measure the impact of programs and lines of business against expected outcomes, to deemphasize or eliminate programs that do not yield those outcomes desired, and to identify efficiencies wherever possible, to utilize Priority Based Budgeting to assist in setting budget priorities and funding level; and

WHEREAS, the City Council desires to emphasize a multi-year perspective for budget decision making and for long-range fiscal planning; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF ALEXANDRIA THE FOLLOWING:

(a) **Operating and Capital Improvement Program Expenditures:** The City Manager shall propose for Council consideration (1) a proposed operating budget and 10-year Capital Improvement Program (CIP) that seeks to balance the need to continue priority services including the provision of fair and competitive employee compensation and the need for an affordable tax and fee burden which may include an increase in tax and/or fee rates and increases in operating and capital project expenditures to fund priority services, but may also include service reductions to provide funding for higher priority services and minimize any tax rate increase and; (2) the City Manager shall present two alternative budget scenarios: one that identifies further service reductions that would be recommended to balance the budget if the real estate tax rate is reduced, and a second that identifies the amount of revenue and real estate tax or other tax rate increases that would be required to fund additional capital project funding and future employee compensation increases beyond the proposed operating budget with few service reductions.

(b) **Two-Year Presentation of Operating Revenue/Expenditures:** The City Manager's proposed Operating Budget shall include estimates of all operating revenues and expenditures for the proposed Fiscal Year 2023 and the subsequent Fiscal Year 2024.

(c) **Taxes, Fees, Fines and Service Charges:** In funding the proposed budget, the City Manager may consider changes to tax rates, tax designations/reservations, fees/fines/service charges that are equitable, fair and administratively feasible provided that these proposals are observant of the constraints imposed by the Code of Virginia. Such changes can only be considered where they advance the priorities of the Council as stipulated in this resolution, through Legislative Sessions, adopted master plans and policies, or the Council Retreat and Work Sessions. Additionally, the City Manager shall present two alternative tax rate scenarios including one in which the real estate tax rate is reduced and one which identifies that amount of tax rate increases required to fund a budget with increased capital project funding and employee compensation increases and few service reductions.

(d) **Cost Saving Measures:** The City Manager shall, in the proposed operating budget and two alternative scenarios, continually identify and propose cost saving measures and efficiencies in all City operations and consider reduction of service levels where the performance exceeds the level required by the community, where the current level of service is not a strategic priority, or where performance, over time, has not achieved the desired outcomes.

(e) **Use of Surplus:** The City Manager may recommend use of prior-year surplus funds first to ensure that the Capital Improvement Program includes sufficient cash capital funding, then to address one-time or manageable ongoing costs that positively impact expected goals.

(f) **CIP:** The proposed FY 2023 through 2032 CIP shall incorporate the following:

1. Compliance with the City's adopted Debt Related Financial Policy Guidelines for any debt issuance planned for FY 2023 through FY 2032;
2. Consistency with the City's adopted cash capital investment policy of a General Fund cash capital transfer of no less than 2.0% with the goal of funding the FY 2023 General Fund cash capital reflected at least at the level in the current adopted CIP;
3. The optional use, as determined by the City Manager, of an additional General Fund operating budget surplus from FY 2022, if any, as commitment for capital projects in FY 2023 and beyond;
4. Specific descriptions of projects that can be funded within recommended levels of funding, their associated operating costs, estimated for all years of the CIP, and a description of the criteria used to prioritize the projects as recommended by the Budget and Fiscal Affairs Advisory Committee (BFAAC);
5. Proposed funding for City and ACPS facility projects based in part on the recommendations of the Ad Hoc Joint City-Schools Facility Investment Task Force.

(g) **ACPS Funding:** That (1) the City Manager shall recommend Alexandria City Public Schools combined operating transfer and debt service funding that funds the debt service increase required to fund the High School project, the Douglas MacArthur project, and the new school building at 1703 North Beauregard and an operating transfer that funds the operating cost increases associated with the Douglas MacArthur and North Beauregard projects and enrollment changes while balancing the need for an affordable tax and fee burden, (2) the Alexandria City Public Schools is requested by City Council to articulate in general categories and prioritize any City FY 2023 appropriation requests above the current amount, (3) the City Manager shall develop options for potential funding of proposed public school capital needs for the FY 2023 through FY 2032 time period taking under advisement the recommendations of the Ad Hoc Joint City-Schools Facility Investment Task Force, and (4) the City Manager shall recommend ACPS capital project debt service in the FY 2023 proposed budget and include such amount as a separate element of the total recommended FY 2023 budget for the ACPS.

(h) **Outside Agencies:** Organizations outside the City government that receive funding support from the City must demonstrate an alignment of their efforts with accomplishments of the City's strategic objectives. In cases where there is discretion over the level of funding, organizations external to the City government must demonstrate the purpose, benefits outcomes, and consequence of City funding.

(i) **American Rescue Plan Act (ARPA) Tranche #2 Funding:** The City Manager’s proposed budget should include recommendations for the use of the second tranche of ARPA funding to be received in May 2022 that is in compliance with federal requirements for the use of such funding and consistent with City Council priorities and budget guidance.

(j) **Civic Engagement:** As part of the proposed budget development process, staff should seek public input on the priorities used to formulate the budget through the combination of a community survey and a budget town hall meeting to be held prior to the City Manager’s final decision making for and presentation of the proposed budget and CIP.

ADOPTED:

Justin M. Wilson, Mayor

ATTEST:

Gloria A. Sitton, CMC, City Clerk