



CITY OF ALEXANDRIA

# Alexandria City Council Retreat

November 1, 2025



# Retreat Agenda



- **9:00 - Welcome & Introductions**
- **9:10 - Opening Remarks**
- **9:20 – FY 2027 Budget Planning**
- **10:20 - Alexandria City Public Schools (ACPS) Operating Budget**
- **11:20 - Budget and Fiscal Affairs Advisory Committee (BFAAC)**
- **11:50 - Budget Process & Budget Guidance Resolutions**
- **12:15 - Adjourn**



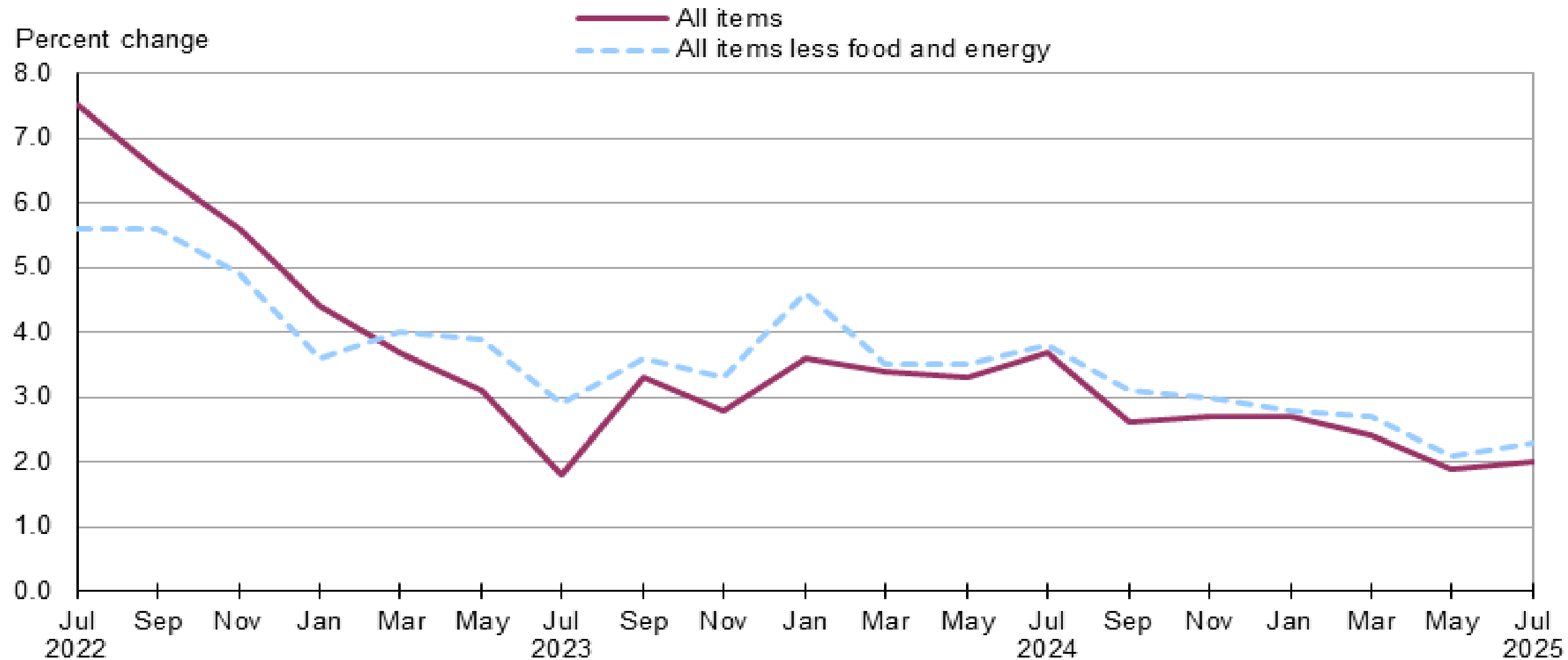
# State of the Economy



# Regional Inflation

# Unemployment

Chart 1. Over-the-year percent change in CPI-U, Washington-Arlington-Alexandria, DC-VA-MD-WV, July 2022–July 2025



Source: U.S. Bureau of Labor Statistics.

## Alexandria Unemployment

**August 2025: 3.8%**

**July 2025: 3.8%**

**August 2024: 2.8%**

**VA August 2025: 3.6%**

**U.S. August 2025: 4.3%**

Source: Federal Reserve Bank and BLS.

**As of September 2025, year-over-year inflation for the Washington DC Metro Area was 2.5%; 3.0% for the U.S.**





# Northern Virginia Chamber of Commerce Business Survey

**Per the Chamber's 4th Quarter Business Leader Survey--**

- **44% of business leaders in the region believe the federal shutdown is causing their company to decline**
- **49% anticipate business will decline over the next 6 months**
- **26% believe business will plateau**
- **26% believe business will grow**



# Stephen Fuller Institute- Washington

## Economy Watch

October 2025

Examined six regional economic indicators--

- Hotel Occupancy, Metro Rail Ridership, For Sale Home Inventory, Price Growth of Home Sales, Multi-family Vacancy Rates, and Multi-family Asking Rent Growth
- All six measures indicate "economy is contracting"
- Report states "contraction is likely to continue into the foreseeable future."



# Stephen Fuller Institute- Washington

## Economy Watch

(Continued)

### Active Inventory of Single-Family Homes Listed for Sale in the Region--

- "The rapid increase in active listings has coincided with a decline in price growth of homes sold."
- "While certain sub-regions continue to record price growth, price increases in the overall Region have ground to a halt."
- "Given the rise in active listings, a reacceleration appears unlikely until at least spring 2026."

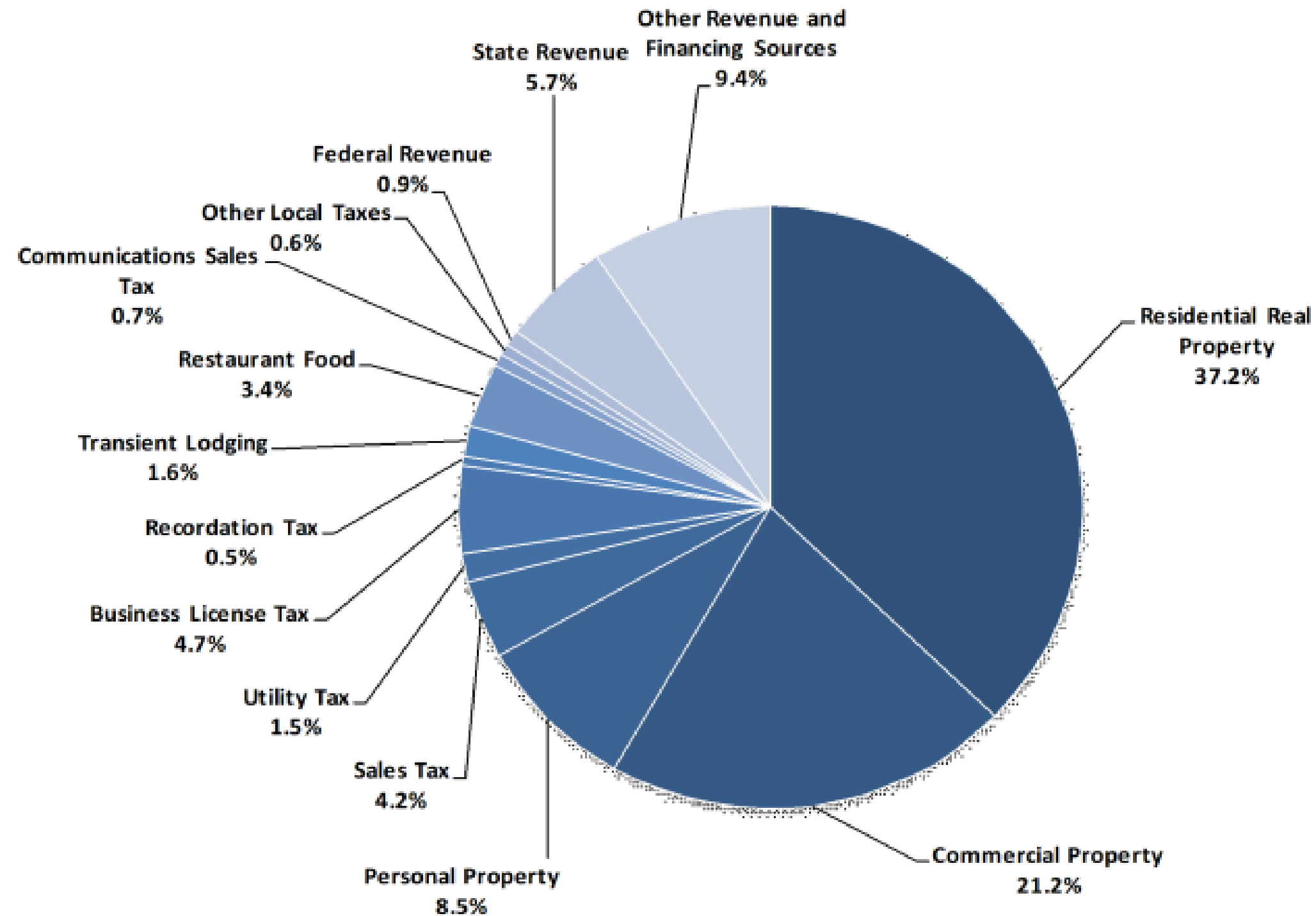


# Revenue Outlook





# General Fund Revenue – FY26 Approved





# Revenue Outlook

## Real Estate

- **2026 Residential Appreciation – Estimated at 2.71%**
- **Similar Range Expected in 2027**

## Vehicle Tax Base Has Flattened in FY 2026

- **Values remain high, but 2% growth rate in FY 2027 is a drop from Pandemic Highs**

## Sales Tax and Business License Revenue has Flattened

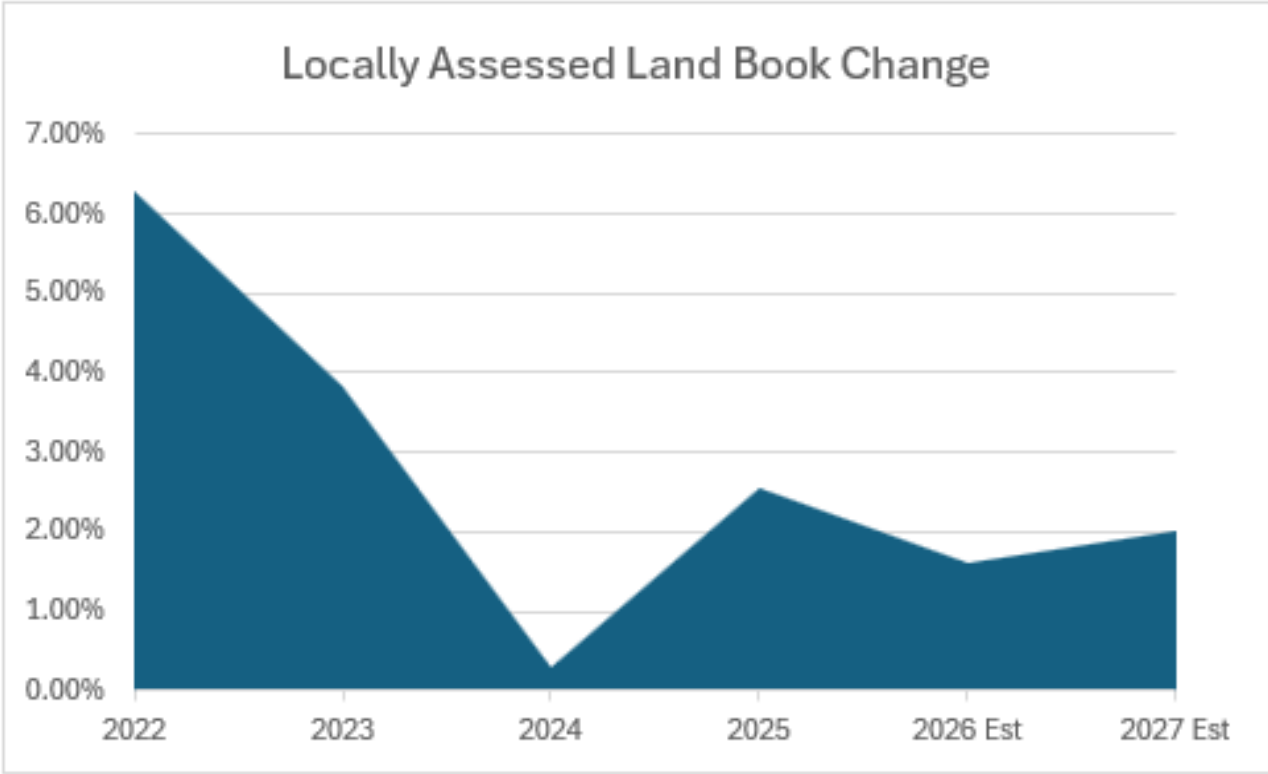
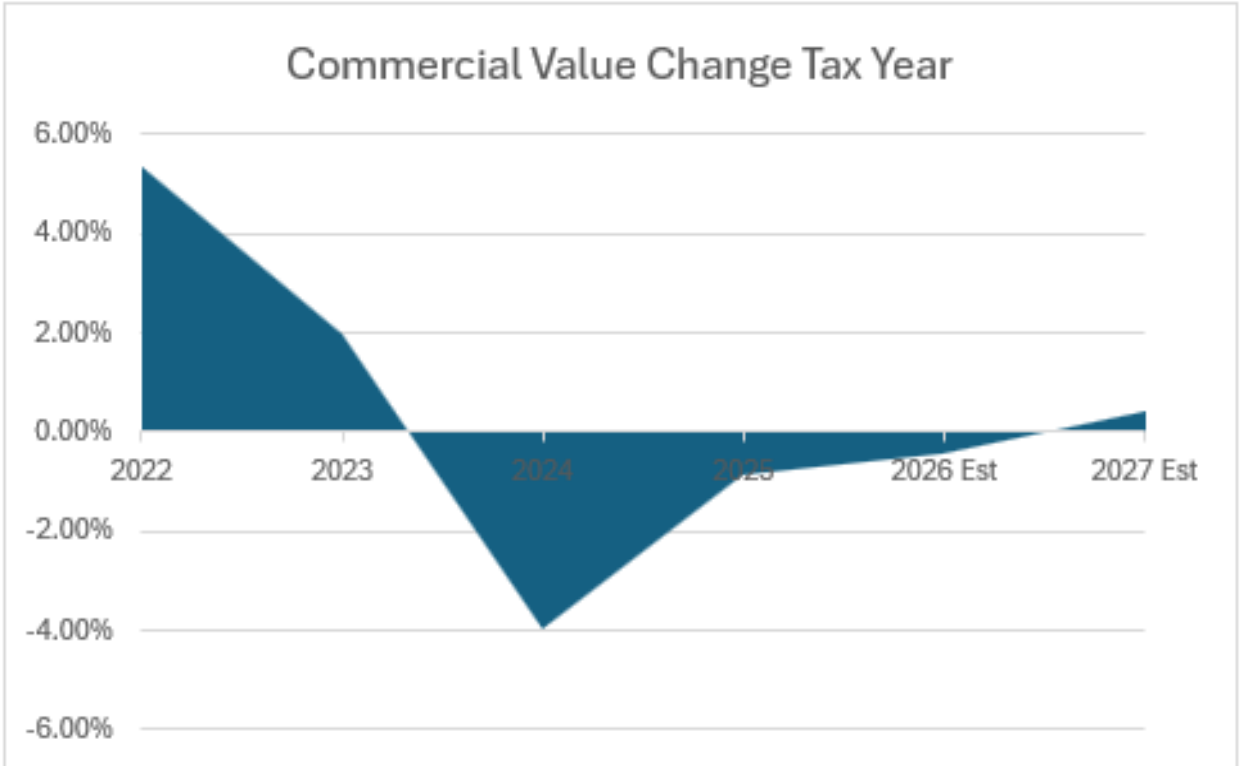
- **Business License Revenue not reported until March 2026 (CY25 Gross Receipts)**

## Consumer Spending growth rate has leveled off

## Uncertainty concerning Federal Revenue Continues

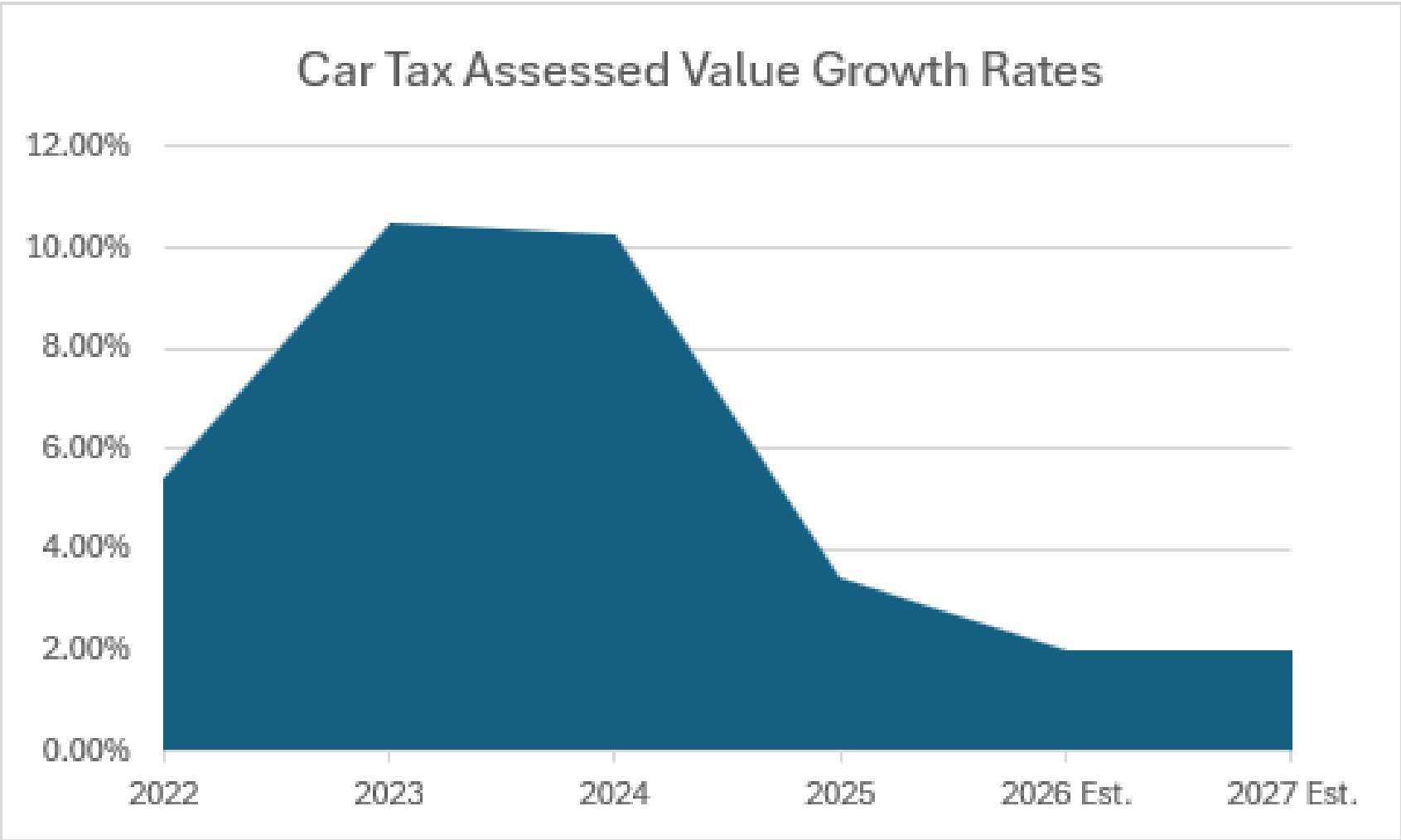


# Real Estate Assessed Value Growth Rate Changes



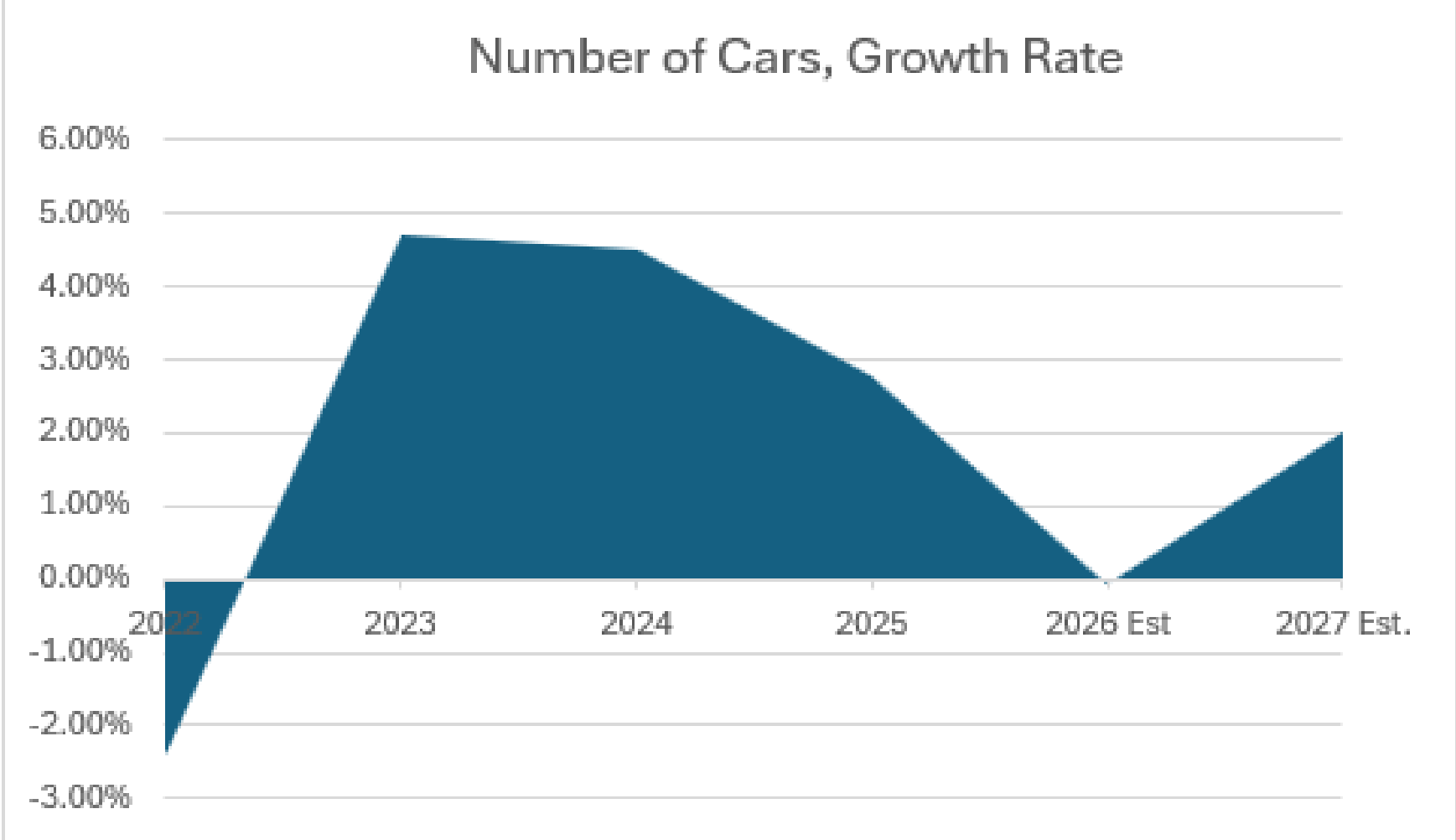


# Vehicle Tax Base Growth Flattening



Car Tax Assessed Value, Growth Rate	2022	2023	2024	2025	2026 Est	2027 Est
	5.44%	10.49%	10.29%	3.43%	2.00%	2.00%

Assessed Value, billions (October)	2022	2023	2024	2025	2026 Est	2027 Est
	\$1.54	\$1.70	\$1.88	\$1.94	\$1.98	\$2.02

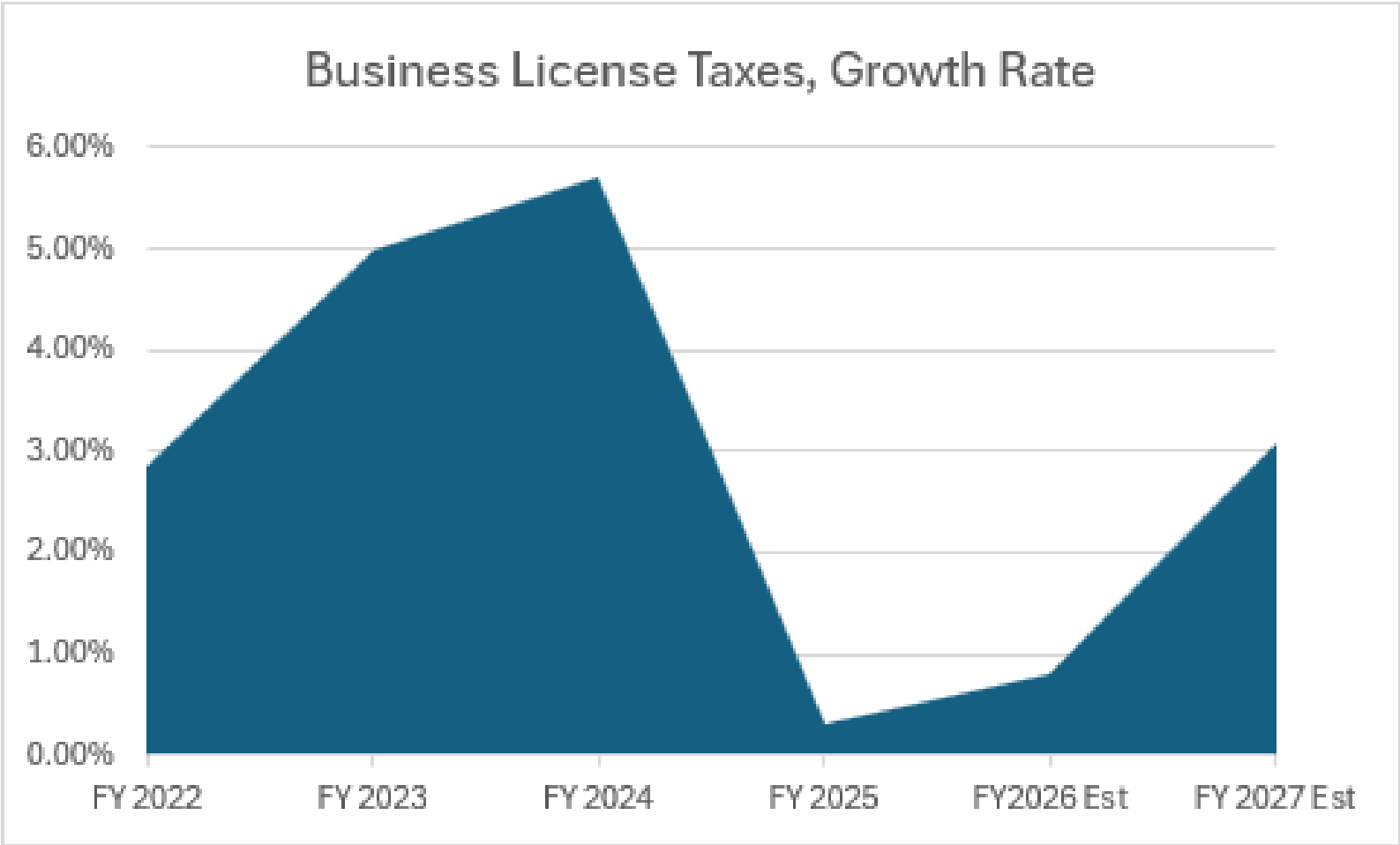
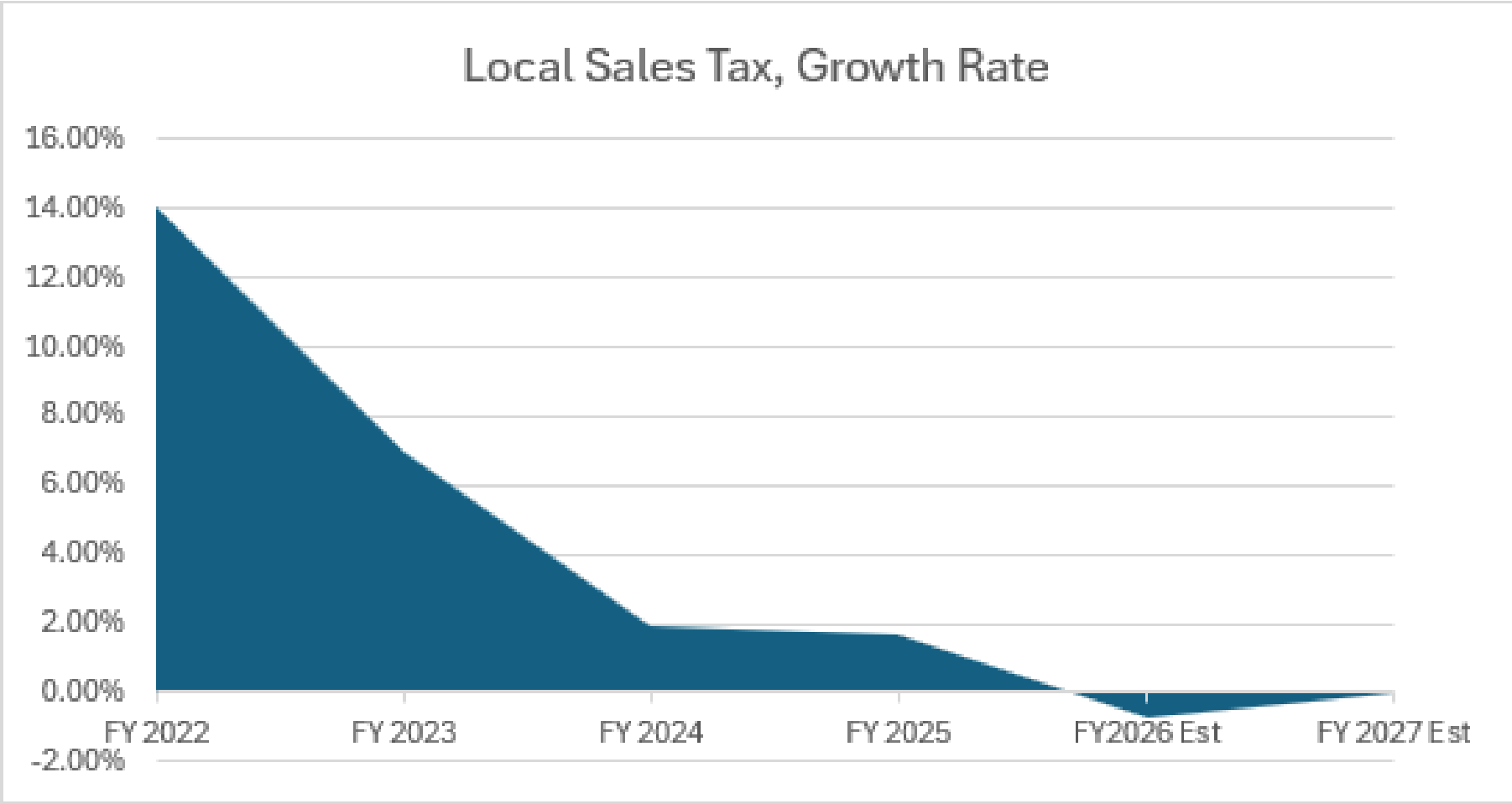


Car Tax Number of Cars, Growth Rate	2022	2023	2024	2025	2026 Est	2027 Est
	-2.40%	4.73%	4.49%	2.79%	-0.08%	2.00%

Number of Vehicles (as of October)	2022	2023	2024	2025	2026 Est	2027 Est
	120,799	126,509	132,194	135,880	135,773	138,488



# Local Sales Tax and Business License Growth Rates



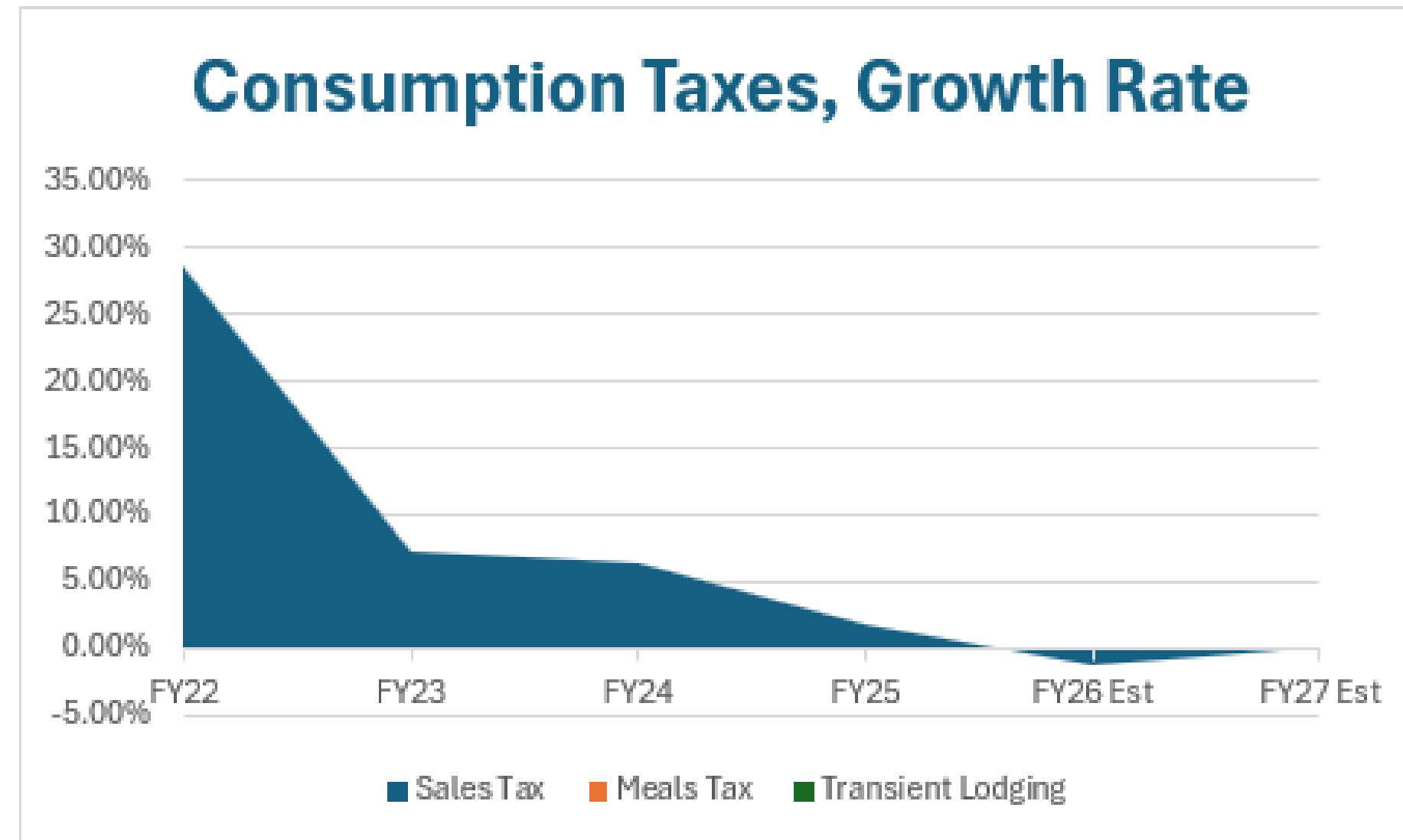
Sales Tax	2022	2023	2024	2025	2026 Est	2027 Est
Growth	14.08%	6.99%	1.92%	1.69%	-0.76%	0.00%

BPOL	2022	2023	2024	2025	2026 Est	2027 Est
Growth	2.86%	5.00%	5.70%	0.30%	0.81%	3.08%





# Consumption Taxes Growth Rate Leveling Off



Category	FY22	FY23	FY24	FY25	FY26 Revised Estimate	FY27 Preliminary Estimate, Retreat 11/1/25
Sales Tax	14.08%	6.99%	1.92%	1.69%	-0.76%	0.00%
Meals Tax	31.63%	4.40%	4.83%	3.81%	-2.02%	0.19%
Transient Lodging	114.30%	17.18%	24.69%	-1.47%	-1.32%	0.69%
	28.70%	7.38%	6.34%	1.92%	-1.32%	0.18%



# Federal Revenue, FY 2026 Approved Budget

General Fund Program	Federal Revenue General Fund	% of Total General Fund	Each 10% Change
Federal Prisoner Per Diem	\$7,447,740	0.78%	\$744,774
Other Federal	\$710,000	0.07%	\$71,000
<b>Total Federal Revenue, General Fund</b>	<b>\$8,157,740</b>	<b>0.85%</b>	<b>\$815,774</b>
	Federal Revenue Special Revenue Funds	% of Total Special Revenue	Each 10% Change
64- COMMUNITY AND HUMAN SERVICES	\$23,005,095	8.2%	\$2,300,510
86- ACPS - Schools	\$20,191,746	7.2%	\$2,019,175
60- HOUSING	\$1,832,038	0.7%	\$183,204
51- FIRE	\$417,249	0.1%	\$41,725
80- RECR AND CULTURAL SERVICES	\$282,000	0.1%	\$28,200
11- COMMONWEALTH ATTORNEY	\$252,553	0.1%	\$25,255
55- POLICE	\$223,486	0.1%	\$22,349
41- TRANS AND ENVIRONMENTAL SRV	\$41,380	0.0%	\$4,138
19- HUMAN RIGHTS	\$32,550	0.0%	\$3,255
76- HISTORIC ALEXANDRIA	\$22,340	0.0%	\$2,234
12- SHERIFF	\$15,068	0.0%	\$1,507
<b>Total Federal Revenue, Special Revenue Funds</b>	<b>\$46,315,505</b>	<b>16.5%</b>	<b>\$4,631,551</b>

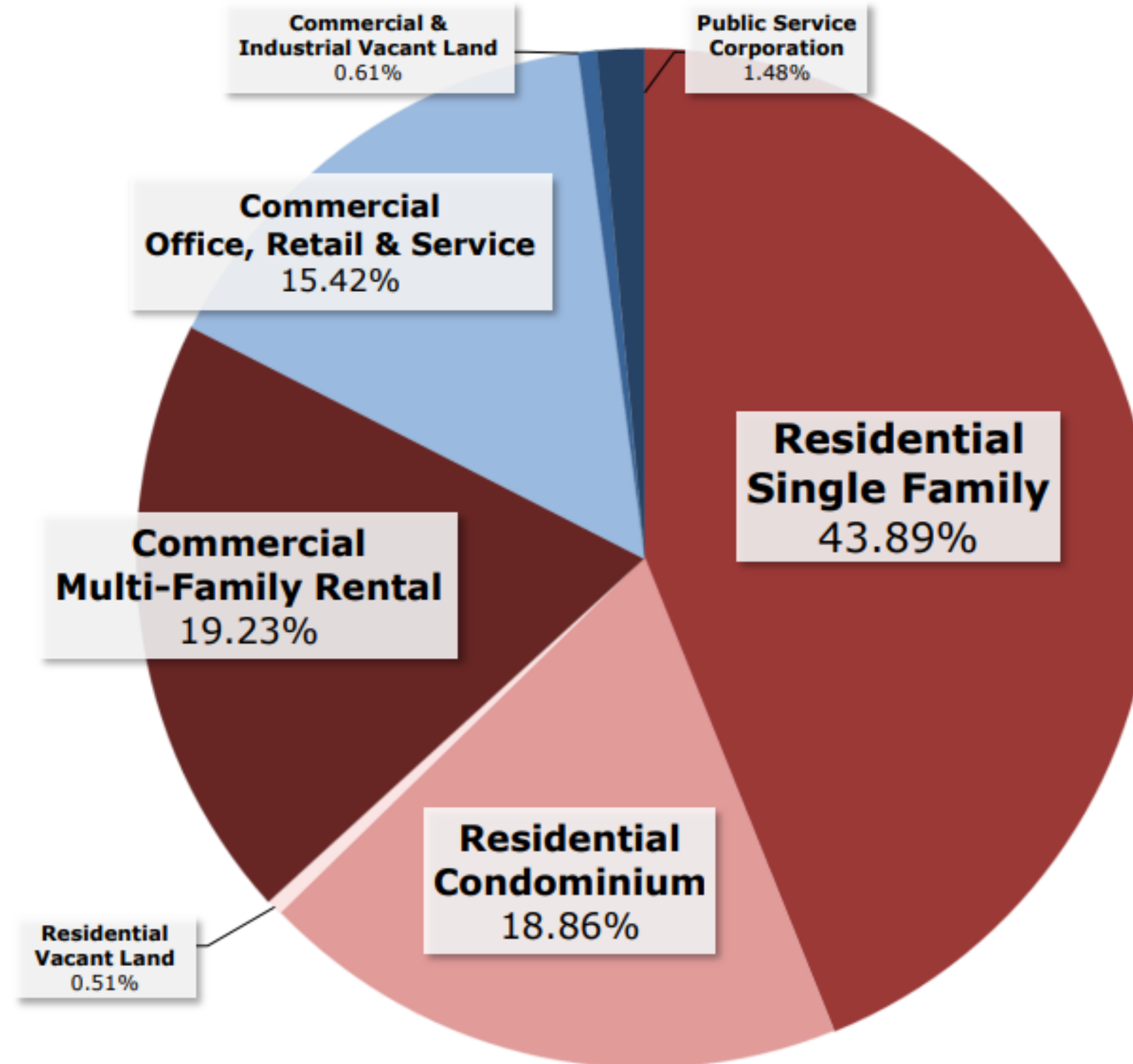


# Assessment Forecast

	Actual Assessment Growth Rates CY 2025	Forecasted CY 2026	Forecasted CY 2027
<b>Residential</b>			
Single Family	4.10%	3.00%	3.00%
Condo	0.06%	2.00%	2.50%
Other Residential	<u>-8.86%</u>	<u>4.00%</u>	<u>4.00%</u>
<b>Total Residential</b>	<b>4.55%</b>	<b>2.71%</b>	<b>2.86%</b>
 <b>Commercial</b>			
Multi -family rental	-1.11%	-1.00%	0.75%
Office, Retail, and Services	-1.00%	0.30%	0.00%
Vacant Commercial	<u>10.40%</u>	<u>0.00%</u>	<u>0.00%</u>
<b>Total Commercial</b>	<b>-0.88%</b>	<b>-0.42%</b>	<b>0.41%</b>
 <b>Total Locally Assessed</b>	<b>2.54%</b>	<b>1.59%</b>	<b>2.00%</b>



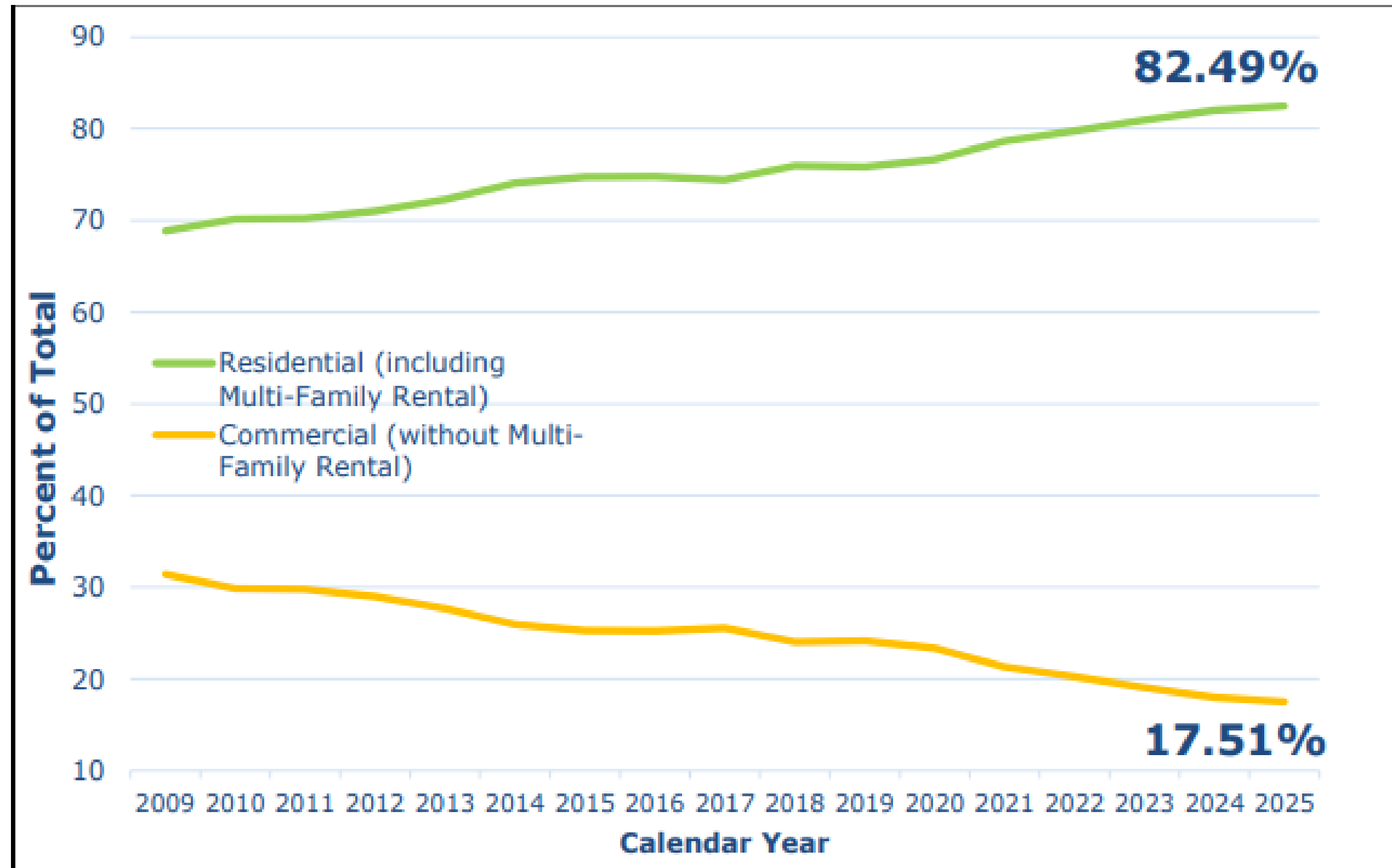
# CY 2025 Real Estate Tax Base





# Real Estate Tax Distribution: CY 2009 to CY 2025

Including Multi-Family Rental Assessments with Residential Assessments







# Principal Taxpayers

Private Property - January 1, 2025

Owner's Name	Property	2025 Assessed Value (in millions)	Taxable % of Total Valuation*
Paradigm Companies	Apartments	\$673.5	1.35%
Stonebridge	Apartments/Office Buildings	641.1	1.29%
Morgan Properties	Apartments/Shopping Center	543.7	1.09%
Equity Residential	Apartments	523.8	1.05%
AIR Communities	Apartments	418.3	0.84%
LCOR	Office Buildings	399.0	0.80%
CIM Group	Apartments	305.0	0.61%
UDR	Apartments	298.4	0.60%
Elme Communities	Apartments/Office Buildings	235.3	0.47%
Carmel Partners	Apartments	230.1	0.46%
<b>Total (\$49.7 billion taxable assessed value)</b>		<b>\$4,268.3</b>	<b>8.58%</b>

Source: Department of Finance, Division of Real Estate Assessments



# FY 2027 Real Estate Tax Relief

	<u>Amount</u>	<u>Relief Category*</u>	<u>Number</u>	<u>FY26 Growth Rate</u>	<u>% of Total</u>
Local Option	\$ 3,198,000	Elderly & Disabled	649	1.8%	28%
State Mandate	<u>\$ 8,328,000</u>	Disabled Vets	<u>839</u>	<u>17.1%</u>	72%
	\$11,526,000		1,488	11.9%	

- Average CY 2025 Assessed Value, Disabled Veterans \$852,609
- Average CY 2025 Assessed Value, Elderly & Disabled \$521,082

## For Elderly & Disabled—

- 71% are at 100% Relief (85% of revenue relieved)
- 19% are at 50% Relief
- 10% are at 25% Relief

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\* Disabled Veterans category includes 8 applicants who are the spouse of veterans killed in the line of duty.



# Revenue Forecast

FY 2027 Preliminary Revenue Estimate (\$ in millions)

Revenue	FY 2025 Actuals	FY 2026 Approved Budget	FY 2027 Estimate	\$ Change	% Change
Real Estate	\$541.7	\$558.0	\$566.5	\$8.5	1.5%
Personal Property	75.3	81.0	80.3	(\$0.7)	(0.9%)
Sales Tax	40.8	40.5	40.5	\$0.0	0.0%
Other Local Taxes	120.8	124.2	121.8	(\$2.4)	(1.9%)
Intergovernmental	63.6	62.9	63.6	\$0.7	1.1%
Non - Tax Revenue	61.3	53.5	54.2	\$0.7	1.3%
Use of Money and Prop.	31.8	22.3	20.7	(\$1.6)	(7.2%)
Use of Fund Balance	\$0	\$14.0	\$14.0	-	0.0%
<b>Total</b>	<b>\$935.3</b>	<b>\$956.4</b>	<b>\$961.6</b>	<b>\$5.2</b>	<b>0.5%</b>



# Tax Rate Options

Source	Current Rate	Legal Limit	Potential Revenue
Real Estate	\$1.135	None	\$5.0 M per 1 cent
Vehicle Personal Property	\$5.33	None	\$7.3 M per 50 cents
BPP (Business Personal Property)	\$4.75	\$5.33	\$2.3M at legal limit
Meals	5.0%	None	\$7.0 M per 1.0%
Transient Lodging	6.5% + \$1.25 per night	None	\$2.0 M per 1.0%
Sales	6.0% (1.0% Local)	Maximum	None under current code
BPOL	\$0.35	Business, Personal, Repair \$0.36 Financial Services \$0.58	\$0.4 M per \$0.01 \$1.0 M per \$0.10
Admissions	10% not to exceed \$0.50	None	\$0.2 M per \$0.25 cap increase

- Proposed budget will include updated revenue estimates and rate comparisons to other jurisdictions
- Advance notice required to change through Add/Delete



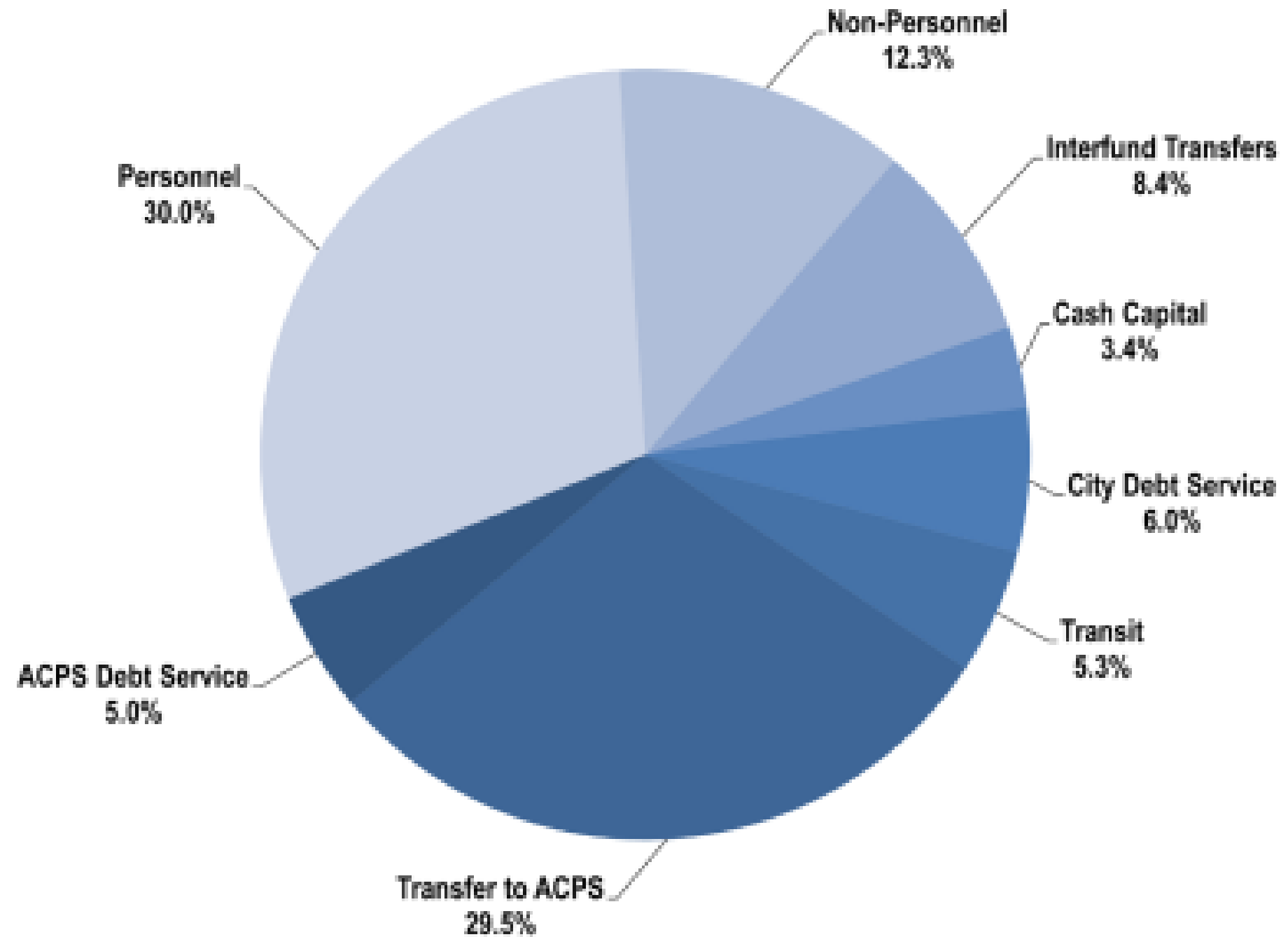
# Expenditure Overview





# FY 2026 General Fund Expenditure Overview

\$956.5M





# FY27 Expenditure Cost Drivers

- Revenue Growth \$5.2M
- Planned Cash Capital & Debt Service Increase \$8.9M
- ACPS Operating Transfer (1.5%) \$4.2M
- Shortfall \$8.0M before City operating cost increases



# Potential FY27 City Operating Costs

- Labor costs (collectively and non-collectively bargained)
- Inflation & construction costs
- Transit funding
- Increased funding for Council priorities
- Loss of federal funding



# Goals

- Fund obligations
  - Existing salaries & benefits
  - Collective bargaining agreements
  - Current CIP
  - Non - discretionary operations & maintenance
- Avoid service reductions in high priority programs
- Avoid tax rate increases



# Goals

- Continued focus on City Council priorities
  - Employee attraction and retention
  - Housing opportunities
  - Eliminate community disparities
  - Economic Strength
- Viewed through the lenses of equity and environmental stewardship





# **C i t y M a n a g e r G u i d a n c e t o A C P S , C i t y D e p a r t m e n t s , a n d P a r t n e r A g e n c i e s**

- Limit operating budget transfer request to 1.5% for ACPS
- Limit base budget growth to non-discretionary increases
- Identify at least 1% in efficiency savings (\$4.5M)
- Self-fund and prioritize new funding requests



# FY 2027 – FY 2036 Capital Improvement Program (CIP) Planning



# CIP Worksession Recap

- October 7th CIP Worksession discussed
  - Limits on expanding CIP beyond planned levels
  - How City unrestricted funding is allocated between state of good repair programs (85%) and flexible projects (15%)
  - Identified but unfunded projects (\$307 million)
- Conducted project prioritization exercise with Councilmembers



# Projects Prioritized in Exercise

- Projects Identified by Council to Consider in Funded 10-Year Plan

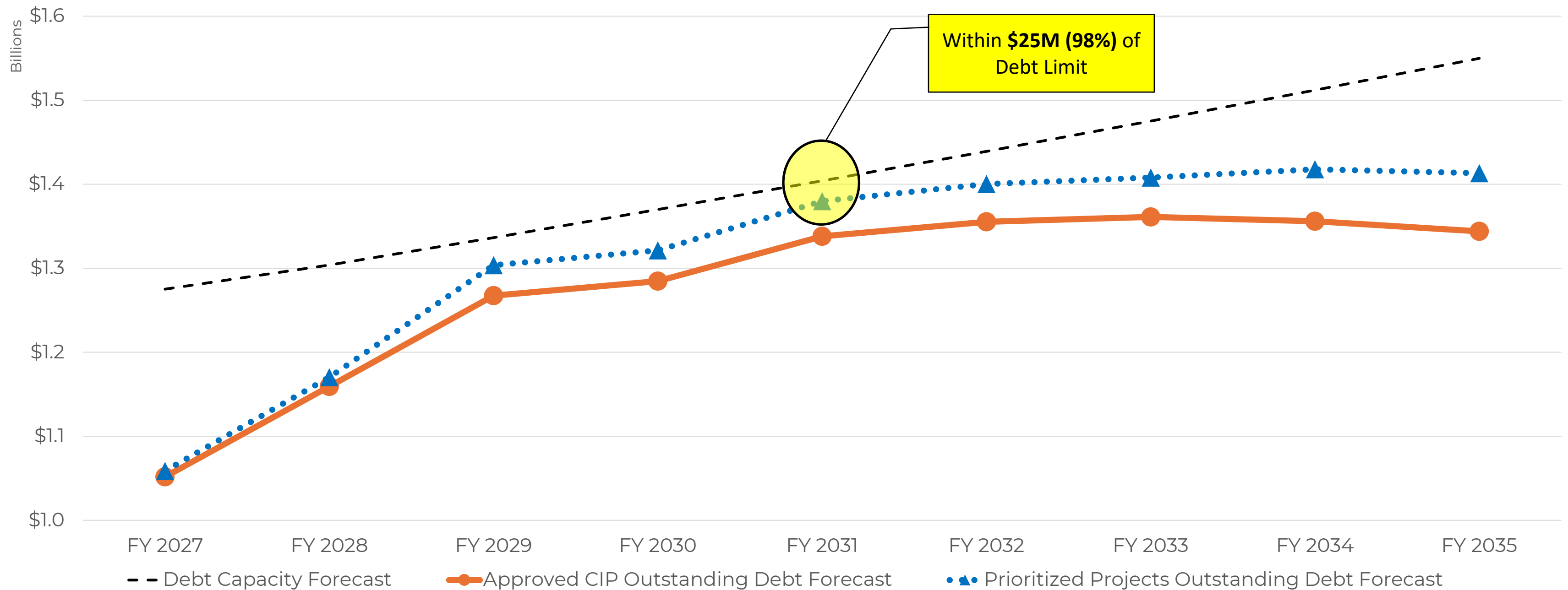
- ACPS Capital Program (Capacity) - Cora Kelly
- Alexandria West Recreation Center
- Leonard 'Chick' Armstrong Recreation Center Replacement
- Fire Station 205 (Cameron Street)
- West End Aquatics Facility/Pool
- Reservation of Funding for IT System Replacements
- Increase of Affordable Housing Pipeline Project Investments
- Potomac Yard Park/Simpson Rectangular Design & Construction
- ACPS Transportation Facility Modernization
- 200 Block of King Street Construction
- Ewald Park Improvements
- Fire Training Center Renovation
- Chinquapin Field Design & Construction

Totals **\$124.4 M**  
**Above** planned  
funding levels.



# Impact of Prioritized Projects

## Debt Capacity Forecast



- Addition of Projects would require Operating Support of CIP to grow, on average, **\$8.6 M (5%)** per year.



# Discussion Items for City Council

- These projects showed most alignment for prioritizing funding:
  - In Approved 10-Year Plan
    - Cora Kelly Elementary School
    - Fire Station 205 (Cameron Street)
  - Additions to 10-Year Plan
    - Chick Armstrong Recreation Center
    - Reservation of Funding for IT System Replacements
- Accommodating these additional projects will require reductions or deferrals to other projects/programs to maintain affordability of CIP





# Next Steps

- ✓ Provide funding guidance to City department and ACPS staff
  - *Little-to-no-change in level of- or timing of- capital funding from previously Approved CIP*
- Work with departments to look for opportunities to redeploy available project balances
- Review overall timing of major projects to preserve CIP's affordability
- Continue focus on cash flow needs and project readiness to mitigate debt service impacts
- Evaluate cash and borrowing split for opportunities to smooth out debt service increases



# CIP Planning Key Milestones

- **October 6, 2025:** Budget Guidance Provided to Departments and ACPS Staff
- **November 12, 2025:** Receive Council Feedback and Budget Guidance
- **December 18, 2025:** School Board Adopts FY 2027 – FY 2026 Capital Funding Request
- **Now – February 2026:** OMB/Departments develop Proposed FY 2027 – FY 2036 CIP
- **February 24, 2026:** Presentation of City Manager's Proposed FY 2027 – FY 2036 CIP



# Alexandria City Public Schools (ACPS)



# **Budget and Fiscal Affairs Advisory Committee (BFAAC)**



# **Budget Guidance & Budget Process Resolutions**



# Budget Guidance Resolution

- **Purpose of Budget Guidance Resolution:** City Council's guidance to the City Manager, ACPS, and outside agencies on priorities for the operating and capital budgets.
- **Recommendations for FY 2027 Operating Budget Guidance**
  - Section (a) - Approach budget development with fiscal prudence, honoring prior commitments while preserving essential services in alignment with City Council's priorities;
  - Section (a) - The City Manager may consider maintaining the real estate tax rate at its current level or proposing a real estate tax rate increase, with recommendations on how additional funding would be prioritized;
  - Section (h) - Partner agencies should limit base budget increases to non-discretionary items only and self-fund supplemental budget requests;





# Budget Guidance Resolution - ACPS (Section G)

## **FY 2027 Recommendations**

- Submit a budget proposal that indicates the level of service to be provided at the City Manager's target operating transfer increase of no more than one and a half percent;
- Articulate in general categories and prioritize any FY 2027 appropriation requests above the one and a half percent target;



# Budget Guidance Resolution – ACPS (Section G)

## **FY 2027 Recommendations (continued)**

- Limit school capital funding to levels contemplated in Approved FY 2026 – FY 2035 CIP;
- ACPS is strongly encouraged by City Council to evaluate all capital projects with an anticipated construction contract value of \$35 million or higher for the feasibility of utilizing a project labor agreement, with the intent of using a project labor agreement if deemed feasible.



# Budget Process Resolution

- **Budget Process Resolution purpose:** City Council's established rules of procedure to guide upcoming budget deliberations
- **Recommendations for FY 2027 Process**
  - **Section (c)(8)** – Budget questions from members of Council shall be submitted to staff by March 30, 2026.
  - **Section(f)(5)** – Council members considering an add/delete proposal requiring a change to a City Ordinance or requiring a new ordinance should begin community engagement efforts as soon as possible following the presentation of the City Manager's Proposed Budget [For FY 2027, February 24]

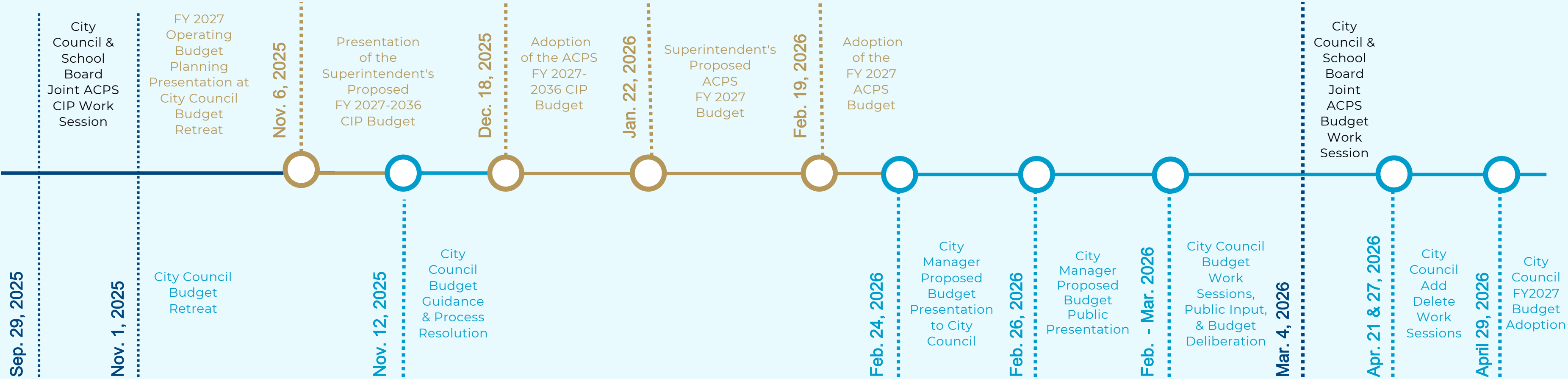


# Adopted Budget Calendar with Proposed Additions

Day of Week	Date	Time	Event
Saturday	11/01/25	9AM-12:15PM	City Council Budget Retreat
Tuesday	02/24/26	7PM	City Manager's Proposed Budget Presentation
Wednesday	02/25/26	7PM	Work Session #1 - CIP & Revenues
Wednesday	02/25/26		Begin public engagement if proposing ordinance change
Thursday	02/26/26	7PM	Proposed Public Budget Presentation
Wednesday	03/04/26	7PM	Work Session #2 - ACPS
Monday	03/09/26	5:30PM	Budget Public Hearing
Tuesday	03/10/26	7PM	Council sets Maximum Tax Rate
Wednesday	03/11/26	7PM	Work Session #3
Saturday	03/14/26	9:30AM	Additional Budget Public Hearing
Monday	03/16/26	7PM	Work Session #4
Wednesday	03/18/26	7PM	Work Session #5
Wednesday	03/25/26	7PM	Work Session #6
Monday	04/06/26		Notifications of Ordinances for add/delete process
Thursday	04/09/26		Add/Delete deadline for City Council
Saturday	04/18/26	9:30AM	Tax Rate Public Hearing (as part of regular Saturday public hearing)
Saturday	04/18/26	9:30AM	Add/Delete Public Hearing (as part of regular Saturday public hearing)
Tuesday	04/21/26	7PM	Work Session #7 - Preliminary Add/Delete
Monday	04/27/26	7PM	Work Session #8 - Final Add/Delete (if needed)
Wednesday	04/29/26	6PM	FY 2027 Budget Adoption

# FY27 BUDGET TIMELINE

## ACPS BUDGET CALENDAR



## CITY BUDGET CALENDAR

