

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 12, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #1: PROPOSED SCHEDULE AND ADD/DELETE
PROCESS FOR FY 2011 BUDGET DELIBERATIONS

ISSUE: Proposed schedule and add/delete list process for the FY 2010 budget deliberations.

RECOMMENDATION: That City Council reviews this report and informs staff, at the February 16, 2010 budget work session, of any requested revisions in the due dates or in the suggested process or schedule.

DISCUSSION: Typically, specific written guidelines for the budget add/delete process have been delineated, including:

1. A timeline with specific due dates for requests for budget memoranda, public hearing, and publication of public notices, and the submission of items for the preliminary add/delete list and the final add/delete list;
2. An established format for the submission of add/delete items; and
3. A statement of the specific criteria for the inclusion of add/delete list items on the preliminary and final lists.

How budget amendments such as add/deletes are to be handled was reviewed by action of City Council in and adjusted in Resolution No. 2368 (Attachment B) adopted on November 10, 2009. Budget Resolution 2371, passed November 24, 2009, provides the specific guidance for the FY 2011 budget (Attachment C).

Proposed Schedule

Attachment A provides the timeline recommended by staff for the FY 2010 budget process, based on the budget calendar adopted by City Council. This proposed timeline generally parallels the process and timeline generally used by the City Council for the last 9 years, as modified recently by Resolution No. 2368. The timeline also includes the actions required by statute to be taken by certain dates for adopting the real estate and personal property tax ordinances. Given the provisions of Resolution No. 2368 and statutory requirements imposed by the General Assembly, this schedule attempts to give Council the maximum time possible to consider budgetary options.

Other considerations that shaped this schedule include:

- The Council should decide the maximum possible real estate tax rate to advertise 30 days before a public hearing on that rate is held. Although such an early notice and separate public hearing are not technically required in the circumstances of this year's budget due to declining assessments, such a public hearing is scheduled for Saturday, April 17, 2010. **Therefore, the Council must make this maximum real estate tax rate determination at its March 13, 2010 Saturday session.** The same schedule applies to the personal property tax rate.
- As many work sessions as feasible were scheduled before the March 13, 2010 date so that Council could have the sufficient information to determine the maximum possible real estate tax rate to advertise. In particular, the Joint Work Session with the School Board is scheduled before this date.
- The budget public hearing is to be held March 10, 2010. This schedule allows Council to have public input from the hearing available to it before it establishes a maximum real estate tax rate to advertise.
- A Work Session is scheduled with the Budget and Fiscal Affairs Advisory Committee (BFAAC) on Wednesday, April 14, 2010. Council should receive the BFAAC report a few days before that meeting. This schedule will allow Council the benefit of receiving this report before being having to submit preliminary add/delete items on April 19, 2010 (see below).

Staff Responses to Council Requests for Information on the Proposed Budget and Capital Improvement Program

Chief Financial Officer Bruce Johnson, as the lead staff person on the budget, should receive all requests for information from members of Council by letter, e-mail, telephone request or orally at Council meetings or work sessions. Staff's practice is to respond to all of these Council requests as soon as feasible. The earlier those questions are asked in the process, the better the chance that Council will have full and complete answers in time to influence the add/delete process. Although staff will do its best, staff cannot promise to answer requests received after Friday, April 9th before April 19th. The April 19th date is important because that is when Council members must submit Preliminary Add-Delete items so that they are received 7 days before the Preliminary Add-Delete work session on April 26, 2010.

Preparing the Preliminary Add/Delete List

To ensure that there is not a misunderstanding regarding development of the Preliminary Add/Delete List, CFO Johnson will contact each member of Council to determine the items the member wishes to be included on the preliminary list. This will be done on April 19th when these items are due at the close of the day. For each item that a Council member wishes to have included on the Preliminary Add/Delete list, staff will reach an agreement with the member on the exact language that will be used to describe the item and any accompanying justification or explanatory materials that the member wishes to include with the distribution of the preliminary add/delete list prior to that meeting. Multiple members may agree to support the same add/delete items. However, if different members have different approaches and language to a similar item to be added or deleted, staff will reflect the different approaches on the list and identify the member

who supports each approach.

In light of the provisions of Resolution No. 2371 allowing selected items to be proposed above the base budget, Staff will automatically include the optional tax and fee rate increases contained in the City Manager's budget message as additions to the base General Fund Operating Budget and Capital Improvement Program as a package of Add/Delete changes to the budget.

Criteria for Preliminary Add/Delete List

In accordance with City Council Resolution 2368 (Attachment 1), any add/delete item or group of items that adds to expenditures must be accompanied by an offsetting decrease in expenditures and/or increase in revenue. If such an offsetting item or group of items is not identified by the member, then staff will not be able to add it to the Preliminary Add/Delete List under the terms of the Resolution. General Contingent Reserves (in the amount of \$300,000 contained in the Proposed Budget can be used as an offset to such an Add. (Such funds are part of the annual operating budget in the Non Departmental account.)

Recommendations from the City Manager for consideration of expenditure or revenue items that were unforeseen at the time of the proposed budget or that correct technical errors must also be handled under the add/delete process described above, although the City Manager is not bound by the early submission dates of Resolution No. 2368.

Preparing the Final Add/Delete List

This year's Preliminary Add/Delete List will be considered at the Monday, April 26, 2010 Work Session. Any ambiguities in the items on the preliminary list can be resolved at that work session through revisions to the language used to describe the items. Based on determinations made at this work session, staff will prepare the Final Add/Delete List and will distribute it to Council on Friday, April 30, 2010. No additions to the Preliminary Add/Delete List can be made after April 26, but any clarification of items on that list may be made in preparation of the Final Add/Delete List between April 26 and May 3. Staff does not anticipate the need to contact members of Council after the April 26 Work Session regarding the Final Add/Delete List, since we expect Council members will have reached agreement at that session on all revisions to the Add/Delete List, including language revisions. However, if for some reason this turns out not to be the case, staff will review specific items on the Final Add/Delete List with the proposing Council member before distributing it on Friday, April 30.

ATTACHMENTS:

Attachment A - Budget Work Session and Hearing Schedule and Council Action Dates

Attachment B - Budget Resolution 2368

Attachment C - Budget Resolution 2371

STAFF: Bruce Johnson, Chief Financial Officer

**ATTACHMENT A
BUDGET WORK SESSION AND HEARING SCHEDULE
AND COUNCIL ACTION DATES**

**All sessions at 6:30 pm in Sister Cities Conference Room 1101 in City Hall
(Unless otherwise noted)**

- Tuesday, February 16, 2010 – Budget Presentation – 5:30 in Council Chambers
- Wednesday, February 16, 2010 – Combined Work Session – Revenues and Human Resource and Compensation Issues – approximately 7:30 in Council Chambers or Work Room
- Wednesday, February 24, 2010 – Work Session – CIP
- Monday, March 1, 2010 – Work Session – Public Safety and Justice
- Wednesday, March 3, 2010 – Joint Work Session on Education and Youth Programs – ACPS and City Council (location to be determined)
- Wednesday, March 10, 2010 – Budget Public Hearing – 4:00
- Saturday, March 13, 2010 – Regular Public Hearing – Set Maximum Tax Rate – 9:30 in Council Chambers
- Monday, March 15, 2010 – Work Session – Health and Environment (including proposals for additional resources for the Storm Water Utility, Sanitary Sewer and Residential Refuse Collection Programs)
- Wednesday, March 17, 2010 – Advertise Effective Tax Rate 30 days prior to public hearing
- Tuesday, March 23, 2010 – 2nd Legislative Meeting – Introduce Tax Rates Ordinances (if necessary) – 7:00
- Wednesday, March 24, 2010 – Work Session – Caring Community with Rich History and Culture
- Monday, April 5, 2010 – Work Session – Transportation (including proposal for add-on commercial real estate tax for Transportation purposes and Economic Development)
- Wednesday, April 14, 2010 – Work Session – BFAAC, Financial Sustainability, Efficiency and Responsiveness
- Saturday, April 17, 2010 – Regular Public Hearing – Tax Rates Ordinances as necessary and Effective Tax Rate Hearing – 9:30
- Monday, April 19, 2010 – Add- Delete Items due from Council members to CFO -- 6:00
- Monday, April 26, 2010 – Preliminary Add-Delete Work Session – 7:00
- Tuesday, April 27, 2010 – 2nd Legislative Session – 7:00
- Monday, May 3, 2010 – Final Add/Delete – 5:30 and Budget Adoption – 6:30 in Council Chambers

Resolution No. 2368

Budget Resolution Establishing the Process To Be Used
To Adopt Operating Budgets and Capital Improvement Programs

WHEREAS, the Alexandria City Council wishes to establish specific policies to guide upcoming budget deliberations to ensure responsible actions with current economic resources; and

WHEREAS, resolutions No. 2088, 2150, 2166, and 2256 previously adopted by City Council have now expired; and

WHEREAS, City Council wishes to establish a budget process that is responsive to the economic times in which we live and that provides the Council and community with clear information about the trade-offs between revenues and services in order to facilitate the creation of the final budget; and

WHEREAS, City Council understands that after four years of program reductions, audits and efficiency efforts, the capacity of the city to do the same work for less money has been essentially eliminated; and

WHEREAS, City Council believes that flexibility is needed for both the preparation and evaluation of expense items as well as with regard to diversifying the sources of revenue available to fund the General Fund Operating Budget; and

WHEREAS, City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

WHEREAS, the City Council desires to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria, but understands that economic reality will require stark trade-offs between services and revenues; and

WHEREAS, over the last ten years, residential real estate taxes have borne an increasing share of the burden of paying for City and School services both because of the earlier run-up in residential home value and development and most recently because of the decline of commercial property values; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to properly balance residential real estate taxes; and

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools improve student performance, decrease drop-out rates and in achieving its mission and being among the best in Northern Virginia; and

WHEREAS, the City-Council understands that delayed infrastructure maintenance threatens the health and safety of the community as well as its long-term economic prosperity; and

WHEREAS, the City Council is committed to maintaining a fair, reasonable and competitive compensation plan for City and School employees; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to continue its focus on managing for results, sharing services with the Alexandria City Public Schools, and developing clear accountable metrics for all city programs and services; and

WHEREAS, the City Council is committed to maintaining its top AAA/Aaa credit ratings; and

WHEREAS, the City Council desires to achieve the vision and strategic goals, objectives, and initiatives as outlined in the City Council's Strategic Plan; and

WHEREAS, sufficient time for the budget process is necessary for the City Council and the community to deliberate on the various issues raised given the budget's complexity and importance.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Alexandria, Virginia, that the Council shall, for the purposes of consideration of the Budget for the City of Alexandria, adopt this resolution and adhere to the following rules of procedure:

Section (a) The Timing of the Setting of Budget Guidance by City Council and the City Manager's Budget Submission to City Council

(1) That the City Manager shall plan and prepare the proposed Operating Budget and proposed six-year Capital Improvement Program and that such preparations shall include, but not be limited to, requests for City departments to identify efficiencies, low priority programs not crucial to achieving City Council strategic goals, objectives, and initiatives, potential discretionary supplemental increases crucial to achieving City Council's strategic goals, objectives, and initiatives, and potential City-wide process changes that would be beneficial to City operations and to the public.

(2) That the City Manager shall present to City Council in time for the fall Council Retreat a preliminary forecast and outlook for (a) revenues (including the outlook for real estate assessments), (b) expenditures necessary to maintain appropriate services and policies (including in the City Manager's forecast of cash capital and debt service costs related to the most recently approved Capital Improvement Program and estimates of the cost of any appropriate market rate-adjustment for City and School staff), (c) the outlook for possible additional requests for City operating needs in the upcoming fiscal year and future capital needs in the upcoming fiscal year and succeeding 5 to 10 fiscal years, (d) the outlook for possible budget reductions and increases in fees, fines and charges for services, and (e) the outlook for Federal and State grants and the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

(3) That the Alexandria City School System shall separately present to City Council, but in a format coordinated with the City Manager, its preliminary forecast and outlook for (a) expenditures necessary to maintain appropriate services and policies, (b) the outlook for additional requests for Schools operating in the upcoming fiscal year and capital needs through the upcoming fiscal year and the succeeding 5 to 10 years, (d) the outlook for possible budget reductions and increases in fees, fines and charges for services, and (e) the outlook for Federal and State grants, and the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

(4) That as part of its fall Retreat, City Council will consider this information and any other relevant information available to it at that time from the efforts described above, including resident input to be provided by a public hearing on the upcoming budget to be conducted prior to City Council's fall Retreat.

(5) That City Council shall, as a result of information available to it at the Retreat, direct that the City Manager prepare a budget resolution to be adopted by City Council to guide the preparation of the upcoming Operating Budget and next Capital Improvement Program.

(6) That City Council plans to adopt such a budget resolution during the month of November for the next fiscal year.

(7) That the City Manager shall submit a proposed Operating Budget and Capital Improvement Program to the City Council no later than the first legislative meeting of Council in February, prior to the upcoming fiscal year. Such budget shall meet any guidance for General Fund revenues and expenditures established by City Council.

(8) That the Board of the Alexandria City Public Schools is requested to approve an Operating Budget and Capital Improvement Program no later than the week of the first legislative meeting of the Council in February, prior to the upcoming fiscal year. Such budget, if it shall exceed or otherwise not comply with the guidance provided by City Council, shall clearly identify what operating programs and activities would be funded, if additional funding were provided above that guidance, and the reasons therefore.

(9) That the Council shall hold a budget public hearing on the City Manager's proposed budget in the month following the budget submission by the City Manager and may hold an additional public meeting on the budget, if Council deems it necessary, in April, in addition to any effective tax-rate public hearing needing to be held prior to budget adoption.

(10) That the council requests that staff create a way for residents and organizations to submit written budget comments to the Council in lieu of or in addition to participation in public meetings.

(11) That City Council shall consider these recommendations and endeavor to enact an Operating Budget and Capital Improvement Program that balances the needs of the community with the community's ability to afford services to meet those needs.

Section (b) Proposed Budget for the City of Alexandria -

(1) For purposes of this resolution, the proposed budget of revenue rates and expenditure levels for the fiscal year shall be that proposed by the City Manager.

(2) For purposes of this resolution, the Chief Financial Officer shall provide revenue and/or expenditure projections for any motion or amendment that could affect the proposed budget specified in Section (b) (1).

Section (c) Maximum Expenditure Levels May Not Exceed Sum of Projected Revenue and Appropriation from Fund Balance in Proposed Budget

(1) It shall not be in order in the Alexandria City Council to consider any motion or amendment to the proposed budget of the City of Alexandria if there has not been a budget memo requested that relates to the specific item or a Council discussion of the proposal during a budget work-session or public hearing and

(ii) such motion or amendment would have the effect of increasing any specific budget expenditures above the level of such expenditures contained in the proposed budget specified in Section (b) of this resolution, or would have the effect of reducing any specific revenues below the level contained in the proposed budget specified in Section (b) of this resolution, unless such motion or amendment makes at least an equivalent reduction in other specific budget outlays, identifies an equivalent increase in other specific revenues, or an equivalent combination thereof, and

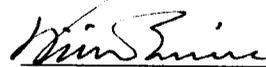
(iii) such motion or amendment is not provided in writing electronically or in hard copy to all members of Council and the City Manager or Chief Financial Officer at least 7 days before the first budget work session to consider such motions or amendments (the preliminary add-delete work session), or discussed at the preliminary add-delete work session to be considered at the final add-delete work session.

(2) In the Alexandria City Council, any appropriation from the Fund Balance or any like account beyond that proposed in the Manager's proposed budget shall require an affirmative vote of five Council Members.

(3) In the event that the City Manager recommends final revenue technical adjustments that result in a net increase or net decrease from the revenue estimates specified in section (b) of this resolution, the net change in the revenue estimate shall be reflected as a change in the proposed appropriation from the Fund Balance. As specified in Section c (2), any appropriation from the Fund Balance beyond that proposed in the Manager's proposed budget, including the net effect of final revenue adjustments, shall require an affirmative vote of five Council Members.

Section (d) Expiration -- The provisions of this resolution shall expire with the expiration of the term of this City Council.

ADOPTED: 11/10/2009



William D. Euille

Mayor

ATTEST:



Jacqueline M. Henderson, MMC City Clerk

Resolution No. 2371

**Budget Resolution Setting Guidance for FY 2011 General Fund Operating Budget
and Capital Improvement Program for FY 2011-FY 2020**

WHEREAS, the City Council of Alexandria passed Resolution 2368 on November 10, 2009, that established the process to be used for formulating the budget during the term of this Council and requires that City Council set budget guidance for the City Manager and the School Board for the FY 2011 budget;

WHEREAS, the City Council held a public hearing on the FY 2010 budget on October 17, 2009; and

WHEREAS, the City Manager and the Alexandria City Public Schools presented to City Council at its November 7, 2009, retreat their preliminary forecasts of revenues, expenditures and capital needs; and

WHEREAS, the City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to focus on managing for results; and

WHEREAS, the City Council is committed to continue performing fully its obligations to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria; and

WHEREAS, the national economy has suffered the worst recession in at least 30 some years and perhaps 50 years;

WHEREAS, the regional and local economy has also declined significantly, although not at the rate of the national economy;

WHEREAS, a decline in real estate values in the City is expected between 5.7% and 9.4% with a best estimate of 8.1%;

WHEREAS, a loss in State revenues is expected for both the City General Fund budget and the Schools operating budget;

WHEREAS, these reductions in General Fund revenues due to the decline in the national, regional and local economies presents the City Council and City government with an overall decline of revenues of between 5.4% and 1.8%; with a best estimate at this time of a decline in revenues of -3.9% for FY 2011;

WHEREAS, this decline places demands on the City's ability to deliver services, maintain and expand its infrastructure as well as meeting the expectations of City residents; and

WHEREAS, City Council fully expects that there will be substantial service reductions in the proposed budget and that these reductions may need to be continued for the foreseeable future;

WHEREAS, the budget must contain for all contractual commitments, including debt service; and

WHEREAS, City Council will not make any other material changes that may threaten the City's AAA/Aaa bond rating.

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

1. **Base Budget for City-Managed Programs and Activities:** That the City Manager shall submit a proposed FY 2011 Operating Budget for City-managed programs and activities of no more than \$365,408,344 million for City operations, debt service and cash capital to fund the CIP, and transit subsidies, plus an additional amount required to be appropriated to receive Build America Bond subsidy from the Federal government (\$833,088 in FY 2011) and whatever amount is proposed for storm water operating and capital expenditures to be funded by a storm water utility fee (see section 8 below) .
2. **City Staffing Levels:** That the City Manager shall not increase total City employment levels (as measured on a full-time equivalency basis) in the base budget above those estimated in the Approved FY 2010 operating budget.
3. **Cost Saving Measures:** That the City Manager shall continue to identify and implement cost saving measures and efficiencies in all City operations, including public safety.
4. **City Staff Compensation:** That the City Manager shall include in the base budget funding for merit/step increases for eligible employees and an additional step (the "Q" step) on the pay scale.
5. **Market Rate Adjustment:** That the City Manager shall not include a market rate adjustment for either City or Schools staff;
6. **Schools Transfer:** That the City Manager shall include in the base budget a transfer to the Schools for operating expenses of \$167,886,567.

7. **Capital Improvement Program (CIP):** That the City Manager's proposed CIP shall include:
 - a. Specific estimates for FY 2011 through FY 2016 and preliminary estimates for FY 2017 through FY 2020;
 - b. No more cash capital from current revenues than that planned for FY 2011 through FY 2015 in the Approved FY 2010 – FY 2015 CIP;
 - c. No more debt issuance than that planned for FY 2011 through FY 2015 in the Approved FY 2010 – FY 2015 CIP;
 - d. The use of General Fund operating budget surplus expected in FY 2010 as a designation for capital projects in FY 2011 and beyond, provided that the first \$3.6 million of any such surplus will be designated for the FY 2012 General Fund operating budget;
 - e. Specific descriptions of projects that can be funded within recommended levels of funding and their costs estimated for all years (FY 2011 – FY 2020); and
 - f. Identification of projects that exceed the recommended levels of funding whether or not the estimated costs are identified or remain to be developed. These projects should be shown by year if known or alternatively listed in a general appendix.

8. **Storm Water Utility Fee:** That the City Manager shall propose a storm water utility fee as necessary and appropriate for the provision of additional storm water capital projects and operating costs above those contained in the Approved FY 2010 – 2015 CIP. Such additional Special Revenue Fund expenditures and fees proposed for storm water utility operations and capital projects under this section shall be considered as a part of the base budget allowed by section 1 above.

9. **Taxes, Fees, Fines and Service Charges:** That the City Manager shall propose whatever combination of taxes, fees, fines and service charges that are necessary and appropriate to balance the base budget provided that these proposals:
 - a. Are within the constraints imposed by the Code of Virginia;
 - b. Maximize the non-real estate revenue sources available to the City within those constraints; and
 - c. Do not contain an additional real estate tax for transportation purposes on commercial real estate.

10. **Sale/Lease of Capital Assets:** That the City Manager shall propose measures to sell or lease excess City capital assets as appropriate in the base budget and use those proceeds to fund the CIP as cash capital.

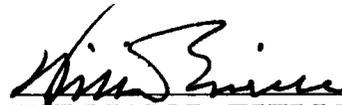
11. **Options for Additional Operating and CIP Expenditures:** That the City Manager may propose whatever additional operating costs and capital projects as deemed appropriate for Council consideration above those specified in the base budget, together with appropriate sources of revenue available within the constraints imposed by the Code of Virginia, so long as those options would provide additional operating expenditures to improve public safety, transportation or educational services or provide additional capital expenditures deemed necessary and appropriate by the City Manager.

12. **Fiscal Year 2012 Special Analysis:** That the City Manager shall prepare a special analysis that shows the projected expenditures and revenues for FY 2012. That analysis shall contain:

- a. Revenue estimates at the same level of detail as shown in the long range forecast section of the budget document, including three forecast estimates – high, mid and low level.
- b. Revenue estimates that assume the same tax rates as those proposed for FY 2011 in the base budget.
- c. Expenditure estimates in the same level of detail as provided in the long range forecast section of the budget document.
- d. A detailed estimate of the impact in FY 2012 of any recommended expenditures in the FY 2011 base budget.
- e. The impact on FY 2012 revenues and expenditures of any of the options for additional operating and CIP expenditures proposed under the authority of section 11 above; and
- f. A general discussion of the types of actions that might be necessary to balance the FY 2012 budget if there is a projected deficit for that year.

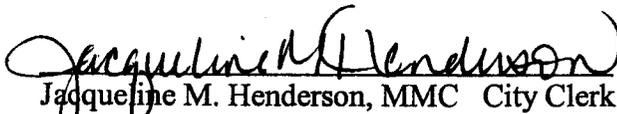
The City Manager shall also provide estimates of the revenue and expenditure impact in FY 2012 of any budget amendment proposed by a Council member for consideration during the FY 2011 budget development process.

Adopted: November 24, 2009



WILLIAM D. EULLE MAYOR

ATTEST:



Jacqueline M. Henderson, MMC City Clerk