

City of Alexandria, Virginia



MEMORANDUM

DATE: MARCH 15, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: BUDGET MEMO #3: DESCRIPTION OF GENERAL FUND MONIES BEING USED TO MAKE UP FOR DECLINING OR STAGNANT FEDERAL AND STATE FUNDING



The FY 2006 Proposed Budget reflects more than \$4.0 million in additional City funding to offset declining or stagnant federal and State assistance in order to continue providing essential services. During the budget presentation on March 8, Councilman Krupicka requested a detailed memorandum on why the \$4.0 million is needed.

There are 3 basic reasons that City costs increase faster than inflation to maintain current services as grant funding or other forms of intergovernmental revenue declines:

1. Lower Revenue. The FY 2006 budget proposes \$3.0 million to replace grant funds that as of the time of this memo are estimated at lower levels in FY 2006. The \$3.0 million is broken down into \$1.8 for federal and State aid for Metrorail, Metrobus and WMATA capital costs, and \$1.2 million for federal prisoner per diem, based on fewer federal inmates at the Detention Center.

WMATA - Alexandria's share of the operating costs for Metrobus and Metrorail service and the local subsidy for the WMATA Capital Improvement Program are paid through a combination of federal, State and local funding sources. The direct cost to the City is affected by the level of federal and State aid that is anticipated to be received each year. State and federal aid for transit services is allocated through the Northern Virginia Transportation Commission (NVTC) based on a formula basis that takes into account the operating and capital budget requests for all transit requirements (Metro and local transit systems) for each of the Northern Virginia localities. Once each local government's proportional share of aid is determined, the combined federal and State aid available is distributed among the jurisdictions on the basis of these proportional shares. The reduction of this revenue source in the amount of \$1.8 million is based on actual revenues received in recent years. In FY 2003, the City received \$10.2 million, in FY 2004 the City received \$9.0 million, and in FY 2005 the City expects to receive \$9.1 million (as compared to \$10.8 million budgeted). As a result, the budget currently estimates \$9.0 million will be received in FY 2006.

It should be noted that the figures above are estimates and the City has requested that NVTC provide updated estimates. The updated estimates will be reflected in OMB's April revenue re-estimating process.

Federal Prisoner Reimbursement - Due to a lower federal inmate census at the Detention Center, General Fund revenues are estimated to be reduced by \$1.2 million. It should be noted that the number of federal prisoners has been declining over the last several years. To the extent that this revenue source is reduced, and local prisoners replace federal prisoners, the City has to make up the difference.

2. Grant funding is not keeping pace with expenditure growth. When the City receives grant funding, it can be in the form of 100% grants, or some combination of a percentage of grant funding with required City General Funding. The General Funds associated with grant funding are commonly referred to as a local "cash match." Cash match is defined as the amount of City General Fund monies needed to supplement the available grant funds to run a specific program. In some instances, where there is no personnel associated with the grant program, and if there is no growth in non-personnel expenditures, such as increases to services, the City's cash match required remains even over the life of the grant. However, if there are personnel associated with the grant program, over time the cash match will need to increase to keep up with the increased costs of City personnel (such as COLAs, merit pay and benefit cost increases), as well as grow if there are any increases in services provided by the grant.

The Departments of Human Services (DHS) and Mental Health, Mental Retardation, and Substance Abuse (MHMRSA) rely heavily on State and federal grants to deliver services to their clients. In FY 2006, grant funds make up 55.6% and 43.3% of the budgets of DHS and MHMRSA, respectively. Many of the grants are State or federal entitlements and have been awarded to the City for many years. Because grant awards do not keep pace with increases to maintain current service levels, an increase in General Fund cash match is needed. For these two departments, this General Fund cash match contribution to maintain current services is \$495,000 for Human Services and \$504,000 for MHMRSA. It should be noted that the majority of these increases are attributable to personnel increases, and do not represent an increase in purchased services. A variety of other City departments that receive grant funding to a much lesser extent than these two departments face a similar escalation in costs to maintain current services.

3. Outright replacement of lost grant funding. Occasionally the City receives grants that expire after a certain amount of time. Usually the grant ends and the services provided by that specific grant are discontinued. From time to time the department providing the service will request to the City Manager that the services provided be absorbed by the General Fund. After review by the Office of Management and Budget, and then the City Manager, Council may be requested to continue selected services for programs previously funded by grants as discretionary supplementals. Such is the case this year in the Police and Human Services Departments. Conversely, it should be noted that most of the time when a grant expires, the General Fund does not replace funding.

Police - A recommended supplemental budget request in the amount of \$50,000 is in the Proposed Police budget, which will replace partially a federal grant of \$122,000 that has

expired. The \$50,000 will provide overtime for homeland security-related responses, such as a terror alert, major incident or an unforeseen threat to the security of the City. The Police Department also had requested \$103,680 to replace lost Federal Law Enforcement Block Grant funding, which was not recommended in the proposed budget.

Human Services - In FY 2005 *JobLink* lost grant funding in the amount of \$687,482 and instituted a plan to reduce the quantity of services offered to the public, not the quality. The reduction of quantity of services included a reduction of the evening and weekend hours of availability. Since the implementation of the reduced hours, staff at *JobLink* have received phone calls from disgruntled citizens, especially those who are working full time yet seeking assistance, and have noticed an increase in the day time traffic at the center. The \$200,000 is intended to allow the Department to hire up to 4 positions to assist with an increased case load. Above and beyond that Human Services requested an additional \$139,072 and 3 positions for this purpose which was not recommended in the proposed budget.

cc: Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs
Bruce Johnson, Director, Office of Management and Budget