

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 16, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #48: ADD-DELETE AMENDMENTS TO IDENTIFY \$16.4 MILLION IN BUDGET RESOURCES TO PAY FOR ADDITIONAL 4 CENT REAL ESTATE TAX RATE REDUCTION

At the budget work session on April 11th, we discussed and received Council's direction for a procedure and schedule for handling the add-delete process in light of Council's decision to advertise the proposed real estate tax rate at \$0.915 cents, which is 4 cents lower than the City Manager's budgeted rate of \$0.955. (See budget memorandum #36.) As we noted then, unless City Council were to decide to readvertise this rate again at a higher level, it is the maximum rate that may be used for purposes of adopting the FY 2006 Operating Budget and Capital Improvement Program (CIP) for FY 2006 to FY 2011. A rate of \$0.915 cents reduces revenues by \$16.4 million compared to the City Manager's proposed budget.

As requested, to assist the City Council in identifying such adjustments necessary to identify \$16.4 million in budget resources and fund a real estate tax rate reduction of 4 cents below the City Manager's proposed tax rate, with this memorandum we are providing a list of possible amendments to the City Manager's proposed budget that would close the \$16.4 million gap. In summary, these amendments are:

\$4.7 M	Revenue re-estimates for FY 2005 of \$2.5 M and for FY 2006 of \$2.2 M (to be discussed separately in detail in budget memorandum #49.)
\$5.0 M	New or increased tax and fee options (previously discussed in detail with Council at the April 12 th legislative session.)
\$2.5 M	Specific City operating budget reductions
\$1.2 M	A general reduction in the City transfer to the School's operating budget
\$4.9 M	Specific CIP budget reductions that net to \$4.9 million in FY 2006, of which \$350 thousand is for school capital projects.
\$0.7 M	An increase in CIP financing resources from a bond premium paid at issuance of the latest general obligation bond.
-\$2.6 M	A net <u>increase</u> in fund balance designations, including the designation of \$3.0 million for possible changes in sworn public safety (Police, Fire, Sheriff) personnel compensation.
<u>\$16.4 M</u>	<i>Total Additional Budget Resources</i>

As specified in budget memorandum #36 and agreed by Council, this list will be used as the base starting point for constructing a preliminary add-delete list for consideration at Council's work session on Wednesday, April 27th.

City Council members have one week to consider additional possible amendments (to that list and to the base budget) before submitting any other specific, preliminary add-delete list amendments to the Office of Management and Budget by the April 22nd deadline previously established in Budget Memorandum #1. As has been previously planned, Staff then will provide a consolidated list of all add-delete items to City Council on Monday, April 25th by budget memorandum, for its consideration at the Wednesday, April 27th work session on the preliminary add-delete list.

SPECIFIC ADD-DELETE AMENDMENTS

FY 2005 Revenue Reestimates (See budget memorandum #49 for additional details.)

-\$5.364 million	Loss of revenue due to additional 4 cent real estate tax rate reduction
+\$2.489 million	FY 2005 revenue reestimates from other sources
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-\$2.875 million =	Net Change in FY 2005 Revenues

FY 2006 Revenue Reestimates (See budget memorandum #49 for additional details.)

-\$11.04 million	Loss of revenue due to additional 4 cent real estate tax rate reduction
+\$0.2 million	Reestimate of amount of elderly and disabled real estate tax relief due to additional 4 cent real estate tax rate reduction
+\$2.05 million	FY 2006 revenue reestimates from other sources
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-\$8.79 million =	Net change in FY 2006 revenues

FY 2006 New Revenue Sources

+\$1.3 million	New 50 cent Admissions Tax
+\$1.7 million	New \$3.00/month Cell Phone Tax
+\$0.8 million	Increase of 20 cents in Cigarette Tax
+\$1.2 million	Accelerate increase in Sewer Connection Fee from \$0.60 to \$1.00
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+\$5.0 million =	Total Available from New Revenue Sources in FY 2006

FY 2006 City Operating Budget Reductions of Supplemental Budget Additions

The following City operating budget changes are proposed. While the positions and programs represented by the reductions can all be justified by need, and represent a reasonable proposed public expenditure, these positions and programs are of a lower priority than others contained in the proposed budget and therefore were prime candidates for inclusion in this reduction list. It is planned that while the need for these positions will again be reviewed for the FY 2007 budget process, these positions would receive priority reconsideration when the FY 2007 budget is prepared.

-\$150,000	Eliminate three of four JobLink positions to be continued with City funding after expiration of the federal grants. Continue one position for youth employment services.
-\$57,691	Eliminate one new telecommunications staff position in Information Technology Services.
-\$68,296	Eliminate one new research analyst position in the Department of Real Estate Assessments.
-\$56,368	Eliminate two new part-time positions in the Department of Recreation, Parks and Cultural Affairs for events administration and volunteer/outreach coordination.
+\$62,643	Add \$62,643 to the estimated mandated costs for the Comprehensive Services Act administered by the Alexandria Community Policy Management Team (See budget memorandum # 40 for additional details.)
+\$66,755	Add back to the budget and reverse the expenditure reduction contained in the proposed budget for the reduction in Saturday hours and the elimination of Sunday operations at neighborhood recreation centers.
+\$70,000	Add a 3 percent inflation adjustment to each of the FY 2006 budgets of the following economic development entities with City funds in FY 2005 that have staff costs: (1) \$50,000 for the Alexandria Convention and Visitors Association, (2) \$17,000 for the Alexandria Economic Development Partnership, (3) \$2,000 for the Alexandria Small Business Development Center, (4) \$1,000 for the Eisenhower Avenue Public Private Partnership. (The \$500,000 designation of fund balances for these entities and other economic development entities seeking City funds for the first time would be eliminated. See below.)
-\$2.0 million	The Washington Metropolitan Area Transit Authority's (WMATA) request for METRO operating budget subsidy from the City has been decreased by \$500,000 since the City Manager's proposed budget was formulated. Also, estimates of state aid that off-set the City's required subsidy for METRO have been increased by \$1.5 million due in part to additional funds coming from the Commonwealth of Virginia due to recent legislative action by the State and to increased transit aid to the Northern Virginia Transportation Commission. (See budget memorandum #50 for additional information on these changes in METRO subsidy estimates.)

-\$250,000 Reduction in the estimated cost of Affordable Homeownership Preservation Grant Program (AHOP) at grant levels \$175 less than that proposed in the City Manager's budget. The adjusted grant amounts of \$275, \$475 and \$675 adjusted by household income would still be more than last year's flat rate of \$250, regardless of household income.

\$2,522,957 = **Net change from City Operating Budget Reductions**

FY 2006 Schools Operating Budget Reduction

-\$1,160,000 A reduction in the City's transfer for School operations from the funding level recommended in the City Manager's proposed budget. The School Board has the authority to reallocate its available resources in whatever manner it determines; however, for purposes of disclosure this proposed reduction was derived in the following manner:

- \$300,000 – Taken from new, "out-of-classroom" positions requested by the School Board for FY 2006. City staff calculates that \$1.7 million of the City Manager's proposed School's budget increase of \$9.8 million is for out-of-classroom positions.
- \$700,000 – This reduction would be a financial adjustment to reduce the over funding of the School's Supplemental Retirement System (S.S.R.S.). The School's FY 2004 Comprehensive Annual Financial Statement (CAFR) shows an accumulated over funding of some \$5.3 million as of June 30, 2004. This reduction in over funding could continue for a number of years beyond FY 2006. This adjustment has the effect of suspending further budgeted payments into the S.S.R.S. fund for at least FY 2006. This change does not affect any employee retirement benefits that are authorized to be paid in FY 2006 and beyond.
- \$160,000 – A technical adjustment that reflects final action by the Commonwealth of Virginia on its budget that provides additional State aid to ACPS beyond that assumed in the proposed budget, which can offset the City's subsidy.

Capital Improvement Program (CIP) Expenditure Reductions

In developing the list of potential capital budget reductions, staff looked at both the priority of these capital projects in comparison to other capital projects in the CIP, as well as reviewed the project schedules, which were developed last fall when the City's CIP process started. For some of these projects the project schedules have shifted and now are estimated to begin at a later date

than they appeared in the fall. As a result, these projects can be slipped from FY 2006 to FY 2007. When the FY 2007 CIP is prepared, prioritization and project scheduling issues will be undertaken again. The exception to this shifting of projects to FY 2007, is that it now appears reasonable that the Charles Houston Recreation Center project will occur earlier and move beyond the staff planning stage to the architectural and engineering, and then construction stage in FY 2006.

-\$200,000	This reduction postpones funding for the School Bus Parking Lot Expansion pending a redesign of the possible use of space in this location as part of the possible relocation of the Police Headquarters and related changes in this area.
-\$150,000	This reduction eliminates \$150,000 of \$350,000 requested for the establishment of a School's "hot site" for maintaining information technology (IT) services in the event of an emergency at the regular location for IT equipment. These costs should be able to be reduced as result of City/Schools collaboration on locating the School's hot site at the new City Network Operations Center at Tavern Square.
-\$1,000,000	This reduction postpones \$1.0 million in new funding for the next phase of the Old Town utility undergrounding project.
-\$2,130,000 --	This reduction postpones \$2.13 million in previously planned funding for the design of the new Police Headquarters. This change will not significantly impede the project due to the time required for the site selection process to conclude.
-\$1,803,890 --	This reduction cancels \$1.8 million in unallocated balances from prior years available for renovations to Market Square. These funds will then be available for other FY 2006 projects. These funds will be restored to the CIP in FY 2007 when this project is now expected to be ready for design and construction.
-\$1,500,000	This reduction postpones \$1.4 million in project funding contained in the City's Information Technology Plan from FY 2006 to FY 2007 or later. These changes were discussed with Council at the Budget Work Session on April 11 th . \$221,000 of these funds are unallocated balances from prior years and \$1,279 is new funding originally proposed for FY 2006.
-\$250,000	This reduction accounts for the fact that the cost of moving a sewer line contained in the budget for the new DASH bus facility project can be funded by State Urban funds.
+\$2,170,000	This change restores \$2.17 million to the FY 2006 CIP for the renovation of the Charles Houston Recreation Center. The proposed budget had recommended moving \$2.5 million from FY 2006 to FY 2007. Most of this funding can be returned to FY 2006 so that significant progress can be made as soon as possible on this project.
-\$4,863,890 =	Net Change CIP Expenditure Reductions

CIP Financing

+\$683,153 A bond premium was paid to the City of \$0.7 million as a result of the issuance of \$54.825 million in General Obligation bonds earlier in FY 2005. These funds are immediately available to the City to help defray the costs of the CIP.

Fund Balance Designations

-\$500,000 This change eliminates the designation of funds for economic development entities contained in the proposed budget. Instead an approximate three percent inflation adjustment of \$70,000 in total is proposed above for those economic development entities that have staff costs and provided City funds in FY 2005.

+\$65,000 Due to the recent spike in fuel costs, this change increases the designation for the possible fuel cost increases above the \$180,000 contained in the proposed budget.

+\$3,000,000 This designation sets aside funds for any possible changes in compensation for sworn public safety (Police, Fire, Sheriff) employees that will be studied and presented to Council for consideration in FY 2006.

+\$2,565,000 **Net Change in Fund Balance Designations**