

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 13, 2007

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 THE FY 2008 BUDGET DELIBERATIONS

ISSUE: Proposed schedule and add/delete list process for the FY 2008 Budget deliberations.

RECOMMENDATION: That City Council review this report and inform staff, at the February 15, 2007 budget work session, of any requested revisions in due dates or in the suggested process.

DISCUSSION: Typically, specific written guidelines for the budget add/delete process have been delineated, including (1) a timeline with specific due dates for budget memos, 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 October 2006, and reaffirmed in Resolution No. 2205 (attachment 1).

The table on the next page provides the timeline recommended by staff for the FY 2008 budget process, based on the budget calendar adopted by City Council. This proposed timeline parallels the process and timeline generally used by the City Council for the last seven years, as modified by Resolution 2205. 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 new provisions of Resolution 2205, public hearings have been scheduled as late as possible.

This year, as we did last year in response to Council's request for an earlier Budget and Fiscal Affairs Advisory Committee (BFAAC) report, we will request BFAAC transmit its report on the Operating Budget and Capital Improvement Program by April 13 at the latest for discussion at a work session to be held the following week. (The exact date for the work session with BFAAC is before City Council at this time for scheduling.) This schedule will provide the BFAAC report to Council well before the Council submission of preliminary add/delete items.

CALENDAR FOR FY 2007 BUDGET DELIBERATIONS

Thursday, February 15	Budget Work Session: Taxes, Fees and Other Revenues
Wednesday, February 21	Budget Work Session: Personnel Compensation
Monday, March 5	Budget Work Session: Capital Improvement Program Issues
Monday, March 12	Budget Work Session: Public Safety Organizations (Police, Fire, Sheriff, Judicial Organizations, Other Public Safety and Justice)
Monday, March 19	Budget Work Session: Development and Transportation (TES, Code Enforcement, Planning and Zoning, Housing, Economic Development Activities)
Thursday, March 29	Budget Work Session: Social Services (DHS, Alexandria Fund, MH/MR/SA, Health, Other Health, Office on Women and Office on Human Rights)
Tuesday, April 2	Deadline for written notice to City Manager and City Clerk from Council Members of intent to offer amendment adding \$50,000 or more to the proposed budget.
Monday, April 9	Public Hearing on the FY 2008 Proposed Operating Budget, and the FY 2008 to FY 2013 Capital Improvement Program.
Tuesday, April 10	Introduction and First Reading of Property (Real and Personal) Tax Rate Ordinances. This set the rates to be advertised.
Wednesday, April 11	Budget Work Session with the School Board on Schools Capital Improvement Program and FY 2008 Operating Budget Fourth Budget Work Session: City Operating Budget Issues.
Thursday, April 12	Deadline for Proposed Amendment adding \$50,000 or more to proposed budget if matter raised by a member of the public at public hearing on April 9 and proposed amendment requested by at least 3 members of City Council
Friday, April 13	Advertisement of Public Hearings on Effective Tax Rate Increase and Property Tax Rate Ordinances must occur at least 7 days prior to public hearing on April 24 th , but not more than 5 days after introduction. Council may not adopt real property or personal property tax rates in excess of the rates advertised.
Monday, April 16	Budget Work Session: Recreation and Cultural Affairs (RPCA, Library, Office of Historic Alexandria, Other Recreation)

Wednesday, April 18	Suggested deadline for Council requests requiring a written budget memorandum response before additional preliminary add-delete items due (but see earlier deadlines for “adds” of \$50,000 or more)
Wednesday, April 18 or Thursday, April 19	Budget Work Session: BFAAC Report Presentation and Discussion.
Monday, April 23	Budget Work Session: General Government (Citizen Assistance, General Services, ITS, OMB, Personnel, Real Estate, Finance)
Tuesday, April 24	Public Hearing on Effective Real Estate Tax Rate Increase. ¹ at Regular Council Legislative Session
Wednesday, April 25	Deadline (by 5:00 p.m.) for identifying items for the Preliminary Add/Delete List. (See process discussed below in sections 2 and 3.)
Friday, April 27	Preliminary Add/Delete List delivered to Council
Monday, April 30	Budget Work Session: Discussion of Preliminary Add/Delete List.
Friday, May 4	Final Add/Delete List delivered to City Council, based on revisions discussed at April 17 work session. (See process discussed below in section 4.)
Monday, May 7	Budget Work Session and Budget Adoption at a special legislative meeting of Council. Adoption of Budget and 2 nd reading and final passage of tax rate.

Particular elements of the proposed calendar for budget deliberations are discussed below:

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

Budget Director Bruce Johnson, as the lead staff person on the budget, should receive all requests from members of Council in writing, by e-mail, by telephone request, or through requests at Council meetings or budget 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. Staff cannot promise to answer questions received after Wednesday, April 18th before all the preliminary add/delete suggestions are due to staff on Wednesday, April 25th.

2. Preparing Preliminary Add/Delete List

To ensure that there is not a misunderstanding regarding the development of the Preliminary Add/Delete List, Budget Director Bruce Johnson will contact each member of Council by telephone to determine the items the member wishes to be included on the preliminary list. This will be done prior to the release of the budget memo that transmits this preliminary list. 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 language that will be used in the list to describe the item. This will be done either orally over the telephone or through an exchange of faxes or e-mails.

No language describing an add/delete item will be placed in the preliminary list unless it has been agreed to by the “sponsoring” Council member. Once agreement has been reached with all members regarding the items they wish to have included in the Preliminary Add/Delete List, staff will finalize and forward to Council the budget memorandum that contains this list. If different members have different approaches to the same item to be added to or deleted from the preliminary list, staff will reflect the different approaches on the list and will identify the member who supports each approach.

3. Criteria for Preliminary Add/Delete List Items

In accordance with the City Council’s adopted Resolution 2205 (Attachment I), any add/delete item or group of items that adds to expenditures must be accompanied by an offsetting decrease in expenditures or increases in revenue. If such an offsetting item or group of items is not identified by a member, then staff will not add to the Preliminary Add/Delete List the item which the member wishes to have placed on the list.

Adds of \$50,000 or more must be requested by Tuesday, April 2, unless a matter has been raised by a member of the public at public hearing on April 9 and the proposed amendment is requested by at least 3 members of City Council by April 12. Other than the requirements of Resolution 2205, Council members may use their own criteria in determining the items they wish to have added to the Preliminary Add/Delete List.

In addition, monies included within the general Contingent Reserves account (which is part of the annual operating budget and is budgeted at \$375,00 in the FY 2008 Proposed Budget) cannot be used to fund an addition without specific Council approval to transfer these monies to an operating agency account. As a result, if a Council member wishes to fund an addition by the transfer of monies from the general Contingent Reserves account, this deletion from the Contingent Reserves account and the corresponding added items’ expenditure must be included on the add/delete list. Recommendations from the City Manager for consideration of expenditure items that were unforeseen at the time the proposed budget was presented may also be handled in this manner.

4. Deadline for Requests to Increase the Real Property Tax Rates or Personal Property Rates

The legal deadline for advertising the real property tax rate is Tuesday, April 17th, 7 days in advance of the scheduled date for the effective real property tax rate hearing on Tuesday, April 24th. If City Council wishes to have the City Manager advertise a higher real property tax rate than that in the proposed budget of 81.5 cents per \$100 of assessed value, an indication of that action by Council

must occur at the April 10th Legislative meeting in order to to enable advertisements to be posted by the legal deadline. The same time frame would hold for the City's personal property tax rate of \$4.75.

5. Preparing Final Add/Delete List

This year's Preliminary Add/Delete List will be considered at the Monday, April 30th 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 its Final Add/Delete List and will distribute it to Council on Friday, May 4th. No additions to the Preliminary Add/Delete List can be made after April 30th, but any clarifications of items on that list may be made in reaching the Final Add/Delete List. We do not anticipate the need to contact any Council members after the April 30th work session regarding the Final Add/Delete List, since we expect Council will have reached agreement at that session on all revisions to the preliminary list, including language revisions. However, if, for some reason, this turns out not be the case, staff will review specific items on the Final Add/Delete List with the proposing Council member before distributing it on Friday, May 4th.

ATTACHMENT: Approved Budget Resolution Regarding the Treatment of Final Revenue Adjustments During the Budget Process

STAFF: Mark Jinks, Deputy City Manager
Michele Evans, Deputy City Manager
Bruce Johnson, Director, Office of Management and Budget

RESOLUTION NO. 2205

Budget Resolution Regarding the Processes To Be Used To Plan For and 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, and 2166 and previously adopted by City Council have now expired; 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 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, residential real estate taxes have borne an increasing share of the burden of paying for City and School services; and

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

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools in achieving its mission and being among the best in Northern Virginia; 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 focus on managing for results, 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 and objectives outlined in the City Council's adopted 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, adhere to the following rules of procedure:

Section (a) The Timing of the Setting of Budget Targets 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 objectives, potential discretionary supplemental increases crucial to achieving City Council's strategic objectives, 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 an appropriate cost-of-living adjustment for City and School staff), (c) the outlook for additional requests for City operating needs in the upcoming fiscal year and future capital needs in the upcoming fiscal year and succeeding 5 fiscal years, (d) 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 five years, (c) the outlook for Federal and State grants, and (d) the outlook for 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 citizen 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 and that such a resolution would contain (a) a target for City General Fund expenditures (including any cost of a cost-of-living adjustment (COLA) for City staff and cash capital and debt service), and (b) a target for a budget transfer to the Alexandria City Public Schools (including the cost of any COLA for School staff).

(6) City Council shall establish for the City Manager and the Schools what preliminary percentage COLA should be included in the targets established in sections 5(a) and 5(b) above.

(7) That City Council plans to adopt such a budget resolution during the month of November.

(8) That the Board of the Alexandria City School Schools is requested to approve an Operating Budget and Capital Improvement Program by no later than January 31, prior to the upcoming fiscal year. Such budget, if it shall exceed the Council approved budget targets for the Operating Budget transfer and Capital Improvement Program given to the Alexandria City Public Schools, shall clearly identify what operating programs and activities and capital projects would be funded if additional funding were provided above that target.

(9) 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 in February, that does not exceed the target for General Fund expenditure growth established by City Council, and clearly identifies what operating programs and activities and capital projects would be recommended if additional funding were provided, and/or what tax rate changes could be enacted with whatever additional revenues might be available above the revenues needed to meet the expenditure target and still provide a structurally sound budget, including a proposed real estate tax rate necessary for financing the target budget, as well as provide tax, fee and other revenue options necessary for financing the budget, as appropriate. The City Manager may recommend, and Council may adopt, a different percentage COLA in his proposed budget than that established by City Council under section 6 above, but such a recommendation shall not change the targets established by sections 5 (a) and (b) above. The proposed Operating Budget shall include as a line item of expenditure (instead of as a designation of fund balances) the cost of any market-based salary adjustments proposed to maintain the City's ability to attract and retain any class or classes of employee.

(10) 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 Office of Management and Budget 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 Undesignated 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 such motion or amendment would have the effect of increasing any specific budget outlays above the level of such outlays 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.

(2) In the Alexandria City Council, any appropriation from the Undesignated 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 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 Undesignated Fund Balance. As specified in Section c (2), any appropriation from the Undesignated 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.

It shall not be in order for any member of the Alexandria City Council to initiate any amendment to the proposed budget of the City of Alexandria which would increase any specific budget outlay by more than \$50,000, unless written public notice of the member's intent to offer such an amendment, and a general description of the proposed amendment, is given to the City Manager and City Clerk at least one week prior to the spring budget public hearing.

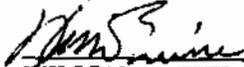
- (a) The provisions of this paragraph may be waived if the proposed amendment is raised by a member of the public at the spring budget public hearing (but not an amendment raised at the separate public hearing on the effective real estate tax) and at least three members of the Alexandria City Council formally request a budget memorandum from staff in regard to such proposed amendment within 3 days of the public hearing.
- (b) The provisions of this paragraph also may be waived for good cause by an affirmative vote of five Council Members. As used in this paragraph, "good cause" shall include, but not be limited to, a change in the amount of state or federal funding included in the proposed budget.

Section (d) Adoption of Budget that exceeds target.

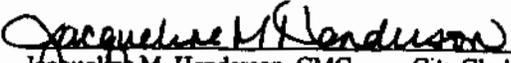
The adoption of a budget that in total exceeds the targets established in accordance with sections 5(a) and 5(b) (or the highest target if more than one target is established for each section) shall require an affirmative vote of five Council Members.

Section (e) Expiration – The provisions of this resolution shall expire on June 30, 2009.

ADOPTED: October 10, 2006


WILLIAM D. EULLE MAYOR

ATTEST:


Jacqueline M. Henderson, CMC City Clerk