

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 4, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 84: FINAL ADD/DELETE LIST FOR
DISCUSSION AT THE MAY 7, 2007 BUDGET WORK SESSION

The final add/delete budget work session is scheduled for Monday, May 7, 2007 at 6:00 p.m. in the Council Workroom.

Attachment A shows the agenda for the work session.

Attachment B shows the final recommended add/deletes of each City Council member for discussion at that work session. Also presented is a column entitled "possible consensus". That column represents the results of the preliminary add/delete work session held May 1, 2007 and discussions that the Mayor has had individually with each Council member as Council works toward achieving consensus. Monday evening's work will be the final step in that process, immediately after which Council will hold a special session to adopt the FY 2008 Operating Budget and Capital Improvement Program (CIP) and related measures in Council Chambers.

Attachment C contains any short narrative statements provided by Council members to explain changes in their add/deletes if they are different those provided in the preliminary add/delete list presented in budget memo #75.

At the Monday, May 7 budget work session, staff will present to City Council docket items on the FY 2008 budget adoption and the tax rates that could be adopted at the special meeting, with any final amendments agreed to at the work session.

Finally, Council will be asked to adopt the reports and recommendations, resolution and ordinance outlined in the attached docket for the Monday special meeting.

CC: Rebecca Perry, Superintendent, Alexandria City Public Schools

**BUDGET WORK SESSION
ON THE PROPOSED FY 2008 BUDGET**

**MONDAY, MAY 7, 2007
6:00 PM
COUNCIL WORKROOM/COUNCIL CHAMBERS**

AGENDA

- I. Consideration of Final Add/Delete List (Budget Memorandum #84)**
- II. Other Budget Related Matters**

Individuals with disabilities who require assistance or special arrangements to participate in the City Council work session, or persons requiring translation services to participate in the City Council work session, may call the City Clerk and Clerk of the Council's Office at (703) 838-4500 (TTY/TDD) (703) 838-5056). We request that you provide a 48-hour notice so that the proper arrangements may be made.

**CITY OF ALEXANDRIA, VA
PRELIMINARY ADD/DELETE SUMMARY LIST
LAST UPDATED:
Tuesday, May 01, 2007**

(Positive # = increase in General Fund or CIP Expenditures; reductions in General Fund Revenue; or increase in Fund Balance designations)
(Negative # = reduction in General Fund or CIP Expenditures, increase in General Fund Revenue; or decrease in Fund Balance designations)

	City Manager Technical Adjustments And Exp. Options \$50,000 plus In Order Under Resolution 2205	Possible Consensus	Mayor Euille	Vice Mayor Macdonald	Councilwoman Pepper	Councilman Krupicka	Councilman Smedberg	Councilman Gaines	Councilmember Lovain
TECHNICAL ADJUSTMENTS									
Revenue Re-Estimates (Budget Memo #33)									
FY 2008 Revenue Adjustments (Technical)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)
FY 2007 Revenue Adjustments (Technical)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Revenue Re-estimates	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)	(\$3,500,000)
Technical Expenditure Adjustments (Budget Memo #32)									
Animal Welfare League contract inflationary increase	\$30,087	\$30,087	\$30,087	\$30,087	\$30,087	\$30,087	\$30,087	\$30,087	\$30,087
Commonwealth's Attorney increase in State revenues	(\$26,917)	(\$26,917)	(\$26,917)	(\$26,917)	(\$26,917)	(\$26,917)	(\$26,917)	(\$26,917)	(\$26,917)
Other Public Safety increase in State revenues for Adult Probation and Parole	(\$12,791)	(\$12,791)	(\$12,791)	(\$12,791)	(\$12,791)	(\$12,791)	(\$12,791)	(\$12,791)	(\$12,791)
Health Department withdrawn supplemental request	(\$26,742)	(\$26,742)	(\$26,742)	(\$26,742)	(\$26,742)	(\$26,742)	(\$26,742)	(\$26,742)	(\$26,742)
Court Service Unit increase in State revenues	(\$11,000)	(\$11,000)	(\$11,000)	(\$11,000)	(\$11,000)	(\$11,000)	(\$11,000)	(\$11,000)	(\$11,000)
DHS increase in Comprehensive Services Act (CSA) funding (Budget Memo #57)	\$123,800	\$123,800	\$123,800	\$123,800	\$123,800	\$123,800	\$123,800	\$123,800	\$123,800
Cash Capital decrease	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)
Subtotal Technical Expenditure Adjustments	\$61,437	\$61,437	\$61,437	\$61,437	\$61,437	\$61,437	\$61,437	\$61,437	\$61,437
Net Technical Adjustments	(\$3,438,563)	(\$3,438,563)	(\$3,438,563)	(\$3,438,563)	(\$3,438,563)	(\$3,438,563)	(\$3,438,563)	(\$3,438,563)	(\$3,438,563)

	Adjustments And Exp. Options \$50,000 plus In Order Under Resolution 2205	Possible Consensus	Mayor Euille	Vice Mayor Macdonald	Councilwoman Pepper	Councilman Krupicka	Councilman Smedberg	Councilman Gaines	Councilmember Lovain
EXPENDITURE INCREASE OPTIONS									
Cost-of-living Adjustment (COLA) Options (Budget Memos #19, 20, 21, 34, & 61)									
	2.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
City employees (after eliminating Q-step)	\$3,870,000	\$2,770,000	\$2,770,000	\$2,770,000	\$2,770,000	\$2,770,000	\$2,770,000	\$2,770,000	\$2,770,000
School employees	\$2,786,263	\$2,089,697	\$2,089,697	\$2,089,697	\$2,089,697	\$2,089,697	\$2,089,697	\$2,089,697	\$2,089,697
Subtotal COLA Option	\$6,656,263	\$4,859,697	\$4,859,697	\$4,859,697	\$4,859,697	\$4,859,697	\$4,859,697	\$4,859,697	\$4,859,697
Schools Transfer Options (Excluding COLA) (Budget Memos #12, 16 & 29)	\$2,800,000	\$2,650,000	\$2,650,000	\$2,650,000	\$2,650,000	\$2,650,000	\$2,000,000	\$2,700,000	\$2,650,000
City Operating Budget Addition Options									
DHS Programs (add to Contingent Reserves) (Budget Memo #13)	\$1,000,000	\$877,000	\$877,000	\$877,000	\$877,000	\$877,000	\$750,000	\$1,000,000	\$877,000
Red Light Cameras (Budget Memo #24)	\$780,000	\$780,000	\$780,000	\$780,000	\$780,000	\$780,000	\$780,000		\$780,000
100 Year-old Buildings Study (Budget Memo #47)	\$100,000	\$80,000	\$80,000	\$100,000	\$80,000	\$80,000	\$100,000		\$80,000
Tree Planting (Budget Memo #67)	\$100,000			\$100,000					
Full-time Council Aides-Half Year (Budget Memo #42)	\$200,000								
Advertising for City Open Air Markets (Budget Memo #67)	\$50,000								
Inventory of Alexandria Global Warming Emissions	\$200,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000			\$75,000
Sheriff (Overtime) (Budget Memo #54)	\$50,000						\$50,000		
Sheriff (Deputy Sheriff Position) (Budget Memo #54)	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000			\$65,000
Sheriff Dep.Pos. Reclassification (Euille and Macdonald to Cont. Res.; all others to directly to Sheriff) (Budget Memo #54)	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000		\$240,000	\$240,000
Environmental Action Plan Efforts		\$49,000	\$49,000	\$49,000	\$49,000	\$49,000			\$49,000
LEED Training for City Staff (Budget Memo #47)									
Transportation Improvements (Budget Memo #53)		\$900,000	\$900,000	\$900,000	\$900,000	\$900,000	\$900,000		\$900,000
Support for GW Birthday, Saint Patrick's Day and Scottish Walk Special Events									
Concept Study for Maritime Museum on the Waterfront									
Writing Coach for City Reports and Memos									
Historic Preservation Conference									
ACVA (Marketing)								\$25,000	
King St. Garden Park								\$25,000	
Subtotal City Operating Budget Additions	\$2,785,000	\$3,066,000	\$3,066,000	\$3,186,000	\$3,066,000	\$3,066,000	\$2,580,000	\$1,290,000	\$3,066,000
EXPENDITURE REDUCTION OPTIONS									
Decrease to Cash Capital to CIP for Transportation Projects									
Reduction in Contingent Reserves		(\$40,000)	(\$40,000)	(\$160,000)	(\$40,000)	(\$40,000)			(\$40,000)
City Operating Budget Reductions Options	\$0	(\$40,000)	(\$40,000)	(\$160,000)	(\$40,000)	(\$40,000)	\$0	\$0	(\$40,000)
Net City Expenditure Increases and Reductions	\$2,785,000	\$3,026,000	\$3,026,000	\$3,026,000	\$3,026,000	\$3,026,000	\$2,580,000	\$1,290,000	\$3,026,000
Net City and School Expenditure Increases and Reductions	\$12,241,263	\$10,535,697	\$10,535,697	\$10,535,697	\$10,535,697	\$10,535,697	\$9,439,697	\$8,849,697	\$10,535,697

	Adjustments And Exp. Options \$50,000 plus In Order Under Resolution 2205	Possible Consensus	Mayor Euille	Vice Mayor Macdonald	Councilwoman Pepper	Councilman Krupicka	Councilman Smedberg	Councilman Gaines	Councilmember Lovain
TAX AND FEE OPTIONS (Budget Memos #14, 43, 59)									
Real Estate Tax Rate Increase	2.0 cents	1.5 cents	1.5 cents	1.5 cents	1.5 cents	1.5 cents	1.2 cents	1.5 cents	1.5 cents
Real Estate Tax Rate - FY 2008 Impact	(\$6,759,624)	(\$5,069,718)	(\$5,069,718)	(\$5,069,718)	(\$5,069,718)	(\$5,069,718)	(\$4,055,774)	(\$5,069,718)	(\$5,069,718)
Real Estate Tax Rate Increase - FY 2007 Impact	(\$3,356,672)	(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,014,003)	(\$2,517,504)	(\$2,517,504)
Increase administrative fees for delinquent Personal Property Tax collection		(\$180,000)	(\$180,000)	(\$180,000)	(\$180,000)	(\$180,000)	(\$180,000)	(\$180,000)	(\$180,000)
Eliminate Tax Exemption for Federal Employees that Use Hotels		(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
Start New State Vehicle Registration Fee (Budget Memo #53)		(\$900,000)	(\$900,000)	(\$900,000)	(\$900,000)	(\$900,000)	(\$900,000)	(\$900,000)	(\$900,000)
Red Light Camera Revenues (Budget Memo #24)		(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)		(\$750,000)
Exemption from Tax of Clean Special Fuel Vehicles									
Utility Fee Increases (Residential Electrical \$0.5 M and Water-\$0.4 M)									
Commercial Utility Fee Increases (Electrical - \$0.4M; Water - \$0.25M)									
Subtotal Tax and Fee Increase Options (FY 2008 Only)	(\$6,759,624)	(\$7,099,718)	(\$7,099,718)	(\$7,099,718)	(\$7,099,718)	(\$7,099,718)	(\$6,085,774)	(\$5,449,718)	(\$7,099,718)
Subtotal Tax and Fee Increase Options (FY 2007 Only)	(\$3,356,672)	(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,014,003)	(\$2,517,504)	(\$2,517,504)
ADD-DELETE SUMMARY AND PROPOSED USE OF FUND BALANCE (Negative Number = Surplus)									
FY 2008 Net All Add-Deletes (including technical reestimates)		(\$2,584)	(\$2,584)	(\$2,584)	(\$2,584)	(\$2,584)	(\$84,640)	(\$38,584)	(\$2,584)
Surplus FY 2007 Funds Due to Real Estate Tax Rate Increase		(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,517,504)	(\$2,014,003)	(\$2,517,504)	(\$2,517,504)
Total Surplus Available for Fund Balance Designations		(\$2,520,088)	(\$2,520,088)	(\$2,520,088)	(\$2,520,088)	(\$2,520,088)	(\$2,098,643)	(\$2,556,088)	(\$2,520,088)
FUND BALANCE DESIGNATION OPTIONS (Budget Memo #42)									
National Harbor-related		\$400,000	\$400,000		\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Other Post-Employment Benefits									
FY 2009 Capital Improvement Program (CIP) Artificial Turf Field (Budget Memo #52 & 68)		\$850,000	\$850,000	\$850,000	\$850,000	\$850,000	\$850,000		\$850,000
CSA Designation of Fund Balance		\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
FY 2009 Capital Improvement Program (CIP) Trash Cans/Lights		\$300,000	\$300,000	\$300,000	\$300,000	\$300,000			\$300,000
City Trees		\$100,000	\$100,000		\$100,000	\$100,000			\$100,000
King Street Garden		\$25,000	\$25,000	\$25,000	\$25,000	\$25,000			\$25,000
Subtotal Fund Balance Designation Options		\$2,175,000	\$2,175,000	\$1,675,000	\$2,175,000	\$2,175,000	\$1,750,000	\$900,000	\$2,175,000
REMAINDER TO UNDESIGNATED FUND BALANCE AT END OF FY 2008 (Negative Number = Surplus)									
		(\$345,088)	(\$345,088)	(\$845,088)	(\$345,088)	(\$345,088)	(\$348,643)	(\$1,656,088)	(\$345,088)
CONTINGENT RESERVE DESIGNATION OPTIONS									
Amount in City Manager's Proposed Budget	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000	\$375,000
Amount added by Council Member Adds	\$1,240,000	\$877,000	\$877,000	\$877,000	\$877,000	\$877,000	\$750,000	\$1,000,000	\$877,000
Amount Deleted		(\$40,000)	(\$40,000)	(\$160,000)	(\$40,000)	(\$40,000)	\$0	\$0	(\$40,000)
Designation Options									
Gang Prevention Coordinator (Budget Memo #22)	\$90,000	\$90,000	\$90,000		\$90,000	\$90,000		\$90,000	\$90,000
DHS Set Aside	\$1,000,000	\$877,000	\$877,000	\$877,000	\$877,000	\$877,000	\$750,000	\$1,000,000	\$877,000
Sheriff's Office Salary Competitiveness Evaluation/Adjustment	\$240,000								
Undesignated Amount Remaining	\$285,000	\$245,000	\$245,000	\$215,000	\$245,000	\$245,000	\$375,000	\$285,000	\$245,000

	Adjustments And Exp. Options \$50,000 plus In Order Under Resolution 2205	Possible Consensus	Mayor Euille	Vice Mayor Macdonald	Councilwoman Pepper	Councilman Krupicka	Councilman Smedberg	Councilman Gaines	Councilmember Lovain
<u>RATE OF GROWTH IN FY 2008 BUDGET</u>									
FY 2008 City Manager Proposed Budget and Combined Targets		\$508.9	\$508.9	\$508.9	\$508.9	\$508.9	\$508.9	\$508.9	\$508.9
Preliminary Expenditure Increases Over Proposed Budget		\$10.6	\$10.6	\$10.6	\$10.6	\$10.6	\$9.5	\$8.9	\$10.6
Grand Total City Schools General Fund Expenditure Budget		\$519.5	\$519.5	\$519.5	\$519.5	\$519.5	\$518.4	\$517.8	\$519.5
Percent Increase/(Decrease) over FY 2007 Amended Budget (Expenditures)		4.38%	4.38%	4.38%	4.38%	4.38%	4.16%	4.05%	4.38%
<u>RESULTS COMPARED TO INDIVIDUAL TARGETS</u>									
Target City		\$353.4	\$353.4	\$353.4	\$353.4	\$353.4	\$353.4	\$353.4	\$353.4
Preliminary Result City		\$359.3	\$359.3	\$359.3	\$359.3	\$359.3	\$358.8	\$357.5	\$359.3
Preliminary Expenditure Increases Over Proposed Budget and Target		\$5.9	\$5.9	\$5.9	\$5.9	\$5.9	\$5.4	\$4.1	\$5.9
Percent Increase/(Decrease) over FY 2007 Amended Budget (Expenditures)		3.29%	3.29%	3.29%	3.29%	3.29%	3.16%	2.79%	3.29%
Target Schools		\$155.5	\$155.5	\$155.5	\$155.5	\$155.5	\$155.5	\$155.5	\$155.5
Preliminary Result Schools		\$160.2	\$160.2	\$160.2	\$160.2	\$160.2	\$159.6	\$160.3	\$160.2
Preliminary Expenditure Increases Over Proposed Budget and Target		\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.1	\$4.8	\$4.7
Percent Increase/(Decrease) over FY 2007 Amended Budget (Expenditures)		6.92%	6.92%	6.92%	6.92%	6.92%	6.48%	6.95%	6.92%

May 4, 2007

Budget Statement of Vice Mayor Andrew Macdonald

I want to say a few words about this year's budget, which I think for the most is a financially sound policy document. Total City spending will only increase about 4% when compared to the previous year and property taxes will remain flat or decrease somewhat for many, though not for all classes of commercial property.

The City Council established budget targets for the school system and the non-school portion of the budget. The School Board adopted a budget that exceeded the recommended target by a fairly large amount and the Council decided not to fund their entire request. Still, the Superintendent and School Board will receive about 6% more than they received last year to run the public school system. All City employees will receive a 1.5% cost of living adjustment. I think this a reasonable compromise.

In order to provide the community with the services that they have asked for, and which I think are necessary, the Council decided to raise the tax rate by a penny and on-half. This slight increase in the mill rate will not significantly affect the tax bills of most residential property owners, which will drop or remain unchanged for the most part. I believe that we must try to keep total City spending from increasing more than 5% in a given year, in order to prevent property tax bills from rising so quickly.

The cost of providing City employees with high quality health care coverage continues to rise and in the future City employees may have to pay a larger share of their health care premiums. Our primary goal should be to improve the quality of the coverage (plans) so that employees have access to high quality medical care.

Alexandria has been designated a Cool City by the Sierra Club and I supported efforts to raise utility fees by a very small amount to fund our City's Cool Cities (anti-global warming efforts) program. Although Council decided not to raise these fees to pay for our environmental action plan at this time, we did approve the hiring of an Energy Manager and we did allocate funds to complete a baseline global warming survey. An

additional \$100,000 was set aside to plant and protect City trees, which has many environmental and conservation – and property value --benefits.

I was also pleased to support the allocation of additional monies to complete the 100-year-old building survey as part of our City's overall historic preservation efforts; and additional funds to improve the quality of our over-used recreational fields.

All and all, I think that the increase in spending (above the working target) is reasonable and the funding priorities well thought out for the most part. The City Manager, City departments and budget staff are to be commended for their efforts to curb the rise in spending and meet the budget targets and quality of life goals set by the community and Council.

Andrew Macdonald

MEMORANDUM

FROM: COUNCILMEMBER TIM LOVAIN

RE: ADD-DELETES

DATE: 5/3/07

This memorandum is intended to explain the reasons for the budget adds I have offered for the Office of the Sheriff and for a new synthetic playing field.

Office of the Sheriff

Sheriff Dana Lawhorne's office helped secure \$2,272,432 in additional revenues for the City (\$443,000 in FY 2007 funds and \$1,729,432 in FY 2008 funds), primarily through a renegotiation of the federal prisoner per-diem rate. That new rate includes a ten-year federal construction reimbursement (\$216,437 annually) that was largely the product of the creativity and persistence of the Sheriff's Office. The per-diem rate increase will be a recurring source of revenue for the City for years to come. I believe one way public agency staff can be incentivized to find cost savings and additional revenues in their departments is by allowing them to use some of the saved/found funds on meritorious projects and programs.

New Deputy Sheriff Position. I filed an "add" to fund one new Deputy Sheriff position at an annual cost of \$65,000. This position will enable the Sheriff's office to implement a second external prisoner work detail in the City. The first work detail has been a very successful initiative by the Sheriff's office, with broad community support. Carefully screened and supervised inmates have picked up trash and filled and distributed sandbags in preparation for floods, among other duties. The list of work these details could perform could be easily expanded. These efforts to improve our City can be accomplished much more cheaply by these work details than by hiring new City staff, and many inmates welcome the opportunity to perform useful work during their incarceration.

Sheriff Deputy III and IV Compensation. As a result of the benchmarking process, compensation for the Sheriff Deputy III and IV positions have fallen behind other similarly-classified public safety positions. When "pay parity" was rescinded last year, the expectation was that compensation for these positions would not fall behind compensation for those other positions, but that has in fact happened. As a result, several Deputies have applied for transfer to the Police Department and the Sheriff's Office is legitimately concerned about further attrition and hiring difficulties. I filed an "add" to increase the pay for these positions to that of Police Officer III and IV positions, at an annual cost of \$240,000. As a constitutional officer and an elected official, the Sheriff

has the standing, in my opinion, to appeal this benchmarking decision to City Council, and I believe he has made the case for this change.

Overtime Budget. I also filed an “add” of \$50,000 to compensate the Sheriff’s Office, on a one-time basis, for high overtime costs as a result of the external work details and Detention Center operations. In the interest of reducing overall City expenditures, however, the Sheriff and I have agreed to withdraw this add.

Synthetic Playing Field

Modern synthetic playing surfaces have been installed at schools and recreation facilities throughout this region and the nation in recent years. Arlington parks and schools and Alexandria private schools have installed them, but none of the Alexandria City or ACPS fields currently have them. These surfaces allow for much more intensive use and much lower maintenance costs, compared with natural surfaces.

I have proposed accelerated installation of synthetic playing surfaces through several approaches, but one big obstacle is the size of the current Capital Improvement Program (CIP), especially in FY 2009-10. A unique opportunity has presented itself this year, however, as a result of the Council’s tentative decision to slightly increase the real estate tax rate. Such an increase would generate revenue in FY 2007, as well as in FY 2008. Traditionally, current-year funds generated by a tax rate increase are used only for capital projects or to increase reserves, not for operating expenses.

I filed an “add” to designate \$850,000 from the General Fund balance for the construction of one synthetic playing field. These funds would come from the FY 2007 revenues generated by this year’s tax rate increase. This would not increase overall City spending because these funds would otherwise just stay in the General Fund.

This expenditure would help reduce the capital “crunch” the City faces in the coming years. Because synthetic field construction costs are steadily increasing, building a field sooner rather than later is a good investment. In addition, as noted, a synthetic field saves maintenance costs in the long run.