

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 16, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 64 : ADDITIONAL BUDGET REDUCTION OPTIONS

Various City Council members have expressed a desire for City Staff to review the proposed General Fund Operating Budget and provide a list of possible reduction options for Council consideration. This memorandum provides reduction options in the amount of \$4.0 million that are described below.

Procedural and Substantive Context for Reduction Options -- Before going into the details, let me set the procedural and substantive context for these budget reduction options. I submitted the proposed Operating Budget to City Council last February 16th in conformance with City Council guidance as provided in Resolution #2368. My General Fund Operating Budget requests \$534.1 million. When compared to the previous FY 2010 Approved budget, the proposed budget is an increase of \$4.1 million -- \$3.3 million of which is for the operating transfer to the Alexandria City Public Schools and \$0.8 million is for the budget managed by the City¹. My proposed budget remains the same as that transmitted to City Council on February 16th. If City Council wishes to change that budget by adopting any or all of these reduction options (or others), it may do so through the normal and customary add-delete process established by City Council Resolution #2368.

¹ The City's share of the budget increase is essentially \$0. The \$0.8 million is equal to the increase in subsidized debt service costs due to the use of Build America bonds. General Fund revenues were increased an equivalent amount to reflect the Federal subsidy of \$0.8 million in FY 2011 that is a quid pro quo for issuing them as taxable, as opposed to tax exempt bonds.

Since February 16th and during deliberations on the budget at several work sessions, City Council has been informed of several uncertainties regarding expected revenues and expenditures in FY 2011. Among those uncertainties were (1) the funding to be expected from the Commonwealth of Virginia as it grappled with its own severe budget problems, (2) the possibility that regional METRO system would require a significantly higher subsidy from Alexandria than planned², (3) the possible funding of storm water management capital and operating costs from an increase in the real estate tax rate, instead of the proposed storm water utility fee structure suggested by City staff, (4) the possibility of a FY 2011 April revenue re-estimate that may need to be revised downward and (5) the impact of the December and February snowstorms on the City's fund balances at the end of FY 2010³.

The Operating Budget as submitted recommends a 7 cent increase in the real estate tax rate applicable to all properties equally (97.3 cents per \$100 assessed value) in order to balance the budget. On March 13th, City Council authorized the advertisement of a 9 cent real estate tax rate increase (99.3 cents) so that it might have the flexibility to set a higher real estate tax rate, if necessary, to cover these uncertainties. The tax rate adopted, however, cannot be higher than 99.3 cents (although it may be lower).

If City Council adopted some or all of the \$4.0 million in budget reduction options presented in this memorandum, it may use these "deletes" to allow "adds" that either increase spending in other areas of the budget, reduce revenues, or a combination of these two actions.

FY 2011 General Fund Operating Budget Reduction Options

The Budget reduction options offered for Council consideration represent a prioritization of those expenditures the proposed budget at the margin. We have further prioritized the \$4.0 million in reduction options into three Tiers. Tier I (\$1.4 million) represents the reductions to be considered first; Tier II (\$1.6 million), the reductions to be considered second; and Tier III (\$1.0 million), the reductions to be considered third. Options within each Tier have not been prioritized.

² The Washington Metropolitan Area Transit Authority (WMATA) Board is considering increasing the subsidies received from participating jurisdictions. If those subsidies increase by \$40 million total, the Alexandria share would be approximately \$1.6 million. Other options may increase that amount to \$3.9 million. Unfortunately, WMATA Board will not take final action on this matter no sooner than late April, so City Council will have to assess the likelihood of this happening before it makes its final decisions on the budget on May 3, 2010.

³ Budget Memo #___ provides technical revenue reestimates for FY 2011, and Budget Memo #___ discusses the magnitude of General Fund balances expected at the end of FY 2010 and FY 2011.

FY 2011 Additional Budget Reduction Options

	Total	Tier I (take 1st)	Tier II (take 2nd)	Tier III (take 3rd)
	Budget Reduction Options	Budget Reduction Options	Budget Reduction Options	Budget Reduction Options
	\$ Amount	\$ Amount	\$ Amount	\$ Amount
Public Safety				
Emergency Communications	\$ (125,950)	\$ (125,950)		
Fire Administrative Staffing	\$ (74,000)	\$ (74,000)		
Fire Peak Time Medic Units	\$ (150,000)			\$ (150,000)
Subtotal Public Safety	\$ (349,950)	\$ (199,950)	\$ -	\$ (150,000)
Health and Environment				
Mirant Air Quality Monitoring	\$ (100,000)	\$ (100,000)		
Financial Sustainability				
Real Estate Appraiser Compensation (Watson Wyatt Implementation)	\$ (100,000)	\$ (100,000)		
Council Contingent Reserves Non-D Benchmark & Perf. Audits	\$ (350,000)		\$ (350,000)	
	\$ (300,000)	\$ (300,000)		
	\$ (150,000)			\$ (150,000)
Subtotal Financial Sustainability	\$ (900,000)	\$ (400,000)	\$ (350,000)	\$ (150,000)
Caring Community				
Home Ownership Assistance	\$ (255,000)		\$ (255,000)	
Beatley Library Sunday Closing	\$ (60,527)		\$ (60,527)	
OHA Museum Hours Reduction	\$ (25,884)		\$ (25,884)	
Alexandria Arts District	\$ (50,000)		\$ (50,000)	
Forestry Maintenance	\$ (167,000)		\$ (87,000)	\$ (80,000)
Subtotal Caring Community	\$ (558,411)	\$ -	\$ (478,411)	\$ (80,000)
Education and Youth				
ACPS Operating Transfer	\$ (1,275,000)	\$ (425,000)	\$ (425,000)	\$ (425,000)
RPCA Recreation Center Hours Reduction	\$ (136,000)		\$ (136,000)	
Subtotal Education and Youth	\$ (1,435,000)	\$ (425,000)	\$ (585,000)	\$ (425,000)
Transportation				
Street, Sidewalk, Curb & Gutter Repaving and Reconstruction	\$ (696,000)	\$ (232,000)	\$ (232,000)	\$ (232,000)
Grand Total	\$ (4,015,361)	\$ (1,356,950)	\$ (1,621,411)	\$ (1,037,000)

The table attached to this memorandum provides additional information on these options: by source (one-time reduction to Contingent Reserves already approved by City Council, elimination of a proposed supplemental increase, and other recurring reductions.

The following describes these reduction options more specifically in narrative fashion. The page references are to the FY 2011 Proposed Operating Budget and Budget Memoranda are cited as appropriate.

Tier I - \$1,356,950 in reduction options

Emergency Communications Support Position (\$125,950) (1.0 FTE) (p. 14-31) (Budget Memo #__): In FY 2010, the City Manager created a new Department of Emergency Communications to improve emergency communications performance and efficiency. The new

Department eventually will have about 50 employees from both the Fire and Police Department working at central location. The FY 2011 Proposed Budget includes a total supplemental increase of \$_____ for the new department's activities. This reduction option eliminates the addition of one new division chief who would supervise the day-to-day operations of the communications center, manage the training of employees, and assist the Director in consolidating the currently separate Fire/EMS and Police emergency communications functions into a single unit. Once a consolidated Emergency Communications Center is functioning, this position eventually would be crucial since most of the administrative support and supervisory oversight provided by the other two Departments will no longer be provided. Not creating this position will require us to look to existing staff or vacancies to provide this important function.

Fire Administrative Staff Position (\$74,000) (1.0 FTE) (p. 14-17): The FY 2011 Proposed Budget includes the addition of two new administrative staff positions to assist with Fire Department ambulance billings, grant management, and overall organizational and financial planning and management. The positions were budgeted at \$100,000 for a management analyst and \$74,000 for a fiscal officer for a total of \$174,000. The lower cost position is offered as a reduction option which may mean that the occupant of the remaining position may have to perform both general management and fiscal duties.

Air Quality Monitoring (\$100,000): The FY 2009 Approved Budget included Contingent Reserve funding for an additional air quality monitoring station related to the Mirant power plant. The monitoring station was installed by Mirant at no cost to the City, but the funding was carried over into FY 2010. It could be used as a reduction in the FY 2011 budget if not spent in FY 2010. However, this reduction would not reoccur in later years. This option, if adopted, would be a one-time reduction by an appropriation from fund balance in FY 2011.

Senior Commercial Real Estate Appraiser (\$100,000) (1.0 FTE) (p. 13-96): The FY 2011 Proposed Budget includes the addition of one new commercial real estate appraisal position to assist in performing assessments costing \$100,000. It also includes \$155,000 for the City Attorney's Office to assist in litigating appeals to real estate assessments. Both options have the potential to improve revenue collection by reducing the amount of property value lost in appeals; however, the commercial appraiser is deemed the lower priority of the two items.

Contingent Reserves (\$300,000) (p. 13-81): The FY 2011 Proposed Budget includes \$300,000 for unanticipated expenditure needs during FY 2011. If this funding is eliminated from the FY 2011 budget, there will be no direct impact on services; however the flexibility for staff and City Council to fund unforeseen needs without impacting other services in the budget would be reduced.

Alexandria City Public Schools (ACPS) Transfer (\$425,000) (p. 19-2): The Schools transfer represents approximately 31.4% of the overall General Fund budget. The Schools' equivalent share (31.4%) of the \$4.6 million overall reduction amount presented in this memorandum would be \$1.45 million. This amount has been divided equally in three amounts of \$483,333 into each of the three priority tiers.

Street Repaving (\$232,000) (p. 18-7): The FY 2011 Proposed Budget includes \$2.32 million for contracted costs of street, sidewalk, gutter and curb repaving and reconstruction. An overall reduction of 30%, or \$696,000, is divided equally in three amounts of \$232,000 into each of the three priority tiers. While such a reduction in the annual repaving and reconstruction budget may save money in the short term, in the long-term it will add to the costs of either repaving or eventual reconstruction.

Tier II - \$1,621,411 in reduction options

Watson Wyatt Implementation (\$350,000): The FY 2009 and FY 2010 Approved Budgets included a \$728,522 in Contingent Reserve designations to implement the recommendations of the Watson Wyatt compensation and classification study. Council has indicated a willingness to release at least \$263,508 of this amount to implement the Competency Based Classification System (March 23, 2010, Docket Item #22). Releasing \$350,000 of that designation would provide a one-time reduction for use in the FY 2011 budget. \$378,000 would still be available to implement decisions on classification appeals in FY 2011 and a small portion of other Watson Wyatt-related implementation measures. Like the reduction in Tier I for Air Quality Monitoring from prior year Contingent Reserves, this option, if adopted, would be a one-time reduction by an appropriation from fund balance in FY 2011.

Home Ownership Assistance (\$255,000): The FY 2010 Approved Budget included a \$455,000 Contingent Reserve designation to help first-time low-income resident homeowners purchase distressed properties. \$200,000 has been released by City Council from Contingent Reserves for this purpose. (Docket item #24 March 23, 2010). An option is presented to use the remaining \$255,000 as a one-time reduction in the FY 2011 budget. This means that approximately five to seven homeowners would not be served. This option, if adopted, would be a one-time reduction by an appropriation from fund balance in FY 2011.

Beatley Library Reduced Hours (\$60,527): Closing the Beatley Library on Sundays would save \$60,527 in annual ongoing operating costs. No City of Alexandria Library would be open on Sundays if this option were adopted. This option, if chosen, also means that no Library computers would be available to the public on Sundays. Currently Beatley Library serves an average of about 750 to 800 patrons each Sunday.

Museum Reduced Hours (\$25,884): Reducing Office of Historic Alexandria museum hours would save \$25,884 in annual ongoing operating costs. Almost all museums would have their hours reduced based on patterns of visitor demand (for example, Gadsby's Tavern Museum would be closed in January and February).⁴

⁴ Specifically, Ft. Ward Museum Sunday hours would be reduced two hours on Sundays from 12-5 pm to 1-4pm in the winter months and 1 hour to 1-5 pm in the remainder of the year); Friendship Firehouse Museum would be closed on Friday (it is now open 6 hours on Fridays); Stabler-Leadbeater Apothecary Museum would be closed on Saturday and Sunday (a reduction of 9 hours per week in the 5 winter months and 12 hours a week in the remainder of the year); Gadsby's Tavern Museum would be closed during the months of January and February and only open for special events, school programs and private tours (currently it is open 3 hours on Sunday and 5 hours a day on Wednesday through Saturday in those months); the Black History Museum would be closed on Saturdays (currently

Alexandria Arts Districts (\$50,000): The FY 2009 Approved Budget included a Contingent Reserve designation of \$50,000 to establish Alexandria Arts Districts. The funding was unexpended in FY 2009 and carried over into FY 2010. At this time, there are no active discussions about creating an Alexandria Arts District. This option, if adopted, would be a one-time reduction by an appropriation from fund balance in FY 2011.

Recreation Center Reduced Hours (\$136,000): Closing neighborhood recreation centers (excluding Chinguapin) one weekday per week would save \$136,000 in annual ongoing operating costs. If the neighborhood centers were to each close on a Saturday or Sunday of each week the savings potential is reduced to around \$75,000 annually. Weekend closings are much less disruptive to service delivery, specifically out-of-school time programs.

Urban Forestry Maintenance (\$87,000) (p. 17-27): The FY 2010 Approved Budget included a \$182,000 reduction in scheduled preventive tree maintenance. The FY 2011 Proposed Budget restored this funding with a requested increase of \$187,000. Reducing this funding increase by \$87,000 would leave \$100,000 in the FY 2011 Approved Budget for preventive tree maintenance. It should be noted that an additional \$80,000 provided in a prior year remains available in Council Contingent Reserves for Urban Forestry activities, but is listed below in Tier III as an additional possible reduction option. Reducing preventive tree maintenance will create a backlog of tree trimming requests, and force the effort into a triage strategy focusing first on the more severe or safety-related problems.

Alexandria City Public Schools (ACPS) Transfer (\$425,000) (p. 19-2): The Schools transfer represents approximately 31.4% of the overall General Fund budget. The Schools' equivalent share (31.4%) of the \$4.6 million overall reduction amount presented in this memorandum would be \$1.45 million. This amount has been divided equally in three amounts of \$483,333 into each of the three priority tiers.

Street Repaving (\$232,000) (p. 18-7): The FY 2011 Proposed Budget includes \$2.32 million for contracted costs of street, sidewalk, gutter and curb repaving and reconstruction. An overall reduction of 30%, or \$696,000, is divided equally in three amounts of \$232,000 into each of the three priority tiers. While such a reduction in the annual repaving and reconstruction budget may save money in the short term, in the long-term it will add to the costs of either repaving or eventual reconstruction.

Tier III - \$1,037,000 in reduction options

Fire Peak Time Medic Unit (\$150,000) (2.0 FTEs) (p. 14-17) (Budget Memo #26 & 32): The FY 2011 Proposed Budget includes the addition of two new medic units to address peak period over-utilization of the existing five units, and to reduce the number of ambulance calls handled by mutual aid from Arlington and Fairfax Counties. The proposal includes two new vehicles and

it is open 6 hours on Saturdays); Alexandria Archaeology Museum would eliminate Sunday/Thursday part-time staff hours, but permanent staff and volunteers would still be present in the facility.

five new medic positions. Eliminating one of the two units from the budget would reduce costs by \$150,000 for two of the five medic positions. (The vehicle that otherwise would have been purchased is proposed to be funded from equipment replacement funds and would therefore represent no General Fund savings.)

Benchmark & Performance Audits (\$150,000) (p. 13-84): The FY 2011 Proposed Budget includes \$350,000 for additional benchmark studies, performance audits, and other management studies. Reducing this funding by \$150,000 would reduce the City's annual ongoing base budget and leave \$200,000 for additional studies in FY 2011.

Urban Forestry Plan Implementation (\$80,000): The FY 2007 Approved Budget included a Contingent Reserve designation of \$80,000 to fund a full-time Horticultural Assistant and seasonal employees to maintain a tree inventory, develop tree and landscape management plans, and coordinate tree maintenance initiatives adopted in the Urban Forestry Plan. The funds have been carried over each year since. Reducing preventive tree maintenance will create a backlog of tree trimming requests, and force the effort into a triage strategy focusing first on the more severe or safety-related problems. This option, if adopted, would be a one-time reduction by an appropriation from fund balance in FY 2011.

Alexandria City Public Schools (ACPS) Transfer (\$425,000) (p. 19-2): The Schools transfer represents approximately 31.4% of the overall General Fund budget. The Schools' equivalent share (31.4%) of the \$4.6 million overall reduction amount presented in this memorandum would be \$1.45 million. This amount has been divided equally in three amounts of \$483,333 into each of the three priority tiers.

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Attachment: FY 2011 Budget Reduction Options