City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 29, 2009

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: CONSIDERATION OF RESOLUTION ESTABLISHING THE PROCESS TO BE USED TO ADOPT OPERATING BUDGETS AND CAPITAL IMPROVEMENT PROGRAMS

ISSUE: Consideration of a Resolution establishing the process to be used to adopt operating budgets and capital improvement programs during the term of this City Council.

RECOMMENDATIONS: That City Council:

(1) discuss the attached Resolution establishing the process to be used to adopt operating budgets and capital improvement programs during the term of this City Council; and

(2) adopt this Resolution at Council's November 10 legislative meeting.

BACKGROUND: City Council has long had procedures governing its consideration of the budget, including procedures governing the "add-delete" process. In the spring of 2005 Council first established additional procedures calling for a discussion of the budget at the fall retreat, after which specific budget guidance would be given to the City Manager and the School Board as they developed their respective budgets for the coming fiscal year. After the FY 2007 budget was adopted and with the installation of a new Council, a revised set of procedures was adopted for use in the FY 2008 budget process. Again in November of 2008, marginal changes were made in the underlying budget process for use during development of the FY 2010 budget. Resolution 2256 expired on June 30, 2009, and a new Resolution is required to reestablish and modify, as necessary, these basic budgetary procedures.

Mayor Euille asked Vice Mayor Donley and Councilman Krupicka to work with staff to develop such a Resolution for City Council's consideration. The attached Resolution is a result of those efforts. It should be noted that this Resolution does not provide specific guidance for FY 2011. That guidance will be developed separately by City Council after the budget retreat scheduled for November 7, 2009, and presented to City Council as a separate resolution for adoption at its November 24, 2009 legislative meeting.

Highlights of this Resolution, as compared to Resolution 2256, include:

- Both the City and the Schools will be asked to present at the fall retreat the outlook for possible budget reductions and increases in fees, fines and charges for services as well as possible additional requests for operating and capital needs. (See Sec. (a) (2) and (3).)
- The form of the guidance to be provided to the City Manager and the Schools is not specified in this resolution. Rather the form of the guidance will be determined by City Council during its deliberations after the fall retreat and may change from year-to-year as the situation warrants. (See Sec. (a) (7) and (8).)
- The date of the spring public budget hearing would be moved forward to the month following the submission of the budget by the City Manager (March), and an additional public hearing may be held, if Council deems that necessary in April, in addition to any separate public hearing required by statute on the "Effective Property Tax Rate". (See Sec. (a) (9).)
- Resolution 2256 required City Council members to submit "adds" of more than $50,000 at least 7 days prior to the public hearing on the budget (and other related sections providing exceptions to this general rule). This requirement is deleted in favor of a requirement that any "add" or "delete" submitted by City Council members be preceded by a budget memo request to City staff or a discussed during a budget work session or public hearing. (See Sec. (c) (1).)

ATTACHMENT:

Budget Resolution Establishing the Process To Be Used To Adopt Operating Budgets and Capital Improvement Programs

STAFF: Bruce Johnson, Chief Financial Officer

Resolution No. _____

Budget Resolution Establishing the Process To Be Used 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, 2166, and 2256 previously adopted by City Council have now expired; and

WHEREAS, City council wishes to establish a budget process that is responsive to the economic times in which we live and that provides the Council and community with clear information about the trade-offs between revenues and services in order to facilitate the creation of the final budget; and

WHEREAS, City Council understands that after four years of program reductions, audits and efficiency efforts, the capacity of the city to do the same work for less money has been essentially eliminated; and

WHEREAS, City Council believes that flexibility is needed for both the preparation and evaluation of expense items as well as with regard to diversifying the sources of revenue available to fund the General Fund Operating Budget; 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 desires 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, but understands that economic reality will require stark trade-offs between services and revenues; and

WHEREAS, over the last ten years, residential real estate taxes have borne an increasing share of the burden of paying for City and School services both because of the earlier run-up in residential home value and development and most recently because of the decline of commercial property values; and

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

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools improve student performance, decrease drop-out rates and in achieving its mission and being among the best in Northern Virginia; and

WHEREAS, the City-Council understands that delayed infrastructure maintenance threatens the health and safety of the community as well as its long-term economic prosperity; 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 continue its focus on managing for results, sharing services with the Alexandria City Public Schools, and developing clear accountable metrics for all city programs and services; 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, objectives, and initiatives as outlined in the City Council's 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, adopt this resolution and adhere to the following rules of procedure:

Section (a) The Timing of the Setting of Budget Guidance 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 goals, objectives, and initiatives, potential discretionary supplemental increases crucial to achieving City Council's strategic goals, objectives, and initiatives, 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 any appropriate market rate-adjustment for City and School staff), (c) the outlook for possible additional requests for City operating needs in the upcoming fiscal year and future capital needs in the upcoming fiscal year and succeeding 5 to 10 fiscal years, (d) the outlook for possible budget reductions and increases in fees, fines and charges for services, and (e) 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 5 to 10 years, (d) the outlook for possible budget reductions and increases in fees, fines and charges for services, and (e) the outlook for Federal and State grants, and 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 resident 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.

(6) That City Council plans to adopt such a budget resolution during the month of November for the next fiscal year.

(7) 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 of Council in February, prior to the upcoming fiscal year. Such budget shall meet any guidance for General Fund revenues and expenditures established by City Council.

(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 the first legislative meeting of the Council in February, prior to the upcoming fiscal year. Such budget, if it shall exceed or otherwise not comply with the guidance provided by City Council, shall clearly identify what operating programs and activities would be funded, if additional funding were provided above that guidance, and the reasons therefore.

(9) That the Council shall hold a budget public hearing on the City Manager's proposed budget in the month following the budget submission by the City Manager and may hold an

additional public meeting on the budget, if Council deems it necessary, in April, in addition to any effective tax-rate public hearing needing to be held prior to budget adoption.

(10) That the council requests that staff create a way for residents and organizations to submit written budget comments to the Council in lieu of or in addition to participation in public meetings.

(11) 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 Chief Financial Officer 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 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

(i) there has not been a budget memo requested that relates to the specific item or a Council discussion of the proposal during a budget work-session or public hearing and

(ii) such motion or amendment would have the effect of increasing any specific budget expenditures above the level of such expenditures 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 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 technical 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 Fund Balance. As specified in Section c (2), any appropriation from the 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.

Section (d) Expiration -- The provisions of this resolution shall expire with the expiration of the term of this City Council.

ADOPTED:

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William D. Euille Mayor

ATTEST:

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Jacqueline M. Henderson, CMC City Clerk