

*City of Alexandria, Virginia*

MEMORANDUM

DATE: MARCH 6, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 22 : AN ASSESSMENT OF THE EFFECT OF THE GOVERNOR'S PROPOSED CUTS ON ALEXANDRIA'S REVENUES

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On February 13, Governor Tim Kaine released budget reduction strategies that would significantly affect the City of Alexandria's revenues. The governor has recommended cutting aid to localities by 5.4% in a variety of programs. The Virginia House and Senate must approve any changes. Staff has done a preliminary analysis and determined that the total revenue loss to the City would probably range from \$1.5 million to \$1.6 million. About half of that amount (\$0.8 million) would be from General Fund revenues and would require a reduction in General Fund expenditures or an increase in other General Fund revenues as part of the add-delete process. The other half of the reduction in non-General Fund "Special" revenues may or may not be replaced by City General Fund revenues at City Council's discretion. However, real service reductions for Alexandria's residents are likely to result if these funds are not replaced by City General Fund revenues.

The Governor's proposal envisions specific targets for every city, county, and town in Virginia. The targets can be met by reducing spending in any of the programs not specifically excluded in the chart below. It is as yet unclear whether some revenue items will be affected.

This proposal, initially rejected by both the House and the Senate, has now been resurrected by the House in conference negotiations.

See Attachment A for a more detailed breakdown of revenue losses.

**Attachment A****General Fund Revenues (in \$)**

<b>Revenue Item</b>	<b>Included</b>	<b>Unclear</b>	<b>Excluded</b>
Other payment in lieu of tax		120,000	
Motor vehicle in lieu of personal property		600,000	
Motor vehicle carrier taxes		30,000	
HB599 aid to Police Departments	6,397,010		
Car tax reimbursement			23,578,531
Comp board aid to Commonwealth Atty.	1,162,650		
Comp board aid to Sheriff	4,217,521		
Comp board aid to Treasurer	579,546		
Comp board aid to Medical Examiner	2,000		
Comp board aid to Registrar	74,385		
Comp board aid to Clerk of Courts	956,213		
JDR Ct. probation services	1,500		
Street & Highway Maintenance			6,400,000
Other categorical		200,000	
State prisoner per diem	1,000,000		
<b>Total</b>	<b>14,390,825</b>	<b>950,000</b>	<b>29,978,531</b>
Potential revenue reduction (Total X 5.4%)	777,105	51,300	NA

**Non-General Fund Revenues (in \$)**

<b>Revenue Item</b>	<b>Included</b>	<b>Unclear</b>	<b>Excluded</b>
Other non-categorical state aid (Library)	199,315		
DHS-General Relief	235,204		
DHS-CSA	4,664,407		
Other non-specified	7,690,814		
State Sales Tax – Education			11,397,971
Basic School Aid			10,873,910
MHM RSA-Juvenile Justice	110,259		
CSU-Increase to City supplemental*	1,600,000		
<b>Total</b>	<b>14,499,999</b>		<b>22,271,881</b>
Potential revenue reduction (Total X 5.4%)	783,000		NA

**Grand Total (in \$)**

<b>Total</b>	<b>28,890,824</b>	<b>950,000</b>	<b>52,250,412</b>
Potential revenue reduction (Total X 5.4%)	1,560,105	51,300	NA

\* This is the amount paid by the State directly to the Court Service Unit, primarily for CSU employees. The City supplements CSU salaries paid by the State. Any cut in the State's contribution to the CSU made up by the City would be an expenditure increase. The amount of \$86,400 is included in the revenues table for simplicity's sake.