

# City of Alexandria

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## MEMORANDUM

DATE: APRIL 20, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: BUDGET MEMO #49: STATE BUDGET

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On April 18, the General Assembly adopted a State budget for fiscal years 2013 and 2014. The Governor still has an opportunity to submit further amendments to it, but he must act within 7 days after he receives the budget bill, since the Special Session was recessed, not adjourned. We do not know for sure when he will receive it, since the bill has to be processed further by legislative staff before it is sent to him, but the expectation is that this will occur sometime next week, so that he would be required to submit his amendments (if any) by early May. The General Assembly would then have to return and approve or reject his amendments. There is no deadline for the General Assembly's action on any amendments, but it would likely be sooner rather than later, since legislators would like to bring the process to an end. If the Governor offers no amendments, no further action would be required of the General Assembly (although the Special Session is expected to reconvene in May to elect judges).

The Conference Report includes a number of amendments to the Governor's introduced budget that will have an impact on the City. Staff is able to estimate the financial impact of the following amendments on City programs:

1. One provision requires local governments to transfer to the State half of all local fine collections that exceed 40 percent of total fines (state and local) collected by the state court system. For example, if the courts in a locality collect \$1 million in state and local fines in a given year, and \$600,000 of this is from local fines, the State would receive \$100,000 of the local fines (in this case, local fines in excess of \$400,000 [40 percent of \$1 million] are divided equally between the locality and the State).

Using the State's formula, staff estimates that Alexandria would transfer approximately \$27,000 annually to the State in local fine collections. This amount has been adjusted in the revenue re-estimates.

2. Additional funding (about \$1.233 million) is provided to Alexandria City Schools. Most of this falls into two categories. First, \$449,000 is provided to fund Northern Virginia "cost of

competing” needs that were not funded by the Governor. Second, \$749,999 in new funds can be used ”to assist with costs of inflation, payments for the increase in the retirement employer contribution rates, and any one-time costs associated with local Virginia Preschool Initiative programs.”

3. As indicated earlier in the week, localities will have the option of using the VRS Board-certified rate to determine what they pay VRS in FY 2013, or they can use a lesser rate (the higher of either the locality's FY 2012 rate, or seventy percent of the locality's VRS Board-certified FY 2013 rate). For Alexandria, the FY 2013 rate is 10.3 percent, and the lesser rate is 7.78 percent (neither of these includes the 5 percent member contribution, which the City has thus far paid for all Plan 1, pre-FY 2011 employees). This item will be discussed in a budget memorandum that will cover compensation and VRS issues. Essentially, you pay now or pay later.

4. VDOT will not be able to withhold transportation funding from cities and other localities that are responsible for their own roads, even if the locality adopts transportation plans that VDOT does not approve. Earlier indications that these localities would not have even to submit changes in transportation plans to VDOT were not accurate.

5. There was no further reduction in Local Aid to the State above that which was in the Governor’s budget. The City will give the State a little more than \$1 million in FY 2013, compared to \$1.2 million in FY 2012.

6. A small amount of additional funding is provided to local governments for the administrative expenses of social services programs, but at this time staff is not able to determine the impact on the City of Alexandria. Since administrative costs have risen in recent years, this will not displace City funds, but it will help ease the burden on City staff.

7. Additional funds were added (mostly small amounts) for Project Discovery, the Comprehensive Services Act, the AIDS Drug Assistance Program, public libraries, agencies on aging, Health Department dental programs, beds at the Northern Virginia Mental Health Institute for psychiatric emergencies, Healthy Families, child advocacy centers, community action agencies, child psychiatry programs, and litter control. Department staff are working with their regional and state partners to determine the specific impact for the City of Alexandria. During FY 2013, through the Supplemental Appropriations Ordinances, staff will return to City Council with adjustments to the appropriations for grants and other Special Revenue Funds for the changes to these various programs. We do not expect that any of these additional funds will allow the City to reduce its allocation to these programs.