

# City of Alexandria, Virginia

## MEMORANDUM

**DATE:** APRIL 25, 2014

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**THROUGH:** RASHAD M. YOUNG, CITY MANAGER 

**FROM:** NELSIE L. SMITH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

**SUBJECT:** BUDGET MEMO #34: RESPONSE TO COUNCIL QUESTIONS FROM THE 4/21/14 PRELIMINARY ADD/DELETE WORK SESSION

This memorandum is in response to the follow-up analysis requested by City Council at its April 21, 2014 Preliminary Add/Delete Work Session and relates to Budget Memo #32.

### SENIOR REAL ESTATE TAX RELIEF #12

**Response:** The “strawman” dated April 25, 2014, see budget memorandum #35, incorporates an additional \$1.15 million towards the senior tax relief program. Council asked staff to prepare the options for eligibility exclusive and inclusive of the home value as part of the maximum asset calculation. For reference, the eligibility for the current FY 2014 budget excludes the home value and the FY 2015 proposed budget includes the home value, both of those calculations are incorporated in the below chart.

The below chart shows the maximum asset eligibility threshold under both scenarios, exclusive of and inclusive of the home value:

FY 2015 Proposed Budget						
Senior Tax Relief: Options for Eligibility						
	Maximum Asset Threshold (EXCLUDING home value)	\$ Relief Given / Loss of Tax Revenue	# of participants	Difference from FY 2014 in Relief/Relief Not Given	# of Participants no longer receiving relief	
Strawman	\$ 430,000	\$ 3,149,000	1,028	\$ 151,000	65	
FY 2014 Budget	\$ 540,000	\$ 3,300,000	1,093	0	-	
	Maximum Asset Threshold (INCLUDING home value)	\$ Relief Given / Loss of Tax Revenue	# of participants	Difference from FY 2014 in Relief/Relief Not Given	# of Participants no longer receiving relief	
Proposed FY 2015 Budget	\$575,000	\$2,000,000	693	\$ 1,300,000	400	
Strawman	\$ 1,075,000	\$ 3,153,000	1,060	\$ 147,000	33	

**MOTOR VEHICLE TAX PENALTY #20**

**Response:** As a recommendation made by City staff, the proposed budget includes the implementation of a new \$100 annual tax on motor vehicles that do not display current license plates (i.e. Alexandria residents with out of state plates and are subjected to Virginia’s vehicle licensing laws). It does not apply to those who are exempt from registering in-state (i.e. military stationed here from out of state). The preliminary add-delete list includes a \$250 penalty on those who fail to register with the Commonwealth following the 31st day of residency. It would not apply to those who are exempt from the tax. All categories of vehicle owners would continue to be subject to the personal property tax.

**ITS REDUCTION OPTIONS #46 / #93-#97**

**Response:** As a recommendation made by City staff, the City Manager’s Office, working with the Chief Information Officer, has provided a list of potential reduction options for the Information Technology Services (ITS) Department from the City Manager’s Proposed Budget.

The two reduction options are described below, and are organized to allow ITS the flexibility to prioritize services among multiple programs rather than realize a single overly impactful cut to core services within a single program. Each option is detailed as follows:

<b>Reduction Item</b>	<b>Option #1</b>		<b>Option #2</b>	
A. Project Manager (1.0 FTE)	\$	143,652	\$	-
B. Security - Mobile Device Management and application services	\$	-	\$	80,000
C. Project Management - Professional Services	\$	-	\$	44,200
D. Customer Services - Microsoft System Center Suite services	\$	-	\$	25,800
E. Enterprise Business Systems Support - Professional services	\$	-	\$	50,000
<b>Total</b>	<b>\$</b>	<b>143,652</b>	<b>\$</b>	<b>200,000</b>

**A. Project Manager (1.0 FTE) – Eliminate the 1.0 FTE Project Manager position at a cost of \$143,652**

Elimination of this position will reduce the department’s ability to implement new technology related projects, as well as provide ongoing support to existing technology projects. Committing additional staff resources in FY 2015 will allow the ITS Project Management Division Chief to allocate a greater percentage of time towards Project Portfolio Management (PPM). Currently there is nominal oversight of the City's entire technology portfolio. The lack of a single management point of responsibility frequently results in disjointed technology planning processes and poorly justified project funding decisions. PPM will ensure a more strategic approach to IT investments and ultimately improve the operational value of our IT investments.

**B. Security – Mobile Device Management and application services**

The proposed \$80,000 in professional services budgeted would be used to implement a mobile applications strategy and for administration of the Mobile Device Management (MDM) System. A reduction to the Security budget would hamper the ability of ITS to

adequately secure all mobile devices and associated data. Funding reduction would also slow the City's ability to deploy more mobile devices for expanded services to the public.

**C. Project Management – Professional Services**

The proposed funding of \$44,200 for Project Management Professional Services would augment project management capacity. Elimination of these funds will reduce the Department's ability to effectively and efficiently implement technology projects (included in the IT section of the Capital Improvement Program).

**D. Customer Services – Microsoft System Center Suite services**

The Microsoft System Center suite (\$25,800) automates desktop management thereby creating greater efficiency in management of incident request work flows and reporting, software distribution, operating system deployments, Windows patching, and computer maintenance. Reduced funding, will increase service disruptions and marginally decrease system security. In addition, a portion of planned software system enhancements may be delayed until FY 2016.

**E. Enterprise Business Systems Support – Professional Services**

The proposed funding (\$50,000) provides for network and application “sustain and maintain” activities that have been deferred over the past several years and are needed to keep current system operational. These tasks include server upgrades and consolidations, application upgrades, remedies to issues with existing applications. A reduction of \$50,000 will result in the continued deferral of needed maintenance and upgrade of some City software applications.

**RETIREE LIFE INSURANCE #47**

**Response:** At the City Council's Preliminary Add-Delete Work Session on Monday, April 21, 2014, City staff was asked to prepare a list of options to consider related to City funding of Retiree Life Insurance Premiums. Below we have outlined four different approaches to maintaining, phasing out, capping, or reducing the City support of the benefit.

For each option discussed herein, retiree life insurance is not being eliminated, but rather the cost implications of shifting payment responsibility from the City to the retiree are being examined.

**Option 1 – Maintain Current City Support**

Currently, the City pays the full cost of life insurance premiums for qualified retirees, of which there are 1,043. For Fiscal Year 2015, that amount is estimated to be \$264,598 in total City cost, or \$21 per month for each retiree.

**Option 2 – Phase-Out Current City Support**

If the City were to consider a gradual phase-out of retiree life insurance support (i.e. shifting premium responsibility wholly to retirees over a set period of time), there are multiple options that can be explored. The table below lays out three such options. The 2-year option reduces the City support by 50% each year, the 4-year by 25%, and the 5-year by 20%.

City Support	Year 1	Year 2	Year 3	Year 4	Year 5
<b>2-Year</b>	\$132,300	\$0	\$0	\$0	\$0
<b>4-Year</b>	198,450	132,300	66,150	0	0
<b>5-Year</b>	211,680	158,760	105,840	52,920	0

*Note: This table assumes the FY 2015 cost is constant in future years.*

**Option 3 – Cap City Support**

Similar to the manner in which retiree health insurance is City-supported, Council could choose to place a monthly cap on the amount each retiree receives from the City to pay for life insurance premiums. The average cost per retiree is currently \$21 per month (with a low of \$0.48 and a high of \$88.57). Using this \$21 average as a monthly cap for each retiree, the total City cost in Fiscal Year 2015 is estimated to be \$173,563.

**Option 4 – Eliminate City Support at Age 65 [BFAAC Supported; Included in Strawman]**

As it stands currently, the benefit and premium for retiree life insurance is reduced to 75% of the original amount at age 65 and 10% per year until the participant reaches age 70, at which time the total coverage is 25% of the original amount. As an alternative, Option 4 would simply eliminate City support for retiree life insurance altogether once the participant reaches the age of 65. For Fiscal Year 2015, the estimated cost to the City to cover premiums for only those retirees 64 years of age or younger is \$201,586. Part of the rationale for this option is the savings realized for the post-65 retiree by enrolling in the Medicare Advantage health plan.

**STORMWATER GENERAL FUND REDUCTION OPTIONS #116**

**Response:** To realize \$50,000 in General Fund savings, staff has provided two options for City Council consideration. The first option involves several smaller cuts throughout the entire Transportation and Environmental Services (T&ES) Department that total \$50,000. These reductions include:

<b>Program/Budget Item</b>	<b>Amount</b>
Street Maintenance/Infrastructure Repairs	\$20,000
Regional Transportation/Professional Services	\$10,000
Bicycle and Transportation/Professional Services	\$5,000
Contaminated Land/Professional Services	\$7,500
Design Management/Professional Services	\$7,500
<b>Total</b>	<b>\$50,000</b>

The proposed infrastructure repair reduction would reduce funding available for unplanned right-of-way maintenance associated with storm water sewer repairs. The proposed reductions in professional services would primarily impact consulting services.

The second option involves an approximately one month delay and/or phased hiring of the seven proposed FTEs positions (composed of two crews) to realize savings in the

amount of \$50,000 for FY 2015. Seven FTEs are required to staff the two crews to achieve the anticipated levels of service. As part of the City Manager's Proposed Operating Budget, the seven positions were funded for approximately nine months in FY 2015. While this option delays or phases in the hiring, the two crews will be fully staffed once all hiring has been completed. This option provides a \$50,000 reduction in FY 2015; however, if this option is taken, the net additional general fund fiscal impact for FY 2016 will be increased to a total of \$83,365, assuming available Stormwater Special Revenue funding remains at or near FY 2015 levels. Please see budget memos #6 and #18 for more detail on these positions.

City staff continues to pursue mid-term and long-term solutions to lessen the General Fund impact in order to fund federally mandated stormwater improvements, and will discuss with City Council this fall when the five-year financial plan is introduced.