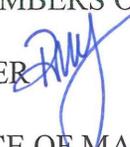


City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 14, 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 #8: RESPONSE TO THE NORTHERN VIRGINIA JUVENILE DETENTION COMMISSION LETTER TO CITY COUNCIL

This is a response to a letter received by the Mayor and members of City Council from the Northern Virginia Juvenile Detention Commission dated March 1, 2014. As part of the FY 2015 budget development process, the City revised several aspects to its budget process. One of these was that each department, agency, and outside organization would have to demonstrate that the service it provides achieves the City's long-term outcomes in the context of all other programs within a Focus Area. The Commission's two programs were evaluated as part of the Safe, Secure & Just Focus Area along with 42 other General Fund funded programs, including eight programs from outside agencies. Two of these outside organizations were the Northern Virginia Juvenile Detention Center (NVJDC) and Sheltercare.

In prior years, the budget requests from these agencies, including NVJDC and Sheltercare, were included as part of the "current services" budget. Any requested increase in funding contributed to a budget "gap" that was subsequently closed by City departments through reductions. This philosophy penalized City departmental funding while leaving many outside organizations requested funding whole and with little dialogue relating to how the program/service advanced the City's long term outcomes in relation with all other funded programs. In FY 2015 however, all programs, whether funded by a City department or outside agency were put through the rigor of the new budget process and the alignment to the goals/outcomes of the City.

This new budget philosophy was explained to the members of the NVJDC by staff from the City's Office of Management and Budget, as well as from the Court Service Unit, during a meeting on November 12, 2013, where the NVJDC and Sheltercare budgets were presented. This is contrary to what is stated in the Commission's letter to Council. Furthermore, the Budget Director was unable to attend due to a City Council Work Session/Legislative Session commitment and communicated this to the executive director of the NVJDC prior to the meeting.

The \$194,079 reduction to the NVJDC represents two parts: 1) a request of an additional \$94,079 for FY 2015 which was not funded (consistent with nearly all other requests from departments and outside organizations) and; 2) a \$100,000 reduction to reflect the City's declining utilization of the facility while allocating resources to service areas with higher demand. While this reduction of \$194,079 may seem significant, the 13.1% figure stated in the letter only accounts for Alexandria's contribution to the facility. A reduction of this amount would constitute a 3.1% reduction of the overall FY 2015 budget for the NVJDC.

The \$31,123 reduction for Sheltercare similarly includes two parts: 1) a request of \$5,000 for additional facilities maintenance funding in FY 2015; and 2) \$26,126 for a proposed merit for Sheltercare employees. The Commission's letter stated that their requested merit increase of 3% is "significantly less than City...employees." However, it should be noted that while the average merit for general scale City employees in FY 2015 is 3.2% and Public Safety is 3.5%, Sheltercare employees are not employed by the City.

The decisions to make these reductions by the focus area were not taken lightly. Significant discussions about these agencies and their budget requests occurred and were deliberate. Several items that contributed to the decision were:

- 1) The NVJDC has been unable to, after multiple requests, produce any signed agreement concerning the agreed upon method of distribution of costs between the localities. It appears the City attempted to renegotiate this agreement between 2006 and 2008 but was unsuccessful. However, any agreement that may exist likely would not address revenues from other sources or how those would be accounted.
- 2) The NVJDC currently budgets revenue received from outside sources from prior fiscal years as a credit against future fiscal years, rather than budgeting this revenue in the fiscal year it will be received. Altering this budget methodology would save the City nearly \$500,000 in contributions as compared to FY 2014, an amount higher than the proposed reduction, primarily from the City's new share of revenues from a federal grant which has been awarded to the NVJDC for the next 3 fiscal years.
- 3) The utilization of the facility has decreased from over 8,500 childcare days in FY 2006 to fewer than 3,700 in FY 2013 (a 57.5% decrease from FY 2006 and 34.2% decrease since FY 2011), which is a positive reflection of the work we are doing throughout the City. Meanwhile the City's contribution to the facility has increased over \$150,000 (a 13.2% increase) since FY 2006.
- 4) The NVJDC has a fund balance reserve of \$965,000 currently designated for capital needs which represents 15.5% of their operating budget. This funding could continue to be used to meet capital facilities needs or offset this reduction. As a comparison, the City operates with a 10% fund balance designation.

Based on the City's prior utilization of the NVJDC and its contribution amounts, the per diem rate for a juvenile from Alexandria was \$142.51 in FY 2006. However, that has increased to \$379.73 in FY 2013, a 166.4% increase over that time period. Staff is unsure how the per diem rates stated in the Commission's letter were calculated.

The focus area was aware that a reduction to the NVJDC by Alexandria would correspondingly reduce contributions from the other participating localities. However, it should be noted that utilization by Arlington and Falls Church has also decreased over time. City staff has reached out to Arlington to discuss this proposal and its impact, but no decision has been made by the County at this time. Arlington’s FY 2015 proposed budget fully funds the NVJDC request.

Below is a table that shows the difference between the contribution amounts required from the City if the federal grant revenue was and was not factored into the calculations:

	FY 2015 without budgeting new federal revenues	FY 2015 with budgeting new federal revenues
FY 2015 NVJDC Budget	\$6,218,000	\$6,218,000
Less FY 2015 State Share	\$1,400,000	\$1,400,000
Less Other FY 2013 Revenues used as credit in FY 2015	\$1,049,418	\$1,049,418
Less FY 2015 Federal Grant	N/A	\$1,494,000
FY 2015 Local Share	\$3,768,582	\$2,268,072
Alexandria FY 2015 Utilization	39.312%	39.312%
Alexandria FY 2015 Contribution	\$1,481,514	\$891,630

Note: The City’s proposed FY 2015 budget for the NVJDC is \$1,287,435 which represents the NVJDC requested amount of \$1,481,514 less the proposed reduction of \$194,079.

If the adjustment to their budgeting methodology was made as outlined above, \$1,494,000 currently expected to be received in FY 2015 as part of a federal grant would be used to offset the contributions by the localities as opposed to waiting for a credit until FY 2017. The City’s proposed budget currently has \$1,287,435 allocated to this contribution. Alexandria’s contribution could be reduced by an additional \$395,805 in FY 2015 if this adjustment occurred. FY 2013 revenues budgeted by the NVJDC for operating expenses in FY 2015 remain budgeted in both scenarios in the table above.

Lastly, this recommendation to reduce the contribution to the NVJDC due to reduced utilization is not unprecedented. In FY 2011, a reduction of \$94,532 was made to reflect “a technical adjustment to the budget based on the average actual bed utilization rates from FY 2007 – FY 2009” (FY 2011 Approved Budget, page 12-39). Utilization fell over that time period by 742 childcare days or 12.0%.

CC: Michele Evans, Deputy City Manager
 Ron Lemley, Director, Court Service Unit