



Changes in the Budget Process and City Council FY 2009 Budget Guidance

Office of Management and Budget
City of Alexandria

As Adopted by City Council
November 27, 2007



Outline

- Overview
- Budget Process Resolution
- FY 2009 Budget Guidance
- Schedule of Major FY 2009 Budget Events
- Summary



Overview

- **Two Resolutions Passed November 27, 2007**
 - Annual budget process (Resolution #2256)
 - Specific guidance for FY 2009 (Resolution #2257)
- **Refines new budget process**
 - New process first established in May 2005 to guide preparations and consideration of FY 2007 budget
 - Revised in October 2006 to guide FY 2008 budget



Budget Process Resolution

Establishes Goals of Budget Process

- Provide flexibility to diversify revenue sources given that residential real estate taxes have borne and increasing share of the budget
- Balance needs of community with ability of community to afford services to meet those needs
- Continue performing core services in quality fashion



Budget Process Resolution

Goals of the Budget Process

- Manage and control the growth of General Fund and capital expenditures
- Assist Alexandria City Public Schools to be among the best in Northern Virginia
- Maintain fair, reasonable and competitive compensation system



Budget Process Resolution

Goals of the Budget Process

- Improve City government effectiveness and efficiency through managing for results
- Maintain the City's AAA/Aaa credit ratings
- Achieve the vision and strategic goals outlined by City Council
- Provide sufficient time for City Council and the community to deliberate on budget choices



Budget Process Resolution

Establishes Timing for Budget Process

- Fall retreat presentation by City and School staff of budget outlook
- Fall public hearing
- Council to pass budget resolution in November providing guidance
- School Board scheduled to approve its budget request by January 31



Budget Process Resolution

Establishes Timing for Budget Process

- City Manager to submit budget by first legislative meeting (February 12)
- By mid March Council must by state law establish maximum property tax rate
- Spring public hearing
- Separate public hearing on effective property tax rate required by state law
- Note: FY 2009 budget and tax rate adoption by Council scheduled for May 5



Budget Process Resolution

Establishes Procedural Requirements

- Council sets guidance in November for
 - Maximum real estate tax rate to be assumed in City Manager's proposed budget
 - Maximum amount of City General Fund expenditures
 - Maximum amount of operating budget transfer to Schools
 - Minimum market rate adjustment for employee pay to be included in proposed budget



Budget Process Resolution

Establishes Procedural Requirements (continued)

- School Board
 - identifies what operating programs and activities would be funded if the transfer to the Schools exceeded the guidance
- City Manager
 - identifies what operating programs and activities would be funded if more the expenditure guidance were exceeded
- City Manager
 - Endeavors to find efficiencies and service reductions and additional sources of revenue other than real estate taxes to balance the budget
 - If the budget cannot be balanced within the assumed real estate tax rate, the City Manager may identify potential Council “adds” and the increase in the real estate tax rate necessary to balance the budget up to the expenditure guidance limits.



Budget Process Resolution

- City Manager may propose a different market rate adjustment
 - Higher MRA if within expenditure targets
 - Lower MRA, but minimum MRA specified by Council must be proposed in list of “adds” up to the expenditure guidance limits



Budget Process Resolution

Council's traditional "add-delete" process continued

- Expenditure "adds" to the City Manager's proposed budget and "revenue" reductions, must be counterbalanced with "deletes" --revenue increases or expenditure reductions
- Increases in the use of fund balances from prior years to balance the budget requires supermajority vote (5 of 7) of Council



Budget Process Resolution

New “add-delete” rules established

- Council proposed “adds” to the City Manager’s budget of more than \$50,000 due one week prior to Spring public budget hearing
- Provision may be waived if
 - Proposed “add” raised by public at hearing
 - 3 members request its consideration within 3 days of hearing
 - Late “adds” of more than \$50,000 may be waived for “good cause” by 5 Council members



Budget Process Resolution

Supermajority required (5 of 7 members) to adopt budget that exceeds guidance on:

- the maximum expenditures for the City,
- the maximum operating budget transfer to the Schools, or
- the maximum real estate tax rate



FY 2009 Budget Guidance

- Initial budget to keep existing real property tax rate of 83 cents per \$100 assessed value
- Holds City part of the budget to no more than 5.0% growth rate (\$377.2 million)
- Provides incentives for alternative revenue and efficiency options prior to consideration of increase in real property tax rate



FY 2009 Budget Guidance

- Holds School Transfer to 5.0% growth (\$168.2 million)
- Develops clear priorities for Community and Council consideration
- Includes market rate adjustment for City and School staff salaries of at least 1.0% in proposed 5.0% overall expenditure growth budget (but possibly as “add” to be paid for increased real estate tax rate).



Schedule of Major FY 2009 Budget Events

Date	Event
Sat. Oct. 13	Council Budget Public Hearing
Sat. Oct. 27	Council Retreat
Mon. Nov. 19	Council considers budget process changes and budget guidance for FY 2009
Tues. Nov. 27	Council passes budget process changes and budget guidance
Thurs. Dec. 20	School Superintendent submits proposed operating budget to Board

As Adopted by City Council
November 27, 2007



Schedule of Major FY 2009 Budget Events

Date	Event
Thurs. Jan. 3	School Board approves proposed Schools Capital Improvement Program (CIP)
Thurs. Jan. 31	School Board approves proposed operating budget
Tues. Feb. 12	City Manager presents proposed operating budget and CIP
Weds. Feb. 13	Council Work Session (revenues)
Weds. Feb. 20	Council Work Session (Personnel Compensation)

As Adopted by City Council
November 27, 2007



Schedule of Major FY 2009 Budget Events

Date	Event
Mon. Feb. 25	Council Work Session (CIP)
Mon. March 3	Council/School Board Joint Work Session (Schools budget)
Mon. March 10	Council Work Session (TBD)
Sat. March 15	Council Public Hearing (set max. real estate tax rate for advertising)
Tues. March 18	Council Work Session (TBD)
Tues. April 1	Council Work Session (TBD)
Mon. April 7	Council Work Session (TBD; add-deletes over \$50,000 due)

As Adopted by City Council
November 27, 2007



Schedule of Major FY 2009 Budget Events

Date	Event
Sat. April 12	Council Public Hearing, 1 st Reading of Tax Ordinances
Mon. April 14	Budget Public Hearing
Weds. April 16	Council Work Session (BFAAC report)
Tues. April 22	Effective Real Estate Tax Public Hearing
Mon. April 28	Council Work Session (Prelim. Add-Delete)
Mon. May 5	Council Work Session (Final Add-Delete)
Mon. May 5	Special Council Legislative Session (Adoption of Budget, CIP and tax rates)

As Adopted by City Council
November 27, 2007



Summary

- Resolution 2256
 - Establishes the timing of the budget process
 - Establishes guidance mechanisms for City and School budget submissions
- Intent is to provide
 - More time for Council consideration of the budget
 - More useful information on choices facing the community and the Council
 - More flexibility to make the right choices



Summary

- Resolution 2257
 - Establishes initial guidance to maintain current real estate tax rate
 - Balance budget with other sources of revenue if necessary
 - Do not exceed 5.0% rate of growth in expenditures
 - Give City Council list of items that would be funded if real estate tax rate increase is only way to balance budget with 5.0% growth



Summary

	City Exp. Guidance	Schools Exp. Guidance	Total Budget Exp. Guidance
FY 2008 Adopted	\$359.3 M	\$160.2 M	\$519.5 M
FY 2009 Guidance	\$377.2 M	\$168.2 M	\$545.4 M
% Change	5.0%	5.0%	5.0%
Est. Current Tax Rates and Policies			\$537.2 M (3.4%)

As Adopted by City Council
November 27, 2007