

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 7, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #87: TOURISM, TAXES AND THE BUDGET

In response to Councilwoman Woodson's question as to why not fully fund budget items that will support growth in tourism related taxes, the following response is provided.

The FY 2007 proposed budget recommends \$2.9 million in economic development funding which represents a \$153,736, or 5.6%, increase. None of the economic development programs' proposed budgets are listed on either set of proposed budget reductions to achieve a 5.75% budget or a 5.0% budget. This support of economic development programs directly relates to the value that economic development programs can create and the tax revenues those program can generate.

The only budget increase requests that were not funded were a \$4,000 increase in funding of the Eisenhower Partnership and a \$114,500 increase for ACVA. ACVA did receive a \$86,761, or a 5%, increase.

The Eisenhower Partnership funding was not increased, as the Partnership is the only business association to receive City funding. As a result, it was felt that increasing the Partnership's funding further created a greater disparity between it and the other business associations in the City.

ACVA's unfunded request of \$114,500 (see page 9-105 for details) was for new initiatives that ACVA wished to undertake. However, ACVA has not pressed for that funding and has not made a specific return-on-investment case for added funding. In addition, ACVA has received steady increases totaling 47% over the last five years.

Finally, other economic development initiatives were not proposed in the budget, as the followup to the Economic Sustainability Summit will be occurring this year, and AEDP is in transition as their Executive Director position is currently vacant triggering an AEDP Board Executive Committee discussion and look at the AEDP structure and future priorities. It is likely that the FY 2008 proposed budget will include initiatives related to economic development which would seek a return-on-investment in tourism or other tax revenues that would justify funding new budget initiatives.