

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 9, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: BUDGET MEMO # 1: PROPOSED ADD/DELETE PROCESS FOR THE FY 2005 BUDGET DELIBERATIONS

ISSUE: Proposed add/delete list process for the FY 2005 Budget deliberations.

RECOMMENDATION: That City Council review this report and inform staff, at the March 16 budget work session, of any requested revisions in due dates or in the suggested process.

DISCUSSION: Five years ago, specific written guidelines for the budget add/delete process were delineated, including (1) a timeline with specific due dates for budget memos, the preliminary add/delete list and the final add/delete list, (2) an established format for the submission of add/delete items, and (3) a statement of the specific criteria for the inclusion of add/delete list items on the preliminary and final lists. How budget amendments such as add/deletes are to be handled was affirmed by action of City Council in March 2001, and applied each year since then in the budget deliberation process.

The table on the next page provides the timeline recommended by staff for the FY 2005 budget process, based on the budget calendar adopted by City Council. This proposed timeline parallels the process and timeline used by the City Council for the last four years, except for some process changes (in response to concerns raised by Council during the FY 2002 budget process) related to the timing of Council budget questions, in order to allow more staff responses to be completed prior to the start of the add/delete process.

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FY 2005 CALENDAR FOR BUDGET DELIBERATIONS

Tuesday, March 16: First Budget Work Session.
Tuesday, March 30: Second Budget Work Session.
Monday, April 5: Suggested deadline for Council requests requiring a written budget memorandum response for the "Legislative and Executive," "General Government" and "Courts and Constitutional Officers" chapters of the budget (Chapters V, VI and VII).
Monday, April 12: Public Hearing on the FY 2005 Proposed Operating Budget, the FY 2005 to FY 2010 Capital Improvement Program, and the Property Tax Rate Ordinance.
Wednesday, April 14 : Suggested deadline for Council requests requiring a written budget memorandum response for issues raised at the public hearing, the "Operating Agencies" chapter of the budget (Chapter VIII), the proposed CIP, and for other issues (such as revenues).
Wednesday, April 21: Third Budget Work Session, with the School Board on Schools Capital Improvement Program and FY 2005 Operating Budget.
Thursday, April 22: Deadline for identifying items for the Preliminary Add/Delete List. (See process discussed below in section 2.) Also, suggested deadline for Council requests requiring a written budget memorandum response for the Education chapter of the budget (Chapter IX).
Friday, April 23: Preliminary Add/Delete List delivered to Council.
Monday, April 26: Budget work session with BFAAC, including discussion of Preliminary Add/Delete List.
Friday, April 30: Final Add/Delete List delivered to City Council, based on revisions discussed at April 21 work session.
Monday, May 3: Last budget work session and Budget Adoption at a special legislative meeting of Council. Final passage of tax rate ordinance.

Particular elements of the proposed calendar for budget deliberations are discussed below:

1. Staff Responses to Council Requests

Staff receives requests from members of Council in writing, by e-mail, by telephone request and through requests at Council meetings or budget work sessions. Staff's practice is to respond to all of these Council requests as soon as feasible. I do not recommend any changes to this procedure, but wish to point out the first deadline (first used in FY 2003) for the submission of budget questions on the "Legislative and Executive," "General Government" and the "Courts and Constitutional Officers" chapters of the budget. By seeking to get questions on these generally non-controversial parts of the budget submitted earlier, staff can get responses back to Council earlier in the process. This early

handling of questions on the chapters of the budget that do not generally have issues raised at the public hearing will also make it easier to answer questions in a timely manner that arise later in the budget process. Also, there will be more time for staff to get written responses back to Council prior to the add/delete list process.

2. Preparing Preliminary Add/Delete List

To ensure that there is not a misunderstanding regarding the development of the Preliminary Add/Delete List, Budget Director Bruce Johnson will contact each member of Council by telephone to determine the items the member wishes to be included on the preliminary list. This will be done prior to the release of the budget memo that transmits this preliminary list. For each item that a Council member wishes to have included on the Preliminary Add/Delete List, staff will reach an agreement with the member on the language that will be used in the list to describe the item. This will be done either orally over the telephone or through an exchange of faxes or e-mails. No language describing an add/delete item will be placed in the preliminary list unless it has been agreed to by the "sponsoring" Council member. Once agreement has been reached with all members regarding the items they wish to have included in the Preliminary Add/Delete List, staff will finalize and forward to Council the budget memorandum that contains this list. If different members have different approaches to the same item to be added to or deleted from the preliminary list, staff will reflect the different approaches on the list and will identify the member who supports each approach.

3. Criteria for Preliminary Add/Delete List Items

In accordance with the City Council's adopted Budget Resolution (Attachment I), any add/delete item that adds to expenditures or that decreases revenues must be accompanied by an offsetting decrease in expenditures or increase in revenue. If such an offsetting matter is not identified by a member, then staff will not add to the Preliminary Add/Delete List the item which the member wishes to have placed on the list. Other than this, Council members may use their own criteria in determining the items they wish to have added to the Preliminary Add/Delete List.

In addition, monies included within the general contingent reserves account (which is part of the annual operating budget and is budgeted at \$1,500,000 in the FY 2005 Proposed Budget) cannot be used to fund an addition without specific Council approval to transfer these monies to an operating agency account. As a result, if a Council member wishes to fund an addition by the transfer of monies from the general contingent reserves account, this transfer and the corresponding added items' expenditure must be included on the add/delete list. Recommendations from the City Manager for consideration of expenditure items that were unforeseen at the time the proposed budget was presented will also be handled in this manner. No additions to the Preliminary Add/Delete List can be made after April 23, but any clarifications of items on that list may be made in reaching the Final Add/Delete List.

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4. Preparing Final Add/Delete List

This year's Preliminary Add/Delete List will be considered at the April 26 work session. Any ambiguities in the items on the preliminary list can be resolved at that work session, through revisions to the language used to describe the items. Based on determinations made at this work session, staff will prepare its Final Add/Delete List and will distribute it to Council on Friday, April 30. We do not anticipate the need to contact any Council members after the April 26 work session regarding the Final Add/Delete List, since we expect Council will have reached agreement at that session on all revisions to the preliminary list, including language revisions. However, if, for some reason, this turns out not be the case, staff will review the Final Add/Delete List with each Council member before distributing it on April 30.

ATTACHMENT: Approved Budget Resolution Regarding the Treatment of Final Revenue Adjustments During the Budget Process

STAFF: Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs
Bruce Johnson, Director, Office of Management and Budget

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RESOLUTION NO. 2088
Budget Resolution Regarding the Treatment of
Final Revenue Adjustments During the Budget Process

WHEREAS, the City of Alexandria and the Greater Washington region face continued economic challenges; and

WHEREAS, the Alexandria City Council has previously exhibited restraint when considering its annual budget and financial policies; and

WHEREAS, the Alexandria City Council wishes to establish structure surrounding upcoming budget deliberations to ensure responsible actions with current economic resources;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Alexandria, Virginia, that the Council shall, for the purposes of consideration of the Budget for the City of Alexandria, adhere to the following rules of procedure:

Section (a) Proposed Budget for the City of Alexandria -

(1) For purposes of this resolution, the budget baseline of revenue rates and expenditure levels for the fiscal year shall be that proposed by the City Manager of the City of Alexandria.

(2) For purposes of this resolution, the Office of Management and Budget shall provide revenue and/or expenditure projections for any motion or amendment which could affect the proposed budget specified in paragraph (1).

Section (b) Maximum Expenditure Levels May Not Exceed Sum of Projected Revenue and Appropriation from Undesignated Fund Balance in Proposed Budget -

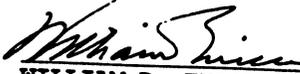
(1) It shall not be in order in the Alexandria City Council to consider any motion or amendment to the proposed budget of the City of Alexandria if such motion or amendment would have the effect of increasing any specific budget outlays above the level of such outlays contained in the proposed budget specified in section (a) of this resolution, or would have the effect of reducing any specific revenues below the level contained in the proposed budget specified in section (a) of this resolution, unless such motion or amendment makes at least an equivalent reduction in other specific budget outlays, identifies an equivalent increase in other specific revenues, or an equivalent combination thereof.

(2) In the Alexandria City Council, any appropriation from the Undesignated Fund Balance or any like account beyond that proposed in the Manager's proposed budget shall require an affirmative vote of five Council members.

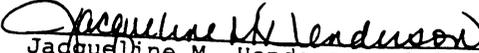
(3) In the event that the City Manager recommends final revenue adjustments that result in a net increase or net decrease from the revenue estimates specified in section (a) of this resolution, the net change in the revenue estimate shall be reflected as a change in the proposed appropriation from the Undesignated Fund Balance. As specified in Section (b)2, any appropriation from the Undesignated Fund Balance beyond that proposed in the Manager's proposed budget, including the net effect of final revenue adjustments, shall require an affirmative vote of five Council members.

Section (c) Expiration -- The provisions of this resolution shall expire on June 30, 2006.

ADOPTED: November 25, 2003


WILLIAM D. EULLE MAYOR

ATTEST:


Jacqueline M. Henderson, CMC