

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 10, 2005
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER 
SUBJECT: UPDATED FY 2007 BUDGET INFORMATION

In follow up to the City Council meeting last night, attached you will find:

Attachment #

1. An updated Alternative Scenario Chart. The chart has been updated to add new budget percentage increase scenarios that members of Council mentioned last night (7.5%, 5.0% and 4.0%). In scenarios D through I the minimum COLA was reset at 3.0% to 2.5% instead of the lower COLA numbers used in the original scenario table (the COLA numbers are listed on the last line of this chart). This higher COLA has the effect of increasing the amount that the City and Schools would need to reduce in scenarios D through I.
2. The updated Alternative Scenario Chart and its key components have been put in graph form.
3. A chart showing the projected impact of various real estate tax rates on the average residential tax bill.
4. A chart showing the history of residential tax bill changes.
5. The School Superintendent memo to me that I received today. The memo outlines the impact of a 7.5% target and 4% target on the School budget.

Tomorrow, also as requested last night, we will send you a list of more specific examples than those listed on page four of the November 3 docket item of budget reductions that may be necessary to meet some of the lower percentage increase budget scenarios.

If you have any questions concerning these attachments, please call Bruce Johnson at 838.4780.

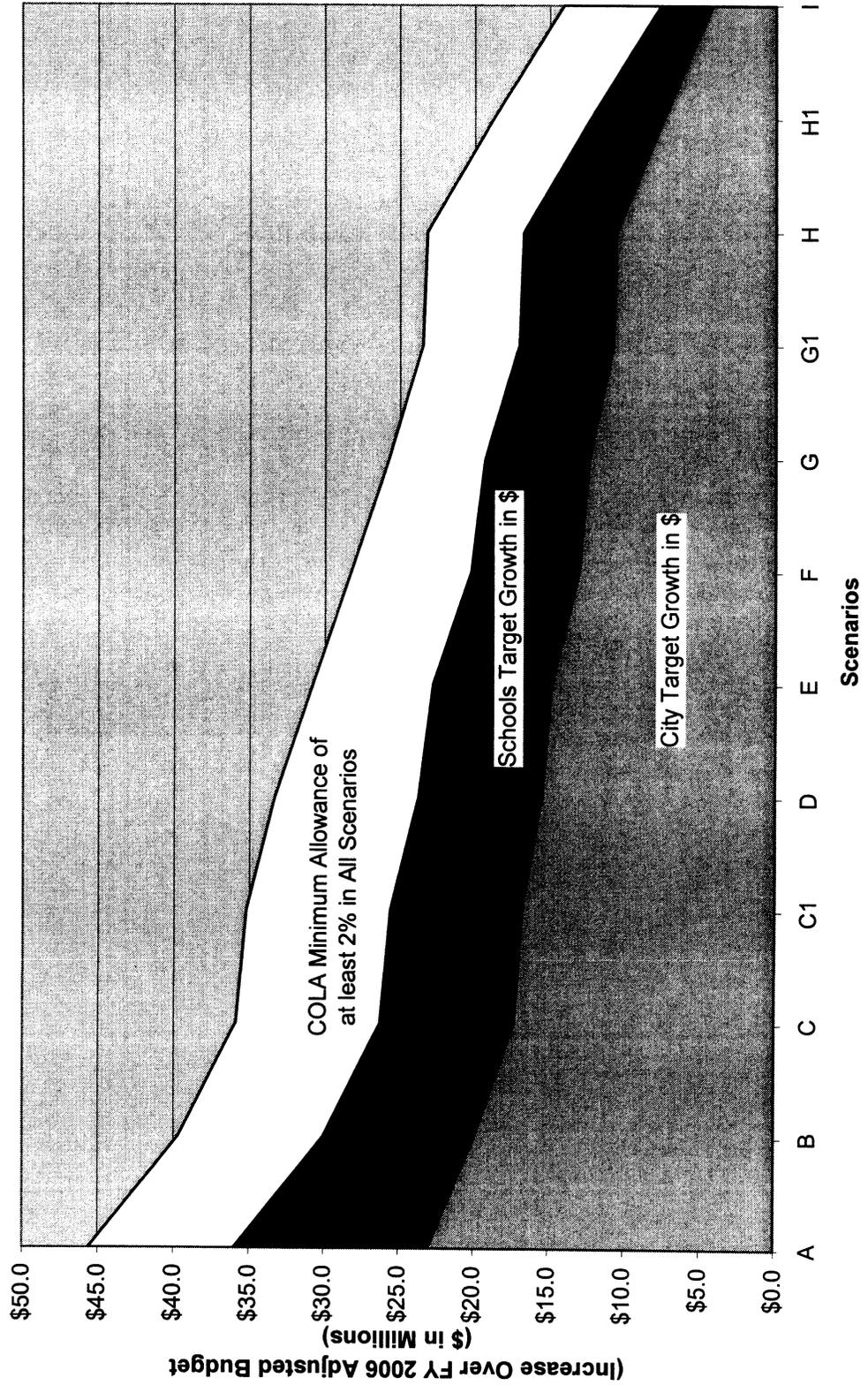
Attachments

10-Nov-05

ALTERNATIVE FY 2007 BUDGET TARGET SCENARIOS

Scenario (% expenditure growth)	A	B	C	C1	D	E	F	G	G1	H	H1	I
	9.7%	8.5%	7.6%	7.5%	7.1%	6.6%	6.0%	5.5%	5.0%	4.9%	4.0%	3.0%
City Target (\$ in M)	\$353.5	\$350.5	\$347.8	\$347.3	\$346.0	\$345.4	\$343.6	\$342.9	\$341.4	\$341.2	\$338.1	\$334.8
School Target (\$ in M)	\$151.8	\$148.9	\$147.8	\$147.6	\$147.0	\$146.7	\$146.0	\$145.7	\$145.0	\$144.9	\$143.6	\$142.2
Minimum COLA Allowance (\$ in M)	\$9.6	\$9.6	\$9.6	\$9.6	\$9.6	\$8.0	\$8.0	\$6.4	\$6.4	\$6.4	\$6.4	\$6.4
Total Target (may not add due to rounding)	\$514.9	\$509.0	\$505.2	\$504.5	\$502.6	\$500.1	\$497.6	\$495.0	\$492.8	\$492.5	\$488.1	\$483.4
City Expenditure Growth without COLA (in %)	7.0%	6.0%	5.2%	5.1%	4.7%	4.5%	3.9%	3.7%	3.3%	3.2%	2.3%	1.3%
Schools Expenditure Growth without COLA (in %)	9.4%	7.3%	6.5%	6.3%	5.9%	5.7%	5.2%	5.0%	4.5%	4.5%	3.5%	2.5%
Total Expenditure Growth with COLA (in %)	9.7%	8.5%	7.6%	7.5%	7.1%	6.6%	6.0%	5.5%	5.0%	4.9%	4.0%	3.0%
Real Estate Tax Rate Reduction (in cents)	-3.6	-5.4	-6.5	-6.7	-7.3	-8.1	-8.9	-9.6	-10.3	-10.4	-11.7	-12.7
Average Res. Real Estate Tax Inc. (in %)	13.8%	11.5%	10.0%	9.7%	9.0%	8.0%	7.0%	6.0%	5.1%	5.0%	3.3%	2.0%
City Reductions From Prelim. Forecast	\$0.0	-\$3.1	-\$5.7	-\$6.2	-\$7.5	-\$8.2	-\$9.9	-\$10.6	-\$12.2	-\$12.4	-\$15.5	-\$18.8
Schools Reductions From Prelim. Forecast	\$0.0	-\$2.9	-\$4.0	-\$4.2	-\$4.8	-\$5.1	-\$5.8	-\$6.1	-\$6.8	-\$6.8	-\$8.2	-\$9.6
COLA Change from Prelim. Forecast	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$1.6	-\$1.6	-\$3.2	-\$3.2	-\$3.2	-\$3.2	-\$3.2
Total Reductions From Prelim. Forecast (may not add due to rounding)	\$0.0	-\$6.0	-\$9.7	-\$10.4	-\$12.3	-\$14.8	-\$17.4	-\$19.9	-\$22.2	-\$22.4	-\$26.8	-\$31.5
Minimum COLA Assumed Under Each Scenario	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%

Components of Increase Over Adjusted FY 2006 Budget Under Various Scenarios (\$ in millions)



**City of Alexandria
Projected Average Residential Real Estate Taxes Under Various Scenarios**

Scenario	Tax Rate	Ave. Assessment	Tax Bill	Tax Change	
				\$	%
2005	91.5	\$441,823	\$4,043	NA	NA
2006	91.5	\$523,384	\$4,789	\$746	18%
A	87.9	\$523,384	\$4,601	\$558	14%
B	86.1	\$523,384	\$4,506	\$463	11%
C	85.0	\$523,384	\$4,449	\$406	10%
C1	84.8	\$523,384	\$4,438	\$395	10%
D	84.2	\$523,384	\$4,407	\$364	9%
E	83.4	\$523,384	\$4,365	\$322	8%
F	82.6	\$523,384	\$4,323	\$280	7%
G	81.9	\$523,384	\$4,287	\$244	6%
G1	81.2	\$523,384	\$4,250	\$207	5%
H	81.1	\$523,384	\$4,245	\$202	5%
H1	79.8	\$523,384	\$4,177	\$134	3%
I	78.8	\$523,384	\$4,124	\$81	2%

Z

History of Residential Property Tax Bill Changes

Calendar Year	Tax Rate	Average Assessed Value		Tax	\$ Tax Change	% Tax Change
1995	\$1.07	\$175,006	\$1,873	\$1,873		
1996	\$1.07	\$177,148	\$1,895	\$1,895	\$23	1.2%
1997	\$1.07	\$177,640	\$1,901	\$1,901	\$5	0.3%
1998	\$1.11	\$179,496	\$1,992	\$1,992	\$92	4.8%
1999	\$1.11	\$182,944	\$2,031	\$2,031	\$38	1.9%
2000	\$1.11	\$194,300	\$2,157	\$2,157	\$126	6.2%
2001	\$1.11	\$215,523	\$2,392	\$2,392	\$236	10.9%
2002	\$1.08	\$247,980	\$2,678	\$2,678	\$286	11.9%
2003	\$1.035	\$308,876	\$3,197	\$3,197	\$519	19.4%
2004	\$0.995	\$364,240	\$3,624	\$3,624	\$427	13.4%
2005	\$0.915	\$441,823	\$4,043	\$4,043	\$418	11.5%
Preliminary Est. 2006	\$0.915	\$523,384	\$4,789	\$4,789	\$746	18.5%

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TO: James K. Hartmann
City Manager

FROM: Rebecca L. Perry
Superintendent of Schools

DATE: November 10, 2005

RE: FY 2007 Budget Target

At the November 9, 2005, City Council meeting, the decision regarding the setting of the FY 2007 budget targets was deferred until the November 12, 2005, City Council meeting.

The Mayor and Council discussed the possibility of setting two budget targets, one high and one low. The two targets mentioned at the November 9th meeting were a high of 7.5% and a low of 4%.

Members of Council expressed concern about the impact on the budget of each target level and wanted more information prior to establishing the budget targets. As requested, the following will outline the impact to the school system if Council adopts budget targets, or caps, of 7.5% and 4% for the growth rate in the operating budget transfer from the City to the Schools. Attachment 1 outlines the FY 2007 ACPS Operating Budget Preliminary Forecast that was supplied at the City Council retreat. Attachment 2 outlines the budget components that would be funded and those that would remain unfunded under each potential growth rate in the operating budget transfer to the Schools, 7.5% and 4%.

Summary of the Impact of a 7.5% Target Growth Rate

A 7.5% target growth rate would fund the existing level of services and programs, mandated VRS rate increases, mandated IDEIA special education reserves, reserve instructional positions, increases in health insurance, and program improvements. This target would not fully fund merit pay/step increases as this would require an increase in the operating budget transfer of 7.85%. A 7.5% target growth rate would also not fund an adjustment to teacher salaries or a cost of living adjustment (COLA).

Summary of the Impact of a 4% Target Growth Rate

A 4% target growth rate would fund the existing level of services and programs, mandated VRS rate increases, mandated IDEIA special education reserves, and reserve instructional positions. A 4% target growth rate would not be sufficient to fund increases in health insurance, merit pay/step increases, program improvements, an adjustment to teacher salaries, or a COLA.

The budget target scenarios outlined above would have significant fiscal impacts on the school system. The outline of those items which could or could not be funded shown in Attachment 2 is for illustration purposes only at this time. If these targets become a reality, the School Board may be forced to make other adjustments in the budget such as elimination of programs, cuts in non-core mission services, increased class sizes, a reduction in force, or other changes.

Our budget forecast has been prepared with great care and sensitivity to the economic pressures facing the City. However, we are on the road to full accreditation of all our schools and funding is needed to accomplish the tasks necessary to educate our diverse and disadvantaged school population. Holding back on employee compensation and not funding merit pay/step increases, the adjustment in the teacher salary scale, or a COLA will certainly impact employee morale and impede our ability to be competitive and attract and retain the best and brightest instructional staff.

The City Council has been responsive in funding the Schools' budget in the past and we strongly urge full funding of our preliminary budget forecast. The decision by City Council regarding the target growth rate is needed as soon as possible in order for the Schools to be compliant with the new budget calendar which calls for the issuance of the Superintendent's Proposed FY 2007 Operating Budget on December 15th, 21 business days from now.

If you have questions or need additional information, please feel free to contact me.

Attachments

Cc: The Honorable Chair and Members, Alexandria School Board
Jay Johnson
Leslie Peterson
Mark Jinks
Bruce Johnson

**FY 2007 OPERATING BUDGET PRELIMINARY FORECAST
EXPENDITURES BY BUDGET PRIORITY**

FY 2006-07 FORECASTED REVENUES

1. State Aid	\$ 24,281,947
2. Local Revenue	\$ 515,748
3. Federal Revenue	\$ 192,220
4. City Appropriation (FY 2006 level = \$138,752,494)	\$ 151,656,162
5. Fund Balance	<u>\$ 4,305,319</u>
	Forecasted FY 2007 Revenue \$ 180,951,396

FY 2006-07 FORECASTED EXPENDITURES

FY 2005-06 Final Approved Budget	\$ 166,720,957
Less: items not carried forward	<u>\$ (357,038)</u>
1. Subtotal - Carry Forward	\$ 166,363,919
2. VRS rate increases	<u>\$ 5,411,400</u>
	Subtotal \$ 171,775,319
3. Special Education and Teacher Reserves	<u>\$ 898,121</u>
	Subtotal \$ 172,673,440
4. Health insurance increase	<u>\$ 1,892,760</u>
	Subtotal \$ 174,566,200
5. Step increase	<u>\$ 3,500,000</u>
	Subtotal \$ 178,066,200
6. Program Improvements	<u>\$ 877,196</u>
	Subtotal \$ 178,943,396
7. Adjustment to teachers' salary scale	<u>\$ 2,008,000</u>
	Total Budget for Preliminary Forecast \$ 180,951,396

Increase in City Appropriation Needed to Fund Overall Increase

**FY 2007 OPERATING BUDGET PRELIMINARY FORECAST
EFFECT OF A 7.5% AND A 4% TARGET GROWTH RATE
IN THE OPERATING BUDGET TRANSFER TO THE SCHOOLS**

		4% TARGETED GROWTH RATE	
	% Growth In Operating Budget Transfer to Schools		% Growth In Operating Budget Transfer to Schools
7.5% TARGETED GROWTH RATE		4% TARGETED GROWTH RATE	
FUNDED	Maintenance of Current Level of Services and Programs	-1.21%	-1.21%
	Mandated VRS rate increases	2.69%	2.69%
	Mandated IDEIA Special Education Reserves	3.02%	3.02%
	Reserve Instructional Staff	3.33%	3.33%
	Health insurance increase	4.70%	4.70%
	Program Improvements	5.33%	5.33%
	Step increase	7.85%	7.85%
	Adjustment to teachers' salary scale	9.30%	9.30%
	Cost of living adjustment	???	???
UNFUNDED			
FUNDED	Maintenance of Current Level of Services and Programs		
	Mandated VRS rate increases		
	Mandated IDEIA Special Education Reserves		
	Reserve Instructional Staff		
	Health insurance increase		
	Program Improvements		
	Step increase		
	Adjustment to teachers' salary scale		
	Cost of living adjustment		
UNFUNDED			

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 11, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: STRATEGIES TO MEET BUDGET TARGETS

During discussions on Wednesday, November 9th at its legislative meeting, City Council requested more information on how the City Manager might approach holding the growth in residential real estate taxes at or below any possible targets set City Council by a combination of the following strategies outlined in the docket item for that meeting:

Postponing or reducing discretionary program increases

There are now on the table approximately \$6 million in City discretionary supplemental requests and \$3 million in what City staff would term School discretionary supplemental requests. These requests may need to be not funded, postponed, or funded if and only if equivalent reductions can be found in other parts of the budget.

Reducing a 3% Cost of Living Adjustment (COLA)

In my memorandum to City Council of November 10, 2005, staff has suggested assuming a minimum COLA allowance of between 3% and 2% in the establishment of the overall budget targets for the City and Schools. A 1% point reduction in the COLA results in a \$3.2 million savings.

Cutting health insurance benefits

City staff, working in tandem with School staff and the Budget and Fiscal Affairs Advisory Committee, will approach this issue by giving priority first to efficiency savings that may be possible by making changes in the administration of the program, then by looking at marginal changes in benefits or employee co-pays or deductibles to create incentives to control costs. Only once those changes are fully explored in that order, would City staff look at cost sharing of premiums.

Raising other taxes or fees

City staff have been developing an inventory of fees and service charges currently assessed by City departments for their services and looking into whether those fees and charges have been recently updated to reflect more accurately the costs of providing those services and whether the share of those costs borne by the users or beneficiaries is set at an appropriate level. Recommendations will be made in the budget proposed to City Council if City staff determines that tax or fee changes may be appropriate. Included in these recommendations will be annual updates to the fees charged for solid waste removal and for sanitary sewer service to keep those programs self-supporting.

City staff also will be examining whether there should be any marginal changes that could be made to the tax rates or taxes that can be applied under existing Virginia law. Real estate tax relief program benefits and eligibility also will be reviewed for possible expansion.

Freezing local funding for grant supported programs

If chosen, this option would probably be implemented gradually by not replacing grant funded positions as attrition occurs in those program areas that are not receiving sufficient increases in grant funding to keep up with program cost increases. However, because many grant programs are in the human services and mental health areas, use of this option would likely be limited.

Making targeted program/service level reductions

City staff are reviewing what is now a short list of possible program or service level reductions. Any such reductions would be recommended as a result of staff determinations that funds saved by eliminating or reducing one program could be used more effectively in funding a proposal to increase services in another program area. However, if a moderate to low budget target level is chosen by Council, additional service level reduction options will need to be developed for consideration. Examples of service and operational reduction options include:

- delaying the replacement of equipment,
- reducing administrative overhead costs,
- slowing the implementation Information Technology projects,
- reducing hours of service of City programs,
- reducing or eliminating programs where the benefits compared to the costs may be marginal, and
- reducing the non-personnel budget where there is discretion in the volume of items purchased and services contracted for.

Reducing or deferring capital projects

City staff are conducting a comprehensive review of capital projects contained in the approved FY 2006 to FY 2011 Capital Improvement Program. We likely will be recommending the elimination or deferral to later years of some of these approved capital projects as one response to finding ways to reduce the FY 2007 budget and meet City Council's target.

Increasing the issuance of bonds for capital project (CIP) funding

As the upcoming CIP is prepared, a review of cash capital and bond funding will occur. City staff currently are reexamining the debt policy guidelines previously adopted by Council and used as benchmarks for borrowing funds for capital projects and maintaining Alexandria's excellent bond ratings. Our analysis will be based on comparisons to other jurisdictions that maintain triple A bond ratings and using that information to benchmark our fiscal capacity to borrow and do likewise. We will be providing City Council in the future with those recommendations and the upcoming CIP may then reflect an increase in the issuance of bonds to fund capital projects as a result.

RESOLUTION NO. 2166

WHEREAS, the City Council of Alexandria passed Resolution 2150 on May 2, 2005 that made changes in the process to be used for formulating the FY 2007 budget; and

WHEREAS, Resolution 2150 provided:

Section 1. That the City Manager shall begin immediately to plan and prepare the FY 2007 Operating Budget and FY 2007 - 2012 Capital Improvement Program and that such preparations shall include, but not be limited to, requests for City departments to identify efficiencies, low priority programs not crucial to achieving City Council strategic objectives, potential discretionary supplemental increases for FY 2007 crucial to achieving City Council's strategic objectives, and potential City-wide process changes that would be beneficial to City operations and to the public.

Section 2. That the City Manager shall present to City Council in time for the fall Council Retreat a preliminary forecast and outlook for (a) revenues (including the outlook for real estate assessments), (b) expenditures necessary to maintain appropriate services and policies (including in the City Manager's forecast cash capital and debt service costs related to the approved FY 2006 - 2011 Capital Improvement Program), (c) the outlook for additional requests for City operating needs in FY 2007 and capital needs in FY 2007 through FY 2012, (d) the outlook for Federal and State grants, and (e) the outlook for the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

Section 3. That the Alexandria City School System shall separately present to City Council, but in a format coordinated with the City Manager, its preliminary forecast and outlook for (a) expenditures necessary to maintain appropriate services and policies, (b) the outlook for additional requests for Schools operating in FY 2007 and capital needs through FY 2007 through FY 2012, (c) the outlook for Federal and State grants, and (d) the outlook for the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

Section 4. That as part of its fall Retreat, City Council will consider this information and any other relevant information available to it at that time from the efforts described above, including citizen input to be provided by a public hearing on the FY 2007 budget to be conducted prior to City Council's fall Retreat.

Section 5. That City Council shall, as a result of information available to it at the Retreat, direct that the City Manager prepare a budget resolution to be adopted by City Council to guide the preparation of the FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program and that such a resolution would contain (a) a target for City General Fund expenditure growth (including cash capital and debt service), (b) a target for a budget transfer to the Alexandria City Public Schools for operating expenses and capital expenditure needs in FY 2007 to FY 2012, and (c) a calculation of the estimated difference between FY 2007 preliminary forecast revenues and the expenditure targets to be established by City Council.

Section 6. That City Council plans to adopt such a budget resolution during the month of November 2005 (sic).

Section 7. That the Board of the Alexandria City School Schools is requested to approve a FY 2007 Operating Budget and FY

2007 to FY 2012 Capital Improvement Program by no later than January 31, 2006. Such budget shall seek not to exceed the Council approved budget targets for the Operating Budget transfer and Capital Improvement Program given to the Alexandria City Public Schools, and clearly identify what operating programs and activities and capital projects would be funded if additional funding were provided above that target.

Section 8. That the City Manager shall submit a proposed FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program to the City Council no later than February 14, 2006, that does not exceed the target for General Fund expenditure growth established by City Council, and clearly identifies what operating programs and activities and capital projects would be recommended if additional funding were provided, and/or what tax rate changes could be enacted with whatever additional revenues might be available above the revenues needed to meet the expenditure target and still provide a structurally sound budget.

Section 9. That City Council shall consider these recommendations and endeavor to enact a FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program that balances the needs of the community with the community's ability to afford meeting those needs; and

WHEREAS, the City Council has held a public hearing on October 15, 2005 on the FY 2007 budget; and

WHEREAS, the City Manager and the Alexandria City Public Schools have presented to City Council at its October 29, 2005 retreat their preliminary forecasts of revenues, expenditures and capital needs; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to help address the issue of increasing residential real estate taxes; and

WHEREAS, the City Council also is committed to continuing to perform fully its obligations, to continue to provide quality services and facilities for the residents and businesses of Alexandria, to maintain competitive compensation for City and School employees, to see continuous improvement in City government effectiveness and efficiency, and to achieve the vision and strategic goals and objectives outlined in the City Council's adopted Strategic Plan; and

WHEREAS, Council's deliberations on the budget each and every year reflect a balancing of the needs of the community with the community's ability to afford meeting those needs;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF ALEXANDRIA:

1. That the City Manager shall submit a proposed FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program to the City Council no later than February 14, 2006, that does not exceed a target of \$350.5 million for General Fund expenditures as well as an alternative target of \$343.6 million for General Fund expenditures. Neither this target nor the alternative target includes the operating budget transfer to the Alexandria City Public Schools. The targets exclude funds for whatever cost of living adjustment is provided to City employees.

2. That the School Board of the Alexandria City Public Schools is requested to approve a FY 2007 Operating Budget by no later than January 31, 2006. Such budget shall seek not to exceed a target of \$148.9 million for the operating budget transfer provided to the Alexandria City Public Schools, as well as an alternative target of \$146.0 million for the operating budget transfer provided to the Alexandria City Public Schools. Both the target and the alternative target for the operating budget transfer exclude funds for whatever cost of living adjustment is provided to School employees.
3. That the budget documents of the City Manager and the School Board shall clearly describe and compare the target budget and alternative target budget in regard to the details of what operating programs, activities and capital projects could be funded within one target budget and not the other target budget. In addition, the budget documents also may outline operating programs, activities, capital projects and other policy options that may exceed the target budget or the alternative target budget.
4. That the proposed cost of living pay adjustment allowance for City and Schools employees will be recommended by the City Manager after consultation with the School Superintendent. A different cost of living pay adjustment may be recommended by the City Manager for the alternative target budget.
5. That the City Manager propose a budget real estate tax rate necessary for financing the target budget, as well as provide tax, fee and other revenue options necessary for financing the alternative target budget, as appropriate.

ADOPTED: November 12, 2005

WILLIAM D. EUILLE MAYOR

ATTEST:

Jacqueline M. Henderson, CMC City Clerk

14.1
11-12-05

RESOLUTION NO. _____

WHEREAS, the City Council of Alexandria passed Resolution 2150 on May 2, 2005 that made changes in the process to be used for formulating the FY 2007 budget; and

WHEREAS, Resolution 2150 provided that:

1. That the City Manager shall begin immediately to plan and prepare the FY 2007 Operating Budget and FY 2007 - 2012 Capital Improvement Program and that such preparations shall include, but not be limited to, requests for City departments to identify efficiencies, low priority programs not crucial to achieving City Council strategic objectives, potential discretionary supplemental increases for FY 2007 crucial to achieving City Council's strategic objectives, and potential City-wide process changes that would be beneficial to City operations and to the public.
2. That the City Manager shall present to City Council in time for the fall Council Retreat a preliminary forecast and outlook for (a) revenues (including the outlook for real estate assessments), (b) expenditures necessary to maintain appropriate services and policies (including in the City Manager's forecast of cash capital and debt service costs related to the approved FY 2006 – 2011 Capital Improvement Program), (c) the outlook for additional requests for City operating needs in FY 2007 and capital needs in FY 2007 through FY 2012, (d) the outlook for Federal and State grants, and (e) the outlook for the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.
3. That the Alexandria City School System shall separately present to City Council, but in a format coordinated with the City Manager, its preliminary forecast and outlook for (a) expenditures necessary to maintain appropriate services and policies, (b) the outlook for additional requests for Schools operating in FY 2007 and capital needs through FY 2007 through FY 2012, (c) the outlook for Federal and State grants, and (d) the outlook for the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.
4. That as part of its fall Retreat, City Council will consider this information and any other relevant information available to it at that time from the efforts described above, including citizen input to be provided by a public hearing on the FY 2007 budget to be conducted prior to City Council's fall Retreat.
5. That City Council shall, as a result of information available to it at the Retreat, direct that the City Manager prepare a budget resolution to be adopted by City Council to guide the preparation of the FY 2007 Operating Budget and FY 2007 to FY 2012 Capital

Improvement Program and that such a resolution would contain (a) a target for City General Fund expenditure growth (including cash capital and debt service), (b) a target for a budget transfer to the Alexandria City Public Schools for operating expenses and capital expenditure needs in FY 2007 to FY 2012, and (c) a calculation of the estimated difference between FY 2007 preliminary forecast revenues and the expenditure targets to be established by City Council.

6. That City Council plans to adopt such a budget resolution during the month of November 2005 (sic).
7. That the Board of the Alexandria City School Schools is requested to approve a FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program by no later than January 31, 2006. Such budget shall seek not to exceed the Council approved budget targets for the Operating Budget transfer and Capital Improvement Program given to the Alexandria City Public Schools, and clearly identify what operating programs and activities and capital projects would be funded if additional funding were provided above that target.
8. That the City Manager shall submit a proposed FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program to the City Council no later than February 14, 2006, that does not exceed the target for General Fund expenditure growth established by City Council, and clearly identifies what operating programs and activities and capital projects would be recommended if additional funding were provided, and/or what tax rate changes could be enacted with whatever additional revenues might be available above the revenues needed to meet the expenditure target and still provide a structurally sound budget.
9. That City Council shall consider these recommendations and endeavor to enact a FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program that balances the needs of the community with the community's ability to afford meeting those needs.
And

WHEREAS, the City Council has held a public hearing on October 15, 2005 on the FY 2007 budget; and

WHEREAS, the City Manager and the Alexandria City Public Schools have presented to City Council at its October 29, 2005 retreat their preliminary forecasts of revenues, expenditures and capital needs; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to help address the issue of increasing residential real estate taxes; and

WHEREAS, the City Council also is committed to continuing to perform fully its obligations, to continue to provide quality services and facilities for the residents and businesses of Alexandria, to maintain competitive compensation for City and School employees, to see continuous improvement in City government effectiveness and efficiency, and to achieve the vision and strategic goals and objectives outlined in the City Council's adopted Strategic Plan; and

WHEREAS, Council's deliberations on the budget each and every year reflect a balancing of the needs of the community with the community's ability to afford meeting those needs;

**NOW, THEREFORE, BE IT RESOLVED
BY THE CITY COUNCIL OF ALEXANDRIA**

1. That the City Manager shall submit a proposed FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program to the City Council no later than February 14, 2006, that does not exceed a target of \$_____ million for General Fund expenditures. The target does not include the operating budget transfer to the Alexandria City Public Schools.
2. That the School Board of the Alexandria City Public Schools is requested to approve a FY 2007 Operating Budget by no later than January 31, 2006. Such budget shall seek not to exceed a target of \$_____ million for the operating budget transfer provided to the Alexandria City Public Schools.
3. That the budget documents of the City Manager and the School Board shall clearly describe what operating programs, activities and capital projects could be funded within the target budget. In addition, the budget documents also may outline operating programs, activities, capital projects and other policy options that may exceed the target budget.
4. That the proposed cost of living pay adjustment allowance for City and Schools employees will be recommended by the City Manager after consultation with the School Superintendent.
5. That the City Manager propose a budget real estate tax rate necessary for financing the target budget, as well as provide tax, fee and other revenue options as appropriate.

Alternative Providing for Alternative Targets

1. *That the City Manager shall submit a proposed FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program to the City Council no later than February 14, 2006, that does not exceed a target of \$ million for General Fund expenditures as well as an alternative target of \$ million for General Fund expenditures. Neither this target nor the alternative target includes the operating budget transfer to the Alexandria City Public Schools. The targets include funds for whatever cost of living adjustment is provided to City employees.*
2. *That the School Board of the Alexandria City Public Schools is requested to approve a FY 2007 Operating Budget by no later than January 31, 2006. Such budget shall seek not to exceed a target of \$ million for the operating budget transfer provided to the Alexandria City Public Schools, as well as an alternative target of \$ million for the operating budget transfer provided to the Alexandria City Public Schools. Both the target and the alternative target for the operating budget transfer include funds for whatever cost of living adjustment is provided to School employees.*
3. *That the budget documents of the City Manager and the School Board shall clearly describe and compare the target budget and alternative target budget in regard to the details of what operating programs, activities and capital projects could be funded within one target budget and not the other target budget. In addition, the budget documents also may outline operating programs, activities, capital projects and other policy options that may exceed the target budget or the alternative target budget.*
4. *That the proposed cost of living pay adjustment allowance for City and Schools employees will be recommended by the City Manager after consultation with the School Superintendent. A different cost of living pay adjustment may be recommended by the City Manager for the alternative target budget.*
5. *That the City Manager propose a budget real estate tax rate necessary for financing the target budget, as well as provide tax, fee and other revenue options necessary for financing the alternative target budget, as appropriate.*

Attest:

Jacqueline M. Henderson, CMC, City Clerk

By _____
William D. Euille, Mayor

RESOLUTION NO. 2166

WHEREAS, the City Council of Alexandria passed Resolution 2150 on May 2, 2005 that made changes in the process to be used for formulating the FY 2007 budget; and

WHEREAS, Resolution 2150 provided:

Section 1. That the City Manager shall begin immediately to plan and prepare the FY 2007 Operating Budget and FY 2007 - 2012 Capital Improvement Program and that such preparations shall include, but not be limited to, requests for City departments to identify efficiencies, low priority programs not crucial to achieving City Council strategic objectives, potential discretionary supplemental increases for FY 2007 crucial to achieving City Council's strategic objectives, and potential City-wide process changes that would be beneficial to City operations and to the public.

Section 2. That the City Manager shall present to City Council in time for the fall Council Retreat a preliminary forecast and outlook for (a) revenues (including the outlook for real estate assessments), (b) expenditures necessary to maintain appropriate services and policies (including in the City Manager's forecast cash capital and debt service costs related to the approved FY 2006 - 2011 Capital Improvement Program), (c) the outlook for additional requests for City operating needs in FY 2007 and capital needs in FY 2007 through FY 2012, (d) the outlook for Federal and State grants, and (e) the outlook for the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

Section 3. That the Alexandria City School System shall separately present to City Council, but in a format coordinated with the City Manager, its preliminary forecast and outlook for (a) expenditures necessary to maintain appropriate services and policies, (b) the outlook for additional requests for Schools operating in FY 2007 and capital needs through FY 2007 through FY 2012, (c) the outlook for Federal and State grants, and (d) the outlook for the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

Section 4. That as part of its fall Retreat, City Council will consider this information and any other relevant information available to it at that time from the efforts described above, including citizen input to be provided by a public hearing on the FY 2007 budget to be conducted prior to City Council's fall Retreat.

Section 5. That City Council shall, as a result of information available to it at the Retreat, direct that the City Manager prepare a budget resolution to be adopted by City Council to guide the preparation of the FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program and that such a resolution would contain (a) a target for City General Fund expenditure growth (including cash capital and debt service), (b) a target for a budget transfer to the Alexandria City Public Schools for operating expenses and capital expenditure needs in FY 2007 to FY 2012, and (c) a calculation of the estimated difference between FY 2007 preliminary forecast revenues and the expenditure targets to be established by City Council.

Section 6. That City Council plans to adopt such a budget resolution during the month of November 2005.

Section 7. That the Board of the Alexandria City School Schools is requested to approve a FY 2007 Operating Budget and FY

2007 to FY 2012 Capital Improvement Program by no later than January 31, 2006. Such budget shall seek not to exceed the Council approved budget targets for the Operating Budget transfer and Capital Improvement Program given to the Alexandria City Public Schools, and clearly identify what operating programs and activities and capital projects would be funded if additional funding were provided above that target.

Section 8. That the City Manager shall submit a proposed FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program to the City Council no later than February 14, 2006, that does not exceed the target for General Fund expenditure growth established by City Council, and clearly identifies what operating programs and activities and capital projects would be recommended if additional funding were provided, and/or what tax rate changes could be enacted with whatever additional revenues might be available above the revenues needed to meet the expenditure target and still provide a structurally sound budget.

Section 9. That City Council shall consider these recommendations and endeavor to enact a FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program that balances the needs of the community with the community's ability to afford meeting those needs; and

WHEREAS, the City Council has held a public hearing on October 15, 2005 on the FY 2007 budget; and

WHEREAS, the City Manager and the Alexandria City Public Schools have presented to City Council at its October 29, 2005 retreat their preliminary forecasts of revenues, expenditures and capital needs; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to help address the issue of increasing residential real estate taxes; and

WHEREAS, the City Council also is committed to continuing to perform fully its obligations, to continue to provide quality services and facilities for the residents and businesses of Alexandria, to maintain competitive compensation for City and School employees, to see continuous improvement in City government effectiveness and efficiency, and to achieve the vision and strategic goals and objectives outlined in the City Council's adopted Strategic Plan; and

WHEREAS, Council's deliberations on the budget each and every year reflect a balancing of the needs of the community with the community's ability to afford meeting those needs;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF ALEXANDRIA:

1. That the City Manager shall submit a proposed FY 2007 Operating Budget and FY 2007 to FY 2012 Capital Improvement Program to the City Council no later than February 14, 2006, that does not exceed a target of \$350.5 million for General Fund expenditures as well as an alternative target of \$343.6 million for General Fund expenditures. Neither this target nor the alternative target includes the operating budget transfer to the Alexandria City Public Schools. The targets exclude funds for whatever cost of living adjustment is provided to City employees.

2. That the School Board of the Alexandria City Public Schools is requested to approve a FY 2007 Operating Budget by no later than January 31, 2006. Such budget shall seek not to exceed a target of \$148.9 million for the operating budget transfer provided to the Alexandria City Public Schools, as well as an alternative target of \$146.0 million for the operating budget transfer provided to the Alexandria City Public Schools. Both the target and the alternative target for the operating budget transfer exclude funds for whatever cost of living adjustment is provided to School employees.
3. That the budget documents of the City Manager and the School Board shall clearly describe and compare the target budget and alternative target budget in regard to the details of what operating programs, activities and capital projects could be funded within one target budget and not the other target budget. In addition, the budget documents also may outline operating programs, activities, capital projects and other policy options that may exceed the target budget or the alternative target budget.
4. That the proposed cost of living pay adjustment allowance for City and Schools employees will be recommended by the City Manager after consultation with the School Superintendent. A different cost of living pay adjustment may be recommended by the City Manager for the alternative target budget.
5. That the City Manager propose a budget real estate tax rate necessary for financing the target budget, as well as provide tax, fee and other revenue options necessary for financing the alternative target budget, as appropriate.

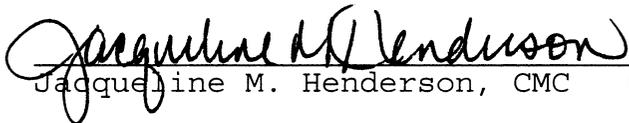
ADOPTED: November 12, 2005



WILLIAM D. EULLE

MAYOR

ATTEST:



Jacqueline M. Henderson, CMC City Clerk