City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMORANDUM # 60: BUDGET GROWTH AND BUDGET SAVINGS

At the budget work session on April 16, 2007, Mayor Euille inquired about the history of budget reductions made in recent years by City Council and how the proposed FY 2008 Operating Budget compares to past budgets in terms of expenditure and staff reductions.

Budget Memorandum #10 issued on March 16, 2007 briefly summarized the history of expenditure reductions, savings and operational efficiencies recommended for the proposed Operating Budget and Capital Improvement Program (CIP) since FY 2002. As noted in that budget memorandum:

- In FY 2006 Department budgets were reduced by $2.5 million by City Council as one of many actions that occurred in order to reduce the real estate tax rate 4 cents lower than the City Manager's proposed budget rate. Also, CIP expenditures also were reduced by $4.9 million in FY 2006 to reduce the real estate tax rate. The total reduction for FY 2006 was $7.4 million.

- In FY 2007 City Council directed the City Manager to identify sufficient reductions to provide a 10 cent real estate tax rate reduction. The City Operating Budget included $2.1 million in such expenditure decreases. Under the Council Approved Budget, various CIP projects were postponed or eliminated, saving $7.5 million.

- In 5 of the last 6 years (FY 2002 through FY 2007), City Council has reduced the proposed budget of the City Manager. (In FY 2005 there was no net change.)

At the retreat last November, City and School Staff provided preliminary forecasts of budget requests (subject to change) of $553.2 million. At Council's direction through the budget target setting process, the City Manager proposed a total General Fund Operating Budget of $508.9 million – a growth rate of 2.25% over the FY 2007 budget.

- This 2.25% rate of growth is the lowest in 12 years. The City share of the budget (excluding the transfer to the Schools) increases only 1.6%, and the School's proposed transfer increases 3.75%.

- City staff positions are reduced by 15.2 full time equivalent positions.

- FY 2008 is the first year of the Managing for Results Initiative that provides

    - Costs for 153 programs and over 500 separate activities and over 1,800 specific performance indicators for each program and activity in the budget document;
    - Quarterly reporting of selected performance measures will be instituted beginning in FY 2008;
    - Other internal performance-based management systems are being instituted;
    - Independent efficiency and best-practices studies are continuing to be conducted.