EXHIBIT NO. 3

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5-6-02

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 23, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: BUDGET MEMO # 36 : UPDATE ON STATE AID REDUCTIONS IN FY 2002 AND FY 2003

As discussed at the budget work session last Thursday night, with the state budget adopted, we are now able to project state budget reductions with more certainty for FY 2002 and FY 2003. In total, in these fiscal years the City lost some $3.9 million in aid and grant funds compared to what it would have likely received if the state budget had not been reduced. The attached chart provides an update on the impact of state aid reductions on the General Fund and on the Special Revenue Fund (i.e., on grant-funded City programs) in FY 2002 and FY 2003. The chart also reflects the fiscal impact of the state budget reductions on the Alexandria City Public Schools.

FY 2002: Combined with reductions in aid to the Schools, state aid reductions total approximately $1.2 million in FY 2002. This includes $0.4 million in the General Fund, $0.1 million in the Special Revenue Fund, and $0.7 million in various School funds. These aid losses have been incorporated into the revised revenue projections for FY 2002 which were provided to City Council in Budget Memo #29 dated April 17, 2002. The Schools have indicated that they will absorb the state aid loss in FY 2002 though expenditure side savings initiatives.

FY 2003: Changes to the Governor's Proposed Budget during the 2002 General Assembly session resulted in reductions of approximately $2.7 million for the City and the Schools in FY 2003 state aid. However, due to conservative revenue projections by both the City and the Schools in the preparation of the FY 2003 proposed budgets, about $2.0 million in reductions was assumed in the proposed budgets. The current status of the remaining $0.7 million in net state aid reductions is described below:

1. The **General Fund** loss of $0.1 million in HB 599 and Compensation Board funding was accounted for and absorbed in the General Fund revenue projections detailed in Budget Memo #29.

2. **Special Revenue Fund** grants of $0.7 million are known and detailed on the attachment. The loss of these funds will require either the programs to be reduced or the use of some of the $1.5 million State Aid Loss Contingent included in the FY 2003 Proposed Budget.

3. **School Funds** experienced a net gain of $0.1 million with the School Operating Fund gaining $0.3 million in additional revenue and the School Grants and Special Grants Fund losing $0.2 million in specific grant funds.

The net effect of this accounting of state aid and grant losses is that, as of this time, $0.7 million of the $1.5 million State Aid Loss Contingent must be used to offset currently known losses.

Attachment: State Aid Reductions for FY 2002 and FY 2003

Staff: Mark Jinks, City Manager's Office
Kendel Taylor, Office of Management and Budget

cc: Superintendent Rebecca L. Perry, Alexandria City Public Schools

State Aid Reductions for FY 2002 and FY 2003[1]

	(1)	(2)	(3)
Revenue Category	**FY 2002**	**FY 2003**	**FY 2003 - total loss**
General Fund			
HB 599	($566,000)	($87,000)	($370,000)
ABC/Wine Taxes	($132,000)	- -	($132,000)
Compensation Board	$347,000	($16,000)	($16,000)
Subtotal General Fund	($351,000)	($103,000)	($502,000)
Special Revenue Funds			
Office of Youth	- -	($83,447)	($83,447)
Northern VA Juvenile Detention Center	- -	($166,371)	($166,371)
Shelter Care/Juvenile Justice Programs	- -	($268,235)	($268,235)
Library Aid	($13,786)	$39,886	($38,069)
Community Services Board[2]	($116,241)	($100,000)	($100,000)
SABRE	- -	($153,813)	($153,813)
Subtotal	($130,027)	($731,980)	($809,935)
Schools			
Operating Budget	($707,000)	$280,000	($1,106,000)
Special Funds	($12,000)	($176,000)	($285,405)
Subtotal	($719,000)	$104,000	($1,391,405)
Total All Funds	($1,200,027)	($730,980)	($2,703,340)

[1] State aid reductions for FY 2002 reflect the difference between the FY 2002 Approved Budget and the most recent FY 2002 projections, and for FY 2003 reflect the difference between the amount projected in the FY 2003 Proposed Budget and the most recent FY 2003 projections.

[2] According to Dr. Claiborn, the FY 2003 Community Services Board reductions will not be finalized until mid-May.