City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 21, 2006

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #135: FINAL ADD/DELETE LIST FOR DISCUSSION AT APRIL 24, 2006 BUDGET WORK SESSION

The final add/delete Budget Work Session is scheduled for Monday, April 24, 2006 at 6:00 p.m.

Attachment A shows the agenda for that Work Session.

Attachment B shows the final recommended add/deletes of each member of Council for discussion at that work session. Also presented is a column entitled “possible consensus.” That column represents the current status of discussions that the Mayor has had individually with each member of Council, as Council works toward achieving a consensus. Monday evening’s work session will be the final step in that process, immediately after which Council will hold a special session to adopt the FY 2007 Operating Budget and Capital Improvement Program (CIP) and related measures.

Attachment C contains any short narrative statements provided by Council members to explain changes in to their add/deletes if those are different than any explanations already supplied in Budget Memo #120 with the preliminary list of Council member add/deletes.

At the Monday, April 24 Budget Work Session, staff will present to City Council docket items on the FY 2007 budget adoption and the rates and tax relief that could be adopted at the Special Meeting, with any final amendments agreed to at the Work Session.

Specifically Council will be asked to adopt the Reports and Recommendation and Ordinances as outlined in the attached docket for the Monday Special Meeting (Attachment D).

cc: Rebecca Perry, Superintendent, Alexandria City Public Schools
Attachment C

Additional Council Member Narrative Statements

See following April 19, 2006 e-mail from Councilwoman Woodson
BUDGET WORK SESSION
ON THE PROPOSED FY 2007 BUDGET

MONDAY, APRIL 24, 2006
6:00 PM
COUNCIL WORKROOM/COUNCIL CHAMBERS

AGENDA

I. Consideration of Final Add/Delete List as contained in Budget Memorandum #135

II. Other Budget Related Matters

Individuals with disabilities who require assistance or special arrangements to participate in the City Council work session, or persons requiring translation services to participate in the City Council work session, may call the City Clerk and Clerk of the Council’s Office at (703) 838-4500 (TTY/TDD) (703) 838-5056. We request that you provide a 48-hour notice so that the proper arrangements may be made.
<table>
<thead>
<tr>
<th>City Manager Adjustments</th>
<th>Possible</th>
<th>Possible</th>
<th>Mayor/</th>
<th>Councilman</th>
<th>Councilman</th>
<th>Councilman</th>
<th>Councilman</th>
<th>Councilman</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007 Proposed Budget</td>
<td>$202,519,461</td>
<td>$202,519,461</td>
<td>$202,519,461</td>
<td>$202,519,461</td>
<td>$202,519,461</td>
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</tbody>
</table>

**OPTIONS**

- **Real Estate Tax Rate Options**
  - City Manager Proposed Rate Reduction of 0.8 cents in base
  - Additional 0.1 cent Real Est. Tax Rate Reduction in 2008 at $22 cents in base
  - Additional 0.1 cent Real Est. Tax Rate Reduction (each 1 cent $4 94) to 81.9 cents
  - Proposed Tax Rate for Residential Properties Less than $300,000
  - Maximum Senior and Disabled Real Estate Tax Relief Asset Eligibility Limits (Budget Memo #22)

- **Fund Balance Options**
  - Reduction in Fund Balance Design for Schools (Health Ins. Premiums) (Budget Memo #99)
  - Use of Fund Balance to Offset FY 2006 at Real Estate Tax Cut
  - Reduction in Designation for Use of FY 2007 Surplus for FY 2007
  - Use of Fund Balance to Offset FY 2008 at Real Estate Tax Cut

- **School Operating Budget Reduction Options**
  - To reach Alternative Target Budget (FY 2007 Budget 21.3% to 10-12)
  - To reach 5% Growth Target (Budget Memo #10, 7/29, 8/29)

- **City Operating Budget Reduction Options**
  - To reach 4% Growth Target

**ATTACHMENT B**
<table>
<thead>
<tr>
<th>City Manager Adjustments</th>
<th>Possible Cuts</th>
<th>BTF</th>
<th>PPP</th>
<th>VBP</th>
<th>Councilman Ragsdale</th>
<th>Councilman Ganes</th>
<th>Councilman Wagoner</th>
<th>Councilman Mentioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire Truck Lift - Postpone until FY 2008 (CIP p. 133)</td>
<td>($190,000)</td>
<td>($130,000)</td>
<td>($130,000)</td>
<td>($130,000)</td>
<td>($130,000)</td>
<td>($130,000)</td>
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<td>($130,000)</td>
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<tr>
<td>Park/Recreation Improvements - Postpone until FY 2008 (CIP p. 107 and Budget Memo #132)</td>
<td>($380,000)</td>
<td>($250,000)</td>
<td>($250,000)</td>
<td>$0</td>
<td>($250,000)</td>
<td>($250,000)</td>
<td>($250,000)</td>
<td>($250,000)</td>
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<tr>
<td>Timberbranch Bridge - Postpone until FY 2008 (CIP p. 106)</td>
<td>($760,000)</td>
<td>($760,000)</td>
<td>($760,000)</td>
<td>($760,000)</td>
<td>($760,000)</td>
<td>($760,000)</td>
<td>($760,000)</td>
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<tr>
<td>Public Ponds/Marinas - Eliminate partial funding (CIP p. 111)</td>
<td>($45,000)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Park/Playground Renovations - Postpone until FY 2008 (CIP p. 108)</td>
<td>($16,000)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>$0</td>
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<tr>
<td>Rec. Facility Needs Assessment - Postpone until FY 2008 (CIP p. 114)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
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<tr>
<td>Sidewalk, Curbs &amp; gutters - Eliminate the FY 2007 funding (CIP p. 108 and Budget Memo #86)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
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<td>($100,000)</td>
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<tr>
<td>Ornamental Street Cans - Postpone until FY 2008 (CIP p. 58)</td>
<td>($118,000)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>($80,000)</td>
<td>($80,000)</td>
<td>($80,000)</td>
<td>($80,000)</td>
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<tr>
<td>Bus Shelters - Postpone until FY 2008 (CIP p. 102)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
<td>($100,000)</td>
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<td>($100,000)</td>
</tr>
<tr>
<td>Mr. Vernon Alley - Postpone until FY 2008 (CIP p. 180 and Budget Memo #44 and 131)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
<td>($200,000)</td>
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<td>($200,000)</td>
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</table>

- To reach 9% Growth Target

| Revised Funding Schedule for Police Headquarters (CIP p. 125 to 130 and Budget Memo #86) | ($2,800,000) | ($2,800,000) | ($2,800,000) | ($2,800,000) | ($2,800,000) | ($2,800,000) | ($2,800,000) | ($2,800,000) |
| Undergrounding of Utilities - Postponement (CIP p. 164) | ($500,000) | ($500,000) | ($500,000) | ($500,000) | ($500,000) | ($500,000) | ($500,000) | ($500,000) |
| Use 1% of Property Tax for Open Space Instead of 1 cent (CIP p. 100-101 and Budget Memo #96) | NA | ($250,000) | ($250,000) | ($250,000) | ($250,000) | ($250,000) | ($250,000) | ($250,000) |
| Reduce Funding for New Fire Station (CIP p. 133-134 and Budget Memo #120) | NA | ($600,000) | ($600,000) | ($600,000) | ($600,000) | ($600,000) | ($600,000) | ($600,000) |
| Wilcox Street Tunnel (CIP p. 164) | NA | NA | NA | NA | NA | NA | NA | NA |
| Additional CIP Reductions | NA | NA | NA | NA | NA | NA | NA | NA |

Subtotal City CIP Budget Reduction Options ($7,110,000) ($7,140,000) ($7,310,000) ($7,480,000) ($7,740,000) ($8,042,000) ($8,710,000) ($8,740,000)

Reserve for Additional Tax Rate Reduction or Restoration of Expenditure Revenues $3,700,787

Total All Budget Expenditure Reduction Options and Tax Re-est. ($10,810,000) ($10,767,727) ($10,690,727) ($10,377,264) ($10,377,264) $3,700,787 ($10,810,000)

Resulting Budget with All Add/Deletes $482,598,437 $463,225,754 $463,225,754 $493,740,437 $462,830,784 $461,808,764 $462,142,437 $469,637,704 $462,732,254

% Increase 4.89% 4.62% 4.62% 4.57% 4.74% 4.92% 4.92% 4.87% 4.72%
Attachment C

Additional Council Member Narrative Statements

See following April 19, 2006 e-mail from Councilwoman Woodson
April 19, 2006

Re: Different approach to tax relief

Dear Colleagues,

I realize this budget year is much more difficult for you than it is for me because of the election. However, we all have difficult decisions to make and regardless of the election outcome we were elected to represent the best interest of the entire city. I am concerned that a small segment of the city has commandeered the budget dialog and the end result may be felt in the next few years. What happens then?

Consider these facts: Of the 38,000 households, 22,000, or 60 percent, are assessed at below $500,000 and but only provide 37.5 percent of our revenues. That means that the remaining 16,000 households, 40 percent, produce 62.5 percent of our revenues. If we lower the tax rate across the board we will nearly double the lost revenue at the higher end but provide much less relief where it is needed at the lower end. And what will it cost the city to provide this meager relief that will satisfy very few? Think about it.

I think we should maintain the manager's recommended tax rate. I firmly believe we will not be able to safely reduce the budget adequately to affect the size rate reduction demanded by our most vociferous proponents for lower taxes. We could, however, make a big difference in the lives of 22,000 households by granting tax relief to the 60 percent with assessments under $500,000.
Households below $500,000 have been the hardest hit by the last few years of higher assessments primarily because their relatively fixed income against the rising value of their house makes it more difficult to pay higher taxes year after year. Right now we have $4.5 Million in surplus revenue from last year and over $7 Million in recommended deferred CIP projects. Instead of lowering the rate (only to have to raise it when assessments level off – and they will) we could maintain the rate and cast a wider net of tax relief. I suggest that this relief be automatic, apply directly to the tax bill, and have no requirement for application. Remember, the average increase to the tax bill this year was $400. The amount recommended will no doubt return many households to last year’s tax.

If I have calculated correctly, the amount of tax relief would be approximately $7.5 Million leaving $4 Million in surplus revenue from last year[20]. That money can be used to fund an additional reduction in rate or to return many of the items reduced to reach an unreasonable 5 percent budget. This approach will not affect the senior or disabled program, nor would it affect the AHOP program. This will affect the majority of Alexandria households that work hard every day but cannot meet the needs of rising tax bills. Next year we will see even higher energy costs, higher assessments, but relatively flat income growth. What will be done next year to meet the burden?

Additionally, I support the proposed AHOP program changes but the valuation of the property should probably be set at the average sales price of a single-family home each year. Believe it or not, Warwick Village town homes are selling for almost $500,000.

I hope you will consider this approach. It does not provide automatic relief for assessed value over $500,000 which I admit was an arbitrary number based on categories provided by the real estate assessors office. We could draw the line at the same level as AHOP above, the average sales price of a single-family home. We will be helping the households that need it the most without jeopardizing our budget as much.

Finally, I have no argument with any of the preliminary add/deletes. I would like to see funds returned to the schools for reasons already stated publicly.

Thanks for reading this. I know you are busy.
Joyce

Chart attached

Using the tables provided by Alexandria real estate assessment office, I am proposing to take .1 percent of the median assessed value in each category — < $100,000, $100,000 - $249,999, $250,000 - $499,999 — and multiply it by the number in each category to arrive at the total tax relief per category. For example, $219 in tax relief would be provided to households with assessed value of between $100,000 and $249,999. There are 3,945 households in this category for a total of $863,955 in total tax relief. [File: assessment_categories.xls]
<table>
<thead>
<tr>
<th>Income Range</th>
<th>Average</th>
<th>Median</th>
<th>Outliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $100,000</td>
<td>55.00</td>
<td>$1,850,200</td>
<td>$72,300</td>
</tr>
<tr>
<td>$100,000 - $249,999</td>
<td>3,945.00</td>
<td>$844,127,800</td>
<td>$219,000</td>
</tr>
<tr>
<td>$250,000 - $499,999</td>
<td>18,295.00</td>
<td>$6,733,048,200</td>
<td>$362,300</td>
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<tr>
<td>$500,000 - $749,999</td>
<td>10,390.00</td>
<td>$6,285,400,800</td>
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<tr>
<td>$750,000 - $999,999</td>
<td>3,951.00</td>
<td>$3,380,077,000</td>
<td>$845,100</td>
</tr>
<tr>
<td>$1,000,000 - $1,999,999</td>
<td>1,685.00</td>
<td>$2,155,923,200</td>
<td>$1,204,200</td>
</tr>
<tr>
<td>$2,000,000+</td>
<td>252.00</td>
<td>$913,601,500</td>
<td>$2,492,400</td>
</tr>
<tr>
<td>Totals</td>
<td>38,573.00</td>
<td>$20,314,028,500</td>
<td>$3,625,403</td>
</tr>
</tbody>
</table>
Office of the City Clerk
April 19, 2006

Docket
City Council of Alexandria, Virginia

Special Meeting
Monday, April 24, 2006 -- 7:00 p.m.

Please take notice that the City Council will hold a Special Meeting on the Proposed Budget on Monday, April 24, 2006, at 7:00 p.m., (or immediately following completion of the Budget Work Session scheduled at 8:00 p.m.) in the Council Chambers of City Hall, 301 King Street, Alexandria, Virginia, for the purpose of considering the following items.

James Hartmann, City Manager

OPENING

1. Calling the Roll.

Council Action: ________________________________

REPORTS AND RECOMMENDATIONS OF THE CITY MANAGER FOR DISCUSSION

2. Consideration of the Proposed Annual Operating Budget for FY 2007 (including Schools) and the Proposed Capital Improvements Program for FY 2007-2012 (including the Schools CIP.)

Council Action: ________________________________

ORDINANCES AND RESOLUTIONS

3. Second Reading and Final Passage of an Ordinance to Establish the Real Estate and Personal Property Tax Rates for Calendar Year 2006, and to conform the City Code to the amendments to the Personal Property Tax Relief Act of 1998 which were made by the General Assembly in 2005. (#16.1, 2/28/06) [ROLL-CALL VOTE]

Council Action: ________________________________

4. Second Reading and Final Passage of an Ordinance to Increase the Real Estate
ORDINANCES AND RESOLUTIONS (continued)

6. Consideration of a Resolution to Increase the Annual Fee for the City's Collection and Disposal of Solid Waste, Yard Debris and Recyclable Materials. [ROLL-CALL VOTE]

Council Action:________________________________________________________

This docket is subject to change.

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Full-text copies of ordinances, resolutions, and agenda items are available in the Office of the City Clerk and Clerk of the Council. Meeting materials are also available on-line at alexandriava.gov/council.

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City Council meetings are closed-captioned for the hearing impaired.

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