

## *City of Alexandria, Virginia*

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### MEMORANDUM

DATE: MARCH 16, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 10: BRIEF HISTORY OF EXPENDITURE REDUCTIONS IN THE OPERATING BUDGET AND CAPITAL IMPROVEMENT PROGRAM (CIP)

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This budget memorandum briefly summarizes the history of expenditure reductions, savings and operational efficiencies recommended for the proposed Operating Budget and Capital Improvement Program (CIP).

For various different reasons, in retrospect, it appears that identification of expenditure reductions, savings and operational efficiencies have become routine components of the annual budget process. During the FY 2002 to FY 2008 time period, operating budget savings and expenditure reductions totaled \$19.6 million, and CIP reductions or deferrals totaled \$ 17.2 million. The details of the total significant savings and reductions within past fiscal years include:

#### FY 2002

- The events of September 11 and their resulting impact on the regional and City economy led to a one-time \$5 million reduction in the operating budget, during the fiscal year, as the City experienced a decline in tourism and related businesses.

#### FY 2003

- Most City department budgets were reduced in order to cope with State budget reductions and the continuing economic downturn. (Public safety agencies were required to cut only their non-personnel budgets). These budget reductions produced a one-time savings of \$3.4 million.

#### FY 2004

- During the approval of the FY 2004 budget, departments were directed to reduce spending by \$1.5 million as part of an across-the-board reduction adopted by City Council during add-delete deliberations.

#### FY 2005

- Approved savings reductions for City departments totaled \$2.3 million. Seventy-two percent of these savings were efficiency savings; twenty-eight percent were service reductions.

#### FY 2006

- Department budgets were reduced by \$2.5 million 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.
- CIP expenditures also were reduced by \$4.9 million in FY 2006 to reduce the real estate tax rate.

#### 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 expenditure decreases.
- Under the Council Approved Budget, various CIP projects were postponed or eliminated, saving \$7.5 million.

#### FY 2008

- The City Council established a target for City expenditures that provides 1.6% growth (\$5.6 million) over the FY 2007 Approved Budget
- Twenty departments were able to request less, to maintain current services, than provided in FY 2007—for a total savings of \$2.8 million in those departments.
- The City Manager requested all City departments to identify additional potential expenditure reductions and savings due to the need to meet City Council established expenditure targets. The proposed budget includes \$3.6 million in savings and expenditure reductions from current services.
- The proposed CIP also deferred \$4.8 million in CIP projects to minimize the need for cash capital payments from the operating budget.