

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 8, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 1: PROPOSED SCHEDULE AND ADD/DELETE PROCESS FOR THE FY 2006 BUDGET DELIBERATIONS

ISSUE: Proposed schedule and add/delete list process for the FY 2006 Budget deliberations.

RECOMMENDATION: That City Council review this report and inform staff, at the March 15th budget work session, of any requested revisions in due dates or in the suggested process.

DISCUSSION: Six years ago, specific written guidelines for the budget add/delete process were delineated, including (1) a timeline with specific due dates for budget memos, the preliminary add/delete list and the final add/delete list, (2) an established format for the submission of add/delete items, and (3) a statement of the specific criteria for the inclusion of add/delete list items on the preliminary and final lists. How budget amendments such as add/deletes are to be handled was affirmed by action of City Council in March 2001, and applied each year since then in the budget deliberation process.

The table on the next page provides the timeline recommended by staff for the FY 2006 budget process, based on the budget calendar adopted by City Council. This proposed timeline parallels the process and timeline generally used by the City Council for the last five years, including last year by this Council. Some adjustments are necessary to reflect the modified timing of the add/delete process necessary to accommodate City Council's schedule. The timeline also includes the actions required by statute to be taken by certain dates for adopting the real estate and personal property tax ordinances.

This year, in response to Council's request for an earlier Budget and Fiscal Affairs Advisory Committee (BFAAC) report, BFAAC intends to transmit its report on the Operating Budget and Capital Improvement Program by April 19th at the latest. This schedule will provide the BFAAC report to Council prior to the Council submission of preliminary add/delete items.

2

CALENDAR FOR FY 2006 BUDGET DELIBERATIONS

Tuesday, March 15:	First Budget Work Session: Revenues, Expenditures, CIP.
Tuesday, March 22:	Introduction and 1 st Reading Real Estate and Personal Property Tax Rate Ordinance and Sewer Line Maintenance and Connection Charges
Tuesday, March 29:	Second Budget Work Session: Compensation, Police, DHS, MH/MR/SA
Monday, April 4:	Public Hearing on the FY 2006 Proposed Operating Budget, and the FY 2006 to FY 2011 Capital Improvement Program. ¹
Wednesday, April 6:	Third Budget Work Session, with the School Board on Schools Capital Improvement Program and FY 2006 Operating Budget.
Monday, April 11:	Fourth Budget Work Session: Transportation, Recreation, Other.
Tuesday, April 13:	Suggested deadline for Council requests requiring a written budget memorandum response.
Saturday, April 16:	Public Hearing on Effective Real Estate Tax Rate Increase, Sewer Line Maintenance and Connection Charges. ²
Tuesday, April 19:	Delivery of BFAAC Report to Council (see discussion of BFAAC report on April 27, see below)
Friday, April 21:	Deadline (by 5:00 p.m.) for identifying items for the Preliminary Add/Delete List. (See process discussed below in sections 2 and 3.)
Monday, April 25:	Preliminary Add/Delete List delivered to Council.
Wednesday, April 27:	Work session questions for BFAAC and discussion of Preliminary Add/Delete List.
Friday, April 29:	Final Add/Delete List delivered to City Council, based on revisions discussed at April 27 work session. (See process discussed below in section 4.)
Monday, May 2:	Last budget work session and Budget Adoption at a special legislative meeting of Council. Adoption of Budget and 2 nd reading and final passage of tax rate and sewer line maintenance and connection charge ordinances and resolutions on solid waste fee and recordation tax allocation to Special Fund .

¹**Thursday, March 24:** Advertisement on budget hearing to be held April 4th.

²**Thursday, April 7:** Advertisement on Public Hearing on Effective Real Estate Tax Rate Increase, Sewer Line Maintenance and Connection Charges to be Held April 16th.

Particular elements of the proposed calendar for budget deliberations are discussed below:

1. Staff Responses to Council Requests for Information on the Proposed Budget and Capital Improvement Program

Budget Director Bruce Johnson, as the lead staff person on the budget, should receive all requests from members of Council in writing, by e-mail, by telephone request, or through requests at Council meetings or budget work sessions. Staff's practice is to respond to all of these Council requests as soon as feasible. Last year an extraordinary number of questions were asked and answered during this part of the budget process. The earlier those questions are asked in the process, the better the chance that Council will have full and complete answers in time to influence the add/delete process. Staff cannot promise to answer questions received after Wednesday, April 13th before the preliminary add/delete suggestions are due to staff on Friday, April 22nd.

2. Preparing Preliminary Add/Delete List

To ensure that there is not a misunderstanding regarding the development of the Preliminary Add/Delete List, Budget Director Bruce Johnson will contact each member of Council by telephone to determine the items the member wishes to be included on the preliminary list. This will be done prior to the release of the budget memo that transmits this preliminary list. For each item that a Council member wishes to have included on the Preliminary Add/Delete List, staff will reach an agreement with the member on the language that will be used in the list to describe the item. This will be done either orally over the telephone or through an exchange of faxes or e-mails. No language describing an add/delete item will be placed in the preliminary list unless it has been agreed to by the "sponsoring" Council member. Once agreement has been reached with all members regarding the items they wish to have included in the Preliminary Add/Delete List, staff will finalize and forward to Council the budget memorandum that contains this list. If different members have different approaches to the same item to be added to or deleted from the preliminary list, staff will reflect the different approaches on the list and will identify the member who supports each approach.

3. Criteria for Preliminary Add/Delete List Items

In accordance with the City Council's adopted Budget Resolution (Attachment I), any add/delete item or group of items that adds to expenditures must be accompanied by an offsetting decrease in expenditures or increases in revenue. If such an offsetting item or group of items is not identified by a member, then staff will not add to the Preliminary Add/Delete List the item which the member wishes to have placed on the list. Other than this, Council members may use their own criteria in determining the items they wish to have added to the Preliminary Add/Delete List.

In addition, monies included within the general contingent reserves account (which is part of the annual operating budget and is budgeted at \$750,000 in the FY 2006 Proposed Budget) cannot be used to fund an addition without specific Council approval to transfer these monies to an operating agency account. As a result, if a Council member wishes to fund an addition by the transfer of monies from the general contingent reserves account, this transfer and the corresponding added

7.

items' expenditure must be included on the add/delete list. Recommendations from the City Manager for consideration of expenditure items that were unforeseen at the time the proposed budget was presented will also be handled in this manner. No additions to the Preliminary Add/Delete List can be made after April 25th, but any clarifications of items on that list may be made in reaching the Final Add/Delete List.

4. Preparing Final Add/Delete List

This year's Preliminary Add/Delete List will be considered at the Wednesday, April 27th work session. Any ambiguities in the items on the preliminary list can be resolved at that work session, through revisions to the language used to describe the items. Based on determinations made at this work session, staff will prepare its Final Add/Delete List and will distribute it to Council on Friday, April 29th. We do not anticipate the need to contact any Council members after the April 27th work session regarding the Final Add/Delete List, since we expect Council will have reached agreement at that session on all revisions to the preliminary list, including language revisions. However, if, for some reason, this turns out not be the case, staff will review specific items on the Final Add/Delete List with the proposing Council member before distributing it on Friday, April 29th.

ATTACHMENT: Approved Budget Resolution Regarding the Treatment of Final Revenue Adjustments During the Budget Process

STAFF: Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs
Bruce Johnson, Director, Office of Management and Budget

RESOLUTION NO. 2088
Budget Resolution Regarding the Treatment of
Final Revenue Adjustments During the Budget Process

WHEREAS, the City of Alexandria and the Greater Washington region face continued economic challenges; and

WHEREAS, the Alexandria City Council has previously exhibited restraint when considering its annual budget and financial policies; and

WHEREAS, the Alexandria City Council wishes to establish structure surrounding upcoming budget deliberations to ensure responsible actions with current economic resources;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Alexandria, Virginia, that the Council shall, for the purposes of consideration of the Budget for the City of Alexandria, adhere to the following rules of procedure:

Section (a) Proposed Budget for the City of Alexandria -

- (1) For purposes of this resolution, the budget baseline of revenue rates and expenditure levels for the fiscal year shall be that proposed by the City Manager of the City of Alexandria.
- (2) For purposes of this resolution, the Office of Management and Budget shall provide revenue and/or expenditure projections for any motion or amendment which could affect the proposed budget specified in paragraph (1).

Section (b) Maximum Expenditure Levels May Not Exceed Sum of Projected Revenue and Appropriation from Undesignated Fund Balance in Proposed Budget -

- (1) It shall not be in order in the Alexandria City Council to consider any motion or amendment to the proposed budget of the City of Alexandria if such motion or amendment would have the effect of increasing any specific budget outlays above the level of such outlays contained in the proposed budget specified in section (a) of this resolution, or would have the effect of reducing any specific revenues below the level contained in the proposed budget specified in section (a) of this resolution, unless such motion or amendment makes at least an equivalent reduction in other specific budget outlays, identifies an equivalent increase in other specific revenues, or an equivalent combination thereof.
- (2) In the Alexandria City Council, any appropriation from the Undesignated Fund Balance or any like account beyond that proposed in the Manager's proposed budget shall require an affirmative vote of five Council members.
- (3) In the event that the City Manager recommends final revenue adjustments that result in a net increase or net decrease from the revenue estimates specified in section (a) of this resolution, the net change in the revenue estimate shall be reflected as a change in the proposed appropriation from the Undesignated Fund Balance. As specified in Section (b)2, any appropriation from the Undesignated Fund Balance beyond that proposed in the Manager's proposed budget, including the net effect of final revenue adjustments, shall require an affirmative vote of five Council members.

Section (c) Expiration -- The provisions of this resolution shall expire on June 30, 2006.

ADOPTED: November 25, 2003


WILLIAM D. EULLE MAYOR

ATTEST:


Jacqueline M. Henderson, CMC City Clerk