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City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 19, 2008

TO: JAMES K. HARTMANN, CITY MANAGER

FROM: HONORABLE MAYOR AND CITY COUNCIL

SUBJECT: FY 2010 BUDGET GUIDANCE RECOMMENDATIONS

The FY 2010 Budget process presents the Council and City government with a unique set of challenges amid the most stringent economic environment in the past thirty years. This places demands on the City's ability to deliver services, maintain and expand its infrastructure as well as managing the expectations of City residents.

We cannot tax our way out of this problem, but by the same token, we cannot cut our way out of it either.

The City Manager's initial round of \$10.5 million of service cuts and efficiency measures have begun the process of adjusting our expenditures for the FY 2010 revenue picture that we are currently forecasting. With a gap of at least \$35 million (assuming replication of nearly 100 percent of FY 2009 cuts into FY 2010) in FY 2010, coupled with our existing Capital Improvement Program (CIP) funding needs, significant intergovernmental revenue cuts (state and Federal), and further revenue deterioration in FY 2009, the City faces difficult decisions.

Accordingly, we request the preparation of a Guidance Resolution containing the following characteristics.

- 1) The City Manager shall evaluate which of the FY 2010 cuts could be implemented prior to the end of FY 2009 and shall be prepared, with the release of the City Manager's proposed budget, to implement an additional \$2 million of sustainable (able to be carried forward in FY 2010) cuts to the approved FY 2009 Operating Budget. These cuts shall be identified as part of the budget presentation in February.

"Home Town of George Washington and Robert E. Lee"

- 2) The City Manager shall present the FY 2010 Operating Budget and FY 2010 – FY 2015 Capital Improvement Program that includes the following characteristics:
- a. A proposed real estate tax rate that will provide for the average homeowner to pay the same amount of real estate tax paid in 2008. Based on current staff projections, this will reflect approximately a 5 cent increase in the Real Estate Tax rate.
 - b. A decrease in the City transfer to the Alexandria City Public Schools (ACPS) Operating Budget of 2% from the current FY 2009 Approved Budget.
 - c. The budgeting of no new CIP (City & ACPS) spending aside from those expenditures meeting the following exceptions:
 - i. Expenditures related to the new Public Safety Center.
 - ii. Expenditures subject to contractual obligations or other situations where cancellation or deferral would cause significant financial loss for the City.
 - iii. Expenditures to maintain existing infrastructure and those that are deemed emergency in nature.
 - iv. Expenditures that may be funded using prior-year unallocated balances already within the CIP.
 - d. An alternative CIP budget option for the Council and community to consider that allows for an additional one cent in the Real Estate Tax fully allocated to capital improvement projects.
 - e. Aside from the use of prior-year surpluses, we request that the City Manager's proposed budget not include the use of unreserved, undesignated fund balance.

We fully expect that there will be substantial service reductions in the proposed budget. We furthermore recognize that this proposed budget will likely contain significant reductions in the City workforce. We must all approach this effort with full clarity, aggressive communication and above-all, compassion.

In addition to the guidance we have offered, we offer the following principles to help shape this unprecedented undertaking:

Public Safety: The City Manager should propose a budget that provides for the public safety of our residents.

Safety Net: The City Manager's proposed budget shall maintain critical health and safety net services for the most vulnerable in the community.

Education: The City Manager should work closely with the Superintendent to minimize any program cuts that would harm classroom education and the progress we have made in recent years. The Manager is also asked to identify and execute on opportunities to combine additional programs or services with ACPS.

Property Values: The City Manager should work to avoid reductions in areas where cuts would directly harm property values or would diminish Alexandria's ability to recover from this economic downturn.

Economic Sustainability: The City Manager should work to avoid reductions to spending that generate additional commercial tax revenues to the City—including economic development and business retention efforts.

Credit Rating: The City Manager's proposed budget shall not make any material changes that may threaten the City's AAA/aaa bond rating.

City Workforce: City employees should be competitively compensated. The City Manager should closely monitor regional employee trends to ensure Alexandria is not at a competitive disadvantage in our efforts to attract and retain our workforce. In addition, the Council encourages the City Manager to identify creative forms of compensation to reward employees, including additional vacation accrual, reduced evening meetings, and opportunities to work from home.

During FY 2010, using the input from the completed Watson Wyatt study, the City Council shall adopt revisions to its Compensation Philosophy as well as a multi-year plan for implementation.

Transportation: Transportation provided during peak-travel times should not be diminished.

Regional Cooperation: The City Manager is encouraged to work with his counterparts in the region to determine if there are inter-jurisdictional initiatives that could yield savings for Alexandria taxpayers—including the creation of regional authorities to provide critical services.

Fees and New Revenues: The Council encourages the City Manager and Staff to identify new and creative revenue sources and to make any such proposals to the Council that he deems appropriate.

Civic Partnerships: We encourage the City Manager to look for new ways for civic associations, service clubs and residents take over some municipal responsibilities—for example, expansion of the Adopt-A-Park program, utilization of CERT volunteers for Special Events, the expansion of neighborhood public safety programs, etc.

Cc: Mark Jinks, Deputy City Manager
Bruce Johnson, Director, OMB