



Legislation Text

File #: 21-0133, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 4, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /S/

DOCKET TITLE:

Consideration of a Resolution to Establish FY 2022 Budget Guidance. [ROLL-CALL VOTE]

ISSUE: Consideration of a Resolution to Establish FY 2022 Budget Guidance.

RECOMMENDATION: That City Council adopt the FY 2022 Budget Guidance Resolution (Attachment). This resolution will provide guidance to the City Manager to be used in his preparation of the Proposed FY 2022 Operating Budget and Proposed FY 2022 to FY 2031 Capital Improvement Program to be presented on February 16, 2021 for City Council consideration.

BACKGROUND: The attachment in this docket reflects guidance adopted in prior resolutions, updated with FY 2022 budget development information. The City Council Retreat will be held on November 7, 2020 at which time staff will present an economic outlook, estimated \$41 million budget gap for FY 2022, and key factors impacting the FY 2022 budget.

City Council has since the FY 2007 budget process annually adopted a resolution that provides the City Manager with guidance for the preparation of the forthcoming budget and 10-year Capital Improvement Program. The proposed Budget Guidance Resolution for the FY 2022 Operating Budget and FY 2022 to FY 2031 Capital Improvement Program reflects many of the same principles and features as the FY 2021 Council adopted Budget Guidance Resolution with the following addition:

- (1) The City Manager is directed to propose an operating budget and 10-year Capital Improvement Program (CIP) that seeks to balance the need to continue priority services and the need for an affordable tax and fee responsibility which may include tax and/or fee increases and increases in operating and capital project expenditures to fund priority services, but may also include service reductions to provide funding for higher priority services and minimize any tax rate increases; and

- (2) Due to the amount of uncertainty about FY 2022 revenues due to the ongoing COVID-19 pandemic and economic recession, the City Manager is also directed to present two alternative budget scenarios:
- (a) one that identifies further service reductions that would be recommended to balance the budget if the real estate tax rate or other tax rates are not increased; and
 - (b) budget scenarios that identifies the amount of revenue and real estate tax rate increase that would be required to fund a budget with few service reductions.

The preliminary estimate of FY 2022 General Fund revenue growth when compared to the FY 2021 Adopted Budget is only 0.2 percent. At the current real estate tax rate, anticipated growth would be approximately \$1.7 million in total City-wide new General Fund revenue. The anemic overall revenue growth is attributed to loss of revenue due to COVID-19 health pandemic. Despite limited revenue growth, the City continues to face significant expenditure challenges in the upcoming year including the ACPS operating transfer, debt service and cash capital costs to fund increased City and Schools CIP costs, transportation increases as both WMATA and DASH anticipate revenue losses, and new or expanded services to implement City master plans, strategic plans and other City Council priorities. Based on information know at this time, the total projected budget gap is estimated to be approximately \$41 million before adding the costs of priority initiatives.

As always, staff will seek to absorb as many cost increases as possible by identifying efficiencies, increasing cost recovery, and reducing lower priority services to fund higher priority needs. City departments have been asked to provide reduction options of 10% to consider. Reductions of this order of magnitude will contain service reductions and program cuts or eliminations which will be selected based on City priorities from this 10% options list. The flexibility to consider a real estate tax rate increase would provide greater opportunity to prioritize and minimize service eliminations while also addressing unmet or underserved needs, particularly in the areas related to the COVID-19 pandemic and recovery from it, climate change, race and social equity, and technology.

FISCAL IMPACT: None

ATTACHMENTS: FY 2022 General Fund Operating Budget and Capital Improvement Program for FY 2022 to FY 2031 Budget Guidance Resolution

STAFF:

Laura Triggs, Deputy City Manager

Morgan Routt, Director, Office of Management and Budget