



FY26 BUDGET MEMO # 1

DATE: 3/27/2025

TO: The Honorable Mayor and Members of the City Council

THROUGH: Bryan D. Foster, City Manager

FROM: Juan Martinez, Chief Financial Officer/Assistant City Manager
Melanie Zipp, Acting Deputy City Manager

SUBJECT: Answers to Councilmember Hall's FY26 Budget Request from March 4, 2025
Work Session

Question: Please provide 3-5 items that could be trimmed from the budget?

Answer: While reductions are certainly possible, doing so without impacting current services and service levels is challenging, especially without specific Council discussions. As I stated in the budget presentation, the recommended budget funds all current services at their existing levels without any reductions to staff or programs. In addition, the recommended budget creates debt capacity by establishing a dedicated revenue stream for future debt issuance, the majority of which will support the voter-approved \$220 million school bond funding in the near term.

1. Reduce the cash transfer to the CIP by \$900,000.

The proposed FY2026 budgeted amount of \$11.9 million is based on the same as what's in the current FY2025 budget, which represents 5.8% of expenditures. Our Council-adopted policy requires a minimum of 5% of expenditures to be a cash transfer to CIP. Davenport's plan of finance for our capital program including the school bonds assumes a minimum of \$11 million in cash transfers to the CIP – ideally more would be better. A reduction of \$900,000 would bring the transfer to \$11,036,540, or 5.3%, which is still in compliance with our policy.

2. Reduce the appropriation to Renaissance Housing by \$300,000.

The proposed budget has an appropriation of \$392,000, the same amount that's in the current FY2025 budget. This program was started a number of years ago to provide zero-interest loans to applicants to fund interior and/or exterior renovations to their homes. Renaissance Housing pays the interest expense on these loans for the first two years. If the borrower doesn't pay off the entire loan within two years, they must refinance the

remainder with the bank and pay all remaining principal and interest. The City's contribution infuses additional capital into the program.

3. Eliminate the appropriation for non-profits which would save \$300,000.

This program was newly initiated in the current FY2025 budget. Grants are provided to various non-profit organizations that serve city residents. There is a formal application process to be considered for funding. Those entities that received funding in FY2025 include Britepaths, Inc; Fairfax Court Appointed Special Advocates (CASA); George Mason University Foundation (Center for the Arts); The Lamb Center; Pathway Homes, Inc.; Salvation Army; The Heart Leaf Center; and A Place to Stand, Inc.

4. Defer the start of the School Capital Program by 6 months, saving \$1.5 million.

This would delay the proposed \$3 million in funding for the School Capital Program.

Together, these four items would reduce the proposed budget by \$3 million. If the goal is to reduce the proposed tax rate, these changes would allow a 3.5-cent reduction of the proposed real estate tax rate.

However, it is important to note that these changes would also reduce the debt capacity created in the proposed budget by the same amount. In addition, unless items 1 through 3 are made permanent, you would still need to fund these in future years, requiring revenue that would be eliminated from the recommended budget. In addition, the remaining \$1.5 million for school capital would need to be funded in the FY2027 budget.