

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 15, 1994

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: VOLA LAWSON, CITY MANAGER *Bcs Fl V.L.*

FROM: ARTHUR GITAJN, DIRECTOR, F&IS *A. Gitajn*
LORI GODWIN, DIRECTOR, OMB *L. Godwin*

SUBJECT: BUDGET MEMO # 17 : BUDGET AND FISCAL AFFAIRS ADVISORY
COMMITTEE REVIEW OF THE FY 1995 PROPOSED BUDGET

ISSUE: Budget and Fiscal Affairs Advisory Committee review of the FY 1995 Proposed Budget.

RECOMMENDATION: That City Council receive this report.

BACKGROUND: The Budget and Fiscal Affairs Advisory Committee was established by City Council on July 2, 1985, by Resolution 1129 to "advise and support the City Council" as to:

- (a) an examination of the City's budget procedure and process and ways of improving that process, including participation by the public;
- (b) the forecasting of future revenue and expenditure requirements and the effect on the several taxes and fees levied by the City and burden of taxation imposed upon Alexandria citizens and business organizations;
- (c) an evaluation of the comparative tax, revenue and expenditure levies in Alexandria with those in neighboring jurisdictions and the effect of such differences on the ability of Alexandria to attract new residents and economic development; and
- (d) such other tasks as may be requested by the City Council.

In accordance with its mission, and as a follow up to its oral presentation at the April 6 budget work session, the Committee has prepared an analysis of the FY 1995 Proposed Budget for City Council's consideration (Attachment 1).

DISCUSSION: Staff has reviewed the Committee's report and has the following comments regarding the Committee's recommendations:

General Expenditures Subcommittee Recommendation #1: BFAAC supports the Manager's recommendations for COLA's and merit pay raises for Fiscal Year 1995.

Staff Response: Staff concurs with the Committee's recommendation.

General Expenditures Subcommittee Recommendation #2: [T]he City of Alexandria has done an excellent job in recent years in constraining the cost of contributions for employee health care by switching to managed care health plans. BFAAC believes that any further in-depth analysis of the city's employee health care costs should wait until later this year because the enactment of health care reform legislation by the Federal government could radically alter the terrain in this expenditure area.

Staff Response: Staff concurs with the Committee's recommendation.

General Expenditures Subcommittee Recommendation #3(a): BFAAC recommends that the Budget document more clearly reflect that the previous fund balance drawdowns were contingent, and were indeed unnecessary, when each fiscal year drew to a close. In this manner, the public can gain a greater understanding of Alexandria's recent and current fiscal situation.

Staff Response: Staff concurs with this recommendation and will include additional discussion of the previous year's fund balance history in the FY 1995 Approved Budget document and in future proposed and approved documents.

General Expenditures Subcommittee Recommendation #3(b): BFAAC does not recommend any budgetary change that would decrease the fund balance at this time in view of the uncertainty surrounding the funding balances in the state-wide pension systems.

Staff Response: Staff concurs with the Committee's recommendation.

General Expenditures Subcommittee Recommendation #4: BFAAC recommends that the City Council consider a work session on transit issues following receipt of the Northern Virginia Transportation Commission's transit study and staff's analysis of it.

Staff Response: At the budget work session on April 6, the City Manager recommended, and City Council concurred, that this item be addressed at the City Council Retreat in the fall.

General Expenditures Subcommittee Recommendation #5: BFAAC supports the City Manager's FY 1995-2000 CIP. The City should continue sound fiscal policies adopted in 1987 with regard to pay-as-you-go financing.

Staff Response: Staff concurs with the Committee's recommendation.

General Expenditures Subcommittee Recommendation #6: The BFAAC recommends an increase of a minimum of \$100,000 to be placed in the budget under Contingent Reserves for the Economic Development Program. These funds would be released by Council only after the following has been successfully completed:

1. A specific, detailed 5-year Strategic Plan has been developed indicating exactly how the Department is planning on developing and attracting new businesses, what businesses (via actual research) are being targeted, and when there will be results. The Strategic Plan's success must be measurable and identifiable.

In producing the plan it is highly recommended that each item/goal be prioritized, and indicate the expected result and how the actual result will be measured. In addition, the actual results should be reported and measured as to its success.

Within the Plan there needs to be a strategy on how each area of the City should be developed and the different marketing techniques inherent in attracting business to that area (West End, Cameron Station, Potomac West & its Enterprise Zone, Old Town, etc.) A different strategy must be created for developing and attracting "anchor businesses" and "small businesses." The Strategic Plan must specify what type of incentive or assistance will be offered to each of these types of businesses since their needs and perspectives are varied.

Data should be provided detailing how these businesses will impact on the tax revenue and, critically, how these businesses will help in employing "at-risk" Alexandrians.

2. A very specific, detailed time line (Gantt chart) is developed along with a detailed work program on the hows, whos, and whens of targeting & developing business. An example of such a work program would be one detailing that resources (such as Standard & Poor's or Dun & Bradstreet) has been completely researched with the end result of identifying "x" names of companies which will be targeted for specific areas such as the West End or the new Enterprise Zone.
3. Redistribution of the representation on the Economic Development Board to increase the representation of the business or economic development community (including minority-owned business community). We do not recommend an increase in the number of directors but believe there should be a greater emphasis on "entrepreneurship" type thinking in order to creatively attract new businesses.

It is also recommended that the EDP Board meet more frequently (preferably monthly) in order to become more active in directing the strategies and progress of the targeted marketing and measuring its success rate.

4. Development of strategic and current marketing materials which will aggressively target and attract businesses. Specific materials need to be developed for those companies identified in #2 above. Details of how and why it is financially and otherwise beneficial for the targeted businesses to relocate to Alexandria.
5. Implement and demonstrate a successful coordinated effort with area businesses, residents and community groups in planning, targeting and contacting businesses of both the "anchor" and "small" business type.

Implement and demonstrate a successful program in assisting and coordinating with the growing minority-owned business community to attract the small emerging business to Alexandria.

Staff Response: Staff recommends against the addition of \$100,000 in unrequested monies to fund unspecified activities of the economic development program. Staff believes that many of the Committee's recommendations regarding strategic planning and measures and indicators merit consideration; and these recommendations, along with those related to the composition of the Board of Directors and the frequency of meetings, will be forwarded to the Director of the Alexandria Economic Development

Program for consideration by the Board of Directors. It is important to note, however, that the Board's requested City contribution is fully funded in the proposed FY 1995 budget; and the Budget and Fiscal Affairs Advisory Committee has not proposed specific activities that would be funded by these additional monies.

As discussed in Budget Memo #7 (pages 167-185), the City has already increased by \$82,272, or 14.1 percent, the City's total contribution for economic development activities, which includes funding for the Alexandria Economic Development Program, continued funding for the Marketing Fund established by City Council last year and full funding for the Alexandria Convention and Visitors Bureau, for a total budget of \$665,425. The proposed FY 1995 budget includes a \$165,000 contribution to the Alexandria Economic Development Program, which fully funds the Alexandria Economic Development Program Board of Directors' approved request and represents an increase of \$35,000, or 26.9 percent, over the FY 1994 contribution.

If City Council believes that funding for the Alexandria Economic Development Program should be increased by \$100,000, staff recommends, in accordance with the operations agreement approved by City Council in November 1991 (Attachment 2), that a \$50,000 increase in City funding be matched by \$50,000 from the private sector. (As discussed in Budget Memo #7, page 168, the Industrial Development Authority had \$255,502 on deposit as of March 31, 1994.)

Revenue Subcommittee Recommendation #1(a): Given the additional revenues created by three significant new retailers (Home Depot, BJ's and Comp USA), it would appear that budgeting the same revenue for FY95 as projected for FY94 is overly conservative.

Staff Response: Staff shares the Budget and Fiscal Affairs Advisory Committee's expectation that new retailers would result in an overall increase in sales tax receipts. As staff noted during the April 6 budget work session, however, sales tax receipts through the third quarter of FY 1994 are trending one tenth of one percent below receipts for the comparable period last year. As discussed at the April 6 budget work session and in the City Council retreat last fall, it appears that the overall flat trend in sales tax revenues reflects market displacements (for example, from Hechinger's to Home Depot) and offsetting decreases and increases.

Revenue Subcommittee Recommendation #1(b): The assumption that real property assessments will increase by 1.5% in the second half of FY95 appears to be premature and overly optimistic based upon continued weakness in the commercial real estate sector.

However, this problem could be tempered by overly conservative assumptions in others areas, such as the 3% rate for uncollectibles.

Staff Response: In recognition of increasing mortgage interest rates, staff has revised the projected 1.5 percent increase in the 1994 real property tax base downward to 1 percent. (Each one-half of one percent increase in mortgage interest rates reduces the size of the mortgage that can be financed by home buyers, with no increase in mortgage payments, by 4 to 5 percent.)

Revenue Subcommittee Recommendation #1(c): The information provided the Committee during its study of the Adult Detention Center is not consistent with the stated assumption that there will be a "substantial decrease in federal per diem revenue...." Further validation of that assumption appears to be required.

Staff Response: The federal prisoner per diem revenue budgeted in the FY 1995 Proposed Budget reflects the Office of the Sheriff's estimate at the time the budget was prepared last fall. The estimated per diem revenue of \$3,039,000 is based on the City's contract with the U.S. Marshals Service for 100 beds, for which the City receives \$85 per day for the first 65 prisoners and \$80 per day for the next 35. As noted in the Proposed Budget on page 4-48, the Sheriff projected a reduction in federal revenues for FY 1995 due to an increase in State and local inmates.

Revenue Subcommittee Recommendation #2: The City is employing an overly conservative strategy for investing its surplus cash funds. Use of a slightly less conservative strategy permitted under state law could significantly increase City revenues by \$460,000 a year. ... BFAAC recommends that the funds that represent the "Undesignated Fund Balance," including the amount budgeted to "plug" the budget to achieve overall balance as presented, be invested using a slightly less conservative approach, within the limitations imposed for the next category of investments.

Staff Response: As noted by the Committee, the City employs a conservative strategy for investing cash. The City's investment portfolio, which is currently administered by Capitoline Investment Services, a subsidiary of Crestar Bank, is managed to achieve the following objectives, in priority order:

- * safety and preservation of principal and interest,
- * liquidity (i.e., convertibility to cash), and
- * yield (or earnings).

In accordance with these objectives, the City is 100 percent invested in the following:

- * obligations of the U.S. government;
- * obligations of U.S. government agencies, including securities issued by the Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Student Loan Marketing Association (SLMA), and Federal Farm Credit Bank (FFCB); and
- * repurchase agreements that are fully collateralized by obligations of the U.S. government or U.S. government agencies held by the City or its agent in the City's name.

During Council discussion of this issue at the budget work session on April 6, Councilman Speck indicated his general concurrence with the City's investment objectives and cautioned against aggressive investments. Councilman Donley noted that the City's policy of investing "taxpayers' dollars" exclusively in U.S. government securities is appropriate and consistent with the City's fiduciary role. Staff concurs with City Council.

Finally, the Committee's recommendation implies that, by limiting investments to short-term U.S. government securities, the City is foregoing the opportunity to earn an additional \$460,000 a year (which the Committee calculated as a half of one percent additional yield on an average cash balance of approximately \$92 million). It should be noted that, for the first quarter of 1994, the ten largest stock funds in the U.S. declined in value by an average of 2.85 percent, and the principal value of long-term bonds declined as interest rates rose on the expectation of further credit tightening by the Federal Reserve Board. Rather than earning additional revenue during this period, an investment in stocks or long-term bonds would have more likely lost principal during the first quarter of 1994.

Revenue Subcommittee Recommendation #3: The BFAAC recommends that the Council establish the following fiscal goal/policy regarding the City's share of the unfunded pension obligation in the VRS:

The net assets at market value available to pay pension benefits be equal to the present value of the vested and unvested pension obligations allocable to the City. If the VRS is not maintaining sufficient assets to meet this goal, then the City should designate a portion of the undesignated fund balance to achieve this objective.

BFAAC recommends that City staff engage Foster Higgins, the City's pension and benefits consultant, to conduct an analysis as to what the proper assumptions are for calculating the City's

unfunded pension liabilities. The question is whether the current \$900,000 reserve meets the goal. We recommend that this analysis be repeated as part of the regular budget cycle each year. Should the \$900,000 reserve in the FY 1995 budget not be adequate, we recommend a program to set aside additional funds annually, as part of the designated unreserved General Fund balance, with the objective of achieving the goal within a reasonable period of time.

Staff Response: Staff concurs with the Committee's recommendation that Foster Higgins be engaged to evaluate the adequacy of the City's designation of \$900,000 in unreserved General Fund balance for pension actuarial adjustments; and an item designating up to \$5,000 of contingent reserves to fund this analysis will appear on the Final Add/Delete List for Council consideration.

As the City Manager indicated at the budget work session on April 6, the adequacy of funding for the Virginia Retirement System (VRS) has been a concern for many years. Based on staff analysis, the VRS's growing unfunded liability may be attributed to the failure to include funding of the cost-of-living adjustment for retirees in the computation of contribution rates. The City Manager and staff have raised this issue with the State Secretary of Finance and the Executive Director of the VRS. Although staff does not concur with the recommendation that the City's share of the VRS unfunded liability be designated in the City's General Fund balance, we believe that the employer contribution rates for the State and other participating jurisdictions should be incrementally increased over time to fund the cost-of-living-adjustment for retirees.

Revenue Subcommittee Recommendation #4: The BFAAC recommends that the following fiscal goal/policy be established:

All cash receipts, including those associated with erroneous transactions, should be deposited into an interest bearing account within one business day.

All erroneous transactions would be deposited first, with problems being researched and corrected subsequent to the deposit. The BFAAC also recommends that the City Manager investigate the cash deposit processes and develop a report, by cash processing entity, which shows the mean time to deposit a cash receipt along with an aging by # of days and dollar amount. The BFAAC recommends that these performance measurements continue to be periodically updated and reported on as an ongoing management tool, both during the year and for the budget process. ... Should the Manager's investigation confirm that any City or lockbox payment processing entity is not depositing cash receipts (including those with discrepancies) within one business

day of receipt, the BFAAC recommends that steps be taken immediately to correct this matter.

Staff Response: The Committee notes "that staff has already been extremely responsible to this issue and has already taken steps to analyze and address this problem." As discussed in a March 28 memorandum from the City Treasurer Dave Clark and Finance Director Dan Neckel (Attachment 3), approximately 130,000 of the 183,000 payments received by the City Treasurer already meet the goal of deposit within one business day. The estimated average processing time for the remaining payments, which include payments that do not match bills, adjustments (for example, for personal property on new and trade-in vehicles), and payments mailed directly to the City (as opposed to those mailed to the City's banking agent), ranges from 10 to 20 days. Staff estimates that the additional cost of approximating a one-business-day deposit on these payments is approximately \$30,000, which is offset by additional revenues of approximately the same amount. Irrespective of the fiscal impact, however, more timely deposit of payments is consistent with the City's efforts to improve customer service. Accordingly, we will pursue a two-pronged approach to improving the timeliness of deposits over the next year:

- * Employment of a "lockbox" operation for business licenses, which are next due on January 31, 1995. (As discussed in Attachment 3, in a "lockbox" operation, payments are received directly by the City's banking agent--Crestar Bank--which deposits the payments and forwards accounting data to the City for processing.)
- * Employment of additional temporary staff during personal property, City tag, and real estate tax seasons, to be dedicated to processing payments mailed directly to City Hall.

Over the course of the next year, staff will evaluate the actual costs and benefits of both efforts, and we will develop and publish in the FY 1996 budget document an indicator of the time lag between receipt and deposit of cash to measure progress toward the goal of depositing all checks within one business day of receipt.

Revenue Subcommittee Recommendation #5: BFAAC believes that the creation of new restaurants, small retail operations, service industry jobs and hotels may only result in one employer displacing another, with little net gain to City revenues. BFAAC therefore recommends that the City aggressively solicit new light manufacturing and other industrial activities to create employment in Alexandria.

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Staff Response: This recommendation will be forwarded to the Planning staff and to the Alexandria Economic Development Program's Board of Directors for comment.

Department Expenditures Subcommittee Recommendation #1: The Council should support joint efforts of the City staff and BFAAC to make improvements in the budget document's departmental presentations.

Staff Response: Staff concurs with this recommendation and will continue to work with the Budget and Fiscal Affairs Advisory Committee and other interested citizen groups, such as the League of Women Voters and Project New Course, to improve the informational value of the budget document. As the result of past requests, staff have added items to the budget, such as more measures and indicators, information on State and federal mandates, additional graphs and charts, and a program budget format.

With respect to the Committee's suggestion that the budget document include current year expenditure projections by department, it should be noted that current year expenditure projections are included in the aggregate in the *Statement of Undesignated Fund Balance* on page 2-47 in the FY 1995 Proposed Budget. In addition, staff provides the City Council with a monthly financial report that details year-to-date expenditures by department and provides comparative data for the comparable period in the prior year. It should also be noted that many of the larger departments (such as Police, Recreation, and Transportation and Environmental Services) have wide seasonal variations in expenditures, and definitive Schools' expenditure data (the largest single appropriation in the budget) is typically not available until after the end of the fiscal year when the audit is performed.

Department Expenditures Subcommittee Recommendation #2: The Council should continue to support the efforts of BFAAC and other interested groups to identify and reduce redundancy of services between the Schools and other agencies. BFAAC encourages that the Council meet with the newly elected School Board on these issues.

Staff Response: Staff concurs with this recommendation. In the last year City Council has held several work sessions with the School Board to discuss issues of mutual concern. It should be noted that several groups already exist to address these issues. The joint City Council/School Board subcommittee meets regularly to address issues of joint concern. In addition, a Joint City/Schools Staff Group on Youth coordinates human services issues; and, as a follow up to issues raised at the March 24 Public Hearing on the budget, the City Council has requested the establishment of an ad hoc City/School Task Force on Capital Facilities.

Work Session Recommendation and Department Expenditures Subcommittee Recommendations #3, #4, and #5: "This report contains a number of recommendations for further action and analysis by BFAAC," including "the review and study" of the following:

- * "the implications for expenditures and operational effectiveness of further consolidating the operations of police and fire communications" (Department Expenditures Subcommittee Recommendation #3);
- * "the implications for expenditures and operational effectiveness of varying emergency communications staff by hour of the day to better match work load fluctuations" (Department Expenditures Subcommittee Recommendation #4); and
- * "the option of adding a fourth police shift to improve patrol effectiveness" (Department Expenditures Subcommittee Recommendation #5).

"We request that City Council schedule a work session with BFAAC in July 1994 to discuss our recommendations, as well as any additional issues which have developed up until that time. The purpose of this work session will be to provide input and guidance for BFAAC's activities during the 1994-95 fiscal year."

Staff Response: Staff concurs with the Committee's recommendation that City Council hold a work session to provide input and guidance for the Committee's activities in the coming year. We recommend that this work session be scheduled in the fall shortly after the City Council Retreat, when the new City Council will have had an opportunity to discuss issues facing the City over the next three years.

Staff recommends against pursuing a study of alternative police shifts since, we believe, shift configuration options were analyzed thoroughly last spring during City Council's deliberations of the MGT report and staff response.

Department Expenditures Subcommittee Recommendation #6: The Council should initiate an independent evaluation of the Department of Mental Health, Mental Retardation, and Substance Abuse that includes assessments of program histories, possible duplication of services, and the department's eligibility and screening mechanisms.

Staff Response: This recommendation will be forwarded to the Alexandria Community Services Board for their review and comment.

Department Expenditures Subcommittee Recommendation #7: The Council should support the efforts of BFAAC and staff to improve detailed information provided in the budget document regarding grant funding in the Department of Mental Health, Mental Retardation and Substance Abuse.

Staff Response: Staff concurs with this recommendation and will continue to work with the Budget and Fiscal Affairs Advisory Committee to improve the informational value of the budget document.

ATTACHMENTS:

- Attachment 1 - Budget and Fiscal Affairs Advisory Committee Review of the FY 1995 Proposed Budget.
- Attachment 2 - Memorandum from City Manager Vola Lawson to the Honorable Mayor and Members of City Council, dated November 5, 1991, re: City Council Consideration of Alexandria Economic Development Agreement
- Attachment 3 - Memorandum from Finance Director Dan Neckel and Treasurer Dave Clark to Brian Moran, Chairman of the Budget and Fiscal Affairs Advisory Committee, dated March 28, 1994, re: Timely Deposit of Checks
- Attachment 4 - City Council Resolution #789, dated May 1, 1981

STAFF:

Susan Roomberg, Analyst, OMB

BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE

REVIEW AND REPORT OF THE PROPOSED FY 1995 CITY OF ALEXANDRIA BUDGET

APRIL 1994

BRIAN MORAN, BFAAC CHAIR

ALAN COHEN, SUB-CHAIR - GENERAL EXPENDITURES

REGINALD FOSTER, SUB-CHAIR - GENERAL REVENUES

ANDREW A. ANDERSON, SUB-CHAIR - DEPARTMENT EXPENDITURES

AL ANGULO

CHARLES BAILEY

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GEORGE ELLMORE

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LINDA MICHELSEN

GANT REDMON

WILLIAM ROSSELLO

Report Submitted: April 15, 1994

PURPOSE:

The purpose of this review is to assist the City Council in its consideration of the proposed FY 95 budget. This analysis is consistent with the Budget and Fiscal Affairs Advisory Committee's (BFAAC) mission to advise Council by 'forecasting future revenue and expenditure requirements' and 'evaluating comparative tax, revenue and expenditure levels in the city of Alexandria.'

The Committee has attempted to look more closely at revenues and expenditures than it has heretofore done. The review covered all aspects of City operations including the schools.

The committee has conducted its analysis with the assistance and support of Ms. Lori Godwin, Director of Management and Budget, Ms. Susan Roomberg, Management/Budget Analyst and Mr. Arthur Gitajn, Financial and Information Systems Director.

BFAAC would like to take this opportunity to thank all City Staff members that availed themselves in support of this committee's procedural deliberations and analysis.

This report contains a number of recommendations for further action and analysis by BFAAC. We request that the new Council schedule a worksession with BFAAC in July, 1994 to discuss our recommendations, as well as any additional issues which have developed up until that time. The purpose of this worksession will be to provide input and guidance for BFAAC's activities during the 1994-95 fiscal year.

OVERVIEW

The City has experienced three straight years of declining property values. Since 1991, the City's tax base has dropped in value by almost \$1.3 billion, which in-turn has resulted in the total loss of almost \$34 million in real property tax revenue.

Fortunately, Alexandria is still in a relatively good financial position. The City Manager's 1995 budget avoids a property tax increase and any disruptive employee layoffs while still maintaining an appropriate level of services.

For the second straight year, City departments, with the exception of the schools, have budgeted a reduction in their operating budgets. The FY 95 budget reflects a savings of \$140 thousand from FY 94. The reduction is even more noteworthy when the Manager's proposed pay raises are considered. A COLA of 2% and a merit increase of 2% are included in the proposed budget.

As in years past, a draw-down on the Undesignated Fund Balance is included in FY 95. The budget is balanced by a use of approximately \$7.5 million from the reserve. BFAAC recognizes this is a substantial figure but notes that, despite being budgeted no use of this appropriations has actually occurred in prior years. BFAAC also recognizes that the reserve is well above the goal of 5.5%.

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DOCUMENT FORMAT:

The Budget and Fiscal Affairs Advisory Committee's report is prepared in three separate sections. Each section was developed and formatted by each subcommittee. Each section will have a summary of the recommendations which each subcommittee has agreed to submit to Council for consideration.

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SECTION 1: GENERAL EXPENDITURES

Review of FY 94 Budget Recommendations

Report on the Status of implementing the Expenditure Subcommittee's recommendations for the FY 1994 budget.

1. Defer the Mt. Vernon Avenue capital improvement project and transfer \$1 million from that projects's prior year carry forward to the General Fund Balance.

This recommendation was not implemented by City Council. However, it should be noted that a corridor along Mt. Vernon Avenue has recently been designated as an Enterprize Zone. Improvements in the area's infrastructure are necessary. In addition, a savings in the project has been realized due to recent utility work by Virginia Power in the area of Glebe Road and Mt. vernon Avenue. The project will realize savings of \$991,000.

2. Review of current overtime policies and practices to ensure reasonableness and uniformity throughout City departments and change the hours paid policy to an hours worked policy.

City Council approved a number of significant salary schedule and pay practices changes as a result of the 1994 budget deliberations.

As outlined and detailed in budget Memo #25, the Council has approved the following:

Holiday pay to be provided at 8 hours for all 40-hour per week employees and proportional to the average workweek for all other employees; and "hours worked" overtime policy for all employees except those in Public Safety who are covered under the Fair Labor Standards Act 7(K) exemption; a uniform City-wide call-back pay policy that provides for a minimum of 4 hours at straight-time pay or time-and-on-half for actual hours worked, whichever is greater; and, a uniform City-wide acting pay policy that provides acting pay after 30 days in acting status.

3. Limit the general salary adjustment (COLA) to 1.5%. A 2.5% general salary adjustment was approved by City Council.

4. Enhance the City's revenue generating base by making City assets more productive with particular emphasis on the five recommendations contained in the revenue section. These issues are addressed in the Revenue Subcommittee Report.

Summary of Subcommittee Recommendations

1. BFAAC supports the Manager's recommendations for COLAs and merit pay raises for Fiscal Year 1995.

2. BFAAC recommends postponement analysis in Health Care increases pending possible Federal legislation this year.
3. BFAAC recommends that the Budget Document more clearly reflect the fact that the previous fund balance draw-downs were contingent, and were indeed unnecessary, when each fiscal year drew to a close. In this manner, the public can gain a greater understanding of Alexandria's recent and current fiscal situation.
4. BFAAC does not recommend any budgetary change that would decrease the fund balance at this time in view of the uncertainty surrounding the funding balances in the state-wide pension systems.
5. BFAAC recommends that the City Council consider a work session on transit issues following receipt of this transit study and staff's analysis of it.
6. BFAAC supports the City Manager's proposed program 1995-2000 Capital Improvements.
7. BFAAC Recommend an increase of a minimum of \$100,000 to be placed in the budget under Contingent Reserves for the Economic Development Program (AEDP).

Details of submitted Recommendations

BFAAC has considered six expenditure issues that cut across expenditure concerns in individual city departments. The six issues are:

1. Pay raises for city employees
2. Health-care costs for city employees
3. The fiscal condition of the undesignated fund balance
4. Transit subsidies
5. The capital improvement program
6. The budget for the private/public Economic Development Program

BFAAC's analysis and recommendations for each of these areas follows.

I. PAY RAISES

The City Manager's proposed budget includes a 2% cost-of-living increase (COLA) for all employees and a 2% merit pay increase for all employees who are eligible. About 25% of all employees are not eligible for the merit pay increase because they are already at the top of their respective pay grades. The remaining 75% would receive the 2% increase under the Manager's proposal.

In the aggregate -- including school employees -- the 2% COLA would cost \$3.556 million in Fiscal Year 1995 and the 2% merit increase would cost \$1.760 million.

In recent years, fiscal stringency has resulted in decisions to reduce and/or eliminate one or both of these pay raises for city employees. In Fiscal Year 1994, city employees received a 2.5% COLA and no merit pay increases. In Fiscal Year 1993, employees received no COLA but were eligible for a 5% merit pay increase.

In judging the appropriateness of pay raises it may be useful to compare salaries and pay increases for city employees with those of employees in our neighboring Northern Virginia governmental jurisdictions.

This year, the combined 4% pay raise proposed by the Manager-- 2% COLA plus 2% merit increase -- is lower than the comparable total for all other jurisdictions except Loudoun County (see table 1). Last year's BFAAC report contained a comparison of pay increases --COLAs plus merit increases-- for all Northern Virginia jurisdictions dating back to 1986. During the years 1986-1994, pay raises for Alexandria averaged 7.47% compared with 6.08% for Arlington, 6.67% for Fairfax, 6.62% for Loudoun County and 6.11% for Prince William County.

However, this type of analysis is sensitive to a number of analytic factors, including the number of years it goes back in the past, the types of expenditures included, and whether the comparison focuses on changes in salaries or levels of salaries.

If the comparison is made over the last three years, Alexandria's pay increases are lower than all other Northern Virginia jurisdictions except Loudoun County (See table 1).

If the comparison is made by looking at levels of salaries rather than changes in salaries, Alexandria is about at the median of the 17 Washington area jurisdictions included in a recent study by Montgomery County. Alexandria's minimum salaries are slightly above the median while its maximum salaries are slightly below the median (see tables 2 and 3). Moreover, Alexandria's salary levels are below those of Arlington and Fairfax (Loudoun and Prince William Counties are not included in the study).

Finally, in a world in which health care costs and other fringe benefits drastically affect the total compensation paid by employers, it is important to compare changes in total compensation across the various jurisdictions, not just to compare changes in pay. Alexandria has been in the forefront of lowering its health care contributions for employees by switching to managed care health-care plans. The percentage change in personnel costs per full-time employee between 1986 and 1992 was lower for Alexandria than for all other Northern Virginia jurisdictions -- (Arlington, Fairfax and Loudoun Counties; no data for Prince William County). (see table 4)

It is also true, however, that the change in personnel costs per full-time employee exceeds the rate of inflation over the same period for all of the

Northern Virginia jurisdictions (see table 4). At least two points should be made about this result. First, even with innovative health care approaches, health care costs are rising faster than the general rate of inflation, and this is beyond the control of any local jurisdiction. Second, many people believe that only COLAs should be consistent with the rate of inflation while merit pay increases should be granted for the productivity improvements that occur with increased longevity of service. This second point raises a philosophical and economic debate which this report cannot hope to resolve.

In conclusion, the pay raises proposed by the manager seem reasonable in view of the comparison with the level of salaries, the recent rate of increase in salaries, and the rate of increase for total compensation for Northern Virginia and other Washington area jurisdictions.

Recommendation: BFAAC supports the Manager's recommendations for COLAs and merit pay raises for Fiscal Year 1995.

II. HEALTH CARE COSTS

As noted above, the City of Alexandria has done an excellent job in recent years in constraining the cost of contributions for employee health care by switching to managed care health plans.

BFAAC believes that any further in-depth analysis of the city's employee health care costs should wait until later this year because the enactment of health care reform legislation by the Federal government could radically alter the terrain in this expenditure area.

Recommendation: Postpone analysis pending possible Federal legislation this year.

III. FUND BALANCE

In recent years, sizeable amounts of money have been appropriated from undesignated fund balances in order to equate current spending with current revenues. For example, the 1992-1993 Budget assumed that more than \$10 million would need to be drawn down in order to balance the budget. With the prospect of continued economic stagnation or downturn at that time, a prognosis for sizeable annual draw-downs from the fund balance year after year raised the specter of a diminishing or completely exhausted fund within a fairly short period of time.

BFAAC has compared the assumed fund balance draw-downs with the actual fund balance draw-downs for each year since 1984-85 and has discovered that when each fiscal year was completed, **no draw-down was necessary in any of these years.** Conservative estimates of revenues and spending were made prior to each fiscal year. Under these conservative estimates, fund draw-downs appeared necessary to balance the budget and the Council approved such draw-downs on a contingent basis. **However, in no year was a draw-down actually necessary.**

Table 5 describes this situation. It shows the fund balance draw-downs that were approved by the Council in each year since 1984-85. Cumulatively, such

draw-downs would have totalled about \$47 million. In reality the cumulative draw-down for the entire period was zero.

For the upcoming fiscal year, the Manager's proposed budget once again assumes that a large draw-down will be needed: approximately \$7.5 million. Even with this draw-down, the fund balance at the end of the fiscal year would still be about \$14 million, which is 6.3% of annual revenues. This percentage is above the target of 5.5% adopted by the City Council in 1987..

If however, history repeats itself and none of the draw-down is needed, the fund balance would be about \$21.5 million at the end of the year, which is an even healthier 7.8% of annual revenues.

BFAAC also notes that there are some State-wide pension funds to which our city employees belong that may show some under-funding problems in the future. In view of this situation, BFAAC believes that the potential for a 7.8% reserve fund percentage should not be diminished, even though it is above the Council's current 5.5% target.

Recommendation: BFAAC recommends that the Budget Document more clearly reflect the fact that the previous fund balance draw-downs were contingent, and were indeed unnecessary, when each fiscal year drew to a close. In this manner, the public can gain a greater understanding of Alexandria's recent and current fiscal situation.

BFAAC does not recommend any budgetary change that would decrease the fund balance at this time in view of the uncertainty surrounding the funding balances in the state-wide pension systems.

IV. TRANSIT SUBSIDIES

The FY 1995 proposed budget seeks "to provide cost-effective transit facilities to Alexandria's residents and visitors" (FY 1994-1995 Proposed Budget, page 6-140). To achieve that goal, expenditures of \$2.2 million and \$3.7 million are projected to subsidize the Alexandria Transit Company (DASH) and WMATA operations, respectively. This combined increase of 19.1 percent over the approved FY 1994 budget far exceeds the 1 percent overall increase in the General Fund budget as a whole. The bulk of this increase is in the WMATA subsidy, which is expected to increase by \$917,885 in FY 1995, while the DASH subsidy is expected to remain essentially flat with a \$29,622 increase.

The problem with these figures is that they are accurate as of the printing date of the budget document but can dramatically change over time. The formula for determining each locality's share of WMATA operating and capital costs is subject to change based on various factors, including the availability of State funds and WMATA's annual audit adjustment, based on actual ridership levels. Indeed, as recently as FY 1993, the audit resulted in an additional cost to the City of \$933,869 above the amount budgeted for that year, a cost which had to be absorbed by the General Fund. The amount approved for FY 1994 may also have to be augmented from the General Fund for the same reason. In addition, the Decision of the Fairfax County Board of Supervisors to privatize Metro bus routes in Reston and Herndon will have a

net General Fund impact of about \$324,000 in excess of the amounts discussed above.

Clearly, in order to balance the need for reliable, convenient public transportation against the ability of Alexandria (i.e. the taxpayers) to fund the costs, there must be a serious review of service requirements with emphasis on the impact of WMATA policies on the City's budget. The review should include an effort to achieve voting status for Alexandria on the WMATA Board, to give the City a potentially greater voice in that agency's operations.

A more basic issue, however, should be a reexamination of the City's support for the concept of a regional mass transportation system with shared costs. This policy question goes to the heart of the transit subsidy issue. There is no doubt that the decisions to locate Metrorail stations in the City had a dramatic impact on development at the lower end of Braddock Road and at the upper end of King Street which revitalized these areas. However, Metro's bus service is largely a "feeder" system into the rail stations and this does not serve our residents who wish to move about the City at a reasonable cost. The DASH system is a viable adjunct to Metro in Alexandria.

The Fairfax County decision illustrates the financial impact on surrounding jurisdictions of a decision to partially withdraw from bus service on selected routes. On the other hand, such a decision can have major benefits. The City's 1993 decision to substitute DASH service for the route served by Metro's Route 29M saved Alexandria approximately \$250,000 (net) while improving the level of service. Although each option should be reviewed on its merits, we believe that it is time for the City to examine its relationship with WMATA and determine whether, in some cases, our residents would be better served, at less cost than currently, by an expansion of the DASH system and the withdrawal of Metro from some routes presently serviced.

It is BFAAC's understanding that a comprehensive bus study is under way, coordinated by the Northern Virginia Transportation Commission (NVTC). According to OMB staff, in July 1993, City staff, staff from other Northern Virginia jurisdictions and NVTC initiated a consultant study to examine bus service in Northern Virginia. The study, which is federally funded, is expected to be completed this summer. It will examine such issues as the NVTC cost/subsidy allocation formula (which is used to apportion a jurisdiction's allocated costs and subsidies), WMATA operating and administrative expenses, and the location of the Metrobus garages.

Recommendation: BFAAC recommends that the City Council consider a work session on transit issues following receipt of this transit study and staff's analysis of it.

V. CAPITAL IMPROVEMENT PROGRAM

The Fiscal Year 1995-2000 Proposed Capital Improvement Program (CIP) sets forth a six-year, \$74.3 million program of public improvements¹. The Program could be described as conservative. It reflects the City's adherence to the 'pay as you go' principle to fund capital projects. The policy, adopted by Council in 1987, maintains the City's credit worthiness and minimize outstanding debt by financing capital projects appropriations and general obligation bond proceeds.

As a result of two City Council decisions in 1993 it was unnecessary to budget any General Fund appropriations in the FY 1995 (CIP). First, the Council approved a modest bond issuance. On March 1, 1994, the City sold \$22.665 million in General Obligation Public Improvement and Refunding Bonds and received a true interest cost of 4.75%². The 1994 issue provides \$10.765 million to refund a portion of the 1986 bond issue and \$11.9 million for high priority projects such as: The Lee Center renovations; land purchase for the Community Library; additional classrooms at T.C. Williams High School and the renovations at the Barret Library³.

The additional debt attributable to the bond package increases the City's net debt per capita to approximately \$450.4.

Despite this increase, the City has maintained a relatively low net debt per capita ration⁴. It is well below the 1987 adopted target of \$800 per capita. This conservative approach is required by the financial markets and has resulted in the favorable Triple A bond rating.

The second significant Council decision designated the proceeds from the railroad tax litigation to the (CIP). Approximately \$7.5 million was realized.

The City's stated objective in the Fy 1995-2000 (CIP) is to maintain current City facilities and the City's infrastructure in a safe and secure manner⁵. Accordingly, approximately \$7 million or 45.1% of the capital budget is for projects with a priority rating of "essential". Such projects include bridge repairs, reconstruction of sanitary sewers, and replacement of traffic signals.

Recommendation: BFAAC supports the City Manager's proposed program 1995-2000 Capital Improvements.

¹ City of Alexandria Proposed Budget, p. 8-2.

² Budget Memo #8: FY 1995-2000 capital Improvement Program.

³ Proposed Budget p. 8-2.

⁴ Budget Memo #8

⁵ Proposed Budget p. 8-3

VI. ECONOMIC DEVELOPMENT PROGRAM

The Alexandria Economic Development Program (AEDP) was created to attract and stimulate economic activity for the City of Alexandria. Although some efforts have been made to increase that activity, the committee feels that additional funding is required in order to aggressively pursue economic opportunities that will enhance the City's economic viability and financial state.

Therefore the BFAAC sub-committee recommends an increase of a minimum of \$100,000 to be placed in the budget under Contingent Reserves for the Economic Development Program. It is recommended that these funds be released by Council only after the following has been successfully completed :

1. A specific, detailed 5-year Strategic Plan is developed indicating exactly how the Department is planning on developing and attracting new businesses, what businesses (via actual research) are being targeted, and when there will be results. The Strategic Plan's success must be measurable and identifiable.

In producing the plan it is highly recommended that each item/goal be prioritized and indicate the expected result and how the actual results will be measured. In addition, the actual results should be reported as to its success.

Within the Plan there needs to be a strategy on how each area of the City should be developed and the different marketing techniques inherent in attracting business to that area (West End, Cameron Station, Potomac West and its Enterprise Zone, Old Town, etc.) A different strategy must be created for developing and attracting "anchor businesses" and "small businesses". The Strategic Plan must specify what type of incentive or assistance will be offered to each of these types of businesses since their needs and perspectives are varied.

Data should be provided detailing how these businesses will impact tax revenue and employment.

2. A very specific, detailed timeline (Gantt chart) is developed along with a detailed work program on the hows, whos, and whens of targeting and developing business. An example of such a work program would be one detailing that resources (such as Standard & Poore's or Dun & Bradstreet) has been completely researched with the end result of identifying "x" names of companies which will be targeted for specific areas such as the West End or the new Enterprise Zone.

3. Redistribution of the representation on the Economic Development Board to increase the representation of the business or economic development community (including minority-owned business community). We do not recommend an increase in the number of directors but believe there should be a greater emphasis on "entrepreneurship" type thinking in order to creatively attract new businesses).

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It is also recommended that the AEDP Board meet more frequently (preferably monthly) in order to become more active in directing the strategies and progress of the targeted marketing and measuring of its success rate.

4. Development of strategic and *current* marketing materials which will aggressively target and attract businesses. Specific materials need to be developed for those companies identified in # 2 above. Details of how and why it is financially and otherwise beneficial for the targeted businesses to relocate.

5. Implement and demonstrate a successful coordinated effort with area businesses, residents and community groups in planning, targeting and contacting businesses of both the "anchor" and "small" business type.

Implement and demonstrate a successful program in assisting and coordinating with the growing minority-owned business community to attract the small emerging business to Alexandria.

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ATTACHMENTS
(TABLES AND FIGURES)

City of Alexandria, Virginia
Salary Increases, Merits & COLAs, in Northern Virginia Jurisdictions
For Fiscal Years 1993 - 1995 (Proposed)

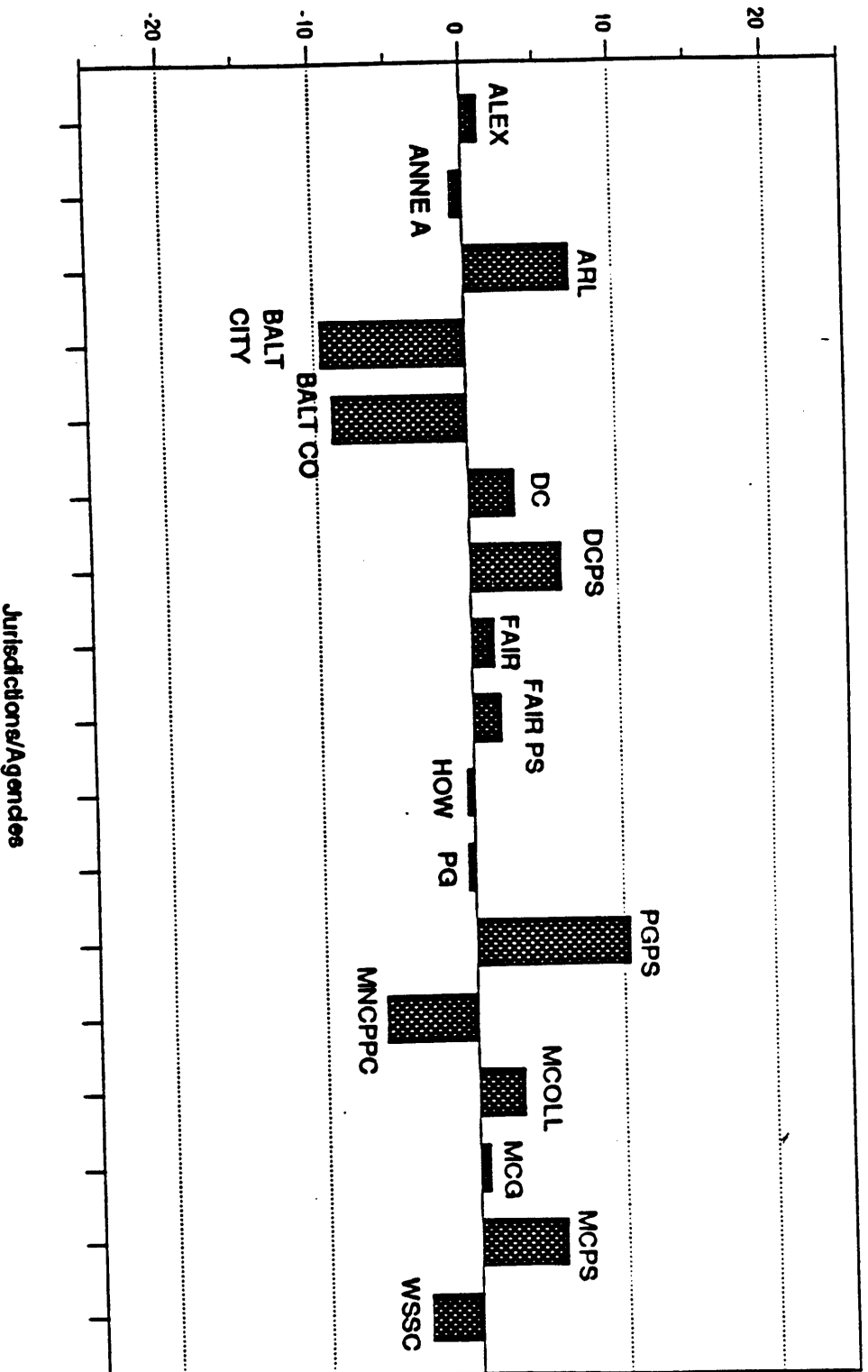
Fiscal Year	Alexandria	Arlington County	Fairfax County	Prince William County	Loudoun County	Inflation
	(1)	(2)	(3)	(4)	(5)	(6)
1 1993	5.00	3.00	0.00	4.23	0.00	2.90
2 1994	2.50	5.50	7.00	6.23	2.50	2.70
3 Average Adjustment,						
4 FY 1993-1994	3.75	4.25	3.50	5.23	1.25	2.80
5						
6 FY 1995 (Proposed)	4.00	4.50	7.00	6.23	3.00	3.10
7						
8 Average Adjustment,						
9 FY 1993-1995	3.83	4.33	4.67	5.56	1.83	2.90
10						
11 Notes:						
12 \1 - BFAAC has assumed that the Arlington County Board will approve a 1.5% COLA						
13 on April 30, 1994, as discussed in the attached March 20, 1994, Washington Post article.						
j:\omb\budget\fy1995\bfaacmer.wq1 cms 07-Apr-94						

TABLE 1

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MCG and Other Local Jurisdictions MINIMUM SALARIES - Average Difference from Medians

Percent Difference from Median



Note: Data from local sources, including 1992 LGPA Salary Survey

Jurisdictions/Agencies

3-23

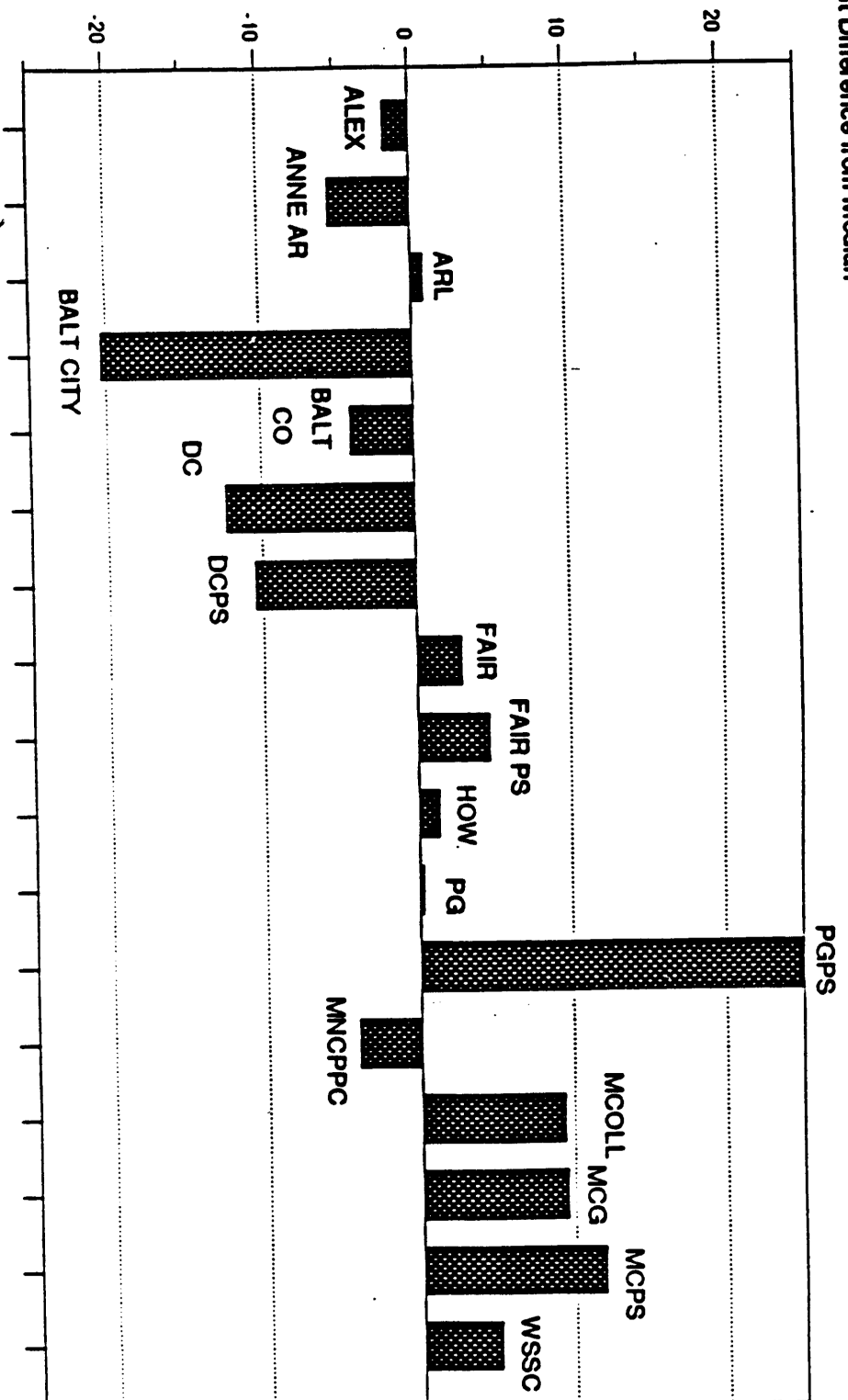
NOTA: MNCPPC - Maryland-National Capital Park & Planning Commission
MONT COLL - Montgomery College
MONT CO GOVT or M33 - Montgomery County Government
MCPS - Montgomery County Public Schools
WSSC - Washington Suburban Sanitary Commission

TABLE 2

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MCG and Other Local Jurisdictions **MAXIMUM SALARIES - Average Difference from Medians**

Percent Difference from Median



Note: Data from local sources, including 1992 LGPA Salary Survey

Jurisdictions/Agencies

3-26

NOTE: MNCPPC - Maryland-National Capital Park & Planning Commission
 MONT COLL - Montgomery College
 MONT CO GOVT or MCG - Montgomery County Government
 MCPS - Montgomery County Public Schools
 WSSC - Washington Suburban Sanitary Commission

TABLE 3

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City of Alexandria

Office of Management and Budget

Personnel Costs and Inflation FY 1986 - FY 1992

	FY 1986 General Government Personnel Expenditures (1)	FY 1992 General Government Personnel Expenditures (2)	FY 1986 - FY 1992 % Change Per Full- Time Position (3)	CPI-U-DC \a FY 1986 - FY 1992 (4)	Difference Per Full-time Position From CPI-U-DC (5)
1 Alexandria	\$105,774,692	\$171,217,150	44.9%	28.3%	16.6%
2 Arlington CO.	\$148,984,101	\$255,387,754	46.3%	28.3%	18.0%
3 Fairfax CO. \b	\$691,181,091	\$1,165,123,080	44.9%	28.3%	16.6%
4 Loudoun CO.	\$54,946,408	\$123,154,053	49.8%	28.3%	21.5%
5					
6 Notes:					
7 a) CPI-U-DC is the Consumer Price Index-Urban-Washington DC. The figure represented is the May 1986 to May 1992 percentage change in CPI-U-DC.					
8 b) The FY 1992 Fairfax County per position expenditures are conservatively estimated because of extensive use of hiring freezes, hiring delays and					
9 vacancy management during FY 1991 and FY 1992. Fairfax County OMB staff have estimated that 9.1 percent of County positions were					
10 held vacant during FY 1992.					
11					
12 Sources: Auditor of Public Accounts (APA) and Area Jurisdiction OMB and Finance Departments.					
File J:\omb\workfile\omb\FY1993\APAO3.wq1					

15-Apr-94

TABLE 4

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TABLE 5

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CITY OF ALEXANDRIA, VIRGINIA
 OFFICE OF MANAGEMENT AND BUDGET
 APPROVED APPROPRIATION FROM FUND BALANCE FY1985-FY1995

APPROVED			
FISCAL	APPROPRIATION		AMOUNT USED
YEAR	FROM FUND BALANCE		
(1)	(2)		(3)
1	1985	\$3,282,816	\$0
2	1986	\$1,568,068	\$0
3	1987	\$1,680,219	\$0
4	1988	\$98,190	\$0
5	1989	\$1,627,706	\$0
6	1990	\$6,038,483	\$0
7	1991	\$651,892	\$0
8	1992	\$8,255,313	\$0
9	1993	\$10,251,950	\$0
10	1994	\$6,163,234	\$0
11	1995	\$7,478,319	*

* Proposed

SECTION 2: GENERAL REVENUES

Summary of Subcommittee Recommendations

1. The overall revenue estimating procedures appear to be sound and conservative. The Council should review and confirm the assumptions underlying the sales tax, the real property tax and inter-governmental revenue estimates.

2. BFAAC recommends that the funds which represent the 'Undesignated Fund Balance', including the amount budgeted to balance the budget, be invested using a slightly less conservative approach, within the limitations imposed for the next category of investments.

3. BFAAC recommends that the Council establish a fiscal goal/policy regarding the City's share of the unfunded pension obligations in the Virginia Retirement System. BFAAC also recommends that City staff engage Foster Higgins, the City's pensions and benefits consultants, to conduct an analysis as to what the proper assumptions are for calculating the VRS unfunded pension liabilities which are attributable to the City.

4. BFAAC recommends that a fiscal goal/policy be established with regard to timely deposit of cash receipts. BFAAC also recommends that the City Manager investigate the cash deposit processes and develop a report, by cash processing entity, which shows the mean time to deposit a cash receipt along with an aging by # of days and dollar amount. BFAAC also recommends that these performance measurements continue to be periodically updated and reported on as ongoing management tool, both during the year and for the budget process.

5. BFAAC recommends that the City aggressively solicit new light manufacturing and other industrial activities to create employment in Alexandria.

Details of the submitted recommendations

1. The overall revenue estimating procedures appear to be sound and conservative.

Consistent with past practice, staff has generally budgeted revenues conservatively. Based upon the research of the Committee and upon presentations made to it, three assumptions appear to require further effort:

Sales Tax Estimate: Given the additional revenues created by three significant new retailers (Home Depot, BJ's, and Comp USA), it would appear that budgeting the same revenue for FY95 as projected for FY94 is overly conservative.

Real Property Tax: The assumption that real property assessments will increase by 1.5% in the second half of FY95 appears to be premature and overly optimistic based upon continued weakness in the commercial real estate sector. However, this problem could be tempered by overly conservative assumptions in other areas, such as the 3% rate for uncollectibles.

Inter-governmental Revenues: The information provided the Committee during its study of the Adult Detention Center is not consistent with the stated assumption that there will be a "substantial decrease in federal per-diem revenue...". Further validation of that assumption appears to be required.

2. The City is employing an overly conservative strategy for investing its surplus cash funds. Use of a slightly less conservative investment strategy permitted under state law could increase City revenues by \$460,000, assuming an increased yield of 1/2% on an average balance of \$92 million.

With regard to cash on hand from the recent bond issue, the City is precluded from earning income through arbitrage, therefore the proceeds are invested in Treasury Bills that essentially have the same yield as the City's own interest cost.

With regard to non-bond related cash, the City maintains a cash position that fluctuates significantly during the year, with average amounts in the \$92 million range. The investment strategy is extremely conservative, with 100% of invested funds invested in Treasury obligations or obligations fully secured by Treasury obligations. There are other categories of eligible investments that could be explored by the City, but to date a very conservative possible approach has been followed.

BFAAC recommends that the funds that represent the Undesignated Fund Balance, including the amount budgeted to plug the budget to achieve overall balance as presented, be invested using a slightly less conservative approach, within the limitations imposed for the next category of investments.

3. The Virginia Retirement System, which covers City retirees, has reported a \$9.5 million unfunded pension benefit obligation allocable to Alexandria. The City has set aside \$900,000 reserve in the FY 1995 budget. The BFAAC questions whether this reserve is large enough.

The City participates in a number of public employee retirement plans.

Two of these plans are handled by the Virginia Retirement System (VRS) and are administered by Commonwealth of Virginia. The remaining plans are single employer defined benefit or defined contribution plans which are administered by the City.

Each year, City reports the unfunded pension liability for these retirement systems: the actuarial difference between the assets on hand to pay pension benefits and the projected future payments. As of June 30, 1993 (the latest available data), the total unfunded pension liability for the City's defined benefit plans was \$9.5 million (assets at market value) as reported in the latest Comprehensive Annual Financial Report. However, the exact amount of unfunded pension liability attributable to Alexandria is subject to many assumptions which affect the size of the number.

The BFAAC recommends that the Council establish the following fiscal goal/policy regarding the City's share of the unfunded pension obligations in the VRS:

Fiscal Goal/Policy

The net assets at market value available to pay pension benefits be equal to the present value of the vested and un-vested pension obligations allocable to the City. If the VRS is not maintaining sufficient assets to meet this goal, then the City should designate a portion of the undesignated fund balance to achieve this objective.

BFAAC recommends that City staff engage Foster Higgins, the City's pensions and benefits consultants, to conduct an analysis as to what the proper assumptions are for calculating the City's unfunded pension liabilities.

The question is whether the current \$900,000 reserve meets the goal. We recommend that this analysis be repeated as part of the regular budget cycle each year. Should the \$900,000 reserve in the FY 1995 Budget not be adequate, we recommend a program to set aside additional funds annually, as part of the designated, unreserved General Fund Balance, with the objective of achieving the goal within a reasonable period of time.

4. Opportunity Exists to Improve the City's Cash Receipt Processing

In FY 1993, the City processed approximately \$200 million in cash collections consisting of property taxes, sales and utility taxes, business licenses, etc. Improving the promptness of cash deposits can produce an immediate and significant improvement in revenues to the City, either from cash investment income or from reducing the need for borrowed funds. Each average day of improvement in the overall time it takes to deposit cash receipts will result in a \$4,100 savings to the City.

Much of the City's cash receipts are received during certain peak periods during the year. Although a large number of transactions are deposited on the day of receipt, when problems occur (erroneous amounts, mismatched checks and remittances, etc.), a processing backlog often springs up due to the large volumes.

The BFAAC recommends that the following fiscal goal/policy be established:

Fiscal Goal/Policy

All cash receipts, including those associated with erroneous transactions, should be deposited into an interest bearing account within one business day.

All erroneous transactions would also be deposited immediately, with problems being researched and corrected subsequent to the deposit.

The BFAAC also recommends that the City Manager investigate the cash deposit processes and develop a report, by cash processing entity, which shows the mean time to deposit a cash receipt along with an aging by # of days and dollar amount. The BFAAC recommends that these performance measurements continue to be periodically updated and reported on as ongoing management tool, both during the year and for the budget process.

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BFAAC wishes to note that City staff has already been extremely responsible to this issue and has already taken steps to analyze and address this problem. Should the Manager's investigation confirm that any City or lockbox payment processing entity is not depositing all cash receipts (including those with discrepancies) within one business day of receipt, the BFAAC recommends that steps be immediately taken to correct this matter.

5. Activities to promote the City should be oriented towards increasing light-industrial development

The BFAAC examined the question of whether, with regard to the net effect on the budget, the City is better off by promoting the development of additional, new residential units, or whether the new commercial ventures have a better net effect on the budget (i. e., additional revenues are greater than increased cost of City services needed). Initial response from staff was that while the City obtained its revenues almost equally from residential and commercial sources, approximately 2/3 of the City's expenses benefit residential taxpayers, and only 1/3 of the expenses are for the benefit of businesses.

Subsequent information from City staff indicates that the incremental cost of new residents is approximately equal to the increased revenues.

BFAAC believes that the creation of new restaurants, small retail operations, service industry jobs and hotels may only result in one employer displacing another, with little net gain to City revenues. BFAAC therefore recommends that the City aggressively solicit new light manufacturing and other industrial activities to create employment in Alexandria.

6. Report on Status of implementing the Revenue Subcommittee's recommendations for the FY 1994 budget.

FY 1994 Short Term Recommendations

A. Expedite adoption of a generally acceptable Potomac yard Small Area Plan

Council, in late 1992, adopted an amended small area plan, subsequent to the stadium issue, granting additional density contingent upon dismissal of two pending law suits by the RF&P. Both the City and the RF&P have indicated agreement on the current plan, provided that litigation with the Department of Interior involving the proposed interchange on the GW Parkway is dismissed and that access, for the present, be limited to the southbound lanes of the Parkway only. Further movement on this issue awaits resolution of that lawsuit.

B. Publicize the City's desire for higher density commercial development on the Eisenhower Avenue corridor.

The City has moved forward in this area, having made available \$25,000 in matching funds from the City's marketing fund, matched by \$50,000 in private funds to establish promotional efforts for the Eisenhower corridor. Additionally, the City has pursued action on the Clermont interchange and the

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widening of Eisenhower Avenue between the site of the interchange and Telegraph Road.

BFAAC urges development of a comprehensive program which will apply the same principles to other areas of the City.

C. Continue attracting larger services and retail businesses such as BJ's, Home Depot, and Comp USA in the West End.

The Alexandria Economic Development Program (AEDP) has established large discount retail outlets as a new priority for 1994. Prospects will be invited to the AEDP Build-to-Suit Exposition to be held in May, 1994.

D. Facilitate build-out of the Winkler Tract in accordance with the adopted Small Area and Master Plans.

The Winkler Companies have concluded rezoning efforts which will, in large part, overcome impediments previously imposed in the rezoning which accompanied the Small Area Plan. The area will be highlighted in the AEDP Build-to-Suit Exposition.

E. Limit extension of the Torpedo Factory lease to one year during which the net cost to the City be assessed by a working group of concerned artists, City staff, and others.

The City extended the lease from August 1, 1993 to July 31, 1995 and established a working group as recommended. The group has met monthly since September, 1993, and will continue to meet until June, 1994, when it is to present its findings to Council.

Longer Range Recommendations

A. Convention Center - Explore Joint project with Arlington County.

An Ad Hoc Alexandria Convention Center Task Force has been established with representation of the Chamber of Commerce and Arlington County. An initial feasibility study has been funded by the Chamber of Commerce and a report was delivered in April, 1994.

B. Continue to promote tourism with public/private funding.

A study of the Alexandria Convention and Visitor's Bureau has been conducted by a team of consultants from the International Association of Convention and Visitor Bureaus. Recommendations from its report are being reviewed by City staff, which is to report this spring.

C. Attract larger businesses, organizations to enhance the corporate backbone of the City.

Responsibility for this task is borne primarily by the AEDP. Enunciation of a program, as discussed above, for the entire City will aid materially in the accomplishment of this recommendation. Little discernible progress has been

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made with respect to this item.

D. Recruit large service employers from the metropolitan area.

This recommendation falls within the immediately preceding, to which reference is made for status.

E. Seek outside corporate and foundation funding through grants

The City employs one person to research and prepare possible grant applications, primarily from the federal and state levels. This area requires further study by BFAAC to determine whether the recommendation remains valid and the extent to which it is embraced by the City.

SECTION 3: DEPARTMENT EXPENDITURES

Summary of Subcommittee Recommendations

1. The Council should support joint efforts of the City staff and BFAAC to make improvements in the budget document's departmental presentations.
2. The Council should continue to support the efforts of BFAAC and other interested groups to identify and reduce redundancy of services between the Schools and other agencies. BFAAC encourages that the Council meet with the newly elected School Board on these issues.
3. The council should support BFAAC efforts over the course of the next year to review and study the implications for expenditures and operational effectiveness of further consolidating the operations of police and fire communications.
4. The council should support BFAAC's efforts to review and study the implications for expenditures and operational effectiveness of varying emergency communications staff by hour of the day to better match workload fluctuations.
5. The council should support joint efforts of BFAAC and Police Department staff to analyze and evaluate the option of adding a fourth police shift to improve patrol effectiveness and efficiency.
6. The Council should initiate an independent evaluation of MHMRSA that includes assessments of program histories, possible duplication of services and the department's eligibility and screening mechanisms.
7. The Council should support the efforts of BFAAC and Staff to improve detailed information provided in the budget document.

Details of the submitted recommendations

Members of the BFAAC Departmental Expenditures Subcommittee analyzed the sections of the City Manager's proposed budget that discussed the expenditures of the individual operating and staff departments. The subcommittee received additional information and clarification from City staff and met several times after the proposed budget was released. The committee also met with two department heads: the police chief and the fire chief.

FY 95 FINDINGS AND RECOMMENDATIONS

The findings and recommendations are divided into four sub-sections:

- A - BUDGET DOCUMENT
- B - SCHOOLS
- C - PUBLIC SAFETY
- D - MENTAL HEALTH, MENTAL RETARDATION and SUBSTANCE ABUSE

A - BUDGET DOCUMENT

1. Opportunities exist to improve the consistency and usefulness of the departmental budget presentations.

Over the past several years, BFAAC and city staff have worked together to improve the presentation of the budget. BFAAC believes that substantial progress has been made in this regard. However, there are three primary opportunities to improve the presentations of the individual departments.

First, there is inconsistency in the degree of significance and usefulness of the information presented by different city departments. Some departments have furnished in-depth information about the planned operational initiatives and changes in budgeted expenditures, complete with justification for those changes. In other cases, departments have furnished the same information - almost word for word - as they did for the previous year's budget with little description of - or justification for - planned changes in operations and budgeted expenditures.

Second, while introducing indicators and measures was a very substantial improvement to the budget document, there is some variation in the significance of the ones presented in recent budget documents. Some measures and indicators truly reflect demand for service or performance levels. However, many others only reflect a level of activity that provides little insight for determining whether the department is maintaining a high level of - or is improving - its effectiveness and efficiency. BFAAC recognizes that it is very difficult to measure performance quantitatively in many cases. Nevertheless, there seem to be numerous opportunities to furnish better information about demand for service and performance trends within the departmental budget presentations.

Third, readers of the budget document are furnished some "soft" data for evaluating the overall change in resource requirements from one year to the next. FY 94 resource requirements are stated in terms of the FY94 budget, a figure determined a full year ago in the spring of 1993. This number is not necessarily an appropriate reflection of what a department actually needed in FY94. The FY95 proposed budget is also just an estimate. Therefore, the reader is left to compare an estimate to estimate in order to assess the magnitude of the change in resource requirements. Given that the budget document is produced about half way through the fiscal year, it would appear that a projection of actual expenditures for the current fiscal year could be provided. In this way, readers of the budget would have a more accurate figure for the current fiscal year and a more reasonable basis for their judgements about the change in a department's overall resource requirements.

Recommendation: The Council should support joint efforts of the City staff and BFAAC to make improvements in the budget document's departmental presentations.

B - SCHOOLS

1. There appear to be several examples of redundancy of services between the Schools and other agencies.

BFAAC's primary concern is the degree of redundancy that may exist between the Schools and other agencies funded by the City, other levels of government and the non-profit sector. Examples of possible overlap include such diverse matters as early childhood education, purchasing of supplies, drug intervention and education, psychological services, guidance counseling, social services, mental health programs, and programs designed to assist certain groups within the community such as English as a Second Language. All of these programs are needed, but in too many cases, there appears to be duplication. In large part, the problem appears to be attributable to the unwillingness of competing groups to relinquish authority for providing a duplicated service.

Recommendation: The Council should continue to support the efforts of BFAAC and other interested groups to identify and reduce redundancy of services between the Schools and other agencies. BFAAC encourages that the Council meet with the newly elected School Board on these issues.

C - PUBLIC SAFETY

1. The City has not fully evaluated the potential benefits of consolidating public safety communications

In some respects, the emergency communications centers of the police and fire departments are already consolidated. The two are located together in the public safety building; they share 911 lines; and the same personnel handle incoming requests for police, fire and emergency medical response. However, the City has not fully evaluated the potential opportunity to achieve greater synergies in staffing and supervision.

There are several potential benefits of moving toward a higher degree of consolidation including greater flexibility in scheduling relief and deploying staff (which could reduce costs) and the need for fewer supervisory positions (which would also reduce costs). The potential disadvantages are the need to cross-train supervisors and at least some communications technicians, and the potential difficulty in finding a workable organizational placement for the combined unit.

Recommendation: The council should support BFAAC efforts over the course of the next year to review and study the implications for expenditures and operational effectiveness of further consolidating the operations of police and fire communications.

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2. Staffing in the police and fire communications operations does not vary by time of day to match the workload.

Minimum staffing in the police and fire departments does not vary by time of the day. However, the volume of calls received does vary significantly by time of the day in each area. This may indicate that more staff is deployed than is needed during certain hours of the day and fewer staff are on duty than needed during other hours of the day. Staff in both the police and fire departments work 12-hour shifts, which limits the flexibility to alter staffing levels to match workload. On a 12-hour shift schedule, shifts are long and tend to include both busy and non-busy hours. Shorter 8-hour shifts allow shift changes three times per day (instead of just twice) and tend to group hours of similar call volume more effectively. If the 12-hour shift is precluding efficient scheduling, then substantial savings may be possible by moving to an eight-hour shift.

Recommendation: The council should support BFAAC's efforts to review and study the implications for expenditures and operational effectiveness of varying emergency communications staff by hour of the day to better match workload fluctuations.

3. There may be an opportunity to add a fourth shift to the patrol schedule to improve both operations and efficiency

Patrol staff scheduling has been a highly controversial issue since the issuance of MGT's management study of the police department. What is clear in the wake of the MGT study is that the current schedule is not the most cost-effective alternative, but that has very positive implications for morale.

The current schedule is not as efficient as possible because of the high relief factor it requires. The relief factor is the number of officers required on staff to fill one position on one shift every day of the year) is significantly higher under the current 5-3-4-3 schedule than it would be under the traditional 5-2 schedule (five eight hour days on and two days off). For every patrol position that must be filled on a shift, the police department needs to employ 6 to 8 officers. Under a 5-2 schedule, the police department would only need to employ 5 officers for every position.

However, the 5-3-4-3 schedule has some very positive implications for staff morale. It is preferred by officers for understandable reasons. First, this schedule provides them with three days off at a time, which is helpful in a highly stressful law enforcement job. Second, it requires them to come to work fewer days per year, approximately 185 versus 220. Third, it rotates weekend days off among the staff. Over time, all patrol officers have the same number of weekend days off per year. (In more traditional schedules, officers have fixed days off. As a result, some officers are never off on Saturdays or Sundays.) These implications of the current schedule undoubtedly have a positive impact on morale.

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Because of the positive impact of the 5-3-4-3 schedule on morale, BFAAC does not believe that returning the patrol operation to a 5-2 schedule, despite its greater efficiency is implementable or advisable. Moreover, BFAAC strongly recommends that the issue of significantly changing the days-on days-off schedule not be reconsidered at this time.

However, there may be an opportunity to make the current 5-3-4-3 schedule substantially more efficient than it currently is. This option would add a fourth shift to the daily schedule, but would not change the existing days-on days-off rotation of officers. The primary advantage of this schedule is that it provides overlaps of shifts that can work to the operational advantage of the patrol division. It would likely allow the division to better match staffing levels to the changing demands for service by hour of the day. This occurs because the fourth shift would allow the department to alter staffing strength as many as eight times per day instead of the current five times. This increase in flexibility can be significant tactically and from the perspective of efficiency. The likely disadvantage of the fourth shift is that it will require additional supervision and a fourth roll call.

Reportedly, this four-shift schedule has worked very effectively for other cities with similar situations. BFAAC believes that this option merits further review and is committed to working with the police department to make such an evaluation. We believe relatively little staff time will be required.

Recommendation: The council should support joint efforts of BFAAC and Police Department staff to analyze and evaluate the option of adding a fourth police shift to improve patrol effectiveness and efficiency.

D - MENTAL HEALTH, MENTAL RETARDATION AND SUBSTANCE ABUSE

1. The City may have opportunities to reduce duplication of MHMRSA services.

The complexity of services, organization and funding makes evaluation of MHMRSA difficult for BFAAC or any other volunteer civic group. The budget lists numerous programs and services managed under the auspices of MHMRSA. The number of people necessary to carry out these programs is large. It is unclear whether there is an overlap of employees for various purposes, for example, group homes and counseling services. It would be useful to know the extent to which programs and services overlap and the degree of potential consolidation.

2. There appears to be a need for further evaluation MHMRSA's eligibility and screening mechanisms.

It appears that MHMRSA services in Alexandria may have become a magnet for non-residents from other jurisdictions in the Washington area. Nowhere is the term "resident" clearly defined. The City has no way of knowing whether the people served are in fact permanent Alexandria residents. Although BFAAC acknowledges the City Manager's statements that these services are intended only for Alexandria residents, we have no way of knowing whether the

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department's clients are actually residents, how long they have been residents, or whether they have moved to the City temporarily or permanently simply to obtain services not available elsewhere.

Recommendation: The Council should initiate an independent evaluation of MHMRSA that includes assessments of program histories, possible duplication of services and the department's eligibility and screening mechanisms.

3. The department's proposed budget presentation lacks important information.

It is not possible to understand from the proposed budget how Federal, State, private and other grants are spent. There is also no indication whether the City continues to finance programs once the funding from grants has ceased or been reduced. The budget could reflect this information to inform citizens about whether the City is continuing programs with its own money once external funding is no longer available. If City funding supplants grant funding for a particular program, the budget document does not provide information to explain the justification.

Recommendation: The Council should support the efforts of BFAAC and Staff to improve detailed information provided in the budget document.

City of Alexandria, Virginia

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11-12-91

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MEMORANDUM

DATE: NOVEMBER 5, 1991

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: VOLA LAWSON, CITY MANAGER

Vola Lawson

SUBJ: CITY COUNCIL CONSIDERATION OF ALEXANDRIA ECONOMIC
DEVELOPMENT PROGRAM OPERATIONS AGREEMENT

ISSUE:

City Council approval of the Alexandria Economic Development Program Operations Agreement.

RECOMMENDATION:

That City Council:

1. Approve the Operations Agreement for the Alexandria Economic Development Program (Attachment I). The parties included in this Agreement are the City, the Alexandria Chamber of Commerce and the Alexandria Industrial Development Authority. The City Attorney has reviewed and approved the Agreement.
2. Authorize the City Manager to execute the Operations Agreement.

BACKGROUND

The Alexandria Economic Development Program (ADEP) began in 1981 as a joint effort among the City, the Alexandria Chamber of Commerce, and the Alexandria Industrial Development Authority (IDA). Over the years, the priorities for the Economic Development Program have been the attraction of national associations, the marketing of vacant space in office buildings, selling Alexandria as a "destination" retail opportunity and promoting business development in targeted commercial areas, such as the Mt. Vernon Avenue corridor.

In 1981, the budget for the ADEP was \$90,000 and was funded equally from City General Fund monies and Industrial Development Authority monies derived from fees charged for the issuance of tax exempt bonds.

By FY 1991, the budget for the program had tripled from \$90,000 in FY 1982 to \$283,350 in FY 1991. During this time, the City's

contribution quadrupled, from \$45,000 to \$182,929. The City's contribution amounted to approximately 75% of the personnel costs associated with the operation of the program and a payment of \$59,000 to the Alexandria Chamber of Commerce for overhead expenditures.

For FY 1992, the Economic Development Program requested \$175,000 and the proposed City budget included a recommended contribution of \$85,600 which represented 50% of the projected cost for positions providing direct economic development services. The City's proposed budget further recommended that the difference between the \$175,000 and the \$85,600 be taken from the \$276,902 the Industrial Development Authority had available at that time. In adopting the FY 1992 budget, the City Council approved \$130,000 in City monies for the Economic Development Program.

DISCUSSION

Economic development is one of the City's top priorities. The Alexandria Economic Development Program (ADEP) has been involved in a number of activities over the years and the City has benefited greatly from the public/private approach to economic development.

With the current recession, there are not as many dollars available for economic development as there have been in the past. This is particularly true for the City. Every year the City spends large sums of money on economic development, including contributions to economic development programs (e.g., in FY 1992, \$130,000 for the ADEP and \$368,544 for the Alexandria Convention and Visitors Bureau); funding for public improvements; and funding for the maintenance of buildings and the operation of programs that attract people to the City, such as the historic sites.

Therefore, it is important that we look carefully at the priorities for the City's economic development program to ensure that the limited dollars available are spent to meet Alexandria's economic development needs as agreed upon by the City and the business community. It is also important that we reaffirm the public/private partnership commitment that began in 1981 to share, equally, the funding responsibilities for the ADEP between the City and the business community.

The Operations Agreement for the Alexandria Economic Development Program (Attachment I) is designed to address the issues raised above and incorporates the following:

1. Formalizes the public/private partnership among the three parties to the agreement: the City, the Chamber and the Industrial Development Authority;
2. Establishes that it is the intent that the City and the Chamber share, equally, the direct costs (does not include pass-through promotional advertising) of the Alexandria Economic

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Development Program and that the City's share of the direct costs does not exceed 50%, although the Agreement can not be construed to require or obligate the City to provide funding for the ADEP.

3. Defines the responsibilities of the parties to the Agreement (City, Chamber and IDA) and the role of the Executive Director.

4. Establishes the source of funding for the Economic Development Program as annual contributions from the City, the Industrial Development Authority and the private sector.

5. Provides for the creation of a Board of Directors, called the "Economic Development Board of Directors," to oversee the operation of the Alexandria Economic Development Program. The Board of Directors is proposed to be chaired by the Mayor of Alexandria and consists of 17 members (including the Mayor) who represent the City Council, the City staff, the Chamber of Commerce, the IDA and designated business associations. The major responsibilities of the Board include:

a. Setting the goals and priorities for the Alexandria Economic Development Program.

b. Reviewing the proposed budget and plan of action for the Alexandria Economic Development Program for submission to the City for consideration in the context of the City's budget.

c. Appointing and removing the Executive Director, as well as conducting an annual review of the Director's performance and compensation. The Executive Director is accountable to the Economic Development Board of Directors.

d. Meeting quarterly to review the progress of the Economic Development Plan.

The Operations Agreement was jointly developed by the City; the Chamber (Samuel Finz, Chairman of the Board of the Chamber of Commerce and Barton Middleton, President of the Chamber); and Richard Flaherty, Executive Director, Alexandria Economic Development Program.

The term of the Agreement is three years, expiring June 30, 1994. The Operations Agreement has been approved by the Board of Directors of the Chamber of Commerce.

FISCAL IMPACT:

An annual appropriation, if any, to the Alexandria Economic Development Program as determined by the City Council.

STAFF:

Beverly C. Steele, Deputy City Manager
Arthur Gitajn, Director, Financial and Information Services

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ATTACHMENT:

1. Operations Agreement for the Alexandria Economic Development Program.

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**OPERATIONS AGREEMENT FOR
ALEXANDRIA ECONOMIC DEVELOPMENT PROGRAM**

This Agreement is entered into between the Alexandria Chamber of Commerce ("Chamber"), the City of Alexandria ("City") and the Alexandria Industrial Development Authority ("IDA") effective this _____ day of _____, 1991.

WHEREAS, it is the intent of the parties to make monetary commitments by this Agreement, and the parties are desirous of setting forth the procedures under which the public sector (City of Alexandria) and private sector (Chamber of Commerce) shall equally share the direct cost of the Alexandria Economic Development Program ("AEDP") for the next three years.

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. The AEDP shall be designated as a public/private partnership between the City of Alexandria and the Alexandria Chamber of Commerce. AEDP shall be a separate entity from the parties hereto.

The AEDP shall work to attract new business to the City and to assist existing businesses to grow and remain vital. The

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purpose of these activities is to improve the quality of life in the City by expanding the City's tax base, creating additional employment opportunities, increasing trade for local business and developing or redeveloping targeted areas of the City.

The AEDP shall administer the City's economic development office and develop and implement a strategic development plan, in conjunction with the City, that addresses the economic development needs of the City. The plan shall include specific plans for Old Town, the Mt. Vernon Avenue Corridor, the Eisenhower Corridor and the West End area of the City.

The AEDP shall work with the City through the offices of the Mayor, City Manager, Planning and Community Development, Transportation and Environmental Services, Housing, Finance, Human Resources, Historic Alexandria and others. The AEDP shall provide daily liaison with the City through the City Manager's designated Economic Development Coordinator.

2. Economic Development Board of Directors. The AEDP shall be run by a Board of Directors called the "Economic Development Board of Directors", on which the City's Mayor shall serve as chairman. A vice-chairman shall be selected at the Board's first meeting by a majority vote of the members.

The Economic Board of Directors shall consist of the

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following individuals:

- A. Mayor, City of Alexandria.
- B. Council member at large, City of Alexandria.
- C. City Manager, City of Alexandria.
- D. Chairman, Alexandria Chamber of Commerce.
- E. President, Alexandria Chamber of Commerce.
- F. Chairman, Alexandria Industrial IDA.
- G. Vice Chairman, Alexandria Industrial IDA.
- H. Vice Chairman, Chamber's Economic Development Division.
- I. Chairman, Alexandria Convention and Visitors Bureau.
- J. Deputy City Manager.
- K. Chairman, Old Town Business Association.
- L. President, the Potomac West Trade Association.
- M. Chairman, Eisenhower Corridor Task Force
- N. Chairman, King Street Metro Enterprise Team (KSMET)
- O. President, Alexandria Hotel Association
- P. Chief Financial Officer, City of Alexandria
- Q. Business representative to be designated by the Economic Development Board of Directors from a geographical area of the City not represented by the aforementioned.

The Executive Director of the AEDP shall be directly accountable to the Economic Development Board of Directors. The Economic Development Board of Directors shall:

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- a. Set goals, objectives and priorities for the City's Economic Development Program.
- b. Review the proposed annual budget and plan of action for submission to the City.
- c. Appoint or remove the AEDP Executive Director by a majority vote.
- d. Conduct an annual review of the Executive Director's performance and compensation.
- e. Meet quarterly to review the progress of the approved Economic Development Plan. Directors may not vote by proxy; however, they will be deemed present at a meeting if they are physically present or are participating by conference telephone by which all participating members can hear each other.

3. Sources of Funding:. The AEDP shall be financed from the following:

- a. An annual appropriation, if any, from the City as determined by the City Council; this agreement, however, shall not be construed as requiring, obligating or committing the City to provide financing to the AEDP.
- b. An annual appropriation from the IDA as determined by

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the IDA.

- c. Funds generated through private sector contributions and support of publications, special advertising, marketing events and programs.

4. Responsibilities of the Parties to this Agreement.

- a. Chamber of Commerce. At its annual retreat, the Chamber Board of Directors shall review the AEDP Executive Director's proposed goals and objectives for the AEDP's upcoming year and provide any modifications for consideration by the Economic Development Board of Directors. The Economic Development Board of Directors shall review the goals and objectives, provide any modifications and formally submit them to City Council.

The Vice Chairman of the Chamber's Economic Development Division will provide liaison within the Chamber to ensure the resources of its numerous divisions will assist the AEDP in meeting its established goals and objectives.

- b. City of Alexandria. The Mayor and City Council shall receive from the Economic Development Board of

Directors a statement of the AEDP goals and objectives and the annual budget for the Alexandria Economic Development Program. In deciding whether to appropriate any funds to AEDP, City Council shall consider AEDP's annual goals and objectives for the following July 1 through June 30 fiscal year.

The Mayor and City Council shall provide the City's information resources and various staff assistance to the AEDP in meeting its established goals and objectives. The City Council shall consider an annual appropriation for the AEDP's operations and shall, to the extent it deems appropriate and feasible, appropriate an amount for the AEDP taking into consideration the amount of the IDA appropriation; however, this agreement does not and shall not be construed to require, obligate or commit the City to provide financing to the AEDP. It is intended that City funding shall not exceed 50 percent of the direct expenditures of the AEDP, excluding pass-through promotional advertising.

- c. IDA. The Chairman of the IDA shall serve on the Economic Development Board of Directors as noted in Paragraph 2. The IDA shall consider an appropriation each year for the AEDP, and shall appropriate an amount

for the AEDP to the extent it deems each amount feasible and appropriate. The IDA agrees that the Executive Director of the AEDP shall serve as Secretary/Treasurer of the IDA.

5. Responsibilities of the AEDP Executive Director. The AEDP Executive Director shall serve as administrator to the Economic Development Board of Directors.

The Executive Director shall develop and implement strategies to meet the goals and objectives adopted for the AEDP.

The Executive Director of the AEDP shall draft the AEDP's proposed annual budget, goals and objectives in preparation for the City's non-departmental agency funding application process. The AEDP request for a City appropriation shall be completed in accordance with the City's non-departmental agency funding application process and shall include a detailed description of the proposed use of City monies and audited financial statements of the AEDP for the most recently completed fiscal year.

The Executive Director shall manage the daily operations of the AEDP office.

The Executive Director shall regularly inform and advise

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the Economic Development Board of Directors, City Manager's office and the Alexandria Chamber of Commerce Board of Directors on timely issues, legislation and activities pertinent to the continued economic vitality of the City and its business community.

The Executive Director shall recruit and hire or discharge and supervise AEDP staff.

The Executive Director shall conduct an annual review of each AEDP employee (other than himself) and recommend appropriate merit and cost-of-living increases to the Economic Development Board of Directors for their approval.

In preparation for the City's non-departmental agency funding application process, the Executive Director shall draft the AEDP's proposed annual budget and proposed goals and objectives for approval by the Economic Development Board of Directors.

The Executive Director shall cause a certified audit of the AEDP financials to be prepared annually by an independent CPA.

The Executive Director shall review and approve all disbursements of AEDP funds for services, expenses and other

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budgeted operational costs. Disbursements of City monies for goods and services not identified in the approved AEDP budget shall not be made except as approved by City Council. Disbursements of other AEDP monies for goods and services not explicitly identified in the approved AEDP budget shall not be made except as approved by the Economic Development Board of Directors.

The Executive Director shall serve as an ex-officio member of the Alexandria Chamber of Commerce Board of Directors. The Executive Director will apprise the Economic Development Board of positions taken by the Chamber on relevant issues.

The Executive Director shall serve as Secretary/Treasurer of IDA.

6. Term. This Agreement shall be effective through June 30, 1994, at which time it may be renewed if agreed upon by all parties.

7. Miscellaneous. This Agreement shall be governed by the internal laws of Virginia. This Agreement may only be amended by an agreement in writing signed by all parties hereto.

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ALEXANDRIA CHAMBER OF COMMERCE

By: _____

Title: _____

Date: _____

**CITY OF ALEXANDRIA, A MUNICIPAL
CORPORATION OF VIRGINIA**

By: _____

Title: _____

Date: _____

**ALEXANDRIA INDUSTRIAL
DEVELOPMENT AUTHORITY**

By: _____

Title: _____

Date: _____

Economic Development Board of Directors

Organizational Meeting

January 29, 1992

2:00 p.m.

AGENDA

- I. Election of three at large business representatives.
- II. Adoption of AEDP Policy for Fund Disbursements
- III. Appointment of Vice Chairman and Treasurer
- IV. Appointment of Executive Committee
Suggested members:
 - Chairman
 - Vice Chairman
 - Treasurer
- V. **ADJOURN**

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**ALEXANDRIA ECONOMIC DEVELOPMENT PROGRAM
OPERATIONS AGREEMENT**

This Agreement is entered into between the Alexandria Chamber of Commerce ("Chamber"), the City of Alexandria ("City") and the Alexandria Industrial Development Authority ("IDA") effective this 10th day of December, 1991.

WHEREAS, it is the intent of the parties to make monetary commitments by this Agreement, and the parties are desirous of setting forth the procedures under which the public sector and private sector shall equally share the cost of the Alexandria Economic Development Program ("AEDP") for the next three years.

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. The AEDP shall be designated as a public/private partnership between the City of Alexandria and the Alexandria Chamber of Commerce. AEDP shall be a separate entity from the parties hereto.

The AEDP shall work to attract new business to the City and to assist existing businesses to grow and remain vital. The purpose of these activities is to improve the quality of life in the City by expanding the City's tax base, creating additional employment opportunities, increasing trade for local business and developing or redeveloping targeted areas of the City.

The AEDP shall administer the City's economic development office and develop and implement a strategic economic development and marketing plan, in conjunction with the City, that addresses the economic needs of the City.

The AEDP shall work with the City through the offices of the Mayor, City Manager, Planning and Community Development, Transportation and Environmental Services, Housing, Finance, Human Resources, Historic Alexandria and others. The AEDP shall provide daily liaison with the City through the City Manager's designated Economic Development Coordinator.

2. Economic Development Board of Directors. The AEDP shall be run by a Board of Directors called the "Economic Development Board of Directors", on which the City's Mayor shall serve as chairman. A vice-chairman shall be selected at the Board's first meeting by a majority vote of the members.

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The Economic Development Board of Directors shall consist of the following individuals:

- A. Mayor, City of Alexandria.
- B. Council member at large, City of Alexandria.
- C. City Manager, City of Alexandria.
- D. Chairman, Alexandria Chamber of Commerce.
- * E. President, Alexandria Chamber of Commerce.
- F. Chairman, Alexandria IDA
- G. Vice Chairman, Alexandria IDA
- * H. Deputy City Manager.
- * I. Chief Financial Officer, City of Alexandria
- J. Three business representatives to be designated by the Economic Development Board of Directors from geographical areas or other organizations within the City. Each of these business representatives shall serve a term of one year. Each representative is then eligible for reappointment or may be replaced.

* **Non-voting members**

The Executive Director of the AEDP shall be directly accountable to the Economic Development Board of Directors. The Economic Development Board of Directors shall:

- a. Set goals, objectives and priorities for the City's Economic Development Program.
- b. Review the proposed annual budget and plan of action for submission to the City.
- c. Appoint or remove the AEDP Executive Director by a majority vote.
- d. Conduct an annual review of the Executive Director's performance and compensation.
- e. Meet quarterly to review the progress of the approved Economic Development Plan. Directors may not vote by proxy; however, they will be deemed present at a meeting if they are physically present or are participating by conference telephone by which all participating members can hear each other.

3. Sources of Funding: The AEDP shall be financed from the following:

- a. An annual budget appropriation, if any, from the City as determined by the City Council; this agreement, however, shall not be construed as requiring, obligating or committing the City to provide financing to the AEDP.
- b. Funds generated through the private sector, including an annual appropriation from the IDA as determined by the IDA, and corporate contributions to support

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publications, special advertising, marketing events and programs.

4. Responsibilities of the Parties to this Agreement.

- a. Chamber of Commerce. At its annual retreat, the Chamber Board of Directors shall review the AEDP Executive Director's proposed goals and objectives for the AEDP's upcoming year and provide any modifications for consideration by the Economic Development Board of Directors. The Economic Development Board of Directors shall review the goals and objectives, provide any modifications and formally submit them to City Council.

The Vice Chairman of the Chamber's Economic Development Division will provide liaison within the Chamber to ensure the resources of its numerous divisions will assist the AEDP in meeting its established goals and objectives.

- b. City of Alexandria. The Mayor and City Council shall receive from the Economic Development Board of Directors a statement of the AEDP goals and objectives and the annual budget for the Alexandria Economic Development Program. In deciding whether to appropriate any funds to AEDP, City Council shall consider AEDP's annual goals and objectives for the following July 1 through June 30 fiscal year.

The Mayor and City Council shall provide the City's information resources and various staff assistance to the AEDP in meeting its established goals and objectives. The City Council shall consider an annual appropriation for the AEDP's operations and shall, to the extent it deems appropriate and feasible, appropriate an amount for the AEDP taking into consideration the amount of the IDA appropriation; however, this agreement does not and shall not be construed to require, obligate or commit the City to provide financing to the AEDP. It is intended that City funding shall not exceed 50 percent of the direct expenditures of the AEDP, excluding pass-through promotional advertising.

- c. IDA. The Chairman and the Vice Chairman of the IDA shall serve on the Economic Development Board of Directors as noted in Paragraph 2. The IDA shall consider an appropriation each year for the AEDP, and shall appropriate an amount for the AEDP to the extent it deems each amount feasible and appropriate. The IDA agrees that the Executive

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Director of the AEDP shall serve as Secretary/Treasurer of the IDA.

5. Responsibilities of the AEDP Executive Director. The AEDP Executive Director shall serve as administrator to the Economic Development Board of Directors.

The Executive Director shall develop and implement strategies to meet the goals and objectives adopted for the AEDP.

The Executive Director of the AEDP shall draft the AEDP's proposed annual budget, goals and objectives in preparation for the City's non-departmental agency funding application process. The AEDP request for a City appropriation shall be completed in accordance with the City's non-departmental agency funding application process and shall include a detailed description of the proposed use of City monies and audited financial statements of the AEDP for the most recently completed fiscal year.

The Executive Director shall manage the daily operations of the AEDP office.

The Executive Director shall regularly inform and advise the Economic Development Board of Directors, City Manager's office and the Alexandria Chamber of Commerce Board of Directors on timely issues, legislation and activities pertinent to the continued economic vitality of the City and its business community.

The Executive Director shall recruit and hire or discharge and supervise AEDP staff.

The Executive Director shall conduct an annual review of each AEDP employee (other than himself) and recommend appropriate merit and cost-of-living increases to the Economic Development Board of Directors for their approval.

In preparation for the City's non-departmental agency funding application process, the Executive Director shall draft the AEDP's proposed annual budget and proposed goals and objectives for approval by the Economic Development Board of Directors.

The Executive Director shall cause a certified audit of the AEDP financials to be prepared annually by an independent CPA.

The Executive Director shall review and approve all disbursements of AEDP funds for services, expenses and other budgeted operational costs. Disbursements of City monies for goods and services not identified in the approved AEDP budget

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shall not be made except as approved by City Council.
Disbursements of other AEDP monies for goods and services not explicitly identified in the approved AEDP budget shall not be made except as approved by the Economic Development Board of Directors.

The Executive Director shall serve as an ex-officio member of the Alexandria Chamber of Commerce Board of Directors. The Executive Director will apprise the Economic Development Board of positions taken by the Chamber on relevant issues.

The Executive Director shall serve as Secretary/Treasurer of IDA.

6. Term. This Agreement shall be effective through December 31, 1994, at which time it may be renewed if agreed upon by all parties.

7. Miscellaneous. This Agreement shall be governed by the internal laws of Virginia. This Agreement may only be amended by an agreement in writing signed by all parties hereto.

ALEXANDRIA CHAMBER OF COMMERCE

By: [Signature]

Title: Chairman Board of Directors

Date: December 16, 1991

CITY OF ALEXANDRIA, A MUNICIPAL CORPORATION OF VIRGINIA

By: [Signature]

Title: Mayor - Alexandria

Date: Jan. 7, 1992

ALEXANDRIA INDUSTRIAL DEVELOPMENT AUTHORITY

By: [Signature]

Title: Chairman

Date: January 9, 1992

Alexandria Economic Development Program

Proposal For Fund Disbursements

The Executive Director shall have the authority to sign checks for budgeted expenses up to \$1,500.

For expenses over \$1,500, checks will require the dual signature of the AEDP Executive Director and the Treasurer of the Economic Development Board of Directors.

Reimbursements for expenses incurred by the Executive Director will also require the dual signatures of the Treasurer and Executive Director.

The Executive Director, however, shall be authorized to sign the regular monthly check of \$4,166.66 to the Alexandria Chamber of Commerce for rent, bookkeeping and other support services. Any change in the amount of the monthly fee will require the authorization of the Economic Development Board of Directors.

It should be noted that the Executive Director will be working over the next year with the Chamber to identify sources of funding from the business community to cover the overhead expenses paid to the Chamber of Commerce for rent and support services.

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**BYLAWS
OF
ALEXANDRIA ECONOMIC DEVELOPMENT PROGRAM, INC.**

BYLAW I- OFFICES

The principal office of the Corporation shall be located in Alexandria, Virginia at such address as the Board of Directors may designate.

BYLAW II - BOARD OF DIRECTORS

1. GENERAL POWERS.

The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. The Directors shall in all cases act as a Board, and they may adopt such rules and regulations for the conduct of their meetings and the management of the Corporation as they may deem proper, so long as the rules and regulations adopted by the Board are not inconsistent with these Bylaws, the Articles of Incorporation or the laws of the Commonwealth of Virginia.

2. NUMBER AND TENURE.

The Board of Directors of the Corporation shall consist of the following members: (a) the Mayor of the City of Alexandria; (b) the council member at large from the City of Alexandria to be selected by the Alexandria City Council; (c) the City Manager of the City of Alexandria; (d) the Chairman of the Alexandria Chamber of Commerce; (e) the Chairman of the Alexandria Industrial Development Authority; (f) the Vice Chairman of the Alexandria Industrial Development Authority; and (g) three business representatives to be elected by a majority of the remaining voting members of the Board of Directors, which three business representatives must be from geographical areas or other organizations within the City. The three business representatives shall serve a term of one (1) year and may serve any number of consecutive terms if so elected. In addition, the following shall be Advisors to the Board of Directors with the right to attend Board meetings, without vote and without counting for quorum purposes: (a) the President of the Alexandria Chamber of Commerce; (b) the Deputy City Manager of the City of Alexandria; (c) the Chief Financial Officer of the City of Alexandria; and (d) the Executive Director of the Corporation. The Advisors, although not directors of the corporation, shall be referred to hereinafter as "Advisor Directors."

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3. REGULAR MEETINGS.

A regular annual meeting of the Directors shall be held on the first Tuesday of October of each year. The Directors may provide, by resolution, the time and place for the holding of additional regular meetings.

4. SPECIAL MEETINGS.

(a) Special meetings of the Directors may be called by or at the request of the Chairman or any five (5) Directors. The person or persons authorized to call special meetings of the Directors may fix the date, time and place for holding any special meeting of the Directors called by them.

5. NOTICE.

(a) Notice of any regular or special meeting shall be given at least seven (7) days previously thereto by: (1) written notice delivered personally, or by telegram, or mailed to each Director and Advisor Director at his business address, or (2) oral notice communicated in person or by telephone.

(b) Waiver of Notice. The attendance of or participation by a Director at a meeting shall constitute a waiver of notice of such meeting, unless the Director at the beginning of the meeting or promptly upon his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

6. TELECONFERENCE MEETINGS.

The Board of Directors shall permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means shall be deemed to be present in person at the meeting. Board Advisors may also participate by such means.

7. QUORUM.

At any meeting of the Directors a majority of the current Directors shall constitute a quorum for the transaction of business.

8. MANNER OF ACTING.

Provided that a quorum is present when a vote is taken, the affirmative vote of a majority of the Directors present at a meeting shall be the act of the Board of Directors, unless a

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greater percentage is required by Virginia law, the Articles of Incorporation, or elsewhere in these bylaws.

9. REMOVAL OF DIRECTORS.

Any of the three business representatives on the Board may be removed with or without cause by a two-thirds vote of the then entire voting Board of Directors. Any other Director or Advisor Director is removed as a Director or Advisor Director if and when he or she no longer holds the office which has made him or her a Director or Advisor Director.

10. RESIGNATION.

A Director or Advisor Director may resign at any time by giving written notice to the Chairman, or the Secretary of the Corporation. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by either of such officers, and the acceptance of the resignation shall not be necessary to make it effective.

11. COMPENSATION.

Except for the Executive Director, who will be compensated, No compensation shall be paid to Directors or Advisor Directors, as such, for their services, but by resolution of the Board a fixed sum and expenses for actual attendance at each regular or special meeting of the Board may be authorized. Nothing herein contained shall be construed to preclude any Director or Advisor Director from serving the Corporation in any other capacity and receiving compensation therefor.

12. EXECUTIVE AND OTHER COMMITTEES.

The Board, by resolution, may designate from among its members an Executive Committee and other committees, each consisting of three (3) or more Directors. Each such committee shall serve at the pleasure of the Board.

13. INFORMAL ACTION BY DIRECTORS OR COMMITTEES.

Unless otherwise provided by law, any action required to be taken at a Directors' meeting, or any action that may be taken at a Directors' meeting or a committee meeting, may be taken without a meeting if each and every Director entitled to vote on the matter signs a consent in writing setting forth the action, signed either before or after such action, and such consent is included in the minutes or is filed with the Corporation records. Such Directors may all sign a single consent in writing or they may each sign singly individual identical copies of the consent in writing.

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14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Corporation shall indemnify, to the fullest extent permitted by the Virginia Corporation Act, as such Act exists now or may hereafter be amended, its directors, Advisor Directors and officers who are made a party to any proceeding by reason of their office for acts or omissions performed in their official capacity.

15. LIMITATION OF LIABILITY OF DIRECTORS AND OFFICERS.

The liability of any officer or Director or Advisor Director in any proceeding brought in the right of the Corporation, unless otherwise provided by the laws of the Commonwealth of Virginia, shall be limited to zero for any damages assessed against an officer or director arising out of any single transaction, occurrence, or course of conduct pursuant to Section 13.1-870.1 of the Code of Virginia, as the same may be amended from time to time.

BYLAW III - OFFICERS**1. NUMBER.**

The officers of the Corporation shall be a President (who shall be referred to as "Chairman"), Vice President (who shall be referred to as "Vice-Chairman"), Treasurer and Secretary. The Mayor of the City of Alexandria and the Executive Director shall by means of their position be the Chairman and Secretary respectively. The Vice-Chairman and Treasurer shall be elected by the Directors. An Executive Director shall be appointed by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected by the Directors. The same individual may simultaneously hold more than one office in the Corporation.

2. ELECTION AND TERM OF OFFICE.

The officers of the Corporation to be elected by the Directors shall be elected annually at the meeting of the Directors. Each officer shall hold office until his successor shall have been duly elected, or until his death, or until he shall resign, or shall have been removed in the manner hereinafter provided.

3. REMOVAL.

Any officer or agent elected by the Directors may be removed by the Directors at any time, with or without cause, when in their judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. The

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Executive Director may be removed by a majority vote of the Board of Directors, except to the extent any written contract between the Corporation and the Executive Director limits such right of removal.

4. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Directors for the unexpired portion of the term.

5. CHAIRMAN.

The Chairman shall be the principal executive officer of the Corporation and, subject to the control of the Directors, shall in general supervise and control all of the business and affairs of the Corporation. When present, the Chairman shall preside at all meetings of the Directors. He may sign any deeds, mortgages, bonds, and contracts, or other instruments that the Directors have authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Directors from time to time. It is anticipated that the Chairman shall delegate administrative duties to the Executive Director as noted herein and as otherwise reasonably deemed appropriate by the Chairman.

6. VICE CHAIRMAN.

The Vice Chairman shall act in the absence of the Chairman or in the event of his death, inability, or refusal to act. The Vice-Chairman, when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman. The Vice-Chairman shall perform such other duties as from time to time may be assigned to him by the Chairman or by the Directors.

7. SECRETARY.

The Secretary shall keep the minutes of the Directors' meetings in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required; be custodian of the corporate records and of the seal of the Corporation; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Chairman or by the Directors.

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8. TREASURER.

If required by the Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with these Bylaws; and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Chairman or by the Directors.

9. EXECUTIVE DIRECTOR.

The Executive Director shall serve as administrator to the Corporation. The Executive Director shall develop and implement strategies to meet the goals and objectives adopted for the Corporation. The Executive Director shall draft the Corporation's proposed annual budget, goals and objectives in preparation for the City of Alexandria's non-departmental agency funding application process. The Corporation's request for a City of Alexandria appropriation shall be completed in accordance with the City of Alexandria's non-departmental agency funding application process and shall include a detailed description of the proposed use of city monies and audited financial statements of the Corporation for the most recently completed fiscal year.

The Executive Director shall manage the daily operations of the Corporation office. The Executive Director shall regularly inform and advise the Board of Directors, the City of Alexandria Manager's office and the Alexandria Chamber of Commerce Board of Directors on timely issues, legislation and activities pertinent to the continued economic vitality of the City of Alexandria and its business community. The Executive Director shall recruit and hire or discharge and supervise staff. The Executive Director shall conduct an annual review of each employee (other than himself) and recommend appropriate merit and cost-of-living increases to the Board of Directors for their approval. In preparation for the City of Alexandria's non-departmental agency funding application process, the Executive Director shall draft the Corporation's annual budget and proposed goals and objectives for approval by the Board of Directors.

The Executive Director shall cause a certified audit of the Corporation's financials to be prepared annually by an independent CPA. The Executive Director shall review and approve all disbursements of Corporation funds for services, expenses and other budgeted operational costs.

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BYLAW IV - DEVELOPMENT OF GOALS, OBJECTIVES AND BUDGET

Each year, prior to the annual retreat of the Alexandria Chamber of Commerce Board of Directors, the Executive Director shall prepare proposed goals and objectives for the upcoming year and submit same to the Alexandria Chamber of Commerce Board of Directors for comment. The Executive Director shall then deliver such proposed goals and objectives, along with any comments of the Alexandria Chamber of Commerce Board of Directors, to the Corporation Board of Directors. The Corporation Board of Directors shall then review the proposed goals, objectives and comments, and provide same, along with any modifications deemed necessary by the Corporation Board of Directors, to the Alexandria City Council.

The Executive Director shall also draft a proposed annual budget for the upcoming year, and deliver same to the Corporation Board of Directors. At the same time when it delivers its annual goals and objectives to the Alexandria City Council, the Corporation Board of Directors shall deliver to the City of Alexandria Mayor and the Alexandria City Council the annual budget, bearing any revisions deemed necessary by the Corporation Board of Directors. Such annual budget, goals and objectives shall be used by the City of Alexandria in considering an annual appropriation for the Corporation's operations. It is anticipated that City of Alexandria funding shall not exceed fifty percent (50%) of the direct expenditures of the Corporation, excluding pass-through promotional advertising.

BYLAW V - CONTRACTS, CHECKS, AND DEPOSITS**1. CONTRACTS.**

The Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

2. CHECKS, DRAFTS, ETC.

All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Directors.

3. DEPOSITS.

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in

such banks, trust companies, or other depositories as the Directors may select.

BYLAW VI - FISCAL YEAR

The fiscal year of the Corporation shall begin on the 1st day of July in each year, or as designated by the Board of Directors.

BYLAW VII - CORPORATE RECORDS

1. PERMANENT RECORDS, ACCOUNTING RECORDS.

The Corporation shall keep, as permanent records, minutes of all meetings of its Board of Directors, a record of all actions taken by the Board of Directors without a meeting, and a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors on behalf of the Corporation. The Corporation shall maintain appropriate accounting records.

2. ADDITIONAL RECORDS.

In addition to the foregoing records and reports, the Corporation shall keep a copy of the following records: its Articles of Incorporation or restated Articles of Incorporation, if any, and any amendments thereto, these Bylaws and restated Bylaws, if any, and any amendments hereto.

BYLAW VIII - SEAL

The Directors shall provide a corporate seal. The seal will be circular and inscribed with the name of the Corporation, the state of incorporation, year of incorporation, and the words, "Corporate Seal."

BYLAW IX - WAIVER OF NOTICE

Unless otherwise provided by law, whenever any notice is required to be given to any Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

BYLAW X - AMENDMENTS

These Bylaws may be altered, amended, or repealed and new Bylaws may be adopted by a two-thirds (2/3) vote of the total number of voting Directors then in office.

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BYLAW XI - INTERPRETATION OF BYLAWS

All words, terms and provisions of these Bylaws shall be interpreted and defined by and in accordance with the Virginia Nonstock Corporation Act, Virginia Code Section 13.1-801 et. seq., as amended, and as amended from time to time hereafter.

INSTRUMENT OF ORGANIZATION BY INCORPORATOR
OF
THE ALEXANDRIA ECONOMIC DEVELOPMENT PROGRAM, INC.

I, Henry A. Hart, being the Incorporator of The Alexandria Economic Development Program, Inc., a corporation formed under the Virginia Non-Stock Corporation Act (the "Corporation"), in accordance with the provisions of Section 13.1-822 of the 1950 Code of Virginia, as amended, do hereby take the following action:

1. Confirmation of Incorporation. I hereby confirm that the Certificate of Incorporation of The Alexandria Economic Development Program, Inc. was filed with the State Corporation Commission of the Commonwealth of Virginia on August 4, 1992.

2. Election of Directors. Pursuant to their acquiescence as reflected in the Director's Consent I hereby elect the following persons to be the directors of the Corporation to serve until the first directors meeting at which directors are elected or until their successors are elected and shall qualify:

Patricia S. Ticer
Vola Lawson
Linda Michael
Philip R. Johnson
Kerry I. Donley
Scott C. Humphrey
Donald F. Simpson
Randal B. Kell
Shawn P. McLaughlin

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3. Waiver of the Incorporator. I hereby waive all right, title, and interest in and to any stock or property of the Corporation and any right in the management thereof.

Effective the 8th day of August, 1992.

8-8-92
Date of Execution

Henry A. Hart, Incorporator
Henry A. Hart, Incorporator

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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
Clerk of the Commission
P. O. Box 1197, 1220 Bank Street
Richmond, Virginia 23209

ARTICLES OF INCORPORATION OF
ALEXANDRIA ECONOMIC DEVELOPMENT PROGRAM, INC.
(a nonstock corporation)

The undersigned person, pursuant to Chapter 10 of Title 13.1 of the Code of Virginia, hereby executes the following articles of incorporation and sets forth:

1. The name of the corporation is ALEXANDRIA ECONOMIC DEVELOPMENT PROGRAM, INC.

2. The purposes of the corporation shall be as follows:

The purposes of the corporation shall be non-profit, that of attracting new business to the City of Alexandria and to assist existing businesses to grow and remain vital, thereby improving the quality of life in the City of Alexandria by expanding the City's tax base, creating additional employment opportunities, diversifying the economy, increasing trade for local business and developing or redeveloping targeted areas of the City of Alexandria. No part of the net earnings of the corporation will inure to the benefit of any private member or individual. The corporation shall work with the City of Alexandria through the offices of the Mayor, City Manager, Planning and Community Development, Transportation and Environmental Services, Housing, Financing, Human Resources, Historic Alexandria and others.

3. The Corporation shall have no members.

4. The Board of Directors of the corporation shall consist of the following: (a) the Mayor of the City of Alexandria; (b) the council member at large from the City of Alexandria to be selected by the Alexandria City Council; (c) the City Manager of the City of Alexandria; (d) the Chairman of the Alexandria Chamber of Commerce; (e) the Chairman of the Alexandria Industrial Development Authority; (f) the Vice Chairman of the Alexandria Industrial Development Authority; and (g) three business representatives to be elected by a majority of the remaining Directors, which three business representatives must be from geographical areas or other organizations within the City. The three business representatives shall serve a term of one (1) year and may serve any number of consecutive terms if so elected.

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5. The following, although not Directors of the Corporation, shall be Advisors to the Board of Directors with the right to attend Board of Directors meetings, without vote: (a) the President of the Alexandria Chamber of Commerce; (b) the Deputy City Manager of the City of Alexandria; (c) the Chief Financial Officer of the City of Alexandria and (d) the Executive Director of the corporation.

6. The post office address, including street and number, of the initial registered office is: 510 King Street, Suite 200, Alexandria, Virginia 22314, which is located in the City of Alexandria, Virginia.

7. The name of the initial registered agent is Henry A. Hart, who is a resident of Virginia and a member of the Virginia State Bar, and whose business office is identical with the registered office.

8. Upon dissolution of the corporation, any funds remaining after payment of all debts shall be distributed to the City of Alexandria, and/or the Alexandria Industrial Development Authority.


Henry A. Hart, Incorporator

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MINUTES OF THE ORGANIZATIONAL MEETING

OF

THE ALEXANDRIA ECONOMIC DEVELOPMENT PROGRAM, INC.

The undersigned Secretary by his signature hereto certifies that the following actions were taken by the Directors at their _____, 1992 Organizational Meeting effective August ____, 1992:

Approval of Articles of Incorporation

RESOLVED: That the form of the Corporation's Articles of Incorporation attached hereto as Exhibit A be and hereby are approved as the Articles of Incorporation of The Alexandria Economic Development Program, Inc. An executed copy of these Articles has been filed with the Virginia State Corporation Commission on August 4, 1992.

Adoption of Bylaws

RESOLVED: That the Bylaws of the Corporation for the regulation of the business and affairs of the Corporation, which have been presented to and reviewed by the directors of the Corporation and which are attached hereto as Exhibit B, be and hereby are adopted and approved as the Bylaws of the Corporation and the Bylaws shall be inserted in the Minute Book of the Corporation.

Election of Officers

RESOLVED: That each of the following persons be and hereby are elected to serve as an officer of the Corporation, to hold the following office or offices until the next annual meeting of the Board of Directors, or until his or her earlier resignation or removal or until his or her successor is chosen and shall qualify:

<u>Office</u>	<u>Name</u>
Chairman (by means of office)	Patricia S. Ticer
Vice Chairman	Phillip Johnson
Secretary (by means of office)	Richard M. Flaherty
Treasurer	Linda Michael
Executive Director (by means of office)	Richard M. Flaherty

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Opening Bank Accounts

RESOLVED: That the Corporation open and maintain such bank accounts as are required, and that such accounts be in such financial institutions as the President may determine proper from time to time; and, in order to carry out the intent of this resolution, the President is hereby authorized to furnish to each financial institution a resolution in the form required by that institution, a copy of which is to be inserted in the record book, to indicate that the resolution or resolutions had been adopted in the prescribed form as an official act of the Corporation; and

RESOLVED, FURTHER: That such banks be instructed that the following officers be and hereby are authorized to sign checks and other instruments of withdrawal from any account in the aforesaid financial institutions in the name of and on behalf of the Corporation:

In the case of all instruments by any one of the Executive Director or Treasurer.

RESOLVED, FURTHER: That the Corporation shall adhere to the following disbursements policies:

- The Executive Director or Treasurer shall have the authority to sign checks for budgeting expenses.
- Checks prepared for payment to the Executive Director (i.e. travel advances, salary, expense reimbursements, etc.) shall require the signature of the Treasurer.
- Non-budgeted expenses must be authorized by the Directors or, on an emergency basis, by the Board's Executive Committee.

Further Authorization for Organization

RESOLVED: That the appropriate officers of the Corporation, or any of them, be and hereby are authorized, empowered, and directed to take all necessary or appropriate action, including the expenditure of funds, in order, to complete the organization of the Corporation fully and expeditiously.

Richard M. Flaherty, Secretary

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 28, 1994

TO: BRIAN MORAN, CHAIRMAN, BFAAC

THROUGH: ARTHUR GITAJN, DIRECTOR, F&IS *A-G*

FROM: D. A. NECKEL, DIRECTOR OF FINANCE *DA Neckel*
DAVE CLARK, CHIEF, TREASURY DIVISION *Dave Clark*

SUBJECT: TIMELY DEPOSIT OF CHECKS

Thank you for bringing the issue of timely deposit of City checks to our attention.

The Finance Department's Treasury Division strives to deposit all monies in a timely manner. To facilitate this effort, the City utilizes Crestar Bank's "electronic lockbox processing" for vehicle license decal receipts, real estate tax receipts, and personal property tax receipts; and Lockheed IMS electronic lockbox processing for parking tickets receipts. In an electronic lockbox processing operation, the City's agent (i.e., Crestar Bank or Lockheed IMS) electronically reads the "scan line" on the appropriate document (e.g., tax bill or parking ticket) and deposits the corresponding payment that matches the scanned document. The City receives a daily computer tape of the lockbox transactions and deposits, and individual accounts on the City's financial systems are updated electronically. The cost of Crestar's electronic lockbox processing is 19.5 cents per transaction (a 15-cent electronic processing fee and a 4.5-cent encoded deposit fee).

Payments that do not match the scanned document (to the penny) cannot be processed electronically and are forwarded to the City for processing. (The City pays no fees for unprocessed checks.) Examples of these mis-matches include disputes over penalties and interest and checks made out for the wrong amount. In addition to processing mis-matches from the Crestar or Lockheed lockboxes, Treasury cashiers also process receipts from walk-in taxpayers, including those who have had their bills adjusted in Revenue Administration (e.g., a personal property tax bill adjusted to reflect the trade-in of an old car and the registration of a new car) and receipts that are mailed directly to the City instead of the lockbox.

The Treasury Division employs 15 full-time employees and 6 cash registers, and the volume of payments received near the tax due dates may take several weeks to process under the current system. (It should also be noted that Treasury cashiers also handle many other transactions, including the issuance of food stamps and the processing of other non-tax fees and charges.) For example, during 1993, the Treasury Division mass-mailed 93,461 applications for city vehicle licenses, 68,408 real estate tax bills, and 100,254 personal property tax bills. These were processed as follows:

- * There were 93,461 applications for city vehicle license decals mailed in 1993, and a total of 50,492 payments were processed at one of the City's six Treasury cash registers (as opposed to the lockbox). Of these 50,492 payments, a total of 12,623 payments were either mailed directly to the City or forwarded by Crestar as mis-matched payments; the remaining 37,869 payments were made by walk-in taxpayers.
- * Of 68,408 real estate tax bills mailed in 1993, 22,754 payments were processed by City cashiers; and of these 22,754 payments, a total of 11,377 were either mailed directly to the City or forwarded by Crestar as mis-matched payments.
- * There were 100,254 personal property tax bills mailed in 1993, and a total of 55,333 payments were processed by City cashiers. Of these 55,333 payments, staff estimates that 27,667 (or 50 percent) were either mailed directly to the City or forwarded by Crestar as mis-matched payments.

Attachment 1 provides an estimate of the potential interest revenue loss as a result of the processing backlog. As shown in line 7, column (g), staff estimates that the interest revenue lost is approximately \$30,900 a year. The cost to realize this potential revenue, by means of a "manual" lockbox, is estimated at approximately \$30,500 as follows:

- * Approximately \$26,500 in direct costs for "manual" lockbox processing (Attachment 1, line 22, column (e)), which includes a "manual" lockbox processing fee of 35 cents plus a 15 cent deposit fee for each mis-matched or unscanned payment (as compared to a 15 cent "electronic" processing fee and a 4.5 cent encoded deposit fee for each matched and scanned payment), and
- * Approximately \$4,000 for additional staff time (estimated at 20 seconds per payment) to record, in the City's receivables systems, the mis-matched or unscanned payments, which must be reconciled in batches to the bank deposit. (Cashiers, who currently handle the mis-matched and unscanned payments at the counter between customers, will

not be able to process the "manual" lockbox payments because these payments must be reconciled by "batch" to the bank deposit. However, the allocation of additional temporary staff to reconcile the mis-matched and unscanned payments will enable cashiers to prepare more timely responses to research requests.)

Based on the staff analysis shown in Attachment 1, the additional expenditures associated with more timely deposit of City checks appear to offset the estimated additional revenues. Irrespective of the fiscal impact, however, more timely deposit of payments is consistent with the City's efforts to improve customer service. Unfortunately, the City's last experience with "manual" lockbox processing, which was employed in FY 1985 and FY 1986, resulted in so many lost documents and payments that the practice was discontinued in the summer of 1986. Accordingly, we will pursue a two-pronged approach to improving the timeliness of deposits over the next year:

- * Because errors are minimized when a manual lockbox operation is dedicated to one type of payment, we will employ a manual lockbox operation for business licenses (next due on January 31, 1995) and, based on this experience, evaluate opportunities for extending the operation to other payments in the future.
- * For personal property, City tag, and real estate tax payments, we believe we can approximate the timeliness of a manual lockbox operation, without jeopardizing the integrity of our records (and without exceeding the estimated cost), by employing temporary staff who are dedicated to processing the mail during tax seasons.

Over the course of the next year, we will evaluate the actual costs and benefits of both efforts.

As part of staff's analysis, we inquired with Arlington and Fairfax County treasurers. Arlington County, which is approximately 50 percent larger than Alexandria, employs 62 full-time employees and 14 cash registers in the treasurer's office, as compared to 15 employees and 6 cash registers in Alexandria. Moreover, Arlington County, which also utilizes bank lockboxes, hires four additional employees for 60 days during each billing cycle to open the mail and prepare payments for processing by the cashiers. It should also be noted that Arlington County purchased an in-house remittance processing machine for approximately \$75,000 four years ago. This machine processes payments, encodes checks, and updates the receivable systems in a manner similar to a bank lockbox; and, pending an analysis of actual costs and benefits over the next year, we may wish to consider the acquisition of similar equipment for the City in the future.

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Fairfax County, which employs 70 full-time employees in its treasurer's office, hires an additional 70 employees during tax seasons to process payments. To provide uninterrupted processing of mailed payments, an entire room has been furnished with extra cash registers for use by the additional cashiers.

Again, thank you for bringing this matter to our attention. If you have any questions or concerns, please call Arthur Gitajn at 838-6420 or Dan Neckel at 838-4755.

CITY OF ALEXANDRIA
COST AND REVENUES OF MORE TIMELY DEPOSIT OF CITY CHECKS
as of March 25, 1994

(a)	(b) Total number of bills received in Treasury	(c) Estimate received by mail in Treasury (1)	(d) 1993 average dollar value of bills mailed	(e) Estimated revenue received in Treas by mail (c) x (d)	(f) Estimated average processing days	(g) Estimated interest potential at 3.00% (e) x (f) x 3%	(h)	(i)
1 REVENUE								
2 Personal property tax bills	55,333	27,667	342.10	9,464,710	20	15,558		
3 City Tag Applications	50,492	12,623	25.00	315,575	10	259		
4 Real estate tax bills	22,754	11,377	1,608.23	18,296,833	10	15,038		
5 Dog license	1,426	1,355	2.00	2,709	10	2		
6								
7 Total	130,005	53,021		28,079,827		30,859		
8								
9								
10 (a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
11 INCREMENTAL COST	Total number of bills received in Treasury	Estimate received by mail in Treasury (1)	Manual lockbox unit fee and deposit	Lockbox total fee	Additional staff time per transaction (minutes)	Total additional staff time (hours)	Cost of additional staff time (\$14.40) processing	Total cost of additional processing
12								
13								
14								
15								
16 Personal property tax bills	55,333	27,667	.50	13,833	.33	152	2,191	16,024
17 City Tag Applications	50,492	12,623	.50	6,312	.33	69	1,000	7,311
18 Real estate tax bills	22,754	11,377	.50	5,689	.33	63	901	6,590
19 Dog license	1,426	1,355	.50	677	.33	7	107	785
20								
21								
22 Total	130,005	53,021		26,511			4,199	30,710

(1) Difference between columns (b) and (c) is walk-ins handled at time of contact.

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Resolved that any reductions in federal and/or State funds sustained by a program administered by a Board, Agency or Department of the City of Alexandria shall be borne by that Board, Agency or Department with appropriate reductions in program and staff to absorb the reduction. Local matching funds related to such cuts will be reallocated by action of City Council.

The City Council will not except in extraordinary circumstances, provide supplemental city funds to sustain the program reduced by any cut in Federal and/or State funds.

ADOPTED: MAY 7, 1981

Mrs. Helen Holleman City Clerk