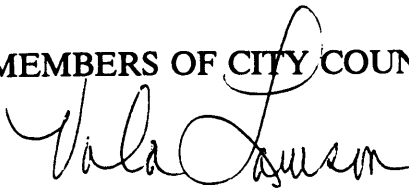


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 29, 1996

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: VOLA LAWSON, CITY MANAGER 

SUBJECT: BUDGET MEMO #24: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE REVIEW OF THE PROPOSED FY 1997 BUDGET

ISSUE: Budget and Fiscal Affairs Advisory Committee (BFAAC) review of the proposed FY 1997 budget (Attachment 1).

RECOMMENDATION: That City Council receive this report.

BACKGROUND: In accordance with the mission of the Budget and Fiscal Affairs Advisory Committee (BFAAC) to advise and support City Council by forecasting future revenue and expenditure requirements and evaluating comparative tax, revenue and expenditure levels in Alexandria, BFAAC has prepared an analysis of the FY 1997 proposed budget for Council's consideration.

DISCUSSION: As the final BFAAC report was received by staff only this afternoon, staff will forward its comments to City Council for the May 7 work session.

ATTACHMENT: Attachment 1 - Budget and Fiscal Affairs Advisory Committee Review of the Proposed FY 1997 Budget.

Budget & Fiscal Affairs Advisory Committee

Review and Report of the Proposed FY 1997 City of Alexandria Budget

April 1996

Reginald Foster, Chairman
Joel Leonard, Vice Chairman
James McIntyre, Secretary
Robert Russell Bailey
Donald Casey
Lisa Chimento
Henry Fenlon
Donal Goff
Tara Hardiman
Gant Redmon
David Reid
William Rossello

Report Submitted: April 29, 1996

Section 1: Revenue and Expenditures Forecast

Recommendation

As agreed at the Fall 1995 work session between City Council and the Budget and Fiscal Affairs Advisory Committee (BFAAC), a BFAAC subcommittee has reviewed revenue and expenditure trends over the past seven years and has projected three scenarios for 1998, 1999, and 2000. Even in BFAAC's best-case scenario that assumes growing revenues and modestly growing expenditures (not even specifically factoring in an expanding expenditure variable such as debt service), the shortfalls between revenues and expenditures that are projected below will pose a significant challenge in coming years. In year 2000, for example, a 4.28 percent expenditure growth rate can be compared to projected low, mid, and high growth revenue scenarios for that year of -1.46%, 1.26%, and 2.13%, respectively.

BFAAC recommends a two-pronged approach to fiscal planning in order to keep pace with these trends. On the revenue side, an emphasis on economic development issues offers the best hope of realizing increases in this area. On the expenditure side, a careful, goal-based review of programs aimed at realizing increased efficiencies will serve to prepare the City for difficult allocation decisions that are expected in the future.

Details of Recommendation

Methodology

A BFAAC subcommittee has reviewed revenue and expenditure trends over the past seven years. Detailed below are possible scenarios for the years 1998, 1999, and 2000 that are intended to assist Council in planning for Alexandria's financial health over the coming years. BFAAC began the assessment by reviewing a previous report on the same subject: "Fiscal Issues Facing Alexandria in the 1990s," May 1990. In that report, three revenue growth scenarios were projected — low, medium and high — against a steadily growing expenditure forecast. BFAAC has similarly modeled this analysis and has also added a scenario based on revenue averages over the seven years. Holding the demands for expenditure growth steady for the purposes of this study should adequately illustrate the general trends, which are highlighted graphically in the appendices.

BFAAC urges Council to review the revenue assumptions carefully and view them in general terms. In contrast to the "high" growth scenario which BFAAC would like to emphasize, the "low" growth scenario provides a negative growth option; however, it is provided only as possibility and a tool — very far from a sure projection. (See Appendix A for tables and graphs illustrating these figures.)

Mid Growth Scenario

The mid-growth scenario might be called a "static" forecast because the subcommittee assumed that revenues would continue to grow each year at the rate projected for 1997. In this way, BFAAC is providing an option that assumes that nothing changes in the revenue outlook. Mid-growth revenues are projected to grow at 1.05% in 1998, 1.16% in 1999, and 1.26% in 2000 — against 4.28% expenditure growth each year. By 2000, a shortfall of \$31 million could occur. (See Appendix A for tables and graphs illustrating these figures.)

Low Growth Scenario

This scenario is based on assumptions which are fairly pessimistic:

- **drastic cuts** in funding for programs which the City has historically received some state and federal funding assistance;
- **significant** federal downsizing which would not only affect Alexandria residents who are employed by the federal government, but might also cause declining growth in other taxes (i.e. restaurant, lodging, etc.).

The subcommittee determined the expected direction of changes (growth or decline) and then selected round numbers (1% rather than 0.75%, for example) to illustrate the assumption.

In the low-growth scenario, revenues are projected to "grow" by 0.41% in 1998, -0.52% in 1999, and -1.46% in 2000 — against 4.28% expenditure growth each year. By the year 2000, a shortfall of \$46.9 million could occur (See Appendix A for tables and graphs illustrating these figures.). Again, BFAAC emphasizes that this very pessimistic scenario is probably not the most realistic; however, it is provided as a comparison tool. Overall, the subcommittee projected some continued growth at 1997's level in 1998 and declines in 1999 and 2000. While the subcommittee assumed steady growth in real property tax revenues, the subcommittee assumed a worst case scenario with regard to the recent dramatic increases in personal property tax revenue. With the 1997 projected growth rate as a baseline, the specific percentages used were:

Real Property:	Grow at the same rate of change from FY96 to FY97 or .89% in FY98, 99 and 00
Personal Property:	FY98 will grow at the same rate of change from FY96 to FY97 and then decline -2.26% in FY99 and another 3% or -5.56% in FY00.

For argument's sake and in the interests of time, expenditures are assumed to continue to steadily increase each year by 4.28%, based on 1997's projected growth. Several significant factors are outlined below that would be expected to have a significant effect on expenditures, such as debt servicing expected by 2000, as well as increasing needs for capital improvements, transit contributions, investments in education, etc. Unfortunately, in initially following the model of the last report but later considering all these expenditure factors, BFAAC did not have sufficient time to include specific numbers for these factors in the analysis. However, BFAAC would expect that their inclusion would tend to increase the expenditure projections each year; therefore, this 4.28% steady-growth model should at least conservatively illustrate possible general trends.

BFAAC has also provided one additional tool for consideration: projections of revenue growth for 1998, 1999, and 2000 based on a seven-year average of growth from 1991 to 1997. In this case, revenue growth for 1998, 1999, and 2000, respectively, turns out to be 2.94%, 3.05%, and 3.17% — against a constant of 4.28% growth each year in expenditures. (See Appendix B for tables and graphs illustrating these figures.)

Below are the factors that shaped the outcomes of the various scenarios.

High Growth Scenario

In the high-growth scenario, revenues are projected to grow by 1.05% in 1998, 1.45% in 1999, and 2.13% in 2000 — against 4.28% expenditure growth each year. By the year 2000, a shortfall of \$27.3 million could occur. (See Appendix A for tables and graphs illustrating these figures.) The subcommittee held intergovernmental revenue growth to rates projected to be achieved for 1997, assuming that federal and state monies for law enforcement, education, and jobs programs will continue to grow and offset cuts in funding for social service programs. The subcommittee assumes that the benefits of development begin to be realized by 1999 and 2000 in the form of increased real property and other tax revenues. Because of the phenomenal rate of growth in personal property tax revenues over the past few years, the subcommittee projected a slight decline in this input by 2000. The subcommittee determined the expected direction of changes (growth or decline) and then selected round numbers (1% rather than 0.75%, for example) to illustrate the assumption. With the 1997 projected growth rate as a baseline, the following was assumed:

Real Property:	0% growth in 1998 and 1999 increases of 1% in 2000 (FY98 = 0.89%; FY99 = 0.89%; FY00 = 0.89%)
Personal Property:	0% growth in 1998 and 1999; 1% decline in 2000 (FY98 = 0.74%; FY99 = 0.74%; FY00 = -0.26%)
Other taxes:	0% growth in 1998; increases 1% in 1999 and 2000 (FY98 = -0.27%; FY99 = 0.73%; FY00 = 1.73%)
Intergovernmental:	0% growth in all three years. (FY98 = -0.21%; FY99 = -0.21%; FY00 = -0.21%)

Other taxes:	Decline at 1% annually based upon the FY97 rate (FY98 = -1.27%; FY99 = -2.27%; and FY00 = -3.37)
Intergovernmental:	each would see a 0% change in growth rate in 1998 and decline 2% in each year 1999 and 2000 (FY98 = -0.21%; FY99 = -2.21%; FY00 = -4.21%)

Expenditures

As noted previously, expenditures are assumed to rise by at least 4.28% in each year 1998, 1999, and 2000. In dollar amounts then, Alexandria would expect to spend at least \$326.8 million in 1998, \$340.8 million in 1999, and \$355.4 million in 2000 (See the Appendices for tables and graphs illustrating these figures.). In general, the factors most considered were: Personnel Costs: No reduction in positions is assumed. Non-personnel Costs: Maintaining the current level of services will continue to challenge Alexandria. Even with an increased emphasis on promoting work programs that ultimately reduce costs, there are considerable investments required to achieve these goals. It is in the area of social services that the greatest challenges are foreseen. BFAAC expects the City to be faced with lower federal and state inputs into the costs of these services, which will force Alexandria to make smart choices about expenditures based on effective goal achievement. While federal and state monies for such costs as education and law enforcement might even be expected to increase, Alexandria will still face the difficult task of allocating

City funds for programs (primarily social programs) that intergovernmental revenues may not adequately fund.

Transit Investments:	Difficult choices will loom in this area as well as the City grapples with investment disparities among area jurisdictions.
School Costs:	With an increased emphasis on excellence in education, school costs are expected to continue to increase, even as federal and state funding offset some of those costs. In addition, as schools improve, increased demand might also be expected.
Debt Service:	City Staff has projected that the City will need to enter the bond market in 1998 and 2000 because of increasing capital expenditures.

Seven Year Average Scenario

As an additional evaluation tool, the subcommittee also took the average growth in revenues over the past seven years (1991 to 1997) and assumed that average growth rate would prevail in 1998, 1999, and 2000. In this case, revenues are projected to grow by 2.94% in 1998, 3.05% in 1999, and 3.17% in 2000 — against 4.28% expenditure growth each year. By the year 2000, a shortfall of \$12.4 million would occur. (See Appendix B for tables and graphs illustrating these figures).

APPENDIX A; Page 1

REVENUE (MN)	FY98	FY99	FY00
Low	\$314.6	\$313.0	\$308.5
Mid	\$316.7	\$320.4	\$324.4
High	\$316.7	\$321.3	\$328.1

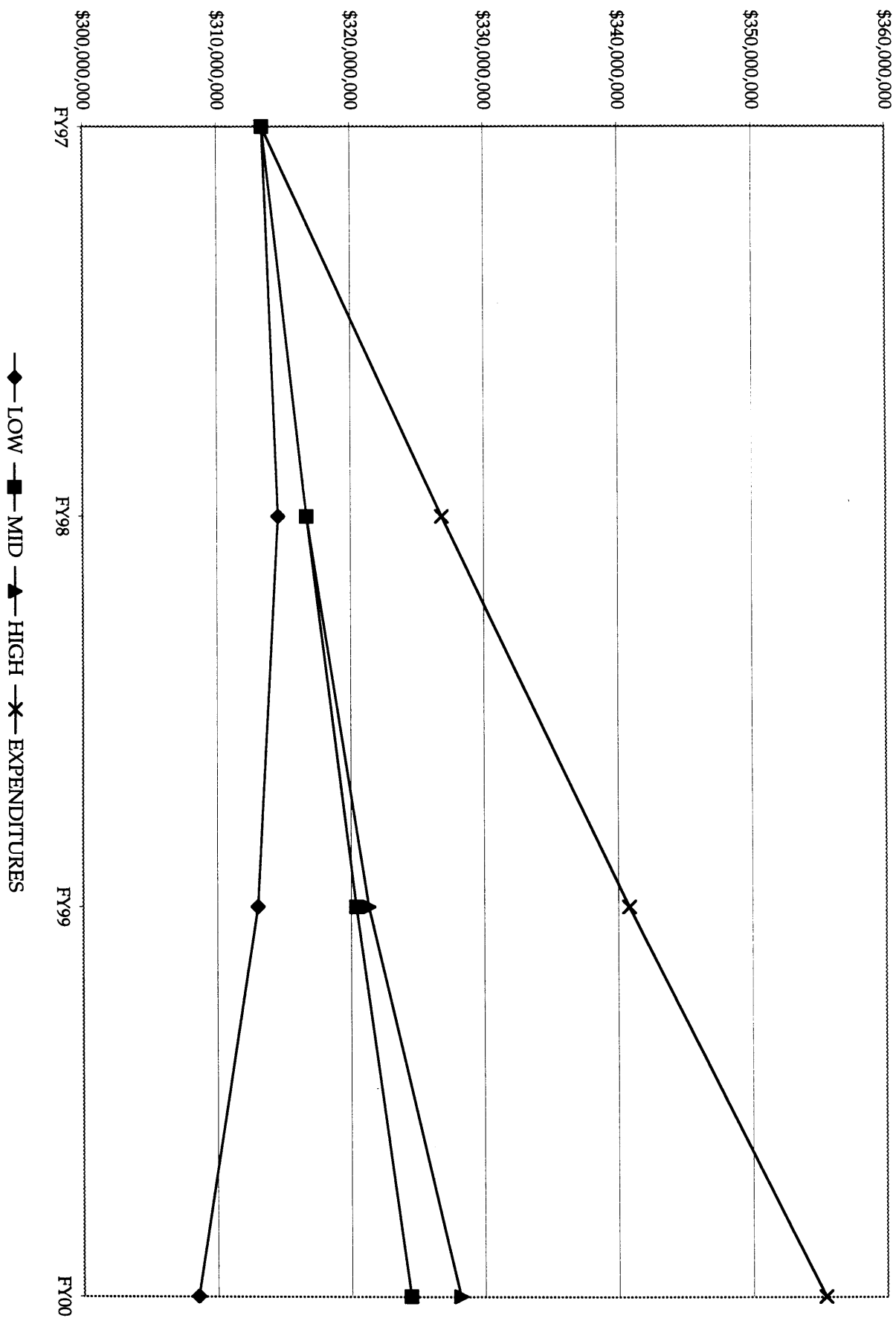
EXPENDITURES (MN)	\$326.8	\$340.8	\$355.4
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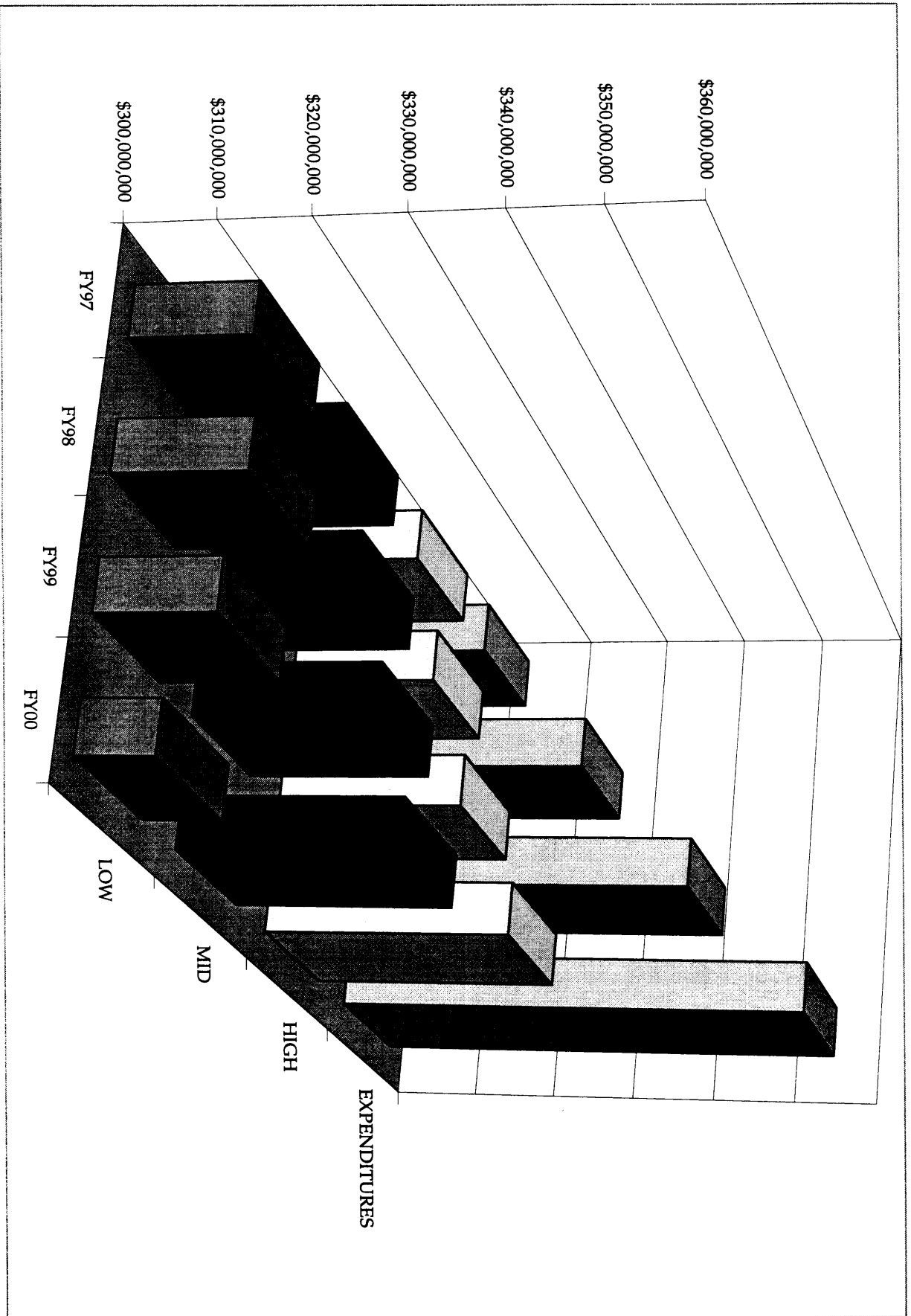
DIFFERENCE (MN)			
Low	(\$12.1)	(\$27.8)	(\$46.9)
Mid	(\$10.1)	(\$20.4)	(\$31.0)
High	(\$10.1)	(\$19.5)	(\$27.3)

REVENUE	FY98	FY99	FY00
Low	0.41%	-0.52%	-1.46%
Mid	1.05%	1.16%	1.26%
High	1.05%	1.45%	2.13%

EXPENDITURES	4.28%	4.28%	4.28%
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APPENDIX A; Page 2





APPENDIX B; Page 1

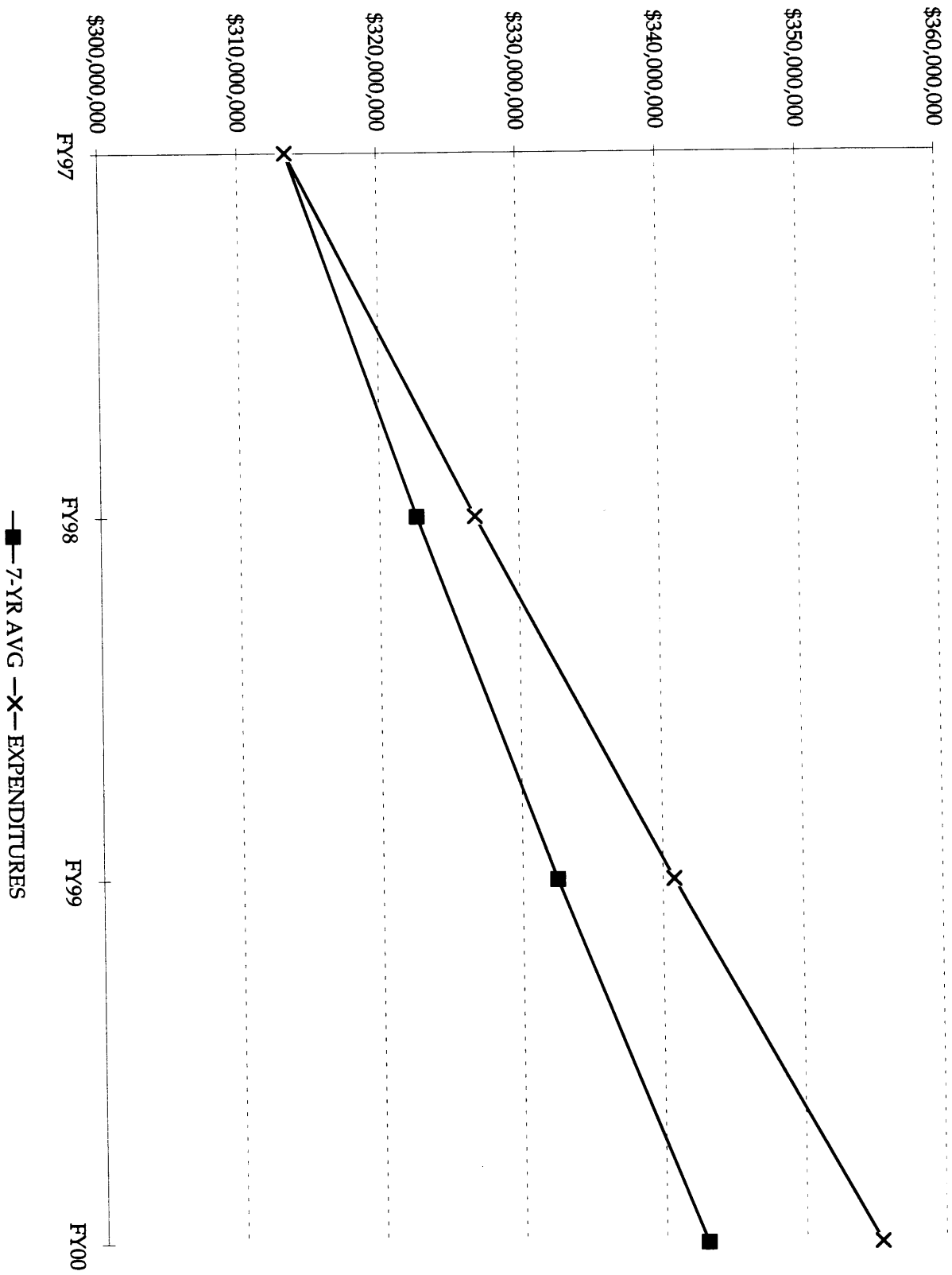
REVENUE (MN)	FY98	FY99	FY00
7-YR AVG	\$322.6	\$332.5	\$343.0

EXPENDITURES (MN)	\$326.8	\$340.8	\$355.4
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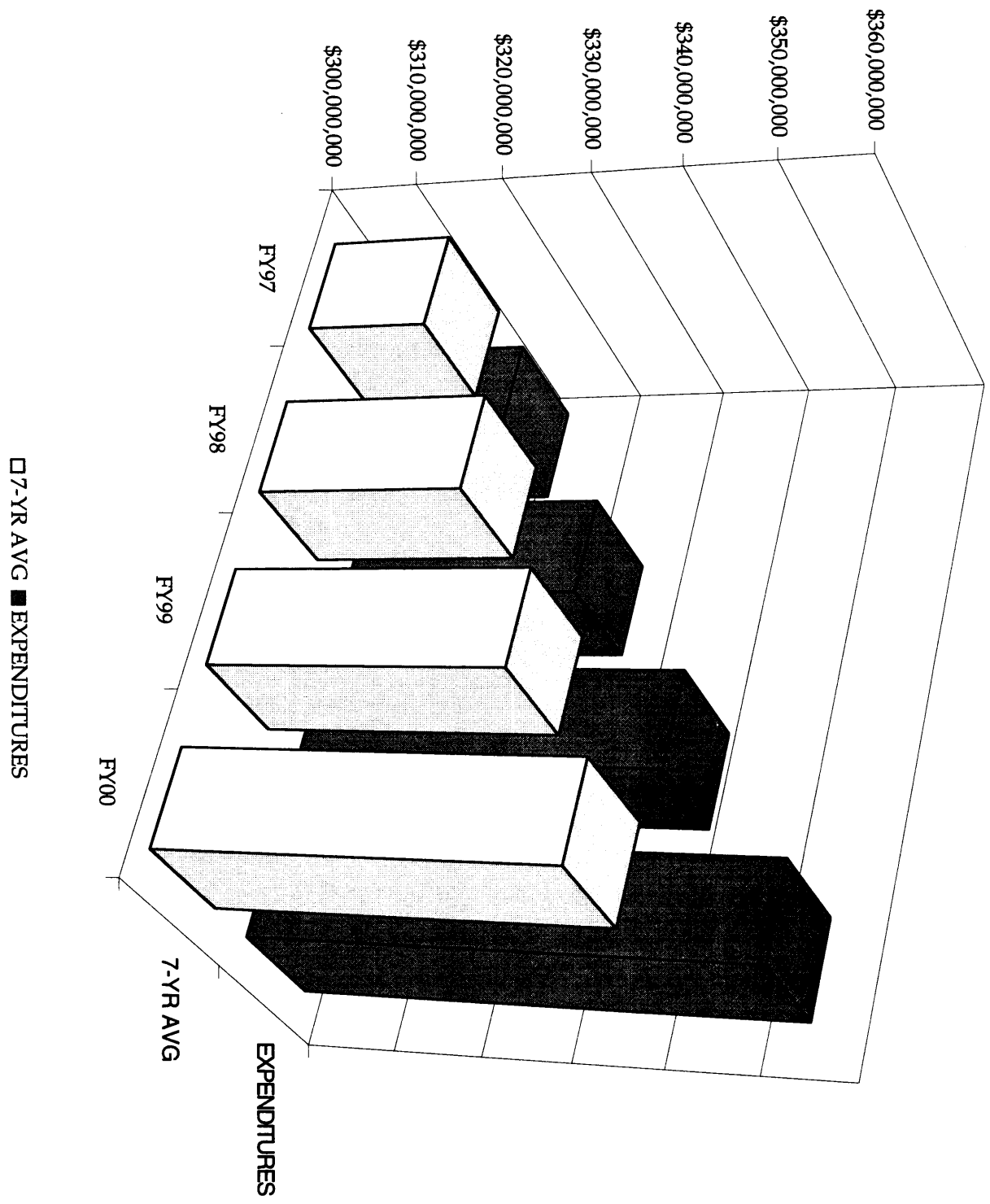
DIFFERENCE (MN)			
Mid	(\$4.2)	(\$8.4)	(\$12.4)

REVENUE	FY98	FY99	FY00
7-YR AVG	2.94%	3.05%	3.17%

EXPENDITURES	4.28%	4.28%	4.28%
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APPENDIX B, Page 3



Section 2: Revenue and Economic Development

Recommendation

BFAAC commends the Manager and staff and encourages Council to follow through with the policies enunciated by the Mayor with respect to economic development.

Details of Recommendation

City Council and city staff have recognized the importance of economic development to maintenance of the tax revenue base of the City. Council emphasized economic development during its retreat in the fall of 1995, and the Mayor has summarized the priorities established by the broad-based Economic Summit held in February 1996, as follow:

- 1. Market the City;*
- 2. Pursue relocation of the Patent and Trademark Office to Alexandria;*
- 3. Establish a task force to review the Zoning Code;*
- 4. Put more resources into economic development; and*
- 5. Support the continued viability of Landmark Center.*

The City Manager has responded to Council's leadership and has provided additional funding for economic development efforts in her proposed budget. Continuing reform of the Business, Professional and Occupational License (BPOL) tax is proposed, which will allow businesses with under \$100,000 in annual gross revenues to pay a flat \$50 fee, with those grossing over \$100,000 to continue paying the current variable rate tax.

Staff's assumptions underlying the revenue portion of the budget appear to be valid and are somewhat more optimistic than those of the last several years. Positive developments in the City which support staff's assumptions include the dropping of litigation in connection with Potomac Yard by its owner—RF&P Corporation—continued development of the Carlyle project at King Street Metro; expansion of commercial space, as well as construction of additional residential units, in the Winkler tracts; commencement of development of Cameron Station which has been privatized from the Department of Defense; and stabilization of the value of existing housing stock.

Staff has projected a slight increase in real and personal property tax assessments, increases in sales and restaurant taxes, and level revenues, or slight decreases, in the

remainder of the City's revenue sources, resulting in a projected increase of general fund revenues of only \$94,500 , for a total of \$240,260,000.

The balancing figure, appropriation from fund balance, of approximately \$9 million, may at first appear excessive, but even if the entire sum were in fact expended, the undesignated fund balance would be well within the financial guidelines established by City Council in 1986. It should be noted, however, that the City has not had to draw down the fund balance in the past, even though a similar balancing figure of various magnitudes has been used in each year's proposed budget.

The proposed Capital Improvement Program (CIP) calls for significant bond issues in the next five years. The City's AAA bond rating by both of the national rating agencies will assure the citizens of Alexandria of minimum interest charges. During the first half of the decade, the City has funded its CIP primarily through current revenues; significant capital projects in the latter half of the decade will be required to maintain the infrastructure and facilities needed by the City; thus, the need for using bond proceeds as proposed.

Section 3: Capital Improvement Program

Recommendation

Given probable future capital needs that are not included in the proposed CIP budget, BFAAC recommends that the Council carefully evaluate whether issuance of the proposed Cameron Station CDA bonds would impinge on the City's ability to issue bonds to fund such capital needs as part of its overall consideration of the Greenvest proposal.

Details of the Recommendation

The proposed CIP budget recognizes that the City may need to construct new school facilities in the near future. This construction could require a substantial expenditure of City funds. Accordingly, BFAAC has focused on two issues related to this potential need: (1) the need to carefully consider what school facilities should be constructed, and (2) the possible effect on the City's ability to fund school and other construction projects of the proposal by Greenvest, L.C. to have bonds issued to support its development of the Cameron Station property.

I. The CIP proposed budget projects the issuance of general obligation bonds in the amount of \$62.5 million (\$25,000,000 in 1998, \$25,000,000 in 2000, and \$12,500,000 in 2002) in order to fund the capital improvements scheduled over the next six years. This amount does not include any monies to fund several new construction projects that are being considered by the School Board. These projects range from the relocation of existing programs to new sites to the construction of a new elementary school and/or a new middle school.

The construction of a new school, in particular, could have a substantial effect on the CIP budget. The decision on whether to proceed with such construction will depend to a large extent on the number of students that are projected to attend the Alexandria City public schools in the coming years. The School Board has commissioned an assessment of the demographic trends in the City in an effort to determine the best way to respond to the potential increase in the school-aged population. The Board and the City staff have met to review the preliminary findings of the group commissioned to do the study and will continue to meet as the study is completed and the data refined. Once the Board and staff have concluded their review of the demographic study, the Board and the School Superintendent will examine the possible ways of responding to identified needs.

The ultimate decisions about new construction needs will have to take into account many variables such as the location of Alexandria's students, their ages, and their special needs. Given the complexity of the issue BFAAC recommends that the Council await

completion of both the review of the demographic study and the subsequent preparation of a recommendation by the School Board on the need for new construction projects before committing to the construction of a new school.

II. On May 18 the Council will hold a public hearing on the petition of Greenvest, L.C., which has purchased an option to acquire 93 acres of Cameron Station, to establish a "Cameron Station Community Development Authority." The community development authority ("CDA") would issue tax-exempt bonds for up to \$25,000,000 which, according to Greenvest, would permit accelerated build-out and unit sales at the Cameron Station project and would speed full revenue realization for the City from the project. The bonds would be secured by special assessments of Cameron Station homeowners.

CDAs are independent tax districts authorized under Virginia law to issue tax-exempt debt to finance a variety of public improvements. The bonds issued by the proposed CDA would not be direct debt to the City. The CDA debt, however, would be included in the City's indirect debt and would increase the City's overall net debt burden and overall debt per capita.

Greenvest claims that the bonds, which would be paid through a special assessment on Cameron Station homeowners, would have no impact on the City's bond rating. This claim appears to be valid as long as the City does not seek to issue more bonds than are currently outstanding. The proposed CDA bonds would, however, increase the City's debt for rating purposes approximately \$200 per capita. In addition, neither Greenvest's analysis, nor any other analysis we have seen, takes in to account any debt the City may have to issue in connection with school construction projects.

For example, while neither the precise projects nor their costs have been established, there has been, as noted above, serious consideration of building one or more elementary schools and/or a middle school as well as of adding substantial new facilities at T. C. Williams. The City estimates the cost of construction (exclusive of land costs) are \$7.5 million for an elementary school and \$11.25 million for a middle school.

Approval of the Greenvest proposal would require a reevaluation of the entire CIP because of the possible effect the issuance of bonds by a CDA would have on the City's bond rating.

Section 4: Recreation, Parks and Cultural Activities

Recommendation

Council should consider current and future allocations for recreation facilities and also carefully review the timeline for renovation and replacement of recreation facilities.

Details of Recommendation

The subcommittee reviewed the Capital Improvement Program (CIP) budget as it relates to improvements at the Recreation Facilities and Simpson Stadium Complex. It was noted that three centers (William Ramsey, Mount Vernon, and Durant) were slated for some type of major renovation or design review in the 1997 fiscal year. While various other centers are having other types of improvements ranging from HVAC replacements to new carpeting, the bulk of the monies will go toward the above mentioned centers. In addition, beginning in the 1999 fiscal year, the CIP will allocate \$200,000 a year to renovate the city's other aging recreation facilities. While it is imperative to begin planning for the replacement of our aging facilities, it should be noted that our school-age population may be on the increase, putting an even greater strain on the facilities.

The subcommittee also reviewed the proposed Simpson Stadium Renovation Project. This project proposes to spend \$317,000 of prior year unallocated and FY 1997 funds to renovate and upgrade both fields and to make associated improvements. BFAAC encourages Council to work closely with the Del Ray Civic Association, Alexandria Baseball, Inc and other interested parties in this project.

Section 5: COLA and Merit Increases

Recommendation

BFAAC recommends that Council approve the City Manager's proposal for COLA and Merit increases for City employees.

Details of Recommendations

After BFAAC addressed the City Manager's proposed COLA and merit increases for city employees last year, the committee decided that the issue required further study to understand more about the factors that should weigh into employee pay increase decisions. BFAAC appointed a subcommittee to examine the ability of the City to attract and retain quality employees.

BFAAC's overall conclusions from this analysis are that the City does not appear to have an employment problem and that recent and current pay levels do not appear to have had a negative impact on the City's ability to attract and retain quality employees.

Turnover rates may be one indicator of non-competitive pay levels. However, the city's effective turnover rate (after employee retirements, deaths, and internal transfers) is low. In calendar year 1995, the turnover rate was only 5.1 percent. Only 103 out of 2009 employees left the City in 1995 for reasons other than death or retirement. Moreover, the turnover rate has been declining steadily since 1988.

Another indicator of non-competitive pay is difficulty attracting qualified employees. However, the City has not experienced such problems in recent years. In FY 95, for example, the City attracted an average of 15 qualified applicants for each vacant position. When the City does experience difficulties filling individual positions, its policy is to review the position's pay range for competitive. This policy has not been employed in recent years.

BFAAC's review of recent regional pay studies and proposed COLA and Merit increases in Northern Virginia jurisdictions shows that Alexandria's pay levels are competitive. A recent study by the Montgomery County Government of pay levels in the Washington area showed that Alexandria was slightly above the median at the low end of pay ranges and slightly below the median at the high end of pay scales. Except in one case, Loudoun County, the City Manager's recommendation of four percent combined COLA and Merit for most employees in FY '97 is comparable to the recommended pay increases for other Northern Virginia jurisdictions. The proposed

combined figures for other jurisdictions are as follows:

Prince William2.75%

Arlington3.00%

Fairfax4.00%

Loudoun6.50%

Section 6: Social Services

Recommendations

BFAAC recommends that current streamlining and review activities continue and be expanded with an emphasis on examining potential near-term changes in social service department operating environments and identifying appropriate actions.

BFAAC further recommends that ongoing efforts to improve measures and indicators in social services continue and that similar measures and indicators be developed for human services contributions and contracts to improve the ability of Council and the City Manager to evaluate these programs.

Details of the Recommendations

The following portions of the budget are considered to be part of Social Services for the purposes of BFAAC's review and the comments that follow:

- Health;
- Mental Health, Mental Retardation and Substance Abuse;
- Human Services;
- Human Services Contributions and Contracts; and
- Housing.

The allocations for these departments maintain the current level of services and staffing. However, these departments are extremely vulnerable to the changing environments in which they operate. The majority of the funding for these departments comes from outside funding sources (e.g., federal, state, and other local governments, patient fees, contributions) – less than 46 percent of the funds budgeted for these departments comes from the City's general fund.

In the upcoming fiscal year, these departments will be affected by actions in other area jurisdictions, such as Fairfax County's proposed elimination of the purchase of certain services from the City of Alexandria, that will constrain these departments' budget resources. Changes are anticipated at the federal and state level that will likely reduce future fiscal years' funding for the human and social service departments. In addition to

changes in government funding, these departments face other significant challenges in their current operating environments, particularly in the area of health care organization and financing as evidenced by the proposed merger of Alexandria Hospital with a for-profit hospital chain and the state's move toward managed care for Medicaid recipients. ^{NOT}

The potential for future reductions in these outside funding streams heightens the need for strategic planning and development of budget priorities for the social and human services departments. Several activities are ongoing to this end; for example, the City-wide Youth Services Study. Other boards and commissions are working with their respective departments on special initiatives such as:

- Community Services Board involvement in the restructuring of the Department of Mental Health, Mental Retardation and Substance Abuse and the development of improved measures and indicators;
- Equal Opportunities Commission evaluation of the program consolidation of the Office of Economic Opportunities;
- Office of Housing review and evaluation of the homeless and emergency services consolidation, and comparison and analysis of the cost effectiveness of Alexandria Community Shelter and Carpenter's Shelter;
- Early Childhood Commission and Social Services Advisory Board study of child care issues; and
- Commission on Aging study of reallocation of ARCH budget, alternatives to reduce the companion aid budget, and senior transportation alternatives.

Because of these budgetary challenges that the City will face in these areas over the coming years, BFAAC cannot emphasize enough the importance of the measures and indicators sections of the human and social services budgets. As the Council continues the City's visioning process and develops outcome-based goals for the City, these measures and indicators will play a key role, especially when difficult budget choices are required. The social services areas are the most vulnerable to foreseen budget reductions.

In reviewing the human and social services budgets, we find measurements that seek to demonstrate improvement and self-sufficiency to be the most useful. While there is often some utility in reviewing the efficiency of service providers -- perhaps as an internal accounting measure or as an assessment of the extent of a problem -- emphasis should be placed on measuring success in achievement of an outcome or goal desired by the City. For example, while measuring the percentage of complaints closed within 10 days, the number of clients served by a particular program, or customer satisfaction may have its place, the City will need to look beyond these types of process measures to outcome measures that will help Council make difficult budget choices in the future.

We would like to commend the efforts made to this end, particularly some very useful measures and indicators contained in this budget. The following are examples of measurements within Mental Health, Mental Retardation and Substance Abuse and Human Services that demonstrate the City's interest in improving the lives of recipients of services and helping them achieve greater self-sufficiency:

- Percentage of clients admitted to the Supported Living program who maintain their residence for six months or longer;
- Percentage of individuals with a severe and persistent mental illness who remain within the community without rehospitalization for 12 months;
- Percentage of clients maintaining employment for at least one year;
- Number of skills learned per child as assessed by the child's multi-disciplinary team (comprised of family and staff);
- Percentage of cases without additional reports of abuse or neglect in the last year; and
- Percentage of positive outcomes for sheltered families.

In addition to those services provided by or contracted for by City departments, funding is also proposed for non-profit agencies in the social services area. The absence of measures and indicators for these contributions and contracts will make it difficult to adequately review future requests for funding as well as determine how the services provided by these organizations complement or duplicate other City services.

Section 7: Information Technology Services (ITS)

Recommendation

BFAAC recommends that Council receive this report.

Details of the Recommendation

In reviewing the ITS budget, BFAAC noted minor decreases in expenditures over the FY1996 General Fund Budget. In addition, in FY 1995, the City approved an agreement with Arlington County to provide interim computer services allowing the City to dispose of its aging mainframe computer and save approximately \$2.6 million dollars. This cross-servicing agreement will allow the city 30 to 40 months to develop a plan for migrating to its own internal system for payroll/personnel processing and other needs. The City is in the process of upgrading its Local Area Network (LAN) technology, as well as implementing its own Internet home page. The Ad Hoc Task Force on Information and Communication Technologies is aggressively pursuing options to open the City up to the Information Highway.

It should be noted that while the City wants to upgrade its computer technology and resources, it will come at a price either in software or hardware purchases or both, as well as possible increased staff positions in ITS. Council should anticipate these changes and provide for an increase in funding if necessary.

Section 8: Other Program Areas

Transit Subsidies

While there seems to be nothing out of the ordinary in the Proposed 1997 Budget, BFAAC recommends that Council closely monitor developing funding trends for WMATA and the possible implications those trends may have on future budgets.

T&ES

This part of the budget was a point of contention last year in that there was a sizeable increase in trash collection fees. BFAAC recommended that Council review trash collection fees on an annual basis as costs dictate. Fortunately, cost did not warrant an adjustment in this budget. However, BFAAC will closely monitor this issue in years to come.