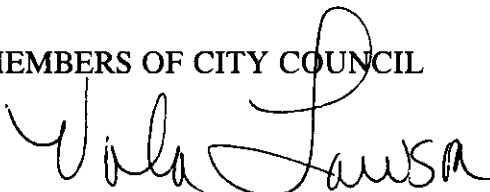


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 24, 1999

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: VOLA LAWSON, CITY MANAGER 

SUBJECT: BUDGET MEMO # 22: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE REVIEW OF THE FY 2000 PROPOSED BUDGET

ISSUE: Budget and Fiscal Affairs Advisory Committee (BFAAC) review of the FY 2000 Proposed 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 2000 Proposed Budget for Council's consideration. BFAAC will discuss this report with City Council at the budget work session on April 28, 1999.

DISCUSSION: Staff will forward its comments to City Council under separate cover.

ATTACHMENT: Attachment 1 - Budget and Fiscal Affairs Advisory Committee Review of the FY 2000 Proposed Budget.

STAFF: Lori Godwin, Director, Office of Management and Budget

Alexandria Budget and Fiscal Affairs Advisory Committee

Report on the City's Proposed
Fiscal Year 2000 Budget

Jim McIntyre, *Chairman*
Joel Leonard, *Vice Chairman*
Lisa Chimento, *Secretary*
Russ Bailey
Bruce Johnson
Scott Hodge
Anna Leider
Tim Lovain
Brian Meehan
Bill Rossello
Peter Spencer
John Stooddy
Eileen Taylor

BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE REPORT ON PROPOSED FY 2000 BUDGET

The Alexandria Budget and Fiscal Affairs Advisory Committee (BFAAC) is pleased to present to the City Council the Committee's report on the City Manager's Proposed FY 2000 Budget.

Our analysis of the proposed budget generated three broad concerns about the City's current and future fiscal condition.

First, the City Manager's proposed FY 2000 budget relies on more than \$5 million in new money from the state to maintain current levels of services without a real property tax-rate increase. Intergovernmental revenues are among the City's fastest growing sources of revenue and those over which City Council has absolutely no control. While BFAAC welcomes the influx of new state money, and applauds the City Council and the City Manager for their efforts to obtain these funds, the Committee cautions that the City must not become overly reliant on such an uncertain source of revenue over which we have no control.

Second, the proposed Capital Improvement Program is partially funded by draw-downs from the fund balance to fund cash capital needs for FY 2000 and FY 2001. After FY 2001, the City's fund balance cannot be used to fund cash capital needs without violating City Council's financial guidelines. The projected cash capital need for FY 2002 of more than \$8 million will have to be funded from general operating expenditures. This funding need will be added to a growing debt service burden made necessary by the City's ambitious schedule of \$80 million in additional bond sales over the next six years.

Third, in her proposed budget for FY 2000, the City Manager has not addressed the need for additional classroom space to accommodate the increase in students now moving through the elementary grades. The School Board has proposed adding sixth-grade centers at the two middle schools, at a potential cost of up to \$20 million. This crucial funding need must be addressed in the coming year.

The following is a summary of our recommendations, which are explained in more detail in the body of our report:

- Because BFAAC believes that the City must diversify its tax base, the Committee cautiously recommends that City Council enact the City Manager's proposal of a 5 percent admission tax. We believe the tax should be implemented with the understanding that the City Council will evaluate its effect on businesses after the first year and repeal or adjust the tax if its detrimental effects outweigh the tax benefits it brings to the City.
- BFAAC concludes the rise in trash fees is unfortunate, but unavoidable. Therefore, in keeping with City policy that user fees cover the full cost of trash service, BFAAC recommends that City Council approve the City Manager's proposal to raise the residential refuse fee \$25, from the current \$160 to \$185 per year in FY 2000. BFAAC also believes the cost for the City's recycling program should remain delineated in future budgets so its costs are clear to residents who are paying for the service.

- BFAAC recommends that the Council approve the funding in the City Manager's proposed budget for seed money for a community development foundation.
- BFAAC supports the expansion of the City's tourism development efforts because we believe such efforts will contribute significantly to long-term revenue growth and will help the City in its continued effort to diversify its tax base, but the Committee has several key concerns discussed in the Revenues and Economic Development section of our report.
- BFAAC recommends that City Council approve BFAAC establishing a working group to design a framework for reviewing the City services on an ongoing basis, enabling City Council to make sound service portfolio decisions.
- BFAAC strongly urges the School Board and the City Council to reach a consensus on a solution to meeting the school facility needs of Alexandria's 6th through 9th graders for inclusion in next year's CIP.
- BFAAC recommends that the City Council establish a policy of accumulating any future surpluses from operating budgets as reserves and designating those reserves for cash capital contributions to the extent necessary to fund future CIP budgets.

Our report which follows contains three main sections -- Revenues and Economic Development; Operating Expenditures; and Capital Expenditures and Projections. We look forward to discussing our findings and recommendations with City Council at our April 28 work session.

REVENUES AND ECONOMIC DEVELOPMENT

ADMISSION TAX

Because BFAAC believes that the City must diversify its tax base, the Committee cautiously recommends that City Council enact the City Manager's proposal of a 5 percent admission tax. We believe the tax should be implemented with the understanding that the City Council will evaluate its effect on businesses after the first year and repeal or adjust the tax if its detrimental effects outweigh the tax benefits it brings to the City.

In her proposed FY 2000 budget, the City Manager has recommended that City Council institute a 5 percent admission tax on the sale of tickets to events within the City.

Virginia law allows municipalities to charge a tax on admissions to events that meet certain criteria. Several Virginia cities already charge an admission tax, ranging from 10 percent in Chesapeake, Norfolk, and Virginia Beach to 0.1 percent in Petersburg. In addition, four Virginia counties, including Fairfax and Arlington counties, have been granted permission by the state to impose an admission tax. Dinwiddie and Roanoke Counties have this tax, but Fairfax and Arlington do not. The District of Columbia charges a 5.75 percent admission tax on all movies, circuses, sporting events, and burlesque shows. The state of Maryland levies an admission tax at varying rates depending on the particular locality and type of entertainment (rates range from 0.5 percent to 10 percent), the funds from which are distributed to the localities.

The City Manager proposed this tax initially in her FY 1999 proposed budget, but City Council put off considering its enactment until questions concerning its applicability to nonprofit organizations could be answered. Earlier this year, the General Assembly passed legislation that allows the City to grant an exemption from the tax if the net proceeds of an event are directed entirely toward charitable purposes.

City staff conservatively estimates the FY 2000 revenue impact of a 5 percent admission tax to be \$200,000, based on an estimated average \$850 gross ticket revenue per movie seat in the City and an estimated \$1.6 million in gross taxable admission charges from other entertainment venues in Alexandria. This estimate is based on the current small number of movie theaters in the City, and does not address the potential significant growth in admission tax revenues that is expected to occur when additional movies theaters are built in the City.

BFAAC commends the City Manager for her efforts to diversify the City's revenue base. The committee is engaged in a study of the City's revenue structure, and one conclusion reached is that the City is overly dependent upon revenue from its real property tax. Any attempt to broaden the City's revenue base is worthy of examination. Our reluctance to embrace the admission tax strongly stems from the lack of hard data on its potential effect on the businesses that must levy the tax.

Any new tax imposed by the City must be evaluated in a regional context. If the City Council approves the admission tax, Alexandria would be the only Northern Virginia jurisdiction to impose it. The extent to which the tax will have a detrimental effect on ticket sales is unknown.

However, with the expectation of as many as 50 movie screens in the City in the next five years, the admission tax holds the promise of a substantial source of non-property tax revenue that would broaden the City's revenue structure while affecting both residents and non-residents of Alexandria.

BFAAC recommends that City Council evaluate the effect of the tax after the first year and be willing to eliminate it or adjust it if it becomes apparent that businesses are unduly burdened by the tax. In addition, City Council should monitor the costs of collecting this tax and seek to make collection as efficient and cost-effective as possible.

BFAAC also recommends that the revenue raised by the admission tax should not be considered as additional revenue. To the extent that the admission tax generates additional revenue for the City, City Council should make an effort to adjust the real property tax rate so that Alexandria homeowners and businesses can enjoy the benefits of this new revenue source.

TRASH FEE INCREASE

BFAAC believes the rise in trash fees is unfortunate, but unavoidable. Therefore, in keeping with City policy that user fees cover the full cost of trash service, BFAAC recommends that City Council approve the City Manager's proposal to raise the residential refuse fee \$25, from the current \$160 to \$185 per year in FY 2000.

The City Manager proposes raising the residential refuse fee by \$25, from the current \$160 to \$185 per year in FY 2000. This change reflects an anticipated increase in the cost of trash collection and disposal for FY 2000 and an attempt to mitigate the impact of an even larger increase projected for FY 2001, when the cost for service could reach an estimated \$210 per household. The fee increase also reflects a two-year step towards full user-fee funding of the curbside recycling program, currently financed through a surcharge on disposal (tipping) fees at the Arlington/Alexandria Waste to Energy plant on Eisenhower Avenue.

Fortunately, although the increase is significant, the proposed charge for services, including recycling, would remain competitive with fees charged in surrounding jurisdictions, at least through FY 2001. Unfortunately, the increase in costs comes at a time when there appears to be significant competition for trash disposal in the region. However, Alexandria (and Arlington) residents cannot benefit from this competition because of the City's unavoidable obligations to its Waste to Energy Plant.

The anticipated jump in fees stems primarily from the projected cost of trash disposal at the plant, which amounts to upwards of 40 percent of the City's trash budget. Due to marketplace pressures from low-cost landfills, the facility has cut rates to large commercial haulers to keep a guaranteed level of waste tonnage coming into the plant. This means Alexandria and other haulers that must pay the "full" cost of disposal, in effect, must subsidize the rates charged private haulers and bear the burden of new costs at the plant. Chief among these is the expense of retrofitting the plant with new equipment to meet federal Clean Air Act requirements.

These subsidies and cost increases will raise the "full" tipping fees both in FY 2000 and FY 2001 by an estimated \$11 per ton and \$12 per ton, respectively--and account for roughly \$4 of the proposed \$25 fee increase next year, and \$15 of an estimated \$50 fee increase over the next two years.

Moreover, because of these cost pressures, the City will be unable to impose a surcharge on the tipping fees charged commercial trash haulers and keep rates competitive at the plant. This surcharge has been used to finance the recycling program, which is estimated to cost roughly \$900,000 per year. Paying for this program through residential refuse fees, as proposed in the budget, will add around \$17 annually to household bills next year and some \$30 annually in FY 2001. (The full cost of the recycling program will not be paid until FY 2002, but it is unclear at this point whether revenues from the sale of recyclables and other cost savings will offset the need for additional fee increases.)

BFAAC also believes the cost for the City's recycling program should remain delineated in future budgets so its costs are clear to residents who are paying for the service.

The proposal to pay for the recycling program fully through household user-fees represents the most significant factor behind the change in the cost of the City's residential trash service. BFAAC believes that, while an argument may be made for the City to find other ways to subsidize recycling, this user-fee approach appears to be the most sensible one. It is consistent with the City's approach to trash service overall, which requires households that use the service to cover the service's costs. This is more equitable than funding trash service through general tax revenues.

Additionally, by paying for the curbside recycling program in this way, the cost for this service becomes more visible to users than if it were subsidized. This should help provide citizens and City policy makers with an improved sense of what they get for their money and also allow more ready assessment of the cost-effectiveness of the recycling program should that ever be necessary. With this in mind, BFAAC also recommends that the cost of recycling remain a separate line item in future budgets.

COMMUNITY DEVELOPMENT FOUNDATION

BFAAC recommends that the Council approve the funding in the City Manager's proposed budget for seed money for a community development foundation.

Community foundations are in place in over 400 U.S. localities, including Arlington, Washington, Prince Georges County, Baltimore, Baltimore County, and Norfolk, where they serve as a very useful mechanism for accessing untapped sources of charitable donations. Although most of their grants go to non-profit institutions in their communities, many of these foundations also fund local government programs and capital projects.

Last year, we recommended "expanding opportunities for private donations to City programs . . . including the idea of an Alexandria Foundation . . ." One of the missions of the Alexandria community foundation could be to facilitate charitable donations to City programs and capital projects.

We think the City should, however, proceed carefully on this effort for several reasons:

Community foundations require careful planning. Many of them have failed because of poor organization, inadequate leadership, community misunderstanding, and insufficient initial funding. Most jurisdictions that have community foundations are larger than Alexandria; in fact, two studies recommend them only for localities with populations of at least 150,000 or 250,000. Alexandria may therefore have little margin for error in getting this foundation off the ground.

Community foundations only succeed if they have the support of top community leadership, with an emphasis on access to wealth. That leadership generally includes the chief executive officers of local corporations and banks, publishers of local newspapers, leaders of affluent families, highly-respected community opinion leaders, etc. The Foundation Board should not include elected officials or paid staff for charitable institutions because of the threat of conflicts of interest.

The Foundation should only be implemented after close consultation with Alexandria's non-profit community. Many Alexandria non-profit organizations are very concerned about this proposal because they see the Foundation as a potential competitor for scarce charitable donations and a possible pretext for eliminating the City's Community Partnership Fund for Human Services. If the Foundation is not properly designed, their fears might be warranted. The City needs to work with a broad cross-section of Alexandria non-profit organizations to ensure that the Foundation seeks funding from new sources and works to support and enhance the work of Alexandria's charitable institutions.

If this effort is done poorly, Alexandria non-profit organizations could lose funding or the entire plan could collapse. If this effort is done right, Alexandria can gain access to new sources of funds and greatly benefit both City programs and services and Alexandria's non-profit community.

TOURISM DEVELOPMENT

BFAAC supports expanding the City's tourism activities, but has several key concerns.

As we have in the past, BFAAC fully supports the expansion of the City's tourism development efforts. We believe such efforts will contribute significantly to long-term revenue growth and will help the City in its continued effort to diversify its tax base. We still support this expansion, with the following concerns:

Entitlement. While we recognize that the hotel tax is not intended to be a "dedicated tax," we are concerned about the perception that it might be, and encourage Council to monitor the situation carefully. For example, if the amount collected in hotel taxes increases, and the tourism budget does not, will hotels start protesting the tax? Also, since hotels are, in effect, providing the means by which the City can increase the Alexandria Convention and Visitors Association (ACVA) budget, will they feel entitled to receive the lion's share of the ACVA's promotional efforts at the expense of other tourism-related activities?

Measures and Indicators. Last year, BFAAC recommended that measures and indicators be developed for and applied to funding for tourism. We understand that ACVA has a three-year marketing plan with precise measures for success, but we are concerned that these measures should not over-emphasize hotel occupancy rates. Hotel occupancy is indeed an important indicator (and an easy-to-measure indicator). However, the City must not overlook the importance of revenue from day-trippers -- especially those staying in Washington-DC hotels. Sixty-seven percent of our visitors combine their trip to Alexandria with a visit to Washington D.C., and 44 percent of our visitors stay with relatives or friends.

Duplication of efforts. Last year, BFAAC recommended that the ACVA and the Alexandria Economic Development Partnership (AEDP) work together to seek efficiencies between the two agencies in terms of staffing, development of written promotional materials, making better use of sales missions, etc. According to the ACVA, the two organizations have not been able to achieve any economies of scale. Our concern regarding possible duplication of efforts remains. This concern also extends to promotional efforts initiated by the Chamber of Commerce and those initiated by the Office of Historic Alexandria.

Funding Sources. The ACVA was privatized so it could effectively promote all aspects of Alexandria's tourism industry. In doing so, their original plan was to sell enough memberships to raise \$900,000 and to become self-supporting after three years. They quickly realized that this goal was unreachable. However, we have concerns about their entire budget being funded by the City and encourage the ACVA to continue to look for other funding opportunities, for example, through banner ads on their web site, cooperative marketing initiatives, and member dues.

Operations and Expenditures Subcommittee

BFAAC recommends that City Council approve BFAAC establishing a working group to design a framework for reviewing the City services on an ongoing basis, enabling City Council to make sound service portfolio decisions.

Last year, BFAAC recommended that the City Council consider how it might classify the various services provided by City departments and agencies. The purpose of the recommendation was to provide the Council with a method for evaluating services, which would facilitate decision-making with respect to funding. This year, we have given the concept further consideration.

Despite all of the City's past and current efforts to address the service portfolio, the Council has frequently been challenged with funding decisions for individual services that are preferred within the funding available in a given year or within the context of the City's service priorities at that time, but that may not be essential to operating the City government. These services should be reevaluated on an ongoing basis as part of a broader budget priority-setting process.

Therefore, BFAAC recommends that the City Council approve BFAAC establishing a working group to design an effective framework for making service portfolio decisions. The proposed working group might include representatives from the City Manager's office, OMB, City department heads and BFAAC. We recommend that the working group convene after the close of the budget season and deliver a final recommended framework to the full Council at its fall retreat.

As only one of the many stakeholders that should be involved in this discussion, BFAAC believes that our comments herein should be just the start of a full analysis that includes some of those stakeholders who would inevitably be involved in the service portfolio process.

INITIAL DESIGN CRITERIA

BFAAC proposes the following approach for the working group's review and consideration:

City Council or the working group agrees on the definition of a City service for purposes of the service portfolio framework;

City services are classified into categories that allow the Council to evaluate funding levels more systematically;

At the beginning of each new City Council term, City Council reviews the service portfolio (or whenever severe budget circumstances demand);

City Council review proposals for any new service proposed in each annual budget in the context of this same framework.

DEFINITION OF A SERVICE

BFAAC's preliminary definition, to be considered by the working group, is as follows:

A service is an activity performed by a City department or departments that has a specific objective or set of closely related objectives and a well-defined set of external customers.

This definition limits the scope of the framework to services delivered to citizens and excludes services delivered by one internal group to another internal group. The word "specific" is also important here. Police and fire would not be services within the framework. Investigating felony crimes and responding to 911 calls for service would be services, as would patrolling City streets and conducting fire inspections of residential homes. Recreation would not be a service, but teaching CPR or teaching swimming to children would be.

CLASSIFYING CITY SERVICES

The working group should consider adopting three classifications for city services:

Core Services: Basic Services deemed by Council to be essential to operating City government, including minimum levels of services mandated by the federal and state governments.

Externally-Funded Services: Services that are entirely funded by external sources, such as the federal or state government.

Preferred Services: Services that go beyond federal or state mandates or explicit service level standards for Core Services.

Once services have been classified in this manner, Council would focus its service portfolio decision-making process on the Preferred Services category.

CRITERIA FOR EVALUATION OF PREFERRED SERVICES

BFAAC suggests that the working group consider the concept of using business cases as a way of evaluating preferred services and making funding decisions. When Council meets to review the service portfolio, City staff, department heads and/or other interested parties in the community (to be determined by the working group) would present a business case for each “preferred” service. The business case could include the following information:

- Demand for the service;
- Extent to which the service caters to citizens vis-à-vis non-citizens;
- Effectiveness of the service;
- Cost of the service to the City;

Availability of the service from other providers in the community or region (public or private); Cost and quality of service offered by other providers; and Extent to which service delivery is governed by grants, statutes or regulations.

Based on the strength of the case, Council would make its funding decision.

The link between the business case review and the funding decision will clearly be the most complex component of the framework. As a result, this should be designed carefully by the working group once agreement has been reached on its other foundational elements.

CAPITAL EXPENDITURES AND PROJECTIONS

OVERVIEW OF CAPITAL IMPROVEMENT PROGRAM

Total proposed funding for the FY 2000-2005 Capital Improvement Program (CIP) is \$118 million, \$19.4 million less than the funding provided for the FY 1999-2004 CIP. The entire decrease, however, is attributable to the fact that FY 1999 funding (which does not appear in this year's proposed budget) was \$53.1 million, while proposed FY 2005 funding (which did not appear in last year's CIP budget) is only \$14.6 million. Moreover, the decrease in total funding obscures the fact that in each of the four fiscal years covered by both budgets, i.e., FYs 2000-2004, the amounts proposed in this year's budget exceed, by a total of \$19.1 million, the amounts approved in last year's budget. In other words, if the amounts budgeted in last year's CIP for FYs 2000-2004 had remained unchanged in this year's budget, the proposed CIP funding would be \$98.9 million rather than \$118.0 million.

	1999	2000	2001	2002	2003	2004	2005	Total
FY 1999-2004 CIP	\$53.1	\$24.3	\$16.8	\$15.1	\$13.6	\$14.5	—	\$137.4
FY 2000-2005 CIP	—	\$30.5	\$21.7	\$18.9	\$15.3	\$17.0	\$14.6	\$118.0
Change	(\$53.1)	\$6.2	\$4.9	\$3.8	\$1.7	\$2.5	\$14.6	\$19.4

Among the project funding contributing to the \$6.2 million increase in FY 2000 are \$2.0 million for a new animal shelter in FY 2000 and \$5.8 million more for the Alexandria City Public Schools (ACPS). The \$5.8 million in additional funds for the ACPS is primarily attributable to funding for the completion of the new West End elementary school (this funding was not included in last year's CIP even though funding for the start of construction of the school was) and \$1 million for conversion of Burke Library into an alternative education center. The \$4.9 million increase for FY 2001 is largely attributable to \$3.7 million in additional funding for the ACPS and \$1 million more for the preservation and construction of public buildings such as the Stabler-Leadbeater Apothecary Museum (\$290,000) and the new animal shelter (\$400,000). The \$3.8 million increase for FY 2002 is largely attributable to increased proposed appropriations for the schools (\$2.3 million) and traffic improvement/rapid transit (\$1.5 million). The \$1.7 million and \$2.5 million increases for FYs 2003 and 2004, respectively, are largely attributable to proposed increases for traffic improvement/rapid transit projects.

Overall, the proposed FY 2000-2005 CIP would result in the following distribution of funds compared to last year's approved CIP:

\$ Millions

	FY 1999 -FY 2004		FY 2000-FY 2005	
	\$	%	\$	%
Schools	48.4	35.2	51.9	44.0
Libraries	10.3	7.5	0.1	0.1
Community Development	4.9	3.5	1.6	1.4
Rec. & Parks	5.3	3.9	4.9	4.2
Public Bldgs.	18.4	13.4	13.0	11.0
Correctional Facility	1.0	0.7	1.0	0.9
Public Safety	0.0	0.0	0.0	0.0
Traffic Imp./Rapid Trans.	15.8	11.5	20.4	17.3
Streets & Bridges	6.4	4.7	6.6	5.6
Storm Sewers	2.2	1.6	2.5	2.1
Sanitary Sewers	2.3	1.7	2.4	2.0
Refuse Disposal	0.0	0.0	0.0	0.0
Information Technology	21.9	15.9	13.2	11.2
<u>Other Education</u>	<u>0.5</u>	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>
TOTAL	137.4	100.0	118.0	100.0

BFAAC notes that, with the exception of funding for the proposed new sixth grade centers and expansion of the Minnie Howard ninth grade center, the CIP proposes full funding of the School Board's approved CIP. Included in the School Board's CIP is an annual allotment (\$400,000 each year during FYs 2000-2005) for the phased replacement of the fixtures, furnishings, and equipment at all school facilities.

Unfunded Capital Projects

There are several capital projects that are not funded or are only partially funded in the proposed CIP budget. These include:

The expansion of capacity at George Washington and F. C. Hammond middle schools and Minnie Howard Ninth Grade Center. The School Board proposes to build new sixth grade centers at George Washington and Hammond and to build additional classrooms at Minnie Howard. The School Board's approved FY 2000 - FY 2005 CIP estimates the cost of architectural and engineering expenses for the proposed sixth grade centers to be \$480,000 in FY 2000 and the cost of building the sixth grade centers to be \$8,680,000 in FY 2001 and \$8,200,000 in FY 2002. The School Board's approved CIP also estimates the cost of adding classrooms at Minnie Howard to be \$1,832,500 in FY 2003. The sixth grade centers and Minnie Howard expansion proposed by the School Board are in response to the Board's belief that the current building capacity available for ACPS's 6th to 9th grade students will become increasingly inadequate over the next several years as the number of students in those grades increases. Because the School

Board's proposal to address this situation is the most expensive unfunded capital project BFAAC is aware of, and because the perceived capacity shortage is projected to develop in the next two to three years, BFAAC addresses some of the middle school capacity issues at more length in the discussion following this overview. In particular, we summarize (1) the challenges posed by the new accreditation standards imposed by the State of Virginia, (2) the demographic projections that the two middle schools are likely to be over capacity in the early years of the next decade, (3) the reasons the Superintendent and the School Board believe the City's two middle schools are too large, and (4) some of the options examined by the School Board to address the 2nd and 3rd items.

The construction of a "West End" recreation center at Cameron Run. The CIP includes \$25,000 for planning and development of a multi-purpose multi-generational recreational facility in Ben Brenman Park. The actual cost of such a facility has not been established but Budget Memo No. 6 (March 30, 1999) suggests the cost is in the "millions" and BFAAC reported an estimate of \$6.5 - \$7.0 million last year based on information supplied by City staff.

Storm and sanitary sewer reconstruction and extensions. The City is investigating and plans to remove illegal and improper connections to the public sanitary sewer system that cause periodic overloading of the sewers in a number of areas in the City. As the City Manager notes in her April 5, 1999 memorandum to the Council on this subject, "[a]dditional investments in infrastructure upgrade may be necessary once we have defined the full scope of the problem." The City Manager anticipates that funding for this project may be addressed in the FY 2001 - FY 2006 CIP. City staff have not yet reached an estimate on the cost of these projects, but it is reasonable to estimate that it could run several million dollars.

Health Department facility. The CIP proposes that \$818,000 be allocated for the architectural and engineering work necessary to determine the most effective approach to renovation or relocation of the Health Department facility on St. Asaph Street. The City estimates that the full cost of renovating the facility may exceed \$6 million.

DASH bus facility and bus yard. The proposed CIP proposes no funding for a new DASH bus facility and bus yard. City staff have provided BFAAC with an estimate that this project may cost \$12 million.

Lloyd House renovations. After the historic collection currently stored in Lloyd House is moved to Barrett Library, the City plans to renovate the existing structure and to build an addition to the rear of the building. The estimated cost of the renovation and construction is \$1 million. The City hopes that most of the funding for this project will be provided by grants and private funding sources.

Information technology funding. Since the information technology projects have been consolidated in the budget, allocations for these projects have tended to be "front loaded" into the earlier years of the CIP. In addition, the allocations projected for a particular year have increased with each

new proposed CIP (i.e., the amount allocated for FY 2000 is more in this year's CIP than in last year's, just as the amount allocated for FY 1999 was more in last year's CIP than in the previous year's). BFAAC believes that this trend will continue given that the rapid changes in technology available make it difficult to predict needs and costs accurately in the "out years" of the CIP.

The Proposed CIP and the City's Debt-Related Financial Policies

In January Alexandria issued \$40 million in general obligation debt, the City's first debt issuance since 1994. The City also proposed to issue \$40 million in new general obligation bonds in each of 2001 and 2003.

Even though Alexandria will have quadrupled its outstanding debt by 2003, the City will remain well within the debt-related financial policies recommended by BFAAC in 1997 and adopted by the Council in December of that year.

Debt Service Indicators

Fiscal year	Debt as % of Fair Market Value of real estate	Debt Per Capita as % of Per capita income	Debt service as % of general government Expenses
Ceiling	1.6	3.25	10
Target	1.1	2.25	8
FY 2000	.5	1.0	2.4
FY 2001	.7	1.5	2.3
FY 2002	.6	1.3	3.2
FY 2003	.8	1.8	3.0
FY 2004	.7	1.6	3.5
FY 2005	.7	1.4	3.0

The one financial guideline that the City may run up against is that which measures unreserved general fund balance as a percentage of General Fund revenue. The guidelines set the target at 10 percent. However, the long-range forecasts contained in the budget project the unreserved fund balance to drop to 12.7% of General Fund revenues in FY 2000 and 9.0% in FY 2001. This is primarily due to the fact that the City intends to make appropriations of \$8.6 million in FY 2000 and \$9.7 million in FY 2001 from the fund balance for capital projects.

MEETING THE SCHOOL FACILITY NEEDS OF 6TH THROUGH 9TH GRADERS

BFAAC strongly urges the School Board and the City Council to reach a consensus on a solution to this problem for inclusion in next year's CIP. BFAAC takes no position for or against the particular solution that has been proposed by the School Board to solve the problems of capacity and manageability of the schools serving the 6th through 9th grades. We do not recommend any specific configuration, location, or cost of new school facilities to meet these needs. However, in order to meet the looming, upcoming capacity crisis at the middle school and ninth grade levels, a plan must be developed by this time next year that is acceptable to parents, the School Board, the City Council and the citizens of the City. We cannot afford to wait any longer than that to reach such a consensus without endangering the ability of the City to meet the challenges posed by state accreditation standards for students of these ages.

Background

The School Board's request for additional capacity for 6th through 9th graders in the Alexandria City Public Schools (ACPS), totaling \$21.3 million, is not included in the City Manager's proposed CIP budget. During the formulation of next year's CIP, the biggest unfunded request that will be facing the City will be whether to fund these items. BFAAC feels compelled to analyze and comment on this situation given the sheer impact these projects might have on the City's future CIP and the importance of this issue to the quality of public education and the future accreditation of our city's public schools.

The Board requested \$17,360,000 for 6th grade centers at both George Washington Middle School and Francis Hammond Middle School. The request was timed to begin construction in FY 2001 and finish in FY 2002. This schedule would open the centers in September of 2002. The School Board also requested \$3,940,000 for expanding the capacity of the Minnie Howard Ninth Grade Center. Work would begin in FY 2002 so that an expanded Minnie Howard would be ready for the school year beginning in September of 2003.

BFAAC has commented in its last three reports on the possibility of having to fund a new middle school. Three years ago, BFAAC noted that the proposed CIP did not include any funding for several new construction projects that are being considered by the School Board, including the possibility of a new middle school. After an extensive study of long range facility needs and eight "School House Meetings," a consultant to the School Board estimated that \$10 million to \$39 million might be needed to add capacity at these grade levels depending on the particular alternatives chosen.

Two years ago, BFAAC warned the City Council that it must recognize and begin planning for the fact that the demand for capital spending by the City would exceed the amounts contained in the CIP budget then proposed by the City Manager. Specifically, based on information from the consultant's report, BFAAC noted that possible future projects included a renovated/expanded or new middle school and ninth grade center to handle expected enrollment increases.

Last year the School Board requested \$12 million to build a new wing at T.C. William High School to accommodate ninth graders and to convert Minnie Howard to be a third middle school. The City Manager did not include sufficient funds in the CIP to meet this request and many other School Board capital project requests. BFAAC's report to City Council last year said, "BFAAC believes City staff and City Council, working with the School Board and its staff, should work out a plan to respond to a large number of these [unfunded capital] needs. This will not be easy. Future CIPs will continue to generate extremely difficult choices between a large number of competing capital needs." To the credit of all involved, many of the School Board's requests for other capital improvements are now recommended for approval by the City Manager. The West End elementary school will be completed. The Burke Library will be modified to provide a separate facility for alternative education. Extensive upkeep and modernization efforts will continue for school buildings with an average age approaching 50 years.

BFAAC noted last year, "Without additional funding for schools in future CIPs, it is unlikely that construction of a third middle school can begin before FY 2004. . . . Nevertheless, to meet system-wide capacity pressures, as well as for educational and school management reasons, a third middle school seems to be a high priority. This is one example of why a plan needs to be worked out to respond to a large number of unfunded capital needs."

Accreditation requirements have given a new sense of urgency to coming to an agreement on how to meet the facility needs of future 6th through 9th graders. Since BFAAC's report to Council last year on these issues, Virginia has issued Standards for Accrediting Public Schools based on Standards of Learning (SOL) tests. Schools will be provisionally accredited even if they fall under the 70 percent rate but show improvement each year over the previous year. Schools showing no improvement in the passing rate or dropping from the previous year will be accredited with warning. By the 2003/2004 school year, all schools must meet the 70 percent passing rate. Schools falling below 70 percent will be "Accredited with Warning." If schools fail to exceed the 70 percent passing rate for three consecutive years, through the 2006/2007 school year, they will have their accreditation denied. Middle school students will be assessed at the end of eighth grade to determine middle school accreditation.

The two middle schools, Hammond and George Washington, need to make significant improvements in the SOL test passing rates to achieve accreditation:

Percent of Middle School Students Passing the 1998 SOL Test

	<u>GW</u>	<u>Hammond</u>	<u>Division</u>	<u>State</u>
Grade 8 English	51.99%	55.12%	53.56%	65.99%
Grade 8 Math	60.59	56.82	58.93	58.01
Grade 8 Science	55.52	51.60	53.58	71.14
Grade 8 History	28.03	24.44	26.24	35.78

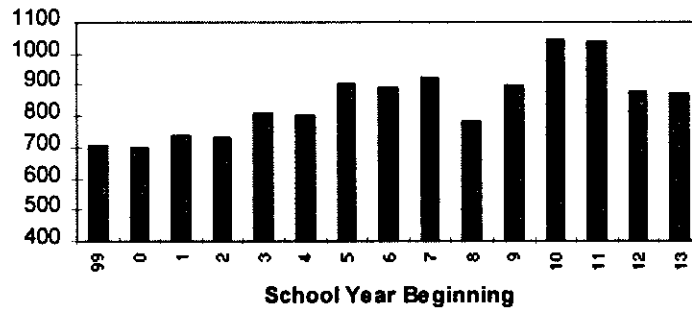
Each school must have 70 percent of its students pass each SOL test in each of these four core academic subjects.

This past year the School Board conducted an extensive examination of alternatives for meeting the capacity needs of future middle school students and ninth graders. The Board held public work sessions on October 29, 1998, November 11, 1998, January 20, 1999, and February 18, 1999. Two public hearings were also held to receive input from Alexandria citizens. Among the alternatives considered were (1) build two new 6th grade centers; (2) convert Minnie Howard to a middle school and construct a new 9th grade adjacent to T.C. Williams with shared common facilities (e.g., library, gymnasium, auditorium); (3) convert Minnie Howard to a middle school and construct a new stand-alone Ninth Grade Center at the T.C. Williams campus or at another location; (4) convert Minnie Howard to a middle school and construct an addition to T.C. Williams that houses both the 9th and 10th grades; (5) build a new 9th grade center on the campus of George Washington Middle School campus and convert Minnie Howard to a middle school; (6) return 6th graders to the elementary schools; (7) convert John Adams to a middle school and construct a new elementary school on the John Adams campus, on the campus of Hammond Middle School, or somewhere else in the West End.

Additional Capacity is Needed

Current forecasts predict that the 9th Grade Center at Minnie Howard will exceed its classroom capacity at the beginning of the 2003/2004 school year. Minnie Howard is considered to be a highly successful school that very effectively introduces ninth graders to the high school environment. One of the main reasons for its success is that the scale of the school (approximately 700 students and 70 teachers divided into six teams) is a manageable size. The overall capacity of Minnie Howard was listed at 782 students in the Long Range Planning Report issued by the Sverdrup Facilities Group a couple years ago. Current student population forecasts exceed this capacity for ninth grade beginning in 2003:

ACPS Forecast of 9th Grade Enrollment

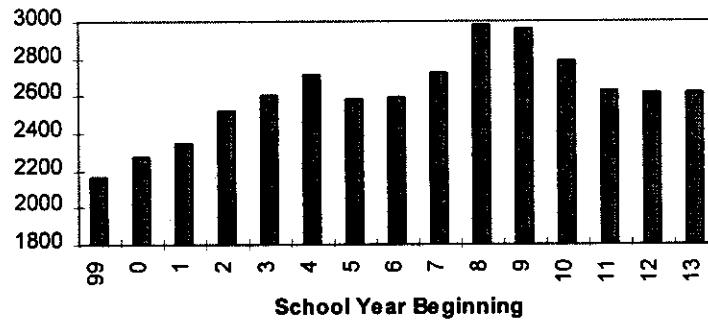


<u>School Year</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
enrollment	705	700	736	732	806	804	903	888	923

<u>School Year</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
enrollment	779	894	1,043	1,039	878	874

Even at current enrollment levels in the 700s, however, there are capacity problems at Minnie Howard. The common spaces are overcrowded. Three lunch periods are required to serve the entire student body. The first lunch period begins before 10:30 in the morning. School-wide assemblies are impossible because the auditorium can accommodate only about a third of the student body at one time. Hallways and stairways are exceedingly crowded during the time between classes making movement between classes and access to lockers difficult.

The middle schools are expected to exceed their capacity in the school year beginning in 2003, but they are currently considered to be significantly oversized to be manageable middle schools. The collective capacity of the two middle schools is 2,567 students. It is estimated that this capacity will be exceeded in 2003.

ACPS Forecast of Middle School Enrollment

<u>School Year</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
enrollment	2,168	2,275	2,344	2,516	2,599	2,715	2,586	2,593	2,725

<u>School Year</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
enrollment	2,982	2,955	2,785	2,625	2,619	2,617

Although the capacity of these two schools combined is exceeded after 2002, a more serious problem is that these schools are currently so large as to make management of them very difficult. According to literature cited by the School Board, the ideal size for a middle school from an educational standpoint would be 700 to 800 students. Current enrollment at George Washington is 1,007 and at Hammond 1,135 students. The principal's job at each of these schools is made difficult by the sheer size of the operation. Each principal has three assistant principals to supervise approximately 100 teachers, 40 other staff, and 1,000 + students. Four guidance counselors are expected to be familiar with the needs of more than 250 students each. The operating budget for each school is about \$8 million a year.

Currently, these schools have problems with crowding in their common areas. They each have three lunch periods to serve their student bodies. The hallways are overcrowded between classes.

Six hall monitors are on the staff in each school just to help maintain discipline and order. The auditoriums cannot hold the entire student body, so assemblies are held by grade level. The logistics of the arrival and departure of 1,000 plus students, most arriving by school bus, are formidable. Bathrooms and locker rooms are overused, suffer extreme wear and tear, and are difficult to maintain.

Enrollment in Alexandria Public Schools is unlikely to experience the sort of decline that occurred in the 1970s and 1980s. Building additional capacity now is not going to result in excess capacity later. Alexandria experienced a significant decline in the number of children during these two decades leading to a low in enrollment of about 9,200 in 1989. Since that time enrollment has been increasing for the last ten years and is now 20 percent larger than in 1989, an increase of about 1,800 students.

The reasons for the drop in public school enrollment during the 1970s and the 1980s are not present now. Significant demographic shifts occurred in Alexandria that *cannot* occur again because they have reached or are reaching their logical limits. By 1990 there were 15,000 fewer children than in 1970, a drop from 31 percent to 17 percent of the population. Thirty years ago half of Alexandria's homes had a child in them; now only 18 percent do. Alexandria is now at the extreme of the demographic spectrum. Ken Billingsley's presentation to Agenda Alexandria last October 19, 1999 pointed out these facts:

- Less than half of the households in Alexandria in the 1990 census had a family living in them - 45 percent to be exact. Only Manhattan and a small retirement community in Hawaii of 95 senior citizens have a smaller percentage of family units of 3,141 counties and independent cities in the United States.
- More than 40 percent of our housing units have only one person living in them, again ranking Alexandria third among 3,141 places in terms of the percentage of single person households. In 1960 only 12 percent of our households were composed of one person.
- Alexandria has one of the smallest average household sizes in the nation, about 2.04 people per housing unit.
- Alexandria also ranks fourth in the nation in having only 17 percent of its population between the ages of 0 to 25 years.

One of the reasons for this demographic shift was the conversion of several large apartment complexes to condominiums. Foxchase, Fairlington, and Parkfairfax were some of the larger apartment complexes that had large numbers of children before conversion. After conversion, however, the demographic composition of these units was largely single persons or couples without children. These conversions have now largely ceased and, except for some possible changes to public housing in the City, this reason for an exodus of children from Alexandria no longer exists.

Alexandria's school system enrollment also was affected by desegregation that occurred in the 1960s either by white flight to other suburbs or private schools. This phenomenon has largely

spent itself. Minority population in Alexandria at all ages has increased from 15 percent in 1970 to 40 percent in 1990. Today 3 out of 5 children in Alexandria are minorities. Nevertheless, system-wide enrollment in ACPS has been increasing since 1989. The minority population in the school system is now 77 percent--an increase from 66 percent in 1990. In absolute terms, the white population in the school system has more or less stabilized in the last ten years, while the minority population, particularly Hispanic, has been increasing. What is clear is that the past decline in school population due to white flight is not at all likely to repeat itself. The white population is now only 23 percent of the ACPS, and the prospect is for continuing increases in foreign born or children of foreign born minorities attending Alexandria public schools.

The growth in Hispanic youth in the schools has largely driven enrollment increases. In 1980 Hispanics constituted 1 of 20 youth; in 1990 they constituted 1 of 8 youth. Now Hispanics account for 23 percent of our school enrollment. There does not appear to be any lessening of the growth potential of this demographic group, considering continuing immigration trends. Billingsley quotes recent INS figures that show that 5,710 legal immigrants from more than 95 countries settled in Alexandria over the five year period from 1992 to 1996.

Accreditation deadlines and overcapacity problems will hit at approximately the same time, multiplying the current difficulties faced by administrators, teachers, and students in these oversized schools. All three schools, Minnie Howard, George Washington, and Francis Hammond, will officially exceed their classroom capacity at about the same time that accreditation standards take effect for real. There will be a need for expanded capacity at the 9th Grade Center. At our middle schools we expect future classroom capacity problems, although we already need to create more manageably-sized schools.

The earlier a consensus can be reached on a schedule for adding capacity for these schools, the more planning for such change can proceed at a measured and deliberate pace. An orderly, careful, and deliberate planning process is needed to expand capacity without interfering with the educational tasks that must be performed to prepare our students to pass the SOL tests. The combination of a change in State standards and demographic pressures calls for the City Council and the School Board to come to agreement as soon as possible on how to handle these two challenges. To fail to reach a consensus next year will postpone these improvements in the middle school facilities until the accreditation pressures on these schools will be very severe. Adding the problems presented by overcrowding--or extensive construction/renovation projects--to the pressures to achieve accreditation standards would not be wise.

To reach a consensus on how to meet these twin challenges will require the School Board to settle on an affordable solution that has wide community support. For its part, the City Council will need to find a source of funding to meet these needs, for no matter what solution the School Board develops, it will cost many millions of dollars.

Long Range Budget Forecasts and Funding Options for Meeting Additional Capital Needs

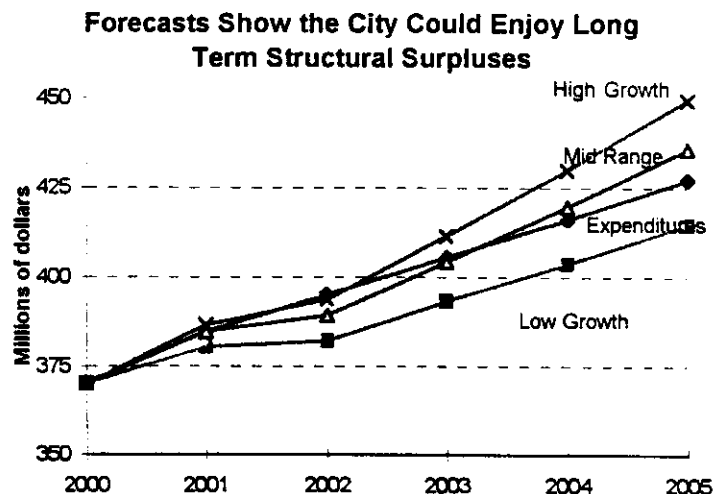
Compared to one year ago, the City's long term fiscal outlook has improved significantly. Indeed, it appears that the City could enjoy long term structural surpluses if tax revenues continue to grow at a reasonable rate and spending growth is managed at prudent levels.

Furthermore, short term surpluses may be possible if (1) the economy stays healthy and (2) the City carefully manages its operating and capital expenditures. Creating short term surpluses would be a prudent measure given the likely costs of meeting the demands for additional capital spending, particularly the demands being placed on Alexandria's schools serving 6th through 9th graders. **Therefore, BFAAC recommends that the City Council establish a policy of accumulating any future surpluses from operating budgets as reserves and designating those reserves for cash capital contributions to the extent necessary to fund future CIP budgets.**

Beginning in fiscal year 2003, the City Council also may have available to it current revenues to fund an expanded CIP if the real property tax base grows faster than personnel expenditures. Other options may be available to meet potential additional capital needs either through deferring capital projects contained in the CIP proposed by the City Manager, or by going to the capital markets for additional borrowing.

The Forecast Overview

City staff conducted three different forecast scenarios of the budget outlook for fiscal years 2000 through 2005. In each of these scenarios, spending is held constant at current policy levels, but revenues change based upon different sets of assumptions. The chart below displays these three revenue scenarios compared to the spending outlook.



The low growth scenario shows the worst case effects of flat real property tax assessments on existing properties producing large deficits both in the near and long term. However, both the mid range and high growth scenarios paint a picture of long term structural surpluses beginning in 2004. Given the recent growth trends in the economy, the mid range and high growth scenarios appear to be more reasonable assumptions of the budget outlook.

If the economy grows in fiscal year 2000 at roughly the same rate as fiscal year 1999, the long range forecast conducted for next year's budget likely will project surpluses in all three scenarios. It is for this reason that **BFAAC believes that the City could enjoy long term structural surpluses if tax revenues continue to grow at a reasonable rate and spending growth is managed at prudent levels.**

Forecast Assumptions in the City Manager's Proposed Budget

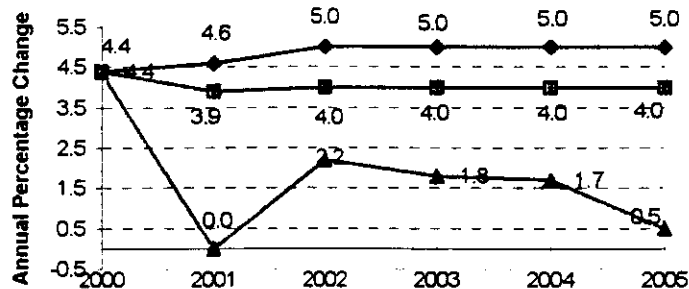
Spending Assumptions: Staffing levels are held constant through 2005. For both city and school personnel, a 4.6 percent pay increase is assumed in 2001 and 3.5 percent increases are assumed from 2002 through 2005. Non-personnel expenditures are assumed to increase by 1.5 percent in 2001 and by 1 percent per year from 2002 through 2005.

Revenue Assumptions: All assumptions assume (1) no change in taxing authority, (2) continuation of current property tax and other tax rates, and (3) enactment of the proposed admission fees, user charges and transient lodging tax. The biggest difference in each of the scenarios is the assumption of what will happen to the real property tax base and the appreciation of existing properties.

- **Low Growth Assumption:** The City's real property tax base grows slightly through 2005--reflecting new growth in the pipeline--but assumes no appreciation in existing properties.
- **Mid Range Growth Assumption:** The real property tax base will experience growth due to new residential and commercial construction in the pipeline and the existing tax base will appreciate between 1.8 and 3.0 percent per year.
- **High Growth Assumption:** The real property tax base will experience growth due to new residential and commercial construction in the pipeline and the existing tax base will appreciate between 2.8 and 4.0 percent per year.

Notice that the fiscal year 2000 rate of growth is projected to be 4.4 percent. BFAAC believes that overall real property tax base growth rates of between 4 percent and 5 percent are reasonable to expect. It is not likely that we will have no growth at all in the value of existing properties as is assumed in the low growth scenario. The graph on the next page depicts these differential growth rates in real property taxes:

Real Property Tax Rates of Growth

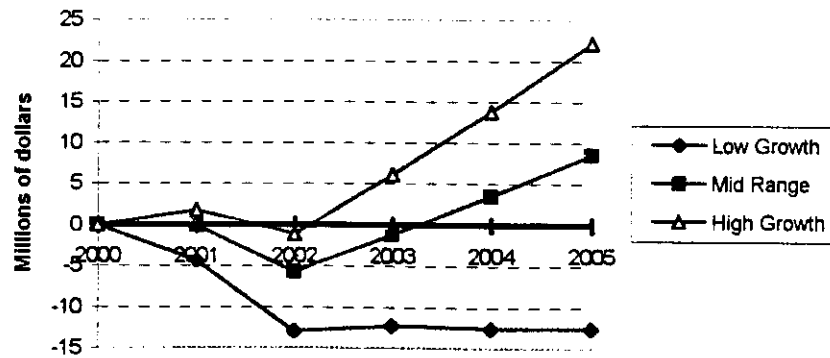


Fiscal Year 2002 Dip in the Budget Forecast Scenarios

While the long term budget outlook is strong, two related events must be managed carefully to keep the budget in balance in the short term: the draw down of the fund balance to cover cash capital contributions and the resulting increased demand on general revenues to fund cash capital expenses. In fiscal year 2000, cash capital contributions are proposed to total roughly \$16 million, with about \$8.6 million of this covered by fund balance (prior year revenues) and the remainder paid for with current revenues. In fiscal year 2001, cash capital contributions are expected to total roughly \$12 million, with \$9.7 million of this amount covered by fund balance. In fiscal year 2002 and beyond, cash capital contributions would average roughly \$8 million with none of that covered by fund balance--all of it covered from current revenues.

As the chart below shows, every forecast scenario suffers a significant dip in fiscal year 2002 when moneys from the fund balance, under current estimates, are exhausted to pay cash capital contributions to the CIP. Fund balance is no longer available after fiscal year 2002 due to the four percent floor established by the City's debt policy guidelines for undesignated reserves. In other words, after fiscal year 2001, no more cash capital contributions could be made from prior year revenues. All cash capital contributions would have to be made out of current revenues. And, each scenario shows that general revenues will be insufficient to meet all operating, debt service and cash capital needs in fiscal year 2002, thus resulting in a dip in the deficit that year.

Forecast Scenarios of Budget Surpluses or Deficits

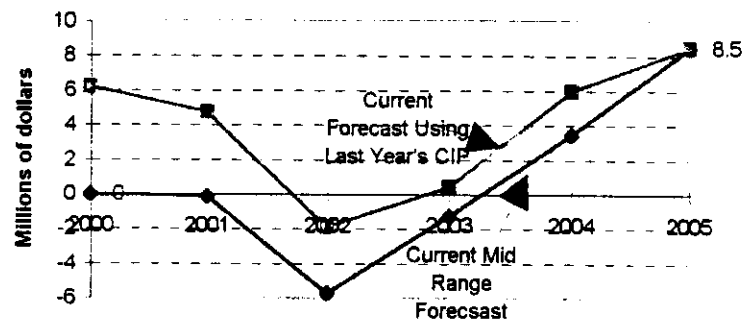


Increased CIP Expenditures Partly Responsible for Forecast Deficits

As we discuss elsewhere in our report, the amounts budgeted for CIP expenditures for fiscal years 2000 to 2004 are a total of \$19.1 million higher than last year's approved CIP for the same years. These higher CIP costs have a significant effect on the budget outlook.

For example, the chart below displays the impact of these new CIP costs on the mid range budget forecast. The bottom line on the chart is the current mid range forecast. The top line is the same forecast except that it assumes last year's CIP expenditures instead of the higher ones proposed in this year's CIP. It's clear that without these higher CIP costs, the budget would enjoy near term surpluses, most of them significant, except for a small deficit in fiscal year 2002.

Increased CIP Expenditures Partly Responsible for Short Term Deficits



Funding Options for Meeting Additional Capital Needs

The largest capital expense not included in this year's CIP is the potential cost of expanding Alexandria's schools to meet the rising number of 6th through 9th grade students. As detailed elsewhere in our report, there are considerable other potential capital needs that are not included in the City Manager's proposed CIP. We have recommended specifically that next year's CIP include a solution to the school capacity problem. Next year's CIP also will have to begin addressing some of the other unfunded capital needs as well.

In spite of the pressures an expanded CIP is exerting on the operating budget, there are options for meeting additional capital needs. BFAAC offers three types of solutions for consideration:

- Deferring low priority projects included in this year's proposed CIP--Low priority projects could be slipped to later years in the schedule to smooth out the demands for current revenues. Low priority projects could be included in the CIP only by means of small "placeholders" in the last year of the plan or omitted entirely from the CIP.

- Going to the capital markets for additional borrowing--The City's ability to go to the capital markets for additional borrowing is constrained conceptually by its debt related financial policy guidelines. BFAAC also recognizes that the City Council would be reluctant to go to the capital markets for additional borrowing if the City's double triple A bond rating might be endangered, although the risk of such a downgrading is not known at this time.
- Providing additional cash capital contributions--The outlook for future operating budgets is not as negative this year as it was last year at this time. Potential surpluses could arise in fiscal years 1999 through 2001 if the economy stays healthy and the city carefully manages its expenditures. Current revenues might be available in later fiscal years if tax revenues continue to grow at a reasonable rate and spending growth is managed at prudent levels. We recognize that fiscal year 2002 in particular appears to present a financial challenge given current long range forecast assumptions and the proposed CIP. Nevertheless, we believe that over the longer term significant surpluses appear to be a reasonable possibility from fiscal year 2003 through fiscal year 2005.

Therefore, BFAAC recommends that the City Council establish a policy of accumulating any future surpluses from operating budgets as reserves and designating those reserves for cash capital contributions to the extent necessary to fund future CIP budgets. Such designations would occur only after the surpluses had been realized. They can be made either during the regular budget cycle or after the fiscal year books are closed and the Comprehensive Annual Financial Report (CAFR) is approved by the City Council. Beyond fiscal year 2002, the City Council may also may have available to it current revenues to fund an expanded CIP.