

Budget and Fiscal Affairs Advisory Committee

Report on the City Manager's Proposed Budget for Fiscal Year 2019

City of Alexandria, Virginia

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MESSAGE FROM THE BFAAC CHAIRMAN

Mayor Silberberg and Members of Council,

It is our pleasure to provide BFAAC's report on the City Manager's proposed budget for FY 2019. While there are a number of major issues facing City Council, this report focuses on the need to diversify and increase revenue, as well improve the budget process.

Overall, BFAAC commends the City Manager for delivering a budget that ensures a consistent level of service, while minimizing additional tax and fee burden on the City's residents. While BFAAC supports efforts to continue to scrutinize the operating budget to find efficiencies, there is clearly a limit to how much can be tightened within departments before the quality of services is diminished. In our report, BFAAC reiterates the need to focus on growing the City's revenue base. BFAAC again recommends developing a revenue master plan to set concrete revenue goals and identify actionable strategies to grow the City's revenue base, particularly on the commercial side.

Our report also looks at key process issues, including reforming the budget process and timeline to decouple the consideration of the operations budget, which represents annual needs, from the capital improvement budget, which represents long-term needs. The following are our key recommendations, which are outlined in more detail in the report:

Revenue Recommendations

- The projected gap between revenue and expenses continues to widen. BFAAC reiterates its prior recommendation to establish a Revenue Master Plan, integrated within the five-year financial plan, to better predict and find sources to fund the forecasted operating deficits.
- BFAAC urges Council to provide AEDP with the resources to accomplish its mission; accelerate its research and analysis of desirability factors for attracting and maintaining businesses; and implement policies to reverse the decline in the commercial contribution to the tax base.
- BFAAC recommends reviewing land-use policies and development requirements to enhance the attractiveness of Alexandria as a location for new development.
- In the context of a Revenue Master Plan, BFAAC recommends taking a broad and strategic view of new revenue options, including property tax increases, user fees, local taxes, and revenue derived from leveraging the City's real property assets.
- BFAAC urges Council to rigorously advocate at the state level to improve reimbursements, expand local taxing opportunities, fund transportation projects, and contribute to the Combined Sewer Outfall (CSO) mitigation project.

- BFAAC urges the Council to consider the appointment of an experienced, central coordinator of the City’s efforts to increase federal, state, and not-for-profit funding.

Process Recommendations

- BFAAC encourages Council to implement a new budget timeline as soon as feasible, possibly beginning in FY 2020, that would decouple consideration of the operating from the CIP budget.
- BFAAC applauds Council and ACPS for more closely coordinating their respective budgets for FY 2019.
- BFAAC encourages Council to ensure any changes to the budget timeline, including decoupling consideration of the operating and CIP budgets, is closely coordinated with ACPS.
- BFAAC continues to urge Council to oppose set asides or automatic designations of revenue, except when used to fund state or federal matching fund requirements. Every dollar in the budget should be prioritized based on common criteria.
- BFAAC encourages Council to continue to leverage Alexandria’s unique appeal to maximize economic development while fully engaging the business community in delivering the capabilities visitors and residents require.
- BFAAC encourages Council to maximize City assets including capital, land, and expertise, continually evaluating return on investment and opportunity cost of each asset.

As an addendum to this report, attached please find three memos that BFAAC already sent council: (1) issues related to the budget guidance, (2) observations on the Ad Hoc Joint City-Schools Facility Investment Task Force (“Task Force”) initial report, (3) joint memo with ACPS Budget Advisory Committee on budget process recommendations, and (4) observations on the review of the cumulative impact of budget decisions since the 2008 recession.

In the coming months, BFAAC will focus its work on three additional areas: (1) implementation of the Task Force recommendations; (2) review of the City’s employee compensation policies for public safety and general service employees; and (3) analysis of the City’s affordable housing policy and goals.

- **Ad Hoc Joint City-Schools Facility Investment Task Force** – BFAAC continues to work with the ACPS Budget Advisory Committee (BAC) to monitor the implementation of the recommendations of the Task Force. Although BFAAC is not in a position to implement the work of the Task Force or analyze specific CIP funding decisions, BFAAC recognizes we have a role in promoting coordination and improvement of the CIP process. Representatives of BFAAC and BAC recently met to review the final report of the Task Force and will issue a joint memo to Council and the School Board in the coming weeks.

- **Employee compensation** – Historically, BFAAC has encouraged the City to adhere to its long-standing compensation philosophy (*i.e.*, remaining competitive relative to other jurisdictions) to stabilize the City’s recruitment and retention rates. BFAAC is not yet able to determine if competitiveness in employee compensation, particularly for public safety employees, decreased from previous years because we have not analyzed regional pay rates. City staff informs us that employee compensation is currently being reviewed and discussed by City Council and the Public Safety Employee Compensation Work Group. BFAAC will follow these discussions and undertake a review of employee compensation issues, for both public safety and general schedule employees, in the coming months.
- **Affordable housing** – BFAAC notes that between 2000 and 2017, the number of market-affordable housing units in the City declined by 90 percent – from 18,000 to less than 1,800.¹ BFAAC urges Council to develop a strategy for long-term support for affordable housing as part of the City budget process. In the coming months, BFAAC plans to undertake a detailed review of the City’s affordable housing policy and initiatives and will issue comments for Council in future reports.

I would like to personally thank the members of BFAAC for their work on this report. We hope Council will carefully consider our recommendations and we look forward to discussing these and other issues at our upcoming budget work session with Council.

Sincerely,



Benjamin Klein
Chair, Budget and Fiscal Affairs Advisory Committee

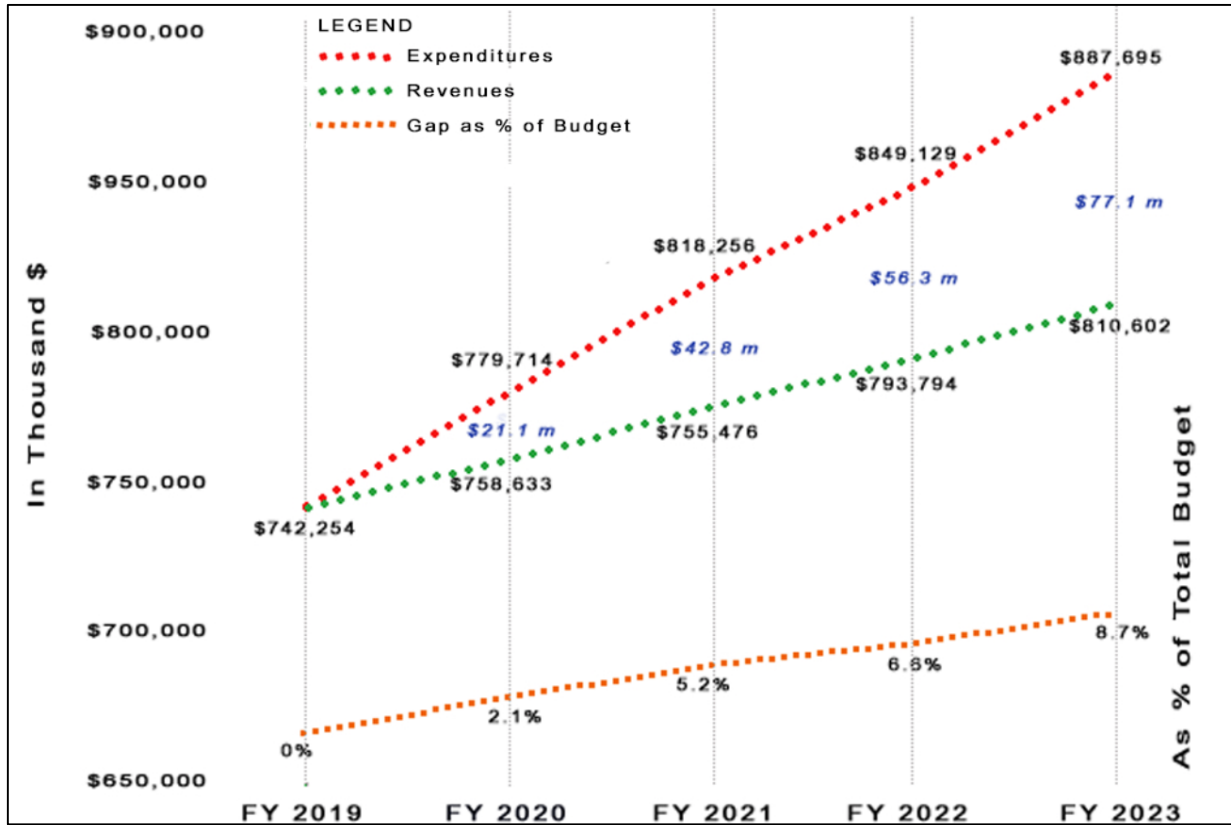
¹ Market Affordable 2017 Update;
https://www.alexandriava.gov/uploadedFiles/housing/info/2017MarketAffordableReport_UpdatedJune2017.pdf.

REVENUE RECOMMENDATIONS

Revenue Master Plan

For more than ten years, BFACC has emphasized the importance of developing a revenue planning strategy that tracks with the projected expenses for the City. As Chart I indicates, projected expenses will continue to outpace revenue, with a total cumulative gap reaching \$71 million by FY 2023.² While BFAAC understands that the gap must be reconciled each fiscal year, an approximately \$20 million year-over-year shortfall is not projected to diminish. Council will be relying on spending reductions or property tax rate increases as the primary tools to balance the budget. While continuing to scrutinize the operating budget to find efficiencies is essential, there is clearly a limit to how much can be tightened within departments before the quality of services is affected.

CHART I: Revenue-Expenditure Gap



BFAAC commends the City for implementing a five-year financial planning model to better track fiscal trends and the effect of proposed policy decisions. With the five-year financial planning

² Five-Year Financial Planning Model Updated, City of Alexandria.
[https://www.alexandriava.gov/uploadedFiles/budget/Five%20Year%20Financial%20Plan%20\(Version%201\).pdf](https://www.alexandriava.gov/uploadedFiles/budget/Five%20Year%20Financial%20Plan%20(Version%201).pdf)

model in place, BFAAC continues to advocate for the integration of a revenue forecasting and planning component – a Revenue Master Plan (RMP) – that BFAAC has recommended in prior reports, most recently in our FY 2017 memos.³ If implemented, an RMP can be a strategic budget planning tool that takes a broad and creative look at sources of revenue, always focusing on the principle that revenue is a tool for achieving the outcomes desired by the City. When combined with actionable strategies and metrics to evaluate results, the RMP can potentially have the same impact on revenue as the Task Force can have on expenses related to the CIP.

BFAAC recognizes there is no single answer to increasing revenue, and the difference between achieving a better balance between expenses and revenue is often marginal. Employing the RMP discipline can help close the revenue gap and identify, evaluate, and select appropriate options to target the projected spending needs in the five-year financial plan. To be effective, the RMP must consider many options and have the flexibility to adapt to changing economic conditions.

OBSERVATIONS AND RECOMMENDATIONS

- **The projected gap between revenue and expenses continues to widen. BFAAC reiterates its prior recommendation to establish a Revenue Master Plan, integrated within the five-year financial plan, to better predict and find sources to fund the forecasted operating deficits.**

Diversifying the Tax Base

The traditional approaches to generating revenue should be reexamined for relevancy in light of the “new normal” economy that has emerged over the past 10 years. While the Washington Region is rebounding from the 2007 economic downturn, which was exacerbated by Sequestration, our 2.1 percent current estimated GRP growth is below the national GDP growth rate of 2.3 percent. A sharp reduction in government spending in the region in recent years impacted Alexandria, as well. In 2008, Department of Defense procurement spending accounted for 52.0 percent of federal procurement spending in the Washington region. By 2016, it had decreased to 38.7 percent.⁴ Consequently, the growth in local revenue among Virginia jurisdictions has fallen from as high as 8 percent in FY 2007, to an average rate hovering around 1.5 percent in FY 2018.⁵ Even if federal spending in the region recovers, BFAAC remains concerned about relying on federal spending to grow our economy and tax base. BFAAC has historically commented and notes again this year that the share of commercial real property tax revenues continues to shrink, especially when multi-family residential is included in the residential versus commercial revenue totals (see below charts for CY 2018). BFAAC has consistently advocated for policies to grow the City’s commercial revenue base.

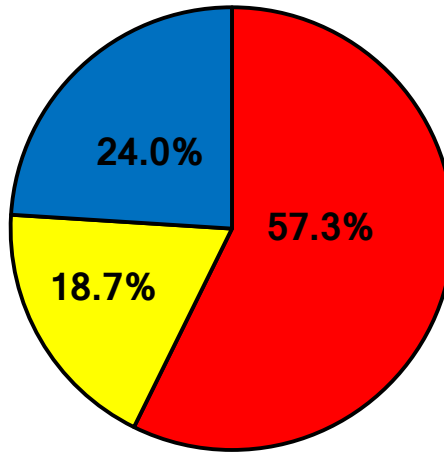
³ *Report on the City Manager’s Proposed Budget for Fiscal Year 2017*, City of Alexandria Budget and Fiscal Affairs Advisory Committee.

<https://www.alexandriava.gov/uploadedFiles/budget/info/BFAAC/Budget%20Memo%202016.pdf>

⁴ *Federal Procurement Spending in the Washington Region*; The Stephen S. Fuller Institute for Research on the Washington Region’s Economic Future, 2008-2016; at 2.

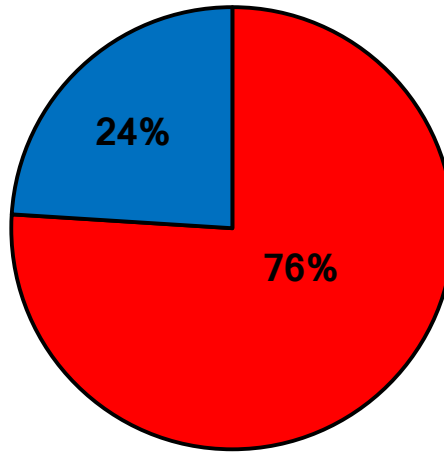
⁵ *Survey Responses to Virginia Auditor of Public Accounts*; Virginia Auditor of Public Accounts; FY 2007, FY, 2016, and FY 2018.

CHART II: Percentage of Real Estate Assessments by Property Type



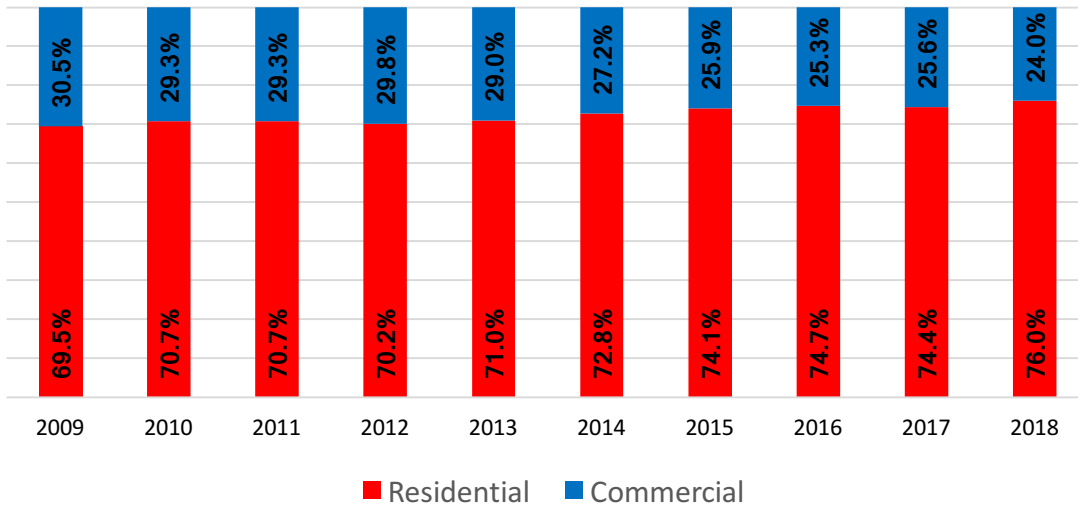
■ Residential ■ Multi-family ■ Commercial

CHART III: Percentage of Real Estate Assessments by Property Type with Multi-Family Counted as Residential Property



■ Residential ■ Commercial

CHART IV: Percentage of Real Estate Assessment by Property Type with Multi-Family Counted as Residential Property by Year



Maintaining and possibly improving our commercial market sector requires an ongoing evaluation of all of the factors and data contributing to attracting and retaining businesses. BFAAC observes that the Alexandria Economic Development Partnership (AEDP) has already done research and provided important insights into this problem. With additional support and cooperation and a mandate to lead and coordinate efforts among such entities as the Chamber of Commerce and local business associations, AEDP could become more effective in providing Council with data-based strategies and policy recommendations to grow commercial development.

Complementing the efforts of AEDP, the City should carefully review land-use policies that can optimize our diminishing developable resources and make the commercial entitlement and permitting process faster and more predictable.

OBSERVATIONS AND RECOMMENDATIONS

- **BFAAC urges Council to provide AEDP with the resources to accomplish its mission; accelerate its research and analysis of desirability factors for attracting and maintaining businesses; and implement policies to reverse the decline in the commercial contribution to the tax base.**
- **BFAAC recommends reviewing land-use policies and development requirements to enhance the attractiveness of Alexandria as a location for new development.**

Sources of Revenue

Revenue from real property represents 60.3 percent of total forecast FY 2019 revenue. Property tax revenue changes by either increases in the assessed value or the property tax rate. A change in property tax rate has the most immediate effect on the City’s revenue. The proposed FY 2019 property tax rates for Alexandria are below Prince William and Fairfax counties and higher than

Loudoun county. Arlington county has a lower rate for residential and a higher rate for commercial. Of these jurisdictions, Alexandria is the smallest in both land area and population, yet provides the same level of services as our neighbors without the benefit of their economy of scale.

BFAAC commends the City for implementing user fees related to storm water and sewer utilities to offset the spending needed for infrastructure improvements. Fees related to services such as recreation facilities, parking meters, ambulance use, refuse, etc., can also help offset expenses. Other revenue areas requiring review include taxes for business licenses, food, lodging, vehicle licenses, utility tax, and recordation tax. BFAAC compliments the City for implementing a system to collect lodging taxes from home-sharing operator Airbnb. BFAAC also notes there may be other opportunities to derive revenue from new “disruptive” technologies, such as car-sharing companies, businesses that occupy office-sharing facilities, blockchain enterprises, and other internet-based businesses, and encourages City staff to investigate these as additional potential revenue sources. Finally, BFAAC commends Council for leveraging third-party collection resources to maximize fee and tax collection in targeted areas and urges Council to consider expanding this effort, with adequate accommodation for residents’ ability to pay.

BFAAC applauds the staff for developing a compendium of all fees and charges assessed by the City and urges Council to conduct an evaluation of how these may be indexed moving forward to produce a more predictable revenue stream from these sources.⁶

In 2007, State HB 3202 enabled jurisdictions to enact a commercial add-on tax for transportation infrastructure needs. BFACC supported adopting this tax in its FY 2008 and FY 2010 reports. After rigorous public debate, Council decided against adopting this tax. While revenue from such a tax would not directly provide capital for the City’s operating expenses, it could eliminate some transportation-related expenses from the operating budget to fund other needs. In the context of our current budget environment it may be appropriate to reconsider using this revenue vehicle in a limited manner, although the cumulative effect of all fees and taxes on our retail and commercial businesses should be carefully analyzed to avoid creating an unfriendly tax environment for businesses.

Additional revenue may be derived through leveraging existing resources and real property. BFAAC encourages the City to complete its inventory and condition assessment of real property. We are hopeful these data will be combined with similar data prepared by Alexandria City Public Schools (ACPS) and lead to efficiencies in procurement, maintenance, and space utilization. Further, we encourage Council to have an open and fact-based conversation about the best and highest use of assets such as the Torpedo Factory and City Hall.

OBSERVATIONS AND RECOMMENDATIONS

- **In the context of a Revenue Master Plan, BFAAC recommends taking a broad and strategic view of new revenue options, including property tax increases, user fees, local taxes, and revenue derived from leveraging the City’s real property assets.**

⁶ *Report on the City Manager’s Proposed FY 2008 Budget*; Budget and Fiscal Affairs Advisory Committee; at 5 and 33.

State, Federal, and Other Revenue Sources

The proposed FY 2019 budget indicates general fund revenue includes a total contribution of 6.4 percent from the State. The proposed State Budget also contains \$154 million for Metro that may help to defer requests by WMATA for additional contributions in the future. A sustainable Metro funding plan is essential for stabilizing and predicting the City's budget moving forward.

If enabled by the State, there are other sources of revenue that can benefit the City, such as an internet sales tax, assuming a case pending in the Supreme Court creates a favorable precedent for such a tax.⁷ BFAAC encourages the City to pursue all avenues and means to expand State-enabled local options for revenue and increase reimbursements for state employees, transportation related programs, public safety, education, and health services. State funding for transportation projects can also unburden our need to use cash that could be re-allocated to closing the budget gap or invested in Capital Improvement Projects. BFAAC suggests the Legislative Agenda should prioritize strategies to find support for and promote increased funding for local needs.

Obtaining a contribution from the State for our Combined Sewer Outfall (CSO) remediation is as essential as it is fair. Although funding may not be forthcoming in the budget this year, this should be a priority of the City's Legislative Agenda until funding is forthcoming.

Potential additional Federal sources of revenue should not be ignored. Federal agencies were recently appropriated at historic levels. The City should aggressively pursue grant, loan, and other funding from programs that share important outcomes with the City. For instance, the City should consider leveraging relationships with the Alexandria and Virginia Congressional delegation to advocate for greater infrastructure investment in the City. The City should likewise seek grant funding to supplement its own programs aimed at important outcomes such as opioid addiction reduction, improved academic achievement, crime reduction, etc.

Foundations and other not-for-profits are increasingly investing in local efforts to address important issues. For example, Lumina Foundation makes grants to cities that attract, retain, and cultivate talent through their Talent Hubs initiative;⁸ the Walton Family Foundation invests in cities where conditions support system-wide educational improvement;⁹ the Kresge Foundation invests in meaningful improvement in communities to advance opportunity for people with low incomes;¹⁰ and the MacArthur Foundation has done social impact investing in Chicago and other cities.¹¹ Alexandria should continue to pursue and prioritize grantmaking by mission-driven philanthropic foundations as a potential source of revenue. A coordinator of City efforts to increase federal, state, and not-for-profit funding in Alexandria would strengthen collaboration across City departments in the pursuit of these additional investments. This may be an appropriate function for the new position in the Manager's office focused on public private partnerships.

⁷ *South Dakota v. Wayfair, Inc.*, No. 2017 S.D. 56, 2017 WL 4051554 (S.D. September 13, 2017)

⁸ <https://www.luminafoundation.org/news-and-views/lumina-foundation-designates-17-cities-as-talent-hubs>

⁹ <https://www.waltonfamilyfoundation.org/our-impact/k12-education/investing-in-cities>

¹⁰ <https://kresge.org/programs/american-cities-practice>

¹¹ <https://www.citylab.com/equity/2017/06/the-comeback-investment-in-cities/528963/>

OBSERVATIONS AND RECOMMENDATIONS

- **BFAAC urges Council to rigorously advocate at the state level to improve reimbursements, expand local taxing opportunities, fund transportation projects, and contribute to the CSO mitigation project.**
- **BFAAC urges the Council to consider the appointment of an experienced, central coordinator of the City’s efforts to increase federal, state, and not-for-profit funding.**

BUDGET PROCESS AND POLICY RECOMMENDATIONS

Budget Consideration Timeline

BFAAC encourages Council to reexamine the budget process and timeline. BFAAC is concerned that the current timeline is too short to fully consider the operating budget, which represents annual needs, and the capital improvement program (CIP) budget, which represents long-term needs. BFAAC expressed this concern in its FY 2019 budget guidance memo and supports the recommendation of the Task Force to decouple the operating and CIP budget consideration timelines. For example, Council could set the CIP budget in the fall and the operating budget in the spring. This approach would afford Council the ability to spend more time on each and ensure short-term operating needs do not overwhelm the discussion about long-term capital priorities. The current ten-week budget timeline does not allow for adequate consideration of the short- and long-term needs. Of the eleven City Council FY 2019 budget work sessions, only one was fully dedicated to the CIP.

BFAAC recognizes decoupling the operating and CIP budgets will significantly lengthen the budget cycle and may take away from other pressing issues coming before Council. BFAAC also recognizes a year-round budget timeline may create additional strain on limited staff resources and may make it more challenging to simultaneously implement the previous budget, consider the current budget, and plan for the future. Despite these challenges, BFAAC believes the benefits outweigh the challenges and encourages Council to consider a new budget timeline, possibly as soon as FY 2020. BFAAC recognizes it will take time to transition to a new budget timeline and encourages OMB staff to consider how best to move in that direction, considering staff resources, Council calendars, and coordination with ACPS.

Historically, BFAAC has urged Council and Alexandria City Public Schools (ACPS) to improve coordination and adopt a common budget timeline that would allow ACPS to approve its operating budget before the City Manager’s proposed budget is finalized. BFAAC also encouraged the City Manager to share the same guidance provided to City departments with ACPS. BFAAC commends the Council and ACPS for making significant strides to improve the process and encourages continued transparency and efforts to synchronize budget calendars in future years. The FY 2019 Manager’s proposed budget matched the Superintendent’s proposal, as a result both staffs saved time and created a more productive budget cycle and add/delete process for both City and ACPS leaders. If Council adopts a new budget timeline for FY 2020 that decouples the operating and CIP budgets, additional coordination with ACPS will be required. Moving to a new budget timeline, though, offers additional opportunity to better align the City and ACPS process.

OBSERVATIONS AND RECOMMENDATIONS

- **BFAAC encourages Council to implement a new budget timeline as soon as feasible, possibly beginning in FY 2020, that would decouple consideration of the operating from the CIP budget.**
- **BFAAC applauds Council and ACPS for more closely coordinating their respective budgets for FY 2019.**
- **BFAAC encourages Council to ensure any changes to the budget timeline, including decoupling consideration of the operating and CIP budgets, is closely coordinated with ACPS.**

Revenue Set Asides

BFAAC supports the budget prioritization process and again cautions Council against dedicating revenue to specific purposes or projects. At the start of the FY 2019 budget process, the City Manager faced a budget gap of \$31.8 million between projected revenues and maintaining existing City and school services. To close the gap, City departments were instructed to prepare options for 2 percent reductions in spending or comparable fee increases. BFAAC is concerned, particularly in this budget climate, that any automatic designations of revenue outside the general fund and CIP budget processes runs counter to the transparency and flexibility Council is seeking to achieve. Under the Manager's proposed budget for FY 2019, \$0.006 of every \$1 of revenue is set aside for affordable housing. While BFAAC does not question whether affordable housing is a priority, BFAAC believes funding for affordable housing should be evaluated along with other spending using a common set of criteria. Again, this is not a statement about priorities – it is about process.

BFAAC recognizes however, that there may be times when set asides are acceptable. For instance, the Manager's budget includes a reservation of 2.2 cents on the real property tax rate for transportation. In this case, the set aside is used to fund a state match requirement. While BFAAC would prefer that every dollar in the budget is prioritized based on common criteria, BFAAC does not object to set asides that are required to leverage state or federal funding.

OBSERVATIONS AND RECOMMENDATIONS

- **BFAAC continues to urge Council to oppose set asides or automatic designations of revenue, except when used to fund state or federal matching fund requirements. Every dollar in the budget should be prioritized based on common criteria.**

Maximizing City Assets and Relationships

BFAAC supports the proposed budget's focus on economic development and encourages the City to follow the Joint Task Force's recommendation to develop a framework that encourages staff to pursue creative approaches and partnerships that maximize the value and impact of City assets. This may include engaging current business operators more fully in offering solutions for the City

even outside their business realm; seeking Public Private Partnership (P3s) arrangements early in areas identified for redevelopment planning; and funding specific projects such as the historic tall ship Providence. BFAAC believes Alexandria offers numerous opportunities for mutually beneficial arrangements to maximize our ability to serve the needs of our residents, while also highlighting the historic nature of our City. The new P3 position in the Manager's office should initiate a robust review of similar City efforts in Virginia (e.g., the City of Falls Church's adopted guidelines, a review of which the Task Force recommended) and offer coordination among all departments, including ongoing efforts at ACPS. BFAAC encourages Council to ensure parameters of engagement are consistent with the City's priorities.

BFAAC also encourages Council to ensure that Alexandria's existing resources are maximized in terms of delivering capabilities, attracting commerce, and, where appropriate, generating revenue. We echo the recommendations of the Task Force that the City avoid making assumptions based on what has been done, but to risk "asking the question" and then make fact-based decisions in keeping with the City's budget demands. Finally, BFAAC suggests Council encourage private entities to develop and expand marketing partnerships for the City's commercial corridors.

OBSERVATIONS AND RECOMMENDATIONS

- **BFAAC encourages Council to continue to leverage Alexandria's unique appeal to maximize economic development, while fully engaging the business community in delivering the capabilities visitors and residents require.**
- **BFAAC encourages Council to maximize City assets, including capital, land and expertise, continually evaluating return on investment and opportunity cost of each asset.**

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 1, 2017

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: MEMO #2 – RECOMMENDATIONS FOR FY 2019 BUDGET GUIDANCE

As Council develops its budget guidance for FY 2019, below please find observations and recommendations from BFAAC.

- **Focusing on Larger Policy Goals** – BFAAC reiterates its recommendation that guidance focus on achieving policy outcomes, rather than giving the City Manager specific instructions. BFAAC recommends, per our FY 2018 budget guidance memo, Council avoid giving specific instructions in areas such as: employee compensation, school division transfers, tax rates, number of full-time equivalents in specific departments, etc. and allow the City Manager to present Council a variety of options to meet strategic objectives identified in its guidance. BFAAC continues to recommend the development of outcome-based guidance supporting the Strategic Plan for FY 2019.
- **Setting a Five-Year Revenue Target** – BFAAC reiterates our recommendation for Council to set a five-year revenue goal and direct staff to develop an actionable plan with strategies to grow and diversify the City’s revenue base.
- **Examining the Budget Timeline** – BFAAC encourages Council, as part of this guidance or in the future, to ask staff to reexamine the current budget development timeline, taking into account recent changes as well as any recommendations made by the Ad Hoc Joint City-Schools Investment Task Force. BFAAC specifically urges Council to consider separating the consideration of the CIP, which represents long-term needs, from the operating budget, which represents annual needs. For example, Council could set the CIP budget in the fall and the operating budget in the spring. This approach may allow Council to spend more time on each area and would help ensure the short-term operating needs do not overwhelm the discussion about long-term capital needs. BFAAC also encourages Council to look at the overall budget timeline to allow for more deliberation, particularly at the start of the process. As Council considers changes to the budget timeline, the impact on staff resources, opportunities for public input, and opportunities to synchronize with the ACPS budget timeline should be evaluated.

- **Consider Cumulative Impact of Budget Cuts** – BFAAC encourages Council to direct the City Manager to take into account the cumulative and comparative impact of service changes since the great recession as the Manager evaluates priorities for FY 2019 against the strategic plan.

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 3, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: AD HOC JOINT CITY-SCHOOLS INVESTMENT TASK FORCE INITIAL REPORT

BFAAC appreciates this opportunity to offer comments on the initial report of the Ad Hoc Joint City-Schools Investment Task Force (Task Force). Recognizing that additional recommendations are due in early January, comments will be brief and limited to the broader aspects of the report.

General Observations: The Task Force clearly devoted significant effort to its task, carefully researching the projects on its docket and overall operations of the City. Members should also be recognized for providing candid opinions where appropriate, but recommending further study or “political” decisions on matters determined outside their purview. City and ACPS staff and elected officials also should be commended for helping the Task Force accomplish its goals within the tight timeframe, and for being completely open to its inquiries and opinions.

Joint Facilities Capital Improvement Plan (FCIP) – BFAAC supports the concept of a joint City/Schools FCIP focused on deliverables. While leaving response to the Task Forces’ proposed schedule to City and ACPS staff, BFAAC generally recommends a schedule synchronized with funding availability. While a long term FCIP is naturally a “living” plan that must accommodate uncontrollable changes in circumstances, allocations should be immune to discretionary changes to maximize certainty for project planning.

The Task Force also has noted support for separating the timelines for the operating budget and CIP, which BFAAC has recommended City and ACPS staff consider.

Best Value Approach – The Task Force emphasized an approach based on need, readiness and value to the City. This supports the City Manager’s adoption of “priority based budgeting,” which BFAAC believes will enhance our City’s budget management.

Master Planning – BFAAC supports a formalized joint planning process that evaluates the City’s growth potential and the impact of that growth on City services including schools, transportation, and health/safety.

At the same time, BFAAC supports the Task Force’s recommendation to implement a Joint Master Plan identifying all current facilities and properties, so that our assets can be evaluated on their ability to support “capabilities” identified by City and ACPS. Gap analysis performed after this inventory will illuminate future priorities – whether they be items in the current CIP but not recommended by the Task Force, or other needs that become apparent. BFAAC also supports the concept of budgeting funds for property acquisition for defined future projects, which would be identified after creation of the master plan. This also provides a basis for development of a long term revenue target, which BFAAC has recommended.

Education/School Capacity – BFAAC encourages Council to work with ACPS and the School Board to address education from a city-wide perspective. The Task Force suggested that while all agree increased capacity is needed, further discussion is required to optimize delivery, particularly with regard to Pre-K and High School. Questions including centralized locations vs multiple locations/formats, and role of partners impact all City residents, not just those with school age children. Council leadership in the discussion can facilitate broad community involvement in the solution.

Alexandria’s Strategic Plan sets numeric goals for increased access to Pre-K education and for increasing the on-time High School graduation rate. A strong public school system also supports other pillars of the Strategic Plan including Inclusive City, Vibrant Neighborhoods, and Strong Economy.

Ongoing Joint Planning – BFAAC supports the Task Force recommendation for a formalized joint planning process focused on capability of delivering programs or services. BFAAC restates our recommendation that the Task Force reconvene after one year to assess progress. While City and ACPS staff will be largely responsible for implementing adopted recommendations, BFAAC would also welcome the opportunity to monitor implementation and ongoing progress as a regular agenda item at our monthly meetings, and provide any feedback Council requires going forward.

BFAAC looks forward to further opinions from the Task Force on alternative funding and delivery methods; partnerships; and process improvements.

CC: Mark Jinks, City Manager
Dr. Lois Berlin, Interim Superintendent
Lynn Hampton, Ad-Hoc Joint City-Schools Facility Investment Task Force
Elliot Branch, Ad-Hoc Joint City-Schools Facility Investment Task Force
Micheline Castan-Smith, Ad-Hoc Joint City-Schools Facility Investment Task Force
Marshall Cook, Ad-Hoc Joint City-Schools Facility Investment Task Force
Dwight Dunton, Ad-Hoc Joint City-Schools Facility Investment Task Force
Amy Liu, Ad-Hoc Joint City-Schools Facility Investment Task Force
Dave Millard, Ad-Hoc Joint City-Schools Facility Investment Task Force
Eric Wagner, Ad-Hoc Joint City-Schools Facility Investment Task Force

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 29, 2017

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
THE HONORABLE SCHOOL BOARD CHAIR AND MEMBERS OF
THE SCHOOL BOARD

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE
BUDGET ADVISORY COMMITTEE

SUBJECT: OPINIONS ON BUDGET PROCESS AND GENERAL COOPERATION

On August 2, representatives from the Council's Budget and Fiscal Affairs Advisory Committee (BFAAC) and the School Board's Budget Advisory Committee (BAC) met to discuss respective approaches to preparing annual budgets and long-term capital planning. Committee members were joined by members of both budget staffs. As the Ad Hoc Joint City-Schools Facility Investment Task Force (Task Force) prepares its recommendations to be considered by the School Board and Council, our Committees want to call attention to the following observations and recommendations.

1. We commend the City and School budget staffs for working together to better align the City and schools budget process and calendar. The **recent trend toward generating an ACPS approved budget before the City Manager presents a budget is positive**, especially the Capital Improvement Plan (CIP). While ideally both the operating budget and CIP would be approved by the School Board when the City proposes in February, we recognize restrictions on the school timeline based on availability of enrollment figures and other relevant data. For the upcoming cycle, ACPS will delay its CIP proposal one month to November in consideration of the Task Force schedule, but projects School Board approval on January 11, 2018, which is still before The City Manager's expected budget release date around February 20. BFAAC and BAC recognize the expedience of working in tandem with the Task Force this year.

2. **City budget staff should share with ACPS budget staff the same technical guidance it shares with other City departments in September, at the beginning of the budget process.** It is understood that while this guidance will not be prescriptive, it will enlighten the process for ACPS. Similarly, any opportunities to **work together on long term projections** should be exercised. This includes anything that impacts population, development, and land use. The spirit of openness and cooperation should apply throughout the year and across departments, so that our systems reflect the reality that our schools are part of our City.
3. **BFAAC and BAC support the concept of evaluating all City and school capital projects together, from a common set of criteria,** with the goal of prioritizing spending and synchronizing projects and timelines. Similarly, we support the Task Force’s propriety to **maximize space utilization and co-location** where sensible and feasible. This applies to existing space as well as new construction.
4. **BFAAC and BAC support the concept of shared maintenance and resources.** Preserving our capital investments requires careful maintenance schedules and fluidity to meet unexpected needs – neither of which should not be limited by any “department’s” ability. We also recognize that City and ACPS both possess valuable resources (e.g., vehicles and other equipment) and expertise (e.g., interpretation or programming skills) and encourage cross-utilization.
5. Finally, we encourage Council and ACPS to support a recommendation BFAAC made in its April 28, 2017 memo that **Council and School Board jointly develop a long-term plan to ensure the work of the Task Force is carried forward.** We also support the BFAAC recommendation that the Task Force reconvene after one year to evaluate outcomes.

BFAAC and BAC are committed to working together to maximize financial resources and talent across our City. We would welcome the opportunity to discuss these recommendations with Council and ACPS leadership.

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 28, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: BFAAC RESPONSE TO TEN YEAR BUDGET HISTORY FY 2009 – FY 2018

In BFAACs report on the proposed FY 2017 budget,¹ BFAAC recommended that Council assess the cumulative impact of service reductions since the recession started in 2008, and utilize the information to base decisions on priorities for service restorations or expansions in specific areas of need. BFAAC believed that this information can also provide useful data for the strategic planning process. In response, Council encouraged the City Manager to study and report the impact of service reductions. What follows are BFAACs comments on the report.

BFAAC appreciates the work of the City Manager and budget staff in engaging in the research needed to generate the report, a complex undertaking in any event and made more difficult because of reorganizations of departments that required considerable work to make like comparisons.

The report reveals that over this period of austerity, while revenues were flat and economic growth anemic, revenues and expenditures increased by an average of 1.9% and costs of services per resident increased by 0.95%. To achieve these results and accommodate salary increases for City staff, the City reduced its workforce by a net of 85 positions representing a reduction of 3.2% while population growth increased by 17.6%.

It is a credit to the City Manager and Council that city administration expenses were cut steeply in areas such as city management, code enforcement, and clerk of the City without any apparent impact on City's governance. BFAAC also notes that at a time of flat revenue growth, the City managed to keep up with increasing financial obligations for Metro, Dash and unmet capital needs. BFAAC notes, in particular, that both cash capital and debt service spending grew significantly during the period, enabling the City to make initial investments in the new Metro

¹ Budget Memorandum 16, April 18, 2016

station, rebuild TC Williams High School and two other schools, and build the new police headquarters.

During this period, certain departments experienced negligible cuts or modest increases. Public Safety, including police, fire, and emergency communication, received modest increases. Council's recent investment in the Church of the Resurrection affordable housing initiative compensated for past reductions, resulting in a 4.8% net gain in spending on housing.

These investments, however, necessitated cuts in other departments. There appear to have been noteworthy disparities in spending reductions among the departments and who may have been most affected by them. BFAAC recognizes that funding and position reductions do not necessarily represent a decline in services as federal or state grants may have compensated for the difference or departments may be experiencing an increase in efficiencies.

The City Manager's report identifies some, but not all service reductions, and does not address the impact of the service reductions on residents. Furthermore, though the report includes some performance data, it is difficult to discern the extent to which actual results were impacted by funding or FTE decreases. BFAAC recommends that Council further investigate what services were reduced, which residents were impacted by them, and what performance impact, if any, resulted from them.

BFAAC identifies the following areas that warrant further exploration to determine whether spending, staffing and service cuts have adversely affected people in need:

- **Community and Human Services:** decreased funding of 5.5% and a net loss of 22 FTE positions. The City Manager's report identifies position reductions for therapists, employment training specialists, vocational services specialists, social workers, and youth services coordinators. Service cuts include emergency day care, childcare grants, childcare assistance, subsidized preschool, early childhood training, treatment services, the companion aid program, a mentor home, and JobLink.
- **Health:** decreased funding of 12.4% and a net loss of 1 FTE. The City Manager's report identified service cuts in environmental health and prenatal care. Some of the spending reductions were absorbed by other entities.
- **Library:** decreased funding of 17.3% and a net loss of 13.4 FTE positions. Service cuts include reduced library operating hours and hours for the Talking Books program. BFAAC notes the hours of operations have recently been partially restored.
- **Parks, Recreation and Cultural Activities:** decreased funding of 7.9% and a net loss of 46 FTE positions. Despite contracting out services and increases in user fees, cutbacks included maintenance, mowing, horticulture, opening hours of recreation centers and additional areas.

BFAAC also notes that while Alexandria City Public Schools (ACPS) received steady general fund increases amounting to 12.4% over the period, student enrollment increased by 38%.

Recommendations:

- Council request the City Manager to investigate the extent to which reduced funding and FTE's decreased services available to citizens, with a focus on the impact of reductions on residents most in need, and continue to monitor the impact of budget reductions in services to meet the needs of Alexandria residents.
- Council request the City Manager to ensure the existence and use of consistent performance measures to better assess the impact of service reductions or increases on important needs the city is trying to address.