

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 24, 2019

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 (BFAAC)
BUDGET ADVISORY COMMITTEE (BAC)

SUBJECT: MEMO #5: BFAAC & BAC OBSERVATIONS ONE YEAR AFTER
RELEASE OF FINAL TASK FORCE RECOMMENDATIONS

Representatives of the Budget and Fiscal Affairs Advisory Commission (BFAAC) and the School Board's Budget Advisory Committee (BAC), along with key City and ACPS staff, met in March to review progress implementing Joint Task Force recommendations, and to review other fiscal matters that have arisen since the last joint meeting in March 2018.

The Joint Task Force report was both quite broad and very direct in its recommendations, including its **warning that leadership not allow the momentum of the process and positive reception of the recommendations to fade over time.** In fact, management began putting structures in place to support cooperation required to implement recommendations even before the final report was formally presented. In the past year, Council and School Board have held two joint visioning sessions during which creation of the Joint Facilities Master Plan and a joint approach to maintenance were prioritized. City and school leadership are commended for setting the stage for cooperation and trust that is visible among elected leaders and staff.

Significant tangible progress has been made in the past year, which is particularly evident in the following organizational areas:

- **Cooperation and respect between the Manager and Superintendent set the tone for daily collaboration among staff.** Regular meetings addressing policy, budget and operational matters encourage both staffs to communicate and work as peers on a day to day basis. BFAAC and BAC applaud their work and note the significance of this example from the top in the successful transition for our City, and the confidence this provides for all City residents that assets and challenges are being managed effectively.

- Key staff are **working together to plan for the City’s future**. In addition to the high level Capital Management Council, City staff is included on the High School Project core team. ACPS staff has been added to the CIP Steering Committee, which will be a key to developing a joint Capability Delivery Model, identifying areas for collaboration and prioritizing deliverables. Staff reports that rather than duplicating efforts, regular collaboration saves time by preventing misunderstandings and ensuring all relevant facts and opinions are considered.
- A Request for Proposal has been issued to study the **feasibility of a combined maintenance and management system (CMMS)**.
- The City Manager is currently filling the **Public Private Partnership “P3”** position, which will work with existing ACPS School, Business and Community Partnerships staff.
- The Department of Planning and Zoning established the **Public Facilities Team** to help all City departments and ACPS navigate through the development process. BFAAC and BAC also note the City’s commitment to considering zoning flexibility to support City and ACPS needs.

During discussion of **budget and accounting processes**, it was apparent that budget staffs work together as peers to foster common best practices and transparency.

- **In response to questions raised regarding textbook funding** at Council’s November retreat, BFAAC and BAC recommend staff budget textbook purchases in a manner that 1) allows ACPS to “get current” on textbooks offered system wide and 2) stay current going forward to avoid using out of date textbooks in any subject. Staffs have been working together to identify the best system to smooth out spikes and ensure textbook spending is protected from budget fluctuations. BFAAC and BAC note the degree to which budget staffs seek to utilize similar accounting methods and appreciate the improvement peer review brings to our systems. While there was general agreement that it would not be ideal to fund textbooks as capital expenses, other tools such as an internal service fund may be appropriate, and we will rely on both staffs to determine the best solution.
- Budget staffs also are **working together to determine the best way for ACPS to utilize an appropriate share of fund balance** while also maintaining necessary balance going forward as contingency for emergencies. BFAAC and BAC support staff in evaluating changes to the policy and BAC will include an assessment in its year-end report.

- On the issue of budget timing, it was noted that while in an ideal world City staff would have the benefit of a fully approved school budget when building its operating budget for Council, state codes and school year-end data are among the uncontrollable factors inhibiting this goal. **BFAAC and BAC support progress that has been made to close the timing gap, and commend staff for early involvement in each other's processes,** maximizing confidence in projections. Regarding the capital budget, the City has moved to a 2-year (with adjustments) cycle and ACPS is consciously working in that direction so that both soon will be on the same calendar.

With regard to potential dedicated tax rate for school capital costs, BFAAC and BAC commend every effort to provide transparency to our budgets, and to ensure that our schools receive adequate funding to meet anticipated capacity, structural and modernization improvement needs. We recommend further study before creating a separate posted property tax, which includes consideration of the potential unintended consequences.

- **BFAAC has historically opposed the use of budgetary “set-asides”** out of concern that flexibility and discretion in determining annual budgets can be hampered. This may ultimately lead to particular programs and services receiving regular funding levels that are lower or higher than optimal relative to setting levels annually. At the very least, BFAAC recommends that any set-aside include a sunset clause, unless required to meet matching funding requirements.
- **Residents may view the designation as a newly imposed tax rather than a clarification of an existing obligation.** They may also have differing preferences regarding property tax increases to pay for schools' capital projects relative to other City capital expenditures, whether positive or negative. It is important to ensure that if this approach is pursued, it is meaningfully communicated to residents and coupled with additional transparency tools such as the city property tax receipt. Ongoing resident communication and engagement throughout the year, not just during budget season, is encouraged regardless of how taxes are designated to ensure understanding of goals and costs.
- If this step were taken, it should be to **further cooperation and transparency between City and ACPS staff,** with care not to hinder progress already made implementing recommendations of the Joint Task Force. BFAAC and BAC encourage Council to consider the impact of setting two tax rates with respect to delivering services in an atmosphere that maximizes cooperation, creativity, flexibility, transparency and return on investment.

BFAAC and BAC appreciate the opportunity to comment on the efforts of elected leaders and staff. We plan to meet again in June to review a third party ACPS facility review now in progress, and offer high level thoughts to Council and School Board in advance of their joint meeting. The review focuses on six schools, addressing systems, modernization needs and capacity, utilizing methodology recommended by the Joint Task Force. Both City and ACPS leadership anticipate the report will reveal significant and urgent capital needs.

CC: Mark Jinks, City Manager
Dr. Gregory C. Hutchings, Superintendent