



Alexandria City Council Retreat

November 6, 2021



Retreat Agenda

- 9:00 Welcome and Introductions
- 9:10 Opening Remarks
- 9:20 FY 2023 General Fund Operating Budget Planning
 - a) Employee Compensation
 - b) Revenue Forecast
 - c) Expenditure Projection
- 10:00 Alexandria City Public Schools (ACPS) Operating Budget
- 10:30 Budget & Fiscal Affairs Advisory Committee (BFAAC)
- 11:00 FY 2023 City Council Budget Guidance
- 11:30 Break
- 12:00 Development of City Strategic Plan for FY 2023-2028
- 2:00 Adjourn



Employee Compensation Agenda

- 1) Historical pay philosophy
- 2) Recent pay review practices
- 3) Pay Improvements - FY 2016 to FY 2022
- 4) FY 2022 City vs. FY 2020 Regional pay data
- 5) What a pay increase costs
- 6) Planned FY 2023 pay review process
- 7) Total compensation



Adopted Compensation Philosophy

- City Council adopted Compensation Philosophy in 1997, amended in 2010
- Pay target = average of comparator jurisdictions (i.e., “in the middle”)
- Comparators listed: Arlington, Fairfax, Prince William, Montgomery, Prince Georges



Adopted Compensation Philosophy

- Loudoun is now competitive, Montgomery County is less of a competitor, DC more of a competitor
- Pay philosophy needs to be updated
- Collective bargaining will change entire process for positions covered by bargaining units and first impact FY24 budget



Compensation System Evaluation

- Public Safety uniformed positions evaluated as part of the annual budget process
 - Three Public Safety Work Groups (Police, Fire and Sheriff) meet and confer with management
 - City Manager proposes changes as part of proposed budget

Compensation System Evaluation

- General Scale
 - As a single, combined group reviewed as part of the annual budget process
 - Individual General Scale job classifications reviewed at any time if recruitment is an issue.
- Examples:
 - CDL Heavy Equipment Operators
 - Civil Engineers
 - DCHS eligibility workers
 - IT positions



Compensation System Evaluation

- Occasionally utilize specialized market surveys, third party industry data
- Alignment with the market and identify when to deviate for in-demand, hard to fill positions
- Benchmarking underway to realign City positions with comparators
- Ensures right comparisons are being made



Pay Competitiveness History of Pay Improvements

| | General | Police | Fire/Medics | Sheriff | All pay scales* |
|---------|---|---|--|---|---|
| FY 2016 | None | <ul style="list-style-type: none"> 4.5% pay scale adjustment Additional one-grade increase (5%) for Police Officers I, II, and Lieutenants | None | None | <ul style="list-style-type: none"> Step increases |
| FY 2017 | None | None | <ul style="list-style-type: none"> 2.5% Fire pay scale adjustment Additional one-grade increase (5%) for Fire Lieutenants, Captains, Battalion Chiefs, and Deputy Chiefs | None | <ul style="list-style-type: none"> Step increases Living wage increase from \$13.13 to \$14.13 |
| FY 2018 | None | None | <ul style="list-style-type: none"> Fire dual role bonus | None | <ul style="list-style-type: none"> Step increases Additional step at end of pay scale |
| FY 2019 | None | <ul style="list-style-type: none"> 6.22% pay scale adjustment | <ul style="list-style-type: none"> 5% Fire and Medics pay scale adjustment | <ul style="list-style-type: none"> One-grade increase (5%) for Sheriff Deputies I, II, Lieutenants, and Captains | <ul style="list-style-type: none"> Step increases Living wage increase from \$14.13 to \$15 |
| FY 2020 | None | None | None | <ul style="list-style-type: none"> 2.29% Sheriff pay scale adjustment Conversion to VRS-EHDB Plan | <ul style="list-style-type: none"> Step increases Shift differential increases and CDL supplement |
| FY 2021 | Revenue decline resulted in cancellation of 1.5% adjustment to all pay scales, certain targeted public safety improvements, as well as step increases. All of these changes (except the one-grade increase for Fire Fighters) were proposed and approved as mid-year FY 2022 adjustments (see below). | | | | |
| FY 2022 | <ul style="list-style-type: none"> 1.5% General pay scale adjustment \$3,000 bonus \$1% bonus | <ul style="list-style-type: none"> Two-grade increase (10%) for Police Lieutenants and Captains 1.5% Police pay scale adjustment \$3,000 bonus 1% bonus | <ul style="list-style-type: none"> Deputy Fire Chief moved to Executive pay band (2.8%) 1.5% Fire and Medics pay scale adjustment \$3,000 bonus 1% bonus | <ul style="list-style-type: none"> One-grade increase (5%) for Sheriff Deputy Lieutenants and Captains Chief Deputy Sheriffs moved to Executive pay band (2.8%) 1.5% Sheriff pay scale adjustment \$3,000 bonus 1% bonus | <ul style="list-style-type: none"> Step increases |



How We Now Measure Against FY20 Regional Data

| Pay Scale | Average Midpoint Deviation |
|--------------------|----------------------------|
| General Scale | -2.52% |
| Police | 0.02% |
| Fire | -2.25% |
| Fire Marshal/Medic | 7.95% |
| Sheriff | 0.46% |

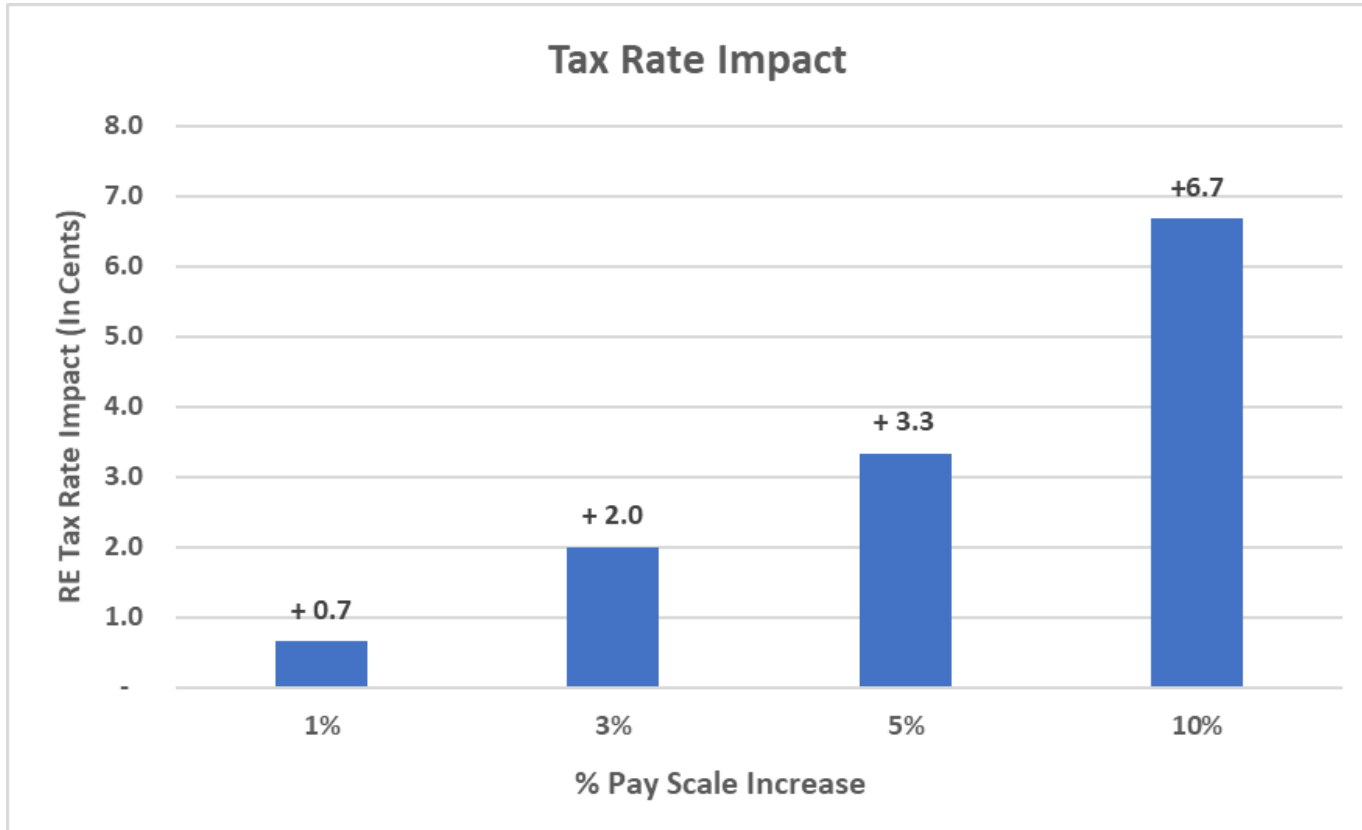


FY23 Cost Impact of 1% Pay Scale Increase

| | <u>\$ in Millions</u> |
|----------------------------|-----------------------|
| General Scale ¹ | \$ 2.030 |
| Police Scale | 0.400 |
| Fire Scale | 0.340 |
| Sheriff Scale | <u>0.200</u> |
| Total | \$ 2.970 @ 1% |

¹ Includes other scales for smaller employee groups

FY23 Tax Impact¹ of Pay Scale Increase



¹ Does not reflect pay scale increase cost impact on grant, sanitary sewer, stormwater, code, refuse and capital funds



Employee Compensation

Process for developing FY23 compensation recommendations

- Receipt of regional survey data
- Match regional data with City data
- Public Safety Work Group discussions
- General Scale Advisory Group discussions
- City Manager recommends compensation improvements in FY 2023 proposed budget

Total Compensation

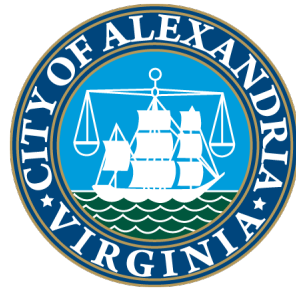
Other Components of Compensation

- Budget process will reflect proposed funding and plans for:
 - Health Insurance
 - Dental Insurance
 - Retirement
 - Life Insurance
 - Other Benefits

Total Compensation

Expanding and Improving Benefits Offerings

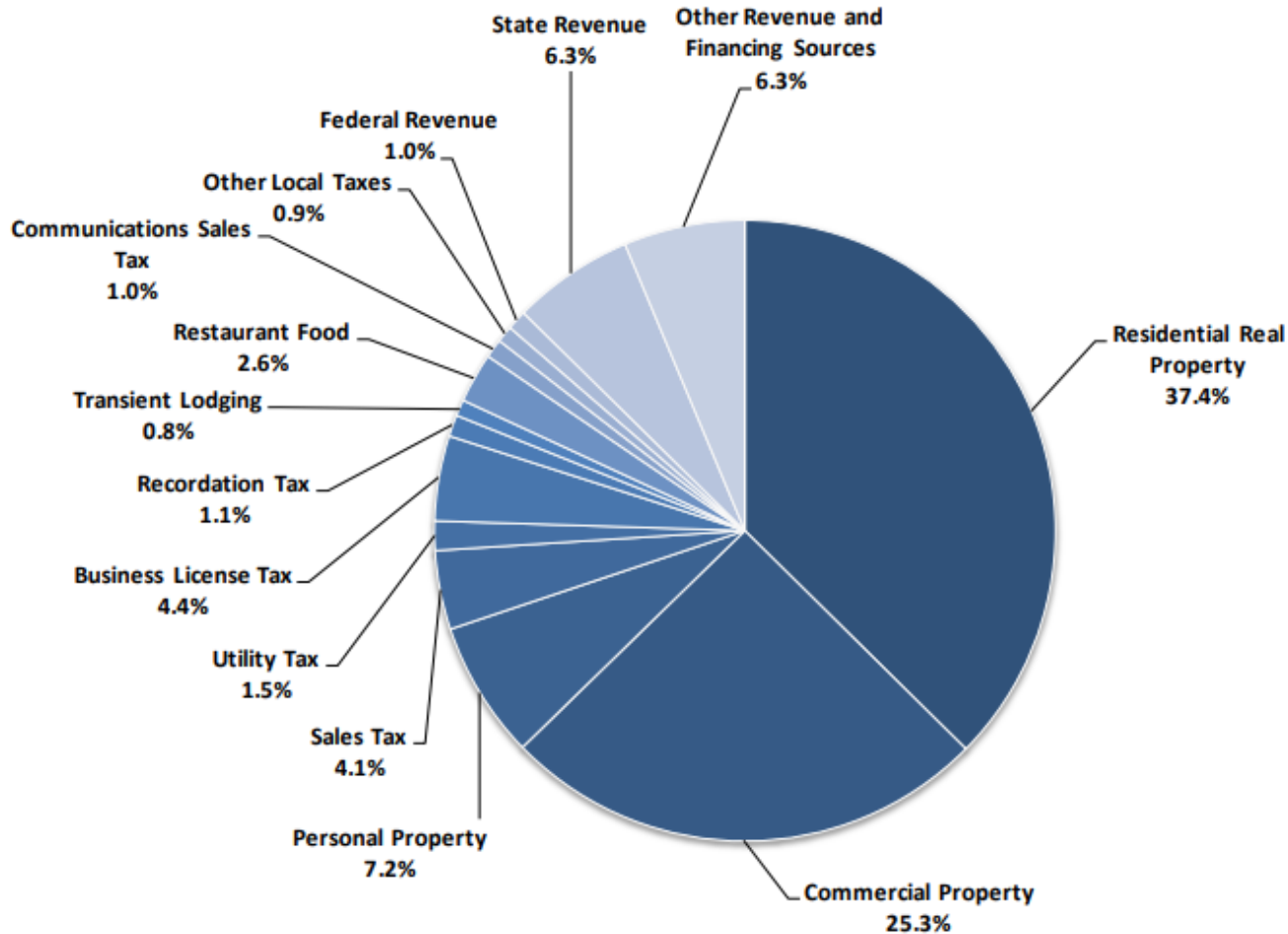
- Mental Health Services & EAP
 - Currently Inova
 - Proposing Spring Health for 1/1/2022
 - Improves availability and access to mental health services
 - Continues to provide employee assistance programs
- Student Loan Forgiveness Support
 - Navigating Federal Student Loan Forgiveness and impending changes to Federal programs
 - Simplifying the process
 - Also proposed for 1/1/2022



Revenue Forecast



FY 2022 Approved General Fund Revenue - \$770.7M





FY 2023 Preliminary Revenue Estimate

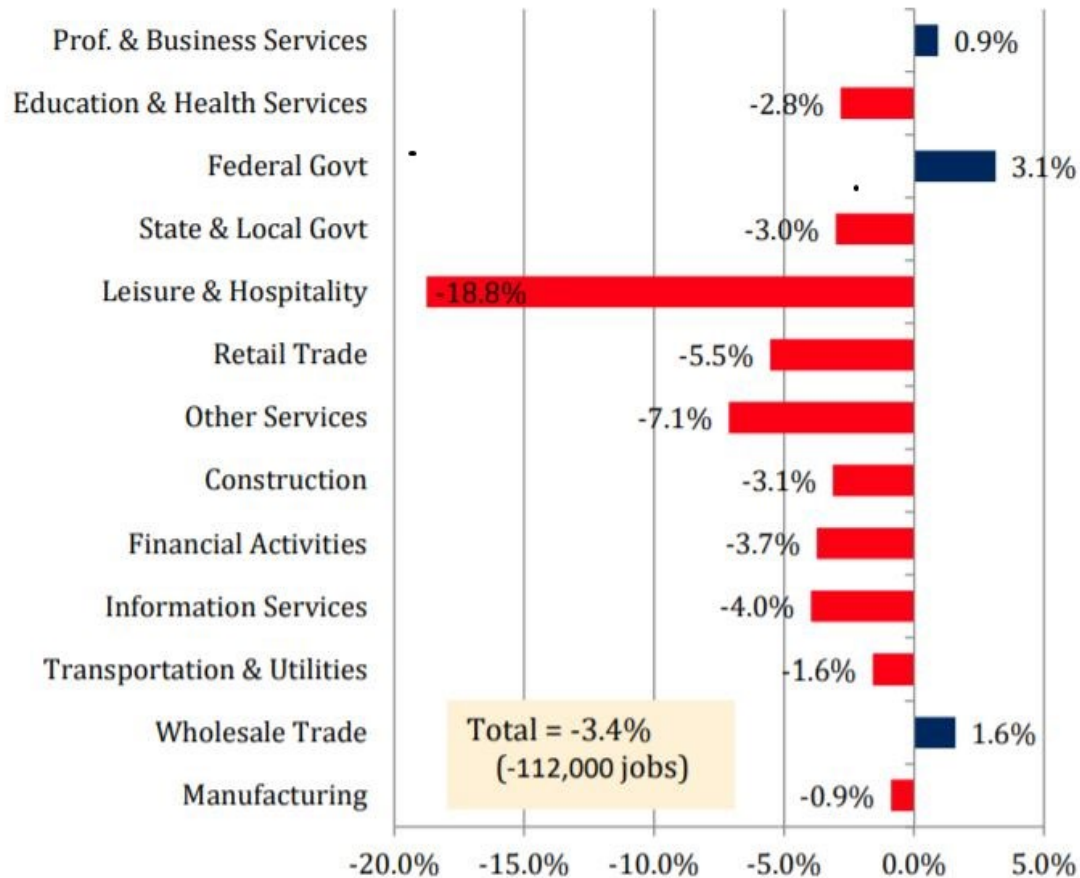
| Revenue | FY 2022 Budget | FY 2023 Estimate | \$ Change | % Change |
|----------------------|----------------|------------------|-----------|----------|
| Real Estate | \$483.30 | \$501.70 | \$18.4 | 3.8% |
| Personal Property | 55.1 | 61.4 | \$6.3 | 11.4% |
| Penalties & Interest | 2.6 | 3.2 | \$0.6 | 23.1% |
| Other Local Taxes | 127 | 145.1 | \$18.1 | 14.3% |
| Intergovernmental | 56.6 | 57 | \$0.4 | 0.7% |
| Non-Tax Revenue | 36.1 | 36.2 | \$0.1 | 0.3% |
| Use of Fund Balance | 10 | 10 | \$0.0 | 0.0% |
| Total | \$770.70 | \$814.60 | \$43.9 | 5.7% |



Economic Indicators

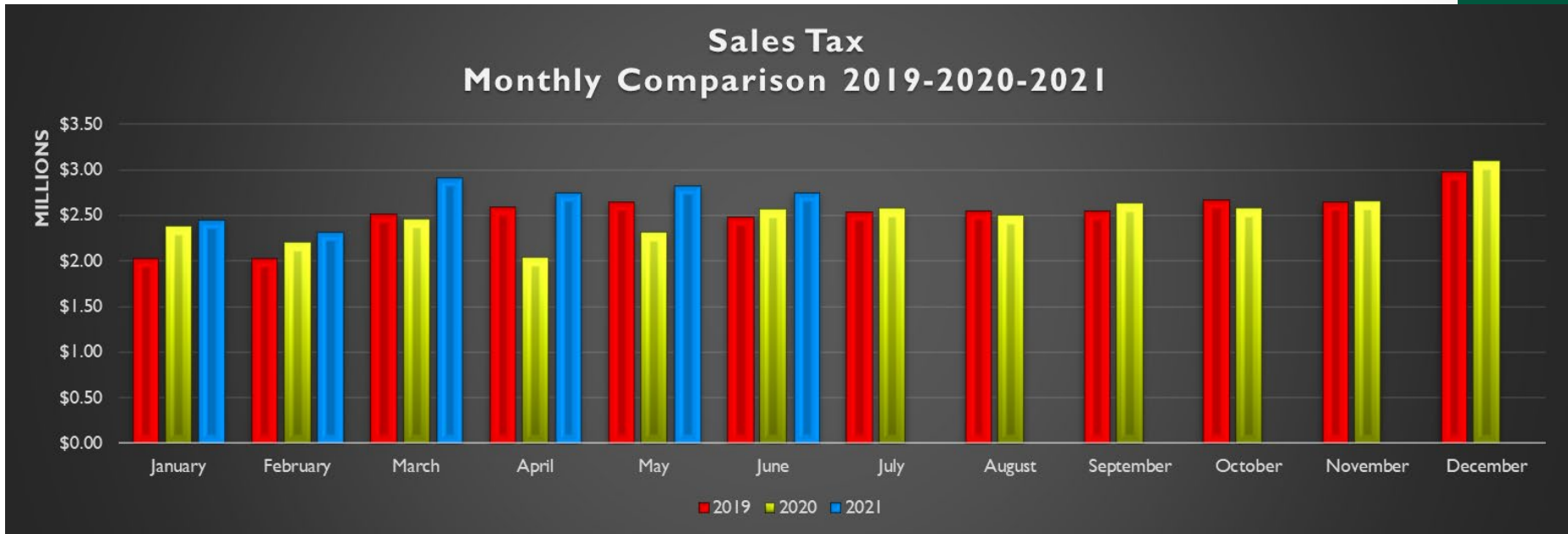
Job Change by Sector

**Figure 5. Job Change by Sector, Washington Region
September 2019 to September 2021 (in 000s)**



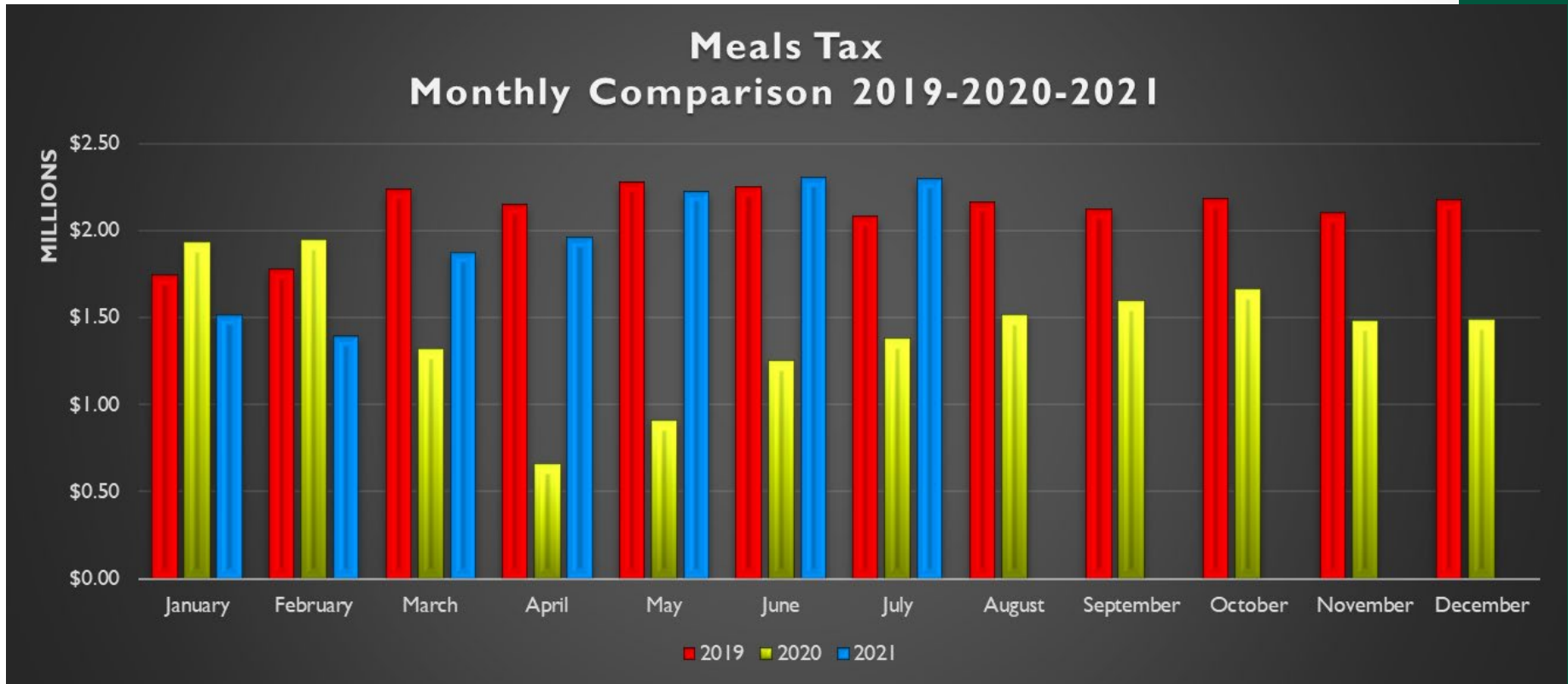
Consumer Spending

Sales tax remains high



Consumer Spending

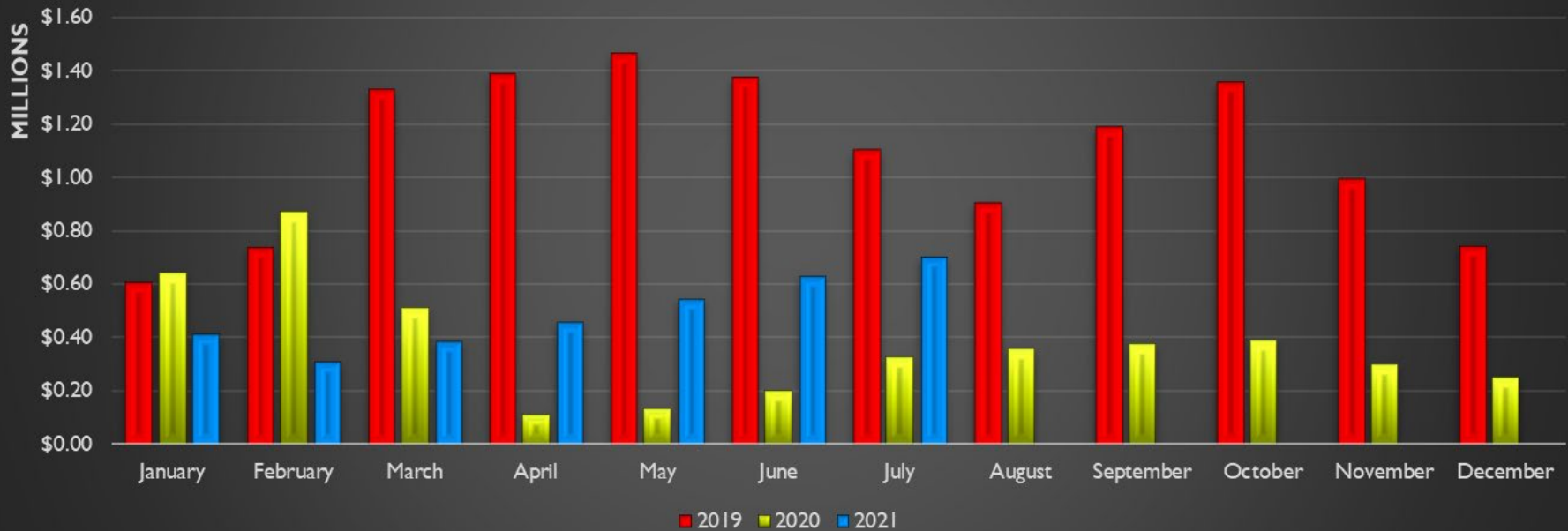
Meals Tax is above pre-pandemic levels



Consumer Spending

Weekend stays are improving

Transient Lodging Tax
Monthly Comparison 2019-2020-2021





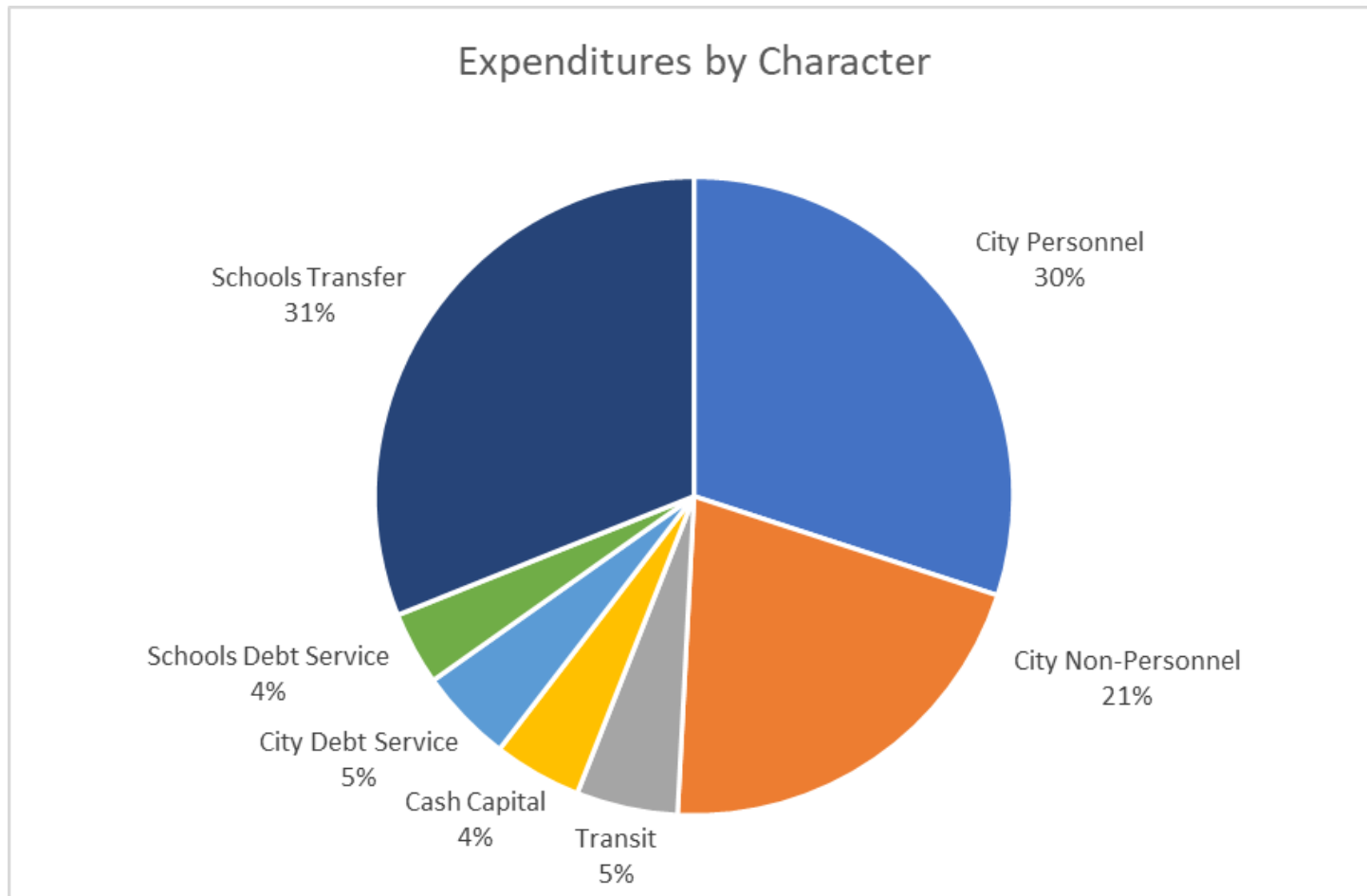
Revenue Outlook

- Consumer spending is strong.
- Sales tax revenue is benefitting from online sales
 - Retail sales revenue stays in Alexandria
- Vehicle values remain high, driving personal property tax revenue
- Business gross receipts increased during the pandemic
- Low supply, high demand increasing real property values
 - 2021 Residential appreciation = +6%
 - Overall increase forecast for 2022 = +3%
 - Interest Earnings, User Fees, State Aid and Federal Grants should all increase in FY 2023



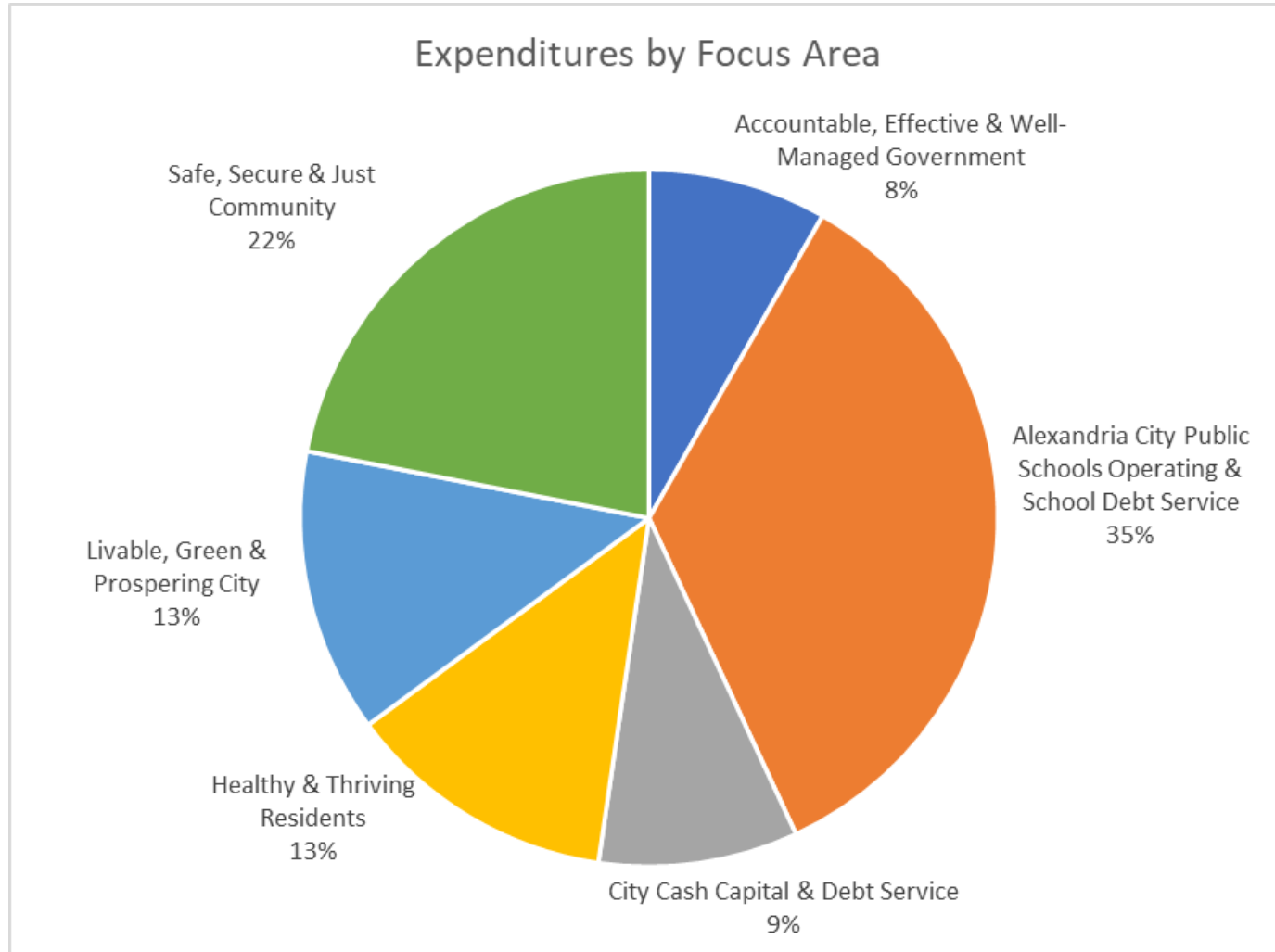
Expenditure Projection

FY 2022 Approved General Fund Budget





FY 2022 Approved General Fund Budget





FY 2022 Post-Adoption Adjustments

- 1703 N. Beauregard purchase (\$17.9 M CIP) and retrofit (\$TBD)
- High School pool (\$12.4 M CIP)
- City employee compensation (\$11.3 M all funds operating budget including ARPA tranche #2 and FY 2021 year-end savings)



FY 2023 Preliminary Expenditure Estimate

(\$ in Millions)

| General Fund Expenditures | FY22 Approved | FY23 Estimate | \$ change | % Change |
|---------------------------|---------------|--|-----------|----------|
| City Operations | \$ 391.8 | \$ 416.7 | \$ 25.0 | 6.4% |
| Transit | 39.6 | 43.6 | 4.0 | 10.1% |
| ACPS transfer | 239.4 | 248.8 | 9.3 | 3.9% |
| ACPS debt service | 28.6 | 33.5 | 4.9 | 17.0% |
| Cash Capital | 34.4 | 38.4 | 4.0 | 11.7% |
| City debt service | 36.9 | 41.9 | 5.0 | 13.7% |
| Total | \$ 770.7 | \$ 822.9 | \$ 52.2 | 6.8% |
| Revenue | \$ 770.7 | \$ 814.6 | \$ 43.9 | 5.7% |
| Shortfall | \$ - | \$8.4 + City Employee Comp. Increases* | | |

* FY 2023 estimated funding gap of \$8.4 M does not include City employee compensation increases or supplemental funding requests from departments and other agencies.



Personnel Cost Drivers

- FY 2023 merit step increases (\$4.0 M)
- FY 2022 pay scale adjustment impact on FY 2023 (\$4.2 M)
- Health insurance (+8% assumed)
- Other FY 2023 compensation adjustments for market competitiveness not included in base estimate



Non-Personnel Cost Drivers

- Supply chain related inflation
- Labor market pressure on contractor wages
- Ongoing impact of FY 2021 carryovers into FY 2022

Transit Cost Drivers

- DASH (+\$3.6 M or 18.6% General Fund subsidy increase)
- No change in WMATA General Fund support
 - FY 2022 subsidy reduced by ARPA
 - FY 2023 returning to near-FY 2021 level (+10%)

CIP Funding Cost Drivers

- Cash capital increase \$4.0 M above FY 2023 in the FY 2022 – 2031 approved CIP to start to build back to pre-pandemic level
- Will assist in dealing with construction inflation on cash capital to funded projects
- However, cash capital remains \$3.9 M less than planned for FY 2023 pre-pandemic
- Debt service increases = \$9.9 M
 - +\$5.0 M City projects
 - +\$4.9 M Schools projects

ACPS Assumptions

- Operating transfer increase of \$9.3 M based on FY 2022 five-year annual average growth rate (3.9%)
- School debt service increase of \$4.9 M (17.0%) includes Douglas McArthur, High School, and 1703 N. Beauregard
- Combined increase = \$14.2 M (5.3%)



City Manager Articulated Priorities to Departments

- Employee compensation
- Smart
- Green
- Equitable
- Economic recovery of the business community
- Individual economic, social, and health recovery
- Pandemic health and emergency capacity response
- CIP funding

ARPA Tranche #2

- To be included in the FY 2023 operating budget and CIP development process
- \$29.6 M total
- \$8.7 M previously committed
 - \$3.7 M continuation of Tranche #1 initiatives
 - \$2.0 M ongoing public health needs
 - \$3.0 M employee bonus
- \$10.0 M for affordable housing projects
 - AHDC E. Glebe and Mount Vernon project
 - Chirilagua Housing Cooperative Rehabilitation



Budget Process through Presentation

- City Council retreat and guidance
- Department proposals
- Board & Commission Advocacy
- Community survey
- Public input throughout the process
- Budget town hall
- Focus area teams prioritization
- Budget process resolution
- City Manager presentation on Feb 15



Public Input

<https://www.alexandriava.gov/Budget>

Fiscal Year 2023 Budget Development

The FY 2023 proposed budget is scheduled to be presented by the City Manager to City Council on February 17, 2022. On November 6, 2021, City Council will hold its annual retreat to kick-off the budget, and on November 9, 2021 City Council will adopt its budget guidance.

Please see the FY 2023 Budget Calendar and Resources link below for more information on the Council Retreat, Council Budget Guidance and overall budget process.

- [FY 2023 Budget Calendar](#)
- [FY 2023 Budget Resources](#)
- [FY 2023 Public Comment Link](#)



Alexandria City Public Schools



Budget & Fiscal Affairs Advisory Committee



FY 2023 City Council Budget Guidance



Proposed Guidance to Staff

- Propose an operating budget and CIP that “balances the need to continue priority services and the need for an affordable tax and fee burden”



Proposed Guidance to Staff

- Present 3 budget scenarios:
 - 1) Balanced City Manager proposed budget including employee compensation recommendations
 - 2) Increased real estate tax rate to possibly fund further employee compensation, city services and/or capital project funding increases with few service reductions
 - 3) Reduced real estate tax rate with TBD reductions from proposed budget



Proposed Guidance to Staff

- Review employee compensation philosophy and propose options in all three scenarios
- Identify cost saving measures and efficiency savings in all three scenarios
- Include proposed ARPA tranche #2 uses
- Seek public input on budget priorities through a community survey and budget town hall meeting



Proposed Guidance to Staff

- ACPS funding should include debt service and operating costs associated with Douglas MacArthur, High School, and N. Beauregard and address enrollment changes while balancing the need for an affordable tax burden
- Two-year presentation of operating revenues and expenditures

City Strategic Plan

November 6, 2021

Discussion Outline

Review Current Strategic Plan

- Contents and structure
- Process for development
- Uses since adoption: policy, budget and decision-making

Issues to Consider: Next Strategic Plan

- Outreach and engagement
- Plan development and structure
- Implementation and utility

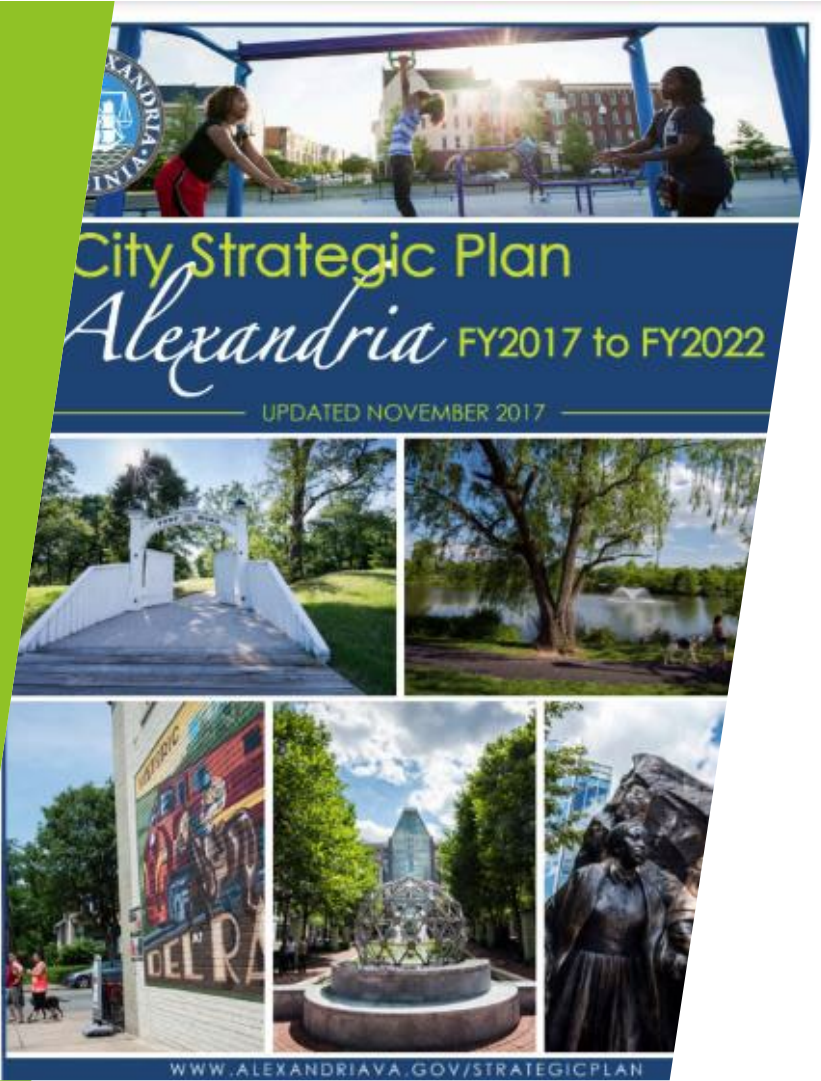
Potential Principles for the Next Strategic Plan

- City Council discussion

City Strategic Plan FY 2017-2022

Contents and Structure

- ▶ Overall Vision Statement
- ▶ 10 Theme Areas
 - ▶ Paragraph describing the theme: “what it means to the community”
 - ▶ Indicators and targets
 - ▶ Deliverables
 - ▶ Supporting plans, documents, and policies
- ▶ Completed Action Items
- ▶ Data Sources



Strategic
Plan FY 2017-
2022
Vision Statement

In 2022, Alexandria is a historic, inclusive city of kindness, with distinct, vibrant and safe neighborhoods, a well-managed government, flourishing arts, culture, and recreation, a strong economy, thriving children and youth, active and secure older adults, environmental sustainability, healthy residents of all ages, and multimodal transportation.



Theme Areas

- ▶ Overall Vision Statement
- ▶ 10 Theme Areas
 - ▶ Paragraph describing the Theme: “what it means to the community”
 - ▶ Indicators and targets
 - ▶ Deliverables
 - ▶ Supporting Plans, documents, and policies
- ▶ Completed Action Items
- ▶ Data Sources

Example Theme Area: Flourishing Arts, Culture and Recreation



Flourishing Arts, Culture and Recreation

In 2022, Alexandria has a network of accessible parks and public open spaces that define neighborhoods and provide connections to local and regional open space systems and trails. Alexandria's parks will be a combination of active and passive open spaces and are intended to integrate historical interpretive elements and public art. The design of these spaces will create and enhance active public gathering places for neighborhood performances, concerts, and cultural activities. Arts, culture and recreation activities are available and accessible to residents of all ages and to those with disabilities.

Key Indicators to Achieve by 2022

- Maintain the percentage of residents satisfied with opportunities to attend arts, culture, and music activities at or above 2016's 74%
- Maintain the 2015 rate of 7.3 acres of open space per 1,000 residents
- Increase the percentage of Alexandria households participating in recreation programs from 2016's 52%

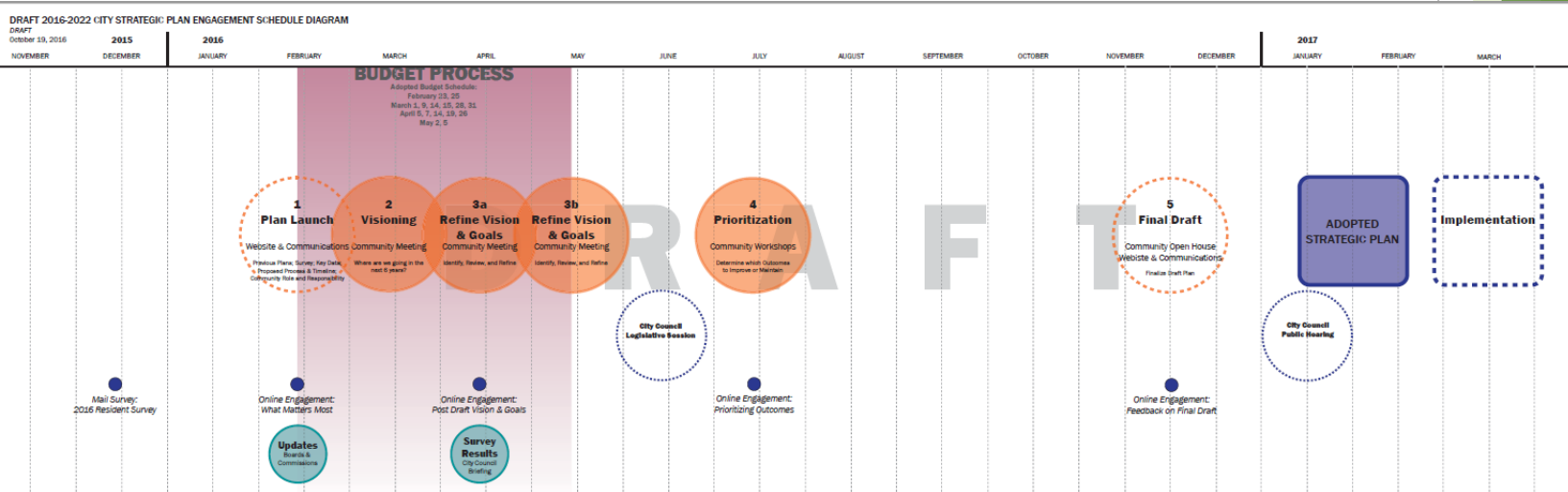
Action Items (through FY 2018)

- Construct Interim Fitzgerald Square
- Evaluate alternative uses for Cameron Run Regional Park
- Begin design of Hensley Park renovations
- Increase community programming at the City libraries
- Begin planning for the historic interpretation of our unique maritime heritage along the waterfront, including the exhibition of the ship, warehouse, and other artifacts
- Continue recreation program marketing efforts to enhance programs and enrollment

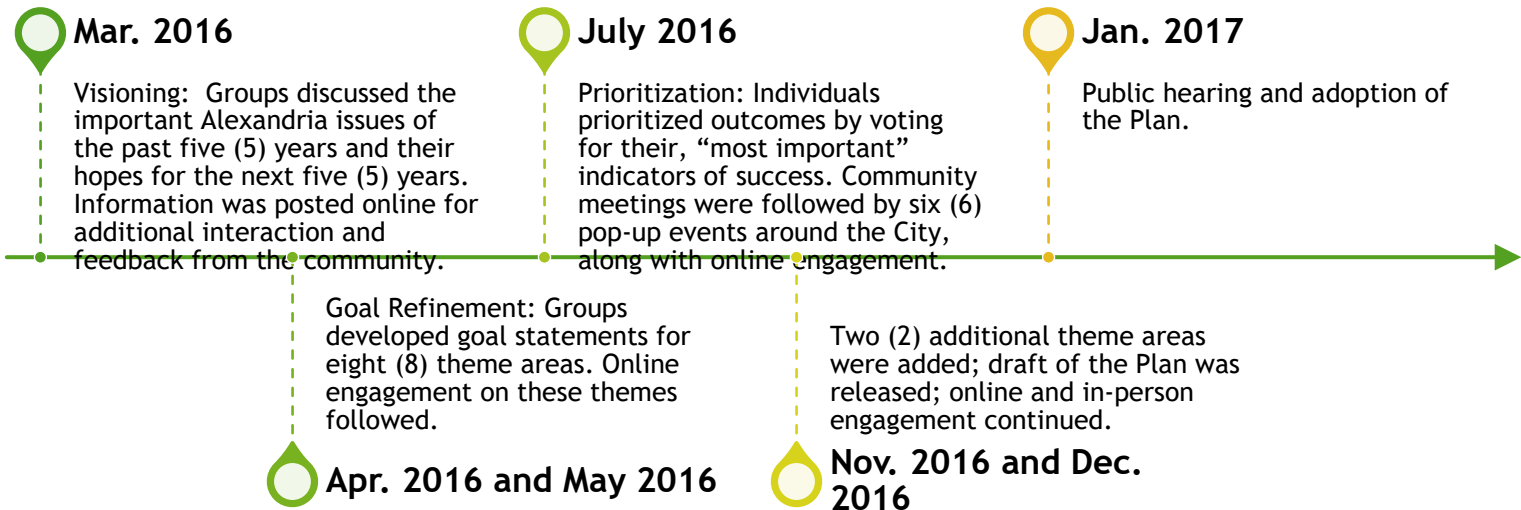
Supporting City Plans, Documents and Policies

- Aging Master Plan¹
- Alexandria Citywide Arts and Culture Plan
- Alexandria Master Plan (land use master plan, includes all small area plans)
- Athletic Field Master Plan
- Chinquapin Park Recreation Center and Aquatics Facility Feasibility Study
- Environmental Action Plan 2030 (including Eco-City Alexandria)
- Fort Ward Management Plan
- Four Mile Run Restoration Project
- Natural Resources Management Plan
- Open Space Plan
- Potomac Yard Metrorail Station Plan
- Public Art Implementation Plan and Policy
- Waterfront History Plan

City Strategic Plan FY 2017-2022 Process for Development



Process for Development



Issues to Consider: Next Strategic Plan

- ▶ Outreach and Engagement
- ▶ Implementation and Utility
- ▶ Plan Development and Structure

What are our goals for outreach and engagement?

*What should the Plan accomplish?
How will the Plan be used?*

What are our goals for the Plan itself and how can it best be structured to be useful?

Outreach and Engagement

- ▶ Partnering with range of community-based groups
- ▶ Providing a range of engagement types: community meetings, popup events, live virtual as well as online engagement that can be done anytime.
- ▶ Both input from individuals directly to staff as well as opportunities for conversations between Alexandrians
- ▶ Language access/translation, activities at each stage in Spanish
- ▶ Lessons from Arlandria-Chirilagua, Census 2020, other projects
- ▶ Tools for translating resident input into goals, strategies, etc. (such as Balanced Scorecard).

Plan Development and Structure

Identify and apply tools and a process for translating resident input into an effective Strategic Plan format.



One example that staff have been certified in is the Balanced Scorecard Strategic Planning Framework and Process which produces:

| | | | |
|---|---------------------------|---------------------------------------|----------------------|
| 3 or 4 Strategic Themes which provide strategic direction and focus | Objectives for each theme | Initiatives to achieve each objective | Performance Measures |
|---|---------------------------|---------------------------------------|----------------------|

Strategic Planning Framework: Example Balanced Scorecard

| MISSION | VISION | CORE VALUES |
|---|---|---|
| <p>The mission of the Assessor-County Clerk-Recorder-Elections is "To ensure equitable service and treatment of County property owners by accurate and fair valuation of land, improvements and businesses; register County citizens to vote and efficiently conduct transparent elections; to preserve and protect our historical and cultural records, and create an accurate public record of recorded transactions relating to people and property within San Mateo County"</p> | <p>"To set the standard of excellence in serving the people of our culturally diverse community through a highly engaged professional workforce utilizing innovation and technology to make San Mateo County a better place to live and work"</p> <p style="text-align: center;">Motto</p> <p style="text-align: center;"><i>"People First"</i></p> | <p>People, service, excellence and integrity are the cornerstones of our values. We share a dedication and commitment to:</p> <ul style="list-style-type: none"> • Excellence in public service in everything we do • The highest of ethical standards: honesty, integrity, loyalty, trust, accountability, responsibility and respect to our citizens and employees • Cultural and social diversity in our community and workplace • The highest quality service and pride in our work and accomplishments • Innovation and efficiency through technology, creative thought and open lines of communication throughout the organization • Teamwork in achieving our common goals with flexibility, support and fairness • Well-trained employees with dedication to the highest standards of professionalism • An attractive and supportive work environment through a positive attitude and respect for other's time and priorities • Continuous improvement of our organization and the services we provide • Respecting and valuing each individual we serve |

Strategic Planning Framework: Example Balanced Scorecard

STRATEGIC THEMES and STRATEGIC RESULTS

| | |
|---|--|
| <p style="text-align: center;">Service Excellence</p> <p>Strategic Result: All customers are responded to with the highest quality services and accurate information in a timely and efficient manner, exceeding our customer’s expectations.</p> | <p style="text-align: center;">Governance Excellence</p> <p>Strategic Result: Governance ensuring that all decisions are made in the best interests of the people through:</p> <ul style="list-style-type: none"> • Open and transparent stakeholder engagement • Fair, equitable and cost-effective processes • Superior compliance levels of regulatory mandates • Responsiveness and accountability • Knowledge, skills and abilities of our workforce • Achievement of expected outcomes lead to sustainable economic, social, and environmental benefits for the people |
| <p style="text-align: center;">Operational Excellence</p> <p>Strategic Result: Assessments, recordings, filings and elections are completed timely, accurately and efficiently to the highest standards in accordance with the laws.</p> | <p style="text-align: center;">Workforce Excellence</p> <p>Strategic Result: We are recognized as highly trained competent professionals who are knowledgeable, innovative, efficient, and loyal with a strong commitment to public service and dedicated to the highest ethical standards.</p> |

For Discussion: Potential Goal Statements for Outreach and Engagement

- ▶ Everyone with a stake in Alexandria's future has a seat at the table.
- ▶ The full range of perspectives are heard.
- ▶ Opportunity for Alexandrians to share their priorities and find common ground.
- ▶ Diverse engagement options match the diversity of engagement preferences and needs of all Alexandrians.
- ▶ Process allows areas of consensus to be identified without muting minority opinions.
- ▶ From the beginning, Participants have a clear understanding of the end product, their role in the process, and how the process will work.
- ▶ Alexandrians who participate in the Strategic Planning process will find it educational, rewarding, and engaging.

For Discussion: Potential Goal Statements for the Strategic Plan

- ▶ Alexandrians' interests, concerns and priorities are reflected in the Plan; Alexandrians feel ownership of the plan.
- ▶ City priorities and the, “plan for the future” for the next five (5) years are clear to the public and City staff.
- ▶ The City Council, through the Strategic Plan, provides effective leadership to the City Manager and the City Staff by identifying the most strategic themes, goals and initiatives.
- ▶ Plan is structured to support implementation and decision-making.
 - ▶ Options such as priority-based budgeting (or other methods of evaluating the extent to which a proposed initiative supports the Strategic Plan).
- ▶ A process is identified for, “checking in” or touching base with the Plan to align overall goals with immediate issues, concerns, and priorities.