

Budget and Fiscal Affairs Advisory Committee

Report on the City Manager's Proposed Budget for Fiscal Year 2023

City of Alexandria, Virginia
March 24, 2022

Janet Blair-Fleetwood, Chair
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Deborah Derrick

MESSAGE FROM THE BFAAC COMMITTEE CHAIR

Mayor Wilson and Honorable Members of City Council,

Thank you once again for the opportunity to review and reflect upon the City Manager's FY2023 Operating and Capital budgets. The comments offered by the members of your Budget and Fiscal Affairs Advisory Committee (BFAAC) are offered in the context of the City's emergence from the COVID-19 pandemic and our collective looking forward to the full economic recovery of the City. As conveyed in previous memoranda, BFAAC believes the City Manager and City budget staff have navigated well the economic challenges presented by the pandemic. We applaud their wisdom in maintaining strong cash capital and fund balances that have safeguarded the City's financial interests these past two years. Their demonstrated diligence has allowed the deployment of funds to meet unexpected and constantly emerging needs, all while maintaining important City services, and capital improvement efforts.

Well-developed Operating and Capital Improvement Program budgets are how the City delivers on core services, makes key investments, and maintains the City's stable financial posture. BFAAC commends the City Manager for delivering thoughtful budget proposals which provide a range of budget options to consider. As with every budget proposal, the options offered present both tradeoffs and opportunities for achieving public service objectives and securing financial goals.

BFAAC's comments on the Proposed Operating and Capital budgets are organized in three major themes: revenues, expenditures, and the capital improvement program. Each of these sections offers specific thoughts and analysis, along with observations and recommendations for your consideration.

As an addendum to this report, BFAAC has included eight memos previously sent to City Council covering our work to date in the current term. In the remaining two months of our 2022 term, BFAAC will focus on the following additional areas: (1) upcoming collective bargaining budgetary considerations, and (2) Stormwater Utility and Flood Mitigation Advisory Group, on which BFAAC is represented,

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

Sincerely,

Janet Blair-Fleetwood

REVENUES

The City Manager's budget suggests keeping the residential real estate tax rate at the current level. Recent actions of the City Council to establish the maximum tax rate for Fiscal Year 2023 will permit, should Council choose, a half penny increase to the rate. BFAAC supports the City Manager's recommendation to maintain the tax rate at current levels. It is the Committee's opinion that significant recovery of several key revenue line items, along with substantial growth in the assessable base, provides the necessary resources to accomplish the City's public service program. BFAAC notes, in particular, the recovery of the following revenues:

- The Sales Tax revenue increased by 15%;
- Business Licenses increased by 11%;
- The Meals Tax increased by 23%; and
- The Transient Occupancy of 69%, with the largest increase.

The relative health of these revenue sources is a good indication that the City is recovering from the impacts of COVID-19 and it is expected that generally ~~these~~ revenue from these taxes should return to pre-pandemic levels.

Commercial and residential Real estate taxes make up just over 62% of the City's proposed revenue for FY 2023 (36.9% for Residential and 25.3% for Commercial). This percentage is slightly lower than the previous fiscal year and again demonstrates the strength of other revenue streams within the City as the economy recovers post pandemic.

Revenue Derived from Assessable Base Growth

BFAAC continues to observe the robust growth in the residential real estate assessable base, which as noted in BFAAC Memo #4, raises at least two issues which warrant discussion: escalating values, irrespective of the recent tax rate change, raise concerns for affordability, particularly for those of low and moderate income residents, and residential base growth coupled with relatively flat commercial valuations, further weights real estate revenue collections towards the residential sector. As noted in the above BFAAC memo, and in prior memos, if the City were to develop improved commercial real estate growth, City investments in commercial development and growth should return some relief from escalating residential values to the residential taxpayer, but that exchange is not strongly in evidence. BFAAC suggests Council support budgetary recommendations of the City Manager that offer the potential to expand and grow the commercial base. Establishing a target percentage for the commercial proportion of the overall assessable may provide some focus to the issue. The Alexandria Economic Development Partnership is conducting a study on how the City might address this and has asked BFAAC to weigh in, in the fall, on strategies developed. BFAAC also suggests Council renew discussions of establishing a differential tax rate for commercial properties in the City and assess the expected impacts from decoupling the residential and commercial rates. Key to this discussion is an in-depth understanding of presumably higher commercial rates on new commercial investment and the consequential impact of increased commercial tax revenue for residential affordability.

Observations and Recommendations

- **BFAAC encourages City Council to keep the residential real estate tax rate at the current level.**
- **BFAAC recommends Council consider establishing a percentage goal for residential real estate revenue and methods of achieving a higher contribution, including de-coupling the residential and commercial rates.**

Other Revenue Considerations

BFAAC notes the increased use of specialized fees to address urgent investments, specifically stormwater improvement. While BFAAC has long expressed concerns about the City's use of set-asides for specific purposes, the proposed increase in the stormwater fee addresses an immediate need and the purpose of the fee is clearly delineated.

BFAAC is encouraged that the City can meet budgeting needs with no increase in the personal property tax rate, sanitary sewer rate or the residential refuse rate. However, rising vehicle valuations may increase beyond current estimates the revenue yielded from personal property tax assessments. BFAAC recommends the Council consider a balancing of tax rate adjustment and strategic investment to reconcile any revenues garnered in excess of expectations.

As residential real estate assessments continue to rise, the City should examine its property tax abatement programs for older residents, lower-income residents, and others for whom an increased tax and fee burden may be unsustainable. While the City Manager's proposed budget does not include a revision to the current program, a modest adjustment may be appropriate. Further, efforts to communicate the availability of this program to eligible residents should be considered.

Observations and Recommendations

- **BFAAC recommends the Council consider a balancing of tax rate adjustment and strategic investment to reconcile any revenues garnered in excess of expectations.**
- **BFAAC recommends monitoring and mitigating excessive burden of certain forms of revenue generation on the various City populations.**

EXPENDITURES

Employee Compensation and Staffing

BFAAC acknowledges the City Manager's commitment to City staff as expressed in the budget proposal and supports recommendations for increased compensation to ensure the ability of the City to recruit and maintain an exceptional workforce. While the \$20 million fiscal impact of the proposed compensation adjustments is significant, the Committee believes it warranted given the current challenges of the labor market.

Of particular concern for BFAAC is the long-term sustainability of employee compensation adjustments. We note four distinct factors influencing compensation expenses which we anticipate will impact future fiscal conditions and influence future budget discussions:

1. The advent of employee collective bargaining is expected to reshape how compensation is considered by bringing new emphasis to competitiveness and working conditions of employees.
2. A persistently constrained labor market resulting in public service staffing shortages are expected to impact affordability and service delivery.
3. The City's demand for new positions, particularly to meet minimum public safety staffing levels or address specific public safety challenges, will weigh on future budget proposals.
4. Lastly, rising inflationary pressures, if sustained, may dramatically impact the pay and benefit considerations.

In this light, BFAAC advocates for a cautious approach to compensation that values fairness and competitiveness but is mindful of fiscal needs yet to come. We recognize efforts of City management to maximize use of grants and other sources of revenue to support new staffing requests whenever possible with the understanding that eventually most new positions must be funded with local resources. As noted in the cover letter, BFAAC plans a comprehensive assessment of the City's compensation trends, best practices from other jurisdictions collective bargaining agreements, and recommendations for future trends.

American Rescue Plan Act of 2021 (ARPA)

The American Rescue Plan Act of 2021 (ARPA) established a Coronavirus State and local Fiscal Recovery Fund which resulted in the City being allocated a total of \$59.6 million in one-time federal relief. The City has received the first half of these funds (\$29.8 million) with the second half of funding expected in the Spring of 2022.

In July 2021, the Alexandria City Council approved a plan for allocation of initial ARPA funds. Recommendations for allocation of the second half of ARPA funding expected is included as part of the City Manager's budget proposal. The City Manager's recommends the funding of multiple projects totaling \$21.1 million of the available \$29.8 million. The remaining balance of \$8.7 is reserved in anticipation of a future allocation.

BFAAC supports the City Manager's proposed Fiscal Year 2023 allocation of ARPA funding and specifically notes the significant investment in much needed affordable housing development. Given our current state of emergence from the pandemic and signs of economic volatility nationally, BFAAC believes the reservation of \$8.7 million in funding pending future allocation is prudent.

Observations and Recommendations

- **BFAAC is in support of the use of ARPA funds as proposed with particular note of efforts supporting affordable housing which is in line with the ideas and goals of many members of Alexandria City Council.**
- **BFAAC supports the City Manager's proposed reservation of \$8.7 million in ARPA funding particularly considering current economic volatility. Application of ARPA funds to one-time efforts or initiatives with limited future funding requirements is advised to mitigate future demand on tax supported funding sources.**

Alexandria City Public Schools

The proposed operating budget for the fiscal year 2023 is \$248.7 million. This is an increase of 3.9% from fiscal year 2022. The City Manager has recommended fully funding the operating budget for this fiscal year.

As part of the Alexandria City School's operating budget all eligible staff will receive a full-step up increase as well as a 2.5% market rate adjustment. A portion of the market rate adjustment is funded by increased state-allocated revenue dedicated by the former Governor. The goal of the increased state revenue is to increase compensation by 10.25% over the next two years.

The proposed Alexandria City School's operating budget also includes the following items:

- The hiring of an Executive Director for Procurement
- The addition of Chief Officers for Operations and Human Resources
- Increase in the funds for HVAC maintenance
- Funds allocated for School Board redistricting consulting services
- Funds allocated for the cleaning and maintenance of the new space in the Beauregard office building

BFAAC supports the funding of the Alexandria City Public Schools budget request as submitted and encourages the continued close and constructive working relationship between the two organizations. The City's full support of ACPS results, at least in part to, continued efforts to develop shared service arrangements, coordinate public service delivery, and plan long term for the capital needs of both the City and the Public Schools. We applaud the efforts of leadership in both organizations. More detail regarding City/School cooperation and recommendations to Council and the School Board are included in the attached Memo #6 Joint BFAAC and School Board Budget Advisory Committee State Report on Ad-Hoc Joint City and Schools Facilities Investment Task Force Recommendations.

Observations and Recommendations

- **BFAAC supports the City Manager's recommendation for the full funding request of ACPS and acknowledges the considerable coordination and work of the City and ACPS leadership required to achieve this recommendation.**
- **BFAAC supports the step-up increase for employees as well as the market rate adjustment. This will help the city maintain competitiveness in salaries with the surrounding jurisdictions.**

Communication

In the past, BFAAC has encouraged the City to more effectively engage the community and communicate about City spending and revenues, in particular its major capital programs with significant multi-year spending. This budget reflects a continuing acceleration in infrastructure spending for such programs as school construction and stormwater management. It is imperative that the City re-shape its messaging to manage expectations about these major programs by

providing systematically updated non-technical information about the goals, schedules and costs of the projects across the City.

Observations and Recommendations

- **BFAAC supports the appropriate budget increases to improve communication and manage expectations around major capital spending programs.**
- **BFAAC supports communications efforts that increase awareness of City programs and Services to show the extent of City support for residents.**

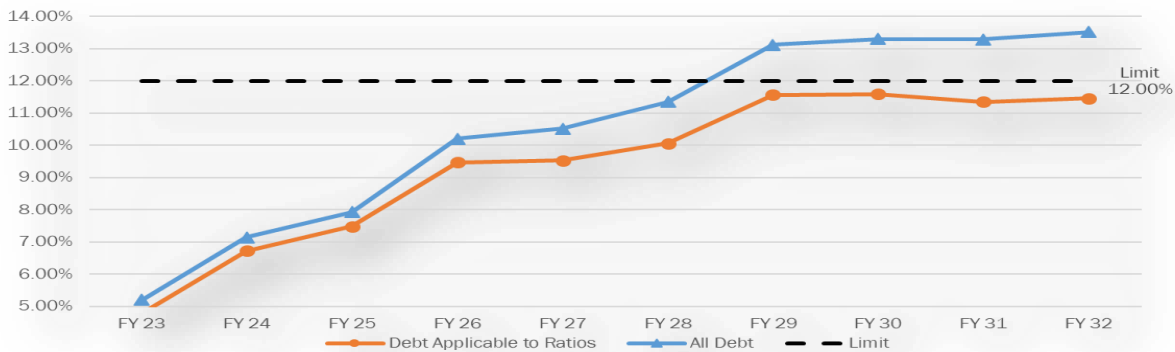
CAPITAL IMPROVEMENT PROGRAM (CIP) RECOMMENDATIONS

Fiscal Stability & Affordability

BFAAC supports the City Manager's efforts to balance operating cash contributions and borrowing costs to ensure the City's AAA bond rating in the near-term. At the same time, BFAAC has observed a growing concern regarding affordability/tax burden for residents. BFAAC is focused on ensuring the City is projecting reasonable financial predictability & stability in the future years of the CIP while also constantly reassessing what the City's true CIP needs are. The City will be facing challenges in the coming years to maintain its low-to-moderate economic growth percentage against the unknowns including cultural and society changes, global climate change, and unanticipated economic shocks. Building financial resiliency means being aware of assumptions and transparency that could affect tomorrow's costs.

BFAAC acknowledges there are many essential projects in the CIP. For example, ACPS represents approximately 40% of general fund supported debt service over ten years requiring precision fiscal and project planning methodology and minimizing off-budget projects such as recent acquisition of the 1750 N Beauregard Office Building. While this purchase was made possible by purposefully set aside funds in the capital budget, as suggested by the Joint Task Force to allow flexibility in a limited real estate market, that reserve fund is now depleted. Additionally, without guidance from the rating agencies on the new GASB87 reporting requirements, it remains undetermined how the new rules will impact the debt ratio. The City may find it difficult to balance its financial needs without significant operating cash contributions especially in the out-years of FY2029-2032, even considering the most optimistic economic growth scenarios and favorable municipal bond market compared to the latest 1.5 % bond issuance rate.

Debt Service as a Percentage of General Government Expenditures Limit = 12.0 percent; FY 2023 = 4.8 percent



City of Alexandria FY2023 Proposed Budget, CIP Overview, page 15.18

That said, BFAAC supports the City staff objectives of balancing planning priorities including tax burden/affordability, our AAA bond rating, aging infrastructure (especially water and sewer), and need to expand service capacity. The City should quantify these priorities and create benchmarks against which the City’s annual budgetary decisions are compared. These benchmarks, in combination with the debt ratio and other policies and procedures regarding fund balance, should be used to determine whether the City’s decisions are appropriate and will ensure future financial stability.

CIP Implementation

It is important that the City's CIP program is a realistic assessment of planned projects. This means each project should have a transparent, realistic timetable, and cost structure to provide assurances to residents and stakeholders that projects will be implemented within the timeframe proposed. The City should review the overall timeframe of the CIP, as it has in the past, to determine if the ten year timeframe is still appropriate for the implementation of the projects or if a different timeline better fits the City's project implementation.

The City's Department of Project Implementation (DPI) is working to establish standards by which CIP projects will be planned and implemented based on sound project management criteria. It should be the standard that is used by the City for all such projects to ensure they are: 1) costed based on prevailing factors; 2) realistically scheduled and implemented and are timely; and 3) managed to ensure they stay on schedule and within the budget allotted so if delays or difficulties develop, these are communicated to leadership and addressed promptly. BFAAC appreciates the City Manager’s acknowledgement of the importance of project management required across City programs and the important role DPI plays in that effort.

OBSERVATIONS AND RECOMMENDATIONS

- **BFAAC encourages Council to flatten the out-year debt service curve through a refined balance of operating cash contributions, state/federal grants or low-interest loans, and borrowing practices, and right-sizing CIP projects.**

- **BFAAC recommends creating criteria/benchmarks to compare its annual budgetary decisions to areas such as tax burden/affordability, appropriate debt ratio, bond rating impacts to debt service, etc.**
- **BFAAC recommends establishing a regular review process for planned CIP projects to ensure they are properly scoped, feasible and are on realistic timelines.**
- **BFAAC suggests reevaluating whether the total timeframe of the CIP should be shortened to include only such projects that are ready for implementation and include projects that are identified but are too far in the future to budget in a separate category.**
- **BFAAC recommends strong City support for standard project management practices across all City capital projects including in CIP. The City Manager and his Department leadership should provide meaningful oversight and encouragement for the use of such DPI standards across these projects. This would include ensuring such DPI standards are utilized when all projects are first developed and used to monitor project implementation on an on-going schedule until completion. City leadership utilizing the standards, processes and procedures in oversight of City projects will help establish the legitimacy of such efforts and will result in better implementation and management of those projects.**

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 20, 2021
TO: THE HONORABLE MAYOR AND THE MEMBERS OF THE CITY COUNCIL
FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)
SUBJECT: MEMO #1 – BFAAC FISCAL YEAR 2023 WORK PLAN

The Budget and Fiscal Affairs Advisory Committee (BFAAC) plans to provide the Council with shorter memoranda throughout the year to address areas of interest to the financial wellbeing of Alexandria City. Our work of the prior few years, along with others city boards and commissions, has been disrupted by COVID-19. As a result, we will focus on prior year work, as well as new initiatives for the coming year. BFAAC will also review the implementation and impact of the American Rescue Plan funding to identify the successes and potential areas of improvement. We expect this will be an ongoing effort that will continue next fiscal year since the impacts will not likely emerge until late in FY 2023 and into FY 2024.

In this Work Plan, we provide the regular memoranda that we develop each year. We are also providing an array of topics BFAAC would like to address through the current term through May 2022. At the November 6 Retreat, we would like guidance from the City Council on which items are a priority for BFAAC to address. We note in some that the topic could be a two-term topic since there are activities that will mature over the next year to two years. We also understand that the new City Council could have other priority topics, so we will stay in close contact with the City Council as the new members settle in.

The following are the standard memoranda that BFAAC will provide this year:

- MEMO #1: BFAAC FISCAL YEAR 2023 WORK PLAN (October 2021): BFAAC will outline for Council our intended workplan for the year, to better facilitate transparency and provide an opportunity for feedback and guidance;
- MEMO #2: RECOMMENDATIONS FOR THE FY 2023 BUDGET GUIDANCE (October 2021): BFAAC will provide recommendations for Council to consider as it develops the FY 2023 budget guidance; and
- MEMO #3: RECOMMENDATIONS AND OBSERVATIONS RELATED TO THE CITY MANAGER'S PROPOSED FY 2023 BUDGET: BFAAC will provide the Council with a memo with recommendations regarding the major issues facing the City in FY 2023. The memo will follow up on revenue and process recommendations made in previous budget response memoranda.

The following are the topics that BFAAC is considering for review, but we would like to discuss prioritization and areas of focus with the City Council at the November off site:

Short Term (Can be done by May 2022)

- **RECOMMENDATIONS FOR ALEXANDRIA ECONOMIC DEVELOPMENT PROGRAM (AEDP) STUDY:** BFAAC could provide recommendations for an external study, managed by AEDP, on strategies by the Alexandria City to leverage our proximity to economic hubs such as the Virginia Tech Innovation Center to bring in long lasting jobs to our City;
- **RECOMMENDATIONS ON DASH FREE FARE POLICY AND THE BUDGET IMPLICATIONS:** BFAAC could review the DASH policy to determine the impact on the budget including the review of similar policies in surrounding jurisdictions;
- **RECOMMENDATIONS ON CAPITAL BUDGET RESTROSPECTIVE ANALYSIS:** In furtherance of the discussions from the 9/29 Council meeting, BFAAC to analyze capital budget vs actuals and fund balance trends over the past five years;
- **RECOMMENDATIONS ON DEBT SERVICE PRACTICES:** BFAAC could review the Alexandria City practices and timelines when our city draws down on bond proceeds; and
- **CITY/SCHOOLS UPDATE:** BFAAC could meet with the School Board's Budget Advisory Committee (BAC) to check in on status of recommendations made by the Ad Hoc Joint City/Schools Task Force. Topics to be addressed include impending capital projects; progress on streamlining processes; opportunities to co-locate services; and potential for further cooperation on health and access concerns magnified by the COVID 19 pandemic. As in recent years, BFAAC and BAC will prepare a joint memo to Council and the School Board following its meeting.

Long Term (to be completed over several BFAAC terms)

- **RECOMMENDATIONS ON EMPLOYEE COMPENSATION TRENDS:** BFAAC could review employee compensation trends and assess impacts negotiated employee agreements (including collective bargaining) are anticipated to have on: 1) operating revenues available for programmatic and service needs, 2) the ability to meet debt service requirements, 3) the ability to maintain cash contributions to the capital program, and 4) analysis of budget to actual expenditures for staff, benefits, and temporary staff;
- **RECOMMENDATIONS ON AFFORDABILITY HOUSING FUNDING AND THE FINANCIAL IMPACTS OF THE CITY TARGETS:** BFAAC could review funding needs and availability of funds to address affordable housing, specifically assessing the anticipated fiscal impact of achieving affordable housing targets established by City Council. The City's approach to public private partnership development in support of affordable housing goals would seem relevant to this topic; and
- **RECOMMENDATIONS ON FISCAL POLICIES AND PRACTICES RELATED TO AFFORDABILITY:** BFAAC could review fiscal policies/practices related to affordability including constraints on bonded indebtedness, cash capital contribution levels, capital project appropriation/cash flow methodology. Of particular interest would be general adherence to existing policies and identification of policies requiring revision, alteration, updating.

ADDITIONAL MEMOS TBD: BFAAC will be available to support Council throughout the year as matters arise and we welcome requests from Council on matters where BFAAC guidance can be helpful. Further, BFAAC, will continue to monitor and review the stormwater efforts within the City including the expected Stormwater Fund funding requirements, capital infrastructure needs to address both water quality and water quantity concerns, trends related to funding of positions through Fund resources, etc. As this program effort continues to evolve and new infrastructure investment to address water quantity is publicly debated, the potential fiscal impacts of the program become increasingly relevant.

BFAAC appreciates Council's support of its work and will strive to provide the best recommendations possible on the budget and fiscal affairs of the City of Alexandria.

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 20, 2021

TO: THE HONORABLE MAYOR AND THE MEMBERS OF THE CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: MEMO #2 – RECOMMENDATIONS FOR THE FY 2023 BUDGET GUIDANCE

As Council develops its budget guidance for FY 2023, BFAAC acknowledges the challenges and opportunities that upcoming events will bring in the coming year. Not only is Alexandria City continuing to tackle the pandemic and its effects on our community's health and our economy, but in the coming months the City Manager leadership is transitioning, a new Council is being sworn in, and our city is embarking on the development of a new 5-year strategic plan. Through these efforts, there are opportunities for Alexandria City to continue to show leadership in the region and in the Commonwealth.

In this document, BFAAC offers recommendations on Council's budget guidance resolution by suggesting core approaches for FY 2023 as Alexandria City prepares an operating budget and a bi-annual update of the capital budget.

CORE AREAS OF FOCUS

1. Continued COVID-19 Response

The course of the COVID-19 virus continues to evolve, creating some unpredictability and wide variability in how City revenue will be impacted. Currently, small businesses (particularly restaurants and retail), affordable housing, and health and wellness care continue to be challenged after nearly two years of disruption. Council needs to consider all options to plan and fund the Alexandria City recovery. Priority areas that are going to need uninterrupted support are:

- a. Community health and wellness;
- b. Educational support for K-12 and preschool needs;
- c. Housing Capacity; and
- d. Economic stability, specifically providing small business support.

While our community has become more familiar with the impacts of the pandemic, the future of the COVID-19 virus and variants continues to create an unpredictable budgeting environment. This climate necessitates that Council looks closely at all the options for creating a budget that helps our small businesses, addresses physical and mental health needs, contributes to flood mitigation and other climate change needs, and educational services for adults, K-12, and

preschool needs throughout Alexandria City. The goal is to be less dependent on residential property tax. BFAAC encourages Council to be alert to long term revenue needed to fund our operating budgets as well as the significant capital projects needed to modernize and add needed capacity to the City's infrastructure--particularly when reviewing the CIP this year, a multi-year intent for funding, including any anticipated tax increases, is encouraged.

BFAAC supports providing maximum flexibility to the City Manager regarding revenue sources for the budget, including a long-term revenue review specifically looking at methods to capture enhanced revenue. While BFAAC has previously cautioned about the residential tax and fee burden, those concerns need to be balanced with the need to maintain core city services, as well as the city's need to prepare for a possible long-term revenue decline.

2. Competitive Pay Compensation and Collective Bargaining

As staff accounts for a significant portion of the city's operating budget, flexibility also will be required to accommodate an emerging collective bargaining environment. Given Alexandria City's new collective bargaining ordinance, it is likely that the FY 2024 budget will include collectively bargained compensation packages for much of the Alexandria City's workforce. In turn, even those employees who are not subject to collective bargaining will expect compensation package adjustments commensurate with what is agreed to for the unionized parts of the workforce.

BFAAC applauds management for a proactive approach to the new ordinance and encourages Council to allow City management the tools require to proceed, including studies and/or expertise. BFAAC recommends the Council begin comprehensive compensation parity studies to see how current Alexandria City compensation packages compare to other DC area jurisdictions. Such studies will clarify the labor cost changes that are experienced by other jurisdictions and if prior City efforts to keep pace with neighboring compensation packages will potentially minimize labor cost changes. Collecting this type of data will be a worthwhile endeavor that will become apparent when collective bargaining agreements are negotiated.

Finally, BFAAC recommends the Council consider various options for how it plans to manage the collective bargaining process. As City staff explained during discussion of the collective bargaining ordinance, there may need to be some additional staffing in the City Attorney's office and HR, and/or more need for outside attorneys who specialize in labor relations.

3. Long Term City Business Growth and Development

The Alexandria Economic Development Partnership (AEDP) remains a key entity in continuing to ensure a thriving commercial market sector that attracts and retains businesses of all sorts. As the City builds on proximity to critical economic hubs such as the Virginia Tech Innovation Center, it is important to understand how the City can best attract private sector employers to help produce tech talent in the coming years. To achieve this, BFAAC recommends that Alexandria City consider providing resources to AEDP to commission external experts to develop strategies for a thriving, vibrant workforce, and business environment.

4. Government Funding

The American Recovery Plan Act (ARPA) allows Alexandria City to address current and future goals, with an eye towards post-pandemic recovery. While Council has seen and approved the use for the first allocation in May of 2021, the next installment is scheduled for May 2022 and can be rolled into this year's budget process.

As expressed in the ARPA-related memo to Council this summer summarizing BFAAC's thoughts on ARPA, we continue to recommend a practice of a transparent outreach process. Through a thoughtful communication effort, our hope is that the city can promote equity and focus from various stakeholders including non-profits, religious and community organizations, neighborhood civic associations, etc. BFAAC encourages publishing the process and timeline to provide opportunity for sufficient community input.

5. Partnership with the Schools

The pandemic brought to light some of the different ways the city and the schools can work together for the benefit of our community's wellness. BFAAC supports City efforts to leverage this collaboration and integrate mutual goals within the city's next strategic plan. BFAAC encourages Council to give schools the space to develop a budget that meets their evolving needs. BFAAC and the Schools' BAC plan to hold a joint meeting soon to offer insight.

6. Past Analysis and Future Planning

BFAAC continues to support Priority Based Budgeting and encourages analyzing how effective our budget execution has been in the past. The pandemic created uncertainty, which resulted in shifting budget needs, expenses, and unpredictable revenue impacts. While the agility of leadership and budget modifications were necessary in reaction to the pandemic, the timing is right for analyzing how effective our budget execution has been in the past. BFAAC recommends adopting an annual practice to review the effectiveness of past budgets by analyzing:

- how departments utilized their budget, looking for places that are underfunded and areas that funding goes unused;
- how emergency funds, including ARPA and stimulus monies, were used or planned to be used and if any of those allocations might need to be sustained in future budgets; and
- how to identify what budget and fiscal practices worked well during the crisis and where there were unintended consequences.

The city leadership and budget priorities continue to require flexibility and sound planning for the FY 2023 fiscal and beyond. Our local jurisdiction has been a leader in the Commonwealth in several efforts and BFAAC encourages Alexandria City leadership to remain innovative in these areas of analysis. Sound analysis and thoughtful budget reviews assures additional future fiscal successes.

7. Strategic Plan and Planning:

Alexandria City plans to recast the city's 5-year strategic plan this coming spring. BFAAC recommends that the Council take time to evaluate the relevance and outcomes of Alexandria

City's former strategic plan and work up a budget effectiveness analysis. This means benchmarking the progress our city has made, despite COVID-19, and pulling the knowledge of how effective dedicated funding has been in the different areas of our city. Typically, departments can't reach the proof of effectiveness regarding standard operational management along with various initiatives within a single fiscal year. Using KPIs, or some common operational measurement, coupled with a 5-year budget analysis would help Council prioritize of the various strategic initiatives. The resulting benefit would be that our city's next strategic plan would serve a clearer picture of which priorities take precedence and why their budget works to deliver those priorities.

City of Alexandria, Virginia

MEMORANDUM

Date: JANUARY 18, 2022

TO: THE HONORABLE MAYOR AND THE MEMBERS OF THE CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: FY 2023 MEMO #4 – CITY OF ALEXANDRIA OVERALL TAX AND FEE ASSESSMENT

At the City Council Budget Retreat on November 7, 2021, BFAAC was asked to provide a review of taxes and fees per household. The following memo will 1) outline information related to the residential tax burden from FY 2013 to FY 2022; 2) discuss commercial real estate revenue and how it relates to the residential tax burden; and 3) offer recommendations on developing a strategic plan for commercial uses in Alexandria. As a note, in cases where data is only available through 2021, that is what is included in this memorandum. Further, there are several metrics used throughout this memorandum that BFAAC believes helps frame the tax burden assessment, including the Consumer Price Index, comparison to other jurisdictions, etc. Finally, the City developed a 10 year revenue report back a few years ago that has good information on City revenue and its uses.¹

Residential Tax Burden

The following can be found in Section 7 of the FY 2022 approved budget.¹ This table has been included in the City's approved budget documents because of BFAAC recommendation for more transparency in the taxes paid by City households.

Residential taxes and fees have grown from \$5,636 in FY 2013 to \$8,448 in FY 2022.

¹ City of Alexandria TEN YEAR BUDGET HISTORY FY 2009 – 2018 REPORT.
[file:///C:/Users/janet/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/F2SX3E62/BMQ%20-%2051%20-%20TEN%20YEAR%20BUDGET%20HISTORY%20\(FY%202009%20-%20FY%202018\).pdf](file:///C:/Users/janet/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/F2SX3E62/BMQ%20-%2051%20-%20TEN%20YEAR%20BUDGET%20HISTORY%20(FY%202009%20-%20FY%202018).pdf)

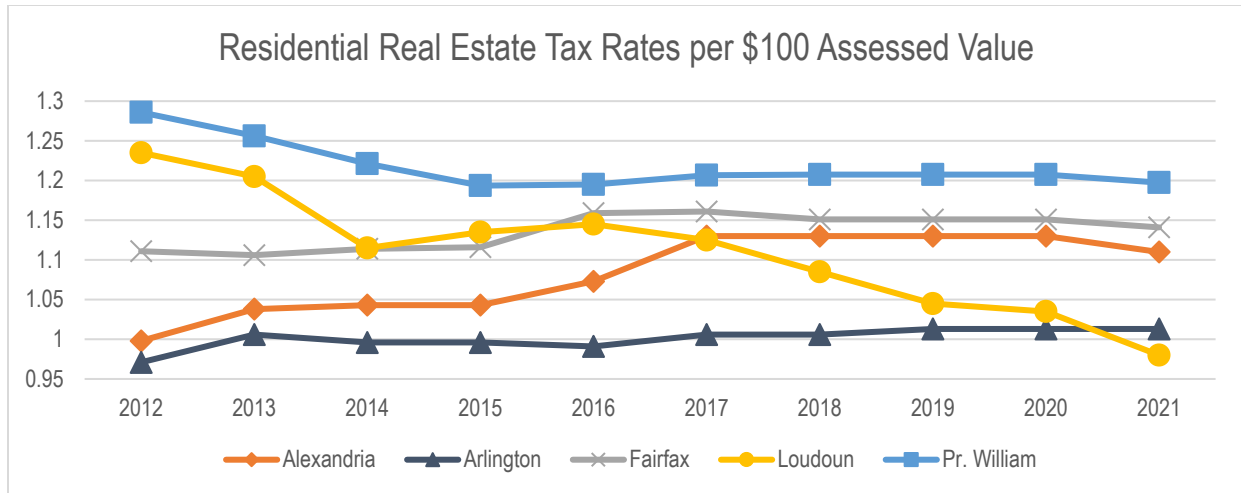
Residential Tax and Fee Burden (Fiscal Years)

Fees and Taxes	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	% Change 2013-2022
Real Estate Tax	\$4,575	\$4,885	\$5,115	\$5,318	\$5,593	\$5,971	\$6,154	\$6,272	\$6,584	\$6,836	49%
Personal Property Tax	\$380	\$457	\$445	\$464	\$505	\$523	\$533	\$570	\$602	\$554	46%
Trash Removal Fee	\$336	\$328	\$337	\$337	\$363	\$373	\$373	\$411	\$460	\$484	44%
Decal Fee	\$55	\$56	\$55	\$55	\$56	\$58	\$58	\$0	\$0	\$0	-100%
Utility tax on Natural Gas	\$23	\$25	\$25	\$24	\$24	\$24	\$22	\$25	\$24	\$24	4%
Utility tax on Electricity	\$30	\$33	\$36	\$35	\$36	\$36	\$33	\$34	\$33	\$33	10%
Utility tax on Water	\$27	\$26	\$30	\$29	\$29	\$30	\$27	\$25	\$25	\$24	-11%
Communication Sales and Use Tax	\$143	\$136	\$134	\$129	\$126	\$123	\$119	\$111	\$91	\$90	-37%
Sanitary Sewer System Capital Investment and Maintenance Fee	\$68	\$68	\$68	\$68	\$76	\$98	\$123	\$123	\$123	\$123	81%
Storm Water Utility Fee	-	-	-	-	-	\$70	\$140	\$140	\$210	\$280	-
Total	\$5,636	\$6,014	\$6,245	\$6,458	\$6,808	\$7,306	\$7,582	\$7,711	\$8,152	\$8,448	

The largest share of the fees and tax burden on residential uses is the residential real estate tax, which comprises approximately 81% of the total burden and has remained constant over the time period shown. However, the total actual tax amount for residential has increased 50% from FY 2013 to FY 2022, including a 49% increase to actual residential real estate tax amount.

Additionally, Alexandria's tax rate has grown significantly faster than its neighboring jurisdictions. The following chart illustrates the City of Alexandria residential real estate tax rates and surrounding jurisdictions from 2012 to 2021. The City's tax rate for \$100 of assessed value has grown from \$.998 in 2012 to \$1.11 in 2021 or an 11% increase. Arlington's rate has grown 4% over the same time frame; Fairfax has grown 3%; and Loudoun and Prince William counties rates have actually declined. Despite the sustained growth in Alexandria's tax rate over the last decade, the rate itself stands at roughly the mid-point relative to surrounding jurisdictions.

Residential Real Estate Tax Rates Per \$100 Assessed Value											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	% Change
Alexandria	0.998	1.038	1.043	1.043	1.073	1.13	1.13	1.13	1.13	1.11	11%
Arlington	0.971	1.006	0.996	0.996	0.991	1.006	1.006	1.013	1.013	1.013	4%
Fairfax	1.111	1.106	1.114	1.116	1.159	1.161	1.151	1.151	1.151	1.141	3%
Loudoun	1.235	1.205	1.115	1.135	1.145	1.125	1.085	1.045	1.035	0.98	-21%
Pr. William	1.2859	1.2562	1.2212	1.1936	1.195	1.2067	1.2075	1.2075	1.2075	1.1975	-7%



Residential real estate tax has increased its share of the total revenue collected by the City over the past decade. As the following chart shows, in 2012 residential real estate tax revenues represented 70.2% of all real estate revenues. By 2021, the residential tax share had increased to 78.7%. The value of commercial properties over that time period remained flat while the value of residential properties increased 36%.

	Residential and Commercial Real Estate Tax									
	Percent of Real Estate Tax Revenue									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential*	70.2%	71.0%	72.8%	74.1%	74.7%	74.4%	76.0%	75.9%	76.6%	78.7%
Commercial	29.8%	29.0%	27.2%	25.9%	25.3%	25.6%	24.0%	24.2%	23.4%	21.3%

* Includes Commercial Multi-Family

Finally, the following chart illustrates the change in Consumer Price Index for all Urban Consumers (CPI-U) against the Gross General Fund Budget, personal income per capita and assessed values of both residential and commercial property types across the same time period.

	FY2013	FY2022	% Change
CPI-U*	228.85	266.236	16%
Gross General Fund Budget	\$587,861,196	\$770,708,947	31%
Alexandria Personal Income Per Capita**	\$81,096	\$93,835	16%
Residential Total Assessed Value***	\$25,298,940,000	\$34,473,591,000	36%
Commercial Total Assessed Value	\$9,447,735,000	\$9,353,205,000	-1%

*CPI-U First Half (1982-1984=100)

**2012 & 2020 BEA County-Level Data, 2021 not yet available

***Includes Multifamily Commercial

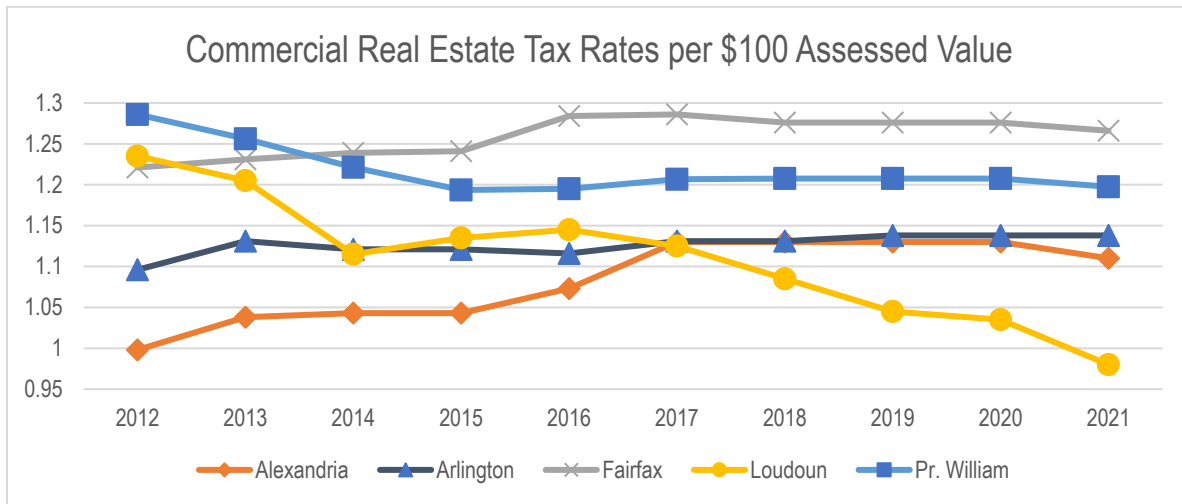
Overall, these charts illustrate two factors impacting the tax burden on Alexandria's residents:

1. The general fund budget, which is funded largely by local taxes, increased 31%, which is more than inflation (16%) and the increase of personal incomes of Alexandria residents (16%), and
2. The residential tax base is shouldering more of the total share of tax burden because commercial assessed values have remained flat since FY2013.

While the average amount of residential property tax owed has increased over the period shown, it is also true that the number of properties with values in excess of \$500,000 is growing, suggesting the upper end of the residential market (presumably the most able to pay) is carrying more of the burden over time. As example, the number of residential units with an assessment of more than \$500,000 grew from 48% of total to 56.5% of total from calendar year 2017 to 2021. Of those properties with assessments in excess of \$500,000, residential units with values in excess of \$1 million grew far faster than those in the \$500,000 to \$1 million range. BFAAC recognizes the need to balance tax burden with the ability to pay which should be a mainstay of tax policy for the City. ***BFAAC recommends that Council request a deeper analysis of the changes to residential tax burden over the past decade, including the impact of new residential development on the tax base and the increase in number of high-value residential properties and their relative share of the tax burden.***

Commercial Real Estate Tax

In comparing jurisdictional tax rates in the region, it is important to note that both Arlington and Fairfax charge a different tax rate for commercial properties while Alexandria maintains the same rate for residential and commercial. Alexandria had the lowest commercial tax rate in Northern Virginia until 2017 and remains the second lowest in 2021.



Interestingly, the lower commercial rate illustrated above does not appear to be significantly increasing the City’s ability to attract commercial development. Commercial development in Arlington in Fairfax, both with higher commercial rates, outpaces Alexandria and shoulders more of those jurisdictions’ tax burdens while the Alexandria residential property base is increasingly carrying a larger share of the total tax obligation.

BFAAC recommends Council request a more detailed analysis of the commercial assessment stagnation, including answering the following questions:

- ***How has the amount of commercial space available changed?***
- ***How has the vacancy rate of commercial space changed?***
- ***How has commercial income changed?***
- ***How does the City compare with other jurisdictions in these areas?***

BFAAC recommends that Council consider revisiting the rationale for maintaining a common tax rate for both residential and commercial properties and assess whether parity in the rate continues to be appropriate.

Commercial Market Study & Strategic Plan

The office industry is facing an unprecedented shift in market demand and the City is no exception. The future of office is changing and BFAAC strongly encourages the City to best position itself to respond to these shifts and capitalize on its assets as an attractive location for commercial users.

Historically, over 50 million square feet (SF) of new office space was constructed in the Washington region from 2008-2019. Of that amount, 3 million SF of new office space was constructed in Alexandria.² During this time, there was a tremendous shift in tenant preferences that greatly impacted where and when office buildings were built. Tenants (i.e., corporate users) desire highly-amenitized Class-A or trophy office adjacent to Metro. While Alexandria has several Metro-adjacent development sites, speculative office development (i.e., building an office without first signing a tenant to a lease) is challenging given construction pricing and financing expectations. New office space that was constructed in Alexandria was all “build-to-suit,” with tenants lined up to occupy & pay rent immediately after delivery. There is very limited new, vacant SF available for immediate leasing Alexandria, which can present challenges to attracting new commercial users who wish to move to new space without waiting for a building to be purpose-built.

Additionally, the state’s economic development agency, Virginia Economic Development Partnership (VEDP), tracks and reports on major business attraction projects throughout the Commonwealth. From 2008-2019, VEDP announced 161 new business attractions to Northern Virginia within targeted industries which were expected to generate nearly 36,000 new jobs and \$3.1 billion in capital investment. Alexandria captured 5 of these new business attractions accounting for 104 new jobs and \$8.3 million of investment. According to VEDP, the pipeline of businesses that are interested in locating in Northern Virginia remains robust.³

If the policy direction of Council is to rebalance the commercial/residential tax burden, it is critical for the City to develop a strategy to expand the opportunities for commercial uses to grow in size and value. AEDP would like the City to provide funding to hire an economic development specialist on a contractual basis to prepare actionable recommendations for

² Costar/July 2019

³ VEDP/ Business Announcements & Closures Database

identifying, targeting, and attracting private sector employers to Alexandria that would benefit from locating in a city and region that will produce a significant amount of tech talent in the coming years. This project will provide the team with a roadmap to identify, target, and attract private sector employers who would benefit from locating in Alexandria. Funding would support the hiring of specialist, on a contractual basis, that would:

- Analyze local and regional talent production to determine the types of degrees that are being produced and identify industries/businesses that would benefit from being proximate to workers with these types of degrees.
- Use the analysis to develop a list of target companies that need the type of talent produced locally and regionally and that would be willing to relocate to Alexandria.
- Create an outreach and attraction strategy with actionable steps the Business Development team would use to attract businesses to Alexandria.
- Real estate assessment market study.

BFAAC recommends that the City Council provide AEDP the funding needed for a strategic business plan study in the FY 2023 budget. BFAAC also recommends AEDP, in conjunction with City planning staff, consider land use in its strategic plan – how have the land use decisions of the past decade impacted the City’s ability to support new commercial development and attract commercial users.

BFAAC believes developing this strategy is critically important to generating new economic opportunity for residents and growing the commercial tax base. In the context of changes that have occurred in the region recently with Amazon and the Virginia Tech Innovation campuses coming to Northern Virginia, this seems like an excellent opportunity for the City to begin focusing on bringing in new businesses with long-term jobs and commercial tax value.

RECOMMENDATIONS SUMMARY

- BFAAC recommends that Council request a deeper analysis of the changes to residential tax burden over the past decade, including the impact of new residential development on the tax base and the increase in number of high-value residential properties and their relative share of the tax burden.
- BFAAC recommends Council request a more detailed analysis of the commercial assessment stagnation, including answering the following questions:
 - How has the amount of commercial space available changed?
 - How has the vacancy rate of commercial space changed?
 - How has commercial income changed?
- BFAAC recommends that Council consider revisiting the rationale for maintaining a common tax rate for both residential and commercial properties and assess whether parity in the rate continues to be appropriate.
- BFAAC recommends that the City Council provide AEDP the funding needed for a strategic business plan study in the FY 2023 budget. The study should propose targets for the commercial tax base over the next two years and beyond.
- BFAAC also recommends AEDP, in conjunction with City planning staff, consider land use in its strategic plan (including identify ways to improve the permit approval process)

– how have the land use decisions of the past decade impacted the City’s ability to support new commercial development and attract commercial users.

ⁱ [https://www.alexandriava.gov/uploadedFiles/budget/info/budget_2022/Section%2007%20-%20Revenues\(1\).pdf](https://www.alexandriava.gov/uploadedFiles/budget/info/budget_2022/Section%2007%20-%20Revenues(1).pdf)

City of Alexandria, Virginia

MEMORANDUM

Date: JANUARY 18, 2022

TO: THE HONORABLE MAYOR AND THE MEMBERS OF THE CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: FY 2023 MEMO #5 – DASH FARE-FREE POLICY

In November, Josh Baker, General Manager of Alexandria Transit Company (“DASH”) joined BFAAC for a discussion of DASH’s new fare-free policy. Mr. Baker outlined the Fare-Free Framework, approved by the DASH Board of Directors, shared the basics of how operations will be funded over the next several years, and answered BFAAC’s questions. This memo provides a summary of the fare-free policy, the questions and answers from BFAAC’s session with DASH, and recommendations for Council based on these discussions.

FARE FREE POLICY FRAMEWORK SUMMARY

The following is a summary of the DASH Fare Free Framework policy document, dated November 10, 2021, and is attached to this memo for reference.

- Purpose and Goals
 - Reduce barriers to transit use, increase overall usage by new riders and existing riders, reduce costs of fare collection, and increase operational efficiency and service reliability by keeping buses moving.
- Funding
 - The program needs to be funded by the City or through grants or other non-City sources.
 - The City funded the first 10 months of operation, or \$1,470,000 and an additional \$670,000 is needed in the immediate term (FY 2022).
 - DASH applied for the DRPT Transit Ridership Incentive Program grant up to \$8M payable over 4 years to help cover the revenue gap in the short term and expects to win the award.

- DASH anticipates the following revenue gaps for FY 2023-2025:

Fiscal Year	Foregone Passenger Revenue
FY 2023	\$4,716,107
FY 2024	\$5,093,078
FY 2025	\$5,512,309

- Program Conditions
 - DASH will continue the program as long as sufficient funding is available.
 - If funding becomes unavailable or reduced, DASH will conduct public outreach to discuss options.
 - DASH will continue to maintain fare collection equipment for at least one year and will decommission after the year only if it is determined that fares will not be collected for at least 3 more years and DASH has installed automated passenger counter equipment on over 90% of the active fleet in order to collect ridership data.
 - If fare collection is reinstated, it will take 2 years and \$4M to install next generation “SmarTrip” compatible fareboxes and associated equipment needed to collect fares.
- Program Equipment
 - Operating fare-free will allow DASH to disinvest from fare collection equipment over the long term.
- Program Outreach
 - DASH will advertise the free fares through normal channels and some additional community outreach and paid advertising.
 - DASH will conduct regular surveys to gauge effectiveness, satisfaction, and potential improvements.
 - DASH will conduct community outreach if any significant changes are considered.
- Program Analysis
 - DASH will conduct an annual review at the end of each fiscal year & present to DASH Board of Directors each fall.
 - Potential metrics include ridership, ridership demographics, customer survey responses, operator feedback, and fare collection cost savings.
 - New service changes should not be considered until 12-18 months after implementation.

BFAAC/DASH Q&A

The following is a summary of the questions answered in a FAQ format that BFAAC thought might be most useful for Council & the general public. DASH’s responses have been paraphrased or edited for length.

BFAAC: Was an intermediate step between standard fares and the 100% fare-free policy considered? For example, Arlington’s ART implemented a fare-free policy for students in certain geographic locations and existing Health & Human Services clients, but not for all riders.

DASH: DASH and the Executive Board felt strongly that the fare-free policy should be implemented for all riders as transit is an essential service and encouraging increased ridership is a priority. Additionally, from an operational perspective, it would be more challenging and potentially costly to implement a varied cost structure given the technological limitations of DASH’s existing facilities.

BFAAC notes that Budget Question #26 dated April 6, 2021¹ in response to the request for the 10-month subsidy increase of \$1.47M included an analysis a range of fare elimination options, including full fare elimination, off-peak fare elimination, and free or reduced fares for low-income riders. The findings are summarized below:

Scenario	FY22 12-Month Fiscal Impact	FY22 10-Month Fiscal Impact (implement Sept)	Ridership Impact
1. Free Fares for all DASH passengers	\$1,758,000	\$1,470,000	+493,000 (+23.2%)
2. Free Fares for DASH during off-peaks	\$1,220,000	\$1,020,000	+172,000 (+10.7%)
3. Free DASH Fares for all eligible low-income passengers	\$770,000	\$650,000	+131,000 (+5.7%)
4. Reduced DASH fares and passes for all eligible low-income riders	\$365,000	\$315,000	+79,000 (+3.4%)

BFAAC: Can DASH provide a quantitative analysis of the DASH Fare-Free policy in terms of economic and environmental impacts?

DASH: Based on the Virginia Transit Association (VTA) transit benefit methodology (<https://vatransit.com/transitimpacts>) and ridership projections from the recent Metropolitan Washington Council of Governments (MWCOC) “City of Alexandria Low Income Fare Pass Assessment” study, the transition to free fares is expected to have a significant economic and environmental impact on the City.

Based on a DASH ridership increase of 23% from regular pre-pandemic levels, the following benefits would be accrued:

- 865,000 additional bus boardings per year.

¹ <https://www.alexandriava.gov/budget/info/default.aspx?id=120771>

- \$24.4 million in additional annual economic benefit for the City.
- 23,000 fewer gallons of fuel consumption per year as compared to SOV trips
- 200 fewer metric tons of carbon emissions per year.

BFAAC: What if the fare-free policy is wildly successful and ridership increases dramatically? Will increases to service or fleet vehicles be required?

DASH: This would be a great outcome and there is capacity to support increased ridership above pre-pandemic figures.

BFAAC: With the 100% fare-free policy, how much revenue from SmartBenefits (employer subsidies) will be foregone?

DASH: Based on SmartBenefits usage data from 2019, roughly 16% of DASH passenger fare revenues came from customers who were participating in SmartBenefits programs. This equates to just over \$560K in annual DASH revenues, the vast majority of which came from federal employees. For FY21, there was only \$22,000 in DASH revenues from the SmartBenefits program due to the COVID pandemic. For FY22, DASH recorded a monthly average of \$8,000 in SmartBenefits revenues prior to the transition to fare-free operations in September. This translates to about \$100,000 in projected annual revenues from SmartBenefits users.

BFAAC: The City is proposing restructuring the existing Transportation Management Plan (TMP) Policy². How much does DASH receive currently from TMPs and has DASH discussed the amount of funding could be achieved via TMPs if the proposed reforms are approved?

DASH/T&ES: The City currently recovers only minimal funding from TMPs as only a few small developments are paying into the program. TMP reform could lead to more funding, but specific allocation of those funds is currently under discussion. As of now, transit operations are not being considered for use of these funds.

DRPT TRIP Grant

DASH applied for a multi-year grant from the Commonwealth which will cover foregone revenue from the fare-free policy this fall. Implementation of a fare-free policy was not required prior to the grant award. DASH is anticipating signing an agreement with VA Department of Rail & Public Transportation (DRPT) later this month, with funds disbursed over the next few years as follows:

Year 1 (FY 2022)	\$2,623,930
Year 2 (FY 2023)	\$2,829,664

²“A Transportation Management Plan (TMP) is a site-specific plan of Transportation Demand Management strategies to encourage residents and employees to take public transportation, walk, bike or share a ride, as opposed to driving alone. The TMP is required by ordinance through the City’s development review process, depending on the size of the development.” (<https://www.alexandriava.gov/tes/info/default.aspx?id=6556>)

Year 3 (FY 2024)	\$1,782,577
Year 4 (FY 2025)	-

This leaves the following funding gaps for fiscal years 2023-2025 per DASH’s projected foregone revenue.

Fiscal Year	Projected Foregone Revenue	DRPT Grant Funds	Annual Funding Gap
FY 2023	\$4,716,107	\$2,829,664	\$1,886,443
FY 2024	\$5,093,078	\$1,782,577	\$3,310,501
FY 2025	\$5,512,309	\$0	\$5,512,309

BFAAC recommends that for budget purposes Council assume that full coverage of the annual funding gap for FY 2023-24 will be required, and full coverage of projected foregone revenues with the expiration of the DRPT TRIP funding.

BFAAC OBSERVATIONS & RECOMMENDATIONS

Based on the discussions and review of the fare-free framework, BFAAC is supportive of the City’s endorsement of DASH in its novel approach to increasing transit use. However, BFAAC observed that the ramifications of the policy on the budget may not have been fully considered given the expediency of the decision and implementation of the fare-free policy prior to the grant award.

BFAAC suggests the following recommendations to Council as it continues to evaluate the policy and its impacts on the City’s budget.

- BFAAC recommends Council continue to encourage DASH to find other state and federal subsidy sources to cover the revenue gap and reduce the impact to the general fund.
- BFAAC recommends Council encourage DASH to continue to explore ways to recapture foregone SmartBenefits revenues to the extent it is administratively feasible and cost-effective.
- BFAAC recommends Council encourage City staff to consider transit operations as a potential recipient of TMP funding with TMP reform.
- BFAAC recommends that for budget purposes, Council assume that full coverage of the annual funding gap for FY 2023-24 will be required, and full coverage of projected foregone revenues will be required with the expiration of the DRPT TRIP funding.
- BFAAC recommends Council request DASH present its annual review findings to Council around the same time as it is presented to the DASH Board of Directors.
- BFAAC recommends Council request DASH include in its annual review a quantitative analysis of economic and environmental benefits of the fare-free policy, including particular analysis of benefits accrued to low-income communities & to service industry businesses in the City, which may require some non-quantitative analysis.

City of Alexandria, Virginia

MEMORANDUM

Date: FEBRUARY 25, 2022

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

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)
SCHOOL BOARD BUDGET ADVISORY COMMITTEE (BAC)

SUBJECT: FY 2023 MEMO #6 – JOINT BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE AND SCHOOL BOARD BUDGET ADVISORY COMMITTEE STATUS REPORT ON AD-HOC JOINT CITY & SCHOOLS FACILITIES INVESTMENT TASK FORCE RECOMMENDATIONS

On January 26, 2022, BFAAC and BAC held their fourth joint meeting, including members of both citizen advisory committees as well as key staff from City and School budget and planning offices, and Recreations, Parks and Cultural Activities. The meeting addressed ongoing progress implementing key recommendations of the Ad-Hoc Joint City & Schools Facilities Investment Task Force (the “Joint Task Force”), particularly focusing on the significant capital budget, with the intent of moving the discussion beyond planning to implementation and management. Our joint meetings have become an opportunity to recognize the work of City and School staff, and also to identify additional areas to maximize efficiency and further support their efforts to serve our community.

BACKGROUND

Significant progress has been made since the Joint Task Force issued its final report in 2017. Recognizing that many Council and School Board members have been elected since then, the most impactful achievements are highlighted here.

- The City Manager and School Superintendent have held regular meetings, providing a **united leadership that evokes confidence in our City government**. We encourage the new City Manager to continue this positive opportunity for regular dialogue with the Superintendent.
- This collaborative approach has set the standard for City and School staff more broadly, who report **daily engagement and a generally transparent and collegial relationship, especially among budget and planning staff**.

- **Budget cycles and planning are better aligned**, both City and Schools have adopted a two-year CIP, and continual dialogue ensures no “surprises” when proposed budgets are released.
- The **Joint Capital Management Council is in place** and serves a tactical purpose for identifying and trouble-shooting potential challenges with projects. We encourage staff to continue this successful practice and also use this forum to strengthen discussion of long-term planning.
- Adopting the practice of **budgeting “undesignated” capital funding** has provided some flexibility to purchase and quickly renovate office buildings for new schools.
- **Schools recently completed targeted facilities assessment for all properties** and were able to use that data to fine tune the CIP; and they are also utilizing an upgraded maintenance management system, which is similar in output though not the same system employed by the City.

Significant staff dedication has delivered the above goals, and with continued leadership we are confident in the City’s ability to address challenges in areas including maximizing/sharing use of existing space; shared services & procurement; and longer term financial and revenue planning.

RECOMMENDATIONS

1. **Financial Planning** - BFAAC has long emphasized the need for a long- term, holistic revenue plan. While recognizing that investments targeted at school space and modernization; hospital capacity; transit; and other infrastructure improvements are necessary we also stress the **need for full collaboration on long term financial planning** to ensure the City is responsibly planning for those expenditures. This includes gauging staff and other capacity to execute projects in the desired timeframe; timing of appropriation and authority to spend vis-à-vis realistic project schedules; and the impact of debt service. While the common perception is that “money is cheap” right now, debt service impacts the operating budget and our ability to borrow for unforeseen needs in the future. We **urge Council and School Board to commit to joint responsibility for long term financial planning, engaging in a continuous dialogue about the broad impact of funding capital projects.** That responsibility includes **ensuring the community is informed about revenue needs and allocations, and that affordability is a topic when discussing every capital project - not just during “budget season.”** Opportunities within existing joint meeting sessions should be maximized to include and promote shared visioning among elected leaders on this critical planning issue, with the benefit of staff guidance, to ensure project goals are realized.
2. **Maximize Use of Existing Assets** – Progress has been made in the area of community use of school and recreation facilities. Of particular note is the staging of these facilities for pandemic related testing and vaccination clinics in schools and recreation centers; utilizing recreation space to ease crowding in homeless shelters; and distributing food at recreation centers. In many cases, the City’s Recreation Centers serve as true “community centers” by offering a variety of easily accessible services. There is also significant synergy across City and Schools in the use of school facilities for out-of-school time programs that support child-care needs of Alexandria’s families. However,

there still exist opportunities to make our approach to shared use more efficient. In some areas, limited staffing continues to obstruct efforts to ensure that an adequate level of service is available to citizens where and when they are needed. These challenges should be jointly pursued, regardless of “ownership” or the primary intended use of physical or virtual space. We recognize that the City and Schools are governed by two independently elected bodies each with their own public service mission. However, we continue to **encourage Council and the School Board to use their authority to remove obstacles to maximizing shared use of facilities** whether they be City or School governed, and to prioritize public use for the provision of key community services. This includes but is not limited to education; health and wellness; after school care; recreation for all ages; and access to information about City resources. To achieve the goal of shared use and streamlining processes, vendors, maintenance, etc., across City agencies and Schools, barriers that stand in the way of that goal must be identified, examined, and ultimately addressed. To **facilitate the sharing of facilities and to achieve cost efficiency wherever possible, we encourage an assessment of operations with the objective of realizing an integrated City/School facilities management and service delivery model.**

3. **Empower Staff** - Reviewing projects included in the School’s capital budget, it is evident that the Joint Capital Management Council structure as well as daily staff coordination is positively impacting new projects from site acquisition to usage planning. **We strongly commend budget and planning staffs for their achievements.** Recent and current capital projects such as the High School Project, MacArthur and Patrick Henry present an opportunity to realize the benefits of cooperative planning and co-locating services, which can serve as a model for other new projects and also provide a new lens through which to view potential for existing space. **In order to ensure plans are maximized and to facilitate similar visioning for existing space, we encourage staffs from all segments of City government be included in discussions around service delivery and efficiency and be empowered to promote their cross-functional abilities and needs in their daily responsibilities.** As an example, movement toward developing a joint transportation facility at Witter/Wheeler should continue, and additional opportunities for shared use of procurement, maintenance personnel, vendors and contractors among the different departments (not just between City and Schools) should be adopted.
4. **Looking forward** - We briefly addressed the potential for Collective Bargaining to significantly impact the budget – bottom line and process - as multi-year salary and benefit contracts likely could result. While recognizing that both City and School leadership are studying their approach to this new environment, and while not yet evaluating their processes, **BFAAC and BAC strongly recommend full transparency and cooperation among Schools, City and all affiliated departments to fulfill interests of equity and responsible budgeting as collective bargaining becomes a tool for public employees.** Toward that end, we agreed to include Collective Bargaining as a topic for the next joint meeting, and to keep each other apprised of any developments in the interim.

BFAAC and BAC appreciate the opportunity to provide recommendations on these matters and welcome feedback from Council and School Board as well as recommendations for our further consideration.

City of Alexandria, Virginia

MEMORANDUM

Date: MARCH 15, 2022

TO: THE HONORABLE MAYOR AND THE MEMBERS OF THE CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: MEMO #7 – RECREATION, PARKS, AND CULTURAL ACTIVITIES FEE REVENUE VERSUS EXPENDITURE

At the City Council Budget Retreat on November 7, 2021, BFAAC was asked to compare actual expenditures revenue the Recreation, Parks and Cultural Activities (RPCA) receives from fees to analyze the extent to which the agency relies on City funding to operate. As this data was not readily available from budget documentation, City budget staff pulled the information together and provided it to BFAAC. The information provided only includes the RPCA operating budget and does not include any Capital Improvement Projects for RPCA of which are primarily City funded.

Background

The City of Alexandria’s “Resource Allocation and Cost Recovery¹ Policy” allows RPCA to provide basic services through general revenue funding. The Policy states that “cost recovery, including fees, charges and other methods to recover costs, are considered a responsibility and necessary means to supplement tax revenue and provide a greater level of services that benefit the community.” As a result, RPCA is funded with a complex combination of fees, taxes, grants, and donations. The intent is to provide no or minimal cost services to populations with the fewest recreational alternatives, relying heavily on grants, donations, and other City revenue. RPCA has established an annual process to review cost recovery targets for services provided. The review looks at the cost recovery tiers, established by the City and outlined in the above policy, and the fee structure/rates to determine the viability of programs and the cost recovery target minimums. The tiers are as follows:

¹ City of Alexandria Recreation, Parks and Cultural Activities Resource Allocation and Cost Recovery Policy. <https://media.alexandriava.gov/docs-archives/recreation/info/costrecoverypolicy.pdf>

Tier	Type of Program	Examples	Estimated direct ² cost recovery
1	Programs and services that benefit the general community	Non-monitor park/facility usage and mobile/pop-up and outreach programs	0%
2	Programs and services that might target a primary community but are deemed to benefit Alexandria as a whole and therefore receive a substantial tax investment while charging a minimal to partial fee to users	Community-wide and City produced events and preschools in most cases are needs based;	20%
3	Programs and services that provide a balance of community and individual benefit	Tenant licenses/leases, facilities pass, and tournaments and leagues for use of facilities;	50%
4	Programs and services that have a high individual benefit	Classes, programs, workshops, and clinics;	125%
5	Programs and services that deliver the highest individual benefits	Permitted services, party packages, and equipment rentals.	175%

It is important to note that Tiers 1 and 2 help provide services at no or minimal cost to populations with the fewest recreational alternatives. Further, non-city residents charges are higher since they do not pay City taxes. The tiers above reference “direct expenses” and most RPCA expenses are likely ongoing and not tagged to a particular activity.

Analysis

BFAAC reviewed actual expenditures for FY 2017-21, approved budget for FY 2022, and the City Manager’s proposed budget for FY 2023 to determine funding provided by both fees and other City revenue to RPCA. Fee recovery was low in FY 2020 and 2021 due to COVID-19 and reduced activities in RPCA sponsored activities. As the following table shows overall, RPCA receives about a quarter to a third of its funding from fees. The remainder of the expenditures are covered primarily by other City sources, as well as donations and grants.

Type	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Revised	FY23 Proposed
<i>Total Expenditures</i>	23,058,681	23,899,635	24,660,281	24,912,676	22,530,662	31,126,035	29,675,014
<i>Total Charges/Fees Revenue</i>	(6,636,972)	(7,024,542)	(7,134,986)	(5,132,255)	(3,191,838)	(9,655,492)	(7,668,934)
<i>Total Exp. Supported Other Sources</i>	16,421,710	16,875,093	17,525,295	19,780,421	19,357,289	21,470,543	22,006,080
<i>% of Exp. Covered by Charges/Fees</i>	28.8%	29.4%	28.9%	20.6%	14.2%	31.0%	25.8%

This means that RPCA receives funding of between \$16.4 million to \$22.0 million a year from sources other than RPCA fees. It is important to note that RPCA fees generate between \$3.2 to

² Direct costs include all the specific, identifiable expenses (fixed and variable) associated with providing a service, program or facility. These expenses would not exist without the program or service and often increase exponentially.

\$9.7 million a year in funding, but it is a small portion of the overall budget requirements for RPCA programs and services.

A further breakdown of RPCA programs into seven categories, shows consistently the non-fees support for RPCA efforts. As the following chart shows, only one of the program groups covers all services with fees or generates more revenue than the costs expended. This is the Arts, Marketing and Special Services program that started in FY 2021. All other program groups require additional non-fee funding from the City.

Program	Type	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Revised	FY23 Proposed
Arts, Marketing and Special Se	Total Expenditures	-	-	-	-	9,609	15,000	15,000
Arts, Marketing and Special Se	Total Charges/Fees Revenue	-	-	-	-	(28,074)	(15,000)	(15,000)
	Total Exp. Supported by Other Sources	-	-	-	-	(18,465)	-	-
Cultural Activities	Total Expenditures	2,137,567	2,547,912	2,705,930	2,837,587	2,253,719	3,097,095	2,979,051
Cultural Activities	Total Charges/Fees Revenue	(1,332,819)	(1,363,037)	(1,523,080)	(1,291,757)	(1,048,847)	(1,774,751)	(1,662,751)
	Total Exp. Supported Other Sources	804,748	1,184,875	1,182,850	1,545,830	1,204,872	1,322,344	1,316,300
NVRPA	Total Expenditures	284,587	290,136	294,481	305,667	313,034	310,346	324,926
NVRPA	Total Charges/Fees Revenue	-	-	-	-	-	-	-
	Total Exp. Supported Other Sources	284,587	290,136	294,481	305,667	313,034	310,346	324,926
Park Ops and Capital Dev/p	Total Expenditures	9,091,172	8,964,351	9,212,402	8,834,330	8,225,531	10,928,309	10,439,816
Park Ops and Capital Dev/p	Total Charges/Fees Revenue	(160,702)	(156,156)	(147,267)	(98,998)	(31,795)	(1,133,311)	(294,606)
	Total Exp. Supported Other Sources	8,930,470	8,808,195	9,065,135	8,735,332	8,193,736	9,794,998	10,145,210
Recreation Services	Total Expenditures	8,694,114	9,131,042	9,317,405	9,011,778	7,740,105	11,005,400	11,037,425
Recreation Services	Total Charges/Fees Revenue	(4,022,751)	(4,413,122)	(4,600,817)	(2,891,169)	(1,712,535)	(5,253,001)	(4,555,824)
	Total Exp. Supported Other Sources	4,671,363	4,717,920	4,716,588	6,120,609	6,027,570	5,752,399	6,481,601
RPCA Leadership and Management	Total Expenditures	2,851,242	2,966,195	3,130,063	3,923,089	3,988,665	5,769,885	4,878,796
RPCA Leadership and Management	Total Charges/Fees Revenue	(1,120,700)	(1,092,227)	(863,823)	(850,331)	(370,587)	(1,479,429)	(1,140,753)
	Total Exp. Supported Other Sources	1,730,542	1,873,968	2,266,241	3,072,759	3,618,077	4,290,456	3,738,043
Waterfront Operations	Total Expenditures	-	-	-	225	-	-	-
Waterfront Operations	Total Charges/Fees Revenue	-	-	-	-	-	-	-
	Total Exp. Supported Other Sources	-	-	-	225	-	-	-
RPCA Overall	Total Expenditures	23,058,681	23,899,635	24,660,281	24,912,676	22,530,662	31,126,035	29,675,014
RPCA Overall	Total Charges/Fees Revenue	(6,636,972)	(7,024,542)	(7,134,986)	(5,132,255)	(3,191,838)	(9,655,492)	(7,668,934)
	Total Exp. Supported Other Sources	16,421,710	16,875,093	17,525,295	19,780,421	19,357,289	21,470,543	22,006,080
	% of Exp. Covered by Charges/Fees	28.8%	29.4%	28.9%	20.6%	14.2%	31.0%	25.8%

Conclusion

RPCA is a critical part of the City programs and services to the community. User fees pay for about only between a quarter to third of the services provided. Further, this review only looked at fees and the operating (general funds) budget. RPCA also receives funding through the Capital Improvement Program (CIP) that were not included in this review. These efforts are only funded with City revenue not fees generated by RPCA. For example, there is an Athletics Field Improvements project in the CIP that will spend \$22.1M over the next 10 years.

The intent of the City, through RPCA programs, is to provide a greater level of services and programs to the community, plus provide services to populations with the fewest recreational alternatives. As a result, RPCA programs and services will always require non-fee revenue to cover expenditures. Having an RPCA fee fund all programs and services would result in a fee structure that could potentially triple or quadruple and would thus be out of range for the very populations many of those programs and services are intended to support. The annual review by RPCA on the fee structure is critical to ensuring the services and programs remain affordable and accessible.

City of Alexandria, Virginia

MEMORANDUM

Date: MARCH 24, 2022
TO: THE HONORABLE MAYOR AND THE MEMBERS OF THE CITY COUNCIL
FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)
SUBJECT: MEMO #8 – CITY OF ALEXANDRIA STATE FUNDING ASSESSMENT

At the City Council Budget Retreat on November 7, 2021, BFAAC was asked to review funding the City receives from the State of Virginia. The review was requested to cover ten years and look at any potential funding differences between State Administrations. In review of budget documentation, BFAAC determined that the information was not readily available from budget documentation. As a result, the City pulled the information together and provided it to BFAAC.

Background

For the period between Fiscal Year 2012 and Fiscal Year 2021, revenue from the Commonwealth ranged from a low of \$83.9 million (FY 2012) to a high of \$125.1 million (FY 2021). Average annual revenue received for the period was \$63.3 million which is approximately 10.3% of all revenue for the City.

Funds received from the State provide support for programs and services budgeted in the City's focus areas which include:

1. Accountable, Effective and Well-Managed Government
2. Safe, Secure, and Just Community
3. Livable, Green, and Prospering City
4. Healthy and Thriving Residents

BFAAC's analysis looked at two different views to determine the specifics of State revenue received by year as follows:

- 1) All revenue received and revenue received regardless of the purpose; and
- 2) State revenue received for programs and operations detailed in the City's four focus areas.

Analysis

1) Revenues received from the Commonwealth

For the purposes of review, BFAAC first considered all revenue received from the Commonwealth regardless of the purpose for which those monies were provided. The

following shows actual State funding received by fiscal year for the period from Fiscal Year 2012 to Fiscal Year 2021. Budgeted funding from the State is shown for Fiscal Year 2022. State revenue is then compared with total City revenues for the same period with notation of the percentage of revenue that the State funding represents when compared to all City revenues.

Revenues Received from the State of Virginia											
With General Fund											
(000)											
	McDonnell			McAuliffe				Northam			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Approved
Grand Total	83,861.4	102,627.6	108,153.9	98,515.3	104,113.7	106,073.9	108,773.5	116,566.4	119,944.9	125,107.1	121,462.8
City of Alexandria Total Revenue	642,655.51	595,009.29	611,565.44	636,911.18	649,395.48	683,650.13	717,727.33	744,307.42	729,551.40	728,915.21	747,420.37
State Revenue as percent of City Total Revenue	13.0%	17.2%	17.7%	15.5%	16.0%	15.5%	15.2%	15.7%	16.4%	17.2%	16.3%

During the period reviewed, there were three changes to Executive Administration of the Commonwealth. Additionally, leadership of the General Assembly changed political parties during this time. As the data suggests, changes to Executive and political leadership nominally impacts the revenue funding support received by the City from the State. This is largely attributable to the fact that State funding received by the City is commonly distributed to political subdivisions of the State through defined funding formulas.

BFAAC then reviewed revenue received by the City for designated (restricted) use. Designated funds include grants, allocations for programs, salary contributions for Constitutional offices, etc. As the following chart shows, designated funding received by the City is reasonably consistent for the period reviewed. Administrative and political leadership of the Commonwealth does not appear to have considerable influence on the allocation. The funding amounts received per year in FY 2012-2022 are between \$47 million to a high of \$86.1 million. After a low of 7.3% received in FY 2012, the percent of State funds received stayed consistent at between 9 and 11% of City revenue.

Revenues Received from the State of Virginia											
Without General Fund											
(000)											
	McDonnell			McAuliffe				Northam			
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Category	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Approved
Grand Total	46,975.1	66,177.0	70,846.7	61,314.2	66,363.9	68,055.2	70,879.5	78,249.4	81,499.7	86,072.2	82,321.2
City of Alexandria Total Revenue	642,655.51	595,009.29	611,565.44	636,911.18	649,395.48	683,650.13	717,727.33	744,307.42	729,551.40	728,915.21	747,420.37
State Revenue as percent of Total City Revenue (without General Fund)	7.3%	11.1%	11.6%	9.6%	10.2%	10.0%	9.9%	10.5%	11.2%	11.8%	11.0%

2) All Revenue received between the City’s four focus areas, both between years and State administration.

Next BFAAC reviewed State funding received for City programs and operations arranged by the City’s four focus areas.

Healthy and Thriving Residents. This area includes Community and Human Services, Health, Library, Recreation Parks and Cultural Activities, Alexandria Public Schools, and Northern Virginia Community College. All funding received in this focus area was for restricted or specific use. As the following shows, for all State funding received for this focus area, the level is consistent at about 17-19% of the funding for that focus area across all fiscal years. Funding provided is primarily for City schools and Community and Health Services. There does not seem to be any significant difference in funding received between State Administrations.

	McDonnell			McAuliffe				Northam			
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved
ACPS	28,290.8	34,628.2	35,820.4	38,667.6	40,920.1	42,121.5	47,550.8	49,224.8	51,146.2	56,723.7	52,065.0
Community and Health Services	16,907.8	15,721.5	15,108.2	14,859.2	17,393.3	16,679.4	16,562.6	17,008.2	18,336.1	17,537.6	19,910.8
Health		20.8	2.8		80.9						
Library											185.7
Recr and Cultrual Services	104.9	31.7	20.9	26.6	9.7	5.0	24.8	26.5	21.8	11.4	47.0
Total Category State Revenue	45,303.5	50,402.1	50,952.3	53,553.4	58,403.9	58,806.0	64,138.2	66,259.5	69,504.0	74,272.6	72,208.5
Total Category City Budget	257,095.4	265,353.0	271,467.3	317,152.0	314,962.0	325,055.8	362,388.2	373,912.5	399,134.0	405,867.3	414,189.8
State Revenue as % of City Category Budget	17.6%	19.0%	18.8%	16.9%	18.5%	18.1%	17.7%	17.7%	17.4%	18.3%	17.4%

Safe, Secure, and Just Community. This City focus area includes 18th General District Court, Circuit Court Judges, Clerk of Circuit Court, Commonwealth Attorney, Court Services Unit, Emergency and Customer Communications, Fire, Human Rights, Juvenile and Domestic Relations District Court, Other Public Safety and Justice Programs, Police, and Sheriff. As the chart shows, this focus area receives a very small percent of the State funding, but the amount remains consistent across the FY 2012 to 2022 fiscal years at about 1 to 1.7% of the focus area’s revenue. Funding received is primarily for the Commonwealth Attorney, Court and Criminal Justice Services, Fire and Police. There is no real difference between State Administrations.

	Revenues Received from the State of Virginia With General Fund (000)										
	McDonnell			McAuliffe				Northam			
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved
Circuit Court Clerk											15.4
Commonwealth Attorney	62.6	62.0	124.6	109.2	69.0	78.1	82.5	76.8	72.1	61.1	75.8
Emergency and Customer Communications							594.4	534.1	565.5	584.8	930.0
Court Services	59.1	59.1	200.4	37.7	44.9	52.9	59.1	44.3	59.1	109.0	59.1
Criminal Justice Services	622.0	493.7	819.4	515.3	601.2	601.6	603.1	605.7	592.8	627.3	678.5
Fire	480.0	661.5	438.6	915.5	1,328.4	409.4	738.7	1,007.9	738.6	424.5	643.4
Human Rights	1.6										
Juve Dom Relations Dist Court		0.4									
Police	598.9	504.4	667.6	542.5	601.7	642.5	41.1	27.6	46.8	54.4	
Sheriff			81.8	83.1	90.9	83.8	96.6				
Total Category State Revenue	1,824.3	1,781.0	2,332.4	2,203.2	2,736.0	1,868.4	2,215.5	2,296.3	2,074.9	1,876.5	2,386.9
Total Category City Budget	134,716.4	141,600.4	145,592.6	154,753.2	159,257.5	168,058.1	172,148.5	178,062.0	182,982.2	179,465.2	175,051.2
State Revenue as % of City Category Budget	1.4%	1.3%	1.6%	1.4%	1.7%	1.1%	1.3%	1.3%	1.1%	1.0%	1.4%

The same appears true for funding received in this focus area for specific or restricted funding. As the following chart shows, the funding received is between .9% and 1.4% of the total funding for this focus area. There is no real difference between fiscal years.

Category	McDonnell			McAuliffe				Northam			
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved
Commonwealth Attorney	62.6	62.0	124.6	109.2	69.0	78.1	82.5	76.8	72.1	61.1	75.8
Emergency and Customer Communications											
Court Services	59.1	59.1	200.4	37.7	44.9	52.9	59.1	44.3	59.1	109.0	59.1
Criminal Justice Services	622.0	493.7	819.4	515.3	601.2	601.6	603.1	605.7	592.8	627.3	678.5
Fire	480.0	661.5	436.7	915.5	1,326.3	409.4	738.7	1,007.9	738.6	424.5	643.4
Human Rights	1.6										
Juve Dom Relations Dist Court		0.4									
Police	62.2	59.3	133.8	41.9	41.4	63.4	41.1	27.6	46.8	54.4	
Sheriff			81.8	83.1	90.9	83.8	96.6				
Total Category State Revenue	1,287.6	1,335.9	1,796.7	1,702.7	2,173.5	1,289.3	1,621.1	1,762.2	1,509.4	1,276.3	1,456.9
Total Category City Budget	134,716.4	141,600.4	145,592.6	154,753.2	159,257.5	168,058.1	172,148.5	178,062.0	182,982.2	179,465.2	175,051.2
State Revenue as % of City Category Budget	1.0%	0.9%	1.2%	1.1%	1.4%	0.8%	0.9%	1.0%	0.8%	0.7%	0.8%

Accountability, Effective and Well-Managed Government. This City focus area includes City Attorney, City Clerk and Clerk of Council, City Council, City Manager, Communications/Public Information, Community Policing Review Board, Finance, General Services, Human Resources, Information Technology Services, Internal Audit, Management and Budget, Non-Departmental (a miscellaneous account for all other types of funding), Office of Organizational Excellent, Performance and Accountability, and Registrar of Voters. This area receives less than one percent of its funding from the State and again the amount is consistent across Administrations.

Category	McDonnell			McAuliffe				Northam			
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved
Human Services	71.8										
Finance	7.9			1.9		1.1	1.0	(4.0)		(8.7)	
General Services											
Non Departmental		19.3	7.6	0.6	29.8	109.9	64.2	640.3	1,098.1		1,000.0
Registrar										25.0	
Total Category State Revenue	79.7	19.3	7.6	2.5	29.8	111.0	65.2	636.3	1,098.1	16.3	1,000.0
Total Category City Budget	112,647.3	127,080.1	130,298.9	142,240.0	143,816.0	155,013.6	144,262.5	145,691.8	144,098.5	128,562.3	177,585.2
State Revenue as % of City Category Budget	0.071%	0.015%	0.006%	0.002%	0.021%	0.072%	0.045%	0.437%	0.762%	0.013%	0.563%

This holds true when looking at specific use or restricted use revenues received, as well.

Category	McDonnell			McAuliffe				Northam			
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved
Human Services	71.8										
Finance											
General Services											
Non Departmental		19.3	7.6	0.6	29.8	109.9	64.2	640.3	1,098.1		1,000.0
Registrar											
Total Category State Revenue	71.8	19.3	7.6	0.6	29.8	109.9	64.2	640.3	1,098.1	-	1,000.0
Total Category City Budget	112,647.3	127,080.1	130,298.9	142,240.0	143,816.0	155,013.6	144,262.5	145,691.8	144,098.5	128,562.3	177,585.2
State Revenue as % of City Category Budget	0.064%	0.015%	0.006%	0.000%	0.021%	0.071%	0.044%	0.439%	0.762%	0.000%	0.563%

Livable, Green, and Prospering City. This City focus area include Code Administration, Economic Development, Housing, Historic Alexandria, Planning and Zoning, Project Implementation, Transportation and Environmental Services, and Transit Subsidies. All State revenue received in this focus area is for specific or restricted use. The focus area received only about .5% of its funding from the State in FY 2012, but after that it received anywhere from 3.7-6.7% percent from the State. The increase is for transit services. Other areas receiving most of the funding in this focus area is Transportation and Environmental Services. There is no significant difference in funding received by State Administration.

	McDonnell			McAuliffe				Northam			
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Approved
Economic Development											
Historic Alexandria									30.0		
Housing		(3.9)	3.9	4.9	(2.0)	(3.0)	120.0	12.9	53.2	33.8	75.0
Trans and Environmental Svs	315.5	433.8	464.4	223.9	435.4	437.5	380.1	336.2	184.5	602.9	298.5
Transit Services	(3.3)	13,989.8	17,621.9	5,828.6	5,323.2	7,415.5	4,566.7	9,238.4	9,120.6	9,871.1	7,282.4
Total Category State Revenue	312.2	14,419.7	18,090.1	6,057.5	5,756.6	7,850.0	5,066.8	9,587.5	9,388.3	10,507.8	7,655.8
Total Category City Budget	64,781.2	265,353.0	271,467.3	126,463.7	152,609.2	127,763.3	138,274.8	144,151.0	142,066.4	155,965.5	183,790.7
State Revenue as % of City Category Budget	0.5%	5.4%	6.7%	4.8%	3.8%	6.1%	3.7%	6.7%	6.6%	6.7%	4.2%

Conclusion

The City of Alexandria derives about 15 to 17 percent of its revenue from the State, with the highest amount received being in FY 2021 of \$125.1 million. The State Administration does not impact the funding received by the City. BFAAC has not been able to determine if the revenue received by the City from the State is on par with other surrounding jurisdictions. For example, Arlington County’s budget shows it receives about \$70 plus million from the State in each of the last several fiscal years, but the details do not show if this accounts for all funding received. Fairfax County’s FY 2023 budget shows receipt of \$ \$1,126 million from the Commonwealth, which is 11.8% of total revenue. However, it is difficult to tell if that is an “apples-to-apples” comparison between what the City or Arlington and Fairfax County receive. The fact that the City is also a County and City services provider is another factor making such a comparison difficult.

Recommendation:

BFAAC recommends that the City include detailed information on the funding received from the State in its annual budget, since it is an important part of overall funding. Given that revenue from the Commonwealth accounts for up to 17 percent of the budget, it is important that citizens see the extent of the State’s investment in the City.