Alexandria City Council Retreat

November 5, 2016

Agenda

8:00	Welcome & Opening Remarks
8:10	Budget Forecast
9:10	Budget Topics
12:00	Working Lunch

Agenda

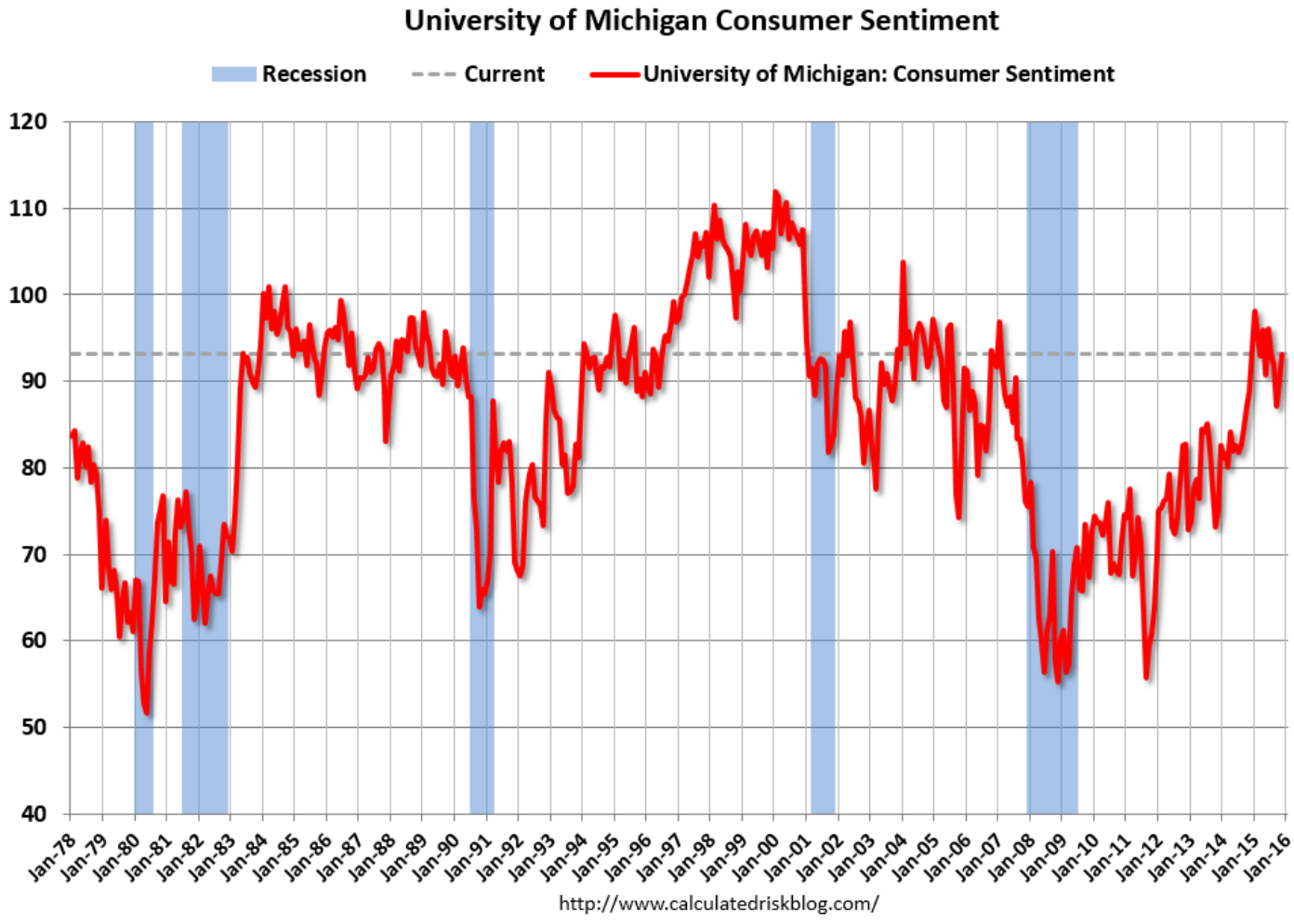
12:10 BFAAC Report

12:30 Council Guidance

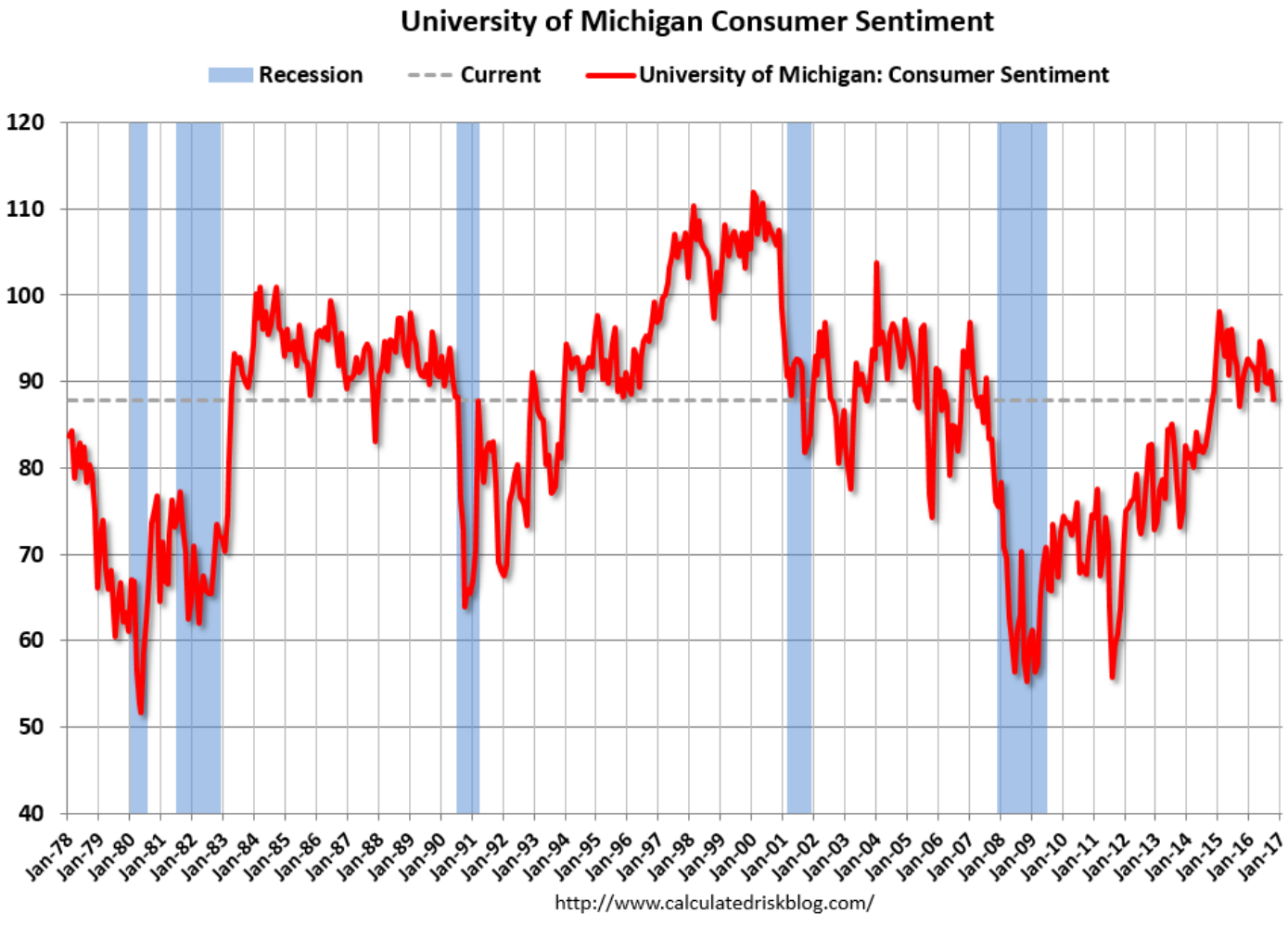
1:30 Adjourn

Budget Forecast

Consumer Sentiment Nov 2015 = 91.3

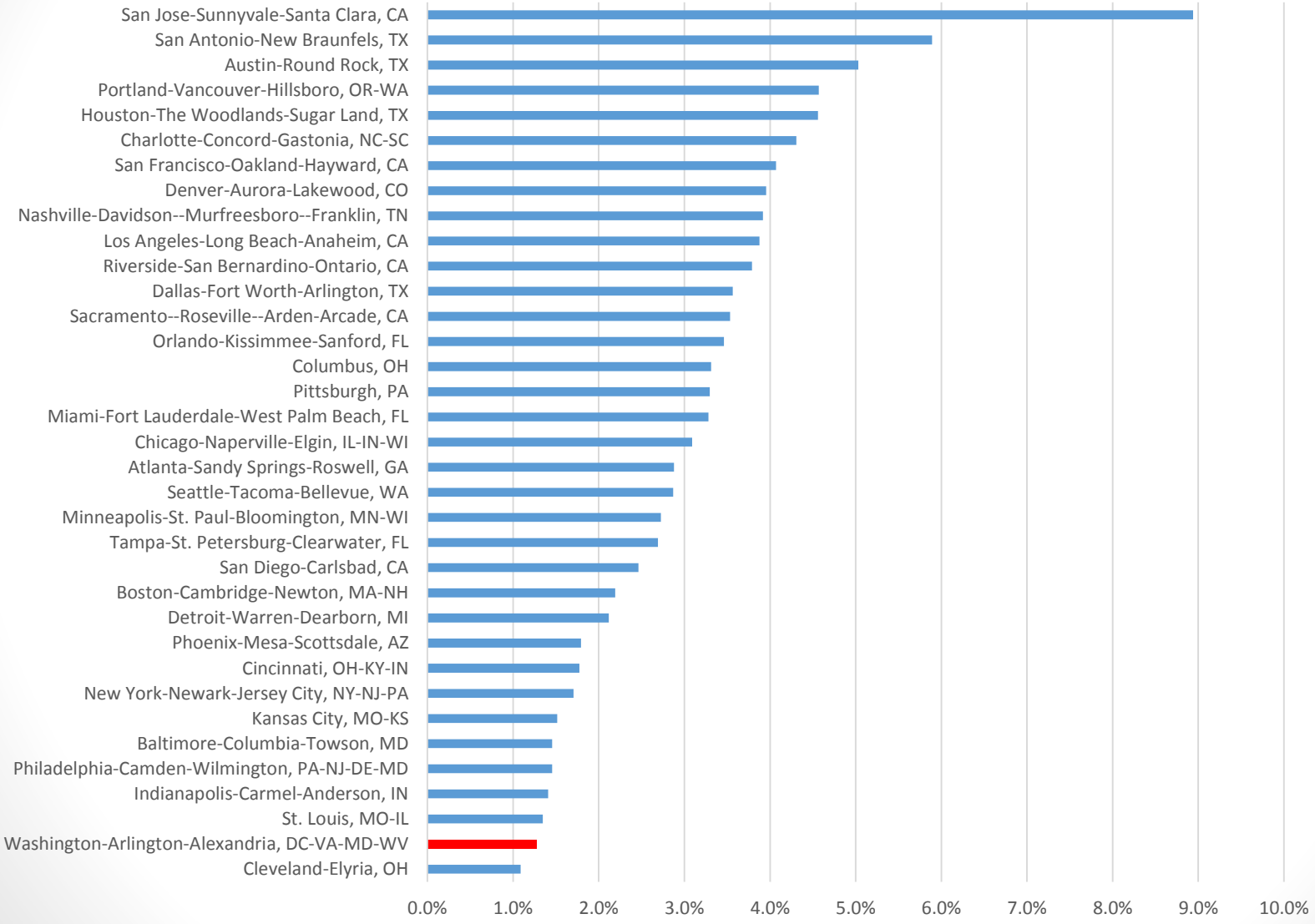


Consumer Sentiment
Oct 2016 Prelim = 87.9



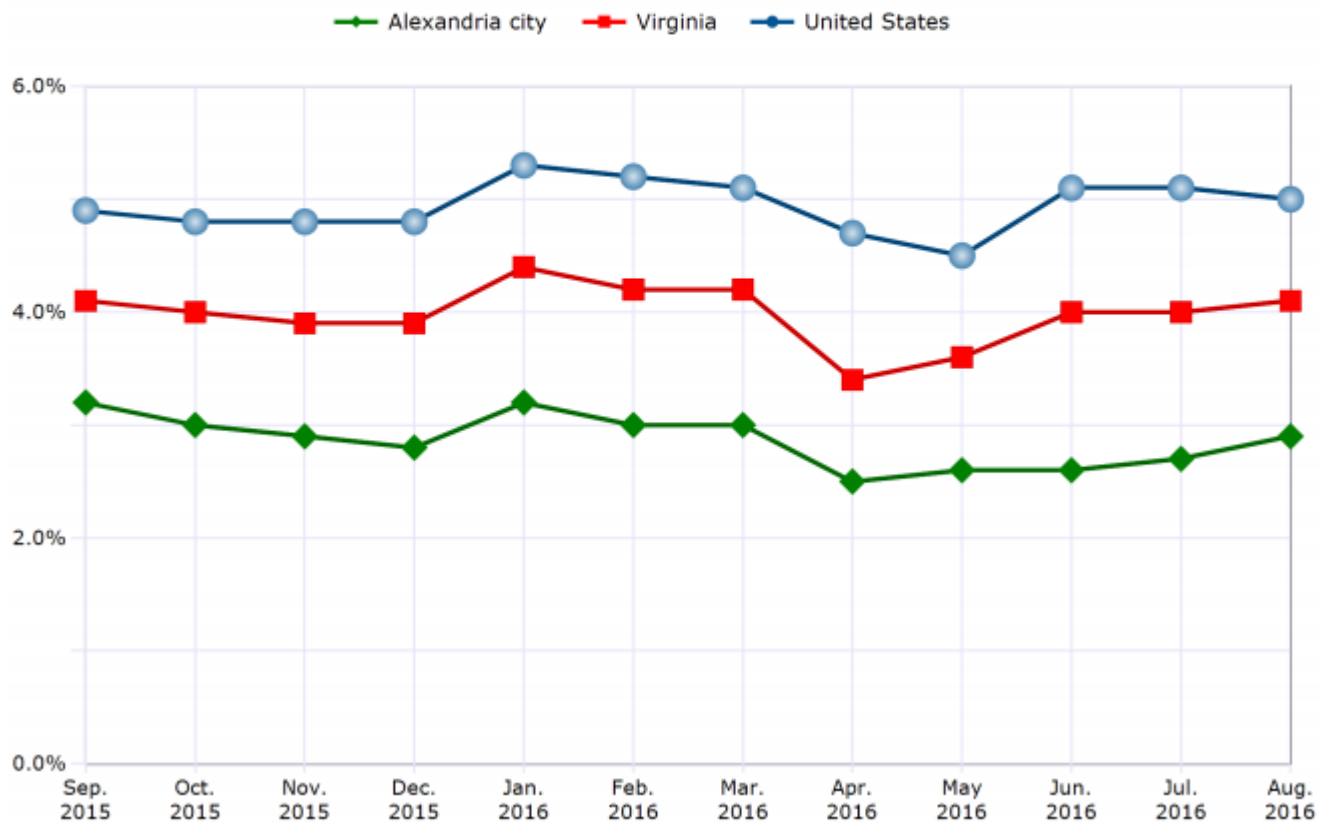
GDP Growth in 2015

(National Average = 2.5%)



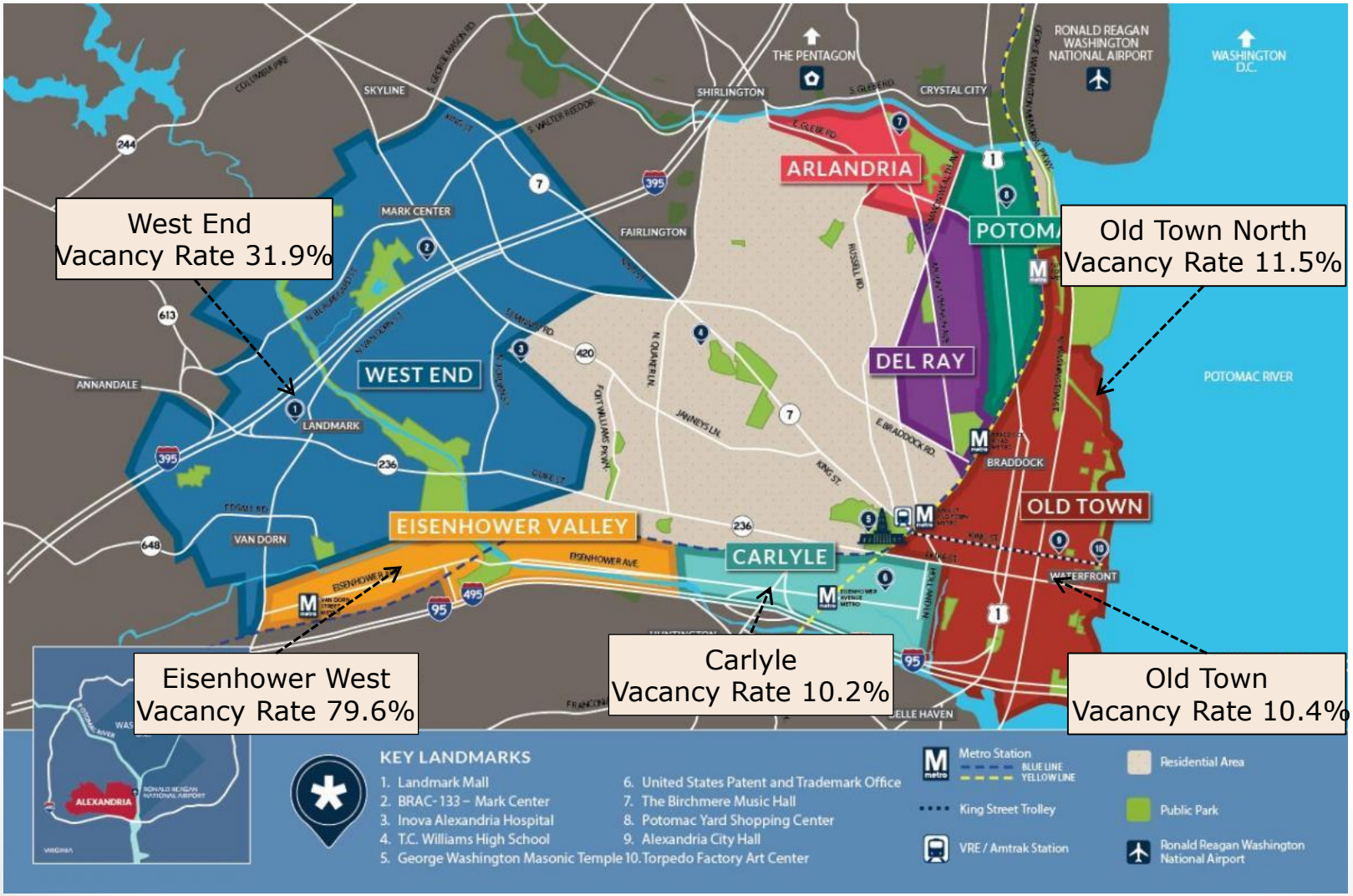
Unemployment Rates

Past 12 Months



Source: Virginia Employment Commission, Economic Information & Analytics, Local Area Unemployment Statistics.

Office Vacancy Rates by Submarket



Vacant Class A Office Buildings

Victory Center I
5001 Eisenhower Ave.

Carlyle Tower
2461 Eisenhower Ave.

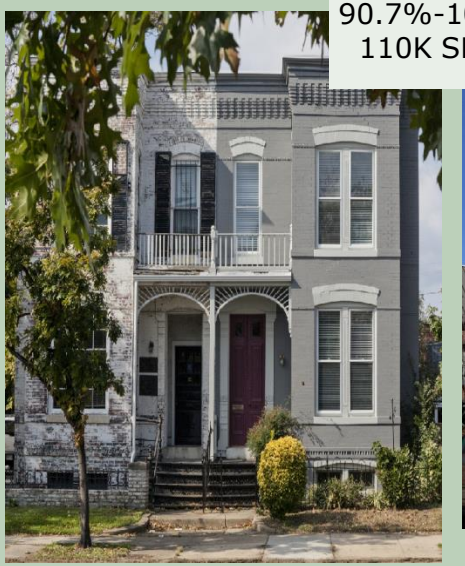
97.3%-100% Vacant
1.4M SF Available

4825 Mark Center Dr.

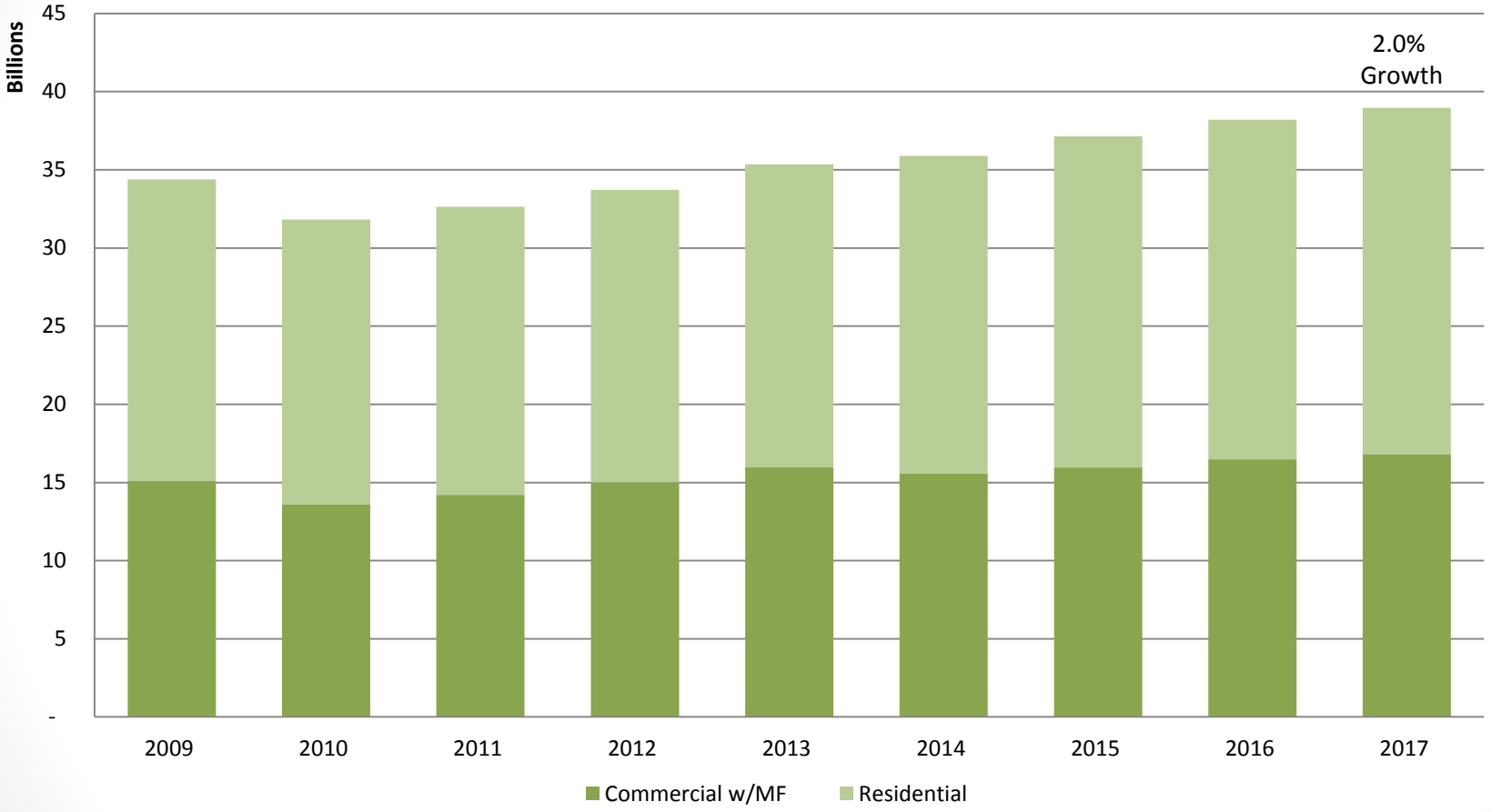
The Ford Building
4501 Ford Avenue

Vacant Class B Office Buildings

90.7%-100% Vacant
110K SF Available

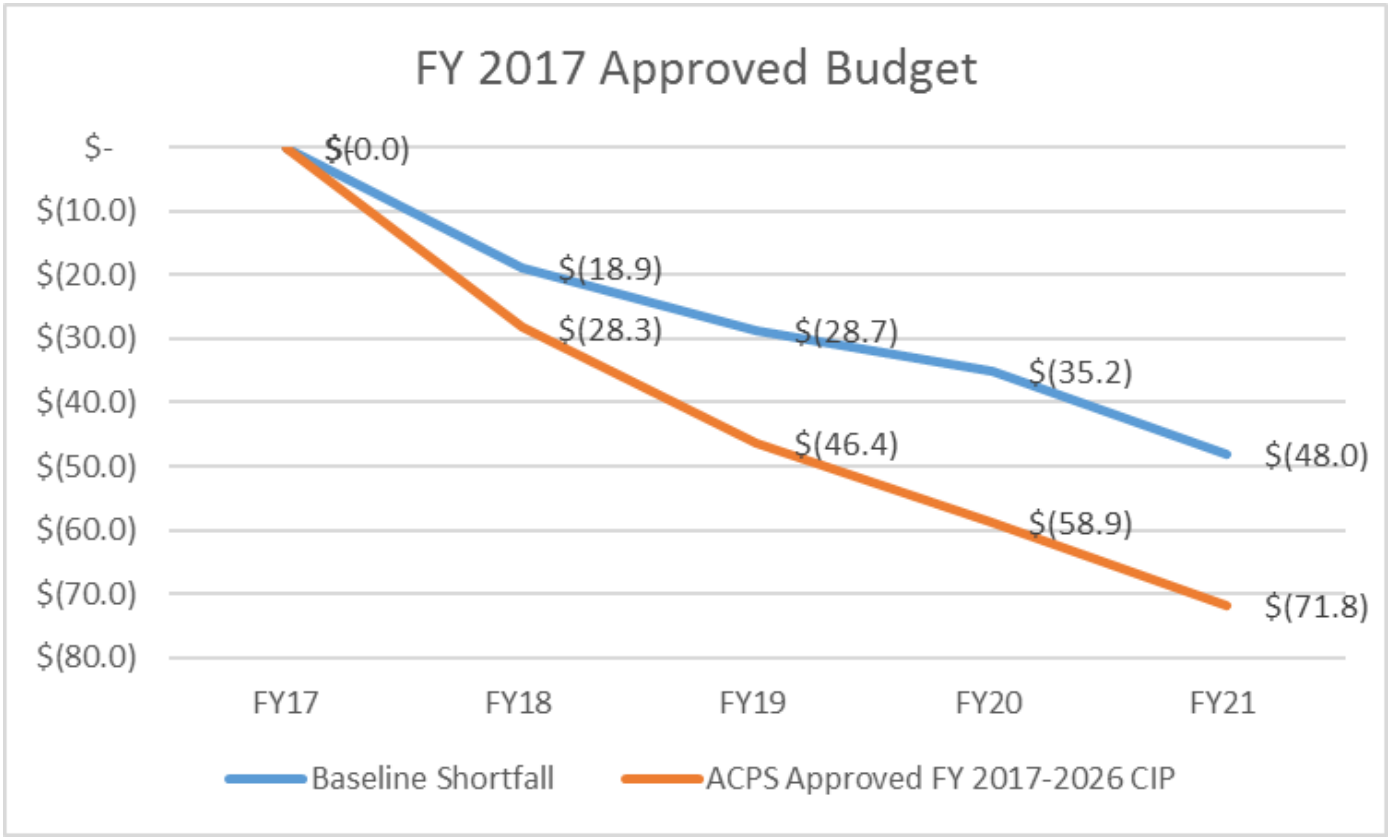


Real Estate Tax Base
CY 2009-2017 (Estimated)



CY 2017 distribution if Multi-family considered Residential: 74.8% Residential/25.2% Commercial

Five Year Financial Planning Model



Revenue Growth Estimate

• Real Estate Tax	+$7.2 M (1.8%)
• Personal Property Tax	+$1.2 M (2.6%)
• Sales Tax	+$1.1 M (3.9%)
• Other Sources	+$0.4 M (0.2%)
• Total	+$9.9 M (1.5%)

City Expenditure Current Service Estimates[1]

- Personnel +$7.9 M (3.5%)
- Non-personnel +$2.9 M (2.2%)
- Transit Services +$7.2 M (36.2%)
- City Debt Service +$7.0 M (17.2%)
- Cash Capital +$0.7 M (2.9%)
- Total +$25.8 M (5.8%)

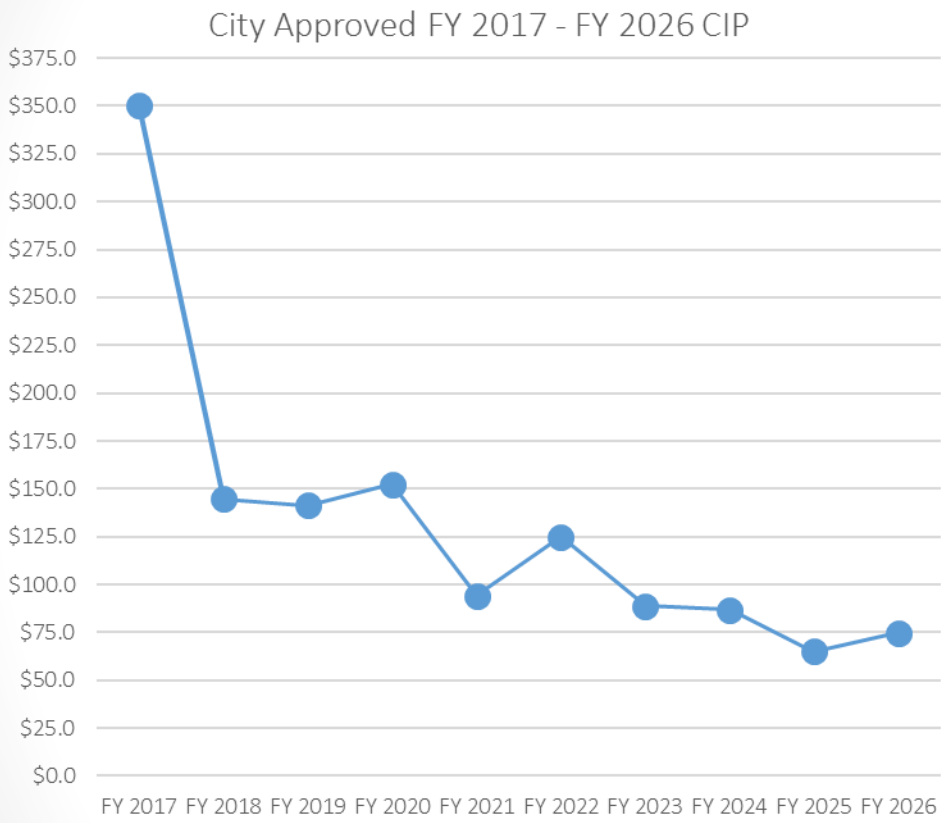
[1] Does not include ACPS

City Funding Gap[1]

- Revenue Estimate +$9.9 M
- Expenditure Estimate +$25.8 M
- Potential Shortfall +$15.9 M[1]
- Real Estate Tax Rate Equivalent = approx: +4.1 Cents

[1] Does not include ACPS

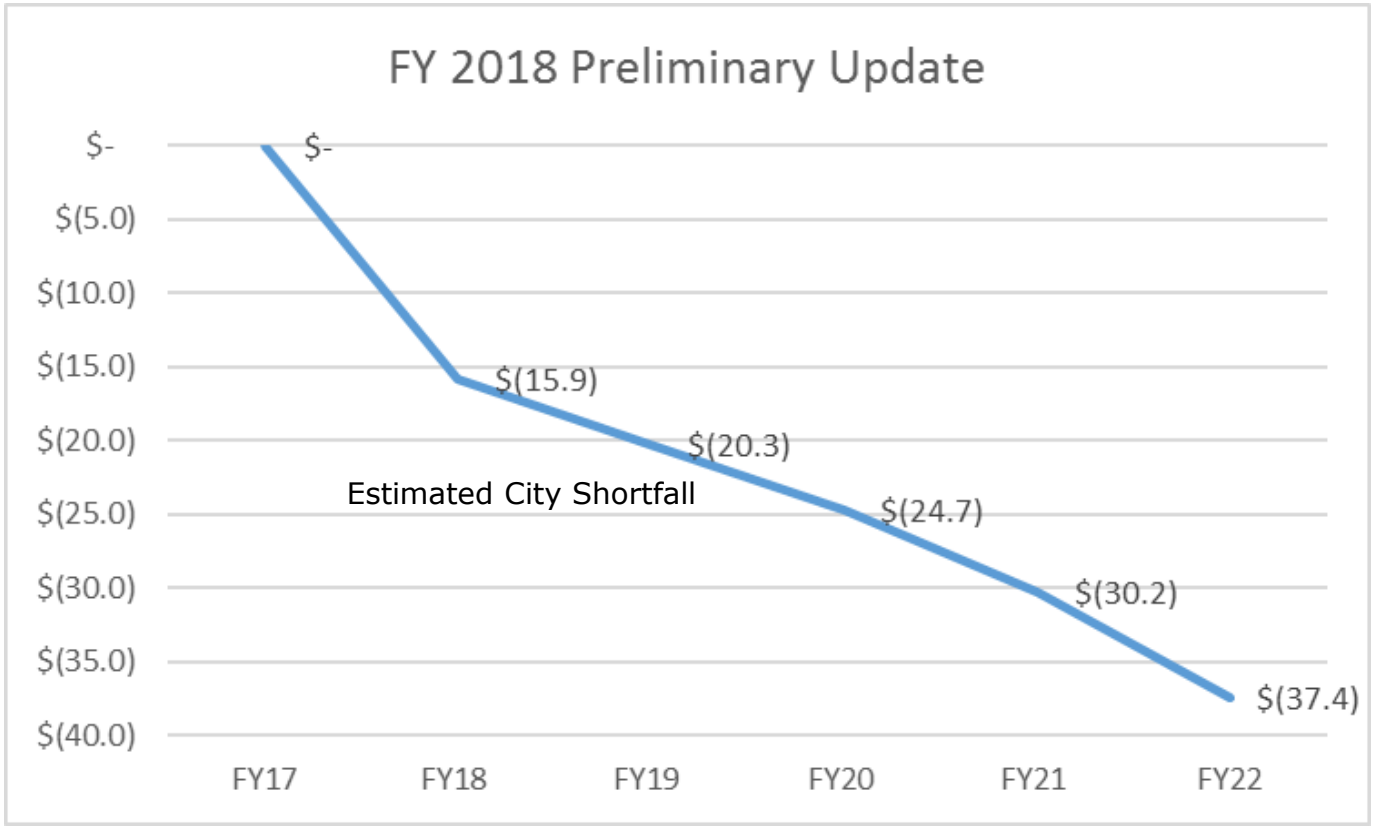
Capital Improvement Program



BUDGET PRESSURES ON CIP:

- State of Good Repair
  - Public Buildings
  - IT Infrastructure
- ACPS Capacity/Modernization
- WMATA Capital Contributions
- Sanitary & Stormwater Sewers
- Street Reconstruction & Resurfacing
  - Unavailability of State Revenue Sharing in FY 2018

Five Year Financial Planning Model



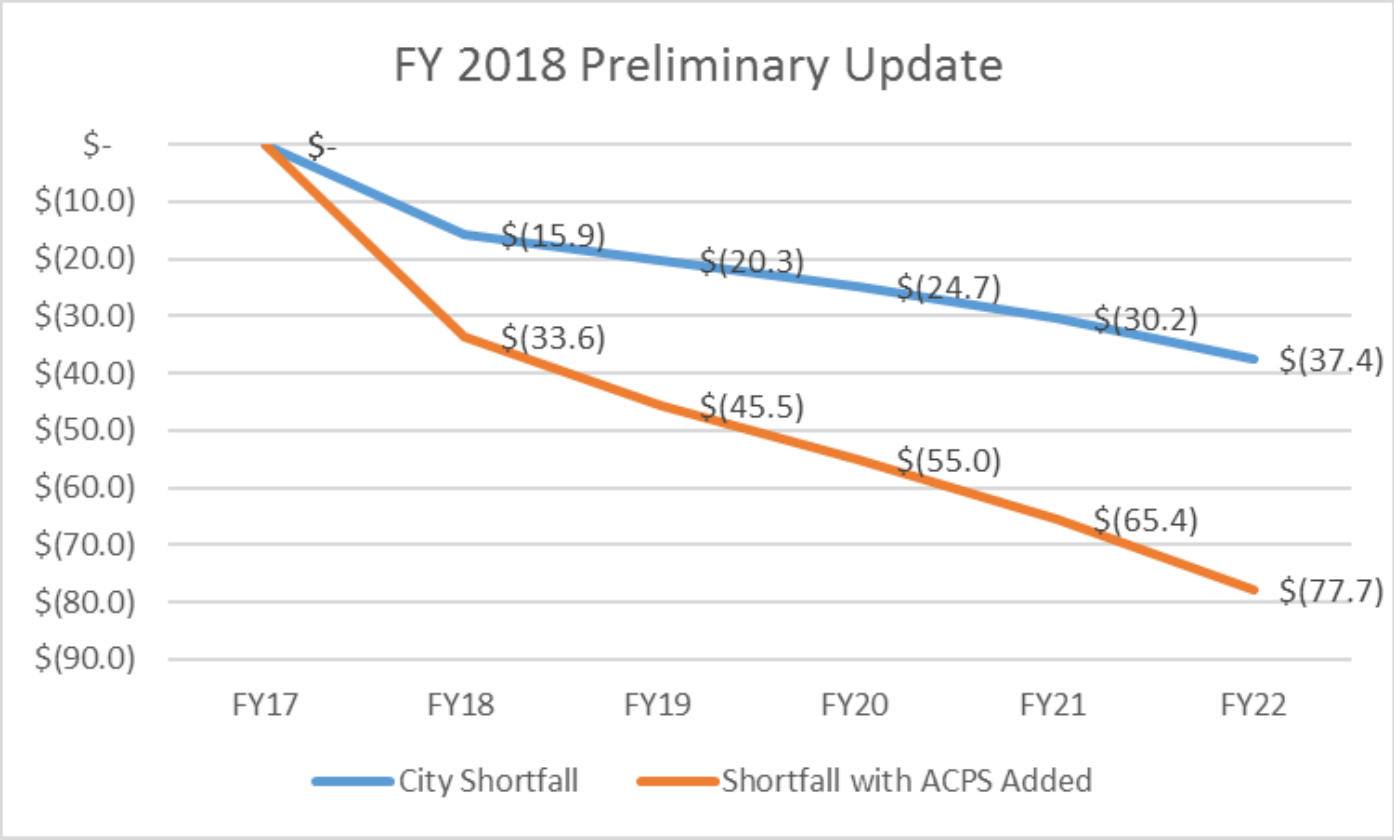
Cost to Fully Fund ACPS Enrollment Growth & Facility Expansion

(as of June 2016)

Estimated Future Real Estate Tax Rate Equivalent to Fund ACPS Enrollment Growth and Expansion

	FY 2018	FY 2019	FY 2020	FY 2021
New Students Projected (Cumulative)	602	1,119	1,645	2,217
Enrollment & Expansion Costs (in Millions of $)				
Enrollment Change	$ 5.7	$ 10.5	$ 15.5	$ 20.9
Staffing Costs for Expanded Capacity	$ 3.3	$ 3.5	$ 5.1	$ 5.5
Lease Costs for Expanded Capacity	$ 7.7	$ 13.0	$ 15.5	$ 16.4
Debt Service Costs Above FY 2017	$ 6.7	$ 9.6	$ 11.8	$ 11.0
Total Cost Increase Above FY 2017	$ 23.3	$ 36.6	$ 47.9	$ 53.8
Real Estate Tax Rate Increase Equivalent (In Cents)	+6¢	+10¢	+13¢	+15¢

Five Year Financial Planning Model



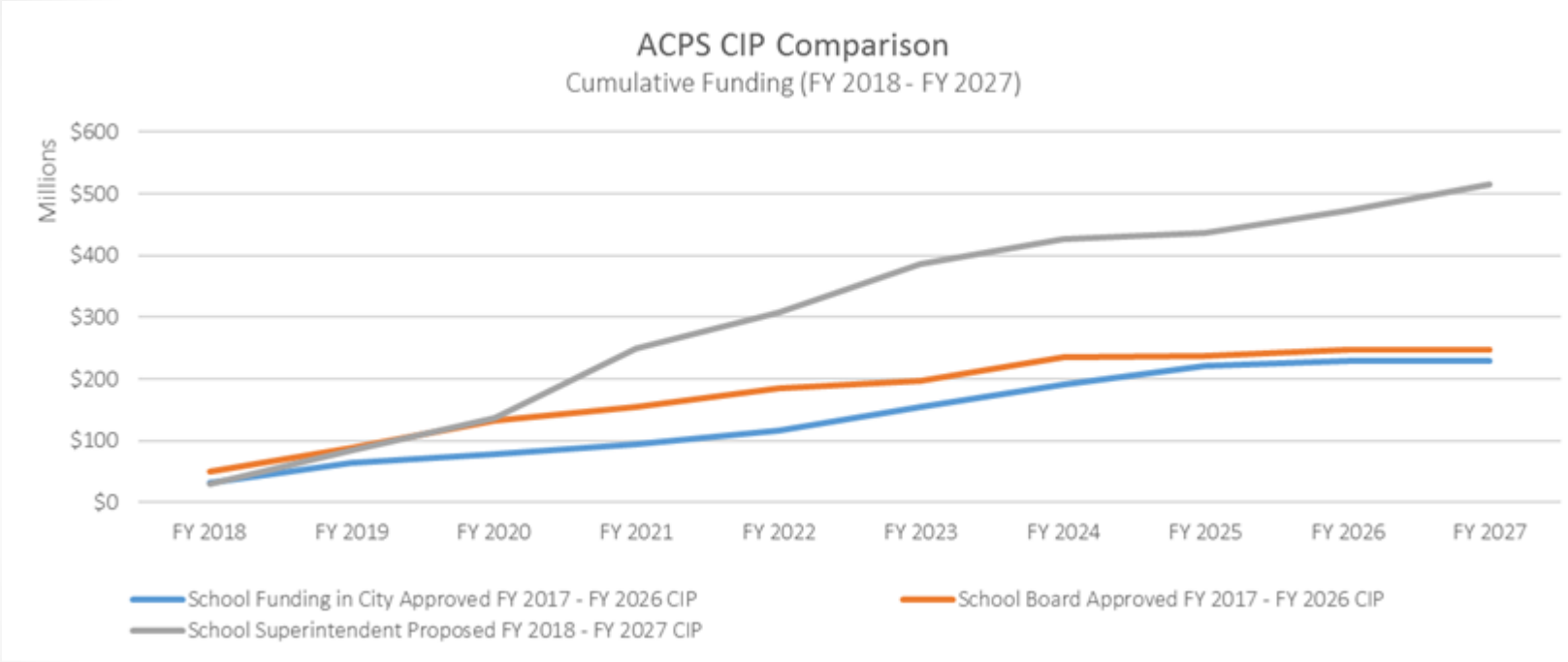
ACPS Enrollment Projections

FY 2017 Approved Budget Estimate	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Enrollment	13,114	13,623	14,224	14,729	15,298	15,900	16,417	16,943	17,515	17,967
Annual % Change		3.9%	4.4%	3.6%	3.9%	3.9%	3.3%	3.2%	3.4%	2.6%

October 2016 Preliminary Estimate	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected	2022 Projected
Enrollment	13,114	13,623	14,224	14,729	15,104	15,523	15,897	16,231	16,561	16,904
Annual % Change		3.9%	4.4%	3.6%	2.5%	2.8%	2.4%	2.1%	2.0%	2.1%

Cumulative Decrease in Enrollment Growth					(194)	(377)	(520)	(712)	(954)	(1,063)

Capital Improvement Program



	FY 2018	FY 2019 – FY 2022	FY 2023 – FY 2027	Total 10Yr CIP
School Board Approved FY 2017 - FY 2026 CIP	51,107,183	134,499,009	61,376,875	291,176,617
School Funding in City Approved FY 2017 - FY 2026 CIP	32,500,000	84,675,000	112,620,000	273,988,551
School Superintendent Proposed FY 2018 - FY 2027 CIP	29,771,241	277,315,579	208,652,835	515,739,655
DELTA (ACPS Proposed CIP minus City Approved School Funding)	(2,728,759)	192,640,579	96,032,835	241,751,104

90% Exercise

Instructions to Departments

- High level exercise = $60 M reduction
- What if only 90% of current resources were available to City departments in 3 years?
- Based on FY 2017 Five Year Financial Planning model projection for FY 2020
- What service/policy changes would to be needed?
- Shrinking from current services toward basic services

Potential Options for Future Reductions to Address Gap

- The following are examples of City policy/service changes that could be considered over multiple years
- They are not FY 2018 budget proposals
- In enacted, attrition, not RIFs, would be the goal

Potential Options for Future Reductions to Address Gap

Safe, Secure & Just Community

- Reduce prosecution of misdemeanors
- Reduce court services for at-risk youth
- Increase Fire and emergency medical response times by eliminating 2 Fire engines, 1 truck, and 1 medic unit (including staffing)
- Eliminate Community Oriented Police officers
- Eliminate Inmate Work Detail
- Reduce Courthouse & Jail Security
- Increase emergency communications call processing times
- Eliminate ADA program management

Potential Options for Future Reductions to Address Gap

Healthy & Thriving Residents

- Reduce recreation center hours
- Further increase registration fees for recreation center programs
- Reduce locally funded health programs
- Reduce investment to Alexandria Fund for Human Services
- Reduce aging in place services
- Reduce prevention services for children and youth
- Reduce place-based substance use disorder treatment
- Reduce partner services
- Reduce library custodial services

Potential Options for Future Reductions to Address Gap

Livable, Green & Prospering City

- Reduce DASH and Trolley service and/or increase fares
- Reduce economic development marketing, advertising and public relations
- Reduce hours at City museums
- Further reduce park and right-of-way maintenance
- Reduce complete streets planning and management
- Reduce parking planning and management
- Reduce street resurfacing and sidewalk maintenance

Potential Options for Future Reductions to Address Gap

Accountable, Effective & Well-Managed Government

- Reduce resident/business customer service positions
- Reduce City fleet size and extend replacement cycles
- Defer Chinquapin 50 meter pool project
- Reduce maintenance and operating by closing some City facilities
- Eliminate employee wellness program
- Reduce training and professional development
- Reduce IT service up-time for other departments by scaling back infrastructure

FY 2018 Budget Topics

ACPS Proposed FY 2018 – FY 2027 CIP

- Presentation by the ACPS Superintendent

WMATA Funding in FY18

November 5, 2016

FY 2018 WMATA General Manager's Budget Highlights

- Operating Budget Overview
  - Budget gap is $290M
  - 'Reality check' budget proposal

- Capital Budget Overview
  - Proposal will be between $1.2B and $1.45B
  - Proposed Capital budget to be presented in December 2016 by the General Manager

FY 2018 Operating Budget

- WMATA Proposals to address $290M gap
  - Fare increase for rail, bus, and MetroAccess
  - Elimination of 500 positions
  - Internal management actions
  - 'Right size' rail and bus service
  - Increase jurisdictional contributions by $130.5 M (15%)

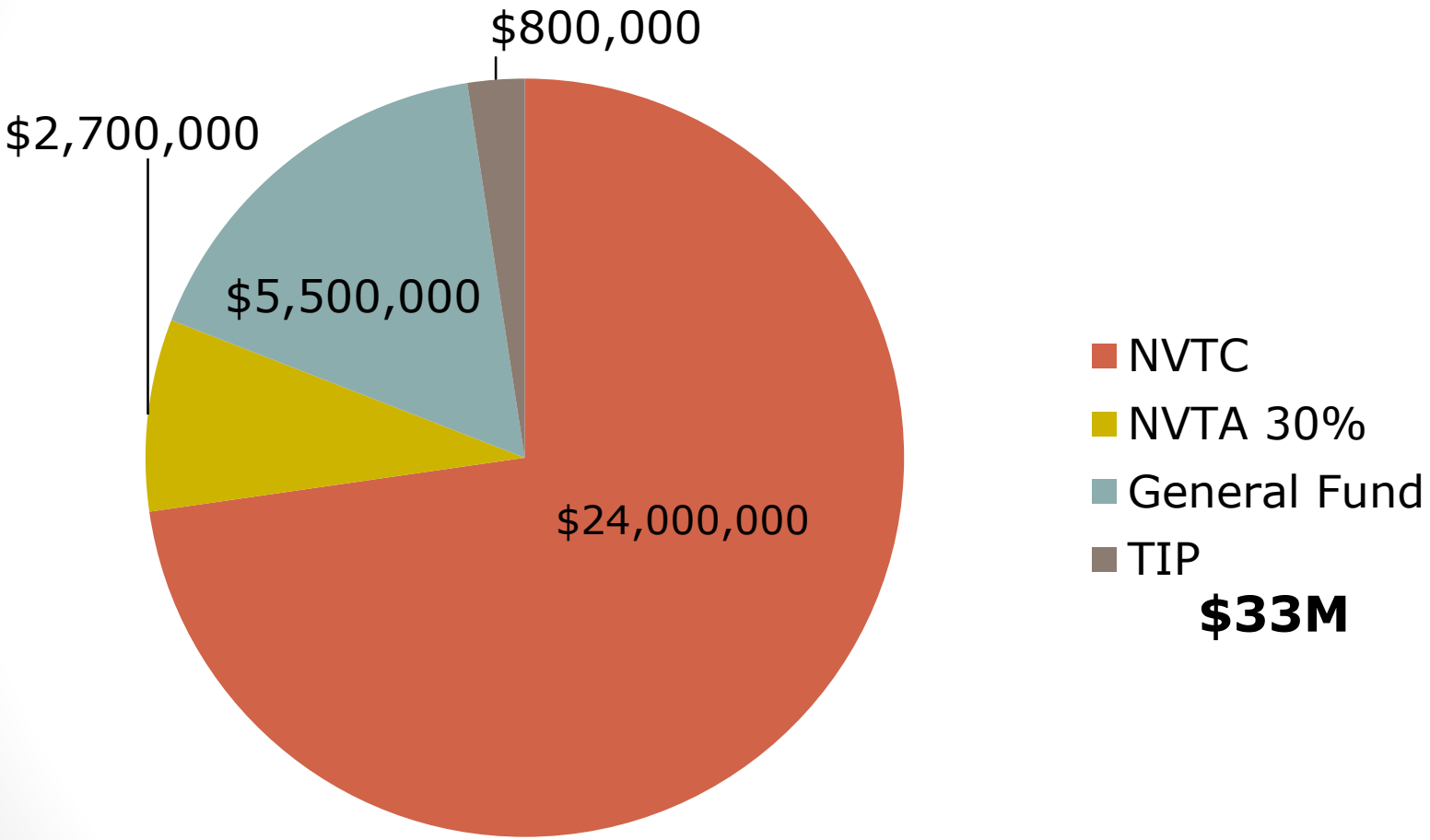
Proposed Rail Service

Line	Rush Hour	Midday	Early Evening	Saturday	Sunday
RD	**8** min	**15** min	**15** min	**15** min	**15** min
OR	**8** min	**15** min	**15** min	**15** min	**15** min
SV	**8** min	**15** min	**15** min	**15** min	**15** min
BL	**8** min	**15** min	**15** min	**15** min	**15** min
YL	**8** min	**15** min	**15** min	**15** min	**15** min
GR	**8** min	**15** min	**15** min	**15** min	**15** min

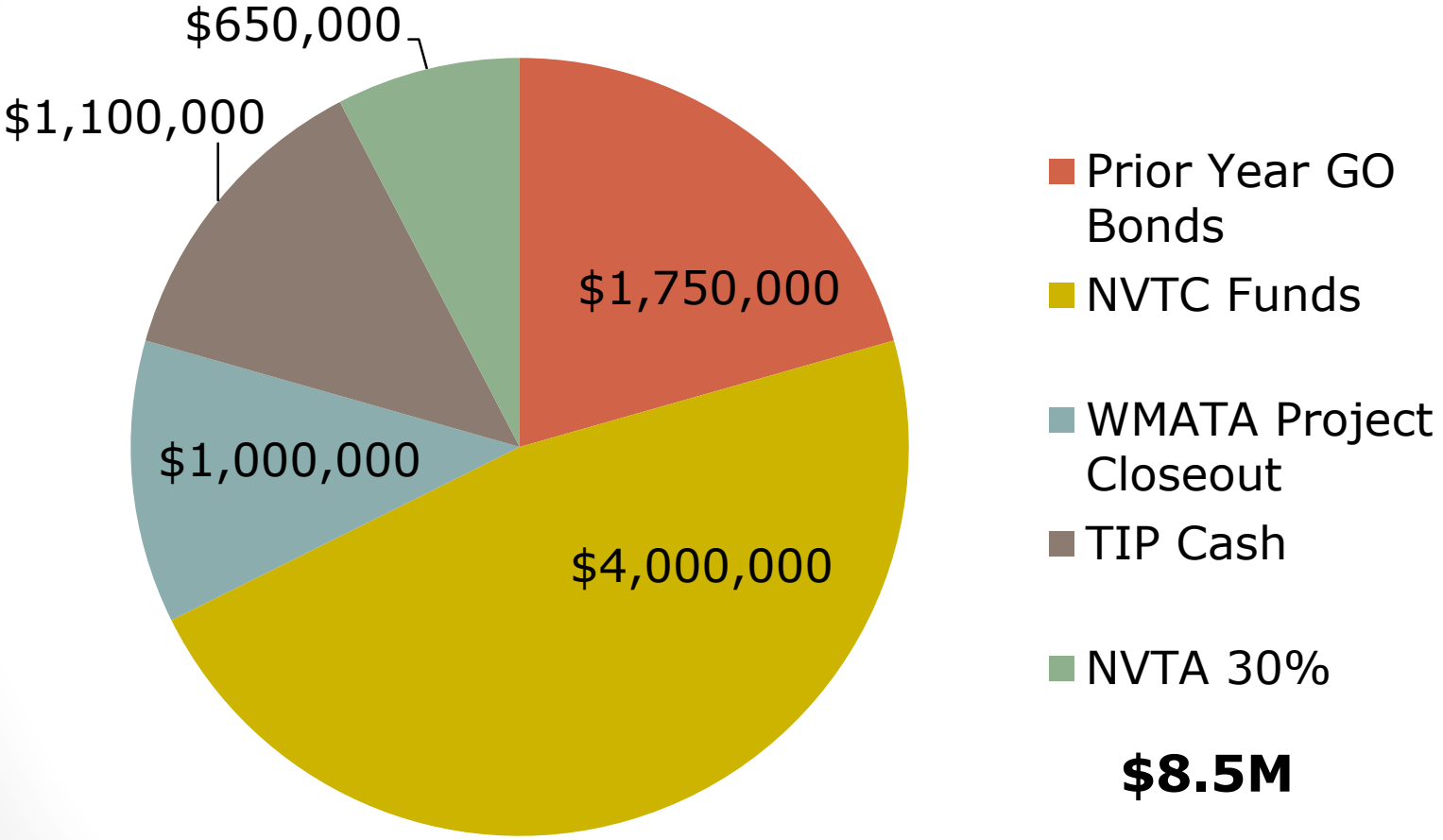
Alexandria Impact

- Fare Increase for Residents/Visitors
- Metrorail
  - Decreased Yellow Line service
  - Increased Blue Line service
  - Elimination of Yellow Rush Plus
- Metrobus
  - No impact to Alexandria routes
- Alexandria Subsidy Increase
  - Proposed increase of $6.5M (+20%) from $33M to $39.5M

FY17 WMATA City Funding – Operating



FY17 WMATA City Funding - Capital



Proposed Stormwater Management Fee: Recommended Framework and Public Feedback

City Council Budget Retreat

November 5, 2016

ECO-CITY ALEXANDRIA

Why Are We Here?

Respond to state and federal mandates in equitable, fiscally responsible manner.

- Discuss the proposed Stormwater Utility framework
  - Alternative funding to meet increasing cost of stormwater mandates
- Provide feedback on outreach efforts

Not a question of if we're funding the mandates, but what is the best way to fund the mandates.

What is Stormwater Runoff?

What are the New Stormwater Mandates?

Driver: Chesapeake Bay TMDL

- Set nitrogen, phosphorus and sediment targets or 'pollution budget'
- Enforced City's first Municipal Separate Storm Sewer System (MS4) permit
- Three, 5-year permits (2013 – 2028)
- Reduction % mandates each cycle (5/35/60)
- Requires: Costly Stormwater Infrastructure

Stormwater Management Program Video

- Insert and show video here

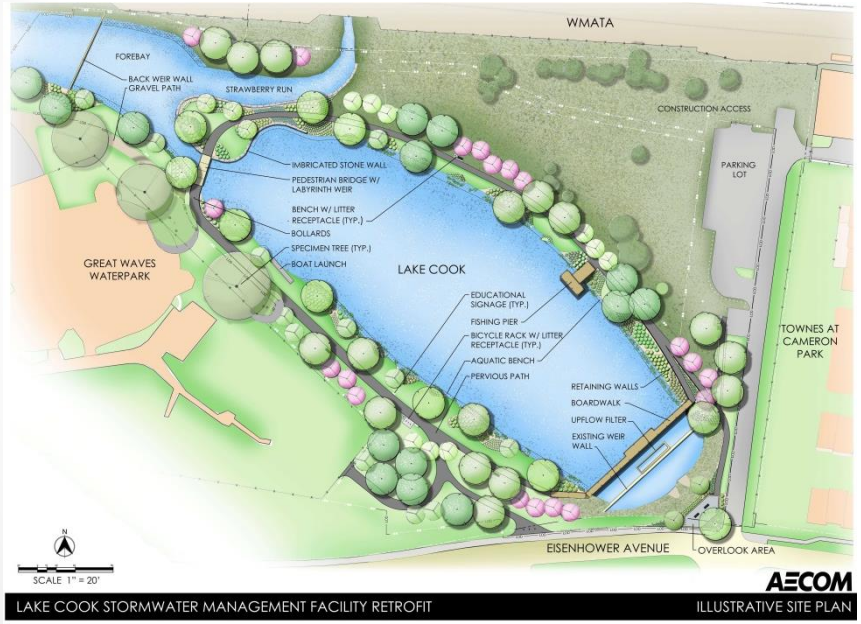
Driver: Chesapeake Bay TMDL Cleanup Mandates

- 'Pollution budget' for nutrients & sediment
- Require costly stormwater infrastructure to retrofit nearly ¼ of the City

MS4 Permit Cycle	**Portion of Total Reductions**	**Approx. Acres**
Phase I (2013 - 2018)	5%	120 - 130
Phase II (2018 - 2023)	35%	660
Phase III (2023 - 2028)	60%	1,450
Total All Phases	**100%**	**2,140**

Stormwater Infrastructure Projects

Lake Cook Retrofit

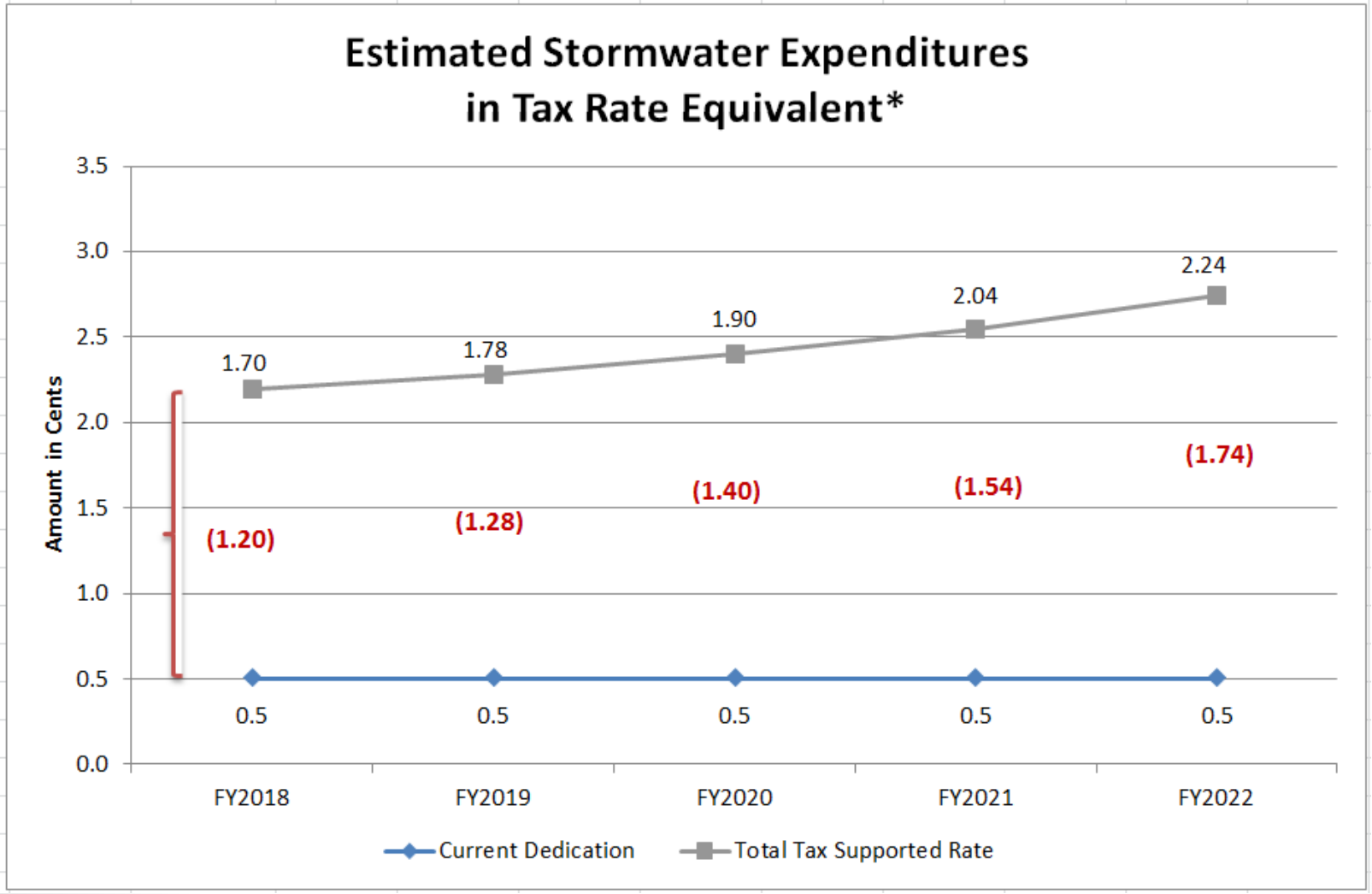


Ben Brenman Pond Retrofit

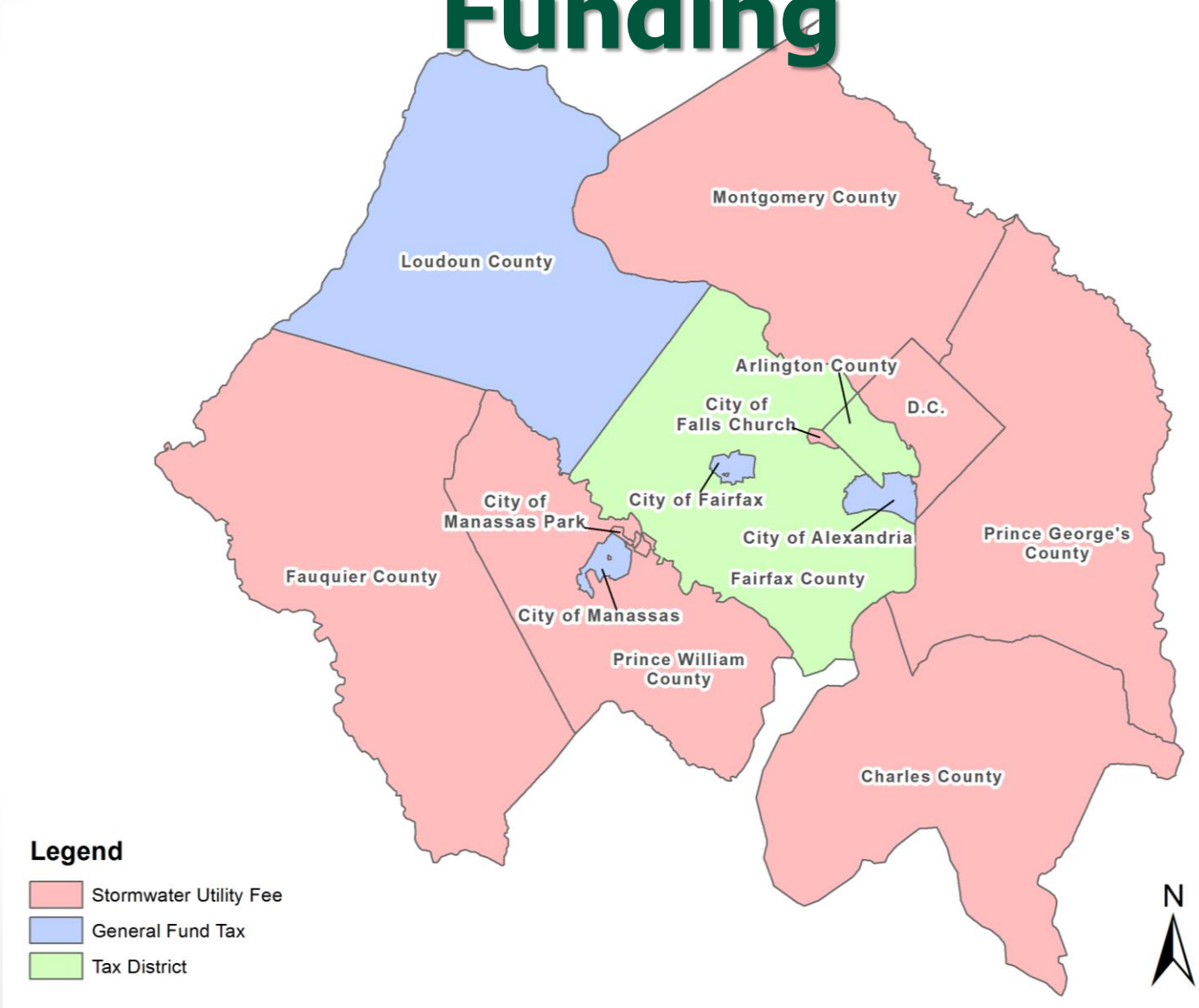
Current Stormwater Funding

- 0.5 cent Real Estate Tax rate dedication
- Additional General Fund contribution
  - Equivalent to an additional 1.2 cents on the Real Estate Tax rate or $4.6 M for FY 2018
- Non-City funding sources
  - State Stormwater Local Assistance Fund (SLAF) Grant

Estimated Tax Rate Impact



Regional Stormwater Funding



Focus of Staff Recommendations

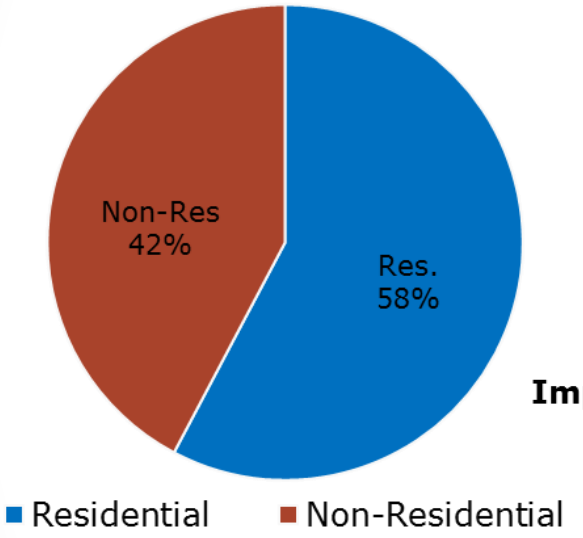
- Follow Council direction to create draft framework
- Capture stormwater program costs
- Create dedicated non-tax funding source

Criteria Considered:

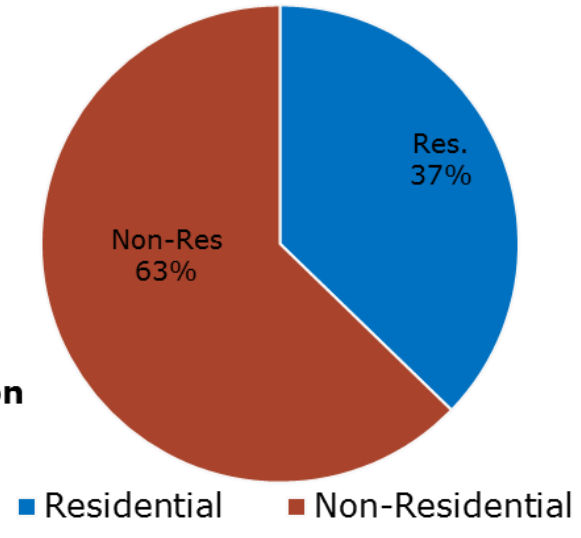
- Maximize equity
- Minimize administrative cost
- Maximize understandability

Tax Rate vs. Fee Funding: Creating Equity

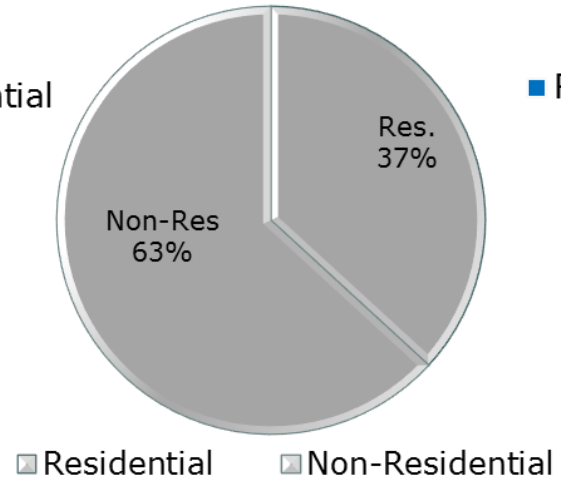
Existing SWM Tax Burden



Proposed SWU Burden



City-Wide Impervious Area Distribution



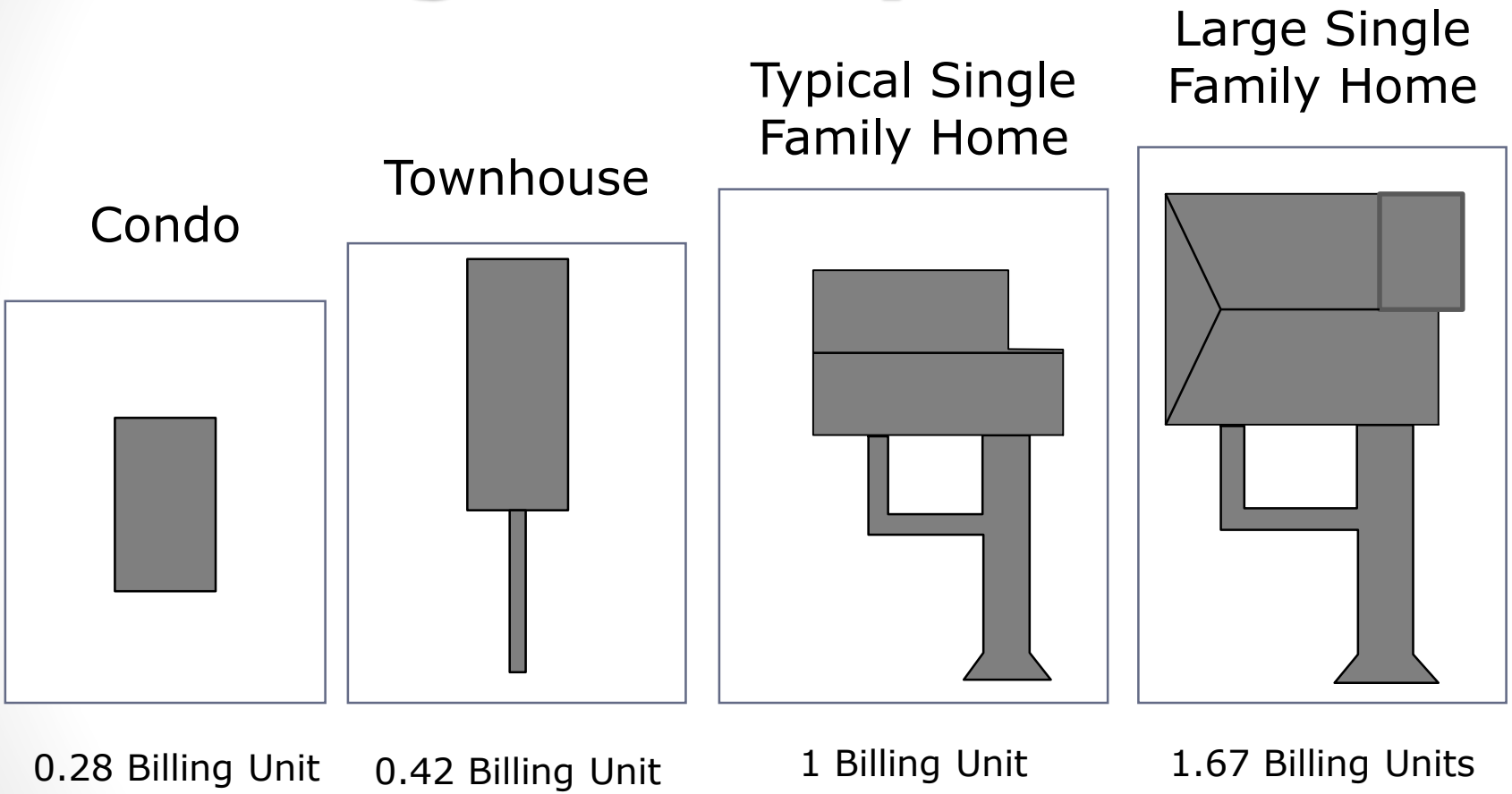
Proposed SWU Draft Framework

- Fee Structure
- Fee Reduction / Credit Policy
- Billing Method

Fee Structure / Billing Units

- Goals: Achieve equity, minimize administrative cost, understandable
- Staff Recommendation:
- Single Family Residential (SFR) Tiered and Variable Non-Residential (NR) / Multifamily
- Other Options Considered:
  - Square Foot Ranges, Calculate Square Footage
  - Flat Fee (not calculated)

Recommended Fee: Single Family Tiered



- Impervious area footprint, not interior living area
- Proposed 1 Billing Unit = 2,062 s.f. (median typical single family home)

Single Family Residential: Fee Estimate Range

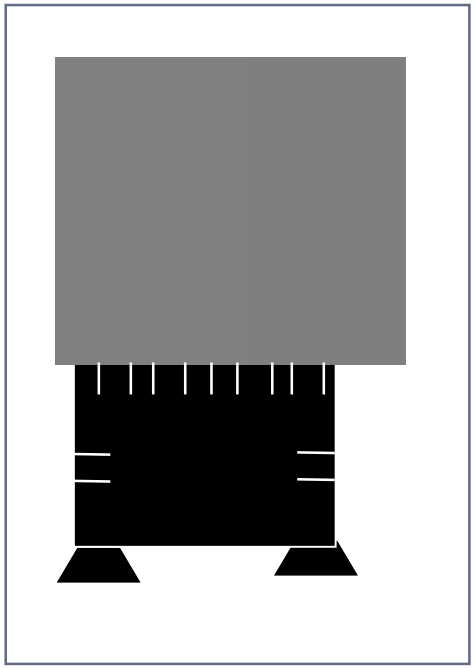
Tier	Property Type	Billing Unit	Est. Rate Range (yr.)	Est. Rate Range (mo.)
1	Condos	0.28	$35-$40	$3
2	Townhome	0.42	$50-$60	$4-$5
3	Typical Single Family Home	1	$120-$145	$10-$12
4	Large Single Family Home	1.67	$200-$242	$18-$20

- Based on exterior impervious footprint and not living area
- Used City's GIS data

Proposed Non-Resid./ Multifamily Calculated Fee

- Based on onsite impervious
- Sample fee calculation

Calculate Variable Fee:	
Building and parking lot impervious area	6,168 s.f.
1 Billing Unit	2,062 s.f.
Total Billing Units	6,168/2,062 = 3
Multiply by rate for 1 billing unit	3 x $120 to $145
Total Fee	$360 to $435/yr or $30 to $36/mo.



Impervious Area = 6,168 s.f.

Tax Rate Equivalent vs. Proposed Fee Rate Range

Sample Property Description	Assessed Value ($millions)	Impervious Areas (ft^2)	Funds to SWM from Real Estate Tax	SWU Fee (at $120/yr)	SWU Fee (at $145/yr)
Restaurant	$2.75	2,184	$532	$127	$154
Apartment Building Complex	$17.52	106,521	$3,386	$6,199	$7,491
Restaurant with Parking Lot	$1.25	5,588	$242	$325	$393
Retail Building Complex	$8.49	38,231	$1,641	$2,225	$2,688
Commercial Building with Parking Lot	$0.88	12,673	$169	$737	$891
Typical Single Family Home	$0.75	1,900	$143	$120	$145
Townhome	$0.50	1,500	$95	$50	$60
Non-Profit Organization	$1.53	4,079	$0	$237	$287
Church	$15.87	34,166	$0	$1,988	$2,403
Private School	$29.74	115,196	$0	$6,704	$8,101

Proposed Fee Reduction / Credit Policy

- Provide opportunity for fee reduction
- Credits for practices that reduce stormwater flow and pollutant load

Staff recommends two phases

- Phase 1
  - Stormwater quality facility best management practices (BMPs) for (Res/NR)
  - Stormwater quantity controls (Res/NR)
  - Non-structural BMPs (NR)
- Phase 2
  - Menu of Single-Family (Residential) BMPs
  - Voluntary BMPs per design standards

Billing Method

- Goals: Ease of implementation, minimize delinquency, keep administrative cost low, and fewer data needs

- Options Considered:
  - Virginia American Water
  - Alex Renew
  - Stand-alone

- Recommendation: Incorporate into the Real Estate Bill

Public Outreach

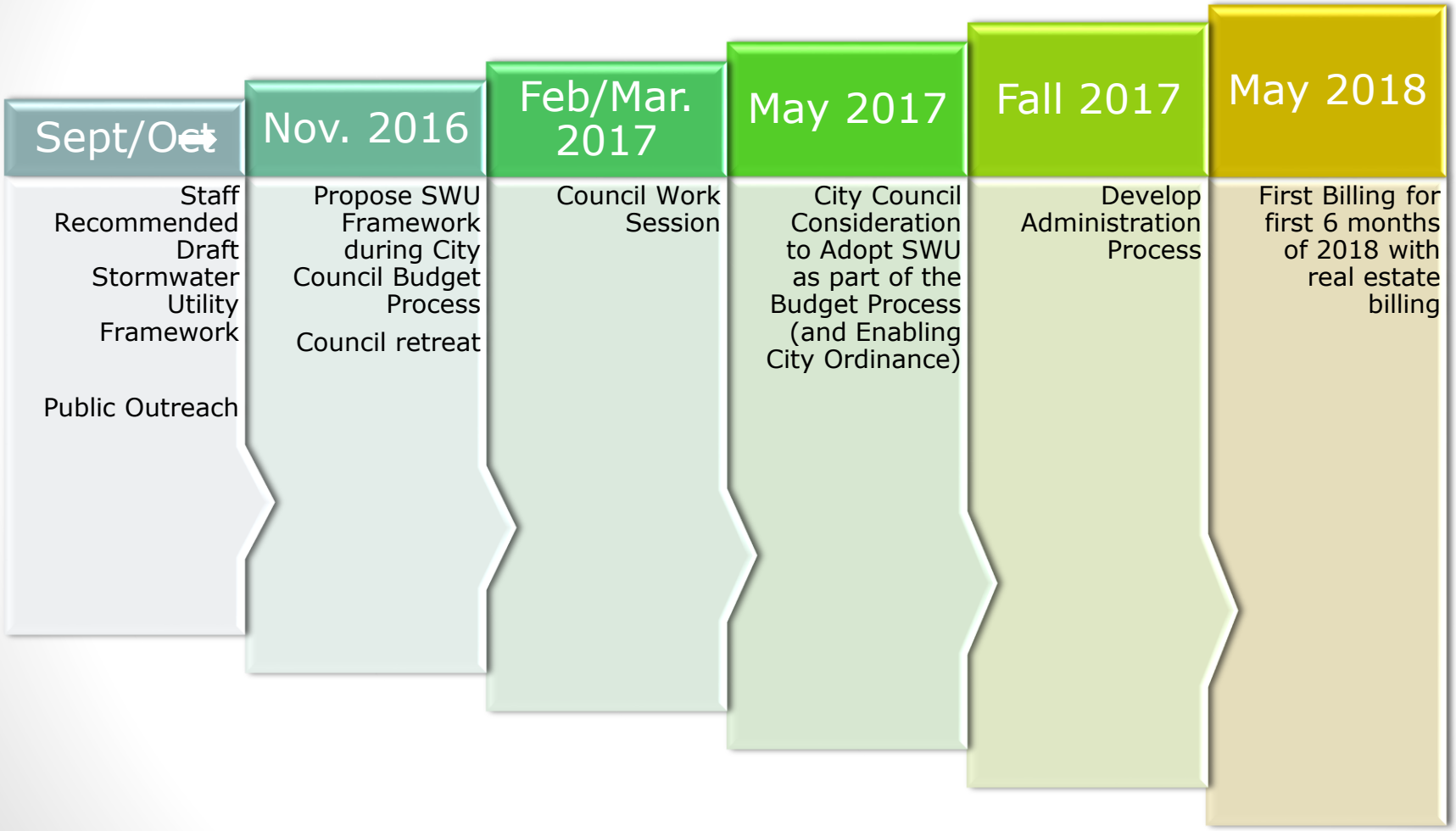
Used Council-recommended Framework

- New dedicated webpages
- FAQs
- Social media
- Collaboration with Environmental Policy Commission (EPC)
- Targeted groups (15+ meetings)
  - Residents
  - Chamber of Commerce
  - Federation of Civic Associations + individual associations
  - Non-profits and religious properties
  - Large property owners
  - Large parcel owners

Public Feedback

- Generally supportive of the framework
- Widely understood that funding the mandates is required and not optional
- People like that it's more equitable
- Generally agree on keeping the administrative costs down
- Some inquiries about what happens to dedicated ½ cent and 1.2 cents if SWU adopted
- Nonprofits/Religious institutions feedback

Next Steps


Sept/Oct
Staff Recommended Draft Stormwater Utility Framework
Public Outreach
Nov. 2016
Propose SWU Framework during City Council Budget Process
Council retreat
Feb/Mar. 2017
Council Work Session
May 2017
City Council Consideration to Adopt SWU as part of the Budget Process (and Enabling City Ordinance)
Fall 2017
Develop Administration Process
May 2018
First Billing for first 6 months of 2018 with real estate billing

Questions?

Dedicated email:

Stormwater@alexandriava.gov

More information:

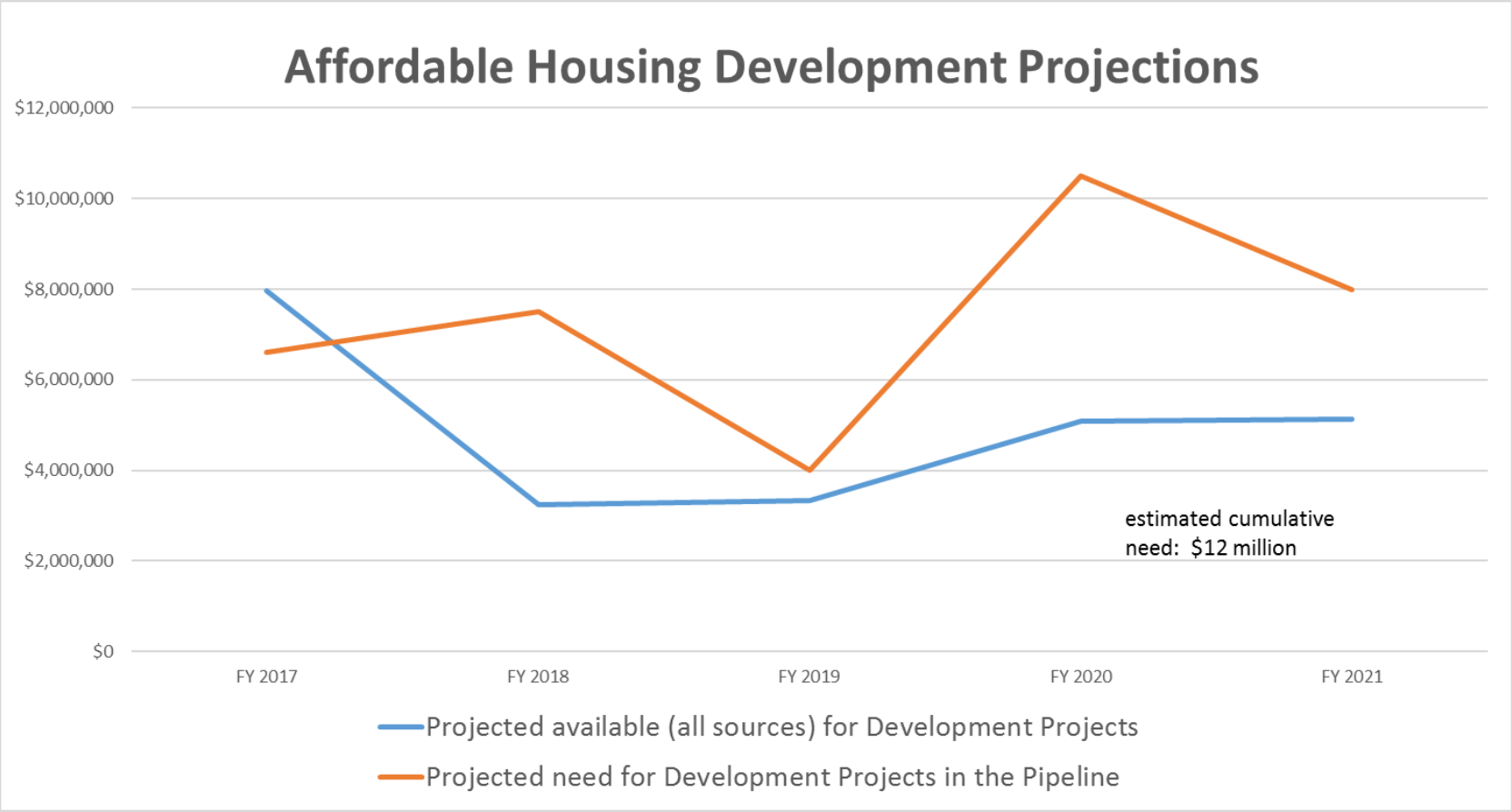
www.alexandriava.gov/Stormwater

City Facility Condition Assessment

- FY 2015 assessment completed and used to inform the FY 2017 budget
  - 36 facilities
  - Average FCI of Grade C

- FY 2016 assessment completed
  - 54 facilities
  - 73% of facilities assessed to date
  - Findings to be presented at the November 29th legislative meeting

Affordable Housing



- Does Not Include $30 M five-year goal at VOICE

BFAAC Report

Council Guidance

Civic Engagement

- Priority Issues that All Groups Agreed Upon:
  - Affordable Housing
  - Transportation/Infrastructure
- Priority Issues that At Least Two Groups Agreed Upon:
  - Schools
  - Public Safety
  - Public Health (Health Department)

Review of Proposed Resolutions

- Budget Process Resolution
- Budget Guidance Resolution

Adjourn