

**City of Alexandria Budget & Fiscal  
Affairs Advisory Committee**

**Report on the City Manager's Proposed  
Budget for FY 2009**

**Staff Response  
10/25/2008**

## **BFAAC FY09 SUMMARY OF RECOMENDATIONS**

The following is a summary of the Budget & Fiscal Affairs Advisory Committee's FY 09 budget report recommendations with staff responses. Staff responses are bulleted below each recommendation and highlighted in italics.

### **1. BUDGET PROCESS**

- 1.1** We support the budget process as adopted, including the setting of targets for expenditure growth for both the City and the ACPS.
  - *Process to Continue for FY 2010*
  
- 1.2** We support targets that are challenging to achieve and believe the FY 2009 targets set by Council for both the City and ACPS meet this criterion.
  - *Process to Continue for FY 2010*
  
- 1.3** We believe that the self-imposed requirement of a super-majority for exceeding the budget targets will enforce budgetary discipline.
  - *Process to Continue for FY 2010*

### **2. PROPOSED OPERATING BUDGET**

- 2.1** BFAAC again recommends that data regarding salaries and salary schedules display the various elements of salaries, including step increases; and separately, that reports also combine the various elements of compensation into a single number for more clarity and better comparability.
  - *Will add for FY 2010*
  
- 2.2** Continue the regular periodic examination of compensation philosophy and pay schedule structure with the objective of developing and implementing changes leading to a more transparent system and greater emphasis on merit.
  - *Watson Wyatt study is underway, status of the report to be given at retreat. It addresses this issue.*

- 2.3** The current study of the City Personnel System should be used as a vehicle to reassess personnel practices in every department.
- *Most City departments operate under the personnel policies and procedures used by the City Manager's Office and the City's Human Resources Department (formerly Personnel Services Department). The three safety departments (police, fire, sheriff) have additional personnel procedures for their operations due to the type of work they do. All of these departments have specific staff responsible for advising recruitment and hiring done in coordination with the Human Resources Department.*
- 2.4** The City should continue analysis of merging City and ACPS health care plans, self-funding, and ways to mitigate potential risk and cost of catastrophic loss through the purchase of catastrophic loss insurance.
- *City and School plans are now administratively combined. Provisions and the experience for such groups is different resulting in different rates for each.*
  - *Further merging citywide and school healthcare plans is not currently on the agenda.*
  - *Kaiser health insurance plan shift to self-funding for FY 2010 is under consideration.*
  - *Cost containment ideas are under consideration annually.*
- 2.5** The City should review practices in comparable jurisdictions to establish a rational basis for determining the level of employee contribution.
- *A regional jurisdiction comparison of relative benefits, including health care, is included in the Watson Wyatt study.*
- 2.6** BFAAC believes that the City should attempt to be much more aggressive and proactive in *managing* risk—identifying the potential risks, evaluating and tracking them, and eliminating them.
- *Risk Management has contracted with a new administration company for handling Workers' Compensation and liability claims. In addition to the experience and expertise the new vendor brings to the table, its state of the art information systems will be of great value in analyzing risks and determining trends. This information will be routed back to departments who will then be able to focus management activities and safety programs where they can be most effective.*
  - *In addition, this year the City's insurance broker will again perform engineering inspections of about ten of our highest value and busiest buildings. These inspections help reduce physical risks for loss by fire, theft, and by hazards to visitors and occupants. The engineer's recommendations*

*implemented by facilities maintenance staff have a definite positive effect on asset preservation and safety.*

- *This year the Risk Management Office plans to create a city wide safety committee, such a committee existed years ago. This group will consist of department staff members who will work in conjunction with risk management personnel to discuss accidents and injuries as well as reported hazards. The goals are to reduce losses through proactive efforts at hazard elimination and risk reduction in job activities and in public buildings and locales.*
- *Strides have been made in departmental safety staffing and in departmental committees in recent years, and we hope to help fine tune the committee's activities to ensure elimination of hazards and reduction of risk as departments complete their missions.*

**2.7** The City should review and potentially expand employee wellness programs, and advertise them through various media and events.

- *The City has a City staff wellness committee which plans wellness programs which are managed in the Human Resources Department.*
- *The wellness programs are entirely voluntary and confidential and annually include the following:*

*Free admission to city recreational facilities*

*Corporate discount membership at Alexandria YMCA*

*Yoga at noon at Gadsby's Tavern & Mt. Vernon Rec Center*

*Weight Watchers at Work (3 locations)*

*Health Fair*

*Annual Flu Shots*

*Health Screens*

*Monthly Lunch & Learn with Kaiser Permanente*

- *Due to budget considerations the City could not expand the program in FY 2009. The City plans to begin a Start! Walking program through the American Heart Association in the fall of 2008 or spring of 2009. The Health Department will take the lead on this.*
- *The advertising of the program is done mostly by announcements through our CityNet system or through the email system to our employees. Personnel posts notices for Kaiser Lunch and Learn throughout the City by using our Wellness Champions in various agencies. Currently, the city budget does not have any money for additional advertising for the program.*

- 2.8** BFAAC is supportive of a pre-employment screening program for Fire and Police officers who are eligible for benefits under the State's Heart/Lung Presumption to avoid claims for pre-existing conditions.
- *Not under consideration. We currently require employment physicals for public safety officers. The physical standards for these positions are job related. Few of these employees develop heart or lung problems early in their career and a variety of factors contribute to heart and lung issues later in life.*
- 2.9** The City should develop a more detailed multi-year financial forecasting capability.
- *The City has developed a publicly available CD-ROM with detailed revenue and expenditure forecasting capability which includes multiple categories of revenues and expenditures which can be arranged by percentage changes. The low growth, medium growth, and high growth scenarios are available in the "Forecast Scenarios" section of the budget.*
  - *OMB spending reductions in FY 2009 will prevent any additional refinements to its long-range forecasting model.*
- 2.10** The forecasting should go out more than five years to incorporate the impact of realizable revenues, programs expenses and debt.
- *See 2.9 response above.*
- 2.11** We do not support limiting AHOP to those who participated in CY 2007 without further study and appropriate notice. Limiting AHOP participation to 2-3 years may make more sense.
- *Gradual Phase out of AHOP is underway. Fiscal year 2009 participation declined from 1,372 to 900 grantees and \$1.1 million to \$685,000 in grants awarded.*
  - *We expect the program to continue to wind down over the next few years.*
- 2.12** The City should examine the size and efficacy of the targeted residential real estate tax relief programs in light of their costs to the operating budget. Limitations and phase-outs should be instituted where warranted.
- *As residential real estate values move closer to their historic averages, the City will continue to review these programs in coming years.*

**2.13** Council should consider real estate tax deferral either in lieu of, or in conjunction with, its existing targeted residential real estate tax relief programs.

- *A local real estate tax deferral program created under State law would be limited to those taxpayers whose real estate tax is at least 105 percent of the previous year's tax. Of the 1,380 participants in the 2007 AHOP program, only six percent (79 participants) would qualify for a deferral under State law definitions if the current AHOP program was not changed (see above). If the AHOP program were changed, then the number of those potentially eligible for deferrals would be less. The Weldon Cooper Center reports that as of 2007 no Virginia localities had the State Code authorized "over 105 percent" Real Estate Deferral Program in place.*

**2.14** Grants from the Alexandria Fund for Human Services and from the Commission for the Arts appear to be well administered.

- *No Response Needed*

**2.15** Funding for grants to non-profits should be considered in the context of available funds and other City priorities.

- *Agree.*

**2.16** Projects with repeated grants should be examined closely for continuing need and a determination of whether a contractual relationship with the City might be more appropriate.

- *In the Fund for Human Services, there are many recipients who have received grant funding for multiple years. At this time, DHS staff is working to establish criteria, work with the community to create community priorities of health and human services and to then evaluate which grants may be turned into contracts that will last for several years. This will save organizations from the competition for money that has been outlined as a City priority. This will hopefully be presented as an option during the FY2010 and 2011 budget process.*
- *Pertaining to DHS they have consulted with Procurement from time to time whether, if a particular funding source, even if it's a grant, should be in the form of a formal contract. They have not found any that should be revised into a formal contract. Most of our grants are state and federal mandated programs so we don't have an option to negotiate a contract. They have several small grants that do not lend themselves to a defined relationship greater than a year.*

- 2.17** Grants should be routinely reviewed for overlap/duplication. Applicants might be encouraged to submit collaborative proposals for more efficient use of City funds.
- *This can be explored as part of the next applications for Fund for Human Services grants.*
  - *Grant reviews conducted at the time prior to council consideration/authorization.*
- 2.18** Grant-makers should continue emphasis on a management for results approach, highlighting the need for recipients to set performance benchmarks and measurable outcomes.
- *No Response Needed*
- 2.19** Council should give greater weight to the annual maintenance costs as part of the fiscal analysis when purchasing properties.
- *Parks and Recreation has prepared cost estimates when open space acquisition is under consideration.*
  - *The City is currently revisiting the eligible uses of the dedicated open space money. One possibility is to make this funding available for the maintenance of newly acquired properties and other existing park facilities.*
  - *On a more general level, staff is constantly striving to improve our operating budget impact estimates when putting together the Capital Improvement Program.*
- 2.20** Council should review programs whereby civic organizations are reimbursed for open space maintenance activities and determine if expansion is warranted.
- *This is a program of the RPCA Department and its expansion is dependent on providing additional budgeted funds which is unlikely given the current fiscal situation.*
- 2.21** As the result of a study by ACPS, BFAAC is commenting on the fiscal effects of providing services to students who may have emigrated from Prince William County. BFAAC observes that the fiscal implications extend beyond ACPS. All new City residents use city services, which cost money. As a result, BFAAC urges the Council to study the influx of new residents and budget accordingly.
- *The Human Services Department is reviewing the increase in ACPS student enrollment to see if these increases are connected to the Prince William County Immigration Enforcement efforts.*

- 2.22** Council should note that ACPS may need resources to provide legally mandated education to newly enrolled students.
- *ACPS is experiencing additional costs due to higher than anticipated enrollments in FY 2009. The additional costs are being absorbed in ACPS FY 2009 budget; they will be specifically identified in the FY 2010 budget submission.*
- 2.23** ACPS and City staff should monitor the pupil attendance figures on a monthly basis to determine if the trends outlined above continue, and discuss the issue at ACPS-City budget meetings.
- *ACPS is providing monthly enrollment information to the School Board and at City-School meetings. The monthly reports are available on the ACPS website as part of the School Board meeting documents.*
- 2.24** The ACPS Budget Advisory Committee and BFAAC also should work together to monitor the situation, and continue their joint meetings on this and other issues.
- *The ACPS Budget Advisory Committee is interested in continuing to work with BFAAC, as well as ACPS Financial Services staff.*
- 2.25** The City should require the sponsor of every Special Event to put up a cash bond or equivalent to cover the City costs.
- *The proposed Special Events Policy would make it City policy to move towards full cost recovery for many special events whenever possible. Specific methods for guaranteeing sponsor payments have not been identified yet. In some cases, a cash bond or equivalent, such as cash advance deposit, could be considered.*
- 2.26** If the actual costs are less than the bond, the balance would be returned to the sponsor; if the costs exceed the bond, the sponsor would be billed accordingly.
- *This falls in line with the proposed Special Events Policy.*
- 2.27** The policy outlined above should be applied to every Special Event.
- *It is assumed that there will always be a select number of City-sponsored special events that will require some level of City funding. OMB staff believes these events should be limited to those with significant direct economic and/or cultural benefits to Alexandria.*

- 2.28** We urge that any policy Council adopts on Special Events be consistent and fair, and applicable across-the-board.
- *The proposed Special Events Policy aims to implement consistency and fairness into the City's special events program. The proposed language will be designed to encompass all potential special events.*
- 2.29** The City Manager and Council should decide requests for exemptions from the policy on a case-by-case basis. Granting an exemption should be the exception.
- *This falls in line with the proposed Special Events Policy.*
- 2.30** The City should, in the short term, review the fleet take-home policies of surrounding jurisdictions, most importantly Arlington, in connection with the revision of the Administrative Regulation 7-3 governing take-home vehicles.
- *The City's Fleet Services Committee is reviewing the Administrative Regulations and is making several recommendations for additional changes to address take-home vehicle issues.*
- 2.31** The City should apply an MFRI-type approach to the take-home policy set forth in Administrative Regulation 7-3.
- *This will be referred to the City's Fleet Services Committee for review. The Police Chief has reviewed his department's take-home policy and has reduced the number of take-home vehicles.*
- 2.32** The City should consider revising Administrative Regulation 7-3 in a manner largely consistent with the recommendations of the study.
- *Many of the Study's recommendations are being addressed by the Fleet Services Committee.*

### 3. THE CIP

- 3.1** We commend the City Manager and City Staff on implementing a CIP Prioritization Process and recognize this development as a significant step forward in linking the City's Strategic Plan, the MFRI, and the CIP Budget.
- *No Response Needed*
- 3.2** We recommend that Council set targets for CIP, including specific targets for each of the three tiers, in the current "prioritization" process.
- *The City Council will consider CIP needs in establishing guidelines for the FY 2010 budget. It may or may not set a separate guideline for the CIP in FY 2010. Currently, no separate guideline for cash capital debt service is required by the governing resolution.*
- 3.3** We recommend that Council enhance the criteria used to decide the priority order of projects.
- *This is being considered and will be an issue at the upcoming CIP community meeting on November 6<sup>th</sup>.*
- 3.4** We recommend that the City Manager and ACPS work together with a joint goal of developing a process that results in an integrated set of CIP priorities for the City and the Schools.
- *ACPS is attending internal City CIP steering committee meetings to do so.*
- 3.5** The current CIP Prioritization Process provides a workable structure for the CIP Steering Committee to use in making funding recommendations; we are concerned, however, that the CIP Steering Committee may not have sufficient information in every case to make sound funding recommendations.
- *See 3.6 below.*
- 3.6** We recommend that the CIP Steering Committee, with City Staff assistance, design a business case template, providing owners of proposed projects the means to articulate total lifecycle costs and other key information needed by the CIP Steering Committee to make fully-justified funding recommendations.
- *We don't have such a template at this time. We are not in a position to do so for this cycle due to staffing constraints.*

## 4. REVENUES & OUTLOOK

- 4.1** We urge City Council to continue to track the percentage of per capita income applied to residential real property tax and to be especially cautious in setting property tax rates that result in tax/personal income ratios above historical ranges.
- *New debt policy adopted in June by City Council.*
- 4.2** Any revision to the debt policy guideline on personal income should not be made primarily to justify additional borrowing.
- *See 4.1 above.*
- 4.3** The impact of increasing debt-service payment obligations should be carefully monitored.
- *Debt service information to be provided at retreat on Oct 25<sup>th</sup> and in budget documents and work session materials.*
- 4.4** Although the City is moving on aspects of an overall economic development strategy, gaps in fulfilling several Work Group recommendations exist. The City should provide increased focus and resources for necessary planning, policy guidance, contracting and measurable performance standards plus regular oversight and control of City spending on economic development activities.
- *The new Assistant City Manager position will focus on these issues in cooperation with the senior leadership of the City Managers Office. That recruitment process is underway.*
- 4.5** The City should take immediate action to review the nature of the recently announced Assistant City Manager position and hire, appoint or otherwise designate a qualified economic development professional to coordinate economic development planning, policy guidance, and oversight.
- *See 4.4 above.*
- 4.6** In light of current economic conditions and the anticipated FY 2009 real estate tax revenue projections, the commercial add-on tax at a rate to be determined annually will provide the City with a source of transportation-dedicated revenues.
- *Could be reconsidered in FY 10 because of budget cuts, at both City and State level, which have made meeting short and medium term transportation needs very difficult.*
- 4.7** In future years the annual rate should be set in the context of current market and economic conditions and at a rate consistent with the City's efforts to attract and retain its commercial tax base.
- *See 4.6 above.*

- 4.8** It is imperative that the City continue to evaluate and prioritize its long-term transportation needs and be able to demonstrate the positive economic impacts of these initiatives to the affected commercial real estate tax base.
- *The new Transportation Committee will assist in this effort.*
- 4.9** Options to diversify tax revenues should be evaluated annually.
- *Agree. Fees and service charges are going to be reviewed on a regular cycle (see 4.15). Other tax rates will be reviewed annually.*
- 4.10** Council should first concentrate on increases to fees and non-residential real estate taxes that can best be borne by non-residents.
- *See 4.9 above.*
- 4.11** In addition to the legislative authority for various taxes and fees, the City Manager's annual Proposed Operating Budget should include as a permanent feature an indication of current and comparable rates in neighboring jurisdictions.
- *This will be added to the revenue write-ups section of the FY10 budget document.*
- 4.12** Council should strongly support appropriate General Assembly revenue initiatives that will help restore funding of local and regional transportation needs.
- *Agree.*
- 4.13** BFAAC encourages the City to expedite the physical assets inventory process as it could lead to added revenue and decreased maintenance costs of assets that are no longer of value to the City.
- *A physical asset inventory is currently underway.*
- 4.14** This inventory would also be the foundation for compiling and tracking assets that might need major renovation or replacement in future years.
- *No Response Needed*
- 4.15** BFAAC recommends the expansion of the fee compendium detailing all fees currently collected by City departments for inclusion in future budgets and periodic review and adjustment of fees to optimum levels.
- *The City has established an online fee compendium which contains all fees assessed by the City. A schedule has been established requiring departmental and OMB review of fees at least once every three years, as part of the budget process. Some large fees such as the solid waste collection fee, the sewer connection fee, and several Code fees are scheduled to be reviewed every year.*

**4.16** BFAAC urges Council to review each fee periodically to ensure the recapture of associated operating costs.

- *Instructions to this effect have been included as part of OMB budget instructions to departments. In some cases, such as the solid waste collection fee, the fee is designed to exactly cover 100% of the costs of providing garbage pickup. This information will be provided to Council for their fees inquiring Council action.*

**4.17** BFAAC continues to oppose the advance commitment of tax revenues as a budgetary tool; expenditures for specific objectives should be made in the context of annual decisions as part of the budget process.

- *The FY 2010 budget is an opportunity to reexamine this issue.*

**4.18** In the event that Council continues to use dedicated revenues to fund the City's Operating and CIP budgets, the revenues and expenditures for each established set-aside should be transparent and clearly identifiable.

- *Open space sanctioned uses detailed in chart in current CIP.*
- *Similar chart will be developed for housing dedicated revenues for FY 2010.*