

Members Present: John Renner (Chair), Engin Artemel, Dak Hardwick, Jean Sun Kim, Benjamin Klein, Patrice Linehan, Laurie MacNamara, Len Rubenstein, Brent Simer, Clarence Tong, and Mike Wenk

Members Excused: David Baker and Margaret Gullen

Staff: Alex Braden and Nelsie Smith

The Chair, John Renner, called the meeting to order at 7:07pm

Engin Artemel made a motion to accept the minutes from April 1, 2014, which was seconded by Jean Sun Kim. The minutes were approved unanimously.

Alex Braden distributed a “tracking sheet” that indicated the status of each City Council budget memo and asked if there were any questions. The [Budget Memoranda](#) are used to respond to City Council questions and requests during the budget deliberation process and are publically available on the City of Alexandria website.

Alex also announced that there would be a CIP work session with the City Council on Thursday, April 10, 2014 in the third floor conference room of the George Washington Middle School campus at 1005 Mt Vernon Avenue.

Following the announcements, a representative from each subcommittee talked about any major changes to the draft BFAAC report to City Council. A summary of the discussion for each section started with the Revenue Section.

Revenue Subcommittee

- The chart on page 2 was updated
- Fees and taxes are about the same as they were

There was a question about whether the chart should be in the budget book in the future and BFAAC members agreed that it would be helpful as an overall picture of revenue. The staff asked BFAAC members to consider recommending a target level. A member of the Revenue Subcommittee responded that the chart outlines the mean numbers and there is a large variance across the City [regarding fees and taxes]. Also, not everyone pays fees so the chart does not tell the whole picture. It will be more telling over time as we consider big expenses that are coming, such as the sewers.

Personal property tax did not change from FY 2013 to 2014 but the cost can still go up if Commercial or Personal Property tax values increase. Commercial and Personal Property taxes are two different taxes. The staff is going to look into whether we would be able to get the FY 2014 data because it depends on how it is calculated (e.g., consumption information might take a full year to collect; there may be a change worth noting regarding rate or consumption, which is a part of the calculation). The staff will report back to BFAAC members.

There was a discussion about home owners' association (HOA) dues and the difficulty in calculating City fees as percentages of revenue (e.g., fee simple v. not fee simple, condominiums, town houses, etc.)

Housing stock is changing and the costs may change in the future because most current development is based on either a fee structure that is HOA, condo, or both, which will affect revenues. Often, the City of Alexandria does not have the economies of scale to make it cost-effective for the City to provide particular services. If the City cannot carry out the service at a lower cost than the private sector, it might be worth considering other delivery options that offer budget efficiencies.

A true revenue plan will guide the City Council in making decisions about the type of income that the City wants to pursue to increase revenue. One participant indicated that a five year revenue plan is needed and recommended that a component of the financial plan include a revenue strategy. A five year financial plan will be released in the fall, around the time the City Council is providing budget guidance. BFAAC members were pleased with the timing of the plan.

Some specific recommendations for the Revenue section included:

- Page 9 – We need to be clear that BFAAC does not want to place too heavy a burden on charities that are serving some of the City's most vulnerable citizens. A review of alternatives should be carefully thought out, taking the needs and interests of the City into consideration.
- Clarify if we mean the five year plan or the ability to afford the CIP plan. This affects the Revenue and the ability to pay for the CIP projects.
- Review the current charts on pages 10-11.

The main theme of the revenue discussion was that we have to generate revenue and decide whether the City should take on more debt in the short-term in order to raise returns on investments over the long-term. Currently, we don't pay the burden and the debt burden - combined with the lack of revenue - has maintained the status quo over the years. When we look at the three debt scenarios, none of them talks about the fact that income could drop. The scenarios consider medium growth level returns.

There was also a discussion about the percentage of the general fund that should be allocated to CIP projects. The CIP is up to 14 or 15 percent from 10 percent. While BFAAC members understand that CIP projects were under-funded for many years and the necessary investments were not always made in the past, the affordability of funding these projects at the current level has to be considered in terms of a percentage on the general fund. For a long period of time, the City didn't issue any debt and now a lot of money is going toward paying debt service. BFAAC members want to be sure that there is a clear message to the City Council that the City has changed to a long-term planning approach. There is a trade off when opting for more cash capital so we have to find the right balance of debt and cash.

City Council has asked about the debt ratio and whether we have a target. A recommendation was made to consider a Task Force to look at the debt ratio.

BFAAC reviewed a presentation that was made April 1, 2014 which assumed that revenue would grow at a medium growth rate, and it did not include Potomac Yard. It was noted that the National Science Foundation does not come until FY 2016-2017 and Potomac Yard is anticipated in FY 2017 or 2018. If the cash v. debt continues, the operations budget will be squeezed by the impact of the CIP growth (fire stations, etc.) on the general fund. The City may have to issue more debt to pay for the schools because of enrollment projections and needed repairs but there has to be an offset. These issues have to be discussed in terms of finances.

The City debt rate is alright if we look at our peers that are rated AAA level. Right now, the City has a planned debt in terms of the metro borrowing but the Potomac Yard project includes a revenue bond so it really shouldn't be included in the debt. The City is using general obligation bonds to save a quarter point. We should review the pros and cons of doing that and also explore enterprise funds that are used in other jurisdictions. The infrastructure needs investment so it's not a bad idea to have an enterprise fund. The new Jefferson-Houston elementary school building was raised as an issue [in the context of CIP investments] because the school is under-enrolled but there are an increasing number of middle school students planning to enroll at the school when it opens for the 2014-15 school year. The Alexandria City Public Schools (ACPS) have talked about the possibility of making other policy decisions (e.g., redistricting) to alleviate overcrowding at some schools and long-term facilities planning is underway through a City-Schools work group.

Growing the base has been part of the business and public discussion for a long time and the recent [Task Force](#) made a number of recommendations beyond the BPOL changes that have received the most attention. A general conversation about attracting business to the City by targeting small professional services to reduce the 18 percent vacancy rate in commercial real estate followed. Then, the group recommended some specific changes for the report. Some of the comments made during this part of the meeting include:

- Put the chart on one page, moving it from page 2 to its own page.
- BFAAC urges the City Council and School Board to align budget timelines.
- The new section with the cash debt will talk about the five year forecast, debt service and cash capital and long-term financial planning

There was some brief discussion about the number of employees that are slated to retire (1,900 range) and a pending proposal from Kaiser before a BFAAC member was asked to talk about the section on City partnerships with non-profits agencies. The BFAAC representative reported that the City Council asked a group to look at the way the City provides grant funding to local non-profits. Although the Council did not adopt all of the recommendations, most of the BFAAC concerns were addressed by the recommendations that were adopted by City Council.

A representative of the Children, Youth and Families Collaboration Commission attended the public meeting and gave a brief overview of the work of the collaborative Commission. Going forward, the DCHS will administer the funds, which will help leverage additional funds from the state (VPI at about \$600,000).

Following the update on the Commission, the BFAAC talked about the work session with Council on April 24th. The members will agree on five key items for BFAAC to bring to Council as major recommendations.

CIP Subcommittee

The discussion started with the ACPS portion of the CIP. Last year's 10 year plan had a 100 million dollar difference and now it is only 36 million. So, although there is still a gap, there is more agreement between the City and ACPS than there has been in the recent past. Some specific suggestions for the CIP section of the report included:

- Combine the last few sections into one section that gives a broad overview of select CIP projects rather than going into detail.
 - Examples of some of the highlights are Cameron Run, comprehensive flood management, Potomac Yard and ACPS
 - Pay attention to the top expenses and note that these are the big ticket items
- Ranking is important but take out the paragraph about the goal alignment.
- The organizational structure has four department heads and the people who implement the programs are a part of the decision-making process with the City Manager; CIP and operating budget leaders were in the same room for those decisions.

BFAAC members talked about setting some percentage of the general fund as a target for CIP spending. Phases of projects can be interrupted but it is difficult to turn off a CIP project once it has been set in motion.

Potomac yard uses diversified funding, which should be stressed. The goal is to look at the strategic view and make sure that smaller projects are grouped together (e.g., combined sewers, storm water and specific geographic areas of the City that are related to flood management). One of the participants commented that there have been many changes made to the small area plan (water front plan) and this could be the way the information is organized in the report. The subcommittee members agreed to reorganize the section according to the suggestions from the full group.

BFAAC members concluded the meeting with a discussion of how to better highlight the mix of investments and how to leverage the CIP with more 50-50 funding to create revenue. The prioritizations and major impacts on the CIP should be aligned with overall goals for the City so that there is a clear sense of what are we doing as a City. The CIP is ranked every year but the projects that are put forth as priorities should have a solid purpose that is communicated to the public.

Alex Braden suggested that BFAAC prepare slides for next week so that participants can review the draft in preparation for the meeting with City Council.

Dak Hardwick made a motion to adjourn the meeting, which was seconded by Engin Artemel.

The meeting was adjourned at 9:46.

Minutes submitted by Patrice Linehan.