City of Alexandria, Virginia

Staff Response to Budget and Fiscal Affairs Advisory Committee's
Observations and Findings on the City Manager's Proposed FY 2017 Budget

Status as of October 1, 2016

#	BFAAC Recommendation	Staff Response	Status/Expected Completion Date
102	BFAAC recommends the City Manager track the residential tax and fee burden for all Alexandria households, including calculating the impact on households with incomes below the average, and include these metrics in the City Manager's annual proposed budget.	OMB currently calculates the residential tax and fee burden calculation on all households based on median income and property values for BFAAC to include in its annual report. Staff can include the data in the FY 2018 proposed budget document.	Active/ February 2017
103	While BFAAC recognizes it is challenging to identify common metrics for the wide range of businesses in the City, BFAAC strongly encourages Council to identify transparent and accurate measurements (e.g., BPOL categories, own/rent space, revenue/sales size) of the types of businesses the City is hoping to attract to track for use in assessing our competitive advantage.	The City's lead economic development organization, the Alexandria Economic Development Partnership (AEDP) is engaged in two efforts that address this recommendation. First, the AEDP is finishing an 'Ideal Alexandria Tenant' study that (i) determines the top expectations of businesses (existing and future), (ii) measures Alexandria's value proposition against those expectations, (iii) establishes target broker and tenant profiles – those attracted to Alexandria's assets and submarkets, and (iv) identifies least satisfied business types that are retention threats. Second, AEDP is leading an update to the 2007 Economic Sustainability Work Group recommendations, with a strong focus on revenue creation and setting goals, a roadmap, and tactics. This effort will begin in November 2016 and result in a new set of recommendations over six months.	Active

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104	To strengthen the City's long-term fiscal stability, BFAAC urges Council to initiate a Revenue Master Planning process designed to create and implement an actionable long-term revenue strategy and roadmap with outcome-based metrics. The Revenue Master Plan development process should begin as soon as practical to align with FY 2018 budget development and adoption milestones	Further discussion with BFACC necessary to define what they consider elements of a Revenue Master Plan.	Active
105	BFAAC encourages Council to undertake policy and administrative actions designed to stimulate business activity in the City. BFAAC recommends that Council direct City staff to work closely with Alexandria's three major economic development organizations to proactively attract and retain businesses. Any new resources provided to one or more of these organizations must be accompanied by requirements to measure and report on the impact funded activities/initiatives have had on increased economic activity in the City.	The FY 2017 budget included a $0.6 million set aside in fund balance to add to $0.4 million in Industrial Development Bond Financing fees to use together as incentive funds to retain and attract businesses. These funds will be used to match the state's incentive grant programs. Each deal processed through this fund is presented to City Council, and AEDP will report bi-annually on the return-on-investment of activity through the fund. The report will include measures like private investment, job creation, and tax revenue generated as a result of the incentive award. To date two incentive awards have been granted: Port City Brewery Company and the Motley Fool.	Active
106	Informed by case studies from other jurisdictions in Virginia and the metropolitan DC region, BFAAC encourages Council to direct the City Manager to determine and implement the optimal organization of Alexandria's economic development resources to meet the revenue target established through the Revenue Master Plan process.	AEDP is in the process of conducting an ideal tenant study, updating economic sustainability recommendations, and executing the City's first incentive program while the Finance Department has included the consideration of a Revenue Master Plan in its FY 2007 departmental work plan.	Active
107	BFAAC recommends Council examine the cost and staff required for full implementation and regular auditing of procurement standards.	The Finance Department is conducting a thorough review of the City's procurement rules, policies and procedures.	Active

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108	BFAAC concurs with City staff and recommends the limitation of the use of the Cumulative Earnings Benchmarking Model (CEBM) in conjunction with instituting a broader focus and reliance on its much improved bi-annual benchmarking process	HR agrees with BFAAC's recommendation that CEBM can be used as one of our tools to inform our compensation evaluation.	No Staff Action Required
109	BFAAC encourages the Department of Human Resources to use the benchmarking process as a potential pathway to creating more robust forecasting capabilities that can be used to develop a multi-year compensation strategy.	HR agrees with this recommendation and is currently in the process of conducting another set of benchmarking surveys.	On-Going 3/31/2017
110	BFAAC urges Council and Board leaders to monitor the impact of growing school enrollment and student need on the City's overall operating budget.	City Council and the ACPS School Board members monitor and discuss the impact of growing school enrollment and student need on the City's operating budget during Joint City/Board worksessions, ACPS/City subcommittee meetings, and meetings between senior staff members from the City and ACPS. During the FY 2017 budget process, the ACPS Board delivered a memo to Council that outlined the facility requirement and cost to completely eliminate the ACPS student capacity gap. Additionally, during the June joint worksession, Council and the School Board discussed the projected multi-year fiscal impact of increased school enrollment and school capital investments. During the worksession, options to address the growing school needs were discussed and include: fully funding from increased tax rates, reducing ACPS and/or City Capital projects, rescheduling ACPS and/or City capital projects, reducing ACPS and/or City operating programs, or a combination of one or more of the aforementioned options.	On-Going

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111	BFAAC recommends Council require clear reporting from ACPS regarding restricted and non-restricted funding sources.	OMB worked closely with ACPS staff during the FY 2017 budget process to review the levels of State and federal funding included with the ACPS proposed budget as well as impacts of State legislation on local funding. OMB will continue to do so in the FY 2018 budget process.	On-Going
112	BFAAC encourages Council and ACPS to work together to identify performance metrics to monitor the return on City investments in the public schools (similar to Results Alexandria), while recognizing ACPS's state and federally mandated reporting burdens.	The Alexandria City Public Schools (ACPS) School Board and staff have previously been made aware of the performance metrics framework the City uses through informal discussions, as well as the sections of the Approved budget document. City staff will explore opportunities to incorporate ACPS staff into discussions that link the ACPS budgeting process to performance outcomes established in partnership with ACPS. However, since ACPS evaluates program performance and demonstrates how the City's investment contributes to improvements in student learning and the general well-being of the City, responsibility lies with ACPS to advance. City staff's role would focus on sharing expectations and potential best practices to inform the discussion.	On-Going
113	BFAAC recommends Council assess the cumulative impact of service reductions during the period of FY 2008 to the present, and base decisions on priorities for service restorations or expansions in particular areas of need. Such information can also provide useful data for the strategic planning process.	OMB is in the process of conducting an analysis which looks at the cumulative impact of adjustments since the recession.	Active 60%
114	BFAAC appreciates the statement of priorities in the proposed budget and recommends the City Manager provide more detail next year about the criteria used to set those priorities and identify proposed service reductions	As part of the debriefing process for the FY 2017 budget, OMB identified this as an observation from several different stakeholder groups, both internally and externally. OMB will continue to work with the City Manager's Office to better articulate the rationale for specific priority decisions.	Active 50%

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115	BFAAC recommends Council analyze the cumulative impact of budget decisions on City services since the recession began in 2008	OMB is in the process of conducting an analysis which looks at the cumulative impact of adjustments since the recession.	Active 60%
116	BFAAC encourages the Manager to provide more detail to justify the priorities identified for a potential one-cent real estate tax increase.	If a tax rate increase is proposed in the FY 2018 budget, it will be accompanied by explanation of the priorities used to justify its inclusion.	Active 50% 2/21/2017
117	BFAAC recommends the City explore ways to expand restricted city and non-city sources as well as alternative funding mechanisms (e.g., storm water enterprise fund, surtax on state income tax, developer share, equitable fees for all properties). Additional benefits may be realized if a member of the City staff is assigned the responsibility to look across departmental boundaries at several related projects where a specific grant, restricted city or non-city fund source can be applied.	An interdepartmental staff team (Stormwater Utility Workgroup) is in process of developing a storm water utility fee proposal for consideration in the FY 2018 budget and will continue to seek to recover costs through user fees, developer contributions and grants. The City recently released a timeline for public discussion of the proposed stormwater fee.	On-going

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118	BFAAC recommends the City provide more discussion and detail about the stormwater and combined sewer compliance projects, and their potential impact on the FY 2018-2027 CIP budget.	The Stormwater Utility Work Group is in the process of quantifying the costs and potential impacts of stormwater and combine sewer compliance projects. Over the spring, staff worked on the Long Term Control Plan Update (LTCPU) for the City's combined sewer system to assist with short and mid-term forecasting of the impacts to the Sanitary Sewer Connection Fee and Maintenance Fee that may occur to fund these projects. Additionally, the Stormwater Utility Work Group is studying the viability of a Stormwater Utility to fund the significant capital investments related to storm water compliance. Among the groups early tasks was to better articulate the currently funded and unfunded stormwater projects that could be funded by a Stormwater Utility. The costs and impacts of stormwater and combine sewer compliance capital projects will be considered in the FY 2018 – FY 2027 CIP development process.	On-Going
119	BFAAC recommends viewing CIP investments as opportunities to communicate and promote the benefits of these projects to the citizens, including the City's livability and long-term economic health.	Engagement with citizens continues to be a part of many high-profile capital investment projects around the City to ensure citizens understand the capital projects pursued by the City and to ensure the various facilities built by the City are sensitive to citizen's needs. OMB continues to refine its civic engagement efforts related to the development of the City's budget. In addition, the City uses the quarterly capital report to highlight projects that are underway.	On-Going

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120	BFAAC suggests the City align its strategic goals with and collaborate on regional initiatives for economic development.	AEDP and Visit Alexandria are currently collaborating on regional events such as the opening of MGM at the National Harbor and the IPW 2017 (international trade show) in Washington, D.C., GoVirginia (whose Northern Virginia Vice-Chair is an AEDP board member), and joint marketing missions to SXSW and other trade shows external to the Washington, D.C. market.	Active

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121	BFAAC recommends that the City continue to collect data and take an enterprise-wide look at space utilization in an effort to moderate the cost of maintaining and expanding City assets.	The facilities data that the City used to inform the FY 2017 capital plan is being expanded in 2 ways: 1) Remaining City buildings continue to be reviewed and assessed to determine their physical condition and to continue to move to a more preventative asset maintenance funding plan; and 2) the development of a Municipal Facilities Mapping and Planning Project, otherwise known as the Strategic Facility Plan, was funded in FY2017. This project was established to develop an approach to assess the current use of City facilities and how to best utilize facilities. Staff will be first providing a policy framework to City Council. This plan will then consider: • Organizational needs mapping: The project will identify and map facilities needs based on projects funded in the CIP as well as those identified in current department and Alexandria City Public Schools (ACPS) plans. • Gap analysis: Catalog and map programs and services across the City to show spatial distribution, identify gaps, and assess opportunities to cluster services into “campuses” in strategic locations. • Site-Suitability Criteria Development: The goal is to optimize the City’s investment in municipal facilities by establishing criteria for prioritization, site suitability, and co-location.	On-Going 10/15/2017

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122	BFAAC encourages the City to promote mixed-use and shared development possibilities with respect to all City assets.	The Municipal Facilities Mapping and Planning Project, otherwise known as the Strategic Facility Plan, was funded in FY2017. This project was funded in order to develop an approach to assess the current use of City facilities and how to best utilize facilities. Part of this plan criteria to optimize the City's investment in municipal facilities by establishing criteria for prioritization, site suitability, and co-location.	Active 12/31/2017
123	BFAAC encourages Council and ACPS to reach a clear understanding for how to reconcile the differences between the City and ACPS projections for the CIP and, most importantly, how this can be clearly communicated to citizens.	In addition to the already established joint worksession between Council and the School Board after the City Manager proposes his budget, City Council and the School Board added another joint work session to the calendar post FY 2017 budget adoption to discuss funding issues such as the differing CIP projections and various options that exist to close the gap between the projected school funding needs and the revenue available. City staff developed a Five Year ACPS CIP Funding Scenario that includes the total cost of all of the planned ACPS CIP projects as porposed by ACPS and the subsequent impact it would have on the tax rate, if implemented. This issue was discussed at the Joint Council/School Board Worksession on June 22, 2016. Finally, staff plans to include an ACPS financial outlook in their presentation to Council at the Fall Council Retreat.	On-Going

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124	BFAAC recommends the Council consider ways to provide more transparency by clearly illustrating the cost of debt service for ACPS capital projects, which is currently carried in the City Budget.	Both City Council and City staff understand the importance of clearly illustrating the cost for ACPS Capital Projects. Multiple City documents and presentations discuss the cost of debt service for ACPS Capital Projects. Specifically, the cost of debt service and cash capital for ACPS projects is stated in the FY 2017 Budget in Brief. Additionally, the year over year increase in debt service for ACPS projects is discussed in the City Manager's message in FY 2017 Budget Book. The school's portion of FY 2017 debt service is shown in the Non-Departmental section of the FY 2017 budget book as well. City staff may recommend that school debt service be moved to the ACPS budget starting with the FY 2018 budget process.	Completed

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125	In light of the impacts of the borrowing necessary to fund the Potomac Yard Metrorail Project and the change in the methodology for calculating total personal income by the Bureau of Economic Analysis, Council should make appropriate changes to the City's debt management policy.	Staff is in the process of developing recommendations to City Council so that they can make an informed decision about how to best manage the City's debt management policies and philosophy relative to the investment necessary to fund Potomac Yard Metrorail Station and other City capital needs. For several years the City has discussed the eventual need to address how to disclose or modify the City's debt management policies, to accommodate the debt issuance necessary for the Potomac Yard Metrorail Station. The new federal methodology for calculating total personal income by the Bureau of Economic Analysis currently impacts the City's debt management policies in the out years (FY 2018 – FY 2026). Under the new methodology, the FY 2017 outstanding debt amount is in compliance with the City's current debt ratios but may no longer reflect the amount of personal income Council believes is appropriate for the policy. Changes to the Total Personal Income as a Percentage of Outstanding Debt will have to be presented to City Council as part of the other consideration for debt policy. Staff's recommendation for changes to the debt policy will be presented to BFAAC for input prior to City Council consideration.	On-Going
126	Council should ensure debt service expenditures remain consistent with a conservative debt management policy and be aware that growth in such expenditures will impact funding available for immediate and future needs	OMB staff will continue to monitor debt service expenditures and the impacts of future CIP development and debt issuances to ensure debt service remains consistent with City fiscal policies.	On-Going