



City of Alexandria, Virginia

Staff Response to Budget and Fiscal Affairs Advisory Committee's Observations and Findings on the City Manager's Proposed FY 2014 Budget

Status as of March 28, 2014

#	BFAAC Recommendation	Staff Response	Status/Expected Completion Date
1	Council should be cautious about increasing the residential tax and fee burden in FY 2014 and beyond.	The City Manager's FY 2015 Proposed budget included no tax rate increases. The fee increases were based on cost recovery or designed to match those of neighboring jurisdictions. The increase in overall General Fund revenues and expenditures was 1.6%, which is less than the year-over-year percentage change in the Washington-Baltimore metro area CPI. On March 11, 2014, City Council set the maximum advertised tax rate at \$1.043 or \$.005 higher than FY 2014.	No Staff Action Required
2	BFAAC continues to work with staff on metrics that provide a more comprehensive measure of the tax and fee burden on residents and strongly encourages City staff to develop comparable metrics for businesses.	As part of the budget process, City staff will work with BFAAC to update the residential tax and fee table which appeared on page 9 of last year's BFAAC report. Staff will work with BFAAC to select commercial tax burden measures. Because all businesses are different, it would be helpful for BFAAC to choose some representative businesses for which a tax and fee analysis could be done.	In Progress 10% Late 2014

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3	BFAAC cautions Council to continue monitoring the declining percentage of commercial (excluding commercial multi-family) assessments relative to residential and multi-family assessments. If the goal is to obtain a 50/50 balance, Council should work with AEDP, Planning and Zoning, and other stakeholders to develop a tactical plan to grow the commercial base under the City's land use plans.	The FY 2015 proposed budget however projects a 25% commercial base and 75% residential base, down from 27%/73% respective split in the FY 2014 approved budget.	No Staff Action Required
4	BFAAC encourages Council to provide AEDP/AVCA with the resources to proactively attract businesses to the City and the appropriate authority to utilize economic development incentives.	Through the budget development process, staff has considered proposals for improving business attraction for their ability to affect the City's intermediate and long term outcomes for improved tax base and their priority relative to other economic development initiatives and other services in general. While Staff did not accept all of ACVA and AEDP's funding requests in the Proposed budget, both organizations are being funded at a higher level than in FY 2014.	On-Going
5	BFAAC recognizes that, while it is impossible for Council to accurately predict federal and state funding levels, it is prudent to anticipate a reduction in FY 2014 and beyond.	Staff will continue to monitor the current and potential impact of federal and state funding levels. Anticipated slow growth in federal and state spending has informed the FY 2014 revenue projections and the FY 2015 revenue estimates. The impacts of sequestration and the shutdown of the federal government in early October have been monitored and analyzed through the City's Monthly Financial Report. Staff will continue to monitor the impact of state budget issues.	On-Going

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6	BFAAC discourages Council from using Fund Balance to make up for the shortfall in federal and state revenue.	Staff does not recommend using City fund balance to supplant lost state and/or federal revenue, however staff does recommend retaining fund balance as a contingency for local revenue reductions resulting from potential economic downturns, including those caused by state and/or federal budget cutbacks. The amount of Fund Balance applied to the FY 2015 Proposed Budget decreased from \$6.2 million in FY 2014 to \$2.4 million in FY 2015.	Complete
7	BFAAC recommends Council not raise the current debt policy targets and limits.	Debt policy targets and limits are not proposed to be raised as part of the FY 2015 budget. At this point in time, there has been no indication that the City would raise current debt ratios and limits except to accommodate debt associated with the construction of the Potomac Yard Metro Station. Debt for the Potomac Yard Metro Station is not expected to be issued until FY 2017 per the Proposed FY 2015-2024 CIP.	Complete
8	BFAAC encourages Council to begin to assess the potential cost of federal and state mandated sanitary sewer and storm water projects and the impact on the City's debt policy guidelines.	City staff continues to assess the long-term needs of federal and state mandated sewer capital infrastructure needs that will be required over the next two to three decades. In the Proposed CIP from FY 2020 - 2024, we have included \$20 million to begin addressing these needs without exceeding the City's debt policy guidelines. The City continues to actively pursue outside funding sources (grants, developer paid improvements, etc.) to provide alternative funding sources to help the City meet these mandated requirements. This effect on the policy direction required by City Council will be incorporated into the 5-year financial plan	On-Going

#	BFAAC Recommendation	Staff Response	Status/Expected Completion Date
9	BFAAC continues to oppose the use of set-aside funds, particularly those in the form of general fund dedications, which limit Council's flexibility to set priorities.	Per Council deliberations in FY 2014, set-aside funds out of the General Fund tax rate are included in the Proposed FY 2015 budget. These set-aside funds include dedicated funding of 0.6 cents for affordable housing and 0.5 for storm water. Also set-aside is reserved funding of 2.2 cents for the City's Transportation Improvement Program (TIP).	Complete
10	BFAAC continues to recommend Council adopt a sunset provision to force a review of each set-aside on an annual basis.	OMB will review all existing set-asides and provide information to Council on options to remove them and the impacts of doing so as part of the 5-year financial plan.	In Progress 20% Late 2014
11	BFAAC supports the proposal to leverage the TIP and other existing transportation funds to meet the local share required for the new state transportation fund.	Staff has identified City funding in the amount required to fully leverage the funds available from the Northern Virginia Transit Authority (NVTA) from existing sources and tax rates, including the TIP. Staff has reviewed all transportation funding sources and has programmed new NVTA funding as part of the Proposed FY 2015 - 2024 CIP. Due to this new funding capacity, the FY 2015 Proposed budget expands the definition for eligible TIP expenditures to allow funding to maintain and enhance our existing transportation infrastructure in the City - including road resurfacing, road repairs (potholes), sidewalk maintenance and bus shelter maintenance. The TIP continues to support new and expanded programs such as Capital Bikeshare, King Street Trolley service hour expansion and maintenance of new multi-purpose trail systems. Even with though the definition of eligible expenditures has been expanded, the 2.2 cents reservation is still entirely for transportation.	Complete

#	BFAAC Recommendation	Staff Response	Status/Expected Completion Date
12	BFAAC recommends Council establish criteria for determining priorities aligned with the Strategic Plan, which the City Manager can use in making decisions on reducing or increasing spending. This way, budget decision-making is transparent to the public, much like it is in the CIP.	OMB and OPA are leading a framework called Results Alexandria which is designed to identify, prioritize, and align services with strategic plan outcomes to aid in budget decisions. The City Manager's Performance Plan (CMPP) was released on November 15, 2013, which defines performance expectations and outlines the City Manager's strategy to align City programs with the goals of the Strategic Plan. The FY 2015 Proposed Budget document reflects OMB's development of a redesigned budget book to aid in communicating budget information through Programs, as defined in the CMPP, and to highlight changes to levels of service/performance through the lens of the Results Alexandria process. Staff will continue to refine and build off of the progress to date.	In Progress 50% 2/25/2015

#	BFAAC Recommendation	Staff Response	Status/Expected Completion Date
13	BFAAC recommends Council closely review the rationale for the apparent disproportionate impact of service reductions, especially since FY 2009, on vulnerable populations in the City.	In an effort to align the City’s services with the City’s Strategic Plan and to maintain a balanced budget within the constraints of slower revenue growth, the City has incorporated a new performance management system and budget development process that allows the City to prioritize services to continue to deliver the results the community values. For FY 2015, departments developed work plans, which set their priorities for the fiscal year. In addition, departments completed budget proposals by program to request the funding they felt was necessary to deliver an appropriate level of service and outcome. These proposals were then considered in each department’s assigned Focus Area and services were prioritized to ensure that the City was funding the programs that would achieve the outcomes designated in the work plans. The City Manager and the City Council work diligently within the constraints of available revenues each fiscal year to provide the services within all departments, including but not limited to, those targeted at vulnerable populations, that align with the strategic plan and will most likely maintain the outcomes and quality of life that the community expects from its local governing body. Staff plans to continue and enhance its presentation and discussion of the rationale for service reductions and enhancements in all areas of the government in the context of the Strategic Plan, its intended outcomes and departments work plans, ensuring the sustainability going forward. The City provides services however wants to ensure they are targeted and focused for the City residents.	Complete

#	BFAAC Recommendation	Staff Response	Status/Expected Completion Date
14	<p>BFAAC commends the City’s continued efforts to create a more robust merit-pay/pay for performance salary structure but again reminds Council of the need for transparency and careful implementation of these proposals.</p>	<p>As part of the FY 2015 budget, Deputy City Managers and department heads have been moved to executive pay bands to align performance with pay. This process will be analyzed and expanded to appropriate City staff, including Senior Management, as part of ResultsAlexandria in the future.</p> <p>Career ladders encourage and reward employees for the development of additional competencies and the capacity to perform more complex work. They are a form of pay for performance. The City’s career ladder program has been significantly modified and expanded, including funding of \$500,000 in FY 2013, \$900,000 in FY 2014, and a proposed \$700,000 in FY 2015. The City is projecting 41 career ladders in 25 departments by the end of FY 2015.</p> <p>Elevation in a career ladder is a function of performance and is measured at the department level and not through a classification audit of assigned work conducted by the Human Resources Department. In addition, pay policies have been amended to reward employees who achieve higher grade levels. New policy aligns the amount of pay with the number of grades increased. All compensation changes have been transparent and carefully vetted. Total Compensation staff has worked in close collaboration with a number of formal and representative employee compensation work groups to develop the recommended changes.</p>	<p>In Progress 50% 2/25/2015</p>

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15	<p>BFAAC recommends Council ask the City Manager to review alternatives to plan design to assure that Alexandria’s plans are competitive with those in neighboring jurisdictions and are equitable, especially for lower-paid employees.</p>	<p>The City established an Employee Benefit Advisory Group (EBAG) to represent employees with respect to employee benefits and wellness and retained the services of Aon Hewitt, an employee benefits consulting firm, to assist in evaluating and recommending improvements to the City’s current benefits program. HRD, AON and EBAG collaborated to create an Employee Benefits Work Plan for years 2014 and 2015 which include such projects as:</p> <ul style="list-style-type: none"> • Introduced a new Flexible Spending Account (FSA) vendor and short plan year effective January 1, 2014 in order to align the operating years and open enrollment periods of the FSA, health, and dental insurance plans. • Enrolled 200+ Medicare-eligible retirees and spouses into a new United Healthcare Medicare Advantage Plan, effective January 1, 2014. Retirees realized savings from \$3,000 to \$9000 annually. • Competitively bid the City’s voluntary dental program with a vision plan option to address employee concerns regarding the quality of benefits and weaknesses in physician networks. Results will be implemented effective July 1, 2014. • Once the cost and behavioral impact of the health insurance plan design changes implemented July 1, 2013 are evaluated, the City’s health insurance program will be competitively bid in FY 2016. <p>Additionally, discussions are underway with Alexandria City Public Schools and DASH to identify benefit-related programs where economies of scale can be achieved through collaboration. Additional changes will be explored as part of the Affordable Care Act.</p>	On-Going

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16	BFAAC recommends that alternatives to deductibles and high hospitalization co-payments be explored should additional cost shifting in health plans be imposed.	See Response #15.	On-Going
17	BFAAC recommends Council examine whether pension cost increases in FY 2014 are beyond what was expected and/or signal longer term funding concerns that warrant an immediate increase in employee pension contributions.	The Pension Administration division within the Finance Department conducted a study and analysis on changes to the City's pension plans and a report was delivered to City Council on October 22, 2013.	Complete
18	BFAAC encourages the City/Labor Groups to identify an acceptable funding alternative should Council determine increased pension costs require immediate action.	The Pension Administration division within the Finance Department conducted a study and analysis on changes to the City's pension plans and a report was delivered to City Council on October 22, 2013.	Complete
19	BFAAC encourages the City/Labor Groups to develop an adjustment mechanism to ensure future changes to the Plan are based on an agreed upon objective criteria.	The Pension Administration division within the Finance Department conducted a study and analysis on changes to the City's pension plans and a report was delivered to City Council on October 22, 2013.	Complete
20	BFAAC recommends a review of disability benefits to determine if an opportunity exists to minimize immediate and long term pension cost concerns.	The Pension Administration division within the Finance Department conducted a study and analysis on changes to the City's pension plans and a report was delivered to City Council on October 22, 2013.	Complete
21	BFAAC recommends that the City, in consultation with the SRP Board, act on minimizing disparities in contribution rates and benefits covered under SRP.	The Pension Administration division within the Finance Department conducted a study and analysis on changes to the City's pension plans and a report was delivered to City Council on October 22, 2013.	Complete
22	BFAAC urges the City to continue to address its unfunded OPEB commitment with, at a minimum, the current 4 – 5% per year funding level through the general fund.	OPEB was funded as part of departmental budgets in FY 2015 and we will continue to recommend funding of OPEB going forward.	On-Going

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23	BFAAC recommends that prior to further action, including the FY 2016 issuance of the General Obligation Bonds, a “market feasibility study” be conducted to update the 2010 financial projections and to determine the expected pace of development to make sure there is no lag.	Updated financial projections associated with Potomac Yard development are expected to be completed in spring 2014. Planned issuance of General Obligation Bonds is now scheduled for FY 2017.	In Progress 70% 6/1/2014
24	The City should, in consultation with ACPS, be mindful of the likely impact on student population of any land-use planning proposal considered in the next several years. BFAAC recommends greater coordination between ACPS and City CIP budget processes.	The City (specifically OMB and Planning & Zoning) continues to work with ACPS closely on identifying and agreeing upon capital projects. Additionally, OMB staff and ACPS are holding regular meetings to exchange budget development timelines and progress. A joint City/ACPS workgroup has been meeting to work on issues related to future enrollment projections and the potential impact those projections will have on future capital projects. Impacts of these decisions and planning will be incorporated into the 5-year financial plan.	On-Going
25	In addition, BFAAC continues to encourage similar coordination across all departments that impact budget and planning.	OMB and OPA are leading a framework called Results Alexandria which is designed to identify, prioritize, and align services with strategic plan outcomes to aid in budget decisions. The City Manager's Performance Plan (CMPP) was released on November 15, 2013, which defines performance expectations and outlines the City Manager's strategy to align City programs with the goals of the Strategic Plan. All City departments were required to participate in this process. Discussions between departments at the Focus Area level allowed for more thoughtful discussion during budget development to find areas where synergies exist between departments to achieve the City’s outcomes.	Complete

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26	BFAAC recommends all CIP projects be listed in priority rank and a transparent justification be provided for the ranking. Issues that remain to be addressed include: ranking all CIP projects by running them through the new evaluation tool by FY 2015, incorporating IT projects into the CIP, having components use the same evaluation criteria, trying to more closely align projects with strategic plan and outcomes, and quantifying additional operating impact.	All CIP project requests were ranked and evaluated using the same criteria including information technology projects. A list of rankings is included on pages 16 - 11-15 of the Proposed CIP. Each project in the CIP is linked to the Strategic Plan and City Manager's Performance Plan. Each project has a 10-year additional operating impact quantified where appropriate with a description of those additional costs included on each project page. A summary of the additional operating impacts is included in the Proposed CIP Overview on page 2-14, and in the Appendix on pages 16 - 16-19.	Complete
27	Council should consider requesting, for future budgets, that each department or agency provide standard cost benefit analysis information.	See Response #25.	Complete
28	It is difficult to track projects from year to year, as some are eliminated and others are merged. Projects of vastly different magnitudes (e.g. the Potomac Yard Metrorail Station and construction of a bicycle path) are treated the same way, with almost the same level of detail. It would also be very helpful to break down various cost elements of a project.	In each individual "sources and uses" table on each individual project page, OMB has added information regarding changes to each individual project for the prior year approved CIP. CIP project descriptions were improved this year, but OMB still continues to work with staff on making descriptions more consistent. Various costs elements as part of the budget information display are still under consideration for inclusion as part of future CIPs. Additionally, the creation of new quarterly capital projects status report that will be presented to City Council and available on the City's website will assist in tracking project implementation and completion.	In Progress 50% 2/25/2015
29	Provide an analysis on the impact of the City's BPOL tax rates on commercial development and attractiveness	The Business Reform Task Force has completed its report and will be presenting its findings as part of the April 24 work session.	In Progress 95% 4/24/2014

City Council Requests of BFAAC from the April 15, 2013 Work Session

#	City Council Request
1	BFAAC should analyze the City's debt policies and ratios as compared to neighboring jurisdictions and identify the last time they were adjusted.
2	BFAAC should advise Council on the desired percentage mix of Cash Capital versus borrowing and the types of projects recommended for each funding type.
3	BFAAC should analyze the City's BPOL taxes and other commercial tax data and identify ways that Alexandria can remain competitive. (BFAAC has two members on the Business Tax Reform Task Force)
4	BFAAC should generate a tax rate table similar to Table 1 from their FY 2014 report that exists for residential tax burden for commercial tax payers within the City as well.