

City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 31, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MORGAN ROUTH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET 

SUBJECT: BUDGET & FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC) REPORT ON CITY COUNCIL GUIDANCE

The attached November 18, 2015 memo is from the Budget and Fiscal Affairs Advisory Committee (BFAAC) to City Council regarding FY 2017 Council budget guidance. Staff intended to distribute it along with the five year financial planning model and slide presentation materials for the November 21, 2015 Council retreat. We realized after the retreat and budget guidance adoption that it in the process of compiling those materials, we neglected to include this memo among them. The content of the memo is consistent with previous BFAAC recommendations you have received from, and discussions you have had with, BFAAC members. For the most part, their recommendations are reflected in the guidance adopted by Council.

- City Council guidance provided flexibility to the City Manager consistent with BFAAC's recommendation.
- City Council guidance requires a multi-year plan to address employee compensation issues consistent with BFAAC's recommendation.
- City Council guidance continues the policy of using 2.0% to 2.5% of General Fund revenues for cash capital consistent with BFAAC's recommendation.
- City Council guidance maintains the current debt policy commended by BFAAC, and although it does not specifically address BFAAC's recommendations regarding additional debt financing, it is expected those will be topics of discussion in the FY 2017 proposed CIP.
- City Council guidance continues with slight modifications to the add/delete process established in FY 2015 consistent with BFAAC's recommendation.

- Although City Council guidance does not specifically address BFAAC's recommendation to discuss how to best use staff resources, BFAAC expressed plans to address the issue further in their annual report.

As in prior years, BFAAC plans to prepare an annual report to City Council on the City Manager's proposed budget and present their findings at a work session in April. Their report will be delivered to City Council as a budget memo prior to that work session.

CC: Mark B. Jinks, City Manager
Laura Triggs, Deputy City Manager
BFAAC Members

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 18, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE

SUBJECT: SUMMARY OF KEY POLICY ISSUES FOR FY 2017 BUDGET GUIDANCE

In advance of the upcoming Council retreat and the start of the fiscal year (FY) 2017 budget process, the Budget and Fiscal Affairs Advisory Committee would like to call attention to the following key issues confronting Council.

- ***Budget Guidance*** – In 2014, BFAAC noted the template for budget guidance varies from year to year. In some years the guidance has been very prescriptive and in other years, the City Manager was given more flexibility. BFAAC recommended Council’s FY 2016 guidance provide maximum flexibility to the City Manager to develop a budget, while still allowing Council to strategically manage the process. BFAAC applauds Council for using the FY 2016 budget guidance to outline broad priorities and encourages Council to take a similar approach for FY 2017.
- ***Alexandria City Public Schools (ACPS) Budget Process*** – During the last six budget cycles, BFAAC has expressed concern about the process and timeline by which ACPS delivers a school budget to the City Manager. The receipt of an ACPS School Board approved budget after the City Manager’s proposed budget is introduced remains a failure of the process and requires Council to address a substantial shortfall in the ACPS operating budget and capital improvement budget. As Council begins work on the FY 2017 budget, BFAAC recommends Council and the School Board work together to ensure the schools budget is considered as part of the City Manager’s overall budget process.
- ***Employee Compensation*** – BFAAC commends Council for making employee compensation a priority. While Council has taken significant steps, BFAAC recognizes challenges remain. As Council continues to address compensation issues, BFAAC again encourages Council to commit to a long-term strategic approach that is clearly communicated to employees. While addressing all of the gaps may take some time, committing to a strategic compensation plan will allow employees to see progress is being made and may help avoid the perception that the most vocal employee groups are prioritized.

- **Cash Capital Policy Change** – In FY 2016, Council made the decision to adjust the General Fund Cash Capital policy and establish a target of 2.5% and a minimum of 2.0% of General Fund expenditures to support the CIP. BFAAC is supportive of this policy change as it gives the City the ability to flexibly support the CIP through debt service as well as provide a regular cash capital transfer in support of the 10-year CIP.
- **Debt** – BFAAC observes that the approved FY 2016 – FY 2025 Capital Improvement Program indicates City debt as a percentage of fair market real property for FY 2016 (1.31 percent) remains under the Council-approved limit of 1.6 percent. Only with the inclusion of the Potomac Yard Metro does the City exceed its debt limit (app. 2 percent as we have previously noted). BFAAC notes that the current limit of 1.6 percent is lower than surrounding jurisdictions (i.e., Arlington and Fairfax Counties) and commends the City’s management of debt through its history of maintaining a conservative debt policy, which contributes to the stellar AAA/Aaa bond rating. BFAAC also notes that interest rates remain at historic lows and recommends the City Manager and Council explore opportunities for debt refinancing or additional debt financing given the national economic condition. BFAAC will also continue to monitor the City’s debt service condition and recommends Council remain vigilant should City revenues continue to experience minimal to moderate growth.
- **Add/Delete Process** – BFAAC applauds Council for improving the add/delete process for FY 2015 and we strongly encourage the Council maintain that new process. The inclusion of a five-year cost estimate for any budget addition is an important step in the right direction and should also be maintained. In addition, to the extent possible, BFAAC encourages Council to allow for more time between when add/deletes are proposed and when the final budget is adopted.
- **Maximizing Staff Resources** – BFAAC continues to be impressed with the leadership and work of City staff. In recognizing the increasing demands being placed on staff, BFAAC recommends Council engage in a thoughtful discussion about how best to use staff resources. BFAAC also plans to address this issue in our annual report.

CC: Mark Jinks, City Manager
Emily Baker, Deputy City Manager
Debra Collins, Deputy City Manager
Laura Triggs, Deputy City Manager
Kendel Taylor, Director, Finance Department
Morgan Routt, Acting Director, Office of Management & Budget
Alex Braden, Management & Budget Analyst