

FY17 CIP
A Menu of Possible Items to Include in the BFAAC Report

Key Topics and Comments

1. General CIP Process and Direction

- It is positive that all projects have identified funding sources. Identifying funding sources that minimize GF transfers and debt are the key to a healthy CIP.
- It is positive that major CIP projects such as Potomac Yard Metro and other transportation initiatives leverage low interest sources and grants as well as TIFS to reduce the burden of carrying General Obligation Bonds.
- Note that priorities for the FY2016-2026 CIP budget do not explicitly include a priority to consider the economic growth benefits of a proposed CIP project. There is no recognition in the CIP that money spent for a broad range of economic growth initiatives (not just “development”) is not sunken cost, rather, it is an investment that will pay dividends.
- Note that last year projects were numerically ranked and prioritized. This year the process of selecting projects and priorities involved having departments submit project requests to a Peer Technical Review Committee, which in turn sent recommendations to a CIP Steering Committee, who then reviewed, prioritized and forwarded its recommendations to the City Manager. Based on the information in the CIP, this appears to be mostly an internal process that does not directly receive input from resources outside of the City.
- The strategic plan is referenced as a metric for assessing all CIP projects. The City has an opportunity to reflect on the current strategic plan and include stronger direction that includes a wide range of strategies for economic growth and increasing revenue. Should the strategic plan exercise be a “warm up” of the old strategic plan leftovers?
- The CIP represents a substantial part of the City’s budget and is the source of the need for all borrowing. The City does not borrow for operations.
- Note that funds are budgeted for a Customer Relations Management System. Is this related to the Information Technology project or is it related to service from all City departments?

2. Components of the CIP

- In addition to the ACPS/CIP and funds for an Information Technology Plan, the CIP projects are organized in three categories.
 - Category 1 is Asset Maintenance - The City’s assets are continuing to deteriorate faster that repairs can be made. The City has put into place a data-driven mechanism for prioritizing maintenance. It is positive the City has finally put in place a rational plan for this Category of project. There appears to be no economically feasible way of bringing all of the low ranking assets up to a “good” level in the near future.
 - Category 2 is Renovation/Existing Assets – Category 1 and Category 2 projects both deal with existing assets. The comments that apply to Category 1 apply to Category 2, but the City should be should be assessing how to reduce the number of City buildings, that currently number around 90, and ways to combine or co-locate functions .

- Category 3 is New Facilities – The City needs to aggressively re-evaluate the philosophy of single use facilities. We have already forgone opportunities to co-locate City functions in a number of buildings, including the Eisenhower fire house and the upcoming Chinquapin Pool building. One also must question why a major investment in the Public Safety Center did not include a firing practice range. More can be said about this point.
- Information Technology – This is a new Category from what I can determine, but will be included in the other Categories in future budgets. There is a need to determine the best vehicle for delivering high speed connectivity to the City. We understand there are a number of independent vendors that provide high speed internet services in addition to Comcast. A careful study should include the cost/benefit of alternatives, including incentives to existing private vendors as opposed to a City sponsored or funded City-Wide approach. The City may want to explore how to make the “market” improve and broaden service.
- ACPS - The ACPS projected CIP is \$68 million higher than the City’s projection over the next 5 years. This indicates either a substantial property tax rate increase to fund only ACPS’s CIP, or that ACPS CIP projects will be scaled back. There is no discussion of a mechanism to reconcile these two budgets.

To illustrate this dilemma and focus the public debate, Council may want to consider having ACPS include the cost of the debt service related to its CIP in the ACPS budget.

3. Cash Capital and Debt Services

- The 2017-2026 CIP assumes \$974 million in borrowing, and the City states that such borrowing is consistent with the City’s AAA/Aaa bond rating.
- With the exception of Potomac Yard Metrorail the projected borrowing generally complies with the City’s self-imposed debt limits and ratios.
- The City and Council should be annually monitoring its self-imposed limits and targets to determine if they are aligned with current Municipal financing procedures and the advice of bonding advisors.
- Note that the Debt Service as a percentage of Total Personal Income Target is well above our current target of 3.2% and limit of 4.5%. We understand that there have been recent changes in how the Bureau of Economic Analysis calculates income, and the City should explore revising the target and limit to reflect this change.
- Note that the Debt Service as a Percentage of General Government Expenditures indicates an increasing burden on the City to repay debt. While these projects remain within the current self-imposed limit, this highlights the need for aggressive economic growth to deflect the possibility of higher property taxes.

Ops Subcommittee topics

1. Employee compensation (David Baker). Last year BFAAC commended the preliminary changes to the compensation benchmarking processes that are used to determine, with more precision, job classes that may warrant competitive pay adjustments. We plan to follow-up on our assessment of compensation policies and review progress made on key recommendations we made in last year's report.

That report recommended that the City examine ways to achieve compensation competitiveness and maintain it over the long term and to develop a robust outreach plan to educate City staff about total compensation issues and the City's compensation philosophy. We plan to review where the City stands on these compensation policies and practices, especially as employee compensation is one of the five priorities in the City Manager's FY 2017 budget message.

2. Priorities (Mike Wenk). The City Manager's message on the 2017 budget outlined several new steps the City has taken to better represent the budget priority preferences of Alexandria's taxpayers. The City held four community meetings (civic engagements) to gather input on budget priorities. These were presented at the City Council retreat and helped to inform City Council's budget guidance to the City manager, the City managers recommended budget priorities for the departments and the 2017 budget. BFAAC endorses these efforts.

This section of our report will examine criteria for priority setting in budget decisions. For example, what criteria were used to allocate funding to urban forestry efforts (in the Manager's one additional cent on real estate tax rate) vs. storm water and sewer. What goals and results were used to judge which programs will be funded by the additional cent? How did City staff define "the need" it was trying to address in the priority process?

Priority ranking of key needs was included in the CIP portion of previous budgets. BFAAC praised these previous efforts and was looking forward to ever increasing value of priority identification (better definition of "needs" and tracking of results) to the budget decision process.

BFAAC commends the City Manager's effort to introduce greater priority setting to the operations side of the budget. Hence, the designation by the Manager that the departments were requested to focus on the following priorities: 1. affordable housing; 2. traffic and parking management; 3. increasing general fund revenue; 4. investment in information technology; and 5. pre- K and child care. This specification is a valuable step in budget process. At the same time, the kind of criteria used in the CIP portion of prior budget does not appear to have been used in the operations side of the budget. BFAAC will review to what degree the new priority ranking process addresses the "needs" the public and City Council previously highlighted. BFAAC will concentrate on the criteria used to make some of priority rank decisions; how "needs" were defined in the ranking process and how past results were determined and applied in the managers final budget decision process.

3. ACPS (Patrice Linehan). Over the years, growing student enrollment has led to significant increases in the cost of educating public school children in the City of Alexandria. This burgeoning growth has put a toll on aging facilities and overcrowding is at such a critical point that school buildings no longer have the capacity to accommodate current student enrollment. Although the Capital Improvement Program (CIP) requires its own in-depth review, it is also important to consider the overall impact on the City's Operation budget.

The City Council and School Board leaders face the challenge of meeting joint city-school education goals within a budget-constrained environment. This section will describe the current budget context and offer recommendations for ways the City and school leaders can begin to address their shared goals (as outlined by the City and the recently approved ACPS 2020 Strategic Plan). This section will also outline some of the similarities, differences and key intersections of the City and ACPS budget processes, including public engagement and expected return on investment.

4. Long-term service trends. (Len Rubenstein). The great recession of 2008, the slow recovery, and the decline in federal spending have annually had a significant impact on the City's budget. Each year the City Manager and Council have sought to preserve services through efficiencies in use of personnel, increasing employee's share of benefit costs, and in other ways. Still, more than 100 positions have been cut, with inevitable effects on services.

While BFAAC has in the past addressed the criteria used in making decisions about services (point 2 above), we think it would be useful to take a broader look over time on the impacts of constrained budgets on services that within the Strategic Plan as a way of informing Council and the citizens on trends and future areas for attention.

In doing so, we will rely on documents prepared by City staff on trends in spending over time program by program, and will collaborate with staff in interpreting them.

BFAAC Revenue Subcommittee

Economic Development - Clarence, Margaret

- Models for economic development in other cities - models for position handling vision, strategy
- Roles of existing organizations - mission alignment for existing organizations like AEDP, SBDC
- Should a Council member be on AEDP BoD?
- How to achieve economic development parity for businesses - need for City government contracting guidelines

Revenue - Jean, Laurie

- Revenue Master Plan - based on past recommendations from BTRTF, Economic Sustainability WG
- Use and update long-term revenue plan development language from last year;s report
- Follow with Master Plan process engagement language - staff and citizen engagement