City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 23, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: MARK B. JINKS, CITY MANAGER MJ

FROM: MORGAN ROUTT, ACTING DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET MR

SUBJECT: BUDGET MEMO #29: RESPONSE TO COUNCIL QUESTIONS

The Office of Management & Budget issues a Budget Memo to answer questions posed by members of City Council that can be addressed in a question and answer format. Below are answers to some of the questions posed thus far.

EARLY CHILDHOOD ACCREDITATION (J. Wilson)

Question: **Could DCHS require our local subsidy early child care providers to achieve accreditation, and if so what is the feasibility of doing so?**

Answer: The City of Alexandria's Department of Community Human Services could require local fee system providers to be accredited; however the cost and effort could be prohibitive for some providers which would reduce the availability of services. Out of the 214 providers currently in the City of Alexandria, 54 are accredited or credentialed. Child care centers and family child care providers are generally small, local business owners. For these small businesses, the cost and staff time requirements are barriers to becoming accredited. The fees for the National Association for the Education of Young Children (NAEYC) accreditation for a mid-size center typical to Alexandria total $1,945, and accreditation would involve additional staff time for training and self-study. The City does not currently require accreditation because of training, licensing and oversight provided at both the local and State levels.

INDIRECT COSTS (W. Euille)

Question: **Provide information on indirect costs charged to special revenue funds.**

Answer: Charging indirect costs, or "overhead", for administrative functions provided to support direct service delivery is a long standing practice in the private and public sectors. In the public sector, it is recognized as a best practice by the Government Finance Officers Association (GFOA) and is used to claim the indirect costs associated with federally funded grant programs, charge enterprise funds for services provided by the General Fund, and determine the true full cost of user-fee funded services. Indirect costs are determined by an outside accounting firm in accordance with the policies and procedures established by federal regulations based on information for the City's audit financial statements. The vendor is required to review its assumptions and successfully defend its methodology and each year.

The City of Alexandria began charging indirect costs to special revenue funds on a phased-in basis in FY 2014 as the use of special revenue funds as a means to fund services was becoming more common. The sanitary sewer and storm water management fund were the first to be charged indirect costs, starting with one-third of full cost recovery in that fiscal year. The amounts were approximately $240,000 for sanitary sewers and $113,000 for stormwater. For FY 2016, the sanitary sewer fund was phased from partial to full cost recovery in the amount of $975,000, and cost recovery of $897,000 was extended to the permit fee fund. Based on our independent indirect cost report, these costs calculated at 9.2% of total expenditures in FY 2016.

The storm water management fund continues to be charged only partial cost recovery until a permanent storm water funding solution can be determined. The City has long charged indirect costs to grant funded programs, and the residential refuse fee calculation has included an indirect cost component since FY 2010. A portion of revenues generated by the Transportation Improvement Plan (TIP) reserved real estate tax has been used to offset indirect costs since FY 2014; however the residential refuse program and the TIP are currently part of the City's General Fund, not separate special revenue or enterprise funds.

The permit fee fund was established in FY 2011 with the engagement of departmental staff and the development community. Discussions of indirect cost recovery were initiated at that time; however the charging of indirect costs were delayed until a reliable revenue collection history could be established and the high-priority permit system project could be fully funded. As part of the FY 2016 budget development, staff reviewed all of the direct charges being paid by the fund for appropriateness before adding indirect costs. As a result, there is no permit fee increase and no reduction in services as a result of the new charges.

MARKET RATE ADJUSTMENT (W. Euille)

Question: **What is the cost of a market rate adjustment?**

Response: A 1% market rate salary adjustment for all City employees would cost approximately $2.5 million including salaries and benefits.

SINGLE ROLE MEDICS (J. Wilson)

Question: **Are any of the comparable jurisdictions structured like ours with single role medics?**

Answer: No, all five of Alexandria's typical comparator jurisdictions (Arlington, Fairfax, Prince William, Prince George's and Montgomery counties) only hire new dual-role firefighter-medic classified positions at the entry level in their respective fire departments at this time. Some jurisdictions (Fairfax, Prince George's) have single-role medics still operating in those systems, but they have not hired single-role medics within the last 10 years

FIRE DEPARTMENT'S OVERHIRE STAFFING (J. Wilson)

Question: **What is the multi-year cost of Fire's overhire staffing in FY 2016?**

Answer: The costs for staffing an engine at Station 210 over the next five years is shown in the table below:

FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
$1.3M	$1.4M	$1.4M	$1.5M	$1.5M

For the overhires hired in FY 2016, there will be a $0.3M cost impact that carries into FY 2017. This reflects the diminishing cost as current firefighters leave the Department through attrition, which reduces the number of overhires in total over time. However, in order to keep Engine 210 staffed until enough dual-role firefighters have been trained, overhires would need to be re-authorized in FY 2017 and each year thereafter. This means 20 overhires would again need to be hired in FY 2017 to maintain staffing Engine 210, which adds approximately $1.1M in FY 2017 for a total of $1.4M. The remaining years listed above assume overhires are re-authorized in each year. It should be noted that there are so many variables which will influence the staffing and conversion to a dual-role system, the out-year costs estimates shown above represent the high end of what the costs might be (particularly for the out-years.)

While the need for overhires will eventually be eliminated through dual role staffing, there is no current estimate of when the dual-role transition when that would occur. These annual figures may adjust due to other variables such as overtime usage and attrition rates.