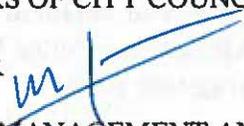


City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 27, 2015
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
THROUGH: MARK B. JINKS, ACTING CITY MANAGER 
FROM: NELSIE L. BIRCH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET 
SUBJECT: BUDGET MEMO #08: RESPONSE TO COUNCIL QUESTIONS

Every Friday, 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.

FIRE HYDRANT MAINTENANCE (J. Wilson)

Question: What is the service impact of reducing preventative fire hydrant maintenance?

Answer: The fire hydrant preventative maintenance program is proposed to be reduced by \$132,438 which includes the following: 1) reduction of an Inspector II position, a Full Time Equivalent (FTE) position of \$102,438 and 2) reduction of preventative maintenance services of \$30,000 currently provided by an outside contractor. As a result, existing staff will absorb much of the work related to preventative fire hydrant maintenance, and the percent of hydrants rebuilt on time would drop to an estimated 98% from 100%. This reduction does not reflect the percentage of time the City's 3,200 hydrants would be in service. T&ES' goal of keeping hydrants in service would be unchanged at 100%; the Fire Department will continue to have water to perform essential services.

CIP: MARINA SEAWALLS (J. Wilson)

Question: What is the criticality of the \$350,000 of Marina Seawall Repairs scheduled for FY 2016 and FY 2017? Can this work be delayed and addressed as part of Waterfront Plan Implementation in later years?

Answer: As part of the City Council Approved FY 2015-2024 Capital Improvement Program (CIP), funding in the amount of \$1.7M was planned in FY 2016 and FY 2017 for the design and construction of seawalls throughout the City Marina. In response to the approved Waterfront Plan and priorities for implementation set by City Council on January 27, 2015, staff proposed delaying construction of the seawall for all but the

northern portion which was identified as being in a “failed” condition per the 2013 Waterfront Dock & Marina Maintenance & Repair Assessment. The City Manager’s Proposed FY 2016-2025 CIP includes \$350K as part of the City Marina Maintenance capital project for design and construction of measures to fortify the failed northern seawall. Future seawall repairs would be integrated into Waterfront Plan Implementation flood mitigation construction in FY 2022-2024 as part of the City Manager’s Proposed CIP.

CIP: RECREATION FACILITIES SECURITY REVIEW (J. Wilson)

Question: What is the criticality of the planned Recreation Facilities Security Review? Why is it necessary to perform a “professional analysis” of the assessment performed by the Alexandria Police Department? What are the implications of cancelling or delaying this effort?

Answer: Preliminary assessment work by the Alexandria Police Department is a baseline assessment that uses national standards of Crime Prevention through Environmental Design (CPTED) and 2013 School Safety Inspection Checklist for Virginia Public Schools. The Alexandria Police Department assessment only identifies items related to potential criminal activity.

The professional analysis budgeted at \$135K in FY 2016 will develop the most economic and expedient implementation path for corrective actions using future-year CFMP funds. It will initially:

- 1) Identify and provide design remedy for physical building modifications such as changes to interior utilities such as lighting, HVAC, fire suppression systems, domestic water lines and code requirements for items that require changes to existing facilities;
- 2) Develop strategies to maximize system-wide security impacts with minimum fiscal impacts; and
- 3) Develop system-wide sequencing to minimize disruption to existing uses and customers while implementing correction actions. Any remaining funds will be dedicated to implementation of highest priority remedies.

Cancelling or delaying this effort will result in limited proactive security changes in response to items identified as having potential for criminal activity. Only minor modifications to staff procedures and supporting training would be performed with existing resources and internal expertise. Physical changes to facilities would not be sufficiently informed for constructability or cost for future inclusion in the CIP. Without additional information, efforts to include physical modifications to facilities in future year CIPs would lack necessary constructability and cost data.

CIP: PATRICK HENRY RECREATION CENTER (J. Wilson)

Question: Given the status of the Patrick Henry project within the ACPS Capital Budget, would it be feasible to delay all or some of the \$5.9 M of City Capital Improvement Program (CIP) dollars currently planned for FY 2016 for the Patrick Henry Recreation Center?

Answer: As part of the financing plan (i.e., calculation of debt service timing) for the FY 2016 capital budget, the Office of Management and Budget has taken into account that if this project begins during FY 2016 it is not anticipated to start until – at the earliest – the fourth quarter of FY 2016. While funding for construction is budgeted in FY 2016 to provide full project budget authority to comply with procurement policies in regard to authority to enter into a construction contract, the majority of the bonds planned to finance this project (\$5.0M of the \$5.7M total) will not be issued until FY 2017. Moving budget authority for the project to FY 2017 would delay the project until July 1, 2016 when full budget authority becomes available and would result in minimal savings (\$60K) to budgeted debt service in FY 2016. The inclusion of the Patrick Henry Recreation Center project in FY 2016 also matches the ACPS CIP budget for the Patrick Henry School. It should be noted that the City’s debt service calculations for the ACPS portion of the Patrick Henry project also shifted the start of most of the related debt service to FY 2017.

CIP: CITY HALL HVAC AND INFRASTRUCTURE REPLACEMENT PROJECT (J. Wilson)

Question: The City Hall HVAC and Infrastructure Replacement project would appear to be misnamed as it would appear most of the funding covers the “complete renovation of City Hall.” Can we get a full detailing of the costs of this project, the goals that it fulfills and the suggested timing of each component? Would it be more appropriate to separate the HVAC work and the City Hall renovation into separate capital projects?

Answer: The City Hall HVAC and Infrastructure Replacement Project is a complete renovation of City Hall. Moving forward, this project will be referred to as the “City Hall Renovation and HVAC Replacement” project to more accurately reflect all of the work being completed at City Hall. Estimated project costs and timing are as follows:

Project Element	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
Capital Repairs & Studies		\$0.8M	\$0.5M	\$0.5M				
Design					\$3.0M			
Project Management					\$1.4M		\$0.4M	
Leases for Swing Space						\$4.0M	\$6.0M	
Lease Property Renovations & Build-Out						\$6.5M		
Staff Moving Costs						\$0.1M		\$0.1M
Furniture & Equipment						\$0.5M		\$2.5M

Construction							\$27.0M	
Total	\$0	\$0.8M	\$0.5M	\$0.5M	\$4.4M	\$11.1M	\$33.4M	\$2.6M

General Services conducted a feasibility study of City Hall in FY 2014. Among other deficiencies, the report concluded that the mechanical systems (heating, air conditioning and ventilation; electrical and plumbing) are in fair to poor condition and are near the end or past the end of their useful life. In addition, the various cooling systems together do not have capacity to cool the building adequately. The report recommends a comprehensive, one-phase replacement to optimize the placement of the central plant and distribution systems in the building thereby optimizing the energy efficiency of the facility. Based on the layout of the building and the various mechanical systems running throughout the building, foregoing a complete building renovation at the time of the mechanical system work is virtually impossible based on the amount of demolition required, and would result in higher costs if contractors were to mobilize separately. During FY 2016 staff will be discussing this project internally in more depth, coming to a definitive conclusion on costing and phasing and then briefing council members before or in conjunction with the FY 2017 CIP consideration.

CIP: PUBLIC SAFETY CENTER ELEVATORS (J. Wilson)

Question: Replacement of Public Safety Center Elevators 1 and 2 in the FY 2015 CIP was \$500K. Replacement of Public Safety Center Elevators 3 and 4 is \$1.04M. Please explain the difference in cost.

Response: The total budget for replacement for Elevators 1 and 2 was \$1.0M. It was funded with \$500K as part of the Approved FY 2015-2024 CIP and \$500K from prior year CIPs (this amount was not noted in the FY 2015-2024 CIP project description).

The total budget for replacement of Elevators 3 and 4 is \$1.14M, and includes \$95K in FY 2015 funding for planning/design and \$1.04M budgeted as part of the Proposed FY 2016-2025 CIP for elevator replacement. The slight increase in cost for Elevators 3 and 4 is due to the project contingency. The total project cost of Elevators 3 and 4 is based on the projected final costs for Elevators 1 and 2, with the contingency added to account for unknown events (high demand, materials cost increases, labor shortages) that could impact historical pricing.

INOVA ALEXANDRIA HOSPITAL (J. Wilson)

Question: What progress has been made in the negotiation and finalization of a Memorandum of Understanding governing the \$1,011,150 that the budget proposes in appropriation to Inova Alexandria Hospital? What are recommended next steps?

Answer: Over the past six months, there have been major staffing changes from both the City and INOVA Alexandria Hospital, including two of the key positions who would have led this effort (a Deputy City Manager and the CEO of INOVA Alexandria Hospital). Although no progress has been made to date on a Memorandum of Understanding (MOU), best practice suggests to have such an agreement with any outside

stakeholder providing services on behalf of the government. As the City Manager's Office works with all health system partners over the next year, part of the structure of the regular meetings of that group will be to review and formalize agreements where necessary. Over the coming months, City and Inova staff will discuss the concept of the MOU with INOVA and what areas the MOU might cover.

BUDGET DEVELOPMENT: FUNDING GAP ELIMINATION (M. Jinks)

Question: How did staff eliminate the \$31 million funding gap estimated in December?

Answer: The FY 2016 funding gap estimated in December 2014 included General Fund revenues of \$640.9 million and expenditures of \$671.8 million. The FY 2016 proposed General Fund budget is balanced at \$647.9 million. The following is a list of revenue increases and expenditure reductions used to eliminate the gap. (Note: the changes listed below are from the December 2014 preliminary estimate to the FY 2016 proposed budget and not from the FY 2015 approved to FY 2016 proposed budgets.)

Revenues (+\$7.0 M)

- + \$2.4 M returned to the General Fund from the Potomac Yard special services district to fund the cost of providing services to residences and businesses within the district.
- + \$1.7 M transferred from special revenue funds (e.g. Code, sanitary sewers and storm water) to the General Fund to fund the indirect costs associated with supporting the activities within those funds.
- + \$1.0 M in fee increases (e.g. ambulance billing, employee parking, recreation services, and historic facilities rental) outlined in budget memo #2.
- + \$1.9 M in revised tax, fee and intergovernmental revenues, updated based on final real estate assessments, additional months of revenue receipts, and State legislative activities.

Expenditures (-\$23.9 M)

- \$13.6 M reduced cash capital and debt service funding for the CIP based on the revised capital funding policy and the use of prior year balances.
- \$7.2 M net reduction in City operations and maintenance costs. The December estimate included a preliminary assumption that City departments' General Fund costs (excluding the ACPS transfer, WMATA subsidy, cash capital and debt service) would increase by 3.0% in FY 2016. The proposed General Fund budget for City departments increases by 1.6%. The difference is the result of combination of service enhancements, service reductions and efficiency savings outlined in budget memos #3 and #9.
- \$3.0 M in the Alexandria City Public Schools transfer from \$9.0 M estimated to \$6.0 M in the proposed budget.
- \$1.1 M in the Washington Metropolitan Area Transit Authority (Metro) General Fund operating subsidy through the use of City transit funding at the Northern Virginia Transportation Commission.

+ \$1.0 M for public safety compensation from \$1.0 M in the December estimate to \$2.25 M in the proposed budget.

TORPEDO FACTORY (J. Wilson)

Question: What is the scope of work and management of the \$25,000 budgeted Torpedo Factory Strategic Planning Effort?

Answer: The current lease renewal with the Torpedo Factory Art Center Board (TFACB) expires on July 2015. City staff proposes to execute a one year extension (the City Manager is authorized to sign a lease amendment such as this) provided for in the current lease; fund and support business planning process with the TFACB to inform future space and programming concepts; and include performance measures as an addendum consistent with Alexstat efforts citywide. After the development and adoption of the Torpedo Factory Art Center Business Plan in FY 2016, the issue of a new longer term lease, the process to determine a new lease, and its length would be considered.

Staff proposes that the City execute the remaining one year extension option with the following stipulations:

- 1) The current lease would be amended and include an addendum requiring performance by the TFACB to develop a 3 year Business Plan including initial design concept that would increase engagement and programming.
- 2) The City would provide \$25,000 in one time funding to support both business planning efforts and initial conceptual designs reflecting necessary changes to support the desired programs. This investment in the development of a Business Plan and concept designs will inform and prioritize future capital requests.
- 3) A new lease (which would be executed by July 1, 2016) would incorporate (directly or by reference) goals, outcome expectations, and a timetable for implementation of the adopted Business Plan. The lease would recognize that some of the Business Plan would be subject to the receipt of capital funding and the implementation of proposed projects.

The Business Plan development process will be managed by the Torpedo Factory Art Center Board in conjunction with the Department of Recreation Parks and Cultural Activities, General Services and the Office of Performance and Accountability.