

City of Alexandria, Virginia

MEMORANDUM

Date: OCTOBER 28, 2022

TO: THE HONORABLE MAYOR AND THE MEMBERS OF THE CITY COUNCIL

FROM: BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE (BFAAC)

SUBJECT: BFAAC FY 2024 MEMO #01 – BFAAC FY 2024 WORK PLAN

The Budget and Fiscal Affairs Advisory Committee (BFAAC) plans to provide the Council memoranda on a variety of topics throughout the year to address areas of interest to the financial wellbeing of Alexandria. Beyond our standard guidance memoranda, our focus this year will be on policy areas with significant budget implications: collective bargaining, compensation, and capital projects, which will be addressed in a series of memoranda. To the extent feasible, we will also address revenue issues such as the incoming tranche of ARPA funding and other federal sources that may become available in the short term, as well as review ongoing coordination work within the City, including the Department of Project Implementation (DPI)'s capital improvement implementation strategies, and the City/Schools Joint Facilities Investment Task Force.

Similar to last year, at the November retreat, we would like prioritization guidance from the City Council on those items we have identified beyond the standard memoranda. We have included our previous year's work plan, indicating the memoranda that were completed, as an appendix for ease of reference.

The following are the standard memoranda that BFAAC will provide this year:

- MEMO #1: BFAAC FY 2023-2024 WORKPLAN (October 2022): BFAAC will outline for Council our intended workplan for the year, to better facilitate transparency and provide an opportunity for feedback and guidance;
- MEMO #2: RECOMMENDATIONS FOR THE FY2024 BUDGET GUIDANCE (October 2022): BFAAC will provide recommendations for Council to consider as it develops the FY 2024 budget guidance; and
- MEMO #3: RECOMMENDATIONS AND OBSERVATIONS RELATED TO THE CITY MANAGER'S PROPOSED FY 2024 BUDGET: BFAAC will provide the Council with a memo with recommendations regarding the major issues facing the City in FY 2024. The memo will follow up on revenue and process recommendations made in previous budget response memoranda.

The following are the topics that BFAAC is considering for review, but we would like to discuss prioritization and areas of focus with the City Council at the November off site. These concepts

are our top priorities which we believe we have capacity to undertake this year, which may be addressed in multiple memos per concept.

Proposed Workplan Given Policy Areas with Significant Budget Implications

- **COMPENSATION & COLLECTIVE BARGAINING:**

- BFAAC to review employee compensation trends and assess impacts negotiated employee agreements (including collective bargaining) are anticipated to have on: 1) operating revenues available for programmatic and service needs, 2) the ability to meet debt service requirements, 3) the ability to maintain cash contributions to the capital program, and 4) analysis of budget to actual expenditures for staff, benefits, and temporary staff.

- **CAPITAL PROJECTS:**

- Department of Project Implementation (DPI): In October 2020, BFAAC provided a memo (FY 2022 Memo #1: City of Alexandria Capital Projects Quarterly Reporting) to the City Council with information about the efforts to standardize program management across City projects. In it, BFAAC supported the efforts of the relatively new DPI to establish Project Management Institute (PMI) standards across City Projects to include reporting to the City Council on project implementation efforts and identification of deviations from approved project baseline. BFAAC would like to conduct a follow-on review of progress made by the DPI in establishing the standards. This will be a review that will be conducted in Fall 2023, which should give DPI three years of implementation efforts. BFAAC would like to interview DPI management and project managers on the efforts and review the Capital Projects Quarterly Reports for an understanding of the changes being implemented.
- CIP Affordability: BFAAC has long emphasized the need for a long-term, holistic revenue plan. During its February 2022 joint meeting, the BFAAC and School Board's Budget Advisory Committee (BAC) urged Council and School Board to commit to joint responsibility for long term financial planning (reference BFAAC FY22 Memo #6). As a follow up to that memo, and recognizing this is a capital budget review year, BFAAC and BAC will prepare for 2023 Q1 delivery a joint memo analyzing funding options to ensure slated projects for City and schools can be fulfilled and that timelines are realistic. The memo will be addressed to both Council and School Board and will address areas including constraints on bonded indebtedness; cash capital contribution levels; capital project appropriation/cash flow methodology; implementation of Project Management Institute standards; and staff capacity to manage projects. Recommendations of the Joint Task Force and the Long-Range Educational Facilities Plan will frame the analysis.

- **PREVIOUSLY AWARDED & INCOMING FEDERAL REVENUE SOURCES:**

- The City has received the two allocations of the Federal Funds for COVID-19 relief. BFAAC would like to perform a review on the implementation and any lessons learned from that implementation. BFAAC could review the analysis to be performed by the City's consultant regarding the potential incoming federal revenue sources, including the second tranche of ARPA funding and the Infrastructure/Inflation Acts and provide guidance to Council on approach – for example, budget implications if funded programs are to continue after the federal monies are exhausted. BFAAC would like to interview City staff to understand the allocation determination efforts, the actual execution for the programs across the City, and any lessons learned that can be applied to future special Federal or State funding allocations to the City.

Finally, we are adding a new concept to our workplan: the “parking lot” – for ideas that we think are worth pursuing at some point but may not be as high priority as those listed above. If Council would like us to pursue one or more of the Parking Lot concepts this year, we can discuss which of the priority memos above may be deprioritized in exchange.

Memo Concept “Parking Lot” – for future exploration

- Newly-raised concepts:
 - Literature review of other jurisdictions' versions of BFAAC to understand their roles, areas of engagement, membership makeup and expertise, and work product.
 - In furtherance of the discussions from BFAAC's FY2023 – FY2024 meetings, BFAAC could complete a retrospective analysis of capital budget vs actuals and fund balance trends over the past five years.
 - BFAAC could survey other jurisdictions with a longer history of collective bargaining to collect practical, anecdotal (and quantitative, to the extent available) information about strategies & approaches to navigating the collective bargaining process.
 - BFAAC could review proposed compensation philosophy and provide external feedback on its potential efficacy in hiring talent.
 - Deep dives with individual departments, reviewing their experience in the budget process, interviewing key staff & stakeholders, to understand challenges & successes with the goal of better informing Council's budget analysis.
- Previous cycle concepts:
 - Recommendations on Debt Service Practices
 - Recommendations for AEDP Study
 - Note: AEDP was funded for this study in FY23 – BFAAC could review the study after it is completed and provide feedback.
 - Recommendations on affordability housing funding and the financial impacts of the City's targets
 - Review of budget implications of the newly dedicated portion of real estate tax for affordable housing.

BFAAC will be available to support Council throughout the year as matter may arise and we welcome requests from Council on matters where BFAAC guidance can be helpful. Further, BFAAC, will continue to monitor and review the stormwater efforts within the City including the expected Stormwater Fund funding requirements, capital infrastructure needs to address both water quality and water quantity concerns, trends related to funding of positions through Fund resources, etc. As this program effort continues to evolve and new infrastructure investment to address water quantity is publicly debated, the potential fiscal impacts of the program become increasingly relevant.

BFAAC appreciates Council's support of its work and will strive to provide the best recommendations possible on the budget and fiscal affairs of the City of Alexandria.

APPENDIX A: FY22-23 BFAAC WORKPLAN COMPLETION STATUS UPDATE

Completed:

- BFAAC FY 2022-2023 Workplan (October 2022)
- Recommendations For FY2024 Budget Guidance (October 2021)
- Overall Tax and Fee Assessment (January 2022)
- Recommendations on the DASH Fare-Free Policy & Budget Implications (January 2022)
- Recommendations and Observations Related to the City Manager's Proposed FY 2023 Budget (March 2022)
- City/Schools Update (February 2022)
- RPCA Fee Revenue Analysis (March 2022)
- State Funding Assessment (March 2022)

Included in this year's workplan:

- Recommendations on Capital Budget Retrospective Analysis
- Recommendations on Employee Compensation Trends
- Recommendations on fiscal policies and practices related to affordability

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