

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 9, 2013

TO: MEMBERS OF THE BUDGET AND FISCAL AFFAIRS ADVISORY
COMMITTEE (BFAAC)

FROM: NELSIE SMITH, DIRECTOR, MANAGEMENT & BUDGET 

SUBJECT: STAFF RESPONSE TO BFAAC'S REPORT ON THE CITY MANAGER'S
PROPOSED FY 2014 BUDGET

Attached to this memorandum, you will find City staff's response to your report on the City Manager's Proposed FY 2014 Budget. The attached matrix identifies each of the actionable recommendations and observations from your report, how City staff is addressing it, and its status. Additionally, the last page lists several items from the April 15, 2013 work session that City Council asked BFAAC to provide analysis on or include in the next report.

Please feel free to review the document in detail. We will have a discussion on this response at your October 15 meeting. Additionally, this matrix will be the framework for your October 22 work session discussion with City Council.

If you have any questions, please feel free to contact myself or Alex Braden of my staff.

Attachment: Staff Response to Budget and Fiscal Affairs Advisory Committee's Observations and Findings on the City Manager's Proposed FY 2014 Budget

CC: Honorable Mayor Euille and Members of City Council
Rashad Young, City Manager
Laura Triggs, Chief Financial Officer
Alex Braden, Management & Budget Analyst



City of Alexandria, Virginia

Staff Response to Budget and Fiscal Affairs Advisory Committee's Observations and Findings on the City Manager's Proposed FY 2014 Budget

#	BFAAC Recommendation	Staff Response	Status
1	Council should be cautious about increasing the residential tax and fee burden in FY 2014 and beyond.	Staff will update the City's fee inventory to include policies for rate setting and a process for regularly reviewing rates and continue to evaluate and report on the combined impact of taxes and fees on taxpayers.	In Progress
2	BFAAC continues to work with staff on metrics that provide a more comprehensive measure of the tax and fee burden on residents and strongly encourages City staff to develop comparable metrics for businesses.	Staff will continue to provide data and analysis on the residential tax and fee burden and work with BFAAC to select commercial tax burden measures.	In Progress
3	BFAAC cautions Council to continue monitoring the declining percentage of commercial (excluding commercial multi-family) assessments relative to residential and multi-family assessments. If the goal is to obtain a 50/50 balance, Council should work with AEDP, Planning and Zoning, and other stakeholders to develop a tactical plan to grow the commercial base under the City's land use plans.	Staff will continue to monitor and report the percentage of revenue generated from residential and commercial property and develop work plans for implementing the Council's strategic goals for economic development.	In Progress
4	BFAAC encourages Council to provide AEDP/AVCA with the resources to proactively attract businesses to the City and the appropriate authority to utilize economic development incentives.	Through the proposed budget development process, staff will consider proposals for improving business attraction for their ability to affect the City's intermediate and long term outcomes for an improved tax base and their priority relative to other economic development initiatives and other services in general.	In Progress

#	BFAAC Recommendation	Staff Response	Status
5	BFAAC recognizes that, while it is impossible for Council to accurately predict federal and state funding levels, it is prudent to anticipate a reduction in FY 2014 and beyond.	Staff will continue to monitor the current and potential impact of federal sequestration, federal budget discussions, and debt ceiling decisions on City revenues. OMB asks departments quarterly for any new impacts federal sequestration has had on their operations and provides a report to the City Manager's office. The results of this continuous monitoring will be used to inform FY 2014 year-end revenue projections and FY 2015 revenue estimates.	In Progress
6	BFAAC discourages Council from using Fund Balance to make up for the shortfall in federal and state revenue.	Staff does not recommend using City fund balance to supplant lost state and/or federal revenue, however staff does recommend retaining fund balance as a contingency for local revenue reductions resulting from potential economic downturns, including those caused by state and/or federal budget cutbacks.	Complete
7	BFAAC recommends Council not raise the current debt policy targets and limits.	Staff has met with rating agencies over the summer to re-affirm our credit ratings and has advised rating agencies that we do not intend on raising debt ratios as currently set except to accommodate debt associated with the construction of the Potomac Yard Metro Station.	Complete
8	BFAAC encourages Council to begin to assess the potential cost of federal and state mandated sanitary sewer and storm water projects and the impact on the City's debt policy guidelines.	OMB will continue to monitor all CIP projects' impact to the City Debt Policy. T&ES staff hired in FY14 will begin to assess the sewer needs in the City more closely to be able to provide more detailed cost estimates.	In Progress

#	BFAAC Recommendation	Staff Response	Status
9	BFAAC continues to oppose the use of set-aside funds, particularly those in the form of general fund dedications, which limit Council's flexibility to set priorities.	OMB will provide information to Council at the start of the budget process about existing set-asides and their impacts on the budget, especially within the context of program prioritization as part of the FY2015 budget. Set asides for open space were eliminated as part of the FY 2014 budget process.	In Progress
10	BFAAC continues to recommend Council adopt a sunset provision to force a review of each set-aside on an annual basis.	OMB will review all existing set-asides and provide information to Council on options to remove them and the impacts of doing so.	In Progress
11	BFAAC supports the proposal to leverage the TIP and other existing transportation funds to meet the local share required for the new state transportation fund.	Staff has identified City funding in the amount required to fully leverage the funds available from the Northern Virginia Transit Authority (NVTa) from existing sources and tax rates, including the TIP. Staff will be reviewing all transportation funding sources and projects to determine the most effective use of the new NVTa funding. Staff will be discussing this during Fall City Council work sessions.	In Progress
12	BFAAC recommends Council establish criteria for determining priorities aligned with the Strategic Plan, which the City Manager can use in making decisions on reducing or increasing spending. This way, budget decision-making is transparent to the public, much like it is in the CIP.	OMB and OPA are leading a framework called <i>Results Alexandria</i> which is designed to identify, prioritize, and align services with strategic plan outcomes to aid in budget decisions. More information about this process and plan will be provided to BFAAC in the fall. OMB is also currently developing a redesigned budget book to aid in communicating budget information more clearly.	In Progress
13	BFAAC recommends Council closely review the rationale for the apparent disproportionate impact of service reductions, especially since FY 2009 on vulnerable populations in the City.	OMB is conducting a prior year analysis called <i>DeepDive</i> which is looking at historical trend analysis as well as all budget adjustments (current service, supplemental and reductions) that have occurred in departments to aid in budget discussions during FY2015 development.	In Progress

#	BFAAC Recommendation	Staff Response	Status
14	BFAAC commends the City's continued efforts to create a more robust merit-pay/pay for performance salary structure but again reminds Council of the need for transparency and careful implementation of these proposals.	As part of the FY2014 budget, Deputy City Managers and department heads were moved to executive pay bands to align performance with pay. This process will be analyzed and expanded to appropriate City staff in all levels of the organization as part of <i>ResultsAlexandria</i> in the future. Career ladders encourage and reward employees for the development of additional competencies and the capacity to perform more complex work. They are a form of pay for performance. The City's career ladder program is being significantly modified and expanded. Elevation in a career ladder is a function of performance and is measured at the department level and not through a classification audit of assigned work conducted by the Human Resources Department. In addition, pay policies have been amended to reward employees who achieve higher grade levels. New policy aligns the amount of pay with the number of grades increased. All compensation changes have been transparent and carefully vetted. Total Compensation staff has worked in close collaboration with a number of formal and representative employee compensation work groups to develop the recommended changes.	In Progress

#	BFAAC Recommendation	Staff Response	Status
15	BFAAC recommends Council ask the City Manager to review alternatives to plan design to assure that Alexandria's plans are competitive with those in neighboring jurisdictions and are equitable, especially for lower-paid employees.	This year the City established an Employee Benefit Advisory Group (EBAG) to represent employees with respect to employee benefits and wellness. The group is modeled on the Public Safety Work Groups established in 2011. The PSWGs have collaborated with HRD on complex pay issues resulting in positive change. In addition, the City has retained the services of Aon Hewitt, an employee benefits consulting firm, to assist in evaluating and recommending improvements to the City's current benefits program. Both AON and the EBAG will assist in identifying benefit changes, their impact on the health of employees, and their budget impact. We are also exploring collaborative efforts with ACPS to improve our benefit offerings. AON and HRD are developing a work program to identify possible improvements for presentation to the EBAG and ultimately Senior Management. Modifications to the current plan options and designs must improve the City's benefit program in terms of the following: 1. Cost containment 2. Flexibility and choice 3. Incentives/disincentives in plan/program options to foster employee health 4. Cost share structure Additionally, AON will be assisting the City with its Affordable Care Act compliance requirements. These activities will culminate in a Proposed FY 2015 Employee Benefits Budget recommendation to be presented to the City Manager.	In Progress

#	BFAAC Recommendation	Staff Response	Status
16	BFAAC recommends that alternatives to deductibles and high hospitalization co-payments be explored should additional cost shifting in health plans be imposed.	See Response #15.	In Progress
17	BFAAC recommends Council examine whether pension cost increases in FY 2014 are beyond what was expected and/or signal longer term funding concerns that warrant an immediate increase in employee pension contributions.	The Pension Administration division within the Finance Department has been conducting a study and analysis on possible changes to the City's pension plans and a report is forthcoming.	In Progress
18	BFAAC encourages the City/Labor Groups to identify an acceptable funding alternative should Council determine increased pension costs require immediate action.	The Pension Administration division within the Finance Department has been conducting a study and analysis on possible changes to the City's pension plans and a report is forthcoming.	In Progress
19	BFAAC encourages the City/Labor Groups to develop an adjustment mechanism to ensure future changes to the Plan are based on an agreed upon objective criteria.	The Pension Administration division within the Finance Department has been conducting a study and analysis on possible changes to the City's pension plans and a report is forthcoming.	In Progress
20	BFAAC recommends a review of disability benefits to determine if an opportunity exists to minimize immediate and long term pension cost concerns.	The Pension Administration division within the Finance Department has been conducting a study and analysis on possible changes to the City's pension plans and a report is forthcoming.	In Progress
21	BFAAC recommends that the City, in consultation with the SRP Board, act on minimizing disparities in contribution rates and benefits covered under SRP.	The Pension Administration division within the Finance Department has been conducting a study and analysis on possible changes to the City's pension plans and a report is forthcoming.	In Progress
22	BFAAC urges the City to continue to address its unfunded OPEB commitment with, at a minimum, the current 4 – 5% per year funding level through the general fund.	OPEB was funded as part of departmental budgets in FY2014 and we will continue to recommend funding of OPEB going forward.	In Progress

#	BFAAC Recommendation	Staff Response	Status
23	BFAAC recommends that prior to further action, including the FY 2016 issuance of the General Obligation Bonds, a "market feasibility study" be conducted to update the 2010 financial projections and to determine the expected pace of development to make sure there is no lag.	Staff is beginning work on updated financial projections associated with Potomac Yard development and will use these projections as part of the FY 2015 CIP development process.	Not Started
24	The City should, in consultation with ACPS, be mindful of the likely impact on student population of any land-use planning proposal considered in the next several years. BFAAC recommends greater coordination between ACPS and City CIP budget processes.	The City (specifically OMB and Planning & Zoning) continues to work with ACPS closely on identifying and agreeing upon capital projects. Additionally, OMB staff and ACPS are holding regular meetings to exchange budget development timelines and progress. A joint City/ACPS workgroup has been meeting to work on issues related to future enrollment projections and the potential impact those projections will have on future capital projects.	In Progress
25	In addition, BFAAC continues to encourage similar coordination across all departments that impact budget and planning.	OMB and OPA are developing a framework called <i>Results Alexandria</i> which is designed to identify, prioritize, and align services with strategic plan outcomes to aid in budget decisions. More information about this process and plan will be provided to BFAAC in the fall.	In Progress
26	BFAAC recommends all CIP projects be listed in priority rank and a transparent justification be provided for the ranking. Issues that remain to be addressed include: ranking all CIP projects by running them through the new evaluation tool by FY 2015, incorporating IT projects into the CIP, having components use the same evaluation criteria, trying to more closely align projects with strategic plan and outcomes, and quantifying additional operating impact.	OMB will rank ALL CIP projects requesting funding for FY 2015-2024 including information technology projects. All projects will be tied to the City Strategic Plan and outcomes. A point of emphasis in the CIP budget development process this year is having departments provide better information on the additional operating impact of capital projects.	In Progress

#	BFAAC Recommendation	Staff Response	Status
27	Council should consider requesting, for future budgets, that each department or agency provide standard cost benefit analysis information.	See Response #25.	In Progress
28	It is difficult to track projects from year to year, as some are eliminated and others are merged. Projects of vastly different magnitudes (e.g. the Potomac Yard Metrorail Station and construction of a bicycle path) are treated the same way, with almost the same level of detail. It would also be very helpful to break down various cost elements of a project.	OMB provides information on each individual project page regarding changes from year to year, but will also incorporate summary tables in this year's CIP. Improved project descriptions were a point of emphasis in this year's CIP budget development process. Various cost elements of projects may be incorporated into future CIP budgets.	In Progress
29	Provide an analysis on the impact of the City's BPOL tax rates on commercial development and attractiveness	The City Manager has appointed a Business Tax Reform Task Force comprised of community members and supported by staff to evaluate business taxes in the City and their impact to the City's competitiveness. Their work is currently underway.	In Progress

City Council Requests of BFAAC from the April 15, 2013 Work Session

#	City Council Request
1	BFAAC should analyze the City's debt policies and ratios as compared to neighboring jurisdictions and identify the last time they were adjusted.
2	BFAAC should advise Council on the desired percentage mix of Cash Capital versus borrowing and the types of projects recommended for each funding type.
3	BFAAC should analyze the City's BPOL taxes and other commercial tax data and identify ways that Alexandria can remain competitive. (BFAAC has two members on the Business Tax Reform Task Force)
4	BFAAC should generate a tax rate table similar to Table 1 from their FY 2014 report that exists for residential tax burden for commercial tax payers within the City as well.