AGENDA

CITY COUNCIL OF ALEXANDRIA, VIRGINIA

CITY COUNCIL RETREAT
SATURDAY, NOVEMBER 4, 2017 - 9:30 A.M.

ALEXANDRIA RENEW ENTERPRISES
1800 LIMERICK ST, ALEXANDRIA, VA 22314

AGENDA

1. **9:30 Welcome and Opening Remarks**
2. **9:40 State of the National & Regional Economy**
3. **10:00 FY 2019 Revenue & Expenditure Forecast**
4. **10:20 Priority Based Budgeting System Initiative**
5. **10:40 Alexandria City Public Schools (ACPS) FY 2019 Budget Overview**
6. **11:40 Working Lunch**
7. **12:00 Ad Hoc Joint City-Schools Facilities Investment Task Force Presentation of Recommendations**
8. **1:00 Budget & Fiscal Affairs Advisory Committee (BFAAC)**
9. **1:30 Budget Guidance Discussion**
10. **2:30 Adjournment**

NOTICE:

Individuals with disabilities who require assistance or special arrangements to participate in the City Council Work Session may call the City Clerk and Clerk of Council's Office at 703 746-4550 (TTY/TDD 703 838-5056.) We request that you provide a 48-hour notice so that the proper arrangements may be made.

Alexandria City Council Retreat

November 4, 2017

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9:40	State of the National and Regional Economy
10:00	FY 2019 Revenue/Expenditure Forecast
10:20	Priority Based Budgeting System Initiative
10:40	ACPS FY 2019 Budget Overview

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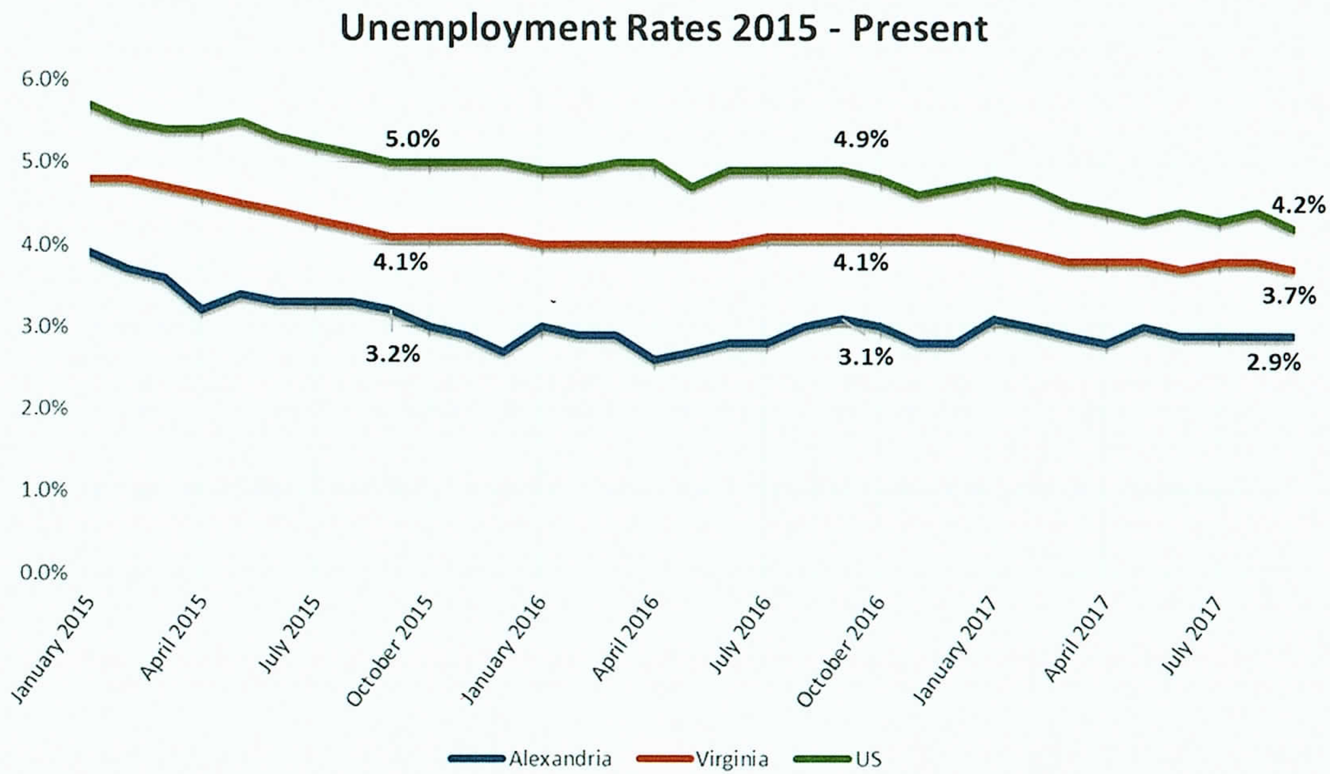
1:00	BFAAC
1:30	Budget Guidance Discussion
2:30	Adjournment

State of the Economy



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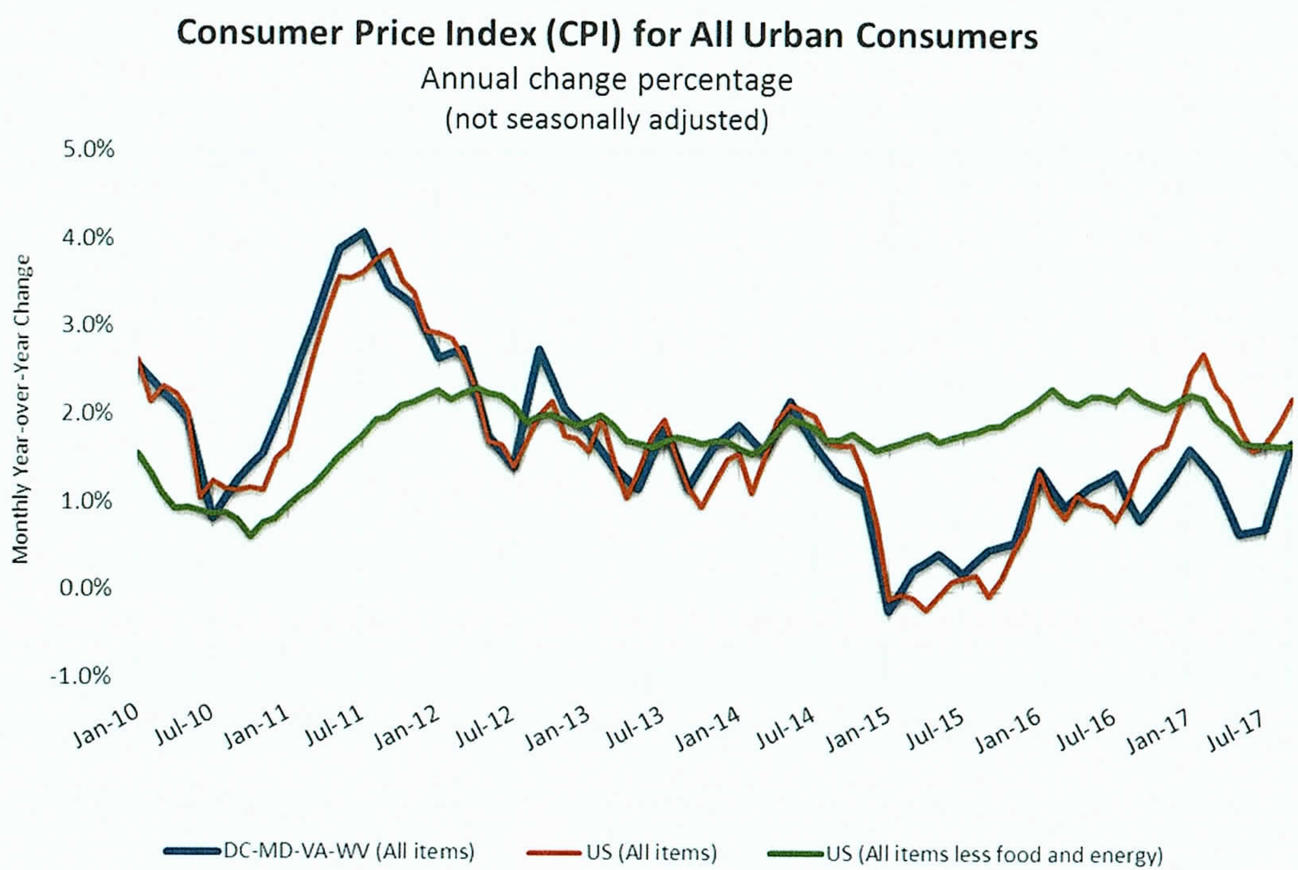

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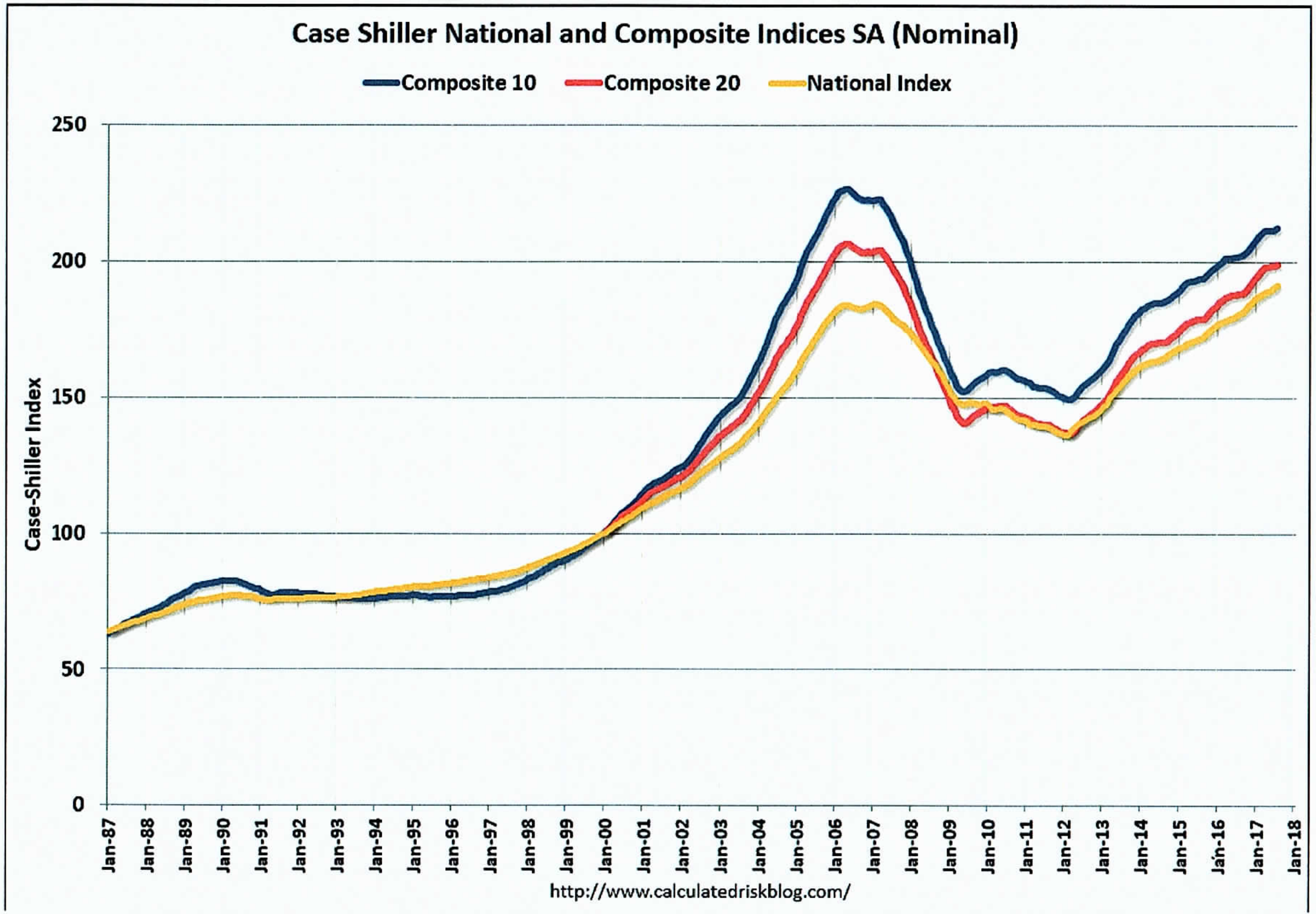

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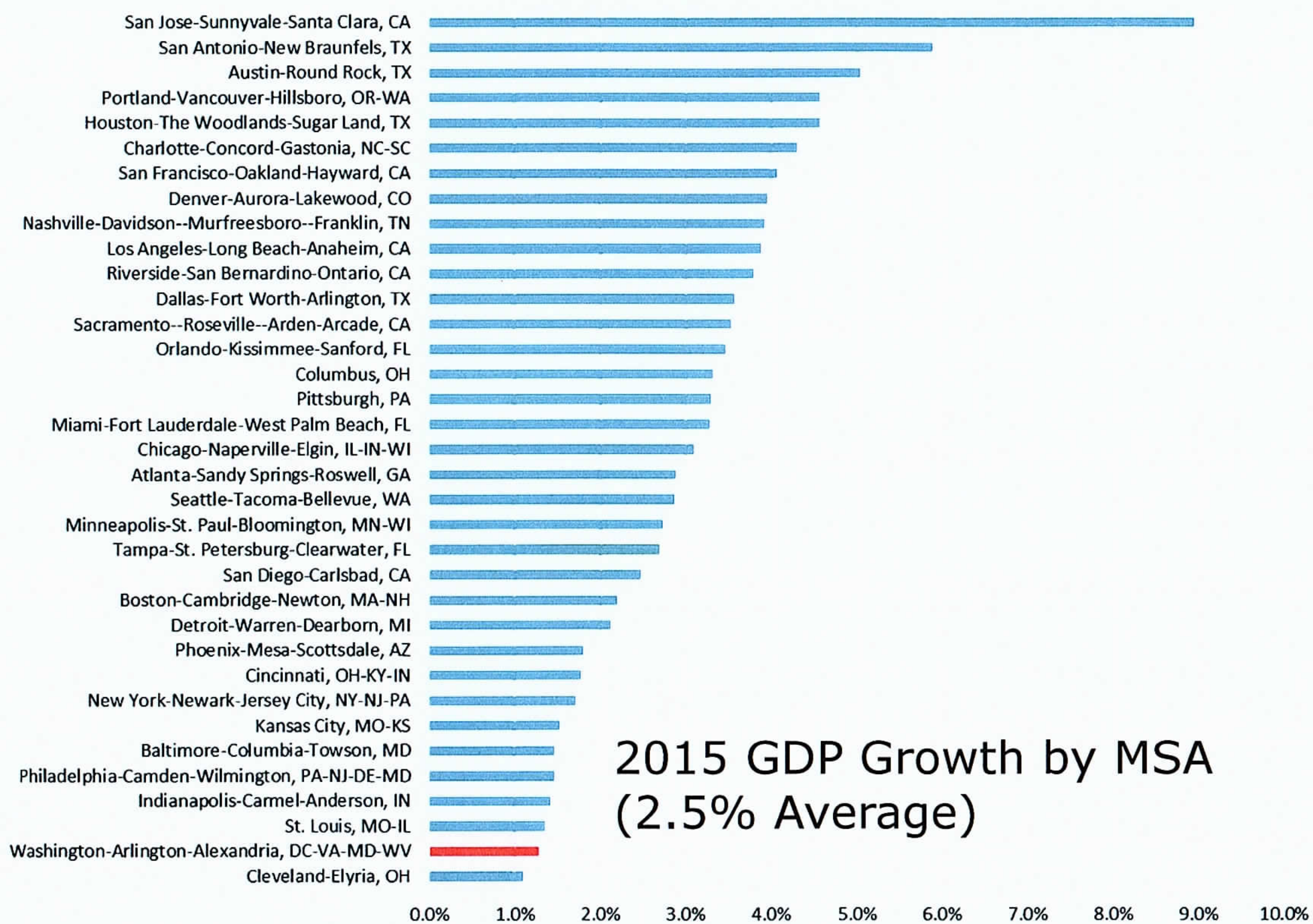

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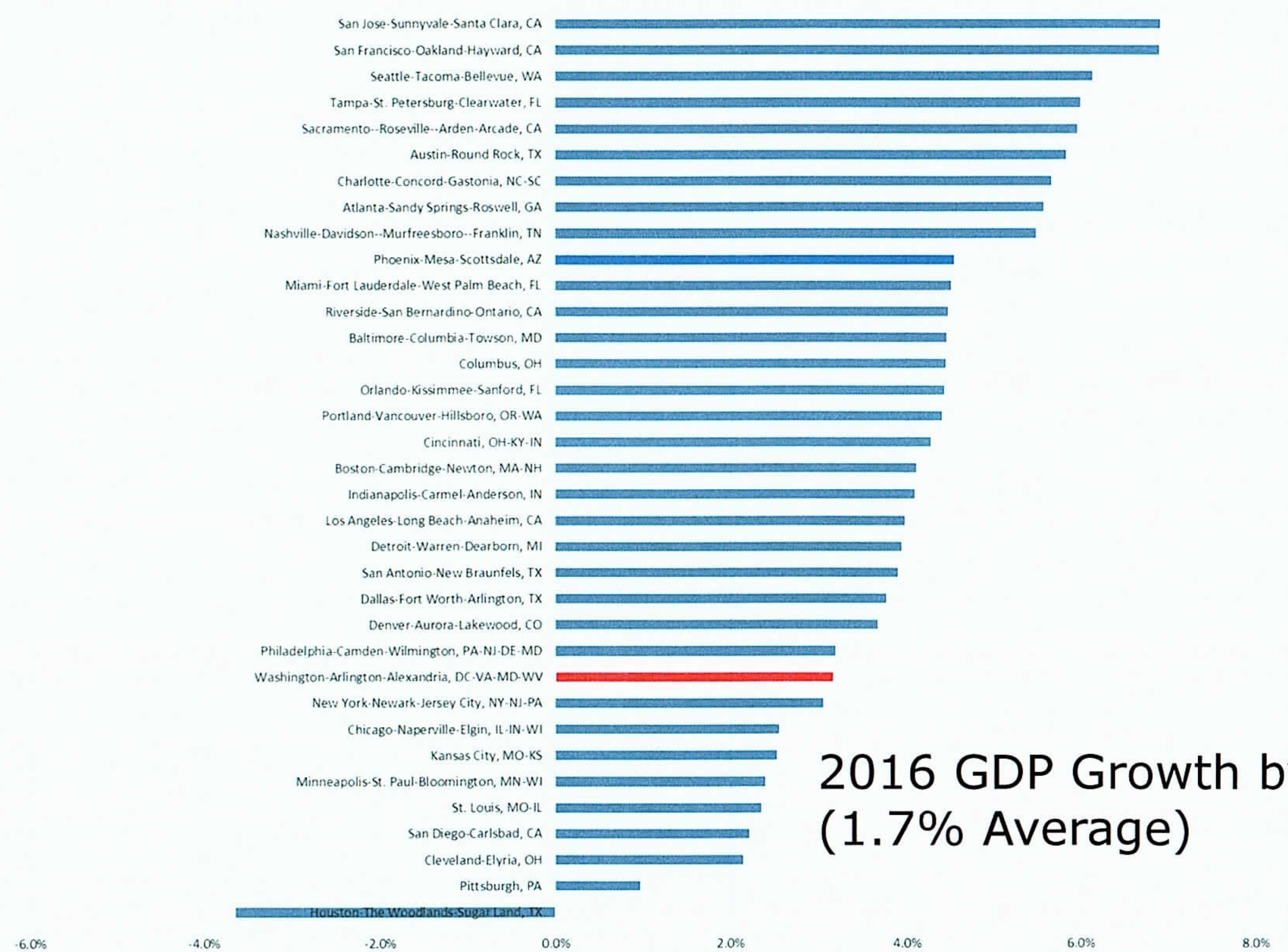
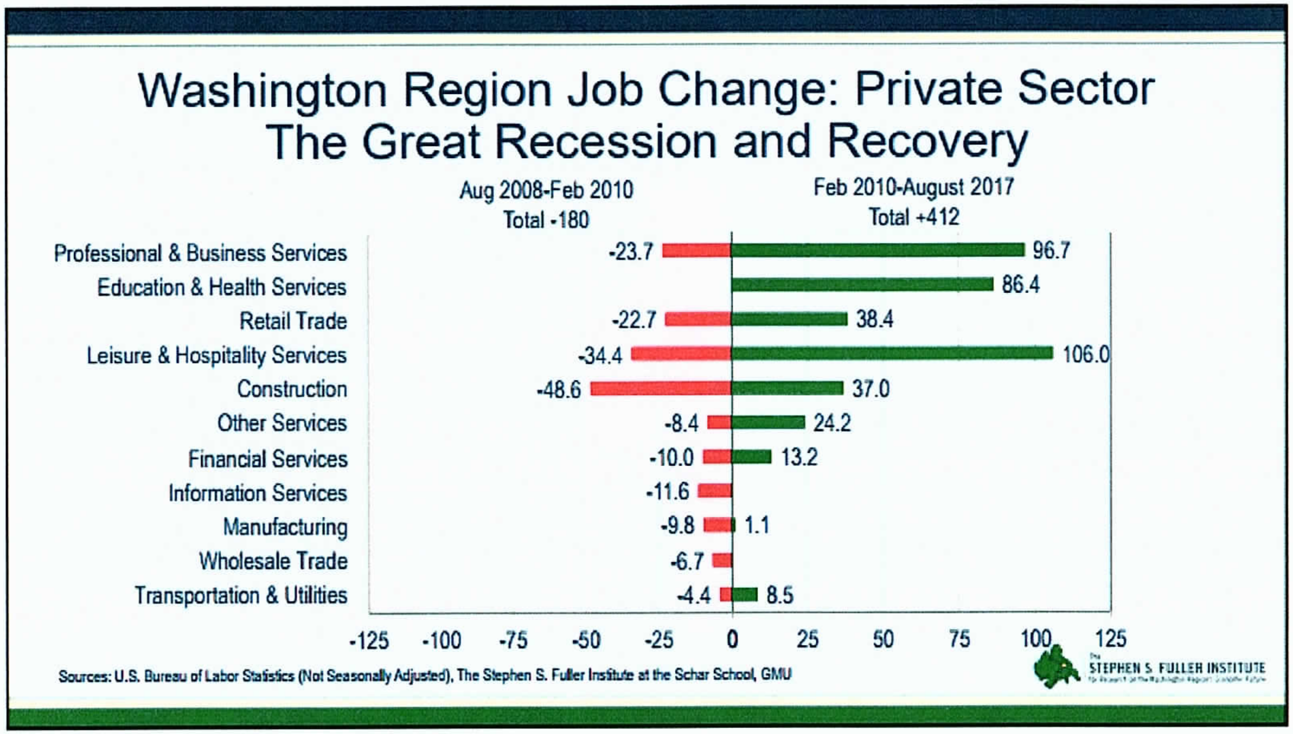


2016 GDP Growth by MSA
(1.7% Average)

State of the Economy



State of the Economy

Federal Budget and Tax Policy Uncertainty

- Impact on the Regional Economy
- Impact on the National/Global Economy
- Mortgage Interest Deduction
- State & Local Tax Deductions
    - Property Taxes
    - Sales & Income Taxes

FY 2019 Preliminary Revenue Estimates

General Fund Revenue	FY 2018 Approved	FY 2019 Estimate	$ Change	% Change
Taxes	$ 617.7	$ 628.3	$ 10.6	1.7%
Federal	$ 9.1	$ 9.1	$ -	0.0%
State	$ 47.4	$ 47.4	$ -	0.0%
Non-Tax	$ 50.3	$ 52.5	$ 2.2	4.4%
Carryover*	$ 3.6	$ -	$ (3.6)	-100.0%
Total	**$ 728.1**	**$ 737.3**	**$ 9.2**	**1.3%**

*$3.6 million from May 2017 real estate tax rate increase was allocated for affordable housing and carried over in FY 2018.

FY 2019 Preliminary Expenditure Estimates

General Fund Expenditures	FY 2018 Approved	FY 2019 Estimate	$ Change	% Change
City Government	$ 377.3	$ 382.2	$ 4.9	1.3%
Transit Services	$ 27.2	$ 32.0	$ 4.8	17.6%
ACPS Transfer	$ 214.1	$ 237.6	$ 23.5	11.0%
CIP Funding				
Cash Capital	$ 37.9	$ 38.2	$ 0.3	0.8%
City Debt Service	$ 43.2	$ 46.6	$ 3.4	7.9%
Schools Debt Service	$ 28.5	$ 32.5	$ 4.0	14.0%
CIP Subtotal	$ 109.6	$ 117.3	$ 7.7	7.0%
Total Expenditures	**$ 728.1**	**$ 769.1**	**$ 40.9**	**5.6%**

City Government Budget Drivers

+Employee Merit Steps
+Health Insurance
+VRS/OPEB/Line of Duty
+Inflation (Operating & Capital)
+Metro
+Debt Service Impact of Capital Investments
+Program Initiatives
- Service/Program Reductions
- Efficiencies
+ACPS
=$31.8 Million Starting Budget Gap

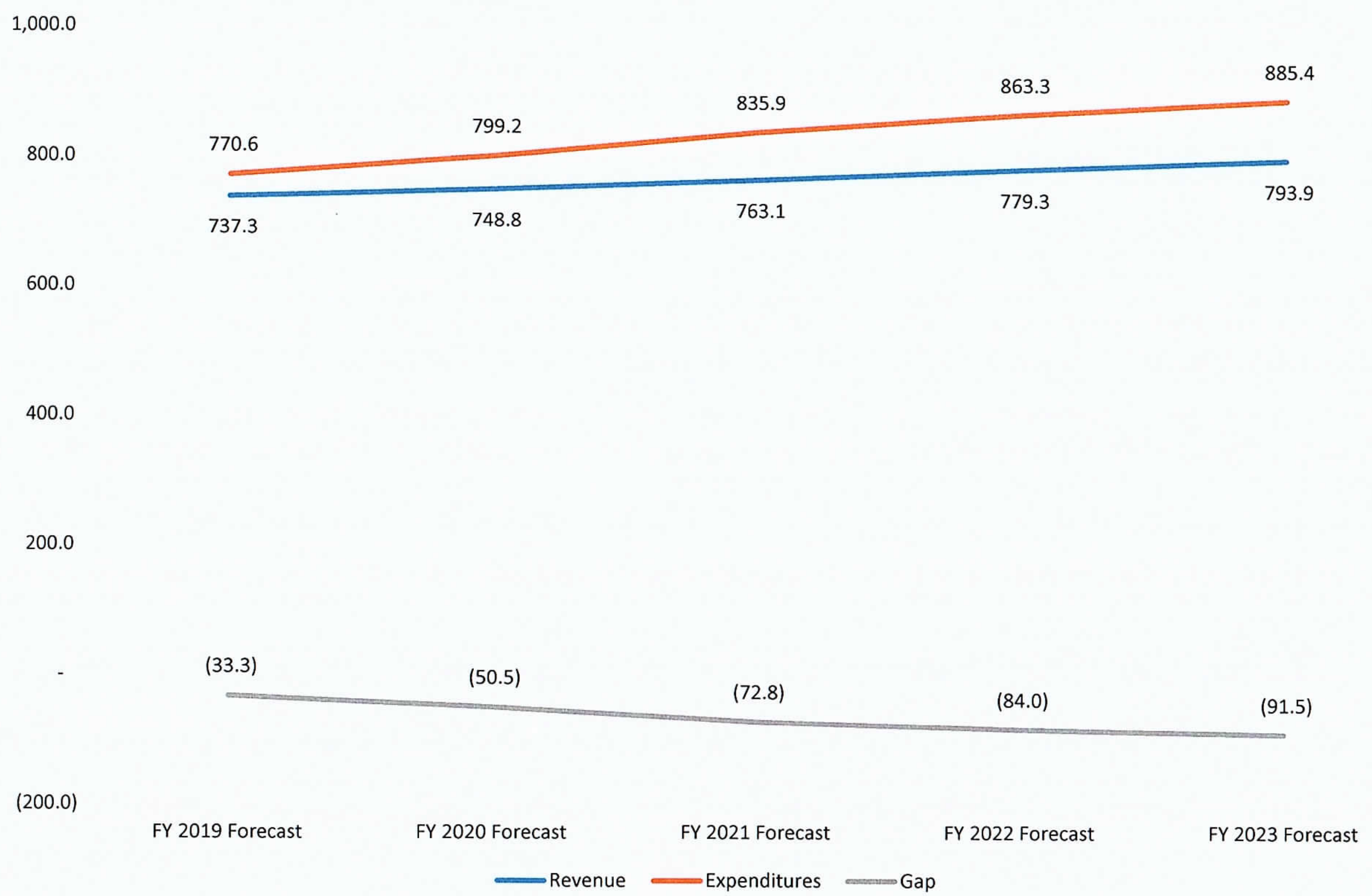
Metro

- FY 2018 City Operating Share = $40.3 M, Which Was an Increase of $7.3 M or 22.1%
- FY 2018 City Capital Share = $23 M, Which Was an Increase of $14.5 M or 171%
- FY 2019 WMATA General Manager Proposing:
  - Operating Increase of $1.8 M or 4.5%
  - Capital Increase of $6 M or 26%
  - Does Not Include $1.6 M in Debt Service on Bonds Issued by WMATA in FY 2018
- State-level Discussions Ongoing on Dedicated Funding Source or Cash Appropriation

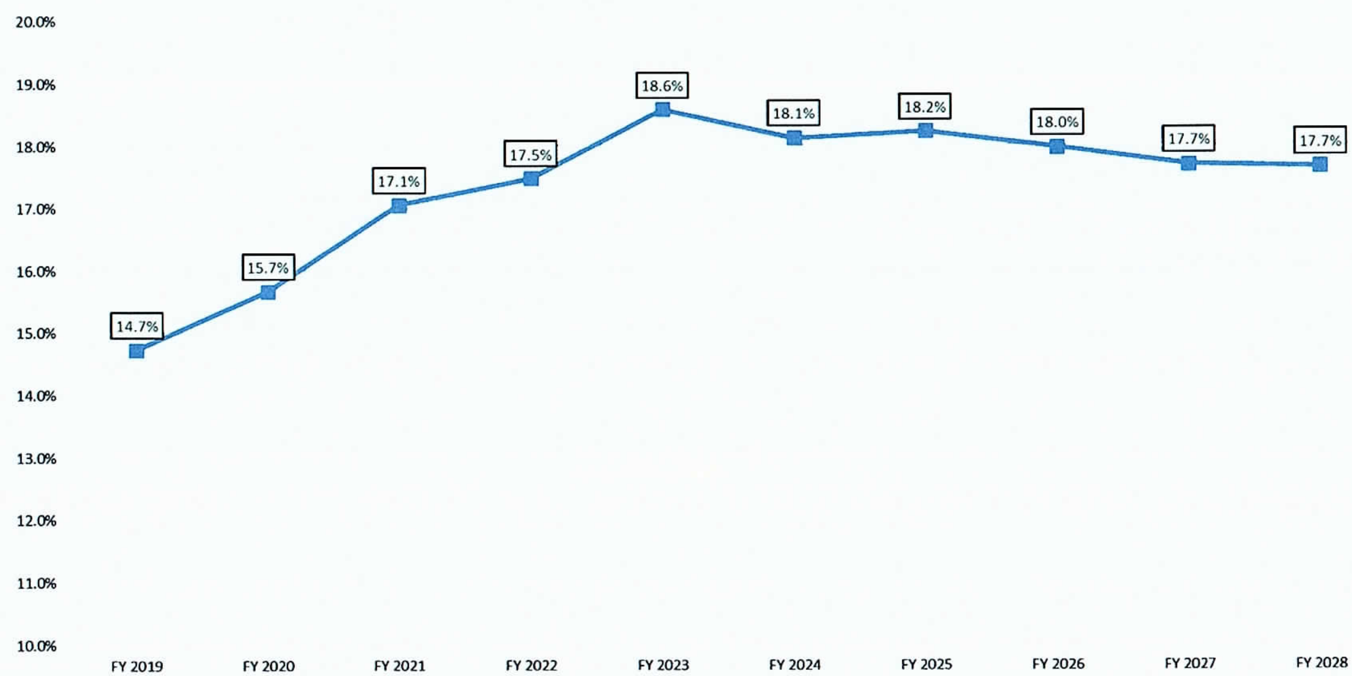
FY 2019 Preliminary Budget Gap

General Fund Preliminary Gap	FY 2018 Approved	FY 2019 Estimate	$ Change	% Change
City	$ 377.3	$ 382.2	$ 4.9	1.3%
Transit	$ 27.2	$ 32.0	$ 4.8	17.6%
ACPS	$ 214.1	$ 237.6	$ 23.5	11.0%
Capital	$ 109.6	$ 117.3	$ 7.7	7.0%
Total	**$ 728.1**	**$ 769.1**	**$ 41.0**	**5.6%**
Revenue	$ 728.1	$ 737.3	$ 9.2	1.3%
Funding Gap	**$ -**	**$ (31.8)**		

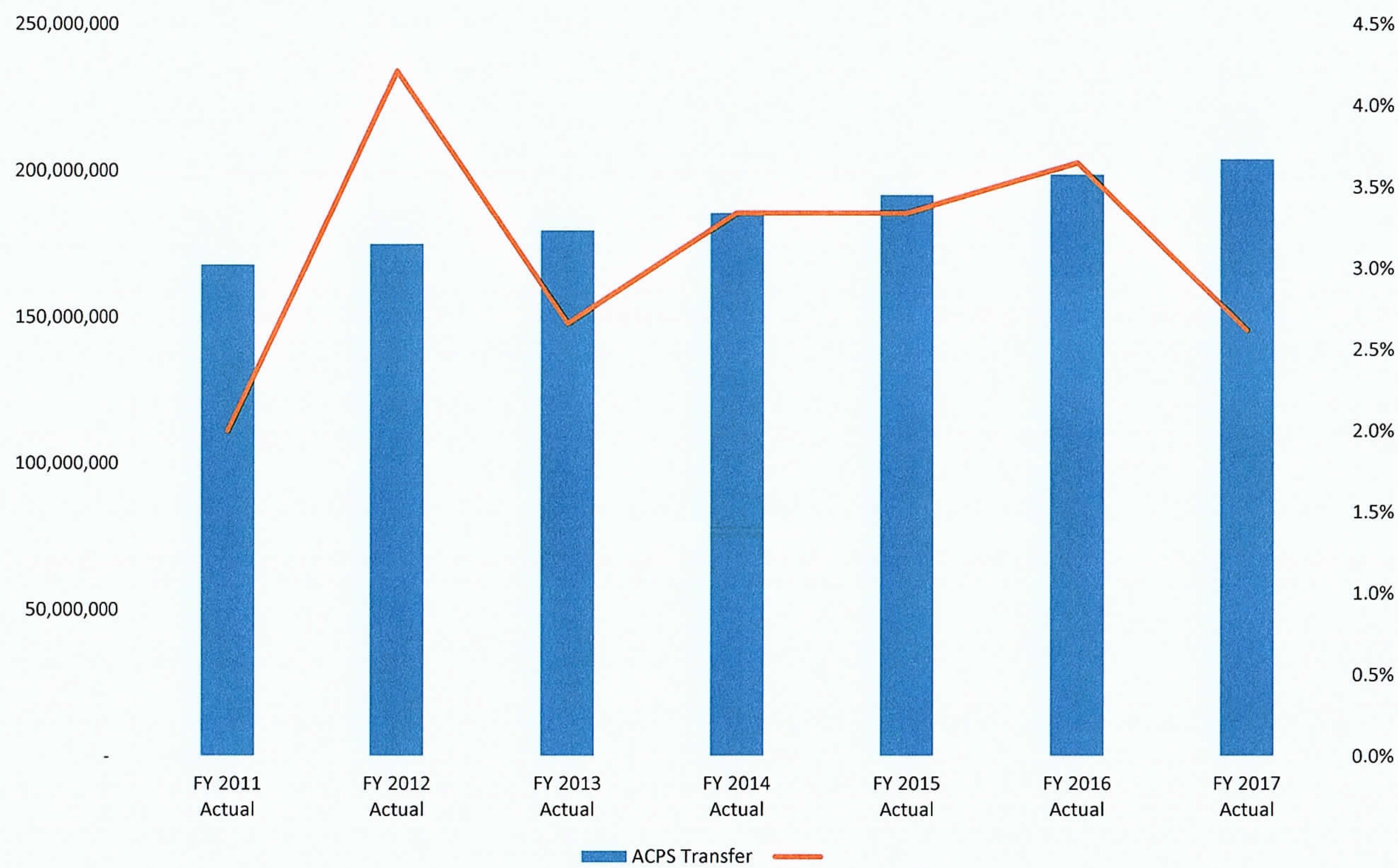
Five Year Financial Planning Model



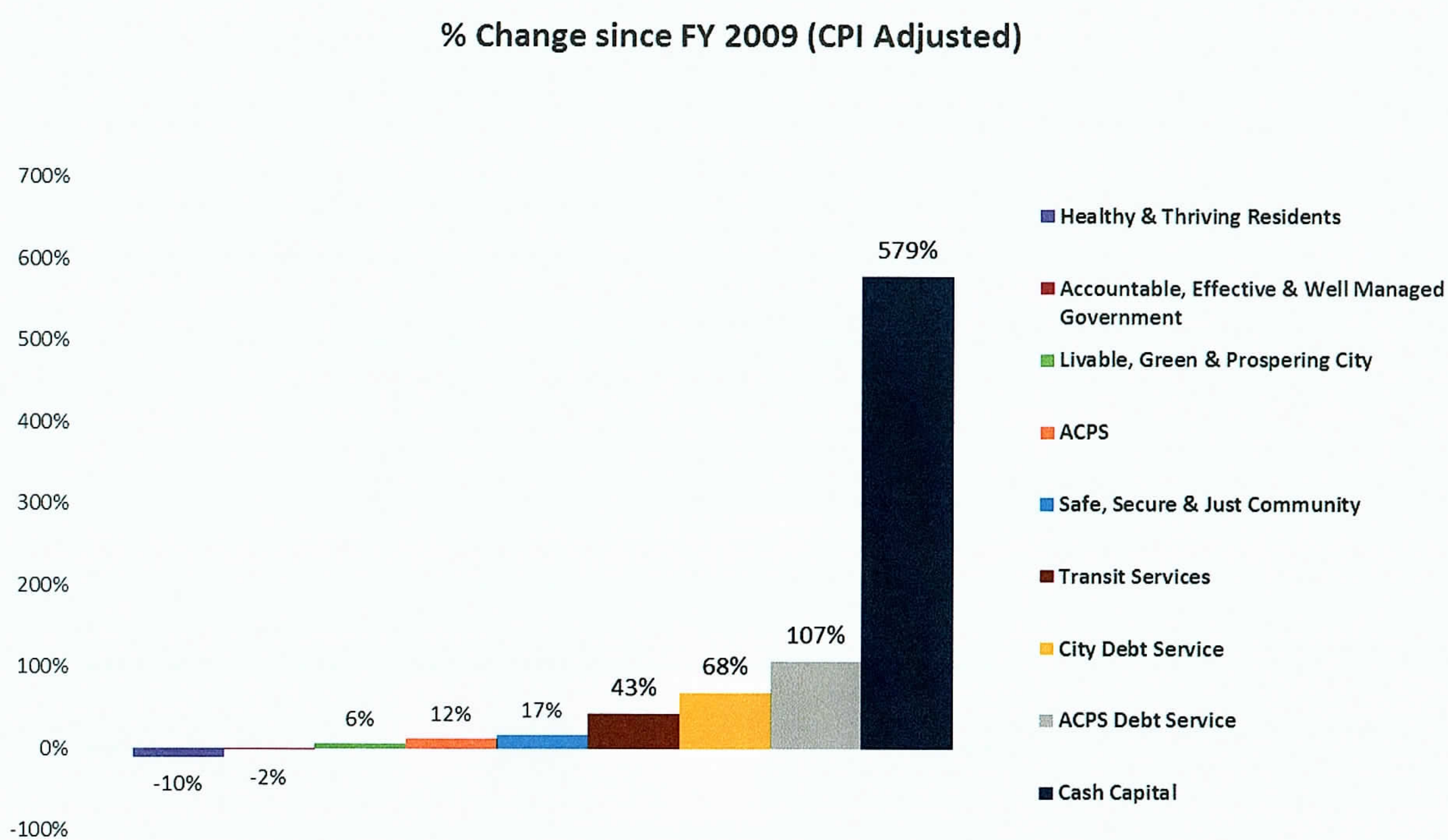
Planned General Fund Support of Capital Program



Recent ACPS Operating Transfer History



Ten Year Budget History



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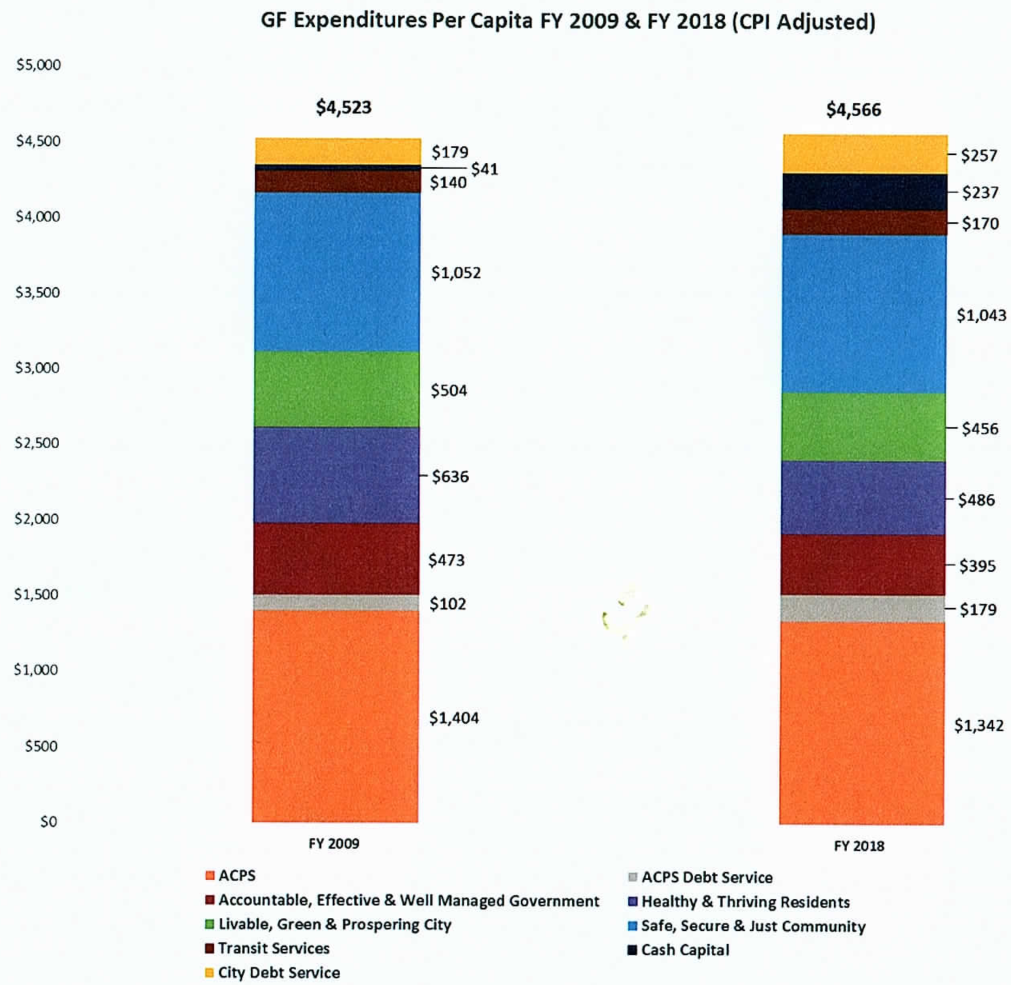

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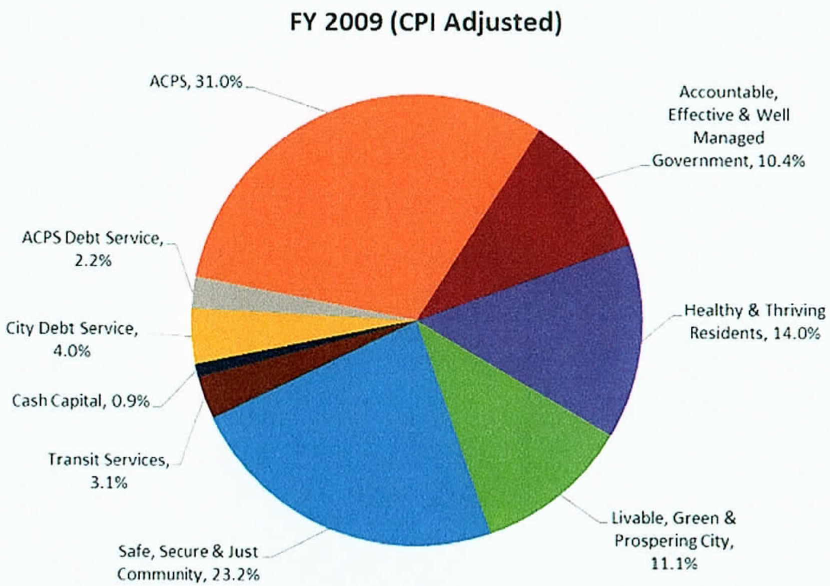
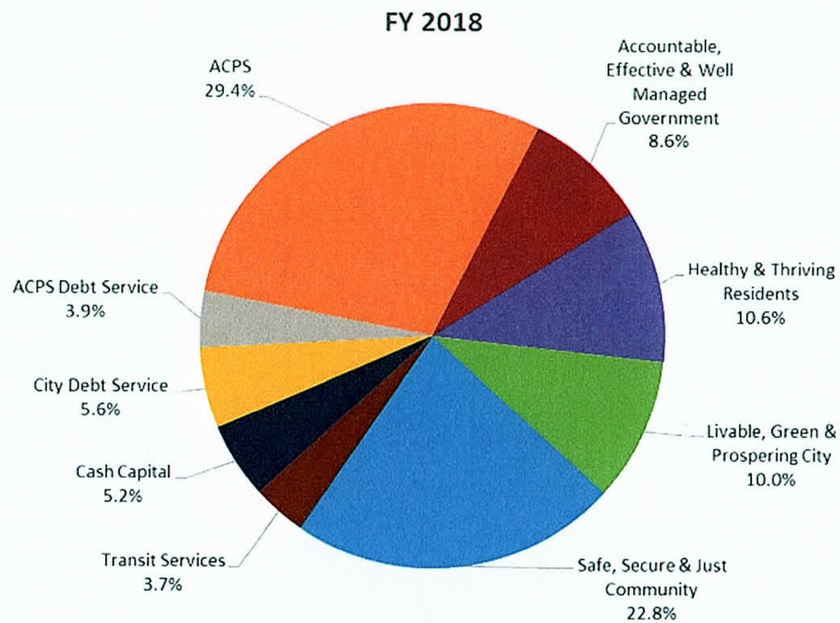


City = -4.5%
ACPS = +0.1%
Cash Capital = +4.3%



Multi-Year Strategy

- Without Significant Revenue Growth, Future Reductions Will Be Necessary

- Priority Based Budgeting of City Services Beginning in FY 2019 and Continuing into FY 2020 and Beyond

- Ten Year CIP Biennial Update in FY 2020

Priority Based Budgeting System

1. Prioritize Services

2. Do Important Things Well

3. Question Past Patterns of Spending

4. Clear Understanding of Service Impact

Priority Based Budgeting System

1. Determine Intended Results

2. Identify Services

3. Score Services Based on Uniform Criteria

4. Organize into Quartiles

5. Use to Determine Areas of Increased or Reduced Investment

Priority Based Budgeting System in RPCA

- Began Discussions in Fall 2016 During FY 2018 Budget Process
- Formal Kick-off in March 2017
- Formed Department-Wide Committee
- Recently Completed Service Inventory
- Recently Completed Community Priority Ranking Process
- Using to Produce FY 2019 Reduction Options

Ad Hoc Joint City/Schools Facilities Investment Task Force

- Prioritizing City & Schools Facilities Capital Projects

- Recommendations (Deliverable 1) Will Inform the FY 2019 – FY 2028 CIP

Citywide Operating Budget

- Began Discussions July 2017 After RPCA and Joint Facilities Task Force
- For Organization-Wide Budget Decision Making, Use Uniform Criteria to Develop and Evaluate Reduction Options and Limited Supplemental Requests for the FY 2019 Budget
- Begin Developing Service Inventory for the FY 2019 Budget
- Prioritize Services Post-Budget Adoption
- Use Prioritization to Develop FY 2020 Options Within Departments

Prioritization Criteria

- Mandate
- Availability of Service from Other Entities
- Volume of Service
- Changes in Demand
- Cost Recovery
- Strategic Alignment

CIP Two Year Development Cycle

- CIP has moved to a two-year development cycle
  - FY 2019 is Year 2 in the development cycle
- During Year 2, changes are largely limited to:
  - Changes to Non-City Funding (ex. Updated State or Federal Grants)
  - Significant Changes to Project Costs or Scope
  - Recommendations from Ad-Hoc Joint City/School Facilities Investment Task Force
  - IT Investments
- FY 2020 will be the next full-development cycle

CIP FY 2020-2029 Development Cycle

- FY 2020 will be the next full-development cycle
- All projects will be up for re-examination
  - Timing
  - Feasibility
  - Cost Estimates
  - Etc.
- FY 2020 CIP may also need to reflect changes to improve sustainability of General Fund support of capital program

Alexandria City Public Schools (ACPS)

- FY 2019 Budget Overview

Ad Hoc Joint City/Schools Facility Investment Task Force Presentation

Budget & Fiscal Affairs Advisory Committee (BFAAC) Presentation

FY 2019 Council Budget Guidance

- Early Draft Resolution Included in Packet
- Based Largely on FY 2019 Resolution
- Docketed for Council Adoption on November 14th