City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 21, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 4 : ECONOMIC DEVELOPMENT RELATED SPENDING

This memorandum responds to Councilman Krupicka's request for information on all economic development-related spending efforts, including their anticipated return to the local economy, and a ranking of staff's prioritization of these efforts.

The City has, for many years, supported economic development-related activities both directly and indirectly. Please refer to the "Community Development" section of the budget, page 8-113, titled "Economic Development Activities," for a more detailed explanation of direct support requested for FY 2006. For many years, the City has appropriated funds to the Alexandria Convention and Visitors Association (ACVA), the Alexandria Economic Development Partnership (AEDP), the Alexandria Small Business Development Center (SBDC), and the Eisenhower Avenue Partnership. For FY 2006, the newly organized West End Business Association (WEBA) is requesting City funding. It is not clear, but the King Street Metro Enterprise Team (KSMET), which recently merged with the Old Town Business Association, may also request City funding. The Marketing Fund and the Holiday Marketing Program are also economic development-related programs. In total, the various economic development organizations are requesting at least $541,139 in new funding for FY 2006.

A comprehensive review in an attempt to quantify the benefits of these many activities has not been conducted. Some of the benefits are direct, immediate, and measurable; some of the benefits are real but difficult to attribute to any one organization or program; and some of the benefits are too indefinite to measure at all. However, many of these organizations have created and maintained various measures of performance, and have periodically transmitted those performance results to City Council, as well as included them in their annual reports.

At the City Council legislative meeting in December 2004, Council asked that the Budget and Fiscal Affairs Advisory Committee (BFAAC) conduct a review of economic development activities in the City and report back to Council. Since the BFAAC is working on its analysis, rather than make specific recommendations at this time, the FY 2006 Proposed Operating Budget creates and sets

aside a $500,000 designation in the Fund Balance, which Council may use at a later date to make appropriations to the various economic development activities.

The planned process is that after BFAAC presents its report to Council, Council would receive feedback from the City's economic development-related organizations and discuss the BFAAC report. Then I would docket a report to Council, making specific recommendations. Council then can take action on the specific recommendations, including the allocation of the $500,000. While I would hope that this all could occur prior to budget adoption, it may not be feasible to do so. In that case, if Council does not delete or reduce the $500,000 designation in Fund Balance when it adopts the budget, then funds still would be available for allocation.

The following table shows recent City appropriations to organizations and some specific activities that are directly related to economic development, along with requests for FY 2006. It should be noted that this is not an exhaustive list of all economic development-related activities in the City.

ECONOMIC DEVELOPMENT ACTIVITIES

AGENCY	FY 2004 ACTUALS	FY 2005 APPROVED	INCREASE REQUESTED	FY 2006 REQUEST	% CHANGE FY 05-06
ACVA /1	$1,390,742	$1,635,214	$364,786	$2,000,000	22.3%
AEDP - Operating	506,828	534,122	201,353	735,475	37.7%
AEDP- Facade Improvement Program (IDA funds) /2	n/a	n/a	100,000	100,000	n/a
Alexandria SBDC	40,000	60,000	60,000	120,000	100.0%
Eisenhower Partnership	27,524	25,000	5,000	30,000	20.0%
West End Business Association (WEBA)	0	0	35,000	35,000	n/a
King Street Metro Enterprise Team (KSMET) /3	0	0	TBD	TBD	n/a
Marketing Fund	111,778	100,000	0	100,000	0.0%
Holiday Marketing Program /4	125,000	125,000	0	125,000	0.0%
(LESS) requested transfer of Holiday Marketing Program and IDA funds proposed to be used by AEDP	n/a	n/a	(225,000)	(225,000)	n/a
NET COST TO CITY	**$2,201,872**	**$2,479,336**	**$541,139**	**$3,020,475**	**21.8%**

/1 ACVA is requesting that the $125,000 Holiday Marketing Program be moved to the ACVA budget in FY 2006, which, if approved, would reduce the $364,786 budget increase request to a net of $239,786.

/2 AEDP is proposing a new "facade improvement" program, to be funded with Industrial Development Authority (IDA) funds.

/3 KSMET and Old Town Business Association have recently merged and may be requesting funds for FY 2006.

/4 The Holiday Marketing Program was previously budgeted in the Non-Departmental section of the budget.