

Budget Work Session Schedule Fall 2010

- **Monday, October 18**
 - FY 2012 Revenue Outlook
 - FY 2012 – FY 2021 Long Range Forecast
 - CIP FY 2012 – 2021 Outlook and Issues
- **Tuesday, October 19**
 - FY 2011 Approved Staffing and Status
 - Current Service Estimates for Compensation and Benefits
 - Inventory of Employee Benefits
 - Retirement Issues and Options
- **Monday, November 8**
 - FY 2012 City Current Services Review and Estimates
 - Results of Pay Benchmark Surveys
 - Efforts to Link the Strategic Plan and Budget
- **Tuesday, November 16 -- Joint School Board and City Council Work Session**
 - Schools Operating Budget Outlook
 - Schools CIP Outlook

Monday, October 18th

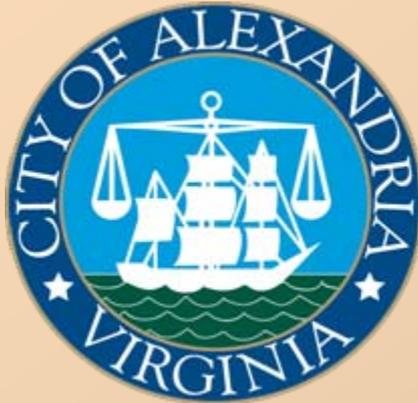
- FY 2012 Revenue Outlook
 - Real Estate Outlook
 - General Fund Outlook
 - Fund Balance Outlook and Commitments
- Long Range Forecast Scenarios
- Capital Improvement Program
 - Overview of Approved CIP
 - Financing the Approved CIP
 - Potential new CIP Projects not in the Approved CIP
 - FY 2012 – FY 2021 CIP Development Process and Schedule

Tuesday, October 19th

- FY 2011 Approved Staffing and Status
- Current Services Estimates for Compensation and Benefits for FY 2012
- Inventory of Employee Benefits
- Retirement Issues and Options

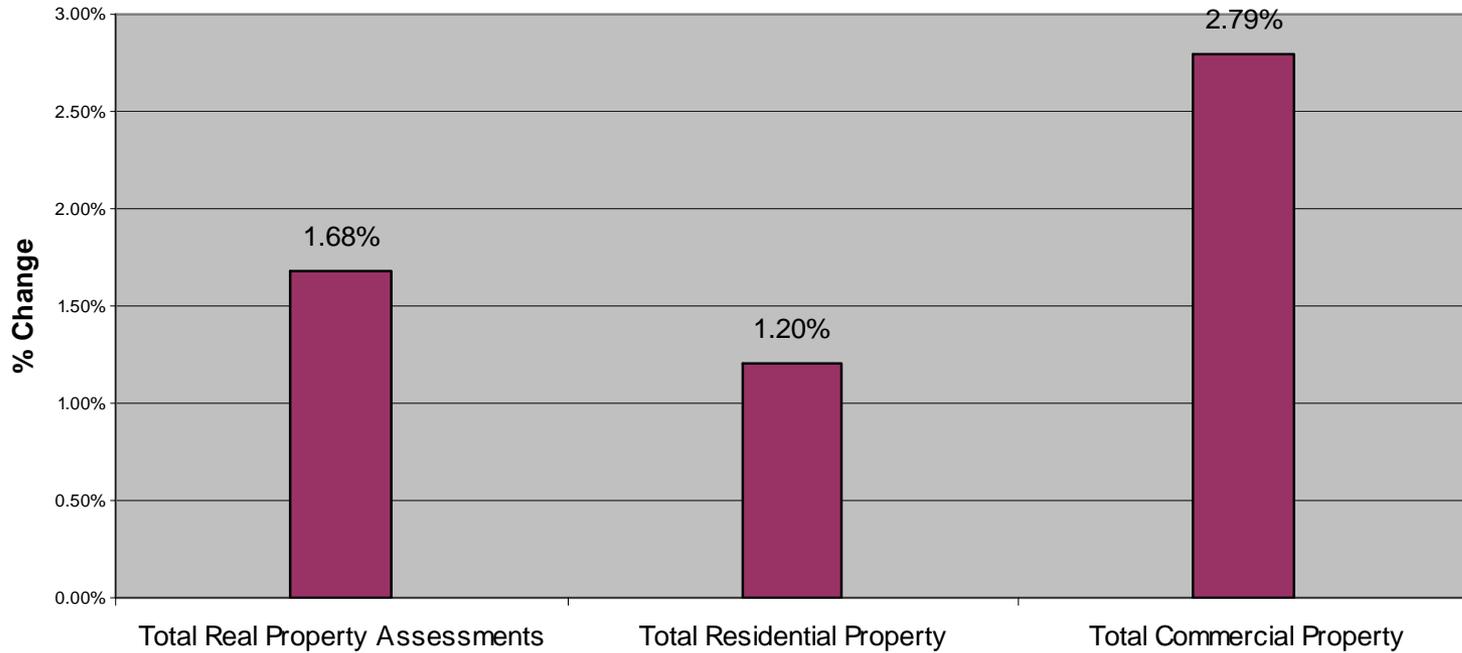
Real Estate Assessment Outlook for CY 2011

On the Edge of a Slow Recovery...

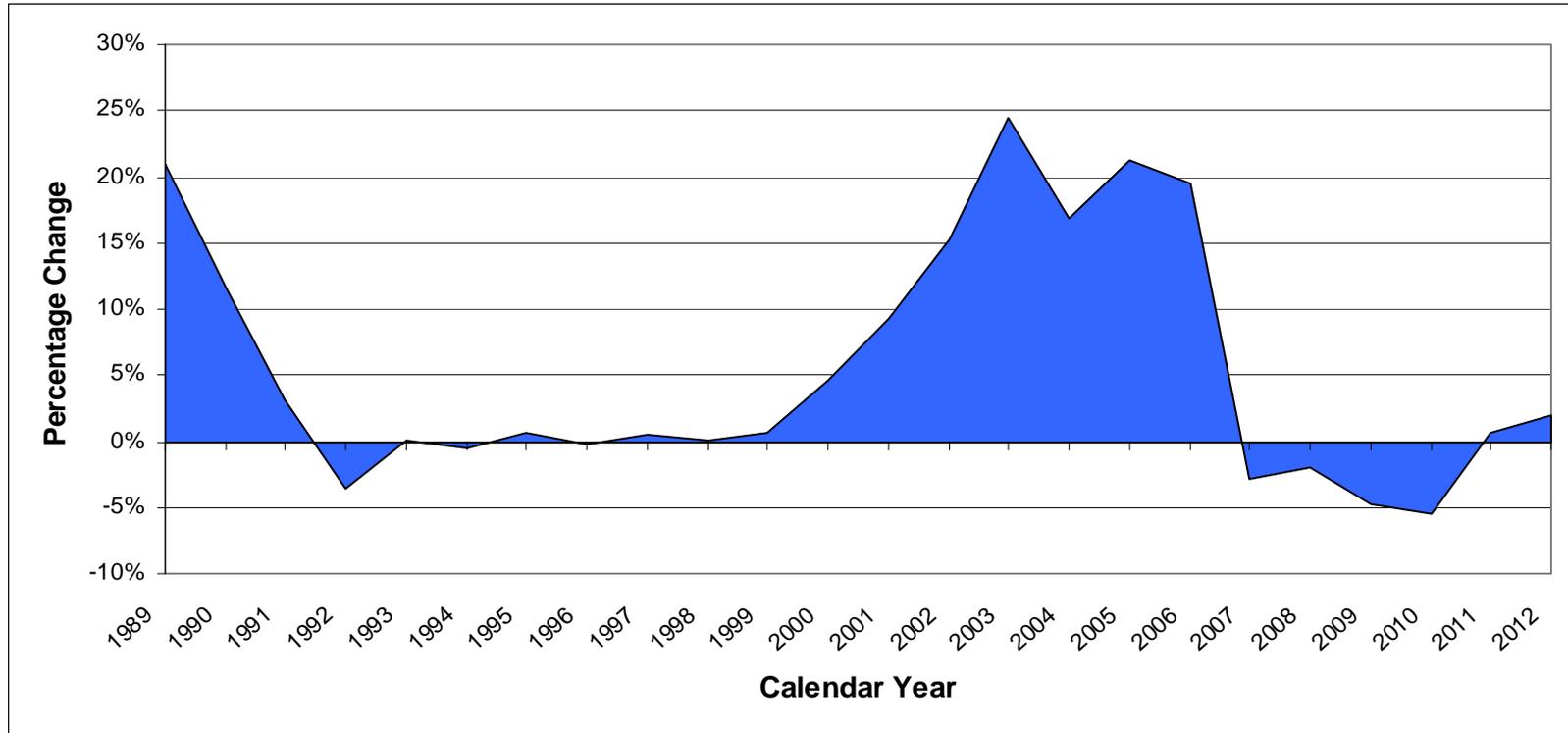


- Real Estate Assessment Indicators
- Projected Changes in Residential and Commercial Property Values

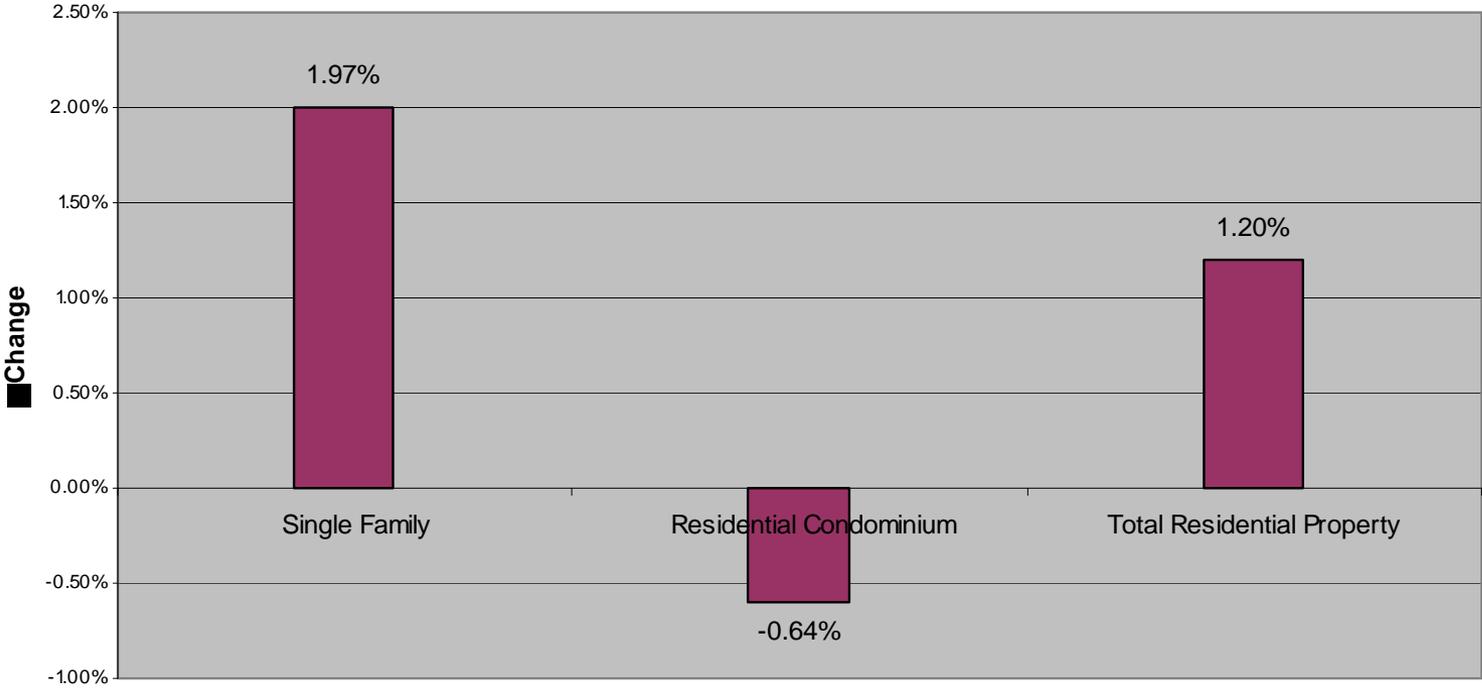
Real Property Assessment Outlook CY 2011



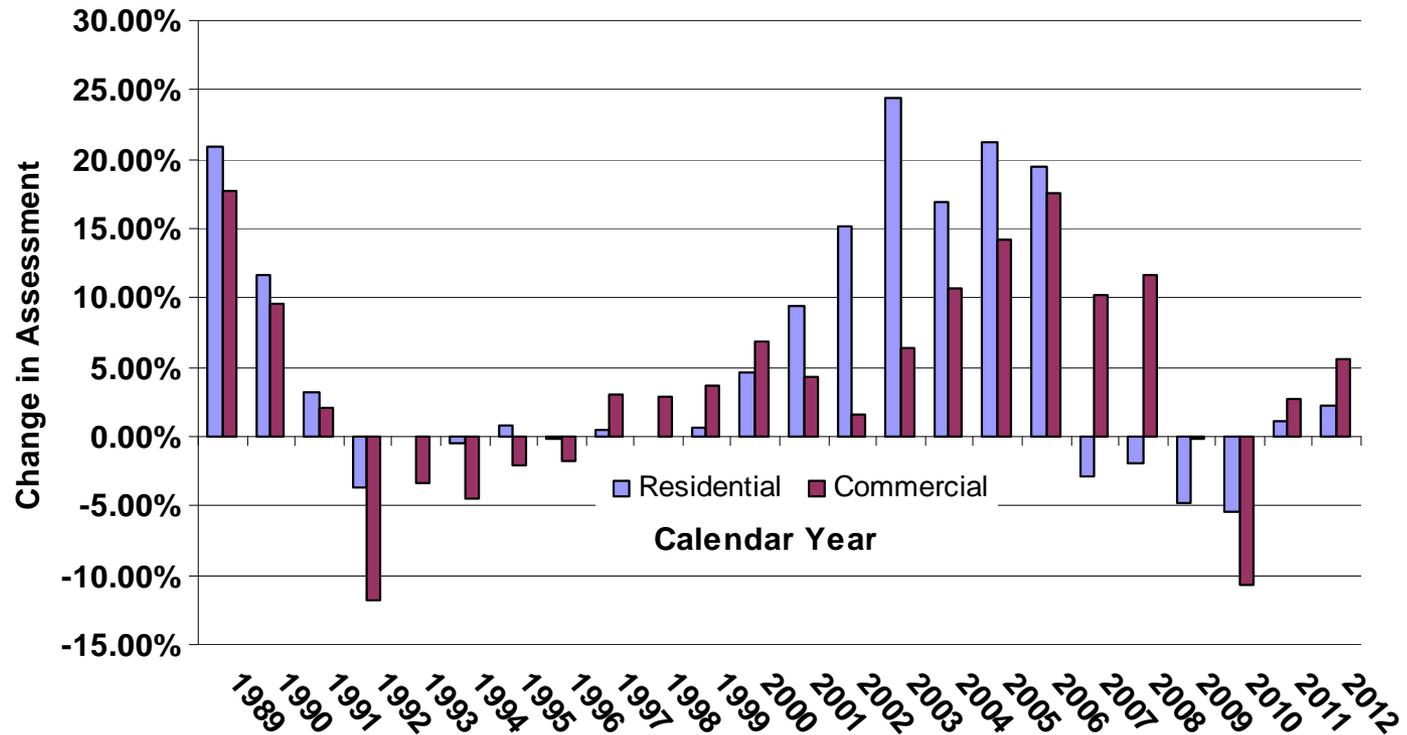
Existing Residential Appreciation % Change 1989-2012



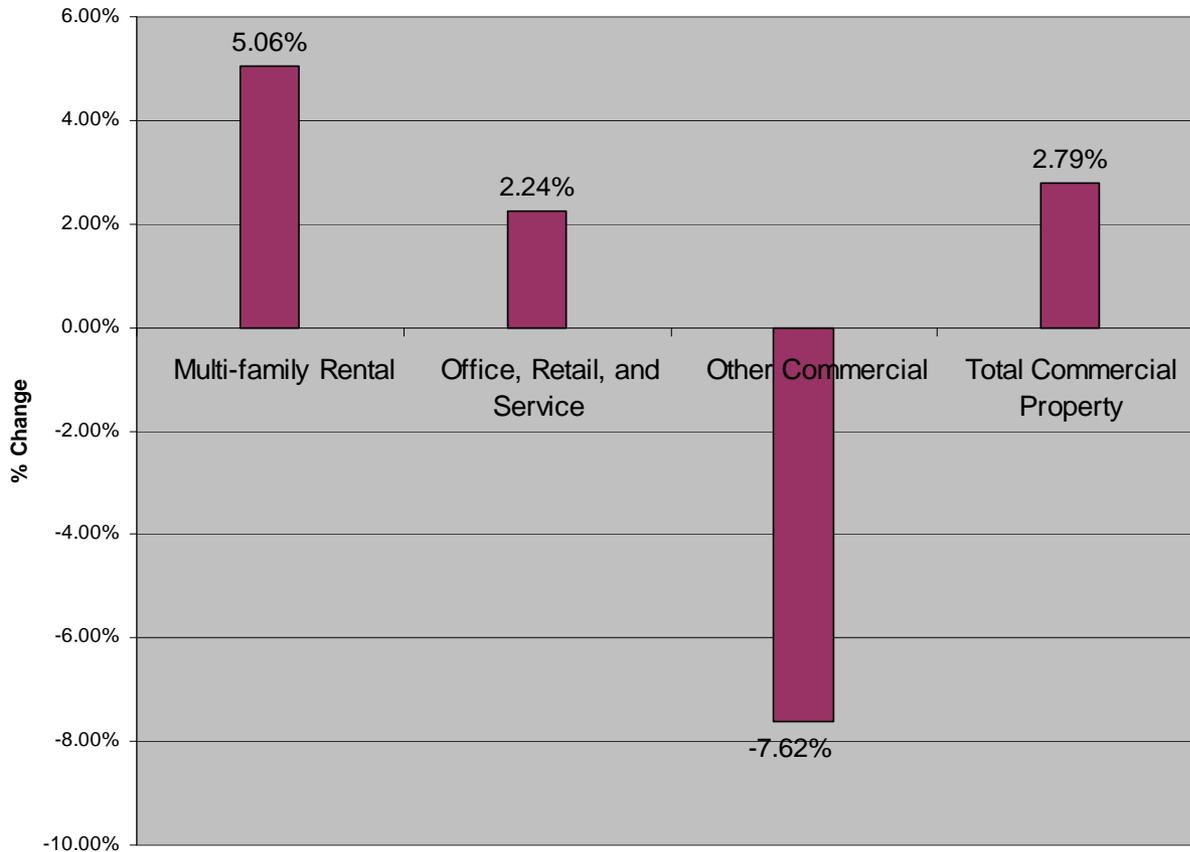
Residential Property Assessment Outlook CY 2011



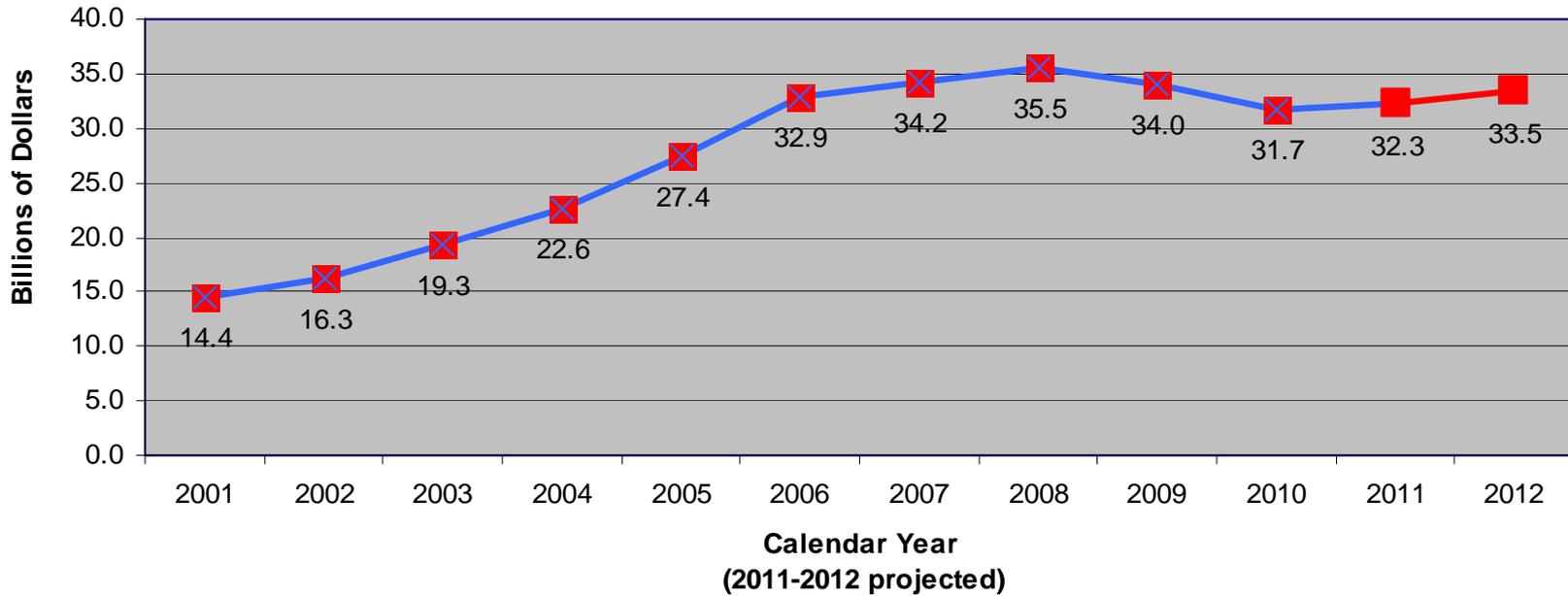
Appreciation Commercial & Residential 1989-2012



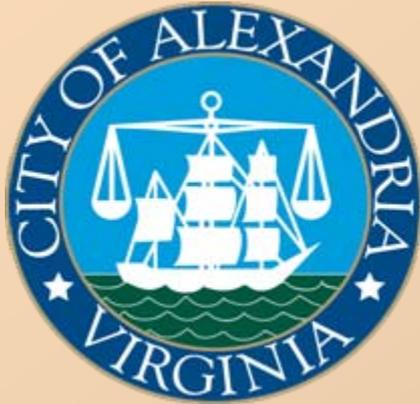
Commercial Property Assessment Outlook CY 2011



Real Property Tax Base 2000-2012

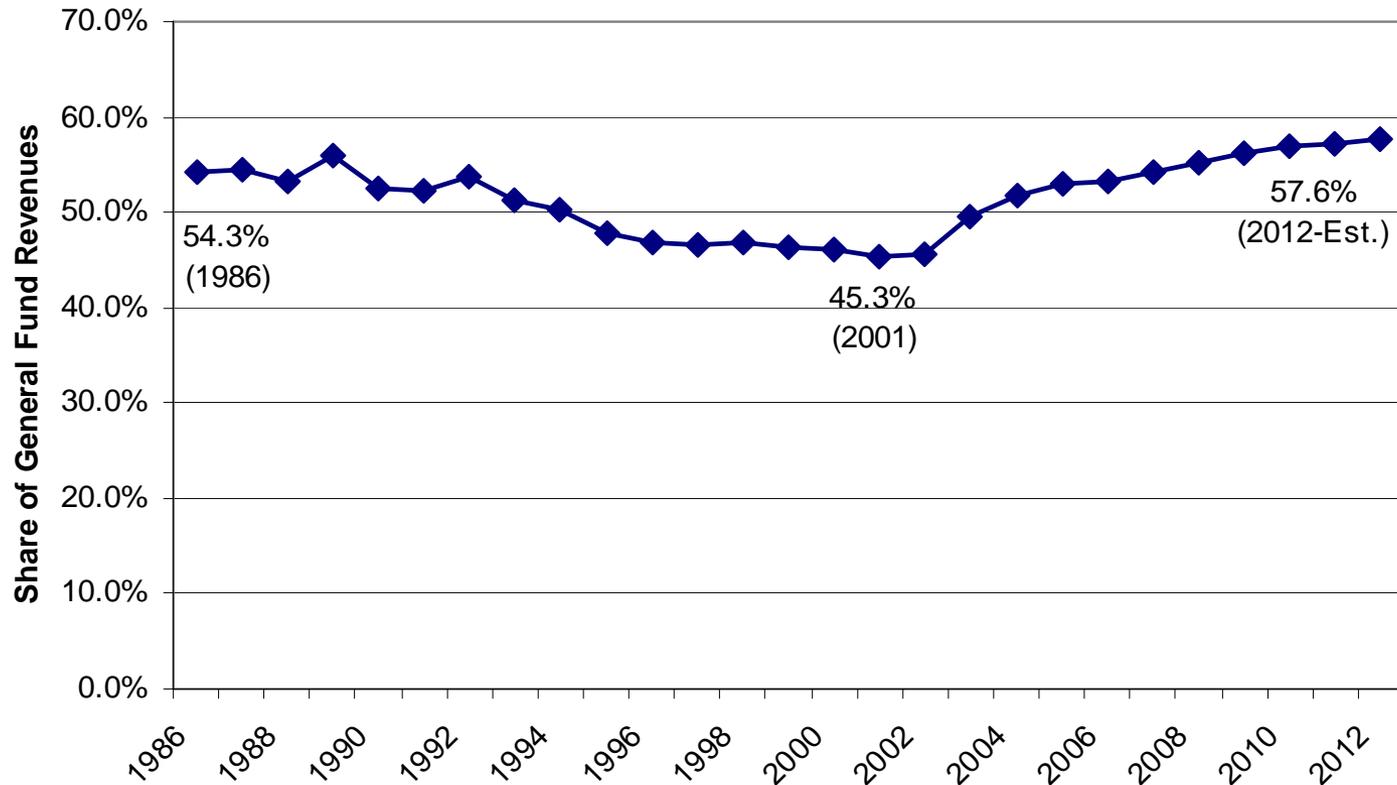


Revenue Outlook



- **FY 2011**
- **FY 2012**

Revenues from Real Estate As a Share of General Fund Revenues



Effect of Assessed Value on Changes in Revenue Estimates

Effect of Changes in Appraised Value on Revenue Estimates			
	FY 11 Revenue Change from CY 2011		FY 12 Revenue Change from CY 2012
	Current Est.		FY 11 Approved
		1.1%	13,685,352
			<hr/>
	1.68%	9,418,403	3.6%
			17,541,170
			<hr/>
			5.1%
			19,887,210
			<hr/>
Estimate for FY 2011 Approved Real Estate revenues = \$296.2 million			



FY 2011 Revenue Outlook

Millions of Dollars

	FY 2011 Approved	FY 2011 Projected	\$ Change	% Change
Real Property Taxes	\$296.2	\$305.7	\$9.5	3.2%
Personal Property Tax	32.3	32.4	0.1	0.3%
Sales Tax	23.5	22.8	-0.7	-3.2%
Utility Tax	10.5	10.5	0.0	0.0%
Business license tax	30.2	30.2	0.0	0.0%
Recordation	3.8	3.6	-0.2	-5.3%
Transient Lodging	11.1	11.6	0.5	4.5%
Restaurant Food	15.4	15.5	0.1	0.6%
Communications	11.6	11.6	0.0	0.0%
Intergovernmental	51.7	52.1	0.4	1.4%
Total including others not mentioned above	\$531.6	\$540.8	\$9.2	1.7%



FY 2012 Preliminary Revenue Outlook

Millions of Dollars

	FY 2011 Approved	FY 2012 Preliminary	\$ Change	% Change
Real Property Taxes (1)	\$296.2	\$313.8	\$17.6	5.9%
Personal Property Tax	32.3	32.6	0.3	0.8%
Sales Tax	23.5	23.1	-0.4	-1.7%
Utility Tax	10.5	10.6	0.1	1.0%
Business license tax	30.2	30.9	0.7	2.3%
Recordation	3.8	3.6	-0.2	-5.3%
Transient Lodging	11.1	12.1	1.0	9.0%
Restaurant Food	15.4	16.0	0.6	3.9%
Communications	11.6	11.6	0.0	0.0%
Intergovernmental Revenues (2)	51.7	52.6	0.9	3.1%
Fund Balance & Other Sources	6.9	5.8	-1.1	-15.9%
Total including others not mentioned above(3)	\$531.6	\$550.8	\$19.2	3.6%

(1) Assumes 3.6% CY 2012 assessment increase

(2) Includes U.S. subsidy of Alexandria's "Build America" bonds

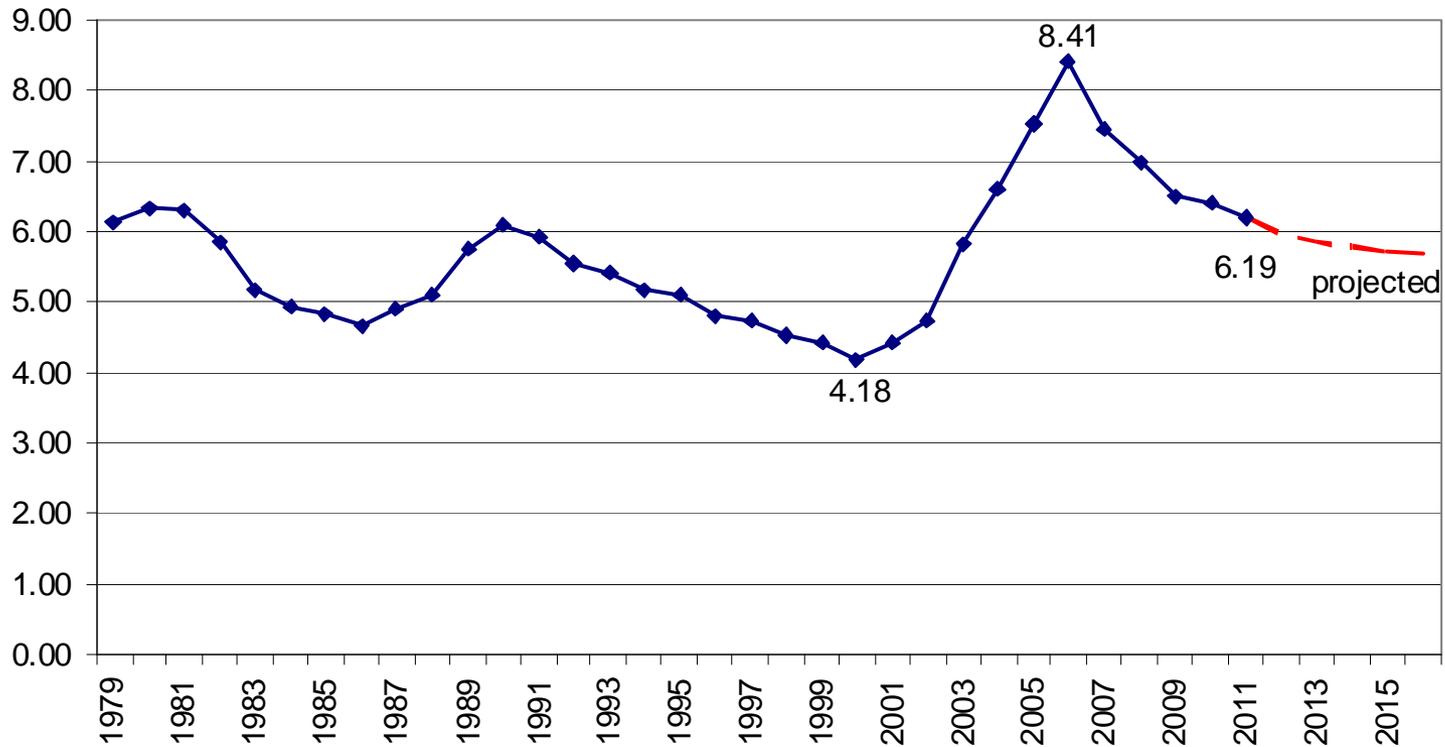
(3) In the pessimistic scenario, real estate tax revenues would increase by \$13.7 million and total revenues by \$15.3 million. In the optimistic scenario, real estate revenues would increase by \$19.9 million and total revenues by \$21.5 million.



FY 2012 Downside Risks

Weaker than Expected Real Estate Market

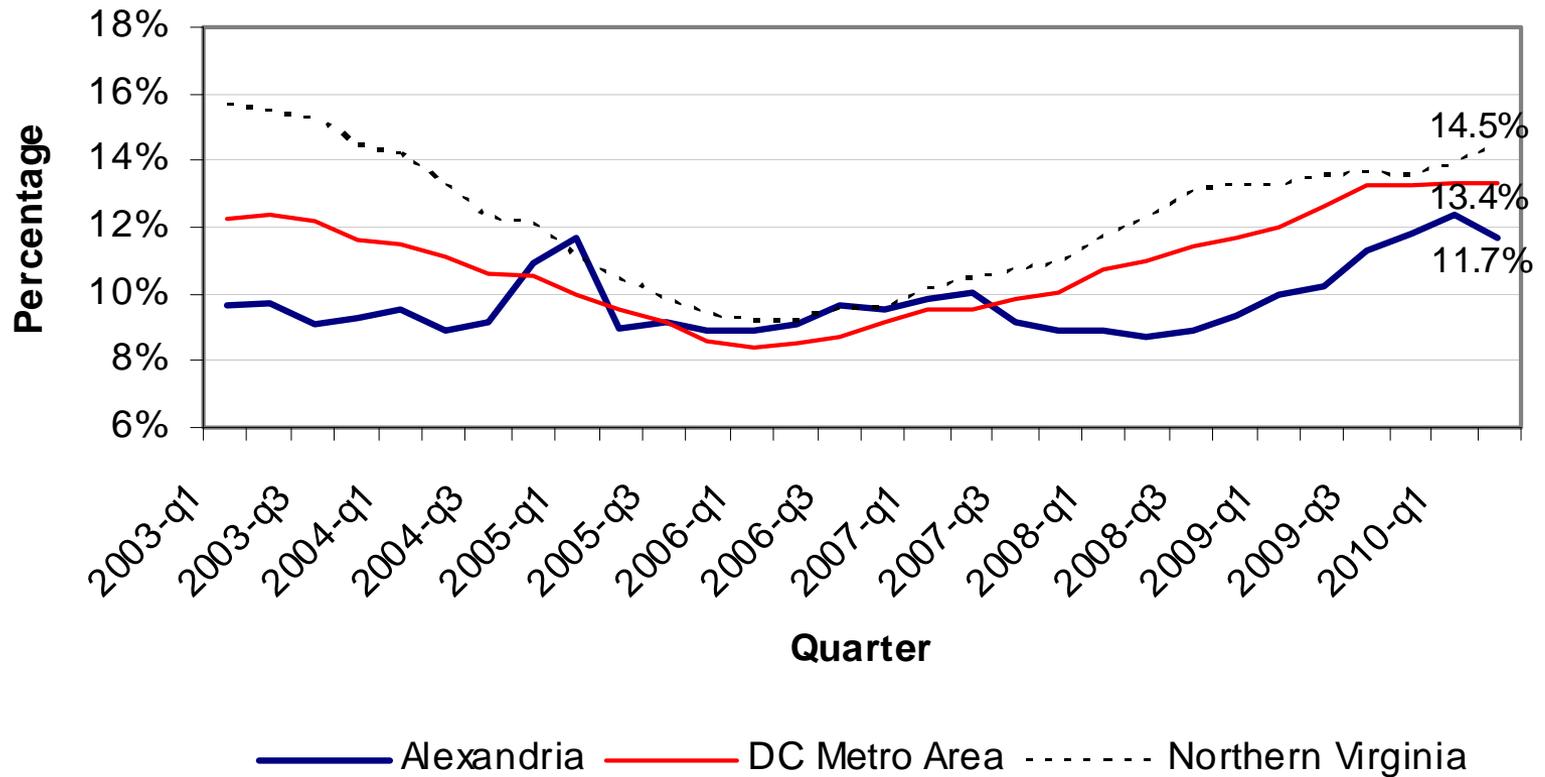
Alexandria's Average Home Value
as a Multiple of Average Per Capita Personal Income



FY 2012 Downside Risks

Commercial Real Estate

Office Vacancy Rates

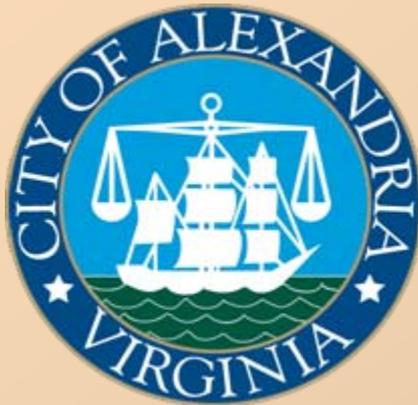


FY 2012 Downside Risks

- **“Double dip” recession would affect**
 - Personal Property Tax
 - Sales Tax
 - Business License Tax
 - Transient Lodging
 - Restaurant Food
- **Although a “double dip” would cause problems, the impact would be limited**
 - These revenue sources collectively make up 22% of General Fund Revenues.



General Fund Balance Commitments



- **GASB # 54: New Vocabulary**
- **Fund Balance Commitments**
- **Changes in FY 2010 Fund Balance**
- **Changes in FY 2011 Fund Balance**
- **Committed and Assigned: End of FY 2010**
- **Committed and Assigned: Expected End of FY 2011**
- **General Fund Balances as Percentage of General Fund Revenues**

GASB # 54: New Vocabulary

- Fund Balance classifications modified to ensure consistency.
- Designations now “commitments” or “assignments.”
 - Committed: Formally constrained by City Council. (e.g. decisions made in FY 2011 Budget)
 - Assigned: *Intended* for a particular use. (e.g. Incomplete Projects)
- Unassigned Fund Balance: Fund Balance not committed or assigned or otherwise nonspendable



Fund Balance Commitments

(FY 2011 Budget “Commitments”)

- Council has already made commitments (designations) for the one-time Real Estate tax rate increase effective June 2010

Capital Improvement Program	\$10.97 M
Storm Water Management	0.78 M
Total Previously Committed	<hr/> \$11.75 M



Changes in FY 2010 Fund Balance

Sources:

Committed in FY 2011 Budget	\$11.75M
Uncommitted FY2010 Budget Savings	<u>3.00M</u>
FY 2010 Sources	\$14.75M

Commitments/Uses:

FY 2011 CIP	\$10.97M
Storm water Management	0.78M
FY 2012 Operating Budget	2.00M
FY 2011 Storm Emergency	1.00M
Uses of FY 2010 Surplus	\$14.75M



Changes in FY 2011 Fund Balance

Source:

Preliminary FY2011 Revenue Surplus **\$9.19M**

Commitments/Uses:

Aug. 2010 Storm \$0.80M

FY 2012 Operating Budget 2.75M

FY 2012 CIP 2.53M

FY2011 Incomplete projects 2.25M

New Commitments/Uses **\$8.33M**

Unassigned/Uncommitted Surplus **\$ 0.86M**



Committed and Assigned: End of FY 2010

FY 2011 Operating Budget	\$ 4.74 M
FY 2012 Operating Budget	2.00 M
FY 2011 – FY 2020 CIP	10.97 M
Self Insurance	5.00 M
Incomplete Projects	2.26 M
Retiree Health and Life (OPEB)	3.70 M
King Street Garden	0.03 M
Stormwater Utility Fund	0.78 M
Natural Disasters and Emergencies	1.00 M
Total Commitments and Assignments	<hr/> \$30.48 M



Committed and Assigned: Expected End of FY 2011

FY 2012 Operating Budget	\$ 4.75 M
FY 2012 – FY 2021 CIP	14.80M
Self Insurance	5.00 M
Incomplete Projects	2.26 M
Retiree Health and Life (OPEB)	2.10 M
King Street Garden	0.02 M
Natural Disasters and Emergencies	1.00 M
Total Commitments and Assignments	<u>\$29.93 M</u>

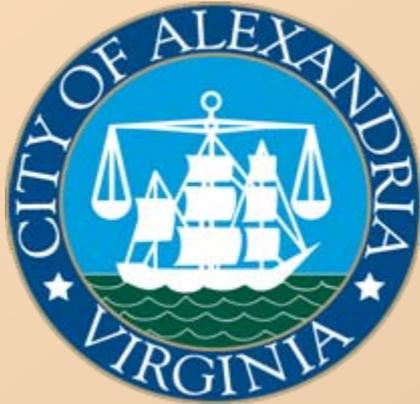


General Fund Balances as Percentage of General Fund Revenues

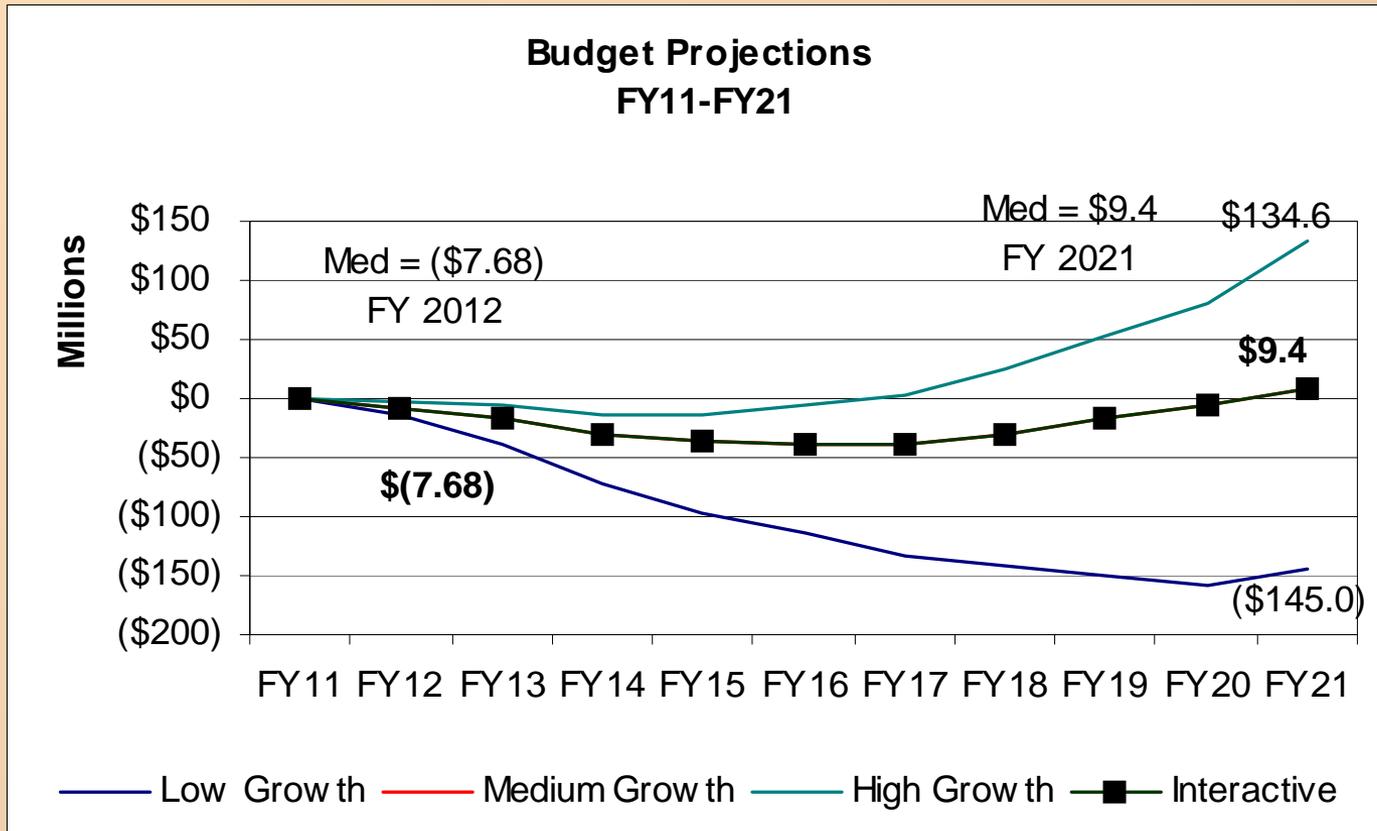
	Target	Limit	FY 2010	FY2011
Estimated Unassigned Fund Balance	5.5%	4.0%	5.34%	5.50%
Estimated Spendable Fund Balance	N/A	10.0%	11.09%	11.12%



Long-Range Budget Forecast Model Through FY 2021



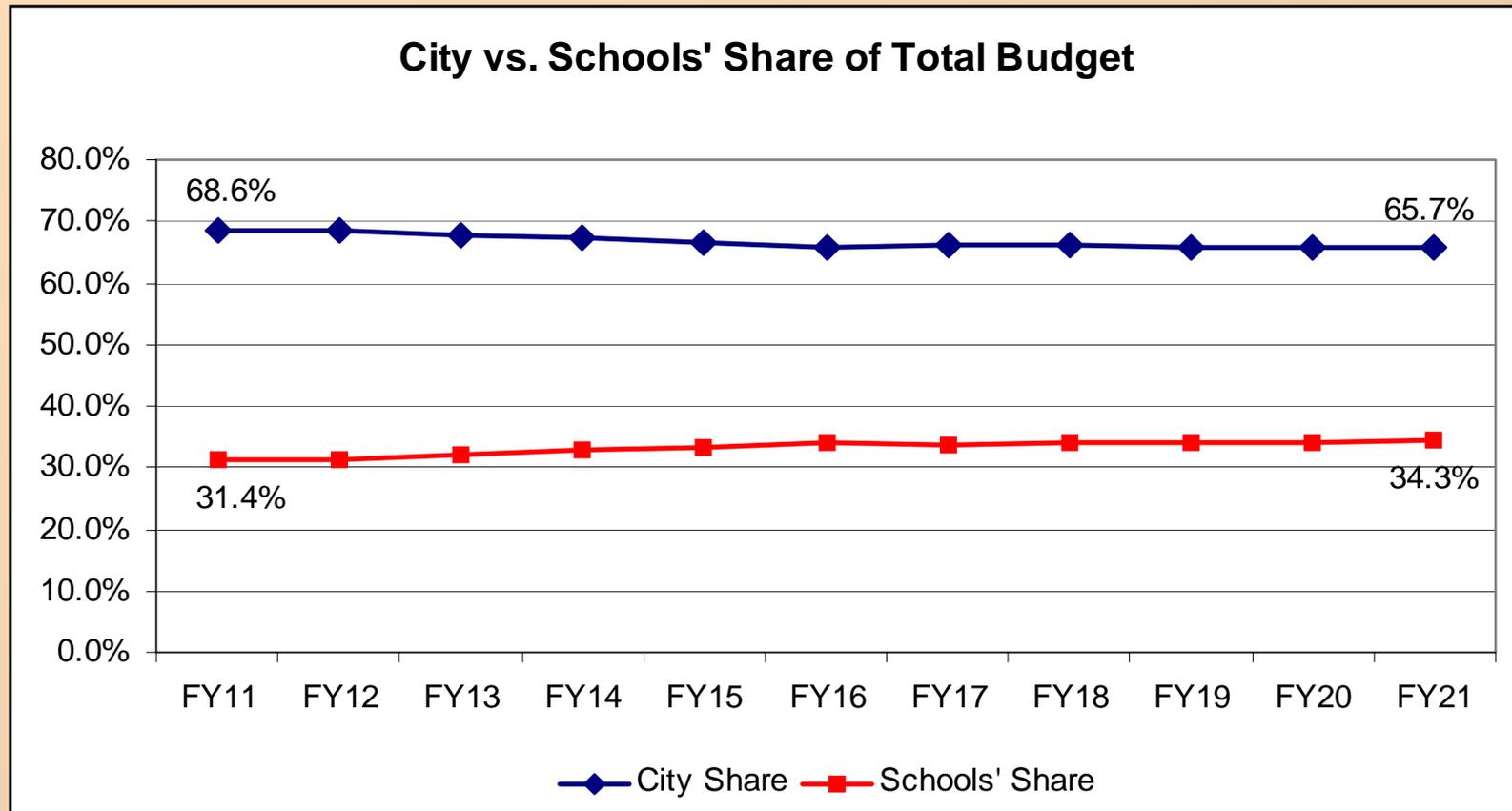
Base Model



City vs. Schools' Share of Budget

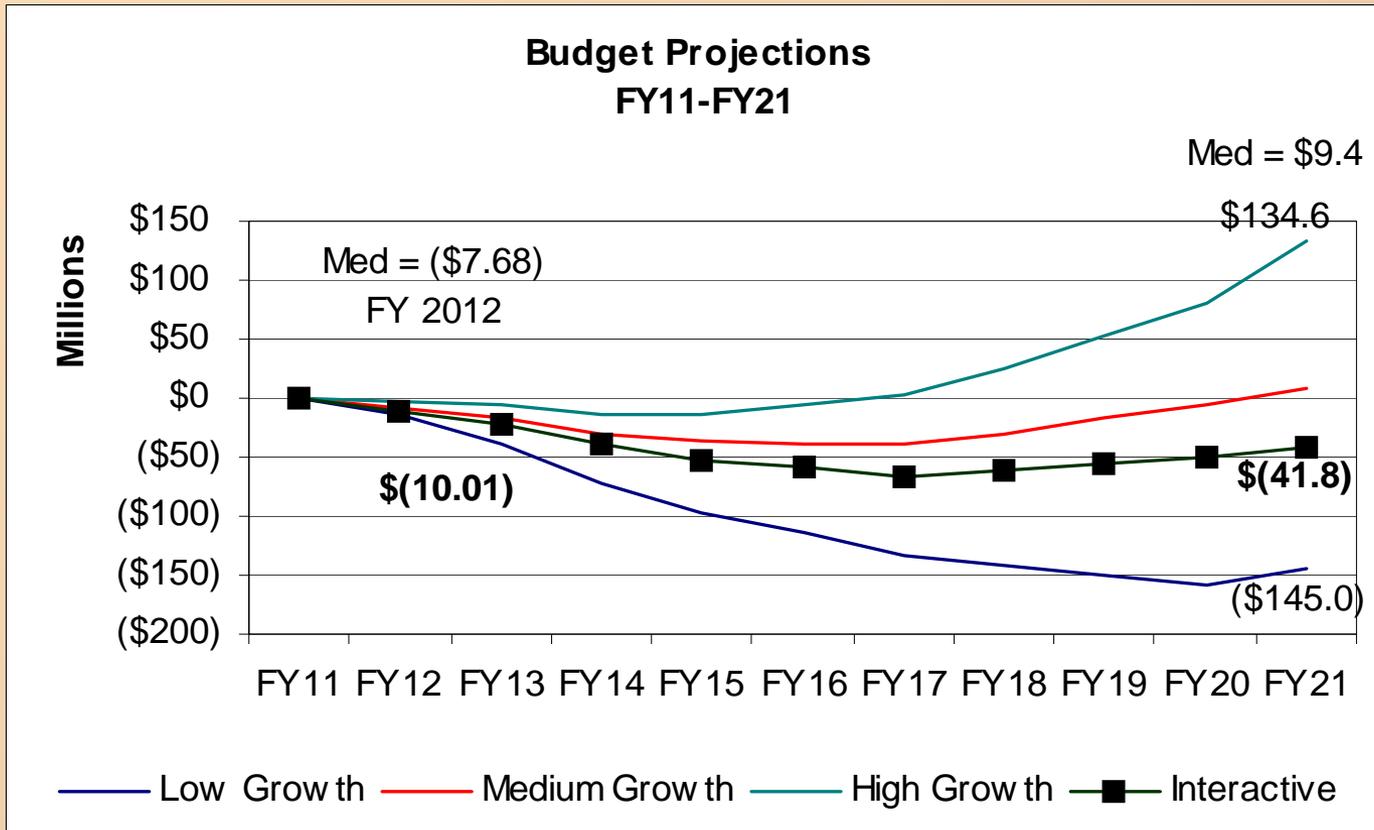
Per Forecast Model Base Assumptions

FY 2011 - FY 2021

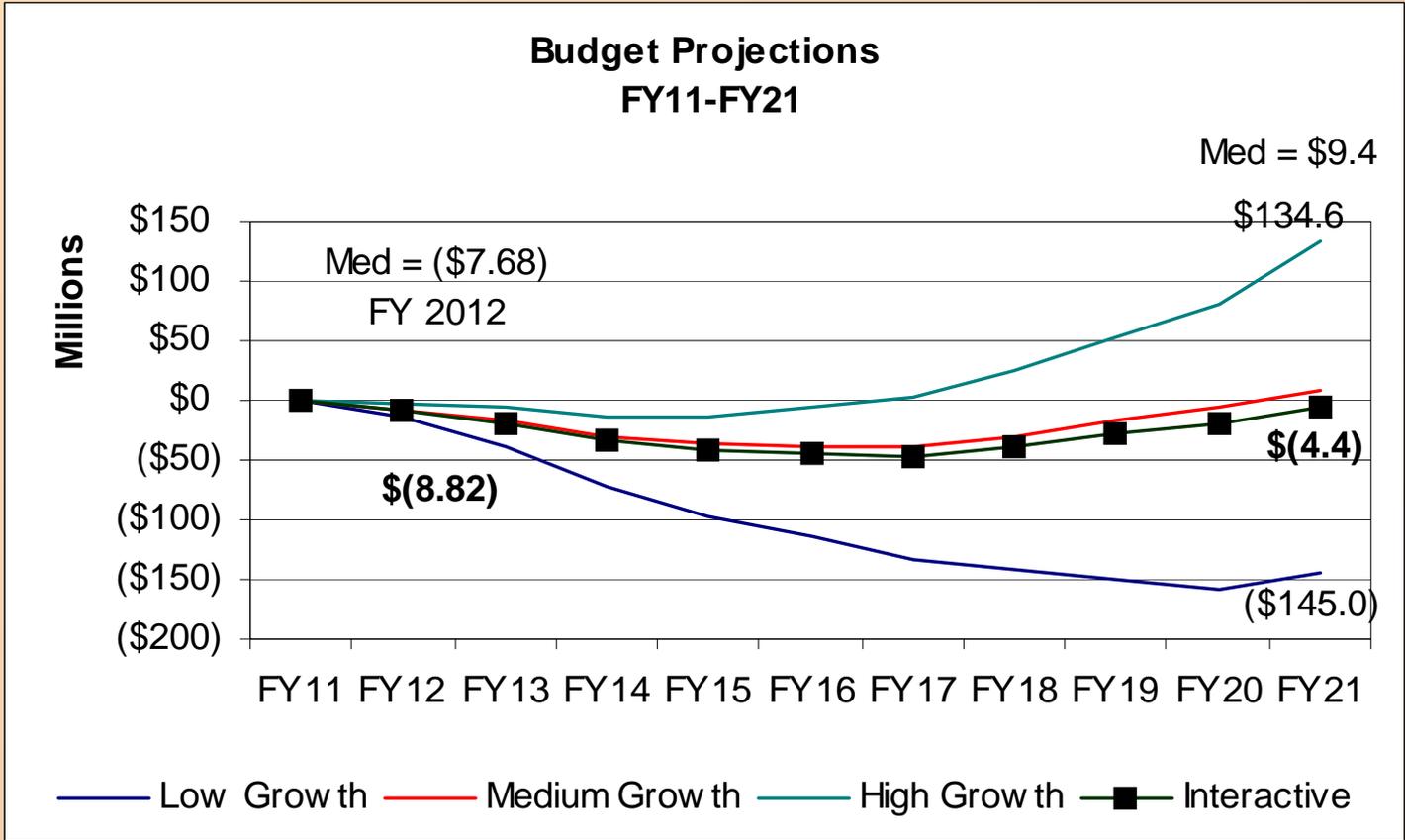


Market Rate Adjustment of 1% Per Year

Base Assumes no MRA

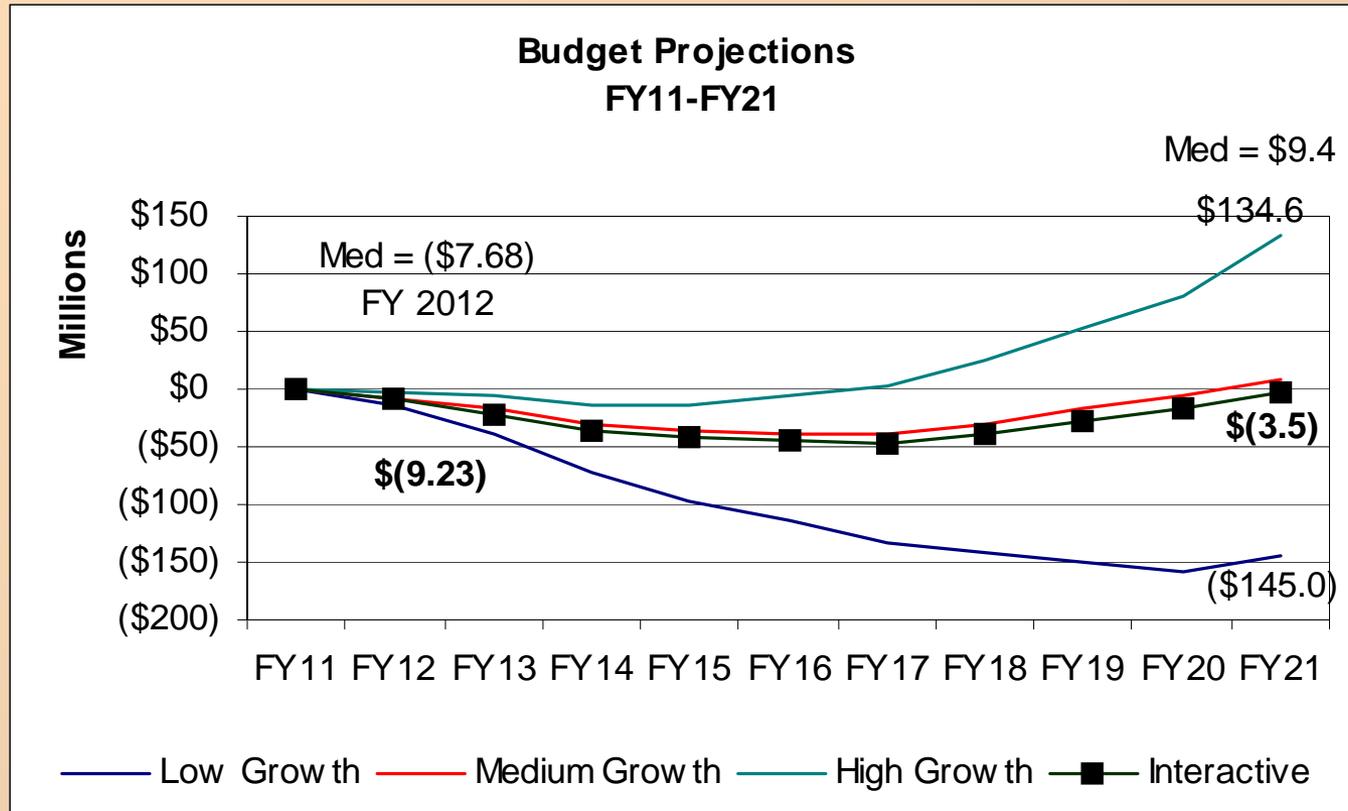


City Staff Increases with Population Growth— Assumes 0.6% Population Growth Rate and 25% Absorption Base assumes no staff growth



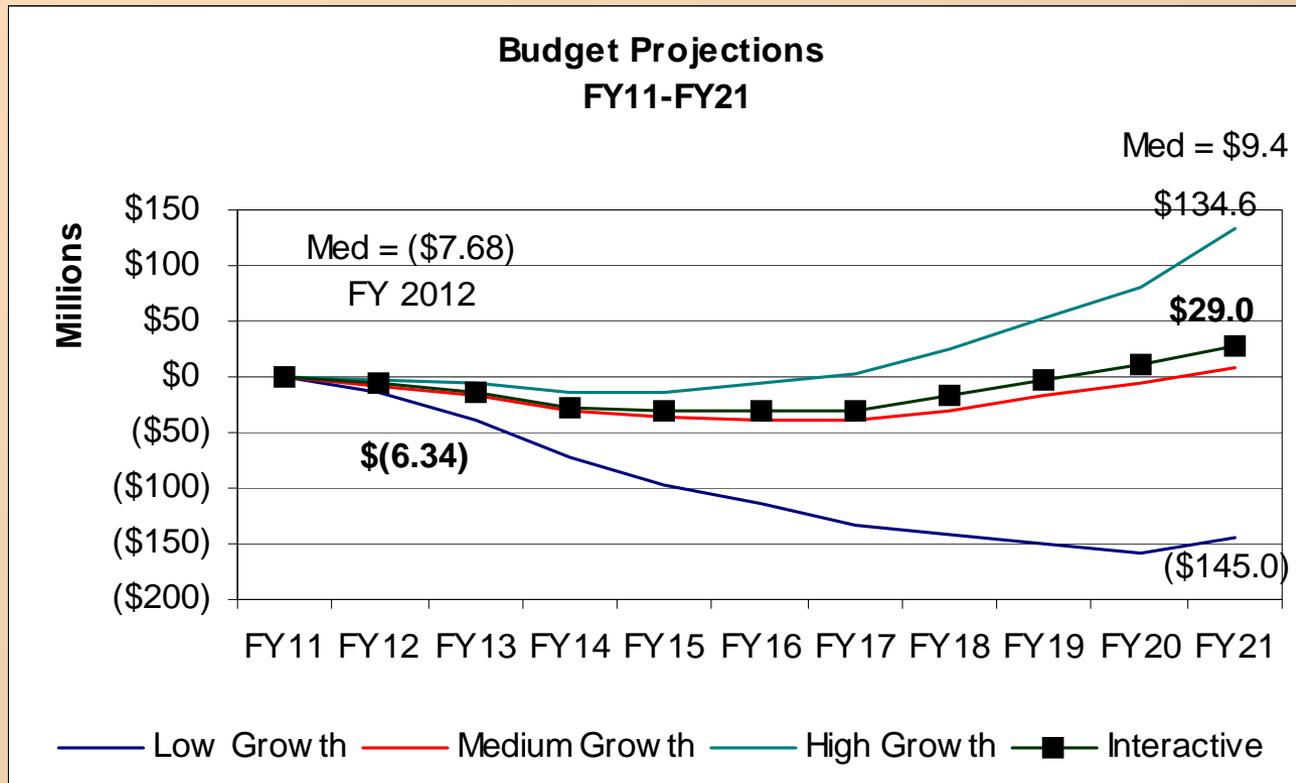
Health Care Costs Increase at 10% Rate Per Year

Base Assumes 2% in FY12, 2% in FY13 and 8% '14-'21



Non-Personnel Costs Increase at 75% Their Five Year Average Growth Rate

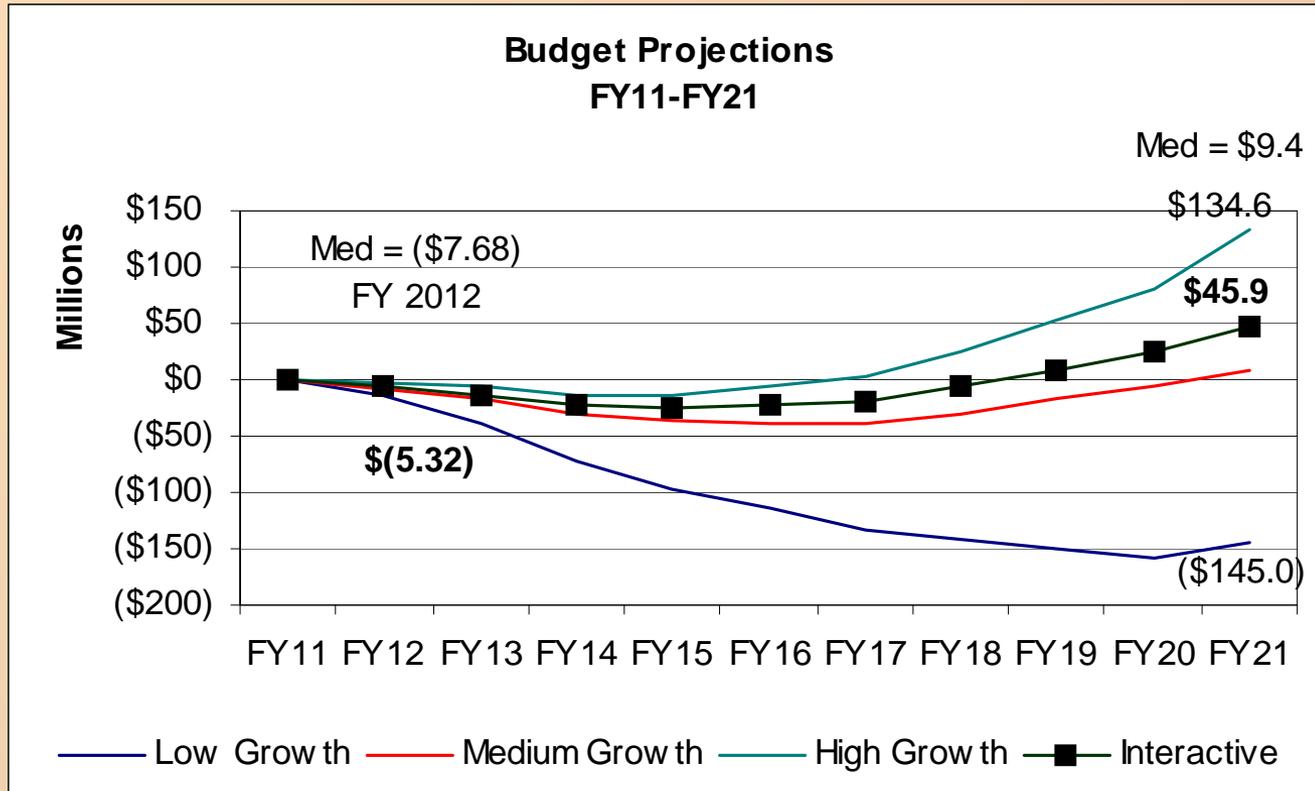
Base Assumes 100% Growth Rate



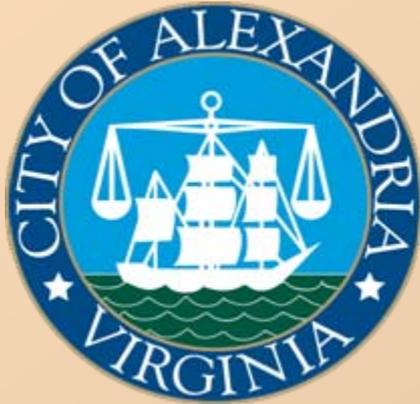
Schools

Assume No Enrollment Growth

Base assumes approximately 3% annual increase after FY 13



FY 2012 – FY 2021 Capital Improvement Program (CIP) Development



- **FY 2011 – FY 2020 CIP Overview**
- **CIP Financing**
- **Impact of the Strategic Plan on the CIP**
- **FY 2012 CIP Development**

FY 2011 – FY 2020 Approved CIP Overview

- City's first 10-year CIP (as opposed to 6 years)
- Prioritization process and funding plan covered the entire 10 years
- Projects broken into 3 categories:
 - Category 1 – Ongoing, regular maintenance programs
 - Category 2 – Large, one-time maintenance projects
 - Category 3 – New or expanded facilities or infrastructure
- \$707.1 million in total expenditures



FY 2011 - FY 2020 Approved CIP Overview

- Major Project Highlights:
 - APD Headquarters - \$47 million
 - 2 new K-8 Schools - \$44 million
 - City Hall HVAC replacement - \$18 million
 - 5 major fire station projects - \$43 million
 - DASH replacement buses - \$26 million
 - WMATA capital contribution - \$77 million
 - Holmes Run Infiltration & Inflow - \$25 million
 - Computer Aided Dispatch & Records Management System replacement - \$35 million



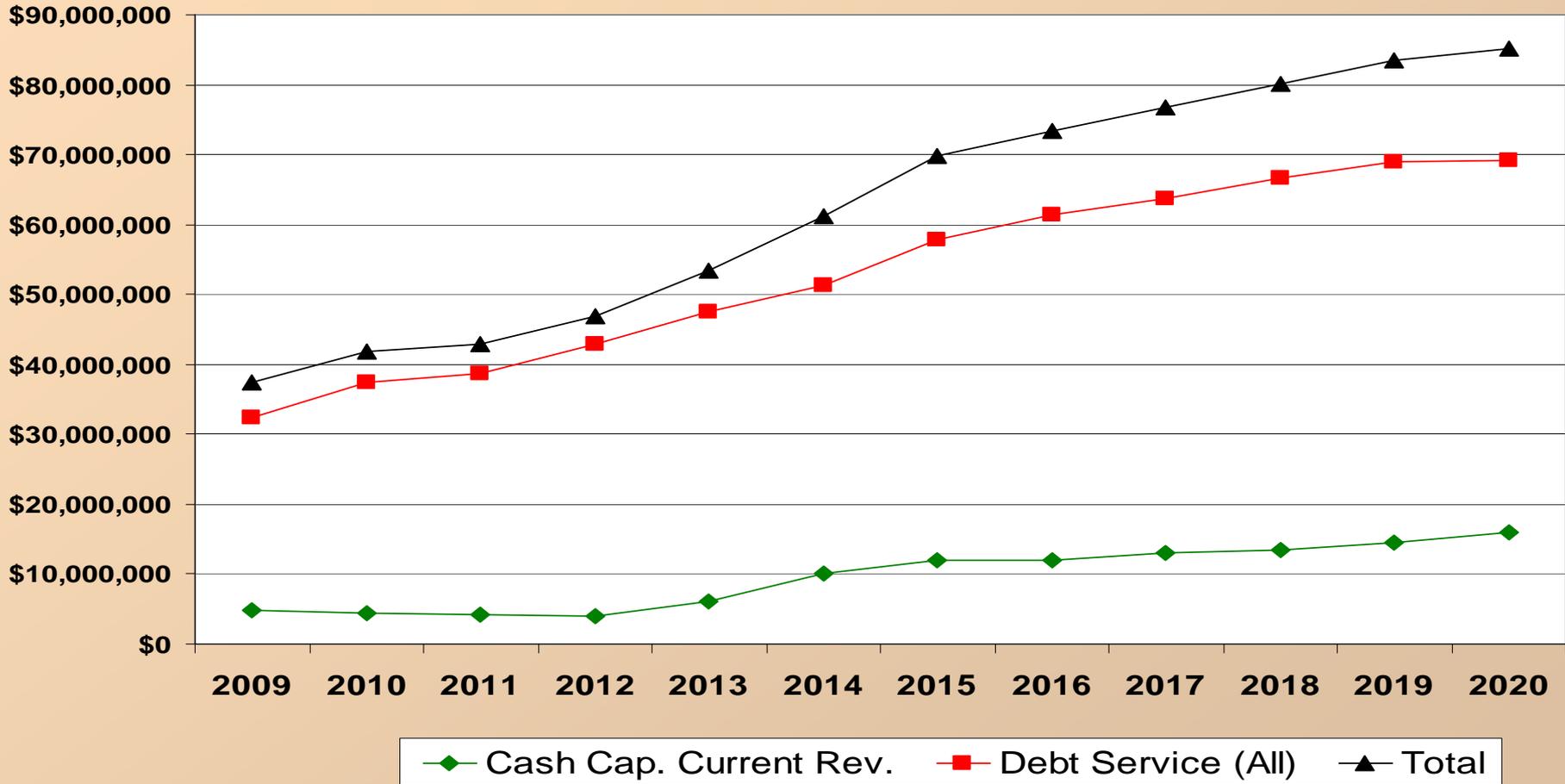
Financing the City's CIP

- The FY 2011 – FY 2020 CIP is financed with General Obligation Bonds (71%) and Cash Sources (29%).
- Staff is developing updated revenue figures for the various cash sources.
- The impact on the City's Operating Budget (cash capital and debt service) is key.
 - FY 2011 CIP results in an average operating budget increase of 7.5% per year over 10 years.



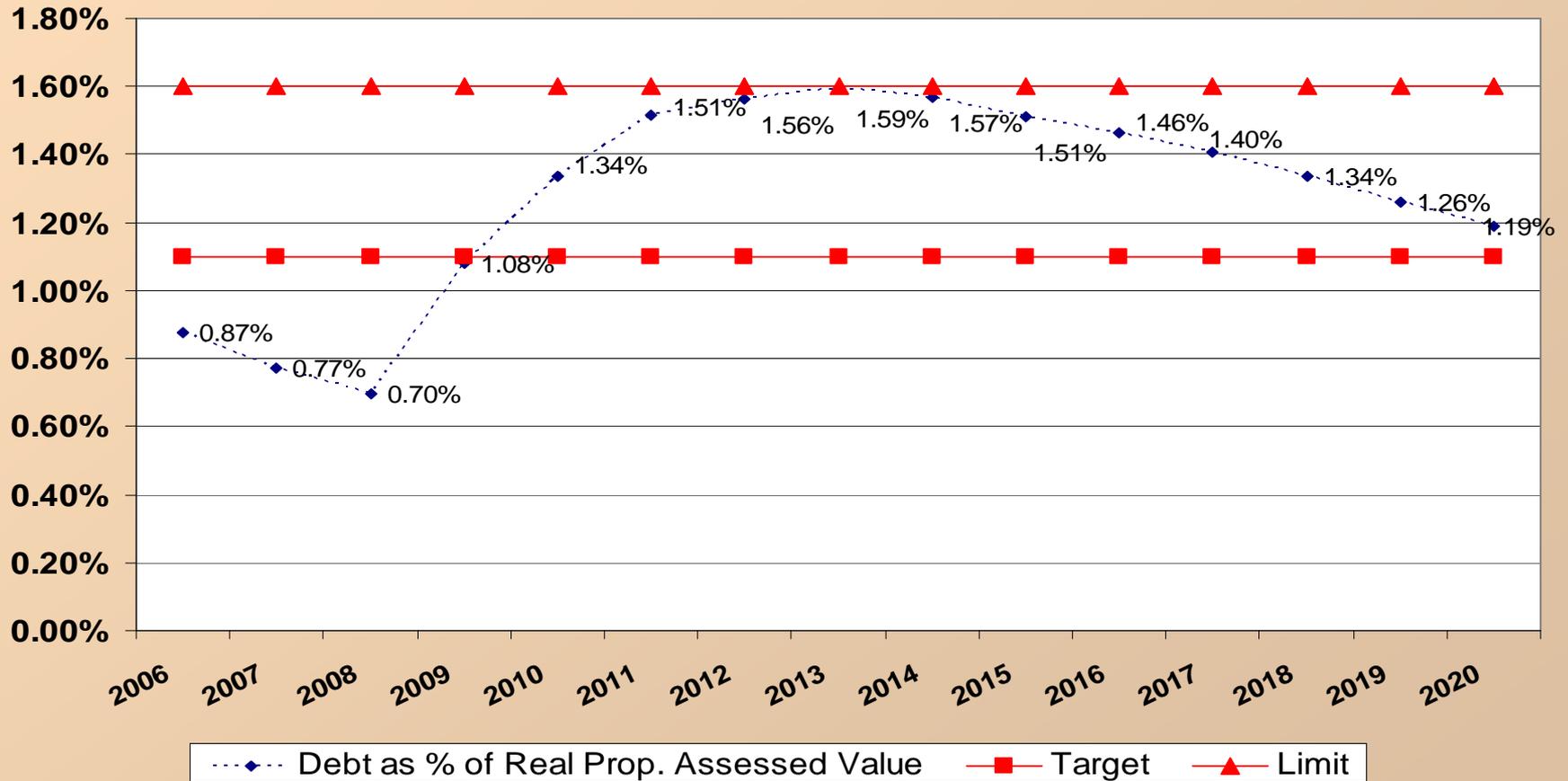
Financing the City's CIP

CIP Impact on Operating Budget
(with Approved FY 2011-FY 2020 CIP)



Financing the City's CIP

Approved CIP FY 2011-2020
Debt as Percent of Real Property Assessed Value
 (not yet updated for revised Assessment Projections)



Strategic Plan Impact on the CIP

- Numerous, major capital initiatives stemming from the Strategic Plan have been identified to date, including projects related to:
 - Transportation improvements
 - Public safety
 - Quality development (e.g. Waterfront Plan, Potomac Yard, etc.)
 - Sanitary sewers
 - Affordable housing
- We believe ACPS will have additional CIP requests
- Some of these projects have new funding sources identified (e.g. Transportation Tax), but most will ultimately be competing for the same funds already programmed in Approved CIP.



FY 2012 – FY 2021 CIP Development

- The FY 2011 – FY 2020 Approved CIP is the starting point for developing the new plan.
- New requests for funding (including those related to the Strategic Plan, other than the Potomac Yard Metrorail Station) will be considered against FY 2011 Approved CIP projects.
- Integrating the ACPS requests in the City Manager’s Proposed CIP may be difficult for two reasons:
 - the high costs of expanding school capacity; and
 - the timing of the preparation of the ACPS CIP is not going to be available in time to integrate into the City Manager’s CIP
- Two special initiatives during this process:
 - Bolster operating budget impact statements; and
 - Provide greater justification for Category 1 program funding.

