

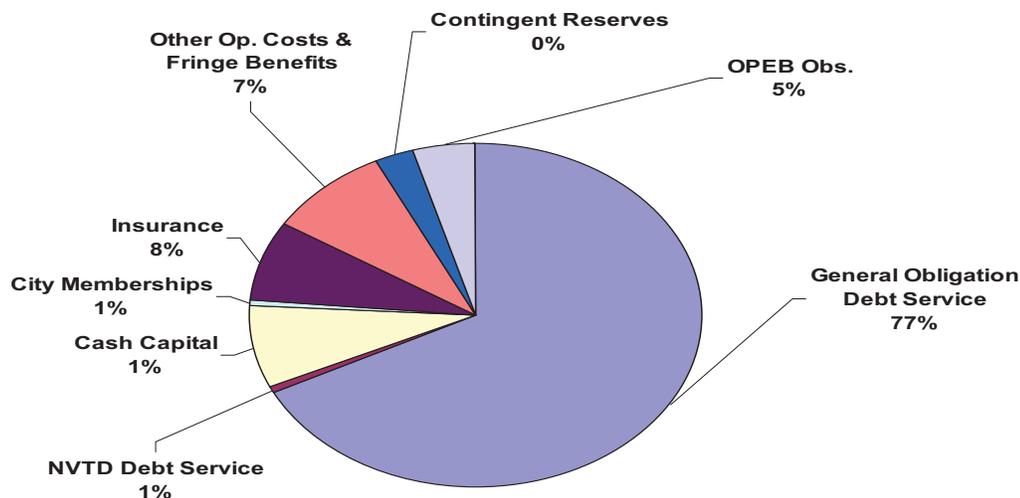
Non-Departmental

Purpose Statement: The purpose of the Non-Departmental Budget is to put into one central place all of those expenditures that support the departments that cannot otherwise easily be categorized. These expenditures include debt service, cash capital (pay-as-you-go capital project funding), contingent reserves, insurance costs including claims paid where the City is self-insured, City memberships, City-wide communication and publication costs, and other miscellaneous operating costs and centrally paid fringe benefits and projected changes in pay or benefits that were estimated too late to include in individual departmental budgets.

Non-Departmental Expenditures and Revenues

Expenditures	FY 2008 Actual	FY 2009 Approved	FY 2010 Approved
CIP Related Expenses			
General Obligation Debt Service	\$30,519,320	\$33,384,257	\$37,162,544
Northern Virginia Transportation District (NVTD) Bond Debt Service	\$256,070	\$256,070	\$256,070
Transfer to Capital Projects (CIP Cash Capital)	\$14,261,518	\$4,917,687	\$4,400,038
City Memberships	\$290,887	\$284,897	\$284,152
Insurance	\$3,709,202	\$3,682,668	\$4,054,955
Other Operating Expenses and Fringe Benefits	\$3,857,799	\$5,020,966	\$4,882,711
Contingent Reserves	\$6,386	\$816,218	\$1,543,160
Other Post Employment Benefit (OPEB) Obligations	\$0	\$1,400,000	\$2,500,000
Total All Funds Non-Departmental Expenditures	\$52,901,182	\$49,762,763	\$55,083,630
Revenues			
Special Revenue Fund	\$291,161	\$1,000,000	\$1,000,000
Total Revenues	\$291,161	\$1,000,000	\$1,000,000
Total General Fund Expenditures	\$52,610,021	\$48,762,763	\$54,083,630

FY 2010 Approved Non-Departmental Expenditures



Non-Departmental

Non-Departmental Expenditures

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
<u>General Obligation Bond Debt Service</u>	\$30,519,320	\$33,384,257	\$37,162,544
<u>Northern Virginia Transportation District (NVTD) Bond Debt Service</u>	\$256,070	\$256,070	\$256,070
Subtotal Debt Service	\$30,775,390	\$33,640,327	\$37,418,614

Debt Service:

•Total debt service costs are budgeted to increase by \$3.7 million, or 11.2 percent. This increase is attributable to a net increase (\$165,647) in debt service after a reduction for affordable housing (the transfer of \$772,060 from debt service to the Housing Trust Fund), the estimated increase for debt service costs to replace WMATA debt with City debt (\$847,227); and, an increase in other estimated debt service costs in FY 2010 (\$90,480), due to additional borrowing requirements to pre-fund \$28.5 million of the Police headquarters project in FY 2010 costs with the June 2009 issuance (described in Docket Item #12, March 24, 2009, City Council meeting). The increase is also attributable to previously issued debt, as well as \$44.7 of new debt issued in the Spring of 2009 to finance the FY 2009 approved CIP program.

•The City financed \$58 million in General Obligation debt in July of 2008 at a true interest cost of 4.0 percent after the most recent reaffirmation of the City's AAA/Aaa credit rating and recognition of the City's excellent financial condition. The City is one of a select number of cities and towns across the nation with both an AAA and Aaa rating from Moody's and Standard & Poor's. The City also sold \$5 million in General Obligation taxable debt for ARHA-related affordable housing purposes in July of 2008 at a true interest rate of 5.4 percent . The Approved FY 2010 General Fund budget includes \$37.4 million for payment of the City's General Obligation debt. The detailed bond repayment schedule is included in the Approved FY 2010 - FY 2015 Capital Improvement Program document.

•In June 2009, the City issued \$35.2 million in tax exempt general obligation bonds and \$44.5 million in taxable Build America Bonds, at an all-on fixed rate true interest cost of 3.28%. This very low achieved interest cost will result in a budget savings in FY 2010, and represents one of the lowest interest rates achieved by the City in modern times.

The components of FY 2010 debt service costs shown above include the following:

- \$814,305 in debt service for \$10,000,000 in debt issued in November of 2004 for open space purposes. This amount is equal to 0.25 percent of the estimated real estate taxes. The remainder is approved to be released as funding source for the General Fund operating budget.
- \$1,477,875 in debt service for \$15.0 million in taxable bonds for affordable housing issued in June of 2006.*
- \$1,274,349 in debt service for various General Obligation bonds issued prior to FY 2006 that represent the portion of those issues devoted to sanitary sewer capital projects. This amount is paid from a transfer into the General Fund from the Sanitary Sewer Enterprise Fund (established in FY 2006).
- In addition to the City's General Obligation debt payments, this account also includes the City's share of debt service for the Northern Virginia Transportation District bonds, in the amount of \$256,070. State authorization for the transportation bonds was approved by the 1998 General Assembly, and bonds were issued in 1999. The City's share of debt service for these bonds is funded from General Fund revenues generated by the right-of-way telecommunications tax, which was also authorized by the 1998 General Assembly.

*\$772,060 in debt service for a previously planned, but now deferred, \$8.0 million issuance for affordable housing purposes was transferred to the Housing Trust Fund. This amount, together with the \$1.5 million in debt service from the 2006 issuance constitute about 0.7 cents of the real estate tax rate, which is dedicated for these affordable housing purposes.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
<u>Transfer to Capital Projects (CIP Cash Capital)</u>	\$14,261,518	\$4,917,687	\$4,400,038

Transfer to Capital Projects (CIP Cash Capital):

•Cash Capital expenditures will decrease \$517,650, or 10.5 percent. The Council add/delete process funded the following City projects: James Polk gymnasium (\$1,400,000), the Artificial Turf Field Program (\$900,000), Transit Pedestrian Improvement grant match (\$300,000), street and side walk reconstruction (\$200,000), DASH bus replacement (\$600,000) and a reduction in borrowing costs (\$2,000,038). \$700,000 in cash capital funding for the CIP was deleted that represents a portion of the \$1.5 million in estimated savings in the CIP attributable to having the City borrow \$12.8 million directly for Metro Matters in lieu of WMATA issuing debt at a higher interest rate (action approved with Docket Item #12 on March 24, 2009). Council also deferred a portion of the City's human resources/payroll project budget saving \$1,000,000 in FY 2010.

•The approved FY 2010 capital budget will be financed through a combination of General Obligation Bond proceeds, the appropriation of fund balance monies from prior years designated for capital projects, sewer fee collections from the Sanitary Sewer enterprise fund, bond interest earnings, bond premiums received on prior bond issuances, reallocated prior year CIP project balances, and transportation funding for transportation improvements in the City.

FY 2010 Funding Source	\$ in millions	% of Total
Cash Capital (G.F. Revenue)	\$4.40	6.1%
Fund Balance from Prior Years	\$0.23	0.3%
Bond Interest Earnings FY 2009	\$1.49	2.1%
Bond Premium	\$1.06	1.5%
Sanitary Sewer Enterprise Fund	\$4.75	6.6%
Reallocated Prior Year CIP Balances	\$4.77	6.6%
Transportation Funding (Vehicle Registration Fee Income)	\$0.00	0.0%
Comcast Revenues for IT Infrastructure	\$0.99	1.4%
Subtotal City Cash and Other Resources	\$17.69	24.5%
General Obligation Bonds	\$54.60	75.5%
Total	\$72.29	100.0%

The approved CIP reflects a total gap between what would be desirable to fund and what was able to be funded of \$124.1 million in funding in FY 2010-FY2015. The gap in FY 2010 alone is \$19.1 million. An increase in pay-as-you-go financing of this magnitude was not feasible. However, borrowing significantly more than currently approved in the CIP is constrained by the ability of the City's General Fund operating budget to finance large increases in debt service costs in future years. As a result, both the level of expenditures for future fiscal years, as well as the financing will need to be analyzed and reviewed prior to the preparation of next year's CIP. The complete funding plan for the CIP may be found in the Approved FY 2010 - FY 2015 CIP document.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
<u>City Memberships</u>	\$290,887	\$284,897	\$284,152

City Memberships:

The approved budget for City memberships is decreasing less than one percent.

The approved budget of \$284,152 for City memberships includes City memberships in the Metropolitan Washington Council of Governments (\$119,075), the National League of Cities (\$8,944), the U.S. Conference of Mayors (\$12,242), the Virginia Municipal League (\$37,012), the Northern Virginia Regional Commission (\$68,366), the Northern Virginia Transportation Commission (\$38,513).

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
<u>Insurance</u>	\$3,709,202	\$3,682,668	\$4,054,955

Insurance:

In lieu of purchasing insurance for all potential risks, the City is self-insured for some risks. This account provides monies for payment of workers' compensation claims, claims adjustments, the current cost of health insurance for City retirees, and insurance policies held by the City. The total approved insurance budget is increasing \$0.37 million, or 10.1 percent. This increase is primarily attributable to an anticipated increase in retiree health and life insurance and unemployment compensation; partially offset by efficiency reductions in workers compensation costs (\$68,000) to reflect average actual spending for the past three years. The retiree health insurance increase of \$295,661 was attributable to projected increased enrollment. No increase in the maximum \$260 a month retiree health insurance subsidy is planned for FY 2010 in recognition of pending accounting requirement changes (GASB 45).

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
<u>Contingent Reserves</u>	\$6,386	\$816,218	\$1,543,160

Contingent Reserves:

In FY 2010, a service reduction of \$375,000 was taken in contingent reserves as part of a City-wide budget review. This reduction will require City Council to fund contingent expenditures by identifying other reductions or revenue increases on a case-by-case basis as the need arises. City staff will assist Council in identifying those choices.

Subsequent to the City Manager's proposed budget, an amount of \$1,543,160 was added via the Council add/delete process to address the following needs:

- \$455,000 to fund a homeownership assistance program to help low-income residents purchase distressed properties.
- \$237,000 to fund forthcoming economic development initiatives (\$237,000), including funds for Alexandria Economic Development Partnership Incorporated (AEDP - \$137,000), Alexandria Convention and Visitors Association (ACVA - \$50,000) and the Small Business Development Center (SBDC - \$50,000).
- \$60,000 to fund the creation of an additional sober living unit in the Office of the Sheriff.
- \$11,160 to reflect the transfer of Sister Cities Program funds from the Office of Citizen Assistance to Contingent Reserves.
- \$200,000 to fund WMATA and DASH subsidies.
- \$50,000 to fund a Fort Ward Park historic and archeological study.
- \$500,000 to fund for the implementation of the Watson-Wyatt study of City employee pay scale adjustments.
- \$30,000 to fund 2010 Census "complete count" activities.

In FY 2009 a total of \$816,218 was approved for contingent reserves, including a total of \$616,218 added in the Council add/delete process which established the following contingencies:

- \$222,696 to fund safety improvements in the Fire Department.
- \$125,000 to fund Alexandria Economic Development Partnership Incorporated (AEDP) forthcoming initiatives.
- \$50,000 to fund the establishment of Alexandria Arts Districts.
- \$100,000 to fund an air quality monitoring station for the Mirant plant.
- \$228,522 to fund beginning implementation of the Watson-Wyatt study of City employee pay-scale adjustments.
- \$90,000 to fund a senior needs assessment study.

A previously designated amount of \$80,000 was carried over from FY 2008 for the Urban Forestry Plan, to fund a full-time Horticultural Assistant position with benefits (\$60,000) and additional seasonal employees (\$20,000) to maintain tree inventory, develop tree and landscape management plans as well as coordinate tree maintenance initiatives pending Council review and approval of an Urban Forestry plan.

Non-Departmental Expenditures, continued

Contingent Reserves, continued:

Monies budgeted in the contingent reserves account can only be expended after specific action by City Council to allocate, transfer to and appropriate these monies to other accounts.

To date, Council has released \$311,000 from contingent reserves to partially fund the following City projects; including, a target industry marketing research (AEDP initiative - \$63,000), the Senior Needs Assessment Study (\$10,000), a waiver of permit fees for the Alexandria Boys and Girls Club Renovation Project (\$5,000) and Planning and Zoning small area plan projects (\$170,000).

Council has also released a total of \$300,000 (\$63,000 in FY2009 and \$237,000 in FY 2010) to fund economic development initiatives; including, AEDP staffing, marketing and investment initiatives (\$200,000); ACVA marketing initiatives (\$50,000) and SBDC staffing, consulting and marketing initiatives (\$50,000).

A total amount of \$585,218 remains in contingent reserves for designated Council initiatives.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
<u>Other Post Employment Benefit (OPEB) Obligations</u>	\$0	\$1,400,000	\$2,500,000

Other Post Employment Benefit (OPEB) Obligations:

•Under the new accounting standards for other post employment benefits (OPEB), State and local governments across the nation are confronted with the challenge of providing funding to meet the long-term cost of obligations made for post employment health care costs and life insurance. It is estimated that the City and Schools unfunded liability for these costs total \$128 million. Meeting the challenge of funding this liability will assist the City in maintaining its triple A bond ratings during a time in which lenders are looking far more carefully at “risks” before lending money to municipal governments. This budget provides \$2.5 million in funding for obligations for future benefits to City employees after retirement. This amount will be appropriated to the OPEB trust fund and supplemented by an appropriation of \$3.1 million from fund balance to pay estimated FY 2010 costs. This funding represents the second year in a four-year plan to gradually increase the annual funding to \$11.4 million per year to address the total City unfunded liability by amortizing that unfunded liability over time. This long-term liability is comprised of approximately one-third of retiree life insurance benefits being reduced for new employees. This portion of the liability should shrink over time.

CASH FLOW PROJECTIONS

Other Post Employment Benefits

Plan for Funding

	2008	2009	2010	2011	2012	2013	2014	2015
Cash Flow	\$ 4.9	\$ 5.0	\$ 5.8	\$ 6.5	\$ 6.9	\$ 7.5	\$ 8.1	\$ 8.7
Medical Subsidy	\$ 1.9	\$ 1.9	\$ 2.2	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.3	\$ 3.6
Reimbursement	\$ 2.3	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.1	\$ 3.3	\$ 3.5	\$ 3.6
Life Insurance	\$ 0.7	\$ 0.8	\$ 0.9	\$ 1.0	\$ 1.1	\$ 1.2	\$ 1.4	\$ 1.5
Fund Balance Designation Draw Down	\$ -	\$ 4.2	\$ 3.1	\$ 2.0	\$ 1.4	\$ -	\$ -	\$ -
New Funding	\$ -	\$ 1.4	\$ 2.5	\$ 2.9	\$ 3.1	\$ 3.9	\$ 3.3	\$ 2.7
Total Annual Contributions	\$ 4.9	\$ 10.6	\$ 11.4					
Investible Funds	\$ -	\$ 5.6	\$ 5.6	\$ 4.9	\$ 4.5	\$ 3.9	\$ 3.3	\$ 2.7
Fund Balance	\$ -	\$ 6.0	\$ 12.5	\$ 18.8	\$ 25.0	\$ 31.0	\$ 36.9	\$ 42.5
Investment Assumption:	7.5%							
Percent of Annual Required Contribution	45%	94%	100%	100%	100%	100%	100%	100%

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
<u>Other Operating Expenses and Fringe Benefits</u>	\$3,857,799	\$5,020,966	\$4,882,711

Other Operating Expenses and Fringe Benefits:

- Funding for these various operating expenses is decreasing \$138,255, or 2.8 percent.

- Significant changes in this category are:

- An increase of \$594,464 for pension supplements as contractually required by the plans' administrator for the old public safety pension plan, which was closed to new members in 1979. Plan beneficiaries are living longer and the plan's funds are declining, which triggers a minimum payment requirement.

- An increase of \$282,348 to fund employee severance and leave payout under revised Reduction in Force administrative regulations and in light of the possible involuntary termination of City employees.

- No change is approved in funding for efficiency/best practices studies of \$350,000 per year. Approximately two departments are scheduled for study each year plus consultant support for the Managing for Results Initiative as necessary and other miscellaneous management improvement studies.

- The rebate of Waste-to-Energy plant property taxes, as per the Waste Disposal Trust Fund Agreement between Alexandria and Arlington County, dated October 1, 1985, is reduced by \$84,000 to \$566,000. This amount (which relates to taxes the facility pays to the City) is budgeted to fund the mandated deposit to the joint Alexandria and Arlington Waste-to-Energy Trust Fund, which is used to help cover certain Waste-to-Energy plant operating and capital costs.

- Funds budgeted in the Non-Departmental budget for the Gang Prevention Unit initiatives was reduced by \$15,000. Sufficient funding remains in the Court Services Unit budget to support this initiative.

- An amount of \$350,000 was added via the Council add/delete process to fund City-wide telecommunications.

Non-Departmental Expenditures, continued

The following efficiency reductions and reallocations were temporarily put in the Non-departmental budget; however, these were mostly distributed to various departmental budgets in the FY 2010 Approved budget:

- A \$205,193 increase due to allocating expenses to various departments for pension plan management of the City's various pension funds. These costs were previously budgeted in the Finance Department. These costs were allocated to departmental budgets by increasing the City share of retirement costs computed for each employee.
- A reduction of \$515,000 in health insurance costs were taken to reflect savings attributable to the lower than expected premium increase for the Kaiser Permanente health benefit program offered to City employees. The premium rate increase is now expected to be 3.5% instead of 10%, but this information was not available in time to adjust individual departmental budgets. City and School staff examined, but do not recommend, moving to self-funding for the Kaiser Permanente health benefit program at this time. The potential cost reduction in premiums did not appear to be sufficient to justify the change.
- A Citywide fuel cost reduction of \$189,097 was taken, due to an assumed lower than previously budgeted fuel costs per gallon. The budget now assumes an average cost of \$2.00 per gallon instead of \$2.33. This decrease was spread to those departments that now have their own budget for fuel purchases. A designation in fund balance will provide an additional \$250,000 in case fuel costs increase above this amount.
- The Capital Outlay budget in ITS normally provides for the City's Computer Replacement Program. This program is being temporarily suspended in FY 2010, resulting in a one-year \$765,000 reduction.
- A City-wide contract reduction of \$180,910 was taken to reflect the currently low inflationary rate of 1.0% compared to the previously assumed 4.9%.
- A City-wide employee group life reduction of \$25,000 was taken that represents the savings in FY 2010 possible by reducing life insurance benefits for new (post June 30, 2009) employees in half – from 2 times salary to 1 times salary. These savings will increase annually.
- A City employee supplemental retirement reduction of \$185,000 was taken that represents the savings from assessing new (post June 30, 2009) General Schedule employees a 2% of salary share for supplemental retirement costs. Supplemental retirement benefits are available to both General Schedule and Sheriff deputies and Emergency Response Technicians, but this 2% change will not be levied to Sheriff deputies and Emergency Response Technicians. A pre-vesting, prospective change in the 2% employee share to the employer share is also planned.
- Due to budget constraints, costs for City-wide special events were reduced by \$150,000 via the Council add/delete process. These reductions will be distributed to departmental budgets during FY2010.
- Also due to budget constraints, the AHOP program (\$300,000) was eliminated via the Council add/delete process.

Non-Departmental

Non-Departmental Expenditures, continued

Other Operating Expenses and Fringe Benefits, continued:

Transfers to and from Non-Departmental Accounts

	FY2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
Beautification - transferred to Recreation, Parks and Cultural	(\$2,747)	(\$1,250)	(\$1,250)
Citizen Academy - transferred from the Police Department	\$7,000	\$7,000	\$7,000
Council Food - transferred from General Services	\$19,976	\$20,286	\$12,000

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2010 <u>Approved</u>
<u>Other Operating Expenses</u>			
Public Safety Radio System	\$441,550	\$431,549	\$457,063
Affordable Home Ownership Preservation (AHOP)	\$1,055,478	\$648,550	\$0
Efficiency/Best Practices Studies	\$375,856	\$350,000	\$350,000
Waste-To-Energy Plant Property Taxes	\$554,180	\$650,000	\$566,000
Health Insurance Premium Adjustment (United Health Care)	\$0	\$402,795	\$0
Employee Compensation (P-Step adopted vs P-Step Current Payroll)	\$0	\$9,615	\$0
Pension (Public Safety - closed Deferred Benefit system)	\$851,800	\$1,187,836	\$1,782,300
Citizen Academy (Including Police Citizen Academy)	\$0	\$5,000	\$12,000
City-Wide Telecommunications	\$0	\$0	\$350,000
Special Event Savings	\$0	\$0	(\$150,000)
Computer Replacement Charges	\$0	\$0	\$0
Fuel Savings	\$0	\$0	\$0
Contract CPI-U Adjustments	\$0	\$0	\$0
Health Insurance Premium Adjustment (Kaiser Permanente)	\$0	\$0	\$0
Group Life Insurance	\$0	\$0	(\$25,000)
Allowance for Special Revenue Fund Grants and Donations	\$0	\$1,000,000	\$1,000,000
Severance Pay and Employee Leave Pay-out	\$0	\$0	\$282,348
<u>Other Expenditures</u>	<u>\$578,935</u>	<u>\$335,621</u>	<u>\$258,000</u>
Total Other Operating Expenses and Fringe Benefits	\$3,857,799	\$5,020,966	\$4,882,711

Add-Delete Adjustments

Activity	Add/Delete Adjustments	FY 2010 Approved
Contingent Reserves	<i>Designated</i>	\$1,543,160
<p>Subsequent to the City Manager's proposed budget, an amount of \$1,543,160 was added via the Council add/delete process to address the following needs: forthcoming economic development initiatives (\$237,000), including, funds for a homeownership assistance program to help low-income residents purchase distressed properties (\$455,000); funds for Alexandria Economic Development Partnership Incorporated (AEDP - \$137,000), Alexandria Convention and Visitors Association (ACVA - \$50,000) and the Small Business Development Center (SBDC - \$50,000); the creation of an additional sober living unit in the Office of the Sheriff (\$60,000 and 1 FTE); the transfer of Sister Cities Program funds from the Office of Citizen Assistance to Contingent Reserves (\$11,160); funds for WMATA and DASH subsidies (\$200,000); funds for the Fort Ward Park historic and archeological study (\$50,000); funds for the implementation of the Watson-Wyatt study of City employee pay scale adjustments (\$500,000); and, funds for the 2010 Census "complete count" activities (\$30,000).</p>		