

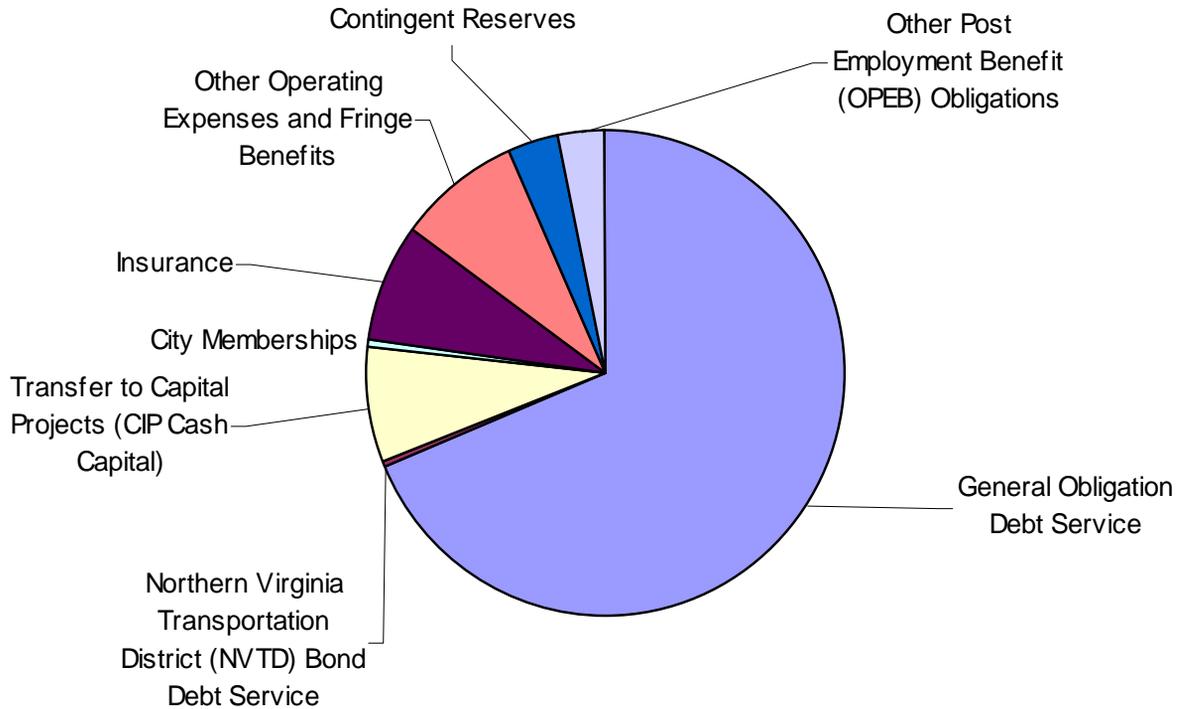
Non-Departmental

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 2009 Actual	FY 2010 Approved	FY 2011 Approved
CIP Related Expenses			
General Obligation Debt Service	\$31,900,635	\$37,162,544	\$37,660,704
Northern Virginia Transportation District (NVTD) Bond Debt Service	\$256,070	\$256,070	\$256,070
Transfer to Capital Projects (CIP Cash Capital)	\$12,017,687	\$4,400,038	\$4,295,000
City Memberships	\$281,678	\$284,152	\$280,230
Insurance	\$3,509,894	\$4,054,955	\$4,209,025
Other Operating Expenses and Fringe Benefits	\$4,969,611	\$4,882,711	\$4,686,877
Contingent Reserves	\$0	\$1,543,160	\$1,900,000
Other Post Employment Benefit (OPEB) Obligations	\$5,600,000	\$2,500,000	\$1,700,000
Total All Funds Non-Departmental Expenditures	\$58,535,575	\$55,083,630	\$54,987,906
Revenues			
Special Revenue Fund	\$463,935	\$1,000,000	\$1,000,000
Total Revenues	\$463,935	\$1,000,000	\$1,000,000
Total General Fund Expenditures	\$58,071,640	\$54,083,630	\$53,987,906

FY 2011 Approved Non Departmental Expenditures



Non-Departmental

Non-Departmental Expenditures

	FY 2009 Actual	FY 2010 Approved	FY 2011 Approved
General Obligation Bond Debt Service	\$31,900,635	\$37,162,544	\$37,660,704
Northern Virginia Transportation District (NVTD) Bond Debt Service	\$256,070	\$256,070	\$256,070
Subtotal Debt Service	\$32,156,705	\$37,418,614	\$37,916,774

Debt Service:

- Total debt service costs are budgeted to increase by \$0.5 million, or 1.3 percent. The increase is minimal this year compared to previous years due to the historically lower interest rates achieved in June of 2009 when the City issued bonds. 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 overall fixed rate true interest cost of 3.28%. This very low achieved interest cost resulted in a budget savings in FY 2010. The City saved approximately \$3.0 million in FY 2010 compared to the amended budget amount.¹ The July 2010 issuance of \$72.3 million in bonds achieved an overall fixed rate true interest cost of 2.93% for a combination of tax exempt and Build America Bonds. This 2.93% rate for 20-year serial bonds represents one of the lowest, if not the lowest, interest rates achieved in modern times.

- The low interest rates are the result of the 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 Proposed FY 2011 General Fund budget includes \$37.7 million for payment of the City's General Obligation debt. The detailed bond repayment schedule is included in the Approved FY 2011 - FY 2020 Capital Improvement Program document.

- The components of FY 2011 debt service costs shown above include the following besides debt service for the 2009 and 2010 issued bonds:

- \$4.3 million in debt service for \$58 million in debt issued in July of 2008. This debt issuance will provide partial funding for the Police headquarters project, as well as other capital initiatives in FY 2010. In addition, the City issued \$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.

- \$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. 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 authorized by the 1998 General Assembly.

¹ The FY 2010 budget was amended by City Council through the Supplemental Appropriations Ordinance to reflect the appropriation of \$418,858 in additional debt service resulting from the June sale of Build America Bonds. The increased debt service will be funded by an increase in Intergovernmental Revenue for the subsidy payment from the federal government.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2009 <u>Actual</u>	FY 2010 <u>Approved</u>	FY 2011 <u>Approved</u>
<u>Transfer to Capital Projects (CIP Cash Capital)</u>	\$12,017,687	\$4,400,038	\$4,295,000

Transfer to Capital Projects (CIP Cash Capital):

- Cash Capital expenditures will decrease \$105,038, or 2.4 percent.
- The approved FY 2011 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 2011 Funding Source	\$ in millions	% of Total
Cash Capital (G.F. Revenue)	\$4.30	5.1%
Fund Balance from Prior Years	\$0.00	0.0%
Bond Interest Earning	\$1.07	1.3%
Bond Premium	\$0.00	0.0%
Reallocated Prior Year CIP Balances	\$3.72	4.5%
Other Sources	\$0.22	0.3%
Comcast Revenues for IT Infrastructure	\$0.99	1.2%
Subtotal City Cash and Other Resources	\$10.30	12.3%
General Obligation Bonds	\$73.26	87.7%
Total	\$83.56	100.0%

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2009 <u>Actual</u>	FY 2010 <u>Approved</u>	FY 2011 <u>Approved</u>
<u>City Memberships</u>	\$281,678	\$284,152	\$280,230

City Memberships:

The approved budget for City memberships is decreasing approximately one percent.

Many of the organizations in which the City is a member held their fees flat in FY 2011. The proposed budget of \$284,230 for City memberships includes City memberships in the Metropolitan Washington Council of Governments (\$118,203), the National League of Cities (\$9,302), 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 (NVTC) (\$35,105). The majority of the decrease is in the membership cost of the NVTC (down \$3,408).

	FY 2009 <u>Actual</u>	FY 2010 <u>Approved</u>	FY 2011 <u>Approved</u>
<u>Insurance</u>	\$3,509,894	\$4,054,955	\$4,209,025

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 insurance budget is increasing approximately \$154,000, or 3.8 percent. Premium costs increasing in general and property liability insurance are offset by savings in the professional liability premiums. The retiree health insurance increase of \$80,603 is attributable to projected participation. No increase in the maximum \$260 a month retiree health insurance subsidy is planned for FY 2011.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2009 <u>Actual</u>	FY 2010 <u>Approved</u>	FY 2011 <u>Approved</u>
<u>Contingent Reserves</u>	\$0	\$1,543,160	\$1,900,000

Contingent Reserves:

In FY 2011, there is \$1,900,000 available in the Approved General Fund budget for City Council use to meet minor, unexpected situations and/or to fund Council discretionary spending priorities. Of this, \$1,600,000 was specifically included to address a potential increase in the City's share of WMATA funding, which was unknown when City Council adopted the FY 2011 Operating Budget.

In order to fund the FY 2011 General Fund budget, City Council redirected funds that existed in the FY 2010 Contingent Reserves. \$755,000 of previously designated funds were released and will be used as a one-time funding source for FY 2011. The following Contingent Reserves fund categories were not utilized and the cash set aside for these categories has subsequently been released for overall FY 2011:

- \$100,000 – Air Quality Monitoring
- \$350,000 – Watson Wyatt Implementation
- \$255,000 – Home Ownership Assistance
- \$50,000 – Alexandria Arts District

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2009 Actual	FY 2010 Approved	FY 2011 Approved
Other Post Employment Benefit (OPEB) Obligations	\$5,600,000	\$2,500,000	\$1,700,000

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 \$99.1million. 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 \$1.7 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 a transfer of \$1.6 million from fund balance to help pay estimated FY 2011 costs. Another \$6.1 million in other cash sources provide a total of \$9.4 million or 86% of the annual required contribution. This funding represents the third year in a multi-year plan to gradually increase the annual funding to \$10.9 million per year to address the total City unfunded liability by amortizing that unfunded liability over time. This long-term liability is approximately one-third comprised of retiree life insurance benefits, which are being reduced for new employees. This portion of the liability should shrink over time.

CASH FLOW PROJECTIONS

Other Post Employment Benefits Plan for Funding

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Medical Subsidy	\$ 1.9	\$ 2.5	\$ 2.7	\$ 3.0	\$ 3.3	\$ 3.3	\$ 3.5	\$ 3.7	\$ 3.9
Reimbursement	\$ 2.8	\$ 3.0	\$ 3.2	\$ 3.3	\$ 3.3	\$ 3.4	\$ 3.5	\$ 3.6	\$ 3.7
Life Insurance	\$ 0.6	\$ 0.6	\$ 0.7	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8
Total Cash Flow	\$ 5.3	\$ 6.1	\$ 6.6	\$ 7.1	\$ 7.4	\$ 7.5	\$ 7.8	\$ 8.1	\$ 8.4
Current General Fund	\$ 2.5	\$ 1.7	\$ 1.8	\$ 2.0	\$ 2.4	\$ 2.7	\$ 2.7	\$ 2.7	\$ 2.5
Fund Balance Draw Down	\$ 2.8	\$ 1.6	\$ 1.2	\$ 0.7	\$ 0.2	\$ -	\$ -	\$ -	\$ -
Total Annual Contributions	\$ 10.6	\$ 9.4	\$ 9.6	\$ 9.8	\$ 10.0	\$ 10.2	\$ 10.5	\$ 10.8	\$ 10.9
Required Contributions	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9	\$ 10.9
Investible Funds	\$ 5.3	\$ 3.3	\$ 3.0	\$ 2.7	\$ 2.6	\$ 2.7	\$ 2.7	\$ 2.7	\$ 2.5
Ending Fund Balance	\$ 11.3	\$ 15.5	\$ 19.6	\$ 23.8	\$ 28.2	\$ 33.0	\$ 38.2	\$ 43.7	\$ 49.5
% of Annual Required Contribution Funded	97%	86%	88%	90%	92%	94%	96%	99%	100%

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2009 <u>Actual</u>	FY 2010 <u>Approved</u>	FY 2011 <u>Approved</u>
<u>Other Operating Expenses and Fringe Benefits</u>	\$4,865,035	\$4,882,711	\$4,686,877

Other Operating Expenses and Fringe Benefits:

- Funding for these various operating expenses is decreasing \$195,834, or 4.0 percent.

- Significant changes in this category are:

- \$270,000 is being transferred from the Office of Housing. These are the remaining funds from the dedicated real estate revenue for affordable housing (not currently being used to pay for debt service) which may be needed to eventually pay debt service on \$3.1 million that would be added to \$3.3 million currently available to the Office of Housing (up to a maximum of \$6.4 million total with the actual cost to be determined based on the site/units selected) for costs associated with the eventually-needed 16 replacement units from the James Bland public housing site.

- A decrease of \$82,300 for pension supplements to \$1.7 million 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 contractually required minimum payment. However, the amount of this minimum payment has declined.

- Funding for efficiency/best practices studies was reduced by \$75,000 from \$350,000 per year to \$275,000. Individual departments or program areas will be scheduled for study each year plus support for City-wide initiatives such as the Managing for Results Initiative, Watson Wyatt human resource studies, 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 \$16,000 to \$550,000. 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.

Non-Departmental Expenditures, continued

The following adjustments are temporarily in the Non-departmental budget; however, these will be distributed to various departmental budgets for the FY 2011 Approved budget. The transfers will occur through the Fall Reappropriation Ordinance.

- A 10 percent reduction was taken city-wide in education and training to produce a savings of \$76,000. In addition City Council increased this savings, as well as a savings for contracted professional services by \$300,000. The City Manager will determine the most appropriate way to achieve this savings, through a combination of education, training and contracted professional service reductions. Once the specific reductions have been identified, the savings will be transferred through the Fall Reappropriation Ordinance to the impacted departments.

- Prior to FY 2011 the cost for postage (\$43,000) was centrally budgeted in General Services. This budget authority will be distributed to departments based on usage through FY 2010. The savings will be distributed as part of the Fall Reappropriation Ordinance.

- The Tuition Assistance Program is a city-wide program managed by the Human Resources Department. The program provides assistance to full and part-time employees for tuition costs. In FY 2011 the program's budget has been transferred out of Human Resources and into the Non-Departmental budget. Human Resources staff will continue to manage the program and oversee the distribution of tuition assistance funds. The current budget for this program is \$188,400.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2009 <u>Actual</u>	FY 2010 <u>Approved</u>	FY 2011 <u>Approved</u>
<u>Other Operating Expenses</u>			
Public Safety Radio System	\$317,417	\$457,063	\$457,063
Affordable Home Ownership Preservation (AHOP)	\$697,705	\$0	\$0
Efficiency/Best Practices Studies	\$536,029	\$350,000	\$275,000
Waste-To-Energy Plant Property Taxes	\$544,419	\$566,000	\$550,000
Health Insurance Premium Adjustment (United Health Care)	\$0	\$0	\$0
Employee Compensation (P-Step adopted vs P-Step Current Payroll)	\$0	\$0	\$0
Pension (Public Safety - closed Deferred Benefit system)	\$1,708,367	\$1,782,300	\$1,700,000
Citizen Academy (Including Police Citizen Academy)	\$0	\$12,000	\$6,000
City-Wide Telecommunications	\$0	\$350,000	\$350,000
Special Event Savings	\$0	(\$150,000)	\$0
Postage	\$0	\$0	\$42,910
Fuel Savings	\$0	\$0	\$0
Tuition Assistance	\$0	\$0	\$188,400
City Resident Survey	\$0	\$0	\$0
Group Life Insurance/Hospitalization in FY 2011	\$0	(\$25,000)	\$0
Allowance for Special Revenue Fund Grants and Donations	\$0	\$1,000,000	\$1,000,000
Severance Pay and Employee Leave Pay-out	\$0	\$282,348	\$0
Professional Services and Education and Training Savings to be Distributed	\$0	\$0	(\$375,833)
<u>Other Expenditures</u>	<u>\$1,061,098</u>	<u>\$258,000</u>	<u>\$493,337</u>
Total Other Operating Expenses and Fringe Benefits	\$4,865,035	\$4,882,711	\$4,686,877