

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 City that cannot otherwise easily be categorized by Department. 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.

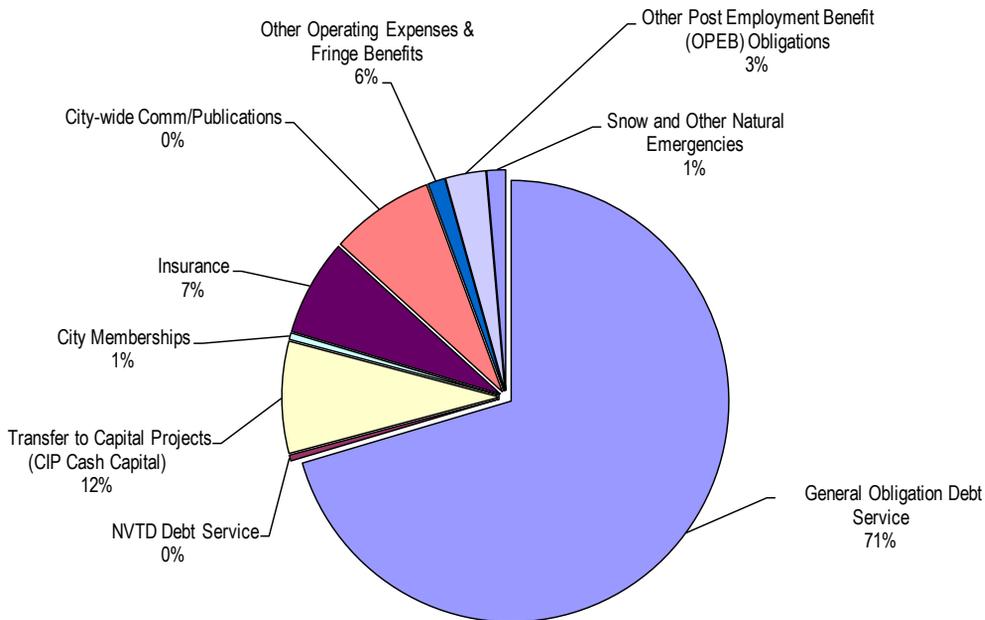
Non-Departmental Expenditures and Revenues

The Non-Departmental Expenditures section summarizes City-wide expenditures that are not department-specific such as for debt service; cash capital (pay-as-you-go capital project funding); contingent reserves; insurance costs; City memberships in regional, national and international associations; publications and communications; employee compensation; and other general City-wide expenses.

Expenditures	FY 2010 Actual	FY 2011 Approved	FY 2012 Approved
CIP Related Expenses			
WMATA Debt Services	\$0	\$735,906	\$903,335
General Obligation Debt Service	\$34,588,463	\$36,924,798	\$42,278,674
Northern Virginia Transportation District (NVTD) Bond Debt Service	\$256,070	\$256,070	\$256,070
Transfer to Capital Projects (CIP Cash Capital)	\$4,626,996	\$4,295,000	\$4,915,986
City Memberships	\$278,073	\$280,230	\$288,774
Insurance	\$3,865,994	\$4,209,025	\$4,249,525
Other Operating Expenses and Fringe Benefits	\$4,072,329	\$4,686,877	\$4,613,507
Contingent Reserves	\$0	\$1,900,000	\$760,000
Other Post Employment Benefit (OPEB) Obligations	\$5,300,000	\$1,700,000	\$1,800,000
Snow and Other Natural Emergencies	\$12,859,772	\$0	\$836,127
Total All Funds Non-Departmental Expenditures	\$65,847,697	\$54,987,906	\$60,901,998
Revenues			
Special Revenue Fund	\$7,731,428	\$1,000,000	\$1,000,000
Total Revenues	\$7,731,428	\$1,000,000	\$1,000,000
Total General Fund Expenditures	\$58,116,269	\$53,987,906	\$59,901,998

Non-Departmental

FY 2012 Approved Non-Departmental Expenditures



Non-Departmental

Non-Departmental Expenditures

	FY 2010 Actual	FY 2011 Approved	FY 2012 Approved
WMATA Debt Service	\$0	\$735,906	\$903,335
General Obligation Bond Debt Service ¹	\$34,588,463	\$36,924,798	\$42,278,674
Northern Virginia Transportation District (NVTD) Bond Debt Service	\$256,070	\$256,070	\$256,070
Subtotal Debt Service	\$34,844,533	\$37,916,774	\$43,438,079

Debt Service:

- Total debt service costs are budgeted to increase by \$5.5 million, or 14.6 percent. Included in the \$43.4 million in total budgeted debt service is \$0.9 million for debt service related to the City's issuance of lower cost debt in June 2009 instead of a WMATA debt issuance; \$42.3 million for General Obligation Debt Service and \$0.3 million for Northern Virginia Transportation District Debt Service. In recent years, the City has issued bonds to provide significant funding for the Police headquarters project, as well as other capital initiatives at historically low interest rates. The federal Build America Bond program available for the City bond issuances of 2009 and 2010 also helps keep the net cost of debt service low. The increase in FY 2012 is primarily attributable to how the City structures its bond principal repayments. In June 2009, the City issued \$79.7 million in bonds, which resulted in \$5.7 million in new debt service requirements in FY 2012. In June 2010, the City issued \$72.3 million in bonds, which resulted in \$4.2 million in debt service in FY 2012. In July 2011, the City issued \$69.9 million in bonds for which \$1.1 million has been budgeted for debt service in FY 2012. Although payments on previously issued debt are declining, the increases due to these issuances are significantly greater.

- The components of FY 2012 debt service costs shown above include the following besides debt service for the 2009 and 2010 issued bonds issued at an overall fixed rate true interest cost of 3.28% and 2.93%, respectively:

- \$4.8 million in debt service for \$58 million in debt issued in July of 2008. This debt issuance provided 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.
- \$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 approximately 0.25 percent of the estimated real estate taxes.
- \$1,873,625 in debt service for \$20.0 million in total previously issued taxable bonds for affordable housing.
- \$1,394,903 in debt service for various General Obligation bonds issued 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 fees, which was authorized by the 1998 General Assembly.

¹ The FY 2011 budget was amended by City Council through the Supplemental Appropriations Ordinance to reflect the appropriation of \$393,652 in additional debt service resulting from the June 2010 issuance 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. Together with the June 2009 issuance of Build America Bonds the total subsidy from the federal government for both bonds will be \$1,713,303 in FY 2012.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2010 <u>Actual</u>	FY 2011 <u>Approved</u>	FY 2012 <u>Approved</u>
<u>Transfer to Capital Projects (CIP Cash Capital)</u>	\$4,626,996	\$4,295,000	\$4,915,986

Transfer to Capital Projects (CIP Cash Capital):

- The budgeted Cash Capital transfer from the General Fund to the Capital Projects Fund is increasing by \$620,986, or 14.5 percent from FY 2011 to FY 2012
- The overall cash allocation to the CIP from all sources for FY 2012 is planned at \$42.05 million or 45.6% of the FY 2012 CIP. This includes \$10.75 million in new transportation funding reserved by City Council as a result of setting 2.2 cents of the real estate tax rate aside starting in FY 2012.
- The approved FY 2012 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. The percent of the approved CIP in FY 2012 to be financed by General Obligation bonds is 54.4%,

FY 2012 Funding Sources	\$ in millions	% of Total
Cash Capital (G.F. Revenue)	\$4.92	5.3%
General Fund Balance	\$4.42	4.8%
Bond Interest Earning	\$0.25	0.3%
Bond Premium	\$0.00	0.0%
Reallocated Prior Year CIP Balances	\$0.30	0.3%
Sanitary Sewer Fees	\$3.54	3.8%
Stormwater Management Dedicated Tax	\$1.40	1.5%
Dev. Contributions & Dedicated Taxes (PY)	\$1.20	1.3%
Transportation Improvement Cash	\$10.75	11.7%
Other Sources	\$1.00	1.1%
Comcast Revenues for IT Infrastructure	\$0.99	1.1%
Non-City Sources	\$13.28	14.4%
Subtotal City Cash and Other Resources	\$42.05	45.6%
General Obligation Bonds (Sanitary Sewers)	\$3.48	3.8%
General Obligation Bonds (Stormwater Mgmt)	\$1.00	1.1%
Other General Obligation Bonds	\$45.64	49.5%
Total General Obligation Bonds	\$50.12	54.4%
Total	\$92.17	100.0%

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2010 <u>Actual</u>	FY 2011 <u>Approved</u>	FY 2012 <u>Approved</u>
<u>City Memberships</u>	\$278,073	\$280,230	\$288,774

City Memberships:

The approved budget for City memberships is increasing by \$8,544, or 3 percent.

Most of the organizations in which the City is a member held their fees flat in FY 2012. The approved budget of \$288,774 for City memberships includes City memberships in the Metropolitan Washington Council of Governments (\$121,000), the National League of Cities (\$9,302), the U.S. Conference of Mayors (\$12,242), the Virginia Municipal League (\$36,848), the Northern Virginia Regional Commission (\$70,869), the Northern Virginia Transportation Commission (NVTC) (\$38,513).

	FY 2010 <u>Actual</u>	FY 2011 <u>Approved</u>	FY 2012 <u>Approved</u>
<u>Insurance</u>	\$3,865,994	\$4,209,025	\$4,249,525

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 \$40,500, or a 1.0 percent increase. Increases are based on actual spending in prior years and projected premium cost increases. No increase in the maximum \$260 a month (\$3,120 per year) retiree health insurance subsidy is planned for FY 2012.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2010 Actual	FY 2011 Approved	FY 2012 Approved
<u>Contingent Reserves</u>	\$0	\$1,900,000	\$760,000

Contingent Reserves:

In FY 2012, there is \$760,000 approved by City Council as Contingent Reserves. During the add-delete process, City Council designated these funds for specific purposes, including:

- \$425,000 to address Fire overtime budget issues
- \$150,000 for Gang Prevention
- \$110,000 for Fort Ward Management Plan
- \$75,000 for Indigent Care

The following designations exist in FY 2011 Contingent Reserves and are likely to be reappropriated in the fall of FY 2012.

- \$60,000 – Sheriff Sober Living Unit
- \$226,696 – Safety Improvements for Fire
- \$4,160 – Sister Cities
- \$80,000 – Urban Forestry
- \$370,856 – Subtotal current designation not released by City Council

- City Council also appropriated Contingent Reserves savings (\$460,214) anticipated at the end of FY 2011 for FY 2012 and subsequent years of the Capital Improvement Program.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2010 Actual	FY 2011 Approved	FY 2012 Approved
<u>Other Post Employment Benefit (OPEB) Obligations</u>	\$5,300,000	\$1,700,000	\$1,800,000

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 \$99.1 million. Meeting the challenge of funding this liability will assist the City in maintaining its AAA/Aaa bond ratings during a time in which lenders are looking far more carefully at “risks” before lending money to municipal governments. This budget provides \$1.8 million in funding in FY 2012 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 \$1.2 million from fund balance to help pay estimated FY 2012 costs. Another \$6.6 million in other cash sources provide a total of \$9.6 million or 93% of the annual required contribution. This funding represents the fourth 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 were reduced for new employees by eliminating post-retirement life insurance benefits. 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	\$ 2.4	\$ 2.5	\$ 2.6	\$ 2.8	\$ 2.8	\$ 2.8	\$ 2.8	\$ 2.9
Reimbursement	\$ 2.8	\$ 2.9	\$ 3.1	\$ 3.2	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.4
Life Insurance	\$ 0.6	\$ 0.8	\$ 1.0	\$ 1.4	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5
Total Cash Flow	\$ 5.3	\$ 6.1	\$ 6.6	\$ 7.2	\$ 7.6	\$ 7.6	\$ 7.6	\$ 7.6	\$ 7.8
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									
(All Sources)	\$ 10.6	\$ 9.4	\$ 9.6	\$ 9.9	\$ 10.2	\$ 10.3	\$ 10.3	\$ 10.3	\$ 10.3
Required Contributions	\$ 10.3								
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	103%	91%	93%	96%	99%	100%	100%	100%	100%
% of Annual Required Contribution Funded by Current General Fund Sources	76%	76%	82%	89%	97%	100%	100%	100%	100%

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2010 <u>Actual</u>	FY 2011 <u>Approved</u>	FY 2012 <u>Approved</u>
<u>Snow and Other Natural Emergencies</u>	\$12,859,772	\$0	\$836,127

In FY 2010 and early in FY 2011, the City experienced two cataclysmic snow storms in December 2009 and February 2010 and an extremely severe thunderstorm in August 2010. In FY 2010, the City spent nearly \$13 million to prepare for and clean up after the snow storms. City Council appropriated \$800,000 for this storm's costs from fund balances assigned for storm emergencies as an FY 2011 Supplemental Appropriation. General Fund expenditures for these events are expected to be \$5.1 million, although at this time the amount of FEMA reimbursement is unknown.

City snow and ice management budgets are being consolidated in the Non-Departmental section of the Operating Budget for FY 2012. Approximately, \$38,000 was moved from General Services and \$565,000 was moved from Transportation and Environmental Services to form a central budget for snow and other emergencies. A centralized accounting of these activities will allow for quicker monitoring and reporting of costs as well as remove the unpredictable burden of random snow and ice events from Departmental budgets. Ideally, other service levels in departments should not be reduced because of a particularly bad (i.e. expensive) snow season or other event. This method would contain cost overruns (or potentially cost savings) outside Departmental budgets so they can be handled in a macro-City manner. As these costs are verified, staff will request that funds be transferred back from Non-Departmental to the appropriate Department, thus giving City Council an accurate picture of the costs of these operations at the time of the transfer resolution. In addition to budget transfers from Departments, an additional \$230,000 has been included in the Non-Departmental account to provide a more realistic annual budget for this service. This centrally appropriated account of \$836,127 will be backstopped by \$0.5 million assigned for snow and other emergencies in the City's fund balance. This is in recognition that weather patterns have become more volatile with global climate change increasing the level of moisture in the air and thereby creating more severe weather.

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2010 <u>Actual</u>	FY 2011 <u>Approved</u>	FY 2012 <u>Approved</u>
<u>Other Operating Expenses and Fringe Benefits</u>	\$3,986,554	\$3,686,877	\$3,613,507

Other Operating Expenses and Fringe Benefits:

- Funding for these various operating expenses is decreasing \$73.370, or 2 percent.
- Significant impacts in this category are:
 - \$230,000 is budgeted to cover a mandated shift in responsibility for Line of Duty Benefit costs from the state to localities. This cost will eventually be distributed to the affected departments for public safety officers.
 - (\$350,000) was budgeted as a savings for city-wide telecommunications in FY 2011. These funds were used to implement the transition to the Voice-over Internet Protocol telecommunications system and are no longer needed in FY 2012.
 - (\$57,063) has been identified as savings related to the public safety radio system based on prior year actual spending.
 - Funding for efficiency/best practice studies has been largely eliminated (\$275,000 was contained in the Approved FY 2011 budget). However \$45,000 has been retained to provide funding for a joint effort with a local university to develop Community Indicators.
 - \$270,000 remains in the Non-Departmental budget for potential debt service for the Housing Department. 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 in bonds that remains to be issued as part of the dedicated 0.6 cents in real estate taxes for affordable housing. Some of these funds may be needed for the 16 ARHA James Bland replacement units and the balance would be used for the creation or preservation of other affordable housing in the City.

Non-Departmental Expenditures, continued

Other Operating Expenses and Fringe Benefits (continued):

•(\$375,000) in savings for contractual services and travel and training was budgeted in FY 2011 in the Non-Departmental budget. These savings have been identified and applied to the specific departments as reported to City Council in December 2010. The majority of these savings continue in FY 2012. In addition, it should be noted that additional savings were identified in the City Attorney's Office for outside attorney payments. In total, this year's budget contains nearly half a million dollars in reductions in contracts, travel and training based on analysis of prior years' spending

Non-Departmental

Non-Departmental Expenditures, continued

	FY 2010 <u>Actual</u>	FY 2011 <u>Approved</u>	FY 2012 <u>Approved</u>
<u>Other Operating Expenses</u>			
Public Safety Radio System	\$384,986	\$457,063	\$400,000
Efficiency/Best Practices Studies	\$430,887	\$275,000	\$0
Community Indicators	\$0	\$0	\$45,000
Line of Duty Benefit Costs	\$0	\$0	\$230,000
Waste-To-Energy Plant Property Taxes	\$579,698	\$550,000	\$580,000
Pension (Public Safety - Closed Deferred Benefit system)	\$1,680,631	\$1,700,000	\$1,700,000
Citizen Academy (Including Police Citizen Academy)	\$4,142	\$6,000	\$4,300
City-Wide Telecommunications	\$252,979	\$350,000	\$0
BRAC Coordinator	\$118,150	\$0	\$0
Postage	\$0	\$42,910	\$0
Tuition Assistance	\$0	\$188,400	\$178,400
City Resident Survey	\$32,538	\$0	\$0
Severance Pay and Employee Leave Pay-out	\$54,173	\$0	\$0
Professional Services and Education and Training Savings to be Distributed	\$0	(\$375,833)	\$0
<u>Other Expenditures</u>	<u>\$448,370</u>	<u>\$493,337</u>	<u>\$475,807</u>
Total Other General Fund Operating Expenditures	\$3,986,554	\$3,686,877	\$3,613,507
Allowance for Special Revenue Fund Grants and Donations	\$0	\$1,000,000	\$1,000,000
Total Other All Funds Operating Expenditures	\$3,986,554	\$4,686,877	\$4,613,507