



8

2-15-07

City Manager Proposed FY 2008 Operating Budget and FY 2008-2013 Capital Improvement Program

February 15, 2007



FY 2008 Budget Overview

- FY 2008 General Fund Operating Budget
 - Meets Target
 - \$508.9 M
 - 2.25% increase
 - Lowest in 12 years
 - City share up \$5.6 M or 1.6%
 - Schools share up \$5.6 M or 3.75%
- All Funds Operating Budget up 1.2%



Budget Addresses Strategic Challenges

- Maintaining quality workforce
- Reacting to real estate market slowdown
- Improving economic competitiveness
- Providing for infrastructure needs
- Addressing inadequate federal and state support
- Taking care of those most in need
- Improving transportation services



Lengthy and Deliberate Budget Review

- Challenged all City departments
- Closely reviewed funding necessary to maintain current services and policies
- Closely reviewed need for new initiatives and capital investments
- \$28.5 million less than that being considered at time of November retreat



City Operational Cost Held Flat

- Of \$5.6 M increase in City managed budget
 - \$1.1 M to transit subsidies
 - \$3.9 M for CIP funding
 - \$0.6 M for City Operations
- City operational cost up only 0.2%
- \$3.5 M in expenditure reductions
- 15 net fewer positions



Schools Operating Budget Held to Target

- Budget in accord with target for Schools
 - \$155.5 M for Schools operating expenses
 - 31% of General Fund for Schools
- Schools CIP request fully funded
- Schools request is \$6.8 M above target



No New Taxes or Tax Rate Increases

- No increase in real estate tax rate of 81.5 cents
- Real estate assessments up 4.43%
- Average residential real estate taxes down 2.9% (\$124).
- Growth in real estate assessments primarily in new construction and in commercial property



Transition to User Fees

- Increased use of user fees improves equity and efficiency
 - Storm Sewer user fees under study
 - Solid waste collection and disposal
 - Recreation
 - Transportation
 - Special events



Economic Development in Forefront Next Year

- Budget provides \$2.9 M to economic development activities
- Budget sets aside \$300,000 for improved Old Town transit and to-be-determined initiatives in response to National Harbor opening
- Economic Sustainability Work Group recommendations coming in late spring
- More investment in infrastructure is needed for economic development but constrained by the target.



CIP Meets Immediate Needs

- Emphasis on correcting deficiencies and appropriately maintaining facilities
- \$64.9 M in CIP for FY 2008
- Increase of \$2.8 M over planned amount
- Large number of new projects scheduled for FY 2009/2010
- Costs likely to exceed available funding levels
- Need to work with Council in fall of 2007 to rethink those needs



Employees

Our Most Valuable Asset

- Must meet competitive challenges of regional labor market
- However, unable to recommend COLA within target; each 1% COLA costs \$3.6 M
- Recommend preserving step increases
- Will begin study of alternative pay systems
- Recommend “Q” step in meantime in lieu of COLA



New Budget Process

- More time for Council review and citizen input
- Clear guidance provided to City and Schools through target-setting process
- City Council has option of adding additional funds to the budget
- City staff will present alternative revenue raising measures for Council consideration



Managing For Results Initiative

- Long-term effort to achieve better results with limited resources
- New program and performance based budget shows cost and results of 500 separate City government activities
- Continuous improvement is priority goal
- Regular reports to City Council and public on our performance – the “Results”



Challenging Budget

- Appreciation to City staff who
 - Created program and activity budgets
 - Proposed well-considered budget reduction alternatives
 - Devised alternative methods to conduct City business
 - Produced a proposed City government budget that increases only 1.6%



Meeting Expectations

- Sought to be responsive and accountable to the wishes of Council and public
- More restrained and more transparent budget