

City Managers Budget Presentation
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3-8-05

Proposed FY 2006 Operating Budget and FY 2006 – 2011 Capital Improvement Program

March 8, 2005



The Budget Process

Comprehensive and Thorough

- Budget kickoff and building of baseline compensation estimates – August
- Guidelines included mandatory adjustments to maintain current services, discretionary supplementals in support of the Strategic Plan, and options to reduce expenditures
- Department operating budget submissions – Sept. - Oct.
- OMB / CIP Steering Comm. / Info. Tech. Steering Comm. Reviews – Nov. - Jan.
- CMO Review (including meetings with various department heads) – Dec. - Feb.
- Preparation of Budget Document – Feb. / March

Balanced Budget

- Budget is Balanced: Expenditures = Revenues
- Capacity to fund Public Services and Infrastructure is limited
- Competition for Limited Resources
- Guided by Council's Strategic Plan, Adopted Financial and Management Policies and Employee Compensation Philosophy

Overview of Budgets

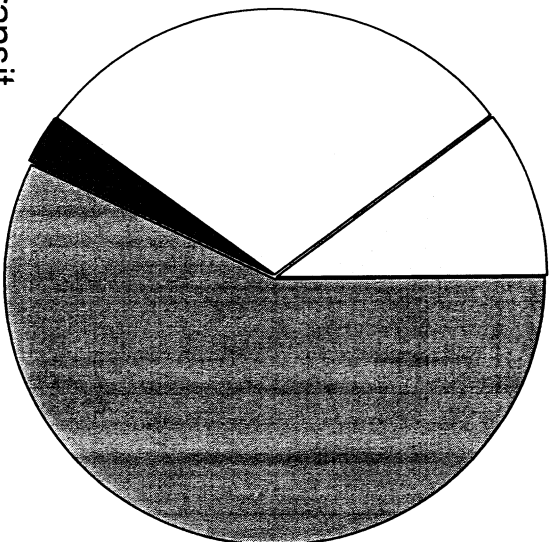
	FY 2005	FY 2006	\$ Change	% Change
All Funds Operating Budget	\$522.9 M	\$565.7 M	\$42.8 M	8.2%
General Fund Op. Budget	\$432.8 M	\$470.7 M	\$37.9 M	8.7%
CIP – City Funds 2006-2011	\$318.2	\$325.0	\$6.8	2.1%

**General Fund Operating Budget
\$470.7 million**

Debt Service and
Cash Capital -
\$48.9 M
10%

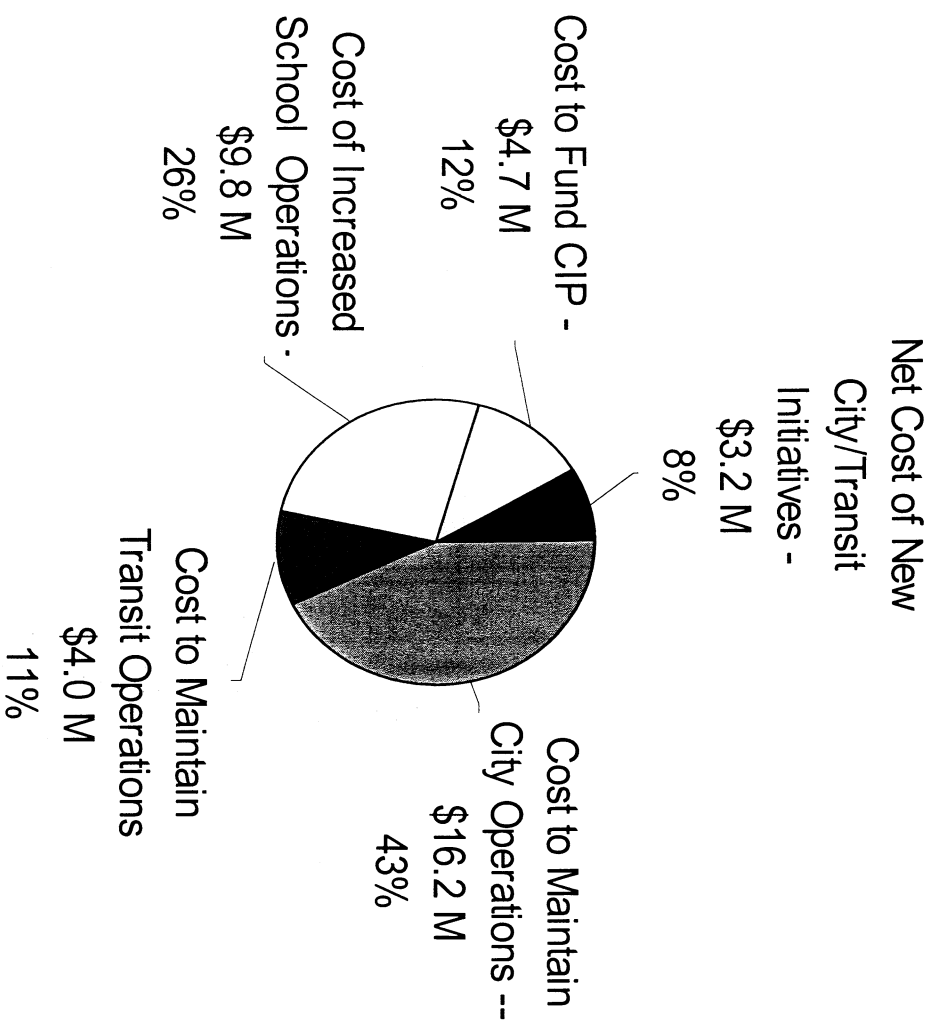
Public Schools
Operations -
\$139.9 M
30%

Transit
Operations -
\$14.5 M
3%



City Operations -
\$267.4 M
57%

Reasons for Growth in General Fund Expenditures \$37.9 million



Need for Tax Relief

- Budget proposes more than ~~\$20~~ million in real estate tax relief
 - 4 cent reduction in real estate tax rate
 - Renders lowest tax rate for Alexandria in more than 50 years
 - Other forms of real estate tax relief
 - Affordable Home Ownership Preservation Grant Increases
 - Tax Relief for Elderly and Disabled

Future Outlook

- City financially sustainable
 - Local Economy is very healthy
 - Long range budget outlook is reasonable
- Assumption: Current service level is sustained to maintain Quality of Life
- Commitment to continuing search for better ways to serve Alexandria residents more efficiently

Budget Calendar

- Work Session Tuesday, March 15
 - Overview of Revenues, Expenditures and CIP
- Work Session Tuesday, March 29
 - Compensation, Police, DHS, MHM RSA
- Public Hearing Monday, April 4
- Work Session Wednesday, April 6
 - Joint meeting with School Board

Budget Calendar

- Work Session Monday, April 11
 - Transportation, Recreation and Other
- Work Session Wednesday, April 27
 - Preliminary Add/Delete List
- Work Session Monday, May 2
 - Final Add/Delete List
- Special Meeting Monday, May 2
 - Adoption of Budget and Tax Rates

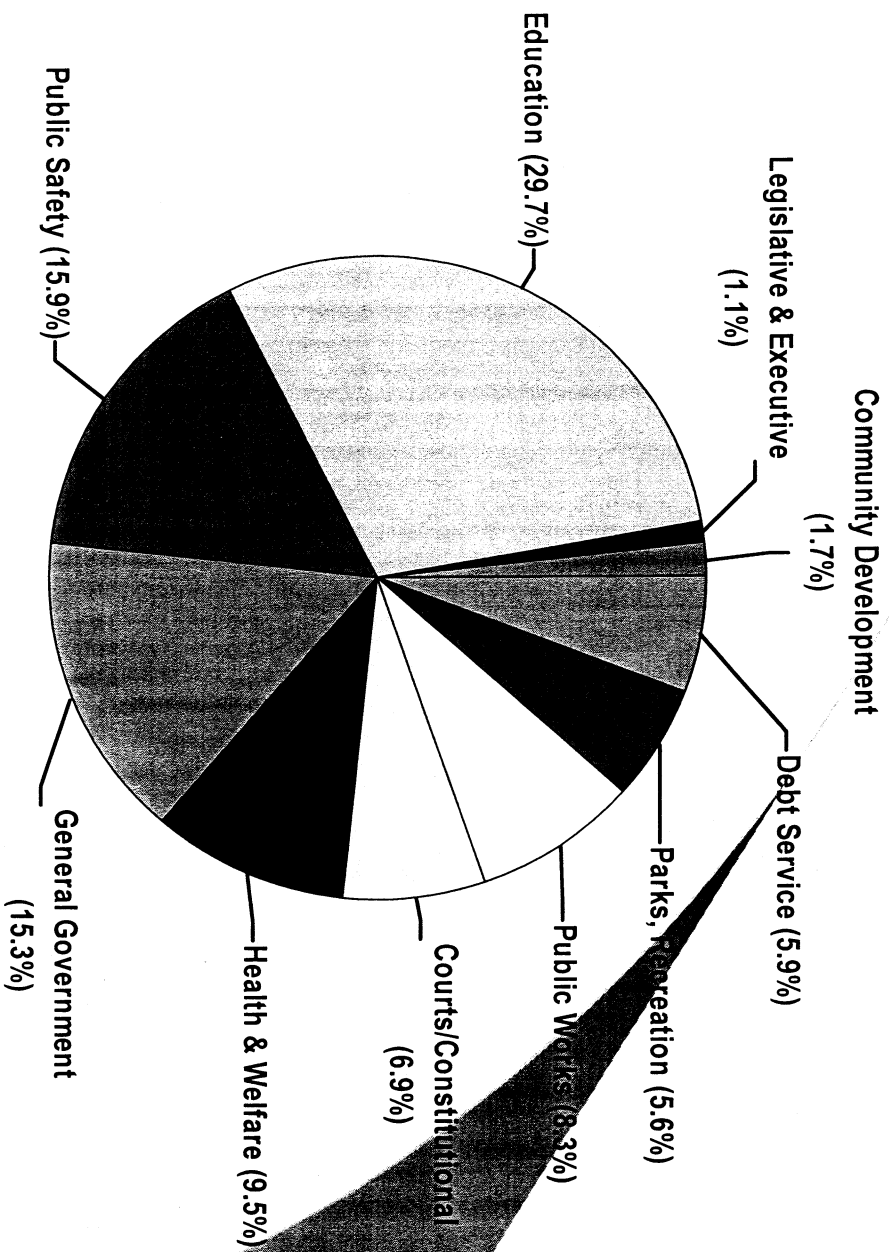
Foundations of Budget Planning

- Finances the implementation of City Council's adopted Strategic Plan
- Guided by City's policies and practices
 - City debt and fund balance guidelines
 - Compensation Philosophy

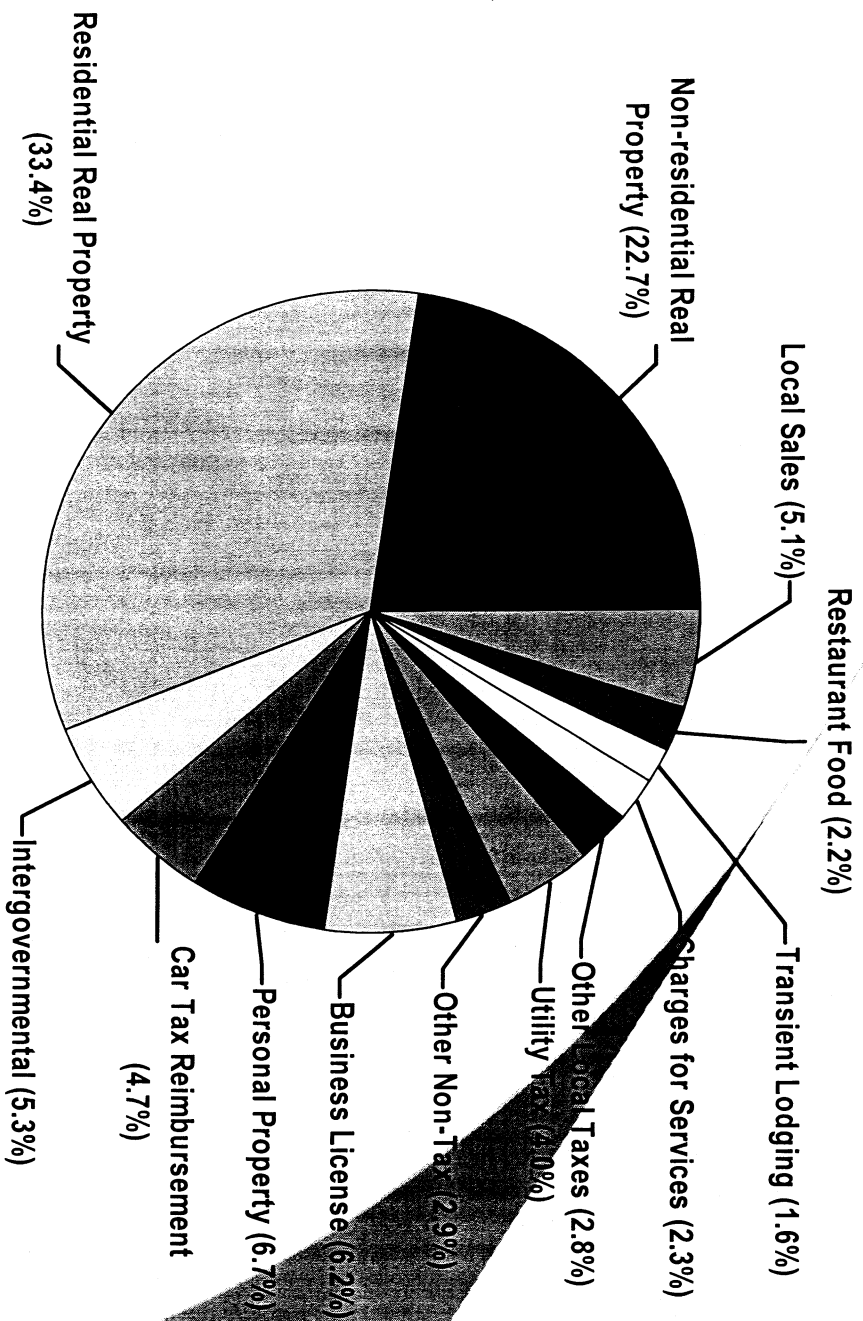
Strategic Plan Based Goals

- Quality development and redevelopment
- A City that respects the natural environment
- An integrated, multi-modal transportation system
- A strong local economy
- A caring community
- Government that is financially sustainable
- Public schools that are among the best
- A safe community

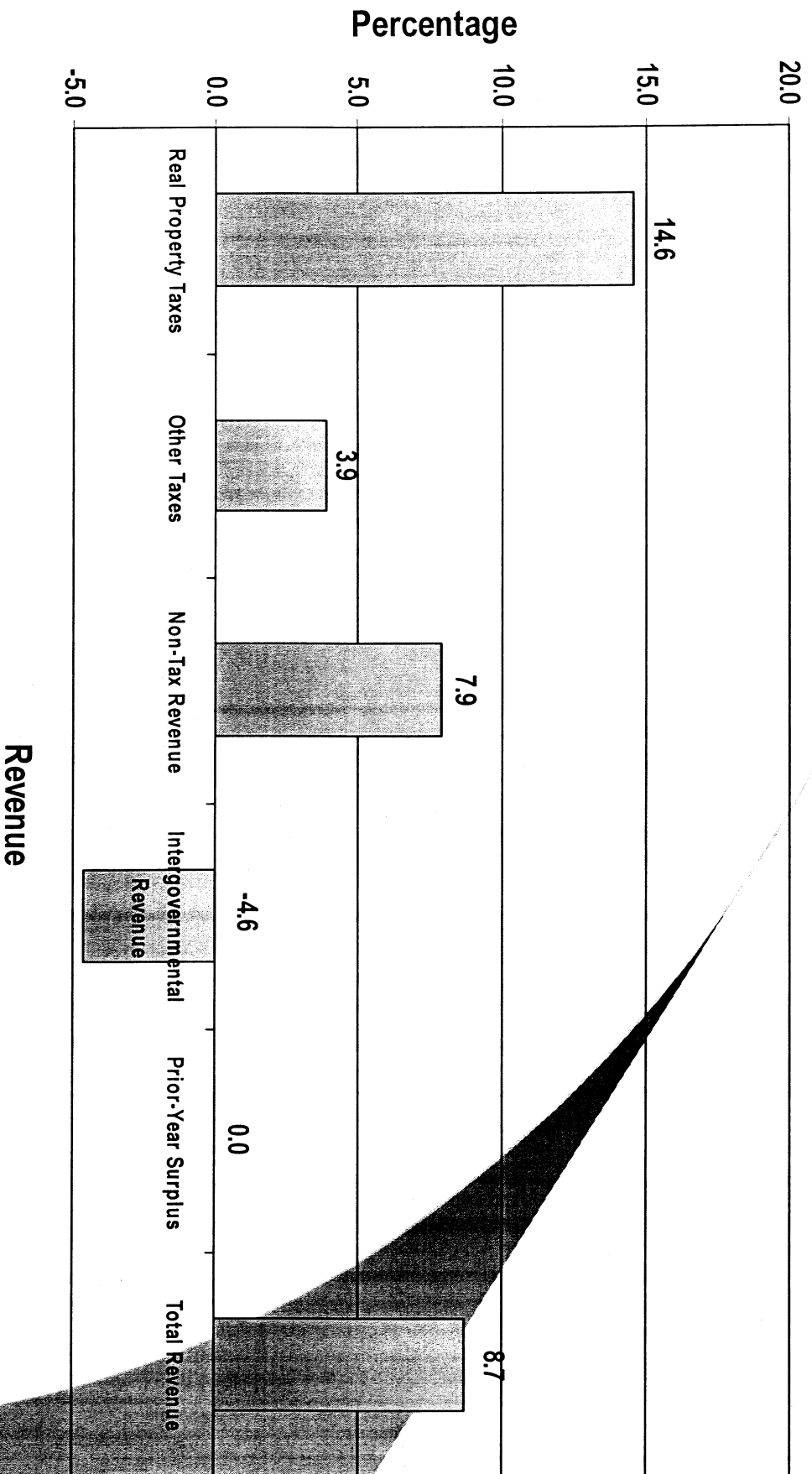
FY 2006 COMBINED GENERAL FUND EXPENDITURES, WHERE IT GOES...



FY 2006 COMBINED GENERAL FUND REVENUES, WHERE IT COMES FROM...



PERCENTAGE RATE OF GROWTH BY REVENUE SOURCE



Real Estate Tax Relief Measures

- A four cent reduction in the tax rate
 - 99.5 cents to 95.5 cents per \$100 assessed valuation
 - Fourth decrease since 2001 when rate was \$1.11
 - Lowest real estate tax rate in fifty years
 - Reduces real estate tax bills by \$16.4 million (\$5.4 million in FY 2005 and \$11.0 million in FY 2006)

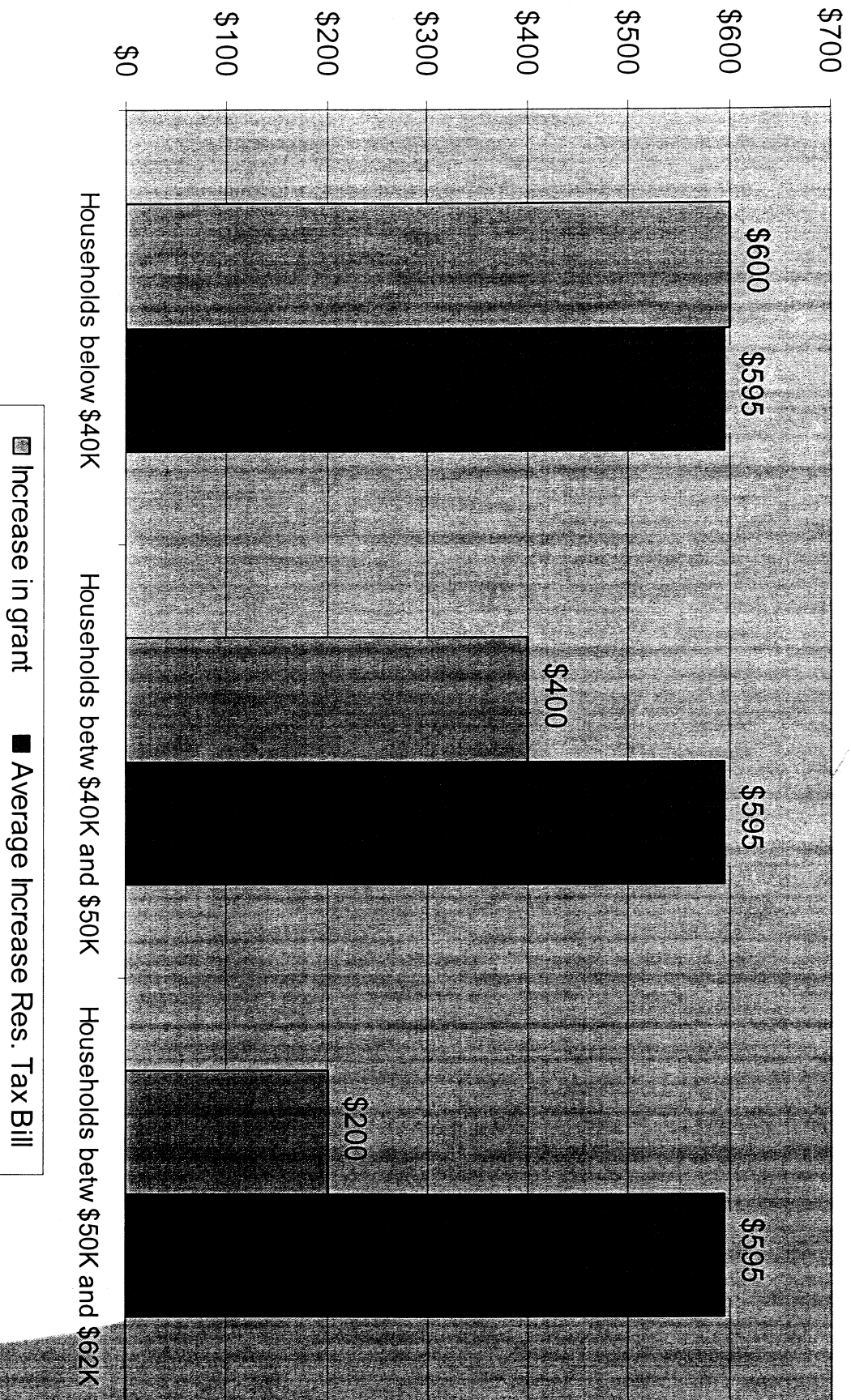
Real Estate Tax Relief Measures

- Increase in Affordable Homeownership Preservation (AHOP) Grants for Real Estate Tax Relief
 - Provides targeted relief for low and moderate income Alexandria homeowners
 - Efficient and effective way to counteract effect of rising real estate assessments for those most in need

Proposed AHOP Changes

- Increase grant amounts from \$250 to
 - \$850 for households with less than \$40,000 annual income
 - \$650 for households with \$40,000 to \$50,000 annual income
 - \$450 for households with \$50,000 to \$62,000 annual income
- Increase limit on eligible value of residence from \$362,000 to \$442,000
- \$1 million for this program in budget
 - Assumes 1,300 home owners will participate

AHOP Grant Increase Compared to Increase in Tax Bill for Average Residential Owner



Other Forms of Real Estate Tax Relief in Budget

• \$2.7 million in real estate tax relief for the elderly and disabled estimated under current thresholds

- Household income \$40,000 or less = 100% relief
- Household income \$50,000 or less = 50% relief
- Household income \$62,000 or less = 25% relief

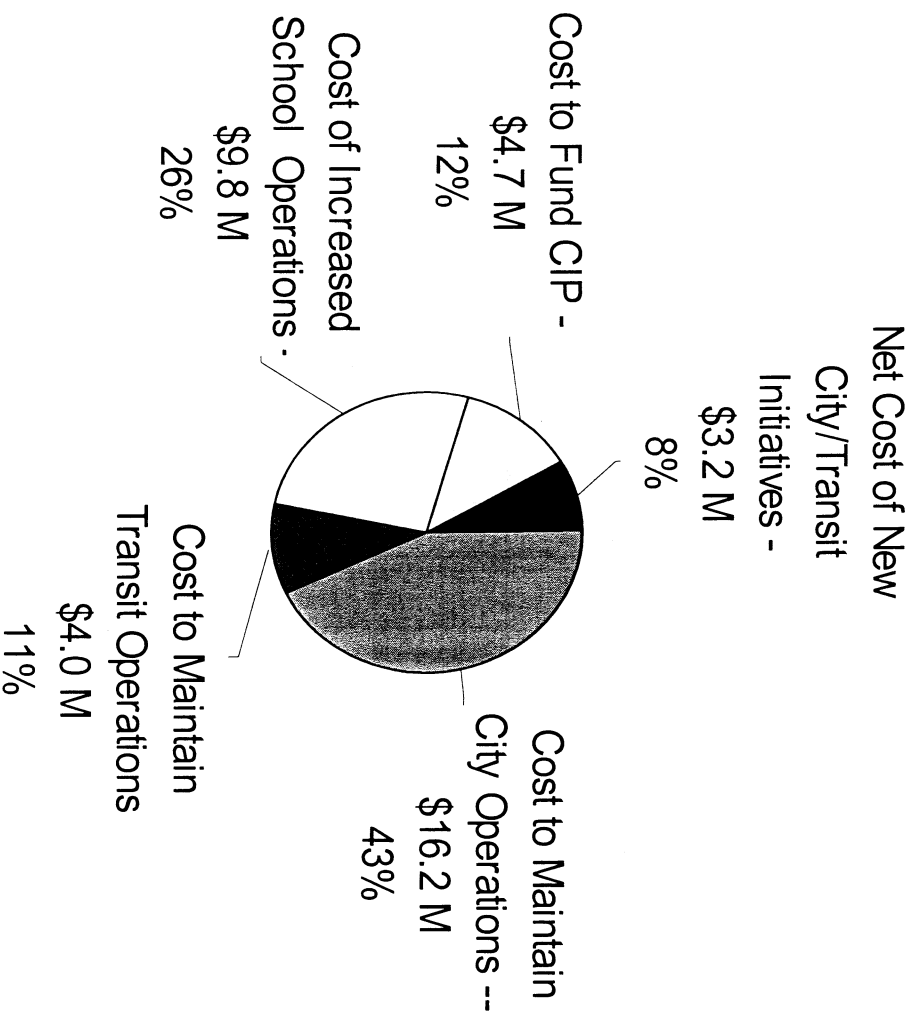
Additional Funds for Affordable Housing

- \$3.65 million set aside as special revenues for affordable housing
 - \$1.65 million (FY 2005) and \$2.0 million (FY 2006)
 - Equals portion of tax on recording real property transactions
 - Helps respond to potential federal budget cutbacks in housing aid to Alexandria
 - Supplements voluntary developer contributions and City General Fund appropriations
- Alternatively, these revenues could be used to provide additional real estate tax relief

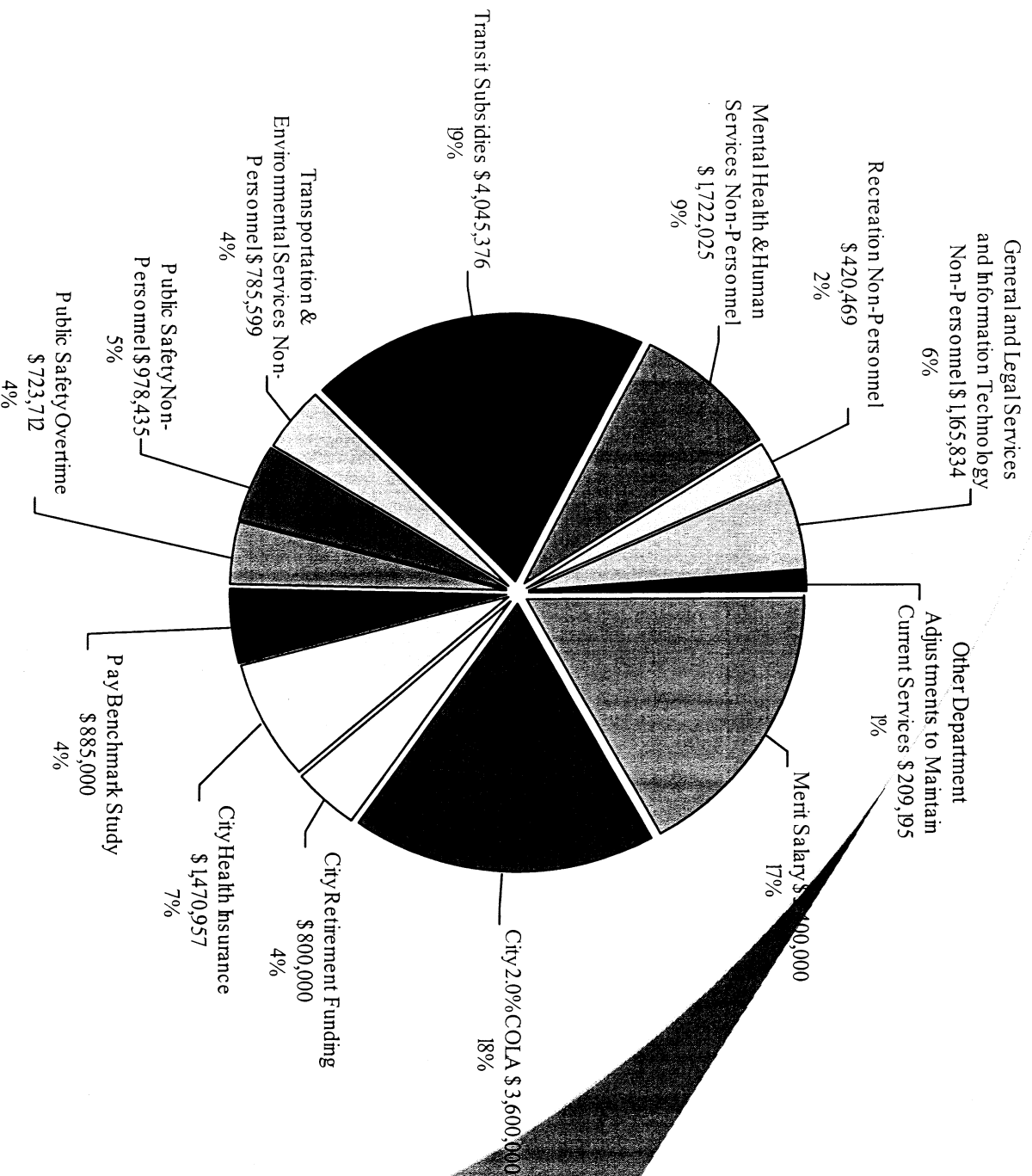
Small Business Tax Relief

- Measures proposed to reform and simplify taxes on small and medium sized businesses in their first two years of operation
 - Change from “estimated” to “actual” basis
 - Except for \$50 License Fee in first year, tax is eliminated and cut substantially in the second year

Reasons for Growth in General Fund Expenditures \$37.9 million



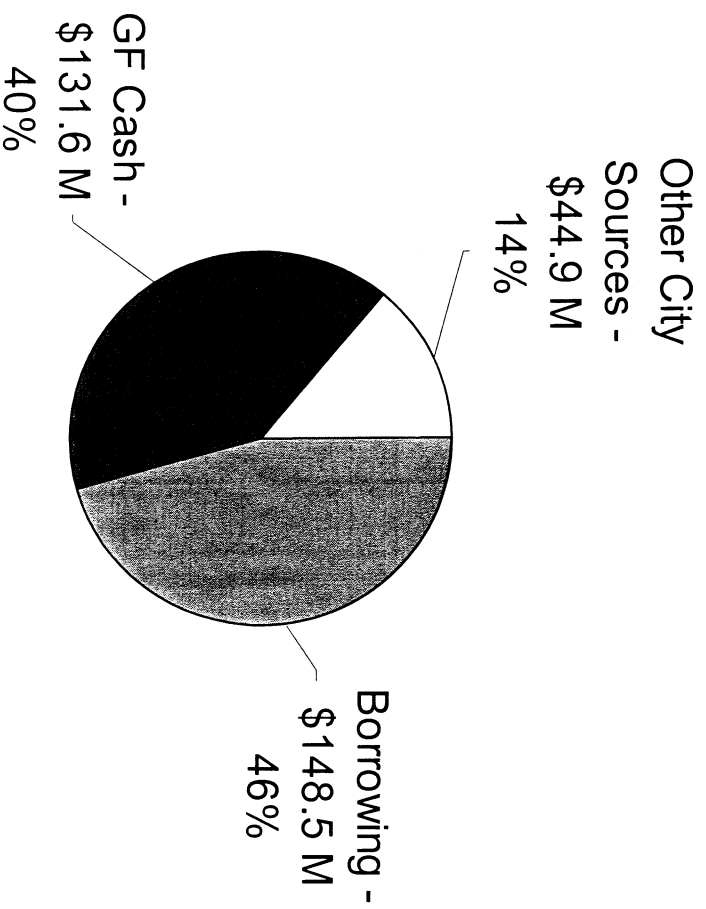
Costs to Maintain Current Services and Policies (City = \$16.2 million, WMATA & DASH = \$4.0 million)



Capital Improvement Program FY 2006 – FY 2011

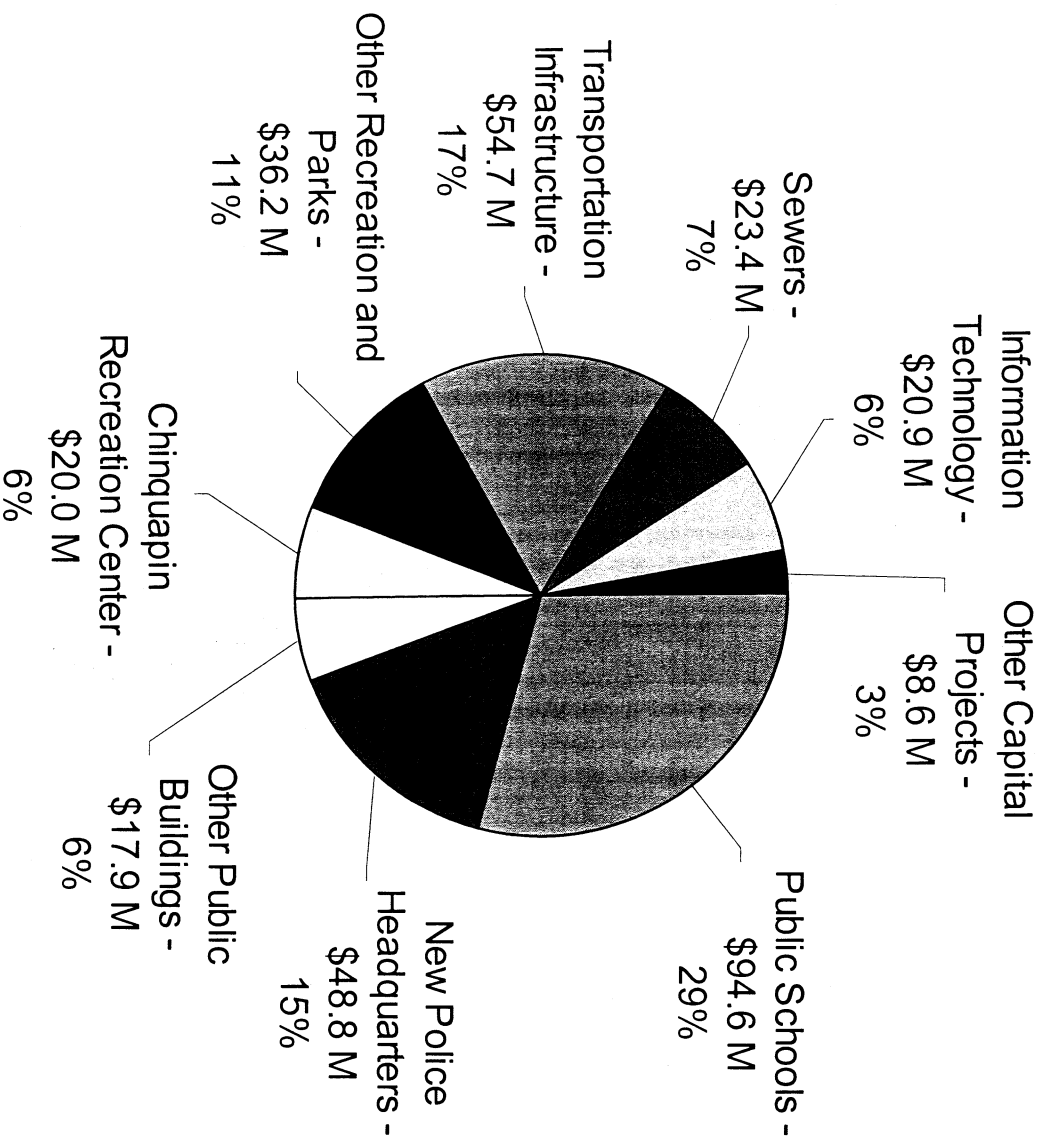
- \$325 million over 6 years
- Up 2.2% over last year's \$318 million CIP

CIP Funding Sources Over the Six Years \$325.0 million

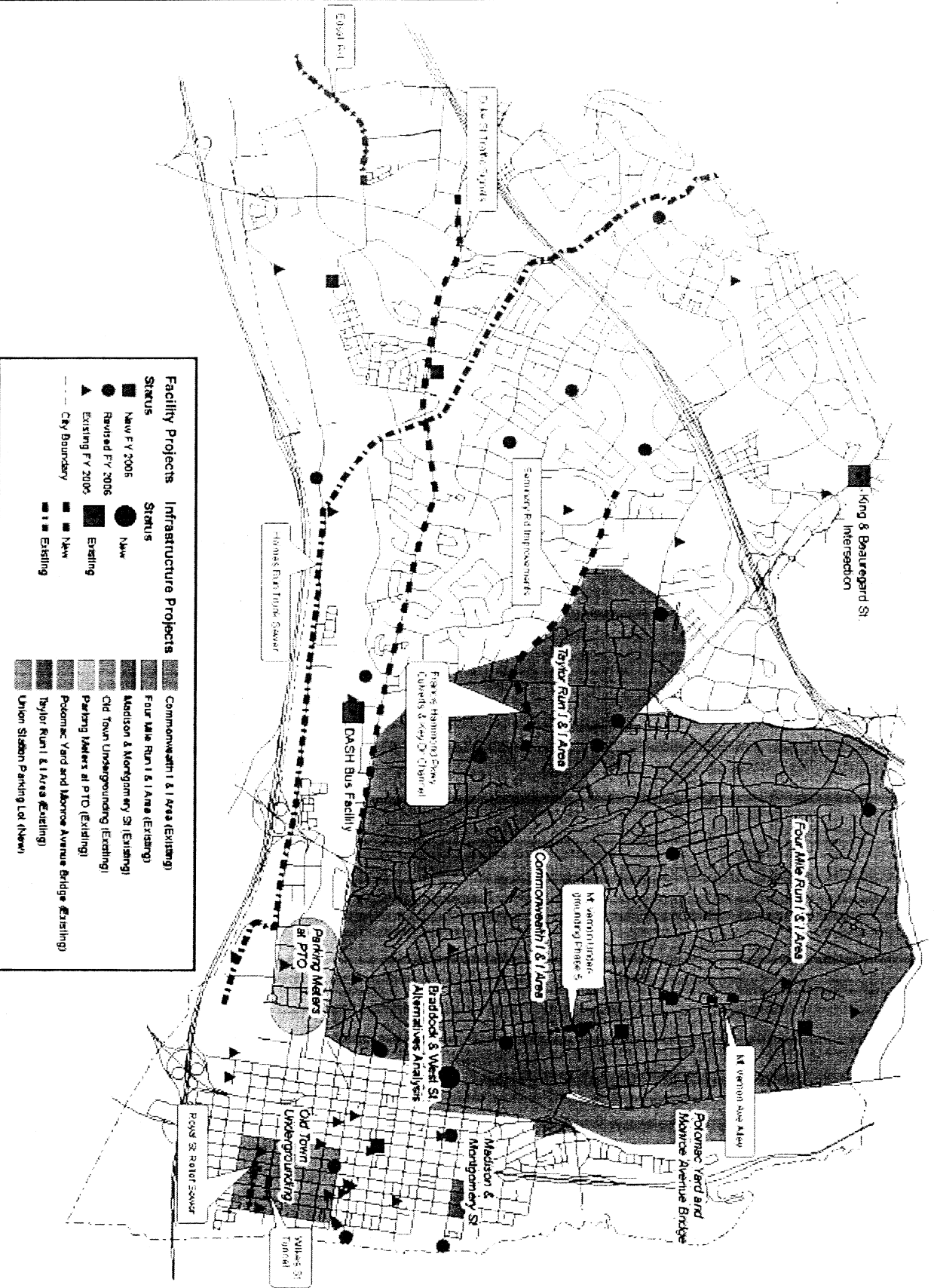


Capital Improvement Program Categories and Major Projects

\$325.0 million



Location of Proposed CIP Projects



* Map does not include ongoing, annually funded maintenance projects

School Operating Budget

- Fully funds Schools' Operating Budget Request except for two assumed technical adjustments
- Provides \$139.9 million – a \$9.8 million increase or 7.5%
- Assumes technical adjustments
 - \$620,000 adjustment represents a closer to actual assumption about vacancy savings
 - \$280,000 adjustment represents a additional anticipated state revenues

School CIP

- Provides Schools \$94.6 million over 6 years
- Fully funds FY 2006 through FY 2008
 - \$67.2 million (no change from last year) \$ amended CIP except for timing of T.C. Williams construction costs)
 - \$27.4 million for FY 2009 through FY 2011
 - Postpones decision on need for increase for Minnie Howard
 - Postpones decision on need for additional \$2.5 for FY 2011 for unidentified projects

Financial Outlook

- Proposed budget is financially sustainable – another key strategic plan goal
 - Very healthy regional economy
 - Alexandria economic prospects very good
 - Tradition of a balanced budget with adequate reserves
 - Transparent budget
 - Deliberately conservative in future revenue projections
 - Consistent with AAA/Aaa rating criteria