

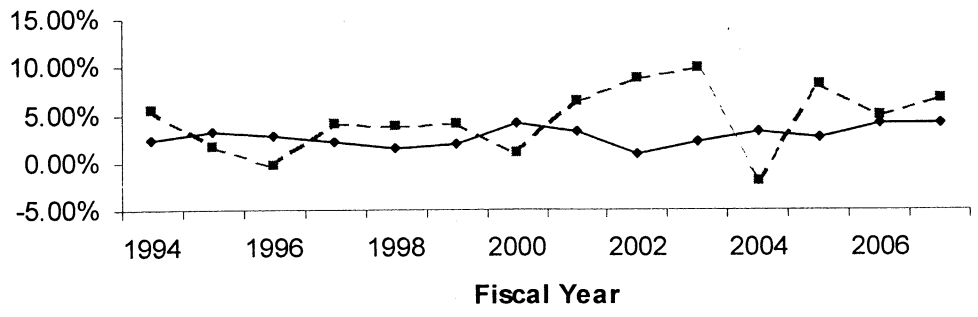
City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 5, 2006
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: BUDGET MEMO # 92 :INFLATION AND EXPENDITURE INCREASES SINCE 1993

This is in response to Councilman Macdonald's request for a graph of the rate of inflation against the actual per capita increase in expenditures. He also requested trends in City and School expenditures. Chart 1 shows a graph of the annual July to June inflation rate against the rate of per capita increase in City and School operating, capital, and debt service costs by fiscal year. It should be noted that the per capita expenditure declines in 2000 and 2004 depicted in the chart below were driven by the fact that 2000 and 2004 were actual "measured" years rather than "estimated" years. FY 2000 reflects the actual census population count, which showed an increase in population compared to estimates for previous years. FY 2004 reflects the Census Bureau's acceptance of the City's appeal of its post 2000 census population estimates as too low.

Chart 1. Annual Rate of Inflation and per capita rate of increase in City expenditures



—◆— Rate of Inflation —■— per capita annual rate of increase in City spending

Attachment A shows the numbers used to generate the graph.

Attachment A. Rate of Inflation and Rate of per capita increase in City spending

Fiscal Year	July-June CPI increase	Rate of per capita increase in City spending	Increase above or below the rate of inflation
1994	2.39%	5.64%	3.25%
1995	3.09%	1.70%	-1.39%
1996	2.80%	-0.32%	-3.12%
1997	2.14%	4.10%	1.96%
1998	1.46%	3.84%	2.38%
1999	1.94%	3.99%	2.05%
2000	3.93%	1.02%	-2.91%
2001	3.19%	6.49%	3.21%
2002	0.74%	8.87%	8.13%
2003	2.10%	9.83%	7.73%
2004	3.17%	-1.90%	-5.07%
2005	2.59%	8.12%	5.53%
Projected 2006	4.00%	4.89%	0.89%
Projected 2007	4.00%	6.70%	2.70%

Source: www.bls.gov "Consumer Price Index-Urban Wage Earners and Clerical Workers. Inflation is projected at 4% for FY 2006 and FY 2007.

City of Alexandria Approved Operating Budget FY 1995 - FY 2006
City of Alexandria Proposed Operating Budget FY 2007

Population figures used to calculate per capita spending are estimates (except for Census year 2000) can be found in the Capital Improvement Program budget document.

Chart 2 illustrates the change in real per capita City General Fund expenditures. The baseline in this chart shows that in FY 1993 per capita expenditures (in June 2005 dollars) were \$1,851. It is projected that total inflation will have increased by approximately 44.8% from June 1993 to June 2007, based on actual CPI-U inflation through 2005 and a projected rate of inflation of 4% during 2006 and 2007.

Chart 2 also shows the per capita change in City General Fund expenditures in June 2005 dollars. Since 1993, real expenditures per capita has increased by 25.8%. Over this time period, the approximate compounded annual rate of increase in real spending per capita is 1.65%.

Chart 2. Per capita change in City expenditures (in constant 2005 dollars)

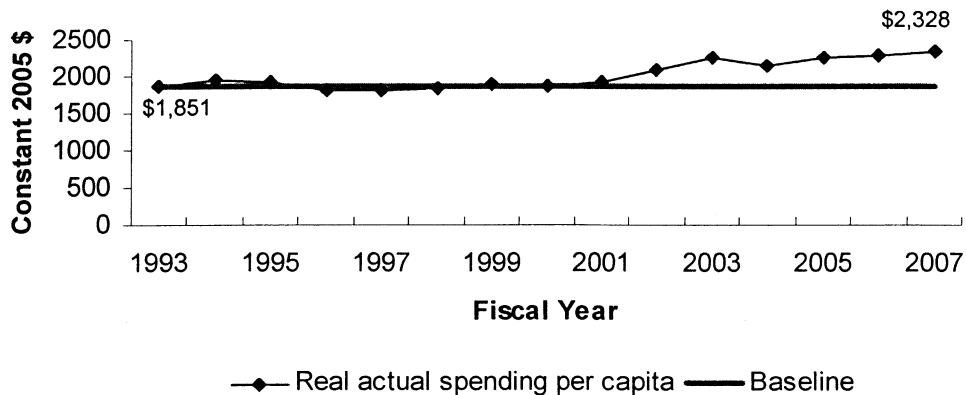


Chart 3 illustrates the change in real per capita transfers from the General Fund to the Alexandria Public Schools' budget. This chart illustrates the change in real per capita terms for transfer from the City's General Fund operating budget to the Schools. The baseline in this chart shows that in FY 1993 per capita spending (in June 2005 dollars) was \$763. Since 1993, real spending per capita has increased a total of 29.9%. Over this time period, the approximate compounded annual increase in real spending per capita is 1.88%.

Chart 3. Per capita change in school spending (in constant 2005 dollars)

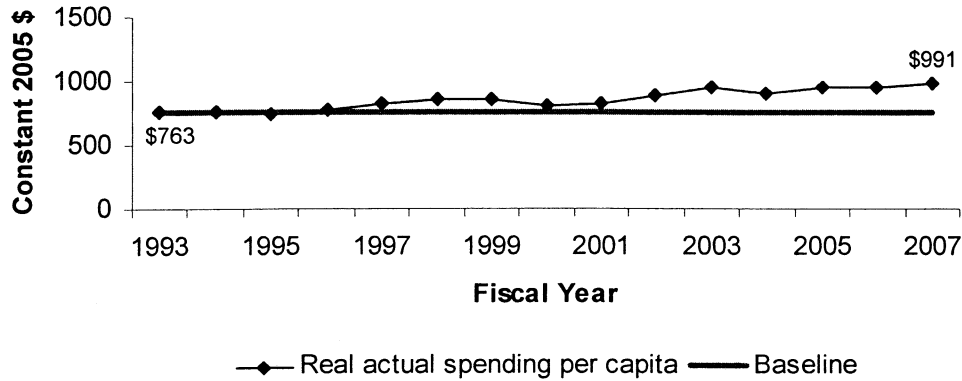


Chart 4 shows the underlying increase in the population of Alexandria between FY 1993 and FY 2007. All population data is estimated except for the census year 2000 number and the 2004 number. The estimated numbers for other years can be found in the FY 2007 Proposed Capital Improvement Program budget document on page 40.

Chart 4. Alexandria Population, 1993-2007

