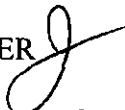


City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 10, 2006
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER 
SUBJECT: SETTING TARGETS FOR THE FY 2008 BUDGET

ISSUE: Setting targets for expenditure growth for the FY 2008 City General Fund Operating Budget and for the operating budget transfer to the Alexandria City Public Schools.

RECOMMENDATION: That City Council adopt the proposed resolution (Attachment I) which would set a target for expenditures in the General Fund City Operating Budget and set a target for the budget transfer to the Alexandria City Public Schools Operating Budget.

DISCUSSION: On October 10, 2006, Council passed Resolution 2205. That resolution (Attachment II) established the framework for the FY 2008 budget process and provided in part in Sections a (5-7):

[Section a(5)] "That City Council shall, as a result of information available to it at the Retreat, direct that the City Manager prepare a budget resolution to be adopted by City Council to guide the preparation of the upcoming Operating Budget and next Capital Improvement Program and that such a resolution would contain (a) a target for City General Fund expenditures (including any cost of a cost-of-living adjustment (COLA) for City staff and cash capital and debt service), and (b) a target for a budget transfer to the Alexandria City Public Schools (including the cost of any COLA for School staff)."

[Section a(6)] "That City Council shall establish for the City Manager and the Schools what preliminary percentage COLA should be included in the targets established in sections 5(a) and 5(b) above.

[Section a(7)] "That City Council plans to adopt such a budget resolution during the month of November."

The establishment of the appropriate target budget growth rate and the corresponding revenues that are needed to balance the budget is a policy issue that ultimately is, and always has been, the Council's responsibility to decide. Under Resolution 2205, Council is to give the City Manager and the School Board an indication of what budget level, options and alternatives it wishes the

proposed budget to examine when it is presented to Council next February. Council may then choose to approve a budget and tax rates based on the City Manager's and School Board's assessment of the impacts of meeting those targets on City and School programs, activities and capital investments.

Since the choice of expenditure targets at this stage of the process is not a final determination of the budget, but rather an indication of the range of broad policy choices that City Council wishes to consider, City staff does not have a recommendation on what specific budget targets to set.

A table is provided (Attachment III) that lists the details of the three possible scenarios ("A", "B" and "C") of separate budget targets for the City and the Schools. These three scenarios are:

- A. Targets set for the City (\$353.4 million) and Schools (\$155.5 million) that, when combined, equal what is currently estimated to be the revenues available in FY 2008 under current tax rates. This equates to an \$11.2 million or 2.25% increase in the General Fund budget.
- B. Targets set for the City (\$357.2 million) and Schools (\$160.7 million) that, when combined, equal what would be necessary to support the FY 2007 base plus what City staff outlined to City Council to be the "highest priority" increases for both the City and the Schools. In total the General Fund budget would increase \$20.2 million or 4.1%. \$10.0 million in sources of revenue would need to be identified. In the unlikely event that all of this increase had to come from real estate taxes, this would equate to a 1.8 cent increase in the real estate tax rate, or a 0.3% increase in the average real estate tax paid by homeowners.
- C. Targets set for the City (\$365.4 million) and Schools (\$163.3 million) that, when combined, equal what would be necessary to support the FY 2007 base, the "highest priority" increases, and a 2nd tier of increases for both the City and the Schools. This would equate to a \$31.0 million increase or 6.2%. \$20.0 million in sources of revenue would need to be identified. In the unlikely event that all of this increase had to come from real estate taxes, this would equate to a 4.0 cent increase in the real estate tax rate, or a 2.9% increase, which is about equal to inflation, in the average real estate tax paid by homeowners.

Council can choose to allocate allowable budget growth between the City's share of the General Fund and the budget transfer to the Schools in any combination it believes best serves the community. As specified in Resolution 2205, these targets include any preliminary allowance that City Council may chose to specify, if any, for cost-of-living adjustments to be provided to City and School employees. Resolution 2205 also provides that the City Manager may recommend, and Council may adopt, a different percentage COLA in his proposed budget than that established by City Council under section 6 above, but such a recommendation shall not change the City and Schools targets established by sections 5 (a) and (b).

In addition to setting a budget target, Council also could choose to establish an alternative budget target for both the City and the Schools. In that case the City Manager and the School Board would provide a budget at each of the two target levels that specifies what programs and activities would be included under each. I do not recommend that alternative targets be established. As I stated in my October 6, 2006, docket item memorandum to City Council on the new budget process:

- During the September 26th discussion, a question was asked whether City staff would recommend City Council establish either a single target for both the City and the Schools, or a high and low target as it did last year. The amended resolution allows either option. However, I recommend that City Council establish a single target. Last year the presentation of the budget was difficult for the public and the City Council to understand because it was difficult to know what the “starting point” was for the debate. The City Manager’s proposed budget provides that starting point and last year it seemed as if the City Manager had two starting points on the table. If Council wishes to have options that are not in the base budget that might take the budget above the target for operating program expenditure increases or additional capital projects, or if it wants options to decrease expenditures below the target, that can occur without setting a formal second target.

To elaborate further, even if only one target is established for the City and one for the Schools, under Resolution 2205, City staff and the School Board also could present to City Council a description of what additional programs, activities or new or increased fees may be funded above the selected targets (e.g., unfunded supplementals). That would give Council a cafeteria-type menu of budget choices. Given the very tight fiscal situation for FY 2008, the budget target is likely to be a low growth budget requiring either program reductions or increases above the target.

Attachment III is a draft resolution that leaves blanks for the City Council to fill in for the targets.

FISCAL IMPACT: At the Council Retreat held Saturday, November 4, 2006, a variety of information was presented to Council concerning the revenue and budget outlook for FY 2008 for City operating expenses, debt service and cash capital payments to fund the Capital Improvement Program, as well as a preliminary forecast of funding needs provided by the Superintendent of the Alexandria City Public Schools. (See Attachments IV and V.) This information was designed to help prepare Council for setting those targets in a way that seeks to balance City and School needs with the ability of the community to pay for them.

- Preliminary estimates of City General Fund revenues featured a projected 1.9% decline residential assessments. In total at existing tax rates, revenues would increase by \$11.2 million or 2.25%. Scenario A provides targets for the City (\$353.4 million) and Schools (\$155.5 million) that, when combined, are equal to what is currently estimated to be the revenues available in FY 2008 under current tax rates.

- To the extent possible, given any new information or policy alternatives available in the coming months, the proposed budgets under Scenarios B and C would propose other revenue sources, in lieu of an increase in the real property tax rate, to provide the requisite increase to balance the budget under either of these two Scenarios.
- Beyond the \$2.4 million in City savings already identified and discussed at the Retreat, I and City staff will continue to seek to identify additional savings in the base budget through efficiency or productivity improvements, as well as the possible reduction in or elimination of lower priority programs in order to make the best use of limited resources.
- Scenario B provides targets for the City (\$357.2 million) and Schools (\$160.7 million) that, when combined, equal what would be necessary to support the FY 2007 base plus what City staff outlined to City Council to be the “highest priority” increases for both the City and the Schools. Such a target would require a 4.1% increase in total revenues.
- A new Scenario C is outlined here that provides targets for the City (\$365.4 million) and Schools (\$163.3 million) that, when combined, equal what would be needed to fund any additional items classified as the “next highest priority.” It is currently estimated that sufficient revenues would be available to do this in FY 2008 if there were a small increase in the real estate tax rate designed to keep the average residential real estate tax paid at the same inflation adjusted level as in CY 2006. It is estimated that such an increase would provide approximately a 6.2% increase in total revenues for the FY 2008 Operating Budget.

Scenario Summary Table

Scenario	Revenues	Targets		% Growth in Budget Targets			If R.E. Tax Increased*	
	\$ Increase (\$ in M)	City (\$ in M)	Schools (\$ in M)	City	Schools	Total	Inc. in Cents	% Increase in Ave. Res. R.E. Tax
A	\$11.2	\$353.4	\$155.5	1.60%	3.75%	2.25%	0	-1.9%
B	\$20.2	\$357.2	\$160.7	2.70%	7.20%	4.06%	1.8*	0.3%*
C	\$31.0	\$365.4	\$163.3	5.06%	8.94%	6.22%	4.0*	2.9%*

* For illustration purposes only in Scenarios B and C. The actual make-up of increased revenues is to be determined.

ATTACHMENTS:

Attachment I. Draft Resolution Setting Targets for the FY 2008 General Fund Operating Budget

Attachment II. Resolution 2205

Attachment III. Budget Target Scenario Table

Attachment IV. City Staff Presentation Slides from November 4, 2006 Retreat

Attachment V. Schools Superintendent Presentation Slides from November 4, 2006 Retreat and
October 31, 2006 Memorandum to City Manager with attachments

STAFF:

Mark Jinks, Deputy City Manager

Bruce Johnson, Director, Office of Management and Budget

Morgan Routt, Budget Analyst

Kendel Taylor, Budget Analyst

cc: Chairman and Members of the Alexandria City Public School Board
Alexandria City Public Schools Superintendent Rebecca L. Perry

Draft November 9, 2006

Resolution No. _____

Budget Resolution Setting Targets for FY 2008 General Fund Operating Budget

WHEREAS, the City Council of Alexandria passed Resolution 2205 on October 10, 2006 that established the process to be used for formulating the budget during the term of this Council and requires that City Council set budget targets for the City Manager and the School Board for the FY 2008 budget;

WHEREAS, the City Council held a public hearing on the FY 2008 budget on October 24, 2006; and

WHEREAS, the City Manager and the Alexandria City Public Schools Superintendent have presented to City Council at its November 4, 2006 retreat their preliminary forecasts of revenues, expenditures and capital needs; and

WHEREAS, City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

WHEREAS, the City Council is committed to continue performing fully its obligations to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria; and

WHEREAS, residential real estate taxes have borne an increasing share of the burden of paying for City and School services; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to help address the issue of increased residential real estate taxes; and

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools in achieving its mission and being among the best in Northern Virginia; and

WHEREAS, the City Council is committed to maintaining a fair, reasonable and competitive compensation plan for City and School employees; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to focus on managing for results; and

WHEREAS, the City Council is committed to maintaining its top AAA/Aaa credit ratings; and

WHEREAS, sufficient time for the budget process is necessary for the City Council and the community to deliberate on the various issues raised given the budget's complexity and importance;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF ALEXANDRIA:

1. That the City Manager shall submit a proposed FY 2008 Operating Budget and Capital Improvement Program to the City Council no later than February 13, 2006, that does not exceed a target of \$_____ million for General Fund expenditures. The target includes the cost of whatever cost of living adjustment is to be provided to City employees. This target does not include the operating budget transfer to the Alexandria City Public Schools.
2. That the School Board of the Alexandria City Public Schools is requested to approve a FY 2008 Operating Budget and Capital Improvement Program by no later than January 31, 2007. Such budget shall seek not to exceed a target of \$_____ million for the operating budget transfer provided to the Alexandria City Public Schools. This target includes the cost of whatever cost of living adjustment is to be provided to Schools employees. Such budget, if it shall exceed the Council approved budget target for the Operating Budget transfer, shall (as specified in section a(8) of Resolution 2205) clearly identify what operating programs and activities and capital projects would be funded if additional funding were provided above that target.
3. That the budget documents of both the City Manager and the School Board shall clearly describe what operating programs and activities and capital projects could be funded within the budget target and what operating programs and activities and capital projects and other policy options may exceed the target budget and, to the extent possible, what the impact would be on the performance of those programs (the results) that are proposed either for possible expansion or reduction.
4. That the City Manager and the School board shall assume on a preliminary basis that a COLA of ____% is included in the targets established in sections 1 and 2 above. The City Manager may recommend, and Council may adopt, a different percentage COLA than that assumed above, but such a recommendation shall not change the targets established by sections 1 and 2 above.
5. That the City Manager propose a real estate tax rate and other tax, fee and other revenue options necessary for financing the target budget, as appropriate.

APPROVED BY:

William D. Euille Mayor

ATTEST:

Jacqueline M. Henderson, CMC City Clerk

RESOLUTION NO. 2205

**Budget Resolution Regarding the Processes To Be Used To Plan For and
To Adopt Operating Budgets and Capital Improvement Programs**

WHEREAS, the Alexandria City Council wishes to establish specific policies to guide upcoming budget deliberations to ensure responsible actions with current economic resources; and

WHEREAS, resolutions No. 2088, 2150, and 2166 and previously adopted by City Council have now expired; and

WHEREAS, City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

WHEREAS, the City Council is committed to continue performing fully its obligations to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria; and

WHEREAS, residential real estate taxes have borne an increasing share of the burden of paying for City and School services; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to help address the issue of increased residential real estate taxes; and

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools in achieving its mission and being among the best in Northern Virginia; and

WHEREAS, the City Council is committed to maintaining a fair, reasonable and competitive compensation plan for City and School employees; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to focus on managing for results, and

WHEREAS, the City Council is committed to maintaining its top AAA/Aaa credit ratings; and

WHEREAS, the City Council desires to achieve the vision and strategic goals and objectives outlined in the City Council's adopted Strategic Plan; and

WHEREAS, sufficient time for the budget process is necessary for the City Council and the community to deliberate on the various issues raised given the budget's complexity and importance;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Alexandria, Virginia, that the Council shall, for the purposes of consideration of the Budget for the City of Alexandria, adhere to the following rules of procedure:

Section (a) The Timing of the Setting of Budget Targets by City Council and the City Manager's Budget Submission to City Council

(1) That the City Manager shall plan and prepare the proposed Operating Budget and proposed six-year Capital Improvement Program and that such preparations shall include, but not be limited to, requests for City departments to identify efficiencies, low priority programs not crucial to achieving City Council strategic objectives, potential discretionary supplemental increases crucial to achieving City Council's strategic objectives, and potential City-wide process changes that would be beneficial to City operations and to the public.

(2) That the City Manager shall present to City Council in time for the fall Council Retreat a preliminary forecast and outlook for (a) revenues (including the outlook for real estate assessments), (b) expenditures necessary to maintain appropriate services and policies (including in the City Manager's forecast of cash capital and debt service costs related to the most recently approved Capital Improvement Program and estimates of the cost of an appropriate cost-of-living adjustment for City and School staff), (c) the outlook for additional requests for City operating needs in the upcoming fiscal year and future capital needs in the upcoming fiscal year and succeeding 5 fiscal years, (d) the outlook for Federal and State grants and the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

(3) That the Alexandria City School System shall separately present to City Council, but in a format coordinated with the City Manager, its preliminary forecast and outlook for (a) expenditures necessary to maintain appropriate services and policies, (b) the outlook for additional requests for Schools operating in the upcoming fiscal year and capital needs through the upcoming fiscal year and the succeeding five years, (c) the outlook for Federal and State grants, and (d) the outlook for the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

(4) That as part of its fall Retreat, City Council will consider this information and any other relevant information available to it at that time from the efforts described above, including citizen input to be provided by a public hearing on the upcoming budget to be conducted prior to City Council's fall Retreat.

(5) That City Council shall, as a result of information available to it at the Retreat, direct that the City Manager prepare a budget resolution to be adopted by City Council to guide the preparation of the upcoming Operating Budget and next Capital Improvement Program and that such a resolution would contain (a) a target for City General Fund expenditures (including any cost of a cost-of-living adjustment (COLA) for City staff and cash capital and debt service), and (b) a target for a budget transfer to the Alexandria City Public Schools (including the cost of any COLA for School staff).

(6) City Council shall establish for the City Manager and the Schools what preliminary percentage COLA should be included in the targets established in sections 5(a) and 5(b) above.

(7) That City Council plans to adopt such a budget resolution during the month of November.

(8) That the Board of the Alexandria City School Schools is requested to approve an Operating Budget and Capital Improvement Program by no later than January 31, prior to the upcoming fiscal year. Such budget, if it shall exceed the Council approved budget targets for the Operating Budget transfer and Capital Improvement Program given to the Alexandria City Public Schools, shall clearly identify what operating programs and activities and capital projects would be funded if additional funding were provided above that target.

(9) That the City Manager shall submit a proposed Operating Budget and Capital Improvement Program to the City Council no later than the first legislative meeting in February, that does not exceed the target for General Fund expenditure growth established by City Council, and clearly identifies what operating programs and activities and capital projects would be recommended if additional funding were provided, and/or what tax rate changes could be enacted with whatever additional revenues might be available above the revenues needed to meet the expenditure target and still provide a structurally sound budget, including a proposed real estate tax rate necessary for financing the target budget, as well as provide tax, fee and other revenue options necessary for financing the budget, as appropriate. The City Manager may recommend, and Council may adopt, a different percentage COLA in his proposed budget than that established by City Council under section 6 above, but such a recommendation shall not change the targets established by sections 5 (a) and (b) above. The proposed Operating Budget shall include as a line item of expenditure (instead of as a designation of fund balances) the cost of any market-based salary adjustments proposed to maintain the City's ability to attract and retain any class or classes of employee.

(10) That City Council shall consider these recommendations and endeavor to enact an Operating Budget and Capital Improvement Program that balances the needs of the community with the community's ability to afford services to meet those needs.

Section (b) Proposed Budget for the City of Alexandria -

(1) For purposes of this resolution, the proposed budget of revenue rates and expenditure levels for the fiscal year shall be that proposed by the City Manager.

(2) For purposes of this resolution, the Office of Management and Budget shall provide revenue and/or expenditure projections for any motion or amendment that could affect the proposed budget specified in Section (b)(1).

Section (c) Maximum Expenditure Levels May Not Exceed Sum of Projected Revenue and Appropriation from Undesignated Fund Balance in Proposed Budget

(1) It shall not be in order in the Alexandria City Council to consider any motion or amendment to the proposed budget of the City of Alexandria if such motion or amendment would have the effect of increasing any specific budget outlays above the level of such outlays contained in the proposed budget specified in Section (b) of this resolution, or would have the effect of reducing any specific revenues below the level contained in the proposed budget specified in Section (b) of this resolution, unless such motion or amendment makes at least an equivalent reduction in other specific budget outlays, identifies an equivalent increase in other specific revenues, or an equivalent combination thereof.

(2) In the Alexandria City Council, any appropriation from the Undesignated Fund Balance or any like account beyond that proposed in the Manager's proposed budget shall require an affirmative vote of five Council Members.

(3) In the event that the City Manager recommends final revenue adjustments that result in a net increase or net decrease from the revenue estimates specified in section (b) of this resolution, the net change in the revenue estimate shall be reflected as a change in the proposed appropriation from the Undesignated Fund Balance. As specified in Section c (2), any appropriation from the Undesignated Fund Balance beyond that proposed in the Manager's proposed budget, including the net effect of final revenue adjustments, shall require an affirmative vote of five Council Members.

(4) It shall not be in order for any member of the Alexandria City Council to initiate any amendment to the proposed budget of the City of Alexandria which would increase any specific budget outlay by more than \$50,000, unless written public notice of the member's intent to offer such an amendment, and a general description of the proposed amendment, is given to the City Manager and City Clerk at least one week prior to the spring budget public hearing.

(a) The provisions of this paragraph may be waived if the proposed amendment is raised by a member of the public at the spring budget public hearing (but not an amendment raised at the separate public hearing on the effective real estate tax) and at least three members of the Alexandria City Council formally request a budget memorandum from staff in regard to such proposed amendment within 3 days of the public hearing.

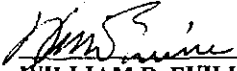
(b) The provisions of this paragraph also may be waived for good cause by an affirmative vote of five Council Members. As used in this paragraph, "good cause" shall include, but not be limited to, a change in the amount of state or federal funding included in the proposed budget.

Section (d) Adoption of Budget that exceeds target.

The adoption of a budget that in total exceeds the targets established in accordance with sections 5(a) and 5(b) (or the highest target if more than one target is established for each section) shall require an affirmative vote of five Council Members.

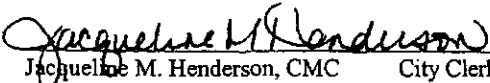
Section (e) Expiration -- The provisions of this resolution shall expire on June 30, 2009.

ADOPTED: October 10, 2006



WILLIAM D. EULLE MAYOR

ATTEST:



Jacqueline M. Henderson, CMC City Clerk

	Requests / Preliminary Forecast						Scenarios		
	City Department Requests				Schools Forecast	Grand Total	A	B	C
	City Ops	Transit	CIP	Subtotal City					
Adjustments To Maintain Current Services									
Schools Decline in Grants/Aid					\$ 0.8	\$ 0.8	\$ 0.4	\$ 0.8	\$ 0.80
Schools Decline in Fund Balance					\$ 2.5	\$ 2.5	\$ 1.3	\$ 2.5	\$ 2.50
Schools Other Adj. To Maintain Current Services					\$ 0.4	\$ 0.4	\$ 0.1	\$ 0.2	\$ 0.3
City Declining Grants/Rev.	\$ 4.6			\$ 4.6		\$ 4.6			\$ 1.5
State and Federal Mandates (CSA)	\$ 0.8			\$ 0.8		\$ 0.8	\$ 0.4	\$ 0.8	\$ 0.80
Other City Operational Savings	\$ (1.0)			\$ (1.0)		\$ (1.0)	\$ (1.0)	\$ (1.0)	\$ (1.00)
Transit Subsidies (WMATA, DASH)		\$ 1.2		\$ 1.2		\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.20
Other City Adj. To Maintain Current Services	\$ 4.6			\$ 4.6		\$ 4.6	\$ 1.2	\$ 2.3	\$ 3.5
Subtotal Adjustments to Malntain. C.S.	\$ 9.0	\$ 1.2		\$ 10.2	\$ 3.7	\$ 13.9	\$ 3.6	\$ 6.8	\$ 9.6
Miscellaneous Program Increases									
City Supps to Improve or Expand Services	\$ 3.3			\$ 3.3		\$ 3.3			
School Program Support and Improvements					\$ 5.0	\$ 5.0			
TCW Contingency and Custodians					\$ 1.0	\$ 1.0			\$ 0.5
Teacher Reserves	\$ -				\$ 1.0	\$ 1.0			\$ 0.5
Subtotal Miscellaneous Increases	\$ 3.3			\$ 3.3	\$ 7.0	\$ 10.3			\$ 1.0
CIP - Related									
Debt Service			\$ 2.4	\$ 2.4		\$ 2.4	\$ 2.4	\$ 2.4	\$ 2.40
Planned Cash Cap Inc.			\$ 3.3	\$ 3.3		\$ 3.3			\$ 3.3
New Cash Cap Inc.			\$ 6.8	\$ 6.8		\$ 6.8			
Subtotal CIP			\$ 12.5	\$ 12.5		\$ 12.5	\$ 2.4	\$ 2.4	\$ 5.7
Employee Compensation									
City Step Increases	\$ 4.0			\$ 4.0		\$ 4.0	\$ 2.1	\$ 4.0	\$ 4.0
City Retirement Savings	\$ (0.5)			\$ (0.5)		\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)
City Health Benefits	\$ 0.9			\$ 0.9		\$ 0.9	\$ 0.5	\$ 0.9	\$ 0.9
City Long Disability and Group Life Savings	\$ (0.5)			\$ (0.5)		\$ (0.5)	\$ (0.5)	\$ (0.5)	\$ (0.5)
City Additional Vacancy Savings	\$ (0.2)			\$ (0.2)		\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (0.2)
2% COLA City (A=0%; B=0%; C=1%)	\$ 4.4			\$ 4.4		\$ 4.4			\$ 2.2
School Step Increases					\$ 4.5	\$ 4.5	\$ 2.3	\$ 4.5	\$ 4.5
School Retirement					\$ 1.2	\$ 1.2	\$ 0.6	\$ 1.2	\$ 1.2
School Health Benefits					\$ 1.6	\$ 1.6	\$ 0.8	\$ 1.6	\$ 1.6
School Pay Increases					\$ 1.0	\$ 1.0			
2% COLA Schools (A=0%; B=0%; C=1%)					\$ 3.0	\$ 3.0			\$ 1.5
Subtotal Compensation	\$ 8.1			\$ 8.1	\$ 11.3	\$ 19.4	\$ 5.1	\$ 11.0	\$ 14.7
Schools Subtotal							\$ 5.6	\$ 10.8	\$ 13.4
City Subtotal							\$ 5.6	\$ 9.4	\$ 17.6
Grand Total	\$ 20.4	\$ 1.2	\$ 12.5	\$ 34.1	\$ 22.0	\$ 56.1	\$ 11.2	\$ 20.2	\$ 31.0

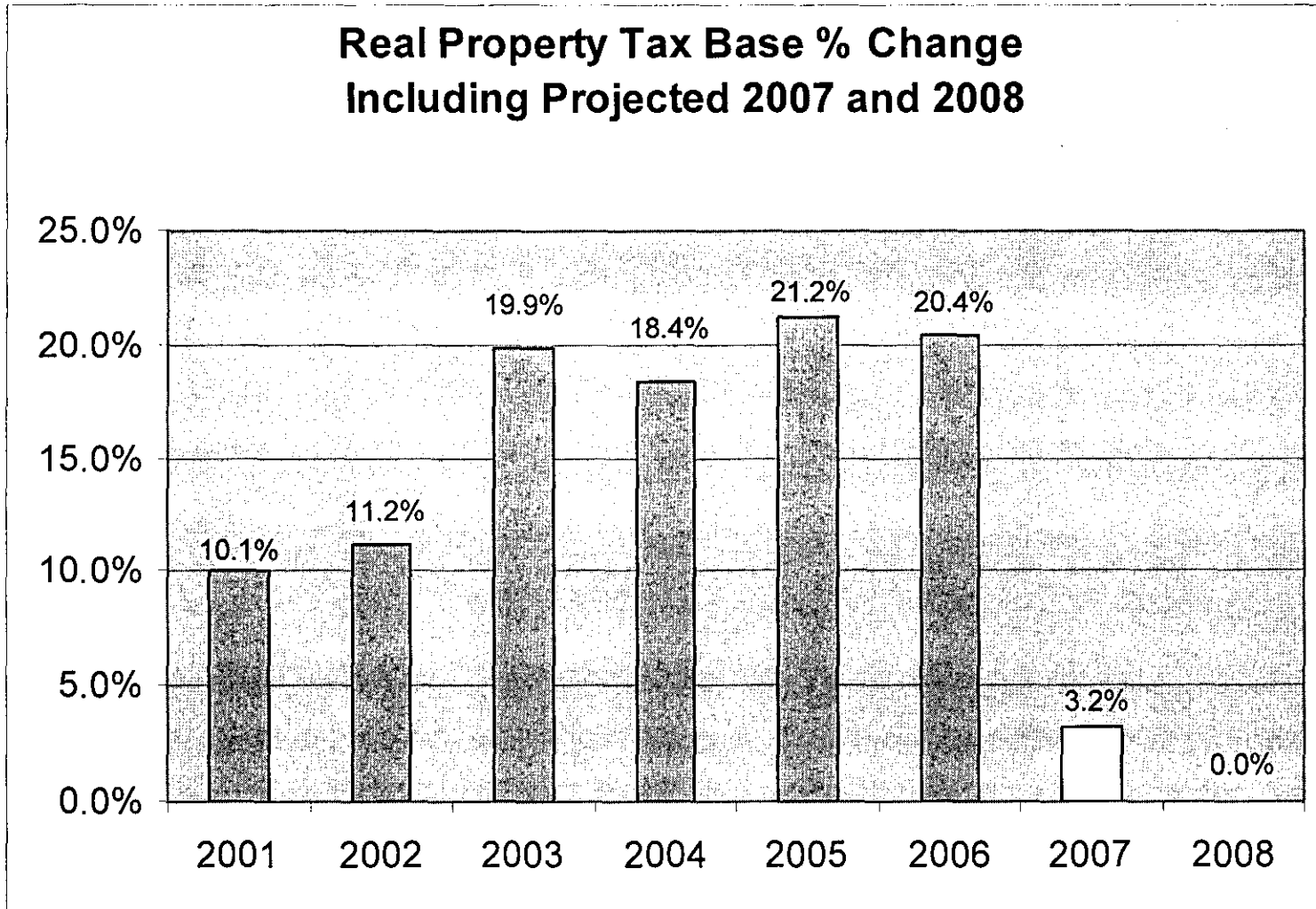
FY 2008
CITY REVENUE AND EXPENDITURE OUTLOOK
CITY COUNCIL RETREAT
NOVEMBER 4, 2006

SELECTED PRESENTATION SLIDES

- Revenues, p. 49-52
- Expenditures, p. 57-94
- Targets, p. 98-104



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THE NEW YORKER

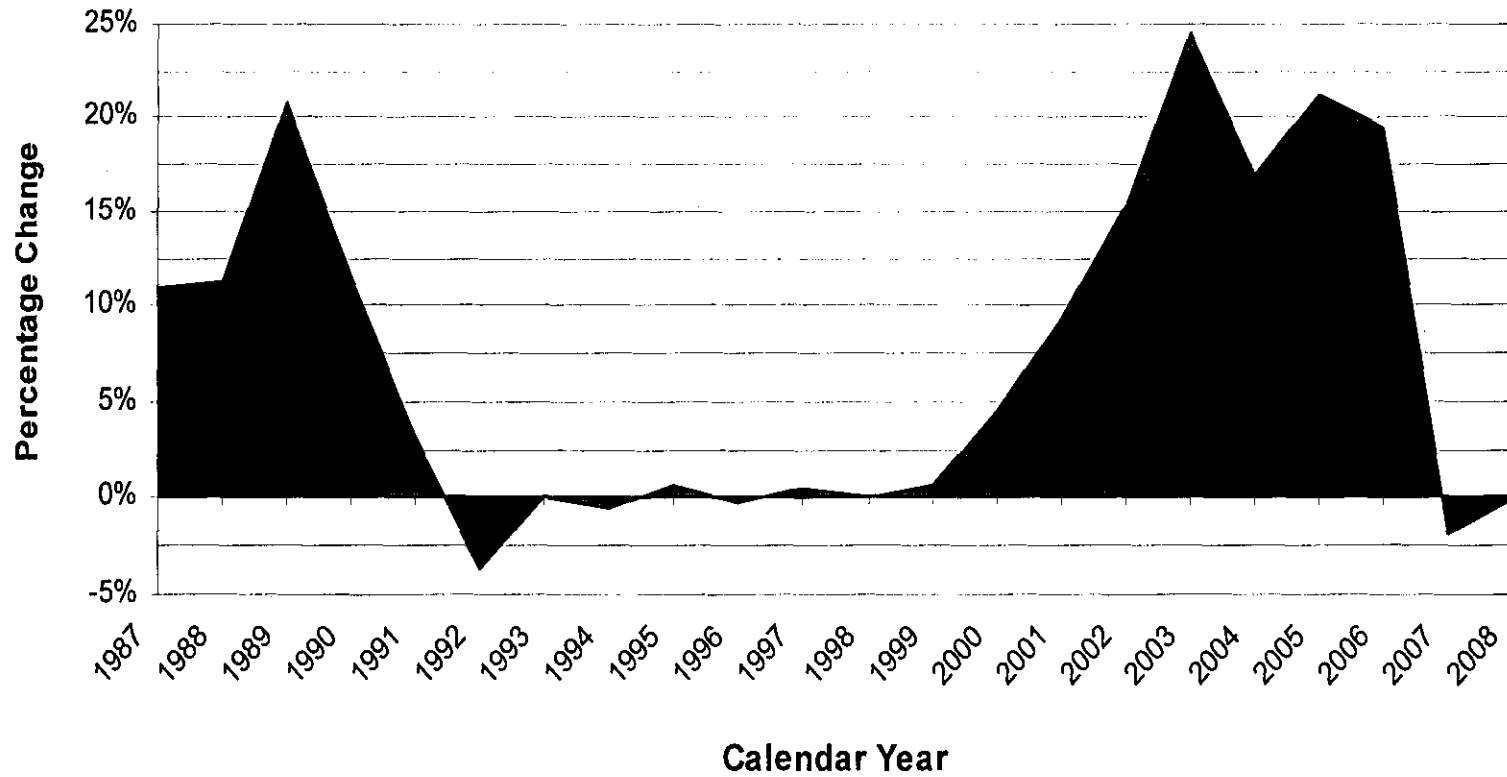


Residential Real Estate % Change

1987 to 2006

2007 and 2008 estimated

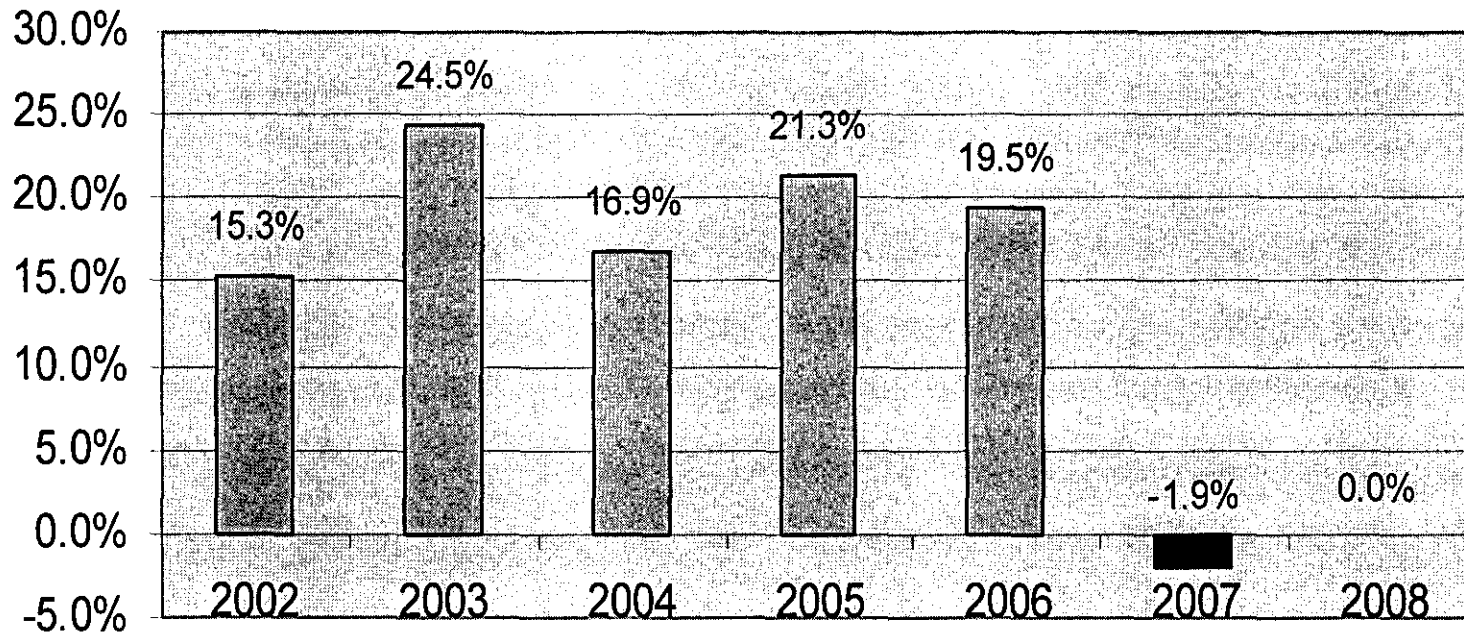
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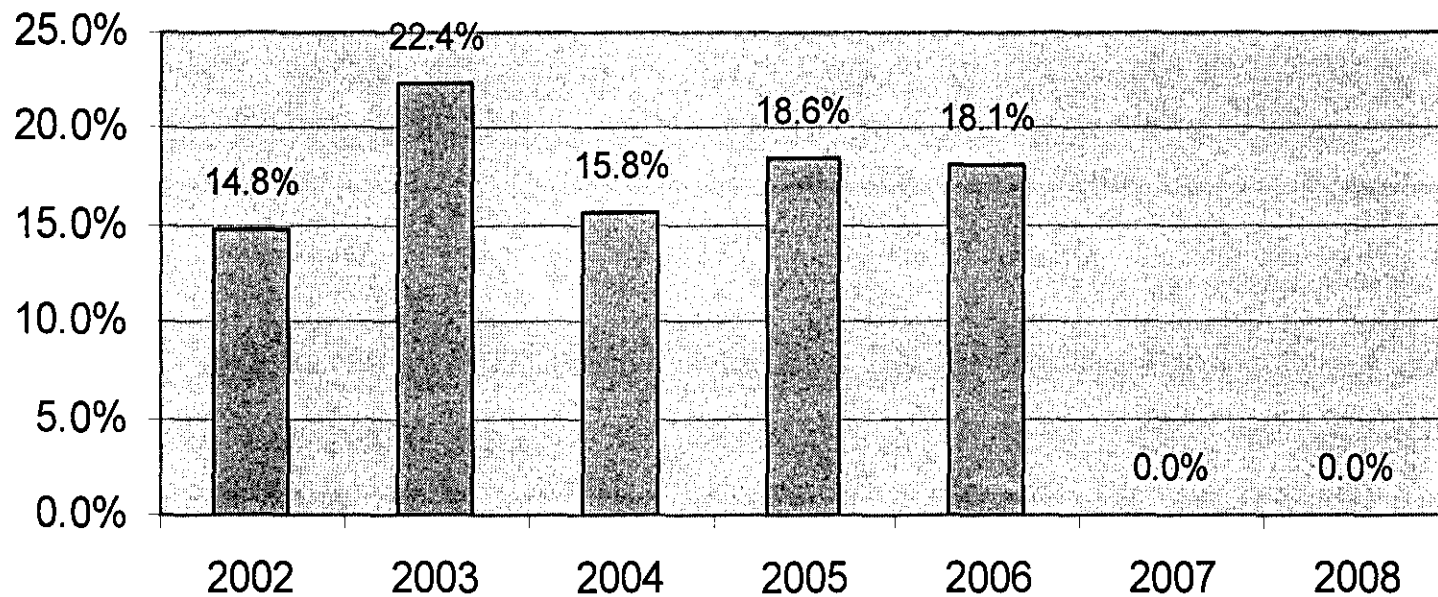
Residential Property Change Including Projected 2007 and 2008

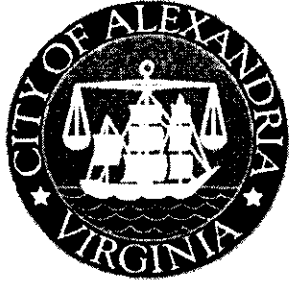




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Single Family Property Appreciation Including Projected 2007 and 2008

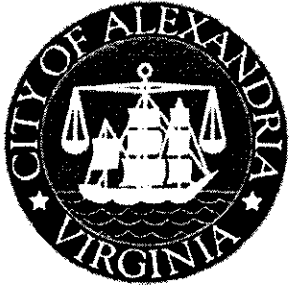




FY 2008 Expenditure Outlook

- Increase in revenues under current tax rates = \$11.2 M
- \$34.1 M City increases requested
 - \$20.4 M for City operating budget
 - \$1.2 M for transit subsidies
 - \$12.5 M for Debt Service and Cash Capital for CIP
- \$22.0 M in Schools operating budget Superintendent's preliminary forecast
- \$56.1 M Total (includes 2.0% COLA)

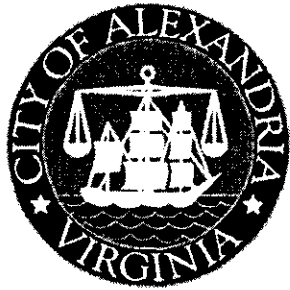
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Outline of Discussion

- Possible Adjustments to Maintain Current Services
- Increases for Program Expansion or Improvement Under Consideration
- City Employee Compensation
- Capital Improvement Program
- School Superintendent Preliminary Forecast
- Possible Range of Targets for City and School Expenditures

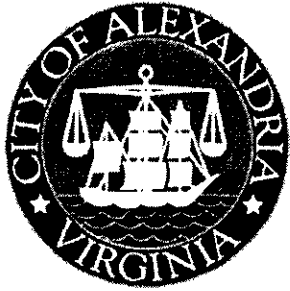
59



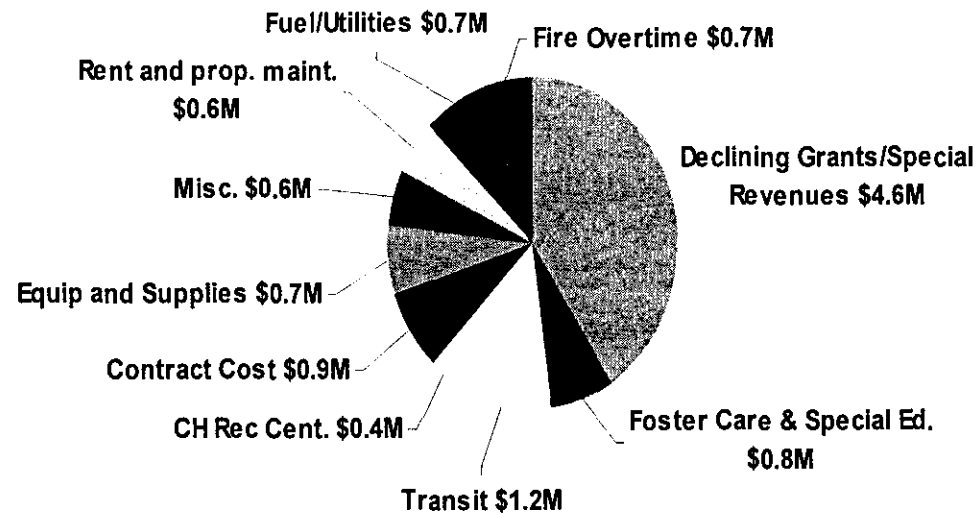
Possible Adjustments to Maintain Current Services

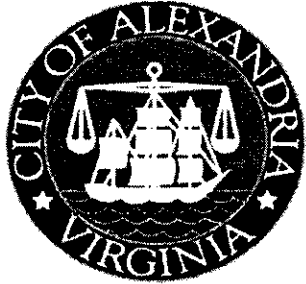
- What's necessary to maintain current services due to:
 - Declining grants or special revenues
 - Legal requirements (mandates)
 - Inflation and other fixed cost increases (e.g., contracts, rent, utilities)
 - Future impact of previous Council decisions
- If not funded, may be service impacts
- Department requests still being evaluated by OMB/CMO -- currently total \$11.2 M

20



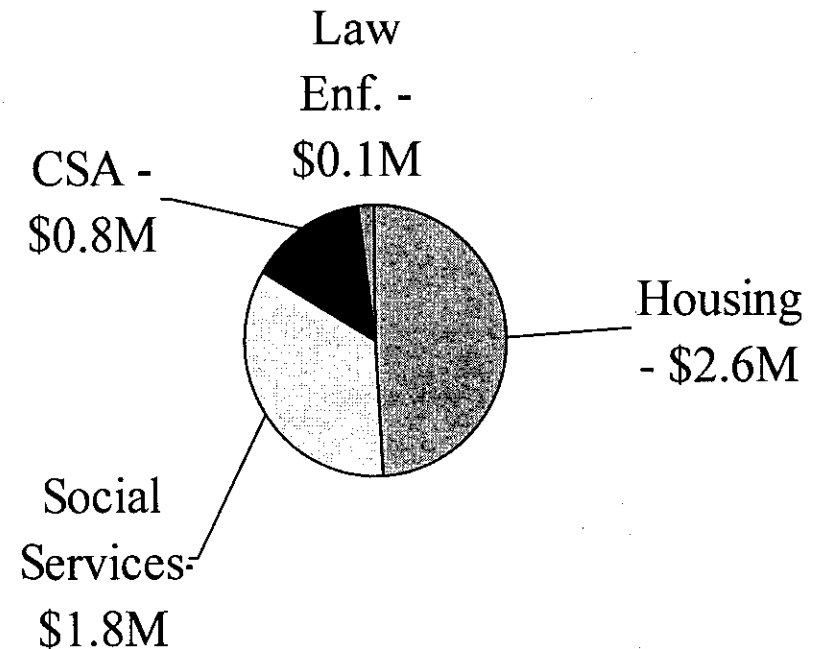
Possible Adjustments to Maintain Current Services - \$11.2 M



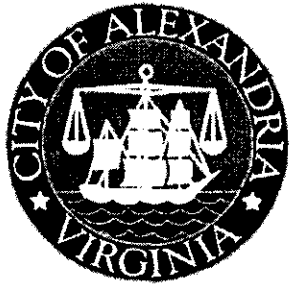


Declining Grants/ Special Revenues and Mandates

- Declining grants and special revenues (\$4.6M)
 - Housing
 - Social Services
 - Law Enforcement
- Foster Care/Special Ed. Mandate (\$0.8M)

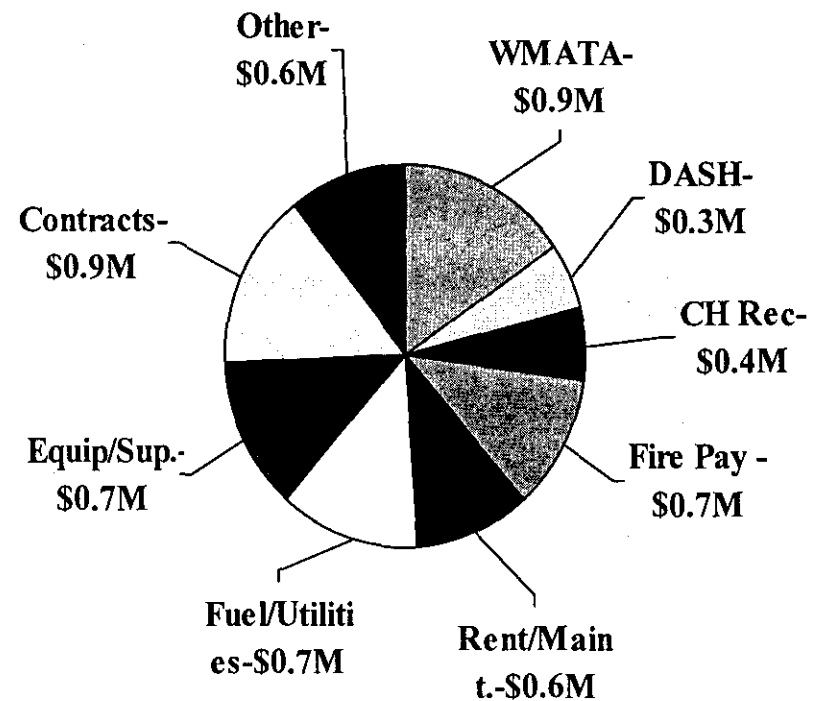


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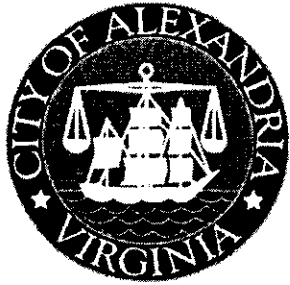


Other Adjustments to Maintain Current Services

- Transit Subsidies
 - DASH - \$0.3 M
 - WMATA - \$0.9 M
- Other Possible Adjustments (\$4.6 M)



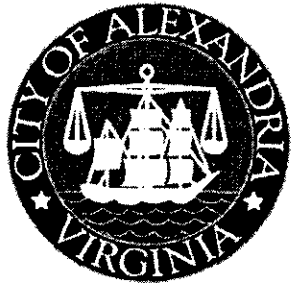
23



Planned Savings

- Health Insurance Increased Employee Share - \$0.6M
- Reduced Long Term Disability and Group Life Insurance Premiums - \$0.5M
- Actuarial Recalculation of Closed 1970s Police/Fire Pension Plan - \$0.55M
- Additional Vacancy Savings - \$0.21M
- Fuel conservation campaign - \$63,000
- Deferral of Vehicle Replacements and extension of vehicle life - \$86,000

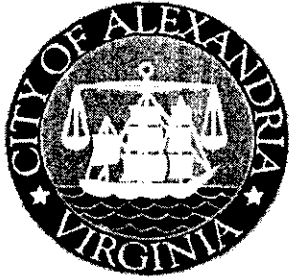
24



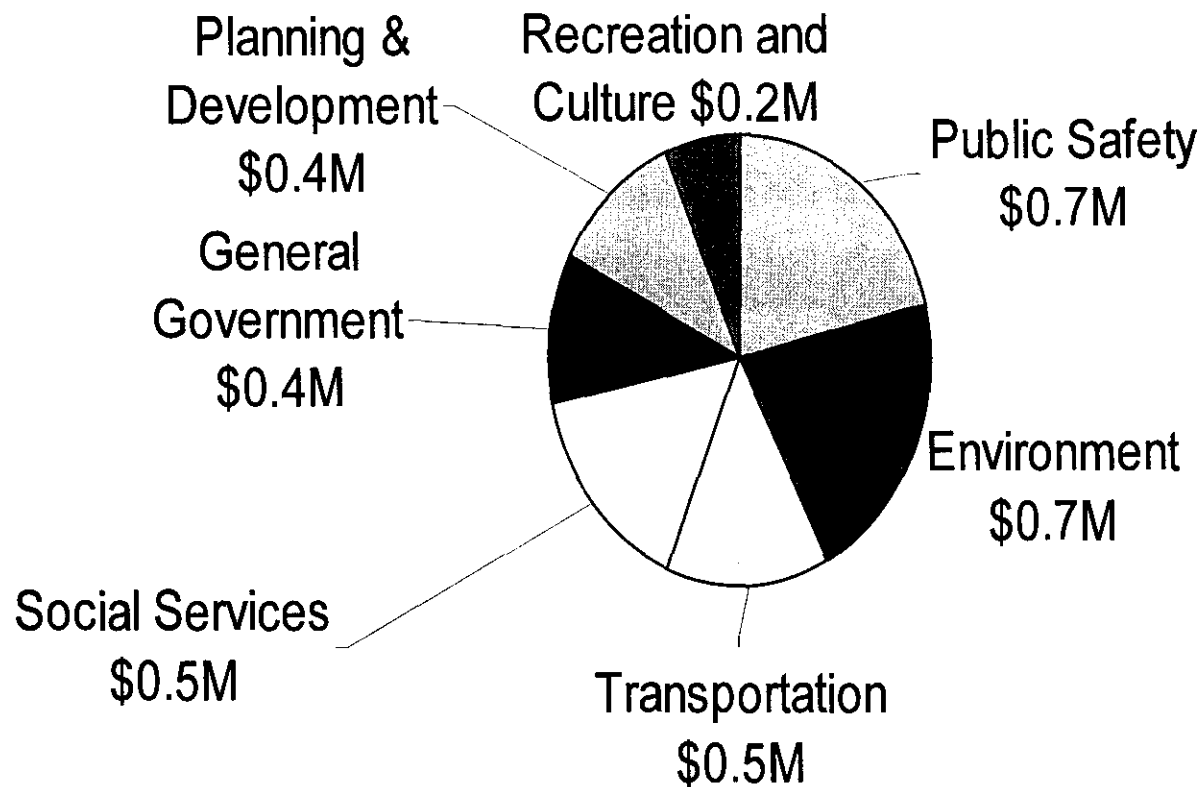
Planned Savings

- Natural Gas - \$62,000
- Printing/Binding - \$123,000
- After Hour Building Inspections - \$53,000
- Outsourcing Offset Printing Production - \$218,000
- Motor Pool/Postal&Messenger Services - \$52,000
- Telecommunications - \$70,000
- Information Technology Efficiencies - \$95,000

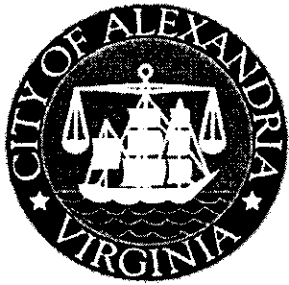
25



Increases for Program Expansion or Improvement Under Consideration



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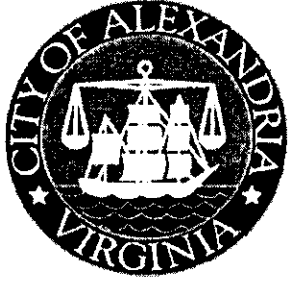
Out-of-School and Early Childhood Education

Subjects for Joint City Council/School Board Work
Session on Nov. 27

Subjects for City Council Work Session on Jan. 9

- Should Out-of-School Program reforms proceed in
FY 2008 or FY 2009?
- K-5 Out-of-School Possible Reform Summary
 - FY 2007 expenditures = \$4.6 M
 - Serves 2,220 children
 - For improved, better coordinated, program increase
expenditures range \$0 to \$4.0 M

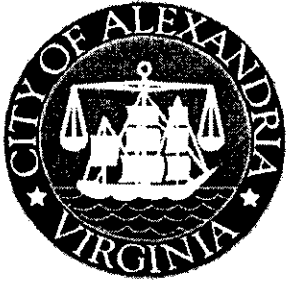
27



Out-of-School and Early Childhood Education

- K-5 Out-of-School Possible Reform Summary (cont.)
 - Rec. to serve all participants at schools with Rec. center
 - Private provider(s) to serve all other schools
 - All programs licensed and “accountable” for improved quality and safety

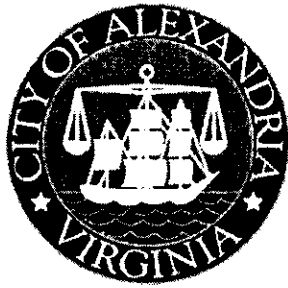
82



Out-of-School and Early Childhood Education

- To pay for this improvement \$4.0 M more in fees could be charged to make it “cost neutral”
 - Sliding fees = 5% of family income for first child
 - No fees for families under 185% of poverty (free and reduced lunch qualified - \$27,000 for family of three)
 - Up to \$1.2 M of these fees could be forgiven as scholarships upon request for others

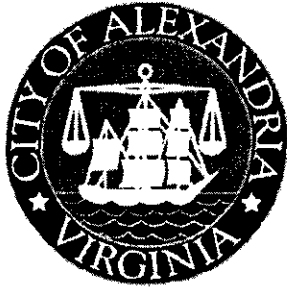
68



Out-of-School and Early Childhood Education

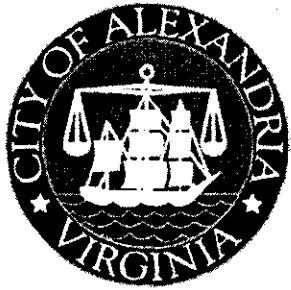
- Early Childhood Commission Report
 - “Universal Access to Preschool Work Group” established and meeting monthly to develop plan
 - Submitted to City Council and School Board March 6, 2006
- Virginia Start Strong Council began meeting in June 2006

30



Out-of-School and Early Childhood Education

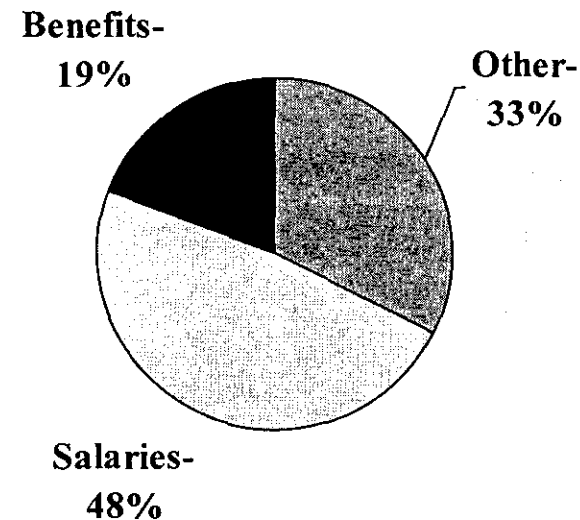
- Recommendations of ECC Report
 - Increase Children’s Fund budget (\$1.1M unmet needs)
 - All at-risk children served in K-Prep
 - Expand/reorganize ECC membership
 - Universal Access to Preschool Work Group continue until ECC Reorganized
 - ECC develop 5-year plan with goal to provide universal access to preschool for 3 & 4 year olds and other comprehensive early intervention services to all at-risk families with children prenatal to 8 years



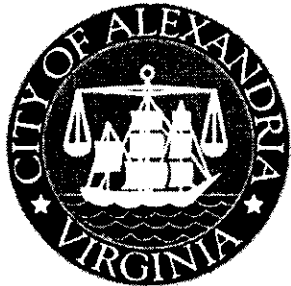
City Employee Compensation

- 67% of FY 2007 City operating expenditures are for employee compensation
 - 48% salaries
 - 19% benefits

**Cost of City Operations
FY 2007 - \$295.3M**

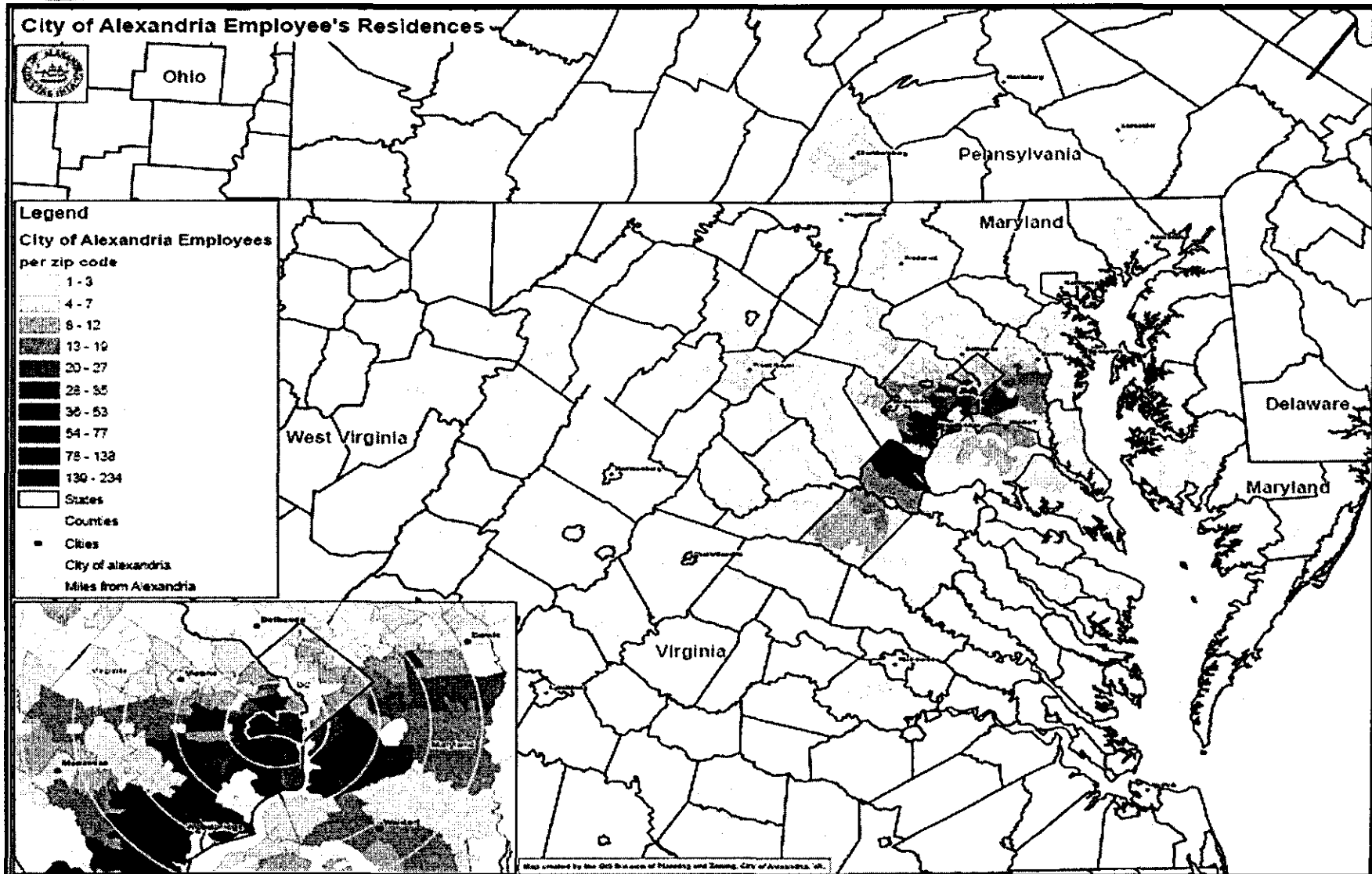


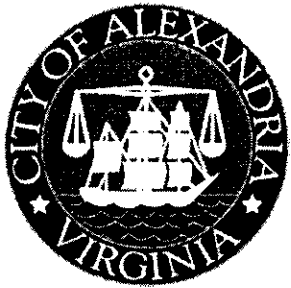
32



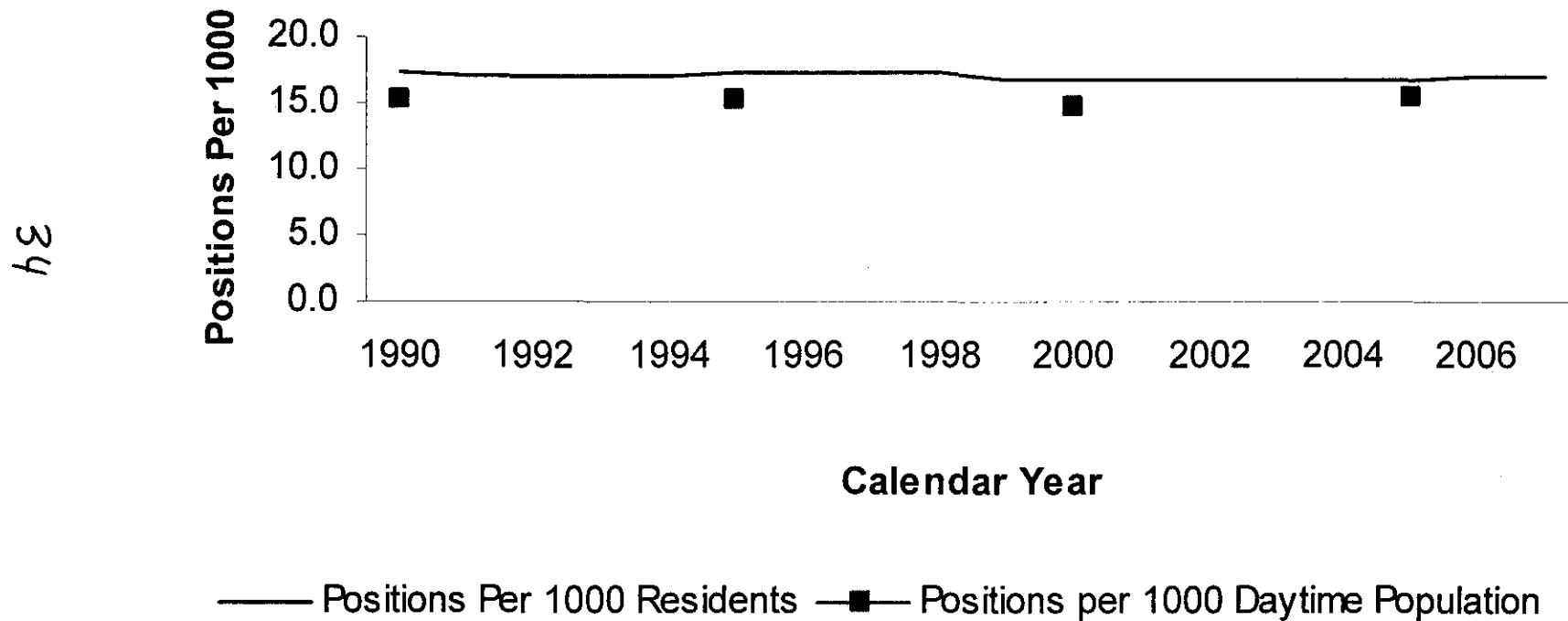
Where Alexandria City Employees Live by Zip Code

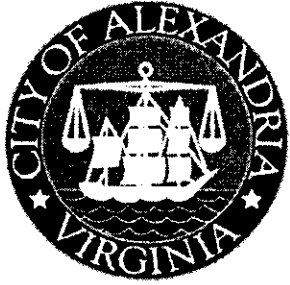
33





Full-time City Positions per Alexandria population

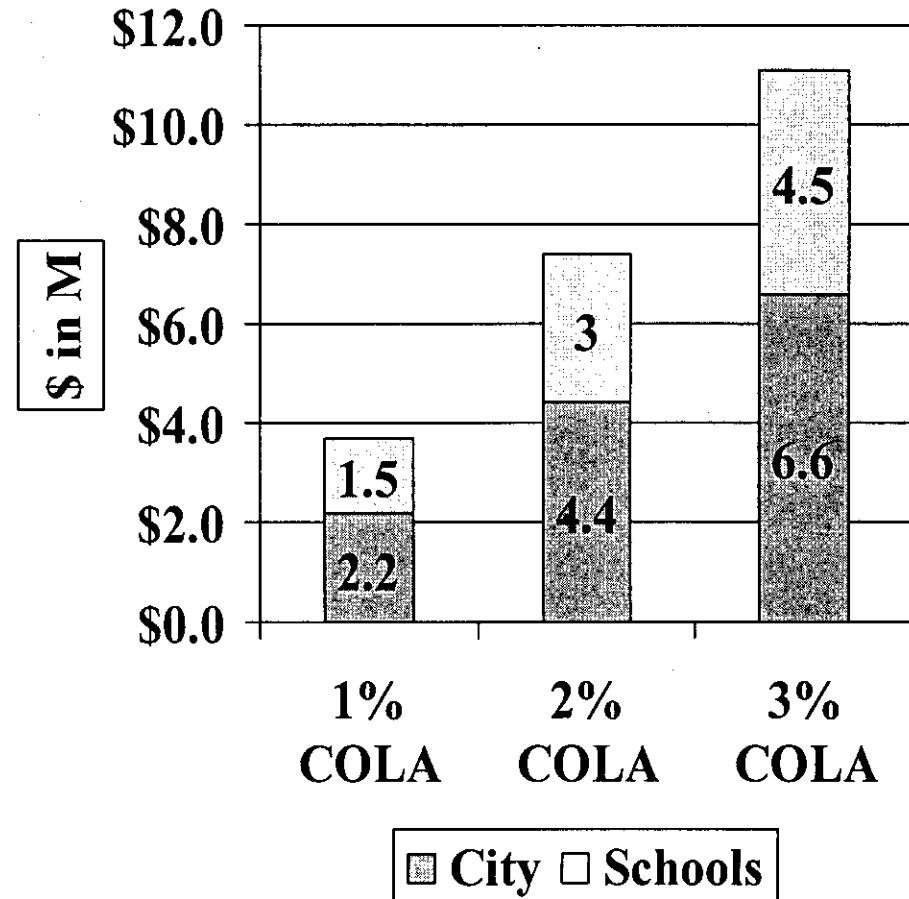


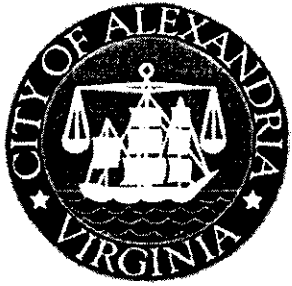


Cost of COLA

COLA

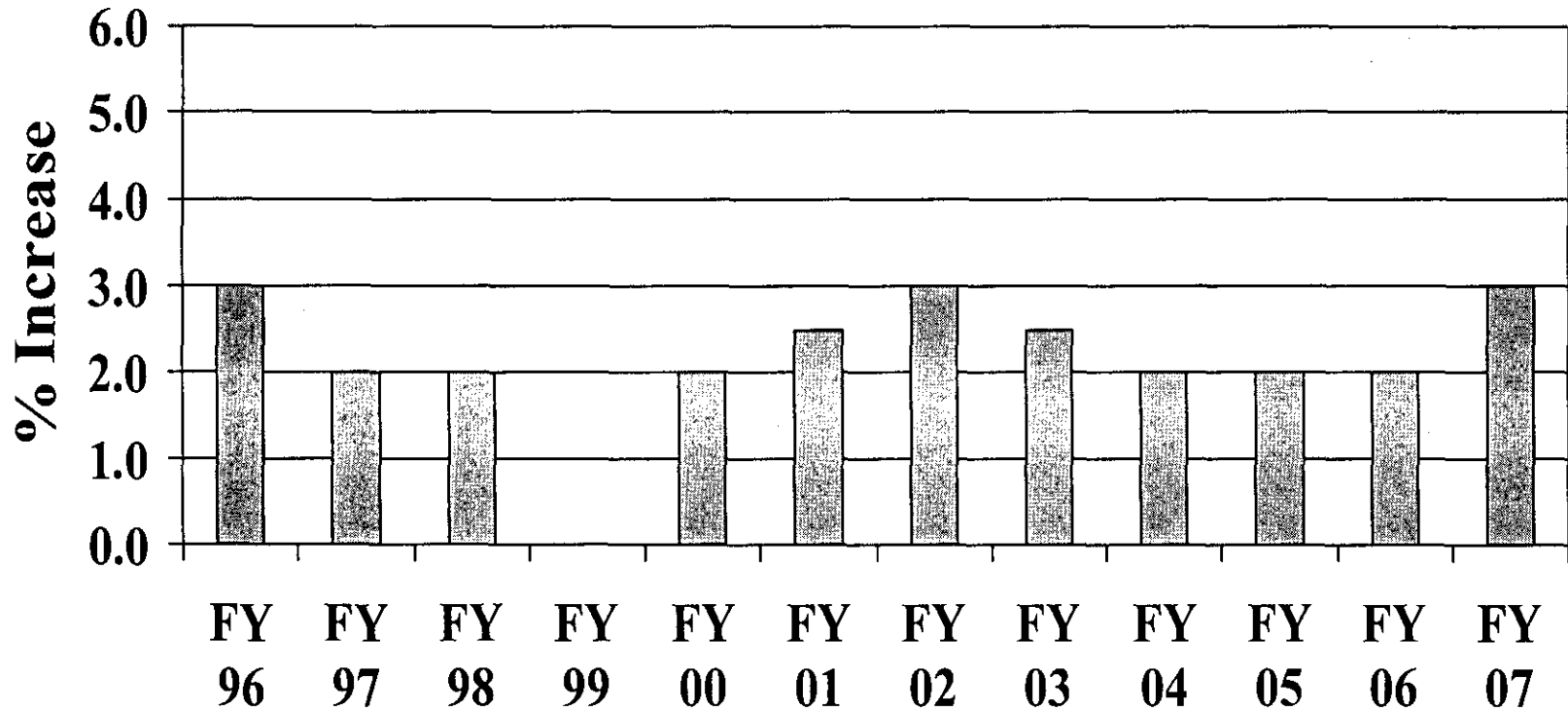
- CPI-U inflation at 2.8% in region (Sept. to Sept.)
- Cost of 1% COLA
 - \$2.2 M for City
 - \$1.5 M for School
 - \$3.7 M Total

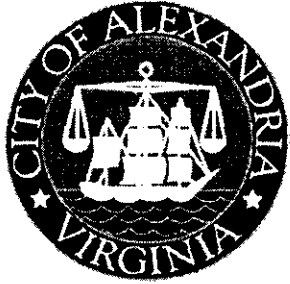




COLA History

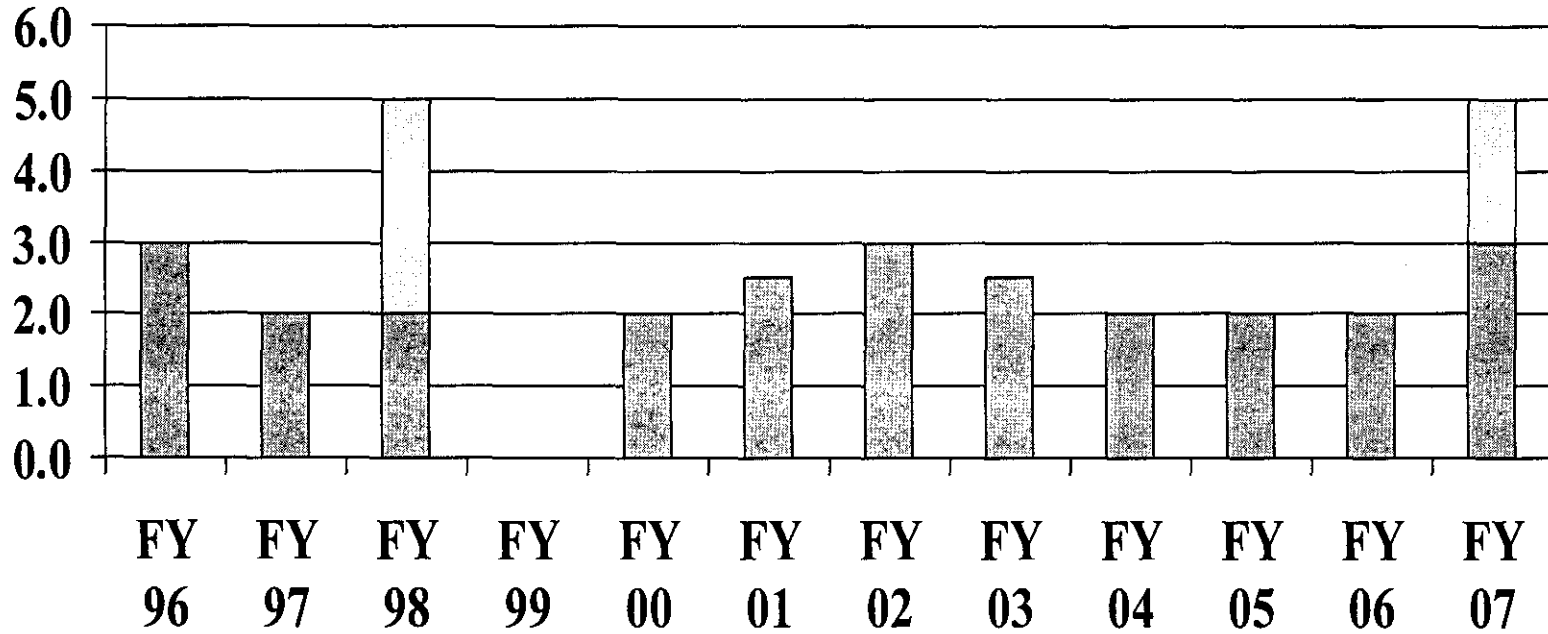
36



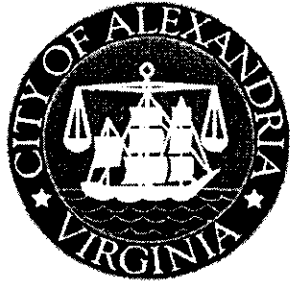


COLA and Market Rate Adjustment History

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FY 07 MRA did not apply to Public Safety Employees

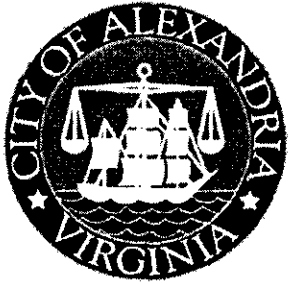


City

Employee Compensation

- Step Increases
 - Progression through salary scale equals \$4.0 M in total in FY 2008
 - Equivalent to 1.9% increase in compensation **on average**
- Pay estimates include FY 2008 effects of FY 2007 2% market rate adjustment for General Schedule employees already implemented (\$3M in FY 2007)

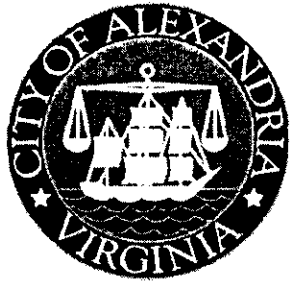
38



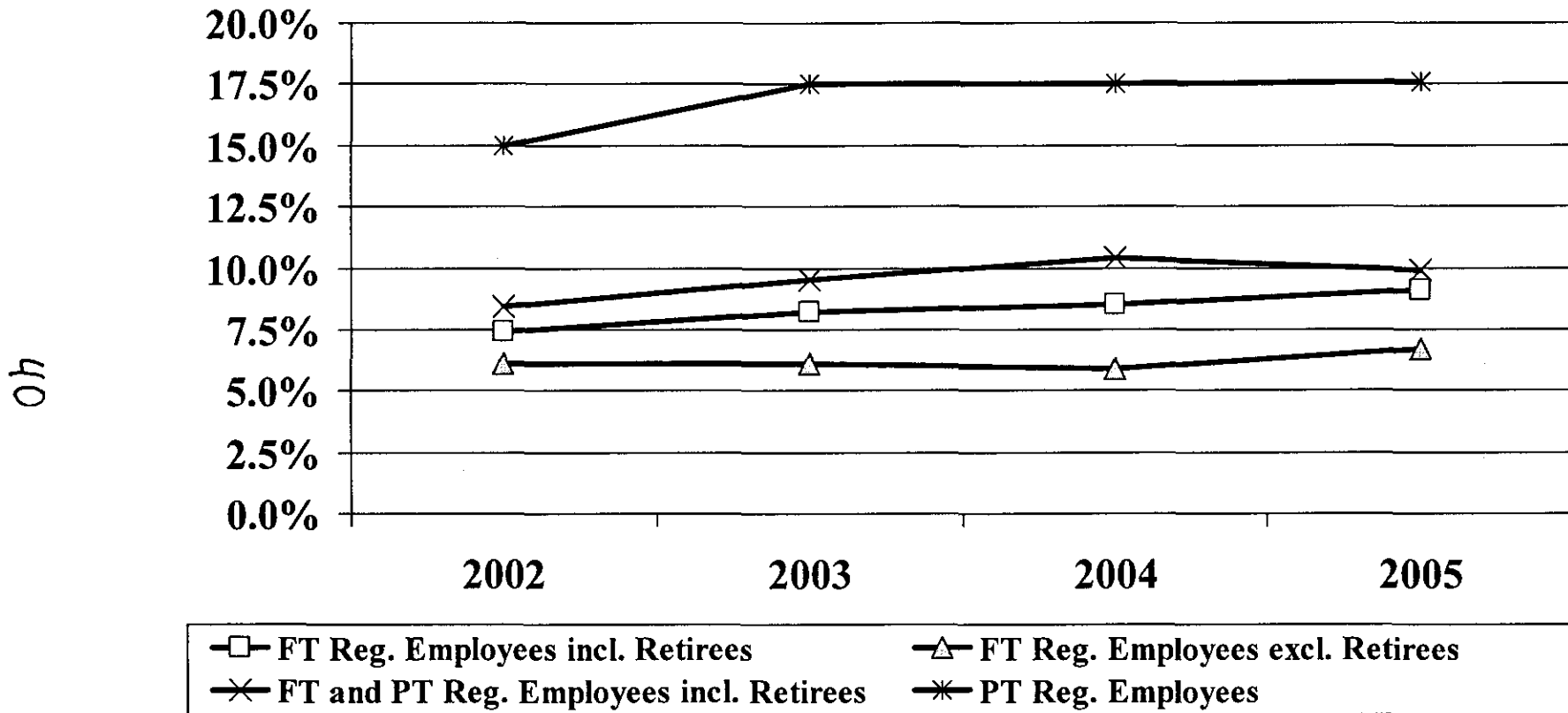
City Employee Compensation

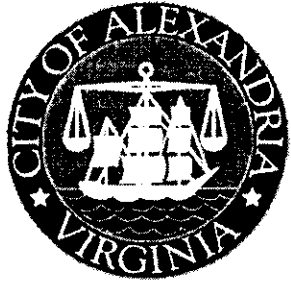
- Each employee/position different
 - % increase depends on step
 - Top of grade receives no increase except COLA
 - Savings included due to replacement of more senior employees by junior employees
- Public Safety Pay
 - Public Safety pay progression under study for future possible revision (FY 2008 or later)
 - \$1 M set aside in fund balance to address public safety benchmark job review results in early 2007

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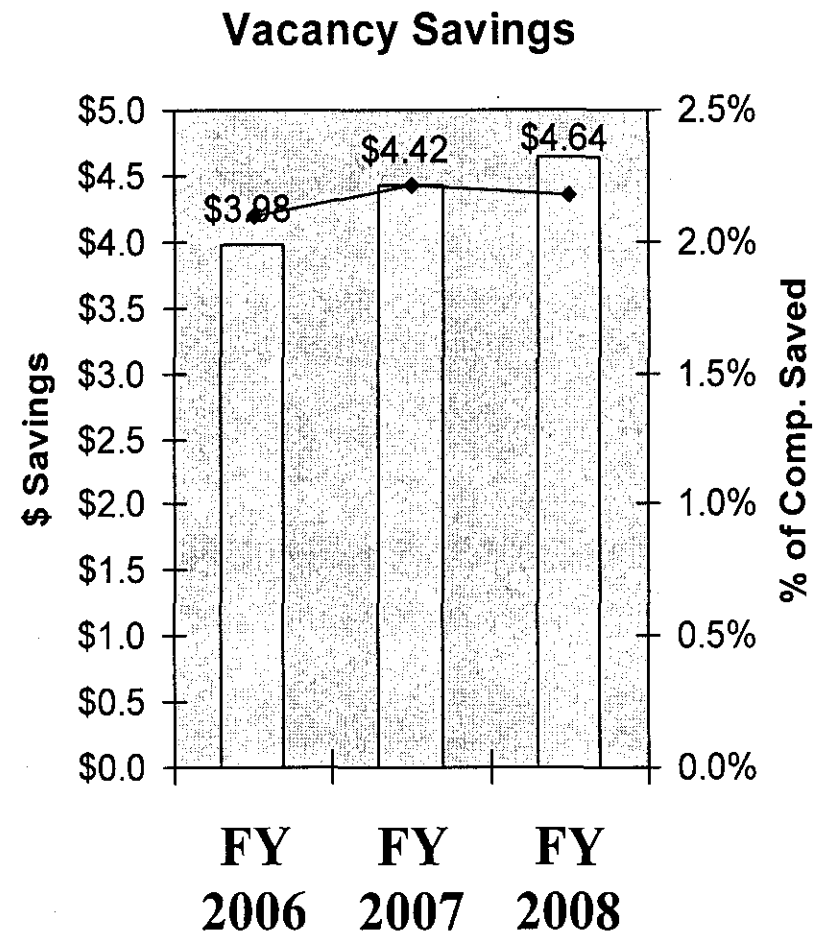
History of City Staff Attrition

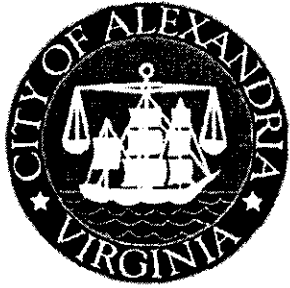




Vacancy Savings

- Adjustments made to capture savings due to expected vacancies
- At least \$4.6 million reduction to personnel costs due to expected vacancies in FY 2008
- Equivalent to 2.2% of city-wide compensation

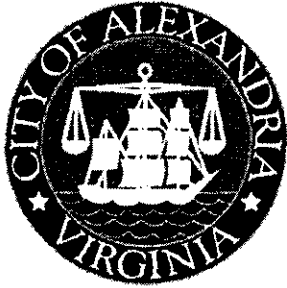




City Employee Health Benefits

- City Cost for Providing Employee Health Benefits
 - Preliminary estimate City costs will increase a net of \$0.9M or 5.3%
 - Increase in City cost limited by phase-in of employee premium cost sharing saving \$0.6 M
- Post June 30, 2006 employees pay 10% of premiums
- Pre June 30, 2006 employees will pay 6.6% of premiums (up from 3.3%)
- Also, more precise estimate of cost for expected new hires (90% of average premium cost) and part-timers (50% of average premium cost)

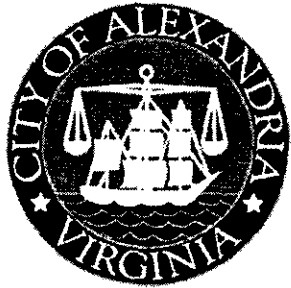
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City Employee Health Benefits

- Preliminary estimate assumes increases in premiums could be as high as 13% to 17%
 - Assuming there is no change in plan design
 - Based on industry trends and specific claims data for City employees as of this fall
 - Preliminary estimate is conservative
 - The estimated rate of increase in premiums could be lower than shown above

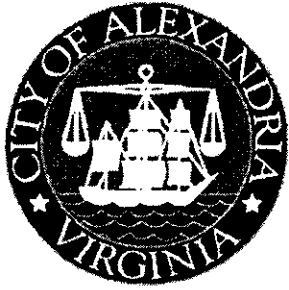
43



City Employee Retirement

- Retirement
 - No increase in % charged by VRS to City for basic or supplemental retirement benefits
 - Increase in retirement costs captured in cost of COLA and pay step increases provided above
 - Savings in closed 1970s police/fire defined benefit plan of \$0.5 M due to change in actuarial assumptions

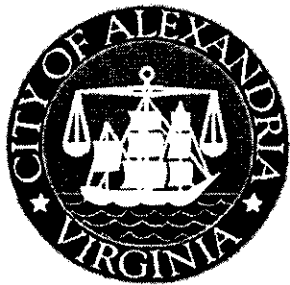
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Capital Improvement Program

- \$62 M planned in FY 2008 as part of last year's approved CIP for FY 2007-2012
 - Bonds \$40.9M
 - Cash Capital from Operating Budget \$7.9M
 - Other cash \$6.4M
 - To be determined funding sources \$7.0M

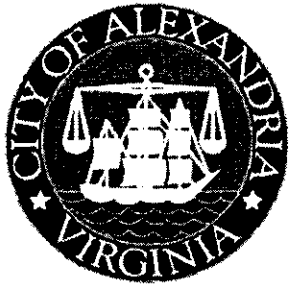
45



Planned Increases for Financing CIP
 Contained in Approved CIP for FY 2007-2012

9h

	FY 2007	FY 2008	\$ Change
Debt Service	\$29.6 M	\$32.0 M	\$2.4 M
Cash Capital	\$4.6 M	\$7.9 M	\$3.3 M
Total	\$34.2 M	\$39.9 M	\$5.7 M
Sources TBD		\$7.0 M	\$7.0 M

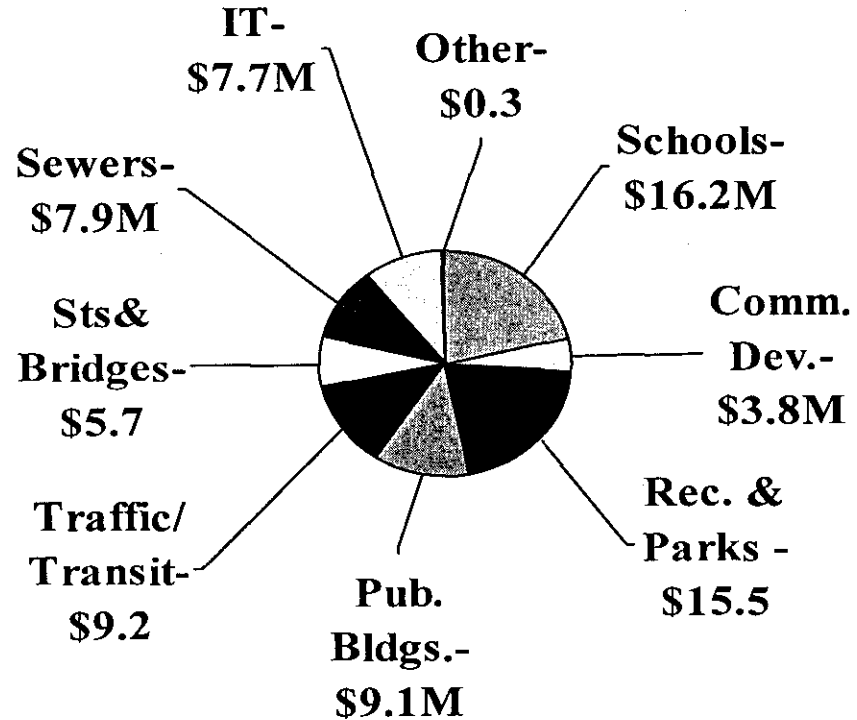


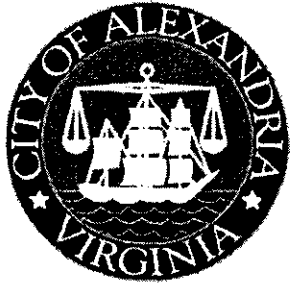
Capital Improvement Program

- Current Requests for FY 2008
 - Total \$75.5 M
 - \$13.5 M more than last year's approved plan for FY 2008

47

FY 2008 CIP Under Consideration (\$75.5M)

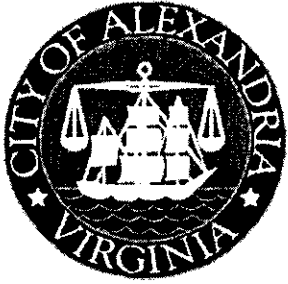




Capital Improvement Program

- \$6.8 M in additional cash capital needed if all requests were funded
 - \$7.0 M “to be determined” in last year’s plan
 - \$13.5 M new requests
 - \$20.5 M total
 - Funded 2/3’s bonds and 1/3 cash
- Total impact on G.F. Operating Budget of previously planned and new projects = \$12.5 M

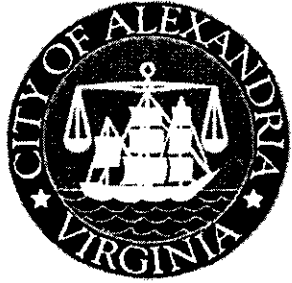
8h



Construction Costs Escalating

- Steel
- Cement
- Copper
- Gypsum wallboard
- Asphalt
- Diesel fuel

bh



Capital Improvement Program

- Community Development (\$3.8 M)

Major Projects

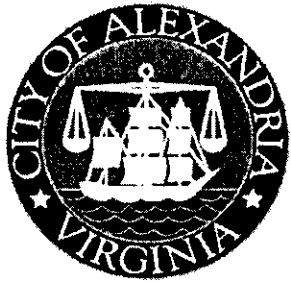
- Coordinated Wayfinding System
- Restoration of Stream and Channel
Maintenance funds used to repair 2006 flood damage

- Sewers (\$7.9 M)

- City-wide Storm Sewer Capacity Study

- IT Plan (\$7.7 M)

SD



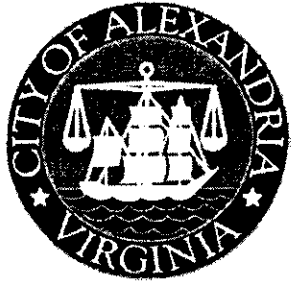
Capital Improvement Program

- Recreation and Parks (\$15.5 M)

Major Projects

- Windmill Hill Park
- Open space acquisition
- Athletic field improvements
- Charles Houston Rec. Center and Utility
Under grounding

15



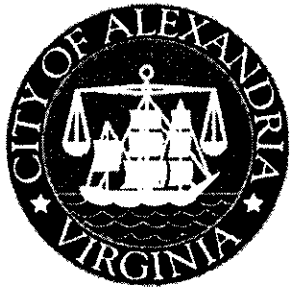
Capital Improvement Program

- Streets and Bridges (\$6.0 M)

Major Projects

- Monroe Ave. Bridge – Pedestrian Access
- Street Reconstructions
- Bridge Repairs
- Mt. Vernon Alley

52



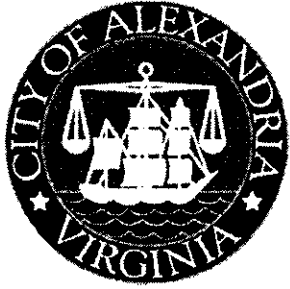
Capital Improvement Program

- Traffic and Transit (\$9.2 M)

Major Projects

- WMATA Metro Matters
- DASH Bus Replacement and Exp.

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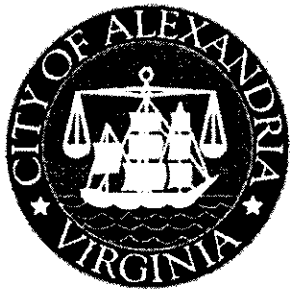
Capital Improvement Program

- Public Buildings (\$9.1 M)

Major Projects over \$1 M

- New Police Facility
- Space Management Program
- Teen Center
- Elevator Refurbishment

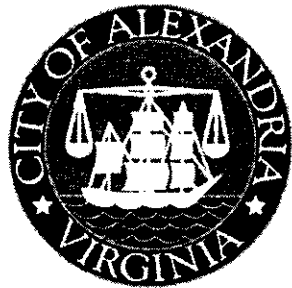
54



Capital Improvement Program

- Fire Station 209 – Potomac Yard
 - Developer to build three bay Fire Station
 - 4th Bay for storage of extra equipment and future expansion
 - Cost \$1.0 M (+/-) for 4th bay and green elements
 - Council decision on whether to proceed with 4th bay needed in November

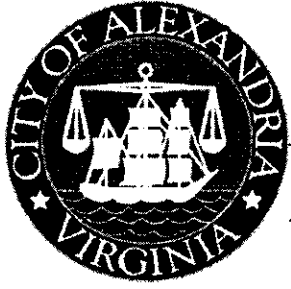
SS



Targets for City and School Expenditures

- \$34.1 M City increases requested
 - \$20.4 M for City operating budget
 - \$1.2 M for transit subsidies
 - \$12.5 M for Debt Service and Cash Capital for CIP
- \$22.0 M in Superintendent's preliminary forecast
- \$56.1 M Total (includes 2.0% COLA)
- Increase in revenues under current tax rates = \$11.2 M
- Additional \$35.9 M would be needed to fund everything

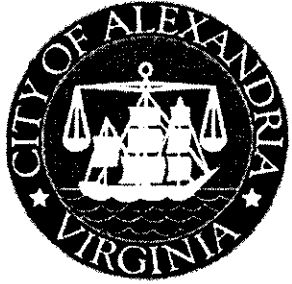
56



Incremental vs. Program and Performanced Based Budget

- Managing for Results Initiative will produce program and performance based budget
- Base budget will be divided into approximately 500 activities
- What follows is an incremental summary analysis of cost drivers -- **However**
- In FY 2008 budget, City Manager and Council will be able to make tradeoffs between activities in the base budget and “increments” above the base

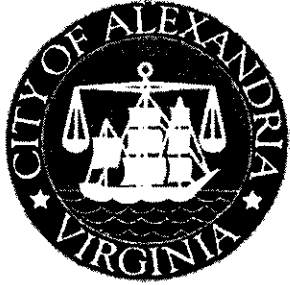
57



City Requests and Superintendent's Preliminary Forecast (\$ in M)

85

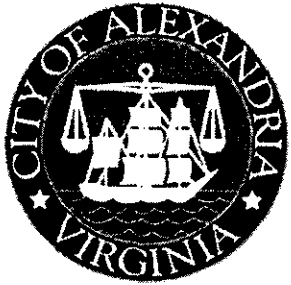
	City Ops.	Transit	CIP	City Subtotal	Schools	Grand Total
Adj. for Current Services	\$9.0	\$1.2		\$10.2	\$3.7	\$13.9
Comp	\$8.1			\$8.1	\$11.3	\$19.4
Other Inc.'s	\$3.3			\$3.3	\$7.0	\$10.3
CIP			\$12.5	\$12.5		\$12.5
Total	\$20.4	\$1.2	\$12.5	\$34.1	\$22.0	\$56.1



Options for Targets

A Current Tax Rate Target Would Provide

- \$11.2 M increase (2.25%) in revenue
 - Could fund all of base, but only 55% of highest priority increases
- 19
- City Target \$353.7 M and 1.7% increase of \$5.9M
 - Schools Target \$155.2M and 3.6% increase of \$5.3M



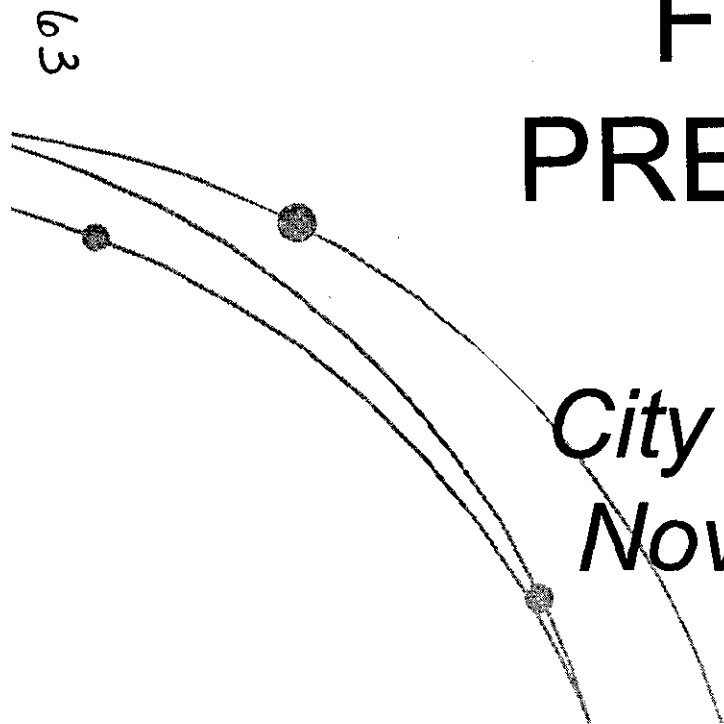
Options for Targets

Highest Priority Increase – Based Target would provide

- \$20.2 M increase (4.1%) in revenue
- \$9.0 M more in revenue needed than estimated under current tax rates
- If used to fund base and all high priority increases
 - City Target \$357.2M and 2.7% increase of \$9.4M
 - Schools Target \$160.7 M and 6.9% increase of \$10.8M

ALEXANDRIA CITY PUBLIC SCHOOLS

FY 2008 BUDGET FORECAST PRESENTATION

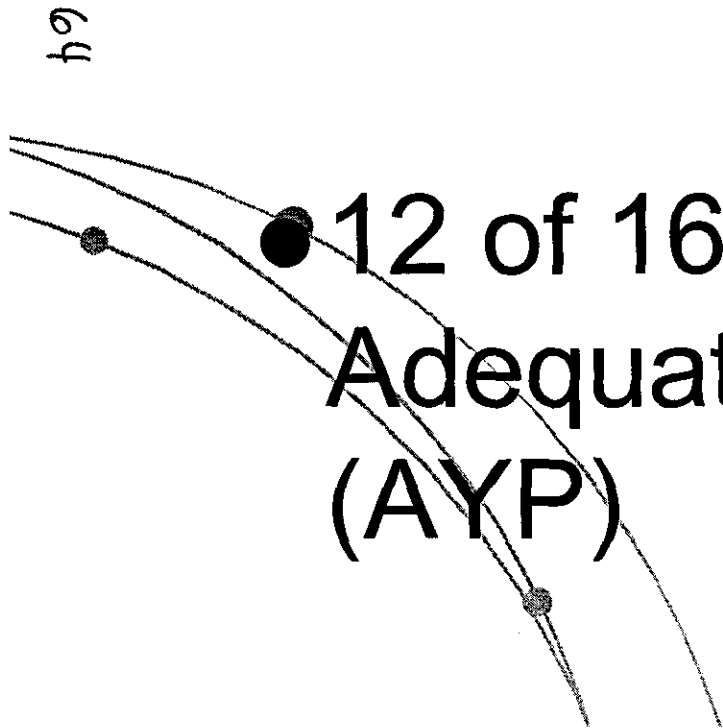


*City Council Retreat
November 4, 2006*

Proud of Our Success

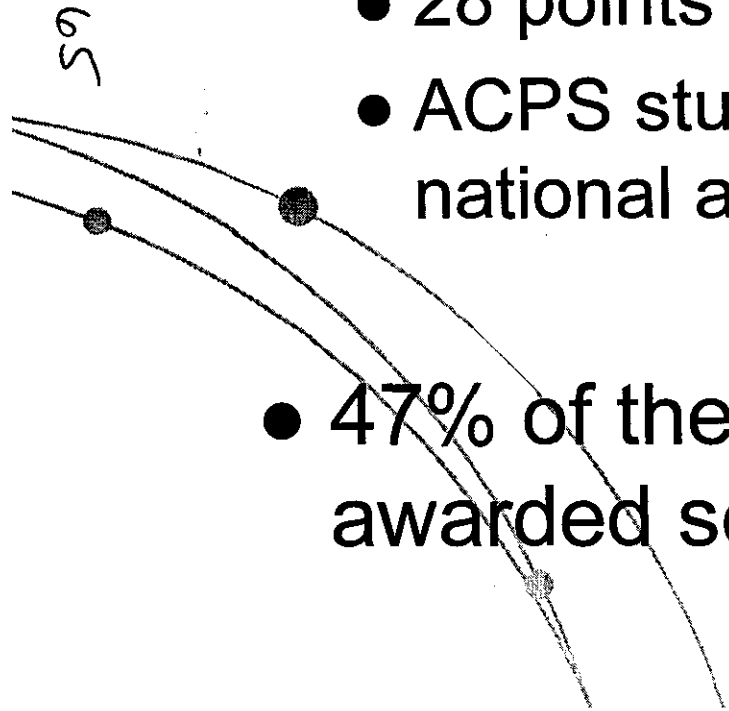
- 14 of 16 schools fully accredited

- 12 of 16 schools achieved Adequate Yearly Progress (AYP)



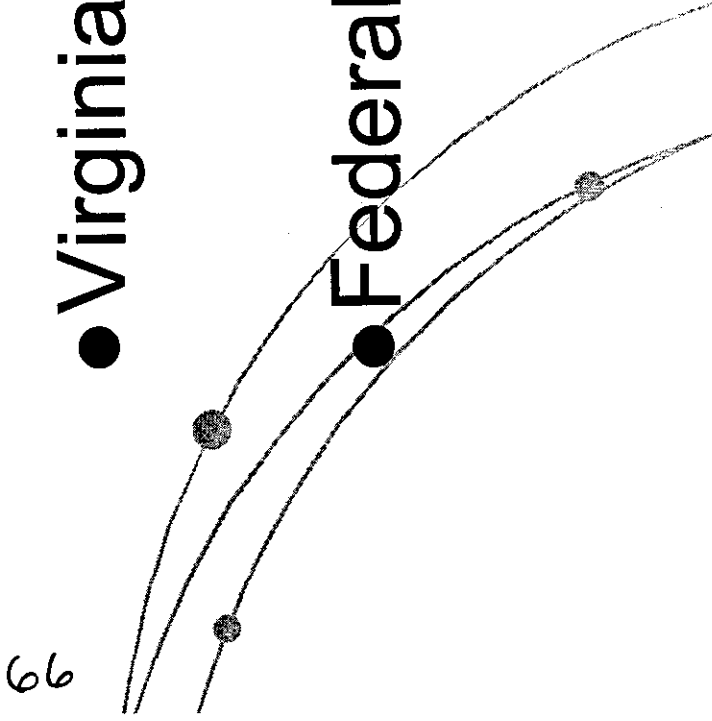
Proud of Our Success

- SAT Scores Up
 - 30 points in Reading
 - 28 points in Math
 - ACPS students outperformed state and national average in new SAT I Writing test
- 47% of the AP tests taken in May 2006 awarded scores of 3 or better



The Challenges We Face

- Increased accountability
- Virginia Standards of Learning
- Federal No Child Left Behind Act



The Challenges We Face

- Higher Expectations
 - Accreditation benchmarks

69

	2000-01	2005-06
English	70%	75%
Mathematics	70%	70%
Science – 3 rd grade	N/A	50%
Social Studies – 3 rd grade	N/A	50%

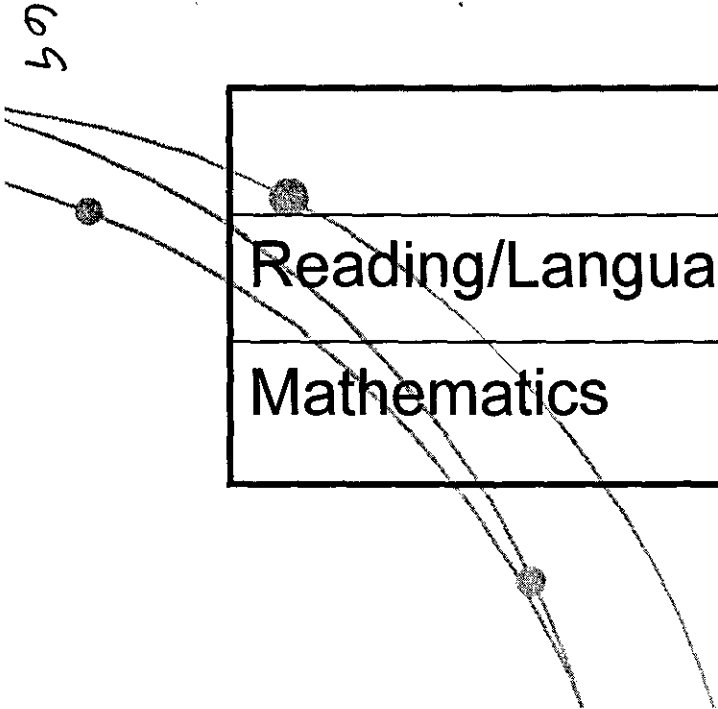
The Challenges We Face

- Higher Expectations
 - AYP benchmarks

	2002-03	2005-06
Reading/Language Arts	61%	69%
Mathematics	59%	67%

The Challenges We Face

- And it doesn't stop there...
 - AYP performance benchmarks



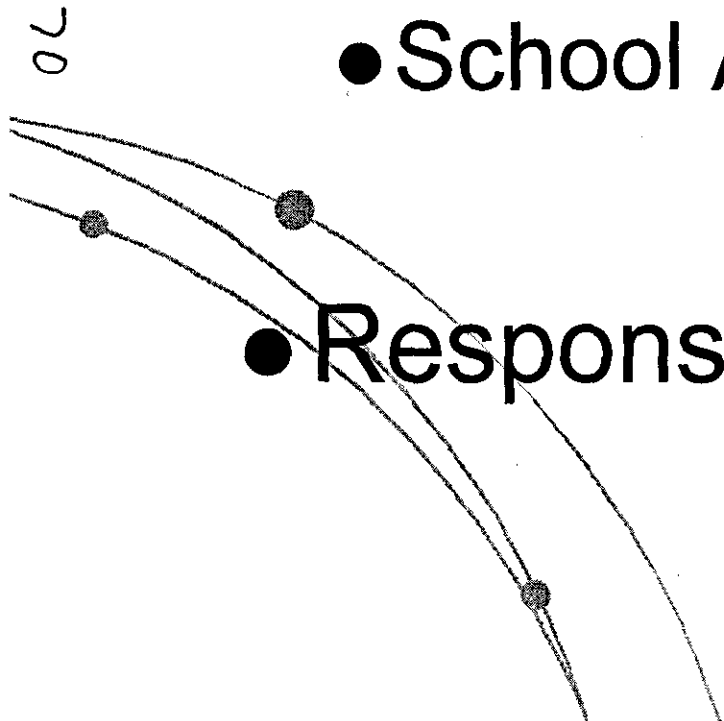
Hand-drawn lines and dots pointing to the table data.

	2006-07	2009-10	2013-14
Reading/Language Arts	73%	85%	100%
Mathematics	71%	83%	100%

The Challenges We Face

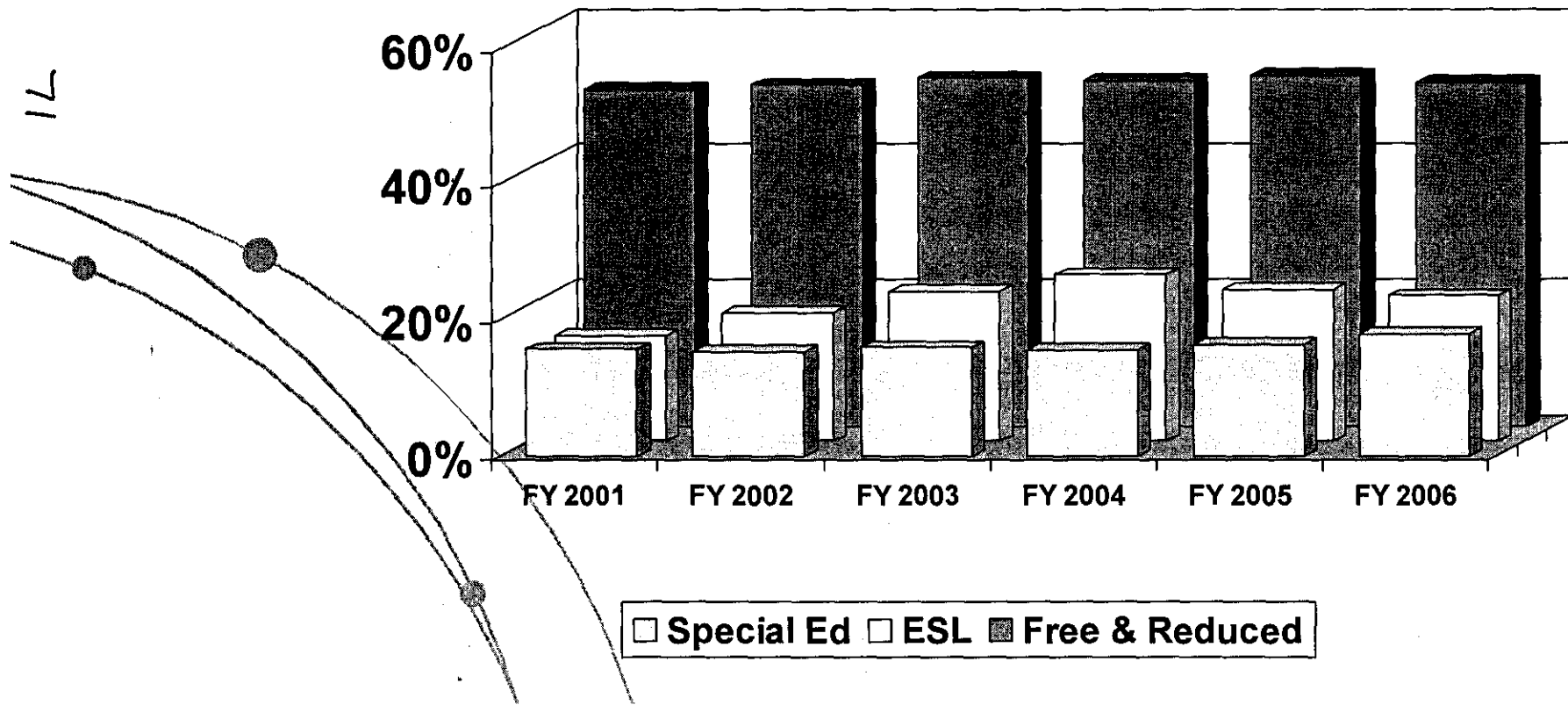
- Competitive Market for Staff
 - Teachers
 - School Administrators

- Responsiveness to Diversity



The Challenges We Face

Special Needs Enrollment



The Challenges We Face

- A “Flattened” World

- 21st Century Skills:

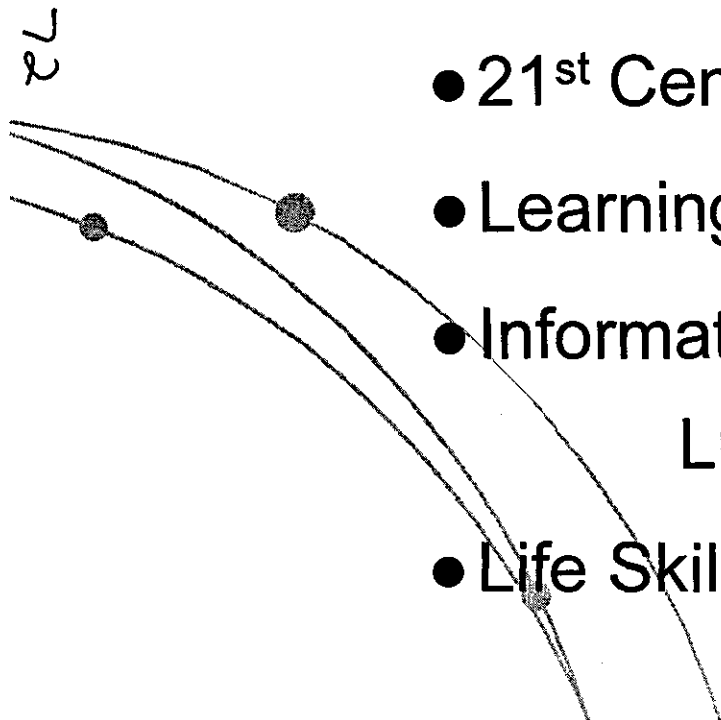
- 21st Century Content

- Learning and Thinking Skills

- Information and Communications Technology

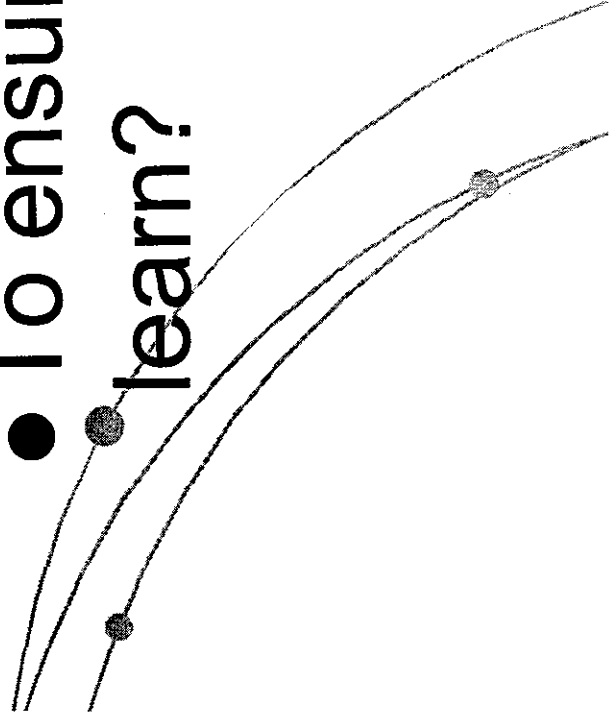
Literacy

- Life Skills



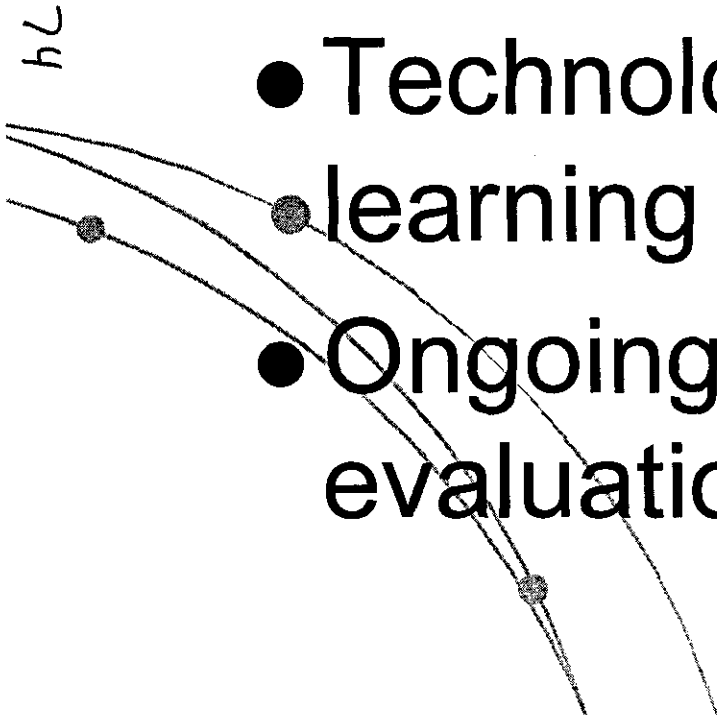
What Does It Take...

- To meet these challenges?
- To ensure that ALL students learn?



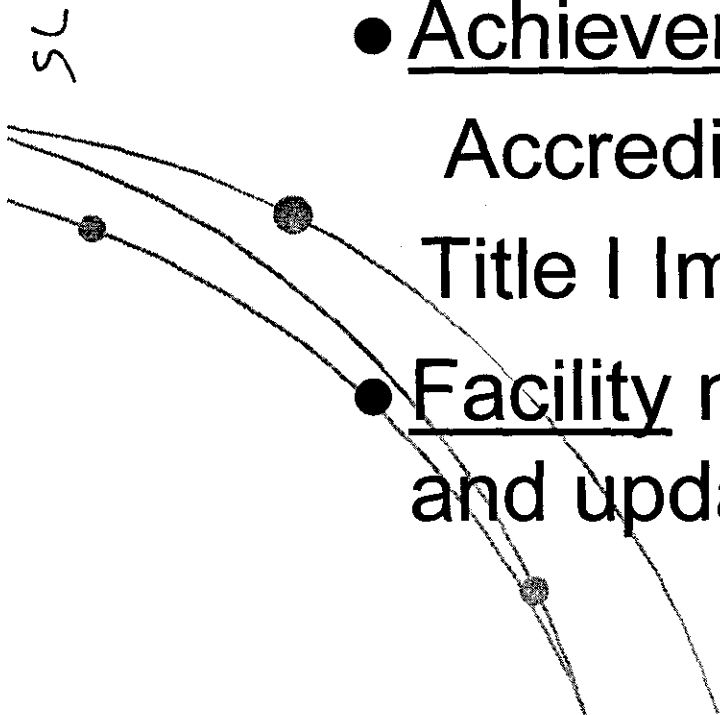
What Does It Take?

- Ability to respond to a specific school's needs
- Technology as a tool for learning
- Ongoing monitoring and evaluation



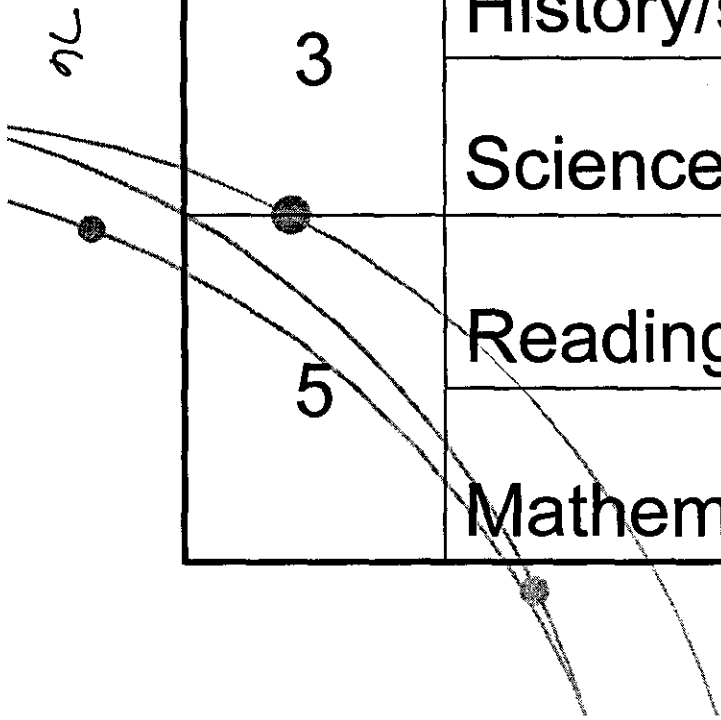
Case Study #1: Maury Elementary School

- Three years ago:
 - Enrollment: 166 students
 - Achievement Ratings:
 - Accredited with Warning
 - Title I Improvement
 - Facility needing new infrastructure and updating



Case Study #1: Maury Elementary School

Grade	SOL Test	2002-03	2005-06
3	History/social science	30%	100%
	Science	15%	100%
5	Reading/language arts	45%	93%
	Mathematics	38%	83%



Case Study #1: Maury Elementary School

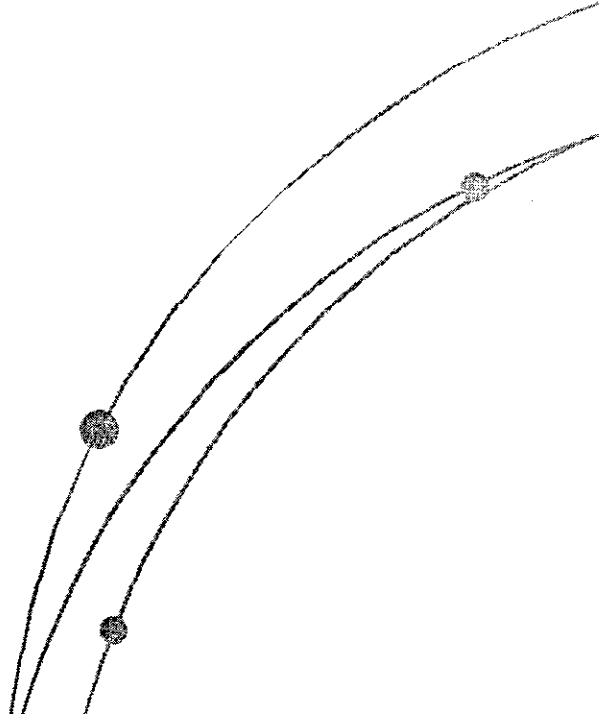
- Today:
 - Enrollment: 160 students
 - Achievement Ratings:
 - Fully Accredited
 - Achieved AYP two years in a row
 - Facility: \$4.2M renovation and addition completed



Case Study #2:
Samuel W. Tucker Elementary

- “The enemy of Great is Good enough!”

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Case Study # 2

Samuel W. Tucker Elementary

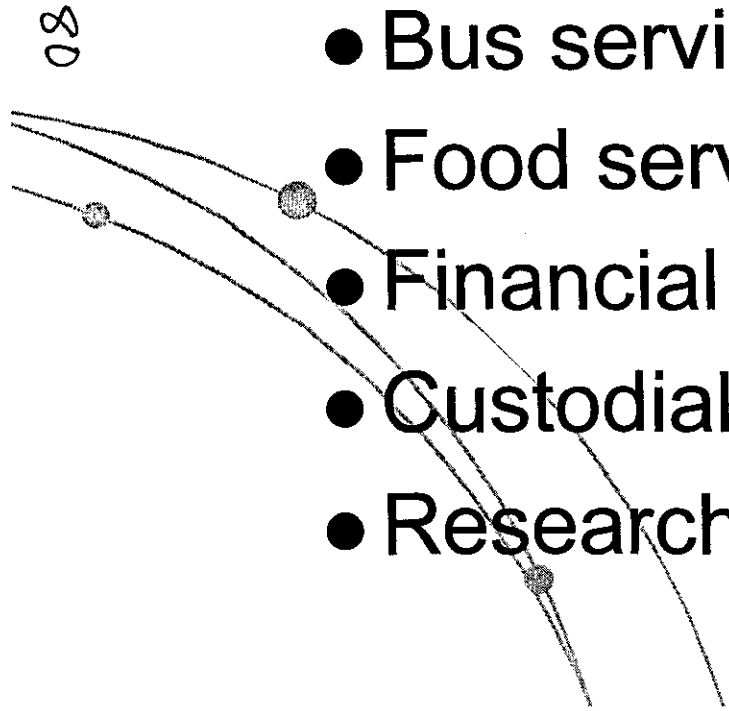
African American	2003-04	2004-05
Reading/language arts	55%	89%
History/social science	60%	89%
Mathematics	71%	92%
Science	65%	92%
Students w/ Disabilities		
Reading/language arts	25%	67%
History/social science	25%	67%
Mathematics	58%	100%
Science	50%	89%

79

Hand-drawn lines and dots pointing to the 'Students w/ Disabilities' section of the table.

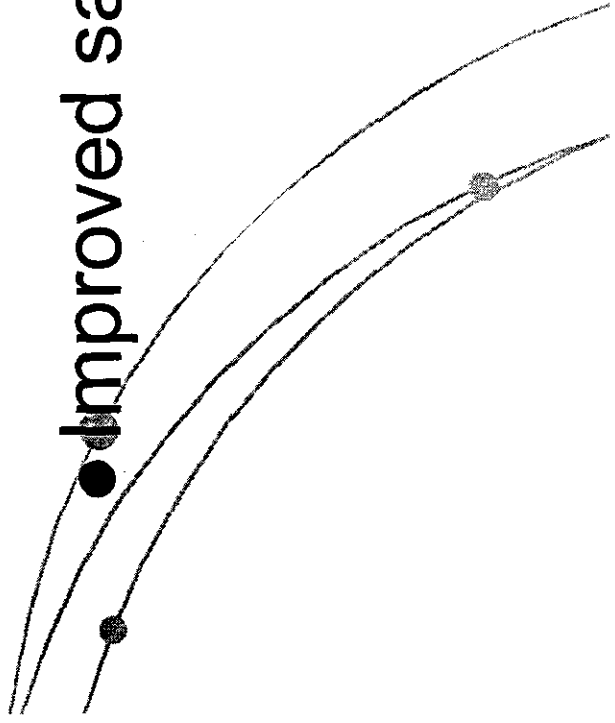
Goals for FY 2008

- Safety/Security/Services
 - Emergency planning
 - Information services
 - Bus services
 - Food services
 - Financial services
 - Custodial services
 - Research and development



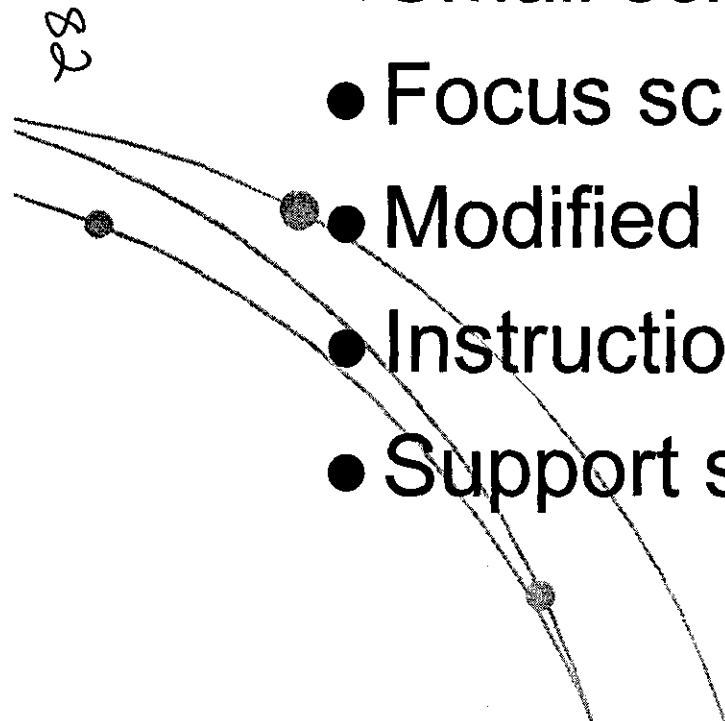
Goals for FY 2008

- Hire and retain highly-qualified staff
- Step and COLA for all employees
- Improved salary scale for support staff



Goals for FY 2008

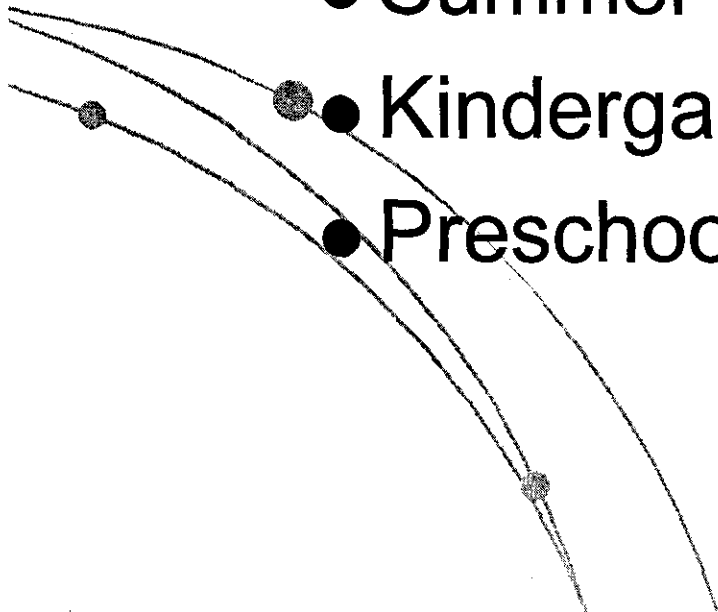
- Provide and support quality programs
 - Small class sizes
 - Small schools
 - Focus schools
 - Modified calendar schools
 - Instructional technology
 - Support services



Goals for FY 2008

- Provide and support quality programs
 - Interim Education program
 - Alternative Education program
 - Summer school
 - Kindergarten Prep
 - Preschool

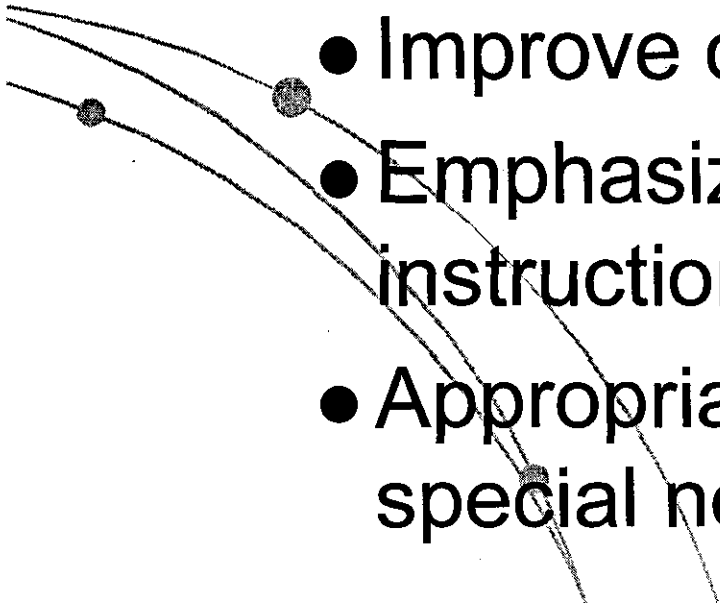
83



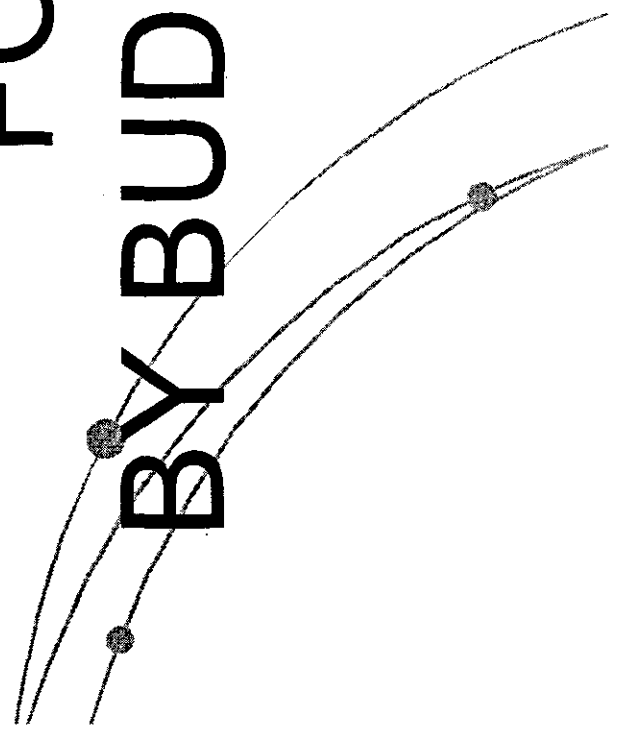
Goals for FY 2008

- Improve curriculum & instruction for all students
 - Literacy for 21st Century
 - Strengthen rigor in regular curriculum
 - Improve options for middle school
 - Emphasize appropriate literacy instruction
 - Appropriate reading instruction for special needs, ESL, and high school

h8



**FY 2008
OPERATING BUDGET
PRELIMINARY
FORECAST
BY BUDGET PRIORITY**



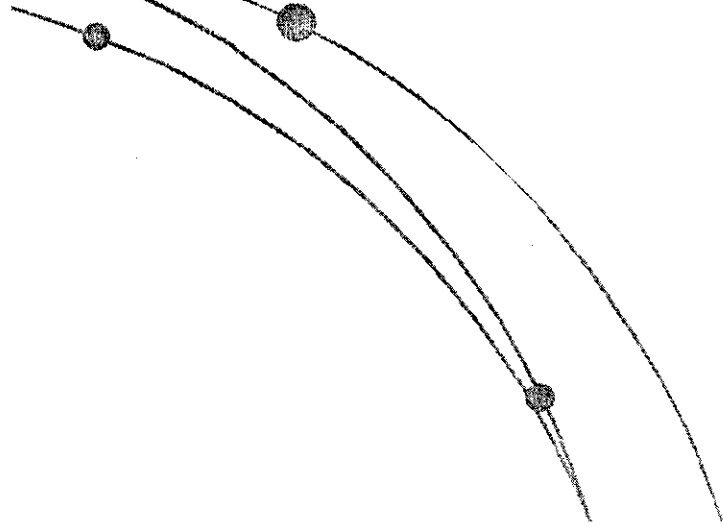
Forecasted Expenditures

% Increase
Over FY 2007
Total Budget

FY 2006-07 Final Approved Budget \$182,091,160

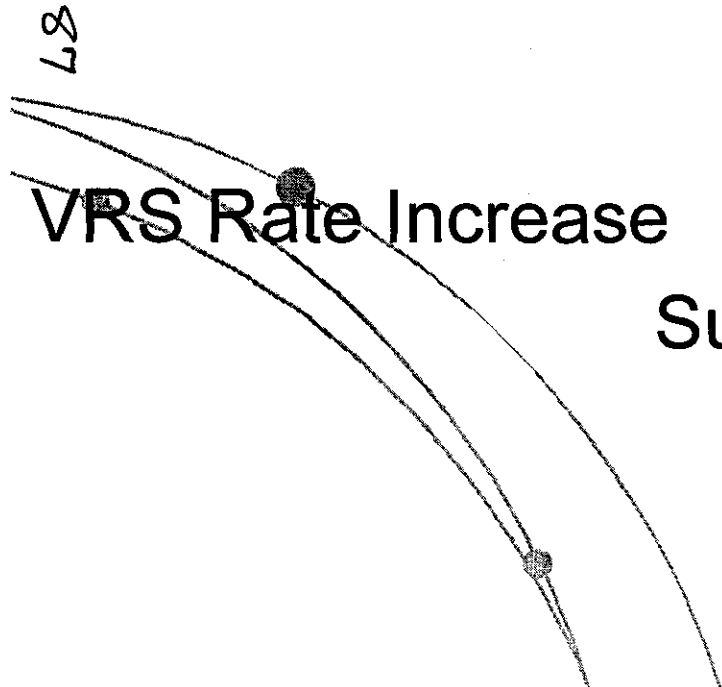
86
Operating Increases \$ 385,000

Subtotal \$182,476,160 0.21%



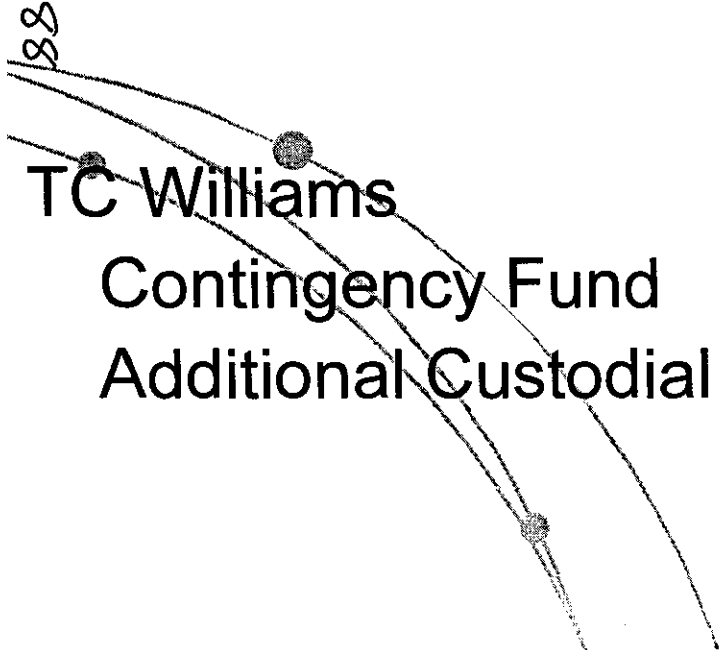
Forecasted Expenditures

			% Increase Over FY 2007 Total Budget
FY 2006-07 Final Approved Budget	\$182,091,160		
Operating Increases	<u>\$ 385,000</u>		
Subtotal	\$182,476,160		0.21%
VRS Rate Increase	<u>\$ 1,190,000</u>		
Subtotal	\$183,666,160		0.86%



Forecasted Expenditures

			% Increase Over FY 2007 Total Budget
FY 2006-07 Final Approved Budget		\$182,091,160	
Operating Increases		<u>\$ 385,000</u>	
	Subtotal	\$182,476,160	0.21%
VRS Rate Increase		<u>\$ 1,190,000</u>	
	Subtotal	\$183,666,160	0.86%
TC Williams			
Contingency Fund		\$ 500,000	
Additional Custodial Staffing		<u>\$ 473,616</u>	
	Subtotal	\$184,639,776	1.40%



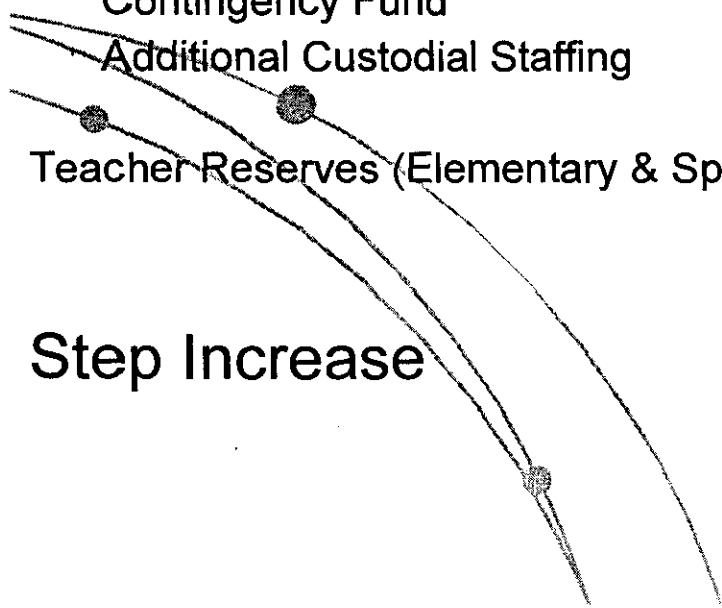
Forecasted Expenditures

			% Increase Over FY 2007 Total Budget
FY 2006-07 Final Approved Budget		\$182,091,160	
Operating Increases		<u>\$ 385,000</u>	
Subtotal		\$182,476,160	0.21%
⁸⁸ VRS Rate Increase		<u>\$ 1,190,000</u>	
Subtotal		\$183,666,160	0.86%
TC Williams			
Contingency Fund		\$ 500,000	
Additional Custodial Staffing		<u>\$ 473,616</u>	
Subtotal		\$184,639,776	1.40%
Teacher Reserves (Elementary & Special Ed)		<u>\$ 1,010,197</u>	
Subtotal		\$185,649,973	1.95%

Forecasted Expenditures

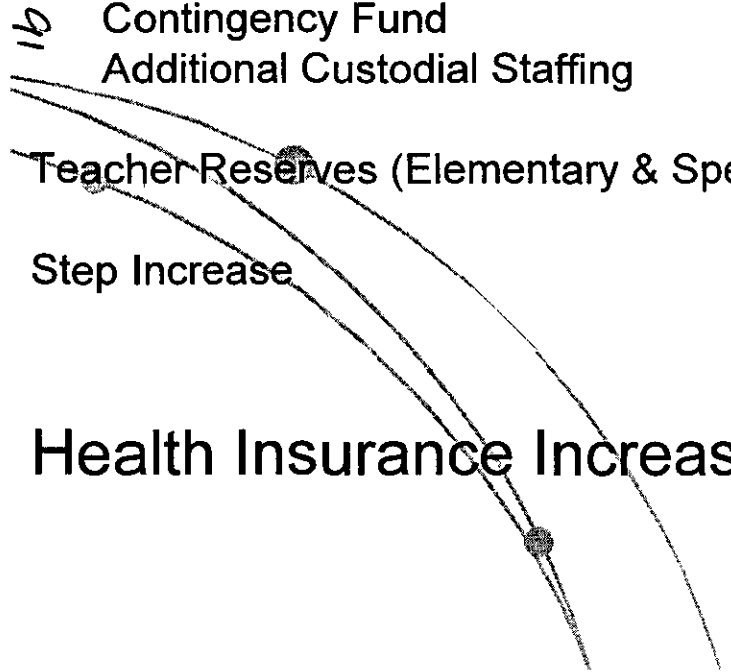
			% Increase Over FY 2007 Total Budget
FY 2006-07 Final Approved Budget		\$182,091,160	
Operating Increases		<u>\$ 385,000</u>	
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VRS Rate Increase		<u>\$ 1,190,000</u>	
	Subtotal	\$183,666,160	0.86%
TC Williams			
Contingency Fund		\$ 500,000	
Additional Custodial Staffing		<u>\$ 473,616</u>	
	Subtotal	\$184,639,776	1.40%
Teacher Reserves (Elementary & Special Ed)		<u>\$ 1,010,197</u>	
	Subtotal	\$185,649,973	1.95%
Step Increase		<u>\$ 4,500,000</u>	
	Subtotal	\$190,149,973	4.43%

06



Forecasted Expenditures

			% Increase Over FY 2007 Total Budget
FY 2006-07 Final Approved Budget		\$182,091,160	
Operating Increases		\$ <u>385,000</u>	
	Subtotal	\$182,476,160	0.21%
VRS Rate Increase		\$ <u>1,190,000</u>	
	Subtotal	\$183,666,160	0.86%
TC Williams			
Contingency Fund		\$ 500,000	
Additional Custodial Staffing		\$ <u>473,616</u>	
	Subtotal	\$184,639,776	1.40%
Teacher Reserves (Elementary & Special Ed)		\$ <u>1,010,197</u>	
	Subtotal	\$185,649,973	1.95%
Step Increase		\$ <u>4,500,000</u>	
	Subtotal	\$190,149,973	4.43%
Health Insurance Increase		\$ <u>1,625,000</u>	
	Subtotal	\$191,774,973	5.32%



Forecasted Expenditures

			% Increase Over FY 2007 Total Budget
FY 2006-07 Final Approved Budget		\$182,091,160	
Operating Increases		\$ 385,000	
	Subtotal	\$182,476,160	0.21%
VRS Rate Increase		\$ 1,190,000	
	Subtotal	\$183,666,160	0.86%
TC Williams			
Contingency Fund		\$ 500,000	
Additional Custodial Staffing		\$ 473,616	
	Subtotal	\$184,639,776	1.40%
Teacher Reserves (Elementary & Special Ed)		\$ 1,010,197	
	Subtotal	\$185,649,973	1.95%
Step Increase		\$ 4,500,000	
	Subtotal	\$190,149,973	4.43%
Health Insurance Increase		\$ 1,625,000	
	Subtotal	\$191,774,973	5.32%
Additional funding for program support and improvements		\$ 5,046,967	
	Subtotal	\$196,821,940	8.09%

Forecasted Expenditures

			% Increase Over FY 2007 Total Budget
FY 2006-07 Final Approved Budget		\$182,091,160	
Operating Increases		\$ <u>385,000</u>	
	Subtotal	\$182,476,160	0.21%
VRS Rate Increase		\$ <u>1,190,000</u>	
	Subtotal	\$183,666,160	0.86%
TC Williams			
Contingency Fund		\$ 500,000	
93 Additional Custodial Staffing		\$ <u>473,616</u>	
	Subtotal	\$184,639,776	1.40%
Teacher Reserves (Elementary & Special Ed)		\$ <u>1,010,197</u>	
	Subtotal	\$185,649,973	1.95%
Step Increase		\$ <u>4,500,000</u>	
	Subtotal	\$190,149,973	4.43%
Health Insurance Increase		\$ <u>1,625,000</u>	
	Subtotal	\$191,774,973	5.32%
Additional funding for program support and improvements		\$ <u>5,046,967</u>	
	Subtotal	\$196,821,940	8.09%
Adjustment to support & admin salary scales		\$ <u>1,020,000</u>	
	Subtotal	\$197,841,940	8.65%

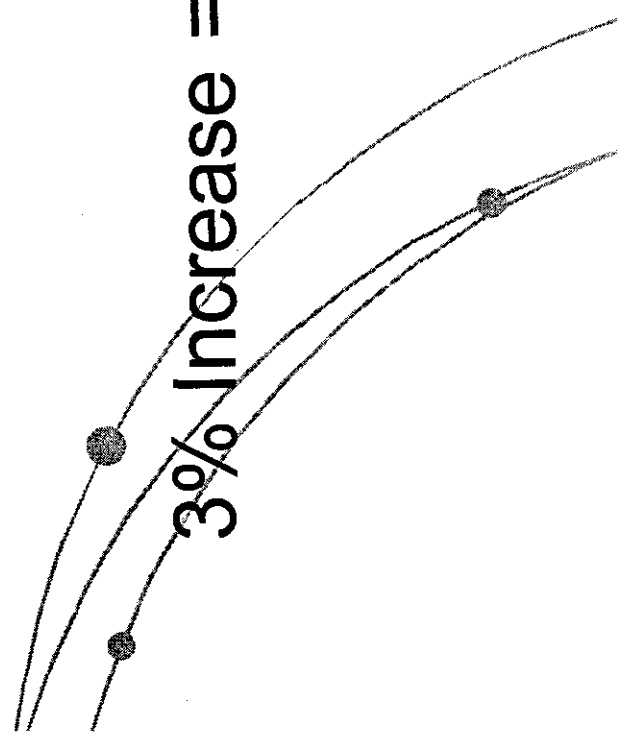
Forecasted Expenditures

COLA

1% Increase = \$1,500,000 9.47%

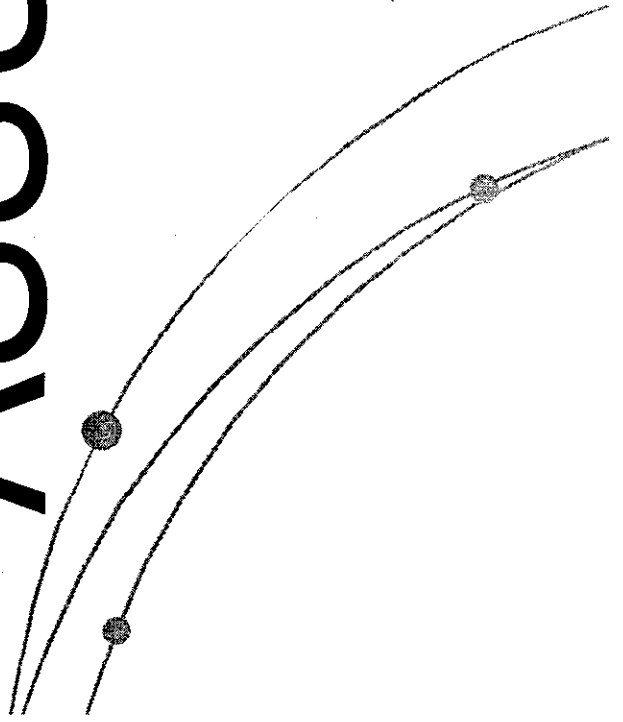
2% Increase = \$3,000,000 10.30%

3% Increase = \$4,500,000 11.12%



FORECAST ASSUMPTIONS

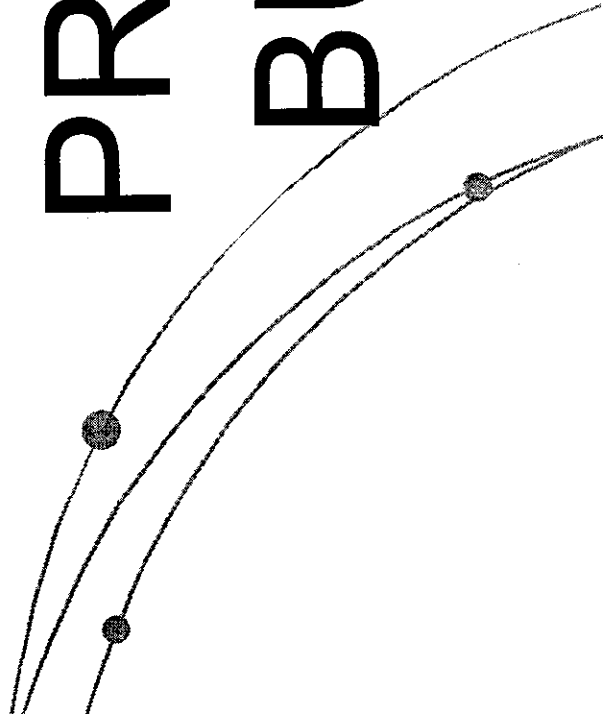
95



FY 2007-08

**CAPITAL
IMPROVEMENT
PROGRAM
BUDGET**

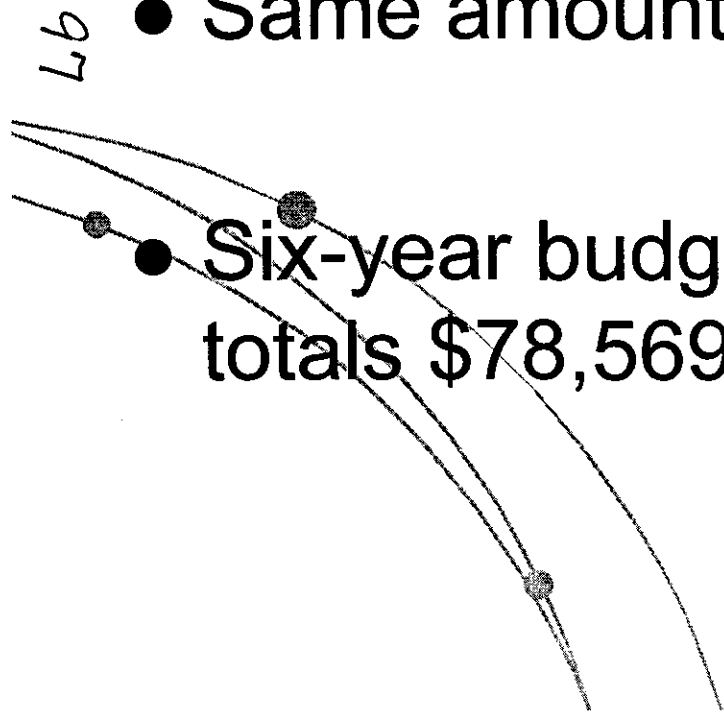
96



FY 2007-08 CIP Budget

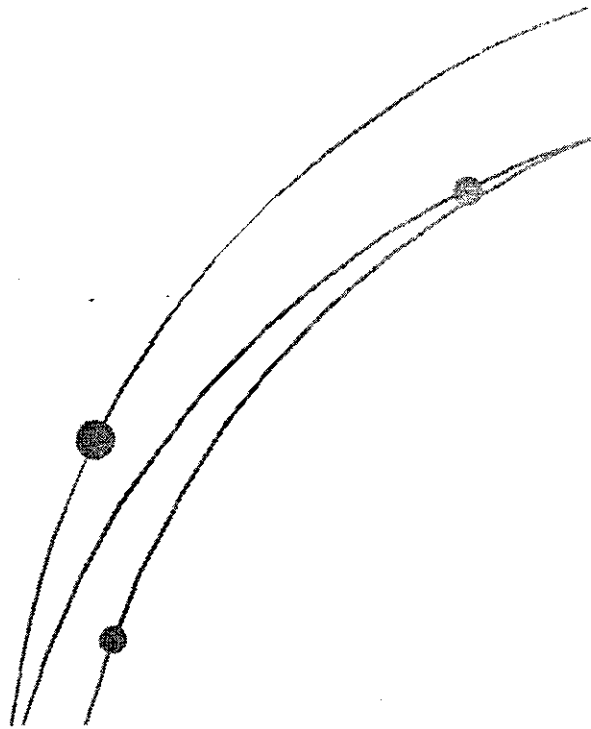
- FY 2008 budget totals \$16,249,275
- Same amount as was in FY 2007 budget

● Six-year budget for FY 2008 – FY 2013 totals \$78,569,219



CONCLUSION

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Learning to Live • Loving to Learn



Alexandria City Public Schools

October 31, 2006

2000 N. Beauregard Street
Alexandria, Virginia 22311

Telephone: (703) 824-6600
Facsimile: (703) 824-6699
TDD: (703) 824-6666
www.acps.k12.va.us

Superintendent of Schools
Rebecca L. Perry

ol Board

Chairman
Arthur E. Peabody Jr.

Vice Chairman
Blanche D. Maness

Members
Ronnie Campbell

Claire M. Eberwein

Yvonne A. Folkerts

Sheryl Gorsuch

Scott Newsham

Eileen Cassidy Rivera

Charles H. Wilson

From: Rebecca L. Perry *Rebecca Perry*
Superintendent of Schools

To: James K. Hartmann
City Manager

Attachments:

- Attachment 1 – FY 2008 Operating Budget Preliminary Forecast Assumptions
- Attachment 2 – FY 2008 Operating Budget Preliminary Forecast Summary by Budget Priority and CIP Budget Preliminary Forecast
- Attachment 3 – Overview of ACPS Federal Programs: FY 05-06 to FY 07-08
- Attachment 4 – Overview of ACPS State Grants: FY 05-06 to FY 07-08

ISSUE: The Superintendent has been requested to furnish the City Manager with a forecast of the FY 2008 Operating and CIP budgets by October 31, 2006.

BACKGROUND: Last year, City Council adopted a new budget process resolution that requested the school system to issue a budget forecast prior to the City Council retreat in the fall. The resolution also changed the budget process by the issuance of a budget target by the City Council after its retreat, and the request that the budget be approved by the School Board by January 31. On October 10, 2006, the City Council adopted a resolution that requested the school system to issue a budget forecast by October 31, 2006, prior to the City Council retreat on November 4, 2006 and that this forecast include any requested cost of living adjustment (COLA). As it did last year, the resolution also requested that the School Board approve its budget by January 31, 2007.

DISCUSSION: The following outlines and summarizes the FY 2008 Operating Budget Preliminary Forecast and the FY 2008 CIP Budget Forecast:

2006 NOV - 1 A 2:53
OMB
ALEXANDRIA VIRGINIA

FY 2008 Preliminary Budget Forecast Assumptions

The assumptions used to formulate the preliminary budget forecast are outlined in Attachment 1, FY 2008 Operating Budget Preliminary Forecast Assumptions. The forecast being developed in October 2006 covers revenues and expenditures for the period of July 2007 through June 2008. These assumptions are the best estimates we can make based on the information available at this time. A key driver of the schools' budget is enrollment. As indicated in our list of assumptions (Attachment 1), the FY 2008 enrollment forecast will be updated and published in the Superintendent's FY 2008 CIP budget which will be presented to the School Board on November 2, 2006.

Should any of the assumptions used to build the FY 2008 preliminary budget forecast change between now and budget approval by the School Board, it is our intent to inform the School Board and the City Council of the change and seek an adjustment. A number of budget factors such as the Governor's budget, actions by the General Assembly, natural disasters, changes in state/federal aid, unfunded mandates, or changes in world markets can all have a major financial impact on the school system.

FY 2008 Operating Budget Preliminary Forecast

In response to City Council's request for an expedited budget process, I have developed a preliminary budget forecast that maintains existing programs and carries forward the goal of achieving accreditation of all our schools. No new initiatives are funded in this forecast but essential program improvements are included. Several initiatives are still under consideration for future budget years.

The FY 2008 operating budget preliminary forecast shown in Attachment 2 builds on the FY 2007 final approved budget and funds necessary increases in fuels, utilities, rent, and property and liability insurance. Over the course of the next seven weeks, I will be analyzing the entire budget for possible efficiencies and reductions as the Superintendent's proposed FY 2008 budget is developed. The School Board will then have six weeks to review the proposed FY 2008 budget and make any adjustments it feels necessary. The School Board's approved FY 2008 budget will then come to the City Council for its review and approval.

The FY 2008 budget will be impacted by a mandated increase in the Virginia Retirement System (VRS) rate for retirement benefits for professional staff. This line item totals \$1,190,000 and accounts for approximately 7.6% of the FY 2008 budget increase¹.

¹ The percentage increase calculated throughout this memo is based on the FY 2008 preliminary forecast total without COLA.

The new T. C. Williams High School will be opening in September 2007. In order to ensure that the building opens on schedule and with all the necessary supplies, included in the forecast is a contingency fund to cover anticipated expenses (e.g., moving expenses, trash removal and disposal fees, loss/breakage of materials moving from the old school to the new, etc.). In addition, because of the expanded square footage of the building, additional building maintenance positions will be needed. The total of these two items for the new TC is \$973,616, or approximately 6.2% of the total increase.

As is the practice in all school budgets, included are reserve elementary teachers and kindergarten paraprofessionals as well as special education teachers and paraprofessionals in the budget forecast. These reserves are included in order to address the possibility of unexpected changes in enrollment by grade level at each school or changes in special education populations since regular staffing is accomplished on a formula-driven basis and staffed "tightly." The budget forecast includes the number of reserve teacher and paraprofessional positions we have actually used, on average, over the past three years (a reduction from what has been budgeted to reflect actual and projected needs). These reserves must also cover any critical staffing areas no longer funded by grants. The total of these reserves is \$1,010,197, which represents approximately 6.4% of the total budget increase.

Granting eligible employees a step increase on the pay scale amounts to \$4,500,000 or 28.6% of the increase. This year, for the first time, we have been asked to include the cost of living adjustment (COLA) in the preliminary budget forecast. In past years, the City has accorded the same COLA to both City and Schools employees. This practice has been positive for employees. Should the City's forecast include a COLA of a different percentage than the one included in the Schools' forecast, I would request a change in the amount of the Schools' COLA to reflect the City's COLA amount. Each 1% of COLA costs \$1,500,000; a 3% COLA would amount to \$4,500,000.

Health insurance rates have been rising steadily in recent years and it is anticipated that next year's rates will continue to rise. Therefore, included is funding to increase the School Board's contribution by the anticipated amount of the premium rate increase. Assuming the premium rate increase is no greater than what is anticipated at this time, the employee will be held harmless. In addition, funding of \$65,000 is added to increase the monthly health insurance contribution for school system retirees. These increases, in the amount of \$1,625,000, account for approximately 10.3% of the budget increase.

Funding for program support and improvements in the amount of \$5,046,967 is included in the FY 2008 preliminary forecast. This funding amount is based on the three-year average of actual funded supplemental requests. It does not include the average amounts for increases in fuel, utilities, insurance and rent or special education teacher reserves which were specifically listed as individual line items in the forecast (see items 1 and 4 on Attachment 2). This item includes not only improvements to programs but essential operating expenses such as textbooks and consumable print materials for students. This funding accounts for approximately 32% of the overall budget increase.

The FY 2008 budget forecast includes funding for an adjustment to the support salary scale as well as the administrative salary scale. I have proposed these adjustments to reflect increased employment requirements and to continue to be as competitive as possible with surrounding jurisdictions. In addition, funding is included to revise the stipend schedule and to adjust the daily rate for substitutes, both short term and long term. These needed salary adjustments account for approximately 6.5% of the overall increase and total \$1,020,000.

Attachments 3 and 4 outline the federal and state grants received by ACPS over the past two years and the outlook for those grants for FY 2008. We predict changes in several federal grants for next that may require additional funding from the operating budget; however, any additional funding needed in the operating budget will be funded within the preliminary forecast amount and will not increase the forecast total.

FY 2008 CIP Budget Preliminary Forecast

The FY 2008 CIP Preliminary budget forecast is \$16,249,275. This amount is the same total for FY 2008 as presented in the Approved FY 2007 – 2012 budget last year. The City has indicated that the amount of the FY 2008 CIP budget is at or near the targeted bonding capacity level. The rising cost of construction in the last few years will require staff to examine and develop new budget estimates for all projects planned in FY 2008 – FY 2013. Even though the total amount for the FY 2008 CIP budget will not change, it is possible that some projects may need to be re-sequenced and rescheduled in order to adjust for the rising costs of construction. The funding required for the succeeding five years, FY 2009 through FY 2013, will be forthcoming in the Superintendent's Proposed FY 2008 CIP budget which will be presented to the School Board on November 2, 2006.

cc: The Honorable Mayor and Members,
Alexandria City Council
The Honorable Chair and Members,
Alexandria School Board

FY 2008 OPERATING BUDGET PRELIMINARY FORECAST ASSUMPTIONS

REVENUE

1. State Aid is projected at the amount approved by the General Assembly in June 2006. In addition, the sales tax estimate approved by the General Assembly in June 2006 has been revised to correct the overestimation discovered after approval of the biennial budget.
2. Local Revenue is projected at our best estimate of revenue likely to be received based on the actual revenue received over the past three years.
3. Federal Revenue is projected at our best estimate of revenue likely to be received based on the actual revenue received over the past three years.
4. City Appropriation is forecast at the amount needed to fund the FY 2008 budget based on the forecasted expenditures, the projected State, local, and federal revenue to be received, and the unaudited fund balance amount.
5. Fund Balance is projected at the unaudited fund balance amount provided by the Finance Office.

EXPENDITURES

1. Operating Increases are made up of the following:
 - a) Motor vehicle fuels increases are estimated based on the same average price per gallon as actually paid in FY 2006 plus an increase of 3.4% in usage to account for an increased number of buses in use this year over last year.
 - b) Utilities increases are estimated based on a 16% increase in the cost of electricity and a 15% decrease in the cost of natural gas plus an estimate of the increased usage in both categories as a result of the opening of the new TC.
 - c) Insurance increases are estimated based on an increase of 8% for liability insurance, 7% for property insurance, 7% for auto insurance, and 9% for worker's compensation excess insurance.
 - d) Rent increases are based on a 3% increase per year, according to the terms of the leases.
2. VRS rate increase is based on the latest information we have from the Virginia Retirement System and the state. The following is the current rate and the projected rate for the professional category of VRS retirement:

	Current	Projected	Difference
VRS Retirement - Professional Category	9.20%	10.30%	1.10%

3. Because of the opening of the new TC Williams High School, we have budgeted a contingency fund of \$500,000 to cover those expenses which we anticipate but cannot estimate at this time (e.g., specialized moving expenses, trash removal and disposal fees, loss/breakage of materials, etc.). In addition, because of the expanded square footage of the building, additional custodial services will be needed.
4. Reserves are broken down as follows:

7.0 FTE elementary teachers	\$ 545,069
2.0 FTE kindergarten paraprofessionals	\$ 76,830
4.0 FTE special education teachers	\$ 311,468
2.0 FTE special education paraprofessionals	\$ 76,830

The reserves are based on the average number of reserves used over the past three years.

5. The amount for Step Increase is projected based on the salaries of the staff in place as of September 21, 2006. Health Insurance Increase is based on an estimate from the City's and schools' health insurance consultant who indicates we should budget for an 11% increase in MAMSI/United Healthcare and a 13% increase in Kaiser. Included in the health insurance increase is funding to raise the monthly contribution for retirees from \$265 to \$280 (\$65,000).

FY 2008 OPERATING BUDGET PRELIMINARY FORECAST ASSUMPTIONS

Funding for program support and improvements is based on the three-year average of actual funded supplemental requests but does not include the average amounts for operating increases and special ed teacher reserves which are specifically listed as individual line items in the forecast. Included in this amount is funding for textbooks.

8. Adjustment to support and administrative salary scales proposes changes in those salary scales to reflect increased responsibilities and to be more competitive with surrounding jurisdictions. This figure is a placeholder only; the details of the changes are currently being worked out. In addition, the stipend schedule will be revised and the per diem rates for substitutes, both short term and long term, will be adjusted.
9. Each 1% of COLA is forecasted to cost \$1,500,000 based on the salaries of the staff in place as of September 21, 2006. In years past, the City has accorded the same COLA to both City and Schools employees. Even though the Schools have been asked to include the cost of a COLA in its forecast, we presume and hope this practice will continue this year. Should the City's forecast include a COLA of a different percentage than we have included here, we would request to change our forecast request to match that requested by the City Manager.
10. The FY 2008 budget is based on an enrollment projection of 10,063, which was calculated in Fall 2005. Because this projection is 6 students higher than the September 30 enrollment for the current year, no changes in staffing were made. A new enrollment projection for FY 2008, which is based on September 30, 2006 enrollment, will be forthcoming in the Superintendent's Proposed FY 2008 CIP budget which will be presented to the School Board on November 2, 2006. Any changes in staffing as a result of this new projection will be included in the Superintendent's Proposed FY 2008 Operating Budget which will be presented to the School Board on December 19, 2006. Last year, this same process resulted in a reduction of 22.0 FTE teachers and 2.0 FTE paraprofessionals for a total of over \$1.4 million.

**FY 2008 OPERATING BUDGET PRELIMINARY FORECAST
EXPENDITURES BY BUDGET PRIORITY**

FY 2007-08 FORECASTED REVENUES

1. State Aid	\$ 26,508,553
2. Local Revenue	\$ 446,984
3. Federal Revenue	\$ 204,443
4. City Appropriation (FY 2007 level = \$149,873,621)	\$ 168,900,592
5. Fund Balance	<u>\$ 1,781,367</u>
	Forecasted FY 2008 Revenue Before COLA \$ 197,841,940

	FY 2007
	% Increase Preliminary
	Over FY 2007 Forecast
	Total Budget Increase %

FY 2007-08 FORECASTED EXPENDITURES

FY 2006-07 Final Approved Budget	\$ 182,091,160		
1. Operating increases (fuel, utilities, insurance, rent)	<u>\$ 385,000</u>		
	Subtotal \$ 182,476,160	0.21%	
2. VRS rate increase	<u>\$ 1,190,000</u>		
	Subtotal \$ 183,666,160	0.86%	
TC Williams			
Contingency Fund	\$ 500,000		
Additional Custodial Staffing	<u>\$ 473,616</u>		
	Subtotal \$ 184,639,776	1.40%	
4. Teacher Reserves (elementary and special education)	<u>\$ 1,010,197</u>		
	Subtotal \$ 185,649,973	1.95%	
5. Step increase	<u>\$ 4,500,000</u>		
	Subtotal \$ 190,149,973	4.43%	
6. Health insurance increase	<u>\$ 1,625,000</u>		
	Subtotal \$ 191,774,973	5.32%	
7. Funding for program support and improvements	<u>\$ 5,046,967</u>		
	Subtotal \$ 196,821,940	8.09%	
8. Adjustment to support & admin salary scales; stipend schedule; substitute rates	<u>\$ 1,020,000</u>		
	Total Budget for Preliminary Forecast Before COLA \$ 197,841,940	8.65%	8.54%
9. COLA - 1%	\$ 1,500,000	9.47%	
COLA - 2%	\$ 3,000,000	10.30%	
COLA - 3%	\$ 4,500,000	11.12%	

Note: Item numbers above correspond to item numbers on Preliminary Forecast Assumptions pages.

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Overview of ACPS Federal Programs: FY 05-06 through FY 07-08					
Grant	Type	Actual FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
Title I, Part A (Improving Basic Programs)	Federal/ Entitlement	\$2,919,945	\$2,890,325	\$2,890,325	Provides supplementary reading and/or math instruction to struggling K-5 students in eight schools (JA, PH, JH, CK, MM, MV, WR, and ST) Strengthens and enhances teachers' content knowledge and teaching proficiency in mathematics Provides Title I parents with meaningful resources and services to improve their children's achievement in school
Title I School Improvement	Federal/ Entitlement	\$202,000	\$200,000	\$50,000	Provides schools in <i>Title I School Improvement</i> with additional funds to increase student achievement FY 05-06: JA, JH, and PH \$50,000 each and MM \$52,000 FY 06-07: JA, JH, MM, and PH \$50,000 EACH FY 07-08: JH \$50,000 Note: During the 2005-06 and 2006-07 school years, JA, MM, & PH used these funds to pay a portion of math specialists' salary and benefits. Next school year these costs will be covered by the FY 07-08 Title I, Part A (Improving Basic Programs) budget.
Title I Workforce Investment (CTE Federal Perkins)	Federal/ Entitlement	\$249,716	\$251,668	\$251,668	Provides materials, supplies, and equipment for teachers in the Career and Technical Education Program Provides staff development for teachers in the Career and Technical Education Program
Title I, Part D (Neglected or Delinquent)	Federal/ Entitlement	\$59,886	\$00.00	\$00.00	Placed an <i>Intervention Specialist</i> at Maury who worked with staff and parents to increase student attendance and to reduce disruptive classroom behavior

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Overview of ACPS Federal Programs: FY 05-06 through FY 07-08					
Grant	Type	Actual FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
Title II, Part A (Teacher Quality)	Federal/ Entitlement	\$623,891*	\$616,674*	\$616,674*	<p>Provides staff development activities focusing on improving English, math, science, and social studies instruction</p> <p>Provided professional development activities for paraprofessionals</p> <p>Places at least one teacher in Title schools that are or were in <i>School Improvement</i> or did not make AYP during the current school year</p> <p>Note: Currently five schools--JH (2), JA (2), CK (1), MM (1) and PH (1)--have class size reduction teachers. Because of increased private school and highly qualified teaching funding requirements, both JH and JA will lose a class size reduction teacher.</p>
Title II, Part D (Technology)	Federal/ Entitlement	\$56,543	\$29,518	\$29,518	Provides staff development activities focusing on integrating technology into the classroom and developing teachers' and administrators' abilities to use technology
Title III (Limited English Proficient)	Federal/ Entitlement	\$294,854*	\$338,879*	\$271,525*	<p>Provides K-12 ESL instruction</p> <p>Note: For FY 06-07, ACPS received more Title III funding because immigrant enrollment increased.</p>
Title IV, Part A (Safe and Drug-Free Schools)	Federal/ Entitlement	\$75,177*	\$59,981*	\$59,981*	<p>Operates the PATHS and peer mediation programs in all elementary schools</p> <p>Operates a conflict resolution program at both middle schools</p> <p>Trains middle school P.E. teachers to integrate <i>Life Skills</i> into the curriculum</p> <p>Trains 9th grade P.E. teachers to integrate the <i>Get Real About Violence Program</i> into the curriculum</p> <p>Operates a <i>Student Against Destructive Decisions Club</i> at T.C. Williams</p>

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Overview of ACPS Federal Programs: FY 05-06 through FY 07-08					
Grant	Type	Actual FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
Title V, Part A (Innovative Programs)	Federal/ Entitlement	\$71,065*	\$34,155*	\$34,155*	Purchases library books that have significant relevance to identified areas of need as determined by each school's performance on the Virginia Standards of Learning Assessment (Note: Books are selected on the basis of (1) their potential for improving academic achievement in the content area(s) targeted for improvement, and (2) representation of cultural / gender diversity)
IDEA - Part B Section 611 (Special Education)	Federal/ Entitlement	\$2,519,905	\$2,454,826	\$2,454,826	Provides staff, materials and equipment for the instructional program for students with disabilities in grades K-12
IDEA - Part B Section 619 (Special Education Preschool)	Federal/ Entitlement	\$93,760	\$92,775	\$92,775	Provides staff, materials and equipment for the instructional program for students with disabilities ages 3-5 years
	Subtotal	\$7,166,733	\$6,968,801	6,751,447	
21st Century Community Learning Center	Federal/ Competitive	\$180,000	\$00.00	\$00.00	Operated a comprehensive after-school program for students at <u>Maurv, Jefferson-Houston and S.T.E.P.</u> Provided participants' parents with meaningful resources and services to improve their children's achievement in school Note: During FY 06-07, MM is using Title I and differentiated funds to provide these after school services. JH is using Title I School Improvement Funds to maintain these services.
21st Century Community Learning Center	Federal/ Competitive	\$170,729	\$170,729	\$00.00	Operates a comprehensive after-school program for students at <u>John Adams, Ramsay, and Tucker</u> Provides participants' parents with meaningful resources and services to improve their children's achievement in school Note: During FY 07-08, JA, WR, and ST can use Title I and differentiated funds to maintain these services for students.

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Overview of ACPS Federal Programs: FY 05-06 through FY 07-08					
Grant	Type	Actual FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
21st Century Community Learning Center (This grant was secured by the Campagna Center)	Federal/ Competitive	\$170,000	\$00.00	\$00.00	Operated a comprehensive after-school program for students at <u>Mount Vernon</u> Provided participants' parents with meaningful resources and services to improve their children's achievement in school Note: The Campagna Center raised funds to maintain these services at MV. Also, a small portion of Title I funds are being used to maintain these services.
	Subtotal	\$520,729	\$170,729	\$00.00	
Total		\$7,687,462	\$7,139,530	\$6,751,447	

* a portion of these funds are for private schools within Alexandria

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Overview of ACPS State Grants: FY 05-06 - FY 07-08

Grant	Type	FY 05-06	Projected FY 06-07	Projected FY 07-08	Purpose
Individual Student Alternative Education Plan (ISAEP)	State/Incentive	\$ 31,434	\$ 31,434	\$ 31,434	To provide partial funding of a GED instructor and program coordination stipend. Outlook: No change in funding; no change in program.
Juvenile Detention	State/ Categorical	\$ 709,538	\$ 890,581	\$ 931,859	To provide education services in the Northern Virginia Juvenile Detention Home. Outlook: Increased funding; no change in program.
Early Reading Intervention	State/Incentive	\$ 63,337	\$ 48,254	\$ 47,048	To provide additional reading instruction for at-risk students. Outlook: Slight decrease in funding; no change in program.
SOL Algebra Readiness	State/Incentive	\$ 64,068	\$ 37,042	\$ 36,409	To provide a remediation program for 7th and 8th graders who are at-risk of failing the Algebra I end of course test. Outlook: Slight decrease in funding; no change in program.
Mentor Teacher	State/ Competitive	\$ 10,416	\$ 10,416	\$ 10,416	Mentor teacher programs. Outlook: No change in funding; no change in program.
State of Virginia Medicaid Reimbursement	State/ Reimbursement	\$ 537,018	\$ 300,000	\$ 300,000	Reimbursement for services provided to disabled students. Outlook: Level or increased funding.
Total		\$1,415,811	\$1,317,727	\$1,357,166	

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RESOLUTION NO. 2211
Budget Resolution Setting Targets for FY 2008 General Fund Operating Budget

WHEREAS, the City Council of Alexandria passed Resolution 2205 on October 10, 2006 that established the process to be used for formulating the budget during the term of this Council and requires that City Council set budget targets for the City Manager and the School Board for the FY 2008 budget;

WHEREAS, the City Council held a public hearing on the FY 2008 budget on October 24, 2006; and

WHEREAS, the City Manager and the Alexandria City Public Schools Superintendent have presented to City Council at its November 4, 2006 retreat their preliminary forecasts of revenues, expenditures and capital needs; and

WHEREAS, City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

WHEREAS, the City Council is committed to continue performing fully its obligations to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria; and

WHEREAS, residential real estate taxes have borne an increasing share of the burden of paying for City and School services; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to help address the issue of increased residential real estate taxes; and

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools in achieving its mission and being among the best in Northern Virginia; and

WHEREAS, the City Council is committed to maintaining a fair, reasonable and competitive compensation plan for City and School employees; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to focus on managing for results; and

WHEREAS, the City Council is committed to maintaining its top AAA/Aaa credit ratings; and

WHEREAS, sufficient time for the budget process is necessary for the City Council and the community to deliberate on the various issues raised given the budget's complexity and importance;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF ALEXANDRIA:

1. That the City Manager shall submit a proposed FY 2008 Operating Budget and Capital Improvement Program to the City Council no later than February 13, 2007, that does not exceed a target of \$353.4 million for General Fund expenditures. The target includes the cost of whatever cost of living adjustment is to be provided to City employees. This target does not include the operating budget transfer to the Alexandria City Public Schools.
2. That the School Board of the Alexandria City Public Schools is requested to approve a FY 2008 Operating Budget and Capital Improvement Program by no later than January 31, 2007. Such budget shall seek not to exceed a target of \$155.5 million for the operating budget transfer provided to the Alexandria City Public Schools. This target includes the cost of whatever cost of

living adjustment is to be provided to Schools employees. Such budget, if it shall exceed the Council approved budget target for the Operating Budget transfer, shall (as specified in section a(8) of Resolution 2205) clearly identify what operating programs and activities and capital projects would be funded if additional funding were provided above that target.

3. That the budget documents of both the City Manager and the School Board shall clearly describe what operating programs and activities and capital projects could be funded within the budget target and what operating programs and activities and capital projects and other policy options may exceed the target budget and, to the extent possible, what the impact would be on the performance of those programs (the results) that are proposed either for possible expansion or reduction.
4. That the City Manager and the School board shall assume on a preliminary basis that a COLA of 0 % is included in the targets established in sections 1 and 2 above. The City Manager may recommend, and Council may adopt, a different percentage COLA than that assumed above, but such a recommendation shall not change the targets established by sections 1 and 2 above.
5. That the City Manager propose a real estate tax rate and other tax, fee and other revenue options necessary for financing the target budget, as appropriate.

ADOPTED: November 14, 2006



WILLIAM D. EULLE

MAYOR

ATTEST:



Jacqueline M. Henderson, CMC City Clerk