



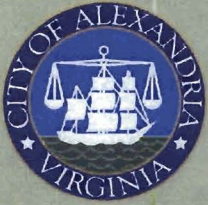
OPEB – Health and Life Insurance for Retirees

- Governmental Accounting Standards Board (GASB) and SEC disclosure and reporting mandates for post-retirement benefits
- Historically, near universal practice of pay-as-you-go cash accounting
- Mandate requires reporting, recording, and accounting for long-term
- FY 2008 GASB reporting requirement in CAFR
- SEC, bond rating agency expectations



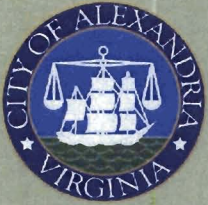
Health Insurance for Retirees

- Current Programs (City Government)
 - Must be enrolled in City Health Plan at retirement
 - \$260 per month/\$3,120 per year maximum
 - 683 total participants
 - 446 in City health plans, currently 237 reimbursed
 - \$2.0 million estimated pay-as-you-go cash cost in FY 2008



Life Insurance for Retirees

- City pays for Basic Life Insurance
- 2 x basic annual earnings
- Amount decreases after age 65 to 50% of basic annual earnings by age 70
- Example: $2 \times \$75,000 = \$150,000$ value of life insurance which declines by age 70 to $\$37,500$ and remains at that level until death



Post Retirement Benefits for Retirees

- Liability calculated by actuaries using trust fund model with 7.5% annual return assumed

	Estimated Unfunded Liability	Annual Required Contribution (ARC)
City ^{1,3}	\$88.8 M	\$12.3 M
Schools ²	\$39.0 M	\$4.9 M
	\$127.8 M	\$17.2 M

¹ 2007 draft study

² 2006 study

³ assumes no change in \$260 monthly rate



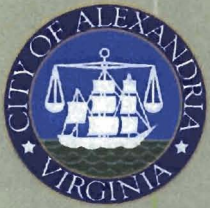
Post Retirement Benefits for Retirees

Post Retirement Benefits Interjurisdictional Comparison (excludes schools, \$ in millions)¹ (ARC)

	(AAL) Liability	Annual Contribution
Alexandria	\$88.8	\$12.3
Arlington	\$516.0	\$50.0
Fairfax County	\$191.0	\$16.0
Loudoun	\$234.0	\$31.0
Prince William ²	\$67.4	\$7.4
Montgomery (MD)	\$2,600.0	\$240.0

¹ Source: Fall 2007 survey

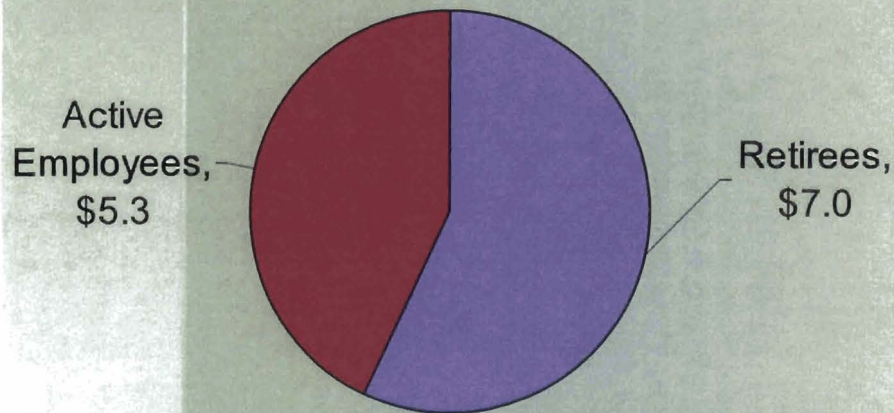
² Includes schools



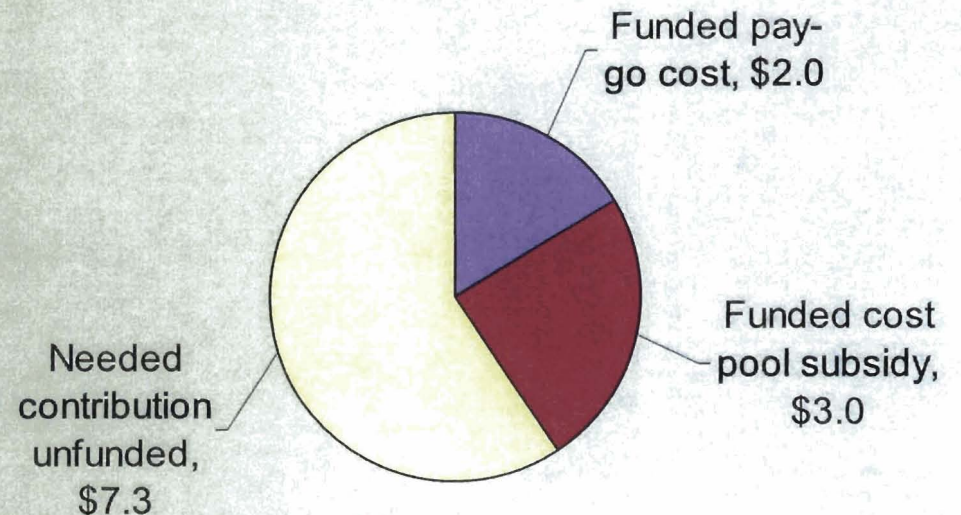
Post Retirement Benefits for City Government Retirees

Annual Required Contribution (ARC)

Uses



Sources



\$12.3 million estimated ARC



Post Retirement Benefits for City Government Retirees

Proposed Funding Plan for \$12.3 million ARC¹

	FY 2009	FY 2010	FY2011	FY 2012	FY2013
Current "pay-go"	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
Costpool subsidy	3.0	3.0	3.0	3.0	3.0
F.B. designation draw down	4.2	3.1	2.0	1.4	-
New funding	1.4	2.8	4.2	5.6	7.3
TOTAL	\$10.6	\$10.9	\$11.2	\$12.0	\$12.3
% ARC Funded	86%	89%	91%	98%	100%

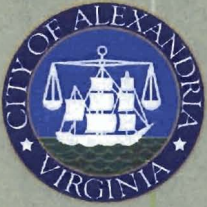
¹ Figures subject to periodic actuarial analysis, trust fund earnings, health insurance costs, and assumed no change in the \$260 monthly reimbursement rate.



Post Retirement Benefits for Retirees

Summary

- FY 2009 Budget Impact
 - \$1.4 City + \$0.8 Schools = +\$2.2 million
- FY 2013 Budget Impact
 - \$7.3 City + \$4.1 Schools = +\$11.4 million
- Proposed 5-year funding phase-in for City and Schools
- Establish trusts before end of FY 2008
- Creation of separate trusts by City and Schools



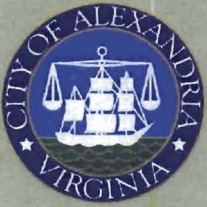
City Non-Personnel Cost Increases

- Multiple non-personnel items in the City budget may need to increase by about 3% (\$3.3 million) to maintain current service levels
 - contractual services
 - commodities/fuels
 - leases/rent
 - subsidies
 - equipment
 - General Fund grant matches



Replacing/Augmenting Federal and State Revenue Sources

- Reductions in State and Federal Revenues may result in the need to consider budget increases simply to maintain current service levels
 - Commonwealth's budget situation is highly uncertain
 - Federal sources of revenue are increasingly unreliable



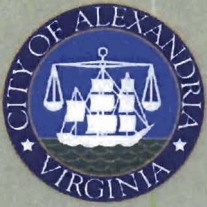
Other Possible Increases Requested and Under Consideration

- Have not received T&ES, Fire, Police, and Sheriff submissions yet (anticipating multiple substantial requests)
- RPCA property maintenance
- Registrar of Voters – Cost of Presidential and City Council Election
- Pension and City Investment Management
- DMV Select program position
- Real Estate Appraiser Positions
- P&Z Planner Positions
- MH/MR/SA Parent Infant Education program
- Health Department, Director, Office of Emergency Preparedness & Response



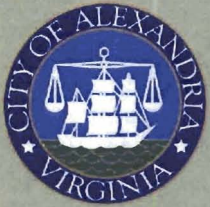
Budget Public Hearing Requests

- Multiple funding requests at the Fall Budget Public Hearing...
 - Early Childhood (pre-K) Initiatives
 - Parent Leadership Training Initiatives
 - Offender Aid Restoration
 - Waterfront Initiatives
 - Health Clinics
 - Recreation Centers
 - Historic Resources
 - Potomac Dredging Study at Cameron Run
 - Arts
 - Senior Services
 - 4th person on fire trucks (Firefighter Assoc. written comments)

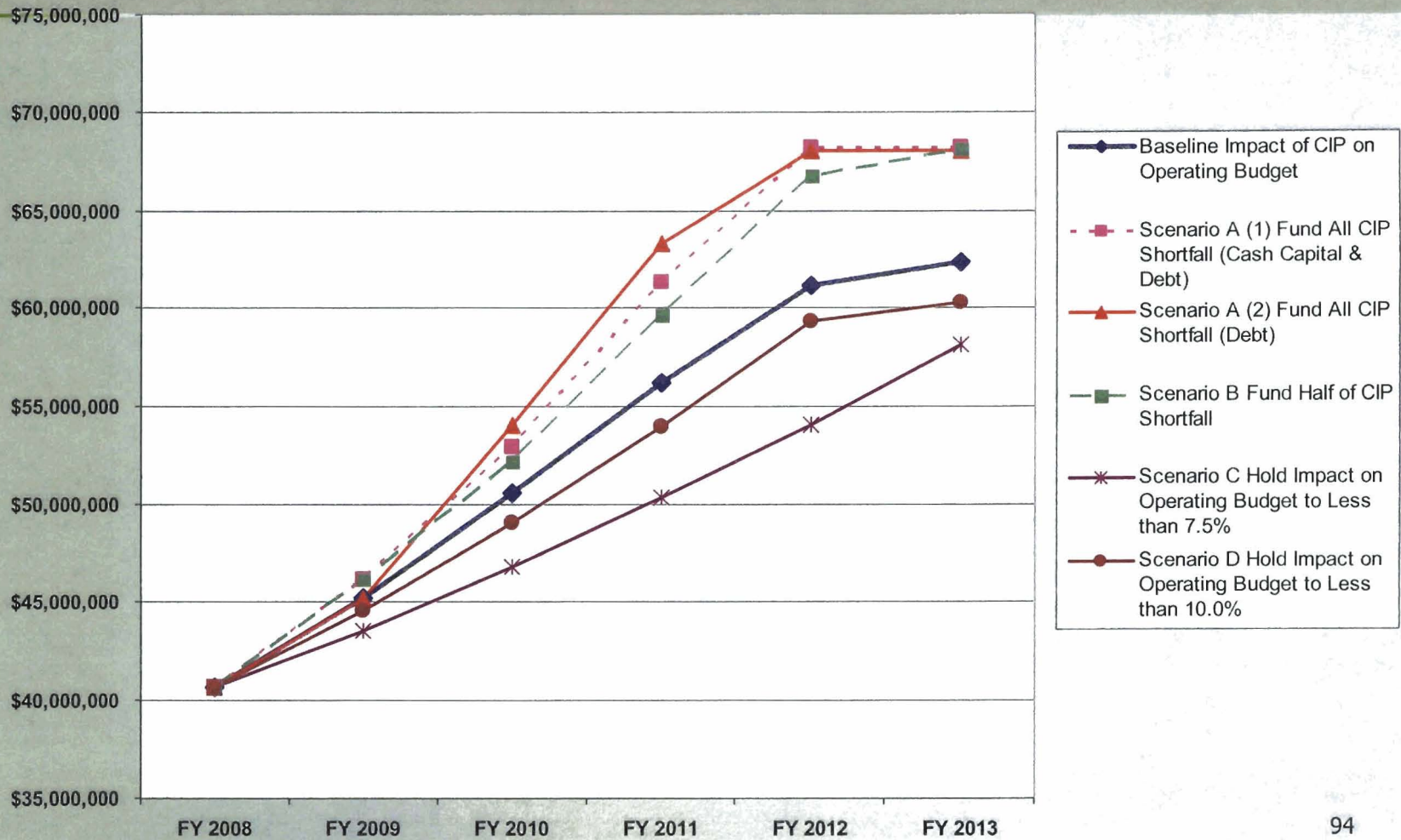


Impact on the Operating Budget of Scenarios

- Baseline Impact of Approved CIP
- Scenario A (1) - Fund All CIP Shortfall (Cash Capital and Debt)
- Scenario A (2) - Fund All CIP Shortfall (Debt only)
- Scenario B - Fund Half of CIP Shortfall in FY 2009/FY 2010 and postpone half of shortfall to FY 2011 and FY 2012
- Scenario C - Hold Operating Budget Impact to +7.5% per year
- Scenario D - Hold Operating Budget Impact to +10% per year



Impact of CIP on the Operating Budget - Cash Capital and Debt Service Combined

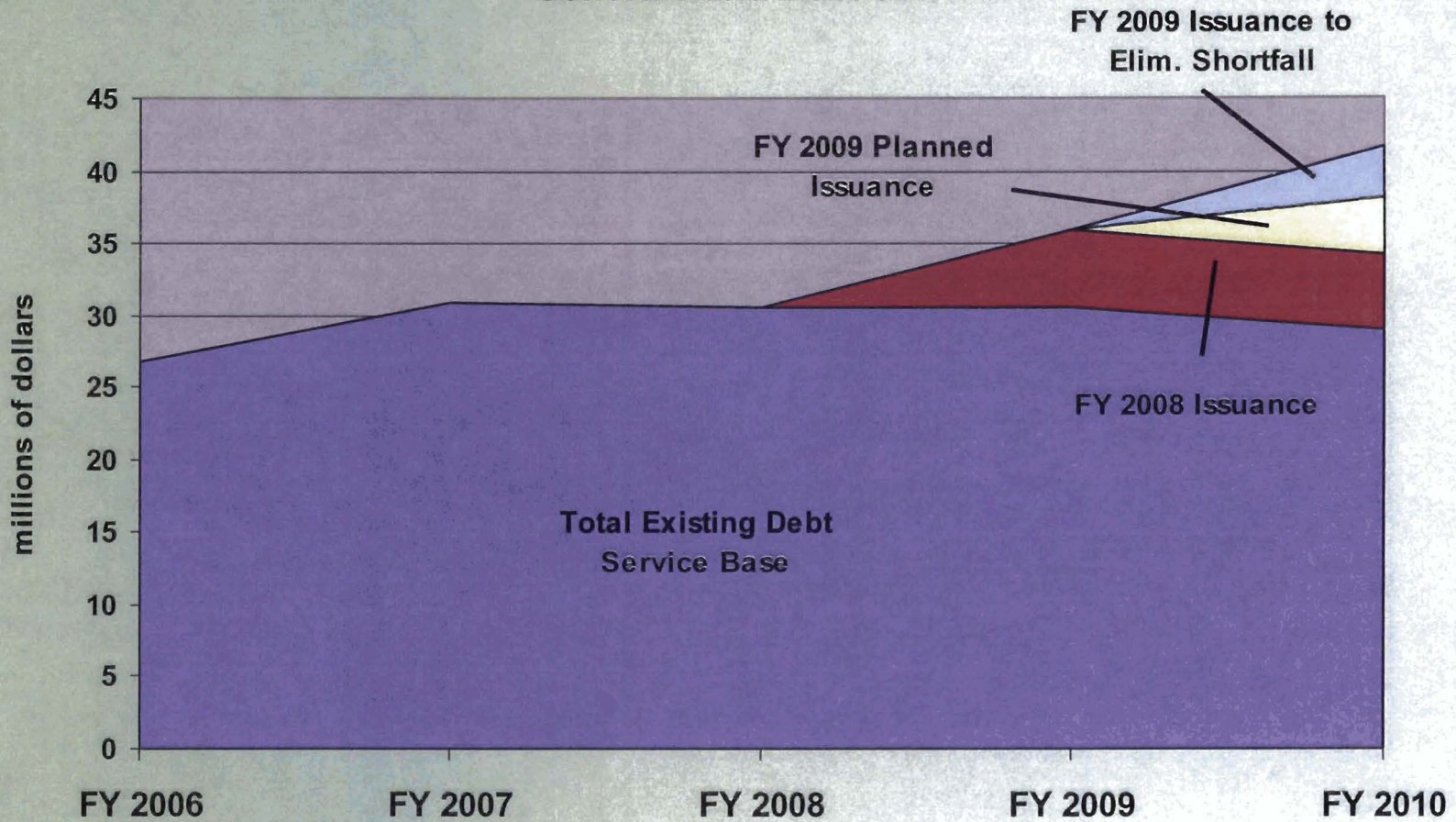


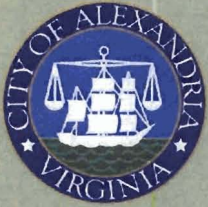


General Fund Debt Service

(100% CIP Shortfall Funded w/ Debt Only)

General Fund Debt Service





Cost of Debt Service and Cash Capital Compared to Baseline Scenario

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Baseline Scenario	\$40.6 M	\$45.2 M	\$50.5 M	\$56.1 M	\$61.2 M	\$62.3 M
Scenario A1	+\$0.0 M	+\$1.0 M	+\$2.4 M	+\$5.1 M	+\$7.0 M	+\$5.9 M
Scenario A2	+\$0.0 M	+\$0.0 M	+\$3.5 M	+\$7.1 M	+\$6.9 M	+\$5.7 M
Scenario B	+\$0.0 M	+\$1.0 M	+\$1.7 M	+\$3.5 M	+\$5.6 M	+\$5.8 M
Scenario C	+\$0.0 M	-\$1.7 M	-\$3.7 M	-\$5.8 M	-\$7.1 M	-\$4.2 M
Scenario D	+\$0.0 M	-\$0.6 M	-\$1.5 M	-\$2.2 M	-\$1.8 M	-\$2.0 M

*** 1 cent on the FY 2009 real estate tax = \$3.5 million**

	Preliminary Forecast							
	City Forecast				Schools Forecast		Grand Total	
	City Ops	Transit	CIP	Subtotal City	Low Scenario	High Scenario	w/ Low ACPS	w/ High ACPS
FY 2008 Approved Budget	\$ 303.3	\$ 15.4	\$ 40.6	\$ 359.3	\$ 160.2	\$ 160.2	\$ 519.5	\$ 519.5
Adjustments to Maintain Current Service Levels and Policies								
Personnel								
Step Increases	\$ 3.6	\$ -	\$ -	\$ 3.6	\$ -	\$ 4.3	\$ 3.6	\$ 7.9
Increase in Lapse/Vacancy Savings	\$ (1.2)	\$ -	\$ -	\$ (1.2)	\$ (1.8)	\$ (1.9)	\$ (3.0)	\$ (3.1)
Other Salary Increases	\$ -	\$ -	\$ -	\$ -	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3
Retirement+ Disability	\$ 1.4	\$ -	\$ -	\$ 1.4	\$ 2.9	\$ 2.9	\$ 4.3	\$ 4.3
Health Insurance	\$ 1.6	\$ -	\$ -	\$ 1.6	\$ 0.9	\$ 0.9	\$ 2.5	\$ 2.5
Retiree Health Benefits (increased pay-as-you-go)	\$ 0.2	\$ -	\$ -	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.4
Other Post-Employment Benefits (OPEB) Funding	\$ 1.4	\$ -	\$ -	\$ 1.4	\$ 0.8	\$ 0.8	\$ 2.2	\$ 2.2
Other Miscellaneous Personnel Costs	\$ -	\$ -	\$ -	\$ -	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
Subtotal Personnel	\$ 7.0	\$ -	\$ -	\$ 7.0	\$ 5.0	\$ 9.2	\$ 11.9	\$ 16.1
Non-Personnel								
City Assorted Non-Personnel Costs (3% increase)	\$ 3.3	\$ -	\$ -	\$ 3.3	\$ -	\$ -	\$ 3.3	\$ 3.3
ACPS Non-Personnel Costs	\$ -	\$ -	\$ -	\$ -	\$ 2.7	\$ 2.7	\$ 2.7	\$ 2.7
DASH Subsidies (based on preliminary DASH request)	\$ -	\$ 0.5	\$ -	\$ 0.5	\$ -	\$ -	\$ 0.5	\$ 0.5
WMATA Subsidy (6.5% increase)	\$ -	\$ 0.4	\$ -	\$ 0.4	\$ -	\$ -	\$ 0.4	\$ 0.4
GF transfer to Housing Fund	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ 0.1	\$ 0.1
CIP Debt Service (approved plan)	\$ -	\$ -	\$ 5.5	\$ 5.5	\$ -	\$ -	\$ 5.5	\$ 5.5
CIP Cash Capital (approved plan)	\$ -	\$ -	\$ (0.9)	\$ (0.9)	\$ -	\$ -	\$ (0.9)	\$ (0.9)
National Harbor Initiatives	\$ -	\$ 0.7	\$ -	\$ 0.7	\$ -	\$ -	\$ 0.7	\$ 0.7
Subtotal Non-Personnel	\$ 3.4	\$ 1.6	\$ 4.6	\$ 9.6	\$ 2.7	\$ 2.7	\$ 12.3	\$ 12.3
School Fund Balance and Other Financing Changes	\$ -	\$ -	\$ -	\$ -	\$ 0.8	\$ 0.8	\$ 0.8	\$ 0.8
Total Adjustments to Maintain Current Service Levels & Policies	\$ 10.4	\$ 1.6	\$ 4.6	\$ 16.6	\$ 8.5	\$ 12.7	\$ 25.0	\$ 29.2
Total Current Services and Policies Baseline	\$ 313.7	\$ 17.0	\$ 45.2	\$ 375.9	\$ 168.7	\$ 172.9	\$ 544.6	\$ 548.8
% Increase	3.4%	10.4%	11.3%	4.6%	5.3%	7.9%	4.8%	5.6%
Market Rate Adjustment Scenarios (MRA)								
1%	\$ 2.1	\$ 0.1	\$ -	\$ 2.2	\$ -	\$ 1.7	\$ 3.9	\$ 3.9
1.5%	\$ 3.2	\$ 0.1	\$ -	\$ 3.3	\$ -	\$ 2.5	\$ 5.8	\$ 5.8
2%	\$ 4.3	\$ 0.1	\$ -	\$ 4.4	\$ -	\$ 3.3	\$ 7.7	\$ 7.7
Total Current Services and Policies Baseline + 2% MRA	\$ 318.0	\$ 17.1	\$ 45.2	\$ 380.3	\$ 168.7	\$ 176.3	\$ 552.3	\$ 556.5
% Increase	4.8%	11.0%	11.3%	5.8%	5.3%	10.0%	6.3%	7.1%