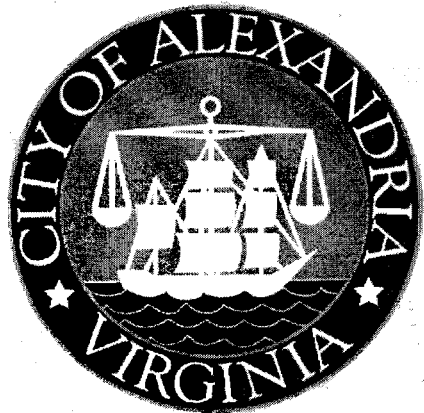


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2-8-11

FY 2012 Budget

February 8, 2011



- **City Manager's Presentation**
- **Chief Financial Officer's Presentation**
 - **Revenues**
 - **Human Resources**
 - **Capital Improvement Program**
 - **Additional Options**

Budget Totals

Millions of Dollars

	FY 2010 Actual	FY 2011 Approved	FY 2012 Proposed	\$ Chg FY11/12	% Chg FY11/12
City Operating	304.8	305.5	315.4	9.9	3.2%
Transit Subsidies	13.1	16.0	15.9	(0.1)	-0.9%
Capital Program Funding	39.5	42.2	47.3	5.1	12.1%
City Total	357.3	363.7	378.6	14.9	4.1%
ACPS	164.6	167.9	174.8	6.9	4.1%
City & ACPS General Fund Total	521.9	531.6	553.4	21.8	4.1%
All Funds Budget	871.5	659.8	684.4	24.6	3.7%

Budget Issues and Highlights

- Last three preceding years were difficult budget years
 - 2009 - \$10 million mid-year shortfall
 - 2010 - \$57 million projected shortfall
 - 2011 - \$44 million projected shortfall

Budget Issues and Highlights

- No tax rate increase in base operating budget
- No fee increases
- No new reductions to services
- No net increase in staffing requiring General Fund support
- Reduced workforce by 180 FTE since 2009 – no RIFs this year
- Merit/step and additional longevity step included
- Additional cost sharing for medical and retirement benefits
- No across-the-board salary adjustment for 4th year

Budget Issues and Highlights

- Transportation Add-On Tax on commercial property
 - Rate proposed at 12.5 cents per \$100 assessed value
 - Provides, with some borrowing, for \$189 million for critical transportation enhancements
 - Impacts nonresidential commercial properties

Budget Issues and Highlights

- BPOL offset proposed
 - Partial offset to Add-on tax with proposed reduction in business license (BPOL) taxes
 - \$1.625 million savings for about 2,250 small businesses
 - Tax relief would enhance small business tax climate in Alexandria
 - Budget also includes increased investment for tourism advertising and marketing

Budget Issues and Highlights

- Capital Improvement Program (CIP)
 - Major issue in CIP is the School Superintendent's request for \$372.6 million
 - Last year's approved CIP allowance for Schools of \$158.1 million
 - City CIP plan
 - Includes Potomac Yard Metrorail Station plans for first time after approval by City Council last June
 - Otherwise generally same funding level as last year per City Council's guidance

Assessments (January to January)

Type of Property	% Change
Total Assessments	Up 2.55%
All Residential	Up 1.25%
Single Family	Up 1.84%
Condominiums	Down 0.73%
All Commercial	Up 4.91%
Multi-family rental	Up 9.01%
General Commercial	Up 1.85%
Offices	Up 4.45%
Office/Retail Condominiums	Up 1.69%
Shopping Centers	Up 2.79%
Warehouses	Down 0.01%
Hotels	Up 5.54%

Real Estate Assessments

- Budget Memo #2
 - Provides summary information about CY 2011 assessments
- Budget Memo #3
 - Provides detailed information about CY 2011 assessments
- Acting Assessor, Bryan Page, will present that information tomorrow night

Average Homeowner Property Taxes (with no change in tax rate)

Type of Home	Annual Tax Change \$	Annual Tax Change %
Average Homeowner	Up \$18 a year	0.4%
Average Single Family Home	Up \$62	1.0%
Average Condo	Down \$30	-1.1%

Distribution of Change in Homeowner Property Taxes (with no change in tax rate)

	% change
Homeowners with increase in taxes	45.8%
Homeowners with no change in taxes	16.6%
Homeowners with decrease in taxes	37.6%

Changes in General Fund Revenue Sources

Millions of Dollars

	FY 2011 Approved	FY 2011 Projected	FY 2012 Proposed	%Change 11 Approved/ 12 Proposed
Real Property Taxes	\$296.2	\$308.0	\$315.2	6.4%
Other taxes	149.1	150.2	153.8	3.2%
Taxes	445.3	458.2	469.0	5.3%
Non-tax revenue	27.6	26.5	27.7	0.0%
Federal & State Revenue	51.7	52.4	51.7	0.1%
Prior Year Surplus & Transfers	6.9	6.9	5.0	-27.5%
Total	\$531.6	\$544.0	\$553.4	4.1%

FY 2011 Surplus Expected

- Projected FY 2011 revenues \$12.4 million more than approved budget
 - Increase attributable entirely to higher assessments issued mid-year than originally forecast of a plus 2.55% rather than a minus 4.5%
 - All of the increase in revenues dedicated to future capital projects

Main Uses of Prior Year Surpluses

Proposed Commitments	Amount
Capital Projects	\$16.8 million
FY 2012 Operating Budget	\$3.625 million
Natural Disasters/emergencies contingency fund	\$1.0 million

Revenue Estimates

- City Staff will present detailed information tomorrow night on projected FY 2011 and FY 2012 revenues

Staffing Levels

- Per Council guidance no net increase in City staffing levels funded by General Fund
 - 2,542.3 full time equivalent positions (FTE)
 - 4.6% decrease in FTE since peak in FY 2009
- No furloughs, no RIFs proposed

Employee Compensation Highlights

Salary and Benefits budgeted at fair but not generous levels

- No across-the-board salary adjustments for 4th year in a row
- Continue merit-based step increases
- Add step at end of pay scale
- Set aside \$0.7 M in contingent reserves for competitive pay increases to match comparator jurisdictions
 - To be released by Council after 1st year of 3 year plan approved

Employee Compensation Highlights

- Retirement benefit cost increase limited by \$1.6 M increase in employee contributions for retirement
- Ad Hoc Retirement Benefit Advisory Group being established to look at any need for additional future changes in defined benefit retirement plans
- Employee minimum share of health care insurance premiums increased to 16% from 13%
 - Plan to increase to 20% minimum in FY 2013
 - Increase in employee contributions offsets all but \$0.2 million of health care premium cost increases

Employee Compensation Highlights

- Department of Human Resources and OMB staff will present detailed information at the Work Session Wednesday February 23rd
- Will cover staffing, salary and benefit cost information as well as various human resource management issues

Capital Improvement Program (CIP)

- Council guidance specified no increase in main City General Fund sources for CIP (pay-as-you-go cash capital from FY 2012 General Fund revenues and General Fund supported borrowing)
- 10 year CIP costs \$957 million (including Potomac Yard Metrorail Station costs of \$275 million)
 - City costs \$935 million
 - City costs 3.3% lower than last year (including PY station in both years)
 - \$351 million of City costs restricted for various purposes such as storm and sanitary sewers and the PY station

Capital Improvement Program (CIP)

- Including Potomac Yard Metrorail station
 - 24% of funding for 10 year CIP plan from City and other cash sources
 - 76% to be borrowed
- Focus CIP resources on maintaining existing City and School facilities and public infrastructure
 - \$231 million targeted for routine ongoing maintenance of City facilities or infrastructure
 - \$98 million targeted for major, one-time renovation or repair projects

Capital Improvement Program (CIP)

- Limited number of new or expanded or improved facilities or infrastructure on a staggered basis over 10 years
- In 2012
 - Completion of new Police HQ
 - Mark Center short/mid-term street improvements
 - King & Beauregard intersection improvements
- In the middle of the decade
 - Patrick Henry Recreation Center expansion
- Throughout the decade
 - Several new, replacement or expanded fire stations throughout the decade
- In the last half of the decade
 - Additional athletic field artificial turf conversions in the last half of the decade

Capital Improvement Program (CIP)

- Major CIP issue is School Superintendent's request for \$372.6 M for School's CIP
 - Compares with last year's approved funding of \$158.1 M over 10 years -- 136% increase
 - Mostly focused on additional school capacity (increasing from 2 rebuilt elementary schools in last year's plan to 5 major new school projects)
 - The public, City Council, the School Board, and School and City Staff will need to further analyze and discuss this request during the coming months

Capital Improvement Program (CIP)

- School staff and School Board members will present detailed information on ACPS CIP request at the work session on March 14th
- City staff will present additional details on the overall CIP at tomorrow night's work session

Transportation Add-On Tax on Commercial Property

- Designed to substantially improve transportation systems and to bolster the City's future economic sustainability
- \$189 million over a ten year period
- Allows City to begin to:
 - implement its high capacity transit corridor plans,
 - improve traffic efficiency,
 - expand transit services for commuters, and
 - provide improved pedestrian and bicycle systems.

Transportation Investments

- Transportation investments funded by a proposed Transportation Add-On Tax on Commercial Property
 - 12.5 cents per \$100 assessed value on non-residential commercial property (excludes apartment buildings)
- Fairfax County and Arlington County have already adopted this transportation tax authorized by the General Assembly
- Together with \$40.6 million in borrowing, over 10 years about \$188.8 million would be available for transportation purposes
 - \$127.5 million for capital expenses
 - \$44.5 million for operating expenses
 - \$16.9 million for debt service

Proposed Transportation Investments

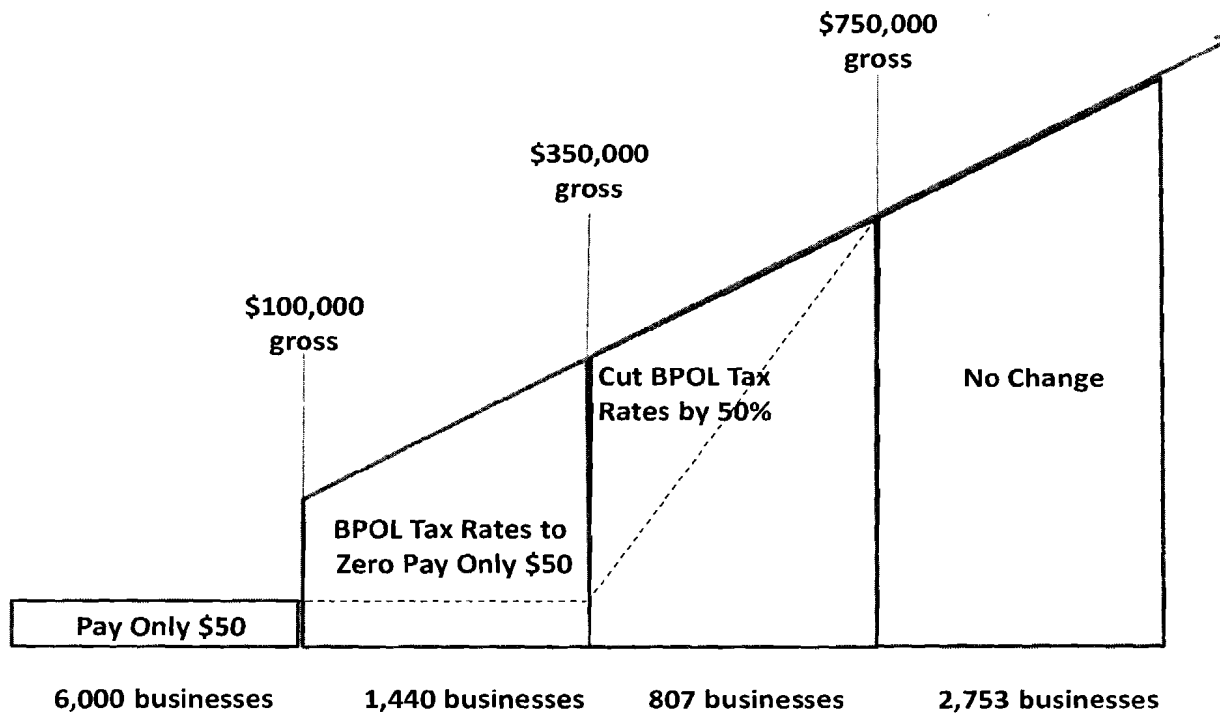
Type of Project	Capital Costs (\$ in M)	Operating Costs (\$ in M)
High capacity transit corridors	\$57.8	\$24.05
Transit Station Improvements	\$31.35	NA
Peak Period Commuter Service	\$12.05	\$15.43
Pedestrian and Bicycle Systems	15.95	NA
Street Network Improvements	10.31	NA
Expanded Trolley/Circulator Service		\$5.0 M
Debt Service		\$16.89
Total	\$127.46	\$61.37

Business License (BPOL) Tax Partial Offset to Add-On Tax

- Approximately 2,250 small businesses (45% of total) would have business license taxes eliminated or halved
- Tax relief totaling \$1,625,000 annually
- Improves business climate for small business

Business License (BPOL) Tax Partial Offset to Add-On Tax

City of Alexandria Proposed Business License (BPOL) Tax Relief for Small Businesses



Business License (BPOL) Tax Partial Offset to Add-On Tax

- \$375,000 for destination marketing and meetings attraction should generate \$40 million in tourism spending
- City staff will present additional details on the Transportation Add-on Tax option and proposed BPOL offset at the work session on February 15th

Budget Schedule

- Budget Memo #1 provides proposed schedule and description of the add-delete process
- School Board scheduled to adopt operating budget and CIP on February 24
 - Considering change to March 10
- City Council has 8 work sessions, and two public hearing dates, leading to adoption on May 2