

EXHIBIT NO. 1

WS
10-18-10

Monday October 18, 2010
Time: 7:00 pm to 9:00 pm
Location: Sister Cities Main Conf. Rm.

Note: Time allotments include time for Council discussion

- 7:00 Opening Statements
- Mayor Euille
 - City Manager Hartmann
- 7:05 Agenda Overview for 4 Budget Work Sessions and This Work Session -- Bruce Johnson, CFO
- 7:10 FY 2012 Revenue Outlook
- Real Estate Outlook -- Cindy Smith-Page, Director, Dept. of Real Estate Assessments
 - General Fund Outlook -- Eric Eisinger, Budget Analyst, OMB
 - Fund Balance Outlook and Commitments -- Laura Triggs, Director, Finance Dept.
- 7:55 Long Range Forecast Scenarios, Bruce Johnson, CFO
- 8:15 Capital Improvement Program
- Overview of Approved FY 2011-FY 2020 CIP Projects -- Michael Stewart, Budget Analyst, OMB
 - Financing the Approved CIP, -- Michael Stewart, Budget Analyst, OMB
 - Potential New CIP Projects not in Approved CIP
 - Potomac Yard Metro Station -- Mark Jinks, Deputy City Manager
 - Potential CIP Projects Generated by Strategic Plan Action Items -- Bruce Johnson
 - FY 2012 – FY 2021 CIP Development Process and Schedule, Michael Stewart, Budget Analyst, OMB
- 9:00 Adjourn

Proposed Agenda, Time Allotments and Presenters for Budget Work Session

Tuesday, October 19, 2010
Time: 7:00 pm to 9:00 pm
Location: Sister Cities Main Conf. Rm.

Note: Time allotments include time for Council discussion


- 7:00 Agenda Overview for This Work Session – Bruce Johnson, CFO
- 7:05 FY 2011 Approved Staffing and Status -- Ryan Touhill
- 7:25 Current Service Estimates for Compensation and Benefits for FY 2012 – Kendel Taylor, Asst. Director OMB
- 7:50 Inventory of Employee Benefits -- Cheryl Orr, Director, Human Resources
- 8:10 Retirement Issues and Options, Bruce Johnson, CFO
- 9:00 Adjourn

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 15, 2010

TO: BRUCE JOHNSON, CFO

FROM: CINDY SMITH-PAGE, DIRECTOR, DREA 

SUBJECT: REAL ESTATE ASSESSMENT OUTLOOK FOR DISCUSSION AT
OCTOBER 18 WORK SESSION

At this time, the Department of Real Estate Assessments (DREA) projects an increase in the real property tax base (locally and non-locally assessed) for calendar year (CY) 2011 of 1.68% over the CY 2010 tax base. Final assessed values for CY 2011 will give consideration to property sales and market trends through the remainder of CY 2010. Sales ratios for the residential and commercial properties through August indicate that the market, while not strong, has shown signs of a very slow recovery. Attachment 1 shows the projections we have made by property class resulting in a projected increase of 1.68%.

The residential foreclosure concerns over the past week, may have some impact for the remainder of this year, however, our area remains somewhat insulated from the large number of foreclosures seen in other parts of the country and any halting of foreclosures again would most likely not warrant a market adjustment in our area. The Northern Virginia statistics (Attachment 3) vary due to the limited number of sales and the fact that the lower priced properties are selling, while the upper range properties have fewer listings and are not as prevalent in the market place.

The commercial market has had very few deals and only the best properties are selling. The industry as a whole remains paralyzed by the lending requirements for the amount of equity required for purchases or refinancing, in a time when values have declined. There is no easy answer to the "extend and pretend" or "delay and pray" that has stymied the commercial market for two years. Again, we believe that our region is somewhat insulated from any drastic changes, both positive and negative that have been seen by most other areas of the country. With the limited number of commercial sales, we have relied on trends in asking rents, vacancy reports and capitalization rate indicators from investors.

The estimated change in the City's real property tax base from CY 2010 to CY 2011, at the present time, is based upon the following assumptions and conditions:

- New construction will add \$143 million to the real property base for locally-assessed properties for CY 2011, as a result of residential construction (\$85 million) and

commercial construction (\$58 million). This estimate of \$143 million compares with new construction in the amount of \$176 million for CY 2010, \$268 million in CY 2009, \$584.5 million in 2008 and \$613.4 million in CY 2007. The continual decline in new construction is a result of the distressed real estate market, however, we are beginning to see new interest with submissions to Planning and Zoning as well as increases in permits being issued by Code. We believe 2012 will be the beginning of a change in this downward cycle and begin to see the new construction numbers begin to rise.

- Existing residential properties (including single family homes and residential condominiums) will increase by less than 1%, from 2010 to 2011, with single family properties increasing slightly or remaining flat in most neighborhoods, while the majority of the condominium markets will remain flat, some will continue to show a further decline. One concern is with homes priced above \$700,000 where we have a very limited sales sample. With lending requirements of significant down payments if there were to be a large number of these homes on the market at once, we fear this could impact the values. These properties to be steady and holding for now. Estimated appreciation/depreciation for residential properties considers monthly assessment/sales ratio studies for the period from January 1, 2010 through August 31, 2010 (Attachment 2). The estimates I have used for residential single family and residential condominiums are based primarily on the sales ratios for these two groups. All indications lead to the conclusion that the residential market will remain slow for the remainder of this calendar year without significant swings.
- Existing commercial properties (including multi-family rental apartments and vacant land) are expected to increase approximately 3.08%, for 2011. While Income and Expense Statements are provided to the department and analyzed, we have found that the actual income for most classes of commercial properties has changed slightly, the indications are that capitalization rates will show some decrease over the increases we saw last year.
- Assessed values for public service corporation properties are as established by the State Corporation Commission and the Virginia Department of Taxation.

Included as Attachment 4 is a comparison of Alexandria residential statistics to other jurisdictions for the month of August. This indicates, as we so often state, that the market in Alexandria remains one of the strongest in the region, even with consideration to the downward movement.

Due to the uncertainty in the real estate market we will continue to monitor these changes through the end of the year and reflect them in the 2011 assessments. We will update our projections again later this fall and on an on-going basis in order to assist you with your budget recommendations.

ATTACHMENTS:

- 1 - Projected CY 2011 Real Property Assessment Changes
- 2 - Cumulative Residential and Commercial Assessment/Sales Ratio (January 1, 2010 through August 31, 2010)
- 3 - Northern Virginia Area Home Sales Report (January 1, 2008 through August 31, 2010)
- 4 - Northern Virginia, Washington DC Sales Statistics Comparison
- 5 - Summary of Foreclosures through August 31, 2010

Department of Real Estate Assessments
October 15, 2010

Projected CY 2011 Real Property Assessment Changes

	CY 2011
Locally Assessed Real Property	
Residential Property	
Single Family	1.97%
Residential Condominium	-0.64%
Total Residential Property	1.20%
Commercial Property	
Multi-family rental	5.06%
Office, Retail, and Service	2.24%
Other Commercial	-7.62%
Total Commercial Property	2.79%
Total Locally Assessed	1.86%
Non-Locally Assessed Real Property	-4.37%
Total Real Property Assessments	1.68%

City of Alexandria, Virginia

CUMULATIVE RESIDENTIAL AND COMMERCIAL ASSESSMENT/SALES RATIO STUDY

For period from January 1, 2010, through August 31, 2010

	No. Sales	2010 Assessment	Total Sales Price	Ratio	
(1)	(2)	(3)	(4)	(5)	
Locally Assessed Real Property					
Residential Real Property					
1	Residential Single Family				
2	Detached	201	\$138,147,581	\$148,330,795	93.13
3	Semi-Detached	152	84,726,937	89,366,529	94.81
4	Row House	216	115,992,639	125,707,154	92.27
5		-----	-----	-----	
6	Total Single Family	569	\$338,867,157	\$363,404,478	93.25
7					
8	Residential Condominium				
9	Garden	269	\$82,579,111	\$87,013,937	94.90
10	High-rise	154	39,831,336	40,991,792	97.17
11	Residential Cooperative	0	0	0	0.00
12	Townhouse	30	11,887,980	12,993,799	91.49
13					
14	Total Residential Condominium	453	\$134,298,427	\$140,999,528	95.25
15		-----	-----	-----	
16	Total Residential Real Property	1,022	\$473,165,584	\$504,404,006	93.81
17					
18	Commercial Real Property				
19					
20	Commercial Multi-Family Rental				
21	Garden	2	\$1,617,000	\$2,385,000	67.80
22	Mid-Rise	0	0	0	0.00
23	High-Rise	0	0	0	0.00
24		-----	-----	-----	
25	Total Multi-Family Rental	2	\$1,617,000	\$2,385,000	67.80
26					

11/11/10 11:00 AM

City of Alexandria, Virginia

CUMULATIVE RESIDENTIAL AND COMMERCIAL ASSESSMENT/SALES RATIO STUDY

For period from January 1, 2010, through August 31, 2010

	No.	2010	Total Sales	
Real Property Classification	Sales	Assessment	Price	Ratio
(1)	(2)	(3)	(4)	(5)
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				

Notes:

¹ The ratio is determined by dividing the assessed value (column 3) by the sale price (column 4).

Department of Real Estate Assessments, September 23, 2010

filepath:\\sitschfilew001\DeptFiles\REA\2010A\Mslavin\SLSRPTS\Cumulative Ratio.xls tab August

City of Alexandria, Virginia

NORTHERN VIRGINIA AREA HOME SALES REPORT 1/

For period January 1, 2008 through August 31, 2010

Real Property Classification	CY 2008	CY 2009	CY 2010	Percent Of Change 2008 to 2009	Percent Of Change 2009 to 2010	Percent Of Change 2008 to 2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)
SALES VOLUME						
First-Quarter						
January	\$348,018,904	\$375,915,589	\$439,649,005	8.0%	17.0%	26.3%
February	464,461,021	405,542,587	413,376,494	-12.7%	1.9%	-11.0%
March	595,427,372	547,388,164	630,399,916	-8.1%	15.2%	5.9%
Total First-Quarter	\$1,407,907,297	\$1,328,846,340	\$1,483,425,415	-5.6%	11.6%	5.4%
Second-Quarter						
April	\$704,849,071	\$626,113,757	\$817,044,272	-11.2%	30.5%	15.9%
May	825,229,804	781,162,490	901,840,808	-5.3%	15.4%	9.3%
June	926,342,579	978,987,575	1,069,940,570	5.7%	9.3%	15.5%
Total Second-Quarter	\$2,456,421,454	\$2,386,263,822	\$2,788,825,650	-2.9%	16.9%	13.5%
Third-Quarter						
July	\$901,061,916	\$946,037,232	\$850,307,004	5.0%	-10.1%	-5.6%
August	857,407,428	830,665,928	799,261,015	-3.1%	-3.8%	-6.8%
September	672,783,420	720,552,225	0	7.1%		
Total Third-Quarter	\$2,431,252,764	\$2,497,255,385		2.7%		
Fourth-Quarter						
October	\$622,869,723	\$680,913,991	\$0	9.3%		
November	465,396,519	671,586,385	0	44.3%		
December	638,238,018	639,566,471	0	0.2%		
Total Fourth-Quarter	\$1,726,504,260	\$1,992,066,847		15.4%		
Total Through August	\$5,622,798,095	\$5,491,813,322	\$5,921,819,084	-2.3%	7.8%	5.3%

THURSDAY

City of Alexandria, Virginia

NORTHERN VIRGINIA AREA HOME SALES REPORT 1/

For period January 1, 2008 through August 31, 2010

Real Property Classification	CY 2008	CY 2009	CY 2010	Percent Of Change 2008 to 2009	Percent Of Change 2009 to 2010	Percent Of Change 2008 to 2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)
NUMBER OF UNITS SOLD						
First-Quarter						
January	716	998	1,006	39.4%	0.8%	40.5%
February	969	1,067	999	10.1%	-6.4%	3.1%
March	1,250	1,384	1,448	10.7%	4.6%	15.8%
Total First-Quarter	2,935	3,449	3,453	17.5%	0.1%	17.6%
Second-Quarter						
April	1,455	1,544	1,793	6.1%	16.1%	23.2%
May	1,724	1,803	1,957	4.6%	8.5%	13.5%
June	1,900	2,169	2,149	14.2%	-0.9%	13.1%
Total Second-Quarter	5,079	5,516	5,899	8.6%	6.9%	16.1%
Third-Quarter						
July	1,857	2,053	1,663	10.6%	-19.0%	-10.4%
August	1,812	1,813	1,624	0.1%	-10.4%	-10.4%
September	1,650	1,684	0	2.1%		
Total Third-Quarter	5,319	5,550		4.3%		
Fourth-Quarter						
October	1,457	1,604	0	10.1%		
November	1,100	1,567	0	42.5%		
December	1,510	1,349	0	-10.7%		
Total Fourth-Quarter	4,067	4,520		11.1%		
Total Through August	11,683	12,831	12,639	9.8%	-1.5%	8.2%

City of Alexandria, Virginia

NORTHERN VIRGINIA AREA HOME SALES REPORT 1/

For period January 1, 2008 through August 31, 2010

Real Property Classification	CY 2008	CY 2009	CY 2010	Percent Of Change 2008 to 2009	Percent Of Change 2009 to 2010	Percent Of Change 2008 to 2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)
63 AVERAGE SALE PRICE						
64						
65 First-Quarter						
66 January	\$486,060	\$376,669	\$437,027	-22.5%	16.0%	-10.1%
67 February	479,320	380,077	\$413,790	-20.7%	8.9%	-13.7%
68 March	476,342	395,512	\$435,359	-17.0%	10.1%	-8.6%
69						
70 Total First-Quarter	\$479,696	\$385,285	\$429,605	-19.7%	11.5%	-10.4%
71						
72 Second-Quarter						
73 April	\$484,432	\$405,514	\$455,686	-16.3%	12.4%	-5.9%
74 May	478,672	433,257	\$460,828	-9.5%	6.4%	-3.7%
75 June	487,549	451,354	\$497,878	-7.4%	10.3%	2.1%
76						
77 Total Second-Quarter	\$483,643	\$432,608	\$472,762	-10.6%	9.3%	-2.2%
78						
79 Third-Quarter						
80 July	\$485,225	\$460,807	\$511,309	-5.0%	11.0%	5.4%
81 August	473,183	458,172	\$492,156	-3.2%	7.4%	4.0%
82 September	407,748	427,881		4.9%		
83						
84 Total Third-Quarter	\$457,088	\$449,956		-1.6%		
85						
86 Fourth-Quarter						
87 October	\$427,502	\$424,510		-0.7%		
88 November	423,088	428,581		1.3%		
89 December	422,674	474,104		12.2%		
90						
91 Total Fourth-Quarter	\$424,515	\$440,723		3.8%		
92						
93 Total Through August	\$481,280	\$428,011	\$468,535	-11.1%	9.5%	-2.6%

Northern Virginia, Washington DC Sales Statistics Comparison

August 2010 Amounts of Residential Sales Activity and Percentage Change from August 2009 to August 2010

Information compiled by Metropolitan Regional Information Systems, Inc.

Jurisdiction	Total Contracts and Contingencies		Total Units Sold		Average Sold Price		Median Sold Price		Average Days on Market	
	Amount	Pct. Chg.	Amount	Pct. Chg.	Amount	Pct. Chg.	Amount	Pct. Chg.	Amount	Pct. Chg.
Alexandria	150	(16.20%)	144	(14.29%)	461,801	5.86%	413,000	2.61%	57	(13.64%)
Arlington Co.	208	(14.05%)	217	1.40%	523,167	(2.60%)	430,000	(11.89%)	60	(15.49%)
Fairfax Co.	1,298	(18.82%)	1,230	(11.32%)	489,387	8.97%	417,500	9.44%	52	(14.75%)
Loudoun Co.	471	(17.51%)	393	(16.38%)	420,909	8.26%	378,000	11.18%	52	(20.00%)
Prince William Co.	670	(25.06%)	543	(19.08%)	289,704	12.46%	255,000	11.35%	44	(30.16%)
Washington DC	559	(12.52%)	518	(13.95%)	502,436	7.74%	408,250	11.85%	58	(31.76%)

MVA/MS/10/08/10

**Foreclosed Properties in Alexandria
2006 - Present**

Calendar Year 2006

Month	Condo	SF	Com	Land	
Jan	0	0			
Feb	0	0			
Mar	0	0			
April	0	0			
May	2				
June	2				
July	3				
August	0				
Sept	1	1			
Oct	3				
Nov	2		1		
Dec	8				
Total	21	1	1	0	[23]

Calendar Year 2007

Month	Condo	SF	Com	Land	
Jan	3	2		1	
Feb	4	2			
Mar	0	0			
April	6	4			
May	7	3			
June	6	3			
July	14	12			
August	3	3			
Sept	11	3			
Oct	14	6			
Nov	8	4			
Dec	7	14			
Total	83	56	0	1	[140]

Calendar Year 2008

Month	Condo	SF	Com	Land	
Jan	8	2			
Feb	18	8			
Mar	12	7	1		
Apr	16	6			
May	24	12			
June	18	13			
July	23	14			
August	28	17			
Sept	32	12			
Oct	20	14			
Nov	14	5			
Dec	28	13			
Total	241	123	1		[365]

Calendar Year 2009

Month	Condo	SF	Com	Land	
Jan	12	10			
Feb	19	6			
Mar	11	6	1		
Apr	10	11			
May	13	5	2		
June	15	12			
July	13	9			
August	29	8	1		
Sept	18	5			
Oct	17	6			
Nov	10	11	1		
Dec	21	6	1		
Total	188	95	6		[289]

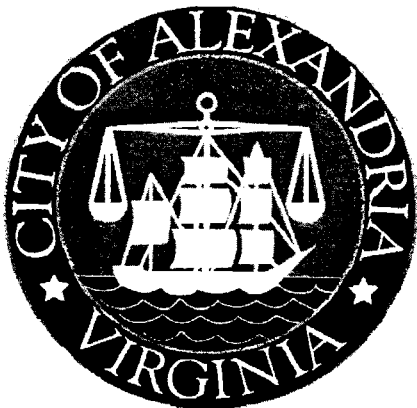
Calendar Year 2010

Month	Condo	SF	Com	Land	
Jan	16	7			
Feb	12	5			
Mar	33	5	1		
Apr	22	8			
May	17	8			
June	20	5			
July	15	1	1		
August	21	7	1	1	
Sept					
Oct					
Nov					
Dec					
Total	156	46	3	1	[206]

HARVEY

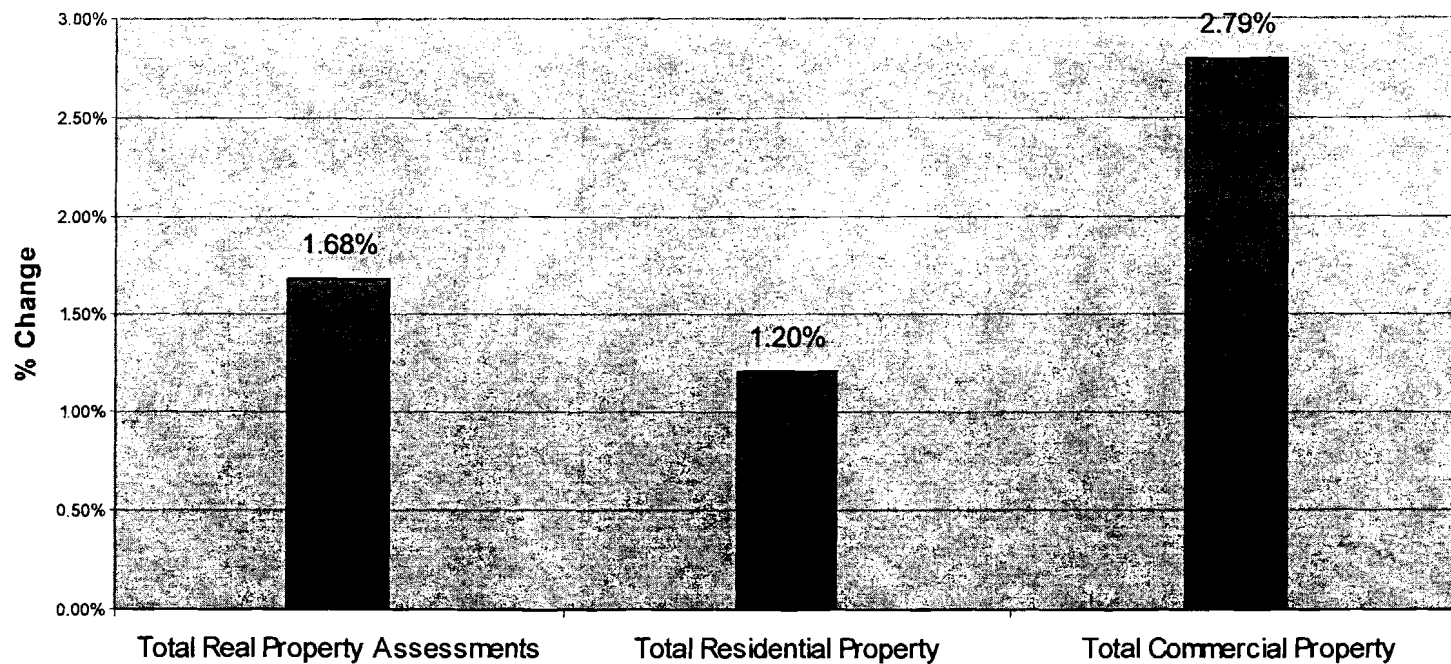
Real Estate Assessment Outlook for CY 2011

On the Edge of a Slow Recovery...

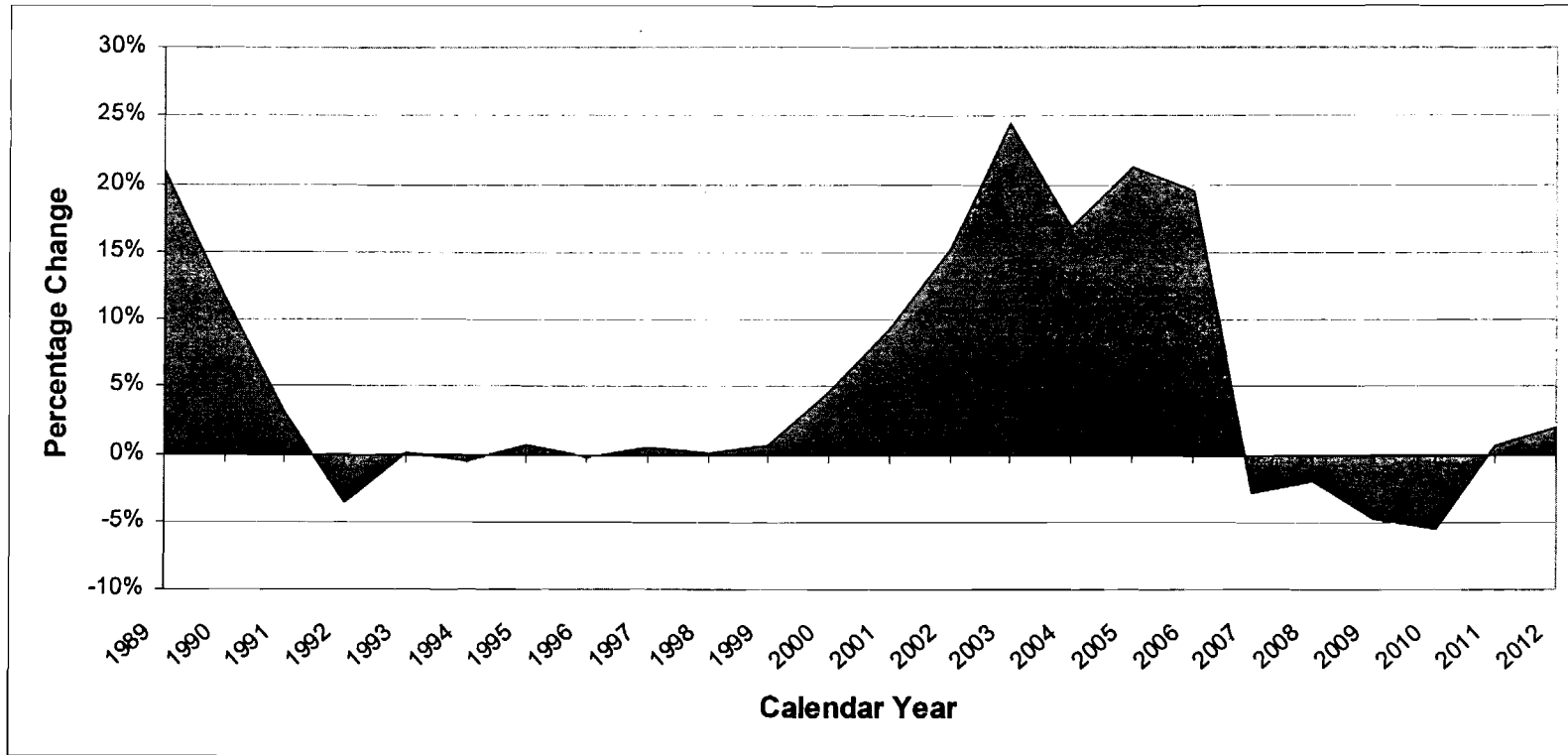


- **Real Estate Assessment Indicators**
- **Projected Changes in Residential and Commercial Property Values**

Real Property Assessment Outlook CY 2011



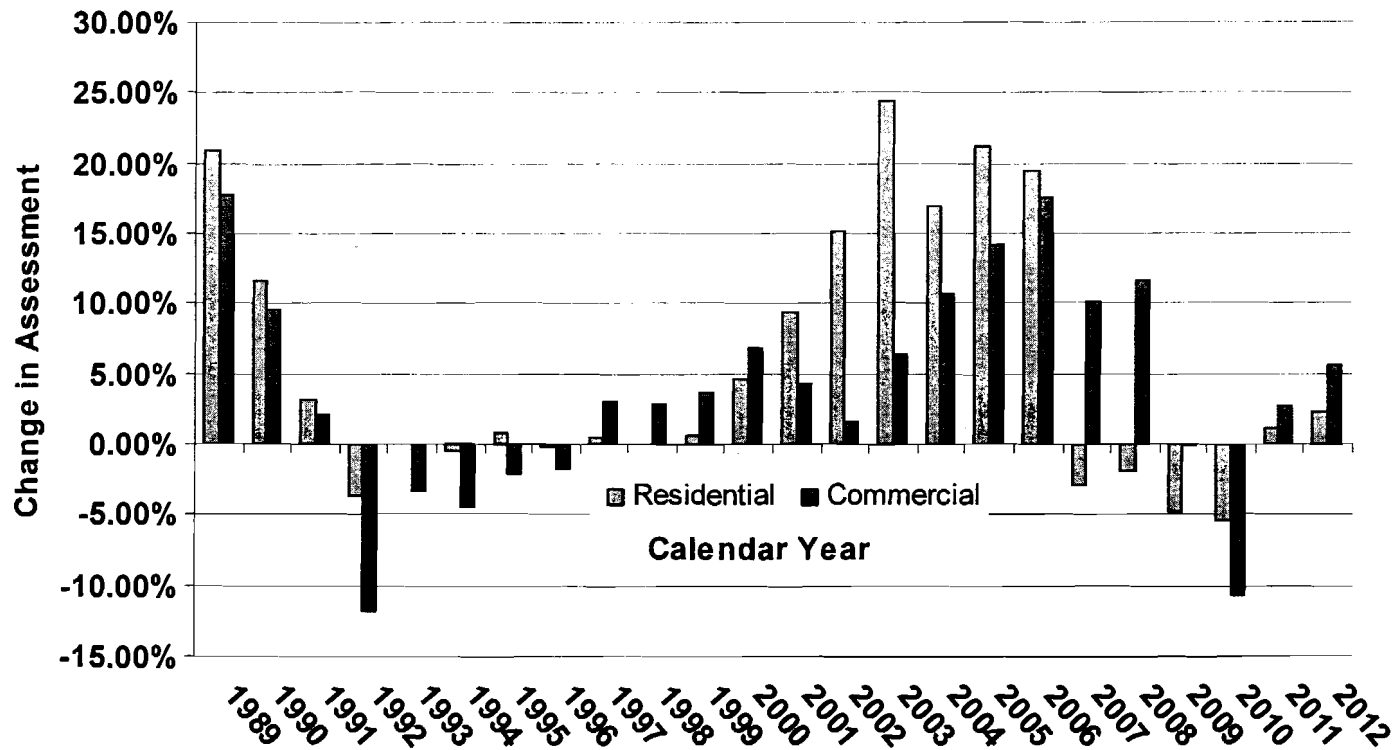
Existing Residential Appreciation % Change 1989-2012



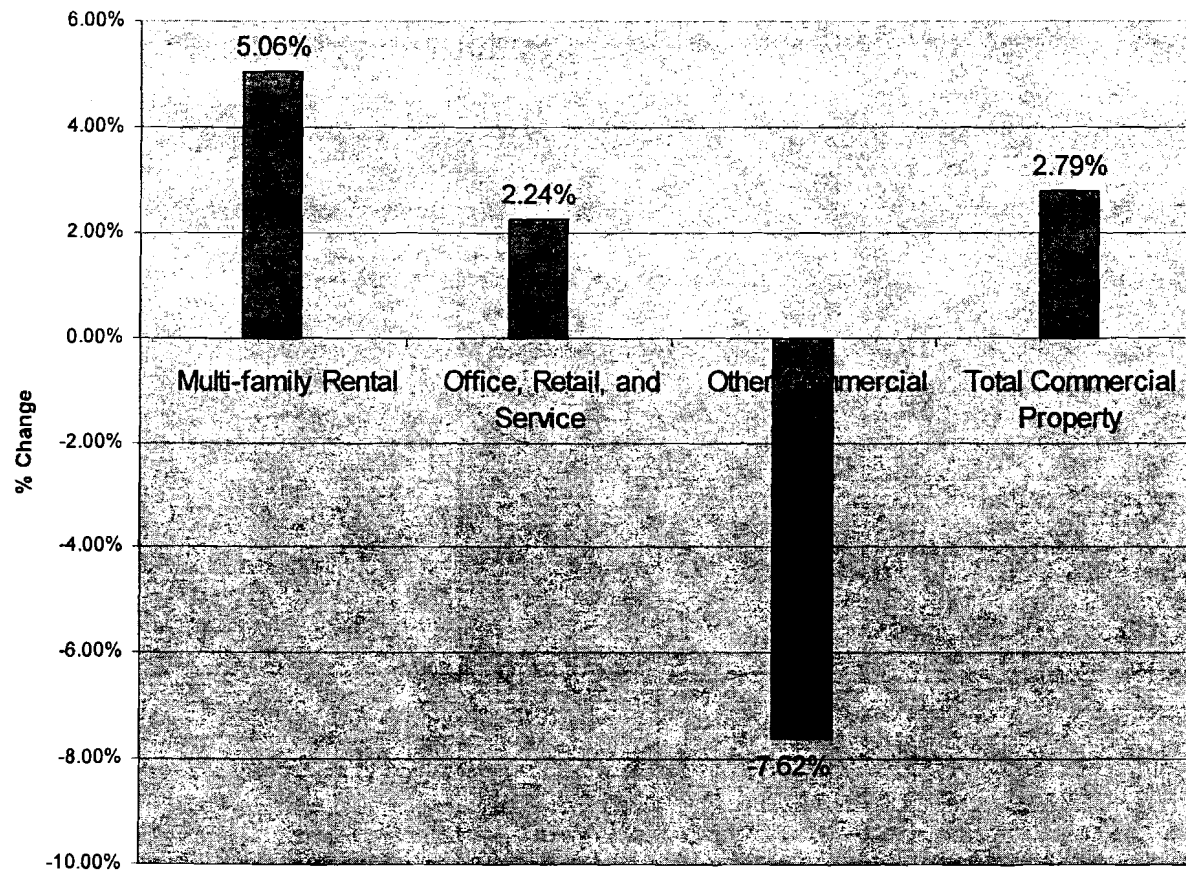
Residential Property Assessment Outlook CY 2011



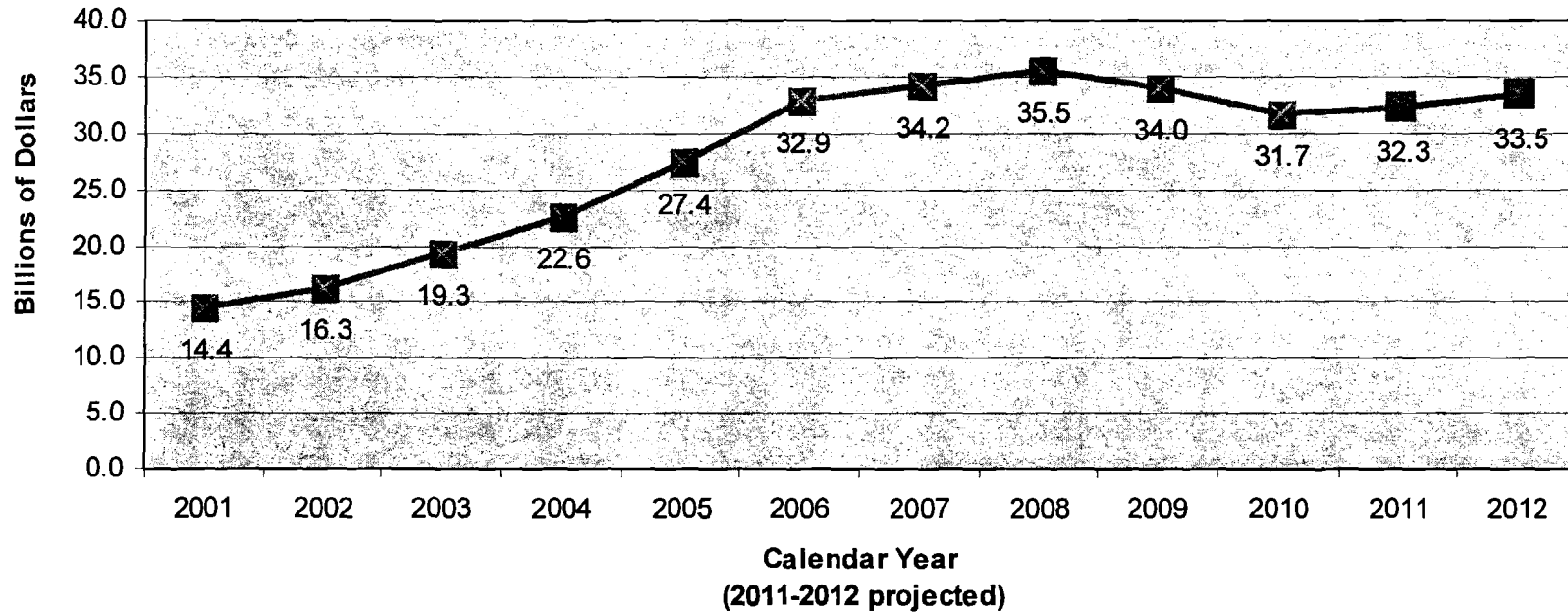
Appreciation Commercial & Residential 1989-2012



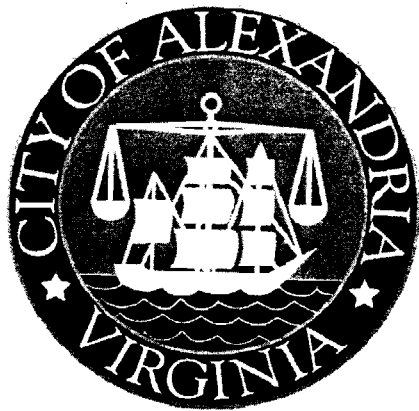
Commercial Property Assessment Outlook CY 2011



Real Property Tax Base 2000-2012

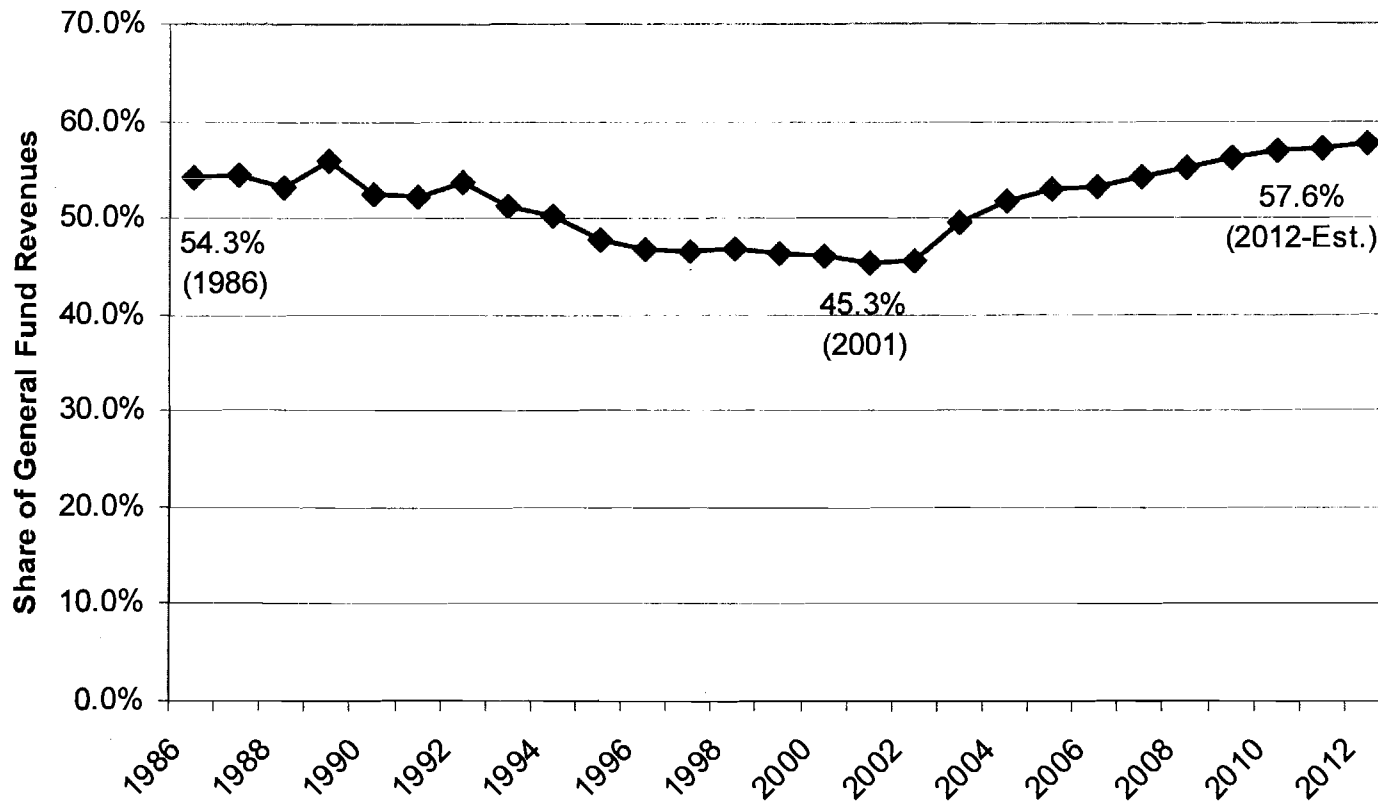


Revenue Outlook



- FY 2011
- FY 2012

Revenues from Real Estate As a Share of General Fund Revenues



Effect of Assessed Value on Changes in Revenue Estimates

Effect of Changes in Appraised Value on Revenue Estimates			
CY 2011	FY 11 Revenue Change from Current Est.	CY 2012	FY 12 Revenue Change from FY 11 Approved
		1.1%	13,685,352
1.68%	9,418,403	3.6%	17,541,170
		5.1%	19,887,210

Estimate for FY 2011 Approved Real Estate revenues = \$296.2 million



FY 2011 Revenue Outlook

Millions of Dollars

	FY 2011 Approved	FY 2011 Projected	\$ Change	% Change
Real Property Taxes	\$296.2	\$305.7	\$9.5	3.2%
Personal Property Tax	32.3	32.4	0.1	0.3%
Sales Tax	23.5	22.8	-0.7	-3.2%
Utility Tax	10.5	10.5	0.0	0.0%
Business license tax	30.2	30.2	0.0	0.0%
Recordation	3.8	3.6	-0.2	-5.3%
Transient Lodging	11.1	11.6	0.5	4.5%
Restaurant Food	15.4	15.5	0.1	0.6%
Communications	11.6	11.6	0.0	0.0%
Intergovernmental	51.7	52.1	0.4	1.4%
Total including others not mentioned above	\$531.6	\$540.8	\$9.2	1.7%



City of Alexandria

10/18/10 Work Session

FY 2012 Preliminary Revenue Outlook

Millions of Dollars

	FY 2011 Approved	FY 2012 Preliminary	\$ Change	% Change
Real Property Taxes (1)	\$296.2	\$313.8	\$17.6	5.9%
Personal Property Tax	32.3	32.6	0.3	0.8%
Sales Tax	23.5	23.1	-0.4	-1.7%
Utility Tax	10.5	10.6	0.1	1.0%
Business license tax	30.2	30.9	0.7	2.3%
Recordation	3.8	3.6	-0.2	-5.3%
Transient Lodging	11.1	12.1	1.0	9.0%
Restaurant Food	15.4	16.0	0.6	3.9%
Communications	11.6	11.6	0.0	0.0%
Intergovernmental Revenues (2)	51.7	52.6	0.9	3.1%
Fund Balance & Other Sources	6.9	5.8	-1.1	-15.9%
Total including others not mentioned above(3)	\$531.6	\$550.8	\$19.2	3.6%

(1) Assumes 3.6% CY 2012 assessment increase

(2) Includes U.S. subsidy of Alexandria's "Build America" bonds

(3) In the pessimistic scenario, real estate tax revenues would increase by \$13.7 million and total revenues by \$15.3 million. In the optimistic scenario, real estate revenues would increase by \$19.9 million and total revenues by \$21.5 million.



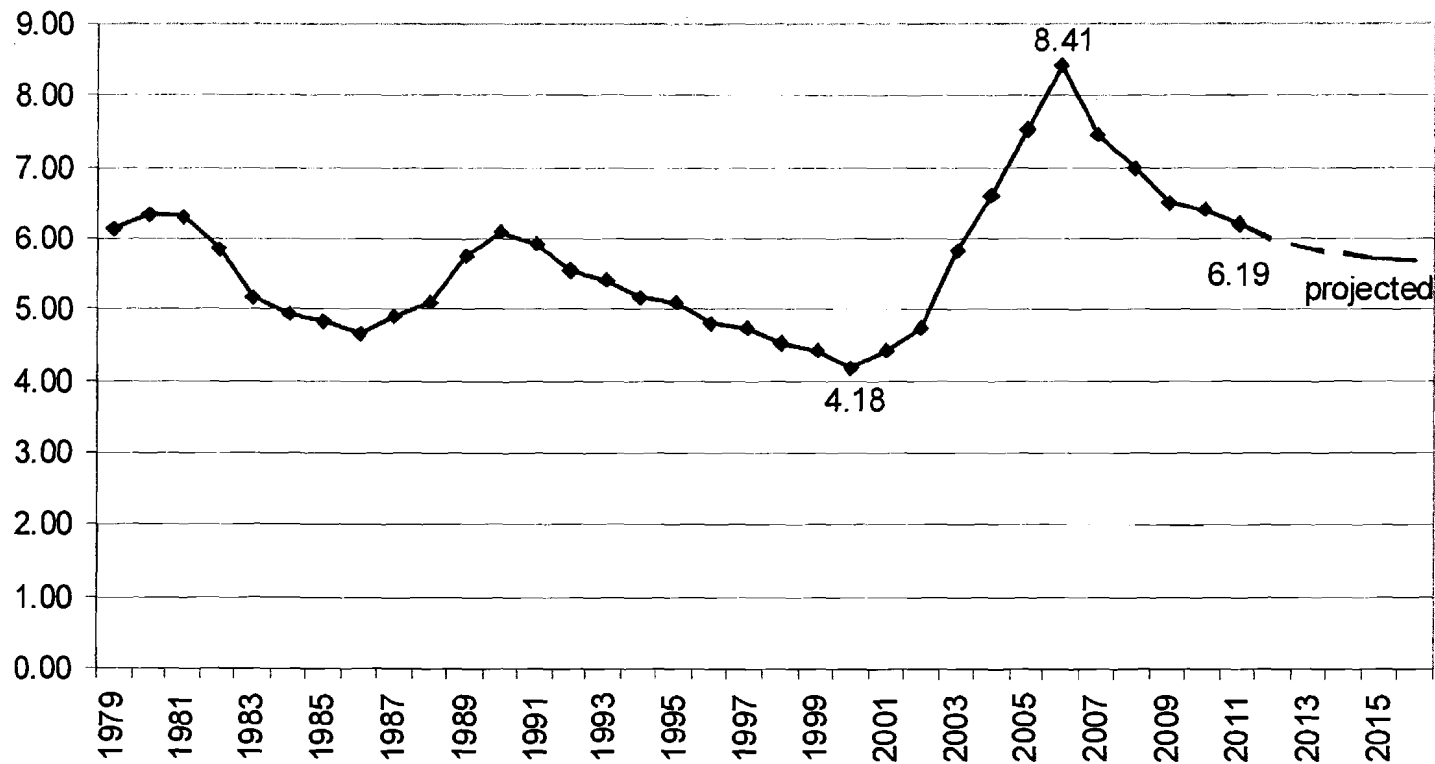
City of Alexandria

10/18/10 Work Session

FY 2012 Downside Risks

Weaker than Expected Real Estate Market

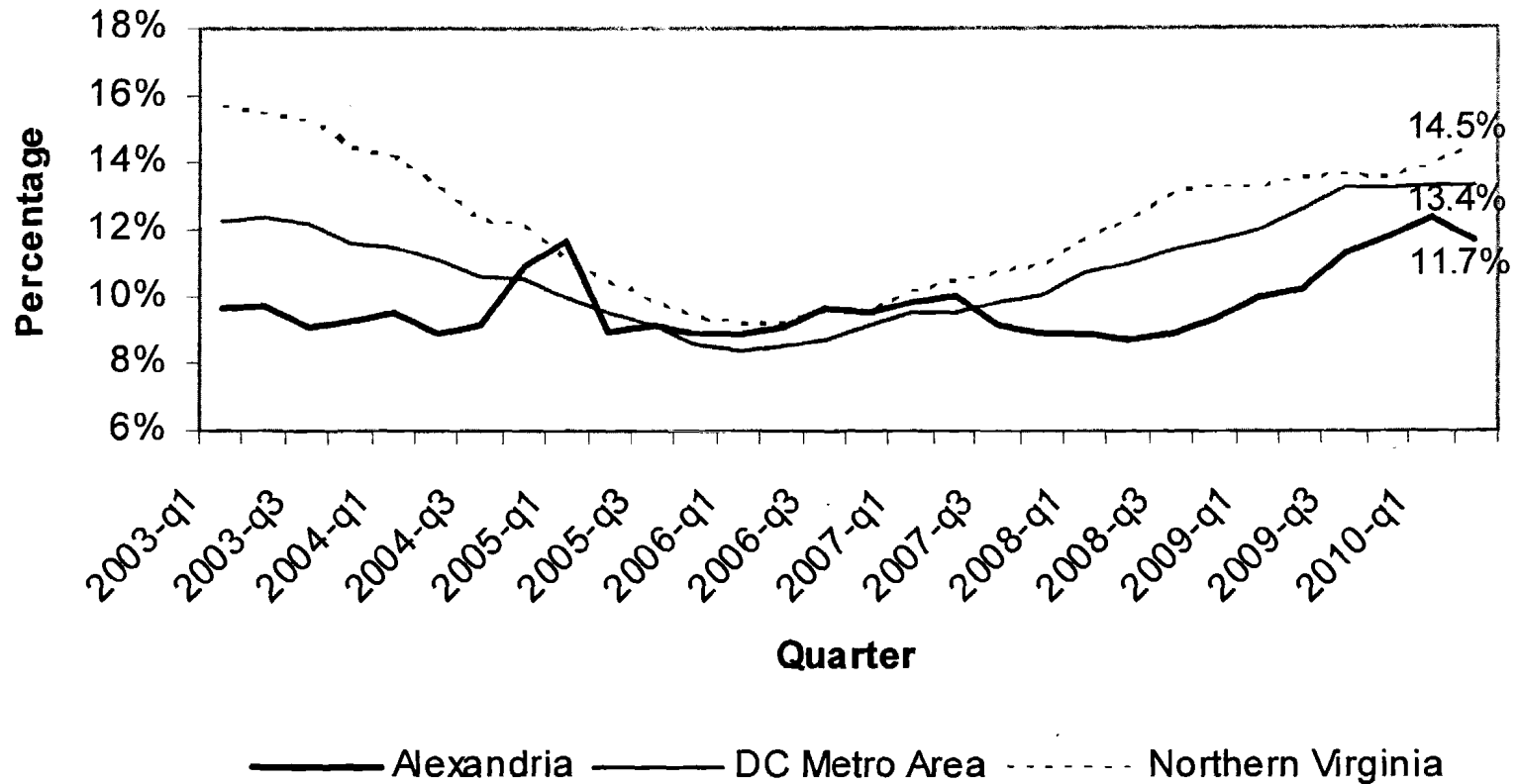
Alexandria's Average Home Value
as a Multiple of Average Per Capita Personal Income



FY 2012 Downside Risks

Commercial Real Estate

Office Vacancy Rates

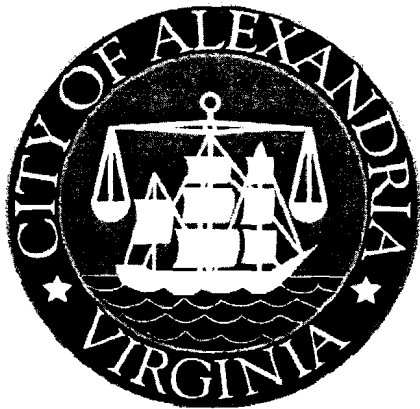


FY 2012 Downside Risks

- **“Double dip” recession would affect**
 - Personal Property Tax
 - Sales Tax
 - Business License Tax
 - Transient Lodging
 - Restaurant Food
- **Although a “double dip” would cause problems, the impact would be limited**
 - These revenue sources collectively make up 22% of General Fund Revenues.



General Fund Balance Commitments



- **GASB # 54: New Vocabulary**
- **Fund Balance Commitments**
- **Changes in FY 2010 Fund Balance**
- **Changes in FY 2011 Fund Balance**
- **Committed and Assigned: End of FY 2010**
- **Committed and Assigned: Expected End of FY 2011**
- **General Fund Balances as Percentage of General Fund Revenues**

GASB # 54: New Vocabulary

- Fund Balance classifications modified to ensure consistency.
- Designations now “commitments” or “assignments.”
 - Committed: Formally constrained by City Council. (e.g. decisions made in FY 2011 Budget)
 - Assigned: *Intended* for a particular use. (e.g. Incomplete Projects)
- Unassigned Fund Balance: Fund Balance not committed or assigned or otherwise nonspendable



Fund Balance Commitments

(FY 2011 Budget "Commitments")

- Council has already made commitments (designations) for the one-time Real Estate tax rate increase effective June 2010

Capital Improvement Program	\$10.97 M
Storm Water Management	0.78 M
Total Previously Committed	<hr/> \$11.75 M



Changes in FY 2010 Fund Balance

Sources:

Committed in FY 2011 Budget	\$11.75M
Uncommitted FY2010 Budget Savings	<u>3.00M</u>
FY 2010 Sources	\$14.75M

Commitments/Uses:

FY 2011 CIP	\$10.97M
Storm water Management	0.78M
FY 2012 Operating Budget	2.00M
FY 2011 Storm Emergency	1.00M
Uses of FY 2010 Surplus	<u>\$14.75M</u>



Changes in FY 2011 Fund Balance

Source:

Preliminary FY2011 Revenue Surplus **\$9.19M**

Commitments/Uses:

Aug. 2010 Storm \$0.80M

FY 2012 Operating Budget 2.75M

FY 2012 CIP 2.53M

FY2011 Incomplete projects 2.25M

New Commitments/Uses **\$8.33M**

Unassigned/Uncommitted Surplus **\$ 0.86M**



Committed and Assigned: End of FY 2010

FY 2011 Operating Budget	\$ 4.74 M
FY 2012 Operating Budget	2.00 M
FY 2011 – FY 2020 CIP	10.97 M
Self Insurance	5.00 M
Incomplete Projects	2.26 M
Retiree Health and Life (OPEB)	3.70 M
King Street Garden	0.03 M
Stormwater Utility Fund	0.78 M
Natural Disasters and Emergencies	1.00 M
Total Commitments and Assignments	\$30.48 M



Committed and Assigned: Expected End of FY 2011

FY 2012 Operating Budget	\$ 4.75 M
FY 2012 – FY 2021 CIP	14.80M
Self Insurance	5.00 M
Incomplete Projects	2.26 M
Retiree Health and Life (OPEB)	2.10 M
King Street Garden	0.02 M
Natural Disasters and Emergencies	1.00 M
Total Commitments and Assignments	\$29.93 M



General Fund Balances as Percentage of General Fund Revenues

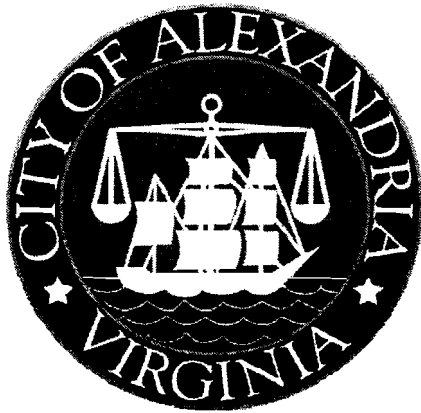
	Target	Limit	FY 2010	FY2011
Estimated Unassigned Fund Balance	5.5%	4.0%	5.34%	5.50%
Estimated Spendable Fund Balance	N/A	10.0%	11.09%	11.12%



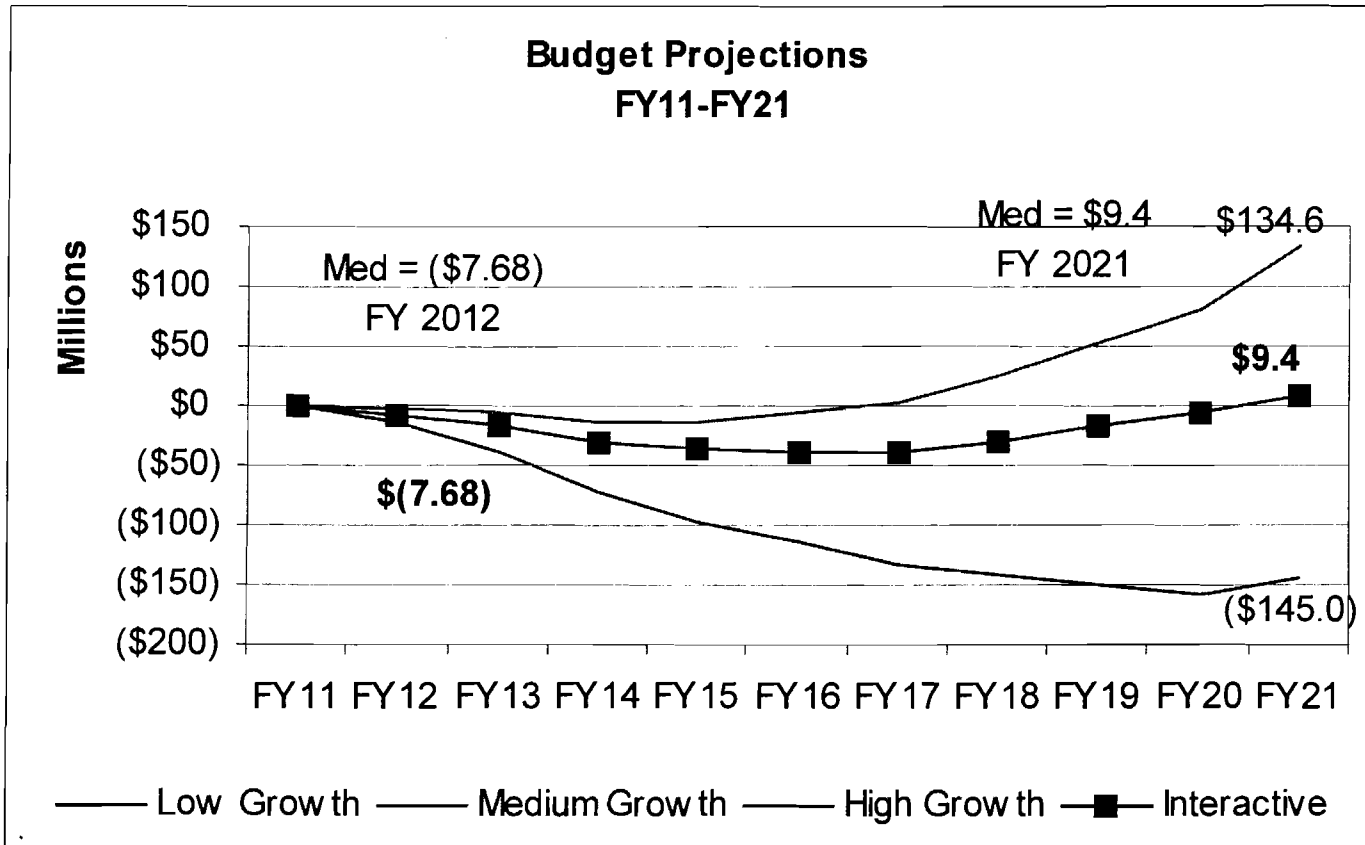
**HISTORY OF END OF YEAR FUND BALANCE
ACTUAL 2006 THROUGH 2010 AS OF JUNE 30, 2010**

	2005	2006	2007	2008	2009	2010	2011
Uncommitted Fund Balance End of Year	\$ 68,216,836	\$ 63,343,040	\$ 67,660,766	\$ 62,320,401	\$ 49,048,609	\$ 68,808,366	\$ 69,111,220
Designations							
FY 2005 Operating Budget							
FY 2006 Operating Budget	\$ 4,330,000						
FY 2007 Operating Budget	\$ 3,800,000	\$ 3,354,819					
FY 2008 Operating Budget		\$ 3,300,000	\$ 1,999,550				
FY 2009 Operating Budget			\$ 4,000,000	\$ 4,600,000			
FY 2010 Operating Budget				\$ 1,285,347	\$ 2,315,347		
FY 2011 Operating Budget					\$ 3,600,000	\$ 4,744,291	
FY 2012 Operating Budget						\$ 2,000,000	\$ 4,750,000
FY 2013 Operating Budget							
Subsequent CIP (FY 2006)							
Subsequent CIP (FY 2007)	\$ 258,000						
Subsequent CIP (FY 2008)	\$ 4,474,890	\$ 7,353,288	\$ 3,643,211				
Subsequent CIP (FY 2009)			\$ 7,350,000	\$ 7,350,000			
Subsequent CIP (FY 2010)				\$ 1,026,958	\$ 226,958		
Subsequent CIP (FY 2011 and beyond)					\$ -	\$ 10,971,240	\$ 14,800,000
Self Insurance	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Incomplete Projects	\$ 2,824,000	\$ 2,649,421	\$ 2,345,870	\$ 2,902,820	\$ 1,694,734	\$ 2,255,523	\$ 2,255,523
Compensated Absences	\$ 7,208,635						
Retiree Health and Life (OPEB)		\$ 8,700,000	\$ 10,700,000	\$ 10,700,000	\$ 6,500,000	\$ 3,700,000	\$ 2,100,000
Recycling Fund							
Open Space Fund		\$ 275,703					
King St. Garden			\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Affordable Housing Programs		\$ 275,703					
Affordable Home Ownership Protection Grants		\$ 300,000					
Efficiency Reductions Fund	\$ 52,592						
Increased Fuel Costs	\$ 1,027,000		\$ 500,000	\$ 250,000	\$ 250,000	\$ -	
Federal Budget Reductions	\$ 143,000						
Federal or State Intergovernmental Revenue or Grant Reductions		\$ 1,000,000					
Comprehensive Services Act Contingency			\$ 230,000				
Social Service Grant Contingency (Pass Through Fed. Funding)			\$ 300,000				
Social Service Contingency (incl. CSA)				\$ 530,000			
One-time Acute Human Service Needs					\$ 400,000	\$ -	
Medical Services for Jail Inmates	\$ 250,000						
Sworn Public Safety Compensation	\$ 3,000,000						
Employee Compensation		\$ 4,000,000					
Monroe Avenue Bridge Pedestrian Structure Design		\$ 300,000					
Fire Station/Affordable Housing Project				\$ 1,600,000			
National Harbor Initiatives			\$ 700,000				
Projects Under Discussion			\$ 3,368,000				
Stormwater Utility Fund						\$ 783,660	
Fiscal Year 2010 Revenue Shortfall Reserve					\$ 4,309,397		
Natural Disasters/Emergencies						\$ 1,000,000	\$ 1,000,000
Total Commitments & Assignments	\$ 32,368,117	\$ 36,508,934	\$ 40,161,631	\$ 35,270,125	\$ 24,321,436	\$ 30,479,714	\$ 29,930,523
Uncommitted/Unassigned Fund Balance	\$ 25,848,719	\$ 26,834,106	\$ 27,399,135	\$ 27,050,276	\$ 24,727,073	\$ 28,326,641	\$ 29,180,697
Uncommitted/Unassigned Fund Balance and Revenue Shortfall Reserve EOY	\$ 25,848,719	\$ 26,834,106	\$ 27,399,135	\$ 27,050,276	\$ 29,036,470	\$ 28,326,641	\$ 29,180,697
Spendable Fund Balance EOY	\$ 4,058,347	\$ 4,035,005	\$ 4,692,962	\$ 3,167,640	\$ 4,258,482	\$ 4,235,016	\$ 4,235,016
Total Fund Balance EOY	\$ 62,275,183	\$ 67,378,045	\$ 72,253,728	\$ 65,486,041	\$ 53,306,991	\$ 63,041,371	\$ 63,346,236
General Fund Revenues	\$ 438,949,718	\$ 478,562,230	\$ 505,572,861	\$ 520,459,051	\$ 527,918,656	\$ 530,438,318	\$ 531,611,539
Estimated Uncommitted/Unassigned Fund Balance as % of General Fund Revenues	5.9%	5.6%	5.4%	5.2%	4.68%	5.34%	5.49%
Estimated Uncommitted/Unassigned Fund Balance and Revenue Shortfall Reserve as % of General Fund Revenues	5.9%	5.8%	5.4%	5.2%	5.50%	6.34%	6.49%
Target = 5.5%; Limit = 4.0%							
Estimated Spendable Fund Balance as % of General Fund Revenues	13.3%	13.2%	13.4%	12.0%	9.29%	11.09%	11.12%
Limit = 10%							

Long-Range Budget Forecast Model Through FY 2021

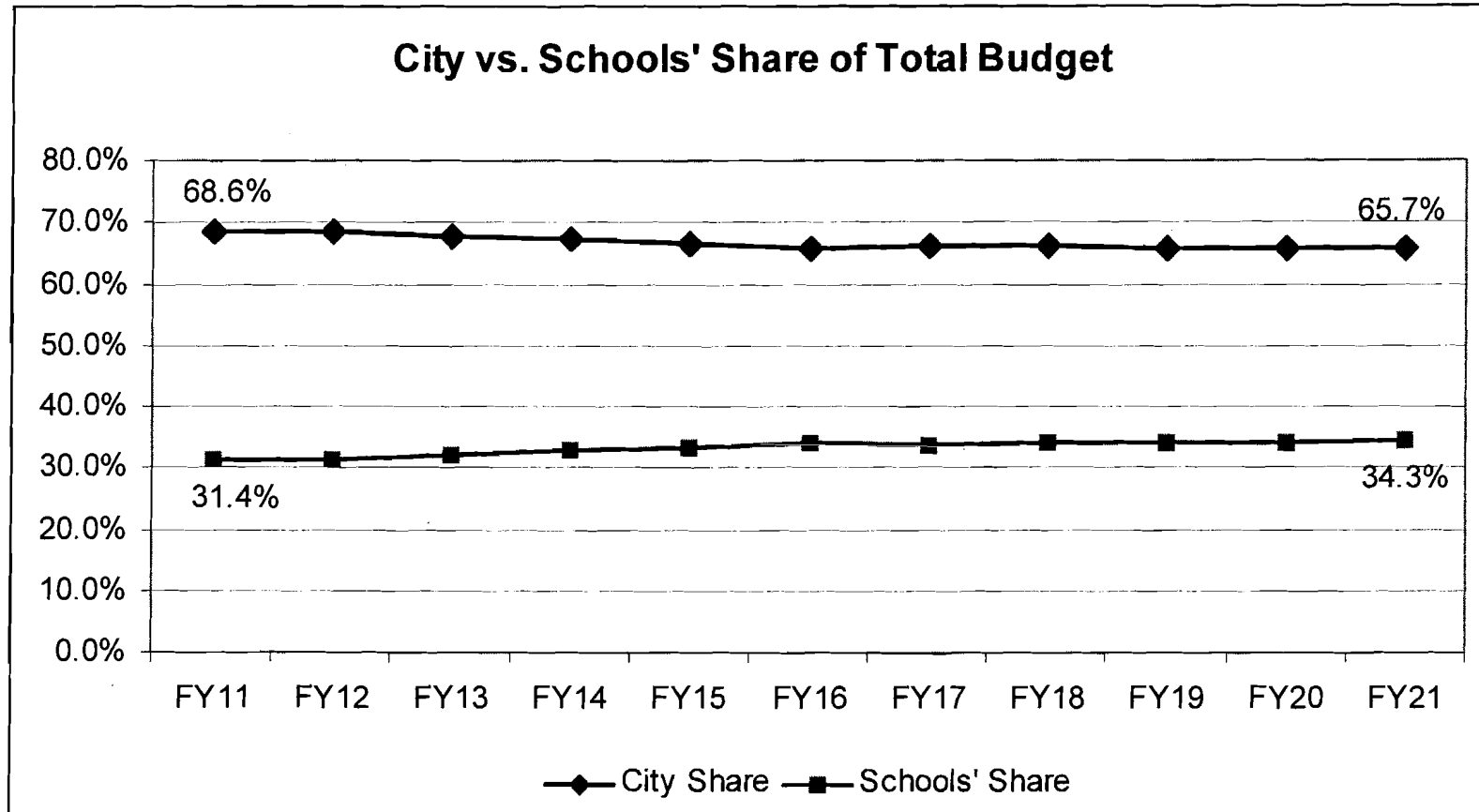


Base Model



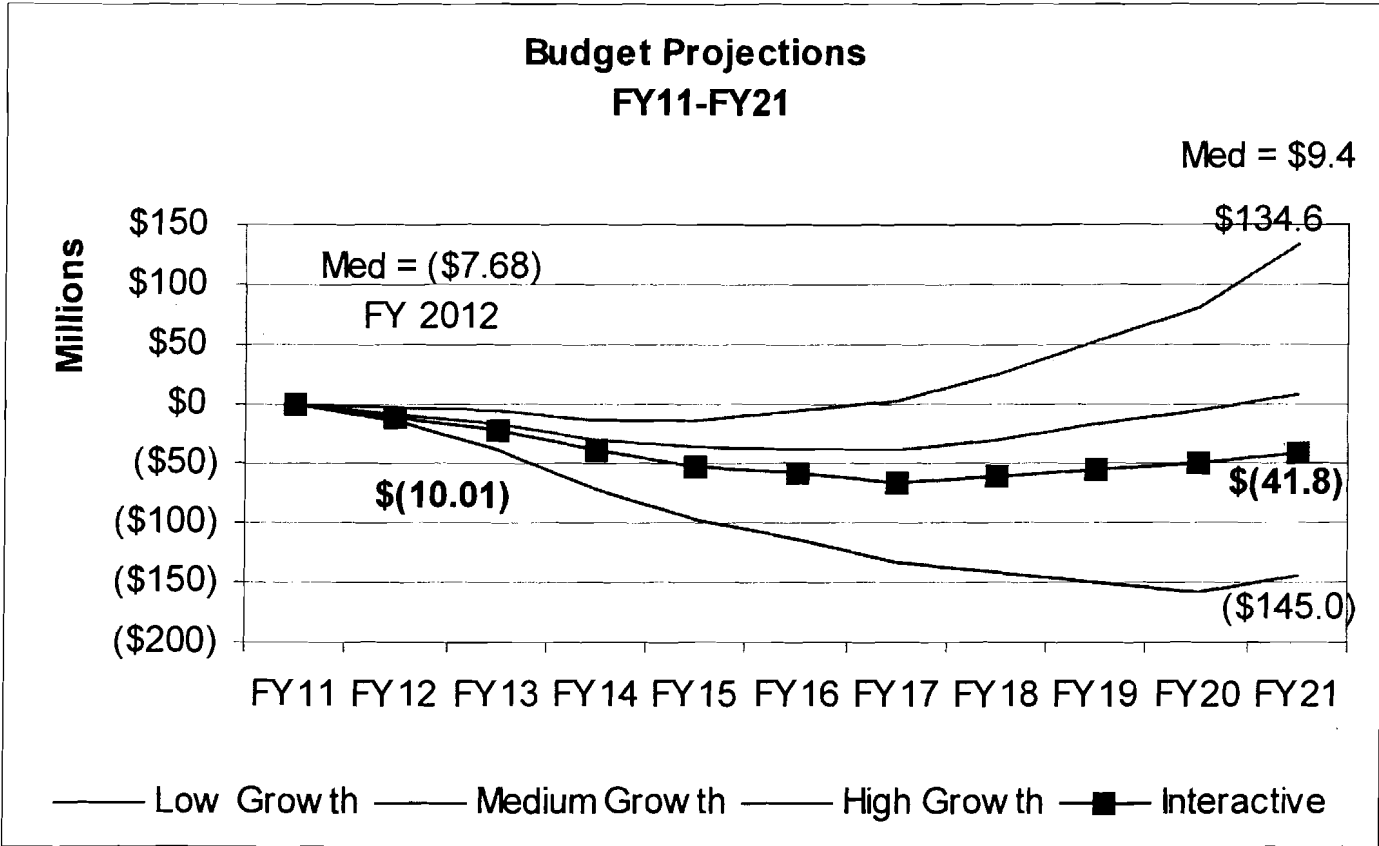
City vs. Schools' Share of Budget Per Forecast Model Base Assumptions

FY 2011 - FY 2021

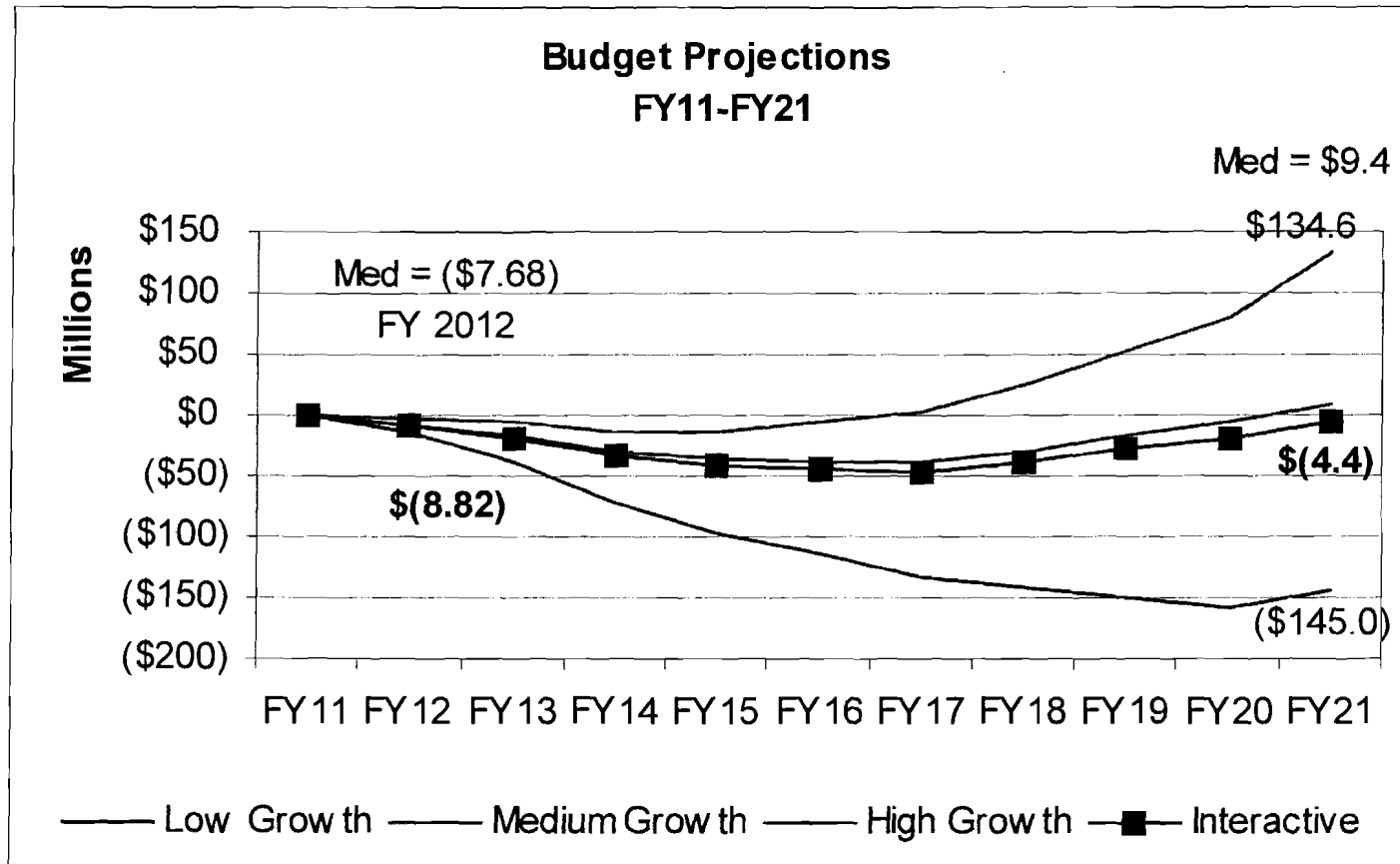


Market Rate Adjustment of 1% Per Year

Base Assumes no MRA

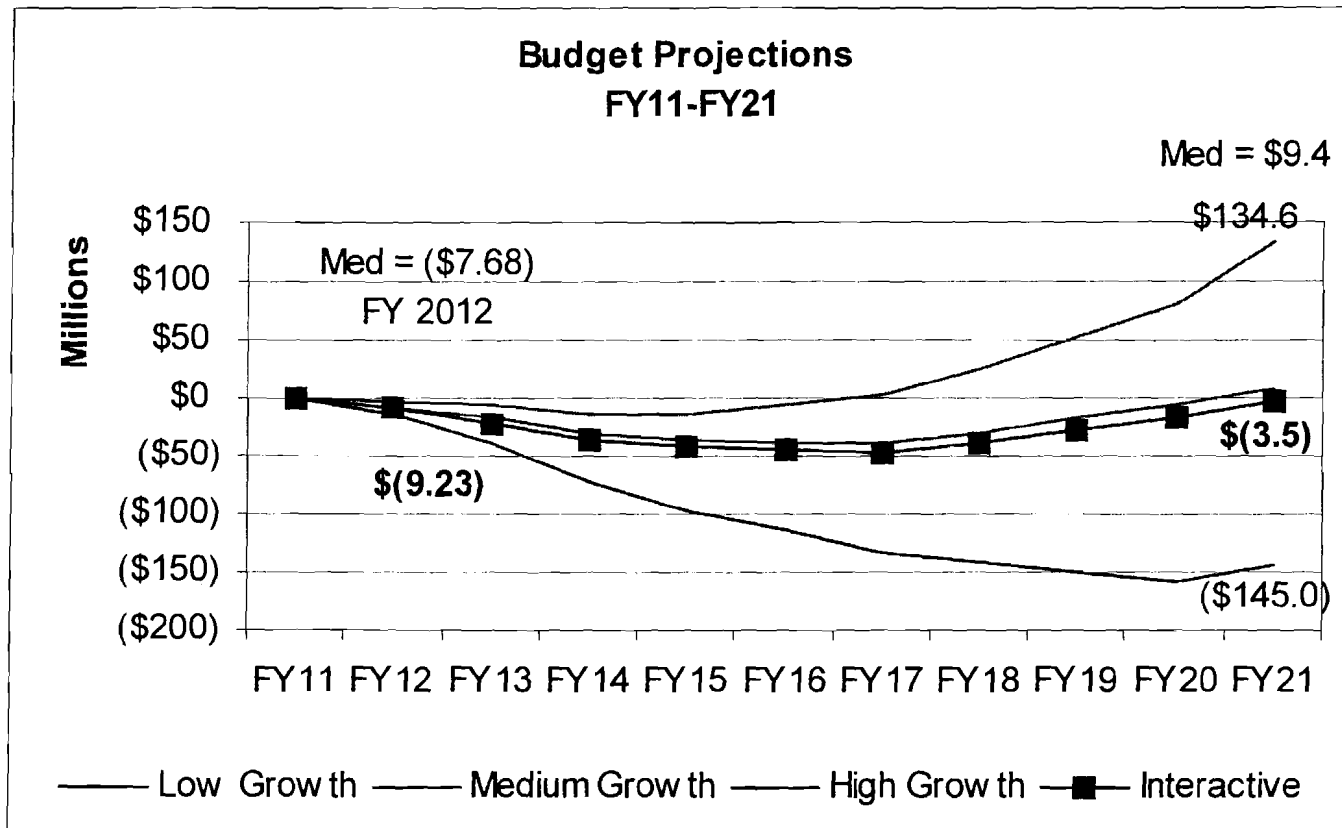


City Staff Increases with Population Growth— Assumes 0.6% Population Growth Rate and 25% Absorption Base assumes no staff growth



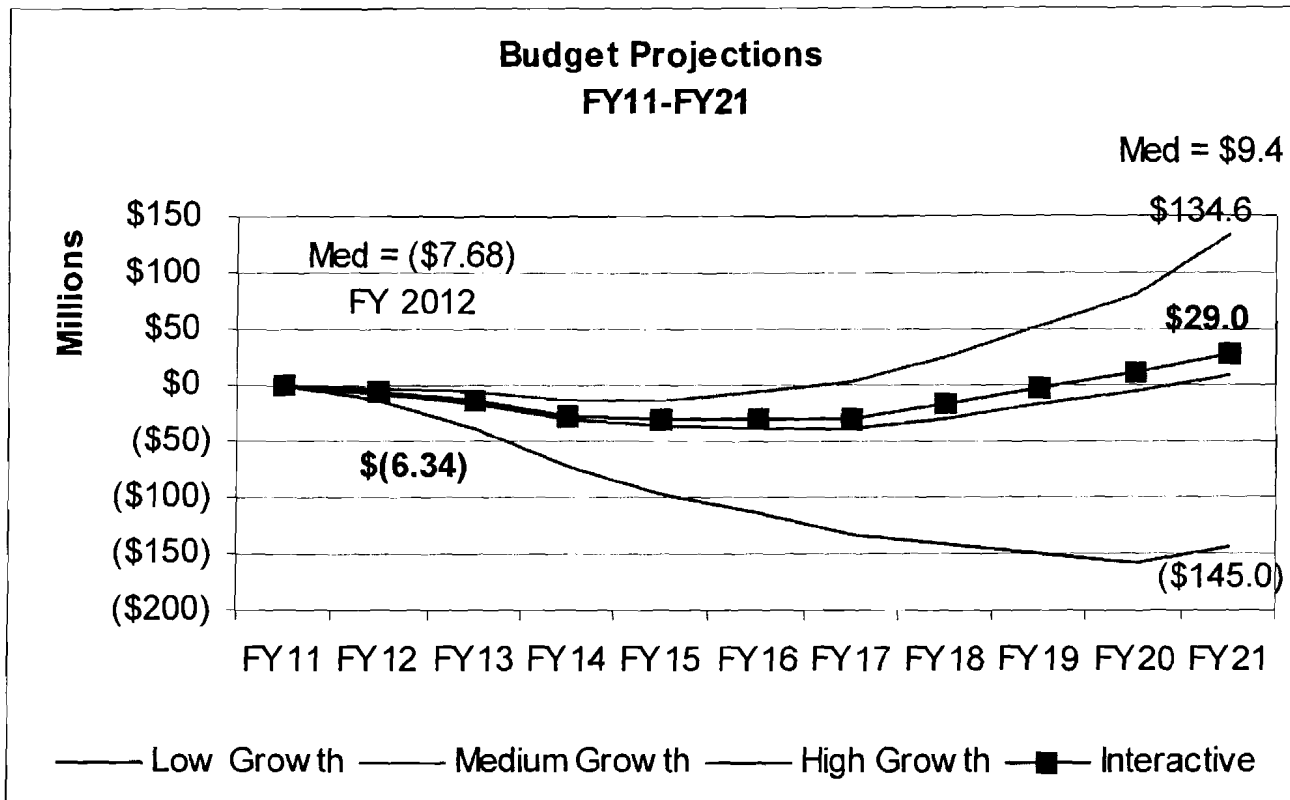
Health Care Costs Increase at 10% Rate Per Year

Base Assumes 2% in FY12, 2% in FY13 and 8% '14-'21



Non-Personnel Costs Increase at 75% Their Five Year Average Growth Rate

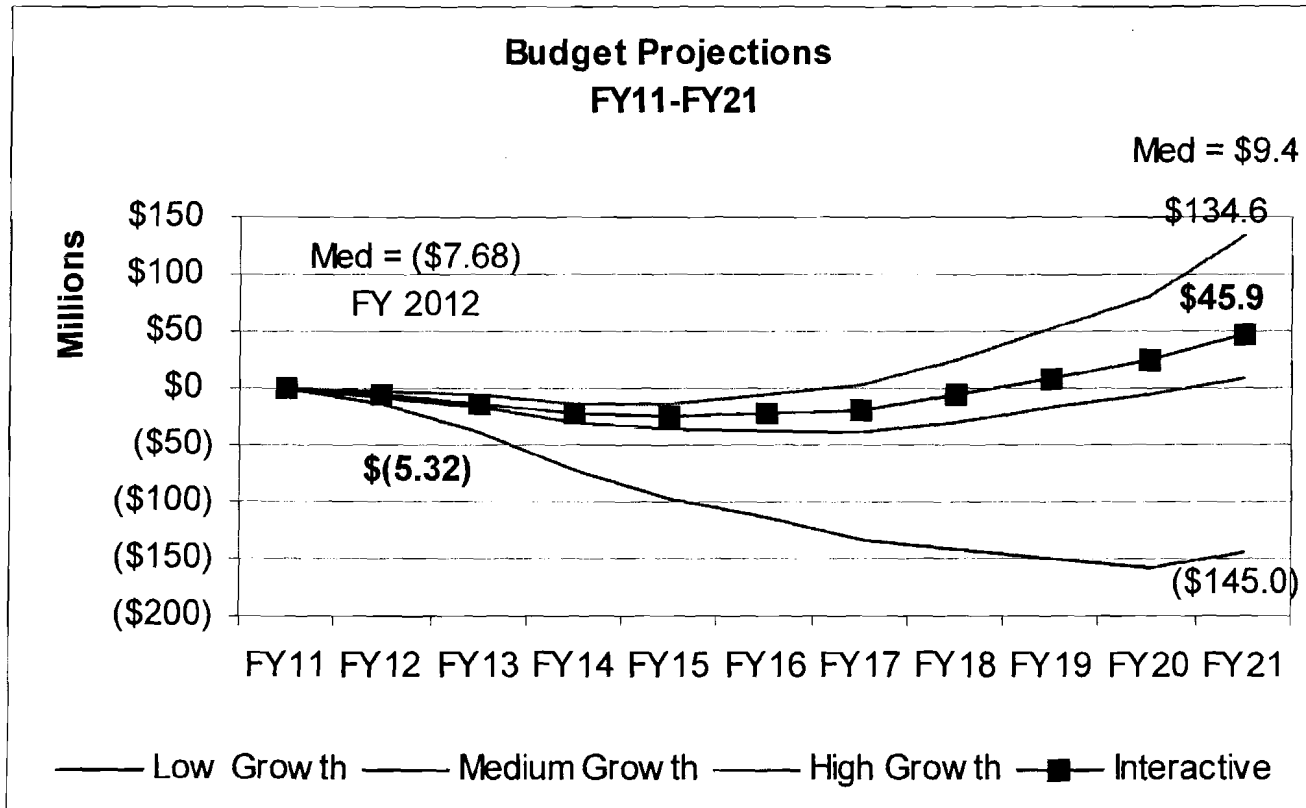
Base Assumes 100% Growth Rate



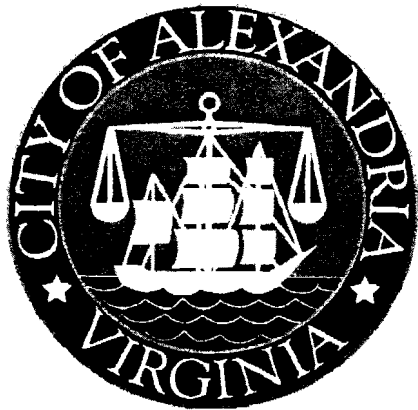
Schools

Assume No Enrollment Growth

Base assumes approximately 3% annual increase after FY 13



FY 2012 – FY 2021 Capital Improvement Program (CIP) Development



- **FY 2011 – FY 2020 CIP
Overview**
- **CIP Financing**
- **Impact of the Strategic
Plan on the CIP**
- **FY 2012 CIP
Development**

FY 2011 – FY 2020 Approved CIP Overview

- City's first 10-year CIP (as opposed to 6 years)
- Prioritization process and funding plan covered the entire 10 years
- Projects broken into 3 categories:
 - Category 1 – Ongoing, regular maintenance programs
 - Category 2 – Large, one-time maintenance projects
 - Category 3 – New or expanded facilities or infrastructure
- \$707.1 million in total expenditures



FY 2011 - FY 2020 Approved CIP Overview

- Major Project Highlights:
 - APD Headquarters - \$47 million
 - 2 new K-8 Schools - \$44 million
 - City Hall HVAC replacement - \$18 million
 - 5 major fire station projects - \$43 million
 - DASH replacement buses - \$26 million
 - WMATA capital contribution - \$77 million
 - Holmes Run Infiltration & Inflow - \$25 million
 - Computer Aided Dispatch & Records Management System replacement - \$35 million



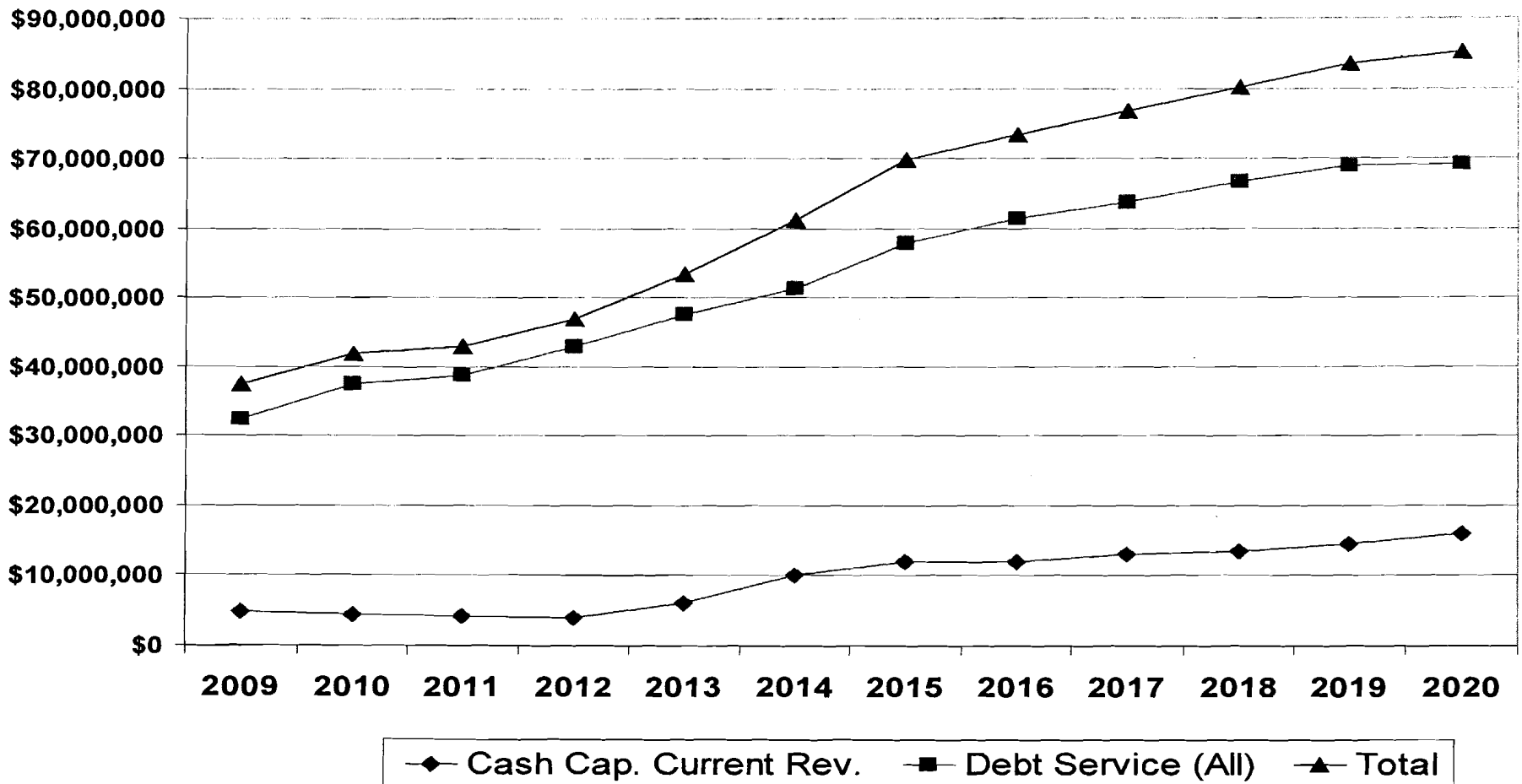
Financing the City's CIP

- The FY 2011 – FY 2020 CIP is financed with General Obligation Bonds (71%) and Cash Sources (29%).
- Staff is developing updated revenue figures for the various cash sources.
- The impact on the City's Operating Budget (cash capital and debt service) is key.
 - FY 2011 CIP results in an average operating budget increase of 7.5% per year over 10 years.



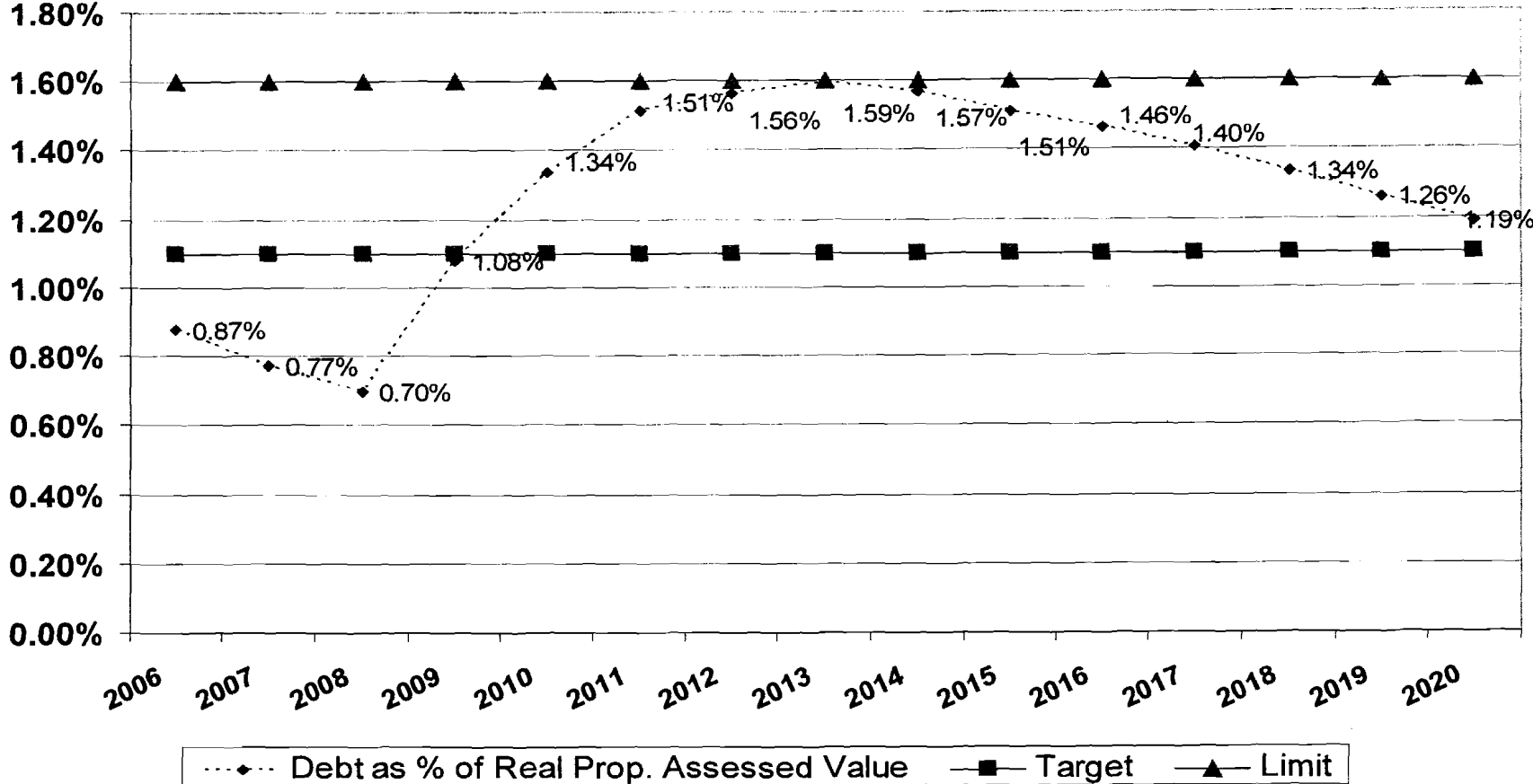
Financing the City's CIP

CIP Impact on Operating Budget
(with Approved FY 2011-FY 2020 CIP)



Financing the City's CIP

Approved CIP FY 2011-2020
Debt as Percent of Real Property Assessed Value
 (not yet updated for revised Assessment Projections)



Strategic Plan Impact on the CIP

- Numerous, major capital initiatives stemming from the Strategic Plan have been identified to date, including projects related to:
 - Transportation improvements
 - Public safety
 - Quality development (e.g. Waterfront Plan, Potomac Yard, etc.)
 - Sanitary sewers
 - Affordable housing
- We believe ACPS will have additional CIP requests
- Some of these projects have new funding sources identified (e.g. Transportation Tax), but most will ultimately be competing for the same funds already programmed in Approved CIP.



FY 2012 – FY 2021 CIP Development

- The FY 2011 – FY 2020 Approved CIP is the starting point for developing the new plan.
- New requests for funding (including those related to the Strategic Plan, other than the Potomac Yard Metrorail Station) will be considered against FY 2011 Approved CIP projects.
- Integrating the ACPS requests in the City Manager’s Proposed CIP may be difficult for two reasons:
 - the high costs of expanding school capacity; and
 - the timing of the preparation of the ACPS CIP is not going to be available in time to integrate into the City Manager’s CIP
- Two special initiatives during this process:
 - Bolster operating budget impact statements; and
 - Provide greater justification for Category 1 program funding.

