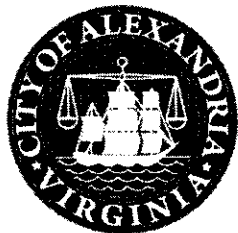


Manager's Proposed Budget

February 26, 2013



City of Alexandria, Virginia

PROPOSED OPERATING BUDGET



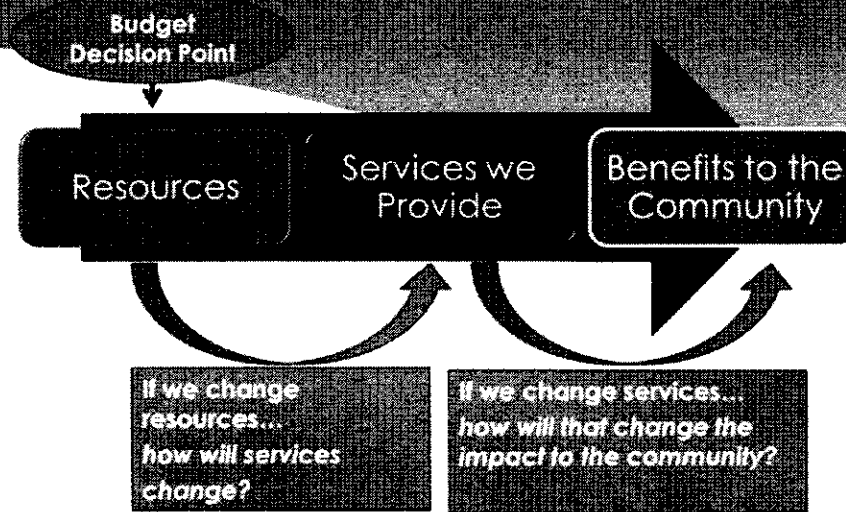
— FISCAL YEAR 2014 —

JULY 1, 2013 – JUNE 30, 2014

Overview



- 6th straight year of economic challenges
- Cost of current services/previous commitments exceeds revenue growth
- Budget proposal meets Council Guidance
- Budget proposal continues to adhere to the City's Strategic Plan and strong financial management policies



- Recommendations were evaluated against their impact on the Outcomes (both Long-Term and Intermediate) that help us measure our success against the Strategic Plan
 - Balanced approach to address gap: both revenue increases and expenditure reductions are on the table
 - Developed Departmental Clusters to recommend ways to address the budget gap using Strategic Plan as guide
- Recommendations included leveraging local dollars where possible and the creation of operational efficiencies while minimally impacting the Outcomes
- Evaluated changes to employee compensation and benefits to improve market compatibility while providing for future sustainability



Budget Development Improvements

Created a Capital Improvement Program (CIP) Process Improvement Team

- Developed Guiding Principles that included linking projects to the Strategic Plan
- Developed a Scoring Tool to evaluate projects based on Guiding Principles

Phased Implementation

- FY 2014-2023 CIP
 - New projects were evaluated using the Scoring Tool and Council Guidance
 - Financing Plan for all capital projects commenced, including specific sources/uses for projects
 - Re-formatting of CIP document to include clearer links to the Strategic Plan
- FY 2015-2024 CIP
 - ALL projects will be evaluated using the Scoring Tool
 - A Technical Review Committee will review the scoring and project timelines/scopes
 - Continued re-formatting of CIP document

Goals of Budget Packages



Commitment to Strategic Plan

- Balancing needs with affordability
- Recommend increases or decreases based on their alignment with the Strategic Plan, including compensation adjustments

No more than 1% of Fund Balance used to balance budget

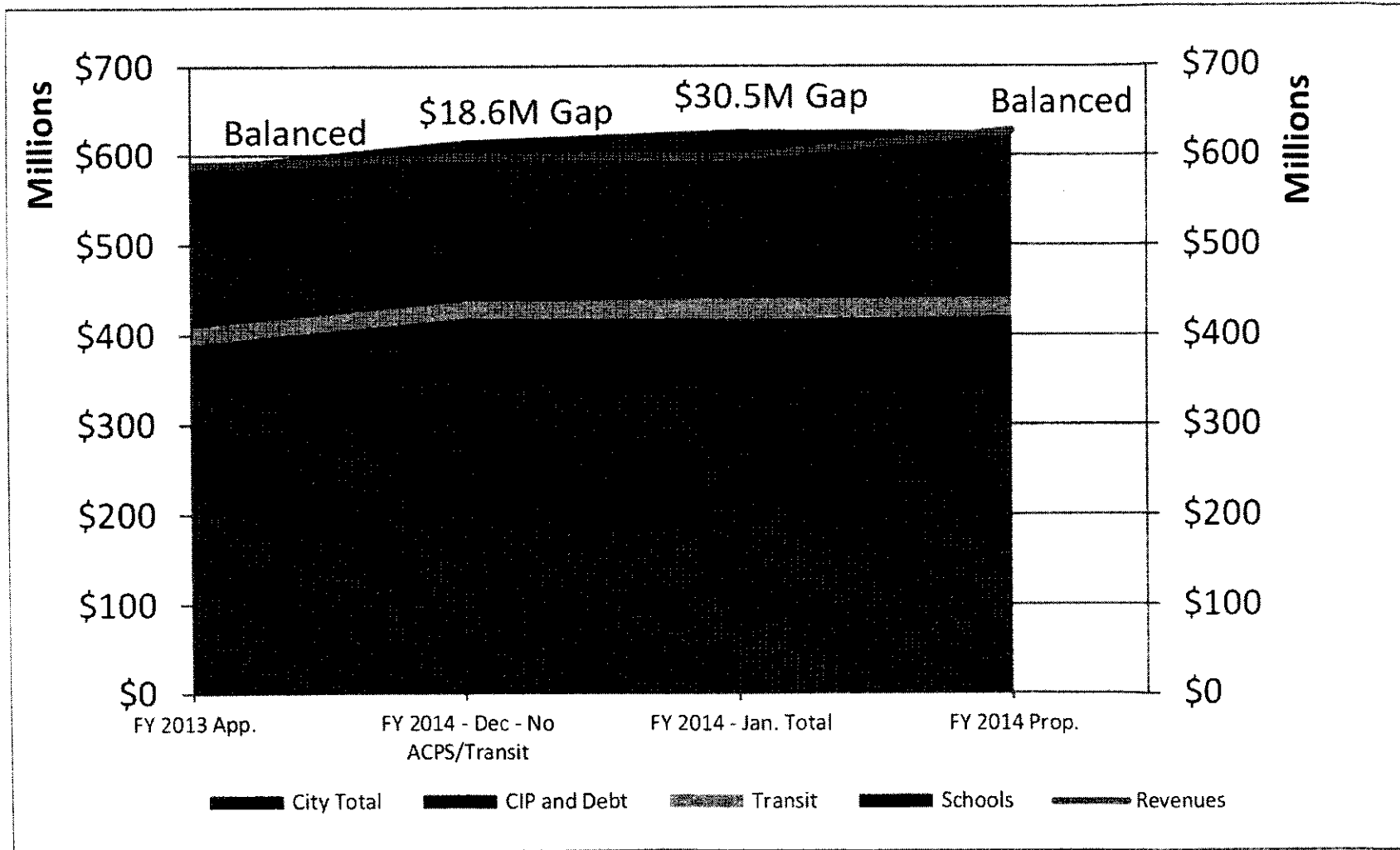
Maintain cash capital (pay-as-you-go) funding for capital projects at FY 13 levels

ACPS funding changes based on student enrollment or cost saving measures

Align CIP funding to Strategic Plan and focus on education, physical plant capacity, sewer and other basic infrastructure, public safety, and recreation enhancements

Propose a CIP Package to reflect the commitment of additional revenue

Evolution of Budget Situation



PROPOSED BUDGET OVERVIEW



Proposed All Funds Budget = \$759.0M

- 6.1% higher than the FY 2013 Approved Budget

Proposed General Fund Budget = \$626.6M

- 6.6% higher than the FY 2013 Approved Budget
- 3.3% General Government Growth (exc. Schools and Capital)
- 3.3% ACPS Operating Budget Growth
- 34.3% Debt Service and Cash Capital Growth
 - Includes an additional \$0.03 tax rate for cash-funded capital projects
 - 17.3% growth exclusive of additional tax rate (\$3.9M Cash Capital; \$8.2M increased debt service)

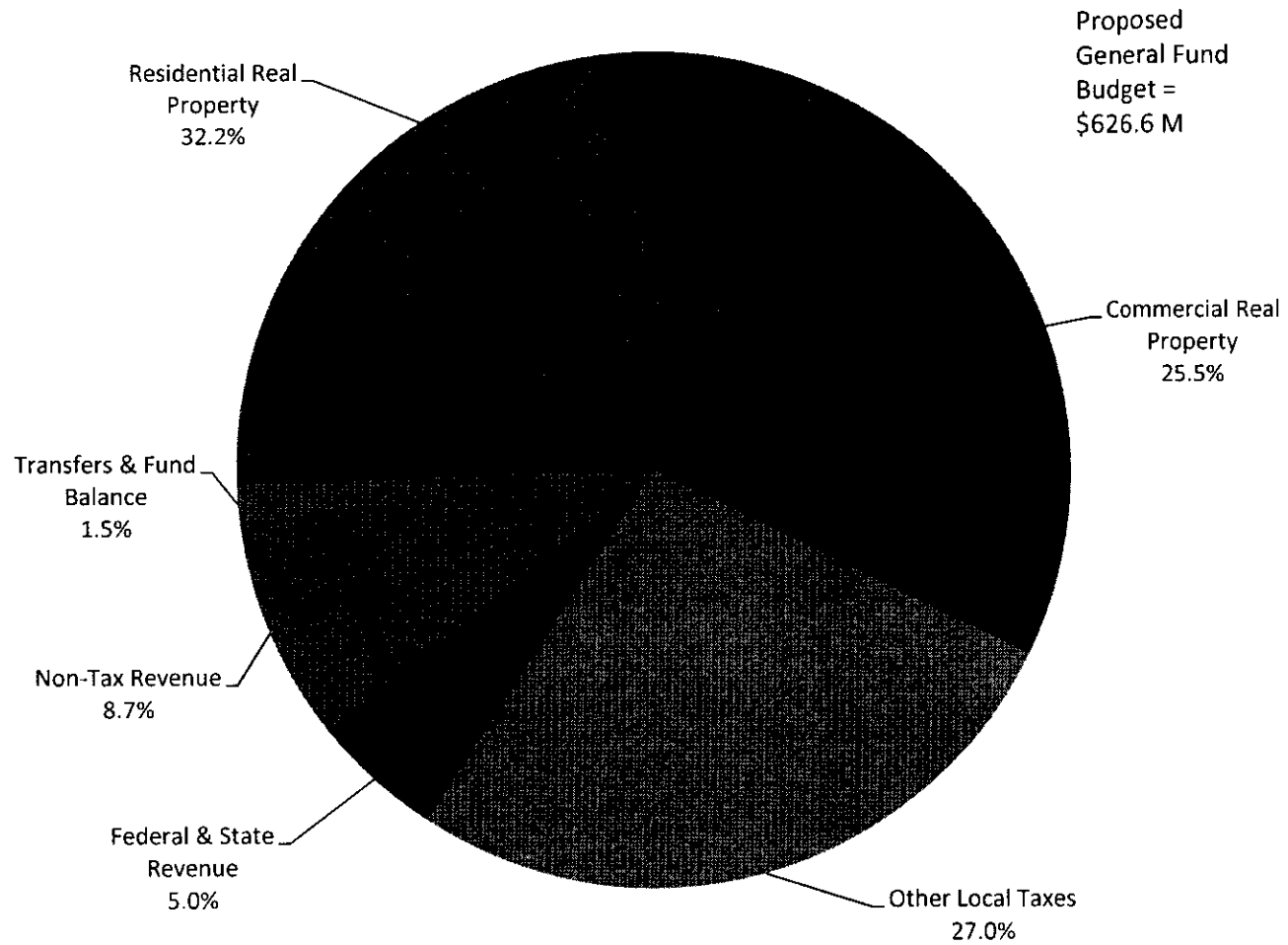
Proposed FY 2014-FY2023 CIP = \$1.27B

- Major additions include ACPS capacity projects and Fire equipment/apparatus
- Includes \$126.7M in additional projects from \$0.03 tax rate

Proposed FY 2014 Capital Budget = \$83.1M

- 13.6%, or \$23.8M higher than the FY 2014 Prior Year Plan

Revenue Overview





FY 2013 Adopted Budget	= \$587.9M
FY 2014 Adjustments to Tax Base (what we knew in December)	+ \$10.0M
Revenue Increases Based on Growth in Tax Base or Other Adjustments (since December)	+ \$3.4M
▪ Includes \$0.6M Indirect Cost Allocation	
Local Aid to the State Repeal	+ \$1.1M
Other Tax/Fee Revenue Changes	
▪ ACVA Advertising Impact (Sales, Transient, Meals)	+ \$0.5M
▪ Fire Permits & Inspections Fee Increases	+ \$0.3M
▪ Increases in Parking Meter Hours, Garage Rates & Enforcement	+ \$1.3M
▪ Revenue from Compliance Positions (Finance/Real Estate)	+ \$0.3M
▪ Development Fee Increases and Alignment of Fees for Services Received	+ \$0.5M
▪ Recreation & Marina Fee Increases	+ \$0.3M
▪ Commercial Refuse Fee	+ \$0.1M
▪ Solid Waste Household Rate <u>Reduction</u>	- \$0.4M
Revenue Increases Based on Change in Tax Rate	
▪ Real Estate Tax Rate Increase of 2.5 cents	+ \$8.6M
▪ Real Estate Tax Rate Increase of 3.0 cents for cash capital investments	+ \$10.5M
▪ Motor Vehicle Personal Property Tax Rate Increase (\$4.75 to \$5.00)	+ \$2.0M
▪ Tobacco Tax Increase (\$0.80 to \$0.90 per pack)	+ \$0.3M
FY 2014 Proposed Budget	= \$626.6M



Increases Going?

Real Estate Tax for Schools and Capital

- 2.5 cents (\$8.64M)**
 - \$6.0M, Schools
 - \$2.14M, Cash Capital/Debt Service
 - \$0.5M, Transit (DASH/WMATA) Operating Increases
- 3.0 cents (\$10.5M)**
 - \$10.5M, Additional Cash for Capital Investments

Base Revenue Growth; User Fee Increases for Core Services

- Fee Increases (\$5.6M) & Base Revenue Growth (\$13.4M)**
 - \$9.9M Cash Capital/Debt Service
 - General Government Operations

Vehicle Personal Property Tax for Transit

- 25 cents (\$2.0M)**
 - \$2.0M, Transit (Dash/WMATA) Operating Increases

2013 (CY) Proposed Real Estate Tax Rate



← 2013 CY Impact →

Real Property	2012 (CY) Avg. Tax Bill (A)	Assessment Increase % (B)	Assessment Increase only \$ (C)	2.5 Cents Rate only (D)	3.0 Cents Rate only (E)	2013 (CY) Average Tax Bill (includes assessment increase and 5.5 cent tax rate increase) (F) (A+C+D+E=F)
Residential Real Estate	\$4,571	2.72%	\$126	\$118	\$141	\$4,956
Single Family Average	\$6,314	2.97%	\$188	\$163	\$195	\$6,860
Condo Average	\$2,672	2.22%	\$59	\$68	\$83	\$2,882
Commercial Average	\$53,643	4.15%	\$2,226	\$1,400	\$1,679	\$58,948

2012 (CY) Rate = \$0.998; 2013 (CY) Proposed Rate = \$1.053

Average Annual Motor Vehicle Personal Property Tax

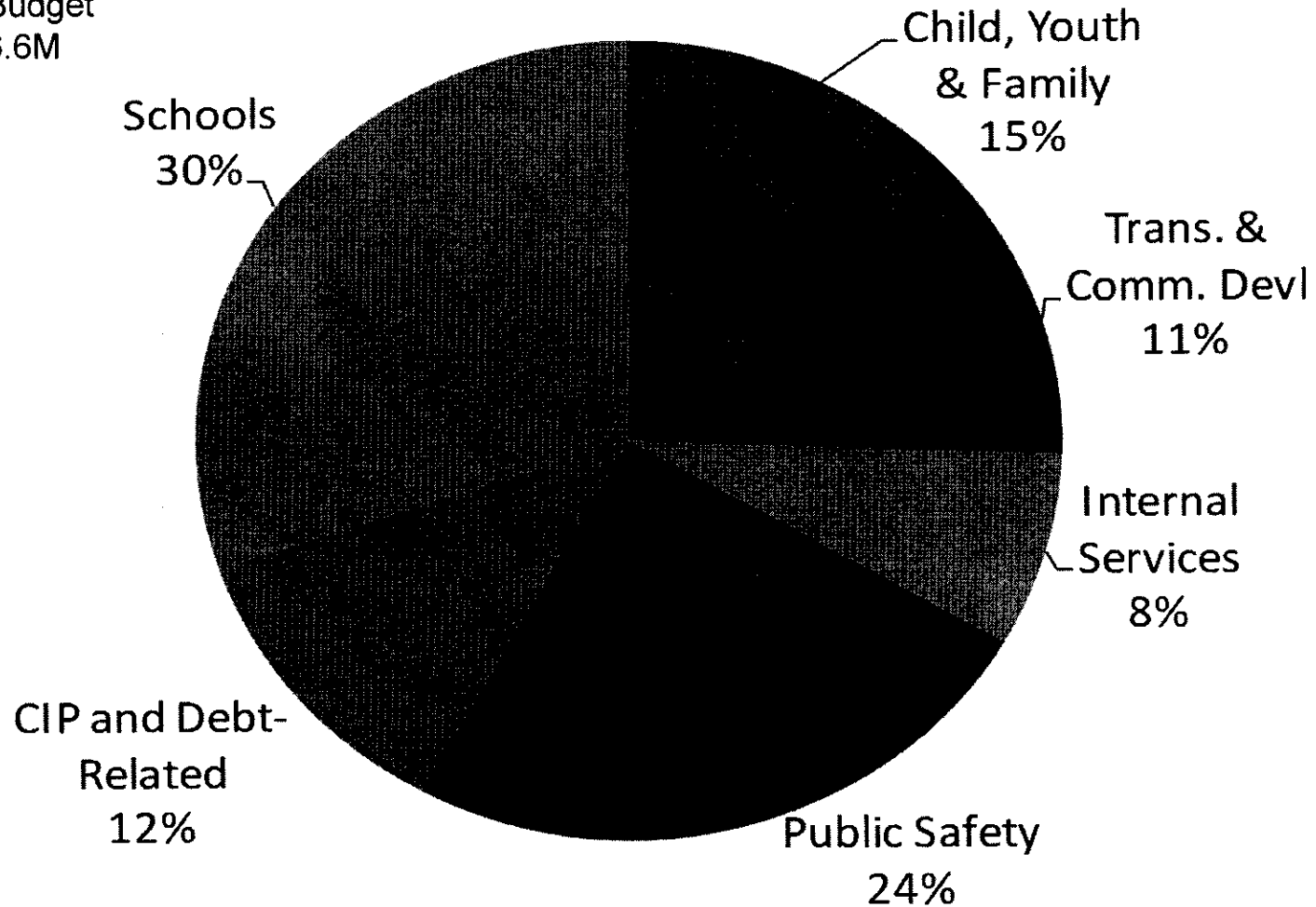


Assessment	\$5,000	\$10,000	\$18,000	\$25,000	\$32,000
Taxpayer Owes Current	\$93	\$186	\$333	\$608	\$940
Taxpayer Owes Proposed	\$93	\$186	\$405	\$700	\$1,050
Impact	\$0	\$0	\$72	\$92	\$110

Proposed Increase from \$4.75 to \$5.00/ \$100 of AV

FY 2014 General Fund Expenditures

Proposed General
Fund Budget
= \$626.6M



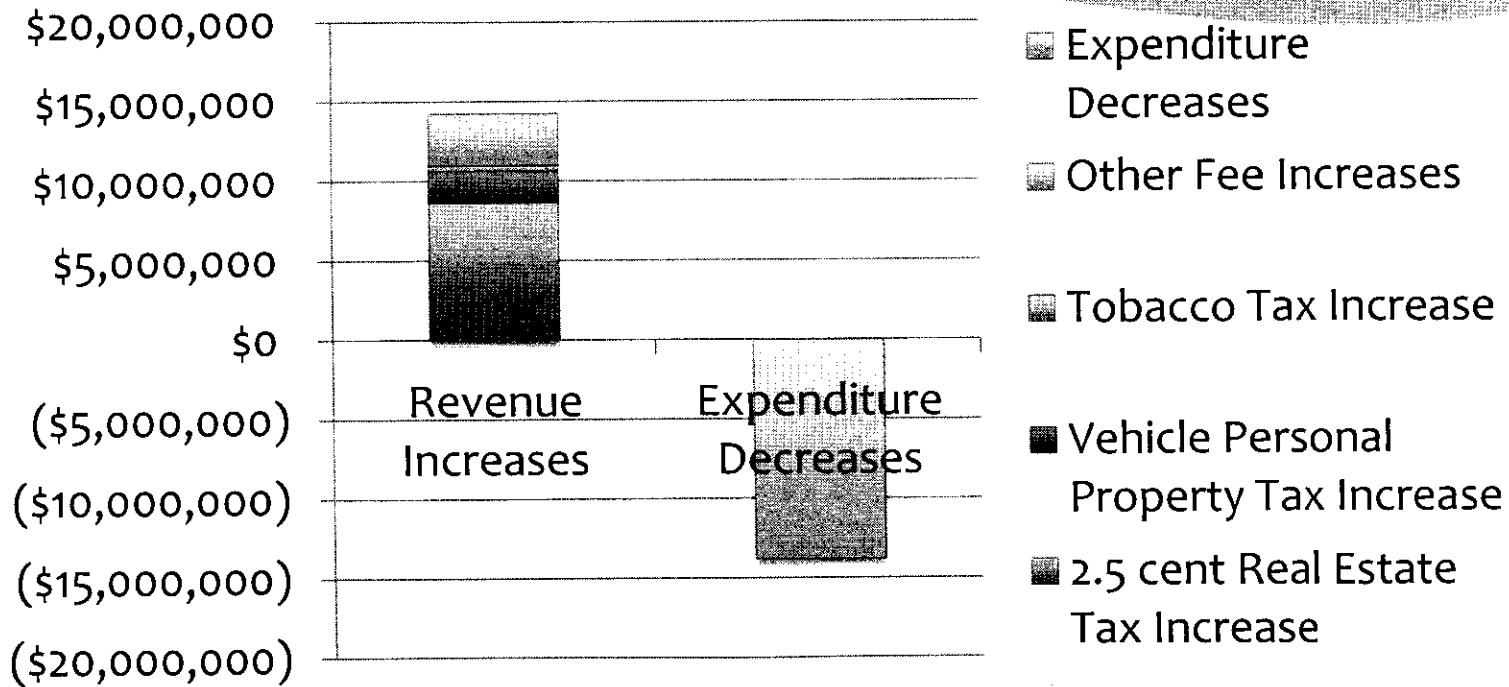


Budgetary Changes from FY (General Fund Only)

▪ FY 2013 Budget		= \$587.9M
▪ Maintain Current Services/Previous Commitments		+ \$26.7M
– Personnel	\$14.1M	
– Non-Personnel	\$0.5M	
– Cash Capital/Debt Service	\$12.1M	
▪ ACPS Request		+ \$9.2M
▪ Transit Increase (DASH and WMATA)		+ \$4.6M
▪ FY 2014 Preliminary Budget		= \$628.4M
▪ Expenditure Reductions		- \$8.5M
▪ ACPS Non-Enrollment Change (Requested vs. Proposed)		- \$3.2M
▪ Transit—DASH/WMATA (Requested vs. Proposed)		- \$2.1M
▪ New or Broadened Initiatives		+ \$1.4M
▪ \$0.03 Cash Capital		+ 10.6M
▪ FY 2014 Proposed Budget		= \$626.6M

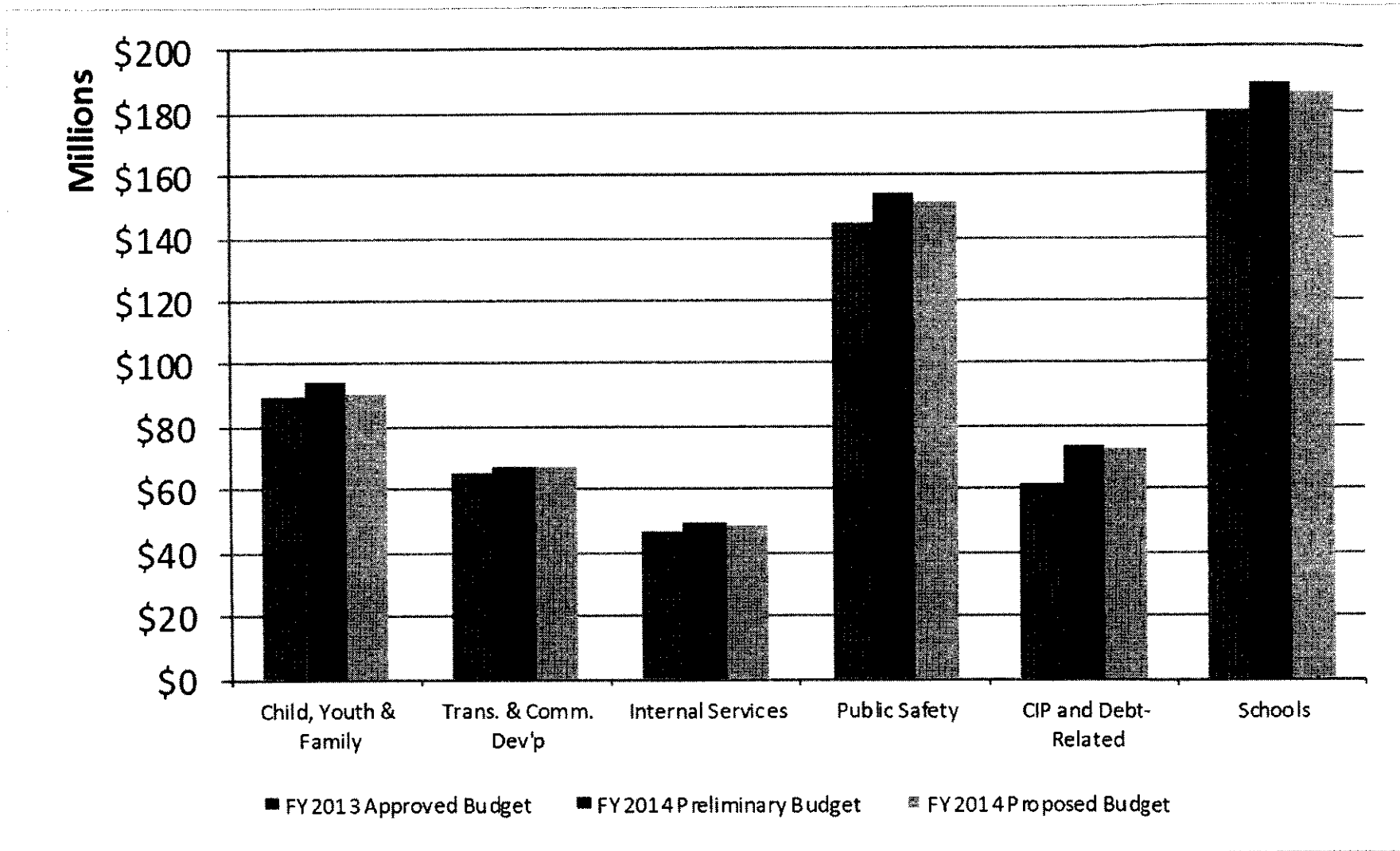
**\$30.5M
Gap**
(assumes \$10.0M in Revenue growth; Revenue = \$597.9)

Budgetary Gap



Includes only new tax and fee revenues used to balance the \$30.5M budgetary gap; does not include base revenue growth, aid to state repeal, or additional 3.0 cent real estate tax rate increase for cash capital.

All Contributed to Solution



*Trans. & Comm. Dev'p includes the increased operating costs for DASH and WMATA.

General Fund Expenditures

(\$ in millions)



General Fund	FY 2013 Approved	FY 2014 Proposed	\$ Change	% Change
City Operations	\$327.9	\$336.8	\$8.9	2.7%
Transit Subsidies	\$18.4	\$20.9	\$2.5	13.6%
Total City Operations & Transit	\$346.3	\$357.7	\$11.4	3.3%
Cash Capital and Debt Service (includes additional 3 cents)	\$62.1	\$83.4	\$21.3	34.3%
SubTotal City Expenditures	\$408.4	\$441.1	\$32.7	8.0%
City Appropriation to Schools	\$179.5	\$185.5	\$6.0	3.3%
Total General Fund Budget	\$587.9	\$626.6	\$38.7	6.6%

FY 2014 Budget Process



Date	Proposed Start Time	Product
March 12	7:00 pm	1 st Legislative Mtg. Need to Set Maximum Tax Rate (Council Chambers)
March 13 (rescheduled)	7:00 pm	Public Presentation of Budget– (Room 1101)
March 14	N/A	Advertise Maximum Tax Rate
March 16	9:30 am	Saturday Public Hearing (Council Chambers)
March 20 (rescheduled)	5:30 pm	Double Work Session – 5:30 pm Capital & 7:30 pm Joint Work Session with ACPS Board (GW Middle School Library)
March 27 (moved due to Passover)	7:00 pm	2 nd Legislative Mtg. (Council Chambers)
March 24 to 31	N/A	Easter Week and Spring Break
April 3(rescheduled)	6:30 pm	Work Session – Topic TBD (Room 1101)
April 4	6:30 pm	Work Session – Employee Compensation (Room 1101)
April 9	7:00 pm	1 st Legislative Meeting (Council Chambers)
April 13	9:30 am	Public Hearing on Tax Rates (Council Chambers)
April 15 (rescheduled)	6:30 pm	Work Session – BFAAC (Room 1101)
April 23	7:00 pm	2 nd Legislative Mtg. (Council Chambers)
April 29	6:30 pm	Preliminary Add/Delete (Room 1101)
May 6	6:00 pm	Final Add/Delete (Council Workroom)
May 6	7:00 pm	Budget Adoption (Council Chambers)