

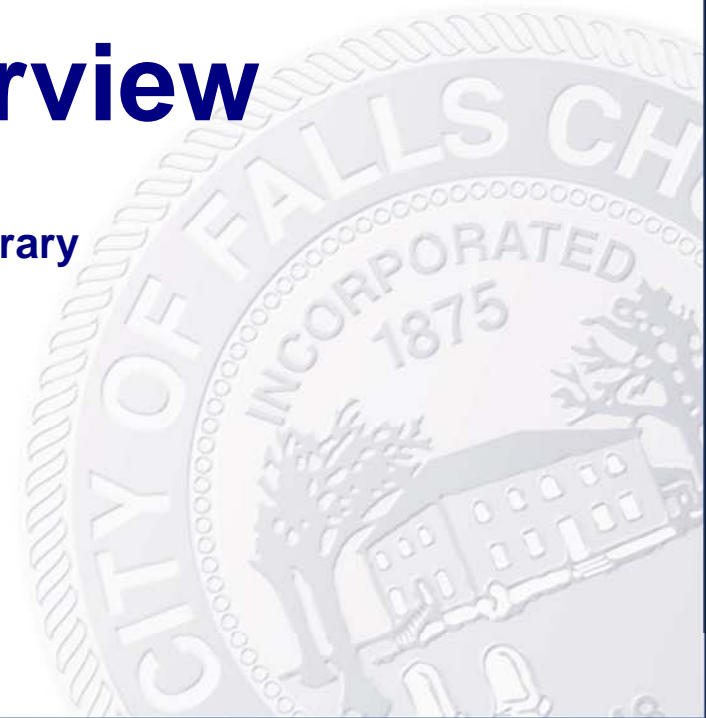
# **City of Falls Church**

## **Financial Overview**

**City Council Retreat**

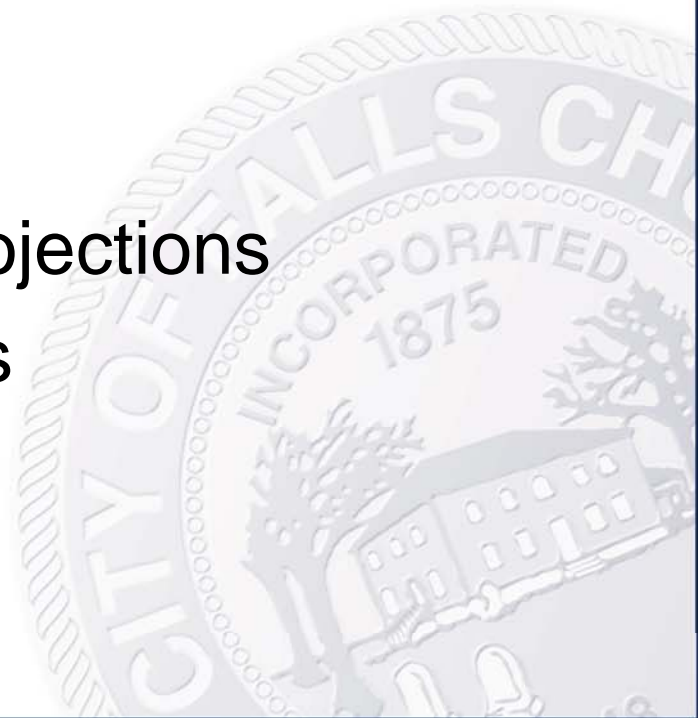
**Mary Ellen Henderson Library**

**September 24, 2010**



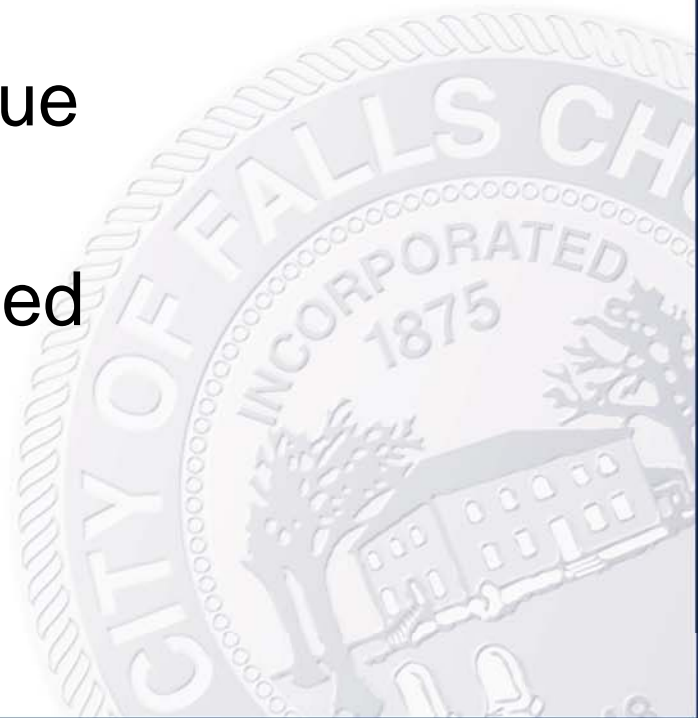
# Financial Condition Summary

- FY10 Year End Report
  - Year-end Fund Balance higher than projected last spring
- FY11 Year to Date
  - No change to revenue projections
  - Monitor monthly revenues
  - Fund Balance Projection
    - FY09 Water Fund Transfer



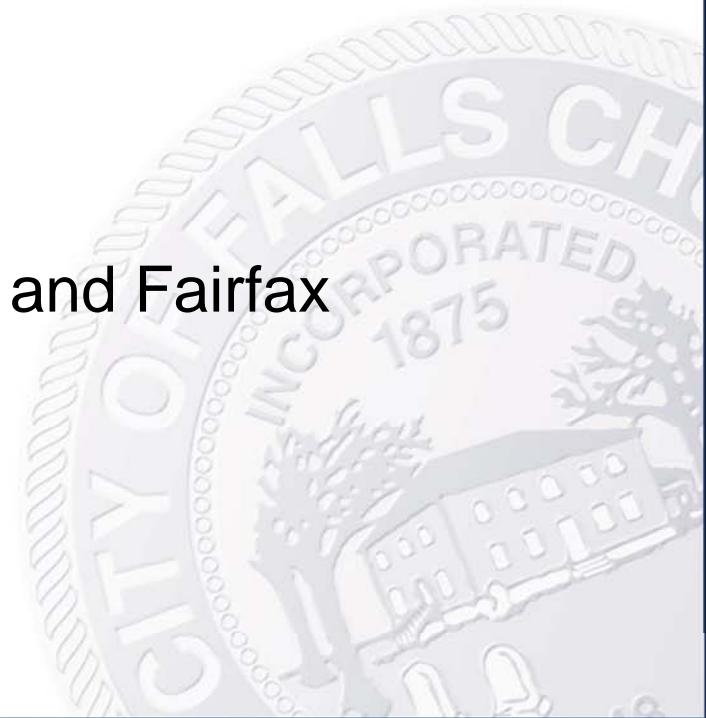
# Financial Condition Summary

- FY12 – FY17 Projections
  - Significant Gaps Ahead
  - Real Estate Assessed Value
    - Declines through FY13
  - All other revenues combined
    - Weak growth: +1% to +3%
  - Upward Cost Pressure



# Utility Funds

- Rate Study Underway
  - Water Fund
  - Sewer Fund
    - Significant Rate Increase
    - Plant Upgrades in Arlington and Fairfax

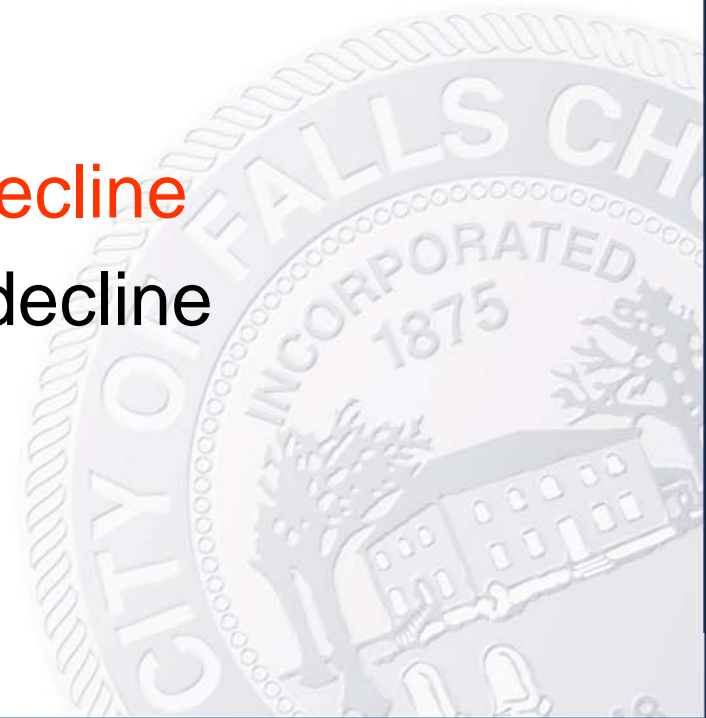


# FY10 Year-end Report

	FY2010 Budget	Actual	Difference	
Revenues	64,630,601	61,698,111	(2,932,490)	
Enterprise Funds	2,362,411	150,000	(2,212,411)	
<b>Total Revenues</b>	<b>66,993,012</b>	<b>61,848,111</b>	<b>(5,144,901)</b>	<b>-8%</b>
<b>Expenses</b>	<b>68,423,423</b>	<b>64,258,276</b>	<b>(4,165,147)</b>	<b>-6%</b>
<b>Shortfall</b>		<b>(2,410,165)</b>		
<b>Net CIP Transfer</b>		<b>4,558,732</b>		
<b>Net Change in FB</b>		<b>1,998,567</b>		
		\$	% / Revenues	
Beginning Undesignated FB		2,894,988	4.7%	
Ending Undesignated FB		5,032,130	8.2%	

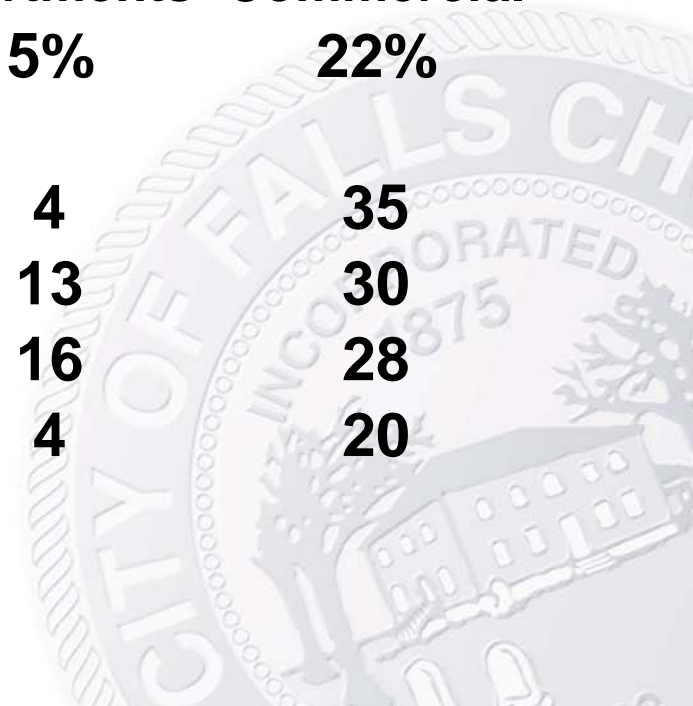
# FY12 Revenue Projection

- Real Estate Assessed Values
  - Residential: Flat Overall
    - Varies by Neighborhood
  - Commercial: 8% to 10% decline
  - Combined: 4.5% to 3.0% decline
- All Other Revenues
  - Flat or Small Increases



# Ratio of Commercial, Residential to Total Assessed Value

<b>2010</b>	<b>Residential</b>	<b>Apartments</b>	<b>Commercial</b>
<b>Falls Church</b>	<b>73%</b>	<b>5%</b>	<b>22%</b>
<b>Fairfax City</b>	<b>61</b>	<b>4</b>	<b>35</b>
<b>Alexandria</b>	<b>57</b>	<b>13</b>	<b>30</b>
<b>Arlington</b>	<b>56</b>	<b>16</b>	<b>28</b>
<b>Fairfax County</b>	<b>76</b>	<b>4</b>	<b>20</b>



# FY12 Gap Projection

	<u>FY2010 Actual</u>	<u>FY2011 Budget</u>	<u>FY2012 Projection</u>
Total Operating Revenues	61,698,111	64,040,348	60,614,239
Transfer from CIP to FB	4,671,732	-	-
Operating Expenses	(29,750,568)	(29,475,278)	(31,182,265)
Transfer to School Board	(29,324,825)	(27,861,600)	(28,697,448)
Debt Service - Current	(5,182,883)	(5,085,220)	(3,743,105)
Debt Service - New	-	-	(150,000)
<b>Net Operating</b>	<b>2,111,567</b>	<b>1,618,250</b>	<b>(3,158,578)</b>
Transfer to CIP	(113,000)	(318,250)	-
Reserve for Fund Balance	-	(1,300,000)	(1,192,115)
Transfer to Water Fund		(2,254,041)	
<b>Total Net</b>	<b>1,998,567</b>	<b>(2,254,041)</b>	<b>(4,350,693)</b>
Beginning Fund Balance	2,894,988	5,032,130	4,078,089
Ending Fund Balance	5,032,130	4,078,089	5,270,204
<i>As % of Revenues</i>	<i>8.16%</i>	<i>6.37%</i>	<i>8.11%</i>

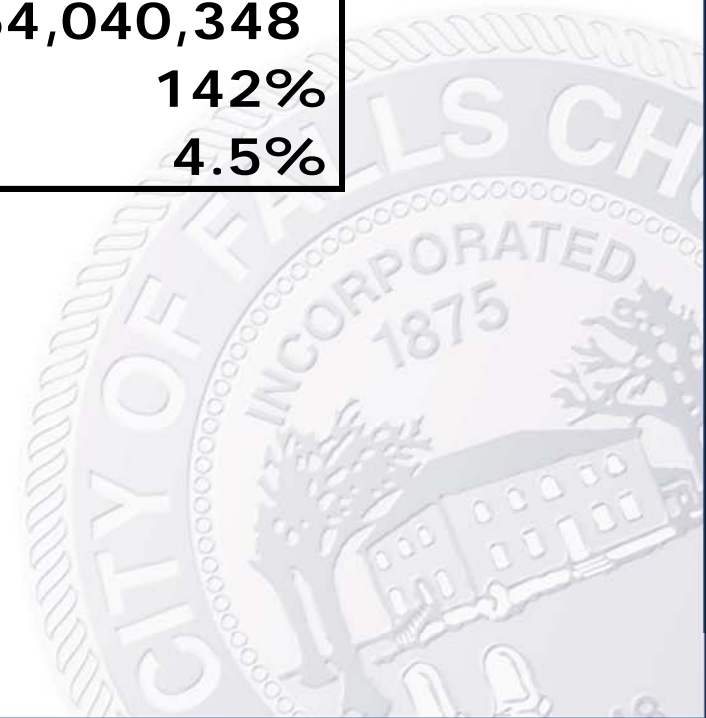
# Multi Year Projections

- Expense Assumptions
  - Debt Service: Per approved CIP
  - School Transfer: 3% to 5%
  - Salary Increase: 3% to 5%
  - Pension Increases: 2009 Actuarial Report
  - Inter-jurisdictional Agreements: 6%
  - Overall Budget Increases
    - 6% to 8.5% per year



# Past Trends

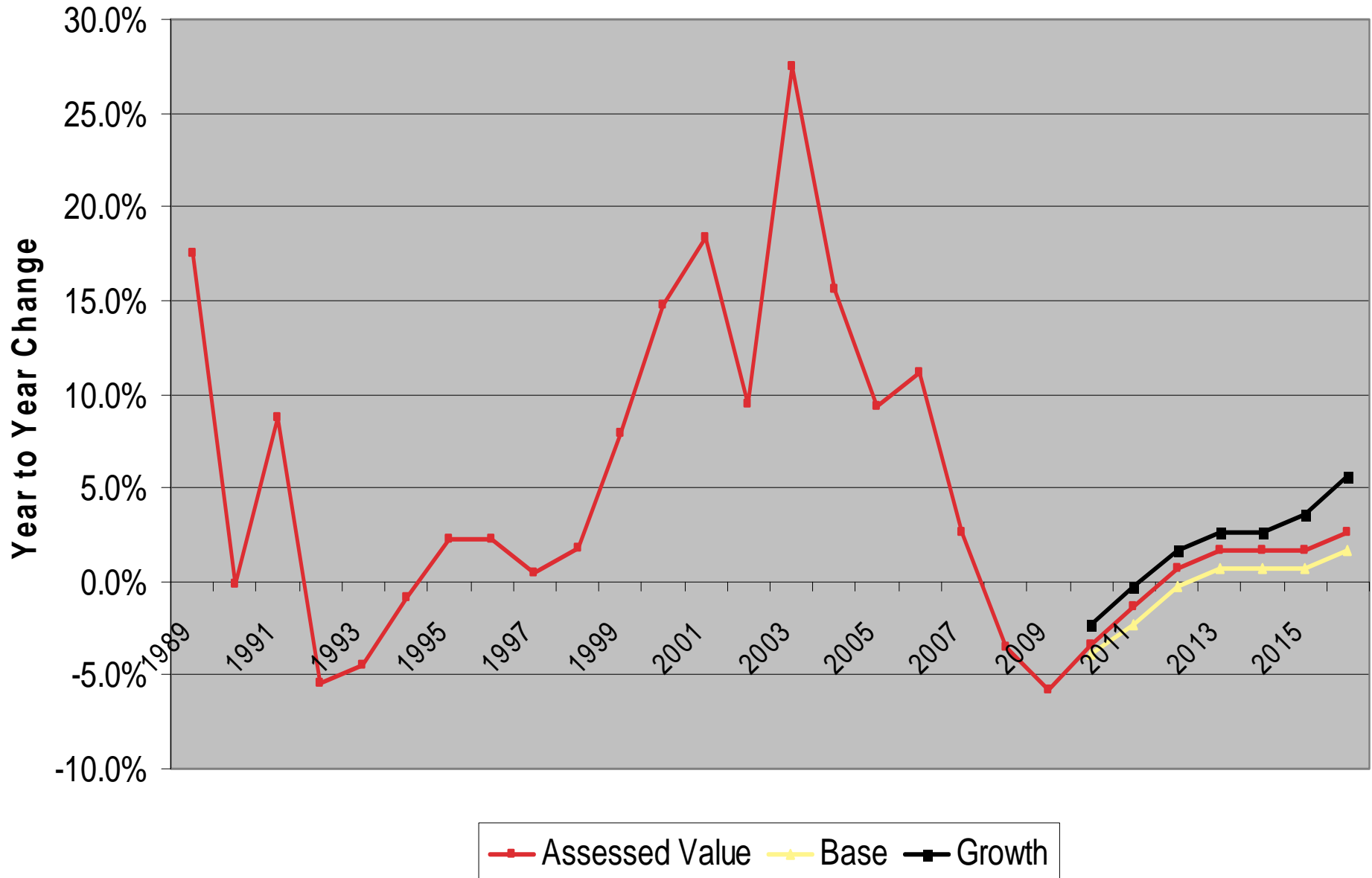
<b>20 year period</b>	<b>Total Budget</b>
1991	26,409,549
2011	64,040,348
<b>Total</b>	<b>142%</b>
<b>Annual Avg</b>	<b>4.5%</b>



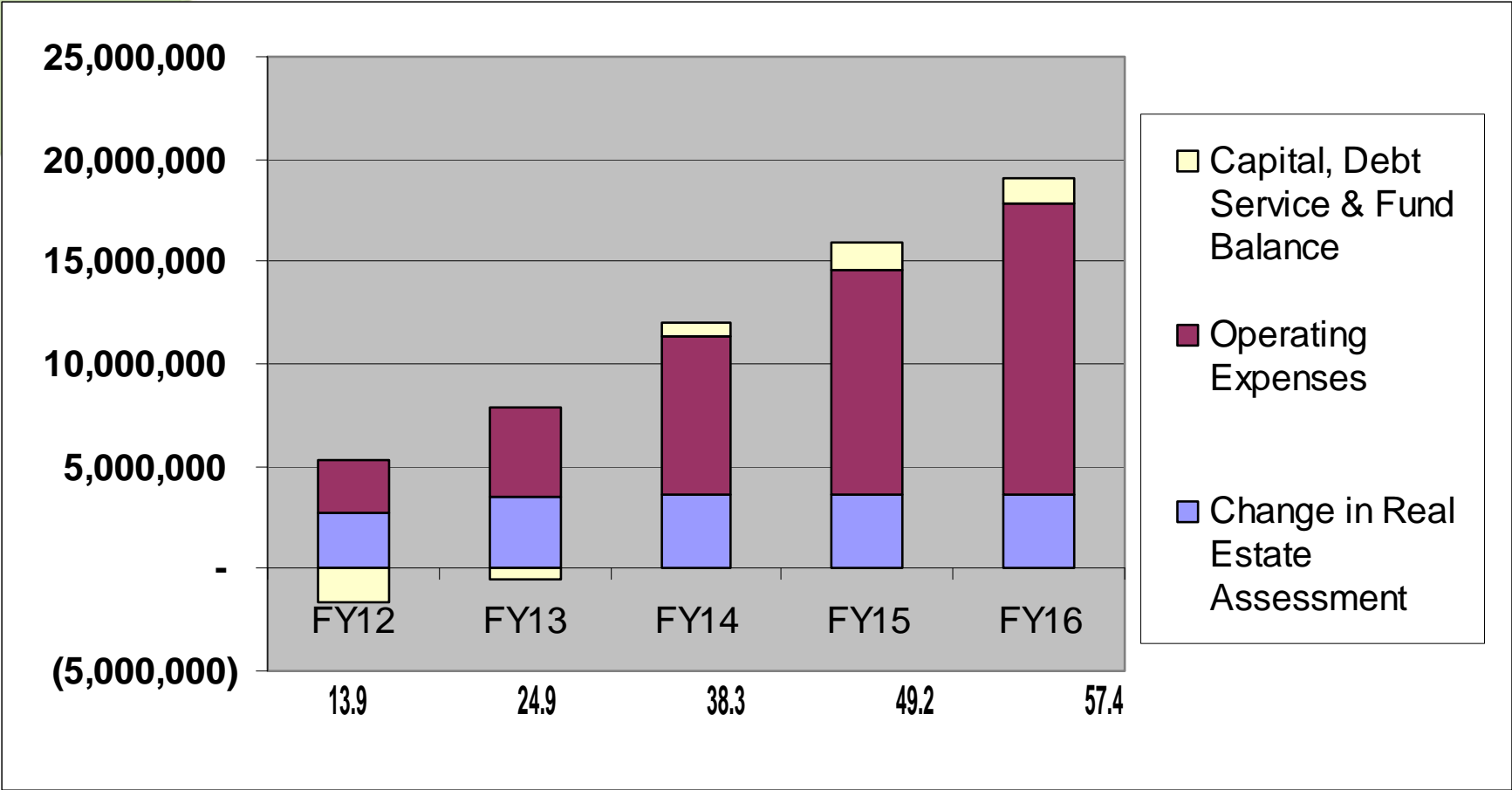
# Real Estate Value Projections

	Base	Middle	High
CY11	-4.5%	-4.0%	-3.0%
CY12	-3.0%	-2.0%	-1.0%
CY13	-1.0%	0.0%	1.0%
CY14	0.0%	0.0%	2.0%
CY15	0.0%	1.0%	2.0%
CY16	0.0%	1.0%	3.0%
CY17	1.0%	2.0%	3.0%

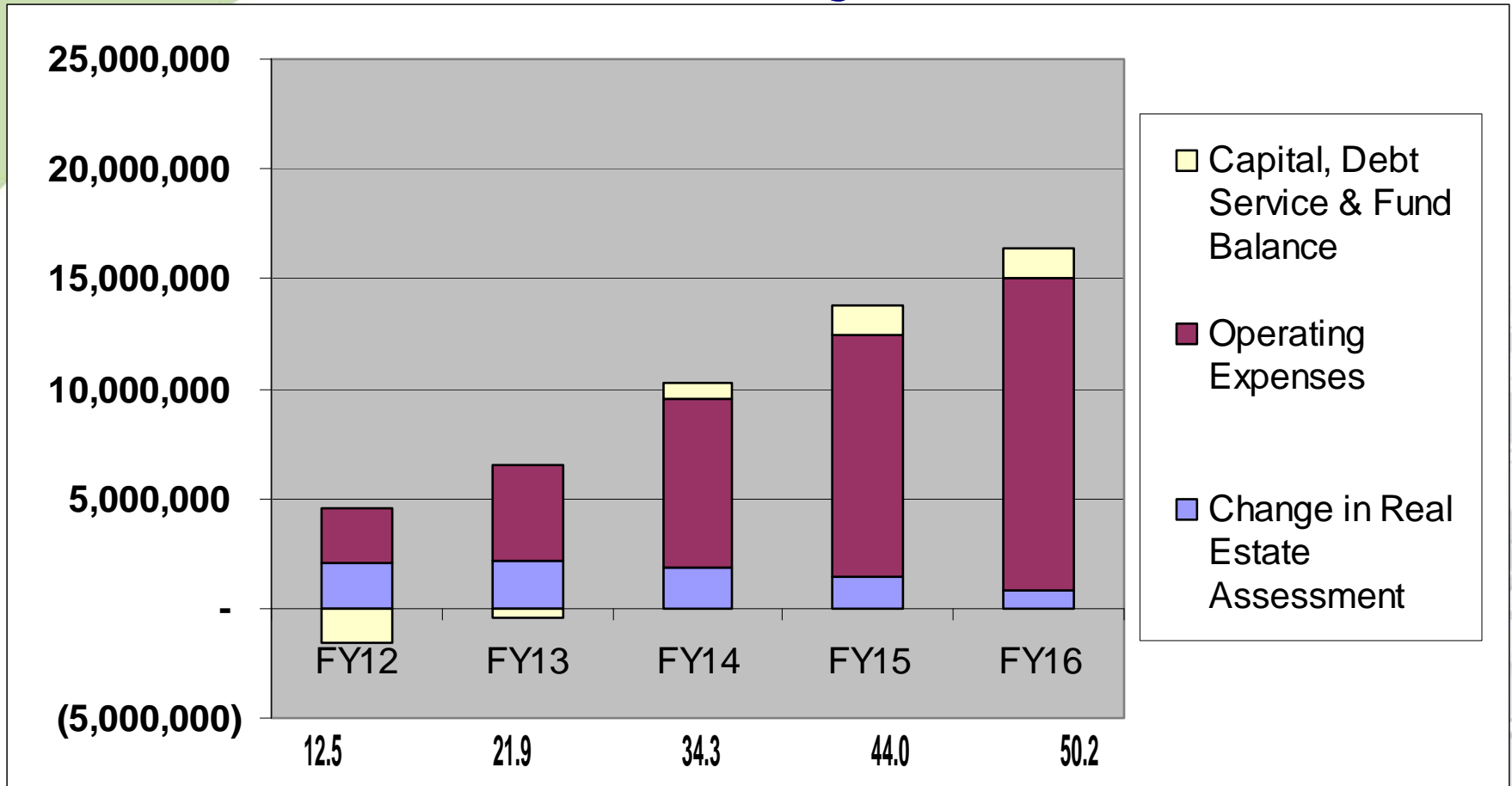
# Assessed Value of RE



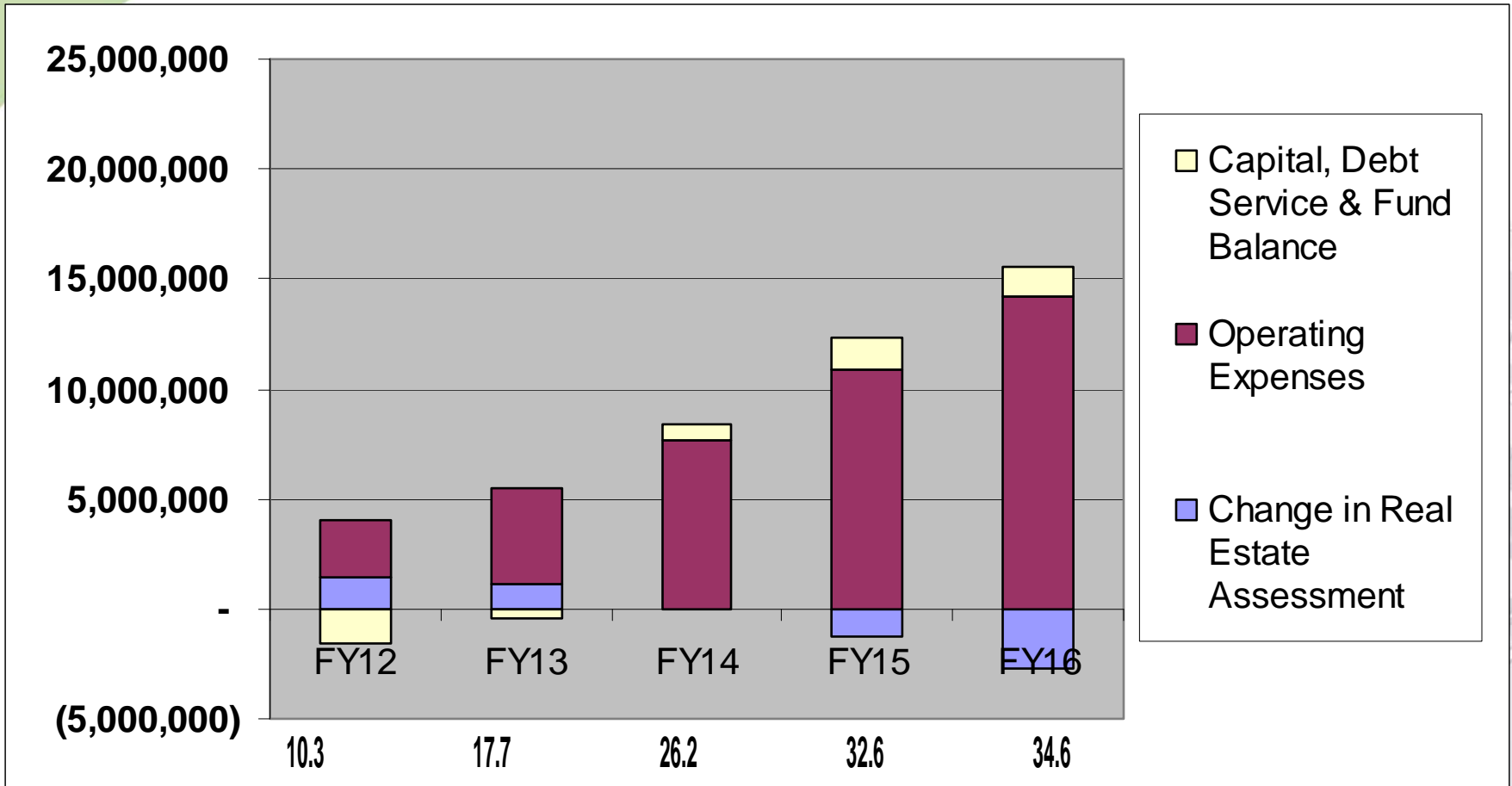
# Multi-Year Gap Projection: Low Projection



# Multi-Year Gap Projection: Middle Projection

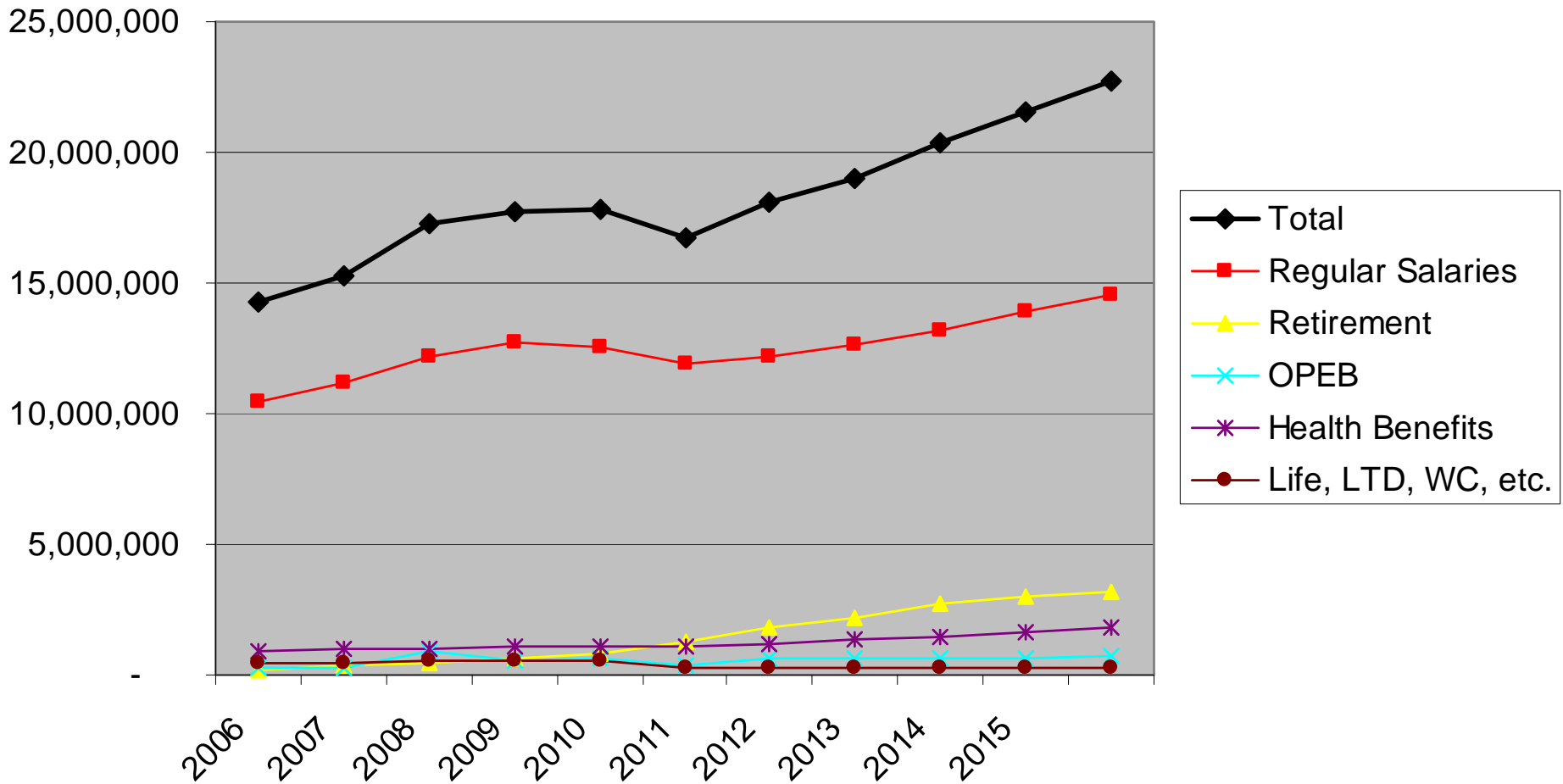


# Multi-Year Gap Projection: High Projection



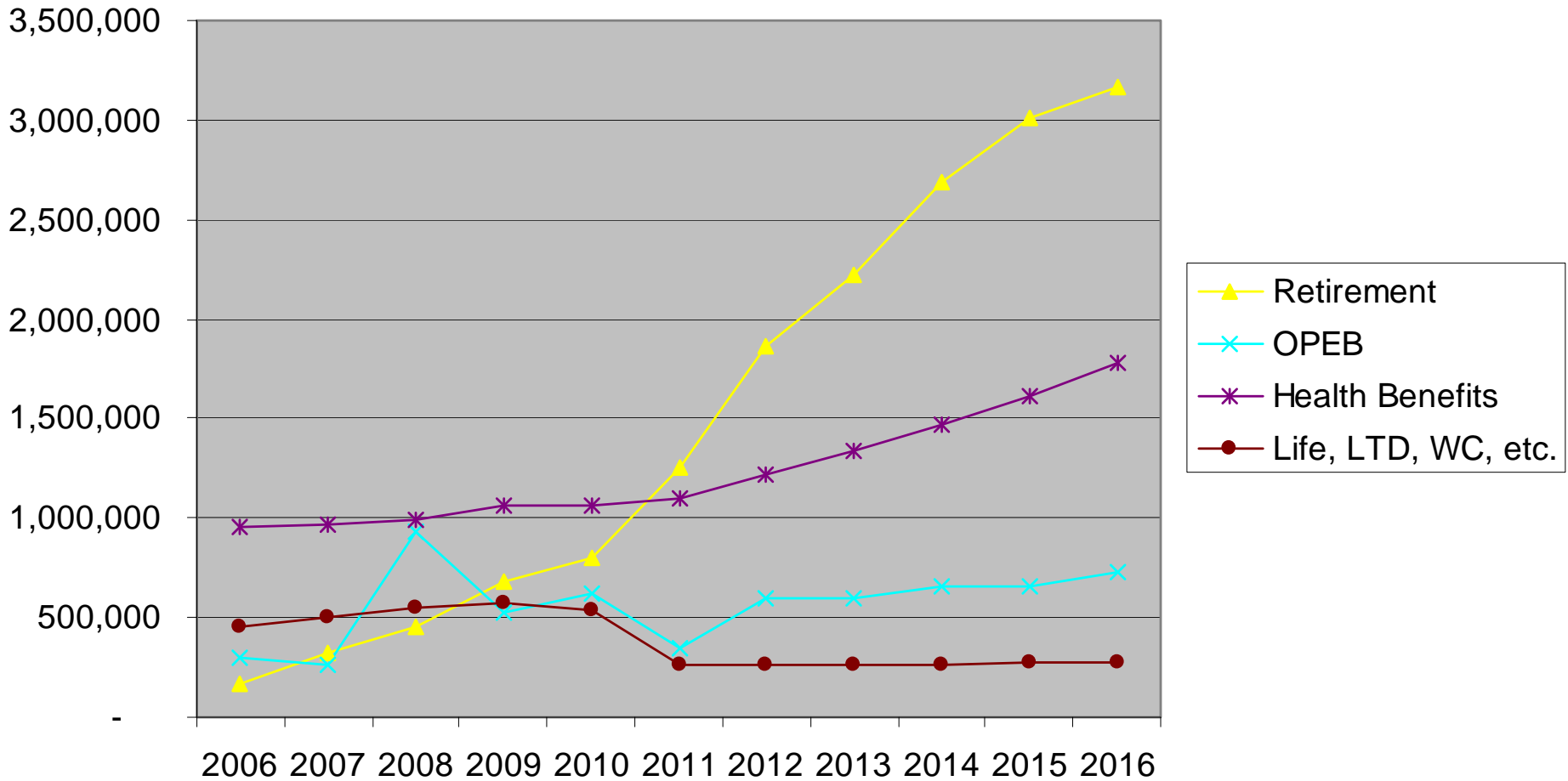
# Personnel Salaries and Benefits

## FY06-10 Actual & FY11 Budget

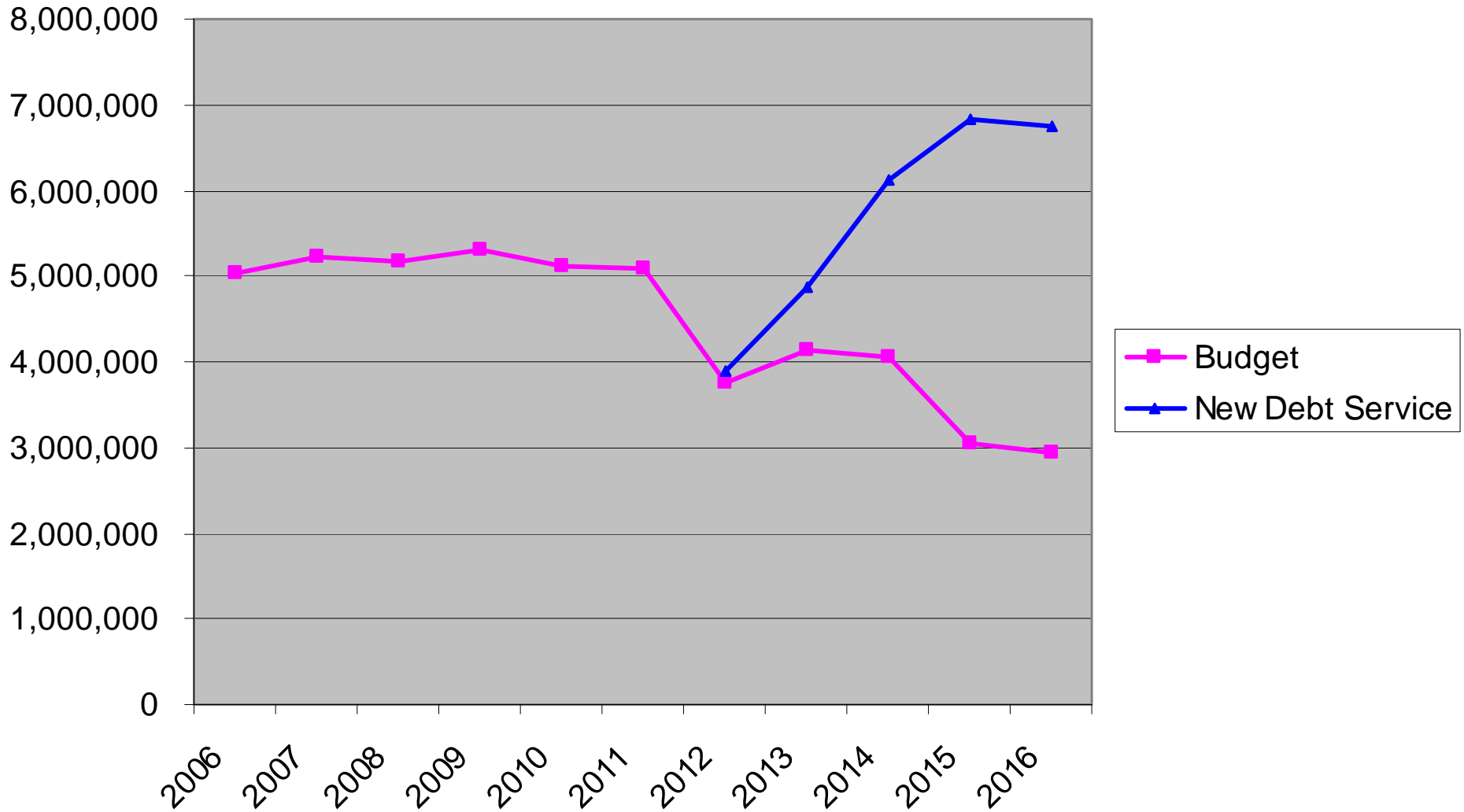


# Personnel Benefits

## FY06-10 Actual & FY11 Budget

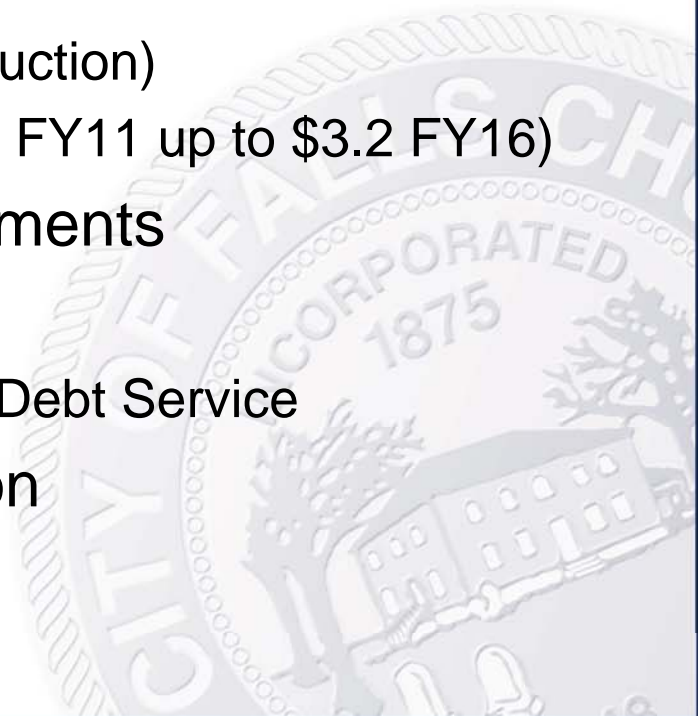


# Debt Service



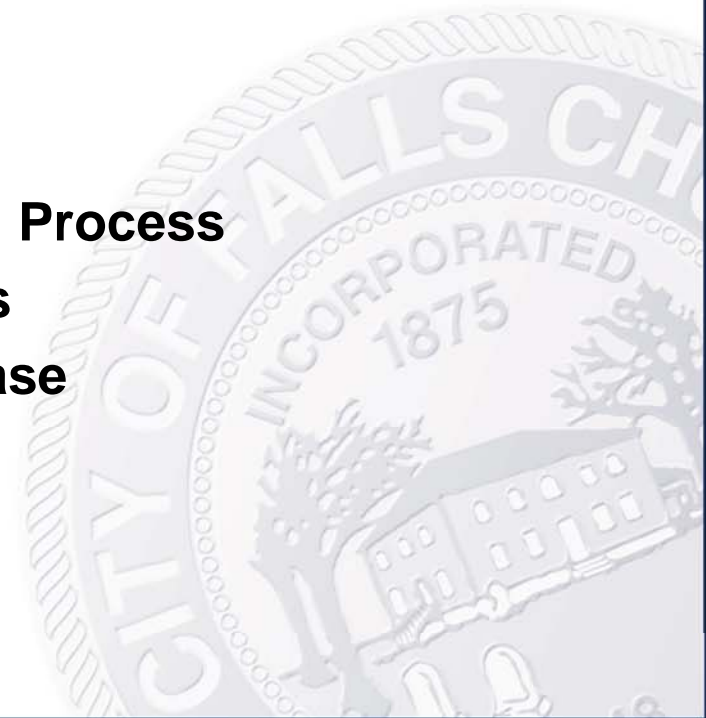
# FY12-16 Projections Summary

- Declining Revenues through FY13
- Upward Pressure on Costs
  - Employee Compensation
    - » 2 year pay freeze (reduction)
    - » Pension Costs (\$1.2m FY11 up to \$3.2 FY16)
- Inter-jurisdictional Agreements
- Capital
  - \$2 Million Net Increase in Debt Service
- Fund Balance Restoration
  - 2% of Revenues



# Work Plan Items

- **Redefine “Core City Services”**
  - **Based on Vision and Values**
- **Address Employee Compensation**
  - **Competitive Pressure**
  - **Employee Morale**
- **Update Financial Policies**
- **Agree on Budget Format and Process**
- **Plan for Capital Expenditures**
- **Grow the Commercial Tax Base**



# Schedule

- **November 1:**
  - **Council & School Board Budget Planning Meeting**
  - **Council Budget Guidance**
- **December:**
  - **Council & School Board Facilities Meeting**
  - **Plan for Capital Expenditures**
- **January:**
  - **CIP to Planning Commission**
  - **Superintendent Proposes School Budget**
- **March 14: City Manager Proposes City Budget**
- **April 25: City Council Adopts FY12 Budget**

