

Economic Conditions

Alexandria City Public Schools
Department of Financial Services
March 5, 2009

Economic Conditions

- Economic trends portend revenue shortfalls that will lead to difficult operating and CIP budget decisions
- Economic trends may also lead to significant changes in population patterns and the proportion of school-age population attending ACPS schools

Economic Trends

- Unemployment and GDP macro trends are general indicators of economic conditions that drive federal, state and local revenue
- State and local: state taxes (individual, corporate, and sales) and city real property values have the most direct impact on the ACPS budget

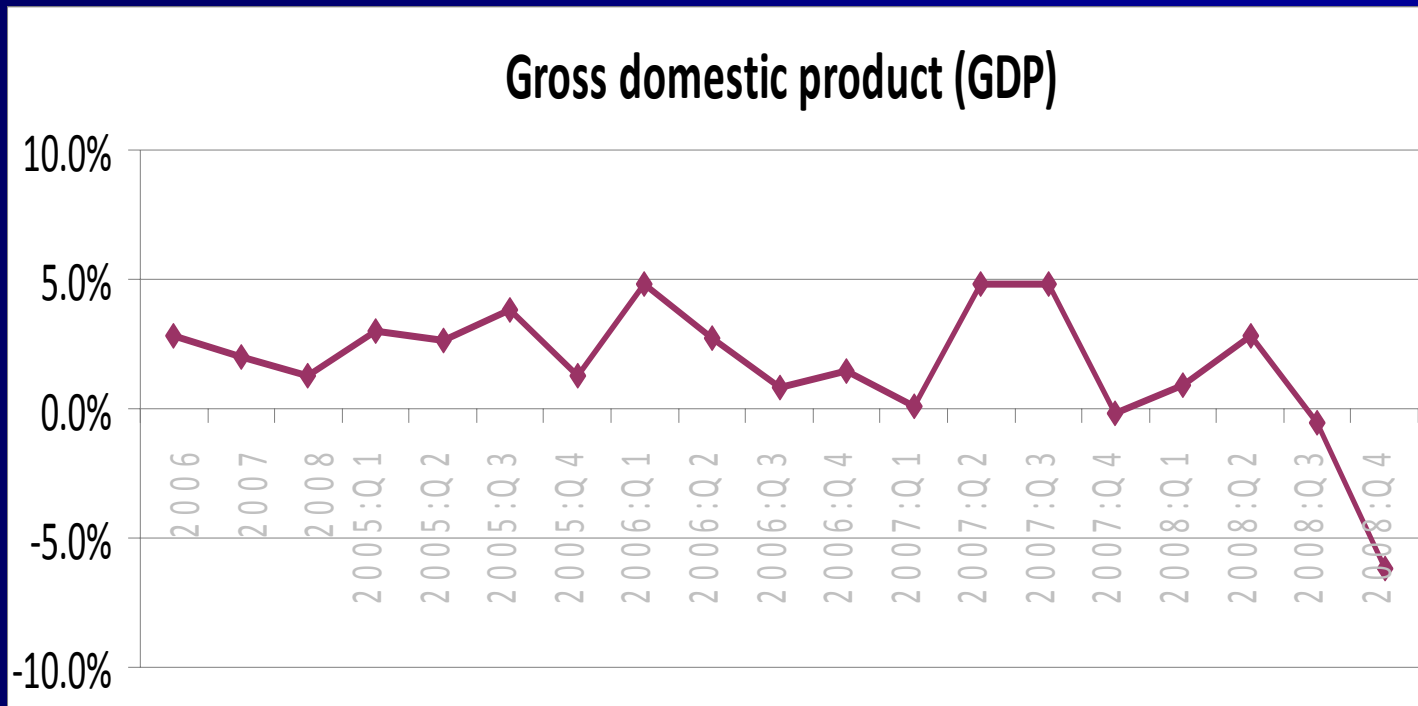
GDP

Q3 2007 +4.8%

Q4 2008 -6.2%

- 11.0% growth drop peak to trough in FIVE quarters
 - The speed of change has been fast so we must maintain flexibility to react budgetarily while still meeting our student's needs
 - Most rapid decline since 1982
 - 4th quickest since 1958- each followed by a positive GDP quarter
- GDP forecasts for Q3 2009 and Q4 2009 are getting progressively worse
- The pessimistic scenarios we build now may be reality when we begin budget planning this fall

GDP

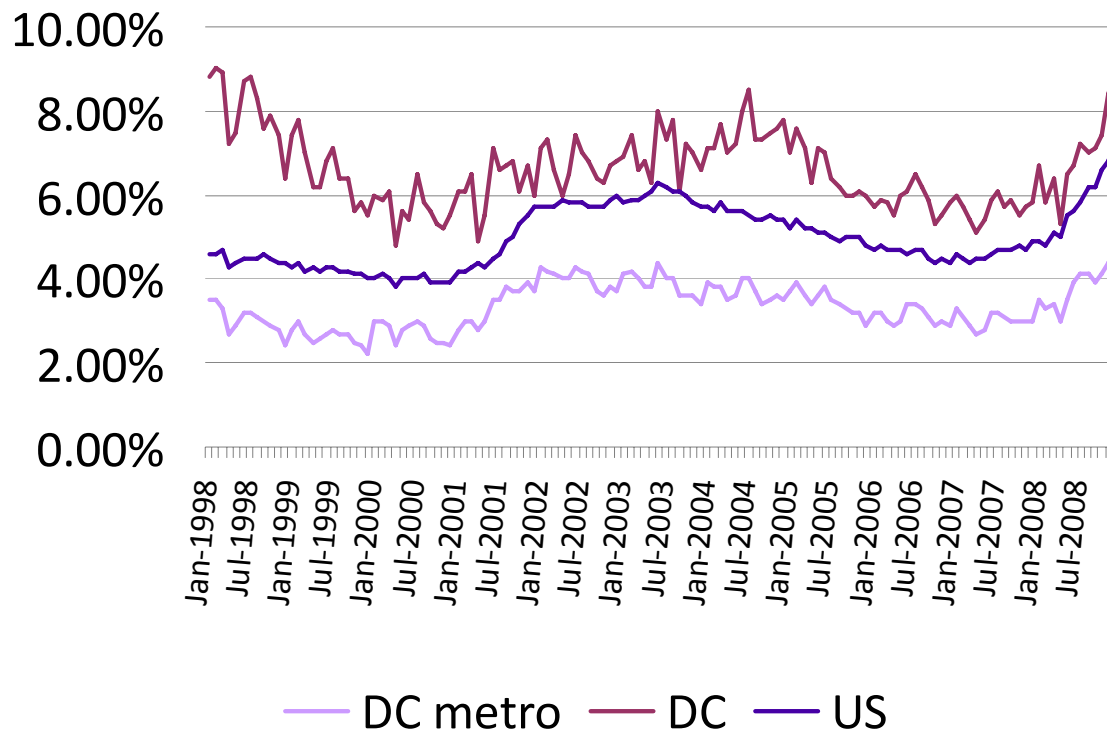


Unemployment: US, DC, and DC Metro

- DC metro area has historically seen much lower unemployment, but the region generally follows national trends
- National forecasts for June 2009 and December 2009 have gotten progressively worse
- Feb 2009 WSJ survey: forecast of national unemployment
 - June 2009: 8.3%
 - Dec 2009: 8.8%

Unemployment: US, DC, and DC Metro

**Unemployment rate:
1998-2008**



Dec 2007
 DC Metro 3.0%
 DC 5.8%
 US 4.9%

Dec 2008
 DC Metro 4.7%
 DC 8.9%
 US 7.2%

State and Local Revenue

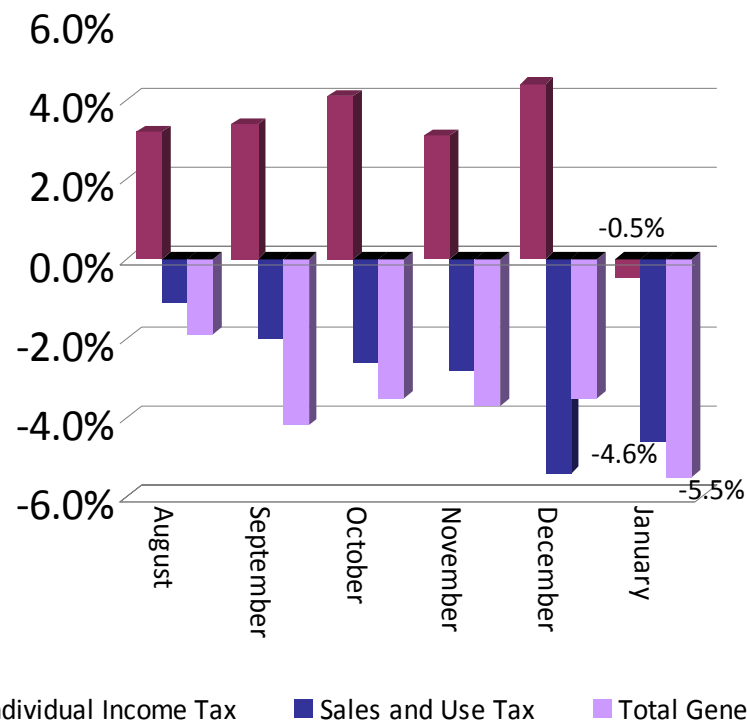
- Macroeconomic factors have a direct impact on the state's and city's ability to raise revenue
- Virginia (12.9% of ACPS funds): education is funded from the state's general fund, which is primarily income taxes and sales tax
- City of Alexandria (84.1% of ACPS funds): education is funded from the City's operating budget, which comes primarily from residential and commercial property assessments

Virginia State Revenue

- Jan. 2009 v Jan. 2008 year-to-date actual tax collections
 - General Fund -5.5%
 - Income Tax -0.5%
 - Sales Tax -4.6%
- Trends at the state level are deteriorating, particularly for individual income tax. This could portend future difficulties for funding education.

Virginia State Revenue

Virginia Y-T-Y Change in Tax Collections
FY 2009 v. FY 2008

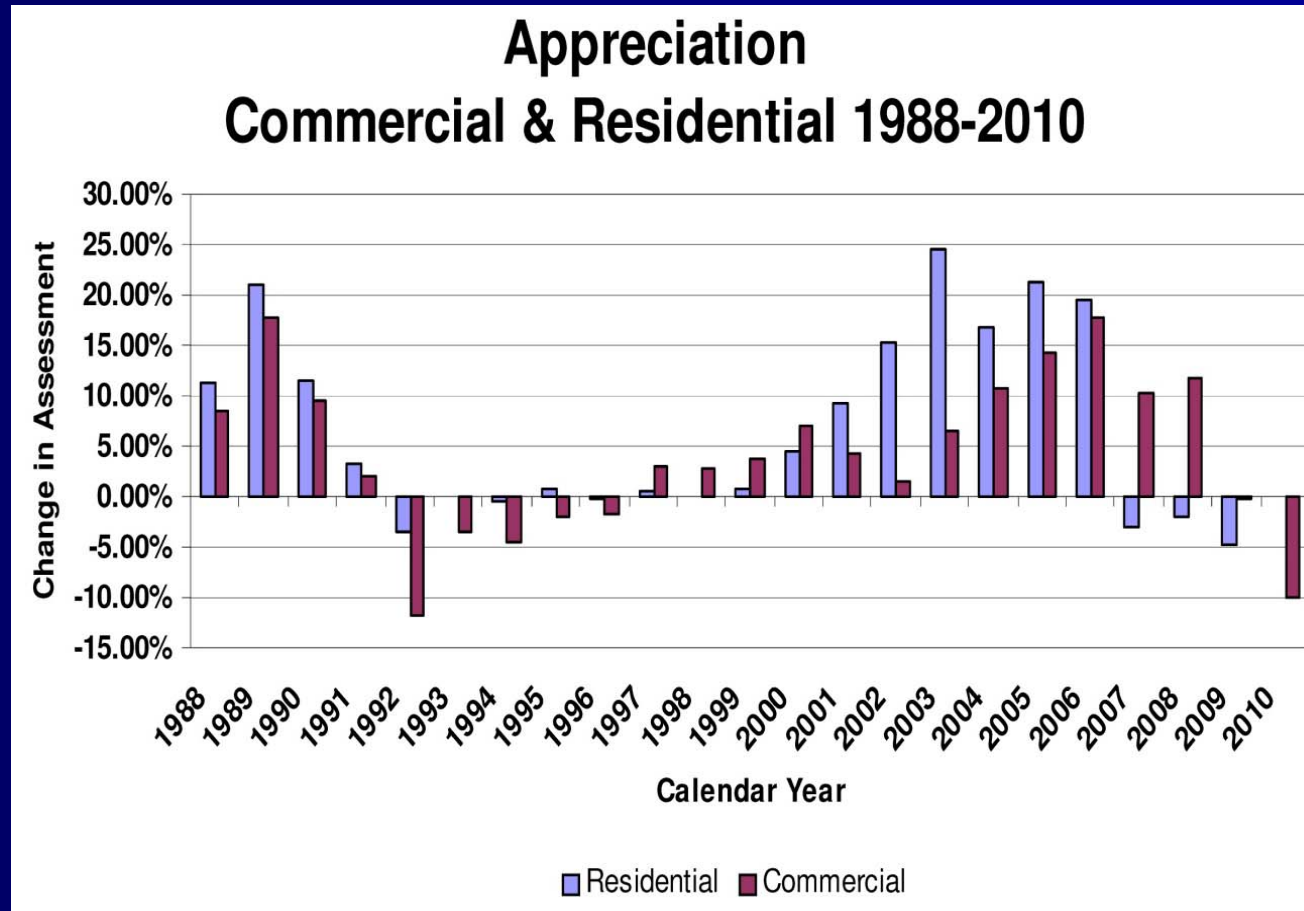


Source: Virginia Secretary of Finance

City of Alexandria Commercial and Residential Property Appreciation

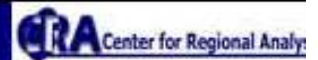
- Alexandria is forecasting a commercial property value drop of 15% for 2010
 - Would equate to a 3.7% drop in City revenue
- The City's low revenue growth forecast implies a deficit of nearly 25% in 2015 at current services
- The City's high revenue growth forecast, without steps and MRAs, implies a surplus of only about 3% in 2015

City of Alexandria Commercial and Residential Property Appreciation



Source: City of Alexandria Office of Management and Budget

Metro Area Residential Property Values



Annual Price Changes by Jurisdiction

Area	2007 Price	2008 Price	Change	% Change
Dist. Of Columbia	\$537,400	\$543,500	+\$6,100	+ 1.1 %
Arlington	\$559,000	\$539,300	-\$19,700	- 3.5 %
Alexandria	\$502,900	\$471,200	-\$31,700	- 6.3 %
Montgomery	\$550,200	\$503,900	-\$46,300	- 8.4 %
Prince George's	\$331,100	\$290,200	-\$40,900	- 12.4 %
Fairfax	\$542,000	\$445,900	-\$96,100	- 17.7 %
Loudoun	\$516,800	\$389,000	-\$127,800	- 24.7 %
Prince William	\$395,000	\$257,900	-\$137,100	- 34.7 %
MD SUBURBS	\$435,800	\$400,400	-\$35,400	- 8.1 %
VA SUBURBS	\$488,300	\$373,200	-\$115,100	- 23.6 %
METRO AREA	\$468,700	\$394,700	-\$74,000	- 15.8 %

Source: MRIS, GMU Center for Regional Analysis

Summary

- State and local economic trends imply significant fiscal difficulties ahead
 - City: current revenue projections show a continuing funding challenge for several years
 - State: Negative growth in income and sales taxes is likely to continue
- Economic patterns may also introduce more uncertainty in enrollment projections
 - The Association of Independent Schools of Greater Washington reports a 1 percent drop in enrollment at 83 private schools in Maryland, Virginia and the District