

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 30, 2023

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES PARAJON, CITY MANAGER

SUBJECT: FY 2024 REVENUE RE-ESTIMATE, TECHNICAL ADJUSTMENTS FOR ADD/DELETE, AND RECOMMENDATIONS FOR USE OF ADDITIONAL REVENUES

The purpose of this memorandum is to inform City Council of the technical budget adjustments proposed by staff as part of the add/delete process, as well as use of the additional revenues identified during this technical adjustment. This presents the final revenue and expenditure update before the add/delete process.

The sum of revenue re-estimate and technical adjustment expenditure changes provides a net General Fund gain of \$2,209,689.

RECOMMENDATION FOR USE OF THE ADDITIONAL RESOURCES:

The FY 2024 proposed budget includes an alternative budget option that was not able to be funded within the proposed budget but was recommended by the City Manager if additional resources were to be made available through an increase in the real estate property tax rate. With the additional resources available through the March revenue re-estimate and expenditure technical adjustments, staff recommends funding an increase to the following initiative that was presented in the proposed budget an alternative option for additional funding. **If Council is interested in approving the following recommendations, then an add/delete would need to be drafted and submitted.**

- Reduced borrowing through increased cash capital contributions in the amount of \$2.21 million

The major changes from the proposed budget are reflected in the chart below and discussed on the following pages.

General Fund	
Revenues	
Revenue Re-estimates	\$ 2,395,189
Total Revenue Adjustments	\$ 2,395,189
Expenditures	
Non-Departmental early childhood contingency	\$ (400,000)
City Manager’s Office training funds	\$ 125,500
City Attorney’s Office non-personnel decrease	\$ (100,000)
Office of Performance Analytics personnel increase	\$ 100,000
Affordable Housing Fund transfer re-estimate	\$ 460,000
Total Expenditure Adjustments	\$ 185,500
Net General Fund Position	\$ 2,209,689

General Fund Revenue Changes

Annually, City staff re-estimates current fiscal year and subsequent fiscal year revenues based on additional months of collection data. The result of those projections shows an overall increase of \$2,395,189 compared to the amount estimated in the City Manager’s Proposed Budget.

The table below includes the FY 2024 revenue estimation changes from February to March. Most of these changes reflect higher than anticipated tax collections for restaurant meals and transient lodging, offset by declines in real estate recordation, real estate taxes, and state revenues, as well as increases to charges for services based on recent fee receipts, and use of money based on more recent FY 2024 interest rate projections.

Changes from February General Fund Revenue Estimates	FY 2024
Real Property Taxes	\$ (585,404)
Real Estate Recordation	\$ (974,000)
Daily Rental Tax	\$ 13,000
Fines & Forfeitures	\$ 202,000
Transient Lodging Taxes	\$ 993,000
Restaurant Meals Taxes	\$ 2,300,000
Licenses, Permits & Fees	\$ (500)
State Revenue	\$ (595,469)
Charges for Services	\$ 482,120
Use of Money and Property	\$ 582,442
Non-Revenue Receipts	\$ 18,000
Total	\$ 2,395,189

The revenue re-estimates described in detail below reflect current tax rates and revenue policies continued or already reflected in the FY 2024 Proposed Budget.

The FY 2024 revenue estimates in the FY 2024 Proposed Budget were based on revenue collections and trends through December 2022. The latest estimates are based on revenue collections through February 2023, with exceptions as noted below. Based on actual receipts and trends through March, the FY 2024 revenue estimates have been changed as detailed below. These technical revenue adjustments will be reflected on the preliminary and final Add/Delete lists.

FY 2024 General Fund Revenue Estimates (\$ in Millions)			
Revenue Source	Proposed Budget	March Estimate	Difference
Real Property Taxes – Revenue decrease of 0.1% based on final CY 2023 Land Book valuations.	\$ 531.10	\$ 530.52	\$ (0.58)
Real Estate Recordation Taxes – Revenue decrease of 20% based on reduction in receipts following increases in interest rates.	\$ 4.90	\$ 3.93	\$ (0.97)
Restaurant Meals Taxes – Increase of 8.0% based on FY 2023 actuals to date and average base performance.	\$ 28.90	\$ 31.20	\$ 2.30
Transient Lodging Taxes – Increase of 9.7% based on FY 2023 actuals to date and average base performance.	\$ 10.21	\$ 11.20	\$ 0.99
Parking Fines/Tickets – Increase of 9.7% based on anticipated reversion to historic parking levels.	\$ 2.37	\$ 2.60	\$ 0.13
HB 599 – Increase of 1.7% based on historic growth in state payments.	\$ 6.00	\$ 6.10	\$ 0.10
Other Non-categorical State Aid – Decrease of 100.0% based on relocation of reimbursements received by the Alexandria Health Department.	\$ 0.80	\$ -	\$ (0.80)
Sheriff – Increase of 3.6% based on FY 2023 actuals and expected annual increase in state Compensation Board payments.	\$ 5.77	\$ 5.97	\$ 0.21
Parking Meters/Garages/Lots – Increase of 1.9% based on FY 2023 actuals and anticipated return to historic parking levels.	\$ 5.19	\$ 5.29	\$ 0.10
Engineering & Inspection Fees – Increase of 34.6% based on significant increase in receipts in early CY 2023, and Department's	\$ 0.93	\$ 1.25	\$ 0.32

projection of increase ROW utilization.			
Interest on General Fund Investment – Increase of 3.6% compared to the proposed budget, based on FY 2023 actuals to date and projected interest forecast.	\$ 16.03	\$ 16.61	\$ 0.58
Total			\$ 2.39

General Fund Expenditure Changes

The following FY 2024 expenditure budget changes summarized in the table on page one were identified too late to include in the proposed budget or were identified after the proposed budget was released.

Expenditures

Non-Departmental early childhood contingency	\$ (400,000)
City Manager’s Office training funds	\$ 125,500
City Attorney’s Office non-personnel decrease	\$ (100,000)
Office of Perf. Analytics personnel increase	\$ 100,000
Affordable Housing Fund transfer re-estimate	\$ 460,000
Total Expenditure Adjustments	\$ 185,500

Non-Departmental early childhood contingency: As part of the Approved FY 2023 budget, City Council placed into contingency \$400,000 in funding with the intent to serve children in early childhood programs and to meet the unfunded mandates of the new Virginia Quality Birth to 5 Initiative (VQB5). On March 28, 2023, City Council approved a recommendation to assign these funds to existing early childhood programs for one-time use. This technical adjustment would remove the FY 2024 contingency funding due to the one-time nature of the approved FY 2023 funding.

City Manager’s Office training funds: In response to a request for resources identified after the FY 2024 budget was proposed, staff recommends providing additional training funds for the City Manager’s Office, including for Race and Social Equity. The requested and recommended funding level is \$125,500.

City Attorney’s Office non-personnel decrease: Following the completion of the FY 2024 proposed budget, staff identified an oversight within both the City Attorney’s Office’s (CAO) non-personnel budget and the Office of Performance Analytics’ (OPA) personnel budget. In order to resolve this issue, staff recommends reallocating \$100,000 in excess funding from CAO’s non-personnel budget to resolve a deficit in OPA’s personnel budget.

Office of Performance Analytics personnel increase: Following the completion of the FY 2024 proposed budget, staff identified an oversight within both the City Attorney’s Office (CAO) non-personnel budget and the Office of Performance Analytics’ (OPA) personnel budget. In order to resolve this issue, staff recommends reallocating \$100,000 in excess funding from CAO’s non-personnel budget to resolve a deficit in OPA’s personnel budget.

Affordable Housing Fund transfer re-estimate: One percent of the City’s five percent restaurant meals tax rate is dedicated for affordable housing. In the March revenue re-estimate, the budget for meals tax FY 2024 revenue was increased by \$2,300,000 based on higher than anticipated receipts to date in FY 2023. The one percent share of that increase is \$460,000, and the General Fund transfer of dedicated meals tax funding to the affordable housing fund is increased by that amount.

Non-General Fund Adjustments

The following FY 2024 non-General Fund changes were identified after the proposed budget was released and are recommended as technical adjustments in the final approved budget.

Non-General Fund Adjustments	
Affordable Housing Fund transfer re-estimate	\$ 460,000
Total Expenditure Adjustments	\$ 460,000

Special Revenue Funds

Affordable Housing Transfer Re-estimate: A re-estimate on the Meals Tax of \$2,300,000 generates an additional \$460,000 for the dedicated Affordable Housing funding in the CIP. This technical adjustment recognizes the additional revenue from the General Fund via a transfer to the Affordable Housing Fund.

FY 2024 – FY 2033 Capital Improvement Program (CIP) Revenue & Expenditure Changes

The following CIP project changes were identified after the proposed FY 2024 – 2033 CIP was released and are recommended as technical adjustments in the final approved FY 2024 – 2033 CIP.

Capital Project Funds		
Technical Adjustment	FY 2024	FY 2024 - 2033
Affordable Housing	460,000	5,031,000
Access Improvements at Landmark	(63,140)	20,030
King-Bradlee Safety & Mobility Enhancements	324,262	324,262
Capital Bikeshare	616,000	673,000
Smart Mobility Implementation	-	803,600
DRPT Regional Envision Route 7 BRT Planning Study	(50,000)	(100,000)
Total Expenditure Adjustments	1,287,122	6,751,892

Affordable Housing

The most recent revenue estimate has increased forecasted meals tax revenue dedicated to affordable housing by \$460,000, which results in a total FY 2024 Meals Tax Dedication to Affordable Housing of \$6,240,000. FY 2025 – 2033 projected meals tax revenue has been escalated by 2% annually, based on the new FY 2024 amount.

Affordable Housing				
	Prior Appropriations	FY 2024	FY 24-33 Total	Total Appropriated & Planned Budget
<u>Proposed</u>				
Meals Tax Dedication for Affordable Housing	12,252,000	5,780,000	63,294,000	75,546,000
Cash Capital	9,706,000	1,000,000	10,000,000	19,706,000
Use of CIP Designated Fund Balance	14,544,000	-	-	14,544,000
Subtotal	36,502,000	6,780,000	73,294,000	109,796,000
<u>Technical Adjustments</u>				
Meals Tax Dedication for Affordable Housing	-	460,000	5,031,000	5,031,000
Cash Capital	-	-	-	-
Use of CIP Designated Fund Balance	-	-	-	-
Subtotal	-	460,000	5,031,000	5,031,000
<u>Updated Funding Plan</u>				
Meals Tax Dedication for Affordable Housing	12,252,000	6,240,000	68,325,000	80,577,000
Cash Capital	9,706,000	1,000,000	10,000,000	19,706,000
Use of CIP Designated Fund Balance	14,544,000	-	-	14,544,000
Updated Total Funding	36,502,000	7,240,000	78,325,000	114,827,000

Transportation (Updated Grant Schedules)

Subsequent to the presentation of the Proposed FY 2024 – FY 2033 CIP, staff performed an additional reconciliation of project grant funding schedules to ensure the CIP is aligned with the Virginia Department of Transportation’s (VDOT) Six-Year Improvement Plan (SYIP). The changes below reflect additional grant dollars and adjustments to grant funding schedules:

Access Improvements at Landmark				
	Prior Appropriations	FY 2024	FY 24-33 Total	Total Appropriated & Planned Budget
<u>Proposed</u>				
State/Federal Grants	513,000	1,013,100	6,301,600	6,814,600
Subtotal	513,000	1,013,100	6,301,600	6,814,600
<u>Technical Adjustments</u>				
State/Federal Grants	-	(63,140)	20,030	20,030
Subtotal	-	(63,140)	20,030	20,030
<u>Updated Funding Plan</u>				
State/Federal Grants	513,000	949,960	6,321,630	6,834,630
Updated Total Funding	513,000	949,960	6,321,630	6,834,630

King-Bradlee Safety & Mobility Enhancements				
	Prior Appropriations	FY 2024	FY 24-33 Total	Total Appropriated & Planned Budget
<u>Proposed</u>				
State/Federal Grants	1,374,738	1,300,000	1,300,000	2,674,738
Subtotal	1,374,738	1,300,000	1,300,000	2,674,738
<u>Technical Adjustments</u>				
CMAQ/RSTP	-	324,262	324,262	324,262
Subtotal	-	324,262	324,262	324,262
<u>Updated Funding Plan</u>				
CMAQ/RSTP	1,374,738	1,624,262	1,624,262	2,999,000
Updated Total Funding	1,374,738	1,624,262	1,624,262	2,999,000

Note: The project funding table included in the Proposed FY 2024 – FY 2033 CIP for King-Bradlee Safety & Mobility Enhancements mistakenly omitted previously appropriated grant funding totaling \$1,374,738. This will be updated in the Approved FY 2024 – FY 2033 CIP document.

Capital Bikeshare				
	Prior Appropriations	FY 2024	FY 24-33 Total	Total Appropriated & Planned Budget
<u>Proposed</u>				
Cash Capital	27,875	-	-	27,875
CMAQ/RSTP	1,587,778	300,600	650,600	2,238,378
Private Capital Contributions	70,000	50,000	150,000	220,000
State/Federal Grants	4,228,987	-	-	4,228,987
TIP	691,991	-	-	691,991
Subtotal	6,606,631	350,600	800,600	7,407,231
<u>Technical Adjustments</u>				
Cash Capital			-	-
CMAQ/RSTP		616,000	673,000	673,000
Private Capital Contributions			-	-
State/Federal Grants			-	-
TIP			-	-
Subtotal	-	616,000	673,000	673,000
<u>Updated Funding Plan</u>				
Cash Capital	27,875	-	-	27,875
CMAQ/RSTP	1,587,778	916,600	1,323,600	2,911,378
Private Capital Contributions	70,000	50,000	150,000	220,000
State/Federal Grants	4,228,987	-	-	4,228,987
TIP	691,991	-	-	691,991
Updated Total Funding	6,606,631	966,600	1,473,600	8,080,231

Smart Mobility Implementation				
	Prior Appropriations	FY 2024	FY 24-33 Total	Total Appropriated & Planned Budget
<u>Proposed</u>				
CMAQ/RSTP	-	-	4,189,400	4,189,400
State/Federal Grants	312,000	-	-	312,000
Subtotal	312,000	-	4,189,400	4,501,400
<u>Technical Adjustments</u>				
CMAQ/RSTP	-	-	803,600	803,600
State/Federal Grants	-	-	-	-
Subtotal	-	-	803,600	803,600
<u>Updated Funding Plan</u>				
CMAQ/RSTP	-	-	4,993,000	4,993,000
State/Federal Grants	312,000	-	-	312,000
Updated Total Funding	312,000	-	4,993,000	5,305,000

DRPT Regional Envision Route 7 Bus Rapid Transit Planning Study (Moving to Operating Budget)

The Proposed FY 2024 – FY 2033 CIP included \$50,000 in FY 2024 and FY 2025 of NVTA 30% funding to support the City’s contribution to a regional planning study for bus rapid transit along Route 7. Following further discussions with staff it was determined that this would more appropriately be characterized as operating budget funding, to align with previous/similar contributions to regional efforts.

Local Match to DRPT Regional Envision Route 7 BRT Planning Study				
	Prior Appropriations	FY 2024	FY 24-33 Total	Total Appropriated & Planned Budget
<u>Proposed</u>				
NVTA 30% Funds		50,000	100,000	100,000
Subtotal	-	50,000	100,000	100,000
<u>Technical Adjustments</u>				
NVTA 30% Funds		(50,000)	(100,000)	(100,000)
Subtotal	-	(50,000)	(100,000)	(100,000)
<u>Updated Funding Plan</u>				
NVTA 30% Funds	-	-	-	-
Updated Total Funding	-	-	-	-