

*City of Alexandria, Virginia*

MEMORANDUM

DATE: APRIL 16, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #7: FY 2010 AND FY 2011 FINAL REVENUE PROJECTIONS AND ADJUSTMENTS

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Annually, at the beginning of April, City staff reestimates current fiscal year and subsequent fiscal year revenues. The result of those projections show a projected overall decrease of \$2.7 million in projected FY 2010 revenues and a projected decrease of \$0.7 million in FY 2011 revenues plus a transfer of \$3.8 million to a special revenues account.

FY 2010 revenues were adversely affected by the two major snowstorms this winter, and by lower than expected business license (BPOL) tax revenues. Previously, in the January monthly financial report, the City reported an expected decline of between \$1.4 million and \$1.7 million in revenues related to the snowstorm.

FY 2011 revenue estimates have been adjusted downward by \$0.7 million to account for an expected slow economic recovery and because of the transfer of \$3.8 million in Code new construction revenues from the General Fund to a special revenue account. The shortfall will be made up in part by General Fund net savings of \$0.4 million as a result of the transfer of \$4.2 million in expenditures to the special revenue account for Code new construction activities. For most of the economically sensitive revenues, we have assumed increases of approximately 3-4% over projected FY 10 revenues, consistent with a gradual economic recovery on top of projected moderate inflation of 2 to 3 percent

The table below includes FY 2010 and FY 2011 revenue estimation changes from January to April.

<b>Change from January revenue estimates</b>	<b>FY 2010</b>	<b>FY 2011</b>
Personal Property Tax	600,000	600,000
Sales Tax	(900,000)	(500,000)
Utility Tax	(200,000)	(100,000)
Business License Tax	(1,300,000)	(900,000)
Recordation	(300,000)	-
Transient Lodging	(300,000)	(200,000)
Restaurant Food	(400,000)	(100,000)
Admissions	50,000	100,000
Bank Franchise Tax	300,000	300,000
Code fees	-	(3,798,000)
Licenses, Permits, And Fees		(29,990)
Fines and Forfeitures	(300,000)	-
Interest on Money and Property	(89,240)	(264,382)
Ambulance Charges	-	100,000
Charges for services		20,549
Intergovernmental Revenues	(29,242)	225,343
Federal Reimbursement for Inaugural	200,000	-
<b>Total</b>	<b>(2,668,482)</b>	<b>(4,546,481)</b>

The revenue reestimates described in detail below reflect current tax rate and revenue policies continued or already reflected in the FY 2011 Proposed Budget. They do not reflect options presented to Council in Budget Memo #18 for changes to the City Manager's proposed 97.3 cent real estate tax rate or other rate or revenue policy changes.

The FY 2010 and FY 2011 revenue estimates in the Proposed FY 2011 budget document were based on revenues and trends through December 2009. The latest estimates are based on revenue collections through March 2010, with exceptions as noted below. Staff will continue to monitor actual revenues and adjust the monthly revenue projections for the current fiscal year in the context of the Monthly Financial Report. Based on actual receipts and trends through March, the FY 2010 revenue estimates have been changed as detailed in the next pages. These technical revenue adjustments will be reflected on the preliminary and final Add/Delete list.

#### **FY 2010 Revenue Adjustments**

<b>FY 2010 Adjustment</b>	<b>Description – Taxes</b>
+\$0.6 million	Increase in Business Personal Property taxes from \$16.2 million to \$16.7 million and an increase in delinquent personal property collections from \$1.3 million to \$1.4 million.
-\$0.9 million	Decrease in Sales Tax from \$23.5 million to \$22.6 million based on year-to-date collections through February. This estimate was significantly affected by the two snowstorms.
-\$0.2 million	Decrease in Utility Tax collections from \$10.5 million to \$10.3 million based on year-to-date collections through February.
-\$1.3 million	Decrease in Business License Tax (BPOL) Collections from \$30.5 million to \$29.2 million. This tax comes from business receipts earned in calendar year

	2009 and was impacted by the recession to a greater degree than forecast.
-\$0.3 million	Decrease in Recordation tax collections from \$3.8 million to \$3.5 million as a result of the slowdown in the real estate market in the wake of the perceived expiration of the first time homebuyer's tax credit and a recent slowing of the number of refinances.
-\$0.3 million	Decrease in Transient Lodging tax collections from \$11.0 million to \$10.7 million as the result of lower than expected collections through February 2010. This estimate was affected by the snowstorms.
-\$0.4 million	Decrease in Restaurant Food tax collections from \$15.2 million to \$14.8 million based on lower than expected collections through January 2010. This estimate was affected by the snowstorms.
+\$0.05 million	Increase in Admissions tax from \$1.1 million to \$1.15 million due to higher than expected collections through February 2010.
+\$0.3 million	Increase in Bank Franchise Tax from \$1.8 million to \$2.1 million due to higher than expected collections through March, 2010.
	<b>Description-fees and other</b>
-\$0.3 million	Decrease in Court Fines from \$0.9 million to \$0.8 million and Parking Fines from \$3.3 million to \$3.1 million based on lower than expected collections through March 2010.
-\$0.1 million	Decrease in interest on General Fund investments from \$0.5 million to \$0.4 million due to lower than expected interest rates.
+\$0.2 million	One-time Federal reimbursement for City incurred inauguration costs collected in FY 2010 (although costs were charged to FY 2009 budget).
<b>-\$2.66 million</b>	<b>Total Change</b>

#### **FY 2011 Revenue Adjustments**

<b>FY 2011 Adjustment</b>	<b>Description – Taxes</b>
+\$0.6 million	Increase in Business Personal Property taxes from \$16.2 million to \$16.7 million and an increase in delinquent collections from \$1.3 million to \$1.4 million.
-\$0.5 million	Decrease in Sales Taxes from \$24.0 million to \$23.5 million. It is expected that Sales taxes will increase from their projected FY 2010 level by around 4% due to the economic recovery.
-\$0.1 million	Decrease in Utility Taxes from \$10.6 million to \$10.5 million. It is expected that Utility taxes will increase from their projected FY 2010 levels by 2%.
-\$0.9 million	Decrease in Business License (BPOL) tax revenues from \$31.1 million to \$30.2 million. It is expected that BPOL revenues will increase from their projected FY 2010 levels by 3% due to the economic recovery.
-\$0.2 million	Decrease in Transient Lodging revenues from \$11.3 million to \$11.1 million. It is expected that Transient Lodging revenues will increase from their projected FY 2010 levels by 3.7% due to the economic recovery.
-\$0.1 million	Decrease in Restaurant Food revenues from \$15.5 million to \$15.4 million. It is expected that Restaurant Food revenues will increase from their projected FY 2010 levels by 4.0% due to economic recovery.
+\$0.1 million	Increase in Admissions tax from \$1.1 million to \$1.2 million due to higher than

	expected collections through February 2010.
+\$0.3 million	Increase in Bank Franchise Tax from \$1.8 million to \$2.1 million due to higher than expected collections through March, 2010. The City expects to realize the same level of these revenues in FY 2011 as in FY 2010.
	<b>Description-fees and other</b>
-\$3.8 million	Decrease in Code fees related to new construction from \$3.8 million to \$0.0. The fees which include Building Permits, Electrical Permits, Plumbing Permits, and mechanical permits, among others, will be shifted to a Special Revenue Fund. \$4.2 million in new construction related expenditures will be shifted to a Special Revenue Fund. For further information, see Budget Memo #37.
-\$0.3 million	Decrease in interest on General Fund investments from \$1.6 million to \$1.3 million due to reduction of projected interest rates in FY 2011.
+\$0.1 million	Increase in ambulance charges from \$2.15 to \$2.25 million due to higher than expected collections in FY 2010.
+\$0.2 million	Intergovernmental revenue projections increased after the Virginia legislature modified Governor Kaine's proposed budget which formed the basis of the City's proposed budget. HB599 revenues increased from \$5.0 million to \$5.6 million (\$0.6 million), and Compensation Board revenues increased from \$6.3 million to \$7.3 million (\$1.0 million). These increases were offset by the restoration of an across-the-board cut of \$1.3 million and a reduction in the State prisoner per diem from \$0.6 million to \$0.5 million (\$0.1 million).
<b>-\$4.5 million</b>	<b>Total Change*</b>

\*There was also a transfer of some Health Department related revenues from the "Licenses, Permits, and Fees" category to the "Charges for Services" category. Also, there was a reduction of \$10,000 from the "Licenses, Permits, and Fees" category for training levy which is no longer considered a General Fund revenue but is now a direct offset to training expenditures.