

City Of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 15, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #30: REAL ESTATE TAX RATE OPTIONS FOR ADVERTISING PURPOSES

You will find attached a table with various tax rate options for your consideration as you decide what maximum tax rates to advertise for both the general real estate tax and the commercial real estate tax for transportation purposes.¹

The table shows a combination of 15 options from 0 to 4 cents increase in the general real estate tax rate and from 0 to 4 cents for the commercial real estate tax rate. These options would make available from \$0 million to \$41.7 million more in funds.

The table also shows the calculation of the possible sources of funds to deal with \$29.0 million in costs that are not presently covered in the City Manager's proposed budget. These costs include:

- \$6.8 million for the unfunded items in the City Manager's Alternative Budget
- \$20.7 million for the shortfall due to lost NVTA/VDOT funding
- \$1.5 million for the School's operating budget transfer (equal to the amount the request exceeds City Council budget guidance).

City Council should also be aware that in mid April City Staff will present an updated estimate of revenue that may be available in FY 2008 and FY 2009. Although in past years this reestimate has usually increased the estimated revenue at existing tax rates, we think it more likely that this year the upcoming reestimate will show a decline from the revenues estimated in the proposed budget. Your decision on the maximum tax rate set for advertising purposes should consider this likely possibility.

ATTACHMENT: Tax Options

¹ This budget memorandum should be read in conjunction with Budget Memo #27, "Prioritization of Lost NVTA/VDOT Revenue in FY 2009."

Tax Options For Advertising Purposes

Gross Revenues Raised Through Sources of Funds (\$ in M)			
Commercial Real Estate Tax Option			
General Real Estate Tax Options	+0 cents	+2 cents	+4 cents
0 cents	\$ -	\$ 17.6	\$ 20.7
+1 cents	\$ 19.8	\$ 22.8	\$ 25.9
+2 cents	\$ 25.1	\$ 28.1	\$ 31.2
+3 cents	\$ 30.3	\$ 33.3	\$ 36.4
+4 cents	\$ 35.7	\$ 38.6	\$ 41.7
Current Estimated Possible Uses of Funds	\$29.0		

Example of Calculation

Possible Sources of Funds	FY 2008	FY 2009	Total
3 cent RE tax rate increase (\$1.75 M/1 cent in 08; \$3.5 M/1 cent in 09)	\$5,253,915	\$10,507,827	\$15,761,742
2 cent Comm RE tax rate increase (\$0.5 M/1 cent in 08; \$1.0 M/1 cent in 09)	\$1,000,000	\$2,000,000	\$3,000,000
1 cent Meals tax rate increase (\$3.7 M in 09)		\$3,700,000	\$3,700,000
General Assembly Final Budget (net impact of changes)		-\$100,000	-\$100,000
Reprioritized CIP Projects (see below)		\$2,459,000	\$2,459,000
Borrowing (for Potomac Yard/Crystal City Transit Corridor BRT)		\$8,500,000	\$8,500,000
Total Sources	\$6,253,915	\$27,066,827	\$33,320,742

Possible Uses of Funds		
Alternative Budget (net unfunded cost)		\$6,848,311
NVTAVDOT Shortfall (FY 2009 only)		\$20,685,708
Schools Full Request (amount request exceeded guideline)		\$1,500,000
Total Uses		\$29,034,019

Remaining Shortfall (-) /Surplus (+) \$4,286,723

List of Reprioritized CIP Projects

DASH Bus Purchase Contingency	\$ 184,000
Madison/Montgomery St. Reconst.	\$ 700,000
Non Public Safety Auto Vehicle Locator	\$ 100,000
Wayfinding Sign Program	\$ 1,225,000
Eisenhower Ave. Widening (redirected match)	\$ 250,000
Total Reprioritized Projects	\$ 2,459,000

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