

reduce the balance to \$5.7 million. We do not recommend lowering that balance further in FY 2012. We pay the first quarter payment for WMATA expenses on July 1st at the very beginning of the fiscal year (an estimated \$4.1 million) and need a balance going into the year to cover that payment. We are also not guaranteed \$15.5 million in new funds for Alexandria use in FY 2012. The transit capital assistance revenues are particularly volatile. As a result there needs to be some fiscal protection (in this case \$5.7 million less \$4.1 million equals \$1.6 million) in the event State transit aid is lower than projected.

How has the new gas tax formula impacted revenue?

Since the method of collecting the motor vehicle fuel sales tax changed from retailers to distributors on January 1, 2010, the City's share of revenues has been approximately \$188,000 higher than it would have been under the previous distribution. NVTC has set aside the increase as a gas tax reserve in case some or all of the increase is the result of distributor reporting errors (i.e. reporting they are located in Alexandria when in fact they are located in Fairfax County). The City is not prohibited from spending the gas tax reserve, but NVTC cautions that the probability of error is high and that a reallocation of funds would be necessary in such case.