

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 7, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO #39 : NORTHERN VIRGINIA TRANSPORTATION COMMISSION (NVTC) FUNDING

This memorandum is in response to City Council questions regarding the use of Northern Virginia Transportation Commission (NVTC) funding.

Should City Council have a policy on how we use these funds? Can the City of Alexandria's share of NVTC funds be used for such purposes as street resurfacing, sidewalk repair, and pothole repairs?

The State policy on the use of NVTC funds is already fairly restrictive. NVTC collects several sources of transit funding from the Commonwealth: the 2.1 percent motor vehicle fuel sales tax revenues, which are collected at gasoline wholesalers who sell gasoline in Northern Virginia, Commonwealth of Virginia Transit Operating Assistance, and Commonwealth of Virginia Transit Capital Assistance. The gas tax is specifically directed to support only Washington Metropolitan Area Transit Authority (WMATA) expenditures. State operating and capital assistance can only be used to support capital and operations expenses for eligible transit operators. Based on these State restrictions, NVTC funding cannot be used for street resurfacing, sidewalk repair, and pothole repairs.

Should we adjust our FY 2012 revenue estimate to be less conservative?

In the FY 2012 City Manager's proposed budget, the amount planned to be spent from NVTC funds increases by \$2.6 million, from \$13.9 million to \$16.5 million. Staff estimates the City will receive \$15.5 million in NVTC revenues in FY 2012, resulting in the use of \$1.0 million from the City's NVTC trust fund balance. Over the past six quarters, the City's average annualized revenue at NVTC has been \$7.9 million from transit operating assistance, \$4.7 million from transit capital assistance, and \$2.5 million from motor vehicle fuel sales tax.

In FY 2010, the City's balance increased from \$4.6 million to \$6.6 million due to the receipt of a one-time capital assistance resulting from unusually large capital billings in July 2009. The expected balance at the end of FY 2011 is \$6.7 million. The budget plan for FY 2012 will

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.