City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 15, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 65 : TRANSPORTATION ADD-ON TAX AND BPOL ALTERNATIVE FUNDING OPTIONS

The following is in response to Councilman Krupicka's budget questions:

How much do retailers pay in BPOL taxes? What does a one penny reduction in retail BPOL do?

Retailers, including restaurants, will pay approximately $4.77 million in FY 2011. One penny is equal to about $238,452.

If we raised the tax rate by a penny, removed the proposed BPOL reduction and then lowered the add-on to about 7 cents would that give us the same amount of money as we get with a full add-on?

The full 12.5-cent Transportation Add-On Tax as proposed would generate a total of $18.2 million for FY 2012, including $6.0 million from one-time FY 2011 revenues. The remaining $12.2 million would be recurring in future years and would grow each year as projected assessed values increase.

The proposed BPOL reduction monies that are included in the FY 2012 Proposed Operating Budget are equal to $1.63 million in FY 2012 revenues and would continue in future fiscal years. Using 1-cent on the full real estate tax rate for transportation projects would yield a total of $4.84 million for FY 2012, including $1.59 million in one-time FY 2011 revenues and $3.25 million in FY 2012 revenues. Together these BPOL and real estate tax sources generate $6.47 million for FY 2012, of which $4.89 million would continue in future years.

In order to use a different mix of revenues (Transportation Add-On Tax, Real Estate Tax, and BPOL) to create a level of funding over the next ten years that is consistent with that included in the original Transportation Add-On Tax plan, <u>a Transportation Add-On Tax rate of 8.0-cents would be needed.</u>

The following funding chart depicts this revenue mix through FY 2013:

	FY 2011*	FY 2012	FY 2013
BPOL Monies	N/A	$1.63 M	$1.66 M
+ 1-cent Real Estate Tax	$1.59 M	$3.26 M	$3.31 M
+ 8-cent Add-On Tax	$3.83 M	$7.80 M	$8.11M
TOTAL	**$5.42 M**	**$12.68 M**	**$13.09 M**

* FY 2011 revenues applied towards FY 2012 projects

This mix of tax sources would likely result in different rates of projected revenue growth over time depending on how each tax class changed annually. As such, the financing plan for future years (mix of cash capital and bonds) would need to be adjusted by staff for the FY 2012 Approved CIP. These adjustments are not likely to be significant and could be re-adjusted by City Council in the development of future CIP's.