City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #_71: BALANCING THE FY 2013 BUDGET

The following is in response to Council's question of what it would take to balance FY 2013.

The multi-year forecast for revenues and expenditures projects an $11.6 million shortfall at the mid-range estimate of revenue growth.[1] The revenue estimate for FY 2012 has since been increased by $1.8 million.[2] The revenue increase projected forward into FY 2013 would reduce the shortfall to $9.8 million in FY 2013. If there were no changes in the FY 2012 expenditure budget from the proposed to approved, the $1.8 million FY 2012 surplus could be used to further reduce the FY 2013 shortfall to $8.0 million.

The equivalent of $9.8 million in tax increases, expenditure reductions, or a combination of both would be required to balance the FY 2013 budget. A 10.25 percent increase in real estate assessments (as compared to the current forecast of 2.73 percent) would be needed to eliminate the shortfall with no tax rate increase and no expenditure reductions. With no increase in assessments beyond the current projection of 2.73 percent, a 2.46 cent real estate tax rate increase would be needed to balance the budget with no expenditure reductions. With a 2.73 percent increase in assessments and no tax rate increase, a 1.6 percent reduction in General Fund expenditures would be required to balance the budget.

Changes to the FY 2012 budget through add/delete may impact the FY 2013 shortfall. Any ongoing operating expenditure increases added to the FY 2012 budget without a corresponding ongoing new source of revenue would increase the FY 2013 shortfall. Conversely, any ongoing tax increase used to fund one-time expenditures in FY 2012

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[1] FY 2012 Proposed Operating Budget Forecast Scenario (page 10-3). Page 10-5 of that section lists $1.3 million as the net cost of FY 2012 policy changes on the FY 2013 budget. This net change is included in the $11.6 million shortfall estimate. Note that the high growth scenario forecasts a $3.9 million shortfall and the low growth scenario forecasts a $18.4 million shortfall.

[2] Budget Memo #52

would reduce the FY 2013 shortfall. One-time funding sources applied to one-time uses in FY 2012 would have no impact on the FY 2013 shortfall. Finally, any funding source used in FY 2012 to reduce borrowing would reduce the shortfall in FY 2013.