

# City of Alexandria, Virginia

## MEMORANDUM

DATE: APRIL 20, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: BUDGET MEMO #48: FY 2012 AND FY 2013 FINAL REVENUE PROJECTIONS AND FY 2013 EXPENDITURE ADJUSTMENTS

This memo provides detailed explanation of the changes that have occurred to revenue and expenditure estimated in the FY 2013 General Fund Operating budget, since the development in January of the City Manager's Proposed Budget. For FY 2013, the details of this memorandum can be summarized as follows:

Increase in FY 2013 General Fund Revenue estimate	+\$1,263,397
Increase in FY 2013 General Fund Expenditures	(\$1,015,020)
Net change in available City General Fund resources	\$248,377
<sup>1</sup> Decrease in FY 2013 General Fund Expenditures due to Virginia General Assembly Action	\$652,600
Net resources available for the FY 2013 General Fund Operating Budget	<b>\$900,977</b>

Annually, at the beginning of April, City staff re-estimates current fiscal year and subsequent fiscal year revenues. The result of those projections show a projected overall increase of \$1,722,563 million in FY 2012 revenues and a projected increase of \$1,263,397 million in FY 2013 revenues. At the same time, staff makes adjustments and corrections to the expenditures in the FY 2013 Proposed Operating budget to reflect new information that was not available in January when the Proposed budget was being developed. The most significant of these adjustments are the result of Virginia General Assembly actions associated with the Virginia Retirement System and the allocation of funding to the Alexandria City Public Schools. The net result of the expenditure reductions is an increase to the City Manager's Proposed General Fund Operating Budget of \$362,420. The increase in available revenues offset by the increase in necessary expenditures provides additional resources for the FY 2013 General Fund Operating Budget of \$900,977.

FY 2012 revenues improved based on recent collections in the areas of Recordation Tax collections, Vehicle Personal Property Tax Revenues and Charges for Services. The increase compared to the FY 2012 revenue re-estimate that is reflected in the City Manager's Proposed budget is \$1,722,563. The total surplus revenue compared to the amount budgeted in FY 2012

<sup>1</sup> This calculation is based on a reduction in the City Appropriation to the Alexandria City Budget Schools of \$1,233,000 as a result of the increase in State revenue of the same amount for the school system.

Amended Budget is \$9,233,734. Of this amount \$7,500,000 has already been recommended for one-time uses as discussed during the presentation of the FY 2013 Proposed Operating Budget, including \$2.2 million to support FY 2013 expenditures, \$1.7 million for existing encumbrances, \$0.8 million for one-time land use and planning studies, \$1.8 million for the FY 2014 CIP and \$1.0 million to maintain compliance with existing financial policies. Of the remaining \$1,722,563, \$100,241 should be set aside for fund balance as part of our financial policies. We recommend the remaining balance also be considered to be set aside for one-time uses, such as vehicle, computer or other equipment replacement. We will give you a prioritized list of users under a separate memorandum.

FY 2013 revenue estimates have been increased to reflect the adjustments based on FY 2012 collections and a continue expectation that the economy is recovering very slowly. The total increase in FY 2013 General Fund revenue compared to the amount estimated in the City Manager’s Proposed Budget is \$1,263,397.

The following table below includes FY 2012 and FY 2013 revenue estimation changes from January to April.

Change from January Revenue Estimates	FY 2012	FY 2013
Real Property Tax	(\$1,000,000)	(\$1,000,000)
Personal Property Tax	\$304,352	\$304,352
Penalties and Interest	\$255,000	\$505,000
Sales Tax	\$200,000	\$256,000
Utility Tax	(\$400,000)	(\$300,000)
Business License Tax	\$600,000	\$40,000
Recordation Tax	\$700,000	\$700,000
Transient Lodging Tax	\$100,000	\$0
Restaurant Meals Tax	\$200,000	\$500,000
Tobacco Tax	(\$200,000)	(\$200,000)
Other Local Taxes	\$150,000	\$40,000
Intergovernmental Revenue	\$172,000	\$210,000
Other Non-Tax Revenue	\$641,211	\$195,536
Use of Fund Balance		\$12,509
<b>Total</b>	<b>\$1,722,563</b>	<b>1,263,397</b>

The revenue re-estimates described in detail below reflect current tax rate and revenue policies continued or already reflected in the FY 2013 Proposed Budget. The FY 2012 and FY 2013 revenue estimates in the Proposed FY 2013 budget document were based on revenues and trends through December 2011. The latest estimates are based on revenue collections through March 2012, with exceptions as noted below. Staff will continue to monitor actual revenues and adjust the monthly revenue projections for the current fiscal year in the context of the Monthly Financial Report. Based on actual receipts and trends through March, the FY 2012 revenue estimates have been changed as detailed in the next pages. These technical revenue adjustments will be reflected on the preliminary and final Add/Delete list.

**FY 2012 Revenue Adjustments**  
**(increases compared to the FY 2012 Projection in the FY 2013 Proposed Budget)**

<b>FY 2012 Adjustment</b>	<b>Tax Revenue</b>
(\$1.0 million)	Decrease in Delinquent Real Estate Tax Collections of \$1,000,000, from \$1,500,000 to \$500,000. The collection rate for non-delinquent real estate taxes was increased in the proposed budget. As a result, it is necessary to assume that Delinquent Real Estate Tax Collections will be declining. In total, the amount of real estate tax revenues that are collected is not changing, just the timing of the collection.
\$0.7 million	Increase in Real Estate Recordation Tax of \$0.7 million, from \$4.1 million to \$4.8 million, due to increase real estate activity as the housing market begins to recover.
\$0.3 million	Increase in Personal Property taxes of \$0.3 million, from \$36.9 million to \$37.25 million, due to an increase in the number and value of vehicles in the City
\$0.26 million	Increase in Tax Penalties and Interest of \$0.3 million, from \$1.9 million to \$2.1 million
(\$0.4 million)	Decrease in Utility Tax collections of \$0.4 million, from \$11.2 million to \$10.8 million based on year-to-date collections through February. The decrease is primarily due to the relatively mild winter.
\$0.6 million	Increase in Business License Tax (BPOL) collections of \$0.6 million, from \$32.0 million to \$32.6 million, due to the strengthening economy, as well as inflation.
\$0.1 million	Increase in Transient Lodging Tax collections of \$0.1 million, from \$11.7 million to \$11.8 million, due to the better than estimated economic recovery.
\$0.1 million	Increase in Admissions Tax of \$0.1 million, from \$1.0 million to \$1.1 million.
\$0.2 million	Increase in Restaurant Food Tax collections of \$0.2 million, from \$16.3 million to \$16.5 million due to increased consumption.
\$0.2 million	Increase in Local Sales and Use Tax of \$0.2 million, from \$24.4 million to \$24.6 million due to strengthening economic conditions.
\$0.050 million	Increase in Telecommunications Tax (Right of Way) collections of \$50,000, from \$575,000 to \$625,000 due to increased usage.
(\$0.2 million)	Decrease in Tobacco Tax revenue of \$0.2 million, from \$2.9 million to \$2.7 million reflects decreased consumption.
\$0.172 million	Increase in Intergovernmental Revenue of \$272,000, from \$53.5 million to \$53.7 million due to increased rental car payment in lieu of taxes.
	<b>Fees, Fines Charges for Services and Use of Money and Property</b>
\$0.031 million	Increase in Licenses, Permits and Fees of \$31,000, from \$2.28 million to \$2.31 million, due to increase usage of temporary no-parking signs and food establishment permits offset by a minor decrease in Taxi Fees.
(\$0.17 million)	Decrease in Fines and Forfeitures of \$0.17, from \$4.76 million to \$4.59 million, due to decreased revenues from Court Fines and Forfeitures and Treasury Parking Fines, offset with increase revenue from Red Light Camera Violations.
\$0.645 million	Increase in Charges for Services of \$0.8 million, from \$14.9 million to \$15.6

	million, due to permit fees for increased building activity, increased rental fees and increased parking meter revenue.
\$0.115 million	Increase in the Use of Money and Property of \$0.1 million, from \$3.42 million to \$3.53 million, due to increases in revenue from the Sale of Recyclable Materials and Rental Property.
\$0.020 million	Increase in Miscellaneous Revenue of \$20,000, from \$490,000 to \$510,000 due to Purchase Card Rebates.
<b>\$1,722,563</b>	<b>Total Change</b>

### FY 2013 Revenue Adjustments

(\$1.0 million)	Decrease in Delinquent Real Estate Tax Collections of \$1,000,000, from \$1,500,000 to \$500,000. The collection rate for non-delinquent real estate taxes was increased in the proposed budget. As a result, it is necessary to assume that Delinquent Real Estate Tax Collections will be declining. In total, the amount of real estate tax revenues that are collected is not changing, just the timing of the collection.
\$0.7 million	Increase in Recordation Tax of \$0.7 million, from \$4.2 million to \$4.9 million, due to increase real estate activity as the housing market begins to recover.
\$0.3 million	Increase in Personal Property taxes of \$0.3 million, from \$37.2 million to \$37.5 million, due to an increase in the number and value of vehicles in the City
\$0.5 million	Increase in Penalties and Interest of \$0.5 million, from \$1.9 million to \$2.4 million
(\$0.3 million)	Decrease in Consumer Utility Tax collections of \$0.3 million, from \$11.4 million to \$11.1 million based on year-to-date collections through February.
\$0.04 million	Increase in Business License Tax (BPOL) collections of \$0.04 million, from \$32.96 million to \$33.0 million, primarily for inflation.
\$0.5 million	Increase in Restaurant Food Tax collections of \$0.2 million, from \$16.4 million to \$16.9 million due to inflation.
\$0.26 million	Increase in Local Sales and Use Tax of \$256,000 million, from \$24.6 million to \$24.9 million due to some strengthening economic conditions.
\$0.040 million	Increase in Telecommunications Tax (Right of Way) collections of \$40,000, from \$600,000 to \$640,000 due to increased usage.
(\$0.2 million)	Decrease in Tobacco Tax revenue of \$0.2 million, from \$2.8 million to \$2.6 million reflects decreased consumption.
\$0.21 million	Increase in Intergovernmental Revenue of \$210,000, from \$53.4 million to \$53.6 million due to increased rental car payment in lieu of taxes.
	<b>Fees, Fines Charges for Services and Use of Money and Property</b>
(\$0.12 million)	Decrease in Licenses, Permits and Fees of \$124,464, from \$2.28 million to \$2.16 million, due to a decrease in Taxi Fees.
(\$0.1 million)	Decrease in Fines and Forfeitures of \$0.1, from \$4.76 million to \$4.66 million, due to decreased revenues from Court Fines and Forfeitures and Treasury Parking Fines, offset with increase revenue from Red Light Camera Violations.

\$0.4 million	Increase in Charges for Services of \$0.4 million, from \$15.0 million to \$15.4 million, due to increased building activity, increased rental fees and increased parking meter revenue.
\$0.020 million	Increase in Miscellaneous Revenue of \$20,000, from \$490,000 to \$510,000 due to Purchase Card Rebates.
\$0.013 million	Increase in the Appropriation of General Fund Balance of \$12,509. The Proposed Budget reflects a Use of Fund Balance equal to 1% of General Fund Revenues. With the increase of General Fund Revenues of \$1,250,888, the Use of Fund Balance is increasing as well.
<b>\$1,263,397</b>	<b>Total Change</b>

Since the presentation of the Proposed Operating Budget in February 2012, the Virginia General Assembly has nearly completed their FY 2012 legislative session. There were several legislative actions that have impacted the General Fund operating budget, totaling a savings of \$652,600. Each of these is described below.

### FY 2013 State Budget Adjustments

Legislative Action	Comments	Amount
VRS Changes	This action impacts all Departments and reflects the cost to provide 1% pay increase to the General Schedule and Sheriff Schedule pay scale, offset by a shift of 1% of employee contribution for the Virginia Retirement System from the City to the employee. Additional funds are included to provide the amount needed to prevent any net reduction in pay for employees.	\$492,000
VRS Changes	An increase in the City's pay scale for all General Government employees requires an increase to the Salary Supplement for State employees in the Health Department.	\$54,400
VRS Changes	An increase in the City's pay scale for all General Government employees requires an increase to the Salary Supplement for State employees in the Court Service Unit.	\$18,000
VRS Changes	An increase in the City's pay scale for all General Government employees requires an increase to the Salary Supplement for State employees in the Other Public Safety and Criminal Justice Activities Department, in the Office of Adult Probation and Parole and the Public Defender.	\$16,000
Increase State Funding for the Alexandria City Public Schools	The Budget passed by the Virginia Senate included additional funds for the ACPS. As a result the City Appropriation to the Schools system can be reduced with no impact on services.	(\$1,233,000)
	<b>Total Adjustments from State Legislation</b>	<b>(\$652,600)</b>

- The shift in VRS contribution from employer to employee will impact the compensation of a significant number of City employees in all Departments. The increase of \$405,000 will be distributed by employee by department. Once City Council has approved the budget, staff will return with an Appropriations Ordinance at the first legislative meeting

in June that will provide the specific appropriations for FY 2013 for all City Departments.

- With the change to VRS, the City’s pay scale will be increasing by 1 percent. The City has an agreement with the Alexandria Health Department to provide a salary supplement for state employees working in the City of Alexandria. The cost for the supplement is \$54,400 in FY 2013.
- The City has similar agreements with State employees in the Court Service Unit, Adult Probation and Parole and the Office of the Public Defender. The cost for the increased supplement is \$18,000 for the Court Service Unit and \$16,000 in Other Public Safety for the Offices of the Public Defender and Adult Probation and Parole.
- There were several amendments to the State Budget which was passed by the Senate on Wednesday, April 18<sup>th</sup>. Included in the FY 2013 State Budget is an additional allocation of approximately \$1.2 million to the Schools system. Most of the increase falls into two categories. First, \$449,000 is provided to fund Northern Virginia “cost of competing” needs that were not funded by the Governor. Second, \$749,999 in new funds can be used “to assist with costs of inflation, payments for the increase in the retirement employer contribution rates and any one-time costs associated with local Virginia Preschool Initiative programs.”

This memorandum also provides information on technical adjustments and corrections in the FY 2013 Proposed Operating budget. The table below summarizes all of the changes to the General Fund which are recommended to the FY 2013 Proposed Operating budget. The net increase to the City Manager’s Proposed General Fund Operating Budget is \$1,015,020.

**FY 2013 General Fund Expenditure Adjustments**

<b>Department</b>	<b>Comments</b>	<b>Amount</b>
All Departments	Decrease in anticipated Kaiser Permanente Rate increase from 7.5% to 7.1%	(\$28,977)
All Departments	Increase in anticipated United Health Care Rate increase from 5% to 10%	\$441,624
Multiple	Increase in the estimate for Line of Duty premium costs based on actuarial estimates	\$100,000
Transportation and Environmental Services	Transfer of lease costs for 421 King Street (former Alexandria Convention and Visitors Association space) to the City	\$90,723
Internal Audit	Transfer of lease costs for 421 King Street (former Alexandria Convention and Visitors Association space) to the City	\$13,150
Department of Community and Human Services	Increase in anticipated costs for Community Services Act cases based on current cases through the third quarter of FY 2012	\$137,919
Department of Recreation, Parks and	Correction to the FY 2013 Proposed budget to include the appropriate funding for seasonal staff	\$22,036

Cultural Activities		
Non-Departmental	The cost of the City's membership for Virginia Municipal is only \$35,686, a lower amount than was included in the proposed budget.	(\$1,162)
Non-Departmental	The City's contribution to the Metropolitan Council of Governments is only \$116,731, a lower amount than was included in the proposed budget.	(\$7,000)
Transit Subsidies	Due to a recalculation in the locality subsidy to WMATA, the City's share is \$246,707 more than the amount reflected in the Proposed budget.	\$246,707
<b>Total Adjustments</b>		<b>\$1,015,020</b>

### **General Fund Adjustments**

- The Proposed Operating Budget was based on an estimated increase in the premium rates for Kaiser Permanente members of 7.5 percent compared to the current premium rates. Based on information from the healthcare provider, the rate increase will be adjusted downward to 7.1%, providing a savings of \$28,977 compared to the FY 2013 Proposed budgeted amount. This will also be distributed based on the specific employees in each Department who are members of this particular healthcare plan.
- The Proposed Operating Budget was based on an estimated increase in the costs for the City's self-funded plan (through United Healthcare) of 5 percent. Based on spending in FY 2012, the cost increase is expected to be at least 10%. The increased cost of \$441,624 compared to the FY 2013 Proposed budget amount will be distributed based on the specific employees in each Department who are members of this particular healthcare plan.
- The recent actuarial valuation of Line of Duty premium costs reflect an increase of \$100,000 compared to the amount estimated in the FY 2013 Proposed Operating budget. The responsibility of this benefit is transitioning from the State to the City.
- In the fall of 2011, the Alexandria Convention and Visitors Association moved from leased space in 421 King Street to co-locate with the Alexandria Economic Development Partnership in leased space on North Washington Street. The space at 421 King Street is now occupied by transportation planning staff from the Department of Transportation and Environmental Services. During the development of the FY 2013 Proposed budget, funds were not included for the occupation of the leased space, estimated to cost \$90,723.
- Included in the City Manager's Proposed budget is additional staff in the Office of Internal Audit. These new position will occupy the remaining space previously held by the ACVA, estimated to cost \$13,150.
- Based on actual cases and costs incurred through nine months in FY 2012, the estimated program costs for clients served by the Community Services Act will not be decreasing by as much as originally anticipated in the proposed budget. Although costs are still expected to be lower in FY 2013 than in FY 2012, the savings is only \$208,000, not the \$346,000 that was assumed in the proposed budget. Actual third quarter expenses in FY

2012 were \$319,000 higher than the amount estimated in January to develop the FY 2013 projection. As a result, staff recommends adding \$137,000 to the budget for Comprehensive Services Act programs.

- In the FY 2013 Proposed budget the amount for seasonal staff at the Buddie Ford Nature Center in the Department of Recreation, Parks and Cultural Activities is incorrect. The addition of \$22,036 will provide the appropriate amount of budget authority for seasonal staff at the facility.

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