

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 16, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: MARK B. JINKS, CITY MANAGER *m*

FROM: MORGAN ROUTH, ASSISTANT DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET *MR*

SUBJECT: BUDGET MEMO #26: FY 2015 AND FY 2016 FINAL REVENUE PROJECTIONS AND ADJUSTMENTS AND FY 2016 EXPENDITURE BUDGET ADJUSTMENTS

The following is a summary of potential revenue and expenditure budget adjustments for City Council consideration as part of the FY 2016 budget add/delete process. This represents the final revenue and expenditure scrub before the add-delete process. Including prior WMATA and King/Quaker/Braddock intersection savings previously identified to Council, there is now \$4.38 million available for allocation during the add-delete process.

Table 1: Revenue Adjustments or Expenditure Savings

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Operating	Operating Budget Item	Available Amount	Notes	
		FY 2016 Revenue Re-Estimates <i>(Detailed in Table 2)</i>	\$1.30M	
	WMATA Operating Subsidy	\$0.60M	Can be used for any purpose including restoration of up to \$0.6M in TIP funding.	
	Debt Service Savings (Bond Refunding)	\$0.25M		
	Contingent Reserves	\$0.13M		
	<i>Subtotal, Operating</i>	<i>\$2.28M</i>		
Capital	Capital Budget Item	Available Amount	Notes	
	King/Quaker/Braddock Project (Bonds)	\$1.25M	Can be used for any capital project including restoration of up to \$2.1M in TIP capital projects <u>or</u>	
	WMATA – City Portion Capital Subsidy (Bonds)	\$0.85M		
		<i>Subtotal, Capital</i>	<i>\$2.10M</i>	Can be used for any operating budget item with a corresponding decrease on a one-to-one basis of the General Fund Cash Capital Transfer
		GRAND TOTAL AVAILABLE	\$4.38M	

FY 2016 EXPENDITURE ADJUSTMENTS

The following expenditure adjustments summarized in Table 1 are available as options in the budget add/delete process:

Operating Budget

- **WMATA Operating Subsidy (\$0.60 M):** Since the release of the City's proposed budget, the Washington Metropolitan Area Transit Authority has reduced its estimate of the City's operating subsidy requirement.
- **Debt Service Savings (\$0.25):** Staff is preparing a bond refunding package on some of its existing debt which would reduce debt service costs in FY 2016. A separate communication to Council will be forthcoming.
- **Contingent Reserves (\$0.13 M):** The City's proposed budget includes approximately a Contingent Reserve that has not been designated for a specific purpose and could be reallocated through add/delete or could remain as a contingent reserve for FY 2016.

Capital Improvement Program (CIP)

- **King/Quaker/Braddock (\$1.0 M):** Since the release of the City's proposed CIP, as stated in the budget work session that covered transportation projects, the scope of this project has been further refined and the cost has decreased accordingly.
- **WMATA Capital Subsidy (\$0.85 M):** Since the release of the City's proposed CIP, the Washington Metropolitan Area Transit Authority has reduced its estimate of the City's capital subsidy requirement.

Several of the items on this list (WMATA operating and capital subsidies and the King/Quaker/Braddock CIP project) are funded by a combination of Transportation Improvement Program (TIP) funding and other non-TIP funding and therefore may be used to restore TIP reductions in the proposed budget OR for any other operating or capital purpose.

REVENUE ADJUSTMENTS – FY 2015 & FY 2016 REVENUE RE-ESTIMATES

Annually, at the beginning of April, City staff re-estimates current fiscal year and subsequent fiscal year revenues based on additional months of collection data. The FY 2015 and FY 2016 revenue estimates in the Proposed FY 2016 budget document were based on revenues and trends through December 2014. The latest estimates are based on revenue collections through March 2015, 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 2015, the FY 2015 and FY 2016 revenue estimates have been changed as detailed below. The result of those projections show a projected overall increase of \$2.0M in FY 2015 revenues and a projected increase of \$1.3M in FY 2016 revenues. The revenue re-estimates described in detail below reflect current tax rate and revenue policies continued or already reflected in the FY 2016 Proposed Budget.

FY 2016 Revenue Re-Estimate

FY 2016 revenue estimates have been increased to reflect the adjustments based on FY 2015 collections. The total increase in FY 2016 General Fund revenue compared to the amount estimated in the City Manager’s Proposed Budget is \$1.3M. FY 2016 revenues are available to support the FY 2016 budget. Table 2 below provides details on the FY 2015 revenue re-estimate.

Table 2: FY 2016 Revenue Estimates			
Revenue Source	Proposed Budget	April 2015 Estimate	Difference
Local Sales & Use Tax – increase of 1% based on FY 2015 projected levels	\$25.0M	\$25.5M	\$0.5M
Business License Tax – expected to equal FY 2015 projected levels	\$32.0M	\$33.0M	\$1.0M
Bank Franchise Tax – expected to equal FY 2015 projected levels	\$2.5M	\$3.0M	\$0.5M
Recordation Tax – decrease due to slowdown in mortgage refinancing as interest rates are expected to begin rising	\$5.2M	\$4.7M	(\$0.5M)
Replenishment of Fund Balance – transfer of \$200K to fund balance based on re-estimate revenue growth of FY 2015 revenues	(\$0.5M)	(\$0.7M)	(\$0.2M)
Total Change	N/A	N/A	\$1.3M

The FY 2016 revenue adjustments will be reflected on the preliminary and final Add/Delete list.

FY 2015 Revenue Re-Estimate

The FY 2015 estimate is an increase relative to the previous estimate in February but is still below the FY 2015 budgeted amount. FY 2015 revenues improved based on recent collections in the areas of Local Sales Tax, Business License Tax, and Bank Franchise Tax collections. The increase compared to the FY 2015 revenue re-estimate that is reflected in the City Manager’s Proposed Budget is \$2.0M primarily from local sales tax and business license tax; however, these one-time funds will be needed to cover additional winter snow expenditures (\$0.8 million) and replenish (\$1.2 million) some of the City’s balance drawdown, which has been drawn down in each of the two previous fiscal years. Table 3 below provides details on the FY 2015 revenue re-estimate.

Table 3: FY 2015 Revenue Estimates

Revenue Source	Feb. 2015 Estimate	April 2015 Estimate	Difference
Local Sales & Use Tax – increase based on Y-T-D collections through February 2015	\$24.6M	\$25.3M	\$0.7M
Business License Tax – increase based on Y-T-D collections through March 2015	\$32.0M	\$33.0M	\$1.0M
Bank Franchise Tax – based on tax year 2015 filings	\$2.5M	\$3.0M	\$0.5M
Recordation Tax – decrease due to slowdown in mortgage refinancing as interest rates are expected to begin rising	\$5.2M	\$5.0M	(\$0.2M)
Replenishment of Fund Balance – maintain 10% fund balance policy	N/A	(\$1.20M)	(\$1.2M)
Cover snow expenditures – above budgeted amounts	N/A	(\$0.8M)	(\$0.8M)
Total Change	N/A	N/A	\$0.0M

Staff: Laura Triggs, Deputy City Manager
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Kendel Taylor, Acting Finance Director