

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 16, 2005
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES HARTMANN, CITY MANAGER *J*
SUBJECT: BUDGET MEMO # 49: FY 2005 AND FY 2006 FINAL REVENUE
ADJUSTMENTS

ISSUE: FY 2005 and FY 2006 Revenue Adjustments

RECOMMENDATION: That City Council approve the following FY 2006 General Fund revenue and expenditure adjustments, which result, along with re-estimates for FY 2005, in an increase of \$1.850 million as compared to the revenue estimates outlined in the Proposed FY 2006 budget document. FY 2005 positive revenue adjustments of \$2.489 are discussed in the Fiscal Impact paragraph beginning on page three of this report. The FY 2006 adjustments described below reflect current policies and do not reflect the proposals currently under City Council consideration, including the further real property tax rate reduction, and the cell phone, tobacco, and admissions taxes, as well as the acceleration of sanitary sewer fees.

DISCUSSION: The FY 2006 revenue estimates in the Proposed FY 2006 Budget document were based on revenues and trends through December 2004. The latest estimates are based on revenue collections through early April 2005.

Staff will continue to monitor actual revenues and adjust the revenue projections for the current fiscal year in the context of the Monthly Financial Report. Based on actual receipts and trends through the end of the third quarter of FY 2005, the FY 2006 revenue estimates are recommended to be adjusted as follows:

Revenue Adjustment	Description
\$0.5 million	Increase in Personal Property Tax Revenue from \$31.47 million to \$32.0 million, to reflect an increase in the effort to identify and collect personal property taxes, in advance of the changes to the State reimbursement practice. The increased focus on current collections, which is expected to result in \$0.8 million in increased revenue is expected to result in a decrease in estimated delinquent collections of \$0.27 million.
(\$1.9 million)	Decrease in Business License Tax Revenue from \$28.8 million to \$26.9 million based on actual collection in FY 2005 and anticipated growth of 3% and not the historical rate of 5.5% which was previously projected.
\$0.6 million	Increase in Sales Tax Revenue from \$23.8 million to \$24.4 million, based on collections through March 2005 and anticipated growth of 3.5 percent in FY 2006.
(\$0.1 million)	Decrease in the estimate of Utility Tax Revenue, from \$18.7 million to \$18.6 million, to reflect actual receipts through March 2005. The rate of growth is expected to be 2.8 percent in FY 2006.
\$1.1 million	Increase in the estimate of Recordation Tax Revenue, from \$3.0 million to \$4.1 million, based on collections to date.
\$264,000	Increase in the estimate of Bank Franchise Tax Revenue, from \$1.1 million to \$1.364 million, based on actual collections
(\$0.1 million)	Decrease in the estimate of Tobacco Tax revenue, from \$2.4 million to \$2.3 million, based on actual monthly collections through March 2005.
\$0.2 million	Increase in the estimate of Transient Lodging Tax Revenues, from \$7.5 million to \$7.7 million, based on collections to date and an anticipated growth rate in FY 2006 of 4.1 percent.
\$1.0 million	Increase in the estimate of Intergovernmental Revenues, from \$46.6 million to \$47.7 million, to reflect an \$0.4 million increase in the expected Personal Property Tax Reimbursement from the State resulting from increased collection efforts, and a \$0.631 million increase compensation board funding for the Sheriff and Finance Departments and the Offices of the Commonwealth's Attorney and the Clerk of the Courts, based on the approved State budget.

Revenue Adjustment	Description
(\$0.1 million)	Decrease in the estimate of Fines and Forfeitures, from \$3.977 million to \$3.877 million, to reflect a decline in revenue from parking fines based on collections to date, and a continuation of this trend.
\$25,000	Increase in the estimate of Charges for Services, from \$10.934 million to \$10.959 million, to reflect a \$0.1 million increase in revenue from ambulance charges offset by a decrease of \$0.075 million in revenue from parking meter receipts. Both adjustments are based on current collections.
\$0.3 million	Increase in the estimate of Use of Money and Property from \$5.8 million to \$6.1 million, based on a \$0.3 million increase in the City's Interest on General Fund Investments to reflect higher interest rates.

These revenue adjustments will be reflected on the final Add/Delete list.

FISCAL IMPACT: The net fiscal impact of these final FY 2006 revenue adjustments is an increase in the FY 2006 General Fund revenue projections of \$1.850 million.

These changed FY 2006 revenue estimates are based on FY 2005 projections. Based on preliminary data for the first nine months of FY 2005, projected additional positive variances (i.e., additional revenues in excess of budgeted revenues) are currently projected to be \$2.489 million, including an additional \$0.6 million in Personal Property tax revenues, and \$1.9 million in Recordation Tax revenues, \$0.2 million in Transient Lodging tax revenues, \$0.5 million in Local Sales Tax revenues, \$0.6 million in Intergovernmental revenues, \$0.11 million in Use of Money and Property, \$0.264 million in Bank Stock Taxes. These positive variances are offset by an expected decrease in tax revenues from the Business License tax (\$1.2 million), in Utility Tax (\$0.1 million), Fines and Forfeitures (\$0.21 million), Tobacco Tax (\$0.1 million) and Charges for Services (\$0.075 million).

ATTACHMENT:

Attachment 1 - Revised Summary of Budgeted General Fund Revenues and Other Financing Sources

City of Alexandria, Virginia
SUMMARY OF BUDGETED REVENUES AND OTHER FINANCING SOURCES
For the three fiscal years ending June 30, 2006

	FY 2004 Actual (1)	FY 2005		FY 2006	
		Approved (2)	Projected (3)	Proposed (4)	Revised (5)
General Fund					
General property tax revenue					
Real property tax	210,922,789	228,514,157	236,828,839	261,897,530	261,897,530
Personal property tax	30,944,060	32,491,000	31,300,000	31,470,000	32,000,000
Penalties and interest	1,657,923	1,500,000	1,500,000	1,500,000	1,500,000
Total general property tax revenue	243,524,772	262,505,157	269,628,839	294,867,530	295,397,530
Other local tax revenue					
Local sales tax	22,541,886	23,100,000	23,600,000	23,800,000	24,400,000
Utility tax	17,899,001	17,700,000	18,100,000	18,700,000	18,600,000
Business licenses	25,601,366	26,600,000	26,100,000	28,800,000	26,900,000
Motor vehicle licenses	2,427,656	2,350,000	2,350,000	2,400,000	2,400,000
Recordation	4,046,516	2,600,000	5,000,000	3,000,000	4,100,000
Tobacco	2,430,092	2,600,000	2,300,000	2,400,000	2,300,000
Transient lodging	6,323,906	6,100,000	7,400,000	7,500,000	7,700,000
Restaurant food	9,051,520	9,625,000	9,500,000	10,100,000	10,100,000
Other miscellaneous	3,639,013	3,667,500	3,849,000	3,585,000	3,849,000
Total other local tax revenue	93,960,956	94,342,500	98,199,000	100,285,000	100,349,000
Non-tax revenue					
Licenses, permits, and fees	3,246,126	3,261,000	3,399,000	3,422,000	3,422,000
Fines and forfeitures	4,164,370	3,952,000	4,007,000	3,977,000	3,877,000
Use of money and property	4,048,135	4,615,500	5,436,500	5,799,500	6,099,500
Charges for services	9,587,174	10,507,700	10,302,700	10,933,717	10,958,717
Intergovernmental revenues	49,460,664	48,903,400	46,333,400	46,635,400	47,666,400
Miscellaneous	348,866	429,619	459,619	459,619	459,619
Total non-tax revenue	70,855,335	71,669,219	69,938,219	71,227,236	72,483,236
Total General Fund revenues	408,341,063	428,516,876	437,766,058	466,379,766	468,229,766
Other financing sources (uses)					
Appropriation from city fund bal:	0	4,334,000	4,334,000	4,330,000	4,330,000
Appropriation from open space fund balance	0	0	0	0	0
Appropriation from recycling fur	0	0	0	0	0
Appropriation from ACPS	0	0	0	0	0
Total General Fund revenues and	408,341,063	432,850,876	442,100,058	470,709,766	472,559,766