

## *City of Alexandria, Virginia*

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### MEMORANDUM

DATE: MARCH 31, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #52: FY 2006 AND FY 2007 FINAL REVENUE PROJECTIONS AND ADJUSTMENTS

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Annually, at the beginning of April, City staff reprojects current fiscal year and subsequent fiscal year revenues. Given the budget process schedule, these projections have been undertaken a few weeks earlier. The results of those projections which have been completed show a projected overall \$4.5 million increase in projected revenues for FY 2006 and FY 2007.

City staff estimates an increase of \$1.4 million in FY 2007 revenue estimates compared to the revenue estimates outlined in the Proposed FY 2007 budget document. An increase of \$3.1 million in FY 2006 revenues is shown in the FY 2006 Revenue Adjustments table on page two of this report. The FY 2006 adjustments described below reflect current policies and do not reflect proposals currently under City Council consideration for further real property tax rate reduction from the City Manager's proposed 84.7 cent real estate tax rate.

The FY 2006 and FY 2007 revenue estimates in the Proposed FY 2007 Budget document were based on revenues and trends through December 2005. The latest estimates are based on revenue collections through the first half of March 2006. Staff will continue to monitor actual revenues and adjust the revenue projections for the current fiscal year in the context of the Monthly Finance Report. Based on actual receipts and trends through the first half of March, the FY 2007 revenue estimates are recommended to be adjusted as listed on the next three pages.

**FY 2006 Revenue Adjustments**

<b>FY 2006 Revenue Adjustment</b>	<b>Description</b>
\$1.1 million	Increase in current personal property taxes on vehicles from \$31.6 million to \$32.7 million based on higher than expected current and delinquent collections in FY 2006.
(\$0.4 million)	Decrease in the estimate of Utility Tax revenue from \$18.0 million to \$17.6 million based on generally decreasing use of land lines.
\$1.0 million	Increase in the estimate of Business License Tax (BPOL) revenue from \$28.4 million to \$29.4 million based on higher than year to date collections. Annual payments were due on March 1.
\$1.0 million	Increase in the estimate of Recordation Tax revenue from \$6.3 million to \$7.3 million, primarily due to the sale of Winkler property.
(\$0.1 million)	Decrease in the estimate of Tobacco Tax revenue from \$2.9 million to \$2.8 million, based on lower than expected year to date collections.
\$0.2 million	Increase in the estimate of Transient Lodging Tax revenues from \$7.7 million to \$7.9 million based on higher than expected year to date collections.
(\$0.1 million)	Decrease in the estimate of Restaurant Food revenues from \$10.1 million to \$10.0 million based on lower than expected year to date collections.
(\$0.1 million)	Decrease in the estimate of Admissions Tax revenues from \$1.3 million to \$1.2 million based on lower than expected year to date collections.
\$0.5 million	Increase in the estimate of interest income on General Fund investments from \$4.8 million to \$5.3 million based on higher than expected short-term interest rates.
\$3.1 million	<b>Total</b>

**FY 2007 Revenue Adjustments**

<b>FY 2007 Revenue Adjustments</b>	<b>Description</b>
\$1.6 million	Increase in personal property taxes on vehicles from \$29.9 million to \$31.5 million based mostly on a reduction of expected Personal Property Tax Reimbursement collections from the Commonwealth compared to previous estimates.
\$1.0 million	Increase in Business License Tax Revenue from \$30.0 million to \$31.0 million based on March 1 due payments which resulted in higher than expected collections in FY 2006 and an expected growth rate of 5.5% in FY 2007.
(\$0.1 million)	Decrease in the estimate of Tobacco tax revenue from \$2.9 million to \$2.8 million, based on lower than expected revenue projections for FY 2006. The amount of tax collected is not expected to increase from FY 2006 to FY 2007.
\$0.2 million	Increase in the estimate of Transient Lodging Tax Revenues from \$8.0 to \$8.2 million based on collections to date and an anticipated growth rate in FY 2007 of 4%.
(\$0.1 million)	Decrease in estimate of Admissions Tax Revenue from \$1.3 million to \$1.2 million based on collections to date. No growth is anticipated in FY 2007.
\$0.3 million	Increase in estimate of interest income on General Fund investments from \$5.5 million to \$5.8 million based on expected higher interest rates in FY 2007.
(\$1.5 million)	Decrease in the estimate of intergovernmental revenues from \$51.6 million to \$50.1 million. Personal property tax reimbursement reduced from \$24.5 million to \$23.6 million based on updated information from the Commonwealth. Original estimate for HB599 revenue of \$7.0 million reduced to \$6.4 million based on HB599 formula recalculation. This estimate does not assume passage of the Governor's proposal to "hold harmless" any jurisdiction that would otherwise receive less in HB599 revenues.
\$1.4 million	<b>Total</b>

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