

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 9, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 79: FY 2008 AND FY 2009 FINAL REVENUE PROJECTIONS AND ADJUSTMENTS

Annually, at the beginning of April, City staff reestimates current fiscal year and subsequent fiscal year revenues. This year, numerous changes are proposed due to the rapidly changing economic outlook that affects many City revenue sources. The results of those projections show a projected overall \$4.45 million decrease in projected FY 2009 revenue estimates and a \$2.0 million decrease in projected FY 2008 revenue estimates which will be entirely offset by \$2.0 million in projected underspending in FY 2008. This means that the negative impact of these revenue reestimates on the FY 2009 budget is \$4.45 million. The main drivers of these reestimates are:

- A sluggish economy that has affected:
 - General sales tax revenues
 - Personal property tax collections
 - General fund investments revenue from interest on City short-term investments as interest rates have declined drastically
- The declining real estate market which, although anticipated adequately in real estate tax revenue estimates, has affected recordation tax revenue more than originally estimated.

The revenue reestimates described below reflect current policies and do not reflect options presented to Council in Budget Memo #30 for changes to the City Manager's proposed 83 cent real estate tax rate and other tax rates. The process of reestimating revenues, however, has identified one change in the potential impact of a 1.0% increase in the transient lodging occupancy tax rate described in Budget Memo #30. Staff now estimates the impact of such a change rate increase to be \$1.6 million per 1.0% rather than the prior \$1.2 million estimate.

The FY 2008 and FY 2009 revenue estimates in the Proposed FY 2008 budget document were

based on revenues and trends through December 2007. The latest estimates are based on revenue collections through March 2008. Staff will continue to monitor actual revenues and adjust monthly the 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 2009 revenue estimates have been changed as detailed on the next pages. These revenue adjustments will be reflected on the final Add/Delete list.

FY 2008 Revenue Adjustments

FY 2008 Revenue Adjustment	Description - Taxes
-\$0.4 million	Decrease in Local Sales tax from \$25.0 million to \$24.6 million due to continued trend of declining retail sales, as well the one-time repayment to Fairfax County of \$0.4 million for sales tax collected from businesses with an Alexandria address which are actually located in Fairfax County.
+\$0.1 million	Increase in Utilities tax from \$10.2 million to \$10.3 million due to higher YTD collections through March compared to original estimates.
-\$0.3 million	Decrease in Bank Franchise tax from \$1.6 million to \$1.3 million due to Countrywide Bank's status change as approved by the State that no longer requires them to pay Bank Franchise tax to any locality in Virginia.
+\$0.1 million	Increase in Motor Vehicle License taxes from \$3.1 million to \$3.2 million due to higher YTD collections compared to original estimates.
-\$0.6 million	Decrease in Recordation taxes from \$5.7 million to \$5.1 million tax due to a lower volume of real estate transactions through March compared to original estimates.
-\$0.2 million	Decrease in Cigarette taxes from \$2.9 million to \$2.7 million due to lower YTD collections through March compared to original estimates.
+\$0.1 million	Increase in Transient Lodging revenues from \$8.6 million to \$8.7 million due to opening of several high end hotels in the City and YTD collections through March compared to original estimates.
+\$0.1 million	Increase in Restaurant tax from \$10.7 to \$10.8 million due to higher YTD collections through March compared to original estimates.
+\$1.0 million	Increase in recognized real estate tax revenues from \$282.3 million to \$283.3 million due to the projection of less risk of tax refunds in court cases.
-\$1.3 million	Decrease in Personal Property Tax revenues from \$34.95 million to \$33.7 million due in part to fewer consumer purchases of new cars, lower car values driven in part by higher fuel costs and lower values of business equipment than originally projected.
	Description – Fees & Other
-\$0.1 million	Decrease in Residential Parking Permit revenues from \$0.3 million to \$0.2 million due to lower YTD collections through March compared to original estimates.
+\$0.2 million	Increase in Court Fines from \$0.8 million to \$1.0 million due to higher YTD collections through March compared to original estimates.

+\$0.2 million	Increase in Indirect Costs from \$0.4 million to \$0.6 million due to higher YTD billings through March compared to original estimates.
-\$0.5 million	Decrease in Clerk Fees due from \$1.0 million to \$0.5 million due to lower YTD collections through March compared to original estimates.
+\$0.4 million	Increase in Ambulance Fees from \$1.1 to \$1.5 million due to higher YTD collections through March compared to original estimates. The magnitude of this increase reflects a review by the City and the billing contractor of processes and procedures, and implementation of new procedures which have resulted in increased fee collections.
-\$0.1 million	Decrease in Parking Meter Receipts from \$1.2 million to \$1.1 million due to lower YTD collections through March compared to original estimates.
-\$0.2 million	Decrease in Classes Receipts from \$0.5 million to \$0.3 million due to lower YTD collections through February compared to original estimates.
+0.1 million	Increase in Sale of Recyclables from \$0.2 million to \$0.3 million due to higher YTD collections through March compared to original estimates.
-\$0.3 million	Decrease in interest on General Fund Investments from \$5.5 million to \$5.2 million due to falling interest rates as a result of the sluggish economy.
-\$0.3 million	Decrease in proceeds from sale of Impound Lot vehicles from \$0.5 million to \$0.2 million based on a technical correction of a previous estimate.
-\$2.0 million	Total Change

FY 2009 Revenue Adjustments

FY 2009 Revenue Adjustment	Description-Taxes
-\$1.0 million	Decrease in Local Sales tax revenue from \$25.0 million to \$24.0 million due to lower collections through March than original estimates and a sluggish economy.
+\$0.3 million	Increase in Utilities revenue from \$10.4 million to \$10.7 million based on higher YTD revenues than originally estimated. Utility usage appears to be unaffected by the sluggish economy. Growth is expected to continue at about the rate of inflation.
-\$0.3 million	Decrease in Bank Franchise tax revenue from \$1.6 million to \$1.3 million due to a change in the status of Countrywide Bank which no longer requires it to pay Bank Franchise tax revenues to the City.
+\$0.1 million	Increase in Motor Vehicles License Tax from \$3.1 million to \$3.2 million. Increase is based on higher YTD collections through March than originally estimated.
-\$0.9 million	Decrease in Recordation Tax from \$5.6 million to \$4.7 million due to a much lower volume of real estate transactions through March compared to original estimates. Weakness in the real estate market is expected to continue into FY 2009.
-\$0.2 million	Decrease in Cigarette Tax revenues from \$2.9 million to \$2.7 million due

	to lower collections through March compared to original estimates.
+\$0.2 million	Increase in the Transient Lodging Tax revenues from \$9.7 million to \$9.9 million due to the opening of some high end hotels in the City and higher YTD collections through March compared to original estimates.
+\$0.2 million	Increase in Restaurant taxes from \$11.1 million to \$11.3 million due to higher YTD tax revenues through March compared to original estimates.
-\$0.1 million	Decrease in Admissions Tax from \$1.1 million to \$1.0 million due to lower collections through March compared to original estimates.
-\$1.25 million	Decrease in Personal Property Tax collections from \$34.95 million to \$33.7 million due to lower personal property tax collections, in part due to fewer consumer purchases of new cars, lower car valuation driven in part by higher fuel costs, as well as lower business equipment values than originally projected..
	Description – Fees and Other
+\$0.2 million	Increase in Court Fines from \$0.8 million to \$1.0 million due to higher YTD collections through March compared to original estimates.
+\$0.2 million	Increase in Indirect Costs from \$0.4 million to \$0.6 million due to higher YTD billings through March compared to original estimates.
+\$1.2 million	Increase in Sheriff’s Compensation Board reimbursement from \$4.2 million to \$5.4 million. This increase includes the restoration of \$1.0 million in federal per diem reimbursement (which would have been taken from Comp Board Revenues.) contained in the Governor’s final budget and a projected increase of approximately 2.8% in Comp Board revenues.
+\$0.1 million	Increase in Compensation Board reimbursement to Finance Department from \$0.6 million to \$0.7 million.
-\$1.1 million	The Governor’s final budget includes a reduction of \$50 million in State aid to local governments in both FY 2009 and FY 2010, of which the City of Alexandria’s share is estimated at \$1.1 million. This revenue reduction was not included in the Proposed Budget but was explained in detail in Budget Memo #22 when it was expected that the potential reduction might be as much as \$1.5 million to \$1.6 million of total State aid. That estimate was reduced to \$1.3 million as outlined in Budget Memo #32 on March 17. The final \$1.1 million estimate was provided by the State on April 4.
-\$0.5 million	Decrease in Clerk Fees from \$1.0 million to \$0.5 million based on lower YTD estimates through March than original estimates.
+\$0.4 million	Increase in Ambulance Transport Fees from \$1.5 million to \$1.9 million due to higher YTD collections through March compared to original estimates.
+\$0.1 million	Increase in Sales of Recyclables from \$0.2 million to \$0.3 million based on higher YTD billings through March compared to prior estimates.
-\$1.9 million	Decrease in interest on General Fund Short-term Investments from \$5.0 million to \$3.1 million due to Federal Reserve Board driven lower interest rates in order to stimulate the economy. This estimate projects these lower interest rates will continue through FY 2009.

-\$0.3 million	Decrease in proceeds of sale on impound lot vehicle revenues from \$0.5 million to \$0.2 million based on a technical correction of a previous estimate.
-\$4.45 million	Total Change