

*City of Alexandria, Virginia*

MEMORANDUM

DATE: APRIL 10, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: BUDGET MEMO # 21 : REQUEST FOR EXPLANATION OF THE VARIANCE IN THE PROPOSED FY 2003 REVENUE PROJECTIONS FOR ALCOHOLIC BEVERAGE CONTROL TAXES, OTHER STATE AID, AND FEDERAL PRISONER PER DIEM (MAYOR DONLEY'S REQUEST).

This memorandum is in response to Mayor Donley's request relating to the rationale for the FY 2003 projections for Alcoholic Beverage Control (ABC) tax, Other State Aid, and Federal Prisoner Per Diem revenues.

The table below provides information for FY 2001, FY 2002 and FY 2003 on revenue from ABC taxes, Other State Aid, and Federal Prisoner Per Diem payments.

	<b>FY 2001 Actual</b>	<b>FY 2002 Approved</b>	<b>FY 2002 Projected</b>	<b>FY 2003 Proposed</b>
Wine Taxes and Alcoholic Beverage Control Taxes	\$474,877	\$462,000	\$330,000	\$330,000
Other State Aid	\$1,021,098	\$794,000	\$849,000	\$849,000
Federal Prisoner Per Diem	\$4,439,898	\$3,940,000	\$4,800,000	\$4,000,000

### Alcoholic Beverage Control Tax

The original ABC tax revenue projection for FY 2002, and the proposed revenue for FY 2003, shown in the table, were based on a State formula used to allocate a portion of ABC profits to localities. We reduced this projection in the proposed budget by \$132,000 in FY 2002 (from what was originally budgeted) and by the same amount in FY 2003 primarily because of a decision by the State to increase the amount of ABC tax profits that will be transferred to fund expenses incurred for the care, treatment, study and rehabilitation of alcoholics by the State Department of Mental Health, Mental Retardation and Substance Abuse Services. However, no comparable increase is apparent in the State's MH/MR/SA budget, and it is presumed that most of this transferred ABC profit is supporting the State's General Fund budget.

### Other State Aid

The table below provides detailed estimates in the City's General Fund for revenue from the category labeled "Other State Aid" which is, in effect, a miscellaneous State aid category.

<b>Other State Aid</b>	<b>FY 2001 Actual</b>	<b>FY 2002 Approved</b>	<b>FY 2002 Projected</b>	<b>FY 2003 Proposed</b>
Other payments in lieu of taxes	\$119,755	\$125,000	\$120,000	\$120,000
Motor vehicle rental in lieu of taxes	694,818	590,000	700,000	700,000
Motor vehicle carriers taxes	25,713	29,000	26,000	26,000
Extradition travel reimbursement	3,161	6,000	3,000	3,000
Other categorical	173,151			
Other shared expenditures	4,500			
<b>Total</b>	<b>\$1,021,098</b>	<b>\$750,000</b>	<b>\$849,000</b>	<b>\$849,000</b>

Other State Aid revenues projected for FY 2002 and the amount budgeted for in FY 2003 reflect actual revenues received in FY 2001, less "one-time" categorical revenue amounts that are not expected to re-occur or, if they do, will likely have an offsetting new expenditure. This revenue

category traditionally fluctuates greatly because of the unpredictable nature of the various sources and because staff do not budget for some of the smaller amounts that are received on an irregular basis. The primary sources of revenue included under Other State Aid (using FY 2001 actuals) are other payments in lieu of taxes, which are made by the Alexandria Redevelopment and Housing Authority, and daily rental fees (\$694, 818) which are received from leased vehicles instead of personal property taxes. The remaining \$28,874 comes from Motor Vehicle Carriers Tax (\$25,713) which is a public service tax on common carriers, and Extradition Travel Reimbursement (\$3,161).

**Federal Prisoner Per Diem**

The FY 2003 Federal Prisoner Per Diem revenue projection was based on actual federal contract monies received to detain federal prison inmates in FY 2001. The City/federal contract calls for a minimum average of 100 beds (@\$93.92/day X 365 days) for a total revenue of \$3.4 million. In FY 2001, however, an unexpected 130 federal prison inmates per day were temporarily detained for a total revenue of \$4.4 million. FY 2002 projected revenues, based on the federal population to date and collections to date, are expected to exceed the budgeted amount by \$0.9 million. Due to the special circumstances surrounding the current high profile occupants of the detention center, the Sheriff states that the City may be unable to supply as many beds to the federal government in FY 2003 and therefore may only receive \$4.0 million (which is what the FY 2003 proposed budget assumes). Projecting revenues in this category for FY 2003 is speculative. However, because the FY 2003 budget assumes that the \$524,000 cost to provide enhanced security at the Public Safety Center will be federally reimbursed (likely but not a certainty), staff were not comfortable assuming both this federal reimbursement and higher federal prisoner revenue.

While this memorandum covers certain State revenue categories where specific information was requested, it does not cover all State revenue categories. After the release of the Governor's budget amendments on April 9 and the veto session on April 17, staff will be re-projecting State revenues.

- cc: Gene Swearingen, Director, OMB
- Kendel Taylor, OMB Analyst
- Paul Doku, OMB Analyst