

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 11, 2003
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER
SUBJECT: BUDGET MEMO # 26 : FY 2004 FINAL REVENUE ADJUSTMENTS

ISSUE: FY 2004 Revenue Adjustments.

RECOMMENDATION: That City Council approve the following FY 2004 General Fund revenue and expenditure adjustments, which result in an increase of \$1.3 million as compared to the revenue estimates outlined in the Proposed FY 2004 budget document.

In summary, the recommended revenue adjustments for FY 2004 are:

- An increase of \$1.0 million in the estimate of Real Property Tax Revenue, from \$203.2 million to \$204.2 million;
An increase of \$0.8 million in the estimate of Business License Tax Revenue, from \$22.8 million to \$23.6 million;
An increase of \$0.4 million in the estimate of Recordation Taxes, from \$1.5 million to \$1.9 million;
A decrease of \$0.3 million in the estimate of Meals Sales Tax, from \$9.1 million to \$8.8 million;
An increase of \$0.6 million in sanitary sewer use fee revenues from \$1.1 million to \$1.7 million in order to cover sanitary sewer debt service budgeted for FY 2004 in the General Fund; and
A decrease of \$1.2 million in the estimate of Revenue from the Use of Money and Property (i.e., interest rate earnings on investments).

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

**DISCUSSION:** The FY 2004 revenue estimates in the Proposed FY 2004 budget document were based on actual revenues and trends through December 2002. Staff continues to monitor actual revenues and adjusts 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 2003 (January, February and March), the FY 2004 revenue estimates are recommended to be adjusted as follows:

- An increase of \$1.0 million in the estimate of Real Property Tax Revenue, from \$203.2 million to \$204.2 million. FY 2004 revenues have been increased from the previous projections to reflect an increase in the collection rate from 49% to 49.25%, based on actual collections in FY 2003 resulting in \$1 million in additional revenues for FY 2004.
- An increase of \$0.8 million in the estimate of Business License Tax Revenue, from \$22.8 million to \$23.6 million, to reflect revised projections based on revenues received through March 31, 2003. The revenues in the FY 2004 proposed budget were projected prior to the primary business license tax due date of March 1.
- An increase of \$0.4 million in the estimate of Recordation Tax Revenues, from \$1.5 million to \$1.9 million, to reflect revised projections based on revenues received through March 31, 2003.
- An increase of \$0.6 million in sanitary sewer use fee revenues. In planning for the funding of the increase in sanitary sewer capital expenditures in FY 2004, \$1.1 million in revenues from the proposed 20-cent sanitary sewer rate increase were unintentionally omitted. To remedy that situation, some \$600,000 of fee revenues should be counted as new FY 2004 revenue in order to cover new sanitary sewer debt service included in the proposed FY 2004 operating budget. The balance of the fee increase of \$500,000 will be counted as revenues to the capital projects fund and thereby can reduce the General Fund cash capital transfer from \$15.1 million to \$14.6 million (Budget Memo #27 ).
- A decrease of \$1.2 million in the estimate of Revenue from the Use of Money and Property from \$6.2 million to \$5.0 million, to reflect an anticipated increase in interest rates occurring later in FY 2004 than originally projected.

**NOTE:** These revenue final adjustments only cover the City government's revenues and do not cover the City School system revenues. At the work session with the Schools, the Schools indicated that they were uncertain about the final outcome of revenues, as the General Assembly Veto Session had not yet occurred. To City staff's understanding, it appears that the General Assembly Veto Session just completed did not decrease School funding for FY 2004. As a result, it appears that the Schools have an additional \$670,000 in State revenues that has not been reflected in the FY 2004 proposed School Operating Fund budget.

**FISCAL IMPACT:** The net fiscal impact of these final FY 2004 revenue adjustments is an increase in the FY 2004 General Fund revenue projections of \$1.3 million (Attachment 1). The increase in total General Fund revenues results in a decrease in the appropriation from fund balance required to balance the FY 2004 General Fund budget, from \$6.0 million to approximately \$4.7 million.

It should be noted that for FY 2003, the new revenue projections undertaken to do the new FY 2004 revenue projections total \$5.2 million higher than prior projections. Based on preliminary data for the first nine months of FY 2003, projected positive variances (i.e., revenues in excess of budget) for the year are currently projected to be \$5.7 million, including an additional \$3.0 million in current Real Property tax collections, and \$0.6 million in real property tax delinquent tax collections, \$0.4 in revenue from Penalties and Interest, \$1.0 million in Business License tax revenues and \$0.7 million in Recordation Tax revenues. The positive variances are offset somewhat by an expected decrease in Personal Property (\$0.3 million) and Meals Sales Tax (\$0.2 million) revenues based on collections through the end of March 2003. When consolidating the net changes in revenue projections covered by this memorandum for both FY 2003 (\$5.2 million) and FY 2004 (\$1.3 million), the total net change equals \$6.5 million. This has the effect of reducing the prior year funds used to balance the FY 2004 budget by \$1.3 million, as well as increasing the FY 2003-ending Undesignated Fund Balance by \$6.5 million.

**ATTACHMENTS:**

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

## Summary of Budgeted General Fund Revenues and Other Financing Sources

	FY 2002 <u>Actual</u>	FY 2003 <u>Budget</u>	FY 2003 <u>Revised</u>	FY 2004 <u>Revised</u>
<b>General Fund</b>				
<b>General property tax revenue</b>				
Real property tax	164,959,409	176,572,000	187,038,000	204,172,000
Personal property tax	38,331,453	31,184,000	30,884,000	31,684,000
Penalties and interest	<u>1,854,835</u>	<u>1,100,000</u>	<u>1,500,000</u>	<u>1,100,000</u>
<b>Total general property tax revenue</b>	<b>205,145,697</b>	<b>208,856,000</b>	<b>219,422,000</b>	<b>236,956,000</b>
<b>Other local tax revenue</b>				
Local sales tax	20,316,345	21,300,000	21,300,000	22,150,000
Utility tax	16,711,857	17,100,000	17,100,000	17,750,000
Business licenses	22,233,330	21,900,000	22,900,000	23,600,000
Motor vehicle licenses	2,285,722	2,300,000	2,300,000	2,300,000
Recordation	2,494,425	1,500,000	2,700,000	1,900,000
Tobacco	1,597,140	1,600,000	2,000,000	2,600,000
Transient lodging	5,206,418	5,250,000	5,600,000	5,900,000
Restaurant food	8,562,840	8,700,000	8,700,000	8,800,000
Other miscellaneous	<u>4,551,697</u>	<u>4,468,000</u>	<u>3,863,000</u>	<u>4,013,000</u>
<b>Total other local tax revenues</b>	<b>83,959,774</b>	<b>84,118,000</b>	<b>86,463,000</b>	<b>89,013,000</b>
<b>Non-tax revenue</b>				
Licenses, permits, and fees	3,501,475	4,000,000	3,000,000	3,000,000
Fines and forfeitures	3,931,596	3,882,000	4,000,000	4,000,000
Use of money and property	8,769,357	6,550,500	4,886,000	4,968,186
Charges for services	8,954,310	9,863,800	9,476,200	9,891,200
Intergovernmental revenues	46,601,916	45,905,800	45,668,200	45,058,200
Miscellaneous	<u>538,278</u>	<u>458,000</u>	<u>458,000</u>	<u>458,000</u>
<b>Total non-tax revenue</b>	<b><u>72,296,932</u></b>	<b><u>70,660,100</u></b>	<b><u>67,488,400</u></b>	<b><u>67,775,586</u></b>
<b>Total General Fund revenues</b>	<b>361,402,403</b>	<b>363,634,100</b>	<b>373,373,400</b>	<b>393,344,586</b>
<b>Other financing sources (uses)</b>				
Appropriation from City fund balance	0	9,816,624	9,816,624	4,695,000
Appropriation for recycling fund balance	0	471,480	310,000	583,601
<b>Total General Fund revenues and other sources</b>	<b>361,402,403</b>	<b>373,922,204</b>	<b>383,500,024</b>	<b>398,623,187</b>
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