

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 12, 2003
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER
SUBJECT: BUDGET MEMO # 29: FISCAL IMPACTS OF VARIOUS TAX RATE SCENARIOS (MAYOR DONLEY'S AND VICE MAYOR CLEVELAND'S REQUEST)

The following calculations are provided at the request of the Mayor in response to discussions by City Council at the Budget Public Hearing. Vice Mayor Cleveland has requested that additional calculations be provided.

The information requested addresses the question: What would be the real estate tax rate and what would be the fiscal impact to the proposed budget if the bill for the average taxpayer increased by 7%? by 10%? The following calculations have been undertaken using the same method the State Code requires when the effective tax rate increase is calculated for the purposes of holding the State mandated tax rate hearing. The method of calculation excludes new construction from the increase percentage calculation. The three scenarios are:

Table with 5 columns: Average Tax Bill Increase, Resulting Tax Rate, and Fiscal Impact on Budget (\$ in millions) for FY 2003, FY 2004, and TOTAL. Rows show scenarios for 7%, 10%, and 13.15% increases.

1 The fiscal impact of a reduction from \$1.08 to \$1.05 is \$2.8 million in FY 2003 and \$5.8 million in FY 2004, which totals \$8.6 million, and is already incorporated into FY 2004 revenue estimates.

Another way of calculating the “average taxpayer increase” amounts would be to define the “average taxpayer increase” as that of the average residential homeowner (i.e., single family and condominium homeowners). The following chart makes four increase calculations (7%, 10%, 15% and 21%) for the average residential taxpayer. As shown on the chart below, the fiscal impact is greater than when the “average” includes commercial properties (chart on prior page), because commercial property owner’s average assessments increased at a far lower rate than single family homes.

Average Residential Taxpayer					
Increase above 2002 Average Residential Tax Bill of \$2,680	Average Residential Tax Bill	Resulting Tax Rate	Fiscal Impact on Budget (\$ in millions)		
			FY 2003	FY 2004	TOTAL
7%	\$2,868	\$0.929	-\$11.5	-\$23.6	-\$35.1
10%	\$2,948	\$0.954	-\$9.1	-\$18.7	-\$27.8
15%	\$3,082	\$0.998	-\$5.0	-\$10.2	-\$15.2
21%	\$3,243	\$1.05	- 0 ⁻¹	- 0 ⁻¹	- 0 ⁻¹

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