

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 21, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: BUDGET MEMO # 76 : FY 2004 AND FY 2005 FINAL REVENUE ADJUSTMENTS

ISSUE: FY 2004 and FY 2005 Revenue Adjustments and FY 2005 Expenditure Adjustments

RECOMMENDATION: That City Council approve the following FY 2005 General Fund revenue and expenditure adjustments, which result in an increase of \$1.787 million as compared to the revenue estimates outlined in the Proposed FY 2005 budget document. FY 2004 revenue adjustments are discussed in the Fiscal Impact paragraph beginning on page three of this report. FY 2005 expenditure adjustments are discussed on page four.

In summary, the recommended revenue adjustments for FY 2005 are:

- An increase of \$1.6 million in the estimate of Business License Tax Revenue, from \$25.0 million to \$26.6 million;
 - An increase of \$0.3 million in the estimate of Personal Property Tax Revenue, from \$32.2 million to \$32.5 million;
 - An increase of \$0.3 million in the estimate of Transient Lodging Tax Revenue, from \$5.8 million to \$6.1 million;
 - An increase of \$0.3 million in the estimate of Restaurant Meals Tax Revenue, from \$9.325 million to \$9.625 million;
 - An increase of \$0.05 million in the estimate of Motor Vehicle License Tax Revenue, from \$2.3 million to \$2.35 million;
 - An increase of \$0.3 million in the estimate of Intergovernmental Revenues, from \$48.6 million to \$48.9 million
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- An increase of \$0.1 million in the estimate of Local Sales Tax, from \$23.0 million to \$23.1 million;
- A decrease of \$0.4 million in the estimate of Utility Tax revenue, from \$18.1 million to \$17.7 million;
- A decrease of \$0.5 million in the estimate of Other Miscellaneous Tax Revenue, from \$4.2 million to \$3.7 million;
- A decrease of \$0.063 million in the estimate of Revenue from Fines and Forfeitures, from \$4.015 million to \$3.952; and
- An increase of \$0.2 million in the estimate of Real Property Tax Revenue relieved through the City's Senior Tax Relief Program. (This is reflected as a reduction in projected revenue.)

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

DISCUSSION: The FY 2005 revenue estimates in the Proposed FY 2005 budget document were based on revenues and trends through December 2003.

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 2004 (January, February and March), the FY 2005 revenue estimates are recommended to be adjusted as follows:

- An increase of \$1.6 in the estimate of Business License Tax Revenue, from \$25.0 million to \$26.6 million. FY 2004 revenues have been increased from the previous projections to reflect actual collections to date in FY 2004 and an annual rate of increase that reflects historical trends;
- An increase of \$0.3 million in the estimate of Personal Property Tax Revenue, from \$32.2 million to \$32.5 million, to reflect an increase in current vehicle registrations in FY 2004;
- An increase of \$0.3 million in the estimate of Transient Lodging Tax Revenue, from \$5.8 million to \$6.1 million, to reflect revenues received through March 2004 and a 4 percent rate of increase for FY 2005;
- An increase of \$0.3 million in the estimate of Restaurant Meals Tax Revenues, from \$9.325 million to \$9.625 million, to reflect revenues received through March 2004, and continued growth at a rate of 4 percent;
- An increase of \$0.05 million in the estimate of Motor Vehicle License Tax Revenue; from \$2.3 million to \$2.35 million, to reflect an increase in current vehicle registrations in FY 2004;

- An increase of \$0.3 million in the estimate of Intergovernmental Revenues, from \$48.6 million to \$48.9 million, to reflect the increase in Personal Property Tax reimbursement from the State due to the increase in vehicles being registered in the City in FY 2004;
- An increase of \$0.1 million in the estimate of Local Sales Tax Revenue from \$23.0 million to \$23.1, to reflect actual receipts through March 2004. A rate of increase of 4 percent is projected for FY 2005;
- A decrease of \$0.4 million in the estimate of Utility Tax Revenue, from \$18.1 million to \$17.7 million, to reflect actual receipts through March 2004. The rate of growth is still expected to be 2.5 percent in FY 2005, but from a lower FY 2004 base;
- A decrease of \$0.5 million in the estimate of Other Miscellaneous Tax Revenue, from \$4.2 million to \$3.7 million, to reflect revenues received through March 2004. (The loss in this category is entirely attributable to a decline in FY 2004 revenue received in Bank Franchise Fees.);
- A decrease of \$0.06 million in the estimate of Fines and Forfeitures, from \$4.015 million to \$3.952 million, to reflect for revenue from red light camera violations based on revenues received in FY 2004 to date; and
- An increase of \$0.2 million in the estimate of Real Property Tax Revenue exempted through the City's Senior and Disabled Tax Relief Program, to reflect actual program experience in Calendar Year (CY) 2003 and application activity in CY 2004. (This is reflected as a reduction of revenue.)

FISCAL IMPACT: The net fiscal impact of these final FY 2005 revenue adjustments is an increase in the FY 2005 General Fund revenue projections of \$1.787 million. The increase in total General Fund revenues results in a decrease in the appropriation from fund balance required to balance the FY 2005 General Fund budget, from \$3.825 million to approximately \$2.038 million.

In addition, new revenue projections FY 2004 total \$1.535 million higher than prior projections of \$10.9 million. Based on preliminary data for the first nine months of FY 2004, projected positive variances (i.e., revenues in excess of budgeted revenues) are currently projected to be \$2.498 million, including an additional \$0.098 million in Real Property tax revenues, \$0.3 million in Personal Property tax revenues, \$0.6 million in Business License tax revenues and \$0.6 million in Recordation Tax revenues, \$0.2 million in Transient Lodging tax revenues, \$0.3 million in Restaurant Meals tax revenues, \$0.05 million in Motor Vehicle License tax revenues \$0.05 million in Local Sales Tax revenues and \$0.3 million in Intergovernmental revenues. These positive variances are offset by an expected decrease in Utility Tax (\$0.4 million), Fines and Forfeitures (\$0.063 million) and Other Miscellaneous Tax (\$0.5 million) revenues based on collections through the end of March 2004.

This \$1.535 million increase in projected net revenue for FY 2004 adds to the FY 2004 year-end fund balance. Combining this increase with the \$1.787 increase in fund balance arising from the increased revenue projected for FY 2005, results in a \$3.322 increase in FY 2005 year-end unreserved fund balance beyond that projected when the FY 2005 proposed budget was prepared.

FY 2005 EXPENDITURE ADJUSTMENTS: On the expenditure side of the FY 2005 operating budget there need to be two off-setting adjustments. First, the Sheriff and Emergency Response Technician defined contribution retirement program can reflect a \$0.2 million savings. So that the City's total overall contribution remains the same, which is the City's longstanding policy, the City's share of the Sheriff and ERT defined contribution plan decreases from 13.1 percent of salary to 11.35 percent (1.75 percent) as a counterbalancing adjustment against the VRS increase of 0.75 percent in the City share of the basic retirement plan and 1.00 percent in the City supplemental retirement plan (1.75 percent). Second, there is a likely increase of \$0.2 million in the WMATA operating subsidy charge to the City that was not known when the budget was proposed. However, this adjustment will not be known with certainty until a date after the first Council Add-Delete work session on April 26. If this adjustment turns out not to be necessary, we remind Council of the possibility of considering an \$0.2 million increase to the DHS budget to fund the increased cost of maintaining the status quo of the Campagna Kids program, as described in Budget Memo #24.

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 2003 <u>Actual</u>	FY 2004 <u>Budget</u>	FY 2004 <u>Revised</u>	FY 2005 <u>Proposed</u>	FY 2005 <u>Revised</u>
General Fund					
General property tax revenue					
Real property tax	186,431,815	201,043,402	208,055,489	231,009,776	230,809,776
Personal property tax	30,745,961	31,684,000	31,575,000	32,191,000	32,491,000
Penalties and interest	<u>1,761,586</u>	<u>1,100,000</u>	<u>1,600,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Total general property tax revenue	218,939,362	233,827,402	241,230,489	264,700,776	264,800,776
Other local tax revenue					
Local sales tax	21,216,124	22,150,000	22,200,000	23,000,000	23,100,000
Utility tax	17,108,507	17,750,000	17,250,000	18,100,000	17,700,000
Business licenses	23,679,889	23,600,000	24,989,000	25,000,000	26,600,000
Motor vehicle licenses	2,313,054	2,300,000	2,350,000	2,300,000	2,350,000
Recordation	3,262,783	1,900,000	3,200,000	2,600,000	2,600,000
Tobacco	2,083,135	2,600,000	2,600,000	2,600,000	2,600,000
Transient lodging	5,241,018	5,900,000	5,860,000	5,800,000	6,100,000
Restaurant food	8,792,704	8,800,000	9,355,000	9,325,000	9,625,000
Other miscellaneous	<u>4,422,634</u>	<u>4,013,000</u>	<u>3,612,500</u>	<u>4,167,500</u>	<u>3,667,500</u>
Total other local tax revenues	88,119,848	89,013,000	91,416,500	92,892,500	94,342,500
Non-tax revenue					
Licenses, permits, and fees	2,902,316	3,000,000	2,973,000	3,261,000	3,261,000
Fines and forfeitures	3,939,648	4,000,000	3,902,000	4,015,000	3,952,000
Use of money and property	5,246,678	4,968,186	4,430,000	4,615,500	4,615,500
Charges for services	9,178,249	9,891,200	9,805,200	10,507,700	10,507,700
Intergovernmental revenues	46,755,220	45,058,200	48,441,400	48,603,400	48,903,400
Miscellaneous	<u>1,475,275</u>	<u>453,598</u>	<u>430,000</u>	<u>430,000</u>	<u>430,000</u>
Total non-tax revenue	<u>69,497,386</u>	<u>67,371,184</u>	<u>69,981,600</u>	<u>71,432,600</u>	<u>71,669,600</u>
Total General Fund revenues	376,556,596	390,211,586	402,628,589	429,025,876	430,812,876
Other financing sources (uses)					
Appropriations from fund balances					
City Fund Balance	0	6,000,000	6,000,000	3,825,000	2,038,000
Open Space Fund	0	953,000	953,000		
Recycling Fund Balance	<u>0</u>	<u>583,601</u>	<u>564,323</u>		
Total General Fund revenues and other sources	<u>376,556,596</u>	<u>397,748,187</u>	<u>410,145,912</u>	<u>432,850,876</u>	<u>432,850,876</u>