City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 3, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 33: FY 2007 AND FY 2008 FINAL REVENUE PROJECTIONS AND ADJUSTMENTS

Annually, at the beginning of April, City staff reprojects current fiscal year and subsequent fiscal year revenues. The results of those projections show a projected overall $3.5 million increase in projected revenues for FY 2008. No net change is estimated for FY 2007.

City staff estimates an increase of $3.5 million in FY 2008 revenue estimates compared to the revenue estimates outlined in the Proposed FY 2008 budget document. The largest two changes for FY 2008 are a $1.1 million increase in federal government prisoner per diem payment revenues and a $1.9 million increase in real estate revenues from changing the prior estimate of a 0% increase in the calendar year 2008 real estate tax assessments to a 1.4% increase. This projected increase derives entirely from commercial assessments as well as new construction. No net change to total FY 2007 revenues is shown in the FY 2007 Revenue Adjustments table on page two of this report, although individual estimates have changed. The FY 2007 adjustments described below reflect current policies and do not reflect options presented to Council in Budget Memo #14 for changes to the City Manager's proposed 81.5 cent real estate tax rate and other tax rates.

The FY 2007 and FY 2008 revenue estimates in the Proposed FY 2007 Budget document were based on revenues and trends through December 2006. The latest estimates are based on revenue collections through the first half of March 2006. 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 the first half of March, the FY 2008 revenue estimates are recommended to be adjusted as listed on the next pages. These revenue adjustments will be reflected on the final Add/Delete list.

One item of major remaining concern is the fact that the initial revenues from the statewide just-implemented 5% telecommunications tax are coming in significantly under the State's prior projections. This may be a collection and reporting ramp-up problem, so no reduction in the previously projected FY 2007 and FY 2008 revenues is proposed at this time. However, this situation (which is a statewide issue) will continue to be monitored to see if a reduction in projected FY 2007 and FY 2008 revenues should be made prior to the FY 2008 budget adoption May 7.

FY 2007 Revenue Adjustments

FY 2007 Revenue Adjustment	Description
-$0.2 million	Decrease in Bank Franchise Fee from $1.8 million to $1.6 million is based on lower than expected year to date collections compared to FY 2006.
-$0.1 million	Decrease in Transient Lodging Tax from $7.8 million to $7.7 million is based on lower than expected occupancy rates for FY 2007.
TBD	Communications Sales and Use Tax. Initial telecommunications revenues from the recently implemented 5% tax are coming in significantly lower than the State's prior projections. This may be a ramp-up problem, so no reduction in previously projected revenues is proposed at this time.
+$0.4 million	Increase in Intergovernmental Revenues from $51.6 million to $52.0 million is due to an increase in State Compensation Board revenues ($220,000) from additional reimbursement claimed for Sheriff's deputies and the correction of a technical error, and renegotiation of a contract with Federal government increasing the number of guaranteed beds for Federal prisoners and daily reimbursement rate ($190,000). This doesn't include newly negotiated gradual Federal repayment of jail construction costs of $40,000 in FY 2007 which will be allocated for jail capital improvements in the CIP.
-$0.1 million	Decrease in Interest on General Fund Investments from $7.0 million to $6.9 million due to slightly lower than expected returns for the first half of 2007.
+$0.0 million	**Total Change**

FY 2008 Revenue Adjustments

FY 2008 Revenue Adjustment	**Description**
+1.9 million	Increase in Real Property Tax revenues from $271.2 million to $273.1 million based on reprojection of CY 2008 real estate assessments of 0% appreciation for single family, -5.0% for condominiums, +5.0% for multi-family rentals, +2.4% for office /general commercial, 0% for non-locally assessed property, and 1.2% for new construction. This results in a total projected 1.4% increase in the 2008 real estate tax base.
-$0.2 million	Decrease in Bank Franchise Fee from $1.8 million to $1.6 million is based on lower than expected collections to date in FY 2007.
+$0.3 million	Increase in Transient Lodging tax from $8.3 million to $8.6 million is based primarily on expected new revenues from the Westin Hotel, scheduled to open in November 2007.
-$0.2 million	Decrease in Restaurant Food from $10.6 million to $10.4 million is based on slowing rates of growth of tax collection in this area in recent years, reducing the projected increase in FY 2008 from 3.9% to 2.2%.
TBD	Communications Sales and Use Tax. Initial telecommunications revenues from the recently implemented 5% tax are coming in significantly lower than the State's prior projections. This may be a ramp-up problem, so no reduction in previously projected revenues is proposed at this time.
+$1.7 million	Increase in Intergovernmental Revenues from $51.5 million to $53.2 million due to additional reimbursement from the State Compensation Board ($450,000) based on a one percentage point higher than expected state salary increase, additional reimbursement claimed for Sheriff's deputies, and the correction of a technical error, updated HB599 revenue estimate from state ($110,000), renegotiated contract with the Federal government increasing the number of guaranteed beds for Federal prisoners and daily reimbursement rate ($1.1 million). This does not include the newly negotiated Federal gradual repayment of jail constructions costs ($215,000 in FY 2008) which will be allocated for jail capital improvements in the CIP.
+$0.2 million	Increase in Interest on General Fund investments from $6.5 million to $6.7 million due to higher recent inflation numbers that have reduced the previously estimated significant reduction of interest rates.
-$0.2 million	Sale of Impound Lot Vehicles. The impound lot is proposed to be closed, and as a result, those vehicle sale funds which would be used to offset the costs of the contract for running the vehicle impound activity would no longer be earned by the City
+$3.5 million	**Total Change**