

W.S.
2-13-08



FY 2009 Budget Work Session

Taxes, Fees, and Other Revenues

February 13, 2008

Revenues Overview

Assuming no change in the real property tax rates, total FY 2009 General Fund revenues are expected to increase 2.9%.

FY 2008 projected revenues at this time appear to be almost unchanged from the FY 2008 Approved Budget.

Millions of Dollars

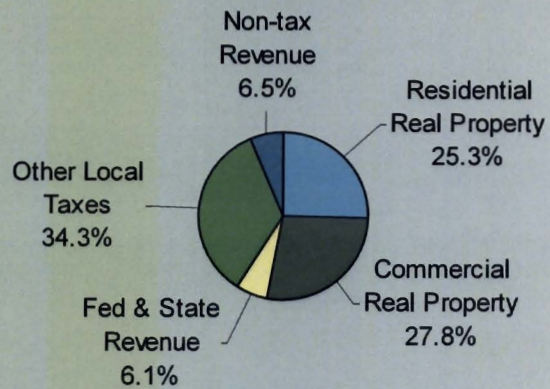
	FY 2008 Approved	FY 2008 Projected	FY 2009 Proposed	%Change 08 Approved/ 09 Proposed*
Real Property Taxes	\$278.2	\$282.3	\$288.3	3.7%
Other taxes	153.7	151.5	154.6	0.6%
Non-tax revenue	31.2	29.5	32.9	5.5%
Federal & State Revenue	53.2	53.3	52.3	-1.5%
Prior Year Surplus & Transfers	3.3	3.9	6.6	100.7%
Total	\$519.5	\$520.4	\$534.8	2.9%

* The total change from FY 2008 Projected Revenues is 2.8%

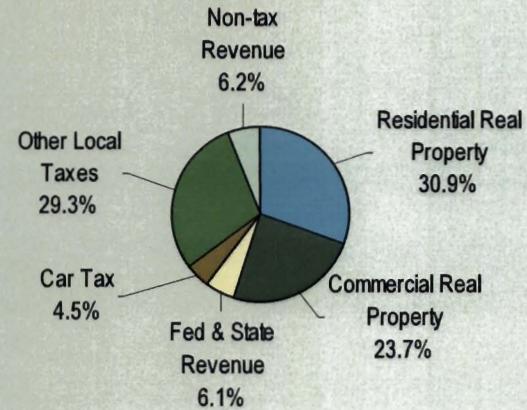


Revenues Overview

FY 1991 General Fund Revenue
\$221.7 million*



FY 2009 General Fund Revenue
\$528.2 million*



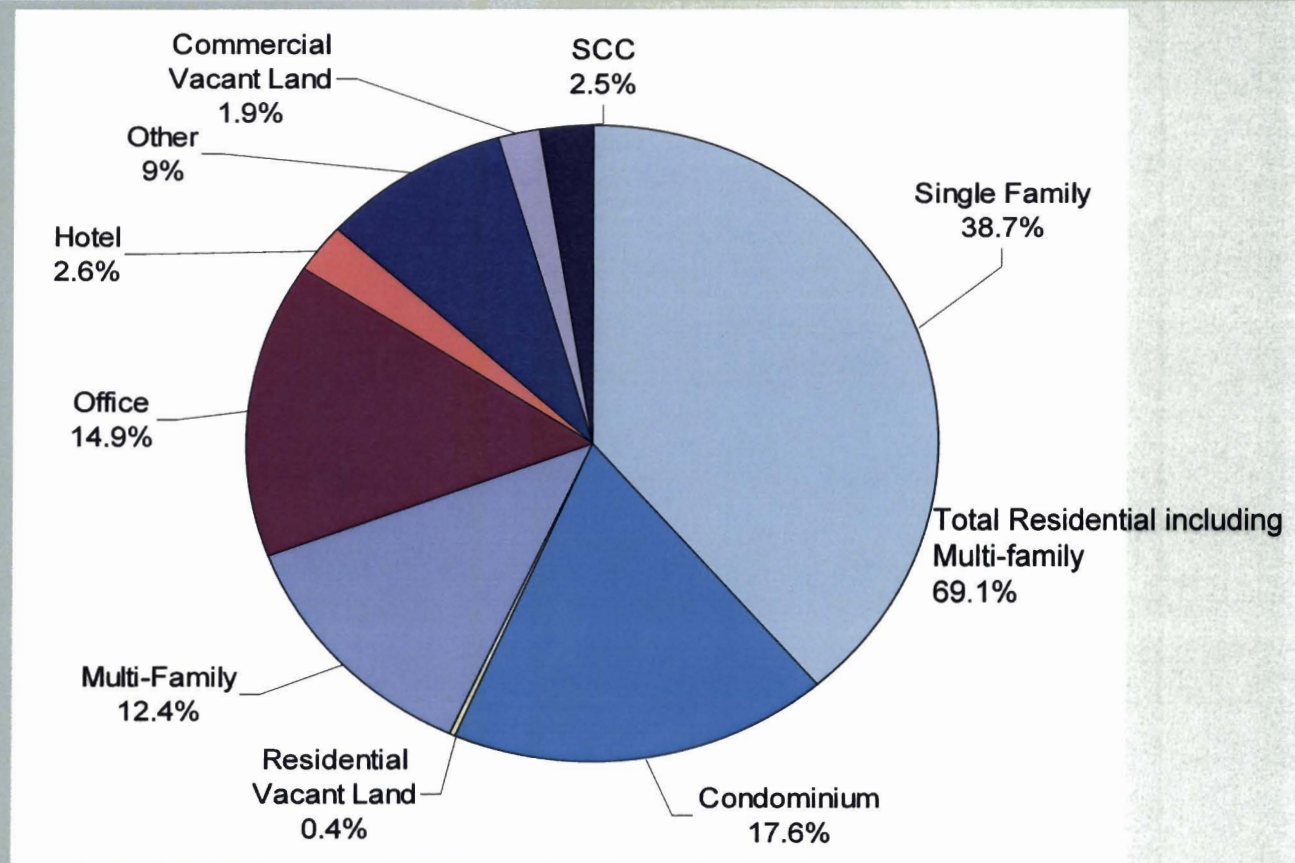
CY 2008 Overall Real Property Assessment Changes

- Real Property assessment increased 4.02% or \$1.37 billion
- 68% was due to appreciation (\$941.0m)
- 32% was new construction (\$433.5m)

CY 2008 Overall Changes (cont'd)

- Residential Tax Base = -1.1%
- Commercial Tax Base = +12.1%
- SCC Tax Base = +4.5%
- New Growth = +1.27% or \$433.5m

Real Estate Tax Base

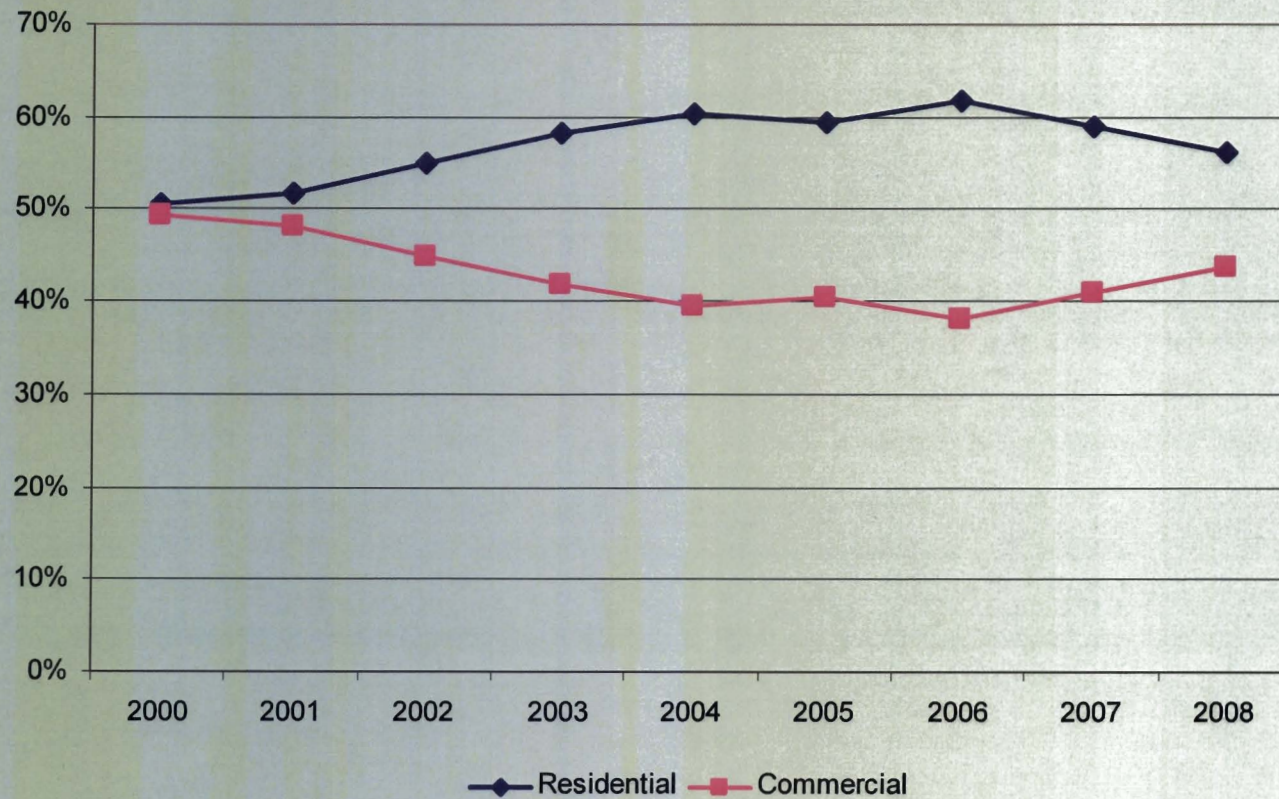


Taxes, Fees, and Other Revenues



Real Estate Tax Base Distribution

CY 2000 to CY 2008



Taxes, Fees, and Other Revenues

CY 2008 RESIDENTIAL PROPERTY

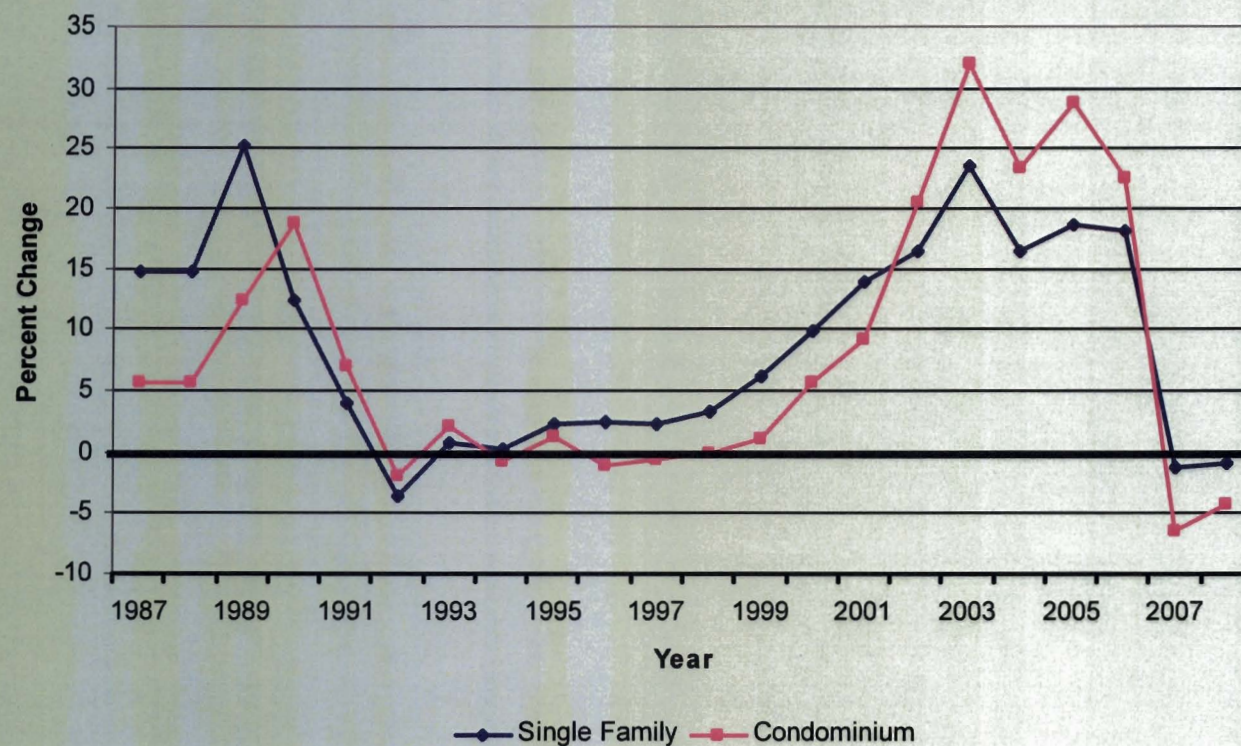
Residential properties decreased by 1.1%

Avg. SF & Condo = \$498,670 = - 1.9%

Avg. SFD = \$656,984 = - 0.86%

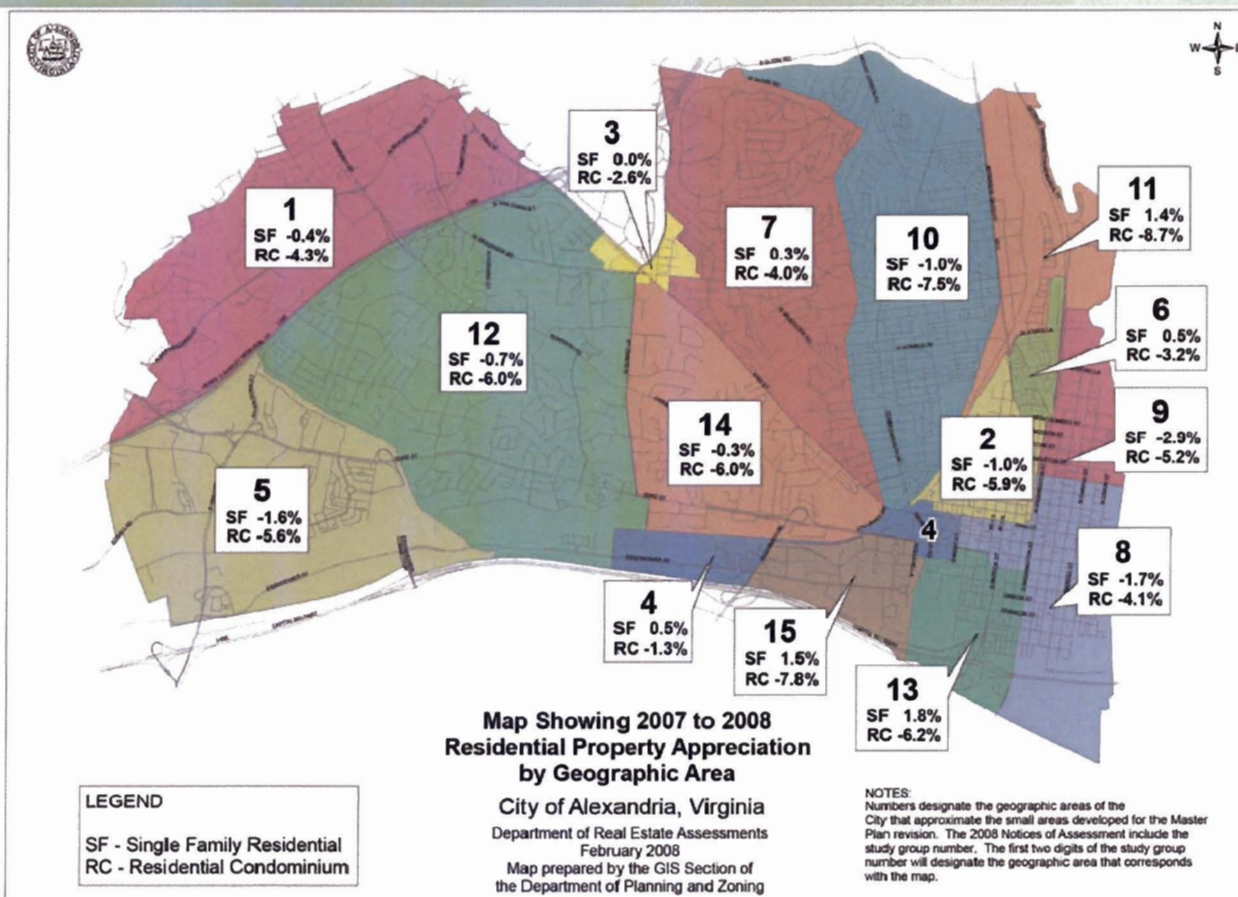
Avg. Condo = \$326,026 = - 4.3%

Percentage Change in Residential Assessed Value

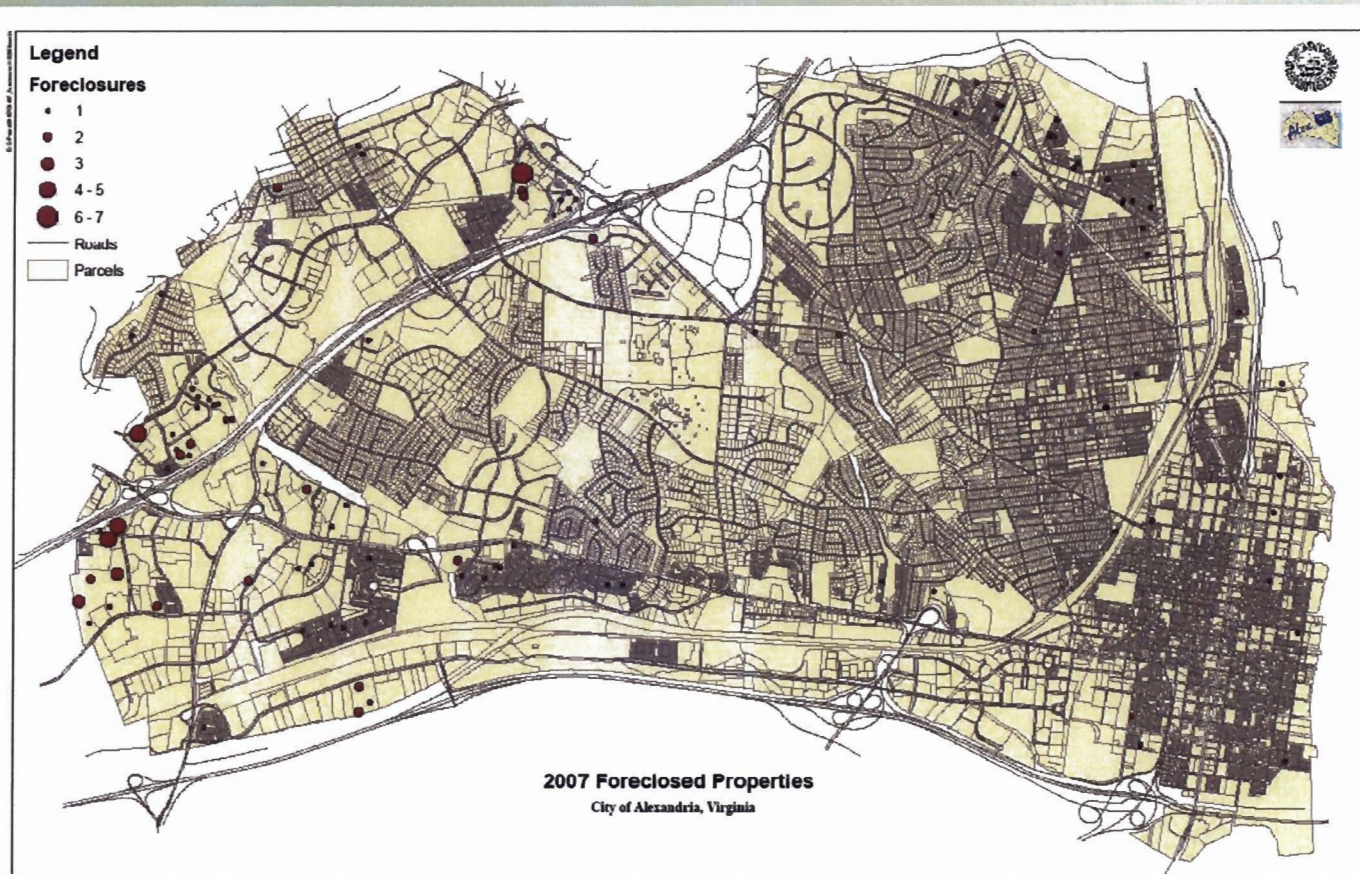


Taxes, Fees, and Other Revenues

Map Showing 2007 to 2008 Residential Property Appreciation by Geographic Area



Foreclosure Map

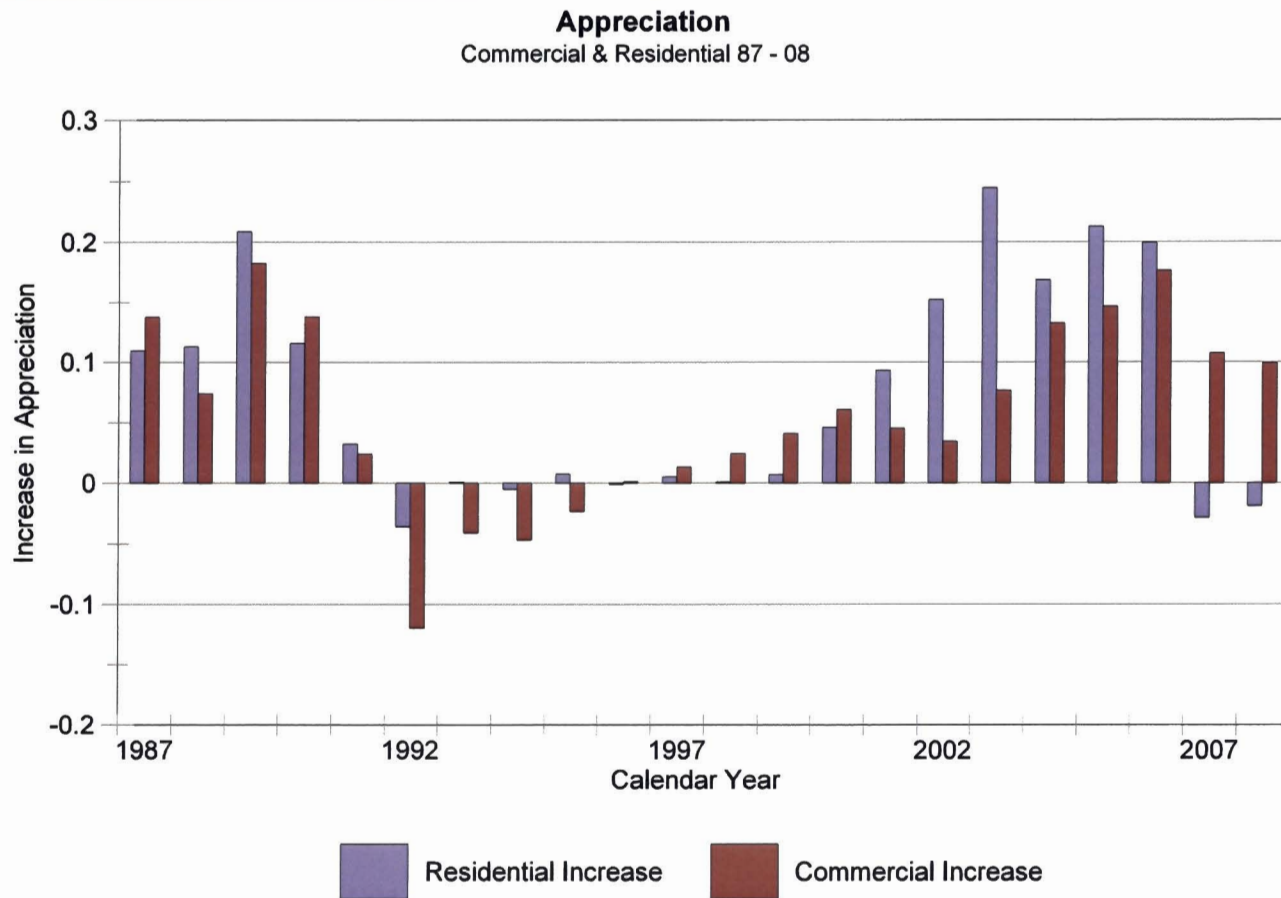


CY 2008

Commercial Property

- Commercial tax base increased 12.1%
- Commercial properties increased 9.95% on average (Hotels 16.8%; Office up 13.5%)
- New construction = \$276.2

Commercial and Residential Appreciation 1987-2008



Effects of Capitalization Rate Changes to Tax Base

- 182 properties valued over \$10m account for 19.1% of the total tax base; or 46.8% of commercial tax base
- Average value = \$37,325,900
- Commercial values may be calculated by
Income/Capitalization Rate = Value
- $IRV = \frac{\text{Income (I)}}{\text{Rate (R) or Value (V)}}$

Examples of Capitalization Rate Calculations

- Avg Net Income Avg Property = \$2,239,555 (I)
 - Cap Rate @ 6% (R)
 - Value Estimate = \$37,325,900 (V)

- Cap Rate Increase of 50 basis points, or .5%
 - Net Income = \$2,239,555 (I)
 - Cap Rate @ 6.5% (R)
 - Values Estimate = \$34,454,700

Reflects a value reduction of -7.7%

Cap Rate Example Continued

- Cap Rate Increase of 100 basis points, or 1.0%
 - Net Income \$2,239,555 (I)
 - Cap rate @ 7.0% (R)
 - Value Estimate = \$31,993,600

Reflects a value reduction of 14.3%

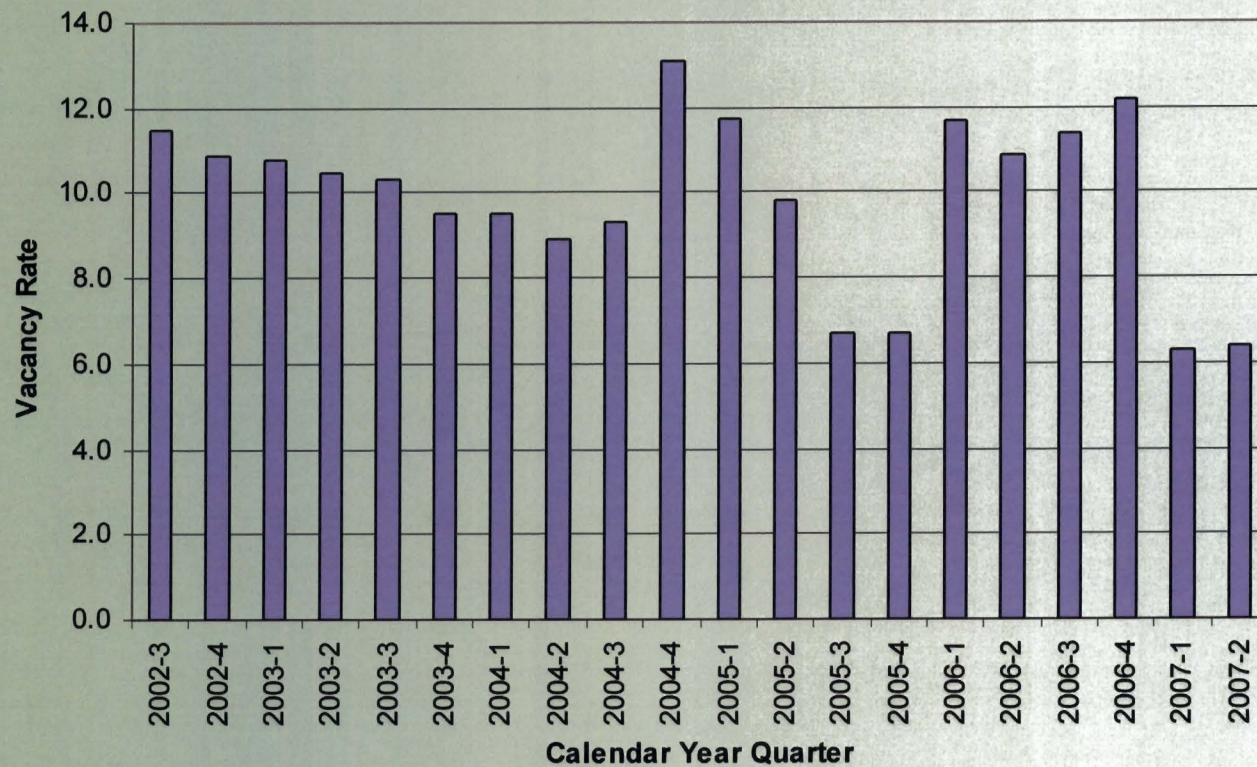
Impact of Capitalization Rates on Current Tax Base

- If 46.8% of Commercial Tax Base declined by:
 - 6.5% Rate
Results in -7.7% or loss \$524 million
 - 7.0% Rate
Results in -14.3% or loss \$974 million

2009 Early “Crystal Ball”

- Existing Residential flat to possible slight increase
- Existing Commercial flat to decline
- Some new construction – less than “Carlyle Years”
- Final Conclusion - \$0 change to 2008 Real Property Tax Base

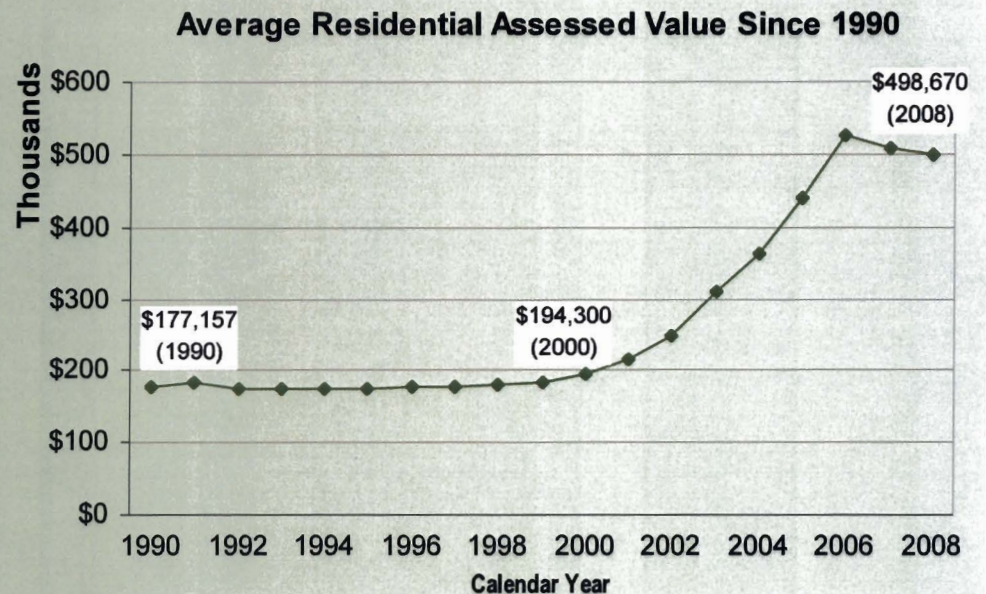
Office Vacancy Rates



Values of Residential Property

Afer remaining mostly flat during the 1990's, between 2000 and 2006 the average assessed value of a home in Alexandria increased two and one half times.

The average assessed value declines 2.9% in CY 2007 and another 1.9% in CY 2008.

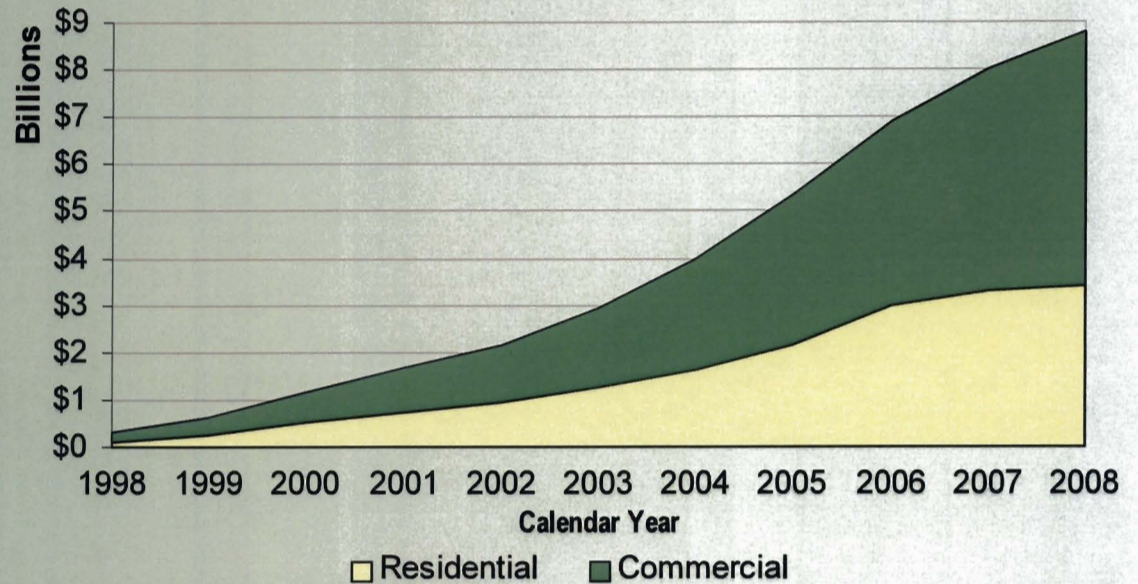


New Construction

A significant portion of the total 4.0% increase in the total overall value of real property is due to new construction in Alexandria.

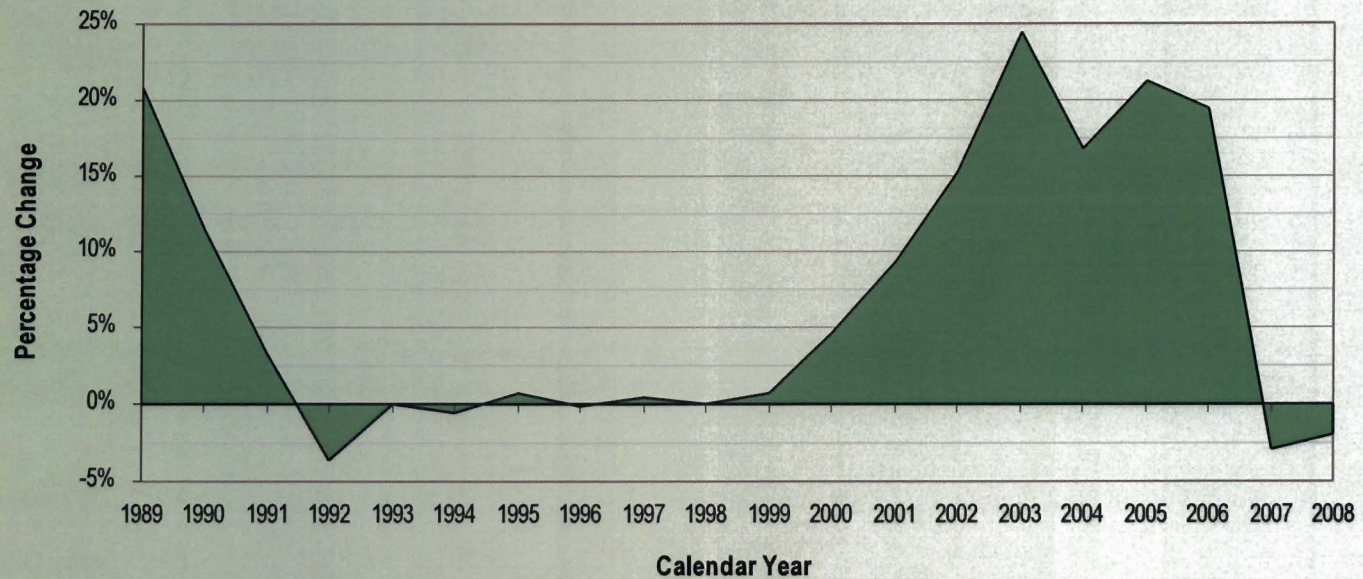
Without this new construction, taxes would be higher or City services lower.

**Cumulative Increase in Real Property Tax Base
Attributable to New Construction Since 1998**

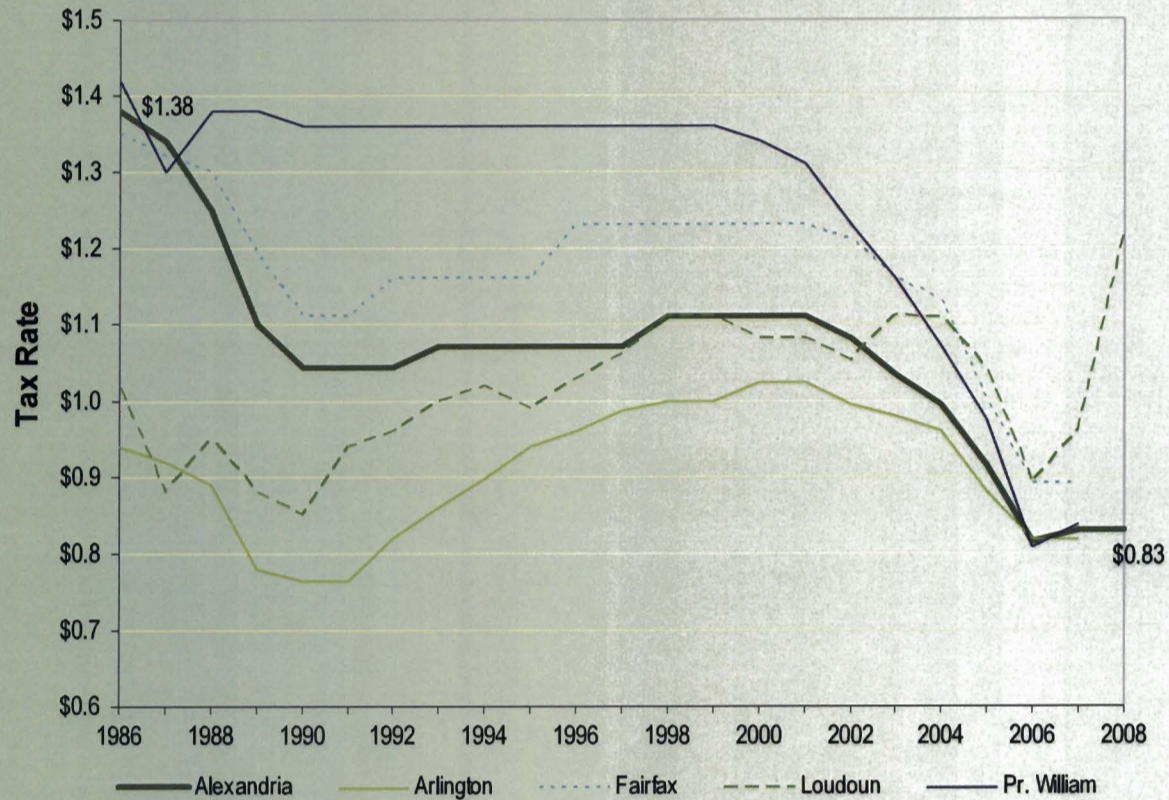


Residential Appreciation

Residential Appreciation % Change
Calendar Year 1989 to 2008



Real Estate Tax Rate in Area Jurisdictions

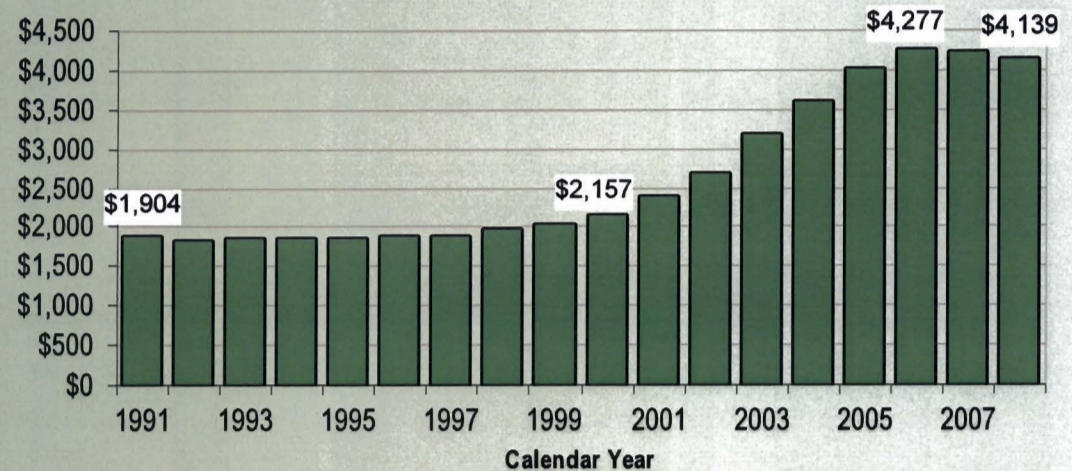


Taxes, Fees, and Other Revenues

Average Residential Tax Bill

Under the City Manager's Proposed Budget, the average residential tax bill will decrease by 1.9%.

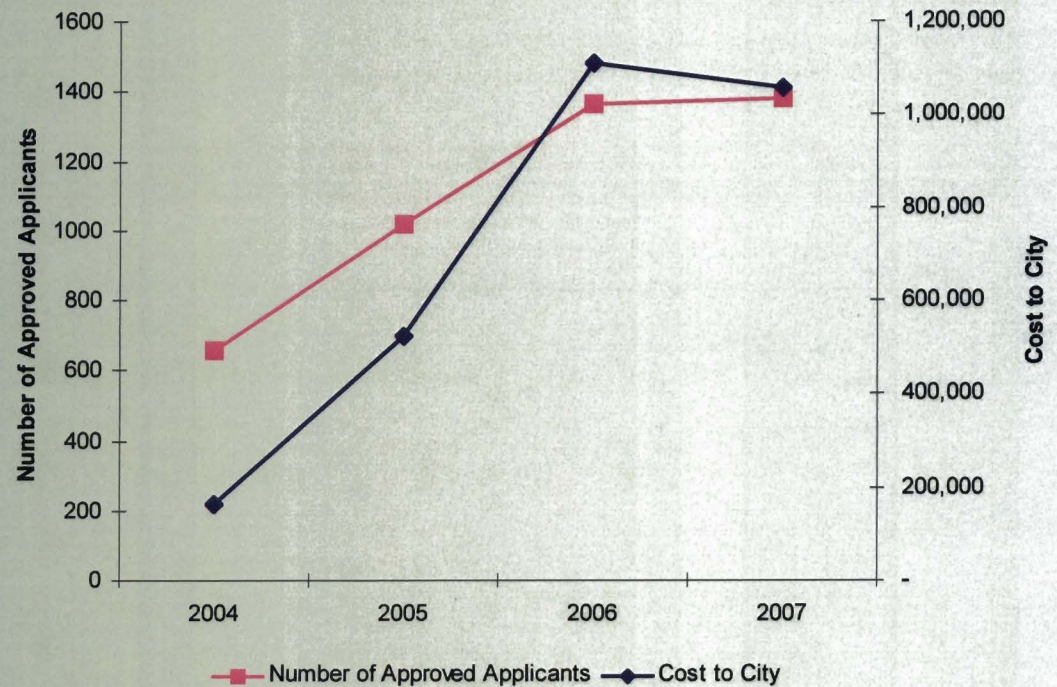
Average Residential Tax Bill



Affordable Housing Ownership Program (AHOP)

Average relief per applicant in 2007 equals \$768, \$45 less than 2006.

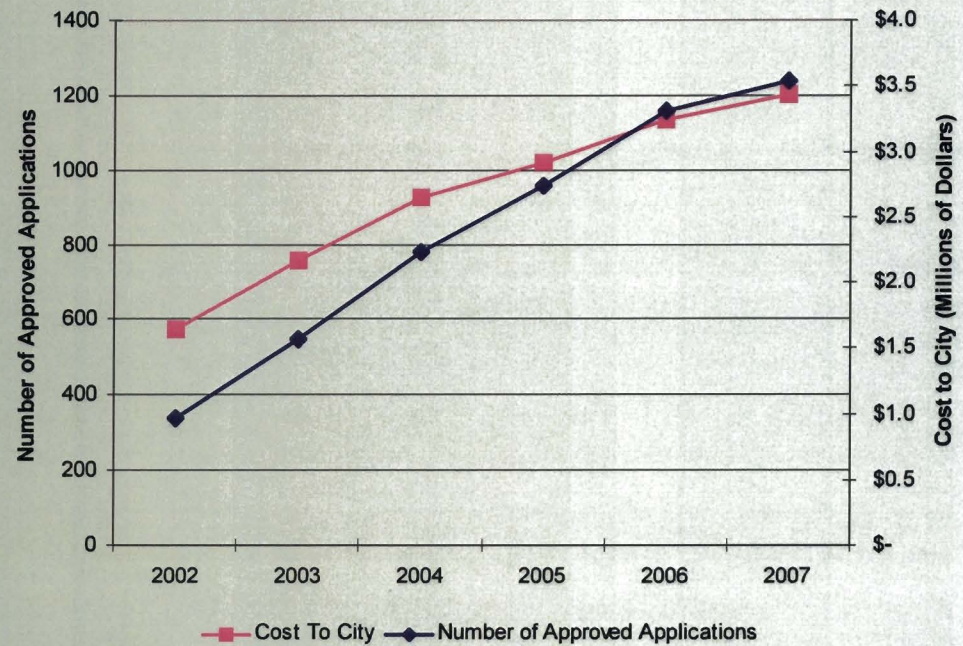
Proposed budget reduces income limit from \$100,000 to \$72,000 and applies only to those who successfully applied for a grant in 2007, reducing budgeted AHOP funding to \$648,000.



Elderly and Disabled Tax Credit

Cost to City increasing at a slower rate as the residential real estate market has slowed

Average relief per approved application
\$2,936



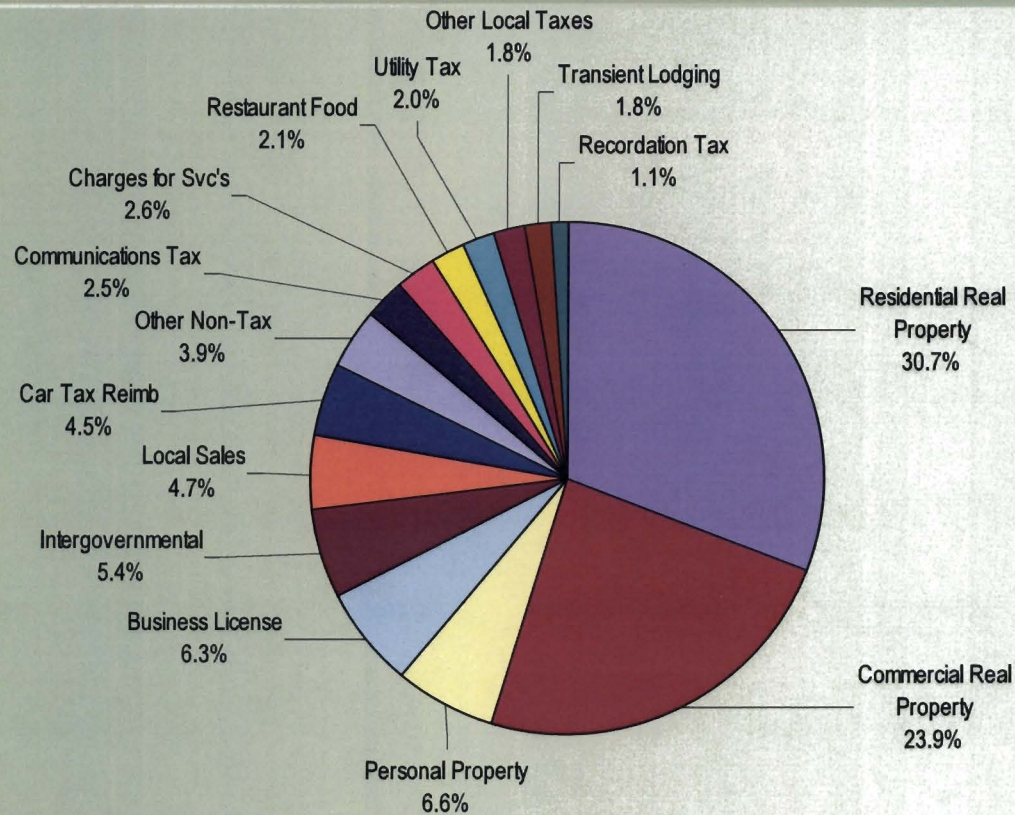
Northern Virginia Transportation Authority (NVTA)

- Five member Ad hoc Commercial Transportation Tax Option Committee established November 20
- Report due on February 29
- Maximum possible rate for advertisement before public hearing determined March 15
- Each 1 cent would raise approximately \$1 million
- Revenue is for transportation purposes

Other Tax Outlook

General Fund Revenue Distribution

\$528.2 million



Taxes, Fees, and Other Revenues

New or Increased Fees

\$2.7 million (excluding DASH fare increases)

Department	Tax Rate/ Fee	Estimated Revenue
Code Enforcement	0.5% surcharge on building permits	\$20,000
	8% surcharge on building permits	\$350,000
	5% surcharge on building permits for permit center	\$220,000
Finance	Bad Check Charges	\$6,000
Fire	Increased Ambulance Fees	\$272,500
	Hazardous Material Fees	\$15,000
Historic Alexandria	Archeology Summer Camp	\$10,000
	Outdoor Event Fee	\$2,000
	National Harbor Tour Package	\$10,000
	"Pay What You Can" admissions policy	\$26,040
	Rental fee Increase	\$8,275

New or Increased Fees con't

Department	Tax Rate/ Fee	Estimated Revenue
Planning & Zoning	Final Site Plan Fees	\$190,000
	Preliminary Subdivision Fees	\$42,030
	Final Subdivision Fees	\$3,300
	CDD Concept Plan Fees	\$42,160
	Development Site Plan/SUP Fees	\$87,824
	Development Site Plan/SUP Amendment Fees	\$9,000
	Transportation Management SUP Fees	\$44,554
Recreation	Youth sports registration	\$4,000
	Non-City Sponsored Athletic Program Registration	\$15,000
	Park Rental Fees	\$11,200
	Therapeutic Rec Summer Camp Fee	\$14,000
Transportation & Environmental Services	Solid Waste Hauler Permit Fees	\$90,000
	Increase in Parking Meter Rates	\$700,000
	Fees for towing, storage, and service	\$82,500
	Noise permit fee	\$11,000
	Right of way permits	\$50,000
	White goods pickup	\$42,960
	Residential Refuse Collection Rate	\$287,970
DASH (non-General Fund)	Fare increase	\$ 195,000
	Taxes, Fees, and Other Revenues	

Real Property Tax Revenue FY 1991 – FY 2009 Proposed

Projected Rate of Change: +2.1%

5 Year Average

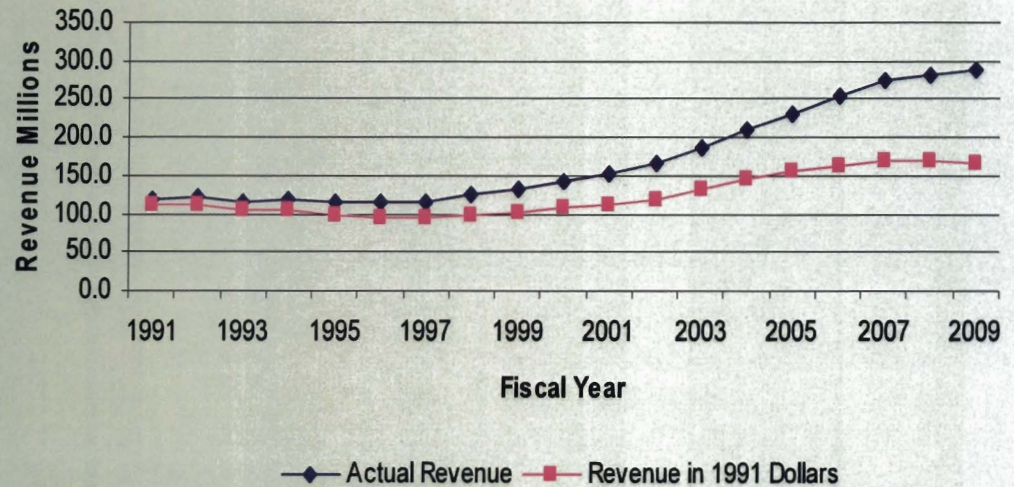
1992-1997	1997-2002	2002-2007
-1.0%	7.2%	10.7%

10 Year Average

1992-2002	1997-2007
3.1%	9.0%

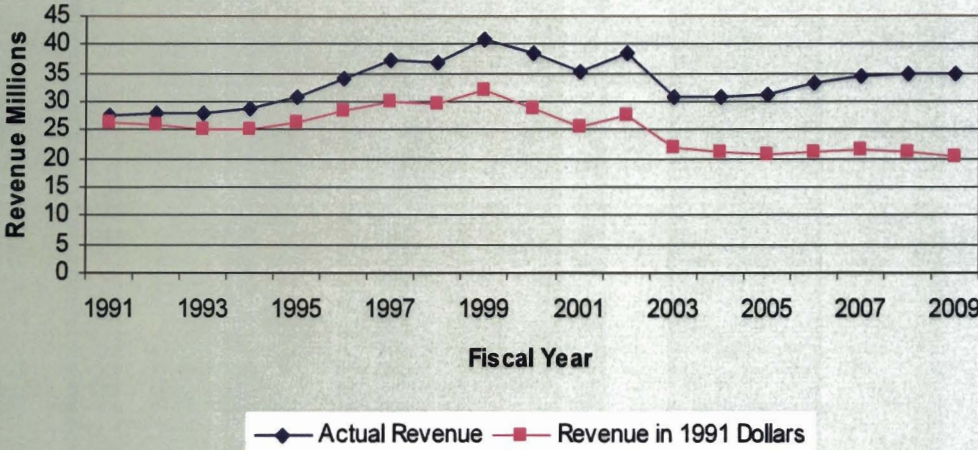
15 Year Average

1992-2007
5.6%



Personal Property Tax Revenue FY 1991 – FY 2009 Proposed

Projected Rate of
Increase: 0.0%



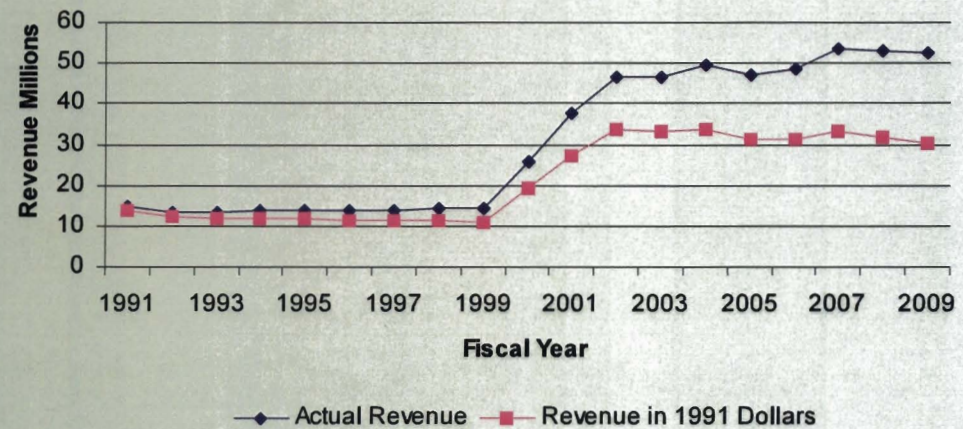
Intergovernmental Revenues FY 1991-FY 2009 Proposed

**Projected Rate of
Change: -1.7%**

**5 year average (2002-
2007): +2.8%**

**10 year average (1997-
2007): +14.5%**

**15 year average (1992-
2007): +9.7%**



State Aid

The State's claim on the federal per diem payment for prisoners is taken against the Sheriff's Compensation Board Reimbursement

Wine and ABC taxes will no longer to be shared with the City

	FY 2007 Actuals	FY 2008 Approved	FY 2008 Projected	FY 2009 Proposed
STATE AID				
HB 599 (law enforcement aid)	6,624,744	6,735,814	6,397,010	6,397,010
Personal Property Tax Reimbursement	23,778,360	23,600,000	23,578,531	23,578,531
Compensation Board Reimbursements for Sheriff and Other Constitutional Officers	7,416,764	7,414,684	7,410,769	6,410,769
Compensation Board Reimbursements for Treasure & Revenue Administration	636,434	579,546	579,546	579,546
State Prisoner Per Diem	1,036,848	1,000,000	1,000,000	1,000,000
Wine Taxes and Alcoholic Beverage Control (ABC) Taxes	154,033	153,000	154,032	0
State Aid for Road Maintenance	6,039,564	6,226,790	6,234,184	6,400,000
Other State Aid	1,232,614	953,500	953,500	953,500
TOTAL STATE AID	46,919,361	46,663,334	46,307,572	45,319,356

Federal Aid

The FY 2009 budget assumes 15 federal prisoners average above the City's contract with DOJ, generating an extra \$450,000 annually.

	FY 2007 Actuals	FY 2008 Approved	FY 2008 Projected	FY 2009 Proposed
FEDERAL AID				
Federal Prisoner Per Diem	5,740,546	5,913,000	6,363,000	6,363,000
State Criminal Alien Assistance Program	272,840	165,000	165,000	245,000
Other Federal Aid (Indirect costs recovered from federal grants)	675,204	415,000	415,000	415,000
TOTAL FEDERAL AID	6,688,591	6,493,000	6,943,000	7,023,000
TOTAL INTERGOVERNMENTAL AID	53,607,952	53,156,334	53,250,572	52,342,356

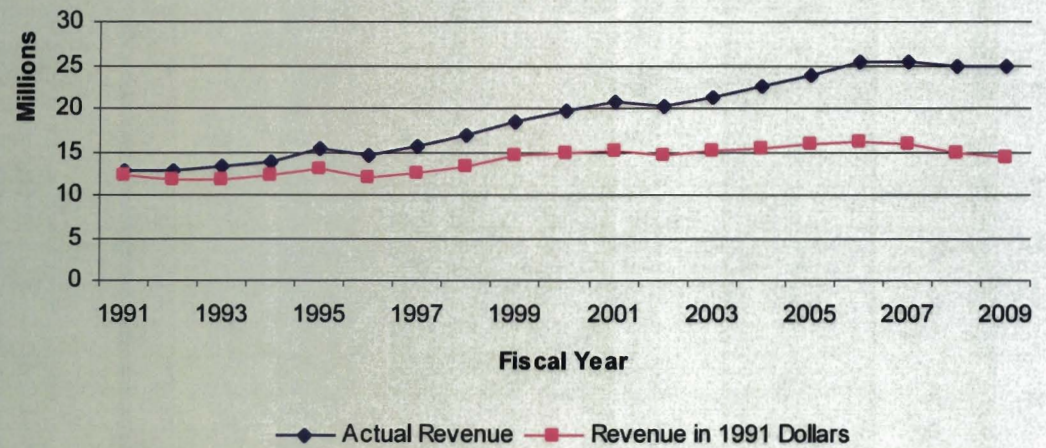
Sales Tax Revenues FY 1991-FY 2009 Proposed

**Projected Rate of
Change: 0.0%**

5 year average:+4.6%

10 year average:+5.1%

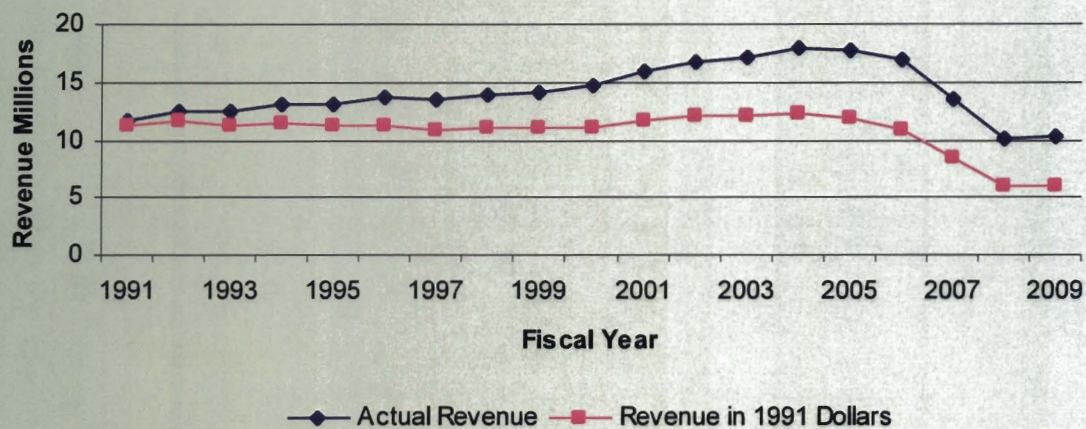
15 year average:+4.7%



Utility Tax Revenues FY 1991-FY 2009 Proposed

**Projected Rate of
Change: 2.0%**

Beginning in FY 2007, the State of Virginia began to collect the Communications Sales and Use Tax which includes landline phone related revenues previously included in this revenue category.



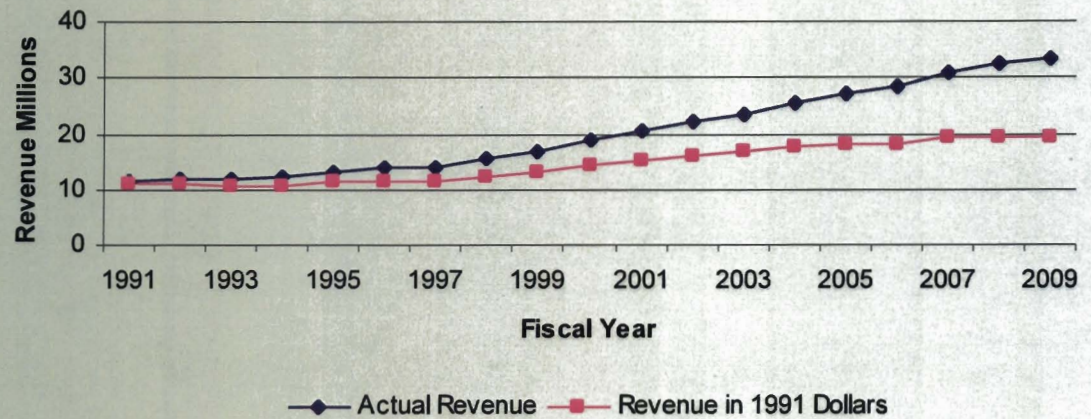
Business License Tax Revenues FY 1991-FY 2009 Proposed

**Projected Rate of
Change: 3.1%**

5 year average: 6.8%

10 year average: 8.2%

15 year average: 6.6%



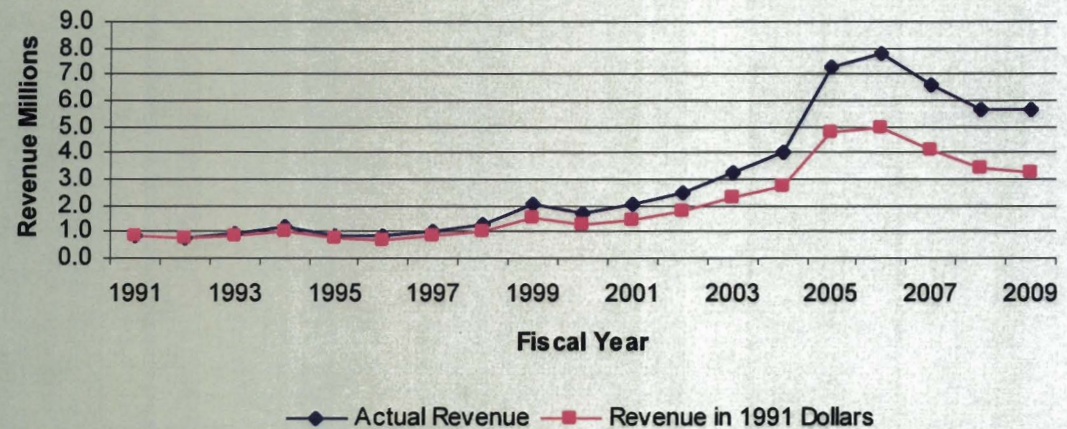
Communications Sales and Use Tax

- Budget at \$13.0 million, a 3.2% increase over the FY 2008 projected total
- Collected by the State beginning on January 1, 2007
- Includes utility tax on landline phone service, the E-911 service tax, cell phone tax, and cable franchise fee

Recordation Tax Revenues FY 1991-FY 2009 Proposed

**Projected Rate of
Change: 0.0%**

Effective July 1, 2004, the recordation tax rate was increased from \$0.50 to \$0.83 as a result of General Assembly action increasing the State's rate.



Transient Lodging Tax Revenues FY 1991-FY 2009 Proposed

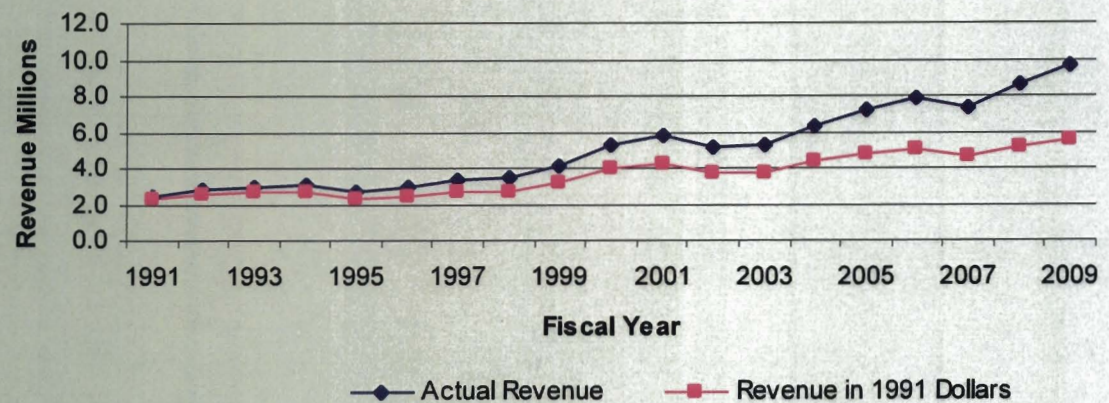
**Projected Rate of
Change: 12.7%**

5 year average: 7.3%

10 year average: 8.3%

15 year average: 6.6%

Effective FY2000,
the City levied a
room charge of
5.5% plus a \$1 per
night lodging fee.
Prior to 2000, the
City levied a flat
5.65% tax.



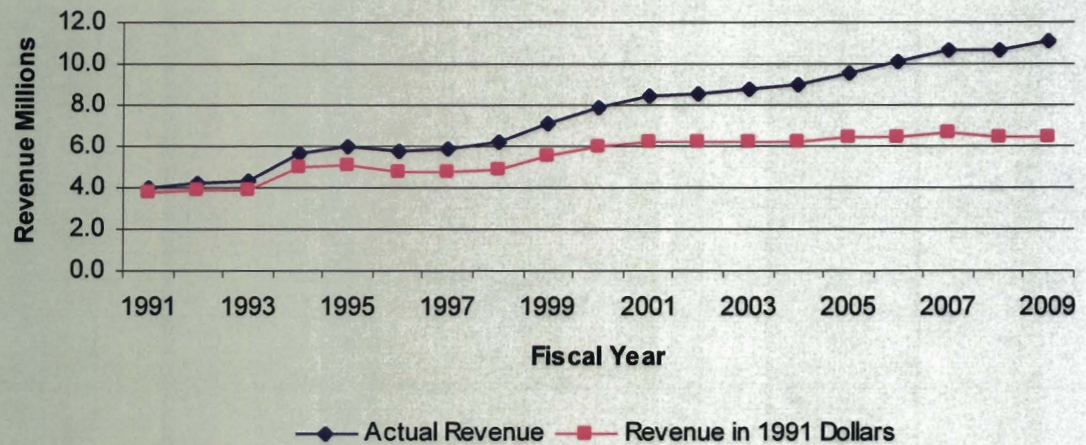
Restaurant Meals Tax Revenues FY 1991-FY 2009 Proposed

**Projected Rate of
Change: 3.7%**

5 year average: 4.5%

10 year average: 6.1%

15 year average: 6.5%



Restaurant Meals

A 1% increase in the restaurant meals tax would generate \$3.7 million in revenue, assuming no decline in restaurant usage.

	Meals Tax	Sales Tax	Total
Alexandria	3%	5%	8%
Arlington County	4%	5%	9%
Fairfax County	NA	5%	5%
Loudoun County	NA	5%	5%
Prince William County	NA	5%	5%
Washington, DC	10%	0%	10%
Prince George's County	NA	5%	5%
Montgomery County	NA	5%	5%

Licenses, Permits, and Fees

- FY 2009 revenues = \$6.2 million, a 12.8% increase over FY 2008 projected
- Includes fee increases for building permits and noise permits

Revenues from Use of Money and Property

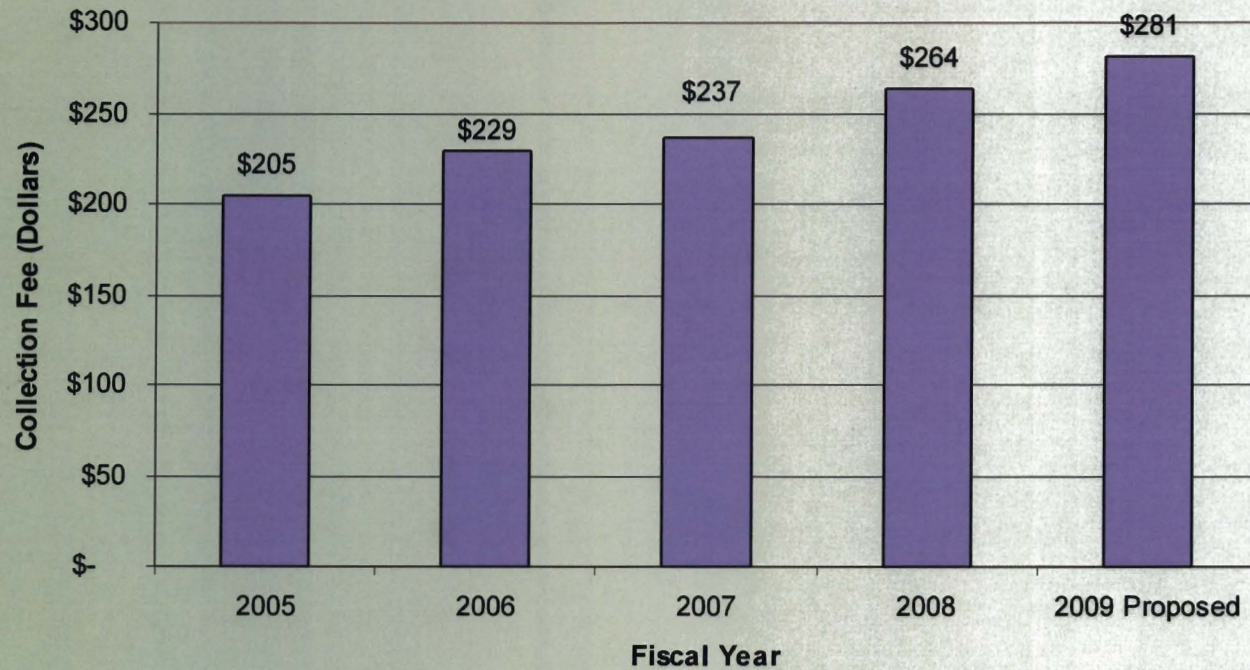
- FY 2009 revenues = \$7.8 million, a 6.5% decrease below FY 2008
- As the economy slows, and the Federal Reserve Board cuts short-term rates, interest on General Fund investments is expected to fall.

Charges for Services

- FY 2009 revenues = \$13.9 million, an increase of 29.1% over projected FY 2008 revenues
- Includes increases in the refuse user fee, parking meter rate increases, and increases in ambulance fees

Residential Refuse Collection Fee Five Year History

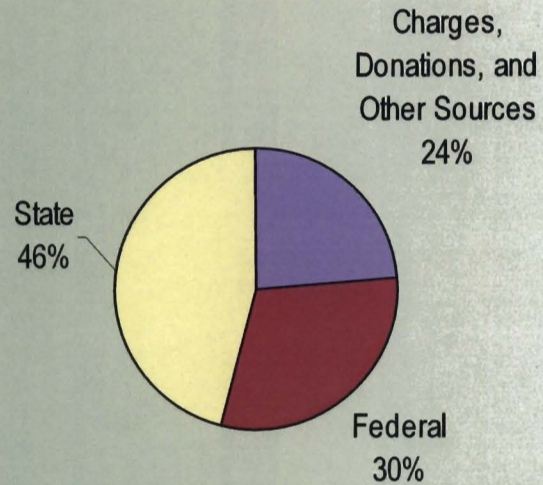
City of Alexandria



Ambulance Fees & Parking Meter rate increases

- Increasing the parking meter rate to \$1/hour throughout the City is expected to raise revenues by \$700,000
- Increasing ambulance fees is expected to generate \$300,000 in revenues

Special Revenues slide



Revenue Sources with Downside Risk

- Real Property Tax
- Personal Property Tax
- Business License Tax
- Intergovernmental
- Business License
- Sales Tax
- Restaurant Food
- Transient Lodging
- Recordation
- Interest on General Fund

Revenue Alternatives

- Business License Tax (BPOL)
- Meals Tax
- Hotel Tax
- Admissions Tax
- Cigarette Tax
- Residential Utility

Revenue Alternatives (con't)

- Real Estate Tax
- Personal Property Tax

Local Income and General Fund Revenues

One way to measure the relative local tax capacity and tax burden of a community is to measure income to local taxes

The FY 2009 Proposed Budget is below the long-term historical average of 5.00 of personal income.

