

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 19, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: RASHAD M. YOUNG, CITY MANAGER *R. M. Rashad Young*

FROM: NELSIE SMITH, DIRECTOR, MANAGEMENT AND BUDGET *NS*

SUBJECT: BUDGET MEMO #25: FY 2014 FINAL REVENUE PROJECTIONS AND FY 2014 EXPENDITURE ADJUSTMENTS

This memo provides a detailed explanation of the changes that have occurred since the City Manager's Proposed FY 2014 Budget was developed. The details of this memorandum can be summarized as follows:

Increase in FY 2014 General Fund Revenues	\$2,039,546
Reserved for commitment to Financial Policies	(\$101,977)
Net change in City General Fund Revenues	\$1,937,569
Increase in FY 2014 General Fund Expenditures	\$85,999
Available FY 2014 General Fund Resources	\$1,851,570

At the beginning of April, City staff re-estimates current fiscal year and subsequent fiscal year revenues. The result of those projections shows an increase of \$1,937,569 in available General Fund Revenues in FY 2014 compared to the amount estimated in the City Manager's Proposed Budget - after accounting for the City's financial policies to maintain a 5% targeted ratio of Fund Balance to General Fund Revenue and potential impacts of sequestration. At the same time, staff makes adjustments and corrections to the expenditures in the FY 2014 Proposed Operating budget to reflect new information that was not available when the proposed budget was being developed. The net result of the expenditure reductions is an increase to the City Manager's Proposed General Fund Operating Budget of \$85,999. The increase in available revenues combined with the increase in necessary expenditures provides additional resources for the FY 2014 General Fund Operating Budget of \$1,851,570.

The following table includes FY 2014 revenue estimate changes from January to March that reflect collections through March 2013, as well as anticipated changes in intergovernmental funding and the overall tax base. Recent revenue data suggests the potential for upward revision of certain revenue sources, such as: sales tax, transient occupancy tax, etc. However, given the uncertainty of sequestration on the local economy, no adjustments to these revenues is recommended FY 2014.

Change from January Revenue Estimates	FY 2014
Real Property Tax	\$1,099,999
Personal Property Tax	(\$200,000)
Bank Franchise Tax	\$29,725
Recordation Tax	\$200,000
Fines and Forfeitures	\$50,000
Intergovernmental Revenue	\$839,628
Use of Fund Balance	\$20,194
Total	\$2,039,546

The revenue re-estimates described in detail below reflect current tax rate and revenue policies continued or already reflected in the FY 2014 Proposed Budget. The FY 2014 revenue estimates in the Proposed FY 2014 budget document were based on revenues and trends through December 2012. The latest estimates are based on revenue collections through March 2013, with exceptions as noted below. Staff will continue to monitor actual revenues and adjust the monthly revenue projections for the current fiscal year in the context of the Monthly Financial Report.

FY 2014 Revenue Adjustments

\$1.1 million	Increase in Real Property Tax collections of \$1.1 million from \$351.5 million to \$352.6 million. The increase results from an increase of \$0.3 million in overall property tax collections due to lower than budgeted participation in the Senior Tax Relief Program and the recent sale of the Hunting Point property by the Virginia Department of Transportation. The Hunting Point property will once again be part of the locally assessed tax base, rather than tax exempt property, and is estimated to provide an additional \$0.8 million in tax revenue in FY 2014.
(\$0.2 million)	Decrease in current Business Personal Property Tax projection of \$0.2 million, from \$16.7 million to \$16.5 million. The Proposed Budget included a \$0.4 million increase compared to FY 2013. Collections through March 2013 are less than what was anticipated and FY 2014 has been adjusted accordingly. The decline is attributed to differences in statutory billing amounts assessed on non-filers compared to their actual payment amount. In the absence of information provided by a business owner, the City will "statutorily assess" Business Personal Property tax on an existing business in the City. However, with the addition of the Compliance Officer there will be increased reconciliation and enforcement of the statutory bills compared to the subsequent filing by the taxpayer.
\$0.030 million	Increase in Bank Franchise Tax collections of \$29,725 based on collections through March 2013.
\$0.2 million	Increase in the Recordation Tax of \$0.2 million, from \$5.2 million to \$5.4 million, based on taxes collected through March 2013.
\$0.8 million	Increase in Intergovernmental Revenues of \$0.8 million, from \$54.4 million to \$55.2 million. This category consists of both federal and State revenue. State revenue increases of \$0.3 million are the result of increased Compensation Board funds to reimburse the City for certain staff costs (e.g., Deputy Sheriffs,

	Commonwealth's Attorneys and Treasury and Revenue staff). Federal funds are increasing by \$0.7 million to recognize Department of Defense funds we expect to receive for an additional bus route between the Pentagon and Mark Center. This increase in federal funds is offset by an expected reduction (\$0.2 million) in Build America Bonds interest reimbursement that the City is no longer going to receive as a result of sequestration.
	Fees, Fines Charges for Services and Use of Money and Property
\$0.05 million	Increase in Fines and Forfeitures of \$0.05, from \$5.272 million to \$5.322 million, due to increased revenues from Red Light Camera violations.
\$0.02 million	Increase in the Appropriation of General Fund Balance of \$20,194. The Proposed Budget reflects a Use of Fund Balance equal to 1% of General Fund Revenues. With the increase of General Fund Revenues of \$2,019,352, the Budgeted Use of Fund Balance is increasing as well.
\$2,039,546	Total Change

This memorandum also provides information on technical adjustments and corrections in the FY 2014 Proposed Operating budget. The table below summarizes all of the changes to the General Fund which are recommended to the FY 2014 Proposed Operating budget. The net increase to the City Manager's Proposed General Fund Operating Budget is \$85,999.

FY 2014 General Fund Expenditure Adjustments

Department	Comments	Amount
Non-Departmental	The City's contribution for the Northern Virginia Regional Commission Energy Strategy was inadvertently omitted from the FY 2014 Operating Budget. This adjustment will provide funding for the City's Contribution. This is in addition to the City's annual NVRC membership contribution of \$76,036, which is currently budgeted in Non-Departmental.	\$35,000
Department of Community and Human Services	In FY 2013, as part of the add-delete process, City Council added \$57,000 to the budget of the Department of Community and Human Services for the Healthy Families Alexandria Program provided by Northern Virginia Family Services to address a shortfall in state funding. This year additional state funds have been secured reducing the amount needed by NVFS by \$32,000. The remaining \$25,000 will address a shortfall related to reduced state funding.	-\$32,000
Court Service Unit	The actions of the Virginia General Assembly and the Governor are expected to result in additional compensation for state employees. State employees in the Court Service Unit are provided a supplement to their state pay to ensure that their compensation is equivalent to a comparable city position. The additional pay from the state will enable the City to provide less	-\$85,000

	supplemental pay. The savings related to Court Service Unit employees is \$85,000.	
Other Public Safety	The actions of the Virginia General Assembly and the Governor are expected to result in additional compensation for state employees. State employees in the Adult Probation and Parole and the Public Defender's Office are provided a supplement to their state pay to ensure that their compensation is equivalent to a comparable city position. The additional pay from the state will enable the City to provide less supplemental pay. The savings related to Adult Probation and Parole and Public Defender employees is \$35,000.	-\$35,000
Police	The Red Light Camera Traffic Enforcement Program revenues have been budgeted, but the operational expenses were not added to the Police Department budget. In the recent Supplemental Appropriations Ordinance for FY 2013, an adjustment was made to the Police Department operating budget. This adjustment provides similar budget authority for FY 2014.	\$180,000
Department of Community and Human Services	Based on actual cases and costs incurred through nine months in FY 2013, the estimated program costs for clients served by the Community Services Act will be increasing slightly more than amount reflected in the City Manager's Proposed Budget. City General Fund costs in FY 2014 are expected to be approximately \$95,000 higher than projected expenditures in FY 2013.	\$22,999
Total Adjustments		\$85,999

FY 2014 General Fund Expenditure Adjustments with no net impact

Department	Comments	Amount
Library	The City Manager's Proposed budget recommended a reduction in library hours. Through evaluation of prior year Library personnel budget surpluses and a review of employee turnover savings, staff believes that the Library budget can absorb the proposed decrease in its personnel budget while restoring 3 positions (1.4 FTEs) to maintain current library hours at the Burke, Duncan and Barrett Branches.	\$0
Community and Human Services	Transfer of funds to ACPS to provide an additional preschool classroom.	-\$125,067
ACPS	Transfer of funds from DCHS to provide an additional preschool classroom.	\$125,067
Community and Human Services	The City Manager's Proposed budget recommended outsourcing the operation of the kitchen at the detox facility. Through meetings with staff, operational	\$0

	efficiencies were identified that will result in the savings that were proposed in the budget without the need to outsource this function. Of the 4.5 FTEs, 3.75 FTEs will be retained.	
Total Adjustments		\$0

FY 2014 Special Revenue Adjustments with no General Fund impact (adjustment reflects both a revenue and expenditure change)

Department	Comments	Amount
Community and Human Services	The regional crisis stabilization grant has been eliminated and the services will be provided through a different regional program that is not administered by the Alexandria Community Services Board. One vacant Senior Therapist position (1.0 FTE) funded entirely through Special Revenue will be eliminated and an equal amount of State revenue will be reduced.	(\$113,905)
Community and Human Services	The Proposed Budget included \$1.38 million in federal and state funds that will no longer pass through to DCHS to pay child care providers. The funds will be retained by the State to pay providers directly. There is no impact on the General Fund. Expenditures and revenues will be reduced equally.	(\$1,384,808)
Community and Human Services	Special Revenue Funds will be used to add additional leased space at 1900 Beauregard Street. The additional space enables DCHS to locate early childhood services with other programs targeting children.	\$90,715
Office of the Sheriff	The City has received permission to use Jail Diversion grant funds to continue the Probation Officer position in the Sheriff's Office through June 2015. This appropriation will provide a source of funds to the Sheriff's Office for FY 2014.	\$85,830
Transit Subsidies	This adjustment is technical in nature. This does not change the level of financial support proposed in the FY 2014 City Manager Proposed Budget; rather it is correcting for an adjustment that should have been made in the Proposed Budget.	(\$140,000)
Total Adjustments		(\$1,462,168)