

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 7, 2022

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES PARAJON, CITY MANAGER

SUBJECT: FY 2023 REVENUE RE-ESTIMATE, TECHNICAL ADJUSTMENTS FOR
ADD/DELETE, AND RECOMMENDATIONS FOR USE OF ADDITIONAL
REVENUES

The purpose of this memorandum is to inform City Council of the technical budget adjustments proposed by staff as part of the add/delete process, as well as use of the additional revenues identified during this technical adjustment. This presents the final revenue and expenditure update before the add/delete process.

The sum of revenue re-estimate and technical adjustment expenditure changes provides a net General Fund gain of \$7,106,360.

RECOMMENDATION FOR USE OF THE ADDITIONAL RESOURCES:

The FY 2023 proposed budget includes alternative budget options that were not able to be funded within the proposed budget but were recommended by the City Manager if additional resources were to be made available through an increase in the real estate property tax rate. With the additional resources available through the April revenue re-estimate and expenditure technical adjustments, staff recommends funding the following initiatives that were presented in the proposed budget as alternative options for additional funding or, in the case of body worn cameras and the language translator program, have been the subject of budget work session discussions and budget memos. **If Council is interested in approving the following recommendations, then an add/delete would need to be drafted and submitted.**

1. Increase Body Worn Camera program funding by \$1.4 million in addition to \$200,000 included in the proposed budget and a \$600,000 earmark for a total of \$2.2 million,
2. Increase the Cash Capital contributions by \$897,650 and reduce general obligation borrowing by corresponding amount to reduce reliance on debt and lower outyear debt service payments. Over ten-year plan, this would reduce borrowing by \$9.0 million and mitigate approximately \$3.7 million in debt service payments.

3. Increase the General Fund contingent reserve by \$2.0 million to fund Climate Change Initiatives,
4. Increase City-wide pay scale adjustments by one-half percent (0.5%) at a General Fund cost of \$1,273,710,
5. Add an additional ACORP team at a General Fund cost of \$277,000,
6. Add \$150,000 for software licenses to maintain remote work capabilities that were enhanced during the pandemic using ARPA funds,
7. Add \$250,000 to create a City-wide language translator bonus pay program,
8. Add \$500,000 for City Council Programming Contingency,
9. Increase the Fire Department's ALS incentive to \$10,000 for all dual-role ALS providers at a General Fund cost of \$358,000.

The major changes from the proposed budget are reflected in the chart below and discussed on the following pages.

General Fund	
Revenues	
Revenue Re-estimates	\$ 7,029,750
Total Revenue Adjustments	\$ 7,029,750
Expenditures	
City-wide health insurance budget adjustment	\$ (138,080)
RPCA seasonal employee pay	\$ 45,000
Multilingual pay for DCHS	\$ 52,470
Library passport revenue increase	\$ (84,000)
Elderly & Disabled Rent Relief	\$ 48,000
Total Expenditure Adjustments	\$ (76,610)
Net General Fund Position	\$ 7,106,360

General Fund Revenue Changes

Annually, at the beginning of April, City staff re-estimates current fiscal year and subsequent fiscal year revenues based on additional months of collection data. The result of those projections shows an overall increase of \$7,029,750 compared to the amount estimated in the City Manager's Proposed Budget.

The table below includes the FY 2023 revenue estimation changes from February to April. Most of these changes reflect higher than anticipated vehicle personal property, local sales, business license and restaurant meals tax collections through March 2022, in addition to projected interest on General Fund investments based on forecasted interest rates.

Changes from February General Fund Revenue Estimates		FY 2023
Real Property Taxes	\$	(1,300,000)
Vehicle Personal Property Taxes	\$	2,000,000
Local Sales & Use Taxes	\$	1,040,000
Business License Taxes	\$	1,770,000
Bank Franchise Taxes	\$	(592,300)
Tobacco Taxes	\$	143,000
Transient Lodging Taxes	\$	(1,500,000)
Restaurant Meals Taxes	\$	3,070,000
Admissions Tax	\$	30,000
Licenses, Permits & Fees	\$	20,000
State Revenue	\$	200,000
Charges for Services	\$	54,050
Use of Money and Property	\$	2,175,000
Non-Revenue Receipts	\$	(80,000)
Total	\$	7,029,750

The revenue re-estimates described in detail below reflect current tax rates and revenue policies continued or already reflected in the FY 2023 Proposed Budget.

The FY 2023 revenue estimates in the FY 2023 Proposed Budget were based on revenue collections and trends through December 2021. The latest estimates are based on revenue collections through March 2022, with exceptions as noted below. Based on actual receipts and trends through March, the FY 2023 revenue estimates have been changed as detailed below. These technical revenue adjustments will be reflected on the preliminary and final Add/Delete lists.

Staff would like to note that there is legislation under consideration by the 2022 General Assembly special session that could negatively impact this revenue projection, if enacted. State legislators are currently considering proposals that would eliminate state and local taxes on groceries. Staff estimates the potential loss in grocery sales tax revenue to be approximately \$5.6 million in FY 2023 if the eventual legislation includes the elimination of the City's local Sales Tax on groceries. There are additional potential downstream impacts to regional transportation

dollars and City schools. ACPS fiscal staff project a loss of approximately \$3.0 million per year, a deficit that would grow annually in the out years.

FY 2023 General Fund Revenue Estimates (\$ in Millions)			
Revenue Source	Proposed Budget	April Estimate	Difference
Real Property Taxes – Revenue decrease of 0.3% based on an administrative valuation adjustment	\$ 512.31	\$ 511.01	\$ (1.30)
Vehicle Personal Property Taxes – Revenue increase of 4.7% compared to the proposed budget, based on FY 2022 actuals to date and NADA valuation. The April estimate reflects the recently discussed change in the assessment ratio from 100% to 77% to address the unprecedented increases in values resulting in a net revenue increase of \$2.0 which staff recommends apply to a climate change contingency in Add/Delete.	\$ 42.70	\$ 44.70	\$ 2.00
Local Sales & Use Taxes – Revenue increase of 2.9% compared to the proposed budget, based on FY 2022 actuals to date and average base performance	\$ 36.40	\$ 37.44	\$ 1.04
Business License Taxes – Collections are expected to increase 4.7% compared to the proposed budget, based on FY 2022 actuals to date	\$ 37.59	\$ 39.36	\$ 1.77
Bank Franchise Tax – Decrease of 15.7% compared to the proposed budget, based on FY 2022 actuals to date	\$ 3.78	\$ 3.18	\$ (0.59)
Tobacco Taxes – Increase of 7.3% compared to the proposed budget, based on FY 2022 actuals to date	\$ 1.96	\$ 2.10	\$ 0.14

Transient Lodging Taxes – Revenue decrease of 13.6% based on FY 2022 actuals to date and projected trajectory of recovery to post-pandemic base level	\$ 11.00	\$ 9.50	\$ (1.50)
Restaurant Meals Tax - Revenue increase of 12.5% compared to the proposed budget, based on FY 2022 actuals to date and projected trajectory of recovery to post-pandemic base level	\$ 24.53	\$ 27.60	\$ 3.07
Admissions Tax - Revenue is expected to increase by 13.0% compared to the proposed budget, based on FY 2022 actuals to date	\$ 0.23	\$ 0.26	\$ 0.03
Residential Parking Permits - Increase of 5.0% compared to the proposed budget, based on FY 2022 actuals to date and projected recovery trajectory	\$ 0.40	\$ 0.42	\$ 0.02
State Revenue - Increase of 3.7% compared to the proposed budget, based on FY 2022 actuals to date and average base performance	\$ 5.40	\$ 5.60	\$ 0.20
Marina Fees - Increase of 24.4% compared to the proposed budget, based on FY 2022 actuals to date	\$ 0.17	\$ 0.22	\$ 0.05
Planning & Zoning Fees – Increase of 0.2% compared to the proposed budget to better align Accessory Dwelling Unit fees with planned expenditures	\$ 1.650	\$ 1.654	\$ 0.004
Non-Revenue Receipts - Decrease of 21.1% compared to the proposed budget, based on FY 2022 actuals to date and average base performance	\$ 0.38	\$ 0.30	\$ (0.08)
Interest on General Fund Investment - Increase of 152.6% compared to the proposed budget, based on FY 2022 actuals	\$ 1.43	\$ 3.60	\$ 2.18

to date and projected interest forecast			
Total			\$ 7.03

General Fund Expenditure Changes

The following FY 2023 expenditure budget changes summarized in the table on page one were identified too late to include in the proposed budget or were identified after the proposed budget was released.

Expenditures

City-wide health insurance budget adjustment	\$ (138,080)
RPCA Seasonal employee pay	\$ 45,000
Multilingual pay for DCHS	\$ 52,470
Library passport revenue increase	\$ (84,000)
Elderly & Disabled Rent Relief	\$ 48,000
Total Expenditure Adjustments	\$ (76,610)

City-wide health insurance budget adjustment: Staff budgeted a 15% premium increase for Kaiser Permanente and a 15.6% increase for UnitedHealthcare health insurance premiums. The final Kaiser Permanente rate increase was 9%, which resulted in a City-wide expenditure budget adjustment of \$825,490. The General Fund adjustment is \$634,430, and it is recommended to fund a two-pay period premium holiday for employees at a cost of \$496,350 and yield a General Fund net reduction of \$138,080.

RPCA Seasonal employee pay: In response to current staffing shortages, staff recommends providing a 3-step increase in seasonal, hourly rates for RPCA seasonal positions to improve the competitiveness of the City’s wages. With this change, in addition to the FY 2023 Proposed Budget’s 4% general pay scale increase, RPCA’s seasonal pay rate will better align with comparative jurisdictions. While some of the estimated cost for higher hourly wages for RPCA’s seasonal staff was factored into RPCA’s FY 2023 base budget, \$45,000 in General Fund support is required to fully fund this 3-step increase.

Multilingual pay for DCHS: The City currently has a pilot multilingual pay program in the Department of Community and Human Services (DCHS). This program provides \$1.15 per hour worked and is calculated at 1.5x for overtime hours worked. The pay details and number of impacted positions were not available to OMB at the time of FY 2023 budget preparation. This technical adjustment would fund the continuation of this pilot pay program into FY 2023. This recommended adjustment would add \$87,797 in multilingual pay funding to the DCHS budget with \$35,329 funded by grant funds and \$52,468 funded by the General Fund.

Library passport revenue increase: The Library generates revenue for passport services. When preparing the FY 2023 budget, the Library projected a similar revenue stream from passport applications as was projected for FY 2022 due to the uncertainty surrounding the continuing pandemic. Given the changing pandemic conditions and current passport service requests, the Library now projects that it will be able to generate \$84,000 in additional passport revenue for FY 2023. This additional revenue will result in a corresponding \$84,000 decrease in General Fund support for the Library Fund.

Elderly & Disabled Rent Relief: The FY 2023 proposed budget added \$306,000 to DCHS' Rental Relief Program (RRP) to address current program waitlists. RRP provides low-income elderly and/or renters diagnosed with a disability payment of up to \$500 per month (on a sliding scale) to assist eligible tenants with their rent. Even with the addition of \$306,000 in funding, there will be eight (8) individuals remaining on the waitlist. This recommended adjustment would add an additional \$48,000 in General Fund support to clear the remaining waitlist.

Non-General Fund Revenue & Expenditure Changes

The following FY 2023 non-General Fund revenue and expenditure changes were identified after the proposed budget was released and are recommended as technical adjustments in the final approved budget.

Non-General Fund Adjustments

	Revenue	Expenditures
City-wide health insurance budget adjustment	\$ (65,720)	\$ (65,720)
T&ES Residential Refuse Plastic Bag Tax program	\$ 50,000	\$ 50,000
Planning & Zoning Accessory Dwelling Unit transfer	\$ (4,050)	\$ (4,050)
Multilingual pay increase for DCHS	\$ 35,330	\$ 35,330
Total Adjustments	\$ 15,560	\$ 15,560

City-wide health insurance budget adjustment: Staff budgeted a 15% premium increase for Kaiser Permanente and a 15.6% increase for UnitedHealthcare health insurance premiums. The final Kaiser Permanente rate increase was 9%, which resulted in a City-wide expenditure budget adjustment of \$825,490. The Non-General Fund adjustment is \$191,060 and the cost of a two-pay period premium holiday for employees is \$125,340 which yields a net expenditure reduction of \$65,720.

T&ES Residential Refuse Plastic Bag Tax program: The Plastic Bag Tax went into effect January 1, 2022. The accounting structure was not yet established when the FY 2023 proposed budget was initially entered. This adjustment accounts for the projected revenue and related expenditures, including outreach and reusable bags, in the Residential Refuse fund.

Planning & Zoning Accessory Dwelling Unit transfer: This adjustment better aligns the fee with the program and account wherein similar fees are collected by transferring revenues budgeted in a Planning and Zoning special revenue fund to the General Fund. Planning and Zoning's special revenue fund is typically used for developer contributions and permit center fees. As this fee does not fall under those revenue sources, the projected revenue is shifted to the General Fund, while offsetting expenses are absorbed in the department's proposed General Fund budget.

Multilingual pay increase for DCHS: Multilingual Pay (Non-General Fund): The City currently has a pilot multilingual pay program in the Department of Community and Human Services (DCHS). This program provides \$1.15 per hour worked and is calculated at 1.5x for overtime hours worked. The pay details and number of impacted positions were not available to OMB at the time of FY 2023 budget preparation. This technical adjustment would fund the continuation of this pilot pay program into FY 2023. This recommended adjustment would add \$87,797 in multilingual pay funding to DCHS' budget with \$35,329 funded by grant funds and \$52,468 funded by the General Fund.

Informational Items

<u>Fund</u>	<u>Item</u>	<u>Description</u>
General	Pool lifeguard staffing FTE	Convert one full-time lifeguard to two with no increase in cost but a 1.0 increase in FTEs
General	Development Officer FTE	Add one FTE for a position that was added in the FY23 proposed budget but the FTE was inadvertently omitted from the budget document
ARPA	Arts study	\$200,000 to be removed from Tranche 2 –due to sufficient funding already included in the CIP
ARPA	Economic development study	\$200,000 to be removed from Tranche 2 –due to AEDP already pursuing a similar study with existing resources

FY 2023 – FY 2032 Capital Improvement Program (CIP) Revenue & Expenditure Changes

The following CIP project changes were identified after the proposed FY 2023 – 2032 CIP was released and are recommended as technical adjustments in the final approved FY 2023 – 2032 CIP.

Capital Project Funds		
Technical Adjustment	FY 2023	FY 2023 - 2032
Capital Bikeshare	\$323,426	\$723,631
Citywide Parking - Parking Technologies	\$202,021	\$202,021
Transit Access & Amenities	\$315,450	\$315,450
King Street-Bradlee Roadway Improvements	\$459,738	\$841,346
Smart Mobility Implementation	\$-	\$803,470
South Patrick Street Median Improvements	\$899,847	\$899,496
Storm Sewer Capacity Project	\$516,500	\$516,500
Total Expenditure Adjustments	\$2,716,982	\$4,301,914

Transportation

Subsequent to the presentation of the Proposed FY 2023 – FY 2032 CIP, staff was informed that the Virginia Department of Transportation (VDOT) had made updates to its CMAQ/RSTP plan, which has resulted in the allocation of additional funds to City projects. In part, the addition of these funds is the result of the restoration of funds reduced by VDOT to the CMAQ/RSTP plan as part of the FY 2022 state budget development process. The following projects had alterations to the amount of CMAQ/RSTP funding allocated by VDOT’s Six-Year Improvement Program (SYIP):

Capital Bikeshare

Proposed FY 2023	Change	Adjusted FY 2023
\$485,582	\$323,426	\$809,008
Proposed FY 2023 – FY 2032		
\$1,286,182	\$723,631	\$2,009,813

Citywide Parking - Parking Technologies

Proposed FY 2023	Change	Adjusted FY 2023
\$250,000	\$202,021	\$452,021
Proposed FY 2023 – FY 2032		
\$250,000	\$202,021	\$452,021

Transit Access & Amenities

Proposed FY 2023	Change	Adjusted FY 2023
\$400,000	\$315,450	\$715,450
Proposed FY 2023 – FY 2032		
\$400,000	\$315,450	\$715,450

King Street-Bradlee Roadway Improvements

Proposed FY 2023	Change	Adjusted FY 2023
\$915,000	\$459,738	\$1,374,738
Proposed FY 2023 – FY 2032		
\$2,215,000	\$841,346	\$3,056,346

Smart Mobility Implementation

Proposed FY 2023	Change	Adjusted FY 2023
\$0	\$0	\$0
Proposed FY 2023 – FY 2032		
\$4,189,400	\$803,470	\$4,992,870

South Patrick Street Median Improvements

Subsequent to the presentation of the Proposed FY 2023 – FY 2032 CIP, staff was informed that the Virginia Department of Transportation (VDOT) had made updates to bring forward the amount of SmartScale funding allocated to the City as part of VDOT’s Six-Year Improvement Program (SYIP). This has increased the South Patrick Street Median Improvements project funding by \$900,000.

Proposed FY 2023	Change	Adjusted FY 2023
\$1,335,000	\$899,847	\$2,235,000
Proposed FY 2023 – FY 2032	Change	Adjusted FY 2023 – FY 2032
\$3,381,000	\$899,496	\$4,281,000

Stormwater Management

Storm Sewer Capacity Project – Edison/Dale Large Capacity

Subsequent to the presentation of the Proposed FY 2023 – FY 2032 CIP, staff was informed by the Virginia Department of Conservation and Recreation that the City would be awarded a Virginia Community Flood Preparedness Fund (CFPC) grant to support the Edison/Dale Large Capacity storm sewer project. The grant will increase the project’s available funding by \$516,500.

Proposed FY 2023	Change	Adjusted FY 2023
\$0	\$516,500	\$516,500
Proposed FY 2023 – FY 2032	Change	Adjusted FY 2023 – FY 2032
\$68,875,000	\$516,500	\$69,391,500