




# CITY OF RICHMOND

## INTRACITY CORRESPONDENCE

**TO:** The Honorable Ellen Robertson  
Vice President of Richmond City Council

**FROM:** Marcus D. Jones  
DCAO – Finance and Administration 

**DATE:** October 21, 2010

**RE:** First Quarter Fiscal Year 2011 Revenue & Expenditure Update

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The purpose of this memo is to provide the Finance and Economic Development Committee with a first quarter revenue and expenditure update, an overview of current economic conditions nationally and locally and projections for the fiscal year. Following through on the Administration's commitment to provide the Council with timely information, the attached report is being provided 21 days after the end of the first quarter – much earlier than years past.

In the Administration's continuing efforts to improve the simplicity of the data provided and to create a clear baseline, this report reshapes how financial information is presented and will be used in all future reports. This report provides information on a cash basis, meaning that only revenue received by the City on or before September 30 is included. In the past, revenue received well after September 30 may have also been included, but inconsistency in its application made comparison difficult. Moving forward, the quarterly reports will consistently include only the revenue received during the quarter improving comparability from one quarter to the next and from year to year.

In summary, this first quarter FY 2011 reports indicates that revenue is tracking close to the forecast, though the first quarter is not a significant revenue collection period for the City. Expenditures remain well in check.

### ***First Quarter Revenue Report and Collections***

The first quarter is not a significant month for revenue collections for the City. The City's most significant revenue source, the Real Estate tax (34% of General Fund Revenue), is not due until the second half of the year. The same is true for other significant sources such as Business License (BPOL) (4.8% of General Fund Revenue) and Personal Property tax (7.1% of General Fund Revenue). Revenue collections in the first quarter are restricted primarily to those sources that are paid to the City on a monthly basis, many of which the first payment of the fiscal year is not due to the City until August or September.

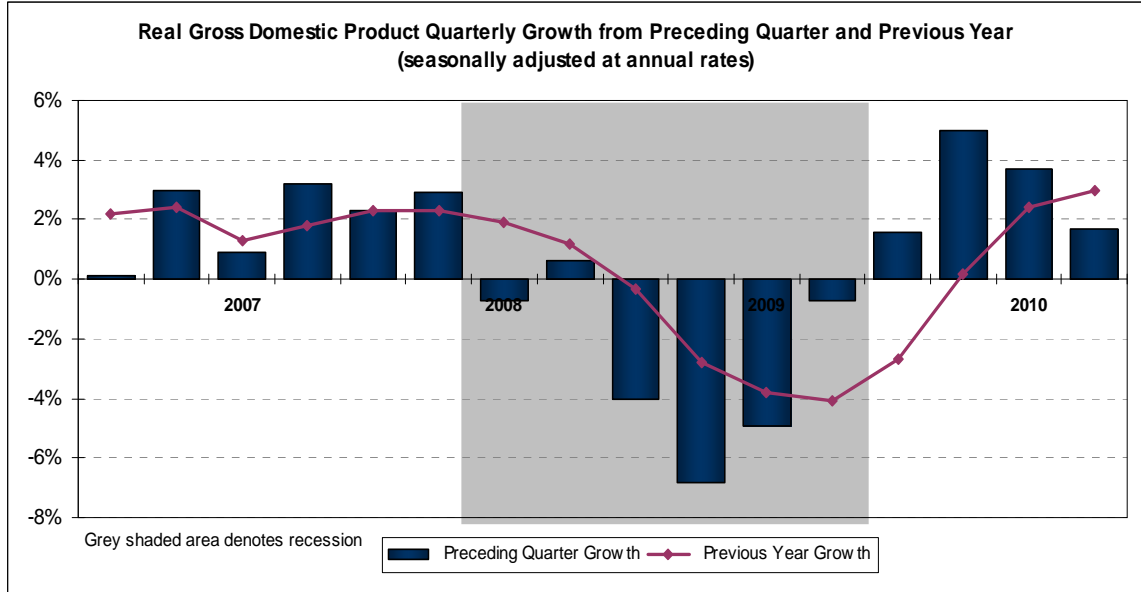
### ***National Economic Indicators***

Current economic data indicate the national economic expansion has weakened.

- Real GDP grew at an annual rate of 1.7 percent in the second quarter of 2010 following a 3.7 percent increase in the first quarter. Although slower than the first quarter, this was the fourth consecutive quarter of growth.

## First Quarter Fiscal Year 2011 Revenue & Expenditure Update

- September 20, 2010 the Business Cycle Dating Committee, National Bureau of Economic Research (NBER) determined that the trough in business activity occurred in the U.S. economy in June 2009, marking the end of the recession that began December 2007. While real GDP has shown growth for each quarter since the official end of the recession, employment recovery has continued to lag, as is typical of most recessions.



- National employment fell by 95,000 jobs in September. The decline was primarily due to a reduction in government employment following the completion of Census 2010 and cutbacks in state and local employment. The unemployment remained at 9.6 percent.

### **Virginia Economic Indicators**

- Virginia employment rose for the second consecutive month in August, growing 0.5 percent from the same month last year. The unemployment rate held at 7.0 percent, well below the national level.
- The Virginia Leading Index, a forecast of the state's near-term economic and business conditions, rose 0.1 percent in August, its second consecutive increase. Future employment, building permits, and the U.S. leading index all contributed to its increase.

### **Richmond Economic Indicators**

- Richmond area employment rose for the first time since the start of the recession, growing 0.1 percent in August. Since January, the region has added 6,400 jobs.
- The City's unemployment rate rose 0.1 percentage point in August to 10.9 percent (not seasonally adjusted), driven primarily by seasonal affects such as teachers awaiting the start of the new school year.
- The Richmond real estate market conditions are showing marked improvement in 2010. Average home prices August year-to-date are 7.4 percent higher while the number of homes sold for the period rose 2.7 percent.

## **First Quarter Fiscal Year 2011 Revenue & Expenditure Update**

- Richmond area tourism is showing improvement with increases in hotel occupancy and airport passenger traffic. Hotel occupancy rose 3.5 percent in the first half of 2010 as compared to the same time period in 2009. For the month of August, air passenger traffic rose 2.6 percent over August 2009.

### ***FY 2011 Revenue Projection and Anticipated Adjustments***

Given that the first quarter of the fiscal year is not significant for revenue collections, little trend information can be derived at this early point in the fiscal year. With that being said, based on preliminary estimates for FY 2010 year-end and the limited information provided from FY 2011 first quarter receipts, revenue is tracking close to the FY 2011 Budget.

In the third quarter of FY 2010, the administration provided adjustments to the revenue outlook for FY 2010 and recognized the corresponding impact on the FY 2011 Budget. As was discussed then, some adjustments to revenue will need to be made, particularly Risk Management, Real Estate, BPOL, Social Services, and Utility Payments to the General Fund. The net affect of these adjustments have been incorporated into the FY 2011 year-end projections. The Administration will provide a formal amendment to reflect these adjustments at mid-year.

### ***FY 2011 First Quarter Expenditures and Projections***

First quarter expenditures total \$117.98 million (18.5% of the FY 2011 Amended Budget, amended in September 2010). As with revenue, first quarter expenditure data provides minimal information with which to determine and verify expenditure trends through the end of the fiscal year, particularly with respect to departments that experience significant seasonality in their expenditures. Based on information available and preliminary estimates for FY 2010 year-end, it is anticipated that the variance from the amended budget will be less than 1 percent.

The Administration expects City Departments to manage within their respective budgets. While some departments are currently projected to exceed their budgets, most are currently projected to remain within the expenditure authority. Some preliminary projected variances should be noted.

- Social Services is projected to follow a similar pattern to that seen in FY 2010 with significant expenditure savings, offset by a reduction in related revenues. However, these Social Services projections are preliminary and it is anticipated that they will change based on the utilization of services.
- Public Works preliminary projected shortfall is due to projected overspending in temporary and overtime personnel costs as well as unbudgeted costs associated with leaf collection. The Department is working to bring the costs down and close the gap in its budget.
- Parks and Recreation is currently projected to overspend its budget due to temporary and overtime personnel costs related to summer community activities and other recreational events, similar to those in FY 2010. The Department is working to bring the costs down and close the gap in its budget.
- The Department of Information Technology is projected to see a savings in FY 2011 due to continued charges to non-general fund programs and continued savings in telephone expenses. These efforts produced similar savings in FY 2010.

As discussed above and following the precedent set in the third quarter adjustment in FY 2010, the Administration will submit an amendment to Council for its approval mid-year. This amendment will adjust expenditure budgets to more closely align with expectations and adjust for those known items, such as Risk Management discussed in FY 2010.

cc: Byron C. Marshall, Chief Administrative Officer  
Daisy Weaver, Council Chief of Staff

City of Richmond, VA  
FY 2011 Revenue Estimate - First Quarter

	FY 2010 Preliminary Year-End**	FY 2011 Adopted	First Quarter Revenue Collections	FY 2011 Preliminary Projection	Variance: Adopted vs. Preliminary Projection
<b>Taxes</b>					
Real Estate	217,968,359	216,541,564	1,194,290	221,235,627	4,694,063
Personal Property	44,081,443	45,339,085	293,496	45,700,466	361,381
Machinery and Tools	17,038,468	17,145,000	(1,696)	17,038,468	(106,532)
Penalty and Interest	5,423,426	4,999,998	1,301,487	4,999,998	-
Local Option Sales Tax	26,093,786	27,367,500	2,033,375	27,367,500	-
State Shared Sales Tax	24,943,835	24,897,079	2,078,485	24,897,079	-
State Communications Tax	17,526,368	17,811,926	1,487,028	17,605,237	(206,689)
Electric Consumer	12,283,136	12,537,451	1,123,637	12,000,000	(537,451)
Gas Consumer	4,673,948	5,015,184	631,919	5,015,184	-
Bank Franchise	8,247,534	4,000,000	-	4,000,000	-
Prepared Food	23,756,425	23,049,095	3,793,659	23,800,000	750,905
Lodging	4,789,681	4,915,590	786,348	4,915,590	-
Admission	2,181,971	1,486,965	259,743	1,900,000	413,035
Utility Pole and Conduit Tax	156,478	96,164	-	156,478	60,314
Vehicle Rental Tax	424,599	610,000	118,614	610,000	-
State Recordation Tax	759,637	670,000	-	670,000	-
1% Property Rental	101,748	121,534	29,571	101,748	(19,786)
Motor Home Title Tax	10,858	8,600	-	10,858	2,258
Telephone Commissions	450,000	450,000	23,065	450,000	-
Delinquent Real Estate	9,711,901	6,519,511	871,082	7,000,000	480,489
Delinquent Personal Property	5,023,503	6,593,927	450,816	6,593,927	-
<b>Total Taxes</b>	<b>425,647,104</b>	<b>420,176,173</b>	<b>16,474,919</b>	<b>426,068,160</b>	<b>5,891,987</b>
<b>Licenses, Permits and Fees</b>					
Business License	27,904,888	30,767,048	359,224	28,000,000	(2,767,048)
Vehicles License	3,290,542	3,250,000	88,230	3,500,000	250,000
Parking Fees & Permits	736,882	675,970	127,414	650,000	(25,970)
Utility Right-of-Way Fees	878,932	679,878	94,128	736,169	56,291
Other Licenses, Permits, and Fees	2,303,458	1,139,282	436,854	1,225,000	85,718
<b>Total Licenses, Permits and Fees</b>	<b>35,114,702</b>	<b>36,512,178</b>	<b>1,105,850</b>	<b>34,111,169</b>	<b>(2,401,009)</b>
<b>Intergovernmental Revenue</b>					
Federal Revenue	1,036,366	1,002,484	69,330	1,002,484	-
Social Services State Revenue	46,176,670	51,553,460	7,564,767	48,000,000	(3,553,460)
State House Bill 599 Funds	13,890,457	13,619,602	3,599,889	13,619,602	-
State Shared Revenue	18,611,482	19,400,600	3,038,881	18,832,447	(568,153)
Street Maintenance	21,830,900	21,974,461	5,656,721	22,626,883	652,422
State Block Grant	4,770,906	3,926,583	452,571	3,926,583	-
State PILOT Payment	4,890,333	2,841,000	73,353	2,841,000	-
All Other Intergovernmental Revenue	593,916	794,744	43,507	794,744	-
<b>Total Intergovernmental Revenue</b>	<b>111,801,030</b>	<b>115,112,934</b>	<b>20,499,019</b>	<b>111,643,743</b>	<b>(3,469,191)</b>

City of Richmond, VA  
FY 2011 Revenue Estimate - First Quarter

	FY 2010 Preliminary Year-End**	FY 2011 Adopted	First Quarter Revenue Collections	FY 2011 Preliminary Projection	Variance: Adopted vs. Preliminary Projection
<b>Fines and Forfeits</b>					
Courts Fines and Fees	5,652,526	5,914,489	936,564	5,653,300	(261,189)
Parking Violations	3,989,925	4,676,900	892,514	4,676,900	-
Public Library Fines & Fees	113,829	91,800	19,173	91,800	-
Other Fines and Charges	-	2,000	-	2,000	-
<b>Total Fines and Forfeits</b>	<b>9,756,280</b>	<b>10,685,189</b>	<b>1,848,251</b>	<b>10,424,000</b>	<b>(261,189)</b>
<b>Utility Payments to the General Fund</b>					
Utility Payment in Lieu of Taxes	19,780,983	21,289,420	99,719	19,353,200	(1,936,220)
Utility Payment for Collection Services	434,682	672,823	-	672,823	-
DPU Payment for Administrative Services	2,879,490	2,879,490	645,408	2,581,632	(297,858)
DPU Dividends	3,411,549	2,028,885	-	2,996,843	967,958
<b>Total Other Utility Payments</b>	<b>26,506,704</b>	<b>26,870,618</b>	<b>745,127</b>	<b>25,604,498</b>	<b>(1,266,120)</b>
<b>Charges for Goods and Services</b>					
Building Service Charges	641,737	815,698	136,643	650,000	(165,698)
Rental of Property	253,797	451,036	48,491	253,797	(197,239)
Safety Related Charges	382,166	620,703	23,342	400,000	(220,703)
Other Service Charges	1,946,755	1,894,582	144,255	1,894,582	-
Refuse Collection Fees	11,662,326	11,588,243	1,898,025	11,662,326	74,083
Commercial Dumping Fees	44,404	1,000,000	11,260	250,000	(750,000)
Recycling Proceeds	1,523,101	1,400,000	246,636	1,500,000	100,000
Inspection Fees	3,423,975	4,122,244	1,131,535	3,900,000	(222,244)
Health Related Charges	36,022	61,000	8,227	61,000	-
Other Sales	428,014	50,100	12,342	50,100	-
Printing and Telecomm Charges	67,125	295,000	3,558	150,000	(145,000)
<b>Total Charges for Goods and Services</b>	<b>20,409,422</b>	<b>22,298,606</b>	<b>3,664,314</b>	<b>20,771,805</b>	<b>(1,526,801)</b>
<b>Other Revenue</b>					
Administrative Payments	3,615,166	2,857,915	789,232	2,857,915	-
Internal Service Fund Payments	349,397	341,502	-	341,502	-
Data Sharing & Other Transfers In	(64,061)	1,772,879	35	1,772,879	-
Risk Management	3,912,973	-	-	-	-
All Other Revenue	616,462	676,275	129,825	676,275	-
<b>Total Payments to the General Fund</b>	<b>8,429,937</b>	<b>5,648,571</b>	<b>919,092</b>	<b>5,648,571</b>	<b>-</b>
<b>Subtotal: Total GF before Amendments</b>	<b>637,665,179</b>	<b>637,304,269</b>	<b>45,256,572</b>	<b>634,271,946</b>	<b>(3,032,323)</b>
<b>Amendments to the Adopted Budget</b>					
Amendment Ord. # 2010-181-163		1,650,000		1,650,000	-
Amendment Ord. # 2010-143-142		232,186		232,186	-
Amendment Ord. # 2010-157-1153		40,000		40,000	-
<b>Grand Total: Amended General Fund*</b>	<b>637,665,179</b>	<b>639,226,455</b>	<b>45,256,572</b>	<b>636,194,132</b>	<b>(3,032,323)</b>

\* The FY 2011 Adopted Budget does not include revenue for risk management totaling \$4,403,320 for which the Administration plans to submit an ordinance to amend the budget mid-year.

\*\*FY 2010 Preliminary Year-End does not include the \$1.5 million encumbrance roll. With the encumbrance roll, total FY 2010 preliminary revenue is \$639,214,965.

City of Richmond, VA  
FY 2011 Expenditure Estimate - First Quarter

Agency	FY 2010 Preliminary Year-End*	FY 2011 Amended Budget**	First Quarter Expenditures	FY 2011 Year-End Projection	Variance: Amended vs Projection surplus/(shortfall)
<b>Culture &amp; Recreation</b>					
Library	4,971,610	5,138,908	965,192	5,075,208	63,700
Parks, Recreation & Comm. Facilities	15,345,737	15,866,428	4,538,695	16,448,128	(581,700)
<b>Debt</b>					
General Fund Debt Contribution	49,389,151	49,457,345	34,490,104	49,457,345	-
<b>Education</b>					
Richmond Public Schools	151,332,379	149,131,347	-	149,131,347	-
<b>General Government</b>					
Assessor	2,856,621	2,966,830	599,979	2,963,030	3,800
Auditor	1,733,094	1,588,791	259,365	1,588,791	-
Budget	984,646	1,126,002	221,491	1,114,602	11,400
CAO	1,072,921	1,015,211	176,385	963,711	51,500
City Attorney	2,330,122	2,389,939	462,559	2,368,439	21,500
City Clerk	740,281	752,921	171,311	744,521	8,400
City Council	1,194,798	1,177,300	231,113	1,133,100	44,200
City Treasurer	200,132	206,847	32,551	167,947	38,900
Council Chief of Staff	879,121	881,524	168,911	876,424	5,100
Economic & Community Development	1,713,477	3,848,841	485,387	3,710,341	138,500
Finance	8,359,654	8,363,056	1,572,434	8,533,656	(170,600)
General Registrar	1,159,105	1,350,631	256,516	1,337,131	13,500
General Services	11,681,027	n/a	n/a	n/a	n/a
Human Resources	2,754,445	2,620,755	543,942	2,632,755	(12,000)
Information Technology	13,756,648	17,591,518	3,359,075	16,828,318	763,200
Mayor's Office	1,025,130	1,038,697	199,181	1,038,697	-
Minority Business Development	328,729	448,564	124,092	611,064	(162,500)
Planning & Development Review	7,769,545	8,057,346	1,441,915	7,721,746	335,600
Press Secretary	433,722	485,506	85,997	498,406	(12,900)
Procurement Services	1,068,368	1,174,474	233,008	1,148,674	25,800
Real Estate Services	474,549	n/a	n/a	n/a	n/a
Self Insurance	16,501,097	9,449,127	-	9,449,127	-
<b>Highways, Streets, Sanitation &amp; Refuse</b>					
Public Works <sup>(1)</sup>	48,065,323	58,496,223	10,195,209	59,996,223	(1,500,000)
<b>Human Services</b>					
DCAO for Human Services <sup>(2)</sup>	1,548,473	1,755,182	494,555	1,752,682	2,500
Justice Services	7,294,396	7,484,488	1,431,236	7,375,088	109,400
Richmond City Health Initiative	3,088,002	3,210,906	-	3,210,906	-
Social Services	62,680,531	70,803,214	12,564,565	65,039,214	5,764,000
<b>Non-Departmental</b>					
Non-Departmental <sup>(3)</sup>	46,903,476	50,473,824	10,388,876	50,473,824	-
<b>Public Safety &amp; Judiciary</b>					
Emergency Management	1,144,130	n/a	n/a	n/a	n/a
Fire & Emergency Services	39,688,832	40,034,228	8,120,191	40,034,228	-
J & DR Court	375,748	472,499	58,402	451,899	20,600
Judiciary	8,976,429	9,184,181	1,778,402	9,149,981	34,200
Police	79,381,546	80,053,441	16,091,459	80,053,441	-
Sheriff's Office	29,492,915	31,130,359	6,238,933	30,461,659	668,700
<b>Grand Total</b>	<b>628,695,910</b>	<b>639,226,453</b>	<b>117,981,031</b>	<b>633,541,653</b>	<b>5,684,800</b>

\*Preliminary estimates for FY 2010 year-end expenditures include agencies that were consolidated mid-year into the Departments of Public Works, Economic & Community Development and Non-Departmental.

\*\* The FY 2011 Adopted Budget increased \$1,922,186 from \$637,304,267 to \$639,266,453 as a result of two grants and the FY 2011 budgetary surplus reappropriated by City Council. Spending authority related to the reappropriated budgetary surplus is pending finalized approved plans.

(1) The FY 2011 Adopted Budget for the Department of Public Works increased \$100,000. The increase was the combined result of a grant from Virginia Commonwealth University to enhance pedestrian safety (\$40,000) and reappropriation of FY 2010 budgetary surplus (\$60,000).

(2) The FY 2011 Adopted Budget for the DCAO of Human Services increased \$232,186 as a result of a grant from the Commonwealth for citywide health programming.

(3) The FY 2011 Adopted Budget for Non-Departmental increased \$1,590,000 as a result of reappropriation of FY 2010 budgetary surplus.