



# CITY OF RICHMOND

## INTRACITY CORRESPONDENCE

**TO:** The Honorable Ellen Robertson  
Chairman, Finance and Economic Development Standing Committee

**FROM:** Byron C. Marshall  
Chief Administrative Officer

**DATE:** January 24, 2011

**RE:** Second 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 second quarter revenue and expenditure update, an overview of current economic conditions nationally and locally and projections for the current fiscal year.

Continuing the Administration's efforts to improve the simplicity of the data provided and to create a clear baseline, this report is provided in the reshaped presentation that began with the FY 2011 first quarter report. This report provides information on a cash basis, meaning that only revenue received by the City on or before December 31 is included. In the past, revenue received well after December 31 may have also been included, but inconsistency in its application made comparison difficult. Moving forward, the quarterly reports will continue to 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 second quarter FY 2011 report indicates that revenue is tracking close to the forecast. Revenue collections through the second quarter are primarily limited to those sources that the City receives on a monthly basis. As such, limited trend information is available for the City's largest sources, such as Real Estate. Expenditures continue to remain well in check.

### ***Second Quarter Revenue Report and Collections***

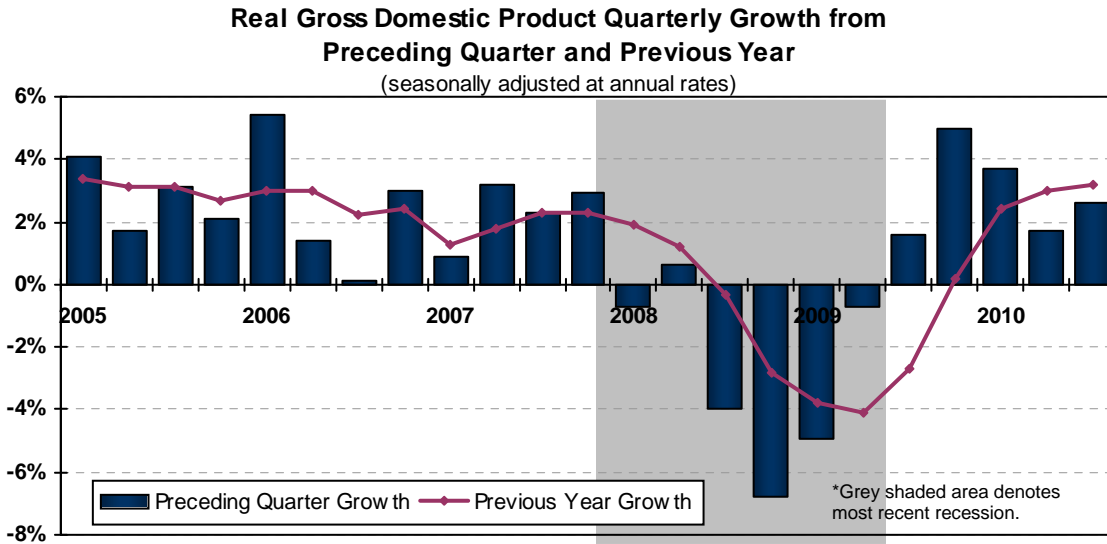
The second quarter is not a significant month for revenue collections for the City. The City's most significant revenue source, the Real Estate tax (34% of General Fund Revenue), is not due until the second half of the year. The same is true for other significant sources such as Business License (BPOL) (4.8% of General Fund Revenue) and Personal Property tax (7.1% of General Fund Revenue). With that being said, some key trend information can be gleaned from the collections to-date, particularly with respect to monthly revenue receipts for sources such as Sales and Use, Prepared Food and Lodging taxes.

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

Current economic data indicate the national economic expansion will continue into 2011 with little risk of a double dip recession. However, the economic expansion may continue in fits and starts throughout the year as it continues to gain traction.

- Real GDP grew at an annual rate of 2.6 percent in the third quarter of 2010 following a 1.7 percent increase in the second quarter. This was the fifth consecutive quarter of growth since the recession officially ended in June 2009.

## Second Quarter Fiscal Year 2011 Revenue & Expenditure Update



- National employment rose by 103,000 jobs in December, the third consecutive monthly increase. The unemployment rate fell to 9.4 percent, the lowest level in 19 months. However, this reduction does mask a reduced labor force and a generally stagnant job market.

### **Virginia Economic Indicators**

- Virginia added jobs for the fifth consecutive month in November (the most recent point available), growing 1.4 percent from the same month last year. The unemployment rate fell to 6.6 percent, well below the national level. Job gains were experienced in Hampton Roads and Northern Virginia with this region relatively flat.
- The Virginia Leading Index, a forecast of the state's near-term economic and business conditions, rose 0.6 percent in November. All components of the index improved in November except building permits. The Leading Index rose in all eleven Virginia metro areas in November.

### **Richmond Economic Indicators**

- Job losses in the Richmond region have slowed. Employment decreased 0.1 percent in November as compared to the same month last year.
- The City's unemployment rate rose 0.1 percentage point in November to 10.1 percent (not seasonally adjusted), but remained well below its August peak of 10.9 percent.
- The Richmond real estate market conditions are showing marked improvement in 2010. Average home prices December year-to-date are 5.6 percent higher.

### **FY 2011 General Fund Revenue Projection**

Given that the second quarter of the fiscal year is not significant for revenue collections, minimal trend information can be derived for the remainder of the fiscal year. With that being said, based on final FY 2010 year-end revenue and the information provided from FY 2011 first and second

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

quarter receipts, general fund revenue is tracking close to the FY 2011 Budget of \$639.2 (as amended).

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

Expenditures through the second quarter total \$258.0 million (40.4% of the FY 2011 Amended Budget, amended in September 2010). Unlike revenue, expenditure data through the second quarter is useful in determining expenditure trends through the end of the fiscal year. However, this trend analysis is somewhat limited by the seasonal nature of a few departments' expenditures. Based on the most current information available and final FY 2010 year-end expenditures, it is anticipated that the variance from the amended budget will be close to one percent or \$6.9 million.

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 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.

### ***FY 2011 General Fund Adjustments***

There are several adjustments to the revenue outlook for FY 2010 that must be carried forward into FY 2011 and beyond. These adjustments include the transition of Risk Management from an internal service fund to the general fund, and updated projections for several revenue sources, particularly Real Estate, BPOL, Social Services, and Utility Payments to the general fund. These technical adjustments will be forthcoming. In the mean time, the net affect of these adjustments continues to be incorporated into the FY 2011 year-end projections. In addition, the Administration will also be submitting amendments regarding key initiatives including alternatives to incarceration and expenditure adjustments to more closely align expenditure budgets with expectations.

cc: City Council  
Daisy Weaver, Council Chief of Staff  
Barbara Reese, Director of Finance  
Rayford Harris, Director of Budget & Strategic Planning

City of Richmond, VA  
 Department of Finance  
 FY 2011 Revenue Estimate - Second Quarter

	FY 2010 Final Year-End	FY 2011 Adopted	Second Quarter Revenue Collections	FY 2011 Preliminary Projection	Variance: Adopted vs. Preliminary Projection
<b>Taxes</b>					
Real Estate	218,027,758	216,541,564	2,207,823	221,435,627	4,894,063
Personal Property	44,081,997	45,339,085	9,657,969	45,699,912	360,827
Machinery and Tools	17,038,468	17,145,000	4,951	17,038,468	(106,532)
Penalty and Interest	5,423,493	4,999,998	2,333,710	5,400,000	400,002
Local Option Sales Tax	26,093,786	27,367,500	8,140,842	24,941,000	(2,426,500)
State Shared Sales Tax	24,943,835	24,897,079	8,392,186	24,897,079	-
Communications Tax	17,526,368	17,811,926	6,016,643	17,605,237	(206,689)
Electric Consumer	12,283,135	12,537,451	4,352,806	12,000,000	(537,451)
Gas Consumer	4,673,948	5,015,184	1,653,683	5,015,184	-
Bank Franchise	8,247,534	4,000,000	-	6,000,000	2,000,000
Prepared Food	23,756,424	23,049,095	9,242,947	23,800,000	750,905
Lodging	4,789,681	4,915,590	2,024,790	4,915,590	-
Admission	2,181,971	1,486,965	577,813	2,200,000	713,035
Utility Pole and Conduit Tax	156,478	96,164	-	156,478	60,314
Vehicle Rental Tax	424,599	610,000	326,194	610,000	-
State Recordation Tax	759,637	670,000	71,192	670,000	-
1% Property Rental	101,748	121,534	56,533	101,748	(19,786)
Motor Home Title Tax	10,858	8,600	1,290	10,858	2,258
Telephone Commissions	450,000	450,000	65,037	450,000	-
Delinquent Real Estate	9,711,901	6,519,511	5,596,624	7,000,000	480,489
Delinquent Personal Property	5,023,503	6,593,927	649,835	6,593,927	-
<b>Total Taxes</b>	<b>425,707,122</b>	<b>420,176,173</b>	<b>61,372,868</b>	<b>426,541,108</b>	<b>6,364,935</b>
<b>Licenses, Permits and Fees</b>					
Business License	27,904,888	30,767,048	564,095	28,000,000	(2,767,048)
Vehicles License	3,549,883	3,250,000	301,239	3,500,000	250,000
Parking Fees & Permits	736,882	675,970	291,696	650,000	(25,970)
Utility Right-of-Way Fees	878,932	679,878	178,748	736,169	56,291
Other Licenses, Permits, and Fees	2,303,458	1,139,282	550,796	2,000,000	860,718
<b>Total Licenses, Permits and Fees</b>	<b>35,374,043</b>	<b>36,512,178</b>	<b>1,886,574</b>	<b>34,886,169</b>	<b>(1,626,009)</b>
<b>Intergovernmental Revenue</b>					
Federal Revenue	1,036,366	1,002,484	79,730	1,002,484	-
Social Services State Revenue	46,172,514	51,553,460	20,464,272	48,000,000	(3,553,460)
State House Bill 599 Funds	13,890,457	13,619,602	7,199,778	13,619,602	-
State Shared Revenue	18,611,482	19,400,600	7,766,992	18,832,447	(568,153)
Street Maintenance	21,830,900	21,974,461	11,353,441	22,626,883	652,422
State Block Grant	4,770,906	3,926,583	1,654,645	3,926,583	-
State PILOT Payment	4,890,333	2,841,000	408,140	2,841,000	-
All Other Intergovernmental Revenue	593,916	794,744	193,517	794,744	-
<b>Total Intergovernmental Revenue</b>	<b>111,796,874</b>	<b>115,112,934</b>	<b>49,120,516</b>	<b>111,643,743</b>	<b>(3,469,191)</b>
<b>Fines and Forfeits</b>					
Courts Fines and Fees	5,652,526	5,914,489	2,254,436	5,653,300	(261,189)
Parking Violations	3,993,700	4,676,900	1,760,706	4,676,900	-
Public Library Fines & Fees	113,829	91,800	39,087	91,800	-
Other Fines and Charges	-	2,000	-	2,000	-
<b>Total Fines and Forfeits</b>	<b>9,760,055</b>	<b>10,685,189</b>	<b>4,054,229</b>	<b>10,424,000</b>	<b>(261,189)</b>

City of Richmond, VA  
 Department of Finance  
 FY 2011 Revenue Estimate - Second Quarter

	FY 2010 Final Year-End	FY 2011 Adopted	Second Quarter Revenue Collections	FY 2011 Preliminary Projection	Variance: Adopted vs. Preliminary Projection
<b>Utility Payments to the General Fund</b>					
Utility Payment in Lieu of Taxes	19,780,983	21,289,420	433,427	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	1,290,816	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>1,724,243</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	274,919	650,000	(165,698)
Rental of Property	253,797	451,036	119,530	253,797	(197,239)
Safety Related Charges	385,496	620,703	100,198	400,000	(220,703)
Other Service Charges	1,782,579	1,894,582	331,245	1,894,582	-
Refuse Collection Fees	11,662,326	11,588,243	4,801,321	11,662,326	74,083
Commercial Dumping Fees	44,404	1,000,000	63,867	250,000	(750,000)
Recycling Proceeds	1,523,101	1,400,000	624,261	1,500,000	100,000
Inspection Fees	3,423,975	4,122,244	2,021,670	3,900,000	(222,244)
Health Related Charges	36,022	61,000	14,745	61,000	-
Other Sales	428,014	50,100	32,999	50,100	-
Printing and Telecomm Charges	149,238	295,000	8,053	150,000	(145,000)
<b>Total Charges for Goods and Services</b>	<b>20,330,689</b>	<b>22,298,606</b>	<b>8,392,809</b>	<b>20,771,805</b>	<b>(1,526,801)</b>
<b>Other Revenue</b>					
Administrative Payments	3,690,366	2,857,915	1,166,179	2,857,915	-
Internal Service Fund Payments	349,397	341,502	51,189	341,502	-
Data Sharing & Other Transfers In	405,880	1,772,879	35	1,772,879	-
Risk Management	3,912,973	-	-	-	-
All Other Revenue	517,455	676,275	228,021	676,275	-
<b>Total Payments to the General Fund</b>	<b>8,876,071</b>	<b>5,648,571</b>	<b>1,445,424</b>	<b>5,648,571</b>	<b>-</b>
<b>Subtotal: Total GF before Amendments</b>	<b>638,351,558</b>	<b>637,304,269</b>	<b>127,996,663</b>	<b>635,519,894</b>	<b>(1,784,375)</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>638,351,558</b>	<b>639,226,455</b>	<b>127,996,663</b>	<b>637,442,080</b>	<b>(1,784,375)</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.

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

Agency	FY 2010 Final Year- End	FY 2011 Amended Budget*	Expenditures Second Quarter	FY 2011 Year-End Projection	Amended vs Projection surplus/(shortfall)
<b>Culture &amp; Recreation</b>					
Library	4,964,309	5,138,908	2,348,319	5,083,908	55,000
Parks, Rec., & Community Facilities	15,136,355	15,866,428	7,914,035	16,170,628	(304,200)
<b>Debt</b>					
General Fund Debt Contribution	49,404,780	49,457,345	34,490,104	49,457,345	-
<b>Education</b>					
Richmond Public Schools	151,332,379	149,131,347	37,282,837	149,131,347	-
<b>General Government</b>					
Assessor	2,860,193	2,966,830	1,335,407	2,966,830	-
Auditor	1,732,844	1,588,791	729,943	1,588,791	-
Budget & Strategic Planning	984,646	1,126,002	503,264	1,104,902	21,100
Chief Administrative Officer	1,072,921	1,015,211	425,939	987,811	27,400
City Attorney	2,311,048	2,389,939	1,009,281	2,389,939	-
City Clerk	740,281	752,921	337,461	744,521	8,400
City Council	1,194,798	1,177,300	516,668	1,133,100	44,200
City Treasurer	200,132	206,847	77,136	167,947	38,900
Council Chief of Staff	879,121	881,524	395,937	844,924	36,600
Economic & Community Development	1,718,523	3,848,841	1,158,436	3,640,941	207,900
Finance	8,184,659	8,363,056	3,606,827	8,207,056	156,000
General Registrar	1,159,105	1,350,631	633,730	1,328,931	21,700
Human Resources	2,754,445	2,620,755	1,180,161	2,632,755	(12,000)
Information Technology	13,764,006	17,591,518	6,759,280	16,450,718	1,140,800
Mayor's Office	1,025,130	1,038,697	481,594	1,038,697	-
Minority Business Development	328,729	448,564	297,360	616,064	(167,500)
Planning & Development Review	7,769,611	8,057,346	3,457,746	7,722,346	335,000
Press Secretary	433,722	485,506	202,706	473,806	11,700
Procurement Services	1,068,368	1,174,474	533,611	1,214,874	(40,400)
Self Insurance	13,494,367	9,449,127	-	9,449,127	-
Department of Real Estate Services	483,035	n/a	n/a	n/a	n/a
General Services	11,681,027	n/a	n/a	n/a	n/a
<b>Highways, Streets, Sanitation &amp; Refuse</b>					
Public Works	48,063,141	58,496,223	25,599,162	59,996,223	(1,500,000)
<b>Human Services</b>					
DCAO for Human Services	1,594,177	1,755,182	981,861	1,755,182	-
Justice Services	7,335,321	7,484,488	3,323,328	7,398,988	85,500
Richmond City Health Initiative	3,111,470	3,210,906	802,725	3,210,906	-
Social Services	60,938,394	70,803,214	26,909,484	64,057,414	6,745,800
<b>Non-Departmental</b>					
Non-Departmental <sup>4</sup>	46,454,002	50,473,824	20,687,391	50,309,424	164,400
<b>Public Safety &amp; Judiciary</b>					
Fire & Emergency Services <sup>5</sup>	39,688,356	40,034,228	18,761,059	40,034,228	-
J & DR Court	375,741	472,499	158,950	454,499	18,000
Judiciary	8,976,429	9,184,181	4,099,420	9,027,681	156,500
Police	79,382,850	80,053,441	37,023,689	80,895,541	(842,100)
Sheriff's Office	29,493,037	31,130,359	13,932,630	30,572,559	557,800
Office of Emergency Management	1,144,151	n/a	n/a	n/a	n/a
<b>Grand Total</b>	<b>623,235,603</b>	<b>639,226,453</b>	<b>257,957,481</b>	<b>632,259,953</b>	<b>6,966,500</b>

\*FY 2010 Final 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 grants and an FY 2010 budgetary surplus reappropriated by City Council, as of October 1, 2010.