



CITY OF RICHMOND

INTRACITY CORRESPONDENCE

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

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

DATE: April 21, 2011

RE: Third Quarter Fiscal Year 2011 Revenue & Expenditure Update

The purpose of this memo is to provide the Finance and Economic Development Committee with a third quarter revenue and expenditure update and projections for the current fiscal year. While this report typically includes an economic outlook, the Mayor's Proposed Biennial Fiscal Plan, provided to you on March 31st, has a detailed outlook for the current year as well as the upcoming biennium. This economic information can be found in the "Financial Overview" tab of the Fiscal Plan.

Between this third quarter report and the second quarter report provided in late January, Council at the Mayor's request has taken appropriation actions adjusting the FY 2011 budget to \$644.1 million from the originally adopted \$637.3 million. Revenues are now projected to grow by more than \$4.8 million by the end of the fiscal year to \$648.8 million. Expenditures, which have been closely monitored throughout the year, are expected to be \$9.1 million under budget. As you may recall, as part of the FY 2011 budget proposal, the Mayor committed to identifying an additional \$3 million in savings and this commitment has been more than met.

Between revenue and expenditures, the net effect is a projected \$13.9 million positive variance from the amended FY 2011 budget. However, because of the anticipated marked decline in real estate assessments which is expected to result in a \$13.1 million real estate revenue loss in FY 2012, the Mayor's Proposed Biennial Fiscal Plan invests \$13.6 million of the projected \$13.9 million surplus for the following purposes:

- \$5.4 million pay-as-you-go (cash) investment in fleet capital spending
- \$6.4 million for debt service costs related to the construction of four new schools and the Justice Center
- \$1.0 million for related bank fees
- \$0.8 million for pay-as-you-go (cash) funding for building demolition/blight abatement

As a reminder, this report provides information on a cash basis, meaning that only revenue received and expenditures incurred by the City on or before March 31 are included.

Third Quarter Revenue Report and Collections

With the change to twice a year real estate billing, the third quarter is a significant time for revenue collections for the City. As of March 31st, \$197.5 million in tax revenue has been

collected, or about 45 percent of the total projected for the year. The City's most significant revenue source, the real estate tax (34% of General Fund revenue) has generated close to \$97 million in revenue after tax credits and refunds were taken into account. The City collected \$23.2 million in business license revenue with another \$3.8 million expected by June 30th.

The City has also begun to experience year-over-year growth in retail sales and use tax revenues, even though the local option sales tax is not expected to reach FY 2010 levels during FY 2011 because of the zip code changes and other business corrections.

While not collected during the third quarter, banks must report to the City their branch deposits. These reports serve as the foundation for the assessment of the bank franchise tax by the Commonwealth's Department of Taxation. These reports indicate that as a result of the TARP payments made to banks and the tight lending restrictions, deposits in bank branches in the City will generate \$13.6 million in tax revenue by June 30th. This is \$7.6 million more than mid-year forecast at the second quarter report but will taper downward in future years. The unexpectedly high bank franchise tax is the primary driver of the projected revenue growth over the second quarter forecast.

FY 2011 General Fund Revenue Projection

While tax revenues are projected to be positive overall - \$15.5 million above the FY 2011 amended budget, other revenue categories are not demonstrating overall gains when compared to the amended budget. In addition to business licenses, other areas of lower than expected performance are reimbursements for social service programs (\$5.6 million) and \$1.5 million less in charges for goods and services. In total, the FY 2011 year end revenue projection is \$648.8 million, or an increase of more than \$4.8 million.

FY 2011 Third Quarter Expenditures and Projections

Expenditures through the third quarter total \$415.4 million (65.4% of the FY 2011 Amended Budget). Based on the most current information available, it is anticipated that the variance from the amended budget will be \$9.1 million or close to 1.4 percent under budget.

Just as the Administration shared the upcoming biennial outlook with Council, City Departments and their employees were also kept up to date on changes in future expected real estate tax revenues, rising health care costs, and debt service needs. All were asked to tightly manage 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.
- Public Works preliminary projected shortfall is due to projected overspending in temporary and overtime personnel driven by additional service requests by the public. While personnel costs are being better controlled, rising fuel costs are offsetting any overall spending reductions.
- 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.
- Finance is expected to overspend because of increased costs related to tax amnesty, retirement and other personnel payouts, legal expenses, as well as ERP and other staff recruitments.

Third Quarter Fiscal Year 2011 Revenue & Expenditure Update

- 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.

Summary and Next Steps

In summary, this FY 2011 third quarter report projects that after reserving a portion of the budgetary surplus for use during the FY 2012 – FY 2013 biennium, a balance of \$233,008 will remain. The third quarter has been a significant period for revenue collections, expenditures, and amendments to the FY 2011 adopted budget.

During the fourth quarter, the Committee will be provided with regular updates on actions affecting both revenue and spending so that any necessary legislative action can be taken prior to the end of the fiscal year. The Administration's goal is to continue these positive trends to further invest in actions, including increasing the unassigned fund balance, that enhance our reputation as a Tier One City.

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

City of Richmond
 Departments of Finance and Budget
 FY 2011 Year-End Projection - Third Quarter

	Original FY 2011 Adopted Budget	FY 2011 Amended Budget*	FY 2011 Third Quarter Projection	Variance: Amended vs. Preliminary Projection
Third Quarter Projected Revenue and Expenditures				
Revenue	637,304,267	644,097,618	648,857,622	4,760,005
Expenditures	637,304,267	644,097,618	634,984,615	9,113,003
Subtotal: Projected FY 2011 Budgetary Surplus Prior to Reserves				13,873,008
Less: Commitments to FY 2012 - FY 2013 Proposed Biennial Fiscal Plan				
Budgetary Surplus Reserved for Fleet Capital Investment				(5,400,000)
Budgetary Surplus Reserved for Debt				(6,400,000)
Debt Service Surplus Reserved for Bank Fees related to Debt Service				(1,040,000)
Budgetary Surplus Reserved for Building Demolition/Blight Abatement in the CIP				(800,000)
Subtotal: FY 2011 Budgetary Surplus Reserves				(13,640,000)
Projected Year-End Budgetary Surplus				233,008

City of Richmond, VA - Departments of Finance and Budget
FY 2011 Revenue Estimate - Third Quarter

	FY 2010 Final Year-End	FY 2011 Amended Budget	Revenue Collections Through Q3	FY 2011 Year-End Projection	Amended vs Projection surplus/(shortfall)
Taxes					
Real Estate	218,027,758	216,541,564	97,417,365	220,685,627	4,144,063
Personal Property	44,081,997	45,339,085	13,969,964	45,699,912	360,827
Machinery and Tools	17,038,468	17,145,000	480,260	17,038,468	(106,532)
Penalty and Interest	5,423,493	4,999,998	3,053,244	5,400,000	400,002
Local Option Sales Tax	26,093,786	27,367,500	14,915,337	25,341,000	(2,026,500)
State Shared Sales Tax	24,943,835	25,329,174	14,928,176	26,351,551	1,022,377
Communications Tax	17,526,368	17,811,926	10,471,686	17,605,237	(206,689)
Electric Consumer	12,283,135	12,537,451	7,465,472	12,000,000	(537,451)
Gas Consumer	4,673,948	5,015,184	3,626,530	5,015,184	-
Bank Franchise	8,247,534	4,000,000	1,490	13,592,000	9,592,000
Prepared Food	23,756,424	23,049,095	15,375,312	23,800,000	750,905
Lodging	4,789,681	4,915,590	3,237,152	4,915,590	-
Admission	2,181,971	1,486,965	1,274,203	2,200,000	713,035
Utility Pole and Conduit Tax	156,478	96,164	158,268	156,478	60,314
Vehicle Rental Tax	424,599	610,000	468,071	610,000	-
State Recordation Tax	759,637	670,000	161,153	550,000	(120,000)
1% Property Rental	101,748	121,534	85,153	101,748	(19,786)
Motor Home Title Tax	10,858	8,600	1,960	10,858	2,258
Telephone Commissions	450,000	450,000	125,340	450,000	-
Delinquent Real Estate	9,711,901	6,519,511	7,700,788	8,000,000	1,480,489
Delinquent Personal Property	5,023,503	6,593,927	2,565,953	6,593,927	-
Total Taxes	425,707,122	420,608,268	197,482,877	436,117,580	15,509,312
Licenses, Permits and Fees					
Business License	27,904,888	30,767,048	23,197,143	27,000,000	(3,767,048)
Vehicles License	3,549,883	3,250,000	618,036	3,500,000	250,000
Parking Fees & Permits	736,882	675,970	451,652	650,000	(25,970)
Utility Right-of-Way Fees	878,932	679,878	595,539	736,169	56,291
Other Licenses, Permits, and Fees	2,303,458	1,139,282	927,077	2,000,000	860,718
Total Licenses, Permits and Fees	35,374,043	36,512,178	25,789,447	33,886,169	(2,626,009)
Intergovernmental Revenue					
Federal Revenue	1,036,366	1,002,484	85,130	1,002,484	-
Social Services State Revenue	46,172,514	51,553,460	32,641,550	46,000,000	(5,553,460)
State House Bill 599 Funds	13,890,457	13,619,602	10,406,071	13,619,602	-
State Shared Revenue	18,611,482	19,400,600	12,500,026	18,832,447	(568,153)
Street Maintenance	21,830,900	21,974,461	17,010,162	22,626,883	652,422
State Block Grant	4,770,906	3,926,583	2,694,965	4,326,583	400,000
State PILOT Payment	4,890,333	2,841,000	1,392,334	2,841,000	-
All Other Intergovernmental Revenue	593,916	1,031,930	350,974	1,031,930	-
Total Intergovernmental Revenue	111,796,874	115,350,120	77,081,212	110,280,929	(5,069,191)
Fines and Forfeits					
Courts Fines and Fees	5,652,526	5,914,489	3,413,704	5,653,300	(261,189)
Parking Violations	3,993,700	4,676,900	2,745,106	4,676,900	-
Public Library Fines & Fees	113,829	91,800	60,656	91,800	-
Other Fines and Charges	-	2,000	-	2,000	-
Total Fines and Forfeits	9,760,055	10,685,189	6,219,466	10,424,000	(261,189)

City of Richmond, VA - Departments of Finance and Budget
FY 2011 Revenue Estimate - Third Quarter

	FY 2010 Final Year-End	FY 2011 Amended Budget	Revenue Collections Through Q3	FY 2011 Year-End Projection	Amended vs Projection surplus/(shortfall)
Utility Payments to the General Fund					
Utility Payment in Lieu of Taxes	19,780,983	21,289,420	12,555,816	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	1,936,224	2,581,632	(297,858)
DPU Dividends	3,411,549	2,028,885	-	2,996,843	967,958
Total Other Utility Payments	26,506,704	26,870,618	14,492,040	25,604,498	(1,266,120)
Charges for Goods and Services					
Building Service Charges	641,737	815,695	438,795	650,000	(165,695)
Rental of Property	253,797	451,036	191,203	253,797	(197,239)
Safety Related Charges	385,496	620,703	125,772	400,000	(220,703)
Other Service Charges	1,782,579	3,544,582	466,339	3,544,582	-
Refuse Collection Fees	11,662,326	11,588,243	7,705,885	11,662,326	74,083
Commercial Dumping Fees	44,404	1,000,000	172,374	250,000	(750,000)
Recycling Proceeds	1,523,101	1,400,000	1,001,907	1,500,000	100,000
Inspection Fees	3,423,975	4,122,244	3,459,206	3,900,000	(222,244)
Health Related Charges	36,022	61,000	24,535	61,000	-
Other Sales	428,014	50,100	77,625	50,100	-
Printing and Telecomm Charges	149,238	295,000	41,749	150,000	(145,000)
Risk Management	3,912,973	4,403,320	289,170	4,403,320	-
Total Charges for Goods and Services	24,243,662	28,351,923	13,994,560	26,825,125	(1,526,798)
Other Revenue					
Administrative Payments	3,690,366	2,857,915	3,012,622	2,857,915	-
Internal Service Fund Payments	349,397	341,502	76,784	341,502	-
Data Sharing & Other Transfers In	405,880	1,772,879	35	1,772,879	-
All Other Revenue	517,455	747,025	537,911	747,025	-
Total Payments to the General Fund	4,963,098	5,719,321	3,627,352	5,719,321	-
Total General Fund	638,351,558	644,097,617	338,686,954	648,857,622	4,760,005

*The FY 2011 Year-End Projection includes all revenue amendments approved by Council as of March 31, 2011, totaling \$6.8 million including \$4.4 million related to Risk Management.

City of Richmond, VA - Departments of Finance and Budget
FY 2011 Expenditure Estimate - Third Quarter

Agency	FY 2010 Final Year-End*	FY 2011 Amended Budget**	Expenditures Third Quarter	FY 2011 Year-End Projection	Amended vs Projection surplus/(shortfall)
Culture & Recreation					
Library	4,964,309	5,138,908	3,562,173	5,063,122	75,786
Parks, Rec., & Community Facilities	15,136,355	15,896,428	11,489,635	16,315,624	(419,196)
Debt					
General Fund Debt Contribution	49,404,780	49,457,345	46,247,893	48,417,345	1,040,000
Education					
Richmond Public Schools	151,332,379	149,563,442	74,997,769	150,585,819	(1,022,377)
General Government					
Assessor	2,860,193	2,966,830	2,004,758	2,960,076	6,754
Auditor	1,732,844	1,588,791	1,093,417	1,544,560	44,231
Budget & Strategic Planning	984,646	1,126,002	759,244	1,124,056	1,946
Chief Administrative Officer	1,072,921	1,040,211	654,734	1,030,257	9,954
City Attorney	2,311,048	2,389,939	1,509,013	2,388,909	1,030
City Clerk	740,281	752,921	481,857	750,826	2,095
City Council	1,194,798	1,177,300	793,152	1,140,342	36,958
City Treasurer	200,132	206,847	115,496	167,947	38,900
Council Chief of Staff	879,121	881,524	575,360	853,419	28,105
Economic & Community Development	1,718,523	3,918,841	2,763,065	3,769,945	148,896
Finance	8,184,659	8,363,806	5,600,425	8,577,806	(214,000)
General Registrar	1,159,105	1,350,631	825,049	1,338,431	12,200
Human Resources	2,754,445	2,620,755	1,766,117	2,579,405	41,350
Information Technology	13,764,006	17,591,518	9,809,773	16,450,718	1,140,800
Mayor's Office	1,025,130	1,038,697	761,188	1,038,697	-
Minority Business Development	328,729	448,564	424,633	592,580	(144,016)
Planning & Development Review	7,769,611	8,032,346	5,139,697	7,595,864	436,482
Press Secretary	433,722	485,506	300,299	470,755	14,751
Procurement Services	1,068,368	1,224,474	783,443	1,143,935	80,539
Self Insurance	13,494,367	13,852,447	9,660,463	13,852,447	-
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
Highways, Streets, Sanitation & Refuse					
Public Works	48,063,141	58,496,223	39,717,844	59,713,227	(1,217,004)
Human Services					
DCAO for Human Services	1,594,177	1,755,182	1,283,730	1,754,431	751
Justice Services	7,335,321	8,082,618	4,932,807	7,997,925	84,693
Richmond City Health Initiative	3,111,470	3,210,906	1,605,450	3,210,906	-
Social Services	60,938,394	70,803,214	40,329,504	62,565,809	8,237,405
Non-Departmental					
Non-Departmental ⁴	46,454,002	48,979,928	34,261,570	48,676,351	303,577
Public Safety & Judiciary					
Fire & Emergency Services ⁵	39,688,356	40,034,228	27,880,226	39,968,595	65,633
J & DR Court	375,741	472,499	265,156	445,659	26,840
Judiciary	8,976,429	9,207,681	6,280,009	9,054,099	153,582
Police	79,382,850	79,474,311	55,590,137	79,968,494	(494,183)
Sheriff's Office	29,493,037	31,130,359	21,125,447	30,578,339	552,020
Office of Emergency Management	1,144,151	n/a	n/a	n/a	n/a
Animal Control	n/a	1,336,396	-	1,297,895	38,501
Grand Total	623,235,603	644,097,618	415,390,533	634,984,615	9,113,003

*FY 2010 actual 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 \$6,793,351 from \$637,304,267 to \$644,097,618 as a result of grants, general fund incorporation of risk management, and an FY 2010 budgetary surplus reappropriated by City Council.