

Memorandum

To: County Board of Arlington, Virginia **Date:** April 5, 2013
From: Barbara M. Donnellan, County Manager
Subject: Third Quarter Review of Fiscal Year 2013

Summary

With the third quarter of FY 2013 just completed, we have reviewed revenues to date, analyzed Business, Professional and Occupational License (BPOL) receipts, and forecasts of other revenues included in the FY 2013 Manager's Proposed Budget. **The total funding available to the County Board from both Mid-Year and 3rd Quarter is \$6.3 million in one-time funds and \$2.2 million in additional ongoing funds.**

As a part of Third Quarter Review the County Manager is recommending that the \$3.0 million set aside at the close-out of FY 2012 be carried over to FY 2014 at adoption of the FY 2014 budget. These funds were set aside to manage the direct and indirect impacts of the federal sequestration. With the federal government still at an impasse, these funds should remain in a contingent available for the economic uncertainty. This \$3.0 million is not included in the available one-time monies shown above.

- For FY 2013, two additional adjustments are being made from the Mid-Year review. BPOL revenue, which is due March 1, is typically reported in the third quarter review. Revenue receipts through March 31, 2013 are tracking below the FY 2012 level year-to-date. If revenue receipts continue on pace with FY 2012, there will be a slight shortfall of actual receipts to budget at year end. Additionally, FEMA funding was received, reimbursing the County for some costs experienced during last summer's Derecho (\$0.2 million). Other revenues identified at Mid-Year review continue to track to the re-estimates made in March 2013. Based on forecasts through the end of the fiscal year there are no additional expenditure adjustments above the Mid-Year projections given to the County Board in March.
- For FY 2014, \$2.9 million in total ongoing tax and non-tax revenue has been identified. Included in this total Schools would receive \$0.7 million if shared based on the County-School revenue sharing practice (45.6%), the County General Fund would receive \$2.2 million. These funds are in addition to funds previously identified as part of the Manager's proposed budget.

- Schools total funding from Mid-year and 3rd Quarter is \$3.3 million which includes \$2.6 million in one-time funds and \$0.7 million on ongoing funds.

FY 2014 Adjustments

Adjustments made to revenue forecasts for the current fiscal year often times influence the following year's projections. Personal property tax continues to show signs of strength and coupled with current reports of strong auto sales nationally, this should impact vehicle assessments and vehicle counts for personal property tax owned in October 2013 (FY 2014).

BPOL revenue is currently tracking slightly below the FY 2012 level year-to-date. In the County Manager's proposed budget BPOL revenue was reduced slightly from the FY 2013 level. No change to the FY 2014 forecast for BPOL is being made at this time and staff will continue to monitor BPOL receipts through the end of the fiscal year. No other taxes are being adjusted over the Mid-Year adjustments made in March 2013.

State revenue increases \$1.4 million over the estimates provided in the County Manager's proposed budget. All indications suggest that the State will restore funding for state compensation board agencies cut several years ago and increase funding for salary reimbursements to localities. Arlington is expected to have \$1.1 million in previous cut funding restored and receive an additional \$0.3 million in salary reimbursements.

If the additional local tax revenue is shared with the Schools based on the County Manager's proposed budget (45.6% Schools), the Schools would receive \$0.7 million leaving the County with additional ongoing funding \$2.2 million in FY 2014.

The table on the following page shows the adjustments made for FY 2013 and FY 2014 for the Mid-Year and 3rd Quarter review. As Fiscal Year 2013 concludes, the Manager will continue to monitor expenditures and revenues.

2013 MID-YEAR & THIRD-QUARTER GENERAL FUND REVIEW

	Mid-Year Adjustment <u>FY 2013</u>	Third Quarter Adjustment <u>FY 2013</u>	Total Adjustment <u>FY 2013</u>	Adjustments To <u>FY 2014</u>
<u>REVENUE</u>				
Real Estate-Assessment change in CY 2013	(\$4,174,587)		(\$4,174,587)	
CCTIF Adjustment	985,430		985,430	
Other Real Estate Adjustments - Refunds	(1,720,461)		(1,720,461)	
Personal Property	7,836,888		7,836,888	1,447,853
BPOL		(500,000)	(500,000)	
Car Rental Tax	1,496,000		1,496,000	
Sales Tax	1,331,000		1,331,000	
Meals Tax	1,896,000		1,896,000	
Commercial Utility Tax	(1,380,000)		(1,380,000)	
Total Local Tax Revenue	\$6,270,270	(\$500,000)	\$5,770,270	\$1,447,853
License, Permits & Charge for Service	900,000		900,000	
Fines & Miscellaneous	(2,100,000)	219,526	(1,880,474)	
Interest Income	(900,000)		(900,000)	
State Compensation Board				1,408,493
Total Non-Tax Revenue	(\$2,100,000)	219,526	(1,880,474)	\$1,408,493
Total Revenue Adjustments	\$4,170,270	(\$280,474)	\$3,889,796	\$2,856,346
Revenue Available to County	\$1,298,486	(\$51,474)	\$1,247,012	\$2,196,125
Revenue Available to Schools	\$2,871,784	(\$229,000)	\$2,642,784	\$660,221
<u>EXPENDITURES</u>				
	Expense Savings (Over)	Expense Savings (Over)	Total Savings	Expense Savings (Over)
Debt Service	3,000,000		3,000,000	
Employee Compensation Contingent	2,400,000		2,400,000	
Transfer to PAYG (commercial utility tax adj)	(318,461)		(318,461)	
Total Expenditure Adjustments	\$5,081,539	\$0	\$5,081,539	
Total Funding Available to County	\$6,380,025	(\$51,474)	\$6,328,551	\$2,196,125

TOTAL FUNDING FROM MID-YEAR & 3RD QTR (One-time & Ongoing)

COUNTY	\$8,524,676
SCHOOLS	\$3,303,005