

City of Alexandria, Virginia

MEMORANDUM

9
10-23-01

DATE: OCTOBER 15, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
SEPTEMBER 30, 2001

ISSUE: Receipt of the City's Monthly Financial Report for the period ending September 30, 2001.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending September 30, 2001.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2001 through September 30, 2001. This report presents revenues and expenditures for the same period for Fiscal Year 2001 for comparative purposes (Attachments 1 and 2), and also provides a summary of selected economic indicators (Attachment 3). FY 2002 revenues through September 30, 2001 in the amount of \$41.7 million total just 11.9 percent of the approved budget estimate. This revenue recognition pattern is normal in governmental accounting. General Fund expenditures through the end of September total \$87.4 million, or 16.0 percent, higher than expenditures at the same time last year. The three primary reasons relate to an increase in transfers to the City's capital project funds, an increase in transfers to the School Operating Fund, as well as increased vehicle replacement charges.

While July and August revenues were generally on track with expectations, given the terrorist attack on the Pentagon, the three week suspension of flights into and out of Reagan Washington National Airport, and the gradual resumption of flights, City revenues are expected to show a major decrease in certain tax categories (transient occupancy, restaurant meals, sales) which are generated all or in part by tourism and business travel. While it is expected that tourism and business travel will increase from the extremely low levels of mid-September, it is not known by how much and by when. This is because tourism and business travel levels will be impacted by the status of Reagan Washington National Airport, airline scheduling and the public's perceptions of flying safety, as well as the state of the national economy and corporate travel

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budgets. How the real estate market will be affected is also not yet known. As a result, projecting current year revenues will be a task much more complicated and with more unknowns than usual. Finance and OMB staff will be paying close attention to every tax revenue category for the foreseeable future. Some revenues from business activities that took place in September will not be received until later in the year. For example:

- sales tax collected by merchants in September, forwarded to the Commonwealth in October, will be remitted to the City in November;
- transient lodging tax revenue collected by Alexandria hotels in September and remitted to the City at the end of October; and
- restaurant meals tax revenue collected by restaurants in September and remitted to the City at the end of October.

In order to help stem the loss of tourism and business travel, the Alexandria Convention and Visitors Association (ACVA) and the Alexandria Hotel Association have amended their marketing plans to target their efforts to groups and individuals (such as potential tourists who live within driving distance of Alexandria) who might be convinced to visit or hold their business meeting in Alexandria. Also, the extension of the Dulles Airport bus service to Alexandria, and the provision of free parking at meters on City streets and in City parking garages after 5 p.m. and on weekends in October is expected to help the City's economy and tax revenues.

REVENUES (Attachment 1): As of September 30, 2001, actual General Fund revenues totaled \$41.7 million, an increase of \$2.3 million, or 5.9 percent, as compared to revenues for the same period last year. It should be noted that revenue trends early in the fiscal year are highly sensitive to small changes in the timing of receipts and bear little relationship to final revenues. Staff will monitor revenues each month and will begin to project end-of-year revenues based on trends over the next few months. Unless otherwise noted, revenues to date reflect expected trends.

Real Estate Taxes: Collections to date reflect prepayments for the 2001 second half billings and payments on delinquent accounts.

Personal Property Taxes: Personal property tax bills, which were mailed by August 10, 2001, were due on October 5, 2001. The FY 2002 Approved Budget includes a \$29.6 million revenue projection for tax revenue collected directly by the City and includes an additional \$20.1 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year is 70.0 percent of most taxpayers' payments. The State's share for FY 2001 was 47.5 percent. The total for all budgeted revenues related to the personal property tax for FY 2002 is \$49.7 million.

To date, the City has collected \$12.5 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$9.3 million for total personal property tax receipts of \$21.8 million. This represents a \$1.4 million increase when compared to receipts collected at

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the same time last year. The increase is primarily attributable to timing differences in the collection of the tax. Also, since most individual vehicle tax bill amounts due were reduced compared to last year (i.e., the shift from 47.5 percent to 70.0 percent), more taxpayers may have paid earlier than usual. Revenue increases may also result from staff mailing two percent more bills this year compared to last year and the average assessment of those bills increasing by five percent. Revenues to date represent current year payments made before the due date and payments received on delinquent accounts. Staff will continue to monitor revenues closely. No clear trends will be evident until October receipts are tabulated in November. However, it appears that the total budgeted revenues related to the personal property (of \$49.7 million) tax will be achieved.

(amounts in millions)

Personal Property Tax (in millions)	Actual to Date FY 2001	Budget FY 2002	Actual to Date FY 2002
City share	\$ 15.2	\$ 29.6	\$ 12.5
Commonwealth reimbursement	<u>5.2</u>	<u>20.1</u>	<u>9.3</u>
Total	\$ 20.4	\$ 49.7	\$21.8

Local Sales and Use Taxes: Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in September represent revenues collected by merchants in July. These revenues, in the amount of \$1.7 million, represent an 11.3 percent increase over the prior year. This increase is primarily attributable to overall increased sales tax collections citywide. The effects of the events of September 11, 2001 on local sales will not be evident until September sales taxes are received in November.

Consumer Utility Taxes: Consumer utility taxes are collected by the utility companies one month after billing and are remitted to the City the following month. The consumer utility tax revenue in this report represents utility services provided to consumers during July.

**City of Alexandria Consumer Utility Tax Receipts
For the months of July 31, 2001 and July 31, 2000**

Utility	FY 2002 Year to Date Receipts	FY 2001 Year to Date Receipts	Increase/ (Decrease)	Notes
Telephone - Tax on Local Services	\$709,014	\$1,114,125	\$(405,111)	FY 2001 revenues include revenues from one service provider which was paid early
Electricity	475,893	453,416	22,477	
Water	332,020	319,897	12,123	
Natural Gas	152,068	191,750	(39,682)	

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Business License Taxes: The City's business license tax is due March 1. Collections to date, in the amount of \$0.4 million, represent filings by new businesses and payments on delinquent accounts.

Transient Lodging Taxes: Transient lodging taxes are remitted to the City within one month after collections. Therefore, the revenue reflected in this report represents collections by hotels for July and August 2001. Collections total \$0.9 million, 2.4 percent lower than last year. As discussed above, receipts for September will not be received by the City until October.

Real Estate Recordation Taxes: Real estate recordation tax revenues are collected by the Clerk of the Circuit Court and remitted to the City the following month. Collections, in the amount of \$0.5 million, increased \$0.3 million, or 75 percent, over collections at this time last year. The increase is primarily attributable to several large commercial property sales.

Revenues from the Federal Government: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$1.3 million for housing federal prisoners through the period ending September 30, 2001; however, only \$0.9 million has been received as of September 30. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period.

Revenues from the Commonwealth: Revenues from the Commonwealth increased \$4.4 million, or 54.2 percent over the prior year. This is primarily a result of an increase in reimbursements from the Commonwealth for vehicle personal property tax relief. As discussed above in the personal property tax section, the FY 2002 Approved Budget includes \$20.1 million to reflect the City's reimbursement of the 70.0 percent vehicle personal property tax relief due from the Commonwealth to most vehicle owners. For FY 2001 the City was reimbursed for 47.5 percent for most vehicles. As of September 30, 2001, the City has billed and received \$9.3 million from the Commonwealth for PPTRA, an increase of \$4.1 million over that received in FY 2001.

Licenses and Permits: Revenues increased \$0.4 million, or 37.9 percent, over collections at this time last year. This increase is primarily attributable to permits issued for new residential units.

Revenue from Use of Money and Property: Revenues decreased \$0.2 million largely due to declining market interest rates on City short term investments.

Other Revenue: Other revenues include gifts and donations, damage recoveries and recovered costs.

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EXPENDITURES (Attachment 2): As of September 30, 2001, actual General Fund expenditures totaled \$87.4 million, an increase of \$12.0 million, or 16.0 percent, over expenditures for the same period last year. The increase is primarily attributable to increases of \$2.2 million for cash capital, \$4.3 million in additional transfers to the School Operating Fund, \$1.7 million in annual equipment replacement charges made at the beginning of the fiscal year, and the use of funds for encumbrances for contracts in process at the end of the last fiscal year. Costs associated with the September 11, 2001 terrorist attack, such as Police and Fire overtime, have not yet been tabulated fully. They will be included in next month's report. Except as noted below, this expenditure pattern reflects the Approved FY 2002 Budget.

Judicial Administration: The increase in expenditures represents the difference in timing of second quarter payments to regional organizations that provide legal, correctional and animal welfare and control services. The payments were made in September for FY 2002, but were made in October for FY 2001.

Personnel: General Fund expenditures in this category reflect payments made at the beginning of the fiscal year for the City Tuition Assistance Program.

Information Technology Services: Expenditures to date reflect payment made in FY 2002 on encumbrances for contracts approved and entered into before the end of the last fiscal year. A supplemental appropriation request to provide budget authority to pay these encumbrances was considered by City Council earlier this month.

Other Planning Activities: General Fund expenditures in this category reflect first two quarter contribution payments to community agencies.

Police: Expenditures to date reflect payment made in FY 2002 on encumbrances for contracts approved and entered into before the end of the last fiscal year. A supplemental appropriation request to provide budget authority to pay these encumbrances was approved by City Council earlier this month.

Fire: Expenditures to date reflect annual equipment replacement charges made at the beginning of the fiscal year.

Transit Subsidies: Expenditures to date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for Fiscal Year 2002.

Mental Health/Mental Retardation/Substance Abuse: Expenditures to date reflect annual equipment replacement charges made at the beginning of the fiscal year.

Recreation: Expenditures reflect seasonal employee costs incurred during the summer.

Other Education Activities: Expenditures to date reflect the first quarter contribution payment to the Northern Virginia Community College.

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Non-Departmental: General Fund expenditures in this category reflect budgeted expenditures for the City's contributions to the public safety pension plan, senior citizens' rent relief, payment for the City's liability insurance, the public safety radio system, and the City's share of debt service on the Northern Virginia Transportation District bonds issued by the Commonwealth in November 1999.

Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants): To comply with grant awards, the City's share funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year.

ATTACHMENTS:

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

STAFF:

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000**

	FY2002 APPROVED BUDGET	FY2002 REVENUES THRU 09/30/01	% OF BUDGET	FY2001 REVENUES THRU 09/30/00
General Property Taxes				
Real Property Taxes.....	\$ 163,620,000	\$ 1,710,136	1.0%	\$ 915,801
Personal Property Taxes.....	29,597,220	12,469,829	42.1%	15,282,602
Penalties and Interest.....	2,000,000	207,987	10.4%	258,965
Total General Property Taxes	\$ 195,217,220	\$ 14,387,952	7.4%	\$ 16,457,368
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 21,600,000	\$ 1,715,643	7.9%	\$ 1,541,855
Consumer Utility Taxes.....	15,000,000	1,668,995	11.1%	2,079,188
Business License Taxes.....	20,800,000	353,965	1.7%	487,864
Transient Lodging Taxes.....	6,200,000	948,694	15.3%	972,086
Restaurant Meals Tax.....	8,700,000	1,261,485	14.5%	1,288,333
Tobacco Taxes.....	1,600,000	279,299	17.5%	271,584
Motor Vehicle License Tax.....	2,300,000	997,208	43.4%	936,528
Real Estate Recordation.....	1,400,000	523,958	37.4%	299,174
Other Local Taxes.....	3,528,000	426,619	12.1%	378,628
Total Other Local Taxes	\$ 81,128,000	\$ 8,175,866	10.1%	\$ 8,255,240
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,290,000	\$ 880,500	20.5%	\$ 775,216
Revenue from the Commonwealth.....	39,218,000	12,513,680	31.9%	8,115,996
Total Intergovernmental Revenues	\$ 43,508,000	\$ 13,394,180	30.8%	\$ 8,891,212
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 4,376,000	\$ 876,180	20.0%	\$ 951,774
Licenses and Permits.....	3,800,000	1,459,125	38.4%	1,058,293
Charges for City Services.....	9,068,600	1,094,491	12.1%	1,265,909
Revenue from Use of Money & Property..	8,395,000	2,137,658	25.5%	2,330,588
Other Revenue.....	359,000	152,310	42.4%	149,014
Total Other Governmental Revenues	\$ 25,998,600	\$ 5,719,764	22.0%	\$ 5,755,578
TOTAL REVENUE	\$ 345,851,820	\$ 41,677,762	12.1%	\$ 39,359,398
Appropriated Fund Balance				
General Fund.....	3,506,000	-	-	-
Reappropriation of FY 2001 Encumbrances And Other Supplemental Appropriations..	-	-	-	-
TOTAL	\$ 349,357,820	\$ 41,677,762	11.9%	\$ 39,359,398

25.0% of Fiscal Year Completed
25.0% of Payrolls Processed

Attachment 2

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING SEPTEMBER 30, 2001 AND SEPTEMBER 30, 2000

FUNCTION	FY2002 APPROVED BUDGET	FY2002 EXPENDITURES THRU 09/30/01	% OF BUDGET	FY2001 EXPENDITURES THRU 09/30/00
Legislative & Executive.....	\$ 4,451,759	\$ 1,007,945	22.6%	\$ 923,782
Judicial Administration.....	\$ 24,465,605	\$ 6,566,883	26.8%	\$ 5,676,780
Staff Agencies				
Information Technology Services.....	\$ 5,711,401	\$ 1,539,089	26.9%	\$ 1,007,575
Management & Budget.....	894,337	152,685	17.1%	145,227
Finance.....	6,703,739	1,700,100	25.4%	1,435,494
Real Estate Assessment.....	947,458	181,286	19.1%	207,542
Personnel.....	1,969,229	517,759	26.3%	429,034
Planning & Zoning.....	2,876,283	580,050	20.2%	390,545
Other Planning Activities.....	2,052,948	991,148	48.3%	664,939
City Attorney.....	1,339,873	331,476	24.7%	266,795
Registrar.....	738,422	153,576	20.8%	169,691
General Services.....	8,852,844	2,029,130	22.9%	2,040,154
Total Staff Agencies	\$ 32,086,534	\$ 8,176,299	25.5%	\$ 6,756,996
Operating Agencies				
Transportation & Environmental Services.....	\$ 19,775,113	\$ 4,612,823	23.3%	\$ 4,164,394
Fire.....	25,388,689	6,532,245	25.7%	5,703,473
Police.....	35,151,151	9,372,140	26.7%	8,361,747
Transit Subsidies.....	2,923,687	840,884	28.8%	852,544
Housing.....	931,628	198,778	21.3%	182,377
Mental Health/Mental Retardation/ Substance Abuse.....	551,906	257,514	46.7%	196,339
Health.....	6,409,445	571,200	8.9%	316,055
Human Services.....	6,816,183	1,710,581	25.1%	1,756,590
Historic Resources.....	2,047,651	481,748	23.5%	450,205
Recreation.....	14,171,582	4,129,795	29.1%	3,629,108
Total Operating Agencies	\$ 114,167,035	\$ 28,707,708	25.1%	\$ 25,612,832
Education				
Schools.....	\$ 107,269,189	\$ 26,528,990	24.7%	\$ 22,156,771
Other Educational Activities.....	12,923	6,462	50.0%	3,254
Total Education	\$ 107,282,112	\$ 26,535,452	24.7%	\$ 22,160,025
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 15,458,336	\$ 1,049,931	6.8%	\$ 1,392,275
Non-Departmental.....	7,393,241	2,301,228	31.1%	2,097,301
Cash Capital.....	12,020,000	12,020,000	100.0%	9,846,000
Contingent Reserves.....	1,197,189	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 36,068,766	\$ 15,371,159	42.6%	\$ 13,335,576
TOTAL EXPENDITURES	\$ 318,521,811	\$ 86,365,446	27.1%	\$ 74,465,991
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library) Transfers to the Special Revenue Fund.....	26,753,179	-	-	-
Transfer to DASH.....	4,082,830	1,020,708	25.0%	887,053
TOTAL EXPENDITURES & TRANSFERS	\$ 349,357,820	\$ 87,386,154	25.0%	\$ 75,353,044

Attachment 3

**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<u>Consumer Price Index (CPI-U)</u>			
for the Washington-Baltimore, DC-MD-VA-WV Area			
(As of July 31, 2001)	110.1	108.4	1.6%
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)(September available October 31)			
<u>Unemployment Rates</u>			
Alexandria	2.1%	1.7%	23.5%
Virginia	3.1%	2.3%	34.8%
(As of August 31, 2001)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
United States	4.9%	3.9%	25.6%
(As of September 30, 2001)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<u>Interest Rates</u>			
(As of September 30, 2001)			
Prime Rate	6.00%	9.50%	<36.8%>
Federal Fund Rate	2.96%	6.50%	<54.5%>
(Source: SunTrust Economic Monitor)			
<u>New Business Licenses</u>			
(During September)			
(Source: Finance Department, Business Tax Branch)	77	100	<23.0%>
<u>New Commercial Construction</u>			
(As of August 31, 2001)			
Number of New Building Permits	7	4	75.0%
Value of New Building Permits	\$10.9 million	\$20.4 million	<46.6%>
(Source: Fire Department Code Enforcement Bureau)			
<u>Residential Real Estate Indicators</u>			
(for the three months ended June 30, 2001)			
Residential Dwelling Units Sold	2,047	1,716	19.3%
Average Residential Sales Price	\$243,459	\$227,467	7.0%
(Source: Department of Real Estate Assessments)			