

City of Alexandria, Virginia

MEMORANDUM

13
10-23-02

DATE: OCTOBER 16, 2002

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, 2002

ISSUE: Receipt of the City's Monthly Financial Report for the period ending September 30, 2002.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending September 30, 2002.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2002 through September 30, 2002. This report presents revenues and expenditures for the same period for Fiscal Year 2002 for comparative purposes (Attachments 1 and 2), and also provides a summary of selected economic indicators (Attachment 3). FY 2003 revenues through September 30, 2002 in the amount of \$42.1 million, total less than twelve percent of the approved budget estimate. This revenue recognition pattern is the normal practice in governmental accounting and represents no cause for concern. General Fund expenditures through the end of August total \$84.0 million, or 9.0 percent higher than expenditures at the same time last year.

At this time it is too early to project how overall FY 2003 actual revenues will compare to budgeted revenues. While real estate and personal property taxes (from preliminary billing data) will likely meet or exceed budgeted growth expectations, other local taxes and State aid revenues remain in question. Economic reports from various organizations which collect and issue economic data, such as the U.S. Department of Labor, George Mason University, the Fairfax County government, and the office of the Secretary of Finance of the Commonwealth of Virginia, indicate that the State and regional economies continue to falter largely due to higher unemployment and reduced consumer and business spending. City employment, office occupancy, home sales, building permit and hotel occupancy rates are all lower than a year ago at this time. In general, these rates have improved from ten months ago, but not enough to equal or better the situation prior to September of 2002. As a result, and as was the case in FY 2002, the City's staff will need to monitor revenues very carefully as FY 2003 progresses. In addition,

when the details of the expected State aid reductions are known, it will be necessary to prepare specific plans to keep the City's budget in balance.

REVENUES (Attachment 1): As of September 30, 2002, actual General Fund revenues totaled \$42.1 million, an increase of \$0.5 million, or 1.1 percent, as compared to revenues for the same period last year. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern. A more detailed analysis will be provided at the October 26 City Council retreat.

Personal Property Taxes: Personal property tax bills were mailed in August and were due on October 7, 2002. The FY 2003 Approved Budget includes a \$31.2 million revenue projection for tax revenue collected directly by the City (including \$15.8 million for vehicles and \$15.4 million for businesses) and includes an additional \$22.0 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). This year, the State's share of the local personal property tax payment is 70.0 percent of most taxpayers' payments, which is the same as last year. The total for all budgeted revenues related to the personal property tax for FY 2003 is \$53.2 million.

Through September 30, the City has collected \$13.5 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$10.0 million for total personal property tax receipts of \$23.5 million. This represents a \$1.7 million increase when compared to receipts collected at the same time last year. 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. It appears that the total budgeted revenues related to the personal property tax (\$53.2 million) will be achieved. However, it is clear from the billings that the rate of growth in the vehicle portion of the tax base has slowed.

Personal Property Tax (in millions)	Actual to Date FY 2002	Budget FY 2003	Actual to Date FY 2003
City share	\$ 12.5	\$ 31.2	\$ 13.5
Commonwealth reimbursement	<u>9.3</u>	<u>22.0</u>	<u>10.0</u>
Total	\$ 21.8	\$ 53.2	\$ 23.5

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, and reflect a slight \$0.1 million improvement over July of 2002.

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

Utility	FY 2003 Year to Date Receipts	FY 2002 Year to Date Receipts	Increase/ (Decrease)	Notes
Telephone - Tax on Local Services	\$790,159	\$709,014	\$81,145	FY 2003 revenues include revenues from some providers which were paid early
Electricity	483,412	475,893	7,519	
Water	339,161	332,020	7,141	
Natural Gas	296,591	152,068	144,523	FY 2003 revenues include one month's revenues paid early

Business License Taxes: The City's business license tax is due March 1. Collections to date, in the amount of \$0.8 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 2002. Overall collections total \$0.9 million, approximately 1 percent lower compared to last year. Most major hotels experienced a larger decline in revenue but the City's overall revenues were only slightly less than last year because a new hotel opened in the City in August 2001.

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 \$0.6 million, increased \$0.1 million, or 20.6 percent, over collections at this time last year. The increase is primarily attributable to residential refinancings due to historically low interest rates.

Other Local Taxes: This category includes bank franchise taxes, telecommunications right-of-way tax, cable TV franchise taxes, daily rental taxes and other miscellaneous taxes. The decrease in revenue represents a timing difference in the collection of E-911 taxes.

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 \$0.8 million for housing federal prisoners through the period ending September 30, 2002. As of September 30, only one payment has been received. The federal government generally pays the City for housing federal prisoners 45 to 60 days after the end of the billing period.

Fines and Forfeitures: Increased revenues primarily represent collections for parking tickets and red light fees. These collections were lower in FY 2002 as a result of the events of September 11.

Licenses and Permits: Revenues decreased \$0.5 million, or 36.0 percent, below collections at this time last year. This decrease is attributable to fewer residential building permits being issued in FY 2003 than in FY 2002.

Charges for Services: Revenue increases primarily represent budgeted increases for planning and zoning and impound fees.

Revenue from Use of Money and Property: Year-to-date interest revenues decreased \$0.6 million compared to last fiscal year, largely due to declining market interest rates on City short-term investments. This large decrease in market interest rates is reflected in the federal fund rate reduction from 2.51 percent in September 2001 to 1.79 percent in September 2002.

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

EXPENDITURES (Attachment 2): As of September 30, 2002, actual General Fund expenditures totaled \$84.0 million, an increase of \$ 6.9 million, or 9.0 percent, over expenditures for the same period last year. The Approved General Fund Budget is 6.6 percent higher than FY 2002. Unless noted below, the increase in expenditures over that budgeted is attributable to budgeted expenditures for annual equipment replacement charges or cash capital made at the beginning of the fiscal year. Except as noted below, this expenditure pattern reflects the Approved FY 2002 Budget.

Personnel: General Fund expenditures in this category reflect tuition assistance payments made at the beginning of the fiscal year.

Other Planning Activities: General Fund expenditures in this category reflect first quarter contribution payments to community agencies except for the Alexandria Convention and Visitors Association which represents a first half payment for FY 2003.

City Attorney: Expenditures to date reflect outside legal fees which are budgeted in a non-departmental account and charged to the City Attorney's office. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution to match these expenditures with budget authority.

Health: The City receives a quarterly billing from the Commonwealth (approximately \$700,000 per quarter) for services provided at the Health Department. As of September 30, 2002, the first quarterly billing had not been received.

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

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

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, 2002 AND SEPTEMBER 30, 2001

	FY2003 APPROVED BUDGET	FY2003 REVENUES THRU 09/30/02	% OF BUDGET	FY2002 REVENUES THRU 09/30/01
General Property Taxes				
Real Property Taxes.....	\$ 176,572,000	\$ 676,756	0.4%	\$ 1,710,136
Personal Property Taxes.....	31,184,000	13,529,836	43.4%	12,469,829
Penalties and Interest.....	1,100,000	222,032	20.2%	207,987
Total General Property Taxes	\$ 208,856,000	\$ 14,428,624		\$ 14,387,952
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 21,300,000	\$ 1,857,334	8.7%	\$ 1,715,643
Consumer Utility Taxes.....	17,100,000	1,909,323	11.2%	1,668,995
Business License Taxes.....	21,900,000	772,224	3.5%	353,965
Transient Lodging Taxes.....	5,250,000	938,441	17.9%	948,694
Restaurant Meals Tax.....	8,700,000	1,350,615	15.5%	1,261,485
Tobacco Taxes.....	1,600,000	295,478	18.5%	279,299
Motor Vehicle License Tax.....	2,300,000	1,088,583	47.3%	997,208
Real Estate Recordation.....	1,500,000	631,911	42.1%	523,958
Other Local Taxes.....	4,468,000	253,642	5.7%	426,619
Total Other Local Taxes	\$ 84,118,000	\$ 9,097,551	10.8%	\$ 8,175,866
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,380,000	\$ 390,707	8.9%	\$ 880,500
Revenue from the Commonwealth.....	41,525,800	13,078,192	31.5%	12,513,680
Total Intergovernmental Revenues	\$ 45,905,800	\$ 13,468,899	29.3%	\$ 13,394,180
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 3,882,000	\$ 1,039,825	26.8%	\$ 876,180
Licenses and Permits.....	4,000,000	934,330	23.4%	1,459,125
Charges for City Services.....	9,863,800	1,450,881	14.7%	1,094,491
Revenue from Use of Money & Property.....	6,271,000	1,544,769	24.6%	2,137,658
Other Revenue.....	458,000	172,521	37.7%	152,310
Total Other Governmental Revenues	\$ 24,474,800	\$ 5,142,326	21.0%	\$ 5,719,764
TOTAL REVENUE	\$ 363,354,600	\$ 42,137,400	11.6%	\$ 41,677,762
Appropriated Fund Balance				
General Fund.....	9,816,624	-	0.0%	-
Reappropriation of FY 2002 Encumbrances				
And Other Supplemental Appropriations.....	-	-	0.0%	-
TOTAL	\$ 373,171,224	\$ 42,137,400	11.3%	\$ 41,677,762

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

FUNCTION	FY2003	FY2003	% OF	FY2002
	APPROVED BUDGET	EXPENDITURES THRU 09/30/02		BUDGET
Legislative & Executive.....	\$ 4,671,512	\$ 1,104,379	23.6%	\$ 1,007,945
Judicial Administration.....	\$ 26,024,599	\$ 6,804,748	26.1%	\$ 6,566,883
Staff Agencies				
Information Technology Services.....	\$ 5,971,390	\$ 1,193,620	20.0%	\$ 1,539,089
Management & Budget.....	913,849	193,377	21.2%	152,685
Finance.....	7,037,172	1,660,330	23.6%	1,700,100
Real Estate Assessment.....	980,950	182,166	18.6%	181,286
Personnel.....	2,221,865	562,239	25.3%	517,759
Planning & Zoning.....	3,068,776	727,285	23.7%	580,050
Other Planning Activities.....	2,169,245	883,952	40.7%	991,148
City Attorney.....	1,402,831	351,590	25.1%	331,476
Registrar.....	887,928	193,505	21.8%	153,576
General Services.....	9,013,490	2,150,272	23.9%	2,029,130
Total Staff Agencies	\$ 33,667,496	\$ 8,098,336	24.1%	\$ 8,176,299
Operating Agencies				
Transportation & Environmental Services....	\$ 20,334,156	\$ 5,363,432	26.4%	\$ 4,612,823
Fire.....	26,746,272	6,689,007	25.0%	6,532,245
Police.....	37,841,737	9,959,371	26.3%	9,372,140
Transit Subsidies.....	3,628,778	733,354	20.2%	840,884
Housing.....	1,200,460	225,645	18.8%	198,778
Mental Health/Mental Retardation/ Substance Abuse.....	601,688	279,205	46.4%	257,514
Health.....	6,926,459	428,296	6.2%	571,200
Human Services.....	7,018,241	1,967,096	28.0%	1,710,581
Historic Resources.....	2,145,583	570,724	26.6%	481,748
Recreation.....	15,044,602	4,294,534	28.5%	4,129,795
Total Operating Agencies	\$ 121,487,976	\$ 30,510,664	25.1%	\$ 28,707,708
Education				
Schools.....	\$ 115,329,680	\$ 18,429,333	16.0%	\$ 16,218,322
Other Educational Activities.....	13,246	3,312	25.0%	6,462
Total Education	\$ 115,342,926	\$ 18,432,645	16.0%	\$ 16,224,784
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 17,739,094	\$ 1,229,826	6.9%	\$ 1,049,931
Non-Departmental.....	7,598,339	2,398,148	31.6%	2,301,228
Cash Capital.....	14,200,000	14,200,000	100.0%	12,020,000
Contingent Reserves.....	950,000	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 40,487,433	\$ 17,827,974	44.0%	\$ 15,371,159
TOTAL EXPENDITURES	\$ 341,681,942	\$ 82,778,746	24.2%	\$ 76,054,778
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	26,655,082	-	0.0%	-
Transfer to DASH.....	4,834,200	1,208,550	25.0%	1,020,708
TOTAL EXPENDITURES & TRANSFERS	\$ 373,171,224	\$ 83,987,296	22.5%	\$ 77,075,486

**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, 2002) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	113.4	110.8	+2%
<u>Unemployment Rates</u>			
Alexandria	3.3%	2.9%	+14%
Virginia (As of August 31, 2002) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.2%	3.8%	+11%
United States (As of September 30, 2002) (Source: United States Department of Labor, Bureau of Labor Statistics)	5.6%	5.0%	+12%
<u>Interest Rates</u> (As of September 30, 2002)			
Prime Rate	4.75%	5.50%	-14%
Federal Fund Rate (Source: SunTrust Economic Monitor)	1.79%	2.51%	-29%
<u>New Business Licenses</u> (During August) (Source: Finance Department, Business Tax Branch)	93	77	+21%
<u>Office Vacancy Rates</u> (As of June 30, 2002)			
Alexandria	11.0%	7.6%	+45%
Northern Virginia	15.9%	8.8%	+81%
Washington DC Metro Area (Source: Grubb & Ellis)	12.2%	7.3%	+67%
<u>New Commercial Construction</u> (As of July 30, 2002)			
Number of New Building Permits	3	8	-63%
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$14.7 million	\$29.7 million	- 51%
<u>Residential Real Estate Indicators</u> (for the eight months ended August 31, 2002)			
Residential Dwelling Units Sold	2,508	2,784	-10%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$276,798	\$247,928	+12%