

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 22, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
DECEMBER 31, 2003

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending December 31, 2003.

DISCUSSION: The City's Monthly Financial Report provides General Fund financial information on revenues and expenditures for the fiscal year to date. This Monthly Financial Report of the General Fund covers the period July 1, 2003 through December 31, 2003. This report presents revenues and expenditures for the same period for Fiscal Year (FY) 2003 for comparative purposes (Attachments 1 and 2), and provides a summary of selected economic indicators (Attachment 3).

At this time, it is too early to project how overall FY 2004 actual revenues will compare with budgeted revenues. To date, revenues through December 31 total \$198.9 million, which is \$12.6 million, or 6.7 percent, higher than FY 2003 for the same reporting period. Real estate tax revenues will likely exceed budgeted growth expectations, as 2004 assessments will likely substantially exceed the 5% assessment increase budgeted. Assessments will be completed and mailed in mid-March. On February 10, at Council's legislative meeting, City staff will brief Council on the to-be-forthcoming 2004 assessments. Other revenues, such as State aid revenues, remain in question for FY 2004 and FY 2005. As the State deals with its budget problems and tax proposals, cutting aid to local governments is a clear possibility. Economic indicators show that the local economy has somewhat stabilized, with the unemployment rate down to 2.1 percent and the office vacancy rate down to 10.5 percent. However, some consumer tax revenues (e.g., restaurant meals and sales revenues) have not shown clear growth trend lines over the last six months. Anecdotally, many City businesses and nonprofit associations have indicated that they continue to have financial difficulties. This causes concern for the FY 2004 business license tax revenues due on March 1 which are based on 2003 business tax receipts.

General Fund expenditures through the end of December total \$181.5 million, which is \$16 million, or 9.7 percent, higher than expenditures at the same time last year. Thus far, the City has

expended \$1.0 million in operating costs associated with the recent hurricane and is determining which costs are eligible for reimbursement from various federal and state authorities. It appears that the Federal Emergency Management Agency may reimburse \$0.6 million (FEMA). We expect FEMA to finalize and announce the amount of the reimbursement in early spring.

REVENUES (Attachment 1): As of December 31, 2003, actual General Fund revenues totaled \$198.9 million, which is \$12.6 million, or 6.7 percent, higher than revenues for the same period last year.

Real Estate Taxes: Second half real estate taxes were due November 17. Revenues to date are \$10.2 million, or 11.7 percent, higher than collections at this time last year. As projected in the FY 2004 Budget, second half real estate billings totaled \$98.6 million, or 13.6 percent, higher than billings in the prior year. The difference between the revenue collected to date and amount billed relates (1) to the timing of the collection of delinquent taxes, and (2) to the Chapter 11 bankruptcy filing by Mirant, which has resulted in \$1.4 million not being paid. The City has retained bankruptcy counsel to protect the City's financial interests during the bankruptcy process. While the December 2003 real estate tax revenue collections will fall short of the budget due to the Mirant nonpayment, with 2004 assessments to exceed the 5% increase level budgeted, overall FY 2004 real estate tax revenue collections will exceed budgeted levels.

Personal Property Taxes: Personal property tax bills were due on October 6. The FY 2004 Approved Budget includes a \$31.7 million revenue projection for tax revenue collected directly by the City (including \$16.3 million for vehicles and \$15.4 million for businesses) and an additional \$21.5 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, which is the same as last year. The total for all budgeted revenues related to the personal property tax for FY 2004 is \$53.2 million.

To date, the City has collected \$30.1 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$21.4 million for total personal property tax receipts of \$51.5 million. This represents a \$1.0 million, or 2.0 percent, increase when compared with receipts collected at the same time last year. Personal property tax collections from businesses decreased by 3.3 percent when compared with the same period last year. Personal property tax collections on vehicles increased by approximately 6.6 percent over the same period last year. The approved budget anticipates a 6.7 percent increase in taxes on vehicles compared to last year's actual collections. While vehicle personal property tax revenues have increased, business personal property tax revenues have not grown, as seen through billings and collections to date. Staff will continue to monitor all of these revenues closely. However, at this time, it appears that the total personal property tax revenues overall will approximate the budget.

Personal Property Tax (in millions)	FY 2004 Year to Date Receipts	FY 2004 Budget	FY 2003 Year to Date Receipts
City share	\$ 30.1	\$ 31.7	\$ 29.6
Commonwealth reimbursement	<u>21.4</u>	<u>21.5</u>	<u>20.9</u>
Total	\$ 51.5	\$ 53.2	\$ 50.5

Local Sales and Use Taxes: Businesses remit sales taxes to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires its portion of the sales tax to the City approximately one month later. Sales taxes received by the City through December represent revenues collected by merchants for July through October. Sales tax revenue collections totaled \$7.3 million to date and represent a 4.0 percent increase from FY 2003 collections.

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. For the last several months, three of the smaller telephone companies have been reporting significant increases in their taxable revenue while the major phone company has been reporting a decrease in taxable revenue.

City of Alexandria Consumer Utility Tax Receipts

Utility	FY 2004 Year to Date Receipts	FY 2003 Year to Date Receipts	Increase/ (Decrease)
Telephone - Tax on Local Services	\$2,817,995	\$ 2,705,661	\$112,334
Electricity	2,313,134	2,293,698	19,436
Water	770,189	860,370	(90,181)
Natural Gas	805,511	790,229	15,282

Business License Taxes: The City's business license tax is due on March 1. Collections to date, in the amount of \$2.0 million, represent quarterly payment receipts, filings by new businesses and payments on delinquent accounts. The collections to date are \$0.2 million more than those received in the prior fiscal year. The increase in collections over last year are the result of two large businesses that paid several years of delinquent taxes. However, with most

business license tax payments due on March 1, it is too early to predict how business license revenues will compare with budgeted amounts.

Tobacco Taxes: Businesses remit tobacco tax revenue to the Northern Virginia Cigarette Board. This revenue is forwarded to the City approximately 15 days after the end of the month in which the sales occurred. Tobacco taxes are levied at a rate of \$0.50 per pack of 20 cigarettes sold in the City. This rate was increased as of January 2003. To date, \$1.1 million has been collected for FY 2004, which represents an increase of \$0.4 million over that of the previous year. Tobacco tax revenues to date are consistent with the FY 2004 budgeted level.

Real Estate Recordation Taxes: Real estate recordation tax revenues are collected by the Clerk of the Court and remitted to the City the following month. Collections in the amount of \$1.4 million represent an increase of \$0.1 million, or 4 percent, over the previous year. The continued increase is primarily attributable to residential refinancings due to historically low interest rates. These refinancings are slowing due to recent increases in home mortgage rates, but are likely to exceed the FY 2004 budgeted level.

Other Local Taxes: This category includes bank franchise taxes, telecommunications right-of-way taxes, cable TV franchise taxes, daily rental taxes and other miscellaneous 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 \$2.8 million for housing federal prisoners through the period ending December 2003. However, as of December 31, 2003, only \$2.4 million has been received. 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 Use of Money and Property: Year-to-date revenues from the use of money and property decreased \$0.8 million compared with last fiscal year, largely because of a decline in garage revenues due to Hurricane Isabel and substantially declining market interest rates on City short-term investments. The decrease in market interest rates is reflected in the 14 percent federal fund interest rate reduction from 1.16 percent in December 2002 to 1.00 percent in December 2003.

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

EXPENDITURES (Attachment 2): As of December 31, 2003, actual General Fund expenditures and transfers totaled \$181.5 million, an increase of \$16.0 million, or 9.7 percent, over expenditures for the same period last year. Except as noted below, increases in expenditures when compared to the prior fiscal year are attributable to budgeted expenditures for annual equipment replacement charges made at the beginning of the fiscal year, and the transfer of all \$17.0 million of the planned General Fund cash capital transfer to the Capital Projects Fund. Except where noted below, this expenditure pattern reflects the Approved FY 2004 Budget.

Judicial Administration: Expenditures represent the third quarter payments to regional organizations that provide legal, correctional and animal welfare and control services. In addition, the Sheriff's department continues to incur substantial overtime costs related to perimeter security at the Public Safety Center. The City is working to obtain additional federal funding for some or all of these costs.

Other Planning Activities: General Fund expenditures in this category reflect the first three quarterly contribution payments to community agencies.

City Attorney: Expenditures to date reflect outside legal fees which are budgeted in a non-department 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.

Transportation and Environmental Services: Expenditures to date reflect annual equipment replacement charges made at the beginning of the fiscal year and higher workers compensation claims.

Fire: Due to lower than projected attrition of firefighter and EMS personnel, preliminary projections show that the Fire Department is going to exceed approved budget authority by the end of the fiscal year. The department is submitting end of year projections on a monthly basis to OMB and this situation is being monitored closely. If needed, staff will recommend an appropriations transfer in the context of the June Transfer Resolution to match these expenditures with budget authority.

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

School: The School Administration has reported \$61.3 million in expenses through December 31, 2003. The City's General Fund share of total School Administration budgeted expenditures is approximately 77.1 percent of the total expenditures. This percentage was applied to total school disbursements to estimate school expenditures to date in the amount of \$47.3 million (i.e., 77.1 percent of \$61.3 million).

Other Education Activities: Expenditures to date reflect the first three quarterly contribution payments to the Northern Virginia Community College.

Non-Departmental: General Fund expenditures in this category reflect the City's contributions to the 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 issued by the Commonwealth in November 1999. Many of these expenditures occur early in the fiscal year.

Cash Capital Transfer: At the beginning of each fiscal year, the full planned and budgeted fiscal year cash capital transfer to the Capital Projects Fund is made. While a monthly transfer process could be established, a one time accounting entry making this transfer is more efficient. Since the General Fund still captures all interest earnings on the amount transferred, there is no negative General Fund impact of doing a one-time transfer. For FY 2004, the budgeted Capital Projects Fund transfer is \$17.0 million, which compares to \$14.2 million in FY 2003.

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 DECEMBER 31, 2003 AND DECEMBER 31, 2002**

	<u>FY2004 APPROVED BUDGET</u>	<u>FY2004 REVENUES THRU 12/31/03</u>	<u>% OF BUDGET</u>	<u>FY2003 REVENUES THRU 12/31/02</u>
General Property Taxes				
Real Property Taxes.....	\$ 201,043,402	\$ 97,870,535	48.7%	\$ 87,645,395
Personal Property Taxes.....	31,684,000	30,138,507	95.1%	29,610,966
Penalties and Interest.....	1,100,000	688,947	62.6%	837,542
Total General Property Taxes	<u>\$ 233,827,402</u>	<u>\$ 128,697,989</u>		<u>\$ 118,093,903</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 22,150,000	7,311,130	33.0%	\$ 7,030,732
Consumer Utility Taxes.....	17,750,000	6,706,829	37.8%	6,649,958
Business License Taxes.....	23,600,000	1,956,604	8.3%	1,731,036
Transient Lodging Taxes.....	5,900,000	2,545,613	43.1%	2,347,929
Restaurant Meals Tax.....	8,800,000	3,598,033	40.9%	3,468,821
Tobacco Taxes.....	2,600,000	1,065,579	41.0%	715,122
Motor Vehicle License Tax.....	2,300,000	2,101,282	91.4%	2,105,731
Real Estate Recordation.....	1,900,000	1,449,143	76.3%	1,388,876
Other Local Taxes.....	4,013,000	899,469	22.4%	855,486
Total Other Local Taxes	<u>\$ 89,013,000</u>	<u>\$ 27,633,682</u>	31.0%	<u>\$ 26,293,691</u>
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,775,000	\$ 2,403,950	50.3%	\$ 1,780,286
Personal Property Tax Relief from the Commonwealth.....	21,500,000	21,381,027	99.4%	20,899,843
Revenue from the Commonwealth.....	18,783,200	8,003,943	42.6%	7,937,408
Total Intergovernmental Revenues	<u>\$ 45,058,200</u>	<u>\$ 31,788,920</u>	70.6%	<u>\$ 30,617,537</u>
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 4,000,000	\$ 1,961,333	49.0%	\$ 2,067,486
Licenses and Permits.....	3,000,000	1,538,668	51.3%	1,527,832
Charges for City Services.....	9,891,200	4,738,072	47.9%	4,375,091
Revenue from Use of Money & Property.....	4,968,186	2,307,820	46.5%	3,060,049
Other Revenue.....	453,598	252,378	55.6%	323,350
Total Other Governmental Revenues	<u>\$ 22,312,984</u>	<u>\$ 10,798,271</u>	48.4%	<u>\$ 11,353,808</u>
TOTAL REVENUE	<u>\$ 390,211,586</u>	<u>\$ 198,918,862</u>	51.0%	<u>\$ 186,358,939</u>
Appropriated Fund Balance				
General Fund.....	7,536,601	-	0.0%	-
Reappropriation of FY 2003 Encumbrances And Other Supplemental Appropriations.....	3,629,558	-	0.0%	-
TOTAL	<u>\$ 401,377,745</u>	<u>\$ 198,918,862</u>	49.6%	<u>\$ 186,358,939</u>

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING DECEMBER 31, 2003 AND DECEMBER 31, 2002

FUNCTION	FY2004	FY2004	% OF	FY2003
	APPROVED BUDGET	EXPENDITURES THRU 12/31/03		BUDGET
Legislative & Executive.....	\$ 5,057,809	\$ 2,476,479	49.0%	\$ 2,077,940
Judicial Administration.....	\$ 27,858,022	\$ 15,540,940	55.8%	\$ 13,966,173
Staff Agencies				
Information Technology Services.....	\$ 6,719,279	\$ 3,130,627	46.6%	\$ 2,466,879
Management & Budget.....	949,546	367,782	38.7%	344,293
Finance.....	7,773,136	3,696,607	47.6%	3,262,796
Real Estate Assessment.....	1,013,399	466,653	46.0%	365,605
Personnel.....	2,397,007	1,200,306	50.1%	1,029,974
Planning & Zoning.....	3,476,901	1,437,470	41.3%	1,430,812
Other Planning Activities.....	2,302,240	2,001,758	86.9%	1,935,377
City Attorney.....	1,466,068	1,059,182	72.2%	819,548
Registrar.....	913,581	414,629	45.4%	410,713
General Services.....	9,621,729	4,944,597	51.4%	4,558,547
Total Staff Agencies	\$ 36,632,886	\$ 18,719,611	51.1%	\$ 16,624,544
Operating Agencies				
Transportation & Environmental Services.....	\$ 22,275,573	\$ 11,867,302	53.3%	\$ 10,369,656
Fire.....	28,116,653	15,363,103	54.6%	13,255,409
Police.....	40,304,397	20,480,368	50.8%	18,757,083
Transit Subsidies.....	3,919,451	2,292,163	58.5%	942,779
Housing.....	942,195	445,771	47.3%	425,263
Mental Health/Mental Retardation/ Substance Abuse.....	580,871	376,286	64.8%	378,064
Health.....	7,197,240	2,993,265	41.6%	2,360,283
Human Services.....	9,047,855	4,147,147	45.8%	3,630,538
Historic Resources.....	2,306,506	1,103,931	47.9%	1,056,347
Recreation.....	16,084,579	8,488,362	52.8%	7,808,595
Total Operating Agencies	\$ 130,775,320	\$ 67,557,698	51.7%	\$ 58,984,017
Education				
Schools.....	\$ 121,191,334	\$ 47,347,297	39.1%	\$ 45,887,416
Other Educational Activities.....	13,058	9,793	75.0%	9,935
Total Education	\$ 121,204,392	\$ 47,357,090	39.1%	\$ 45,897,351
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 21,299,500	\$ 6,766,832	31.8%	\$ 8,383,591
Non-Departmental.....	7,363,279	3,554,080	48.3%	2,929,834
Cash Capital.....	16,955,000	16,955,000	100.0%	14,200,000
Contingent Reserves.....	336,234	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 45,954,013	\$ 27,275,912	59.4%	\$ 25,513,425
TOTAL EXPENDITURES	\$ 367,482,442	\$ 178,927,730	48.7%	\$ 163,063,450
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	28,725,303	-	0.0%	-
Transfer to DASH.....	5,170,000	2,585,000	50.0%	2,417,100
TOTAL EXPENDITURES & TRANSFERS	\$ 401,377,745	\$ 181,512,730	45.2%	\$ 165,480,550

**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 November 30, 2003) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	116.7	114.0	+2.4%
<u>Unemployment Rates</u>			
Alexandria	2.1%	2.9%	-28%
Virginia (As of November 30, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	3.3%	3.7%	-11%
United States (As of December 31, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	5.7%	6.0%	-5%
<u>Interest Rates</u> (As of December 31, 2003)			
Prime Rate	4.00%	4.25%	-6%
Federal Fund Rate (Source: SunTrust Economic Monitor)	1.00%	1.16%	-14%
<u>New Business Licenses</u> (During December) (Source: Finance Department, Business Tax Branch)	14	52	-73%
<u>Office Vacancy Rates</u> (As of September 30, 2003)			
Alexandria	10.5%	10.7%	-2%
Northern Virginia	16.8%	16.9%	-1%
Washington DC Metro Area (Source: Grubb & Ellis)	12.9%	12.8%	+1%
<u>New Commercial Construction</u> (As of November 30, 2003)			
Number of New Building Permits	3	5	- 40%
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$ 34.7 million	\$ 69.9 million	-50%
<u>Residential Real Estate Indicators</u> (for the ten months ended October 31, 2003)			
Residential Dwelling Units Sold	3,171	3,172	-
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$284,744	\$281,667	+15%