

## City of Alexandria, Virginia

---

MEMORANDUM

DATE: FEBRUARY 17, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING  
JANUARY 31, 2004

---

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the period ending January 31, 2004.

**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 January 31, 2004. 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 precisely by how much overall FY 2004 actual revenues will exceed budgeted revenues. To date, revenues through January 31 total \$208.7 million, which is \$12.1 million, or 6.2 percent, higher than FY 2003 for the same reporting period. Real estate tax revenues will exceed budgeted growth expectations, as 2004 assessments substantially exceeded the 5 percent assessment increase budgeted. Assessments, which were announced at Council's February 10 legislative meeting, increased 18.4 percent increase over 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 remains a clear possibility, as is a budget impasse which may delay specific knowledge of state aid to local government to near the end or after the City Council's budget and tax rate decision date of May 3.

Economic indicators show that the local economy has somewhat improved, with the unemployment rate down to 2.1 percent and the office vacancy rate down to 10.5 percent. In conjunction with the development of the FY2005 budget City staff is undertaking an indepth analysis of revenues and will have this analysis completed and included in the FY 2005 proposed budget, as well as reflected in the March Monthly Financial Report.

General Fund expenditures through the end of January total \$207.3 million, which is \$9.7 million, or 4.9 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 (FEMA) may reimburse up to \$0.6 million. Any unreimbursed costs have not yet been included in the expenditures in Attachment I. We expect FEMA to finalize and announce the amount of the reimbursement in early spring.

**REVENUES (Attachment 1):** As of January 31, 2004, actual General Fund revenues totaled \$208.7 million, which is \$12.1 million, or 6.2 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 11.6 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 January 2004 real estate tax revenue collections will fall short of the budget due to the Mirant nonpayment, with 2004 assessments increasing 18.4 percent, 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 \$30.5 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$21.7 million for total personal property tax receipts of \$52.2 million. This represents a \$1.4 million, or 2.7 percent, increase when compared with receipts collected at the same time last year. Personal property tax collections from businesses decreased by 2.5 percent when compared with the same period last year. Personal property tax collections on vehicles increased by approximately 7.2 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	\$ 30.5	\$ 31.7	\$ 29.7
Commonwealth reimbursement	<u>21.7</u>	<u>21.5</u>	<u>21.1</u>
Total	\$ 52.2	\$ 53.2	\$ 50.8

**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 January represent revenues collected by merchants for July through November. Sales tax revenue collections totaled \$9.1 million to date and represent a 8.0 percent increase from FY 2003 collections. December Sales Tax collections which the City will receive in mid-February will be key to projecting sales taxes for the balance of FY 2004.

**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	\$3,483,945	\$ 3,332,806	\$151,139
Electricity	2,720,904	2,749,732	28,828
Water	920,372	1,023,992	(103,620)
Natural Gas	1,020,420	1,018,724	1,696

**Business License Taxes:** The City's business license tax is due on March 1. Collections to date, in the amount of \$2.5 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.

**Transient Lodging Taxes:** Transient lodging taxes are remitted to the City within one month after collection. Therefore, the revenue reflected in this report represents collections by hotels through December. Collections totaled \$2.9 million, an increase of \$0.2 million, or 8.3 percent, over last year. This increase is attributed to the increased number of visitors. However, the overall occupancy rate has increased only slightly due to expansion in the number of hotel rooms in the City.

**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 from \$.30 per pack as of January 2003. To date, \$1.3 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 \$1.9 million represent an increase of \$0.2 million, or 13 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 January 2004. However, as of January 31, 2004, 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 \$1.0 million compared with last fiscal year. This is in part due to substantially declining market interest rates on City short-term investments. The decrease in market interest rates is reflected in the federal fund interest rate reduction from 1.36 percent in January 2003 to 0.99 percent in January 2004.

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

**EXPENDITURES (Attachment 2):** As of January 31, 2004, actual General Fund expenditures and transfers totaled \$207.3 million, an increase of \$9.7 million, or 4.9 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.

**Transit Subsidies:** Expenditures to date reflect budgeted increases for the City's contribution to the Washington Metropolitan Area Transit Authority.

**School:** The School Administration has reported \$73.6 million in expenses through January 31, 2004. 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 \$56.7 million (i.e., 77.1 percent of \$73.6 million).

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

**Human Services:** Within this department, expenditures for Community Service Act (CSA) mandated services for at-risk youth are exceeding budgeted amounts. By the end of FY 2004, Human Services estimates that the budget will be exceeded by \$0.9 million. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution to match these expenditures with budget authority.

**Debt Service:** Expenditures for debt service will be less than budgeted by \$2.3 million. These savings are a result of delaying the issuance of new bonds until January 2004. As a result only one debt service interest payment is due in fiscal year 2004 instead of the two interest payments and one principal payment which were budgeted.

**Non-Departmental:** General Fund expenditures in this category reflect such items as 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

Bruce Johnson, Director, Office of Management and Budget

**CITY OF ALEXANDRIA, VIRGINIA  
COMPARATIVE STATEMENT OF REVENUES  
GENERAL FUND  
FOR THE PERIODS ENDING JANUARY 31, 2004 AND JANUARY 31, 2003**

	FY2004 APPROVED BUDGET	FY2004 REVENUES THRU 01/31/04	% OF BUDGET	FY2003 REVENUES THRU 01/31/03
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 201,043,402	\$ 98,478,286	49.0%	\$ 88,235,430
Personal Property Taxes.....	31,684,000	30,521,840	96.3%	29,733,695
Penalties and Interest.....	1,100,000	830,635	75.5%	957,516
<b>Total General Property Taxes</b>	<b>\$ 233,827,402</b>	<b>\$ 129,830,761</b>		<b>\$ 118,926,641</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 22,150,000	9,052,556	40.9%	\$ 8,380,410
Consumer Utility Taxes.....	17,750,000	8,145,641	45.9%	8,125,254
Business License Taxes.....	23,600,000	2,525,855	10.7%	2,252,068
Transient Lodging Taxes.....	5,900,000	2,897,614	49.1%	2,675,162
Restaurant Meals Tax.....	8,800,000	4,352,160	49.5%	4,212,614
Tobacco Taxes.....	2,600,000	1,268,929	48.8%	853,845
Motor Vehicle License Tax.....	2,300,000	2,141,689	93.1%	2,145,172
Real Estate Recordation.....	1,900,000	1,852,719	97.5%	1,634,473
Other Local Taxes.....	4,013,000	1,236,341	30.8%	1,212,931
<b>Total Other Local Taxes</b>	<b>\$ 89,013,000</b>	<b>\$ 33,473,504</b>	37.6%	<b>\$ 31,491,929</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 4,775,000	\$ 2,405,359	50.4%	\$ 2,229,035
Personal Property Tax Relief from the Commonwealth.....	21,500,000	21,676,696	100.8%	21,084,872
Revenue from the Commonwealth.....	18,783,200	9,771,117	52.0%	9,980,500
<b>Total Intergovernmental Revenues</b>	<b>\$ 45,058,200</b>	<b>\$ 33,853,172</b>	75.1%	<b>\$ 33,294,407</b>
<b>Other Governmental Revenues</b>				
Fines and Forfeitures.....	\$ 4,000,000	\$ 2,258,565	56.5%	\$ 2,353,420
Licenses and Permits.....	3,000,000	1,753,795	58.5%	1,754,582
Charges for City Services.....	9,891,200	4,735,854	47.9%	4,873,864
Revenue from Use of Money & Property.....	4,968,186	2,563,045	51.6%	3,596,691
Other Revenue.....	453,598	278,735	61.4%	359,920
<b>Total Other Governmental Revenues</b>	<b>\$ 22,312,984</b>	<b>\$ 11,589,994</b>	51.9%	<b>\$ 12,938,477</b>
<b>TOTAL REVENUE</b>	<b>\$ 390,211,586</b>	<b>\$ 208,747,431</b>	53.5%	<b>\$ 196,651,454</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	7,536,601	-	0.0%	-
Reappropriation of FY 2003 Encumbrances				
And Other Supplemental Appropriations.....	3,629,558	-	0.0%	-
<b>TOTAL</b>	<b>\$ 401,377,745</b>	<b>\$ 208,747,431</b>	52.0%	<b>\$ 196,651,454</b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING JANUARY 31, 2004 AND JANUARY 31, 2003**

FUNCTION	FY2004	FY2004	% OF	FY2003
	APPROVED BUDGET	EXPENDITURES THRU 01/31/04		BUDGET
Legislative & Executive.....	\$ 5,057,809	\$ 2,817,565	55.7%	\$ 2,533,829
Judicial Administration.....	\$ 27,858,022	\$ 17,378,872	62.4%	\$ 16,669,249
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 6,719,279	\$ 3,672,183	54.7%	\$ 2,994,216
Management & Budget.....	949,546	425,316	44.8%	410,491
Finance.....	7,773,136	4,186,834	53.9%	3,988,076
Real Estate Assessment.....	1,013,399	532,580	52.6%	459,857
Personnel.....	2,397,007	1,372,624	57.3%	1,253,400
Planning & Zoning.....	3,476,901	1,682,237	48.4%	1,772,982
Other Planning Activities.....	2,302,240	2,006,753	87.2%	1,936,367
City Attorney.....	1,466,068	1,168,762	79.7%	1,048,322
Registrar.....	913,581	481,661	52.7%	477,570
General Services.....	9,621,729	5,668,595	58.9%	5,459,391
Total Staff Agencies	\$ 36,632,886	\$ 21,197,545	57.9%	\$ 19,800,672
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 22,275,573	\$ 13,126,548	58.9%	\$ 12,079,316
Fire.....	28,116,653	17,359,038	61.7%	16,199,448
Police.....	40,304,397	23,219,267	57.6%	22,696,458
Transit Subsidies.....	3,919,451	2,376,007	60.6%	1,695,769
Housing.....	942,195	506,175	53.7%	517,771
Mental Health/Mental Retardation/ Substance Abuse.....	580,871	401,408	69.1%	414,109
Health.....	7,197,240	3,362,037	46.7%	3,478,545
Human Services.....	9,047,855	4,667,531	51.6%	4,354,294
Historic Resources.....	2,306,506	1,261,421	54.7%	1,270,503
Recreation.....	16,084,579	9,437,721	58.7%	9,117,661
Total Operating Agencies	\$ 130,775,320	\$ 75,717,153	57.9%	\$ 71,823,874
<b>Education</b>				
Schools.....	\$ 121,191,334	\$ 56,726,497	46.8%	\$ 55,233,324
Other Educational Activities.....	13,058	9,793	75.0%	9,935
Total Education	\$ 121,204,392	\$ 56,736,290	46.8%	\$ 55,243,259
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 21,299,500	\$ 9,260,832	43.5%	\$ 10,932,591
Non-Departmental.....	7,363,279	4,197,044	57.0%	3,584,978
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	\$ 30,412,876	66.2%	\$ 28,717,569
TOTAL EXPENDITURES	\$ 367,482,442	\$ 204,260,301	55.6%	\$ 194,788,452
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)</b>				
Transfers to the Special Revenue Fund.....	28,725,303	-	0.0%	-
Transfer to DASH.....	5,170,000	3,014,110	58.3%	2,818,339
TOTAL EXPENDITURES & TRANSFERS	\$ 401,377,745	\$ 207,274,411	51.6%	\$ 197,606,791

**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<b><u>Consumer Price Index (CPI-U)</u></b> <b>for the Washington-Baltimore, DC-MD-VA-WV Area</b> (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%
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b> <b>Virginia</b> (As of December 31, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	2.1% 3.3%	2.8% 3.5%	-25% -6%
<b>United States</b> (As of January 31, 2004) (Source: United States Department of Labor, Bureau of Labor Statistics)	5.6%	5.8%	-3%
<b><u>Interest Rates</u></b> (As of January 31, 2004)			
<b>Prime Rate</b> <b>Federal Fund Rate</b> (Source: SunTrust Economic Monitor)	4.00% 0.99%	4.25% 1.36%	-6% -27%
<b><u>New Business Licenses</u></b> (During December) (Source: Finance Department, Business Tax Branch)	89	80	+11%
<b><u>Office Vacancy Rates</u></b> (As of September 30, 2003)			
<b>Alexandria</b> <b>Northern Virginia</b> <b>Washington DC Metro Area</b> (Source: Grubb & Ellis)	10.5% 16.8% 12.9%	10.7% 16.9% 12.8%	-2% -1% +1%
<b><u>New Commercial Construction</u></b> (As of December 31, 2003)			
<b>Number of New Building Permits</b> <b>Value of New Building Permits</b> (Source: Fire Department Code Enforcement Bureau)	4 \$ 35.1 million	7 \$ 76.5 million	-43% -54%
<b><u>Residential Real Estate Indicators</u></b> (for the year ended December 31, 2003)			
<b>Residential Dwelling Units Sold</b> <b>Average Residential Sales Price</b> (Source: Department of Real Estate Assessments)	3,693 \$288,398	3,717 \$288,070	-1% +14%