

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 17, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER ^{PS}

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

ISSUE: Receipt of the City's Monthly Financial Report for the period ending October 31, 2003.

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

DISCUSSION: The City's Monthly Financial Report, docketed for every second legislative meeting of the City Council, 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 October 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 also 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 for the first four months of FY 2004 total \$99.4 million, which is \$9.9 million, or 11.1 percent, higher than FY 2003 for the same reporting period. This relates primarily to the timing of the receipt of real estate taxes. Based on sales trends to date, while real estate tax revenues will likely exceed budgeted growth expectations, other revenues such as State aid revenues remain in question for FY 2004 and FY 2005. As the State deals with its budget problems, cutting aid to local governments is a clear probability. Economic indicators show that the local economy has somewhat stabilized, with the unemployment rate down to 2.5 percent and the office vacancy rate down to 10.8 percent. However, consumer tax revenues (e.g., restaurant meals, and transient lodging 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 which are based on 2003 business tax receipts.

General Fund expenditures through the end of October total \$116.7 million, or 6.8 percent, higher than expenditures at the same time last year. The City has expended \$0.7 million in operating cost so far in costs associated with the recent hurricane and is working on what costs are eligible for reimbursement with various federal and state authorities. It appears that some \$0.5 million will likely be reimbursed by FEMA.

REVENUES (Attachment 1): As of October 31, 2003, actual General Fund revenues totaled \$99.4 million, which is \$9.9 million, or 11.1 percent, higher than revenues for the same period last year. This is primarily attributable to the timing of early payments from tax service providers. Last year, the City received the second half 2002 real estate tax payment from a single major tax service provider in November. This year this payment was received in late October. Further analysis cannot occur for the remaining 2003 calendar year real estate tax revenues until receipts are tabulated after the November 17 tax due date.

Personal Property Taxes: Personal property tax bills were due on October 6, 2003. 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 includes 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 \$28.7 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$19.7 million for total personal property tax receipts of \$48.4 million. This represents a \$1.5 million or 3.2 percent increase when compared to receipts collected at the same time last year. Personal Property tax collections from businesses increased by less than one percent for current taxes when compared to the same period last year. Personal property tax collections on vehicles increased by approximately 8.2 percent over the same period last year. However, last year, many taxpayers waited until November 15, the day the City starts enforcing the decals, to pay their tax bill. Further review to determine if this trend continues can not be performed until receipts are tabulated after November 15. The approved budget anticipates a 6.7 percent increase in taxes on vehicles compared to last year's actual collections.

Every day taxpayers adjust their personal property tax bill as they buy and sell their vehicles and move in and out of the City. Thirty percent of the vehicles in this year's files were not there last year. This year, the City issued 1,069 fewer bills (approximately one percent) than last year but the total assessments on vehicles from the City's billing increased by 3.1 percent. The number of new model year cars in our files decreased by 8.4 percent but the average assessment of a new model year car increased by 2.1 percent to \$22,096. Staff will continue to monitor these revenues closely. However, it appears at this time that the total personal property tax revenues 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	\$ 28.7	\$ 31.7	\$ 27.5
Commonwealth reimbursement	<u>19.7</u>	<u>21.5</u>	<u>19.4</u>
Total	\$ 48.4	\$ 53.2	\$ 46.9

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 to the City its portion of the sales tax approximately one month later. Sales taxes received by the City in October represent revenues collected by merchants in July and August. Sales tax revenue collections totaled \$3.5 million to date and represent a 6.4 decrease from FY 2003 collections. As a result of Hurricane Isabel, the State granted businesses an extension on filing the August sales tax returns that were due in September. Therefore, current collection data does not indicate the strength or weakness in the economy or future revenue 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.

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	\$1,510,622	\$1,437,975	\$72,647
Electricity	1,428,160	1,451,805	(23,645)
Water	473,737	533,943	(60,206)
Natural Gas	460,016	447,511	(12,505)

Business License Taxes: The City's business license tax is due March 1. Collections to date, in the amount of \$0.9 million, represent filings by new businesses and payments on delinquent accounts. The collections to date are \$0.3 million less than those received in the prior fiscal year because in the summer of 2002 the City collected several multi-year back tax payments from companies that had not filed previously. This summer the level of back tax payments has not been as large.

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 \$0.7 million has been collected for FY 2004, which represents an increase of \$0.2 million over that of the previous year.

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 \$1.1 million represent an increase of \$0.2 million, or 24 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.

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 \$1.6 million for housing federal prisoners through the period ending October 2003. However, as of October 31, 2003, only \$1.0 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 \$0.4 million compared to last fiscal year, largely due to a decline in garage revenues due to Hurricane Isabel and substantially declining market interest rates on City short-term investments. The 21 percent decrease in market interest rates is reflected in the 45 percent federal fund interest rate reduction from 1.76 percent in October 2002 to 0.97 percent in October 2003.

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

EXPENDITURES (Attachment 2): As of October 31, 2003, actual General Fund expenditures and transfers totaled \$116.7 million, an increase of \$7.4 million, or 6.8 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, as well as 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 second quarter payments to regional organizations that provide legal, correctional and animal welfare and control services.

Other Planning Activities: General Fund expenditures in this category reflect the first two 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.

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

Health: The City receives a quarterly billing from the Commonwealth (approximately \$700,000 per quarter) for services provided at the Health Department. As of October 31, 2003, the first quarterly billing had not been received.

Fire: Due to lower than projected attrition of firefighter and EMS personnel, preliminary projections show that the Fire Department may exceed approved budget authority by the end of the fiscal year. The department will submit end of year projections on a monthly basis to OMB and this situation will be 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 \$37.1 million in expenses through October 31, 2002. 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 \$28.6 million (i.e., 77.1 percent of \$37.1 million).

Other Education Activities: Expenditures to date reflect the first two 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 OCTOBER 31, 2003 AND OCTOBER 31, 2002

	FY2004 APPROVED BUDGET	FY2004 REVENUES THRU 10/31/03	% OF BUDGET	FY2003 REVENUES THRU 10/31/02
General Property Taxes				
Real Property Taxes.....	\$ 201,043,402	\$ 21,744,540	10.8%	\$ 12,735,382
Personal Property Taxes.....	31,684,000	28,720,628	90.6%	27,472,518
Penalties and Interest.....	1,100,000	313,799	28.5%	352,148
Total General Property Taxes	\$ 233,827,402	\$ 50,778,967		\$ 40,560,048
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 22,150,000	3,466,860	15.7%	\$ 3,704,609
Consumer Utility Taxes.....	17,750,000	3,872,535	21.8%	3,871,234
Business License Taxes.....	23,600,000	850,688	3.6%	1,193,936
Transient Lodging Taxes.....	5,900,000	1,466,416	24.9%	1,428,009
Restaurant Meals Tax.....	8,800,000	2,126,064	24.2%	2,099,982
Tobacco Taxes.....	2,600,000	657,610	25.3%	434,000
Motor Vehicle License Tax.....	2,300,000	1,927,182	83.8%	1,910,888
Real Estate Recordation.....	1,900,000	1,055,408	55.5%	849,254
Other Local Taxes.....	4,013,000	614,272	15.3%	561,313
Total Other Local Taxes	\$ 89,013,000	\$ 16,037,035	18.0%	\$ 16,053,225
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,775,000	\$ 977,590	20.5%	\$ 1,284,764
Personal Property Tax Relief from the Commonwealth.....	21,500,000	19,713,018	91.7%	19,441,642
Revenue from the Commonwealth.....	18,783,200	5,133,127	27.3%	5,162,468
Total Intergovernmental Revenues	\$ 45,058,200	\$ 25,823,735	57.3%	\$ 25,888,874
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 4,000,000	\$ 1,340,378	33.5%	\$ 1,415,461
Licenses and Permits.....	3,000,000	1,020,159	34.0%	1,110,172
Charges for City Services.....	9,891,200	2,640,909	26.7%	2,197,756
Revenue from Use of Money & Property.....	4,968,186	1,611,581	32.4%	2,050,115
Other Revenue.....	453,598	136,762	30.2%	217,069
Total Other Governmental Revenues	\$ 22,312,984	\$ 6,749,789	30.3%	\$ 6,990,573
TOTAL REVENUE	\$ 390,211,586	\$ 99,389,526	25.5%	\$ 89,492,720
Appropriated Fund Balance				
General Fund.....	7,536,601	-	0.0%	-
Reappropriation of FY 2003 Encumbrances And Other Supplemental Appropriations.....	-	-	0.0%	-
TOTAL	\$ 397,748,187	\$ 99,389,526	25.0%	\$ 89,492,720

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

FUNCTION	FY2004	FY2004	% OF	FY2003
	APPROVED BUDGET	EXPENDITURES THRU 10/31/03		BUDGET
Legislative & Executive.....	\$ 4,987,784	\$ 1,534,221	30.8%	\$ 1,430,495
Judicial Administration.....	\$ 27,687,266	\$ 9,972,841	36.0%	\$ 9,327,063
Staff Agencies				
Information Technology Services.....	\$ 6,111,589	\$ 1,922,894	31.5%	\$ 1,563,343
Management & Budget.....	948,688	214,137	22.6%	251,868
Finance.....	7,395,667	2,304,284	31.2%	2,192,939
Real Estate Assessment.....	1,013,399	291,149	28.7%	242,837
Personnel.....	2,276,527	741,831	32.6%	707,280
Planning & Zoning.....	3,222,051	880,658	27.3%	969,900
Other Planning Activities.....	2,248,399	1,118,233	49.7%	1,068,056
City Attorney.....	1,466,068	662,996	45.2%	524,188
Registrar.....	895,714	236,111	26.4%	269,806
General Services.....	9,620,993	3,025,956	31.5%	3,057,379
Total Staff Agencies	\$ 35,199,095	\$ 11,398,249	32.4%	\$ 10,847,596
Operating Agencies				
Transportation & Environmental Services.....	\$ 21,708,507	\$ 7,668,066	35.3%	\$ 7,167,348
Fire.....	28,032,263	9,653,269	34.4%	8,815,643
Police.....	40,295,990	13,096,943	32.5%	12,927,637
Transit Subsidies.....	3,859,451	1,265,923	32.8%	777,736
Housing.....	940,103	283,190	30.1%	294,372
Mental Health/Mental Retardation/ Substance Abuse.....	580,871	315,430	54.3%	316,992
Health.....	7,045,019	845,546	12.0%	856,744
Human Services.....	8,993,355	2,865,083	31.9%	2,375,863
Historic Resources.....	2,208,887	689,511	31.2%	740,912
Recreation.....	15,912,946	5,677,833	35.7%	5,533,662
Total Operating Agencies	\$ 129,577,392	\$ 42,360,794	32.7%	\$ 39,806,909
Education				
Schools.....	\$ 121,191,334	\$ 28,597,815	23.6%	\$ 27,967,269
Other Educational Activities.....	13,058	6,529	50.0%	6,623
Total Education	\$ 121,204,392	\$ 28,604,344	23.6%	\$ 27,973,892
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 21,299,500	\$ 1,153,086	5.4%	\$ 1,229,826
Non-Departmental.....	6,606,221	2,970,774	45.0%	2,812,939
Cash Capital.....	16,955,000	16,955,000	100.0%	14,200,000
Contingent Reserves.....	336,234	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 45,196,955	\$ 21,078,860	46.6%	\$ 18,242,765
TOTAL EXPENDITURES	\$ 363,852,884	\$ 114,949,309	31.6%	\$ 107,628,720
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	1,721,610	33.3%	1,609,789
TOTAL EXPENDITURES & TRANSFERS	\$ 397,748,187	\$ 116,670,919	29.3%	\$ 109,238,509

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**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 September 30, 2003) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	117.2	114.0	+2.8%
<u>Unemployment Rates</u> Alexandria Virginia (As of September 30, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	2.5% 3.8%	3.1% 4.0%	-19% - 5%
United States (As of October 31, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	6.0%	5.8%	+3%
<u>Interest Rates</u> (As of October 31, 2003) Prime Rate Federal Fund Rate (Source: SunTrust Economic Monitor)	4.00% 0.97%	4.75% 1.76%	-16% -45%
<u>New Business Licenses</u> (During October) (Source: Finance Department, Business Tax Branch)	101	90	+12%
<u>Office Vacancy Rates</u> (As of June 30, 2003) Alexandria Northern Virginia Washington DC Metro Area (Source: Grubb & Ellis)	10.8% 17.5% 13.1%	11.0% 15.9% 12.2%	-2% +10% +7%
<u>New Commercial Construction</u> (As of September 30, 2003) Number of New Building Permits Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	2 \$ 31.1 million	3 \$ 14.7 million	- 33% +112%
<u>Residential Real Estate Indicators</u> (for the nine months ended September 30, 2003) Residential Dwelling Units Sold Average Residential Sales Price (Source: Department of Real Estate Assessments)	2,856 \$326,111	2,838 \$279,031	+ 1% +17%