

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 18, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

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

ISSUE: Monthly Financial Report for the Period Ending December 31, 2004.

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

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2004, through December 31, 2004. This report presents revenues and expenditures for the same period in Fiscal Year (FY) 2004 for comparative purposes (Attachments 1 and 2) and provides charts of selected economic indicators (Attachment 3). At this time, it is too early to project how overall FY 2005 actual revenues will compare with budgeted revenues. To date, revenues for the first six months of FY 2005 total \$211.8 million, which is \$12.9 million, or 6.5 percent, higher than FY 2004 for the same reporting period. The increase is primarily attributable to real estate tax revenues. As reported at the fall City Council Retreat, real estate revenues will significantly exceed budgeted growth expectations. Economic indicators show that the local economy is healthy with strong residential sales, and low unemployment commercial office vacancy rates. However, the inflation rate has increased at a faster rate (see Attachment 3, page 3) than in previous years to a 3.6 percent rate, largely reflecting higher costs of energy, food, new vehicles, housing and medical care. The only material negative that has been previously reported is personal property taxes, including the Commonwealth reimbursement, which will likely be lower than originally budgeted. General Fund expenditures through the end of December total \$198.2 million, or 7.6 percent, higher than expenditures at the same time last year. The approved General Fund budget is 8.8 percent higher than FY 2004.

REVENUES (Attachment 1): As of December 31, 2004, actual General Fund revenues totaled \$211.8 million, an increase of \$12.9 million above the same period last year. This is primarily due to increased real estate tax revenues derived from 2004 assessment increases. Unless otherwise noted, revenues reflect normal expected trends.

Real Estate Taxes: Second half real estate taxes were due November 15 and total \$111.1 million, which is slightly more than the \$111.0 million budgeted amount for the November 15 collection in the prior year.

Personal Property Taxes: Personal property tax bills were due on October 5, 2004. The FY 2005 Approved Budget includes a \$32.5 million revenue projection for tax revenue collected directly by the City (including \$16.6 million for vehicles, \$14.7 million for businesses and \$1.2 million for delinquent accounts) and an additional \$23.7 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 Commonwealth's share of the local personal property tax payment this year is 70.0 percent of most taxpayers' payments, the same as last year. The total for all budgeted revenues related to the personal property tax for FY 2005 is \$56.2 million.

To date, the City has collected \$29.7 million in personal property tax revenue. Tax collections on business personal property amounted to \$14.7 million, a 2.4 percent increase over last year. However, tax collections on vehicles amounted to \$15.0 million, which is \$0.6 million, or 3.7 percent, less than at this time last year. Reimbursements for personal property taxes on vehicles from the Commonwealth amounted to \$20.0 million, which is \$1.3 million, or 6.3 percent, less than collections at this time last year. Based on the personal property tax billing in August and as detailed in the August 20 memorandum to City Council, it appears that the City's total FY 2005 personal property motor vehicle revenues (including the Commonwealth-reimbursed amount) will drop about \$3.7 million when compared with the FY 2005 Approved Budget. A significant reason for this year's decline is an overall reduction in the value of used motor vehicles.

The National Automotive Dealers Association that supplies most Virginia jurisdictions with the vehicle values used in setting the assessed values, attributes this reduction to the increased price of gasoline and the large number of new cars being sold or leased. With the higher gasoline prices, the more expensive SUVs and other high gas consumption vehicles are losing their appeal and have declined in value more rapidly than in the past. In the last two years, automotive manufacturers have been offering zero-percent financing and other incentives. More new cars have been sold, resulting in more used vehicles being put on the market, thus creating a supply and demand imbalance and causing a reduction in the value of the used cars. Staff has inquired and found that neighboring jurisdictions are experiencing a similar phenomenon. Arlington County reports that its personal property motor vehicle billing is down 4 percent. Fairfax County is estimating that its billing will be down in the 3 to 5 percent range and Prince William County is down 3.5 percent. Revenues-to-date represent current year payments and payments received on delinquent accounts. Staff will continue to monitor revenues closely.

Personal Property Tax (in millions)	Actual-to-Date FY 2004	Budget FY 2005	Actual-to-Date FY 2005
City share	\$ 30.1	\$ 32.5	\$ 29.7
Commonwealth reimbursement	<u>21.4</u>	<u>23.7</u>	<u>20.0</u>
Total	\$ 51.5	\$ 56.2	\$ 49.7

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 the City's portion of the sales tax approximately one month later. Sales taxes received by the City in December represent revenues collected by merchants in October and a 2.5 percent increase over FY 2004 collections. It should be noted that the timing of sales tax reporting by companies and administration by the Virginia Department of Taxation make single-month comparisons difficult.

Consumer Utility Taxes: Consumer utility taxes are collected by the utility companies one month after billing and remitted to the City the following month. Staff anticipates a decrease in the rate of increase of consumer utility tax revenues from water rates in the next few months as the Virginia-American Water Company processes refunds to customers as a result of the recently ordered rollback of a portion of the water rate increases instituted earlier this year.

**City of Alexandria Consumer Utility Tax Receipts
(in millions)**

Utility	FY 2005 Year-to-Date Receipts	FY 2004 Year-to-Date Receipts	Increase/ (Decrease)
Telephone - Tax on Local Services	\$2,916,636	\$2,817,995	\$98,641
Electricity	2,334,836	2,313,134	21,702
Water	851,420	770,189	81,231
Natural Gas	800,592	805,511	(4,919)

Business License Taxes: The City's business license tax is due March 1. Collections to date, in the amount of \$1.7 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 through November 2004. Collections total \$2.9 million, or 14.2 percent, higher than last year and reflect an improved tourism and business travel market, as well as a business strategy shift. Hotels are reducing the number of lower rate rooms being rented to federal government employees (tax-exempt) and increasing the number of higher rate rooms being rented to business travelers (not tax-exempt). Transient lodging taxes are likely to exceed the 8.0 percent increase assumed for this category in the FY 2005 approved budget.

Restaurant Meals Taxes: Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. Collections for sales through November 2004 were \$3.7 million, which represents a 3.4 percent increase over the prior year.

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. To date, \$1.0 million has been collected for FY 2005, essentially the same as collections this time last 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 \$2.7 million represent an increase of \$0.6 million, or 88 percent, over the previous year. The continued increase is primarily attributable to residential refinancings due to historically low interest rates, a continued strong home sales market and the recently enacted recordation tax rate increase. In addition, as housing costs continue to remain high, the City is seeing increased sales of rental units that are then sold as condominiums. It is expected that the new recordation tax rate increase which became effective in September will generate at least \$1.4 million in new revenues in FY 2005.

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 2004. However, as of December 31, 2004, only \$0.9 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.

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

EXPENDITURES (Attachment 2): As of December 31, 2004, actual General Fund expenditures totaled \$198.2 million, an increase of \$13.9 million, or 7.6 percent, over

expenditures for the same period last year. The approved General Fund budget is 8.8 percent higher than FY 2004. Except as noted below, increases in expenditures are attributable to budgeted transfers for cash capital and for annual equipment replacement charges made at the beginning of the fiscal year, as well as higher transit subsidy payments to WMATA. Except as noted below, this expenditure pattern reflects the Approved FY 2005 Budget.

Judicial Administration: Expenditures represent the third 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 first and second quarter contribution payments to community agencies and both semi-annual payments to the Alexandria Convention and Visitors Association.

Registrar: Expenditures-to-date reflect costs of the presidential election related mailings, salaries and overtime and voter machine maintenance. Staff will recommend an appropriation transfer to match these expenditures with budget authority.

Fire: The Fire Department has authority to overhire several positions in FY 2005. Current projections indicate that additional expenditure authority may be needed to match these projected expenditures with budget authority.

Transit Subsidies: Expenditures-to-date reflect the City's first two quarterly payments to the Washington Metropolitan Area Transit Authority (WMATA) for FY 2005. In the first quarter of FY 2005, State transit aid revenues and balances available to the City in FY 2005 are lower than in FY 2004, thereby causing increased City subsidy payments in FY 2005.

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

School: The School Administration has reported \$67.7 million in expenses through December 31, 2004. The City's General Fund share of total School Administration budgeted expenditures is approximately 75.8 percent of the total expenditures. This percentage was applied to total school disbursements to estimate school expenditures-to-date in the amount of \$51.3 million (i.e., 75.8 percent of \$67.7 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 and payment for the City's liability insurance.

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

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

	FY2005 APPROVED BUDGET	FY2005 REVENUES THRU 12/31/04	% OF BUDGET	FY2004 REVENUES THRU 12/31/03
General Property Taxes				
Real Property Taxes.....	\$ 228,514,157	\$ 111,123,638	48.6%	\$ 97,870,535
Personal Property Taxes.....	32,491,000	29,708,398	91.4%	30,138,507
Penalties and Interest.....	1,500,000	678,840	45.3%	688,947
Total General Property Taxes	\$ 262,505,157	\$ 141,510,876		\$ 128,697,989
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 23,100,000	7,494,060	32.4%	\$ 7,311,130
Consumer Utility Taxes.....	17,700,000	6,903,484	39.0%	6,706,829
Business License Taxes.....	26,600,000	1,711,183	6.4%	1,956,604
Transient Lodging Taxes.....	6,100,000	2,907,208	47.7%	2,545,613
Restaurant Meals Tax.....	9,625,000	3,720,214	38.7%	3,598,033
Tobacco Taxes.....	2,600,000	1,023,838	39.4%	1,065,579
Motor Vehicle License Tax.....	2,350,000	2,107,171	89.7%	2,101,282
Real Estate Recordation.....	2,600,000	2,720,495	104.6%	1,449,143
Other Local Taxes.....	3,667,500	862,805	23.5%	899,469
Total Other Local Taxes	\$ 94,342,500	\$ 29,450,458	31.2%	\$ 27,633,682
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 5,600,000	\$ 971,996	17.4%	\$ 2,403,950
Personal Property Tax Relief from the Commonwealth.....	23,700,000	20,034,043	84.5%	21,381,027
Revenue from the Commonwealth.....	19,603,400	8,207,365	41.9%	8,003,943
Total Intergovernmental Revenues	\$ 48,903,400	\$ 29,213,404	59.7%	\$ 31,788,920
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 3,952,000	\$ 1,895,369	48.0%	\$ 1,961,333
Licenses and Permits.....	3,261,000	1,872,156	57.4%	1,538,668
Charges for City Services.....	10,507,700	4,865,898	46.3%	4,738,072
Revenue from Use of Money & Property.....	4,615,500	2,747,596	59.5%	2,307,820
Other Revenue.....	429,619	244,226	56.8%	252,378
Total Other Governmental Revenues	\$ 22,765,819	\$ 11,625,245	51.1%	\$ 10,798,271
TOTAL REVENUE	\$ 428,516,876	\$ 211,799,983	49.4%	\$ 198,918,862
Appropriated Fund Balance				
General Fund.....	4,334,000	-	0.0%	-
Reappropriation of FY 2004 Encumbrances And Other Supplemental Appropriations.....	3,516,087	-	0.0%	-
TOTAL	\$ 436,366,963	\$ 211,799,983	48.5%	\$ 198,918,862

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

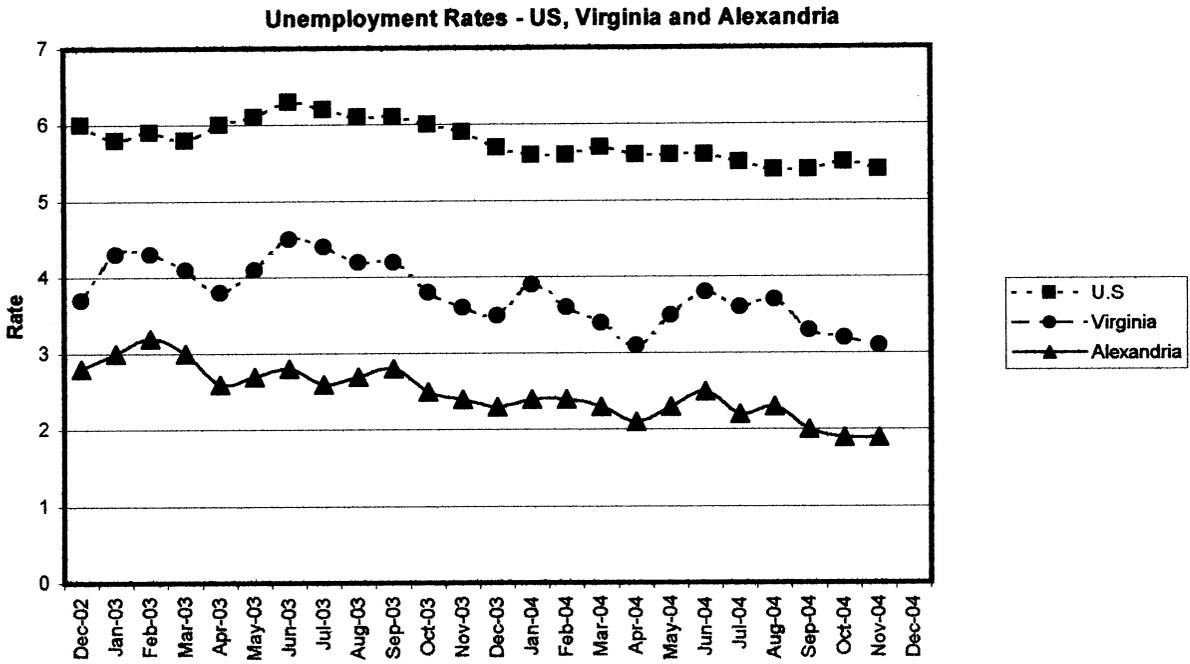
FUNCTION	FY2005	FY2005	% OF	FY2004
	APPROVED BUDGET	EXPENDITURES THRU 12/31/04		BUDGET
Legislative & Executive.....	\$ 5,164,135	\$ 2,494,604	48.3%	\$ 2,476,479
Judicial Administration.....	\$ 29,552,673	\$ 15,809,090	53.5%	\$ 15,540,940
Staff Agencies				
Information Technology Services.....	\$ 6,838,734	\$ 2,930,692	42.9%	\$ 3,130,627
Management & Budget.....	1,000,816	438,965	43.9%	367,782
Finance.....	8,135,638	3,774,118	46.4%	3,696,607
Real Estate Assessment.....	1,032,569	502,279	48.6%	466,653
Personnel.....	2,652,542	1,241,569	46.8%	1,200,306
Planning & Zoning.....	3,860,035	1,737,201	45.0%	1,437,470
Other Planning Activities.....	2,609,082	2,367,665	90.7%	2,001,758
City Attorney.....	1,506,405	723,263	48.0%	1,059,182
Registrar.....	960,789	641,210	66.7%	414,629
General Services.....	10,392,752	5,122,510	49.3%	4,944,597
Total Staff Agencies	\$ 38,989,362	\$ 19,479,472	50.0%	\$ 18,719,611
Operating Agencies				
Transportation & Environmental Services.....	\$ 22,827,974	\$ 11,835,873	51.8%	\$ 11,867,302
Fire.....	30,148,305	15,544,825	51.6%	15,363,103
Police.....	42,154,136	21,418,754	50.8%	20,480,368
Transit Subsidies.....	4,767,561	3,480,866	73.0%	2,292,163
Housing.....	985,257	441,199	44.8%	445,771
Mental Health/Mental Retardation/ Substance Abuse.....	603,086	436,974	72.5%	376,286
Health.....	7,234,880	3,409,853	47.1%	2,993,265
Human Services.....	10,286,839	4,889,144	47.5%	4,147,147
Historic Resources.....	2,365,959	1,164,270	49.2%	1,103,931
Recreation.....	17,232,858	8,819,923	51.2%	8,488,362
Total Operating Agencies	\$ 138,606,855	\$ 71,441,681	51.5%	\$ 67,557,698
Education				
Schools.....	\$ 130,109,722	\$ 51,281,717	39.4%	\$ 47,347,297
Other Educational Activities.....	13,299	9,974	75.0%	9,793
Total Education	\$ 130,123,021	\$ 51,291,691	39.4%	\$ 47,357,090
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 22,620,329	\$ 5,719,594	25.3%	\$ 6,766,832
Non-Departmental.....	10,958,360	4,694,198	42.8%	3,554,080
Cash Capital.....	21,382,000	21,382,000	100.0%	16,955,000
Contingent Reserves.....	727,700	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 55,688,389	\$ 31,795,792	57.1%	\$ 27,275,912
TOTAL EXPENDITURES	\$ 398,124,435	\$ 192,312,330	48.3%	\$ 178,927,730
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	26,526,624	-	0.0%	-
Transfer to Library.....	5,969,144	2,984,572	50.0%	2,731,148
Transfer to DASH.....	5,746,760	2,873,380	50.0%	2,585,000
TOTAL EXPENDITURES & TRANSFERS	\$ 436,366,963	\$ 198,170,282	45.4%	\$ 184,243,878

8

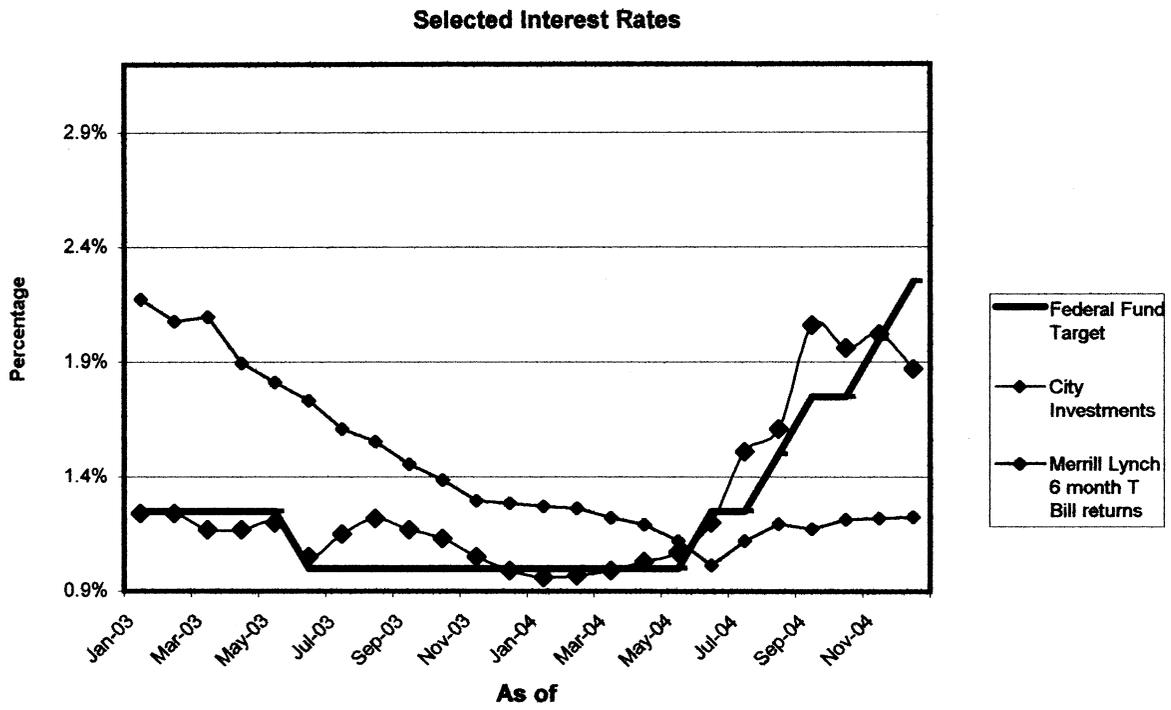
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<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, 2004) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	120.9	116.7	+3.6%
<u>Unemployment Rates</u>			
Alexandria	1.9%	2.4%	-21%
Virginia (As of November 30, 2004) (Source: United States Department of Labor, Bureau of Labor Statistics)	3.1%	3.6%	-14
United States (As of December 31, 2004) (Source: United States Department of Labor, Bureau of Labor Statistics)	5.4%	5.7%	-5%
<u>Interest Rates</u> (As of December 31, 2004)			
Prime Rate	5.25%	4.00%	+31%
Federal Fund Rate (Source: SunTrust Economic Monitor)	2.25%	1.00%	+125%
<u>New Business Licenses</u> (During December) (Source: Finance Department, Business Tax Branch)	69	14	+393%
<u>Office Vacancy Rates</u> (As of September 30, 2004)			
Alexandria	9.3%	10.5%	-11%
Northern Virginia	13.4%	16.9%	-21%
Washington DC Metro Area (Source: Grubb & Ellis)	10.9%	12.8%	-15%
<u>New Commercial Construction</u> (As of November 30, 2004)			
Number of New Building Permits	3	3	-
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$ 9.1 million	\$ 34.7 million	-74%
<u>Residential Real Estate Indicators</u> (for the eleven months ended November 30, 2004)			
Residential Dwelling Units Sold	3,590	3,312	+8%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$392,860	\$327,474	+20%

**City of Alexandria
Selected Economic Indicators
November 2004**

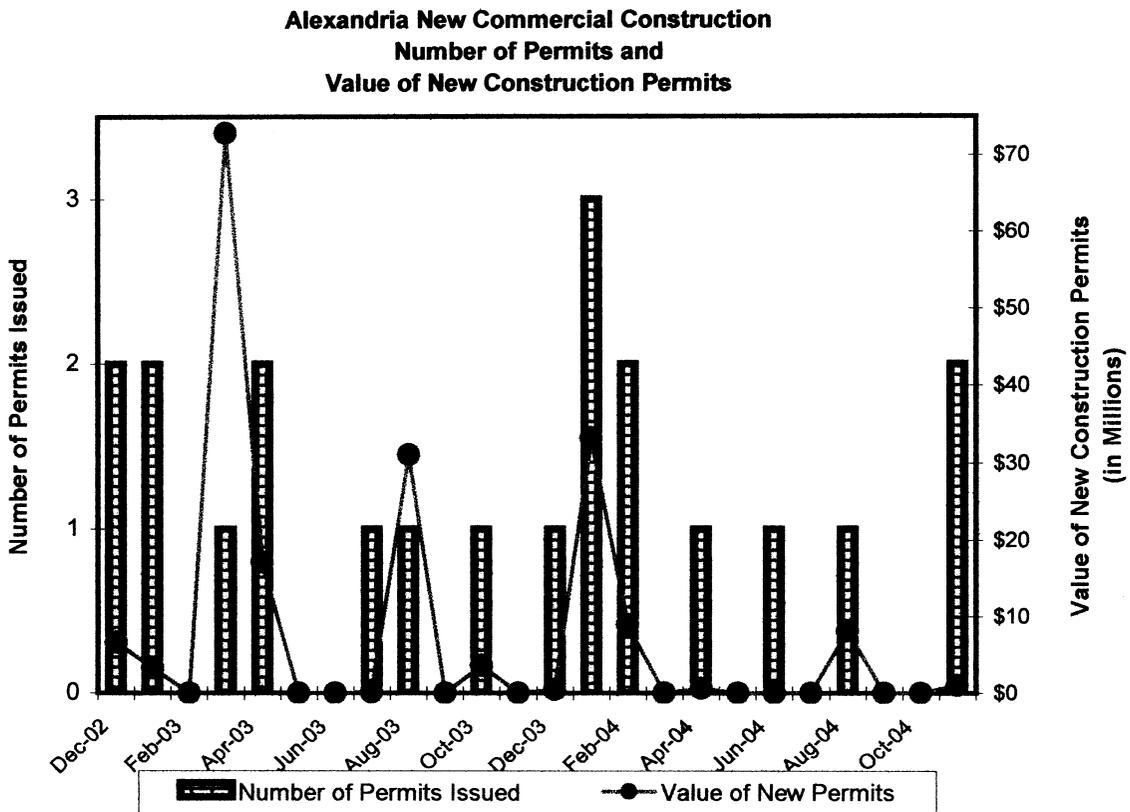
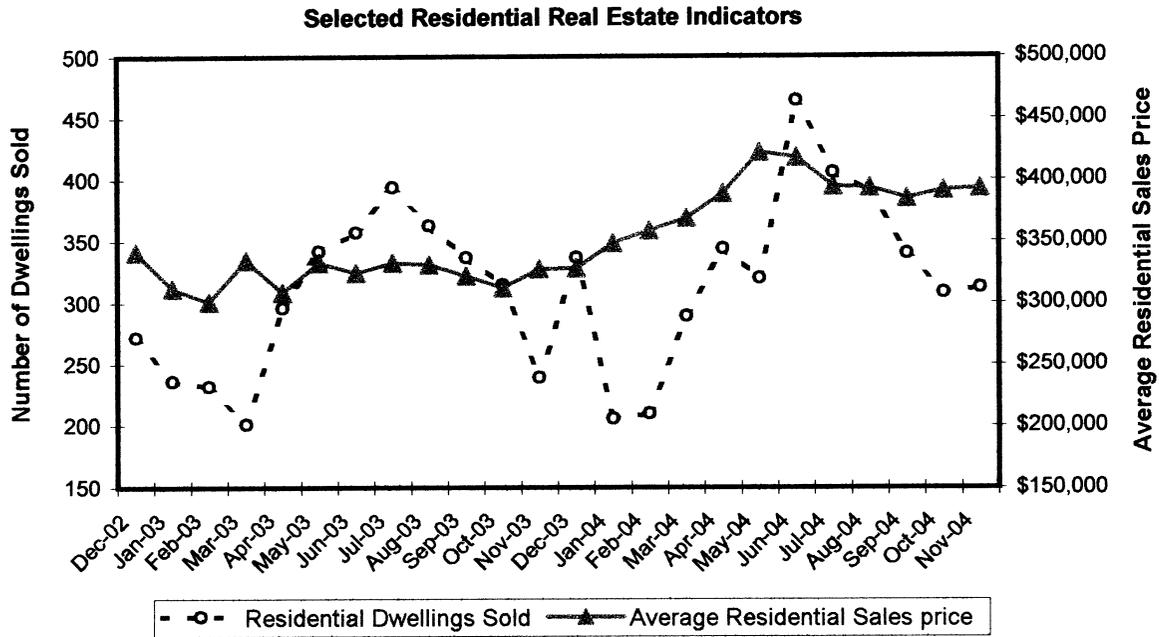


Source: United States Department of Labor, Bureau of Labor Statistics

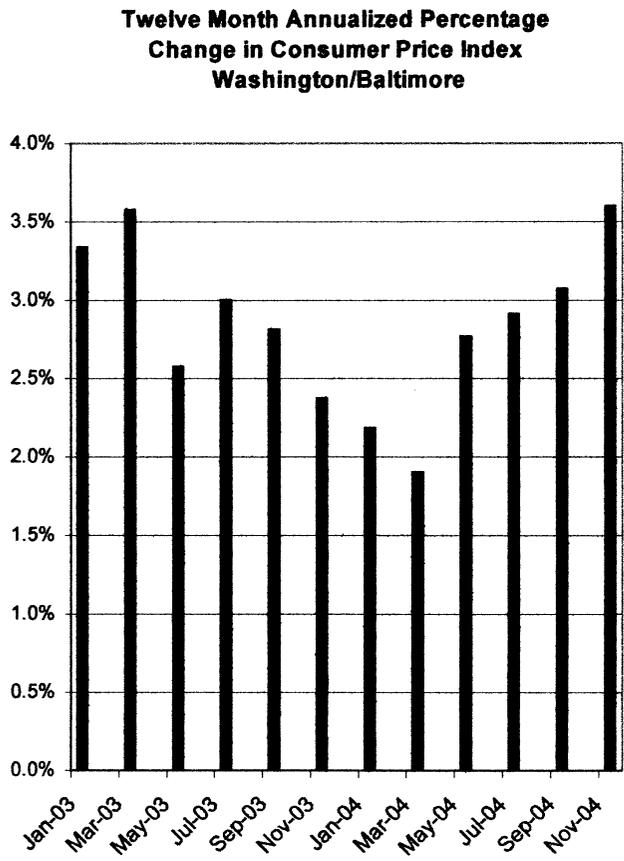
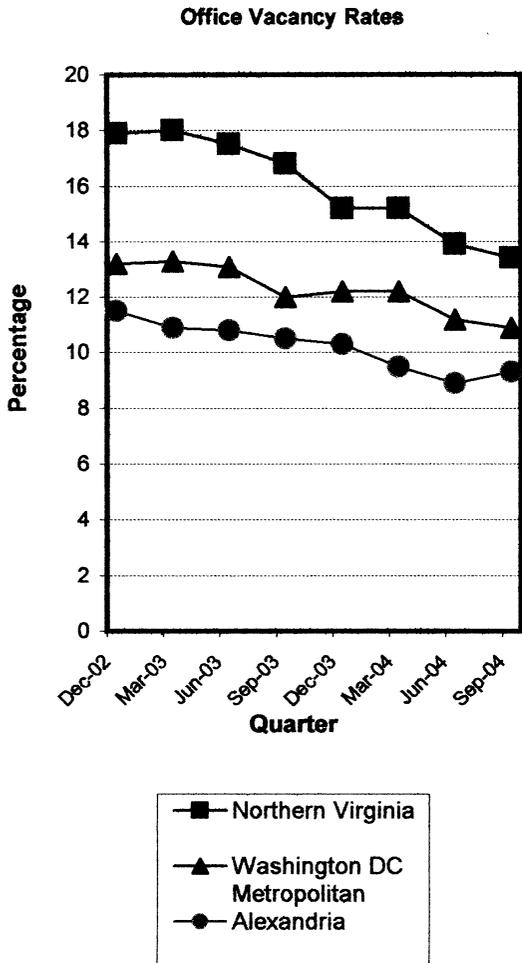


Source: Suntrust Economic Monitor

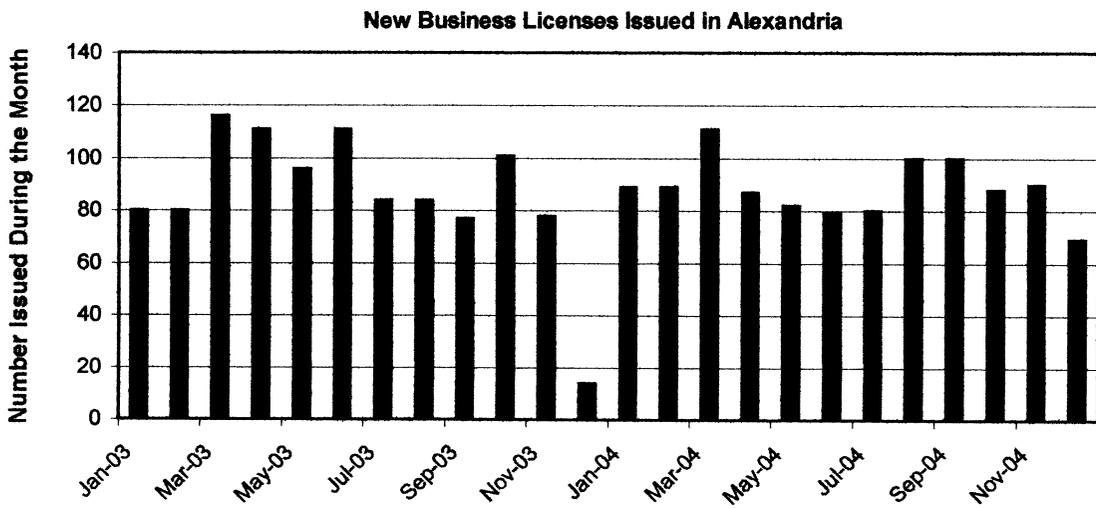
**City of Alexandria
Selected Economic Indicators
November 2004**



**City of Alexandria
Selected Economic Indicators
November 2004**



Source: United States Department of Labor, Bureau of Labor Statistics



12