

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 15, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
JANUARY 31, 2005

ISSUE: Monthly Financial Report for the Period Ending January 31, 2005.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending January 31, 2005.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2004, through January 31, 2005. 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 through January 2005 total \$223.8 million, which is \$15.1 million, or 7.2 percent, higher than FY 2004 for the same reporting period. The increase is primarily attributable to real estate tax revenues. 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 3.6 percent, largely reflecting the higher costs of energy, food, new vehicles, housing and medical care. The only material negative that has been previously reported is personal property tax revenue, which will likely be lower than originally budgeted. In conjunction with the development of the FY 2006 budget, City staff is undertaking an in-depth analysis of revenues that will be completed and included in the FY 2006 Proposed Budget and reflected in next month's Monthly Financial Report. General Fund expenditures through the end of January total \$227.6 million, or 8.2 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 January 31, 2005, actual General Fund revenues totaled \$223.8 million, an increase of \$15.1 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, based on 2004 assessments, were due November 15 and total \$111.6 million, which is slightly more than the \$111.0 million budgeted

amount for the November 15 collections. Real estate tax revenues to be paid on June 15 will be based on the newly released 2005 assessments (which increased by 21.2 percent) as well as the real estate tax rate to be adopted by City Council on May 2.

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 personal property tax for FY 2005 is \$56.2 million.

To date, the City has collected \$30.0 million in personal property tax revenue. Tax collections on business personal property amounted to \$14.8 million, a 1.8 percent increase over last year. However, tax collections on vehicles amounted to \$15.2 million, which is \$0.6 million, or 4.9 percent, less than at this time last year. Reimbursements for personal property taxes on vehicles from the Commonwealth amounted to \$20.4 million, which is \$1.2 million, or 5.7 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, which 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. Neighboring jurisdictions are experiencing a similar reduction. 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	\$ 30.5	\$ 32.5	\$ 30.0
Commonwealth reimbursement	<u>21.7</u>	<u>23.7</u>	<u>20.4</u>
Total	\$ 52.2	\$ 56.2	\$ 50.4

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 January represent revenues collected by merchants in November and a 3.6 percent increase over FY 2004 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 remitted to the City the following month. Staff anticipates a lower rate of increase in the consumer utility tax revenues from water rates in the next few months as the Virginia-American Water Company processes refunds to customers because of the recently ordered rollback of part of the water rate increase 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	\$3,599,783	\$3,483,945	\$115,838
Electricity	2,789,660	2,720,904	68,756
Water	966,085	920,372	45,713
Natural Gas	1,003,235	1,020,420	(17,185)

Business License Taxes: The City's business license tax is due March 1. Collections-to-date, in the amount of \$2.3 million, represent filings by new businesses and payments on delinquent accounts. The collections-to-date are \$0.2 million less than those received in the prior fiscal year. This decrease in collections over the last year is the result of two large businesses that paid several years of delinquent taxes during FY 2004. With most business license tax payments due on

March 1, it is too early to project how business license revenues will compare with budgeted amounts.

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 December 2004. Collections total \$3.3 million, or 14.1 percent, higher than last year and reflect an improved tourism and business travel market and also 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 December 2004 were \$4.5 million, which represents a 3.3 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, \$1.2 million has been collected for FY 2005, slightly less than 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 \$3.5 million represent an increase of \$1.6 million, or 89 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 stay 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 \$1.7 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 \$3.1 million for housing federal prisoners through the period ending January 2004. However, as of January 31, 2005, only \$1.5 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. Also, the number of federal prisoners housed on average is less than last tax year.

Charges for City Services: Year-to-date revenues increased \$0.7 million primarily for budgeted increased refuse and sewer fees and increased clerk fees associated with the increase in the number of real estate transactions as discussed under Real Estate Recordation Taxes, above.

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

EXPENDITURES (Attachment 2): As of January 31, 2005, actual General Fund expenditures totaled \$227.6 million, an increase of \$17.2 million, or 8.2 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 the first three quarter contribution payments to community agencies and both semiannual 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.

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 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 \$81.1 million in expenses through January 31, 2005. 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 \$61.5 million (i.e., 75.8 percent of \$81.1 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 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

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, 2005 AND JANUARY 31, 2004**

	FY2005 APPROVED BUDGET	FY2005 REVENUES THRU 01/31/05	% OF BUDGET	FY2004 REVENUES THRU 01/31/04
General Property Taxes				
Real Property Taxes.....	\$ 228,514,157	\$ 111,583,203	48.8%	\$ 98,478,286
Personal Property Taxes.....	32,491,000	30,005,765	92.4%	30,521,840
Penalties and Interest.....	1,500,000	790,788	52.7%	830,635
Total General Property Taxes	\$ 262,505,157	\$ 142,379,756		\$ 129,830,761
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 23,100,000	9,379,176	40.6%	\$ 9,052,556
Consumer Utility Taxes.....	17,700,000	8,358,763	47.2%	8,145,641
Business License Taxes.....	26,600,000	2,277,573	8.6%	2,525,855
Transient Lodging Taxes.....	6,100,000	3,305,952	54.2%	2,897,614
Restaurant Meals Tax.....	9,625,000	4,495,153	46.7%	4,352,160
Tobacco Taxes.....	2,600,000	1,199,765	46.1%	1,268,929
Motor Vehicle License Tax.....	2,350,000	2,159,987	91.9%	2,141,689
Real Estate Recordation.....	2,600,000	3,496,092	134.5%	1,852,719
Other Local Taxes.....	3,667,500	1,241,028	33.8%	1,236,341
Total Other Local Taxes	\$ 94,342,500	\$ 35,913,489	38.1%	\$ 33,473,504
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 5,600,000	\$ 1,446,849	25.8%	\$ 2,405,359
Personal Property Tax Relief from the Commonwealth.....	23,700,000	20,433,949	86.2%	21,676,696
Revenue from the Commonwealth.....	19,603,400	10,321,613	52.7%	9,771,117
Total Intergovernmental Revenues	\$ 48,903,400	\$ 32,202,411	65.8%	\$ 33,853,172
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 3,952,000	\$ 2,253,386	57.0%	\$ 2,258,565
Licenses and Permits.....	3,261,000	2,377,688	72.9%	1,753,795
Charges for City Services.....	10,507,700	5,423,702	51.6%	4,735,854
Revenue from Use of Money & Property.....	4,615,500	3,126,452	67.7%	2,563,045
Other Revenue.....	429,619	128,701	30.0%	278,735
Total Other Governmental Revenues	\$ 22,765,819	\$ 13,309,929	58.5%	\$ 11,589,994
TOTAL REVENUE	\$ 428,516,876	\$ 223,805,585	52.2%	\$ 208,747,431
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	\$ 223,805,585	51.3%	\$ 208,747,431

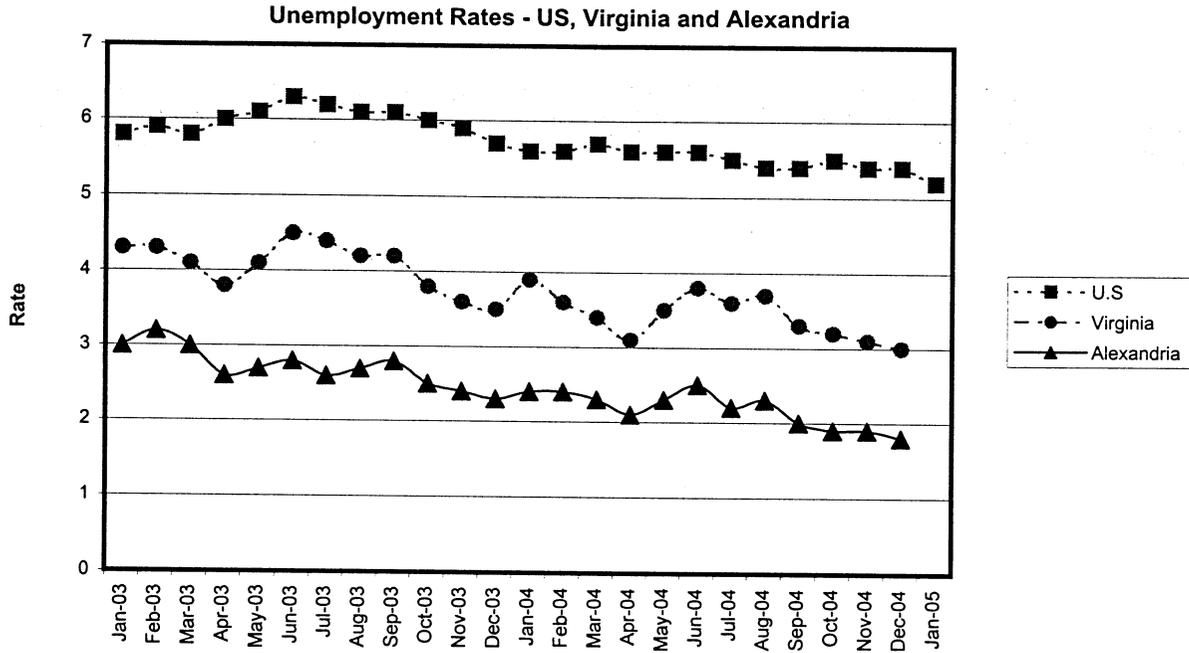
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING JANUARY 31, 2005 AND JANUARY 31, 2004

FUNCTION	FY2005	FY2005	% OF	FY2004
	APPROVED BUDGET	EXPENDITURES THRU 01/31/05		BUDGET
Legislative & Executive.....	\$ 5,164,135	\$ 3,009,960	58.3%	\$ 2,817,565
Judicial Administration.....	\$ 29,552,673	\$ 17,897,833	60.6%	\$ 17,378,872
Staff Agencies				
Information Technology Services.....	\$ 6,838,734	\$ 3,345,398	48.9%	\$ 3,672,183
Management & Budget.....	1,000,816	506,205	50.6%	425,316
Finance.....	8,135,638	4,377,346	53.8%	4,186,834
Real Estate Assessment.....	1,032,569	587,557	56.9%	532,580
Personnel.....	2,652,542	1,405,620	53.0%	1,372,624
Planning & Zoning.....	3,860,035	2,017,977	52.3%	1,682,237
Other Planning Activities.....	2,609,082	2,385,130	91.4%	2,006,753
City Attorney.....	1,506,405	834,776	55.4%	1,168,762
Registrar.....	960,789	695,894	72.4%	481,661
General Services.....	10,392,752	5,858,414	56.4%	5,668,595
Total Staff Agencies	\$ 38,989,362	\$ 22,014,317	56.5%	\$ 21,197,545
Operating Agencies				
Transportation & Environmental Services.....	\$ 22,827,974	\$ 13,361,129	58.5%	\$ 13,126,548
Fire.....	30,148,305	17,949,322	59.5%	17,359,038
Police.....	42,154,136	24,438,335	58.0%	23,219,267
Transit Subsidies.....	4,767,561	4,167,112	87.4%	2,376,007
Housing.....	985,257	508,003	51.6%	506,175
Mental Health/Mental Retardation/ Substance Abuse.....	603,086	460,517	76.4%	401,408
Health.....	7,234,880	3,517,383	48.6%	3,362,037
Human Services.....	10,286,839	5,628,713	54.7%	4,667,531
Historic Resources.....	2,365,959	1,321,241	55.8%	1,261,421
Recreation.....	17,232,858	9,950,702	57.7%	9,437,721
Total Operating Agencies	\$ 138,606,855	\$ 81,302,457	58.7%	\$ 75,717,153
Education				
Schools.....	\$ 130,109,722	\$ 61,447,914	47.2%	\$ 56,726,497
Other Educational Activities.....	13,299	9,974	75.0%	9,793
Total Education	\$ 130,123,021	\$ 61,457,888	47.2%	\$ 56,736,290
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 22,620,329	\$ 8,147,594	36.0%	\$ 9,260,832
Non-Departmental.....	10,958,360	5,584,681	51.0%	4,197,044
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	\$ 35,114,275	63.1%	\$ 30,412,876
TOTAL EXPENDITURES	\$ 398,124,435	\$ 220,796,730	55.5%	\$ 204,260,301
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	3,480,011	58.3%	3,186,339
Transfer to DASH.....	5,746,760	3,350,361	58.3%	3,014,110
TOTAL EXPENDITURES & TRANSFERS	\$ 436,366,963	\$ 227,627,102	52.2%	\$ 210,460,750

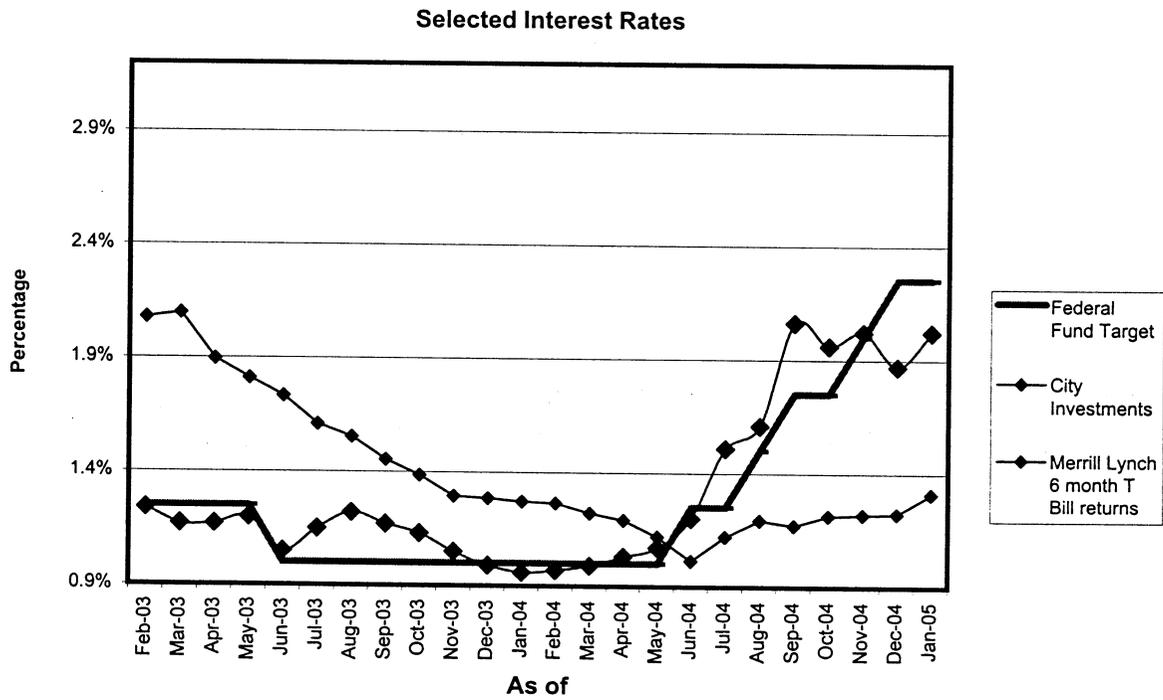
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<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	1.8%	2.3%	-22%
Virginia (As of December 31, 2004) (Source: United States Department of Labor, Bureau of Labor Statistics)	3.0%	3.5%	-14
United States (As of January 31, 2005) (Source: United States Department of Labor, Bureau of Labor Statistics)	5.2%	5.6%	-7%
<u>Interest Rates</u> (As of January 31, 2005)			
Prime Rate	5.25%	4.00%	+31%
Federal Fund Rate (Source: SunTrust Economic Monitor)	2.33%	1.03%	+126%
<u>New Business Licenses</u> (During January) (Source: Finance Department, Business Tax Branch)	79	89	-11%
<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 December 31, 2004)			
Number of New Building Permits	3	7	-57%
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$ 9.1 million	\$ 68.3 million	-87%
<u>Residential Real Estate Indicators</u> (for the year ended December 31, 2004)			
Residential Dwelling Units Sold	3,877	3,598	+8%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$395,759	\$329,011	+20%

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

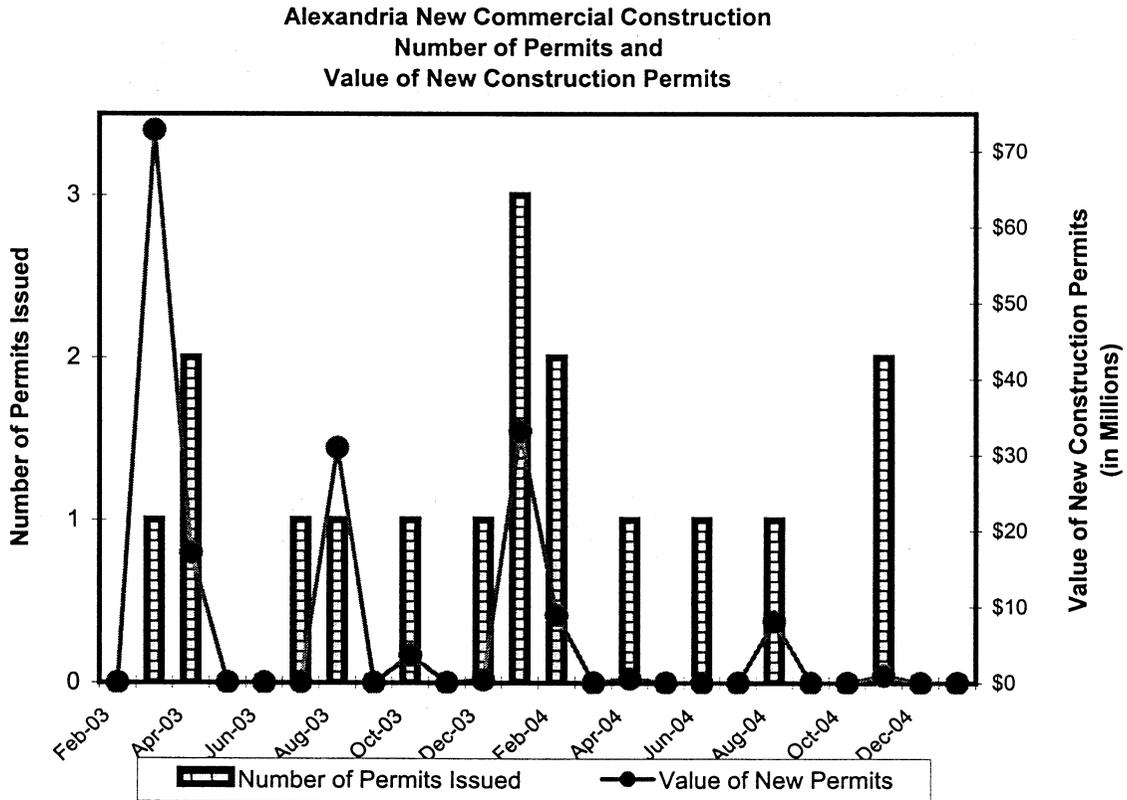
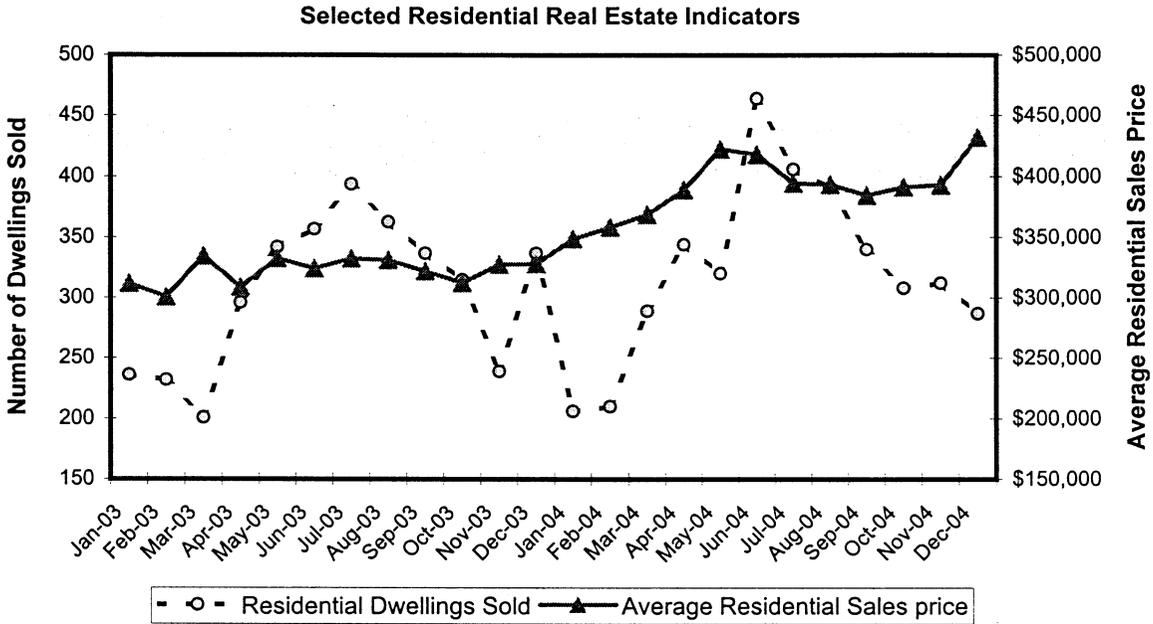


Source: United States Department of Labor, Bureau of Labor Statistics

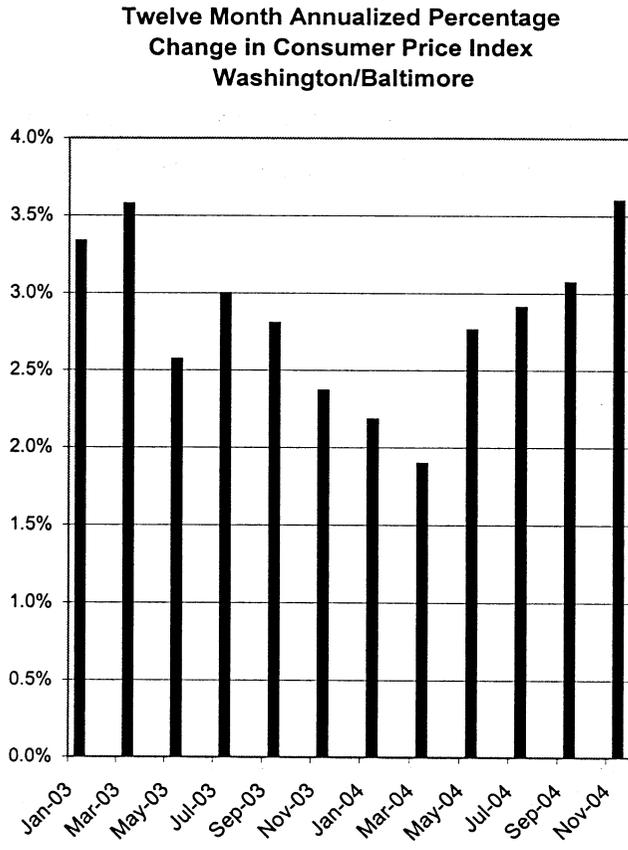
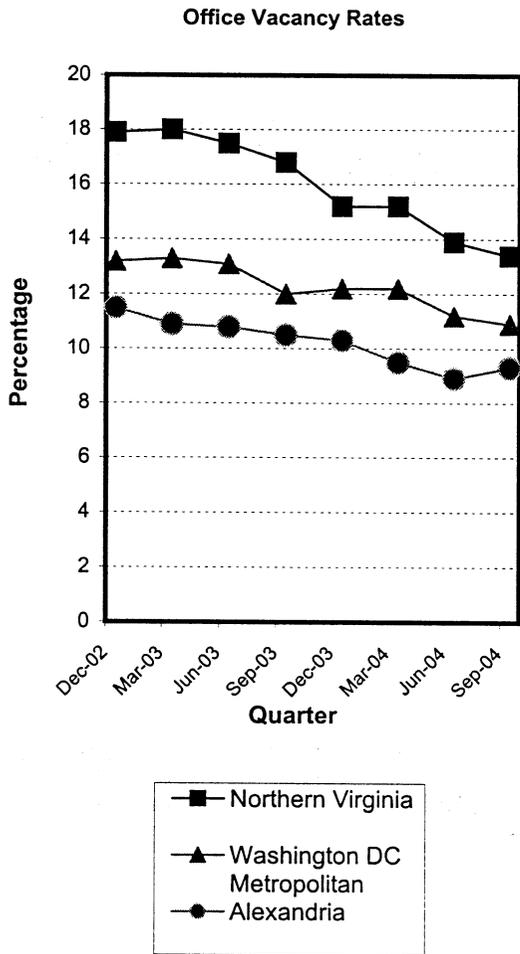


Source: Suntrust Economic Monitor

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

