

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 15, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
SEPTEMBER 30, 2004

ISSUE: Monthly Financial Report for the Period Ending September 30, 2004.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending September 30, 2004.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for period July 1, 2004, through September 30, 2004. This report presents revenues and expenditures for the same period for 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 to budgeted revenues. To date, revenues for the first three months of FY 2005 total \$49.1 million, which is \$3.7 million, or 8.3 percent, higher than FY 2004 for the same reporting period. Real estate tax revenues, based on sales trends to date, will likely exceed budgeted growth expectations. Economic indicators show that the local economy is healthy, with unemployment low, residential sales strong, commercial office vacancy rates low, and the inflation rate below 3.0%. The only negative which has been previously reported is that personal property taxes will likely be lower than originally budgeted. General Fund expenditures through the end of September total \$99.2 million, or 6.4 percent higher, than expenditures at the same time last year, primarily for budgeted cash capital transfer to the capital projects and equipment replacement funds.

FISCAL YEAR 2004 REPORT: At this time, the City's external auditors are nearly completed in auditing and reviewing the City's accounts and records in relation to FY 2004 expenditures and revenues. While the actual outcome of the FY 2004 audit will not be known until after the auditor's work is completed, it is not expected that the financial outcome reported in last month's Monthly Financial Report will change. In order to make the City's financial reporting to Council and to the public more timely, it is planned that the City's Comprehensive Annual Financial Report (CAFR) will be completed earlier this year and presented to Council in time for the November 9 Council meeting.

REVENUES (Attachment 1): As of September 30, 2004, actual General Fund revenues totaled \$49.1 million, an increase of \$3.7 million over the same period last year. This is primarily due to accelerated payment of real property taxes before the due date. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

Real Estate Taxes: Second half real estate taxes are due November 15. Revenues to date are \$3.1 million, and represent payments before the due date. Final analysis cannot be concluded for the remaining 2004 calendar year real estate tax revenues until receipts are tabulated after November 15.

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 \$16.5 million for vehicles, \$14.7 million for businesses and \$1.3 million for delinquent accounts) and includes 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 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 2005 is \$56.2 million.

Collections-to-date, in the amount of \$16.8 million, are 6.9 percent higher than collections at the same time last year. While collections prior to the due date are higher than last year at this time (possibly due to the advanced decal program), 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 State-reimbursed amount) will drop \$3 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. Staff has inquired and found that neighboring jurisdictions are experiencing a similar phenomenon. Arlington 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 made before the due date and payments received on delinquent accounts. Staff will continue to monitor revenues closely. No clear trends will be evident until October receipts are tabulated in November.

Personal Property Tax (in millions)	Actual to Date FY 2004	Budget FY 2005	Actual to Date FY 2005
City share	\$ 15.7	\$ 32.5	\$ 16.8
Commonwealth reimbursement	<u>11.1</u>	<u>23.7</u>	<u>10.4</u>
Total	\$ 26.8	\$ 56.2	\$ 27.2

Local Sales and Use Taxes: Businesses remit sales tax 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 September represent revenues collected by merchants in July and a 7.6 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.

City of Alexandria Consumer Utility Tax Receipts

Utility	FY 2005 Year to Date Receipts	FY 2004 Year to Date Receipts	Increase/ (Decrease)
Telephone - Tax on Local Services	\$916,326	\$854,198	\$62,128
Electricity	978,978	985,457	(6,479)
Water	346,708	301,395	45,313
Natural Gas	308,153	307,528	625

Business License Taxes: The City's business license tax is due March 1. Collections to date, in the amount of \$0.5 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 for July and August 2004. Collections total \$1.1 million, which is 13.5 percent higher than last year, and reflect an improved tourism and business travel market.

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 August 2004 are \$0.1 million, or 5.9 percent, higher than last 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, \$0.4 million has been collected for FY 2004, substantially 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 \$0.9 million represent an increase of \$0.1 million, or 22 percent, over the previous year. The continued increase is primarily attributable to residential refinancings due to historically low interest rates, as well as a continued strong home sales market. Starting next month, revenues will reflect the recently enacted recordation tax rate increase.

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 \$1.2 million for housing federal prisoners through the period ending September 2004. However, as of September 30, 2004, no payments have 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 September 30, 2004, actual General Fund expenditures totaled \$99.2 million, an increase of \$6.0 million, or 6.4 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 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 first quarter contribution payments to community agencies, except the Alexandria Convention and Visitors Association, which represents the first half payment for FY 2005.

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 2005 Transfer Resolution to match these expenditures with budget authority.

Registrar: Expenditures-to-date reflect costs of election related mailings and voter machine maintenance.

Transit Subsidies: Expenditures-to-date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for Fiscal Year 2005. In the first quarter of FY 2004, additional State transit aid revenues available to the City made the City's General Fund payments very low.

Health: The City receives a quarterly billing from the Commonwealth (approximately \$700,000 per quarter) for services provided at the Health Department. As of September 30, 2004, the first quarterly billing had not been received.

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

School: The School Administration has reported \$27.0 million in expenses through September 30, 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 \$20.5 million (i.e., 75.8 percent of \$27.0 million).

Other Education Activities: Expenditures-to-date reflect the first quarter contribution payment 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 SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003**

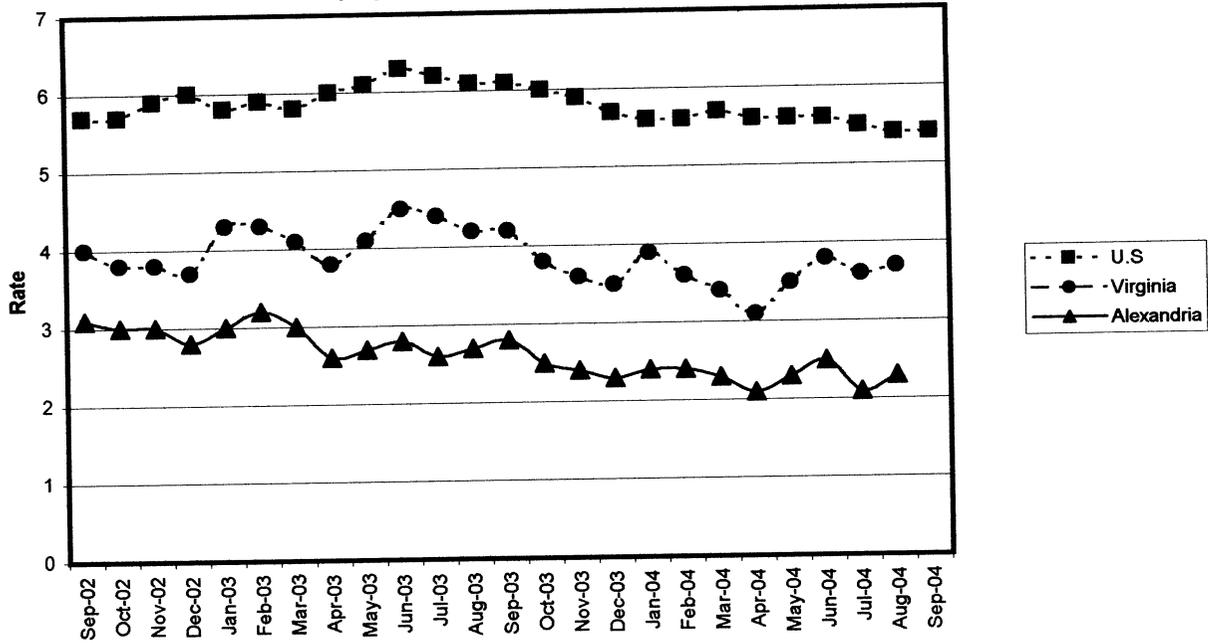
	FY2005 APPROVED BUDGET	FY2005 REVENUES THRU 09/30/04	% OF BUDGET	FY2004 REVENUES THRU 09/30/03
General Property Taxes				
Real Property Taxes.....	\$ 228,514,157	\$ 3,094,723	1.4%	\$ 712,951
Personal Property Taxes.....	32,491,000	16,823,725	51.8%	15,738,236
Penalties and Interest.....	1,500,000	384,733	25.6%	239,933
Total General Property Taxes	\$ 262,505,157	\$ 20,303,181		\$ 16,691,120
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 23,100,000	1,898,767	8.2%	\$ 1,764,274
Consumer Utility Taxes.....	17,700,000	2,550,165	14.4%	2,448,578
Business License Taxes.....	26,600,000	545,817	2.1%	482,567
Transient Lodging Taxes.....	6,100,000	1,129,764	18.5%	995,350
Restaurant Meals Tax.....	9,625,000	1,504,364	15.6%	1,419,964
Tobacco Taxes.....	2,600,000	428,384	16.5%	436,064
Motor Vehicle License Tax.....	2,350,000	1,221,271	52.0%	1,141,335
Real Estate Recordation.....	2,600,000	918,177	35.3%	751,495
Other Local Taxes.....	3,667,500	283,650	7.7%	280,767
Total Other Local Taxes	\$ 94,342,500	\$ 10,480,359	11.1%	\$ 9,720,394
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 5,600,000	\$ -	0.0%	\$ 485,573
Personal Property Tax Relief from the Commonwealth.....	23,700,000	10,364,464	43.7%	11,052,635
Revenue from the Commonwealth.....	19,603,400	3,175,858	16.2%	2,951,532
Total Intergovernmental Revenues	\$ 48,903,400	\$ 13,540,322	27.7%	\$ 14,489,740
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 3,952,000	\$ 977,720	24.7%	\$ 950,395
Licenses and Permits.....	3,261,000	927,105	28.4%	694,543
Charges for City Services.....	10,507,700	1,540,176	14.7%	1,462,256
Revenue from Use of Money & Property.....	4,615,500	1,188,014	25.7%	1,235,612
Other Revenue.....	429,619	133,463	31.1%	104,833
Total Other Governmental Revenues	\$ 22,765,819	\$ 4,766,478	20.9%	\$ 4,447,639
TOTAL REVENUE	\$ 428,516,876	\$ 49,090,340	11.5%	\$ 45,348,893
Appropriated Fund Balance				
General Fund.....	4,334,000	-	0.0%	-
Reappropriation of FY 2004 Encumbrances And Other Supplemental Appropriations.....	-	-	0.0%	-
TOTAL	\$ 432,850,876	\$ 49,090,340	11.3%	\$ 45,348,893

**CITY OF ALEXANDRIA, VIRGINIA
 COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
 GENERAL FUND
 FOR THE PERIODS ENDING SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003**

FUNCTION	FY2005	FY2005	% OF	FY2004
	APPROVED BUDGET	EXPENDITURES THRU 09/30/04	BUDGET	EXPENDITURES THRU 09/30/03
Legislative & Executive.....	\$ 5,126,661	\$ 1,183,284	23.1%	\$ 1,192,082
Judicial Administration.....	\$ 29,336,889	\$ 8,097,349	27.6%	\$ 7,990,326
Staff Agencies				
Information Technology Services.....	\$ 6,564,009	\$ 1,367,975	20.8%	\$ 1,372,917
Management & Budget.....	976,816	210,372	21.5%	154,487
Finance.....	7,774,285	1,786,856	23.0%	1,766,591
Real Estate Assessment.....	1,027,914	254,490	24.8%	221,604
Personnel.....	2,627,390	593,493	22.6%	549,428
Planning & Zoning.....	3,550,167	801,475	22.6%	658,585
Other Planning Activities.....	2,560,369	1,300,050	50.8%	1,117,183
City Attorney.....	1,506,405	402,586	26.7%	531,190
Registrar.....	954,197	289,401	30.3%	175,786
General Services.....	10,369,369	2,291,533	22.1%	2,253,784
Total Staff Agencies	\$ 37,910,921	\$ 9,298,231	24.5%	\$ 8,801,555
Operating Agencies				
Transportation & Environmental Services.....	\$ 22,732,771	\$ 6,025,987	26.5%	\$ 5,791,454
Fire.....	30,140,267	7,463,453	24.8%	7,603,078
Police.....	42,025,718	10,799,595	25.7%	10,414,884
Transit Subsidies.....	4,707,601	1,605,711	34.1%	260,527
Housing.....	981,057	218,391	22.3%	218,815
Mental Health/Mental Retardation/ Substance Abuse.....	543,086	335,088	61.7%	291,735
Health.....	7,229,489	461,322	6.4%	646,115
Human Services.....	10,008,950	2,383,065	23.8%	2,322,255
Historic Resources.....	2,279,390	534,084	23.4%	530,388
Recreation.....	17,078,378	4,767,953	27.9%	4,527,118
Total Operating Agencies	\$ 137,726,707	\$ 34,594,649	25.1%	\$ 32,606,369
Education				
Schools.....	\$ 130,109,722	\$ 20,490,793	15.7%	\$ 19,176,692
Other Educational Activities.....	13,299	6,649	50.0%	6,529
Total Education	\$ 130,123,021	\$ 20,497,442	15.8%	\$ 19,183,221
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 22,620,329	\$ 1,075,138	4.8%	\$ 1,153,086
Non-Departmental.....	9,796,897	2,630,632	26.9%	2,677,938
Cash Capital.....	18,882,000	18,882,000	100.0%	16,955,000
Contingent Reserves.....	3,337,135	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 54,636,361	\$ 22,587,770	41.3%	\$ 20,786,024
TOTAL EXPENDITURES	\$ 394,860,560	\$ 96,258,725	24.4%	\$ 90,559,577
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	26,320,452	-	0.0%	-
Transfer to Library.....	5,969,144	1,492,286	25.0%	1,365,574
Transfer to DASH.....	5,700,720	1,425,180	25.0%	1,292,500
TOTAL EXPENDITURES & TRANSFERS	\$ 432,850,876	\$ 99,176,191	22.9%	\$ 93,217,651

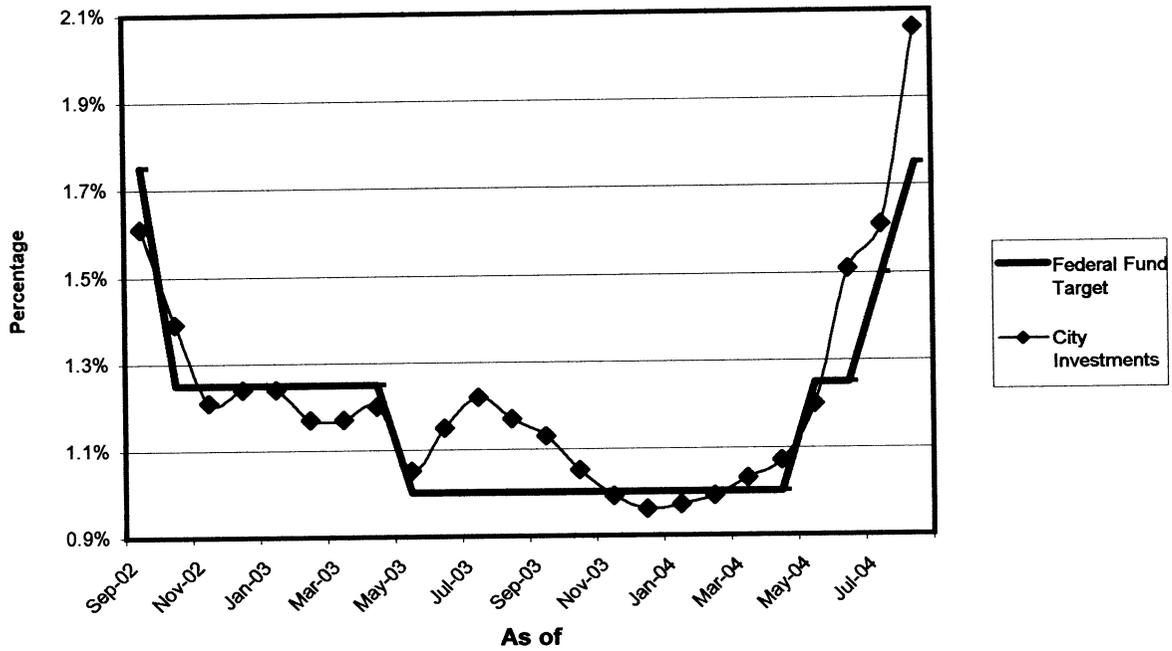
City of Alexandria Selected Economic Indicators August 2004

Unemployment Rates - US, Virginia and Alexandria



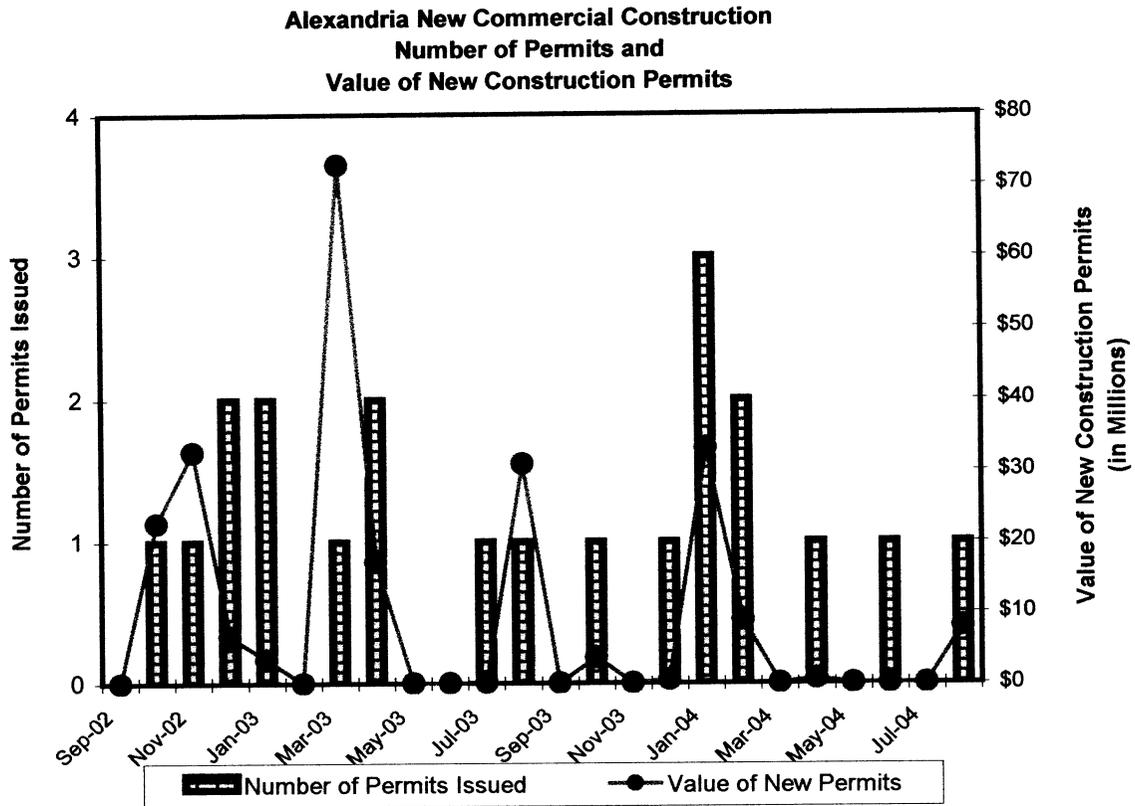
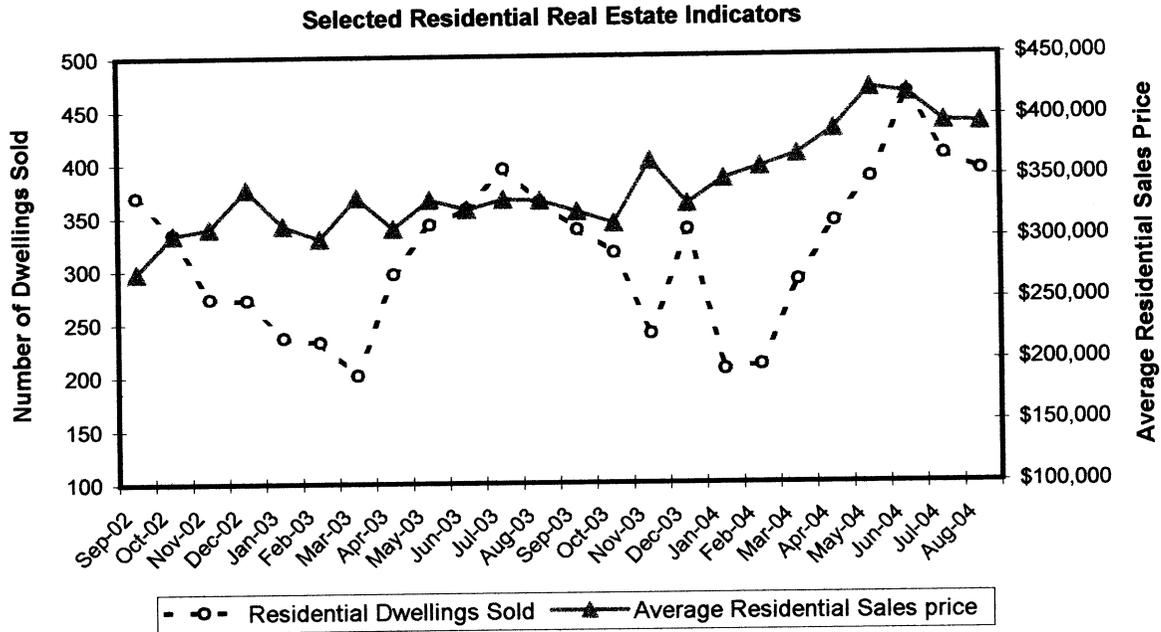
Source: United States Department of Labor, Bureau of Labor Statistics

Selected Interest Rates



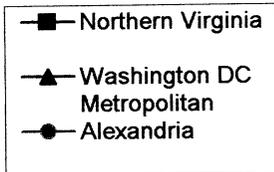
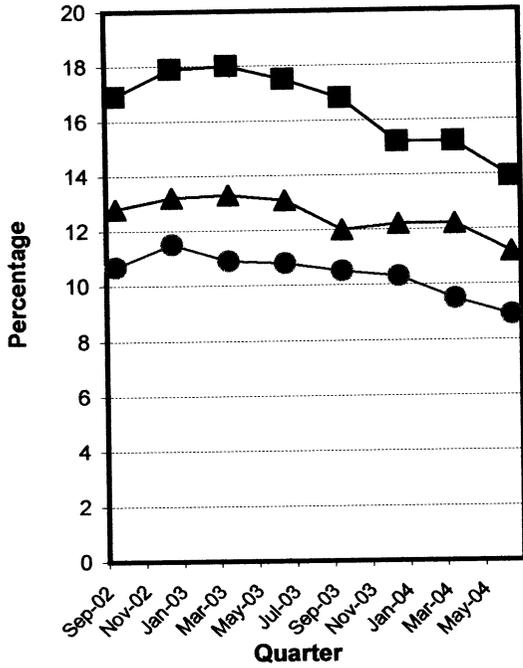
Source: Suntrust Economic Monitor

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

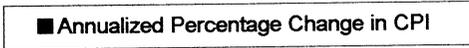
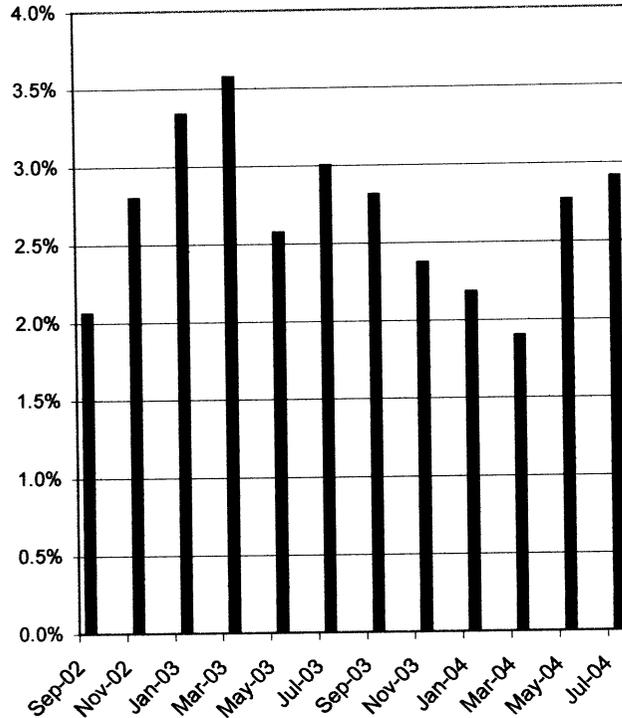


**City of Alexandria
Selected Economic Indicators
August 2004**

Office Vacancy Rates



Twelve Month Annualized Percentage Change in Consumer Price Index Washington/Baltimore



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

New Business Licenses Issued in Alexandria

