

# City of Alexandria, Virginia

## MEMORANDUM

DATE: NOVEMBER 15, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER <sup>OS</sup>

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

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

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

**DISCUSSION:** This report provides financial information on revenues and expenditures of the General Fund for period July 1, 2004, through October 31, 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 with budgeted revenues. To date, revenues for the first four months of FY 2005 total \$98.9 million, which is \$0.5 million, or less than one percent, lower 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, low commercial office vacancy rates and the inflation rate at just over 3 percent. This solid economic condition was confirmed by the recent reaffirmation last week by the two major bond rating agencies of the City's top AAA/Aaa ratings. The only material negative that has been previously reported is personal property taxes, including the Commonwealth reimbursement, will likely be lower than originally budgeted. General Fund expenditures through the end of October total \$131.1 million, or 10.6 percent higher, than expenditures at the same time last year, primarily for budgeted transfers to the capital projects and equipment replacement funds.

**REVENUES (Attachment 1):** As of October 31, 2004, actual General Fund revenues totaled \$98.9 million, a decrease of \$0.5 million below the same period last year. This is primarily due to the timing of payments from the Commonwealth and the federal government. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

**Real Estate Taxes:** Second half real estate taxes were due November 15. Revenues-to-date are \$21.7 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 \$16.6 million for vehicles, \$14.7 million for businesses and \$1.2 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 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 \$28.9 million in personal property tax revenue. Tax collections on business personal property amounted to \$15 million, a 7 percent increase over last year. However, tax collections on vehicles amounted to \$13.9 million, 0.8 million or 5 percent less than at this time last year. Reimbursements for personal property taxes on vehicles from the Commonwealth amounted to \$18.4 million, \$1.3 million or 6.5 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 \$3.2 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 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	\$ 28.7	\$ 32.5	\$ 28.9
Commonwealth reimbursement	<u>19.7</u>	<u>23.7</u>	<u>18.4</u>
Total	\$ 48.4	\$ 56.2	\$ 47.3

**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 October represent revenues collected by merchants in August and a 6.0 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 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 water rate increases which had gone into effect earlier this year.

**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	\$1,553,262	\$1,510,622	\$42,640
Electricity	1,452,143	1,428,160	23,983
Water	544,616	473,737	70,879
Natural Gas	460,659	460,016	643

**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.

**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 September 2004. Collections total \$1.7 million, 16.7 percent higher than last year, and reflect an improved tourism and business travel market, as well as a business strategy shift by hotels in reducing the number of lower rate rooms being rented to federal government employees (tax exempt) to higher rate rooms being rented to business travelers (not tax exempt).

**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 September 2004 were 2.2 million, which represents a 1.8 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, \$0.6 million has been collected for FY 2005, 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 \$1.4 million represent an increase of \$0.4 million, or 36 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. It's expected that the new recordation tax rate increase will generate \$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 \$2.0 million for housing federal prisoners through the period ending October 2004, but the federal government had not provided any reimbursement payment. However, the federal government resumed making reimbursement payments in November. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period. The Sheriff's staff and the federal government are continuing to discuss payment calculations and amounts.

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

**EXPENDITURES (Attachment 2):** As of October 31, 2004, actual General Fund expenditures totaled \$131.1 million, an increase of \$12.6 million, or 10.6 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 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 and second quarter contribution payments to community agencies.

**City Attorney:** Expenditures-to-date reflect outside legal fees that 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 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 available to the City were lower than in FY 2004, thereby causing increased City payments.

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

**School:** The School Administration has reported \$41.2 million in expenses through October 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 \$31.2 million (i.e., 75.8 percent of \$41.2 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 OCTOBER 31, 2004 AND OCTOBER 31, 2003**

	<b>FY2005 APPROVED BUDGET</b>	<b>FY2005 REVENUES THRU 10/31/04</b>	<b>% OF BUDGET</b>	<b>FY2004 REVENUES THRU 10/31/03</b>
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 228,514,157	\$ 21,697,654	9.5%	\$ 21,744,540
Personal Property Taxes.....	32,491,000	28,949,560	89.1%	28,720,628
Penalties and Interest.....	1,500,000	510,050	34.0%	313,799
<b>Total General Property Taxes</b>	<b>\$ 262,505,157</b>	<b>\$ 51,157,264</b>		<b>\$ 50,778,967</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 23,100,000	3,675,664	15.9%	\$ 3,466,860
Consumer Utility Taxes.....	17,700,000	4,010,680	22.7%	3,872,535
Business License Taxes.....	26,600,000	884,276	3.3%	850,688
Transient Lodging Taxes.....	6,100,000	1,711,075	28.1%	1,466,416
Restaurant Meals Tax.....	9,625,000	2,164,806	22.5%	2,126,064
Tobacco Taxes.....	2,600,000	634,240	24.4%	657,610
Motor Vehicle License Tax.....	2,350,000	1,925,994	82.0%	1,927,182
Real Estate Recordation.....	2,600,000	1,434,211	55.2%	1,055,408
Other Local Taxes.....	3,667,500	648,633	17.7%	614,272
<b>Total Other Local Taxes</b>	<b>\$ 94,342,500</b>	<b>\$ 17,089,579</b>	<b>18.1%</b>	<b>\$ 16,037,035</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 5,600,000	\$ -	0.0%	\$ 977,590
Personal Property Tax Relief from the Commonwealth.....	23,700,000	18,427,639	77.8%	19,713,018
Revenue from the Commonwealth.....	19,603,400	5,351,476	27.3%	5,133,127
<b>Total Intergovernmental Revenues</b>	<b>\$ 48,903,400</b>	<b>\$ 23,779,115</b>	<b>48.6%</b>	<b>\$ 25,823,735</b>
<b>Other Governmental Revenues</b>				
Fines and Forfeitures.....	\$ 3,952,000	\$ 1,251,557	31.7%	\$ 1,340,378
Licenses and Permits.....	3,261,000	1,227,351	37.6%	1,020,159
Charges for City Services.....	10,507,700	2,565,420	24.4%	2,640,909
Revenue from Use of Money & Property.....	4,615,500	1,655,395	35.9%	1,611,581
Other Revenue.....	429,619	173,865	40.5%	136,762
<b>Total Other Governmental Revenues</b>	<b>\$ 22,765,819</b>	<b>\$ 6,873,588</b>	<b>30.2%</b>	<b>\$ 6,749,789</b>
<b>TOTAL REVENUE</b>	<b>\$ 428,516,876</b>	<b>\$ 98,899,546</b>	<b>23.1%</b>	<b>\$ 99,389,526</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	4,334,000	-	0.0%	-
Reappropriation of FY 2004 Encumbrances And Other Supplemental Appropriations.....	3,516,087	-	0.0%	-
<b>TOTAL</b>	<b>\$ 436,366,963</b>	<b>\$ 98,899,546</b>	<b>22.7%</b>	<b>\$ 99,389,526</b>

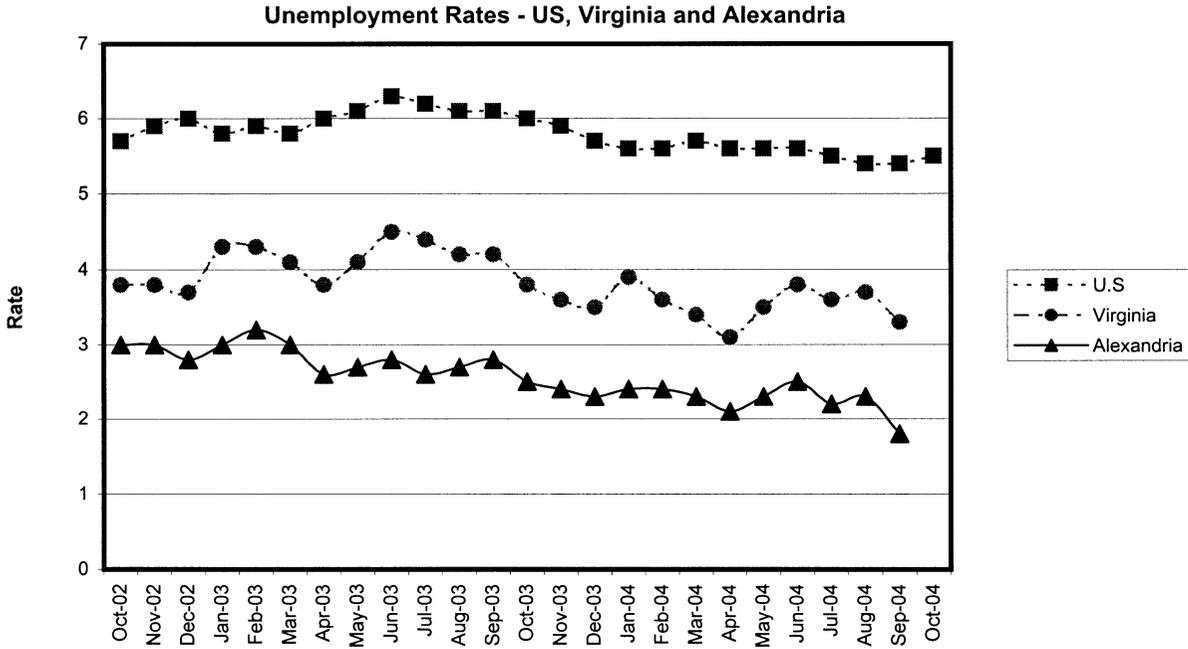
**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING OCTOBER 31, 2004 AND OCTOBER 31, 2003**

FUNCTION	FY2005	FY2005	% OF	FY2004
	APPROVED BUDGET	EXPENDITURES THRU 10/31/04	BUDGET	EXPENDITURES THRU 10/31/03
Legislative & Executive.....	\$ 5,159,898	\$ 1,552,786	30.1%	\$ 1,534,221
Judicial Administration.....	\$ 29,385,787	\$ 10,115,485	34.4%	\$ 9,972,841
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 6,838,734	\$ 1,846,640	27.0%	\$ 1,922,894
Management & Budget.....	1,000,816	278,277	27.8%	214,137
Finance.....	8,135,638	2,410,056	29.6%	2,304,284
Real Estate Assessment.....	1,032,569	325,108	31.5%	291,149
Personnel.....	2,652,542	754,272	28.4%	741,831
Planning & Zoning.....	3,860,035	1,033,966	26.8%	880,658
Other Planning Activities.....	2,609,082	1,300,454	49.8%	1,118,233
City Attorney.....	1,506,405	661,776	43.9%	662,996
Registrar.....	960,789	386,175	40.2%	236,111
General Services.....	10,392,752	3,150,721	30.3%	3,025,956
<b>Total Staff Agencies</b>	<b>\$ 38,989,362</b>	<b>\$ 12,147,445</b>	<b>31.2%</b>	<b>\$ 11,398,249</b>
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 22,827,974	\$ 7,780,565	34.1%	\$ 7,668,066
Fire.....	30,148,305	9,756,821	32.4%	9,653,269
Police.....	42,150,078	13,987,594	33.2%	13,096,943
Transit Subsidies.....	4,767,601	3,294,095	69.1%	1,265,923
Housing.....	1,372,257	284,087	20.7%	283,190
Mental Health/Mental Retardation/ Substance Abuse.....	603,086	371,343	61.6%	315,430
Health.....	7,234,880	900,026	12.4%	845,546
Human Services.....	10,281,462	3,120,520	30.4%	2,865,083
Historic Resources.....	2,365,959	717,084	30.3%	689,511
Recreation.....	17,232,588	6,007,946	34.9%	5,677,833
<b>Total Operating Agencies</b>	<b>\$ 138,984,190</b>	<b>\$ 46,220,081</b>	<b>33.3%</b>	<b>\$ 42,360,794</b>
<b>Education</b>				
Schools.....	\$ 130,109,722	\$ 31,197,842	24.0%	\$ 28,597,815
Other Educational Activities.....	13,299	6,649	50.0%	6,529
<b>Total Education</b>	<b>\$ 130,123,021</b>	<b>\$ 31,204,491</b>	<b>24.0%</b>	<b>\$ 28,604,344</b>
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 22,620,329	\$ 977,503	4.3%	\$ 1,153,086
Non-Departmental.....	10,894,925	3,563,826	32.7%	2,970,774
Cash Capital.....	21,382,000	21,382,000	100.0%	16,955,000
Contingent Reserves.....	837,135	-	-	-
<b>Total Capital, Debt Service and Miscellaneous</b>	<b>\$ 55,734,389</b>	<b>\$ 25,923,329</b>	<b>46.5%</b>	<b>\$ 21,078,860</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 398,376,647</b>	<b>\$ 127,163,617</b>	<b>31.9%</b>	<b>\$ 114,949,309</b>
<b>Cash Match (Mental Health/Mental Retardation/     Substance Abuse, Human Services and Library)</b>				
Transfers to the Special Revenue Fund.....	26,320,452	-	0.0%	-
Transfer to Library.....	5,969,144	1,989,514	33.3%	1,820,765
Transfer to DASH.....	5,700,720	1,900,050	33.3%	1,721,610
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 436,366,963</b>	<b>\$ 131,053,181</b>	<b>30.0%</b>	<b>\$ 118,491,684</b>

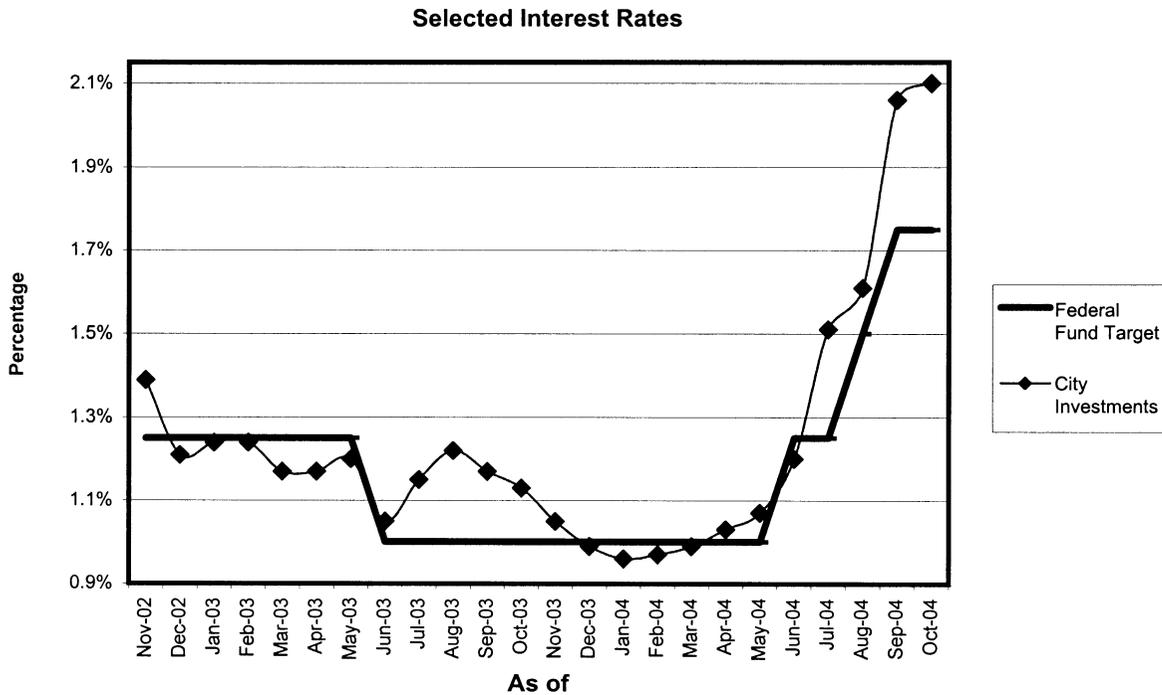
**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<b><u>Consumer Price Index (CPI-U) for the Washington-Baltimore, DC-MD-VA-WV Area</u></b> (As of September 30, 2004) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	120.8	117.2	+3.1%
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b>	1.8%	2.8%	-36%
<b>Virginia</b> (As of September 30, 2004) (Source: United States Department of Labor, Bureau of Labor Statistics)	3.3%	4.2%	-21%
<b>United States</b> (As of October 31, 2004) (Source: United States Department of Labor, Bureau of Labor Statistics)	5.5%	6.0%	-8%
<b><u>Interest Rates</u></b> (As of October 31, 2004)			
<b>Prime Rate</b>	4.75%	4.00%	+19%
<b>Federal Fund Rate</b> (Source: SunTrust Economic Monitor)	1.79%	1.00%	+79%
<b><u>New Business Licenses</u></b> (During October) (Source: Finance Department, Business Tax Branch)	88	101	-13%
<b><u>Office Vacancy Rates</u></b> (As of September 30, 2004)			
<b>Alexandria</b>	9.3%	10.5%	-11%
<b>Northern Virginia</b>	13.4%	16.9%	-21%
<b>Washington DC Metro Area</b> (Source: Grubb & Ellis)	10.9%	12.8%	-15%
<b><u>New Commercial Construction</u></b> (As of September 30, 2004)			
<b>Number of New Building Permits</b>	1	2	-50%
<b>Value of New Building Permits</b> (Source: Fire Department Code Enforcement Bureau)	\$ 8.0 million	\$ 31.1 million	-74%
<b><u>Residential Real Estate Indicators</u></b> (for the nine months ended September 30, 2004)			
<b>Residential Dwelling Units Sold</b>	2,970	2,758	+8%
<b>Average Residential Sales Price</b> (Source: Department of Real Estate Assessments)	\$391,146	\$326,095	+20%

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

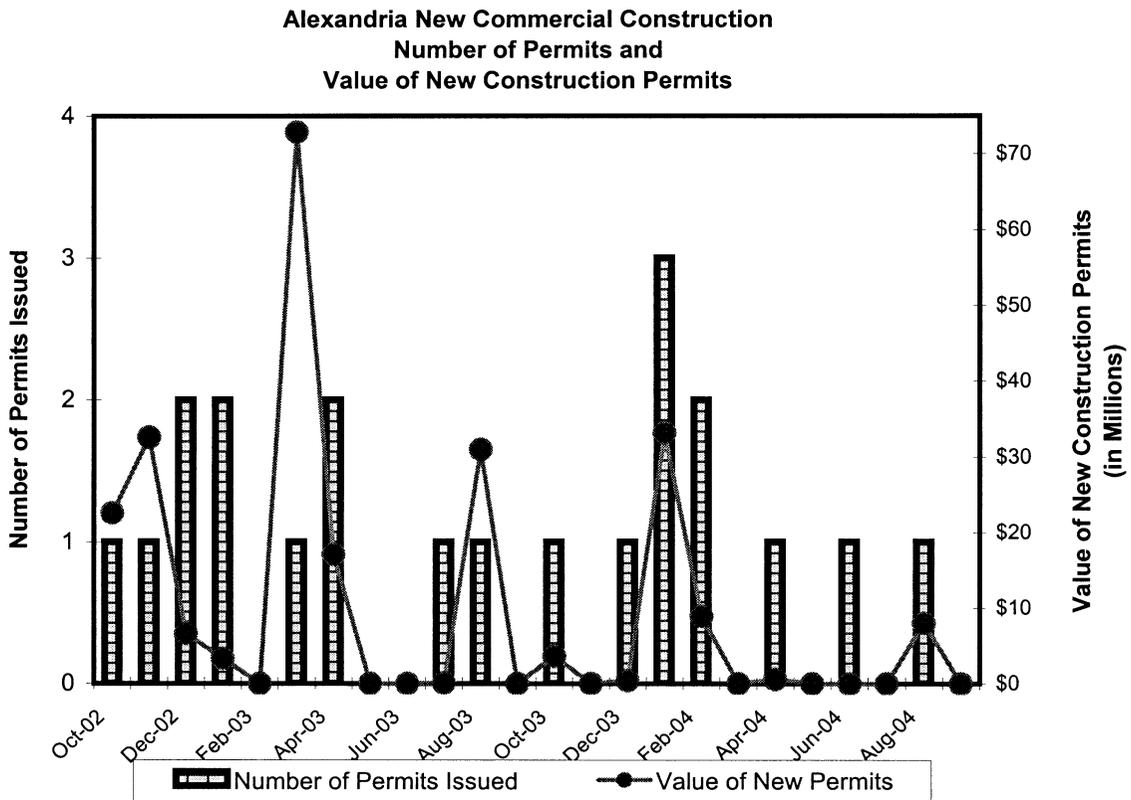
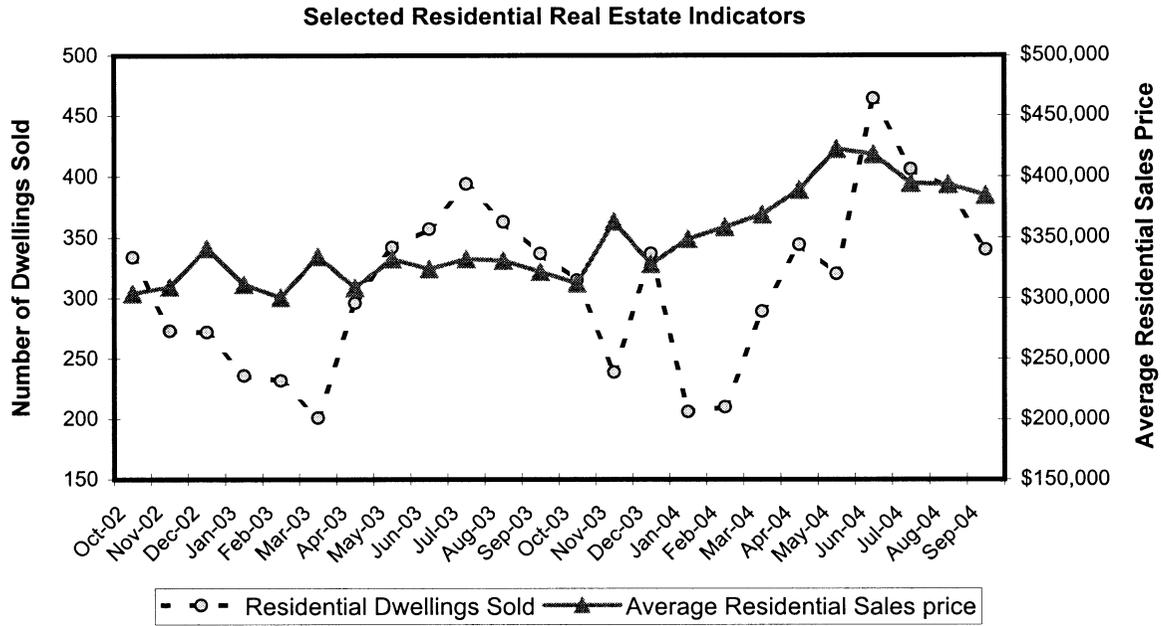


Source: United States Department of Labor, Bureau of Labor Statistics

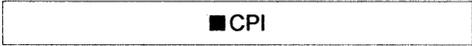
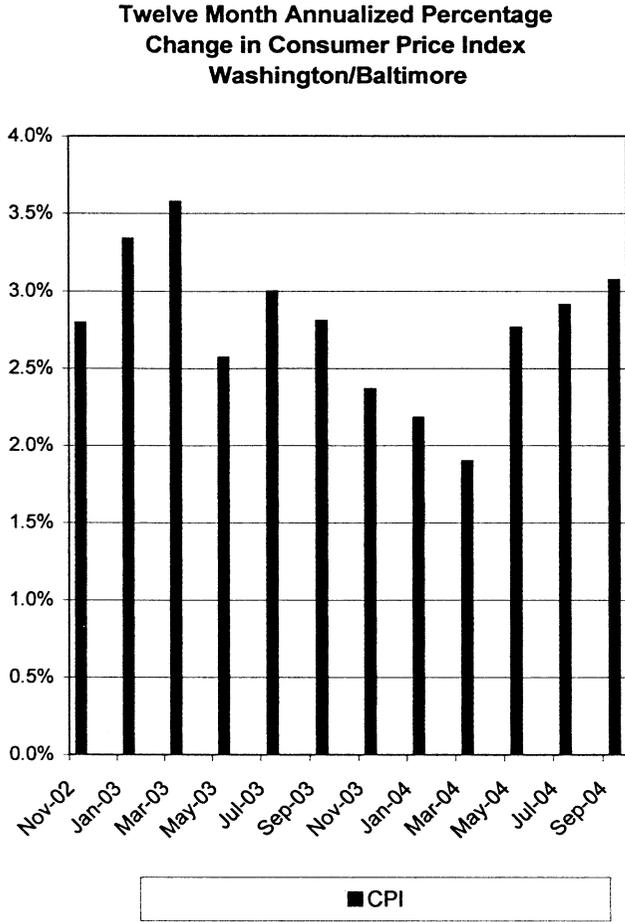
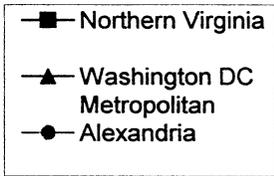
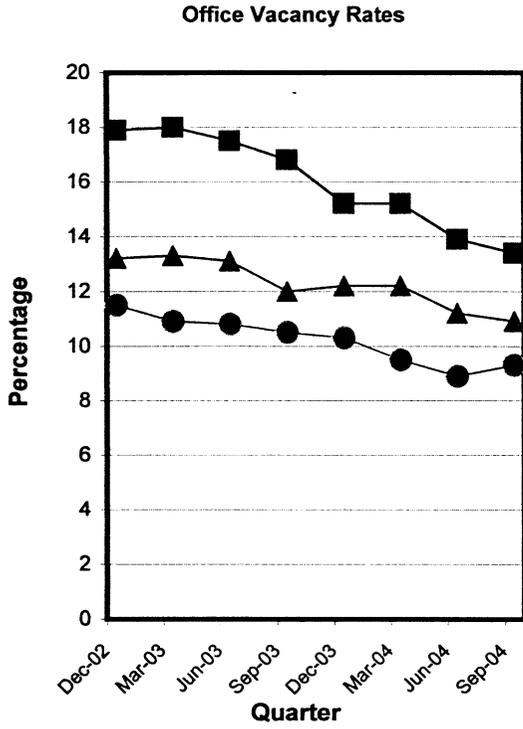


Source: Suntrust Economic Monitor

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



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



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

