

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 17, 2006

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, 2005

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

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

DISCUSSION: This report provides Fiscal Year (FY) 2006 financial information on revenues and expenditures of the General Fund for the period ended December 2005. Revenues and expenditures are presented for the same period in FY 2005 for comparative purposes (Attachments 1 and 2) as are the charts of selected economic indicators (Attachment 3). The economic indicators show an increasing regional inflation rate (+3.7 percent year-to-year), a slowing in home sales (-10 percent), higher average home sale prices (+23 percent) through the first ten months of the year and continued low unemployment rate (2.5 percent). At this time, it is too early to project in detail how overall FY 2006 actual revenues will compare with budgeted revenues. However, overall, revenues are meeting or exceeding expectations as the local economy continues to improve. Specifically in the economic area, as of September 30 the City's office vacancy rate has dropped to 6.7 percent due to the leasing of space in the former Time-Life building, as well as at Canal Center, Mark Center, 1101 King and at various other office buildings.

REVENUES (Attachment 1): As of December 31, 2005, actual FY 2006 General Fund revenues totaled \$233.8 million, an increase of \$21.5 million above this time last year. This is primarily due to the budgeted increase in real estate tax revenue. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern. Detailed FY 2006 revenue projections will be complete and presented in next month's Monthly Financial Report.

Real Property Taxes: Second half 2005 real estate taxes were due November 15. As projected in the FY 2005 budget, second half real estate billings totaled \$120 million. The difference between the revenue collected and the amount billed relates to the timing of the collection of delinquent taxes for prior tax years.

Personal Property Taxes: Personal property tax bills were due on October 5, 2005. The FY 2006 Approved Budget includes a \$32 million revenue projection for tax revenue collected directly by the City (including \$15.9 million for vehicles, \$14.9 million for businesses and \$1.2

million for delinquent accounts). The budget also includes an additional \$22.4 million of intergovernmental revenue that the City receives 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 percent of most taxpayers' payments, which is the same as last year. The total for all budgeted revenues related to personal property tax for FY 2006 is \$54.4 million.

Personal property tax collections-to-date, in the amount of \$30.8 million, are \$1.1 million higher than the same time last year with vehicles increasing by 4.9 percent and business up by 2.2 percent. Current analysis of the personal property tax billing projects that the FY 2006 personal property tax collection (vehicle and business property) will approximate the budget. The total tax on all vehicles in the August 2005 billing, including the portion the State reimburses the City under the PPTRA, increased by 6.3 percent. The total number of business personal property tax bills issued, the amount of taxes billed and the total of the business personal property assessments were comparable to last year with no significant increase or decrease.

Personal Property Tax (in millions)	Actual-to-Date FY 2005	Budget FY 2006	Actual-to-Date FY 2006
City share	\$ 29.7	\$ 32.0	\$ 30.8
Commonwealth reimbursement	<u>20.0</u>	<u>22.4</u>	<u>20.7</u>
Total	\$ 49.7	\$ 54.4	\$ 51.5

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 December represent revenues collected by merchants in October. The Virginia Department of Taxation is converting to a new accounting system. As a result of this conversion, the Commonwealth's distribution of sales tax to the City for September through November has been paid based on an estimated 5.5 percent increase over last year's distribution. The distribution in December contained a positive adjustment for under payments made by the State in the preceding months as City sales tax revenues increased 6 percent for the first four months of FY 2006.

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. Telephone tax revenues continue to decline as consumers switch from land line phones to cell phones and from dial-up connections to broadband for Internet access.

City of Alexandria Consumer Utility Tax Receipts

Utility	FY 2006 Year-to-Date Receipts	FY 2005 Year-to-Date Receipts	Increase/ (Decrease)
Telephone - Tax on Local Services	\$2,732,970	\$2,916,636	\$(183,666)
Electricity	2,405,467	2,334,836	70,631
Water	829,982	851,420	(21,438)
Natural Gas	797,392	800,592	(3,200)

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 30 days after collection. Therefore, the revenue reflected in this report represents collections by hotels through November 2005. Collections total \$3 million which is approximately \$0.1 million, or 3.7 percent, higher than last year.

Restaurant Meals Tax: Restaurant meals taxes are remitted to the City within 30 days after collection. Therefore, the revenue reflected in this report represents collections by restaurants through November 2005. Collections total \$3.7 million, the same as 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 \$2.8 million are approximately 3 percent higher than this time last year.

Admissions Tax: New for FY 2006, the admissions taxes are remitted to the City within one month after collection and appear to confirm that the \$1.3 million amount budgeted will be met or exceeded.

Cell Phone Tax: New in FY 2006, the effective date for the cell phone tax was September 1, 2005, with collections-to-date of \$0.6 million. It appears that the \$1.7 million budgeted for this new tax will be met or exceeded. However, additional monthly payment experience will be needed to confirm this estimate.

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 December 31, 2005. Payments of \$1.3

million have been received as of December 31. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period.

Licenses and Permits: Year-to-date revenues include increased construction related permits, primarily for multi-family dwellings.

Charges for City Services: Increased collections represent budgeted increases for refuse and sanitary sewer fees.

Revenue from Use of Money and Property: Increased revenues represent increased interest earnings on City investments. Interest rates are almost 2 percentage points higher than the rate earned at this time last year and will lead to much higher revenue earnings.

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

EXPENDITURES (Attachment 2): As of December 31, 2005, actual General Fund expenditures totaled \$210.7 million, an increase of \$12.6 million, or 6.3 percent, above expenditures for the same period last year. The Approved General Fund Budget is 8.1 percent higher than FY 2005. This expenditure pattern reflects the FY 2006 Approved Budget. The City has incurred approximately \$196,000 in costs related to the deployment of City staff to Louisiana and Mississippi after Hurricane Katrina primarily for personnel and uniform costs. These costs are reflected in the Special Revenue Fund, since the City expects to receive reimbursement from FEMA for these costs.

Judicial Administration: Expenditures represent the third quarter payments to regional organizations that provide legal, correctional and animal welfare and control services.

Personnel: Increased expenditures reflect the budgeted payments for construction and software maintenance.

Other Planning Activities: General Fund expenditures in this category reflect the first two quarterly contribution payments to community agencies.

Transit Subsidies: Expenditures-to-date reflect the City's first two quarterly payments to the Washington Metropolitan Area Transit Authority (WMATA) for FY 2006.

Health: Expenditures represent the third quarter payments to the Alexandria Hospital.

Human Services: Expenditures-to-date reflect increased personnel costs. Some of these costs are expected to be reimbursed by State and federal grants. For those costs not reimbursed, staff will recommend an appropriation transfer as necessary to match projected expenditures with available funds.

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

School: The School Administration has reported \$73.2 million in expenses through December 31, 2005. The City's General Fund share of total School 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 \$55.5 million (i.e., 75.8 percent of \$73.2 million).

Other Education Activities: Expenditures-to-date reflect the first two quarterly contribution payments to the Northern Virginia Community College.

Debt Service: Increased expenditures represent budgeted payments for general obligation bonds issued in FY 2005.

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 of 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, Deputy 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 DECEMBER 31, 2005 AND DECEMBER 31, 2004**

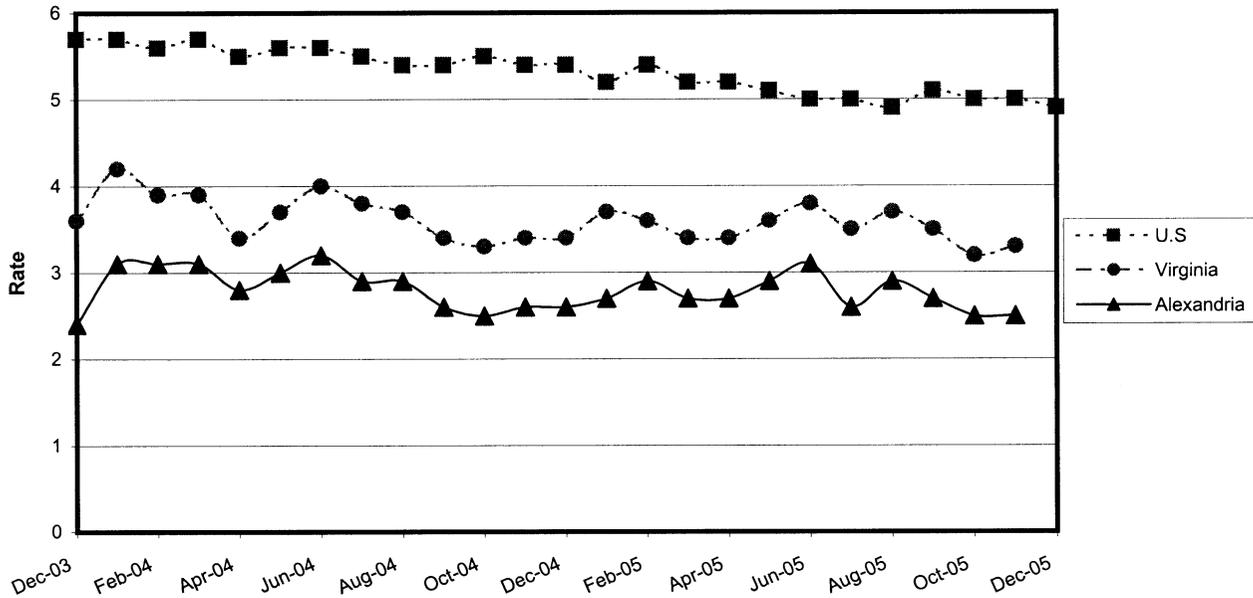
	FY2006 APPROVED BUDGET	FY2006 REVENUES THRU 12/31/05	% OF BUDGET	FY2005 REVENUES THRU 12/31/04
General Property Taxes				
Real Property Taxes.....	\$ 251,056,796	\$ 123,483,632	49.2%	\$ 111,623,638
Personal Property Taxes.....	32,000,000	30,768,112	96.2%	29,708,398
Penalties and Interest.....	1,500,000	879,503	58.6%	678,840
Total General Property Taxes	\$ 284,556,796	\$ 155,131,247		\$ 142,010,876
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 24,400,000	7,947,321	32.6%	\$ 7,494,060
Consumer Utility Taxes.....	18,600,000	6,765,811	36.4%	6,903,484
Business License Taxes.....	26,900,000	1,726,153	6.4%	1,711,183
Transient Lodging Taxes.....	7,700,000	3,014,096	39.1%	2,907,208
Restaurant Meals Tax.....	10,100,000	3,722,337	36.9%	3,720,214
Tobacco Taxes.....	3,100,000	1,210,640	39.1%	1,023,838
Motor Vehicle License Tax.....	2,400,000	2,069,689	86.2%	2,107,171
Real Estate Recordation.....	6,100,000	2,805,603	46.0%	2,720,495
Admissions Tax.....	1,300,000	498,915	38.4%	-
Cell Phone Tax.....	1,700,000	634,072	37.3%	-
Other Local Taxes.....	3,849,000	808,935	21.0%	862,805
Total Other Local Taxes	\$ 106,149,000	\$ 31,203,572	29.4%	\$ 29,450,458
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,400,000	\$ 1,288,624	29.3%	\$ 971,996
Personal Property Tax Relief from the Commonwealth.....	22,400,000	20,651,883	92.2%	20,034,043
Revenue from the Commonwealth.....	20,866,400	10,318,579	49.5%	8,207,365
Total Intergovernmental Revenues	\$ 47,666,400	\$ 32,259,086	67.7%	\$ 29,213,404
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 3,900,150	\$ 1,680,022	43.1%	\$ 1,895,369
Licenses and Permits.....	3,422,000	2,564,446	74.9%	1,872,156
Charges for City Services.....	12,158,717	6,455,865	53.1%	4,865,898
Revenue from Use of Money & Property.....	6,206,914	3,930,116	63.3%	2,747,596
Other Revenue.....	473,358	602,440	127.3%	244,226
Total Other Governmental Revenues	\$ 26,161,139	\$ 15,232,889	58.2%	\$ 11,625,245
TOTAL REVENUE	\$ 464,533,335	\$ 233,826,794	50.3%	\$ 212,299,983
Appropriated Fund Balance				
General Fund.....	11,502,263	-	0.0%	-
Reappropriation of FY 2005 Encumbrances And Other Supplemental Appropriations.....	2,087,658	-	0.0%	-
TOTAL	\$ 478,123,256	\$ 233,826,794	48.9%	\$ 212,299,983

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

FUNCTION	FY2006	FY2006	% OF	FY2005
	APPROVED BUDGET	EXPENDITURES THRU 12/31/05		BUDGET
Legislative & Executive.....	\$ 5,545,627	\$ 2,421,339	43.7%	\$ 2,494,604
Judicial Administration.....	\$ 31,929,488	\$ 16,090,668	50.4%	\$ 15,809,090
Staff Agencies				
Information Technology Services.....	\$ 7,969,866	\$ 3,249,543	40.8%	\$ 2,930,692
Management & Budget.....	1,038,329	453,104	43.6%	438,965
Finance.....	8,590,883	3,711,097	43.2%	3,774,118
Real Estate Assessment.....	1,268,167	569,324	44.9%	502,279
Personnel.....	2,903,163	1,477,618	50.9%	1,241,569
Planning & Zoning.....	4,092,808	1,899,229	46.4%	1,737,201
Other Planning Activities.....	2,707,936	2,367,639	87.4%	2,367,665
City Attorney.....	2,338,305	1,073,632	45.9%	723,263
Registrar.....	1,004,622	460,493	45.8%	641,210
General Services.....	11,317,209	5,396,320	47.7%	5,122,510
Total Staff Agencies	\$ 43,231,288	\$ 20,657,999	47.8%	\$ 19,479,472
Operating Agencies				
Transportation & Environmental Services.....	\$ 24,753,919	\$ 11,904,715	48.1%	\$ 11,835,873
Fire.....	32,058,747	16,211,622	50.6%	15,544,825
Police.....	44,849,631	22,054,960	49.2%	21,418,754
Transit Subsidies.....	6,145,697	4,944,521	80.5%	3,480,866
Housing.....	1,233,413	515,301	41.8%	441,199
Mental Health/Mental Retardation/ Substance Abuse.....	504,578	371,175	73.6%	436,974
Health.....	7,335,275	3,733,696	50.9%	3,409,853
Human Services.....	10,396,444	5,435,471	52.3%	4,889,144
Historic Resources.....	2,567,757	1,274,122	49.6%	1,164,270
Recreation.....	18,412,211	9,508,942	51.6%	8,819,923
Total Operating Agencies	\$ 148,257,672	\$ 75,954,525	51.2%	\$ 71,441,681
Education				
Schools.....	\$ 138,753,138	\$ 55,452,934	40.0%	\$ 51,281,717
Other Educational Activities.....	12,990	9,743	75.0%	9,974
Total Education	\$ 138,766,128	\$ 55,462,677	40.0%	\$ 51,291,691
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 27,714,883	\$ 10,282,891	37.1%	\$ 5,719,594
Non-Departmental.....	15,874,198	4,613,287	29.1%	4,694,198
Cash Capital.....	18,859,735	18,859,735	100.0%	21,382,000
Contingent Reserves.....	376,500	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 62,825,316	\$ 33,755,913	53.7%	\$ 31,795,792
TOTAL EXPENDITURES	\$ 430,555,519	\$ 204,343,121	47.5%	\$ 192,312,330
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	34,787,308	-	0.0%	-
Transfer to Library.....	6,438,429	3,219,215	50.0%	2,984,572
Transfer to DASH.....	6,342,000	3,171,000	50.0%	2,873,380
TOTAL EXPENDITURES & TRANSFERS	\$ 478,123,256	\$ 210,733,336	44.1%	\$ 198,170,282

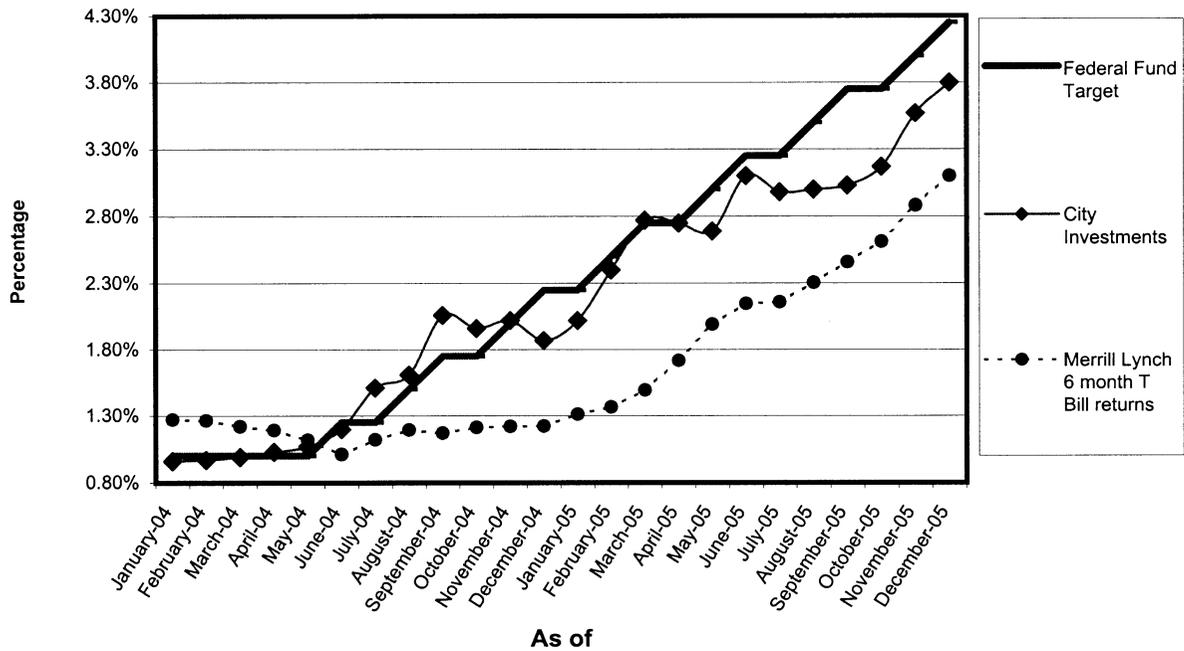
**City of Alexandria
Selected Economic Indicators**

Unemployment Rates - US, Virginia and Alexandria



Source: United States Department of Labor, Bureau of Labor Statistics (revised by BLS March and June 2005)

Selected Interest Rates

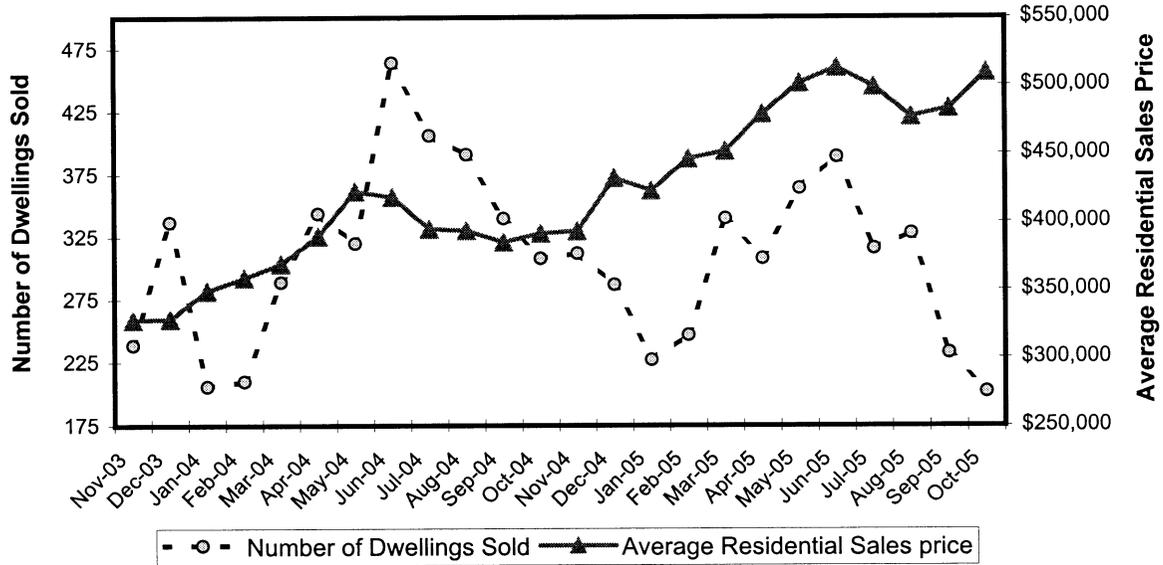


Source: Suntrust Economic Monitor

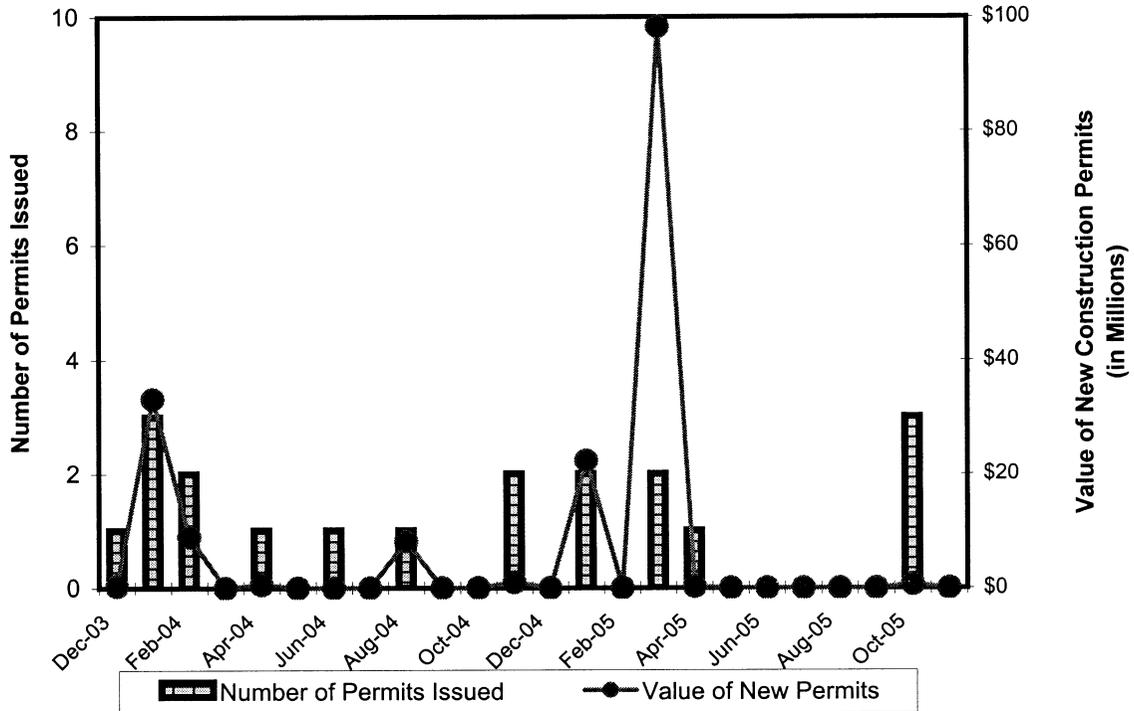
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**City of Alexandria
Selected Economic Indicators**

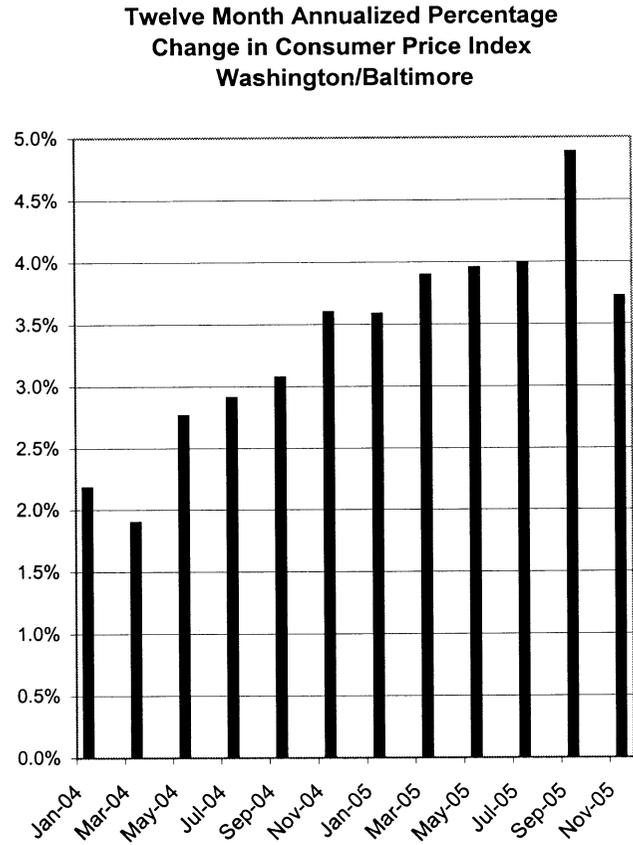
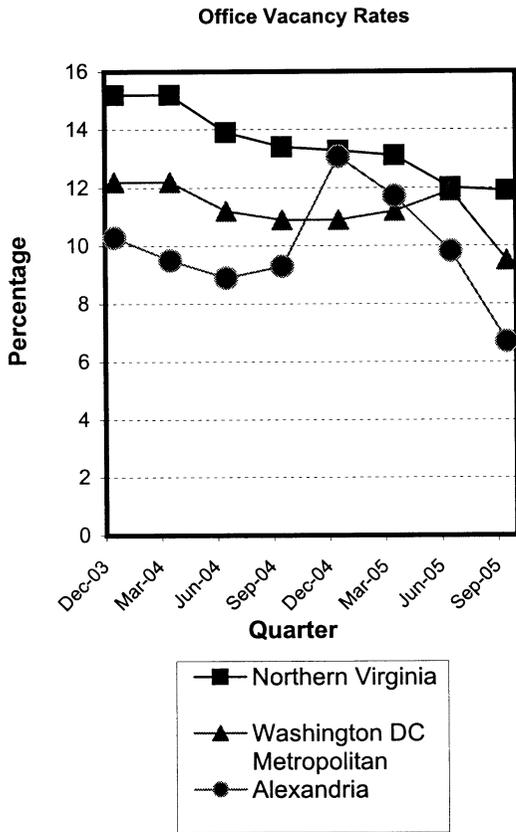
Selected Residential Real Estate Indicators



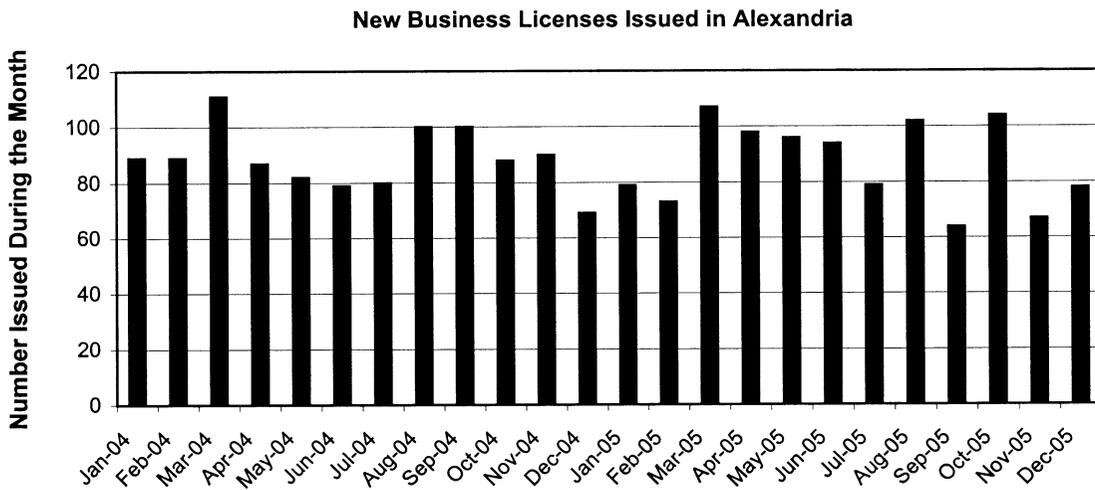
**Alexandria New Commercial Construction
Number of Permits and
Value of New Construction Permits**



**City of Alexandria
Selected Economic Indicators**



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



**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, 2005) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	125.4	120.9	+3.7%
<u>Unemployment Rates</u>			
Alexandria			
	2.5%	2.6%	-4%
Virginia			
(As of November 30, 2005) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	3.3%	3.4%	-3%
United States			
(As of December 31, 2005) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.9%	5.4%	-9%
<u>Interest Rates</u>			
(As of December 30, 2005)			
Prime Rate			
	7.25%	5.25%	+38%
Federal Fund Rate			
(Source: SunTrust Economic Monitor)	4.19%	2.25%	+86%
<u>New Business Licenses</u>			
(During December)			
(Source: Finance Department, Business Tax Branch)	78	69	+13%
<u>Office Vacancy Rates</u>			
(As of September 30, 2005)			
Alexandria			
	6.7%	9.3%	-28%
Northern Virginia			
	11.9%	13.4%	-11%
Washington DC Metro Area			
(Source: Grubb & Ellis)	9.5%	10.9%	-13%
<u>New Commercial Construction</u>			
(As of November 30, 2005)			
Number of New Building Permits			
	3	3	-
Value of New Building Permits			
(Source: Fire Department Code Enforcement Bureau)	\$ 0.6 million	\$ 9.1 million	-93%
<u>Residential Real Estate Indicators</u>			
(for the ten months ended October 31, 2005)			
Residential Dwelling Units Sold			
	2,954	3,278	-10%
Average Residential Sales Price			
(Source: Department of Real Estate Assessments)	\$480,289	\$391,316	+23%