

EXHIBIT NO. 1

13  
4-25-06

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2006  
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
FROM: JAMES K. HARTMANN, CITY MANAGER *J*  
SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING MARCH 31, 2006

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**ISSUE:** Monthly Financial Report for the Period Ending March 31, 2006.

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the period ending March 31, 2006.

**DISCUSSION:** This report provides Fiscal Year (FY) 2006 financial information on revenues and expenditures of the General Fund for the period ended March 31, 2006. This report presents revenues and expenditures for the same period in FY 2005 for comparative purposes (Attachments 1 and 2) and also provides charts of selected economic indicators (Attachment 3). The economic indicators show an increasing regional inflation rate (4.1% January-to-January), a slowing in home sales (-29%), higher average home sale prices (+15%) for the first two months of 2006 and continued low unemployment rate (2.5%).

This report includes updated FY 2006 revenue projections previously discussed in Budget Memorandum #52. These additional revenues are planned to be used by Council in setting the FY 2007 Approved Budget on April 24.

	FY 2006 BUDGET	FY 2006 BUDGET PROJECTIONS	BUDGET VERSUS PROJECTIONS
Real Property <sup>1</sup>	\$ 251.1	\$ 257.5	\$ 6.4
Personal Property-local share	32.0	32.7	0.7
Sales Tax	24.4	25.1	0.7
Consumer Utility Tax	18.6	17.6	(1.0)
Business License Tax	26.9	29.4	2.5
Transient Lodging Tax	7.7	7.9	0.2
Restaurant Meals Tax	10.1	10.0	(0.1)
Tobacco	3.1	2.8	(0.3)
Recordation Taxes	6.1	7.3	1.2
Other Local Taxes ( including cell phone tax)	5.5	6.1	0.6
Admissions Tax	1.3	1.2	(0.1)
Intergovernmental	47.7	48.8	1.1
Fines and Forfeitures	3.9	3.8	(0.1)
Licenses and Permits	3.4	4.7	1.3
Charges for City Services	9.3	9.6	0.3
Use of Money and Property	6.1	7.8	<u>1.7</u>
Additional Revenues			\$15.1
Less programmed in FY 2007 Proposed Budget			(12.0)
Amount used by Council in setting the FY 2007 Approved Budget			\$ 3.1

<sup>1</sup> At the proposed rate of 84.7¢ per hundred.

**REVENUES (Attachment 1):** As of March 31, 2006, actual FY 2006 General Fund revenues totaled \$293.8 million, an increase of \$29.9 million above collections at 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.

**Real Property Taxes:** Second half 2005 real estate taxes were due November 15. As projected in the FY 2006 budget, second half real estate billings totaled \$136.6 million. With 2006 assessments increasing 20.98 percent, overall FY 2006 real estate tax revenue collections will exceed budgeted levels. This assessment increase, at the FY 2007 Proposed Budget of 84.7¢ real estate tax rate, would increase expected FY 2006 real estate tax revenues to \$257.5 million, or \$6.4 million, above the Approved FY 2006 Budget. Real estate tax revenues to be paid on June 15 will be based on the 2006 assessments, as well as the real estate tax rate to be adopted by City Council on April 24.

**Personal Property Taxes:** Personal property tax bills were due on October 5, 2005. The FY 2006 Approved Budget includes a \$32.0 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) and 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 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 \$32.2 million, are \$1.8 million higher than the same time last year. The total tax on all vehicles in the August 2005 billing, including the portion that 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. Based on collections-to-date, it appears that business and vehicle personal property tax collections will approximate \$32.7 million, an increase \$0.7 million over the Approved FY 2006 Budget and an increase of \$1.1 million over the previous projection based on higher than expected collections of current and delinquent taxes.

Personal Property Tax (in millions)	Actual-to-Date FY 2005	Budget FY 2006	Actual-to-Date FY 2006
City share	\$ 30.4	\$ 32.0	\$ 32.2
Commonwealth reimbursement	<u>21.1</u>	<u>22.4</u>	<u>22.0</u>
Total	\$ 51.5	\$ 54.4	\$ 54.2

**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 March represent revenues collected by merchants in January. City sales tax revenues have increased 4.7 percent for the first seven months of FY 2006. Based on collections-to-date, it appears that sales tax collections will approximate \$25.1 million, a \$0.7 million increase over the Approved FY 2006 Budget, which is unchanged from previous projections.

**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. Based on these lower collections, it appears that consumer utility taxes will approximate \$17.6 million, a decrease of \$1.0 million below the Approved FY 2006 Budget and \$0.4 million lower than the previous projection.

**City of Alexandria Consumer Utility Tax Receipts**

Utility	FY 2006 Year-to-Date Receipts	Year-to-Date Receipts FY 2005	Increase/ (Decrease)
Telephone - Tax on Local Services	\$4,646,485	\$4,974,675	\$(328,190)
Electricity	3,774,783	3,715,939	58,844
Water	1,298,729	1,149,485	149,244
Natural Gas	1,466,692	1,467,743	(1,051)

**Business License Taxes:** The City’s business license tax is due March 1. Collections-to-date, in the amount of \$25.0 million, are \$2.7 million higher than last year. Based on a preliminary analysis of collections-to-date, staff currently estimates business license tax receipts to reach \$29.4 million, an increase of \$2.5 million over the Approved FY 2006 Budget and \$1.0 million over the previous projection.

**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 February 2006. Collections total \$4.5 million, which is an increase of \$0.3 million over collections in the previous year. Based on collections-to-date, it appears that transient lodging taxes will approximate \$7.9 million, a \$0.2 million increase over the Approved FY 2006 Budget and the previous projection.

**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 February 2006. Collections total \$6.2 million, an increase of \$0.2 million over collections in the previous year. Based on collections-to-date, it appears that restaurant meals taxes will approximate \$10.0 million, a \$0.1 million decrease below the Approved FY 2006 Budget and previous projections.

**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 \$4.5 million are 2.1 percent higher than collections this time last year. Based on collections-to-date, it appears that recordation taxes will approximate \$7.3 million, an increase of \$1.2 million above

the Approved FY 2006 Budget and \$1.0 million over the previous projections. This increase can be directly attributed to recordation taxes paid as a result of the sale of the Winkler properties. In accordance with the budget, \$0.9 million of the total recordation taxes has been transferred to the Housing Special Revenue Fund.

**Admissions Tax:** New for FY 2006, the admissions taxes are remitted to the City within one month after collections. Based on collections-to-date, it appears that admissions taxes will approximate \$1.2 million, a \$0.1 million decrease below the Approved FY 2006 Budget and the previous projection.

**Cell Phone Tax:** New in FY 2006, the effective date for the cell phone tax was September 1, 2005, with collections-to-date of \$1.1 million. Based on current collections, it appears that the \$1.7 million in tax will be collected.

**Other Local Taxes:** This category includes bank franchise taxes, telecommunications right-of-way tax, 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 \$3.6 million for housing federal prisoners through the period ending March 31, 2006. Payments of \$2.1 million have been received as of March 31. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period. Based on current prisoner levels, staff currently estimates that revenues from the federal government will approximate \$5.1 million, an increase of \$0.7 million over the Approved FY 2006 Budget which is unchanged from the previous projection.

**Fines and Forfeitures:** Collections through March were 10.1 percent lower than collections last year because of the elimination of red light camera revenue. Based on collections-to-date and projected collections, staff projects that fines and forfeitures will approximate \$3.8 million, a decrease of \$0.1 million below the Approved FY 2006 Budget with no change from the previous projection.

**Licenses and Permits:** Year-to-date revenues include increased construction related permits, primarily for multi-family dwellings. Collections-to-date are \$3.7 million, or \$0.6 million higher than collections at this time last year, primarily for building permits. Based on these collection patterns, licenses and permits revenue are expected to be \$4.7 million, an increase of \$1.3 million over the Approved FY 2006 Budget with no change from the previous projection.

**Charges for City Services:** Increased collections represent budgeted increases for refuse and sanitary sewer fees. Based on collections-to-date and projected collections, staff projects that Charges for City Services will approximate \$9.6 million, an increase of \$0.3 million above the Approved FY 2006 Budget with no change from the previous projection.

**Revenue from Use of Money and Property:** Increased revenues represent increased interest earnings on short-term City pooled cash 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. At this time staff projects interest earnings to increase \$1.7 million over the Approved FY 2006 Budget and \$0.5 million over the previous projection.

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

**EXPENDITURES (Attachment 2):** As of March 31, 2006, actual General Fund expenditures totaled \$307.2 million, an increase of \$25.8 million, or 9.2 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 \$225,000 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 all quarterly payments to regional organizations that provide legal, correctional and animal welfare and control services.

**Other Planning Activities:** General Fund expenditures in this category reflect all quarterly contribution payments to community agencies.

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

**Mental Health Mental Retardation/Substance Abuse:** Expenditures-to-date reflect costs 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.

**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.

**School:** The School Administration has reported \$116.0 million in expenses through March 31, 2006. 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 \$87.9 million (i.e., 75.8 percent of \$116.0 million).

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

**Debt Service:** The increase in expenditures represented budget 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) and Transfers:** 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. Current transfers include a transfer of \$750,000 as part of a \$1.5 million affordable housing loan for an apartment acquisition. An additional \$780,000 was transferred to the affordable housing fund to fund the Moderate Income Home Ownership Program. This \$780,000 is part of the \$889,815 in recordation taxes Council approved for affordable housing in the FY 2006 Approved Budget.

**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 MARCH 31, 2006 AND MARCH 31, 2005**

	FY2006 APPROVED BUDGET	FY2006 REVENUES THRU 03/31/06	% OF BUDGET	FY2005 REVENUES THRU 03/31/05
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 251,056,796	\$ 125,543,825	50.0%	\$ 112,309,178
Personal Property Taxes.....	32,000,000	32,198,792	100.6%	30,381,980
Penalties and Interest.....	1,500,000	1,331,522	88.8%	1,069,483
<b>Total General Property Taxes</b>	<b>\$ 284,556,796</b>	<b>\$ 159,074,139</b>		<b>\$ 143,760,641</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 24,400,000	14,344,162	58.8%	\$ 13,704,680
Consumer Utility Taxes.....	18,600,000	11,186,689	60.1%	11,307,842
Business License Taxes.....	26,900,000	24,987,617	92.9%	22,325,387
Transient Lodging Taxes.....	7,700,000	4,533,880	58.9%	4,251,267
Restaurant Meals Tax.....	10,100,000	6,185,019	61.2%	5,950,469
Tobacco Taxes.....	3,100,000	1,720,967	55.5%	1,563,605
Motor Vehicle License Tax.....	2,400,000	2,288,763	95.4%	2,288,664
Real Estate Recordation.....	6,100,000	4,509,975	73.9%	4,417,259
Admissions Tax.....	1,300,000	785,597	60.4%	-
Cell Phone Tax.....	1,700,000	1,357,121	79.8%	-
Other Local Taxes.....	3,849,000	1,426,415	37.1%	1,515,370
<b>Total Other Local Taxes</b>	<b>\$ 106,149,000</b>	<b>\$ 73,326,205</b>	<b>69.1%</b>	<b>\$ 67,324,543</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 4,400,000	\$ 2,228,482	50.6%	\$ 2,309,248
Personal Property Tax Relief from the Commonwealth.....	22,400,000	22,002,220	98.2%	21,128,240
Revenue from the Commonwealth.....	20,866,400	15,091,291	72.3%	13,206,739
<b>Total Intergovernmental Revenues</b>	<b>\$ 47,666,400</b>	<b>\$ 39,321,993</b>	<b>82.5%</b>	<b>\$ 36,644,227</b>
<b>Other Governmental Revenues</b>				
Fines and Forfeitures.....	\$ 3,900,150	\$ 2,634,793	67.6%	\$ 2,930,952
Licenses and Permits.....	3,422,000	3,656,061	106.8%	3,021,350
Charges for City Services.....	12,158,717	8,552,082	70.3%	6,442,538
Revenue from Use of Money & Property.....	6,206,914	6,513,572	104.9%	3,562,059
Other Revenue.....	473,358	734,999	155.3%	179,419
<b>Total Other Governmental Revenues</b>	<b>\$ 26,161,139</b>	<b>\$ 22,091,507</b>	<b>84.4%</b>	<b>\$ 16,136,318</b>
<b>TOTAL REVENUE</b>	<b>\$ 464,533,335</b>	<b>\$ 293,813,844</b>	<b>63.2%</b>	<b>\$ 263,865,729</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	11,502,263	-	0.0%	-
Reappropriation of FY 2005 Encumbrances And Other Supplemental Appropriations.....	2,087,658	-	0.0%	-
<b>TOTAL</b>	<b>\$ 478,123,256</b>	<b>\$ 293,813,844</b>	<b>61.5%</b>	<b>\$ 263,865,729</b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING MARCH 31, 2006 AND MARCH 31, 2005**

FUNCTION	FY2006	FY2006	% OF	FY2005
	APPROVED BUDGET	EXPENDITURES THRU 03/31/06		BUDGET
Legislative & Executive.....	\$ 5,545,627	\$ 3,585,571	64.7%	\$ 3,760,883
Judicial Administration.....	\$ 32,637,488	\$ 24,211,399	74.2%	\$ 22,633,753
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 7,969,866	\$ 4,984,585	62.5%	\$ 4,483,189
Management & Budget.....	1,038,329	682,388	65.7%	643,230
Finance.....	8,590,883	5,484,256	63.8%	5,493,502
Real Estate Assessment.....	1,268,167	841,952	66.4%	733,063
Personnel.....	2,903,163	2,076,922	71.5%	1,770,062
Planning & Zoning.....	4,092,808	2,844,579	69.5%	2,720,482
Other Planning Activities.....	2,707,936	2,679,074	98.9%	2,591,585
City Attorney.....	2,338,305	1,658,998	70.9%	1,054,961
Registrar.....	1,004,622	680,758	67.8%	810,113
General Services.....	11,317,209	8,440,060	74.6%	7,734,566
Total Staff Agencies	\$ 43,231,288	\$ 30,373,572	70.3%	\$ 28,034,753
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 24,753,919	\$ 16,834,871	68.0%	\$ 16,764,801
Fire.....	32,961,747	24,486,700	74.3%	22,788,498
Police.....	46,238,631	33,238,107	71.9%	30,921,784
Transit Subsidies.....	6,145,697	5,653,459	92.0%	4,354,024
Housing.....	1,233,413	772,416	62.6%	641,576
<b>Mental Health/Mental Retardation/</b>				
Substance Abuse.....	504,578	480,174	95.2%	526,076
Health.....	7,335,275	5,479,224	74.7%	4,025,080
Human Services.....	10,396,444	8,212,222	79.0%	7,116,815
Historic Resources.....	2,567,757	1,826,761	71.1%	1,720,477
Recreation.....	18,412,211	13,536,405	73.5%	12,341,119
Total Operating Agencies	\$ 150,549,672	\$ 110,520,339	73.4%	\$ 101,200,250
<b>Education</b>				
Schools.....	\$ 138,753,138	\$ 87,934,934	63.4%	\$ 81,101,457
Other Educational Activities.....	12,990	12,990	100.0%	13,299
Total Education	\$ 138,766,128	\$ 87,947,924	63.4%	\$ 81,114,756
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 27,714,883	\$ 12,752,181	46.0%	\$ 8,293,663
Non-Departmental.....	12,987,448	7,684,365	59.2%	6,199,146
Cash Capital.....	18,859,735	18,859,735	100.0%	21,382,000
Contingent Reserves.....	263,250	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 59,825,316	\$ 39,296,281	65.7%	\$ 35,874,809
TOTAL EXPENDITURES	\$ 430,555,519	\$ 295,935,086	68.7%	\$ 272,619,204
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...</b>				
	34,787,308	1,639,815	4.7%	-
Transfer to Library.....	6,438,429	4,828,822	75.0%	4,476,858
Transfer to DASH.....	6,342,000	4,756,400	75.0%	4,310,070
TOTAL EXPENDITURES & TRANSFERS	\$ 478,123,256	\$ 307,160,123	64.2%	\$ 281,406,132

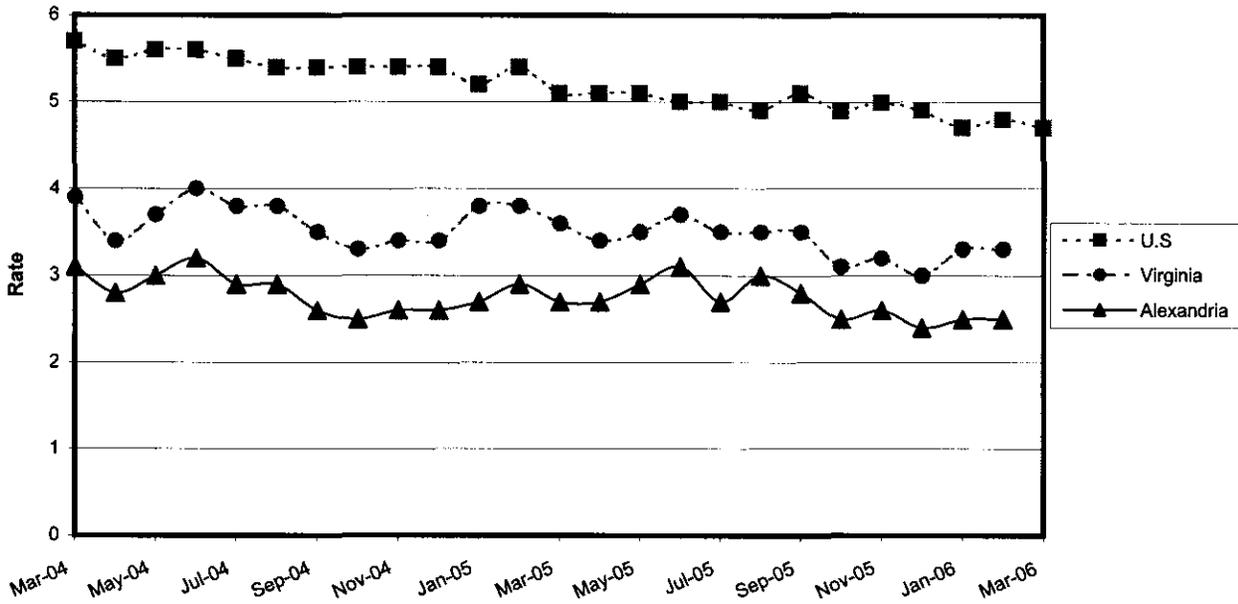
**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

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	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<b><u>Consumer Price Index (CPI-U)</u></b>			
<b>for the Washington-Baltimore, DC-MD-VA-WV Area</b>			
(As of January 31, 2006)	126.3	121.3	+4.1%
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b>	2.5%	2.7%	-7%
<b>Virginia</b>	3.3%	3.8%	-13%
(As of February 28, 2006)			
(Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)			
<b>United States</b>	4.7%	5.1%	-8%
(As of March 31, 2006)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<b><u>Interest Rates</u></b>			
(As of March 31, 2006)			
<b>Prime Rate</b>	7.75%	5.75%	+35%
<b>Federal Fund Rate</b>	4.47%	2.73%	+64%
(Source: SunTrust Economic Monitor)			
<b><u>New Business Licenses</u></b>			
(During February )			
(Source: Finance Department, Business Tax Branch)	76	73	+4%
<b><u>Office Vacancy Rates</u></b>			
(As of December 31, 2005)			
<b>Alexandria</b>	6.7%	13.1%	-49%
<b>Northern Virginia</b>	12.9%	13.3%	-3%
<b>Washington DC Metro Area</b>	10.4%	10.9%	-5%
(Source: Grubb & Ellis)			
<b><u>New Commercial Construction</u></b>			
(As of February 28, 2006 )			
<b>Number of New Building Permits</b>	6	5	+20%
<b>Value of New Building Permits</b>	\$ 11.8 million	\$ 31.4 million	-62%
(Source: Fire Department Code Enforcement Bureau)			
<b><u>Residential Real Estate Indicators</u></b>			
(for the two months ended February 28, 2006)			
<b>Residential Dwelling Units Sold</b>	337	474	-29%
<b>Average Residential Sales Price</b>	\$500,771	\$435,000	+15%
(Source: Department of Real Estate Assessments)			

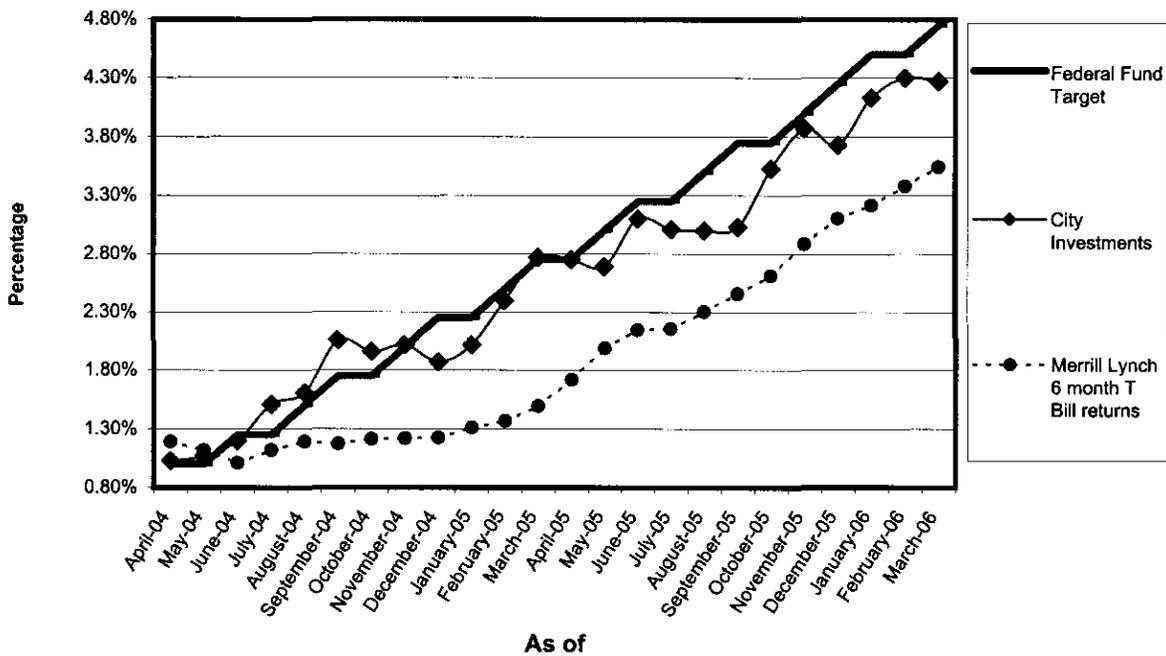
**City of Alexandria  
Selected Economic Indicators**

**Unemployment Rates - US, Virginia and Alexandria**



Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)

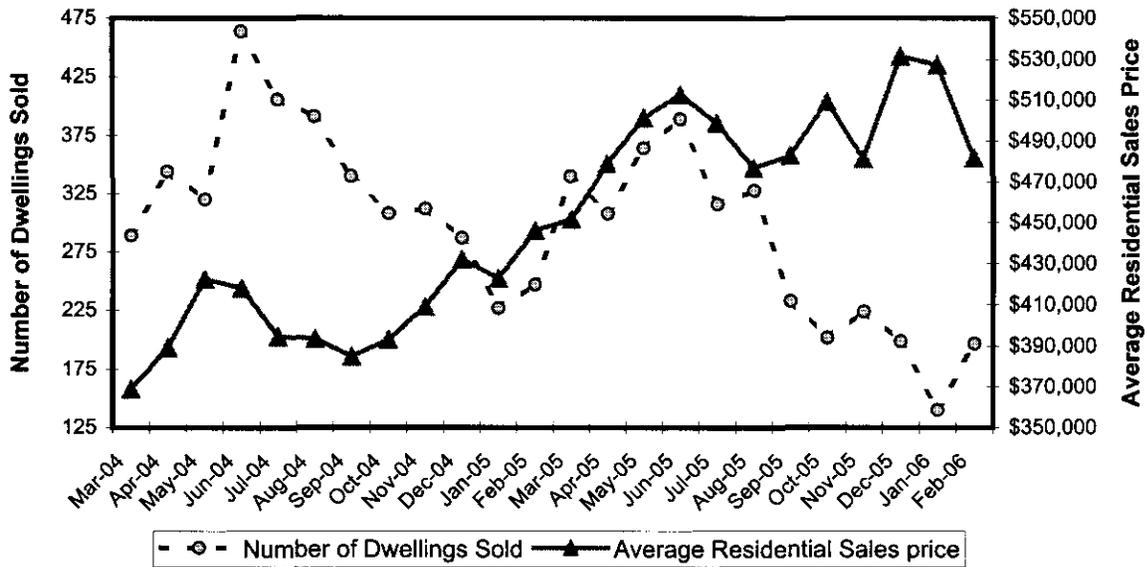
**Selected Interest Rates**



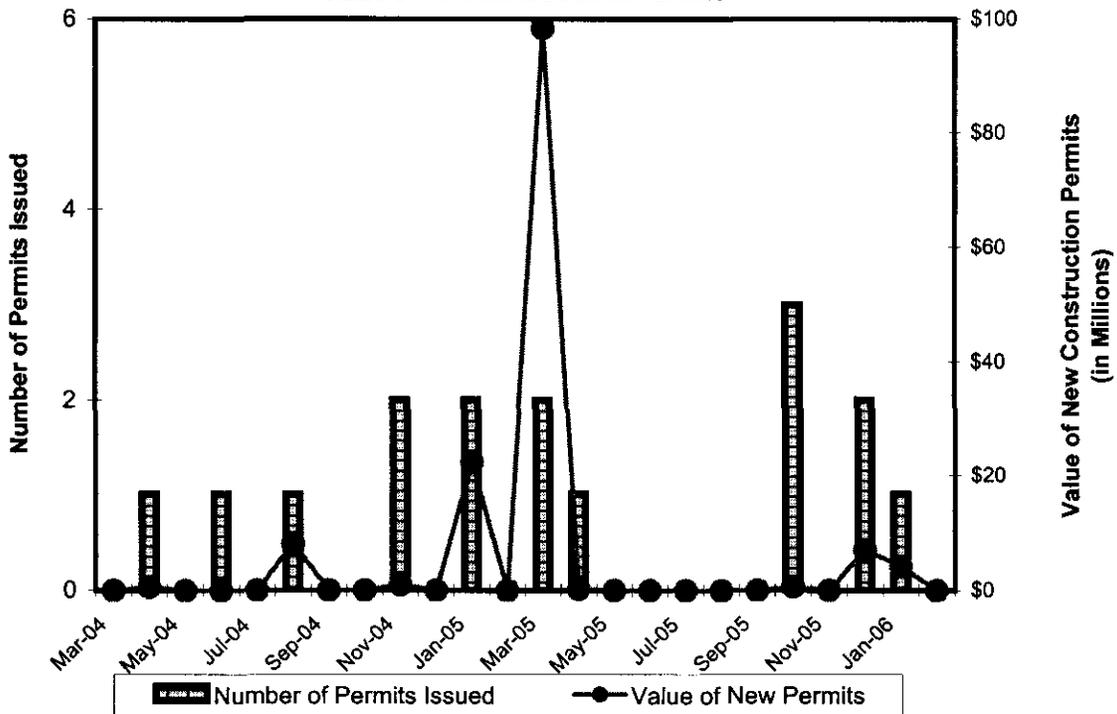
Source: Suntrust Economic Monitor

**City of Alexandria  
Selected Economic Indicators**

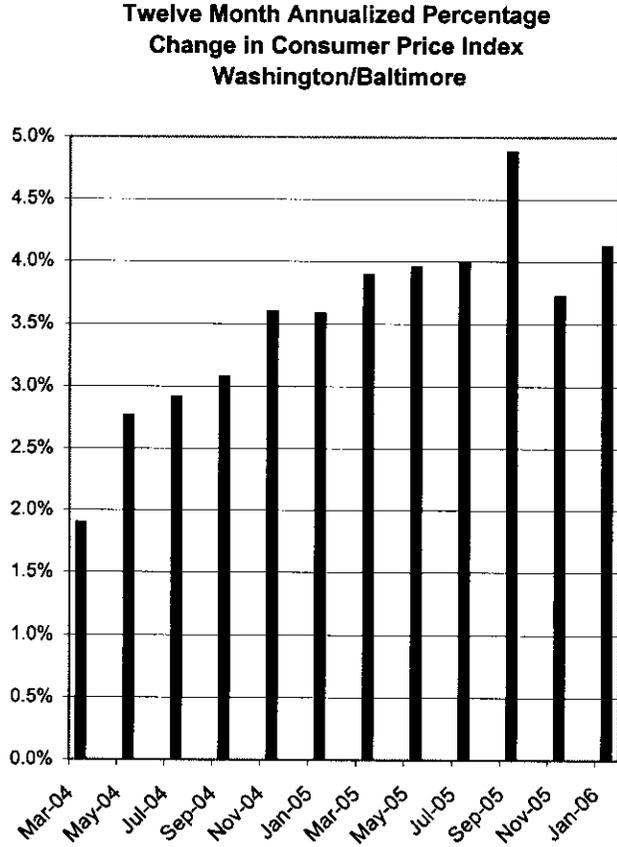
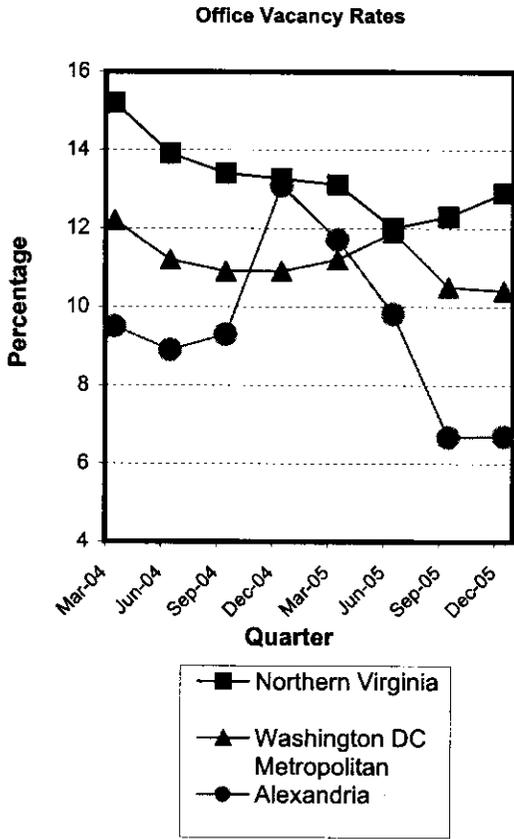
**Selected Residential Real Estate Indicators**



**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

