

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 18, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING APRIL 30, 2006

ISSUE: Monthly Financial Report for the Period Ending April 30, 2006.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending April 30, 2006.

DISCUSSION: This report provides Fiscal Year (FY) 2006 financial information on revenues and expenditures of the General Fund for the period ended April 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 a regional inflation rate of 3.3 percent (March-to-March), a slowing in home sales (-30%), higher average home sale prices (+12%) for the first two months of 2006, and continued low unemployment rate (2.4%). It should be noted that the higher average home sales price is more likely driven by the drop in sales of lower priced condominiums, rather than continued double digit appreciation of all other types of residential property. This report includes the budgeted final revenue projections included in Budget Memorandum #52 with all identified net additional revenues programmed as part of the FY 2007 Operating Budget and the FY 2007 Capital Improvement Program. In addition, this report includes three changes in projections: \$5.2 million decrease in real property tax revenues as a result of the approved real estate rate change from \$0.847 to \$0.815 per hundred, a \$0.3 million increase in licenses and permits, and a decrease of \$0.3 million for in consumer utility taxes for a total decrease in projected revenue of \$5.2 million. This \$5.2 million net revenue change is consistent with the revenue change totals for FY 2006 assumed when the FY 2007 budget was adopted.

	FY 2006 BUDGET	FY 2006 BUDGET PROJECTIONS	BUDGET VERSUS PROJECTIONS
Real Property ¹	\$ 251.1	\$ 252.3	\$ 1.2
Personal Property-local share	32.0	32.7	0.7
Sales Tax	24.4	25.1	0.7
Consumer Utility Tax	18.6	17.3	(1.3)
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	5.0	1.6
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			\$9.9 ¹
Change from previous projection			(5.2) ²

¹ At the adopted rate of 81.5¢ per hundred. Change in projection is attributable to the change in the tax rate.

² Revenues entirely programmed or designated as part of FY 2007 budget process.

REVENUES (Attachment 1): As of April 30, 2006, actual FY 2006 General Fund revenues totaled \$306.5 million, an increase of \$30.4 million above collections at this time last year. This is primarily due to the budgeted increase in real estate tax revenues. 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 2005 real estate billings totaled \$122.7 million. With 2006 assessments increasing 20.98 percent, overall FY 2006 real estate tax revenue collections when the planned first half 2006 are billed will exceed budgeted levels. This assessment increase, at the FY 2007 Adopted Budget 81.5¢ real estate tax rate, would increase expected FY 2006 real estate tax revenues to \$252.3 million, or \$1.2 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 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 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 \$32.4 million, are \$1.9 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 no change from the previous projection.

Personal Property Tax (in millions)	Actual-to-Date FY 2005	Budget FY 2006	Actual-to-Date FY 2006
City share	\$ 30.5	\$ 32.0	\$ 32.4
Commonwealth reimbursement	<u>21.3</u>	<u>22.4</u>	<u>22.3</u>
Total	\$ 51.8	\$ 54.4	\$ 54.7

Local Sales and Use Taxes: Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which the sales occur. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in April represent revenues collected by merchants in February. City sales tax revenues have increased 4.9 percent for the first eight 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 the previous projection.

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 \$17.3 million, a decrease of \$1.3 million below the Approved FY 2006 Budget and \$0.3 million lower than the previous projection.

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	\$5,276,282	\$5,624,819	\$(348,537)
Electricity	4,224,403	4,170,577	53,826
Water	1,476,617	1,589,167	(112,550)
Natural Gas	1,679,692	1,692,480	(12,788)

Business License Taxes: The City's business license tax is due March 1. Collections-to-date, in the amount of \$26.0 million, are \$2.0 million higher than last year. Based on 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, with no change from 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 March 2006. Collections total \$5.2 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 no change from 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 March 2006. Collections total \$7.0 million, an increase of \$0.2 million over collections in the previous year. Based on collections-to-date, it appears that transient lodging taxes will approximate \$10.0 million, or \$0.1 million below the Approved FY 2006 Budget with no change from the previous projection.

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 \$6.0 million are 15.6 percent higher than collections this time last year, primarily for one large real estate transaction. 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 with no change from the previous projection. 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, unchanged from 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 \$1.6 million. Based on current collections, it seems clear that the \$1.7 million in taxes will be collected.

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 \$3.9 million for housing federal prisoners through the period ending April 30, 2006. Payments of \$3.0 million have been received as of April 30. 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 April were 11.0 percent lower than collections last year because of the elimination of red light camera revenue. Based on collections-to-date and projected collections staff estimates 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 \$4.2 million, or \$0.9 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 \$5.0 million, an increase of \$1.6 million over the Approved FY 2006 Budget and \$0.3 million over the previous projection.

Charges for City Services: Increased collections represent budgeted increases for fees. Based on collections-to-date and projected collections, staff estimates 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 City investments. Interest rates are almost 2 percentage points higher than 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 with no change from the previous projection.

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

EXPENDITURES (Attachment 2): As of April 30, 2006, actual General Fund expenditures totaled \$336.8 million, an increase of \$27.8 million, or 9.0 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.

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 \$132.3 million in expenses through April 30, 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 \$100.2 million (i.e., 75.8 percent of \$132.3 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 \$889,815 was transferred to the affordable housing fund to fund the Moderate Income Home Ownership Program.

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

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 APRIL 30, 2006 AND APRIL 30, 2005**

	FY2006 APPROVED BUDGET	FY2006 REVENUES THRU 04/30/06	% OF BUDGET	FY2005 REVENUES THRU 04/30/05
General Property Taxes				
Real Property Taxes.....	\$ 251,056,796	\$ 125,996,318	50.2%	\$ 112,487,686
Personal Property Taxes.....	32,000,000	32,397,692	101.2%	30,545,554
Penalties and Interest.....	1,500,000	1,457,758	97.2%	1,162,623
Total General Property Taxes	\$ 284,556,796	\$ 159,851,768		\$ 144,195,863
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 24,400,000	16,161,440	66.2%	\$ 15,413,570
Consumer Utility Taxes.....	18,600,000	12,656,994	68.0%	13,077,043
Business License Taxes.....	26,900,000	25,984,095	96.6%	23,952,045
Transient Lodging Taxes.....	7,700,000	5,192,541	67.4%	4,929,086
Restaurant Meals Tax.....	10,100,000	6,951,929	68.8%	6,760,276
Tobacco Taxes.....	3,100,000	1,720,967	55.5%	1,727,182
Motor Vehicle License Tax.....	2,400,000	2,341,700	97.6%	2,343,596
Real Estate Recordation.....	6,100,000	5,971,909	97.9%	5,164,181
Admissions Tax.....	1,300,000	823,743	63.4%	-
Cell Phone Tax.....	1,700,000	1,605,262	94.4%	-
Other Local Taxes.....	3,849,000	1,509,242	39.2%	1,600,686
Total Other Local Taxes	\$ 106,149,000	\$ 80,919,822	76.2%	\$ 74,967,665
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,400,000	\$ 2,941,428	66.9%	\$ 3,078,077
Personal Property Tax Relief from the Commonwealth.....	22,400,000	22,336,644	99.7%	21,262,453
Revenue from the Commonwealth.....	20,866,400	16,726,225	80.2%	14,925,810
Total Intergovernmental Revenues	\$ 47,666,400	\$ 42,004,297	88.1%	\$ 39,266,340
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 3,900,150	\$ 2,901,310	74.4%	\$ 3,259,433
Licenses and Permits.....	3,422,000	4,244,175	124.0%	3,340,468
Charges for City Services.....	12,158,717	9,006,668	74.1%	7,244,086
Revenue from Use of Money & Property.....	6,206,914	6,762,423	108.9%	3,846,037
Other Revenue.....	473,358	765,336	161.7%	195,291
Total Other Governmental Revenues	\$ 26,161,139	\$ 23,679,912	90.5%	\$ 17,885,315
TOTAL REVENUE	\$ 464,533,335	\$ 306,455,799	66.0%	\$ 276,315,183
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	\$ 306,455,799	64.1%	\$ 276,315,183

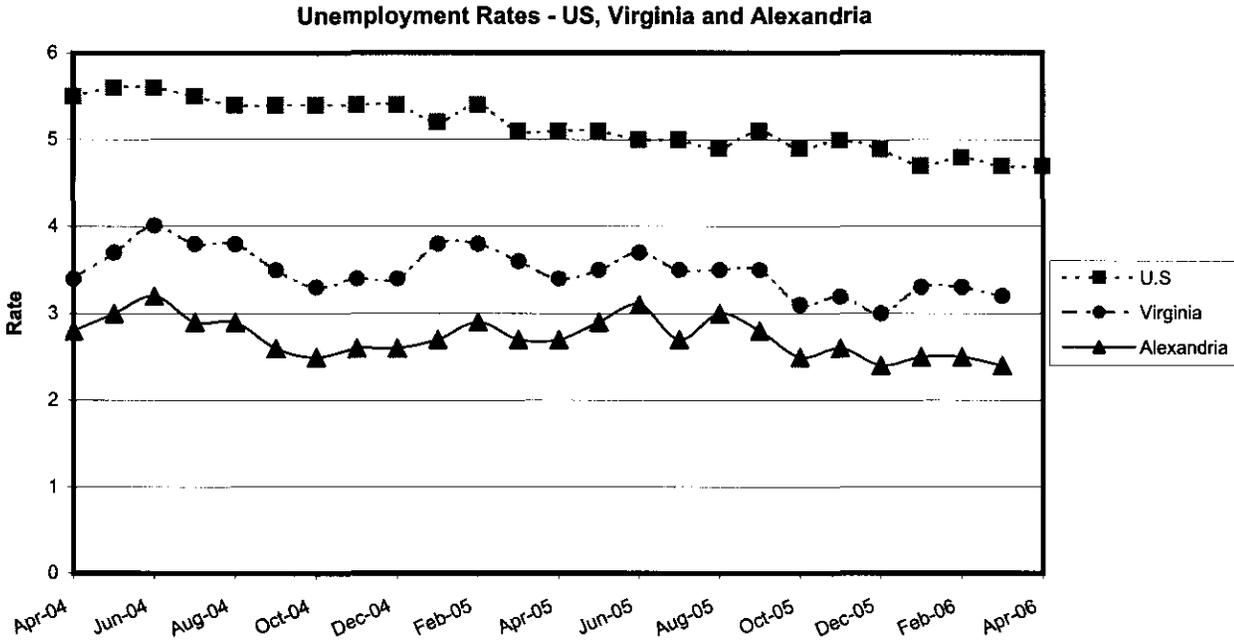
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING APRIL 30, 2006 AND APRIL 30, 2005

FUNCTION	FY2006	FY2006	% OF	FY2005
	APPROVED BUDGET	EXPENDITURES THRU 04/30/06		BUDGET
Legislative & Executive.....	\$ 5,638,161	\$ 4,005,757	71.0%	\$ 4,146,351
Judicial Administration.....	\$ 32,851,620	\$ 26,737,665	81.4%	\$ 24,951,028
Staff Agencies				
Information Technology Services.....	\$ 7,969,866	\$ 5,474,896	68.7%	\$ 4,940,943
Management & Budget.....	1,038,329	752,530	72.5%	726,409
Finance.....	8,590,883	6,106,041	71.1%	6,156,034
Real Estate Assessment.....	1,268,167	927,599	73.1%	801,807
Personnel.....	2,903,163	2,305,053	79.4%	1,972,683
Planning & Zoning.....	4,092,808	3,150,581	77.0%	2,983,863
Other Planning Activities.....	2,707,936	2,679,532	99.0%	2,591,880
City Attorney.....	2,338,305	1,906,163	81.5%	1,173,276
Registrar.....	1,004,622	766,112	76.3%	865,252
General Services.....	11,317,209	9,006,112	79.6%	8,654,302
Total Staff Agencies	\$ 43,231,288	\$ 33,074,619	76.5%	\$ 30,866,449
Operating Agencies				
Transportation & Environmental Services.....	\$ 24,734,594	\$ 18,712,796	75.7%	\$ 18,412,012
Fire.....	32,961,747	26,995,669	81.9%	25,074,607
Police.....	46,238,631	36,565,909	79.1%	34,003,886
Transit Subsidies.....	6,145,697	5,776,135	94.0%	4,415,318
Housing.....	1,233,413	865,117	70.1%	721,456
Mental Health/Mental Retardation/ Substance Abuse.....	835,675	517,430	61.9%	556,350
Health.....	7,412,075	5,752,008	77.6%	5,178,644
Human Services.....	10,426,444	8,740,338	83.8%	7,968,642
Historic Resources.....	2,579,035	2,021,823	78.4%	1,897,980
Recreation.....	18,417,675	14,907,502	80.9%	13,591,299
Total Operating Agencies	\$ 150,984,986	\$ 120,854,727	80.0%	\$ 111,820,194
Education				
Schools.....	\$ 138,753,138	\$ 100,186,203	72.2%	\$ 91,231,982
Other Educational Activities.....	12,990	12,990	100.0%	13,299
Total Education	\$ 138,766,128	\$ 100,199,193	72.2%	\$ 91,245,281
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 27,714,883	\$ 12,752,181	46.0%	\$ 8,293,663
Non-Departmental.....	12,937,448	7,994,431	61.8%	6,531,937
Cash Capital.....	18,859,735	18,859,735	100.0%	21,382,000
Contingent Reserves.....	313,250	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 59,825,316	\$ 39,606,347	66.2%	\$ 36,207,600
TOTAL EXPENDITURES	\$ 431,297,499	\$ 324,478,308	75.2%	\$ 299,236,903
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...				
Transfer to Library.....	34,045,328	1,639,815	4.8%	-
Transfer to DASH.....	6,438,429	5,363,539	83.3%	4,972,297
Transfer to DASH.....	6,342,000	5,282,886	83.3%	4,787,051
TOTAL EXPENDITURES & TRANSFERS	\$ 478,123,256	\$ 336,764,548	70.4%	\$ 308,996,251

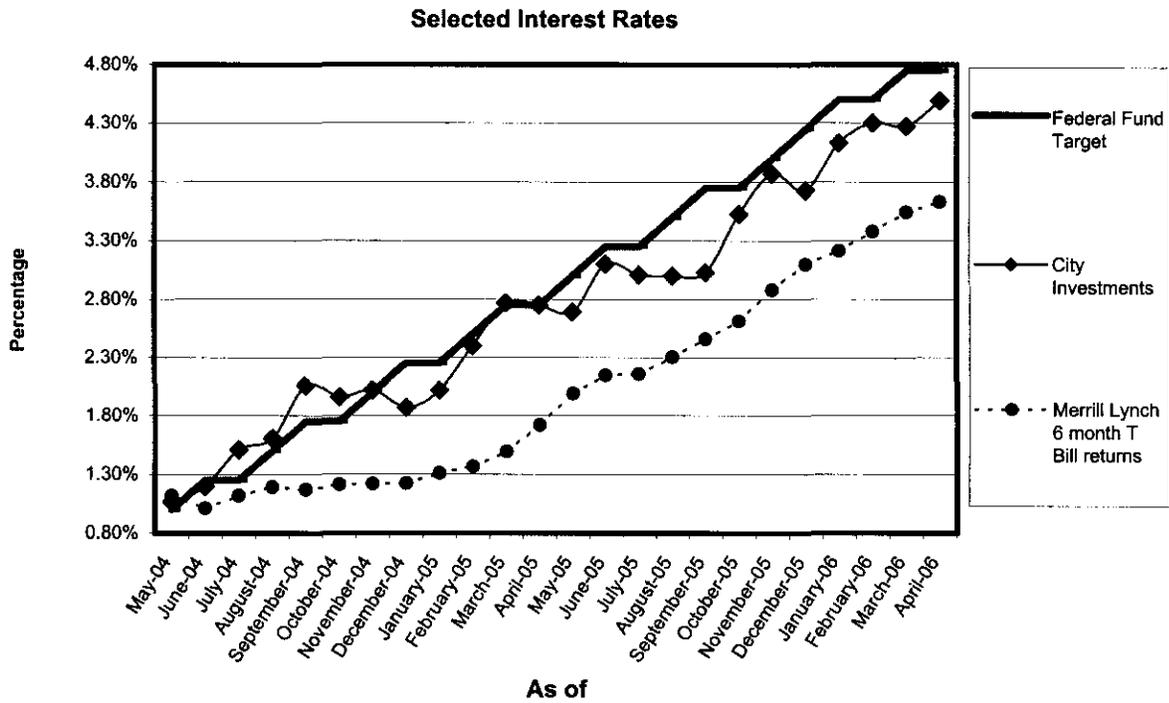
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<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 March 31, 2006) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	126.8	122.7	+3.3%
<u>Unemployment Rates</u>			
Alexandria	2.4%	2.7%	-11%
Virginia (As of March 31, 2006) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	3.2%	3.6%	-11%
United States (As of April 30, 2006) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.7%	5.1%	-8%
<u>Interest Rates</u> (As of April 30, 2006)			
Prime Rate	7.75%	5.75%	+35%
Federal Fund Rate (Source: SunTrust Economic Monitor)	4.73%	2.63%	+80%
<u>New Business Licenses</u> (During April) (Source: Finance Department, Business Tax Branch)	103	98	+5%
<u>Office Vacancy Rates</u> (As of December 31, 2005)			
Alexandria	6.7%	13.1%	-49%
Northern Virginia	12.9%	13.3%	-3%
Washington DC Metro Area (Source: Grubb & Ellis)	10.4%	10.9%	-5%
<u>New Commercial Construction</u> (As of March 31, 2006)			
Number of New Building Permits	8	7	+14%
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$ 53.9 million	\$ 129.7 million	-58%
<u>Residential Real Estate Indicators</u> (for the three months ended March 31, 2006)			
Residential Dwelling Units Sold	569	814	-30%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$494,832	\$441,996	+12%

**City of Alexandria
Selected Economic Indicators**

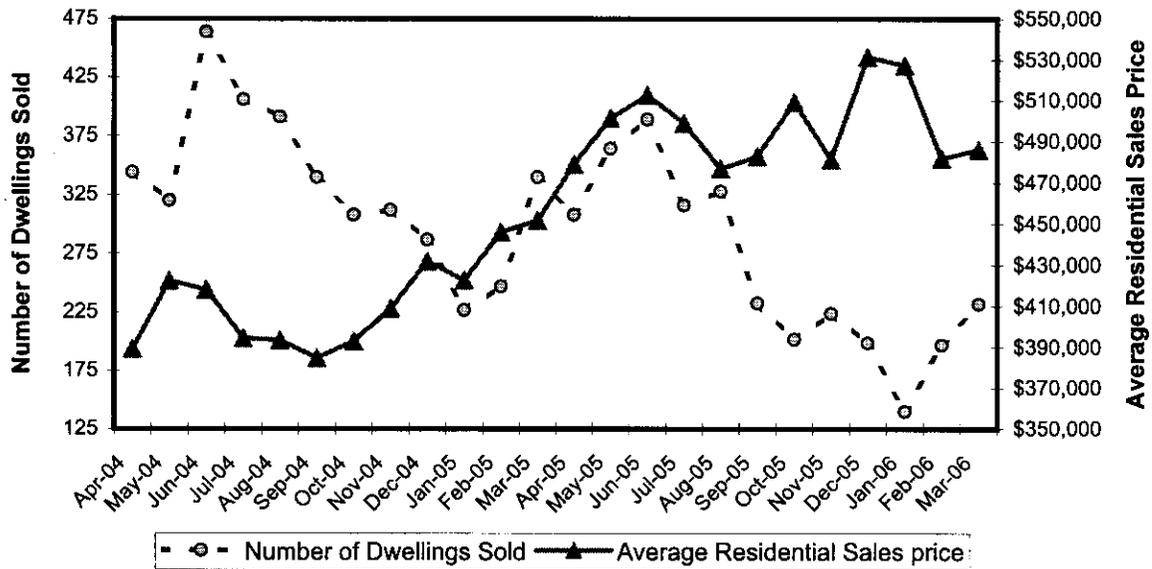


Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)

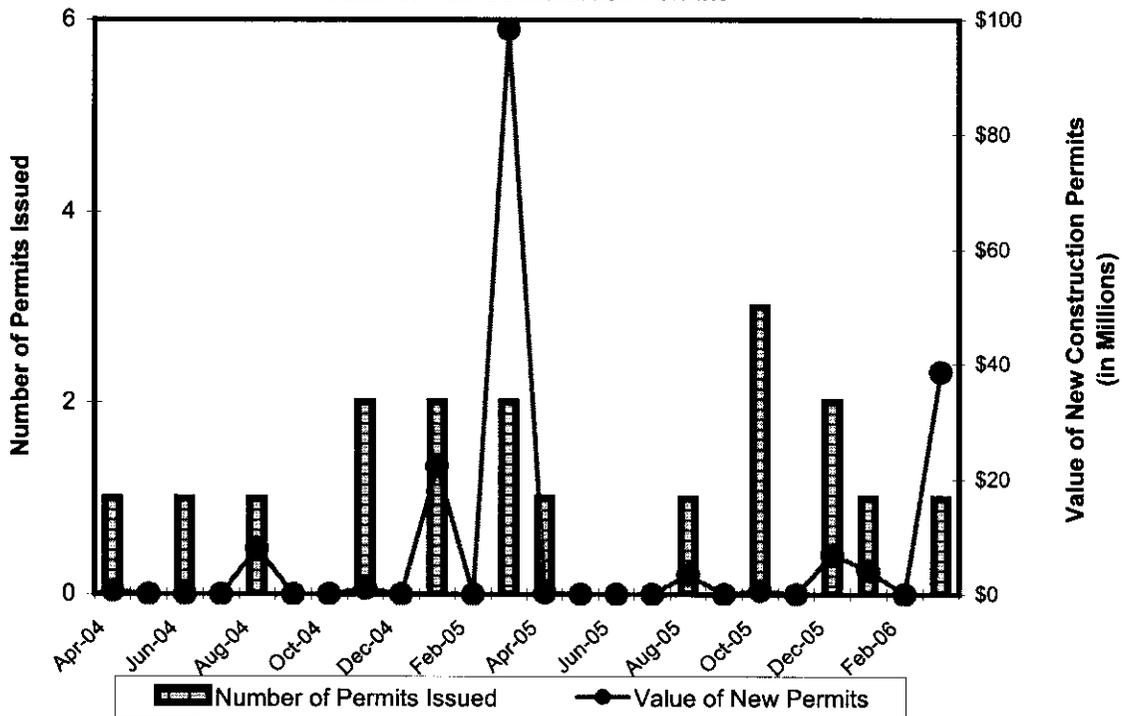


Source: Suntrust Economic Monitor

Selected Residential Real Estate Indicators

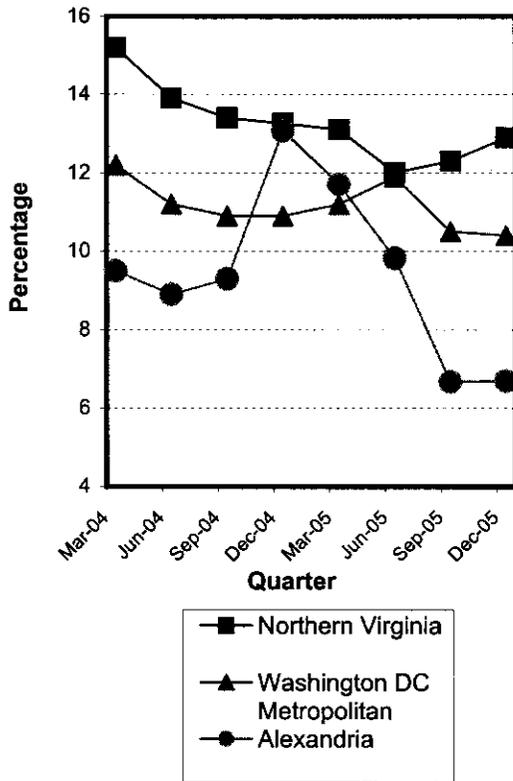


Alexandria New Commercial Construction
Number of Permits and
Value of New Construction Permits

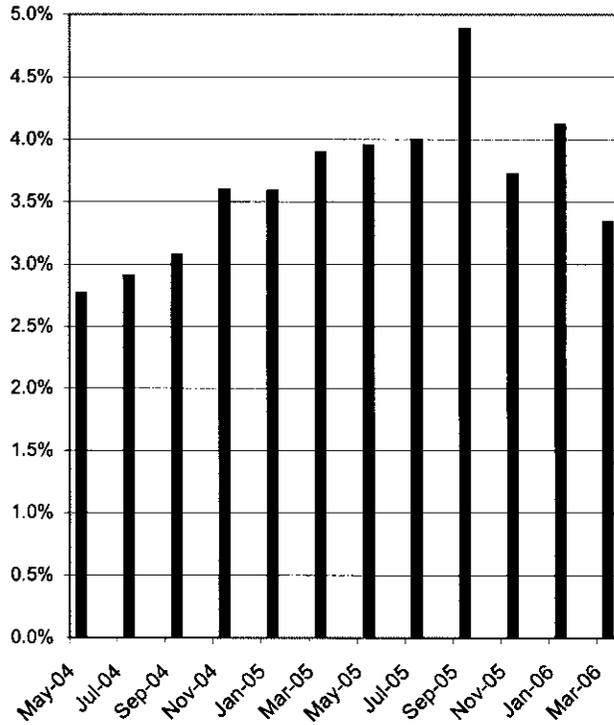


**City of Alexandria
Selected Economic Indicators**

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

