

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 21, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING MAY 31, 2006

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

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

**DISCUSSION:** This report provides Fiscal Year (FY) 2006 financial information on revenues and expenditures of the General Fund for the period ended May 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% (March-to-March), a slowing in the number of home sales (-30%) and continued low unemployment rate (2.4%), while the data also showed higher average home sale prices (+12%) for the first four months of 2006 that was due to the decline in sales of lower priced residences such as condominiums, rather than an increase due to appreciation. In fact based upon early sales/assessment analysis of 2006 sales activity by the Department of Real Estate Assessments, it is likely that appreciation for the 2007 tax year will be in the low single digit range reflecting a cooled housing market. In fact it is probable that some classes of condominiums (but not all) will see a drop in assessments in 2007. This report includes the budgeted final revenue projections included in the FY 2007 Approved Operating Budget and FY 2007 Approved Capital Improvement Program.

	FY 2006 BUDGET	FY 2006 BUDGET PROJECTIONS	BUDGET VERSUS PROJECTIONS
Real Property <sup>1</sup>	\$ 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 <sup>2</sup>

<sup>1</sup> At the adopted rate of 81.5¢ per hundred, dollars of assessed valuation.

<sup>2</sup> Revenues entirely programmed or designated as part of FY 2007 budget process.

See page 5-76 in the FY 2007 Proposed Operating Budget for details.

**REVENUES (Attachment 1):** As of May 31, 2006, actual FY 2006 General Fund revenues totaled \$337.6 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 revenues and the new cell phone and admissions taxes. 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 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. First half real estate tax revenues to be paid on June 15 will be based on the 2006 assessments, as well as the 81.5 cent 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 \$32.7 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 after refunds will approximate if not exceed the \$32.7 million projection, an increase of \$0.7 million over the Approved FY 2006 Budget.

Personal Property Tax (in millions)	Actual-to-Date FY 2005	Budget FY 2006	Actual-to-Date FY 2006
City share	\$ 30.9	\$ 32.0	\$ 32.7
Commonwealth reimbursement	<u>21.6</u>	<u>22.4</u>	<u>22.4</u>
Total	\$ 52.5	\$ 54.4	\$ 55.1

**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 May represent revenues collected by merchants in March and represent a 4.9 percent increase over the previous year. 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 unchanged from 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	\$5,887,285	\$6,269,493	\$(382,208)
Electricity	4,654,903	4,612,126	42,777
Water	1,624,917	1,724,922	(100,005)
Natural Gas	1,871,257	1,880,819	(9,562)

**Business License Taxes:** The City's business license tax is due March 1. Collections-to-date, in the amount of \$26.9 million, are \$1.7 million higher than last year. Based on the 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 April 2006. Collections total \$6.1 million, which is an increase of \$0.4 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 April 2006. Collections total \$8.0 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, a \$0.1 million decrease 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 \$6.5 million are 11.4 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 at least if not exceed, 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 and 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 \$1.8 million. Based on current collections, it appears the \$2.2 million projected tax revenue 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 \$3.9 million for housing federal prisoners through the period ending May 31, 2006. Payments of \$3.0 million have been received as of May 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 May 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 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 \$4.8 million, or \$1.4 million higher than collections at this time last year, primarily for building permits and budgeted fire retesting fees. 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 projects that Charges for City Services will approximate \$9.6 million, after transferring \$1.9 million to the newly established Sanitary Sewer Fund as approved during the FY 2007 Approved Budget deliberations.

**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. 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 May 31, 2006, actual General Fund expenditures totaled \$371.3 million, an increase of \$27.8 million, or 7.9 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 \$226,000 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.

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

**City Attorney:** Expenditures-to-date reflect higher than anticipated costs related to retention of outside counsel and experts in cases such as Mirant. Staff expects to recommend an appropriations transfer in the context of the June Transfer Resolution to match these expenditures with budget authority.

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

**School:** The School Administration has reported \$144.6 million in expenses through May 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 \$109.5 million (i.e., 75.8 percent of \$144.6 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 previously issued general obligation bonds.

**Non-Departmental:** General Fund expenditures in this category reflect the City's contributions to the old public safety pension plan, senior citizens' rent relief, and payment for the City's property and 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

Bruce Johnson, Director, OMB

**CITY OF ALEXANDRIA, VIRGINIA  
COMPARATIVE STATEMENT OF REVENUES  
GENERAL FUND  
FOR THE PERIODS ENDING MAY 31, 2006 AND MAY 31, 2005**

	FY2006 APPROVED BUDGET	FY2006 REVENUES THRU 05/31/06	% OF BUDGET	FY2005 REVENUES THRU 05/31/05
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 251,056,796	\$ 143,036,270	57.0%	\$ 131,005,727
Personal Property Taxes.....	32,000,000	32,701,055	102.2%	30,890,742
Penalties and Interest.....	1,500,000	1,546,913	103.1%	1,275,579
<b>Total General Property Taxes</b>	<b>\$ 284,556,796</b>	<b>\$ 177,284,238</b>		<b>\$ 163,172,048</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 24,400,000	18,320,519	75.1%	\$ 17,464,662
Consumer Utility Taxes.....	18,600,000	14,038,362	75.5%	14,487,360
Business License Taxes.....	26,900,000	26,863,955	99.9%	25,200,812
Transient Lodging Taxes.....	7,700,000	6,129,332	79.6%	5,714,080
Restaurant Meals Tax.....	10,100,000	8,039,810	79.6%	7,799,757
Tobacco Taxes.....	3,100,000	2,603,268	84.0%	1,907,189
Motor Vehicle License Tax.....	2,400,000	2,401,821	100.1%	2,403,578
Real Estate Recordation.....	6,100,000	6,473,805	106.1%	5,813,413
Admissions Tax.....	1,300,000	946,728	72.8%	-
Cell Phone Tax.....	1,700,000	1,830,441	107.7%	-
Other Local Taxes.....	3,849,000	2,514,134	65.3%	2,577,796
<b>Total Other Local Taxes</b>	<b>\$ 106,149,000</b>	<b>\$ 90,162,175</b>	<b>84.9%</b>	<b>\$ 83,368,647</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 4,400,000	\$ 3,560,279	80.9%	\$ 3,948,032
Personal Property Tax Relief from the Commonwealth.....	22,400,000	22,421,368	100.1%	21,567,385
Revenue from the Commonwealth.....	20,866,400	17,669,850	84.7%	15,969,273
<b>Total Intergovernmental Revenues</b>	<b>\$ 47,666,400</b>	<b>\$ 43,651,497</b>	<b>91.6%</b>	<b>\$ 41,484,690</b>
<b>Other Governmental Revenues</b>				
Fines and Forfeitures.....	\$ 3,900,150	\$ 3,212,360	82.4%	\$ 3,611,944
Licenses and Permits.....	3,422,000	4,761,562	139.1%	3,368,318
Charges for City Services.....	12,158,717	10,200,612	83.9%	8,198,274
Revenue from Use of Money & Property.....	6,206,914	7,489,860	120.7%	4,235,313
Other Revenue.....	473,358	788,122	166.5%	202,792
<b>Total Other Governmental Revenues</b>	<b>\$ 26,161,139</b>	<b>\$ 26,452,516</b>	<b>101.1%</b>	<b>\$ 19,616,641</b>
<b>TOTAL REVENUE</b>	<b>\$ 464,533,335</b>	<b>\$ 337,550,426</b>	<b>72.7%</b>	<b>\$ 307,642,026</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>\$ 337,550,426</b>	<b>70.6%</b>	<b>\$ 307,642,026</b>

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

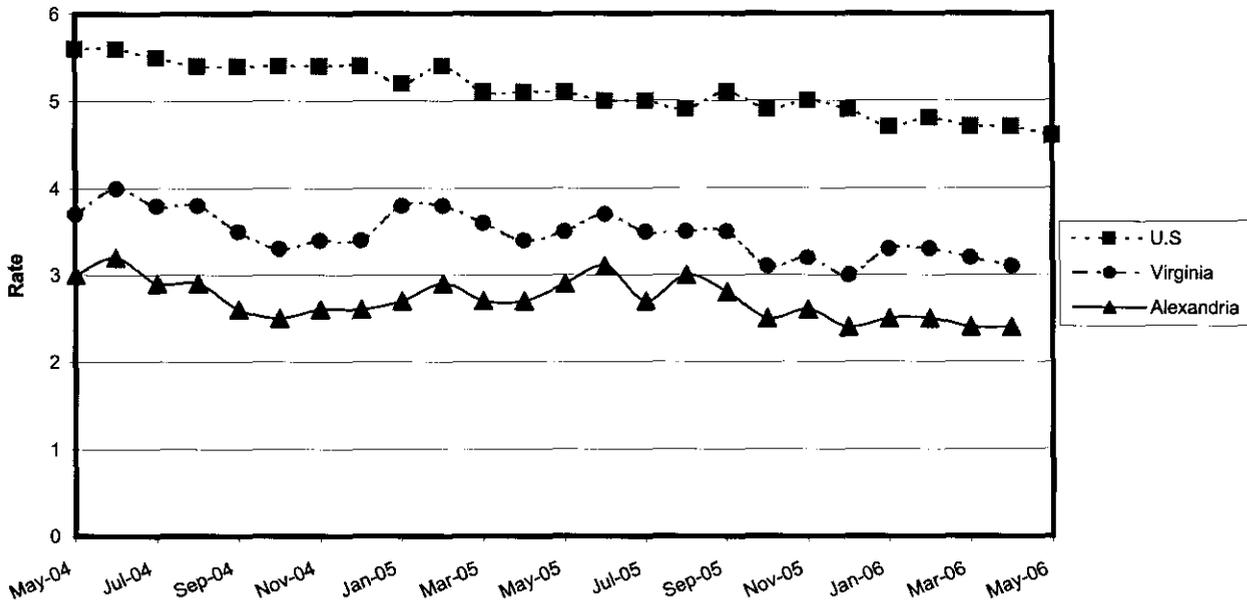
FUNCTION	FY2006	FY2006	% OF	FY2005
	APPROVED BUDGET	EXPENDITURES THRU 05/31/06		BUDGET
Legislative & Executive.....	\$ 5,638,161	\$ 4,602,965	81.6%	\$ 4,676,291
Judicial Administration.....	\$ 32,851,620	\$ 29,932,111	91.1%	\$ 27,787,456
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 7,969,866	\$ 6,358,956	79.8%	\$ 5,709,652
Management & Budget.....	1,038,329	866,281	83.4%	821,698
Finance.....	8,590,883	6,909,483	80.4%	6,912,162
Real Estate Assessment.....	1,268,167	1,073,129	84.6%	918,565
Personnel.....	2,903,163	2,633,036	90.7%	2,299,283
Planning & Zoning.....	4,092,808	3,610,252	88.2%	3,349,678
Other Planning Activities.....	2,707,936	2,705,534	99.9%	2,592,125
City Attorney.....	2,338,305	2,225,866	95.2%	1,357,175
Registrar.....	1,004,622	889,961	88.6%	954,442
General Services.....	11,317,209	10,161,011	89.8%	9,599,199
<b>Total Staff Agencies</b>	<b>\$ 43,231,288</b>	<b>\$ 37,433,509</b>	<b>86.6%</b>	<b>\$ 34,513,979</b>
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 24,734,594	\$ 21,347,272	86.3%	\$ 20,736,434
Fire.....	32,961,747	30,792,764	93.4%	28,164,543
Police.....	46,238,631	41,381,341	89.5%	38,668,437
Transit Subsidies.....	6,145,697	5,892,480	95.9%	4,567,988
Housing.....	1,233,413	992,582	80.5%	813,476
<b>Mental Health/Mental Retardation/</b>				
Substance Abuse.....	835,675	545,624	65.3%	588,086
Health.....	7,412,075	7,009,481	94.6%	6,636,572
Human Services.....	10,426,444	9,507,918	91.2%	8,800,171
Historic Resources.....	2,579,035	2,293,284	88.9%	2,165,755
Recreation.....	18,417,675	16,774,775	91.1%	15,401,668
<b>Total Operating Agencies</b>	<b>\$ 150,984,986</b>	<b>\$ 136,537,521</b>	<b>90.4%</b>	<b>\$ 126,543,130</b>
<b>Education</b>				
Schools.....	\$ 138,753,138	\$ 109,542,241	78.9%	\$ 101,560,253
Other Educational Activities.....	12,990	12,990	100.0%	13,299
<b>Total Education</b>	<b>\$ 138,766,128</b>	<b>\$ 109,555,231</b>	<b>78.9%</b>	<b>\$ 101,573,552</b>
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 27,714,883	\$ 12,752,181	46.0%	\$ 8,293,663
Non-Departmental.....	12,937,448	8,316,907	64.3%	8,536,223
Cash Capital.....	18,859,735	18,859,735	100.0%	21,382,000
Contingent Reserves.....	313,250	-	-	-
<b>Total Capital, Debt Service and Miscellaneous</b>	<b>\$ 59,825,316</b>	<b>\$ 39,928,823</b>	<b>66.7%</b>	<b>\$ 38,211,886</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 431,297,499</b>	<b>\$ 357,990,160</b>	<b>83.0%</b>	<b>\$ 333,306,294</b>
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...</b>				
	34,045,328	1,639,815	4.8%	-
Transfer to Library.....	6,438,429	5,904,039	91.7%	5,473,705
Transfer to DASH.....	6,342,000	5,815,614	91.7%	5,269,779
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 478,123,256</b>	<b>\$ 371,349,628</b>	<b>77.7%</b>	<b>\$ 344,049,778</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)</u></b>			
<b>for the Washington-Baltimore, DC-MD-VA-WV Area</b>			
(As of March 31, 2006)	126.8	122.7	+3.3%
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b>	2.4%	2.7%	-11%
<b>Virginia</b>	3.1%	3.4%	-9%
(As of April 30, 2006)			
(Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)			
<b>United States</b>	4.6%	5.1%	-10%
(As of May 31, 2006)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<b><u>Interest Rates</u></b>			
(As of May 31, 2006)			
<b>Prime Rate</b>	7.75%	6.00%	+29%
<b>Federal Fund Rate</b>	4.90%	3.01%	+63%
(Source: SunTrust Economic Monitor)			
<b><u>New Business Licenses</u></b>			
(During May)			
(Source: Finance Department, Business Tax Branch)	68	96	-29%
<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 April 30, 2006 )			
<b>Number of New Building Permits</b>	8	8	-
<b>Value of New Building Permits</b>	\$ 53.9 million	\$ 130.0 million	-59%
(Source: Fire Department Code Enforcement Bureau)			
<b><u>Residential Real Estate Indicators</u></b>			
(for the four months ended April 30, 2006)			
<b>Residential Dwelling Units Sold</b>	787	1,122	-30%
<b>Average Residential Sales Price</b>	\$500,035	\$452,161	+11%
(Source: Department of Real Estate Assessments)			

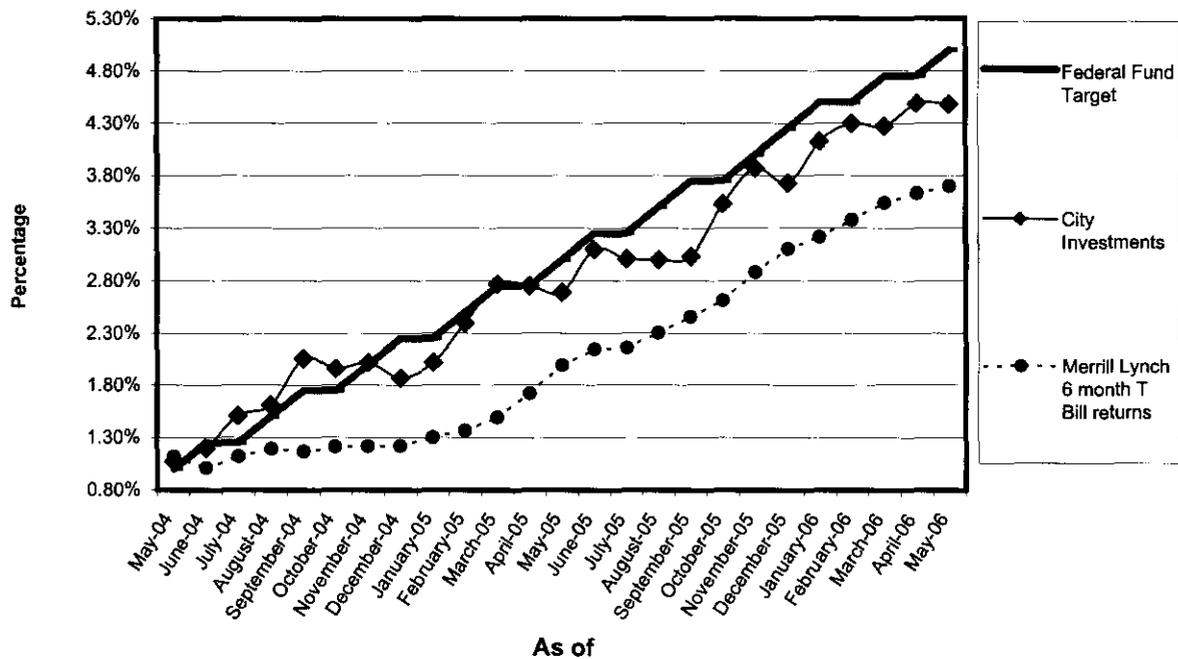
**City of Alexandria  
Selected Economic Indicators**

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



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

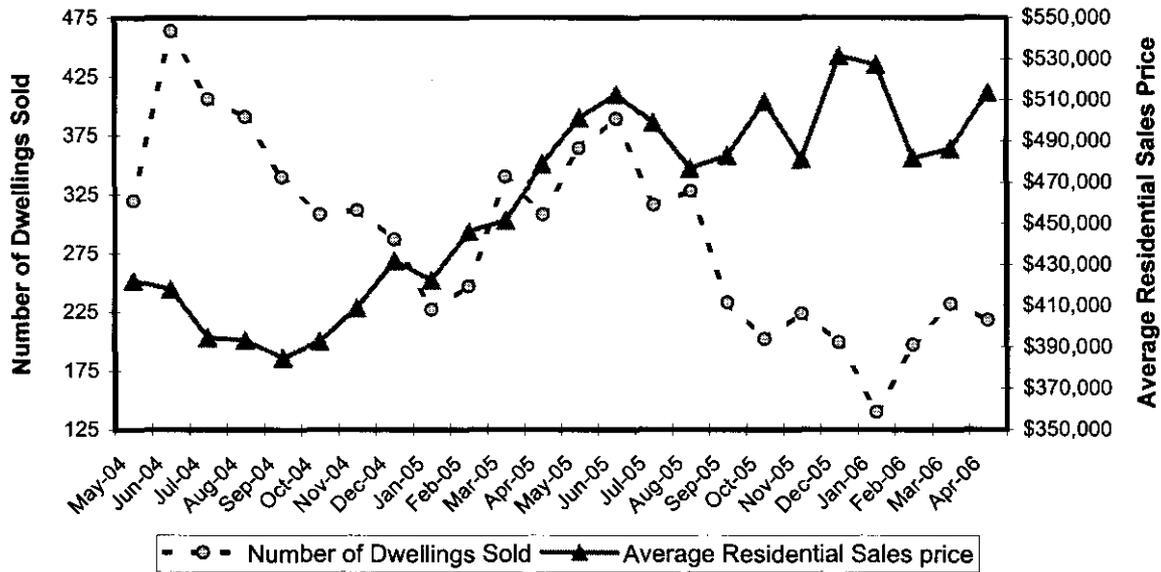
**Selected Interest Rates**



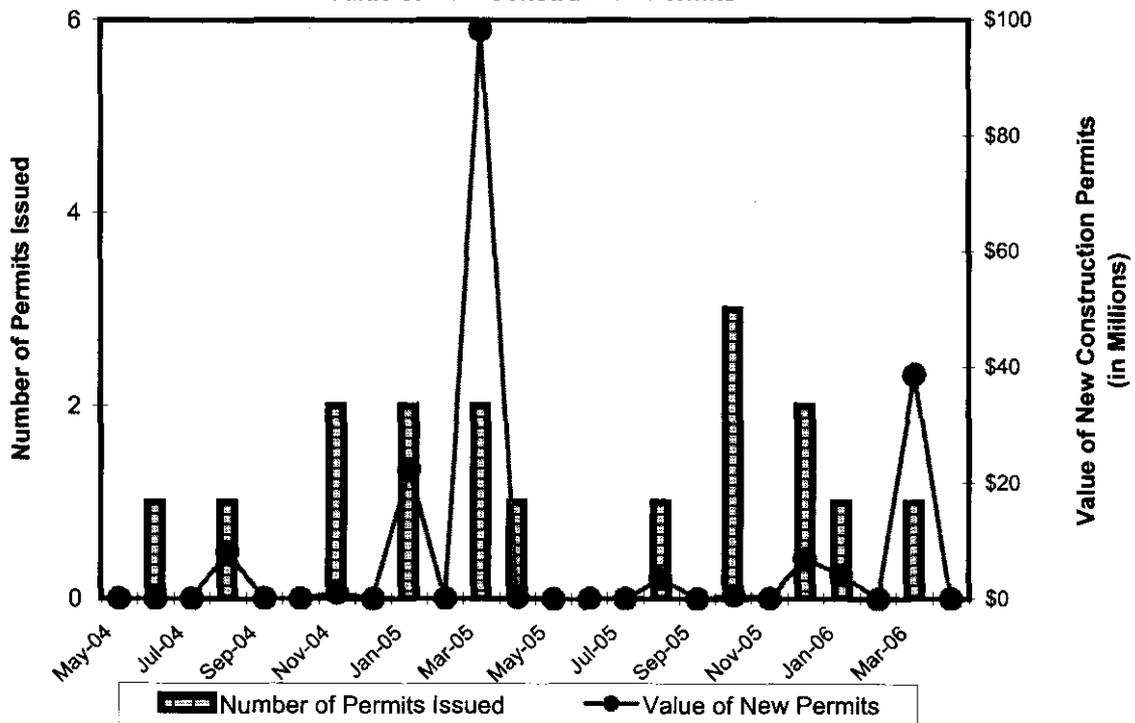
Source: Suntrust Economic Monitor

**City of Alexandria  
Selected Economic Indicators**

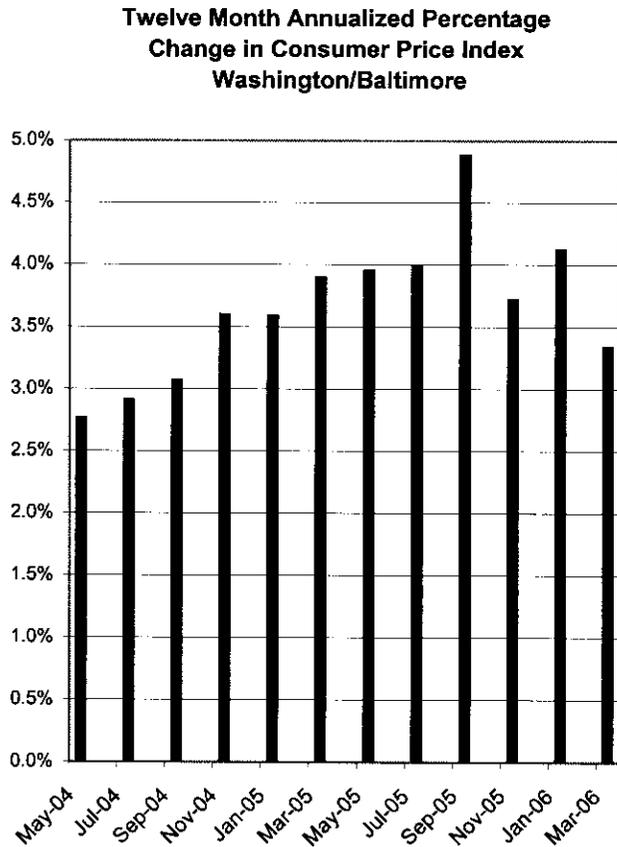
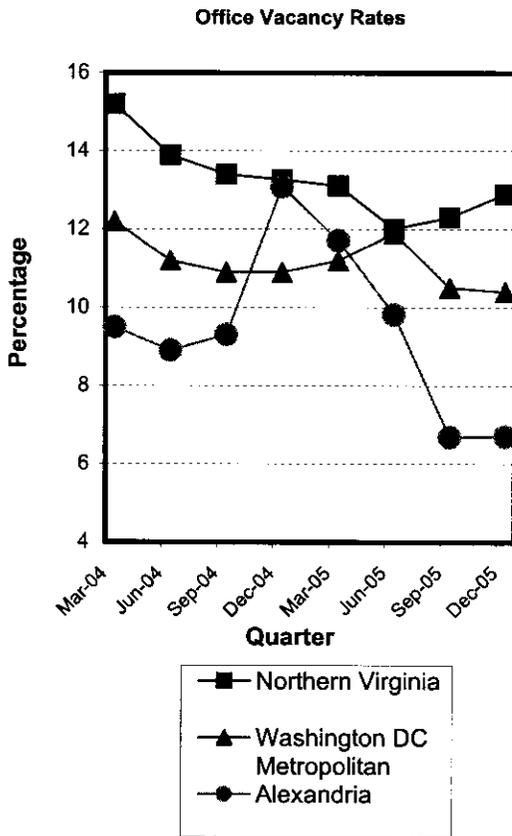
**Selected Residential Real Estate Indicators**



**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

