

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 16, 2007
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, 2006

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

RECOMMENDATION: That City Council received the following Monthly Financial Report for the period ending December 31, 2006.

REVENUES (Attachment 1): As of December 31, 2006, actual General Fund revenues totaled \$241.8 million, an increase of \$8.0 million over the same period last year. This is primarily due to the budgeted increase in real estate tax revenue. Detailed fiscal year (FY) 2007 revenue projections will be completed and presented in next month's Monthly Financial Report.

Real Property Taxes: Second half real estate taxes were due November 15. As projected in the FY 2007 Budget, second half real estate billings totaled \$128 million. First half 2007 real estate taxes will be due on June 15, 2007, and will be based on real estate assessments, which will be completed and released in February. As projected at the City Council Retreat in November, the City's real estate tax base, which will be the sum of all 2007 assessments, may increase about 3 percent. The entire tax base increase for 2007 is likely to originate from new construction and commercial property assessment increases. Overall, residential property assessment revenues were projected to remain flat. Actual 2007 assessments will be released on February 13 in conjunction with the FY 2008 proposed budget.

Personal Property Taxes: Collections-to-date of \$31.7 million are 3.1 percent higher than this time last year. Personal property tax bills were due on October 5, 2006. The FY 2007 Approved Budget includes a \$31.5 million revenue projection for tax revenue collected directly by the City (including \$16.0 million for vehicles and \$15.5 million for businesses) and includes an additional \$23.6 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year was capped at \$23.6 million, as the State has

made a change in the way this tax payment is computed and reimbursed. This amount approximates 69 percent of most taxpayers' bill or 1 percent less than last year's 70 percent tax relief level. The total for all budgeted revenues related to personal property tax for FY 2007 is \$55.1 million. An analysis of the August personal property tax billing projects that the FY 2007 personal property tax collection (vehicle and business property and State reimbursement) may exceed the budget by at least \$1.5 million. Actual tax revenues of \$31.7 million already exceed budget revenues by \$0.2 million. The total tax on all vehicles in the August billing, including the portion that the State reimburses the City under the PPTRA, increased by 5.25 percent. The total number of business personal property taxes billed and the total of the assessments of business personal property increased by 3.3 percent when compared to last year.

Personal Property Tax (in millions)	FY 2006 Actual-to-Date	FY 2007 Budget	FY 2007 Actual-to-Date
City share	\$ 30.8	\$ 31.5	\$ 31.7
Commonwealth reimbursement	<u>20.7</u>	<u>23.6</u>	<u>22.6</u>
Total	\$ 51.5	\$ 55.1	\$ 54.3

The associated personal property tax relief payment included in intergovernmental revenue is higher than that collected in the previous year at this time because the State now pays the City a pre-determined amount instead of the City billing the State as the related taxes are paid. The City received the first payment of \$11.9 million in August and the second payment of \$10.7 million in November.

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.

Utility	FY 2006 Year-to-Date Receipts	FY 2007 Year-to-Date Receipts	Increase/ (Decrease)
Telephone - Tax on Local Services	\$2,732,970	\$2,483,462	\$(249,508)
Electricity	2,405,467	2,406,486	1,019
Water	829,982	873,970	43,988
Natural Gas	797,392	803,152	5,760

Based on FY 2007 collections-to-date, it is likely that telephone tax revenues for landline phones will continue to decrease. On January 1, 2007, a portion of the City's consumer utility tax will be replaced by a 5 percent telecommunications tax being implemented State-wide. The City will receive a proportionate share of the total State telecommunications tax revenues based upon actual FY 2006 revenues. The City expects to receive the January telecommunications tax from the State some time in February.

Business License Taxes: The City's business license tax is due March 1. Collections-to-date, in the amount of \$2.2 million, represent filings by new businesses and payments on delinquent accounts. A small portion of the business license tax will be replaced by the 5 percent telecommunications tax.

Real Estate Recordation Taxes: Real estate recordation tax revenues are collected by the Clerk of the Circuit Court and remitted to the City the following month. Collections-to-date of \$2.4 million represent a decrease of \$0.4 million from prior year collections and reflect a slowing real estate market.

Cell Phone Tax: New in FY 2006, the effective date for the cell phone tax was September 1, 2005. Collections-to-date of \$1.1 million reflect cell phone tax revenue remitted to the City through December. As is the case with the consumer utility tax, the City's cell phone tax will also be included in the 5 percent State-wide telecommunications tax.

Intergovernmental Revenues: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$2.4 million for housing federal prisoners through the period ending December 31, 2006. However, only three payments had been received as of December 31. The City will be pursuing acceleration of federal per diem payments with the U.S. Marshal's Service. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period.

Fines and Forfeitures: The decrease is primarily attributable to a decrease in parking fine revenue. The number of parking tickets issued decreased 14.5 percent below the number issued at this time last year. It appears that the number of vacancies of parking enforcement officer positions is the reason the number of tickets issued has dropped. The Police Department will be addressing the vacancy situation.

Charges for Services: The decrease is primarily attributable to the fact that sewer charges are recorded in a separate fund for FY 2007.

Revenue from Use of Money & Property: Increased revenues represent increased interest earnings on short-term City investments. Interest rates are almost 1.5 percentage points higher than the rate earned at this time last year, thereby significantly increasing City earnings.

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

Transfer from Sewer Fund: This transfer represents the portion of the City's general obligation debt that is attributable to sewer projects and is being paid from the related sewer fees as approved in the FY 2007 Budget. These funds will be transferred when the associated debt service is paid.

EXPENDITURES (Attachment 2): As of December 31, 2006, actual General Fund expenditures totaled \$216.8 million, an increase of \$6.1 million, or 2.9 percent, above expenditures for the same period last year. The Approved General Fund Budget is 4.9 percent higher than FY 2006. Except as noted below, increases in expenditures over those budgeted are attributable to budgeted expenditures for annual equipment replacement charges made at the beginning of the fiscal year and this expenditure pattern reflects the Approved FY 2007 Budget.

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

Personnel: Expenditures-to-date include budgeted tuition assistance payments to City employees.

Economic Development Activities: General Fund expenditures in this category reflect the first three quarterly contribution payments to community agencies, and both semi-annual payments to the Alexandria Convention and Visitors Association.

City Attorney: Expenditures-to-date represent outside legal fees. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution as necessary to match these expenditures with budget authority.

Registrar: Expenditures-to-date reflect costs associated with administering the recent election.

Human Services: Human Services is facing a shortfall of \$1.4 million due to the loss of revenue in child-care programs, the Department's revenue maximization efforts, and the increasing expenditures associated with the Comprehensive Services Act for At-Risk Youth and Families (CSA). During the FY 2007 budget process, Council designated \$1 million of fund balance for possible appropriation to address the potential revenue shortfall. These funds were appropriated to the Non-Departmental account in November and are available to offset most of this shortfall. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution as necessary to match additional expenditures with budget authority. Human Services is seeking grants and expenditure reductions to address the remaining shortfall.

School: The School Administration has reported \$80.6 million in expenses through December 31, 2006. The City's General Fund share of total School budgeted operating expenditures is approximately 76 percent of the total expenditures. This percentage was applied to total School disbursements to estimate School expenditures-to-date in the amount of \$61.3 million (i.e., 76 percent of \$80.6 million).

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

Non-Departmental: General Fund expenditures in this category reflect the City's contributions to the closed public safety defined benefit pension plan, senior citizens' rent relief, and payment for the City's liability insurance.

Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants): To comply with grant awards, the City's share funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year.

Transfer to Housing: All housing programs are now reported in a separate Special Fund. These expenditures represent the cost of operations transferred to the fund. The budget also includes cash match funds for housing grants that will be transferred at the end of the 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

Laura Triggs, Acting Director of Finance

Ray Welch, Acting Comptroller

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

	FY2007 APPROVED BUDGET	FY2007 REVENUES THRU 12/31/06	% OF BUDGET	FY2006 REVENUES THRU 12/31/05
General Property Taxes				
Real Property Taxes.....	\$ 265,646,462	\$ 131,258,524	49.4%	\$ 123,483,632
Personal Property Taxes.....	31,500,000	31,735,422	100.7%	30,768,112
Penalties and Interest.....	1,500,000	802,356	53.5%	879,503
Total General Property Taxes	\$ 298,646,462	\$ 163,796,302		\$ 155,131,247
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 26,100,000	8,319,477	31.9%	\$ 7,947,321
Consumer Utility Taxes.....	17,900,000	6,567,070	36.7%	6,765,811
Business License Taxes.....	31,000,000	2,206,851	7.1%	1,726,153
Transient Lodging Taxes.....	8,200,000	2,969,486	36.2%	3,014,096
Restaurant Meals Tax.....	10,700,000	3,811,280	35.6%	3,722,337
Tobacco Taxes.....	2,800,000	1,171,891	41.9%	1,210,640
Motor Vehicle License Tax.....	2,400,000	2,031,920	84.7%	2,069,689
Real Estate Recordation.....	5,125,640	2,443,926	47.7%	2,805,603
Admissions Tax.....	1,200,000	440,548	36.7%	498,915
Cell Phone Tax.....	2,400,000	1,147,553	47.8%	634,072
Other Local Taxes.....	3,829,000	830,443	21.7%	808,935
Total Other Local Taxes	\$ 111,654,640	\$ 31,940,445	28.6%	\$ 31,203,572
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 5,328,909	\$ 1,502,650	28.2%	\$ 1,288,624
Personal Property Tax Relief from the Commonwealth.....	23,600,000	22,604,426	95.8%	20,651,883
Revenue from the Commonwealth.....	21,185,396	8,407,907	39.7%	10,318,579
Total Intergovernmental Revenues	\$ 50,114,305	\$ 32,514,983	64.9%	\$ 32,259,086
Other Governmental Revenues And Transfers In				
Fines and Forfeitures.....	\$ 4,072,300	\$ 1,544,627	37.9%	\$ 1,680,022
Licenses and Permits.....	4,909,800	2,824,280	57.5%	2,564,446
Charges for City Services.....	10,988,543	4,245,440	38.6%	6,455,865
Revenue from Use of Money & Property.....	8,644,000	4,741,113	54.8%	3,930,116
Other Revenue.....	427,000	235,357		602,440
Transfer from Sewer Fund.....	1,063,895	-	0.0%	-
Total Other Governmental Revenues	\$ 30,105,538	\$ 13,590,817	45.1%	\$ 15,232,889
TOTAL REVENUE	\$ 490,520,945	\$ 241,842,547	49.3%	\$ 233,826,794
Appropriated Fund Balance				
General Fund.....	3,154,819	-	0.0%	-
Reappropriation of FY 2006 Encumbrances And Other Supplemental Appropriations.....	9,494,833	-	0.0%	-
TOTAL	\$ 503,170,597	\$ 241,842,547	48.1%	\$ 233,826,794

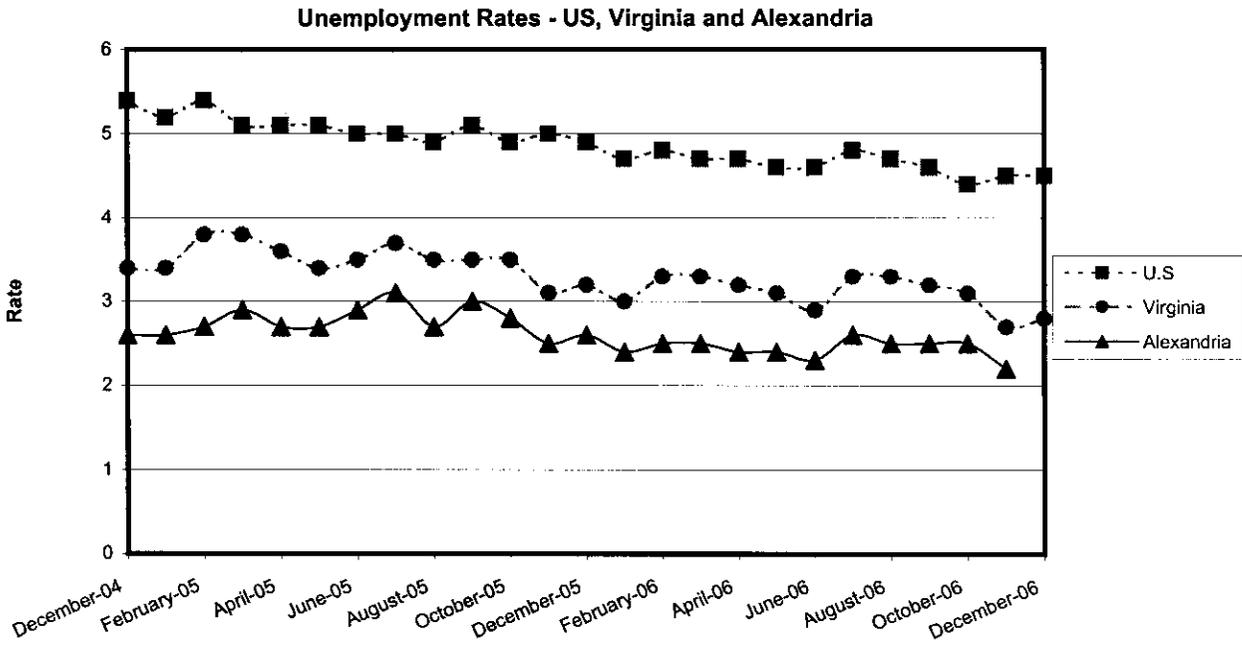
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING DECEMBER 31, 2006 AND DECEMBER 30, 2005

FUNCTION	FY2007	FY2007	% OF	FY2006
	APPROVED BUDGET	EXPENDITURES THRU 12/31/06		BUDGET
Legislative & Executive.....	\$ 6,211,366	\$ 2,914,250	46.9%	\$ 2,421,339
Judicial Administration.....	\$ 35,140,483	\$ 18,020,851	51.3%	\$ 16,090,668
Staff Agencies				
Information Technology Services.....	\$ 8,283,530	\$ 3,615,689	43.6%	\$ 3,249,543
Management & Budget.....	1,173,351	559,042	47.6%	453,104
Finance.....	10,091,525	4,742,335	47.0%	3,711,097
Real Estate Assessment.....	1,521,042	627,744	41.3%	569,324
Personnel.....	3,156,379	1,611,512	51.1%	1,477,618
Planning & Zoning.....	5,597,103	2,164,532	38.7%	1,899,229
Economic Development Activities.....	2,798,072	2,435,131	87.0%	2,367,639
City Attorney.....	3,185,009	1,963,781	61.7%	1,073,632
Registrar.....	1,088,476	575,598	52.9%	460,493
General Services.....	12,638,040	5,999,553	47.5%	5,396,320
Total Staff Agencies	\$ 49,532,527	\$ 24,294,917	49.0%	\$ 20,657,999
Operating Agencies				
Transportation & Environmental Services.....	\$ 25,685,072	\$ 13,491,078	52.5%	\$ 11,904,715
Fire.....	35,616,089	18,305,530	51.4%	16,211,622
Police.....	49,425,375	24,908,933	50.4%	22,054,960
Transit Subsidies.....	6,825,042	3,320,274	48.6%	4,944,521
Mental Health/Mental Retardation/				
Substance Abuse.....	520,755	345,997	66.4%	371,175
Health.....	7,920,603	3,933,086	49.7%	3,733,696
Human Services.....	11,705,975	6,108,351	52.2%	5,435,471
Historic Resources.....	2,754,121	1,271,496	46.2%	1,274,122
Recreation.....	20,294,242	10,331,357	50.9%	9,508,942
Total Operating Agencies	\$ 160,747,274	\$ 82,016,102	51.0%	\$ 75,439,224
Education				
Schools.....	\$ 149,873,621	\$ 61,271,822	40.9%	\$ 55,452,934
Other Educational Activities.....	12,548	9,411	75.0%	9,743
Total Education	\$ 149,886,169	\$ 61,281,233	40.9%	\$ 55,462,677
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 31,094,403	\$ 11,754,960	37.8%	\$ 10,282,891
Non-Departmental.....	11,809,221	3,855,215	32.6%	4,613,287
Cash Capital.....	4,854,808	4,854,808	100.0%	18,859,735
Contingent Reserves.....	420,757	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 48,179,189	\$ 20,464,983	42.5%	\$ 33,755,913
TOTAL EXPENDITURES	\$ 449,697,008	\$ 208,992,336	46.5%	\$ 203,827,820
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...				
Transfer to Housing.....	34,706,136	-	0.0%	-
Transfer to Library.....	4,385,398	630,280	14.4%	515,301
Transfer to DASH.....	7,045,031	3,522,516	50.0%	3,219,215
Transfer to DASH.....	7,337,024	3,668,512	50.0%	3,171,000
TOTAL EXPENDITURES & TRANSFERS	\$ 503,170,597	\$ 216,813,644	43.1%	\$ 210,733,336

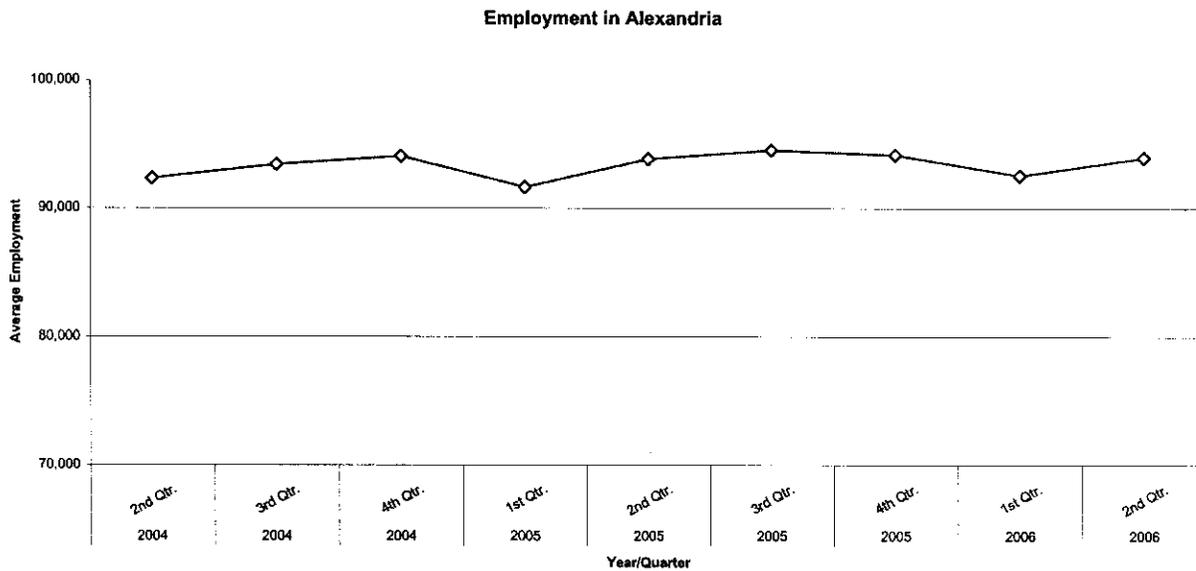
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<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	129.3	125.4	+3.1%
(As of November 30, 2006)			
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<u>Unemployment Rates</u>			
Alexandria	2.2%	2.5%	-12%
Virginia	2.8%	3.2%	-13%
(As of November 30, 2006)			
(Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)			
<u>United States</u>	4.5%	5.1%	-12%
(As of December 31, 2006)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<u>Interest Rates</u>			
(As of December 31, 2006)			
Prime Rate	8.25%	7.25%	+14%
Federal Fund Rate	5.17%	4.19%	+23%
(Source: SunTrust Economic Monitor)			
<u>New Business Licenses</u>			
(During December)			
(Source: Finance Department, Business Tax Branch)	56	78	-28%
<u>Office Vacancy Rates</u>			
(As of September 30, 2006)			
Alexandria	10.9%	6.68%	+63%
Northern Virginia	12.7%	12.3%	+3%
Washington DC Metro Area	8.9%	10.5%	-15%
(Source: Grubb & Ellis)			
<u>New Commercial Construction</u>			
(As of November 30, 2006)			
Number of New Building Permits	5	4	+25%
Value of New Building Permits	57.6	4.0	+1326%
(Source: Fire Department Code Enforcement Bureau)			
<u>Residential Real Estate Indicators</u>			
(for the ten months ended October 31, 2006)			
Residential Dwelling Units Sold	2,193	2,954	-26%
Average Residential Sales Price	\$496,769	\$480,289	+3%
(Source: Department of Real Estate Assessments)			

**City of Alexandria
Selected Economic Indicators**



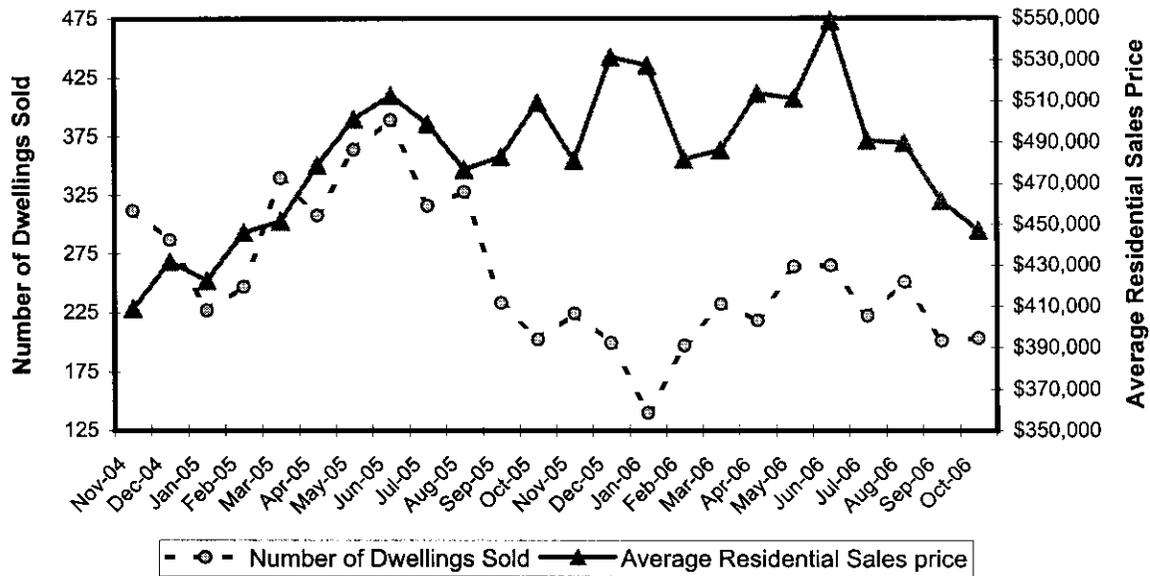
Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)



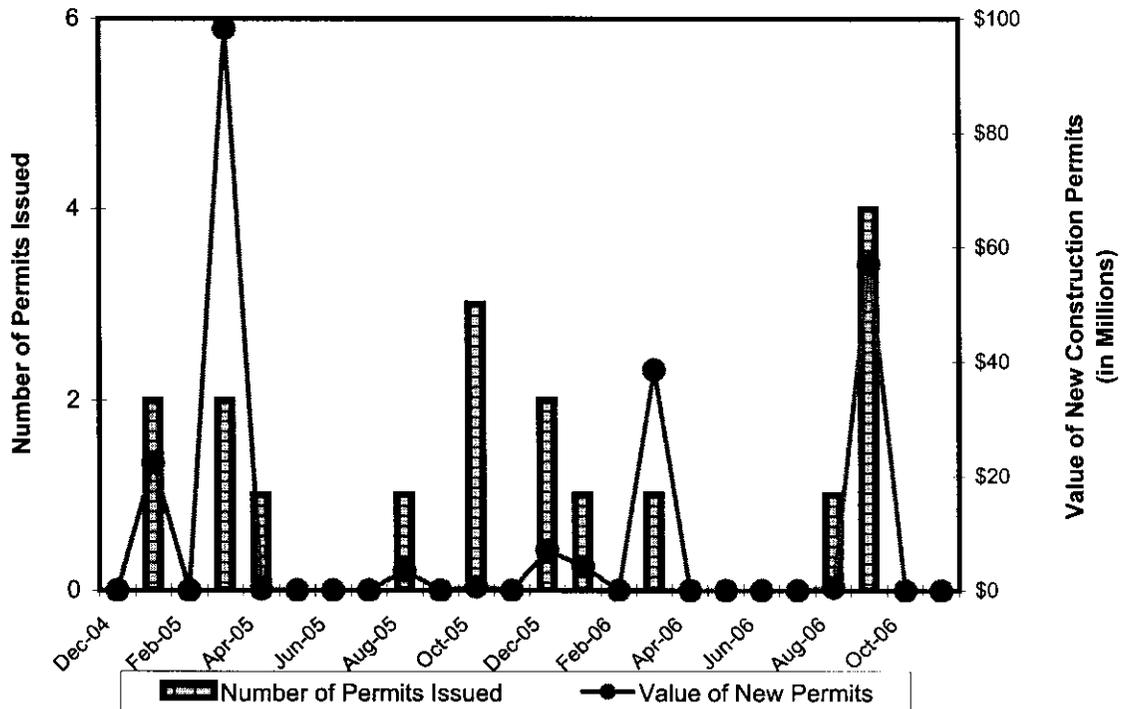
Source: Virginia Employment Commission

**City of Alexandria
Selected Economic Indicators**

Selected Residential Real Estate Indicators

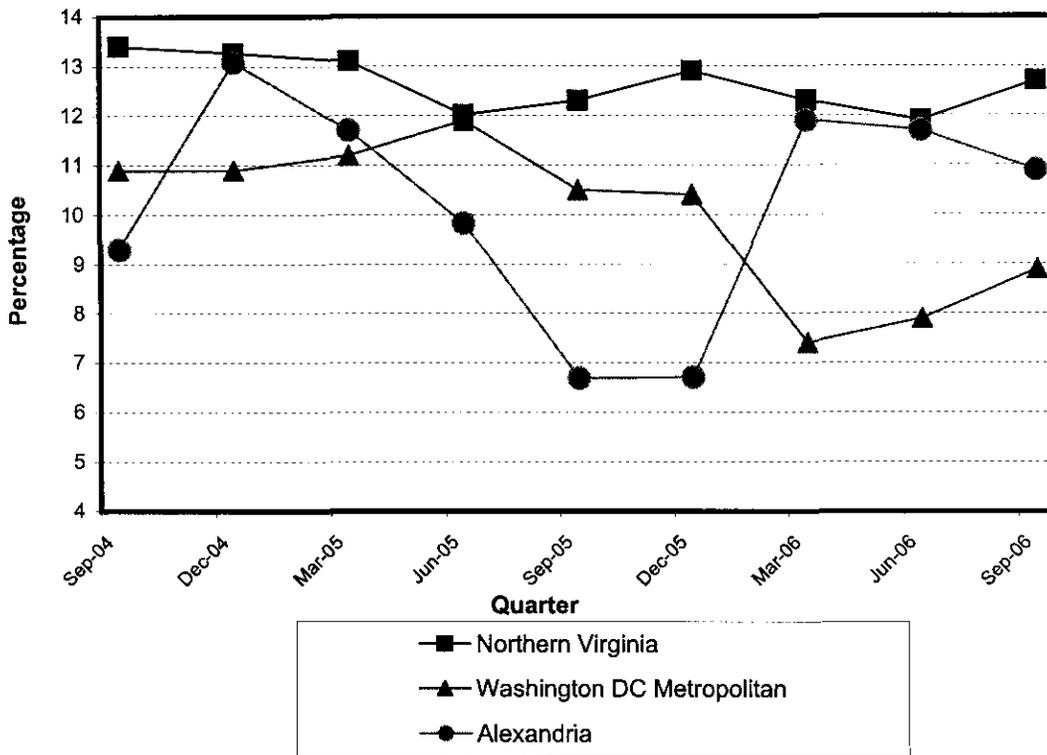


**Alexandria New Commercial Construction
Number of Permits and
Value of New Construction Permits**

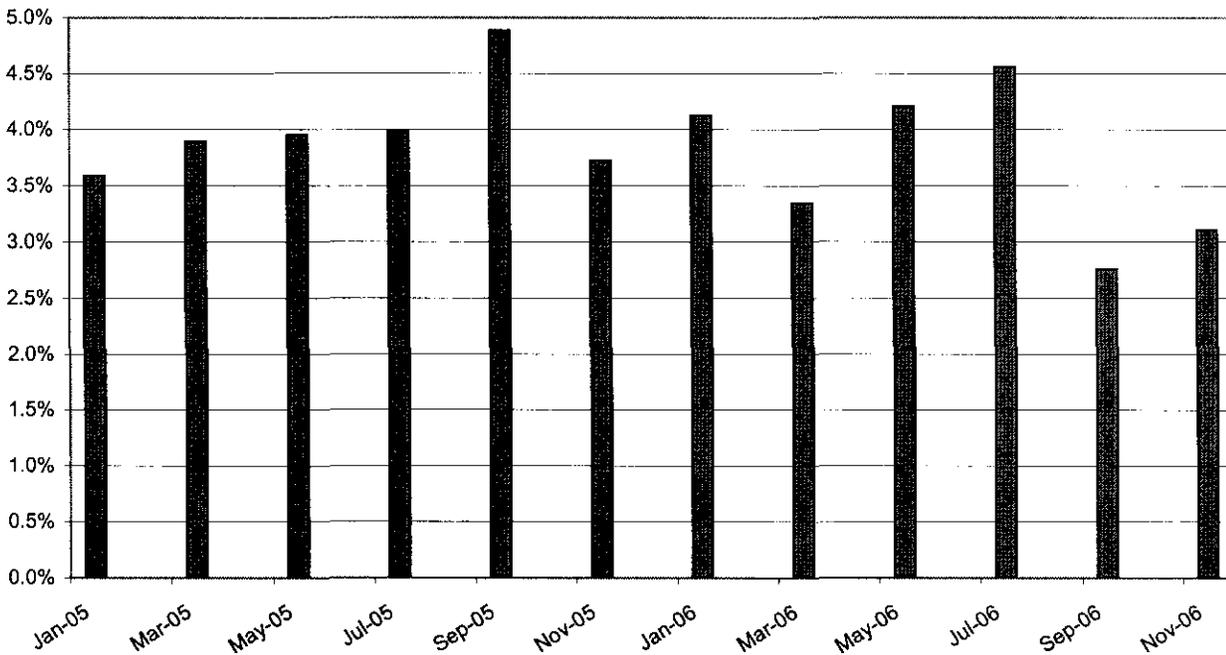


City of Alexandria Selected Economic Indicators

Office Vacancy Rates

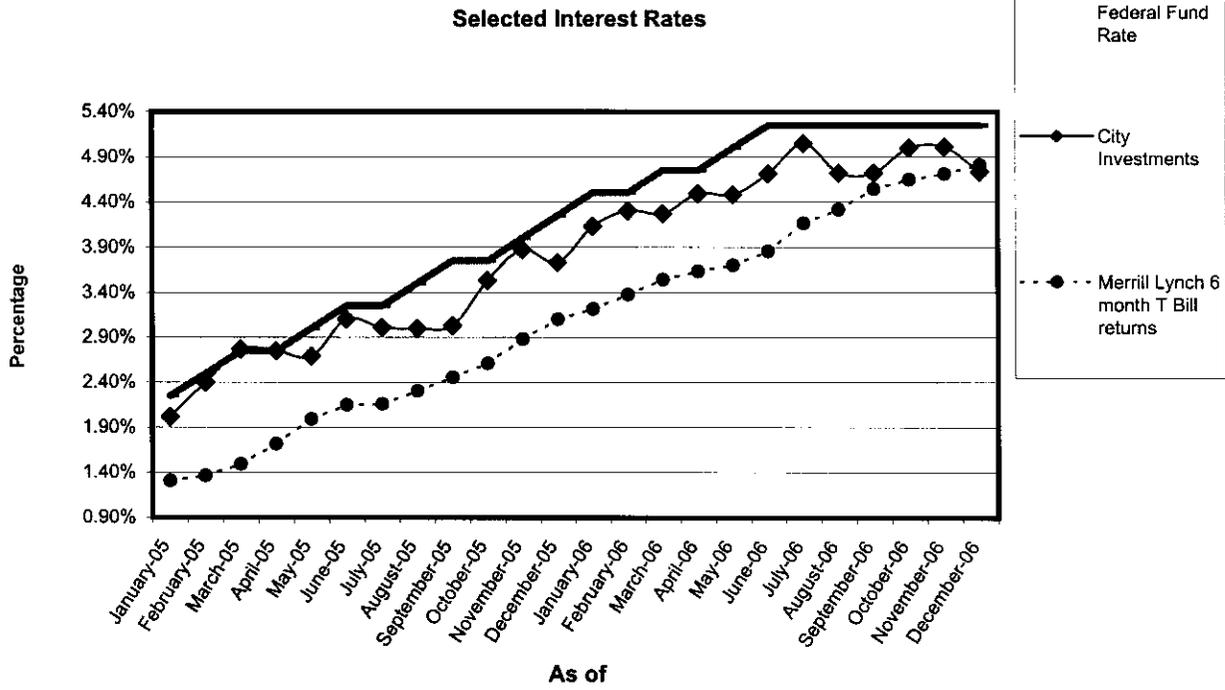


Twelve Month Annualized Percentage Change in Consumer Price Index
Washington/Baltimore



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

**City of Alexandria
Selected Economic Indicators**



Source: Suntrust Economic Monitor

