

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 16, 2007  
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, 2007

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**ISSUE:** Monthly Financial Report for the Period Ending March 31, 2007.

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the Period Ending March 31, 2007.

**DISCUSSION:** This report provides fiscal year (FY) 2007 financial information on revenues and expenditures of the General Fund for the period ended March 31, 2007. This report presents revenues and expenditures for the same period in FY 2006 for comparative purposes (Attachments 1 and 2) and provides charts of selected economic indicators (Attachment 3).

Overall, the City's economy continues to be strong with a low unemployment rate of 2.2 percent and new construction having added \$715.7 million, or 2.18 percent, to the City's tax base over the last year. However, there are some areas where the statistics point to the City's need to focus on economic development. These statistics include an office vacancy rate of 11.4 percent, a hotel occupancy rate that has decreased over the last year, and a development market, that favors residential development more than commercial development.

This report includes updated FY 2007 revenue projections previously discussed in Budget Memorandum #33 (Attachment 4). No net change is estimated for FY 2007 from the projection provided in the Proposed FY 2008 Budget.

	FY 2007 BUDGET REVISED	FY 2007 BUDGET PROJECTIONS	BUDGET VERSUS PROJECTIONS
Real Property <sup>1</sup>	\$ 265.6	\$ 266.2	\$ 0.6
Personal Property-local share	31.5	33.7	2.2
Sales Tax	26.1	26.3	0.2
Consumer Utility Tax <sup>2</sup>	17.9	13.1	(4.8)
Communication Sales and Use Tax <sup>2</sup>	-	6.0	6.0
Business License Tax <sup>2</sup>	31.0	30.2	(0.8)
Transient Lodging Tax	8.2	7.7	(0.5)
Restaurant Meals Tax	10.7	10.2	(0.5)
Recordation Taxes	5.1	5.7	0.6
Admission Tax	1.2	1.0	(0.2)
Cell Phone Tax <sup>2</sup>	2.4	1.4	(1.0)
Other Local Taxes	6.2	5.7	(0.5)
Intergovernmental	50.1	52.0	1.9
Fines and Forfeitures	4.1	3.4	(0.7)
Licenses and Permits	4.9	5.4	0.5
Charges for City Services	11.0	10.3	(0.7)
Use of Money and Property	8.6	9.7	<u>1.1</u>
Net Revenue Change from FY 2007 Budget Less Revenues Programmed in FY 2008			\$3.4 <sup>3</sup>
Proposed Budget Net Additional Revenues			<u>(3.4)</u> - 0 -

<sup>1</sup> At the proposed rate of 81.5¢ per thousand.

<sup>2</sup> Certain telecommunications and cable television taxes have been replaced Statewide by the new 5% communication sales and use tax (see details under communication sales and use tax).

<sup>3</sup> Revenues entirely programmed or designated as part of the FY 2008 budget process. See the FY 2008 Proposed Operating Budget for details.

**REVENUES (Attachment 1):** As of March 31, 2007, actual General Fund revenues totaled \$302.7 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. Unless otherwise noted, revenues reflect normal trends and present no cause for concern.

**Real Property Taxes:** Second half 2006 real estate taxes were due November 15. As projected in the FY 2007 budget, second half real estate billings totaled \$136.6 million. With total 2007 assessments growing 4.43 percent over 2006, overall FY 2007 real estate tax revenue collections will remain close to the budgeted level of a 4 percent increase. The slight assessment increase (based on an 81.5¢ real estate tax rate) in the FY 2008 Proposed Operating Budget increased expected FY 2007 real estate tax revenues to \$266.2 million, or \$0.6 million above the Approved FY 2007 Budget. Real estate tax revenues to be paid on June 15 will be based on the 2007 assessments as well as the real estate tax rate to be adopted by City Council on May 7.

**Personal Property Taxes:** Collections-to-date of \$33.7 million are 4.6 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' bills 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. 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. Actual tax revenues of \$33.7 million exceed budget revenues by \$1.6 million. Based on collections-to-date, it appears that, after refunds to be made to taxpayers moving out of the City, business and vehicle personal property tax collections will exceed \$33.7 million, an increase of \$2.2 million above the Approved FY 2007 Budget.

Personal Property Tax (in millions)	FY 2006 Actual-to-Date	FY 2007 Budget	FY 2007 Actual-to-Date
City share	\$ 32.2	\$ 31.5	\$ 33.7
Commonwealth reimbursement	<u>22.0</u>	<u>23.6</u>	<u>23.3</u>
Total	\$ 54.2	\$ 55.1	\$ 57.0

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 on specific dates instead of the City billing the State as the related taxes are paid. The City received the scheduled payments totaling \$23.3 million for CY 2006 car tax reimbursement. The remaining payment of \$0.3 million is due in April.

**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. Based on collections-to-date, it appears that sales tax collections will approximate \$26.3 million, a \$0.2 million increase over the Approved FY 2007 Budget.

**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	\$4,646,485	\$3,484,324	\$(1,162,161)
Electricity	3,774,783	3,808,626	33,843
Water	1,298,729	1,325,221	26,492
Natural Gas	1,466,692	1,464,487	(2,205)

Based on FY 2007 collections-to-date, telephone tax revenues for landline phones will continue to decrease. As of January 1, 2007, a portion of the City's consumer utility tax has been replaced by a 5 percent communication sales and use tax being implemented Statewide. The City will receive a proportionate share of the total Statewide Communication Sales and Use Tax revenues based upon actual FY 2006 revenues. Based on these lower collections and reclassifying a portion of the tax, it appears that Consumer Utility Taxes will approximate \$13.1 million, a decrease of \$4.8 million below the Approved FY 2007 Budget.

**Communication Sales and Use Tax:** Beginning January 1, 2007, a sales and use tax on communication services, in the amount of 5 percent of the sales price of each communications service, replaced the following taxes and fees:

- local consumer utility tax on telephone service (landline and wireless),
- State and local E-911 taxes and fees,
- portion of gross receipts tax in excess of 0.5 percent,
- cable television system franchise fee,
- video programming excise tax, and
- local consumer utility tax on cable services (by local general charters).

Initial Communication Sales and Use Tax revenues from the recently implemented 5 percent tax are coming in significantly lower than the State's prior projections. This lower revenue receipt is a Statewide circumstance. This may be because this is a new tax and not all collections have been received, so no reduction in previously projected revenues of \$6 million is proposed at this time.

**Business License Taxes:** The City's Business License Tax was due March 1. Collections-to-date, in the amount of \$27.1 million, are \$2.1 million higher than last year. Based on preliminary collections-to-date of delinquent taxes and staff's current estimate, FY 2007 actual payments will total \$30.2 million, a decrease of \$0.8 million below the Approved FY 2007 Budget. Staff will continue to monitor and make recommendations as warranted in the context of the budget work sessions. A small portion of the Business License Tax (less than \$0.3 million) will be replaced by the 5 percent Communications Sales And Use Tax.

**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 2007. Collections total \$4.4 million, which is a decrease of \$0.1 million below collections in the previous year. Based on collections-to-date, it appears that Transient Lodging Tax collections will approximate \$7.7 million, a \$0.5 million decrease below the Approved FY 2007 Budget and \$0.1 million below the previous projections. This decrease is a direct reflection of a decline in hotel occupancy in the City caused in part by an increase in the federal per diem which now covers the cost of many hotels in downtown Washington, as well as a decrease in usage of the Washington Convention Center.

**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 2007. Collections total \$6.6 million, an increase of \$0.4 million over collections in the previous year. Based on collections-to-date, it appears that Restaurant Meals Tax collections will approximate \$10.2 million, a \$0.5 million decrease below the Approved FY 2007 Budget.

**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 \$3.8 million represent a decrease of \$0.7 million from prior year collections and reflect a slowing real estate market. Based on collections-to-date, it appears that actual collections will approximate \$5.7 million, an increase of \$0.6 million over the Approved FY 2007 Budget.

**Cell Phone Tax:** New in FY 2006, the effective date for the Cell Phone Tax was September 1, 2005. Collections-to-date of \$1.4 million reflect Cell Phone Tax revenue remitted to the City through March. As is the case with the Consumer Utility Tax, the City's Cell Phone Tax will also be included in the new 5 percent Statewide Communications Sales and Use Tax.

**Intergovernmental Revenues:** 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, 2007. 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 collections-to-date and an increase in the number of guaranteed beds from the federal government, plus a forthcoming increase in the per diem reimbursement rate by the federal government, it appears that total federal intergovernmental revenues will approximate \$6.1 million, an increase of \$0.7 million over the Approved FY 2007 Budget and \$0.2 million above the previous projection.

**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 decrease is attributable to the number of parking enforcement officer vacancies. The Police Department will be addressing the vacancy situation. Based on collections-to-date it appears that actual collections will approximate \$3.4 million, a decrease of \$0.7 million below the Approved FY 2007 Budget.

**Licenses and Permits:** Year-to-date revenues include increased construction related permits, primarily for multi-family dwellings. Collections-to-date are \$4.1 million, or \$0.5 million higher than collections at this time last year, primarily for building permits. Some of these revenues will need to be transferred to separate revenue funds for development-related activities. Based on these collection patterns and before the transfer, Licenses and Permits revenue are expected to be \$5.4 million, an increase of \$0.5 million over the Approved FY 2007 Budget.

**Charges for Services:** The decrease below prior year collections is primarily attributable to the fact that sewer charges are recorded in a separate fund in FY 2007. Due to lower than budgeted collections for ambulance charges (\$0.2 million) and parking meter receipts (\$0.4 million), staff projects that actual collections will approximate \$10.3 million, a decrease of \$0.7 million below the Approved FY 2007 Budget.

**Revenue from Use of Money & Property:** Increased revenues represent increased interest earnings on short-term City investments. Interest rates are almost 50 basis points higher than the rate earned at this time last year, thereby increasing City earnings. Based on collections-to-date, it appears that actual collections will approximate \$9.7 million, an increase of \$1.1 million over the Approved FY 2007 Budget and \$0.1 million below the previous projection.

**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 Approved FY 2007 Budget. These funds will be transferred when the associated debt service is paid.

**EXPENDITURES (Attachment 2):** As of March 31, 2007, actual General Fund expenditures totaled \$316.9 million, an increase of \$9.8 million, or 3.1 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. This expenditure pattern reflects the Approved FY 2007 Budget.

**Economic Development Activities:** General Fund expenditures in this category reflect all contribution payments to economic development agencies.

**City Attorney:** Expenditures-to-date reflect higher than anticipated 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.

**Human Services:** Human Services is facing a potential shortfall due to the loss of federal revenue in child-care programs and in the Department's revenue maximization efforts, as well as 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, if not all, of this shortfall. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution if necessary to match additional expenditures with budget authority. Human Services is seeking grants and working on expenditure reductions to address the remaining shortfall.

**Schools:** The School Administration has reported \$127.9 million in expenses through March 31, 2007. 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 \$97.2 million (i.e., 76 percent of \$127.9 million).

**Other Education Activities:** Expenditures-to-date reflect all 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 fiscal year.

**ATTACHMENTS:**

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

Attachment 4 – Budget Memo #33

**STAFF:**

Mark Jinks, Deputy City Manager

Laura Triggs, Acting Director of Finance

Ray Welch, Acting Comptroller, Department of Finance

Bruce Johnson, Director, OMB

**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF REVENUES**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING MARCH 31, 2007 AND MARCH 31, 2006**

	FY2007 APPROVED BUDGET	FY2007 REVENUES THRU 03/31/07	% OF BUDGET	FY2006 REVENUES THRU 03/31/06
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 265,646,462	\$ 131,234,125	49.4%	\$ 125,543,825
Personal Property Taxes.....	31,500,000	33,694,238	107.0%	32,198,792
Penalties and Interest.....	1,500,000	1,327,003	88.5%	1,331,522
Total General Property Taxes	<u>\$ 298,646,462</u>	<u>\$ 166,255,366</u>		<u>\$ 159,074,139</u>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 26,100,000	14,855,360	56.9%	\$ 14,344,162
Consumer Utility Taxes.....	17,900,000	10,082,658	56.3%	11,186,689
Communication Sales and Use Taxes.....	-	739,434	-	-
Business License Taxes.....	31,000,000	27,068,289	87.3%	24,987,617
Transient Lodging Taxes.....	8,200,000	4,417,976	53.9%	4,533,880
Restaurant Meals Tax.....	10,700,000	6,581,203	61.5%	6,185,019
Tobacco Taxes.....	2,800,000	1,826,248	65.2%	1,720,967
Motor Vehicle License Tax.....	2,400,000	2,252,854	93.9%	2,288,763
Real Estate Recordation.....	5,125,640	3,764,547	73.4%	4,509,975
Admissions Tax.....	1,200,000	729,557	60.8%	785,597
Cell Phone Tax.....	2,400,000	1,397,452	58.2%	1,357,121
Other Local Taxes.....	3,829,000	1,445,565	37.8%	1,426,415
Total Other Local Taxes	<u>\$ 111,654,640</u>	<u>\$ 75,161,143</u>	67.3%	<u>\$ 73,326,205</u>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 5,328,909	\$ 3,155,079	59.2%	\$ 2,228,482
Personal Property Tax Relief from the Commonwealth.....	23,600,000	23,311,781	98.8%	22,002,220
Revenue from the Commonwealth.....	21,185,396	14,487,279	68.4%	15,091,291
Total Intergovernmental Revenues	<u>\$ 50,114,305</u>	<u>\$ 40,954,139</u>	81.7%	<u>\$ 39,321,993</u>
<b>Other Governmental Revenues And Transfers In</b>				
Fines and Forfeitures.....	\$ 4,072,300	\$ 2,441,641	60.0%	\$ 2,634,793
Licenses and Permits.....	4,909,800	4,141,409	84.3%	3,656,061
Charges for City Services.....	10,988,543	5,755,208	52.4%	8,552,082
Revenue from Use of Money & Property.....	8,644,000	7,567,701	87.5%	6,513,572
Other Revenue.....	427,000	424,127		734,999
Transfer from Sewer Fund.....	1,063,895	-	0.0%	-
Total Other Governmental Revenues	<u>\$ 30,105,538</u>	<u>\$ 20,330,086</u>	67.5%	<u>\$ 22,091,507</u>
<b>TOTAL REVENUE</b>	<b>\$ 490,520,945</b>	<b>\$ 302,700,734</b>	<b>61.7%</b>	<b>\$ 293,813,844</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	3,154,819	-	0.0%	-
Reappropriation of FY 2006 Encumbrances And Other Supplemental Appropriations.....	9,494,833	-	0.0%	-
<b>TOTAL</b>	<u><b>\$ 503,170,597</b></u>	<u><b>\$ 302,700,734</b></u>	<b>60.2%</b>	<u><b>\$ 293,813,844</b></u>

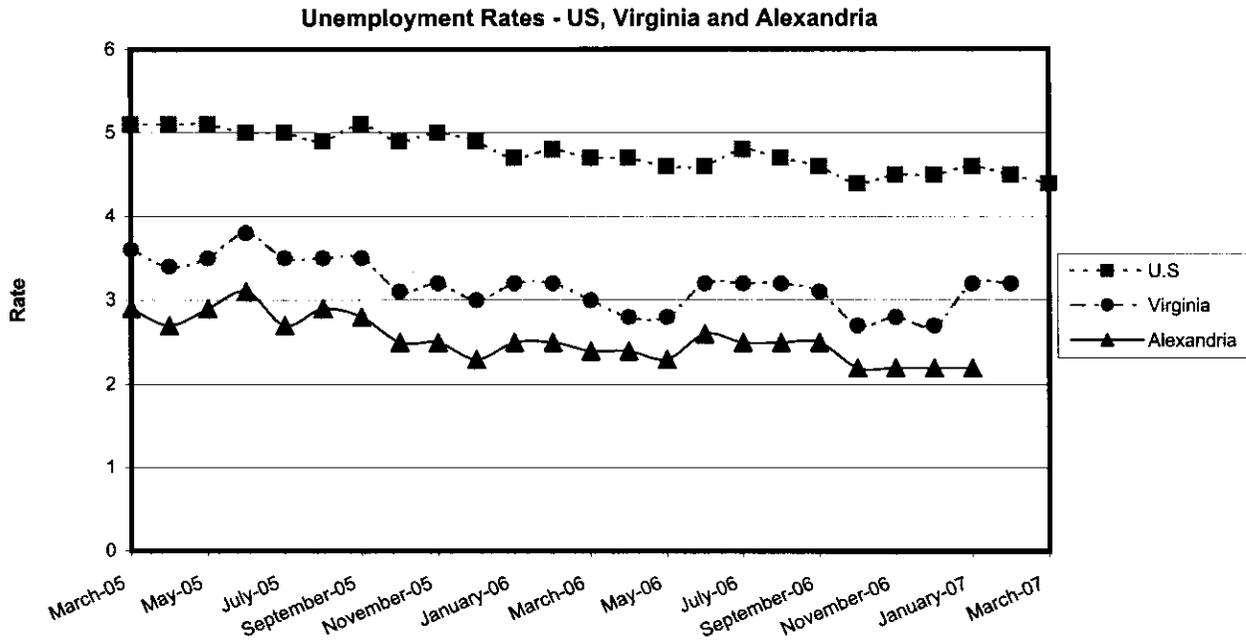
**CITY OF ALEXANDRIA, VIRGINIA  
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION  
GENERAL FUND  
FOR THE PERIODS ENDING MARCH 31, 2007 AND MARCH 31, 2006**

FUNCTION	FY2007	FY2007	% OF	FY2006
	APPROVED BUDGET	EXPENDITURES THRU 03/31/07		BUDGET
Legislative & Executive.....	\$ 6,327,498	\$ 4,247,881	67.1%	\$ 3,585,571
Judicial Administration.....	\$ 35,637,354	\$ 26,122,298	73.3%	\$ 24,211,399
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 8,283,530	\$ 5,488,592	66.3%	\$ 4,984,585
Management & Budget.....	1,173,351	809,368	69.0%	682,388
Finance.....	10,091,525	6,819,386	67.6%	5,484,256
Real Estate Assessment.....	1,521,042	1,009,402	66.4%	841,952
Personnel.....	3,156,379	2,304,523	73.0%	2,076,922
Planning & Zoning.....	5,620,332	3,312,060	58.9%	2,844,579
Economic Development Activities.....	2,798,072	2,730,892	97.6%	2,679,074
City Attorney.....	3,185,009	3,397,978	106.7%	1,658,998
Registrar.....	1,088,476	773,412	71.1%	680,758
General Services.....	12,638,040	9,434,772	74.7%	8,440,060
<b>Total Staff Agencies</b>	<b>\$ 49,555,756</b>	<b>\$ 36,080,385</b>	<b>72.8%</b>	<b>\$ 30,373,572</b>
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 25,803,876	\$ 18,699,586	72.5%	\$ 16,834,871
Fire.....	35,749,973	26,700,790	74.7%	24,486,700
Police.....	49,425,375	36,210,007	73.3%	33,238,107
Transit Subsidies.....	6,825,042	5,019,083	73.5%	5,653,459
Mental Health/Mental Retardation/ Substance Abuse.....	520,755	422,251	81.1%	480,174
Health.....	7,920,603	5,848,550	73.8%	5,479,224
Human Services.....	11,705,975	9,307,644	79.5%	8,212,222
Historic Resources.....	2,758,869	1,910,340	69.2%	1,826,761
Recreation.....	20,308,880	14,588,244	71.8%	13,536,405
<b>Total Operating Agencies</b>	<b>\$ 161,019,348</b>	<b>\$ 118,706,495</b>	<b>73.7%</b>	<b>\$ 109,747,923</b>
<b>Education</b>				
Schools.....	\$ 149,873,621	\$ 97,220,603	64.9%	\$ 87,934,934
Other Educational Activities.....	12,548	12,548	100.0%	12,990
<b>Total Education</b>	<b>\$ 149,886,169</b>	<b>\$ 97,233,151</b>	<b>64.9%</b>	<b>\$ 87,947,924</b>
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 31,094,403	\$ 13,203,001	42.5%	\$ 12,752,181
Non-Departmental.....	11,809,221	4,748,935	40.2%	7,684,365
Cash Capital.....	4,854,808	4,854,808	100.0%	18,859,735
Contingent Reserves.....	330,757	-	-	-
<b>Total Capital, Debt Service and Miscellaneous</b>	<b>\$ 48,089,189</b>	<b>\$ 22,806,744</b>	<b>47.4%</b>	<b>\$ 39,296,281</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 450,515,314</b>	<b>\$ 305,196,954</b>	<b>67.7%</b>	<b>\$ 295,162,670</b>
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...</b>				
Transfer to Housing.....	33,887,830	-	0.0%	1,639,815
Transfer to Library.....	4,385,398	942,694	21.5%	772,416
Transfer to DASH.....	7,045,031	5,283,773	75.0%	4,828,822
Transfer to DASH.....	7,337,024	5,502,768	75.0%	4,756,400
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 503,170,597</b>	<b>\$ 316,926,189</b>	<b>63.0%</b>	<b>\$ 307,160,123</b>

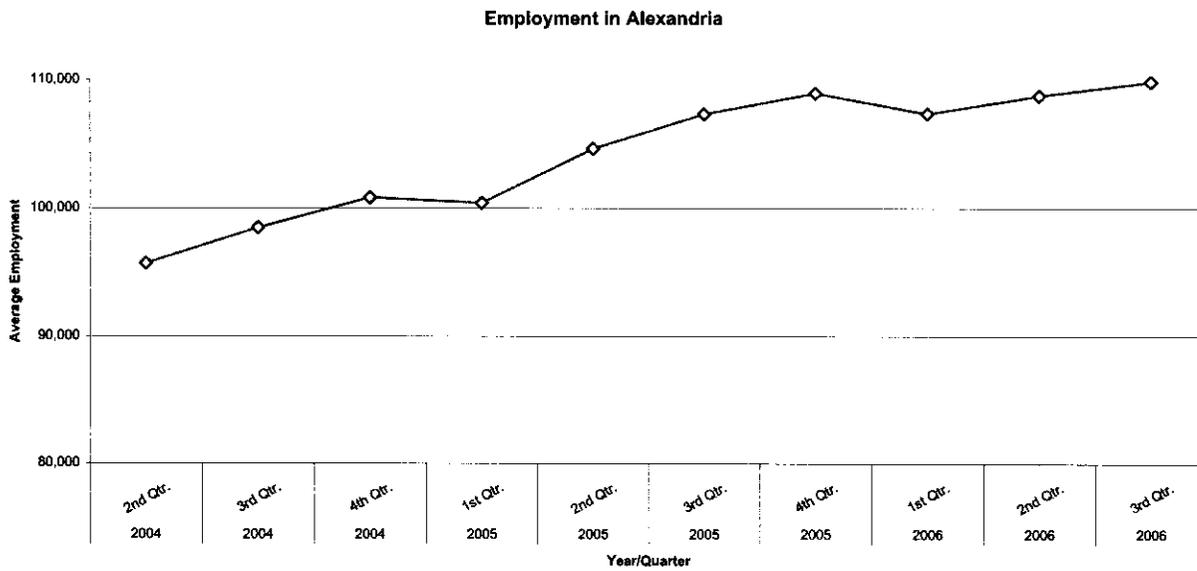
**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<b><u>Consumer Price Index (CPI-U)</u></b> for the Washington-Baltimore, DC-MD-VA-WV Area (As of January 31, 2007) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	129.9	126.3	+2.9%
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b> (As of January 31, 2007)	2.2%	2.5%	-12%
<b>Virginia</b> (As of February 28, 2007) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	3.2%	3.2%	0%
<b>United States</b> (As of March 31, 2007) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.4%	4.7%	-6%
<b><u>Interest Rates</u></b> (As of March 31, 2007)			
<b>Prime Rate</b>	8.25%	7.75%	+6%
<b>Federal Fund Rate</b> (Source: SunTrust Economic Monitor)	5.27%	4.47%	+18%
<b><u>New Business Licenses</u></b> (During March) (Source: Finance Department, Business Tax Branch)	103	89	+16%
<b><u>Office Vacancy Rates</u></b> (As of December 31, 2006)			
<b>Alexandria</b>	11.4%	6.7%	+70%
<b>Northern Virginia</b>	13.1%	12.9%	+2%
<b>Washington DC Metro Area</b> (Source: Grubb & Ellis)	11.6%	10.4%	+12%
<b><u>New Commercial Construction</u></b> (for the eight months ending February 28, 2007)			
<b>Number of New Building Permits</b>	5	7	-29
<b>Value of New Building Permits</b> (Source: Fire Department Code Enforcement Bureau)	\$57.6	\$15.2	+278%
<b><u>Residential Real Estate Indicators</u></b> (for the two months ending February 28, 2007)			
<b>Residential Dwelling Units Sold</b>	344	337	+2%
<b>Average Residential Sales Price</b> (Source: Department of Real Estate Assessments)	\$466,255	\$500,771	-7%

City of Alexandria  
Selected Economic Indicators



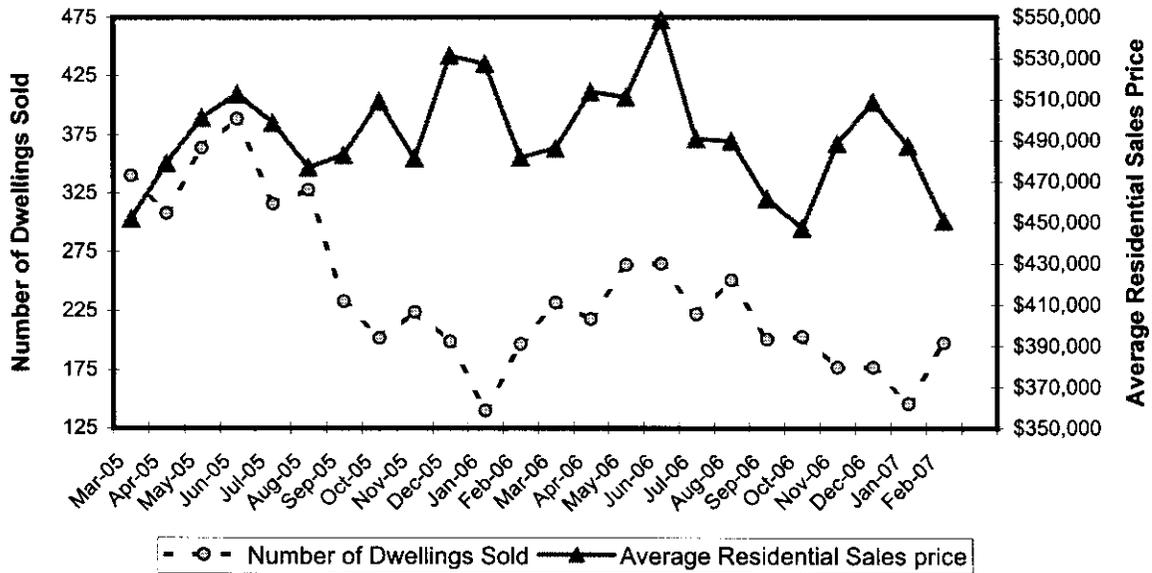
Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)



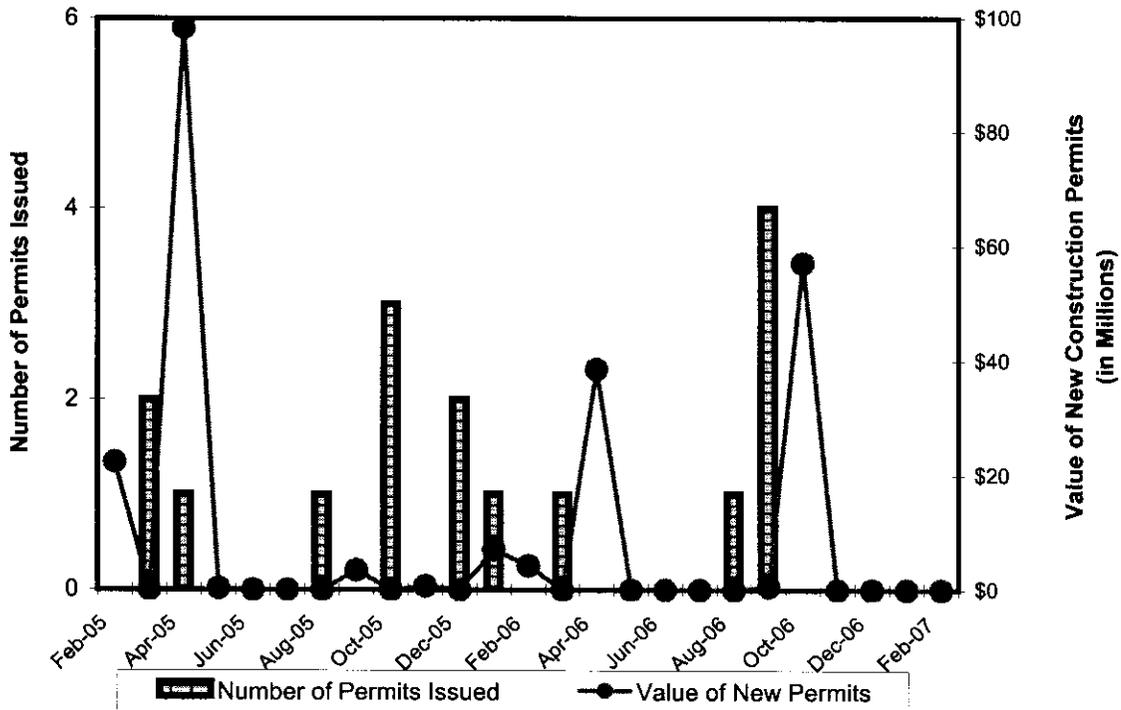
Source: Virginia Employment Commission, adjusted for Patent Trademark Office

City of Alexandria  
Selected Economic Indicators

Selected Residential Real Estate Indicators

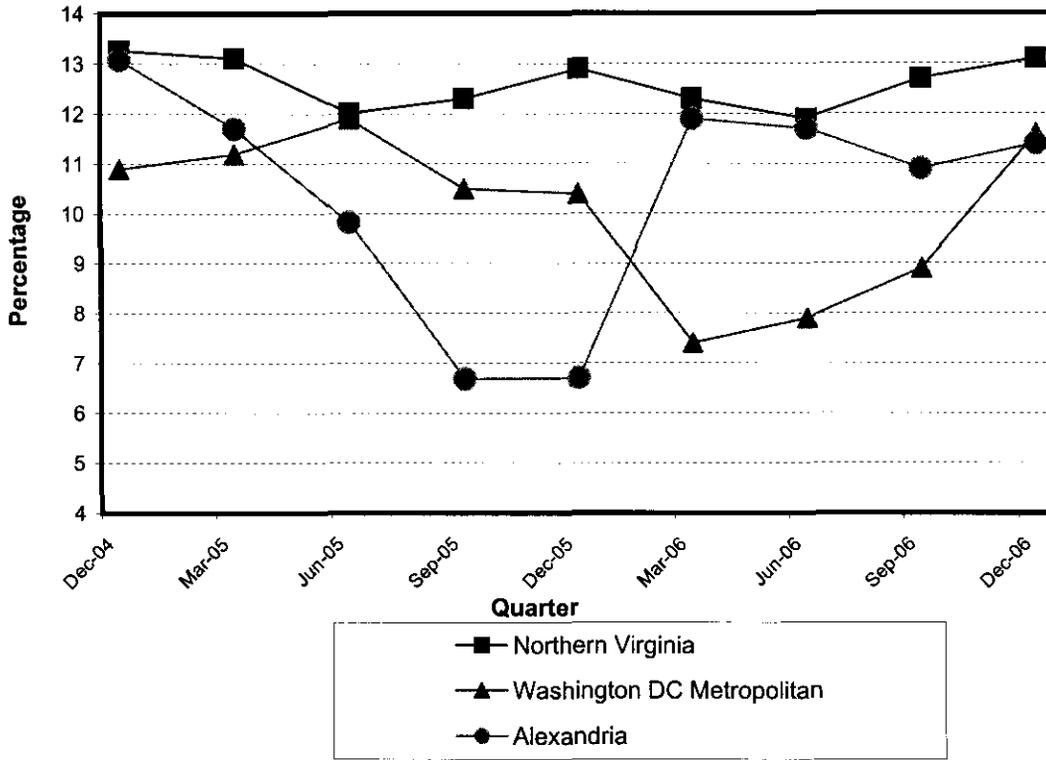


Alexandria New Commercial Construction  
Number of Permits and  
Value of New Construction Permits

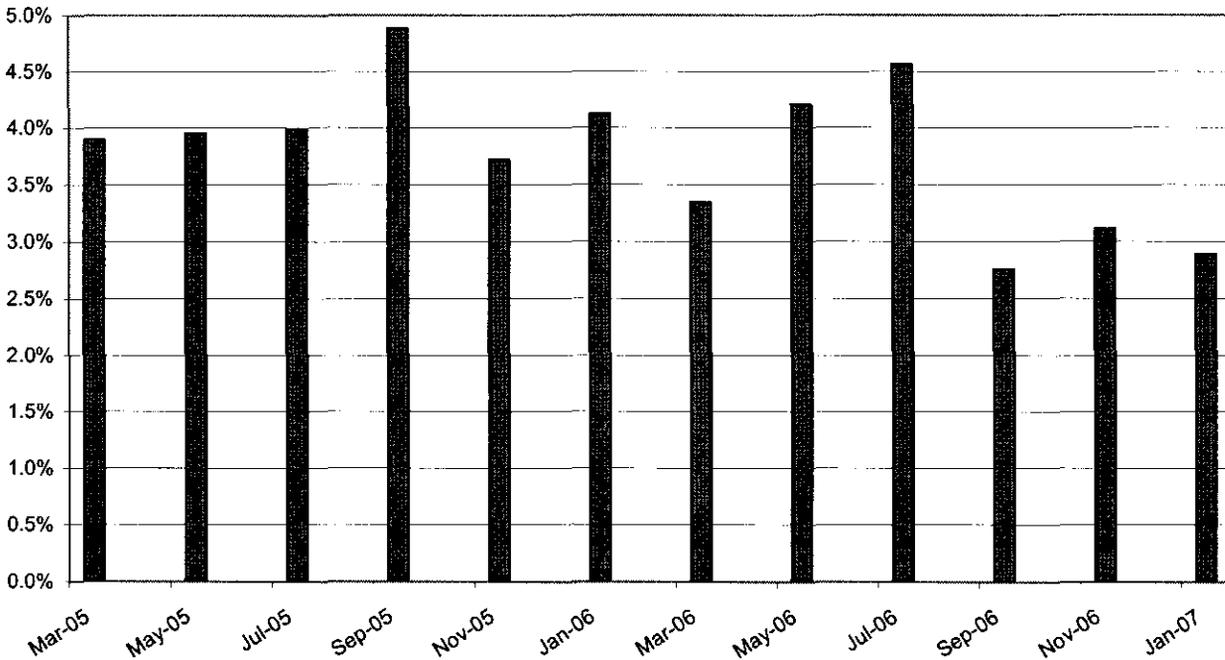


**City of Alexandria  
Selected Economic Indicators**

**Office Vacancy Rates**

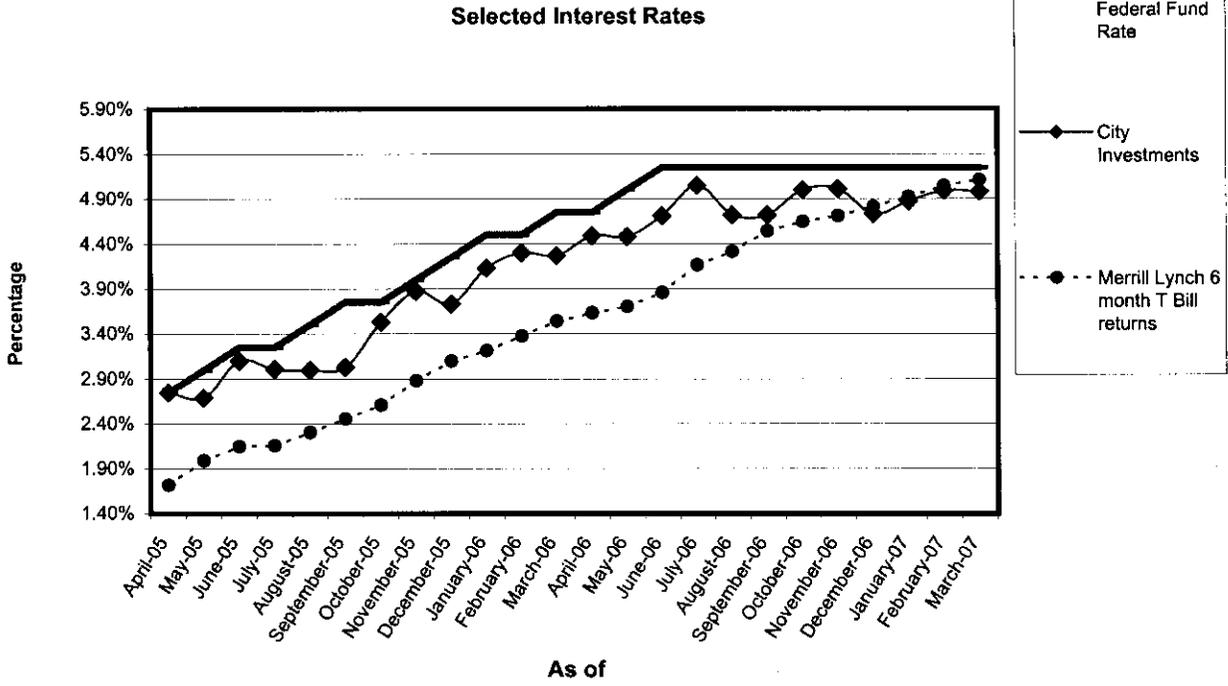


**Twelve Month Annualized Percentage Change in Consumer Price Index  
Washington/Baltimore**

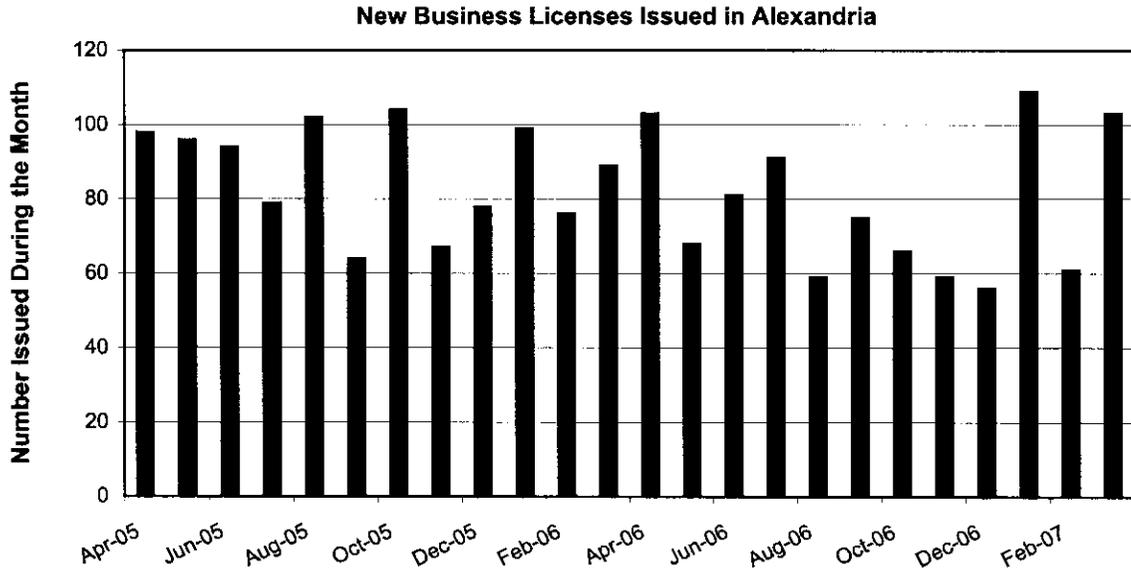


Source: United States Department of Labor, Bureau of Labor Statistics

**City of Alexandria  
Selected Economic Indicators**



Source: Suntrust Economic Monitor



*City of Alexandria, Virginia*

## MEMORANDUM

DATE: APRIL 3, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #33: FY 2007 AND FY 2008 FINAL REVENUE PROJECTIONS AND ADJUSTMENTS

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Annually, at the beginning of April, City staff reprojects current fiscal year and subsequent fiscal year revenues. The results of those projections show a projected overall \$3.5 million increase in projected revenues for FY 2008. No net change is estimated for FY 2007.

City staff estimates an increase of \$3.5 million in FY 2008 revenue estimates compared to the revenue estimates outlined in the Proposed FY 2008 budget document. The largest two changes for FY 2008 are a \$1.1 million increase in federal government prisoner per diem payment revenues and a \$1.9 million increase in real estate revenues from changing the prior estimate of a 0% increase in the calendar year 2008 real estate tax assessments to a 1.4% increase. This projected increase derives entirely from commercial assessments as well as new construction. No net change to total FY 2007 revenues is shown in the FY 2007 Revenue Adjustments table on page two of this report, although individual estimates have changed. The FY 2007 adjustments described below reflect current policies and do not reflect options presented to Council in Budget Memo #14 for changes to the City Manager's proposed 81.5 cent real estate tax rate and other tax rates.

The FY 2007 and FY 2008 revenue estimates in the Proposed FY 2007 Budget document were based on revenues and trends through December 2006. The latest estimates are based on revenue collections through the first half of March 2006. Staff will continue to monitor actual revenues and adjust monthly the revenue projections for the current fiscal year in the context of the Monthly Financial Report. Based on actual receipts and trends through the first half of March, the FY 2008 revenue estimates are recommended to be adjusted as listed on the next pages. These revenue adjustments will be reflected on the final Add/Delete list.

One item of major remaining concern is the fact that the initial revenues from the statewide just-implemented 5% telecommunications tax are coming in significantly under the State's prior projections. This may be a collection and reporting ramp-up problem, so no reduction in the previously projected FY 2007 and FY 2008 revenues is proposed at this time. However, this situation (which is a statewide issue) will continue to be monitored to see if a reduction in projected FY 2007 and FY 2008 revenues should be made prior to the FY 2008 budget adoption May 7.

**FY 2007 Revenue Adjustments**

<b>FY 2007 Revenue Adjustment</b>	<b>Description</b>
-\$0.2 million	Decrease in Bank Franchise Fee from \$1.8 million to \$1.6 million is based on lower than expected year to date collections compared to FY 2006.
-\$0.1 million	Decrease in Transient Lodging Tax from \$7.8 million to \$7.7 million is based on lower than expected occupancy rates for FY 2007.
TBD	Communications Sales and Use Tax. Initial telecommunications revenues from the recently implemented 5% tax are coming in significantly lower than the State's prior projections. This may be a ramp-up problem, so no reduction in previously projected revenues is proposed at this time.
+\$0.4 million	Increase in Intergovernmental Revenues from \$51.6 million to \$52.0 million is due to an increase in State Compensation Board revenues (\$220,000) from additional reimbursement claimed for Sheriff's deputies and the correction of a technical error, and renegotiation of a contract with Federal government increasing the number of guaranteed beds for Federal prisoners and daily reimbursement rate (\$190,000). This doesn't include newly negotiated gradual Federal repayment of jail construction costs of \$40,000 in FY 2007 which will be allocated for jail capital improvements in the CIP.
-\$0.1 million	Decrease in Interest on General Fund Investments from \$7.0 million to \$6.9 million due to slightly lower than expected returns for the first half of 2007.
<b>+\$0.0 million</b>	<b>Total Change</b>

**FY 2008 Revenue Adjustments**

<b>FY 2008 Revenue Adjustment</b>	<b>Description</b>
+1.9 million	Increase in Real Property Tax revenues from \$271.2 million to \$273.1 million based on reprojected of CY 2008 real estate assessments of 0% appreciation for single family, -5.0% for condominiums, +5.0% for multi-family rentals, +2.4% for office /general commercial, 0% for non-locally assessed property, and 1.2% for new construction. This results in a total projected 1.4% increase in the 2008 real estate tax base.
-\$0.2 million	Decrease in Bank Franchise Fee from \$1.8 million to \$1.6 million is based on lower than expected collections to date in FY 2007.
+\$0.3 million	Increase in Transient Lodging tax from \$8.3 million to \$8.6 million is based primarily on expected new revenues from the Westin Hotel, scheduled to open in November 2007.
-\$0.2 million	Decrease in Restaurant Food from \$10.6 million to \$10.4 million is based on slowing rates of growth of tax collection in this area in recent years, reducing the projected increase in FY 2008 from 3.9% to 2.2%.
TBD	Communications Sales and Use Tax. Initial telecommunications revenues from the recently implemented 5% tax are coming in significantly lower than the State's prior projections. This may be a ramp-up problem, so no reduction in previously projected revenues is proposed at this time.
+\$1.7 million	Increase in Intergovernmental Revenues from \$51.5 million to \$53.2 million due to additional reimbursement from the State Compensation Board (\$450,000) based on a one percentage point higher than expected state salary increase, additional reimbursement claimed for Sheriff's deputies, and the correction of a technical error, updated HB599 revenue estimate from state (\$110,000), renegotiated contract with the Federal government increasing the number of guaranteed beds for Federal prisoners and daily reimbursement rate (\$1.1 million). This does not include the newly negotiated Federal gradual repayment of jail constructions costs (\$215,000 in FY 2008) which will be allocated for jail capital improvements in the CIP.
+\$0.2 million	Increase in Interest on General Fund investments from \$6.5 million to \$6.7 million due to higher recent inflation numbers that have reduced the previously estimated significant reduction of interest rates.
-\$0.2 million	Sale of Impound Lot Vehicles. The impound lot is proposed to be closed, and as a result, those vehicle sale funds which would be used to offset the costs of the contract for running the vehicle impound activity would no longer be earned by the City
<b>+\$3.5 million</b>	<b>Total Change</b>