

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 16, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

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

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

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

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the three months ended October 31, 2006. This report presents revenues and expenditures for the same period for fiscal year (FY) 2006 for comparative purposes (Attachments 1 and 2) and provides charts of selected economic indicators (Attachment 3). The economic indicators underscore the information presented at the Council Retreat on November 4. While the overall City economy is sound and the annual rate of inflation has slowed to 2.8%, office vacancy rates have increased to 11.7% and City residential sales for the first nine months of 2006 have dropped 28% compared to 2005. While the average residential sales price has slightly increased, that is due to the slow down in the sales of lower priced condominiums. For 2007 assessments, currently the projection is that the average residential assessment will drop 1.9% with single family homes generally showing no change in value and condominiums showing an average drop in value of 6%. As also discussed at the Council Retreat, the Monthly Financial Report will now always include at-place employment data (Attachment 3) which is the primary measure of jobs based in Alexandria.

REVENUES (Attachment 1): As of October 31, 2006, actual General Fund revenues totaled \$102.8 million, an increase of \$5.1 million over the same period last year. This is primarily attributable to the timing of real estate taxes received before the due date.

Real Property Taxes: Second half real estate taxes are due November 15. Revenues-to-date are \$24.5 million and represent payments before the due date. The increase is attributable to the

timing of taxes received before the due date. Final analysis cannot be concluded for the remaining 2006 calendar year real estate tax revenues until receipts are tabulated after November 15, but a continued high collection rate is expected.

Personal Property Taxes: Collections-to-date of \$30.5 million are 4.2 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 business tangible equipment). The budget also 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 is now capped and 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. The total for all budgeted revenues related to personal property tax for FY 2007 is \$55.1 million. An early analysis of the August personal property tax billing projects that the FY 2007 personal property tax collection (vehicle and business property and State reimbursement) will likely exceed the budget by as much as \$1.5 million. This assumption of additional revenue was reflected in the City’s recent FY 2008 budget projections. 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 | \$ 29.2 | \$ 31.5 | \$ 30.5 |
| Commonwealth reimbursement | <u>19.1</u> | <u>23.6</u> | <u>12.0</u> |
| Total | \$ 48.3 | \$ 55.1 | \$ 42.5 |

The associated personal property tax relief payment included in intergovernmental revenue is lower than that collected in the previous year 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, or about half of the State tax relief payment, in August. The next payment of \$10.6 million is scheduled to be paid 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 2007 Year-to-Date Receipts | FY 2006 Year-to-Date Receipts | Increase/ (Decrease) |
|--------------------------------------|-------------------------------------|-------------------------------------|-------------------------|
| Telephone - Tax on Local Services | \$1,739,499 | \$1,484,692 | \$254,807 |
| Electricity | 1,467,583 | 1,502,269 | (34,686) |
| Water | 551,336 | 559,111 | (7,775) |
| Natural Gas | 458,551 | 460,159 | (1,608) |

The increase in telephone tax represents the timing of the receipt of payment from the largest provider. Based on FY 2006 collections to date, it is likely that telephone tax revenues for landline phones will continue to decrease.

Business License Taxes: The City's business license tax is due March 1. Collections-to-date, in the amount of \$1.4 million, represent filings by new businesses and payments on delinquent accounts.

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 \$1.5 million represent a decrease of \$0.3 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 \$0.7 million reflect cell phone tax revenue remitted to the City through October.

Intergovernmental Revenues: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$1.4 million for housing federal prisoners through the period ending October 31, 2006. However, one payment had been received as of October 31. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period.

Charges for Services: 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.

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. This is projected to lead to an increase in expected earnings from short-term investments by about \$1.0 million. This assumption of additional revenues was reflected in the City's recent FY 2008 budget projections.

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 to the General Fund when the associated debt service is paid.

EXPENDITURES (Attachment 2): As of October 31, 2006, actual General Fund expenditures totaled \$133.0 million, a decrease of \$1.5 million, or 1.1 percent, below expenditures for the same period last year primarily for a budgeted decrease in the City's planned transfer to its Capital Projects Fund. 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.

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

Other Planning Activities: General Fund expenditures in this category reflect the first two quarter contribution payments to community agencies.

Transit Subsidies: Expenditures-to-date reflect the City's first two quarterly payments to the Washington Metropolitan Area Transit Authority (WMATA) for FY 2007.

Human Services: Expenditures-to-date reflect the City's first two quarterly payments to human service agencies.

Recreation: Expenditures reflect seasonal employee costs incurred during the summer.

Schools: The School Administration has reported \$49.1 million in expenses through October 31, 2006. The City's General Fund share of total School budgeted expenditures is approximately 76.0 percent of the total expenditures. This percentage was applied to total school disbursements to estimate school expenditures-to-date in the amount of \$37.3 million (i.e., 76.0 percent of \$49.1 million).

Other Education Activities: Expenditures-to-date reflect the first two 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. The increase is primarily attributable to a budgeted increase in the payment made for the greatly expanded Affordable Home Ownership real estate relief program, as well as for the closed public safety pension plan.

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

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 OCTOBER 31, 2006 AND OCTOBER 31, 2005

| | FY2007 APPROVED BUDGET | FY2007 REVENUES THRU 10/31/06 | % OF BUDGET | FY2006 REVENUES THRU 10/31/05 |
|---|------------------------------|-------------------------------------|----------------|-------------------------------------|
| General Property Taxes | | | | |
| Real Property Taxes..... | \$ 265,646,462 | \$ 24,453,406 | 9.2% | \$ 16,004,607 |
| Personal Property Taxes..... | 31,500,000 | 30,468,152 | 96.7% | 29,245,437 |
| Penalties and Interest..... | 1,500,000 | 217,965 | 14.5% | 412,036 |
| Total General Property Taxes | \$ 298,646,462 | \$ 55,139,523 | | \$ 45,662,080 |
| Other Local Taxes | | | | |
| Local Sales and Use Taxes..... | \$ 26,100,000 | 4,096,855 | 15.7% | \$ 3,877,825 |
| Consumer Utility Taxes..... | 17,900,000 | 4,216,969 | 23.6% | 4,006,231 |
| Business License Taxes..... | 31,000,000 | 1,369,506 | 4.4% | 834,738 |
| Transient Lodging Taxes..... | 8,200,000 | 1,800,212 | 22.0% | 1,706,475 |
| Restaurant Meals Tax..... | 10,700,000 | 2,459,781 | 23.0% | 2,112,410 |
| Tobacco Taxes..... | 2,800,000 | 711,565 | 25.4% | 736,142 |
| Motor Vehicle License Tax..... | 2,400,000 | 1,865,863 | 77.7% | 1,896,000 |
| Real Estate Recordation..... | 5,125,640 | 1,545,667 | 30.2% | 1,810,135 |
| Admissions Tax..... | 1,200,000 | 269,827 | 22.5% | 311,254 |
| Cell Phone Tax..... | 2,400,000 | 715,267 | 29.8% | 191,212 |
| Other Local Taxes..... | 3,829,000 | 618,414 | 16.2% | 505,812 |
| Total Other Local Taxes | \$ 111,654,640 | \$ 19,669,926 | 17.6% | \$ 17,988,234 |
| Intergovernmental Revenues | | | | |
| Revenue from the Federal Government..... | \$ 5,328,909 | \$ 546,827 | 10.3% | \$ 442,687 |
| Personal Property Tax Relief from the Commonwealth..... | 23,600,000 | 11,990,018 | 50.8% | 19,126,432 |
| Revenue from the Commonwealth..... | 21,185,396 | 5,853,849 | 27.6% | 5,673,850 |
| Total Intergovernmental Revenues | \$ 50,114,305 | \$ 18,390,694 | 36.7% | \$ 25,242,969 |
| Other Governmental Revenues And Transfers In | | | | |
| Fines and Forfeitures..... | \$ 4,072,300 | \$ 980,470 | 24.1% | \$ 1,146,612 |
| Licenses and Permits..... | 4,909,800 | 2,040,224 | 41.6% | 1,745,729 |
| Charges for City Services..... | 10,988,543 | 3,178,873 | 28.9% | 3,151,666 |
| Revenue from Use of Money & Property..... | 8,644,000 | 3,161,235 | 36.6% | 2,221,755 |
| Other Revenue..... | 427,000 | 211,138 | | 484,757 |
| Transfer from Sewer Fund..... | 1,063,895 | - | 0.0% | - |
| Total Other Governmental Revenues | \$ 30,105,538 | \$ 9,571,940 | 31.8% | \$ 8,750,519 |
| TOTAL REVENUE | \$ 490,520,945 | \$ 102,772,083 | 21.0% | \$ 97,643,802 |
| Appropriated Fund Balance | | | | |
| General Fund..... | 3,154,819 | - | 0.0% | - |
| Reappropriation of FY 2006 Encumbrances And Other Supplemental Appropriations..... | - | - | 0.0% | - |
| TOTAL | \$ 493,675,764 | \$ 102,772,083 | 20.8% | \$ 97,643,802 |

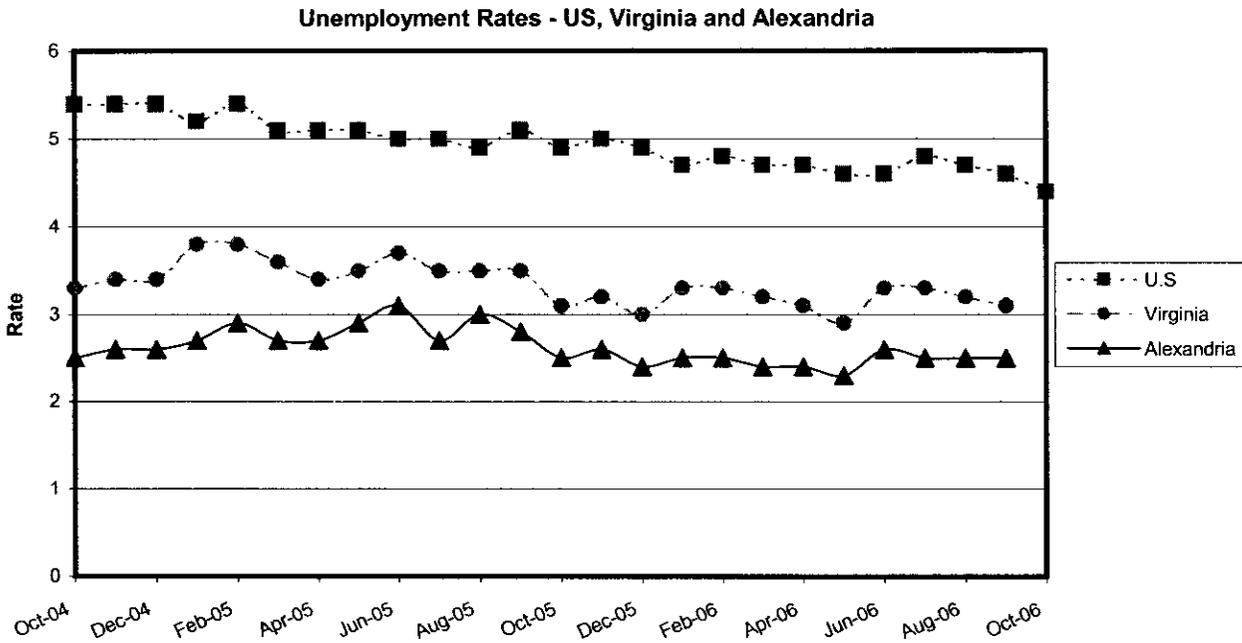
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING OCTOBER 31, 2006 AND OCTOBER 31, 2005

| FUNCTION | FY2007 | FY2007 | % OF | FY2006 |
|--|--------------------|-------------------------------|--------|----------------|
| | APPROVED BUDGET | EXPENDITURES THRU 10/31/06 | | BUDGET |
| Legislative & Executive..... | \$ 5,920,849 | \$ 1,792,386 | 30.3% | \$ 1,503,075 |
| Judicial Administration..... | \$ 34,752,220 | \$ 11,750,966 | 33.8% | \$ 10,400,660 |
| Staff Agencies | | | | |
| Information Technology Services..... | \$ 7,886,468 | \$ 2,193,481 | 27.8% | \$ 2,140,387 |
| Management & Budget..... | 1,118,851 | 357,124 | 31.9% | 271,896 |
| Finance..... | 8,650,724 | 2,948,203 | 34.1% | 2,277,306 |
| Real Estate Assessment..... | 1,482,679 | 386,520 | 26.1% | 349,892 |
| Personnel..... | 3,112,879 | 1,056,405 | 33.9% | 950,352 |
| Planning & Zoning..... | 4,247,618 | 1,253,634 | 29.5% | 1,117,972 |
| Other Planning Activities..... | 2,798,072 | 1,275,988 | 45.6% | 1,236,684 |
| City Attorney..... | 2,553,609 | 733,006 | 28.7% | 655,732 |
| Registrar..... | 1,070,781 | 333,541 | 31.1% | 283,454 |
| General Services..... | 12,470,596 | 3,509,192 | 28.1% | 3,230,513 |
| Total Staff Agencies | \$ 45,392,277 | \$ 14,047,094 | 30.9% | \$ 12,514,188 |
| Operating Agencies | | | | |
| Transportation & Environmental Services..... | \$ 25,031,982 | \$ 8,956,631 | 35.8% | \$ 7,627,228 |
| Fire..... | 35,345,199 | 11,665,234 | 33.0% | 10,284,690 |
| Police..... | 49,062,143 | 16,167,378 | 33.0% | 14,451,583 |
| Transit Subsidies..... | 6,825,042 | 3,089,583 | 45.3% | 3,542,429 |
| Mental Health/Mental Retardation/ | | | | |
| Substance Abuse..... | 520,755 | 276,105 | 53.0% | 307,838 |
| Health..... | 7,762,441 | 1,209,810 | 15.6% | 1,205,483 |
| Human Services..... | 11,354,084 | 4,620,135 | 40.7% | 3,365,163 |
| Historic Resources..... | 2,667,623 | 796,011 | 29.8% | 801,910 |
| Recreation..... | 19,812,500 | 6,652,388 | 33.6% | 6,205,962 |
| Total Operating Agencies | \$ 158,381,769 | \$ 53,433,275 | 33.7% | \$ 47,792,286 |
| Education | | | | |
| Schools..... | \$ 149,873,621 | \$ 37,332,281 | 24.9% | \$ 34,079,445 |
| Other Educational Activities..... | 12,548 | 6,274 | 50.0% | 6,495 |
| Total Education | \$ 149,886,169 | \$ 37,338,555 | 24.9% | \$ 34,085,940 |
| Capital, Debt Service and Miscellaneous | | | | |
| Debt Service..... | \$ 29,606,972 | \$ 914,110 | 3.1% | \$ 995,360 |
| Non-Departmental..... | 11,762,087 | 3,937,965 | 33.5% | 3,679,169 |
| Cash Capital..... | 4,579,105 | 4,579,105 | 100.0% | 18,859,735 |
| Contingent Reserves..... | 336,500 | - | - | - |
| Total Capital, Debt Service and Miscellaneous | \$ 46,284,664 | \$ 9,431,180 | 20.4% | \$ 23,534,264 |
| TOTAL EXPENDITURES | \$ 440,617,948 | \$ 127,793,456 | 29.0% | \$ 129,830,413 |
| Cash Match (Mental Health/Mental Retardation/ | | | | |
| Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)... | 33,606,921 | - | 0.0% | - |
| Transfer to Housing..... | 5,172,340 | 398,403 | 7.7% | 340,094 |
| Transfer to Library..... | 6,941,531 | 2,313,612 | 33.3% | 2,145,928 |
| Transfer to DASH..... | 7,337,024 | 2,445,430 | 33.3% | 2,113,788 |
| TOTAL EXPENDITURES & TRANSFERS | \$ 493,675,764 | \$ 132,950,901 | 26.9% | \$ 134,430,223 |

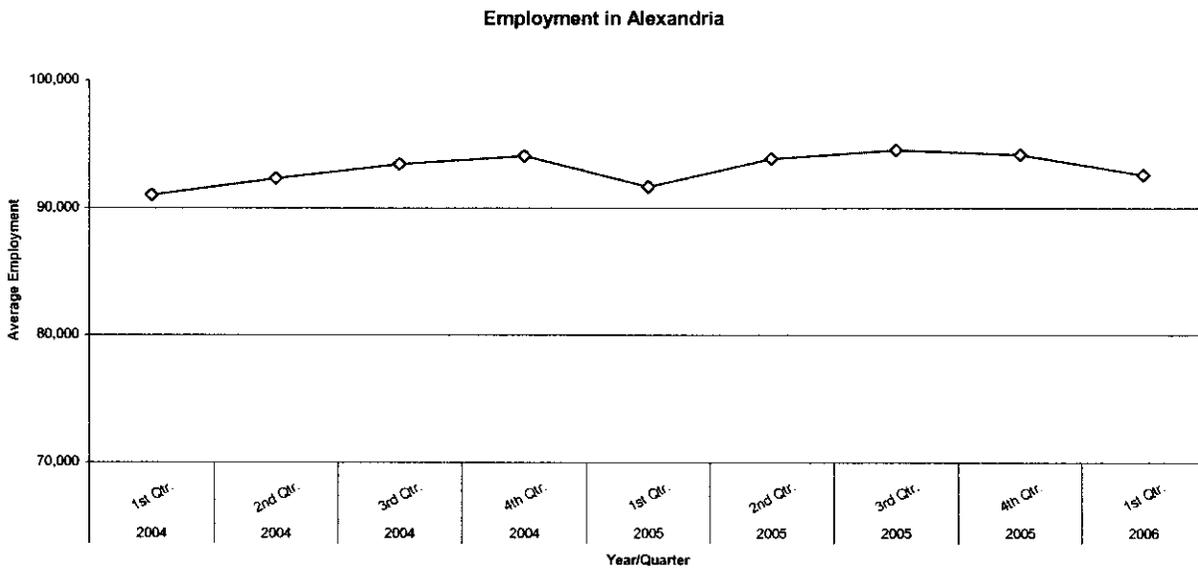
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

| | <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 September 30, 2006) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics) | 130.2 | 126.7 | +2.8% |
| <u>Unemployment Rates</u> | | | |
| Alexandria | 2.5% | 2.8% | -11% |
| Virginia (As of September 30, 2006) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted) | 3.1% | 3.5% | -11% |
| <u>United States</u> (As of October 31, 2006) (Source: United States Department of Labor, Bureau of Labor Statistics) | 4.4% | 4.9% | -10% |
| <u>Interest Rates</u> (As of October 31, 2006) | | | |
| Prime Rate | 8.25% | 6.75% | +22% |
| Federal Fund Rate (Source: SunTrust Economic Monitor) | 5.25% | 3.75% | +40% |
| <u>New Business Licenses</u> (During October) (Source: Finance Department, Business Tax Branch) | 66 | 104 | -37% |
| <u>Office Vacancy Rates</u> (As of June 30, 2006) | | | |
| Alexandria | 11.7% | 9.8% | +19% |
| Northern Virginia | 11.9% | 12.0% | -1% |
| Washington DC Metro Area (Source: Grubb & Ellis) | 7.9% | 11.9% | -34% |
| <u>New Commercial Construction</u> (As of July 31, 2006) | | | |
| Number of New Building Permits | 5 | 1 | +400% |
| Value of New Building Permits (Source: Fire Department Code Enforcement Bureau) | \$57.6 | \$3.4 | +1,594% |
| <u>Residential Real Estate Indicators</u> (for the nine months ended September 30, 2006) | | | |
| Residential Dwelling Units Sold | 1,990 | 2,752 | -28% |
| Average Residential Sales Price (Source: Department of Real Estate Assessments) | \$501,833 | \$478,161 | +5% |

**City of Alexandria
Selected Economic Indicators**



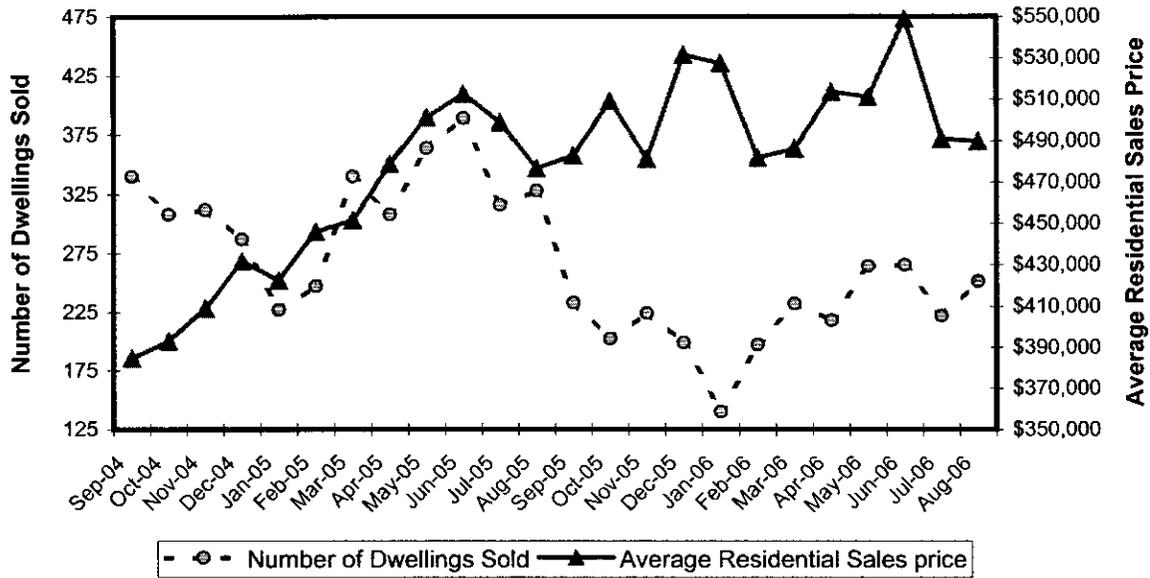
Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)



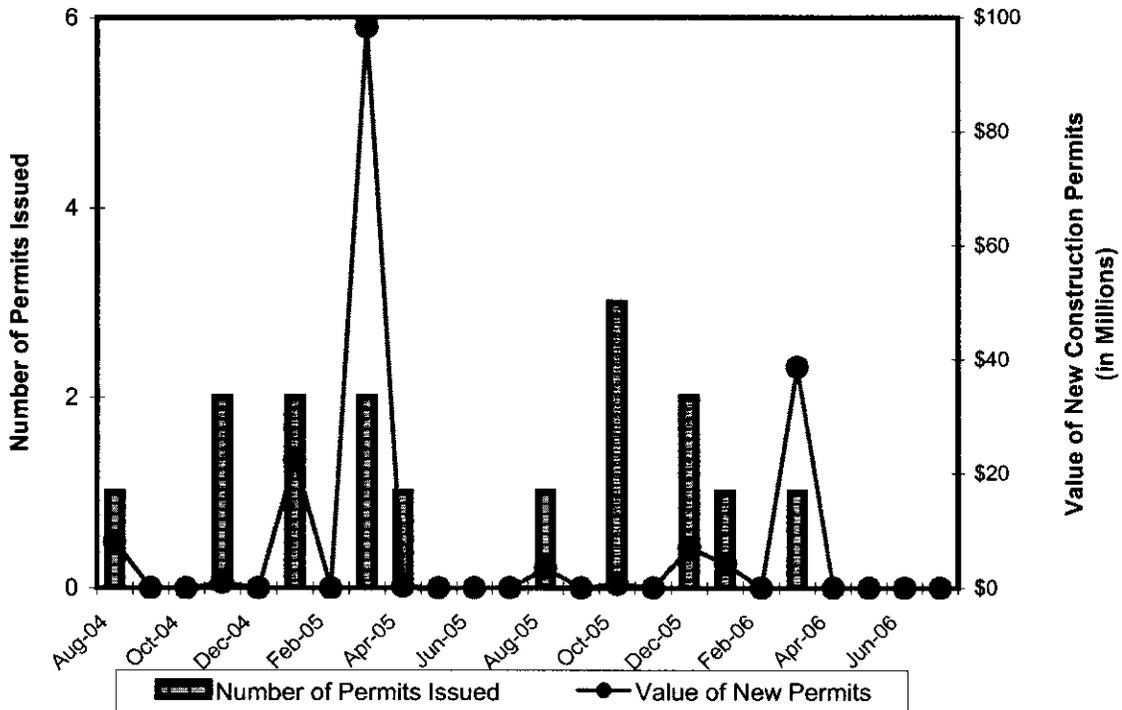
Source: Virginia Employment Commission

**City of Alexandria
Selected Economic Indicators**

Selected Residential Real Estate Indicators

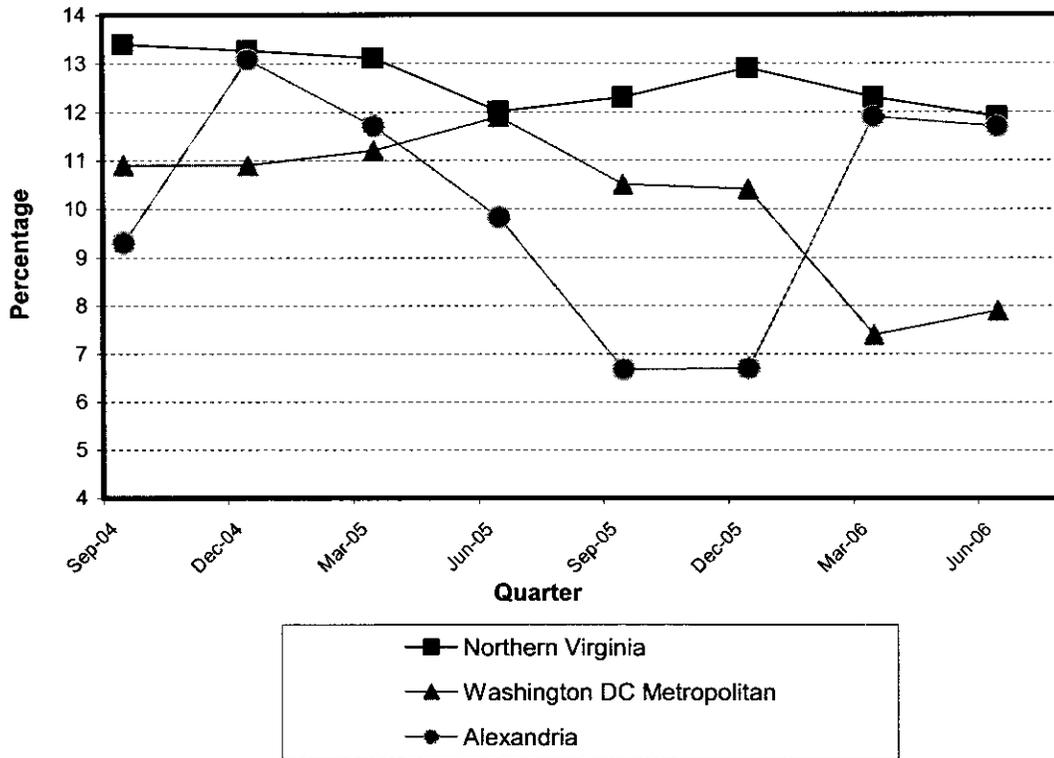


**Alexandria New Commercial Construction
Number of Permits and
Value of New Construction Permits**

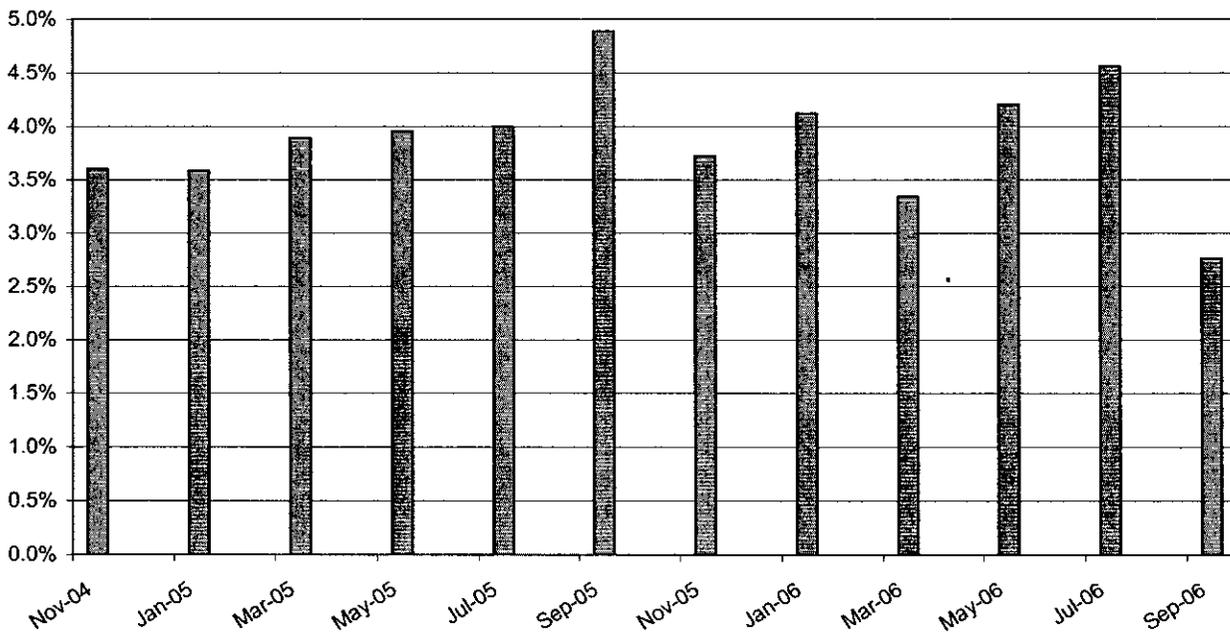


**City of Alexandria
Selected Economic Indicators**

Office Vacancy Rates

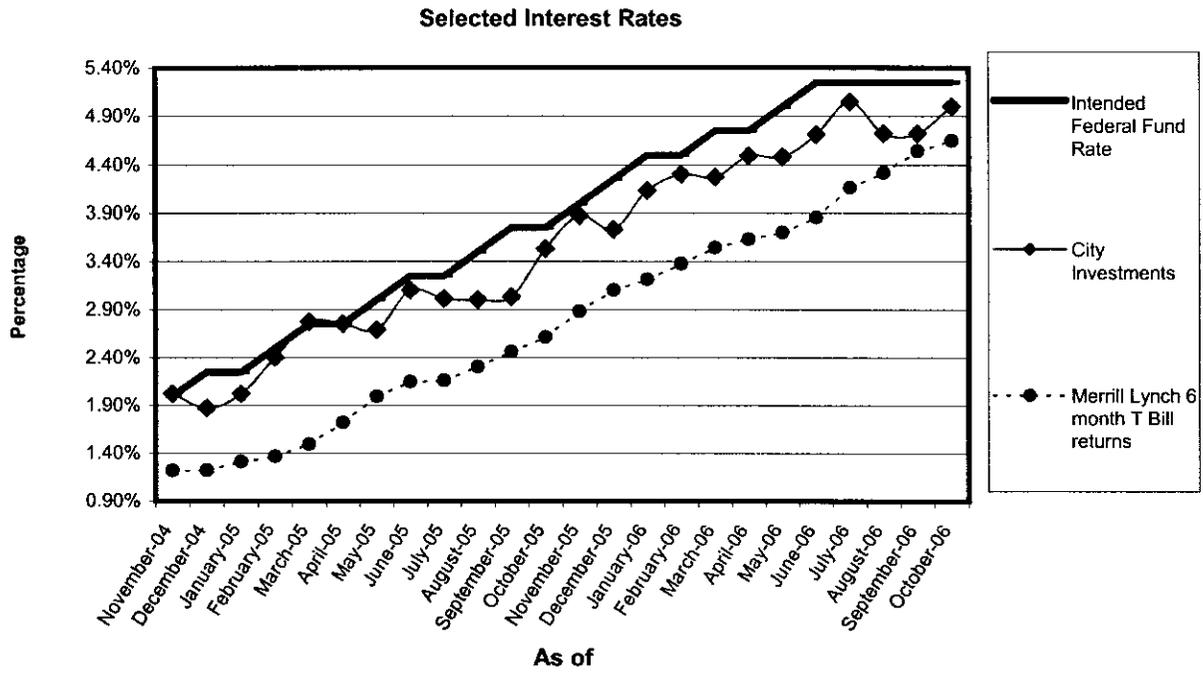


Twelve Month Annualized Percentage Change in Consumer Price Index
Washington/Baltimore



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

**City of Alexandria
Selected Economic Indicators**



Source: Suntrust Economic Monitor

