


City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 14, 2008
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER 
SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING MARCH 31, 2008

ISSUE: Monthly Financial Report for the period ending March 31, 2008.

RECOMMENDATION: That City Council received the following Monthly Financial Report for the period ending March 31, 2008.

MONTHLY HIGHLIGHTS:

ECONOMY AND REVENUES

- February 2008 real estate sales showed a significant decline compared to 2007. However, the average sales price showed a slight increase of 1.9 percent.
- As discussed with Council on April 8, General Fund FY 2008 revenue continues to trend negative as a result of a deteriorating national economy and its effect on our local economy. The revenue projections presented on April 8 represented a decrease of \$1.5 million from the approved budget or more than \$2.0 million less than the last revenue projections provided in February.
- Projected FY 2008 includes expenditures of \$2.0 million will offset that revenue loss.
- The impact of these FY 2008 revenue re-estimates resulted in FY 2009 revenue re-estimates also presented to Council on April 8 which projected a \$4.45 million revenue decline in FY 2009 when compared to prior estimates.

DISCUSSION: This report provides financial information on the revenues and expenditures of the General Fund for the nine months ending March 31, 2008, presents revenues and expenditures for the same period during FY 2007 for comparative purposes (Attachments 1 and 2), and provides charts of selected economic indicators (Attachment 3). This report reflects updated FY 2008 and FY 2009 revenue projections discussed in Budget Memorandum #79 (Attachment 4).

ECONOMY: The City's economy, as measured by tax receipts, appeared to be slowing for some taxes in the first half of FY 2008. However, when compared to many regions of the United States, the City's economy remains very sound. The City's economy is influenced by regional and national economic cycles, is in a transitional phase in the economic cycle and bears careful watching. The City's unemployment rate remained at a relatively low 2.4 percent. The Washington, D.C. Area Consumer Price Index (CPI-U) increased 4.9 percent from January 2007 to January 2008, which was the largest increase since July 2006. The City's office vacancy rate decreased to 5.2 percent by the end of 2007. This was due in part to the removal of the Victory Center as counted vacant space (as it is now under major renovation) and the leasing up of Braddock Place office buildings. This compares to fourth quarter office vacancy rates of 12.3 percent for Northern Virginia and 10.7 percent for the entire D.C. Metropolitan Area.

As previously noted, the Governor announced a \$1.4 billion State budget revenue shortfall for FY 2009 and FY 2010. In addition, the State Supreme Court recently determined that certain fees and taxes planned for transportation could not be levied by the Northern Virginia Transportation Authority.

On the residential real estate sales front, City data continues to show a slower residential sales market. February 2008 sales show a decline of 46 percent from 2007, while the average sales price increased by 1.9 percent. While the City's residential market remains stable despite current problems in the national mortgage and real estate markets, both residential single-family and condominium assessments in 2008 have decreased. Changes in the financial markets' willingness to underwrite mortgages have also affected 2008 assessments. While the number of City foreclosures increased substantially from 23 in 2006 to 140 in 2007, the number of foreclosures remains small in comparison to the total of 40,000 residential properties (excluding apartments) in the City. The City's foreclosure rate is slightly less than Fairfax County, and just 1/10th the foreclosure rate in Prince William County and Loudoun County. Commercial assessments and new construction will continue to add to the City's tax base in 2008; however, increasing capitalization rates and a slowdown in new construction are likely to temper the total tax base growth to the low single digit range.

Given national job losses and poor consumer confidence, it appears that the national economic slowdown may have turned into a recession during the last calendar quarter. While the City economy is not in a recession, it is influenced by national and regional economics. Staff will continue to closely monitor revenues and report to Council during budget deliberations, and through the monthly Council report.

	FY 2008 BUDGET REVISED	FY 2008 BUDGET PROJECTIONS	BUDGET VERSUS CURRENT PROJECTIONS
Real Property ¹	\$ 278.2	\$ 283.3	\$ 5.1
Personal Property-local share	36.1	33.7	(2.4)
Penalties and Interest	1.7	1.8	0.1
Sales Tax	27.4	24.6	(2.8)
Consumer Utility Tax ²	9.6	10.3	0.7
Communication Sales and Use Tax ²	12.4	12.6	0.2
Business License Tax	32.1	32.5	0.4
Transient Lodging Tax	8.8	8.7	(0.1)
Restaurant Meals Tax	10.4	10.8	0.4
Recordation Taxes	5.7	5.1	(0.6)
Other Local Taxes (including Motor Vehicle License)	9.5	9.1	(0.4)
Intergovernmental	53.2	53.5	0.3
Fines and Forfeitures	4.7	4.3	(0.4)
Licenses and Permits	5.4	5.4	-
Charges for City Services	11.8	11.1	(0.7)
Use of Money and Property	9.6	8.0	(1.6)
Other Revenue	0.2	0.5	0.3
Net Reduction of Revenues from Original Budget			(\$1.5)
February Projection Change			(0.5)
Total Reduction from February Projection			(\$2.0)

¹ At the proposed rate of 83.0¢ per thousand.

² Certain telecommunications and cable television taxes have been replaced Statewide by the new 5 percent communication sales and use tax.

REVENUES (Attachment 1): As of March 31, 2008, actual General Fund revenues totaled \$316.1 million, an increase of \$13.4 million above the same period last year. This is primarily attributed to a budgeted increase in real estate tax revenue. Unless otherwise noted, revenues are expected to meet expectations. As the real estate market continues to remain stagnant, we will continue to monitor revenues.

Real Property: Second half real estate taxes were due November 15. As projected in the FY 2008 budget, second half real estate billings totaled \$139 million. With 2008 assessments growing four percent primarily for commercial properties, overall FY 2008 real estate tax revenue collections will remain close to budgeted levels, with a projected increase of 1.4 percent. The assessment increase of four percent would increase expected FY 2008 real estate tax revenues to \$283.3 million, or \$5.1 million above the Approved FY 2008 Budget an increase of

\$1.0 million above the previous projection. The FY 2009 budget assumed a three percent assessment increase. This projection assumes existing real estate tax rates. Real estate tax revenues due on June 15 will be based on the 2008 assessments, as well as the real estate tax rate(s) to be adopted by the City Council on May 5.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$274.5 million	\$278.2 million	\$282.3 million	\$131.2 million	\$139.2 million	6%

Personal Property: Personal Property Tax revenue consists of two sources: individual personal property (primarily vehicles), and business personal property (includes motor vehicles, machinery, computers, and furniture). Individual Personal Property Taxes are assessed as of January 1. Tax bills are mailed to taxpayers in late August and were due on October 5. Business Personal Property returns are mailed in March and must be filed by May 1. Tax bills are mailed to businesses in September and were due on October 5.

In the Approved FY 2008 Budget, vehicle personal property taxes were estimated to grow approximately 3.8 percent to \$44.2 million, including the reimbursement from the State. Actual 2007 vehicle tax billings were down 1.4 percent in 2007 compared to 2006 billings. This is primarily attributable to lower overall values for the vehicles in the City personal property tax base. New model cars decreased four percent both in the number of new cars and total taxes, with the average assessment on new cars was down one percent. Starting in FY 2007, the State’s share of the local personal property tax payment was capped for each locality. Alexandria’s cap is \$23.6 million and is paid by the State in installments during the year. This amount provides relief to cover approximately 69 percent of most taxpayers’ bills, which is the same amount of relief provided last year. State reimbursement collections were slightly higher than this cap in FY 2007 because the City was still collecting some delinquent collections that were billed prior to the date the State capped the payment.

Business personal property tax billings for 2007 (FY 2008) were 5.9 percent higher than estimated based on tax returns received. The primary increase in 2007 business personal property assessments reflected higher computer equipment values. Actual 2008 returns received to date have reflected lower values for this equipment as companies have made fewer purchases, so business personal property tax billings for 2008 (FY 2009) may decrease.

Based on collections-to-date, it appears that business and vehicle personal property tax collections will be approximately \$33.7 million, a decrease of \$2.4 million below the Approved FY 2008 Budget and \$1.3 million below the previous projection.

	FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
Vehicles	\$18.8 million	\$20.6 million	\$17.7 million	\$17.9 million	\$17.5 million	(2%)
Business - Equipments and Machinery	\$15.7 million	\$15.5 million	\$16.0 million	\$15.8 million	\$15.9 million	1%
Subtotal	\$34.5 million	\$36.1 million	\$33.7 million	\$33.7 million	\$33.4 million	(1%)
State Reimbursement	\$23.8 million	\$23.6 million	\$23.6 million	\$23.3 million	\$23.1 million	(1%)
Total	\$58.3 million	\$59.7 million	\$57.3 million	\$57.0 million	\$56.5 million	(1%)

Sales and Use Tax: Businesses remit Sales and Use Tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The City receives its portion of these sales taxes from the Commonwealth approximately one month later. Sales taxes continue to run slightly behind last year's collections-to-date. This decrease is primarily connected to housing-related merchants. Based on collections-to-date, it appears that sales tax collections will be approximately \$24.6 million, a decrease of \$2.8 million below the Approved FY 2008 Budget and \$0.4 million below the previous projection.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$25.4 million	\$27.4 million	\$24.6 million	\$14.9 million	\$14.3 million	(4%)

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. Effective January 1, 2007, State law changed and the Commonwealth assumed responsibility for collecting a flat five percent tax on landline telephone service. Phone revenues that previously appeared in this category (approximately \$0.6 million per month) now appear as part of the Communications Tax. For this reason, the substantial decline in this tax category in FY 2008, when compared to FY 2007, is offset by the new Communications Tax. Based on collections-to-date, it appears that Consumer Utility Taxes will be approximately \$10.3 million, an increase of \$0.7 million above the Approved FY 2008 Budget and \$0.1 million above the previous projection.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$13.6 million	\$9.6 million	\$10.3 million	\$10.1 million	\$6.9 million	(32%)

Communications Tax: Businesses remit the Communications Tax to the Commonwealth within 30 days of the end of the month in which the service occurred. The Commonwealth remits the City's portion of these taxes approximately one month later. The effective date of this tax was January 1, 2007. The City received the first remittance from the Commonwealth in March 2007. Based on collections-to-date, it appears that Communications Tax revenue will be approximately \$12.6 million, an increase of \$0.2 million above the Approved FY 2008 Budget. There has been no change since the projection provided to Council with the Proposed FY 2009 Budget.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$5.3 million	\$12.4 million	\$12.6 million	\$0.7 million	\$7.3 million	N/A

Business License Taxes: The City's Business License Tax was due March 1, 2008, a Saturday. Collections-to-date in the amount of \$28.4 million, which are based on 2007 receipts, will meet the original projections. This represents an increase of \$0.4 million above the Approved FY 2008 Budget. There has been no change since the projection provided to Council with the Proposed FY 2009 Budget. Staff will continue to monitor and make recommendations as warranted in the context of the budget work sessions.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$30.9 million	\$32.1 million	\$32.5 million	\$27.1 million	\$28.4 million	5%

Transient Lodging Taxes: Transient Lodging Taxes are remitted to the City within one month after collections. The increase reflects higher room charges and the recent reopening of a hotel under renovation. Based on collections-to-date, it appears that transient lodging tax collections will be approximately \$8.7 million, a decrease of \$0.1 million below the Approved FY 2008 Budget and \$0.1 million above the previous projection.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$7.4 million	\$8.8 million	\$8.7 million	\$4.4 million	\$4.8 million	9%

Restaurant Meals Taxes: Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. Most of the increase reflects a difference in the timing of payments made by businesses between FY 2007 and FY 2008, not the total increase in tax revenue. Based on collections-to-date, it appears that restaurant meals tax collections will be

approximately \$10.8 million, an increase of \$0.4 million above the Approved FY 2008 Budget and \$0.1 million above the previous projection.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$10.7 million	\$10.4 million	\$10.8 million	\$6.6 million	\$6.7 million	2%

Motor Vehicle License Tax: Revenues in this category represent fees for vehicle license decals. The increase represents the decal fee increase approved by City Council to fund transit as allowed in the State legislation authorizing the Northern Virginia Transportation Authority. Since the City’s elected officials approved this tax, the recent Supreme Court ruling has no impact on these taxes. Based on collections-to-date, it appears that actual collections will be approximately \$3.2 million, a decrease of \$0.2 million below the Approved FY 2008 Budget and \$0.1 million above the previous projection.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$2.4 million	\$3.4 million	\$3.2 million	\$2.3 million	\$3.0 million	30%

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. Based on collections-to-date and a continuing slow down in the real estate market, it appears that actual collections will be approximately \$5.1 million, a decrease of \$0.6 million below the Approved FY 2008 Budget and \$0.6 million below the previous projection.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change Year-to-Date
\$6.6 million	\$5.7 million	\$5.1 million	\$3.8 million	\$3.1 million	(18%)

Revenue from the Federal Government: Revenues in this category include Federal Prisoner per diem and indirect costs. The budgeted increase reflects payments from a new agreement. Payments received from this agreement with the Office of Federal Detention Trustee have averaged \$0.5 million per month for the first half of the year. Based on collections-to-date, it appears that actual collections will be approximately \$7.2 million, an increase of \$0.7 million over the Approved Budget and \$0.2 million above the previous projection.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
\$6.7 million	\$6.5 million	\$7.2 million	\$3.2 million	\$4.0 million	25%

Fines and Forfeitures: The increase is primarily attributable to a budgeted increase in parking fine revenue based on increased fines. In addition, the number of parking tickets issued increased almost 12 percent over the number issued at this time last year. At this time last year, the Police Department had a number of parking enforcement position vacancies. This situation has since been addressed and collections appear to have recovered. Because the Red Light Cameras program has not yet been initiated, \$0.7 million in budgeted revenue will not be realized in FY 2008. It appears that actual collections will be approximately \$4.3 million, a decrease of \$0.4 million below the Approved FY 2008 Budget and an increase of \$0.2 million above the previous projections.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
\$3.6 million	\$4.7 million	\$4.3 million	\$2.4 million	\$2.9 million	21%

Charges for Services: Revenues in this category include refuse user charges, ambulance fees, clerk fees and parking meter receipts. The increase primarily reflects the budgeted increase for parking meters and ambulance fees; however, parking meters expected to be implemented in the Carlyle area will not be operational until the spring. Based on collections-to-date and fewer than budgeted meters, staff projects that actual collections will be approximately \$11.1 million, a decrease of \$0.7 million below the Approved FY 2008 Budget and a decrease of \$0.4 million below the previous projection.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
\$10.3 million	\$11.8 million	\$11.1 million	\$5.8 million	\$7.3 million	26%

Revenue from Use of Money & Property: Revenues in this category include interest on short-term cash investments, parking garage and lot fees, and rental of property income. Based on lower interest rates and revenue earned to date, it appears that actual revenue will be approximately \$8 million, a decrease of \$1.6 million below the Approved FY 2008 Budget and \$0.3 million below the previous projection. Given the recent major drop in short-term interest rates announced by the Federal Reserve Board, interest earnings will probably drop more than previously projected. For example, six-month Treasury bills yielded 4.9 percent a year ago, but now yield just 1.3 percent.

FY 2007 Actuals	FY 2008 Budget	FY 2008 Projection	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
\$9.7 million	\$9.6 million	\$8.0 million	\$7.6 million	\$6.9 million	(9%)

EXPENDITURES (Attachment 2): As of March 31, 2008, actual FY 2008 General Fund expenditures totaled \$335.0 million, an increase of \$18.0 million, or 5.4 percent, above expenditures for the same period last year, primarily for planned increases in the City’s transfers to the School’s Operating Fund and the Capital Projects Funds. The Approved General Fund Budget is 4.4 percent higher than the FY 2007 amended budget.

Annual Expenditures: Most City expenditure payments are made on a level basis during the year. There are some payments, however, that are made either at one time at the beginning of the year, or on a different basis, such as quarterly. The City makes the following types of payments on an other-than-level basis:

Equipment Replacement Fund: Every year, the City separately accumulates funds to replace major equipment items such as police cars and fire apparatus. The allocation of these funds is included in the budget of individual departments and is moved to a separate fund at the beginning of the year. Since these funds accumulate over several years, the fund is used to make the purchase once there are sufficient funds accumulated. This allows departments to fund the purchase over the life of the equipment instead of all at one time. These annual equipment replacement allocations are recognized as expenditures in this report at the time the transfer is made at the beginning of the year.

Of the \$4.8 million in total equipment replacement transfers in FY 2008, the following departments have equipment replacement funds large enough to impact their General Fund expenditure patterns for the first part of the year:

- Police - \$1.6 million
- T&ES - \$0.8 million
- Fire - \$0.8 million

Contributory Payments: The City makes some payments, such as contributions to the Washington Metropolitan Area Transit Authority (WMATA), on a quarterly or semi-annual basis. Since these payments are made less frequently than monthly, expenditures reported in this monthly financial report may be higher than average in those months when the payments are made. This financial report includes the following non-monthly payments:

- Judicial Administration: This category includes quarterly contribution payments to judicial organizations such as Peumensend Creek Regional Jail and the Northern Virginia Criminal Justice Training Academy.

- Economic Development Activities: This category includes quarterly contribution payments to community agencies such as the Alexandria Small Business Development Center and bi-annual payments to the Alexandria Convention and Visitors Association.
- Transit Subsidies: This category includes quarterly payments to the City's major transit programs, including the Alexandria Transit Company (DASH), and to the Washington Metropolitan Area Transit Authority (WMATA). Because of additional State transit aid received in FY 2008, the city will be able to save \$1.1 million in General Fund monies previously budgeted for payment to WMATA in FY 2008.
- Human Services: This category includes quarterly payments to community agency contractors such as Campagna Center and the Salvation Army and payments to the Community Partnership Fund, the Youth Fund and the Children's Fund.
- Other Education Activities: This category includes quarterly contribution payments to the Northern Virginia Community College.

Grant Accounting and Cash Matches: To comply with many federal and State 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. Because the City share for most grants is not finalized until the funds are spent, departments set aside, but do not expend, City grant funds until the end of the fiscal year. This ensures that the City maximizes the use of federal and State funding before spending City funds. Most City funds not used for grants by the end of the year are returned to the City.

Schools: The City will provide approximately 78 percent of the estimated funds required to operate the City schools in FY 2008.

Other Expenditures:

Real Estate Assessments: Expenditures reflect seasonal costs associated with preparing January 1 assessments.

City Attorney: Expenditures-to-date reflect 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 seasonal costs associated with administering the November election and recent primary.

General Services: Expenditures to date reflect increased fuel charges. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution as necessary to match these expenditures with budget authority.

Transportation and Environment Services: Impound lot expenditures (\$0.4 million) were eliminated from the budget in FY 2008 based on plans to close the lot and contract out for vehicle storage. Since that time, the plan has been revised to continue operating the impound lot in-house through a re-engineering of processes. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution as necessary to match these expenditures with budget authority.

Non-Departmental Expenditures: General Fund expenditures in this category reflect the City's contributions to the closed public safety pension plan, grants for the City's Affordable Housing Ownership grants, and payment for the City's property and liability insurance

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 #79

STAFF:

Mark Jinks, Deputy City Manager

Laura B. Triggs, Director of Finance

Ray Welch, Acting Comptroller

Bruce Johnson, Director, Office of Management and Budget

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING MARCH 31, 2008 AND MARCH 31, 2007**

FUNCTION	FY2008	FY2008	% OF	FY2007
	APPROVED BUDGET	EXPENDITURES THRU 03/31/08		BUDGET
Legislative & Executive.....	\$ 6,078,728	\$ 4,224,968	69.5%	\$ 4,247,881
Judicial Administration.....	\$ 36,938,021	\$ 27,878,026	75.5%	\$ 26,122,298
Staff Agencies				
Information Technology Services.....	\$ 8,537,260	\$ 5,696,744	66.7%	\$ 5,488,592
Management & Budget.....	1,191,547	799,819	67.1%	809,368
Finance.....	10,298,719	6,543,237	63.5%	6,819,386
Real Estate Assessment.....	1,530,590	1,190,664	77.8%	1,009,402
Personnel.....	3,366,284	2,422,500	72.0%	2,304,523
Planning & Zoning.....	5,682,285	4,223,994	74.3%	3,312,060
Economic Development Activities.....	2,877,538	2,652,575	92.2%	2,730,892
City Attorney.....	3,253,814	2,650,626	81.5%	3,397,978
Registrar.....	1,106,565	871,474	78.8%	773,412
General Services.....	12,678,310	10,232,449	80.7%	9,434,772
Total Staff Agencies	\$ 50,522,912	\$ 37,284,082	73.8%	\$ 36,080,385
Operating Agencies				
Transportation & Environmental Services.....	\$ 27,506,938	\$ 20,620,059	75.0%	\$ 18,699,586
Fire.....	37,225,170	27,580,784	74.1%	26,700,790
Police.....	51,342,764	37,346,486	72.7%	36,210,007
Transit Subsidies.....	7,985,495	5,778,228	72.4%	5,019,083
Mental Health/Mental Retardation/ Substance Abuse.....	521,650	394,095	75.5%	422,251
Health.....	7,881,534	5,884,387	74.7%	5,848,550
Human Services.....	11,327,364	9,164,827	80.9%	9,307,644
Historic Resources.....	2,926,887	2,117,497	72.3%	1,910,340
Recreation.....	20,744,297	15,052,953	72.6%	14,588,244
Total Operating Agencies	\$ 167,462,099	\$ 123,939,316	74.0%	\$ 118,706,495
Education				
Schools.....	\$ 160,239,697	\$ 100,747,344	62.9%	\$ 97,220,603
Other Educational Activities.....	12,399	12,399	100.0%	12,548
Total Education	\$ 160,252,096	\$ 100,759,743	62.9%	\$ 97,233,151
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 30,551,035	\$ 12,604,475	41.3%	\$ 13,203,001
Non-Departmental.....	9,742,783	4,169,329	42.8%	4,748,935
Cash Capital.....	10,334,771	10,334,771	100.0%	4,854,808
Contingent Reserves.....	1,277,306	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 51,905,895	\$ 27,108,575	52.2%	\$ 22,806,744
TOTAL EXPENDITURES	\$ 473,159,751	\$ 321,194,710	67.9%	\$ 305,196,954
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...				
Transfer to Housing.....	36,324,757	-	0.0%	-
Transfer to Library.....	4,815,949	2,814,378	58.4%	942,694
Transfer to DASH.....	7,107,746	5,330,810	75.0%	5,283,773
Transfer to DASH.....	7,491,522	5,618,642	75.0%	5,502,768
TOTAL EXPENDITURES & TRANSFERS	\$ 528,899,725	\$ 334,958,540	63.3%	\$ 316,926,189

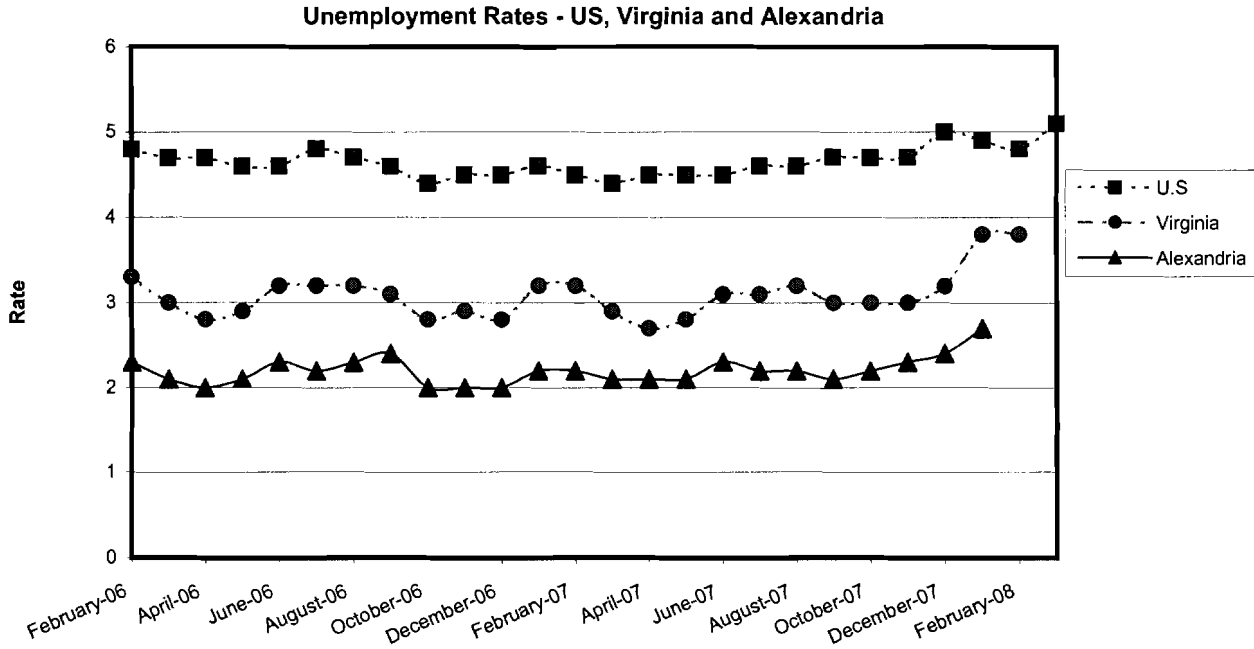
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING MARCH 31, 2008 AND MARCH 31 2007

	FY2008 APPROVED BUDGET	FY2008 REVENUES THRU 03/31/08	% OF BUDGET	FY2007 REVENUES THRU 03/31/07
General Property Taxes				
Real Property Taxes.....	\$ 278,154,367	\$ 139,178,097	50.0%	\$ 131,234,125
Personal Property Taxes.....	36,100,000	33,390,381	92.5%	33,694,238
Penalties and Interest.....	1,680,000	1,230,958	73.3%	1,327,003
Total General Property Taxes	<u>\$ 315,934,367</u>	<u>\$ 173,799,436</u>		<u>\$ 166,255,366</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 27,400,000	14,262,470	52.1%	\$ 14,855,360
Consumer Utility Taxes.....	9,600,000	6,884,530	71.7%	10,082,658
Communication Sales and Use Taxes.....	12,400,000	7,336,564	59.2%	739,434
Business License Taxes.....	32,100,000	28,393,068	88.5%	27,068,289
Transient Lodging Taxes.....	8,800,000	4,828,846	54.9%	4,417,976
Restaurant Meals Tax.....	10,400,000	6,715,359	64.6%	6,581,203
Tobacco Taxes.....	2,750,000	1,775,675	64.6%	1,826,248
Motor Vehicle License Tax.....	3,400,000	2,992,698	88.0%	2,252,854
Real Estate Recordation.....	5,700,000	3,147,051	55.2%	3,764,547
Admissions Tax.....	1,000,000	738,974	73.9%	729,557
Cell Phone Tax.....	-	-	-	1,397,452
Other Local Taxes.....	2,380,000	609,739	25.6%	1,445,565
Total Other Local Taxes	<u>\$ 115,930,000</u>	<u>\$ 77,684,974</u>	67.0%	<u>\$ 75,161,143</u>
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 6,493,000	\$ 4,008,267	61.7%	\$ 3,155,079
Personal Property Tax Relief from the Commonwealth.....	23,600,000	23,106,960	97.9%	23,311,781
Revenue from the Commonwealth.....	23,063,334	15,880,296	68.9%	14,487,279
Total Intergovernmental Revenues	<u>\$ 53,156,334</u>	<u>\$ 42,995,523</u>	80.9%	<u>\$ 40,954,139</u>
Other Governmental Revenues And Transfers In				
Fines and Forfeitures.....	\$ 4,722,300	\$ 2,931,494	62.1%	\$ 2,441,641
Licenses and Permits.....	5,356,000	4,078,332	76.1%	4,141,409
Charges for City Services.....	11,847,072	7,325,956	61.8%	5,755,208
Revenue from Use of Money & Property.....	9,570,000	6,927,439	72.4%	7,567,701
Other Revenue.....	245,000	405,025	165.3%	424,127
Transfer from Sewer Fund.....	1,311,109	-	0.0%	-
Total Other Governmental Revenues	<u>\$ 33,051,481</u>	<u>\$ 21,668,246</u>	65.6%	<u>\$ 20,330,086</u>
TOTAL REVENUE	\$ 518,072,182	\$ 316,148,179	61.0%	\$ 302,700,734
Appropriated Fund Balance				
General Fund.....	8,482,492	-	0.0%	-
Reappropriation of FY 2007 Encumbrances And Other Supplemental Appropriations.....	2,345,051	-	0.0%	-
TOTAL	<u>\$ 528,899,725</u>	<u>\$ 316,148,179</u>	59.8%	<u>\$ 302,700,734</u>

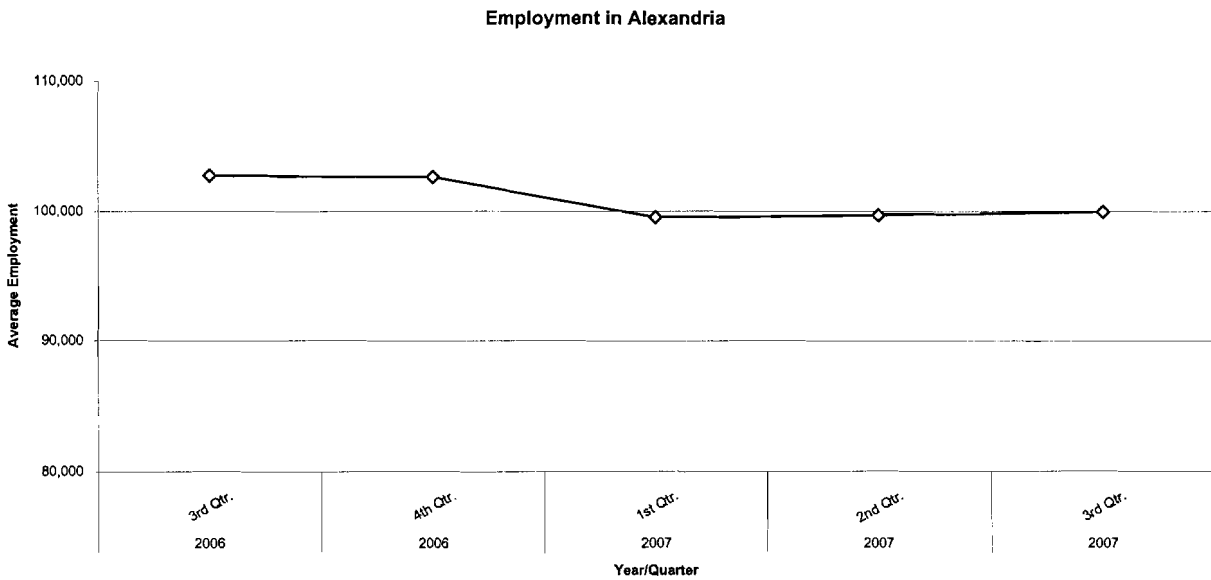
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<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 January 31, 2008) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	136.3	130.0	+4.9%
<u>Unemployment Rates</u> Alexandria (As of January 31, 2008)	2.7%	2.2%	+23%
Virginia (As of February 29, 2008) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	3.8%	3.2%	+19%
United States (As of March 31, 2008) (Source: United States Department of Labor, Bureau of Labor Statistics)	5.1%	4.4%	+16%
<u>Interest Rates</u> (As of March 31, 2008)			
Prime Rate	5.25%	8.25%	-36%
Federal Funds Rate (Source: NY Federal Reserve Bank)	2.61%	5.27%	-50%
<u>New Business Licenses</u> (During March 2008) (Source: Finance Department, Business Tax Branch)	93	103	-10%
<u>Office Vacancy Rates</u> (As of September 30, 2007)			
Alexandria	6.4%	10.9%	-41%
Northern Virginia	12.6%	12.7%	-1%
Washington DC Metro Area (Source: Grubb & Ellis)	10.9%	8.9%	+22%
<u>New Commercial Construction</u> (As of February 29, 2008)			
Number of New Building Permits	3	5	-41%
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	128.1	57.6	+122%
<u>Residential Real Estate Indicators</u> (YTD ending February 29, 2008)			
Residential Dwelling Units Sold	106	198	-48.3%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$449,850	\$466,255	-3.5%

**City of Alexandria
Selected Economic Indicators**

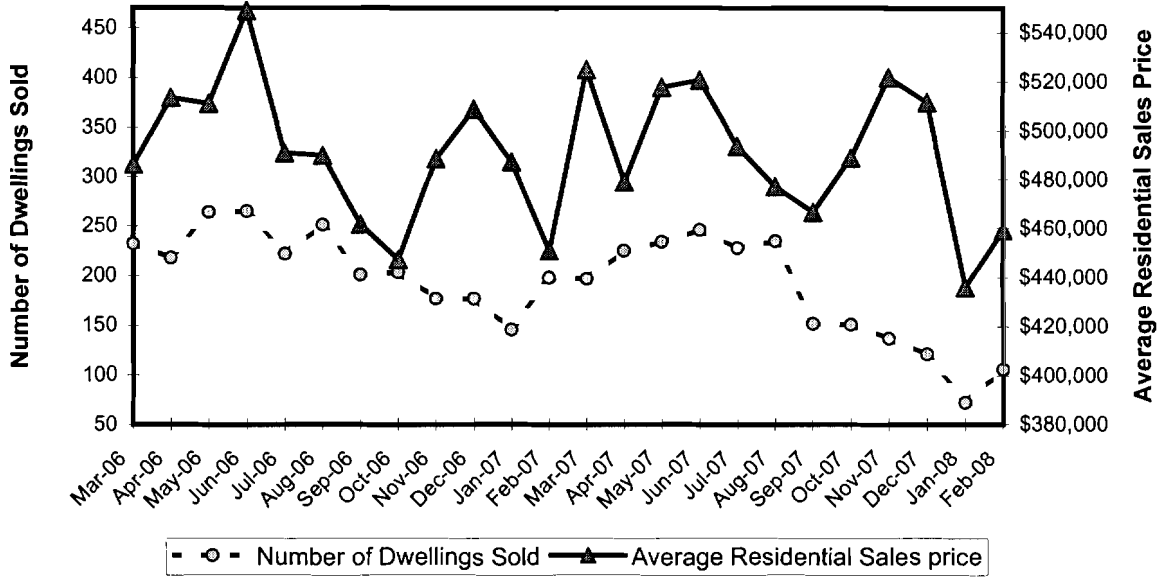


Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)

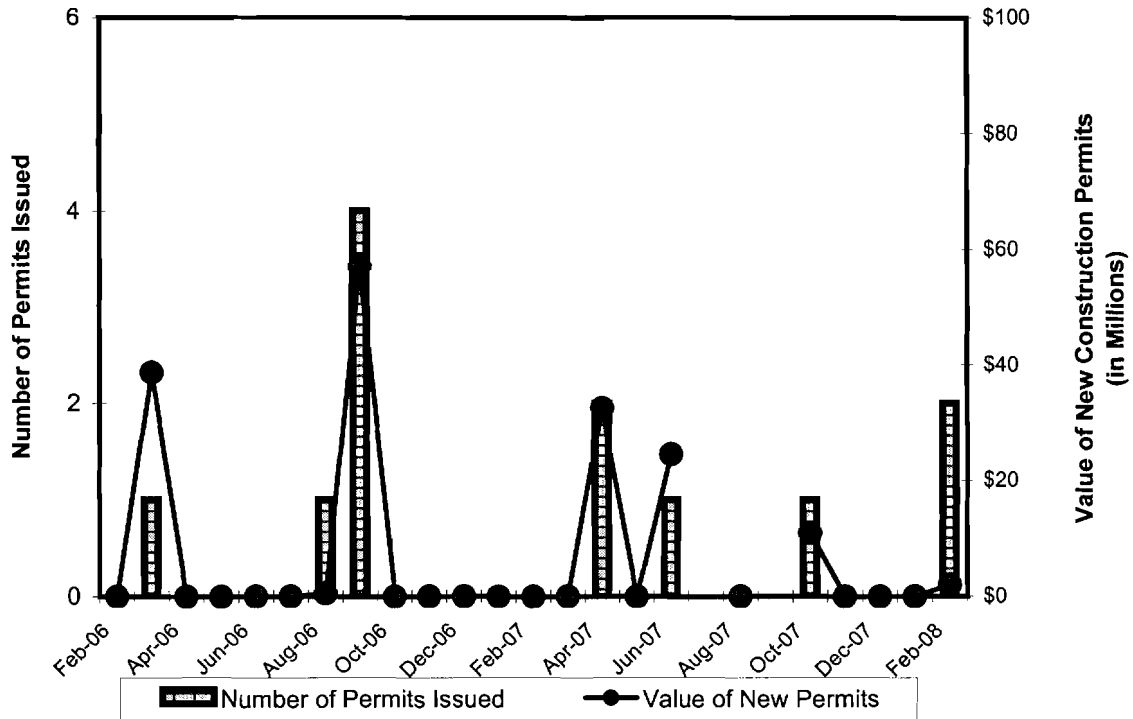


Source: Virginia Employment Commission, including the U.S. Patent and Trademark Office.

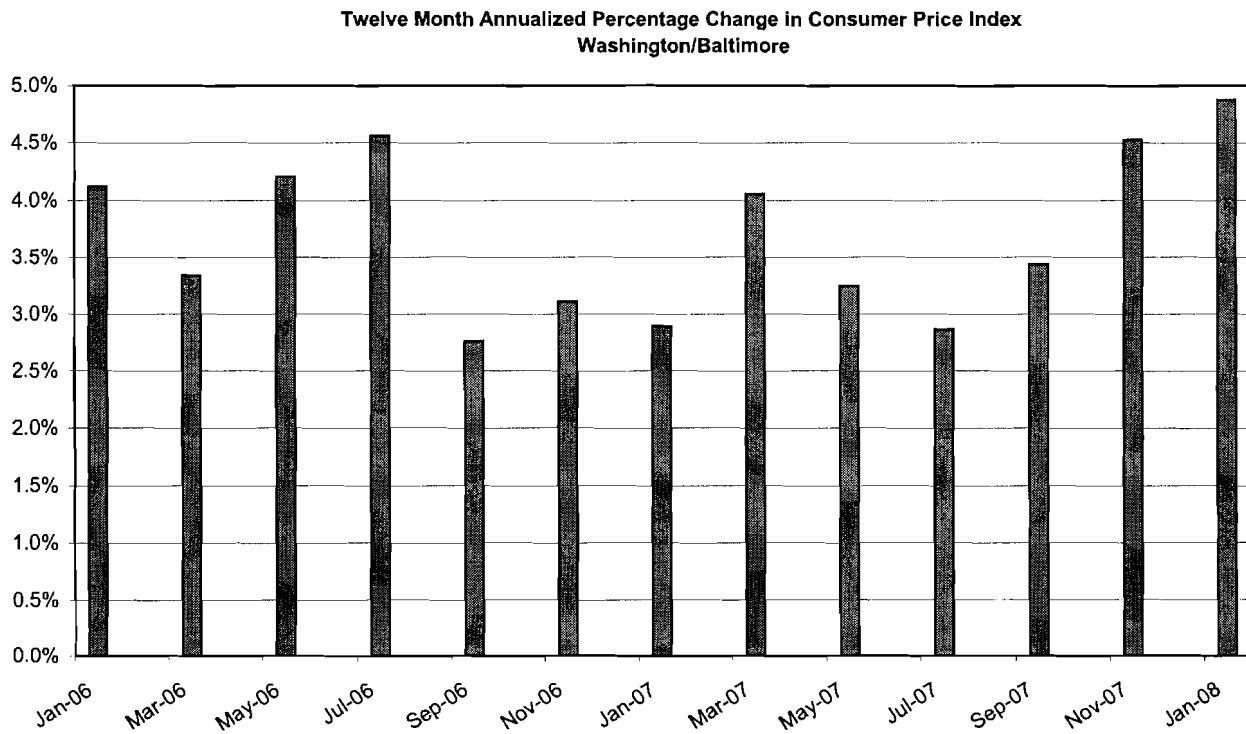
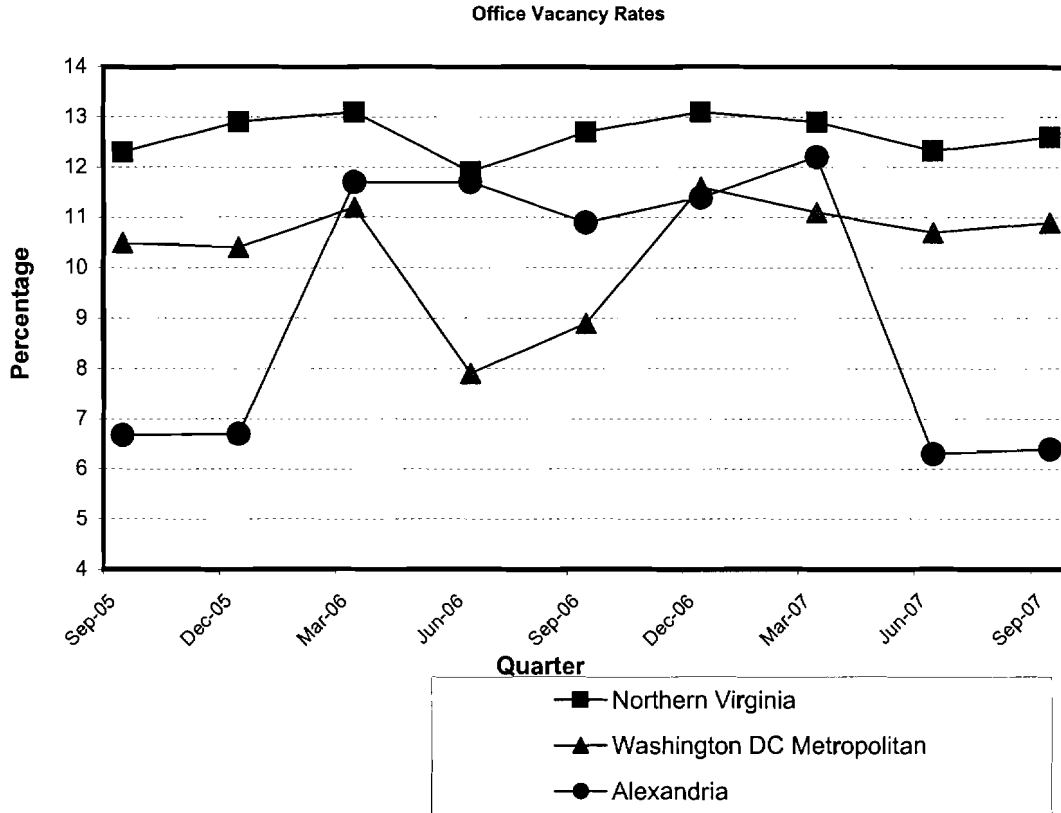
Selected Residential Real Estate Indicators



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



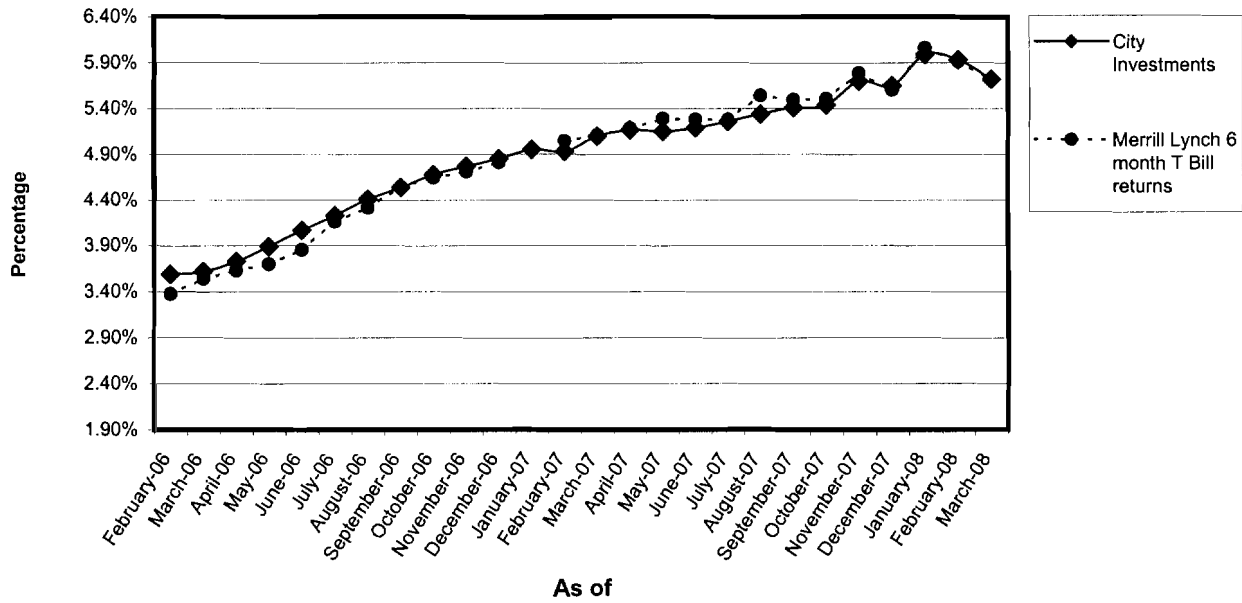
City of Alexandria Selected Economic Indicators



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

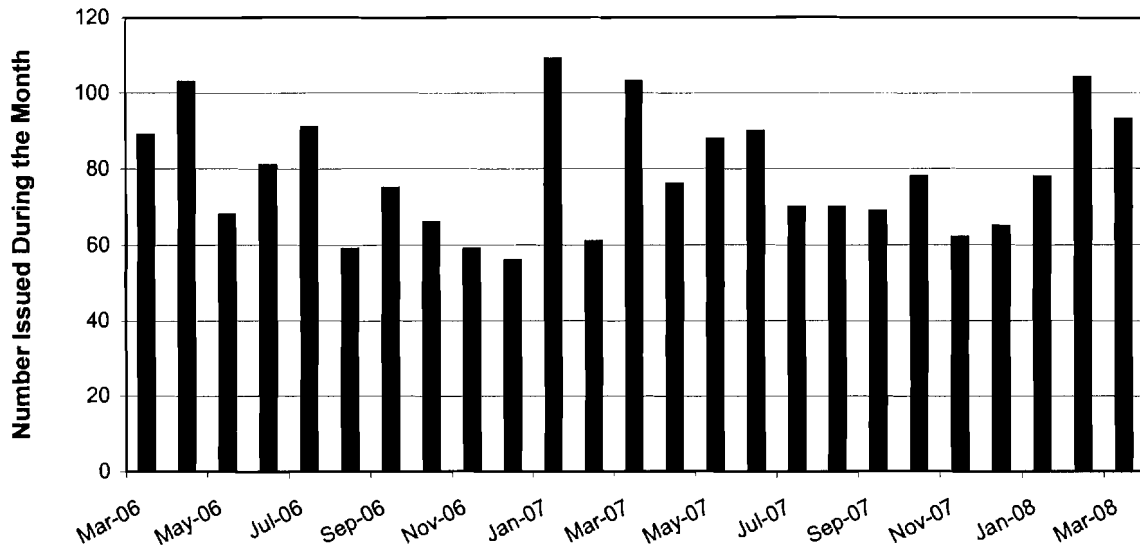
City of Alexandria
Selected Economic Indicators

Selected Interest Rates



Source: Fiduciary Trust

New Business Licenses Issued in Alexandria



City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 9, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: BUDGET MEMO # 79 : FY 2008 AND FY 2009 FINAL REVENUE PROJECTIONS AND ADJUSTMENTS

Annually, at the beginning of April, City staff reestimates current fiscal year and subsequent fiscal year revenues. This year, numerous changes are proposed due to the rapidly changing economic outlook that affects many City revenue sources. The results of those projections show a projected overall \$4.45 million decrease in projected FY 2009 revenue estimates and a \$2.0 million decrease in projected FY 2008 revenue estimates which will be entirely offset by \$2.0 million in projected underspending in FY 2008. This means that the negative impact of these revenue reestimates on the FY 2009 budget is \$4.45 million. The main drivers of these reestimates are:

- A sluggish economy that has affected:
 - General sales tax revenues
 - Personal property tax collections
 - General fund investments revenue from interest on City short-term investments as interest rates have declined drastically
- The declining real estate market which, although anticipated adequately in real estate tax revenue estimates, has affected recordation tax revenue more than originally estimated.

The revenue reestimates described below reflect current policies and do not reflect options presented to Council in Budget Memo #30 for changes to the City Manager's proposed 83 cent real estate tax rate and other tax rates. The process of reestimating revenues, however, has identified one change in the potential impact of a 1.0% increase in the transient lodging occupancy tax rate described in Budget Memo #30. Staff now estimates the impact of such a change rate increase to be \$1.6 million per 1.0% rather than the prior \$1.2 million estimate.

The FY 2008 and FY 2009 revenue estimates in the Proposed FY 2008 budget document were based on revenues and trends through December 2007. The latest estimates are based on revenue collections through March 2008. 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 March, the FY 2009 revenue estimates have been changed as detailed on the next pages. These revenue adjustments will be reflected on the final Add/Delete list.

FY 2008 Revenue Adjustments

FY 2008 Revenue Adjustment	Description - Taxes
-\$0.4 million	Decrease in Local Sales tax from \$25.0 million to \$24.6 million due to continued trend of declining retail sales, as well the one-time repayment to Fairfax County of \$0.4 million for sales tax collected from businesses with an Alexandria address which are actually located in Fairfax County.
+\$0.1 million	Increase in Utilities tax from \$10.2 million to \$10.3 million due to higher YTD collections through March compared to original estimates.
-\$0.3 million	Decrease in Bank Franchise tax from \$1.6 million to \$1.3 million due to Countrywide Bank's status change as approved by the State that no longer requires them to pay Bank Franchise tax to any locality in Virginia.
+\$0.1 million	Increase in Motor Vehicle License taxes from \$3.1 million to \$3.2 million due to higher YTD collections compared to original estimates.
-\$0.6 million	Decrease in Recordation taxes from \$5.7 million to \$5.1 million tax due to a lower volume of real estate transactions through March compared to original estimates.
-\$0.2 million	Decrease in Cigarette taxes from \$2.9 million to \$2.7 million due to lower YTD collections through March compared to original estimates.
+\$0.1 million	Increase in Transient Lodging revenues from \$8.6 million to \$8.7 million due to opening of several high end hotels in the City and YTD collections through March compared to original estimates.
+\$0.1 million	Increase in Restaurant tax from \$10.7 to \$10.8 million due to higher YTD collections through March compared to original estimates.
+\$1.0 million	Increase in recognized real estate tax revenues from \$282.3 million to \$283.3 million due to the projection of less risk of tax refunds in court cases.
-\$1.3 million	Decrease in Personal Property Tax revenues from \$34.95 million to \$33.7 million due in part to fewer consumer purchases of new cars, lower car values driven in part by higher fuel costs and lower values of business equipment than originally projected.
	Description – Fees & Other
-\$0.1 million	Decrease in Residential Parking Permit revenues from \$0.3 million to \$0.2 million due to lower YTD collections through March compared to original estimates.
+\$0.2 million	Increase in Court Fines from \$0.8 million to \$1.0 million due to higher

	YTD collections through March compared to original estimates.
+\$0.2 million	Increase in Indirect Costs from \$0.4 million to \$0.6 million due to higher YTD billings through March compared to original estimates.
-\$0.5 million	Decrease in Clerk Fees due from \$1.0 million to \$0.5 million due to lower YTD collections through March compared to original estimates.
+\$0.4 million	Increase in Ambulance Fees from \$1.1 to \$1.5 million due to higher YTD collections through March compared to original estimates. The magnitude of this increase reflects a review by the City and the billing contractor of processes and procedures, and implementation of new procedures which have resulted in increased fee collections.
-\$0.1 million	Decrease in Parking Meter Receipts from \$1.2 million to \$1.1 million due to lower YTD collections through March compared to original estimates.
-\$0.2 million	Decrease in Classes Receipts from \$0.5 million to \$0.3 million due to lower YTD collections through February compared to original estimates.
+0.1 million	Increase in Sale of Recyclables from \$0.2 million to \$0.3 million due to higher YTD collections through March compared to original estimates.
-\$0.3 million	Decrease in interest on General Fund Investments from \$5.5 million to \$5.2 million due to falling interest rates as a result of the sluggish economy.
-\$0.3 million	Decrease in proceeds from sale of Impound Lot vehicles from \$0.5 million to \$0.2 million based on a technical correction of a previous estimate.
-\$2.0 million	Total Change

FY 2009 Revenue Adjustments

FY 2009 Revenue Adjustment	Description-Taxes
-\$1.0 million	Decrease in Local Sales tax revenue from \$25.0 million to \$24.0 million due to lower collections through March than original estimates and a sluggish economy.
+\$0.3 million	Increase in Utilities revenue from \$10.4 million to \$10.7 million based on higher YTD revenues than originally estimated. Utility usage appears to be unaffected by the sluggish economy. Growth is expected to continue at about the rate of inflation.
-\$0.3 million	Decrease in Bank Franchise tax revenue from \$1.6 million to \$1.3 million due to a change in the status of Countrywide Bank which no longer requires it to pay Bank Franchise tax revenues to the City.
+\$0.1 million	Increase in Motor Vehicles License Tax from \$3.1 million to \$3.2 million. Increase is based on higher YTD collections through March than originally estimated.
-\$0.9 million	Decrease in Recordation Tax from \$5.6 million to \$4.7 million due to a much lower volume of real estate transactions through March compared to original estimates. Weakness in the real estate market is expected to continue into FY 2009.
-\$0.2 million	Decrease in Cigarette Tax revenues from \$2.9 million to \$2.7 million due

	to lower collections through March compared to original estimates.
+\$0.2 million	Increase in the Transient Lodging Tax revenues from \$9.7 million to \$9.9 million due to the opening of some high end hotels in the City and higher YTD collections through March compared to original estimates.
+\$0.2 million	Increase in Restaurant taxes from \$11.1 million to \$11.3 million due to higher YTD tax revenues through March compared to original estimates.
-\$0.1 million	Decrease in Admissions Tax from \$1.1 million to \$1.0 million due to lower collections through March compared to original estimates.
-\$1.25 million	Decrease in Personal Property Tax collections from \$34.95 million to \$33.7 million due to lower personal property tax collections, in part due to fewer consumer purchases of new cars, lower car valuation driven in part by higher fuel costs, as well as lower business equipment values than originally projected..
	Description – Fees and Other
+\$0.2 million	Increase in Court Fines from \$0.8 million to \$1.0 million due to higher YTD collections through March compared to original estimates.
+\$0.2 million	Increase in Indirect Costs from \$0.4 million to \$0.6 million due to higher YTD billings through March compared to original estimates.
+\$1.2 million	Increase in Sheriff's Compensation Board reimbursement from \$4.2 million to \$5.4 million. This increase includes the restoration of \$1.0 million in federal per diem reimbursement (which would have been taken from Comp Board Revenues.) contained in the Governor's final budget and a projected increase of approximately 2.8% in Comp Board revenues.
+\$0.1 million	Increase in Compensation Board reimbursement to Finance Department from \$0.6 million to \$0.7 million.
-\$1.1 million	The Governor's final budget includes a reduction of \$50 million in State aid to local governments in both FY 2009 and FY 2010, of which the City of Alexandria's share is estimated at \$1.1 million. This revenue reduction was not included in the Proposed Budget but was explained in detail in Budget Memo #22 when it was expected that the potential reduction might be as much as \$1.5 million to \$1.6 million of total State aid. That estimate was reduced to \$1.3 million as outlined in Budget Memo #32 on March 17. The final \$1.1 million estimate was provided by the State on April 4.
-\$0.5 million	Decrease in Clerk Fees from \$1.0 million to \$0.5 million based on lower YTD estimates through March than original estimates.
+\$0.4 million	Increase in Ambulance Transport Fees from \$1.5 million to \$1.9 million due to higher YTD collections through March compared to original estimates.
+\$0.1 million	Increase in Sales of Recyclables from \$0.2 million to \$0.3 million based on higher YTD billings through March compared to prior estimates.
-\$1.9 million	Decrease in interest on General Fund Short-term Investments from \$5.0 million to \$3.1 million due to Federal Reserve Board driven lower interest rates in order to stimulate the economy. This estimate projects these lower interest rates will continue through FY 2009.

-\$0.3 million	Decrease in proceeds of sale on impound lot vehicle revenues from \$0.5 million to \$0.2 million based on a technical correction of a previous estimate.
-\$4.45 million	Total Change