

EXHIBIT NO. 1

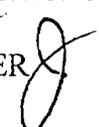
15  
9-25-07

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 20, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING AUGUST 31, 2007

---

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

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

**MONTHLY HIGHLIGHTS:**

**REVENUE – FY 2007**

Revenue exceeded budget expectations by \$9.5 million. These monies will be placed in fund balance and designated for future use (see text on page 2).

**REVENUE – FY 2008**

**Revenue from Use of Money & Property:** Personal property taxes mailed August 27 include the new registration fee for transit approved by Council in the FY 2008 Approved Budget

**EXPENDITURES – FY 2008**

Governor Kaine has directed State agencies to develop plans for 5 percent reductions in their budgets, which could impact City budgets.

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

The City's economy as measured by tax receipts continued to gradually grow through the end of FY 2007, as most tax revenues (except the transient lodging tax) continued to increase, albeit primarily at expected single digit rates. The City's unemployment rate continued at a low 2.2 percent, while the number of jobs in the City decreased by 1 percent or 960 jobs in the fourth quarter of 2006 (latest data available) when compared to the same period in 2005. The City's office vacancy rate increased to 12.2 percent in the first quarter of 2007. This compares to first quarter office vacancy rates of 12.9 percent for Northern Virginia and 11.1 percent for the entire DC Metropolitan area. City staff has asked AEDP staff to prepare an analysis of the City's office vacancies, as well as recent trends.

In addition, Governor Kaine has directed State agencies to develop plans for 5 percent reductions in their budgets, including funding localities receive from the State. Once the reductions are announced, staff will assess the impact on the FY 2008 budget and make recommendations to Council if needed.

On the residential real estate sales front, the data continues to show a slower residential sales market. Although total sales remain down about 28 percent from 2005 levels, sales in 2007 through July (year-to-date) show a decline of only 4 percent from 2006. The average sales price is down two percent from 2006, but up four percent from 2005. Of particular interest is average days on market, which when comparing July 2006 to July 2007 is up 12 percent in Alexandria. This compares with an increase in average days on market of 20 percent in Arlington County, 17 percent in Fairfax County, and 54 percent in Prince William County. While the City's residential market is in better shape than most of our neighbors, assessments for 2008.(based on year-to-date data that will change as the year progresses) when compared to 2007 are currently projected to be close to flat with single-family assessments barely increasing, and with condominiums decreasing slightly on average. However, changes in the financial markets and increases in home mortgage interest rates will further impact 2008 assessments to some unknown degree as the year progresses. Commercial assessments and new construction will continue to add to the City's tax base in 2008; however, increasing capitalization rates will likely temper that growth.

**FISCAL YEAR 2007 ENDING REVENUE STATUS:** At this time, the City's external auditors are auditing and reviewing the City's accounts and federal grants in relation to FY 2007 expenditures and revenues. While the actual outcome of the FY 2007 audit will not be known until after the auditor's work is completed, preliminary financial information on General Fund revenues can be reported at this time. This information is subject to change and adjustment as a result of the auditor's ongoing review. Final revenues and expenditures will be reported in the City's Comprehensive Annual Financial Report (CAFR) expected to be completed, printed and issued in November. In total, on a pre-audit basis, it appears that the City finished FY 2007 overall approximately \$9.5 million ahead of the revenue projections used when the FY 2007 budget was adopted. This equates to 1.8 percent of total General Fund revenues. The primary

source of these funds was \$5.8 million for real estate tax revenues of which \$3.2 million was associated with the favorable settlement of the PTO office buildings lawsuit, as well as increased collections of both current and delinquent real estate taxes. The \$9.5 million will be placed in Fund balance and designated for use in FY 2009. While some of these funds can be used to help fund the FY 2009 operating budget (the FY 2008 operating budget was balanced with \$2 million from prior year funds), the bulk of the \$9.5 million should be designated for capital funding purposes in order to help narrow the FY 2009 \$45 million current capital funding gap. This use of one-time year end funds to pay for one-time capital expenditures avoids the General Fund operating budget from becoming over dependent on one-time funds to pay for ongoing operating expenditures. This is also consistent with the City's prior practices.

Other additional revenue primarily derived from higher consumer utility taxes, business license taxes, recordation taxes, restaurant meals taxes and sheriff revenues from the State and federal government. Revenues which fell short of expectations include personal property taxes, sales taxes and transient lodging taxes.

The following chart depicts the sources of the additional revenue:

REVENUE CATEGORY	FY 2007 BUDGET REDUCTIONS (In Millions)	FY 2007 PREAUDIT ACTUALS (In Millions)	BUDGET PROJECTIONS VS ACTUALS (In Millions)
Real Property	\$ 268.7	\$ 274.5	\$ 5.8
Personal Property-local share	34.6	34.5	-0.1
Sales Tax	26.3	25.4	-0.9
Consumer Utility Tax	13.1	13.6	0.5
Communications Sales and Use Tax	5.1	5.3	0.2
Business License Tax	30.2	30.9	0.7
Transient Lodging Tax	7.7	7.4	-0.3
Restaurant Meals Tax	10.2	10.7	0.5
Recordation Taxes	5.7	6.6	0.9
Admission Tax	1.0	1.1	0.1
Cell Phone Tax	1.4	1.4	-
Other Local Taxes	5.7	5.7	-
Intergovernmental	52.0	53.6	1.6
Fines and Forfeitures	3.4	3.6	0.2
Licenses and Permits	5.6	5.9	0.3
Charges for City Services	10.3	10.3	-
Use of Money and Property	9.7	9.7	-
Total	\$ 490.7	\$ 500.2	\$ 9.5

**REVENUES (Attachment 1):** As of August 31, 2007, actual General Fund revenues totaled \$20.0 million. As discussed in Attachment 4, most taxes and revenues collected in July and August are accounted as revenues of the fiscal year ended June 30, 2007.

**Real Property:** Real property taxes are assessed as of January 1 and assessment notices are mailed to property owners in February. Real estate taxes are billed and payable in two installments. The first tax bill is mailed in May and is payable by June 15. The second tax bill is mailed in October and is payable by November 15. As indicated in the June financial report, the City collected a higher percentage of taxes before the due date, resulting in lower delinquent collections of first half taxes in the first two months of FY 2008.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change
\$274.5 million *	\$278.2 million	\$0.8 million	\$0.3 million	(62%)

\*Preliminary; final amounts will be reported when CAFR is completed

**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). Taxes are assessed as of January 1. Tax bills are mailed to taxpayers in late August and are due on October 5. The tax revenue decrease is primarily attributable to the timing of the mailing of the tax bills, which occurred later in August in FY 2008 than in FY 2007. The City has seen an increase in the use of eChecks to pay taxes. Since April 2004, the City has processed over 30,000 eCheck payments including almost 20,000 for personal property taxes.

In FY 2007, the State's share of the local personal property tax payment for FY 2008 was capped for each locality. Alexandria's cap is \$23.6 million. This amount approximates 69 percent of most taxpayers' bills, which is the same rate that was provided last year. State reimbursement collections were higher in FY 2007 because the City was still collecting some delinquent collections that were billed prior to the date the State capped the payment.

	FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY-2008 Year-to-Date	Percentage change
Vehicles	\$18.8 *	\$20.6 million	\$1.4	\$0.5	(64%)
Business - Equipments and Machinery	\$15.7 *	\$15.5 million	\$0.7	\$0.2	(71%)
State Reimbursement	\$23.8 *	\$23.6 million	\$12.0	\$11.8	(2%)
Total	\$58.3 *	\$59.7 million	\$14.1	\$12.5	(11%)

\*Preliminary; final amounts will be reported when CAFR is completed

**Sales and Use Tax:** 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.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change
\$25.4 million *	\$27.4 million	-	-	-

\*Preliminary; final amounts will be reported when CAFR is completed

**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.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$13.6 million *	\$9.6 million *	-	-	-

\*Preliminary; final amounts will be reported when CAFR is completed

**Communications Tax:** Businesses remit the communication tax to the Commonwealth within 30 days of the end of the month in which the service occurred. The Commonwealth wires the City’s portion of the communication tax one month later.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$5.3 million *	\$12.4 million	-	-	-

\*Preliminary; final amounts will be reported when CAFR is completed

**Business License Taxes:** The City’s business license tax is due March 1, 2008. These collections are counted and analyzed after the due date. Most collections prior to March represent collections from new businesses and taxpayers who pay on a quarterly basis.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$30.9 million *	\$32.1 million	\$0.1 million	\$0.1 million	-

\*Preliminary; final amounts will be reported when CAFR is completed

**Transient Lodging Taxes:** Transient lodging taxes are remitted to the City within one month after collections.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$7.4 million *	\$8.8 million	\$0.6 million	\$0.6 million	-

\*Preliminary; final amounts will be reported when CAFR is completed

**Restaurant Meals Taxes:** Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. The increase is attributable to several taxpayers paying late in FY 2007.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$10.7 million *	\$10.4 million	\$0.7 million	\$0.8 million	14%

\*Preliminary; final amounts will be reported when CAFR is completed

**Cigarette Taxes:** Businesses remit cigarette tax revenue to the Northern Virginia Cigarette Board. This revenue is then forwarded to the City approximately 30 days after the end of the month in which the sales occurred.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$2.9 million *	\$2.8 million	\$0.2 million	\$0.2 million	-

\*Preliminary; final amounts will be reported when CAFR is completed

**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. The increase is attributable to a slight increase in activity for the month. Collections in September that will be reported in the next Council report do not reflect continued increased activity.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$6.6 million *	\$5.7 million	\$0.5 million	\$0.7 million	40%

\*Preliminary; final amounts will be reported when CAFR is completed

**Admissions Tax:** The admissions taxes are remitted to the City within one month after collections.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$1.1 million *	\$1.0 million	\$0.1 million	\$0.1 million	-

\*Preliminary; final amounts will be reported when CAFR is completed

**Charges for Services:** Revenues in this category include refuse user charges, ambulance fees, clerk fees and parking meter receipts. The increase primarily reflects the timing of collections of parking and clerk fees.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
\$10.3 million *	\$11.3 million	\$0.4 million	\$0.7 million	75%

\*Preliminary; final amounts will be reported when CAFR is completed

**Revenue from Use of Money & Property:** Revenues in this category include interest on investments, parking garage/lot fees and rental of property income. The increase is primarily attributable the timing of collections of parking lot fees.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
\$9.7 million *	\$9.6 million	\$1.3 million	\$1.5 million	15.0%

\*Preliminary; final amounts will be reported when CAFR is completed

**EXPENDITURES (Attachment 2):** As of August 31, 2007, actual FY 2008 General Fund expenditures totaled \$73.9 million, an increase of \$10.3 million, or 16.1 percent, above expenditures for the same period last year, primarily for planned budgeted increases in the City’s transfers to the Schools Operating Fund and the Capital Projects funds. The Approved General Fund Budget is 4.4 percent higher than the FY 2007 amended budget. As indicated in Attachment 4, this report reflects actual cash disbursements through August 31, 2007.

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 at the beginning 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 frequent 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.

Other Planning and 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 the City's major transit programs including the Alexandria Transit Company (DASH) and to the Washington Metropolitan Area Transit Authority (WMATA).

Human Services: This category includes quarterly payments to community agencies such as Campagna Center and the Salvation Army:

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.

**OTHER EXPENDITURE ISSUES:**

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

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

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

**Non-Departmental Expenditures:** General Fund expenditures in this category reflect the City's contributions to the public safety pension plan, senior citizens' rent relief and payment for the City's liability insurance. Some pension contributions are made at the beginning 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 – Explanation of Modified Accrual Accounting

**STAFF:**

Mark Jinks, Deputy City Manager

Laura B. Triggs, Acting Director of Finance

Ray Welch, Acting Comptroller

Bruce Johnson, Director, Office of Management and Budget

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

	FY2008 APPROVED BUDGET	FY2008 REVENUES THRU 08/31/07	% OF BUDGET	FY2007 REVENUES THRU 08/31/06
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 278,154,367	\$ 269,966	0.1%	\$ 801,023
Personal Property Taxes.....	36,100,000	628,697	1.7%	2,141,604
Penalties and Interest.....	1,680,000	84,795	5.0%	143,971
<b>Total General Property Taxes</b>	<b>\$ 315,934,367</b>	<b>\$ 983,458</b>		<b>\$ 3,086,598</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 27,400,000	-	0.0%	\$ -
Consumer Utility Taxes.....	9,600,000	-	0.0%	-
Communication Sales and Use Taxes.....	12,400,000	-	0.0%	-
Business License Taxes.....	32,100,000	127,945	0.4%	135,713
Transient Lodging Taxes.....	8,800,000	598,190	6.8%	577,185
Restaurant Meals Tax.....	10,400,000	792,202	7.6%	700,567
Tobacco Taxes.....	2,750,000	238,425	8.7%	229,818
Motor Vehicle License Tax.....	3,400,000	311,730	9.2%	297,097
Real Estate Recordation.....	5,700,000	659,773	11.6%	469,333
Admissions Tax.....	1,000,000	116,045	11.6%	103,362
Cell Phone Tax.....	-	-	-	231,657
Other Local Taxes.....	2,380,000	174,889	7.3%	168,979
<b>Total Other Local Taxes</b>	<b>\$ 115,930,000</b>	<b>\$ 3,019,199</b>	<b>2.6%</b>	<b>\$ 2,913,711</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 6,493,000	\$ 31,959	0.5%	\$ -
Personal Property Tax Relief from the Commonwealth.....	23,600,000	11,789,265	50.0%	11,980,061
Revenue from the Commonwealth.....	23,063,334	618,514	2.7%	1,012,979
<b>Total Intergovernmental Revenues</b>	<b>\$ 53,156,334</b>	<b>\$ 12,439,738</b>	<b>23.4%</b>	<b>\$ 12,993,040</b>
<b>Other Governmental Revenues And Transfers In</b>				
Fines and Forfeitures.....	\$ 4,722,300	\$ 573,425	12.1%	\$ 399,339
Licenses and Permits.....	5,356,000	731,234	13.7%	800,612
Charges for City Services.....	11,270,072	662,404	5.9%	416,913
Revenue from Use of Money & Property.....	9,570,000	1,503,735	15.7%	1,295,793
Other Revenue.....	225,000	126,327	56.1%	168,702
Transfer from Sewer Fund.....	1,311,109	-	0.0%	-
<b>Total Other Governmental Revenues</b>	<b>\$ 32,454,481</b>	<b>\$ 3,597,125</b>	<b>11.1%</b>	<b>\$ 3,081,359</b>
<b>TOTAL REVENUE</b>	<b>\$ 517,475,182</b>	<b>\$ 20,039,520</b>	<b>3.9%</b>	<b>\$ 22,074,708</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	1,999,550	-	0.0%	-
Reappropriation of FY 2007 Encumbrances And Other Supplemental Appropriations.....	-	-	0.0%	-
<b>TOTAL</b>	<b>\$ 519,474,732</b>	<b>\$ 20,039,520</b>	<b>3.9%</b>	<b>\$ 22,074,708</b>

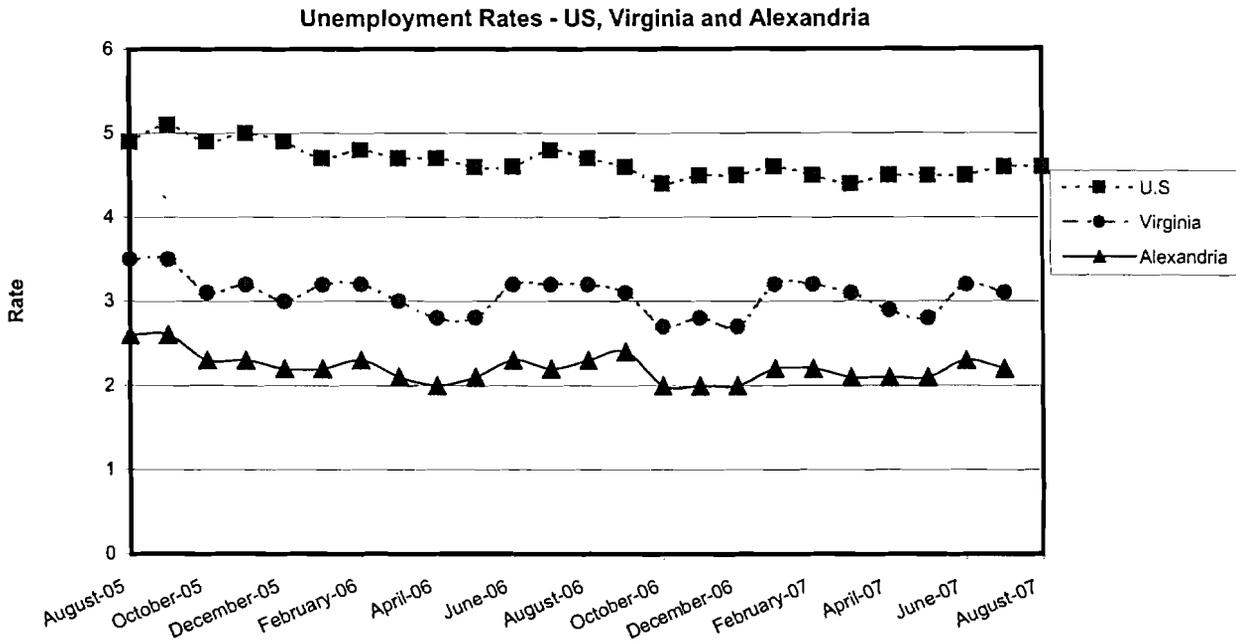
**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING AUGUST 31, 2007 AND AUGUST 31, 2006**

FUNCTION	FY2008	FY2008	% OF	FY2007
	APPROVED BUDGET	EXPENDITURES THRU 08/31/07		BUDGET
Legislative & Executive.....	\$ 6,079,433	\$ 886,838	14.6%	\$ 898,743
Judicial Administration.....	\$ 36,935,773	\$ 6,237,425	16.9%	\$ 5,835,106
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 8,166,636	\$ 1,187,279	14.5%	\$ 1,063,374
Management & Budget.....	1,193,832	174,998	14.7%	188,138
Finance.....	9,548,274	1,244,306	13.0%	1,343,128
Real Estate Assessment.....	1,533,253	246,998	16.1%	198,518
Personnel.....	3,371,739	581,674	17.3%	539,031
Planning & Zoning.....	5,070,184	874,195	17.2%	635,855
Economic Development Activities.....	2,855,144	1,132,785	39.7%	1,080,987
City Attorney.....	3,257,747	337,167	10.3%	297,972
Registrar.....	1,060,361	178,773	16.9%	160,274
General Services.....	12,553,600	1,751,163	13.9%	1,767,369
Total Staff Agencies	\$ 48,610,770	\$ 7,709,338	15.9%	\$ 7,274,646
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 27,310,628	\$ 4,112,500	15.1%	\$ 4,761,182
Fire.....	37,220,954	6,213,024	16.7%	6,001,224
Police.....	51,378,889	9,083,351	17.7%	8,727,940
Transit Subsidies.....	7,844,495	2,355,263	30.0%	1,532,948
Mental Health/Mental Retardation/ Substance Abuse.....	521,650	175,111	33.6%	237,050
Health.....	7,851,039	711,654	9.1%	552,696
Human Services.....	11,910,026	3,012,444	25.3%	2,465,567
Historic Resources.....	2,831,451	426,360	15.1%	398,995
Recreation.....	20,032,903	3,823,465	19.1%	3,678,284
Total Operating Agencies	\$ 166,902,035	\$ 29,913,172	17.9%	\$ 28,355,886
<b>Education</b>				
Schools.....	\$ 160,239,697	\$ 14,787,032	9.2%	\$ 11,124,018
Other Educational Activities.....	12,399	3,100	25.0%	3,137
Total Education	\$ 160,252,096	\$ 14,790,132	9.2%	\$ 11,127,155
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 30,551,035	\$ 855,360	2.8%	\$ 914,110
Non-Departmental.....	7,462,517	1,105,554	14.8%	2,287,222
Cash Capital.....	9,765,564	9,765,564	100.0%	4,579,105
Contingent Reserves.....	635,000	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 48,414,116	\$ 11,726,478	24.2%	\$ 7,780,437
TOTAL EXPENDITURES	\$ 467,194,223	\$ 71,263,383	15.3%	\$ 61,271,973
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...</b>				
Transfer to Housing.....	34,021,831	-	0.0%	-
Transfer to Housing.....	3,632,021	223,514	6.2%	152,319
Transfer to Library.....	7,121,222	1,187,108	16.7%	1,090,515
Transfer to DASH.....	7,525,435	1,254,490	16.7%	1,152,646
TOTAL EXPENDITURES & TRANSFERS	\$ 519,494,732	\$ 73,928,495	14.2%	\$ 63,667,453

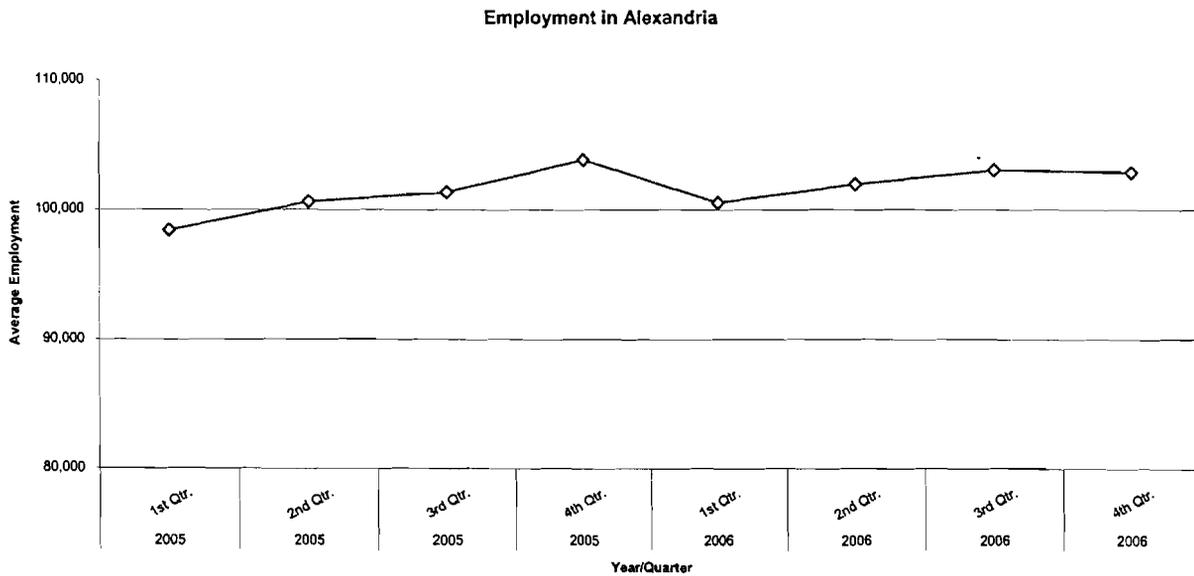
**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

	<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 July 31, 2007) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	134.4	130.7	+2.9%
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b>	2.2%	2.2%	0%
<b>Virginia</b> (As of July 31, 2007) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	3.1%	3.2%	-3%
<b>United States</b> (As of August 31, 2007) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.6%	4.7%	-2%
<b><u>Interest Rates</u></b> (As of August 31, 2007)			
<b>Prime Rate</b>	8.25%	8.25%	0%
<b>Federal Funds Rate</b> (Source: SunTrust Economic Monitor)	4.77%	5.25%	-9%
<b><u>New Business Licenses</u></b> (During August 2007) (Source: Finance Department, Business Tax Branch)	70	59	19%
<b><u>Office Vacancy Rates</u></b> (As of March 31, 2007)			
<b>Alexandria</b>	12.2%	11.7%	+4%
<b>Northern Virginia</b>	12.9%	13.1%	-2%
<b>Washington DC Metro Area</b> (Source: Grubb & Ellis)	11.1%	11.2%	-.5%
<b><u>New Commercial Construction</u></b> (As of August 31, 2007)			
<b>Number of New Building Permits</b>	0	0	0%
<b>Value of New Building Permits</b> (Source: Fire Department Code Enforcement Bureau)	0	0	0%
<b><u>Residential Real Estate Indicators</u></b> (YTD ending July 31, 2007)			
<b>Residential Dwelling Units Sold</b>	1,474	1,538	-4%
<b>Average Residential Sales Price</b> (Source: Department of Real Estate Assessments)	\$497,609	\$509,044	-2%

City of Alexandria  
Selected Economic Indicators



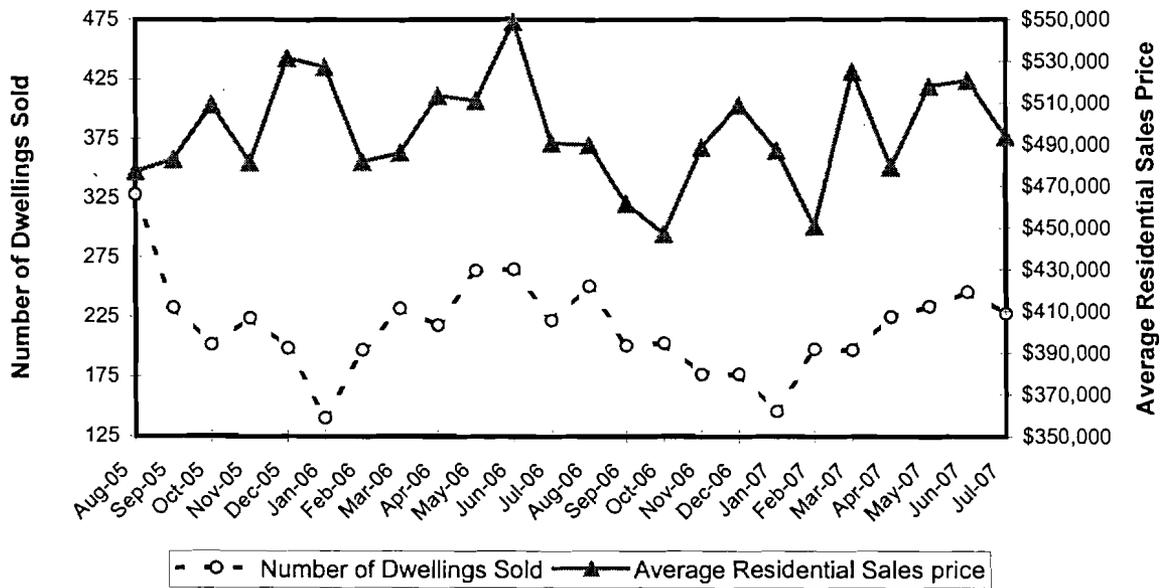
Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)



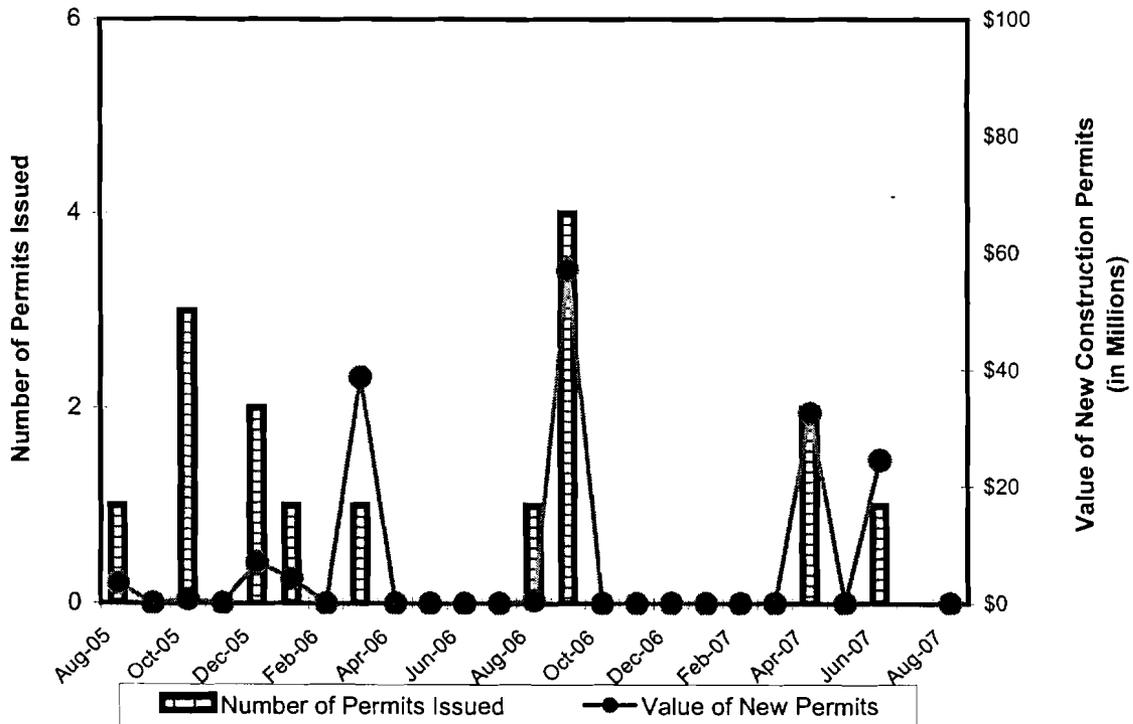
Source: Virginia Employment Commission, including the U.S. Patent and Trademark Office.

City of Alexandria  
Selected Economic Indicators

Selected Residential Real Estate Indicators

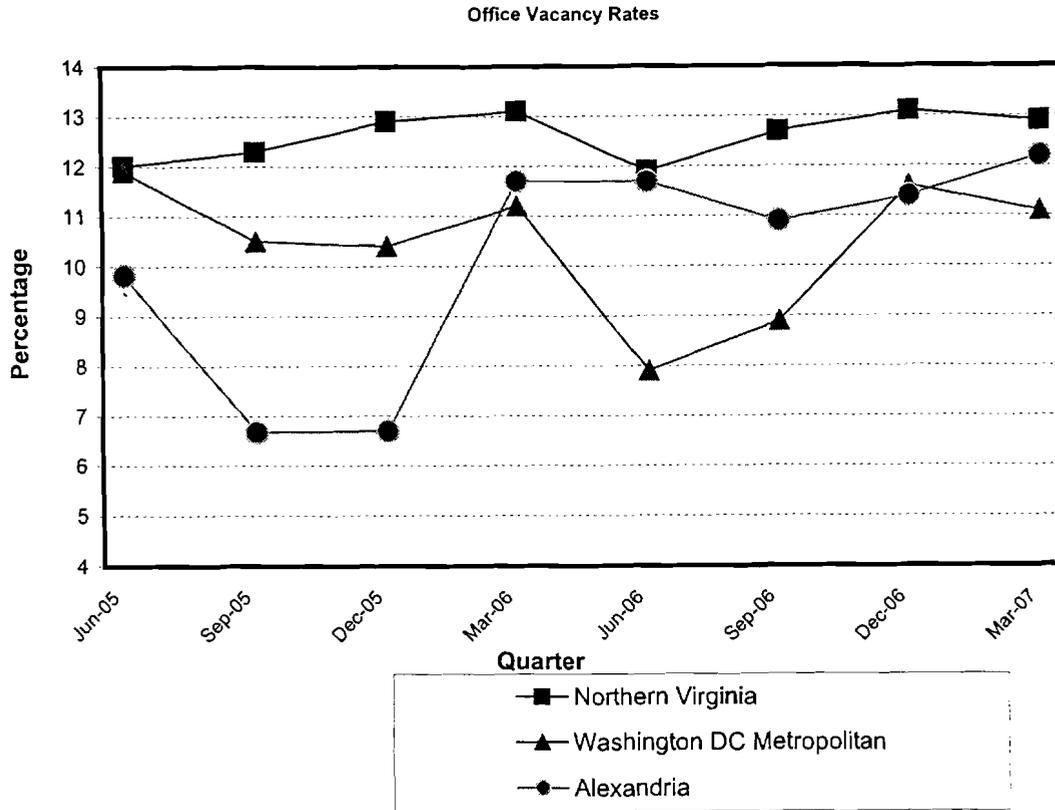


Alexandria New Commercial Construction  
Number of Permits and  
Value of New Construction Permits

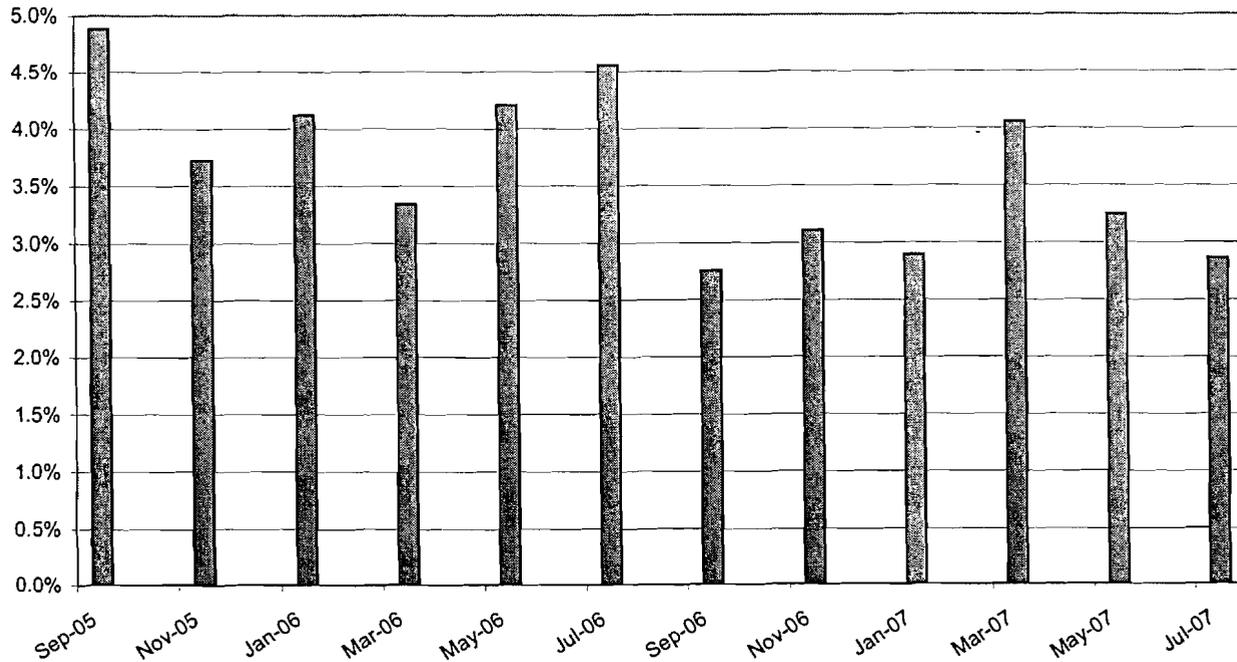


14

# City of Alexandria Selected Economic Indicators



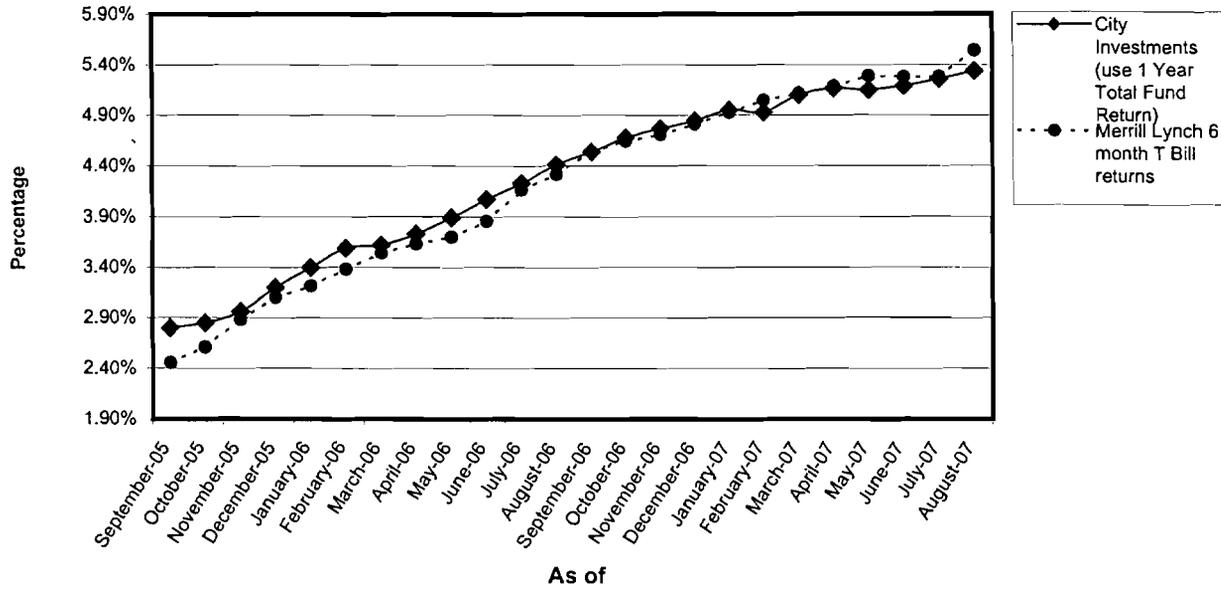
**Twelve Month Annualized Percentage Change in Consumer Price Index  
Washington/Baltimore**



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

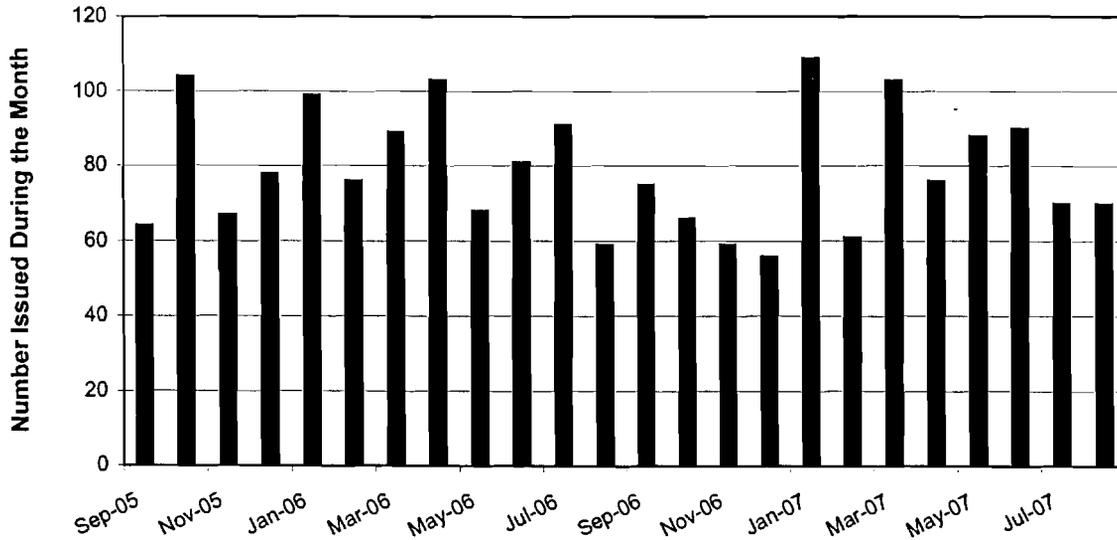
City of Alexandria  
Selected Economic Indicators

Selected Interest Rates



Source: Suntrust Economic Monitor

New Business Licenses Issued in Alexandria



<b>EXPLANATION OF MODIFIED ACCRUAL ACCOUNTING</b>
---

In accordance with accounting and reporting requirements established by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts for the Commonwealth of Virginia (APA), revenues collected by the City's agents before June 30, 2007, but not actually received by the City until July or August, are counted or accrued as FY 2007 revenues. These accrued revenues will include:

- Sales Tax collected by merchants in May and June, forwarded to the Commonwealth in June and July and remitted to the City in July and August;
- Consumer Utility Tax billed by the utility companies in May and June, collected by the utility companies in June and July and remitted to the City in July and August;
- Communication Tax billed by the applicable companies in May and June, collected by the utility companies in June and July and remitted to the City in July and August;
- Transient Lodging Tax revenue collected by Alexandria hotels in June and remitted to the City in July;
- Restaurant Meals Tax revenue collected by Alexandria restaurants in June and remitted to the City in July;
- Tobacco Tax revenue collected by the Northern Virginia Cigarette Tax Board in June and remitted to the City in July;
- Real Estate Recordation Tax revenue collected by the Clerk of the Circuit Court in June and remitted to the City in July;
- Admissions Tax revenue collected by Alexandria merchants in June and remitted to the City in July.

The GASB also requires the City to recognize certain General Fund revenues when they are "measurable and available." Tax revenues are deemed to be "measurable" when they are levied, and the APA has defined "available" to include tax collections within 45 days of the fiscal year end. Accordingly, fiscal year end revenues in the following categories will eventually include collections through August 15:

- real property tax
- personal property tax
- property tax penalties and interest payments, and
- business license tax

Expenditures in this report reflect actual cash disbursements through June 30, 2007. In accordance with accounting and reporting requirements established by the GASB and the APA, bills for goods and services received before June 30, 2007, but not paid before June 30, 2007, are considered expenditures for FY 2007 and later, when paid, will be treated as FY 2007 expenditures.