

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 18, 2008

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, 2008

ISSUE: Monthly Financial Report for the Period Ending August 31, 2008.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the Period Ending August 31, 2008.

MONTHLY HIGHLIGHTS:

FY 2008 ENDING RESULTS

- Revenue exceeded the budget projections presented in the FY 2009 Approved Budget by \$3.4 million.
- Expenditures were \$1.3 million below the total authorized budget, and although under budget, were \$2.9 million more than estimated last April.
- The result of \$3.4 million in additional revenues, less \$2.9 million in additional budgeted spending, leaves a net surplus of \$0.5 million, which is proposed for designation to help fund the FY 2010 budget.

FY 2009 OUTLOOK

- City revenues for FY 2009 will be some \$7 million to \$8 million short of projected revenues, primarily because real estate assessments will decline approximately 5.0% next calendar year.
- Actions to reduce planned expenditures have been, and will continue to be, undertaken to keep the FY 2009 budget balanced. These actions will be explained at the September 23 Council meeting.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the two months ending August 31, 2008. This report presents revenues and expenditures for the same period of fiscal year (FY) 2008 for comparative purposes (Attachments 1 and 2) and also provides charts of selected economic indicators (Attachment 3). It also includes a summary of final pre-audit FY 2008 revenues and expenditures.

ECONOMY: The City's economy, as measured by tax receipts, continued to slow in the second half of FY 2008. However, when compared to many regions in the United States, the City's economy remains very sound. The City's economy is influenced by regional and national economics cycles, is in a transitional phase in the economic cycle and bears careful watching. The City's unemployment rate of 3.0%, while low by Virginia and national standards, is at its highest level in four years. The Washington, D.C. Area Consumer Price Index (CPI-U) increased 5.7 percent from June 2007 to June 2008, its highest annual rate of increase since 1983. The City's office vacancy rate decreased from 7.1 percent to 6.3 percent as of June 30, 2008. This compares to first quarter vacancy rates of 12.3 percent for Northern Virginia and 12.0 percent for the entire D.C. metropolitan area.

On the residential real estate sales front, data continues to show a slower residential sales market. Real estate sales for the first seven months of 2008 showed a decline of 28.0 percent from the first seven months of 2007. In addition, the average sales price decreased by 5.2 percent. The City's residential market continues to show some signs of weakness in both residential single-family and condominium markets. One manifestation of weakness in the real estate market is an increase in the foreclosure rate compared to the previous years. According to Realtytrac, the number of Alexandria residential properties¹ in the foreclosure process rose from 8 in July 2006 to 47 in July 2007 to 94 in July 2008. While the number of foreclosures has increased, Alexandria's rate of 1 out of every 743 properties is far less than Fairfax County's rate of 1 out of every 226 properties or Prince William County's rate of 1 out of every 103 properties. Overall, single-family home (detached, semi-detached, and townhouses) values show a slight downward trend, while the condominium market shows a moderate downward trend.

The commercial market also shows a slight downward trend. Increasing capitalization rates, and a slowdown in new construction have begun to affect the commercial real estate market. The lack of sufficient commercial mortgage funding in the United States is having a major impact on the ability of commercial property developers to proceed with their projects. As with residential real estate, the impact of the commercial real estate slowdown appears to be less on Alexandria than other jurisdictions.

As a result, it is now expected that next calendar year's assessments will decline by about 5%. This will result in a shortfall of about \$7.2 million in budgeted real estate tax revenue for FY 2009. It will also negatively impact the FY 2010 budget.

Given continued national job losses and poor consumer confidence, it appears that the national economy continues to be sluggish. While the City economy is not in recession, it is influenced by the national and regional economies. At this time, we also see offsetting changes of \$1.0 million in additional personal property tax revenues partially offset by \$1.5 million in lower

¹ Realtytrac's definition of Alexandria is greater than the City limits, but the data remains representative.

recordation tax revenues. The total negative impact at this time appears to be approximately a shortfall of \$7.7 million in FY 2009 revenues. Staff will continue to closely monitor revenues and report to Council through the Monthly Financial Report. Efforts have been, and will continue to be, put in place on the expenditure side of the FY 2009 budget to reduce planned spending to keep the budget in balance.

In addition, Governor Kaine has directed State agencies to develop plans for 5 percent, 10 percent and 15 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 2009 budget, make recommendations to Council, and take actions as needed.

FISCAL YEAR 2008 PRE-AUDIT ENDING RESULTS: At this time, the City's external auditors are auditing and reviewing the City's accounts and federal grants in relation to FY 2008 expenditures and revenues. While the actual outcome of the FY 2008 audit will not be known until after the auditors' work is completed, preliminary financial information on General Fund revenues can be reported at this time. This information is subject to change as a result of the auditors' 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 2008 approximately \$3.4 million ahead of the revenue projections used when the FY 2008 budget was adopted and \$1.6 million higher than the projections provided with the June financial report to Council. This equals 0.7 percent of total General Fund revenues. The primary sources of these funds were \$1.4 million in real estate taxes and \$1.2 million in personal property taxes. Other additional revenue came primarily from higher charges for services, use of money and property and Sheriff's revenues from the State and federal government. Revenues that fell short of projections include sales taxes, consumer utility taxes, communications sales and use taxes, business license taxes, recordation taxes, fines and forfeitures and licenses and permits.

On the expenditure side of the ledger, expenditures and other obligations were \$1.3 less than the approved budget. However, although under the authorized budget, it was \$2.9 million more than roughly estimated last April. It appears that rising prices of goods and services (including gasoline) the City purchased, coupled with a lower turnover of personnel, but a higher budget vacancy factor, all contributed to a higher spend down of the budget. When this \$2.9 million is netted against the \$3.4 million revenue surplus, an amount of \$0.5 million remains as the FY 2008 net surplus proposed to be designated to help fund the FY 2010 budget. It is my plan to cover the \$7.7 million FY 2009 revenue shortfall by reductions in planned spending, in lieu of drawing on the FY 2008 surplus, or existing fund balance.

School staff has reported to the School Board that the School Operating Fund finished FY 2008 with an increase in unreserved and undesignated fund balance of \$4.0 million. This brings the School Operating Fund fund balance to \$5.6 million. Of this amount, \$1.25 million has been designated to fund the Schools health benefits reserve (this new designation is planned as part of the switch to self-insurance for the United Healthcare health insurance plan). This leaves \$4.4 million as the estimated beginning balance for the School Operating Fund for FY 2010.

The following chart depicts the sources of the additional revenue:

REVENUE CATEGORY PROJECTIONS	FY 2008 BUDGET PROJECTIONS (In Millions)	FY 2008 PRE- AUDIT ACTUALS (In Millions)	BUDGET PROJECTIONS VS ACTUALS (In Millions)
Real Property	\$ 285.9	\$ 287.3	\$ 1.4
Personal Property-local share	33.7	34.9	1.2
Penalty and Interest	1.8	1.9	0.1
Sales Tax	24.6	24.3	-0.3
Consumer Utility Tax	10.3	10.0	-0.3
Communications Sales and Use Tax	12.6	12.4	-0.2
Business License Tax	32.5	32.0	-0.5
Transient Lodging Tax	8.7	8.5	-0.2
Restaurant Meals Tax	10.8	11.0	0.2
Recordation Taxes	5.1	4.9	-0.2
Admission Tax	1.1	1.1	-
Other Local Taxes	7.9	8.1	0.2
Intergovernmental	53.5	54.5	1.0
Fines and Forfeitures	4.3	3.9	-0.4
Licenses and Permits	5.4	4.8	-0.6
Charges for City Services	10.4	11.3	0.9
Use of Money and Property	8.1	9.0	0.9
Miscellaneous	0.4	0.6	0.2
Total	\$ 517.1	\$ 520.5	\$ 3.4

REVENUES (Attachment 1): As of August 31, 2008, actual General Fund revenues totaled \$19.9 million, which is \$0.4 million below FY 2008 revenues of \$20.3 million for the same time period last year. As discussed in the Explanation of Modified Accrual Accounting (Attachment 4), most taxes and revenues collected in July and August are accounted as revenues of the fiscal year ended June 30, 2008.

Real Property: Real property is assessed as of January 1 and assessment notices are mailed to property owners in February. Real estate taxes are assessed in early May after Council sets the tax rate. Real estate taxes are billed and payable in two installments. The first tax bill of the calendar year is mailed in May and is payable by June 15. The second tax bill is mailed in October and is payable by November 15. It is expected that real estate tax revenues paid in November will meet budget expectations, but that real estate tax revenues paid in June 2009 will be approximately 5% less than budgeted with 2009 assessments determining the actual amount of the real estate shortfall. If the assessment drop is 5%, that will trigger a \$7.2 million shortfall in FY 2009 real estate tax revenues.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
\$287.3*	\$293.6 million	\$0.3 million	\$0.2 million	-

*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). Business personal property taxes are assessed based on property owned as of January 1 and returns must be filed by May 1. Tax bills are then prepared based on the personal property tax rates set by Council in May. Personal property tax bills are prepared during a two-month period ending July 15 based on the personal property tax rate set by Council in May. Tax bills are mailed to taxpayers in late August and are due on October 5. The State's share of the local personal property tax payment for FY 2009 remains capped at \$23.6 million. This amount covers approximately 69 percent of most taxpayers' bills, which is the same rate that was provided last year. Based on tax bills issued in August, we expect about \$1.0 million more in vehicle tax revenue from this source in FY 2009.

	FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
Vehicles	\$18.6 million*	\$18.0 million	\$0.4 million	\$0.4 million	-
Business - Equipments and Machinery	\$16.3 million*	\$15.7 million	\$0.2 million	\$0.2 million	-
State Reimbursement	\$23.6 million*	\$23.6 million	\$11.8 million	\$11.8 million	-
Total	\$58.5 million*	\$57.3 million	\$12.4 million	\$12.4 million	-

*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. This revenue source has significantly slowed over recent months, but the adopted budget already assumed a reduction from the FY 2008 projected amount.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
\$24.3 million*	\$24.0 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 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$10.0 million*	\$10.7 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 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$12.4 million*	\$13.0 million	-	-	-

* Preliminary. Final amounts will be reported when CAFR is completed.

Business License Taxes: The City's business license tax is due March 1, 2009. These collections are counted and analyzed in March. Most collections prior to March represent collections from new businesses and taxpayers who pay on a quarterly basis.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$32.0 million*	\$33.5 million	\$0.1 million	\$0.2 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. The amount of local tax levied on the amount paid for hotel and motel rooms is 6.5 percent of the room charge plus a \$1 per room per night lodging fee. The rate was increased by one percent from 5.5 percent plus \$1 as part of the Approved FY 2009 Budget. This increase is expected to generate \$1.6 million in additional revenue per year.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$8.5 million*	\$11.5 million	\$0.6 million	\$0.9 million	4%

* 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. Alexandria's restaurant meals tax was increased by 1.0 percent to 4.0 percent as part of the FY 2009 Approved Budget. For FY 2009, this increase is expected to generate approximately \$3.7 million in additional revenue.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$11.0 million*	\$15.0 million	\$0.8 million	\$1.0 million	3%

* 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 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$2.7 million*	\$2.7 million	\$0.2 million	\$0.3 million	8%

* 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. This revenue category may be significantly under the amount budgeted by as much as \$1.5 million due to the low current volume of real estate transactions.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$4.9 million*	\$4.8 million	\$0.7 million	\$0.3 million	(50%)

* 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 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 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.

Licenses and Permits: Increased revenue in this category reflects a budgeted increase in permits and fees.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$4.8 million*	\$6.2 million	\$0.7 million	\$0.8 million	6%

* 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.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change Year-to-Date
\$11.3 million*	\$14.5 million	\$0.9 million	\$1.1 million	14%

* 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. It is too early in the fiscal year to project a specific interest earnings amount at this time for the entire year given the uncertainty in the financial markets, but so far earnings of invested funds have exceeded projections. The City has completed the transfer of its short term investments to the Virginia Local Government Investment Pool managed by the State.

FY 2008 Actuals	FY 2009 Budget	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change Year-to-Date
\$9.0 million*	\$6.0 million	\$1.5 million	\$1.1 million	(29%)

* Preliminary. Final amounts will be reported when CAFR is completed.

EXPENDITURES (Attachment 2): As of August 31, 2008, actual General Fund expenditures totaled \$74.1 million, an increase of \$0.2 million, which approximates expenditures for the same period last year. The Approved General Fund Budget is 2.4 percent higher than the FY 2008 amended budget. The FY 2009 budget includes an appropriation of \$5.6 million for Other Post Employment Benefit (OPEB) obligations for retiree health and life insurance. The budget also included a one-time pay increase for City employees. These were paid out on a lump sum basis in July. As indicated in Attachment 4, this report reflects actual cash disbursements through August 31, 2008.

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 2009, 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 - \$0.6 million
- Fire - \$1.3 million

Contributory Payments: The City makes some payments, such as contributions to the Washington Metropolitan Area Transit Authority (WMATA), on a quarterly or semiannual 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 the Peumensend Creek Regional Jail and the Northern Virginia Criminal Justice Training Academy.
- Other Planning and Economic Development Activities: This category includes quarterly payments to community agencies such as the Alexandria Small Business Development Center and the Alexandria Convention and Visitors Association.
- Transit Subsidies: This category includes payments in the quarter for the City's major transit programs, including the Alexandria Transit Company (DASH), and to the Washington Metropolitan Area Transit Authority (WMATA).
- Other Education Activities: This category includes quarterly contribution payments to the Northern Virginia Community College.

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 2009.

Human Services: Expenditures reflect payments to community organizations and contractors who provide services.

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.

Non-Departmental Expenditures: General Fund expenditures in this category reflect the City's contributions to OPEB, the public safety pension plan, senior citizens' rent relief and payment for the City's liability insurance. The increase from the prior year represents a budgeted payment of \$5.6 million made to the OPEB Trust Fund, where it will be invested. 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, 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, 2008 AND AUGUST 31 2007**

	FY2009 APPROVED BUDGET	FY2009 REVENUES THRU 08/31/08	% OF BUDGET	FY2008 REVENUES THRU 08/31/07
General Property Taxes				
Real Property Taxes.....	\$ 293,600,498	\$ 163,190	0.1%	\$ 269,966
Personal Property Taxes.....	33,700,000	612,972	1.8%	628,697
Penalties and Interest.....	1,770,000	68,240	3.9%	84,795
Total General Property Taxes	<u>\$ 329,070,498</u>	<u>\$ 844,402</u>		<u>\$ 983,458</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 24,000,000	-	0.0%	\$ -
Consumer Utility Taxes.....	10,700,000	-	0.0%	-
Communication Sales and Use Taxes.....	13,000,000	-	0.0%	-
Business License Taxes.....	33,513,000	174,466	0.5%	127,945
Transient Lodging Taxes.....	11,500,000	861,882	7.5%	598,190
Restaurant Meals Tax.....	15,000,000	993,346	6.6%	792,202
Tobacco Taxes.....	2,700,000	257,008	9.5%	238,425
Motor Vehicle License Tax.....	3,200,000	268,603	8.4%	311,730
Real Estate Recordation.....	4,800,000	334,722	7.0%	659,773
Admissions Tax.....	1,000,000	122,684	12.3%	116,045
Other Local Taxes.....	2,080,000	112,121	5.4%	174,889
Total Other Local Taxes	<u>\$ 121,493,000</u>	<u>\$ 3,124,832</u>	2.6%	<u>\$ 3,019,199</u>
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 7,223,000	\$ -	0.0%	\$ 31,959
Personal Property Tax Relief from the Commonwealth.....	23,578,531	11,789,265	50.0%	11,789,265
Revenue from the Commonwealth.....	21,986,481	622,352	2.8%	618,514
Total Intergovernmental Revenues	<u>\$ 52,788,012</u>	<u>\$ 12,411,617</u>	23.5%	<u>\$ 12,439,738</u>
Other Governmental Revenues And Transfers In				
Fines and Forfeitures.....	\$ 4,755,300	\$ 534,035	11.2%	\$ 573,425
Licenses and Permits.....	6,157,000	772,382	12.5%	731,234
Charges for City Services.....	14,473,877	1,055,618	7.3%	928,152
Revenue from Use of Money & Property.....	6,000,000	1,061,032	17.7%	1,503,735
Other Revenue.....	616,750	103,450	16.8%	126,327
Transfer from Other Funds.....	2,023,910	-	0.0%	-
Total Other Governmental Revenues	<u>\$ 34,026,837</u>	<u>\$ 3,526,517</u>	10.4%	<u>\$ 3,862,873</u>
TOTAL REVENUE	\$ 537,378,347	\$ 19,907,368	3.7%	\$ 20,305,268
Appropriated Fund Balance				
General Fund.....	8,800,000	-	0.0%	-
Reappropriation of FY 2008 Encumbrances And Other Supplemental Appropriations.....	-	-	0.0%	-
TOTAL	<u><u>\$ 546,178,347</u></u>	<u><u>\$ 19,907,368</u></u>	3.6%	<u><u>\$ 20,305,268</u></u>

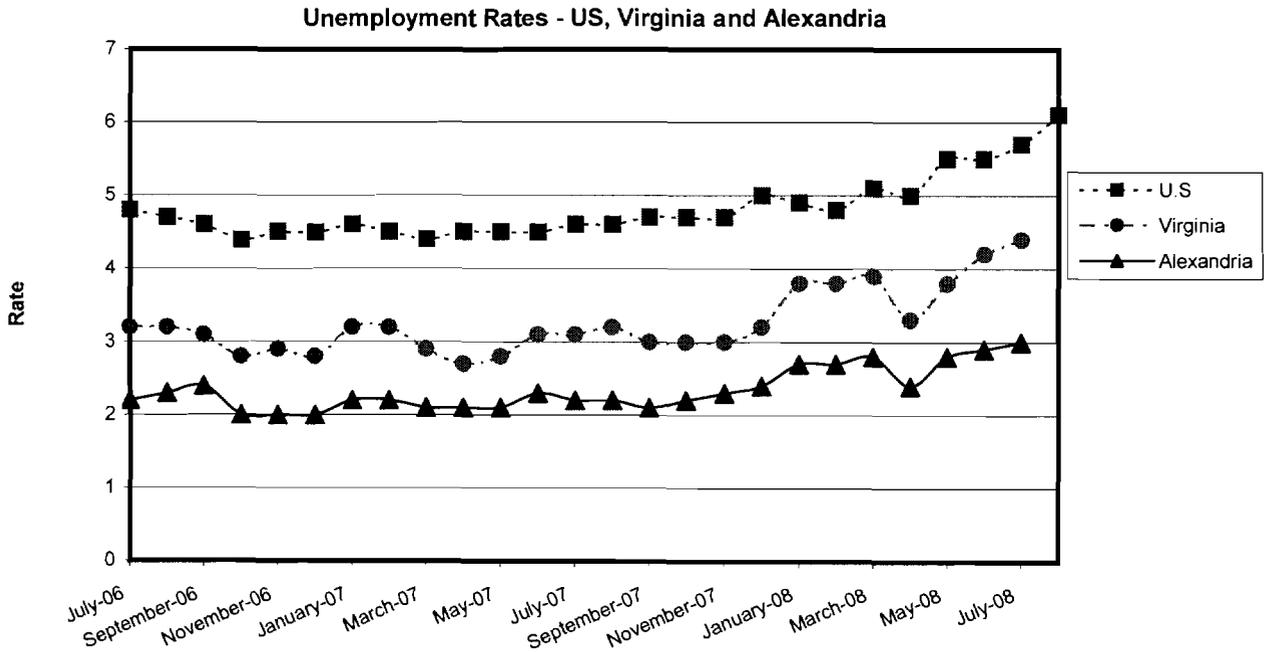
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING AUGUST 31, 2008 AND AUGUST 31, 2007**

FUNCTION	FY2009	FY2009	% OF	FY2008
	APPROVED BUDGET	EXPENDITURES THRU 08/31/08		BUDGET
Legislative & Executive.....	\$ 7,287,745	\$ 1,117,416	15.3%	\$ 886,838
Judicial Administration.....	\$ 38,851,475	\$ 6,605,705	17.0%	\$ 6,237,425
Staff Agencies				
Information Technology Services.....	\$ 7,342,566	\$ 1,136,937	15.5%	\$ 1,187,279
Management & Budget.....	1,183,001	187,905	15.9%	174,998
Finance.....	9,833,109	1,299,372	13.2%	1,244,306
Real Estate Assessment.....	1,635,473	252,900	15.5%	246,998
Personnel.....	3,421,143	624,229	18.2%	581,674
Planning & Zoning.....	5,923,408	796,635	13.4%	874,195
Economic Development Activities.....	3,422,182	802,811	23.5%	1,132,785
City Attorney.....	3,341,753	324,648	9.7%	337,167
Registrar.....	1,275,383	230,728	18.1%	178,773
General Services.....	13,125,647	1,636,619	12.5%	1,751,163
Total Staff Agencies	\$ 50,503,665	\$ 7,292,784	14.4%	\$ 7,709,338
Operating Agencies				
Transportation & Environmental Services.....	\$ 29,242,032	\$ 4,135,492	14.1%	\$ 4,112,500
Fire.....	39,142,446	7,055,726	18.0%	6,213,024
Police.....	53,502,272	9,308,752	17.4%	9,083,351
Transit Subsidies.....	8,680,745	2,439,741	28.1%	2,355,263
Mental Health/Mental Retardation/ Substance Abuse.....	540,038	194,587	36.0%	175,111
Health.....	7,960,099	682,107	8.6%	711,654
Human Services.....	12,531,604	3,128,468	25.0%	3,012,444
Historic Resources.....	2,913,392	493,854	17.0%	426,360
Recreation.....	21,044,635	4,167,528	19.8%	3,823,465
Total Operating Agencies	\$ 175,557,263	\$ 31,606,255	18.0%	\$ 29,913,172
Education				
Schools.....	\$ 167,953,749	\$ 12,616,547	7.5%	\$ 14,787,032
Other Educational Activities.....	12,004	3,001	25.0%	3,100
Total Education	\$ 167,965,753	\$ 12,619,548	7.5%	\$ 14,790,132
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 33,640,327	\$ 796,215	2.4%	\$ 855,360
Non-Departmental.....	14,409,749	6,333,655	44.0%	1,105,554
Cash Capital.....	4,917,687	4,917,687	100.0%	9,765,564
Contingent Reserves.....	-	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 52,967,763	\$ 12,047,557	22.7%	\$ 11,726,478
TOTAL EXPENDITURES	\$ 493,133,664	\$ 71,289,265	14.5%	\$ 71,263,383
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...				
Transfer to Housing.....	33,941,733		0.0%	-
Transfer to Housing.....	3,830,815	244,028	6.4%	223,514
Transfer to Library.....	7,205,135	1,201,096	16.7%	1,187,108
Transfer to DASH.....	8,067,000	1,344,769	16.7%	1,254,490
TOTAL EXPENDITURES & TRANSFERS	\$ 546,178,347	\$ 74,079,158	13.6%	\$ 73,928,495

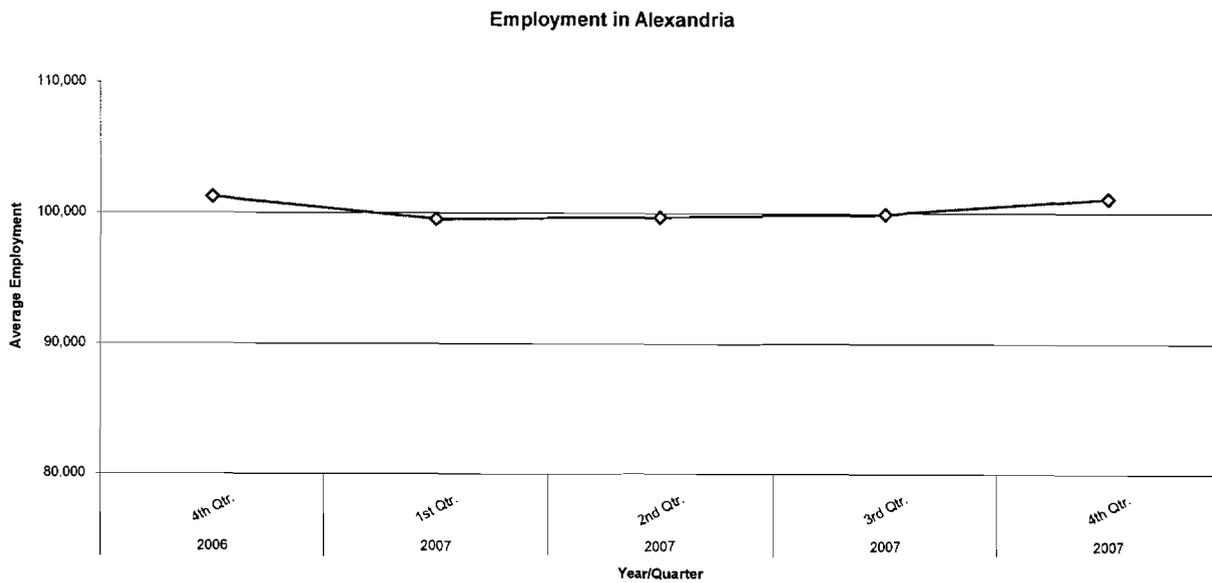
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<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 June 30, 2008) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	142.1	134.4	+5.7%
<u>Unemployment Rates</u> Alexandria (As of July 31, 2008)	3.0%	2.2%	+36%
Virginia (As of July 31, 2008) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	4.4%	3.1%	+42%
<u>United States</u> (As of August 30, 2008) (Source: United States Department of Labor, Bureau of Labor Statistics)	6.1%	4.6%	+33%
<u>Interest Rates</u> (As of August 30, 2008)			
Prime Rate	5.00%	8.25%	-39%
Federal Funds Rate (Source: NY Federal Reserve Bank)	2.01%	5.02%	-60%
<u>New Business Licenses</u> (During August 2008) (Source: Finance Department, Business Tax Branch)	70	67	-4%
<u>Office Vacancy Rates</u> (As of June 30, 2008)			
Alexandria	6.3%	6.3%	--
Northern Virginia	13.6%	12.3%	+10.6%
Washington DC Metro Area (Source: Grubb & Ellis)	12.0%	10.7%	+12.1%
<u>New Commercial Construction</u> (As of July 31, 2008)			
Number of New Building Permits	1	0	-
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$7.9 million	0	-
<u>Residential Real Estate Indicators¹</u> (YTD ending July 31, 2008)			
Residential Dwelling Units Sold	1,061	1,474	-28.0%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$471,918	\$497,609	-5.2%

**City of Alexandria
Selected Economic Indicators**



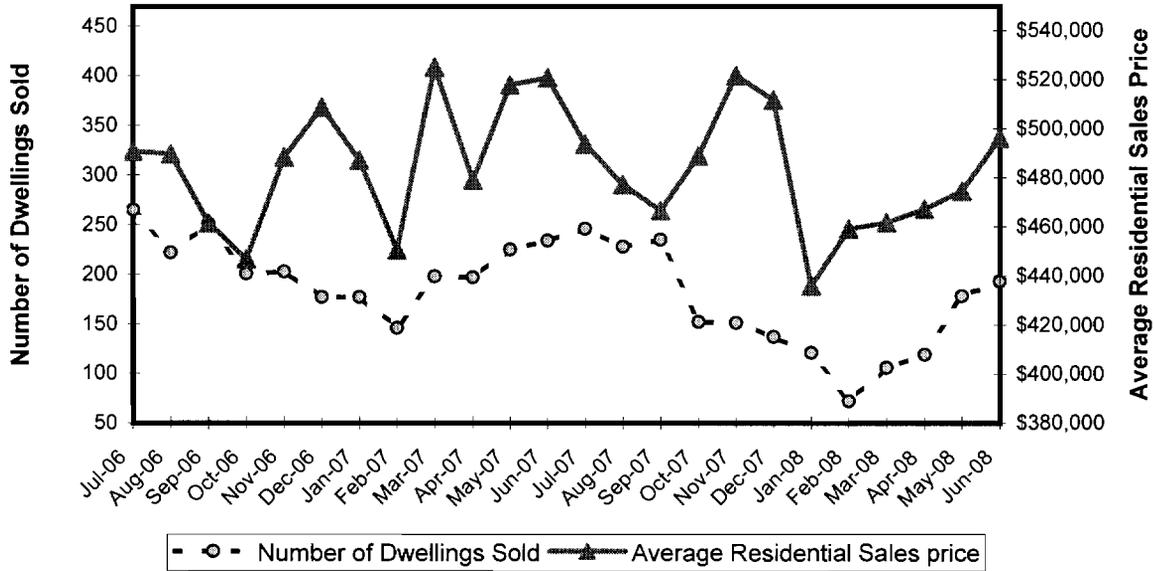
Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)



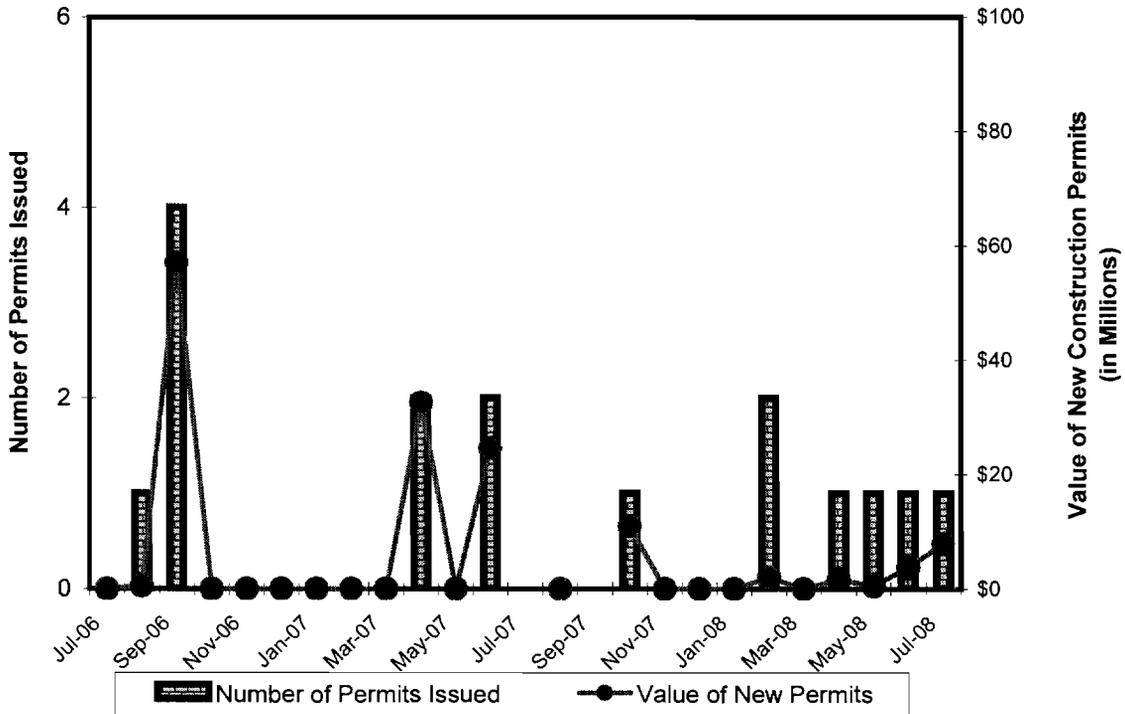
Source: Virginia Employment Commission, including the U.S. Patent and Trademark Office.

City of Alexandria
Selected Economic Indicators

Selected Residential Real Estate Indicators

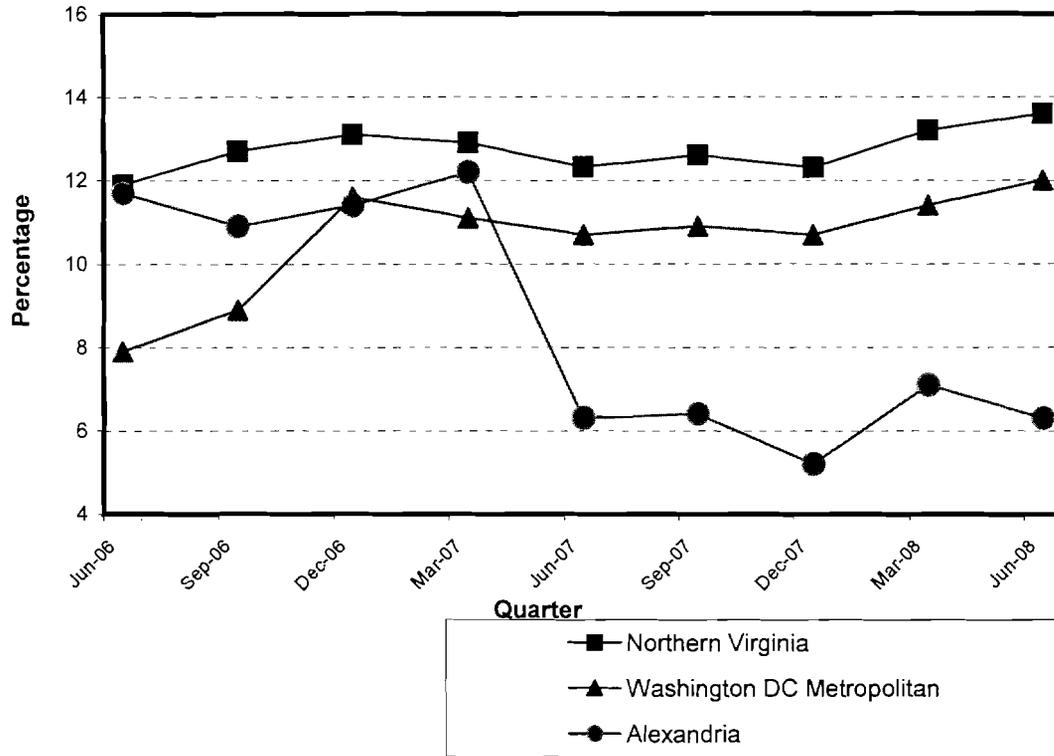


Alexandria New Commercial Construction
Number of Permits and
Value of New Construction Permits

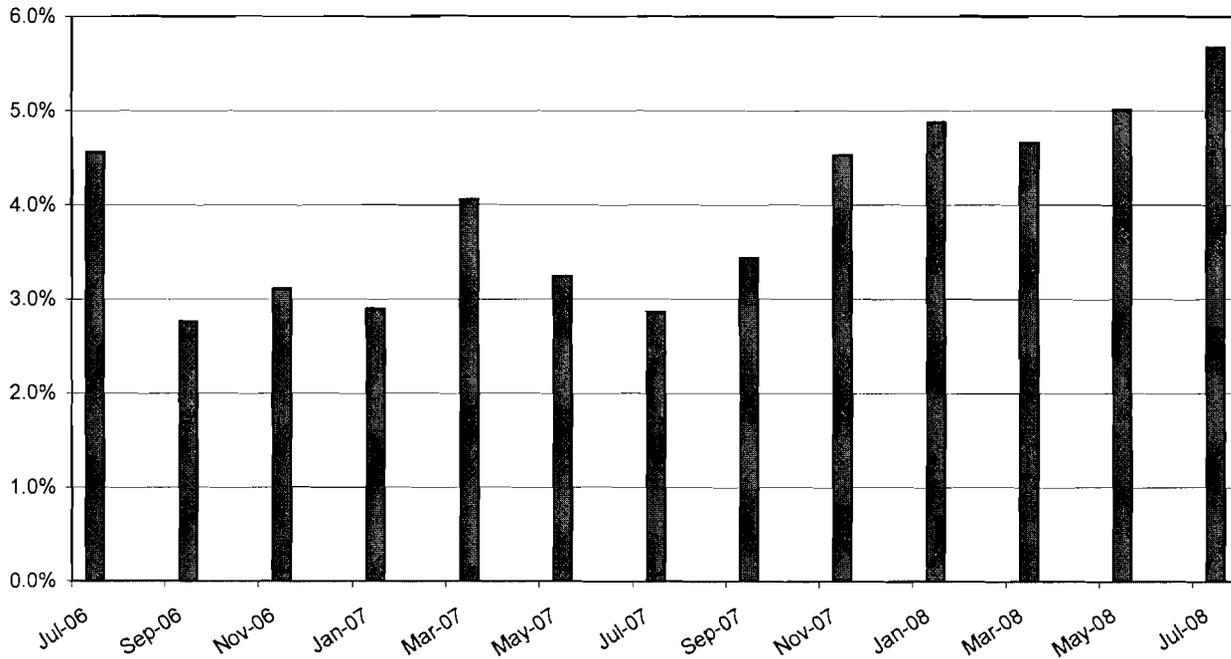


**City of Alexandria
Selected Economic Indicators**

Office Vacancy Rates

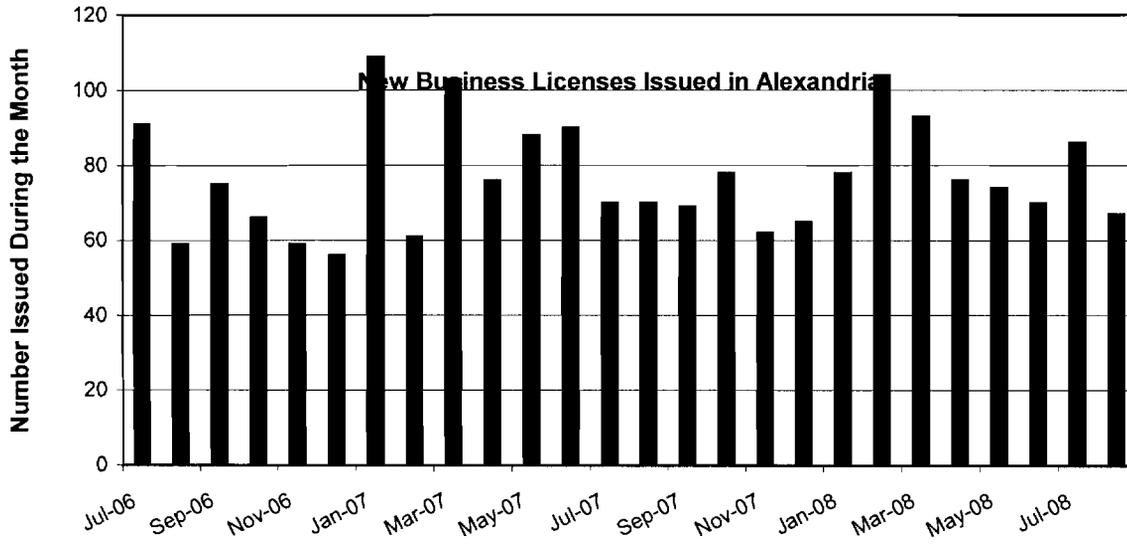


Twelve Month Annualized Percentage Change in Consumer Price Index
Washington/Baltimore



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

City of Alexandria
Selected Economic Indicators



EXPLANATION OF MODIFIED ACCRUAL ACCOUNTING

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, 2008, but not actually received by the City until July or August, are counted or accrued as FY 2008 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, 2008. In accordance with accounting and reporting requirements established by the GASB and the APA, bills for goods and services received before June 30, 2008, but not paid before June 30, 2008, are considered expenditures for FY 2008 and later, when paid, will be treated as FY 2008 expenditures.

Expenditures in this report reflect actual cash disbursements through June 30, 2008. In accordance with accounting and reporting requirements established by the GASB and the APA, bills for goods and services received before June 30, 2008, but not paid before June 30, 2008, are considered expenditures for FY 2008 and later, when paid, will be treated as FY 2008 expenditures.

23
9-23-08

Presentation of
Monthly Financial Report
And
Overall Fiscal Review

City Council Legislative Session
September 23, 2008

Topics

- End of FY 2008 Financial Results
- Review of FY 2009
 - Expected Assessment Decline
 - Total Revenue Shortfall
 - Actions to Keep Budget in Balance
- Implications for FY 2010

End of FY 2008 Financial Results

- Revenues \$3.4 million above budget
- Expenditures \$1.3 million under budget
 - but \$2.9 million more than estimated last April
- Net “new” surplus of \$0.5 million
 - Proposed for designation to help FY 2010 budget

End of FY 2008 Financial Results

- Real Estate and Personal Property Tax
 - Collections higher
- Consumer tax revenues
 - Slightly lower
- Other revenues
 - Mixed results

Review of FY 2009

- Real Estate taxes = 54% of total General Fund budget
- National and Regional housing markets in decline
- Real Estate in down part of cycle
- Key questions: How deep will real estate correction be and how long will it last?

Alexandria Real Estate Market Data

- **Residential market**

(First 6 months CY 2008 vs. first 6 months CY 2007)

- Sales volume down 27%
- Average sales price down 5.4% for existing properties (excluding new units and condo conversions)
- Days on Market up 7.3%
- Inventory up 0.1%

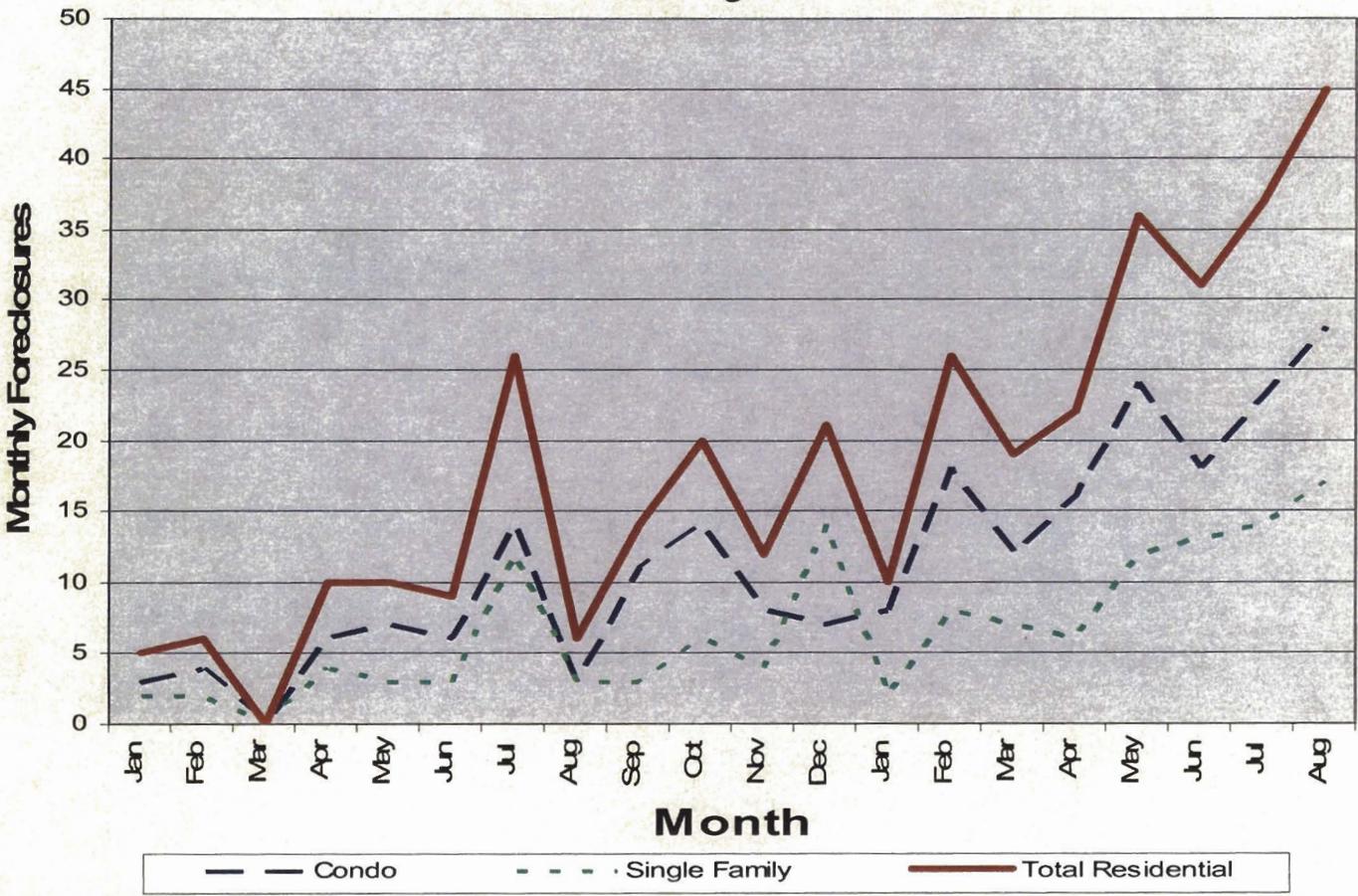
Alexandria Real Estate Market Data

- Commercial market
 - Capitalization rates increasing
 - Highly leveraged transactions are a thing of the past
 - Sales now require equity investment
 - Higher rate of return required when compared to debt
 - Low commercial property sales volume has made market extracted data difficult to obtain
 - Investment surveys report a decompression (increase) in commercial capitalization rates over the last 8 months

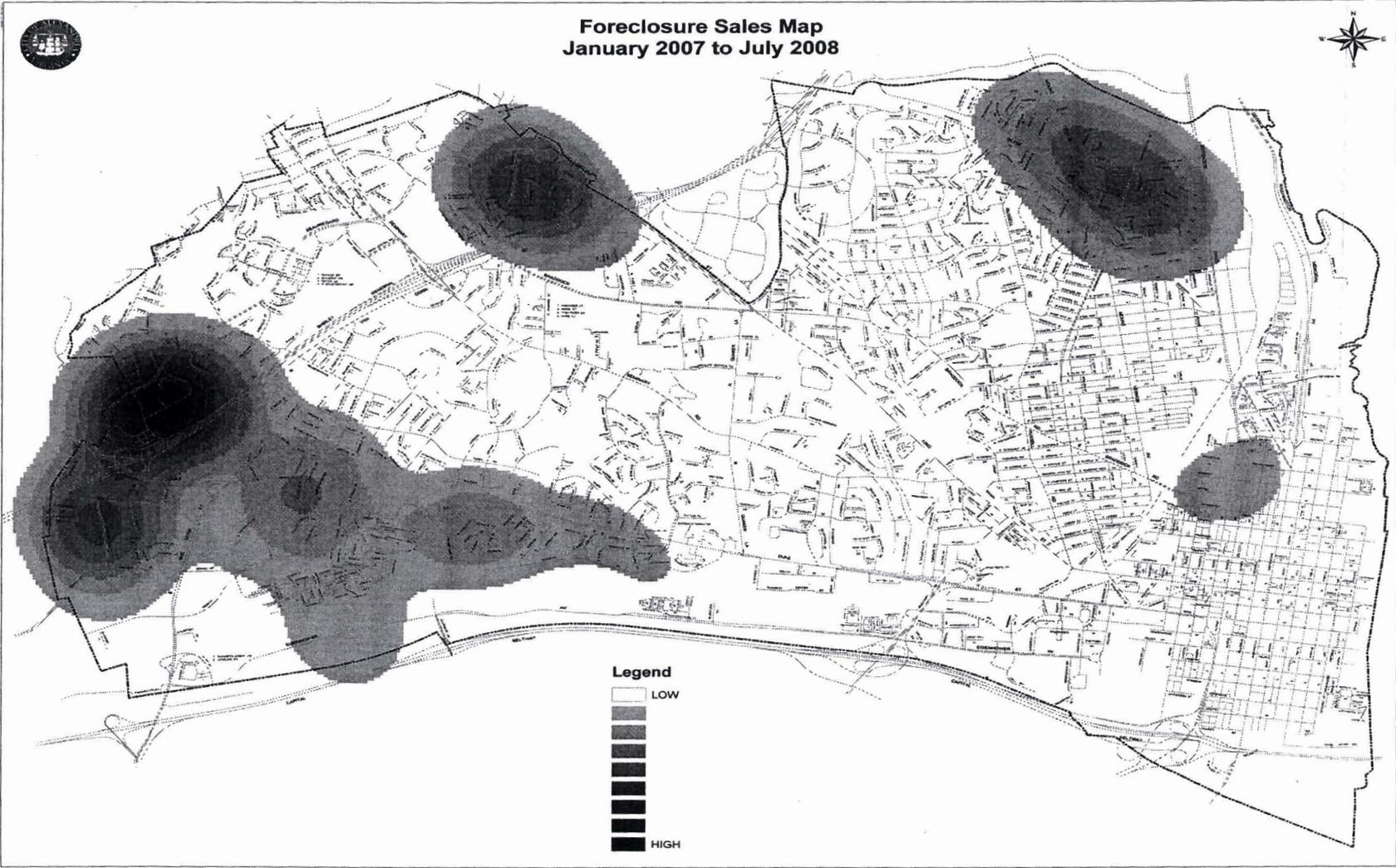
Early Real Estate Assessment Projections

- Market data this fall may change projections
- Single family change minus 4.0%
- Condos change minus 8.0%
- Commercial change minus 3.5%
- New construction down about 40%
 - \$230 million vs. \$584.5 million in 2008)

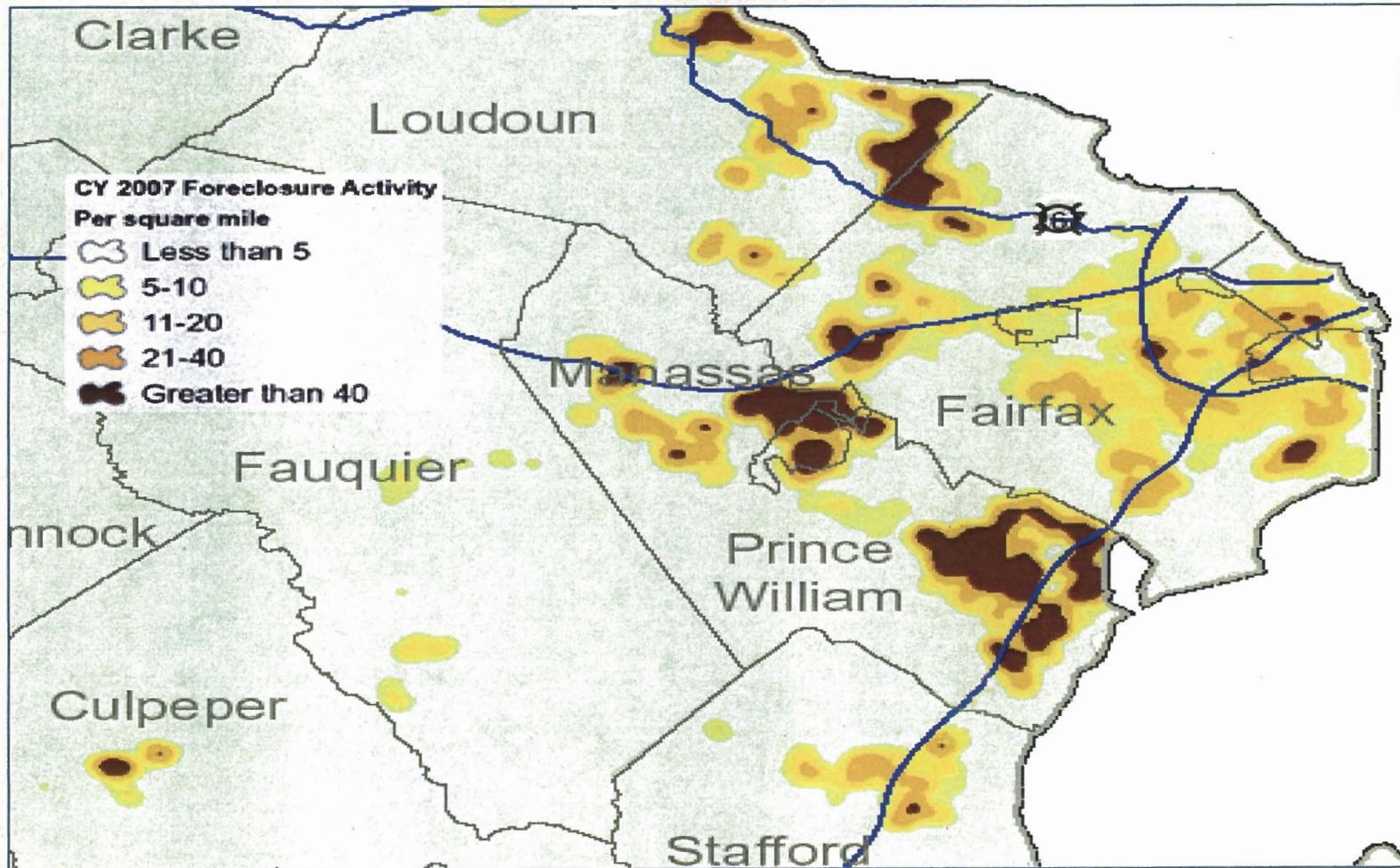
Foreclosures in Alexandria Since January 2007



Alexandria Foreclosures Focused in A Few Areas



CY 2007 Foreclosure Activity in Northern Virginia



Review of FY 2009 Revenue Outlook

- Real Estate revenues down \$7.2 million
 - Assuming 5% decline in CY 2009 assessments
- Personal Property up \$1.0 million
- Recordation tax revenues down \$1.5 million
- Standing at national economic precipice
- Local impacts will occur but no data yet available to project FY 2009 impact
 - Intergovernmental aid from Commonwealth will be reduced further
 - Consumer spending slowdown affecting retail sales
 - Other local businesses to be affected
 - Local tourism and business travel impacts on the horizon

Necessary City Budget Adjustments in FY 2009

- Departments given immediate savings targets for remainder of FY 2009
 - \$8 million total
 - 1.5% of General Fund budget
 - Differentiated reductions
 - from 0% to 4.1%
 - Differences based on allowances for
 - mandated legal processes
 - Direct public safety services
 - Direct public health and disease control services
 - Care of persons residing in City-sponsored residences
 - Obligations to outside organizations through contracts or other agreements

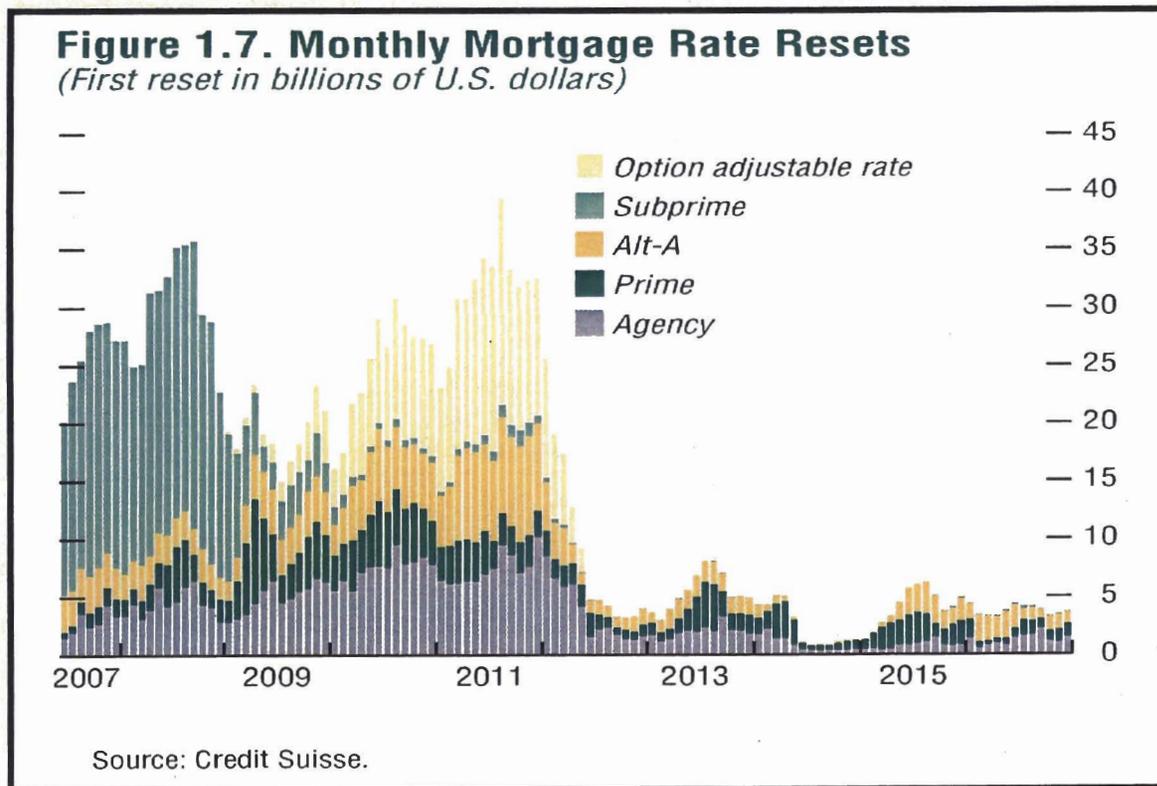
Necessary City Budget Adjustments in FY 2009

- Departmental spending reduction plans
 - To be submitted to City Manager
 - Summary to Council at retreat October 25
- **Expect some service reductions**
- City Manager continues to review all hiring decisions
- Tighter controls on budget execution during FY 2009
- Restrained capital spending in FY 2009

FY 2010 Revenue Forecast

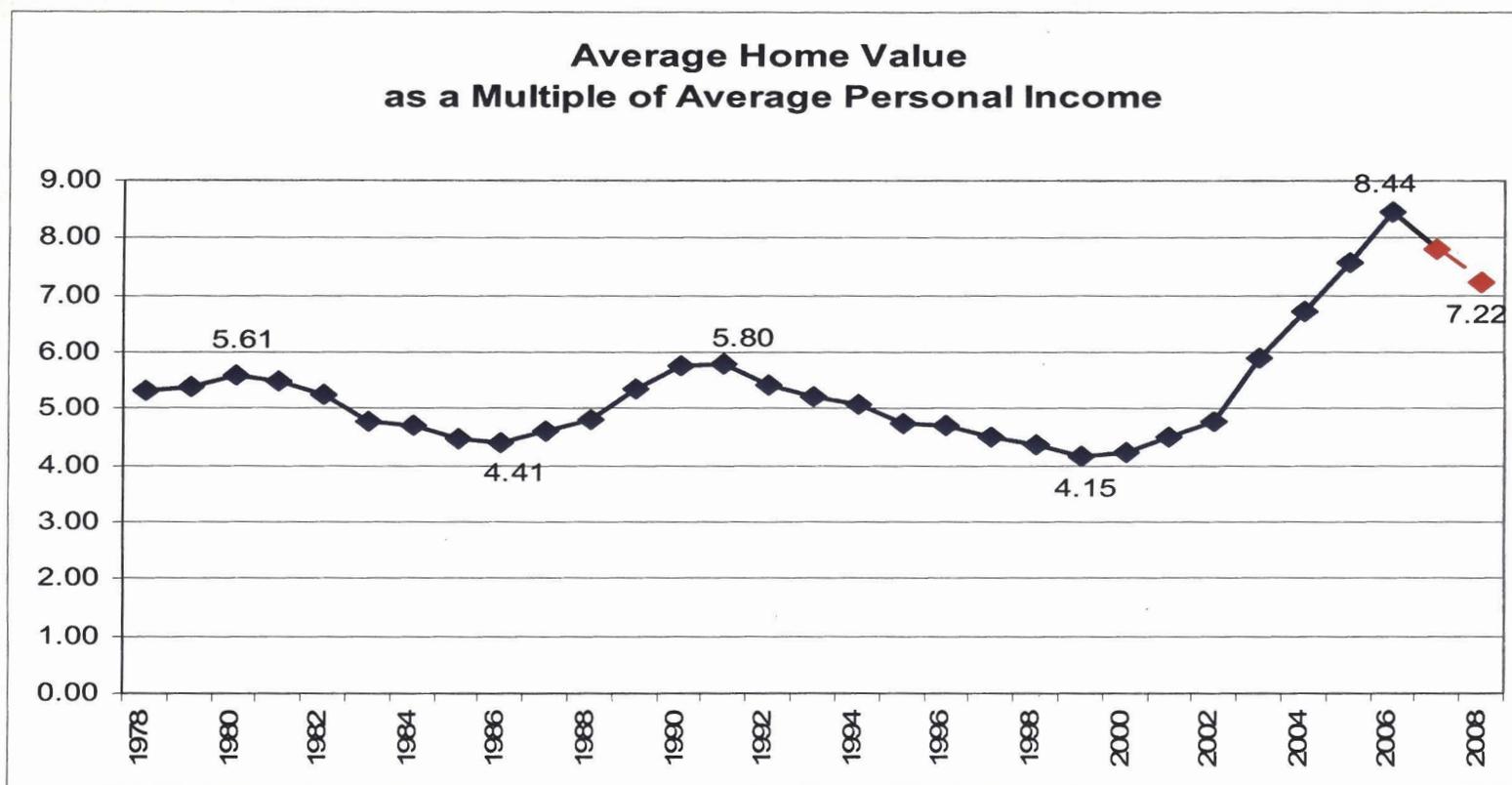
- National economic turmoil will affect other City revenues sources negatively
- FY 2010 revenue projections to be provided at Council retreat
- Likely to show absolute decline in revenues from FY 2009
- Key assumption will be what happens to real estate assessments in CY 2010
 - Residential housing market more likely to continue to decline than not
 - Commercial property values will decline with general economic slowdown
 - Value of new construction likely to be low

Home Mortgage Difficulties Will Continue



- Pending adjustable rate mortgage resets on the horizon

Residential Housing Values Well Above Historic Levels



Budget Outlook Grim for Other N. VA Jurisdictions

- Fairfax County
 - \$430 million FY 2010 shortfall
- Loudoun County
 - \$176 million FY 2010 shortfall
- Prince William County
 - Home prices down about about 40% July 07 to July 08
 - 38% of General Fund budget from residential real estate
- Arlington County
 - Expect real estate outlook similar to Alexandria
 - However, projected 4% growth in CY 2009 assessments
 - No forecast yet for FY 2010