


City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 30, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
FEBRUARY 28, 2010

ISSUE: Receipt of the City's Monthly Financial Report for the Period Ending February 28, 2010.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the Period Ending February 28, 2010.

DISCUSSION: This report includes highlights of the City's financial condition. More detailed information, including economic information and charts and revenue and expenditure charts and references are available with this report from the City of Alexandria web site at alexandriava.gov/financialreports. Also, the FY 2011 budget presented to City Council in February contains additional detail on forecasts for revenues for the remainder of FY 2010 and FY 2011.

ECONOMIC HIGHLIGHTS:

- **The slow economic recovery continues.** The national unemployment rate remained at 9.7% for the second straight month in February, while Virginia's unemployment rate rose to 7.2%, and Alexandria's unemployment rate rose to 5.3% in January from 4.8% in December. But national job losses have slowed, and the City's economy appears to be holding onto its higher wage jobs.
- **Economically sensitive City revenues are weaker than at this time last year:** Year-over-year tax collections decreased during the last three months in the Sales Tax, Transient Lodging, and Meals Tax categories, in part due to the last January's inaugural effect which bumped revenues up one year ago and December's and February's snows, which reduced revenues this year compared to last December. Though February revenues in these categories will not be available until next month, the adverse revenue impact in all three tax categories is estimated at between \$1.4 million and \$1.7 million.
- **The Real Estate market is mixed:** Residential sales prices and volumes are holding steady and are comparable to last year, while commercial real estate remains very weak with little year-to-date sales activity.

REVENUE HIGHLIGHTS:

- **Year-to-Date Revenues:** As of February 28, 2010, actual General Fund revenues totaled \$291.2 million, which is 0.56 percent above FY 2009 revenues of \$289.6 million for the same period last year. The FY 2011 budget contains a revised estimate for FY 2010 revenues. That estimate shows a revenues shortfall of \$7.0 million or 1.3 percent compared to the original FY 2010 budget estimate of General Fund revenues of \$530 million, primarily due to lower real property revenues (due to lower assessments than previously forecast) and lower intergovernmental revenues. The revenue estimate shown in Online Reference 2 also includes the City Manager's proposed 7 cent tax increase from 90.3 cents per \$100 to 97.3 cents per \$100 which would generate a net budget surplus revenues only of approximately \$3.9 million.
- **Personal Property Tax:** Revenues collected to date represent 99.4 percent of budgeted revenue. As indicated in the FY 2011 Proposed Budget, preliminary collections to date indicate revenues may exceed the budget by \$0.4 million. A State reduction in its personal property tax relief subsidy is unlikely given the General Assembly's recent budget actions.
- **Local Sales and Use Taxes:** The substantial increase in sales tax revenue is primarily related to one-time repayments in the prior year (FY 2009) to Fairfax County of \$1.5 million for sales tax collections from businesses with an Alexandria address that are actually located in Fairfax County. Excluding one-time repayments made in the prior year, year-over-year retail sales collections from July through January are 2.8 percent below last year.
- **Business License Taxes:** The City's business license tax was due March 1, 2010. Collections-to-date in the amount of \$9.2 million represent a difference in the timing for payments made by businesses (i.e., paid in late February). Collections, while lower than in FY 2009, are still being tabulated. No conclusions about current year collections will be available until the tabulation is complete.
- **Charges for City Services:** Increase in this category is largely due to greater year-to-date collections from parking meter receipts, refuse user charges, and ambulance fees.
- **Revenue from the Use of Money and Property:** Continued decreased revenue in this category reflects the extremely low interest rates budgeted and earned on City operating funds, which are conservatively invested for safety and liquidity reasons.
- **Revenue reestimate:** After one more month of revenue data are available, in mid-April Staff will provide council with updated revenue estimates for FY 2010 and FY 2011.

EXPENDITURE HIGHLIGHTS:

- **Year-to-Date Expenditures:** As of February 28, 2010, actual General Fund expenditures totaled \$296.3 million, a decrease of \$8.0 million, or 2.6 percent, below expenditures for the same period last year.
- **Personnel and non-personnel costs:** With 66.6 percent of the fiscal year completed, total expenditures are 55.2 percent of budget. Personnel costs are running exactly on budget, reflecting the fact that 64.4 percent of the FY 2010 payrolls have been processed by February 28, 2010. Non-personnel expenditures are 50.8 percent of the budget through the first eight months of the fiscal year. Typically, the City's non-personnel

expenditures are at 51.4 percent of the budget through February, so this percentage is slightly below what is expected through the first eight months of the year.

- **Debt Service:** The increase reflects budgeted debt service for bonds previously issued.
- **Snow removal:** A recap of expenditures related to snow removal is below:

Storm ¹		Out-of-Pocket as of 3/24/2010	Estimate as of 2/16
December 2009	City	\$ 0.8 million	\$ 0.8 million
February 2010	City	6.5 million	6.0 million

All of the City expenditures related to the two major snowstorms currently are charged to the special revenue fund. Those costs for which the City is not reimbursed, or has no reasonable expectation of reimbursement, will have to be transferred back to the General Fund during the year-end close out. The City is still sorting out what portion of the cost for each snowstorm will be reimbursed by the federal government.

ONLINE REFERENCES:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

STAFF:

Bruce Johnson, Chief Financial Officer

Laura Triggs, Finance Director

Ray Welch, Controller

Melinda Barton, Revenue Collection Specialist

Eric Eisinger, Budget Analyst

¹ The Schools have estimated \$1.3 million in expenses related to the February snow storms. This is in addition to the amounts show above.