

City of Alexandria, Virginia

22
9-23-03

MEMORANDUM

DATE: SEPTEMBER 16, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING AUGUST 31, 2003

ISSUE: Receipt of the City's Monthly Financial Report for the period ending August 31, 2003.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending August 31, 2003.

DISCUSSION: The City's Monthly Financial Report, which is docketed for every second legislative meeting of Council, provides General Fund financial information on revenues and expenditures for the fiscal year to date. A periodic monthly public reporting of a jurisdiction's financial position for the current fiscal year is considered a "best practices" action.

This Monthly Financial Report of the General Fund covers the period July 1, 2003 through August 31, 2003. This report presents revenues and expenditures for the same period for Fiscal Year (FY) 2003 for comparative purposes (Attachments 1 and 2), and also provides a summary of selected economic indicators (Attachment 3). As discussed below, property tax collections through August 15, 2003 and collections of most other local taxes through the end of August 2003 are counted as revenues of the fiscal year ended June 30, 2003 and will be reported in the City's audited Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003.

At this time it is too early to project how overall FY 2004 actual revenues will compare to budgeted revenues. To date for FY 2004 revenues for the first two months of FY 2004 total \$15.1 million, which is slightly higher than FY 2003 for the same reporting period. While real estate tax revenues, based on sales trends to date, will likely exceed budgeted growth expectations, other revenues such as State aid revenues remain in question for FY 2004 and FY 2005. As the State deals with its budget problems, cutting aid to local governments is a clear probability. Economic indicators show that the local economy has stabilized somewhat, however consumer tax revenues (such as sales, restaurant meals, and transient lodging revenues) have not

shown clear growth trend lines over the last six months. Also anecdotally many City businesses and non-profit associations have indicated that they continue to have financial difficulties. This then causes concern for the FY 2004 business license tax revenues which are based on 2003 business tax receipts.

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 prior to June 30, 2003, but not actually received by the City until July or August, are counted as revenues for the fiscal year ended June 30, 2003. The accrued revenues 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;
- transient lodging tax revenue collected by Alexandria hotels in June and remitted to the City in July;
- restaurant meals tax revenue collected by restaurants in June and remitted to the City in July;
- tobacco tax revenue collected by the Northern Virginia Cigarette Board in June and remitted to the City in July; and
- real estate recordation tax revenue collected by the Clerk of the Circuit Court in June and remitted to the City in July.

The GASB also requires the City to recognize certain tax 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 (i.e., August 15). Accordingly, collections after June 30, 2003 in the following categories will be counted as revenues for the fiscal year ended June 30, 2003:

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

FISCAL YEAR 2003 ENDING STATUS: At this time, the City's external auditors are auditing and reviewing the City's accounts and records in relation to FY 2003 expenditures and revenues. While the actual outcome of the FY 2003 audit will not be known until after the auditor's work is completed, preliminary financial information 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 expected to be completed, printed and issued in November. In total, on a pre-audit basis, it appears that the City finished FY 2003 about \$2 million ahead of projections made at the time the FY 2004 budget was adopted. This \$2 million derived from many sources, including increased delinquent tax collections, higher recordation tax revenues due to home refinancings, and increased bank franchise tax revenues paid to the City. Most all other tax revenues and expenditures finished the fiscal year close to expected levels, except for transient lodging taxes, which were \$0.4 million less than prior projections, and Comprehensive Services Act (CSA) expenditures, which were \$0.5 million more than previous projections due to higher caseloads. Most expenditures and encumbrances were less than that budgeted in large part due to the departmental savings plans that were instituted in FY 2004. This \$2 million is planned at this time to be designated to help finance the upcoming FY 2005 budget.

REVENUES (Attachment 1): As of August 31, 2003, actual General Fund revenues totaled \$15.1 million, substantially the same as revenues for the same period last year. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

Personal Property Taxes: Personal property tax bills were mailed in August and are due on October 6, 2003. The FY 2004 Approved Budget includes a \$31.7 million revenue projection for tax revenue collected directly by the City (including \$16.3 million for vehicles and \$15.4 million for businesses) and includes an additional \$21.5 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year is 70.0 percent of most taxpayers' payments, which is the same as last year. The total for all budgeted revenues related to the personal property tax for FY 2004 is \$53.2 million.

To date, the City has collected \$5.3 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$3.2 million for total personal property tax receipts of \$8.5 million. This represents a \$0.7 million increase when compared to receipts collected at the same time last year. The increase is primarily attributable to timing differences in the collection of the tax. Revenues to date represent current year payments made before the due date and payments received on delinquent accounts. Staff will continue to monitor revenues closely. No clear trends will be evident until October receipts are tabulated in November. However, it appears at this time that the total budgeted revenues related to the personal property (\$53.2 million) tax will be achieved.

Personal Property Tax (in millions)	Actual to Date FY 2003	Budget FY 2004	Actual to Date FY 2004
City share	\$ 4.6	\$ 31.7	\$ 5.3
Commonwealth reimbursement	<u>3.2</u>	<u>21.5</u>	<u>3.2</u>
Total	\$ 7.8	\$ 53.2	\$ 8.5

Local Sales and Use Taxes: 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. Sales taxes received by the City in August represent revenues collected by merchants in June and will be counted as revenues for the fiscal year ended June 30, 2003. As a result, the first FY 2004 sales tax revenues will not be received until September.

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. As discussed above, consumer utility taxes received by the City in July represent revenues collected by utilities in June and will be counted as revenues for the fiscal year ended June 30, 2003. Utility tax revenues collected in July will be received by the City in September and will be reported in the Monthly Financial Report for the period ending September 30, 2003.

Business License Taxes: The City's business license tax is due March 1. Business license taxes collected through August 15 will be counted as revenues of the fiscal year ended June 30, 2003. Collections to date, in the amount of \$0.2 million represent filings by new business and payments on delinquent accounts.

Transient Lodging Taxes: Transient lodging taxes are remitted to the City within one month after collections. Therefore, the revenue reflected in this report represents collections by hotels for July 2003. Collections total \$0.5 million, which is substantially the same as last year.

Restaurant Meals Taxes: Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. Collections for sales in July 2003 were substantially the same as last year.

Tobacco Taxes: Businesses remit tobacco tax revenue to the Northern Virginia Cigarette Board. This revenue is forwarded to the City approximately 15 days after the end of the month in which the sales occurred. Tobacco taxes are levied at a rate of \$0.50 per pack of 20 cigarettes sold in the City. This rate was increased as of January 2003. To date for FY 2004 \$0.2 million has been collected.

Real Estate Recordation Taxes: Real estate recordation tax revenues are collected by the Clerk of the Court and remitted to the City the following month. Collections in the amount of \$0.3 million are substantially the same as last year.

Other Local Taxes: This category includes bank franchise taxes, telecommunications right-of-way tax, cable TV franchise taxes, daily rental taxes and other miscellaneous taxes.

Revenues from the Federal Government: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$0.8 million for housing federal prisoners through the period ending July 31, 2003. However, as of August 31, 2003 only one payment has been received. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period.

Revenues from Use of Money and Property: Year-to-date interest revenues decreased \$0.3 million compared to last fiscal year, largely due to substantially declining market interest rates on City short-term investments. This 31 percent decrease in market interest rates is reflected in the 34 percent federal fund interest rate reduction from 1.69 percent in August 2002 to 0.89 percent in August 2003.

Other Revenues: Other revenues include gifts and donations, damage recoveries and recovered costs.

EXPENDITURES (Attachment 2): As of August 31, 2003, actual General Fund expenditures and transfers totaled \$61.9 million, an increase of \$ 3.7 million, or 6.4 percent, over expenditures for the same period last year. Except as noted below, increases in expenditures when compared to the prior fiscal year are attributable to budgeted expenditures for annual equipment replacement charges made at the beginning of the fiscal year, as well as the transfer of all of the planned General Fund cash capital transfer to the Capital Projects Fund. Except where noted below, this expenditure pattern reflects the Approved FY 2004 Budget.

Other Planning Activities: General Fund expenditures in this category reflect first quarter contribution payments to community agencies except for the Alexandria Convention and Visitors Association which represents the first semi-annual payment for FY 2004.

Transit Subsidies: Expenditures to date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for Fiscal Year 2004. This represents a \$0.5 million reduction compared to last fiscal year in the City's payment to WMATA due to the availability of more state aid and gas tax revenues in the first quarter of FY 2004 as compared to FY 2003.

Health: The City receives a quarterly billing from the Commonwealth (approximately \$700,000 per quarter) for services provided at the Health Department. As of August 31, 2003, the first quarterly billing had not been received.

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

Other Education Activities: Expenditures to date reflect the first quarter contribution payment to the Northern Virginia Community College.

Non-Departmental: General Fund expenditures in this category reflect the City's contributions to the public safety pension plan, senior citizens' rent relief, payment for the City's liability insurance, and the City's share of debt service on the Northern Virginia Transportation District bonds issued by the Commonwealth in November 1999.

Cash Capital Transfer: At the beginning of each fiscal year, the full planned and budgeted fiscal year cash capital transfer to the Capital Projects Fund is made. While a monthly transfer process could be established, a one time accounting entry making this transfer is more efficient. Since the General Fund still captures all interest earnings on the amount transferred, there is no negative General Fund impact of doing a one-time transfer. For FY 2004, the budgeted Capital Projects Fund transfer is \$17.0 million, which compares to \$14.2 million in FY 2003.

Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants): To comply with grant awards, the City's share funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year.

ATTACHMENTS:

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

STAFF:

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING AUGUST 31, 2003 AND AUGUST 31, 2002**

	FY2004 APPROVED BUDGET	FY2004 REVENUES THRU 08/31/03	% OF BUDGET	FY2003 REVENUES THRU 08/31/02
General Property Taxes				
Real Property Taxes.....	\$ 201,043,402	\$ 108,135	0.1%	\$ 29,454
Personal Property Taxes.....	31,684,000	5,315,735	16.8%	4,557,340
Penalties and Interest.....	1,100,000	85,019	7.7%	130,981
Total General Property Taxes	\$ 233,827,402	\$ 5,508,889		\$ 4,717,775
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 22,150,000	-	0.0%	\$ -
Consumer Utility Taxes.....	17,750,000	-	0.0%	-
Business License Taxes.....	23,600,000	153,207	0.6%	353,413
Transient Lodging Taxes.....	5,900,000	514,880	8.7%	501,596
Restaurant Meals Tax.....	8,800,000	650,256	7.4%	670,595
Tobacco Taxes.....	2,600,000	217,173	8.4%	147,375
Motor Vehicle License Tax.....	2,300,000	471,736	20.5%	442,352
Real Estate Recordation.....	1,900,000	343,563	18.1%	303,943
Other Local Taxes.....	4,013,000	28,288	0.7%	10,932
Total Other Local Taxes	\$ 89,013,000	\$ 2,379,103	2.7%	\$ 2,430,206
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 4,775,000	\$ 481,528	10.1%	\$ 390,707
Personal Property Tax Relief from the Commonwealth.....	21,500,000	3,232,863	15.0%	3,160,026
Revenue from the Commonwealth.....	18,783,200	833,853	4.4%	832,564
Total Intergovernmental Revenues	\$ 45,058,200	\$ 4,548,244	10.1%	\$ 4,383,297
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 4,000,000	\$ 641,240	16.0%	\$ 674,996
Licenses and Permits.....	3,000,000	441,405	14.7%	358,407
Charges for City Services.....	9,891,200	703,235	7.1%	774,465
Revenue from Use of Money & Property.....	4,968,186	791,934	15.9%	1,141,628
Other Revenue.....	453,598	78,705	17.4%	88,899
Total Other Governmental Revenues	\$ 22,312,984	\$ 2,656,519	11.9%	\$ 3,038,395
TOTAL REVENUE	\$ 390,211,586	\$ 15,092,755	3.9%	\$ 14,569,673
Appropriated Fund Balance				
General Fund.....	7,536,601	-	0.0%	-
Reappropriation of FY 2003 Encumbrances And Other Supplemental Appropriations.....	-	-	0.0%	-
TOTAL	\$ 397,748,187	\$ 15,092,755	3.8%	\$ 14,569,673

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING AUGUST 31, 2003 AND AUGUST 31, 2002

FUNCTION	FY2004	FY2004	% OF	FY2003
	APPROVED BUDGET	EXPENDITURES THRU 08/31/03		BUDGET
Legislative & Executive.....	\$ 4,987,784	\$ 854,772	17.1%	\$ 767,154
Judicial Administration.....	\$ 27,652,729	\$ 5,273,998	19.1%	\$ 4,957,714
Staff Agencies				
Information Technology Services.....	\$ 6,111,589	\$ 915,342	15.0%	\$ 822,858
Management & Budget.....	948,688	100,622	10.6%	130,172
Finance.....	7,395,667	1,106,398	15.0%	1,089,155
Real Estate Assessment.....	1,013,399	155,585	15.4%	125,612
Personnel.....	2,276,527	385,310	16.9%	404,530
Planning & Zoning.....	3,222,051	464,972	14.4%	487,206
Other Planning Activities.....	2,248,399	918,927	40.9%	873,581
City Attorney.....	1,466,068	275,027	18.8%	247,890
Registrar.....	895,714	118,433	13.2%	133,969
General Services.....	9,620,993	1,411,907	14.7%	1,353,733
Total Staff Agencies	\$ 35,199,095	\$ 5,852,523	16.6%	\$ 5,668,706
Operating Agencies				
Transportation & Environmental Services.....	\$ 21,799,821	\$ 3,514,512	16.1%	\$ 3,878,366
Fire.....	28,032,263	5,138,781	18.3%	4,795,447
Police.....	40,234,764	7,424,949	18.5%	7,040,419
Transit Subsidies.....	3,859,451	186,570	4.8%	662,140
Housing.....	940,103	152,571	16.2%	157,137
Mental Health/Mental Retardation/ Substance Abuse.....	580,871	262,233	45.1%	249,677
Health.....	7,045,019	284,448	4.0%	288,739
Human Services.....	8,993,355	1,220,728	13.6%	1,346,243
Historic Resources.....	2,205,822	351,120	15.9%	410,768
Recreation.....	15,912,946	3,296,463	20.7%	3,234,233
Total Operating Agencies	\$ 129,604,415	\$ 21,832,375	16.8%	\$ 22,063,169
Education				
Schools.....	\$ 121,191,334	\$ 7,337,645	6.1%	\$ 7,015,261
Other Educational Activities.....	13,058	3,265	25.0%	3,312
Total Education	\$ 121,204,392	\$ 7,340,910	6.1%	\$ 7,018,573
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 21,299,500	\$ 1,153,086	5.4%	\$ 973,756
Non-Departmental.....	6,606,221	1,810,184	27.4%	1,735,657
Cash Capital.....	16,955,000	16,955,000	100.0%	14,200,000
Contingent Reserves.....	680,000	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 45,540,721	\$ 19,918,270	43.7%	\$ 16,909,413
TOTAL EXPENDITURES	\$ 364,189,136	\$ 61,072,848	16.8%	\$ 57,384,729
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)				
Transfers to the Special Revenue Fund.....	28,389,051	-	0.0%	-
Transfer to DASH.....	5,170,000	861,667	16.7%	805,700
TOTAL EXPENDITURES & TRANSFERS	\$ 397,748,187	\$ 61,934,515	15.6%	\$ 58,190,429

**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 July 31, 2003) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	116.8	113.4	+2.5%
<u>Unemployment Rates</u>			
Alexandria	2.3%	3.3%	-30%
Virginia (As of July 31, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.1%	4.2%	-2%
United States (As of August 31, 2003) (Source: United States Department of Labor, Bureau of Labor Statistics)	6.1%	5.8%	+5%
<u>Interest Rates</u> (As of August 31, 2003)			
Prime Rate	4.00%	4.75%	-16%
Federal Fund Rate (Source: SunTrust Economic Monitor)	0.89%	1.69%	-47%
<u>New Business Licenses</u> (During July) (Source: Finance Department, Business Tax Branch)	84	76	+11%
<u>Office Vacancy Rates</u> (As of March 31, 2003)			
Alexandria	10.9%	12.1%	-10%
Northern Virginia	18.0%	15.5%	+16%
Washington DC Metro Area (Source: Grubb & Ellis)	13.3%	11.7%	+14%
<u>New Commercial Construction</u> (As of July 30, 2003)			
Number of New Building Permits	1	1	-
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$ 0.1 million	\$ 1.2 million	-92%
<u>Residential Real Estate Indicators</u> (for the five months ended May 31, 2003)			
Residential Dwelling Units Sold	1,307	1,342	-3%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$318,011	\$272,941	+17%