

EXHIBIT NO. 1

9

11-27-07

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 21, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

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

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

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

MONTHLY HIGHLIGHTS:

REVENUES

- **Personal Property Taxes:** Billings and corresponding collections for vehicle taxes were lower than budgeted primarily due to the lower value of cars. Billings and collections for business personal property were higher than budgeted primarily due to increased assessments for computer equipment.

EXPENDITURES

- Since one additional payroll has been included in fiscal year (FY) 2008 as compared to the same period last year, most departments' expenditures are slightly higher.

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

Economy: The City’s economy, as measured by tax receipts, appeared relatively flat in the first quarter of FY 2008, except business license taxes and meals taxes. The City’s unemployment rate remained at a low 2.2 percent, while the number of jobs in the City increased by almost 2 percent or 1,849 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 D.C. Metropolitan area. City staff has asked AEDP staff to prepare an analysis of the City’s office vacancies, as well as recent trends.

On the residential real estate sales front, City data continues to show a slower residential sales market. Sales in 2007 through September (year-to-date) show a decline of 20% percent from 2006. The average sales price is up 1 percent from 2006. Of particular interest is average days on market, which when comparing September 2006 to September 2007 is up 18 percent in Alexandria (72 days to 85 days). This compares with an increase in average days on the market of 16 percent in Fairfax County, and 41 percent in Prince William County. Arlington County’s average days on the market has not changed. While the City’s residential market is sound and stable given the current problems in the mortgage and real estate markets, 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 condominiums decreasing slightly. 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.

REVENUES (Attachment 1): As of October 31, 2007, actual General Fund revenues totaled \$93.0 million, a decrease of \$8.7 million below the same period last year. This is primarily attributed to the timing of real estate taxes received before the due date in FY 2007.

Real Property: Second half real estate taxes are due November 15. Revenues-to-date are \$14.8 million and represent payments before the due date. The decrease is attributable to the timing of taxes received before the due date. Final analysis cannot be concluded for the remaining 2007 calendar year real estate tax revenues until receipts are tabulated after November 15.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change
\$274.5 million	\$278.2 million	\$24.5 million	\$14.8 million	(40%)

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 were due on October 5.

In the FY 2008 Approved Budget, vehicle taxes were estimated to grow approximately 4 percent. Actual billings were \$40.7 million, a slight decrease of 1.4 percent. This is primarily attributable to lower overall values for the vehicles in the City personal property tax base. Business personal property tax billings were budgeted at no increase but actual billing was 5.9 percent higher than estimated based on tax returns received. Starting in FY 2007, the State’s share of the local personal property tax payment is capped for each locality. Alexandria’s cap is \$23.6 million and is paid in installments during the year. This amount approximates 69 percent of most taxpayers’ bills, which is the same rate that was provided last year. State reimbursement collections were higher than the cap in FY 2007 because the City was still collecting some delinquent collections that were billed prior to the date the State capped the payment. While it is early in the fiscal year, it appears that personal property taxes by the end of FY 2008 will be slightly less than that budgeted.

	FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change
Vehicles	\$18.8	\$20.6 million	\$15.8	\$15.2	(4%)
Business - Equipments and Machinery	\$15.7	\$15.5 million	\$14.6	\$15.2	4%
State Reimbursement	\$23.8	\$23.6 million	\$12.0	\$11.8	(2%)
Total	\$58.3	\$59.7 million	\$42.4	\$42.2	-

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	\$4.1 million	\$4.0 million	(2%)

Consumer Utility Taxes: Consumer Utility Taxes are collected by the utility companies one month after billing and are remitted to the City the following month. Effective January 1, 2007, State law changed and the Commonwealth assumed responsibility for collecting a flat 5.0 percent tax on landline telephone service. Phone revenues that previously appeared in this category (approximately \$0.6 million per month) will now appear as part of the Communications

Tax. For this reason, the substantial decline in this tax category in FY 2008 when compared to FY 2007 is offset by the new communications tax.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$13.6 million	\$9.6 million	\$4.2 million	\$2.6 million	(38%)

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 remits the City’s portion of the Communication Tax one month later. The effective date of the tax was January 1, 2007. The City received the first remittance from the Commonwealth in March 2007.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$5.3 million	\$12.4 million	-0-	\$2.1 million	N/A

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	\$1.4 million	\$1.7 million	21%

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	\$1.8 million	\$1.8 million	-0-

Restaurant Meals Taxes: Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
\$10.7 million	\$10.4 million	\$2.5 million	\$2.6 million	4%

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	\$0.7 million	\$0.7 million	-0-

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. Collections for October that will be reported in the November Council report reflect decreased 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	\$1.5 million	\$1.5 million	-0-

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	\$0.3 million	\$0.3 million	-0-

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	\$2.1 million	\$2.4 million	14%

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 represents the timing of receipts for the parking garage.

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	\$3.2 million	\$3.0 million	(6%)

EXPENDITURES (Attachment 2): As of October 31, 2007, actual FY 2008 General Fund expenditures totaled \$151.6 million, an increase of \$18.8 million, or 14.1 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, and the fact that one additional payroll has been posted in FY 2008 as compared to the same period last year. The Approved General Fund Budget is 4.4 percent higher than the FY 2007 amended budget.

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

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

Of the \$4.8 million in total equipment replacement transfers in FY 2008, the following departments have equipment replacement funds large enough to impact their General Fund expenditure patterns for the few months 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 agency contractors 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.

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

OTHER EXPENDITURES:

City Attorney: Expenditures-to-date reflect outside legal fees. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution as necessary to match these expenditures with budget authority.

Registrar: Expenditures-to-date reflect costs associated with administering the recent election.

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

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

Non-Departmental Expenditures: General Fund expenditures in this category reflect the City's contributions to the closed public safety pension plan, senior citizens' rent relief and payment for the City's liability insurance. Some lump sum 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

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 OCTOBER 31, 2007 AND OCTOBER 31 2006

	FY2008 APPROVED BUDGET	FY2008 REVENUES THRU 10/31/07	% OF BUDGET	FY2007 REVENUES THRU 10/31/06
General Property Taxes				
Real Property Taxes.....	\$ 278,154,367	\$ 14,806,068	5.3%	\$ 24,453,406
Personal Property Taxes.....	36,100,000	30,427,218	84.3%	30,468,152
Penalties and Interest.....	1,680,000	268,900	16.0%	217,965
Total General Property Taxes	<u>\$ 315,934,367</u>	<u>\$ 45,502,186</u>		<u>\$ 55,139,523</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 27,400,000	4,019,123	14.7%	\$ 4,096,855
Consumer Utility Taxes.....	9,600,000	2,574,080	26.8%	4,216,969
Communication Sales and Use Taxes.....	12,400,000	2,148,823	17.3%	-
Business License Taxes.....	32,100,000	1,698,133	5.3%	1,369,506
Transient Lodging Taxes.....	8,800,000	1,853,512	21.1%	1,800,212
Restaurant Meals Tax.....	10,400,000	2,593,582	24.9%	2,459,781
Tobacco Taxes.....	2,750,000	686,392	25.0%	711,565
Motor Vehicle License Tax.....	3,400,000	2,502,508	73.6%	1,865,863
Real Estate Recordation.....	5,700,000	1,561,593	27.4%	1,545,667
Admissions Tax.....	1,000,000	303,317	30.3%	269,827
Cell Phone Tax.....	-	-	-	715,267
Other Local Taxes.....	2,380,000	267,230	11.2%	618,414
Total Other Local Taxes	<u>\$ 115,930,000</u>	<u>\$ 20,208,293</u>	17.4%	<u>\$ 19,669,926</u>
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 6,493,000	\$ 1,145,697	17.6%	\$ 546,827
Personal Property Tax Relief from the Commonwealth.....	23,600,000	11,789,265	50.0%	11,990,018
Revenue from the Commonwealth.....	23,063,334	5,804,394	25.2%	5,853,849
Total Intergovernmental Revenues	<u>\$ 53,156,334</u>	<u>\$ 18,739,356</u>	35.3%	<u>\$ 18,390,694</u>
Other Governmental Revenues And Transfers In				
Fines and Forfeitures.....	\$ 4,722,300	\$ 1,282,261	27.2%	\$ 980,470
Licenses and Permits.....	5,356,000	1,636,418	30.6%	2,040,224
Charges for City Services.....	11,270,072	2,380,656	21.1%	2,099,853
Revenue from Use of Money & Property.....	9,570,000	2,957,809	30.9%	3,161,235
Other Revenue.....	245,000	272,296	111.1%	211,138
Transfer from Sewer Fund.....	1,311,109	-	0.0%	-
Total Other Governmental Revenues	<u>\$ 32,474,481</u>	<u>\$ 8,529,440</u>	26.3%	<u>\$ 8,492,920</u>
TOTAL REVENUE	\$ 517,495,182	\$ 92,979,275	18.0%	\$ 101,693,063
Appropriated Fund Balance				
General Fund.....	1,999,550	-	0.0%	-
Reappropriation of FY 2007 Encumbrances And Other Supplemental Appropriations.....	2,345,051	-	0.0%	-
TOTAL	<u>\$ 521,839,783</u>	<u>\$ 92,979,275</u>	17.8%	<u>\$ 101,693,063</u>

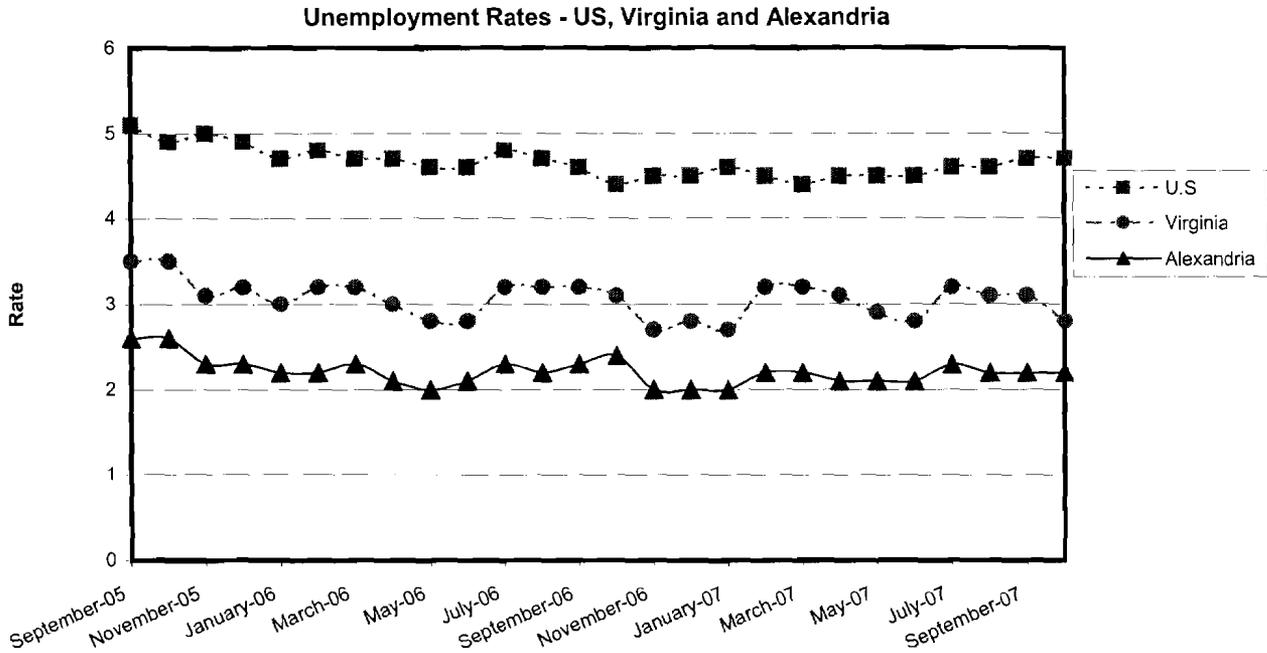
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING OCTOBER 31, 2007 AND OCTOBER 31, 2006

FUNCTION	FY2008	FY2008	% OF	FY2007
	APPROVED BUDGET	EXPENDITURES THRU 10/31/07		BUDGET
Legislative & Executive.....	\$ 6,086,650	\$ 1,941,518	31.9%	\$ 1,792,386
Judicial Administration.....	\$ 37,042,344	\$ 13,451,599	36.3%	\$ 11,750,966
Staff Agencies				
Information Technology Services.....	\$ 8,550,913	\$ 2,721,009	31.8%	\$ 2,193,481
Management & Budget.....	1,193,832	392,279	32.9%	357,124
Finance.....	10,246,020	3,045,306	29.7%	2,948,203
Real Estate Assessment.....	1,533,253	544,992	35.5%	386,520
Personnel.....	3,371,739	1,288,621	38.2%	1,056,405
Planning & Zoning.....	5,691,587	1,833,230	32.2%	1,253,634
Economic Development Activities.....	2,855,144	1,352,918	47.4%	1,275,988
City Attorney.....	3,257,747	1,131,870	34.7%	733,006
Registrar.....	1,062,475	397,265	37.4%	333,541
General Services.....	12,721,385	4,293,156	33.7%	3,509,192
Total Staff Agencies	\$ 50,484,095	\$ 17,000,646	33.7%	\$ 14,047,094
Operating Agencies				
Transportation & Environmental Services.....	\$ 27,355,117	\$ 9,655,716	35.3%	\$ 8,956,631
Fire.....	37,303,906	13,433,088	36.0%	11,665,234
Police.....	51,437,441	18,668,098	36.3%	16,167,378
Transit Subsidies.....	7,844,495	3,928,635	50.1%	3,089,583
Mental Health/Mental Retardation/ Substance Abuse.....	521,650	241,296	46.3%	276,105
Health.....	7,857,201	2,396,052	30.5%	1,209,810
Human Services.....	11,928,124	5,115,158	42.9%	4,620,135
Historic Resources.....	2,847,831	965,273	33.9%	796,011
Recreation.....	20,097,306	7,801,508	38.8%	6,652,388
Total Operating Agencies	\$ 167,193,071	\$ 62,204,824	37.2%	\$ 53,433,275
Education				
Schools.....	\$ 160,239,697	\$ 38,595,870	24.1%	\$ 37,332,281
Other Educational Activities.....	12,399	6,200	50.0%	6,274
Total Education	\$ 160,252,096	\$ 38,602,070	24.1%	\$ 37,338,555
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 30,551,035	\$ 855,360	2.8%	\$ 914,110
Non-Departmental.....	7,619,419	2,447,694	32.1%	3,937,965
Cash Capital.....	9,765,564	9,765,564	100.0%	4,579,105
Contingent Reserves.....	545,000	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 48,481,018	\$ 13,068,618	27.0%	\$ 9,431,180
TOTAL EXPENDITURES	\$ 469,539,274	\$ 146,269,275	31.2%	\$ 127,793,456
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...				
Transfer to Housing.....	34,021,831	-	0.0%	-
Transfer to Library.....	3,632,021	490,645	13.5%	398,403
Transfer to DASH.....	7,121,222	2,373,503	33.3%	2,313,612
Transfer to DASH.....	7,525,435	2,508,227	33.3%	2,445,430
TOTAL EXPENDITURES & TRANSFERS	\$ 521,839,783	\$ 151,641,650	29.1%	\$ 132,950,901

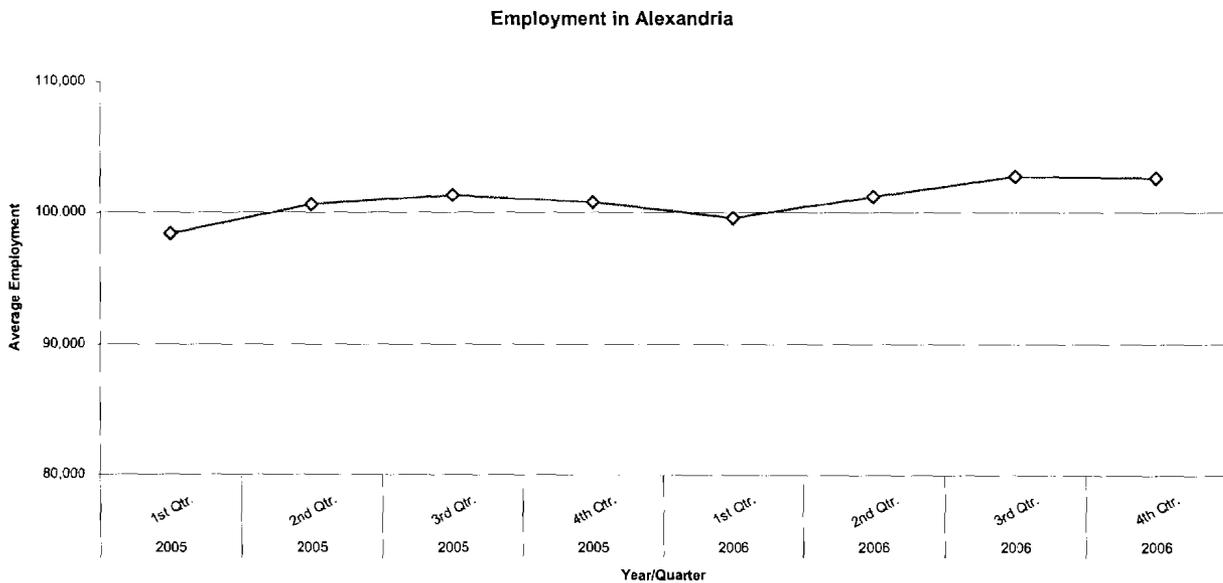
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<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 September 30, 2007) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	134.7	130.2	+3.4%
<u>Unemployment Rates</u>			
Alexandria	2.2%	2.4%	-8%
Virginia (As of September 30, 2007) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	2.8%	3.1%	-10%
<u>United States</u> (As of October 31, 2007) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.7%	4.4%	7%
<u>Interest Rates</u> (As of October 31, 2007)			
Prime Rate	7.75%	8.25%	-6%
Federal Funds Rate (Source: SunTrust Economic Monitor)	4.74%	5.25%	-10%
<u>New Business Licenses</u> (During October 2007) (Source: Finance Department, Business Tax Branch)	78	66	18%
<u>Office Vacancy Rates</u> (As of March 31, 2007)			
Alexandria	12.2%	11.7%	+4%
Northern Virginia	12.9%	13.1%	-2%
Washington DC Metro Area (Source: Grubb & Ellis)	11.1%	11.2%	-.5%
<u>New Commercial Construction</u> (As of September 30, 2007)			
Number of New Building Permits	0	4	-100%
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	0	\$57.6	-100%
<u>Residential Real Estate Indicators</u> (YTD ending September 30, 2007)			
Residential Dwelling Units Sold	2,218	2,783	-20%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$485,480	\$481,107	1%

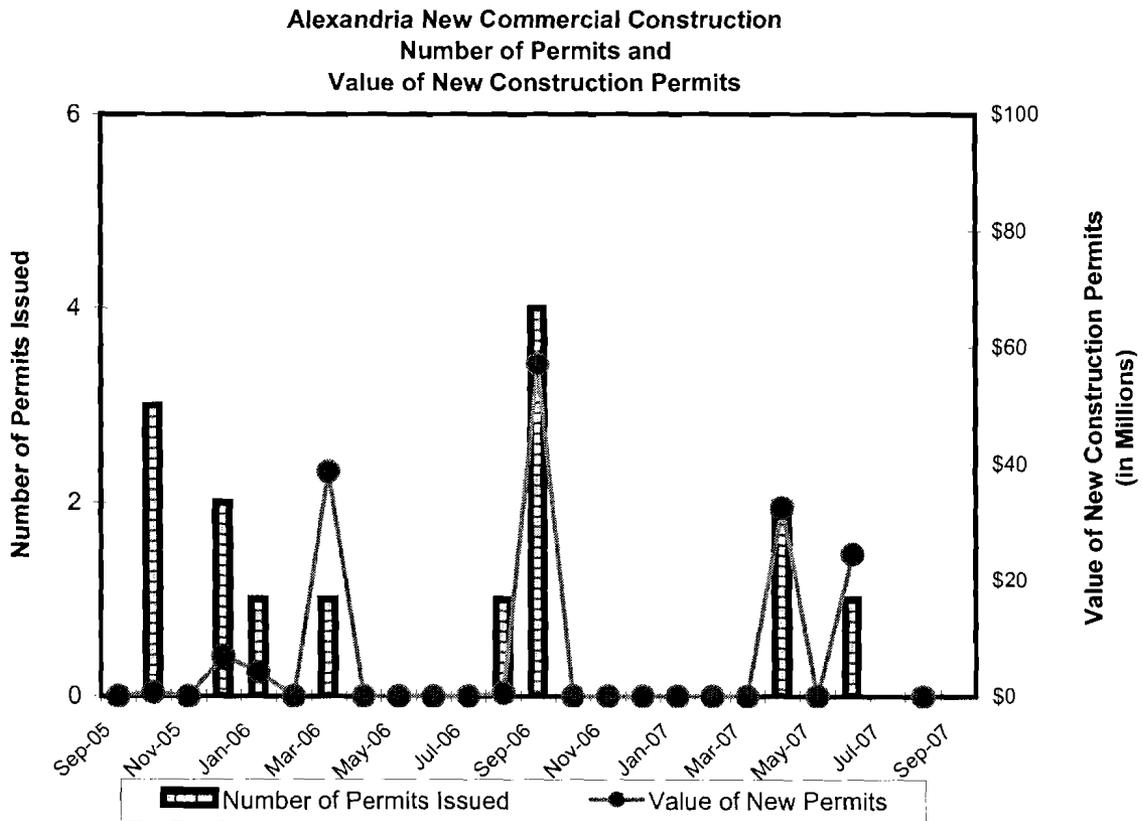
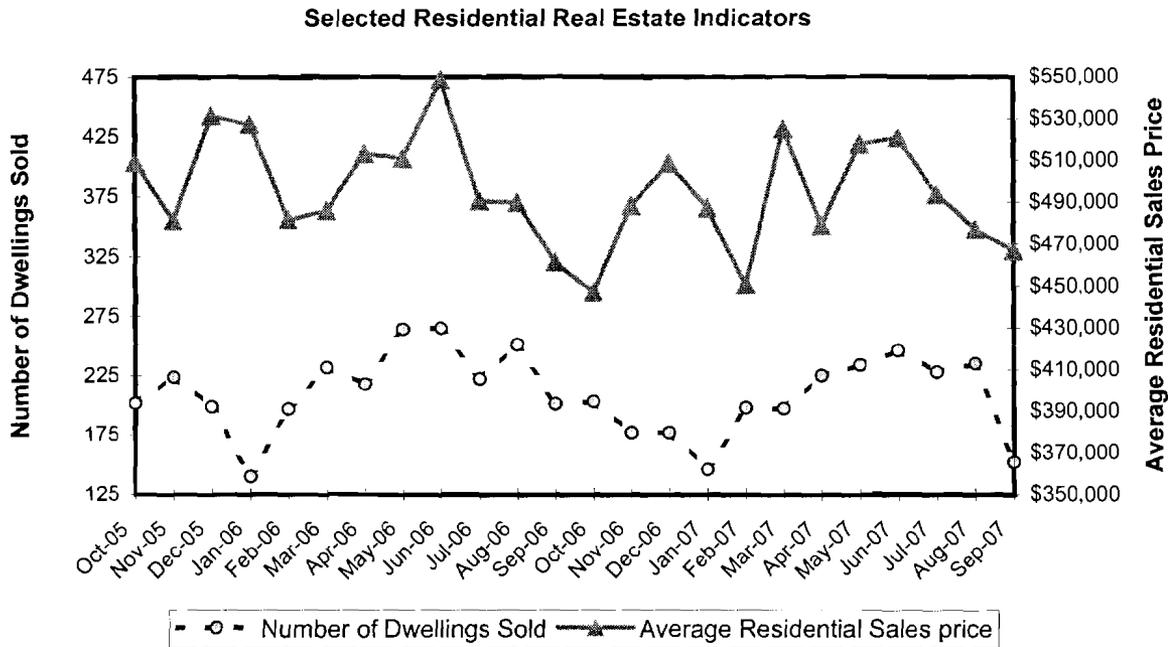
City of Alexandria
Selected Economic Indicators



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

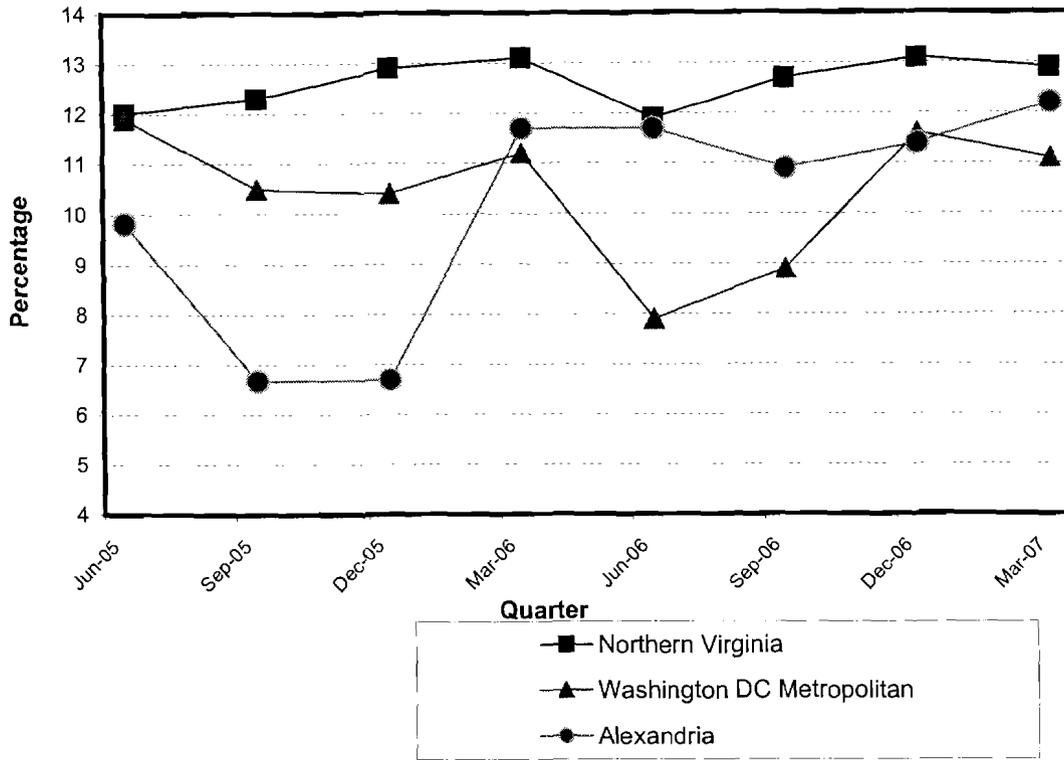


Source: Virginia Employment Commission, including the U.S. Patent and Trademark Office.

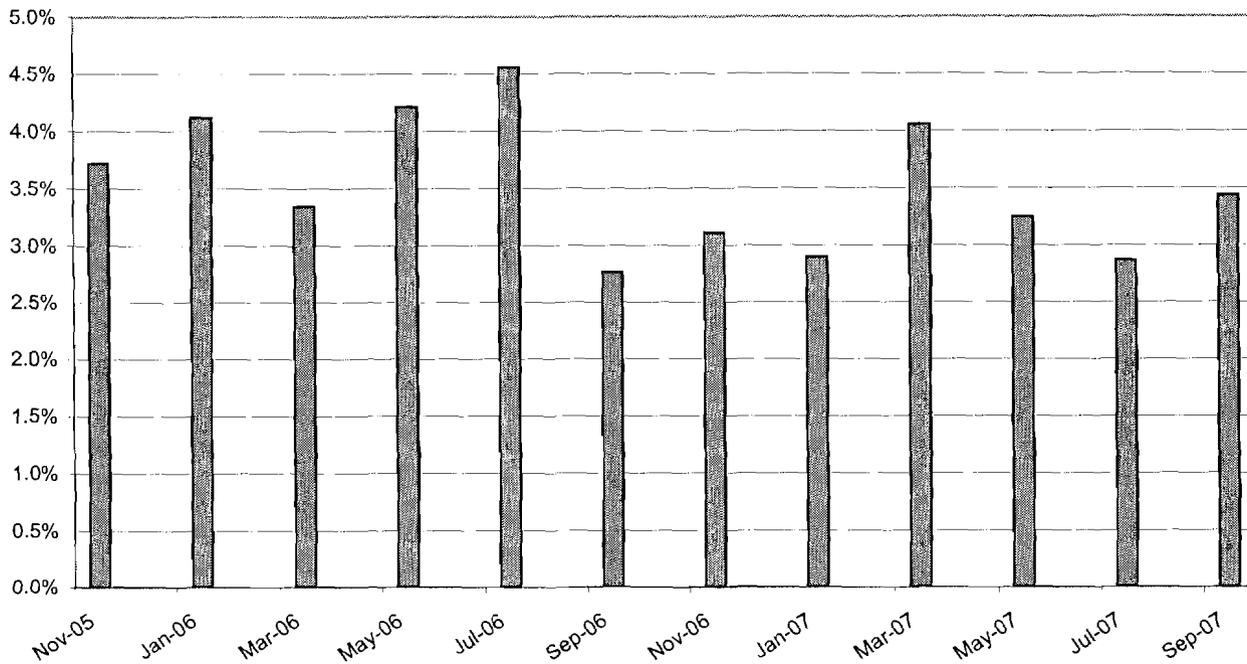


City of Alexandria Selected Economic Indicators

Office Vacancy Rates



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

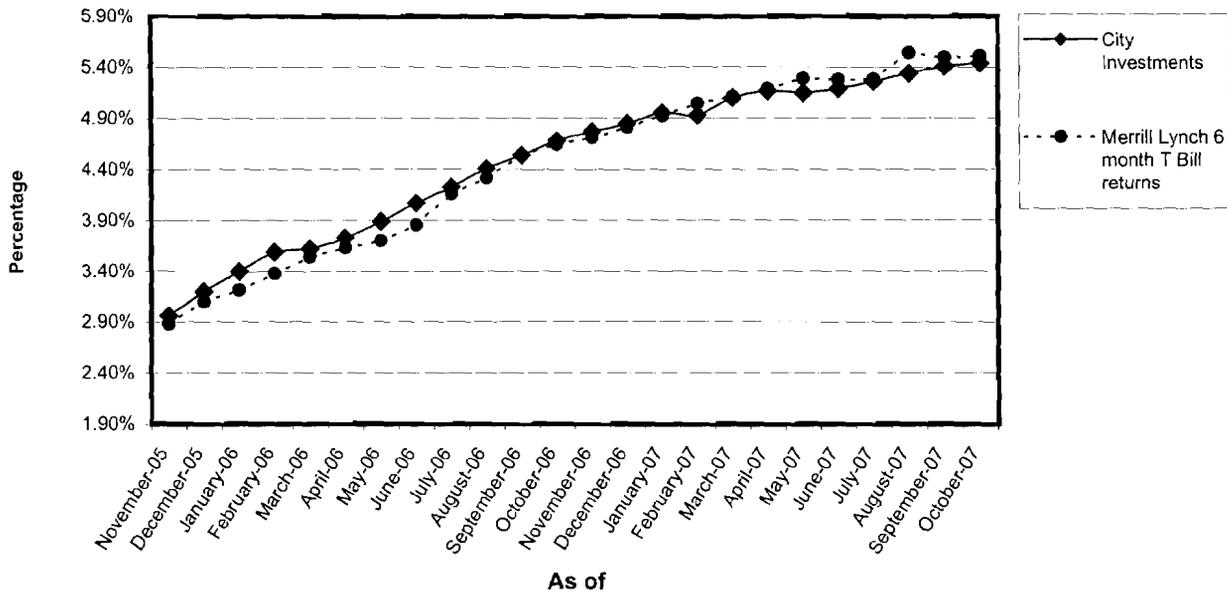


Source: United States Department of Labor, Bureau of Labor Statistics

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**City of Alexandria
Selected Economic Indicators**

Selected Interest Rates



Source: Suntrust Economic Monitor

New Business Licenses Issued in Alexandria

