

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 23, 2009
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER *J*
SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING MARCH 31, 2009

ISSUE: Monthly Financial Report for the Period Ending March 31, 2009.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending March 31, 2009.

MONTHLY HIGHLIGHTS:

- Residential real estate sales for February 2009 increased by 2.8 percent compared to February 2008. The average sale price decreased by 13.1 percent, but the average sale price for “arms-length” transactions was about one percent more than the recently released 2009 assessments.
- The revised April 2009 revenue outlook for FY 2009 reflects a decrease of 3.4 percent or \$18.2 million from approved FY 2009 revenues and a decrease of approximately \$2.5 million from the initial estimate provided in February with the FY 2010 Proposed Budget. The turbulence in the credit markets and the uncertainty of future consumer spending still leaves some downside risk to the City’s future revenue projections. Budget Memorandum #91 (attached) provided additional detail on the latest revenue re-estimates.
- The City’s unemployment rate increased to 5.1 percent. While less than the Virginia unemployment rate of 7.0 percent and the U.S. unemployment rate of 8.5 percent, the City’s unemployment rate is the highest it has been since 1994.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the seven months ending March 31, 2009. This report presents revenues and expenditures for the same period of fiscal year (FY) 2008 for comparative purposes (Attachments 1 and 2). It also provides charts of selected economic indicators (Attachment 3). This report reflects updated FY 2009 and FY 2010 revenue projections discussed in Budget Memorandum #91 (Attachment 4).

ECONOMY: The U.S. economy is in a severe and continuing recession. In his annual letter to Berkshire-Hathaway stockholders in February, noted investor Warren Buffett wrote that in the wake of the financial crisis, "...a freefall in business activity ensued, accelerating at a pace that I have never before witnessed." The economy has been in recession since December 2007, and as of this month, the current recession officially becomes the longest since World War II. On April 10, the Blue Chip Survey released its survey of private economists which projects that the recession will end during the second half of 2009. The Federal Reserve Board's March 17 meeting minutes anticipates the recession will end early in 2010. However, the severity and unusual nature of the recession make projections more difficult than in the past.

The City's economy, as measured by tax receipts, continues to slow during the first half of 2009. The City's unemployment rate of 5.1 percent in February, while low by Virginia and national standards, is at its highest level since 1994. The Washington D.C. area consumer price index (CPI-U) increased 0.4 percent from March 2008 to March 2009. The City's Office vacancy rate increased from 7.1 percent to 14.3 percent as of March 31, 2009. This compares to a 4th quarter vacancy rate of 15.2 percent for Northern Virginia and 13.5 percent for the entire D.C. Metropolitan area. Not including the Victory Center building, which has been sufficiently renovated and was added back to the vacancy listing by Grubb & Ellis (which compiles and reports this office vacancy data), during the 1st quarter the City's office vacancy rate would be approximately 8.9 percent. Through February, the City's FY 2009 retail sales receipts decreased by approximately 2.6 percent compared to last year, after adjusting for sales tax transfers to Fairfax County. Sales tax receipts would have decreased further but for the opening of a second Best Buy store in the City.

On the residential real estate sales front, data continue to show a weak residential sales market. While real estate sales for the year to date through February 2009 increased 2.8 percent compared to the similar period in 2008, the average sales price decreased by 13.1 percent. One manifestation of weakness in the real estate market is an increase in the foreclosure rate compared to previous years. According to Alexandria's Department of Real Estate Assessments, the number of foreclosures in Alexandria rose from 36 during the first two months of 2008 to 47 during the first two months of 2009. While the number of foreclosures has increased, according to Realtytrac¹, Alexandria's rate of 1 out of every 836 properties in March is far less than Fairfax County's rate of 1 out of every 361 properties or Prince William County's rate of 1 out of every 148 properties. It should be noted that as of April 1, Fannie Mae and Freddie Mac lifted the foreclosure moratorium that had been in place several months. Overall, single-family home values (detached semi-detached, and townhouses) show a slight downward trend, while the condominium market shows a moderate downward trend.

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

In February, about 29 percent of residential sales were foreclosures or short sales. Such sales are generally not considered “arms-length” for assessment purposes. The positive news for February was that for the 76 arms-length residential sales transactions, the average sales price was about 1 percent higher than the 2009 City assessments, with single family residences being 3 percent higher and condominiums about 2 percent lower than 2009 assessments. It should be noted that the sales data represents just one month and is a small sample compared to twelve months of data.

The commercial real estate market also shows a downward trend. Increasing capitalization rates and a slowdown in new construction have affected the commercial real estate market. The lack of sufficient construction lending and long-term 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 commercial real estate slowdown appears to be less severe in Alexandria than in other jurisdictions.

The revised April 2009 revenue outlook for FY 2009 reflects a decrease of 2.5 percent or \$18.2 million from approved FY 2009 revenues and a decrease of \$2.4 million from the previous projection. The turbulence in the credit markets and the uncertainty of future consumer spending still leaves some downside risk to the City’s future revenue projections. Budget Memo #91, “FY 2009 and FY 2010 Final Revenue Projections and Adjustments” dated April 10, 2009, provides additional details (attached).

	FY 2009 BUDGET APPROVED	FY 2009 BUDGET PROJECTIONS	BUDGET VERSUS PROJECTIONS
Real Property ¹	\$ 293.6	\$ 292.8	\$ (0.8)
Personal Property-local share	33.7	35.4	1.7
Penalties and Interest	1.8	1.9	0.1
Sales Tax	24.0	21.6	(2.4)
Consumer Utility Tax	10.7	10.4	(0.3)
Communication Sales and Use Tax	13.0	11.3	(1.7)
Business License Tax	33.5	30.6	(2.9)
Transient Lodging Tax	11.5	11.0	(0.5)
Restaurant Meals Tax	15.0	14.9	(0.1)
Recordation Taxes	4.8	3.1	(1.7)
Other Local Taxes (including Motor Vehicle License)	9.0	9.7	0.7
Intergovernmental	52.8	53.3	0.5
Fines and Forfeitures	4.8	4.0	(0.8)
Licenses and Permits	6.1	4.7	(1.4)
Charges for City Services	14.5	11.9	(2.6)
Use of Money and Property	6.0	4.6	(1.4)
Other Revenue	0.6	0.7	0.1
Net Reduction of Revenues from Original Approved Budget			(13.4)
April Projection Change (included in above)			(2.4)

¹ Projection: At the proposed rate (on which the FY 2010 proposed budget was based) of 88.7¢ per hundred. Amounts may not add up due to rounding.

The budget rescissions discussed with and approved by City Council have been reflected in Attachments I and II. The revised budget above reflects the budget presented as part of the FY 2010 Proposed budget.

REVENUES (Attachment 1): As of March 31, actual General Fund revenues totaled \$319.2 million, which is \$3.1 million or 1.0% above FY 2008 revenues of \$316.1 million for the same time period. This report reflects a \$13.4 million reduction from the originally budgeted revenues as discussed below. Unless otherwise noted, revenues are expected to meet the prior projections.

Real Property: Real property is assessed as of January 1 of each calendar year, and assessment notices were mailed to property owners on February 10. 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. The projection above reflects the higher proposed rate of \$0.887 per \$100 included in the FY 2010 proposed budget. It does not reflect any of the possible additional \$0.018 that Council decided to advertise for consideration on March 14.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
\$287.3 million	\$293.6 million	\$292.8 million	\$139.2 million	\$145.0 million	4%

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 covered approximately 69 percent of most taxpayers’ bills for 2008, which was the same rate that was provided in 2007. Increased year-to-date collections for vehicles are primarily attributable to changes in the processing of bills for taxpayers who changed address without informing the City. Increased revenue from business taxes reflects a slight increase in assessments and enforcement actions. Based on tax bills issued in August and collections-to-date, the City expects that business and vehicle personal property tax collections will be approximately \$35.4 million, an increase of \$1.7 million above the FY 2009 Approved Budget and \$0.3 million above the previous projection.

	FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
Vehicles	\$18.6 million	\$17.4 million	\$18.6 million	\$17.5 million	\$17.9 million	2%
Business - Equipments and Machinery	\$16.3 million	\$16.3 million	\$16.8 million	\$15.9 million	\$16.6 million	4%
State Reimbursement	\$23.6 million	\$23.6 million	\$23.6 million	\$23.1 million	\$23.1 million	-
Total	\$58.5 million	\$57.3 million	\$59.0 million	\$56.5 million	\$57.6 million	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 15 days later. The substantial decrease in sales tax revenue is primarily related to one-time repayments to Fairfax County of \$1.5 million for sales tax collections from businesses with an Alexandria address that are actually located in Fairfax County, including \$1.0 million reported to Council in November. In addition, taxes paid from this revenue source have slowed over recent months. Based on collections-to-date through January, it appears that sales tax collections will be approximately \$22.0 million, a \$2.0 million decrease below the FY 2009 Approved Budget, and \$2.3 million below collections in FY 2008. Adjusted for the repayments, this is a projected decline of 3.2 percent, approximately equal to the actual decline through the first seven months of FY 2009. Based on collections-to-date through February, it appears that Sales Tax will be approximately \$21.6 million, a decrease of \$2.4 million below the FY 2009 Approved Budget and \$0.4 million below the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
\$24.3 million	\$24.0 million	\$21.6 million	\$14.3 million	\$12.2 million	(15%)

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. Based on collections-to-date, it appears that consumer utility taxes will be approximately \$10.4 million, a decrease of \$0.3 million below the Approved 2009 Budget. There has been no change since the projection provided to Council with the FY 2010 Proposed Budget.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$10.0 million	\$10.7 million	\$10.4 million	\$6.9 million	\$7.1 million	3%

Communications Tax: Businesses remit the communications 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 communications tax one month later. According to the Commonwealth, the decrease can be attributed to one large provider reporting lower revenues, one large refund request and increased payments from taxes to support the Virginia Relay Center. Based on collections-to-date, it appears that communications tax revenue will be approximately \$11.3 million, a decrease of \$1.7 million below the FY 2009 Approved Budget and \$0.4 million below the previous projections.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$12.4 million	\$13.0 million	\$11.3 million	\$7.3 million	\$6.8 million	(7%)

Business License Taxes: The City's Business License Tax was due March 2, 2009. Based on collections-to-date in the amount of \$26.8 million, which are based on 2008 gross receipts and filings, it appears that business license tax revenue will be approximately \$30.6 million, a decrease of \$2.9 million below the FY 2009 Approved Budget and \$1.7 million below the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$32.0 million	\$33.5 million	\$30.6 million	\$28.4 million	\$26.8 million	(6%)

Transient Lodging Taxes: Transient lodging taxes are remitted to the City within one month after collections. The amount of local tax levied on hotel and motel room rentals 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 FY 2009 Approved Budget. This rate increase is expected to generate \$1.6 million in additional revenue per year. While January transient lodging tax was 17 percent higher than last year, mainly due to the inauguration, more recent collections show a decrease in the number of rooms utilized. Based on collections-to-date, it appears that transient lodging tax collections will be approximately \$11.0 million, a \$0.5 million decrease below the FY 2009 Approved Budget and \$0.3 million above the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$8.5 million	\$11.5 million	\$11.0 million	\$4.8 million	\$6.4 million	32%

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 from 3.0 percent to 4.0 percent as part of the FY 2009 Approved Budget. For FY 2009, this rate increase is expected to generate approximately \$3.7 million in additional revenue. Based on collections-to-date and an expected further decrease in travel, it appears that restaurant meals tax collections will be approximately \$14.9 million, a \$0.1 million decrease below the FY 2009 Approved Budget and \$0.4 million below the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$11.0 million	\$15.0 million	\$14.9 million	\$6.7 million	\$9.5 million	41%

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. Based on collections-to-date, it appears that cigarette tax collections will be approximately \$2.8 million, a \$0.1 million increase above the FY 2009 Approved Budget. There has been no change since the projection provided to Council with the FY 2010 Proposed Budget.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$2.7 million	\$2.7 million	\$2.8 million	\$1.8 million	\$1.8 million	2%

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. Based on collections-to-date and the low current volume of real estate and refinancing transactions, it appears that actual collections will be approximately \$3.1 million, a decrease of \$1.7 million below the FY 2009 Approved Budget and \$0.2 million above the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$4.9 million	\$4.8 million	\$3.1 million	\$3.1 million	\$2.0 million	(38%)

Intergovernmental Revenues: Revenues in this category include Federal Prisoner per diem and indirect costs. The budgeted increase reflects payments from a new agreement. Payments received from this agreement with the Office of Federal Detention Trustee have averaged \$0.5 million per month for the first half of the year. There has been no change since the projection provided to Council with the FY 2010 Proposed Budget.

	FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
Federal	\$7.7 million	\$7.3 million	\$7.5 million	\$4.0 million	\$4.2 million	5%
State – Personal Property Tax Relief	\$23.6 million	\$23.6 million	\$23.6 million	\$23.1 million	\$23.1 million	-
Revenue from the Commonwealth	\$23.1 million	\$22.0 million	\$22.2 million	\$15.9 million	\$16.1 million	1%
Total	\$58.5 million	\$52.9 million	\$53.3 million	\$43.0 million	\$43.4 million	1%

Fines and Forfeitures: Due to a decrease in collections as compared to budget for court fines and parking tickets and because \$0.3 million in Red Light Cameras revenue included in the FY 2009 Budget has not yet been realized (because the program has not been initiated), it appears that actual collections will be approximately \$4.1 million, a decrease of \$0.8 million below the FY 2009 Approved Budget and \$0.1 million below the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$3.9 million	\$4.8 million	\$4.0 million	\$2.9 million	\$2.9 million	(2%)

Licenses and Permits: Permit revenues have declined due to a slowing construction market. Based on collections-to-date, it appears that actual collections will be approximately \$4.7 million, a decrease of \$1.4 million below the FY 2009 Approved Budget and \$0.6 million below the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$4.8 million	\$6.1 million	\$4.7 million	\$4.1 million	\$3.5 million	(15%)

Charges for Services: Revenues in this category include refuse user charges, ambulance fees, clerk fees and parking meter receipts and reflects higher fee rates as well as parking revenue from the new pay box system in the Carlyle area. Based on collections-to-date and fewer than budgeted meters in place, staff projects that actual collections will be approximately \$11.9 million, a decrease of \$2.6 million below the FY 2009 Approved Budget. There has been no change since the projection provided to Council with the FY 2010 Proposed Budget.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$11.3 million	\$14.5 million	\$11.9 million	\$7.3 million	\$7.6 million	4%

Revenue from Use of Money & Property: Revenues in this category include interest on investments, parking garage/lot fees and rental of property income. Based on lower interest rates and revenue earned to date, it appears that actual revenue will be approximately \$4.6 million, a decrease of \$1.4 million below the FY 2009 Approved Budget and \$0.2 million below the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$9.0 million	\$6.0 million	\$4.6 million	\$6.9 million	\$3.8 million	(45%)

EXPENDITURES (Attachment 2): As of March 31, 2009, actual General Fund expenditures totaled \$338.9 million, an increase of \$3.9 million or 1.0% over 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, as an initial payment to the recently established OPEB trust fund. This payment was made at the beginning of the fiscal year.

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
- Mental Health/Mental Retardation/Substance Abuse - \$0.1 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 Peumansend 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.

Other issues not related to budget rescissions include:

Planning and Zoning: Expenditures-to-date reflect current costs associated with the development and implementation of the City's various small area plans, including Landmark/Van Dorn studies and Waterfront Committee work.

Registrar: Expenditures-to-date reflect cost of election-related overtime.

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

Schools: The City will provide approximately 78 percent of the estimated funds required to operate the City schools in FY 2009.

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 a post-employment benefits trust, 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 at the beginning of the year to the post-employment benefits trust, where it has been invested. Also, certain 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 - Budget Memorandum #91

STAFF:

Bruce Johnson, Chief Financial Officer

Laura B. Triggs, Director of Finance

Ray Welch, Acting Comptroller

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING MARCH 31, 2009 AND MARCH 31 2008**

	FY2009 APPROVED BUDGET	FY2009 REVENUES THRU 03/31/09	% OF BUDGET	FY2008 REVENUES THRU 03/31/08
General Property Taxes				
Real Property Taxes.....	\$ 293,600,498	\$ 144,975,846	49.4%	\$ 139,178,097
Personal Property Taxes.....	33,700,000	34,527,804	102.5%	33,390,381
Penalties and Interest.....	1,770,000	1,402,876	79.3%	1,230,958
Total General Property Taxes	<u>\$ 329,070,498</u>	<u>\$ 180,906,526</u>		<u>\$ 173,799,436</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 22,000,000	12,189,306	55.4%	\$ 14,262,470
Consumer Utility Taxes.....	10,700,000	7,068,554	66.1%	6,884,530
Communication Sales and Use Taxes.....	13,000,000	6,822,133	52.5%	7,336,564
Business License Taxes.....	32,013,000	26,812,034	83.8%	28,393,068
Transient Lodging Taxes.....	11,412,252	6,377,746	55.9%	4,828,846
Restaurant Meals Tax.....	15,000,000	9,467,896	63.1%	6,715,359
Tobacco Taxes.....	2,700,000	1,819,870	67.4%	1,775,675
Motor Vehicle License Tax.....	3,200,000	2,826,083	88.3%	2,992,698
Real Estate Recordation.....	2,800,000	1,959,976	70.0%	3,147,051
Admissions Tax.....	1,000,000	729,988	73.0%	738,974
Other Local Taxes.....	2,080,000	561,900	27.0%	609,739
Total Other Local Taxes	<u>\$ 115,905,252</u>	<u>\$ 76,635,486</u>	66.1%	<u>\$ 77,684,974</u>
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 7,329,000	\$ 4,197,881	57.3%	\$ 4,008,267
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,106,690	98.0%	23,106,960
Revenue from the Commonwealth.....	21,986,481	16,110,007	73.3%	15,880,296
Total Intergovernmental Revenues	<u>\$ 52,894,012</u>	<u>\$ 43,414,578</u>	82.1%	<u>\$ 42,995,523</u>
Other Governmental Revenues And Transfers In				
Fines and Forfeitures.....	\$ 4,755,300	\$ 2,875,507	60.5%	\$ 2,931,494
Licenses and Permits.....	6,157,000	3,472,956	56.4%	4,078,332
Charges for City Services.....	11,594,877	7,612,041	65.7%	7,325,956
Revenue from Use of Money & Property.....	4,675,689	3,793,158	81.1%	6,927,439
Other Revenue.....	842,750	508,335	60.3%	405,025
Transfer from Other Funds.....	2,223,910		0.0%	-
Total Other Governmental Revenues	<u>\$ 30,249,526</u>	<u>\$ 18,261,997</u>	60.4%	<u>\$ 21,668,246</u>
TOTAL REVENUE	\$ 528,119,288	\$ 319,218,587	60.4%	\$ 316,148,179
Appropriated Fund Balance				
General Fund.....	4,600,000	-	0.0%	-
Reappropriation of FY 2008 Encumbrances And Other Supplemental Appropriations.....	9,396,645	-	0.0%	-
TOTAL	<u>\$ 542,115,933</u>	<u>\$ 319,218,587</u>	58.9%	<u>\$ 316,148,179</u>

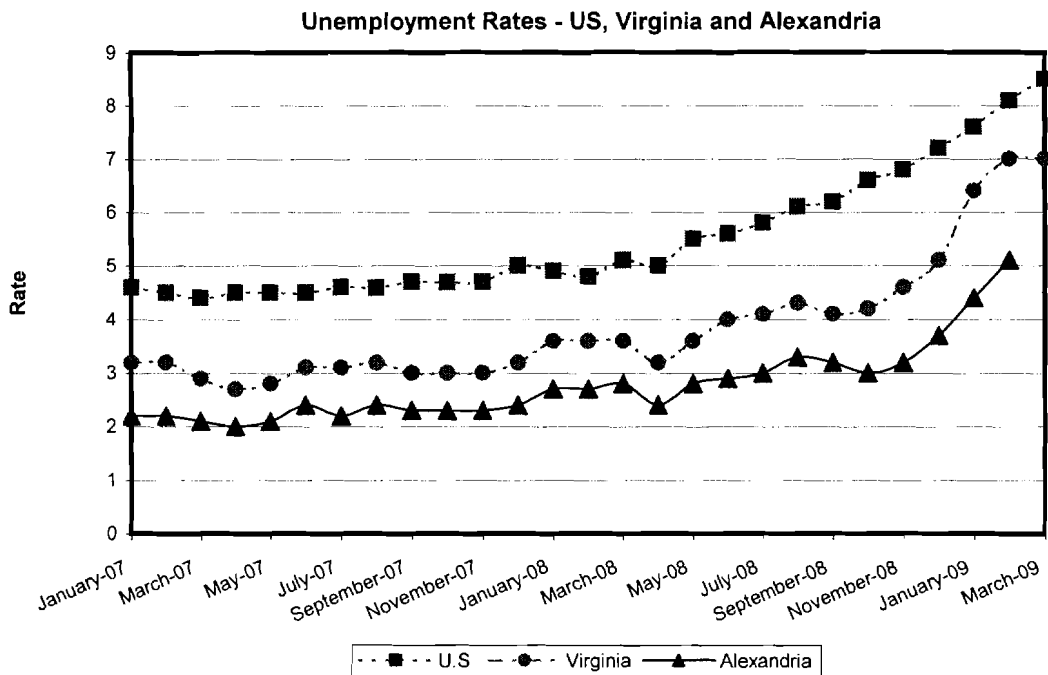
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING MARCH 31, 2009 AND MARCH 31, 2008**

FUNCTION	FY2009	FY2009	% OF	FY2008
	APPROVED BUDGET	EXPENDITURES THRU 03/31/09		BUDGET
Legislative & Executive.....	\$ 7,067,092	\$ 4,901,654	69.4%	\$ 4,224,968
Judicial Administration.....	\$ 38,708,781	\$ 28,517,856	73.7%	\$ 27,878,026
Staff Agencies				
Information Technology Services.....	\$ 7,268,396	\$ 4,658,499	64.1%	\$ 5,696,744
Management & Budget.....	1,134,468	816,024	71.9%	799,819
Finance.....	10,236,030	6,576,584	64.2%	6,543,237
Real Estate Assessment.....	1,635,473	1,150,846	70.4%	1,190,664
Human Resources.....	3,306,913	2,395,853	72.4%	2,422,500
Planning & Zoning.....	6,241,625	4,662,099	74.7%	4,223,994
Economic Development Activities.....	3,485,182	3,425,781	98.3%	2,652,575
City Attorney.....	3,287,544	2,303,559	70.1%	2,650,626
Registrar.....	1,275,383	1,047,294	82.1%	871,474
General Services.....	11,783,554	8,344,823	70.8%	10,232,449
Total Staff Agencies	\$ 49,654,568	\$ 35,381,362	71.3%	\$ 37,284,082
Operating Agencies				
Transportation & Environmental Services.....	\$ 28,881,370	\$ 19,606,686	67.9%	\$ 20,620,059
Fire.....	39,228,714	29,405,658	75.0%	27,580,784
Police.....	53,713,685	39,315,129	73.2%	37,346,486
Transit Subsidies.....	8,477,250	3,856,488	45.5%	5,778,228
Mental Health/Mental Retardation/ Substance Abuse.....	574,868	477,775	83.1%	394,095
Health.....	7,924,865	4,749,858	59.9%	5,884,387
Human Services.....	12,813,819	9,941,788	77.6%	9,164,827
Historic Resources.....	2,915,135	2,182,032	74.9%	2,117,497
Recreation.....	20,326,429	15,112,687	74.3%	15,052,953
Total Operating Agencies	\$ 174,856,135	\$ 124,648,101	71.3%	\$ 123,939,316
Education				
Schools.....	\$ 167,953,749	\$ 105,212,260	62.6%	\$ 100,747,344
Other Educational Activities.....	12,004	12,004	100.0%	12,399
Total Education	\$ 167,965,753	\$ 105,224,264	62.6%	\$ 100,759,743
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 32,156,705	\$ 13,395,149	41.7%	\$ 12,604,475
Non-Departmental.....	14,395,049	11,128,625	77.3%	4,169,329
Cash Capital.....	3,067,687	3,067,687	100.0%	10,334,771
Contingent Reserves.....	818,218	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 50,437,659	\$ 27,591,461	54.7%	\$ 27,108,575
TOTAL EXPENDITURES	\$ 488,689,988	\$ 326,264,698	66.8%	\$ 321,194,710
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...				
Transfer to Housing.....	4,505,328	999,117	22.2%	2,814,378
Transfer to Library.....	6,912,785	5,184,588	75.0%	5,330,810
Transfer to DASH.....	7,935,042	5,951,281	75.0%	5,618,642
TOTAL EXPENDITURES & TRANSFERS	\$ 542,115,933	\$ 338,399,684	62.4%	\$ 334,958,540

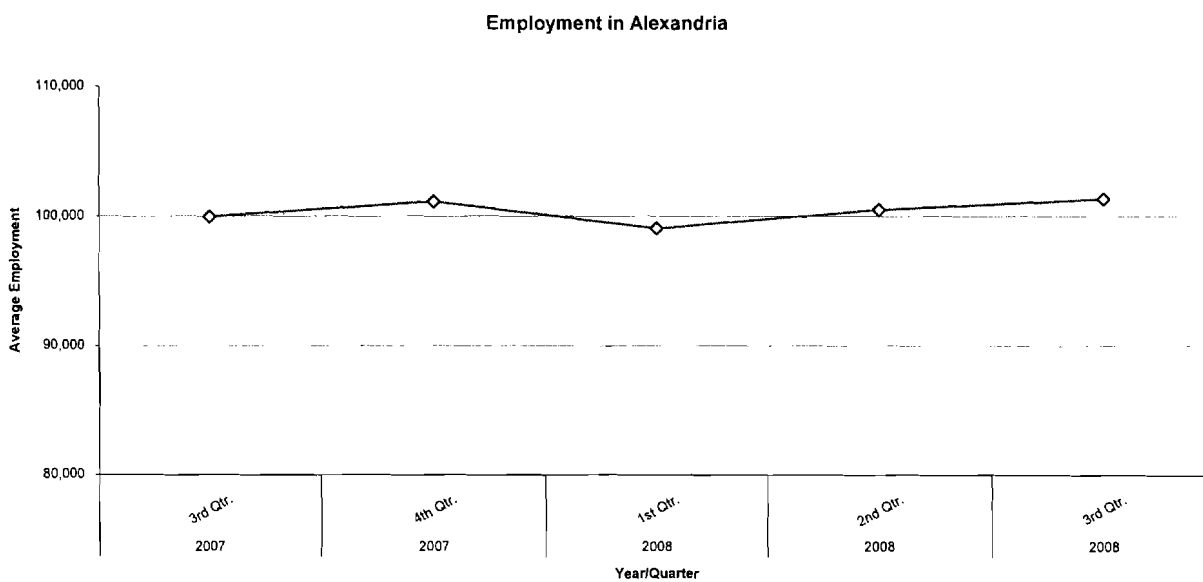
**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

	<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	138.6	138.1	+0.4%
(As of March 31, 2009) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<u>Unemployment Rates</u>			
Alexandria (As of February 28, 2009)	5.1%	2.7%	+89%
Virginia	7.0%	3.6%	+94%
(As of March 31, 2009) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)			
<u>United States</u>	8.5%	5.1%	+67%
(As of March 31, 2009) (Source: United States Department of Labor, Bureau of Labor Statistics)			
<u>New Business Licenses</u>			
(During March 2009)			
(Source: Finance Department, Business Tax Branch)	81	93	-13%
<u>Office Vacancy Rates</u>			
(As of March 31, 2009)			
Alexandria	14.3%	7.1%	+101%
Northern Virginia	15.2%	13.2%	+15%
Washington DC Metro Area	13.5%	11.4%	+18%
(Source: Grubb & Ellis)			
<u>New Commercial Construction</u>			
(Fiscal YTD as of March 31, 2009)			
Number of New Building Permits	5	3	+67%
Value of New Building Permits	61.5	128.1	-52%
(Source: Fire Department Code Enforcement Bureau)			
<u>Residential Real Estate Indicators</u>			
(YTD ending February 28, 2009)			
Residential Dwelling Units Sold	183	178	+2.8%
Average Residential Sales Price	\$390,740	\$449,850	-13.1%
(Source: Department of Real Estate Assessments)			

City of Alexandria
Selected Economic Indicators

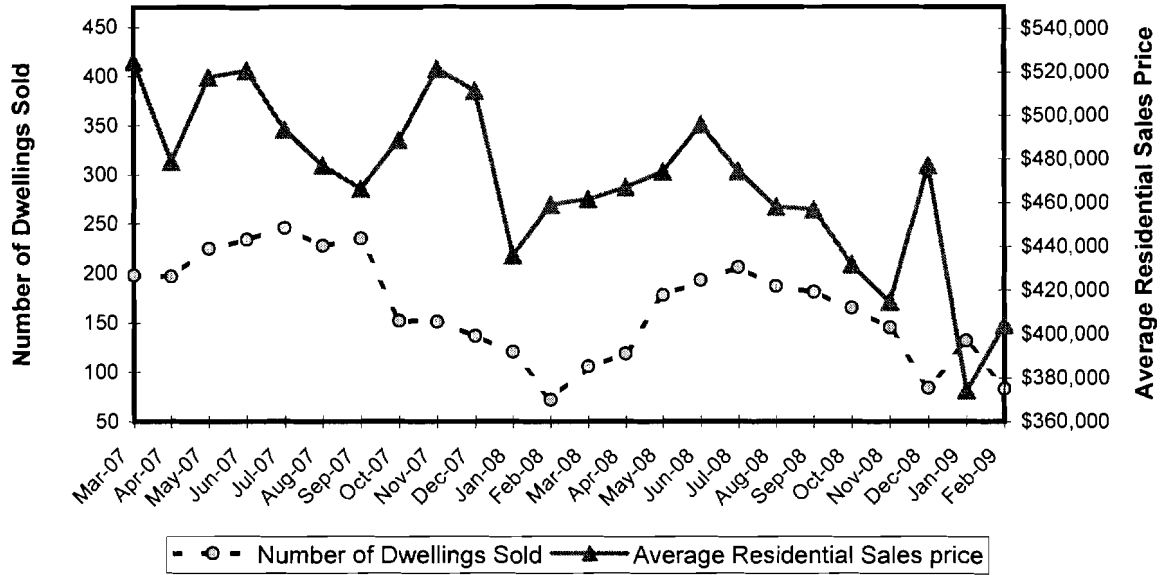


Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)

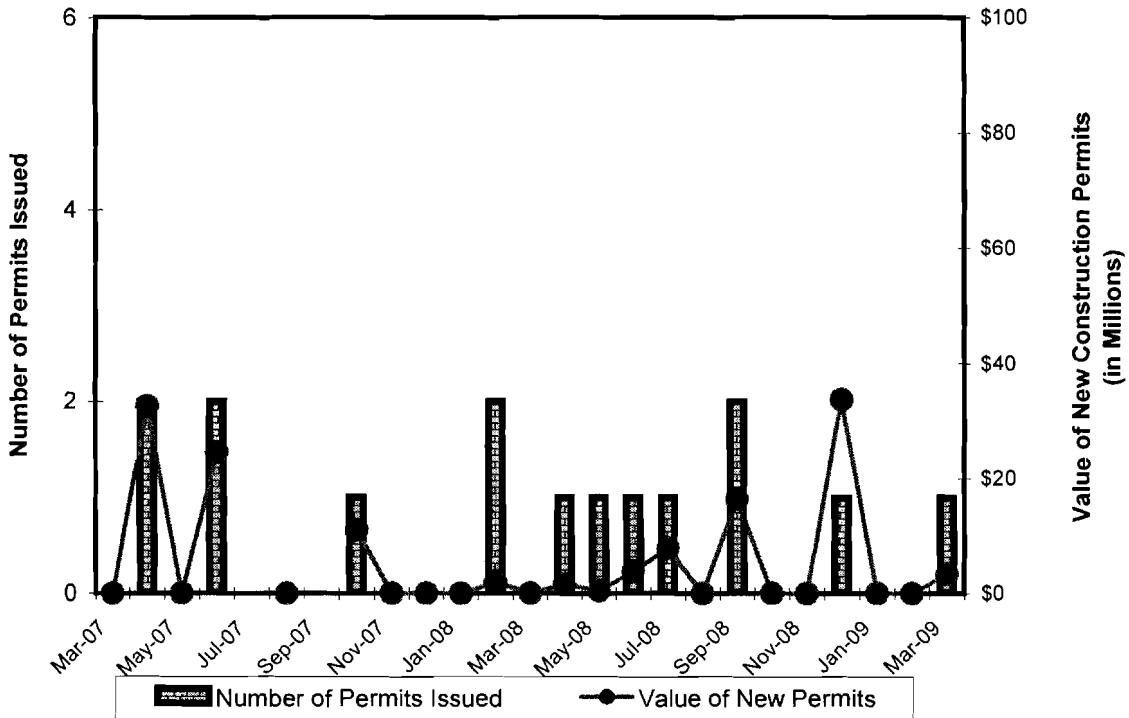


Source: Virginia Employment Commission, including the U.S. Patent and Trademark Office.

Selected Residential Real Estate Indicators

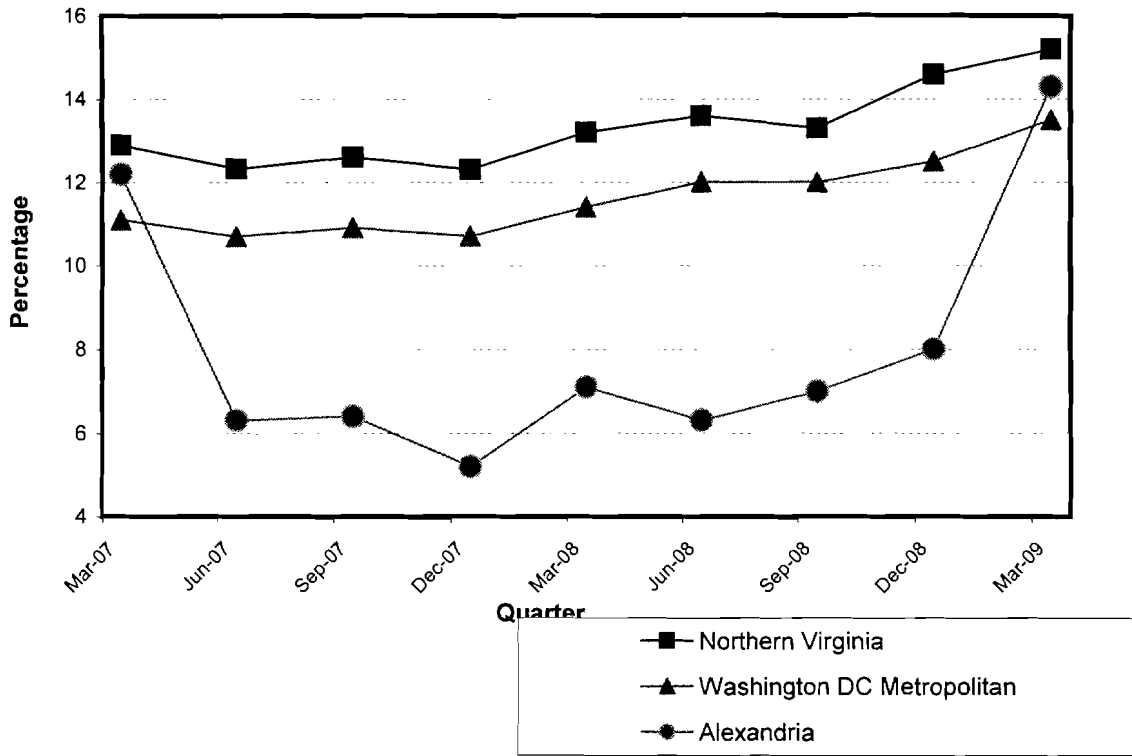


Alexandria New Commercial Construction
Number of Permits and
Value of New Construction Permits

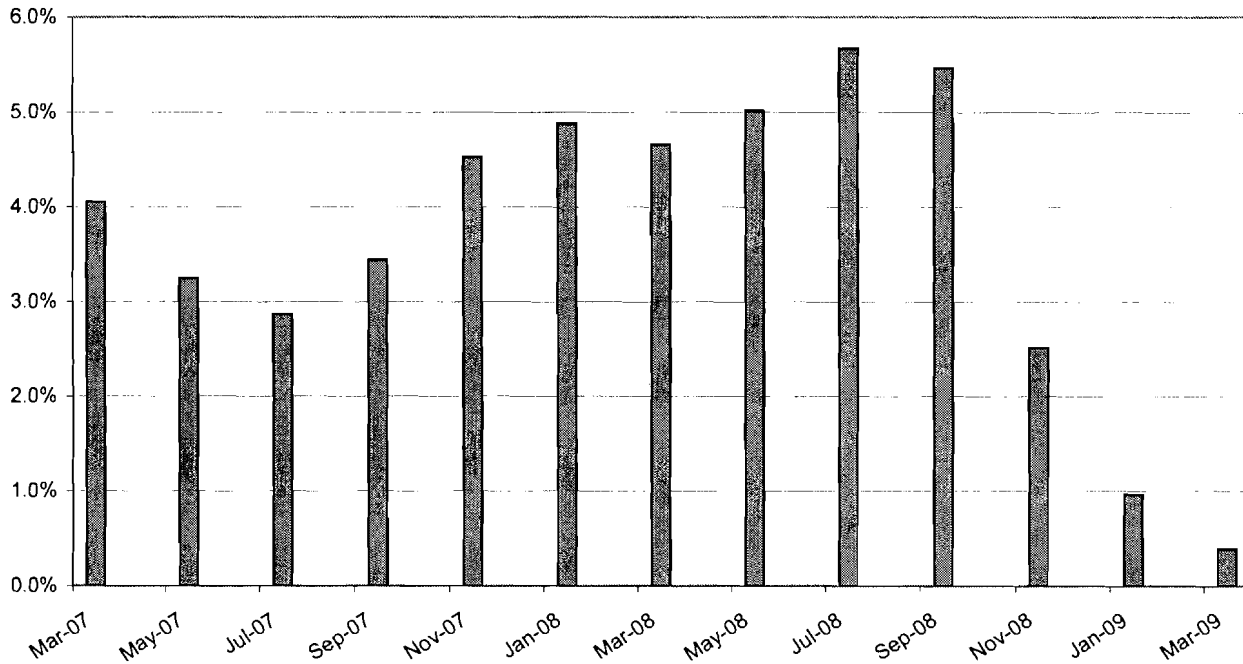


**City of Alexandria
Selected Economic Indicators**

Office Vacancy Rates



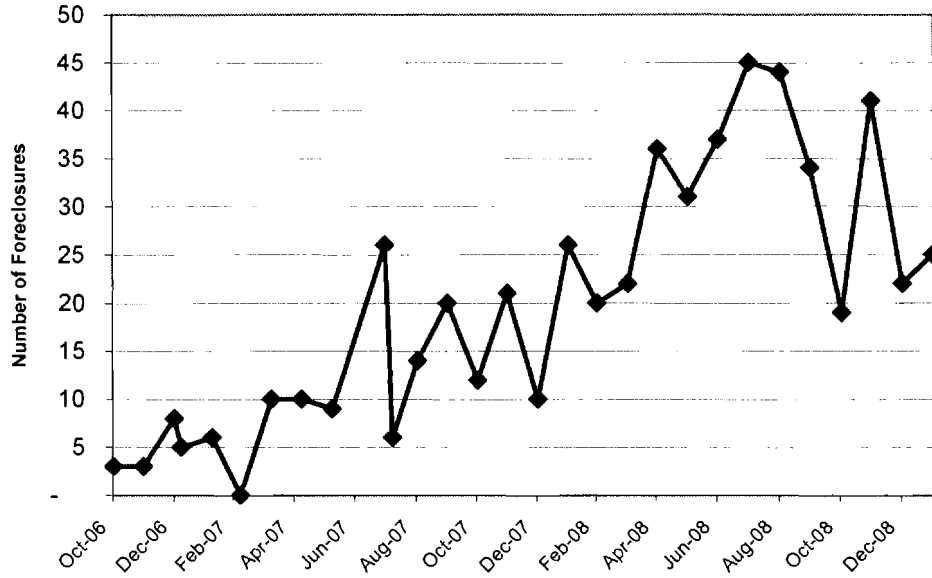
Twelve Month Annualized Percentage Change in Consumer Price Index
Washington/Baltimore



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

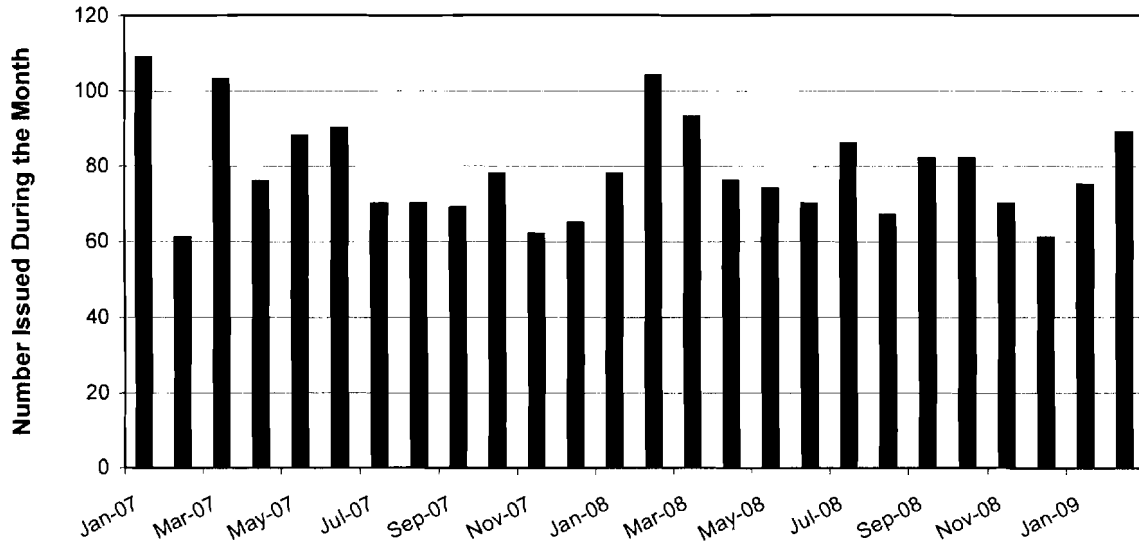
**City of Alexandria
Selected Economic Indicators**

Alexandria Foreclosures

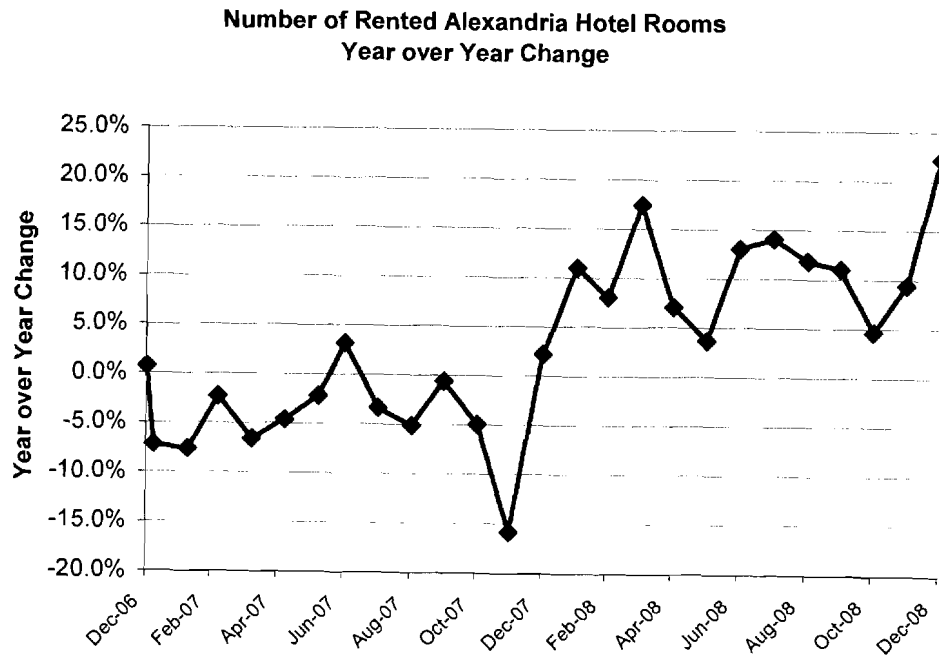


Source: Department of Real Estate Assessments

New Business Licenses Issued in Alexandria



City of Alexandria
Selected Economic Indicators



Source: Finance Department

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 10, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 91 : FY 2009 AND FY 2010 FINAL REVENUE PROJECTIONS AND ADJUSTMENTS

Annually, at the beginning of April, City staff reestimates current fiscal year and subsequent fiscal year revenues. This year, numerous changes are proposed due to the rapidly changing economic outlook that affects many City revenue sources. The results of those projections show a projected overall decrease of \$0.5 million in FY 2010 revenue estimates and a \$2.35 million decrease in projected FY 2009 revenues for a total negative impact on FY 2010 of \$2.85 million. These revenue reductions will be offset by projected budget savings of \$0.32 million in FY 2010. (See Budget Memo #90) and \$2.54 million in FY 2009 (\$0.54 more than previously promised in Budget Memo #3). The main drivers of these revenue reestimates are:

- A declining economy that has affected:
 - Business license (BPOL) revenues
 - Sales tax and meals tax revenues
 - Investment revenue from interest on City short-term investments
 - Building permit revenue
- The BRAC-133 construction project activity will add an estimated \$1.45 million in new FY 2010 tax revenues.
- The Metro Matters refinancing savings will result in the CIP transferring back to the General Fund \$0.8 million for FY 2010.

In our overall FY 2010 estimates, we have tried not to be either overly optimistic or overly pessimistic. There is major uncertainty in forecasting revenues in the current economy, however, and the depth and length of the recession are as yet unclear. For Fiscal Year 2009, unless noted below we generally have nine months of actual revenue collections on which to base our estimate, so we are more confident of those estimates. For most of the economically sensitive revenue sources, we have assumed declines of approximately 3% from FY 2009 to FY 2010.

The table below includes FY 2009 and FY 2010 revenue estimation changes from January to April.

Change from January revenue estimates	FY 2009	FY 2010
Business personal property	\$ 300,000	\$ 200,000
Sales Tax	(400,000)	650,000
Business license (BPOL) taxes	(1,700,000)	(2,200,000)
Bank Franchise	500,000	500,000
Recordation	200,000	200,000
Cigarette Taxes	-	(100,000)
Transient lodging	300,000	300,000
Restaurant food	(350,000)	(100,000)
Admissions Tax	50,000	50,000
Communications Sales and Use Tax	(350,000)	(200,000)
Building Permits	(550,000)	(300,000)
Fire Protection Systems	(110,000)	(110,000)
Red Light Camera Revenue	(90,000)	-
HB 599 Revenue	-	205,436
Compensation Board Revenues	-	517,067
Planning and Zoning Fees	-	150,000
Ambulance Charges	50,000	-
Property Rental	(100,000)	(100,000)
Interest on General Fund investments	(100,000)	(1,000,000)
Transfer in Metro Matters savings		800,000
Total	(2,350,000)	(537,497)

The revenue reestimates described in detail below reflect current tax rate and revenue policies continued or already reflected in the FY 2010 Proposed Budget. They do not reflect options presented to Council in Budget Memo #23 for changes to the City Manager's proposed 88.7 cent real estate tax rate or other tax rate or revenue policy changes.

The FY 2009 and FY 2010 revenue estimates in the Proposed FY 2010 budget document were based on revenues and trends through December 2008. The latest estimates are based on revenue collections through March 2009, with exceptions as noted below. Staff will continue to monitor actual revenues and adjust the monthly revenue projections for the current fiscal year in the context of the Monthly Financial Report. Based on actual receipts and trends through March, the FY 2010 revenue estimates have been changed as detailed in the next pages. These technical revenue adjustments will be reflected on the Final Add/Delete list.

FY 2009 Revenue Adjustments

FY 2009 Adjustment	Description-Taxes
+\$0.3 million	Increase in Business Personal Property taxes from \$15.7 million to \$16.0 million based on collections through March, 2009.
-\$0.4 million	Decrease in Sales Tax from \$22.0 million to \$21.6 million based on the likelihood of additional sales tax transfers to Fairfax County.
-\$1.7 million	Decrease in Business License (BPOL) tax from \$32.3 million to \$30.6 million based on collections through March, 2009. This projection (based on

	CY 2008 gross receipts) reflects a 4.4% decline in BPOL tax collections compared to FY 2008 (based on CY 2007 gross receipts). The decrease is the result of declining business revenues and lower levels of tax collection due to the recession.
+\$0.5 million	Increase in Bank Franchise tax from \$1.3 to \$1.8 million due to higher than expected collections through March, 2009.
+\$0.2 million	Increase in Recordation tax from \$2.9 million to \$3.1 million based on higher than expected collections through March, 2009. Recordation is slightly stronger than expected due to lower interest rates and refinancing activity.
+\$0.3 million	Increase in Transient Lodging tax from \$10.7 million to \$11.0 million based on higher than expected collections through February, 2009, the most recent month available of reliable data. The projection includes additional revenues expected from two hotels which opened during FY 2009.
-\$0.4 million	Decrease in Restaurant Meals tax from \$15.25 million to \$14.9 million based on lower than expected collections through January, 2009. the most recent month available of reliable data.
+\$0.05 million	Increase in Admissions Tax from \$1.0 million to \$1.05 million based on higher than expected collections through March 2009.
-\$0.4 million	Decrease in Communication Sales and Use Tax from \$11.7 million to \$11.35 million based on a statewide reduction in the amount paid by a communications vendor to the State. The City's share of the \$13.6 million statewide reduction is \$0.4 million.
	Description-Fees and Other
-\$0.5 million	Decrease in Building Permits from \$2.3 million to \$1.75 million based on lower than expected collections through March 2009. Due to the depressed real estate and construction market, year-to-date building permit revenues have decreased by 35% in FY 2009 compared to FY 2008.
-\$0.1 million	Decrease in Fire Protection System permits from \$0.5 million to \$0.4 million. This is due to the continued slowdown in the real estate market.
-\$0.1 million	Decrease in revenue from Red Light Camera Program from \$90,000 to \$0. Revenues from the Red Light Camera program are now expected to begin on July 1, 2009.
+\$0.05 million	Increase in revenue from ambulance fees from \$1.85 million to \$1.9 million due to higher than expected collections through March 2009.
-\$0.1 million	Decrease in City-owned property rental revenues from \$0.7 million to \$0.6 million due to lower than expected collections through March 2009.
-\$0.1 million	Decrease in interest on General Fund investments from \$2.0 million to \$1.9 million due to lower interest rates during the second half of FY 2009.
-\$2.35 million	Total Change

FY 2010 Revenue Adjustments

FY 2010 Adjustment	Description-Taxes
+\$0.2 million	Increase in Business Personal Property taxes from \$15.8 million to \$16.0 million due to higher than expected YTD revenues than originally estimated.
+\$0.65 million	Increase in Sales tax revenues from \$23.4 million to \$24.05 million. This is

	based on an expected decline of sales tax revenues of 3% in FY 10 (adjusted for one time transfers), consistent with economic weakness expected through early 2010 plus \$1.25 million in projected sales tax revenues for building materials from the BRAC-133 construction project.
-\$2.2 million	Decrease in Business license (BPOL) tax revenues from \$32.3 million to \$30.1 million based on lower than expected levels of tax collection. The City expects a decrease of 2.5% in FY 2010 BPOL revenues compared to the current FY 2009 projection based on a recessionary economy which is not expected to bottom until calendar year 2010. The estimate includes \$0.2 million in projected BPOL revenues from the BRAC-133 construction project.
+\$0.5 million	Increase in Bank Franchise tax from \$1.3 to \$1.8 million due to higher than expected collections through March, 2009.
+\$0.2 million	Increase in Recordation tax revenues from \$2.9 million to \$3.1 million is based on higher than expected collections through March, 2009. Recordation revenues are expected to remain flat in FY 2010.
-\$0.1 million	Decrease in Cigarette tax revenues from \$2.8 million to \$2.7 million is based on a possible small decrease in demand due to the large increase in the federal tax on a pack of cigarettes.
+0.3 million	Increase in Transient Lodging tax revenues from \$10.7 million to \$11.0 million. This projection is based on higher than expected YTD revenues through February, 2009, plus extra revenue from new Alexandria hotels which opened during FY 2009 and will be open for a full year in FY 2010. The estimate is adjusted down by 2.5% to account for the weaker business travel and tourism market expected in FY 2010.
-\$0.1 million	Decrease in Restaurant Meals tax revenues from \$15.3 million to \$15.2 million. This estimate is based on FY 2009 collections through March, a decrease in sales volume of approximately 3% and offset by continuing food inflation, which according to the Bureau of Labor Statistics, is running at an annual rate of 4.8% through February.
+\$0.1 million	Increase in Admissions Tax from \$1.0 million to \$1.05 million based on higher than expected collections through March 2009.
-\$0.2 million	Decrease in Communications Sales and Use Tax from \$12.0 million to \$11.8 million based on YTD collections through January, including the reduction in the amount paid by a vendor to the State, and the recession.
	Description-Fees and Other
-\$0.3 million	Decrease in Building Permits revenue from \$2,642,000 to \$2,342,000 based on lower than expected collections through March 2009. Included in the \$2,342,000 are approximately \$342,000 in revenue from increases to Code fees in FY 2010.
-\$0.1 million	Decrease in Fire Protection System permits from \$0.5 million to \$0.4 million. This is due to the continued slowdown in the real estate market.
+\$0.2 million	Increase in HB599 revenue from \$6.0 million to \$6.2 million. As a result of the federal stimulus package, the cuts in HB599 revenue proposed last fall by the governor were eliminated, and the HB599 budget was restored to its FY 2009 level.
+\$0.5 million	Increase in Compensation Board Revenue from \$7.7 million to \$8.2 million. As a result of the federal stimulus package, the cuts in Compensation Board

	revenue proposed last fall by the Governor were reduced, and Compensation Board Revenue was mostly restored to its FY 2009 level.
+\$0.15 million	Increase in Planning and Zoning fees from \$0.3 million to \$0.45 million. Some fees that were previously credited to a special revenue account will be credited to the General Fund beginning in FY 10.
-\$0.1 million	Decrease in City-owned property rental revenues from \$0.7 million to \$0.6 million due to lower than expected collections through March 2009.
-\$1.0 million	Decrease in interest on General Fund investments from \$2.1 million to \$1.1 million due to lower interest rates expected during FY 2010.
+0.8 million	An increase of \$800,000 in fund balance designated for the FY 2010 operating budget. This decrease in funding for the CIP (and corresponding upward technical adjustment of debt service costs) represents the savings in the CIP attributable to having the City borrow \$12.8 million directly for Metro Matters in lieu of WMATA issuing debt at a higher interest rate. (Approved with Docket Item #12 on March 24, 2009, Ordinance Authorizing and Empowering the Issuance, Sale and Delivery of General Obligation Bonds to Finance Various Capital Projects.)
-\$0.5 million	Total Change