

City of Alexandria, Virginia

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MEMORANDUM

DATE: JANUARY 13, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
DECEMBER 31, 2000

ISSUE: Receipt of the City's Monthly Financial Report for the period ending December 31, 2000.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending December 31, 2000.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2000 through December 31, 2000. This report also presents revenues and expenditures for the same period for Fiscal Year 2000 for comparative purposes (Attachments 1 and 2) and provides a summary of selected economic indicators (Attachment 3). As of December 31, 2000, General Fund revenues exceeded General Fund expenditures by \$29.2 million. This is a normal situation that occurs at this time of year because the City's revenues follow seasonal patterns (the City's real estate tax revenues are due in November and June), while expenditures are more evenly distributed.

REVENUES (Attachment 1): As of December 31, 2000, actual General Fund revenues totaled \$166.6 million, an increase of \$12.4 million, or 8.0 percent, as compared to revenues for the same period last year. The increase is primarily attributable to increased real estate tax payments as discussed below. Staff will monitor revenues each month and will begin to project end-of-year revenues based on trends at mid-year for the FY 2002 Proposed Budget that will be presented to City Council on March 13, 2001. Unless otherwise noted, trends to date have not varied sufficiently to trigger revised revenue estimates.

Although this report reflects end of year projections for personal property taxes, total General Fund revenues cannot be projected with more specificity until the 2001 real property assessments are completed and issued in February, the December holiday sales tax data have been received, and March business license returns have been tabulated. Based on preliminary data for the first six months of the fiscal year, the projected positive variance (i.e., revenues in excess of budget) is currently projected to be at least \$3.4 million.

This revenue growth above that budgeted is consistent with the trends discussed by staff at the November City Council retreat.

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Staff cautions that this preliminary projection is based on only six months of activity and will continue to monitor revenues and update projections on a monthly basis through the end of the fiscal year. This will be increasingly important given the consensus opinion of a slowing national and regional economy.

Real Estate Taxes: Second half real estate property taxes were due November 15. Revenues to date total \$72.5 million and are \$4.9 million, or 7.2 percent higher than collections at this time last year. The real estate tax bills totaled \$72.7 million, a 9.2 percent increase over the prior year. The difference between the 7.2 percent collection increase and the 9.2 percent billing rate relates to the timing of collection of delinquent taxes.

Personal Property Taxes: The City's personal property tax due date for FY 2001 was October 5, 2000. Personal property tax revenue consists of both personal property (primarily vehicles) and business property (business machinery, computers and furniture). The FY 2001 Approved Budget includes a \$32.6 million revenue projection for tax revenue collected directly by the City and includes an additional \$12.3 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 47.5 percent of most taxpayers' payments. The State's share for FY 2000 was 27.5 percent. The total for all budgeted revenues related to the personal property tax for FY 2001 is \$44.9 million. This represents an estimated net increase in the tax base of five percent before tax policy changes. The City accelerated the depreciation schedule for business computers, reducing estimated tax revenue in the FY 2001 approved budget by approximately \$1.5 million, as well as the tax on pleasure boats at a nominal cost.

As shown in the following table, to date, the City has collected \$33.7 million in personal property tax revenue. To date, reimbursement from the Commonwealth totals \$12.6 million, for total personal property tax receipts of \$46.3 million for FY 2001, \$1.4 million more than all budgeted revenues related to personal property taxes:

Personal Property Tax (in millions)	Actual FY 2000	Budget FY 2001	Actual to Date FY 2001	Projection FY 2001
City share	\$36.5	\$32.6	\$33.7	\$ 35.3
Commonwealth reimbursement	<u>6.4</u>	<u>12.3</u>	<u>12.6</u>	<u>13.0</u>
Total	\$42.9	\$44.9	\$46.3	\$48.3

Collections represent a \$3.4 million, or 7.9 percent, increase when compared to receipts collected at the same time last year. As discussed at the City Council retreat, the City's economy has remained strong. The average value of a new model vehicle increased by 4 percent to \$21,362 and the number

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of new model vehicles increased 14.4 percent to 4,714, or 4.9 percent, of all vehicles. The business personal property tax base increased 8.3 percent over the prior year. In addition, based on returns received to date, staff estimates the planned decrease in business personal property will be \$0.5 million less than originally estimated. Based on these collection patterns, staff currently projects that total personal property collections will be \$48.3 million, comprised of \$35.3 million in local collections and \$13.0 million from the state. This is an increase of \$3.4 million over the original budget. Staff will continue to monitor these revenues and will recommend adjustments, as warranted, in the context of the FY 2002 proposed budget.

Penalties and Interest: Penalties and interest represent payment on delinquent taxes, primarily for real estate and personal property. Collections to date, in the amount of \$0.9 million, are \$0.3 million or 26.4 percent, lower than collections at this time last year. Penalties and interest collections are highly variable, with last year’s tax collection initiatives representing a high collection year. Also, with the decreased personal property tax bills due to the state-funded tax relief, more taxpayers are paying their tax bills on time, which then results in reduced penalties and interest.

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 sends the City its portion of the sales tax approximately one month later. The sales tax revenue represents sales activity for the months of July through October 2000. Revenues to date are \$0.3 million, or 5.3 percent, higher than collections at this time last year. This increase is primarily attributable to overall increased sales tax collections citywide.

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. The consumer utility tax revenue in this report represents utility services provided to consumers though October.

City of Alexandria Consumer Utility Tax Receipts Through October 31, 2000 and October 31, 1999				
Utility	FY 2001 Year to Date Receipts	FY 2000 Year to Date Receipts	Increase/ (Decrease)	Notes
Telephone - Tax on Local Services	\$2,369,058	\$2,259,667	\$109,391	
Electricity	1,825,639	1,773,960	51,679	
Water	774,743	711,794	62,949	
Natural Gas	548,607	364,089	185,518	FY 2001 revenues include an additional month’s receipts which were paid early.

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Business License Taxes: The City's FY 2001 business license tax is due March 1, 2001. Collections to date, in the amount of \$1.4 million, are attributable to quarterly payments, filings by new businesses 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 through October 2000. Collections to date total \$2.6 million, an increase of \$0.3 million over collections for the same period last year. This increase is primarily the result of additional hotel rooms and timing in receipts of taxes.

Restaurant Meals Taxes: Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. Collections to date are approximately \$0.2 million, or 8.0 percent, higher than revenues for the same period last year. This increase is primarily attributable to the addition of new restaurants and timing differences.

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 \$2.3 million for housing federal prisoners through the period ending December 31, 2000; however, only \$1.9 million had been received as of December 31. The federal government generally pays the City for housing federal prisoners between 30 and 60 days after the end of the billing period. Billings since December 1999 reflect an increase in the reimbursement rate when the City renegotiated the contract with the US Marshal for prisoner cost reimbursement. This renegotiation resulted in an increase in the rate reimbursement from \$83.25 per inmate day to \$93.92 per inmate day, effective December 1, 1999.

Revenues from the Commonwealth: Revenues from the Commonwealth increased \$7.8 million, or 61.3 percent, over the prior year. This is the result of budgeted increases in reimbursements from the Commonwealth for vehicle personal property tax relief. As discussed above in the personal property section, the FY 2001 Approved Budget includes \$12.3 million to reflect the City's reimbursement of the 47.5 percent vehicle personal property tax relief due from the Commonwealth to most vehicle owners. For FY 2000 the City was reimbursed for 27.5 percent for most vehicles. As of December 31, 2000, the City has billed and received \$12.6 million from the Commonwealth for PPTRA, an increase of \$6.2 million over that received in FY 2000.

Licenses and Permits: Revenues to date, in the amount of \$1.8 million are \$0.5 million lower than revenues at this time last year. This reduction is primarily attributable to fees received in early FY 2000 for construction permits for a major multi-story office and retail building.

Use of Money and Property: Revenues to date are \$1.2 million higher than revenues earned at this time last year. The increase is attributable to an increase in interest earnings. Interest rates are trending almost a two percentage points higher than this time last year. In addition, the City issued \$55 million in general obligation bonds in June 2000. \$32 million of these bonds were used to reimburse the City for capital expenditures made up to 18 months prior to the June issuance date.

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The remainder is being used to finance capital expenditures in FY 2001. This acceleration in the issuance of bonds compared to the prior City reimbursement practice has improved the City's cash flow and increased cash balances and interest earnings.

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

EXPENDITURES (Attachment 2): As of December 31, 2000, actual General Fund expenditures totaled \$137.4 million, an increase of \$12.2 million, or 9.7 percent, over expenditures for the same period last year. The increase relative to last year is primarily attributable to the increase in the cash capital transfer to the capital projects fund and a shift of reimbursable highway maintenance expenditures as discussed below. Excluding cash capital and highway maintenance, actual General Fund expenditures through December 31, 2000 were trending 6.4 percent above expenditures for the same period last year. This expenditure pattern reflects normal and expected activity consistent with the FY 2001 Approved Budget. Expenditure activities to date, where an explanation of variances is warranted, are discussed below.

Other Planning Activities: General Fund expenditures in this category reflect first three quarterly contribution payments to community agencies except for the Alexandria Convention and Visitors Association, which represents all the payments for FY 2001.

Registrar: Expenditures to date include postage for mailing voter registration cards.

Transportation and Environmental Services: The increase in expenditures in comparison to FY 2000 reflects a shift of reimbursable highway maintenance expenditures from the Special Revenue Fund to the General Fund. This change was made in the FY 2001 approved budget in order to reduce the complexities of administering this \$4.5 million annual reimbursement program.

Transit Subsidies: Expenditures to date reflect the City's first two quarterly payments to the Washington Metropolitan Area Transit Authority (WMATA) for Fiscal Year 2001. The increase over the prior year is attributable to an adjustment to the City's budget structure starting in FY 2001 for total WMATA expenditures. Prior to FY 2001, some WMATA planned operating expenditures were recorded as capital expenditures. These expenditures are now budgeted and included in the City's operating budget to more accurately reflect the City's share of WMATA operating expenditures.

Mental Health/Mental Retardation/Substance Abuse: Expenditures to date reflect annual equipment replacement charges made at the beginning of the fiscal year.

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

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Debt Service: The increase in expenditures reflects the City's share of debt service, in the amount of \$256,070, for the Northern Virginia Transportation District bonds, issued in November 1999. The remaining increase represents scheduled increased interest and principal payments on the City's bonds.

Non-Departmental: Increased expenditures in FY 2001 reflect budgeted expenditures for computer replacement and the public safety radio system.

Schools: The School Administration has reported \$51.5 million in expenses from all sources through December 31, 2000. The City's General Fund share of total School Administration budgeted expenditures is approximately 75 percent of the total expenditures. This percentage was applied to total school disbursements to estimate school expenditures to date in the amount of \$38.6 million (i.e. 75 percent of \$51.5 million).

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

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 DECEMBER 31, 2000 AND DECEMBER 31, 1999**

	FY2001 APPROVED BUDGET	FY2001 REVENUES THRU 12/31/00	% OF BUDGET	FY2000 REVENUES THRU 12/31/99
General Property Taxes				
Real Property Taxes.....	\$ 149,135,000	\$ 72,539,707	48.6%	\$ 67,674,666
Personal Property Taxes.....	32,560,000	33,687,910	103.5%	36,531,348
Penalties and Interest.....	2,400,000	889,707	37.1%	1,208,075
Total General Property Taxes	\$ 184,095,000	\$ 107,117,324	58.2%	\$ 105,414,089
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 20,085,000	\$ 6,598,820	32.9%	\$ 6,266,134
Consumer Utility Taxes.....	14,454,000	5,518,047	38.2%	5,109,510
Business License Taxes.....	17,725,000	1,352,336	7.6%	1,461,557
Transient Lodging Taxes.....	5,500,000	2,555,918	46.5%	2,273,009
Restaurant Meals Tax.....	7,690,000	3,275,746	42.6%	3,033,189
Tobacco Taxes.....	1,649,000	700,282	42.5%	734,909
Motor Vehicle License Tax.....	2,140,000	2,030,277	94.9%	1,962,374
Real Estate Recordation.....	1,217,000	720,437	59.2%	697,248
Other Local Taxes.....	3,329,000	915,086	27.5%	637,763
Total Other Local Taxes	\$ 73,789,000	\$ 23,666,949	32.1%	\$ 22,175,693
Intergovernmental Revenues				
Revenue from the Federal Government....	\$ 3,767,000	\$ 1,941,813	51.5%	\$ 1,414,825
Revenue from the Commonwealth.....	30,744,000	20,616,964	67.1%	12,778,413
Total Intergovernmental Revenues	\$ 34,511,000	\$ 22,558,777	65.4%	\$ 14,193,238
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 4,264,000	\$ 1,962,386	46.0%	\$ 1,821,973
Licenses and Permits.....	3,760,000	1,838,267	48.9%	2,292,404
Charges for City Services.....	9,342,400	3,809,065	40.8%	3,882,733
Revenue from Use of Money & Property..	7,759,950	5,365,659	69.1%	4,117,871
Other Revenue.....	359,000	265,641	74.0%	333,276
Total Other Governmental Revenues	\$ 25,485,350	\$ 13,241,018	52.0%	\$ 12,448,257
TOTAL REVENUE	\$ 317,880,350	\$ 166,584,068	52.4%	\$ 154,231,277
Appropriated Fund Balance				
General Fund.....	2,921,512	-	-	-
Reappropriation of FY 2000 Encumbrances And Other Supplemental Appropriations..	3,721,761	-	-	-
TOTAL	\$ 324,523,623	\$ 166,584,068	51.3%	\$ 154,231,277

50.0% of Fiscal Year Completed
 48.08% of Payrolls Processed

Attachment 2

**CITY OF ALEXANDRIA, VIRGINIA
 COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
 GENERAL FUND
 FOR THE PERIODS ENDING DECEMBER 31, 2000 AND DECEMBER 31, 1999**

FUNCTION	FY2001 APPROVED BUDGET	FY2001 EXPENDITURES THRU 12/31/00	% OF BUDGET	FY2000 EXPENDITURES THRU 12/31/99
Legislative & Executive.....	\$ 4,203,694	\$ 1,871,420	44.5%	\$ 1,660,427
Judicial Administration.....	\$ 23,903,217	\$ 11,436,147	47.8%	\$ 11,289,178
Staff Agencies				
Information Technology Services.....	\$ 5,781,367	\$ 2,083,241	36.0%	\$ 2,341,704
Management & Budget.....	965,347	260,313	27.0%	358,472
Finance.....	6,735,446	2,838,502	42.1%	2,776,208
Real Estate Assessment.....	910,639	407,253	44.7%	393,509
Personnel.....	1,896,859	865,605	45.6%	777,623
Planning & Zoning.....	2,155,181	793,241	36.8%	817,508
Other Planning Activities.....	1,817,168	1,531,628	84.3%	1,207,564
City Attorney.....	1,269,861	601,306	47.4%	545,428
Registrar.....	661,896	455,463	68.8%	284,865
General Services.....	8,795,826	4,160,099	47.3%	3,934,453
Total Staff Agencies	\$ 30,989,590	\$ 13,996,651	45.2%	\$ 13,437,334
Operating Agencies				
Transportation & Environmental Services.....	\$ 19,897,005	\$ 8,840,545	44.4%	\$ 6,702,159
Fire.....	23,286,365	11,219,602	48.2%	10,456,634
Police.....	32,980,915	15,585,896	47.3%	15,292,408
Transit Subsidies.....	3,515,994	1,764,980	50.2%	1,277,778
Housing.....	945,473	358,547	37.9%	348,362
Mental Health/Mental Retardation/ Substance Abuse.....	467,282	301,933	64.6%	292,149
Health.....	5,731,782	879,169	15.3%	1,060,361
Human Services.....	6,811,043	3,103,777	45.6%	2,936,224
Historic Resources.....	1,999,074	895,609	44.8%	923,828
Recreation.....	13,073,922	6,768,045	51.8%	5,997,475
Total Operating Agencies	\$ 108,708,855	\$ 49,718,103	45.7%	\$ 45,287,378
Education				
Schools.....	\$ 98,780,870	\$ 38,627,141	39.1%	\$ 36,263,456
Other Educational Activities.....	13,017	9,763	75.0%	9,840
Total Education	\$ 98,793,887	\$ 38,636,904	39.1%	\$ 36,273,296
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 12,638,385	\$ 7,432,178	58.8%	\$ 6,458,056
Non-Departmental.....	7,430,486	2,682,767	36.1%	1,980,328
Cash Capital.....	9,846,000	9,846,000	100.0%	7,351,063
Contingent Reserves.....	-	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 29,914,871	\$ 19,960,945	66.7%	\$ 15,789,447
TOTAL EXPENDITURES	\$ 296,514,114	\$ 135,620,170	45.7%	\$ 123,737,060
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library) Transfers to the Special Revenue Fund.....	24,461,299	-	-	-
Transfer to DASH.....	3,548,210	1,774,105	50.0%	1,488,470
TOTAL EXPENDITURES & TRANSFERS	\$ 324,523,623	\$ 137,394,275	42.3%	\$ 125,225,530

Attachment 3

**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 November 30, 2000)	108.5	105.0	3.3%
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<u>Unemployment Rates</u>			
Alexandria	2.5%	2.5%	-
Virginia	2.0%	2.6%	<23.1%>
(As of November 30, 2000)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
United States	4.0%	4.1%	<2.4%>
(As of December 31, 2000)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<u>Interest Rates</u>			
(As of December 31, 2000)			
Prime Rate	9.50%	8.50%	11.8%
Federal Fund Rate	6.53%	4.61%	41.6%
(Source: SunTrust Economic Monitor)			
<u>New Business Licenses</u>			
(During December)			
(Source: Finance Department, Business Tax Branch)	54	39	38.5%
<u>New Commercial Construction</u>			
(As of November 30, 2000)			
Number of New Building Permits	50	19	163.2%
Value of New Building Permits	\$100.8 million	\$83.1 million	21.3%
(Source: Fire Department Code Enforcement Bureau)			
<u>Residential Real Estate Indicators</u>			
(for the nine months ended September 30, 2000)			
Residential Dwelling Units Sold	2,690	2,650	1.5%
Average Residential Sales Price	\$229,358	\$241,401	<5.0%>
(Source: Department of Real Estate Assessments)			