

MEMORANDUM

DATE: FEBRUARY 22, 2001
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*
SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
JANUARY 31, 2001

ISSUE: Receipt of the City's Monthly Financial Report for the period ending January 31, 2001.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending January 31, 2001.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2000 through January 31, 2001. 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 January 31, 2001, General Fund revenues exceeded General Fund expenditures by \$10.6 million. This is a normal situation that occurs 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 January 31, 2001, actual General Fund revenues totaled \$177.1 million, an increase of \$14.2 million, or 8.7 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 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 result in revised revenue estimates.

Although this report reflects end of year projections for real and personal property taxes, total General Fund revenues cannot be projected with more specificity until the December holiday sales tax data have been received and March business license returns have been tabulated. Based on preliminary data for the first seven months of the fiscal year, projected positive variances for FY 2001 (i.e., revenues in excess of budget) are currently projected to be at least \$9.6 million. The positive variances are comprised of real property taxes of \$6.2 and personal property taxes of \$3.4 million.

These additional revenues will help balance the FY 2002 budget, as well as provide a source for increased cash capital for needed City and Schools capital projects in the forthcoming FY 2002 to FY 2007 Capital Improvement Program.

Staff cautions that this preliminary projection is based on only seven 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 where labels of “recession growth” and “soft landing” are being applied by economists.

Real Estate Taxes: Second half real estate property taxes were due November 15. Revenues to date total \$73.2 million and are \$5.2 million, or 7.6 percent, higher than collections at this time last year. As reported to City Council on February 16, the City’s calendar year 2001 assessed real property tax base increased just over 10 percent. At the current rate of \$1.11 per \$100 of assessed value, staff estimates real property tax revenues will total at least \$155.3 million for FY 2001, an increase of \$6.2 million over the original budget estimate, which was originally based on a 5% increase in the calendar year 2001 real estate tax base.

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 any tax 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 changing the tax on pleasure boats to a nominal amount.

As shown in the following table, through the end of January, the City has collected \$33.8 million in personal property tax revenue. To date, reimbursement from the Commonwealth totals \$12.6 million, for total personal property tax receipts of \$46.4 million for FY 2001, \$1.5 million more than all budgeted revenues related to personal property taxes.

Personal Property Tax (in millions)	Actual FY 2000	Budget FY2001	Actual to Date FY 2001	Projection FY 2001
City share	\$36.9	\$32.6	\$33.8	\$35.3
Commonwealth reimbursement	<u>6.4</u>	<u>12.3</u>	<u>12.6</u>	<u>13.0</u>
Total	\$43.3	\$44.9	\$46.4	\$48.3

Collections represent a \$3.1 million, or 7.2 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 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 cost of the new computer depreciation schedule will be \$0.5 million less than originally estimated. Based on these and prior year 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 \$1.0 million, are \$0.2 million or 14.4 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 decreased personal property tax bills due to the state-funded tax relief, more taxpayers are paying their 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 November 2000. Revenues to date are \$0.2 million, or 2.1 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 through November. Overall utility tax increase are attributable to additional households, primarily in Cameron Station, as well as the addition of second phone lines in more households to provide separate computer modem connections.

City of Alexandria Consumer Utility Tax Receipts Through November 30, 2000 and November 30, 1999				
Utility	FY 2001 Year to Date Receipts	FY 2000 Year to Date Receipts	Increase/ (Decrease)	Notes
Telephone - Tax on Local Services	\$2,947,413	\$2,790,052	\$157,361	
Electricity	2,224,083	2,139,483	84,600	
Water	926,340	711,794	214,546	FY 2001 revenues include an additional month's receipts which was paid early.
Natural Gas	742,272	488,400	253,872	FY 2001 revenues include an additional month's receipts which was paid early.

Business License Taxes: The City's FY 2001 business license tax is due March 1, 2001. Collections to date, in the amount of \$1.8 million, represent a decrease of \$1.7 million over collections at the same time last year. This difference is primarily attributable to a General Assembly mandated statewide change in due dates to March 1. In FY 2000, the tax was due January 31, and a number of businesses chose to pay their taxes ahead of the due date.

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 December 2000. Collections total \$2.8 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 \$0.3 million, or 9.5 percent, higher than revenues for the same period last year. This increase is primarily attributable to the addition of new restaurants and timing in the receipt of taxes.

Other Local Taxes: The \$0.5 million increase in this tax category is attributable to the E-911 tax rate increase in FY 2001 from 25 cents per line per month to a rate of 50 cents per line per month (\$0.1 million); the collection of delinquent bank franchise taxes (\$0.2 million); and the collection of the quarterly cable franchise fee (\$0.2 million) which was received in January in FY 2001 but not received until February in FY 2000.

Revenues from the Federal Government: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem payments. The City has billed \$2.7 million for housing federal prisoners through the period ending January 31, 2001; however, only \$2.3

million had been received as of January 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 \$9.8 million, or 76.2 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 January 31, 2001, the City has billed and received \$12.6 million from the Commonwealth, an increase of \$6.2 million over that received in FY 2000.

Licenses and Permits: Revenues to date, in the amount of \$2.2 million, are \$0.3 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 \$1.4 million higher than revenues earned at this time last year. The increase is attributable to an increase in interest earnings. Interest rates are trending 50 basis 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. 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.

EXPENDITURES (Attachment 2): As of January 31, 2001, actual General Fund expenditures totaled \$166.4 million, an increase of \$20.1 million, or 13.7 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, planned increase in the City's debt service program and a shift of reimbursable highway maintenance and transit subsidies expenditures as discussed below. Excluding these three items, actual General Fund expenditures through January 31, 2001 were trending 7.9 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 quarterly contribution payments (paid at the beginning of each quarter) to community agencies except for the Alexandria Convention and Visitors Association which has been paid in full 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 program.

Transit Subsidies: Expenditures to date reflect the City's first three 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 budgeted and then expensed in the capital budget. 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 are normal and also 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 and the purchase of supplies for the new Ramsay Recreation Center.

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, primarily due to the June 2000 sale of \$55 million in general obligation 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 \$60.4 million in expenses from all sources through January 31, 2001. 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 \$45.2 million (i.e., 75 percent of \$60.4 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 JANUARY 31, 2001 AND JANUARY 31, 2000

	FY2001 APPROVED BUDGET	FY2001 REVENUES THRU 01/31/01	% OF BUDGET	FY2000 REVENUES THRU 01/31/00
General Property Taxes				
Real Property Taxes.....	\$ 149,135,000	\$ 73,180,411	49.1%	\$ 67,984,812
Personal Property Taxes.....	32,560,000	33,753,558	103.7%	36,929,342
Penalties and Interest.....	2,400,000	1,043,997	43.5%	1,219,674
Total General Property Taxes	\$ 184,095,000	\$ 107,977,966	58.7%	\$ 106,133,828
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 20,085,000	\$ 8,138,170	40.5%	\$ 7,972,617
Consumer Utility Taxes.....	14,454,000	6,840,108	47.3%	6,129,729
Business License Taxes.....	17,725,000	1,829,816	10.3%	3,546,629
Transient Lodging Taxes.....	5,500,000	2,832,572	51.5%	2,538,217
Restaurant Meals Tax.....	7,690,000	3,990,364	51.9%	3,643,356
Tobacco Taxes.....	1,649,000	830,486	50.4%	861,208
Motor Vehicle License Tax.....	2,140,000	2,071,415	96.8%	1,998,438
Real Estate Recordation.....	1,217,000	964,903	79.3%	821,806
Other Local Taxes.....	3,329,000	1,191,937	35.8%	663,778
Total Other Local Taxes	\$ 73,789,000	\$ 28,689,771	38.9%	\$ 28,175,778
Intergovernmental Revenues				
Revenue from the Federal Government....	\$ 3,767,000	\$ 2,349,989	62.4%	\$ 1,414,825
Revenue from the Commonwealth.....	30,744,000	22,700,868	73.8%	12,885,191
Total Intergovernmental Revenues	\$ 34,511,000	\$ 25,050,857	72.6%	\$ 14,300,016
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 4,264,000	\$ 2,285,182	53.6%	\$ 2,237,188
Licenses and Permits.....	3,760,000	2,179,715	58.0%	2,438,335
Charges for City Services.....	9,342,400	4,141,737	44.3%	4,249,338
Revenue from Use of Money & Property..	7,759,950	6,294,520	81.1%	4,901,622
Other Revenue.....	359,000	477,721	133.1%	418,993
Total Other Governmental Revenues	\$ 25,485,350	\$ 15,378,875	60.3%	\$ 14,245,476
TOTAL REVENUE	\$ 317,880,350	\$ 177,097,469	55.7%	\$ 162,855,098
Appropriated Fund Balance				
General Fund.....	2,921,512	-	-	-
Reappropriation of FY 2000 Encumbrances And Other Supplemental Appropriations..	3,721,761	-	-	-
TOTAL	\$ 324,523,623	\$ 177,097,469	54.6%	\$ 162,855,098

58.3% of Fiscal Year Completed
59.62% of Payrolls Processed

Attachment 2

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING JANUARY 31, 2001 AND JANUARY 31, 2000

FUNCTION	FY2001 APPROVED BUDGET	FY2001 EXPENDITURES THRU 01/31/01	% OF BUDGET	FY2000 EXPENDITURES THRU 01/31/00
Legislative & Executive.....	\$ 4,203,694	\$ 2,336,047	55.6%	\$ 1,922,879
Judicial Administration.....	\$ 23,903,217	\$ 14,054,949	58.8%	\$ 12,963,246
Staff Agencies				
Information Technology Services.....	\$ 5,781,367	\$ 2,507,803	43.4%	\$ 2,693,470
Management & Budget.....	965,347	318,656	33.0%	425,826
Finance.....	6,735,446	3,463,996	51.4%	3,237,814
Real Estate Assessment.....	910,639	501,074	55.0%	449,282
Personnel.....	1,896,859	1,030,448	54.3%	892,682
Planning & Zoning.....	2,155,181	1,037,188	48.1%	947,439
Other Planning Activities.....	1,817,168	1,535,069	84.5%	1,450,189
City Attorney.....	1,269,861	738,631	58.2%	634,953
Registrar.....	661,896	521,740	78.8%	322,333
General Services.....	8,795,826	4,985,289	56.7%	4,669,559
Total Staff Agencies	\$ 30,989,590	\$ 16,639,894	53.7%	\$ 15,723,547
Operating Agencies				
Transportation & Environmental Services.....	\$ 19,897,005	\$ 10,458,557	52.6%	\$ 7,978,030
Fire.....	23,286,365	13,847,838	59.5%	12,157,645
Police.....	32,980,915	19,244,326	58.3%	17,607,382
Transit Subsidies.....	3,515,994	2,542,757	72.3%	1,331,762
Housing.....	945,473	448,590	47.4%	412,994
Mental Health/Mental Retardation/ Substance Abuse.....	467,282	345,946	74.0%	325,187
Health.....	5,731,782	3,048,116	53.2%	2,835,511
Human Services.....	6,811,043	3,872,807	56.9%	3,257,599
Historic Resources.....	1,999,074	1,104,207	55.2%	1,059,161
Recreation.....	13,073,922	8,059,257	61.6%	6,854,614
Total Operating Agencies	\$ 108,708,855	\$ 62,972,401	57.9%	\$ 53,819,885
Education				
Schools.....	\$ 98,780,870	\$ 45,246,662	45.8%	\$ 43,672,304
Other Educational Activities.....	13,017	9,763	75.0%	9,840
Total Education	\$ 98,793,887	\$ 45,256,425	45.8%	\$ 43,682,144
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 12,638,385	\$ 10,111,177	80.0%	\$ 6,458,056
Non-Departmental.....	7,430,486	3,163,159	42.6%	2,704,668
Cash Capital.....	9,846,000	9,846,000	100.0%	7,351,063
Contingent Reserves.....	-	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 29,914,871	\$ 23,120,336	77.3%	\$ 16,513,787
TOTAL EXPENDITURES	\$ 296,514,114	\$ 164,380,052	55.4%	\$ 144,625,488
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	2,068,606	58.3%	1,734,548
TOTAL EXPENDITURES & TRANSFERS	\$ 324,523,623	\$ 166,448,658	51.3%	\$ 146,360,036

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) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	108.5	105.0	3.3%
<u>Unemployment Rates</u> Alexandria Virginia (As of December 31, 2000) (Source: United States Department of Labor, Bureau of Labor Statistics)	1.3%	2.0%	<35.0%>
	1.9%	2.6%	<26.9%>
United States (As of January 31, 2001) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.0%	4.1%	<2.4%>
<u>Interest Rates</u> (As of January 31, 2001)			
Prime Rate	9.00%	8.50%	5.9%
Federal Fund Rate (Source: SunTrust Economic Monitor)	6.05%	5.52%	9.6%
<u>New Business Licenses</u> (During January) (Source: Finance Department, Business Tax Branch)	88	13	576.9%
<u>New Commercial Construction</u> (As of December 31, 2000)			
Number of New Building Permits	51	21	142.9%
Value of New Building Permits (Source: Fire Department Code Enforcement Bureau)	\$100.8 million	\$86.6 million	16.4%
<u>Residential Real Estate Indicators</u> (for the nine months ended September, 2000)			
Residential Dwelling Units Sold	2,690	2,650	1.5%
Average Residential Sales Price (Source: Department of Real Estate Assessments)	\$229,358	\$241,401	<5.0%>