

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 22, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING AUGUST 31, 2004

ISSUE: Monthly Financial Report for the Period Ending August 31, 2004.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending August 31, 2004.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the two months ended August 2004. This report presents revenues and expenditures for the same period for Fiscal Year (FY) 2004 for comparative purposes (Attachments 1 and 2) and provides charts of selected economic indicators (Attachment 3). This is the second month where this data is being displayed on a pilot basis in chart form, and if Council concurs, this will be the reporting format in the future. As discussed below, property tax collections through August 15, 2004, and collections of most other local taxes through the end of August 2004 are counted as revenues of the fiscal year ended June 30, 2004, and will be reported in the City's audited Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. Accordingly, with revenues counted as FY 2004 revenues removed, FY 2005 revenues through August 31, 2004, in the amount of \$11.9 million, total less than 3 percent of the approved budget estimate. This revenue recognition pattern is standard practice in governmental accounting. General Fund expenditures through the end of August total \$70.0 million, or 11.3 percent higher than expenditures at the same time last year, primarily for budgeted cash capital transfer to the capital projects fund.

In accordance with accounting and reporting requirements established by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts for the Commonwealth of Virginia (APA), revenues collected by the City's agents prior to June 30, 2004, but not actually received by the City until July or August, are counted as revenues for the fiscal year ended June 30, 2004. The accrued revenues include:

- sales tax collected by merchants in May and June, forwarded to the Commonwealth in June and July and remitted to the City in July and August;

- consumer utility tax billed by the utility companies in May and June, collected by the utility companies in June and July and remitted to the City in July and August;
- transient lodging tax revenues collected by Alexandria hotels in June and remitted to the City in July;
- restaurant meals tax revenues collected by restaurants in June and remitted to the City in July;
- tobacco tax revenues collected by the Northern Virginia Cigarette Board in June and remitted to the City in July; and
- real estate recordation tax revenues collected by the Clerk of the Circuit Court in June and remitted to the City in July.

The GASB also requires the City to recognize certain tax revenues when they are "measurable and available." Tax revenues are deemed to be "measurable" when they are levied and the APA has defined "available" to include tax collections within 45 days of the fiscal year end. Accordingly, collections after June 30, 2004, in the following categories, will be counted as revenues for the fiscal year ended June 30, 2004:

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

FISCAL YEAR 2004 ENDING STATUS: At this time, the City's external auditors are auditing and reviewing the City's accounts and records in relation to FY 2004 expenditures and revenues. While the actual outcome of the FY 2004 audit will not be known until after the auditor's work is completed, preliminary financial information can be reported at this time. This information is subject to change and adjustment as a result of the auditor's ongoing review. Final revenues and expenditures will be reported in the City's Comprehensive Annual Financial Report expected to be completed, printed and issued in November. In total, on a pre-audit basis, it appears that the City finished FY 2004 \$5 million more than when the FY 2005 budget was approved and about \$2 million ahead of projections made in the June financial report to Council. This \$2 million derived from numerous sources, including increased delinquent tax collections, higher recordation tax revenues due to home refinancings and sales, and increased collections from the state. Most all other tax revenues and expenditures finished the fiscal year close to expected levels. Expenditures, encumbrances and incomplete projects approximated the approved budget. It is planned that the \$5 million will be allocated to: (1) \$4.3 million designated for the City's FY 2006 Operating Budget (this equals the fund balance designated for the FY 2005 Operating Budget); (2) \$0.4 million designated for FY 2006 capital projects; and (3) a \$0.3 million increase in the undesignated unreserved fund balance to keep its ratio to general fund revenues constant.

REVENUES (Attachment 1): As of August 31, 2004, actual General Fund revenues totaled \$11.9 million, a decrease of \$2.1 million below the same period last year. This is primarily due to decreased collections of personal property taxes. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

Real Property Taxes: As discussed above, real property taxes collected through August 15 will be counted as revenues of the fiscal year ended June 30, 2004.

Personal Property Taxes: As discussed above, personal property taxes collected through August 15 will be counted as revenues of the fiscal year ended June 30, 2004. Collections to date, in the amount of \$2.8 million, are 48.1 percent lower than collections at the same time last year. Based on the personal property tax billing in August (and as detailed in the August 20 memorandum to City Council), it appears that the City's total FY 2005 personal property motor vehicle revenues (including the state-reimbursed amount) will drop \$3 million when compared with the FY 2005 Approved Budget. A significant reason for this year's decline is an overall reduction in the value of used motor vehicles. The National Automotive Dealers Association, which supplies most Virginia jurisdictions with the vehicle values used in setting the assessed values, attributes this reduction to the increased price of gasoline and the large number of new cars being sold or leased. With the higher gasoline prices, the more expensive SUVs and other high gas consumption vehicles are losing their appeal and have declined in value more rapidly than in the past. In the last two years, automotive manufacturers have been offering zero-percent financing and other incentives. More new cars have been sold, resulting in more used vehicles being put on the market, and creating a supply and demand imbalance, thereby causing a reduction in the value of the used cars. Staff has checked and found that neighboring jurisdictions are experiencing a similar phenomenon. Arlington reports that its personal property motor vehicle billing is down 4 percent. Fairfax County is estimating that its billing will be down in the 3 to 5 percent range and Prince William County is down 3.5 percent.

Local Sales and Use Taxes: Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in August represent revenues collected by merchants in June and will be counted as revenues for the fiscal year ended June 30, 2004. Sales tax revenues collected by merchants in July will be received by the City in September and will be reported in the Monthly Financial Report for the period ending September 30, 2004.

Consumer Utility Taxes: Consumer utility taxes are collected by the utility companies one month after billing and are remitted to the City the following month. As discussed above, consumer utility taxes received by the City in August represent revenues collected by the utility companies in July for June billings and will be counted as revenues for the fiscal year ended June 30, 2004. Utility tax revenues collected in July will be received by the City in September and reported in the Monthly Financial Report for the period ending September 30, 2004.

Business License Taxes: The City's business license tax is due January 31. Business license taxes collected through August 15 will be counted as revenues for the fiscal year ended June 30, 2004.

Transient Lodging Taxes: Transient lodging taxes are remitted to the City within one month after collections. Therefore, the revenue reflected in this report represents collections by hotels for July.

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

Revenues from the Federal Government: The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$0.8 million for housing federal prisoners through the period ending August 31, 2004. However, no payments had been received as of August 31. The federal government generally pays the City for housing federal prisoners between 45 and 60 days after the end of the billing period. The Department of Justice is currently reviewing the rate paid to the City for Federal prisoners.

Licenses and Permits: Year-to-date revenues include increased construction-related permits, primarily for multi-family dwellings.

Charges for Services: Year-to-date revenues increased \$0.5 million compared with last fiscal year primarily due to the increase in the sewer fee rate.

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

EXPENDITURES (Attachment 2): As of August 31, 2004, actual General Fund expenditures totaled \$70.0 million, an increase of \$7.1 million, or 11.3 percent, over expenditures for the same period last year. The approved General Fund budget is 8.8 percent higher than FY 2004. Except as noted below, increases in expenditures over that budgeted are attributable to budgeted transfers for cash capital and for annual equipment replacement charges made at the beginning of the fiscal year. Except as noted below, this expenditure pattern reflects the Approved FY 2005 Budget.

Other Planning Activities: General Fund expenditures in this category reflect first quarter contribution payments to community agencies, except the Alexandria Convention and Visitors Association which represents the first half payment for FY 2005.

City Attorney: Expenditures to date reflect outside legal fees which are budgeted in a non-department account and charged to the City Attorney's office. Staff will recommend an appropriations transfer in the context of the June 2005 Transfer Resolution to match these expenditures with budget authority.

Transit Subsidies: Expenditures-to-date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for Fiscal Year 2005. In FY 2004 additional state transit aid revenues available to the City made the City's General Fund payments very low in the first quarter of FY 2004.

Health: The City receives a quarterly billing from the Commonwealth (approximately \$700,000 per quarter) for services provided at the Health Department. As of August 31, 2004, the first quarterly billing had not been received.

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

School: The School Administration has reported \$12.1 million in expenses through August 31, 2004. The City's General Fund share of total School Administration budgeted expenditures is approximately 75.8 percent of the total expenditures. This percentage was applied to total school disbursements to estimate school expenditures to date in the amount of \$9.1 million (i.e., 75.8 percent of \$12.1 million).

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

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

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

ATTACHMENTS:

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

STAFF:

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

Bruce Johnson, Director, Office of Management and Budget

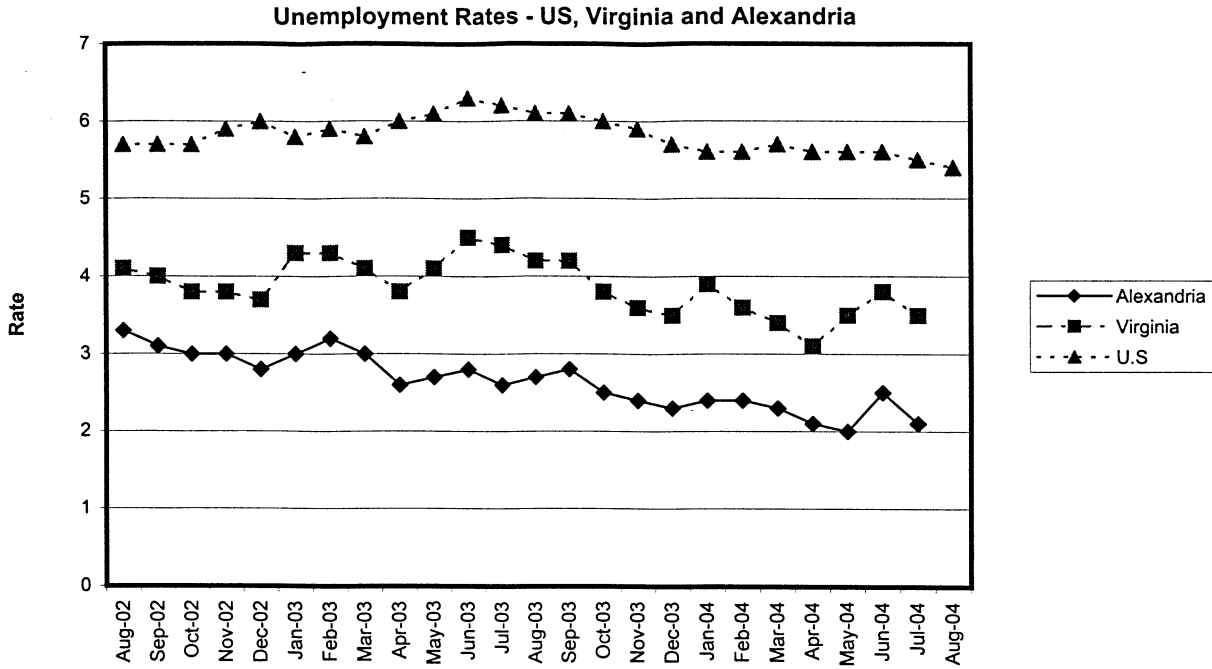
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING AUGUST 31, 2004 AND AUGUST 31, 2003

	<u>FY2005 APPROVED BUDGET</u>	<u>FY2005 REVENUES THRU 08/31/04</u>	<u>% OF BUDGET</u>	<u>FY2004 REVENUES THRU 08/31/03</u>
General Property Taxes				
Real Property Taxes.....	\$ 228,514,157	\$ 210,910	0.1%	\$ 108,135
Personal Property Taxes.....	32,491,000	2,761,448	8.5%	5,315,735
Penalties and Interest.....	1,500,000	79,526	5.3%	85,019
Total General Property Taxes	<u>\$ 262,505,157</u>	<u>\$ 3,051,884</u>		<u>\$ 5,508,889</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 23,100,000	-	0.0%	\$ -
Consumer Utility Taxes.....	17,700,000	-	0.0%	-
Business License Taxes.....	26,600,000	172,227	0.6%	153,207
Transient Lodging Taxes.....	6,100,000	576,500	9.5%	514,880
Restaurant Meals Tax.....	9,625,000	773,951	8.0%	650,256
Tobacco Taxes.....	2,600,000	220,672	8.5%	217,173
Motor Vehicle License Tax.....	2,350,000	348,860	14.8%	471,736
Real Estate Recordation.....	2,600,000	287,568	11.1%	343,563
Other Local Taxes.....	3,667,500	217,168	5.9%	28,288
Total Other Local Taxes	<u>\$ 94,342,500</u>	<u>\$ 2,596,946</u>	2.8%	<u>\$ 2,379,103</u>
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 5,600,000	\$ -	0.0%	\$ 481,528
Personal Property Tax Relief from the Commonwealth.....	23,700,000	2,295,851	9.7%	3,232,863
Revenue from the Commonwealth.....	19,603,400	821,457	4.2%	833,853
Total Intergovernmental Revenues	<u>\$ 48,903,400</u>	<u>\$ 3,117,308</u>	6.4%	<u>\$ 4,548,244</u>
Other Governmental Revenues				
Fines and Forfeitures.....	\$ 3,952,000	\$ 619,784	15.7%	\$ 641,240
Licenses and Permits.....	3,261,000	599,095	18.4%	441,405
Charges for City Services.....	10,507,700	1,222,780	11.6%	703,235
Revenue from Use of Money & Property.....	4,615,500	673,408	14.6%	791,934
Other Revenue.....	429,619	47,781	11.1%	78,705
Total Other Governmental Revenues	<u>\$ 22,765,819</u>	<u>\$ 3,162,848</u>	13.9%	<u>\$ 2,656,519</u>
TOTAL REVENUE	<u>\$ 428,516,876</u>	<u>\$ 11,928,986</u>	2.8%	<u>\$ 15,092,755</u>
Appropriated Fund Balance				
General Fund.....	4,334,000	-	0.0%	-
Reappropriation of FY 2004 Encumbrances And Other Supplemental Appropriations.....	-	-	0.0%	-
TOTAL	<u>\$ 432,850,876</u>	<u>\$ 11,928,986</u>	2.8%	<u>\$ 15,092,755</u>

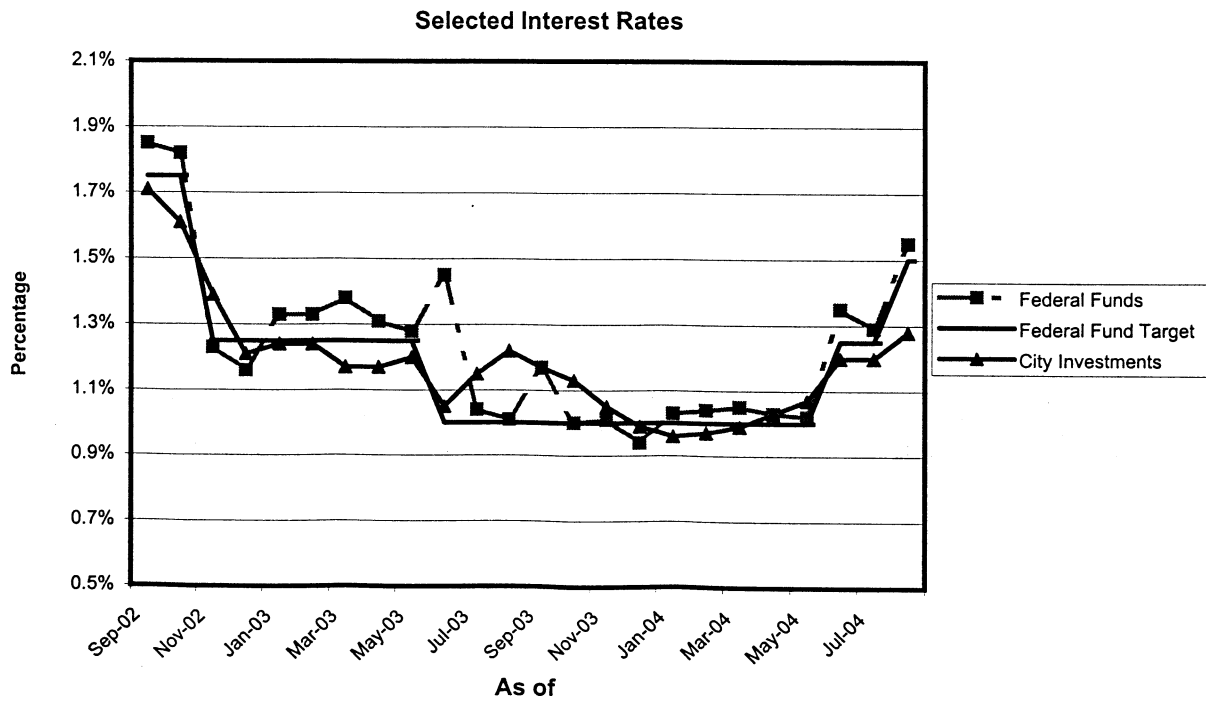
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING AUGUST 31, 2004 AND AUGUST 31, 2003

FUNCTION	FY2005	FY2005	% OF	FY2004	
	APPROVED BUDGET	EXPENDITURES THRU 08/31/04		EXPENDITURES THRU 08/31/03	
Legislative & Executive.....	\$ 5,126,661	\$ 808,140	15.8%	\$ 854,772	-5.5%
Judicial Administration.....	\$ 29,336,889	\$ 5,231,318	17.8%	\$ 5,273,998	-0.8%
Staff Agencies					
Information Technology Services.....	\$ 6,564,009	\$ 908,009	13.8%	\$ 915,342	-0.8%
Management & Budget.....	976,816	144,685	14.8%	100,622	43.8%
Finance.....	7,774,285	1,274,164	16.4%	1,106,398	15.2%
Real Estate Assessment.....	1,027,914	174,552	17.0%	155,585	12.2%
Personnel.....	2,627,390	411,425	15.7%	385,310	6.8%
Planning & Zoning.....	3,550,167	554,259	15.6%	464,972	19.2%
Other Planning Activities.....	2,560,369	1,078,900	42.1%	918,927	17.4%
City Attorney.....	1,506,405	260,097	17.3%	275,027	-5.4%
Registrar.....	954,197	166,864	17.5%	118,433	40.9%
General Services.....	10,369,369	1,558,155	15.0%	1,411,907	10.4%
Total Staff Agencies	\$ 37,910,921	\$ 6,531,110	17.2%	\$ 5,852,523	11.6%
Operating Agencies					
Transportation & Environmental Services.....	\$ 22,732,771	\$ 4,133,621	18.2%	\$ 3,514,512	17.6%
Fire.....	30,140,267	5,221,215	17.3%	5,138,781	1.6%
Police.....	42,025,718	7,693,861	18.3%	7,424,949	3.6%
Transit Subsidies.....	4,707,601	1,521,945	32.3%	186,570	715.8%
Housing.....	981,057	143,924	14.7%	152,571	-5.7%
Mental Health/Mental Retardation/ Substance Abuse.....	543,086	285,258	52.5%	262,233	8.8%
Health.....	7,229,489	302,409	4.2%	284,448	6.3%
Human Services.....	9,997,650	1,190,906	11.9%	1,220,728	-2.4%
Historic Resources.....	2,279,390	371,744	16.3%	351,120	5.9%
Recreation.....	17,078,378	3,450,193	20.2%	3,296,463	4.7%
Total Operating Agencies	\$ 137,715,407	\$ 24,315,076	17.7%	\$ 21,832,375	11.4%
Education					
Schools.....	\$ 130,109,722	\$ 9,149,599	7.0%	\$ 7,337,645	24.7%
Other Educational Activities.....	13,299	3,325	25.0%	3,265	1.8%
Total Education	\$ 130,123,021	\$ 9,152,924	7.0%	\$ 7,340,910	24.7%
Capital, Debt Service and Miscellaneous					
Debt Service.....	\$ 22,876,399	\$ 1,075,138	4.7%	\$ 1,153,086	-6.8%
Non-Departmental.....	9,540,827	2,023,778	21.2%	1,810,184	11.8%
Cash Capital.....	18,882,000	18,882,000	100.0%	16,955,000	-6.8%
Contingent Reserves.....	3,348,435	-	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 54,647,661	\$ 21,980,916	40.2%	\$ 19,918,270	
TOTAL EXPENDITURES	\$ 394,860,560	\$ 68,019,484	17.2%	\$ 61,072,848	11.4%
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)					
Transfers to the Special Revenue Fund.....	26,320,452	-	0.0%	-	-
Transfer to Library.....	5,969,144	994,858	16.7%	910,382	-
Transfer to DASH.....	5,700,720	949,740	16.7%	861,667	10.2%
TOTAL EXPENDITURES & TRANSFERS	\$ 432,850,876	\$ 69,964,082	16.2%	\$ 62,844,897	

**City of Alexandria
Selected Economic Indicators
August 2004**



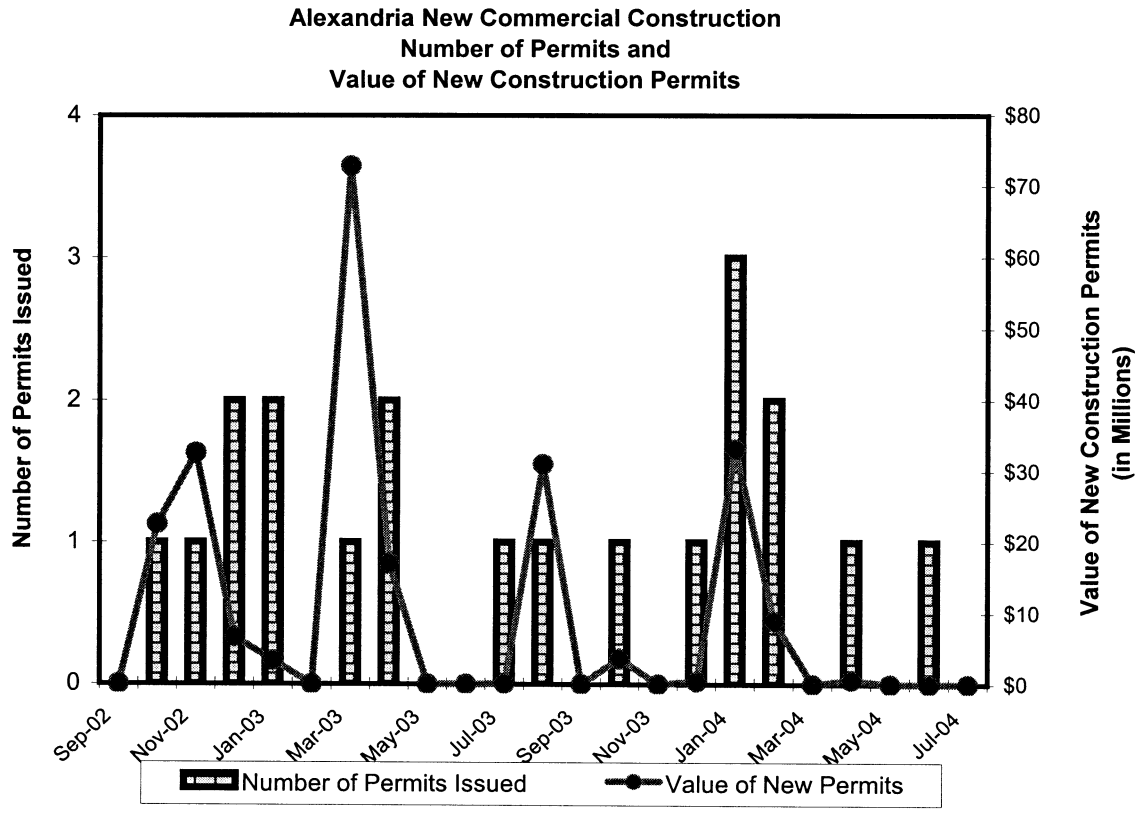
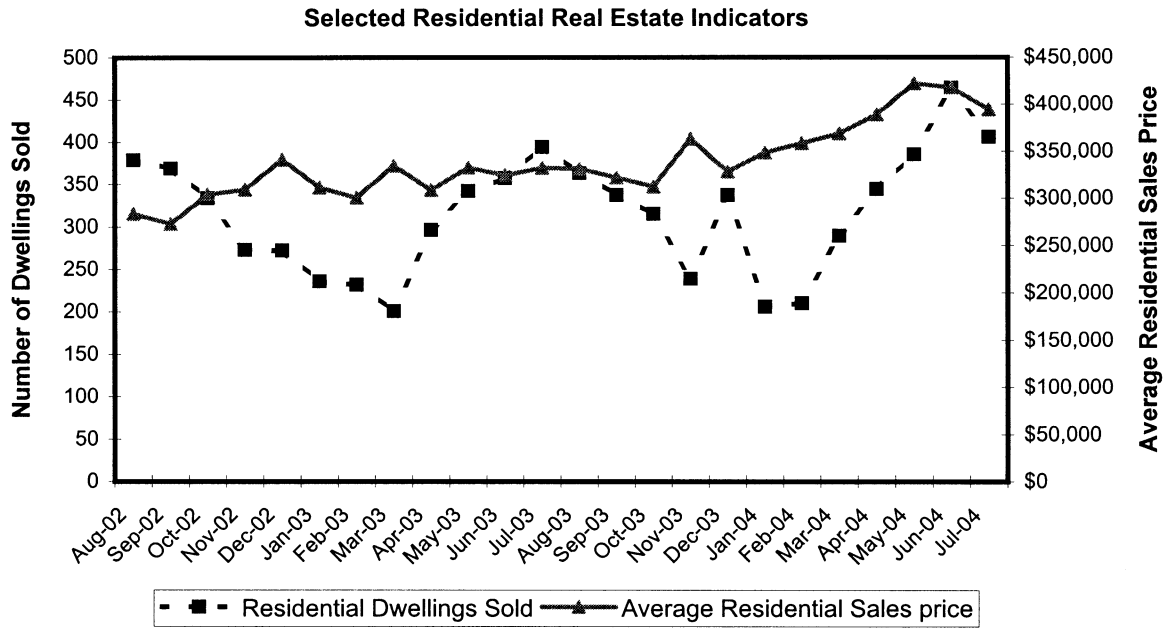
Source: United States Department of Labor, Bureau of Labor Statistics



Source: Suntrust Economic Monitor

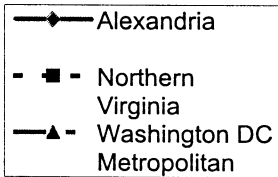
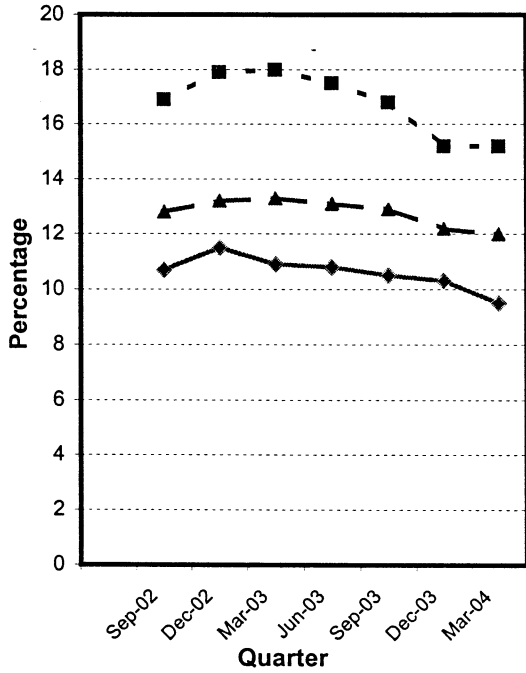
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**City of Alexandria
Selected Economic Indicators
August 2004**

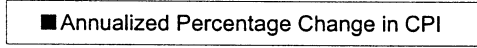
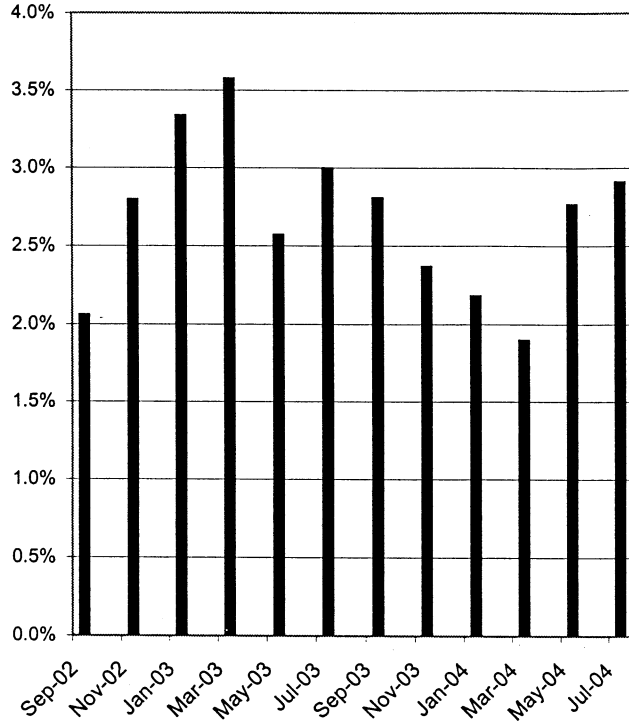


**City of Alexandria
Selected Economic Indicators
August 2004**

Office Vacancy Rates



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



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

New Business Licenses Issued in Alexandria

