


## City of Alexandria, Virginia

## MEMORANDUM

DATE: SEPTEMBER 20, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING AUGUST 31, 2005

---

**ISSUE:** Monthly Financial Report for the Period Ending August 31, 2005.

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the period ending August 31, 2005.

**DISCUSSION:** This report provides Fiscal Year 2006 financial information on revenues and expenditures of the General Fund for the two months ended August 2005. This report presents revenues and expenditures for the same period for Fiscal Year 2005 for comparative purposes (Attachments 1 and 2), and also provides charts of selected economic indicators (Attachment 3). As discussed in Appendix A, property tax collections through August 15, 2005, and collections of most other local taxes through the end of August 2005 are counted as revenues of the fiscal year ended June 30, 2005, and will be reported in the City's audited Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. Accordingly, with revenues counted as FY 2005 revenues removed, FY 2006 revenues through August 31, 2005, in the amount of \$9.7 million, total about 2 percent of the approved budget re-estimates. This revenue recognition pattern represents the application of expected governmental accounting standards.

**FISCAL YEAR 2005 ENDING STATUS:** At this time, the City's independent external auditors are auditing and reviewing the City's accounts and records in relation to FY 2005 expenditures and revenues. While the actual outcome of the FY 2005 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 2005 with approximately \$3.3 million more in revenues than projected in April when the FY 2006 budget was being considered or as projected in the June financial report to Council.

The \$3.3 million increase in revenues is derived from numerous sources, primarily increased delinquent business license tax collections as a result of building-by-building inspections by City

Finance staff ( \$1.0 million), higher recordation tax revenues due to home sales (\$0.3 million), increased federal revenues for prisoner per diem (\$0.5 million), increases in licenses and permits primarily from an increase in building permits (\$0.8 million) and increased investment earnings from the increase in interest rates on the City's investments (\$0.4 million).

At this point in time, while auditing for the year is not yet complete, FY 2005 expenditures can be reported as under budget. Final audit expenditures, encumbrances and ongoing project accounting outcomes will be known and finalized in the next few weeks.

When the final year ending financial status is known, it will be reported to Council. Designating these year end additional funds towards a 2006 reduction in the real estate tax rate is the currently planned designation for these funds.

**REVENUES (Attachment 1):** As of August 31, 2005, actual General Fund revenues totaled \$9.7 million, a decrease of \$2.2 million over the same period last year. This is primarily due to the timing of personal property taxes paid before the due date. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

**Real Property Taxes:** As discussed in Appendix A, real property taxes collected through August 15 will be counted as revenues of the fiscal year ended June 30, 2005.

**Personal Property Taxes:** As discussed in Appendix A, personal property taxes collected through August 15 will be counted as revenues of the fiscal year ended June 30, 2005. Collections-to-date, in the amount of \$1.6 million, are 43.8 percent lower than collections at the same time last year, primarily because of the timing of payments before the due date. This timing decrease also affects the associated personal property tax relief and motor vehicle license tax. An early analysis of the August Personal Property Tax billing projects that the FY 2006 personal property tax collection (vehicle and business property) will approximate the budget. The total tax on all vehicles in the August billing, including the portion that the State reimburses the City under the Personal Property Tax Relief Act (PPTRA), increased by 6.33 percent. The total number of business personal property tax bills issued, the amount of taxes billed and the total assessments of business personal property were comparable to last year, with no significant increase or decrease.

**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, 2005. Sales tax revenue collected by merchants in July would normally be received by the City in September. However, the Virginia Department of Taxation is converting to a new accounting system. As a result of this conversion, the Commonwealth's distribution of sales tax to the City for September through November will be an estimate based on a 5.5 percent increase over last year's distribution. The distribution in December will contain an adjustment to any over payments or under payments made in the preceding months.

**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 in Appendix A, consumer utility taxes received by the City in August represent revenues collected by utility companies in July for June services and will be counted as revenues for the fiscal year ended June 30, 2005. Utility tax revenues collected 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, 2005.

**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 of the fiscal year ended June 30, 2005.

**Transient Lodging Taxes:** Transient lodging taxes are remitted to the City within 30 days after collection. Therefore, the revenue reflected in this report represents collections by hotels for July.

**Restaurant Meals Taxes:** Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. The meals tax revenues collected in July were remitted to the City in August and reflected in this Monthly Financial Report.

**Real Estate Recordation Taxes:** Real estate recordation tax revenues are collected by the Clerk of the Court and remitted to the City the following month. Collections in the amount of \$0.6 million represent an increase of \$0.3 million, or over 100 percent, over the previous year. The continued increase is primarily attributable to a continued strong home sales market, and the recordation tax rate increase which took effect last September.

**Admissions Tax:** New for FY 2006, the admissions taxes are remitted to the City within one month after collections and appear to confirm that the \$1.3 million budgeted amount will be met or exceeded.

**Cell Phone Tax:** New in FY 2006, the effective date for the cell phone tax is September 1, 2005.

**Other Local Taxes:** This category includes bank franchise taxes, telecommunications right-of-way tax, 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 \$0.6 million for housing federal prisoners through the period ending August 31, 2005; 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.

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

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

**EXPENDITURES (Attachment 2):** As of August 31, 2005, actual General Fund expenditures totaled \$72.7 million, an increase of \$2.8 million, or 3.9 percent, above expenditures for the same period last year. The Approved General Fund Budget is 8.1 percent higher than FY 2005. Except as noted below, increases in expenditures over that budgeted is attributable to budgeted expenditures for annual equipment replacement charges made at the beginning of the fiscal year. This expenditure pattern reflects the Approved FY 2006 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 2006.

**Transit Subsidies:** Expenditures-to-date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for FY 2006.

**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, 2005, the first quarterly billing had not been received.

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

**School:** The School Administration has reported \$14.5 million in expenses through August 31, 2005. 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 \$11.0 million (i.e., 75.8 percent of \$14.5 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 of 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

## **Appendix A**

### **Accounting for Revenue at Year End**

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, 2005, but not actually received by the City until July or August, are counted as revenues for the fiscal year ended June 30, 2005. 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 revenue collected by Alexandria hotels in June and remitted to the City in July;
- restaurant meals tax revenue collected by restaurants in June and remitted to the City in July;
- tobacco tax revenue collected by the Northern Virginia Cigarette Board in June and remitted to the City in July; and
- real estate recordation tax revenue 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, 2005, in the following categories will be counted as revenues for the fiscal year ended June 30, 2005:

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

**CITY OF ALEXANDRIA, VIRGINIA  
COMPARATIVE STATEMENT OF REVENUES  
GENERAL FUND  
FOR THE PERIODS ENDING AUGUST 31, 2005 AND AUGUST 31, 2004**

	FY2006 APPROVED BUDGET	FY2006 REVENUES THRU 08/31/05	% OF BUDGET	FY2005 REVENUES THRU 08/31/04
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 251,056,796	\$ 295,612	0.1%	\$ 210,910
Personal Property Taxes.....	32,000,000	1,552,211	4.9%	2,761,448
Penalties and Interest.....	1,500,000	140,098	9.3%	79,526
<b>Total General Property Taxes</b>	<b>\$ 284,556,796</b>	<b>\$ 1,987,921</b>		<b>\$ 3,051,884</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 24,400,000	-	0.0%	\$ -
Consumer Utility Taxes.....	18,600,000	-	0.0%	-
Business License Taxes.....	26,900,000	175,861	0.7%	172,227
Transient Lodging Taxes.....	7,700,000	620,753	8.1%	576,500
Restaurant Meals Tax.....	10,100,000	683,185	6.8%	773,951
Tobacco Taxes.....	3,100,000	206,490	6.7%	220,672
Motor Vehicle License Tax.....	2,400,000	224,558	9.4%	348,860
Real Estate Recordation.....	6,100,000	638,288	10.5%	287,568
Admissions Tax.....	1,300,000	124,579	9.6%	-
Cell Phone Tax.....	1,700,000	-	0.0%	-
Other Local Taxes.....	3,849,000	3,887	0.1%	217,168
<b>Total Other Local Taxes</b>	<b>\$ 106,149,000</b>	<b>\$ 2,677,601</b>	<b>2.5%</b>	<b>\$ 2,596,946</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 4,400,000	\$ -	0.0%	\$ -
Personal Property Tax Relief from the Commonwealth.....	22,400,000	464,182	2.1%	2,295,851
Revenue from the Commonwealth.....	20,866,400	1,014,964	4.9%	821,457
<b>Total Intergovernmental Revenues</b>	<b>\$ 47,666,400</b>	<b>\$ 1,479,146</b>	<b>3.1%</b>	<b>\$ 3,117,308</b>
<b>Other Governmental Revenues</b>				
Fines and Forfeitures.....	\$ 3,877,000	\$ 558,252	14.4%	\$ 619,784
Licenses and Permits.....	3,422,000	817,516	23.9%	599,095
Charges for City Services.....	12,158,717	1,208,605	9.9%	1,222,780
Revenue from Use of Money & Property.....	6,099,500	828,670	13.6%	673,408
Other Revenue.....	460,353	121,703	26.4%	47,781
<b>Total Other Governmental Revenues</b>	<b>\$ 26,017,570</b>	<b>\$ 3,534,746</b>	<b>13.6%</b>	<b>\$ 3,162,848</b>
<b>TOTAL REVENUE</b>	<b>\$ 464,389,766</b>	<b>\$ 9,679,414</b>	<b>2.1%</b>	<b>\$ 11,928,986</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	4,330,000	-	0.0%	-
Reappropriation of FY 2005 Encumbrances	2,087,658	-	0.0%	-
	<b>\$ 470,807,424</b>	<b>\$ 9,679,414</b>	<b>2.1%</b>	<b>\$ 11,928,986</b>
<b>TOTAL</b>				

**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING AUGUST 31, 2005 AND AUGUST 31, 2004**

FUNCTION	FY2006	FY2006	% OF	FY2005
	APPROVED BUDGET	EXPENDITURES THRU 08/31/05	BUDGET	EXPENDITURES THRU 08/31/04
Legislative & Executive.....	\$ 5,510,136	\$ 765,897	13.9%	\$ 808,140
Judicial Administration.....	\$ 31,616,488	\$ 5,273,631	16.7%	\$ 5,231,318
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 7,808,866	\$ 1,240,403	15.9%	\$ 908,009
Management & Budget.....	1,015,329	132,779	13.1%	144,685
Finance.....	8,540,883	1,116,004	13.1%	1,274,164
Real Estate Assessment.....	1,268,167	180,244	14.2%	174,552
Personnel.....	2,854,163	424,447	14.9%	411,425
Planning & Zoning.....	4,092,808	565,481	13.8%	554,259
Other Planning Activities.....	2,694,336	1,060,854	39.4%	1,078,900
City Attorney.....	2,338,305	309,487	13.2%	260,097
Registrar.....	1,004,622	140,329	14.0%	166,864
General Services.....	11,161,764	1,341,826	12.0%	1,558,155
<b>Total Staff Agencies</b>	<b>\$ 42,779,243</b>	<b>\$ 6,511,854</b>	<b>15.2%</b>	<b>\$ 6,531,110</b>
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 24,755,470	\$ 4,052,039	16.4%	\$ 4,133,621
Fire.....	32,018,747	5,416,631	16.9%	5,221,215
Police.....	44,862,561	7,746,332	17.3%	7,693,861
Transit Subsidies.....	6,145,697	1,463,592	23.8%	1,521,945
Housing.....	3,993,598	164,101	4.1%	143,924
Mental Health/Mental Retardation/ Substance Abuse.....	509,400	238,146	46.8%	285,258
Health.....	7,339,093	543,968	7.4%	302,409
Human Services.....	10,396,444	1,901,374	18.3%	1,190,906
Historic Resources.....	2,462,385	380,451	15.5%	371,744
Recreation.....	18,363,971	3,506,856	19.1%	3,450,193
<b>Total Operating Agencies</b>	<b>\$ 150,847,366</b>	<b>\$ 25,413,490</b>	<b>16.8%</b>	<b>\$ 24,315,076</b>
<b>Education</b>				
Schools.....	\$ 138,753,138	\$ 11,017,072	7.9%	\$ 9,149,599
Other Educational Activities.....	12,990	3,248	25.0%	3,325
<b>Total Education</b>	<b>\$ 138,766,128</b>	<b>\$ 11,020,320</b>	<b>7.9%</b>	<b>\$ 9,152,924</b>
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 27,714,883	\$ 995,360	3.6%	\$ 1,075,138
Non-Departmental.....	10,840,993	1,778,223	16.4%	2,023,778
Cash Capital.....	18,859,735	18,859,735	100.0%	18,882,000
Contingent Reserves.....	376,500	-	-	-
<b>Total Capital, Debt Service and Miscellaneous</b>	<b>\$ 57,792,111</b>	<b>\$ 21,633,318</b>	<b>37.4%</b>	<b>\$ 21,980,916</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 427,311,472</b>	<b>\$ 70,618,510</b>	<b>16.5%</b>	<b>\$ 68,019,484</b>
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)</b>				
Transfers to the Special Revenue Fund.....	30,715,523	-	0.0%	-
Transfer to Library.....	6,438,429	1,072,642	16.7%	994,858
Transfer to DASH.....	6,342,000	1,056,577	16.7%	949,740
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 470,807,424</b>	<b>\$ 72,747,729</b>	<b>15.5%</b>	<b>\$ 69,964,082</b>

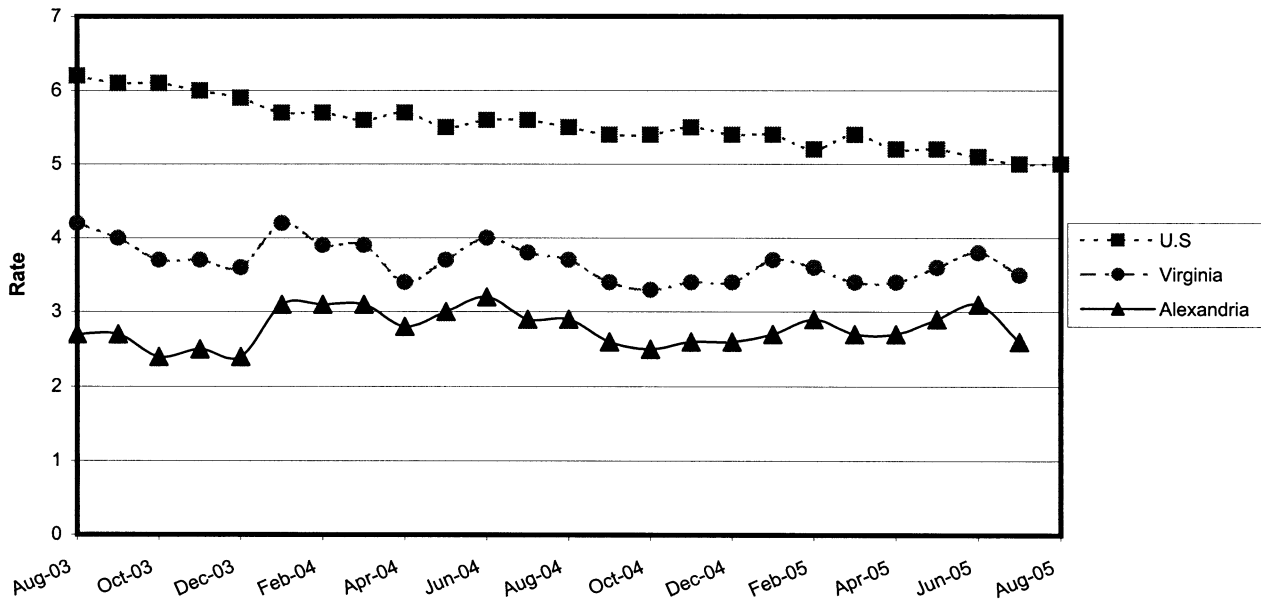


**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<b><u>Consumer Price Index (CPI-U)</u></b> <b>for the Washington-Baltimore, DC-MD-VA-WV Area</b> (As of July 31, 2005) (Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)	125.0	120.2	+4.0%
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b>	2.6%	2.9%	-10%
<b>Virginia</b> (As of July 31, 2005) (Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)	3.5%	3.8%	-8%
<b>United States</b> (As of August 31, 2005) (Source: United States Department of Labor, Bureau of Labor Statistics)	4.9%	5.4%	-9%
<b><u>Interest Rates</u></b> (As of August 31, 2005)			
<b>Prime Rate</b>	6.25%	4.50%	+39%
<b>Federal Fund Rate</b> (Source: SunTrust Economic Monitor)	3.50%	1.55%	+126%
<b><u>New Business Licenses</u></b> (During August ) (Source: Finance Department, Business Tax Branch)	102	100	+2%
<b><u>Office Vacancy Rates</u></b> (As of March 31, 2005)			
<b>Alexandria</b>	11.7%	9.5%	+23%
<b>Northern Virginia</b>	13.1%	15.2%	-14%
<b>Washington DC Metro Area</b> (Source: Grubb & Ellis)	11.9%	12.2%	-2%
<b><u>New Commercial Construction</u></b> (As of July 31, 2005 )			
<b>Number of New Building Permits</b>	-	-	-
<b>Value of New Building Permits</b> (Source: Fire Department Code Enforcement Bureau)	\$ 0.0 million	\$ 0.0 million	-
<b><u>Residential Real Estate Indicators</u></b> (for the seven months ended July 31, 2005)			
<b>Residential Dwelling Units Sold</b>	2,191	2,239	-2%
<b>Average Residential Sales Price</b> (Source: Department of Real Estate Assessments)	\$477,834	\$391,694	+22%

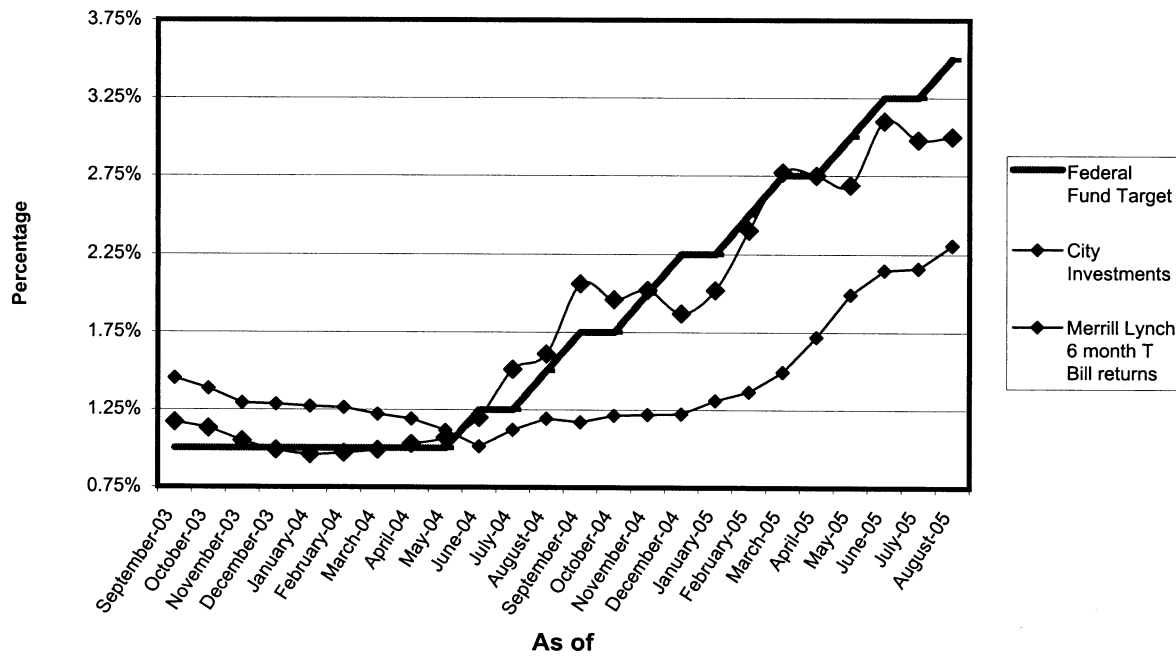
**City of Alexandria  
Selected Economic Indicators**

**Unemployment Rates - US, Virginia and Alexandria**



Source: United States Department of Labor, Bureau of Labor Statistics (revised by BLS March and June 2005)

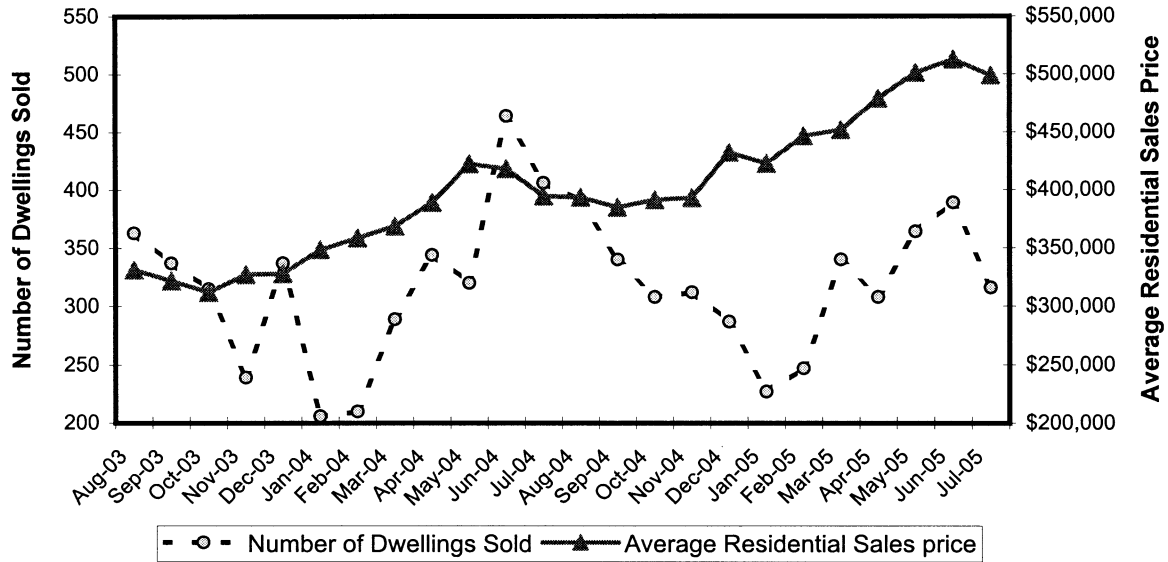
**Selected Interest Rates**



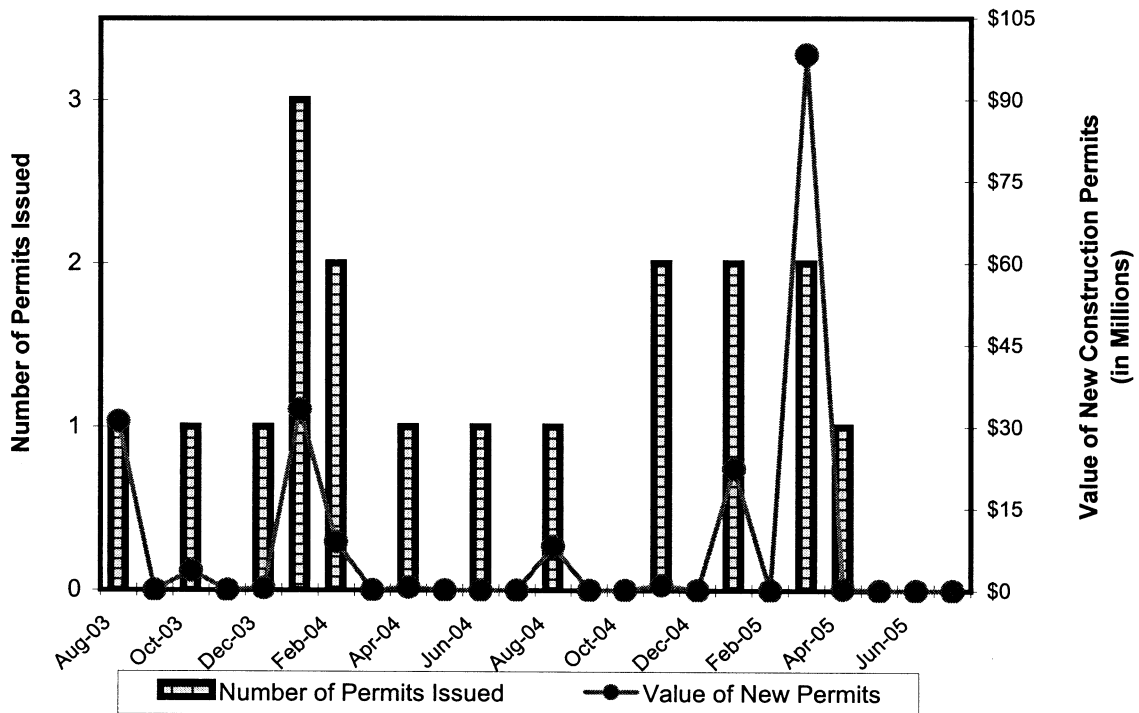
Source: Suntrust Economic Monitor

City of Alexandria  
Selected Economic Indicators

Selected Residential Real Estate Indicators

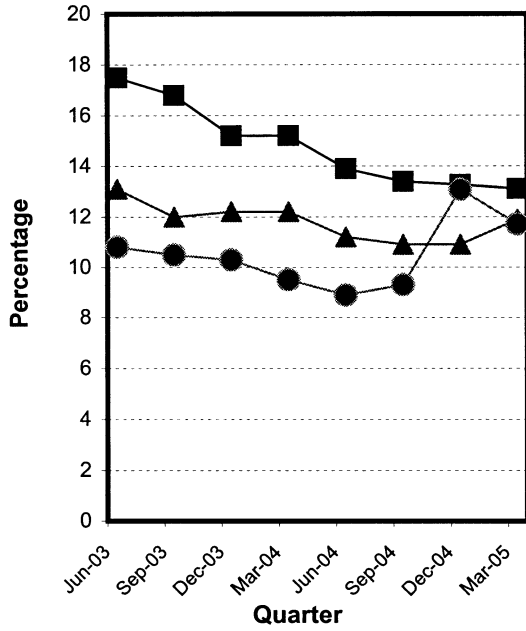


Alexandria New Commercial Construction  
Number of Permits and  
Value of New Construction Permits



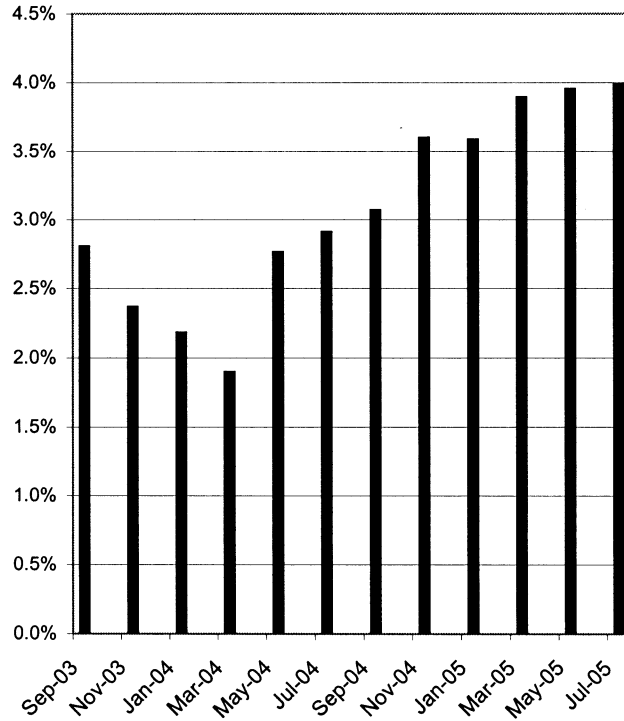
**City of Alexandria  
Selected Economic Indicators**

**Office Vacancy Rates**



- Northern Virginia
- ▲ Washington DC Metropolitan
- Alexandria

**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**

