

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 18, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING AUGUST 31, 2006

ISSUE: Monthly Financial Report for the Period Ending August 31, 2006.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending August 31, 2006.

DISCUSSION: This report provides financial information on revenues and expenditures of the General Fund for the two months ended August 31, 2006. This report presents revenues and expenditures for the same period for fiscal year (FY) 2006 for comparative purposes (Attachments 1 and 2) and also provides charts of selected economic indicators (Attachment 3).

FISCAL YEAR 2006 ENDING STATUS: At this time, the City's external auditors are auditing and reviewing the City's accounts and federal grants in relation to FY 2006 expenditures and revenues. While the actual outcome of the FY 2006 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 (CAFR) expected to be completed, printed, and issued in November. In total, on a pre-audit basis, it appears the City finished FY 2006 overall approximately \$3.8 million ahead of the projections used when the FY 2007 budget was adopted. This equates to less than 1% of total General Fund revenues. The primary sources of these funds were real estate tax revenues where collections of both current and delinquent real estate taxes were \$2.1 million higher than expected. Personal property taxes and interest earnings also ran ahead of prior projections. It is planned that the bulk of these funds (\$3.3 million) be designated in fund balance for funding the FY 2008 budget. Since FY 2007 was financed with \$7.4 million of funds from FY 2006, it is important to set aside funds now for FY 2008 which will be a challenging budget year given slowing real estate assessments. Of the remaining \$0.5 million, of the FY 2006 \$3.8 million

surplus, \$0.3 million is planned for designation for the design of the new Monroe Avenue bridge pedestrian access structure, and \$0.2 million in unused FY 2006 Contingent Reserve is planned to be designated for Contingent Reserve in the fund balance for FY 2007 in the event that the existing FY 2007 Council Contingent Reserve (which is fully designated) is fully allocated. The fund balance designations for these additional funds will be reflected in the CAFR.

REVENUES (Attachment 1): As of August 31, 2006, actual General Fund revenues totaled \$22.5 million, an increase of \$12.8 million over the same period last year. This is primarily attributable to a change in the way the City is now reimbursed by the Commonwealth for personal property tax relief discussed below.

Real Property Taxes: As discussed in Attachment 4, real property taxes collected through August 15 will be counted as revenues for the fiscal year ended June 30, 2006.

Personal Property Taxes: As discussed in Attachment 4, personal property taxes collected through August 15 will be counted as revenues for FY 2006. Collections-to-date in the amount of \$2.1 million are 38 percent higher than this time last year, primarily because of the timing of payments before the due date. The associated personal property tax relief payment included in intergovernmental revenue is higher because the State now pays a pre-determined amount instead of the City billing the State as the related taxes are paid. The City received the first payment of \$11.9 million, or about half of the payment, in August.

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. As discussed in Attachment 4, sales tax 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, 2006. Sales tax revenue 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, 2006.

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 Attachment 4, consumer utility tax received by the City in July represent revenues collected by the utility companies in June and will be counted as revenues for the fiscal year ended June 30, 2006. 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, 2006.

Business License Taxes: The City's business license tax is due January 31. As discussed in Attachment 4, business license tax collected through August 15 are counted as revenues of the fiscal year ended June 30, 2006.

Transient Lodging Taxes: Transient lodging taxes are remitted to the City within one month after collections. This report reflects transient lodging tax revenue collected by Alexandria hotels in July and remitted to the City in August.

Restaurant Meals Taxes: Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. This report reflects the meals tax revenue collected in July and remitted to the City in August.

Tobacco Taxes: Businesses remit tobacco tax revenue to the Northern Virginia Cigarette Board. This revenue is forwarded to the City approximately 15 days after the end of the month in which the sales occurred. As discussed in Attachment 4, tobacco tax received by the City in July represent revenues collected by merchants in June and will be counted as revenues for the fiscal year ended June 30, 2006. This report reflects tobacco tax revenue collected by merchants in July and remitted to the Northern Virginia Cigarette Board and the City in August.

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. Collections in the amount of \$0.5 million represent a decrease of \$0.1 million from prior year collections and reflect a slowing real estate market.

Other Local Taxes: The increase in other local taxes represents a timing difference in the collection of the City's telecommunication tax.

Cell Phone Tax: New in FY 2006, the effective date for the cell phone tax was September 1, 2005. This report reflects cell phone tax revenue collected in July and remitted to the City in August.

Intergovernmental Revenues: As discussed above, the Commonwealth has modified the way jurisdictions are reimbursed for the Personal Property Tax relief payments. Instead of receiving a set percentage of each qualifying tax bill, the City is paid a set amount each year based on previous tax collections.

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

Transfer from Sewer Fund: This transfer represents the portion of the City's general obligation debt that is attributable to sewer projects and is being paid from the related sewer fees as approved the FY 2007 Budget. These funds will be transferred when the associated debt service is paid.

EXPENDITURES (Attachment 2): As of August 31, 2006, actual General Fund expenditures totaled \$63.5 million, a decrease of \$9.0 million, or 12.4 percent, below expenditures for the same period last year primarily for a budgeted decrease in the City's transfer to the Capital Projects Fund. The Approved General Fund Budget is 4.9 percent higher than FY 2006. Except as noted below, increases in expenditures over those budgeted are attributable to budgeted expenditures for annual equipment replacement charges made at the beginning of the fiscal year and this expenditure pattern reflects the Approved FY 2007 Budget.

Judicial Administration: General Fund expenditures in this category reflect first quarter contribution payments to judicial organizations.

Personnel: Expenditures-to-date represent budgeted tuition assistance payments to City employees.

Other Planning Activities: General Fund expenditures in this category reflect first quarter contribution payments to community agencies except for the Alexandria Convention and Visitors Association, which represents the first semi-annual payment for FY 2007.

Transit Subsidies: Expenditures-to-date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for FY 2007.

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

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. The increase is primarily attributable to a budgeted increase in the payment made to the City's closed public safety retirement plan in order to maintain adequate funds in the plan.

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

Attachment 4 - FY 2006 Accounting

STAFF:

Mark Jinks, Deputy City Manager for Fiscal and Financial Affairs

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 AUGUST 31, 2006 AND AUGUST 31, 2005**

	FY2007 APPROVED BUDGET	FY2007 REVENUES THRU 08/31/06	% OF BUDGET	FY2006 REVENUES THRU 08/31/05
General Property Taxes				
Real Property Taxes.....	\$ 265,646,462	\$ 801,023	0.3%	\$ 295,612
Personal Property Taxes.....	31,500,000	2,141,604	6.8%	1,552,211
Penalties and Interest.....	1,500,000	143,971	9.6%	140,098
Total General Property Taxes	\$ 298,646,462	\$ 3,086,598		\$ 1,987,921
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 26,100,000	-	0.0%	\$ -
Consumer Utility Taxes.....	17,900,000	-	0.0%	-
Business License Taxes.....	31,000,000	135,713	0.4%	175,861
Transient Lodging Taxes.....	8,200,000	577,185	7.0%	620,753
Restaurant Meals Tax.....	10,700,000	700,567	6.5%	683,185
Tobacco Taxes.....	2,800,000	229,818	8.2%	206,490
Motor Vehicle License Tax.....	2,400,000	297,097	12.4%	224,558
Real Estate Recordation.....	5,125,640	469,333	9.2%	638,288
Admissions Tax.....	1,200,000	103,362	8.6%	124,579
Cell Phone Tax.....	2,400,000	231,657	9.7%	-
Other Local Taxes.....	3,829,000	168,979	4.4%	3,887
Total Other Local Taxes	\$ 111,654,640	\$ 2,913,711	2.6%	\$ 2,677,601
Intergovernmental Revenues				
Revenue from the Federal Government.....	\$ 5,328,909	\$ -	0.0%	\$ -
Personal Property Tax Relief from the Commonwealth.....	23,600,000	11,980,061	50.8%	464,182
Revenue from the Commonwealth.....	21,185,396	1,012,979	4.8%	1,014,964
Total Intergovernmental Revenues	\$ 50,114,305	\$ 12,993,040	25.9%	\$ 1,479,146
Other Governmental Revenues And Transfers				
Fines and Forfeitures.....	\$ 4,072,300	\$ 399,339	9.8%	\$ 558,252
Licenses and Permits.....	4,909,800	800,612	16.3%	817,516
Charges for City Services.....	10,988,543	1,327,375	12.1%	1,208,605
Revenue from Use of Money & Property.....	8,644,000	780,209	9.0%	828,670
Other Revenue.....	427,000	168,702		121,703
Transfer from Sewer Fund.....	1,063,895	-	0.0%	-
Total Other Governmental Revenues	\$ 30,105,538	\$ 3,476,237	11.5%	\$ 3,534,746
TOTAL REVENUE	\$ 490,520,945	\$ 22,469,586	4.6%	\$ 9,679,414
Appropriated Fund Balance				
General Fund.....	3,154,819	-	0.0%	-
Reappropriation of FY 2006 Encumbrances And Other Supplemental Appropriations.....	-	-	0.0%	-
TOTAL	\$ 493,675,764	\$ 22,469,586	4.6%	\$ 9,679,414

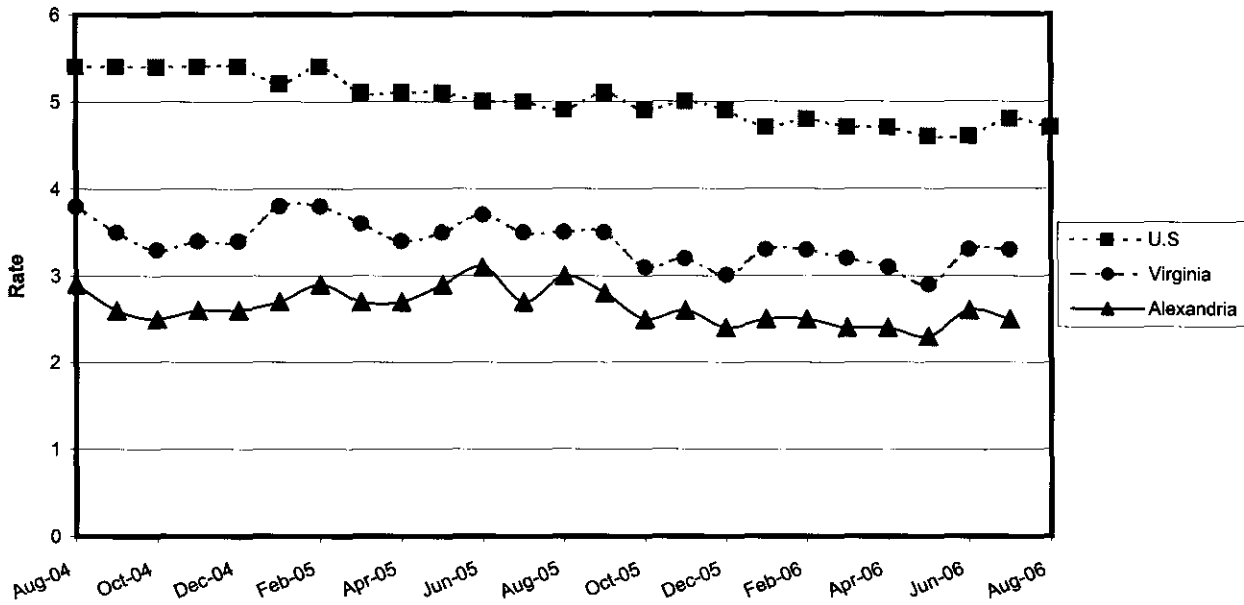
CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING AUGUST 31, 2006 AND AUGUST 31, 2005

FUNCTION	FY2007	FY2007	% OF	FY2006
	APPROVED BUDGET	EXPENDITURES THRU 08/31/06		BUDGET
Legislative & Executive.....	\$ 5,920,849	\$ 898,743	15.2%	\$ 765,897
Judicial Administration.....	\$ 34,752,220	\$ 5,835,106	16.8%	\$ 5,273,631
Staff Agencies				
Information Technology Services.....	\$ 7,886,468	\$ 1,063,374	13.5%	\$ 1,240,403
Management & Budget.....	1,118,851	188,138	16.8%	132,779
Finance.....	8,650,724	1,343,128	15.5%	1,116,004
Real Estate Assessment.....	1,482,679	198,518	13.4%	180,244
Personnel.....	3,112,879	539,031	17.3%	424,447
Planning & Zoning.....	4,247,618	635,855	15.0%	565,481
Other Planning Activities.....	2,798,072	1,080,987	38.6%	1,060,854
City Attorney.....	2,553,609	297,972	11.7%	309,487
Registrar.....	1,070,781	160,274	15.0%	140,329
General Services.....	12,470,596	1,767,369	14.2%	1,341,826
Total Staff Agencies	\$ 45,392,277	\$ 7,274,646	16.0%	\$ 6,511,854
Operating Agencies				
Transportation & Environmental Services.....	\$ 25,031,982	\$ 4,761,182	19.0%	\$ 4,052,039
Fire.....	35,345,199	6,001,224	17.0%	5,416,631
Police.....	49,062,143	8,727,940	17.8%	7,746,332
Transit Subsidies.....	6,825,042	1,532,948	22.5%	1,463,592
Mental Health/Mental Retardation/				
Substance Abuse.....	520,755	237,050	45.5%	238,146
Health.....	7,762,441	552,696	7.1%	543,968
Human Services.....	11,354,084	2,465,567	21.7%	1,901,374
Historic Resources.....	2,667,623	398,995	15.0%	380,451
Recreation.....	19,812,500	3,678,284	18.6%	3,506,856
Total Operating Agencies	\$ 158,381,769	\$ 28,355,886	17.9%	\$ 25,249,389
Education				
Schools.....	\$ 149,873,621	\$ 11,124,018	7.4%	\$ 11,017,072
Other Educational Activities.....	12,548	3,137	25.0%	3,248
Total Education	\$ 149,886,169	\$ 11,127,155	7.4%	\$ 11,020,320
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 29,606,972	\$ 914,110	3.1%	\$ 995,360
Non-Departmental.....	11,762,087	2,287,222	19.4%	1,778,223
Cash Capital.....	4,579,105	4,579,105	100.0%	18,859,735
Contingent Reserves.....	336,500	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 46,284,664	\$ 7,780,437	16.8%	\$ 21,633,318
TOTAL EXPENDITURES	\$ 440,617,948	\$ 61,271,973	13.9%	\$ 70,454,409
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...	33,606,921	-	0.0%	-
Transfer to Housing.....	5,172,340	-	0.0%	-
Transfer to Library.....	6,941,531	1,090,515	15.7%	1,035,943
Transfer to DASH.....	7,337,024	1,152,646	15.7%	1,020,428
TOTAL EXPENDITURES & TRANSFERS	\$ 493,675,764	\$ 63,515,134	12.9%	\$ 72,510,780

**CITY OF ALEXANDRIA
SELECTED ECONOMIC INDICATORS**

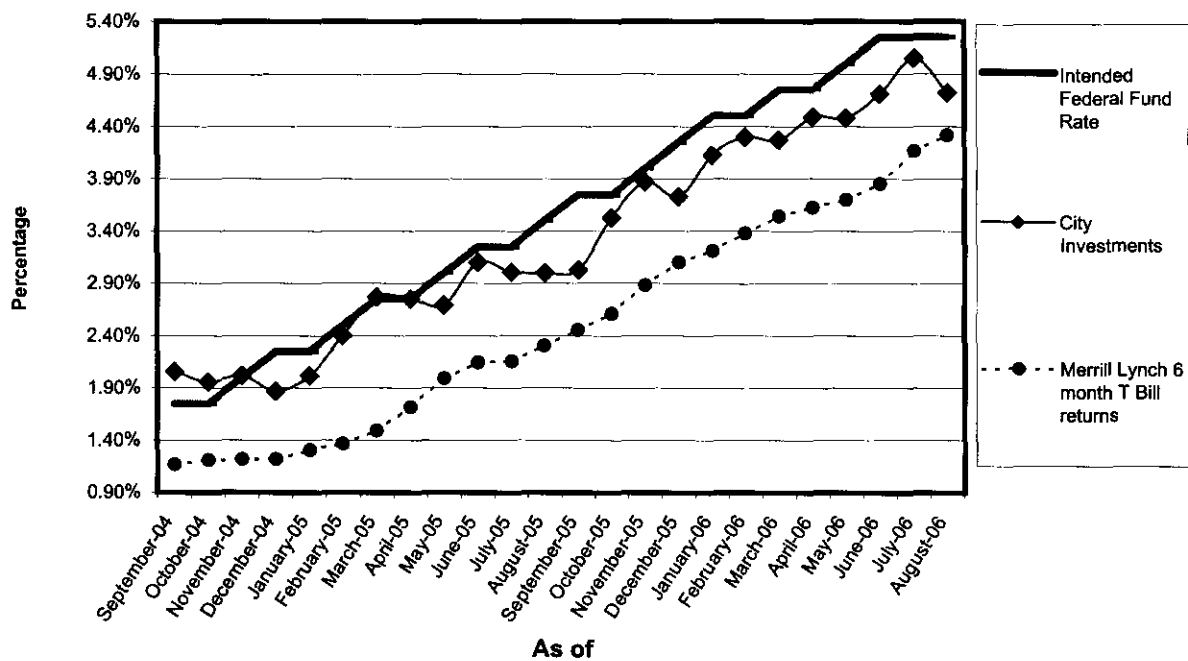
	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<u>Consumer Price Index (CPI-U)</u>			
for the Washington-Baltimore, DC-MD-VA-WV Area			
(As of July 31, 2006)	130.7	125.0	+4.6%
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<u>Unemployment Rates</u>			
Alexandria	2.5%	2.7%	-7%
Virginia	3.3%	3.5%	-6%
(As of July 31, 2006)			
(Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)			
United States	4.7%	4.9%	-4%
(As of August 31, 2006)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<u>Interest Rates</u>			
(As of August 31, 2006)			
Prime Rate	8.25%	6.25%	+32%
Federal Fund Rate	5.25%	3.50%	+50%
(Source: SunTrust Economic Monitor)			
<u>New Business Licenses</u>			
(During August)			
(Source: Finance Department, Business Tax Branch)	59	102	-42%
<u>Office Vacancy Rates</u>			
(As of March 31, 2006)			
Alexandria	11.9%	11.7%	+2%
Northern Virginia	12.3%	13.1%	-6%
Washington DC Metro Area	7.4%	11.2%	-34%
(Source: Grubb & Ellis)			
<u>New Commercial Construction</u>			
(As of June 30, 2006)			
Number of New Building Permits	8	8	-
Value of New Building Permits	\$ 53.9 million	\$ 130.0 million	-59%
(Source: Fire Department Code Enforcement Bureau)			
<u>Residential Real Estate Indicators</u>			
(for the six months ended June 30, 2006)			
Residential Dwelling Units Sold	1,316	1,875	-30%
Average Residential Sales Price	\$502,827	\$464,214	+8%
(Source: Department of Real Estate Assessments)			

Unemployment Rates - US, Virginia and Alexandria



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

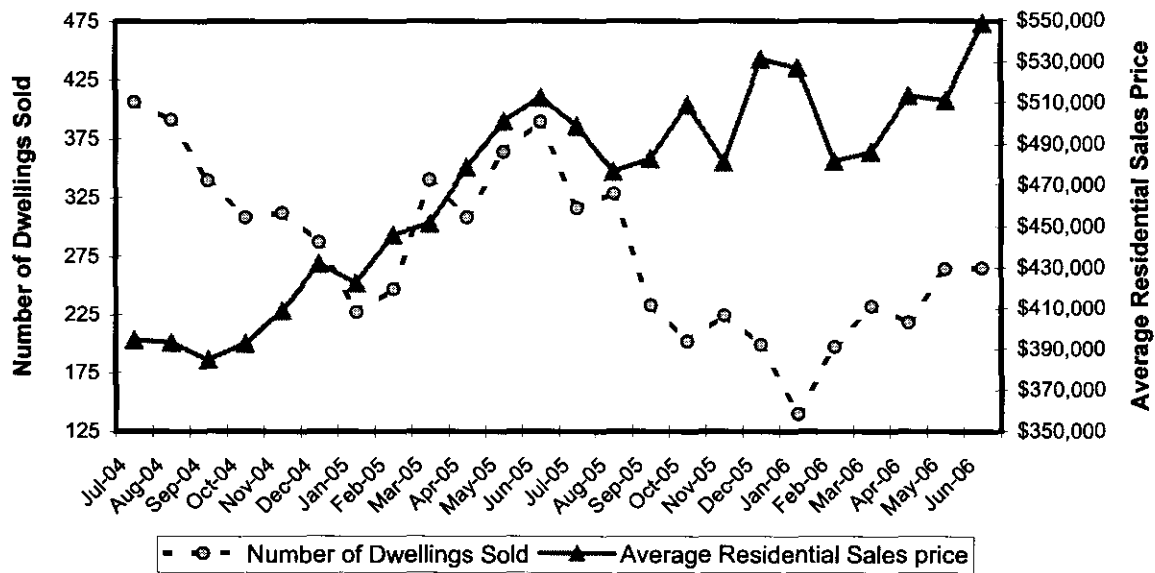
Selected Interest Rates



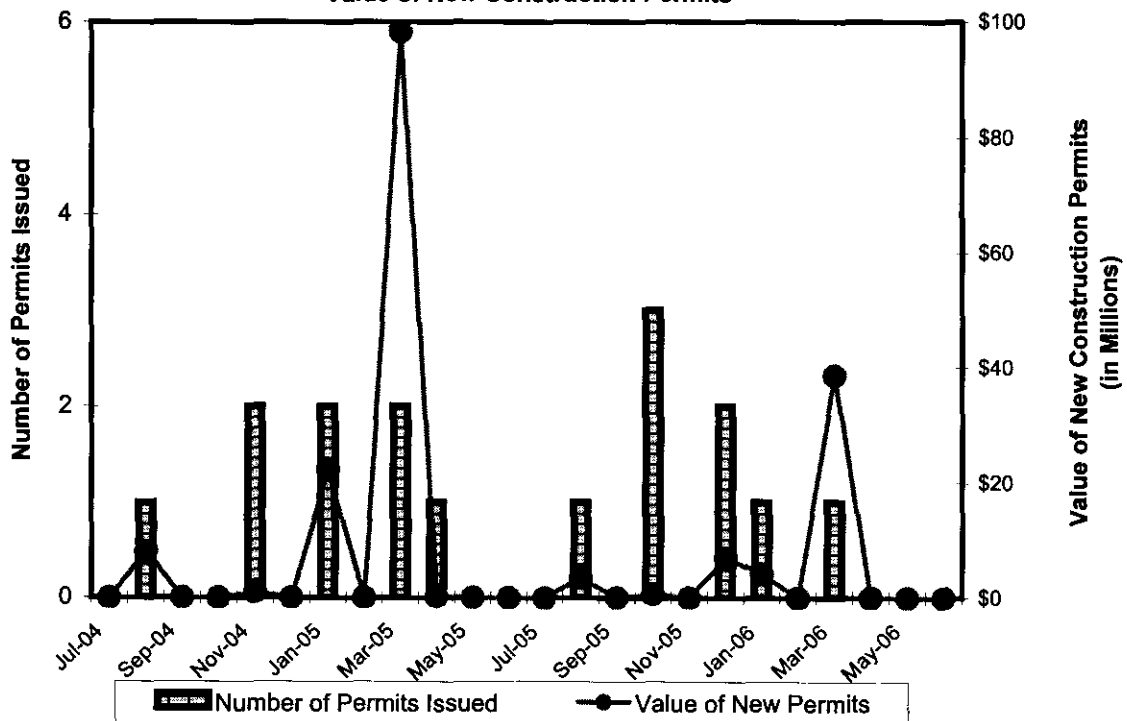
Source: Suntrust Economic Monitor

City of Alexandria
Selected Economic Indicators

Selected Residential Real Estate Indicators

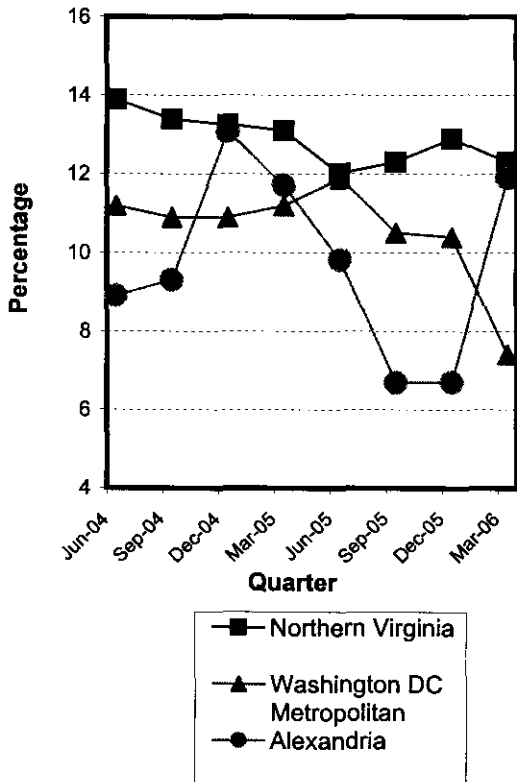


Alexandria New Commercial Construction
Number of Permits and
Value of New Construction Permits

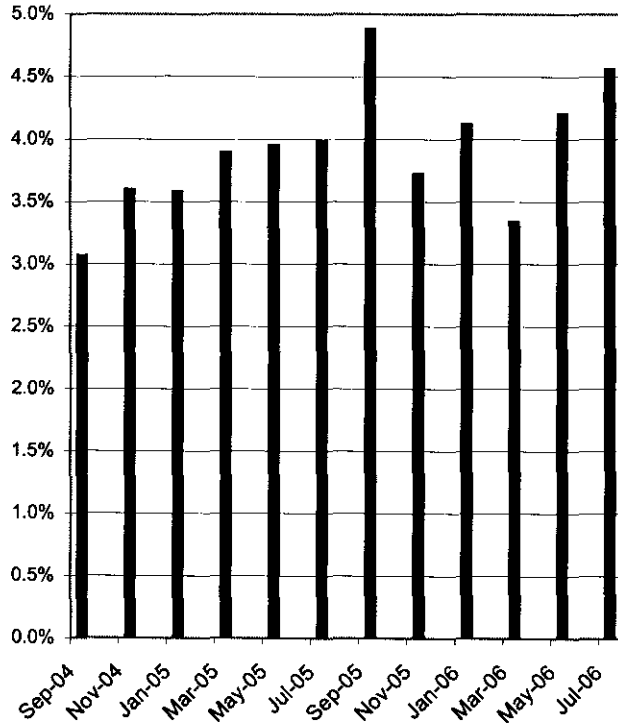


**City of Alexandria
Selected Economic Indicators**

Office Vacancy Rates

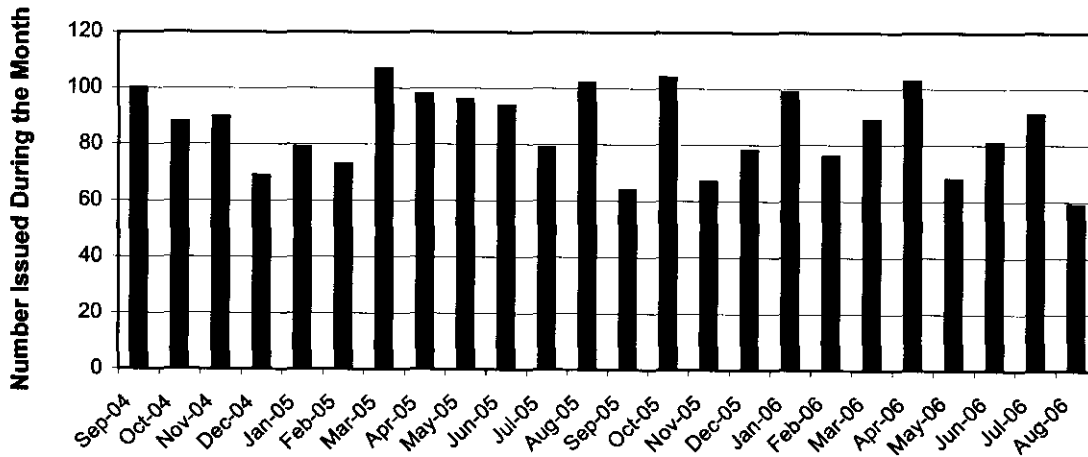


Twelve Month Annualized Percentage Change in Consumer Price Index Washington/Baltimore



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

New Business Licenses Issued in Alexandria



Attachment 4

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, 2006, but not actually received by the City until July or August, are counted as revenues for the fiscal year ended June 30, 2006. 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;
- real estate recordation tax revenue collected by the Clerk of the Circuit Court in June and remitted to the City in July;
- admissions tax revenue collected by Alexandria merchants in June and remitted to the City in July; and
- cell phone tax revenue collected by providers 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, 2006, in the following categories will be counted as revenues for the fiscal year ended June 30, 2006:

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