

City of Alexandria, Virginia

MEMORANDUM

DATE: JULY 30, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING JUNE 30, 2010

ISSUE: Receipt, on an informational basis, of the City's Monthly Financial Report for the period ending June 30, 2010. Since City Council's next meeting is in September, this report is informational in nature and will not be docketed for City Council Action.

DISCUSSION: This report includes highlights of the City's financial condition and provides fiscal year (FY) 2010 financial information on revenues and expenditures of the General Fund for the period ended June 30, 2010. Final revenues and expenditures for FY 2010 will be reported later this year in the City's audited Comprehensive Annual Financial Report (CAFR). This report will reflect additional revenues received and FY 2010 disbursements made through the end of summer that are attributable to FY 2010. Detailed economic, revenue, and expenditure charts are available from the City of Alexandria web site at alexandriava.gov/financialreports.

ECONOMIC HIGHLIGHTS:

- **The economic recovery is now clearly visible in some of Alexandria's economic and revenue statistics, despite lingering concern about the national economic recovery.**
 - The unemployment rate was 4.8 percent in June compared to 5.0 percent in June, 2009. The national unemployment rate was 9.5 percent in June.
 - Sales tax collections were 2.3 percent higher in the three month period ending May, 2010 compared to May, 2009. This was the first year-over-year increase since last August.
 - A three month trailing average of residential property sales volume is up 15.7 percent and sales prices are up 3.0 percent compared to last year, showing steady progress since early 2009.
 - Transient lodging percentage tax revenues are also up substantially for the last several months. The three month trailing average increased in May, 2010 by 10.3 percent compared to the three month period ending in May, 2009.
- **The real estate market is stable as a whole, but different components give mixed results.**
 - Residential sales volume and the average value of homes sold increased compared to last year, in part due to the expiration of the homebuyers tax credit in

June. However, the increase in sales was less pronounced than the surge last November, following the expiration of the first housing credit.

- The number of new residential building permits jumped in June, increasing the number of cumulative permits issued in FY 2010 to FY 2008 levels, well above FY 2009.
- The cumulative value of commercial property new construction permits through June remains far below the prior two years.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of June 30, 2010, actual General Fund revenues totaled \$516.7 million, which is 1.1 percent above FY 2009 revenues of \$514.1 million for the same period last year. Council received updated revenue forecasts at the April 26 Budget work session. That estimate shows a potential revenue shortfall of \$8.1 million, or 1.5 percent, compared to the original FY 2010 budget estimate of General Fund revenues of \$530 million, primarily due to lower assessments than previously forecast, lower business license and sales tax revenue, and lower intergovernmental revenues. We believe that we will at least achieve the April revenue forecast. Note that the revenue estimate shown in Online Reference 2 includes the final real estate tax rate of 97.8 cents per \$100 of assessed value approved by Council on May 3. This rate includes an allocation of 0.5 cents of the property tax increase to pay for stormwater sewer infrastructure, providing \$0.8 million for FY 2010. These funds will be counted as General Fund Revenue and be recorded as designated General Fund Balance in the City's FY 2010 Comprehensive Annual Financial Report and be transferred to the Stormwater Fund as part of the fall Reappropriation Ordinance.

- **Local Sales and Use Taxes:** Excluding one-time repayments of \$1.5 million made in the prior year, year-to-date retail sales collections from July through May are 1.7 percent below last year. (June sales tax receipts will be distributed by the State in August.)
- **Other Local Taxes:** Collections to date represent a difference in the timing for payments made for the annual bank franchise tax.
- **Revenue from the Use of Money and Property:** Continued decreased revenue in this category reflects the extremely low interest rates budgeted and earned on City operating funds, which remain conservatively invested for safety and liquidity reasons.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of June 30, 2010, actual General Fund expenditures totaled \$476.6 million, a decrease of \$16.4 million, or 3.3 percent, below expenditures for the same period last year.

- **Personnel and non-personnel costs:** With 100.0 percent of the fiscal year completed, total expenditures are 88.7 percent of budget. Personnel costs are running slightly below

budget at 98.9 percent, reflecting the fact that 100.0 percent of the FY 2010 payrolls have been processed. This equates to a savings of close to \$2.0 million compared to the budgeted amount. Non-personnel expenditures are 83.4 percent of the budget at this time. Typically, the City's non-personnel expenditures are at 84.3 percent of the non-personnel budget through this time of year as end-of-year bills are still being processed. We can expect an end-of-year surplus on the expenditure side of the budget and that all departments will be at or below their budgets without the necessity for any transfer resolution.

- **Debt Service:** The increase reflects budgeted debt service for bonds previously issued.

ONLINE REFERENCES:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

STAFF:

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