

# City of Alexandria, Virginia

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## MEMORANDUM

DATE: SEPTEMBER 10, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING JULY 31, 2007

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**ISSUE:** Receipt of the City's Monthly Financial Report for the Period Ending July 31, 2007. This report is informational in nature and will not be docketed for City Council action. The August report will be docketed for the September 25 Council Meeting for City Council action. This report is in the new format requested by Council.

### MONTHLY HIGHLIGHTS:

#### REVENUE

- **Revenue from Use of Money & Property:** The City earned 5.12% on an annualized basis on its short-term operating fund investments during July.

#### EXPENDITURES

- **Human Services:** Expenditures reflect first quarter payments to community organizations and contractors who provide services.
- **Personnel:** Expenditures-to-date represent budgeted tuition assistance payments to City employees.

**DISCUSSION:** This report provides financial information on revenues and expenditures of the General Fund for the month of July 2007. This report presents revenues and expenditures for the same period for fiscal year (FY) 2007 for comparative purposes (Attachments 1 and 2), and also provides charts of selected economic indicators (Attachment 3). As discussed in Attachment 4, property tax collections through August 15, 2007, and collections of most other local taxes through the end of August 2007 are counted as revenues of the fiscal year ended June 30, 2007,

and will be reported in the City's audited Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007.

The City's economy as measured by tax receipts continued to gradually grow through the end of FY 2007, as most tax revenues (except the transient lodging tax) continued to increase, albeit primarily at expected single digit rates. The City's unemployment rate continued at a low 2.3 percent, while the number of jobs in the City decreased by 1 percent or 960 jobs in the fourth quarter of 2006 (latest data available) when compared to the same period in 2005. The City's office vacancy rate increased to 11.4 percent in the fourth quarter of 2006. This compares to fourth quarter office vacancy rates of 13.1 percent for Northern Virginia and 11.6 percent for the entire DC Metropolitan area. City staff has asked AEDP staff to prepare an analysis of the City's office vacancies, as well as its recent trends.

On the residential real estate sales front, the data continues to show a slower residential sales market. Although total sales remain down about 26 percent from 2005 levels, sales in 2007 (year-to-date) show a decline of only 5 percent from 2006. The average sales price is down 3 percent while the median sales price is up 5.5 percent. The brightest spot is average days on market, which when comparing June 2006 to June 2007 is up only 9.3 percent in Alexandria compared with an increase in average days on market of 30 percent in Arlington County, 36 percent in Fairfax County, and 74 percent in Prince William County. While the City's residential market is in better shape than our neighbors, assessments for 2008 (based on year-to-date data that will change as the year progresses), when compared to 2007, are currently projected to be close to flat with single family assessments barely increasing and condominiums decreasing slightly on average. However, changes in the financial markets and increases in home mortgage interest rates (particularly jumbo mortgages, which affect most all single family detached and townhouse units in the City) will further impact 2008 assessments to some unknown degree as the year progresses. Commercial assessments and new construction will continue to add to the City's tax base in 2008, however, increasing capitalization rates will slow that growth.

## REVENUES

As of July 31, 2007, actual General Fund revenues totaled \$1.9 million, which approximates FY 2007 revenues of \$1.9 million for the same time period last year. As discussed in Attachment 4, most taxes and revenues collected in July are counted as revenues of the fiscal year ended June 30, 2007.

**Real Property:** Real property taxes are assessed as of January 1 and assessment notices are mailed to property owners in February. Real estate taxes are billed and payable in two installments. The first tax bill is mailed in May and is payable by June 15. The second tax bill is mailed in October and is payable by November 15.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change
*	\$278.2 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Personal Property:** Personal property tax revenue consists of two sources: individual personal property (primarily vehicles), and business personal property (includes motor vehicles, machinery, computers, and furniture). Taxes are assessed as of January 1. Tax bills are mailed to taxpayers in late August and are due on October 1. In FY 2007, the State's share of the local personal property tax payment for FY 2008 was capped at \$23.6 million. This amount approximates 69 percent of most taxpayers' bills, which is the same rate that was provided last year.

	FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change
Vehicles	*	\$20.6 million	-	-	-
Business - Equipments and Machinery	*	15.5 million	-	-	-
State Reimbursement	*	23.6 million	-	-	-
Total	*	\$59.7 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Sales and Use Tax:** 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.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage change
*	\$27.4 million	-	-	-

\*Included when FY 2007 CAFR is completed

**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.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
*	\$9.6 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Communications Tax:** Businesses remit the communication tax to the Commonwealth within 30 days of the end of the month in which the service occurred. The Commonwealth wires the City's portion of the communication tax one month later.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
*	\$12.4 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Business License Taxes:** The City's business license tax is due March 1, 2008. These collections are counted and analyzed in March. Most collections prior to March represent collections from taxpayers who pay on a quarterly basis.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
*	\$32.1 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Transient Lodging Taxes:** Transient lodging taxes are remitted to the City within one month after collections.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
*	\$8.8 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Restaurant Meals Taxes:** Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
*	\$10.4 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Cigarette Taxes:** Businesses remit cigarette tax revenue to the Northern Virginia Cigarette Board. This revenue is then forwarded to the City approximately 15 days after the end of the month in which the sales occurred.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
*	\$2.8 million	-	-	-

\*Included when FY 2007 CAFR is completed

**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.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
*	\$5.7 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Admissions Tax:** The admissions taxes are remitted to the City within one month after collections.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change
*	\$1.0 million	-	-	-

\*Included when FY 2007 CAFR is completed

**Charges for Services:** Revenues in this category include refuse user charges, ambulance fees, clerk fees and parking meter receipts.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
*	\$11.3 million	\$0.25 million	\$0.27 million	9.2%

\*Included when FY 2007 CAFR is completed

**Revenue from Use of Money & Property:** Revenues in this category include interest on investments, parking garage/lot fees and rental of property income. The City earned 5.12% on an annualized basis on its investments during July.

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
*	\$9.6 million	\$0.98 million	\$0.90 million	(9.4%)

\*Included when FY 2007 CAFR is completed

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

FY 2007 Actuals	FY 2008 Budget	FY 2007 Year-to-Date	FY 2008 Year-to-Date	Percentage Change Year-to-Date
*	\$0.2 million	\$0.01 million	\$0.01 million	(7.1%)

\*Included when FY 2007 CAFR is completed

**EXPENDITURES (Attachment 2):** As of July 31, 2007, actual General Fund expenditures totaled \$29.1 million, an increase of \$2.0 million, or 7.3 percent, above expenditures for the same period last year. The Approved General Fund Budget is 4.4 percent higher than FY 2007 amended budget. As indicated in Attachment 4, this report reflects actual cash disbursements through June 30, 2007.

Most City expenditure payments are made on a level basis during the year. There are some payments, however that are made either at one time at the beginning of the year, or on a different basis, such as quarterly. The City makes the following types of payments on an other than level basis:

**Equipment Replacement Fund:** Every year, the City separately accumulates funds to replace major equipment items such as police cars and fire apparatus. The allocation of these funds is included in the budget of individual departments and is moved to a separate fund at the beginning of the year. Since these funds accumulate over several years, the fund is used to make the purchase once there are sufficient funds accumulated. This allows departments to fund the purchase over the life of the equipment instead of all at one time. These annual equipment replacement allocations are recognized as expenditures in this report at the time the transfer is made at the beginning of the year.

Of the \$4.8 million in total equipment replacement transfers in FY 2008, the following departments have equipment replacement funds large enough to impact their General Fund expenditure patterns at the beginning of the year:

1. Police - \$1.6 million
2. T&ES - \$0.8 million
3. Fire - \$0.8 million

**Contributory Payments:** The City makes some payments, such as contributions to the Washington Metropolitan Area Transit Authority (WMATA), on a quarterly or semi annual basis. Since these payments are made less frequent than monthly, expenditures reported in this monthly financial report may be higher than average in those months when the payments are made. This financial report includes the following non-monthly payments:

- Judicial Administration: This category includes quarterly contribution payments to judicial organizations such as Peumensend Creek Regional Jail and the Northern Virginia Criminal Justice Training Academy.
- Other Planning and Economic Development Activities: This category includes quarterly contribution payments to community agencies such as the Alexandria Small Business Development Center and bi-annual payments to the Alexandria Convention and Visitors Association.
- Transit Subsidies: This category includes payments in the quarter for the City's major transit programs including the Alexandria Transit Company (DASH) and to the Washington Metropolitan Area Transit Authority (WMATA).

- **Other Education Activities:** This category includes quarterly contribution payments to the Northern Virginia Community College.

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

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

**Schools:** School expenditure data will be provided by the School Administration in the October financial report, following the first month of school operations. The City will provide 78 percent of the estimated funds required to operate the City schools in FY 2008.

**Human Services:** Expenditures reflect payments to community organizations and contractors who provide services.

**Non-Departmental:** The increase from the prior year represents payments made to the Waste to Energy Trust Fund.

**Grant Accounting and Cash Matches:** To comply with many federal and State 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. Because the City share for most grants is not finalized until the funds are spent, departments set aside, but do not expend, City grant funds until the end of the fiscal year. This ensures that the City maximizes the use of federal and State funding before spending City funds. Most City funds not used for grants by the end of the year are returned to the City.

**Non-Departmental Expenditures:** 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. Some pension contributions are made at the beginning 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 - Explanation of Modified Accrual Accounting

**STAFF:**

Mark Jinks, Deputy City Manager

Laura B. Triggs, Acting Director of Finance

Ray Welch, Acting Comptroller

Bruce Johnson, Director, Office of Management and Budget