


*City of Alexandria, Virginia*

## MEMORANDUM

DATE: APRIL 27, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING MARCH 31, 2010

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**ISSUE:** Receipt of the City's Monthly Financial Report for the Period Ending March 31, 2010.

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the Period Ending March 31, 2010.

**DISCUSSION:** This report includes highlights of the City's financial condition. More detailed information, including economic information and charts as well as revenue and expenditure charts and references are available with this report from the City of Alexandria web site at alexandriava.gov/financialreports. Also, the FY 2011 budget presented to City Council in February contains additional detail on forecasts for revenues for the remainder of FY 2010 and FY 2011. Updated revenue forecasts were presented to Council by Budget Memorandum #67 and discussed during the add/delete review April 26 and are included with this report.

**ECONOMIC HIGHLIGHTS:**

- **Employment is lagging the overall economy.** The national unemployment rate remained at 9.7% for the third straight month in March, while Virginia's unemployment rate rose to 7.4%, and Alexandria's unemployment rate held steady at 5.4% in February.
- **Despite the recession, the City's total personal income numbers increased by 4.04% in 2008.** The average per capita personal income rose by less than a percent to \$72,220. The City's per capita personal income ranks 12<sup>th</sup> in the nation for county or county-equivalent government areas, and 2<sup>nd</sup> in the Washington, D.C. Metropolitan Area.
- **Economically sensitive City revenues are weaker than at this time last year:** Year-over-year tax collections decreased during the last three months in the Sales Tax, Transient Lodging, and Meals Tax categories, in part due to the last January's inaugural effect which bumped revenues up one year ago and the snowstorms, which reduced revenues this year compared to last year.
- **The real estate market performance is mixed:** Residential sales increased compared to last year while the average sales price was flat. The City's office vacancy rate rose to 17.6% in the 4<sup>th</sup> quarter from 16.3% in the 3<sup>rd</sup> quarter.

## **REVENUE HIGHLIGHTS:**

- **Year-to-Date Revenues:** As of March 31, 2010, actual General Fund revenues totaled \$322.8 million, which is 1.1 percent above FY 2009 revenues of \$319.2 million for the same period last year. Council received updated revenue forecasts at the April 26 Budget work session. That estimate shows a revenues 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 business license and sales tax revenue (due to lower assessments than previously forecast) and lower intergovernmental revenues. Note that the revenue estimate shown in Online Reference 2 includes the City Manager's proposed 7 cent tax increase, not the final rate approved on May 3.

This report includes some revenue collections for February business taxes. It shows the significant effect of the February snow event on business activity in the City. The following table compares February 2009 and 2010 receipts for selected business taxes.

### **Effect of Snow Event on Revenues for February 2010 and February 2009**

|  | February 2010      | February 2009      | Percentage Change |
|--|--------------------|--------------------|-------------------|
|  | A                  | B                  | (A-B)/B           |
| Transient Lodging                        | \$653,396          | \$584,965          | 12%               |
| Restaurant Meals*                        | 907,575            | 1,046,232          | -13%              |
| Sales (excludes any one-time repayments) | 1,408,874          | 1,529,646          | -8%               |
| Admissions*                              | 67,365             | 104,376            | -35%              |
| Utilities                                | 799,605            | 940,248            | -15%              |
| Total                                    | <u>\$3,836,815</u> | <u>\$4,205,464</u> | <u>-9%</u>        |

\*Restaurant Meals tax and Admissions tax collections for February 2010 will increase somewhat in future months as late filers pay.

- **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 February are 3.1 percent below last year.
- **Business License Taxes:** The City's business license tax was due March 1, 2010. Collections-to-date in the amount of \$27.0 million represent a difference in the timing for payments made by businesses. As indicated in the April re-estimates, receipts will be lower than budgeted by \$1.9 million.
- **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 March 31, 2010, actual General Fund expenditures totaled \$340.0 million, an increase of \$1.6 million, or 0.5 percent, above expenditures for the same period last year.
- **Personnel and non-personnel costs:** With 75.0 percent of the fiscal year completed, total expenditures are 63.3 percent of budget. Personnel costs are running exactly on budget, reflecting the fact that 75.86 percent of the FY 2010 payrolls have been processed by March 31, 2010. Non-personnel expenditures are 57.4 percent of the budget through the first nine months of the fiscal year. Typically, the City’s non-personnel expenditures are at 57.1 percent of the budget through March, so this percentage is slightly above what is expected through the first nine months of the year.
- **Debt Service:** The increase reflects budgeted debt service for bonds previously issued.
- **Snow removal:** A recap of expenditures related to snow removal is below:

| <u>Storm</u>  |      | <u>Actual Expenditures as of 4/08/2010</u> |
|---------------|------|--|
| December 2009 | City | \$0.8 million                              |
| February 2010 | City | \$6.8 million                              |

All of the City expenditures related to the two major snowstorms currently are charged to the City’s Special Revenue Fund. Those costs for which the City is not reimbursed, or has no reasonable expectation of reimbursement from the federal or state government, will have to be transferred back to the General Fund during the year-end close out. The City will work with federal and state officials to determine what portion of the cost for each snowstorm will be reimbursed. <sup>1</sup> At this time we estimate 75% of these costs will be reimbursed.

- **Expenditure savings:** Significant FY 2010 expenditure savings totaling approximately \$10.0 million will be realized from a number of sources:
  - \$2,574,081 savings in debt service due to the significantly lower debt service costs for the June 2009 debt issuance than budgeted in part due to the Build America Bond issuance with its 35% federal subsidy,
  - \$2,300,000 savings in the cost of Community Services Act for foster care-related services due to program management reforms,
  - \$600,000 savings in the solid waste disposal program due to lower than budgeted volume of waste disposed of at the Waste to Energy facility,
  - \$3,051,822 savings in Transit subsidy payments to WMATA by utilizing surplus State revenues available for this purpose with the Northern Virginia Regional Commission (from regional gas tax collections and State aid dedicated for transit purposes),
  - \$1,500,000 savings in personnel compensation costs due to restraint in filling vacant position throughout FY 2010.

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<sup>1</sup> The Schools have also estimated \$1.3 million in expenses related to the February snow storms.

- Budget memo #68 describes these expenditure savings and revenue reestimates and their combined affect on the expected end-of-year fund balance on June 30, 2010. The unreserved fund balance is expected to increase to \$49.0 million at the end of FY 2009 to \$53.7 million (10.1% of General Fund revenues) at the end of FY 2010. The undesignated fund balance is expected to increase from \$24.7 million to \$25.2 million (4.7% of General Fund Revenues) These percentages are slightly above the City's adopted financial policy guidelines of 10.0% and 4.0%, respectively

**ONLINE REFERENCES:**

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

**STAFF:**

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