

# City of Alexandria, Virginia

## MEMORANDUM

DATE: AUGUST 15, 2009

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, 2009

**ISSUE:** Monthly Financial Report for the Period Ending June 30, 2009.

Receive on an informational basis the City's Monthly Financial Report for the period ending June 30, 2009. Since Council's next meeting is in September, this report is informational in nature and will not be docketed for Council action.

### **MONTHLY HIGHLIGHTS:**

#### **Economy**

- The "Great Recession" appears to be gradually relaxing its grip on the American economy. The preliminary estimate is that the quarter over quarter decline in second quarter GDP was just 1 percent, compared to a 6.4 percent decline in the first quarter. The number of jobs in the City actually increased slightly in the 4<sup>th</sup> quarter of 2008 compared to a year earlier.
- In what may be an indication that the worst is past, the worst of the year-over-year comparisons for sales tax and transient lodging revenue were in the months of February through April, while the May and June period did not show as steep a decline.

#### **Revenues**

- While transient lodging taxes remained sluggish in the early spring they picked up in June. Other tax collection rates remain stable or exceed estimates, resulting in \$0.5 million in additional revenues above the most recent April projection for FY 2009.
- This will enable the City to meet and exceed the Council established target of having the previously planned \$2.3 million surplus in revenues for FY 2009.

#### **Expenditures**

- As of June 30, 2009, actual General Fund expenditures are \$11.9 million or 2.5 percent above expenditures through June 30, 2008 in the prior year, allowing the City to set aside funds for the FY 2010 budget as requested by City Council.
- The City staff committed to meeting City Council's budget guidance contained in Resolution 2303 (Section 10) to implement \$2 million in additional cuts to the FY 2009 budget. Based on these preliminary expenditures, City staff produced these \$2 million expenditure savings, if not more.
- Together with the revenue savings, staff can assure Council at this time that the Comprehensive Annual Financial Report (CAFR) will provide at least the previously planned \$4.3 million surplus to be set aside as a FY 2010 revenue shortfall reserve.

**DISCUSSION:** This report provides fiscal year (FY) 2009 financial information on revenues and expenditures of the General Fund for the period ended June 30, 2009. Final revenues and expenditures for FY 2009, which 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 2009 disbursements made through the end of summer. See Attachment IV for a discussion of the way revenues will be reported in the City's CAFR. This report projects a net increase in revenue of \$0.5 million above the revenue estimate previously provided to City Council and used as part of the FY 2010 budget adoption, as outlined in the table on page 4.

**ECONOMY:** The "Great Recession" appears to be gradually relaxing its grip on the American economy. The preliminary estimate is that the quarter over quarter decline in second quarter GDP was just 1 percent, compared to a 6.4 percent decline in the first quarter. The decline would have been greater were it not for significant increases in government spending. The employment statistics are also sending out a number of green shoots. The number of jobs continues to decrease, but at a slower rate. For example, the Bureau of Labor Statistics reported that the average monthly job loss from May through July (331,000) was about half the monthly loss for November through April (645,000). To put the depth of the current recession into perspective, the worst month of the 2001 recession saw a monthly job loss of 325,000. Consumer spending remains weak and is down over 7 percent since the second quarter of 2008. To date, consumer expenditures show little sign of recovering. Since consumer expenditures make up around 70 percent of the economy, without increases in spending, any recovery will struggle to sustain itself. The imbalances that helped to cause the recession, such as toxic loans and the highly leveraged American consumer, have not gone away.

While the City of Alexandria has not escaped unscathed from the recession, indicators of economic activity in the City present a relatively better picture compared to the national economy. The City's unemployment rate of 5.2 percent in June was over 2 percent less than the Virginia average and over 4 percent less than the national average. According to Virginia's most recent Quarterly Census of Employment and Wages, the number of jobs in the City actually increased slightly in the 4<sup>th</sup> quarter of 2008 compared to a year earlier. According to the Finance Department, the City's hotel occupancy rate rose from approximately 63 percent in June 2008 to over 69 percent in June 2009, a show of strength in the City's hotel industry. The increase was especially significant in the City's mid-range and higher-end hotels. On a less positive note, the Washington D.C. area consumer price index (CPI-U) decreased by 0.9 percent between July 2008 and July 2009. This is an indication of economic weakness. The national CPI-U had not gone negative since the early 1950's.

The slowing economy continues to affect City tax collections. Some of the economically sensitive revenues are a barometer for business conditions in the City. Overall FY 2009 sales tax collections decreased by over 4 percent after adjusting for sales tax transfers to Fairfax County. However, June's transient lodging revenues increased by almost 5 percent in June compared to June 2008 after four months of significant year-over-year declines. In what may be an indication that the worst is past, the worst of the year-over-year comparisons for sales tax and transient lodging revenues were in the months of February through April while the May and June period did not show as steep a decline.

Data show a mixed picture in the residential real estate market. Real estate sales for the year to date through June 2009 increased 3.66 percent compared to the similar period in 2008, while the

average sales price decreased 9.47 percent. It is important to note that the relative increase in sales of lower-end properties compared to higher-end properties pushed down the average sales price. The number of calendar year-to-date foreclosures in the City has changed little from 2008. Alexandria's residential foreclosure rate of 1 per every 1133 properties in June (according to Realtytrac) was lower than all neighboring jurisdictions except for Arlington County. Also significant is that according to the Metropolitan Regional Information Systems (MRIS), Alexandria's for-sale inventory of single family homes decreased from 3.9 months worth of inventory in July 2008 to 2.9 months worth of inventory in July 2009. The average number of days on the market decreased from 80 days to 64 days. This is a sign of increasing market strength, but it is mostly the result of inventory decreases, not increased sales. It's also important to note that the federal government and the Federal Reserve have given unprecedented support to the residential real estate market in the form of historically low interest rates and the first time home buyer's tax credit. Unless renewed, the credit will expire as of December 1, and as the economy recovers, interest rates will rise. Overall, single-family home values and condominium values are down slightly compared to CY 2009 assessments.

As Council was briefed in June, the commercial real estate market is also trending downward. At present, the small number of commercial transactions reflects hesitancy in the market and leaves continued questions as to the amount of decline we will see and how long the impact will be felt. According to the Real Estate Research Corporation, Spring 2009, "It is the loss of jobs that will have the longest-lasting impact on commercial real estate. The damage to real estate fundamentals will increase accordingly with higher vacancy, negative absorption, declining rent, and decreasing values."

Thus far, the Office and Retail Property category, which makes up approximately 65 percent of the commercial real estate market, is showing the most weakness as the City's office vacancy rate in the second quarter increased to approximately 14.6 percent from 6.3 percent a year earlier. The vacancy rate is now higher because the renovated Victory Center, which came online during the first quarter, is now included as it has re-entered the market. Vacancies in multi-family rentals, which make up 31 percent of the commercial real estate market, continue to be low and values are expected to remain relatively strong. The lack of sufficient lending and long-term commercial funding means that new construction completed in 2009 is expected to be minimal compared to previous years.

Another cautionary note is the difficult budgetary situation facing the Commonwealth of Virginia and its possible impact on intergovernmental aid to Alexandria. In early August, the Governor announced that revenues are expected to come in between \$730 million to \$1.5 billion lower than previously expected. Some of the State's earlier deficits were covered by stimulus revenue, but that revenue source is temporary.

**Revenue Outlook:** While transient lodging taxes remained sluggish in the early spring, they picked up in June. Other tax collection rates remain stable or exceed estimates, resulting in \$0.5 million in additional revenues available to balance the FY 2010 and FY2011 budgets above the most recent April projection for FY 2009. This will enable the City to meet and exceed the Council established target of having a \$2.3 million surplus in revenues for FY 2009.

	FY 2009 BUDGET APPROVED	FY 2009 APRIL BUDGET PROJECTIONS	FY 2009 CURRENT BUDGET PROJECTIONS	CURRENT PROJECTIONS V. FY 2009 APPROVED BUDGET	CURRENT PROJECTIONS V. FY 2009 APRIL BUDGET PROJECTIONS
Real Property <sup>1</sup>	\$ 293.6	295.5	\$ 295.5	\$ 1.9	-
Personal Property- local share	33.7	35.5	35.7	2.0	0.2
Penalties and Interest	1.8	1.9	1.9	0.1	-
Sales Tax	24.0	21.6	21.6	(2.4)	-
Consumer Utility Tax	10.7	10.4	10.4	(0.3)	-
Communication Sales and Use Tax	13.0	11.4	11.4	(1.6)	-
Business License Tax	33.5	30.6	30.5	(3.1)	(0.1)
Transient Lodging Tax	11.5	11.0	10.7	(0.9)	(0.3)
Restaurant Meals Tax	15.0	14.9	14.9	(0.1)	-
Recordation Taxes	4.8	3.1	3.1	(1.7)	-
Other Local Taxes (including Motor Vehicle License)	9.0	9.7	9.7	0.7	-
Intergovernmental	52.8	53.5	53.5	0.7	-
Fines and Forfeitures	4.8	4.0	4.0	(0.8)	-
Licenses and Permits	6.1	4.7	4.7	(1.4)	-
Charges for City Services	14.5	11.9	12.2	(2.6)	0.3
Use of Money and Property	6.0	4.6	4.6	(1.4)	-
Other Revenue	0.6	0.7	1.1	0.1	0.4
Net Increase in Revenues from Previous Projection					0.5
Change from Previous Projection					(10.7)
Net Reduction					(10.2)

<sup>1</sup> Projection: At the adopted rate of 90.3¢ per hundred.

Amounts may not add up due to rounding.

The budget rescissions discussed with and approved by City Council have been reflected in Attachments I and II. The revised budget above reflects the budget presented as part of the FY 2010 Adopted budget.

**Expenditure Outlook:** As of June 30, 2009, actual General Fund expenditures are \$11.9 million or 2.5 percent above expenditures for the same period in 2008. Through tight controls on hiring and close monitoring of end-of-year expenditures, City staff will produce at least \$2 million in expenditure savings as directed by City Council. (The plan for meeting this budget was contained in Budget Memorandum #3 issued February 10, 2009.) Staff is also forecasting an additional \$2.3 million in revenue savings at this time to provide at least a \$4.3 million surplus to be added as a FY 2010 revenue shortfall reserve.

**REVENUES (Attachment 1):** As of June 30, actual General Fund revenues totaled \$514.1 million, which is \$10.7 million or 2.1 percent above FY 2008 revenues of \$503.4 million for the same time period. This report reflects a \$10.7 million reduction from the originally budgeted revenues as discussed below. Unless otherwise noted, revenues are expected to meet the prior projections. As the City uses (as required) a modified accrual method of accounting, revenues earned and measurable but not received by June 30 are not yet posted to the appropriate revenue accounts. Posting will occur by the end of August.

**Real Property:** Real property is assessed as of January 1 of each calendar year, and assessment notices were mailed to property owners on February 10. Real estate taxes are assessed in early May after Council sets the tax rate. Real estate taxes are billed and payable in two installments. The first tax bill of the calendar year is mailed in May and is payable by June 15. The second tax bill is mailed in October and is payable by November 15. Based on collections-to-date and the increase in the real estate tax rate to 90.3 cents included in the FY 2010 Adopted Budget, real estate tax revenues are expected to be approximately \$295.5 million, which is \$1.7 million above the FY 2009 Approved Budget and no change from the previous projection at this time.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
\$287.3 million	\$293.6 million	\$295.5 million	\$285.8 million	\$295.5 million	3%

**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). Business personal property taxes are assessed based on property owned as of January 1 and returns must be filed by May 1. Tax bills are then prepared based on the personal property tax rates set by Council in May. Personal property tax bills are prepared during a two-month period ending July 15 based on the personal property tax rate set by Council in May. Tax bills are mailed to taxpayers in late August and are due on October 5. The State's share of the local personal property tax payment for FY 2009 remains capped at \$23.6 million. This amount covered approximately 69 percent of most taxpayers' bills for 2008, which was the same rate that was provided in 2007. Increased year-to-date collections for vehicles are primarily attributable to changes in the processing of bills for taxpayers who changed address without informing the City. Increased revenue from business taxes reflects a slight increase in assessments and enforcement actions. As of June 30, tax collection efforts have now reached the projected revenue for the year. While some refunds are expected for businesses and vehicles leaving the City, staff currently projects to collect an additional \$0.3 million in taxes. Based on

collections-to-date, the City expects that business and vehicle personal property tax collections will be approximately \$35.7 million, an increase of \$2.0 million above the FY 2009 Approved Budget and \$0.2 million above the previous projection.

	FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
Vehicles	\$18.6 million	\$17.4 million	\$18.9 million	\$18.3 million	\$18.9 million	3%
Business - Equipments and Machinery	\$16.3 million	\$16.3 million	\$16.8 million	\$16.3 million	\$16.8 million	3%
State Reimbursement	\$23.6 million	\$23.6 million	\$23.6 million	\$23.6 million	\$23.6 million	-
Total (including State reimbursement)	\$58.5 million	\$57.3 million	\$59.3 million	\$58.2 million	\$59.3 million	2%

**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 15 days later. The substantial decrease in sales tax revenue is primarily related to one-time repayments to Fairfax County of \$1.5 million for sales tax collections from businesses with an Alexandria address that are actually located in Fairfax County, including \$1.0 million reported to Council in November. In addition, taxes paid from this revenue source have slowed over recent months. As a partial offset to the payment to Fairfax County, the City has recovered over \$0.2 million of prior-year sales tax proceeds due the City that were erroneously being paid to other jurisdictions. This will also provide additional monthly sales tax revenue in the future as the taxes for the businesses in question will now be paid to the City. (Lower FY 2010 staffing levels will decrease the number of hours devoted to this effort in the near term.) Based on collections-to-date for sales through April, it appears that sales tax revenue will be approximately \$21.6 million, a decrease of \$2.4 million below the FY 2009 Approved Budget, but no change from the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
\$24.3 million	\$24.0 million	\$21.6 million	\$19.9 million	\$17.4 million	(12%)

**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. Based on collections-to-date, it appears that consumer utility taxes will be approximately \$10.4 million, a decrease of \$0.3 million below the Approved 2009 Budget. There has been no change since the projection provided to Council with the FY 2010 Proposed Budget.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$10.0 million	\$10.7 million	\$10.4 million	\$9.3 million	\$9.6 million	2%

**Communications Tax:** Businesses remit the communications 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 communications tax one month later. According to the Commonwealth, the decrease can be attributed to one large provider reporting lower revenues, one large refund request and increased payments from taxes to support the Virginia Relay Center. This revenue source continues to show signs of decreasing. Staff will assess the impact of this decline on FY 2010 revenues at the fall retreat. Based on collections-to-date, it appears that communications tax revenue will be approximately \$11.4 million, a decrease of \$1.6 million below the FY 2009 Approved Budget and no change from the previous projections.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$12.4 million	\$13.0 million	\$11.4 million	\$10.4 million	\$9.6 million	(7%)

**Business License Taxes:** The City's Business License Tax was due March 2, 2009. Based on collections-to-date in the amount of \$26.8 million, which are based on 2008 gross receipts and filings, it appears that business license tax revenue will be approximately \$30.5 million, a decrease of \$3.0 million below the FY 2009 Approved Budget and \$0.1 million below the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$32.0 million	\$33.5 million	\$30.5 million	\$31.0 million	\$29.3 million	(5%)

**Transient Lodging Taxes:** Transient lodging taxes are remitted to the City within one month of collections. The amount of local tax levied on hotel and motel room rentals is 6.5 percent of the room charge plus a \$1 per room per night lodging fee. The rate was increased by one percentage point from 5.5 percent plus \$1 as part of the FY 2009 Approved Budget. This rate increase was expected to generate \$1.6 million in additional revenue per year. January transient lodging tax collections were 17 percent higher than last year, mainly due to the inauguration. More recent collections showed a decrease in the number of rooms utilized in the spring, with some slowing of the decrease in June. Based on collections-to-date, it appears that transient lodging tax collections will be approximately \$10.7 million, a \$0.8 million decrease below the FY 2009 Approved Budget and \$0.3 million below the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$8.5 million	\$11.5 million	\$10.7 million	\$7.7 million	\$9.5 million	24%

**Restaurant Meals Taxes:** Meals and alcoholic beverage taxes are due to the City within 30 days of the month the sales occurred. Alexandria's restaurant meals tax was increased by 1.0 percentage point from 3.0 percent to 4.0 percent as part of the FY 2009 Approved Budget. For FY 2009, this rate increase was expected to generate approximately \$3.7 million in additional

revenue. Based on collections-to-date and an expected further decrease in travel, it appears that restaurant meals tax collections will be approximately \$14.9 million, a \$0.1 million decrease below the FY 2009 Approved Budget and no change from the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$11.0 million	\$15.0 million	\$14.9 million	\$9.9 million	\$13.2 million	34%

**Cigarette Taxes:** Businesses remit cigarette tax revenue to the Northern Virginia Cigarette Board. This revenue is then forwarded to the City approximately 30 days after the end of the month in which the sales occurred. Based on collections-to-date, it appears that cigarette tax collections will be approximately \$2.8 million, a \$0.1 million increase over the FY 2009 Approved Budget. There has been no change since the projection provided to Council with the FY 2010 Approved Budget.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$2.7 million	\$2.7 million	\$2.8 million	\$2.5 million	\$2.5 million	1%

**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. While lower interest rates have resulted in some refinancing, it is not significant enough to change the projection at this time. Based on collections-to-date and the current volume of real estate and refinancing transactions, it appears that actual collections will be approximately \$3.1 million, a decrease of \$1.7 million below the FY 2009 Approved Budget and no change from the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$4.9 million	\$4.8 million	\$3.1 million	\$4.6 million	\$2.9 million	(38%)

**Intergovernmental Revenues:** Revenues in this category include Federal Prisoner per diem and indirect costs. The budgeted increase reflects payments from a new agreement. Payments received from this agreement with the Office of Federal Detention Trustee have averaged \$0.5 million per month for the first half of the year. An increase in indirect costs of \$0.2 million is the result of efforts by City staff to identify additional indirect human service costs that are eligible for reimbursement. There has been no change from the projection provided to Council with the FY 2010 Approved Budget.

	FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage change
Federal	\$7.7 million	\$7.3 million	\$7.7 million	\$6.0 million	\$6.8 million	13%
State – Personal Property Tax Relief Revenue from the Commonwealth	\$23.6 million	\$23.6 million	\$23.6 million	\$23.6 million	\$23.6 million	-
	\$23.1 million	\$22.0 million	\$22.2 million	\$21.7 million	\$20.7 million	(5%)
Total	\$58.5 million	\$52.9 million	\$53.5 million	\$51.3 million	\$51.1 million	(1%)

**Fines and Forfeitures:** Due to a decrease in collections as compared to budget for court fines and parking tickets, and since \$0.3 million in Red Light Cameras revenue included in the FY 2009 Budget has not yet been realized (because the program has not been fully initiated), it appears that actual collections will be approximately \$4.0 million, a decrease of \$0.8 million below the FY 2009 Approved Budget and no change from the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$3.9 million	\$4.8 million	\$4.0 million	\$3.8 million	\$4.1 million	6%

**Licenses and Permits:** Permit revenues continue to remain stagnant due to a slowdown in the construction market. Based on collections-to-date, it appears that actual collections will be approximately \$4.7 million, a decrease of \$1.4 million below the FY 2009 Approved Budget and no change from the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$4.8 million	\$6.1 million	\$4.7 million	\$4.9 million	\$4.8 million	0%

**Charges for Services:** Revenues in this category include refuse user charges, ambulance fees, clerk fees and parking meter receipts and reflects higher fee rates as well as parking revenue from the new pay box system in the Carlyle area. Based on collections-to-date, staff projects that actual collections will be approximately \$12.2 million, a decrease of \$2.3 million below the FY 2009 Approved Budget and \$0.3 million above the previous projection. The increase is partly attributable to increased parking meter collections over the last several months.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$11.3 million	\$14.5 million	\$12.2 million	\$11.1 million	\$12.2 million	10%

**Revenue from Use of Money & Property:** Revenues in this category include interest on investments, parking garage/lot fees and rental of property income. Based on lower interest rates and revenue earned to date, it appears that actual revenue will be approximately \$4.6 million, a decrease of \$1.4 million below the FY 2009 Approved Budget and no change from the previous projection.

FY 2008 Actuals	FY 2009 Budget	FY 2009 Projection	FY 2008 Year-to-Date	FY 2009 Year-to-Date	Percentage Change
\$9.0 million	\$6.0 million	\$4.6 million	\$8.2 million	\$4.6 million	(45%)

**EXPENDITURES (Attachment 2):** As of June 30, 2009, actual General Fund expenditures totaled \$493.0 million, an increase of \$11.9 million or 2.5 percent over the same period last year. The Approved General Fund Budget is 2.4 percent higher than the FY 2008 amended budget. The FY 2009 budget includes an appropriation of \$5.6 million for Other Post Employment Benefit (OPEB) obligations for retiree health and life insurance, as an initial payment to the recently established OPEB trust fund. This payment was made at the beginning of the fiscal year.

The City staff has committed to meeting City Council’s budget guidance contained in Resolution 2303 (Section 10) to implement \$2 million in additional cuts to the FY 2009 budget. Based on these preliminary expenditures, City staff will be able to produce these \$2 million expenditure savings. Staff is also forecasting an additional \$2.3 million in revenue savings at this time to provide at least a \$4.3 million surplus to be added as a FY2010 revenue shortfall reserve.

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:

**Annual Expenditures:** Although this is the June report, it does not reflect final expenditures as the City uses (as required) a modified accrual method of accounting. See attachment IV for additional discussion. As a result, not all FY 2009 expenditures had been recorded as of June 30. Also, contractual encumbrances have not yet been finalized for FY 2009.

**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 2009, the following departments have equipment replacement funds large enough to impact their General Fund expenditure patterns at the beginning of the year:

- Police - \$1.6 million

- T&ES - \$0.6 million
- Fire - \$1.3 million
- Mental Health/Mental Retardation/Substance Abuse - \$0.1 million

**Contributory Payments:** The City makes some payments, such as contributions to the Washington Metropolitan Area Transit Authority (WMATA), on a quarterly or semiannual basis. Since these payments are made less frequently 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 the Peumansend Creek Regional Jail and the Northern Virginia Criminal Justice Training Academy.
- Other Planning and Economic Development Activities: This category includes quarterly payments to community agencies such as the Alexandria Small Business Development Center and 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.

After transfers made to the following departments in the June transfer resolution, no City functions are expected to exceed their General Fund Appropriations:

**Planning and Zoning:** \$300,000

**Registrar:** \$125,000

**Human Services:** \$255,000

**Fire:** \$400,000

**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 at 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 a post-employment benefits trust, the public safety pension plan, senior citizens' rent relief and payment for the City's liability insurance. The increase from the prior year represents a budgeted payment of \$5.6 million made at the beginning of the year to the post-employment benefits trust, where it has been invested.

**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:**

Bruce Johnson, Chief Financial Officer

Laura B. Triggs, Director of Finance

Ray Welch, Acting Comptroller

## EXPLANATION OF MODIFIED ACCRUAL ACCOUNTING

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 before June 30, 2009, but not actually received by the City until July or August, are counted or accrued as FY 2009 revenues. These accrued revenues will 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;
- Communication Tax billed by the applicable 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 Alexandria restaurants in June and remitted to the City in July;
- Tobacco Tax revenue collected by the Northern Virginia Cigarette Tax 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.

The GASB also requires the City to recognize certain General Fund 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, fiscal year end revenues in the following categories will eventually include collections through August 15:

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

Expenditures in this report reflect actual cash disbursements through June 30, 2009. In accordance with accounting and reporting requirements established by the GASB and the APA, bills for goods and services received before June 30, 2009, but not paid before June 30, 2009, are considered expenditures for FY 2009 and later, when paid, will be treated as FY 2009 expenditures.

**CITY OF ALEXANDRIA, VIRGINIA  
COMPARATIVE STATEMENT OF REVENUES  
GENERAL FUND  
FOR THE PERIODS ENDING JUNE 30, 2009 AND JUN 30, 2008**

	FY2009 APPROVED BUDGET	FY2009 REVENUES THRU 06/30/09	% OF BUDGET	FY2008 REVENUES THRU 06/30/08
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 293,600,498	\$ 295,513,607	100.7%	\$ 285,760,699
Personal Property Taxes.....	33,700,000	35,678,087	105.9%	34,598,562
Penalties and Interest.....	1,770,000	1,781,422	100.6%	1,620,877
<b>Total General Property Taxes</b>	<u>\$ 329,070,498</u>	<u>\$ 332,973,116</u>		<u>\$ 321,980,138</u>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 22,000,000	17,441,772	79.3%	\$ 19,857,940
Consumer Utility Taxes.....	10,700,000	9,562,060	89.4%	9,345,912
Communication Sales and Use Taxes.....	13,000,000	9,633,065	74.1%	10,409,601
Business License Taxes.....	32,013,000	29,306,061	91.5%	30,996,326
Transient Lodging Taxes.....	11,412,252	9,485,300	83.1%	7,651,922
Restaurant Meals Tax.....	15,000,000	13,238,132	88.3%	9,870,552
Tobacco Taxes.....	2,700,000	2,481,387	91.9%	2,451,217
Motor Vehicle License Tax.....	3,200,000	3,085,287	96.4%	3,197,245
Real Estate Recordation.....	2,800,000	2,850,943	101.8%	4,574,416
Admissions Tax.....	1,000,000	997,084	99.7%	972,526
Other Local Taxes.....	2,080,000	2,631,290	126.5%	2,092,953
<b>Total Other Local Taxes</b>	<u>\$ 115,905,252</u>	<u>\$ 100,712,381</u>	86.9%	<u>\$ 101,420,610</u>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 7,329,000	\$ 6,770,572	92.4%	\$ 6,026,171
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,530	100.0%	23,578,531
Revenue from the Commonwealth.....	21,986,481	20,770,088	94.5%	21,747,551
<b>Total Intergovernmental Revenues</b>	<u>\$ 52,894,012</u>	<u>\$ 51,119,190</u>	96.6%	<u>\$ 51,352,253</u>
<b>Other Governmental Revenues And Transfers In</b>				
Fines and Forfeitures.....	\$ 4,755,300	\$ 4,057,503	85.3%	\$ 3,811,620
Licenses and Permits.....	6,157,000	4,840,061	78.6%	4,852,623
Charges for City Services.....	11,594,877	12,207,907	105.3%	11,111,958
Revenue from Use of Money & Property.....	4,675,689	4,561,464	97.6%	8,244,558
Other Revenue.....	1,399,810	1,149,458	82.1%	669,268
Transfer from Other Funds.....	2,223,910	2,223,910	100.0%	-
<b>Total Other Governmental Revenues</b>	<u>\$ 30,806,586</u>	<u>\$ 29,040,303</u>	94.3%	<u>\$ 28,690,027</u>
<b>TOTAL REVENUE</b>	<u>\$ 528,676,348</u>	<u>\$ 513,844,990</u>	97.2%	<u>\$ 503,443,028</u>
<b>Appropriated Fund Balance</b>				
General Fund.....	4,600,000	-	0.0%	-
Reappropriation of FY 2008 Encumbrances And Other Supplemental Appropriations.....	18,346,645	-	0.0%	-
<b>TOTAL</b>	<u>\$ 551,622,993</u>	<u>\$ 513,844,990</u>	93.2%	<u>\$ 503,443,028</u>

100.0% of Fiscal Year Completed  
 100.0% of Payrolls Processed

Attachment 2

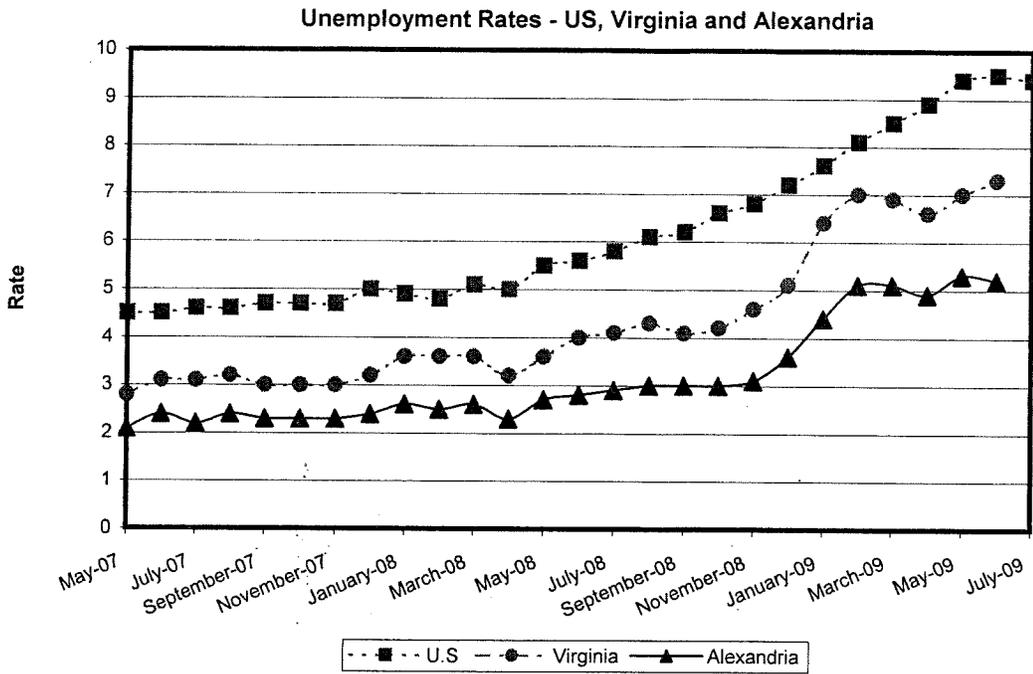
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION  
 GENERAL FUND  
 FOR THE PERIODS ENDING JUNE 30, 2009 AND JUNE 30, 2008**

FUNCTION	FY2009	FY2009	% OF	FY2008
	APPROVED BUDGET	EXPENDITURES THRU 06/30/09		BUDGET
Legislative & Executive.....	\$ 7,067,092	\$ 6,692,282	94.7%	\$ 6,575,771
Judicial Administration.....	\$ 38,733,781	\$ 38,078,237	98.3%	\$ 36,577,958
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 7,078,396	\$ 6,263,364	88.5%	\$ 7,365,979
Management & Budget.....	1,134,468	1,121,317	98.8%	1,121,234
Finance.....	10,116,030	9,084,233	89.8%	9,153,745
Real Estate Assessment.....	1,635,473	1,564,807	95.7%	1,606,266
Human Resources.....	3,306,913	3,135,889	94.8%	3,257,972
Planning & Zoning.....	6,666,625	6,400,405	96.0%	5,809,137
Economic Development Activities.....	3,485,182	3,435,816	98.6%	2,894,904
City Attorney.....	3,287,544	2,989,424	90.9%	3,517,593
Registrar.....	1,400,383	1,373,750	98.1%	1,073,349
General Services.....	12,133,554	11,360,891	93.6%	14,147,970
<b>Total Staff Agencies</b>	<b>\$ 50,244,568</b>	<b>\$ 46,729,896</b>	<b>93.0%</b>	<b>\$ 49,948,149</b>
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 28,481,370	\$ 26,646,815	93.6%	\$ 25,588,582
Fire.....	39,628,714	39,534,932	99.8%	37,476,683
Police.....	53,713,685	52,818,197	98.3%	50,414,496
Transit Subsidies.....	8,162,250	4,585,647	56.2%	6,435,510
Mental Health/Mental Retardation/ Substance Abuse.....	574,868	562,657	97.9%	515,508
Health.....	7,824,865	7,633,796	97.6%	7,696,869
Human Services.....	12,564,305	12,055,970	96.0%	11,765,934
Historic Resources.....	2,915,135	2,899,392	99.5%	2,978,357
Recreation.....	20,326,429	19,992,529	98.4%	20,505,676
<b>Total Operating Agencies</b>	<b>\$ 174,191,621</b>	<b>\$ 166,729,935</b>	<b>95.7%</b>	<b>\$ 163,377,615</b>
<b>Education</b>				
Schools.....	\$ 167,953,749	\$ 161,589,470	96.2%	\$ 154,577,198
Other Educational Activities.....	12,004	12,004	100.0%	12,399
<b>Total Education</b>	<b>\$ 167,965,753</b>	<b>\$ 161,601,474</b>	<b>96.2%</b>	<b>\$ 154,589,597</b>
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 31,900,635	\$ 31,900,635	100.0%	\$ 30,775,390
Non-Departmental.....	14,733,179	13,060,987	88.7%	7,333,265
Cash Capital.....	12,017,687	12,017,687	100.0%	14,261,518
Contingent Reserves.....	818,218	-	-	-
<b>Total Capital, Debt Service and Miscellaneous</b>	<b>\$ 59,469,719</b>	<b>\$ 56,979,309</b>	<b>95.8%</b>	<b>\$ 52,370,173</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 497,672,534</b>	<b>\$ 476,811,133</b>	<b>95.8%</b>	<b>\$ 463,439,263</b>
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)...</b>	<b>34,577,304</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer to Housing.....	4,505,328	1,315,701	29.2%	3,170,688
Transfer to Library.....	6,912,785	6,912,785	100.0%	6,957,746
Transfer to DASH.....	7,955,042	7,955,042	100.0%	7,491,522
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 551,622,993</b>	<b>\$ 492,994,661</b>	<b>89.4%</b>	<b>\$ 481,059,219</b>

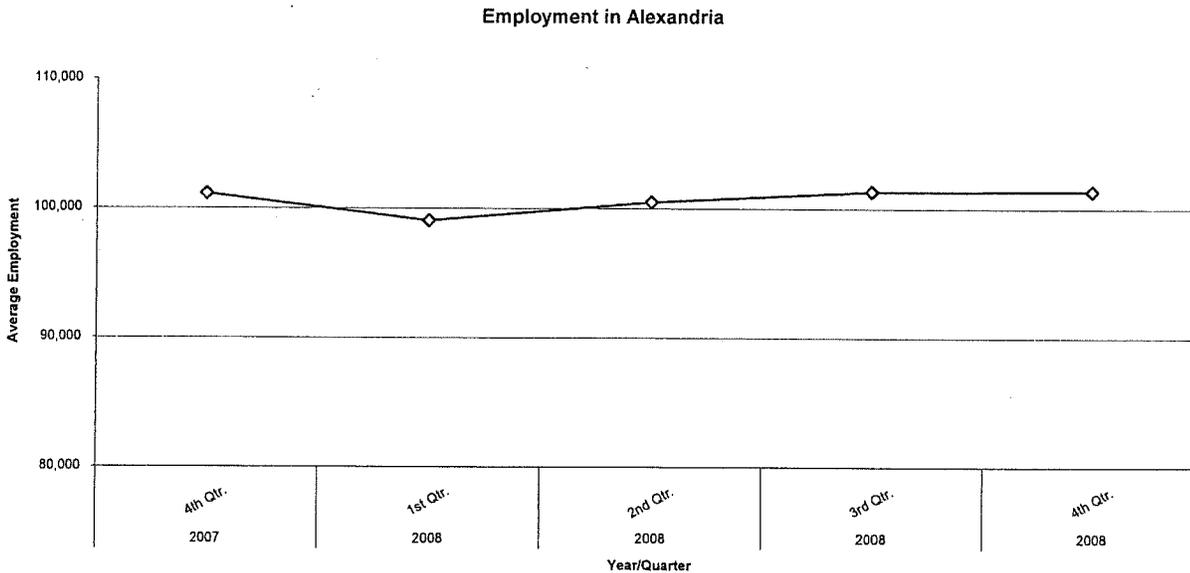
**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

	<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, 2009)	140.8	142.1	-0.9%
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<b><u>Unemployment Rates</u></b>			
<b>Alexandria (As of June 30, 2009)</b>			
	5.2%	2.8%	+86%
<b>Virginia</b>			
(As of June 30, 2009)	7.3%	4.0%	+83%
(Source: United States Department of Labor, Bureau of Labor Statistics, as adjusted)			
<b><u>United States</u></b>			
(As of July 31, 2009)	9.4%	5.8%	+62%
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<b><u>New Business Licenses</u></b>			
(During July 2009)			
(Source: Finance Department, Business Tax)	61	86	-29%
<b><u>Office Vacancy Rates</u></b>			
(As of June 30, 2009)			
<b>Alexandria</b>			
	14.6%	6.3%	+132%
<b>Northern Virginia (as of April 30, 2009)</b>			
	15.2%	13.2%	+15%
<b>Washington DC Metro Area</b>			
(Source: Grubb & Ellis)	14.2%	12.0%	+18%
<b><u>New Commercial Construction</u></b>			
(Fiscal YTD as of July 31, 2009)			
<b>Number of New Building Permits</b>			
	2	1	+100%
<b>Value of New Building Permits</b>			
	10.6	7.9	+34%
(Source: Fire Department Code Enforcement Bureau)			
<b><u>Residential Real Estate Indicators</u></b>			
(YTD ending June 30, 2009)			
<b>Residential Dwelling Units Sold</b>			
	906	874	+3.7%
<b>Average Residential Sales Price</b>			
	\$426,704	\$471,336	-9.5%
(Source: Department of Real Estate Assessments)			

City of Alexandria  
Selected Economic Indicators



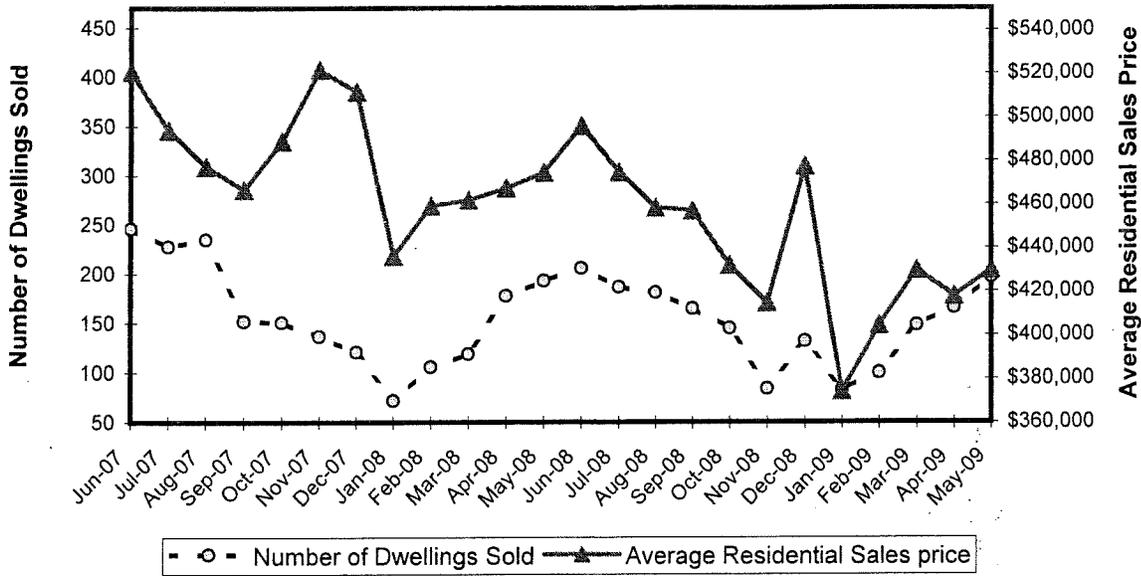
Source: United States Department of Labor, Bureau of Labor Statistics (as revised by BLS)



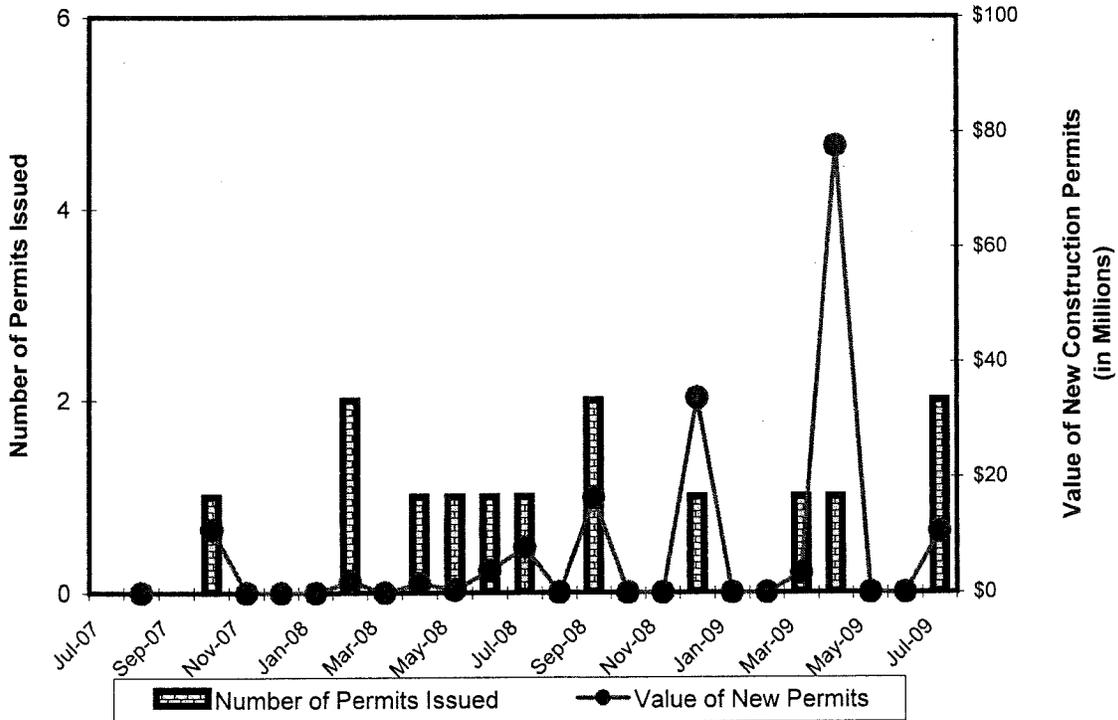
Source: Virginia Employment Commission, including the U.S. Patent and Trademark Office.

**City of Alexandria  
Selected Economic Indicators**

**Selected Residential Real Estate Indicators**

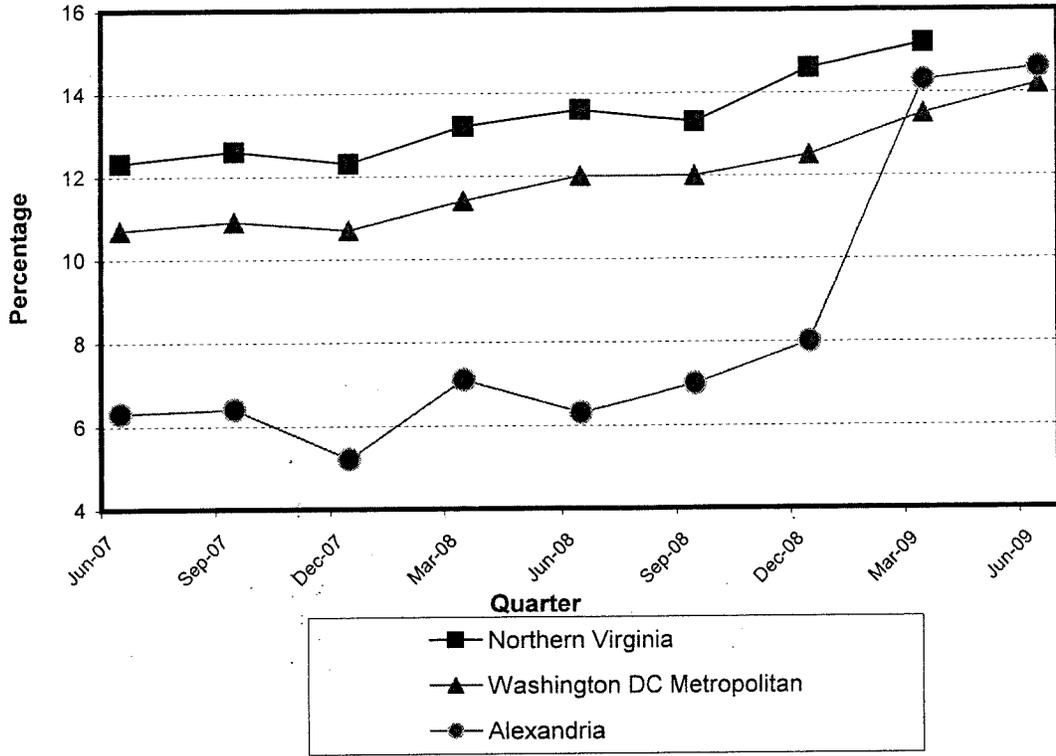


**Alexandria New Commercial Construction  
Number of Permits and  
Value of New Construction Permits**

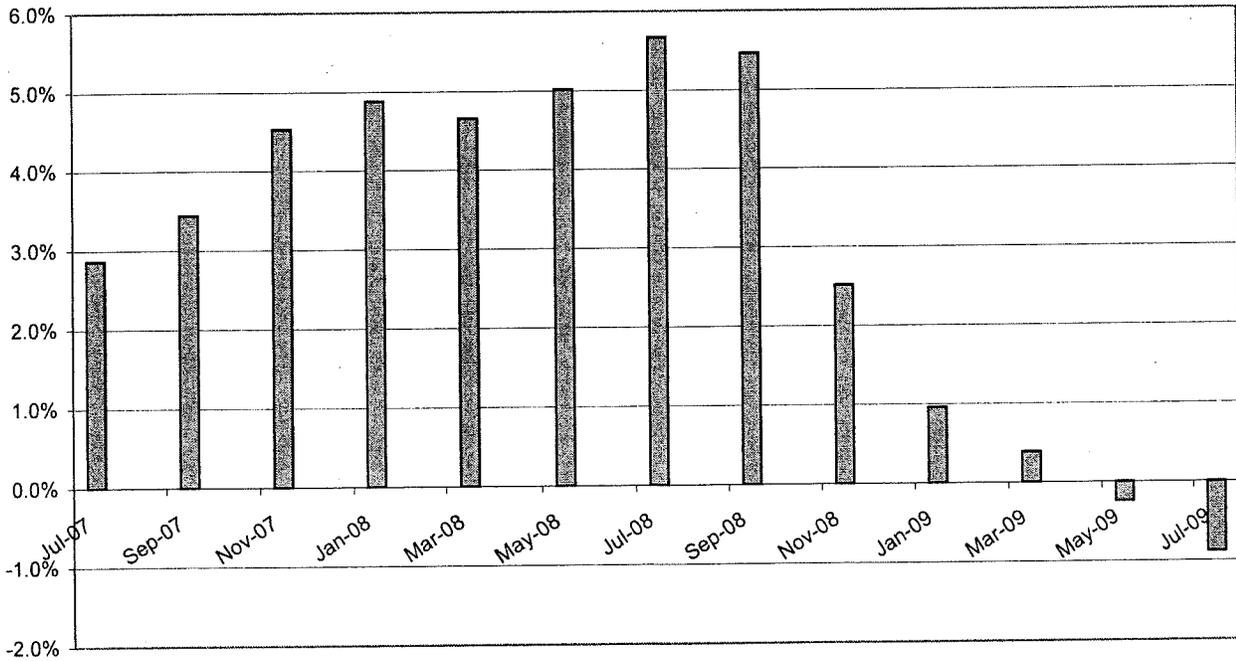


**City of Alexandria  
Selected Economic Indicators**

Office Vacancy Rates

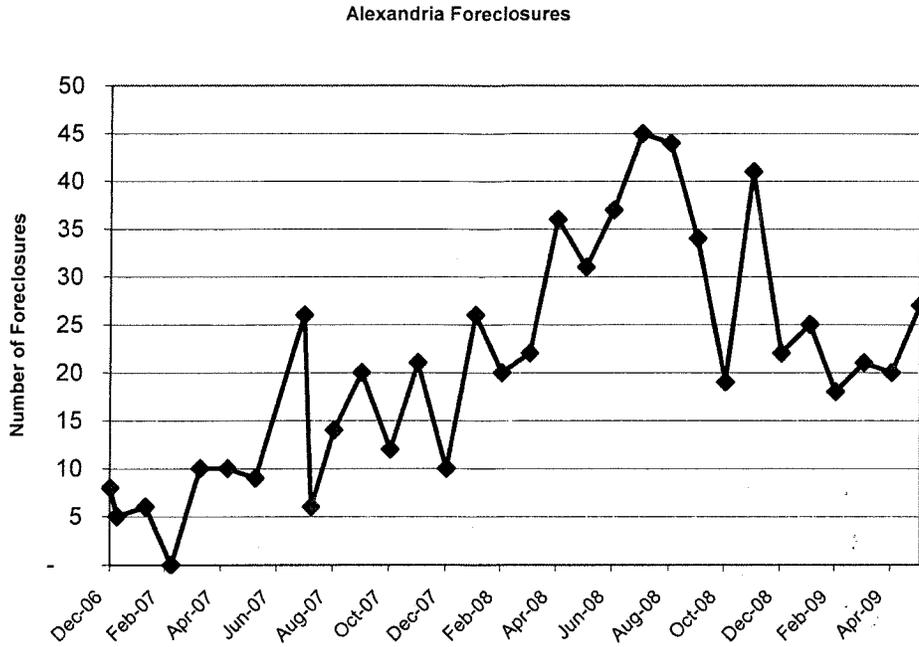


Twelve Month Annualized Percentage Change in Consumer Price Index  
Washington/Baltimore

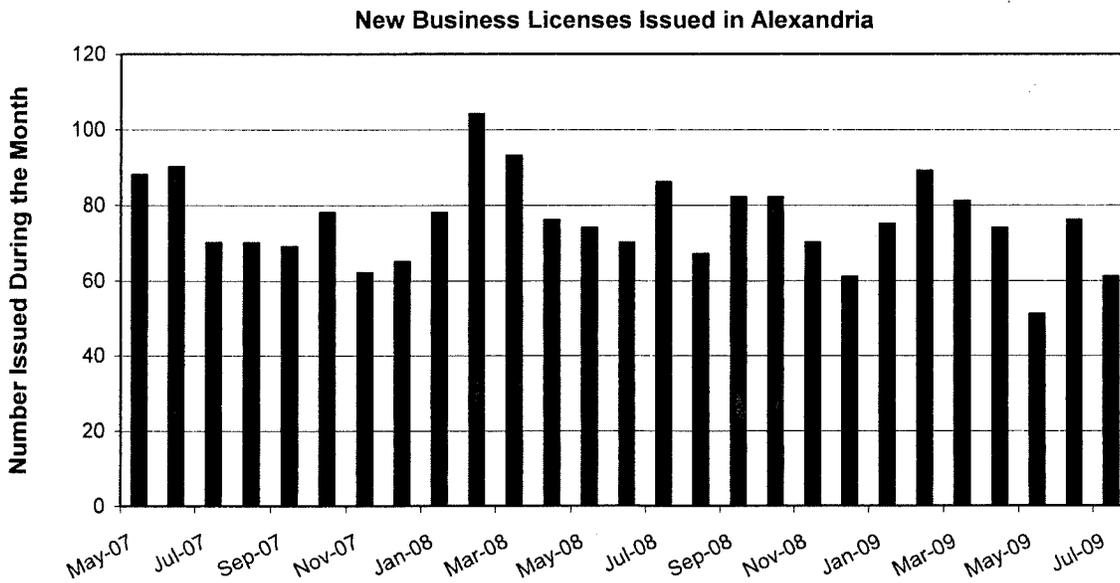


Source: United States Department of Labor, Bureau of Labor Statistics

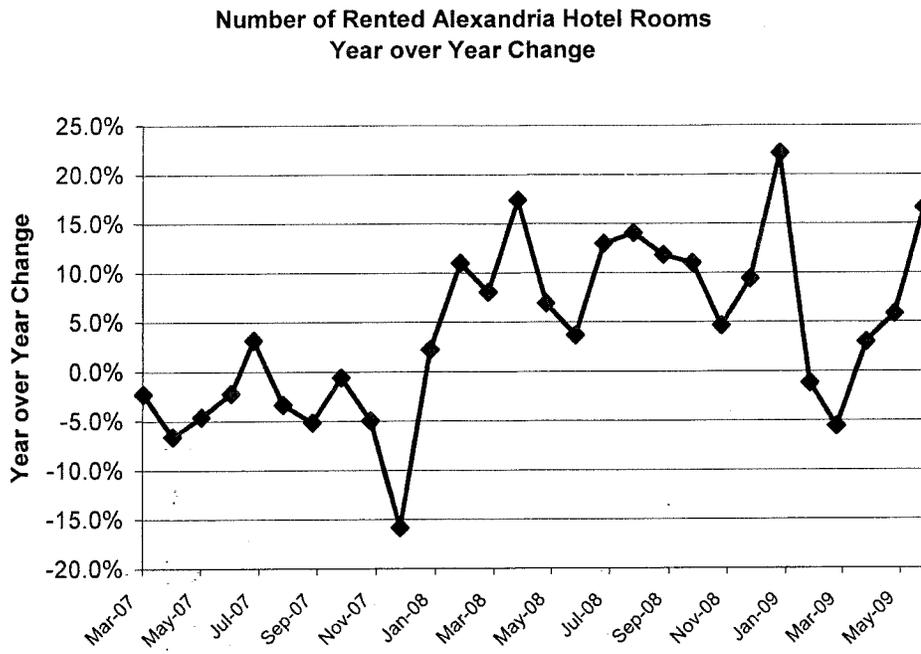
**City of Alexandria  
Selected Economic Indicators**



Source: Department of Real Estate Assessments



City of Alexandria  
Selected Economic Indicators



Source: Finance Department