

City of Alexandria, Virginia

MEMORANDUM

DATE: AUGUST 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 JULY 31, 2010

ISSUE: Receipt, on an informational basis, of the City's Monthly Financial Report for the period ending July 31, 2010. This report is informational in nature and will not be docketed for City Council Action. The August report will be docketed for the October 12, 2010, Council meeting.

DISCUSSION: This report includes highlights of the City's financial condition and provides fiscal year (FY) 2011 financial information on revenues and expenditures of the General Fund for the period ending July 31, 2010. Detailed economic, revenue, and expenditure charts are available from the City of Alexandria website at alexandriava.gov/financialreports.

Final revenues and expenditures for FY 2010 will be reported later this fall in the City's audited Comprehensive Annual Financial Report (CAFR). We are pleased to report that through prudent fiscal management, it appears that we have produced sufficient savings not only to cover an expected revenue shortfall in FY 2010 but also to provide additional surplus savings that can be used for such things as future one-time capital expenses, and/or to build up our reserves for future economic downturns, disasters, or other emergencies. The amount of that savings is not firm as it is being finalized. At the September 14 Council meeting, staff will provide an unaudited estimate of how the City finished FY 2010 financially. At this point we can say that revenue reestimates made in April were almost exactly on the mark. Those April reestimates, however, included a projected \$9.3 million shortfall in revenues compared to the original FY 2010 budget estimate made one year earlier at the time of adoption of the FY 2010 budget. (The 7 cent real estate tax rate increase added \$11.0 million in revenues in FY 2010, which have already been dedicated for future one-time capital expenses by City Council.) Budget Memo #68 (dated April 16, 2010) estimated that the City would cover \$8.1 of this \$9.3 million shortfall by reducing expenditures. We can now say that we have not only covered this shortfall but produced additional savings, primarily from careful departmental budget management.

ECONOMIC HIGHLIGHTS:

- **The national economy slowed in the second quarter.** Gross Domestic Product increased at an annualized rate of 1.6 percent, down from 3.7 percent in the first quarter.
- **Alexandria's economy is relatively strong compared to the national economy.** For the first time since the inauguration, the year-over-year increase in the one percent lodging tax exceeded the increase in the \$1 room tax, an indication of higher room rates.
- **Residential real estate market trends are mixed.** After the expiration of the homebuyer's tax credit, residential sales volume fell 19.6 percent compared to July, 2009 while the average sales price increased 1.7 percent.
- **The commercial real estate market is showing signs of improvement in at least one area.** The City's vacancy rate for office buildings fell to 11.7 percent in the 2nd quarter from 12.4 percent in the first quarter according to an index derived from CoStar data.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of July 31, 2010, actual General Fund revenues totaled \$1.8 million, which approximates FY 2010 revenues for the same period last year. Government accounting principles require that most taxes and intergovernmental revenues received in July are counted as revenue for the fiscal year ended June 30, 2010. See the online reference for more information.

- **Licenses and Permits:** The category decrease is due to transfer of approximately \$3.8 million in new construction fees from the General Fund to a special revenue account where they will be used to cover the cost of Code Enforcement's New Construction division.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of July 31, 2010, actual General Fund expenditures totaled \$33.7 million, an increase of \$3.0 million, or 9.9 percent, above expenditures for the same period last year. One month does not provide enough data to recognize any trends either positive or negative.

ONLINE REFERENCES:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

STAFF:

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