

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 25, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

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

ISSUE: Receipt, on an informational basis, of the City's Monthly Financial Report for the period ending May 31, 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. 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 increasingly visible in some of Alexandria's economy and some of Alexandria's revenue numbers.**
 - Unemployment declined to 4.5% in April from 5.3% in March.
 - Transient lodging receipts are well up from the previous year, and retail sales collections year-to-date are only modestly lower than in FY 2010.
 - The issuance of business licenses has continued to increase. The three month trailing average is positive compared to the prior year for the first time since January 2009.

- **The real estate market remains mixed for now.**
 - Residential sales volume and the average value of homes sold increased compared to last year, in part due to the upcoming expiration of the homebuyers tax credit.
 - A three month trailing average of new foreclosures reached its highest level since December 2008.
 - A new graph is included on the website showing the cumulative number of year-to-date new residential building permits. FY 2010 permits are lower than in the previous two years.
 - The value of commercial property's new construction is also significantly lower than last year.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of May 31, 2010, actual General Fund revenues totaled \$377.0, which is 3.1 percent above FY 2009 revenues of \$365.5 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. The projected shortfall remains the same and has not changed since the April 26 work session. 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. However, 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, which is recorded in the special stormwater fund and not included in this General Fund monthly financial report revenue estimate.

- **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 April are 2.0 percent below last year.
- **Other Local Taxes: Business License 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 May 31, 2010, actual General Fund expenditures totaled \$404.5 million, a decrease of \$7.4 million, or 1.8 percent, below expenditures for the same period last year.

- **Personnel and non-personnel costs:** With 91.7 percent of the fiscal year completed, total expenditures are 75.3 percent of budget. Personnel costs are running slightly below budget at 89.8 percent, reflecting the fact that 91.19 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 67.9 percent of the budget through the first eleven months of the fiscal year. Typically, the City's non-personnel expenditures are at 68.6 percent of the non-personnel budget through May.
- **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:

Bruce Johnson, Chief Financial Officer

Laura Triggs, Finance Director

Ray Welch, Comptroller

Melinda Barton, Revenue Collection Specialist

Eric Eisinger, Budget Analyst