

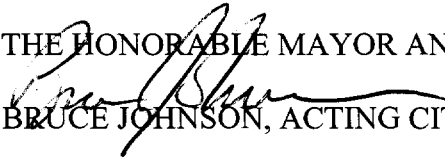
Revised

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 8, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM:  BRUCE JOHNSON, ACTING CITY MANAGER

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING SEPTEMBER 30, 2011

ISSUE: Receipt of the City's Monthly Financial Report for the period ending September 30, 2011.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending September 30, 2011.

DISCUSSION: Final revenues and expenditures for FY 2011 will be reported on this docket in the City's audited Comprehensive Annual Financial Report (CAFR). As discussed at the September 13 City Council meeting, we have produced a \$9.8 million surplus compared to the previously planned, budgeted and reserved revenue and expenditure amounts. This surplus is proposed to be used for: (1) \$2.7 million to increase uncommitted, unassigned fund balance so that it equals 5.5 percent of General Fund revenues, a target set by City financial/debt policy guidelines; (2) to establish an additional \$4.0 million reserve that may be needed to cope with either national economic or federal budget uncertainties; (3) \$2.4 million to meet the costs of disasters or other emergencies and, to the extent not necessary for these purposes, function as a reserve for future public safety needs; and (4) \$0.7 million to prepare for emergencies by improving emergency response capabilities as outlined to City Council at its legislative meeting on October 25, 2011.

ECONOMIC HIGHLIGHTS:

- **City of Alexandria unemployment rose slightly in August.** Non-seasonally adjusted unemployment in the City of Alexandria rose from 4.5 in July to 4.8 percent in August due to employment shrinking slightly faster than the labor pool, partially reflecting a seasonal trend of decreases in employment as summer jobs disappear and student workers return to school. Virginia unemployment increased from 6.3 percent in August to 6.5

percent in September. National unemployment remained unchanged at 9.1 percent for the third month in a row. Both state and national unemployment data are seasonally adjusted, while City data are not seasonally adjusted.

- **Fiscal year-to-date hotel occupancy rates increased in August.** The total average fiscal year-to-date occupancy rate for all hotel types increased from 62.8 percent in August 2010 to 65.3 percent in August 2011, with occupancy increasing in all hotel types except mid-range hotels. However, it is important to note that the one-month August total average occupancy rate for all hotel types was 59.1 percent, down from 61.2 percent in August 2010 and 69.0 percent in July 2011. The overwhelming majority of the year-over-year decrease is due to significant decreases in the budget and mid-range categories, which tend to reflect tourism rather than federal travel-related business. The month-over-month decrease seems to be partially explained by a seasonally recurring drop in occupancy in August.
- **Regional inflation slowed further in September.** The DC Consumer Price Index showed a year-over-year increase of 3.4 percent in September, compared to 3.8 percent in August and 4.1 percent in July. This is the smallest year-over-year increase since March. On a quarterly basis, regional CPI increased 3.6 percent from first quarter FY 2011 to first quarter FY 2012.
- **On another positive note, the City's residential housing market remains strong.** The three-month average for residential sales is up 18.1 percent over the same period last year, while calendar year-to-date sales are up 3.4 percent. The calendar year-to-date median sales value of residential properties is up 7.0 percent reflecting more sales of higher priced homes, as well as some underlying increase in home prices. Additionally, foreclosures have decreased 45 percent in calendar year 2011, compared to 2010.
- **National economic growth sped up in the third quarter, but there is still room for caution.** GDP expanded at a 2.5 percent annual rate in third quarter 2011, the fastest pace in a year and up from 1.3 percent in the previous quarter. After adjusting for inflation, GDP climbed to \$13.35 trillion last quarter, topping the \$13.33 trillion peak reached during the fourth quarter 2007. Helping to fuel this growth is business spending on equipment and software, which increased 17.4 percent, and increases in retail, home goods, and auto sales. The ATA trucking Index, a good indicator of future economic growth, is now above pre-recession rates. Despite the positive growth, most Federal Reserve Districts are still reporting subdued hiring and capital spending business plans. The willingness of individuals and companies to spend personal savings and make business investments is limited by a cautious mood toward the economic future. Events in Europe and in Congress are the primary contributors to this cautious mood.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of September 30, 2011, actual General Fund revenues totaled \$56.6 million, which is 8.0 percent higher than FY 2011 for the same period last year. Most of this increase is related to personal property taxes. Government accounting principles require that most taxes and intergovernmental revenues received in July are counted as revenue for the fiscal year ended June 30, 2011. See the online reference for more information. Three months does not provide enough data to recognize any trends either positive or negative.

- **Business License Taxes:** The decrease is a result of the timing of payments.
- **Other Local Taxes:** The decrease is a result of the timing of payments.
- **Personal Property Taxes/Motor Vehicle License:** The increase is a result of earlier payments by taxpayers. Bills were mailed earlier in FY 2012 than in FY 2011.
- **Charges for Service:** The increase is the result of the budgeted increase in meter fees implemented with the newly installed multi-space meters and the increase to \$1.75/hour with their installation.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of September 30, 2011, actual General Fund expenditures totaled \$120.4 million, an increase of \$6.1 million, or 5.3 percent, above expenditures for the same period last year. Personnel expenditures remain on par with last year. Non-personnel spending increased 9.1 percent. For most departments, differences in spending patterns for non-personnel this early in the year reflect the timing of bill payments and not necessarily changes in spending patterns. We are, and will continue to be, closely monitoring and controlling these expenditures to be at or below budget.

There are several departmental changes approved for FY 2012. Funds for the Department of Mental Health, Mental Retardation and Substance Abuse; the Department of Human Services; and the Office on Women are now appropriated into one agency: the Department of Community and Human Services. The Department of Emergency Communications, which was established in March of FY 2010, was expanded in February 2011 with the consolidation of the emergency communications functions of the Police and Fire Departments into the new department. When possible for comparison purposes, prior year amounts have been moved to the new departments.

- **Health Department:** The decrease reflects the timing of bills received from the Commonwealth for services provided
- **Fire Department:** As discussed during several City Council legislative meetings and during the FY 2012 budget process, the Fire Department has a continuing need to utilize overtime to maintain minimum staffing levels on frontline Fire and EMS units when firefighters and medics use leave and to fill vacancies from attrition. The new Fire recruit class hired in 2011 has started to reduce costs from the prior year. Another recruit class is now underway that will continue to reduce the need for overtime late in FY 2012.

Even with these changes, currently the Fire Department is projected to be over the current FY 2012 budget as adopted by City Council. OMB and Fire staff will continue to monitor overtime and other expenditures and revise the projections as needed.

- **Transit Subsidies:** The State Department of Rail and Public Transportation (DRPT) and the Northern Virginia Transportation Commission (NVTC) have now signed an FY 2012 funding agreement, and the State has resumed monthly transit assistance payments to NVTC for use by the localities to meet their regional and local transit subsidy requirements.
- **Debt Service:** The increase reflects budgeted debt service for new bonds issued in June 2009 and June 2010. A portion of the interest cost (\$1.2 million) is reimbursed from the federal government as part of the Build America Bonds program.
- **Registrar:** The increase reflects expenditures for the August primary election.
- **Non- Departmental:** Please note that General Fund expenditures do not include the costs for several emergencies shown in the following table. The City has been included in the Presidential declaration for Hurricane Irene, which makes certain expenditures eligible for federal re-imbursement. Staff is currently working with FEMA on the reimbursement request. As indicated above, the Acting City Manager has recommended that some of the FY 2011 surplus be available to cover the unreimbursed costs, as necessary.

Event	Cost	Other
Tropical Storm Lee	\$1.35 million	No declaration yet.
Hurricane Irene	0.70 million	Declaration could reduce to between \$0.2 and \$0.3 million.
Earthquake	0.50 million	
9/11 Terrorist Preparation	0.02 million	
Total of Cost Range: Between \$0.7 to \$2.6 million depending on the amounts eventually reimbursed.		

- **Schools:** The City will provide approximately 75 percent of the estimated funds required to operate the City public school system in FY 2012.

ONLINE REFERENCES:

- Online Reference 1-The Economy
- Online Reference 2-Revenues
- Online Reference 3-Expenditures

STAFF:

Matthew Behrens, Budget/Management Analyst, OMB

Morgan Routt, Assistant Director, OMB

Laura Triggs, Acting Chief Financial Officer

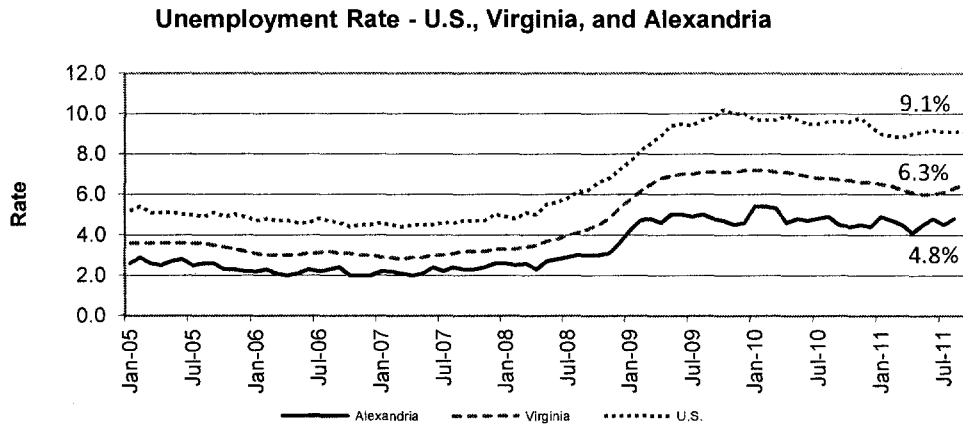
Ray Welch, Comptroller

Melinda Barton, Public Information Specialist

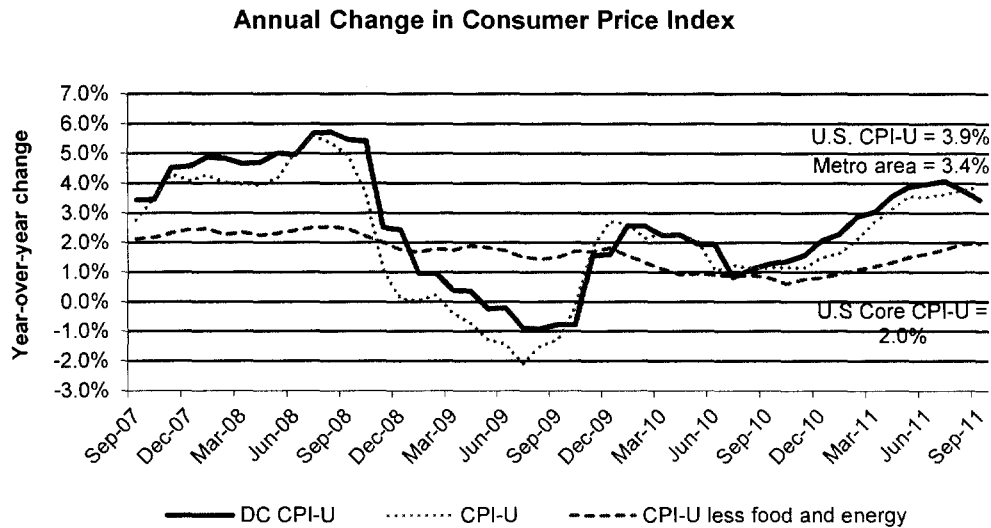
SELECTED ECONOMIC INDICATORS

Attachment 1

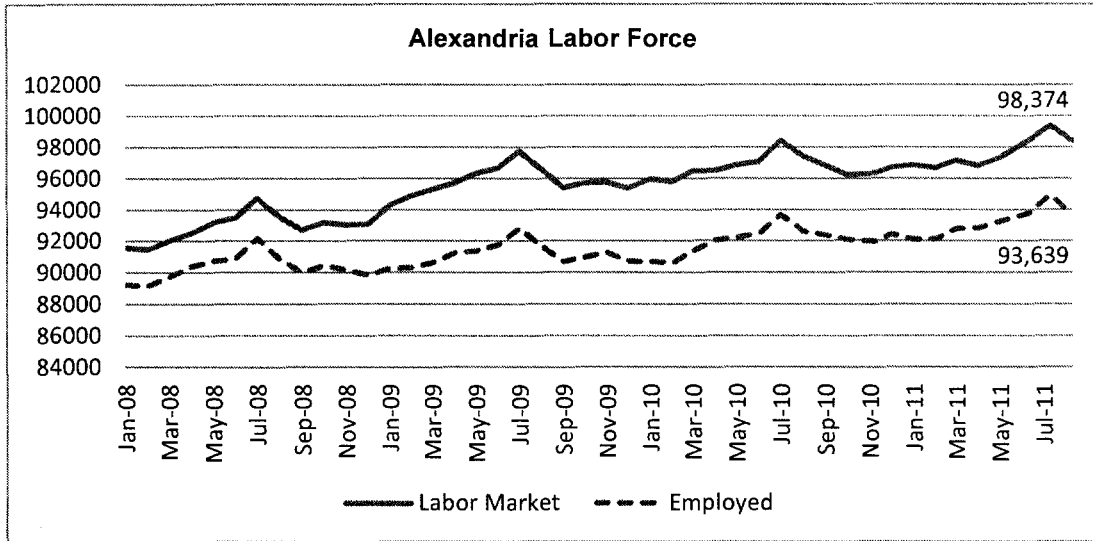
	Change on Previous Year		
<u>Consumer Price Index (CPI-U)</u>			
for the Washington-Baltimore, DC-MD-VA-WV Area (as of September 2011)	3.4%		
For the United States (as of September 2011)	3.9%		
Core CPI-U (excludes food and energy) (As of September 2011)	2.0%		
(Source: U.S. Department of Labor, Bureau of Labor Statistics)			
<u>Unemployment Rates</u>			
	Current Month	Prior Month	Prior Year
Alexandria (as of August, 2011)	4.8%	4.5%	4.9%
Virginia (as of September, 2011)	6.5%	6.3%	6.7%
United States (as of September, 2011)	9.1%	9.1%	9.6%
(Source: U.S. Department of Labor, Bureau of Labor Statistics)			
<u>Office Vacancy Rates</u>			
	Current Quarter	Prior Quarter	Prior Year
Alexandria	13.0%	12.1%	12.1%
Northern Virginia	12.7%	12.6%	12.8%
Washington, DC Metro area (As of 2nd quarter, 2011)	11.5%	11.3%	12.0%
(Source: CoStar)			
	Current Year	Prior Year	Change on Previous Year
<u>New Business Licenses</u>			
3 month trailing average (As of September 2011)	57	72	-20.8%
(Source: Finance Department)			
<u>New Commercial Construction (excluding Apartment Buildings) and Building Renovations</u> (Fiscal YTD as of September 2011)			
Number of new building permits	0	0	0.0%
Value of new building permits (\$ millions)	\$0	\$0	0.0%
(Source: Office of Code Administration)			
<u>New Multi-family Construction (including Apartment & Condominium Buildings)</u> (Fiscal YTD as of September 2011)			
Number of new building permits	4	0	-
Value of new building permits (\$ millions)	\$12.8	\$0.0	-
<u>Residential Real Estate Indicators</u>			
Residential Dwelling Units Sold (Calendar YTD ending September 2011)	1,350	1,306	3.4%
Median Residential Sales Price (As of September 2011)	\$495,000	\$459,250	7.8%
(Source: Department of Real Estate Assessments)			
<u>Foreclosures</u>			
3 month trailing average (As of September 2011)	19	30	-36.7%
Source: Dept of Real Estate Assessments			



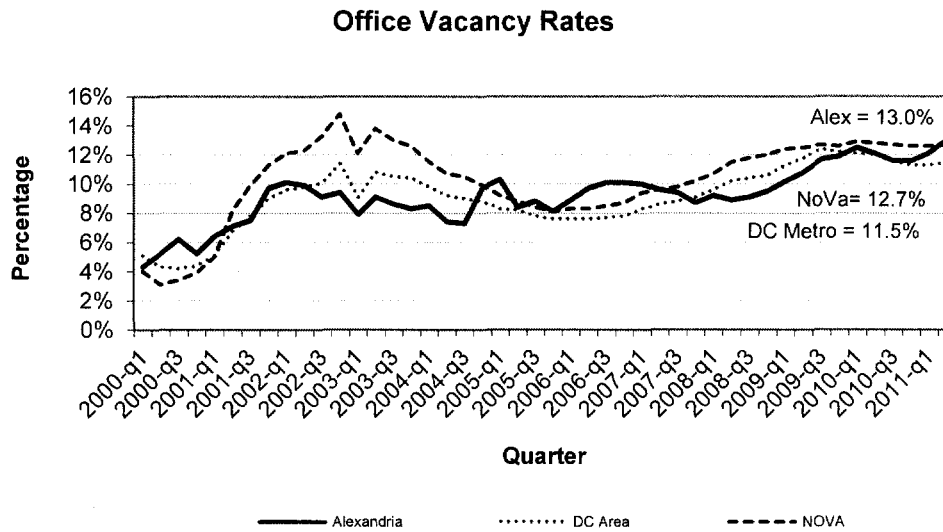
Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. and Virginia through September 2011; Alexandria through August 2011
 *Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-adjusted.



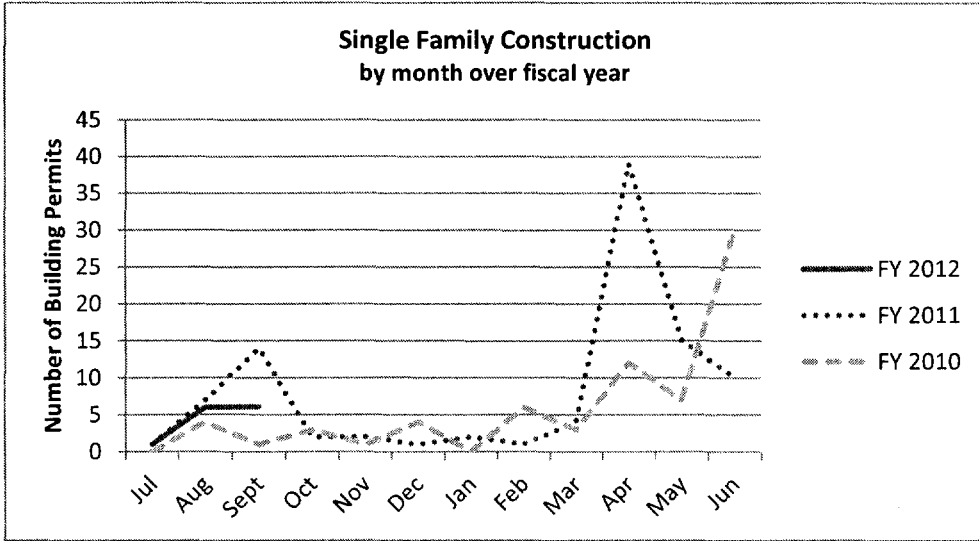
Source: U.S. Department of Labor, Bureau of Labor Statistics
 Through September 2011



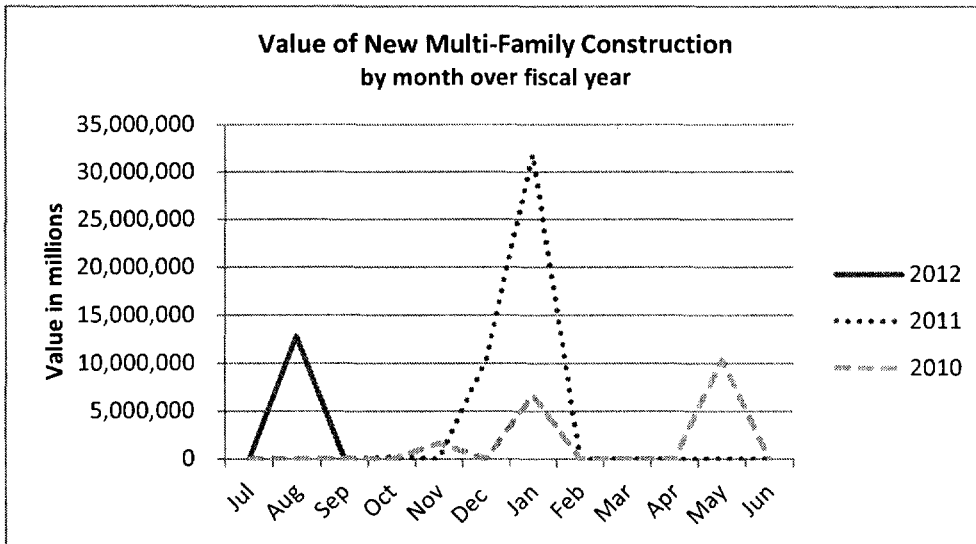
Source: Virginia Employment Commission
 Through August 2011
 *Not seasonally adjusted.



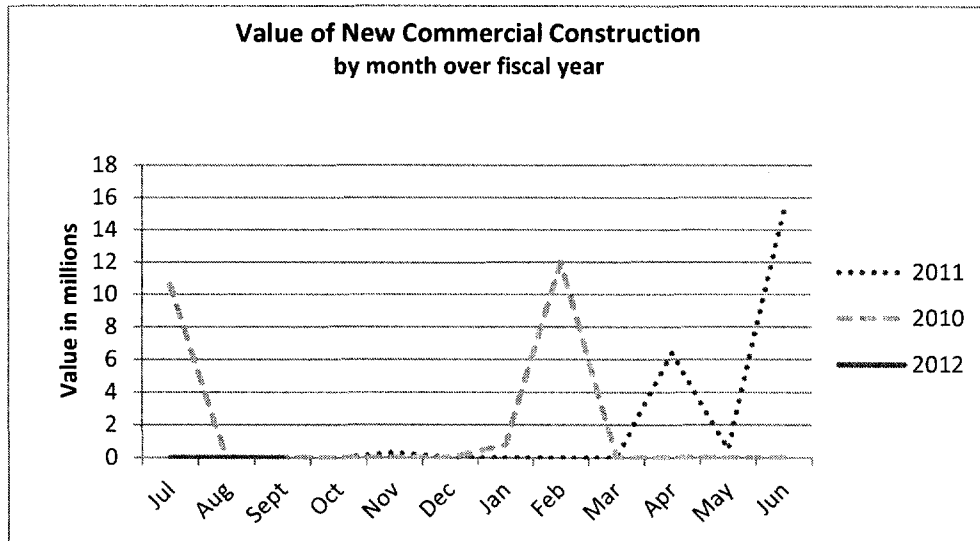
Source: CoStar
 Through 2nd quarter, 2011



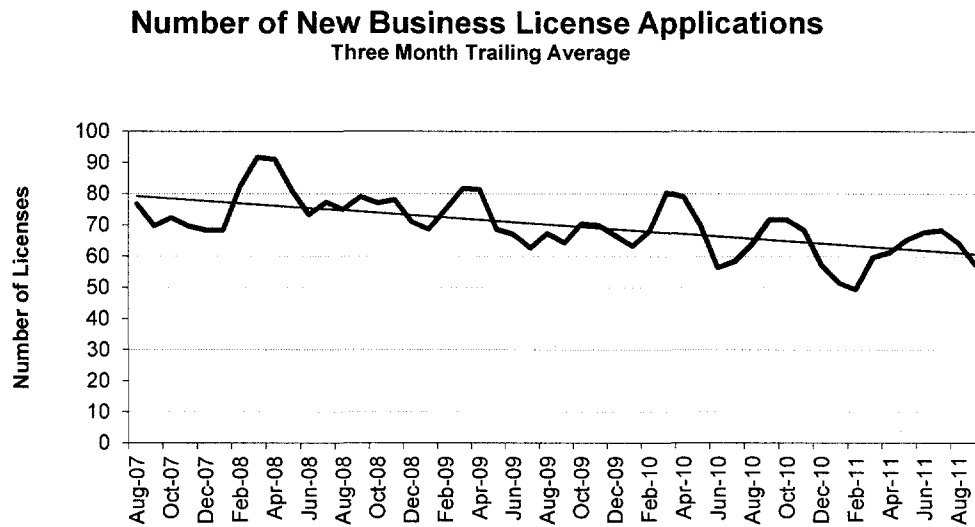
Source: Code Enforcement
Through August 2011



Source: Code Enforcement
Through August 2011

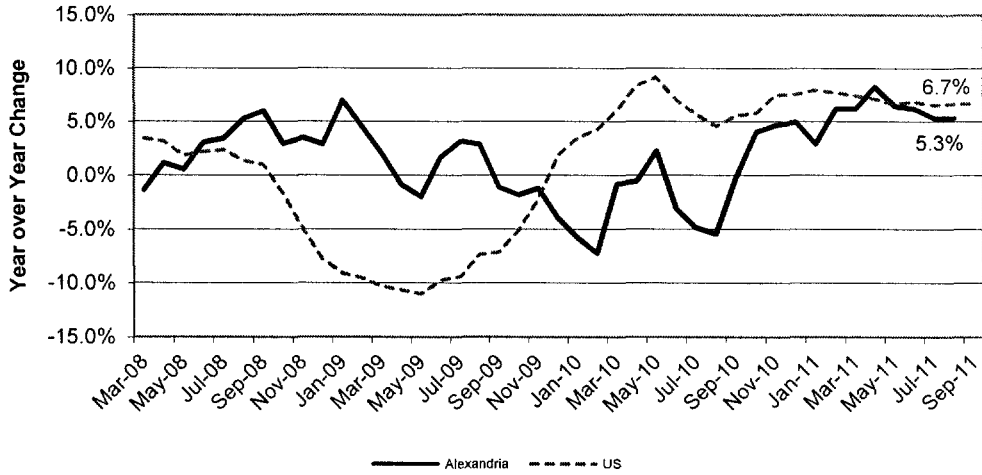


Source: Code Enforcement
Through August 2011



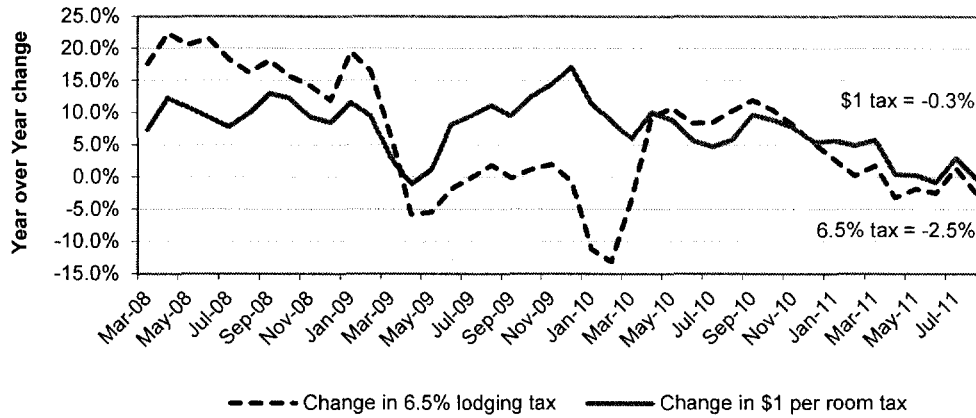
Source: Finance Department
Through August 2011

**Annual Change in U.S. Retail Sales
& Alexandria Sales Tax Collections**
3 month trailing average

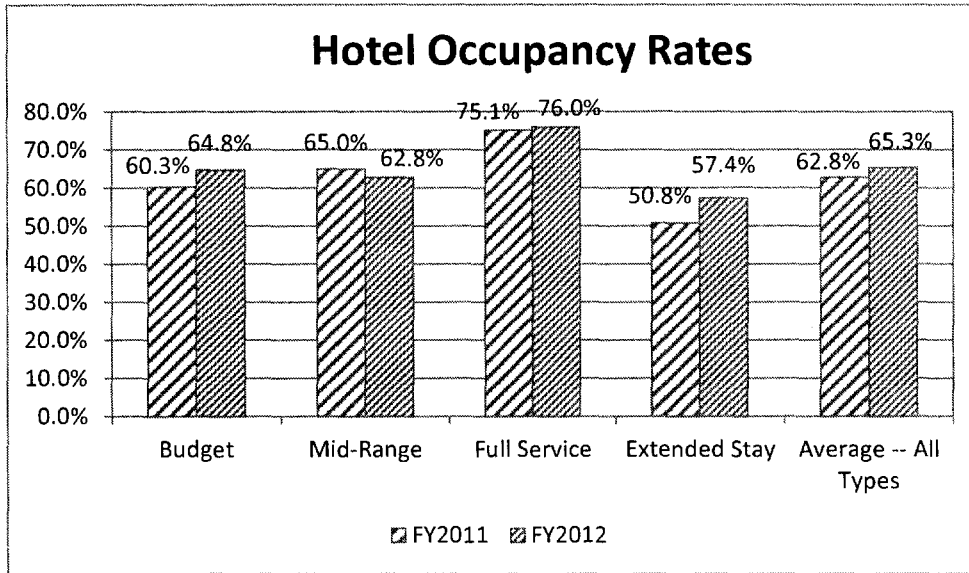


Source: Finance Department, U.S. Census Bureau
U.S. data through September 2011; Alexandria data through August 2011

Annual Change in Transient Lodging Tax Receipts
3 month trailing average

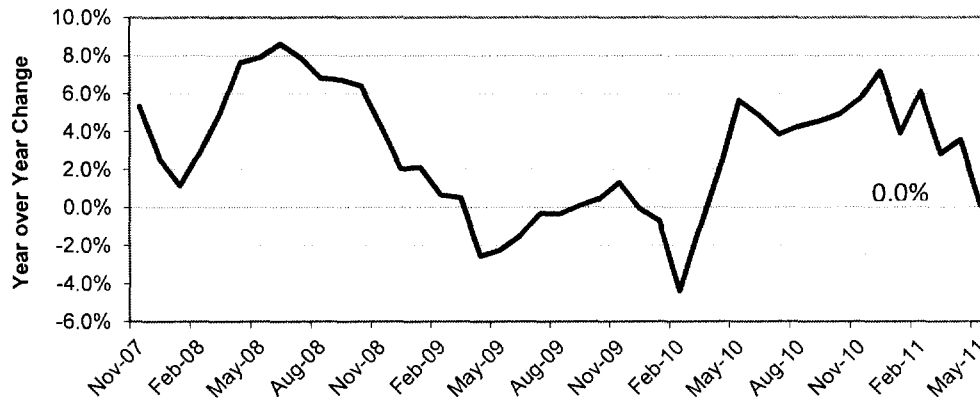


Source: Finance Department
Through August 2011



Source: Finance Department
Through August 2011

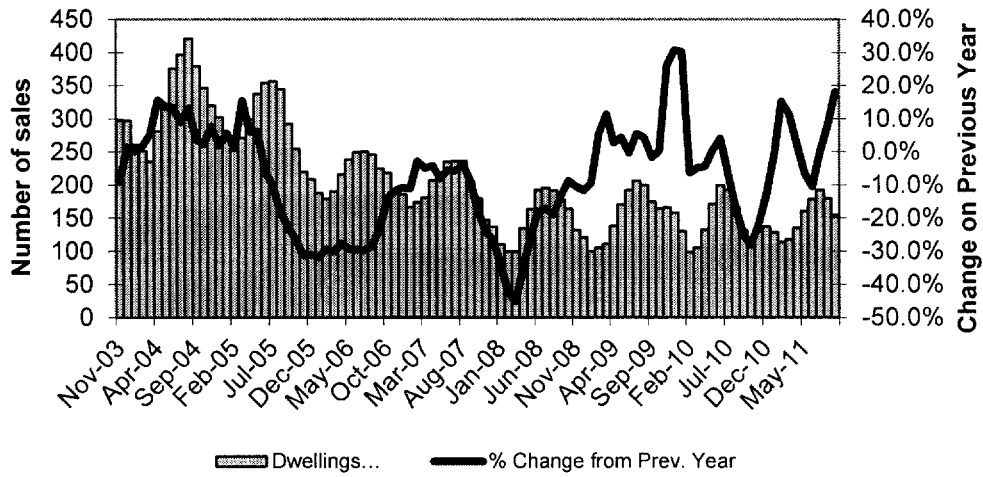
Annual Change in Meals Tax Revenue Per 1 % of Tax 3 month trailing average



Source: Finance Department
Through May 2011*

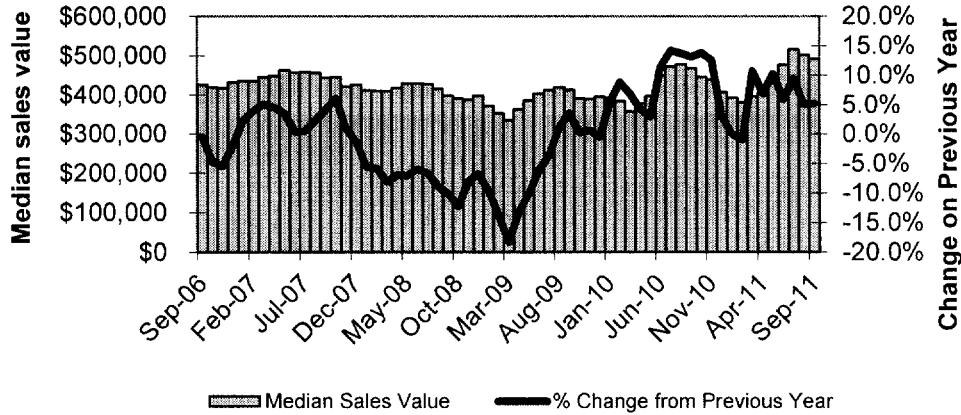
*Meals tax collections typically lag because there are restaurant filings and payments that have not been processed by the end-of-the-month deadline.

Alexandria Residential Property Sales Volume
Three Month Trailing Average



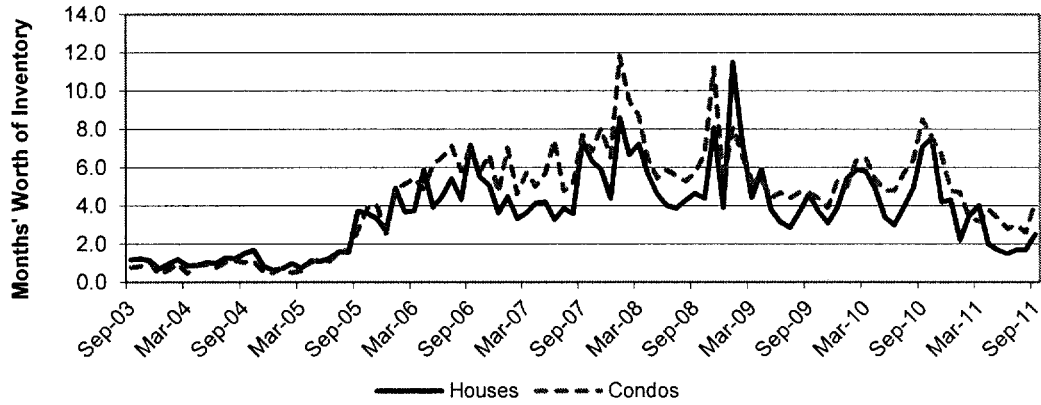
Source: Department of Real Estate Assessments
 Through September 2011

Alexandria Residential Property Median Sales Value
Three Month Trailing Average



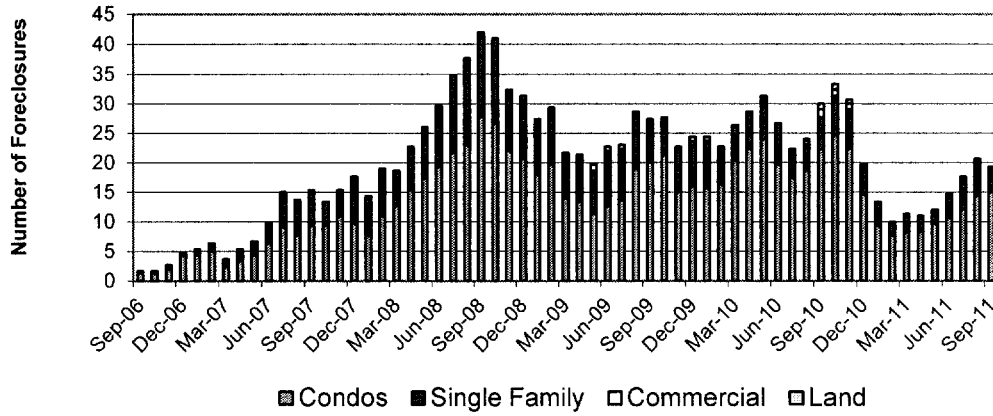
Sources: Metropolitan Regional Information Systems; Department of Real Estate Assessments
 Through September 2011

Inventory
Months' Worth of Inventory for Sale
City of Alexandria
2002 - present



Source: Metropolitan Regional Information Systems
 Through September 2011

New Foreclosures in Alexandria
3 month trailing average



Source: Department of Real Estate Assessments
 Through September 2011

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2010**

	A	B	C	D=C/B	E	F=(C-E)/E
	FY2011 PRE-AUDIT ACTUALS	FY2012 REVISED BUDGET	FY2012 REVENUES THRU 09/30/11	%	FY2011 REVENUES THRU 09/30/10	%
				OF BUDGET		CHANGE
General Property Taxes						
Real Property Taxes.....	\$ 312,641,695	\$ 321,674,773	\$ 2,103,684	0.7%	\$ 1,151,708	83%
Personal Property Taxes.....	34,891,944	34,600,000	19,615,854	56.7%	16,593,977	18%
Penalties and Interest.....	2,246,186	1,870,000	215,802	11.5%	165,632	30%
Total General Property Taxes	\$ 349,779,825	\$ 358,144,773	\$ 21,935,340	6.1%	\$ 17,911,317	22%
Other Local Taxes						
Local Sales and Use Taxes.....	\$ 23,880,909	\$ 24,200,000	\$ 1,947,945	8.0%	\$ 1,897,322	3%
Consumer Utility Taxes.....	10,812,989	11,200,000	1,866,155	16.7%	1,817,066	3%
Communication Sales and Use Taxes.....	11,259,534	11,600,000	1,112,874	9.6%	960,069	16%
Business License Taxes.....	30,444,798	31,825,000	245,164	0.8%	882,078	-72%
Transient Lodging Taxes.....	11,245,201	12,500,000	1,861,810	14.9%	1,880,929	-1%
Restaurant Meals Tax.....	16,214,900	16,300,000	2,509,381	15.4%	2,571,427	-2%
Tobacco Taxes.....	2,777,053	2,900,000	473,306	16.3%	501,417	-6%
Motor Vehicle License Tax.....	3,324,937	3,200,000	1,510,251	47.2%	1,264,278	19%
Real Estate Recordation.....	3,668,663	3,800,000	814,902	21.4%	519,678	57%
Admissions Tax.....	1,082,685	1,100,000	223,054	20.3%	227,183	-2%
Other Local Taxes.....	3,547,688	2,705,000	4,510	0.2%	171,753	-97%
Total Other Local Taxes	\$ 118,259,357	\$ 121,330,000	\$ 12,569,352	10.4%	\$ 12,693,200	-1%
Intergovernmental Revenues						
Revenue from the Fed. Government.....	\$ 9,697,509	\$ 9,447,640	\$ 590,982	6.3%	\$ 562,472	5%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	11,789,265	50.0%	11,789,265	0%
Revenue from the Commonwealth.....	20,452,569	19,950,485	4,277,698	21.4%	4,555,674	-6%
Total Intergovernmental Revenues	\$ 53,728,609	\$ 52,976,656	\$ 16,657,945	31.4%	\$ 16,907,411	-1%
Other Governmental Revenues And Transfers In						
Fines and Forfeitures.....	\$ 4,472,520	\$ 4,764,000	\$ 963,160	20.2%	\$ 1,032,211	-7%
Licenses and Permits.....	2,543,789	2,049,975	666,361	32.5%	599,429	11%
Charges for City Services.....	14,939,668	14,709,303	2,663,619	18.1%	2,302,372	16%
Revenue from Use of Money & Prop.....	3,591,323	3,570,000	985,640	27.6%	956,004	3%
Other Revenue.....	987,727	490,000	213,957	43.7%	178,737	20%
Transfer from Other Funds.....	1,446,713	1,666,903	-	0.0%	-	0%
Total Other Governmental Revenues	\$ 27,981,740	\$ 27,250,181	\$ 5,492,737	20.2%	\$ 5,068,753	8%
TOTAL REVENUE	\$ 549,749,531	\$ 559,701,610	\$ 56,655,374	10.1%	\$ 52,580,681	8%
Appropriated Fund Balance						
General Fund.....	-	8,961,138	-	-	-	0%
Reappropriation of FY 2011 Encumbrances And Other Supplemental Appropriations....	-	1,788,689	-	-	-	0%
TOTAL	\$ 549,749,531	\$ 570,451,437	\$ 56,655,374	9.9%	\$ 52,580,681	8%

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2010**

FUNCTION	A	B	C	D=C/B	E	F=(C-E)/E
	FY2011 PRE-AUDIT ACTUALS	FY2012 REVISED BUDGET	FY2012 EXPENDITURES THRU 09/30/11	% OF BUDGET EXPENDED	FY2011 EXPENDITURES THRU 09/30/10	EXPENDITURES % CHANGE
Legislative & Executive.....	\$ 5,076,332	\$ 5,415,393	\$ 1,305,375	24.1%	\$ 1,495,872	-13%
Judicial Administration.....	\$ 38,393,185	\$ 39,664,417	\$ 9,764,638	24.6%	\$ 10,168,029	-4%
Staff Agencies						
Information Technology Services.....	\$ 7,181,221	\$ 7,598,174	\$ 2,054,044	27.0%	\$ 1,800,568	14%
Management & Budget.....	1,063,491	1,236,389	220,441	17.8%	273,157	-19%
Finance.....	9,872,634	11,558,875	2,309,071	20.0%	2,035,470	13%
Real Estate Assessment.....	1,470,112	1,674,469	365,410	21.8%	357,045	2%
Human Resources.....	2,820,166	2,971,676	667,872	22.5%	679,472	-2%
Planning & Zoning.....	5,335,556	5,522,460	1,406,623	25.5%	1,333,937	5%
Economic Development Activities.....	3,719,232	4,721,167	1,207,827	25.6%	887,872	36%
City Attorney.....	2,325,670	2,652,088	569,956	21.5%	549,058	4%
Registrar.....	1,007,110	1,135,860	319,139	28.1%	295,314	8%
General Services.....	11,681,427	12,486,884	2,729,628	21.9%	2,721,258	0%
Total Staff Agencies	\$ 46,476,619	\$ 51,558,042	\$ 11,850,011	23.0%	\$ 10,933,151	8%
Operating Agencies						
Transportation & Environmental Services.....	\$ 27,532,364	\$ 28,251,530	\$ 7,982,173	28.3%	\$ 7,433,999	7%
Fire.....	35,892,427	35,164,700	10,290,595	29.3%	10,351,365	-1%
Police.....	51,013,585	51,065,343	13,712,971	26.9%	14,033,180	-2%
Emergency Communications.....	1,842,911	5,687,007	1,323,659	23.3%	-	-
Code.....	843,814	923,364	195,476	21.2%	243,857	-20%
Transit Subsidies.....	8,094,839	8,564,122	2,046,107	23.9%	1,915,582	7%
Community and Human Services.....	13,920,947	14,641,620	4,453,097	30.4%	4,455,480	0%
Health.....	7,854,474	8,116,755	911,248	11.2%	1,925,007	-53%
Historic Resources.....	2,560,919	2,813,476	677,482	24.1%	682,064	-1%
Recreation.....	19,025,423	19,527,384	5,172,167	26.5%	5,227,721	-1%
Total Operating Agencies	\$ 168,581,703	\$ 174,755,301	\$ 46,764,975	26.8%	\$ 46,268,255	1%
Education						
Schools.....	\$ 167,886,567	\$ 174,956,420	\$ 26,198,229	15.0%	\$ 24,341,001	8%
Other Educational Activities.....	12,229	12,288	3,072	25.0%	3,057	0%
Total Education	\$ 167,898,796	\$ 174,968,708	\$ 26,201,301	15.0%	\$ 24,344,058	8%
Capital, Debt Service and Miscellaneous						
Debt Service.....	\$ 38,479,349	\$ 43,438,079	\$ 11,246,833	25.9%	\$ 7,018,070	60.3%
Non-Departmental.....	12,427,609	12,752,030	4,306,580	33.8%	4,601,476	-6.4%
Cash Capital.....	5,545,000	4,915,986	4,915,986	100.0%	5,545,000	-11.3%
Contingent Reserves.....	-	760,000	-	0.0%	-	-
Total Capital, Debt Service and Miscellaneous	\$ 56,451,958	\$ 61,866,095	\$ 20,469,399	33.1%	\$ 17,164,546	19.3%
TOTAL EXPENDITURES	\$ 482,878,593	\$ 508,227,956	\$ 116,355,699	22.9%	\$ 110,373,911	5.4%
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund)						
Transfer to Housing.....	33,360,416	45,938,823	-	-	-	-
Transfer to Library.....	1,715,904	1,651,705	357,186	21.6%	377,220	-5.3%
Transfer to DASH.....	5,879,455	6,604,953	1,651,238	25.0%	1,562,087	5.7%
Transfer to DASH.....	8,178,196	8,028,000	2,007,000	25.0%	1,951,947	2.8%
TOTAL EXPENDITURES & TRANSFERS	\$ 532,012,564	\$ 570,451,437	\$ 120,371,123	21.1%	\$ 114,265,165	5.3%
Total Expenditures by Category						
Salaries and Benefits	\$ 181,704,996	\$ 180,732,360	\$ 47,434,367	26.2%	\$ 47,441,145	0.0%
Non Personnel (includes all school funds)	350,307,568	389,719,077	72,936,756	18.7%	66,824,020	9.1%
Total Expenditures	\$ 532,012,564	\$ 570,451,437	\$ 120,371,123	21.1%	\$ 114,265,165	5.3%