

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 3, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER /s/

SUBJECT: Monthly Financial Report for the Period Ending February 28, 2013

ISSUE: Receipt of the City's Monthly Financial Report for the period ending February 28, 2013.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending February 28, 2013.

DISCUSSION: This report includes highlights of the City's financial condition and provides fiscal year (FY) 2013 financial information on revenues and expenditures of the General Fund for the period ending February 28, 2013. This report includes the projected revenues included in the City Manager's FY 2014 Proposed Budget. This information is available on the City's website at alexandriava.gov/Budget. Detailed economic, revenue, and expenditure charts (Online References) are also available from the City's website at alexandriava.gov/Financial Reports.

ECONOMIC HIGHLIGHTS:

- **According to Alexandria Convention and Visitors Association data, the City received a boost from inauguration-related activities in January.** According to the data from the Alexandria Convention and Visitors Association (ACVA), hotel occupancy for January was up 12.0 percent from the same period last year, reflecting significant occupancy increases for all hotel types. The average daily rate increased by 12.8 percent from January 2012, while revenue per available room was up by 26.3 percent
- **While not reflected in this report, the effects of sequestration, which took effect on March 1, will be cause for concern going forward.** A variety of federal agencies have sent letters to their employees informing them that they may face furloughs ranging from seven to 22 days in the coming months. While attempts are being made to avoid furloughs, these furloughs, if they take effect, will begin at different times for different agencies. The earliest will start in early April, and most will begin in either April or May. All furloughs will extend through September. Other agencies have announced that they will freeze hiring, cut overtime, eliminate bonuses, cut spending, or take other actions to implement the mandatory across-the-board budget cuts required by sequestration. Some have already begun implementing cuts to existing contracts or taking steps to delay planned expenditures. The City has been notified already that the portion of our Build

America Bonds that would be paid in July could be reduced by about 8 percent or about \$80,000. These across the board actions are expected to have a more serious effect on the DC Metropolitan Area and Northern Virginia regional economies and will likely have some effect on the City's economy and budget, with the most visible tax impacts being related to consumption-related taxes and business taxes. Consumption-related taxes like meals and transient lodging will be affected almost immediately, but the effects will be small during the early stages. Fortunately, FY 2013 business license taxes for established businesses and FY 2014 business personal property taxes are based on business activity in calendar year 2012, so the effect on business license taxes for established businesses will not be felt until second half FY 2014 and the effect on business personal property taxes will not be of serious concern until first half FY 2015. However, the City will have to take these potential effects into consideration when monitoring the FY 2014 and planning FY 2015 budgets. Staff will continue to monitor the City's economy and budget and prepare actions to offset any negative effects from sequestration.

- **Economic growth may slow in calendar year 2013.** The Congressional Budget Office has projected that, due to tax increases and cuts to federal spending, the real gross domestic product (real GDP) will grow by only 1.4 percent in 2013 and the national unemployment rate will remain above 7.5 percent through the end of 2014. This compares to real GDP growth of 2.2 percent in 2012 and 1.8 percent in 2011 according to data from the Bureau of Economic Analysis (BEA). BEA data show that real GDP growth decelerated to 0.1 percent in the fourth quarter of 2012, compared to 3.1 percent in the third quarter, 1.3 percent in the second quarter, and 2.0 percent in the first quarter, so this slowdown may have already begun. Since the DC Metropolitan Area in general and Northern Virginia specifically are expected to experience negative effects from cuts to federal spending, this will warrant careful monitoring of the City's economic and financial data. On a positive note, however, historical data show that the City's economy and budget have proven more resilient than others to cuts in federal spending due to the City's appeal to diverse businesses and industries, strong real property tax base, and highly educated labor force.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of February 28, 2013, eight months into the fiscal year, actual General Fund revenues totaled \$348.5 million which is 9.3 percent higher than FY2012 for the same period. Most of this increase reflects refunding bond proceeds, the bulk of which was used to fund the refunded bonds listed in the expenditure report. The rest of the increase is mainly related to general property taxes (real estate and personal property).

- **Other Local Taxes:** The increase is mainly due to the timing of the receipt of telecommunications taxes.
- **Fines and Forfeitures:** Collections in this category primarily reflect budgeted increases for red light cameras installed in FY 2012.
- **Other Revenues:** The increase is primarily due to \$0.2 million in the sale of surplus property and insurance recoveries.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of February 28, 2013 actual General Fund expenditures totaled \$375.5 million, an increase of \$45.7 million, or 13.9 percent, above expenditures for the same period last year. Personnel expenditures remain consistent with the budget at 4.8 percent higher than last year. Non Personnel spending increased 19.6 percent from the same period in FY 2012, primarily for budgeted debt service and the payment to the refunding bond escrow agent for refunded bonds. We are closely monitoring and controlling these expenditures to be at or below budget.

- **Information Technology:** Increased costs are due to the timing of payments to contractors for service agreements.
- **Registrar:** Increased costs are primarily due to budgeted costs for the presidential election. Costs for the additional primary and voting machines may exceed the budget. Staff will propose a transfer as appropriate in the transfer resolution.
- **Planning and Zoning:** Increased costs are for temporary personnel staffing to handle increased workloads for planning activities. To the extent additional fees are available to support the additional activities, staff will recommend an appropriation of those fees as part of the supplemental appropriation. Department staff will monitor non personnel spending in order to remain at or below budget.
- **Fire:** Fire overtime costs are currently projected to be over the current budget again this year as the number of minimum staffing overtime hours are already higher than at this time last year. However, unlike prior years, the Fire Departments' full-time salaries budget is projected to absorb this overage. As newer employees are hired for the new station to replace retiring firefighters, their salaries and overtime costs are lower than those of the senior firefighters who were the only ones eligible to work these hours in previous years.
- **Police:** During the last several fiscal years, APD has experienced a high attrition rate among sworn staff largely due to a large number of retirements. To offset the impact of this high attrition rate, 18 recruits were put into the July Police Academy. This resulted in higher payrolls in the beginning of the fiscal year. Attrition is expected to continue and future payrolls will be lower due to anticipated retirements and other separations.
- **Debt Service:** The increase in debt service reflects planned expenditures for the FY 2012 General Obligation and refunding bonds.

ONLINE REFERENCES:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

STAFF:

Laura Triggs, Chief Financial Officer

Morgan Routt, Assistant Director, Office of Management & Budget

Berenice Harris, Finance Department

Melinda Barton, Finance Department

SELECTED ECONOMIC INDICATORS

Consumer Price Index (CPI-U) for the Washington-Baltimore, DC-MD-VA-WV Area (as of Jan 2013)	Change on Previous Year
For the United States (as of Feb 2013)	1.8%
Core CPI-U (excludes food and energy) (as of Feb 2013)	2.0%
(Source: U.S. Department of Labor, Bureau of Labor Statistics)	

Unemployment Rates	Current Month	Prior Month	Prior Year
Alexandria (as of Jan 2013)	4.9%	4.2%	5.0%
Virginia (as of Jan 2013)	5.6%	5.6%	6.0%
United States (as of Feb 2013)	7.7%	7.9%	8.3%
(Source: U.S. Department of Labor, Bureau of Labor Statistics)			

Office Vacancy Rates	Current Quarter	Prior Quarter	Prior Year
Alexandria	15.3%	15.1%	14.1%
Northern Virginia	14.9%	14.0%	13.4%
Washington, DC Metro area (As of 4th quarter 2012)	12.6%	12.4%	11.6%
(Source: CoStar)			

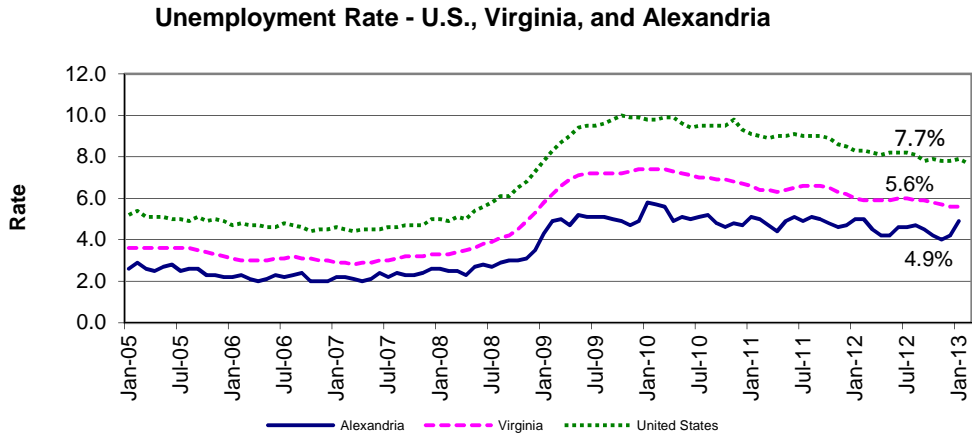
New Business Licenses	Current Year	Prior Year	Change on Previous Year
3 month trailing average (As of Feb 2013)	66	59	11.9%
(Source: Finance Department)			

New Commercial Construction (excluding Apartment Buildings) and Building Renovations (Fiscal YTD as of Feb 2013)			
Number of new building permits	3	3	0.0%
Value of new building permits (\$ millions)	\$21.2	\$30.1	-29.6%
(Source: Office of Code Administration)			

New Multi-family Construction (including Apartment & Condominium Buildings) (Fiscal YTD as of Feb 2013)			
Number of new building permits	12	61	-80.3%
Value of new building permits (\$ millions)	\$32.2	\$123.7	-74.0%

Residential Real Estate Indicators			
Residential Dwelling Units Sold (Calendar YTD ending Jan 2013)	101	96	5.2%
Median Residential Sales Price (As of Jan 2013)	\$485,000	\$425,000	14.1%
(Source: Department of Real Estate Assessments)			

Foreclosures			
3 month trailing average (As of Jan 2013)	9	14	-35.7%
Source: Dept of Real Estate Assessments			

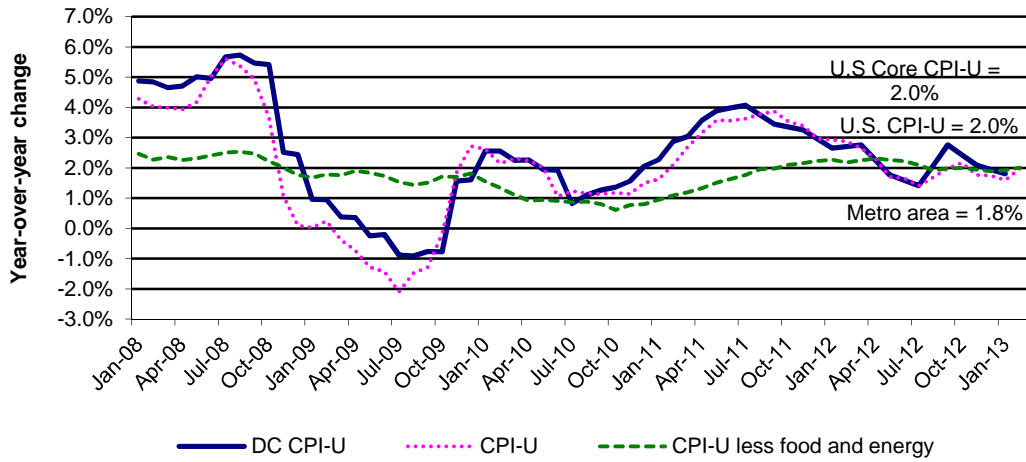


Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. data through February; Virginia and Alexandria data through January
 *Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-



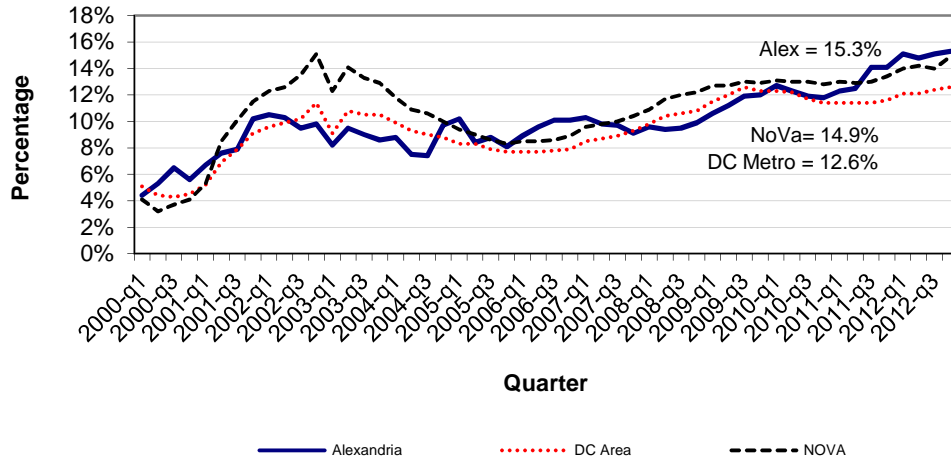
Source: Virginia Employment Commission
 Through January 2013

Annual Change in Consumer Price Index

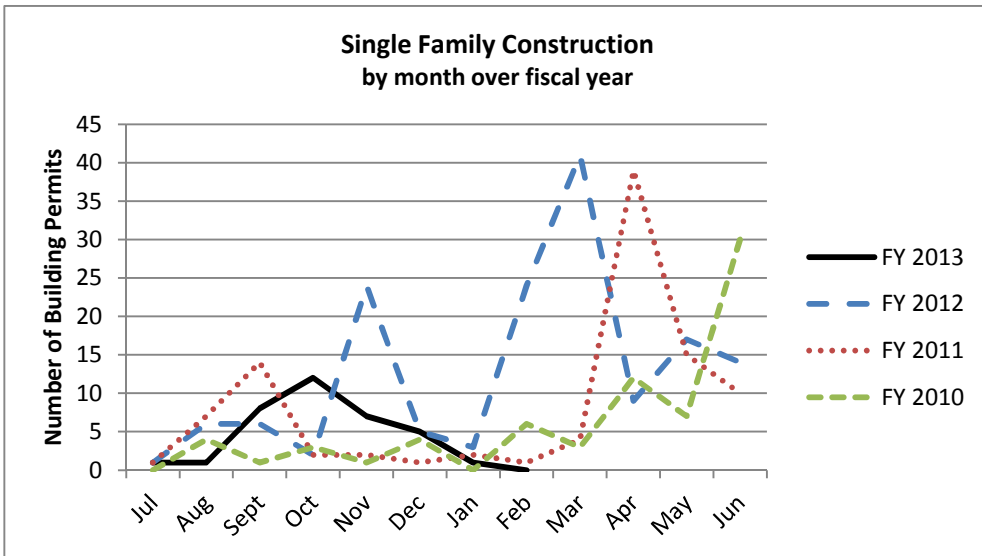


Source: U.S. Department of Labor, Bureau of Labor Statistics
 Metro area data through January 2013; US data through February 2013

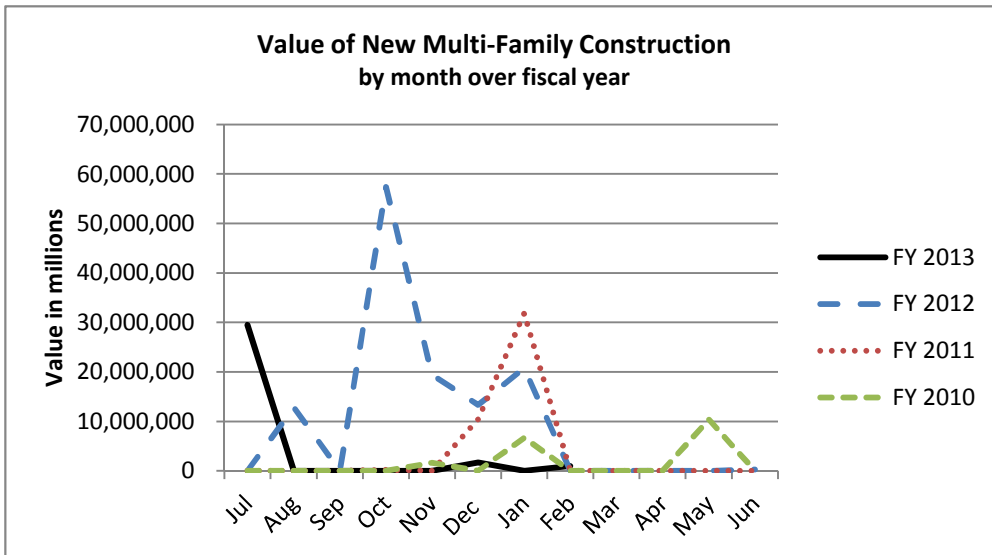
Office Vacancy Rates



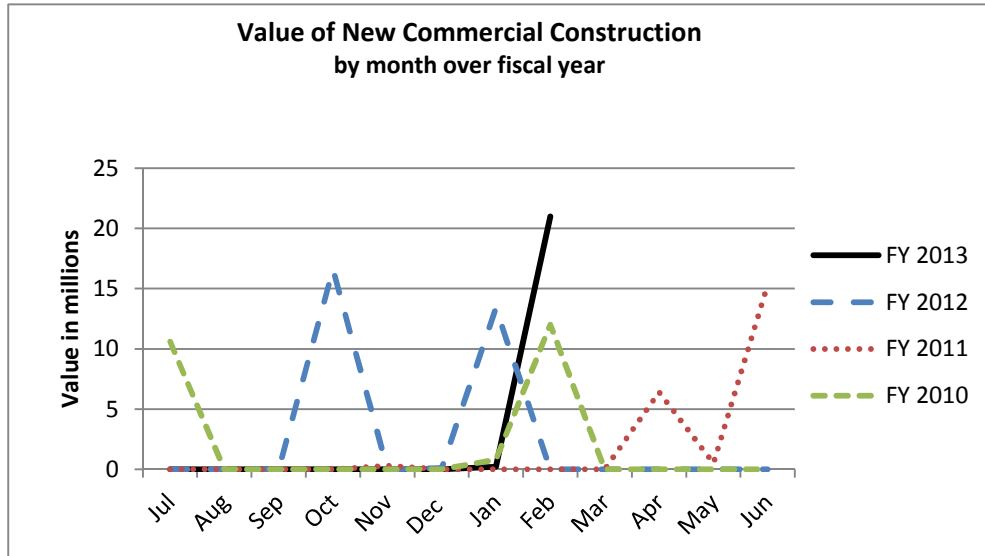
Source: CoStar
 Through 4th quarter 2012



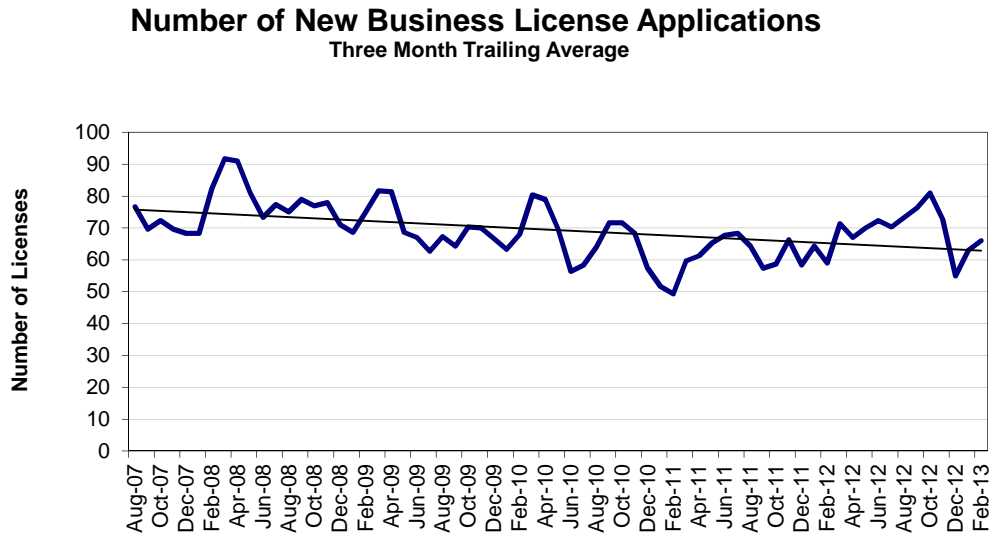
Source: Code Administration
Through February 2013



Source: Code Administration
Through February 2013



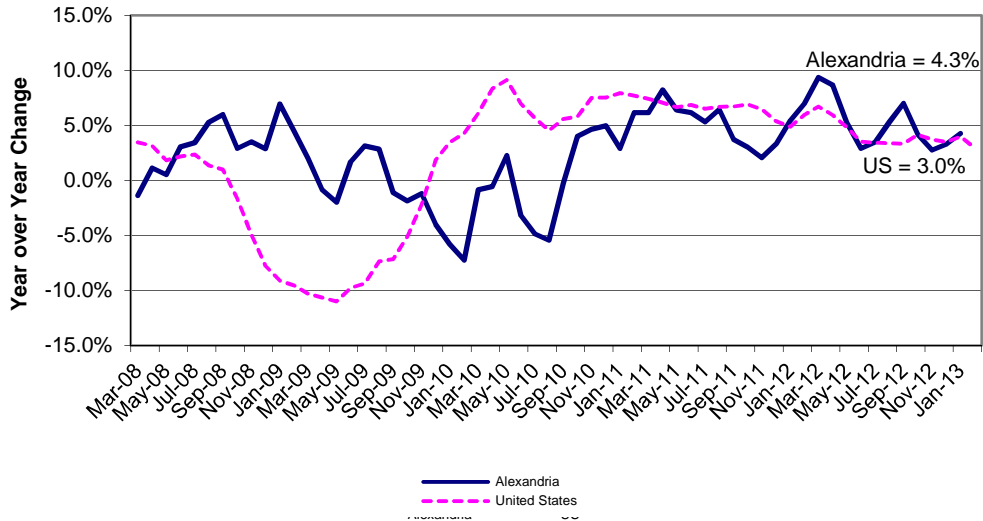
Source: Code Administration
Through February 2013



Source: Finance Department
Through February 2013

**Annual Change in U.S. Retail Sales
& Alexandria Sales Tax Collections**

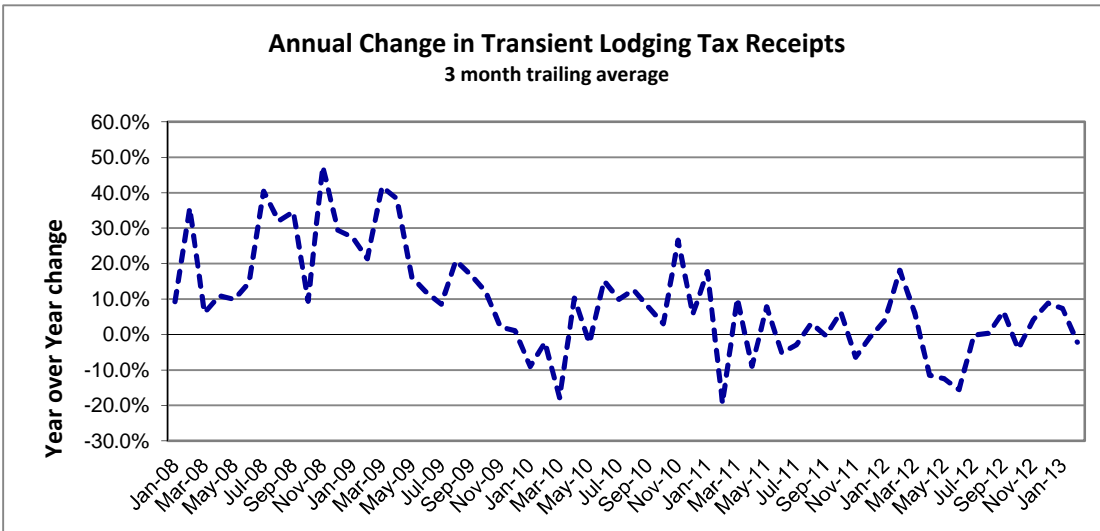
3 month trailing average



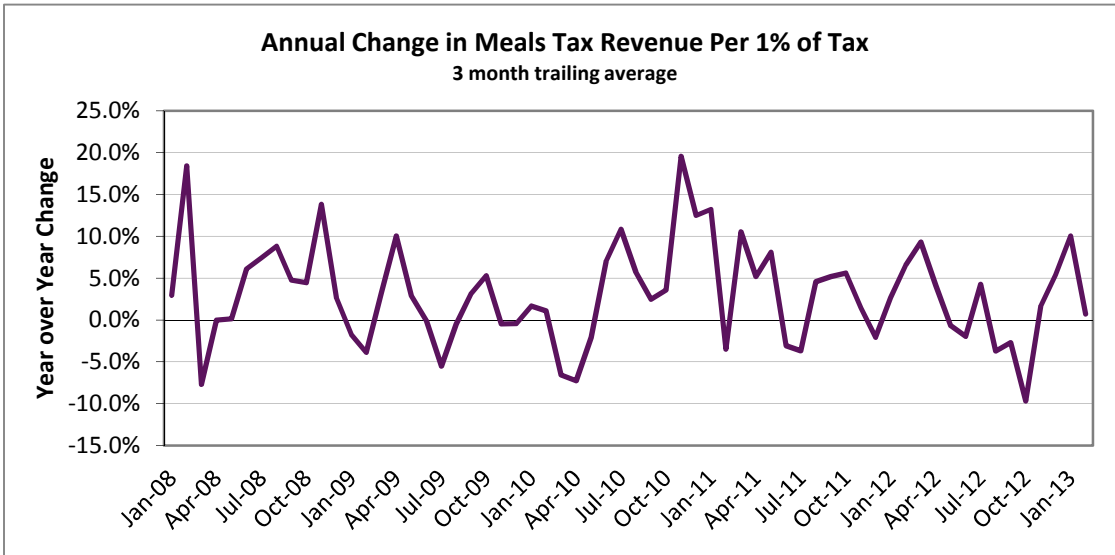
Source: Finance Department, U.S. Census Bureau
Alexandria data through January 2013; US through February 2013

Annual Change in Transient Lodging Tax Receipts

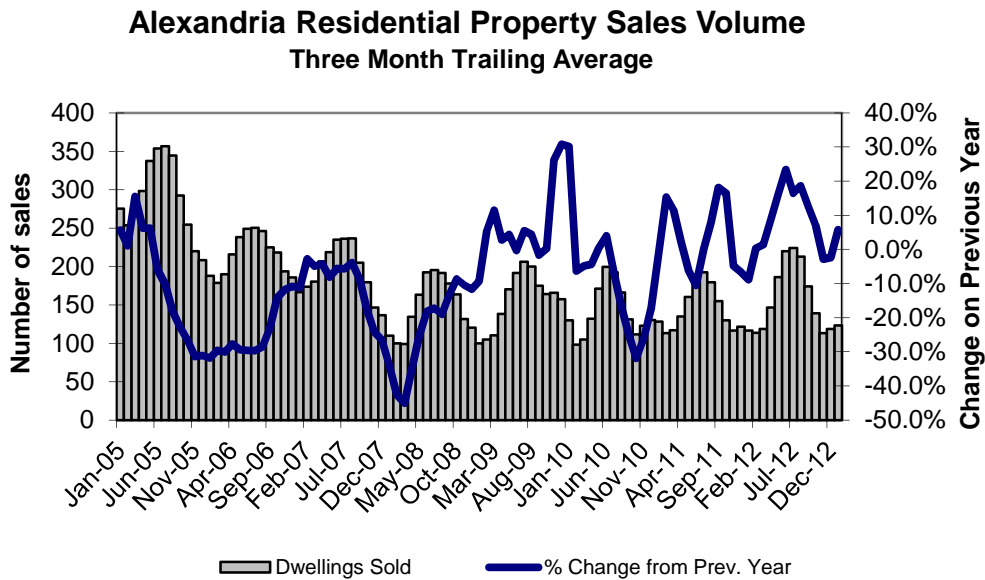
3 month trailing average



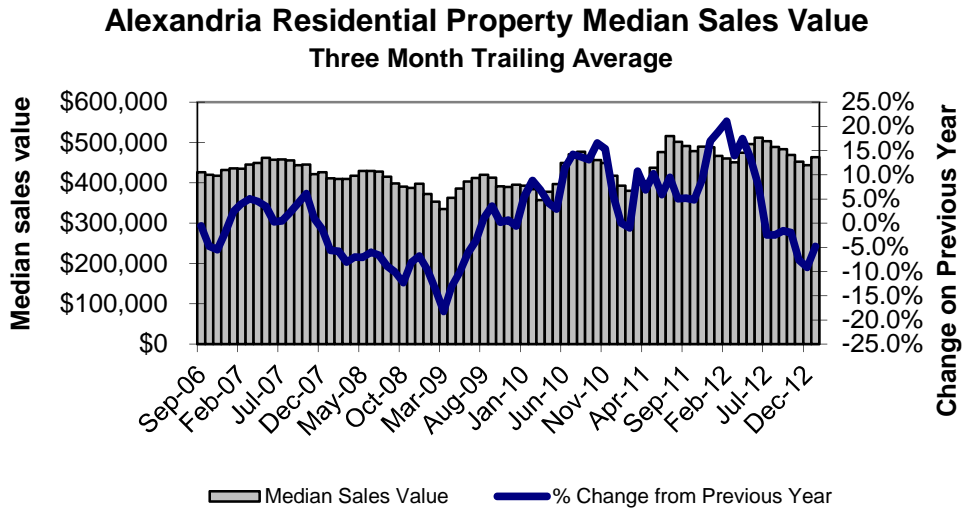
Source: Finance Department
Through February 2013



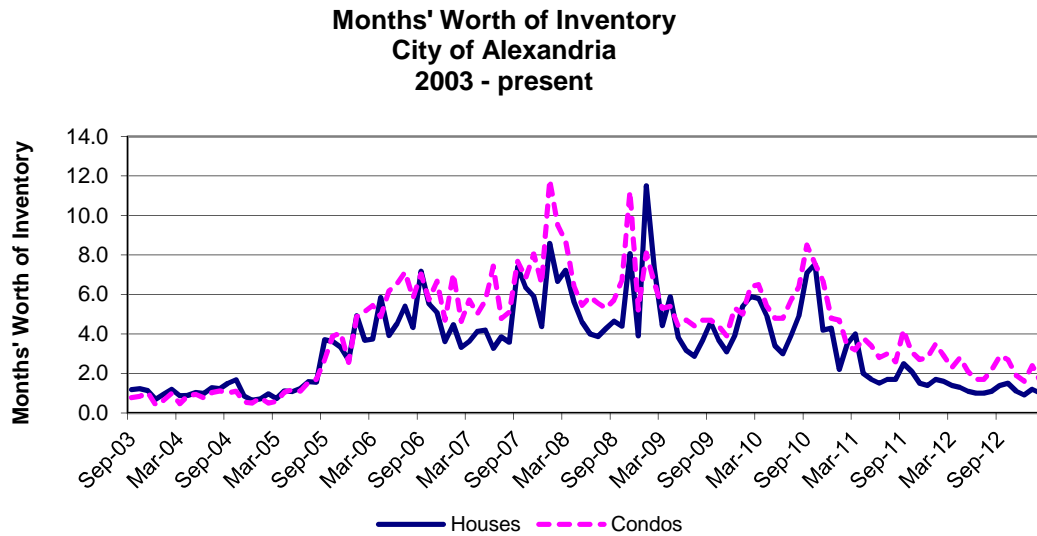
Source: Finance Department
Through February 2013



Source: Department of Real Estate Assessments
Through January 2013

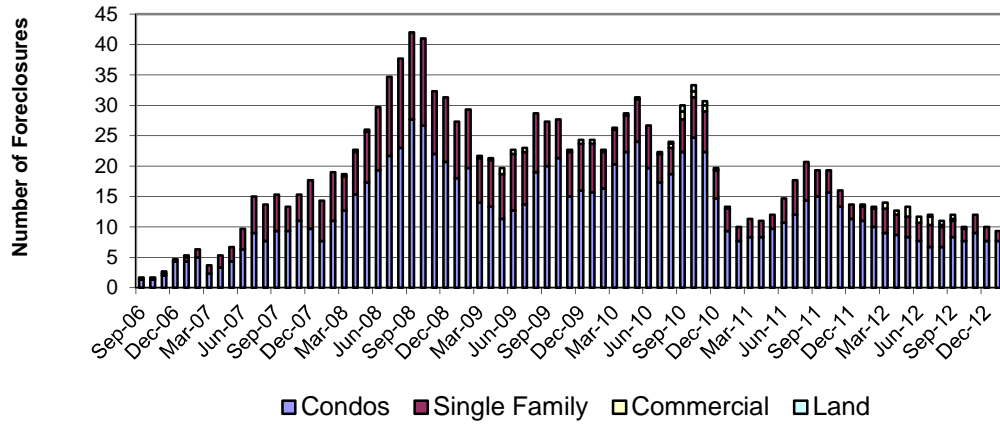


Sources: Metropolitan Regional Information Systems; Department of Real Estate Assessments Through January 2013



Source: Metropolitan Regional Information Systems Through February 2013

New Foreclosures in Alexandria 3 month trailing average



Source: Department of Real Estate Assessments
Through January 2013

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING FEB 28, 2013 AND FEB 29, 2012

	A	B	B2	C	D=C/B	E	F=(C-E)/E
	FY2012	FY2013	FY 2013	FY2013	%	FY2012	%
	ACTUALS	REVISED BUDGET	PROJECTED REVENUES	REVENUES THRU 02/28/13	OF BUDGET	REVENUES THRU 02/29/12	CHANGE
General Property Taxes							
Real Property Taxes.....	\$ 323,784,070	\$ 333,929,291	\$ 343,472,248	\$ 163,846,515	49.1%	\$ 159,545,617	3%
Personal Property Taxes.....	37,897,525	37,500,000	39,700,000	37,882,678	101.0%	35,876,711	6%
Penalties and Interest.....	2,092,976	2,375,000	2,375,000	1,187,695	50.0%	1,156,570	3%
Total General Property Taxes	\$ 363,774,571	\$ 373,804,291	\$ 385,547,248	\$ 202,916,888	54.3%	\$ 196,578,898	3%
Other Local Taxes							
Local Sales and Use Taxes.....	\$ 24,949,593	\$ 24,900,000	\$ 26,100,000	\$ 12,963,518	52.1%	\$ 12,367,510	5%
Consumer Utility Taxes.....	10,322,623	11,100,000	10,200,000	6,295,604	56.7%	6,214,325	1%
Communication Sales and Use Taxes.....	11,030,711	11,940,000	11,940,000	5,625,188	47.1%	5,259,556	7%
Business License Taxes.....	31,468,958	33,000,000	31,825,000	15,453,333	46.8%	17,272,810	-11%
Transient Lodging Taxes.....	11,375,121	12,400,000	12,300,000	6,472,108	52.2%	6,073,262	7%
Restaurant Meals Tax.....	16,313,765	16,900,000	16,900,000	9,350,810	55.3%	8,886,673	5%
Tobacco Taxes.....	2,674,157	2,600,000	2,600,000	1,539,690	59.2%	1,552,781	-1%
Motor Vehicle License Tax.....	3,348,075	3,400,000	3,400,000	3,066,928	90.2%	2,997,414	2%
Real Estate Recordation.....	5,152,593	4,900,000	5,200,000	3,200,408	65.3%	3,209,074	0%
Admissions Tax.....	1,093,182	1,000,000	1,000,000	650,623	65.1%	619,583	5%
Other Local Taxes.....	3,372,455	2,710,275	2,710,275	461,385	17.0%	346,326	33%
Total Other Local Taxes	\$ 121,101,233	\$ 124,850,275	\$ 124,175,275	\$ 65,079,595	52.1%	\$ 64,799,314	0%
Intergovernmental Revenues							
Revenue from the Fed. Government.....	\$ 10,780,154	\$ 9,657,640	\$ 9,657,640	\$ 4,930,535	51.1%	\$ 5,293,173	-7%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	23,578,531	23,106,960	98.0%	23,106,960	0%
Revenue from the Commonwealth.....	21,125,448	20,360,485	20,260,485	12,223,344	60.0%	11,924,179	3%
Total Intergovernmental Revenues	\$ 55,484,133	\$ 53,596,656	\$ 53,496,656	\$ 40,260,839	75.1%	\$ 40,324,312	-4%
Other Governmental Revenues And Transfers In							
Fines and Forfeitures.....	\$ 4,869,295	\$ 4,664,000	\$ 4,764,000	\$ 3,224,997	69.1%	\$ 2,994,048	8%
Licenses and Permits.....	2,373,449	2,157,975	2,157,975	1,512,323	70.1%	1,570,095	-4%
Charges for City Services.....	16,474,114	15,891,959	15,691,959	10,224,363	64.3%	9,321,763	10%
Revenue from Use of Money & Prop.....	3,947,855	3,420,000	3,460,000	3,032,520	88.7%	2,720,152	11%
Other Revenue.....	1,195,494	828,981	782,000	906,292	109.3%	648,123	40%
Transfer from Other Funds.....	1,394,903	2,104,502	1,854,502	2,104,502	100.0%	-	0%
Total Other Governmental Revenues	\$ 30,255,110	\$ 29,067,417	\$ 28,710,436	\$ 21,004,997	72.3%	\$ 17,254,181	22%
TOTAL REVENUE	\$ 570,615,047	\$ 581,318,639	\$ 591,929,615	\$ 329,262,319	56.6%	\$ 318,956,705	3%
Appropriated Fund Balance							
General Fund.....	-	6,839,548	-	-	-	-	-
Appropriated refunding bond proceeds	73,454,827	19,256,545	19,256,545	19,256,545	-	-	-
Reappropriation of FY 2012	-	-	-	-	-	-	-
Encumbrances And Other	-	15,607,293	11,835,865	-	-	-	-
Supplemental Appropriations....	-	-	-	-	-	-	-
TOTAL	\$ 644,069,874	\$ 623,022,025	\$ 623,022,025	\$ 348,518,864	55.9%	\$ 318,956,705	9%

COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING FEB 28, 2013 AND FEB 29, 2012

FUNCTION	A	B	C	D=C/B	E	F=(C-E)/E
	FY2012 ACTUALS	FY2013 REVISED BUDGET	FY2013 EXPENDITURES THRU 02/28/13	% OF BUDGET EXPENDED	FY2012 EXPENDITURES THRU02/29/12	% EXPENDITURES CHANGE
Legislative & Executive.....	\$ 5,260,582	\$ 7,220,572	\$ 4,151,011	57.5%	\$ 3,602,014	15%
Judicial Administration.....	\$ 38,078,180	\$ 41,850,349	\$ 27,757,807	66.3%	\$ 26,721,002	4%
Staff Agencies						
Information Technology Services.....	\$ 7,066,313	\$ 8,382,803	\$ 5,219,983	62.3%	\$ 4,645,344	12%
Management & Budget.....	1,011,271	1,053,192	617,602	58.6%	653,380	-5%
Finance.....	11,093,830	11,385,860	6,737,324	59.2%	6,525,696	3%
Real Estate Assessment.....	1,591,527	1,768,888	970,992	54.9%	1,078,978	-10%
Human Resources.....	2,876,753	3,305,013	1,987,540	60.1%	1,895,105	5%
Planning & Zoning.....	5,575,500	5,746,076	3,981,971	69.3%	3,785,944	5%
Economic Development Activities.....	4,655,791	4,930,951	3,564,590	72.3%	3,501,718	2%
City Attorney.....	2,458,523	2,619,499	1,683,512	64.3%	1,642,495	2%
Registrar.....	1,164,912	1,367,797	1,035,088	75.7%	763,637	36%
General Services.....	12,300,194	12,382,567	7,880,830	63.6%	7,779,206	1%
Total Staff Agencies	\$ 49,794,614	\$ 52,942,646	\$ 33,679,432	63.6%	\$ 32,271,503	4%
Operating Agencies						
Transportation & Environmental Services.....	\$ 28,624,160	\$ 29,217,550	\$ 18,630,455	63.8%	\$ 19,482,811	-4%
Fire.....	36,999,841	39,667,246	27,420,486	69.1%	25,426,875	8%
Police.....	51,293,299	52,335,200	36,125,383	69.0%	34,338,912	5%
Emergency Communications.....	5,979,383	6,349,920	4,075,455	64.2%	4,395,193	0%
Code.....	766,443	963,808	502,630	52.2%	541,860	-7%
Transit Subsidies.....	7,477,390	7,350,378	5,330,812	72.5%	5,556,052	-4%
Community and Human Services.....	14,706,544	14,021,703	9,891,515	70.5%	10,399,501	-5%
Health.....	7,833,184	8,258,636	5,742,215	69.5%	5,431,182	6%
Historic Resources.....	2,800,516	2,855,295	1,895,828	66.4%	1,920,464	-1%
Recreation.....	19,087,330	20,666,036	13,707,761	66.3%	12,722,317	8%
Total Operating Agencies	\$ 175,568,090	\$ 181,685,772	\$ 123,322,540	67.9%	\$ 120,215,167	3%
Education						
Schools.....	\$ 174,956,420	\$ 179,611,472	\$ 100,544,658	56.0%	\$ 97,448,107	3%
Other Educational Activities.....	12,288	11,721	8,791	75.0%	9,216	-5%
Total Education	\$ 174,968,708	\$ 179,623,193	\$ 100,553,449	56.0%	\$ 97,457,323	3%
Capital, Debt Service and Miscellaneous						
Debt Service.....	\$ 43,473,292	\$ 48,514,314	\$ 31,851,134	65.7%	\$ 26,368,080	21%
Refunding Bonds.....	73,150,310	19,256,545	19,211,240	99.8%	-	-
Non-Departmental.....	13,674,274	12,728,863	7,133,737	56.0%	7,535,293	-5%
General Cash Capital.....	13,818,129	6,955,483	6,955,483	100.0%	4,915,986	41%
Contingent Reserves.....	-	436,856	-	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 144,116,005	\$ 87,892,061	\$ 65,151,594	74.1%	\$ 38,819,359	67.8%
TOTAL EXPENDITURES	\$ 587,786,179	\$ 551,214,593	\$ 354,615,833	64.3%	\$ 319,086,368	11.1%
Cash Match (Transportation/DCHS/Library and Transfers to the Special Revenue /Capital Projects Funds).....						
Transfer to Housing.....	\$ 37,813,128	\$ 51,163,423	\$ 7,606,871	0.0%	\$ -	-
Transfer to Library.....	2,185,179	2,167,845	1,042,304	48.1%	892,530	17%
Transfer to DASH.....	6,145,662	6,878,164	4,580,857	66.6%	4,425,539	4%
Transfer to DASH.....	8,460,569	11,598,000	7,770,660	67.0%	5,346,648	45%
TOTAL EXPENDITURES & TRANSFERS	\$ 642,390,717	\$ 623,022,025	\$ 375,616,525	60.3%	\$ 329,751,085	13.9%
Total Expenditures by Category						
Salaries and Benefits.....	\$ 189,163,914	\$ 199,450,845	\$ 133,251,182	66.8%	\$ 127,205,153	4.8%
Non Personnel (includes all school funds)	453,226,803	423,571,180	242,219,972	57.2%	202,545,932	19.6%
Total Expenditures	\$ 642,390,717	\$ 623,022,025	\$ 375,471,154	60.3%	\$ 329,751,085	13.9%