

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 6, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

..TITLE

Monthly Financial Report for the Period Ending January 31, 2013

..BODY

ISSUE: Receipt of the City's Monthly Financial Report for the period ending January 31, 2013.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending January 31, 2013.

BACKGROUND: N/A

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 January 31, 2013. This report includes the projected revenue included in the City Manager's FY 2014 Propose Budget. This information is available at alexandriava.gov/Budget. Detailed economic revenue and expenditure charts (Online References) are also available from the City of Alexandria website at alexandriava.gov/FinancialReports.

ECONOMIC HIGHLIGHTS:

- **Unemployment rates are sending mixed signals about the economy.** The local unemployment rate (not seasonally adjusted) declined year-over-year to 4.2 percent in December 2012 from 4.6 percent in December 2011, indicating that the City's economy is in a stronger position now than it was a year ago. However, based on Virginia Employment Commission data, it appears that less than half the past year's growth in the employed population (up 12 percent year-over-year) can be attributed to the decline in the unemployed population (down 10.7 percent year-over-year) while slightly more than half reflects growth in the labor force. Despite periods of stagnation in the second and

third quarters of 2012, the state unemployment rate (seasonally adjusted) declined again in the fourth quarter to 5.5 percent as of December 2012, a significant year-over-year decrease from the December 2011 rate of 6.1 percent. This was the second such year-over-year decrease in a row and seems to indicate that the state economy continues to improve. The U.S. unemployment rate (seasonally adjusted) has remained relatively flat since September 2012 and stands at 7.9 percent as of January 2013, indicating that job creation is barely keeping up with and perhaps even slightly lagging behind growth in the labor force. This stagnation is at least partially related to marginally attached and discouraged workers reentering the job market, as both indicators show significant year-over-year decreases, indicating improved worker optimism about the job market. However, there is still room for concern, especially when the potential negative economic effects of the upcoming federal budget cuts are taken into consideration.

- **Miscellaneous tax revenues show that the City benefited from pre-inaugural activities in December.** While sales and admission tax collections increased approximately 4.0 percent fiscal year-to-date, restaurant meal sales and transient lodging tax collections increased 9.0 and 6.0 percent fiscal year-to-date, which seems to reflect greater tourism-related spending in the City. Transient lodging tax one-month collections for January show a 7.3 percent increase over January 2012, while meal sales tax one-month collections show a 10.0 percent increase over the same time period. Considering that collections for and through January reflect actual economic activity for and through December, these statistics seem to indicate that the City benefited from tourism-related spending associated with December pre-inaugural activities. Staff anticipates that the City will experience a similar if not greater year-over-year increase in collections through February 28, which will be provided in next month's report and reflect economic activity related to the January presidential inauguration and inauguration-related activities.
- **Fourth quarter 2012 numbers reflect a Washington, DC metropolitan area housing market that is in recovery but not yet in its expansion phase.** According to the Delta Associates report *Washington Area Housing Outlook Year-End 2012*, fourth quarter 2012 metro area prices were up 10.8 percent from fourth quarter 2011, unit volume was up 15.5 percent, days on the market decreased by 23 days, falling below the 10-year average, and months of inventory reached a new low of 2.1 months. For the Core Jurisdictions (DC, Arlington, and Alexandria), the average price was up 1.4 percent from third quarter 2012 and 9.2 percent from fourth quarter 2011. Prices remained highest in the Core Jurisdictions, with DC median prices now at 100 percent of their prior peak and Alexandria median prices just slightly below peak. (Median prices in all other area jurisdictions remain below and sometimes well below 90 percent of peak.) Unit volume for the Core Jurisdictions decreased 7.0 percent from third quarter 2012 but was up 22.4 percent from fourth quarter 2011. For the Inner Ring (Fairfax, Montgomery, and Prince

George's Counties as well as Fairfax and Falls Church Cities) and Outer Suburbs (Loudoun, Prince William, and Frederick Counties), both average prices and unit volume declined compared to third quarter 2012 but showed substantial growth from fourth quarter 2011. Average prices were down 4.1 percent and 2.0 percent respectively from third quarter 2012 but up 10.8 percent and 11.1 percent respectively from fourth quarter 2011. Unit volume was down 13.2 percent and 12.2 percent respectively from third quarter 2012 but up 11.1 percent and 20.3 percent respectively from fourth quarter 2011. For calendar year 2013, Delta Associates predicts sustainable growth in the metro area housing market that will be tempered by fiscal issues at the federal level and their economic impact. Much of this growth is expected to take place in the second half of 2013, after the federal government's fiscal issues are addressed.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of January 31, 2013, actual General Fund revenues totaled \$322.8 million, which is 10 percent higher than FY 2012 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).

- **Transient Lodging Taxes:** The increase reflects increased hotel occupancy in December, primarily related to pre-inaugural events in the DC area.
- **Restaurant Meals Taxes:** The increase reflects increased tourism in December, primarily related to pre-inaugural events in the DC area.
- **Other Local Taxes:** The increase is mainly due to the timing of the receipt of telecommunications taxes.
- **Revenue from the Federal Government:** The decrease is primarily a result of the timing of payments for the Federal Prisoner Per Diem.
- **Fines and Forfeitures:** Collections in this category primarily reflect budgeted increases for red light cameras installed in FY 2012. The FY 2013 projection has been increased to reflect the additional revenue.
- **Other Revenue:** The increase is due to \$0.2 million from the sale of surplus property and insurance recoveries.

This report also includes revised estimates for FY 2013 revenues. The projection shows additional revenue from a proposed 5.5 cent real estate tax rate increase. This additional \$9.5 million will be used to 1) fund the FY 2014 Proposed Operating Budget for the City and increased school enrollment needs and 2) fund additional capital projects as directed by City Council in the guidance issued for FY the 2014 budget. Assessment increases and other increased revenue estimates resulted in additional \$1.4 million, or less than one quarter of one percent compared to the original FY 2013 budget estimate of General Fund revenues of \$587.9 million.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of January 31, 2013, actual General Fund expenditures totaled \$338.8 million, an increase of \$51.7 million, or 18 percent, above expenditures for the same period last year. Personnel expenditures remain consistent with the budget at 11.1 percent higher than last year. Non-personnel spending increased 22.1 percent from the same period in FY 2012, primarily due to budgeted debt service and payment to the refunding bond escrow agent for refunded bonds. We are closely monitoring and controlling these expenditures to be at or below budget.

- **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.
- **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.
- **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.

FISCAL IMPACT: N/A

ATTACHMENTS:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

STAFF:

Laura Triggs, Chief Financial Officer

Morgan Routt, 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 Nov 2012)	Change on Previous Year
For the United States (as of Dec 2012)	2.1%
Core CPI-U (excludes food and energy) (as of Dec 2012)	1.7%
(Source: U.S. Department of Labor, Bureau of Labor Statistics)	1.9%

Unemployment Rates	Current Month	Prior Month	Prior Year
Alexandria (as of Dec 2012)	4.2%	4.0%	4.6%
Virginia (as of Dec 2012)	5.5%	5.6%	6.1%
United States (as of Jan 2013)	7.9%	7.8%	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)			

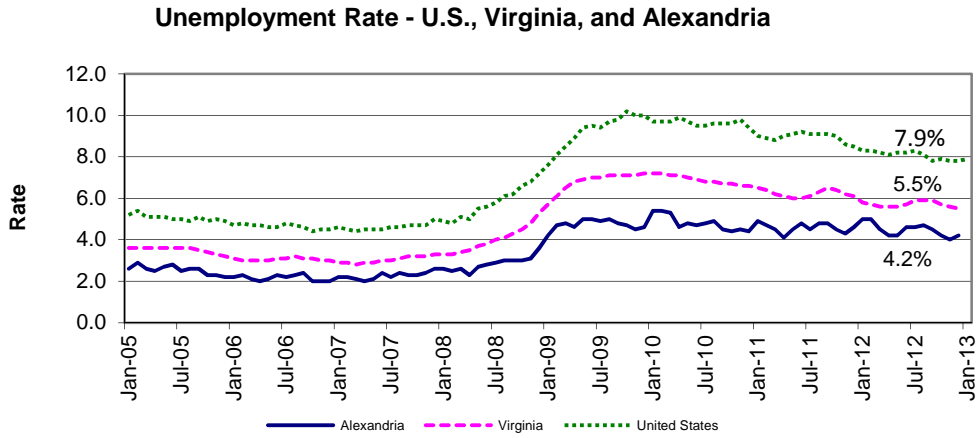
New Business Licenses	Current Year	Prior Year	Change on Previous Year
3 month trailing average (As of December 2012)	55	58	-5.2%
(Source: Finance Department)			

New Commercial Construction (excluding Apartment Buildings) and Building Renovations (Fiscal YTD as of Jan 2013)			
Number of new building permits	1	3	-66.7%
Value of new building permits (\$ millions)	\$0.2	\$30.1	-99.3%
(Source: Office of Code Administration)			

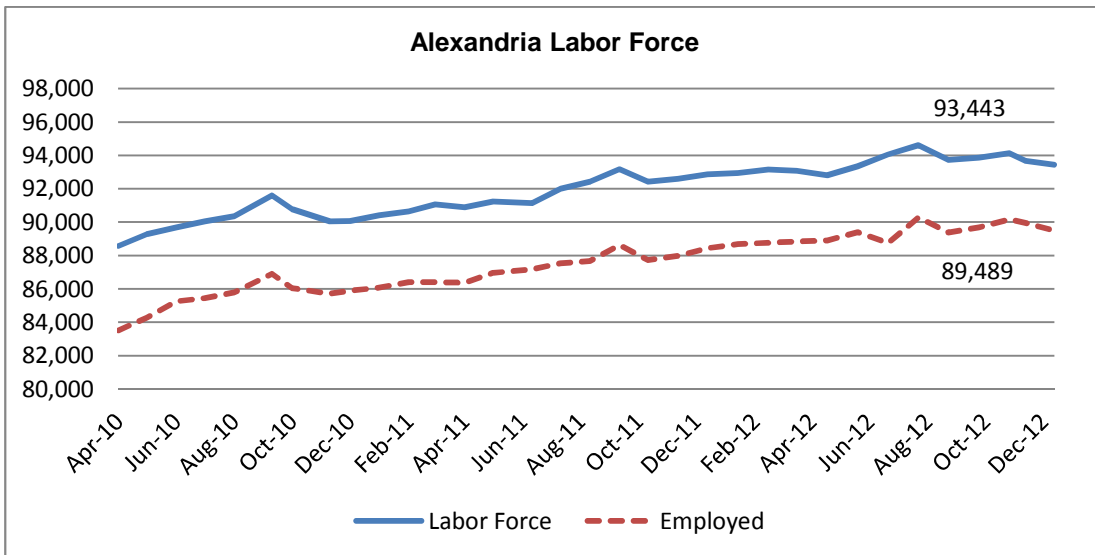
New Multi-family Construction (including Apartment & Condominium Buildings) (Fiscal YTD as of Jan 2013)			
Number of new building permits	11	61	-82.0%
Value of new building permits (\$ millions)	\$31.2	\$123.7	-74.8%

Residential Real Estate Indicators			
Residential Dwelling Units Sold (Calendar YTD ending Dec 2012)	1,894	1,735	9.2%
Median Residential Sales Price (As of Dec 2012)	\$466,750	\$490,000	-4.7%
(Source: Department of Real Estate Assessments)			

Foreclosures			
3 month trailing average (As of December 2012)	10	14	-28.6%
Source: Dept of Real Estate Assessments			

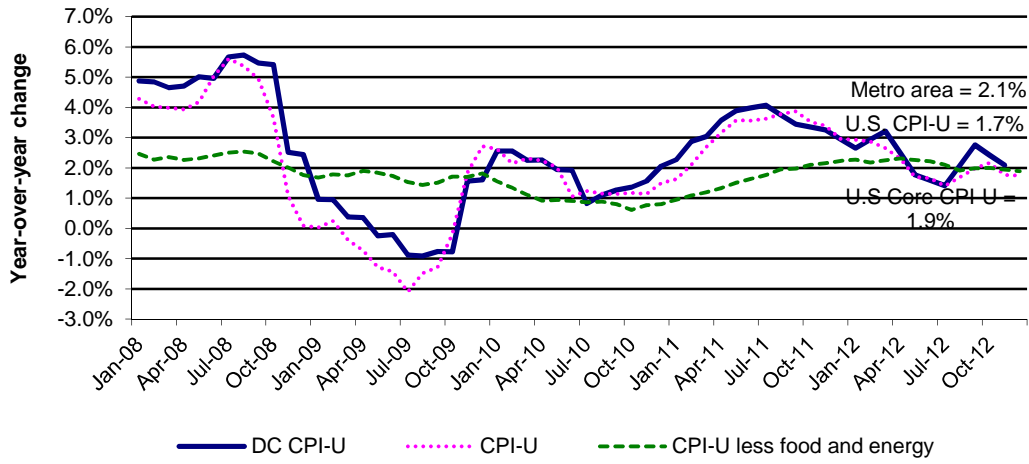


Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. data through January, Virginia and Alexandria data through December
 *Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-



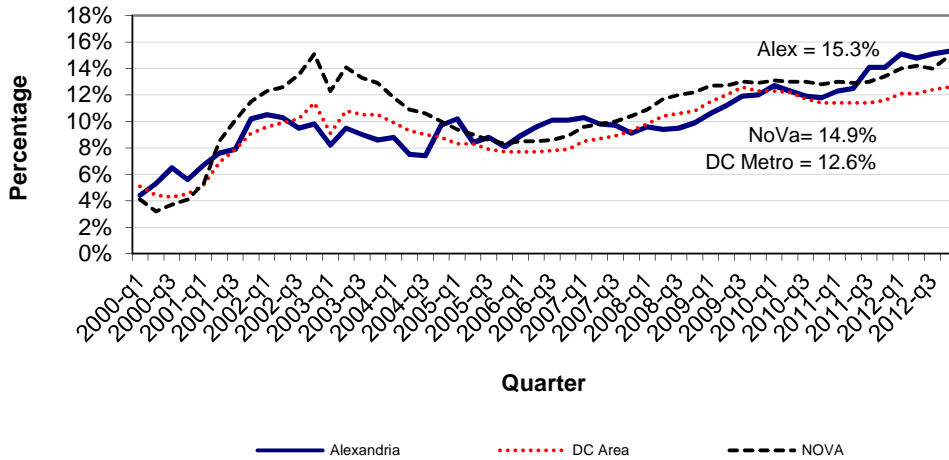
Source: Virginia Employment Commission
 Through December 2012
 *Not seasonally adjusted.

Annual Change in Consumer Price Index

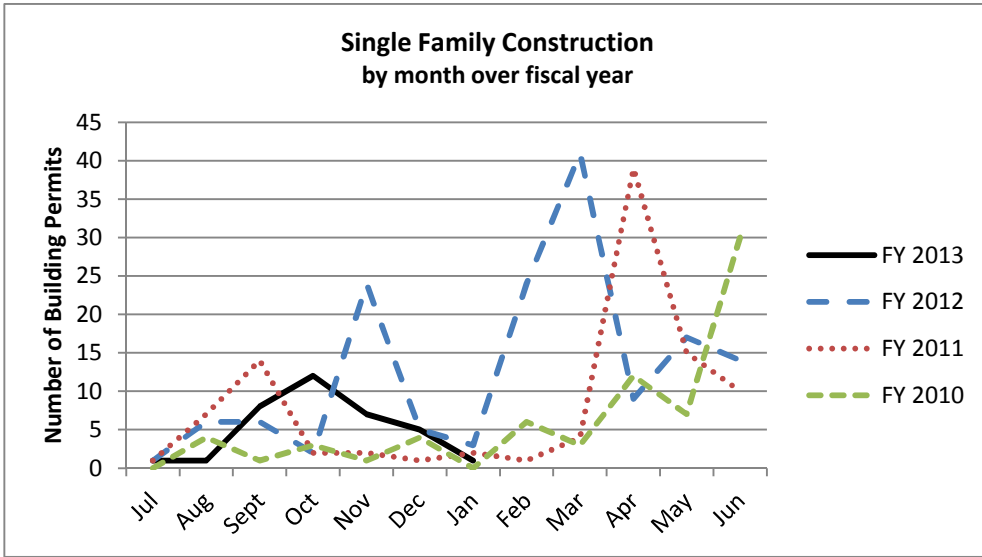


Source: U.S. Department of Labor, Bureau of Labor Statistics
US through December 2012; DC through November 2012

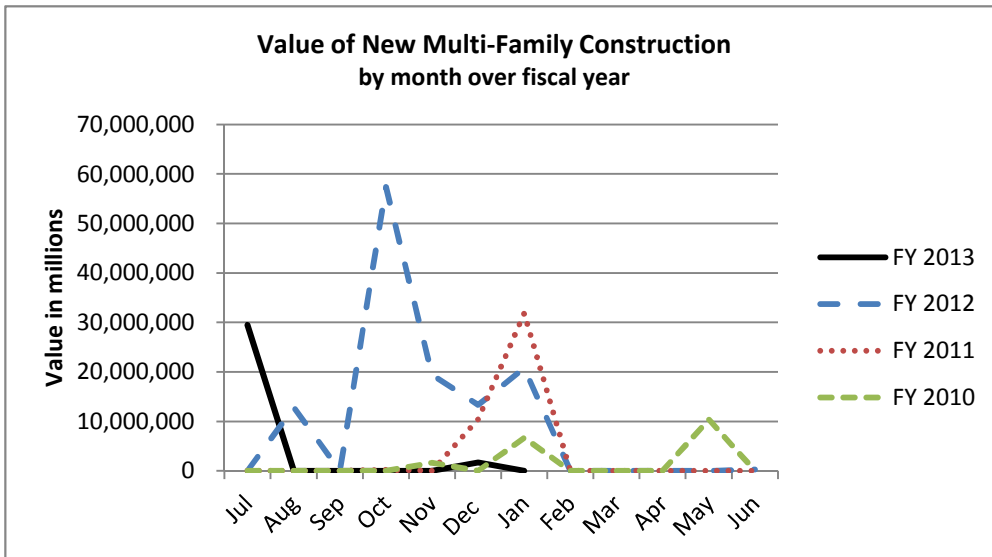
Office Vacancy Rates



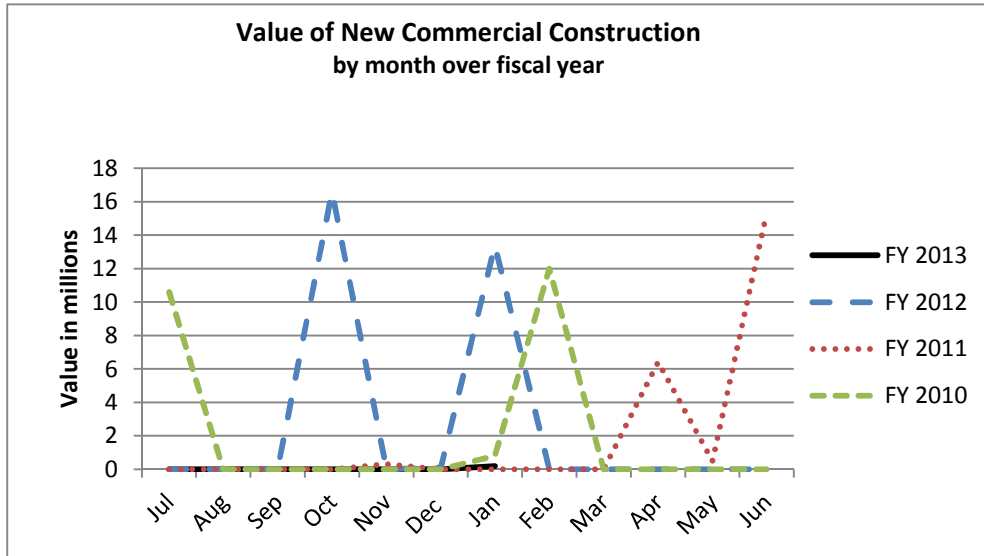
Source: CoStar
Through 4th quarter 2012



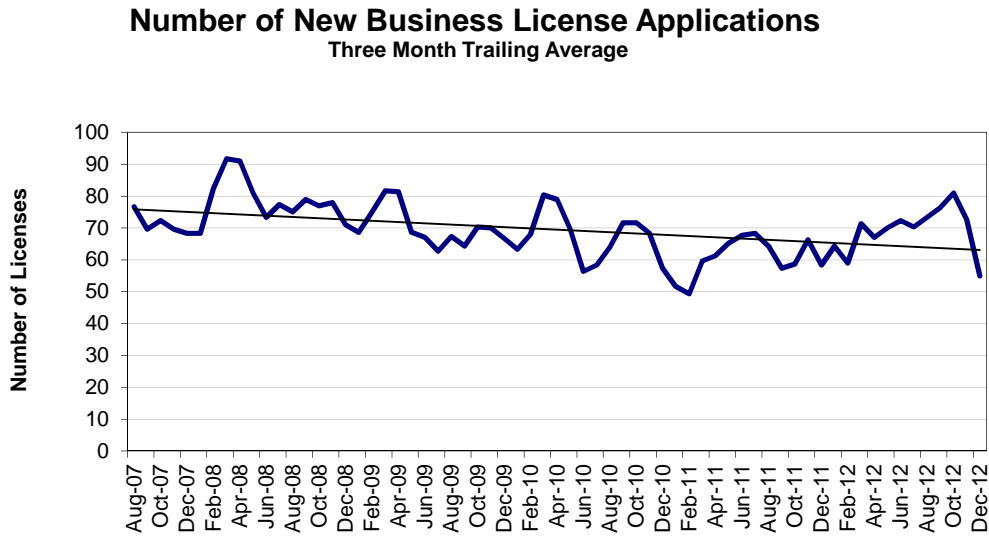
Source: Code Administration
Through January 2013



Source: Code Administration
Through January 2013



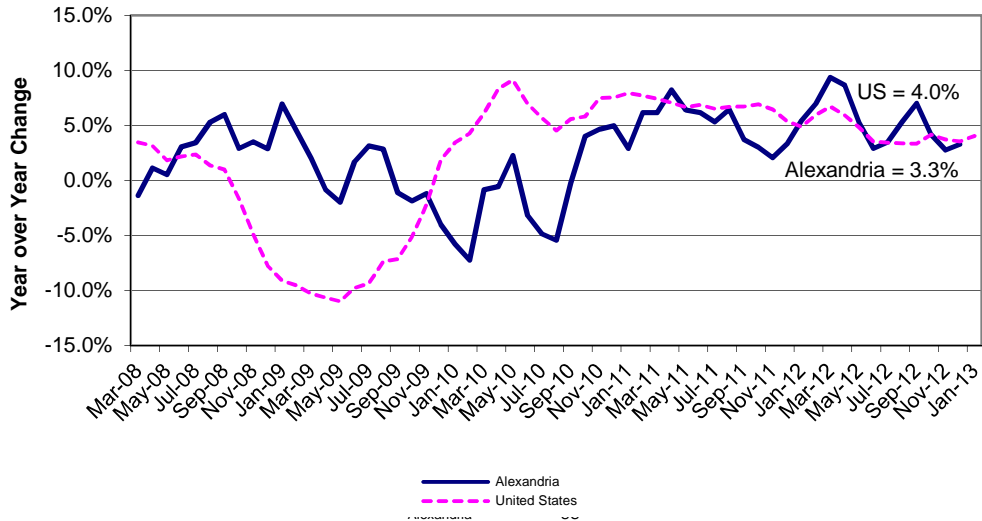
Source: Code Administration
Through January 2013



Source: Finance Department
Through December 2012

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

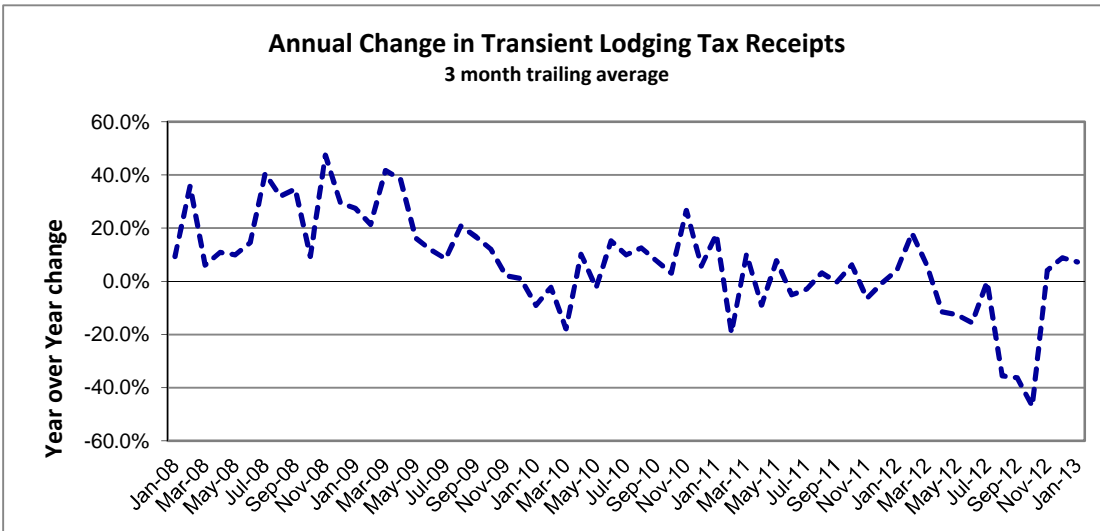
3 month trailing average



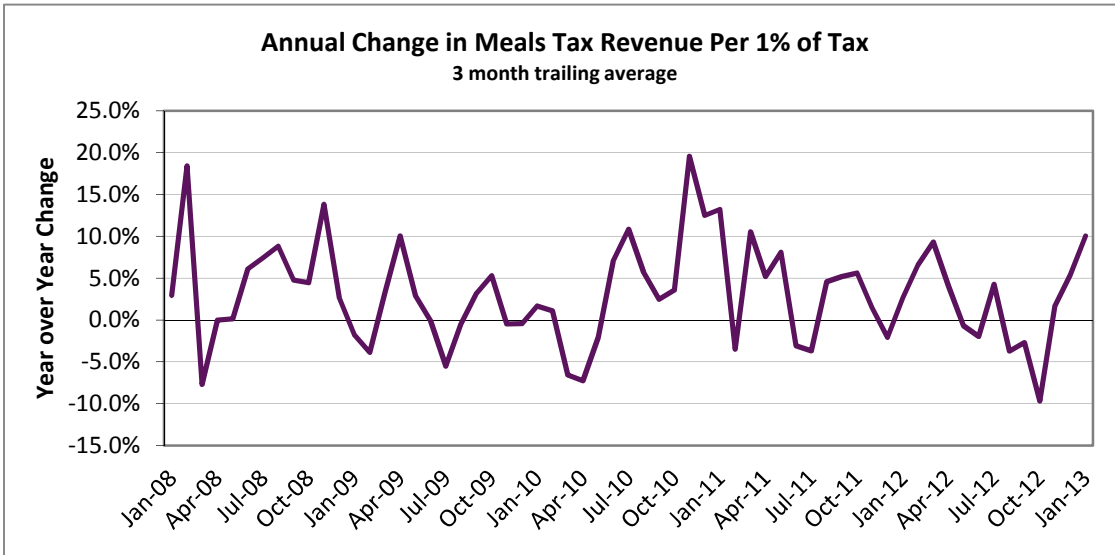
Source: Finance Department, U.S. Census Bureau
Alexandria data through December 2012; US through January 2013

Annual Change in Transient Lodging Tax Receipts

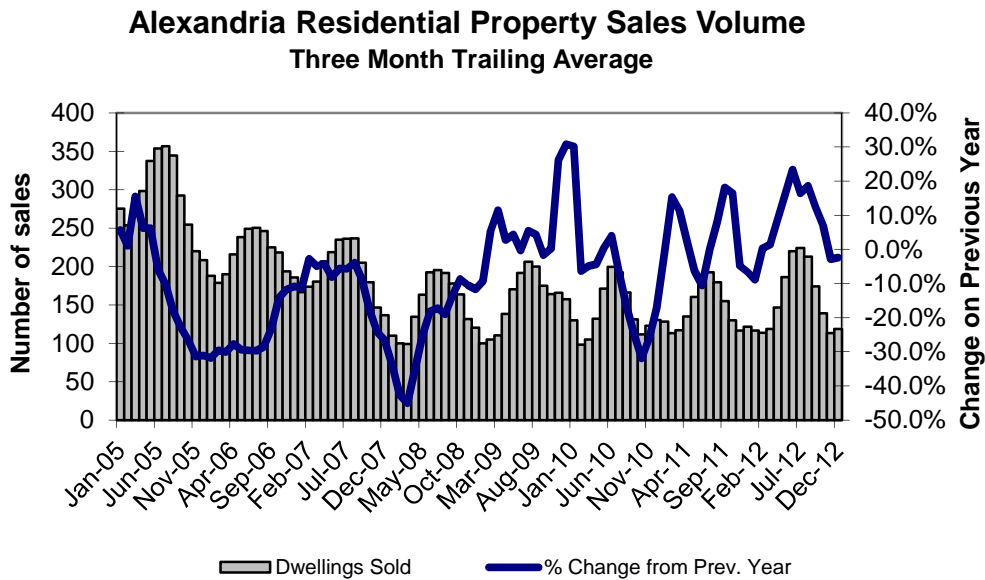
3 month trailing average



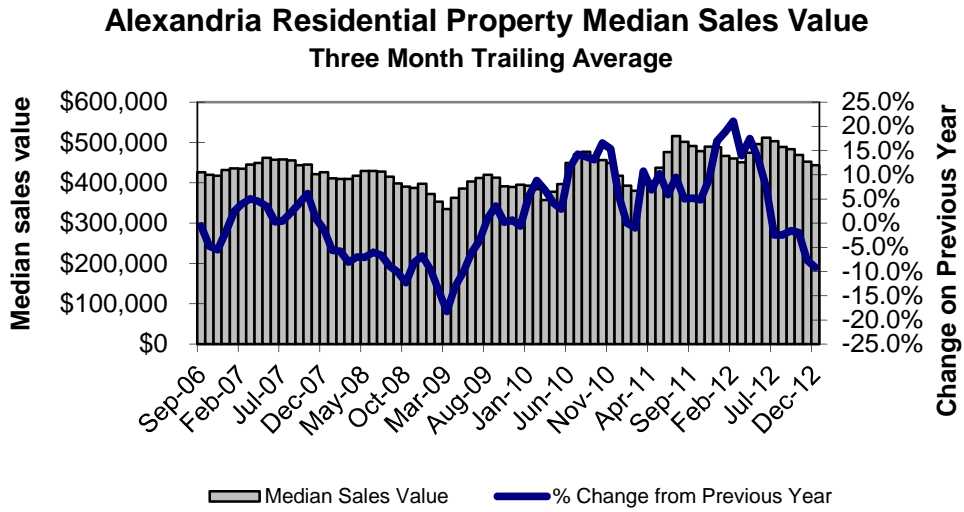
Source: Finance Department
Through January 2013



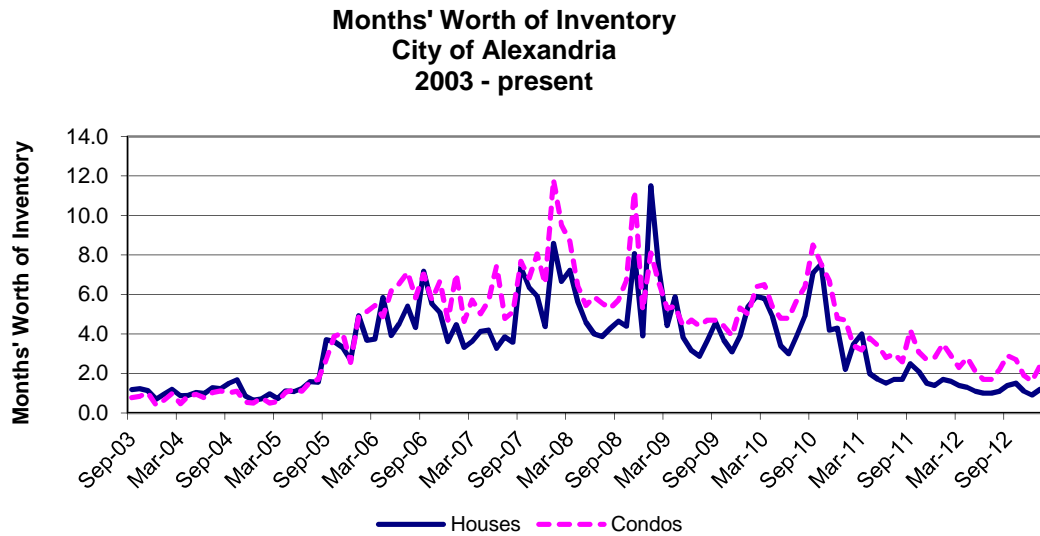
Source: Finance Department
Through January 2013



Source: Department of Real Estate Assessments
Through December 2012

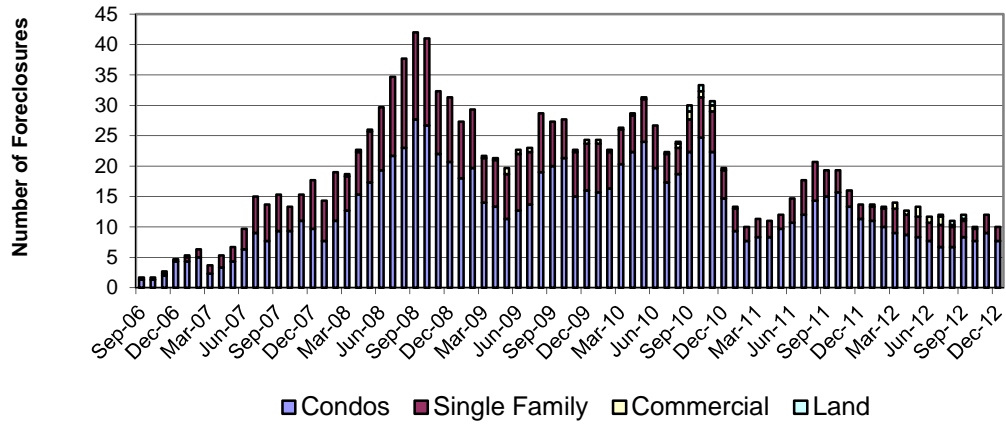


Sources: Metropolitan Regional Information Systems; Department of Real Estate Assessments Through December 2012



Source: Metropolitan Regional Information Systems Through January 2013

New Foreclosures in Alexandria 3 month trailing average



Source: Department of Real Estate Assessments
Through December 2012

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING JAN 31, 2013 AND JAN 31, 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 01/31/13	OF BUDGET	REVENUES THRU 01/31/12	CHANGE
General Property Taxes							
Real Property Taxes.....	\$ 323,784,070	\$ 333,929,291	\$ 343,472,248	\$ 163,426,842	48.9%	\$ 159,195,198	3%
Personal Property Taxes.....	37,897,525	37,500,000	39,700,000	37,474,071	99.9%	35,475,308	6%
Penalties and Interest.....	2,092,976	2,375,000	2,375,000	1,016,690	42.8%	989,806	3%
Total General Property Taxes	\$ 363,774,571	\$ 373,804,291	\$ 385,547,248	\$ 201,917,603	54.0%	\$ 195,660,312	3%
Other Local Taxes							
Local Sales and Use Taxes.....	\$ 24,949,593	\$ 24,900,000	\$ 26,100,000	\$ 10,525,250	42.3%	\$ 10,098,663	4%
Consumer Utility Taxes.....	10,322,623	11,100,000	10,200,000	5,376,082	48.4%	5,340,501	1%
Communication Sales and Use Taxes.....	11,030,711	11,940,000	11,940,000	4,676,325	39.2%	4,515,214	4%
Business License Taxes.....	31,468,958	33,000,000	31,825,000	2,430,064	7.4%	2,432,285	0%
Transient Lodging Taxes.....	11,375,121	12,400,000	12,300,000	5,764,091	46.5%	5,433,970	6%
Restaurant Meals Tax.....	16,313,765	16,900,000	16,900,000	8,260,189	48.9%	7,607,074	9%
Tobacco Taxes.....	2,674,157	2,600,000	2,600,000	1,342,794	51.6%	1,361,422	-1%
Motor Vehicle License Tax.....	3,348,075	3,400,000	3,400,000	2,973,622	87.5%	2,933,903	1%
Real Estate Recordation.....	5,152,593	4,900,000	5,200,000	2,875,304	58.7%	2,954,665	-3%
Admissions Tax.....	1,093,182	1,000,000	1,000,000	557,178	55.7%	534,041	4%
Other Local Taxes.....	3,372,455	2,710,275	2,710,275	362,709	13.4%	252,880	43%
Total Other Local Taxes	\$ 121,101,233	\$ 124,850,275	\$ 124,175,275	\$ 45,143,608	36.2%	\$ 43,464,618	4%
Intergovernmental Revenues							
Revenue from the Fed. Government.....	\$ 10,780,154	\$ 9,657,640	\$ 9,657,640	\$ 3,875,614	40.1%	\$ 4,715,357	-18%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	23,578,531	22,399,604	95.0%	22,399,604	0%
Revenue from the Commonwealth.....	21,125,448	20,360,485	20,260,485	11,471,193	56.3%	11,124,981	3%
Total Intergovernmental Revenues	\$ 55,484,133	\$ 53,596,656	\$ 53,496,656	\$ 37,746,411	70.4%	\$ 38,239,942	-15%
Other Governmental Revenues And Transfers In							
Fines and Forfeitures.....	\$ 4,869,295	\$ 4,664,000	\$ 4,764,000	\$ 2,861,476	61.4%	\$ 2,578,376	11%
Licenses and Permits.....	2,373,449	2,157,975	2,157,975	1,386,275	64.2%	1,432,917	-3%
Charges for City Services.....	16,474,114	15,891,959	15,691,959	8,997,469	56.6%	8,493,842	6%
Revenue from Use of Money & Prop.....	3,947,855	3,420,000	3,460,000	2,524,963	73.8%	2,501,008	1%
Other Revenue.....	1,195,494	828,981	782,000	836,803	100.9%	538,677	55%
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	\$ 18,711,488	64.4%	\$ 15,544,820	20%
TOTAL REVENUE	\$ 570,615,047	\$ 581,318,639	\$ 591,929,615	\$ 303,519,110	52.2%	\$ 292,909,692	4%
Appropriated Fund Balance							
General Fund.....	-	6,839,538	-	-	-	-	-
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	11,835,855	-	-	-	-
Supplemental Appropriations....	-	-	-	-	-	-	-
TOTAL	\$ 644,069,874	\$ 623,022,015	\$ 623,022,015	\$ 322,775,655	51.8%	\$ 292,909,692	10%

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING JAN 31, 2013 AND JAN 31, 2012**

FUNCTION	A	B	C	D=C/B	E	F=(C-E)/E
	FY2012 ACTUALS	FY2013 REVISED BUDGET	FY2013 EXPENDITURES THRU 01/31/13	% OF BUDGET EXPENDED	FY2012 EXPENDITURES THRU 01/31/12	% CHANGES
Legislative & Executive.....	\$ 5,260,582	\$ 7,220,572	\$ 3,647,120	50.5%	\$ 2,976,689	23%
Judicial Administration.....	\$ 38,078,180	\$ 41,850,349	\$ 24,635,638	58.9%	\$ 22,947,969	7%
Staff Agencies						
Information Technology Services.....	\$ 7,066,313	\$ 8,382,803	\$ 4,714,752	56.2%	\$ 4,070,449	16%
Management & Budget.....	1,011,271	1,053,192	529,559	50.3%	527,657	0%
Finance.....	11,093,830	11,385,860	5,968,130	52.4%	5,499,196	9%
Real Estate Assessment.....	1,591,527	1,768,888	860,328	48.6%	888,710	-3%
Human Resources.....	2,876,753	3,305,013	1,767,873	53.5%	1,604,817	10%
Planning & Zoning.....	5,575,500	5,746,076	3,529,272	61.4%	3,147,277	12%
Economic Development Activities.....	4,655,791	4,930,951	3,564,119	72.3%	3,466,109	3%
City Attorney.....	2,458,523	2,619,499	1,505,449	57.5%	1,358,694	11%
Registrar.....	1,164,912	1,367,797	963,338	70.4%	658,303	46%
General Services.....	12,300,194	12,382,567	6,853,388	55.3%	6,933,450	-1%
Total Staff Agencies	\$ 49,794,614	\$ 52,942,646	\$ 30,256,208	57.1%	\$ 28,154,662	7%
Operating Agencies						
Transportation & Environmental Services.....	\$ 28,624,160	\$ 29,217,550	\$ 16,804,282	57.5%	\$ 16,672,570	1%
Fire.....	36,999,841	39,667,246	24,182,260	61.0%	21,643,111	12%
Police.....	51,293,299	52,335,200	32,053,779	61.2%	28,874,535	11%
Emergency Communications.....	5,979,383	6,349,920	3,585,132	56.5%	3,721,111	0%
Code.....	766,443	963,808	447,931	46.5%	426,685	5%
Transit Subsidies.....	7,477,390	7,350,378	5,271,412	71.7%	5,403,478	-2%
Community and Human Services.....	14,706,544	14,021,703	8,806,670	62.8%	8,957,849	-2%
Health.....	7,833,184	8,258,636	4,525,314	54.8%	4,221,783	7%
Historic Resources.....	2,800,516	2,855,295	1,679,913	58.8%	1,596,332	5%
Recreation.....	19,087,330	20,666,036	12,186,782	59.0%	10,920,834	12%
Total Operating Agencies	\$ 175,568,090	\$ 181,685,772	\$ 109,543,475	60.3%	\$ 102,438,288	7%
Education						
Schools.....	\$ 174,956,420	\$ 179,611,472	\$ 85,455,923	47.6%	\$ 82,967,999	3%
Other Educational Activities.....	12,288	11,721	8,791	75.0%	9,216	-5%
Total Education	\$ 174,968,708	\$ 179,623,193	\$ 85,464,714	47.6%	\$ 82,977,215	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	6,915,748	54.3%	7,009,818	-1%
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	\$ 64,933,605	73.9%	\$ 38,293,884	69.6%
TOTAL EXPENDITURES	\$ 587,786,179	\$ 551,214,593	\$ 318,480,761	57.8%	\$ 277,788,707	14.6%
Cash Match (Transportation/DCHS/Library and Transfers to the Special Revenue /Capital Projects Funds).....						
Transfer to Housing.....	\$ 2,185,179	2,167,845	935,202	43.1%	737,580	27%
Transfer to Library.....	6,145,662	6,878,164	4,009,970	58.3%	3,874,008	4%
Transfer to DASH.....	8,460,569	11,598,000	6,761,634	58.3%	4,680,324	44%
TOTAL EXPENDITURES & TRANSFERS	\$ 642,390,717	\$ 623,022,025	\$ 338,833,463	54.4%	\$ 287,080,619	18.0%
Total Expenditures by Category						
Salaries and Benefits.....	\$ 189,163,914	\$ 199,450,845	\$ 117,308,762	58.8%	\$ 105,611,876	11.1%
Non Personnel (includes all school funds)	453,226,803	423,571,180	221,524,701	52.3%	181,468,743	22.1%
Total Expenditures	\$ 642,390,717	\$ 623,022,025	\$ 338,833,463	54.4%	\$ 287,080,619	18.0%