

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 4, 2012
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: RASHAD M. YOUNG, CITY MANAGER *me for RMY*
SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
NOVEMBER 30, 2011

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

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

DISCUSSION: This report includes highlights of the City's financial condition and provides fiscal year (FY) 2012 financial information on revenues and expenditures of the General Fund for the period ending November 30, 2011. Detailed economic, revenue, and expenditure charts are also available from the City of Alexandria website at alexandriava.gov/financialreports.

ECONOMIC HIGHLIGHTS:

- **National unemployment rate falls to 8.6 percent, State and Local remain mostly flat.** The November national unemployment rate fell to its lowest level since March of 2009. This is a decrease of 1.2 percent from the previous year's November report. In another positive development the October figure of nonfarm payroll gains was revised upward from 80,000 to 100,000 while September was also revised upward from 158,000 to 210,000. While this is positive, it is important to note that unemployment still remains higher than pre-recession levels.

Unemployment rates at the State and local levels remain relatively unchanged from October 2010 with the State declining by 0.3 percent while the local rate has increased by 0.1 percent. Though the local unemployment level remains far below the national average we still remain heavily tied to federal government jobs. Government employment continues to be one of the few areas that is trending downward.

- **City Office Vacancy Rate Remains Higher.** As reported in last month's financial report, the City's office vacancy rate as of the end of the third quarter 2011 is 13.6% or 2.0% above the prior year. This occurred while Northern Virginia's office vacancy rate dropped from 12.7% to 12.4% over the last year and the overall Washington, D.C. Metropolitan area office vacancy rate dropped from 11.6% to 11.2%.

- **Governor's Proposed Biennial Budget Highlights.**
 - **Local Aid to the State:** The Governor has proposed reducing the local give-back to the State program by \$10 million in FY 2013, and \$15 million in FY 2014, so that the statewide give-back total will be \$50 million in the first year and \$45 million in the second. While this is good news because the City's payment will be reduced by approximately \$200,000 in FY 2013 and \$250,000 in FY 2014, it does mean that the City will still have to pay the Commonwealth approximately \$1 million each year of the biennium.

 - **Virginia Retirement System:** The Governor did not propose full funding of the VRS actuary's recommendation for teachers and State employees. He modified it with one change that will lower the contribution in the short run: the governor proposes using an upper end investment return rate assumption of 8 percent (the VRS actuary had proposed 7 percent; the City assumes 7.5 percent or lower). This will reduce the contribution that would have been required of the Alexandria City Public Schools had the actuary's specific recommendation been approved by the Governor.

 - **Transportation Funding:** The Governor has proposed several changes which will divert money from the General Fund and redirect it to transportation. The City has opposed such diversions in the past, since they reduce funds available for other programs paid for by the State General Fund. The most notable proposal is to increase the portion of sales tax revenues going to transportation. Sales tax revenues normally help fund the costs of State General Fund programs, such as education and mental health.

 - **ACPS Funding:** Proposed funding for Alexandria Schools is \$32.8 million in FY 2013, and \$33.7 in FY 2014. The Governor has proposed eliminating or reducing several K-12 items that are normally funded (inflation for non-personal costs; Project Discovery; cost of competing funds for non-instructional staff in Northern Virginia; aid related to federal revenue). State budget staff said that at least some of the reductions to local funds were made so that the State could pay its VRS contributions.

- **Health Department:** The Governor has proposed the elimination of State funding for the City's teen pregnancy initiative (\$65,000), reduced funding for Alexandria Neighborhood Health Services (\$35,000 reduction), and a restructuring of dental services, which may reduce the availability of these services to children now served through the Alexandria Health Department.
- **Other Reductions:** Other reductions are proposed in funding for community corrections, child advocacy centers, certain recipients of Comprehensive Services Act services, litter prevention grants, and aid to local libraries. As staff reviews the budget documents, we expect to find additional reductions.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of November 30, 2011, five months into the fiscal year, actual General Fund revenues totaled \$263.8 million, which is 4.2 percent higher than FY 2011 for the same period. Most of this increase is related to real estate and personal property taxes.

- **Communication Taxes:** The decrease is primarily attributable to a one time refund issued to a large wireless provider who collected taxes on data services for various wireless devices used by their customers. The total amount of the refund including interest was \$12.9 million, and the City's share was \$334,000.
- **Business License Taxes:** The decrease of 50 percent is a result of the variable timing of payments.
- **Other Local Taxes:** The decrease of 63 percent is a result of the variable timing of quarterly payments.
- **Personal Property Taxes/Motor Vehicle License:** The FY 2012 vehicle assessments included 5,000 more cars than the FY 2011 billing. This increased revenue of about \$1 million has been considered in the early estimates of FY 2013 budget revenues.
- **Licenses and Permits:** The increase is related to the issuance of temporary no parking sign permits.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of November 30, 2011, actual General Fund expenditures totaled \$196.7 million, an increase of \$8.7 million, or 4.7 percent, above expenditures for the same period last year. The revised budget reflects amounts that were appropriated in the supplemental appropriation ordinance approved in November. Personnel expenditures remain on par with last year. These personnel expenditures are just slightly higher than the budget, primarily because turnover savings are deducted from the budget on the first day of the fiscal year while the savings are realized during the year. Non-personnel spending increased 6.1

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.

- **Registrar:** The increase reflects expenditures for the August primary election.
- **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, the Fire Department is currently 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.
- **Health:** The decrease reflects the timing of bills received from the Commonwealth for services provided.
- **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.
- **Non- Departmental:** General Fund expenditures do not include the costs for several emergencies shown in the following table. The City has been included in the Presidential declarations for Hurricane Irene and Tropical Storm Lee, which makes certain expenditures eligible for federal reimbursement. Staff is currently working with FEMA on the reimbursement requests. The Tropical Storm Lee cost estimate includes \$2.79 million to \$3.36 million in damages to the Holmes Run sewer that are believed to have resulted from the storm.

Event	Cost	Other
Tropical Storm Lee	\$2.98 to \$3.55 million	Declaration could reduce some costs
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	

- **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:

Bruce Johnson, City Manager's Office

Morgan Routt, OMB

Laura Triggs, Finance Department

Ray Welch, Finance Department

Matthew Behrens, OMB

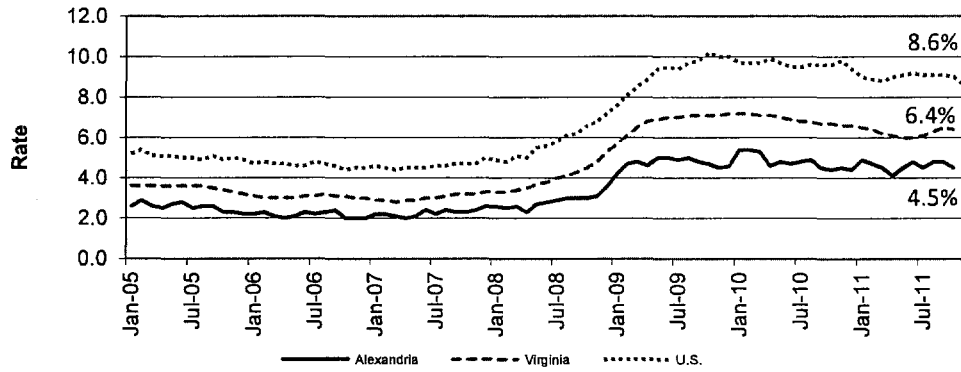
Melinda Barton, Finance Department

SELECTED ECONOMIC INDICATORS

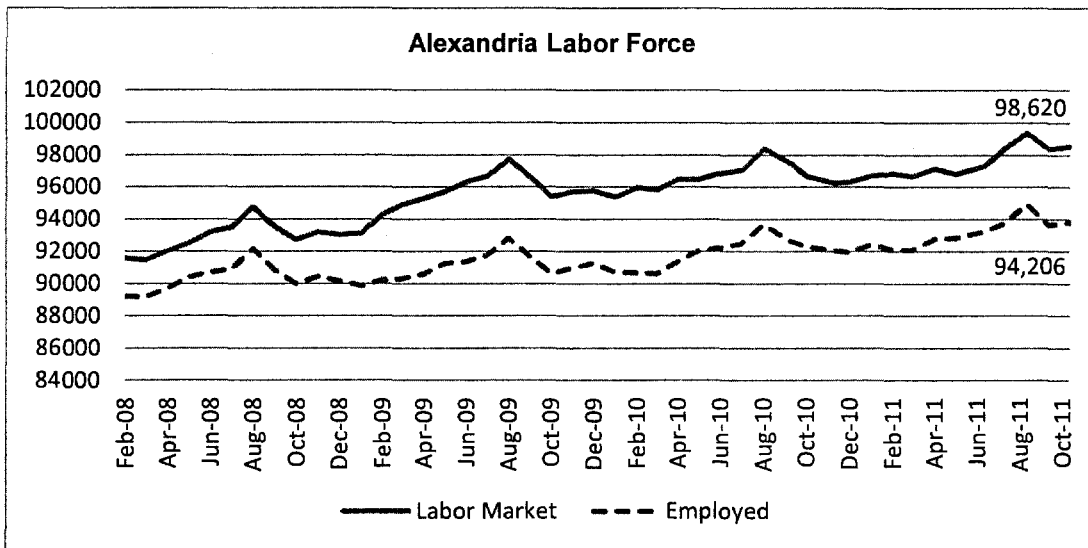
Attachment 1

Consumer Price Index (CPI-U)	Change on Previous Year		
for the Washington-Baltimore, DC-MD-VA-WV Area (as of November 2011)	3.3%		
For the United States (as of November 2011)	3.4%		
Core CPI-U (excludes food and energy) (As of Novemebr 2011)	2.2%		
(Source: U.S. Department of Labor, Bureau of Labor Statistics)			
Unemployment Rates	Current Month	Prior Month	Prior Year
Alexandria (as of October, 2011)	4.5%	4.8%	4.4%
Virginia (as of October, 2011)	6.4%	6.5%	6.7%
United States (as of November, 2011)	8.6%	9.0%	9.8%
(Source: U.S. Department of Labor, Bureau of Labor Statistics)			
Office Vacancy Rates	Current Quarter	Prior Quarter	Prior Year
Alexandria	13.6%	13.0%	11.6%
Northern Virginia	12.4%	12.7%	12.7%
Washington, DC Metro area (As of 3rd quarter, 2011)	11.2%	11.5%	11.6%
(Source: CoStar)			
New Business Licenses	Current Year	Prior Year	Change on Previous Year
3 month trailing average (As of November 2011)	66	68	-2.9%
(Source: Finance Department)			
<u>New Commercial Construction (excluding Apartment Buildings) and Building Renovations</u>			
(Fiscal YTD as of November 2011)			
Number of new building permits	1	1	0.0%
Value of new building permits (\$ millions)	\$16	\$0.3	5266.7%
(Source: Office of Code Administration)			
<u>New Multi-family Construction (including Apartment & Condominium Buildings)</u>			
(Fiscal YTD as of November 2011)			
Number of new building permits	14	2	600.0%
Value of new building permits (\$ millions)	\$89.5	\$0.2	44650.0%
<u>Residential Real Estate Indicators</u>			
Residential Dwelling Units Sold (Calendar YTD ending October 2011)	1,461	1,402	4.2%
Median Residential Sales Price (As of October 2011)	\$490,500	\$460,000	6.6%
(Source: Department of Real Estate Assessments)			
<u>Foreclosures</u>			
3 month trailing average (As of November 2011)	16	31	-48.4%
Source: Dept of Real Estate Assessments			

Unemployment Rate - U.S., Virginia, and Alexandria

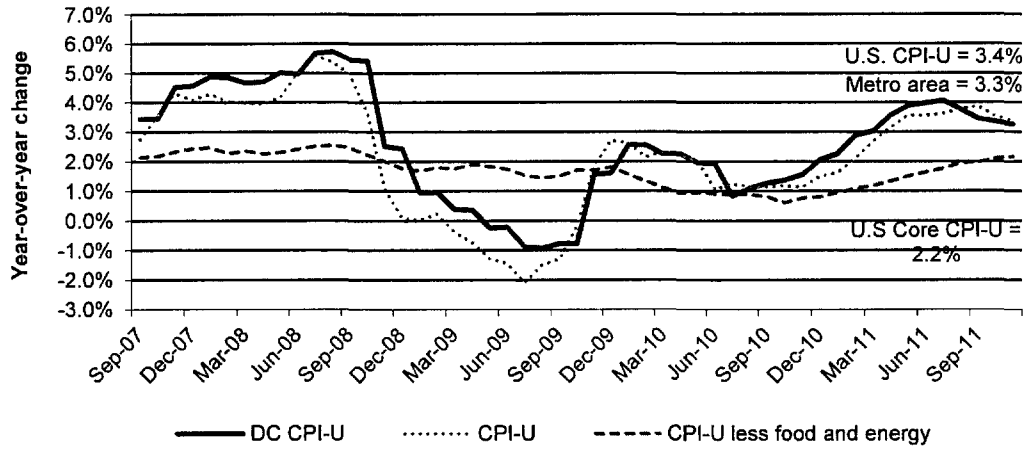


Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. through November 2011; Virginia and Alexandria through October 2011
 *Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-adjusted.



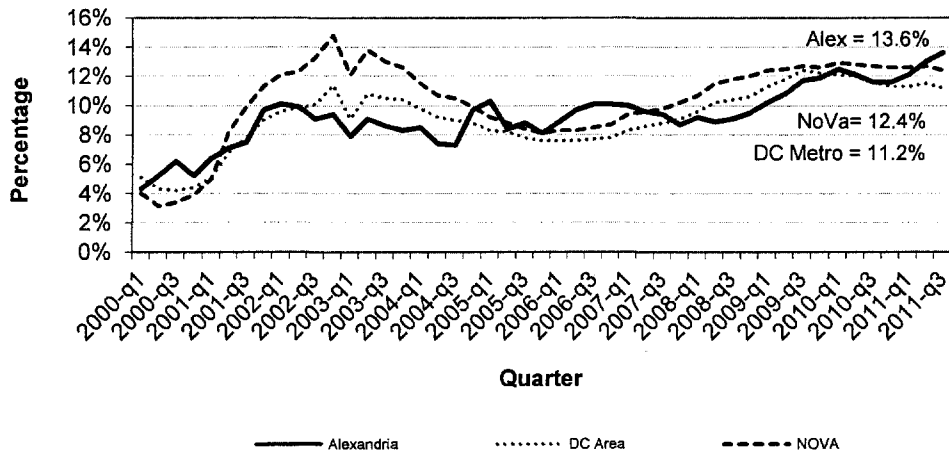
Source: Virginia Employment Commission
 Through October 2011
 *Not seasonally adjusted.

Annual Change in Consumer Price Index

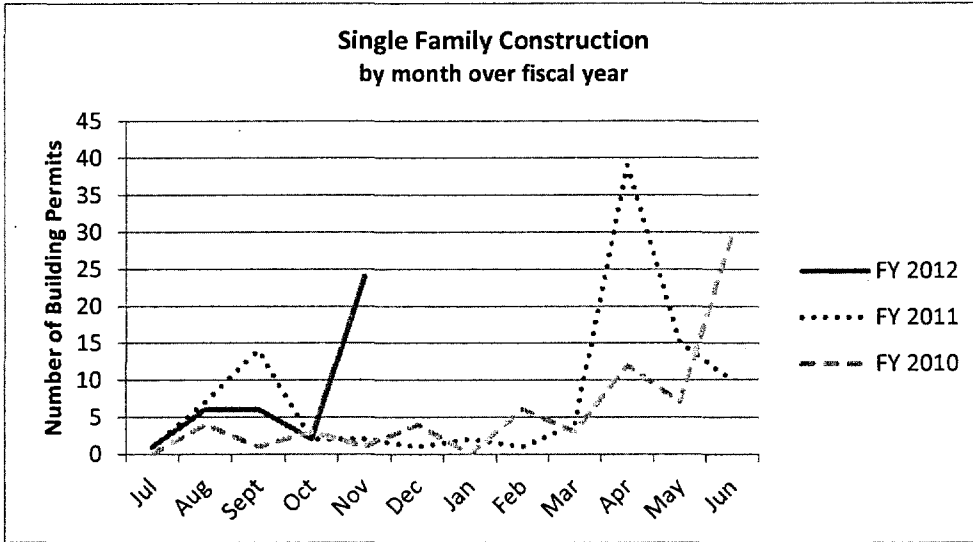


Source: U.S. Department of Labor, Bureau of Labor Statistics
Through November 2011

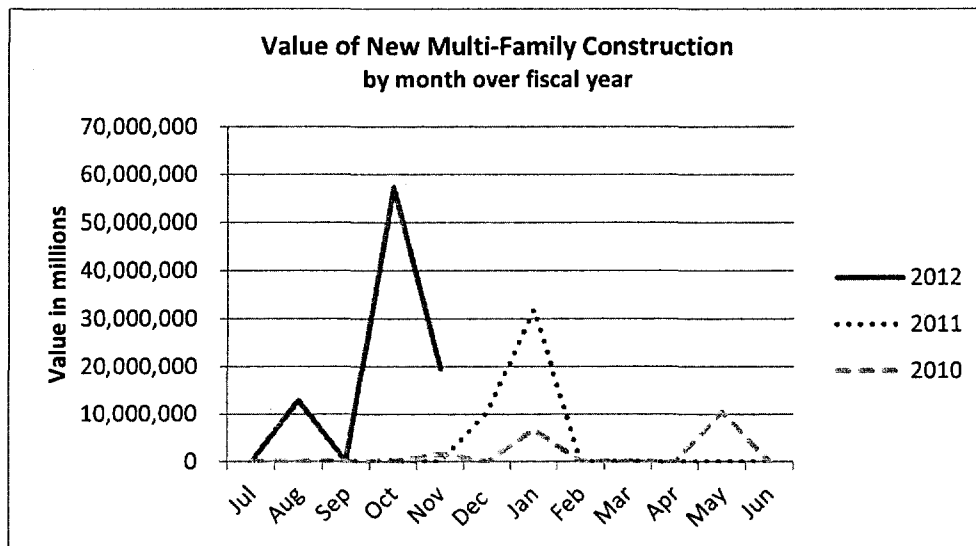
Office Vacancy Rates



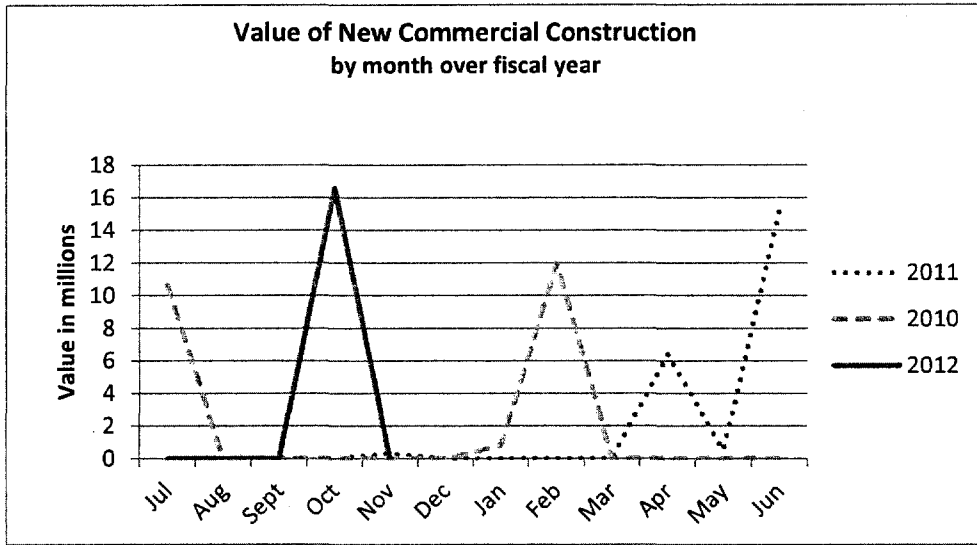
Source: CoStar
Through 3rd quarter, 2011



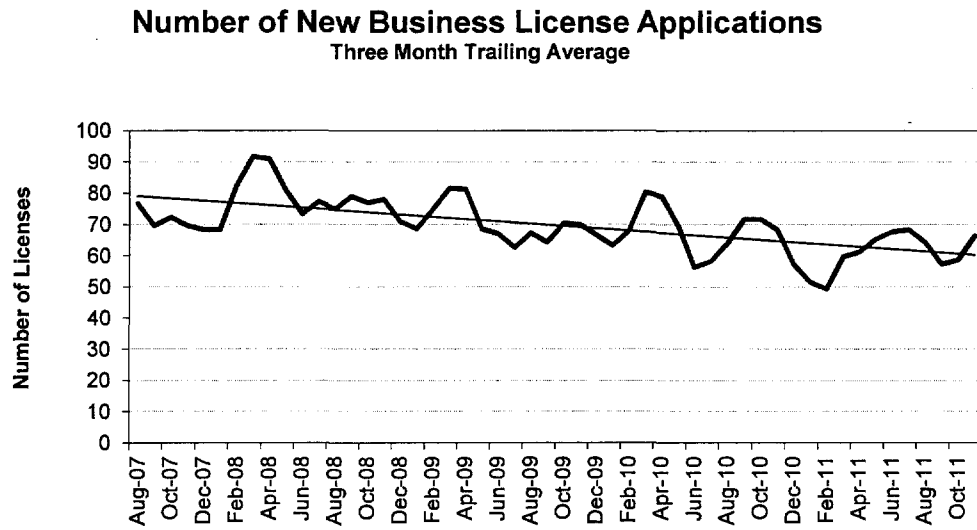
Source: Code Enforcement
Through November 2011



Source: Code Enforcement
Through November 2011

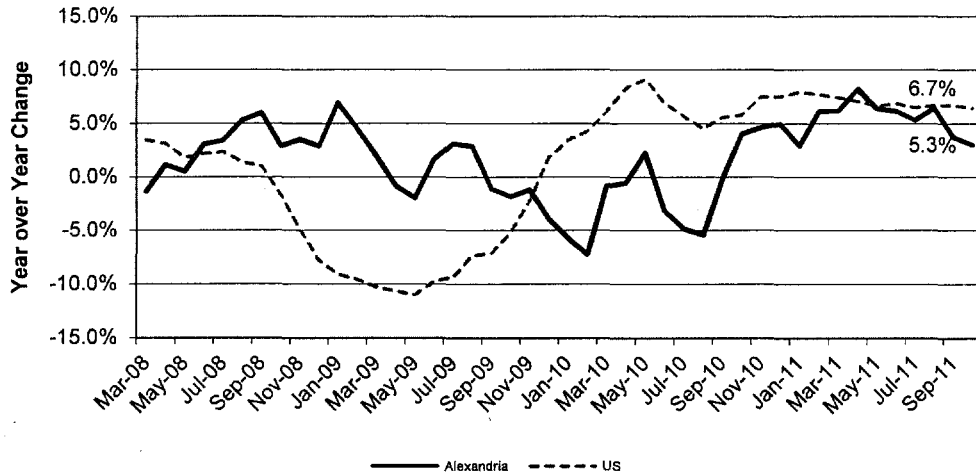


Source: Code Enforcement
Through November 2011



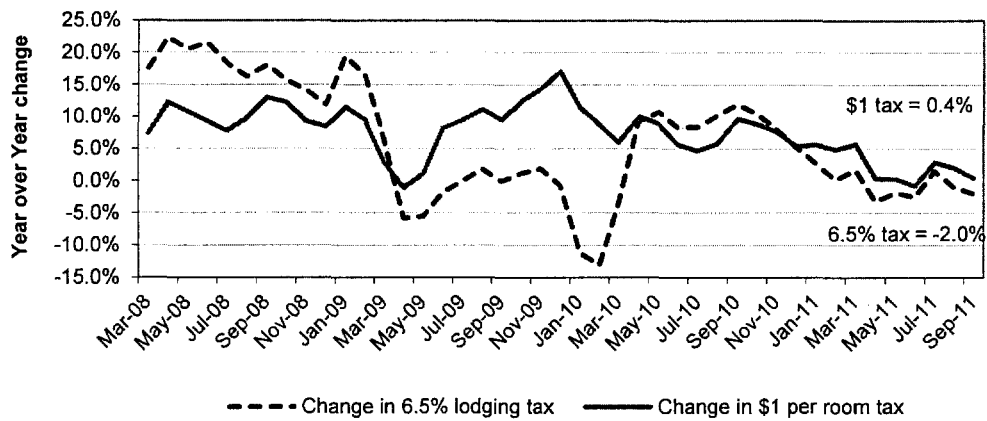
Source: Finance Department
Through November 2011

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

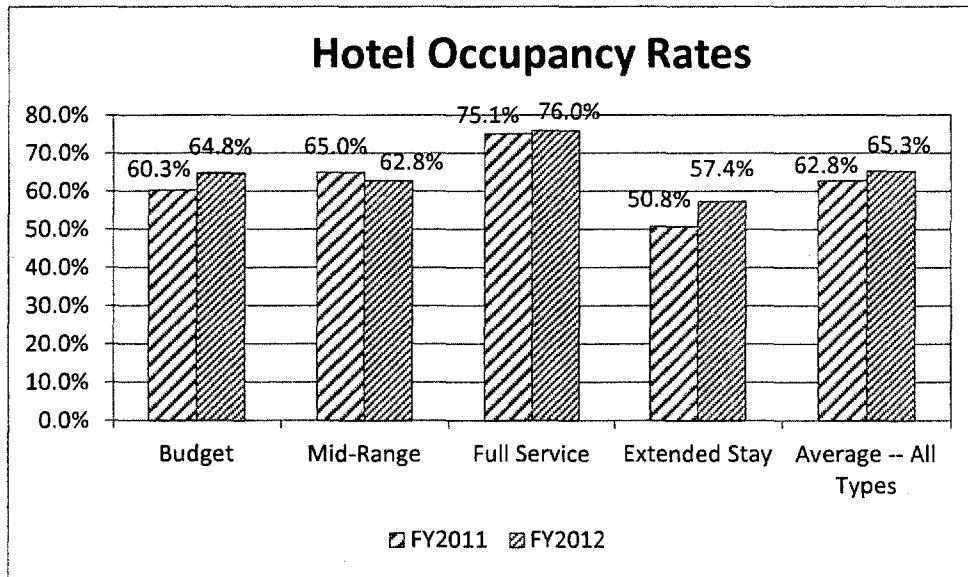


Source: Finance Department, U.S. Census Bureau
Data through October 2011

Annual Change in Transient Lodging Tax Receipts
3 month trailing average

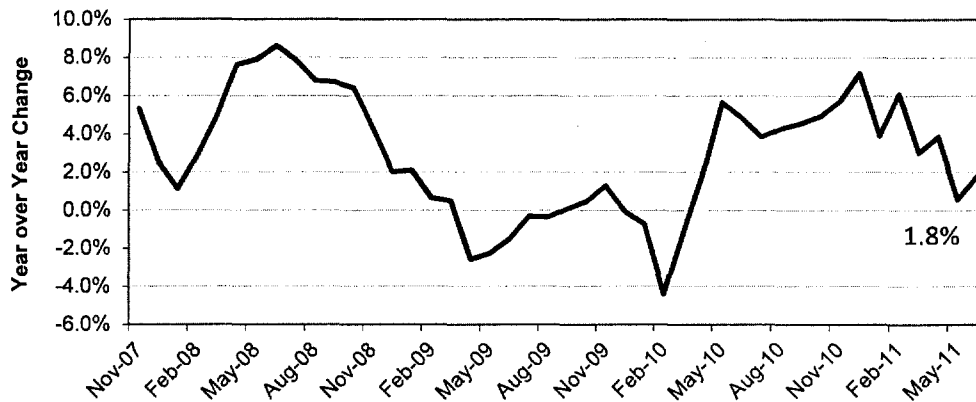


Source: Finance Department
Through September 2011



Source: Finance Department
Through September 2011

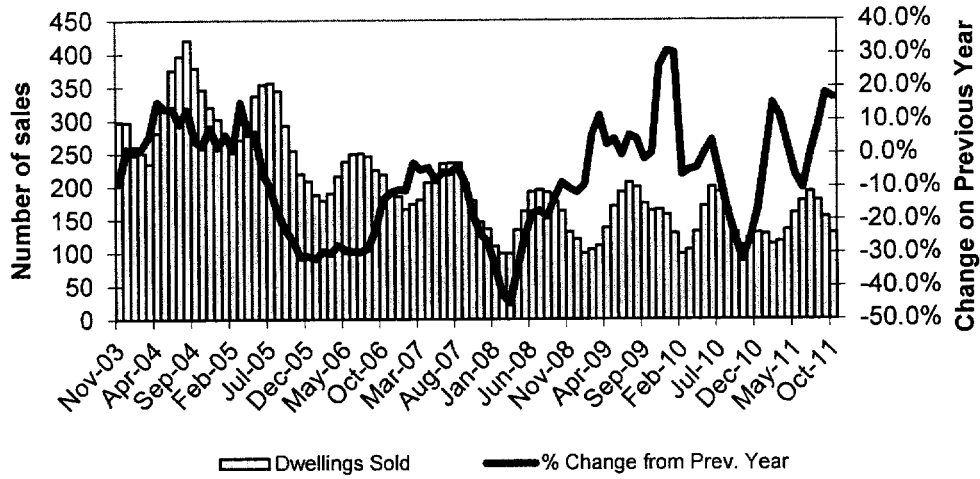
Annual Change in Meals Tax Revenue Per 1 % of Tax 3 month trailing average



Source: Finance Department
Through June 2011*

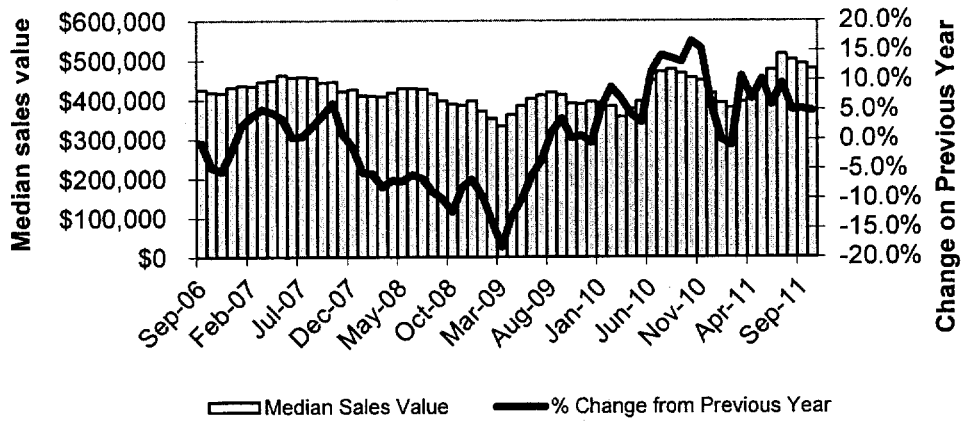
*Meals tax collections typically lag because there are restaurant filings and payments that have not been processed by the end-of-the-month deadline.

Alexandria Residential Property Sales Volume Three Month Trailing Average



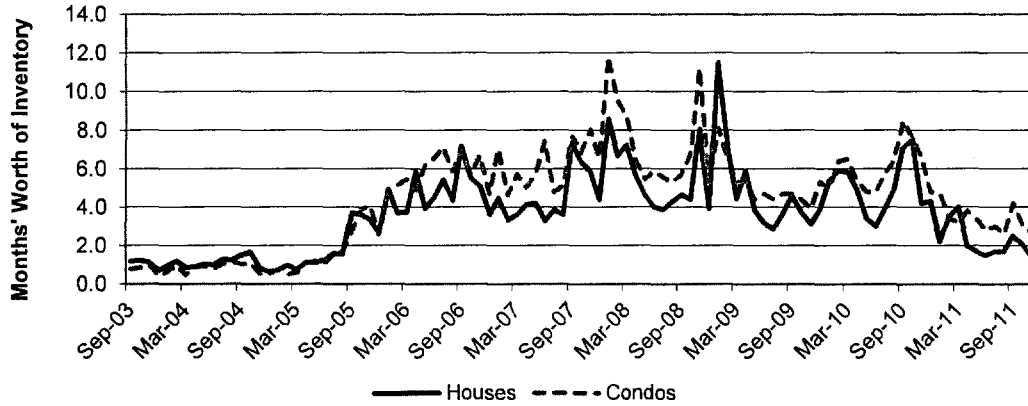
Source: Department of Real Estate Assessments
Through October 2011

Alexandria Residential Property Median Sales Value Three Month Trailing Average



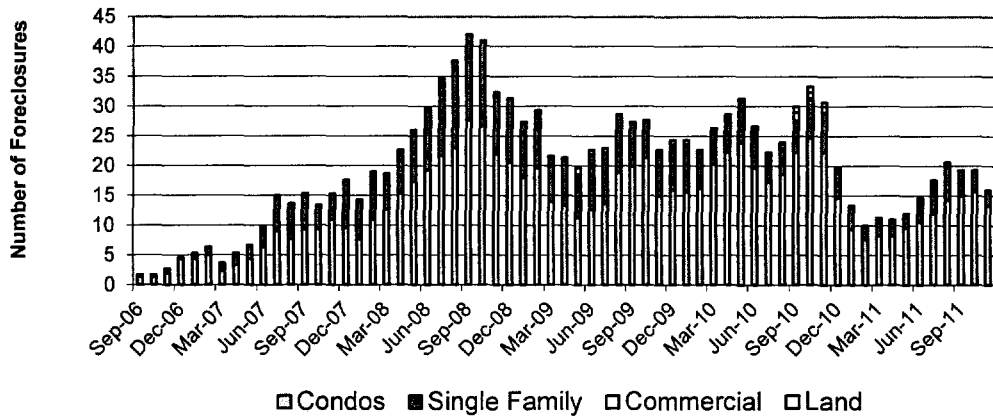
Sources: Metropolitan Regional Information Systems; Department of Real Estate Assessments
Through October 2011

**Months' Worth of Inventory
City of Alexandria
2002 - present**



Source: Metropolitan Regional Information Systems
Through November 2011

**New Foreclosures in Alexandria
3 month trailing average**



Source: Department of Real Estate Assessments
Through November 2011

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

	A FY2011 ACTUALS	B FY2012 REVISED BUDGET	C FY2012 REVENUES THRU 11/30/11	D=C/B %	E FY2011 REVENUES THRU 11/30/10	F=(C-E)/E %
General Property Taxes						
Real Property Taxes.....	\$ 312,641,695	\$ 321,674,773	\$ 157,932,092	49.1%	\$ 149,437,357	6%
Personal Property Taxes.....	34,891,944	34,600,000	33,911,493	98.0%	31,929,384	6%
Penalties and Interest.....	2,246,186	1,870,000	664,827	35.6%	539,705	23%
Total General Property Taxes	\$ 349,779,825	\$ 358,144,773	\$ 192,508,412	53.8%	\$ 181,906,446	6%
Other Local Taxes						
Local Sales and Use Taxes.....	\$ 23,880,909	\$ 24,200,000	\$ 5,999,566	24.8%	\$ 5,809,998	3%
Consumer Utility Taxes.....	10,812,989	11,200,000	3,746,650	33.5%	3,614,807	4%
Communication Sales and Use Taxes.....	11,259,534	11,600,000	2,624,337	22.6%	2,930,320	-10%
Business License Taxes.....	30,444,798	31,825,000	1,017,912	3.2%	2,047,185	-50%
Transient Lodging Taxes.....	11,245,201	12,500,000	3,975,122	31.8%	4,006,706	-1%
Restaurant Meals Tax.....	16,214,900	16,300,000	5,204,982	31.9%	5,291,432	-2%
Tobacco Taxes.....	2,777,053	2,900,000	926,337	31.9%	980,055	-5%
Motor Vehicle License Tax.....	3,324,937	3,200,000	2,737,046	85.5%	2,591,703	6%
Real Estate Recordation.....	3,668,663	3,800,000	1,876,369	49.4%	1,210,004	55%
Admissions Tax.....	1,082,685	1,100,000	355,873	32.4%	367,786	-3%
Other Local Taxes.....	3,547,688	2,705,000	87,562	3.2%	233,754	-63%
Total Other Local Taxes	\$ 118,259,357	\$ 121,330,000	\$ 28,551,756	23.5%	\$ 29,083,750	-2%
Intergovernmental Revenues						
Revenue from the Fed. Government.....	\$ 9,697,509	\$ 9,447,640	\$ 2,724,213	28.8%	\$ 2,724,449	0%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	22,399,604	95.0%	22,399,604	0%
Revenue from the Commonwealth.....	20,452,569	19,950,485	5,898,941	29.6%	6,050,264	-3%
Total Intergovernmental Revenues	\$ 53,728,609	\$ 52,976,656	\$ 31,022,758	58.6%	\$ 31,174,317	0%
Other Governmental Revenues And Transfers In						
Fines and Forfeitures.....	\$ 4,472,520	\$ 4,764,000	\$ 1,803,078	37.8%	\$ 1,773,440	2%
Licenses and Permits.....	2,543,789	2,049,975	1,090,089	53.2%	959,896	14%
Charges for City Services.....	14,939,668	14,709,303	6,894,827	46.9%	6,432,948	7%
Revenue from Use of Money & Prop.....	3,591,323	3,570,000	1,577,673	44.2%	1,459,357	8%
Other Revenue.....	987,727	490,000	343,462	70.1%	321,403	7%
Transfer from Other Funds.....	1,446,713	1,666,903	-	0.0%	-	0%
Total Other Governmental Revenues	\$ 27,981,740	\$ 27,250,181	\$ 11,709,129	43.0%	\$ 10,947,044	7%
TOTAL REVENUE	\$ 549,749,531	\$ 559,701,610	\$ 263,792,055	47.1%	\$ 253,111,557	4%
Appropriated Fund Balance						
General Fund.....	-	8,961,138	-	-	-	0%
Reappropriation of FY 2011 Encumbrances And Other Supplemental Appropriations....	-	10,160,618	-	-	-	0%
TOTAL	\$ 549,749,531	\$ 578,823,366	\$ 263,792,055	45.6%	\$ 253,111,557	4%

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

FUNCTION	A FY2011 ACTUALS	B FY2012 REVISED BUDGET	C FY2012 EXPENDITURES THRU 11/30/11	D=C/B % OF BUDGET EXPENDED	E FY2011 EXPENDITURES THRU 11/30/10	F=(C-E)/E % CHANGE
Legislative & Executive.....	\$ 5,076,332	\$ 5,417,296	\$ 2,105,124	38.9%	\$ 2,564,550	-18%
Judicial Administration.....	\$ 38,393,185	\$ 39,976,309	\$ 16,066,650	40.2%	\$ 16,108,820	0%
Staff Agencies						
Information Technology Services.....	\$ 7,181,221	\$ 7,598,174	\$ 3,059,202	40.3%	\$ 2,747,223	11%
Management & Budget.....	1,063,491	1,236,389	360,843	29.2%	435,123	-17%
Finance.....	9,872,634	11,558,875	3,776,640	32.7%	3,524,208	7%
Real Estate Assessment.....	1,470,112	1,674,469	636,993	38.0%	593,504	7%
Human Resources.....	2,820,166	2,971,676	1,102,690	37.1%	1,057,147	4%
Planning & Zoning.....	5,335,556	5,623,460	2,280,282	40.5%	2,153,243	6%
Economic Development Activities.....	3,719,232	4,721,167	2,336,355	49.5%	1,770,440	32%
City Attorney.....	2,325,670	2,652,088	925,269	34.9%	886,763	4%
Registrar.....	1,007,110	1,203,860	520,308	43.2%	495,519	5%
General Services.....	11,681,427	12,486,884	4,905,431	39.3%	4,473,893	10%
Total Staff Agencies	\$ 46,476,619	\$ 51,727,042	\$ 19,904,013	38.5%	\$ 18,137,063	10%
Operating Agencies						
Transportation & Environmental Services.....	\$ 27,532,364	\$ 28,522,530	\$ 12,467,852	43.7%	\$ 11,900,940	5%
Fire.....	35,892,427	35,164,700	15,984,675	45.5%	15,921,511	0%
Police.....	51,013,585	51,203,943	21,306,667	41.6%	21,761,175	-2%
Emergency Communications.....	1,842,911	5,687,007	2,228,074	39.2%	-	-
Code.....	843,814	923,364	312,193	33.8%	405,442	-23%
Transit Subsidies.....	8,094,839	8,564,122	3,965,761	46.3%	3,889,743	2%
Community and Human Services.....	13,920,947	14,789,220	6,582,306	44.5%	5,658,901	16%
Health.....	7,854,474	8,379,225	2,535,040	30.3%	3,573,939	-29%
Historic Resources.....	2,560,919	2,824,565	1,140,659	40.4%	1,052,549	8%
Recreation.....	19,025,423	19,632,384	8,028,647	40.9%	8,138,907	-1%
Total Operating Agencies	\$ 168,581,703	\$ 175,691,060	\$ 74,551,874	42.4%	\$ 72,303,107	3%
Education						
Schools.....	\$ 167,886,567	\$ 174,956,420	\$ 55,563,120	31.8%	\$ 53,661,199	4%
Other Educational Activities.....	12,229	12,288	6,144	50.0%	6,115	0%
Total Education	\$ 167,898,796	\$ 174,968,708	\$ 55,569,264	31.8%	\$ 53,667,314	4%
Capital, Debt Service and Miscellaneous						
Debt Service.....	\$ 38,479,349	\$ 43,438,079	\$ 11,246,832	25.9%	\$ 7,018,070	60.3%
Non-Departmental.....	12,427,609	13,932,749	5,665,927	40.7%	6,117,415	-7.4%
General Cash Capital.....	5,545,000	4,915,986	4,915,986	100.0%	5,545,000	-11.3%
Contingent Reserves.....	-	977,517	-	0.0%	-	-
Total Capital, Debt Service and Miscellaneous	\$ 56,451,958	\$ 63,264,331	\$ 21,828,745	34.5%	\$ 18,680,485	16.9%
TOTAL EXPENDITURES	\$ 482,878,593	\$ 511,044,746	\$ 190,025,670	37.2%	\$ 181,461,339	4.7%
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund).....	33,360,416	51,453,962	-	-	-	-
Transfer to Housing.....	1,715,904	1,651,705	513,405	31.1%	591,967	-13.3%
Transfer to Library.....	5,879,455	6,644,953	2,768,952	41.7%	2,603,687	6.3%
Transfer to DASH.....	8,178,196	8,028,000	3,345,267	41.7%	3,253,506	2.8%
TOTAL EXPENDITURES & TRANSFERS	\$ 532,012,564	\$ 578,823,366	\$ 196,653,294	34.0%	\$ 187,910,499	4.7%
Total Expenditures by Category						
Salaries and Benefits	\$ 181,704,996	\$ 187,851,560	\$ 76,501,160	40.7%	\$ 74,666,180	2.5%
Non Personnel (includes all school funds)	350,307,568	390,971,806	120,152,134	30.7%	113,244,319	6.1%
Total Expenditures	\$ 532,012,564	\$ 578,823,366	\$ 196,653,294	34.0%	\$ 187,910,499	4.7%