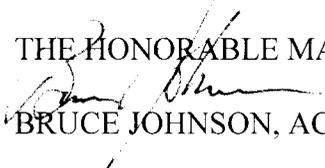


City of Alexandria, Virginia

MEMORANDUM

DATE: AUGUST 25, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM:  BRUCE JOHNSON, ACTING CITY MANAGER

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING JULY 31, 2011

ISSUE: Receipt, on an informational basis, of the City's Monthly Financial Report for the period ending July 31, 2011. This report is informational in nature and will not be docketed for City Council Action. The August report will be docketed for the October 11, 2011 Council meeting. At that time, we will discuss the preliminary 2011 results.

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 July 31, 2011. Detailed economic, revenue, and expenditure charts are available from the City of Alexandria website at alexandriava.gov/financialreports.

Final revenues and expenditures for FY 2011 will be reported later this fall in the City's audited Comprehensive Annual Financial Report (CAFR). We are pleased to report that through prudent fiscal management, we have produced sufficient savings not only to the previously planned amount from real estate taxes but also to provide surplus savings that can be used for a reserve that may arise from either national or federal budget political uncertainties (see companion memo "Update on Federal Deficit Reduction Actions, Credit Rating Agency Actions and Indirect Effects on the City"), disasters, or other emergencies. Staff will provide an unaudited estimate of how the City finished FY 2011 financially in the next report.

ECONOMIC HIGHLIGHTS:

- **Calendar year-to-date median sales prices for residential properties have increased 8.2 percent.** This and future monthly reports will give median rather than average sales prices, since median pricing data more strongly reflect overall real estate values in the City. Average sales prices can vary wildly due to changes in the mix of properties sold from one year to the next. This does not mean that house assessments are going to rise at an 8.6% rate next year, but is a measure of both some home appreciation, as well as the fact that the sales of higher priced homes has increased.
- **Consumer prices increased faster than forecast in July.** The national CPI increased 3.6 percent for the third month in a row, reflecting the largest year on year increases in consumer prices since October 2008. Food and gasoline prices accounted for more than half of the growth. The core CPI excluding food and energy increased by 1.8 percent, the

largest year on year increase since December 2009. The regional consumer price index increased by 4.1 percent, the largest year on year increase since October 2008.

- **Seasonally-adjusted real average hourly earnings were down again in July.** Nationally, earnings for all employees fell by 0.1 percent, contributing to a 1.3 percent year on year decrease since July 2010. Real average hourly earnings for production and non-supervisory employees fell 0.2 percent for the month, contributing to a 1.7 percent year on year decrease.
- **According to the Alexandria Convention and Visitors Association (ACVA), following a weak first quarter, June showed a small improvement in demand for hotel rooms, but revenues continued to suffer.** June showed an increase of 3.1 percent in the number of rooms sold; however, primarily due to the drop in the federal government per diem, the average daily rate and revenue per available room both decreased, 3.0 and 2.7 percent respectively, from June 2010.
- **City staff is reviewing the indirect effects of the debt ceiling/deficit-reduction agreements in Congress.** Federal budget cuts are expected to directly and indirectly affect the City economy, budget and financial condition. Staff has been reviewing currently available data to determine what effects can be expected and what steps can be taken to address any problems that may arise. City Council has already received an August 1 memo on the potential direct impacts on the City budget and a second memo is now being issued simultaneously with this memo. Given that the structure of the federal budget cuts will not be known until November, a situation of uncertainty will exist through the fall and dampen federal contracting, federal hiring and federal government-related business travel. Hence, City tax revenues will be impacted.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of July 31, 2011, actual General Fund revenues totaled \$1.7 million, which approximates FY 2011 revenues for the same period last year. 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.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of July 31, 2011, actual General Fund expenditures totaled \$37.0 million, an increase of \$3.3 million, or 9.8 percent, above expenditures for the same period last year. One month does not provide enough data to recognize any trends either positive or negative.

There are several departmental changes approved for FY 2012. The Department of Mental Health, Mental Retardation, and Substance Abuse, the Department of Human Services, and the Office on Women have merged into one agency: the Department of Community and Human Services. The Department of Emergency Communications was established in March of FY 2011 to consolidate the emergency communications functions of the Police and Fire Departments into a single department. When possible, prior year amounts have been moved to the new departments.

- **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.

ONLINE REFERENCES:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

STAFF:

Morgan Routt, Assistant Director, OMB

Laura Triggs, Acting Chief Financial Officer

Ray Welch, Comptroller

Melinda Barton, Public Information Specialist

SELECTED ECONOMIC INDICATORS

Attachment 1

<u>Consumer Price Index (CPI-U)</u> for the Washington-Baltimore, DC-MD-VA-WV Area (as of July 2011) For the United States (as of July 2011) Core CPI-U (excludes food and energy) (As of July 2011)	Change on Previous Year
	4.1%
	3.6%
	1.8%

(Source: U.S. Department of Labor, Bureau of Labor Statistics)

<u>Unemployment Rates</u>	Current Month	Prior Month	Prior Year
Alexandria (as of June, 2011)	4.8%	4.5%	4.7%
Virginia (as of July, 2011)	6.1%	6.0%	6.8%
United States (as of July, 2011)	9.1%	9.2%	9.5%

(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	11.5%	11.3%	12.0%

(As of 2nd quarter, 2011)
(Source: CoStar)

<u>New Business Licenses</u>	Current Year	Prior Year	Change on Previous Year
3 month trailing average (As of July 2011)	68	58	17.2%

(Source: Finance Department)

<u>New Commercial Construction (excluding Apartment Buildings) and Building Renovations</u> (Fiscal YTD as of July 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 July 2011)			
Number of new building permits	0	0	0.0%
Value of new building permits (\$ millions)	\$0	\$0	0.0%

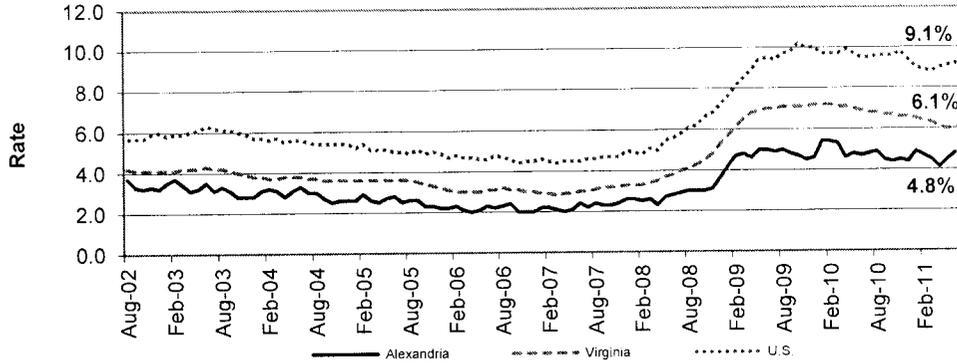
<u>Residential Real Estate Indicators</u> (Calendar YTD ending June 2011)			
Residential Dwelling Units Sold	886	913	-3.0%
Median Residential Sales Price	\$525,250	\$490,000	7.2%

(Source: Department of Real Estate Assessments)

<u>Foreclosures</u> 3 month trailing average (As of June 2011)			
	15	27	-44.4%

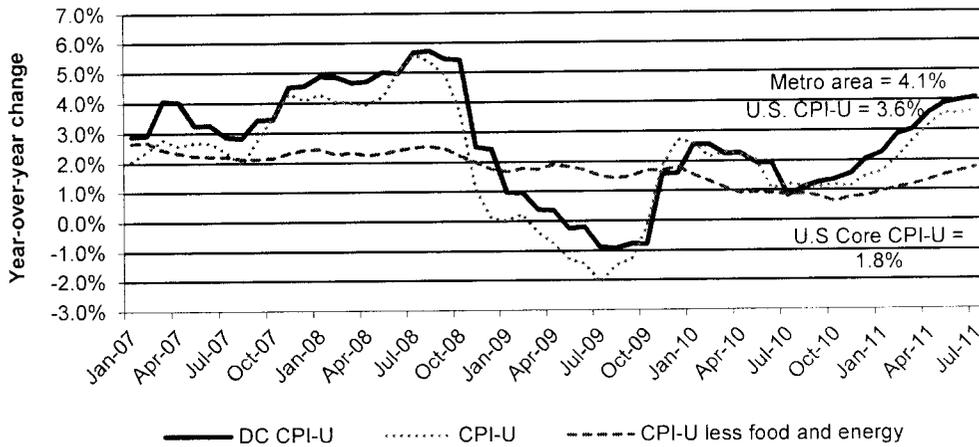
Source: Dept of Real Estate Assessments

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

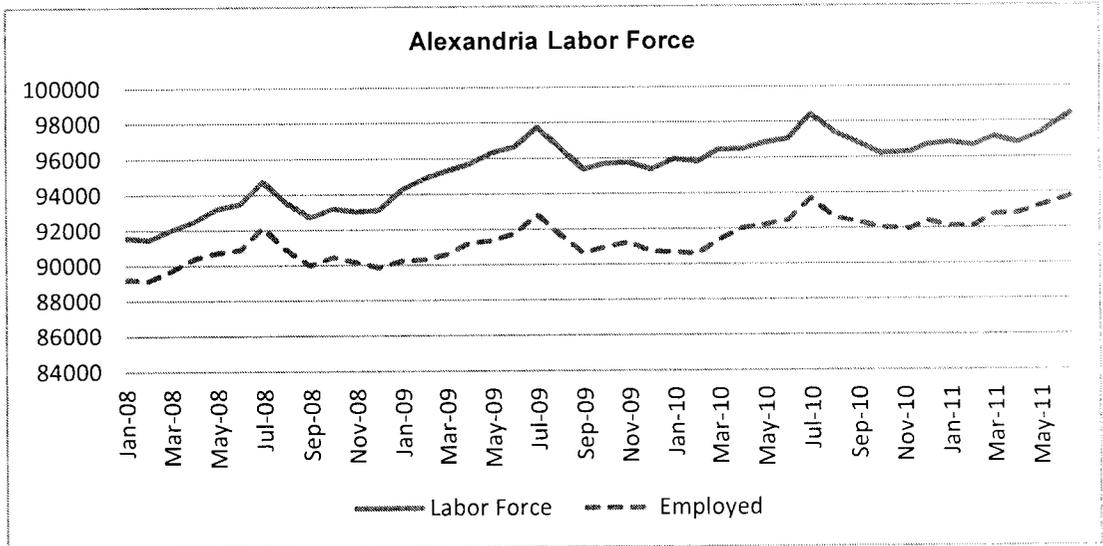


Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. and Virginia through July 2011, Alexandria through June 2011
 *Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-adjusted

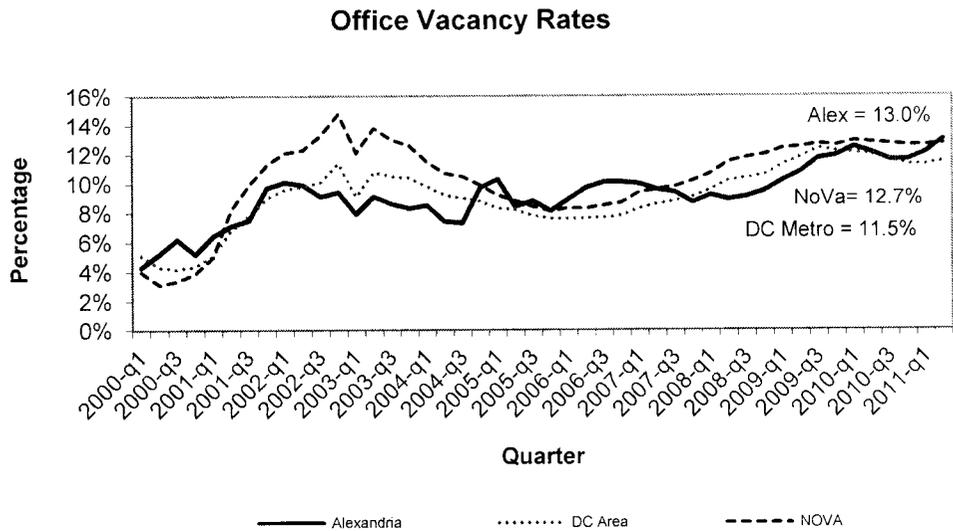
Annual Change in Consumer Price Index



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

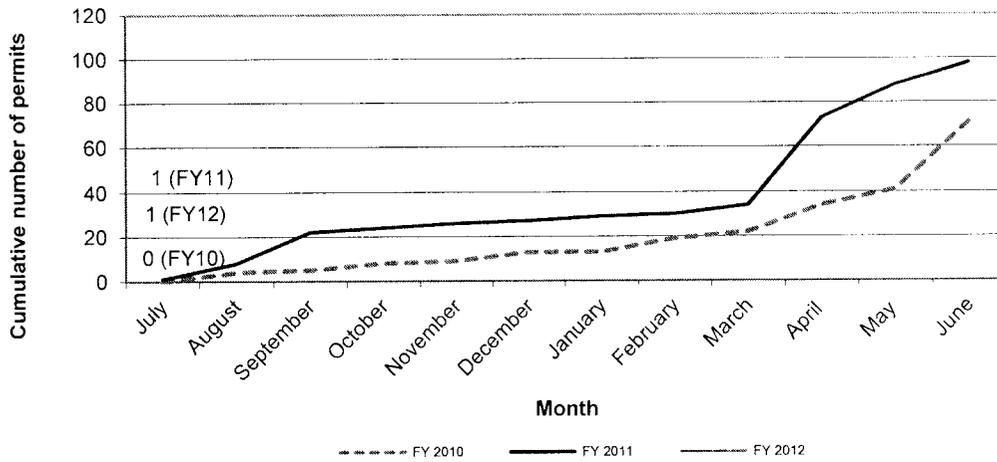


Source: Virginia Employment Commission
 Through June 2011
 *Not seasonally adjusted.



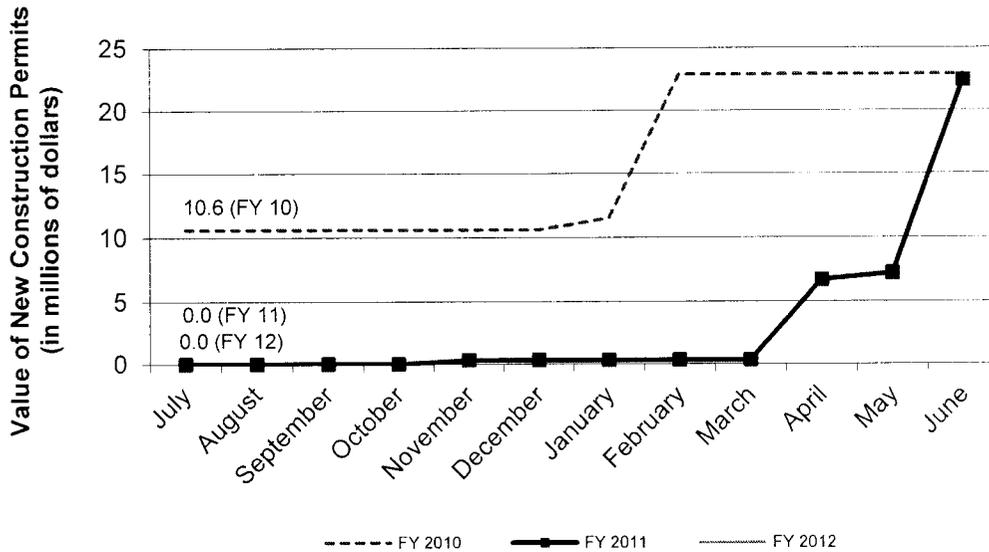
Source: CoStar
 Through 2nd quarter, 2011

**Cumulative Number of New 1 & 2 Family
Residential Building Permits
FY 2010-FY 2012**



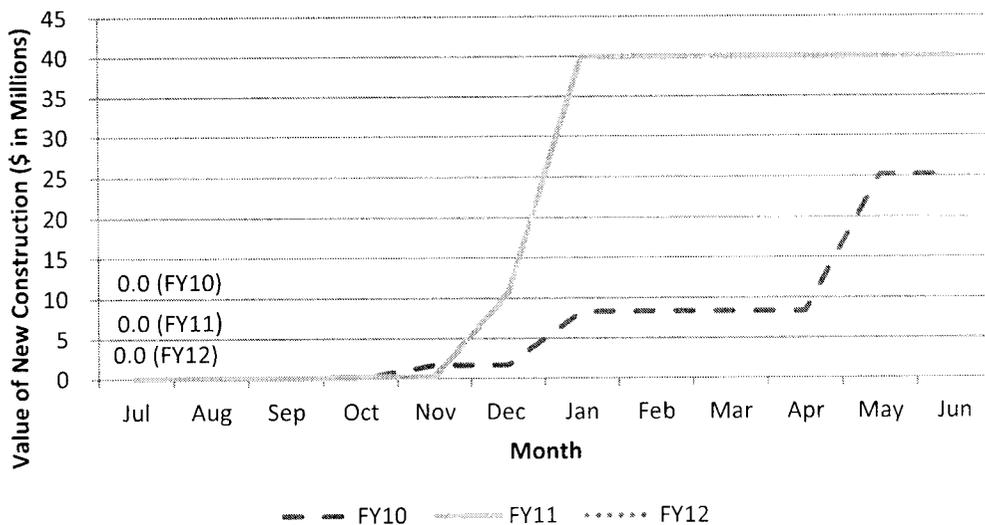
Source: Code Administration
Through July 2011

**Cumulative Value of Commercial Property
New Construction Permits
FY 2010-FY 2012**



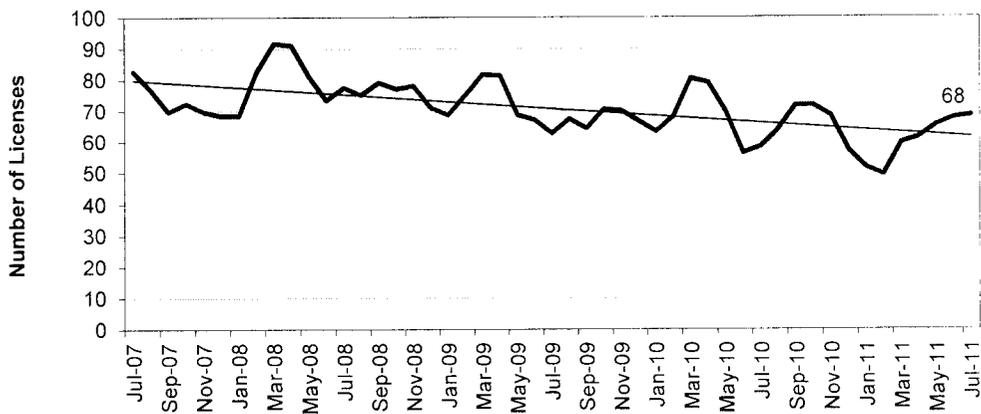
Source: Code Administration
Through July 2011

Cumulative Value of Multi-Family New Construction (Apts & Condos) FY 2010 - FY 2012



Source: Code Administration
Through July 2011

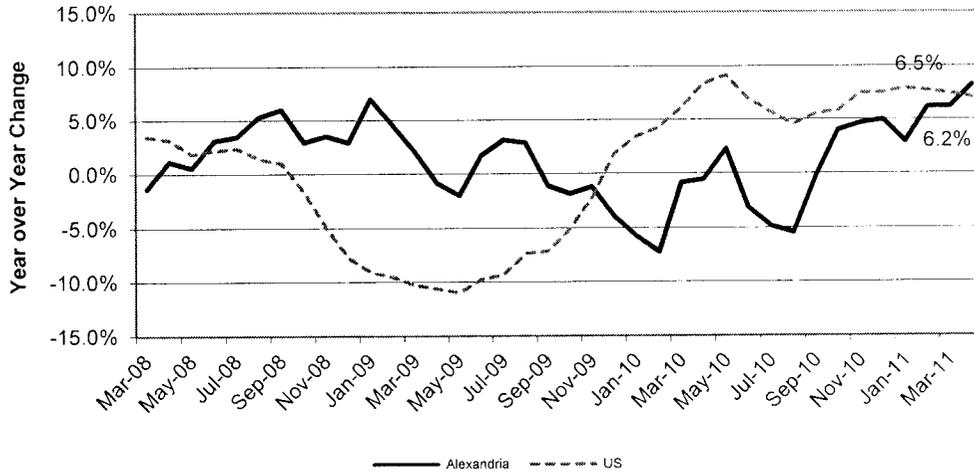
Number of New Business License Applications Three Month Trailing Average



Source: Finance Department
Through July 2011

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

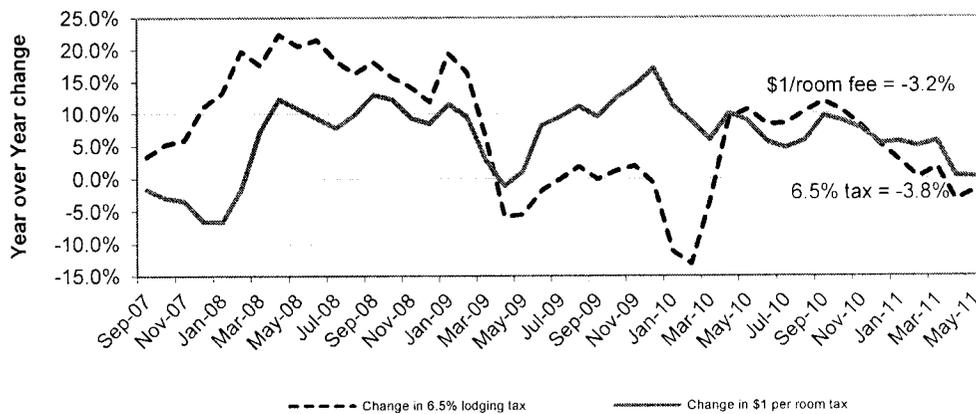
3 month trailing average



Source: Finance Department, U.S. Census Bureau
 U.S. data through July 2011; Alexandria data through June 2011

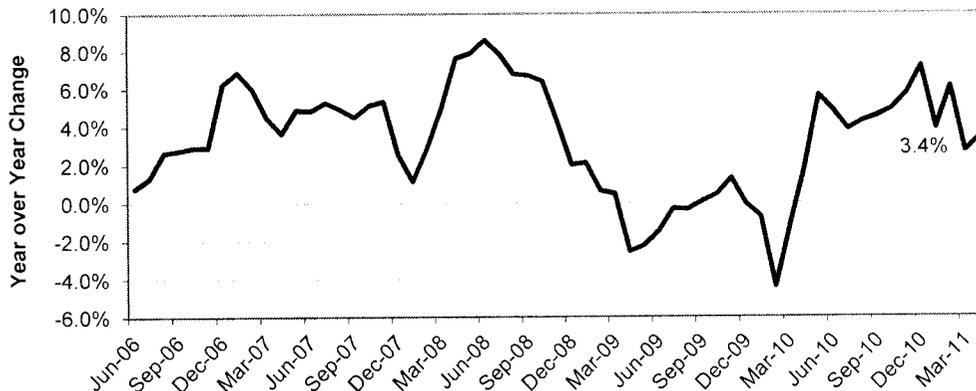
Annual Change in Transient Lodging Tax Receipts

3 month trailing average



Source: Finance Department
 Through June 2011

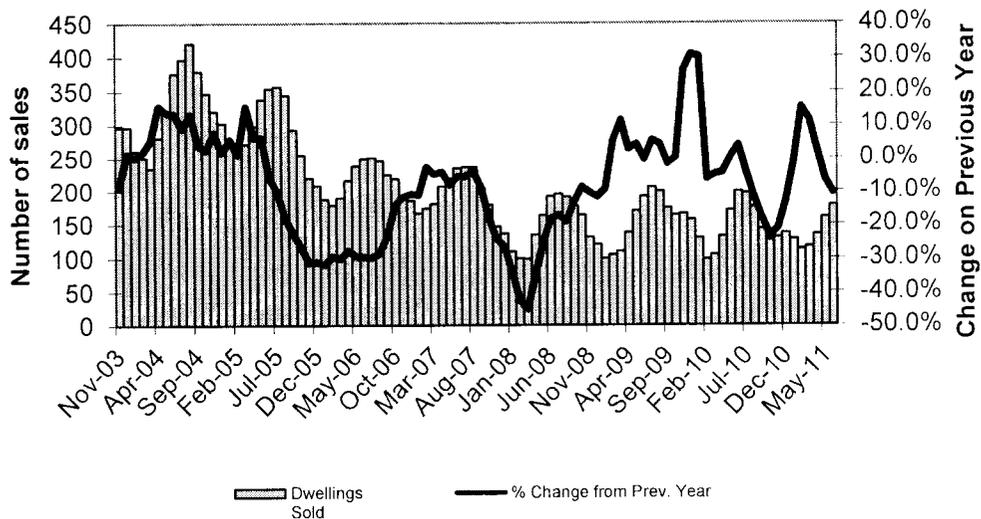
Annual Change in Meals Tax Revenue Per 1 % of Tax
3 month trailing average



Source: Finance Department
Through April 2011*

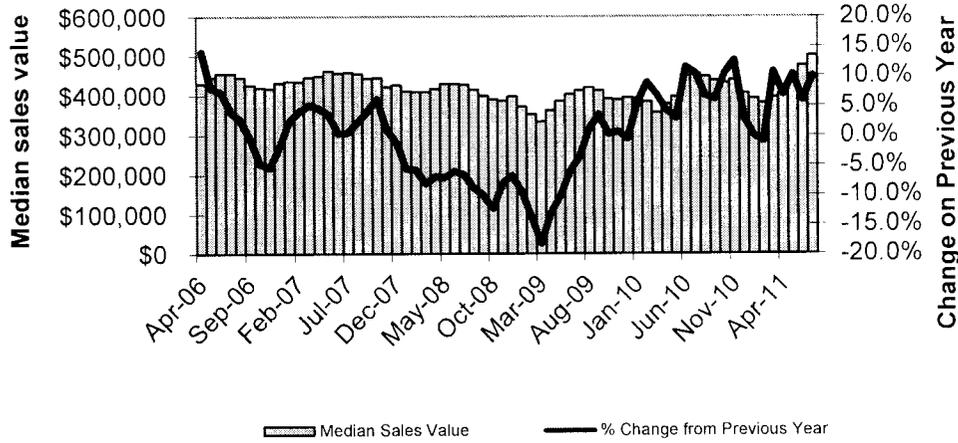
*Meals tax collections typically lag because there are restaurant filings and payments that have not been processed by the end-of-the-month deadline.

Alexandria Residential Property Sales Volume
Three Month Trailing Average



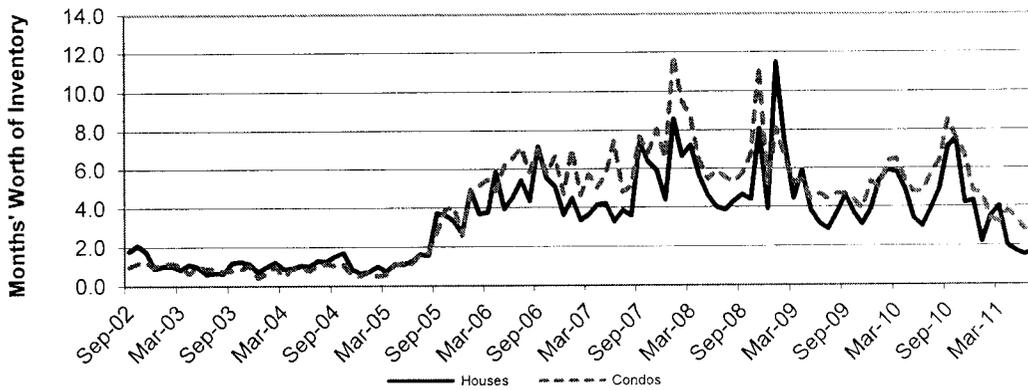
Source: Department of Real Estate Assessments
Through June 2011

Alexandria Residential Property Median Sales Value Three Month Trailing Average



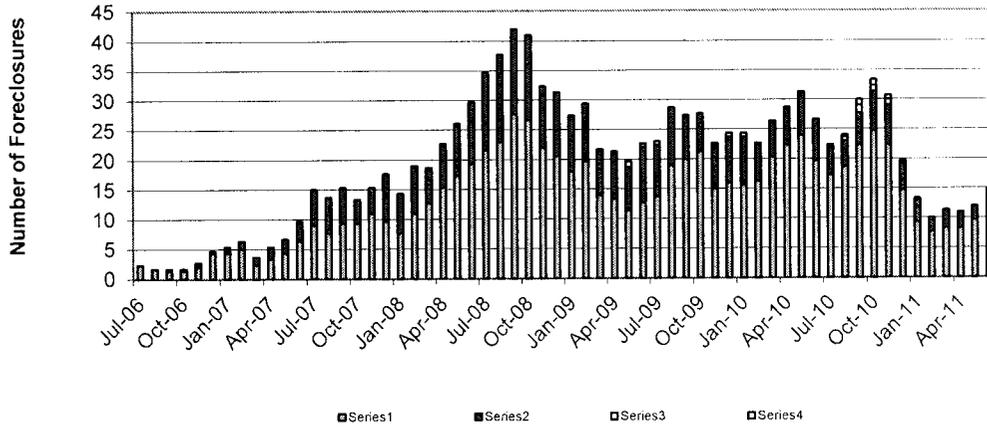
Sources: Metropolitan Regional Information Systems; Department of Real Estate Assessments Through July 2011

Months' Worth of Inventory City of Alexandria 2002 - present



Source: Metropolitan Regional Information Systems Through July 2011

New Foreclosures in Alexandria 3 month trailing average



Source: Department of Real Estate Assessments
Through June 2011

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING JULY 31, 2011 AND JULY 31, 2010**

	B	C	D=C/B	E	F=(C-E)/E
	FY2012 REVISED BUDGET	FY2012 REVENUES THRU 07/31/11	% OF BUDGET	FY2011 REVENUES THRU 07/31/10	% CHANGE
General Property Taxes					
Real Property Taxes.....	\$ 321,674,773	\$ -	0.0%	\$ -	-
Personal Property Taxes.....	34,600,000	-	0.0%	-	-
Penalties and Interest.....	1,870,000	-	0.0%	-	-
Total General Property Taxes	\$ 358,144,773	\$ -	0.0%	\$ -	0%
Other Local Taxes					
Local Sales and Use Taxes.....	\$ 24,200,000	\$ -	0.0%	\$ -	-
Consumer Utility Taxes.....	11,200,000	-	0.0%	-	-
Communication Sales and Use Taxes.....	11,600,000	-	0.0%	-	-
Business License Taxes.....	31,825,000	-	0.0%	-	-
Transient Lodging Taxes.....	12,500,000	-	0.0%	-	-
Restaurant Meals Tax.....	16,300,000	-	0.0%	-	-
Tobacco Taxes.....	2,900,000	-	0.0%	-	-
Motor Vehicle License Tax.....	3,200,000	36,841	1.2%	55,045	-33%
Real Estate Recordation.....	3,800,000	-	0.0%	-	-
Admissions Tax.....	1,100,000	-	0.0%	-	-
Other Local Taxes.....	2,705,000	-	0.0%	-	-
Total Other Local Taxes	\$ 121,330,000	\$ 36,841	0.0%	\$ 55,045	-33%
Intergovernmental Revenues					
Revenue from the Fed. Government.....	\$ 9,447,640	\$ -	0.0%	\$ -	-
Personal Property Tax Relief from the Commonwealth.....	23,578,531	-	0.0%	-	-
Revenue from the Commonwealth.....	19,950,485	-	0.0%	-	-
Total Intergovernmental Revenues	\$ 52,976,656	\$ -	0.0%	\$ -	0%
Other Governmental Revenues And Transfers In					
Fines and Forfeitures.....	\$ 4,764,000	\$ 354,963	7.5%	\$ 354,542	0%
Licenses and Permits.....	2,049,975	145,456	7.1%	213,503	-32%
Charges for City Services.....	14,709,303	790,261	5.4%	787,087	0%
Revenue from Use of Money & Prop.....	3,570,000	305,859	8.6%	344,173	-11%
Other Revenue.....	490,000	45,986	9.4%	54,782	-16%
Transfer from Other Funds.....	1,666,903	-	0.0%	-	0%
Total Other Governmental Revenues	\$ 27,250,181	\$ 1,642,525	6.0%	\$ 1,754,087	-6%
TOTAL REVENUE	\$ 559,701,610	\$ 1,679,366	0.3%	\$ 1,809,132	-7%
Appropriated Fund Balance					
General Fund.....	8,961,138	-	-	-	0%
Reappropriation of FY 2011 Encumbrances And Other Supplemental Appropriations....	-	-	-	-	0%
TOTAL	\$ 568,662,748	\$ 1,679,366	0.3%	\$ 1,809,132	-7%

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING JULY 31, 2011 AND JULY 31, 2010**

FUNCTION	B	C	D=C/B	E	F=(C-E)/E
	FY2012 REVISED BUDGET	FY2012 EXPENDITURES THRU 07/31/11	% OF BUDGET EXPENDED	FY2011 EXPENDITURES THRU 07/31/10	EXPENDITURES % CHANGE
Legislative & Executive.....	\$ 5,415,393	\$ 319,243	5.9%	\$ 394,303	-19%
Judicial Administration.....	\$ 39,643,802	\$ 3,248,634	8.2%	\$ 3,139,367	3%
Staff Agencies					
Information Technology Services.....	\$ 7,519,965	\$ 396,695	5.3%	\$ 622,892	-36%
Management & Budget.....	1,236,389	48,594	3.9%	74,900	-35%
Finance.....	10,680,266	575,312	5.4%	417,664	38%
Real Estate Assessment.....	1,674,469	88,650	5.3%	89,811	-1%
Human Resources.....	2,947,920	168,584	5.7%	169,813	-1%
Planning & Zoning.....	5,505,665	386,119	7.0%	329,799	17%
Economic Development Activities.....	4,656,167	1,151,369	24.7%	834,851	38%
City Attorney.....	2,652,088	122,724	4.6%	132,803	-8%
Registrar.....	1,135,860	85,912	7.6%	85,656	0%
General Services.....	12,486,884	706,544	5.7%	692,582	2%
Total Staff Agencies	\$ 50,495,673	\$ 3,730,503	7.4%	\$ 3,450,771	8%
Operating Agencies					
Transportation & Environmental Services.....	\$ 28,086,977	\$ 2,139,149	7.6%	\$ 2,404,597	-11%
Fire.....	35,141,700	3,518,398	10.0%	3,596,935	-2%
Police.....	50,890,942	4,743,283	9.3%	4,210,010	13%
Emergency Communications.....	5,687,007	323,703	5.7%	-	-
Code.....	923,364	58,475	6.3%	85,788	-32%
Transit Subsidies.....	8,561,422	1,587,188	18.5%	1,639,666	-3%
Community and Human Services.....	14,560,343	1,624,189	11.2%	1,704,060	-5%
Health.....	8,058,508	444,355	5.5%	428,301	4%
Historic Resources.....	2,795,870	141,795	5.1%	153,551	-8%
Recreation.....	19,507,560	1,454,740	7.5%	1,562,506	-7%
Total Operating Agencies	\$ 174,213,693	\$ 16,035,275	9.2%	\$ 15,785,414	2%
Education					
Schools.....	\$ 174,956,420	\$ -	0.0%	\$ -	-
Other Educational Activities.....	12,288	3,072	25.0%	3,057	0%
Total Education	\$ 174,968,708	\$ 3,072	0.0%	\$ 3,057	0%
Capital, Debt Service and Miscellaneous					
Debt Service.....	\$ 43,438,079	\$ 10,990,763	25.3%	\$ 7,018,070	56.6%
Non-Departmental.....	12,587,933	1,290,575	10.3%	2,578,300	-49.9%
Cash Capital.....	4,915,986	-	0.0%	-	-
Contingent Reserves.....	760,000	-	0.0%	-	-
Total Capital, Debt Service and Miscellaneous	\$ 61,701,998	\$ 12,281,338	19.9%	\$ 9,596,370	28.0%
TOTAL EXPENDITURES	\$ 506,439,267	\$ 35,618,065	7.0%	\$ 32,369,282	10.0%
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund).....	45,938,823	-	-	-	-
Transfer to Housing.....	1,651,705	-	0.0%	117,844	-100.0%
Transfer to Library.....	6,604,953	-	0.0%	520,696	-100.0%
Transfer to DASH.....	8,028,000	-	0.0%	650,649	-100.0%
TOTAL EXPENDITURES & TRANSFERS	\$ 568,662,748	\$ 35,618,065	6.3%	\$ 33,658,471	5.8%
Total Expenditures by Category					
Salaries and Benefits	\$ 180,732,360	\$ 12,163,637	6.7%	\$ 12,560,819	-3.2%
Non Personnel (includes all school funds)	387,930,388	23,454,428	6.0%	21,097,652	11.2%
Total Expenditures	\$ 568,662,748	\$ 35,618,065	6.3%	\$ 33,658,471	5.8%