


City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 23, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING
JANUARY 31, 2010

ISSUE: Receipt of the City's Monthly Financial Report for the Period Ending January 31, 2010.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the Period Ending January 31, 2010.

DISCUSSION: This report includes highlights of the City's financial condition. More detailed information including economic information and charts, and revenue and expenditure charts and references are available with this report from the City of Alexandria web site at alexandriava.gov/financialreports. Also, the FY 2011 budget presented to City Council in February contains additional detail on forecasts for revenues for the remainder of FY 2010 and FY 2011. Since this report covers expenditures through January, the report does not reflect any of the costs for the February 2010 snowstorm. (Through Tuesday, February 16, those out-of-pocket costs were estimated to be about \$6.0 million for the City and \$1.3 million for the schools.)

ECONOMIC HIGHLIGHTS:

- **The Gross Domestic Product (GDP) rose an annualized rate of 5.7% in the fourth quarter.** However, consumption expenditures rose much more slowly at a 2% annualized rate, reflecting a slower recovery in consumer spending, which is about 70% of the GDP overall. Inventory replenishment may have driven the overall GDP increase.
- **The City released its Calendar Year 2010 Assessments:** Overall equalized assessments decreased by 6.83%, while residential assessments decreased by 5.17% and commercial assessments decreased by 7.03%. The weakest categories were office buildings and hotels, which decreased by 12.11% and 12.85%, respectively.
- **The December snow storm had a significant effect on City revenues:** A three month moving average of sales tax revenues was down by 1.8% compared to the previous year, due largely to a decrease in December sales tax revenues. The average room rate for a hotel room in December reached its lowest level since 2006. (The adverse tax revenue impact from the February snow event was estimated between \$1.4 million and \$1.7 million.)

REVENUE HIGHLIGHTS:

- **Year-to-Date Revenues:** As of January 31, 2010, actual General Fund revenues totaled \$274.3 million, which is 2.3 percent above FY 2009 revenues of \$268.2 million for the same period last year. The FY 2011 budget contains a revised estimate for FY 2010 revenues. That estimate shows a revenues shortfall of \$7.0 million or 1.3 percent compared to the original FY 2010 budget estimate of General Fund revenues of \$530 million, primarily due to lower real property revenues (due to lower assessments than previously forecast) and lower intergovernmental revenues. The revenue estimate shown in Online Reference 2 also includes the proposed 7 cent tax increase from 90.3 cents per \$100 to 97.3 cents per \$100 which would generate a net budget surplus of approximately \$3.9 million.
- **Personal Property Tax:** Revenues collected to date represent 98.4 percent of budgeted revenue. As indicated in the FY 2011 Proposed Budget, preliminary collections to date indicate revenues may exceed the budget by \$0.4 million. Any unlikely State reduction in its personal property tax relief subsidy would not occur until FY 2011 at the earliest.
- **Local Sales and Use Taxes:** The substantial increase in sales tax revenue is primarily related to one-time repayments in the prior year (FY 2009) to Fairfax County of \$1.5 million for sales tax collections from businesses with an Alexandria address that are actually located in Fairfax County. Excluding one-time repayments, year-over-year retail sales from July through December are flat.
- **Charges for City Services:** Increase in this category is largely due to greater year-to-date collections from parking meter receipts, refuse user charges, and ambulance fees.
- **Revenue from the Use of Money and Property:** Continued decreased revenue in this category reflects the extremely low interest rates budgeted and earned on City operating funds, which are conservatively invested for safety and liquidity reasons.

EXPENDITURE HIGHLIGHTS:

- **Year-to-Date Expenditures:** As of January 31, 2010, actual General Fund expenditures totaled \$263.7 million, a decrease of \$7.3 million, or 2.7 percent, below expenditures for the same period last year.
- **Personnel and non-personnel costs:** With 58.3 percent of the fiscal year completed, total expenditures are 49.1 percent of budget. Personnel costs are running exactly on budget, reflecting the fact that 56.7 percent of the FY 2010 payrolls have been processed by January 31, 2010. Non-personnel expenditures are 45.6 percent of the budget through the first seven months of the fiscal year. Typically, the City's non-personnel expenditures are at 44.8 percent of the budget through January, so this percentage is only slightly higher than what is expected through the first seven months of the year. (This estimate does not include most of the cost of the December snow event, at this time \$782,000, since we are still sorting out what portion of the cost will be reimbursed by the federal government.)
- **Debt Service:** The increase reflects budgeted debt service for bonds previously issued.

ONLINE REFERENCES:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

STAFF:

Bruce Johnson, Chief Financial Officer

Laura Triggs, Finance Director

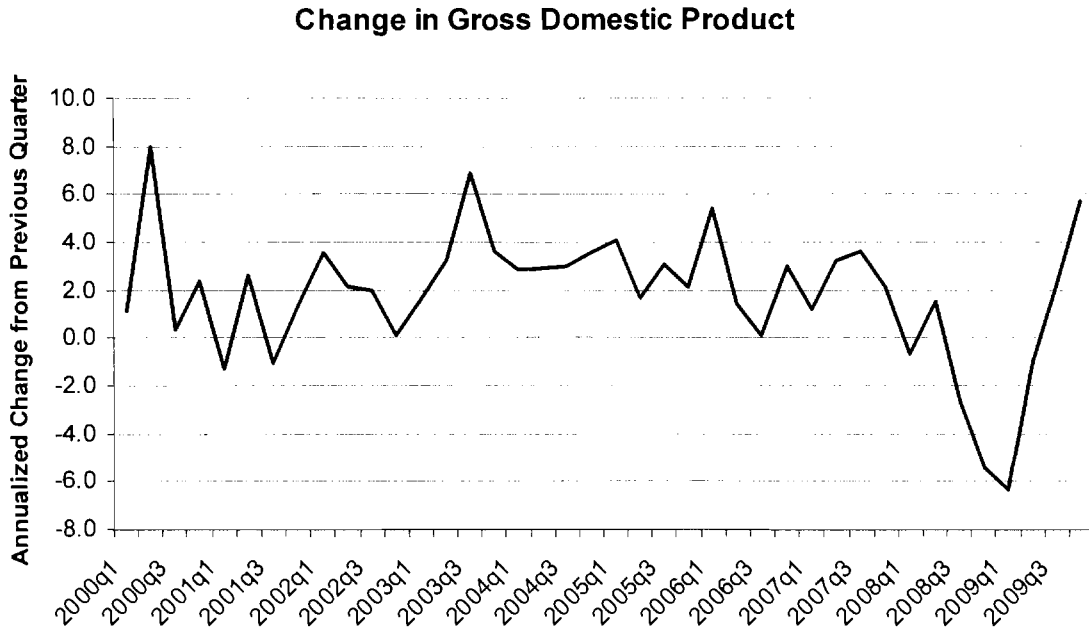
Ray Welch, Controller

Melinda Barton, Revenue Collection Specialist

Eric Eisinger, Budget Analyst

National, State, and Regional Economy

The headline Gross Domestic Product number increased by 5.7% in the 4th quarter, compared to an increase of 2.2% in the 3rd quarter.

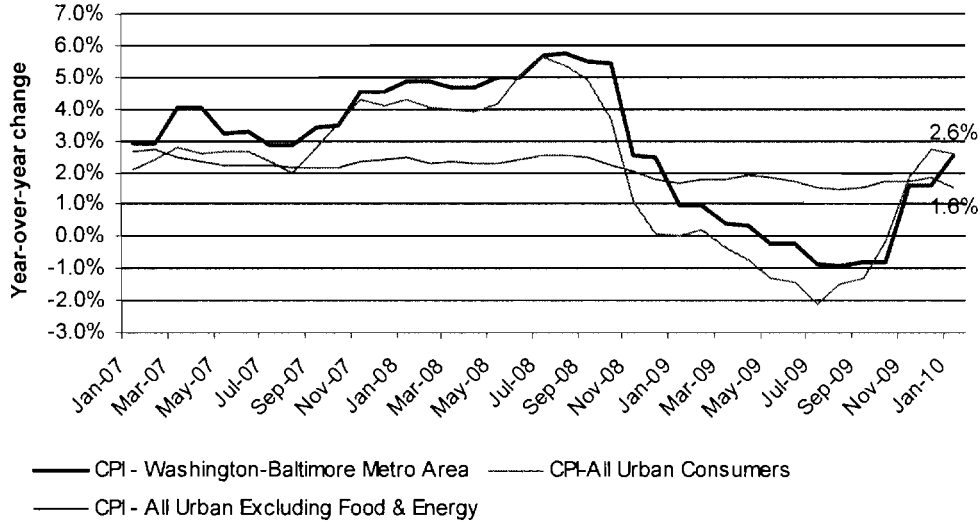


The increase was the largest since 2003. However, consumption expenditures rose only 2.0% during the quarter, slowing from a 2.8% increase during the 3rd quarter. In a recent speech, Atlanta Federal Reserve President Dennis Lockhart stated that he saw “two competing narratives about how this recovery will play out...in the first narrative – that of a traditional sharp bounce-back following a deep recession – growth exceeds the underlying long-term potential of the economy and unemployment declines at an accelerating pace...the alternative narrative entails some fundamental changes in business practices and consumer habits...Consumers, in this narrative, have assumed a quite different mind-set compared to the pre-crisis, prerecession “normal.” Chastened by the recession and high unemployment, - consumers are simply more frugal and more inclined to save. And even if consumers wanted to resume prerecession spending habits, the consumer finance industry, in this narrative, will not accommodate previous levels of consumption...In this narrative, growth continues, but at a very modest pace, and unemployment is very slow to recede...My team of Atlanta Fed economists and I are forecasting the second narrative.” The City’s revenue projections for FY 2011 which were presented in the City Manager’s Proposed budget on February 16, are predicated on the second narrative.

On the inflation front, the increase in the Washington-Baltimore Metro area’s consumer price index (CPI) has converged with the national consumer price index. The CPI rose by 2.6% year-over-year in each, in large part due to increases in energy costs. Motor fuels, which make up around 4.5% of the index increased by over 50% year-over-year.

The consumer price index excluding food and energy rose at a more modest 1.6%. Housing, which makes up over 40% of the CPI-U, dipped by 0.5%.

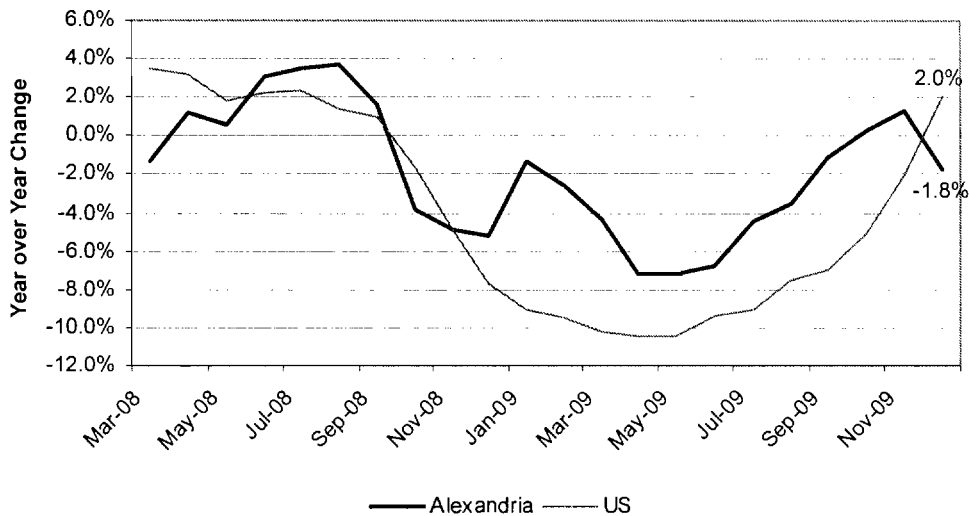
Annual Change in Consumer Price Index



Alexandria’s Economy and Revenues

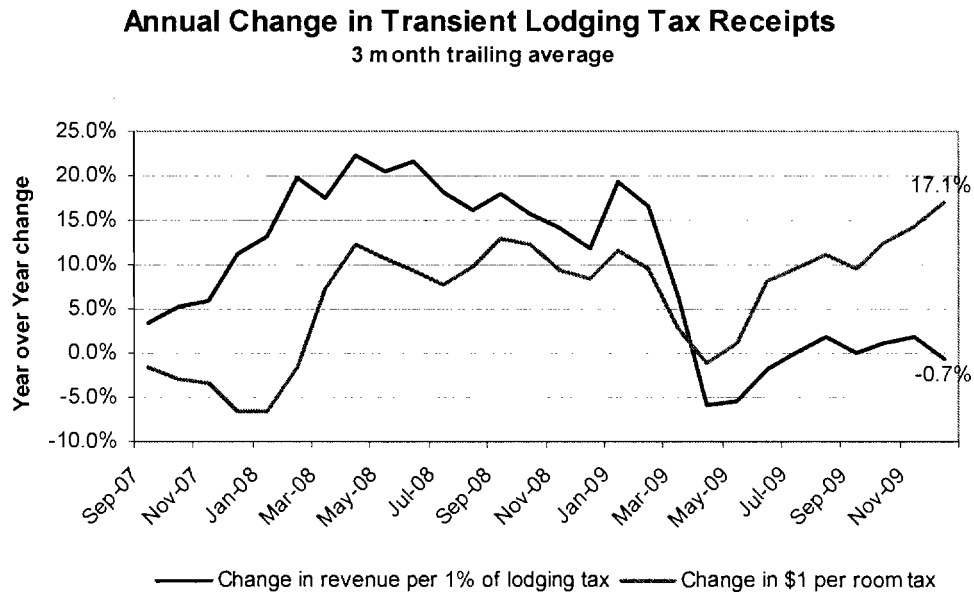
Alexandria’s economy was affected by the snowstorm in December. The 3-month moving average of sales tax revenues compared to the previous year went negative in December for the first time since September 2009, even while the national year-over-year numbers went positive for the first time since September 2008.

Annual Change in Retail Sales
3 month trailing average



5

In order to keep hotel rooms filled, Alexandria hotels have been deeply discounting rooms. While the number of occupied hotel rooms increased during the period from October through December compared to 2008, the average room rate decreased to a level only slightly above that of December 2006, despite the opening of several new high end hotels in the City since then.

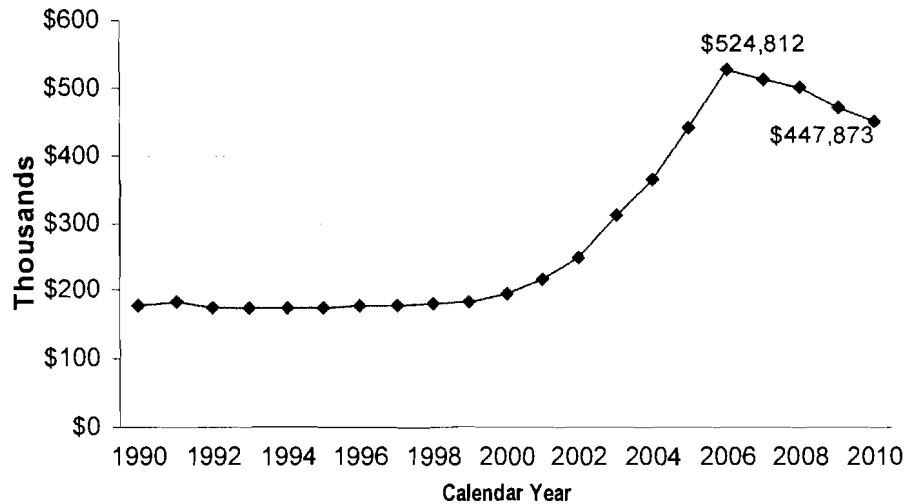


Real Estate

The City of Alexandria Calendar Year 2010 assessments were issued on February 16. Overall, unequalized assessments (before administrative or board review) decreased by 7.45% compared to CY 2009 assessments. That's a decrease of 5.46% in residential assessments and 10.64% in commercial property assessments. Equalized residential assessments (after administrative or board review) decreased by 5.17%, while commercial assessments decreased by 9.60%. Total equalized assessments including non-locally assessed property decreased by 6.83% compared to last year.

The condo market was especially hard hit, where the average assessment has decreased by over 25% since 2006, from \$364,286 to \$269,695. The average single family home has fared relatively better and has decreased only by around 8% since 2006, from \$669,299 to \$612,749.

Average Residential Assessed Value Since 1990



The housing market in Alexandria has shown some recent strength.

The number of dwellings sold increased by over 30% during the last three months of 2009 compared to 2008. However, over the next several months, some of the supports for the housing market may begin to wind down. The Federal Reserve has completed some 95% of its purchases of mortgage backed securities which have reduced interest rates on mortgages. Estimates from various sources are that after the Fed ends its purchases of mortgage backed securities at the end of March, mortgage rates could rise between 0.25% to 1.0% above current rates. An improving economy and large federal budget deficits could also put upward pressure on rates. In addition, unless extended, the homebuyer tax credit program is scheduled to end by the end of April. To take advantage of the credit, buyers must purchase homes by the end of April and settle by the end of June. Finally, the federal government's program to prevent foreclosures appears to have served only to delay foreclosures rather than prevent them, as to date, relatively few borrowers have achieved permanently modified loans. The City has had relatively few foreclosures compared to other jurisdictions, but foreclosures may increase in the months to come. The question in the housing market is how much of the recent strength is due to massive support from the federal government and whether the strength is sustainable when and if the support comes to an end.

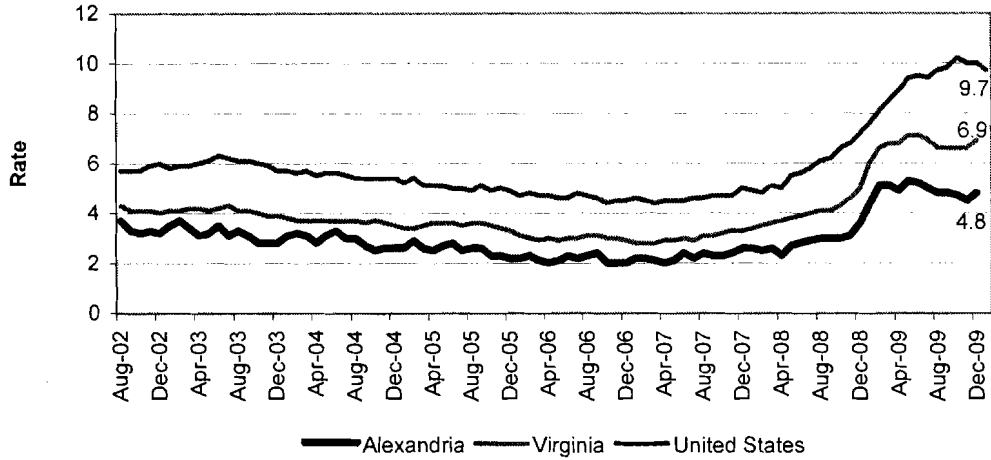
Commercial assessments decreased by the largest amount since the early 1990's. The categories experiencing the worst rate of decline were office buildings (-12.11%), and hotels (-12.85%). New construction was minimal and is not expected to increase over the next several years. Budget memo #3 contains detailed information regarding the City's commercial assessments and projections. The memo is available at: <http://alexandriava.gov/budget/info/default.aspx?id=30274>.

Intergovernmental

Governor McDonnell has formally issued a letter to legislators outlining new revenue projections and additional cuts to balance the biennium budget. The updated revenue projections have changed little from Governor Kaine's final projections, but they're not worsening. Governor McDonnell has proposed a continuation of funding for the car tax reimbursement which Governor Kaine had discontinued in his budget proposal. However, Governor McDonnell has offered some additional reductions which will affect Alexandria. The across-the-board cut to localities which had been eliminated in Kaine's budget has been restored by McDonnell which will reduce the City's revenue estimates from intergovernmental transfers by \$1.1 million. In addition, McDonnell proposed additional reductions to education and many social services. Staff will keep Council informed as additional information becomes available.

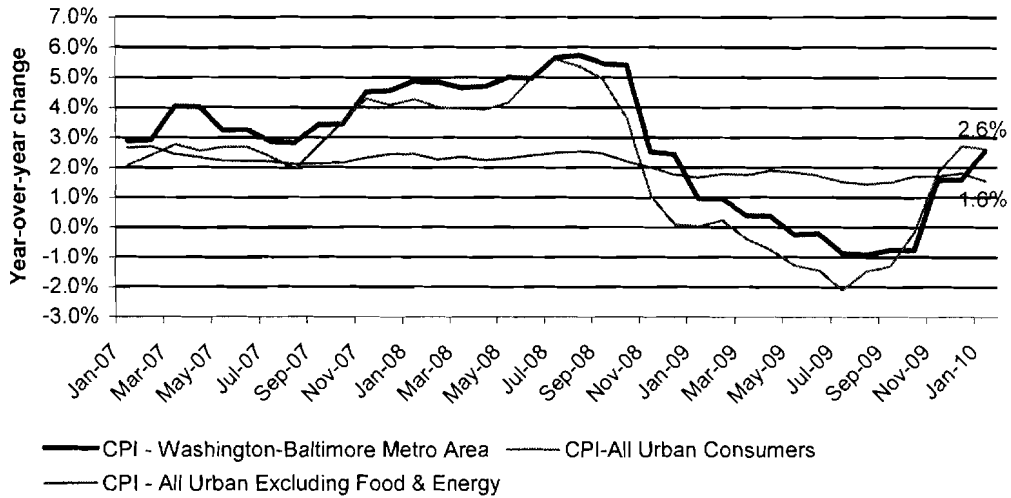
Online Reference 1 - The Economy

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



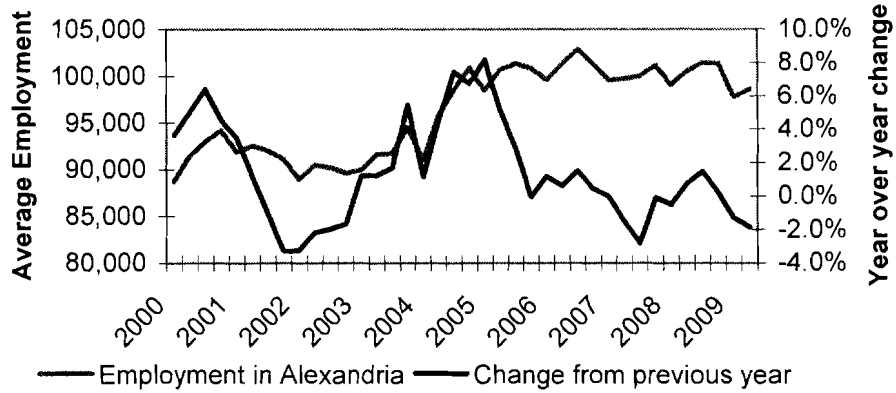
Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. through January 2010; Virginia, Alexandria through December 2009

Annual Change in Consumer Price Index



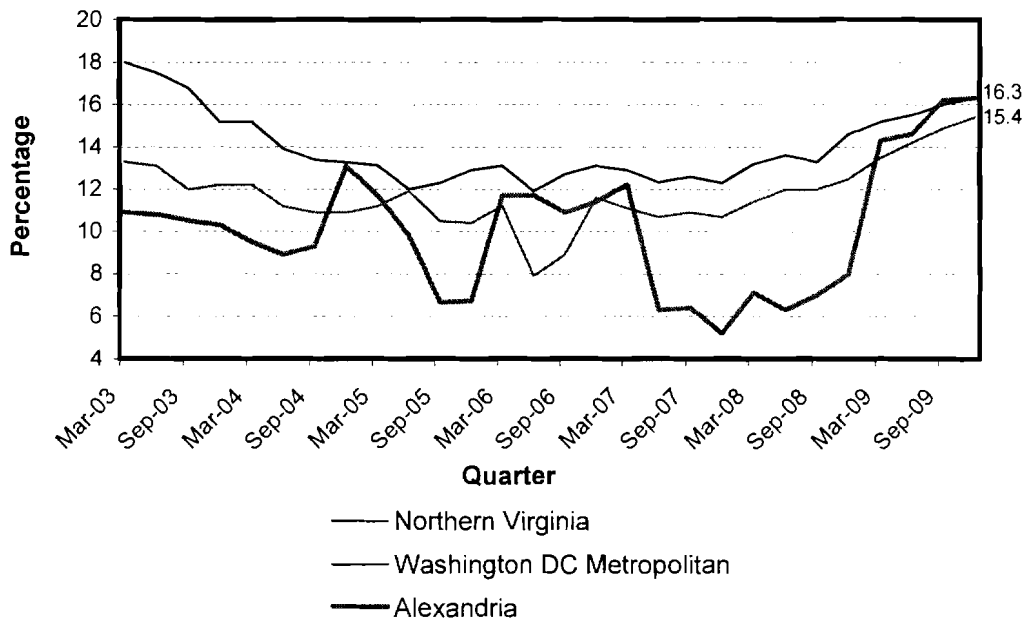
Source: U.S. Department of Labor, Bureau of Labor Statistics
 Through January, 2010

Employment in Alexandria by quarter



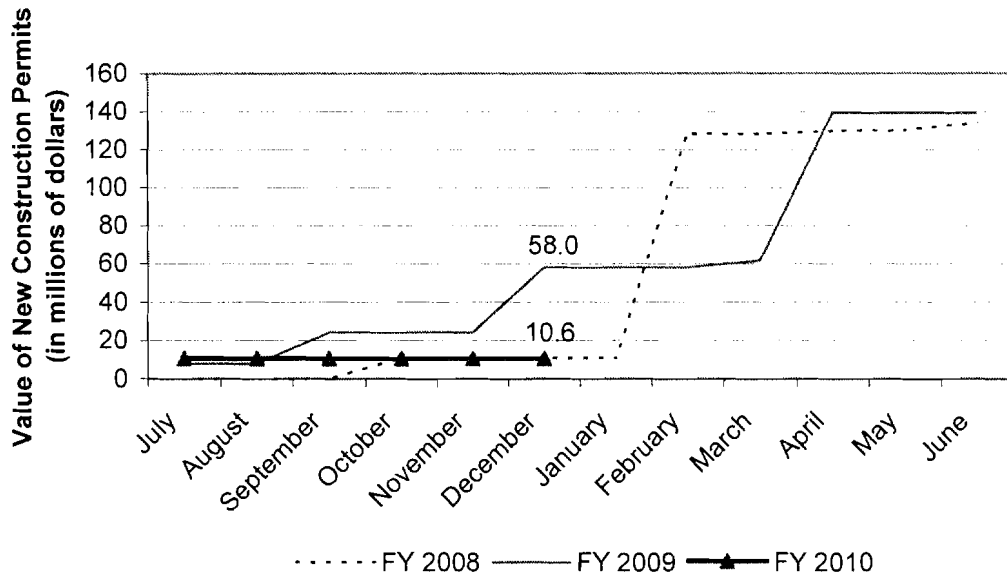
Source: Virginia Employment Commission
Through 2nd quarter 2009

Office Vacancy Rates



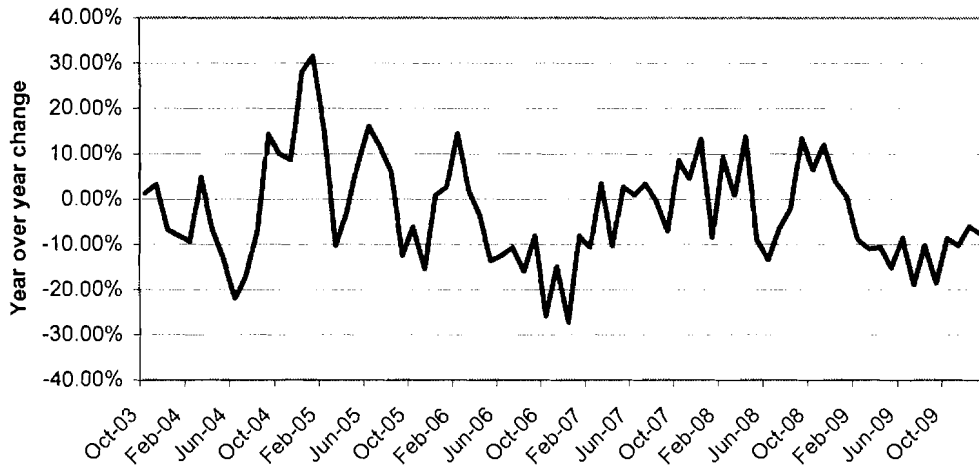
Source: Grubb & Ellis
Through 4th quarter, 2009

**Cumulative Value of New Construction Permits
FY 2008-FY 2010**



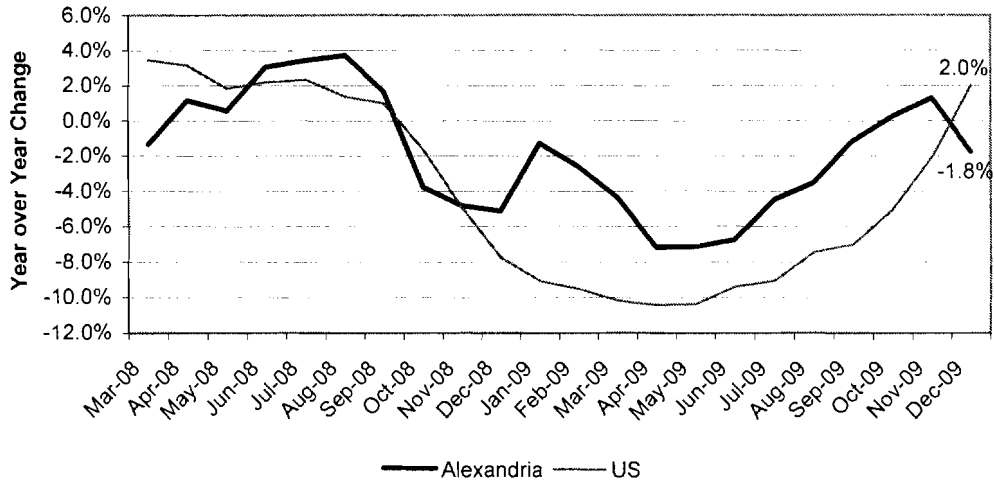
Source: Code Enforcement
Through December, 2009

**New Business Licenses Issued in Alexandria
3 mos. trailing average**



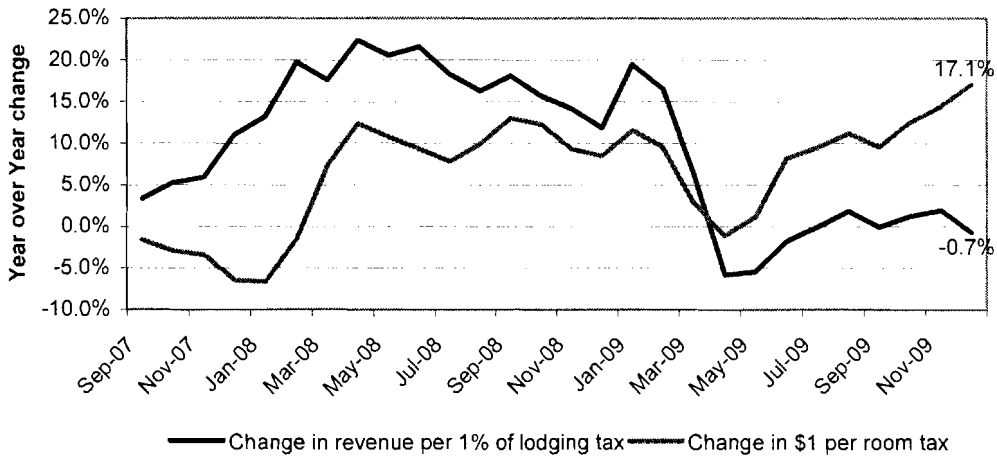
Source: Finance Department
Through: January 2010

Annual Change in Retail Sales 3 month trailing average



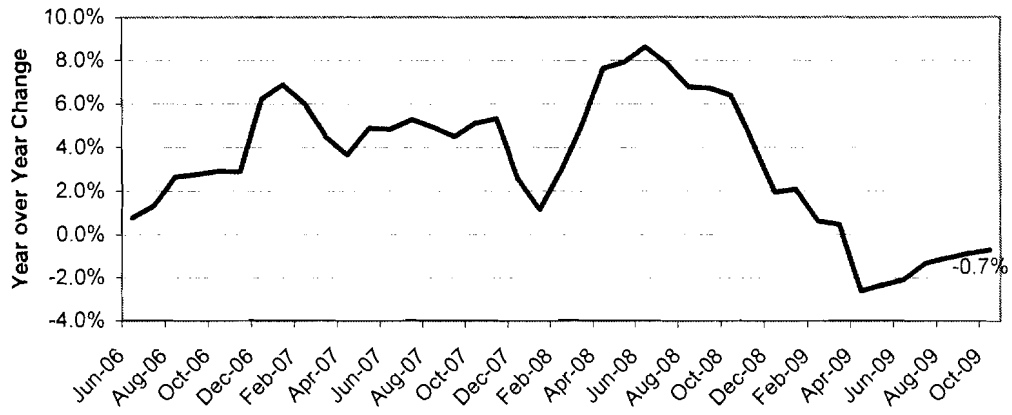
Source: Finance Department, U.S. Census Bureau
Through: December 2009

Annual Change in Transient Lodging Tax Receipts 3 month trailing average



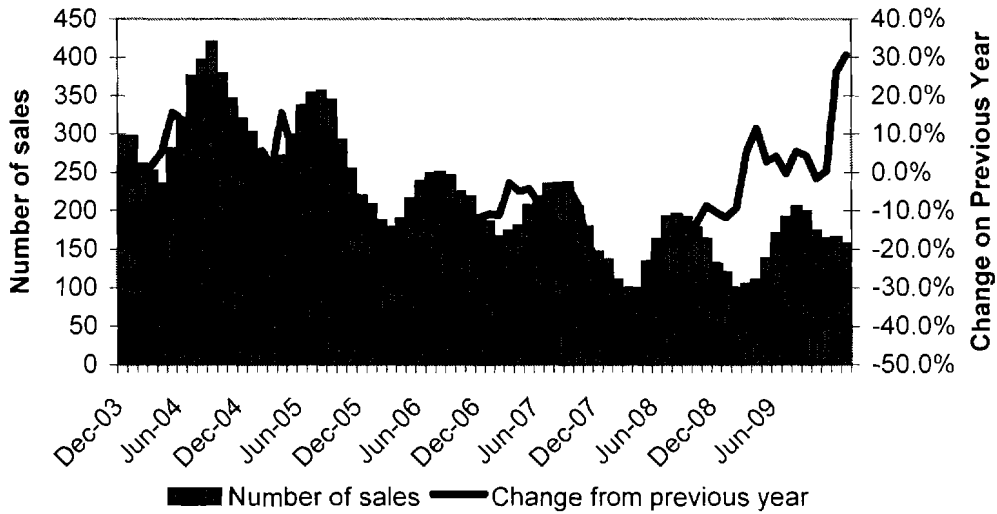
Source: Finance Department
Through December 2009

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



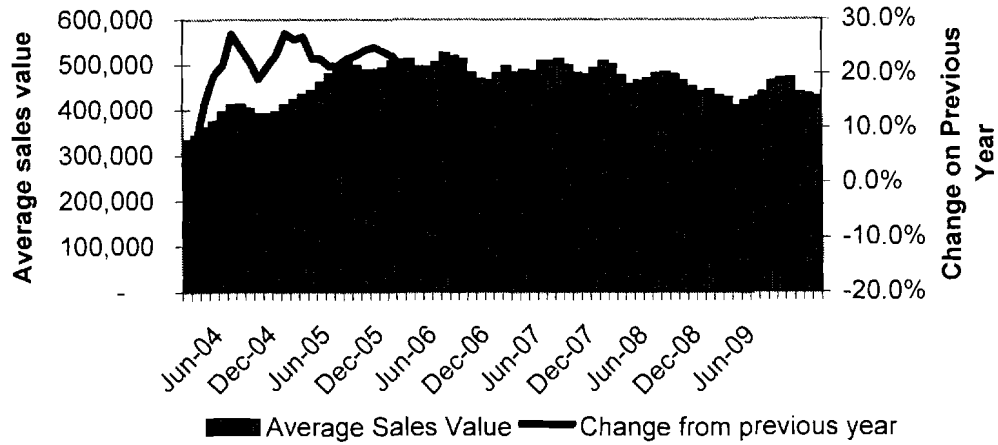
Source: Finance Department
Through October 2009

Residential Property Sales Volume
Three Month Trailing Average



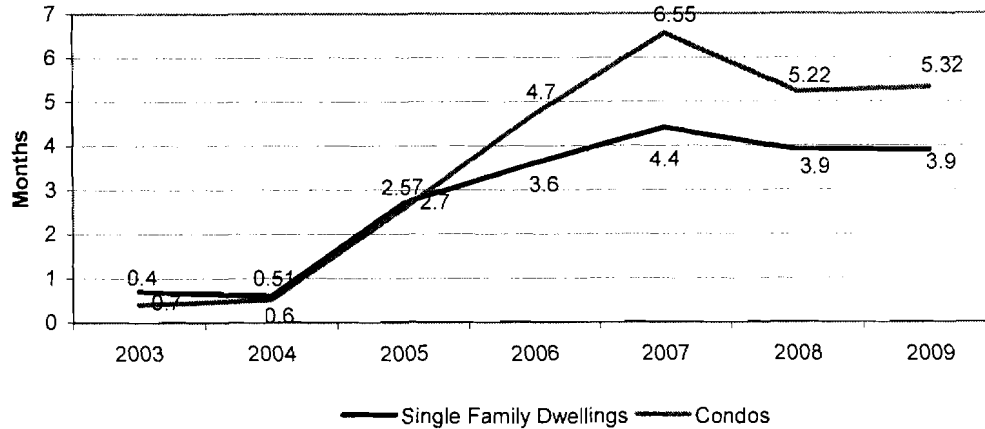
Source: Department of Real Estate Assessments
Through December 2009

Residential Property Average Sales Value Three Month Trailing Average



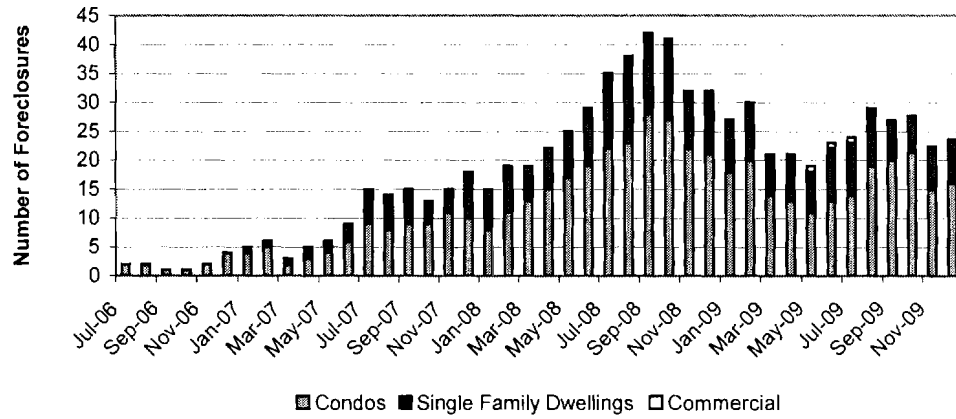
Source: Department of Real Estate Assessments
Through December 2009

Months' Worth of Residential Housing Inventory December



Source: Metropolitan Regional Information Systems
Through December 2009

New Foreclosures in Alexandria 3 month trailing average



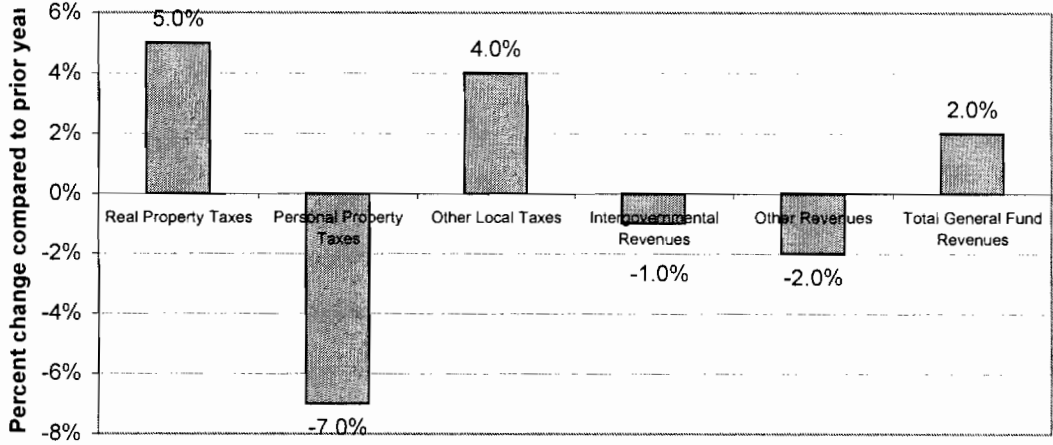
Source: Department of Real Estate Assessments
Through Dec. 2009

**CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING JANUARY 31, 2010 AND JANUARY 31, 2009**

	A	B	B 2	C	D=C/B	E	F=(C-E)/E
	FY2009	FY2010	FY2010	FY2010		FY2009	
	ACTUALS	REVISED BUDGET	PROJECTED REVENUES*	REVENUES THRU 01/31/10	% OF BUDGET	REVENUES THRU 01/31/09	% CHANGE
General Property Taxes							
Real Property Taxes.....	\$ 295,518,893	\$ 296,281,111	\$ 303,545,273	\$ 151,088,560	51.0%	\$ 143,646,816	5%
Personal Property Taxes.....	36,023,945	31,300,000	31,700,000	30,784,086	98.4%	33,108,254	-7%
Penalties and Interest.....	1,939,225	1,870,000	1,870,000	750,526	40.1%	1,037,240	-28%
Total General Property Taxes	\$ 333,482,063	\$ 329,451,111	\$ 337,115,273	\$ 182,623,172	55.4%	\$ 177,792,310	3%
Other Local Taxes							
Local Sales and Use Taxes.....	\$ 21,679,635	\$ 24,050,000	\$ 23,500,000	\$ 9,558,885	39.7%	\$ 8,016,947	19%
Consumer Utility Taxes.....	10,409,248	10,600,000	10,500,000	5,165,144	48.7%	5,214,337	-1%
Communication Sales and Use Taxes...	11,268,560	11,800,000	11,400,000	4,632,815	39.3%	4,903,653	-6%
Business License Taxes.....	30,527,956	30,100,000	30,500,000	1,796,760	6.0%	2,028,025	-11%
Transient Lodging Taxes.....	10,592,806	11,000,000	11,000,000	5,049,284	45.9%	4,995,314	1%
Restaurant Meals Tax.....	14,912,796	15,200,000	15,200,000	7,252,178	47.7%	7,158,865	1%
Tobacco Taxes.....	2,719,084	3,100,000	2,900,000	1,516,584	48.9%	1,425,262	6%
Motor Vehicle License Tax.....	3,085,288	3,200,000	3,200,000	2,730,117	85.3%	2,598,203	5%
Real Estate Recordation.....	3,206,705	3,100,000	3,800,000	1,819,982	58.7%	1,555,946	17%
Admissions Tax.....	1,103,782	1,050,000	1,100,000	584,620	55.7%	534,692	9%
Other Local Taxes.....	2,765,510	2,730,000	2,730,000	454,754	16.7%	429,960	6%
Total Other Local Taxes	\$ 112,271,370	\$ 115,930,000	\$ 115,830,000	\$ 40,561,123	35.0%	\$ 38,861,204	4%
Intergovernmental Revenues							
Revenue from the Fed. Government.....	\$ 8,919,582	\$ 7,883,381	\$ 7,868,360	\$ 3,307,022	41.9%	\$ 3,094,527	7%
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.....	20,597,014	22,314,591	20,264,864	11,002,105	49.3%	11,416,631	-4%
Total Intergovernmental Revenues	\$ 53,095,127	\$ 53,776,503	\$ 51,711,755	\$ 36,708,731	68.3%	\$ 36,910,762	-1%
Other Governmental Revenues And Transfers In							
Fines and Forfeitures.....	\$ 4,116,453	\$ 4,781,325	\$ 4,283,550	\$ 2,247,534	47.0%	\$ 2,151,491	4%
Licenses and Permits.....	4,827,422	5,367,759	4,730,836	2,691,838	50.1%	2,715,959	-1%
Charges for City Services.....	12,404,166	12,852,808	13,141,634	7,183,664	55.9%	6,309,485	14%
Revenue from Use of Money & Prop....	4,433,015	3,859,476	3,199,240	1,975,340	51.2%	3,154,338	-37%
Other Revenue.....	1,065,129	785,987	728,000	337,496	42.9%	335,239	1%
Transfer from Other Funds.....	2,223,910	1,301,560	1,301,560	-	0.0%	-	0%
Total Other Governmental Revenues	\$ 29,070,095	\$ 28,948,915	\$ 27,384,820	\$ 14,435,872	49.9%	\$ 14,666,512	-2%
TOTAL REVENUE	\$ 527,918,655	\$ 528,106,529	\$ 532,041,848	\$ 274,328,898	51.9%	\$ 268,230,788	2%
Appropriated Fund Balance							
General Fund.....		5,415,347	5,415,347	-		-	0%
Reappropriation of FY 2009							
Encumbrances And Other Supplemental Appropriations...		3,673,357	3,673,357	-		-	0%
TOTAL	\$ 527,918,655	\$ 537,195,233	\$ 541,130,552	\$ 274,328,898	51.1%	\$ 268,230,788	2%

*The Real Property tax estimate of \$303,545,273 assumes a 7 cent tax increase. Without such a tax increase, the City's real property tax estimate would equal \$292,574,035. The budget would be in shortfall as reflected on page 2 of the docket item.

**Change in year-to-date revenues through Jan. 31
FY 2010 compared to FY 2009**



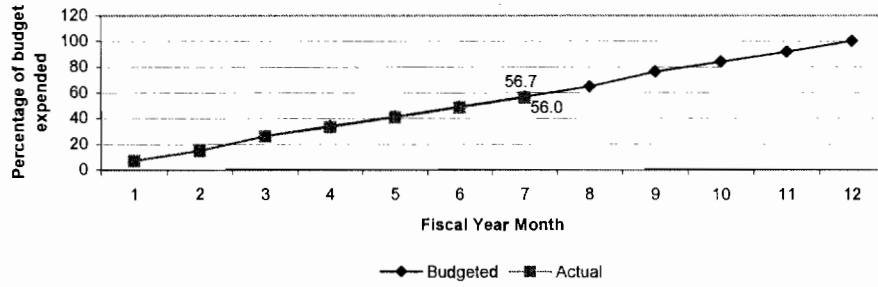
58.3% of Fiscal Year Completed
56.71% of Payrolls Processed

Online Reference 3

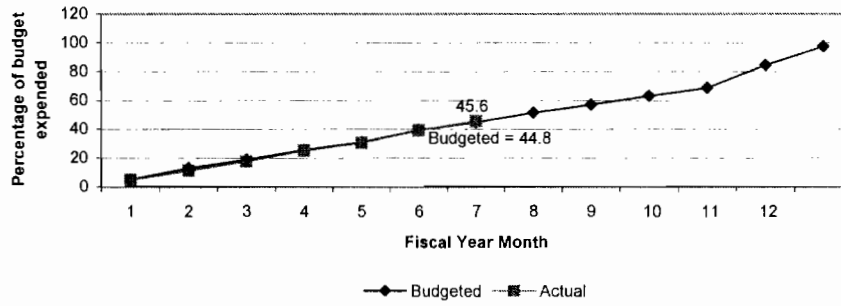
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING JANUARY 31, 2010 AND JANUARY 31, 2009**

FUNCTION	A	B	C	D=C/B	E	F=(C-E)/E
	FY 2009 ACTUALS	FY2010 REVISED BUDGET	FY2010 EXPENDITURES THRU 01/31/10	% OF BUDGET EXPENDED	FY2009 EXPENDITURES THRU 01/31/09	EXPENDITURES % CHANGE
Legislative & Executive.....	\$ 6,770,267	\$ 7,557,721	\$ 4,068,189	53.8%	\$ 3,875,648	5%
Judicial Administration.....	\$ 38,343,097	\$ 37,931,150	\$ 21,809,977	57.5%	\$ 22,514,587	-3%
Staff Agencies						
Information Technology Services.....	\$ 6,675,286	\$ 6,659,935	\$ 3,666,098	55.0%	\$ 3,850,702	-5%
Management & Budget.....	1,121,368	1,139,968	631,885	55.4%	647,629	-2%
Finance.....	9,316,826	9,260,682	4,506,256	48.7%	5,336,112	-16%
Real Estate Assessment.....	1,573,247	1,516,494	825,256	54.4%	902,461	-9%
Human Resources.....	3,219,974	2,965,408	1,580,250	53.3%	1,925,258	-18%
Planning & Zoning.....	6,410,744	5,550,168	3,065,142	55.2%	3,773,391	-19%
Economic Development Activities.....	3,455,816	3,554,178	2,389,230	67.2%	2,520,092	-5%
City Attorney.....	3,015,941	2,806,519	1,330,745	47.4%	1,848,667	-28%
Registrar.....	1,377,827	1,070,439	644,687	60.2%	872,767	-26%
General Services.....	11,790,479	11,477,020	6,059,239	52.8%	6,695,018	-9%
Total Staff Agencies	\$ 47,957,508	\$ 46,000,811	\$ 24,698,788	53.7%	\$ 28,372,097	-13%
Operating Agencies						
Transportation & Environmental Services.....	\$ 27,206,561	\$ 27,408,779	\$ 15,174,333	55.4%	\$ 15,321,854	-1%
Fire.....	39,497,216	39,553,474	22,231,363	56.2%	23,298,960	-5%
Police.....	53,079,793	53,584,456	29,656,891	55.3%	31,083,194	-5%
Transit Subsidies.....	4,595,401	8,338,485	4,180,223	50.1%	3,433,631	22%
Mental Health/Mental Retardation/ Substance Abuse.....	595,442	514,292	338,769	65.9%	414,473	-18%
Health.....	7,653,868	8,010,541	4,191,010	52.3%	4,231,357	-1%
Human Services.....	12,055,156	11,878,834	7,705,507	64.9%	8,380,284	-8%
Historic Resources.....	2,906,634	2,600,063	1,499,843	57.7%	1,748,698	-14%
Recreation.....	20,203,235	18,926,775	11,058,268	58.4%	12,412,021	-11%
Total Operating Agencies	\$ 167,793,306	\$ 170,815,699	\$ 96,036,207	56.2%	\$ 100,324,472	-4%
Education						
Schools.....	\$ 167,953,749	\$ 164,594,674	\$ 79,323,475	48.2%	\$ 79,455,664	0%
Other Educational Activities.....	12,004	12,304	9,228	75.0%	9,003	2%
Total Education	\$ 167,965,753	\$ 164,606,978	\$ 79,332,703	48.2%	\$ 79,464,667	0%
Capital, Debt Service and Miscellaneous						
Debt Service.....	\$ 31,900,635	\$ 37,837,472	\$ 16,432,209	43.4%	\$ 13,375,004	22.9%
Non-Departmental.....	14,153,318	14,663,641	8,092,435	55.2%	10,569,614	-23.4%
Cash Capital.....	12,017,687	4,400,038	4,400,038	100.0%	3,067,687	43.4%
Contingent Reserves.....	-	1,781,378	-	0.0%	-	-
Total Capital, Debt Service and Miscellaneous	\$ 58,071,640	\$ 58,682,529	\$ 28,924,682	49.3%	\$ 27,012,305	7.1%
TOTAL EXPENDITURES	\$ 486,901,571	\$ 485,594,888	\$ 254,870,546	52.5%	\$ 261,563,776	-2.6%
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund).....	\$ 37,434,486	35,112,459	-	0.0%	-	-
Transfer to Housing.....	1,317,547	2,513,915	693,267	27.6%	795,373	-12.8%
Transfer to Library.....	6,793,868	6,074,971	3,541,708	58.3%	4,030,154	-12.1%
Transfer to DASH.....	7,955,042	7,899,000	4,605,117	58.3%	4,626,129	-0.5%
TOTAL EXPENDITURES & TRANSFERS	\$ 540,402,514	\$ 537,195,233	\$ 263,710,638	49.1%	\$ 271,015,432	-2.7%
Total Expenditures by Category						
Salaries and Benefits	\$ 186,818,695	\$ 181,791,370	\$ 101,717,182	56.0%	\$ 108,139,386	-5.9%
Non Personnel (includes all school funds)	353,583,819	355,403,863	161,993,456	45.6%	162,876,046	-0.5%
Total Expenditures	\$ 540,402,514	\$ 537,195,233	\$ 263,710,638	49.1%	\$ 271,015,432	-2.7%

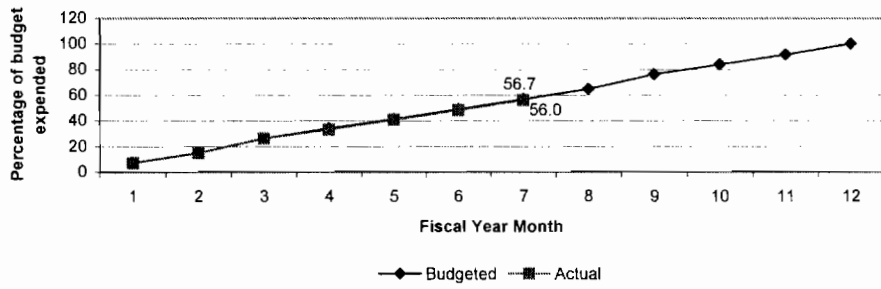
Personnel
Actual vs. Budgeted Expenditures through Jan. 31
 (based on pay period dates)



Non-Personnel
Actual vs. Budgeted Expenditures through Jan. 31
 (based on prior two years' pattern)



Personnel
Actual vs. Budgeted Expenditures through Jan. 31
 (based on pay period dates)



Non-Personnel
Actual vs. Budgeted Expenditures through Jan. 31
 (based on prior two years' pattern)

