



Legislation Text

File #: 13-0941, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 6, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of the Monthly Financial Report for the Period Ending December 31, 2012.

ISSUE: Receipt of the City's Monthly Financial Report for the period ending December 31, 2012.

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending December 31, 2012.

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 December 31, 2012. FY 2013 projections for the entire year will be provided as part of the FY 2014 Proposed Budget presented on February 26. Detailed economic revenue and expenditures charts (Online References) are also available from the City of Alexandria website at alexandriava.gov/FinancialReports.

ECONOMIC HIGHLIGHTS:

- **The national economy sped up in the third quarter of 2012.** The real gross domestic product (GDP) increased at an annualized rate of 3.1 percent in the third quarter, up from 1.3 percent in the second quarter and 2.0 percent in the first quarter.
- **The local economy shows both signs of improvement and room for concern.** Alexandria unemployment (not seasonally adjusted) fell to 4.0 percent in November, down from 4.2 percent in October and 4.5 percent in September, reaching the lowest level since 2008. Consumption-related tax revenues, however, give some room for concern. While fiscal year-to-date sales tax and admissions tax

collections have increased 5.0 percent over the same period in 2011, meal sales and transient lodging tax revenues are down 7.0 percent and 8.0 percent respectively.

- **Consumer prices decelerated significantly in calendar year 2012.** The U.S. Consumer Price Index for All Items (CPI-U) increased by only 1.7 percent in 2012, compared to 3.0 percent in 2011. This is the third smallest increase in the last decade and well below the ten-year average of 2.4 percent. The majority of this deceleration stems from steep decelerations in the food and energy indexes. The index for all items less food and energy increased by 1.9 percent in 2012, just slightly below the 2.2 percent increase in 2011 and in line with the ten-year average. Although calendar year 2012 data for the DC Area CPI-U are incomplete, the current numbers show a similar deceleration in consumer prices in the metropolitan area. As of November 2012, the DC CPI-U increased only 2.1 percent, compared to 3.3 percent as of November 2011.
- **The commercial real estate market is showing signs of weakness in at least one area.** According to CoStar data, the City's vacancy rate for office buildings rose to 15.3 percent in the fourth quarter from 15.1 percent in the third quarter and 14.8 percent in the second quarter. The Northern Virginia vacancy rate increased to 12.6 percent in the fourth quarter from 12.4 percent in the third quarter and 12.1 percent in the second quarter. The DC Area vacancy rate rose to 14.9 percent in the fourth quarter from 14.0 percent in the third quarter and 14.2 percent in the second quarter.
- **The residential real estate market continues to improve.** As of November, year-to-date real estate sales are up 9.1 percent from 2011. Foreclosures year-to-date are down 11.3 percent from November 2011. Months of inventory for houses has declined to 0.9 in December, compared to 1.1 in November and 1.5 in October. Months of inventory for condos has declined to 1.6 in December, compared to 1.9 in November and 2.7 in October.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of December 31, 2012, actual General Fund revenues totaled \$307.7 million, which is 9.0 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 in the expenditure report. The rest of the increase is mainly related to general property taxes (real estate and personal property).

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

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of December 31, 2012, actual General Fund expenditures totaled \$284.5 million (Online Reference-4, includes some of the routine payments the City makes every year), an increase of \$49.4 million, or 21 percent, above expenditures for the same period last year. Personnel expenditures remain consistent with the budget at 3.0 percent higher than last year. Non-personnel spending increased 32 percent from the same period in FY 2012, primarily for 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.

- **Information Technology Services:** Increased costs are due to the timing of payments to contractors for service agreements.
- **Finance:** Increased costs are due to the timing of payments for contractual services.
- **Registrar:** Increased costs are comprised of budget costs for the presidential election. Costs for additional primary may exceed the budget. Staff will propose a transfer as appropriate in the transfer resolution.
- **Transportation and Environmental Services:** The increase is due to \$6.9 million in transportation funding allocated to capital projects in the December Supplemental Ordinance.
- **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 and 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.
- **Transit Subsidies:** The decrease is due to the timing of the City's payment to WMATA.
- **Health Department:** The Health Department increase is due to the timing of bills received from the Commonwealth for services provided.
- **Debt Service:** The increase in debt service reflects planned expenditures for the FY 2012 General Obligation and refunding bonds.
- **Non Departmental:** The increase is due to \$0.7 million in funding for Other Post-Employment Benefits.
- **ACPS Transfer:** The transfer is based on a percentage of actual schools expenditures for the period. The City will provide approximately 75.8 percent of the schools budget for FY 2013.

FISCAL IMPACT: N/A

ONLINE REFERENCES:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

Online Reference 4-Routine Payments

STAFF:

Laura B. Triggs, Chief Financial Officer

Morgan Routt, Office of Management & Budget

Berenice Harris, Finance Department

Melinda Barton, Finance Department

SELECTED ECONOMIC INDICATORS

Online Reference 1

Consumer Price Index (CPI-U) for the Washington-Baltimore, DC-MD-VA-WV Area (as of Nov 2012)

	Change on Previous Year
DC-MD-VA-WV Area (as of Nov 2012)	2.1%
For the United States (as of Dec 2012)	1.7%
Core CPI-U (excludes food and energy) (as of Dec 2012)	1.9%

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

Unemployment Rates

	Current Month	Prior Month	Prior Year
Alexandria (as of Nov 2012)	4.0%	4.2%	4.3%
Virginia (as of Nov 2012)	5.6%	5.7%	6.2%
United States (as of Dec 2012)	7.8%	7.7%	8.5%

(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	12.6%	12.4%	11.6%

(As of 4th quarter 2012)

(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 Oct 2012)

Number of new building permits	0	1	-100.0%
Value of new building permits (\$ millions)	\$0.0	\$16.6	-100.0%

(Source: Office of Code Administration)

New Multi-family Construction (including Apartment & Condominium Buildings)

(Fiscal YTD as of Oct 2012)

Number of new building permits	1	8	-87.5%
Value of new building permits (\$ millions)	\$29.5	\$70.2	-58.0%

Residential Real Estate Indicators

Residential Dwelling Units Sold (Calendar YTD ending Nov 2012)	1,739	1,594	9.1%
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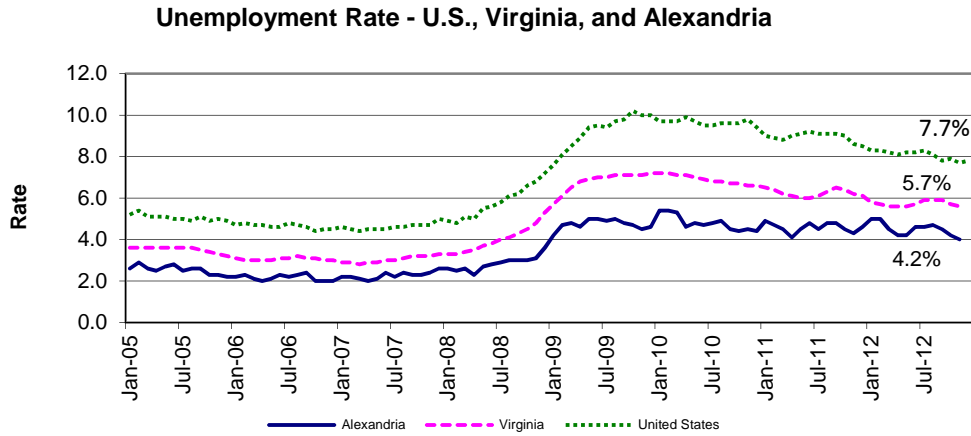
Median Residential Sales Price (As of Nov 2012)	\$440,000	\$485,000	-9.3%
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(Source: Department of Real Estate Assessments)

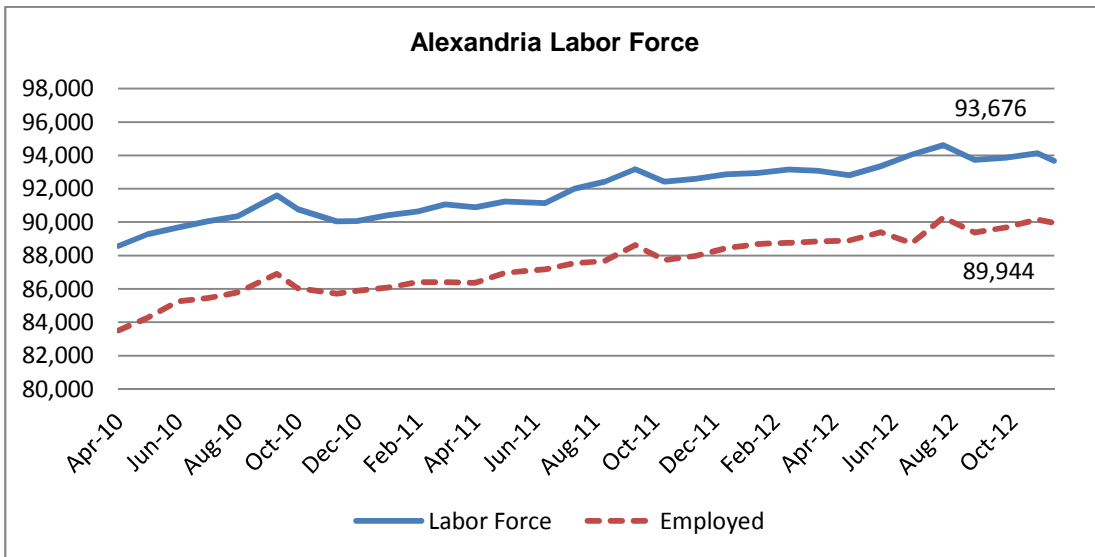
Foreclosures

3 month trailing average (As of November 2012)	12	16	-25.0%
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Source: Dept of Real Estate Assessments

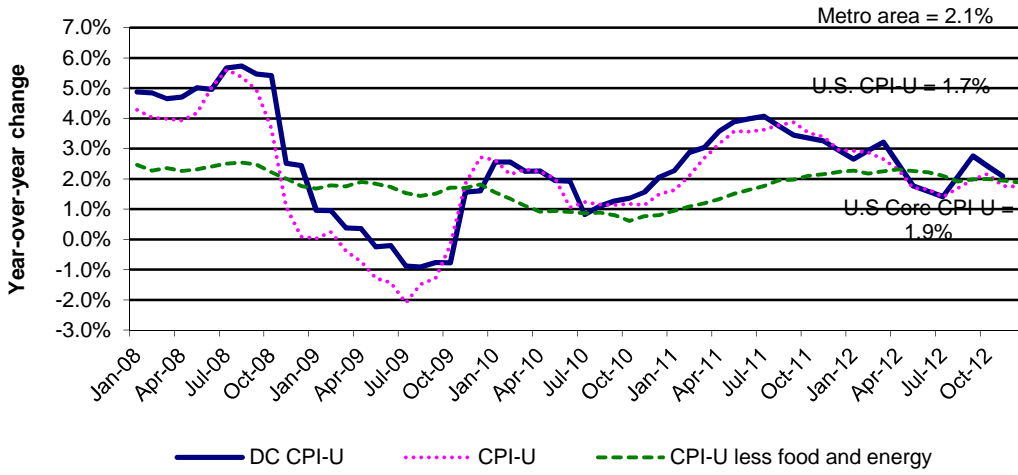


Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. data through December, Virginia and Alexandria data through November
 *Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-



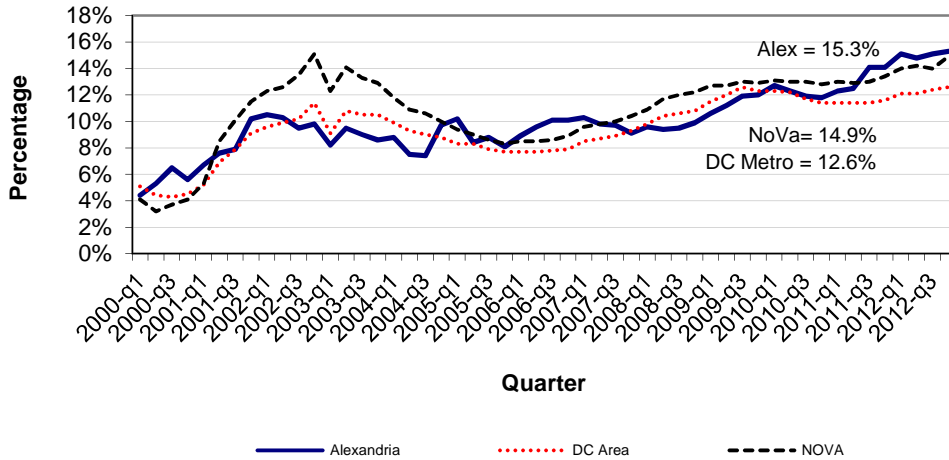
Source: Virginia Employment Commission
 Through November 2012
 *Not seasonally adjusted.

Annual Change in Consumer Price Index

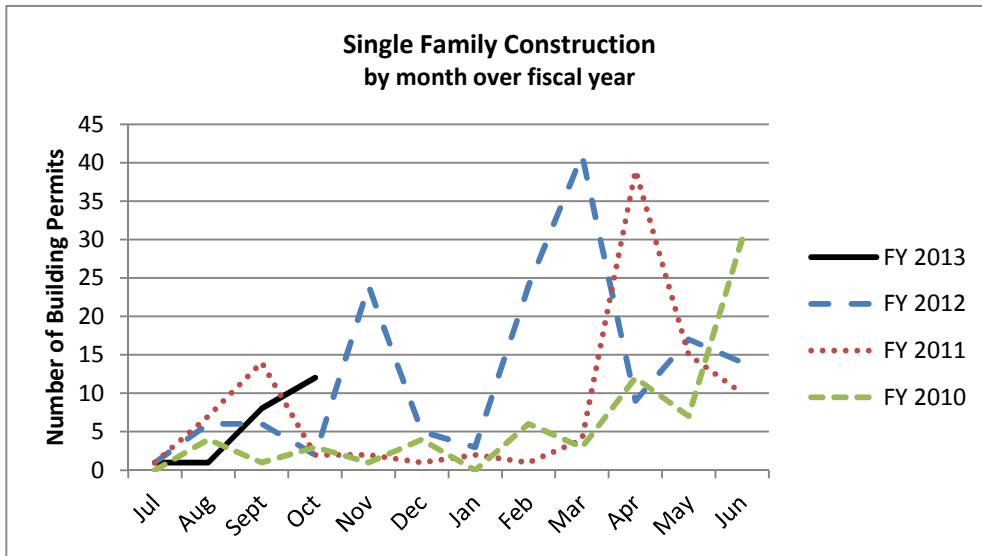


Source: U.S. Department of Labor, Bureau of Labor Statistics
Through December 2012

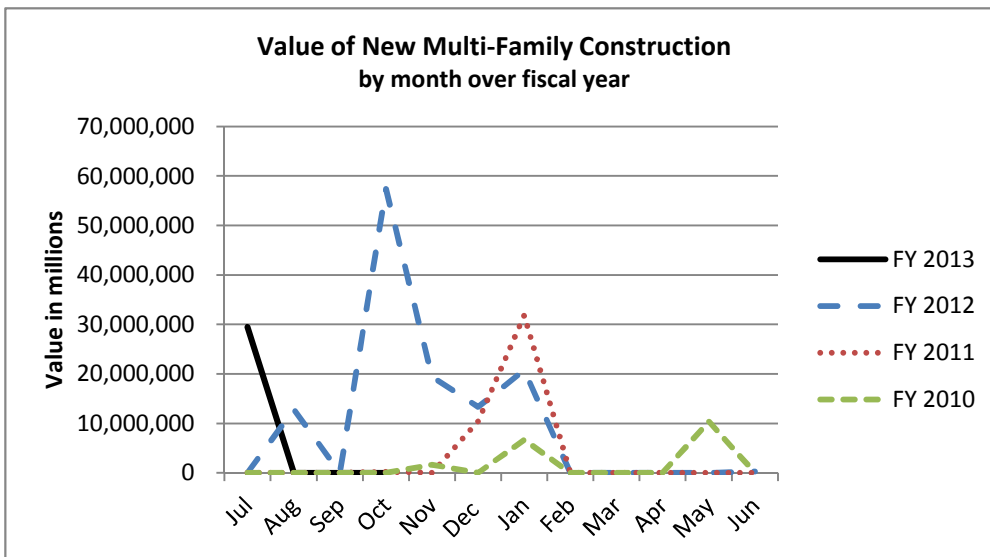
Office Vacancy Rates



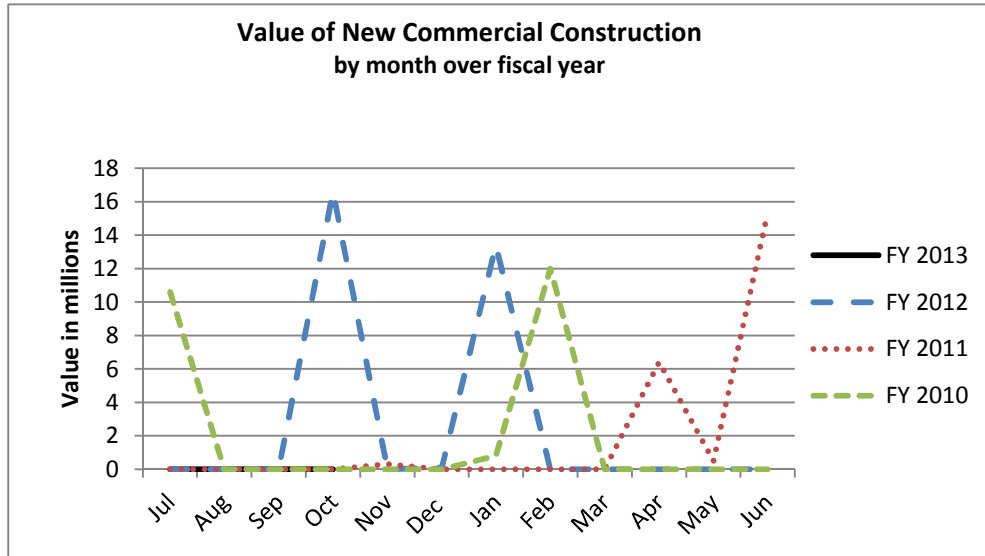
Source: CoStar
Through 4th quarter 2012



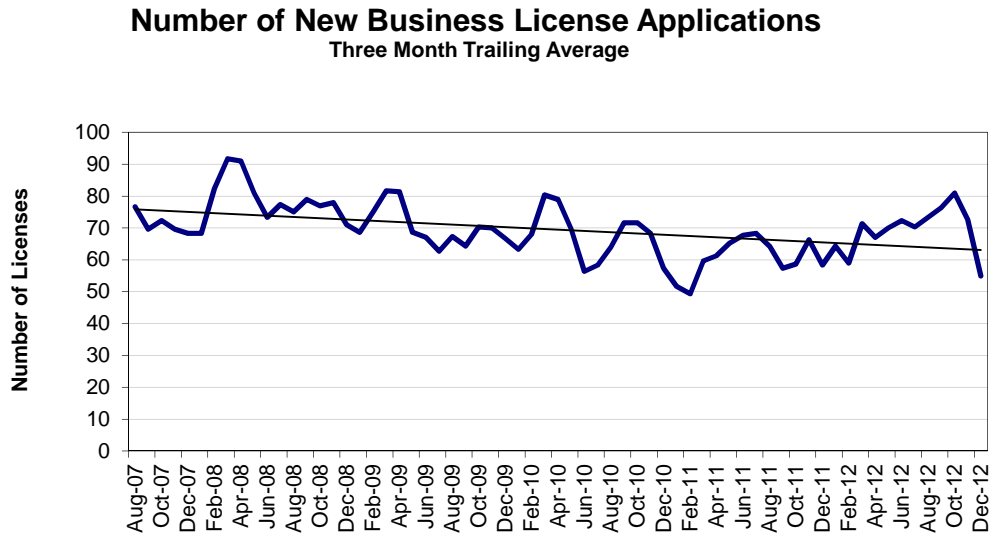
Source: Code Administration
Through October 2012



Source: Code Administration
Through October 2012

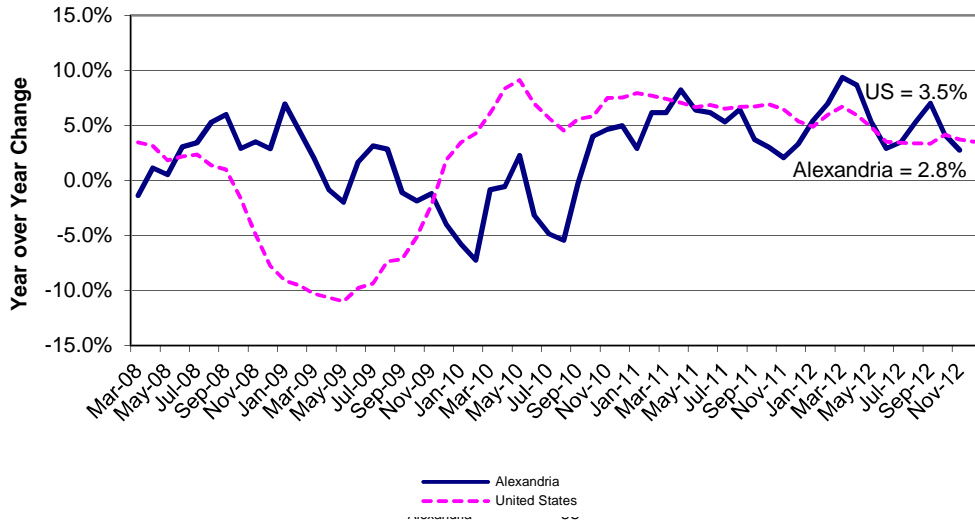


Source: Code Administration
Through October 2012



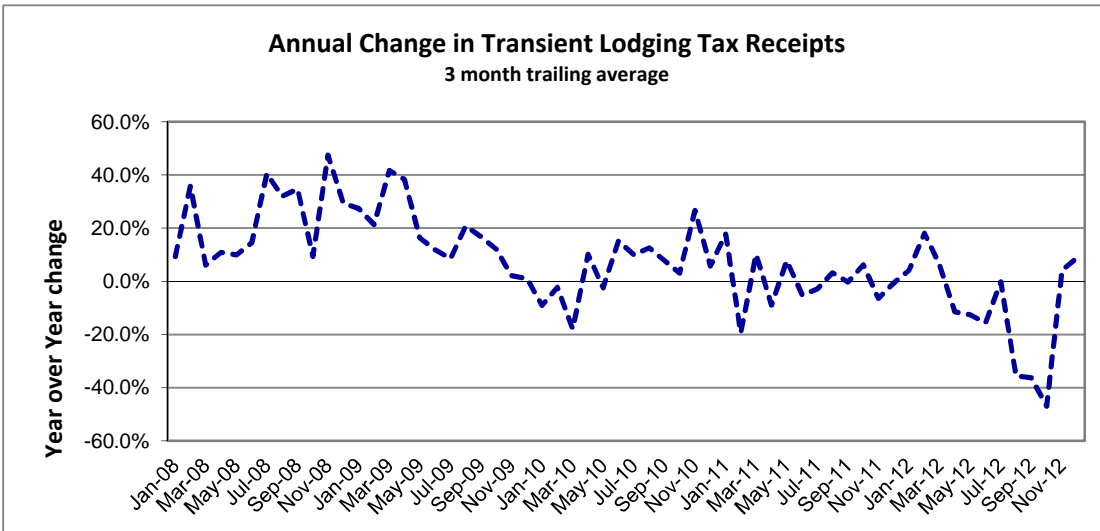
Source: Finance Department
Through December 2012

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

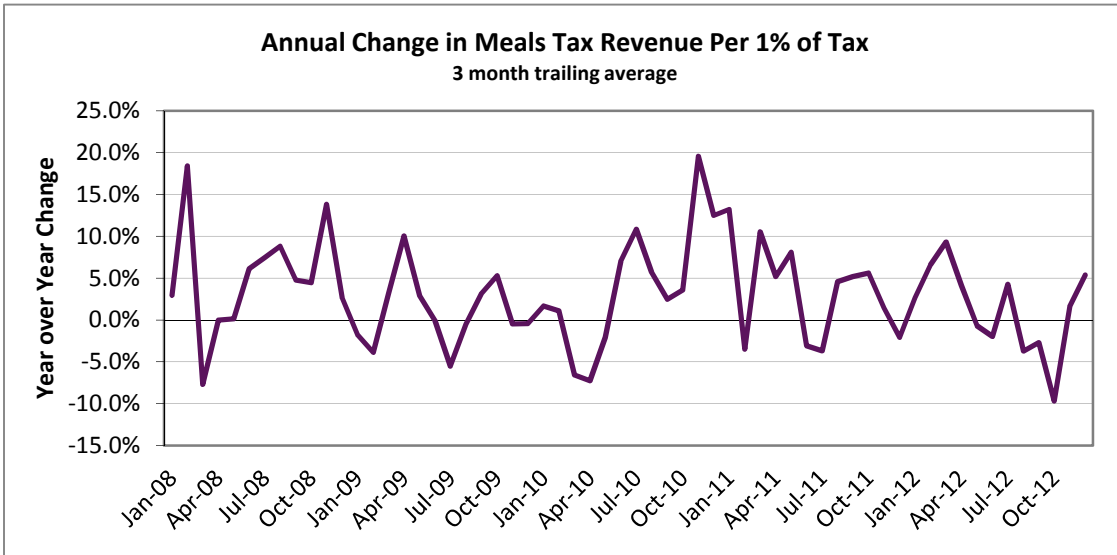


Source: Finance Department, U.S. Census Bureau
Alexandria data through November 2012; US through December 2012

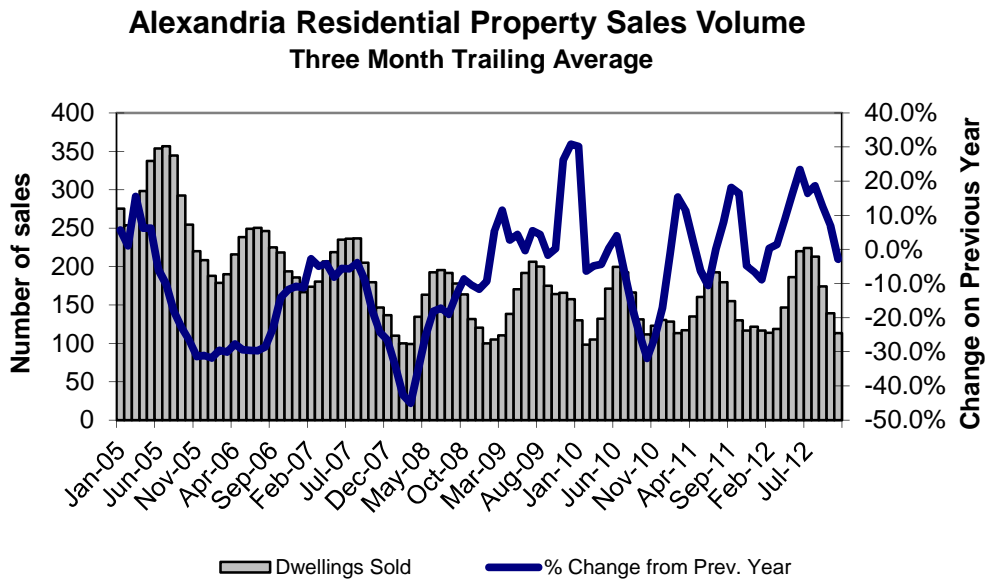
Annual Change in Transient Lodging Tax Receipts
3 month trailing average



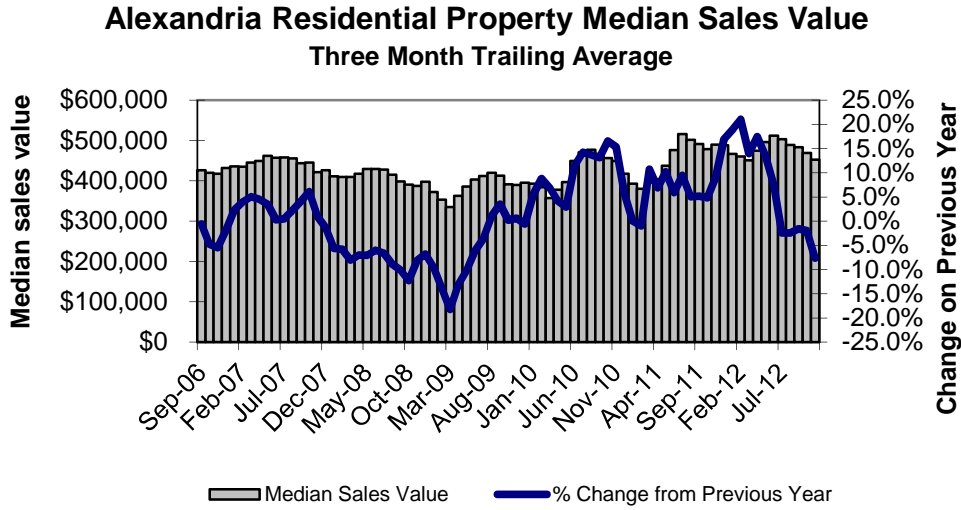
Source: Finance Department
Through December 2012



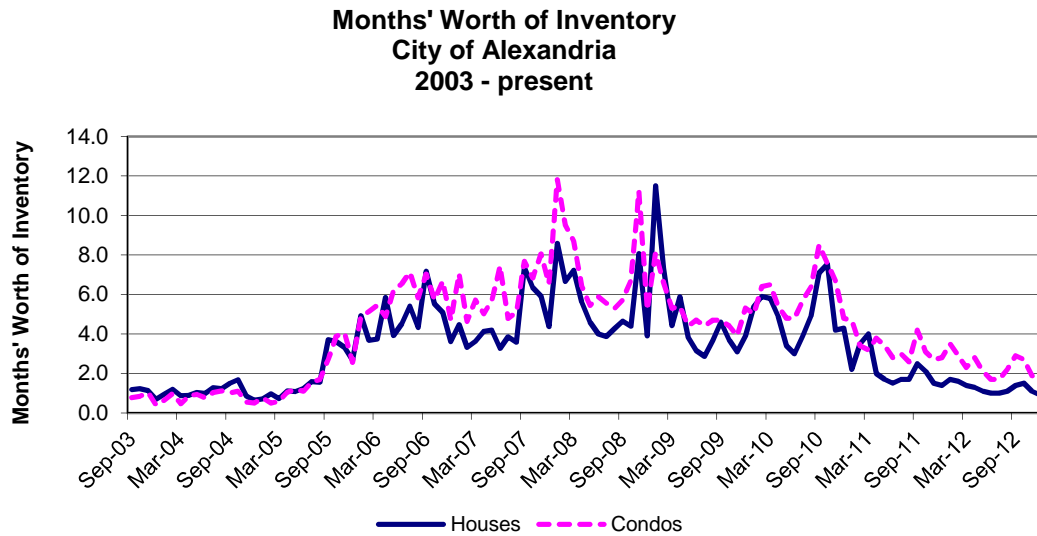
Source: Finance Department
Through December 2012



Source: Department of Real Estate Assessments
Through November 2012

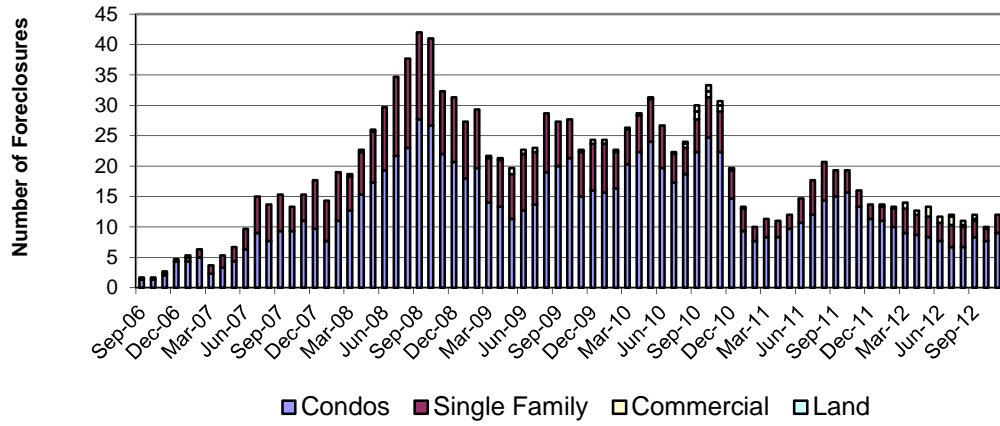


Sources: Metropolitan Regional Information Systems; Department of Real Estate Assessments Through November 2012



Source: Metropolitan Regional Information Systems Through December 2012

New Foreclosures in Alexandria 3 month trailing average



Source: Department of Real Estate Assessments
Through November 2012

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING DEC 31, 2012 AND DEC 31, 2011

	A	B	C	D=C/B	E	F=(C-E)/E
	FY2012	FY2013	FY2013	%	FY2012	%
	ACTUALS	REVISED BUDGET	REVENUES THRU 12/31/12	OF BUDGET	REVENUES THRU 12/31/11	CHANGE
General Property Taxes						
Real Property Taxes.....	\$ 323,784,070	\$ 333,929,291	\$ 163,803,442	49.1%	\$ 159,001,484	3%
Personal Property Taxes.....	37,897,525	37,500,000	36,884,174	98.4%	35,075,229	5%
Penalties and Interest.....	2,092,976	2,375,000	918,175	38.7%	834,971	10%
Total General Property Taxes	\$ 363,774,571	\$ 373,804,291	\$ 201,605,791	53.9%	\$ 194,911,684	3%
Other Local Taxes						
Local Sales and Use Taxes.....	\$ 24,949,593	\$ 24,900,000	\$ 8,446,986	33.9%	\$ 8,078,381	5%
Consumer Utility Taxes.....	10,322,623	11,100,000	4,285,637	38.6%	4,463,036	-4%
Communication Sales and Use Taxes.....	11,030,711	11,940,000	3,718,511	31.1%	3,610,097	3%
Business License Taxes.....	31,468,958	33,000,000	1,308,934	4.0%	1,409,615	-7%
Transient Lodging Taxes.....	11,375,121	12,400,000	4,472,091	36.1%	4,838,920	-8%
Restaurant Meals Tax.....	16,313,765	16,900,000	6,105,387	36.1%	6,544,634	-7%
Tobacco Taxes.....	2,674,157	2,600,000	1,136,040	43.7%	1,131,218	0%
Motor Vehicle License Tax.....	3,348,075	3,400,000	2,843,027	83.6%	2,866,633	-1%
Real Estate Recordation.....	5,152,593	4,900,000	2,414,578	49.3%	2,184,301	11%
Admissions Tax.....	1,093,182	1,000,000	462,709	46.3%	439,593	5%
Other Local Taxes.....	3,372,455	2,710,275	275,880	10.2%	178,442	55%
Total Other Local Taxes	\$ 121,101,233	\$ 124,850,275	\$ 35,469,780	28.4%	\$ 35,744,870	-1%
Intergovernmental Revenues						
Revenue from the Fed. Government.....	\$ 10,780,154	\$ 9,657,640	\$ 3,297,222	34.1%	\$ 4,169,008	-21%
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.....	21,125,448	\$ 20,360,485	10,563,390	51.9%	10,107,026	5%
Total Intergovernmental Revenues	\$ 55,484,133	\$ 53,596,656	\$ 36,260,216	67.7%	\$ 36,675,638	-16%
Other Governmental Revenues And Transfers In						
Fines and Forfeitures.....	\$ 4,869,295	\$ 4,664,000	\$ 2,482,413	53.2%	\$ 2,188,507	13%
Licenses and Permits.....	2,373,449	\$ 2,157,975	\$ 1,203,615	55.8%	\$ 1,261,472	-5%
Charges for City Services.....	16,474,114	\$ 15,891,959	\$ 8,364,737	52.6%	\$ 7,850,364	7%
Revenue from Use of Money & Prop.....	3,947,855	\$ 3,420,000	2,005,519	58.6%	\$ 1,915,516	5%
Other Revenue.....	1,195,494	\$ 828,981	\$ 756,422	91.2%	\$ 426,137	78%
Transfer from Other Funds.....	1,394,903	\$ 2,104,502	\$ 250,000	11.9%	\$ -	0%
Total Other Governmental Revenues	\$ 30,255,110	\$ 29,067,417	\$ 15,062,706	51.8%	\$ 13,641,996	10%
TOTAL REVENUE	\$ 570,615,047	\$ 581,318,639	\$ 288,398,493	49.6%	\$ 280,974,188	3%
Appropriated Fund Balance						-
General Fund.....	-	19,857,988		-	-	-
Appropriated refunding bond proceeds	73,454,827	19,256,545	19,256,545			-
Reappropriation of FY 2012						-
Encumbrances And Other		2,588,843				-
Supplemental Appropriations....	-	-	-	-	-	-
TOTAL	\$ 644,069,874	\$ 623,022,015	\$ 307,655,038	49.4%	\$ 280,974,188	9%

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING DEC 31, 2012 AND DEC 31, 2011**

FUNCTION	A	B	C	D=C/B	E	F=(C-E)/E
	FY2012 ACTUALS	FY2013 REVISED BUDGET	FY2013 EXPENDITURES THRU 12/31/12	% OF BUDGET EXPENDED	FY2012 EXPENDITURES THRU 12/31/11	% EXPENDITURES CHANGE
Legislative & Executive.....	\$ 5,260,582	\$ 7,220,572	\$ 2,948,746	40.8%	\$ 2,533,447	16%
Judicial Administration.....	\$ 38,078,180	\$ 41,850,349	\$ 19,686,286	47.0%	\$ 18,918,204	4%
Staff Agencies						
Information Technology Services.....	\$ 7,066,313	\$ 8,382,803	\$ 4,009,385	47.8%	\$ 3,592,657	12%
Management & Budget.....	1,011,271	1,053,192	410,628	39.0%	436,346	-6%
Finance.....	11,093,830	11,385,860	4,867,707	42.8%	4,479,333	9%
Real Estate Assessment.....	1,591,527	1,768,888	725,203	41.0%	760,652	-5%
Human Resources.....	2,876,753	3,305,013	1,351,312	40.9%	1,328,063	2%
Planning & Zoning.....	5,575,500	5,746,076	2,863,845	49.8%	2,720,525	5%
Economic Development Activities.....	4,655,791	4,930,951	2,416,480	49.0%	2,358,605	2%
City Attorney.....	2,458,523	2,619,499	1,246,449	47.6%	1,145,206	9%
Registrar.....	1,164,912	1,367,797	868,550	63.5%	589,705	47%
General Services.....	12,300,194	12,382,567	5,728,141	46.3%	5,921,800	-3%
Total Staff Agencies	\$ 49,794,614	\$ 52,942,646	\$ 24,487,700	46.3%	\$ 23,332,892	5%
Operating Agencies						
Transportation & Environmental Services.....	28,624,160	29,217,550	14,840,616	50.8%	14,446,420	3%
Fire.....	36,999,841	39,667,246	19,781,667	49.9%	18,667,064	6%
Police.....	51,293,299	52,335,200	26,406,684	50.5%	25,033,724	5%
Emergency Communications.....	5,979,383	6,349,920	2,929,610	46.1%	3,081,267	0%
Code.....	766,443	963,808	370,501	38.4%	379,000	-2%
Transit Subsidies.....	7,477,390	7,350,378	3,642,007	49.5%	4,162,718	-13%
Community and Human Services.....	14,706,544	14,021,703	7,380,187	52.6%	7,823,344	-6%
Health.....	7,833,184	8,258,636	4,001,790	48.5%	2,793,586	43%
Historic Resources.....	2,800,516	2,855,295	1,371,502	48.0%	1,363,012	1%
Recreation.....	19,087,330	20,666,036	10,211,003	49.4%	9,590,407	6%
Total Operating Agencies	\$ 175,568,090	\$ 181,685,772	\$ 90,935,567	50.1%	\$ 87,340,542	4%
Education						
Schools.....	174,956,420	179,611,472	70,038,856	39.0%	63,147,759	11%
Other Educational Activities.....	12,288	11,721	5,860	50.0%	6,144	-5%
Total Education	\$ 174,968,708	\$ 179,623,193	\$ 70,044,716	39.0%	\$ 63,153,903	11%
Capital, Debt Service and Miscellaneous						
Debt Service.....	43,473,292	48,514,314	25,797,949	53.2%	20,164,060	28%
Refunding Bonds.....	73,150,310	19,256,545	19,211,240			
Non-Departmental.....	13,674,274	12,728,863	6,671,355	52.4%	6,746,101	-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	\$ 58,636,027	66.7%	\$ 31,826,147	84.2%
TOTAL EXPENDITURES	\$ 587,786,179	\$ 551,214,593	\$ 266,739,042	48.4%	\$ 227,105,135	17.5%
Cash Match (Transportation/DCHS/Library and Transfers to the Special Revenue /Capital Projects Funds).....	37,813,128	51,163,423	6,941,500	0.0%	-	-
Transfer to Housing.....	2,185,179	2,167,845	771,251	35.6%	626,979	23%
Transfer to Library.....	6,145,662	6,878,164	3,439,082	50.0%	3,322,477	4%
Transfer to DASH.....	8,460,569	11,598,000	5,799,000	50.0%	4,014,000	44%
TOTAL EXPENDITURES & TRANSFERS	\$ 642,390,717	\$ 623,022,025	\$ 283,689,875	45.5%	\$ 235,068,591	20.7%
Total Expenditures by Category						
Salaries and Benefits.....	189,163,914	199,450,845	94,053,483	47.2%	90,923,603	3%
Non Personnel (includes all school funds)	453,226,803	423,571,180	189,636,392	44.8%	144,144,988	32%
Total Expenditures	\$ 642,390,717	\$ 623,022,025	\$ 283,689,875	45.5%	\$ 235,068,591	20.7%

Expenditure Payments For the Period Ending December 31, 2012

Contributory Payments: The City makes some payments, such as contributions to the Washington Metropolitan Area Transit Authority (WMATA), on a quarterly or semi-annual basis. Since these payments are made less frequently than monthly, expenditures reported in this monthly financial report may be higher than average in those months when the payments are made. This financial report includes the following non-monthly payments:

- Judicial Administration: This category includes quarterly contribution payments to judicial organizations such as Peumensend Creek Regional Jail and the Northern Virginia Criminal Justice Training Academy.
- Other Planning and Economic Development Activities: This category includes quarterly contribution payments to community agencies such as the Alexandria Small Business Development Center and bi-annual payments to the Alexandria Convention and Visitors Association.
- Transit Subsidies: This category includes payments in the quarter for the City's major transit programs, including the Alexandria Transit Company (DASH) and the Washington Metropolitan Area Transit Authority (WMATA).
- Other Education Activities: This category includes quarterly contribution payments to the Northern Virginia Community College.

Equipment Replacement Fund: The City makes some payments at the beginning of the year. Every year, the City separately accumulates funds to replace major equipment items such as police cars and fire apparatus. The allocation of these funds is included in the budget of individual departments and is moved to a separate fund at the beginning of the year. Since these funds accumulate over several years, the fund is used to make the purchase once there are sufficient funds accumulated. This allows departments to fund the purchase over the life of the equipment instead of all at one time. These annual equipment replacement allocations are recognized as expenditures in this report at the time the transfer is made at the beginning of the year. This fund is listed in the FY 2013 Approved Budget as the Internal Services Fund.

Of the \$4.5 million in total equipment replacement transfers in FY 2013, the following departments have equipment replacement funds large enough to affect their General Fund expenditure patterns at the beginning of the year:

1. Fire - \$1.4 million
2. T&ES - \$1.1 million
3. Police - \$0.9 million

Grant Accounting and Cash Matches: To comply with many federal and State grant awards, the City's share funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year. Because the City share for most grants is not finalized until the funds are spent, departments set aside, but do not expend, City grant funds until the end of the fiscal year. This ensures that the City maximizes the use of federal and State funding before spending City funds. Most City funds not used for grants by the end of the year are returned to the City.