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City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 4, 2012
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: RASHAD M. YOUNG, CITY MANAGER
SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING FEBRUARY 29, 2012

ISSUE: Receipt of the City's Monthly Financial Report for the period ending February 29, 2012.

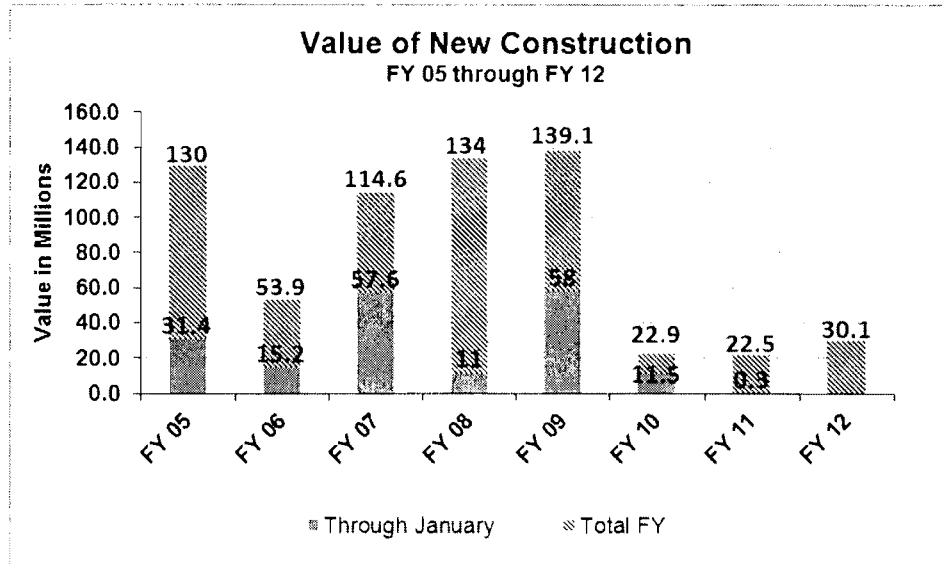
RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending February 29, 2012.

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 February 29, 2012. Detailed economic, revenue, and expenditure charts are also available from the City of Alexandria website at alexandriava.gov/FinancialReports.

ECONOMIC HIGHLIGHTS:

- **Holiday Retail Sales** – Alexandria retail sales in November (\$2.0 million) were up 7.2% from the previous year, while December sales (\$2.3 million) were up 2.6% from the previous year. National retail sales (including autos, gas, and food services) were up 4.4% in November and 4.6% in December. According to the National Retail Federation (NRF) national retail sales (excluding autos, gas, and food services) as reported by the U.S. Department of Commerce were up 4.1% for the holiday season beating the NRF projection of a 3.8% increase. January retail sales also continued to increase over the previous year on both the local (7.3%) and national (4.6%) level.
- **New Commercial Construction** – With an increase of \$13.4 million in January the sum of New Commercial Construction for fiscal year 2012 is now at \$30.1 million. With this jump construction has surpassed the fiscal year 2011 total of \$22.5 million and the FY 2010 total of \$22.9 million. However, the average commercial construction was \$114.3 from fiscal year 2005 through 2009. To reach pre-recession levels, commercial construction will need to realize substantially higher growth in the last half of the fiscal year. While over the past seven years the majority of growth has generally come in the last half of the fiscal year, due to the lingering economic concerns it is difficult to project

where commercial construction will finish this year. The chart below shows value of new commercial construction over the past seven fiscal years.



- Consumer Price Index** – The consumer price index (CPI) rose 0.4 percent from January to February. The CPI- Core measure, which excludes the more volatile food and energy costs, rose only 0.1 percent. The difference shows the effect of rising fuel prices, which account for roughly 80 percent of the increase in the February non-core CPI. This latest increase follows the increase of 0.2 percent in non-core CPI from December 2011 to January 2012. As reported in Bloomberg.com, most Federal Reserve policy makers believe the increase in fuel costs will be temporary and see little risk that inflation will grow out of control.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of February 29, 2012, eight months into the fiscal year, actual General Fund revenues totaled \$319.0 million, which is six percent higher than FY 2011 for the same period. Most of this increase is related to real estate and personal property taxes. The FY 2013 Proposed Budget contains a revised estimate for FY 2012 revenues. That estimate shows a revenue surplus of \$7.5 million or 1.3 percent compared to the original FY 2012 budget estimate of General Fund revenues of \$566.9 million, primarily due to the increase in real property revenues (resulting from higher assessments than previously forecast).

- Personal Property Taxes/Motor Vehicle License:** The FY 2012 vehicle assessments included 5,000 more cars than the FY 2011 billing. The resulting increase in revenue of approximately \$1.0 million already has been included in the estimates for FY 2013 budget revenues.
- Communication Taxes:** The decrease in these taxes 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 \$0.3 million. The remaining decrease represents the timing of payments from several providers.

- **Business License Taxes:** The City's business license tax is due March 1, 2012, but not all collections are included in this report. Collections-to-date in the amount of \$17.3 million represent a difference in the timing for payments made by businesses (i.e. paid in late February). Collections, while higher than in FY 2011, are still being tabulated. No conclusions about current year collections will be available until the tabulation is complete.
- **Recordation Tax:** The increase in this tax is primarily the result of the sale and refinancing of a few large commercial properties. Staff will continue to monitor these collections and make adjustments as necessary in the April revenue re-estimate.
- **Revenue from Federal Government:** The decrease in Federal revenue primarily represents the timing of payments for the Federal Prisoner Per Diem.
- **Other Local Taxes:** The decrease of 25 percent in other local taxes is a result of the variable timing of quarterly payments for vehicle rental taxes.
- **Charges for Service:** The increase in charges for services is the result of a budgeted increase in meter fees (to \$1.75/hour) implemented with the installation of the new multi-space meters midway through FY 2011.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of February 29, 2012, actual General Fund expenditures totaled \$329.8 million, an increase of \$21.7 million, or 7.0 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 and February included three pay periods. Non-personnel spending increased 6.1 percent. For many departments, differences in spending patterns 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.

- **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.

- **Transportation and Environmental Services:** Increased expenditures are primarily related to increased fuel costs and the ability to complete some paving and patching projects earlier in the fiscal year. Staff will monitor these activities and revise the projections as needed.
- **Historic Resources:** Increased expenditures reflect the timing of payments for the Ft. Ward Archeology Study and Civil War Sesquicentennial initiatives. Staff will monitor these activities and revise the projections as needed.
- **Debt Service:** The increase reflects budgeted debt service for new bonds issued in June 2010 and July 2011. 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 continues to work with FEMA and insurance adjustors on the reimbursement requests, though no reimbursements have been received yet. 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. City Council committed fund balances to offset any costs not reimbursed by the FEMA. Additional costs are included in the General Fund expenditures relating to the line of duty death incident. These costs and related donations will be updated in the March report.

Event	Cost	Other
Tropical Storm Lee	\$2.68 to \$3.55 million	Declaration could reduce some costs.
Hurricane Irene	0.76 million	Declaration could reduce to between \$0.3 and \$0.4 million.
Earthquake	0.50 million	
9/11 Terrorist Preparation	0.02 million	
February Line of Duty Death Incident (Fire paramedic)	0.3 million	Expenses included in the General Fund.

- **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:

Laura Triggs, Acting Chief Financial Officer

Morgan Routt, Acting Director, Office of Management & Budget

Berenice Harris, Finance Department

Matthew Behrens, Office of Management & Budget

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 January 2012)	Change on Previous Year
For the United States (as of February 2012)	2.7%
Core CPI-U (excludes food and energy) (As of February 2012)	2.9%
(Source: U.S. Department of Labor, Bureau of Labor Statistics)	2.2%

Unemployment Rates	Current Month	Prior Month	Prior Year
Alexandria (as of December, 2011)	4.6%	4.3%	4.4%
Virginia (as of January 2012)	5.8%	6.1%	6.5%
United States (as of February 2012)	8.3%	8.3%	8.9%
(Source: U.S. Department of Labor, Bureau of Labor Statistics)			

Office Vacancy Rates	Current Quarter	Prior Quarter	Prior Year
Alexandria	13.5%	13.6%	11.6%
Northern Virginia	13.1%	12.9%	12.6%
Washington, DC Metro area (As of 4th quarter, 2011)	11.6%	11.5%	11.3%
(Source: CoStar)			

New Business Licenses	Current Year	Prior Year	Change on Previous Year
3 month trailing average (As of February 2012)	57	50	14.0%
(Source: Finance Department)			

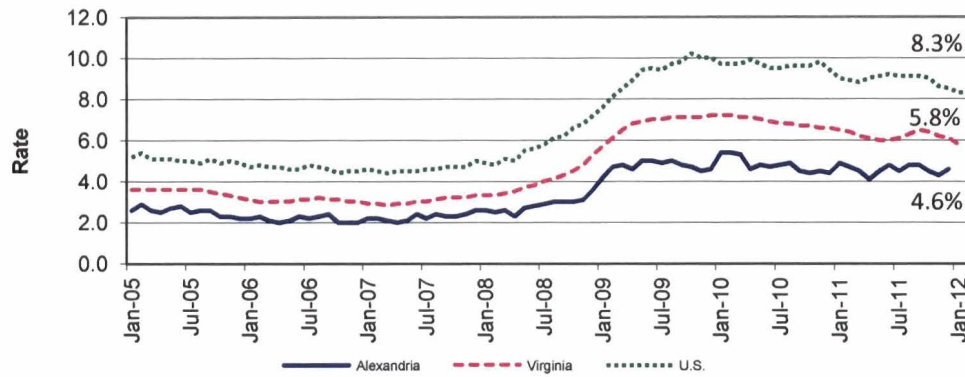
New Commercial Construction (excluding Apartment Buildings) and Building Renovations (Fiscal YTD as of January 2012)			
Number of new building permits	3	1	200.0%
Value of new building permits (\$ millions)	\$30.1	\$0.3	9933.3%
(Source: Office of Code Administration)			

New Multi-family Construction (including Apartment & Condominium Buildings) (Fiscal YTD as of January 2012)			
Number of new building permits	61	28	117.9%
Value of new building permits (\$ millions)	\$123.7	\$40.0	209.3%

Residential Real Estate Indicators			
Residential Dwelling Units Sold (Calendar YTD ending January 2012)	96	89	7.9%
Median Residential Sales Price (As of January 2012)	\$425,000	\$385,250	10.3%
(Source: Department of Real Estate Assessments)			

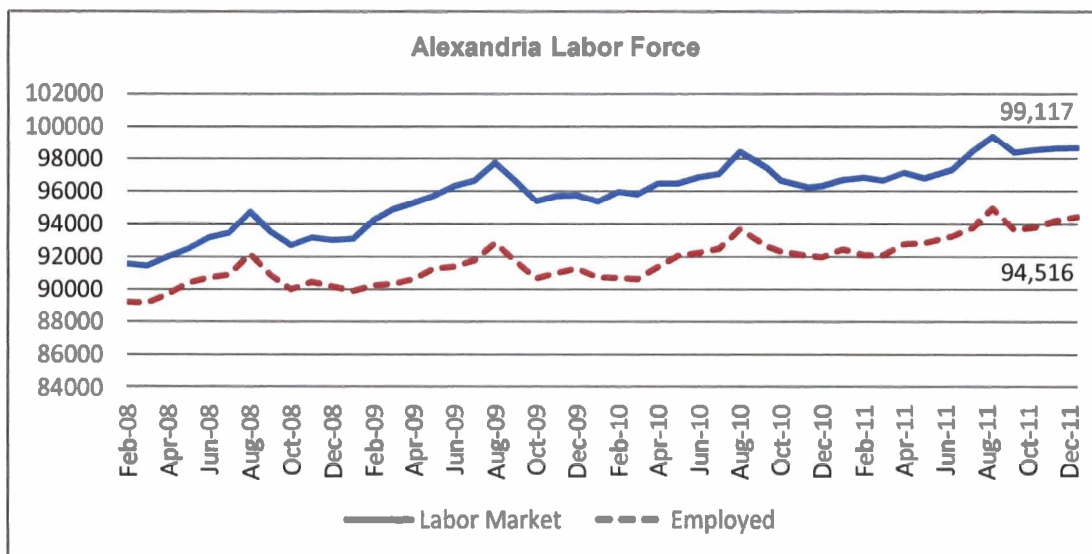
Foreclosures			
3 month trailing average (As of January 2012)	14	13	7.7%
Source: Dept of Real Estate Assessments			

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



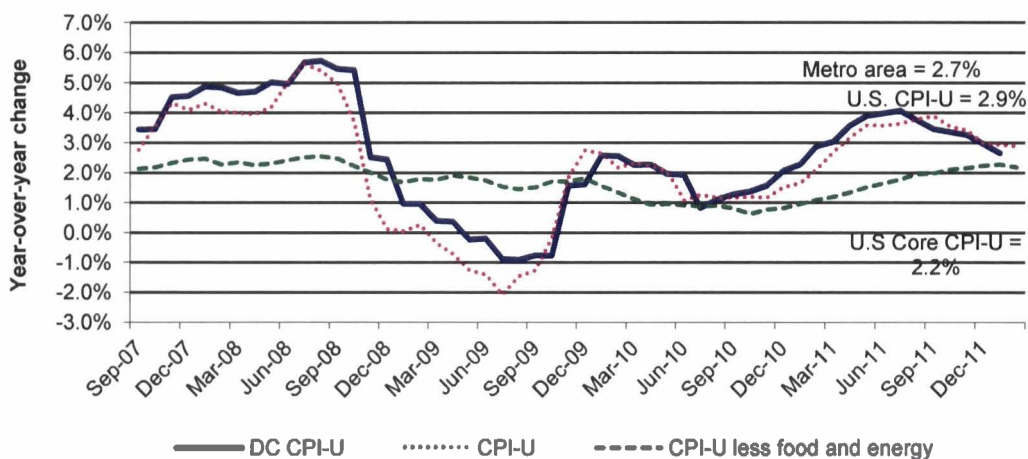
Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. through February 2012; Virginia through January 2012; Alexandria through December 2011
 *Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-adjusted.

Alexandria Labor Force



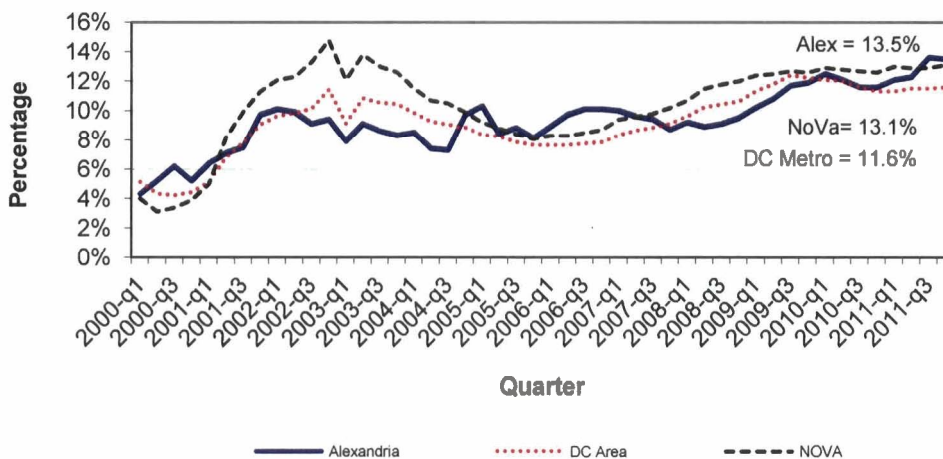
Source: Virginia Employment Commission
 Through December 2011
 *Not seasonally adjusted.

Annual Change in Consumer Price Index



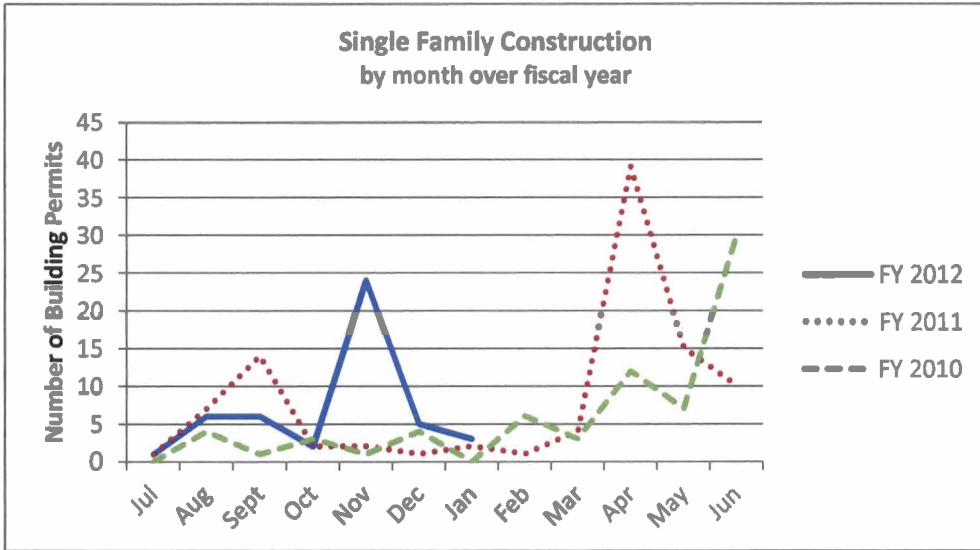
Source: U.S. Department of Labor, Bureau of Labor Statistics
 CPI-U and CPI - U less food and energy through February 2012
 DC CPI-U through January 2012

Office Vacancy Rates

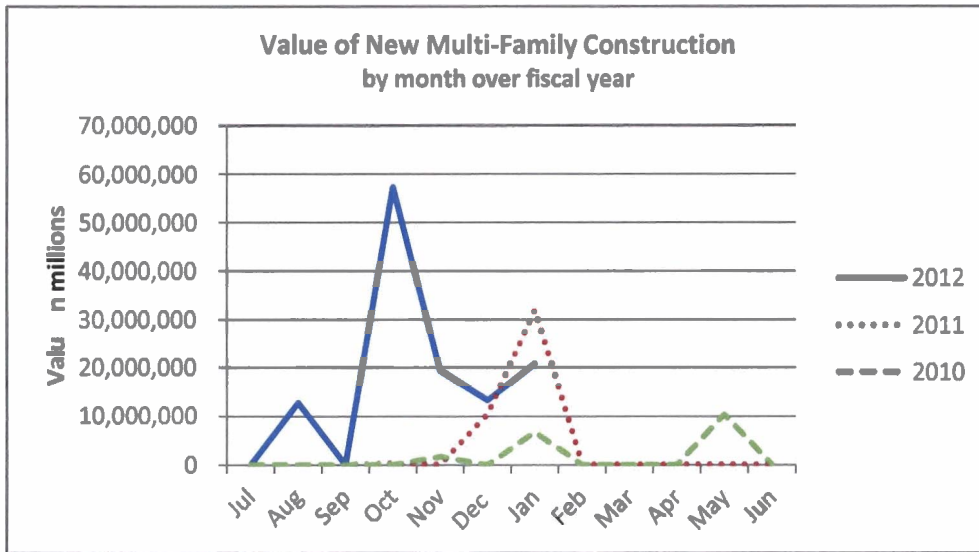


Source: CoStar
 Through 4th quarter, 2011

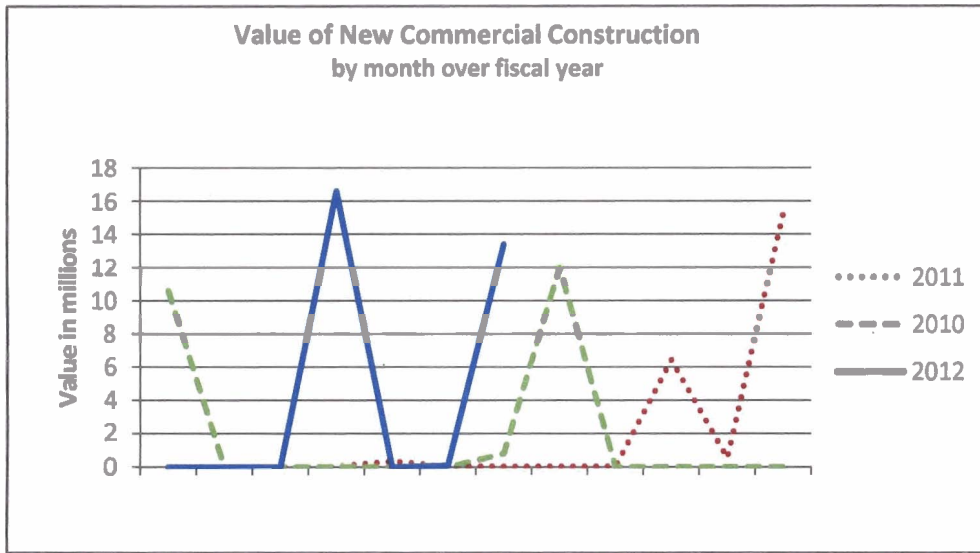
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Source: Code Enforcement
Through January 2012

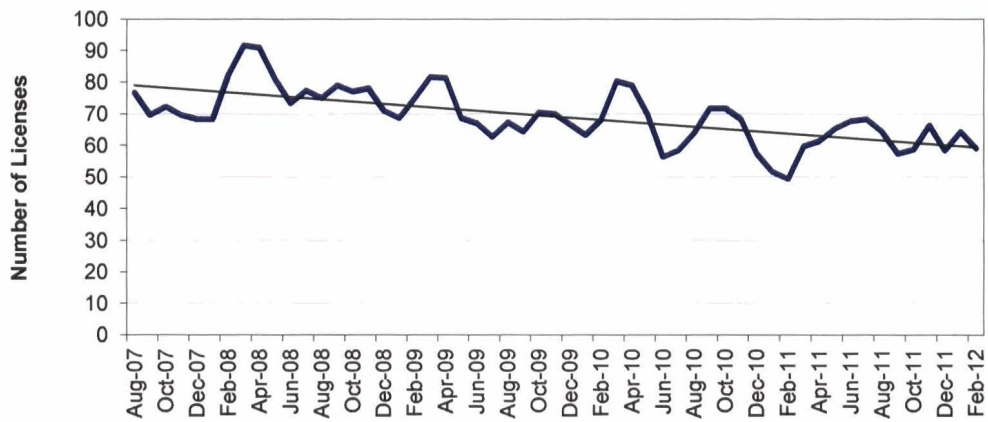


Source: Code Enforcement
Through January 2012



Source: Code Enforcement
Through January 2012

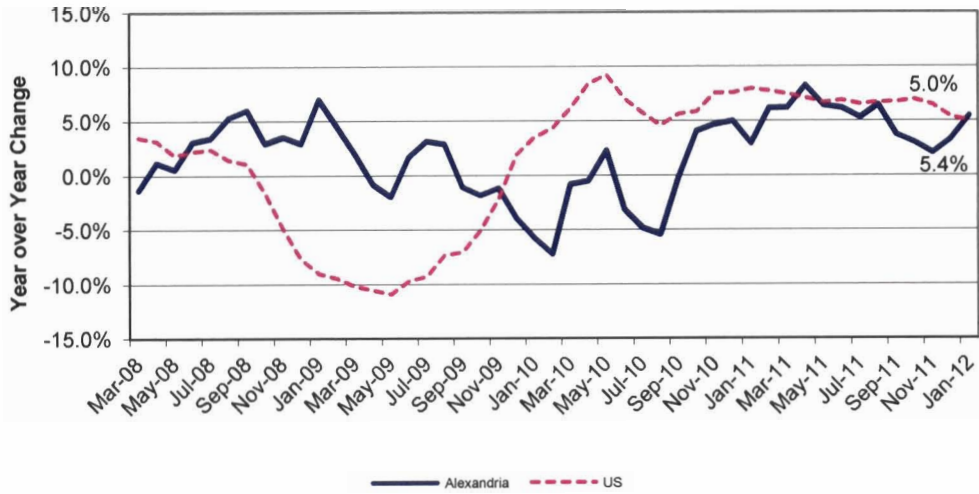
Number of New Business License Applications Three Month Trailing Average



Source: Finance Department
Through February 2012

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

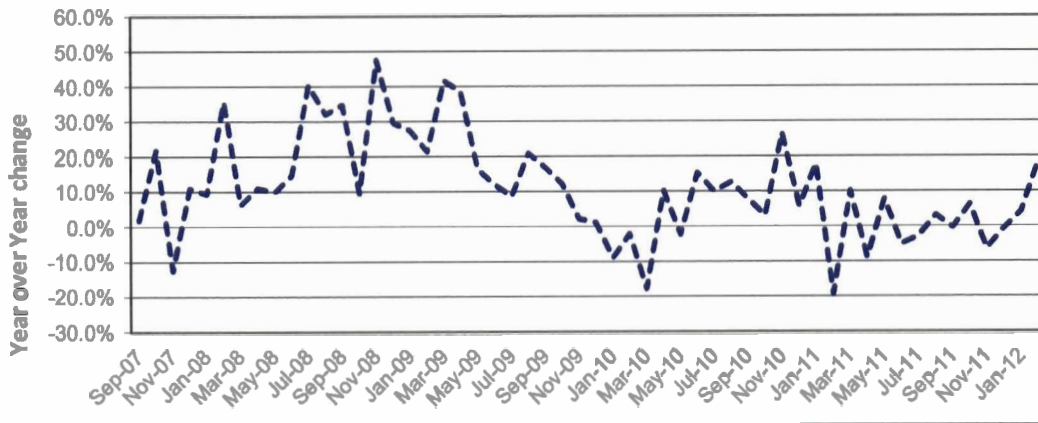
3 month trailing average



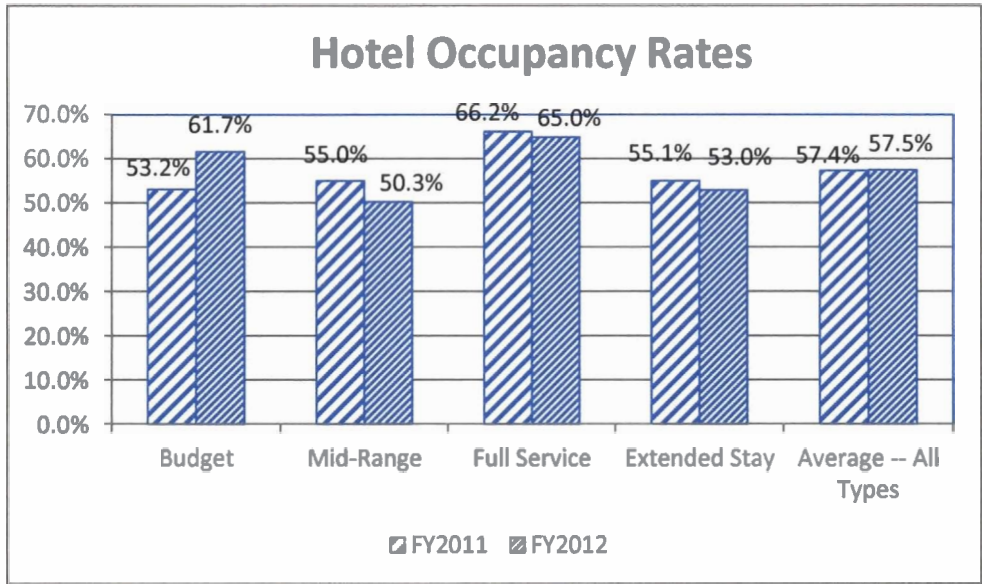
Source: Finance Department, U.S. Census Bureau
Data: Through January 2012

Annual Change in Transient Lodging Tax Receipts

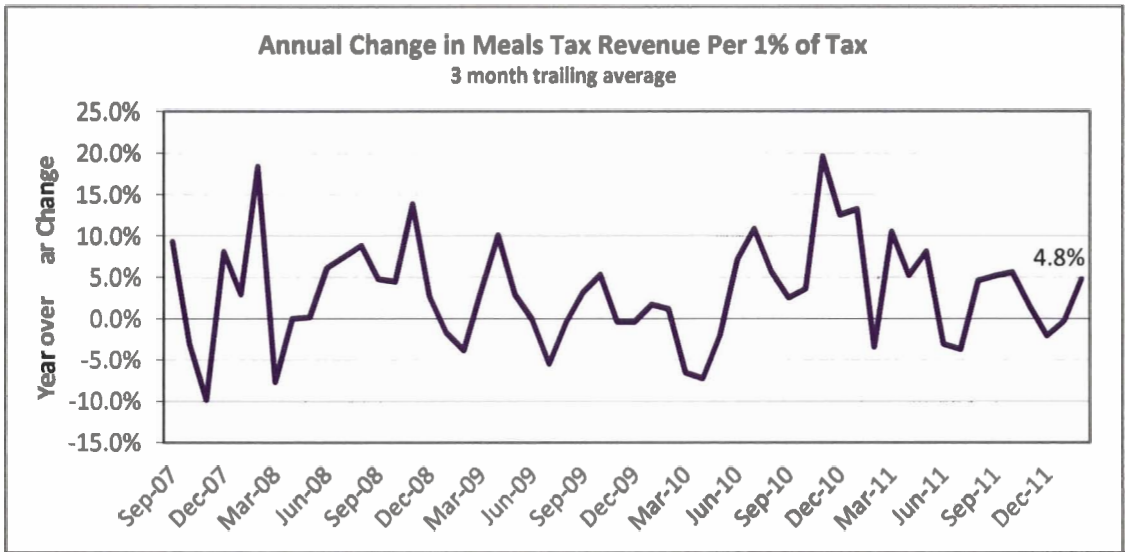
3 month trailing average



Source: Finance Department
Through February 2012

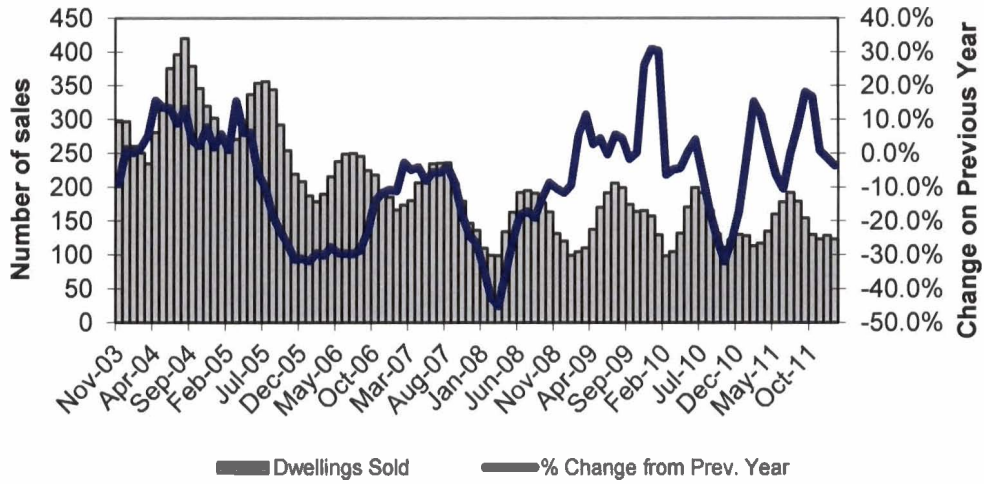


Source: Finance Department
Through January 2012



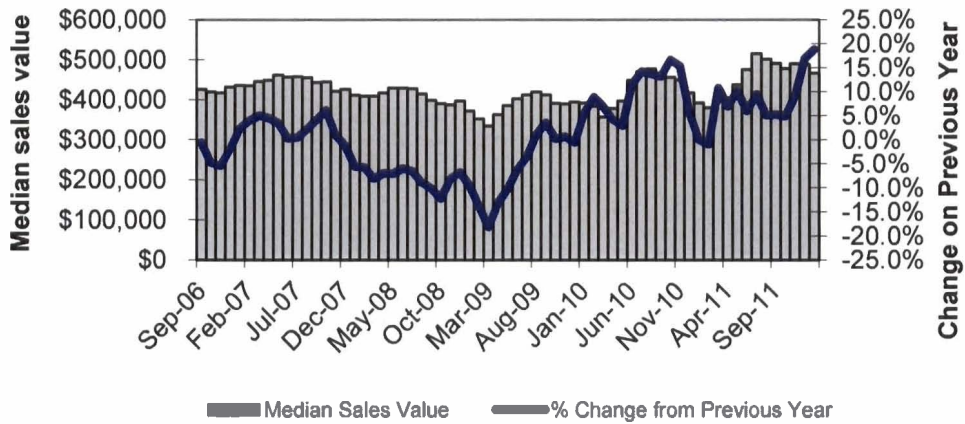
Source: Finance Department
Through February 2012*

Alexandria Residential Property Sales Volume Three Month Trailing Average



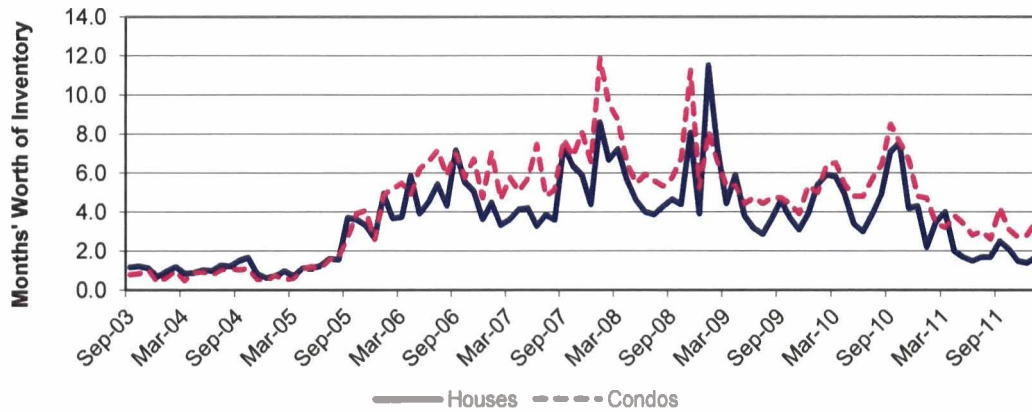
Source: Department of Real Estate Assessments
Through January 2012

Alexandria Residential Property Median Sales Value Three Month Trailing Average



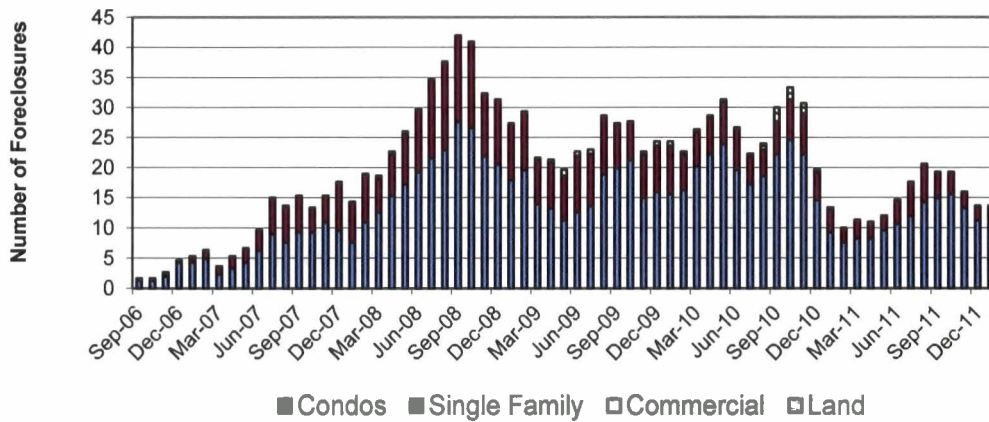
Sources: Metropolitan Regional Information Systems; Department of Real Estate Assessments
Through January 2012

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



Source: Metropolitan Regional Information Systems
Through January 2012

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



Source: Department of Real Estate Assessments
Through January 2012

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

	A FY2011 ACTUALS	B FY2012 REVISED BUDGET	B2 FY 2012 PROJECTED REVENUES	C FY2012 REVENUES THRU 2/29/12	D=C/B % OF BUDGET	E FY2011 REVENUES THRU 02/28/11	F=(C-E)/E % CHANGE
General Property Taxes							
Real Property Taxes.....	\$ 312,641,695	\$ 321,674,773	\$ 325,999,992	\$ 159,545,617	49.6%	\$ 152,617,067	5%
Personal Property Taxes.....	34,891,944	34,600,000	36,945,648	35,876,711	103.7%	32,766,205	9%
Penalties and Interest.....	2,246,186	1,870,000	1,870,000	1,156,570	61.8%	1,130,936	2%
	<u>\$ 349,779,825</u>	<u>\$ 358,144,773</u>	<u>\$ 364,815,640</u>	<u>\$ 196,578,898</u>	<u>54.9%</u>	<u>\$ 186,514,208</u>	<u>5%</u>
Other Local Taxes							
Local Sales and Use Taxes.....	\$ 23,880,909	\$ 24,200,000	\$ 24,400,000	\$ 12,367,510	51.1%	\$ 11,993,228	3%
Consumer Utility Taxes.....	10,812,989	11,200,000	11,200,000	6,214,325	55.5%	6,351,752	-2%
Communication Sales and Use Taxes.....	11,259,534	11,600,000	11,100,000	5,259,556	45.3%	5,914,286	-11%
Business License Taxes.....	30,444,798	31,825,000	32,000,000	17,272,810	54.3%	11,570,759	49%
Transient Lodging Taxes.....	11,245,201	12,500,000	11,700,000	6,073,262	48.6%	6,001,548	1%
Restaurant Meals Tax.....	16,214,900	16,300,000	16,300,000	8,886,673	54.5%	8,710,312	2%
Tobacco Taxes.....	2,777,053	2,900,000	2,900,000	1,552,781	53.5%	1,629,229	-5%
Motor Vehicle License Tax.....	3,324,937	3,200,000	3,400,000	2,997,414	93.7%	2,911,166	3%
Real Estate Recordation.....	3,668,663	3,800,000	4,100,000	3,209,074	84.4%	2,186,694	47%
Admissions Tax.....	1,082,685	1,100,000	1,000,000	619,583	56.3%	618,159	0%
Other Local Taxes.....	3,547,618	2,705,000	3,285,275	346,326	12.8%	459,640	-25%
Total Other Local Taxes	<u>118,259,317</u>	<u>\$ 121,330,000</u>	<u>\$ 121,385,275</u>	<u>\$ 58,367,733</u>	<u>53.4%</u>	<u>\$ 58,367,733</u>	<u>11%</u>
Intergovernmental Revenues							
Revenue from the Fed. Government.....	\$ 9,697,509	\$ 9,447,640	\$ 9,950,206	\$ 5,293,173	56.0%	\$ 5,772,502	-8%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	23,578,531	23,106,960	98.0%	23,106,960	0%
Revenue from the Commonwealth.....	20,452,569	19,950,485	19,950,485	11,924,179	59.8%	11,397,802	5%
Total Intergovernmental Revenues	<u>\$ 53,728,609</u>	<u>\$ 52,976,656</u>	<u>\$ 53,479,222</u>	<u>\$ 40,324,312</u>	<u>76.1%</u>	<u>\$ 40,277,264</u>	<u>0%</u>
Other Governmental Revenues And Transfers In							
Fines and Forfeitures.....	\$ 4,472,520	\$ 4,764,000	\$ 4,764,000	\$ 2,994,048	62.8%	\$ 2,826,777	6%
Licenses and Permits.....	2,543,789	2,049,975	2,282,439	1,570,095	76.6%	1,691,117	-7%
Charges for City Services.....	14,939,668	14,709,303	14,909,303	9,321,763	63.4%	8,934,640	4%
Revenue from Use of Money & Prop.....	3,591,323	3,570,000	3,420,000	2,720,152	76.2%	2,566,536	6%
Other Revenue.....	987,727	490,000	490,000	648,123	132.3%	506,056	28%
Transfer from Other Funds.....	1,446,713	1,666,903	1,666,903	-	0.0%	-	0%
Total Other Governmental Revenues	<u>\$ 27,981,740</u>	<u>\$ 27,250,181</u>	<u>\$ 27,532,645</u>	<u>\$ 17,254,181</u>	<u>63.3%</u>	<u>\$ 16,525,126</u>	<u>4%</u>
TOTAL REVENUE	<u>\$ 549,749,531</u>	<u>\$ 559,701,610</u>	<u>\$ 567,212,782</u>	<u>\$ 318,956,705</u>	<u>57.0%</u>	<u>\$ 301,663,371</u>	<u>6%</u>
Appropriated Fund Balance							
General Fund.....		8,961,138	1,449,966				0%
Reappropriation of FY 2011 Encumbrances And Other Supplemental Appropriations....	-	10,160,618	10,160,618	-	-	-	0%
TOTAL	<u>\$ 549,749,531</u>	<u>\$ 578,823,366</u>	<u>\$ 578,823,366</u>	<u>\$ 318,956,705</u>	<u>55.1%</u>	<u>\$ 301,663,371</u>	<u>6%</u>

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING FEBRUARY 29, 2012 AND FEBRUARY 28, 2011**

FUNCTION	A	B	C	D=C/B	E	F=(C-E)/E
	FY2011 ACTUALS	FY2012 REVISED BUDGET	FY2012 EXPENDITURES THRU 02/29/12	% OF BUDGET EXPENDED	FY2011 EXPENDITURES THRU 02/28/11	EXPENDITURES % CHANGE
Legislative & Executive.....	\$ 5,076,332	\$ 5,417,296	\$ 3,602,014	66.5%	\$ 4,133,124	-13%
Judicial Administration.....	\$ 38,393,185	\$ 39,976,309	\$ 26,721,002	66.8%	\$ 25,251,121	6%
Staff Agencies						
Information Technology Services.....	\$ 7,181,221	\$ 7,598,174	\$ 4,645,344	61.1%	\$ 4,178,487	11%
Management & Budget.....	1,063,491	1,236,389	653,380	52.8%	701,971	-7%
Finance.....	9,872,634	11,558,875	6,525,696	56.5%	5,893,114	11%
Real Estate Assessment.....	1,470,112	1,674,469	1,078,978	64.4%	940,944	15%
Human Resources.....	2,820,166	2,971,676	1,895,105	63.8%	1,757,962	8%
Planning & Zoning.....	5,335,556	5,623,460	3,785,944	67.3%	3,385,830	12%
Economic Development Activities.....	3,719,232	4,721,167	3,501,718	74.2%	2,607,763	34%
City Attorney.....	2,325,670	2,652,088	1,642,495	61.9%	1,458,195	13%
Registrar.....	1,007,110	1,203,860	763,637	63.4%	733,249	4%
General Services.....	11,681,427	12,486,884	7,779,206	62.3%	7,268,105	7%
Total Staff Agencies	\$ 46,476,619	\$ 51,727,042	\$ 32,271,503	62.4%	\$ 28,925,620	12%
Operating Agencies						
Transportation & Environmental Services.....	\$ 27,532,364	\$ 28,522,530	\$ 19,482,811	68.3%	\$ 17,560,110	11%
Fire.....	35,892,427	35,164,700	25,426,875	72.3%	24,607,375	3%
Police.....	51,013,585	51,203,943	34,338,912	67.1%	33,625,588	2%
Emergency Communications.....	1,842,911	5,687,007	4,395,193	77.3%	-	-
Code.....	843,814	923,364	541,860	58.7%	575,815	-6%
Transit Subsidies.....	8,094,839	8,564,122	5,556,052	64.9%	6,024,709	-8%
Community and Human Services.....	13,920,947	14,789,220	10,399,501	70.3%	8,762,814	19%
Health.....	7,854,474	8,379,225	5,431,182	64.8%	5,437,832	0%
Historic Resources.....	2,560,919	2,824,565	1,920,464	68.0%	1,668,998	15%
Recreation.....	19,025,423	19,632,384	12,722,317	64.8%	12,662,017	0%
Total Operating Agencies	\$ 168,581,703	\$ 175,691,120	\$ 120,215,167	68.4%	\$ 110,925,258	8%
Education						
Schools.....	\$ 167,886,567	\$ 174,956,420	\$ 97,448,107	55.7%	\$ 93,761,428	4%
Other Educational Activities.....	12,229	12,288	9,216	75.0%	9,172	0%
Total Education	\$ 167,898,796	\$ 174,968,708	\$ 97,457,323	55.7%	\$ 93,770,600	4%
Capital, Debt Service and Miscellaneous						
Debt Service.....	\$ 38,479,349	\$ 43,438,079	\$ 26,368,080	60.7%	\$ 21,185,348	24.5%
Non-Departmental.....	12,427,609	13,932,749	7,535,293	54.1%	7,931,956	-5.0%
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	\$ 38,819,359	61.4%	\$ 34,662,304	12.0%
TOTAL EXPENDITURES	\$ 482,878,593	\$ 511,044,746	\$ 319,086,368	62.4%	\$ 297,668,027	7.2%
Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library and Transfers to the Special Revenue Fund).....						
Transfer to Housing.....	33,360,416	51,453,962	-	-	-	-
Transfer to Library.....	1,715,904	1,651,705	892,530	54.0%	1,078,393	-17.2%
Transfer to DASH.....	5,879,455	6,644,953	4,425,539	66.6%	4,176,259	6.0%
Transfer to DASH.....	8,178,196	8,028,000	5,346,648	66.6%	5,199,984	2.8%
TOTAL EXPENDITURES & TRANSFERS	\$ 532,012,564	\$ 578,823,366	\$ 329,751,085	57.0%	\$ 308,122,663	7.0%
Total Expenditures by Category						
Salaries and Benefits	\$ 181,704,996	\$ 187,885,023	\$ 127,205,153	67.7%	\$ 117,157,795	8.6%
Non Personnel (includes all school funds)	350,307,568	390,938,343	202,545,932	51.8%	190,964,868	6.1%
Total Expenditures	\$ 532,012,564	\$ 578,823,366	\$ 329,751,085	57.0%	\$ 308,122,663	7.0%

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4-10-12

Monthly Financial Report

Through February 2012

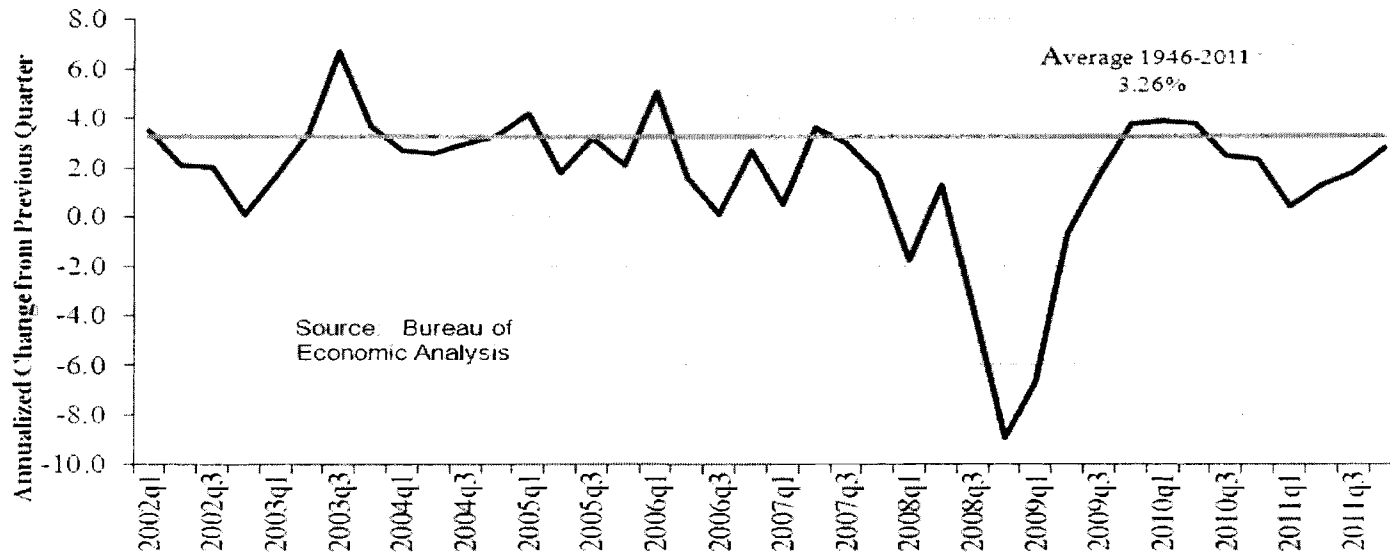


City of Alexandria

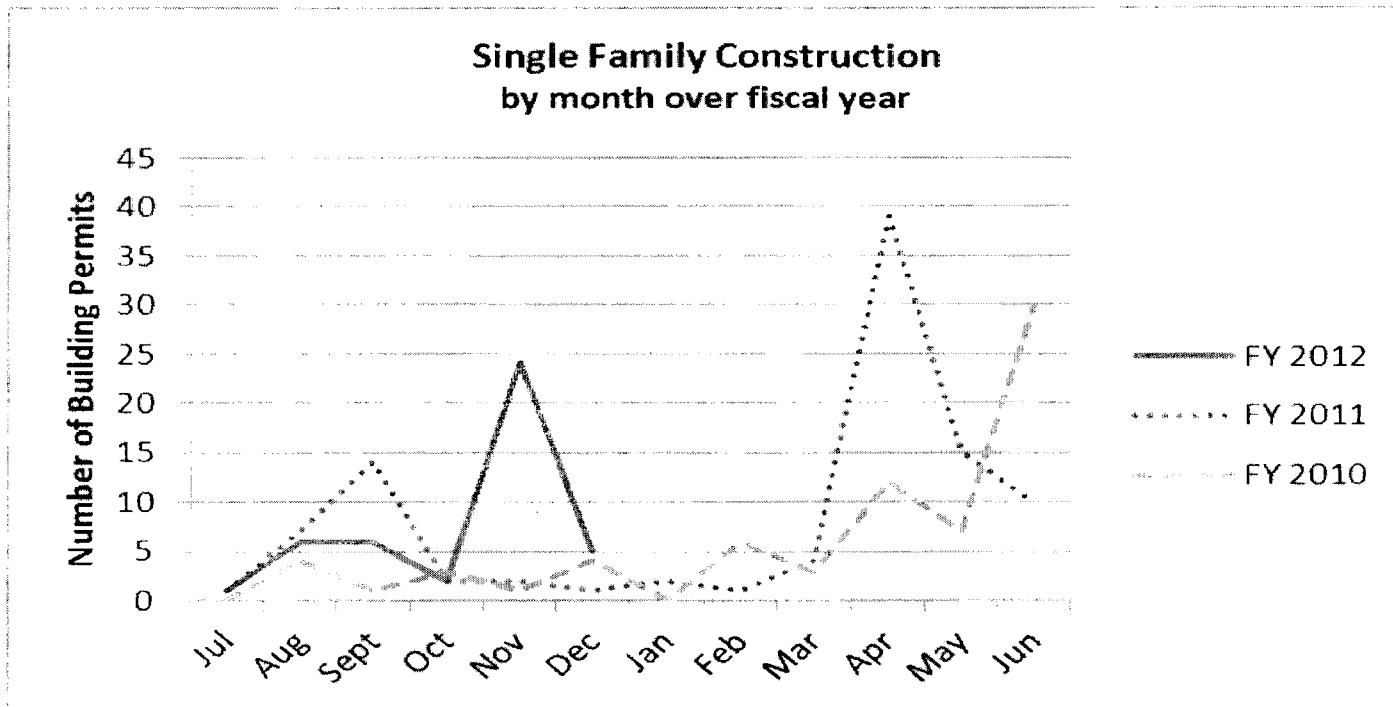
Monthly Financial Report

Economic Indicators

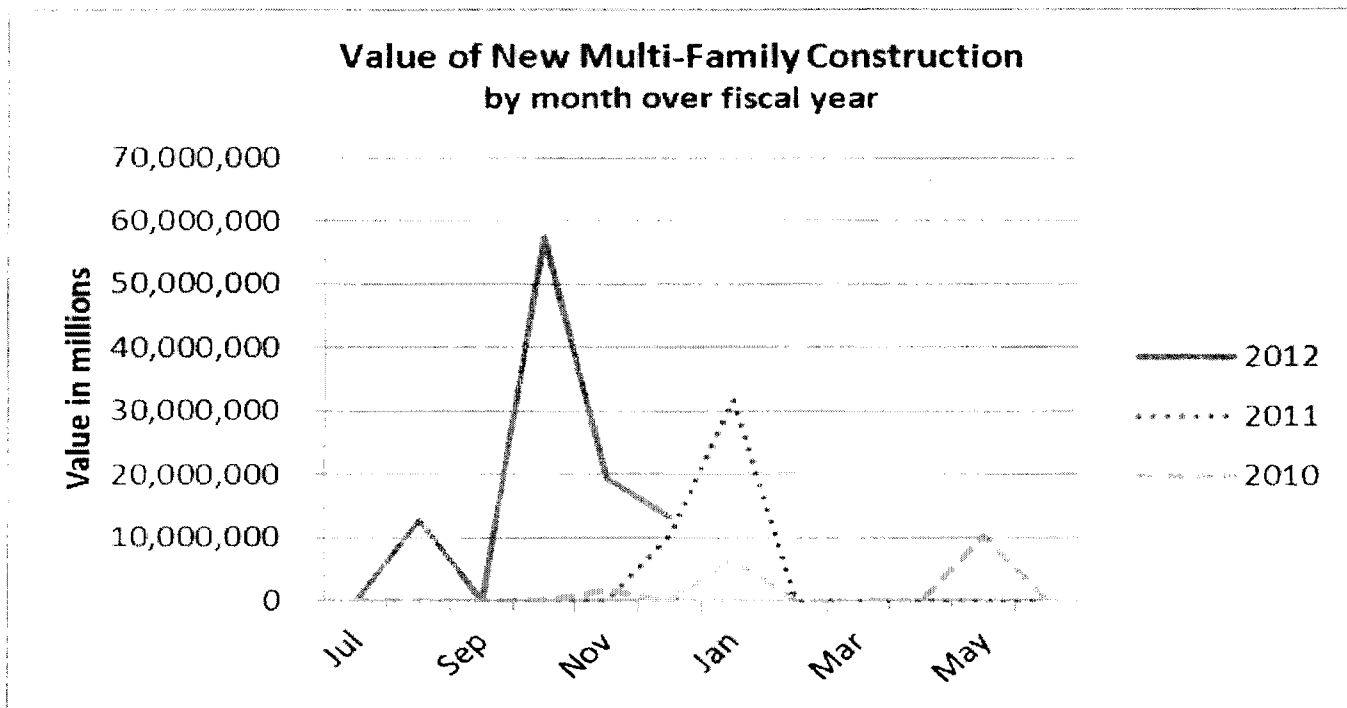
**GDP Change by Quarter
2002- 4th quarter 2011**



Economic Indicators

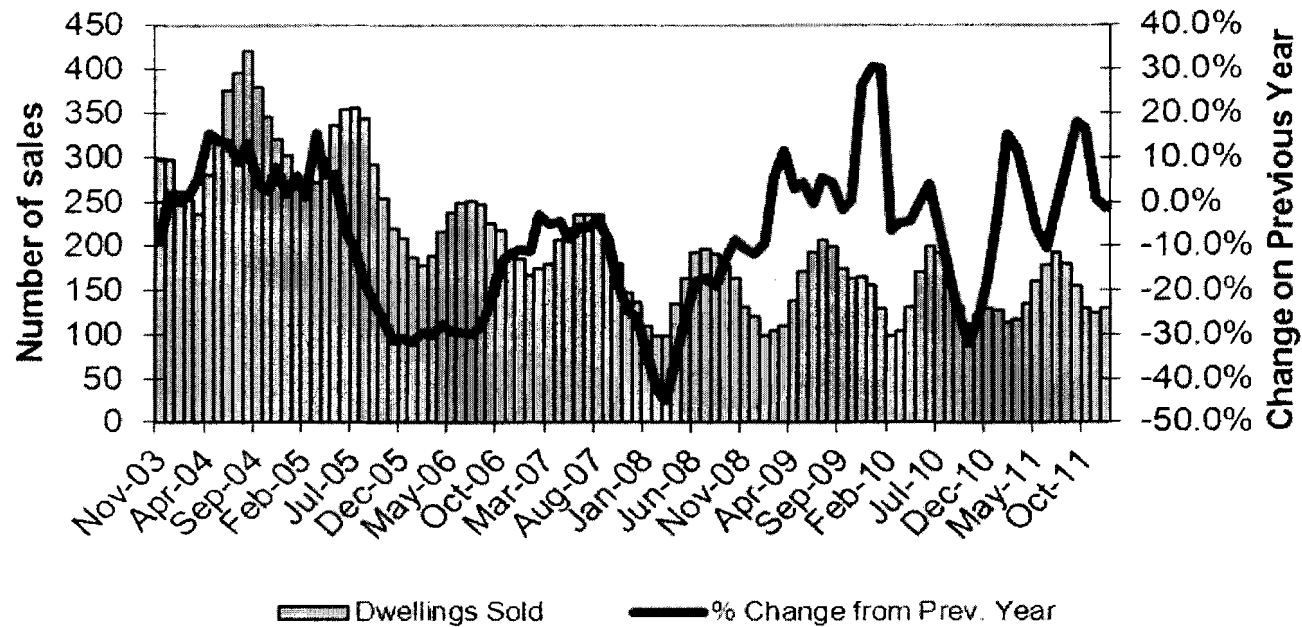


Economic Indicators



Economic Indicators

Alexandria Residential Property Sales Volume Three Month Trailing Average



Economic Indicators

**Alexandria Residential Property Median Sales Value
Three Month Trailing Average**

