

CITY OF ALEXANDRIA, VIRGINIA

# Monthly Financial Report

## December 2014



### Report Summary

The regional economic slowdown continues to present one of the most, if not the most, significant ongoing financial challenges the City currently faces. From a fiscal management perspective, the City has a long standing record of managing expenditures, items under its direct control, prudently and below budgeted levels. Furthermore, the City estimates future revenue collections conservatively and based on local and regional data available. However in the last two fiscal years, in particular, slower regional economic growth continues to put pressure on the revenues necessary to meet costs and demands for services. The Washington D.C. regional economy has gone from one of the fastest growing regional economies in the U.S. to the second slowest growing regional economy in the U.S. The Detroit economy on a percentage basis is growing at a faster pace than our regional economy. This report will show the impact to the City's current Fiscal Year 2015 budget and planning for the FY 2016 budget. Additionally, this month's report provides a more in-depth look at the underlying economic indicators that are potentially contributing to our current economic environment. Economic Indicators highlighted in this report include unemployment, job inventory and payroll.

At the halfway point of fiscal year 2015, year-to-date General Fund revenues and expenditures are 1.4% and 3.2% lower than the four-year average for percent of budget collected and spent, respectively. While expenditures appear to be on pace to end the year within budget, the revenue picture is concerning. Based on current projections, the City estimates \$631.3 million in revenue against a revenue budget of \$634.3 million, for a net difference of \$3.0 million. With such a narrow gap, the City is continuously monitoring expenditures and will make spending adjustments as necessary.

As of December 31, 2014, General Fund revenues totaled \$312.5 million, which is 1.4% less than the four-year average of percent of revenues collected through December. Through the midpoint of the fiscal year, "General Property Taxes" collected to date, which represent 65% of the City's total revenues, are in line with historical trends as it relates to year-to-date collections. The three areas of concern for FY 2015 that also impact available revenues for the FY 2016 budget are "Local Sales and Use Taxes," "Business License Taxes" and "Revenue from the Commonwealth." However, a category that is performing better than projections is "Transient Lodging Taxes." These will be discussed further in the State of the Local Economy section of Attachment I.

As of December 31, 2014, General Fund expenditures totaled \$256.4 million, or 39.9% of budgeted expenditures. Compared to the historical four-year average, the City spent has spent 3.2% less of its budget in FY 2015. Personnel expenditures are 3.1% less than the four-year average percent of budget spent to date, and non-personnel expenditures are 3.3% less than the historical average. Although expenditures are lower than budgeted, they need to be closely monitored and managed to ensure that they do not exceed actual revenues. As mentioned previously, departments have been asked to project their expenditures from month six to the end of the year so that City staff can appropriately plan and potentially adjust given the financial outlook of the rest of the fiscal year.

The Monthly Financial Report details the City's General Fund revenues and expenditures as of the last day of the month, compares revenues and expenditures to historical data, and focuses on specific economic indicators relevant for the month. This report is presented to City Council by the City Manager and made available to the public.

CITY OF ALEXANDRIA, VIRGINIA

# Monthly Financial Report

## December 2014



### State of the Local Economy

The regional economic slowdown continues to present one of the most, if not the most, significant ongoing financial challenges the City currently faces. While the City maintained its expenditures within budget in FY 2014 and is projected to stay within budget in FY 2015, slow economic growth continues to constrain the revenues necessary to meet increasing costs and demands for service.

The Washington D.C. region's economy has changed in the last few years from being one of the fastest growing economies in the U.S. to one of the slowest. Dr. Stephen Fuller, the Director of the Center for Regional Analysis at George Mason University, stated in a recent presentation that "the Washington, D.C. region needs to become a global business center focused on building an export-based economy with less reliance Federal government." Federal budget cutbacks, reductions in federal contracting, and a near complete halt in regional job growth has resulted in shortfalls in both taxes derived from consumer spending, as well as business tax receipts. Economically sensitive revenues like local state sales tax, business license tax, meal sales tax, and transient lodging tax are an indication of business conditions in the City. Year-to-date sales tax collections through October are down by approximately 2.6% behind the 4-year average for percent of budget collected. According to Weldon Cooper Center, the City of Alexandria had 2,479 dealers (businesses) reporting taxable sales of \$2.12 billion in calendar year 2013 as compared to calendar year 2012, in which the City had 2,387 dealers reporting taxable sales of \$2.13 billion. Although there are declines in many categories, the two most notable changes when comparing to the State's overall growth rate are retail trade and accommodation and food service. Retail trade, which represents 60% of taxable sales in the City, has a growth rate of 0.2% in calendar year 2013 when compared to calendar year 2012, while the State has seen an overall growth rate of 2%. Accommodation and food service, which represents 24% of taxable sales in the City, has a growth rate of 1% in calendar year 2013 when compared to calendar year 2012, while the State has also seen a growth rate of increase of 2%.

The City's revenue picture for the remainder of FY 2015 and FY 2016 is based on current collections and trends. At the rate of collections through November, sales tax revenue will be approximately \$24.6 million, a decrease of \$2.3 million below the FY 2015 Approved Budget. Staff will continue to look at the specifics of the taxable businesses in Alexandria and the resulting sales tax revenue as more current data becomes available. Business License Tax renewals are due on March 2, 2015. Collections-to-date include new businesses and taxpayers paying their last quarterly installment for license year 2014. Based on the collections to date, it appears that business license tax revenue will be approximately \$32.0 million, a decrease of \$1.0 million below the FY 2015 Approved Budget. Meals tax collections as a percent of budget are 0.7% less than the four year average. Based on the collections to date, it appears that meal tax collections will be approximately \$17.4 million, a decrease of \$0.3 million below the FY 2015 Approved Budget. State revenues will be approximately \$22.3 million, a decrease of \$0.8 million below the FY 2015 Approved Budget, due to State cutbacks in aid to localities.

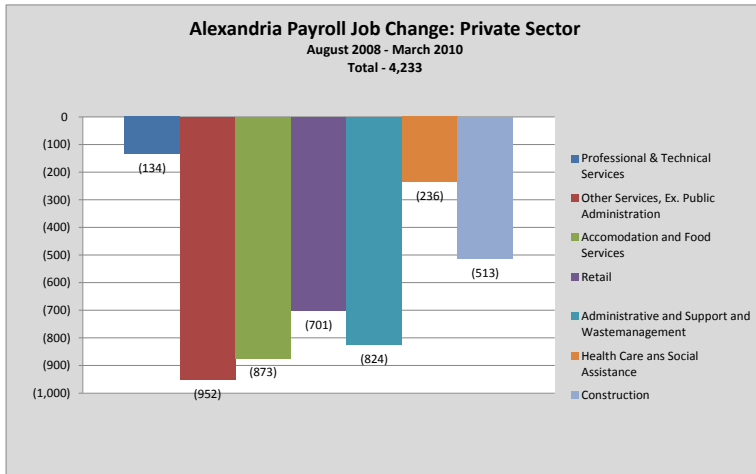
Dr. Fuller also indicated that although the Washington D.C. region has recovered the number of private sector jobs lost from August 2008 through February 2010, the region is adding more low-paying rather than high-paying jobs. From August 2008 through February 2010, the region lost 177,700 jobs worth \$28.4 billion to the regional economy. From February 2010 through November 2014, the region gained 242,400 jobs worth \$27.4 billion. That leaves a gap of more than \$983 million. When comparing the City's private sector job growth with the regional private sector job growth, the City has not recovered the private sector jobs lost from August 2008 through February 2010. According to the Virginia Employment Commission, the City lost 4,233 private sector jobs, shown in figure 1, between August 2008 and March 2010, with over half in the categories of accommodation and food service; administrative, support, and waste management; and other services. Since March 2010, the City has seen an additional 1,840 private sector jobs, shown in figure 2, with more than half in accommodation and food service. Today, there are about 2,393 fewer private sector jobs, shown in figure 3, representing lost payroll of \$93.2 million using the average wage by industry for the City of Alexandria from the Virginia Employment Commission, shown in figure 4. While the City's highest paying category of jobs, professional and technical services, has the greatest net increase in jobs, the next five categories have all lost jobs since 2008. The lowest average paying category of accommodation and food service is the only other category to have increased jobs since 2008 and has the largest number of jobs added since 2010. While the unemployment rate in the City of Alexandria dropped from 4.1% in September 2014 to a low 3.6% in November 2014, this may be reflective of more people working but at lower wages, which may over time present greater budgetary pressures on the expenditure side for increased social and human services.

CITY OF ALEXANDRIA, VIRGINIA

# Monthly Financial Report December 2014

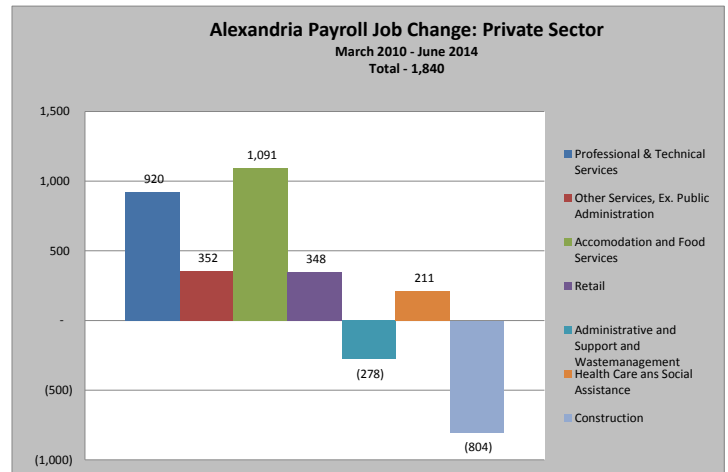


Figure 1. 2008-2010 Payroll Job Change



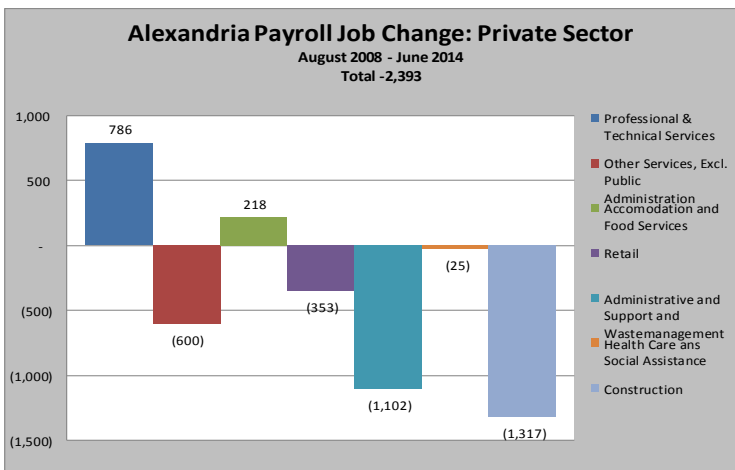
Source: Virginia Employment Commission

Figure 2. 2010 - 2014 Payroll Job Change



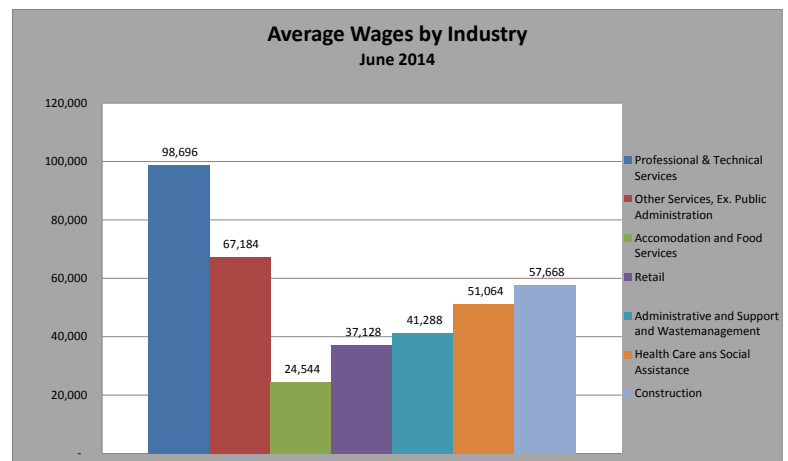
Source: Virginia Employment Commission

Figure 3. 2008 - 2014 Payroll Job Change



Source: Virginia Employment Commission

Figure 4. City of Alexandria Average Wage by industry

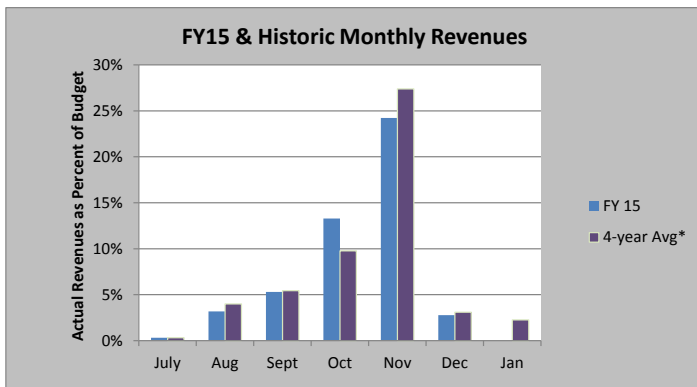


Source: Virginia Employment Commission

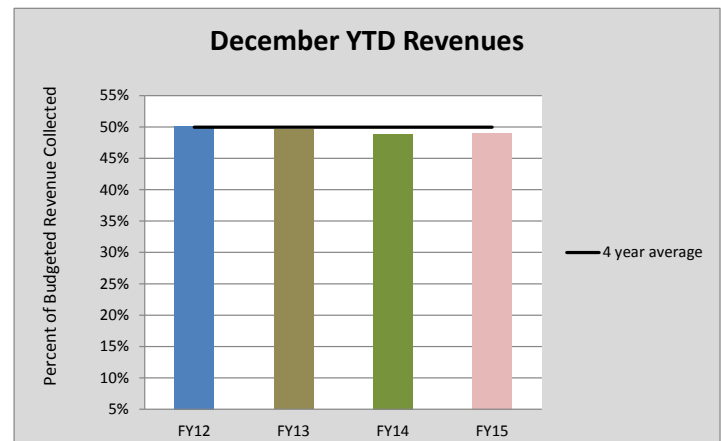
# REVENUES



As of December 31, 2014, General Fund revenues totaled \$312.5 million, which is 1.4% less than the four-year average percent of budget through December. Through the midpoint of the fiscal year, the City's General Property taxes collected to date, which represent 65% of the City's total revenues, reflect 54.0% of the amount budgeted. This compares with FY 2014, when 53.4% of general property taxes had been collected midway through the year and the four-year average of 54.4%. Other Local Taxes represent 20% of all revenues and at this point approximately 28.1 % of the budgeted amount has been collected, compared to 27.3% in FY 2014 and a four-year average of 29.0%. The majority of these taxes are remitted to the City one or two months subsequent to collection. The most significant tax in this category is Local Sales and Use Taxes, which is remitted by the state two months after it has been collected. As a result the significant holiday sales for the month of December are not reflected at this time. Through four months of sales tax collections, the City has received 30.4% of the budgeted amount, which is below the four year average of 33.0% and also below last year's collection through this same period.



\* 4-year average data comes from FY 2011-FY 2014 data



\* 4-year average data comes from FY 2011-FY 2014 data

## REVENUE VARIANCES IN DETAIL

Variations in FY15 YTD Revenue from the 4-year average	% increase/(decrease) of budgeted revenue collected from 4-yr average	Explanation
Consumer Utility Tax	(7.1%)	Although collections for utility taxes appears to be lagging, a posting correction was made in January and will be reflected in next month's report. With this correction, however, revenues are still behind the four year average but are projected to equal the budgeted amount.
Transient Lodging Tax	5.4%	Transient Lodging tax revenue is showing positive signs. Collections to date show an increase of 12.0% when compared to the four-year average. This is due an increase in both occupancy and daily rates.
Admissions Tax	(8.1%)	Admission taxes have decreased by 8.1% when compared to the four-year average of budgeted revenue collected. This is due to weak movie ticket sales, which is consistent with the national trends. In July 2014 movie ticket sales were down 38% compared to July 2013. Although, the City budgeted \$1.0 million in FY 2015, collections will be approximately \$0.8 million, a decrease of \$0.2 million below the FY 2015 Approved Budget.

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# REVENUES



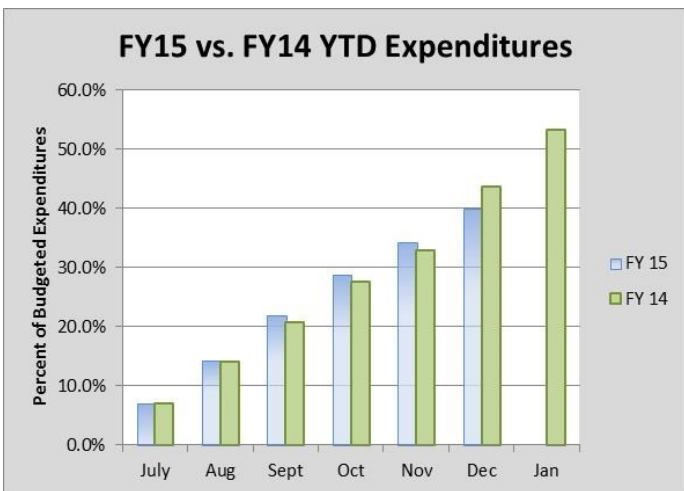
## REVENUE VARIANCES IN DETAIL

Variations in FY15 YTD Revenue from the 4-year average	% increase/(decrease) of budgeted revenue collected from 4-yr average	Explanation
Revenues from the Federal Government	(6.9%)	Although Revenues from the Federal Government have decreased by 6.9% when compared to the four-year average, this is due to the timing of the reimbursements from the Department of Defense for Metrobus express service between the Pentagon and Washington Headquarters Services, which covered multiple quarters last year.
Revenues from the Commonwealth	(3.5%)	Revenues from the Commonwealth have decreased by 3.5% due to the combination of the reimbursement of \$633,000 to the State for Local Aid to State and a \$215,000 shortfall in state HB 599 revenue results in an overall state revenue shortfall of approximately \$848,000.
Licenses and Permits	(7.3%)	Licenses and Permits have decreased by 7.3% when compared to the four-year average. When compared to FY 2014, collections in this category have increased by 1.5%.
Other Revenue	(24.2%)	Other Revenue has decreased by 24.2% when compared to the four year average due to a one-time contractual settlement last year.

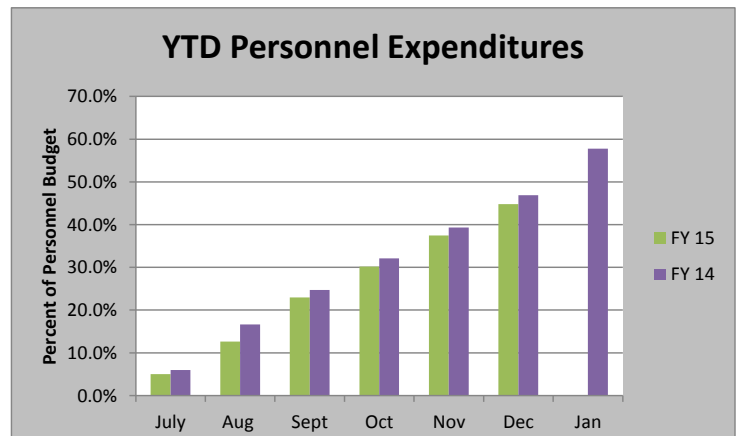
# EXPENDITURES



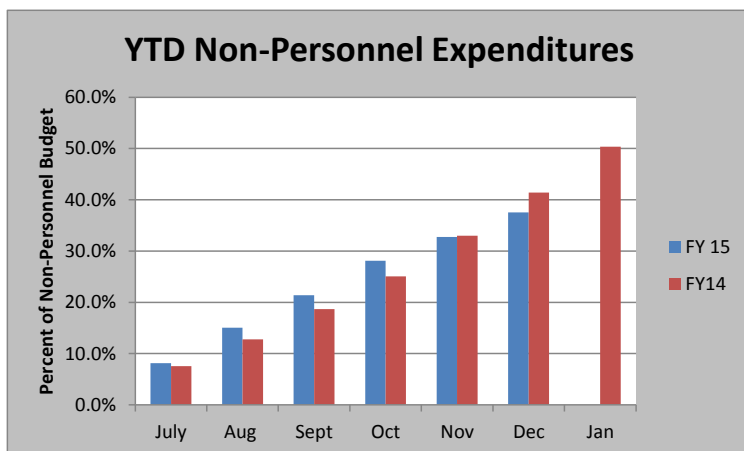
As of December 31, 2014, General Fund expenditures totaled \$256.4 million, or 39.9% of budgeted expenditures. Compared to the historical four-year average, the City spent has spent 3.2% less of its budget in FY 2015. Personnel expenditures are 3.1% less than the four-year average percent of budget spent to date, and non-personnel expenditures are 3.3% less than average. The charts below detail total, personnel, and non-personnel expenditures as compared to this point in time in FY 2014. The table on the next page explains expenditure variances from the historical average in areas including the Cash Match, Cash Capital, the Health Department, and departments with noticeable personnel vacancies. Some of these variance have been detailed in previous reports, but we continue to highlight them because these are variances that continue to occur. In addition, the Office of Management and Budget (OMB) requested General Fund projections of year-end revenues and expenditures from all departments. A summary of projection findings is on the next page. Given the revenue outlook for the remainder of the year, expenditures need to be closely monitored and managed to ensure that the City's expenditures remain lower than revenue collected.



Percent of budget expended is 3.6% lower than last year and 3.2% lower than the four-year average



At this point in the fiscal year, the City YTD Personnel expenditures are 2.1% lower than percent of budget spent at this point last year. As of the end of December, personnel savings total \$5.6 million.



YTD Non-personnel expenditures are 3.9% lower than where they were at this point in time in the previous fiscal year, and 3.3% lower than the four-year average.

# EXPENDITURES



## EXPENDITURE VARIANCES IN DETAIL

Variations in FY15 YTD Expenditures from the 4-year average	% increase/(decrease) of budgeted expenditures from 4-yr avg.	Explanation
Various Departments with Vacancies	Varies	Human Resources and Alexandria Fire Department's expenditures are lower than the past due to vacancies within these departments.
Historic Alexandria/ General Services	(0.9%)/(3.3%)	At the time this report was being developed a significant unbudgeted expenditure was experienced in the Office of Historic Alexandria. During the extreme cold at the beginning of January a pipe burst in Gadsby's Tavern, resulting in water damage to the historic property. A claim has been filed for repairs and remediation, but in order to contain insurance costs the City maintains a high deductible of \$100,000. Total costs for repairs and remediation are roughly estimated to be close to \$200,000, and an insurance claim has been filed to help offset the costs. This expense is not accounted in December's expenditures. It will be funded in the Capital Facilities Maintenance Program in the CIP.
Cash Match	27.1%	Transfers to Special Revenue Funds are above historical averages due to the new General Fund transfer of transportation funding which occurs at the beginning of the fiscal year and is required to draw down the City's share of regional Northern Virginia Transportation Authority (NVTA) revenues.
General Cash Capital	100%	Cash Capital has not been expended at this point in time because there are balances in active projects. In the past, expenditure of Cash Capital typically took place in September.
Health	13.3%	Compared with FY 2014 the Health Department has spent 0.9% more of budget in FY 2015. However, the percentage increase of budgeted expenditures from the four year average is showing an increase of 13.3% because in FY 2012 the first quarter invoice submission by the Commonwealth to the City was delayed, thereby causing the percent of the budget expended to be significantly lower than the subsequent years.

## CONTINGENT RESERVES

Council set aside \$7,956 in Contingent Reserves for City-wide street light assessment. Council released these funds on November 11, 2014.



CITY OF ALEXANDRIA, VIRGINIA  
**COMPARATIVE STATEMENT OF REVENUES**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING DECEMBER 31, 2014**

	B	C	D=C/B	E	F=D-E
	FY2015	FY2015	%	4 YR AVER %	VARIANCE
	BUDGET	REVENUES	OF BUDGET	OF REVENUES	FY 2015 TO
		THRU12/31/14		RECEIVED	4 YR AVER
<b>General Property Taxes</b>					
Real Property Taxes.....	\$ 369,652,723	\$ 181,463,324	49.1%	49.5%	-0.4%
Personal Property Taxes.....	\$ 41,286,000	40,822,240	98.9%	99.3%	-0.4%
Penalties and Interest.....	\$ 2,145,000	795,818	37.1%	33.6%	3.5%
Total General Property Taxes	<u>\$ 413,083,723</u>	<u>\$ 223,081,382</u>	<u>54.0%</u>	<u>54.4%</u>	<u>-0.4%</u>
<b>Other Local Taxes</b>					
Local Sales and Use Taxes.....	\$ 26,900,000	\$ 8,167,084	30.4%	33.0%	-2.6%
Consumer Utility Taxes.....	12,200,000	4,009,012	32.9%	40.0%	-7.1%
Communication Sales and Use Taxes.....	11,200,000	3,621,109	32.3%	32.0%	0.3%
Business License Taxes.....	33,000,000	1,479,272	4.5%	4.6%	-0.1%
Transient Lodging Taxes.....	11,300,000	4,937,986	43.7%	38.3%	5.4%
Restaurant Meals Tax.....	17,700,000	6,831,928	38.6%	39.3%	-0.7%
Tobacco Taxes.....	3,060,000	1,321,581	43.2%	41.1%	2.1%
Motor Vehicle License Tax.....	3,400,000	2,895,751	85.2%	86.3%	-1.1%
Real Estate Recordation.....	5,400,000	2,274,753	42.1%	45.4%	-3.3%
Admissions Tax.....	1,000,000	329,956	33.0%	41.1%	-8.1%
Other Local Taxes.....	3,640,000	271,242	7.5%	9.3%	-1.8%
Total Other Local Taxes	<u>\$ 128,800,000</u>	<u>\$ 36,139,674</u>	<u>28.1%</u>	<u>29.0%</u>	<u>-0.9%</u>
<b>Intergovernmental Revenues</b>					
Revenue from the Fed. Government.....	\$ 9,976,119	\$ 3,609,488	36.2%	43.1%	-6.9%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	22,399,604	95.0%	95.0%	0.0%
Revenue from the Commonwealth.....	23,167,345	10,832,849	46.8%	50.3%	-3.5%
Total Intergovernmental Revenues	<u>\$ 56,721,995</u>	<u>\$ 36,841,941</u>	<u>65.0%</u>	<u>68.7%</u>	<u>-3.7%</u>
<b>Other Governmental Revenues And</b>					
Transfers In					
Fines and Forfeitures.....	\$ 5,815,000	\$ 2,522,493	43.4%	49.3%	-5.9%
Licenses and Permits.....	2,496,775	1,356,219	54.3%	61.6%	-7.3%
Charges for City Services.....	18,074,326	9,351,347	51.7%	50.8%	0.9%
Revenue from Use of Money & Prop.....	4,850,000	2,486,755	51.3%	53.9%	-2.6%
Other Revenue.....	1,220,442	737,402	60.4%	84.6%	-24.2%
Transfer from Other Funds.....	3,206,574	-	0.0%	3.0%	-3.0%
Total Other Governmental Revenues	<u>\$ 35,663,117</u>	<u>\$ 16,454,215</u>	<u>46.1%</u>	<u>49.1%</u>	<u>-3.0%</u>
<b>TOTAL REVENUE</b>	<u>\$ 634,268,835</u>	<u>\$ 312,517,213</u>	<u>49.3%</u>	<u>50.0%</u>	<u>-0.7%</u>
<b>Appropriated Fund Balance</b>					
General Fund.....	\$ 3,175,970	\$ -	0.0%	0.0%	
Appropriated refunding bond proceeds	-	-			
Reappropriation of FY 2015	-	-			
Encumbrances And Other	-	-			
Supplemental Appropriations....	5,241,826	-		0.0%	
<b>TOTAL</b>	<u>\$ 642,686,631</u>	<u>\$ 312,517,213</u>	<u>48.6%</u>	<u>50.0%</u>	<u>-1.4%</u>



# ATTACHMENT 2



50% of Fiscal Year Completed  
47.5% of Payrolls Processed

Online Reference 3

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION  
GENERAL FUND  
FOR THE PERIODS ENDING DECEMBER 31, 2014**

FUNCTION	B	C	D=C/B	E	F=D-E
	FY2015 BUDGET	FY2015 EXPENDITURES THRU 12/31/14	% OF BUDGET EXPENDED	4 YR AVER % OF BUDGET EXPENDED	VARIANCE FY 2015 TO 4 YR AVER
Legislative & Executive.....	\$ 8,275,152	\$ 3,554,982	43.0%	43.9%	-0.9%
Judicial Administration.....	\$ 42,006,493	\$ 19,439,465	46.3%	47.7%	-1.4%
<b>Staff Agencies</b>					
Information Technology Services.....	\$ 11,016,776	\$ 4,483,381	40.7%	46.9%	-6.2%
Management & Budget.....	1,317,834	559,192	42.4%	40.7%	1.7%
Finance.....	14,388,306	5,392,220	37.5%	40.5%	-3.0%
Human Resources.....	3,893,033	1,361,482	35.0%	45.1%	-10.1%
Planning & Zoning.....	5,291,765	2,383,817	45.0%	47.8%	-2.8%
Economic Development Activities.....	5,177,816	2,652,332	51.2%	49.0%	2.2%
City Attorney.....	2,767,025	1,293,572	46.7%	42.9%	3.8%
Registrar.....	1,271,261	586,260	46.1%	53.3%	-7.2%
General Services.....	13,812,484	5,849,720	42.4%	45.7%	-3.3%
Total Staff Agencies	\$ 58,936,298	\$ 24,561,976	41.7%	45.0%	-3.3%
<b>Operating Agencies</b>					
Transportation & Environmental Services.....	28,988,649	12,943,448	44.7%	49.4%	-4.7%
Fire.....	44,312,956	19,526,463	44.1%	50.5%	-6.4%
Police.....	55,854,036	26,402,990	47.3%	49.3%	-2.0%
Emergency Communications.....	7,225,189	3,188,403	44.1%	47.2%	-3.1%
Code.....	141,475	47,311	33.4%	43.7%	-10.3%
Transit Subsidies.....	7,893,940	3,697,928	46.8%	50.7%	-3.9%
Housing.....	1,808,108	844,018	46.7%	38.1%	8.6%
Community and Human Services.....	14,271,853	6,731,515	47.2%	51.2%	-4.0%
Health.....	8,389,202	5,040,665	60.1%	46.8%	13.3%
Historic Resources.....	2,856,516	1,329,979	46.6%	47.5%	-0.9%
Recreation.....	21,180,469	10,256,255	48.4%	48.9%	-0.5%
Total Operating Agencies	\$ 192,922,394	\$ 90,008,975	46.7%	49.7%	-3.0%
<b>Education</b>					
Schools.....	\$ 191,811,472	\$ 73,478,859	38.3%	38.3%	0.0%
Other Educational Activities.....	11,877	5,939	50.0%	50.0%	0.0%
Total Education	\$ 191,823,349	\$ 73,484,798	38.3%	38.3%	0.0%
<b>Capital, Debt Service and Miscellaneous</b>					
Debt Service.....	\$ 62,664,899	\$ 20,165,348	32.2%	48.6%	-16.4%
Non-Departmental.....	8,635,947	4,701,075	54.4%	50.9%	3.5%
General Cash Capital.....	18,058,794	-	0.0%	100.0%	-100.0%
Contingent Reserves.....	7,956	-	0.0%		0.0%
Total Capital, Debt Service and Miscellaneous	\$ 89,367,596	\$ 24,866,423	27.8%	57.2%	-29.4%
<b>TOTAL EXPENDITURES</b>	\$ 583,331,282	\$ 235,916,619	40.4%	46.3%	-5.9%
<b>Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital I</b>					
Transfer to Library.....	6,607,160	3,303,580	50.0%	50.0%	0.0%
Transfer to NVTA.....	12,167,000	6,083,500	50.0%		50.0%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	\$ 642,686,631	\$ 256,356,639	39.9%	43.1%	-3.2%
<b>Total Expenditures by Category</b>					
Salaries and Benefits.....	\$ 207,756,236	\$ 93,095,842	44.8%	47.9%	-3.1%
Non Personnel (includes all school funds) .....	434,930,395	163,260,797	37.5%	40.8%	-3.3%
<b>Total Expenditures</b>	\$ 642,686,631	\$ 256,356,639	39.9%	43.1%	-3.2%