

RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending March 31, 2013.

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 March 31, 2013. Detailed economic, revenue, and expenditure charts (Online References) are also available from the City's website at alexandriava.gov/FinancialReports.

ECONOMIC HIGHLIGHTS:

- **The growth in consumer prices slowed down in March.** According to data from the Bureau of Labor Statistics, the national Consumer Price Index for All Urban Consumers (CPI-U) increased 1.5 percent in March 2013, the lowest annual increase since July 2012 and the second lowest since December 2010. This deceleration was predominantly due to a 1.6 percent decrease in the energy index caused by a 3.1 percent drop in the gasoline index and a 2.4 percent drop in the fuel oil index. The core CPI, excluding food and energy, increased by 1.9 percent, reflecting a relatively stable rate of inflation since August 2012. The DC CPI-U showed an annual increase of 1.4 percent in March 2013, reflecting a steady deceleration in regional consumer price growth since September 2012. As with the national CPI-U, the DC CPI-U increase was the lowest since July 2012, tying it for the lowest increase since late 2010, and most likely reflects a decrease in energy prices.
- **Increased office vacancy rates and decreased new construction signal trouble for the local and regional commercial real estate markets.** According to CoStar data, the City's office vacancy rate increased to 16.2 percent in first quarter 2013, compared to a 15.0 percent office vacancy rate for Northern Virginia and 12.9 percent for the DC Metropolitan Area. According to data from the City's Department of Code Administration, the number of commercial permits has increased 166.7 percent fiscal year to date, but the value of those permits has decreased by 27.6 percent. The number of multi-family permits has decreased 76.3 percent fiscal year to date, while the value of multi-family permits has decreased 39.9 percent. Unless there is improvement later in the year, these numbers could result in a smaller increase in total assessments for commercial real estate in general and the office and office/retail condominium segments specifically during calendar year 2013 than was experienced in 2012.
- **On a positive note, housing inventories and sales data reflect a seller's market in residential real estate.** According to data from Metropolitan Regional Information Systems (MRIS), the inventory for houses decreased to 0.8 months in March, reaching its lowest level since March 2005, and the inventory for condominiums remained flat at 1.6 months. According to data from the City's Department of Real Estate Assessments, the three-month average for residential real estate sales was up 21.1 percent year-over-year in February, and the three-month average median sales price was up 1.1 percent, excluding foreclosures and short sales. It's important to note that, according to data from the Department of Code

Enforcement, the number of permits for one- and two-family residential construction was down 55.9 percent from 2012 calendar year to date, and the value of these permits was down 47.7 percent for the same period.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of March 31, 2013, nine months into the fiscal year, actual General Fund revenues totaled \$378.6 million, which is 9.7 percent higher than FY2012 for the same period. Most of this increase reflects refunding bond proceeds, the bulk of which was used to fund the refunded bonds listed in the expenditure report. The rest of the increase is mainly related to general property taxes (real estate and personal property).

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

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of March 31, 2013, actual General Fund expenditures totaled \$410.2 million, an increase of \$45.0 million, or 12.3 percent, above expenditures for the same period last year. Personnel expenditures remain consistent with the budget at 4.5 percent higher than last year. Non-personnel spending increased 17.2 percent from the same period in FY 2012, primarily for budgeted debt service and the 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:** Increased costs are due to the timing of payments to contractors for service agreements.
- **Registrar:** Increased costs are primarily due to budgeted costs for the presidential election. Costs for the additional primary and voting machines may exceed the budget. Staff will propose a transfer as appropriate in the transfer resolution.
- **Planning and Zoning:** Increased costs are for temporary personnel staffing to handle increased workloads for planning activities. To the extent additional fees are available to support the additional activities, staff will recommend an appropriation of those fees as part of the supplemental appropriation. Department staff will monitor non-personnel spending in order to remain at or below budget.
- **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 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.

- **Police:** During the last several fiscal years, APD has experienced a high attrition rate among sworn staff largely due to a large number of retirements. To offset the impact of this high attrition rate, 18 recruits were put into the July Police Academy. This resulted in higher payrolls in the beginning of the fiscal year. Attrition is expected to continue and future payrolls will be lower due to anticipated retirements and other separations.
- **Debt Service:** The increase in debt service reflects planned expenditures for the FY 2012 General Obligation and refunding bonds.

ATTACHMENTS:

ONLINE REFERENCES:

Online Reference 1-The Economy

Online Reference 2-Revenues

Online Reference 3-Expenditures

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