



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:

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