



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** JUNE 5, 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 April 30, 2013.

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**ISSUE:** Receipt of the City's Monthly Financial Report for the period ending April 30, 2013.

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the period ending April 30, 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 April 30, 2013. Detailed economic, revenue, and expenditure charts (Attachments 1-3) are also available from the City's website at [alexandriava.gov/FinancialReports](http://alexandriava.gov/FinancialReports).

**ECONOMIC HIGHLIGHTS:**

- **Employment data continue to show signs of improvement.** The national unemployment rate (seasonally adjusted) decreased to 7.5 percent in April, the lowest rate since December 2008. The

Virginia unemployment rate (seasonally adjusted) decreased to 5.2 percent in April, the lowest rate since September 2008. The City unemployment rate (not seasonally adjusted) decreased to 4.0 percent in March. According to Virginia Employment Commission data, the number of unemployed persons in the City was down 14.2 percent year-over-year and the number of employed persons was up 1.1 percent year-over-year from March 2012. Fiscal year-to-date, the average number of persons employed in the City was 0.9 percent higher than in FY 2012, while the average number of unemployed persons was 10.2 percent lower. This compares to a 2.5 percent increase in the average number of employed persons and a 2.4 percent increase in the average number of unemployed persons for the same period in FY 2012. Altogether, the City's labor force has grown by 0.4 percent fiscal year-to-date, as compared to 2.5 percent growth for the same period in FY 2012. While these indicators remain positive, it's important to note that the effects of sequestration and recent tax increases on employment are not expected to be felt until later this year. Unemployment rates may begin to increase by the end of calendar year 2013.

- **First quarter growth in the nation's real gross domestic product (GDP) gives room for cautious optimism.** According to Bureau of Economic Analysis (BEA) data, the "advance" estimate for first quarter 2013 real GDP showed a 2.5 percent increase over fourth quarter 2012, as compared to a 0.4 percent increase in fourth quarter 2012 over third quarter 2012. The nation's real GDP grew 1.8 percent year-over-year in first quarter 2013, as compared to 1.7 percent year-over-year growth in fourth quarter 2012. This increased growth was produced, in part, by a significantly smaller decrease in federal spending in first quarter 2013 than was experienced in fourth quarter 2012. Therefore, larger decreases in federal spending brought about by sequestration, in combination with tax increases and decreases in local and state government expenditures, can be expected to slow growth for the remainder of the year. However, these strong early numbers seem to indicate that 2013 annual growth may be larger than the 1.4 percent projected by the Congressional Budget Office earlier this year.
- **Recent decreases in City sales tax collections may reflect the early effects of sequestration.** One-month City sales tax collections decreased 3.3 percent year-over-year in February and 8.4 percent in March. The three-month average was up 3.1 percent year-over-year in February but was down 2.9 percent year-over-year in March. This was the first year-over-year decrease in the three-month average since September 2010. Nationally, one-month sales tax collections were up 1.0 percent in February and 1.9 percent in March. The national three-month average remained positive, with a 2.8 percent increase in February and a 2.9 percent increase in March. This seems to indicate that preparations for and the first stages of the implementation of federal budget cuts have already had a negative impact on the City's economy.

## **REVENUE HIGHLIGHTS:**

**Year-to-Date Revenues:** As of April 30, 2013, ten months into the fiscal year, actual General Fund revenues totaled \$389.9 million, which is 9.9 percent lower than FY 2012 for the same period. This mainly reflects the timing of the receipt of intergovernmental revenues, which outweighed increases in some categories, including general property taxes (real estate and personal property).

- **Real Estate Recordation Taxes:** The increase is primarily due to a higher number of sales and higher median sale prices in FY 2013 than the same period in FY 2012.
- **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.
- **Licenses and Permits:** The decrease in this category reflects the continued challenges of commercial

building permits.

- **Other Revenues:** 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 April 30, 2013 actual General Fund expenditures totaled \$449.8 million, an increase of \$45.4 million, or 11.2 percent, above expenditures for the same period last year. Personnel expenditures remain consistent with the budget at 4.4 percent higher than last year. Non Personnel spending increased 15.5 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.

- **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.
- **Debt Service:** The increase in debt service reflects planned expenditures for the FY 2012 General Obligation and refunding bonds.

The City’s Contingent Reserves currently includes \$326,856 in unallocated funding for:

Fire Safety Improvements	\$222,696
Urban Forestry	\$80,000
Community Engagement	\$20,000
Sister Cities Initiatives	\$4,160
<b>Total</b>	<b>\$326,856</b>

**ATTACHMENTS:**

- Attachment 1-The Economy (Economic Indicators and graphs)
- Attachment 2-The Economy (Economic Indicators and graphs)
- Attachment 2-Revenues
- Attachment 3-Expenditures

**STAFF:**

- Laura Triggs, Chief Financial Officer
- Morgan Routt, Assistant Director, Office of Management & Budget
- Berenice Harris, Finance Department
- Melinda Barton, Finance Department