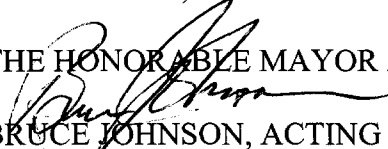


City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 8, 2011
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM:  BRUCE JOHNSON, ACTING CITY MANAGER
SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING OCTOBER 31, 2011

ISSUE: Receipt of the City's Monthly Financial Report for the period ending October 31, 2011.

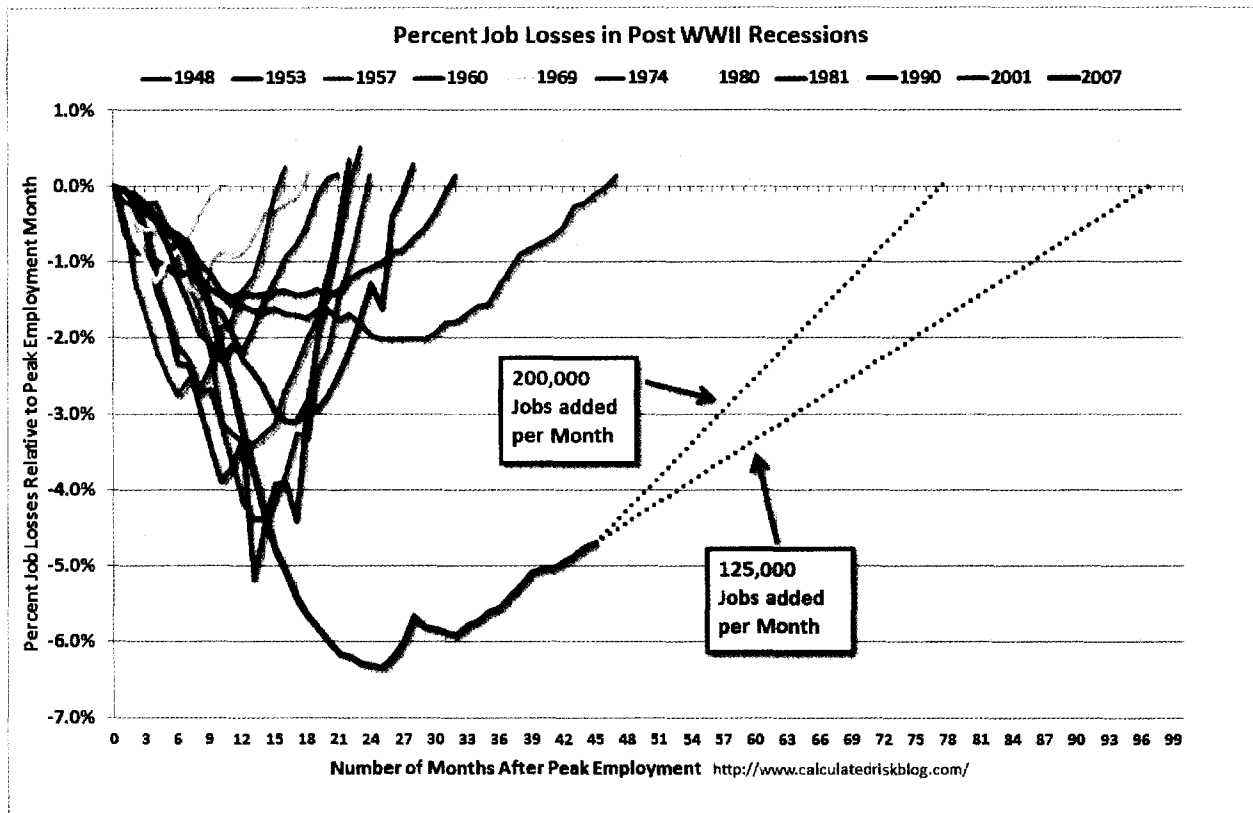
RECOMMENDATION: That City Council receive the following Monthly Financial Report for the period ending October 31, 2011.

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 October 31, 2011. Detailed economic, revenue, and expenditure charts are also available from the City of Alexandria website at alexandriava.gov/financialreports.

ECONOMIC HIGHLIGHTS:**Negative Highlights:**

- **Alexandria Office Vacancy Rate increases.** From the second to third quarter, preliminary Office Vacancy Rates in the DC Metro area and NoVa decreased by a rate of 0.3% while Alexandria's rate increased by 0.6 percent. From Year-to-Year, Alexandria's Office Vacancy rate has increased 2 percent while DC Metro area and NoVa have decreased 0.3 and 0.4 percent respectively.
- **First quarter 2011 employment fell by 2 percent.** According to the Virginia Employment Commission (VEC), the total number of employed persons in Alexandria fell by 2 percent from first quarter 2010 to first quarter 2011 from 95,246 to 93,362. The Public Administration sector had the most significant decrease. This was somewhat offset by modest gains in the Retail, Professional & Technical Services, Other Services and Accommodation, and Food Services sectors. It should be noted that these statistics provided by VEC usually run a few quarters behind.
- **Projecting sluggish employment growth.** The national average pace of job growth this year is at 125,000 jobs per month. If that pace continues, it will take 52 months, or until February 2016, to get back to the pre-recession level of employment. If job growth picks

up to 200,000 (near this year's high), it will take 33 months, or until July 2014, to get back to the pre-recession level. See graph below.



Positive Highlights:

- **Estimated value of New Construction grew significantly in October.** Estimated value of new multi-family construction grew \$57.3 million with four new permits. This is the single largest monthly increase since we started separately tracking this multi-family data in FY 2009. The increase brings the FY 2012 total to \$70.1 million, \$20.4 million over our previous annual high from FY 2009 and \$44.9 million over the previous annual low from FY 2010. The increase is attributed to two major projects: a new seven story residential building and a new five story residential building with retail on the first floor, and new two level underground parking garage. Commercial construction activity also drastically increased this reporting month to \$16 million.
- **Consumer Confidence on the rise.** According to the Reuters/University of Michigan consumer sentiment index from November 2011 Consumer Index is at its highest level since June 2011. Following a sharp drop in July, which took confidence levels back to near recession lows, consumer confidence has increased the past three months and now growth has begun to outpace previously forecasted levels.

- **Economists predict diminished chance of recession.** An October **Wall Street Journal** survey of 65 economists shows increasing optimism about our chance of avoiding a double-dip recession. Citing slow but steady growth and decreases in first-time jobless benefits filings economist surveyed place chances of another recession at one in four, down from the September mark of one in three. However, they also predict unemployment will stay above seven percent through 2014, and note that there is a two in three chance the Eurozone will fall into recession and likely will have some negative impact the U.S. economy.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of October 31, 2011, four months into the fiscal year, actual General Fund revenues totaled \$102.8 million, which is 1.7 percent higher than FY 2011 for the same period. Most of this increase is related to personal property taxes.

- **Business License Taxes:** The decrease of 51% is a result of the timing of payments.
- **Other Local Taxes:** The decrease of 67% is a result of the timing of payments.
- **Personal Property Taxes/Motor Vehicle License:** The FY 2012 vehicle assessments included 5,000 more cars than the FY 2011 billing. This increased revenue of about \$1 million has been considered in the early estimates of FY 2013 budget revenues.
- **Charges for Service:** The increase is the result of the budgeted increase in meter fees (to \$1.75/hour) implemented with the installation of the new multi-space meters.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of October 31, 2011, actual General Fund expenditures totaled \$162.4 million, an increase of \$9.0 million, or 5.9 percent, above expenditures for the same period last year. 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. Non-personnel spending increased 8.3 percent. For most departments, differences in spending patterns for non-personnel this early in the year 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.

There are several departmental changes approved for FY 2012. Funds for three former departments, the Department of Mental Health, Mental Retardation and Substance Abuse; the Department of Human Services; and the Office on Women are now appropriated into one agency: the Department of Community and Human Services. The Department of Emergency Communications, which was established in March of FY 2010, was expanded in February 2011 with the consolidation of the emergency communications functions of the Police and Fire Departments into the new department. When possible for comparison purposes, prior year amounts have been moved to the new departments.

- **Information Technology Services:** The increase relates to the timing of payments for some contractual agreements.
- **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.
- **Transit Subsidies:** The State Department of Rail and Public Transportation (DRPT) and the Northern Virginia Transportation Commission (NVTC) have now signed a FY 2012 funding agreement, and the State has resumed monthly transit assistance payments to NVTC for use by the localities to meet their regional and local transit subsidy requirements.
- **Debt Service:** The increase reflects budgeted debt service for new bonds issued in June 2009 and June 2010. A portion of the interest cost (\$1.2 million) is reimbursed from the federal government as part of the Build America Bonds program.
- **Registrar:** The increase reflects expenditures for the August primary election.
- **Non- Departmental:** Please note that 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 re-imbursement. Staff is currently working with FEMA on the reimbursement requests. The Acting City Manager has recommended that some of the FY 2011 surplus be used to cover the unreimbursed costs. 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. The estimates below have been increased from \$1.35 million in the previous month's report based on additional data compiled by City Staff.

Event	Cost	Other
Tropical Storm Lee	\$2.98-\$3.55 million	
Hurricane Irene	0.70 million	Declaration could reduce to between \$0.2 and \$0.3 million.
Earthquake	0.50 million	
9/11 Terrorist Preparation	0.02 million	

- **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:

Matthew Behrens, Budget/Management Analyst, OMB

Morgan Routt, Assistant Director, OMB

Laura Triggs, Acting Chief Financial Officer

Ray Welch, Comptroller

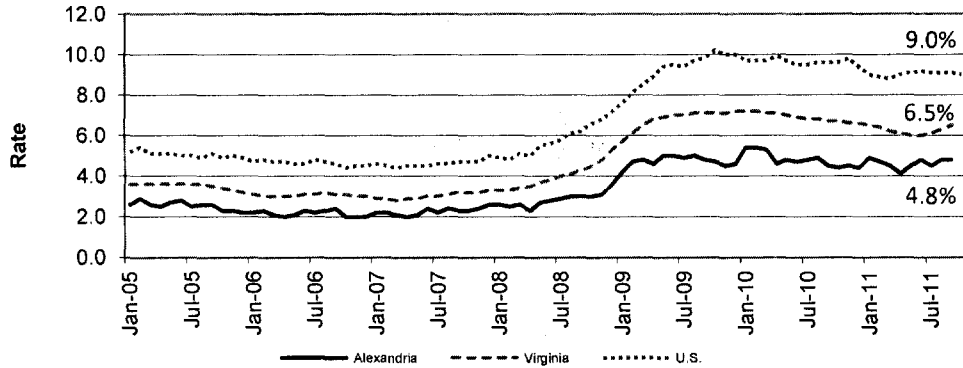
Melinda Barton, Public Information Specialist

SELECTED ECONOMIC INDICATORS

Attachment 1

<u>Consumer Price Index (CPI-U)</u>	Change on Previous Year		
for the Washington-Baltimore, DC-MD-VA-WV Area (as of September 2011)	3.4%		
For the United States (as of September 2011)	3.9%		
Core CPI-U (excludes food and energy) (As of September 2011)	2.0%		
(Source: U.S. Department of Labor, Bureau of Labor Statistics)			
<u>Unemployment Rates</u>	Current Month	Prior Month	Prior Year
Alexandria (as of September, 2011)	4.8%	4.8%	4.5%
Virginia (as of September, 2011)	6.5%	6.3%	6.7%
United States (as of October, 2011)	9.0%	9.1%	9.6%
(Source: U.S. Department of Labor, Bureau of Labor Statistics)			
<u>Office Vacancy Rates</u>	Current Quarter	Prior Quarter	Prior Year
Alexandria	13.6%	13.0%	11.6%
Northern Virginia	12.4%	12.7%	12.7%
Washington, DC Metro area (As of 3rd quarter, 2011)	11.2%	11.5%	11.6%
(Source: CoStar)			
<u>New Business Licenses</u>	Current Year	Prior Year	Change on Previous Year
3 month trailing average (As of October 2011)	59	72	-18.1%
(Source: Finance Department)			
<u>New Commercial Construction (excluding Apartment Buildings) and Building Renovations</u>			
(Fiscal YTD as of October 2011)			
Number of new building permits	1	0	N/A
Value of new building permits (\$ millions)	\$16	\$0	N/A
(Source: Office of Code Administration)			
<u>New Multi-family Construction (including Apartment & Condominium Buildings)</u>			
(Fiscal YTD as of October 2011)			
Number of new building permits	8	2	N/A
Value of new building permits (\$ millions)	\$70.2	\$0.2	N/A
<u>Residential Real Estate Indicators</u>			
Residential Dwelling Units Sold (Calendar YTD ending October 2011)	1,461	1,402	4.2%
Median Residential Sales Price (As of October 2011)	\$490,500	\$460,000	6.6%
(Source: Department of Real Estate Assessments)			
<u>Foreclosures</u>			
3 month trailing average (As of October 2011)	19	33	-42.4%
Source: Dept of Real Estate Assessments			

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

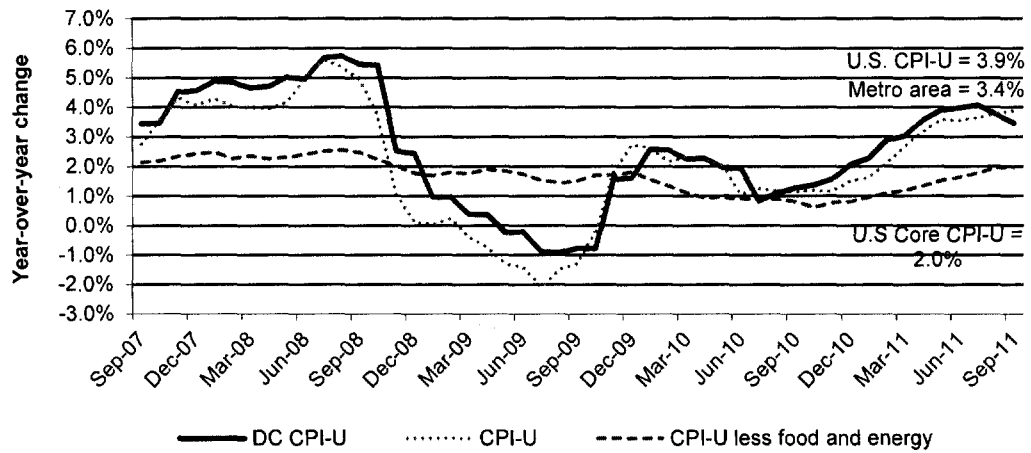


Source: U.S. Department of Labor, Bureau of Labor Statistics
 U.S. through October 2011; Virginia and Alexandria through September 2011
 *Alexandria unemployment is not seasonally-adjusted, while U.S. and Virginia are seasonally-adjusted.



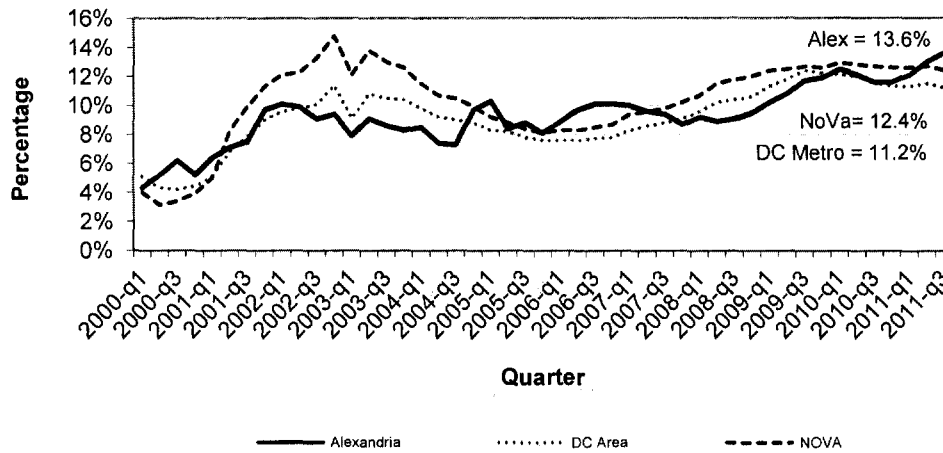
Source: Virginia Employment Commission
 Through September 2011
 *Not seasonally adjusted.

Annual Change in Consumer Price Index

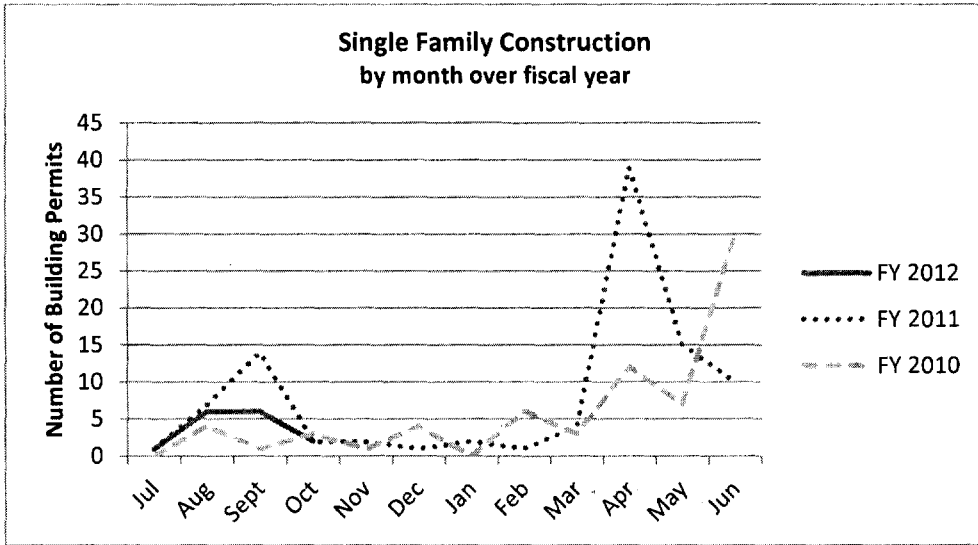


Source: U.S. Department of Labor, Bureau of Labor Statistics
Through September 2011

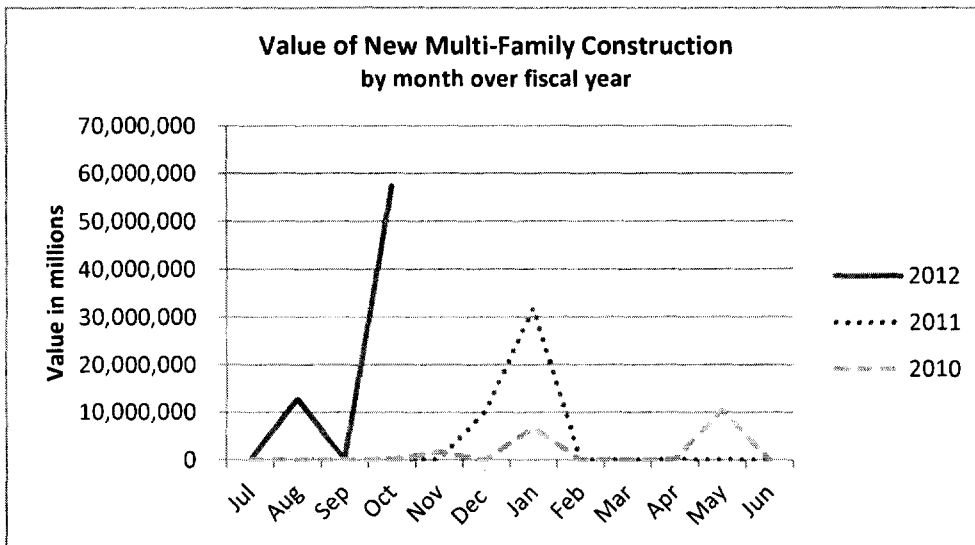
Office Vacancy Rates



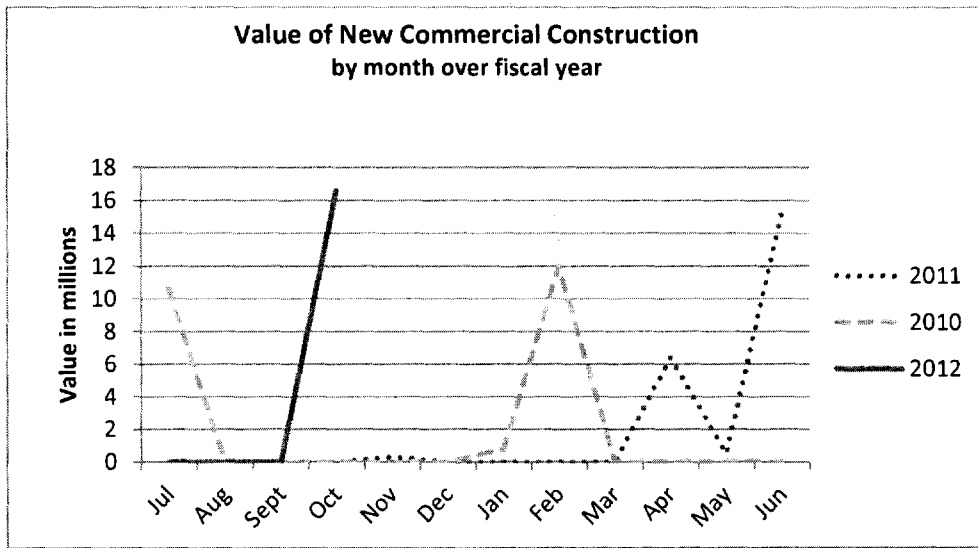
Source: CoStar
Through 3rd quarter, 2011



Source: Code Enforcement
Through October 2011

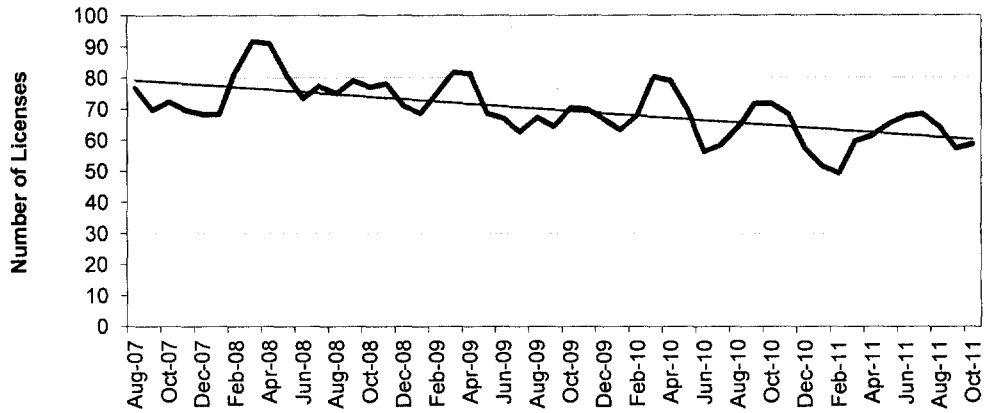


Source: Code Enforcement
Through October 2011



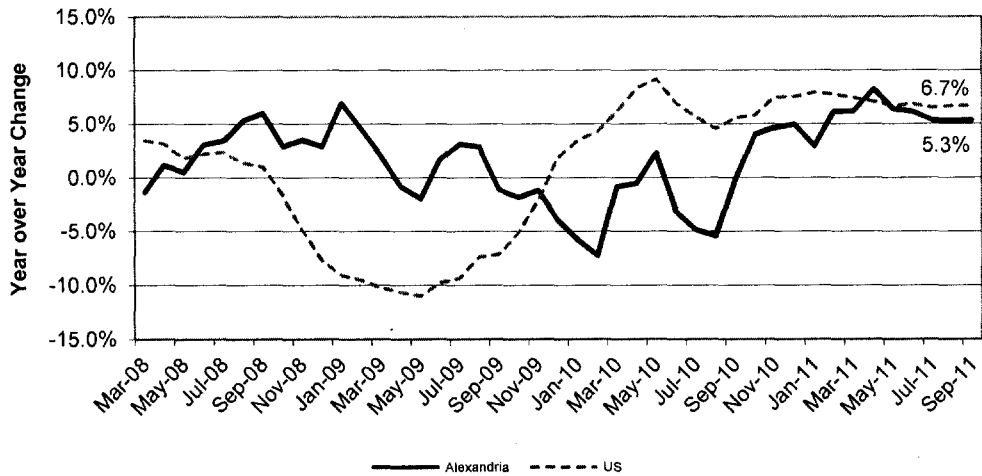
Source: Code Enforcement
Through October 2011

Number of New Business License Applications Three Month Trailing Average



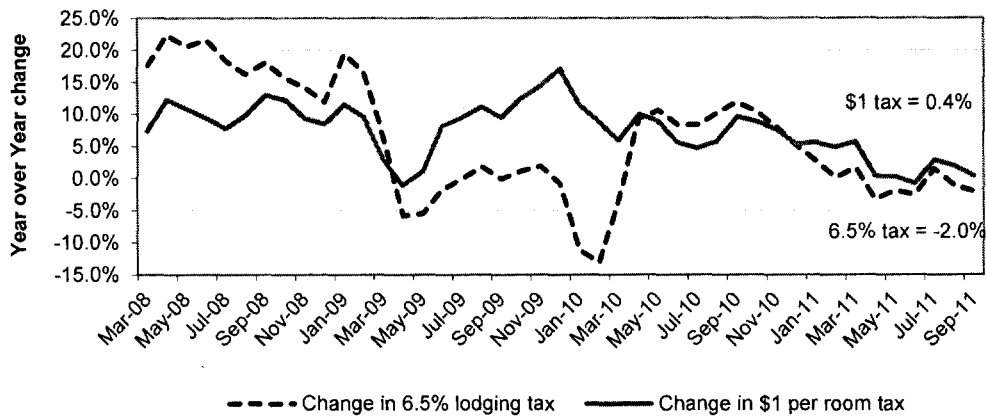
Source: Finance Department
Through October 2011

Annual Change in U.S. Retail Sales & Alexandria Sales Tax Collections 3 month trailing average

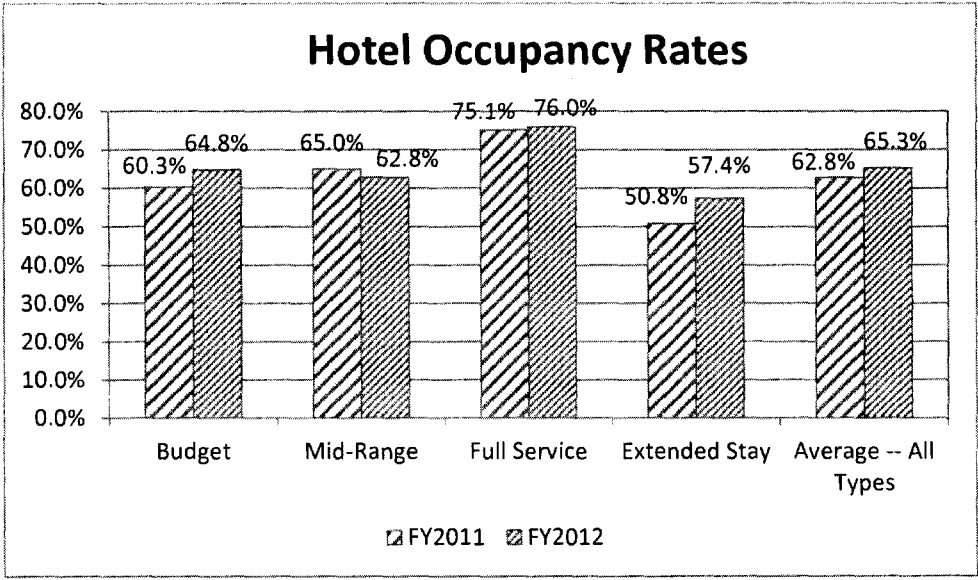


Source: Finance Department, U.S. Census Bureau
Data through September 2011

Annual Change in Transient Lodging Tax Receipts 3 month trailing average

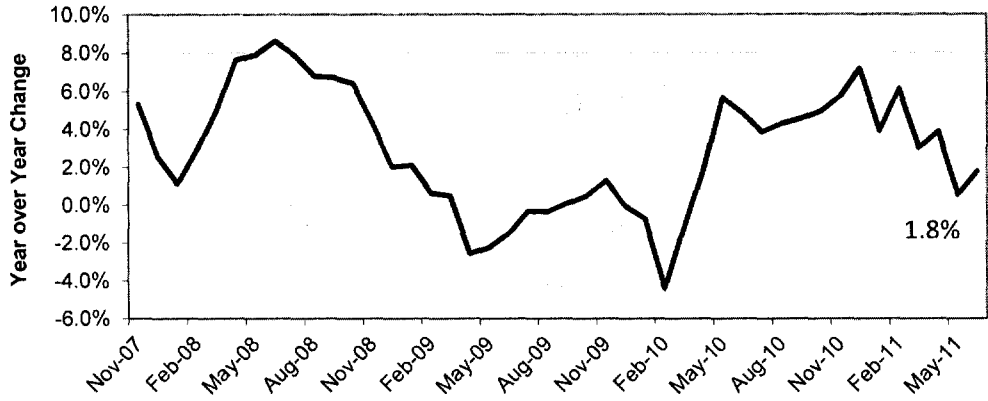


Source: Finance Department
Through September 2011



Source: Finance Department
Through September 2011

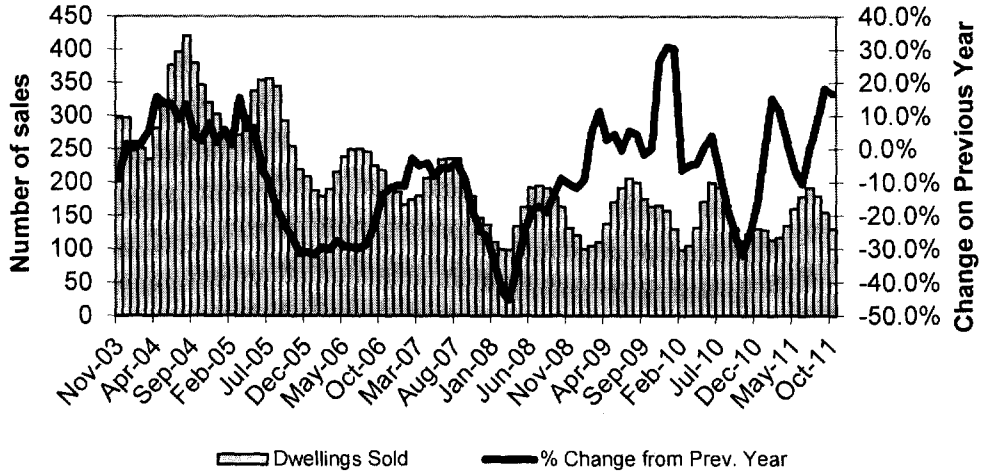
Annual Change in Meals Tax Revenue Per 1 % of Tax 3 month trailing average



Source: Finance Department
Through June 2011*

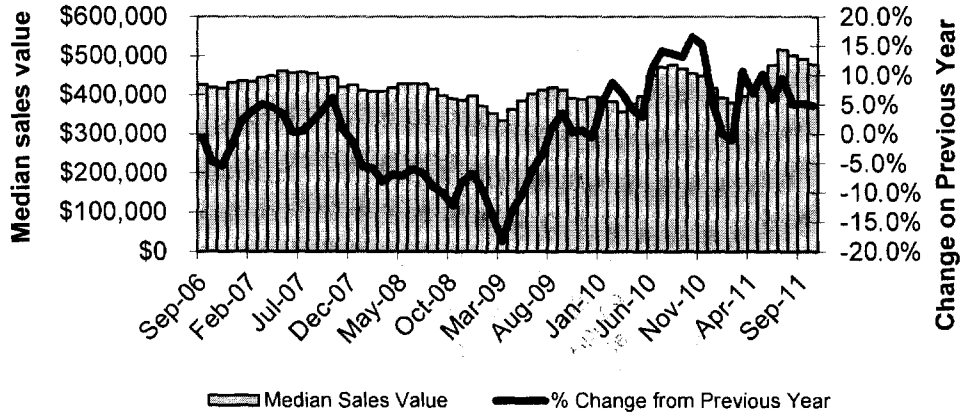
*Meals tax collections typically lag because there are restaurant filings and payments that have not been processed by the end-of-the-month deadline.

**Alexandria Residential Property Sales Volume
Three Month Trailing Average**



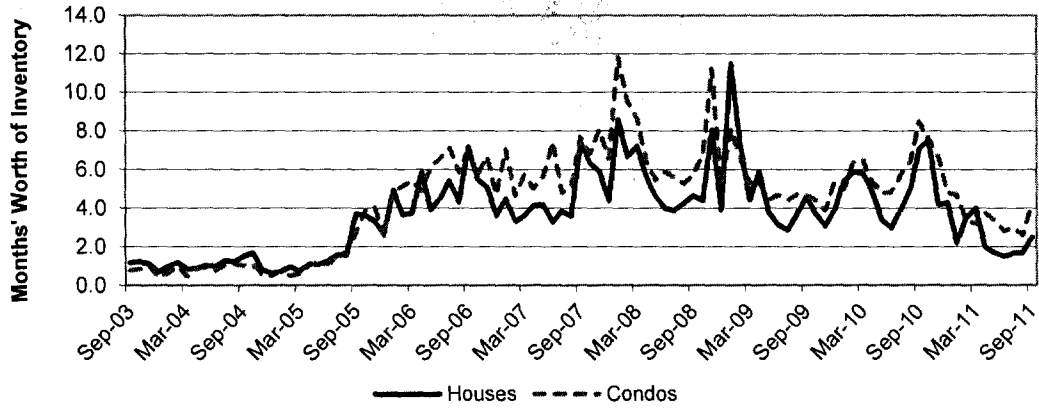
Source: Department of Real Estate Assessments
Through October 2011

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



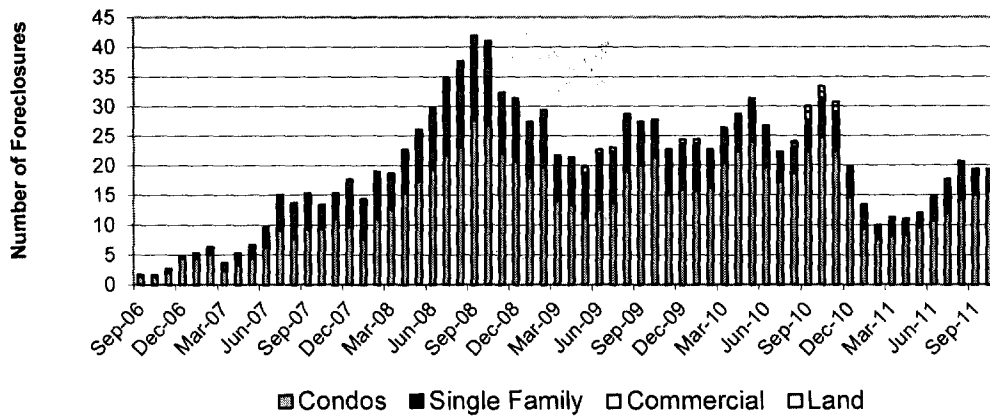
Sources: Metropolitan Regional Information Systems; Department of Real Estate Assessments
Through October 2011

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



Source: Metropolitan Regional Information Systems
Through September 2011

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



Source: Department of Real Estate Assessments
Through October 2011