

<http://www.alexandriava.gov/FinancialReports>.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: The revenue picture is largely unchanged from last month's report. As of January 31, 2014, actual General Fund revenues totaled \$316.9 million, which is approximately \$5.9 million or 1.8 percent less than the report for the same period last year. The decrease was due to a refinance of \$19.3 million in City bonds to a lower interest rate in FY 2013. The bond proceeds are recognized as revenue at the time of the refinance and thus added to the FY 2013 revenue number. After adjusting for the bond refinance, through January, total revenues in FY 2014 increased by 4.4 percent or \$13.4 million compared to FY 2013. The increase is due to higher real property tax collections from real estate tax rate increases (\$10.6 million) and personal property tax rate increases (\$3.4 million) and a \$0.6 million decrease in all other revenue categories.

The City has set aside \$1 million in fund balance to compensate for potential short-term revenue reductions related to sequestration. If revenues continue to fall short of estimates, it may be necessary to make up any additional shortfalls with expenditure reductions. Current revenue estimates have been taken into consideration when building the revenue estimates for the FY 2015 Proposed Budget.

Below is additional detail for revenues that are showing variance compared to last year's collections:

- **Transient Lodging Taxes:** Year-to-date Transient Lodging Tax collections decreased by approximately 17 percent compared to the previous fiscal year. This is due to decreased rates of occupancy and lower room rates across the City. According to Smith Travel Research, via ACVA, in the fiscal year through January, Alexandria's occupancy rate decreased from 65.0 percent in FY 2013 to 63.3 percent in FY 2014, while the average daily room rate decreased from approximately \$138 in FY 2013 to around \$128 in FY 2014 or about 7 percent. The decreases have affected all Northern Virginia jurisdictions and are most likely related to sequestration, the government shutdown in October, and a very cold winter that has made people less likely to travel. In addition, the Hawthorne Suites Hotel, which contained 185 rooms, or around 4% of the City's total hotel rooms, closed in October.
- **Cigarette (Tobacco) Tax:** The 13.9 percent increase in Cigarette Tax collections is related to the increase in the tobacco tax from 80 cents to \$1 per pack. Historically, this has had the impact of increasing revenues but reducing sales, and this trend was accounted for in the FY 2014 revenue assumptions. The FY 2014 budget anticipated an increase of approximately \$600,000 or 23 percent above budgeted FY 2013 revenues, so it appears as if the impact on sales of the increase in the Cigarette Tax was greater than assumed.
- **Recordation Tax:** Recordation Tax collections have fallen by approximately 21 percent compared to last year's collections. Since the number and average value of residential property sales have increased, the decrease is primarily attributable to the commercial portion of Alexandria's real estate market. The FY 2014 budget anticipated an increase of \$500,000, or 10.2 percent, above budgeted FY 2013 revenues.
- **Admissions Tax:** Year-to-date Admissions Taxes have decreased by 15 percent. This is partly due to a strong movie season that resulted in high box office receipts during Fall of 2012 and is probably also related to the extremely cold weather in January which kept potential moviegoers at home.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of January 31, 2014, actual General Fund expenditures totaled \$336.4 million, an increase of \$16.7 million, or approximately 5.2 percent, compared to expenditures for the same period last year. General Fund expenditures are budgeted to grow by 6.3 percent, from FY 2013 to the FY 2014 Approved Budget. Citywide, expenditures appear to be tracking with the budget.

A few of the largest variances are explained below:

- **Position vacancies filled:** The increase in year-to-date expenditures in Management and Budget, Human Resources, and the Department of Code Administration reflect the filling of budgeted positions that were vacant for some period of time in FY 2013.
- **Health Department:** The Health Department expended 67 percent of its budget in the first seven months of FY 2014. This is due to the City having paid three quarterly commitment payments to the State for the City's match of State Health Department programs and City salary supplements and retirement benefits. Only one quarterly payment is left to be processed in the second half of the fiscal year. Each quarterly payment is approximately \$1.0 million.
- **Transit Subsidies:** The increase in expenditures is mostly due to the timing of the payments to WMATA. A mix of funding sources is used to pay for the WMATA contribution. This year, the General Fund contribution was used prior to the other funding sources, most notably the Northern Virginia Transportation Commission.
- **Non-Departmental:** The decrease in Non-Departmental expenditures is mostly due to a planned reduction in the use of fund balance for payments for other post-employee retirement benefits (OPEB). The remaining funding for OPEB is included in departmental budgets. This is the sixth year in a multi-year plan to gradually increase the funding for OPEB to the actuarially required contribution. In FY 2013, there was also approximately \$500,000 in FY 2013 expenditures to deal with Hurricane Sandy. There were no comparable incidents in the City through the end of January, though the City did spend approximately \$200,000 on storm emergencies in January.
- **Cash Capital:** The increase is due to the budgeted amount of cash capital which increased from \$7.0 million in FY 2013 to \$17.8 million in FY 2014. At this point in the both fiscal years, the full amount of budgeted cash capital had been transferred to capital projects.
- **Cash Match (Transportation/DCHS/and Transfers to the Special Revenue/Capital Projects Funds):** FY 2013 and FY 2014 contain a reservation of 2.2 cents of the real estate tax rate for transportation improvements. In FY 2013, the transfer was made in the first half of the fiscal year. For FY 2014, the transfer will be made as part of the set aside for the new Northern Virginia Transportation Authority (NVTA) legislation. This legislation requires local jurisdictions to deposit funding from a 12.5 cent real estate tax on commercial and industrial properties, or equivalent revenues, into a special fund designated for transportation in order to receive that jurisdiction's share of regional sales, transient occupancy, and grantor's tax revenue provided to the Authority by the State.

Contingent Reserves

- City Council approved the release of \$10,000 from FY 2014 contingent reserves to fund operations of the Sheriff's Office child Safety Seat installation program. Detailed information regarding the status of Contingent Reserves for FY 2014 is available in Attachment 3.

The report is also available online at: <http://www.alexandriava.gov/FinancialReports>.

ATTACHMENTS:

Attachment 1 Revenue

Attachment 2 Expenditures

Attachment 3 Contingent Reserves

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