City of Alexandria

301 King St., Room 2400
Alexandria, VA 22314

Legislation Details (With Text)

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Attachments:	1. 14-2238 Attachment 1 Revenues, 2. 14-2238 Attachment 2 Expenditures, 3. 14-2238 Attachment 3 Contingent Reserves		

Date	Ver.	Action By	Action	Result

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 2, 2014

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 February 28, 2014.

ISSUE: Receipt of the City's Monthly Financial Report for the period ending February 28, 2014

RECOMMENDATION: That City Council receives the Monthly Financial Report for the period ending February 28, 2014.

ECONOMIC HIGHLIGHTS: Through the month of February, tax revenue from sources other than real estate and personal property continue to lag relative to this date last fiscal year. Part of this is due to the timing of payments, but part is due to the economy continuing to grow at a slower pace than anticipated. On the expenditure side, the unusually high number of snow storms this winter has led to costs exceeding the budget in that area. To date (including March storms), the City has spent an estimated $1.6 million on snow clearance and emergency operations as compared to the budget of $0.8 million. Staff is closely monitoring revenues and expenditures and will provide continued updates on their status.

In December, The District of Columbia's Office of Revenue Analysis issued its annual publication "Tax Rates and Tax Burdens: Washington Metropolitan Area 2012." The publication compiles the average tax burden for a family of three among local jurisdictions at different levels of income. Among the six jurisdictions reviewed, which includes the District of Columbia, Montgomery County, Prince George's County, Alexandria, Arlington, and Fairfax, Alexandria had the second highest tax burden among families with a $25,000 income level, the third highest tax burden among families with a $50,000 and $75,000 income level, and the fourth highest tax burden among families with a $100,000 or $150,000 income level. Among Virginia jurisdictions, at all five income levels, Alexandria's ranking fell between Arlington County, which had the highest tax burden, and Fairfax County, which had the lowest tax burden. A full copy of the report is available online at: <http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2012%20Tax%20Rates%20and%20Tax%20Burdens_METRO.pdf>.

Updated economic tables are now posted online at the City's web site: <http://www.alexandriava.gov/FinancialReports>.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: The revenue picture has not improved since last month's report. As of February 28, 2014, actual General Fund revenues totaled $337.2 million, which is approximately $11.3 million or 3.3 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. There is an offsetting bond payment on the expenditure side. The interest savings will be realized in future years. After adjusting for the bond refinance, through February, total revenues in FY 2014 increased by 2.4 percent or $7.9 million compared to FY 2013. The increase is due to higher real property tax collections from real estate tax rate increases ($10.4 million) and personal property tax rate increases ($3.5 million) and a $6.0 million decline in all other sources of revenue.

The City has set aside $1 million in fund balance to compensate for potential short-term revenue reductions related to sequestration. City departments continue to actively monitor expenditures; however, 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:

- **Consumer Utility Taxes:** Year-to-date Consumer Utility Tax collections through February decreased by approximately 13.1 percent compared to last year. There was no change in utility collections between January and February. While normally the utility companies pay their tax liability in the month after the end of the billing month, utility companies have 45 days to pay the tax due after the end of a billing month, and in this case, the City did not receive any payments for the month of January until after the month of February ended.

- **Business License Taxes:** Year-to-date Business License Tax collections through February decreased by 23.2 percent compared to the previous year. Because Business License Taxes are not due until March 1, it is not yet possible to project Business License Tax revenues for FY 2014. The fact that fewer business filed returns as of the end of February may be due in part to the inclement weather in February.

- **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 February, Alexandria's occupancy rate decreased from 63.8 percent in FY 2013 to 62.4 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 probably 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 percent 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 22 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 13 percent, or $.08 million. 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 cold and snowy weather in recent months which kept potential moviegoers at home.

- **Revenue from Federal Government:** Revenues from the Federal Government have decreased by 21 percent, or $1.0 million, relative to this time last year. This is due largely to $750,000 in reimbursements due from the Department of Defense for WMATA 7M subsidies provided by the City for service between the Pentagon and the Mark Center Transit Center. As of February, the City has not received reimbursement for the bus service. The Department of Transportation and Environmental Services is working with the Department of Defense in order to obtain the reimbursement.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of February 28, 2014, actual General Fund expenditures totaled $374.1 million, an increase of $17.7 million, or approximately 5.0 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.

- **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. Also, in FY 2013, there was approximately $500,000 in FY 2013 expenditures to deal with Hurricane Sandy. Through the end of February, the City has expended approximately $440,000 of $836,000 budgeted in non-departmental funds to deal with snow emergencies. This amount does not include additional expenditures incurred within the T&ES, RPCA or General Services budgets or overtime paid to public safety and other employees during City closures. This amount does not include any March storm expenditures.

- **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):** As part of the City's Memorandum of Agreement with the NVTA for receiving 30percent of the new transportation revenues received by the Authority, the City has established a new fund for transportation and deposited $11.6 million into that fund.

Contingent Reserves

- City Council approved the release of $6,750 from FY 2014 contingent reserves to keep the tree lights on King Street on through the end of June. Detailed information regarding the status of all 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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