



Legislation Details (With Text)

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Title: Consideration of the Monthly Financial Report for the Period Ending March 31, 2014.
Sponsors:
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Attachments: 1. 14-2239 Attachment 1 Revenues, 2. 14-2239 Attachment 2 Expenditures, 3. 14-2239 Attachment 3 Contingent Reserves1

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 7, 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 March 31, 2014.

ISSUE: Receipt of the City's Monthly Financial Report for the period ending March 31, 2014.

DISCUSSION: That City Council received the Monthly Financial Report for the period ending March 31, 2014.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: The City's revenues continue to fall short of budgeted levels. As of March 31, 2014, actual General Fund revenues totaled \$390.5 million, which is approximately \$11.9 million or 3.1 percent more than the report for the same period last year, but less than the budgeted increase. The increase is due to higher real property tax collections from real estate tax rate increases (\$11.0 million) and personal property tax rate increases (\$3.7 million) and a \$2.8 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. At this point in the fiscal year, we are likely to utilize the fund balance set aside. Staff is closely monitoring vacancies and other expenditures to keep expenditure levels below budgeted amounts. Current revenue estimates were taken into consideration when building the revenue estimates for the FY 2015 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 March decreased by approximately 8.5 percent or \$600,000 compared to last year. 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, February electricity billing was not applied as of March 31.
- **Business License Taxes:** Year-to-date Business License tax collections through March decreased by 3.4 percent or \$1.0 million compared to the previous year. The receipts reflect 2013 gross receipts which were affected by general economic weakness resulting from sequestration and the government shutdown in October. Also, the amount of Business License Tax refunds increased from approximately \$0.3 million in FY 2013 to \$0.8 million in FY 2014 as Finance has devoted resources to allow the refunding routine overpayments to occur earlier in the fiscal year.
- **Transient Lodging Taxes:** Year-to-date Transient Lodging Tax collections decreased by approximately 13 percent or \$1.0 million 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 March, Alexandria's occupancy rate decreased from 65.0 percent in FY 2013 to 63.8 percent in FY 2014, while the average daily room rate decreased from approximately \$138 in FY 2013 to around \$131 in FY 2014 or about 5 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% of the City's total hotel rooms, closed in October.
- **Cigarette (Tobacco) Tax:** The 14.0 percent or \$141,000 increase in Cigarette Tax collections is related to the increase in the tobacco tax from 80 cents to \$1 per pack. 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 tax increase has had a negative impact on the sale of cigarettes in Alexandria. The estimate for this revenue source in the FY 2015 budget, including the 15 cent increase in the tax rate proposed by Council during the add/delete process, has been adjusted downward accordingly.
- **Recordation Tax:** Recordation Tax collections have fallen by approximately 27 percent or \$1.0 million 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. City recordation tax collections are \$2.7 million through the end of March, so through March, the City has collected 52 percent of the year's projected revenues.
- **Admissions Tax:** Year-to-date Admissions Taxes have decreased by 11 percent or less than \$100,000. 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 winter that kept potential moviegoers at home.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of March 31, 2014, actual General Fund expenditures totaled \$429.1 million, an increase of \$18.8 million, or approximately 4.6 percent, compared to expenditures for the same period last year. General Fund expenditures are budgeted to grow by 6.3 percent from the FY 2013 to the FY 2014 Approved Budget. Citywide, expenditures appear to be tracking below 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.

For FY 2014, the City budgeted \$836,000 in non-departmental funds to deal with snow emergencies. Through the end of March, the City has expended approximately \$882,000 to deal with snow emergencies. The 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. Staff estimates the cost of snow removal in those three agencies at approximately \$1.6 million.

- **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 30% 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. However, that transfer had not yet occurred in March and is not reflected in this month's report.

Contingent Reserves

- No contingent reserves were released in March. Detailed information regarding the status of Contingent Reserves for FY 2014 is available in Attachment 3.

The report including updated economic indicator charts, is also available online at:

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

ATTACHMENTS:

Attachment 1 Revenue

Attachment 2 Expenditures

Attachment 3 Contingent Reserves

STAFF:

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