



Legislation Details (With Text)

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Title: Consideration of the Monthly Financial Report for the Period Ending April 30, 2014.
Sponsors:
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Attachments: 1. 14-2240 Attachment 1 Revenues, 2. 14-2240 Attachment 2 Expenditures, 3. 14-2240 Attachment 3 Contingent Reserves

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

MEMORANDUM

DATE: JUNE 4, 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 April 30, 2014.

ISSUE: Receipt of the City's Monthly Financial Report for the period ending April 30, 2014.

RECOMMENDATION: That City Council received the Monthly Financial Report for the period ending April 30, 2014.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: The City's revenues continue to fall short of budgeted levels. As of April 30, 2014, actual General Fund revenues totaled \$404.1 million, which is approximately \$14.3 million or 3.7 percent more than the report for the same period last year. There is a total budgeted increase of 6.3 percent or \$36.9 million compared to last year. Of that projected growth, 65 percent is from real estate taxes and 35 percent is from other revenues. So far to date, only one of the two real estate payments had been collected through April, but the

other revenues, which were anticipated to grow by \$12.5 million in FY 2014, have grown by \$3.1 million through April compared to FY 2013.

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.

The Commonwealth of Virginia has announced that it is expecting a \$300 million revenue shortfall in FY 2014. In FY 2015, this may affect state aid to the city, which for FY 2015 is budgeted at approximately \$65 million in All Funds Revenue, including \$46 million in General Fund Revenue. There is additional budgeted revenue of \$38 million in state aid to the Schools.

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

- **Consumer Utility Taxes:** Year-to-date Consumer Utility Tax collections through April decreased by approximately 6.9 percent or \$0.6 million compared to last year. In contrast to FY 2013, as of April 30, the City had not yet received the current month's payments.
- **Transient Lodging Taxes:** Year-to-date Transient Lodging Tax collections decreased by approximately 12.5 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 most likely related to sequestration, the government shutdown in October, and a very cold winter that 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. The closure of the Hawthorne Suites may have slightly increased the occupancy rate from what it otherwise would have been by reducing the total number of hotel rooms in Alexandria, but the available data is not detailed enough for the City to confirm this.
- **Cigarette (Tobacco) Tax:** The 13.8 percent or \$0.26 million 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 \$0.6 million or 23 percent above budgeted FY 2013 revenues, so it appears as if the tax increase has resulted in fewer consumer sales of cigarettes in Alexandria. The estimate for this revenue source in the FY 2015 budget, including the 15 cent increase in the tax rate approved by Council, reflects this consumer behavior.
- **Recordation Tax:** Recordation Tax collections have fallen by approximately 28 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 \$0.5 million, or 10.2 percent, above budgeted FY 2013 revenues. City recordation tax collections are \$3.0 million through the end of April, representing 60 percent of the year's projected revenues.
- **Admissions Tax:** Year-to-date Admissions Taxes have decreased by 12 percent or less than \$0.1

million. This is most likely related to the cold and snowy winter that kept potential moviegoers at home.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of April 30, 2014, actual General Fund expenditures totaled \$470.8 million, an increase of \$21.0 million, or approximately 4.7 percent, compared to expenditures for the same period last year. Citywide, expenditures appear to be tracking below the budget. Staff is closely monitoring vacancies and other expenditures to keep expenditure levels below budgeted amounts.

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.
- **Emergency Communications:** The increase of 12.9 percent in the Department of Emergency Communications' expenditures is mostly due to the transfer of expenditures for maintenance and infrastructure costs of the City's radio system that were previously budgeted as non-departmental expenditures.
- **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.
- **Snow Emergencies:** For FY 2014, the City budgeted \$0.84 million in non-departmental funds to deal with snow emergencies. For FY 2014, the City expended approximately \$0.9 million in non-departmental funds and an additional \$0.3 million in T&ES, \$0.2 million in General Services, and \$0.2 million in RPCA in unbudgeted snow related expenditures. The City also incurred public safety closure costs associated with the snow events. These include approximately \$.02 million in DEC, \$0.2 million in Police, \$0.2 million in Fire, and \$0.08 million in the Sheriff's Office. The total cost to the City for FY 2014 snow events is approximately \$2.1 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 or debt service as budgeted.
- **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 April and is

not reflected in this month's report.

Contingent Reserves

- In April, Council released \$174,235 in affordable housing initiatives. 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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