



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** FEBRUARY 5, 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 December 31, 2013.

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**ISSUE:** Receipt of the City's Monthly Financial Report for the period ending December 31, 2013.

**DISCUSSION:** That City Council receives the Monthly Financial Report for the period ending December 31, 2013.

**ECONOMIC HIGHLIGHTS:**

On January 17, President Obama signed a \$1.1 trillion spending bill that will fund the federal government through the end of September. This will remove a source of uncertainty for the City's economy through the remainder of FY 2014 and the first quarter of FY 2015.

The Economic Tables will no longer be included in the Monthly Financial Report. Instead, they will be posted online at the City's web site: <http://www.alexandriava.gov/FinancialReports>. They will continue to be updated monthly or when data becomes available.

**REVENUE HIGHLIGHTS:**

**Year-to-Date Revenues:** As of December 31, 2013, actual General Fund revenues totaled \$302.5 million, which is approximately four percent, or \$12.2 million, more than the report for the same period last year. Most of this increase (\$9.9 million) is related to higher real property tax collections from assessments and tax rate increases and tax rate increases to personal property (\$3.5 million). This growth is somewhat offset by revenue projections in other key areas, such as sales taxes and transient lodging taxes, running below budgeted revenues: FY 2014 other local taxes, which include sales and transient lodging taxes, are \$1.3 less than the comparable period in FY 2013. All other sources of revenue combined represent a net increase of \$0.1 million.

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 are 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:

- **Business license tax:** Year-to-date Business License Tax collections decreased by approximately 40 percent compared to the previous fiscal year due to a significant refund earlier this fiscal year. However, with less than three percent of the budgeted amount collected, it is not possible to accurately project collections until March. Business license renewal applications and taxes are due by March 1 of each license tax year.
- **Transient Lodging Taxes:** Year-to-date Transient Lodging Tax collections decreased by approximately 13 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 December, Alexandria's occupancy rate decreased from 67.2 percent in FY 2013 to 66.1 percent in FY 2014, while the average daily room rate decreased from approximately \$137 in FY 2013 to around \$129 in FY 2014 or about 6%. The decreases have affected all Northern Virginia jurisdictions and are probably related to sequestration and to the government shutdown in October. 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 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 25 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. As of the 3<sup>rd</sup> quarter of 2013, the City's office vacancy rate was 16.7 percent, which is very high by historical standards. 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 16 percent. This is partly due to a timing issue due to a late filer and partly due to a strong movie season that resulted in high box office receipts during Fall of 2012.

## **EXPENDITURE HIGHLIGHTS:**

**Year-to-Date Expenditures:** As of December 31, 2013, actual General Fund expenditures totaled \$275.2 million, an increase of \$10.5 million, or approximately four 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 59 percent of its budget in the first half 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. The payment of the third quarter commitment in the second quarter is due to increased payment turnaround times in the new financial system. 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.
- **Debt Service:** The increase in debt service reflects an increase in budgeted expenditures for the FY 2013 General Obligation bonds.
- **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 were also approximately \$500,000 in FY 2013 expenditures to deal with Hurricane Sandy. Through December, 2013, there has been no comparable FY 2014 incident. Expenditures related to the January snow event will be included in the January financial report presented to Council in March.
- **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

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

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

**ATTACHMENTS:**

Attachment 1 Revenue

Attachment 2 Expenditures

Attachment 3 Contingent Reserves

**STAFF:**

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