

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 8, 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 November 30, 2013.

ISSUE: Receipt of the City's Monthly Financial Report for the period ending November 30, 2013.

DISCUSSION: That City Council receives the Monthly Financial Report for the period ending November 30, 2013.

ECONOMIC HIGHLIGHTS:

Below are a few of the key economic indicators that City staff tracks to assist with revenue projections and analysis:

- Alexandria's unemployment rate spiked in October to 4.9 percent from 4.4 percent last month; the number of employed decreased by 642 persons. This represents the highest October unemployment rate in four years. Continued increases to this indicator may impact disposable income of residents translating into continued softening of consumption based taxes, such as sales taxes and restaurant meals taxes.
- From Smith Travel Research, via ACVA, Alexandria's hotel occupancy rate fell from 76.1 percent in October 2012 to around 72.4 percent in October 2013. The average room rate also was lower compared to last year. This has a direct impact on the amount of revenue collected in transient lodging taxes, which is discussed in more detail in the "Revenue Highlights" section.

There is additional information regarding sequestration and its impact in a detailed analysis at the City's web site: alexandriava.gov/FinancialReports.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of November 30, 2013, actual General Fund revenues totaled \$281.8 million, which is approximately 4 percent more than the report for the same period last year. Most of this increase is related to higher real property tax collections from assessment and tax rate increases. Current revenue projections, however, are running below budgeted revenues by approximately \$0.6 million primarily for consumption based taxes including sales, transient lodging, and restaurant meals taxes, as indicated in last month's financial report. 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 decline, 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:

- **Recordation Tax:** Recordation Tax collections have fallen by approximately 14 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. Further indication of this, during the third quarter of 2013, office vacancy rates were 16.7 percent, an indication of weakness in the commercial office market. Additionally, commercial construction in Alexandria, as measured by the number and value of permit applications in Code Administration, has been soft since 2008.
- **Sales Tax:** A three-month average of Sales Tax collections decreased by 0.7 percent compared to last year, though October sales tax collections showed improvement compared to September. For that same three month period, national retail sales increased by 4.6 percent. The disparity is most likely caused in part by the effect of sequestration which has slowed revenue growth in key areas.
- **Transient Lodging Tax:** From August through October, Transient Lodging Tax collections decreased by 3.8 percent compared to last year, and total collections for the August through October period were the weakest of any since 2008. Some of the decrease is most likely related to the government shutdown during the first two weeks of October.
- **Utility taxes:** Utility taxes decreased 5%, on a year over year basis, based largely on the timing of billing and collections activity.
- **Business license tax:** Year-to-date Business License Tax collections decreased by about one-third compared to the previous fiscal year, but with about two 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.

EXPENDITURE HIGHLIGHTS:

Year-to-Date Expenditures: As of November 30, 2013, actual General Fund expenditures totaled \$208.1 million, a decrease of \$3.2 million, or approximately one percent compared to expenditures for the same period last year. 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.
- **Debt Service:** The increase in debt service reflects an increase in budgeted expenditures for the FY 2013 General Obligation bonds.
- **Cash Capital:** The decrease is due to the timing of moving cash capital from Non-Department budget into capital project budgets.
- **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.

Contingent Reserves

- At its December 10 meeting, City Council approved a supplemental appropriations ordinance appropriating \$226,856 from FY 2013 General Fund fund balance for the following: \$80,000 to Recreation for Urban Forestry, \$4,160 for Sister Cities Initiatives, and \$222,696 for Fire Safety Improvements. Detailed information regarding the status of Contingent Reserves for FY 2014 is available in Attachment 4.

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

ATTACHMENTS:

- [Attachment 1 Revenue](#)
- [Attachment 2 Expenditures](#)
- [Attachment 3 Economic tables](#)
- [Attachment 4 Contingent Reserves](#)

STAFF:

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