

City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 4, 2013

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER

DOCKET TITLE:

Consideration of the Monthly Financial Report for the Period Ending October 31, 2013.

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

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

ECONOMIC HIGHLIGHTS:

The effects of the sequester on the City's economic activity have become apparent as two of the City's three most economically sensitive revenues, sales tax and transient lodging, have fallen below last year's comparable period. Alexandria's sales tax receipts for the three months ending in September are 2.5% below last year, compared to a national retail sales increase of 5.1% during a comparable period. While the two data series do not track identical items – Alexandria's numbers do not include motor vehicles and fuel as the national numbers do – Alexandria's year-over year sales tax numbers continue the decline that began in March, the month the sequester began. No such decline has affected national sales tax numbers. It should be noted that a small portion of the decrease is also due to the closing of several grocery stores in Alexandria since last year. Retail sales tax collections are also showing similar trends in Arlington and Fairfax Counties. In addition, a three month trailing average of transient lodging revenues (the hotel tax) decreased by 2.1% year-over-year for the period ending in August, continuing a decline that began in April.

In the office market, third quarter vacancy rates remain elevated: 16.7% of Alexandria's office space was unoccupied as of the 3rd quarter of 2013. That is less than the 17.3% vacancy rate during the 3rd quarter of 2012, and is considerably less than the vacancy rate which peaked at 17.9% during the 1st quarter of 2013. For Alexandria, Northern Virginia, and the entire DC Metro area, vacancy rates continue to be higher now than they were during the recession of 2007-2008.

REVENUE HIGHLIGHTS:

Year-to-Date Revenues: As of October 31, 2013, actual General Fund revenues totaled \$138.9 million, which is 33% more than the report for the same period last year. Most of this increase is related to the timing of the collection of real property taxes primarily for payments for mortgage escrow payments and the associated tax rate increase.

Based on preliminary collections for the fiscal year, and the continued uncertainty of federal spending, we will monitor local taxes carefully. With regard to **Other Local Taxes**, we are concerned about the following:

- **Local Sales and Use Tax:** A preliminary review shows some decreases related to both the sequester and the temporary and permanent closures of some local grocery stores. We will continue to monitor and make projection adjustments as needed. The decline in grocery store collections is somewhat offset by the increase in restaurant meals taxes.
- **Transient Lodging Taxes:** There were indications early in October that the shutdown was affecting reservation activity. According to Smith Travel Research and via hotelnewsnow.com, Washington, DC ended the week of October 5 with a 12.1% decline in occupancy rates. Local hotels have indicated they have seen some slowdown in reservation activity from the sequestration and the federal government shutdown. We will continue to monitor and make adjustments as needed.
- **Communications Sales and Use Taxes:** This is collected by the State, but we continue to see refunds to large providers. The most recent refund related to a provider requesting a refund for non-taxable sales. We will continue to monitor and make adjustments as needed.

EXPENDITURE HIGHLIGHTS:

- **Year-to-Date Expenditures:** As of October 31, 2013, actual General Fund expenditures totaled \$174.1 million, a decrease of \$0.6 million, or less than one percent below expenditures for the same period last year. The decrease is primarily attributable to the time of the planned transfer of cash capital. Changes in Management and Budget, Human Resources and the Department of Emergency Communications reflect the filling budgeted positions that were vacant for some period of time in FY 2013.
 - **Transit Subsidies:** The increase represents planned contributions for the City's budgeted responsibilities for Washington Metropolitan Authority and Alexandria Transit (DASH).
 - **Debt Service:** The increase in debt service reflects planned expenditures for the FY 2013 General Obligation bonds.

- **Schools:** The City will provide approximately 75.8 percent of the estimated funds required to operate the City public school system in FY 2014.

Contingent Reserves

The City’s Contingent Reserves currently includes \$226,856 in unallocated funding from FY 2013 designated for:

- Fire Safety Improvements (\$222,696)
- Sister Cities Initiatives (\$4,160)

The funds are included in the appropriation ordinance to be considered by Council at this legislative meeting, with the exception of \$20,000 for Community Engagement. (See Budget Memo #28 for details.)

For FY 2014, Contingent Reserves include \$856,654 for the following purposes:

Item	Budget	Balance
Childcare Fee Subsidy Waiting List	\$950,000	\$400,669
Affordable Housing Initiatives	\$174,235	\$174,235
Recycling Initiatives	\$210,000	-
King Street Lights	\$6,750	\$6,750
Car Seat Installation	\$10,000	\$10,000
Smoking Cessation Program	\$35,000	-
Community Engagement	\$20,000	\$20,000
Senior Mental Health Therapist	\$42,900	-

Actions to Date: Council released \$549,331 in June for the Childcare Fee Subsidy Waiting List to serve all children on the waiting list under age five, fund a social worker position to manage increased caseload, and replace sequestration cuts to Head Start. Council also released \$42,900 from Contingent Reserves in June to fund a Senior Mental Health Therapist position in the Department of Community and Human Services to serve the inmate population of the William G. Truesdale Detention Center. Due to the City’s current revenue climate, this position will not be filled. Under a separate docket item, funds will be returned to the non-departmental budget. In September, Council released \$210,000 to Transportation and Environmental Services for several recycling initiatives, including Recycling on the Go and a Pilot Food Composting Program, among others, and in October \$35,000 was released for a smoking cessation and secondhand smoke reduction project at the Alexandria Redevelopment and Housing Authority (ARHA).

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

For more information, see online references at
<http://www.alexandriava.gov/FinancialReports#monthly>

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