

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 18, 2005
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: BUDGET MEMO #68 : ACVA and \$1.00 PER NIGHT ROOM TAX

This memorandum is in response to Councilman Macdonald's questions about the budget of the Alexandria Convention and Visitors Association (ACVA), including the estimated \$475,000 financial impact of increasing the room tax from \$1.00 per night to \$1.50 per night.

For more specific information on ACVA and the budgets of other economic development-related activities, please refer to Budget Memo #4 on Economic Development Related Spending, and Budget Memo #51 that transmits the Budget and Fiscal Affairs Advisory Committee's review of economic development activities in the City.

In Fiscal Year 2000, the City began to levy a \$1.00 per night lodging fee, and simultaneously reduced the transient lodging tax from 5.65 percent to 5.5 percent. The \$1.00 per night lodging fee is not a dedicated tax. However, its establishment did help Council substantially increase ACVA's budget for FY 2000. The following table shows the amount collected for the last two years and an estimate for FY 2005, based upon receipts through February 2005.

Table with 4 columns: Category, FY 2003 Actual, FY 2004 Actual, FY 2005 Estimated. Rows include \$1.00 per night lodging fee and % increase over past year.

If the room lodging fee were increased from \$1.00 to \$1.50 per night, the revenue would increase by 50 percent, assuming the volume of hotel room rentals did not decrease. It is doubtful that an increase of \$0.50 per night would have a negative impact on the volume of room rentals, since the average daily room rate in Alexandria is slightly more than \$100.00. If we were to assume a 4.0 percent increase in room rental volume from FY 2005 to FY 2006, and factor in a 50 percent increase in the lodging fee (up to \$1.50 per night) the result would be revenue of approximately \$1,430,000 in FY 2006, of which \$475,000 would be attributable to the rate increase from \$1.00 to \$1.50.