



Legislation Text

File #: 20-0819, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 6, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of the Monthly Financial Report for the Period Ending March 31, 2020.

ISSUE: Receipt of the Monthly Financial Report for the Period Ending March 31, 2020.

RECOMMENDATION: That City Council receives the Monthly Financial Report (Attachment 1).

BACKGROUND: The following discussion is a summary of the Monthly Financial Report for this period. Schedules comparing revenues and expenditures to date to the same period in FY 2019 are attached.

DISCLAIMER: This monthly financial report provides an update for City Council on the financial condition of the City as of March 31, 2020. In March 2020, the City's economic outlook changed dramatically as safeguards related to the COVID-19 virus were put into place. On March 24, 2020, City Council passed several emergency ordinances and resolutions to provide relief the business community. Social distancing, restrictions placed on the number of people that can gather, quarantine recommendations and the virtual elimination of travel and tourism has had a significant negative impact on revenue projections in FY 2020. On April 1, 2020, staff presented City Council with an updated projection for FY 2020. This new projection has been included in Attachment 1. It is important to note that the current revenue forecast is not sufficient to cover the appropriated expenditure amount. A combination of expenditure reductions and use of fund balance is expected to be utilized to fund this gap as outlined in the FY2021 Budget version 2.0.

REVENUES: It is too early to begin to see the impacts of the COVID-19 virus on the City's year-to-date revenue collections. Most categories were still tracking at rates that similar to the percent of the budgeted amount from the prior year. Through the first 9 months of FY 2020, the economic outlook appeared very strong. Nearly all categories were performing at or above the budgeted amount, with a few exceptions.

At this time in FY 2020, the City's revenue and expenditures are not noticeably different than the same time period last year. However, that will change with next month's report where revenues (or lack thereof) collected in March but paid (or not paid) in April will be evident. As of March 31, 2020, General Fund revenues totaled \$453.2 million, an increase of \$19.8 million or 4.6% above revenues collected at the same time in FY 2019. After nine months in FY 2020, approximately 58.1 percent of budgeted revenues have been collected. Revenues may not track consistently with the calendar since many revenue sources have due dates that do not occur evenly through the year. Large revenue sources, such as real estate and personal property tax revenues are remitted twice per year and once per year, respectively. Personal property taxes were due on October 5th. Personal Property tax revenue is \$53.4 million or 10.8 percent higher than collections for the same period last year. With the elimination of the decal, the motor vehicle license fee was eliminated. The personal property tax rate was increased to offset this fee elimination. The first half of the calendar year real estate tax is due on June 15th. Revenue from real property taxes is consistent with the budgeted amount in FY 2020 and the amount collected in FY 2019 through March.

In other local taxes, prior to the pandemic local sales tax was trending 11.3 percent over collections in FY 2019. Sales tax revenue is remitted by the State, two months after it is collected. Through 9 months of the fiscal year, the City has received 7 months of local sales tax revenue, which amounts to 68.6 percent of the amount budgeted. Through March 2020, Recordation tax revenue reflects 84.1 percent of the budgeted amount and exceed collections for the same period in FY 2019 by 35.1 percent. Variances in intergovernmental revenue from the Commonwealth and Transfers from Other Funds are related to the timing of payments or posting.

Business License taxes were due on March 1 and were based on pre-COVID-19 gross receipts earned in 2019. Revenues of \$32.1 million reflect 93.5 percent of the budgeted amount and are 1.4 percent lower than revenues in FY 2020 through month nine.

Following up to the presentation of the City Manager's Proposed FY 2021 Operating budget, the Monthly Financial Report now includes (Attachment I, Column B1) a projection of total General Fund revenues for the year. Prior to changes in the economy from COVID-19, most categories of revenues were expected to meet or exceed the FY 2020 budgeted amount. Communication Sales and Use tax continue to decline each year due to consumer behavioral changes related to telecommunications and television. With the refunding of the City's Build America Bonds in 2017, the subsidy that is received from the federal government is being eliminated. The revenue is offset by lower costs for debt service on the new debt. Conversely, interest rates are significantly lower than assumed during the development of the FY 2020 budget and are resulting in lower Revenue from Use of Money and Property compared to FY 2019 and compared to the FY 2020 budgeted amount.

As noted previously, this monthly financial report includes a new set of projections that reflects a long, slow recovery period. Most notable will be the significant declines in taxes generated from consumer spending, travel and tourism. On March 24, City Council adopted an emergency ordinance that placed a moratorium on certain tax related penalties and fees until the end of June. This action is likely to result in little or no payment of Transient Lodging and Meals Sales tax through the end of the year. Given the significant restrictions placed on restaurants, even though the taxes are still owed and payable in FY 2021, there is unlikely to be a significant of revenue generated in either of these categories. To help mitigate the financial stress on the community, Finance Department staff has curtailed collection efforts on overdue taxes. The taxes are still owed and will be pursued when the timing is more appropriate. It is important to note that Real Estate Tax bills are being generated now. These taxes are due on June 15 and will be subject to late payment penalty and interest if not paid by June 15

EXPENDITURES: As of March 31, 2020, General Fund expenditures totaled \$481.5 million, an increase of

\$11.0 million, or 2.3 percent, compared to the same time period for FY 2019. In addition, at 75 percent of the way through the fiscal year and with 68.7 percent of payrolls processed, no department has a percent of budget expended amount significantly differing from with this rate of spending. It should be noted that the City is recording a number of unplanned expenditures related to the COVID-19 situation. Staff is tracking these expenditures and will be prepared to submit spending information to FEMA in the event that reimbursement is available and also charge eligible expenses to the forthcoming (but to-be-determined) federal CARES funding. In addition, the City has instituted efforts to mitigate spending (e.g., travel bans, a soft hiring freeze) to ensure that the City maintains a balanced budget at the end of FY 2020.

Similar to the situation with revenues, no significant expenditure has occurred in the nine months of Fiscal Year 2020 that is unbudgeted or unexpected. The most significant difference is the timing and source of payments. The variance in the Department of Transportation and Environmental Services is largely attributable to the shift of the residential curbside refuse collection program from the General Fund (in FY 2019) to a self-supported fund in FY 2020. This is offset by the transfer of the Fleet Services Division from General Services, which is showing a 17.2 percent decline in spending compared to FY 2019, to TES in FY 2020. The variance in the Office of Performance and Accountability relates to software user licenses and costs associated with the Resident Survey. In FY 2019, the Transfer to Housing was included in Cash Match and Transfers to Special Revenue. In FY 2020, this transfer is displayed separately to provide additional transparency.

ATTACHMENTS:

Attachment 1: Comparative Expenditure Schedule for March 31, 2020

Attachment 2: Comparative Revenue Schedule for March 31, 2020

Attachment 3: 3rd Quarter Investment Report

STAFF:

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Morgan Routt, Director, OMB

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING MARCH 31, 2020 AND MARCH 31, 2019

	A	B.1	B	C=B/A	D	E
	FY 2020	FY 2020	FY2020	FY2020	FY2019	FY2019
	APPROVED	PROJECTED	REVENUES	%	REVENUES	%
	BUDGET	REVENUES	THRU 03/31/2020	OF BUDGET	THRU 03/31/2019	OF BUDGET
General Property Taxes						
Real Property Taxes.....	\$ 462,848,143	459,370,705	\$ 225,227,394	48.7%	\$ 220,599,359	49.4%
Personal Property Taxes.....	56,926,910	53,929,638	53,583,696	94.1%	48,227,280	94.9%
Penalties and Interest.....	2,708,000	1,762,663	1,933,800	71.4%	1,655,577	50.2%
Total General Property Taxes	<u>\$ 522,483,053</u>	<u>\$ 515,063,006</u>	<u>\$ 280,744,889</u>	<u>53.7%</u>	<u>\$ 270,482,216</u>	<u>54.0%</u>
Other Local Taxes						
Local Sales and Use Taxes.....	\$ 28,800,000	25,888,795	\$ 18,343,275	63.7%	\$ 16,483,727	59.5%
Consumer Utility Taxes.....	12,000,000	12,600,000	8,230,093	68.6%	6,871,253	58.2%
Communication Sales and Use Taxes.....	9,200,000	8,710,000	5,249,646	57.1%	5,443,755	55.0%
Business License Taxes.....	34,378,000	30,800,000	32,147,277	93.5%	32,588,389	93.4%
Transient Lodging Taxes.....	12,800,000	6,966,061	7,635,262	59.7%	7,338,948	55.3%
Restaurant Meals Tax.....	24,231,000	14,599,336	16,131,870	66.6%	15,563,137	64.4%
Tobacco Taxes.....	2,600,000	2,600,000	1,396,835	53.7%	1,688,551	60.3%
Motor Vehicle License Tax.....	-	-	-	0.0%	3,284,656	86.4%
Real Estate Recordation.....	6,000,000	7,254,688	5,046,882	84.1%	3,734,619	70.5%
Admissions Tax.....	670,000	389,579	428,087	63.9%	375,489	56.0%
Other Local Taxes.....	4,809,090	4,840,000	475,729	9.9%	397,778	8.4%
Total Other Local Taxes	<u>\$ 135,488,090</u>	<u>\$ 114,648,458</u>	<u>\$ 95,084,958</u>	<u>70.2%</u>	<u>\$ 93,770,302</u>	<u>67.5%</u>
Intergovernmental Revenues						
Revenue from the Fed. Government.....	\$ 10,397,000	9,123,029	\$ 5,616,390	54.0%	\$ 5,326,218	58.7%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	23,106,960	98.0%	12,496,621	53.0%
Revenue from the Commonwealth.....	23,621,515	23,698,540	17,371,089	73.5%	17,086,655	70.2%
Total Intergovernmental Revenues	<u>\$ 57,597,046</u>	<u>\$ 56,400,100</u>	<u>\$ 46,094,439</u>	<u>80.0%</u>	<u>\$ 34,909,494</u>	<u>61.3%</u>
Other Governmental Revenues And Transfers In						
Fines and Forfeitures.....	\$ 4,930,450	3,373,968	3,323,616	67.4%	\$ 3,063,106	59.0%
Licenses and Permits.....	2,615,350	1,419,920	1,107,158	42.3%	1,554,872	59.5%
Charges for City Services.....	15,790,462	11,449,323	13,954,894	88.4%	14,085,396	64.8%
Revenue from Use of Money & Prop.....	11,406,650	7,232,318	6,783,944	59.5%	7,960,366	99.1%
Other Revenue.....	2,591,285	2,126,920	1,803,142	69.6%	1,605,360	86.6%
Transfer from Other Funds.....	9,291,882	9,271,882	4,283,941	46.1%	5,980,336	50.2%
Total Other Governmental Revenues	<u>\$ 46,626,079</u>	<u>\$ 34,874,331</u>	<u>\$ 31,256,694</u>	<u>67.0%</u>	<u>\$ 34,249,436</u>	<u>66.7%</u>
TOTAL REVENUE	<u>\$ 762,194,268</u>	<u>\$ 720,985,895</u>	<u>\$ 453,180,981</u>	<u>59.5%</u>	<u>\$ 433,411,448</u>	<u>57.9%</u>
Appropriated Fund Balance						
General Fund.....	\$ 13,660,407	\$ 13,900,000		\$ -	\$ -	\$ -
Cash Capital.....				-	-	-
Encumbrances And Other.....	4,126,974			-	-	-
Supplemental Appropriations.....				-	-	-
TOTAL	<u>\$ 779,981,649</u>	<u>\$ 734,885,895</u>	<u>\$ 453,180,981</u>	<u>58.1%</u>	<u>\$ 433,411,448</u>	<u>57.0%</u>

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING MARCH 31, 2020 AND MARCH 31, 2019**

FUNCTION	A	B	C=B/A	D	E
	FY 2020	FY2020	%	FY2019	%
	APPROVED BUDGET	EXPENDITURES THRU 03/31/2020	OF BUDGET EXPENDED	EXPENDITURES THRU 03/31/2019	OF BUDGET EXPENDED
Legislative & Executive.....	\$ 3,495,056	\$ 2,422,957	69.3%	\$ 2,180,201	68.5%
Judicial Administration.....	\$ 46,034,341	\$ 32,522,312	70.6%	\$ 31,573,192	70.1%
Staff Agencies					
Communications.....	\$ 1,544,294	\$ 1,015,078	65.7%	\$ 889,849	59.2%
Human Rights.....	905,798	666,542	73.6%	660,655	76.3%
Information Technology Services.....	12,123,957	8,748,001	72.2%	8,349,509	69.2%
Management & Budget.....	1,364,181	997,640	73.1%	869,378	69.0%
Finance.....	13,555,967	8,680,495	64.0%	8,552,014	66.6%
Performance and Accountability.....	535,509	383,133	71.5%	306,654	62.8%
Internal Audit.....	442,002	178,939	40.5%	161,704	37.7%
Human Resources.....	4,689,778	3,074,569	65.6%	2,997,317	68.0%
Organizational Excellence	150,446	423	0.0%		
Planning & Zoning.....	6,390,022	4,317,390	67.6%	4,113,448	68.3%
Economic Development Activities.....	7,131,946	4,750,131	66.6%	4,249,493	73.4%
City Attorney.....	4,282,658	3,021,508	70.6%	2,707,568	70.5%
Registrar.....	1,335,329	930,815	69.7%	787,196	63.9%
General Services.....	12,076,895	7,792,349	64.5%	9,413,254	63.8%
Total Staff Agencies	\$ 66,528,782	\$ 44,557,013	67.0%	\$ 44,058,039	67.3%
Operating Agencies					
Transportation & Environmental Services.....	\$ 24,358,122	\$ 15,566,478	63.9%	\$ 18,404,235	65.3%
Project Implementation.....	-	-	0.0%	4,025	43.0%
Fire.....	55,307,491	38,139,331	69.0%	38,105,917	70.6%
Police.....	67,140,443	46,139,195	68.7%	45,756,321	70.1%
Emergency & Customer Communications.....	8,498,862	5,687,058	66.9%	5,284,297	67.5%
Code.....	33,060	4,629	14.0%	3,593	15.0%
Transit Subsidies.....	21,760,499	16,345,484	75.1%	16,409,105	94.7%
Housing.....	1,909,924	1,339,649	70.1%	1,221,230	65.0%
Community and Human Services.....	14,574,157	10,975,570	75.3%	10,150,179	19.5%
Health.....	8,363,542	6,002,591	71.8%	6,187,415	71.0%
Historic Resources.....	3,586,582	2,389,175	66.6%	2,053,853	61.7%
Recreation.....	24,038,373	16,416,223	68.3%	15,945,970	69.1%
Total Operating Agencies	\$ 229,571,055	\$ 159,005,384	69.3%	\$ 159,526,140	61.0%
Education					
Schools.....	\$ 231,669,496	\$ 115,834,748	50.0%	\$ 141,172,127	63.1%
Other Educational Activities.....	16,128	8,064	50.0%	9,107	75.0%
Total Education	\$ 231,685,624	\$ 115,842,812	50.0%	\$ 141,181,234	55.5%
Capital, Debt Service and Miscellaneous					
Debt Service - City.....	\$ 35,530,695	\$ 25,987,524	73.1%	\$ 30,070,912	74.7%
Debt Service - Schools.....	\$ 28,112,251	\$ 19,943,052	70.9%	\$ 14,848,840	51.3%
Non-Departmental.....	9,795,496	7,772,444	79.3%	7,716,908	80.1%
General Cash Capital.....	44,230,142	21,590,071	48.8%	18,483,348	50.0%
Contingent Reserves.....	749,170	-	0.0%		0.0%
Total Capital, Debt Service and Miscellaneous	\$ 118,417,754	\$ 75,293,091	63.6%	\$ 71,120,008	59.5%
TOTAL EXPENDITURES	\$ 695,732,612	\$ 429,643,568	61.8%	\$ 449,638,814	62.6%
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects Funds).....	\$ 52,973,302	\$ 6,403,126	12.1%	\$ 8,861,688	39.8%
Transfer to Housing.....	\$ 8,867,775	2,697,288	30.4%	-	0
Transfer to Library.....	\$ 7,115,682	50,822	0.7%	28,788	0.4%
Transfer to DASH.....	\$ 15,292,278	12,318,716	80.6%	11,936,202	96.9%
TOTAL EXPENDITURES & TRANSFERS	\$ 779,981,649	\$ 451,113,519	57.8%	\$ 470,465,492	61.9%
Total Expenditures by Category					
Salaries and Benefits.....	\$ 233,319,522	\$ 161,814,357	69.4%	\$ 159,921,008	70.1%
Non Personnel (includes all school funds)	546,662,127	289,299,162	52.9%	310,544,484	58.3%
TOTAL EXPENDITURES	\$ 779,981,649	\$ 451,113,519	57.8%	\$ 470,465,492	61.9%

City of Alexandria
Investment Report
As of March 31, 2020

Investment Policy

Objective and Strategy

Safety of Principle – investments will be made in a manner that seeks to ensure the preservation of capital

Preservation of capital

Liquidity – the investments will remain sufficiently liquid to meet all operating requirements that are reasonably anticipated

Requirements that are reasonably anticipated

Yield – attain a market rate of return (consistent with the 2-year Treasury maturity). This is secondary to safety and liquidity.

Investment Committee

Responsibilities for the City’s investment management decisions and activities rest with:

- Deputy City Manager – Laura Triggs
- Director of Finance – Kendel Taylor
- Assistant Director of Finance/Treasury – David Clark

Authorized Investments

- Obligations of the Commonwealth of Virginia, the United States or Virginia Municipalities
- Prime Quality Commercial Paper with maturities of 270 days or less
- Certificates of Deposits (CDARS)
- Insured Cash Sweeps (ICS)
- Virginia Local Government Investment Pool (LGIP)
- Virginia Investment Pool (VIP)

Diversification Strategy

Security Type	Maximum % of the Total Funds Available for Investment
Obligations of Virginia	40%
Obligations of the US	75%
Obligations of Virginia Municipalities	40%
Prime Quality Commercial Paper	25%
Commercial Paper of any one Issuing Corporation	5%
CDARs	75%
ICS	40%
LGIP	75%
VIP	75%

Portfolio as of March 31, 2020 – 3rd Quarter – FY 2020

Security Type	Balance (millions)	Allocation
Local Government Investment Pool (LGIP)	\$188.7	64.7%
CDARS	39.4	13.5%
US Agency/Treasury Bonds	30.0	10.3%
Virginia Investment Pool (VIP) 1 – 3 Year	22.5	7.7%
Virginia Investment Pool (VIP) Liquidity	11.1	3.8%
Total	\$291.7	100.0%

Return on Investment as of March 31, 2020 – 3rd Quarter – FY 2020

Security Type	Balance (millions)	Yield (Weighted Average)
Local Government Investment Pool (LGIP)	\$188.7	1.35%
CDARS	39.4	1.93%
US Agency/Treasury Bonds	30.0	1.68%
Virginia Investment Pool (VIP) 1 – 3 Year	22.5	2.02%
Virginia Investment Pool (VIP) Liquidity	11.1	1.38%
Total	\$291.7	1.51%

Maturity

Maturity Range	Balance (millions)	% of Portfolio	Average Yield
0 – 1 Month	\$222.3	76.2%	1.42%
1-3 Month	8.2	2.8	2.55
3-6 Month	6.1	2.1	2.11
6-9 Month	16.1	5.5	1.69
9-12 Month	9.0	3.1	1.67
1-2 Years	30.0	10.3	1.68
Total	\$291.7	100%	1.51%