



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 16, 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 July 31, 2020 and June 30, 2020.

ISSUE: Receipt of the Monthly Financial Report for the Period Ending July 31, 2020 and June 30, 2020.

RECOMMENDATION: That City Council receives the Monthly Financial Report.

BACKGROUND: This memorandum provides FY 2021 financial information on revenues and expenditures of the General Fund for the period ending July 31, 2020. The Approved General Fund expenditure budget for FY 2021 totals \$753.3 million, of which \$76.7 million has been expended as of July 31, 2020, or 10.2 percent of budgeted expenditures. Revenues of \$4.1 million have been received through July 31, 2020, which represents 0.5 percent of budgeted revenues. Revenues trail expenditures due to the periodic nature of property tax collections. In addition, most property and local tax revenues that are received in July are earned in June and are accrued back to FY 2020. The typical schedules showing detailed revenue and expenditure activity will be developed in the August 2020 Monthly Financial Report, which will be docketed in October. A calendar of significant financial events that will impact FY 2021 is included below to provide additional information about major revenue and expenditure events during the fiscal year. A more comprehensive list of tax due dates is attached (Attachment 1) and is available on the City's web site at <http://apps.alexandriava.gov/Calendar/?show=finance>.

At this time, as the City uses the required modified accrual accounting standards, FY 2020 accounting adjustments are still being entered to ensure that all transactions are posted to the correct fund and period. In addition, the totals in this memo are pre-audited results. COVID-19 has impacted business operations across the globe. Invoices may still be submitted from vendors who are resuming operations after a period of shutdown. The auditors will review City records to determine that all accounts reflect Generally Accepted Accounting Principles. At this time revenues are expected to exceed expenditures encumbrances and carryover funding in the General Fund by less than ½ of one percent. This means the City was successful in reducing spending in the fourth quarter and did not have to draw on fund balance to pay for FY 2020 expenses as the

losses of revenue in the fourth quarter were not as negative as projected in early April. However, this means that the City experienced a \$32 million revenue drop in the fourth quarter which was lower than the earlier projected \$46 million revenue decline. It is too early to postulate that how this “less bad” situation will play out during FY 2021 and FY 2022. While the FY 2021 Budget is balanced on paper there are many revenue uncertainties remaining. For example, the budgeted revenues for restaurant meals and hotel stay taxes assumed a back to normal by next July. That assumption may have been too optimistic. Also, the largest revenue source is the real estate tax and how much the commercial real estate tax base will fall for 2021 is not known at this time. *Staff has undertaken some very early efforts at projecting FY 2022 expenses and the budget gaps range from \$74 million to \$21 million with a mid-range estimate of \$46 million funding gap.* The untapped General Fund fund balance from FY 2020 will be an available backstop resource if FY 2021 revenues falls short of budgeted levels, and to help reduce the size of the FY 2022 budget gap by some level.

FY 2020 Revenues

Attachment 2 provides a comparison of pre-audited General Fund revenues compared to both the FY 2020 Amended General Fund Operating budget, the FY 2020 Budget version 2.0 revenue projection prepared in April, and the final audited FY 2019 General Fund revenues. As noted in July, Sales Tax revenue is comparing relatively favorably to FY 2019 as online purchases and grocery store sales, increased substantially and cancelled-out Sales Tax losses from restaurants and hotels, Meals Tax revenue is trending at -17.6 % below the normal levels and Transient Lodging is significantly lower at -32.7 % compared to FY 2019 actuals. Business License taxes, which were based on pre-COVID-19 2019 business receipts, showed no decline. Businesses in general did not utilize the City’s offer of tax deferral.

FY 2020 Expenditures

In April 2020, Budget version 2.0 was released, which made significant changes to the planned expenditures of FY 2020 to ensure that the City operate in a deficit. Significant reductions were made to the cash capital funding of the CIP, which resulted in a \$24 million loss avoidance in FY 2020. In addition, a selective hiring freeze was put in place, and departments were asked to limit spending, knowing that the last quarter of the fiscal year would be very unpredictable and difficult. Staff agencies (general government, courts, legislative and executive agencies) expended 91% of their budgeted amounts and operating agencies (public works, public safety, community development, excluding transit) expended 95%. Attachment 3 compares current pre-audited year-end General Fund expenditures to both the budgeted amount, as well as the final audited year end expenditures from FY 2019.

Economic Recovery

In April 2020, when staff developed a projection for FY 2020 and FY 2021, it was difficult to predict the length of the economic decline and the speed of recovery. At that time, economists were contemplating a swift return to normalcy or V-shaped or U-shaped recovery. It is apparent now that the decline will last significantly longer, and full recovery could be several years into the future. Recovery models now resemble an L-shape or what is being referred to as a “chain-saw” recovery in which there are many small increases and decreases over a long period of time, as the virus surges and abates. The most prevalent opinion is an economic state of uncertainty and a period of economic decline lasting two to three years. While it may be easier for portions of the City’s economy to recover, the restaurant and hotel sectors and its tourism tax impact may take a very long time to fully recover.

ATTACHMENTS:

Attachment 1: Financial Milestones in FY 2021 for FY 2020

Attachment 2: Comparative Revenue Schedule for June 30, 2020

Attachment 3: Comparative Expenditure Schedule for June 30, 2020

STAFF:

Laura B. Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Morgan Routt, Director, Office of Management and Budget

Key Financial Milestones in FY 2021

July 2020

- Fiscal Year 2021 began

August 2020

- Approximately 121,000 personal property tax bills were mailed to residents and vehicle owners
- Approximately 5,000 business personal property tax bills were mailed to business owners

September 2020

- Approximately 45,000 real estate tax bills will be mailed to property owners (including solid waste and stormwater utility fee billings)
- The federal fiscal year ends on September 30

October 2020

- Personal Property taxes are due on October 5. This is the first significant revenue collection activity for the fiscal year. Proposed legislation exists to delay the due date to December 15, 2020
- The City's FY 2020 preliminary audit results should be available.

November 2020

- The FY 2020 Comprehensive Annual Financial Report presented to City Council
- Real Estate taxes are due on November 15. Revenue from this payment is the second half of payment for calendar year 2020, reflecting the 2020 real estate assessment and the 2020 tax rate set by City Council in April 2020.

December 2020

- Holiday sales taxes are collected. This month typically reflects the highest amount of sales tax generated for the year. Taxes are remitted to the State in January and remitted to the City in February.

January 2021

- Business License renewal forms will be mailed to approximately 12,000 business owners

February 2021

- City Council will receive the 2021 Real Estate Assessment Report
- Real Estate Assessment notices mailed to property owners
- City Manager will present his Proposed FY 2022 Operating Budget and Capital Improvement Program for FY 2022 to FY 2031

March 2021

- Business License Taxes are due on March 1

April 2021

- Budget work sessions for FY 2022 conclude

May 2021

- Business Personal Property tax returns due May 1
- City Council approves FY 2022 Budget
- City Council sets the tax rates for Calendar Year 2021
- 45,000 real property tax and stormwater utility fee bills are mailed to property owners

June 2021

- Real Property taxes are due on June 15
- Fiscal Year 2021 ends

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING JUNE 30, 2020 AND JUNE 30, 2019

	A	B.1	B	D	E
	FY 2020	FY 2020	FY2020	FY2019	% Change
	APPROVED	PROJECTED	REVENUES	REVENUES	YE Actuals
	BUDGET	REVENUES	THRU 06/30/20	THRU 06/30/19	FY19 to FY20
General Property Taxes					
Real Property Taxes.....	\$ 462,848,143	\$ 459,370,705	\$ 459,756,284	\$ 451,685,949	1.8%
Personal Property Taxes.....	56,926,910	53,929,638	54,519,245	50,007,122	9.0%
Penalties and Interest.....	2,708,000	1,762,663	2,988,027	2,923,419	2.2%
Total General Property Taxes	<u>\$ 522,483,053</u>	<u>\$ 515,063,006</u>	<u>\$ 517,263,555</u>	<u>\$ 504,616,490</u>	<u>2.5%</u>
Other Local Taxes					
Local Sales and Use Taxes.....	\$ 28,800,000	\$ 25,888,795	\$ 29,940,417	\$ 28,787,034	4.0%
Consumer Utility Taxes.....	12,000,000	12,600,000	12,077,396	11,264,818	7.2%
Communication Sales and Use Taxes.....	9,200,000	8,710,000	8,217,077	9,167,402	-10.4%
Business License Taxes.....	34,378,000	30,800,000	35,154,223	36,883,865	-4.7%
Transient Lodging Taxes.....	12,800,000	6,966,061	8,663,346	12,879,159	-32.7%
Restaurant Meals Tax.....	24,231,000	14,599,336	19,765,936	23,999,949	-17.6%
Tobacco Taxes.....	2,600,000	2,600,000	2,321,508	2,513,138	-7.6%
Motor Vehicle License Tax.....	-	-	163,361	3,558,915	-95.4%
Real Estate Recordation.....	6,000,000	7,254,688	7,144,558	5,915,166	20.8%
Admissions Tax.....	670,000	389,579	443,640	574,440	-22.8%
Other Local Taxes.....	4,809,090	4,840,000	4,279,031	4,716,902	-9.3%
Total Other Local Taxes	<u>\$ 135,488,090</u>	<u>\$ 114,648,458</u>	<u>\$ 128,170,493</u>	<u>\$ 140,260,786</u>	<u>-8.6%</u>
Intergovernmental Revenues					
Revenue from the Fed. Government.....	\$ 9,397,000	\$ 9,123,029	\$ 8,966,553	\$ 8,513,569	5.3%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	23,578,531	23,578,531	0.0%
Revenue from the Commonwealth.....	24,621,515	23,755,540	24,340,253	24,032,022	1.3%
Total Intergovernmental Revenues	<u>\$ 57,597,046</u>	<u>\$ 56,457,100</u>	<u>\$ 56,885,336</u>	<u>\$ 56,124,121</u>	<u>1.4%</u>
Other Governmental Revenues And Transfers In					
Fines and Forfeitures.....	\$ 4,930,450	3,373,968	4,052,312	\$ 4,297,753	-5.7%
Licenses and Permits.....	2,615,350	1,419,920	1,387,070	2,802,064	-50.5%
Charges for City Services.....	15,790,462	11,449,323	11,227,695	22,276,812	-49.6%
Revenue from Use of Money & Prop.....	11,406,650	10,596,325	8,610,954	11,265,651	-23.6%
Other Revenue.....	2,591,285	2,701,920	1,966,605	2,663,744	-26.2%
Transfer from Other Funds.....	9,291,882	9,291,882	9,291,882	11,921,244	-22.1%
Total Other Governmental Revenues	<u>\$ 46,626,079</u>	<u>\$ 38,833,338</u>	<u>\$ 36,536,517</u>	<u>\$ 55,227,268</u>	<u>-33.8%</u>
TOTAL REVENUE	<u>\$ 762,194,268</u>	<u>\$ 725,001,902</u>	<u>\$ 738,855,902</u>	<u>\$ 756,228,665</u>	<u>-2.3%</u>
Appropriated Fund Balance					
General Fund.....	\$ 13,660,407	\$ 13,660,406		\$ -	
Cash Capital.....				-	
Encumbrances And Other.....	3,822,282			-	
Supplemental Appropriations.....				-	
TOTAL	<u>\$ 779,676,957</u>	<u>\$ 738,662,308</u>	<u>\$ 738,855,902</u>	<u>\$ 756,228,665</u>	<u>-2.3%</u>

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
 GENERAL FUND
 FOR THE PERIODS ENDING JUNE 30, 2020 AND JUNE 30, 2019**

FUNCTION	A	B	C=B/A	D	E
	FY 2020 APPROVED BUDGET	FY2020 EXPENDITURES THRU 06/30/2020	% OF BUDGET EXPENDED	FY2019 EXPENDITURES THRU 06/30/2020	% Change YE Actuals FY19 to FY20
	Legislative & Executive.....	\$ 3,505,056	\$ 3,316,032	94.6%	\$ 3,008,738
Judicial Administration.....	\$ 46,108,969	\$ 44,104,547	95.7%	\$ 43,307,679	1.8%
Staff Agencies					
Communications.....	\$ 1,544,294	\$ 1,483,898	96.1%	\$ 1,297,130	14.4%
Human Rights.....	925,798	927,429	100.2%	855,576	8.4%
Information Technology Services.....	12,108,431	11,231,715	92.8%	11,211,635	0.2%
Management & Budget.....	1,363,729	1,337,039	98.0%	1,197,984	11.6%
Finance.....	13,535,967	11,760,752	86.9%	11,533,422	2.0%
Performance and Accountability.....	535,509	502,560	93.8%	418,186	20.2%
Internal Audit.....	442,002	264,791	59.9%	222,484	19.0%
Human Resources.....	4,689,778	4,257,512	90.8%	4,037,511	5.4%
Organizational Excellence	150,446	80,322	53.4%	0	
Planning & Zoning.....	6,390,022	5,949,329	93.1%	5,650,982	5.3%
Economic Development Activities.....	7,108,432	6,445,037	90.7%	5,621,162	14.7%
City Attorney.....	4,432,658	4,305,964	97.1%	3,809,243	13.0%
Registrar.....	1,335,329	1,254,529	93.9%	1,107,039	13.3%
General Services.....	12,012,997	10,516,619	87.5%	13,541,084	-22.3%
Total Staff Agencies	\$ 66,575,392	\$ 60,317,497	90.6%	\$ 60,503,440	84.1%
Operating Agencies					
Transportation & Environmental Services.....	\$ 24,320,590	\$ 22,243,805	91.5%	\$ 26,574,693	-16.3%
Project Implementation.....	-	-	0.0%	51	-100.0%
Fire.....	55,307,474	53,416,298	96.6%	53,773,330	-0.7%
Police.....	67,140,443	63,435,137	94.5%	63,951,127	-0.8%
Emergency & Customer Communications.....	8,472,252	8,038,616	94.9%	7,263,356	10.7%
Code.....	24,449	6,510	26.6%	4,939	31.8%
Transit Subsidies.....	21,751,104	16,570,690	76.2%	16,926,703	-2.1%
Housing.....	1,909,924	1,829,009	95.8%	1,664,108	9.9%
Community and Human Services.....	14,568,731	13,823,142	94.9%	13,373,621	3.4%
Health.....	8,854,117	8,376,889	94.6%	8,434,051	-0.7%
Historic Resources.....	3,565,280	3,304,724	92.7%	2,952,294	11.9%
Recreation.....	24,011,339	22,495,749	93.7%	22,309,889	0.8%
Total Operating Agencies	\$ 229,925,703	\$ 213,540,569	92.9%	\$ 217,228,163	-1.7%
Education					
Schools.....	\$ 231,669,496	\$ 231,669,496	100.0%	\$ 223,829,302	3.5%
Other Educational Activities.....	16,128	16,128	100.0%	12,142	32.8%
Total Education	\$ 231,685,624	\$ 231,685,624	100.0%	\$ 223,841,444	3.5%
Capital, Debt Service and Miscellaneous					
Debt Service - City.....	\$ 35,530,695	\$ 35,530,610	100.0%	\$ 38,552,321	-7.8%
Debt Service - Schools.....	\$ 28,112,251	\$ 28,112,251	100.0%	\$ 28,924,085	-2.8%
Non-Departmental.....	9,445,496	7,495,439	79.4%	10,152,794	-26.2%
General Cash Capital.....	44,230,142	20,229,184	45.7%	36,966,696	-45.3%
Contingent Reserves.....	258,595	-	0.0%	-	0.0%
Total Capital, Debt Service and Miscellaneous	\$ 117,577,179	\$ 91,367,484	77.7%	\$ 114,595,896	-20.3%
TOTAL EXPENDITURES	\$ 695,377,923	\$ 644,331,752	92.7%	\$ 662,485,360	-2.7%
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects Funds).....	\$ 52,973,299	\$ 52,600,009	99.3%	\$ 50,517,377	4.1%
Transfer to Housing.....	\$ 8,867,775	8,893,944	100.3%	10,178,063	-12.6%
Transfer to Library.....	\$ 7,165,682	7,141,656	99.7%	7,051,213	1.3%
Transfer to DASH.....	\$ 15,292,278	15,174,144	99.2%	12,650,935	19.9%
TOTAL EXPENDITURES & TRANSFERS	\$ 779,676,957	\$ 728,141,505	93.4%	\$ 742,882,947	-2.0%
Total Expenditures by Category					
Salaries and Benefits.....	\$ 232,520,238	\$ 221,098,487	95.1%	\$ 221,461,575	-0.2%
Non Personnel (includes all school funds)	547,156,719	507,043,018	92.7%	521,421,373	-2.8%
TOTAL EXPENDITURES	\$ 779,676,957	\$ 728,141,505	93.4%	\$ 742,882,947	-2.0%