City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 4, 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 September 30, 2020.

ISSUE: Receipt of the Monthly Financial Report for the Period Ending September 30, 2020.

RECOMMENDATION: That City Council receive the Monthly Financial Report.

BACKGROUND: The following discussion is a summary of the Monthly Financial Report for this period. Detailed comparative schedules are attached.

At this time in FY 2021, the City's total revenue collection is not noticeably different than what was projected for the first three months of the fiscal year, however revenue collections are likely to decline as COVID-19's impact on the City may be greater than budgeted. Based on current economic forecasts, and fiscal trends, the post COVID-19 economic recovery will likely be longer than earlier projected, and revenues will be less than currently budgeted. With FY 2021 revenues projected to be $10 million less than budgeted, staff has begun to review options that will keep the FY 2021 budget in balance without resorting to further use of fund balance beyond $7.9 million that was budgeted for FY 2021.

As of September 30, 2020, General Fund revenues totaled $65.8 million, an increase of $0.9 million or 1.5% more than the revenues collected at the same time in FY 2020. Through the first quarter, approximately 8.8 percent of budgeted revenues have been collected. Timing anomalies are most pronounced early in the fiscal year, which can be the cause of the significant year over year variance. In addition, revenue collected in July and some of the revenue collected in August are for taxes owed in June and are therefore accrued and accounted in the prior fiscal year.

The first significant tax revenue in FY 2021 is traditionally due on October 5, when personal property taxes for vehicle and business personal property are due. Early in September, City Council extended this deadline to December 15th. Even with this extension, receipts through September 2020 are substantially ahead of the same

time period last year. This is related to the timing of the bill mailing and may have no relationship to any economic condition. Through the first three months of the fiscal year, no category has sufficient receipts to establish a clear pattern; however, from other economic data, staff believes that FY 2021 revenue collections will likely be less than budgeted. Staff continues to refine FY 2021 revenue projections and will present the findings at Council's November 7 Retreat.

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.

Local Sales and Use tax revenue is higher than receipts from month three in FY20 due to timing of remittance of funds from the Commonwealth. Business License and Telecommunication tax receipts are also higher than last fiscal year. Most business license tax receipts received at this time of the year are based on calendar year 2019 receipts. Most business license taxes for receipts for calendar year 2020 business income are not due until March. As expected, Meals Sales tax revenue and Transient Lodging tax is lower than this period last year. Non-tax revenues are also showing the effects of the pandemic for a variety of reasons. Social distancing and "safer at home" directives are significantly impacting revenues that are dependent on entrance and rental fees (recreation classes, facility rentals, e.g.). The development of the FY 2021 General Fund revenue budget included a careful review of each revenue category to estimate the impact COVID-19 might have on receipts and many categories were reduced in advance of continued impacts on the City's economy from the pandemic. Revenue from the use of money and property is lower than last fiscal year due to interest rates being significantly lower than prior years resulting in reduced revenue from investments. Lower interest rates were anticipated and the budget for Interest on General Fund Investments was reduced significantly in FY 2021. Attachment 3 provides City Council with the quarterly investment earnings report. The majority of the City's investments are in the Local Government Investment Pool ($252 million), which is currently earning 0.22 percent. Updated consumer spending charts will be presented at the City Council retreat and will be included in the October Monthly Financial Report, which will be presented in December.

As of September 30, 2020, General Fund expenditures totaled $154.2 million, a decrease of $3.8 million or 2.4% over the same time period for FY 2020. There is a decreased rate of spending noted for most City departments which is a factor of many employees still teleworking due to COVID, the hiring freeze in place City-wide and a reduction in use of overtime and seasonal and temporary employees. Similar to the situation with revenues, it is too soon to make any longer-term economic interpretation from the activity that has occurred in the first three months of the fiscal year. Beyond the expenses related to the pandemic response, no significant expenditure has occurred in the first quarter of Fiscal Year 2021 that is unbudgeted or unexpected. The most significant difference is the timing and source of payments. For example, Debt Service payments scheduled in July are greater in FY 2021 than in FY 2020 due to planned borrowing for capital projects.

ATTACHMENTS:
Attachment 1: Comparative Statement of General Fund Revenues
Attachment 2: Comparative Statement of General Fund Expenditures
Attachment 3: FY 2021 First Quarter Investment Report

STAFF:
Laura B. Triggs, Deputy City Manager
Kendel Taylor, Director, Finance Department
Morgan Routt, Director, Office and Management and Budget
Mayuri Middough, Division Chief of Administration

Attachment 1

CITY OF ALEXANDRIA, VIRGINIA

COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

	B FY 2021 APPROVED BUDGET	C FY2021 REVENUES THRU 9/30/2020	D=C/B % OF BUDGET	E FY 2020 APPROVED BUDGET	F FY2020 REVENUES THRU 9/30/2019	G=F/E % OF TOTAL
General Property Taxes						
Real Property Taxes	$ 477,554,000	$ 4,153,638	0.9%	$ 462,848,143	$ 2,638,317	0.6%
Personal Property Taxes	55,213,000	25,801,926	46.7%	56,926,910	22,082,760	38.8%
Penalties and Interest	2,808,000	159,322	5.7%	2,708,000	175,742	6.5%
Total General Property Taxes	$ 535,575,000	$ 30,114,886	5.6%	$ 522,483,053	$ 24,896,819	4.8%
Other Local Taxes						
Local Sales and Use Taxes	$ 26,194,000	$ 2,580,134	9.9%	$ 28,800,000	$ 2,543,624	8.8%
Consumer Utility Taxes	12,700,000	1,356,243	10.7%	12,000,000	1,186,571	9.9%
Communication Sales and Use Taxes	8,275,000	1,438,202	17.4%	9,200,000	769,774	8.4%
Business License Taxes	22,000,000	936,992	4.3%	34,378,000	298,329	0.9%
Transient Lodging Taxes	10,833,000	664,675	6.1%	12,800,000	2,103,676	16.4%
Restaurant Meals Tax	20,500,000	3,787,150	18.5%	24,231,000	4,366,821	18.0%
Tobacco Taxes	2,600,000	381,199	14.7%	2,600,000	430,022	16.5%
Motor Vehicle License Tax	-	6,093	0.0%	-	-	0.0%
Real Estate Recordation	5,900,000	2,074,953	35.2%	6,000,000	1,189,933	19.8%
Admissions Tax	500,000	3,714	0.7%	670,000	115,475	17.2%
Other Local Taxes	5,109,090	226,395	4.4%	4,809,090	14,634	0.3%
Total Other Local Taxes	$ 114,611,090	$ 13,455,751	11.7%	$ 135,488,090	$ 13,018,858	9.6%
Intergovernmental Revenues						
Revenue from the Fed. Government	$ 11,109,303	$ 1,273,474	11.5%	$ 10,397,000	$ 1,284,555	12.4%
Personal Property Tax Relief from the Commonwealth	23,578,531	13,325,782	56.5%	23,578,531	11,789,265	50.0%
Revenue from the Commonwealth	23,547,855	3,398,964	14.4%	23,564,515	5,101,173	21.6%
Total Intergovernmental Revenues	$ 58,235,689	$ 17,998,220	30.9%	$ 57,540,046	$ 18,174,993	31.6%
Other Governmental Revenues And Transfers In						
Fines and Forfeitures	$ 3,502,615	$ 809,380	23.1%	4,930,450	$ 1,071,736	21.7%
Licenses and Permits	2,339,631	579,329	24.8%	2,615,350	727,564	27.8%
Charges for City Services	14,308,344	1,603,688	11.2%	15,790,462	3,813,864	24.2%
Revenue from Use of Money & Prop	5,498,250	990,332	18.0%	11,406,650	2,359,946	20.7%
Other Revenue	2,019,966	273,544	13.5%	2,016,285	817,554	40.5%
Transfer from Other Funds	9,246,427	-	0.0%	9,271,882	-	0.0%
Total Other Governmental Revenues	$ 36,915,233	$ 4,256,273	11.5%	$ 46,031,079	$ 8,790,665	19.1%
TOTAL REVENUE	$ 745,337,012	$ 65,825,130	8.8%	$ 761,542,268	$ 64,881,335	8.5%
						-
Appropriated Fund Balance						-
General Fund	$ 7,939,135	$ -	$ -	$ 2,893,585	$ -	-
Cash Capital						
Encumbrances And Other		-	-	-	-	-
Supplemental Appropriations	-	-	-	4,360,247	-	-
TOTAL	$ 753,276,147	$ 65,825,130	8.7%	$ 768,796,100	$ 64,881,335	8.4%

25.0% of Fiscal Year Completed **Attachment 2**

22.1% of Payrolls Processed

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

	B	C	D=C/B	E	F	G=F/E
FUNCTION	**FY 2021 APPROVED BUDGET**	**FY2021 EXPENDITURES THRU 8/31/2020**	**% OF BUDGET EXPENDED**	**FY 2020 APPROVED BUDGET**	**FY2020 EXPENDITURES THRU 8/31/2019**	**% OF BUDGET EXPENDED**
Legislative & Executive	$ 3,491,191	$ 769,522	22.0%	$ 3,420,083	$ 710,623	20.8%
Judicial Administration	$ 45,325,870	$ 10,115,065	22.3%	$ 45,753,450	$ 10,247,744	22.4%
Staff Agencies						
Communications	$ 1,547,230	$ 332,780	21.5%	$ 1,544,299	$ 320,452	20.8%
Human Rights	940,880	218,833	23.3%	905,803	223,007	24.6%
Information Technology Services	12,664,588	4,056,011	32.0%	12,112,402	4,402,420	36.3%
Management & Budget	1,275,096	263,137	20.6%	1,289,191	310,249	24.1%
Finance	12,319,067	2,552,331	20.7%	13,636,052	2,593,912	19.0%
Performance and Accountability	509,308	164,104	32.2%	524,512	166,635	31.8%
Internal Audit	306,170	69,971	22.9%	442,003	53,056	12.0%
Human Resources	4,012,280	940,949	23.5%	4,540,243	1,082,459	23.8%
Planning & Zoning	5,777,856	1,259,113	21.8%	6,200,058	1,253,535	20.2%
Economic Development Activities	6,923,390	1,630,550	23.6%	7,131,946	1,515,208	21.2%
City Attorney	3,251,445	673,881	20.7%	3,018,893	951,979	31.5%
Registrar	1,459,825	396,057	27.1%	1,335,337	258,611	19.4%
Organizational Excellence	152,429	28,752	18.9%	-	-	-
General Services	10,950,902	2,085,847	19.0%	12,069,541	2,508,792	20.8%
Total Staff Agencies	$ 62,090,466	$ 14,672,318	23.6%	$ 64,750,280	$ 15,640,315	24.2%
Operating Agencies						
Transportation & Environmental Services	$ 21,423,671	$ 4,108,897	19.2%	$ 24,122,255	$ 4,477,519	18.6%
Project Implementation	-	25	0.0%	-	269	0.0%
Fire	51,683,050	10,327,763	20.0%	55,307,639	11,462,957	20.7%
Police	62,042,696	12,714,115	20.5%	67,140,759	13,726,211	20.4%
Emergency Communications	8,727,703	2,200,265	25.2%	8,178,881	2,036,219	24.9%
Code	24,000	898	3.7%	33,060	1,347	4.1%
Transit Subsidies	20,658,367	293,054	1.4%	21,760,499	5,517,728	25.4%
Housing	1,757,228	426,389	24.3%	1,883,181	417,763	22.2%
Community and Human Services	13,847,042	3,007,273	21.7%	14,569,180	3,371,127	23.1%
Health	9,442,886	2,127,921	22.5%	8,320,647	2,082,687	25.0%
Historic Resources	3,295,795	810,971	24.6%	3,431,620	757,792	22.1%
Recreation	23,063,820	4,552,351	19.7%	23,855,374	5,585,902	23.4%
Total Operating Agencies	$ 215,966,258	$ 40,569,922	18.8%	$ 228,603,095	$ 49,437,521	21.6%
Education						
Schools	$ 234,037,296	$ 31,304,223	13.4%	$ 231,669,496	$ 31,655,726	13.7%
Other Educational Activities	16,009	4,002	25.0%	16,128	4,032	25.0%
Total Education	$ 234,053,305	$ 31,308,225	13.4%	$ 231,685,624	$ 31,659,758	13.7%
Capital, Debt Service and Miscellaneous						
Debt Service - City	$ 37,288,071	$ 22,875,139	61.3%	$ 35,530,695	$ 18,522,034	52.1%
Debt Service - Schools	$ 28,578,698	$ 17,335,934	60.7%	$ 28,112,251	$ 14,452,218	51.4%
Expenses on Refunding Bonds	-	-	0.0%	-	-	0.0%
Non-Departmental	$ 13,432,612	4,603,903	34.3%	9,495,526	5,337,813	13.3%
General Cash Capital	$ 27,948,743	-	0.0%	40,031,577	-	0.0%
Contingent Reserves	-	-	0.0%	799,170		0.0%
Total Capital, Debt Service and Miscellaneous	$ 107,248,124	$ 44,814,976	41.8%	$ 113,969,219	$ 38,312,064	33.6%
TOTAL EXPENDITURES	$ 668,175,214	$ 142,250,027	21.3%	$ 688,181,753	$ 146,008,025	21.2%
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects Funds)	$ 60,201,280	$ 11,791	0.0%	$ 58,216,301	$ 192,272	0.0%
Transfer to Housing	-	-	0.0%	-		0.0%
Transfer to Library	7,175,971	15,283	0.2%	7,115,754	13,462	0.2%
Transfer to DASH	17,723,682	11,941,138	67.4%	15,282,278	11,820,068	77.3%
TOTAL EXPENDITURES & TRANSFERS	$ 753,276,147	$ 154,218,240	20.5%	$ 768,796,086	$ 158,033,828	20.6%
Total Expenditures by Category						
Salaries and Benefits	$ 228,904,844	$ 47,719,807	20.8%	$ 233,446,958	$ 50,431,799	21.6%
Non Personnel (includes all school funds)	524,371,303	$ 106,498,433	20.3%	$ 535,349,128	107,602,028	20.1%
Total Expenditures	$ 753,276,147	$ 154,218,240	20.5%	$ 768,796,086	$ 158,033,827	20.6%

City of Alexandria
Investment Report
As of September 30, 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:

- Director of Finance – Kendel Taylor
- Assistant Director of Finance/Revenue – Kevin Greenlief
- 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 September 30, 2020

Security Type	Balance (millions)	Allocation
Local Government Investment Pool (LGIP)	$252.5	80.1%
Virginia Investment Pool (VIP) 1 – 3 Year	22.7	7.2%
Virginia Investment Pool (VIP) Liquidity	11.1	3.5%
CDARS	28.3	9.0%
Money Market/Sweep	0.5	0.2
Total	$315.2	100.0%

Return on Investment 1Q – FY 2021

Security Type	Balance (millions)	Yield (Weighted Average)
Local Government Investment Pool (LGIP)	$252.5	0.22%
Virginia Investment Pool (VIP) 1 – 3 Year	22.7	1.42%
Virginia Investment Pool (VIP) Liquidity	11.1	0.22%
CDARS	28.3	1.54%
Money Market/Sweep	0.5	0.0
Total	$315.2	0.42%