City of Alexandria

Legislation Text

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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/


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
### CITY OF ALEXANDRIA, VIRGINIA

#### COMPARATIVE STATEMENT OF REVENUES

**GENERAL FUND**

**FOR THE PERIODS ENDING SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019**

<table>
<thead>
<tr>
<th>B FY 2020</th>
<th>C FY2021</th>
<th>D=C/B</th>
<th>E FY 2020</th>
<th>F FY2020</th>
<th>G=F/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPROVED</td>
<td>REVENUES</td>
<td>%</td>
<td>APPROVED</td>
<td>REVENUES</td>
<td>%</td>
</tr>
<tr>
<td>BUDGET</td>
<td>THRU 9/30/2020</td>
<td></td>
<td>BUDGET</td>
<td>THRU 9/30/2019</td>
<td></td>
</tr>
</tbody>
</table>

#### General Property Taxes

- Real Property Taxes: $477,554,000 \( \times 0.9\% = $4,153,638 \) $462,848,143 $2,638,317 0.6%
- Personal Property Taxes: $55,213,000 \( \times 46.7\% = 25,801,926 \) $56,926,910 22,082,760 38.8%
- Penalties and Interest: $2,808,000 \( \times 5.7\% = 159,322 \) $2,708,000 175,742 6.5%

**Total General Property Taxes:** $535,575,000 \( \times 5.6\% = 30,114,886 \) $522,483,053 $24,896,819 4.8%

#### Other Local Taxes

- Local Sales and Use Taxes: $26,194,000 \( \times 9.9\% = 2,580,134 \) $28,800,000 11,186,571 9.9%
- Consumer Utility Taxes: $12,700,000 \( \times 10.7\% = 1,356,243 \) $12,000,000 11,867,571 10.7%
- Communication Sales and Use Taxes: $8,275,000 \( \times 17.4\% = 1,438,202 \) $9,200,000 769,774 8.4%
- Business License Taxes: $22,000,000 \( \times 4.3\% = 936,992 \) $34,378,000 298,329 0.9%
- Transient Lodging Taxes: $10,833,000 \( \times 6.1\% = 664,675 \) $12,800,000 2,103,676 16.4%
- Restaurant Meals Tax: $20,500,000 \( \times 18.5\% = 3,787,150 \) $24,231,000 4,366,211 18.0%
- Tobacco Taxes: $2,600,000 \( \times 14.7\% = 381,199 \) $2,600,000 430,022 16.5%
- Motor Vehicle License Tax: $- \( \times 0.0\% = - \) $- 0.0%
- Real Estate Recordation: $5,900,000 \( \times 35.2\% = 2,074,953 \) $6,000,000 1,189,935 19.8%
- Admissions Tax: $500,000 \( \times 0.7\% = 3,714 \) $670,000 115,475 17.2%
- Other Local Taxes: $5,109,090 \( \times 4.4\% = 226,395 \) $4,809,090 14,634 0.3%

**Total Other Local Taxes:** $114,611,090 \( \times 11.7\% = 13,455,751 \) $135,488,090 13,018,858 9.6%

#### Intergovernmental Revenues

- Revenue from the Fed. Government: $11,109,303 \( \times 11.5\% = 1,273,474 \) $10,397,000 1,284,555 12.4%
- Personal Property Tax Relief from the Commonwealth: $23,578,531 \( \times 56.5\% = 13,325,782 \) $23,578,531 11,789,265 50.0%
- Revenue from the Commonwealth: $23,547,855 \( \times 11.5\% = 3,398,964 \) $23,564,515 5,101,173 21.6%

**Total Intergovernmental Revenues:** $58,235,689 \( \times 30.9\% = 17,998,220 \) $57,540,046 $18,174,993 31.6%

#### Other Governmental Revenues And Transfers In

- Fines and Forfeitures: $3,502,615 \( \times 23.1\% = 809,380 \) $4,930,450 $1,071,736 21.7%
- Licenses and Permits: $2,339,831 \( \times 24.8\% = 579,329 \) $2,615,350 727,564 27.8%
- Charges for City Services: $14,308,344 \( \times 11.2\% = 1,603,688 \) $15,790,426 3,813,864 24.2%
- Revenue from Use of Money & Prop.: $5,498,250 \( \times 18.0\% = 990,332 \) $11,406,650 2,359,946 20.7%
- Other Revenue: $2,019,966 \( \times 13.5\% = 273,544 \) $2,016,285 817,554 40.5%
- Transfer from Other Funds: $9,246,424 \( \times 0.0\% = - \) $9,271,882 0.0%

**Total Other Governmental Revenues:** $36,915,233 \( \times 11.5\% = 4,256,273 \) $46,031,079 $8,790,665 19.1%

**TOTAL REVENUE:** $745,337,012 \( \times 8.8\% = 65,825,130 \) $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 -

**TOTAL:** $753,276,147 \( \times 8.7\% = 65,825,130 \) $768,796,100 $64,881,335 8.4%
## Comparative Statement of Expenditures & Transfers by Function

**General Fund**

### For the Periods Ending August 31, 2020 and August 31, 2019

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>B FY 2021 APPR.</th>
<th>C FY 2021 EXP.</th>
<th>D=C/B %</th>
<th>E FY 2020 APPR.</th>
<th>F FY 2020 EXP.</th>
<th>G=F/E %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative &amp; Executive</td>
<td>$3,491,191</td>
<td>$769,322</td>
<td>22.0%</td>
<td>$3,420,083</td>
<td>$710,623</td>
<td>20.8%</td>
</tr>
<tr>
<td>Judicial Administration</td>
<td>$40,329,870</td>
<td>$10,113,065</td>
<td>23.3%</td>
<td>$45,783,490</td>
<td>$9,247,744</td>
<td>22.4%</td>
</tr>
</tbody>
</table>

### Staff Agencies

- **Communications**
  - $1,547,230

- **Human Rights**
  - $940,888

- **Information Technology Services**
  - $12,644,988

- **Management & Budget**
  - $1,278,096

- **Finance**
  - $12,138,067

- **Performance and Accountability**
  - $590,308

- **Internal Audit**
  - $308,170

- **Human Resources**
  - $4,012,280

- **Planning & Zoning**
  - $5,777,856

- **Economic Development Activities**
  - $6,923,290

- **City Attorney**
  - $5,215,448

- **Registrar**
  - $1,458,825

- **Organizational Excellence**
  - $152,429

- **General Services**
  - $10,905,902

| Total Staff Agencies | $62,090,466 | $14,672,318 | 23.0% | $64,750,280 | $15,640,315 | 24.2% |

### Operating Agencies

- **Transportation & Environmental Services**
  - $21,423,671

- **Fire**
  - $51,683,050

- **Police**
  - $62,042,969

- **Emergency Communications**
  - $8,727,703

- **Code**
  - $24,000

- **Transit Subsidies**
  - $20,658,367

- **Housing**
  - $1,757,228

- **Community and Human Services**
  - $13,847,042

- **Health**
  - $9,442,886

- **Historic Resources**
  - $3,295,795

- **Recreation**
  - $25,063,820

| Total Operating Agencies | $213,966,258 | $40,589,922 | 18.8% | $228,603,095 | $49,437,321 | 21.6% |

### Education

- **Schools**
  - $234,037,296

- **Other Educational Activities**
  - $18,009

| Total Education | $234,055,308 | $31,304,223 | 13.4% | $231,669,496 | $31,655,726 | 13.7% |

### Capital, Debt Service and Miscellaneous

- **Debt Service - City**
  - $37,288,071

- **Debt Service - Schools**
  - $28,578,698

- **Expenses on Refunding Bonds**
  - $9,442,886

- **Non-Departmental**
  - $13,452,612

- **General Cash Capital**
  - $27,948,743

| 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

- $68,181,753

| Total Expenditures | $668,175,214 | $142,250,027 | 21.3% | $688,181,753 | $146,008,023 | 21.2% |

### Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue/Capital Projects Funds)

- $60,201,280

- $7,175,971

- $17,723,682

| TOTAL EXPENDITURES & TRANSFERS | $753,276,147 | $154,218,240 | 20.5% | $768,796,086 | $158,033,827 | 20.6% |

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*Note: percentages may not add up due to rounding.*
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

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Maximum % of the Total Funds Available for Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations of Virginia</td>
<td>40%</td>
</tr>
<tr>
<td>Obligations of the US</td>
<td>75%</td>
</tr>
<tr>
<td>Obligations of Virginia Municipalities</td>
<td>40%</td>
</tr>
<tr>
<td>Prime Quality Commercial Paper</td>
<td>25%</td>
</tr>
<tr>
<td>Commercial Paper of any one Issuing Corporation</td>
<td>5%</td>
</tr>
<tr>
<td>CDARs</td>
<td>75%</td>
</tr>
<tr>
<td>ICS</td>
<td>40%</td>
</tr>
<tr>
<td>LGIP</td>
<td>75%</td>
</tr>
<tr>
<td>VIP</td>
<td>75%</td>
</tr>
</tbody>
</table>
Portfolio as of September 30, 2020

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

Return on Investment 1Q – FY 2021

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