

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 8, 2017
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

TITLE

Consideration of the Monthly Financial Report for the Period Ending December 31, 2016.

BODY

ISSUE: Receipt of the Monthly Financial Report for the Period Ending December 31, 2016.

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 2016 are attached.

At this time in FY 2017, the City's revenue and expenditures are not noticeably different than the same time period last year. As of December 31, 2016, General Fund revenues totaled \$368.5 million, an increase of \$30.8 million or 9.1% above the revenues collected at the same time in FY 2016. Through the first six months of the fiscal year, approximately 54 percent of budgeted revenues have been collected. Revenues may not track consistently with the calendar since many revenue sources have dues 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.

It should be noted that FY 2016 included a bond refunding of \$10.6 million in the first quarter that increased recorded revenue. This compares with a bond refunding in FY 2017 that occurred in November of \$34.2 million, which saved approximately \$2.4 million over the next 10 years. If the refunding revenue is excluded in both years, revenue of \$334.3 million collected in the first six months of FY 2017 compares to \$327.0 million in the first six months of FY 2016. This increase is an increase of 2.2 percent compared to last year. General Property taxes are trending at 4.2 percent more than last year. This is consistent with the increase in the overall General Fund Operating Budget from FY 2016 to FY 2017, which increased from \$649.2 million to \$678.5 million, including a 5.4 percent increase in Real Property. A detailed description of specific revenue variances is included as Attachment 3.

As of December 31, 2016, General Fund expenditures totaled \$339.0 million, an increase of \$47.3 million over the same time period for FY 2016. As noted above, there were bond refundings in both years that were significantly different. Without the refundings in the calculation, total expenditures in FY 2017 are \$304.8 million compared to \$280.9 million in FY 2016, which reflects an 8.5 percent increase in spending to date. The primary difference relates to cash capital. In FY 2017, transfer of cash capital to the Capital Improvement Program was posted in December. In FY 2016, the accounting event was not executed until January 2016. A similar impact is occurring due to the timing of the transfer of funds to the Libraries. Excluding the bond refundings and these transfers, total expenditures and transfers represent an increase of only 1.19 percent over the same time period in the prior fiscal year. Through Month 6 in fiscal year 2017, which reflects 50 percent of the fiscal year, the City has expended 44.3 percent of the budgeted amount for the fiscal year (excluding the refundings).

Beginning in FY 2017, the Monthly Financial Report that coincides with the end of each quarter will include detailed information on the City's investment portfolio. Attachment 4 provides the status of the City's investment portfolio as of December 31, 2016. The City's return on its short term investments for FY 2016 was 0.78 percent and resulted in \$1.7 million in General Fund Revenue. Through the second quarter of FY 2017 the City has earned \$1.0 million, which is nearly 89 percent of the budgeted amount. This reflects rising short term interest rates.

ATTACHMENTS:

Attachment 1 - Comparative Revenue Schedule for December 31, 2016

Attachment 2 - Comparative Expenditure Schedule for December 31, 2016

Attachment 3 - Revenue Variance Descriptions

Attachment 4 - Investment Portfolio as of December 31, 2016

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 DECEMBER 31, 2016 AND DECEMBER 31, 2015

	B	C	D=C/B	F
	FY2017	FY2017		FY2016
	REVISED	REVENUES	%	REVENUES
	BUDGET	THRU 12/31/16	OF BUDGET	THRU 12/31/15
General Property Taxes				
Real Property Taxes.....	\$ 402,552,010	\$ 197,617,458	49.1%	\$ 189,149,228
Personal Property Taxes.....	46,080,000	43,569,976	94.6%	42,514,011
Penalties and Interest.....	2,000,000	1,180,759	59.0%	1,006,982
Total General Property Taxes	<u>\$ 450,632,010</u>	<u>\$ 242,368,193</u>	<u>53.8%</u>	<u>\$ 232,670,221</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 27,075,000	\$ 9,122,891	33.7%	\$ 8,778,803
Consumer Utility Taxes.....	12,700,000	4,264,421	33.6%	5,168,815
Communication Sales and Use Taxes.....	10,300,000	3,426,806	33.3%	3,499,274
Business License Taxes.....	33,300,000	1,266,411	3.8%	1,251,637
Transient Lodging Taxes.....	12,000,000	5,032,932	41.9%	5,107,155
Restaurant Meals Tax.....	18,800,000	7,367,020	39.2%	7,533,397
Tobacco Taxes.....	2,968,555	1,326,956	44.7%	1,271,278
Motor Vehicle License Tax.....	3,500,000	2,955,951	84.5%	2,960,878
Real Estate Recordation.....	5,300,000	1,899,937	35.8%	2,873,228
Admissions Tax.....	786,000	260,922	33.2%	250,149
Other Local Taxes.....	4,348,154	273,616	6.3%	267,969
Total Other Local Taxes	<u>\$ 131,077,709</u>	<u>\$ 37,197,862</u>	<u>28.4%</u>	<u>\$ 38,962,583</u>
Intergovernmental Revenues				
Revenue from the Fed. Government.....	\$ 9,600,382	\$ 4,332,822	45.1%	\$ 4,310,472
Personal Property Tax Relief from the Commonwealth.....	23,578,531	22,399,604	95.0%	22,399,604
Revenue from the Commonwealth.....	23,050,064	11,086,678	48.1%	10,828,775
Total Intergovernmental Revenues	<u>\$ 56,228,977</u>	<u>\$ 37,819,105</u>	<u>67.3%</u>	<u>\$ 37,538,851</u>
Other Governmental Revenues And Transfers In				
Fines and Forfeitures.....	\$ 6,463,517	\$ 2,343,229	36.3%	\$ 2,552,741
Licenses and Permits.....	2,433,400	1,555,270	63.9%	1,412,253
Charges for City Services.....	20,859,994	9,230,727	44.3%	10,116,354
Revenue from Use of Money & Prop.....	4,712,000	2,974,201	63.1%	2,758,600
Other Revenue.....	1,131,270	815,647	72.1%	999,132
Transfer from Other Funds.....	4,994,761	-	0.0%	-
Total Other Governmental Revenues	<u>\$ 40,594,942</u>	<u>\$ 16,919,074</u>	<u>41.7%</u>	<u>\$ 17,839,080</u>
TOTAL REVENUE	<u>\$ 678,533,638</u>	<u>\$ 334,304,234</u>	<u>49.3%</u>	<u>\$ 327,010,735</u>
Appropriated Fund Balance				
General Fund.....	\$ -	\$ -	\$ -	\$ -
Appropriated refunding bond proceeds	-	34,168,000	\$ -	10,645,678
Reappropriation of FY 2015	-	-	-	-
Encumbrances And Other	-	-	-	-
Supplemental Appropriations....	493,112	-	-	-
TOTAL	<u>\$ 679,026,750</u>	<u>\$ 368,472,234</u>	<u>54.3%</u>	<u>\$ 337,656,413</u>

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING DECEMBER 31, 2016 AND DECEMBER 31, 2015**

FUNCTION	B	C	D=C/B	F
	FY2017 APPROVED BUDGET	FY2017 EXPENDITURES THRU 12/31/16	% OF BUDGET EXPENDED	FY2016 EXPENDITURES 12/31/2015
Legislative & Executive.....	\$ 5,761,244	\$ 2,609,945	45.3%	\$ 2,388,475
Judicial Administration.....	\$ 43,806,417	\$ 20,929,762	47.8%	\$ 20,245,485
Staff Agencies				
Information Technology Services.....	\$ 11,129,837	\$ 5,122,394	46.0%	\$ 4,774,633
Management & Budget.....	1,301,434	587,731	45.2%	539,156
Finance.....	13,956,059	5,301,042	38.0%	5,352,540
Performance and Accountability.....	721,496	216,588	30.0%	265,370
Internal Audit.....	343,182	147,206	42.9%	156,150
Human Resources.....	3,771,526	1,655,950	43.9%	1,470,307
Planning & Zoning.....	5,817,698	2,603,855	44.8%	2,436,342
Economic Development Activities.....	5,490,557	2,686,628	48.9%	2,677,215
City Attorney.....	2,966,602	1,518,251	51.2%	1,723,233
Registrar.....	1,414,680	769,429	54.4%	586,115
General Services.....	15,076,490	6,276,780	41.6%	6,706,516
Total Staff Agencies	\$ 61,989,561	\$ 26,885,855	43.4%	\$ 26,687,577
Operating Agencies				
Transportation & Environmental Services.....	\$ 31,432,545	\$ 13,069,499	41.6%	\$ 12,786,856
Project Implementation.....	1,911,665	748,388	39.1%	777,503
Fire.....	50,034,337	24,270,704	48.5%	23,420,478
Police.....	61,026,510	30,183,569	49.5%	29,657,827
Emergency Communications.....	7,345,210	3,490,887	47.5%	3,441,090
Code.....	132,590	49,244	37.1%	41,584
Transit Subsidies.....	7,883,899	3,902,045	49.5%	4,898,615
Housing.....	1,882,923	815,973	43.3%	814,908
Community and Human Services.....	13,366,344	6,760,662	50.6%	6,968,675
Health.....	8,826,175	4,204,685	47.6%	5,093,388
Historic Resources.....	3,079,263	1,434,436	46.6%	1,359,529
Recreation.....	22,052,753	10,991,560	49.8%	10,905,616
Total Operating Agencies	\$ 208,974,214	\$ 99,921,653	47.8%	\$ 100,166,069
Education				
Schools.....	\$ 206,561,472	\$ 80,811,692	39.1%	\$ 76,966,962
Other Educational Activities.....	12,131	6,066	50.0%	5,986
Total Education	\$ 206,573,603	\$ 80,817,757	39.1%	\$ 76,972,948
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 66,523,574	\$ 30,226,980	45.4%	\$ 28,526,008
Expenses on Refunding Bonds.....	-	34,150,455		10,749,293
Non-Departmental.....	9,443,089	4,962,329	52.5%	5,263,528
General Cash Capital.....	24,293,103	24,293,103	100.0%	-
Contingent Reserves.....	1,034,791	-		
Total Capital, Debt Service and Miscellaneous	\$ 101,294,557	\$ 93,632,867	92.4%	\$ 44,538,829
TOTAL EXPENDITURES	\$ 628,399,596	\$ 324,797,839	51.7%	\$ 270,999,383
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects	\$ 39,941,587	\$ 2,843,262	7.1%	\$ 11,136,918
Transfer to Library.....	7,013,510	28,713	0.4%	3,364,826
Transfer to DASH.....	12,085,304	11,295,384	93.5%	6,130,425
TOTAL EXPENDITURES & TRANSFERS	\$ 687,439,997	\$ 338,965,198	49.3%	\$ 291,631,552
Total Expenditures by Category				
Salaries and Benefits.....	\$ 223,673,920	\$ 105,941,215	47.4%	\$ 103,906,042
Non Personnel (includes all school funds)	463,766,077	233,023,983	50.2%	187,725,507
Total Expenditures	\$ 687,439,997	\$ 338,965,198	49.3%	\$ 291,631,549

Revenue Variance in Detail

Variances in FY17 YTD Revenue from FY16 YTD Revenue	Explanation
General Property Taxes	The increase in Real Property Tax Revenue is consistent with the increase in the Real Property Tax rate from \$1.043 to \$1.073 in Calendar Year 2016.
Consumer Utility Taxes	The variance in the Consumer Utility Tax Revenue in FY 2017 is due to payment timing. The City receives three payments each month (Dominion Virginia Power, Virginia American Water Co, and Washington Gas. Approximately \$0.9 million of receipts were not remitted to the City in December. If these payments are counted in the first six months of the year, the total for FY 2017 is \$5.2 million, which is consistent with FY 2016.
Recordation Tax	The variance is due to the timing of payments in FY 2016. In December 2016 the State had a planned system upgrade and required that deposits be completed by December 31, rather than at the beginning of the month. As a result, FY 2017 includes 6 payments through the first six months compared to only 5 in FY 2016. At this point in the fiscal year Recordation Taxes are not forecast to meet the budgeted amount. Based on average monthly collections, this revenue will total approximately \$4.2 million. Staff will continue to watch this revenue source, which typically trends higher throughout the end of the fiscal year.
Charges for Services	This variance is due to a decrease in the amount of Planning and Zoning fees that have been collected through the first six months of the year. In FY 2016, Planning and Zoning fees totaled \$1.0 million through December. In FY 2017, only \$0.3 million has been collected for the same time period. Based on a slowdown of the development pipeline (in large part due to the market slowdown in the volume of planned new multi-family apartments, which is a regional trend)
Fines and Forfeitures	Red light camera revenue is lower than last year by approximately \$0.2 million. The vendor has been instructed to use collection agencies to enforce payment. It is anticipated that revenues will increase with this improved collection effort.

City of Alexandria
Investment Report
 As of December 31, 2016

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 December 31, 2016

Security Type	Balance (millions)	Allocation
Local Government Investment Pool (LGIP)	\$175.2	55.3%
Virginia Investment Pool 1 – 3 Year Pool (1 - 3)	35.5	11.2%
Virginia Investment Pool Liquidity Pool (VIP)	20.0	6.3%
CDARS	53.6	16.9%
US Agency/Treasury Bonds	26.6	8.4%
ICS	5.3	1.7%
Virginia Municipal Bonds	0.6	0.2%
Total	\$316.8	100%

Return on Investment 2Q – FY 2017

Security Type	Balance (millions)	Yield (Dec. 2016) (Simple Average)
Local Government Investment Pool (LGIP)	\$175.2	0.67%
Virginia Investment Pool 1 – 3 Year Pool (1 - 3)	35.5	1.05%
Virginia Investment Pool Liquidity Pool (VIP)	20.0	0.71%
CDARS	53.6	1.22%
US Agency/Treasury Bonds	26.6	0.96%
ICS	5.3	0.5%
Virginia Municipal Bonds	0.6	1.3%
Total	\$316.8	1.10%