

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 3, 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 March 31, 2017.

BODY

ISSUE: Receipt of the Monthly Financial Report for the Period Ending March 31, 2017.

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 materially different than the same time period last year. As of March 31, 2017, General Fund revenues totaled \$439.8 million, an increase of \$30.7 million or 7.5% above the revenues collected at the same time in FY 2016. Through the first nine months of the fiscal year, approximately 63.9 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 2016 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 \$405.6 million collected in the first nine months of FY 2017 compares to \$398.4 million in the first nine months of FY 2017. This is an increase of 1.8 percent compared to last year. General Property taxes are trending at 4.3 percent more than last year and Other Local Taxes are 1.5 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 tax revenues.

As of March 31, 2017, General Fund expenditures totaled \$468.9 million, an increase of \$30.1 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 \$434.8 million compared to \$428.1 million in FY 2016, which reflects a 1.6 percent increase in spending to date. Through nine months of the fiscal year, which is 75 percent of the fiscal year, excluding the refundings, 63.2 percent of the budget has been expended.

Beginning in FY 2017, the Monthly Financial Report that coincides with the end of each quarter will include information on the City's investment portfolio. Attachment 3 provides the status of the City's investment portfolio as of December 31, 2016. The City's return on investment for FY 2016 was 0.78 percent and resulted in \$1.7 million in General Fund Revenue. In March 2017 the City earned a yield of 1.06% on an investment portfolio of \$248.3 million. Through the third quarter of FY 2017 the City has earned \$1.5 million.

March 1, 2017, was the deadline for paying Business and Professional Occupation Licenses Taxes (BPOL). The vast majority of BPOL taxes are collected from larger companies. Of the 7,194 taxable businesses processed to date, 37 percent, or 2,644 only pay a flat fee of \$50. 2,232 businesses pay an average of \$762; and, 769 pay an average of \$2,172. In aggregate terms, this means that almost 80 percent of taxable businesses pay only about 10 percent of the total BPOL revenue. The inverse is, of course, also true, that the remaining 20 percent of the larger businesses pay approximately 90 percent of total BPOL tax revenue.

The largest license category is Business Services, comprising nearly one third of total BPOL revenue. This category includes a diverse group of businesses, such as consultants, bookkeepers, caterers and building maintenance services. Attachment 4 provides additional detail related to the various license categories and gross receipts.

ATTACHMENTS:

Attachment 1 - Comparative Revenue Schedule for March 31, 2017

Attachment 2 - Comparative Expenditure Schedule for March 31, 2017

Attachment 3 - Third Quarter Investment Report March 2017

Attachment 4 - BPOL Summary

STAFF:

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Morgan Rount, Director, OMB

CITY OF ALEXANDRIA, VIRGINIA
COMPARATIVE STATEMENT OF REVENUES
GENERAL FUND
FOR THE PERIODS ENDING MARCH 31, 2017 AND MARCH 31, 2016

	B	B.1	C	D=C/B	F
	FY2017	FY 2017	FY2017	%	FY2016
	AMENDED	PROJECTED	REVENUES	OF BUDGET	REVENUES
	BUDGET	REVENUES	THRU 3/31/2017	THRU 3/31/2016	THRU 3/31/2016
General Property Taxes					
Real Property Taxes.....	\$ 406,585,431	411,696,506	\$ 199,444,587	49.1%	\$ 190,861,481
Personal Property Taxes.....	46,080,000	46,826,653	45,394,459	98.5%	44,050,356
Penalties and Interest.....	2,000,000	2,000,000	1,957,927	97.9%	1,733,936
Total General Property Taxes	\$ 454,665,431	\$ 460,523,159	\$ 246,796,973	54.3%	\$ 236,645,773
Other Local Taxes					
Local Sales and Use Taxes.....	\$ 27,075,000	27,500,000	\$ 16,005,122	59.1%	\$ 15,313,716
Consumer Utility Taxes.....	12,700,000	12,500,000	7,319,620	57.6%	7,999,869
Communication Sales and Use Taxes.....	10,300,000	10,300,000	5,993,125	58.2%	6,108,813
Business License Taxes.....	33,300,000	32,660,473	31,063,687	93.3%	29,971,307
Transient Lodging Taxes.....	12,000,000	12,666,000	7,297,027	60.8%	6,663,288
Restaurant Meals Tax.....	18,800,000	18,800,000	11,792,846	62.7%	11,589,650
Tobacco Taxes.....	2,968,555	2,990,000	2,012,926	67.8%	1,934,793
Motor Vehicle License Tax.....	3,500,000	3,600,000	3,314,548	94.7%	3,288,226
Real Estate Recordation.....	5,300,000	4,800,000	3,168,649	59.8%	3,521,466
Admissions Tax.....	786,000	786,000	454,538	57.8%	472,222
Other Local Taxes.....	4,348,154	4,424,154	476,139	11.0%	703,969
Total Other Local Taxes	\$ 131,077,709	\$ 131,026,627	\$ 88,898,228	67.8%	\$ 87,567,319
Intergovernmental Revenues					
Revenue from the Fed. Government.....	\$ 9,600,382	8,876,382	\$ 5,945,521	61.9%	\$ 5,399,417
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	23,106,960	98.0%	23,106,960
Revenue from the Commonwealth.....	23,050,064	23,031,924	16,883,595	73.2%	16,438,631
Total Intergovernmental Revenues	\$ 56,228,977	\$ 55,486,837	\$ 45,936,076	81.7%	\$ 44,945,008
Other Governmental Revenues And Transfers In					
Fines and Forfeitures.....	\$ 6,463,517	6,463,517	\$ 3,534,989	54.7%	\$ 3,649,325
Licenses and Permits.....	2,433,400	2,433,400	2,093,779	86.0%	1,883,781
Charges for City Services.....	20,859,994	20,859,994	12,546,088	60.1%	13,347,197
Revenue from Use of Money & Prop.....	4,712,000	4,712,000	4,465,295	94.8%	4,130,515
Other Revenue.....	1,889,684	1,889,684	1,332,926	70.5%	1,698,037
Transfer from Other Funds.....	10,517,416	9,659,205	-	0.0%	4,573,897
Total Other Governmental Revenues	\$ 46,876,011	\$ 46,017,800	\$ 23,973,078	51.1%	\$ 29,282,752
TOTAL REVENUE	\$ 688,848,128	\$ 693,054,423	\$ 405,604,355	58.9%	\$ 398,440,852
Appropriated Fund Balance					
General Fund.....	\$ -	(2,316,692)	\$ -	\$ -	\$ -
Appropriated refunding bond proceeds	-	-	34,168,000	\$ -	10,645,678
Reappropriation of FY 2015	-	-	-	-	-
Encumbrances And Other	-	-	-	-	-
Supplemental Appropriations....	493,112	-	-	-	-
TOTAL	\$ 689,341,240	\$ 690,737,731	\$ 439,772,355	63.8%	\$ 409,086,530

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING MARCH 31, 2017 AND MARCH 31, 2016**

FUNCTION	B	C	D=C/B	F
	FY2017 AMENDED BUDGET	FY2017 EXPENDITURES THRU 3/31/2017	% OF BUDGET EXPENDED	FY2016 EXPENDITURES THRU 3/31/2016
Legislative & Executive.....	\$ 5,761,244	\$ 3,871,006	67.2%	\$ 3,620,719
Judicial Administration.....	\$ 43,806,417	\$ 30,257,498	69.1%	\$ 29,580,778
Staff Agencies				
Information Technology Services.....	\$ 11,129,837	\$ 6,952,287	62.5%	\$ 6,505,403
Management & Budget.....	1,301,434	892,994	68.6%	778,028
Finance.....	13,956,059	8,183,108	58.6%	7,889,660
Performance and Accountability.....	721,496	302,567	41.9%	385,582
Internal Audit.....	343,182	228,744	66.7%	245,221
Human Resources.....	3,771,526	2,560,219	67.9%	2,129,509
Planning & Zoning.....	5,817,698	3,869,226	66.5%	3,604,523
Economic Development Activities.....	5,490,557	4,031,096	73.4%	3,946,185
City Attorney.....	2,966,602	2,246,858	75.7%	2,458,448
Registrar.....	1,414,680	973,324	68.8%	887,820
General Services.....	15,076,490	9,508,146	63.1%	9,902,209
Total Staff Agencies	\$ 61,989,561	\$ 39,748,568	64.1%	\$ 38,732,588
Operating Agencies				
Transportation & Environmental Services.....	\$ 31,432,545	\$ 18,781,416	59.8%	\$ 18,849,200
Project Implementation.....	1,911,665	1,106,000	57.9%	\$ 1,096,792
Fire.....	50,034,337	35,465,789	70.9%	35,360,088
Police.....	61,026,510	43,987,608	72.1%	42,639,252
Emergency Communications.....	7,345,210	5,307,178	72.3%	5,140,448
Code.....	132,590	74,464	56.2%	64,964
Transit Subsidies.....	7,883,899	5,907,888	74.9%	7,309,946
Housing.....	1,882,923	1,206,028	64.1%	1,202,883
Community and Human Services.....	13,366,344	10,069,528	75.3%	9,889,657
Health.....	8,826,175	7,411,818	84.0%	6,990,450
Historic Resources.....	3,079,263	2,129,556	69.2%	1,998,350
Recreation.....	22,052,753	15,458,686	70.1%	15,747,041
Total Operating Agencies	\$ 208,974,214	\$ 146,905,959	70.3%	\$ 146,289,071
Education				
Schools.....	\$ 206,561,472	\$ 129,757,958	62.8%	\$ 125,518,794
Other Educational Activities.....	12,131	9,098	75.0%	8,978
Total Education	\$ 206,573,603	\$ 129,767,056	62.8%	\$ 125,527,772
Capital, Debt Service and Miscellaneous				
Debt Service.....	\$ 66,523,574	\$ 38,498,584	57.9%	\$ 34,338,253
Expenses on Refunding Bonds.....	34,168,000	34,154,805	100.0%	10,749,293
Non-Departmental.....	9,443,089	7,241,468	76.7%	7,766,168
General Cash Capital.....	24,293,103	24,293,103	100.0%	16,025,541
Contingent Reserves.....	1,034,791	-	-	-
Total Capital, Debt Service and Miscellaneous	\$ 135,462,557	\$ 104,187,960	76.9%	\$ 68,879,255
TOTAL EXPENDITURES	\$ 662,567,596	\$ 454,738,048	68.6%	\$ 412,630,183
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects	\$ 39,941,587	\$ 2,843,262	7.1%	\$ 11,931,612
Transfer to Library.....	7,013,510	36,221	0.5%	5,047,239
Transfer to DASH.....	12,085,304	11,295,384	93.5%	9,195,638
TOTAL EXPENDITURES & TRANSFERS	\$ 721,607,997	\$ 468,912,915	65.0%	\$ 438,804,672
Total Expenditures by Category				
Salaries and Benefits.....	\$ 223,673,920	\$ 155,855,679	69.7%	\$ 151,697,745
Non Personnel (includes all school funds)	497,934,077	313,057,235	62.9%	287,106,927
Total Expenditures	\$ 721,607,997	\$ 468,912,915	65.0%	\$ 438,804,672

City of Alexandria
Investment Report
As of March 31, 2017

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, 2017

Security Type	Balance (millions)	Allocation
Local Government Investment Pool (LGIP)	\$111.1	44.8%
Virginia Investment Pool 1 – 3 Year Pool (1 - 3)	35.6	14.3%
Virginia Investment Pool Liquidity Pool (VIP)	20.0	8.1%
CDARS	50.5	20.3%
US Agency/Treasury Bonds	30.5	12.3%
Virginia Municipal Bonds	0.6	0.2%
Total	\$248.3	100%

Return on Investment 3Q – FY 2017

Security Type	Balance (millions)	Yield (Simple Average)
Local Government Investment Pool (LGIP)	\$111.1	0.88%
Virginia Investment Pool 1 – 3 Year Pool (1 - 3)	35.6	1.07%
Virginia Investment Pool Liquidity Pool (VIP)	20.0	0.91%
CDARS	50.5	1.22%
US Agency/Treasury Bonds	30.5	0.99%
Virginia Municipal Bonds	0.6	1.3%
Total	\$248.3	1.06%

As of April 25, 2017, the Department of Finance has issued 7,194 taxable business licenses, generating approximately \$32 million. Of the 7,194 taxable licenses issued to date, the preponderance of BPOL tax is collected from larger companies, rather than from small businesses:

- 37% of the City's licensed businesses, or 2,644, only pay a flat fee of \$50
- The next 42% pay an average annual tax of \$1,124
- 6% of licensed businesses, or 410, pay 64% of the City's annual BPOL tax. That is, the 410 businesses with gross receipts in excess of \$5 million per year, pay approximately \$20.5 million, or an average tax of \$50,034.
- Of these 410 businesses, 9 have gross receipts averaging more than \$63 million, and 10 have gross receipts averaging almost \$125 million.

Business Services represent the largest license category, comprising approximately 31% of total BPOL revenue. This category includes a diverse group of businesses such as Data Processing, Computer Services, Consultants, Business Research, Hauling/Moving, Caterers, Advertising, Bookkeepers, Real Estate Management, and Building Maintenance Services.

Professional Occupations represent the second largest category, at 18% of total BPOL revenue. This includes the licensing to date of 771 professionals, to include 221 attorneys, 123 doctors, 108 psychologists/psychotherapists, 70 dentists, 51 architects, and 35 public accountants.

<u>Number</u>	<u>% Total</u>	<u>Gross Receipts Range</u>	<u>Tax</u>	<u>% Total</u>	<u>Number</u>	<u>License Category</u>	<u>Tax</u>	<u>% Total</u>
2,644	36.8%	\$10,000 - \$99,999	\$0.1	0.4%	1,655	Business Service	\$9.9	31.1%
2,232	31.0%	\$100,000 - \$499,999	\$1.7	5.3%	771	Professional	\$5.7	18.0%
769	10.7%	\$500,000 - \$999,999	\$1.7	5.2%	920	Merchants (Retail & Wholesale)	\$4.5	14.0%
616	8.6%	\$1.0 m. - \$1.9 m.	\$2.7	8.4%	157	Rents- Residential	\$3.1	9.8%
276	3.8%	\$2.0 m. - \$2.9 m.	\$2.0	6.4%	1,927	Contractors/Builders	\$2.0	6.2%
247	3.4%	\$3.0 m. - \$4.9 m.	\$3.2	10.0%	518	Rents- Commercial	\$1.7	5.3%
227	3.2%	\$5.0 m. - \$9.9 m.	\$5.6	17.5%	529	Personal Service	\$1.6	4.9%
72	1.0%	\$10 m. - \$14.9 m.	\$2.9	9.1%	158	Financial Service	\$1.4	4.4%
33	0.5%	\$15 m. - \$19.9 m.	\$2.1	6.4%	340	Restaurants	\$0.8	2.6%
43	0.6%	\$20 m. - \$29.9 m.	\$3.5	10.9%	180	Repair	\$0.7	2.1%
16	0.2%	\$30 m. - \$49.9 m.	\$1.6	4.9%	24	Utilities	\$0.4	1.3%
9	0.1%	\$50 m. - \$74.9 m.	\$1.7	5.3%	15	Amusements	\$0.1	0.3%
10	0.1%	\$75 m. and Greater	\$3.2	10.1%	7,194	Total	\$32	100.0%
7,194	100.0%		\$32	100.0%				