



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 6, 2019

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 December 31, 2018

ISSUE: Receipt of the Monthly Financial Report for the Period Ending December 31, 2018.

RECOMMENDATION: That City Council receive the Monthly Financial Report.

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 2018 are attached. Attachment 3 reflects the City's Investment Portfolio as of December 31, 2018. At this time in FY 2019, the City's revenue and expenditures are not noticeably different than the same time period last year.

Revenues

As of December 2018, General Fund revenues totaled \$358.0 million, a decrease of \$118.8 million or 24.9 percent lower than the revenues collected at the same time in FY 2018. FY 2018 reflects the \$124.2 million bond refunding that occurred in the first quarter last year. Factoring this out for comparison's sake, as of December 31, 2018, General Fund revenues total \$358.0 million, which is a 1.5 increase compared to FY 2018 for the same time period, in which \$352.6 million was collected. Midway through the fiscal year, approximately 47.5 percent of budgeted revenues have been collected. Revenues may not track consistently with the calendar since many revenue sources have due dates that do not occur evenly through the year. Personal Property taxes were due on October 5 and collections through December exceed last year's collections by \$1.9 million or 4.1 percent. Second-half of the calendar year Real Property taxes were due on November 15 and collections totaled \$217.7 million, which is \$5.9 million or 2.8 percent more than FY 2018 at this time.

The variance in Consumer Utility and Transient Lodging tax revenue is the result of payment timing, and the significant increase in the Restaurant Meals Tax is the result of the budgeted increase in the tax rate from 4 percent to 5 percent, with the increased 1 percent in the rate set-aside for Affordable Housing projects in the Capital Improvement Program (CIP). Recordation tax revenue was higher in FY 2018 due to several large commercial real estate transactions. Higher interest rates are resulting in higher Revenue from Use of Money and Property Revenues compared to FY 2018. Personal Property Tax Relief from the State will approximate the budgeted amount. The apparent variance is due to timing.

Two tax categories that staff is watching closely are Sales Tax Revenue and Transient Lodging Tax Revenue. Sales Tax Revenue is trending higher than during the same period in FY 2018 with collections in the first five months of the year exceeding last year by \$0.5 million or 6.2 percent. Holiday sales will be reflected in the March 2019 Monthly Financial Report. Unfortunately, Transient Lodging Tax Revenue is lagging considerably compared to FY 2018, with collections down by \$0.5 million or 8.6 percent compared to last year. According to a recent study, the entire region is experiencing declines in hotel stays. Alexandria's occupancy rates are not suffering as much as our neighbors, but the room rates that are being offered to achieve the higher occupancy rates are lower. Staff will continue to monitor all General Fund Revenue categories, and the FY 2020 Proposed Operating Budget will include a year end forecast for FY 2019, as well as revenue estimates for the upcoming year.

Expenditures

As of December 31, 2019, General Fund expenditures totaled \$357.4 million, a decrease of \$53.8 million over the same time period for FY 2018. Making a similar adjustment to account for the Refunded Bonds in FY 2018, FY 2019 expenditures total \$357.4 million, compared to \$286.7 million in FY 2018, which is \$62.1 million increase, or 22.6 percent. Similar to the situation with revenues, no significant expenditure variances have occurred in the first five months of Fiscal Year 2019 that are unbudgeted or unexpected. The most significant differences are the timing and source of payments. The City's first quarter contribution to WMATA was funded with a higher percentage of General Fund monies in FY 2019, with the expectation that balances earned on the City's behalf with the Northern Virginia Transportation Commission (NVTC) will be used in a subsequent quarter payment. In FY 2018, less General Fund monies were used in the first quarter of the year.

Starting in FY 2019 employees in the Department of Project Implementation are now charged to the Capital Improvement Program, which is the reason for the significant variance in expenditures between FY 2018 and FY 2019. A similar situation is occurring in TES, where several programs (stormwater management and street sweeping) are being charged in all or in part to the Stormwater Fund. In FY 2018 prior to the creation of the stormwater utility fee, these programs received more fiscal support from the General Fund.

Debt service is paid in June, July, December and January. The amounts are determined by the structure of the debt and the payments are made as scheduled. The amount paid each year and when it is paid varies each year based on debt issuance date and debt structure. As a result, debt service expenditures do not track closely to the percent of the fiscal year completed. There are a number of interfund transfers included in the FY 2019 General Fund Budget. The most significant of these is the transfer to the Alexandria City Public Schools, followed by the Cash Capital transfer to the CIP. For projection and comparison purposes, these transfers have been

executed at the midpoint of the fiscal year to reflect 50 percent of the spending. These transfers were made later in the year in FY 2018.

The Department of Information Technology Services is trending slightly ahead of the fiscal year, due to services that are billed annually early in the fiscal year, primarily for various maintenance agreements and licenses. The City Attorney's Office is trending higher than the fiscal year due to outside legal fees. In the recent Supplemental Appropriation Ordinance, City Council appropriated an additional \$125,000 to address these costs. Across the organization, budgets that are trending slightly behind the fiscal year are experiencing vacancy savings from turnover.

Investment Report

As has been the City's practice since 2017, Council is provided each quarter with a report (Attachment 3) summarizing the City's short-term investment of operating cash and bond proceeds. These short-term investments have been made consistent with the City's investment policy and State law and reflect the primary objectives of safety (i.e., preservation of capital) and liquidity. The yields show in this report reflect increased market interest rates.

ATTACHMENTS:

Attachment 1 - Comparative Revenue Schedule for December 31, 2018

Attachment 2 - Comparative Expenditure Schedule for December 31, 2018

Attachment 3 - FY 2019 Quarter 2 Investment Report

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, 2018 AND DECEMBER 30, 2017

	B	C	D=C/B	E
	FY 2019	FY 2019		FY 2018
	AMENDED	REVENUES	%	REVENUES
	BUDGET	THRU 12/31/2018	OF BUDGET	THRU 12/31/2017
General Property Taxes				
Real Property Taxes.....	\$ 446,963,782	\$ 217,746,624	48.7%	\$ 211,863,421
Personal Property Taxes.....	50,800,000	46,721,920	92.0%	44,870,311
Penalties and Interest.....	3,300,000	1,277,372	38.7%	1,097,278
Total General Property Taxes	<u>\$ 501,063,782</u>	<u>\$ 265,745,915</u>	<u>53.0%</u>	<u>\$ 257,831,010</u>
Other Local Taxes				
Local Sales and Use Taxes.....	\$ 27,700,000	\$ 9,367,672	33.8%	\$ 8,823,928
Consumer Utility Taxes.....	11,800,000	3,648,894	30.9%	4,265,459
Communication Sales and Use Taxes.....	9,900,000	3,127,513	31.6%	3,346,632
Business License Taxes.....	34,878,000	1,569,083	4.5%	1,660,846
Transient Lodging Taxes.....	13,275,000	5,362,618	40.4%	5,864,173
Restaurant Meals Tax.....	24,150,000	9,881,210	40.9%	7,632,395
Tobacco Taxes.....	2,800,000	1,121,784	40.1%	1,243,689
Motor Vehicle License Tax.....	3,800,000	3,028,969	79.7%	2,913,894
Real Estate Recordation.....	5,300,000	2,359,896	44.5%	2,694,788
Admissions Tax.....	670,000	226,900	33.9%	180,633
Other Local Taxes.....	4,745,000	193,184	4.1%	211,469
Total Other Local Taxes	<u>\$ 139,018,000</u>	<u>\$ 39,887,723</u>	<u>28.7%</u>	<u>\$ 38,837,906</u>
Intergovernmental Revenues				
Revenue from the Fed. Government.....	\$ 9,071,382	\$ 3,635,162	40.1%	\$ 4,247,850
Personal Property Tax Relief from the Commonwealth.....	24,335,376	11,789,265	48.4%	22,399,604
Revenue from the Commonwealth.....	23,578,531	11,251,887	47.7%	10,903,833
Total Intergovernmental Revenues	<u>\$ 56,985,289</u>	<u>\$ 26,676,314</u>	<u>46.8%</u>	<u>\$ 37,551,287</u>
Other Governmental Revenues And Transfers In				
Fines and Forfeitures.....	\$ 5,193,450	\$ 2,028,157	39.1%	\$ 2,488,757
Licenses and Permits.....	2,612,678	1,103,943	42.3%	1,209,053
Charges for City Services.....	21,748,168	10,467,670	48.1%	10,053,777
Revenue from Use of Money & Prop.....	8,031,110	5,230,884	65.1%	3,666,843
Other Revenue.....	1,853,215	880,897	47.5%	948,176
Transfer from Other Funds.....	11,921,244	5,980,336	50.2%	-
Total Other Governmental Revenues	<u>\$ 51,359,865</u>	<u>\$ 25,691,886</u>	<u>50.0%</u>	<u>\$ 18,366,606</u>
TOTAL REVENUE	<u>\$ 748,426,936</u>	<u>\$ 358,001,839</u>	<u>47.8%</u>	<u>\$ 352,586,809</u>
Appropriated Fund Balance				
General Fund.....	\$ -	\$ -	\$ -	\$ 124,205,981
Cash Capital				
Encumbrances And Other	-	-	-	-
Supplemental Appropriations....	6,696,143	-	-	-
TOTAL	<u>\$ 755,123,079</u>	<u>\$ 358,001,839</u>	<u>47.4%</u>	<u>\$ 476,792,790</u>

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION
GENERAL FUND
FOR THE PERIODS ENDING DECEMBER 31, 2018 AND DECEMBER 31, 2017**

FUNCTION	B	C	D=C/B	E
	FY 2019	FY 2019	%	FY 2018
	AMENDED BUDGET	EXPENDITURES THRU 12/31/2018	OF BUDGET EXPENDED	EXPENDITURES THRU 12/31/2017
Legislative & Executive.....	\$ 3,180,812	\$ 1,426,058	44.8%	\$ 1,497,474
Judicial Administration.....	\$ 44,958,037	\$ 21,153,976	47.1%	\$ 20,123,193
Staff Agencies				
Communications.....	\$ 1,502,763	\$ 586,743	39.0%	\$ 614,545
Human Rights.....	865,784	457,619	52.9%	387,474
Information Technology Services.....	12,061,080	6,224,074	51.6%	5,687,619
Management & Budget.....	1,259,151	591,069	46.9%	467,290
Finance.....	12,855,068	5,555,267	43.2%	5,365,926
Performance and Accountability.....	637,988	179,290	28.1%	278,519
Internal Audit.....	429,167	107,997	25.2%	148,613
Human Resources.....	4,410,126	1,822,816	41.3%	2,098,991
Planning & Zoning.....	6,021,144	2,769,229	46.0%	2,777,072
Economic Development Activities.....	5,789,768	2,871,455	49.6%	2,699,919
City Attorney.....	3,089,438	1,633,393	52.9%	1,433,725
Registrar.....	1,231,787	579,896	47.1%	615,209
General Services.....	14,730,209	6,174,458	41.9%	6,186,559
Total Staff Agencies	\$ 64,883,473	\$ 29,553,305	45.5%	\$ 28,761,461
Operating Agencies				
Transportation & Environmental Services.....	\$ 28,198,104	\$ 12,641,333	44.8%	\$ 14,250,226
Project Implementation.....	9,356	4,188	0.0%	686,559
Fire.....	53,964,570	25,697,672	47.6%	24,357,168
Police.....	65,290,781	31,223,692	47.8%	30,493,579
Emergency Communications.....	7,823,448	3,495,548	44.7%	3,488,648
Code.....	24,000	2,245	9.4%	2,274
Transit Subsidies.....	17,336,098	16,056,421	92.6%	7,656,509
Housing.....	1,851,614	822,455	44.4%	846,217
Community and Human Services.....	13,613,029	6,633,832	48.7%	6,690,728
Health.....	8,714,657	4,184,996	48.0%	4,130,849
Historic Resources.....	3,340,960	1,409,677	42.2%	1,567,845
Recreation.....	23,099,307	11,032,500	47.8%	10,906,987
Total Operating Agencies	\$ 223,265,924	\$ 113,204,559	50.7%	\$ 105,077,589
Education				
Schools.....	\$ 223,829,302	\$ 111,914,651	50.0%	\$ 81,213,420
Other Educational Activities.....	12,142	6,071	50.0%	6,139
Total Education	\$ 223,841,444	\$ 111,920,722	50.0%	\$ 81,219,559
Capital, Debt Service and Miscellaneous				
Debt Service - City.....	\$ 40,265,619	\$ 20,773,363	51.6%	\$ 19,412,995
Debt Service - Schools.....	28,924,085	14,848,840	51.3%	13,423,309
Expenses on Refunding Bonds.....	-	-	-	124,489,707
Non-Departmental.....	9,689,721	5,791,382	59.8%	5,500,728
General Cash Capital.....	36,966,696	18,483,348	50.0%	-
Contingent Reserves.....	3,810,114	-	0.0%	-
Total Capital, Debt Service and Miscellaneous	\$ 119,656,235	\$ 59,896,932	50.1%	\$ 162,826,739
TOTAL EXPENDITURES	\$ 679,785,925	\$ 337,155,552	49.6%	\$ 399,506,015
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects Funds).....				
Transfer to Library.....	\$ 55,963,777	\$ 8,809,423	15.7%	\$ -
Transfer to DASH.....	7,059,786	23,514	0.3%	9,095
Transfer to DASH.....	12,313,592	11,456,736	93.0%	11,692,233
TOTAL EXPENDITURES & TRANSFERS	\$ 755,123,080	\$ 357,445,224	47.3%	\$ 411,207,343
Total Expenditures by Category				
Salaries and Benefits.....	\$ 228,395,540	\$ 107,668,889	47.1%	\$ 106,658,283
Non Personnel (includes all school funds).....	526,727,540	249,776,335	47.4%	304,549,064
TOTAL EXPENDITURES	\$ 755,123,080	\$ 357,445,224	47.3%	\$ 411,207,347

City of Alexandria
Investment Report
As of December 31, 2018

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:

- Deputy City Manager – Laura Triggs
- Director of Finance – Kendel Taylor
- 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 December 31, 2018

Security Type	Balance (millions)	Allocation
Local Government Investment Pool (LGIP)	\$243.7	65.5%
CDARS/Money Market	49.2	13.2%
Virginia Investment Pool (VIP) 1 – 3 Year	41.6	11.2%
Virginia Investment Pool (VIP) Liquidity	20.7	5.6%
US Agency/Treasury Bonds	17.0	4.5%
Total	\$372.2	100%

Return on Investment 2Q – FY 2019

Security Type	Balance (millions)	Yield (Simple Average)
Local Government Investment Pool (LGIP)	\$243.7	2.45%
CDARS/Money Market	49.2	2.09%
Virginia Investment Pool (VIP) 1 – 3 Year	41.6	2.36%
Virginia Investment Pool (VIP) Liquidity	20.7	2.45%
US Agency/Treasury Bonds	17.0	1.54%
Total	\$372.2	2.35%