



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

**DATE:** APRIL 8, 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 February 29, 2020.

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**ISSUE:** Receipt of the Monthly Financial Report for the Period Ending February 29, 2020.

**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 2019 are attached.

**DISCLAIMER:** This monthly financial report provides an update for City Council on the financial condition of the City as of February 29, 2020. In March 2020, the City's economic outlook changed dramatically as safeguards related to the COVID-19 virus were put into place. On March 24, 2020, City Council passed several emergency ordinances and resolutions to provide relief the business community. Social distancing, restrictions placed on the number of people that can gather, quarantine recommendations and the virtual elimination of travel and tourism has had a significant negative impact on revenue projections in FY 2020. On April 1, 2020, staff presented City Council with an updated projection for FY 2020. This new projection has been included in Attachment 1. It is important to note that the current revenue forecast is not sufficient to cover the appropriated expenditure amount. A combination of expenditure reductions and use of fund balance is expected to be utilized to fund this gap.

**REVENUES:** Through the first 8 months of FY 2020, the economic outlook was very strong. Nearly all categories were performing at or above the budgeted amount, with a few exceptions. At this time in FY 2020, the City's revenue and expenditures were not noticeably different than the same time period last year. As of February 29, 2020, General Fund revenues totaled \$427.6 million, an increase of \$22.3 million or 5.5% above revenues collected at the same time in FY 2019. After eight months in FY 2020,

approximately 54.9 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. Large revenue sources, such as real estate and personal property tax revenues are remitted twice per year and once per year, respectively. Personal property taxes were due on October 5<sup>th</sup>. Personal Property tax revenue is \$52.9 million or 10.8 percent higher than collections for the same period last year. With the elimination of the decal, the motor vehicle license fee was eliminated. The personal property tax rate was increased to offset this fee elimination. The first half of the calendar year real estate tax is due on June 15<sup>th</sup>. Revenue from real property taxes is consistent with the budgeted amount in FY 2020 and the amount collected in FY 2019 through December.

In other local taxes, local sales tax was trending 10.5 percent over collections in FY 2019. Sales tax revenue is remitted by the State, two months after it is collected. Through 8 months of the fiscal year, the City has received 6 months of local sales tax revenue, which amounts to 55.4 percent of the amount budgeted. Recordation tax was also comparing favorably to FY 2019. Through February 2020, collections reflect 78.4 percent of the budgeted amount and exceed collections for the same period in FY 2019 by 43.8 percent. It should be noted that nearly all tax revenue sources that are driven by consumer spending and confidence were performing at or above projected amounts. This was largely attributable to low unemployment, high consumer confidence and diminished fears of an imminent recession. Variances in intergovernmental revenue from the Commonwealth and Transfers from Other Funds are related to the timing of payments or posting.

As we begin the process of re-forecasting revenues and revising our budget assumptions for both FY 2020 and FY 2021, it is important to keep in mind that the City is facing the COVID-19 environment in a position of economic strength relative to many other communities. There will be significant declines in revenue in the coming months, but the first two thirds of the fiscal year reflected economic strength across nearly every revenue category

With the presentation of the City Manager's Proposed FY 2021 Operating budget, the Monthly Financial Report includes a projection of total General Fund revenues for the year. Prior to changes in the economy from COVID-19, most categories of revenues were expected to meet or exceed the FY 2020 budgeted amount. Communication Sales and Use tax continue to decline each year due to consumer behavioral changes related to telecommunications and television. With the refunding of the City's Build America Bonds in 2017, the subsidy that is received from the federal government is being eliminated. The revenue is offset by lower costs for debt service on the new debt. Conversely, interest rates are significantly lower than assumed during the development of the FY 2020 budget and are resulting in lower Revenue from Use of Money and Property compared to FY 2019 and compared to the FY 2020 budgeted amount.

It is important to note that the projections that were developed in January 2020 as part of the FY 2021 Proposed Operating Budget will not materialize. This monthly financial report includes a new set of projections that reflects a long, slow recovery period. Most notable will be the significant declines in taxes generated from consumer spending, travel and tourism. On March 24, City Council adopted an emergency ordinance that placed a moratorium on penalties and fees until the end of June. This action is likely to result in little of no payment of Transient Lodging and Meals Sales tax through the end of the year. Given the significant restrictions placed on restaurants, even though the taxes are still owed and payable in FY 2021, there is unlikely to be a significant of revenue generated in either of these categories. To help mitigate the financial stress on the community, Finance Department staff has curtailed collection efforts on overdue taxes. The taxes are still owed and will be pursued when the timing is more appropriate.

**EXPENDITURES:** As of February 29, 2020, General Fund expenditures totaled \$428.3 million, a decrease of

\$2.2 million compared to the same time period for FY 2019. The situation has changed since the end of February, and the City is recording a number of unplanned expenditures related to the COVID-19 situation. Staff is tracking these expenditures and will be prepared to submit spending information to FEMA in the event that reimbursement is available. In addition, efforts to mitigate spending (e.g., travel bans, a soft hiring freeze) to ensure that the City maintains a balanced budget at the end of FY 2020.

Similar to the situation with revenues, no significant expenditure has occurred in the first eight months of Fiscal Year 2020 that is unbudgeted or unexpected. The most significant difference is the timing and source of payments. The variance in the Department of Transportation and Environmental Services is largely attributable to the shift of the residential curbside refuse collection program from the General Fund (in FY 2019) to a self-supported fund in FY 2020. This is offset by the transfer of the Fleet Services Division from General Services, which is showing a 18.0 percent decline in spending compared to FY 2019, to TES in FY 2020. The variance in the Office of Performance and Accountability relates to software user licenses and costs associated with the Resident Survey. In FY 2019, the Transfer to Housing was included in Cash Match and Transfers to Special Revenue. In FY 2020, this transfer is displayed separately to provide additional transparency.

**ATTACHMENTS:**

Attachment 1: Comparative Expenditure Schedule for February 29, 2020

Attachment 2: Comparative Revenue Schedule for February 29, 2020

**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 FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

	A	B.1	B	C=B/A	D	E
	FY 2020	FY 2020	FY2020	FY2020	FY2019	FY2019
	APPROVED	PROJECTED	REVENUES	%	REVENUES	%
	BUDGET	REVENUES	THRU 02/29/2020	OF BUDGET	THRU 02/28/2019	OF BUDGET
<b>General Property Taxes</b>						
Real Property Taxes.....	\$ 462,848,143	459,370,705	\$ 224,975,048	48.6%	\$ 219,763,937	49.2%
Personal Property Taxes.....	56,926,910	53,929,638	52,926,488	93.0%	47,773,111	94.0%
Penalties and Interest.....	2,708,000	1,762,663	1,657,625	61.2%	1,364,146	41.3%
Total General Property Taxes	\$ 522,483,053	\$ 515,063,006	\$ 279,559,161	53.5%	\$ 268,901,194	53.7%
<b>Other Local Taxes</b>						
Local Sales and Use Taxes.....	\$ 28,800,000	25,888,795	\$ 15,964,428	55.4%	\$ 14,445,815	52.2%
Consumer Utility Taxes.....	12,000,000	12,600,000	6,325,903	52.7%	6,018,415	51.0%
Communication Sales and Use Taxes.....	9,200,000	8,710,000	4,516,880	49.1%	4,674,282	47.2%
Business License Taxes.....	34,378,000	30,800,000	21,243,762	61.8%	18,948,646	54.3%
Transient Lodging Taxes.....	12,800,000	6,966,061	6,966,061	54.4%	6,633,490	50.0%
Restaurant Meals Tax.....	24,231,000	14,599,336	14,599,336	60.3%	13,886,366	57.5%
Tobacco Taxes.....	2,600,000	2,600,000	1,396,835	53.7%	1,514,200	541.0%
Motor Vehicle License Tax.....	-	-	-	0.0%	3,200,216	84.2%
Real Estate Recordation.....	6,000,000	7,254,688	4,706,184	78.4%	3,272,844	61.8%
Admissions Tax.....	670,000	389,579	389,579	58.1%	339,601	50.7%
Other Local Taxes.....	4,809,090	4,840,000	475,198	9.9%	397,766	8.4%
Total Other Local Taxes	\$ 135,488,090	\$ 114,648,458	\$ 76,584,167	56.5%	\$ 73,331,641	52.7%
<b>Intergovernmental Revenues</b>						
Revenue from the Fed. Government.....	\$ 10,397,000	9,123,029	\$ 5,060,694	48.7%	\$ 4,798,750	52.9%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	23,106,960	98.0%	12,496,621	53.0%
Revenue from the Commonwealth.....	23,621,515	23,698,540	14,331,683	60.7%	14,432,133	59.3%
Total Intergovernmental Revenues	\$ 57,597,046	\$ 56,400,100	\$ 42,499,336	73.8%	\$ 31,727,504	55.7%
<b>Other Governmental Revenues And Transfers In</b>						
Fines and Forfeitures.....	\$ 4,930,450	3,373,968	2,969,505	60.2%	\$ 2,679,336	51.6%
Licenses and Permits.....	2,615,350	1,419,920	965,366	36.9%	1,396,355	53.4%
Charges for City Services.....	15,790,462	11,449,323	12,961,312	82.1%	12,765,143	58.7%
Revenue from Use of Money & Prop.....	11,406,650	7,232,318	6,303,511	55.3%	7,144,416	89.0%
Other Revenue.....	2,591,285	2,126,920	1,515,136	58.5%	1,414,234	76.3%
Transfer from Other Funds.....	9,291,882	9,271,882	4,283,941	46.1%	5,980,336	50.2%
Total Other Governmental Revenues	\$ 46,626,079	\$ 34,874,331	\$ 28,998,772	62.2%	\$ 31,379,820	61.1%
<b>TOTAL REVENUE</b>	\$ 762,194,268	\$ 720,985,895	\$ 427,641,436	56.1%	\$ 405,340,159	54.2%
<b>Appropriated Fund Balance</b>						
General Fund.....	\$ 12,177,631	\$ 13,900,000		\$ -	\$ -	\$ -
Cash Capital.....						
Encumbrances And Other.....	4,187,534			-	-	
Supplemental Appropriations.....				-	-	
<b>TOTAL</b>	\$ 778,559,433	\$ 734,885,895	\$ 427,641,436	54.9%	\$ 405,340,159	53.5%

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION  
GENERAL FUND  
FOR THE PERIODS ENDING FEBRUARY 29, 2020 AND FEBRUARY 28, 2019**

FUNCTION	A	B	C=B/A	D	E
	FY 2020 APPROVED BUDGET	FY2020 EXPENDITURES THRU 02/29/2020	% OF BUDGET EXPENDED	FY2019 EXPENDITURES THRU 02/28/2019	% OF BUDGET EXPENDED
	Legislative & Executive.....	\$ 3,495,056	\$ 2,117,099	60.6%	\$ 1,944,451
Judicial Administration.....	\$ 46,006,276	\$ 29,425,838	64.0%	\$ 28,537,198	63.5%
<b>Staff Agencies</b>					
Communications.....	\$ 1,544,294	\$ 858,842	55.6%	\$ 790,271	52.6%
Human Rights.....	905,798	597,133	65.9%	601,260	69.4%
Information Technology Services.....	12,123,957	8,102,074	66.8%	7,622,046	63.2%
Management & Budget.....	1,364,181	883,089	64.7%	777,013	61.7%
Finance.....	13,555,967	7,797,005	57.5%	7,685,779	69.8%
Performance and Accountability.....	535,509	358,197	66.9%	242,189	38.0%
Internal Audit.....	442,002	154,473	34.9%	144,903	33.8%
Human Resources.....	4,689,778	2,685,020	57.3%	2,480,198	56.2%
Organizational Excellence	150,446	423	0.0%		
Planning & Zoning.....	6,390,022	3,768,142	59.0%	3,653,233	60.7%
Economic Development Activities.....	7,131,946	4,749,782	66.6%	4,249,031	73.4%
City Attorney.....	3,882,658	2,690,899	69.3%	2,140,182	69.3%
Registrar.....	1,335,329	765,923	57.4%	731,950	59.4%
General Services.....	12,061,895	7,066,972	58.6%	8,621,266	58.5%
Total Staff Agencies	\$ 66,113,782	\$ 40,477,976	61.2%	\$ 39,739,321	61.2%
<b>Operating Agencies</b>					
Transportation & Environmental Services.....	\$ 24,385,394	\$ 13,754,495	56.4%	\$ 16,806,596	5960.0%
Project Implementation.....	-	-	0.0%	3,267	34.9%
Fire.....	55,307,491	34,354,947	62.1%	34,092,456	63.2%
Police.....	67,140,443	41,522,123	61.8%	41,020,087	62.8%
Emergency Communications.....	8,498,862	5,145,101	60.5%	4,529,001	57.9%
Code.....	33,060	4,099	12.4%	3,144	13.1%
Transit Subsidies.....	21,760,499	16,140,017	74.2%	16,266,335	93.8%
Housing.....	1,909,924	1,198,370	62.7%	1,097,755	59.3%
Community and Human Services.....	14,574,157	9,238,805	63.4%	9,344,358	68.6%
Health.....	8,363,542	5,847,790	69.9%	6,034,710	69.2%
Historic Resources.....	3,601,582	2,113,109	58.7%	1,834,233	54.9%
Recreation.....	24,038,373	14,915,710	62.0%	14,246,463	61.7%
Total Operating Agencies	\$ 229,613,327	\$ 144,234,567	62.8%	\$ 145,278,405	58.6%
<b>Education</b>					
Schools.....	\$ 231,669,496	\$ 115,834,748	50.0%	\$ 124,123,676	55.5%
Other Educational Activities.....	16,128	8,064	50.0%	9,107	75.0%
Total Education	\$ 231,685,624	\$ 115,842,812	50.0%	\$ 124,132,783	55.5%
<b>Capital, Debt Service and Miscellaneous</b>					
Debt Service - City.....	\$ 35,530,695	\$ 25,987,524	73.1%	\$ 30,070,912	74.7%
Debt Service - Schools.....	\$ 28,112,251	\$ 19,943,052	70.9%	\$ 14,848,840	51.3%
Non-Departmental.....	9,795,496	7,276,264	74.3%	6,737,858	69.5%
General Cash Capital.....	43,180,142	21,590,071	50.0%	18,483,348	50.0%
Contingent Reserves.....	749,170	-	0.0%		0.0%
Total Capital, Debt Service and Miscellaneous	\$ 117,367,754	\$ 74,796,911	63.7%	\$ 70,140,958	58.6%
<b>TOTAL EXPENDITURES</b>	\$ 694,281,819	\$ 406,895,203	58.6%	\$ 409,773,116	60.3%
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects Funds).....	\$ 52,973,302	\$ 6,403,125	12.1%	\$ 8,861,688	15.8%
Transfer to Housing.....	\$ 8,867,775	2,697,288	30.4%	-	0
Transfer to Library.....	\$ 7,115,682	49,851	0.7%	28,035	96.3%
Transfer to DASH.....	\$ 15,292,278	12,235,608	80.0%	11,856,291	95.6%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	\$ 778,530,856	\$ 428,281,075	55.0%	\$ 430,519,130	57.0%
	\$ 28,577				
<b>Total Expenditures by Category</b>					
Salaries and Benefits.....	\$ 233,893,215	\$ 145,058,046	62.0%	\$ 143,210,722	62.7%
Non Personnel (includes all school funds) .....	544,666,218	283,223,030	52.0%	287,308,410	54.5%
<b>TOTAL EXPENDITURES</b>	\$ 778,559,433	\$ 428,281,076	55.0%	\$ 430,519,132	57.0%