



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

**DATE:** APRIL 3, 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 February 28, 2019

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**ISSUE:** Receipt of the Monthly Financial Report for the Period Ending February 28, 2019.

**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 compares consumer taxes over the last quarter for 5 years to gauge the impact of the federal government shutdown. This analysis indicates that there was no apparent economic impact on Alexandria from the shutdown. 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 February 2019, General Fund revenues totaled \$405.3 million, a decrease of \$160.9 million, or 28.4 percent, below the revenues collected at the same time in FY 2018. FY 2018 reflects a \$167.4 million in bond refunding proceeds. Factoring this out for comparison, as of February 28, 2019, General Fund revenues totaled \$405.3 million, which is a 1.6 percent increase over FY 2018 for the same time period, in which \$398.8 million was collected. With eight months completed in the fiscal year, approximately 53.5 percent of budgeted revenues has 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 February exceed last year's collections by \$0.8 million or 1.7 percent. Second-half of the calendar year Real Property taxes were due on November 15 and collections total \$450.2 million, which is \$6.0 million or 2.8 percent more than FY 2018 at this time.

With the presentation of the City Manager's Proposed FY 2020 Operating budget, the Monthly Financial Report now includes a projection of total General Fund revenues for the year. Most categories of revenues are expected to meet or exceed the FY 2019 budgeted amount.

One of the strongest categories in FY 2019 is Local Sales and Use Tax. Sales tax remittance lags by two months, so this monthly financial report reflects six months of receipts, including the holiday season. Collections to date are \$0.8 million higher than this point in FY 2018, or 5.9 percent. Six months of collections or \$14.4 million are 52.2 percent of the budgeted amount in FY 2019. Recordation tax revenue were higher in FY 2018 due to several large commercial real estate transactions but is higher through the first eight months of the current fiscal year than originally estimated. Although transient lodging tax is projecting to be lower than the budget estimate for FY 2019, collections through 8 months are consistent with FY 2018. Restaurant Meals Sales tax is trending ahead

of FY 2018, due primarily to a one percent increase in the tax rate to provide funding for affordable housing. However, through the first 8 months of the fiscal year, after discounting for timing and posting anomalies, the actual rate of growth for Meals Sales tax is almost 28 percent compared to FY 2018. The increase in the tax rate accounts for 25 percent of the increase over FY 2018; the additional almost three percent represents real growth.

Attachment 3 examines consumer taxes over the past 5 years, during the last quarter (December through February) to identify any impacts that may have been realized by the federal government shutdown. The federal shutdown occurred for 35 days from December 22, 2018, until January 25, 2019. With the exception of Transient Lodging tax revenue in November, all categories are higher than the same month in FY 2018. Discounting for the increase in the tax rate, Meals Sales tax revenue increased 3.3 percent, year over year, in January. Transient Lodging increased 6 percent for that same period, and Sales tax revenue showed a 1.1 percent increase when comparing January 2018 sales to January 2019 sales.

Several of the non-tax categories are experiencing significant variances compared to FY 2018. Higher interest rates are resulting in higher Revenue from Use of Money and Property compared to FY 2018. Intergovernmental tax revenue variances are due to timing. FY 2018 included

13 monthly payments for federal prisoner per diem revenue. Last year at this time, the City received the majority of the Personal Property Tax Relief Act subsidy from the State, but through February 2019, only \$11.8 million has been received. Revenues from Fines and Forfeitures are approximately 19 percent lower than through 8 months of the fiscal year in FY 2018. Average monthly court fines in FY 2018 were \$89,000, compared to average monthly collections of \$56,000 in FY 2019. Revenue from parking citations is also down considerably in FY 2019 compared to FY 2018, with a 27 percent decline in valid citations issued. Through 8 months of FY 2019, 34,984 valid citations have been issued generating \$1.6 million in revenue. This compares to 47,902 valid citations issued in FY 2018, which generated \$2.1 million. Research and monitoring are ongoing across relevant Departments to determine the short-term causes of these variances, as well as the longer-term impact. The revenue projection for FY 2019 will be closely monitored through the end of the year; staff will be making recommendations to City Council via the Technical Adjustments Budget Memorandum that will be forthcoming in April to adjust the FY 2020 revenue estimate is necessary.

While a number of the revenue categories are performing above budget a number of tax categories (consumer utility, communications, tobacco, motor vehicle license, and admissions) are performing below FY 2019's collection levels. Given the March 1 due date for the bulk of the \$34.9 million in budgeted Business License tax revenues, it is too early to project FY 2019 tax collections in this major tax category.

Staff will continue to monitor all General Fund Revenue categories and will update the year-end forecast for FY 2019, as well as revenue estimates for the upcoming year as warranted through the end of the year.

### **Expenditures**

As of February 28, 2019, General Fund expenditures totaled \$430.5 million, a decrease of \$122.5 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 \$430.5 million, compared to \$385.3 million in FY 2018, which is a \$45.2 million increase, or 11.7 percent. Similar to the situation with revenues, no significant expenditure variances have occurred in the first eight 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. Partner agencies, such as the Alexandria Economic Development Partnership, the Alexandria Health Department, and Other Education Activities receive quarterly contributions. As of February 2019, which represents only 66.7 percent of the fiscal year, these partner agencies have received 75 percent of their payments for FY 2019.

Starting in FY 2019 employees in the Department of Project Implementation are now charged to the Capital Improvement Program, which explains 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 issuance 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 may 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 were 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 City Attorney's Office expenditures are trending higher than the fiscal year due to outside legal fees. In the planned Spring Supplemental Appropriation Ordinance, City Council appropriated an additional \$750,000 to address these costs. Across the organization, departmental budgets that are trending slightly behind the fiscal year are experiencing vacancy savings that occurs from staff turnover.

**ATTACHMENTS:**

Attachment 1 - Comparative Revenue Schedule for February 28, 2019

Attachment 2 - Comparative Expenditure Schedule for February 28, 2019

Attachment 3 - Consumer Tax Revenue Comparison

**STAFF:**

Laura B. 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 28, 2019 AND FEBRUARY 28, 2018**

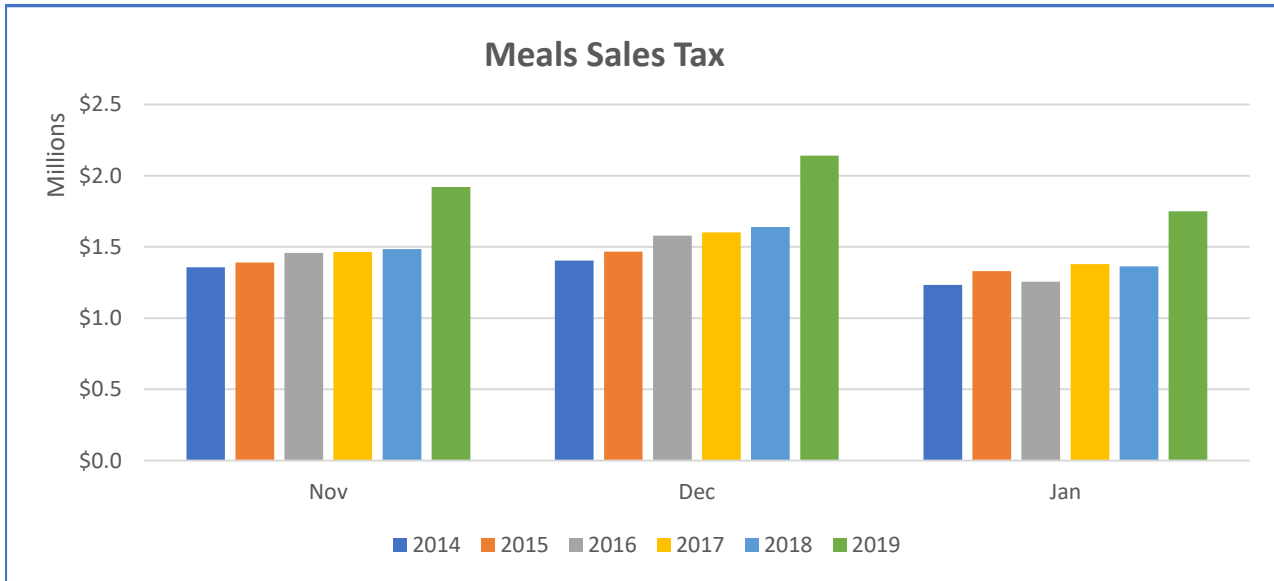
	<b>B</b>	<b>B.1</b>	<b>C</b>	<b>D=C/B</b>	<b>E</b>
	<b>FY 2019</b>	<b>FY 2019</b>	<b>FY 2019</b>	<b>%</b>	<b>FY 2018</b>
	<b>AMENDED</b>	<b>PROJECTED</b>	<b>REVENUES</b>	<b>%</b>	<b>REVENUES</b>
	<b>BUDGET</b>	<b>REVENUES</b>	<b>THRU 2/28/2019</b>	<b>OF BUDGET</b>	<b>THRU 2/28/2018</b>
<b>General Property Taxes</b>					
Real Property Taxes.....	\$ 446,963,782	450,246,430	\$ 219,763,937	49.2%	\$ 213,725,178
Personal Property Taxes.....	50,800,000	51,300,000	47,773,111	94.0%	46,969,836
Penalties and Interest.....	3,300,000	2,708,000	1,364,146	41.3%	1,675,609
<b>Total General Property Taxes</b>	<b>\$ 501,063,782</b>	<b>\$ 504,254,430</b>	<b>\$ 268,901,194</b>	<b>53.7%</b>	<b>\$ 262,370,623</b>
<b>Other Local Taxes</b>					
Local Sales and Use Taxes.....	\$ 27,700,000	27,700,000	\$ 14,445,815	52.2%	\$ 13,643,168
Consumer Utility Taxes.....	11,800,000	12,000,000	6,018,415	51.0%	6,636,365
Communication Sales and Use Taxes.....	9,900,000	9,300,000	4,674,282	47.2%	4,996,564
Business License Taxes.....	34,878,000	34,878,000	18,948,646	54.3%	18,747,806
Transient Lodging Taxes.....	13,275,000	12,400,000	6,633,490	50.0%	6,692,416
Restaurant Meals Tax.....	24,150,000	23,500,000	13,886,366	57.5%	10,132,754
Tobacco Taxes.....	2,800,000	2,800,000	1,514,200	54.1%	1,667,990
Motor Vehicle License Tax.....	3,800,000	3,800,000	3,200,216	84.2%	3,241,074
Real Estate Recordation.....	5,300,000	6,000,000	3,272,844	61.8%	4,201,346
Admissions Tax.....	670,000	670,000	339,601	50.7%	340,950
Other Local Taxes.....	4,745,000	4,745,000	397,766	8.4%	435,334
<b>Total Other Local Taxes</b>	<b>\$ 139,018,000</b>	<b>\$ 137,793,000</b>	<b>\$ 73,331,642</b>	<b>52.7%</b>	<b>\$ 70,735,767</b>
<b>Intergovernmental Revenues</b>					
Revenue from the Fed. Government.....	\$ 9,071,382	8,570,160	\$ 4,798,750	52.9%	\$ 5,347,527
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	12,496,621	53.0%	23,106,960
Revenue from the Commonwealth.....	24,335,376	24,119,423	14,432,133	59.3%	14,026,282
<b>Total Intergovernmental Revenues</b>	<b>\$ 56,985,289</b>	<b>\$ 56,268,114</b>	<b>\$ 31,727,504</b>	<b>55.7%</b>	<b>\$ 42,480,769</b>
<b>Other Governmental Revenues And Transfers In</b>					
Fines and Forfeitures.....	\$ 5,193,450	5,193,450	\$ 2,679,336	51.6%	\$ 3,300,589
Licenses and Permits.....	2,612,678	2,612,678	1,396,355	53.4%	1,441,510
Charges for City Services.....	21,748,168	21,935,630	12,765,143	58.7%	12,202,400
Revenue from Use of Money & Prop.....	8,031,110	10,193,000	7,144,416	89.0%	5,082,245
Other Revenue.....	1,853,215	1,865,000	1,414,234	76.3%	1,069,585
Transfer from Other Funds.....	11,921,244	11,921,244	5,980,336	50.2%	121,922
<b>Total Other Governmental Revenues</b>	<b>\$ 51,359,865</b>	<b>\$ 53,721,002</b>	<b>\$ 31,379,821</b>	<b>61.1%</b>	<b>\$ 23,218,251</b>
<b>TOTAL REVENUE</b>	<b>\$ 748,426,936</b>	<b>\$ 752,036,546</b>	<b>\$ 405,340,161</b>	<b>54.2%</b>	<b>\$ 398,805,410</b>
<b>Appropriated Fund Balance</b>					
General Fund.....	\$ 2,081,322	-	\$ -	\$ -	\$ -
Appropriated refunding bond proceeds.....	-	-	-	-	167,436,747
Encumbrances And Other.....	-	-	-	-	-
Supplemental Appropriations.....	6,696,143	3,086,534	-	-	-
<b>TOTAL</b>	<b>\$ 757,204,401</b>	<b>\$ 755,123,080</b>	<b>\$ 405,340,161</b>	<b>53.5%</b>	<b>\$ 566,242,157</b>

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION  
GENERAL FUND  
FOR THE PERIODS ENDING FEBRUARY 28, 2019 AND FEBRUARY 28, 2018**

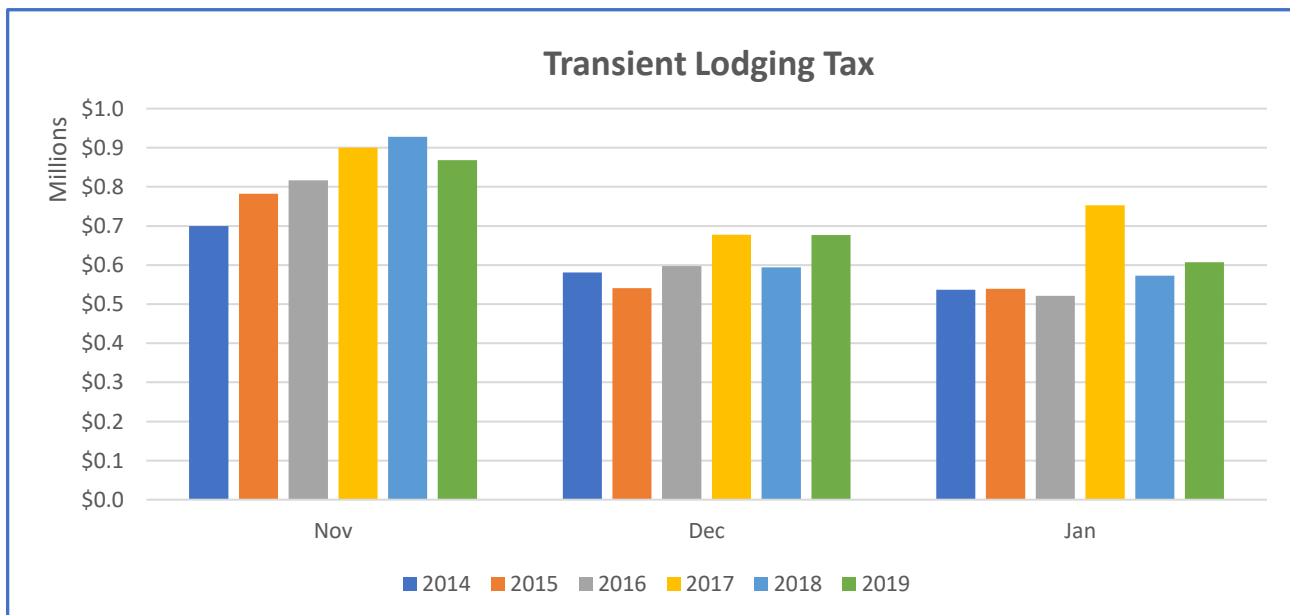
FUNCTION	B	C	D=C/B	E
	FY 2019 AMENDED BUDGET	FY 2019 EXPENDITURES THRU 2/28/2019	% OF BUDGET EXPENDED	FY 2018 EXPENDITURES THRU 2/28/2018
Legislative & Executive.....	\$ 3,180,812	\$ 1,944,451	61.1%	\$ 1,962,318
Judicial Administration.....	\$ 44,958,037	\$ 28,537,198	63.5%	\$ 26,766,145
<b>Staff Agencies</b>				
Communications.....	\$ 1,502,763	\$ 790,271	52.6%	\$ 845,676
Human Rights.....	865,784	601,260	69.4%	518,753
Information Technology Services.....	12,061,080	7,622,046	63.2%	7,086,211
Management & Budget.....	1,259,151	777,013	61.7%	640,280
Finance.....	12,855,068	7,685,779	59.8%	7,568,385
Performance and Accountability.....	637,988	242,189	38.0%	342,753
Internal Audit.....	429,167	144,903	33.8%	201,709
Human Resources.....	4,410,126	2,480,198	56.2%	2,686,627
Planning & Zoning.....	6,021,144	3,653,233	60.7%	3,711,083
Economic Development Activities.....	5,789,768	4,249,031	73.4%	4,067,347
City Attorney.....	3,089,438	2,140,182	69.3%	1,882,117
Registrar.....	1,231,787	731,950	59.4%	804,438
General Services.....	14,730,209	8,621,266	58.5%	8,488,844
<b>Total Staff Agencies</b>	<b>\$ 64,883,473</b>	<b>\$ 39,739,321</b>	<b>61.2%</b>	<b>\$ 38,844,223</b>
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 28,198,104	\$ 16,806,596	59.6%	\$ 17,829,353
Project Implementation.....	9,356	3,267	34.9%	896,731
Fire.....	53,964,570	34,092,456	63.2%	32,526,968
Police.....	65,290,781	41,020,087	62.8%	40,162,732
Emergency Communications.....	7,823,448	4,529,001	57.9%	4,891,363
Code.....	24,000	3,144	13.1%	3,172
Transit Subsidies.....	17,336,098	16,266,335	93.8%	11,316,553
Housing.....	1,851,614	1,097,755	59.3%	1,144,148
Community and Human Services.....	13,613,029	9,344,358	68.6%	9,028,904
Health.....	8,714,657	6,034,710	69.2%	6,079,248
Historic Resources.....	3,340,960	1,834,233	54.9%	1,964,796
Recreation.....	23,099,307	14,246,463	61.7%	14,219,388
<b>Total Operating Agencies</b>	<b>\$ 223,265,924</b>	<b>\$ 145,278,406</b>	<b>65.1%</b>	<b>\$ 140,063,356</b>
<b>Education</b>				
Schools.....	\$ 223,829,302	\$ 124,123,676	55.5%	\$ 116,311,327
Other Educational Activities.....	12,142	9,107	75.0%	9,208
<b>Total Education</b>	<b>\$ 223,841,444</b>	<b>\$ 124,132,783</b>	<b>55.5%</b>	<b>\$ 116,320,535</b>
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service - City.....	\$ 40,265,619	\$ 30,070,912	74.7%	\$ 25,180,091
Debt Service - Schools.....	28,924,085	14,848,840	51.3%	18,304,105
Expenses on Refunding Bonds.....	-	-	0.0%	167,751,322
Non-Departmental.....	9,689,721	6,737,858	69.5%	6,071,985
General Cash Capital.....	36,966,696	18,483,348	50.0%	-
Contingent Reserves.....	3,810,114	-	0.0%	-
<b>Total Capital, Debt Service and Miscellaneous</b>	<b>\$ 119,656,235</b>	<b>\$ 70,140,959</b>	<b>58.6%</b>	<b>\$ 217,307,503</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 679,785,925</b>	<b>\$ 409,773,118</b>	<b>60.3%</b>	<b>\$ 541,264,080</b>
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects Funds).....	\$ 55,963,777	\$ 8,861,688	15.8%	\$ -
Transfer to Library.....	7,059,786	28,035	0.4%	94,895
Transfer to DASH.....	12,313,592	11,856,291	96.3%	11,692,233
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 755,123,080</b>	<b>\$ 430,519,131</b>	<b>57.0%</b>	<b>\$ 553,051,208</b>
<b>Total Expenditures by Category</b>				
Salaries and Benefits.....	\$ 228,395,540	\$ 143,210,722	62.7%	\$ 141,529,942
Non Personnel (includes all school funds).....	526,727,540	287,308,410	54.5%	411,521,263
<b>TOTAL EXPENDITURES</b>	<b>\$ 755,123,080</b>	<b>\$ 430,519,131</b>	<b>57.0%</b>	<b>\$ 553,051,205</b>

### Consumer tax collections

<b>Meals Sales</b>						
<b>Tax Revenue</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Nov</b>	\$ 1,357,035	\$ 1,391,759	\$ 1,457,918	\$ 1,463,761	\$ 1,485,883	\$ 1,921,351
<b>Dec</b>	\$ 1,403,898	\$ 1,467,600	\$ 1,578,327	\$ 1,602,737	\$ 1,640,179	\$ 2,140,021
<b>Jan</b>	\$ 1,233,751	\$ 1,329,626	\$ 1,255,647	\$ 1,378,419	\$ 1,363,055	\$ 1,749,454



<b>Transient Lodging Tax</b>						
<b>Revenue</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Nov</b>	\$ 699,554	\$ 782,253	\$ 817,033	\$ 899,942	\$ 927,889	\$ 868,193
<b>Dec</b>	\$ 580,699	\$ 541,200	\$ 597,547	\$ 677,927	\$ 594,432	\$ 676,766
<b>Jan</b>	\$ 537,050	\$ 539,674	\$ 521,302	\$ 753,022	\$ 572,849	\$ 607,336



## Consumer tax collections

<u>Sales Tax</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Nov</b>	\$ 2,062,527	\$ 2,077,271	\$ 2,149,399	\$ 2,178,292	\$ 2,221,879	\$ 2,414,837
<b>Dec</b>	\$ 2,280,844	\$ 2,337,412	\$ 2,501,363	\$ 2,705,996	\$ 2,597,360	\$ 2,663,191
<b>Jan</b>	\$ 1,912,333	\$ 1,841,637	\$ 1,884,150	\$ 1,997,943	\$ 2,016,182	\$ 2,037,892

