



Legislation Details (With Text)

File #: 20-0819 **Name:** Month 9 Monthly Financial Report
Type: Written Report **Status:** Agenda Ready
File created: 4/16/2020 **In control:** City Council Legislative Meeting
On agenda: 5/12/2020 **Final action:**
Title: Consideration of the Monthly Financial Report for the Period Ending March 31, 2020.
Sponsors:
Indexes:
Code sections:
Attachments: 1. 20-0819_Att 1 - Revenue March 2020, 2. 20-0819_Att 2 - Expenditure March 2020, 3. 20-0819_Att 3 - Investment Report 3QFY2020

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 6, 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 March 31, 2020.

ISSUE: Receipt of the Monthly Financial Report for the Period Ending March 31, 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 March 31, 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 as outlined in the FY2021 Budget version 2.0.

REVENUES: It is too early to begin to see the impacts of the COVID-19 virus on the City's year-to-date revenue collections. Most categories were still tracking at rates that similar to the percent of the budgeted amount from the prior year. Through the first 9 months of FY 2020, the economic outlook appeared 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 are not noticeably different than the same time period last year. However, that will change with next month's report where revenues (or lack thereof) collected in March but paid (or not paid) in April will be evident. As of March 31, 2020, General Fund revenues totaled \$453.2 million, an increase of \$19.8 million or 4.6% above revenues collected at the same time in FY 2019. After nine months in FY 2020, approximately 58.1 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 5th. Personal Property tax revenue is \$53.4 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 15th. Revenue from real property taxes is consistent with the budgeted amount in FY 2020 and the amount collected in FY 2019 through March.

In other local taxes, prior to the pandemic local sales tax was trending 11.3 percent over collections in FY 2019. Sales tax revenue is remitted by the State, two months after it is collected. Through 9 months of the fiscal year, the City has received 7 months of local sales tax revenue, which amounts to 68.6 percent of the amount budgeted. Through March 2020, Recordation tax revenue reflects 84.1 percent of the budgeted amount and exceed collections for the same period in FY 2019 by 35.1 percent. Variances in intergovernmental revenue from the Commonwealth and Transfers from Other Funds are related to the timing of payments or posting.

Business License taxes were due on March 1 and were based on pre-COVID-19 gross receipts earned in 2019. Revenues of \$32.1 million reflect 93.5 percent of the budgeted amount and are 1.4 percent lower than revenues in FY 2020 through month nine.

Following up to the presentation of the City Manager's Proposed FY 2021 Operating budget, the Monthly Financial Report now includes (Attachment I, Column B1) 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.

As noted previously, 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

certain tax related 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. It is important to note that Real Estate Tax bills are being generated now. These taxes are due on June 15 and will be subject to late payment penalty and interest if not paid by June 15

EXPENDITURES: As of March 31, 2020, General Fund expenditures totaled \$481.5 million, an increase of \$11.0 million, or 2.3 percent, compared to the same time period for FY 2019. In addition, at 75 percent of the way through the fiscal year and with 68.7 percent of payrolls processed, no department has a percent of budget expended amount significantly differing from with this rate of spending. It should be noted that 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 and also charge eligible expenses to the forthcoming (but to-be-determined) federal CARES funding. In addition, the City has instituted 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 nine 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 17.2 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 March 31, 2020
- Attachment 2: Comparative Revenue Schedule for March 31, 2020
- Attachment 3: 3rd Quarter Investment Report

STAFF:

Laura Triggs, Deputy City Manager
Kendel Taylor, Director, Finance Department
Morgan Routt, Director, OMB