



Legislation Details (With Text)

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Title: Consideration of the Monthly Financial Report for the Period Ending March 31, 2022.
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Attachments: 1. 22-1100_Attachment 1 - Revenues March 2022, 2. 22-1100_Attachment 2 - Expenditures March 2022, 3. 22-1100_Attachment 3 - Consumer Spending, 4. 22-1100_Attachment 4 - Third Quarter Investment Report March 2022

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 3, 2022
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
THROUGH: JAMES F. PARAION, CITY MANAGER /s/
FROM: KENDEL TAYLOR, DIRECTOR, FINANCE DEPARTMENT

DOCKET TITLE:
Consideration of the Monthly Financial Report for the Period Ending March 31, 2022.

ISSUE: Receipt of the Monthly Financial Report for the Period Ending March 31, 2022.

RECOMMENDATION: That City Council receives the Monthly Financial Report.

BACKGROUND: The following discussion is a summary of the Monthly Financial Report for this period. Detailed comparative schedules are attached.

General Fund Revenues

As of March 31, 2022, General Fund revenues totaled \$472.9 million, a decrease of \$23.5 million or 4.7 percent compared to the same period in FY 2021. In November 2021, the City refunded \$11.8 million of existing debt to generate a savings of debt service of approximately \$0.6 million, including \$0.2 million in FY 2022. A similar refunding occurred in FY 2021 of \$49.6 million of outstanding debt. For comparison purposes, without the refinanced bond proceeds, total revenue in FY 2022 is \$461.1 million, which is \$14.7 million more than in

FY 2021, or a 3.3 percent increase.

The first significant tax revenue in FY 2022 was due on October 5, when personal property taxes for vehicle and business personal property were due. In FY 2021, through March 2021, the City received \$51.0 million of personal property tax revenue. For the same period in FY 2022, the City has received \$55.6 million. The second half of calendar year 2021 real estate taxes were due on November 15. Through March 2022, the City received \$237.2 million in real estate tax revenue compared to \$236.6 million in FY 2021 (March 2021).

Revenues often do not track consistently with a monthly 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. Through the first nine months of the fiscal year, several categories, including restaurant meals and sales tax revenue, are reflecting positive condition. Transient occupancy tax collections underperformed expectations in FY 2021 but are also showing positive indications in FY 2022.

In addition to the revenues and expenditures schedules, Attachment 3 provides a comparison of the City's primary local taxes related to consumer spending. Sales tax revenue continues to exceed prior years. Through January 2022 (sales taxes are remitted to the City two months after they are collected), sales tax revenue exceeded the prior year by \$2.6 million, or 14.0 percent. A portion of the sales tax increase can be attributed to online purchases where the purchase originates in a warehouse (Amazon, Wayfair, etc.) and sales tax is designated for the jurisdiction where the home delivery of the online purchase occurred. An in-store purchase may originate online but the assembly or distribution occurs from a "bricks and mortar" location. For in-store purchases, the sales tax is attributed to the jurisdiction where the store is located. Regardless of the origination, the City benefits from sales that occur, either from the home of residents or from City businesses.

With eight months of collections in FY 2022 (restaurant meals taxes are remitted to the City one month after they are collected), restaurant meals tax revenues are 31.0 percent or nearly \$4.2 million above where they were in the first eight months of FY 2021. Transient lodging is showing signs of improvement. Through the first nine months of FY 2022 (eight months of collections), revenues exceed the same period in FY 2021 by \$2.4 million or 86.4 percent. During the pandemic in FY 2021, transient lodging tax revenue was down from the prior (pre-pandemic) year by approximately 70 percent. Revenues collected through calendar year 2021 were slightly more than half the amount collected in calendar year 2019. Weekend stays from leisure travel is largely driving the revenue growth, as business travel during the week remains subdued. With the surge in cases from the Omicron variant, revenue from transient lodging taxes was lower in January and February than in prior months.

General Fund Expenditures

As of March 31, 2022, FY 2022 General Fund expenditures totaled \$469.9 million, a decrease of \$13.7 million or 2.8 percent compared to the same period in FY 2021. Similar to the situation with revenue, the transfer to the escrow agent of the refunded bond proceeds skews the comparison to the prior year. For comparison purposes, without the impact of the bond refunding in each year, total expenditures are \$458.2 million, a \$24.3 million increase compared to FY 2021, or 5.6 percent. No significant expenditure has occurred in the first nine months of FY 2022 that is unbudgeted or unexpected. The most significant difference is the timing and source of payments. For example, the City's contribution to WMATA is funded from several sources. Last year, General Fund resources were conserved, and a greater portion of the contribution came from other sources compared to this year in which the budgeted contributions are being utilized. The other anomaly across all departments compared to FY 2021 is the approximately \$7.2 million in pay adjustments that were provided to employees in November and \$2.1 million for the 1 percent bonus in August.

Investment Report

As of March 31, 2022, the City held \$333.6 million in investments, with a total rate of return in the third quarter of FY 2022 of 0.05%. Attachment 4 reviews the City's investment policy, which focuses above all on the preservation of capital, adequate liquidity, and secondary to these, attaining a market rate of return. Authorized and actual investment allocations focus heavily on federal, state, and municipal securities, as well as certificates of deposit. As of March 31, \$255.2 million or 76.4% of the City's portfolio was held in the Commonwealth's Local Government Investment Pool (LGIP). The low rate of return in the third quarter was due to very low interest rates, which have begun to rise in coordination with actions of the Federal Reserve. This will likely result in gradual increases to the City's rate of return in the fourth quarter.

ATTACHMENTS:

Attachment 1: Comparative Statement of General Fund Revenues
Attachment 2: Comparative Statement of General Fund Expenditures
Attachment 3: Consumer Spending Comparison Charts

Attachment 4: Investment Report, FY 2022 Third Quarter

STAFF:

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Morgan Routt, Director, Office and Management and Budget

Evan Davis, Administrative Chief, Finance Department