



Legislation Details (With Text)

File #: 20-1054 **Name:** September Monthly Financial Report
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On agenda: 11/10/2020 **Final action:**
Title: Consideration of the Monthly Financial Report for the Period Ending September 30, 2020.
Sponsors:
Indexes:
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Attachments: 1. 20-1054_Attach1 - Revenue-Month 3 FY 2021, 2. 20-1054_Attach2 - Expenditure Month 3 FY 2021, 3. 20-1054_Attach3 - Investment Report 1Q FY 2020

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

MEMORANDUM

DATE: NOVEMBER 4, 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 September 30, 2020.

ISSUE: Receipt of the Monthly Financial Report for the Period Ending September 30, 2020.

RECOMMENDATION: That City Council receive the Monthly Financial Report.

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

At this time in FY 2021, the City's total revenue collection is not noticeably different than what was projected for the first three months of the fiscal year, however revenue collections are likely to decline as COVID-19's impact on the City may be greater than budgeted. Based on current economic forecasts, and fiscal trends, the post COVID-19 economic recovery will likely be longer than earlier projected, and revenues will be less than currently budgeted. With FY 2021 revenues projected to be \$10 million less than budgeted, staff has begun to review options that will keep the FY 2021 budget in balance without resorting to further use of fund balance beyond \$7.9 million that was budgeted for FY 2021.

As of September 30, 2020, General Fund revenues totaled \$65.8 million, an increase of \$0.9 million or 1.5% more than the revenues collected at the same time in FY 2020. Through the first quarter, approximately 8.8 percent of budgeted revenues have been collected. Timing anomalies are most pronounced early in the fiscal year, which can be the cause of the significant year over year variance. In addition, revenue collected in July and some of the revenue collected in August are for taxes owed in June and are therefore accrued and accounted in the prior fiscal year.

The first significant tax revenue in FY 2021 is traditionally due on October 5, when personal property taxes for vehicle and business personal property are due. Early in September, City Council extended this deadline to December 15th. Even with this extension, receipts through September 2020 are substantially ahead of the same time period last year. This is related to the timing of the bill mailing and may have no relationship to any economic condition. Through the first three months of the fiscal year, no category has sufficient receipts to establish a clear pattern; however, from other economic data, staff believes that FY 2021 revenue collections will likely be less than budgeted. Staff continues to refine FY 2021 revenue projections and will present the findings at Council's November 7 Retreat.

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.

Local Sales and Use tax revenue is higher than receipts from month three in FY20 due to timing of remittance of funds from the Commonwealth. Business License and Telecommunication tax receipts are also higher than last fiscal year. Most business license tax receipts received at this time of the year are based on calendar year 2019 receipts. Most business license taxes for receipts for calendar year 2020 business income are not due until March. As expected, Meals Sales tax revenue and Transient Lodging tax is lower than this period last year. Non-tax revenues are also showing the effects of the pandemic for a variety of reasons. Social distancing and "safer at home" directives are significantly impacting revenues that are dependent on entrance and rental fees (recreation classes, facility rentals, e.g.). The development of the FY 2021 General Fund revenue budget included a careful review of each revenue category to estimate the impact COVID-19 might have on receipts and many categories were reduced in advance of continued impacts on the City's economy from the pandemic. Revenue from the use of money and property is lower than last fiscal year due to interest rates being significantly lower than prior years resulting in reduced revenue from investments. Lower interest rates were anticipated and the budget for Interest on General Fund Investments was reduced significantly in FY 2021. Attachment 3 provides City Council with the quarterly investment earnings report. The majority of the City's investments are in the Local Government Investment Pool (\$252 million), which is currently earning 0.22 percent. Updated consumer spending charts will be presented at the City Council retreat and will be included in the October Monthly Financial Report, which will be presented in December.

As of September 30, 2020, General Fund expenditures totaled \$154.2 million, a decrease of \$3.8 million or 2.4% over the same time period for FY 2020. There is a decreased rate of spending noted for most City departments which is a factor of many employees still teleworking due to COVID, the hiring freeze in place City-wide and a reduction in use of overtime and seasonal and temporary employees. Similar to the situation with revenues, it is too soon to make any longer-term economic interpretation from the activity that has occurred in the first three months of the fiscal year. Beyond the expenses related to the pandemic response, no significant expenditure has occurred in the first quarter of Fiscal Year 2021 that is unbudgeted or unexpected. The most significant difference is the timing and source of payments. For example, Debt Service payments scheduled in July are greater in FY 2021 than in FY 2020 due to planned borrowing for capital projects.

ATTACHMENTS:

Attachment 1: Comparative Statement of General Fund Revenues

Attachment 2: Comparative Statement of General Fund Expenditures

Attachment 3: FY 2021 First Quarter Investment Report

STAFF:

Laura B. Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Morgan Routt, Director, Office and Management and Budget

Mayuri Middough, Division Chief of Administration