Legislation Details (With Text)

File #:	21-0994	**Name:**	April Monthly Financial Report
Type:	Written Report	**Status:**	Agenda Ready
File created:	4/21/2021	**In control:**	City Council Legislative Meeting
On agenda:	6/9/2021	**Final action:**	
Title:	Consideration of the Monthly Financial Report for the Period Ending April 30, 2021.		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. 21-0994_Attachment 1 - Revenue-April FY2021, 2. 21-0994_Attachment 2 - Expenditure April FY2021, 3. 21-0994_Attachment 3 - Consumer Spending, 4. 21-0994_Attachment 4 - Investment Report 3QFY2021		

Date	Ver.	Action By	Action	Result

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 2, 2021

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 April 30, 2021.

ISSUE: Receipt of the Monthly Financial Report for the Period Ending April 30, 2021.

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.

REVENUES

As of April 30, 2021, General Fund revenues collected equaled $509.0 million, an increase of $47.2 million or 10.2 percent more than the revenues collected at the same time in FY 2020. In November 2020, the City refunded existing debt to generate a savings of debt service of approximately $1.0 million. For comparison purposes, without the $49.9 million in refinanced bond proceeds, total revenue in FY 2021 is $459.2 million, which, largely due to the COVID-19 pandemic. is $2.7 million less than FY 2020, or a 0.6 percent decrease.

At this time in FY 2021, the City's total revenue collection is not noticeably different than the COVID-19 impacted revenues that were projected for the first nine months of the current fiscal year. Revenues with considerable declines are being partially offset with additional revenues in other categories. The FY 2022 budget process included a comprehensive forecast of the FY 2021 General Fund Revenues that was reviewed and revised in April. The most recent FY 2021 General Fund revenue forecast is reflected in Attachment 1, column C.1.

Personal Property tax revenues are showing a significant decline compared to FY 2020. Although staff has not utilized the City's third-party collection firm to pursue delinquent taxes during the pandemic, this effect enforcement tool is expected to be utilized once again in FY 2022. As approved by City Council, the personal property due date was delayed from October 5 to December 15 for FY 2021, so this later due date is also impacted collections. Notices have been mailed alerting individuals about their delinquent status and encouraging them to reach out to the Finance Department to arrange a payment plan if needed. It is also important to note that the total personal property levy, or taxes billed in FY 2021 (tax year 2020) was 4.6 percent lower than the previous levy. As noted during the budget process, a combination of fewer cars on the tax rolls and fewer new cars purchased and added to the tax rolls has had a negative impact on the tax levy in FY 2021. Real Estate revenue projections reflect 2021 assessments, as well as a 2-cent reduction in the 2021 real estate tax rate as approved by Council on May 5.

The development and subsequent revisions to 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. Based on current pandemic and economic forecasts and fiscal trends, the post COVID-19 economic recovery will likely be longer than projected last Spring, and revenues will be less than currently budgeted. Currently staff does not anticipate any other significant changes in the rate of collection or payment in any of the City's revenue categories.

Sales tax revenue is consistent with receipts from February 2020. This is due in large part to a surge in internet-based sales, which are comprise a larger percentage of Sales tax revenue than in previous years. Attachment 3 provides a comparison of Sales tax and other consumer spending revenue categories. Compared to FY 2020, February 2021 Sales tax revenue is 5.3 percent higher than February 2020 revenue. Total Sales tax revenues for the year is up 1.4 percent compared to the same period in FY 2020. Recordation tax revenues have increased 24.4 percent due to residential sales and refinancing as well as the sale of the Southern Towers multi-family portfolio.

Non-tax revenues are also showing the effects of the pandemic for a variety of reasons. Physical distancing and "safer at home" directives are significantly impacting revenues that are dependent on entrance and rental fees like recreation classes and facility rentals. In addition. revenue from the Use of Money and Property is lower than last fiscal year due to interest earnings on invested City cash being significantly lower than prior years due to market conditions causing lower revenue from City cash balances. Lower interest rates were anticipated, and the budget for Interest on General Fund Investments was reduced significantly for FY 2021. Permits and Licenses are over $2.6 million more than receipts in April 2020 due to the collection of past due invoices for Temporary Parking permits by a utility company.

COVID IMPACT AND AMERICAN RESCUE PLAN

The first chart in Attachment 3 shows the cumulative impact that the pandemic has had on consumer taxes. In aggregate, the impact on the City's revenue in the past 12 months is a loss of revenue of $17.1 million. The most significant decline is in Transient Lodging tax revenue, which is down 71.6 percent in the past 12 months or a loss of $9.0 million. Losses in Meals Sales Tax revenue are proportionally less than Transient Lodging, with a 33.4 percent decline; this equates to $8.2 million in lost revenue in the past 12 months.

The Consumer Spending chart now includes information about the impacts of recovery on the local economy. March 2020 was the first month of tax receipts that reflected behavioral change due to the pandemic. Although the City's Sales tax revenue benefited from the pandemic, both meals and transient lodging showed significant declines compared to FY 2019. Signs of recovery are now evident in for some revenue categories as shown in Attachment 3. Compared to March 2020, when the pandemic was taking hold, meals tax revenue in March 2021 is up 35.7 percent. It is still down considerably compared to March 2019, and transient lodging remain at levels below March 2020.

The recently federally approved American Rescue Plan Act (ARPA) will provide $59.6 million to the City. On May 17, the City received $29.8 million, which represents half of the total ARPA allocation to the City of Alexandria. This will be deposited in the Special Grants Fund and allocated by City Council at its July 6 meeting. The second half is expected to be transferred from the U.S. Treasury to the City in May of 2022.

EXPENDITURES

As of April 31, 2021, General Fund expenditures totaled $556.0 million, an increase of $31.7 million or 6.1 percent compared to the same period for FY 2020. Bond proceeds are transferred to an escrow agent and shown as an expenditure in FY 2021. Without this variance, General Fund expenditures total $506.3 million, which is a decrease of $17.9 million or 3.4 percent. Expenditures for most City departments are consistent with spending over the same period last fiscal year. Transit subsidies are less than budgeted due to WMATA's use of CARES funding resulting in a temporary reduced need for full budgeted funding from localities. Some of this WMATA savings will be used to help offset lost farebox revenue for DASH. With the November 2020, the Registrar of Voters is also trending significantly higher than FY 2020. These costs have been budgeted, and the additional costs for mailing that were incurred have been reimbursed to the City by State and other grants.

For comparison purposes, a preliminary comprehensive expenditure projection has been included with this report. The fiscal year is over 83 percent completed and forecasts are based on current information about departmental operations through the end of the year. Including the funds associated with the bond proceeds and previously planned use of fund balance, projected general fund revenues (excluding budget fund balance and ARPA funds) of $790.8 million, compares favorably to projected expenditures of $786.6 million. The City's selective hiring freeze significantly contributed to this fiscal outcome. Several departments are projected to exceed their budgets by very small amounts primarily related to COVID related costs or where the assumed vacancy rate did not occur. The Supplemental Appropriation Ordinance in June will include a section of interdepartmental transfers, in which surplus resources from some mostly smaller departments will be transferred to other departments that experienced unbudgeted expenses or whose vacancies were not sufficient to cover the assumed turnover savings that was included in the FY 2021 Approved Budget. At t his point in the fiscal year, spending in the Non-Departmental account includes the City's investment and response to the pandemic, year-end corrections and adjustments and allocations to funding streams (FEMA, ARPA), will ultimately result in this account equaling the projected amount.

In summary while General Fund revenues are projected to fall about $3.7 million short of the budgeted revenue amount, General Fund expenditures which are running below budget are currently projected to more than cover the projected revenue shortfall obviating the need to draw upon the General Fund balance as initially budgeted. Given that FY 20222's pandemic-based revenue budget was prepared with little knowledge of how the pandemic would impact revenues, staff did an extraordinary job of projecting FY 2022 revenues as well as managing expenses.

ATTACHMENTS:

Attachment 1: Comparative Statement of General Fund Revenues
Attachment 2: Comparative Statement of General Fund Expenditures
Attachment 3: Comparison of Consumer Spending Categories
Attachment 4: Investment Report, 3rd Quarter, FY 2021

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