



## Legislation Text

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### City of Alexandria, Virginia

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#### MEMORANDUM

**DATE:** OCTOBER 3, 2018

**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 August 31, 2018.

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**ISSUE:** Receipt of the Monthly Financial Report for the Period Ending August 31, 2018.

**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.

**FY 2018:** The unaudited preliminary estimate for FY 2018 General Fund revenues is \$894.1 million. At the same time, FY 2018 expenditures and encumbrances totaled \$890.3 million, enabling the City to end the year with a surplus of revenues over expenditures and encumbrances of about \$4.0 million. These totals include nearly \$167 million in revenue and expenditures associated with two bond refundings. Of the \$4.0 million surplus, all of it will be committed in fund balance and reappropriated in the fall for incomplete operating and capital projects.

In addition to these fund balance commitments, \$2.0 million is assigned in Fund Balance for future Washington Metropolitan Transit Authority (WMATA) costs associated with prior and current year use of recent collective bargaining agreements. At this time, the final amount owed and the timing of this payment is unknown. In recent weeks WMATA staff have indicated to jurisdictions which fund WMATA's operating subsidies (State of Maryland, District of Columbia and Virginia local governments) that due to the retroactive nature of WMATA's recent Labor Settlement that approximately \$54 million is due from the state and local funding entities for FY 2018 and FY 2019. The City's share of this would be \$2.6 million. In order to prepare to fund this forthcoming obligation a \$2.0 million assignment of fund balance is planned. An assignment of Fund Balance will enable the City to respond to this unbudgeted retroactive expenditure without impacting the City's current operating

budget. For FY 2020, the added cost would be \$2.25 million in addition to a likely 3% increase in WMATA's operating budget.

The FY 2018 General Fund ending positive enables the City to increase its ratio of Spendable Fund Balance as a percentage of General Fund revenues from 16% to 16.5%, which is viewed favorably by the rating agencies who view this as an indicator of the City's ability to respond to uncertainties and unforeseen events.

**FY 2019:** As of August 31, 2018, General Fund revenues totaled \$29.5 million, a decrease \$1.0 million or 3.4% compared to the revenues collected at the same time in FY 2018. This is entirely due to the timing of receipts. These timely anomalies are most pronounced early in the fiscal year. Consumer utility tax revenue from a single payer due in September, but posted on August 29<sup>th</sup> accounts for the variance in that revenue category between fiscal years. Federal prisoner per diem payments were received in August 2017, but not until September 2018. As noted in last month's timeline, the first significant tax in FY 2019 is due on October 5, when personal property taxes for vehicle and business personal property are due. It is important to note that revenues collected in July and some of the revenue collected in August are actually for taxes owed in June and are therefore accrued to the prior fiscal year.

As of August 31, 2018, General Fund expenditures totaled \$100.8 million, compared to \$106.8 million over the same time period for FY 2017, which represents a 5.6 percent decrease. There are several contributing factors. The July 2018 debt service payment for principal and interest on the City's outstanding debt is \$4.1 million more than in FY 2018 to pay for the budgeted additional capital expenditures. The increase in Cash Match transfer to DASH is a timing issue, in which the transfer in FY 2018 occurred in August, but in FY 2019 it did not occur until September. The variance in Transit Subsidies is associated with a change in the quarterly contribution payment to WMATA, which is primarily General Funds in FY 2019, compared to a combination of General Fund and Northern Virginia Transportation Commission Trust Fund money in FY 2018. The end result will be the same. Through the first two months of FY 2019, which equates to 16.7 percent of the fiscal year, the City has expended 11.9 percent of the budgeted amount. This difference is primarily attributable to the timing of transfers and the payment of encumbered funds, which may not occur evenly throughout the year.

#### **ATTACHMENTS:**

Attachment 1: Comparative Statement of General Fund Revenues

Attachment 2: Comparative Statement of General Fund Expenditures

#### **STAFF:**

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Morgan Routt, Director, Office and Management and Budget