# City of Alexandria, Virginia

## MEMORANDUM

**DATE:** JANUARY 2, 2019

**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 November 30, 2018.

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**ISSUE:** Receipt of the Monthly Financial Report for the Period Ending November 30, 2018.

**RECOMMENDATION:** That City Council receive the Monthly Financial Report (Attachments 1 and 2).

**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 2018 are attached.

At this time in FY 2019, the City's revenue and expenditures are not noticeably different than the same time period last year. As of November 30, 2018, General Fund revenues totaled $333.3 million, a decrease of $124.9 million or 27.3 percent lower than the revenues collected at the same time in FY 2018. FY 2018 reflects the $124.2 million bond refunding that occurred in the first quarter last year. Factoring this out for comparison's sake, as of November 30, 2018, general fund revenues total $333.3 million, which is a 0.2 decrease compared to FY 2018 for the same time period, in which $334.1 million was collected. Through the first five months, approximately 44.5 percent of budgeted revenues have been collected. Revenues may not track consistently with the calendar since many revenue sources have dues dates that do not occur evenly through the year. Personal Property taxes were due on October 5 and collections through November exceed last year's collections by $1.6 million or 3.6 percent. Second-half of the calendar year Real Property taxes were due on November 15 and collections totaled $216.1 million, which is $6.5 million or 3.1 percent more than FY 2018 at this time.

The variance in Consumer Utility and Transient Lodging tax revenue is the result of payment timing, and the significant increase in the Restaurant Meals Tax is the result of the budgeted increase in the tax rate from 4 percent to 5 percent, with the increased 1 percent in the rate set-aside for Affordable Housing projects in the

Capital Improvement Program. Recordation tax revenue was higher in FY 2018 due to several large commercial real estate transactions. Higher interest rates are resulting in higher Revenue from Use of Money and Property Revenues compared to FY 2018.

As of November 30, 2018, General Fund expenditures totaled $258.8 million, a decrease of $102.7 million over the same time period for FY 2018. Making a similar adjustment to account for the Refunded Bonds in FY 2018, FY 2019 expenditures total $258.8 million, compared to $237.7 million in FY 2018, which is $21.0 million increase, or 8.8 percent. Similar to the situation with revenues, no significant expenditure variances have occurred in the first five months of Fiscal Year 2019 that are unbudgeted or unexpected. The most significant differences are the timing and source of payments. The City's first quarter contribution to WMATA was funded with a higher percentage of General Fund monies in FY 2019, with the expectation that balances earned on the City's behalf with the Northern Virginia Transit Commission will be used in a subsequent quarter payment. In FY 2018, less General Fund monies were used in the first quarter of the year.

Starting in FY 2019 employees in the Department of Project Implementation are now charged to the Capital Improvement Program, which is the reason for the significant variance in expenditures between FY 2018 and FY 2019. A similar situation is occurring in TES, where several programs (stormwater management and street sweeping) are being charged in all or in part to the Stormwater Fund. In FY 2018 prior to the creation of the stormwater utility fee, these programs received more fiscal support from the General Fund.

Agencies that are trending above the percent completed of the fiscal year (42 percent) are those organizations that receive quarterly payments from the City (e.g., Economic Development Activities, Health/Other Health, and Transit Subsidies). These agencies have received two of their quarterly payments at this point in the fiscal year. Debt service is paid in June, July, December and January. The amounts are determined by the structure of the debt and the payments are made as scheduled. The amount paid each year and when it is paid varies each year based on debt issuance date and debt structure. As a result, debt service expenditures do not track closely to the percent of the fiscal year completed. The Department of Information Technology Services is trending slightly ahead of the fiscal year, due to services that are billed annually early in the fiscal year, primarily for various maintenance agreements and licenses. The City Attorney's Office is trending higher than the fiscal year due to outside legal fees. In the recent Supplemental Appropriation Ordinance, City Council appropriated an additional $125,000 to address these costs. Across the organization, budgets that are trending slightly behind the fiscal year are experiencing vacancy savings from turnover.

**ATTACHMENTS:**
Attachment 1 - Comparative Revenue Schedule for November 30, 2018
Attachment 2 - Comparative Expenditure Schedule for November 30, 2018
Attachment 3 - Overview of the City's 10 Largest Tax Revenue Sources

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