



Legislation Text

---

File #: 19-1542, Version: 1

---

City of Alexandria, Virginia

---

MEMORANDUM

**DATE:** FEBRUARY 6, 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 December 31, 2018

---

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

**RECOMMENDATION:** That City Council receive the Monthly Financial Report.

**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. Attachment 3 reflects the City's Investment Portfolio as of December 31, 2018. At this time in FY 2019, the City's revenue and expenditures are not noticeably different than the same time period last year.

**Revenues**

As of December 2018, General Fund revenues totaled \$358.0 million, a decrease of \$118.8 million or 24.9 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 December 31, 2018, General Fund revenues total \$358.0 million, which is a 1.5 increase compared to FY 2018 for the same time period, in which \$352.6 million was collected. Midway through the fiscal year, approximately 47.5 percent of budgeted revenues have been collected. Revenues may not track consistently with the calendar since many revenue sources have due dates that do not occur evenly through the year. Personal Property taxes were due on October 5 and collections through December exceed last year's collections by \$1.9 million or 4.1 percent. Second-half of the calendar year Real Property taxes were due on November 15 and collections totaled \$217.7 million, which is \$5.9 million or 2.8 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 (CIP). 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. Personal Property Tax Relief from the State will approximate the budgeted amount. The apparent variance is due to timing.

Two tax categories that staff is watching closely are Sales Tax Revenue and Transient Lodging Tax Revenue. Sales Tax Revenue is trending higher than during the same period in FY 2018 with collections in the first five months of the year exceeding last year by \$0.5 million or 6.2 percent. Holiday sales will be reflected in the March 2019 Monthly Financial Report. Unfortunately, Transient Lodging Tax Revenue is lagging considerably compared to FY 2018, with collections down by \$0.5 million or 8.6 percent compared to last year. According to a recent study, the entire region is experiencing declines in hotel stays. Alexandria's occupancy rates are not suffering as much as our neighbors, but the room rates that are being offered to achieve the higher occupancy rates are lower. Staff will continue to monitor all General Fund Revenue categories, and the FY 2020 Proposed Operating Budget will include a year end forecast for FY 2019, as well as revenue estimates for the upcoming year.

## **Expenditures**

As of December 31, 2019, General Fund expenditures totaled \$357.4 million, a decrease of \$53.8 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 \$357.4 million, compared to \$286.7 million in FY 2018, which is \$62.1 million increase, or 22.6 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 Transportation Commission (NVTC) 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.

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. There are a number of interfund transfers included in the FY 2019 General Fund Budget. The most significant of these is the transfer to the Alexandria City Public Schools, followed by the Cash Capital transfer to the CIP. For projection and comparison purposes, these transfers have been

executed at the midpoint of the fiscal year to reflect 50 percent of the spending. These transfers were made later in the year in FY 2018.

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.

### **Investment Report**

As has been the City's practice since 2017, Council is provided each quarter with a report (Attachment 3) summarizing the City's short-term investment of operating cash and bond proceeds. These short-term investments have been made consistent with the City's investment policy and State law and reflect the primary objectives of safety (i.e., preservation of capital) and liquidity. The yields show in this report reflect increased market interest rates.

### **ATTACHMENTS:**

Attachment 1 - Comparative Revenue Schedule for December 31, 2018

Attachment 2 - Comparative Expenditure Schedule for December 31, 2018

Attachment 3 - FY 2019 Quarter 2 Investment Report

### **STAFF:**

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Morgan Routt, Director, OMB