



Legislation Text

File #: 19-1546, **Version:** 1

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 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 January 31, 2019

ISSUE: Receipt of the Monthly Financial Report for the Period Ending January 31, 2019.

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 highlights of the City's Calendar Year 2019 Real Estate Assessment Report. Revenue from real property taxes accounts for approximately 60 percent of the City's General Fund Revenues each year. 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 January 2019, General Fund revenues totaled \$373.5 million, a decrease of \$117.8 million, or 24.0 percent, below the revenues collected at the same time in FY 2018. FY 2018 reflects a \$124.5 million bond refunding that occurred in the first quarter last year. Factoring this out for comparison, as of January 31, 2019, General Fund revenues totaled \$373.5 million, which is a 1.7 percent increase over FY 2018 for the same time period, in which \$367.0 million was collected. With seven months completed in the fiscal year, approximately 49.5 percent of budgeted revenues has 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 total \$219.0 million, which is \$6.4 million or 3.0 percent more than FY 2018 at this time.

With the presentation of the City Manager's Proposed FY 2020 Operating budget, the Monthly Financial

Report includes a projection of total General Fund revenues for the year. Most categories of revenues are expected to meet or exceed the FY 2019 budgeted amount. Communication Sales and Use tax continues to decline each year due to consumer behavioral changes related to telecommunications and television. A large refund to one of the utility companies for prior year overpayment was recorded in December 2018. Recordation tax revenue was higher in FY 2018 due to several large commercial real estate transactions and is higher through the first seven months of the current fiscal year than originally estimated. Higher interest rates are resulting in higher Revenue from Use of Money and Property compared to FY 2018.

Sales Tax Revenue is trending higher than during the same period in FY 2018 with collections in the first six months of the year exceeding last year by \$0.7 million or 6.3 percent. Holiday sales in December 2018 were \$2.7 million. This is the second highest collection of holiday sales in the past five years and exceeds last year by 2.5 percent. In the past 5 years, the average month of sales tax receipts for December is approximately \$2.2 million. Staff will continue to monitor all General Fund Revenue categories, and will update the year end forecast for FY 2019, as well as revenue estimates for the upcoming year as warranted through the end of the year.

Expenditures

As of January 31, 2019, General Fund expenditures totaled \$395.7 million, a decrease of \$63.2 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 \$395.7 million, compared to \$334.4 million in FY 2018, which is \$61.3 million increase, or 18.3 percent. Similar to the situation with revenues, no significant expenditure variances have occurred in the first seven 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. Partner agencies, such as the Alexandria Economic Development Partnership, the Alexandria Health Department, and Other Education Activities receive quarterly contributions. As of January 31, seven of these partner agencies have received 3 of their 4 payments for FY 2019.

Starting in FY 2019 employees in the Department of Project Implementation are now charged to the Capital Improvement Program, which explains 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 issuance 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 may 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 were 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 planned Spring Supplemental Appropriation Ordinance, City Council will be asked to appropriate an additional \$750,000 to address these costs. Across the organization, departmental budgets that are trending slightly behind the fiscal year are experiencing vacancy savings that occurs from staff turnover.

ATTACHMENTS:

Attachment 1 - Comparative Revenue Schedule for January 31, 2019

Attachment 2 - Comparative Expenditure Schedule for January 31, 2019

Attachment 3 - Economic Indicators - 2019 Real Estate Assessments

STAFF:

Laura B. Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Morgan Routt, Director, OMB