



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 21, 2020

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, 2020.

ISSUE: Receipt of the Monthly Financial Report for the Period Ending August 31, 2020.

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.

At this time in FY 2021, the City's revenue and expenditures are not noticeably different than what was projected for the first two months of FY 2021, however revenue collections are likely to decline as COVID-19's impact on the City may be greater than budgeted. As of August 31, 2020, General Fund revenues totaled \$28.3 million, an increase of \$0.8 million or 2.7% more than the revenues collected at the same time in FY 2020. From what staff is seeing, the recovery will likely be longer than earlier projected, and revenues will be less than budgeted. It is important to note that revenues collected in July and some of the revenue collected in August are for taxes owed in June and are therefore accrued to the prior fiscal year.

As noted in last month's timeline, the first significant tax revenue in FY 2021 is traditionally due on October 5, when personal property taxes for vehicle and business personal property are due. Early in September, City Council extended this deadline to December 15. At this time new car sales and registrations with the City are less than last year at this time and that may lead to lower car tax revenues.

Revenues may not track consistently with a monthly calendar since many revenue sources have dues dates that do not occur evenly through the year. Large revenue sources, such as real estate and personal property tax revenues are remitted twice per year and once per year, respectively. Through the first two months of the fiscal year, no category has sufficient receipts to establish a clear pattern, however from other economic data staff believes that FY 2021 revenue collections will likely be somewhat less than budgeted. Staff is working on the FY 2021 revenue projections and will complete them and present the findings at Council's November 7 Retreat.

In addition to the revenues and expenditure schedules, Attachment 3 provides a comparison of the City's primary local taxes related to consumer spending.

Through July 2020, the cumulative lost revenue in just the five local tax revenue categories shown is approximately \$12 million. As shown in the bar charts, likely due to new sales tax, applicability to internet based sales, monthly sales tax revenue is slightly ahead of

collections in June 2019. Meals Sales tax revenues is 36 percent less in July 2020 than it was in July 2019, Transient Lodging tax revenue has increased 65 percent in July 2020 compared to June 2020, but receipts in this fiscal year in July are 70 percent lower than revenue received in July 2019.

Non-tax revenues are also showing the effects of the pandemic for a variety of reasons. Intergovernmental Revenues are lagging in FY 2021 due in administrative delays impacting the receipt of the City's Build America Bond subsidy and HB 599 law enforcement aid. Social distancing and "safer at home" directives are significantly impacting revenues that are dependent on entrance and rental fees (recreation classes, facility rentals, e.g.). The development of the FY 2021 General Fund revenue budget included a 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. Revenue from the use of money and property is also lower than last fiscal year due to interest rates being significantly lower than prior years resulting in reduced revenue from investments. Lower interest rates were anticipated and the budget for Interest on General Fund Investments was reduced significantly for FY 2021.

As of August 31, 2020, General Fund expenditures totaled \$113.2 million, an increase of \$1.7 million over the same time period for FY 2020. Similar to the situation with revenues, it is too soon to make any definitive economic interpretation from the activity that has occurred in the first two months of the fiscal year. Beyond the expenses related to the pandemic response, no significant expenditure has occurred in the first quarter of Fiscal Year 2021 that is unbudgeted or unexpected. The most significant difference is the timing and source of payments. For example, the City's contribution to WMATA is funded from several sources. Last year, a greater portion of the General Fund contribution was utilized by this point in the fiscal year compared to this year. Debt Service payments scheduled in July are greater in FY 2021 than in FY 2020. In Non-Departmental, insurance policy renewal payments were made earlier than in FY 2020.

ATTACHMENTS:

Attachment 1: Comparative Statement of General Fund Revenues
Attachment 2: Comparative Statement of General Fund Expenditures
Attachment 3: Consumer Spending comparison charts

STAFF:

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