

Statement of Estimated Fund Balance



FUND DESCRIPTIONS

Listed below are descriptions of the City's major funds. All of these funds are appropriated on an annual basis.

- The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant portion of the General Fund's revenues is used to finance the operations of the City of Alexandria School Board.
- The Special Revenue Fund accounts for resources restricted to expenditures for specified purposes (for example, State and federal grants). As of June 30, 2015, the Special Revenue Fund total fund balance was 68,978,984. Funds included in this category include the Housing Fund, Sewer and Stormwater Funds, Potomac Yard and Other Special Revenue Funds. Because monies budgeted within the Special Revenue Fund are generally legally restricted to specific activities or programs, these monies are not considered available for appropriation to meet general expenditure requirements. Unexpended Special Revenue Fund monies are generally due to intergovernmental grant timing differences (e.g., a grant awarded to the City for a program operated under the federal fiscal year of October 1 to September 30), and remaining Special Revenue funds at June 30 are reappropriated for use in the subsequent City fiscal year for the continuation of the designated programs. Based on the rate of spending that occurred in FY 2015 of both current year funds and prior year fund balance, the total projected Special Revenue Fund's fund balance, for GFOA reporting purposes, as of June 30, 2016 is \$80,215,793.
- The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. As of June 30, 2015, the Capital Projects Fund had a total fund balance of \$171,248,033. The significant increase in the balance compared to prior years relates to the timing of receipt of bond proceeds. This funding is dedicated to the completion of approved capital projects, and is therefore not available to meet general expenditure requirements. Based on the rate of spending that occurred in FY 2015 of both current year funds and prior year fund balance, the total projected Capital Projects Fund's fund balance as of June 30, 2016, would be \$149,949,769. In actuality, each year of the CIP is unique depending on the number and complexity of projects adversely impacting the predictability of the Capital Projects Fund Balance.
- The Internal Services Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The City established the Equipment Replacement Fund for purposes of providing for the accumulation of money to replace capital equipment items used in City operations. This fund derives its revenues from periodic equipment rental charges assessed to the user departments in the governmental funds. These revenues are then used to finance charges and associated expenditures to replace capital equipment. As of June 30, 2014, the Equipment Replacement Internal Services Fund had Total Net Assets of \$29,524,981. Equipment Replacement monies are accrued for the scheduled replacement of capital equipment, and thus are not available for appropriation to meet general expenditure requirements. The projected Equipment Replacement Fund Total Net Assets, for GFOA reporting purposes, as of June 30, 2016 is \$30,182,303.

Statement of Estimated Fund Balance



FUND DESCRIPTIONS

Commitments and Assignments Estimated for Fiscal Year 2017

The fiscal year 2017 Operating Budget contains the following commitments and assignments of fund balances estimated to be available as of June 30, 2017.

Commitments

- \$5,000,000 for the City's self-insurance reserve.
- \$7,000,000 to fund capital projects contained in multiple years of the FY 2016—FY 2025 Capital Improvement Program budget.
- \$4,330,800 to fund capital projects contained in FY 2017. This amount represents a portion of the additional funds that will be received in June 2016 (Fiscal Year 2016) from the proposed three cent real estate tax rate increase.

Assignments

- \$5,300,000 for encumbrances obligated at the end of the year;
- \$2,900,000 for City and ACPS costs resulting from extraordinary natural disasters and emergencies;
- \$1,000,000 for revenue uncertainties. In prior years the City has maintained an assignment to address sequestration. This assignment is identified to provide the City and ACPS protection in case of significant revenue uncertainties or impacts related to events such as the absence of a state budget, federal budget issues (e.g., sequestration) or significant and extraordinary tax refunds. It is not anticipated to be used for lost grant or other special revenues, nor should it be utilized for long term economic impacts, which should be addressed through systematic, operational adjustments;
- \$1,000,000 for projects and initiatives that are approved but not yet under contract, such as City Council contingent reserve initiatives;
- \$600,000 for economic development incentives to attract and retain the City's commercial tax base. This amount will come from funds that will be received in June 2016 (Fiscal Year 2016) from the proposed three cent real estate tax rate increase;
- \$500,000 to cover accrued level payments for City employees who separate from the City, either through retirement or voluntary/involuntary termination; and,
- \$500,000 for affordable housing initiatives

These commitments and assignments total \$28.13 million. Despite being designated for a particular purpose, the funds identified here are considered "spendable." When combined with the portion of fund balance that has not been assigned or committed by anyone for any purpose, this total amount is called "spendable" fund balance. Based on projected revenues and expenditures in FY 2016, the uncommitted/unassigned General Fund Balance at June 30, 2016, is currently estimated to be \$47.96 million or 7.43% of projected FY 2016 General Fund Revenues.

Statement of Estimated Fund Balance



FUND DESCRIPTIONS

This is well above the target of 5.5%. The spendable General Fund balance is estimated to be \$76.1 million or 11.79% of projected FY 2016 General Fund revenues. Based on current revenue projections and the expenditure forecast through May 2016, this is equal to last year's ratio of 11.79%, and above the limit of 10%. The City Manager and financial staff will continue to closely monitor Fund Balance and the operating budget and consider making changes to future commitments and recommend spending restrictions in the future, if necessary, to ensure that the ratios established in the City's Financial Policies are maintained.

During FY 2016, the School Board adopted and City Council endorsed a Fund Balance Policy for the Alexandria City Public Schools that formalizes the long-held practice in which Schools expenditure savings are committed for future operating budgets. This practice will be continued, and at year-end 2 percent of ACPS available savings may be committed to fund the subsequent year's operating budget. In addition to commitments for the operating budgets (both the current year and the upcoming fiscal year), ACPS will be able to commit 1 percent of spendable fund balance for unforeseen expenditures.

Statement of Estimated Fund Balance

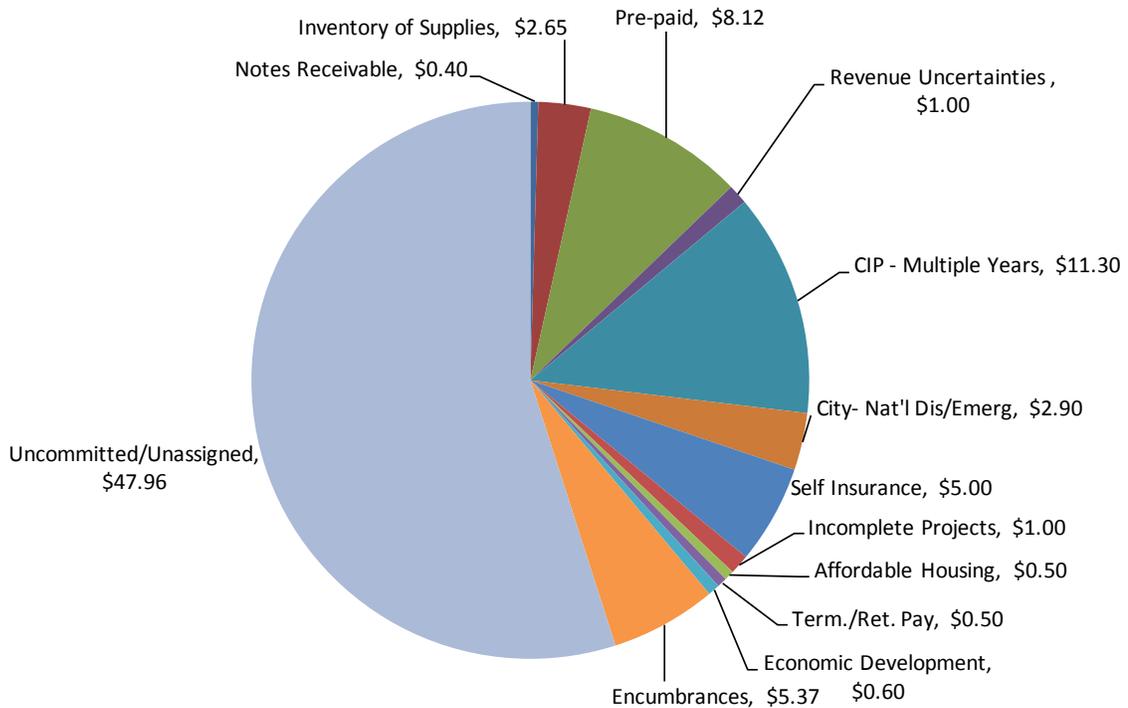


GENERAL FUND BALANCE COMPONENTS

The following pie chart shows all of the components of General Fund balance estimated as of June 30, 2016. With the exception of \$0.4 million in Notes Receivable, \$2.65 million in inventory of supplies, and \$8.1 million in pre-paid expenditures, all of the components shown below are considered spendable fund balance.

Fund Balance as of June 30, 2016

\$87.27 million



Statement of Estimated Fund Balance



FUND DESCRIPTIONS

Spendable General Fund Balance is the accumulated total of all prior years' actual General Fund revenues in excess of expenditures — often referred to as “surplus” — that is available for appropriation by City Council. This is in comparison to the Unspendable General Fund Balance that represents monies that have been reserved to pay for legal obligations of the City such as for certain purchase order encumbrances. Maintaining a prudent level of spendable General Fund balance is critical to ensuring that the City is able to cope with financial emergencies and fluctuations in revenue cycles. Spendable General Fund Balance also provides working capital during temporary periods when expenditures exceed revenues.

A portion of the spendable fund balance is committed or assigned (designated) for specific uses on a contingency basis. In order to be available, the funds still must be appropriated by City Council in a future appropriations ordinance. Committed and Assigned fund balance are funds “earmarked” to help the City offset the costs of a specific type of obligation. Although technically available for appropriation, these monies are not generally considered available to fund other program or service requirements by the City Manager or the City Council under the City's adopted financial policies. Uncommitted and unassigned fund balance are the monies considered to be the City's available fund balance. As with all monies in fund balance, if used, it is a one-time source of revenue.

The graph on the following page shows total actual General Fund balance from FY 2000 through FY 2015, and projected fund balance at the close of FY 2016. Spendable fund balance (the total amount available for appropriation, regardless of assignments and commitments) is projected to be \$76.1 million as of June 30, 2016, which represents 11.79 percent of FY 2016 budgeted General Fund Revenues. Uncommitted and unassigned fund balance provides \$48.0 million that helps to protect the City and Schools against future budget uncertainties., which reflects 7.42 percent of budgeted General Fund Revenues

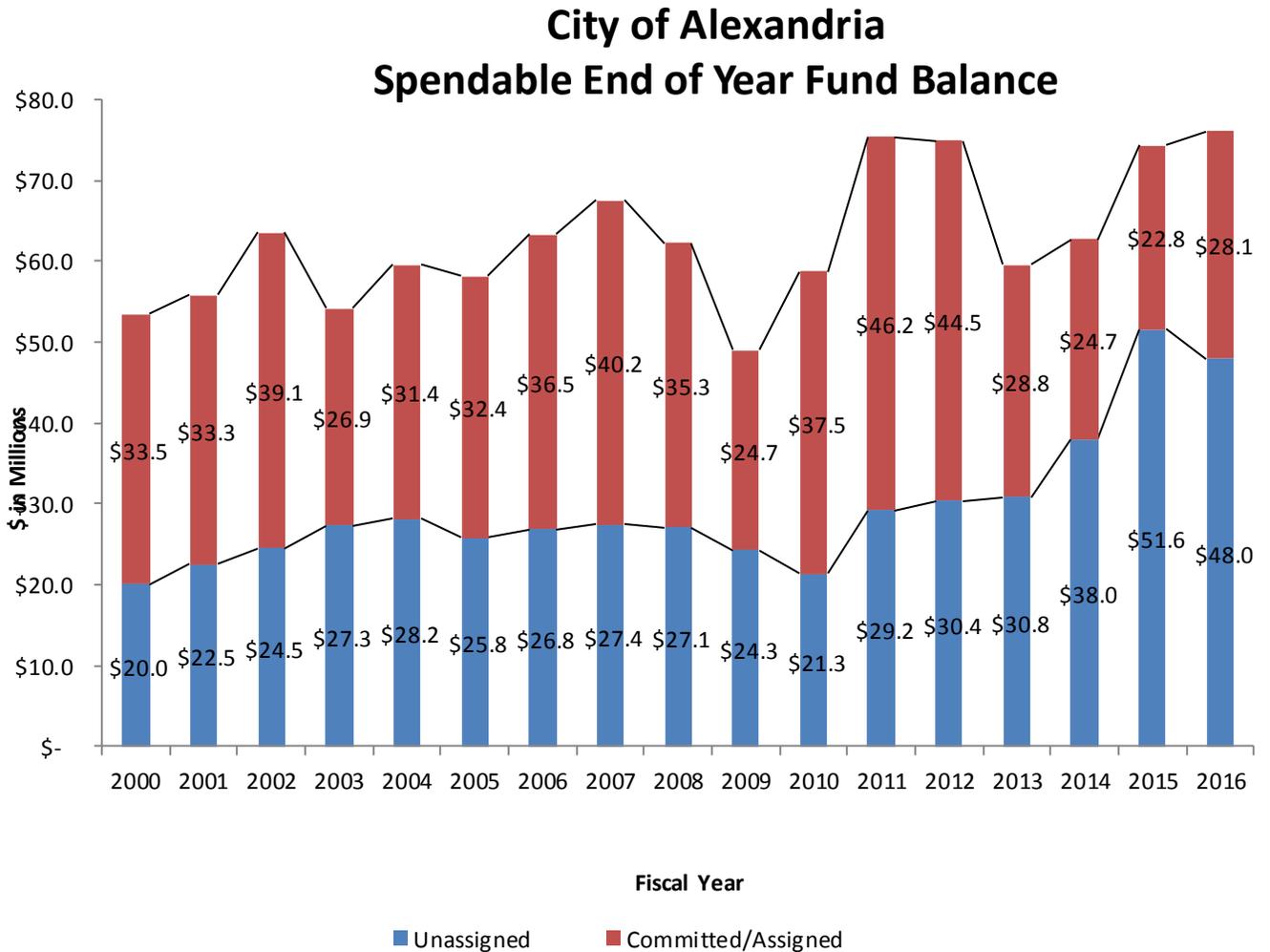
The details of commitments and assignments from FY 2014 through the estimated assignments of FY 2016 are shown in the table on page 7. It should be noted that commitments have been established by City Council. The City Manager can propose or recommend assignments. Either of these designations is considered spendable fund balance.

Statement of Estimated Fund Balance



HISTORY OF GENERAL FUND BALANCE

The chart below shows the history of fund balance at the end of the year, including the actual balance from FY 2000 through FY 2015 and an estimate balance at the end of June 30, 2016. This does not reflect reserved (unspendable) fund balance, but is considered “spendable” regardless of whether it is committed or assigned.





Statement of Estimated Fund Balance

HISTORY OF END OF YEAR GENERAL FUND BALANCE

HISTORY OF END OF YEAR FUND BALANCE ACTUAL 2014 AND 2015 AND 2016 ESTIMATED AS OF JUNE 30, 2016

| | 2014 | 2015 | 2016 |
|---|----------------------|----------------------|----------------------|
| Spendable Fund Balance End of Year | 62,709,854 | 74,406,908 | 76,093,356 |
| Subsequent CIP (FY 2017 and beyond) | 4,388,948 | 7,000,000 | 7,000,000 |
| Subsequent CIP (FY 2017) | | | 4,330,800 |
| Self Insurance | 5,000,000 | 5,000,000 | 5,000,000 |
| Assignments | | | |
| Operating Funds | | | |
| FY 2015 Operating Budget | 2,420,958 | - | - |
| New Incomplete Projects | 750,000 | 1,000,000 | 1,000,000 |
| Encumbrances | 5,320,608 | 5,369,775 | 5,300,000 |
| Natural Disasters/Emergencies/Response | 2,900,000 | 2,900,000 | 2,900,000 |
| Revenue Uncertainties | 1,000,000 | 1,000,000 | 1,000,000 |
| Affordable Housing Programs | | | 500,000 |
| Economic Development Incentives | | | 600,000 |
| Leave Payout | 500,000 | 500,000 | 500,000 |
| Total Commitments & Assignments | 22,280,514 | 22,769,775 | 28,130,800 |
| Uncommitted/Unassigned Fund Balance | \$ 40,429,340 | \$ 51,637,133 | \$ 47,962,556 |
| Reservations/nonspendable | 2,542,413 | 3,374,907 | 11,174,909 |
| Total Fund Balance EOY | \$ 65,252,267 | \$ 77,781,815 | \$ 87,268,265 |
| General Fund Revenues | 615,626,766 | 630,998,802 | 645,480,245 |
| Estimated Uncommitted/Unassigned Fund Balance as % of General Fund Revenues | 6.57% | 8.18% | 7.43% |
| Target = 5.5%; Limit = 4.0% | | | |
| Estimated Spendable Fund Balance as % of General Fund Revenues Limit = 10% | 10.19% | 11.79% | 11.79% |
| Fund Balance at End of FY | 65,252,267 | 77,781,815 | 87,268,265 |

Statement of Estimated Fund Balance



FUND BALANCE CALCULATIONS

| Governmental Funds | | | Proprietary Funds | |
|---|------------------------------------|------------------------------------|----------------------------------|---|
| | Special Revenue Funds ¹ | Capital Projects Fund ² | | Internal Services Fund (Equipment Replacement Fund) |
| Beginning Fund Balance 7/1/2014 | \$60,410,207 | \$188,551,536 | Beginning Net Assets 7/1/14 | \$28,852,816 |
| Plus FY 2015 Actual Revenues ³ | \$133,618,276 | \$92,464,283 | Plus FY 2015 Actual Revenues | \$5,600,881 |
| Less FY 2015 Actual Expenditures | \$125,049,499 | \$109,767,786 | Less FY 2015 Actual Expenditures | \$4,928,716 |
| Actual Fund Balance 6/30/2015 | \$68,978,984 | \$171,248,033 | Actual Net Assets 6/30/2015 | \$29,524,981 |
| Plus FY 2016 Budgeted Revenues ³ | \$175,222,567 | \$113,810,986 | Plus FY 2016 Revenues | \$5,477,199 |
| Less FY 2016 Budgeted Expenditures | \$163,985,758 | \$135,109,250 | Less FY 2016 Expenditures | \$4,819,877 |
| Projected Fund Balance FY 2016 | \$80,215,793 | \$149,949,769 | Projected Net Assets 6/30/15 | \$30,182,303 |

Sources: City of Alexandria, Virginia, Comprehensive Annual Financial Report, Fiscal Year-ended June 30, 2015; City of Alexandria, Virginia, Operating and Capital Improvement Program, Fiscal Year 2016

1/The Special Revenue Funds include the Housing Fund, Sewer and Stormwater Funds, Potomac Yard, Other Special Revenue Funds and revenue associated with health and human services.

2/ The Capital Projects Fund Balance as of 6/30/2015 is reflected in the Comprehensive Annual Financial Report. The FY 2016 projection is based on prior spending history. Capital projects are multi-year in nature and vary in size and complexity.. As a result the predictability of the Capital Projects Fund Balance is limited.

Statement of Estimated Fund Balance



FUND STRUCTURE

