NEW ISSUE
Book-Entry-Only

Ratings: Moody's – Aaa
Standard & Poor's – AAA
(See "Ratings" herein.)

In the opinion of Bond Counsel, under existing law and subject to conditions described in the section herein entitled "THE BONDS - TAX MATTERS," interest on the Bonds (1) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (2) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Such interest will be subject to other federal tax consequences as described in the section herein entitled "THE BONDS - TAX MATTERS." Bond Counsel is also of the opinion that interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the section herein entitled "THE BONDS - TAX MATTERS – Opinion of Bond Counsel – Virginia Income Tax Consequences."

$40,925,000
City of Alexandria, Virginia
General Obligation Capital Improvement Bonds,
Series 2018C

Dated: Date of Delivery
Due: July 15, as shown below

Interest Payable: January 15 and July 15
First Interest Payment: January 15, 2019

The General Obligation Capital Improvement Bonds, Series 2018C (the "Bonds") will constitute general obligations of the City of Alexandria, Virginia (the "City") for the payment of which the full faith and credit and unlimited taxing power of the City will be irrevocably pledged. The City Council will be authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect annually on all locally taxable property in the City an ad valorem tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as the same respectively become due and payable.

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. So long as Cede & Co. is registered owner of the Bonds, as the nominee for DTC, (a) references herein to the Bondholder or registered owner shall mean Cede & Co. and (b) principal and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of beneficial ownership interest in the Bonds will be made in book-entry form only, in denominations of $5,000 or multiples thereof. Bond certificates will be immobilized at DTC and not available for delivery to the public (See "THE BONDS – DESCRIPTION OF THE BONDS – Book-Entry-Only System"). The Bonds will bear interest from their dated date, payable semiannually on January 15 and July 15, commencing January 15, 2019.

The Bonds are subject to optional redemption prior to their maturities as set forth in the Bonds and described in the section herein entitled "THE BONDS – DESCRIPTION OF THE BONDS – Redemption Provisions."

The Bonds are offered for delivery when, as and if issued, subject to the approval of validity by McGuireWoods LLP, Tysons, Virginia, Bond Counsel, as described herein. Certain legal matters will be passed upon for the City by the City Attorney, James L. Banks, Esquire. It is expected that the Bonds will be available for delivery through The Depository Trust Company in New York, New York, on or about August 8, 2018.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: July 25, 2018

MATURITY SCHEDULE

$40,925,000
City of Alexandria, Virginia
General Obligation Capital Improvement Bonds, Series 2018C
(Base CUSIP* Number 015302)

Maturity July 15	Principal Amount	Interest Rate	Yield	Price	CUSIP Suffix
2019	$ 750,000	5.000%	1.440%	103.297%	6F4
2020	1,500,000	5.000	1.590	106.475	6G2
2021	2,150,000	5.000	1.730	109.320	6H0
2022	2,150,000	5.000	1.840	111.944	6J6
2023	2,150,000	5.000	1.940	114.336	6K3
2024	2,150,000	5.000	2.060	116.346	6L1
2025	2,150,000	5.000	2.170	118.130	6M9
2026	2,150,000	5.000	2.290	119.562	6N7
2027	2,150,000	5.000	2.360	121.156	6P2
2028	2,150,000	5.000	2.430	122.564	6Q0
2029	2,150,000	5.000	2.560**	121.285**	6R8
2030	2,150,000	2.900	2.900	100.000	6S6
2031	2,150,000	3.000	3.000	100.000	6T4
2032	2,150,000	3.100	3.100	100.000	6U1
2033	2,150,000	3.150	3.150	100.000	6V9
2034	2,145,000	3.200	3.230	99.627	6W7
2035	2,145,000	3.250	3.250	100.000	6X5
2036	2,145,000	3.300	3.300	100.000	6Y3
2037	2,145,000	3.350	3.350	100.000	6Z0
2038	2,145,000	3.400	3.400	100.000	7A4

Optional Redemption

The Bonds will be subject to optional redemption in whole or in part as set forth herein. See the section "THE BONDS – DESCRIPTION OF THE BONDS – Redemption Provisions."

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* A registered trademark of the American Bankers Association ("ABA"), used by Standard & Poor's in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the City, and the City is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The City has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

** Yield and price calculated to first optional redemption date of July 15, 2028.

CITY OF ALEXANDRIA, VIRGINIA

CITY COUNCIL
Allison Silberberg, Mayor
Justin M. Wilson, Vice Mayor
Redella S. Pepper
John T. Chapman
Paul C. Smedberg
Timothy B. Lovain
William F. Bailey, Sr.

CITY OFFICIALS
Mark B. Jinks, City Manager
Kendel Taylor, Director of Finance
Morgan Routt, Director, Office of Management and Budget
James L. Banks, City Attorney
Dr. Lois Berlin, Interim Superintendent of Schools

BOND COUNSEL
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INDEPENDENT AUDITOR
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FOR ADDITIONAL INFORMATION
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Michael W. Graff, Jr., McGuireWoods LLP
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The Bonds are being issued under exemptions from any registration requirements under the Securities Act of 1933, as amended, and any registration requirements under the securities laws of the Commonwealth of Virginia.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement in connection with the offering of the Bonds and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or in any other matters described herein since the date hereof or, as in the case of certain information incorporated herein by reference to certain publicly available documents, since the date of such documents.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any of such sources as to information provided by any other source. All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions identify forward-looking statements. A number of factors affecting the County and its financial results could cause actual results to differ materially from those stated in the forward-looking statements.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and which has the same meaning as "final official statement" in SEC Rule 15c2-12.

The underwriter participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (a) overallot in arranging the sales of the Bonds and (b) to make purchases and sales of Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriter may determine.

OFFICIAL STATEMENT

$40,925,000
City of Alexandria, Virginia
General Obligation Capital Improvement Bonds,
Series 2018C

SECTION ONE: INTRODUCTION

The purpose of this Official Statement is to furnish information in connection with the sale by the City of Alexandria, Virginia (the "City" or "Alexandria") of $40,925,000 General Obligation Capital Improvement Bonds, Series 2018C (the "Bonds").

The Bonds will be general obligations of the City, for the payment of which the full faith and credit of the City are irrevocably pledged. Financial and other information contained in this Official Statement have been prepared by the City from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the City.

THE ISSUER

The issuer of the Bonds is the City of Alexandria, which is an independent, full-service city located on the west bank of the Potomac River. The City retains sole local governmental taxing power within its boundaries. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. The City is authorized to issue bonds without referendum, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

Alexandria's first recorded beginnings were in 1669, when the site was included in a patent granted by colonial Governor William Berkeley of Virginia. The patent was purchased by John Alexander, the person for whom the town was later named. In 1749, the Virginia House of Burgesses authorized a town of 60 acres. With its incorporation in 1779, Alexandria was made a Port of Entry to the United States and a Customs House was established. Prospering, it became a city of fine houses and shops, a center of culture and trade. George Washington and George Mason were prominent in the community and served as town trustees. In 1852, Alexandria acquired city status and its first charter.

Alexandria has grown by a series of seven annexations from adjoining Arlington and Fairfax Counties, with the last boundary change being a minor adjustment with Fairfax County, which occurred in 1973. Alexandria's total land area is now 15.75 square miles. The City's resident population was estimated at 154,500 in 2018.

Alexandria is one of America's most historic communities. It's Old and Historic District, "Old Town," and Parker-Gray District with their thousands of eighteenth and nineteenth century structures are carefully preserved by strict architectural standards.

THE BONDS

The Bonds will be dated the date of their delivery and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The Bonds will be issued in authorized denominations of $5,000 and multiples thereof and will be held by DTC (as hereinafter defined) or by its nominee as securities depository with respect to the Bonds.

Interest on the Bonds will be payable on each January 15 and July 15, commencing January 15, 2019, until maturity. As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, on each interest payment date.

SECURITY FOR THE BONDS

The Bonds are general obligation bonds of the City, to which the full faith and credit and unlimited taxing power of the City are pledged for the payment thereof. Refer to **"**DESCRIPTION OF THE BONDS - Security for the Bonds**"** in SECTION TWO for a more complete description of the pledge.

USE OF PROCEEDS

The proceeds of the Bonds will be used to finance certain capital improvement projects for the City, including, but not limited to, public school projects, City parks and public buildings, transportation, transit and traffic control infrastructure, capital contributions to the Washington Metropolitan Area Transit Authority ("WMATA"), storm sewer and waterway improvements and acquisition of fire department vehicles and apparatus. Pending use, the proceeds of the Bonds are planned to be invested in the Commonwealth of Virginia's State Non-Arbitrage Pool.

REDEMPTION

The Bonds are subject to optional redemption, in whole or in part, at the direction of the City on or after July 15, 2028. Refer to the subsection entitled "DESCRIPTION OF THE BONDS - Redemption Provisions – Optional Redemption" in SECTION TWO for a more detailed description of the optional redemption features of the Bonds.

DELIVERY

The Bonds are offered for delivery, when, as, and if issued by the City and received by the Underwriter (hereinafter defined), subject to the approval of validity by McGuireWoods LLP, Tysons, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, James L. Banks, Esquire. It is expected that the Bonds will be available for delivery, at the expense of the City, in New York, New York, through the facilities of DTC, on or about August 8, 2018.

RATINGS

The Bonds have been rated as shown on the cover page hereto by Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, 55 Water Street, New York, New York 10041. A more complete description of the ratings is provided in "RATINGS" in SECTION SIX.

OFFICIAL STATEMENT

This Official Statement has been authorized by the City for use in connection with the sale of the Bonds. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Official Statement has been prepared by the City from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the City.

None of the quotations from, and summaries and explanations of, laws contained in this Official Statement purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

DISCLOSURE

The City intends to make the final Official Statement available through the Municipal Securities Rulemaking Board (the "MSRB"). Copies of the City's Comprehensive Annual Financial Report for the year ended June 30, 2017, are available upon request from the City and at https://www.alexandriava.gov/FinancialReports.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements.

ADDITIONAL INFORMATION

Any question concerning the content of this Official Statement should be directed to Kendel Taylor, Director of Finance, Post Office Box 178, Alexandria, Virginia 22313, phone: 703.746.3741, e-mail: Kendel.Taylor@alexandriava.gov, or to the City's Financial Advisor, Davenport & Company LLC, 901 East Cary Street, Richmond, Virginia 23219, phone: 804.697.2900.

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SECTION TWO: THE BONDS

AUTHORIZATION AND PURPOSE OF THE BONDS

Issuance of the Bonds is authorized by ordinance and other procedures of the City Council of the City (the "City Council" or "Council") adopted pursuant to and in conformity with Article VII of the Constitution of the Commonwealth of Virginia, and pursuant to the Public Finance Act of 1991 (Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended). The issuance of the Bonds was approved by Ordinance No. 5139 adopted by the City Council on May 12, 2018 (the "Ordinance"). The proceeds of the Bonds will be used to finance certain capital improvement projects for the City, including, but not limited to, public school projects, City parks and public buildings, transportation, transit and traffic control infrastructure, capital contributions to the Washington Metropolitan Area Transit Authority ("WMATA"), storm sewer and waterway improvements and acquisition of fire department vehicles and apparatus, and to pay certain issuance costs of the Bonds..

DESCRIPTION OF THE BONDS

The Bonds will be issued in fully registered form in the denominations of $5,000 or integral multiples thereof and will be held by DTC, or its nominee, as securities depository with respect to the Bonds. See "Book-Entry-Only System." Purchases of beneficial ownership interests in the Bonds will be made only in book-entry form, and individual purchasers will not receive physical delivery of bond certificates. The Bonds will be dated the date of their delivery, will bear interest at the rates per annum set forth on the inside cover page hereof, payable on January 15, 2019, and semi-annually thereafter on January 15 and July 15 of each year (each an "Interest Payment Date"), and will mature on July 15, in the years and in the principal amounts set forth on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Redemption Provisions

<u>Optional Redemption</u>

The Bonds maturing on or before July 15, 2028 are not subject to optional redemption prior to their maturity. The Bonds maturing on or after July 15, 2029 are subject to optional redemption before maturity on or after July 15, 2028, at the direction of the City, in whole or in part, in installments of $5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.

Selection for Redemption

If less than all of the Bonds are called for redemption, the maturities of the Bonds to be redeemed shall be called in such order as may be determined by the City's Director of Finance.

If less than all of the Bonds of any maturity are called for redemption, the Bonds to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the registrar and paying agent (the "Registrar") by lot in such manner as the Registrar in its discretion may determine.

Notice of Redemption

The City shall cause notice of redemption to be sent by facsimile transmission, electronic mail, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to DTC or its nominee as the registered owner of the Bonds. The City shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. Each notice of redemption shall identify the Bonds or portions thereof to be redeemed. Interest shall cease to accrue on any Bonds duly called for prior redemption, on the redemption date, if payment thereof has been duly provided. The Registrar shall not be required to transfer or exchange any Bond or portion thereof after the notice of redemption has been duly provided. During the period that DTC or the DTC nominee is the registered holder of the Bonds, the Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Bonds. See "THE BONDS - DESCRIPTION OF THE BONDS - Book-Entry-Only System."

Book-Entry-Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other amounts due on the Bonds to DTC, its nominee, Direct and Indirect Participants, defined below, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTCC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Bonds and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue or a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's Money Market Instruments Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest and any premium payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and any premium to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, either a successor securities depository will be selected by the City or Bond certificates are required to be prepared, executed and delivered.

THE CITY HAS NO RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DIRECT OR INDIRECT PARTICIPANT, (B) THE PAYMENT BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS, (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BONDHOLDERS, OR (D) ANY OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS BONDHOLDER, INCLUDING THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only Bondholder of the Bonds for all purposes under the Ordinance.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

Security for the Bonds

The Bonds constitute general obligations of the City, and the full faith and credit of the City are irrevocably pledged to the payment of principal of and interest on the Bonds. The proceedings authorizing the issuance of the Bonds provide that the City Council shall, in each year while any of the Bonds shall be outstanding, levy and collect on all property in the City subject to local taxation an annual ad valorem tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and the interest on the Bonds, unless other funds are legally available and appropriated for timely payment of the Bonds.

Bondholders' Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed by or on behalf of any owner of, or by any paying agent for, a general obligation bond in default as to payment of principal, premium, if any, or interest, the Governor shall immediately conduct a summary investigation. If it is established to the Governor's satisfaction that payment of the bond or interest thereon is in default, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth of Virginia (the "Commonwealth") to the political subdivision so in default and apply the amount so withheld to payment of the defaulted bond and the interest thereon. To date no order to withhold funds pursuant to Section 15.2-2659 or its predecessor provisions, Section 15.1-227.61 and Section 15.1-225, has ever been issued with respect to the City. Although neither Section 15.2-2659 nor its predecessors, Section 15.1-227.61 or Section 15.1-225, has been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to one of the predecessor provisions. The City received a total of $77,520,439 for the primary government and $44,328,919 for the School Board from the Commonwealth during the fiscal year ended June 30, 2017.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to Bondholders if the City defaults in the payment of principal of or interest thereon, nor do they contain any provision for the appointment of a trustee to enforce the interests of the Bondholders upon the occurrence of such default. Upon any default in the payment of principal or interest, a Bondholder could, among other things, seek from an appropriate court a writ of mandamus requiring the City Council to observe the covenants contained in the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Although Virginia law currently does not authorize such action, future legislation may enable the City to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the City could have adverse effects on Bondholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claims or the "indubitable equivalent" thereof, although such plan may not provide for payment of the Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

The City has never defaulted in the payment of either principal of or interest on any debt obligation.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approval of McGuireWoods LLP, Tysons, Virginia ("Bond Counsel"), whose opinion with respect to the Bonds in substantially the form attached as Appendix C (the "Bond Opinion") will be furnished at the expense of the City upon delivery of the Bonds. The Bond Opinion will be limited to matters relating to the authorization and validity of the Bonds and to the tax status of interest thereon as described in the following sections. Bond Counsel has not verified the accuracy, completeness or fairness of this Official Statement. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds. Certain legal matters will be passed on for the City by the City Attorney, James L. Banks, Esquire.

TAX MATTERS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

The Bond Opinion will state that, under current law and assuming compliance with the Covenants (as hereinafter defined) (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax. See Appendix C for the proposed form of the Bond Opinion.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Bond Opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes under Section 103 of the Code. The Bond Opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The City has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

In delivering the Bond Opinion, Bond Counsel is relying upon certifications of representatives of the City, the underwriter of the Bonds, and other persons as to facts material to such opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. Prior to the issuance of the Bonds, the City will enter into a tax certificate with respect to the Bonds (the "Tax Certificate") that contains covenants (the "Covenants") with which the City has agreed to comply. Failure by the City to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a Bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement (or, in the case of Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of a OID Bond in each year may be included in determining the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds’ federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel—Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Bonds should consult their own tax advisors regarding the tax status of interest on the Bonds in a particular state or local jurisdiction other than Virginia.

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SECTION THREE: THE CITY OF ALEXANDRIA

Alexandria is an independent, full-service City located on the west bank of the Potomac River. The City retains sole local governmental taxing power within its boundaries and is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. Alexandria is authorized to issue bonds without referendum, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

The City has no overlapping general obligation debt or taxing powers with other political subdivisions. The water system and the wastewater treatment plant within the City are operated by a private company and an independent authority, respectively, and the City has no debt obligations for these facilities.

OVERVIEW OF GOVERNMENTAL ORGANIZATION

The City adopted the Council-Manager form of government in 1922. The governing body of the City is the City Council, which formulates policies for the administration of the City. The City Council is composed of a mayor and six council members elected at-large for a three-year term. The Mayor is chosen on a separate ballot. City Council appoints the City Manager who serves as the City's Chief Executive Officer. The City Manager has appointment and removal authority over department heads and other employees of the City and is responsible for implementing the policies established by the City Council.

The City provides a comprehensive range of municipal services, including: education, health, welfare, housing and human services programs; public safety and administration of justice; community development, recreation, libraries, consumer assistance, cultural and historic activities; and transportation, environmental services and planning.

The executive offices of the City are located at 301 King Street, Alexandria, Virginia 22314. The City's central telephone number is 703.746.4000. The City's website address is www.alexandriava.gov.

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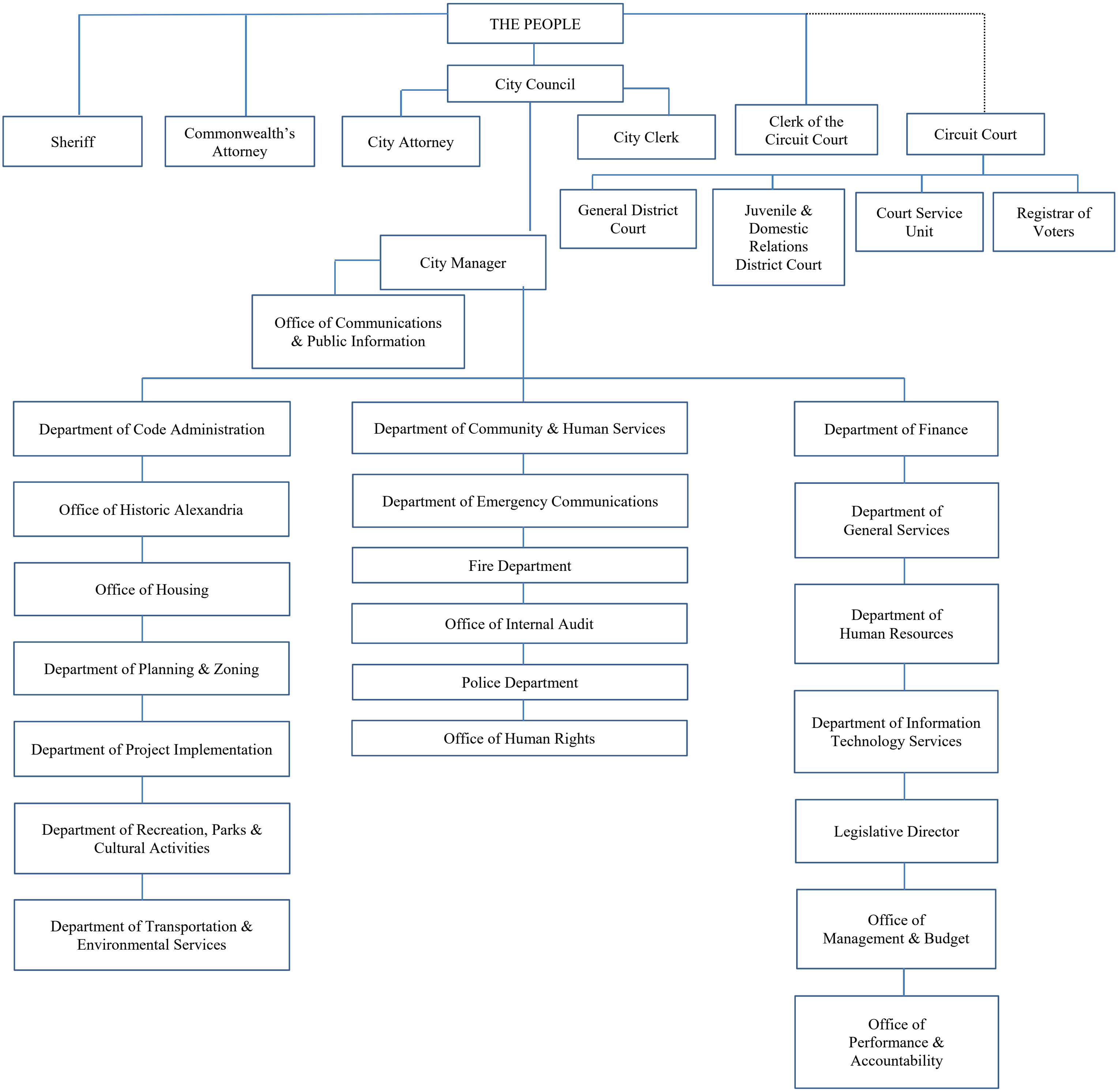
CITY OF ALEXANDRIA, VIRGINIA
ORGANIZATIONAL CHART



CERTAIN ELECTED OFFICIALS AND ADMINISTRATIVE/FINANCIAL STAFF MEMBERS

Elected Officials

Mayor Allison Silberberg was elected as Mayor in November 2015 and sworn in on January 4, 2016. She is originally from Dallas, Texas but has lived in Alexandria since 1989. Ms. Silberberg represents the Council on a range of committees: the Local Emergency Planning Committee, the Metropolitan Washington Council of Governments ("COG"), the Region Forward Coalition, and she sits on the Gang Prevention Community Task Force. Earlier in her political career, Ms. Silberberg interned for Senator Edward M. Kennedy and was Chief Editor and Chief Research Assistant to Senator Lloyd M. Bentsen. In 2012 she won the New Hope Housing's Leadership/Servanthood Award and was named Honorary "Good News Ambassador" by the Good News Network. Professionally, Ms. Silberberg is a published writer with a long career as an advocate for social justice issues. She has a B.A. in international relations and history from American University, and an M.F.A. in playwriting from the School of Theater, Film and Television at the University of California, Los Angeles.

Vice Mayor Justin Wilson was elected to the City Council in November 2012 and reelected in 2015. In January 2016, he was designated by his colleagues as the Vice Mayor. He serves on the Board of Trustees of the Hopkins House, an early childhood education provider. The Vice Mayor is also the Council representative to the following committees: the City Council/School Board Sub-Committee, the Potomac Yard Metrorail Feasibility Study Group, and the Quality of Life Committee. In his first term as a Councilman, he served on the Youth Policy Commission, the Commission on Information Technology, and the Alexandria Library Board. During that time, he also served on the COG Human Services & Public Safety Policy Committee. He was appointed by Governor Mark Warner to the State's Advisory Committee on Juvenile Justice and by Governor Tim Kaine to the Virginia Board of Juvenile Justice. Mr. Wilson is employed by the National Railroad Passenger Corporation (Amtrak) as the Senior Director of Vendor & Contract Management. He holds a Bachelor of Science degree in Information Systems from Virginia Commonwealth University.

Councilwoman Redella S. "Del" Pepper was first elected to the City Council in 1985 and has been reelected every three years to the present. During her continuous period of service, she served as Vice Mayor from 1996 to 1997, 2003 to 2006, and 2007 to 2009. Ms. Pepper has held multiple roles, she is Vice Chairman of the Metropolitan Washington Air Quality Committee, a representative on the COG's Climate, Energy, and Environment Policy Committee, the Strategic Planning Subcommittee, the Commission on Information Technology, the Alexandria Works! Coalition, the Commission on Aging, and the Facilities Naming Committee. In addition, she serves on the Board of the Alexandria YMCA, and Bienvenidos. Ms. Pepper is a recipient of the Jaycees Appreciation Award, the Council of Senior Citizens Organization's Outstanding Women of Alexandria Award, and the Commission for Women's Living Legend Award.

Councilman John Taylor Chapman is a fourth generation Alexandria native. Mr. Chapman attended Saint Olaf College in Minnesota (2003) where he earned a Bachelor's degree in Social Studies Education. Mr. Chapman was elected to the City Council in November 2012 and reelected in 2015. Councilman Chapman has been involved with the Children, Youth & Families Collaborative Commission, The Eisenhower Partnership Board of Directors, and the Eco-City Alexandria Environmental Action Plan Steering Committee since 2013. The councilman also partakes in the Gang Prevention Task Force and the Alexandria Campaign on Adolescent Pregnancy. He is serving his seventh term as an Executive Committee member for Taylor Run Citizen's Association. Mr. Chapman currently serves on the City's Youth Policy Commission and was the President of the Alexandria Branch of the NAACP—the youngest in the history of the branch. Professionally, Mr. Chapman is a career educator and currently works as a Community Use Program Specialist for Fairfax County Public Schools.

Councilman Paul C. Smedberg, first elected to the City Council in 2003 was reelected for a fifth consecutive term in November 2015. He continues to play a key role representing Alexandria on a number of regional bodies in Northern Virginia and in January 2016 was named the Alexandria representative to the Board of Directors of the Washington Metropolitan Area Transit Authority (WMATA). Mr. Smedberg serves on the City's Pension Subcommittee, the Waterfront Commission, Inova Alexandria Hospital Task Force and with the Mayor co-chairs the Legislative Subcommittee of the Council. In recognition of the escalating traffic issues and demand for local and regional transit and transportation options, Mr. Smedberg has maintained an ongoing presence on a number of regional transportation bodies. An ongoing member of the Northern Virginia Transportation Commission he served as Chair 2013-14 and again in 2017-18 and guided the organization through a major period of change. He has served as Chair of the Virginia Railway Express Corporation. He served as co-chair of the City's Transportation/Transit Corridor Study Group and today he remains attuned to the importance of pedestrian safety and the ongoing concerns of Alexandria neighborhoods relative to traffic issues. As a resident of Alexandria for nearly 30 years, Mr. Smedberg has a distinguished history of service and leadership with area non-profits and local civic and homeowner associations. Born and raised in Hartford, Connecticut, he received degrees in History and Economics from Allegheny College and is a 2001 Fellow of the Sorensen Institute for Political Leadership at University of Virginia.

Councilman Timothy B. Lovain has lived in Alexandria since 1983 and has served on the City Council from 2006 to 2009 and from 2013 to the present. Mr. Lovain represents Alexandria on the Transportation Planning Board for the National Capital Region and is its Immediate Past Chair. He also serves on the COG's Region Forward Committee and its Chesapeake Bay and Water Resources Policy Committee. He also serves on both the Northern Virginia and Alexandria Transportation Commissions, as Vice-Chair of the Virginia Municipal League Transportation Policy Committee and as an Alternate on the Board of Directors of Virginia Railway Express. Professionally, Mr. Lovain is Executive Vice President of Crossroads Strategies, Chair of the Coalition for America's Gateways and Trade Corridors, Chair of the Public Ferry Coalition, and Chair of the Washington Area Transit Industry Representatives Task Force. Mr. Lovain has served as a legislative assistant for Congresswoman Helen Meyner (D-NJ) and Senator Slade Gorton (R-WA), as Legislative Director for New Directions, a citizens lobby on global issues, and as a Coast Guard Officer. He received a B.A. with honors in political science from the University of Chicago, an M.A. in politics from Princeton University and a J.D. with honors from the University of Washington Law School.

Councilman Willie F. Bailey, Sr., elected to the City Council in November 2015, has been an active firefighter for 24 years, and currently serves as the Battalion Chief of Community Outreach & Public Affairs for the Fairfax County Fire and Rescue Department. As a member of the City Council, Mr. Bailey serves on the following local boards and commissions: Local Emergency Planning Committee, INOVA Alexandria Hospital Task Force, Eisenhower Partnership Board of Directors, Metropolitan Washington Council of Governments Air Quality Committee, Alexandria Economic Opportunities Commission, Alexandria Works! Coalition, Library Board, Northern Virginia Regional Commission, Children, Youth and Families Collaborative Commission, Community Policy and Management Team, and Alexandria Campaign on Adolescent Pregnancy. He founded Firefighters and Friends to the Rescue. During the 2017 holiday, Firefighters & Friends to the Rescue provided over 9,000 children in Northern Virginia with haircuts and other gifts. Mr. Bailey is a 2013 recipient of Alexandria's Living Legends Award. He has been engaged with Alexandria's non-profit community where he serves on the boards of Volunteer Alexandria, First Night Alexandria, and the Board of Trustees for Operation Warm, which is the largest nonprofit coat distributer in the United States.

Appointed Officials

Mark B. Jinks was appointed by the City Council to be City Manager of Alexandria in April 2015, having served as Acting City Manager since January of that year. Mr. Jinks began working in the City of Alexandria in 1999 as Chief Financial Officer, serving in that role for 10 years before becoming a Deputy City Manager. Prior to his time in Alexandria, Mr. Jinks served as Director of Management and Finance and Budget Director for Arlington County, Virginia. While in Arlington, he was also Chair of the Alexandria-Arlington Waste-to-Energy facility board. Mr Jinks is currently the Chair of the Chief Administrative Officers Committee of the Metropolitan Washington Council of Governments. He has served on the boards of the public pension funds for both Arlington County and the City of Alexandria. Mr. Jinks is a member of the Regionalism Council of the Urban Land Institute Washington and the Board of Directors of the Alexandria Economic Development Partnership. He holds a B.A. in Political Science and a Master's degree in Public Administration from the Pennsylvania State University. He is an alumnus of executive education programs at the John F. Kennedy School of Government at Harvard University, the University of Virginia and Syracuse University. Mr. Jinks has taught public finance and budgeting at universities in the United States and abroad.

James L. Banks, Jr., City Attorney, began his service with the City on May 4, 2009. Prior to joining the City, Mr. Banks worked for Seyfarth Shaw LLP as a partner in its labor and employment practice. Previously, he served as partner for McGuireWoods LLP, and served as a substitute judge in Virginia's Thirteenth Judicial District in Richmond from 1998 to 2002. In addition to his legal expertise, Mr. Banks possesses public and non-profit sector experience, serving as Councilman and Vice Mayor, as well as Deputy Commonwealth's Attorney for the City of

Richmond. In Richmond, he also served as President of the Board of Trustees for the Friends Association for Children and was a board member and general counsel for the Southside Community Development and Housing Corporation. Mr. Banks currently serves as member of the National Advisory Board of the Eisenhower Institute and was formerly a member of the Metropolitan Washington Airports Authority Board of Directors. Mr. Banks is a graduate of Gettysburg College in Pennsylvania, where he is on the Board of Trustees. He received his law degree from the University of Virginia and his masters in public policy from Walden University.

Laura B. Triggs, CPA, ACC, previously served as Chief Financial Officer and Director of Finance for the City. She is currently responsible for overseeing several City departments, including Finance, General Services, Legislative Office, Information and Technology Services, and Human Rights. Ms. Triggs also serves as the City Liaison to the Registrar of Voters, as well as to the City's court system. Prior to joining the City she served as the Associate Chief Financial Officer for the District of Columbia during the District's financial crisis and as Director of Financial Projects for the District's Financial Responsibility and Management Assistance Authority (also known as the Financial Control Board). Ms. Triggs has also worked for the U.S. Government Accountability Office and KPMG LLP, auditing financial, insurance, service, nonprofit, and government institutions. Ms. Triggs graduated cum laude from Southwestern University (Georgetown, Texas) with a Bachelor of Business Administration in Accounting, with a minor in Economics. She earned a Master of Management Science with High Distinction in Organizational Behavior and Executive Coaching from The University of Texas at Dallas. Ms. Triggs is a member of the International City Management Association, National Association of Professional Women, Government Finance Officers Association, and the International Coach Federation. She holds an accreditation as a Certified Public Accountant (licensed in Texas) and as an Associate Certified Coach. Ms. Triggs also serves a volunteer coach for several non-profit organizations and has been a guest lecturer at Harvard University's Business School.

Kendel Taylor was appointed the City's Director of Finance, effective June 1, 2015. Ms. Taylor began working for the City of Alexandria in 1995, serving the majority of her career in the Office of Management and Budget from 1999 until August 2013. In 2011 and 2012, she served as Acting Budget Director. She has been the City's Director of Finance since August 2014. She is currently the Chair of the Alexandria Community Policy Management Team and a member of the board of the Alexandria Small Business Development Center. In 2016, Ms. Taylor was elected to the Board of Trustees for the Virginia Investment Pool. She serves on the board of the City's OPEB Pension Fund. Ms. Taylor holds a Bachelor's degree in Business Administration/Marketing and Spanish from Albright College and a Master's degree in Public Administration from Virginia Polytechnic Institute and State University ("Virginia Tech").

Morgan E. Routt was appointed Director of the Office of Management and Budget in November 2015. Mr. Routt joined the City in 1999 as a budget analyst, and became Assistant Director of the Office of Management and Budget in 2010. In addition to his role within the City's budget team, he has represented the City in the development of the WMATA's capital funding agreement for fiscal years 2011 to 2016, as a member of the financial working group on establishing the NVTA, and currently on the Waste-to-Energy facility monitoring group. Mr. Routt is also a member of the Government Finance Officers Association. Prior to his work in Alexandria, he worked for Prince William County's Office of Management and Budget and Department of Public Works. He holds a Bachelor's degree in Government and International Politics from George Mason University and a Master's degree in Public Administration from Virginia Tech.

GOVERNMENTAL SERVICES AND FACILITIES

The City of Alexandria provides a comprehensive range of public services that are characteristic of its form of government under Virginia law and of its integral position within the Washington metropolitan area. These services are designed to meet the changing needs of a largely urban city and to provide an environment within which the educational, physical, social, and cultural needs of its citizens are met.

City Attorney

The Office of the City Attorney has the general responsibility of providing legal counsel to the City Council, the City Manager, and all departments, boards, commissions, and agencies of the City and to represent the City in civil litigation. The Office of the City Attorney also renders opinions, on request; is responsible for drafting ordinances, deeds, affidavits, bonds, leases, and other legal papers; and institutes and prosecutes legal proceedings on behalf of the City.

Finance

The Finance Department collects and manages all City funds and administers the City's retirement and pension plans. It collects revenues and taxes, issues business licenses, assesses real estate and personal property taxes, and adjudicates parking tickets. The Finance Department strives to provide long-term financial stability to the City through effective expenditure control, reliable and equitable revenue collections practices, sound cash and debt management policies, responsible accounting and purchasing practices, and strong risk management.

The Pension Administration Division manages the pension and deferred compensation (457) plans for City employees, including public safety employees. The Division also advises City employees during the retirement process.

The Purchasing Division purchases goods, services, construction, and insurance at the request and in support of the twenty-one Departments of the City government and is responsible for centralized City procurement, including the processing of purchase orders and vendor list control. All City purchases exceeding $50,000 are made by the Purchasing Division through formal, informal, or cooperative competitive bidding procedures.

Management and Budget

The Office of Management and Budget ("OMB") prepares the annual operating budget and capital improvement program, performs on-going fiscal and management analyses of City programs, and is responsible for budget review and analysis during the course of the fiscal year. This office also coordinates state and federal aid applications and monitors issues and legislative developments in federal and State agencies that may affect the City. OMB staff provides support to the Budget and Fiscal Affairs Advisory Committee and other task forces and advisory groups.

Information Technology Services

The Department of Information Technology Services ("ITS") is responsible for most electronic information processing in the City and is the primary resource for the planning and implementation of new information technology systems. ITS provides City agencies with reliable information technology services using the most cost-effective and efficient means available. ITS maintains the City's information infrastructure by providing networked computing services and supporting office automation for all City agencies. The Director of ITS serves as the City's Chief Information Officer.

Human Resources

The Human Resources Department is responsible for employee recruitment, selection, training, benefits, records, classification and compensation, and ensuring compliance with local, state, and federal regulations governing all phases of personnel activities. The Human Resources Department adheres to and promotes the City's Affirmative Action/Equal Opportunity policy. The Director of Human Resources serves as the City's Chief Human Resources Officer.

Communications and Public Information

The Office of Communications and Public Information provides direct assistance to the community in response to telephone or in-person inquiries, connects the people to City departments and services, and helps people navigate City government in getting the answers or solutions they need. This team sets the customer service standards for the City. The Web Team, which is part of the Office of Communications and Public Information, develops and manages the City's website and e-government portals.

Police Department

The Police Department is responsible for the maintenance of law and order, protection of persons and property, prevention and suppression of crime, investigation and apprehension of persons suspected of crimes, direction and control of traffic, traffic accident investigation, and enforcement of all Commonwealth of Virginia and City criminal laws. The Police Department has a full-time staff of 422 employees, of whom 304 are sworn officers.

Fire Department

The Fire Department is responsible for fire and emergency medical services protection and the prevention and suppression of fires. The Fire Department maintains ten City-staffed and operated fire stations and five medic units providing 24-hour service. Fire suppression services are also provided through a regional mutual aid program that provides service from the closest station without regard to jurisdictional boundaries.

Code Administration

The Department of Code Administration administers the Virginia Uniform Statewide Building Code, which governs building, mechanical, plumbing, and electrical work in the City, to ensure the health and safety of the public.

Emergency Communications

The Department of Emergency Communications provides 9-1-1 call-taking and emergency law enforcement, Fire Department, and Emergency Medical Services dispatching (as well as combinations of those services) throughout the City and to the City's mutual aid partners in the National Capital Region, including Fairfax County and Arlington County in Virginia, Washington, D.C., and Prince George's County in Maryland. The Department of Emergency Communications also manages the non-emergency resident service Call-Click-Connect.

Transportation and Environmental Services

The Department of Transportation and Environmental Services ("T&ES") is responsible for the planning, engineering, design, construction, inspection, and maintenance of streets, bridges, City sewers, and traffic control mechanisms. T&ES is also responsible for the coordination of transit services in the City, the collection and disposal of solid waste, and the implementation of the City's comprehensive recycling program, including the curbside collection of recyclable goods, the operation of five recycling centers, environmental management, environmental facility, the collection of newspapers, and special pickups for white goods, including household appliances and other metal items. In addition, T&ES is responsible for responding to environmental quality issues, including air quality monitoring, noise control, information related to toxic and hazardous materials; development review for the abatement of contaminated land as identified by the City and Commonwealth; water quality development review for erosion and sediment impacts; and local implementation of the Chesapeake Bay Preservation Act.

Community and Human Services

The Department of Community and Human Services ("DCHS") serves the diverse needs of the citizens of Alexandria to promote economic and social independence and self-sufficiency. DCHS administers a broad range of social services and financial assistance payments that are legislated by the State and federal governments. Services include child and adult protective services, companion care for the elderly, adoptive services, foster care, early childhood development programs, child day care, and refugee assistance. Financial assistance payments are provided through the Temporary Assistance for Needy Families program and other medical and general financial relief programs. DCHS also administers the federally mandated Agency on Aging program and provides a special day care program for the elderly. DCHS provides employment services programs for target population groups, administers programs to assist at-risk youth, ex-offenders, and homeless persons, and operates the City's homeless shelter. DCHS provides emergency shelter and crisis intervention services for battered women and sexual assault victims.

DCHS also operates and coordinates services for persons with mental illness, mental retardation, and substance abuse problems. The services provided include residential, outpatient, inpatient, emergency, community prevention/early intervention, and vocational or day support programs for all three disability areas. DCHS receives general policy advice concerning mental health-related issues from the Alexandria Community Services Board.

Planning and Zoning

The Department of Planning and Zoning evaluates zoning changes, prepares small area plans, and updates the City's Master Plan; monitors economic and demographic trends; administers the zoning ordinances; recommends action on requests for special use permits; participates in the review of site plans; and administers the Transportation Management Plan Special Use Permit process.

Project Implementation

The Department of Project Implementation was created as a new department in 2013 to provide improved focus on the City's growing portfolio of complex capital infrastructure construction projects while shortening the delivery timetable of these projects through the application of best-practice project management methods. The department is responsible for the implementation of many capital infrastructure projects, as well as coordinating and planning complex, multi-departmental projects such as the Waterfront Small Area Plan Implementation. Projects include multimodal transportation (roadways, transit, bicycle/pedestrian improvements, and bridges) storm water system and water quality improvements, sanitary sewer improvements, flood mitigation and park design.

Recreation, Parks, and Cultural Activities

The Department of Recreation, Parks, and Cultural Activities provides facilities and programming to serve the leisure, social, cultural, and recreational needs of the community. The department operates eight full-time recreation centers, sixteen gymnasiums, twenty-one outdoor basketball courts, thirty-eight tennis courts, fifty-two athletic fields, five after-school centers, four swimming pools, a nature center, and the Chinquapin Park Recreation Center, which houses the City's only indoor 25-meter pool, four racquetball courts, and a fitness room with exercise machines. Special programs are also provided for people 55 years of age or older and for disabled individuals who are not effectively served by general recreation programs.

Office of Housing

The mission of the Office of Housing is to preserve and expand decent, safe, and affordable housing opportunities for City residents, primarily low and moderate-income families; to monitor compliance with fair housing laws and requirements for relocation assistance to tenants displaced by condominium conversions; to facilitate compliance with state and local laws affecting landlord/tenant rights and responsibilities; and to encourage residential and commercial revitalization with funding from the Community Development Block Grant and HOME Programs funded by the U.S. Department of Housing and Urban Development, the federal Rental Rehabilitation Program, and the Virginia Housing Partnership Fund.

Office of Human Rights

The Office of Human Rights is responsible for receiving and investigating allegations of discrimination in the areas of employment, housing education, public accommodations, credit, health, and social services.

Office of Historic Alexandria

The Office of Historic Alexandria manages five museums and coordinates and develops programs to preserve the City's historic character and promote tourism. The office is responsible for the preservation of historic sites, archaeological sites, artifacts, and records and ensuring that the use of these resources is in accordance with professional standards of scholarship and museum procedures.

General Services

The General Services Department provides support services to other City agencies in the area of facilities planning, construction, and maintenance; vehicle acquisition and maintenance; printing and graphics; and communications.

Alexandria Public Library

The Alexandria Library System, under the supervision of the Alexandria Library Board, provides public library services to the City of Alexandria through a central library and three branch libraries (Burke, Duncan, and Barrett). Library services include a reference service, children's services, and special services for the homebound, persons with disabilities, and institutionalized persons. The library system holds approximately 1.33 million items, including books, magazines, newspapers, films, records, and videotapes.

Health Department

The Alexandria Health Department is one of 35 State health district offices that comprise the Virginia Health Department's Division of Community Health Services. The Health Department administers immunizations and offers family planning clinics. General medical and specialty clinics are conducted at the Flora Krause Casey Health Center. The Department records vital statistics for the City and inspects food establishments, swimming pools, and other businesses to ensure safe and healthful conditions.

Sheriff

The Sheriff administers the Alexandria Detention Center in a safe and secure manner for inmate residents, staff, and volunteers. The Sheriff provides for the safe and uninterrupted operation of all judicial proceedings at the Alexandria Courthouse and supports the court through prompt service of legal process and warrants.

ALEXANDRIA CITY PUBLIC SCHOOLS

The Alexandria City Public Schools are governed by the Alexandria City School Board, which formulates, adopts, reviews, and revises policies essential to school operations and long-range planning based on community expectations and the recommendations of the Superintendent. School Board members are elected to three-year terms, and the current School Board is serving a term that started on January 1, 2016, and will run through December 31, 2018. The School Board functions independently of the City Council but is required to prepare and submit an annual budget to the City Council for its consideration. Because the School Board can neither levy taxes nor incur indebtedness under Virginia law, the local costs of the school system are provided by appropriation from the General Fund and Capital Projects Fund of the City. The costs of constructing school facilities are provided by capital funding from the General Fund of the City or by bonds issued as City general obligations for the benefit of Alexandria City Public Schools.

The School Board's adopted fiscal year ("FY") 2017 Schools Budget provides for the operation of thirteen elementary schools, two middle schools, one high school, and the Secondary Training and Education Program ("STEP"), which provides special programs for students who are unable to function within the traditional classroom setting. A fourteenth elementary school will open in September 2018. The FY 2018 enrollment on September 30, 2017 of 15,473 represented an increase of 437 students, or 2.9 percent, from the enrollment of 15,056 on September 30, 2016. The typical Alexandria Public Schools teacher has a Master's Degree and at least 11 years of teaching experience.

PUBLIC SCHOOL FACILITIES
AS OF MARCH 2017

TYPE OF SCHOOL	NUMBER
High School (including STEP*)	1
Middle Schools	2
Elementary Schools	13
TOTAL	16

*STEP is the Secondary Training and Education Program

Public School Characteristics

Summarized below are selected items of information concerning total annual school enrollments (actual and projected). School enrollment increased by 29.5 percent between FY 2011 and FY 2018, in part as more households with children chose to live and raise their children in an urban environment in lieu of an outside-the-DC-core suburban environment. This has and will result in the City investing in new and expanded school facilities.

ALEXANDRIA CITY PUBLIC SCHOOL ENROLLMENTS
ACTUAL AND PERCENTAGE CHANGE
2011 THROUGH 2018

Fiscal Year	Total[1]	Percentage Change
2011	11,999	3.2%
2012	12,395	3.3
2013	13,114	5.8
2014	13,623	3.8
2015	14,224	4.4
2016	14,729	3.6
2017	15,105	2.6
2018	15,540	2.9

Source: City of Alexandria Public School System

ALEXANDRIA RENEW ENTERPRISES (formerly the Alexandria Sanitation Authority)

Alexandria Renew Enterprises is an independent governmental agency that provides wastewater treatment services to most of the City and to a portion of southern Fairfax County. Alexandria Renew Enterprises levies user fees to finance its operating and capital programs. The current Alexandria Renew Enterprises treatment facility has a treatment capacity of 54 million gallons per day ("MGD"), of which 60 percent is allocated to Fairfax County and 40 percent to the City. Based on City new development build-out projections, the City's allocated capacity is projected to be fully utilized by about 2040, until the City and Fairfax County negotiate a swap of unused Fairfax sewer capacity. In order to provide additional capacity of up to about 4 MGD to carry the City beyond the year 2040, while undertaking a plant systems upgrade for which engineering is in progress, Alexandria Renew Enterprises is planning to provide a total capacity of 58 MGD. Implementation of such additional capacity will require an increase in permitted nutrient discharge levels for which Alexandria Renew Enterprises will need to acquire one or more of the following: acquisition of nutrient credits, implementation of a graywater reuse program, and other conservation initiatives. In addition: (1) wet weather flow mitigation initiatives, such as an infiltration and inflow program, are planned in the western portion of the City; and (2) capacity expansion will be needed in the Holmes Run Trunk Sewer line as well as pump and storage facilities near Hooff's Run.

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

The Alexandria Redevelopment and Housing Authority ("ARHA") is the primary provider of low-income housing in the City through its 1,150 public housing units as well as through the administration and issuance of federal housing choice vouchers. ARHA's operations are primarily financed with monies from the Federal Department of Housing and Urban Development. Periodically, to assist with financing replacement public housing units, ARHA accesses federal low income housing tax credits, as well as seeks to leverage the value of its property through joint partnerships with the private development sector. The City has periodically provided both short-term and long-term capital project loans to ARHA.

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF ALEXANDRIA

The Industrial Development Authority of the City of Alexandria ("IDA") is a conduit financing agency which assists non-profit associations and educational institutions with access to the tax-exempt markets through the issuance of project-related revenue bonds. These IDA bonds are secured solely by the projects themselves and are not obligations of the City government.

DEMOGRAPHIC AND ECONOMIC FACTORS

Population Characteristics

Alexandria's population grew at a rate of 9.1 percent in the early 2000's to 139,966 in 2010. In 2018 the City's population is estimated to be 154,500. It is expected that the City's population will increase gradually to 159,000 by 2020. The following table presents population figures for selected years through 2020.

POPULATION AND RATES OF CHANGE
ACTUAL AND PROJECTED

Year	Population	Percent Change
1960	91,023	47.3%
1970	110,927	21.9
1980	103,217	(7.0)
1990	111,183	7.7
2000	128,283	15.4
2010	139,966	9.1
2020	159,000	13.6

Sources: 2010 Census, US Department of Commerce, Bureau of the Census; the United States Bureau of Economic Analysis; Alexandria Department of Planning and Zoning.

Between 2010 and 2015, the City's median age grew slightly from 35.6 years to 36.0 years; and the population under the age of 18 grew from 23,970 to 26,134 or from 17.1 to 17.7 percent of the City's population. This growth in the under 18 population was primarily the result of an increase in the population under age 5, which increased from 7.1 percent of the population in 2010 to 7.5 percent in 2015. This cohort remains significantly smaller than in the surrounding suburban counties of Fairfax, Loudoun and Prince William. The under-18 population comprises 25 to 30 percent of the total population in those jurisdictions.

Comparisons between the 2010 and 2015 Census data show that the slight increase in the median age despite the increase in the number and percentage of children can be partially attributed to an increase in the number of residents aged 65 and older to 9.8 percent of the population. The percentage of residents aged 65 and older increased from 9.1 percent to 9.8 percent of the population from 2010 to 2015.

Families, defined as households with two or more persons related by birth, marriage, or adoption and residing together in a single housing unit, constituted 45.5 percent of all City households in 2015. This figure was slightly higher than the 44.8 percent of households made up by families according to the 2000 Census. Despite the increase in families, average household size increased slightly from 2.03 to 2.21 between 2010 and 2015.

The percentage of persons 25 and older with four or more years of college rose from 60.4 percent of the population in 2010 to 61.3 percent by 2015, which is more than double the national average.

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SELECTED POPULATION CHARACTERISTICS

Characteristics	Alexandria	Virginia	United States
Median Age: 2000	34.4	35.7	35.3
2010	35.6	37.5	37.2
2015	36.0	37.6	37.6
Percent under Age 5: 2000	6.2	6.5	6.8
2010	7.1	6.4	6.5
2015	7.5	6.2	6.2
Percent School Age (5-17): 2000	10.6	18.0	18.9
2010	10.0	16.8	17.5
2015	10.4	16.2	16.7
Percent under Age 18: 2000	16.8	24.6	25.7
2010	17.1	23.2	24.0
2015	17.7	22.6	23.3
Percent of Persons 65 and Older: 2000	9.0	11.2	12.4
2010	9.1	12.2	13.0
2015	9.8	13.3	14.1
Number of Persons/Household: 2000	2.04	2.54	2.59
2010	2.03	2.54	2.58
2015	2.21	2.62	2.64
Percent of Persons 25 and Older with four or more years of college: 2000	54.3	29.5	24.4
2010	60.4	35.2	27.9
2015	61.3	36.4	29.7

Sources: 2000 US Census, 2010 US Census, and 2015 American Community Survey ("ACS") 5-Year Estimates (except for "Percent School Age (5-17) 2015" for which ACS 1-Year Estimates are shown). 2010 ACS used for 2010 educational attainment data only.

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Employment

In fourth quarter 2017, midway through Fiscal Year 2018, the City's employment averaged 93,938, a 1.2 percent decline from fourth quarter 2016. City employment has declined by approximately 6.3 percent over the past decade, while average annual pay has increased by 6.2 percent (inflation adjusted). The unemployment rate in the City in March of 2018 was 2.5 percent. The decline in jobs in the City can be attributed to company and job migration from older suburban office park settings to newer office buildings adjacent to Metrorail stations. In addition, the City's only retail indoor mall, Landmark Mall, closed in early 2017. About 75 percent of City residents commute to jobs primarily in the District of Columbia, Arlington County and Fairfax County.

Despite a net decrease in employment over the last ten years (through 2017), positive growth was seen across several sectors in the City, particularly in Transportation and Warehousing (+18.9 percent), Leisure and Hospitality (+8.1 percent), and Education and Health (+6.9 percent). Growth in these sectors is in line with regional trends; across the Washington D.C. region, the Education and Health Services and Leisure and Hospitality sectors added the greatest number of jobs out of all sectors between 2017 – 2018. The Professional and Business Services sector remains Alexandria's largest employment sector, representing 28.1 percent of jobs in the City at the end of 2017. Government is also a key employment sector for the City, accounting for 23.1 percent of jobs. Employment in Government is led by prominent federal agencies, including the U.S. Patent & Trademark Office, the National Science Foundation and U.S. Department of Agriculture Food and Nutrition Service.

The City's strong wage growth (+6.2 percent over ten years) has been driven by wage increases across many sectors of the economy. Most significantly, the Information industry experienced a 26.3 percent increase in average annual pay (adjusted for inflation), which includes jobs in media and communications technology. The largest sectors by total wages are Professional Scientific and Technical services and Public Administration, which represent a combined 49.4 percent of all wages earned in the City.

EMPLOYMENT BY SECTOR AS A PERCENTAGE OF TOTAL

Alexandria Employment	4th Quarter 2016	4th Quarter 2017
Services	27.9%	28.1%
Government	23.6	23.1
Manufacturing and Other	13.5	13.2
Trade	10.2	9.6
Accommodation	9.0	9.1
Health Care	6.9	7.2
Financial, Insurance and Real Estate	4.8	4.9
Construction	2.2	2.3
Transportation, Communications and Utilities	2.0	2.5
Total[1]	100.0%	100.0%

Source: Virginia Employment Commission.
[1]Total may differ due to rounding.

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PRINCIPAL PRIVATE EMPLOYERS
JULY 1, 2017
(With approximately 500 employees or more)

Company	Nature Of Business	Approximate Number Of Employees*	Estimated Percentage Of Total City Employment
INOVA Alexandria Hospital	Health Services	1,000 – 5,000	3.1%
Institute for Defense Analysis	Consulting – Government	500 - 999	0.8
Grant Thornton	Consulting – Business Management	500 – 999	0.8
The Home Depot	Building Materials	250 – 499	0.4
American Society of Clinical Oncology	Health Services Association	250 - 499	0.4
Oblon Spival McClelland PC	Patent Law Firm	250 – 499	0.4
Catholic Diocese of Arlington	Religious Centers	250 – 499	0.4
Giant Food	Grocery	250 – 499	0.4

Sources: Alexandria Economic Development Partnership and Virginia Employment Commission
*Numbers are rounded.

UNEMPLOYMENT RATE

	2012	2013	2014	March 2015	March 2016	March 2017	March 2018
Alexandria	4.5%	4.0%	3.8%	3.6%	3.0%	3.0%	2.5%
Commonwealth of Virginia*	5.9	5.5	5.1	4.8	4.1	3.9	3.3
United States*	8.2	7.6	5.9	5.5	5.0	4.5	4.1

*Virginia and U.S. unemployment rates are seasonally adjusted. Alexandria unemployment rates are not seasonally adjusted.

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Income

Per capita income for Alexandria was $83,167 in 2016, the 25th highest in the United States and the second highest among Virginia jurisdictions. Selected income data for the City and other jurisdictions in the Washington metropolitan statistical area ("MSA") are compared to state and national data in the following table.

PER CAPITA PERSONAL INCOME
JURISDICTIONS IN THE WASHINGTON, D.C. AREA
2012 TO 2016

	2012	2013	2014	2015	2016
Alexandria (VA)	$81,896	$77,419	$80,506	$82,253	$83,167
Arlington County (VA)	83,925	79,295	83,316	86,141	87,986
Fairfax County (VA)	72,257	69,817	72,552	75,081	75,978
Commonwealth of Virginia	49,302	48,490	50,157	52,184	52,957
Washington MSA	62,496	60,814	62,546	65,155	66,733
United States (Metropolitan areas)	44,282	44,493	46,494	48,451	59,246

Source: US Department of Commerce, Bureau of Economic Analysis (These data have been revised from previous estimates provided by the Department of Commerce).
Note: Fairfax County (VA) data includes Fairfax City, VA and the City of Falls Church, VA. United States per capita is presented in current dollars.

Economic Development Activity

The Alexandria Economic Development Partnership, Inc. ("AEDP") is a public/private partnership whose goal is to attract, retain, and assist in the expansion of businesses. AEDP has selectively targeted specific businesses to facilitate diversification of the local business base, expand the tax base, increase employment opportunities, and expand trade for local businesses.

As the marketing arm for Alexandria, AEDP focuses its efforts on promoting the City on a regional, national, and international level through exhibitions, marketing events and missions, direct mail campaigns, business networking, and media outreach. At the local level, AEDP serves as a liaison between local businesses and the City. Business outreach meetings throughout the year help to connect local businesses with appropriate City services and to alert public officials of any needs or concerns. AEDP additionally provides staff support to numerous City and business entities, such as the Marketing Fund Committee, the Industrial Development Authority of the City of Alexandria, and the Small Business Development Center. In addition, AEDP's President & CEO serves as an ex-officio member of the Alexandria Convention and Visitors Association ("Visit Alexandria") Board of Directors, Alexandria Chamber of Commerce Board of Directors, and other economic development organizations throughout the City. These efforts contribute to nurturing a viable and growing business environment in Alexandria.

AEDP's Strategic Plan establishes as its objectives expanding the commercial real estate tax base, recruiting and retaining businesses, improving the perception of Alexandria for business, mobilizing relevant resources to win deals, and collaborating on economic development issues and policies. With regard to expanding the commercial real estate tax base, the ongoing focus includes pursuing office prospects for the Potomac Yard and Carlyle/Eisenhower Valley areas and pursuing mixed-use developers for the Braddock, Arlandria, and West End neighborhoods. With regard to the recruitment and retention of businesses, AEDP continues to increase the City's visibility in the market by hosting and participating in events sponsored by key retail, commercial, and real estate organizations. AEDP has made considerable progress in improving the perception of Alexandria for business by marketing the City's business-friendly nature, competitive real estate tax rates, easy-to-navigate City processes, and high-quality available commercial space and by creating a portfolio of information for stakeholders to use to promote Alexandria within their networks.

Alexandria continues to be a center for national association headquarters, a center for high technology and related headquarters operations, and a center for national, regional, and divisional headquarters for corporations representing a broad range of fields. Lower operational costs, a competitive tax environment, unsurpassed access, diverse office opportunities, a unique ambiance, a highly educated workforce, and safe work and living environments are just several of the advantages enjoyed by business operations located in the City.

In FY2018, the City's economic development organization and department staff spent significant time and resources responding to Amazon's request for proposals for their HQ2 project - an expected $5 billion in construction investment creating as many as 50,000 high-paying jobs. In January 2018, Northern Virginia, including two Alexandria sites, remains one of twenty U.S. and Canadian finalist sites in competition for the HQ2 project, with a final decision anticipated in calendar year 2018.

NUMBER OF BUILDING PERMITS ISSUED AND VALUE

Fiscal Year	Residential	Commercial	Miscellaneous[1]	Total Building Permits	Total Value
2009	324	14	8,164	8,502	$387,289,972
2010	327	10	8,260	8,597	156,425,836
2011	303	16	10,564	10,883	196,691,388
2012	382	7	10,060	10,449	351,297,723
2013	455	27	10,308	10,790	579,022,335
2014	413	25	13,830	14,268	546,597,020
2015	323	67	11,628	12,018	406,355,800
2016	304	63	10,151	10,518	444,502,270
2017	321	107	10,831	11,259	432,228,707
2018[2]	186	35	8,460	8,681	389,202,408

[1] The miscellaneous category includes alterations and repairs; electrical, plumbing, and mechanical permits; and other construction activity.
[2] FY 2018 reflects permits issued through April 2018.

Source: City of Alexandria Department of Code Administration.

VALUE OF NEW CONSTRUCTION

Fiscal Year	Residential	Commercial	Miscellaneous[1]	Total Value
2009	$ 89,606,084	$158,415,943	$139,267,945	$387,289,972
2010	48,940,298	32,243,020	75,242,518	156,425,836
2011	84,339,573	37,242,270	75,109,545	196,691,388
2012	181,174,427	43,499,387	126,623,909	351,297,723
2013	249,196,021	193,439,810	136,386,504	579,022,335
2014	189,324,592	194,198,977	163,073,451	546,597,020
2015	100,356,588	193,674,206	112,325,006	406,355,800
2016	50,646,107	175,491,082	218,365,081	444,502,270
2017	57,095,143	163,831,709	211,301,855	432,228,707
2018[2]	40,216,868	264,452,753	84,532,787	389,202,408

[1] The miscellaneous category includes alterations and repairs, electrical, plumbing, and mechanical permits, and other construction activity.
[2] FY 2018 reflects permits issued through April 2018.

Source: City of Alexandria Department of Code Administration.

Growth and Development Goals

The City began updating its Master Plan in 1987. The process involved developing goals and objectives for fourteen small planning areas, which allowed for extensive community debate and citizen involvement. The City's Master Plan was adopted on June 24, 1992, and chapters are updated on an ongoing basis as needed, either through Council-adopted Master Plan Amendments or neighborhood studies initiated by the Planning and Zoning Department's Neighborhood Planning and Community Development Division. The Master Plan includes the following land use goals and objectives:

Goals

1. To have a harmonious set of land uses, which preserves the predominant character of Alexandria as a city of residential neighborhoods with a lively and attractive mix of commercial, institutional, or community facilities and recreational activity and maintains an appropriate economic base.

2. To preserve and enhance residential neighborhoods.

3. To preserve and enhance the historic aspect of the City.

4. To preserve the residential and commercial diversity that has historically characterized Alexandria.

5. To preserve and increase parkland (for active and passive uses) and open space throughout the City.

Objectives

1. To promote transit-oriented mixed-use development in most major development or redevelopment areas.

2. To maintain existing residential areas.

3. To ensure that new development is compatible with adjacent or nearby residential neighborhoods.

4. To maintain a mix of uses compatible with existing uses and pedestrian oriented scale.

5. To maintain existing mixed-use areas and ensure that nearby development is complementary.

6. To require open space or parkland, particularly in nearby developing areas targeted for dense residential and commercial use.

As part of its attempts to meet these goals and objectives, the City has been actively planning since 2010 for the implementation of a major new infrastructure project: the construction of the Potomac Yard Metrorail Station. Construction of this infill Metrorail Station is projected to be initiated in 2018. Its budgeted cost is $320 million which will be financed with a combination of grants from the Northern Virginia Transportation Authority, as well as from local taxes generated in Potomac Yard and from developer contributions. The local taxes and developer contributions will largely be used to pay debt service on low interest loans from the Virginia Transportation Infrastructure Bank and potentially the federal government under the Transportation Infrastructure Finance and Innovation Act ("TIFIA"). The City will also issue general obligation bonds for this project. A federal TIFIA loan Letter of Interest describing the project was accepted, and the City has been asked to submit a full application for review. The City's creditworthiness and project plan are currently being evaluated by the U.S. Department of Transportation Build America Bureau. The Potomac Yard Metrorail Station will service a revitalized Potomac Yard and allow it to be redeveloped as a pedestrian-oriented urban environment of approximately 12 million square feet encompassing a mix of residential, office and retail uses. Redevelopment of these areas will include the construction of new hotels, residential properties, office buildings, and retail outlets as well as the creation of public open space and common private open space. See "CAPITAL IMPROVEMENT PROGRAM" and "POTOMAC YARD METRORAIL STATION" in SECTION FOUR.

Office Vacancy Rates

Alexandria's office vacancy rate was 18.0 percent in the first quarter of 2017. As shown in the table below, this is slightly higher than the office vacancy rates for the Washington, D.C. Metro Area. The vacancy rate reflects slower growth of the regional economy, as well as the move of some U.S. Department of Defense leased offices to military bases, as well as an office market demand shift to office sites adjacent to Metrorail stations. Alexandria's vacancy rate is in line with its Northern Virginia neighboring jurisdictions.

Jurisdiction	1st Quarter 2017	1st Quarter 2018
Alexandria, VA	18.0%	17.8%
Northern Virginia	17.4	17.3
Washington D.C. Metro Area	15.0	15.1

Source: CoStar and Colliers Northern Virginia Office Report.

Travel and Tourism

With its proximity to Washington, D.C. and the Ronald Reagan National Airport and with over 380 associations headquartered in the City, Alexandria is a major tourist destination attracting approximately three million tourists and business travelers per year. The City's Old Town area is an historically preserved, vibrant enclave of 18th and 19th century structures, which serve today as residences, restaurants, retail stores, offices, and museums, as well as arts and antique shops. The City is a major draw for residents of the Washington, D.C. Metropolitan Area, who come to the City to visit, shop, and dine. There are more than 4,400 hotel rooms operated in the City by 24 hotels, which are expected to increase in the next few years with the move to Alexandria of the National Science Foundation in 2016/2017and its estimated 45,000 annual room nights generated. Visit Alexandria, the City's tourism agency, estimates that the tourism industry generates more than $26 million in direct City tax revenues annually.

Housing

As of January 2018, there were 76,116 total housing units (including rental apartments) located in the City of Alexandria. The average assessed value of a single-family home in 2018 is $752,585, an increase of 3.4 percent from the previous year. The average assessed value of a residential condominium as of January 1, 2018, is $324,024, an increase of 3.2 percent compared to the previous year.

HOUSING UNITS BY TYPE OF STRUCTURE [1]

	2017	2018
Single Family:		
Detached	9,141	9,144
Semi-Detached	5,800	5,820
Rowhouse	6,630	6,684
Condo Townhouse	1,419	1,477
Multi-family:		
Condominium Units	18,606	18,366
Rental Apartments	33,815	33,984
Total:	75,411	76,116
Public Housing & Public Housing Replacement Units	1,150	1,150

[1] Includes vacant and occupied units

Source: City of Alexandria Finance Department, Department of Housing, U.S. Census.

Transportation

The City's central location enables it to be served by various major highways, freight and passenger rails, bus lines, and air transportation facilities. These facilities, which have been constructed in cooperation with the Commonwealth and the federal government, provide excellent transportation services for City residents, tourists, and intra-jurisdictional travelers, as well as others who work or do business in the City.

In FY 2007, an updated Transportation Plan, a part of the City's Master Plan, was approved by City Council. This plan incorporates the City's vision of a transportation system that encourages the use of alternative modes of transportation, reducing dependence on the private automobile. This system will lead to the establishment of transit-oriented, pedestrian-friendly village centers focused on neighborhood preservation and increased community cohesion, forming a more urban, vibrant, and sustainable Alexandria. The City endeavors to promote a balance between travel efficiency and quality of life, providing Alexandrians with transportation choice, continued economic growth, and a healthy environment. The transit section of the Transportation Plan was amended in January 2013 to incorporate bus rapid transit ("BRT"), a system of innovative transit vehicles operating along three primary transit corridors often within secure rights-of way dedicated exclusively to transit use and to further the goals laid out in the original plan. The City and Arlington County opened the region's first BRT service in August 2014 to service the Potomac Yard and Crystal City areas.

Northern Virginia Transportation Authority ("NVTA")

During the 2013 General Assembly session, a new regional transportation funding package was approved that levies additional sales, grantor's, and transient occupancy taxes in Northern Virginia, effective July 1, 2013. These funds are divided into two programs: 70% funds for transportation projects of regional significance and 30% for eligible local projects. Through FY 2018, the City expects to receive approximately $7 million annually from NVTA as its share of the 30 percent NVTA funds (estimated at $73.9 million over the 10 year plan). However, due to changes made by the Virginia General Assembly in Spring 2018, two of the three funding streams (transient occupancy tax and grantor's tax) will be diverted to WMATA for its expanded capital investment program beginning in FY 2019. The diversion of funds will impact both the 30% (direct impact) and 70% (indirect impact) programs. NVTA revenue has allowed the City to make significant new investments in transportation infrastructure while reducing planned borrowing originally intended to support the larger transportation projects. The City also expects to benefit over time from 70% funded projects. By leveraging NVTA funding, the City has reduced planned borrowing for the Potomac Yard Metrorail Station by $66 million. In addition, the City continues to pursue 70% funding for other City projects, such as the Bus Rapid Transit ("BRT") expansion.

Streets and Highways

Major highway facilities include Interstate 95 (the Capital Beltway), which borders Alexandria on the south, Interstate 395, which bisects Alexandria, and the George Washington Parkway, which runs near the City's eastern border. In the past, decisions about streets were focused on how to accommodate the automobile. The City has changed this focus to ensure that City streets serve everyone, whether young or old, motorist or bicyclist, walker or wheelchair user, transit user or shopkeeper. Overall, the Transportation Plan addresses City streets as a shared resource—outlining actions and strategies that incorporate equal consideration of the street's travel area, pedestrian area, and adjacent land uses into the transportation decision-making process, with the overall goal of creating multimodal corridors that protect and enhance the character of the City and its diverse neighborhoods. In 2017 the City adopted a Vision Zero goal of reducing auto, pedestrian and bicycle crashes significantly over the next 10 years.

Ronald Reagan Washington National Airport

Ronald Reagan Washington National Airport, is the 23rd busiest airport in the United States, serving approximately 11.5 million boarding passengers per year (and 19.7 million passengers in total), is located just outside the City's northern border. In 1987, control of Ronald Reagan Washington National and Dulles International Airports was transferred from the Federal Aviation Administration to the Metropolitan Washington Airports Authority. This transfer has enabled the Authority to undertake major capital improvements financed through user fees at the two airports.

Freight Rail

Freight lines entering the City are CSX Transportation and Norfolk Southern Company.

Metro Transit System

In 1967, the City of Alexandria joined the other political subdivisions in the Washington, D.C. Metropolitan Area, including the State of Maryland and the Commonwealth of Virginia, in an agreement to plan, build, finance and operate a regional transit system. The Metrorail subway and surface rail transit systems began serving the metropolitan area in 1976, and Metrobus began operating in 1973. The current Metrorail system has 117 miles and 91 stations, of which four are located in Alexandria.

Bus Lines and the King Street Trolley

The City of Alexandria is served by three major fixed route transit providers, DASH, Metrobus, and the Fairfax Connector. The DASH system provides bus service within and around the City and connects with Metrobus, Metrorail, Virginia Railway Express, and other local bus systems. DASH is operated by the Alexandria Transit Company, which is owned by the City of Alexandria. DASH operates 12 routes and services approximately 700 stops throughout the City, making regional connections at all 4 Metrorail stations within the City as well as the Pentagon and Shirlington Transit Centers. WMATA operates Metrobus, which consists of 269 routes and 11,129 bus stops throughout Virginia, Washington, D.C., and Maryland. The Fairfax Connector system serves a number of communities throughout Fairfax County as well as areas of Alexandria and Arlington.

The City of Alexandria's free King Street Trolley transports residents, visitors, and those who work in Old Town between the King Street Metrorail Station and the Potomac River waterfront. The free trolley operates along the one-and-a-half mile route seven days a week, providing access to accommodations, dining, entertainment, and shopping. The King Street Trolley has served more than 7.3 million passengers since coming into operation on April 1, 2008.

Virginia Railway Express

The City is also served by Virginia Railway Express ("VRE"), a commuter train that started operations in 1992. Two rail lines, one originating at Broad Run in Prince William County and the other in Spotsylvania, stop in Alexandria en route to and from Washington, D.C.'s Union Station. VRE diverts riders from private vehicles that would otherwise travel through the City using Interstate 395 or U.S. Route 1.

Other Passenger Rail

The City is served by the North-South routes of Amtrak, as well as Virginia intra-city service, operated by Amtrak.

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SECTION FOUR: CITY INDEBTEDNESS AND CAPITAL IMPROVEMENT PROGRAM

ISSUANCE AND AUTHORIZATION OF BONDED INDEBTEDNESS

Pursuant to the Constitution of Virginia (the "Constitution") and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia (1950), as amended (the "Public Finance Act"), a city in Virginia is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. The Constitution and the Public Finance Act also limit the indebtedness that may be incurred by cities to ten percent (10%) of the assessed valuation of real estate subject to local taxation. There is no requirement in the Constitution or the Code of Virginia that the issuance of general obligation bonds of the City be subject to the approval of the City's voters at referendum.

The City Council also has full authority to authorize and issue general obligation bonds under the City Charter. The authorizing procedure consists of the passage on first reading of an ordinance authorizing the issuance of bonds, followed by a noticed public hearing at a subsequent meeting and the final passage on second reading following the public hearing.

As of June 30, 2018, the total assessed value of taxable real property in the City is $39,897,986,964, which translates into a debt limit of $3,989,798,696. As of June 30, 2018, the City's net obligations subject to debt limitations total $680,021,000, representing 17.0 percent of the allowed debt limit.

OVERLAPPING DEBT

The City is autonomous from any city, town, or political subdivision of the Commonwealth of Virginia. There are no jurisdictions with overlapping debt or taxing powers.

TAX AND REVENUE ANTICIPATION NOTE BORROWING

The City has not issued any revenue anticipation notes at any time for the past two decades. On July 10, 2018, the City secured lines of credit totaling up to $250 million to assist with cash flow for the Potomac Yard Metrorail Station project. The Station is being funded from a number of sources that are structured as reimbursement funding, including a Northern Virginia Transportation Authority grant. The City has also secured a Virginia Transportation Infrastructure Bank loan and is pursuing a Build America Bureau loan. The lines of credit will be available for five years and will be used for cash flow purposes, enabling the City to save debt service costs of general obligation bonds, which are expected be issued near the end of the construction of the Station.

DEBT INFORMATION

Information on the City's indebtedness is presented in the following tables. Included is information on key debt ratios, debt service to expenditure ratios, and selected debt service schedules.

DEBT STATEMENT

Bonded Debt Outstanding (as of June 30, 2018):	
Outstanding General Obligation Bonds	$680,021,000
Net Tax Supported Debt:	$680,021,000

RATIOS OF NET GENERAL DEBT[1] TO ASSESSED VALUE
LAST FIVE FISCAL YEARS

		Assessed Value($000) [2]			Outstanding Debt as Percentage of Assessed Value		
Year	Population[3]	Real Property	Personal Property	Total	Outstanding Debt	Real Property	Total Property
2014	$144,000	$35,335,182	$1,417,679	$36,752,861	$539,780,000	1.53%	1.47%
2015	147,650	37,146,860	1,397,502	38,544,362	540,495,000	1.46	1.40
2016	149,900	38,195,319	1,437,203	39,632,522	522,710,000	1.37	1.32
2017	152,200	38,987,294	1,503,339	40,490,633	557,233,000	1.43	1.38
2018	154,500	39,897,987	1,800,354	41,698,341	680,021,000	1.70	1.63

[1]Net General Debt includes general obligations bonds, premium and term notes.
[2]Includes real and personal property as adjusted for changes to levy.
[3] Source: Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR NET GENERAL DEBT[1] TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST FIVE FISCAL YEARS

Year	Principal	Interest and Other Costs	Total Debt Service	General Expenditures[2]	Ratio of Debt Service To General Governmental Expenditures
2014	$33,476,070	$23,835,653	$57,311,723	$820,080,010	6.99%
2015	38,645,000	22,614,198	61,259,198	817,311,890	7.50
2016	41,595,000	21,766,140	63,361,140	808,809,675	7.83
2017	43,300,000	21,490,252	64,790,252	860,542,894	7.53
2018	44,852,000	21,349,019	66,201,019	989,591,305	6.69

[1]Net General Debt includes general obligation bonds.
[2]Includes expenditures for School Board and Library component units.
Source: City Department of Finance.

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OPERATING AND CAPITAL LEASES

Operating Leases

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through fiscal year 2032. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index.

Scheduled minimum rental payments for succeeding years ending June 30 are as follows:

FISCAL YEAR	Primary Government	School Board Component Unit
2018	$ 4,830,429	$ 2,899,964
2019	5,042,914	2,972,151
2020	5,262,017	2,944,354
2021	5,558,562	2974,678
2022	5,722,693	3,056,481
2023-2027	30,265,981	10,919,218
2028-2032	28,627,843	10,919,218

COMMITMENTS AND CONTINGENCIES

Washington Metropolitan Area Transit Authority

The City's commitments to WMATA are comprised of agreements to make capital contributions for construction of the rail transit system, contributions for replacement and improvement of rail and bus equipment, and payments of operating subsidies for both the rail and bus systems.

The City and other participating jurisdictions have entered into a series of capital contributions agreements with WMATA to fund the local share of the cost of the regional Metrorail transit system. The City's commitments are summarized as follows:

<u>Capital Contributions – Bus and Rail Replacement</u>

In June 2010, a new Capital Funding Agreement was signed by all members of the WMATA Compact. It sets forth a commitment of one year's funding with five planning years. The new funding agreement assumed an increase of $150 million per year of new federal funds, matched with $50 million each from the Commonwealth of Virginia, the State of Maryland, and the District of Columbia. That new agreement totaled $5.0 billion, $2.5 billion was projected be funded by the federal government. The participating jurisdictions' financial obligations, per the Regional Capital Funding Agreement, are subject to individual jurisdictional annual appropriation consideration. Currently a new one-year Capital Funding Agreement has been negotiated between WMATA and participating jurisdictions for FY 2019. The dollar amount of that agreement is $30.4 million, compared to the FY 2018 contribution for Alexandria, which was $41.2 million. Earlier in 2018, the jurisdictions which comprise the WMATA compact, the Commonwealth of Virginia, the State of Maryland, the District of Columbia and WMATA engaged in discussions about WMATA's increased capital investment, which will be needed over the next decade. The conclusion from the Council of Government's study reached is that the WMATA system needs some $500 million per year or $5 billion in added investment over the next decade to move and keep the system in a safe and reliable operating category. Dedicated funding streams were established by the Commonwealth of Virginia, the State of Maryland and the District of Columbia during their legislative processes of 2018, which will provide a combined $500 million annually in new funding to fund WMATA capital costs.

Operating Subsidies - Bus and Rail Systems

During FY 2018, obligations for bus and rail subsidies amounted to $40.3 million. The City paid these obligations from the following sources:

City General Fund	$ 13,638,026
State Aid and State Motor Fuel Sales Tax revenues	24,278,641
NVTA 30%	2,363,000
TOTAL	**$40,279,667**

Expected obligations for FY 2019 are $44.7 million, $15.7 million of which is expected to be paid from the City's General Fund. The City will also use $27.5 million from NVTC funding and $1.6 million from NVTA 30% funding to cover the rest of the obligations.

Litigation

The City is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any loss not covered by insurance reserves or fund balance commitments that may ultimately be incurred as a result of the suits and claims will not be material.

Waste-To-Energy Facility

The City has a waste disposal commitment to the Waste-to-Energy Facility (the "Facility"), which is owned and operated by a private corporation (the "Corporation"). The commitment, which is joint with Arlington County, Virginia (the "County"), is based on a combined volume of solid waste the City and the County expect to collect together. The Facility charges the City and the County fees on each ton based on a waste disposal agreement and contracts separately with private haulers for additional waste. It is expected that the City and the County will be able to continue to meet their minimum requirement for annual tonnage of 46,000 to 66,000 tons per year. The City and the County have the ability to adjust the tonnage thresholds annually if it appears the annual tonnage is approaching a minimum or maximum threshold.

The construction of the Facility was originally financed with revenue bonds issued by the Alexandria Industrial Development Authority in 1984. The Arlington Solid Waste Authority, together with the Alexandria Sanitation Authority (the "Authorities") and the Corporation, refinanced these bonds in July 1998 to achieve debt service savings. Upon the maturity of the bond in January 2008, the ownership of the plant (but not the land it sits on, which is jointly owned by Alexandria and Arlington) passed to the Corporation. The Authorities issued new bonds in November 1998 to finance the retrofit of the Facility to meet Clear Air Act requirements. This retrofit was completed by November 9, 2000 in advance of the EPA deadline of December 19, 2000. The retrofit assets continue to be owned by the Authorities.

Acceptance testing on each unit was completed in November 2000, and the Operating Lease agreement between the Authorities and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the City records and are now considered a part of the plant.

By December 2012 all of the related revenue bond debt service had been paid in full. A new Facilities Monitoring Group ("FMG") was established and a new trust fund was set up to fund FMG'S activities. It is funded entirely by contributions from the County (60%) and the City (40%). The FMG budget for FY 2018 was $118,000 and according to the interjurisdictional agreement the City's contribution was $47,200. Operating costs of the Facility are paid for primarily through tipping fees. The City paid $900,000 in tipping fees in FY 2017 and is anticipating a similar cost in FY 2018.

Northern Virginia Transportation District Bonds

In November 1999, the City signed an agreement with the Commonwealth Transportation Board to provide $256,070 annually, subject to appropriation, to finance certain Northern Virginia Transportation District Bond projects benefiting the City and other jurisdictions in Northern Virginia. The FY 2018 payment of $256,070 was made from the proceeds from the telecommunications taxes received by the City's General Fund.

CAPITAL IMPROVEMENT PROGRAM

The City of Alexandria responds to the changing demands for infrastructure brought about by commercial growth and the changing needs and expectations of its residential and school communities through its multi- year Capital Improvement Program ("CIP"). The CIP is the primary planning tool for scheduling the City's capital projects. This program, which is now a ten-year CIP, is prepared and updated annually.

The Approved FY 2019 – FY 2028 Capital Improvement Program totals $2.192 billion. Non-City funds including Federal and State funds and private capital contributions contribute $427.4 million of this total from FY 2019 – FY 2028. The City portion from FY 2019 – FY 2028 is $1.765 billion. The Approved FY 2019 – FY 2028 CIP is a $77.4 million, or 3.66% increase over last year's approved ten-year plan. This increase can be largely attributed to the $50.4 million increase in investment in affordable housing provided by the increase in the restaurant meals tax rate.

The Approved FY 2019 – FY 2028 CIP addresses two broad areas of expenditure: protection of the City's investment in existing public facilities or infrastructure (physical assets) and planning and construction of major new public facilities and infrastructure, including new or replacement information technology systems. In addition to the primary goal of capital maintenance, the CIP focuses on investment in growth and economic development projects such as the Waterfront Small Area Plan implementation, and the construction of high capacity transit corridors in the City. This ten-year capital plan was balanced through calculated prioritization and decision making.

To fund these investments, the CIP's identified revenue sources over the ten-year period include $421.5 million in City appropriations from General Fund transfers, $14.9 million in reserved General Fund appropriations for transportation projects, and $1.102 billion in future general obligation bond issuances for a variety of projects including $293.6 million in borrowing to support Alexandria City Public Schools ("ACPS") capital infrastructure needs, $141.5 million to support WMATA's capital infrastructure needs and $310.4 million for future planned Sanitary Sewer projects. The debt service on $310.4 million in general obligation bonds for the Sanitary Sewer projects will be funded through sanitary sewer system capital investment and maintenance fees and sewer connection fees charged to developers.

Non-City revenue sources including but not limited to NVTA funding, State and Federal grants, and private capital contributions comprise $427.4 million. Over the life of the ten-year plan, borrowing compromises 50.3% of all funding sources, while cash sources contribute 49.7% of funding.

Because of state and federal regulations related to improving the water quality of the Chesapeake Bay in the six states and the District of Columbia that comprise the Bay's watershed, many cities and counties in this large geographic area will be required to make significant capital investments in sanitary, stormwater treatment, and agricultural runoff systems over the coming decades. During the 2017 Legislative Session, the Virginia General Assembly passed legislation to accelerate the completion to July 1, 2025, of the City's planned work to mitigate sanitary sewer overflows on the City's four combined sewer outfalls ("CSO's"). The cost to mitigate the CSO's has been estimated at $385 million. It is contemplated that the Alexandria Sanitation Authority (dba Alexandria Renew Enterprises) will build and finance this project and increase its user rates sufficient to repay its planned revenue bond borrowing. As part of the Approved FY 2019 – FY 2028 CIP and FY 2019 Operating Budget, City Council approved the implementation of a Stormwater Utility to address these state and federal storm water quality improvement regulations. Fees for the Stormwater Utility, along with state grants will fund $65.4 million of projects over the next ten years and assist the City in meeting its State and federal regulatory requirements.

The tables below reflect the Approved FY 2019 – FY 2028 CIP. The Adopted FY 2019 – FY 2027 CIP is available on the Office of Management and Budget's home page at www.alexandriava.gov/Budget.

SUMMARY OF APPROVED CAPITAL IMPROVEMENT PROGRAM BY PROJECT SECTION

FY 2019 - FY 2028

EXPENDITURES BY FUNDING SOURCE			
	Total Cost	**Non-City Revenue Sources**	**Net City Cost**
Schools	$407,613,448	0	$407,613,448
Community Development	134,493,308	$1,050,000	133,443,308
Recreation & Parks	87,245,213	2,965,213	84,280,000
Public Buildings	152,977,250	0	152,977,250
Transportation	601,525,856	279,774,401	321,751,455
Sanitary Sewers[1]	453,845,000	130,845,000	323,000,000
Stormwater Management	65,426,720	668,720	64,758,000
IT Plan	67,289,500	12,121,000	55,168,500
Other Regional Contributions	8,690,226	0	8,690,226
CIP Development & Implementation Staff	55,324,095	0	55,324,095
CIP Facility Contingent[2]	157,732,467	0	157,732,467
TOTAL CIP	**$2,192,163,083**	**$427,424,334**	**$1,764,738,749**

[1]The portion of Sanitary Sewer capital improvements planned to mitigate combined sewer outfalls are expected to be built and financed by Alexandria Renew Enterprises.
[2]Funded by a 3-cent increase in the City's 2017 (and beyond) real estate tax rate. Monies are planned to be utilized for City and School facility purposes. (See "CAPITAL IMPROVEMENT PROGRAM.")

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SUMMARY OF APPROVED CAPITAL IMPROVEMENT PROGRAM BY PROJECT SECTION

FY 2019 - FY 2028

CAPITAL IMPROVEMENT PROGRAM BY PROGRAM YEAR											
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
Schools	$33,181,789	$26,220,826	$113,682,830	$68,920,000	$53,425,000	$27,649,459	$25,325,970	$11,951,000	$32,155,086	$15,101,488	**$407,613,448**
Community Development	14,925,060	10,703,500	11,910,828	19,891,994	15,265,310	7,753,486	20,908,835	15,079,368	8,221,796	9,833,131	**134,493,308**
Recreation & Parks	8,358,000	8,769,213	7,829,000	7,647,000	8,397,000	12,747,000	7,947,000	8,122,000	8,817,000	8,612,000	**87,245,213**
Public Buildings	9,560,750	14,710,000	19,285,750	18,769,750	41,570,250	10,368,250	8,542,500	21,226,250	6,216,500	2,727,250	**152,977,250**
Transportation	37,366,961	51,900,158	91,503,737	104,467,000	88,361,000	54,830,000	48,880,000	48,330,000	38,130,000	37,757,000	**601,525,856**
Sanitary Sewers[1]	29,900,000	73,195,000	73,600,000	117,250,000	101,500,000	41,800,000	11,500,000	1,500,000	1,800,000	1,800,000	**453,845,000**
Storm water Management	3,861,720	4,735,000	4,740,000	4,770,000	5,375,000	8,280,000	8,285,000	8,290,000	10,795,000	6,295,000	**65,426,720**
IT Plan	11,611,000	6,720,000	7,965,500	5,749,000	5,728,000	5,468,000	5,738,500	6,261,000	5,813,000	6,235,500	**67,289,500**
Other Regional Contributions	759,226	847,000	855,000	864,000	872,000	881,000	889,000	898,000	908,000	917,000	**8,690,226**
CIP Development & Implementation Staff	4,686,585	4,855,853	5,031,849	5,214,359	5,403,975	5,600,789	5,805,397	6,017,899	6,238,896	6,468,493	**55,324,095**
CIP Facility Contingent[2]	45,360,126	11,551,174	6,352,170	6,510,000	21,050,000	9,914,041	12,164,530	17,162,500	19,414,414	8,253,512	**157,732,467**
TOTAL CIP[3]	**$199,571,217**	**$214,207,724**	**$342,756,664**	**$360,053,103**	**$346,947,535**	**$185,292,025**	**$155,986,732**	**$144,838,017**	**$138,509,692**	**$104,000,374**	**$2,192,163,083**

[1] The portion of Sanitary Sewer capital improvements planned to mitigate combined sewer outfalls are expected to be built and financed by Alexandria Renew Enterprises.

[2] Funded by a 3-cent increase in the City's 2017 (and beyond) real estate tax rate. Monies are planned to be utilized for City and School facility purposes. (See "CAPITAL IMPROVEMENT PROGRAM.")

[3] Totals may not foot due to rounding.

FEDERAL AND STATE SANITARY AND STORMWATER REQUIREMENTS

The City is facing increased state and federal regulatory mandates associated with sanitary sewer and stormwater requirements to protect and enhance the water quality in our local streams, the Potomac River, and the Chesapeake Bay. For Alexandria, this means approximately $385 million in investments to its combined sewer system over the next 8 years, as well as investing between $65 million to $100 million to for the implementation and maintenance of stormwater infrastructure over the next decade.

Because of state and federal regulations mandating the improvement of Chesapeake Bay water quality for the six states and the District of Columbia that comprise the Bay's watershed, municipalities must make significant capital investments in stormwater management infrastructure. Virginia municipalities in the Bay watershed that are regulated by a municipal separate storm sewer system ("MS4") permit that regulates urban stormwater discharges must achieve increasing pollution reduction goals enforced through three 5-year MS4 permit cycles. Accordingly, the City must achieve 5 percent of the pollution reduction targets during the 2013 – 2018 permit, with successive MS4 permits will require an additional 35% (40% total) during the 2018-2023 permit, and the remaining 60% (100% total) on or before the end of the third permit cycle of 2023 to 2028. The estimated cost of these stormwater infrastructure improvements over this 15-year time period is between $70 million and $100 million. Effective January 1, 2018, the City Council adopted a Stormwater Utility Fee as a dedicated funding source to perform operations and maintenance of existing and new stormwater management infrastructure, and to provide cash capital and funding of debt service to implement new stormwater infrastructure improvements to meet the state and federal mandates in the MS4 permit. Collection of this fee began in Calendar Year 2018, with the typical single-family home billed approximately $140 per year.

The City's combined sanitary and stormwater sewer system in the Old Town area currently comprises approximately 540 acres of the approximate 10,000 acres of land in the City. The system has been operating under a series of five-year permits from the Virginia Department of Environmental Quality ("DEQ"). As part of the FY 2018 Sanitary Sewer Ten-Year Plan, $370.2 million was added to the CIP to comply with legislation passed by the 2017 Virginia General Assembly which required the City to accelerate its efforts to address combined sewer discharges from all four outfalls in the City. The bill mandated construction for each outfall be completed no later than July 1, 2025.

On April 14, 2018, City Council adopted a new Long Term Control Plan Update ("LTCPU"). The LTCPU was developed as a partnership between the City and Alexandria Renew Enterprises ("AlexRenew") which allowed for the leveraging of both the City's and AlexRenew's experience and abilities. On April 18, 2018 the City Council authorized transfer of Combined Sewer Outfalls to Alexandria Renew. Accordingly, the Outfall Transfer Agreement was executed between the City and Alexandria Renew on May 1, 2018. AlexRenew has a proven track record of delivering complex infrastructure projects for more than 60 years. Since the LTCPU involves significant construction at AlexRenew and operations related to the treatment of combined sewer flows, the City and AlexRenew are proceeding with a CSO outfall transfer initiative. This would allow AlexRenew to own all of the combined sewer outfalls and then finance and construct to own the proposed unified tunnel and dual use wet weather treatment infrastructure. AlexRenew would also debt finance this CSO project and increase its user rates to repay bonds issued for the CSO project.

The funding in the Approved FY 2019 – FY 2028 CIP reflects preliminary project costs (in future dollars) and timing that would be necessary to meet the State requirement of completing construction on all four outfalls no later than July 1, 2025. With obligations for financing and implementing LTCPU being transferred to AlexRenew, the subsequent FY2020-FY2029 CIP will reflect that transfer. In future City CIP's the CSO capital project will be deleted from the City's 10 year CIP and included in AlexRenew's CIP.

The City's funding strategy involves setting the sanitary sewer maintenance fee over the next several fiscal years to provide sufficient resources. The sanitary sewer line maintenance charge increased from $1.82 to $2.28 per 1,000 gallons of water in 2019.

POTOMAC YARD METRORAIL STATION

As a major long-term economic development initiative, on June 12, 2010, the City approved the North Potomac Yard Small Area Plan, a major rezoning of 69 acres of prime real estate located in the Potomac Yard area of the City into a high density mixed-use development of over 7.5 million square feet. An integral part of this plan, which is expected to add approximately 10 percent to the City's tax base and generate over $1 billion in new tax revenue over a 30-year period, entails the construction of a new Metrorail station on the existing heavy rail Metrorail line.

Potomac Yard is located in the northeast area of the City adjacent to Arlington's Crystal City and south of downtown Washington, D.C. and Ronald Reagan Washington National Airport. Potomac Yard consists of two development tracts, North Potomac Yard and South Potomac Yard, which are divided into smaller geographic units or "landbays" for zoning and development purposes. One special tax district has been established and implemented to generate revenue for construction of the new Metrorail station. In December 2010, City Council approved the Tier I Special Services Tax District for Landbays F, G, and H and the multi-family portion of Landbay I. Tier I tax collections began in 2011 at the rate of 20 cents per $100 of valuation. A Tier II Tax District (Landbays I and J) also previously established by City Council with a 10-cent per $100 of valuation levy will not be implemented if certain right of way fees are received by the City.

Dominion Energy approached the City of Alexandria several years ago regarding Dominion's proposal to construct a new 230-kilovolt underground transmission line between Alexandria and Arlington in the vicinity of Jefferson Davis Highway and Potomac Yard. Dominion Energy would be required as part of this process to provide the City with compensation for the use of the public right-of-way. Given that this routing is close to the proposed Potomac Yard Metrorail Station and runs just to the east of the Tier II District, a $15 million portion of these funds, if received, will be used for Metrorail Station costs. The location of the line must be approved by the State Corporation Commission (SCC), likely to occur by the end of 2019. Given these new 230kV funds that were not previously contemplated, Tax Tier II has been determined to be no longer be necessary. City Council set aside the Tax Tier II, contingent on the City receiving at least $15 Million of the Dominion Energy right-of-way compensation for use towards the cost of the Metrorail Station.

On June 16, 2016, City Council unanimously approved the Master Plan Amendment, Map Amendment (rezoning), and Development Special Use Permit with site plan and associated Special Use Permits to construct a Metrorail station and associated facilities in Potomac Yard. The Federal Transit Administration ("FTA") and the National Park Service ("NPS") issued their Records of Decision for the Potomac Yard Metrorail Station in the fall 2016. This marked the last step in the review process under the National Environmental Policy Act. Following the FTA and NPS Records of Decision, WMATA issued its Request for Proposal for the design-build contract on November 28, 2016, and the project is in the final stages of the WMATA procurement phase. It is anticipated that a contract will be signed this summer, with construction beginning in 2019.

The City has recently prepared an updated financial feasibility analysis that reconfirmed the City's ability to finance the station budgeted at $320 million. The funding sources include cash derived from net new tax revenues from Potomac Yard, $156 million in long term debt, $69.5 million in grants from the NVTA, and a $50 million 2% VTIB loan that was awarded to the City by the Commonwealth Transportation Board in January 2015. The long term debt will be repaid by net new taxes derived from Potomac Yard development, developer contributions, and special tax district taxes.

The remaining $156 million in long term debt is expected to be comprised of a combination of long term City-issued general obligation bonds of $68 million and a loan from the U.S. Department of Transportation ("USDOT") Build America Bureau, formerly known as a Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan. Both the $50 million VTIB loan and the estimated $88 million TIFIA loan will be structured to include about $10 million in "capitalized interest." This enables the City to align the repayment more closely with the revenue growth associated with the Potomac Yard area. While the City has been accepted into the TIFIA loan program, loan approval by USDOT has not yet occurred.

The financial risk to the City associated with the Metrorail station project has been carefully structured. The projected "gap" between the anticipated tax revenues from the special tax district, per square foot developer contributions, plus additional incremental net new revenues generated by the project, will need to be "bridged" in the early years of any City bond and VTIB loan financing by capitalizing interest during construction. Current projections estimate no negative cash flow impact on the City's General Fund in any given year. However, upfront shortfall guarantees totaling $32 million have been negotiated with the north Potomac Yard property owner. The actual decision on whether and when to authorize the issuance of City bonds for the station's construction will be made based on factors such as the finalized station cost, outside funding sources and prevailing interest rates, as well as development progress in Potomac Yard, which is projected to generate substantial new tax revenues to help cover debt service. In addition, the owner of North Potomac Yard has agreed to shortfall guarantees totaling $32 million.

Debt service payments would be funded through developer contributions, net new tax revenues generated in Potomac Yard, and Potomac Yard Special Services Tax District levies. There is planned to be no cash flow draw from the City's General Fund.

CAPITAL FINANCING AND DEBT MANAGEMENT

The City Council passed a set of debt-related financial policies on June 9, 1987 and has amended those policies from time to time. By using these debt-related financial policies, the City has been able to maintain a fiscally prudent framework for establishing a realistic, usable, and financially achievable capital improvement program. In May 2017, City Council further amended the debt policies to recognize that a significant portion of the City's debt is now and projected to be self-supported through fees (stormwater and sanitary sewer). The debt ratio ceilings were also increased, bringing Alexandria more closely in line with other AAA/Aaa-rated peer jurisdictions.

Debt Ratio Policies

DEBT AS A PERCENTAGE OF FAIR MARKET REAL PROPERTY VALUE

Target	Limit	FY 2017
Variable	2.5%	1.4%

This ratio indicates the relationship between the City's debt and the full value of real property in the City as assessed annually at fair market value. It is an important indicator of the City's ability to repay debt, because real property taxes are the primary source of the City's revenues used to repay debt. A small ratio indicates that the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations.

DEBT SERVICE AS A PERCENTAGE OF GENERAL GOVERNMENT EXPENDITURES

Target	Limit	FY 2017
Variable	12%	7.5%

This ratio is a measure of the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget.

GENERAL FUND BALANCE AS A PERCENTAGE OF GENERAL FUND REVENUE

	Target	Lower Limit	FY 2017
Spendable (Unreserved)	N/A	10%	16.0%
Unassigned/Uncommitted (Undesignated)	5.5%	4.0%	9.0%

These ratios indicate the ability of the City to cope with unexpected financial problems or emergencies. The Spendable (Unreserved) General Fund Balance represents the funds legally available to the City. It is desirable that the City maintain a Spendable (Unreserved) General Fund Balance that is comparable to the ratio maintained by other double-triple A-rated jurisdictions, but not to fall below the limit of 10 percent. The Unassigned/Uncommitted (Undesignated) General Fund Balance corresponds to the checkbook balance of the City. Both balances are important to consider. The spendable balance includes commitments and assignments that the City Council has made but presumably could change. The larger the Unassigned/Uncommitted (Undesignated) General Fund Balance, the greater is the City's ability to cope with financial emergencies and fluctuations in revenue cycles.

Debt Issuance Policies

The following policies have been adopted by the City Council and represent current City plans, which are subject to change based upon the actions of future City Councils:

(1) The City will not issue tax or revenue anticipation notes to fund ongoing governmental operations. The City of Alexandria will manage its cash in a fashion that will prevent any borrowing to meet working capital needs.

(2) The City will not issue bond anticipation notes ("BAN") for a period of longer than two years. If the City issues a BAN for a capital project, the BAN will be converted to a long-term bond or redeemed at its expiration but will not be rolled over.

(3) The City will continue to rely on current revenue, including its fund balance, to finance its short-lived and maintenance-oriented capital improvements. The City believes in funding a significant portion of capital improvements on a "pay-as-you-go" basis; therefore, the City will continue to finance short-lived and maintenance-oriented capital improvements with current revenues and its fund balance. The priority to consider when additional General Fund revenues become available at the end of the fiscal year would be a commitment within the General Fund Balance for pay-as-you-go capital.

(4) The City will not establish a trend of using General Fund equity to finance current recurring operations. The City's General Fund equity balance has been built over the years to provide the City with sufficient work capital and to enable it to finance equipment replacement, capital projects, and unforeseen emergencies without borrowing. To conserve the General Fund equity balance and to avoid reliance on the balance, the City will not finance recurring operations from the General Fund equity balance for periods longer than two consecutive fiscal years, then the City will adopt in its next ensuing budget a balanced budget in which the operating revenues meet the operating expenditures without any consideration of the General Fund equity balance.

(5) In accordance with the City Charter and in order to meet the debt ratio targets, to schedule debt issuance, and to systematically improve the capital structure, each year the City will prepare and adopt a Capital Improvement Program. This Capital Improvement Program will identify the source of funding for all capital projects. The debt issuances that are a part of the Capital Improvement Program will be structured to meet the City's debt policies and debt ratio targets.

(6) The City Manager will prepare and submit each year with the proposed budget a set of scenarios of possible future revenues and expenditures that match the Capital Improvement Program time horizon to be considered by the City Council. Those scenarios will be updated to reflect the decisions of the City Council and issued with the approved budget. In order to improve financial planning and decisions, the City Manager also will annually prepare with the approved budget a set of scenarios of possible future General Fund revenues and expenditures and their effects on the debt-related financial policy ratios outlined above, including the effect of planned borrowing under the approved CIP.

Equipment Replacement Reserve Fund

It has been the policy of the City to allocate monies each year for the future replacement of City equipment. On June 30, 1987, the City established an internal service fund ("Equipment Replacement Reserve Fund") for the purpose of providing an orderly accumulation of monies to replace capital equipment. As of June 30, 2017, the Equipment Replacement Reserve Fund, which derives its revenues from scheduled equipment charges to user departments, had a cash balance of $13.0 million.

Risk Management Program

The City is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property and the following liability insurance policies as of June 30, 2017: public entity and public officials excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, and commercial crime. In addition, the City maintains excess workers' compensation insurance. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

In addition, the risk management program includes employee safety training in the prevention and administration of workers' compensation claims. As part of the program, all employees who drive City vehicles must attend defensive driving classes.

The City is self-insured for workers' compensation claims up to $1 million and for public officers, public entity, physical damage to vehicles, and vehicle general liability under $2 million and over $10 million. A total of $5 million of Spendable (Unreserved) General Fund balance has been committed to meet potential self-insurance losses.

The following Constitutional Officers and City employees are covered by surety bonds issued in the amounts shown below by Aetna Casualty and Surety as of June 30, 2017:

City Official	Bond Amount
Director of Finance	$ 1,000,000
Deputy Director of Finance	1,000,000
Treasury Director	1,000,000
Revenue Director	1,000,000
Retirement Administrator	1,000,000
Comptroller	1,000,000
Clerk of the Circuit Court	103,000*
Sheriff	30,000*
All other City Employees	100,000
Alexandria Historic Restoration and Preservation Commissioners	10,000

Source: City Department of Finance.
*Bond Provided by the Commonwealth of Virginia.

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SECTION FIVE: FINANCIAL INFORMATION

ACCOUNTING STRUCTURE AND BASIS OF ACCOUNTING

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded the City of Alexandria a Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report ("CAFR") for the 42nd consecutive year for fiscal year 2017. The GFOA awards a certificate to governmental units that display excellence in financial reporting and conform to stringent reporting requirements promulgated by that association and various authoritative bodies. For all 28 fiscal years beginning July 1, 1990, through July 1, 2017 (FY 2018), the City has received the GFOA's Award for Distinguished Budget Presentation.

Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position the governmental activities column: (a) is presented on a combined basis; and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses unspendable assets first for expenses incurred for which both unspendable and spendable assets are available. The City may defer the use of unspendable assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales, and use taxes; certain intergovernmental revenues; fines, permits, and charges; etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.). Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities, fund balances and net position, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose, and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to fund activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The following is a brief description of the specific funds used by the City in FY 2018.

Governmental Funds

Governmental Funds are those through which most governmental functions are typically financed.

General Fund

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 part of the General Fund's revenues are transferred to other funds, principally to finance the operations of the City of Alexandria School Board.

Special Revenue Fund

The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. A significant portion of the Special Revenue Fund is used for health and welfare programs.

Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net position, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The City has one proprietary fund – the Internal Service Fund. The Internal Service 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 and is considered a proprietary fund. The City established the Equipment Replacement Reserve Account in the Internal Service Fund for the purpose of providing for the accumulation of funds to replace capital equipment items used in City operations. This Internal Service Fund derives its funding from periodic equipment rental charges assessed to the user departments in the governmental funds. This funding is then used to replace capital equipment when the need arises. This Internal Service Fund is included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The component unit, Alexandria Transit Company, is considered an enterprise and derives its funding from fare box fees and some support from the City.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the City are the John D. Collins Private Purpose Trust Fund, Employee Retirement Funds, the Human Services Special Welfare Account, Human Services Dedicated Account, and the Industrial Development Authority Agency Funds. For accounting measurement purposes, the Private Purpose Trust Fund, the Employee Retirement Funds and Other Post-Employment Benefits ("OPEB") are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Employee Retirement Funds account for the assets of the City's pension plans and the OPEB fund. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary Funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (*e.g*., revenues or additions) and decreases (*e.g*., expenses or deductions) in total net position.

The government-wide Statement of Net Position and Statement of Activities, all proprietary funds, and private purpose trust fund and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position.

The government-wide Statement of Net Position and Statement of Activities, as well as the financial statements of the Proprietary Fund and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred, without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Capital Projects Funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants revenue are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

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FIVE-YEAR SUMMARY OF GENERAL FUND REVENUES AND EXPENDITURES

The financial data shown below provides a summary of revenues and expenditures of the City's General Fund for the five fiscal years ended June 30 shown.

	2013	2014	2015	2016	2017
Revenues:					
General Property Taxes	$381,929,567	$403,229,553	$414,740,999	$428,938,197	$460,874,188
Other Local Taxes	125,347,523	121,053,810	127,652,883	129,377,352	131,900,663
Permits, Fees, and Licenses	2,227,745	2,380,825	2,455,001	2,544,080	2,713,962
Fines and Forfeitures	5,148,115	5,187,003	4,916,607	4,964,339	4,907,527
Use of Money and Property	3,568,335	4,815,192	4,870,007	5,422,935	5,515,144
Charges for Services	16,533,824	16,844,363	18,557,721	19,896,356	19,419,892
Intergovernmental Revenues	55,021,954	56,334,737	55,401,515	56,080,138	56,444,434
Miscellaneous	1,398,291	1,569,959	1,781,031	2,171,682	1,874,317
Total Revenues:	$591,175,354	$611,415,442	$630,375,764	$649,395,579	$683,650,127
Other Financing Sources:					
Operating Transfers In	$ 3,833,938	$ 3,044,329	$ 3,206,574	$ 6,973,897	$10,414,477
Refunding Bonds	17,335,000	18,635,000	33,995,000	10,595,000	34,168,000
Sale of Land	-	-	5,328,843	-	-
Premium	1,921,545	-	-	50,678	-
Total Other Financing Sources	$23,090,483	$21,679,329	$42,530,417	$17,619,575	$44,582,477
Total Revenues and Other Financing Sources	$614,265,837	$633,094,771	$672,906,181	$667,015,154	$728,232,604
Expenditures:					
Current:					
General Government	$44,271,646	$44,591,188	$44,429,060	$45,099,841	$49,333,658
Judicial Administration	19,212,554	18,952,110	18,897,717	18,582,543	19,228,767
Public Safety	121,756,031	126,256,389	125,936,874	134,138,428	138,831,088
Public Works	35,707,593	44,801,499	35,375,711	35,595,460	34,554,827
Library	3,387,227	6,598,290	6,468,697	6,737,614	6,863,312
Health and Welfare	20,408,625	20,663,159	19,749,292	19,308,575	20,444,776
Transit	17,757,518	70,909	7,040,044	10,908,182	8,450,237
Culture and Recreation	23,450,802	24,062,336	23,377,440	24,086,422	24,326,744
Community Development	15,772,902	16,043,648	18,096,016	18,715,795	18,891,892
Education	179,623,193	185,623,257	191,823,349	198,823,443	204,032,628
Debt Service:					
Principal Retired	27,550,000	33,476,070	38,645,000	41,595,000	43,300,000
Interest and Fiscal Charges	22,437,678	23,835,653	22,614,198	21,766,140	21,490,252
Total Expenditures	$534,335,769	$544,974,508	$552,453,398	$575,357,443	$589,748,181
Other Financing Uses:					
Payment to Refunded Bonds Escrow Agent	$19,119,142	$18,531,679	$33,858,404	$10,749,293	$34,017,394
Operating Transfers Out	74,547,899	73,439,890	74,508,779	64,029,633	79,136,615
Total Other Financing Uses	$93,667,041	$91,971,569	$108,367,183	$74,778,926	$113,154,009
Total Expenditures and Other Financing Uses	$628,002,810	$636,946,077	$660,820,581	$650,136,369	$702,902,190
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	$(13,736,973)	$(3,851,306)	$12,085,600	$16,878,785	$25,330,414
Fund Balances at Beginning of Year	82,983,005	69,513,182	65,252,268	77,781,815	94,525,932
Increase/(Decrease) in Reserve For Inventory	267,150	(409,608)	443,947	(134,668)	149,937
FUND BALANCES AT END OF YEAR	**$ 69,513,182**	**$ 65,252,268**	**$ 77,781,815**	**$ 94,525,932**	**$120,006,283**

Summaries for fiscal years 2013 to 2017 are compiled from the CAFR and City records that the independent auditor for the City has audited. The summaries should be read in conjunction with their related financial statements and notes.

GENERAL FUND BALANCE
FISCAL YEARS 2013 TO 2017

	2013	2014	2015	2016	2017
Unspendable: [1]					
Inventories	$2,620,118	$2,210,510	$2,654,457	$2,519,789	$2,669,726
Prepaids	6,925,732	341,511	320,450	7,986,064	7,847,389
Long Term Notes	400,000	400,000	400,000	400,000	400,000
	$9,945,850	$2,952,021	$3,374,907	$10,905,853	$10,917,115
Spendable Committed/Assigned (Designated) For:					
Subsequent Year's Budget	$6,429,631	$2,420,958	--	--	$ 3,605,400
Subsequent Years' Capital Program	5,388,948	4,388,948	$7,000,000	$11,330,880	18,330,800
Voting Machines					594,192
Self-Insurance	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Retiree Health and Life (OPEB)	200,000	--	--	--	--
Termination/Retirements	500,000	500,000	500,000	500,000	1,000,000
Natural Disasters/Emergencies	2,000,000	2,000,000	2,900,000	2,900,000	2,900,000
Economic Development Incentives	--	--	--	600,000	600,000
Affordable Housing Programs -NSF	--	--	--	500,000	500,000
Transportation/Stormwater Fund	242,000	--	--	--	--
Sequestration	1,000,000	--	--	--	--
Public Utility Engineering/Consulting	--	150,000	--	--	--
City Projects/Initiatives	--	--	--	2,900,000	2,950,917
Economic Contingencies	--	--	1,000,000	1,000,000	4,600,000
Encumbrances (for GASB requirements)	3,563,310	5,318,063	5,369,775	6,524,556	6,737,149
Transportation Improvements	662,664		--	386,185	708,540
Emergency Response	900,000	900,000	--	--	--
Incomplete Projects	--	600,000	1,000,000	--	--
Professional and Performance	354,000	--	--	--	--
Planning Studies	385,000	--	--	--	--
Unassigned	32,941,779	41,022,278	51,637,133	51,978,538	61,562,170
Total Spendable[2]	$59,567,332	$62,300,247	$74,406,908	$83,620,079	$109,089,168
Total General Fund[2]	$69,513,182	$65,252,268	$77,781,815	$94,525,932	$120,006,283
General Fund Balance as a percent of General Fund Expenditures and Other Financing Uses	10.10%	10.20%	11.70%	12.88%	15.96%

[1] GASB rules require the use of the categories committed, assigned, spendable and unspendable. Category titles are estimated for prior years. The Fund Balance of the Alexandria City Public Schools ("ACPS"), a component unit of the City, is not included here. At the end of FY2017, ACPS had an Operating Fund Balance of $12.2 million, which would be available to ACPS for schools-related issues.

[2] Totals may not equal due to rounding.

BUDGETARY PROCEDURES

The City's annual budget is based on a fiscal year of July 1 to the following June 30. Under the City Charter, the City Council must adopt an appropriation ordinance for the subsequent fiscal year no later than June 27. The appropriation ordinance is based on a balanced budget of all fiscal operating expenditures to be financed from current fiscal year revenues and balances available from prior years.

The City Charter requires the City Manager to submit a balanced budget to City Council no later than the first regular meeting in April of each year (the "Proposed Budget"). The School Board prepares the Schools' budget and transmits it to the City. The City Manager's Proposed Budget for the following year is presented to the City Council in February of each year. The Proposed Budget includes recommended funding levels for all City programs, including School operations. The Proposed Budget also includes a recommended program of capital expenditures to be financed from current revenues. A separate ten-year CIP is also prepared each year, and the first year of that CIP is included in the City Manager's Proposed Budget. Estimated revenues are detailed in the Proposed Budget, along with any recommended new taxes or changes in tax rates or service charges that may be proposed by the City Manager, or as directed by City Council.

Public hearings on the Proposed Budget and tax rates are held in early spring and are followed by a series of City Council work sessions, during which City Council discusses the proposed operating and capital programs and the revenue outlook. Final City Council decisions are made in early May, and these decisions are incorporated into the appropriation ordinance for the subsequent fiscal year. This appropriation ordinance is approved by City Council no later than June 27 for the succeeding fiscal year to commence July 1.

During the fiscal year, the Department of Finance and the Office of Management and Budget conduct detailed reviews of both expenditures and revenues. As a management tool, budgetary control is maintained in the General Fund at the character level by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. The City follows a similar procedure with Special Revenue Funds, but the level of control is at the grant or program level. Throughout the fiscal year, City Council transfers appropriations among departments, divisions, and projects. The City Manager has the authority to transfer appropriations within departments. The City Council also approves supplemental appropriations, including the reappropriation of prior year encumbrances.

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FY 2019 OPERATING BUDGET

The City Council adopted the FY 2019 Approved Operating Budget on May 3, 2018. The City's FY 2019 Approved General Fund Budget of $748.4 million represents an increase of 2.8 percent compared to the FY 2018 Approved Budget. The General Fund Budget for FY 2019 (July 1, 2018 to June 30, 2019) is financed principally by tax revenues. For tax year 2018, which coincides with calendar year 2018, the adopted real property tax rate of $1.13 is equal to the calendar year 2017 rate. At the adopted rate of $1.13 per $100 of assessed value, the 2018 tax bill on the average residential property will increase by $301 or 5.3 percent. (The revenues from 2.2 cents of this $1.13 rate will be applied to transportation capital and operating projects.) For fiscal year 2019, the adopted personal property tax rate on vehicles remains constant compared to fiscal year 2018 at $5 per $100 of assessed value. The FY 2019 Approved Budget includes $252.8 million for the Alexandria City Public Schools, representing a 4.2 percent increase from the FY 2018 Approved Budget in the City appropriation to the Schools.

General Fund Expenditures By Spending Area

	FY 2018 Approved Budget	FY 2019 Approved Budget	% Change
Legislative and Executive	$ 6,120,350	$ 5,992,136	-2.1%
Courts and Constitutional	43,999,578	45,208,176	2.8
General Government	46,415,812	46,617,908	0.4
Other Non-Departmental	10,010,400	12,077,991	20.7
Public Safety	122,721,857	126,844,934	3.4
Operating Agencies	177,425,909	180,437,991	1.7
Education	242,592,022	252,765,529	4.2
Cash Capital/Debt Service	78,852,101	78,482,270	-0.5
Total Expenditures[1]	$728,138,029	$748,426,936	2.8%

[1] Totals may not foot due to rounding.
Source: City Department of Finance.

REVENUES

The following table shows the City's principal tax revenues by source for each of the last five fiscal years. Growth in total tax revenues has averaged more than four percent per year over the last five fiscal years.

PRINCIPAL TAX REVENUES BY SOURCE

Fiscal Year	Real Property Taxes	Personal Property Taxes	Local Sales Taxes	Business License Taxes	Transient Lodging & Restaurant Food Taxes	Utility Taxes	Other Local Taxes[1]	Total
2013	$343,336,713	$39,694,273	$25,549,709	$32,571,953	$29,100,811	$10,650,297	$38,125,050	$510,519,006
2014	362,339,024	43,799,341	27,619,132	30,237,576	28,973,298	11,460,413	30,735,088	535,163,872
2015	375,629,898	44,495,560	29,907,322	33,474,138	30,007,441	12,364,106	30,382,254	556,260,719
2016	391,339,844	45,556,820	31,174,524	32,134,946	31,410,652	12,579,583	31,377,497	575,573,866
2017	422,362,653	47,476,491	32,360,983	33,751,755	32,421,659	12,,286,676	31,074,298	611,734,515

[1]Other local taxes include cable TV franchise license tax, motor vehicle license tax, bank franchise tax, tobacco tax, recordation tax, telecommunication tax, admissions tax, cell phone tax, communications sales tax and penalties and interest on property tax.

Source: City Department of Finance.

Real Estate and Personal Property Taxes

The City levies an annual ad valorem tax on the assessed value of real and tangible personal property located within the City. State property assessment law requires real property assessments throughout the Commonwealth to be made at a ratio of 100 percent of estimated fair market value. Real property is assessed as of January 1 of the calendar year, and the taxes are due on June 15 and November 15 of the same year. The Director of Real Estate Assessments, by the authority of City ordinance, prorates billings for property incomplete on January 1 but completed during the year. Personal property taxes are due on October 5 of the calendar year in which the tax is levied. There is no limit on the property tax rates, which may be established by the City.

The penalty for late payment of property taxes is 5 percent for the first 15 days and then, after 15 days, 10 percent of the tax due or $10, whichever is greater. However, the late payment penalty may not exceed the amount of the tax. Interest charges on unpaid balances are assessed at an annual rate of 10 percent the first year and five percent each year thereafter until all unpaid balances are paid. In the case of real estate on which delinquent taxes are not paid within three years, the City may sell the property at public auction to recover the amounts due.

During its 1998 Special Session, the General Assembly of Virginia enacted the Personal Property Tax Relief Act, which required the Commonwealth to reimburse local governments for the portion of the taxes levied on the first $20,000 of assessed value on qualifying vehicles. This portion of the tax was in turn then exempted from personal property taxes by the Commonwealth. Beginning in FY 2000, the Commonwealth reimbursed localities for 27.5 percent of the personal property tax. The reimbursement was gradually increased to 70 percent of the personal property taxes by FY 2002 and remained at 70 percent through FY 2006. Beginning in FY 2007 and thereafter, Alexandria is no longer being reimbursed for 70 percent of the personal property taxes on qualifying vehicles. Rather, the Commonwealth reimburses the City a fixed dollar amount ($23.6 million) instead of the reimbursement schedule. In calendar year 2017, the City reimbursement covered 58 percent of the tax levied on the first $20,000 of assessed value on qualifying vehicles.

The following tables set forth information concerning the City's real property tax collection rate for calendar years 2012 to 2016 and personal property tax collection rate for calendar years 2012 to 2016. The real property tax rate increased to $1.038 per $100 in calendar year 2013 and to $1.043 per $100 in calendar years 2014 and 2015. In calendar year 2016, the rate was set at $1.073. The City's personal property tax rate increased to $5.00 per $100 of value for calendar year 2014.

REAL ESTATE TAX LEVIES AND COLLECTIONS
(Amounts in thousands)

		Collected within the Fiscal Year of the Levy			Total Collections To Date	
Calendar Year Ended December 31	Taxes Levied for Calendar Year*	Amount Collected	Percentage of Levy	Prior Year Delinquent Taxes Collected in Current Year	Amount	Percentage of Levy
2013	$352,602	$351,598	99.72%	$ 729	$352,327	99.92%
2014	366,625	363,840	99.24	2,294	366,134	99.87
2015	379,213	374,919	98.87	3,665	378,584	99.83
2016	399,780	396,465	99.17	715	397,180	99.35
2017	426,139	424,696	99.66	788	425,484	99.85

* Levy adjusted for changes since original levy.

Source: City Department of Finance.

PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
(Amounts in thousands)

				Collected within the Fiscal Year of the Levy				Total Collections To Date	
FY	Tax Year (Calendar Year Ending December 31)	Total Levy[1]	Commonwealth Reimbursement[2]	Current Payments from Taxpayers[3]	Total Current Revenue	Percentage of Current Levy	Prior Year Delinquent Taxes Collected in Current Year	Total Revenue[4]	Combined Percentage of Levy
2014	2013	$67,462	$23,579	$42,122	$65,701	97.39%	$1,677	$67,378	99.87%
2015	2014	67,971	23,579	42,695	66,274	97.50	1,801	68,074	100.15
2016	2015	69,636	23,579	43,619	67,197	96.50	1,938	69,135	99.28
2017	2016	71,960	23,517	42,714	66,231	92.04	1,250	70,405	97.99
2018[5]	2017	71,293	23,579	46,883	70,462	98.83	2,240	72,702	101.98

[1] Total Levy includes current year levy for vehicles, PPTRA and Business Personal Property.
[2] Commonwealth Reimbursement (PPTRA). Revenue fixed at $23,578,531 per year.
[3] Current year revenue as recorded in fiscal year-end budget. Excludes penalties and interest.
[4] Total revenue includes current and delinquent taxes; excludes penalties and interest.
[5] Estimate.

Source: City Department of Finance.

The City of Alexandria aggressively levies a personal property tax even where businesses or individuals have failed to file. For example, if a business is licensed in the City and fails to file a business personal property tax return, that business is automatically billed on the basis of an assumed $75,000 in personal property. If a business filed a personal property tax return last year and fails to file a return this year, that business is automatically billed 115 percent of last year's tax levy. Automobile registrations for the personal property tax are automatically carried over each year unless the vehicle owner reports that the vehicle is no longer taxable in the City and in some cases, provides documentation of the same. If a vehicle owner fails to report that the vehicle is no longer taxable, the City will assess and bill the personal property tax as if the vehicle remains taxable. If an individual registers his or her vehicle with the Virginia Department of Motor Vehicles ("DMV") and fails to register with the City, he or she is automatically billed based on the DMV description of the vehicle. Improvements to the automatic registration process carried out in 2009 have increased revenues from this process while decreasing erroneous registrations. In many cases, personal property tax bills (for both businesses and automobiles) are ultimately reduced or relieved for reasons such as individuals moving out of the City or businesses submitting amended returns. Because the validity of these billings cannot be known at the time personal property taxes are levied, they are included in the total tax levy and artificially reduce the City's collection rate.

Under Virginia law, when real property taxes are assessed, an automatic lien attaches to the real property. Liens on unpaid real property taxes represent a small portion of the annual real estate tax levy. The City may sell real estate on which taxes are not paid. If taxes are delinquent for more than two years, the property may be sold through the bill in equity process (Code of Virginia §§58.1-3965, *et. seq.*). Finally, any property against which a judgment has been rendered may be sold by court order (Code of Virginia §8.01-462).

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Principal Taxpayers

The following table sets forth the ten largest private property and public utility taxpayers of ad valorem real property taxes and the assessed value of property owned by each taxpayer. The aggregate assessed value of the ten largest private taxpayers and the ten largest public service corporations represents 13.4 percent of the $39.9 billion of taxable real property assessed as of January 1, 2018.

PRINCIPAL TAXPAYERS
PRIVATE PROPERTY
JANUARY 1, 2018

	Owner's Name	Property	2018 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1.	LCOR Alexandria, LLC	Office Buildings	$976.2	2.45%
2.	Paradigm Companies	Apartment Buildings	695.2	1.74
3.	Equity Residential	Apartment Buildings	671.4	1.68
4.	Morgan Properties	Apartment Buildings	449.6	1.13
5.	UDR	Apartments	410.6	1.03
6.	AIMCO	Apartments, Office, Retail	349.0	0.87
7.	Washington REIT	Apartments, Office, Retail	333.8	0.84
8.	Southern Towers, LLC	Apartments	301.1	0.75
9.	CIM Group	Apartments	198.9	0.50
10.	CPYR	PY Shopping and Theater	195.3	0.49
		Total Value of Property Owned by the Ten Largest Private Property Owners	**$4,581.2**	**11.48%**

* Percentage of Total Assessed Valuation is based on a total assessed value of $39.9 billion.

Source: Department of Real Estate Assessments.

PUBLIC SERVICE COMPANIES
JANUARY 1, 2018

	Owner's Name	2018 Assessed Value (In millions)	Percentage Of Total Assessed Valuation*
1.	Virginia Electric and Power Company	$226.8	0.57%
2.	Norfolk Southern Railway Company	73.4	0.18
3.	CSX Transportation, Inc.	63.2	0.16
4.	Virginia American Water Co.	61.1	0.15
5.	Potomac Electric Power Company	42.8	0.11
6.	Verizon Virginia LLC	42.1	0.11
7.	Washington Gas Light Company	41.0	0.10
8.	Covanta Alexandria/Arlington Inc.	32.9	0.08
9.	Cellco Partnership	9.6	0.02
10.	New Cingular Wireless PCS, LLC	9.1	0.02
	Total Value of Property Owned by the Ten Largest Utility Property Taxpayers	**$602.0**	**1.51%**

* Percentage of Total Assessed Valuation is based on a total assessed value of $39.9 billion.

Source: City Department of Finance.

The following table sets forth the assessed value of all locally assessed taxable real property in the City from calendar (tax) year 2013 to 2018. Non-locally assessed taxable property and tax-exempt properties owned by the federal government, the Commonwealth, local government, churches and schools are not included in the table.

HISTORICAL ASSESSED VALUATION AND PROPERTY TAX RATES

	REAL PROPERTY ($000)				PERSONAL PROPERTY ($000)				
Calen-dar Year	Residential	Commercial	Total	Tax Rate Per $100	Motor Vehicle and Tangibles Assessment	Tax Rate Per $100	Machine and Tools Assessment	Tax Rate Per $100	Total Assessment
2013	$19,384,653	$14,706,140	$34,090,793	1.038%*	$1,699,433	4.75%	$11,911	4.50%	$1,711,344
2014	20,314,910	15,020,272	35,335,182	1.043*	1,707,304	5.00	11,742	4.50	1,719,047
2015	21,195,996	15,376,112	36,572,108	1.043*	1,754,185	5.00	10,793	4.50	1,764,978
2016	21,713,190	15,886,156	37,599,346	1.073*	1,744,786	5.00	11,005	4.50	1,755,791
2017	22,092,997	16,284,957	38,377,954	1.130*	1,790,094	5.00	10,260	4.50	1,800,354
2018	22,844,036	16,437,017	39,281,053	1.130*	N/A	5.00	N/A	4.50	N/A

*Excludes Potomac Yard and Tier 1 special tax district rates of up to $0.20, which are dedicated to the planned Metrorail station.
Source: City Department of Finance.

Local Sales Tax

The City one percent sales tax is collected with the Commonwealth sales tax. The Commonwealth remits the tax monies for the local portion to the City during the month following receipt. These receipts amounted to $32.4 million or 5.3 percent of all tax revenues for the fiscal year ended June 30, 2017. The table below shows revenue from the local sales tax for the past five years.

Local sales tax revenues in 2017 include $4.8 million of Northern Virginia Transportation Authority revenue. In the fiscal year ended June 30, 2017, local sales tax revenue amounted to $32.4 million or 5.3 percent of all tax revenues.

LOCAL SALES TAX REVENUES

Fiscal Year	Revenues	Percent Change
2013	$25,549,709	2.41%
2014	27,619,132	8.10
2015	29,907,322	8.29
2016	31,174,524	4.24
2017	32,360,983	3.81

Source: City Department of Finance.

Business License Taxes

These taxes are levied for the privilege of conducting business and engaging in certain businesses, professions, trades, and occupations in the City. Both flat license fees and rates established as a percentage of gross receipts are imposed. The calendar year is the tax year. All license taxes are due on March 1 of each year. Persons liable for payment of the license tax apply to the City for the license and, in cases where the tax is based on gross receipts, must furnish the City with a sworn statement of the amount of gross receipts from the previous year. In the fiscal year ended June 30, 2017, business license tax receipts amounted to $33.8 million or 5.5 percent of all tax revenues.

BUSINESS LICENSE TAX REVENUES

Fiscal Year	Revenues	Percent Change
2013	$32,571,953	3.51%
2014	30,237,576	-7.17
2015	33,474,138	10.7
2016	32,134,946	-4.00
2017	33,751,755	5.03

Source: City Department of Finance.

Utility Tax

Every public service corporation that sells or furnishes a utility service must collect a City tax from the purchaser of the service. The tax rates for electricity and natural gas are based on the class of consumers and amount of energy consumption. In fiscal year 2013 and prior years, a monthly maximum tax of $2.40 applied for both electricity and gas for residential consumers. The maximum tax increased to $3 as of July 1, 2013. The tax rate for water is based on the class of consumers and the amount of the monthly utility bill. A monthly maximum tax of $22.50 for water applies for commercial and industrial consumers. In the fiscal year ended June 30, 2017, utility taxes amounted to $12.3 million or 2.0 percent of total tax revenues.

UTILITY TAX REVENUES

Fiscal Year	Revenues	Percent Change
2013	$10,650,297	3.17%
2014	11,460,413	7.61
2015	12,364,106	7.89
2016	12,579,583	1.74
2017	12,286,676	-2.33

Source: City Department of Finance.

Communications Tax

Virginia House Bill 568 enacted by the 2006 General Assembly replaced many of the telephone and cable television taxes previously collected by the City and other Virginia localities with a State administered Communications Sales and Use Tax and a uniform statewide E-911 tax on landline telephone service. Taxes previously collected by the City such as utility tax on phone service, the E-911 service tax, the cable franchise fee, and part of the gross receipts tax on telecommunications companies is now collected by the Commonwealth and remitted to Alexandria. The tax of five percent on all communications services went into effect on January 1, 2007. The implementation of the state-collected tax was designed to be revenue neutral for local governments. In FY 2017, the City received $10.2 million from the Communications Sales and Use Tax, which represented 1.7 percent of total tax revenues.

COMMUNICATIONS TAX REVENUES

Fiscal Year	Revenues	Percent Change
2013	$11,060,107	0.27%
2014	10,871,785	-1.70
2015	10,776,792	-0.87
2016	10,457,755	-2.96
2017	10,200,706	-2.46

Source: City Department of Finance.

Transient Lodging Tax

The transient lodging tax rate is levied at a rate of 6.5 percent of the amount charged for hotel and motel rooms, plus $1.00 per room per night. Although growth has been seen in the past two years, revenue from transient lodging was affected for several years by consumer confidence impacted by federal budget difficulties and sequestration. The greater increase in FY 2017 is attributed to the impact of this year's Presidential Inauguration. For the fiscal year ended June 30, 2017, transient lodging taxes amounted to $13.5 million and represented 2.2 percent of all tax revenues.

TRANSIENT LODGING TAX REVENUES

Fiscal Year	Revenues	Percent Change
2013	$11,774,914	3.51%
2014	11,568,709	-1.75
2015	12,371,555	6.94
2016	12,755,322	3.10
2017	13,542,901	6.18

Source: City Department of Finance.

Restaurant Meals Tax

A four percent restaurant meals tax is levied on all food and drink (including alcoholic beverages) sold in the City. Similarly to the transient lodging tax revenue, meals tax revenue was negatively impacted by the fluctuations in consumer confidence for a number of years. For the fiscal year ended June 30, 2017, restaurant meal taxes amounted to $18.9 million and represented 3.1 percent of total tax revenues. Starting in fiscal year 2018, the restaurant meals tax has been raised to five percent.

RESTAURANT MEALS TAX REVENUES

Fiscal Year	Revenues	Percent Change
2013	$17,325,897	6.20%
2014	17,404,589	0.45
2015	17,635,886	1.33
2016	18,655,330	5.78
2017	18,878,758	1.20

Source: City Department of Finance.

Other Taxes

Revenues received from other local taxes include a per pack cigarette tax (which was $1.15 per pack in FY 2016), a recordation tax, a bank franchise tax, a motor vehicle license tax, telecommunications tax, admissions tax, and penalty and interest on property taxes. For the fiscal year ended June 30, 2017, other local taxes amounted to $20.9 million or 3.4 percent of total tax revenues.

OTHER LOCAL TAX REVENUES

Fiscal Year	Revenues	Percent Change
2013	$18,555,143	4.63%
2014	19,863,303	7.05
2015	19,605,462	1.30
2016	20,919,472	6.70
2017	20,873,592	-0.22

Source: City Department of Finance.

Revenues from the Commonwealth

The Commonwealth reimburses the City for a portion of certain shared expenses involving the Clerk of the Circuit Court, the Commonwealth's Attorney, the Finance Department, the Health Department, Sheriff, Registrar and electoral board, and law enforcement aid. In addition, the Commonwealth provides the City with a share of motor vehicle carriers' taxes. Starting in FY 1999, the Commonwealth began to reimburse the City for the Commonwealth's mandated personal property tax relief. In 2004, the General Assembly passed legislation capping personal property tax relief at $950 million for the entire state, beginning with the year 2006 (FY 2007). The City's portion of this relief amounts to $23.6 million in revenues each year. The accounting for grants from the Commonwealth is maintained in the Special Revenue Fund.

Revenue from the Federal Government

The federal government reimburses the City on a per diem basis for federal prisoners maintained in the City jail. The reimbursement for the year ended June 30, 2017, was $6.5 million. Revenues from the federal government also include indirect cost reimbursement and federal drug recovery money. The accounting for grants from the federal government is maintained in the Special Revenue Fund.

Other Revenues

The revenue category "Permits, Fees and Licenses" includes building permits, residential parking fees, and a variety of fees and licenses. The revenue category "Fines and Forfeitures" includes moving traffic violations fines, parking violations fines, and a variety of other court costs. The "Use of Money and Property" category consists of revenues from the rental of City facilities and interest earnings on the City's investment portfolio. "Charges for Services" include revenues from parking meter receipts, recreational program fees, and charges for other services.

EXPENDITURES

Costs of General City Government

General City government services are paid out of the General Fund. These costs include public works, environmental services, public safety, judicial administration, health and welfare, planning and community development, parks and recreation, libraries, governmental administration, support of regional agencies for services such as mass transit, and debt service.

Transfers to Other Operating Funds

The City transfers monies from the General Fund to the School Board to pay the City's share of the costs of operating public schools in the City of Alexandria. This $204 million expenditure represented 29 percent of total disbursements from the General Fund in the fiscal year ended June 30, 2017, and 77 percent of total General Fund receipts of the School Board. The principal sources of other revenues credited directly to the School Board are derived from the Commonwealth and the federal government and locally from fees imposed on students. Additionally, in FY 2017 the City executed a capital transfer to support the purchase of a commercial office building to serve as a new school building in the future. This capital transfer was reflected as a General Revenue by the School Board.

The City also makes transfers from the General Fund to other component units (*i.e.*, legally separate entities for which the City is financially accountable) and the Special Revenue, Capital Projects, and Enterprise Funds. Transfers to these funds represented approximately 11% of total General Fund disbursements in the fiscal year ended June 30, 2017.

Sanitary Sewer Special Revenue Sub Fund

In FY 2004, the City began incrementally increasing the sewer line maintenance fee for the purpose of achieving revenue self-sufficient enterprise status for sanitary sewer maintenance, debt service and capital costs. This was accomplished in FY 2006 when the sewer line maintenance fee was increased to $1.00 per 1,000 gallons of water used. As a result, a separate sub fund in the Special Revenue Fund for sanitary sewers (the "Sanitary Sewer Sub Fund") was established in FY 2006 to account for sanitary sewer revenues and expenses apart from the General Fund. The Sanitary Sewer Sub Fund serves as an enterprise-type fund supported entirely by sewer line maintenance fee and sewer connection fee revenues and includes operating expenditures for maintenance as well as capital contributions and debt service expenditures associated with capital reconstruction, rehabilitation, and expansion projects. In FY 2011, the sewer line maintenance fee increased to $1.25 per 1,000 gallons of water used, and in FY 2017 increased again to $1.40 per 1,000 gallons As of June 30, 2017, Sanitary Sewer Sub Fund revenues of $12.8 million were comprised of $6.6 million in sewer line maintenance fees and $6.2 million in connection fees. Expenditures included $11.2 million for operation and maintenance expenditures, debt service and capital projects. The Sanitary Sewer Sub Fund balance is $19.9 million as of June 30, 2017. The operations of the Sanitary Sewer Sub Fund are not associated with the operations of the Alexandria Sanitation Authority (dba Alexandria Renew Enterprises), which is a separate self-sufficient, fee-supported public entity responsible for the construction, operation, and maintenance of the wastewater treatment system located in the City.

EMPLOYEE RETIREMENT PLANS

City (non-public safety), public transit, and school employees are covered by a combination of defined benefit plans, which include the Virginia Retirement System and City Supplemental Retirement Plans. Public safety employees are covered by a pension plan that contains defined benefit provisions and legacy defined contribution provisions. All City employees are participants in the federal Social Security System. Additional information regarding City retirement plans is provided in the "Notes to Financial Statements" in Appendix A.

OTHER POST-EMPLOYMENT BENEFITS ("OPEB")

In 1989, City Council voted to establish three classes of post-employment healthcare benefits to supplement the increasing healthcare costs for City retirees. The three classes are as follows: (a) Full Time City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Retirement Plan; (b) Fire and Police employees who are eligible to retire under the current defined benefit pension plan; and (c) Fire and Police employees who retired and were eligible for normal retirement with 20 years of service under the old defined contribution retirement income plan and the retirees under the old defined benefit pension. In addition, spouses of deceased retirees are also eligible to receive continued benefits.

The plan is a reimbursement program that is based on the actual cost of the retiree's monthly premium up to a maximum amount determined by the City Council. Effective July 1, 2005, the maximum monthly amount an eligible retiree or a surviving spouse may receive is $260. That amount has remained generally unchanged since then. The City Council has authority to establish or amend the provisions. As of June 2017, 339 retirees of the City were eligible and received benefits from all three classes of this plan. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to $260 per month for each retiree, for a total annual contribution of $2.3 million for FY 2017. Employees hired after September 30, 2007, will have their retiree health benefits prorated based on the length of service.

In addition to the healthcare benefits, the City pays for basic life insurance two times the amount of salary at the time of retirement to regular full time employees with applicable reductions if over 65 at no cost to the employees. On the January 1 following the retiree's 65th birthday, the basic life insurance amount is reduced by 25 percent, followed by reductions of 10 percent of the original amount each year until the retiree's 70th birthday. The ultimate insurance amount is 25 percent of the amount of salary at the time of retirement. This benefit is only available to City employees hired prior to January 1, 2008.

The City established a Single Employer OPEB Trust and plans to fund the obligation on a phased in basis through this trust (the "OPEB Trust Fund"). Effective July 1, 2012, the City assumed responsibility for funding line of duty ("Line of Duty") benefits required under the Virginia Line of Duty Act. Further information Line of Duty benefits is provided in the "Notes to Financial Statements" in Appendix A. The OPEB Trust Fund is comprised of regular OPEB and Line of Duty benefits. An evaluation of its plans as of December 31, 2017, by an independent actuarial company estimated the City's unfunded actuarial accrued liability to be $45.9 million for regular OPEB and $17.3 million for Line of Duty benefits. From its inception through FY 2017, the City has $57.0 million for all OPEB in the trust. In FY 2017 the City contributed $3.7 million in current funding for Line of Duty benefits and

$12.7 million for the City's OPEB obligations. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. The City does not issue a stand-alone financial report for the OPEB Trust Fund. The financial statements and required supplementary information are included in the City's CAFR. Additional information regarding City's OPEB and Line of Duty benefits is provided in the "Notes to Financial Statements" in Appendix A.

The Alexandria City Public Schools (a component unit of the City) also provides a post-retirement healthcare subsidy per month for each retiree. As of January 1, 2016, the schools provide a subsidy of $265 per month to approximately 567 retirees at a total cost on a "pay-as-you-go" basis of $1.45 million. An evaluation of their plan as of June 30, 2016 by an independent actuarial company estimated the unfunded actuarial accrued liability to be $14.4 million and the annual required contribution to be $2.2 million.

OTHER EMPLOYEE BENEFITS

City employees are granted vacation leave based upon length of employment; a maximum total of 52 days may be carried over from one year to the next. Compensatory leave is granted to some City employees for overtime work on an hour-to-hour basis; no more than 120 hours of compensatory leave may be carried over from one year to the next. The City does not place a maximum limitation on the accumulation of sick leave that may be carried over from one year to the next. Compensatory leave is vested, while sick leave vests under certain limited circumstances. As of June 30, 2017, the City's total compensated absences liability, excluding Schools, was $23.6 million.

Expenses associated with retirees' health benefits, unemployment compensation and workers' compensation are funded annually. Expenses in fiscal year 2017 were $2.3 million for retirees' health insurance, $0.1 million for unemployment compensation, and $5.7 million for workers' compensation. The long-term workers' compensation liability as of June 30, 2017, was estimated at $21.0 million.

EMPLOYEE RELATIONS

Many City employees are members of employee associations; however, the City does not, and may not under Virginia law, bargain collectively with any of its employees. The Virginia General Assembly has rejected several legislative proposals to authorize public employees to engage in collective bargaining. Public employees of Virginia, or of any county, city, or towns in Virginia, do not have a legal right to strike. Any such employee who engages in any organized strike or willfully refuses to perform his or her duties shall, according to Virginia law, be deemed to have terminated his or her employment. Re-employment of any such employee requires court approval.

GOVERNMENT AND SCHOOL EMPLOYEES[1]

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Government Services	2,542	2,545	2,566	2,537	2,549	2,549	2,565
Education	2,195	2,230	2,285	2,340	2,407	2,498	2,518
TOTAL	**4,737**	**4,775**	**4,851**	**4,877**	**4,956**	**5,047**	**5,083**

[1]Employee counts reflect time equivalent positions authorized in the approved budget.

PUBLISHED FINANCIAL INFORMATION

The City issues and distributes its Comprehensive Annual Financial Report on its financial operations each fiscal year. The report covers the fiscal year ending the prior June 30.

The independent public accounting firm of CliftonLarsonAllen LLP has audited the City's general-purpose financial statements for the fiscal year ended June 30, 2016. The City's financial statements are available through the Department of Finance, 301 King Street, Suite 1600, Alexandria, Virginia 22314 or on the City's Finance Department website at www.alexandriava.gov/FinancialReports.

Sections of the Comprehensive Annual Financial Report of the City of Alexandria for the fiscal year ended June 30, 2017, which correspond to the basic financial statements and required supplementary information, are included in Appendix A. These financial statements, along with the accompanying Notes to Financial Statements, are intended to provide a broad overview of the financial position and operating results of the City's various funds and account groups.

In addition to the Comprehensive Annual Financial Report, the City also annually publishes a comprehensive Operating Budget document and the Capital Improvement Program document. These documents are available through the Office of Management and Budget, 301 King Street, Suite 3600, Alexandria, Virginia 22314 or on the Office of Management and Budget's home page at www.alexandriava.gov/Budget.

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SECTION SIX: MISCELLANEOUS

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa" and S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AAA" to the Bonds as set forth on the cover page of this Official Statement. The City requested that the Bonds be rated and provided information to Moody's and S&P, including certain information that may not be included in this Official Statement.

Such ratings reflect only the respective views of such organizations. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. There is no assurance that such ratings will be continued for any given period of time or that they will not be revised or withdrawn entirely by either of such rating agencies, if in their judgment, either circumstance so warrants. A downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

During the normal course of business, the City or its officers or employees are or may be named as defendants in litigation involving personal injury, property damage, or other matters, which are defended by the City Attorney and associated counsel. The City's potential liability is protected partially by insurance. It is the opinion of the City Attorney that any possible losses in connection with any such pending or threatened litigation will not materially affect the City's financial condition or operations. There is no litigation pending against the City that would in any way affect the validity of the Bonds or the ability of the City to levy or collect ad valorem taxes, without limitation as to rate or amount, for the payment of the Bonds or the interest thereon.

AUDITORS

The City's Basic Financial Statements and Required Supplementary Information for the Fiscal Year ended June 30, 2017, have been audited by the independent public accounting firm of CliftonLarsonAllen LLP. CliftonLarsonAllen LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures of the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this Official Statement.

FINANCIAL ADVISOR

Davenport & Company LLC, Richmond, Virginia (the "Financial Advisor"), serves as financial advisor to the City on debt management and capital financing matters.

SALE AT COMPETITIVE BIDDING

After competitive bidding on July 25, 2018, the Bonds were awarded to Robert W. Baird & Co. Incorporated (the "Underwriter"). The Underwriter has supplied the information as to the interest rates and offering prices and yields of the Bonds set forth on the inside cover of this Official Statement. If all of the Bonds are resold to the public at such public offering prices or yields, the Underwriter has informed the City that it anticipates total underwriting compensation of $108,156.10 for the Bonds. The Underwriter may change the public offering prices or yields of the Bonds from time to time.

CERTIFICATES OF CITY OFFICIALS

Concurrently with the delivery of the Bonds, the City will furnish to the successful bidder a certificate dated the date of delivery of the Bonds (the "Delivery Date"), signed by the appropriate City officials and stating that: (a) to their knowledge, no litigation is then pending or threatened against the City to restrain or enjoin the issuance, sale, or delivery of the Bonds or the levy or collection of taxes to pay principal or interest thereon, to affect, contest, or challenge the validity of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are issued; and (b) the descriptions and statements in this Official Statement (except in the subsection entitled "Book-Entry-Only System" and the information as to yield and price on the inside cover page) on the date of this Official Statement and on the Delivery Date were and are true and correct in all material respects, did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in the light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and the Delivery Date other than as contemplated in this Official Statement. Such certificate will also state, however, that such City officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers but that they have no reason to believe that such information is not accurate.

The City Attorney will also furnish to the successful bidder concurrently with the delivery of the Bonds a certificate dated the Delivery Date, stating that the statements in the subsection herein entitled “Litigation” on the date of this Official Statement and on the Delivery Date were and are true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE

This offering is subject to the continuing disclosure requirements of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”). For purposes of the Rule, the City is an obligated person with respect to the Bonds. The City has undertaken in its Continuing Disclosure Agreement to comply with the provisions of the Rule by providing certain annual financial information and event notices required by the Rule. Such undertaking requires the City to provide only limited information at specified times. The form of the Continuing Disclosure Agreement is attached as Appendix B.

During the previous five years, the City has complied in all material respects with its continuing disclosure undertakings with respect to the Rule, except as described in this paragraph. The City entered into a previous undertaking pursuant to the Rule in connection with the issuance by the Economic Development Authority of Loudoun County, Virginia (formerly, the Industrial Development Authority of Loudoun County, Virginia) of its Northern Virginia Criminal Justice Training Academy Lease Revenue Bonds, Series 2006 (the “Loudoun EDA Bonds”). For the fiscal years ended June 30, 2012, 2013 and 2014, the City failed to timely file the annual financial information required by such undertaking under the CUSIP numbers assigned to the Loudoun EDA Bonds, although such financial information was filed in a timely fashion with the Municipal Securities Rulemaking Board (the “MSRB”) and available on the MSRB’s electronic municipal market access (“EMMA”) system in connection with various City bond issues. The City posted a notice of failure to file annual financial information on EMMA with respect to the Loudoun EDA Bonds and republished such financial information and linked it to the CUSIP numbers assigned to the Loudoun EDA Bonds. Not all information made public with respect to City bond issues pursuant to the Rule was cross-referenced on EMMA to all issues for which it was required (in particular, the City’s CAFR for fiscal year 2013 was not linked to the CUSIP numbers for its Series 2004C and Series 2006A general obligation bonds and its CAFR for fiscal year 2016 was not linked to the CUSIP numbers for its Series 2016A general obligation bonds); however, such filings were otherwise available on EMMA and linked to the City’s CUSIP prefix, as issuer.

SUMMARIES AND DESCRIPTIONS

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth of Virginia, statutes of the Commonwealth of Virginia, resolutions or ordinances of the City, or other documents and instruments and of the Bonds are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of these estimates will be realized.

CITY OF ALEXANDRIA, VIRGINIA

By: *\/s/ Mark B. Jinks*
City Manager

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APPENDIX A

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2017

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Alexandria Library System, a discretely presented component unit, which represents 3.3 percent of the assets, -2.0 percent of the net position, and 2.6 percent of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Alexandria Library System, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Specifications for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accountants of the Commonwealth of Virginia (Specifications). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of Alexandria Library System were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

A member of Nexia International

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, the budgetary comparison schedules, notes to the budgetary comparison schedules, and the Public Employee Retirement System-Primary Government schedules, as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alexandria's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables, as listed in accompanying table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, on our consideration of the City of Alexandria's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Alexandria's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Alexandria's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2017

The City's total Net Position, excluding component units, on the governmental-wide basis, increased approximately $47.8 million from $396.0 million, as restated, to $443.8 million at June 30, 2017. The amount of the restatement was $23.2 million for Governmental Activities and ($23.2) million for Component Units. This is the result of implementing GASB Statement No. 80, Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14. The Alexandria Transit Company (ATC) is a not-for profit corporation in which the City of Alexandria's primary government is the sole corporate member. ATC was previously reported as a component unit, but as of fiscal year 2017, it is reported as part of the primary government.

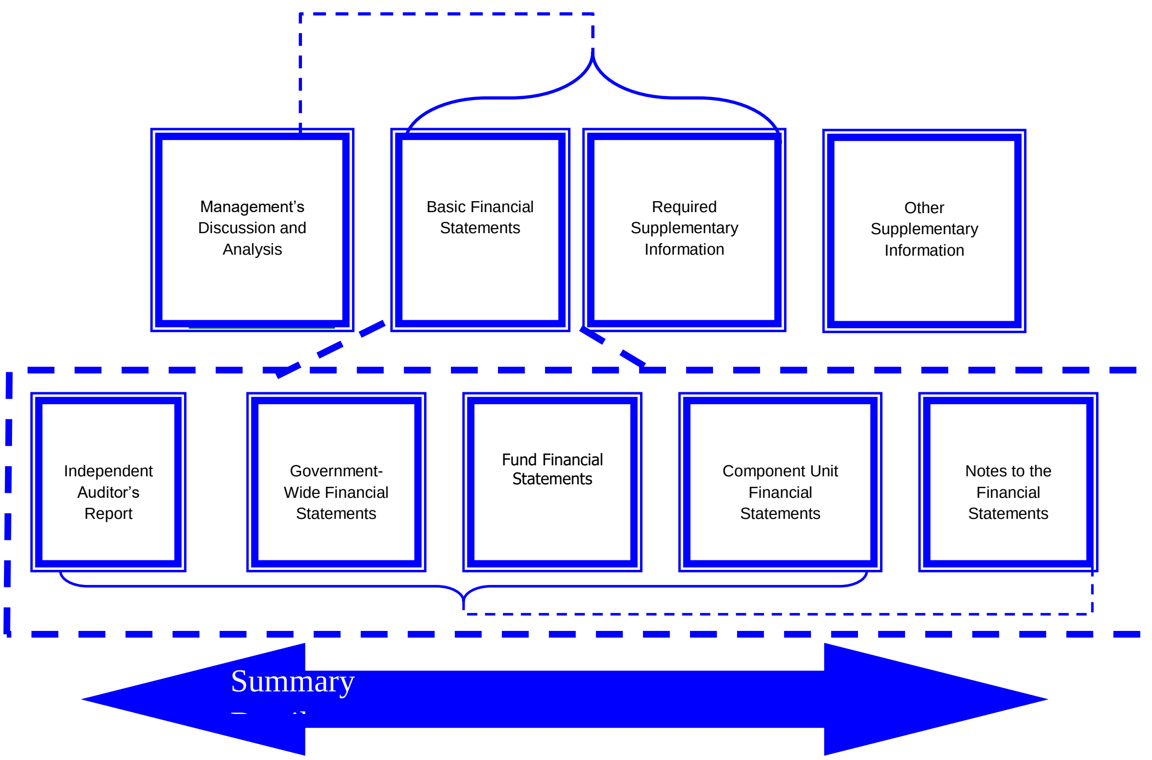
The government-wide activities had an unrestricted net position of $32.3 million (Exhibit I) at June 30, 2017, an increase of $49.6 million from FY 2016. On a government-wide basis for governmental activities, the City's general revenues of $681.2 million were $47.8 million more than the $633.4 million of expenses, net of program revenue (Exhibit II).

The General Fund, on a current financial resource basis, reported revenues, and other financing sources in excess of expenditures and other financing uses by $25.3 million (Exhibit IV) after making a budgeted $36.2 million transfer to the capital projects fund and a $50.1 million transfer to the special revenue fund.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and single audit. As the following chart shows, the financial section of this report has four components - *management's discussion and analysis* (this section), the *basic financial statements*, the *required supplementary information* and *the other supplementary information*.

Components of the Financial Section



GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial position. The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that illustrates this information. These statements include all assets, liabilities, deferred outflows, and deferred inflows using the accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. The City's net position is the difference between (1) assets and deferred outflows of resources, and (2) liabilities and deferred inflows of resources. Net position should be displayed in three components: Net investment in capital assets, Restricted, and Unrestricted. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities include the following:

<u>Governmental activities</u>—Most of the City's basic services are reported here: General government, judicial administration, public safety, public works, library services, health and welfare, transit, culture and recreation, community development, and education.

<u>Component units</u> —The City included two separate legal entities in its report - The City of Alexandria School Board and the Alexandria Library. Although legally separate, these component units are included because the City is financially accountable for them, and provides operating and capital funding to them.

FUND FINANCIAL STATEMENTS

The fund financial statements provide additional information about the City's most significant funds, not the City as a whole. The fund financial statements focus on the individual parts of the City's government.

The City has three kinds of funds:

<u>Governmental funds</u>—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

<u>Proprietary funds</u>—Services for which the City charges customers or City users a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

The City uses an internal service fund (one kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The Equipment Replacement Reserve Fund is the City's only internal service fund. Its primary purpose is to provide for the accumulation of money to replace capital equipment used in City operations.

Fiduciary funds—The City is the trustee or fiduciary for its employees' pension plans and employee benefit trusts. It is also responsible for other assets (known as agency funds) that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Agency funds are City custodial funds used to provide accountability of client monies, for which the City is custodian. The City excludes pension plans and agency funds from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Position

The following table presents the condensed Statement of Net Position:

Table 1
Summary of Net Position
As of June 30, 2017 and 2016
(in millions)

	Primary Government Governmental Activities		Component Units	
	2017	**2016**	**2017**	**2016**
ASSETS:				
Current and other assets	$ 772	$ 681	$ 93	$ 99
Capital assets	829	800	12	31
Total Assets	1,601	1,481	105	130
Deferred Outflows	43	64	60	34
LIABILITIES:				
Other Liabilities	57	59	36	38
Long-term liabilities	665	626	13	11
Net Pension Liability	188	203	260	227
Total Liabilities	910	888	309	276
Deferred Inflows	290	284	16	29
NET POSITION:				
Net Investment in Capital Assets	389	373	10	31
Restricted	22	17	6	12
Unrestricted	33	(17)	(176)	(185)
Total Net Position	$ 444	$ 373	$ (160)	$ (142)

Amounts may not add due to rounding

The City implemented GASB Statement No. 80 effective July 1, 2016. The 2016 amounts presented have not been restated to reflect the implementation of GASB No. 80.

The City's Net Position, (which is the City's bottom line) increased 12 percent, or $48.0 million from its restated Net Position of $396.0 million to $444.0 million. The increase is primarily attributable to a decrease in net deferred outflows of resources related to pensions and an increase in long-term liabilities due to bonds.

Statement of Activities

The following chart shows the revenue and expenses of the governmental activities:

Table 2
Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(in millions)

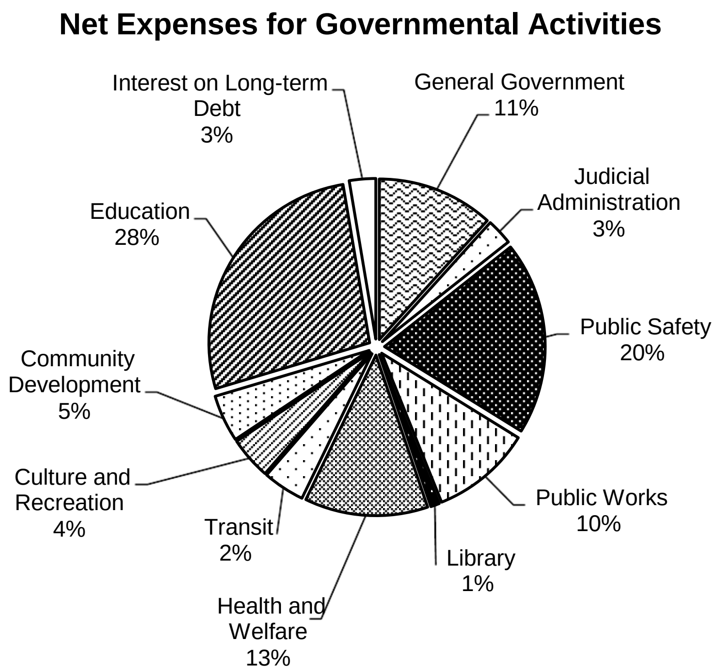
	Primary Government Governmental Activities		Component Units	
	2017	**2016**	**2017**	**2016**
REVENUES				
Program revenues:				
Charges for services	$ 63	$ 62	$ 3	$ 7
Operating grants and contributions	66	47	21	19
Capital grant/contributions	19	7	-	-
General revenues:				
Property taxes	474	438	-	-
Other taxes	139	136	-	-
Other	52	67	40	39
Payment to/from City	17		233	222
Total Revenues	830	757	297	287
EXPENSES				
General Government	92	66	-	-
Judicial Administration	20	20	-	-
Public Safety	152	149	-	-
Public Works	79	71	-	-
Library	7	7	8	7
Health and Welfare	97	95	-	-
Transit	33	22	-	19
Culture and Recreation	33	33	-	-
Community Development	37	33	-	-
Education	211	211	285	252
Interest on Long-term Debt	21	21	-	-
Total Expenses	782	728	293	278
Change in Net Position	48	28	4	9
Net Position beginning of Year, restated	396	345	(164)	(151)
Net Position end of Year	$ 444	$ 373	$ (160)	$ (142)

Amounts may not add due to rounding

The City implemented GASB Statement No. 80 effective July 1, 2016. The 2016 amounts presented have not been restated to reflect the implementation of GASB No. 80

REVENUES

For the fiscal year ended June 30, 2017, revenues from governmental activities totaled $830.0 million. Real estate tax revenues, the City's largest revenue source, reflecting the recognition of the taxes associated with the last half of calendar year 2016 and the first half of calendar year 2017 real property tax billings, were $424.5 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base and an increase in tax rate from $1.073 to $1.13 per $100 of assessed value in calendar year 2017. The component units' Net Position was restated to $4.4 due to the implementation of GASB 80 as of July 1, 2016.



EXPENSES

For the fiscal year ended June 30, 2017, expenses for governmental activities totaled $781.9 million reflecting an increase of $53.8 million is primarily due to an increase in new transit initiatives and the effect of GASB Statement No. 80 implementation.

Education continues to be one of the City's highest priorities. Capital funding included $21.3 million in addition to the City's operating subsidy to the Schools of $204.0 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2017, the governmental funds reflect a combined fund balance of $410.7 million (Exhibit III). The Governmental fund balance increase of $77.9 million is primarily due to the issuance of General Obligation Bonds.

- The General Fund contributed $28.2 million to pay-as-you-go financing of capital projects.

- The City contributed $204.0 million to the schools for operations.

- The City spent $81.3 million in the Capital Projects Fund primarily to fund school projects and the new Transit initiatives.
- The Northern Virginia Transportation fund received $6.9 million in taxes for transportation.
- The Potomac Yard fund received $10.1 million in real estate taxes to be used to build a Metrorail station.
- NVTA and Potomac Yard are special revenue funds.

Except for non-spendable and restricted fund balances (Exhibit III), there are no significant limitations on fund balances that would affect the availability of fund resources for future uses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Table 3
General Fund Budget
(in millions)

	FY 2017		
	Orginal Budget	**Amended Budget**	**Actual**
Revenues, Transfers, and Other Financial Sources			
Taxes	$ 451	$ 451	$ 461
Other Local Taxes	131	131	132
Transfers and Other	97	97	101
Total	679	679	694
Expenditures, Transfers, and Other Financial Uses			
Expenditures	389	397	379
Transfers and Other	290	290	290
Total	679	687	669
Change in Fund Balance	$ -	$ (8)	$ 25

Amounts may not add due to rounding

Revenues and other financing sources exceeded expenditures and other financing uses by $25.0 million in the General Fund for FY 2017.

Actual General Fund revenues and other financial sources exceeded the original budget by $15.0 million and exceeded the amended budget by $15.0 million during FY 2017. Including supplemental appropriations, actual General Fund expenditures were below the original budget by $10.0 million, while General Fund expenditures were less than the amended budget by $18.0 million. The increase in revenue is primarily due to an increase in the tax rate, which resulted in an increase in committed funds.

During FY 2017, City Council amended the budget three times. These budget amendments, or supplemental appropriation ordinances, were primarily for the following purposes:

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2016, but not paid by that date.
- To reappropriate monies to pay for projects budgeted for FY 2016 but not completed before the end of the fiscal year.
- To reappropriate grant, donation and other revenues authorized in FY 2016 or earlier, but not expended or encumbered as of June 30, 2016.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2017.

CAPITAL ASSETS

At the end of FY 2017, the City's governmental activities had invested cumulatively $829.3 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of $6.5 million.

Table 4
Governmental Activities
Capital Assets
(in millions)

	Balance 30-Jun-16	Net Additions/ (Deletions)	Balance 30-Jun-17
Non-Depreciable Assets			
Land and Land Improvements	$113.1	$0.1	$113.2
Construction in Progress	20.2	15.4	35.6
Other Capital Assets			
Intangible Assets	25.7	-	25.7
Buildings	665.1	5.6	670.7
Infrastructure	263.6	12.8	276.4
Furniture and Other Equipment	142.0	13.0	155.0
Accumulated Depreciation on Other Capital Assets	(406.9)	(40.4)	(447.3)
Total Capital Assets, As Restated	$822.8	$6.5	$829.3

Amounts may not add due to rounding

The City implemented GASB Statement No. 80 effective July 1, 2016.

The FY 2018—FY 2027 Approved Capital Improvement Program (CIP), which was approved by City Council on May 4, 2017, sets forth a 10-year program with $1.7 billion in new City funding and $423.5 million in other non- City sources for public improvements for the City and the Alexandria City Public Schools.

This represents (in City funding) an increase of approximately $443.0 million above the FY 2017—FY 2026 CIP. For purpose of comparison the Approved FY 2017—FY 2026 CIP totaled $1.2 billion in total funding, of which $428.3 million was from non-City sources.

LONG-TERM DEBT

At the end of FY 2017, the City had $557.2 million in outstanding general obligation bonds, an increase of $34.5 million over last year's debt of $522.7 million, due to the issuance of new Bonds. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

During 2017, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies reaffirmed the City's triple-A bond ratings. The City received its first triple-A rating from Moody's in 1986 and from S&P in 1992. Standard and Poor's Financial Management Assessment concluded that the City's financial practices were "strong."

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10 percent of the assessed value of real property within the City. The City's outstanding debt is significantly below, or less than one-tenth of this state law limit—which would equate to $3.3 billion for the City.

During fiscal year 2017, the City Council issued $73.7 million in General Obligation Bonds with a premium of $10.5 million and a true interest cost of 2.1 percent. The $73.7 million General Obligation bonds will be used to finance certain capital improvement projects including the continuing commitment in public school facilities. See details in footnotes 5 and 9 of this document for additional information.

During fiscal year 2017, the City issued General Obligation Refunding Bonds of $34.2 million with an effective interest rate of 1.9 percent. The net proceeds were used to purchase U.S. Government Securities. The bonds will achieve a savings of $2,416 million in future debt service payments over the next 16 years and economic gain of $2,129 million.

The Primary Government recorded a 'due from other funds' in reference to a loan to the Alexandria Transit Company for $300,000. The amount was offset in the Primary Government's long-term liabilities due in more than one year.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2017. Other short-term liabilities represent unclaimed money and deposits.

ECONOMIC FACTORS

The number of jobs in the city decreased slightly in FY 2017. As of March 2017, the number of Alexandria jobs totaled 95,581 (the latest data available from the Virginia Employment Commission). Tourism improved slightly, with lodging tax showing an increase of 4.8 percent in FY 2017 from all sources.

As of 2015 (the latest data available from the U.S. Bureau of Economic Analysis), the city per capita personal income of $82,683 remains one of the highest in the United States, and is the second highest of any major jurisdiction in Virginia. The city office vacancy rate stood at 15.3 percent by the end of FY 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Kendel Taylor, Director of Finance, City Hall, P.O. Box 178, Alexandria, VA 22313, kendel.taylor@alexandriava.gov, telephone (703) 746-3900, or visit the City's web site at alexandriava.gov.

BASIC
FINANCIAL STATEMENTS

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Position
June 30, 2017

Exhibit I

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 269,782,630	$ 74,766,307
Cash and Investments with Fiscal Agents	163,939,499	3,281,663
Receivables, Net	287,115,176	525,658
Long-term Portion of Notes Receivable	-	-
Accrued Interest	65,659	-
Due From Other Funds	300,000	-
Due From Other Governments	39,329,509	6,298,594
Inventory of Supplies	3,364,245	488,811
Prepaid and Other Assets	8,394,630	1,671,870
Net OPEB Asset	-	1,787,961
Net Pension Asset	-	4,430,531
Capital Assets:		
Land and Construction in Progress	148,833,309	1,044,772
Other Capital Assets, Net	680,428,774	10,953,785
Capital Assets, Net	829,262,083	11,998,557
Total Assets	1,601,553,431	105,249,952
DEFERRED OUTFLOWS		
Deferred Pension Outflows	36,194,517	59,979,004
Deferred Gain on Refunding Bonds	6,479,722	-
Total Deferred Outflows of Resources	42,674,239	59,979,004
LIABILITIES		
Accounts Payable	16,125,233	5,164,845
Accrued Wages	9,469,802	27,791,617
Accrued Liabilities	4,115,388	-
Unearned Revenue	4,801,105	3,670,771
Other Short-term Liabilities	18,429,003	-
Due To Other Funds	-	-
Deposits	3,992,381	-
Long-term Liabilities Due Within One Year	56,844,964	2,445,484
Long-term Liabilities Due in More Than One Year	607,540,109	10,762,956
Net Pension Liability	188,496,040	259,630,000
Total Liabilities	909,814,024	309,465,673
DEFFERED INFLOWS		
Deffered Tax Revenues	278,023,411	-
Deferred Pension Inflows	12,078,424	16,187,255
Total Deferred Inflows of Resources	290,101,835	16,187,255
NET POSITION		
Net Investment in Capital Assets	389,073,055	9,511,917
Restricted for:		
Affordable Housing	1,990,659	-
Special Projects	20,406,115	-
Educational Projects	-	5,699,396
Unrestricted	32,316,006	(175,635,285)
Total Net Postion	$ 443,785,835	$ (160,423,972)

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Exhibit II

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants & Contributions**	**Capital Grants & Contributions**	**Primary Government Governmental Activities**	**Component Units**
Primary Government:						
Governmental Activities:						
General Government	$ 91,644,156	$ 3,634,940	$ 702,151	$ 5,272,264	$ (82,034,800)	$ -
Judicial Administration	20,555,815	1,333,339	525,842	-	(18,696,634)	-
Public Safety	152,204,265	10,504,183	9,643,347	-	(132,056,735)	-
Public Works	78,933,277	31,997,119	887,661	13,254,334	(32,794,163)	-
Library	6,863,312	-	-	-	(6,863,312)	-
Health and Welfare	96,916,231	5,495,647	33,469,673	-	(57,950,911)	-
Transit	32,845,453	4,322,507	519,495	-	(28,003,451)	-
Culture and Recreation	33,383,469	4,967,877	1,809,819	568,997	(26,036,776)	-
Community Development	37,054,150	767,811	18,786,587	-	(17,499,752)	-
Education	210,743,389	-	-	-	(210,743,389)	-
Interest on Long-term Debt	20,724,997	-	-	-	(20,724,997)	-
Total Governmental Activities	781,868,514	63,023,423	66,344,575	19,095,595	(633,404,920)	-
Total Primary Government	781,868,514	63,023,423	66,344,575	19,095,595	(633,404,920)	-
Component Units:						
Library	7,625,413	450,314	169,476	-	-	(7,005,623)
School Board	285,026,709	2,296,088	20,667,915	-	-	(262,062,706)
Total Component Units	$ 292,652,122	$ 2,746,402	$ 20,837,391	$ -	-	(269,068,329)

General Revenues		
Property Taxes:		
Real Estate	424,452,784	-
Personal Property	49,693,564	-
Other Local Taxes:		
Business License	33,751,755	-
Local Sales	32,360,983	-
Meals	18,878,758	-
Transient Lodging	13,542,901	-
Utility	12,286,675	-
Communications Sales	10,972,817	-
Motor Vehicle License, Recordation, and other local	17,017,952	-
Other Governmental Revenues		
Contributions to operating expenditures - ATC	12,086,552	210,883,809
Capital contibutions to Alexandria Transit Co.	4,395,833	21,298,309
Grants & Contributions Not Restricted to Specific Programs	34,766,829	40,375,579
Interest and Investment Earnings	5,515,144	241,036
Miscellaneous	11,479,329	628,595
Total General Revenues	681,201,876	273,427,328
Change in Net Postion	47,796,956	4,358,999
Net Position at Beginning of Year, as restated	395,988,879	(164,782,971)
Net Position at End of Year	$ 443,785,835	$ (160,423,972)

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Fund
As of June 30, 2017

Exhibit III

	General	Special Revenue	Capital Projects	Alexandria Transit Company	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 124,769,109	$ 77,120,598	$ 54,862,322	$ 49,533	$ 256,801,562
Cash and Investments with Fiscal Agents	-	-	163,939,499	-	163,939,499
Receivables, Net	281,992,311	4,161,165	-	961,700	287,115,176
Accrued Interest	65,659	-	-	-	65,659
Due From Other Funds	300,000	-	-	-	300,000
Due From Other Governments	32,109,098	7,203,597	-	16,814	39,329,509
Inventory of Supplies	2,669,726	-	-	694,519	3,364,245
Prepaid and Other Assets	8,305,222	1,500	45,400	42,508	8,394,630
Total Assets	450,211,125	88,486,860	218,847,221	1,765,074	759,310,280
LIABILITIES					
Accounts Payable	5,366,613	3,406,397	6,526,988	112,078	15,412,076
Due to Other Goverments	202,620	-	-	-	202,620
Accrued Wages	7,292,088	2,146,818	30,896	225,976	9,695,778
Other Liabilities	17,786,840	-	4,420	637,743	18,429,003
Deposits	3,992,381	-	-	-	3,992,381
Due to Other Funds	-	-	-	300,000	300,000
Unearned Revenue	4,801,105	-	-	-	4,801,105
Total Liabilities	39,441,647	5,553,215	6,562,304	1,275,797	52,832,963
DEFERRED INFLOWS					
Deferred Inflows	290,763,195	5,029,312	-	-	295,792,507
FUND BALANCES					
Non-Spendable	10,917,115	-	-	-	10,917,115
Restricted	-	22,396,773	-	-	22,396,773
Committed	11,737,149	55,507,560	212,284,917	-	279,529,626
Assigned	35,789,849	-	-	-	35,789,849
Unassigned	61,562,170	-	-	489,277	62,051,447
Total Fund Balances	120,006,283	77,904,333	212,284,917	489,277	410,684,810
Total Liabilities and Fund Balances	$ 450,211,125	$ 88,486,860	$ 218,847,221	$ 1,275,797	

Adjustments for the Statement of Net Position:

(1) Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5)	789,722,467
(2) Other long-term assets are not available to pay for current revenue in the governmental funds. (Note 1)	24,248,818
(3) Deferred inflows of resources related to Pensions (Note 17)	(12,078,424)
(4) Deferred outflows of resources related to Pensions (Note 17)	36,194,517
(5) Internal service funds are used by management to charge the costs of equipment replacement to City Departments; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. (Exhibit V)	27,888,024
(6) Alexandria Transit Company is blended in to the primary government, and therefore, the assets and liabilities are included in govermental activites in the statement of Net Postion. (Note 5)	24,122,123
(7) Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 9)	(856,996,500)
Net Position of Governmental Activities	$ 443,785,835

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

Exhibit IV

	General	Special Revenue	Capital Projects	Alexandria Transit Company	Total Governmental Funds
REVENUES					
General Property Taxes	$ 460,874,188	$ 12,048,486	$ -	$ -	$ 472,922,674
Other Local Taxes	131,900,663	6,911,178	-	-	138,811,841
Permits, Fees, and Licenses	2,713,962	6,830,019	-	-	9,543,981
Fines and Forfeitures	4,907,527	-	-	-	4,907,527
Use of Money and Property	5,515,144	728,034	1,486,306	-	7,729,484
Charges for Services	19,419,892	19,900,505	41,259	4,322,507	43,684,163
Intergovernmental Revenue	56,444,434	47,934,221	12,149,257	519,495	117,047,407
Miscellaneous	1,874,317	10,139,046	4,448,674	60,834	16,522,871
Total Revenues	683,650,127	104,491,489	18,125,496	4,902,836	811,169,948
EXPENDITURES					
Current Operating:					
General Government	49,333,658	1,495,346	-	-	50,829,004
Judicial Administration	19,228,767	840,143	-	-	20,068,910
Public Safety	138,831,088	7,847,606	-	-	146,678,694
Public Works	34,554,827	8,814,142	-	-	43,368,969
Library	6,863,312	-	-	-	6,863,312
Health and Welfare	20,444,776	76,015,511	-	-	96,460,287
Transit	8,450,237	-	-	19,999,383	28,449,620
Culture and Recreation	24,326,744	2,003,969	-	-	26,330,713
Community Development	18,891,892	15,952,297	-	-	34,844,189
Education	204,032,628	-	21,298,309	-	225,330,937
Debt Service:					
Principal	43,300,000	-	-	-	43,300,000
Interest and Other Charges	21,490,252	-	-	-	21,490,252
Capital Outlay	-	-	81,389,902	-	81,389,902
Total Expenditures	589,748,181	112,969,014	102,688,211	19,999,383	825,404,789
Excess (Deficiency) of Revenues Over (Under) Expenditures	93,901,946	(8,477,525)	(84,562,715)	(15,096,547)	(14,234,841)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	-	73,735,000	-	73,735,000
Sale of land	-	-	4,401,600	-	4,401,600
Issuance of Refunding Bonds	34,168,000	-	-	-	34,168,000
Bond Premium (Discount)	-	-	10,469,488	-	10,469,488
Payment to Refunded Bonds Escrow Agent	(34,017,394)	-	-	-	(34,017,394)
Capital Contribution	-	-	-	4,395,833	4,395,833
Transfers In	10,414,477	50,122,791	36,151,545	12,086,552	108,775,365
Transfers Out	(79,136,615)	(30,220,223)	(34,585)	-	(109,391,423)
Total Other Financing Sources and	(68,571,532)	19,902,568	124,723,048	16,482,385	92,536,469
Net Change in Fund Balance	25,330,414	11,425,043	40,160,333	1,385,838	78,301,628
Fund Balance at Beginning of Year	94,525,932	66,479,290	172,124,584	23,225,562	
Increase/(Decrease) in Reserve for Invento	149,937	-	-	-	149,937
Fund Balance at End of Year	$ 120,006,283	$ 77,904,333	$ 212,284,917	$ 24,611,400	

Adjustments for the Statement of Activities:

(1) Repayment of bond principal and payment to bond escrow agent are reported as an expenditure and other financing uses in the govermental finds, but the repayment reduces long-term liabilities in the Statement of Net Position.	77,317,394
(2) Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded capital expenditures in the current period. (Note 5)	5,214,068
(3) Governmental funds report pension contributions as expenditures, however in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.	3,102,255
(4) Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	1,223,674
(5) Issuance of debt, refunding bonds and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Position. (Note 9)	(118,372,488)
(6) Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds. (Note 9)	(4,413,693)
(7) The net revenue of the internal service fund (except depreciation which is reported in capital outlays above) is reported with governmental activities. (Exhibit VI)	5,274,181
	$ 47,796,956

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Position
Proprietary Funds- Internal Service Fund
June 30, 2017

Exhibit V

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	12,981,068
Receivables		-
Due from Other Goverments		-
Inventory of Supplies		-
Prepaid and Other Assets		-
Total Current Assets		12,981,068
Capital Assets:		
Land		
Buildings and Equipment		49,578,851
Less Accumulated Depreciation		(34,161,358)
Capital Assets, Net		15,417,493
Total Assets		28,398,561
LIABILITIES		
Current Liabilities:		
Accounts Payable		510,537
Accrued Wages		-
Other Short Term Liabilities		-
Due to Other Funds		-
Total Liabilities		510,537
NET POSITION		
Net Investment in Capital Assets		15,417,493
Unrestricted Net Position		12,470,531
Total Net Position		27,888,024
Total Liabilities and Net Position	$	28,398,561

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenue, Expenses, and Change in Net Position
Proprietary Funds – Internal Service Fund
For the Fiscal Year Ended June 30, 2017

Exhibit VI

OPERATING REVENUES	
Charges for Services	$ 4,832,523
Miscellaneous	-
Total Operating Revenues	4,832,523
OPERATING EXPENSES	
Personnel Services	-
Contractual Services	-
Materials and Supplies	174,400
Other Charges	-
Depreciation	5,839,760
Total Operating Expenses	6,014,160
Operating Income (Loss)	(1,181,637)
NON-OPERATING REVENUES (EXPENSES)	-
Total Non-Operating Expenses	-
Net Profit (Loss) Before Transfers and Contributions	(1,181,637)
Capital Contribution	-
Transfers In	1,123,558
Transfers Out	(507,500)
Total Net Transfers	616,058
Change in Net Position	(565,579)
Net Position at Beginning of Year	28,453,603
Net Position at End of Year	$ 27,888,024

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds – Internal Service Fund
For the Fiscal Year Ended June 30, 2017

Exhibit VII

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	$	4,832,523
Reduction in Payments to Suppliers		185,029
Payment to Employees		-
Net Cash Provided by Operating Activities		5,017,552
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to Other Funds		1,123,558
Transfers from Other Funds		(507,500)
Receipts from Other Nonoperating Revenue		-
Net Transfers		616,058
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets		(6,442,040)
		(6,442,040)
Net Cash Used By Capital and Related Financing Activities		(5,825,982)
Net Increase (Decrease) in Cash and Cash Equivalents		(808,430)
Cash and Cash Equivalents at Beginning of Year		13,789,498
Cash and Cash Equivalents at End of Year		12,981,068
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)		(1,181,637)
Adjustments:		
(1) Cash flows reported in other categories:		
Depreciation Expense		5,839,760
(2) Effect of changes in Operating Assets and Liabilities:		
Accounts Payable		359,429
Net Cash Provided by Operating Activities	$	5,017,552

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Fiduciary Net Position
June 30, 2017

Exhibit VIII

	Employee Benefit Trust Funds	Other Post Employment Benefits	Private-Purpose Trusts	Agency Funds
ASSETS				
Cash and Short-term Investments	$ -	$ -	$ -	$ 29,874
Investments, at Fair Value:				
LGIP/CDARS/ICS/NOW	-	-	6,896	461,416
Mutual Funds	220,418,794	21,349,335	-	-
Stocks	60,671,003	7,093,808	-	-
Guaranteed Investment Accounts	34,904,761	2,483,156	-	-
Real Estate	42,384,422	1,146,279	-	-
Timber/Private Equity	39,149,695	1,664,706	-	-
Other Investments	130,028,483	1,090,892	-	-
Total Investments	527,557,158	34,828,176	6,896	461,416
Receivables	1,098,533	-	-	-
Total Assets	528,655,691	34,828,176	6,896	491,290
LIABILITIES				
Refunds Payable and Other	-	-	-	491,290
Total Liabilities	-	-	-	491,290
NET POSITION				
Held in Trust for:				
Pension Benefits	471,647,874	-	-	
Other Post Employment Benefits	57,007,817	34,828,176	-	
Other Purposes	-	-	6,896	
Total Net Position	$ 528,655,691	$ 34,828,176	$ 6,896	

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Change in Fiduciary Net Position
For the Year ended June 30, 2017

Exhibit IX

	Employee Benefit Trust Funds	Private-Purpose Trusts
ADDITIONS		
Contributions:		
Employer	$ 36,720,761	$ -
Plan Members	4,232,950	-
Total Contributions	40,953,711	-
Investment Earnings:		
Net Appreciation (Depreciation)		
in Fair Value of Investments	36,190,034	-
Interest	27,811,424	7
Investment Expense	(1,990,956)	-
Net Investment Income	62,010,502	7
Total Additions	102,964,213	7
DEDUCTIONS		
Benefits	38,073,237	-
Refunds of Contributions	419,186	-
Administrative Expenses	907,541	-
Total Deductions	39,399,964	-
Change in Net Position	63,564,249	7
Net Position at Beginning of Year	465,091,442	6,889
Net Position at End of Year	$ 528,655,691	$ 6,896

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Net Position
Component Units
As of June 30, 2017

Exhibit X

	School Board	Library	Total
ASSETS			
Cash and Cash Equivalents	$ 74,585,483	$ 180,824	$ 74,766,307
Cash and Investments with Fiscal Agents	-	3,281,663	3,281,663
Receivables	525,658	-	525,658
Due from Other Governments	6,277,151	21,443	6,298,594
Inventory of Supplies	488,811	-	488,811
Net OPEB Asset	1,787,961	-	1,787,961
Net Pension Asset	4,430,531	-	4,430,531
Prepaid and Other Assets	1,508,225	163,645	1,671,870
Capital assets			
Land and Construction in Progress	1,044,772	-	1,044,772
Other Capital Assets, Net	10,953,785	-	10,953,785
Capital Assets, Net	11,998,557	-	11,998,557
Total Assets	101,602,377	3,647,575	105,249,952
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected/ actual investment earnings	22,960,956	-	22,960,956
Difference between employer contributions and proportionate share	8,352,000	-	8,352,000
Difference between expected and actual experience	1,009,021	-	1,009,021
Employer Retirement Contributions	27,657,027	-	27,657,027
Total Deferred Outflows of Resources	59,979,004	-	59,979,004
Total Assets and Deferred Outflows of Resources	161,581,381	3,647,575	165,228,956
LIABILITIES			
Accounts Payable	4,944,196	220,649	5,164,845
Accrued Wages	27,513,719	277,898	27,791,617
Unearned Revenue	3,670,771	-	3,670,771
Other Short-term Liabilities	-	-	-
Long-term Liabilities Due Within One Year	2,445,484	-	2,445,484
Long-term Liabilities Due in More Than One Year	10,762,956	-	10,762,956
Net Pension Liabilities	259,630,000	-	259,630,000
Total Liabilities	308,967,126	498,547	309,465,673
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	502,661	-	502,661
Difference between projected and actual proportionate share of Contributions	3,244,000	-	3,244,000
Difference between projected and actual investment earnings	12,440,594	-	12,440,594
Total Deferred Inflow of Resources	16,187,255	-	16,187,255
NET POSITION			
Net Investment in Capital Assets	9,511,917	-	9,511,917
Restricted for grant programs	301,570	-	301,570
Restricted for health benefits	5,397,826	-	5,397,826
Unrestricted	(178,784,313)	3,149,028	(175,635,285)
Total Net Postion	(163,573,000)	3,149,028	(160,423,972)
Total deferred inflows of resources, liablities and net postion	$ 161,581,381	$ 3,647,575	$ 165,228,956

See Accompanying Notes to Financial Statements

Exhibit XI

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	School Board	Library	Totals
School Board	$ 285,026,709	$ 2,296,088	$ 20,667,915	$ (262,062,706)	$ -	$ (262,062,706)
Library	7,625,413	450,314	169,476	-	(7,005,623)	(7,005,623)
Total Component Units	292,652,122	2,746,402	20,837,391	(262,062,706)	(7,005,623)	(269,068,329)
General Revenues:						-
Payment From City				204,020,497	6,863,312	210,883,809
Capital Payment From City ***				21,298,309	-	21,298,309
Grants Not Restricted To Specific Programs				40,375,579	-	40,375,579
Interest and Investment Earnings				-	241,036	241,036
Miscellaneous				472,474	156,121	628,595
Total General Revenues				266,166,859	7,260,469	273,427,328
Change in Net Position				4,104,153	254,846	4,358,999
Net Position Beginning of Year, as restated				(167,677,153)	2,894,182	(164,782,971)
Net Position End of Year				$ (163,573,000)	$ 3,149,028	$ (160,423,972)

***City expenditure on schools joint tenancy project

See Accompanying Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of Alexandria, located in northern Virginia and bordered by the District of Columbia (Potomac River) and Arlington and Fairfax Counties, was founded in 1749 and incorporated in 1779. With a population of 156,100 and a land area of 15.75 square miles, Alexandria is the seventh largest city in the Commonwealth of Virginia and one of the most densely populated cities in the Commonwealth.

The City is governed under the City Manager-Council form of government. Alexandria engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services (Public Works), planning, community development and recreation, cultural, library, and historic activities.

The financial statements of the City of Alexandria, Virginia, have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and U.S. generally accepted accounting principles (GAAP) as specified by the Governmental Accounting Standards Board (GASB). The City's significant accounting policies are described below.

A. Financial Reporting Entity

The City follows GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended. GASB Statement No. 34 requires the following financial statement components:

Management's Discussion and Analysis – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets (such as buildings and infrastructure, including bridges and roads) and long-term liabilities (such as general obligation debt and unfunded pension costs). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net position and the Statement of Activities.

Statement of Net Position – The Statement of Net Position displays the financial position of the primary government (governmental activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. Net Position represents the difference between assets, liabilities, and deferred inflow (outflow) of Resources. The Net Position of a government is broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Net invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Statement of Activities – The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements – The fund financial statements display the financial transactions and accounts of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include reconciliation to the government-wide statements, which briefly explains the differences between the fund and government-wide financial statements.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have an interest in following the actual financial progress of their governments over the course of the year. The City Council approves revisions to its original budget over the course of the year for a variety of reasons.

As required by GAAP, these financial statements present the primary government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each of the City's discretely presented component units has a June 30 fiscal year-end.

Component Units:

City of Alexandria School Board

Since FY 1995, the Alexandria City School Board (School Board) has been an elected body. The School Board is substantially reliant upon the City because City Council approves the School Board's total annual budget appropriation, levies taxes, and issues debt for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. The City's primary transaction with the School Board is the City's annual General Fund revenue support, which totaled $204.0 million for operations and $21.3 million for capital equipment in FY 2017.

The APA establishes financial reporting requirements for all localities in the Commonwealth of Virginia. The APA has determined that all Virginia School Boards shall be reported as discretely presented component units of the locality. The APA has also specified additional reporting requirements with respect to School Boards.

City of Alexandria Library System

The Alexandria Library (the Library) is a discretely presented component unit of the City of Alexandria. The Library's financial statements are available for public viewing at the Library's Administration office at the Beatley Library, 5005 Duke St., Alexandria, VA 22304. City Council approves the Library budget and appoints three citizens and a member of the Alexandria City Council to the Library Board (Library). The seven-member Library Board also includes three members of the Alexandria Library Company. The City is responsible for issuing debt, and acquiring and maintaining all capital items on behalf of the Library. The City only maintains the assets based on agreements reached with the Library Board. The legal liability for the general obligation debt issued on behalf of the Library remains with the City, but is based on needs requested by the Library Board. The City's primary transaction with the Library is the City's annual operating support, which was $6.9 million for FY 2017. The Library provides a variety of services to the community that is supplemented with funding by endowments and is not completely government services. The City budget provides most of the funding for all services and programs; many of the endowments supplement the materials budget, and nothing more. The City has no say in the selection of books and materials the Library carries, or the day to day management of the operations of the library buildings or staffing.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excluded from Reporting Entity:

City Council is not financially accountable for the Deferred Compensation Plan, Alexandria Economic Development Partnership, Alexandria Industrial Development Authority, Alexandria Redevelopment and Housing Authority, Alexandria Renew Enterprises (formerly the Alexandria Sanitation Authority), Visit Alexandria, or Sheltered Homes of Alexandria, Inc. Accordingly, these entities are excluded from the City of Alexandria's financial statements.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental category, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental. In the government-wide Statement of Net position, the governmental activities column (a) is presented on a combined basis, and (b) is reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statements presentations provide information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.). Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants, while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with related liabilities, fund balances and Net position, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

**Exhibit XII
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to fund activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the City in FY 2017.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

a. General Fund

The General Fund is a major fund and 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 part of the General Fund's revenues is used to finance the operations of the City of Alexandria School Board.

b. Special Revenue Fund

Special revenue fund is a major fund and is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. A significant portion of the Special Revenue Fund is used for Health and Welfare programs. The Special Revenue Fund of the City as of the end of FY 2017 is comprised of the following sub funds:

Housing – This sub fund accounts for the City's housing programs. The sources of funding are bond proceeds and the payment of note receivables.

Sanitary Sewer – This sub fund accounts for the funding of sanitary sewer maintenance and construction. The fund is funded by sewer connection fees and sewer charges.

Stormwater Management – This sub fund is funded by a dedicated real estate property tax rate of 0.5 cents per $100 of assessed value to fund stormwater capital projects.

Potomac Yard Special Tax District – This sub fund is funded by certain real estate taxes for specific improvements in Potomac Yards, including the development of a metro rail station.

Northern Virginia Transportation Authority (NVTA) – This sub fund was established in FY 2014. It is funded by various state and local other taxes.

Other Special Revenue – This sub fund accounts for grants and donations.

c. Capital Projects Fund

The Capital Projects Fund (Capital Improvements) is a major fund and accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

d. Alexandria Transit Company

Alexandria Transit Company is a blended entity and major fund which accounts for the City's transit activity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, Net Position, revenues, expenses, are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The City has one proprietary fund, the Internal Service Fund. The Internal Service 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 and is considered a proprietary fund. The City established the Equipment Replacement Reserve Account, the internal service fund, for the purpose of providing for the accumulation of funds to replace capital equipment items used in City operations. This internal service fund derives its funding from periodic equipment rental charges assessed to the user departments in the governmental funds. This funding is then used to replace capital equipment when the need arises. The Internal Service Fund is included in governmental activities for government-wide reporting purposes. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity.

3. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the City are the John D. Collins Private Purpose Trust Fund, Employee Retirement Funds, the Human Services Special Welfare Account, the Human Services Dedicated Account, and the Industrial Development Authority Agency Funds. For accounting measurement purposes, the Private Purpose Trust Fund, the Employee Retirement Funds, and other post-employment benefits are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Employee Retirement Funds account for the assets of the City's pension plans and the OPEB fund. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Pension Plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The agency funds held by the City as of the end of FY 2017 comprise the following:

Human Services Special Welfare Account – This fund accounts for the current payments of supplemental security income for foster children.

Human Services Dedicated Account – This fund accounts for back payments of supplemental security income for foster children.

**Exhibit XII
(Continued)**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Industrial Development Authority – This fund accounts for Industrial Development Authority bond issuance fees and expenses, for which the City acts in a custodial capacity.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Position and Statement of Activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net position. These operating statements present increases (e.g., revenues or additions) and decreases (e.g., expenses or deductions) in total Net position.

The Government-wide Statement of Net Position and Statement of Activities as well as the financial statements of the Proprietary Fund and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within 45 days after the fiscal year-end. Levies made prior to the fiscal year end, but which are not available, are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. The School Board appropriation is determined by the City Council and controlled in total by the primary government. On May 5, 2016, the City Council formally approved the original adopted budget and on June 24, 2017, approved the revised budget reflected in the required supplemental information. Budgets are prepared for the Capital Projects Fund on a project basis, which covers the life of the project. A Capital Projects Fund appropriation does not lapse until an appropriation reduction is approved by City Council.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are classified as committed or assigned in the General Fund, or as restricted fund balance in the non-General Funds. These encumbrances are subject to reappropriation by Council ordinance in the succeeding fiscal year.

E. Equity in Pooled Cash and Investments

Cash resources of the individual funds, including imprest cash of $20,610 and excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Proprietary Funds, Fiduciary Funds, and discretely presented component units (School Board and Library), are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of the State Treasurer's Local Government Investment Pool (LGIP) and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

The Library maintains separate cash and investment accounts consisting of cash and obligations of the federal government and corporate bonds and stocks recorded at fair value. All cash and investments held with fiscal agents for the primary government and its discretely presented component units are recorded at fair value.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The fair value of investments is based on quoted market prices. All investments in external investment pools are reported at fair value.

F. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2017, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Real Property	$ 792,371
Personal	13,882,100
Penalties and Interest	461,415
Total Taxes	15,135,886
Accounts Receivable	7,755
Notes Receivable	309,000
	$ 15,452,641
SPECIAL REVENUE FUND:	
Housing Fund Notes Receivable	$ 39,873,750
CAPITAL PROJECTS FUND:	
Capital Projects Fund Notes Receivable	$ 1,475,000

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The component units' accounts receivable is considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

G. Inventory of Supplies and Prepaid and Other Assets

Primary Government

Inventories of consumable supplies are recorded at cost (determined on a first in, first out basis). Inventory in the General Fund consists of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Reported inventories in the General Fund are equally offset by a reservation of fund balance. Purchases of non-inventory items are recorded as expenses or expenditures under the purchase method. Prepaid expenditures in reimbursable grants are offset by unearned revenues until expenses or expenditures are recognized. Inventory for the Alexandria Transit Company is comprised of parts and operating materials held for consumption. These inventories are costed by methods that approximate average cost or market value, whichever is lower.

Component Units

Inventory for the School Board is comprised of food and commodities on hand pertaining to the Child Nutrition Cluster of programs. Inventories of consumable supplies are recorded at cost using the weighted average method. Inventories received from the U.S. Department of Agriculture are recorded at fair value when received and the amounts consumed are recorded as revenue. The amounts of unused food commodities are reported as inventory and deferred revenue.

Other assets in the government-wide statements also include taxes receivable discussed in Note 4 and deferred interest, which represents the excess of the reacquisition price over the net carrying amount of the refunded bonds discussed in Note 9. The total adjustment to these assets was comprised of the following:

Taxes receivable	$ 17,769,096
Deferred interest	6,479,722
Total Adjustment	$ 24,248,818

H. Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold of $5,000 are met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings..	40 years
Infrastructure...	25 years
Furniture and Other Equipment	3—20 years

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To the extent the City's capitalization threshold of $5,000 is met, capital outlays of the Internal Service Fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds and the government-wide financial statements using the straight-line method and the following estimated useful lives:

Leasehold Improvements.........................	3—40 years
Equipment..	3—20 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets received in a concession arrangement are valued at their acquisition value. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City uses the proceeds from the sale of historical treasures or works of art to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

I. Compensated Absences

The City accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the governmental funds' matured compensated absences liabilities are recorded as other liabilities in the General and Special Revenue Funds. The current and noncurrent portions are recorded in the government-wide financial statements. This includes the discretely presented component unit Library, since the City funds all Library personnel costs.

The component unit School Board accrues matured compensated absences (annual, personal, and sick leave benefits) when vested. The current and noncurrent portions of compensated absences are recorded in the School Board component unit government-wide financial statements.

Alexandria Transit Company accrues annual and sick leave benefits in the period in which they are earned.

K. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

L. Fund Balance

The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balances are available unless prohibited by legal constraints or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available; the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances are reported according to the following categories:

Non-spendable Fund Balance—amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to remain intact. For example, notes receivable, inventory of supplies, prepaid amounts, and assets-held-for-sale.

Restricted Fund Balance—amounts constrained by external parties, constitutional provision, or enabling legislation. Effectively, restrictions may only be changed or lifted with the consent of the resource provider.

Committed Fund Balance—The City's highest level of decision-making authority is the City Council. The formal action required to establish, modify, or rescind a fund balance commitment is an ordinance of the City Council.

Assigned Fund Balance—amounts in the Assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council's delegation of this authority to the City Manager or his designee in the annual operating budget ordinance. Amendments must follow guidance described in Note 1D.

Unassigned Fund Balance—is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The Unassigned fund balance can only be appropriated by a resolution of the City Council.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Detail

General Fund

Nonspendable		
Inventories	$	2,669,726
Prepaids		7,847,389
Long Term Notes		400,000
Total		10,917,115
Committed		
Encumbrances		6,737,149
Self-Insurance		5,000,000
Total		11,737,149
Assigned		
Subsequent Capital Program		18,330,800
Natural Disaster/Emergencies		2,900,000
Economic Contingence		4,600,000
Accrued Leave Payout		1,000,000
Economic Development Incentives		600,000
Transportation Improvement		708,540
FY 2018 Operating Bdget - Affordable Housing		3,605,400
Affordable Housing Programs - NSF		500,000
Voting Machines		594,192
City Projects/Initiatives		2,950,917
Total		35,789,849
Unassigned		61,562,170
Total Fund Balance	$	120,006,283

Self-Insurance—These monies ($5.0 million) have been committed for reserves for the City's self-insurance program.

Subsequent Fiscal Years' Capital Program—These monies ($18.3 million) have been assigned to fund a portion of the capital improvement program, including $3.4 million for projects that were approved in the FY 2017 to FY 2026 CIP, as well as $14.9 for CIP projects in FY 2019 and beyond.

Natural Disaster/Emergencies/ Emergency Response—These funds ($2.9 million) have been assigned to cover damages and operational costs associated with responding to extraordinary emergencies.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Economic Contingency/FY 2019 – These funds ($4.6 million) have been assigned to mitigate the effects of economic uncertainty facing the City in FY 2019 and beyond.

City Projects/Initiatives – These funds ($3.0 million) are assigned to support projects and initiatives that are approved but not yet under contract, such as City Council contingent reserve initiatives.

Voting Machines – To mitigate the potential for voter fraud, $0.6 million has been assigned to replace voting machines in advance of the November 2017 election.

Affordable Housing Programs (FY 2018 Operating Budget) – Funds were included in the FY 2018 Approved Operating Budget ($3.6 million) to increase the available resources for affordable housing initiatives.

Affordable Housing Programs (National Science Foundation FY 2017 Real Estate Tax Revenue) - These funds ($0.5 million) are assigned to increase available resources for affordable housing initiatives.

Transportation Improvement - These funds ($0.7 million) are residual balance of Transportation Improvement funds that are collected through a reservation of Real Estate Taxes.

Accrued Leave Payout - These funds ($1.0 million) are assigned to address leave payouts that are required for employees that are separated from the city either voluntarily or involuntarily.

Economic Development Incentives— These funds ($0.6 million) are assigned to provide funds to incentivize business to locate or expand in the City.

Special Revenue

Restricted		
Grants	$	15,105,544
Donations		5,300,571
Housing Programs		1,990,659
Total		22,396,774
Committed		
Sanitary Sewer		19,927,657
Stormwater		1,522,786
Other Programs		11,333,347
Potomac Yard		17,036,910
NVTA		5,686,859
Total		55,507,559
Total Fund Balance	$	77,904,333

Exhibit XII (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant encumbrances in excess of $1.0 million as of June 30 were:

Fund	Vendor	Amount
Capital Projects	Environmental Quality Resources LLC	$ 5.1 million
Capital Projects	Kimley-Horn and Associates Inc.	$ 2.9 million
Capital Projects	Sevenson Environmental Services Inc.	$ 2.8 million
Capital Projects	Avon Corporation	$ 2.7 million
Capital Projects	The Lane Construction Corporation	$ 2.5 million
Capital Projects	Williams Emergency Vehicle Services	$ 2.0 million
Capital Projects	Keller Brothers Inc.	$ 1.5 million
Capital Projects	N to N Fiber Inc.	$ 1.2 million
Capital Projects	Grunley Construction Co Inc.	$ 1.2 million
Capital Projects	Sagres Construction Corporation	$ 1.0 million
Capital Projects	Webb Construction Company Inc.	$ 1.0 million

M. Short Term Liabilities

Short Term Liabilities include unclaimed funds. The City did not have any short term debt during FY 2017.

N. Deferred Outflows

A deferred outflow of resources represents a consumption of net assets by the government that is applicable to a future period and so will not be recognized as an outflow of resources until the future period. The City recognizes deferred outflows for contributions made subsequent to the measurement date related to pensions, difference between expected and actual experience, changes in assumptions, and net difference between projects and actual earnings on pension plans investments. At June 30, 2017, the City had deferred outflows of resources related to pensions of $36.2 million.

O. Deferred Inflows

A deferred inflow of resources represents an acquisition of net assets by the government that is applicable to a future period and will not be recognized as an inflow of resources (revenue) until that time. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. At June 30, 2017, the City had deferred inflows of resources of $290.1 million.

The City recognizes deferred inflows for the difference between the projected and actual investment earnings and expected and actual experience related to pensions. At June 30, 2017, the City had deferred inflows of resources related to pensions of $12.1 million.

NOTE 2. LEGAL COMPLIANCE – BUDGETS

After a public hearing and several work sessions, the City Council adopts an annual budget no later than June 27 for the succeeding fiscal year to commence July 1. Transfers of appropriations among departments or projects are made throughout the fiscal year by the City Council. The City Council may also approve supplemental appropriations. In FY 2017, the Council approved a reappropriation of prior fiscal year encumbrances as well as various other supplemental appropriations. The City Manager has authority to transfer appropriations within each department. In FY 2017, a number of intradepartmental transfers were made.

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on the funds' average monthly balances. A "zero balance account" mechanism provides for daily sweeps of deposits made to City checking accounts, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the City's general account are invested at all times. Exceptions to this are funds in the Library System's checking account, the School Student Activity Fund account, and some bank accounts administered by the Human Services Department. The City's pooled portfolio also excludes pension plans.

A. Deposits

Primary Government

At June 30, 2017, the carrying value of the City's deposits was $3,380,271 and the bank balance was $6,120,061. The difference between the carrying value of the City's deposits and the bank balance are the checks outstanding. This amount will fluctuate depending on the difference between checks issued and checks paid. The funds for these checks remain invested until the checks are presented for payment at the bank. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (The Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured. The City maintains cash and temporary investments for all funds and component units in a single pooled account, except for certain cash and investments required to be maintained with fiscal agents or in separate pools or accounts in order to comply with the provisions of bond indentures. The City has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP"). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities, and towns. As of June 30, 2017, the City had $163,939,499 in the SNAP short term investment.

Component Units

At June 30, 2017, the carrying value of deposits for the School Board was negative $1,506,270 and the bank balance was $0. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

At June 30, 2017, the carrying value of deposits and bank balance for the Library was $458,268. The entire balance is covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), Virginia Investment Pool (VIP). The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, LGIP and repurchase agreements fully collateralized in obligations of the United States and agencies thereof, CDARS (the Certificate of Deposit Account Registry Service, a service that allows FDIC insured institutions to provide their customers with access to full FDIC insurance on CD investments up to $50 million), ICS (Insured Cash Sweeps), and NOW (Negotiable Order of Withdrawal, an interest bearing bank account with which the customer is permitted to write drafts against money held on deposit) accounts.

During fiscal year 2017 most of the City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts. However, some investments were made in CDARS, ICS, and NOW accounts where deposits are eligible for FDIC insurance.

During the year, the City and its discretely presented component units maintained eight pension plans. The plan provisions allow the assets of the pension plans to be invested by the pension carriers in accordance with provisions of the Code of the Commonwealth of Virginia. The Plans' investments are exposed to various risks such as interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such change could materially affect the amounts reported in the statement of Net position available for benefits.

The City and its discretely presented component units' investments are subject to interest rate, credit and custodial risk as described below:

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than one year.

Credit Risk – State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and Virginia Local Government Investment Pool. The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof, the State Treasurer's LGIP, VIP, CDARS, ICS and NOW accounts. During the fiscal year, the City held its investments in LGIP, CDARS, ICS and NOW, commercial paper, investments of US agencies and VA municipalities. The investments for five of the City's six pension plans are handled by Prudential, a company with an A (Excellent) rating, one of the top three, by A.M. Best rating agency. The investment for the defined contribution plan is directed by employees, and is invested in mutual funds and guaranteed investment accounts. The City has directed Prudential to invest funds for the other four defined benefit pension plans in guaranteed investment accounts, mutual funds and stocks. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS). Prudential also handles investments for OPEB (Other Post-Employment Benefits) trust fund for the City.

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Risk – Custodial risk is the risk that in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently all City investments are held in LGIP, VIP, CDARS, ICS, and NOW accounts. If the City has to invest in a local bank, the City will require a designated portfolio manager. At the time funds are invested, collateral for repurchase agreements will be held in the City's name by a custodial agent for the term of the agreement, and investments in obligations of the United States or its agencies will be held by the Federal Reserve in a custodial account.

As of June 30, 2017, the City had the following cash, investments and maturities:

Primary Government

		Investment Maturities		
INVESTMENT TYPE	**Fair Value**	**1-12 Months**	**13-24 Months**	**25-60 Months**
Fixed Agency Securities	$ 18,900,573	$ 10,379,551	$ 8,521,022	$ -
Fixed Certificate of Deposit	35,557,482	21,099,137	11,352,611	3,105,734
Overnight Funds Securities	206,802,153	206,802,153	-	-
Taxable Muni (Non-Callable) Securities	194,785	194,785	-	-
Treasury Securities	5,415,679	2,325,806	3,089,873	-
Total Investments Controlled by City	266,870,672	240,801,432	22,963,506	3,105,734
OPEB Trust Investments *	57,007,817	-	-	57,007,817
Pension Plan Investments (Exhibit VIII) *	470,549,341	-	-	470,549,341
Total	$ 794,427,830	$ 240,801,432	$ 22,963,506	$ 530,662,892

*Details of investment types for OPEB and Pensions are listed in Note 17, Exhibit XII

Reconciliation to Total Cash and Investments:	
Add:	
Cash on Hand and in Banks	$ 3,380,271
Cash with Fiscal Agents	163,969,373
Total Deposits and Investments	$ 961,777,474

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Unit

School Board

	Investment Maturities			
	Fair Value	**1-12 Months**	**13-24 Months**	**25-60 Months**
Fixed Agency Securities	$ 5,389,043	$ 2,959,479	$ 2,429,564	$ -
Fixed Certificate of Deposit	10,138,361	6,015,912	3,236,924	885,525
Overnight Funds Securities	58,964,660	58,964,660	-	-
Taxable Muni (Non-Callable) Securities	55,538	55,538	-	-
Treasury Securities	1,544,151	663,148	881,003	-
Total Investments Controlled by City	$ 76,091,753	$ 68,658,737	$ 6,547,491	$ 885,525

Component Unit

Library

	Investment Maturities			
	Fair Value	**1-12 Months**	**13-24 Months**	**25-60 Months**
Fixed Agency Securities	$ 12,807	$ 7,033	$ 5,774	$ -
Fixed Certificate of Deposit	24,092	14,296	7,692	2,104
Overnight Funds Securities	140,123	140,123	-	-
Taxable Muni (Non-Callable) Securities	132	132	-	-
Treasury Securities	3,670	1,576	2,094	-
Total Investments Controlled by City	$ 180,824	$ 163,160	$ 15,560	$ 2,104
Total Investments Controlled by City				
Primary Government and Component Units:	$ 343,143,249			

As of June 30, 2017, the City had investments in the following issuers with credit quality ratings as shown below:

			S&P		
	Fair Value	AAA	AA	Overnight Cash Equivalents	Certificate of Deposit
Fixed Agency Securities **	$ 24,302,422	$ -	$ 24,302,422	$ -	$ -
Fixed Certificate of Deposit	45,719,936	-	-	-	45,719,936
Overnight Funds Securities	265,906,936	230,194,611	35,712,325	-	-
Taxable Muni (Non-Callable) Securities\	250,455	-	250,455	-	-
Treasury Securities **	6,963,500	-	6,963,500	-	-
Total Investments Controlled by City & Components	$ 343,143,249	$ 230,194,611	$ 67,228,702	$ -	$ 45,719,936

** Rated by Moody as AAA

**Exhibit XII
(Continued)**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments in any one issuer that represents five percent or more of the total of City of Alexandria's investments are as follows:

Issuer	Investment Type	Fair Value	% of Portfolio
	Virginia Dept of Treasury	$ 210,066,443	61.22%
LGIP	Overnight Funds Securities	20,128,168	5.87%
VIP Overnights	Overnight Funds Securities	35,712,325	10.41%

Reconciliation of total deposits and investments to the government-wide financial statements as of June 30, 2017:

	Governmental Activities	Fiduciary Activities	Total
Primary Government including DASH			
Cash on Hand and In Banks	$ 3,380,271	$ -	$ 3,380,271
Cash and Investments	266,402,360	468,312	266,870,672
Cash and Investments with Fiscal Agents	163,939,499	527,587,032	691,526,531
Total	433,722,130	528,055,344	961,777,474
Component Unit School Board			
Cash on Hand and In Banks	(1,506,270)	-	(1,506,270)
Cash and Investments Controlled by City	76,091,753	-	76,091,753
Total	74,585,483	-	74,585,483
Component Unit Library			
Cash and Investments Controlled by City	180,824	-	180,824
Cash and Investments with Fiscal Agents	3,281,663	-	3,281,663
Total	3,462,487	-	3,462,487
Grand Total	$ 511,770,100	$ 528,055,344	$ 1,039,825,444

Investments in any one issuer that represents five percent or more of the total of City of Alexandria's investments are as follows:

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

The list below summarizes investments managed by the City of Alexandria in accordance with the fair value hierarchy established by the generally accepted accounting principles. Fair value is a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The inputs are categorized at three levels based on the degree of certainty around the asset's underlying value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborate by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

During fiscal year 2017, investments worth $6.9 million were classified in Level 1 of the fair value hierarchy. Additionally, investments worth $106.0 million were classified in Level 2. Fixed government securities worth $24.3 million, taxable municipal securities worth $250,455, fixed certificates of deposit worth $45.7 million, and Virginia Investment Pool 1-3 Year worth $35.7 million were classified in Level 2.

Investments by fair value level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt Securities				
US Treasury Securities	$ 6,963,500	$ 6,963,500	$ -	$ -
Fixed Government Securities	24,302,422	-	24,302,422	-
Taxable Municipal Securities	250,455	-	250,455	-
Fixed Certificates of Deposit	45,719,936	-	45,719,936	-
Virginia Investment Pool 1-3 Year	35,712,325	-	35,712,325	-
Total investments by fair value level	$ 112,948,638	$ 6,963,500	$ 105,985,138	$ -
Investments measured at the net asset value (NAV)				
Virginia Local Govt. Investment Pool	$ 210,066,443			
Virginia Investment Pool - Liquidity	20,128,168			
	230,194,611			
Total Investments	**$ 343,143,249**			

**Exhibit XII
(Continued)**

NOTE 4. RECEIVABLES

Receivables at June 30, 2017, consist of the following:

	General	Special Revenue	Capital Project	Alexandria Transit Company	Total
Taxes					
Real Property	$ 222,949,436	$ -	$ -	$ -	$ 222,949,436
Personal Property	56,199,979	-	-	-	56,199,979
Penalities and Interest	2,749,604	-	-	-	2,749,604
Others	3,354,774	-	-	-	3,354,774
Total Taxes	285,253,794	-	-	-	285,253,794
Account	11,482,158	1,662,844	-	961,700	14,106,702
Interest	65,659	-	-	-	65,659
Intergovernmental	32,109,098	7,203,597	-	16,814	39,329,509
Due from other funds	300,000	-	-	-	300,000
Notes	709,000	42,372,071	1,475,000	-	44,556,071
Gross Receivable	329,919,708	51,238,512	1,475,000	978,514	383,611,734
Less: Allowance for Uncollectables	15,452,641	39,873,750	1,475,000	-	56,801,391
Net Receivables	$ 314,467,068	$ 11,364,762	$ -	$ 978,514	$ 326,810,344

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes, and the current and past 19 years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 5.8 percent of the total taxes receivable at June 30, 2017 and is based on historical collection rates. Almost all of the uncollectible taxes derive from personal property taxes. Almost all of the real property tax receivables as of June 30, 2017, represent the second-half payment due for real estate taxes on November 15, 2017.

Receivables on a government-wide basis include taxes receivable of $17.7 million that are not available to pay for current period expenditures and, therefore, are offset by the deferred inflows in the governmental funds. Tax revenues and the corresponding unearned revenue reported on a government-wide basis, do not include approximately $1.2 million of taxes that are considered current financial resources and, therefore, are reported in the governmental funds. This comprises:

Real Estate Tax Receivables	$ (879,514)
Personal Property Tax Receivables	(344,160)
Total	$ (1,223,674)

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also include unearned revenue related to resources that have been received but not yet earned. At the end of FY 2017 unearned revenue in the governmental funds consisted of the following:

	Unavailable	Unearned	Total
Property taxes, net of related allowances	$ 289,965,653	$ 4,801,105	$ 294,766,758
Grant proceeds received prior to completion of eligibility requirements	-	5,826,854	5,826,854
Total	$ 289,965,653	$ 10,627,959	$ 300,593,612

Deferred Outflows/Inflows

	General Fund	Special Revenue Fund	Comment
Total Deferred Taxes	$ 289,965,653	$ -	
Grants Received Prior to Eligibility	797,542	-	Build America Bond refund in General Fund
Grants Received Prior to Eligibility	-	5,029,312	Eligible grants with timing differences
Total Deferred Outflows, Receivables	$ 290,763,195	$ 5,029,312	

Component Units

Receivables at June 30, 2017, consist of following:

	School Board	Library	Total
Accounts	$ 525,658	$ -	$ 525,658
Intergovernmental	6,277,151	21,443	6,298,594
Total Receivables	$ 6,802,809	$ 21,443	$ 6,824,252

All the component units' receivables are considered to be collectible.

All deferred revenue in the component units is unearned.

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

A. Property Taxes

The City levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City. The Commonwealth assesses public utility property. Neither the City nor the Commonwealth imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and reassessed each year as of January 1. The Real Estate Assessor, by authority of City ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in equal semi-annual installments due June 15 and November 15. The taxes receivable balance at June 30, 2017, includes amounts not yet received from the January 1, 2017 levy (due June 15 and November 15, 2017), less an allowance for uncollectible amounts. The installment due on November 15, 2017 is included as unavailable revenue since these taxes are restricted for use until FY 2017. Liens are placed on the property on the date real estate taxes become delinquent and must be satisfied prior to the sale or transfer of the property. In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rate was $1.13 per $100 of assessed value during calendar year 2017 and $1.073 in 2016.

Personal property tax assessments on tangible business property and all motor vehicles are based on 100 percent of fair market value of the property as of January 1 of each year. For a vehicle, the tax may be prorated for the length of time the vehicle has status in the City. Personal property taxes for the calendar year are due on October 5. Personal property taxes do not create a lien on property; however, City vehicle decals, which are required by law for all vehicles garaged in the City, may not be issued to any individual having outstanding personal property taxes. The taxes receivable balance at June 30, 2017, includes amounts not yet billed or received from the January 1, 2017 levy (due October 5, 2017). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2018. The tax rate for motor vehicles was $5.00 per $100 of assessed value during calendar years 2017 and 2016. The tax rates during calendar years 2017 and 2016 were $4.75 for tangible personal property and $4.50 for machinery and tools per $100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City billed and collected from the State, 61 percent of most taxpayers' payments in FY 2017 for the January 1, 2017 levy. This represented the Commonwealth's share of the local personal property tax payment with the remainder collected by the Commonwealth from taxpayers. Unavailable revenues include the state's share of the January 1, 2017 levy.

B. Notes Receivable

The gross amount of notes receivable is primarily for the City's housing programs and consisted of the following at June 30, 2017:

Governmental Activities

General Fund	$ 709,000
Special Revenue Fund	42,372,071
Capital Projects Fund	1,475,000
Less Allowance for Uncollectible Accounts	(41,657,750)
Net	2,898,321
Amounts due within one year	132,000
Amounts due in more than one year	$ 2,766,321

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2017:

Governmental Activities

Primary Government

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land and Land Improvements	$ 113,091,619	$ 125,244	$ -	$ 113,216,863
Construction in Progress	20,198,875	32,416,288	16,998,717	35,616,446
Total Capital Assets Not Being Depreciated	133,290,494	32,541,532	16,998,717	148,833,309
Depreciable Capital Assets:				
Buildings	665,116,404	5,603,223	-	670,719,627
Infrastructure	263,601,203	12,825,265	-	276,426,468
Intangible Assets	25,704,583	1	-	25,704,584
Furniture and Other Equipment	103,342,751	11,323,546	3,434,182	111,232,115
Total Depreciable Capital Assets	1,057,764,941	29,752,035	3,434,182	1,084,082,794
Less Accumulated Depreciation for:				
Buildings	187,678,767	15,542,251	-	203,221,018
Infrastructure	125,467,059	12,382,836	-	137,849,895
Intangible Assets	16,739,032	2,822,412	-	19,561,444
Furniture and Other Equipment	60,521,617	6,622,169	-	67,143,786
Total Accumulated Depreciation	390,406,475	37,369,668	-	427,776,143
Depreciable Capital Assets, Net	667,358,466	(7,617,633)	3,434,182	656,306,651
Alexandria Transit Company				
Depreciable Capital Assets:				
Equipment	38,621,889	5,054,625	60,900	43,615,614
Less: Accumulated Depreciation	16,460,154	3,094,237	60,900	19,493,491
Total Depreciable Capital Assets, Net	22,161,735	1,960,388	-	24,122,123
TOTALS	$ 822,810,695	$ 26,884,287	$ 20,432,899	$ 829,262,083

The City acquires and maintains all capital assets for the Library. Accordingly, the Library's capital assets are included in the governmental activities totals.

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Governmental activities capital assets, net of accumulated depreciation at June 30, 2017, are comprised of the following:

General Capital Assets, Net	$	789,722,467
Internal Service Fund Capital Assets, Net		15,417,493
Alexandria Transit Company Capital Assets, Net		24,122,123
Total	$	829,262,083

Depreciation was charged to governmental functions as follows:

General Government	$ 4,885,214
Judicial Administration	486,905
Public Safety	4,903,758
Public Works	8,237,061
Depreciation of Infrastructure Assets	8,950,042
Health and Welfare	455,944
Transit	3,094,237
Culture and Recreation	2,270,221
Education	6,930,993
Community Development	249,530
Total	$ 40,463,905

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Primary Government

City Capital Outlay	$	81,389,902
Donated Assets		3,159,592
Depreciation Expense		(40,463,905)
Capital Outlay not capitalized		(38,871,521)
Total Adjustment	$	5,214,068

Donated assets are comprised of infrastructure donated by developers.

Net position Investment in capital assets is computed as follows:

Capital Assets, Net		$	$829,262,083
Outstanding bonds (including premium)	($604,128,527)		
Unspent bond proceeds at SNAP	163,939,499		
			(440,189,028)
Investment in Capital Assets Net of Debt		$	389,073,055

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Component Unit - School Board

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land and Land Improvements	$ 999,381	$ -	$ -	$ 999,381
Construction-in progress	-	45,391	-	45,391
Total Capital Assets Not Being Depreciated	999,381	45,391	-	1,044,772
Depreciable Capital Assets:				
Buildings	38,894,920	151,068	-	39,045,988
Furniture and Other Equipment	16,333,374	5,232,353	225,174	21,790,901
Total Depreciable Capital Assets	55,228,294	5,383,421	225,174	60,836,889
Less Accumulated Depreciation For:				
Buildings and building improvements	36,741,443	406,707	-	37,148,150
Furniture and Other Equipment	10,672,152	1,837,629	225,174	12,734,955
Depreciable Capital Assets, Net	47,413,595	2,244,336	225,174	49,432,757
Total Other Capital Assets, Net	7,814,699	3,139,085	-	10,953,784
TOTALS	$ 8,814,080	$ 3,184,476	$ -	$ 11,998,556

In FY 2002, the Virginia Assembly passed a general law to respond to GASB Statement No. 34 that establishes the local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds for acquisition, construction, or improvement of public school property. The sole purpose of the law is to allow cities and counties the ability to record school assets and related debt liabilities together. As a result, certain assets purchased with the City's general obligation bonds are now recorded as part of the primary government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the Alexandria School Board when the bonds are repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets. All depreciation was charged to education.

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Primary Government

Construction-in-progress is composed of the following at June 30, 2017:

	Project Authorization	Expended Through June 30, 2017	Committed
School Capital Projects	$ 87,677,912	$ 18,481,291	$ -
Infrastructure	14,273,763	976,242	3,574,543
Parks and Recreation	11,503,666	1,538,556	3,180,205
Public Buildings	16,387,141	5,674,398	3,006,399
Public Safety	14,488,305	4,939,035	926,350
Information Technology Hardware	6,676,529	4,006,924	1,442,879
TOTALS	$151,007,316	$ 35,616,446	$12,130,376

Component Units

There was no construction in progress authorizations for the component units.

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT

The City is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property and the following liability insurance policies as of June 30, 2017: public entity and public officials excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, and commercial crime. In addition, the City maintains excess workers' compensation insurance. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

The City is self-insured for workers' compensation claims up to $1.0 million, and for public officers, public entity, physical damage to vehicles, and vehicle general liability under $2.0 million and over $10.0 million. The following Constitutional Officers and City employees are covered by surety bonds issued by Aetna Casualty and Surety in the amounts shown below as of June 30, 2017:

Director of Finance	$ 1,000,000
Deputy Director of Finance	$ 1,000,000
Treasurer	$ 1,000,000
Comptroller	$ 1,000,000
Revenue Director	$ 1,000,000
Retirement Administrator	$ 1,000,000
Clerk of the Circuit Court	$ 103,000*
Sheriff	$ 30,000*
All other City employees	$ 100,000
Alexandria Historic Restoration and Preservation Commissioners	$ 10,000

* Bond provided by the Commonwealth of Virginia

Self-Insurance

The non-current portion of unpaid workers' compensation claims amounted to approximately $21.0 million as of June 30, 2017, and is reflected in the government-wide statements. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. In FY 2009, the City became self-insured for one of the two health insurance plans offered to employees. At June 30, 2017 the current portion of employees' health insurance was $1.0 million which represents an estimate of health insurance claims that have been incurred but not reported and are reported in accrued liabilities. The amount of expenditures did not exceed funds that are available to pay the claims covering a period of four years. Therefore, a long-term liability has not been recorded as of June 30, 2017. Liabilities are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. An independent contractor processes claims and the City records a provision and liability in the government-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

Changes in the estimated claims payable for workers' compensation and health insurance during the fiscal years ended June 30, 2017 and 2016 were as follows:

	Workers' Compensation	Health Insurance
July 1, 2015 Liability Balances	$ 19,167,112	$ 1,226,711
Claims and changes in estimates	7,052,176	18,896,206
Claim Payments	(5,731,464)	(18,342,051)
June 30, 2016 Liability Balances	20,487,824	1,780,866
Claims and changes in estimates	6,181,777	19,655,247
Claim Payments	(5,683,417)	(20,422,967)
June 30, 2017 Liability Balances	$ 20,986,184	$ 1,013,146

The Health Insurance liability is included in the accrued liability

Insurance Commitment

In addition, the City has established a General Fund self-insurance commitment of $5.0 million as of June 30, 2017.

Risk Pools

On March 15, 1986, the City joined the Commonwealth of Virginia's Law Enforcement Liability plan, called VA Risk, on behalf of the Office of the Sheriff. The Division of Risk Management of the Commonwealth's Department of General Services operates VA Risk. The division was created in accordance with Sec. 2.1-526.8:1 of the Code of Virginia, which says that the State shall have the right and duty to defend any suit seeking damages or compensation against the City's officials and employees on account of wrongful acts, even if any of the allegations of the suit are groundless, false, or fraudulent, and may make the investigation and settlement of any claims or suit as deemed expedient. The limits of VA Risk coverage are $1.0 million per claim. The City retains the risk for all claims in excess of $1.0 million. Claims have not exceeded coverage in the last three years.

On October 1, 1987, the Alexandria Transit Company joined the Virginia Transit Liability Pool. Commercial companies service the Virginia Transit Liability Pool.

The coverage and limits of the pool's liability to the City are as follows:

Commercial General Liability	$20 million
Automobile Liability	$20 million
Uninsured Motorist..	$50,000
Automobile Physical Damage	(Actual Cash Value)

Under the provisions of the Virginia Workers' Compensation Act, the Alexandria Transit Company has secured the payment of Virginia compensation benefits and employers' liability coverage with the Virginia Municipal Group Self-Insurance Association (VMGSIA). VMGSIA is a public entity risk pool providing a comprehensive workers' compensation insurance program to Virginia municipalities and other local government entities. In addition to insurance coverage, the program provides risk management services with emphasis on loss control and claims

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

administration. The Alexandria Transit Company pays an annual premium to VMGSIA for workers' compensation coverage. VMGSIA is self-sustaining through member premiums and will reinsure for claims in excess of $5.0 million. Each member's premium is determined through an actuarial analysis based upon the individual member's past experience and number of employees. In FY 2017, the Alexandria Transit Company paid an annual premium of $0.2 million for participation in this pool.

Line of Duty Death and Disability Benefits

The City provides death and health benefits to the beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the Code of Virginia.

Effective July 1, 2012 the City opted out of the Virginia Plan. The City now self-funds and self-administers its Line of Duty Benefits. Effective July 1, 2017, LOD retirees must elect a plan administered through the Virginia Department of Human Resources (DHRM). The City will pay DHRM the premiums for covered retirees, spouses, and widows. In FY 2017, the City contributed to the OPEB trust fund for line of duty benefits. In fiscal year 2017, an actuarial valuation was issued for Line of Duty benefits. According to the December 31, 2016 actuarial valuation, 753 active employees were eligible for Line of Duty benefits. As of June, 2017, 74 beneficiaries were receiving Line of Duty payments. During FY 2017, Line of Duty payments for the recipients amounted to $1.1 million.

Component Units

The School Board carries commercial insurance for all risks of loss including property, theft, auto liability, physical damage, and general liability insurance through the Virginia Municipal League. Settled claims resulting from these risks have not exceeded commercial reinsurance coverage for the past three years. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years. The School Board also carries catastrophic medical insurance for Virginia High School League Student participants.

The Library carries commercial insurance with the Virginia Municipal League for all risks of loss including property insurance, theft, auto liability, physical damage, and general liability insurances. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

Exhibit XII
(Continued)

NOTE 7. OPERATING LEASES

Rental Costs

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through FY 2032. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index.

Scheduled minimum rental payments for succeeding fiscal years ending June 30 are as follows:

Fiscal Year	Primary Government	School Board Component Unit
2018	$4,830,429	$2,899,964
2019	5,042,914	2,972,151
2020	5,262,017	2,944,354
2021	5,558,562	2,974,678
2022	5,722,693	3,056,481
2023-2027	30,265,981	10,919,218
2028-2032	28,627,843	10,919,218

Total rental costs during FY 2017 for operating leases were $5.1 million for the Primary Government and $3.5 million for the School Board.

Rental Revenues

The City also leases various City-owned properties and buildings under non-cancellable long-term lease agreements through FY 2032. The net book value of leased assets of $5.6 million (cost of $21.8 million less accumulated depreciation of $16.2 million) is included in capital assets in the government-wide financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index.

Scheduled minimum revenues for succeeding fiscal years ending June 30 are as follows:

Fiscal Year	Total Revenues
2018	$739,770
2019	560,728
2020	541,136
2021	479,859
2022	426,901
2023-2027	1,660,558
2028-2032	1,103,131

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES

A. Washington Metropolitan Area Transit Authority

The City's commitments to the Washington Metropolitan Area Transit Authority (WMATA) are comprised of agreements to make capital contributions for construction of the rail transit system, contributions for replacement and improvement of rail and bus equipment, and payments of operating subsidies for rail, bus, and paratransit systems.

Due to the State requirement to reflect all State aid to all jurisdictions in their accounting statements according to Generally Accepted Accounting Principles, all State funding for WMATA received and administered by Northern Virginia Transportation Commission (NVTC) are now reflected in the accounting statements in addition to these footnotes. Total Department of Rail and Public Transportation (DRPT) funding for WMATA administered by NVTC on behalf of the City of Alexandria for FY 2017 amounted to $6.9 million.

The City and other participating jurisdictions have entered into a series of capital contribution agreements with WMATA to fund the local share of the cost of the regional Metrorail, Metrobus, and Metro Access transit systems. The City's commitments are summarized as follows:

1. Capital contributions - Bus and Rail Replacement

During FY 2004 the WMATA Board, the City, and other participating jurisdictions in the Washington, D.C. area discussed and negotiated a multi-year capital funding agreement known as "Metro Matters". This agreement reflects some $3.2 billion in Metrorail and Metrobus infrastructure capital improvements, as well as the expansion of Metro transit services through the acquisition of new railcars and buses. The participating jurisdictions' share is planned at $1.9 billion over a 20-year period with $0.9 billion planned during the first six years. The City's share is $82.5 million over the 20-year period with $40.7 million planned during the first six years. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The City opted out of the new 2009 series bond issue by prefunding its share. In June 2010, a new funding agreement was signed by all members of the WMATA Compact. It sets forth a commitment of one year's funding with five planning years. The new funding agreement assumes an increase of $150 million per year of new federal funds, matched by the Commonwealth of Virginia, the State of Maryland, and the District of Columbia. The new agreement totals to $5.0 billion, of which $2.5 billion will be funded by the federal government. Per the Metro Matters agreement, the participating jurisdictions' financial obligations, including the City, are subject to individual jurisdictional annual appropriation consideration.

For the fiscal year ended June 30, 2017, the total City obligation was $9.0 million, which includes payments to WMATA as well as debt service for the 2009 series of bonds used to prefund the City share. The debt service is also included in Exhibit IV in the total reported debt service. The state Aid and NVTC funding used for a portion of the payments to WMATA is included in the reported Special Revenue Fund activities for FY 2017. The City paid this obligation from the following sources:

City payments	$ 3,500,000
State Aid and NVTC reimbursable	4,391,880
City Debt Service for 2009 bonds	1,125,400
TOTAL	$ 9,017,280

2. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2017, obligations for bus and rail subsidies amounted to $33.5 million. The City paid this obligation from the following sources:

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

City payments	$ 6,821,452
State Aid and State Motor Fuel Sales Tax rev	24,068,872
NVTA 30%..	2,573,000
TOTAL	$33,463,324

Expected obligations for FY 2018 are $40.3 million of which $13.6 million is expected to be paid from the City's General Fund. They City will also use $24.3 million from NVTC funding and $2.4 million from NVTA 30% funding to cover the rest of the obligations.

3. WMATA Transit Revenue Bonds

WMATA issued approximately $1 billion of federally guaranteed transit revenue bonds to fund part of the construction of the rail transit system. Operating revenues have been insufficient to retire this debt. The federal government and WMATA entered into an agreement whereby the federal government agreed to pay two-thirds of the debt service costs for these bonds and to advance part of the remaining one-third during the first three years of the agreement. The agreement requires that WMATA repay the federal advances with interest and one-third of the debt service on the bonds. WMATA allocated the cost of the advances and the one-third of the debt service costs among the participating jurisdictions. The City has not agreed to any payments for the one-third allocation of debt service, but the Northern Virginia Transportation Commission (NVTC) has paid, from state aid, all such costs allocated to Northern Virginia jurisdictions, of which $1,161,890 was the City's allocation during the fiscal year ended June 30, 2017. However, NVTC has not paid any of the allocations for federal advances. In July of 1985, the Alexandria City Council authorized NVTC to pay $4.2 million to WMATA, including accrued interest, from state aid on deposit to the credit of the City. This was the total amount allocated to the City by WMATA for advances by the federal government, including accrued interest. The City has thus, with such authorization, satisfied all claims due to WMATA for transit revenue bonds.

4. Potomac Yard Metrorail Station

As a major long-term economic development initiative, on June 12, 2010, the City approved the North Potomac Yard Small Area Plan, a major rezoning of 69 acres of prime real estate located in the Potomac Yard area of the City into a high density mixed-use development of over 7.5 million square feet. An integral part of this plan, which is expected to add approximately 10 percent to the City's tax base and generate over $1 billion in new tax revenue over a 30-year period, entails the construction of a new Metrorail station on the existing heavy rail Metrorail line.

Potomac Yard is located in the northeast area of the City immediately south of downtown Washington, D.C. and Ronald Reagan Washington National Airport. Potomac Yard consists of two parcels, North Potomac Yard and South Potomac Yard, which are divided into smaller geographic units or "landbays" for zoning and development purposes. Two special tax districts have been established to generate revenue for construction of the new Metrorail station. In December 2010, City Council approved the Tier I Special Services Tax District for Landbays F, G, and H and the multi-family portion of Landbay I. Tier I tax collections began in 2011 at the rate of 20 cents per $100 of valuation. In 2011, City Council approved a Tier II Tax District (Landbays I and J) with a 10-cent per $100 of valuation levy to be initiated in the calendar year after the new Metrorail station opens (now estimated to open in 2021). Whether that Tier II levy will be approved by City Council is planned to be determined in 2018.

The City of Alexandria was the project sponsor of the Environmental Impact Statement (EIS) managed by WMATA. WMATA's process includes technical and environmental analyses as well as public involvement. Project development is subject to the requirements of the National Environmental Policy Act (NEPA) and Section 4(f) of the Department of Transportation Act. City Council chose Alternative B as the Locally Preferred Alternative on May 20, 2015.

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

On June 16, 2016, City Council unanimously approved the Master Plan Amendment, Map Amendment (rezoning), and Development Special Use Permit (DSUP) with site plan and associated Special Use Permits to construct a Metrorail station and associated facilities in Potomac Yard. The Federal Transit Administration and the National Park Service issued their Records of Decision for the Potomac Yard Metrorail Station in the fall 2016. This marked the last step in the review process under the National Environmental Policy Act. Following the FTA and NPS Records of Decision, WMATA issued its Request for Proposal (RFP) for the design-build contract on November 28, 2016, and the project is currently in the WMATA procurement phase.

The City prepared an updated financial feasibility analysis in spring 2015 that reconfirmed the City's ability to finance the station. The sources included net new tax revenues from Potomac Yard, two Special Services Tax Districts, developer contributions, $69.5 million from the Northern Virginia Transportation Authority ($3.5 million of which has been secured), and a $50 million Virginia Transportation Infrastructure Bank (VTIB) loan that was awarded to the City by the Commonwealth Transportation Board in January 2015. Up to one-third of the project costs are being sought through federal TIFIA (Build America Bureau) financing, and if successful will replace a portion of the planned City General Obligation bond issuance. The analysis showed that Alternative B is financially feasible.

The financial risk to the City associated with the Metrorail station project will be carefully structured and managed. The projected "gap" between the anticipated tax revenues from the special tax district, per square foot developer contributions, plus additional incremental net new revenues generated by the project, will need to be "bridged" in the early years of any City bond and VTIB State loan financing by capitalizing interest during construction. Due to upfront developer guarantees, current projections estimate no negative cash flow impact on the City's General Fund in any given year. The actual decision on whether and when to authorize the issuance of City bonds for the station's construction will be made based on factors such as the to-be-determined station cost, outside funding sources and prevailing interest rates, as well as development progress in Potomac Yard, which needs to generate substantial new tax revenues to cover debt service.

Debt service payments would be funded through developer contributions, net new tax revenues generated in Potomac Yard, and Potomac Yard Special Services Tax District levies. There is planned to be no negative impact to the City's General Fund.

B. Litigation

The City is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance that may ultimately be incurred as a result of the suits and claims will not be material.

C. Waste-To-Energy Facility

The City has a waste disposal commitment to the Waste-to-Energy Facility (the "Facility"), which is owned and operated by a private corporation (the "Corporation"). The commitment, which is joint with Arlington County, Virginia (the "County"), is based on a combined volume of solid waste the City and the County expect to collect together. The Facility charges the City and the County fees on each ton based on a waste disposal agreement and contracts separately with private haulers for additional waste. It is expected that the City and the County will be able to continue to meet their minimum requirement for annual tonnage of 46,000 to 66,000 tons per year. The City and the County have the ability to adjust the tonnage thresholds annually if it appears the annual tonnage is approaching a minimum or maximum threshold.

The construction of the waste-to-energy facility was originally financed with revenue bonds issued by the Alexandria Industrial Development Authority in 1984. The Arlington Solid Waste Authority, together with the Alexandria Sanitation Authority (the "Authorities") and the private company, refinanced these bonds in July 1998 to achieve debt service savings. Upon the maturity of the bond in January 2008, the ownership of the plant passed to

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

the private company. The Authorities issued new bonds in November 1998 to finance the retrofit of the facility to meet Clear Air Act requirements. This retrofit was completed by November 9, 2000 in advance of the EPA deadline of December 19, 2000. The retrofit assets continue to be owned by the Authorities.

Acceptance testing on each unit was completed in November 2000, and the Operating Lease agreement between the Authorities and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the City records and are now considered a part of the plant.

By December 2012 all of the revenue bonds debt service had been paid in full. A new Facilities Monitoring Group ("FMG") was established and a new trust fund was set up to fund FMG'S activities. It is funded entirely by contributions from Arlington County (60%) and the City (40%). The FMG budget for FY 2017 was $118,000 and according to the interjurisdictional agreement the City's contribution was $47,200. Operating costs of the Facility are paid for primarily through tipping fees. The City paid $0.9 million in tipping fees in FY 2017.

D. Northern Virginia Transportation District Bonds

In November 1999, the City signed an agreement with the Commonwealth Transportation Board to provide $256,070 annually, subject to appropriation, to finance certain Northern Virginia Transportation District Bond projects benefiting the City and other jurisdictions in Northern Virginia. The FY 2017 payment of $256,070 was made from the proceeds from the City's telecommunications tax received by the General Fund. The City is not liable for repayment of the 20-year bonds.

E. Combined Sanitary Sewer/Stormwater Sewer System

Because of state and federal regulations mandating the improvement of water quality for the Chesapeake Bay in the six states and the District of Columbia that comprise the Bay's watershed, many cities and counties in this large multi-state geographic area have been and/or will be required to make significant capital investments in stormwater treatment systems over the coming decades. For Alexandria, this means more than $400 million in investments to its combined sanitary-stormwater sewer system over the next 10 years, as well as investing between $100 million to $150 million to upgrade stormwater infrastructure over the next two to three decades.

In the case of the state stormwater management mandates, all Virginia municipalities in the Chesapeake Bay watershed regulated by a municipal separate storm sewer system ("MS4") stormwater permit will need to make 5.0 percent of the necessary stormwater-related pollution reductions in the 2013-2018 time period, another 35 percent in the 2018-2023 time period, and the final 60 percent in the 2023-2028 time period to meet 100 percent of the target reductions. The City's stormwater discharge MS4 permit was recently renewed in 2013. The estimated cost of these improvements over this 15-year time period is between $65 million and $100 million.

The City's combined sanitary and stormwater sewer system in the Old Town area currently comprises approximately 540 acres of the approximate 10,000 acres of land in the City. The system has been operating under a series of five-year permits from the Virginia Department of Environmental Quality ("DEQ"). The FY 2018 Sanitary Sewer Ten-Year Plan includes an additional $385.0 million to comply with legislation passed by the 2017 Virginia General Assembly, which requires the City to accelerate its efforts to address combined sewer discharges from all four outfalls. The bill mandates construction for each outfall be complete no later than July 1, 2025. The City is working with deliberate speed to complete each of these outfall construction projects by the legislatively set deadline.

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Prior to this recent development, the City had submitted a Long Term Control Plan Update ("LTCPU") for its combined sewer system to the DEQ, which had required an update due to new regulatory requirements related to the Hunting Creek Bacteria Total Maximum Daily Load, which requires significant reductions in combined sewer discharges from three of the City's four outfalls (CSO-002/003-004), to be implemented no later than 2035. The LTCPU also provided planning measures to address the fourth remaining outfall (CSO-001). The mandates passed by the General Assembly supersede the LTCPU submitted by the City.

The current ten-year CIP includes $523.5 million for sanitary sewer and stormwater capital projects. The City's future funding strategy involves increasing the sanitary sewer maintenance fee over the next several fiscal years to provide additional resources for separation of the City's combined sanitary-stormwater system. The sanitary sewer line maintenance charge increased from $1.40 to $1.82 per 1,000 gallons of water in 2018. The sanitary sewer fee is estimated to increase to more than $8.00 per 1,000 gallons of water in the next ten years largely to pay for the combined sewer outfall construction project. In addition to increasing the sanitary sewer fees, in May 2017 City Council approved a new Stormwater Utility Fee. Collection of this fee will begin in Calendar Year 2018, and the typical single family home will be charged approximately $140 per year.

NOTE 9. LONG-TERM DEBT

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The City currently has no outstanding arbitrage obligation. General obligation bonds outstanding as of June 30, 2017, are comprised of the following individual issues:

1.	$34.2 million General Obligation Refunding Bond of 2016 (tax exempt), installments ranging from $0.4 to $4.1 through 2031, bearing interest rate 1.9 percent payable semiannually on January 15 and July 15, and maturing on July 15, 2031. The City irrevocably exercises its option to redeem all the refunded bonds on the redemption date.	$	34,168,000
2.	$73.7 million General Obligation Capital Improvement Bonds of 2016 (tax exempt), installments ranging from $1.4 to $4.0 through 2036, bearing interest rates ranging from 2.0 percent to 5.0 percent payable semiannually on January 15 and July 15, and maturing on July 15, 2036. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July, 2026.		73,735,000
3.	$10.6 million General Obligation Refunding Bonds (taxable) of 2015, installments ranging from $1 to $1.1 million through 2028, bearing interest rates ranging from 0.9 to 3.5 percent payable semiannually on January 15 and July 15 and maturing on July 15, 2028.The Bonds will not be subject to optional redemption prior to maturity.		9,610,000
4.	$23.2 million General Obligation Capital Improvement (tax-exempt) Bonds of 2015, installments ranging from $1.1 to $1.2 million through 2035, bearing interest rates ranging from 3.0 to 5.0 percent payable semiannually on January 15 and July 15. The Bonds are subject to optional redemption in whole or in part at the direction of the City on or after July 15, 2025.		22,050,000
5.	$34.0 million General Obligation (tax-exempt) Refunding Bonds of 2015, installments ranging from $0.4 to $6.2 million through 2028, bearing interest at 1.9 percent. The Bonds are subject to optional redemption in whole or in part, at any time, by the City, upon thirty days prior written notice, at a redemption price equal to 100% of the outstanding principal amount of the Bond redeemed plus accrued interest to the redemption date, plus the Fixed Rate Prepayment Charge. This is a direct bank loan		33,050,000
6.	$36.0 million General Obligation Improvement (tax-exempt) Bonds of 2014 installments averaging $1.8 million through 2035, bearing interest rates ranging from 2.0 percent to 5.0 percent. The Bonds maturing on or before January 15, 2025 are not subject to redemption prior to maturity. The Bonds maturing on or after January 15, 2026, may be redeemed before their maturities on or after January 15, 2025, at the option of the City, in whole or in part, in installments of $5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption		32,395,000
7.	$18.6 million General Obligation (tax-exempt) Refunding Bonds of 2014, installments ranging from $2.8 to $3.4 million through 2020, bearing interest at 1.0 percent. The Bonds maturing on or before June 15, 2020 are not subject to redemption prior to maturity. This is a direct bank loan. The debt is being held as an investment with no intention of sale or distribution.		8,750,000
8.	$63.8 million General Obligation Capital Improvement (tax-exempt) Bonds of 2013, installments averaging $3.3 million through 2033, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The Bonds maturing on or before June 15, 2023, are not subject to redemption prior to their maturity. The bonds maturing on or after June 15, 2024, are subject to optional redemption before maturity on or after June 15, 2023, at the option of the city in whole or in part, in installments of $5,000 at any time or from time to time at par plus the interest accrued and on the principal amount to be redeemed to the date fixed for redemption.		52,885,000
9.	$76.8 million General Obligation Capital Improvement (tax-exempt) Bonds of 2012, installments ranging from $200,000 to $4.0 million through 2033, bearing interest rates ranging from 2.0 percent to 5.0 percent. The Bonds maturing on or before June 15, 2022 are not subject to redemption prior to maturity. The Bonds maturing on or after June 15, 2023, may be redeemed before their maturities on or after June 15, 2022 at the option of the City, in whole or in part, in installments of $5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption.	$	63,800,000

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

10.	$17.3 million General Obligation (tax-exempt) Refunding Bonds of 2012, installments ranging from $70,000 to $5.6 million through 2025, bearing interest at rates ranging from 2.0 percent to 4.0 percent. The Bonds maturing on or after June 15, 2022, are not subject to redemption before maturity. The bonds at the time outstanding that are stated to mature on or after June 15, 2023, may be redeemed before their maturities on or after June 15, 2022, at the option of the city in whole or in part, in installments of $5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption	$	14,000,000
11.	$63.6 million General Obligation (tax-exempt) Refunding Bonds of 2012, installments ranging from $2.9 million to $8.6 million through 2023, bearing interest rates ranging from 2.0 percent to 4.5 percent. The Bonds maturing on or before June 15, 2022, are not subject to optional redemption. The Bonds maturing on June 15, 2023, are subject to optional redemption before maturity on or after June 15, 2022, at the direction of the City in whole or in part in installments of $5,000 at par plus interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption.		46,145,000
12.	$70.0 million General Obligation Capital Improvement (tax-exempt) Bonds of 2011, installments ranging from $1.0 million to $3.8 million through 2031, bearing interest rates ranging from 2.0 percent to 5.0 percent. The Bonds maturing on or before July 15, 2021, are not subject to redemption prior to maturity. The Bonds maturing on or after July 15, 2022, are subject to optional redemption before maturity on or after July 15, 2021, at the direction of the City, in whole or in part, in installments of $5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption.		26,340,000
13.	$55.3 million General Obligation Capital Improvement (taxable Build America) Bonds of 2010, installments ranging from $3.7 million to $4.4 million through 2030, bearing interest at rates ranging from 3.6 percent to 5.0 percent for which the federal government provides a 35 percent interest rate subsidy. The Bonds maturing on or after July 1, 2021, are subject to optional redemption, in whole or part, at the direction of the City. The bonds are subject to redemption prior to July 2020, at the option of the City, upon the occurrence of an Extraordinary Event.		55,300,000
14.	$35.2 million General Obligation Capital Improvement (tax-exempt) Bonds of 2009 installments ranging from $1.1 million to $4.1 million through 2019, bearing interest at rates ranging from 1.8 percent to 4.0 percent. The Bonds are not subject to redemption prior to maturity		12,300,000
15.	$44.5 million General Obligation Improvement (taxable-Build America) Bonds of 2009 installments ranging from $4.1 million to $4.8 million through 2029, bearing interest at rates ranging from 4.9 percent to 5.7 percent for which the Federal government provides a 35 percent interest rate subsidy. The Bonds maturing on or after July 1, 2019, are subject to optional redemption before maturity on or after July 1, 2019, at the direction of the City, in whole or in part installments of $5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption		44,500,000
16.	$58.0 million General Obligation (tax-exempt) Bonds of 2008, installments ranging from $0.9 million to $3.1 million through 2028, bearing interest at rates ranging from 3.4 percent to 5.0 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, at the direction of the City, in whole or in part installments of $5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption		12,400,000
17.	$5.0 million General Obligation (taxable) Bonds of 2008, installments averaging from $0.3 million through 2018, bearing interest at rates ranging from 5.0 percent to 5.25 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, at the direction of the City, in whole or in part installments of $5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.		500,000
18.	$22.8 million General Obligation (tax-exempt) Refunding Bonds of 2007, installments ranging from $2.8 million to $2.9 million through 2021, bearing interest at rates ranging from 4.5 percent to 4.9 percent. The bonds are not subject to redemption prior to their maturity		11,305,000
19.	$40 million Public Improvement Bonds of 1999 due in annual installments of $2 million through 2019, bearing interest at rates ranging from 4.3 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity		4,000,000
	Total	$	557,233,000

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The outstanding bonds have been issued as follows:

1. General Obligation Refunding Bond of 2016B

Issue	Rate	Maturity Date July 15,
$ 367,000	1.91%	2017
374,000	1.91%	2018
381,000	1.91%	2019
389,000	1.91%	2020
396,000	1.91%	2021
404,000	1.91%	2022
412,000	1.91%	2023
4,154,000	1.91%	2024
4,111,000	1.91%	2025
4,052,000	1.91%	2026
3,979,000	1.91%	2027
3,904,000	1.91%	2028
3,827,000	1.91%	2029
3,749,000	1.91%	2030
3,669,000	1.91%	2031
$ 34,168,000		

2. General Obligation Bonds of 2016A

CUSIP	Issue	Rate	Maturity Date July 15,
0153022M3	$ 1,400,000	5.00%	2017
0153022N1	2,100,000	5.00%	2018
0153022P6	2,800,000	5.00%	2019
0153022Q4	3,515,000	4.00%	2020
0153022R2	3,995,000	5.00%	2021
0153022S0	3,995,000	5.00%	2022
0153022T8	3,995,000	5.00%	2023
0153022U5	3,995,000	5.00%	2024
0153022V3	3,995,000	5.00%	2025
0153022W1	3,995,000	5.00%	2026
0153022X9	3,995,000	5.00%	2027
0153022Y7	3,995,000	5.00%	2028
0153022Z4	3,995,000	2.00%	2029
0153023A8	3,995,000	2.13%	2030
0153023B6	3,995,000	2.63%	2031
0153023C4	3,995,000	2.75%	2032
0153023D2	3,995,000	2.88%	2033
0153023EO	3,995,000	3.00%	2034
0153023F7	3,995,000	3.00%	2035
0153023G5	3,995,000	3.00%	2036
	$ 73,735,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

3. General Obligation Bonds (taxable) of 2015C

CUSIP	Issue	Rate	Maturity Date July 15,
015302Z96	$ 960,000	0.85%	2017
0153022A9	925,000	1.20%	2018
0153022B7	1,140,000	1.55%	2019
0153022C5	1,100,000	1.90%	2020
0153022D3	1,065,000	2.30%	2021
0153022E1	1,040,000	2.45%	2022
0153022F8	1,010,000	2.75%	2023
0153022G6	980,000	2.85%	2024
0153022H4	950,000	3.00%	2025
0153022J0	155,000	3.15%	2026
0153022K7	145,000	3.35%	2027
0153022L5	140,000	3.50%	2028
	$ 9,610,000		

4. General Obligation Capital Improvement Bonds of 2015B

CUSIP	Issue	Rate	Maturity Date July 15,
015302X56	$ 1,165,000	5.00%	2017
015302X64	1,165,000	5.00%	2018
015302X72	1,165,000	5.00%	2019
015302X80	1,165,000	5.00%	2020
015302X98	1,165,000	5.00%	2021
015302Y22	1,165,000	5.00%	2022
015302Y30	1,165,000	5.00%	2023
015302Y48	1,165,000	5.00%	2024
015302Y55	1,165,000	5.00%	2025
015302Y63	1,165,000	5.00%	2026
015302Y71	1,165,000	5.00%	2027
015302Y89	1,165,000	3.00%	2028
015302Y97	1,165,000	3.00%	2029
015302Z21	1,165,000	3.00%	2030
015302Z39	1,165,000	3.00%	2031
015302Z47	1,165,000	3.13%	2032
015302Z54	1,165,000	3.13%	2033
015302Z62	1,165,000	3.25%	2034
015302Z70	1,080,000	3.25%	2035
	$ 22,050,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

5. General Obligation Refunding Bond of 2015A Direct Bank Loan

Issue	Rate	Maturity Date July 15,
$ 395,000	1.86%	2017
400,000	1.86%	2018
410,000	1.86%	2019
415,000	1.86%	2020
3,490,000	1.86%	2021
3,430,000	1.86%	2022
3,365,000	1.86%	2023
6,240,000	1.86%	2024
6,100,000	1.86%	2025
3,015,000	1.86%	2026
2,935,000	1.86%	2027
2,855,000	1.86%	2028
$ 33,050,000		

6. General Obligation Capital Improvement Bonds of 2014B

CUSIP	Issue	Rate	Maturity Date January 15,
015302V25	$ 1,800,000	2.00%	2018
015302V33	1,800,000	2.00%	2019
015302V41	1,800,000	3.00%	2020
015302V58	1,800,000	3.00%	2021
015302V66	1,800,000	5.00%	2022
015302V74	1,800,000	5.00%	2023
015302V82	1,800,000	5.00%	2024
015302V90	1,800,000	5.00%	2025
015302W24	1,800,000	3.00%	2026
015302W32	1,800,000	4.00%	2027
015302W40	1,800,000	4.00%	2028
015302W57	1,800,000	4.00%	2029
015302X31	1,800,000	4.00%	2030
015302W65	1,800,000	3.00%	2031
015302W73	1,800,000	3.00%	2032
015302W81	1,800,000	3.00%	2033
015302W99	1,800,000	3.13%	2034
015302X23	1,795,000	3.20%	2035
	$ 32,395,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

7. General Obligation Refunding Bonds of 2014A Direct Bank Loan

Issue	Rate	Maturity Date June 15,
$ 3,050,000	1.00%	2018
2,915,000	1.00%	2019
2,785,000	1.00%	2020
$ 8,750,000		

8. General Obligation Capital Improvement Bonds of 2013

CUSIP	Issue	Rate	Maturity Date June 15,
015302S86	$ 3,305,000	5.00%	2018
015302S94	3,305,000	5.00%	2019
015302T28	3,305,000	5.00%	2020
015302T36	3,305,000	5.00%	2021
015302T44	3,305,000	5.00%	2022
015302T51	3,305,000	5.00%	2023
015302T69	3,305,000	4.00%	2024
015302T77	3,305,000	4.00%	2025
015302T85	3,305,000	4.00%	2026
015302T93	3,305,000	4.00%	2027
015302U26	3,305,000	4.00%	2028
015302U34	3,305,000	4.50%	2029
015302U42	3,305,000	4.50%	2030
015302U59	3,305,000	4.50%	2031
015302U67	3,305,000	4.50%	2032
015302U75	3,310,000	4.50%	2033
	$ 52,885,000		

9. Public Improvement Bonds of 2012 B

CUSIP	Issue	Rate	Maturity Date June 15,
015302P30	$ 4,000,000	5.00%	2018
015302P48	4,000,000	5.00%	2019
015302P55	4,000,000	5.00%	2020
015302P63	4,000,000	5.00%	2021
015302P71	4,000,000	5.00%	2022
015302P89	4,000,000	5.00%	2023
015302P97	3,980,000	5.00%	2024
015302Q21	3,980,000	4.00%	2025
015302Q39	3,980,000	4.00%	2026
015302Q47	3,980,000	4.00%	2027
015302Q54	3,980,000	4.00%	2028
015302Q62	3,980,000	3.00%	2029
015302Q70	3,980,000	3.00%	2030
015302Q88	3,980,000	3.00%	2031
015302Q96	3,980,000	3.13%	2032
015302R20	3,980,000	3.25%	2033
	$ 63,800,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

10. Refunding Bonds of 2012 C

CUSIP	Issue	Rate	Maturity Date June 15,
015302R87	$ 2,980,000	4.00%	2018
015302R95	2,750,000	3.00%	2023
015302S29	5,630,000	3.00%	2024
015302S37	2,640,000	3.00%	2025
	$ 14,000,000		

11. Refunding Bonds of 2012

CUSIP	Issue	Rate	Maturity Date June 15,
015302M82	$ 5,690,000	4.25%	2018
015302M90	8,595,000	4.50%	2019
015302N24	8,615,000	4.50%	2020
015302N32	8,625,000	4.50%	2021
015302N40	8,635,000	4.00%	2022
015302N57	5,985,000	4.00%	2023
	$ 46,145,000		

12. Public Improvement Bonds of 2011

CUSIP	Issue	Rate	Maturity Date July 15,
015302K43	$ 3,765,000	5.00%	2017
015302K50	3,765,000	5.00%	2018
015302K68	3,765,000	2.13%	2019
015302K76	3,765,000	2.25%	2020
015302K84	3,760,000	4.00%	2021
015302K92	3,760,000	5.00%	2022
015302L26	3,760,000	3.00%	2023
	$ 26,340,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

13. Public Improvement Bonds of 2010 (Taxable)

CUSIP	Issue	Rate	Maturity Date July 1,
015302H39	$ 3,700,000	3.60%	2017
015302H47	3,700,000	3.95%	2018
015302H54	3,700,000	4.15%	2019
015302H62	3,700,000	4.05%	2020
015302H70	3,700,000	4.25%	2021
015302H88	3,700,000	4.40%	2022
015302H96	3,700,000	4.50%	2023
015302J29	3,700,000	4.60%	2024
015302J37	3,700,000	4.80%	2025
015302J45	4,400,000	4.95%	2026
015302J52	4,400,000	5.00%	2027
015302J60	4,400,000	5.00%	2028
015302J60	4,400,000	5.00%	2029
015302J60	4,400,000	5.00%	2030
Total	$ 55,300,000		

14. Public Improvement Bonds of 2009 (Tax-Exempt)

CUSIP	Issue	Rate	Maturity Date July 1,
015302E81	$ 4,100,000	4.00%	2017
015302E99	4,100,000		2018
015302F23	4,100,000	4.00%	2019
Total	$ 12,300,000		

15. Public Improvement Bonds of 2009 (Taxable-Build America Bonds)

CUSIP	Issue	Rate	Maturity Date July 1,
015302F31	$ 4,100,000	5.00%	2020
015302F49	4,100,000	5.10%	2021
015302F56	4,100,000	5.20%	2022
015302F64	4,100,000	5.30%	2023
015302F72	4,100,000	5.40%	2024
015302F80	4,800,000	5.50%	2025
015302F98	4,800,000	5.60%	2026
015302G22	4,800,000	5.65%	2027
015302G30	4,800,000	5.70%	2028
015302G48	4,800,000		2029
Total	$ 44,500,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

16. Public Improvement Bonds of 2008 (Tax-Exempt)

CUSIP	Issue	Rate	Maturity Date July 15,
015302A93	$ 3,100,000	5.00%	2017
015302B27	3,100,000	4.00%	2018
015302B35	3,100,000	4.00%	2019
015302B43	3,100,000	4.25%	2020
Total	$ 12,400,000		

17. Public Improvement Bonds of 2008 (Taxable)

CUSIP	Issue	Rate	Maturity Date July 15,
015302D58	$ 250,000	5.25%	2017
015302D66	250,000	5.25%	2018
Total	$ 500,000		

18. Refunding Bonds of 2007

CUSIP	Issue	Rate	Maturity Date June 15,
015302ZU9	$ 2,825,000	5.00%	2018
015302ZV7	2,825,000	5.00%	2019
015302ZW5	2,825,000	5.00%	2020
015302ZX3	2,830,000	5.00%	2021
Total	$ 11,305,000		

19. Public Improvement Bonds of 1999 (Tax-Exempt)

CUSIP	Issue	Rate	Maturity Date January 15,
015302TY8	$ 2,000,000	5.00%	2018
015302TZ5	2,000,000	5.00%	2019
Total	$ 4,000,000		

NOTE 9. LONG-TERM DEBT (Continued)

The requirements to pay all long-term bonds as of June 30, 2017, including interest payments of $154.8 million, are summarized as follows:

Fiscal Year	Serial Bonds Principal	Interest
2018	$ 44,852,000	$ 21,345,479
2019	45,319,000	19,497,053
2020	43,891,000	17,650,209
2021	41,809,000	15,963,839
2022	39,411,000	14,115,247
2023-2027	176,288,000	47,161,010
2028-2032	128,428,000	16,685,493
2033-2037	37,235,000	2,393,079
	$ 557,233,000	$ 154,811,409

The General Fund meets debt service requirements for general obligation bonds. The City retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board. The City expects to receive $14.7 million in Build America Bonds interest subsidy payments through 2031.

Legal Debt Margin - The City has no overlapping debt with other jurisdictions. As of June 30, 2017, the City had a legal debt limit of $3.8 billion and a debt margin of $3.3 billion:

Assessed Value of Real Property, January 1, 2017		$38,987,293,704
Debt Limit: 10 Percent of Assessed Value		3,898,729,370
Amount of Debt Applicable to Debt Limit:		
General Obligation Bond	$557,233,000	
Less Total General Obligation Debt		(557,233,000)
LEGAL DEBT MARGIN REMAINING		$ 3,341,496,370

Unissued Bonds - Bond authorizations expire three years from the effective date of the respective bond ordinances. Authorization of bonds, bonds issued and expired during the fiscal year ended June 30, 2017, are summarized below:

	Authorized and Unissued July 1, 2016	**Authorized**	**Issued**	**Expired**	**Authorized and Unissued June 30, 2017**
General Obligation Bonds	$ 86,322,000	$105,300,000	$73,735,000	$ 2,000	$117,885,000

On July 25, 2017, the City Council issued $94.7 million in General Obligation Tax-exempt Bonds and $4.4 million in General Obligation Taxable Bonds. The $94.7 million bonds were issued with an original premium of $11.5 million and a true cost of $2.5 million, which will be used to finance certain capital improvement projects for the City including, but not limited to, public school projects, city parks and buildings, transit and traffic control infrastructure, capital contributions to the Washington Metropolitan Area Transit Authority, storm water infrastructure improvements, and acquisition of fire department vehicles and apparatus. The $4.4 million bonds were issued with an original premium of $40,000 and a true cost of $3.0 million, which will be used for affordable housing.

Exhibit XII (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

On September 5, 2017, the City Council also issued $102.1 million in General Obligation Refunding Bonds at a true interest cost of 1.93 percent.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2017. Other short-term liabilities represent unclaimed money and deposits.

Changes in Long-Term Liabilities - Changes in the total long-term liabilities during the fiscal year ended June 30, 2017 are summarized below. In general, the City uses the General Fund to liquidate long-term liabilities.

Primary Government – Governmental Activities

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
General Obligation Bonds	$ 522,710,000	$ 107,903,000	$ 73,380,000	$ 557,233,000	$ 44,852,000
Bond Premium	39,583,163	10,469,488	3,157,124	46,895,527	3,157,124
Workers' Compensation Claims	20,487,824	6,181,777	5,683,417	20,986,184	5,356,350
Accrued Compensated Absences	23,352,295	14,564,462	14,286,862	23,629,895	3,479,490
Net Pension Liability	203,229,263	19,747,807	34,481,030	188,496,040	-
Net OPEB Obligation	19,469,308	-	3,828,842	15,640,466	-
Total	$ 828,831,853	$ 158,866,534	$ 134,817,275	$ 852,881,112	$ 56,844,964

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All liabilities – both current and long-term – are reported in the statement of Net position. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2017:	
Long-term liabilities (detail above)	$ 852,881,112
Accrued interest payable	4,115,388
Adjustment	$ 856,996,500

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. This adjustment from modified accrual to full accrual is composed of the following items:

Exhibit XII (Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Compensated absences	$ 277,600
Workers compensation	498,360
Change in net OPEB obligation	(3,828,842)
Amortization of bond premium, Discount and interest	8,231,830
Accrued interest on bonds	(765,225)
Adjustment	$ 4,413,723

The adjustment from modified accrual basis to full accrual for pension is comprised of pension expense net of pension contributions.

Pension expense, Note 17	$	33,447,582
Contributions, measurement date		
City Single Agency FY17		(26,620,761)
Virginia Retirement Service FY17		(9,974,720)
True up adjustment for FY16		45,644
Adjustment to Exhibit IV	$	(3,102,255)

Deferred Inflows/Outflows: Exhibit I

Deferred Inflows Exhibit III		$295,792,507
Tax Receivable, Note I	(17,769,096)	
Deferred Gain on Refunding Bonds, Note I	(6,479,722)	
Adjustment Exhibit III		(24,248,818)
Deferred Inflows, Taxes Exhibit I		278,023,411
Deferred Inflows, Pensions Exhibit I		12,078,424

Component Unit – School Board

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year	Long-Term Payable
Accrued Compensated Absences	$ 7,371,943	$ 11,800,627	$ 11,873,377	$ 7,299,193	$ 973,130	$ 6,326,063
Workers' Compensation Claims	978,948	831,585	958,985	851,548	596,084	255,464
Capital Leases		3,084,226	597,586	2,486,640	646,074	1,840,566
Rent Abatement Accrual	2,741,420	52,355	222,716	2,571,059	230,196	2,340,863
Total	$ 11,092,311	$ 15,768,793	$ 13,652,664	$ 13,208,440	$ 2,445,484	$ 10,762,956

NOTE 9. LONG-TERM DEBT (Continued)

Refunding Bonds

Prior-year Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2017, $57.4 million of bonds outstanding were considered defeased.

Current year Defeasance of Debt

On November 10, 2016, the City Council issued $34.2 million in Tax Exempt General Obligation Bonds with an effective interest rate of 1.9 percent to advance refund a portion of the City's 2011 Series, aggregating in principal amount of $30.1 million. The net proceeds of $34.2 million (after payment of $0.2 million in issuance cost) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the refund bonds are considered to be defeased and are not included in the City's financial statements.

The advance refunding resulted in a difference between the new debt and the net carrying value of the old debt of $4.1 million. This refunding will achieve a savings for the city of $2,416 million in future debt service payments over the next 16 years and obtain economic gain of $2,129 million.

Exhibit XII
(Continued)

NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

Primary Government

Interfund receivable/payable consisted of the following at June 30, 2017:

Receivable Fund	Payable Fund	Amount
Primary Government - General Fund	Primary Government - Alexandria Transit Company	$300,000

This balance represents timing differences related to accounts receivable.

Interfund transfers and transactions for the year ended June 30, 2017 consisted of the following:

Transfers:	General	Special Revenue	Internal Service	Capital Projects	Total Transfers In
Primary Government					
General Fund	$ -	$ 9,906,977	$ 507,500	$ -	$ 10,414,477
Special Revenue	50,089,026	33,765	-	-	50,122,791
Capital Projects	28,291,006	7,860,539	-	-	36,151,545
Internal Service	-	1,123,558	-	-	1,123,558
Alexandria Transit	756,583	11,295,384	-	34,585	12,086,552
Total Transfers Out	79,136,615	30,220,223	507,500	34,585	109,898,923
Component Unit					
School Board	204,020,497	-	-	21,298,309	225,318,806
Library	6,863,312	-	-	-	6,863,312
Total Transfers Out	$ 210,883,809	$ -	$ -	$ 21,298,309	$ 232,182,118

Primary government transfer activities include:

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant programs resources and taxes collected for affordable housing projects and to fund transportation agreements. In addition, the City transferred $4.4 million in capital assets to Alexandria Transit in FY 2017.

Special Revenue funds are transferred to other funds for capital and equipment purchases as determined by the terms of the grant agreements.

Transfers from the General Fund to the Capital Projects fund represent the City's budgeted pay-as-you go funding of capital projects.

Transfers from Special Revenue funds to Capital Projects represent grants received for capital related expenditures.

Transactions with the component units represent budgeted subsidies for the school operations and capital projects and library operations.

Exhibit XII
(Continued)

NOTE 11. GRANTS

The City receives financial assistance from numerous federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the City. In the opinion of City management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

NOTE 12. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the City and its component units totaled $177.4 million in FY 2017. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS		
Federal Government	$	39,526,968
Commonwealth of Virginia		77,520,439
Total Primary Government		117,047,407
FEDERAL GOVERNMENT		
School Board		15,879,993
Component Units - Federal Government		15,879,993
COMMONWEALTH OF VIRGINIA		
School Board		44,328,919
Library		169,476
Component Units - Commonwealth of Virginia		44,498,395
Total Component Units		60,378,388
TOTAL CITY AND COMPONENT UNITS		
Federal Government		55,406,961
Commonwealth of Virginia		122,018,834
Total Intergovernmental Revenue	$	177,425,795

Exhibit XII
(Continued)

NOTE 13. DUE FROM OTHER GOVERMENTS

Due from other governments represents accrued revenue at June 30, 2017, consisting of the following:

PRIMARY GOVERNMENT		
State		
General Fund	$	30,954,042
Special Revenue Fund		4,068,540
Alexandria Transit		16,814
Total State		35,039,396
Federal		
General Fund		1,155,056
Special Revenue Fund		3,135,057
Total Federal		4,290,113
Total Primary Government		39,329,509
COMPONENT UNITS		
State		
School Board		2,982,428
Library		21,443
Total State		3,003,871
Federal		
School Board		3,294,723
Total Federal		3,294,723
Total Component Units		6,298,594
Total Primary Government & Component Units	$	**45,628,103**

Exhibit XII (Continued)

NOTE 14. JOINT VENTURES

A. Northern Virginia Criminal Justice Academy

The City participates in a joint venture with the Counties of Arlington and Loudoun and the Cities of Fairfax, Falls Church, Manassas, and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. The Industrial Development Authority of Loudoun County, Virginia issued $6,585,000 Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993, to finance the acquisition, renovation, and equipment of the Academy Training Center. The City and the Counties of Arlington and Loudoun have entered into a capital lease with the Industrial Development Authority of Loudoun County. The City maintains an equity interest only in the land and building of the Academy, which is reflected in the City's Statement of Net position. The City does not maintain an equity interest in the Academy's operations. This lease was paid in full in FY 2007. New debt of $18.7 was issued in FY 2007. The City does not have an equity interest associated with this debt. In addition, the City pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2017, the City paid $0.6 million for operating costs.

Financial statements for the Academy may be obtained at Northern Virginia Criminal Justice Academy, 45299 Research Place, Ashburn, Virginia 22011-2600.

B. Northern Virginia Juvenile Detention Home

The City participates in a joint venture with Arlington County and the City of Falls Church to operate a regional juvenile detention home. In July 1993, the City agreed to fund 55.3 percent of the construction costs of a new facility. The final construction payments were made in FY 1995. In addition, the City pays part of the Northern Virginia Juvenile Detention Home's operating costs based on the number of beds utilized by Alexandria residents. These payments totaled $1.1 million in FY 2017.

The City does not maintain an equity interest in the detention home. Complete separate financial statements for this operation may be obtained from Northern Virginia Juvenile Detention Home, 200 South Whiting Street, Alexandria, Virginia 22304.

C. Peumansend Creek Regional Jail Authority

In 1992, the City entered into an agreement with the Counties of Caroline, Arlington, Prince William, and Loudoun to form an authority to construct and operate a regional jail in Caroline County. The regional jail, which commenced operations in September 1999, is used primarily to hold prisoners from each member jurisdiction. The Regional Jail Authority is composed of two representatives, the Chief Administrative Officer and the Sheriff, from each participating jurisdiction. The City of Richmond, which was not party to the original agreement, is now a part of the project. The regional jail has the capacity for 336 prisoners. The City is guaranteed a minimum of 50 beds.

The total project cost was $27 million, with 50 percent of the eligible construction cost ($23.8 million) reimbursed by the Commonwealth. The Regional Jail Authority issued $10.2 million in revenue bonds and $12 million of grant anticipation notes in March 1997. The City's total share was $18.2 million, including approximately $3.2 million in capital and debt service costs and $15 million in operating costs over the 20-year period of debt service payments (1997-2016). For FY 2017, the City paid $0.5 million for operating costs and $0.1 million for debt service payments. The City does not maintain an equity interest in the jail and is not responsible for repayment of the debt.

NOTE 14. JOINT VENTURES (Continued)

The agreement expired at the end of FY 2017. All prisoners were moved in March 2017. The facility ceased operations in June 2017. Complete financial statements can be obtained by writing to the Regional Jail Authority at Post Office Box 1460, Bowling Green, Virginia 22427.

D. Washington Metropolitan Area Transit Authority

As discussed in Note 8, the City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system. The City does not maintain an equity interest in WMATA. Complete financial statements of WMATA may be obtained from WMATA, 600 5th Street, N.W., Washington, DC 20001.

NOTE 15. RELATED PARTY TRANSACTIONS

A related-party transaction reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction.

The Station at Potomac Yard

The City established a related party agreement for The Station at Potomac Yard Apartments project in 2008. This project was developed via a joint venture with a local non-profit housing group, Alexandria Housing Development Corporation (AHDC), and Pulte Homebuilders. None of these related entities is active and plans are to dissolve the limited liability corporation (LLC) that was formed for the project. Due to warranty/liability issues, the LLC was required to be maintained for several years after construction was completed in 2009. During FY2017, the City paid the annual state corporation commission renewal fee of $50 pending dissolution. The City also provided a residual receipts loan to AHDC for $1.9M when the project was being constructed, but no payments were received in FY 2017.

East Reed LLC (ERLLC)

In February 2013, the City of Alexandria created a special purpose entity, East Reed LLC (ERLLC), to enter into a public-private partnership arrangement with nonprofit housing developer, Arlington Housing Corporation, Inc. (AHC), to develop 78 units of affordable housing. The project was completed in 2014 and is operational and occupied.

Following ERLLC's establishment, a parcel of City-owned land located at 3600 Jefferson Davis Highway (the 3600 parcel), required to complete AHC's assemblage for the development, was transferred into the LLC. ERLLC later joined the tax credit partnership formed by AHC and its tax credit investor, as a Special Limited Partner, with the 3600-parcel providing the City's equity stake. While ERLLC's interest in the tax credit entity is de minimis, the City had specific governance and oversight participation rights that were detailed in a March 2013 agreement between the City and AHC. These rights were later incorporated into the City's loan agreement with AHC: in addition to the land parcel, the City provided a $2.5 M residual receipts loan agreement. During FY 2017, no repayments were made by AHC on the City residual receipts loan. However, an allonge was executed to reduce the face amount of a note for the value of the city-owned parcel, to consider the City's share of costs incurred by AHC for remediation of existing soil conditions.

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Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB)

I. PRIMARY GOVERNMENT

In 1989 City Council voted to establish three classes of post-employment health care benefits to supplement the increasing health care costs for City retirees. The three classes are as follows: (a) Full Time City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension plan; (b) Fire and Police employees who are eligible to retire under the current defined benefit pension plan; and (c) Fire and police employees who retired and were eligible for normal retirement with 20 years of service under the old defined contribution retirement income plan and the retirees under the old defined benefit pension. In addition, spouses of deceased retirees are also eligible to receive benefits under this provision.

This City plan is a reimbursement program that is based on the actual cost of the retiree’s monthly premium up to a maximum amount determined by the City Council. Effective July 1, 2005, the maximum monthly amount an eligible retiree or a surviving spouse may receive is $260. The City Council has authority to establish or amend the provisions. As of June 30, 2017, 339 retirees were eligible and received benefits from all three classes of this plan. Eligibility is contingent upon retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to $260 per month for each retiree, for a total annual contribution of $2.3 million for FY 2017. Employees hired after September 30, 2007 will have their retirees’ health benefits prorated based on the length of service.

In addition to the healthcare benefits, the City pays for basic life insurance two times the amount of salary at the time of retirement to regular full-time employees with applicable reductions if over 65 at no cost to the employees. On January 1, following the 65th birthday, the basic life insurance amount is reduced by 25% and then by 10% each year till the 70th birthday. The ultimate insurance amount is 25% of the salary. This benefit is only available to those hired prior to July 1, 2008.

Prior to fiscal year 2017, the City followed the guidance in Statement No. 45 of the Governmental Accounting Standards Boards (GASB), (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions). The City implemented the guidance in GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, effective fiscal year 2017. The objective of the statement is to improve the usefulness of information about postemployment benefits other than pensions.

The City established a Single Employer Other Post Employment Trust Plan (OPEB) and plans to fund on a phased in basis the obligation through this trust. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. The City does not issue a stand-alone financial report for OPEB trust fund. The financial statements and required supplementary information are included in City’s Comprehensive Annual Financial Report.

Plan Administration

The City Other OPEB Plan, which includes Line of Duty (LOD), is administered by the OPEB Plan Board. The board must be comprised of at least three members including the Chief Financial Officer, the City Finance Director, and at least one other member who is an employee or citizen of the City with “proven integrity, business ability, and demonstrated experience in cash management and in investments. The citizen/employee is nominated by the City Manager and approved by City Council. The City OPEB Board adopts a realistic actuarial rate of return for the Plan and recommends the level of contributions needed to keep the Plan financially sound. City Council approves the contribution level.

Method Used to Value Investments

Investments are valued at fair value. The City does not have any OPEB investments, other than U. S. Government and U.S. government guaranteed obligations, in any one organization that represents five percent or more of the net assets held in trust for OPEB investments.

Exhibit XII (Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Investment Policy

The City OPEB Plan has two components: cash payments for Medical Insurance, and Life Insurance. The objective of the Medical Insurance and Life Insurance components is to preserve actuarial soundness in order to meet contractual benefit obligations. In striving to attain these objectives, the Plan will be managed in a manner consistent with three fiduciary standards. First, that all transactions shall be in the sole interest of the participants and their beneficiaries. Second, that all investments shall be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in an expert-like capacity and familiar with such matters would use. Third, that all entities dealing with the plan are required to disclose conflicts of interest as soon as they become apparent. The following was the City's adopted asset allocation policy for OPEB as of June 30, 2017.

Target Allocations

Asset Class	Target Allocation
Large Cap Growth	9%
Large Cap Value	9%
Mid Cap Value	14%
Private Equity	5%
Small Cap Core	9%
International Development	10%
Emerging Markets	10%
Domestic Fixed Income	14%
Fixed Income International	4%
Tactical Asset Allocation	4%
Timber	4%
Real Estate	4%
Farmland	4%
Total	100%

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 14.96 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The long-term expected rate of return on OPEB plan investments was determined using the last twenty years of return for the index, as of the fiscal year end, for each asset class the in which funds were invested, taking the arithmetic mean and adjusting it for inflation of 3.0%. The long term expected rates of return for each major asset class as of June 30, 2017 are summarized in the following table.

Asset Class	Long Term Expected Rate of Return
Diversified Assets	1.5%
Equity	4.3%
Real Assets	6.8%
Fixed Income	1.4%

Discount Rate

The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Projections of the Plan's fiduciary net position have indicated that it is expected to be sufficient to make projected benefit payments for current Plan members. The actuarial liability, normal cost, and expected benefit payments were projected for the remaining lifetimes of the closed group population as of December 31, 2015. An expected contribution was calculated each year based on the current funding policy. Since the assets are projected to always be greater than the expected benefit payments in any one year, the long-term expected rate of return of 7.5% is used to calculate the total OPEB liability.

Membership

At January 1, 2017, membership consisted of:	
Retirees and Beneficiaries Currently Receiving Benefits	804
Terminated Employees Entitled to Benefits But not yet receiving them	---
Active Employees	2,216
TOTAL	3,020

Annual OPEB Costs and Net OPEB Obligations

Effective July 1, 2012, the City assumed responsibility for funding benefits required under the Virginia Line of Duty Act. Effective July 1, 2017, LOD retirees must elect a plan administered through the Virginia Department of Human Resources (DHRM). The City will pay DHRM the premiums for covered retirees, spouses, and widows. The OPEB Trust Fund is comprised of regular OPEB benefits and Line of Duty (LOD) benefits. Two separate actuarial reports are generated for each.

The annual required contribution (ARC) for Other Post-Employment Benefits increased from $7.0 million for fiscal year 2016 to $7.2 million for the current fiscal year. The ARC for Line of Duty Benefits increased from $3.8 million for fiscal year 2016 to $5.7 million for the current year. As a percentage of payroll, the ARC increased from 4.27% to 4.31% for the current fiscal year for regular benefits and increased from 5.0% to 6.4% for Line of Duty benefits. As of June 30, 2017, the Net OPEB Obligation (NOO) for Regular Benefits decreased to $3.6 million compared to $9.2 million for fiscal year 2016 and for Line of Duty Benefits the NOO increased to $12.1 million compared to $10.3 million for fiscal year 2016. As of the December 31, 2016 actuarial reports, the Unfunded

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Accrued Liability (UAAL) decreased from $59.3 million to $57.7 million for Regular Benefits. The Unfunded Actuarial Liability (UAL) increased from $15.9 million to $25.9 million for Line of Duty Benefits. The Net OPEB Obligation as of June 30, 2017 is as follows:

	Regular	LOD	Total
Annual Required Contribution	$7,192,829	$5,705,368	$12,898,197
Interest on NET OPEB Obligation	691,046	640,960	1,332,006
Adjustment to Annual Required Contribution	(823,079)	(837,807)	(1,660,886)
Annual OPEB Cost	7,060,796	5,508,521	12,569,317
Contribution Made			
Trust fund Contributions	(7,500,000)	(2,600,000)	(10,100,000)
Pay-Go Contributions	(5,222,609)	(1,075,550)	(6,298,159)
Total Contributions Made	(12,722,609)	(3,675,550)	(16,398,159)
Increase (Decrease) in NET OPEB Obligation	(5,661,813)	1,832,971	(3,828,842)
Net OPEB Obligation, Beginning of Year	9,213,952	10,255,356	19,469,308
Net OPEB Obligation, End of Year	$3,552,139	$12,088,327	$15,640,466

Line of Duty (LOD) is part of the OPEB Trust Fund. OPEB Trust fund contributions are comprised of contributions to the Trust Fund and Pay-Go Contributions.

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016 was as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((2-1)/5)
Regular Benefits 12/30/2016	$39,853,602	$97,235,699	$57,652,097	40.7%	$166,699,217	34.6%
Line of Duty Benefits (LOD) 12/30/2016	$3,320,669	$29,237,562	$25,916,893	11.4%	$57,423,658	45.1%

The Statement of Net Position for the City's OPEB plan is included in footnote 17.

Actuarial valuations of the plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following notes to the financial statements, presents results as of December 31, 2016. The schedule provides multi-year trend information about whether the actuarial values of plan Net position are increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

Exhibit XII (Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations. The actuarial assumptions for both Other Post-Employment Benefits (OPEB) and Line of Duty (LOD) are based on the 2016 experience study. Claim costs and retiree contributions were analyzed and updated to reflect current health care costs. Medical trend rates have been updated to reflect the actuary'

Mortality rates for Fire and Police were based on the RP-2000 Combined Mortality Table sex distinct, projected to 2020 using scale AA. The mortality rates for City Employees was based on the RP-2000 Combined Mortality Table sex distinct for base rates. For mortality improvement, project rates generationally from the base year using a modifies version implementation tools with rates converging to the ultimate rate in 2019 (instead of 2029). Disability mortality rates for Fire and Police were based on the RP-2000 Combined Mortality Table, sex distinct, not projected, with ages set forward five years. The disability mortality rates for City Employees were based on 70% of PBGC Disabled Mortality Table 5a for males and 90% PBGC Disabled Mortality Table 6a for females.

For the December 31, 2016 actuarial valuations, regular OPEB benefits valuation used a 7.5% investment rate whereas the LOD valuation used a 6.25% investment rate. The following assumptions apply to both valuation reports. The entry-age actuarial cost method was used. An annual medical cost trend rate of 5.0% for 2017 and then 7.0% graded down to 5.0% over 14 years was used for non-Medicare and 7.0% graded down to 5.00% over 15 years for Medicare. Salary scale ranges were from 3.5% to 7.25% for Fire and Police and 3.25% to 5.1% for City employees depending on service with 3.5% attributable to inflation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. Asset valuation method used was market value and the remaining amortization period as of December 31, 2016 was 21 years.

Schedule of Employer Contributions

	Fiscal Year Ended	Annual Required Contributions	Employer Contributions	Percentage Contributed
Regular OPEB Benefits	06/30/2015	$7,617,075	$6,353,814	83.4%
	06/30/2016	7,020,912	9,451,088	134.6%
	06/30/2017	7,192,829	12,722,609	176.9%
Line of Duty Benefits	06/30/2015	5,634,567	2,369,478	42.1%
	06/30/2016	3,783,205	2,805,445	74.2%
	06/30/2017	5,705,368	3,675,550	64.4%

Three Year Trend Information

	Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
Regular OPEB Benefits	06/30/2015	$7,499,107	84.7%	$11,792,903
	06/30/2016	6,872,137	137.5%	9,213,952
	06/30/2017	7,060,796	180.2%	3,552,139
Line of Duty Benefits	06/30/2015	5,478,248	43.3%	9,432,287
	06/30/2016	3,628,514	77.3%	10,255,356
	06/30/2017	5,508,521	66.7%	12,088,327

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Employer contributions are comprised of Trust Fund contributions and Pay-Go contributions.

Total OPEB Liability

The City of Alexandria's total OPEB liability of $114,682,726 was measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2015 updated to June 30, 2016. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2017 and the Total OPEB Liability as of the valuation date, December 31, 2015, updated to June 30, 2017. There were no significant events between the valuation date and the measurement date.

Change in Net OPEB Liability for City of Alexandria

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of 6/30/2016	$ 108,945,253	$ 40,550,742	$ 68,394,511
Changes for the year:			
Service cost	3,803,579	-	3,803,579
Interest	8,232,053	-	8,232,053
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	-	-	0
Contributions-employer	-	16,398,159	(16,398,159)
Contributions-member	-	-	0
Net Investment Income	-	6,357,091	(6,357,091)
Benefit payments	(6,298,159)	(6,298,159)	-
Administrative Expense	-	(16)	16
Net Changes	5,737,473	16,457,075	(10,719,602)
Balances at 6/30/2017	$ 114,682,726	$ 57,007,817	$ 57,674,909

There were no deferred outflows of resources or deferred inflows of resources for the period ending June 30, 2017.

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The components of the Net OPEB Liability of the City of Alexandria as of June 30, 2017 are as follows:

	Measurement Date	
	6/30/2017	6/30/2016
Total OPEB Liability	$ 114,682,726	$ 108,945,253
Plan Fiduciary Net Position	57,007,817	40,550,742
Net OPEB Liability	$ 57,674,909	$ 68,394,511
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	49.7%	37.2%

The following presents the Net OPEB Liability of the City of Alexandria, calculated using the current discount rate , as well as what the Fund's Net OPEB Liability would be if it were calculated using a discount rate that is 1.00% lower or higher than the current rate

Sensitivity of Net OPEB Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	6.5%	7.5%	8.5%
Total OPEB Liability	$ 128,046,527	$ 114,682,726	$ 103,472,695
Plan Fiduciary Net Position	57,007,817	57,007,817	57,007,817
Net OPEB Liability 6/30/2017	$ 71,038,710	$ 57,674,909	$ 46,464,878
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	44.5%	49.7%	55.1%

The following presents the Net OPEB Liability of the City of Alexandria, calculated using the current healthcare trend , as well as what the Fund's Net OPEB Liability would be if it were calculated using a healthcare trend 1% lower and 1% higher

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Data	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	$ 109,364,297	$ 114,682,726	$ 121,050,868
Plan Fiduciary Net Position	57,007,817	57,007,817	57,007,817
Net OPEB Liability 6/30/2017	$ 52,356,480	$ 57,674,909	$ 64,043,051
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	52.1%	49.7%	47.1%

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Trust

The table below summarizes investments managed by the City of Alexandria in accordance with the fair value hierarchy established by the generally accepted accounting principles. Fair value is defined as the quoted market value on the last trading day of the period. The hierarchy is based on the valuation inputs used to measure the fair value of assets.

Level 1 – Quoted prices in active markets for identical assets or liabilities. During fiscal year 2017, $6.7 million worth of investments were evaluated and classified in Level 1 of the fair value hierarchy.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborate by observable market data. During fiscal year 2017, $28.6 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. During fiscal year 2017, $1.4 million worth of investments were evaluated and classified in Level 3 of the fair value hierarchy.
$20.3 million worth of investments were evaluated at Net Asset Value (NAV).

OPEB TRUST
As of June 30, 2017

Portfolio	Level 1	Level 2	Level 3
Equity Securities			
Common Stock & ETFs	$ 6,722,769	$ -	$ -
Mutual Funds	-	23,204,260	-
Total Equity Securities	6,722,769	23,204,260	-
Private Equity			
Secondaries Funds	-	-	1,378,401
Total Private Equity	-	-	1,378,401
Cash Equivalents			
Money Market Funds	-	5,426,618	-
Total Cash Equivalents	-	5,426,618	-
Total Investments by Fair Asset Value	6,722,769	28,630,878	1,378,401
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	15,764,790		
Real Estate Funds	1,728,199		
Timber Funds	1,565,743		
Farmland	1,217,037		
Total Investments Measured at NAV	20,275,769		
Total Value	**$ 57,007,817**		

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Securities Lending

The City permits the Other Post Employment Benefit trust (OPEB) fund to lend its securities with a simultaneous agreement to return the collateral. In FY 2017, the OPEB trust fund lent U.S. Equities with a fair value of underlying securities of $110,555 and cash collateral received from the borrower of $114,308. Collateral investments are reported at cost, not market value.

II. COMPONENT UNIT – Alexandria City Public Schools (ACPS)

Plan Description

The School Board administers a single-employer defined benefits healthcare plan. It provides medical insurance benefits to eligible retired school employees and beneficiaries. In May 2009, the School Board authorized the establishment of a trust for accumulating and investing assets to fund Other Postemployment Benefits.

ACPS invests the OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Association of Counties and the Virginia Municipal League (VACo/VML). The Pooled Trust is an investment pooling vehicle created to allow participating local governments, school divisions, and authorities in the State to accumulate and invest assets to fund other post-employment benefits. Funds of participating jurisdictions are pooled and invested in the name of the Pooled Trust. ACPS' respective shares in the Pooled Trust are reported in the OPEB Trust Fund's financial statements. The Pooled Trust is governed by a Board of Trustees (Trustees) composed of nine (9) elected members. Trustees are elected by participants in the Pooled Trust, whose votes are weighted according to each Participating Employer's share of total Pooled Trust assets. Investment decisions are made by the Board of Trustees of the Pooled Trust. The Trustees are responsible for managing Trust Fund assets through the appointment and oversight of investment managers and with the guidance of an investment advisor.

Participants in the ACPS Plan must meet the eligibility requirements based on service earned with ACPS and prior service earned from other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefits. In addition, participants must meet one of the following criteria:

- Attained the age of 50 with at least 30 years of service for unreduced pension retirement benefits.
- Attained the age of 50 with at least 10 years of service for reduced pension retirement benefits.
- Attained the age of 65 with at least 5 years of service.

Program participants may continue medical coverage by paying the appropriate subsidized premium which range from $0 to $1,435 based on the medical plan under which the retiree is covered. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the program on average than those of active employees. The subsidies in this program are accounted for in the ACPS OPES Trust Fund. In FY 2017, ACPS contributed up to $265 for each participant.

For employees hired after July 1, 2008, the following requirements must be met:

- Non-Medicare eligible retirees and spouses (Under age 65) - The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of $265 equal to 5.0% per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited toward the contribution made by ACPS. The retiree and spouse/dependent pay the remainder of the premium.
- Medicare eligible retirees and spouses (Age 65+)- The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of $265 equal to 5.0 % per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited

Exhibit XII (Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

- toward the contribution made by ACPS. The contribution will not exceed the premium for the elected coverage. The retiree and spouse/dependent pay the remainder of the premium.

The key actuarial assumptions used in the January 1, 2016 valuation, that was rolled forward to January 1, 2017, are reflected in the chart below.

Membership and Key Actuarial Assumptions	
Active plan members	2,291
Inactive/Deferred Vested	0
Retirees and spouses	567
Total	2,858
Covered Payroll	$150,313,298
Long-term Expected Rate of Return	7.0 percent
Ultimate Rate of Medical Inflation	4.0 percent
Salary increases, including Inflation	3.0 percent
Discount Rate	7.0 percent
Healthcare Cost Trend Rates	UHC POS: 8% in 2016 then grading from 9% to 4% over 14 years; UHC MA-PD and Kaiser: Grading from 7% to 4% over 15 years
Mortality rates:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

Investment Policy

The Pooled Trust Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Within this framework, the Board will monitor and evaluate the investment managers, bank custodian, and other parties, to monitor whether operations conform to the guidelines and actual results meet objectives. If necessary, the Board is responsible for making changes to achieve this. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. There were no significant changes in investment policy during fiscal year 2017.

The Trustees are responsible for setting each Portfolio's long-term asset allocation, after taking into consideration expectations for asset class returns and volatility, risk tolerance and liquidity needs.

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The Pooled Trust's assets will be separately managed by professional investment managers or invested in professionally managed investment vehicles. Each Portfolio will be invested in a broadly diversified manner by asset class, style, and capitalization, which will control volatility levels. The target allocation for each class of investment is shown below.

Investment Type	Allocation %	Expected Long-Term Rates of
Large Cap Equity (Domestic)	26%	7.8%
Small Cap Equity (Domestic)	10%	9.1%
International Equity (Developed)	13%	8.8%
Emerging Markets Equity	5%	10.1%
Private Equity	5%	10.4%
Core Bonds Fixed Income	7%	2.8%
Core Plus Fixed Income	14%	3.1%
Diversified Hedge Funds	10%	6.3%
Private Core Real Estate	5%	5.5%
Private Value Add Real Estate	2%	6.7%
Commodities	3%	3.9%
Cash & Equivalents	0%	0.9%
Total	100%	6.9%

The expected long-term real rates of return in the above table are arithmetic; they are used as inputs for the financial model to arrive at the median returns for the portfolio which are geometric. When calculating the median rates, which are used to set the target rates, the intermediate term rates are used for the first 10 years and the long-term rates for all years thereafter.

Measurement Date

The measurement date used for the City's OPEB Trust GASB 74 reporting is June 30, 2017.

Concentrations

There are no investments in any one organization that represent 5 percent or more of the OPEB Trust's fiduciary net position.

Money-weighted Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.04 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability

The ACPS net OPEB liability at the beginning of the current measurement year is measured as of a valuation date of January 1, 2016 and rolled forward to June 30, 2016. The net OPEB liability at the end of the measurement year, June 30, 2017, is measured as of a valuation date of January 1, 2016 and projected to June 30, 2017. In future years, valuations will be completed every other year, assuming there are no significant events between the years.Each valuation will be rolled forward to provide two years of OPEB liability.

Changes in Net OPEB Liability

Increase (Decrease)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of June 30, 2016	$ 28,572,757	$ 14,179,230	$ 14,393,527
Changes for the year:			
Service cost	1,065,890	-	1,065,890
Interest	2,022,196	-	2,022,196
Contributions - employer	-	2,269,646	(2,269,646)
Contributions - member	-	-	-
Net investment income	-	1,831,086	(1,831,086)
Benefit payments	(1,492,636)	(1,492,636)	-
Administrative expense	-	(17,371)	17,371
Net changes	1,595,450	2,590,725	(995,275)
Balances as of June 30, 2017	$ 30,168,207	$ 16,769,955	$ 13,398,252
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		55.6%	

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Other Post-Retirement Employee Benefits Trust using the discount rate of 7.0%, as well as what the net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	(-1%) Decrease 6.0%	Discount Rate 7.0%	(+1%) Increase 8.0%
Net OPEB Liability	$ 16,516,916	$ 13,398,252	$ 10,808,082

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Trend Rate

The following presents the net OPEB liability of the ACPS Other Post-Retirement Employee Benefits Trust using the current base healthcare trend rate, as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is one percentage point lower (-1%) or one percentage point higher (+1%) than the base rate.

	Trend Minus (-1%)	Trend Baseline	Trend Plus (+1%)
Net OPEB Liability	$12,355,068	$13,398,252	$14,656,018

The ACPS OPEB Trust does not issue a stand-alone financial report and is not included in the report of another entity.

The following is a summary of fiduciary net position of the ACPS OPEB Trust as of June 30, 2017:

Summary of Fiduciary Net Position
Other Post Employee Benefits Trust Fund
As of June 30, 2017

ASSETS		
Bonds	$	$3,169,521
Mutual Funds		8,971,925
Other Investments		4,628,508
Total assets		16,769,954
NET POSITION		
Held in trust for OPEB benefits	$	16,769,954

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The following is a summary of the changes in fiduciary position of the ACPS OPEB Trust as of June 30, 2017.

Summary of Changes in Fiduciary Net Position
Other Post Employee Benefit Trust Fund
For the Year Ended June 30, 2017

ADDITIONS		
Contributions	$	2,226,331
Investment Income		1,831,085
Total Additions		4,057,416
DEDUCTIONS		
Benefit payments		1,449,321
Administrative expenses		17,371
Total Deductions		1,466,692
Change in net position		2,590,724
NET POSITION, beginning of year		14,179,230
NET POSITION, end of year	$	16,769,954

Contributions

Contribution requirements of ACPS are established and may be amended by the School Board. The required contributions were actuarially-determined and are based upon projected pay-as-you go financing requirements with additional amount to prefund benefits. The costs of administering the plan are paid for by the OPEB Trust Fund using investment income and employer contributions. For the period ending June 30, 2017, ACPS contributed $1.5 million for current costs and an additional $0.7 million to prefund benefits.

Annual OPEB Cost

ACPS' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially-determined in accordance with the parameters of GASB statement No.45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB Statement No.45 requires recognition of the current program expense based on each ARC, but it does not require funding of the related liability. The current ARC rate is 1.5% of annual covered payroll. The following table shows the components of ACPS' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Calculation of Net OPEB Obligation (NOO)

Annual Required Contributions (ARC)	$	2,248,971
Interest on Net OPEB Obligation		(124,371)
Adjustment to Annual Required Contribution		133,813
Annual OPEB Cost		2,258,413
Contributions made		2,269,646
Increase in net OPEB obligation		(11,233)
Net OPEB obligation (asset) -July 1, 2016		(1,776,728)
Net OPEB obligation (asset) -June 30, 2017	$	(1,787,961)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS

I. PRIMARY GOVERNMENT

During FY 2017, the City participated in six public employee retirement systems (PERS). One of these systems is handled by Virginia Retirement System (VRS), an agent multi-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia, and is, therefore, not reflected as a City pension trust fund. Of the remaining five, four are single-employer defined benefit systems (City Supplemental, Pension for Fire and Police, Firefighters and Police Officers Pension Plan-defined benefit component, and Firefighters and Police Officers Pension Plan-disability component), where a stated methodology for determining benefits is provided, and one is a defined contribution plan (Firefighters and Police Officers Pension Plan-defined contribution component), where contribution requirements are not actuarially determined. All of these systems are included as part of the City's reporting entity and as such are reflected as Pension Trust Funds.

Plan Administration

The City Supplemental Plan is administered by the Supplemental Retirement Plan board. The board consists of eight members. Four of the members are nominated by the City Manager, while the other remaining four are nominated by the entire body. The Firefighters and Police Office Pension Plan Board manages the Firefighters and Police Officers Defined Contribution Plan, Defined Benefit Plan, Disability Plan, as well as the Pension for Fire and Police Plan. The board consists of eight members. Four are nominated by the City Manager and four by the Voting Participants. In addition, there are two alternate members nominated by the Voting Participants and one alternate nominated by the City Manager. City Council approves the nominations to the Board.

Method Used to Value Investments

Investments are valued at fair value.

Investment Policy

The Firefighters and Police Office Pension Plan Board investment policy objectives for Defined Benefit and Disability components are to preserve the actuarial soundness of each plan in order to meet contractual benefit obligations and to maximize investment return given an acceptable level of risk. The objective of the Defined Contribution component is to help beneficiaries save for retirement by enabling them to construct portfolios that will achieve an acceptable level of return while minimizing risk through diversification. The objective of the Supplemental plan is to preserve the actuarial soundness of each plan in order to meet contractual benefit obligations. The following is the asset allocation policy as of June 30, 2017.

Target Allocations

Asset Class	Firefighters' & Police Officers' Pension Plan	Supplemental Retirement Plan	Pension Plan for Firefighters & Police
Domestic Equity	40%	30%	0%
International Equity Developed	10%	10%	0%
International Equity Emerging	10%	10%	0%
Private Equity	5%	5%	0%
Timber	5%	5%	0%
Farmland	0%	2%	0%
Real Estate	10%	8%	0%
Domestic Fixed Income	15%	15%	0%
Global Fixed Income	5%	10%	0%
All-Asset	0%	5%	0%
Guaranteed Deposit	0%	0%	100%
Total	100%	100%	100%

Target Allocations for Firefighters' & Police Officers' Pension Plan also apply to Firefighters' and Police Officers' Disability Pension Plan

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Capital Market	Firefighters' & Police Officers' Pension Plan		Supplemental Retirement Plan		Pension Plan for Firefighters & Police Officers	
Asset Class	**Estimate**	**Allocation**	**Return**	**Allocation**	**Return**	**Allocation**	**Return**
Diversified	7.1%	0.0%	0.0%	5.7%	0.4%	0.0%	0.0%
Domestic Equity	7.3%	65.3%	4.7%	58.7%	4.3%	0.0%	0.0%
Commodities	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real Assets	6.4%	13.4%	0.9%	13.4%	0.9%	0.0%	0.3%
Fixed Income	4.8%	20.6%	1.1%	19.8%	0.9%	0.0%	0.0%
Cash	2.0%	0.6%	0.0%	2.3%	0.0%	0.0%	3.5%
Return			6.6%		6.5%		3.5%
Inflation			2.5%		2.5%		2.5%
Return w/Inflation			9.1%		9.0%		6.0%
Risk Adjustment			-1.5%		-1.5%		-0.5%
Total Expected Arithmetic Nominal Return			7.6%		7.5%		5.5%

Assumed Rate of Return for Firefighters' & Police Officers' Pension Plan also applies to Firefighters' and Police Officers' Disability Pension Plan

Money-weighted Rate of Return

Firefighters' & Police Officers' Pension Plan	Supplemental Retirement Plan	Pension Plan for Firefighters & Police Officers
13.7%	14.4%	5.1%

**Money-weighted Rate of Return for Firefighters' & Police Officers' Pension Plan also applies to Firefighters' and Police Officers' Disability Pension Plan

**Exhibit XII
(Continued)**

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Virginia Retirement System Long-Term Expected Rate of Return

Asset Class	Target Allocation	Arithmetic Long Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U. S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.0%	10.41%	1.25%
Cash	1.0%	-1.50%	-0.02%
Total	100.00%		5.8%
Inflation			2.50%
Expected arithmetic nominal return			8.33%

VRS Long- Term Expected Rate of Return

The long-term expected rate of return on pension system investments were determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the above table.

VRS Discount Rate

The discount rate used to measure the total pension liability was 7.0 %. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Exhibit XII (Continued)

Combining Schedule of Fiduciary Net Position

	Employee Retirement Plans					Post Retirement Benefit Trust	
		Firefighters and Police Officers Pension Plan					
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Other Post Employment Benefits	Total
ASSETS							
Investments, at Fair Value							
Mutual Funds	$ 89,698,083	$ -	$ 12,421,270	$ 81,261,786	$ 13,833,395	$ 23,204,260	$220,418,794
Stocks	21,614,790	-	-	30,054,364	2,279,080	6,722,769	60,671,003
Guaranteed Investment Accounts	3,197,987	20,141,766	-	1,915,843	4,186,188	5,462,977	34,904,761
Real Estate	9,609,046	-	-	28,747,396	2,299,781	1,728,199	42,384,422
Timber	6,736,010	-	-	11,277,148	896,016	1,565,743	20,474,917
Private Equity	6,453,555	-	-	10,063,160	779,662	1,378,401	18,674,778
Other	2,256,759	-	-	110,062,848	763,409	16,945,468	130,028,484
Total Investments	139,566,230	20,141,766	12,421,270	273,382,545	25,037,531	57,007,817	527,557,159
Receivables	342,642	-	-	534,873	221,017	-	1,098,532
Total Assets	139,908,872	20,141,766	12,421,270	273,917,418	25,258,548	57,007,817	528,655,691
NET POSITION							
Held in Trust for Pension Benefits	$ 139,908,872	$ 20,141,766	$ 12,421,270	$ 273,917,418	$ 25,258,548	$ 57,007,817	$528,655,691

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Exhibit XII (Continued)

Combining Schedule of Changes in Fiduciary Net Position

	Employee Retirement Plans		Firefighters and Police Officers Pension Plan			Post Retirement Benefit Trust	
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Other Post Employment Benefits	Total
ADDITIONS							
Contributions:							
Employer	$ 8,006,825	$ 1,713,744	$ -	$ 11,232,823	$ 5,667,369	$ 10,100,000	$ 36,720,761
Plan Members	1,070,814	-	-	2,914,101	248,035	-	4,232,950
Total Contributions	9,077,639	1,713,744	-	14,146,924	5,915,404	10,100,000	40,953,711
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	12,766,611	-	1,126,935	16,592,258	1,470,457	4,233,773	36,190,034
Interest	5,895,531	821,797	250	17,383,747	1,403,038	2,307,061	27,811,424
Investment Expense	(630,271)	-	-	(1,087,449)	(89,493)	(183,743)	(1,990,956)
Net Investment Income	18,031,871	821,797	1,127,185	32,888,556	2,784,002	6,357,091	62,010,502
Total Additions	27,109,510	2,535,541	1,127,185	47,035,480	8,699,406	16,457,091	102,964,213
DEDUCTIONS							
Benefits	18,794,001	3,298,973	914,500	12,577,076	2,488,687	-	38,073,237
Refunds of Contributions	232,569	-	-	186,617	-	-	419,186
Administrative Expenses	665,349	23,566	4,996	198,337	15,277	16	907,541
Total Deductions	19,691,919	3,322,539	919,496	12,962,030	2,503,964	16	39,399,964
Net Increase (Decrease)	7,417,591	(786,998)	207,689	34,073,450	6,195,442	16,457,075	63,564,249
Assets Transfer in (Out)	-	-	-	-	-	-	-
Net Position at Beginning of Year	132,491,281	20,928,764	12,213,581	239,843,968	19,063,106	40,550,742	465,091,442
Net Position at End of Year	$ 139,908,872	$ 20,141,766	$ 12,421,270	$ 273,917,418	$ 25,258,548	$ 57,007,817	$ 528,655,691

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial valuations for all defined benefit plans are performed annually with the exception of Virginia Retirement System (VRS), which is performed biennially; however, an actuarial update is performed in the interim year for informational purposes. The employer contribution rate based on the June 30, 2016 actuarial valuation is 7.55% of payroll. Contribution rates for VRS employees are established every two years, so this rate is for informational purposes only. The employer contribution rate based on the June 30, 2015 actuarial valuation was 7.97%, and this rate is for fiscal years ending 2017 and 2018. The valuation reflects a contribution timing adjustment based on feedback from the 2014 quadrennial audit of the Virginia Retirement System.

Beginning January 1, 2014, employees newly covered under VRS were enrolled in the new VRS Hybrid Retirement Plan (Hybrid Plan). The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. Plan1and Plan 2 members of VRS could opt into the new Hybrid Plan. The Employees under the new plan have a mandatory contribution to the Defined Contribution Plan of 1% which is matched by the City. A voluntary employee contribution of up to an additional 4% is allowed with the City matching 1% on the first additional 1% plus .25% for each additional .50%. The recommended contribution includes the contribution to the Defined Contribution Plan for hybrid members.

As of June 30, 2017, the City of Alexandria had 543 employees enrolled in the Hybrid Plan. The FY 2017 City contribution was $0.4 million.

The 2016 VRS valuation reflects no changes in the actuarial assumptions since the last actuarial valuation.

Financial statements and required supplementary information are presented in the VRS comprehensive annual financial report, which can be obtained at www.varetire.org.

The City has assumed the responsibility of paying 2% of the employee share of contributions for the City Supplemental pension plan. The employees commencing their participation in this plan after July 1, 2009, will make two percent of the employee contributions. The City will continue to make the two percent contribution for employees who were participants prior to July 1, 2009. However, these contributions will be characterized as employer contributions.

The recommended contribution rate decreased from 27.30% as of July 1, 2015 to 26.34% as of July 1, 2016 for the Firefighter and Police Officers Basic Plan and decreased from 13.49% as of July 1, 2015 to 11.84% as of July 1, 2016 for the Disability Plan. During the year ended June 30, 2016, the Basic Plan's assets returned 1.49% and the Disability Plan's assets had a return of 1.50% on a market value basis. However, due to the Plans' asset-smoothing technique which recognizes only a portion of the gains and losses, the returns on the actuarial asset values were 7.80% and 7.64%, respectively. As of the July 1, 2016 Actuarial Valuation, the Basic Plan's unfunded actuarial liability was $56.7 million and the Disability Plan's unfunded actuarial liability was $16.8 million. There were no benefit provisions changes. Effective with the July 1, 2015 valuation, annual experience gains and losses as well as assumption changes will be amortized over separate 15 year periods.

The actuarial assumptions for the Firefighters and Police Officers Basic and Disability Plans are based on an actuarial experience study based on experience of the Plans from July 1, 2009 to June 30, 2013 completed in February 2014. The actuarial assumptions for the Pension Plan for Firefighters and Police Officers, with the exception of the mortality and expense assumptions, were recommended by the prior actuary. The actuarial assumptions for the Supplemental Plan have not changed since the last actuarial valuation.

At June 30, 2017, the City recognized a total liability of $93.6 million for the City's four Single Employer Pension Plans. Measurements as of June 30, 2017 were based on the fair value of assets as of June 30, 2017 and the Total Pension Liability as of the valuation date, June 30, 2016, updated to June 30, 2017. The City recognized a liability of $94.9 million for the VRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

All of the Single Employer Pension Plans use the following mortality assumption: Sex-distinct RP-2000 Combined Mortality Table for their mortality assumptions.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

For each of the City's four Plans, the funding policy is to contribute at least the Actuarially Determined Contribution annually. This contribution is equal to the amortization of the unfunded liability plus expected administrative expenses. The amortization of the unfunded liability is calculated as a level-dollar closed period for the Supplemental and Pension Plan for Firefighters and Police Officers. The firefighters and Police Officers Basic Plan and Disability Plan are calculated as a level percentage.

The remaining amortization periods as well as other major provisions of all the defined pension plans are listed in the disclosure in the following tables.

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The following schedules present a description of the plan provisions and membership information, actuarial assumptions, accounting and funding policies, and contribution requirements. Six-year schedules of funding progress and trend information for defined benefit pension plans are provided in Exhibit XVI.

PLAN DESCRIPTION

	(1) VRS City	(2) City Supplemental Retirement	(3) Pension for Fire and Police	(4) Retirement Income for Fire and Police	(5) Firefighters and Police Pension	(6) Fire and Police Disability
Administrator	State of Virginia	Prudential	Prudential	ICMA-RC	Prudential	Prudential
Employees Covered	General body	General body Sheriff/ERT	Public Safety	Public Safety	Public Safety	Public Safety
Authority for Plan Provisions and Contributions	State Statute	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance
Plan Type	Agent Multi-Employer	Single-Employer	Single-Employer	Single-Employer	Single-Employer	Single-Employer
Plan 1 & 2 Hybrid Plan	Defined Benefit Hybrid	Defined Benefit	Defined Benefit	Defined Contribution	Defined Benefit	Defined Benefit
Stand Alone Financial Report	Yes	No	No	No	No	No
Actuarial Valuation Date	6/30/2016	7/1/2016	7/1/2016	6/30/2016	7/1/2016	7/1/2016
MEMBERSHIP AND PLAN PROVISIONS						
Active Participants	1931	1931	0	64	493	493
Retirees & Beneficiaries	1105	464	112	0	296	100
Terminated Vested & Non-vested	714	839	0	64	34	N/A
Normal Retirement Benefits						
Age	65 50 (30Yrs)	65 50 (30Yrs)/ 50(25 Yrs)	60 50 (20Yrs)	60	55 Any Age (25Yrs)	55
Benefits Vested**	5	5	10	5	5	5
Disability & Death Benefits	Disability Death	Disability Death	Disability Death	N/A Death	Disability Death	Disability N/A

** VRS Hybrid Plan members are always vested in Defined Contributions Plan.

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

As of:	**6/30/2016**	**7/01/16**	**7/01/16**	**6/30/17**	**7/01/16**	**7/01/16**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
	VRS City	**City Supplemental Retirement**	**Pension For Fire and Police**	**Retirement Income for Fire and Police**	**Firefighters and Police Pension**	**Fire and Police Disability**
SIGNIFICANT ACTUARIAL ASSUMPTIONS						
Investment Earnings	7.0%	7.25%	5.5%	N/A	7.5%	7.5%
Projected Salary Increases Attributable to:						
Inflation	2.5%*	2.75%	N/A	N/A	3.5%	3.5%
Seniority/Merit	3.50% -5.35%**	3.25%-5.10%	N/A	N/A	3.50%-7.25%	3.50%-7.25%
Projected Postretirement Increases	2.5%*, 2.25%[t]	None	3.0%	N/A	2.7%	2.7%
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost	N/A	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method	Level Percentage	Level dollar	Level dollar	N/A	Level Percentage	Level Percentage
Open/Closed	Closed	N/A	Closed		Closed	Closed
Remaining Amortization Perio	18-27	7	9	N/A	Layers	Layers
Asset Valuation Method	5-year Smoothed Market Value	4-year Smoothed Market	Market Value	N/A	4-year Smoothed Market	4-year Smoothed Market
Funded Status						
Actuarial Value of assets	$ 472,223,765	$ 138,307,236	$ 20,928,764	N/A	$ 250,965,829	$ 19,888,881
Actuarial Accrued Liability	554,438,880	166,446,116	27,071,868	N/A	307,617,668	36,677,073
Unfunded Actuarial Accrued Liability (UAAL)	$ 82,215,115	$ 28,138,880	$ 6,143,104	N/A	$ 56,651,839	$ 16,788,192
Funded Ratio	85.2%	83.1%	77.3%	N/A	81.6%	54.2%
Annual Covered Payroll	$ 126,449,341	$ 139,044,952	N/A	N/A	$ 37,594,719	$ 37,594,719
UAAL as Percentage of Covered Payroll	65.0%	20.2%	N/A	N/A	150.7%	44.7%

The multi-year funding progress is presented in RSI.
The Pension Plan for Fire and Police is a closed plan with no active participant.
* Plan 1, [t]Plan 2 and Hybrid
**Senority/Merit: Leo range, 3.50%-4.75%. Non-Leo range 3.50%-5.35%

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

As of:	6/17	6/17	6/17	6/17	6/17	6/17
	VRS City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Firefighters and Police Pension	Fire and Police Disability
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED						
Employee %	5.0%	2.0%	N/A	N/A	7.2%	0.8%
Employer %	7.97%	3.81%	$ 1.7 mil/Yr.	N/A	27.76%	13.82%
AMOUNT CONTRIBUTED						
Employee	$ 6,323,823	$ 1,070,134	$ -	$ -	$ 2,914,101	$ 248,035
Employer	9,974,720	8,006,825	1,713,744	-	11,148,323	5,667,369
Total Amount Contributed	$ 16,298,543	$ 9,076,959	$ 1,713,744	$ -	$ 14,062,424	$ 5,915,404

All employees make a 5% contribution to VRS.

COVERED PAYROLL						
Dollar Amount (in millions)	$ 126.4	$ 139.0	$ N/A	$ N/A	$ 37.0	$ 37.0
Legally Required Reserves	N/A	N/A	N/A	N/A	N/A	N/A
Long Term Contribution Contracts	N/A	N/A	N/A	N/A	N/A	N/A

INVESTMENT CONCENTRATIONS

The City of Alexandria does not have pension investments (other than U. S. Government and U.S. Government guaranteed obligations) in any one organization that represents five percent or more of net assets held in trust for pension investments.

	VRS City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Firefighters and Police Pension	Fire and Police Disability
Prudential General Account (Long Term)	*	2%	100%	-	30%	55%
Prudential and Comerica Mutual Funds	*	64%	-	100%	11%	9%
Stocks	*	15%	-	-	1%	17%
Real Estate	*	7%	-	-	10%	9%
Timber	*	5%	-	-	4%	4%
Private Equity	*	5%	-	-	4%	3%
Other		2%			40%	3%

* Investment information not available on an individual jurisdiction basis.

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters and Police Officers Defined Benefit and Disability Pension Plans
As of June 30, 2017

Portfolio	Level 1	Level 2	Level 3
Equity Securities			
Common Stock & ETFs	$ 32,333,444	$ -	$ -
Mutual Funds	-	95,095,181	-
Total Equity Securities	32,333,444	95,095,181	-
Private Equity			
Secondaries Funds	-	-	10,842,822
Total Private Equity	-	-	10,842,822
Cash Equivalents			
Money Market Funds	-	6,102,031	-
Total Cash Equivalents	-	6,102,031	-
Total Investments by Fair Asset Value	32,333,444	101,197,212	10,842,822
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	$ 110,826,257		
Real Estate Funds	31,047,177		
Timber Funds	12,173,164		
Total Investments Measured at NAV	$ 154,046,598		
Total Value	**$ 298,420,076**		

During fiscal year 2017, $298.4 million worth of investments were evaluated and classified in the fair value hierarchy as follows: Level 1, $30.1 million; Level 2, $83.2 million; Level 3, $10.1 million; and NAV, $175.1 million.

Pension for Fire and Police Portfolio
As of June 30, 2017

	Fair Value Measurement Using		
Portfolio	Level 1	Level 2	Level 3
Prudential Guaranteed Deposit Funds	$ -	$ 20,141,766	$ -
Totals	**$ -**	**$ 20,141,766**	**$ -**

During fiscal year 2017, $20.1 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Retirement Income for Firefighters and Police
As of June 30, 2017

	Fair Value Measurement Using		
Portfolio	Level 1	Level 2	Level 3
PIMCO all Asset Instl	$ -	$ 2,324	$ -
Vanguard LifeStrategy Mod GR	-	1,149,190	-
Vanguard LifeStrategy Growth	-	761,125	-
Vanguard Target Retire 2025	-	12,945	-
Vanguard Target Retire 2030	-	4,864	-
Vanguard Target Retire 2040		21,487	
Vanguard Target Retire 2045	-	29,546	-
Vanguard Target Retire 2055		60,717	
Vanguard Target Retire 2060		42,618	
Vanguard Target Retire 2050	-	42,830	-
Vanguard Developed Markets Idx	-	426,452	-
Vanguard Extended Market Index	-	1,068,169	-
Vanguard Emerging Mkts Stk Idx	-	306,153	-
Vanguard 500 Index Admiral	-	3,539,544	-
Invesco Global Real Estate Inc	-	54,675	-
Vanguard REIT Index Admiral	-	48,896	-
PIMCO ComodityReal Ret Strat	-	3,511	-
PIMCO Total Return Admin	-	44,866	-
PIMCO High Yield Institutional	-	10,501	-
PIMCO Foreign Bond (Unhedged)	-	7,035	-
Vanguard Inflation-Protected Secs	-	5,622	-
Vanguard Total Bond Market Idx	-	36,070	-
VT PLUS Fund	-	4,742,130	-
Totals	**$ -**	**$ 12,421,270**	**$ -**
Total Value	**$ 12,421,270**		

During fiscal year 2017, $12.4 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Supplemental Pension Plan
As of June 30, 2017

Portfolio	Level 1	Level 2	Level 3
Equity Securities			
Common Stock & ETFs	$ 21,614,790	$ -	$ -
Mutual Funds	-	40,389,371	-
Total Equity Securities	21,614,790	40,389,371	-
Private Equity			
Secondaries Funds	-	-	6,453,555
Total Private Equity	-	-	6,453,555
Cash Equivalents			
Money Market Funds	-	3,020,672	-
Total Cash Equivalents	-	3,020,672	-
Total Investments by Fair Asset Value	21,614,790	43,410,043	6,453,555
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	$ 49,308,712		
Real Estate Funds	9,609,046		
Timber Funds	6,736,010		
Farmland	2,434,074		
Total Investments Measured at NAV	$ 68,087,842		
Total Value	**$ 139,566,230**		

During fiscal year 2017, $139.6 million worth of investments were evaluated and classified in the fair value hierarchy as follows: Level 1, $21.6 million; Level 2, $43.4 million; Level 3, $6.5 million; and NAV, $68.1 million.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Securities Lending

The City permits its pension plan trust funds to lend its securities for collateral with a simultaneous agreement to return the collateral. In FY2017, the City's pension plan trust funds lent U.S. Equities with a fair value of underlying securities and cash collateral received from the borrower as indicated below. Collateral investments are reported at cost, not market value.

Securities Lent as of June 30, 2017

Pension Plan	Fair Value of Underlying Securities	Cash Collateral Received
Firefighters & Police Officers – Defined Benefit Component	$1,005,877	$1,037,714
Firefighters & Police Officers – Disability Component	73,504	75,914
Supplemental Retirement Plan	148,201	152,175
Total	$1,227,582	$1,265,803

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized a total pension expense of $25,098,391 for the City's Fire and Police Officers Pension Plan, Fire and Police Officers Disability Plan, the Supplemental Plan, and the Pension Plan for Firefighters and Police Officers. The City recognized pension expense of $8,349,191 for the VRS Pension Plan.

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Changes in Net Pension Liability for City of Alexandria Defined Benefit Plans

Firefighters' & Police Officers' Pension Plan	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of 6/30/2016	$ 308,163,946	$ 239,843,968	$ 68,319,978
Changes for the year:			
Service cost	6,180,741	-	6,180,741
Interest	23,064,895	-	23,064,895
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(546,278)	-	(546,278)
Contributions-employer	-	11,232,823	(11,232,823)
Contributions-employee	-	2,914,101	(2,914,101)
Net Investment Income	-	32,888,556	(32,888,556)
Benefit payments, including refunds	(12,763,693)	(12,763,693)	-
Administrative Expense	-	(198,337)	198,337
Net Changes	15,935,665	34,073,450	(18,137,785)
Balances at 6/30/2017	$ 324,099,611	$ 273,917,418	$ 50,182,193

Firefighters' & Police Officers' Disability Pension Plan	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of 6/30/2016	$ 39,528,466	$ 19,063,106	$ 20,465,360
Changes for the year:			
Service cost	2,885,911	-	2,885,911
Interest	2,875,585	-	2,875,585
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(2,851,393)	-	(2,851,393)
Contributions-employer	-	5,667,369	(5,667,369)
Contributions-employee	-	248,035	(248,035)
Net Investment Income	-	2,784,003	(2,784,003)
Benefit payments, including refunds	(2,488,687)	(2,488,687)	-
Administrative Expense	-	(15,277)	15,277
Net Changes	421,416	6,195,443	(5,774,027)
Balances at 6/30/2017	$ 39,949,882	$ 25,258,549	$ 14,691,333

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Supplemental Pension Plan	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of 6/30/2016	$ 165,014,417	$ 132,491,281	$ 32,523,136
Changes for the year:			
Service cost	4,429,736	-	4,429,736
Interest	11,710,854	-	11,710,854
Changes in benefit terms	-	-	-
Changes in assumptions		-	0
Difference between expected and actual experience	1,431,699	-	1,431,699
Contributions-employer	-	8,006,825	(8,006,825)
Contributions-employee	-	1,070,814	(1,070,814)
Net Investment Income	-	18,031,871	(18,031,871)
Benefit payments, including refunds	(19,026,570)	(19,026,570)	-
Administrative Expense		(665,349)	665,349
Net Changes	(1,454,281)	7,417,591	(8,871,872)
Balances at 6/30/2017	$ 163,560,136	$ 139,908,872	$ 23,651,264

Pension Plan for Firefighters & Police Officers	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of 6/30/2016	$ 27,656,684	$ 20,928,764	$ 6,727,920
Changes for the year:			
Service Cost	-	-	-
Interest	1,399,445	-	1,399,445
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(584,816)	-	(584,816)
Contributions-employer	-	1,713,744	(1,713,744)
Contributions-employee	-	-	-
Net Investment Income	-	821,797	(821,797)
Benefit payments, including refunds	(3,298,973)	(3,298,973)	-
Administrative Expense	-	(23,566)	23,566
Net Changes	(2,484,344)	(786,998)	(1,697,346)
Balances at 6/30/2017	$ 25,172,340	$ 20,141,766	$ 5,030,574

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

VRS	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of 6/30/2015	$ 536,894,807	$ 461,701,938	$ 75,192,869
Changes for the year:			
Service cost	11,832,548	-	11,832,548
Interest	36,704,090	-	36,704,090
Changes in benefit terms		-	0
Changes in assumptions	-	-	-
Difference between expected and actual experience	(2,371,962)	-	(2,371,962)
Contributions-employer	-	12,331,063	(12,331,063)
Contributions-employee	-	6,452,307	(6,452,307)
Net Investment Income	-	7,969,523	(7,969,523)
Benefit payments, including refunds	(25,101,326)	(25,101,326)	-
Other	-	(3,392)	3,392
Administrative Expense	-	(286,988)	286,988
Net Changes	21,063,350	1,361,187	19,702,163
Balances at 6/30/2016	$ 557,958,157	$ 463,063,125	$ 94,895,032

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The components of the Net Pension Liability of the City of Alexandria Defined Benefit Plans as of June 30, 2017 are as follows:

	Firefighters' & Police Officers' Pension Plan	Firefighters' & Police Officers' Disablity Pension Plan	Supplemental Retirement Plan	Pension Plan for Firefighters & Police Officers
Total Pension Liability	$ 324,099,611	$ 39,949,882	$ 163,560,136	$ 25,172,340
Plan Fiduciary Net Position	273,917,418	25,258,549	139,908,872	20,141,766
Net Pension Liability	$ 50,182,193	$ 14,691,333	$ 23,651,264	$ 5,030,574
Plan Fiduciary Net Position as a percentage of Total Pension Liability	84.5%	63.2%	85.5%	80.0%

The following presents the Net Pension Liablities of the City of Alexandria Defined Benefit Plans, calculated using the current discount rates , as well as what the Funds' Net Pension Liabilities would be if it were calculated using a discount rate that is 1.00% lower or higher than the current rate

Firefighters' & Police Officers' Pension Plan

Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Total Pension Liability	$ 367,733,196	$ 324,099,611	$ 287,944,185
Plan Fiduciary Net Position	273,917,418	273,917,418	273,917,418
Net Pension Liability 6/30/2017	$ 93,815,778	$ 50,182,193	$ 14,026,767
Plan Fiduciary Net Position as a percentage of Total Pension Liability	74.5%	84.5%	95.1%

Firefighters' & Police Officers' Disability Pension Plan

Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Total Pension Liability	$ 42,987,791	$ 39,949,882	$ 37,273,119
Plan Fiduciary Net Position	25,258,549	25,258,549	25,258,549
Net Pension Liability 6/30/2017	$ 17,729,242	$ 14,691,333	$ 12,014,570
Plan Fiduciary Net Position as a percentage of Total Pension Liability	58.8%	63.2%	67.8%

Supplemental Retirement Plan

Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Total Pension Liability	$ 179,012,289	$ 163,560,136	$ 150,152,752
Plan Fiduciary Net Position	139,908,872	139,908,872	139,908,872
Net Pension Liability 6/30/2017	$ 39,103,417	$ 23,651,264	$ 10,243,880
Plan Fiduciary Net Position as a percentage of Total Pension Liability	78.2%	85.5%	93.2%

Pension Plan for Firefighters & Police Officers

Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	4.50%	5.50%	6.50%
Total Pension Liability	$ 26,637,098	$ 25,172,340	$ 23,853,714
Plan Fiduciary Net Position	20,141,766	20,141,766	20,141,766
Net Pension Liability 6/30/2017	$ 6,495,332	$ 5,030,574	$ 3,711,948
Plan Fiduciary Net Position as a percentage of Total Pension Liability	75.6%	80.0%	84.4%

Virginia Retirement System (VRS)

Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability 6/30/2017	$ 168,141,262	$ 94,895,032	$ 34,048,757

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

$9,974,720 reported as deferred outflows of resources related to pensions resulting from City contributions to VRS subsequent to the measurement date of June 30, 2016 will be be recognized in pension expense in the year ended June 30, 2018.

At June 30, 2017, the City of Alexandria reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Firefighters' & Police Officers' Pension Plan		Firefighters' & Police Officers' Disability Pension Plan		Supplemental Pension Plan		Pension Plan for Firefighters & Police Officers		VRS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Total Deferred Ouflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual experience	$ 924,546	$ 944,547	$ 273,279	$ 5,167,660	$ 5,248,195	$ -	$ -	$ -	$ -	$ 5,878,043	$ 6,446,020	$ 11,990,250
Changes in Assumptions			-	-	6,375,241	-	-	-	-	-	6,375,241	-
Net difference between projected and actual Earnings on pension plan investments	786,189			60,325		27,849	498,194	-	12,114,153		13,398,536	88,174
Employer contributions subsequent to the measurement date	-	-	-	-	-	-	-	-	9,974,720	-	9,974,720	-
Total	$ 1,710,735	$ 944,547	$ 273,279	$ 5,227,985	$ 11,623,436	$ 27,849	$ 498,194	$ -	$ 22,088,873	$ 5,878,043	$ 36,194,517	$ 12,078,424

Total deferred outflows	$ 36,194,517
Total deferred inflows	$ 12,078,424

	Firefighters' & Police Officers' Pension Plan	Firefighters' & Police Officers' Disability Pension Plan	Supplemental Pension Plan	Pension Plan for Firefighters & Police Officers	VRS
Year ended June 30:					
2018	1,923,630	(536,905)	4,835,934	166,093	$ (1,937,676)
2019	1,923,631	(536,907)	4,835,935	166,095	(1,937,676)
2020	(158,790)	(683,073)	3,398,236	108,879	5,508,319
2021	(2,831,235)	(893,160)	(1,474,518)	57,127	4603143
2022	(91,048)	(647,430)			-
Thereafter		(1,657,231)	-	-	-
Total Future Deferrals	$ 766,188	$ (4,954,706)	$ 11,595,587	$ 498,194	$ 6,236,110

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

DESCRIPTION OF BENEFITS:

VRS—City—Regular, full time City employees who are not covered employees under the Firefighters & Police Officers Pension Plan are members of VRS. Participation is mandatory. This plan is administered by the Virginia Retirement System. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Employees with credit for services rendered prior to July 1, 2010 are covered under plan 1, while members hired or rehired on or after July 1, 2010 are covered under plan 2. Members hired after January 1, 2014 are covered under the hybrid plan. Employees are eligible for an unreduced retirement at age 65 with 5 years of service and at age 50 with 30 years of service under plan 1, and at normal Social Security retirement age with at least five years of service or when age and service are equal to 90 under plan 2 and hybrid. An optional reduced retirement benefit is available as early as age 55 with five years of service or age 50 with 10 years of service under plan 1, and age 60 with at least five years of service under plan 2 and hybrid. The retirees are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service under plan 1; 1.65 % of AFS for plan 2; 1.0% for hybrid. AFS under plan 1 is 36 highest consecutive months while it is 60 highest consecutive months under plan 2 and for plan 1 active non-vested members. In addition, retirees qualify for annual cost-of-living (COLA) increases on July 1 of the second calendar year after retirement. These benefit provisions and all other requirements are established and may be amended by State statutes.

City Supplemental Retirement Plan—Regular, full time City Employees and regular, part-time City employees who are scheduled to work at least 50% time and who are not covered under the Firefighters & Police Officers Pension Plan are participants in the Supplemental Retirement Plan. This plan is administered by the City of Alexandria. Full time employees receive Credited Service for each month the City and/or employee makes a contribution. Part-time employees accrue Credited Service on a pro-rata basis determined by scheduled work hours. Regular City employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to the sum of (1) and (2), increased by 50 percent, plus (3):

(1) 1.625 percent of the participant's past service compensation up to $100, plus 0.25 percent of the participant's past service compensation in excess of $100, multiplied by number of years of credited service earned after July 31, 1960, but prior to August 1, 1970.
(2) 1.625 percent of the participant's average earnings up to $100, plus 0.25 percent of the participant's average earnings in excess of $100, multiplied by the number of years of credited service earned after July 31, 1970, but prior to January 1, 1988.
(3) 0.80 percent of average earnings multiplied by credited service earned after December 31, 1987.

Benefit provisions are established and may be amended by City Ordinance.

Pension Plan for Fire Fighters and Police Officers (closed plan)—Employees who retired on or after age 60 are entitled to an annual retirement defined benefit, payable monthly for life, in an amount equal to 2.5 percent of final average earnings multiplied by years of credited service, up to a maximum of 30 years. The plan also provided early retirement on or after age 50 with 20 years of credited service or on or after age 56 with 10 years of credited service. This plan further provided early retirement on or after age 50 with 10 years of service with an actuarially reduced benefit. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new participants in FY 1979.

Retirement Income Plan for Fire & Police- defined contribution (closed plan)—The employees are entitled to contributions made on their behalf after 100 percent vesting. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new members in FY 2004 and converted to a defined benefit plan. Employees in the plan at date of conversion could leave their contributions in the defined contribution component or purchase prior service with the assets associated with their contributions.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters and Police Officers Pension Plan—defined benefit component—Full-time sworn Firefighters and Police Officers are covered employees in the Firefighters and Police Officers Pension Plan. Recruits are also covered by the Plan. This plan is administered by the City of Alexandria. Full time employees receive one month of credit for each full month covered by the Plan. Special rules apply for service prior to January 1, 2004.The plan provisions were approved by City Council in FY 2004 and provide retirement benefits for covered employees who retire at age 55 with 5 years of service or any age with 25 years of service for employees hired before October 2013. The retirees are entitled to 2.5 % of the participant's average monthly compensation (AMC), multiplied by the years of credited service up to 20 years; plus 3.2 % of the participant's AMC, multiplied by years of credited service in excess of 20 years. The maximum benefit is 82% of the AMC. For employees hired after October 22, 2013 the retiree is entitled to 2.5% of the participant's average monthly compensation, multiplied by years of credit service. There is no limitation service or maximum benefit. The plan also allows for early retirement at age 50 with 20 years of service with reduced benefits.

Firefighters and Police Officers Pension Plan—disability component—The plan provisions provide disability benefits for firefighters and police officers. The benefits for service-connected total and permanent disability are 70 percent of final average earnings, 66 2/3 percent for non-service connected total and permanent disability and service-connected partial disability, and 2.5% multiplied by years of credit service. Employees hired after October 23, 2013 are not eligible for the non-service connected disability. 50 percent for non-service connected partial disability. Benefits provisions are established and may be amended by City Ordinance. Effective January 1, 2004, this plan was merged with the Firefighters and Police Officers Pension Plan. Separate actuarial calculations have been performed for the defined benefit and disability components.

Deferred Retirement Option Program (DROP)—This program is available for members of the Firefighters and Police Officers Pension Plan who were hired prior to October 23, 2013. Entitled members who are eligible for normal service retirement and have completed at least 30 years of credited service are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. For members whose DROP effective date is prior to October 31, 2013 the account balance is credited with interest in the amount of 3.0 percent compounded annually. No interest is applied for members whose DROP effective date is after October 31, 2013. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP, with increases equal to the annual COLA adjustment provided for retirees.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

II. COMPONENT UNIT – Alexandria City Public Schools (ACPS)

ACPS participates in three public employee retirement systems (PERS). Two of these systems, a cost-sharing multiple-employer plan (professional) and an agent multiple-employer plan (non-professional), are administered by the Virginia Retirement System (VRS) and are, therefore, not reflected as ACPS pension trust funds. The third plan, Employees' Supplemental Retirement Plan (Supplemental Plan), is a single-employer defined benefit plan, where a stated methodology for determining pension benefits is provided. This plan is part of ACPS' reporting entity and, as such, is reflected as a Pension Trust Fund.

The actuarial valuation for the Supplemental Plan is performed annually. The actuarial valuation for VRS is performed biennially; however, an actuarial update is performed in the interim year.

In the Supplemental Plan, no changes occurred in the actuarial valuation assumptions, plan benefits, actuarial cost method, or procedures affecting the comparability of costs.

A. VIRGINIA RETIREMENT SYSTEM

Plan Description

All full-time salaried permanent (professional) employees of Alexandria City Public Schools (ACPS) are automatically covered by the VRS Teacher Retirement Plan upon employment. All full-time salaried permanent employees (non-professional) of ACPS are automatically covered by the VRS Political Subdivision Retirement Plan. These plans are administered by the Virginia Retirement System (The System or VRS) along with plans for other employer groups in the commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan and VRS Political Subdivision Retirement Plan—Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criterion. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

VRS Plan 1	**VRS Plan 2**	**VRS Hybrid Retirement Plan**
About Plan 1 Plan 1 is a defined benefit plan. The Retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at Retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1,2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members"). The defined benefit is based on member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013 **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. *Political Subdivision Plan Only:* Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. *Political Subdivision Plan Only:* Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: Political Subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax –deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in their required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

		<u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. - After two years a member is 50% vested and may withdraw 50% of employer contributions - After three years, a member is 75% vested and may withdraw 75% of employer contributions. - After four or more years, member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 ½.
Calculating the Benefit The Basic Benefit is calculated based on formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** <u>Defined Benefit Component:</u> See definition under Plan 1 The benefit is based on contributions made by the member and any matching contributions made by the member made by the employer, plus net investment earnings on those contributions.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The Retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Political Subdivisions hazardous duty employees:** Age 60 **Normal Retirement Age** **VRS:** Normal Social Security retirement age.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** the retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Political Subdivision hazardous duty employees**: Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political Subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Age 65. **Political Subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** **Defined Benefit Component:** Same as Plan 2. **Political Subdivisions hazardous duty employees:** Not applicable **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees**: Age 60 with at last five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees**: Age 60 with at last five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility VRS:** **<u>Defined Benefit</u> <u>Component:</u>** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees**: Not applicable. **<u>Defined Contribution Component:</u>** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) if creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** **<u>Defined Benefit Component</u>:** Any Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) or creditable service.
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	**Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Cost-of Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following unreduced retirement eligibility date. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. - The member retires on disability. - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act of the Transitional Benefits Program. - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%. **Eligibility:** Same as Plan 1. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution component:</u>** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2. **<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Disability Coverage Not applicable	**Disability Coverage** Not applicable	**Disability Coverage** Employees of political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit component:</u>** Same as Plan 1, with the following exceptions: - Hybrid Retirement Plan members are ineligible for ported service - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component</u>**: Not applicable.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

ACPS VRS Political Subdivision Retirement Plan

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Count
Inactive members:	
Vested inactive members	29
Non-vested Inactive Members	76
Inactive members active elsewhere in VRS	46
Total Inactive Members	151
Inactive members or their beneficiaries currently receiving benefits	187
Active Members	246
Total Covered Employees	584

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted because of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation towards their retirement. Prior to July 1, 2012, all or part of the 5.0% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.0% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.0% member contribution.

ACPS' contractually required contribution rate for the year ended June 30, 2017 was 2.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from ACPS were $0.6 million and $0.9 million for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

ACPS' net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions- General Employees

The total pension liability for ACPS General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	14% of deaths are assumed to be service related
Largest 10- Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.
All Others (non 10 Largest) Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.	

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10-Non-LEOS:

Update mortality table

- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest)-Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of the expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
Inflation			2.50%
(1) Expected arithmetic nominal return			8.33%

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

[1]Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.3% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.4%, including expected inflation of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made in accordance with the rates adopted by VRS funding policy at rates equal to difference between actuarially determined contribution rates adopted by VRS Board of Trustees and member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balances at June 30, 2015	$39,950,072	$44,065,445	$(4,115,373)
Changes for the year:			
Service Cost	754,823	-	754,823
Interest	2,716,423	-	2,716,423
Differences between expected and actual experience	260,117	-	260,117
Contributions - employer	-	436,893	(436,893)
Contributions - employee	-	388,435	(388,435)
Net investment income	-	735,046	(735,046)
Benefit payments, including refunds of employee contributions	(2,288,057)	(2,288,057)	-
Administrative expenses	-	(27,814)	27,814
Other changes	-	(318)	318
Net changes	1,443,306	(755,815)	2,199,121
Balances at June 30, 2016	$41,393,378	$43,309,630	$(1,916,252)

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of ACPS using the discount rate of 7%, as well as, what ACPS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	(-1%) Decrease	Current Discount Rate	(+1%) Increase
	6.00%	7.00%	8.00%
		(000s)	
Net Pension Liability (Asset)	$2,804	($1,916)	($5,898)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, ACPS recognized pension expense of ($0.30 million). As of June 30, 2017, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between projected and actual earings on pension plan investments	$2,462,343	$1,344,996
Employer contributions subsequent to the measurement date	307,323	
Difference between expected and actual experience	181,054	502,661
Total	$2,950,720	$1,847,657

The $0.3 million reported as deferred outflows of resources related to pensions resulting from ACPS's contributions subsequent to the measurement date that will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Payables to the Pension Plan

At June 30, 2017, ACPS reported payables to the VRS Political Subdivision Retirement Plan of $50,000.

Year Ending June 30	Amount ($000)
2018	($379)
2019	24
2020	691
2021	459
2022	-
Thereafter	-
	$795

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/Publications/2016-annual-report.pdf, or by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Teachers Retirement Plan

Contributions

The contribution requirement for active employees is governed by Title 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school division by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Prior to July 1, 2012, all or part of the 5.0% member contributions may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.0% member contribution. In addition, for existing employees, employers were required to beginning making the employee pay the 5.0% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.7% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015, adjusted for the transfer in June 2015 of $192.9 million as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 16.3%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provision of title 51.1-145 of the Code of Virginia, as amended, the contributions were funded at 89.8% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from ACPS were $28.1 million and $29.3 million for the years ended June 30, 2017 and June 30, 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, ACPS reported a liability of $259.6 million for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. ACPS' proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 1.9% as compared to 1.8% at June 30, 2015.

For the year ended June 30, 2017, ACPS recognized pension expense of $23.0 million. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 14,831,000	$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,352,000	3,244,000
Differences between expected and actual experience	-	8,414,000
Employer contributions subsequent to the measurement date	21,272,000	-
Total	$ 44,455,000	$ 11,658,000

At June 30, 2017, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The deferred outflows of resources of $21.3 million related to pensions, resulting from the school division's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount ($000)
2018	($1,063)
2019	($1,063)
2020	7,845
2021	5,833
2022	($27)
Thereafter	-
	$11,525

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30,2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 3 years and females were set back 5 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females set back 3 years
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 years and no provision for future mortality improvement.
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.	

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012.

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Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Long – Term Expected Rate of Return

The long-term expected rate of return on pension System investments were determined using a log- normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
Inflation			2.50%
(1) Expected arithmetic nominal return			8.33%

(1)Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.3% but also has a high standard deviation, which means that is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.4%, including expected inflation of 2.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by ACPS for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Sensitivity of the School Division's Proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents ACPS' proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(-1%) Decrease 6.0%	Current Discount Rate 7.0%	(+1%) Increase 8.0%
ACPS' proportionate share of VRS Teacher Plan Net Pension Liability	$ 370,103,000	$ 259,630,000	$ 168,627,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016- annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2017, ACPS reported payables to the VRS Teacher Retirement Plan of $3.0 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

B. EMPLOYEES' SUPPLEMENTAL RETIREMENT PLAN

Plan Description

The ACPS Employees' Supplemental Retirement Plan (the Plan) is a single-employer defined benefit plan sponsored by ACPS. The Plan is governed by the Alexandria School Board (Board) which has the authority to make all investment and policy decisions impacting the Plan's existence, investments, benefits, and administration. The Board has established an Investment Advisory Board (Advisory Board) to monitor and manage the Plan. The Advisory Board consist of five members: 1) the Plan Administrator/ ACPS Chief Human Resource Officer; 2) the Plan Investment Officer/ ACPS Chief Financial Officer; 3) one teacher member selected from among active employee participants; 4) one retired member actively earning benefits from the plan; and 5) one certified investment management professional. The Board has contracted with the Principal Financial Group to manage certain plan assets and administer the retirement benefits to the plan participants.

The purpose of the Plan is to provide supplemental retirement benefits to employees of Alexandria City Public Schools. Statutory authority for the establishment of this Plan is provided by the Code of Virginia §51.1-800 through §51.1-803.

All full-time employees are eligible to participate in the Plan as of July 1, 1961, if classified as a twelve month employee. Ten-month employees were eligible to participate in the Plan as of July 1, 1971. The Plan's fiscal year end is August 31. The net pension liability reported for period ending August 31, 2016 was measured as of August 31,2016, using the total pension liability that was determined by an actuarial valuation as September 1, 2016.

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. The Plan does not issue a separate, publicly-available financial report.

Measurement Date

A measurement date of August 31, 2016 has been used for GASB 68 reporting.

Benefits provided

The Plan provides disability and death benefits. Benefits at retirement are based upon years of service and the average earnable compensation of an eligible employee during any three years that provide the highest average earnable compensation and are adjusted for

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

inflation after retirement. Benefits at early retirement are reduced by an early retirement factor. Employees are considered vested on or after completing five years of service, or on or after attaining age 60. Employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.40 percent of effective compensation multiplied by credited future service on and after September 1, 1984, and 1.625 percent of effective compensation not to exceed $100 plus 0.25 percent of the amount by which effective compensation exceeds $100 multiplied by credited past service before September 1, 1984, and 1.625 percent of past service compensation in excess of $100 plus 0.25 percent of past service compensation in excess of $100 times credited past service. There have been no changes in plan provisions during the measurable period.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The funding policy of the Plan provides for monthly contributions at actuarially-determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the Plan's actuarial valuation report. Starting January 2013, contributions were made at the rate of 1.50% of covered payroll. During FY 2017, only ACPS employees contributed to the Plan. These contributions totaled $2.4 million for the fiscal year ended June 30, 2017. Administrative costs of the Plan are paid from the Plan's assets.

Investment policy

The objective of the Plan is to maintain actuarial soundness so that funds will be available to meet contractual benefit obligations. The investment policy may be amended by the Board at any time. Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for the Plan. The following was the Plan's adopted asset allocation policy as of August 31, 2016.

Asset Class (Strategy)	Target Allocation	Arithmetic Long term Expected Rate of Return	Expected Geometric Return
U.S Equity - Large Cap	27.60%	8.80%	7.45%
U.S Equity - Mid Cap	3.12%	9.10%	7.45%
U.S Equity - Small Cap	3.21%	9.55%	7.45%
Non-US Equity	10.00%	9.20%	7.45%
REITs	1.02%	8.35%	6.55%
Real Estate (direct property)	9.03%	6.30%	5.95%
TIPS	1.52%	4.10%	3.90%
Core Bond	39.33%	4.25%	4.15%
High Yield	5.17%	6.30%	5.90%
Total	100.00%		
Exp LTROA (arithmetic mean)	6.65%		
Portfolio Standard Deviation	8.56%		
40th percentile	5.71%		
45th percentile	6.01%		
Expected Compound Return	**6.31%**		
55th percentile	6.61%		
60th percentile	6.91%		
Portfolio Investment Mix:	Equity 44%/Fixed Income 46%/Other 10%		

Concentrations

As of the measurement date, the plan had investments (other than US Government and US Government guaranteed obligations) in only Principal Financial Group, totaling $116.5 million, that represented 5 percent or more of the Plan's fiduciary net position.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Money-Weighted Rate of Return

For the Plan year ended August 31, 2016, the annual money-weighted rate of return on plan investments for the measurement period is (5.80) %. The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

Long-Term Expected Rate of Return

For the plan year ended August 31, 2016, the expected long-term rate of return assumption as of the end of period is 6.50%. The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20- 30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies

Actuarial Assumptions

The actuarial assumptions used in the August 31, 2016 valuation were based upon the results of an actuarial assumption review for the five-year period of September 1, 2007 to August 31, 2012.

MEMBERSHIP AND PLAN PROVISIONS (Employees' Supplemental)

Active plan members	2,113
Retirees and beneficiaries currently receiving benefits	1,224
Inactive or disabled plan members entitled to but not receiving benefits	985
Total	4,322
Normal retirement age	65 years
Benefits age	50 yrs (+30 yrs of service)
Benefits vesting years	5 years
Disability and death benefits	Yes

SIGNIFICANT ACTUARIAL ASSUMPTIONS

Long-term rate of return	6.50%
Discount rate	6.50%
Projected salary increase attributed to:	
Inflation	2.25%
Seniority /merit	4.88 - 7.18%
Retirement increases	-
Actuarial cost method	Entry Age Normal actuarial cost method
Open/closed	Open
Remaining amortization period	18 years
Asset valuation method	Contract Basis
Mortality - Pre-retirement	RP2006 Total base table with a 10 year mortality improvement Scale
Mortality - Post-retirement	RP2006 Total base table with a 10 year mortality improvement Scale

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

PERCENTAGE OF COVERED PAYROLL CONTRIBUTION

Employee contribution percentage	1.50%
Employer contribution percentage	0.00%
Employee contribution, during the measurement period	$2,508,919
Employer contribution	-
Total amount contributed	$2,508,919
Covered payroll (Annual member compensation)	$140,366,382
Legally-required reserves	None
Long-term contribution contracts	None

Projected Cash Flows

Projected cash flows are based upon the underlying assumptions used in the development of the accounting liabilities.

Discount Rate

The discount rate is a single rate that incorporates the long-term rate of return assumption. The long- term rate of return assumption was applied to the projected benefit payments from 2016 to 2112. Benefit payments after 2112 are projected to be $0.00.

Net Pension Liability

The net pension liability reported for ACPS fiscal year end of June 30, 2017 was measured as of August 31, 2016, using the total pension liability that was determined by an actuarial valuation as of August 31, 2016.

Changes in Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balances at August 31, 2015	$101,935,532	$113,738,482	$(11,802,950)
Changes for the year			
Service Cost	2,603,388	-	2,603,388
Interest	6,578,948	-	6,578,948
Differences between expected and actual experience	998,161	-	998,161
Contributions - employer	-	-	-
Contributions - employee	-	2,508,919	(2,508,919)
Net investment income	-	6,481,332	(6,481,332)
Benefit payments, incl. refunds of employee contributions	(6,157,529)	(6,157,529)	-
Administrative expenses	-	(85,748)	85,748
Net changes	12,035,645	2,746,974)	9,288,671
Balances at August 31, 2016	$113,971,177	$116,485,456	$(2,514,279)

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Employees' Supplemental Retirement Plan using the discount rate of 6.5%, as well as what the pension net pension liability would be if it was calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate.

	(-1%) Decrease	Current Discount Rate	(+1%) Increase
	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	$12,690,805	($2,514,279)	($15,043,285)

Pension Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Employees' Supplemental Retirement Plan pension expense for the fiscal year ended June 30, 2017 is $2.2 million. For the year ended June 30, 2017, ACPS reported deferred inflows of resources related to pensions for this Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	$5,667,613	$2,681,598
Changes in assumptions	6,077,248	
Differences between expected and actual experience	827,967	-
Total	$12,572,828	$2,681,598

Amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending June 30,	Amount
2018	$ 2,707,714
2019	2,707,714
2020	4,015,145
2021	460,657
2022	-
Thereafter	-
Total	$ 9,891,230

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Payables to the Pension Plan

At June 30, 2017, ACPS reported payables to the Employees' Supplemental Retirement Plan of $0.2 million.

The following is a summary of fiduciary net position of the Plan as of June 30, 2017.

Summary of Fiduciary Net Position
Employees' Supplementary Retirement Plan
As of June 30, 2017

ASSETS		
Bonds	$	51,262,641
Mutual Funds		38,071,491
Other Investments		31,838,529
Contribution Receivable		202,214
Total assets		121,374,875
NET POSITION		
Held in trust for pension benefits	$	121,374,875

The following is a summary of changes in fiduciary net position of the Plan for the year ended June 30, 2017

Summary of Changes in Fiduciary Net Position
Employees' Supplementary Retirement Plan
For the Year Ended June 30, 2017

ADDITIONS		
Contributions	$	2,423,234
Investment Income		10,946,876
Total Additions		13,370,110
DEDUCTIONS		
Benefit payments		6,226,686
Administrative expenses		71,734
Total Deductions		6,298,420
Change in net position		7,071,690
NET POSITION, beginning of year		114,303,185
NET POSITION, end of year	**$**	121,374,875

Exhibit XII
(Continued)

NOTE 18. TERMINATION BENEFITS

The City provided termination benefits to two employees in fiscal year 2017. The benefit consisted of four weeks of pay based on completed years of service. The total cost to the City was $52,666.

NOTE 19. TAX ABATEMENTS

A tax abatement is a reduction in tax revenues or exemption from tax expense that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action that after the agreement has been entered into, it contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City entered into a 15-year agreement with the General Services Administration (GSA) on behalf of an independent federal government agency to the purchase of real property and construction of a building for lease (known as the District). The agreement involves a real property tax exemption that partially exempts real estate taxes due during the 15-year period of leasing the building to tenants. The state law under which the abatement was enacted is the Code of Virginia detailed within 58.1-3221 which states that, the governing body of any county, city or town may, by ordinance, provide for the partial exemption from taxation of real estate on which any structure or other improvement provided certain criteria is met including substantial rehabilitation, renovation, or replacement for commercial or industrial use.

The effective date of the start of the exception is the first January 1 after the first certificate of occupancy. In the event the performance standard is achieved during the first year following the issuance of the first certificate of occupancy, the abatement shall apply to the entire calendar year.

The annual percent of real estate taxes that will be exempt on the improvements during the 15 years of the initial transaction are summarized in the table below.

Year	Percent	Year	Percent
1	100%	9	90%
2	100%	10	80%
3	100%	11	70%
4	100%	12	60%
5	100%	13	50%
6	100%	14	40%
7	100%	15	30%
8	100%	16 & Beyond	0%

The real property assessments for all land and buildings within the District shall be determined by the Real Estate Assessor, and shall be established at 100 percent of fair market value using the same principles, procedures, and methodology established for other like kind taxable real property in the City. The owner of land and improvements within the District maintains the same rights and limitations of appeal of the City's annual real estate assessment as that applicable to other taxable real estate in the City. The annual assessed value of the land component in the District, reflecting any increases or decreases in assessed value of said land component, shall remain fully taxable. The annual assessed value of the land component shall also reflect that of a finished developed lot.

The tax exemption is dependent on the independent federal government agency (agency) fully meeting a required performance standard as follows:

1) While the plans are to occupy 100% of the building, the agency must achieve at least 80 percent of the net leasable space of the property. If the agency does not lease its portion and achieve the minimum 80 percent occupancy within one year from the issuance of the last certificate of occupancy, then no tax exemption shall apply.

2) Space not occupied by the agency due to incidents such as fires, earthquakes, hurricanes, or other acts of god shall be considered leased and occupied space by the agency in the calculation of the 80 percent occupancy threshold.

Exhibit XII
(Continued)

NOTE 19. TAX ABATEMENTS (Continued)

3) By March 1 of each calendar year, the owner of the property at the District is responsible for notifying the City's director of finance of the occupancy level by the agency on a form designated by the director of finance. In the event during a calendar year the agency's occupancy rate falls below 80%, the owner of the property is responsible for notifying the director of finance of the changed agency occupancy level, as well as the date that the occupancy rate fell below 80%.

4) Within 60 days of meeting the performance standard, the City must be notified by the property owner. The City then determines in the performance standard was satisfied.

5) The partial exemption of real property taxes, including the qualifications and the declining percentage value of the exemption as detailed on the table above shall be considered a covenant that shall run with the land. The City has recorded the covenant in the land records of the City which identifies and defines the partial property tax exemption. These terms, conditions and limitations shall not be revoked during the 15-year period and shall control the payment of real property taxes irrespective of any change in the applicable City Code.

6) Per State law, which authorizes the partial real estate tax abatement, this partial real estate tax abatement cannot be reduced during the 15-year abatement period, and is recorded in the City's land records. This provides the needed surety to the property owner and the agency that the proffered tax abatement cannot be reduced or withdrawn later.

7) In the event the Property is sold to the federal government or a federal government related entity prior to 20 years after the effective starting date of the property tax exemption then the net present value of the foregone real property taxes which would otherwise have been due to the City between the date of the sale and the 20 years after the effective starting date of the property tax exemption, would be due to the City at the time of the sale (Due on Sale).

8) For the purposes of calculating the net present value of forgone real estate taxes prescribed above the following methodology shall apply:

    a. The discount rate utilized in that calculation shall reflect the City's estimated cost of funds utilizing Thomson Municipal Market Data (MMD) for 10-year AAA rated tax exempt general obligation bonds as of either January 1 or July 1 of the calendar year of the sale of the property, and if this MMD information is not available an equivalent measure shall be substituted,

    b. the real estate tax assessment used in the net present value calculation shall reflect the real estate tax assessment as of January 1 of the calendar year of the property transfer, and

    c. the real estate tax rate used shall reflect the adopted real estate tax rate for the calendar year of the sale of the Property, or if the real estate tax rate of the calendar year of the sale has not yet been adopted, then the adopted real estate tax rate for the calendar year prior to the sale of the property shall be used.

The agency's presence in the City is projected to generate (in today's dollars) $73 million over a 15-year period and up to $95 million over a 20-year period if the agency lease is extended. After setting aside a $28 million value of the proposed tax abatement over the 15 years, the net tax gain to the City's General Fund is projected to be $45 million over a 15-year period and $68 million over a 20-year period. An economic analysis indicated that the agency will generate 90,000 hotel room stays per year, 30,000 above the original study estimate (worth between $10 million and $14 million to these tax generation estimates).

In FY 2017, there were zero dollars of taxes abated. None of the eligibility requirements were met. Additionally, there were no agreements entered by other governments that reduced the City's tax revenues.

NOTE 20. NEW ACCOUNTING STANDARD ADOPTED

During the fiscal year ended June 30, 2017, the City adopted three new GASB standards

GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This statement pertains to financial statements with the fiscal year that ends June 30, 2017. GASB 74 will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by postemployment benefits (OPEB) plans that are defined benefit and defined contribution administered through trusts that meet specified criteria. Benefits of GASB 74 include:

- Enhanced decision-usefulness of financial reports.
- Net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan.
- The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability.
- The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined.
- The new information about rates of return on OPEB plan investments will:
  - Highlight the effects of market conditions on OPEB plan's assets over time.
  - Provide information to assess the relative success of the OPEB plan's investment strategy.
  - Provide information to assess the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

GASB Statement No. 77 Tax Abatement Disclosures

A tax abatement is a reduction of or exemption from taxes granted by a government for a specified period, usually to encourage economic development, as well as retain businesses that are already located in close proximity. The statement requires that the City enter into agreements to disclose the tax abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. This disclosure will allow users of the financial statements to be better equipped to understand how tax abatements affect the City's future ability to raise resources and meet its financial obligations, and the impact those abatements have on the City's financial position and economic condition.

GASB Statement No. 80 Blending Requirements for Certain Component Units

The City adopted GASB 80 with the blending of the previously reported component unit, Alexandria Transit Company (ATC), as part of the primary government activities. This Statement amends the blending requirements established in Statement No. 14. Under Statement No. 14, ATC was reported as a component unit in the City's financials using the discrete presentation format (in a column separate from the financial data of the primary government).

Nevertheless, ATC's financials are so intertwined with the City's primary government activities (its transactions and balances are alike), that it makes ATC eligible for blending. Additionally, the Government Accounting Standards Board (GASB) concluded that blending is the appropriate presentation of a component unit that is a not-for-profit corporation (such as ATC), in which the primary government is the sole corporate member ATC is wholly owned by the City of Alexandria.

Exhibit XII
(Continued)

NOTE 20. NEW ACCOUNTING STANDARD ADOPTED (Continued)

		Primary Government	Component Units
Net position, July 1, 2016, as previously stated	$	372,763,317	(141,557,409)
Transit - DASH per GASB 80		23,225,562	(23,225,562)
Net position, July 1, 2016, as restated	$	395,988,879	(164,782,971)

NOTE 21. SUBSEQUENT EVENTS

On July 25, 2017, the City Council issued $94.7 million in General Obligation Tax-exempt Bonds and $4.4 million in General Obligation Taxable Bonds. The $94.7 million in bonds were issued with an original premium of $11.5 million and a true cost of $2.5 million, which will be used to finance certain capital improvement projects for the City including, but not limited to, public school projects, city parks and buildings, transit and traffic control infrastructure, capital contributions to the Washington Metropolitan Area Transit Authority, storm water infrastructure improvements, and acquisition of fire department vehicles and apparatus. The $4.4 million in bonds were issued with an original premium of $40,000 and a true cost of $3.0 million, which will be used for affordable housing.

On September 5, 2017, the City Council also issued $102.1 million in General Obligation Refunding Bonds at a true interest cost of 1.9 percent.

REQUIRED
SUPPLEMENTARY
INFORMATION
(Unaudited)

In accordance with the Governmental Accounting Standards Board Statements No. 25, No. 27, No. 34, No. 43, and No.45 the following information is a required part of the basic financial statements.

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

EXHIBIT XIII

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget - Positive (Negative)
Revenues:				
General Property Taxes	$ 450,632,010	$ 450,932,010	$ 460,874,188	$ 9,942,178
Other Local Taxes	131,077,709	131,077,709	131,900,663	822,954
Permits, Fees, and Licenses	2,433,400	2,433,400	2,713,962	280,562
Fines and Forfeitures	6,463,517	6,463,517	4,907,527	(1,555,990)
Use of Money and Property	4,712,000	4,712,000	5,515,144	803,144
Charges for Services	20,859,994	20,864,558	19,419,892	(1,444,666)
Intergovernmental Revenues	56,228,977	56,440,644	56,444,434	3,790
Miscellaneous	1,131,270	1,131,270	1,874,317	743,047
Total Revenues	673,538,877	674,055,108	683,650,127	9,595,019
Expenditures:				
City Council	526,434	588,324	574,479	13,845
City Manager	2,464,732	2,548,326	2,464,008	84,318
Office of Management and Budget	1,301,434	1,301,434	1,184,450	116,984
18th Circuit Court	1,662,220	1,737,175	1,604,021	133,154
18th General District Court	148,677	158,279	140,502	17,777
Juvenile And Domestic Relations Court	81,320	81,320	64,283	17,037
Commonwealth's Attorney	3,220,905	3,220,905	2,869,496	351,409
Sheriff	31,014,177	30,717,334	29,679,167	1,038,167
Clerk of Courts	1,663,647	1,673,732	1,611,523	62,209
Other Correctional Activities	4,164,034	4,223,569	4,116,961	106,608
Court Services	1,507,183	1,571,895	1,351,342	220,553
Human Rights	789,655	789,655	767,993	21,662
Internal Audit	315,991	327,799	307,066	20,733
Information Technology Services	10,093,469	11,050,302	9,828,635	1,221,667
Office of Communications	1,306,061	1,306,061	1,174,182	131,879
City Clerk and Clerk of Council	445,562	445,562	442,776	2,786
Finance	13,098,450	13,841,922	11,334,658	2,507,264
Performance and Accountability	622,641	721,496	440,232	281,264
Human Resources	3,512,923	3,726,110	3,634,483	91,627
Planning and Zoning	5,543,691	6,117,600	5,390,794	726,806
Economic Development Activities	5,490,493	5,490,493	5,423,105	67,388
City Attorney	2,866,163	3,406,163	3,038,089	368,074
Registrar of Voters	1,413,610	1,413,610	1,296,200	117,410
General Services	14,093,050	14,896,164	13,800,281	1,095,883
Office of Proj. Implementation	1,895,590	1,910,156	1,514,963	395,193
Transportation and Environmental Services	29,492,354	30,933,253	26,685,664	4,247,589
Transit Subsidies	7,820,972	8,466,900	8,450,237	16,663
Fire	49,711,802	49,942,365	49,649,806	292,559
Police	60,467,761	61,016,633	60,046,453	970,180
Emergency Communication	7,158,590	7,330,760	6,893,877	436,883
Building and Fire Code Administration	114,000	121,660	104,840	16,820
Housing	1,791,424	1,882,924	1,653,199	229,725
Community and Human Services	13,328,244	13,750,039	13,437,271	312,768
Other Health Services	1,883,891	1,883,891	1,825,011	58,880
Health	6,825,631	7,090,184	6,636,316	453,868
Office of Historic Alexandria	3,038,902	3,097,308	2,925,765	171,543
Recreation and Cultural Activities	21,717,857	22,068,610	21,400,980	667,630
Other Educational Activities	12,131	12,131	12,131	-
Non Departmental (including debt service)	76,601,103	75,653,525	75,089,133	564,392
	389,206,774	396,515,569	378,864,372	17,651,197
Other Financing Sources (Uses):				
Proceeds of Refunding Bonds	-	34,168,000	34,168,000	-
Bond Premium	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	(34,017,394)	(34,017,394)	-
Transfers In	4,994,761	4,994,761	10,414,477	5,419,716
Transfers Out	(75,826,882)	(79,335,018)	(79,136,615)	198,403
Transfers Out - Component Units	(213,499,982)	(211,034,007)	(210,883,809)	150,198
Sale of Land	-	-	-	-
	(284,332,103)	(285,223,658)	(279,455,341)	5,768,317
Net Change in Fund Balance.	-	(7,684,119)	25,330,414	33,014,533
Fund Balances at Beginning of Year	94,525,932	94,525,932	94,525,932	-
Increase/(Decrease) in Reserve for Inventory	-	-	149,937	149,937
FUND BALANCES AT END OF YEAR	**$ 94,525,932**	**$ 86,841,813**	**$ 120,006,283**	**$ 33,164,470**

(See Accompanying Independent Auditors' Report and Notes to Schedules)

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

Exhibit XIV

	Original Budget	Budget as Amended	Actual	Variance From Amended Budget Positive (Negative)
Revenues:				
General Property Taxes	$ 11,285,704	$ 11,285,704	$ 12,048,486	$ 762,782
Other Local Taxes	6,582,034	6,582,034	6,911,178	329,144
Permits, Fees and Licenses	9,415,930	9,415,930	6,830,018	(2,585,912)
Fines and Forfeitures	-	-	-	-
Use of Money and Property	(201,709)	335,291	728,034	392,743
Charges for Services	18,733,391	19,746,832	19,900,505	153,673
Intergovernmental Revenues	51,365,829	56,484,196	47,934,221	(8,549,975)
Miscellaneous	8,287,053	15,268,616	10,139,046	(5,129,570)
Total Revenues	105,468,232	119,118,603	104,491,488	(14,627,115)
Other Financing Sources:				
Transfers In	52,630,352	53,123,487	50,122,791	(3,000,696)
Total Other Financing Sources	52,630,352	53,123,487	50,122,791	(3,000,696)
Total Revenues and Other Financing Sources	158,098,584	172,242,090	154,614,279	(17,627,811)
Expenditures:				
Commonwealth's Attorney	297,043	505,937	323,525	182,412
Sheriff	757,919	759,013	712,151	46,862
Clerk of Courts	65,000	65,000	55,692	9,308
Law Library	-	250	241	9
Other Correctional and Judicial Activities	184,177	184,177	125,276	58,901
Court Services	227,184	267,184	186,717	80,467
Human Rights	12,717	34,717	34,119	598
Information Technology Services	409,794	409,794	371,534	38,260
Finance	765,017	796,267	597,398	198,869
Planning and Zoning	580,085	730,085	345,818	384,267
Economic Development	-	405,000	-	405,000
General Services	152,922	194,934	42,237	152,697
Office of Project Implementation	1,326,876	1,326,876	1,027,238	299,638
Transit Subsidies	12,274,316	12,362,903	9,781,238	2,581,665
Transportation and Environmental Services	5,800,000	6,900,000	6,895,978	4,022
Fire	2,127,989	2,127,505	1,229,610	897,895
Building and Fire Code Administration	7,659,419	7,692,945	5,685,644	2,007,301
Police	809,394	2,019,149	269,033	1,750,116
Office of Housing	17,515,624	25,830,177	6,535,333	19,294,844
Community and Human Services	78,010,867	79,429,349	76,642,232	2,787,117
Alexandria Health	31,735	74,115	3,816	70,299
Historic Alexandria	742,641	917,572	584,789	332,783
Recreation and Cultural Activities	1,070,995	1,884,071	1,365,131	518,940
Library	54,346	54,346	54,049	297
Non-Departmental	1,275,995	204,542	100,215	104,327
Total Expenditures	132,152,055	145,175,908	112,969,014	32,206,894
Other Financing Uses:				
Transfers Out	25,661,750	27,066,181	30,220,223	(3,154,042)
Total Other Financing Uses	25,661,750	27,066,181	30,220,223	(3,154,042)
Total Expenditures and Other Financing Uses	157,813,805	172,242,089	143,189,237	29,052,852
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	284,779	1	11,425,042	11,425,042
Fund Balance at Beginning of Year	66,479,290	66,479,290	66,479,290	66,479,290
FUND BALANCE AT END OF YEAR	$ 66,764,069	$ 66,479,291	$ 77,904,332	$ 77,904,332

(See Accompanying Independent Auditor's Report and Notes to Schedules)

CITY OF ALEXANDRIA, VIRGINIA
Notes to Budgetary Comparison Schedules
For Fiscal Year Ended June 30, 2017

Exhibit XV

(1) SUMMARY OF SIGNIFICANT BUDGET POLICIES

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. On May 5, 2016, the City Council approved the original adopted budget and on June 24, 2017, approved the revised budget reflected in the required supplementary information.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the required supplementary information for all funds with annual budgets, compare the revenues and expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General and Special Revenue Funds present actual expenditures in accordance with U.S. generally accepted accounting principles on a basis consistent with the legally adopted budgets, as amended. See Table XVII for the schedule of departments' expenditure detail by function. A reconciliation of the perspective difference for reporting Expenditures and Other Financing Uses in the General Fund relates to how transfers to component units are recorded in each statement and includes the following:

General Fund

Budget Statement Title	Budgetary Statement Amount	Adjustment for Transfer to Component Unit (Footnote 10)	Exhibit IV	Exhibit IV Title
Other Educational Activities	$ 12,131	$ 204,020,497	$ 204,032,628	Education
Transit				
Library Transfer	-	6,863,312	6,863,312	Library
Other Expenditures (not listed separately)	412,869,635	-	412,869,635	Other Expenditures (not listed separately)
Total Expenditures	412,881,766	210,883,809	623,765,575	Total Expenditures
Transfers Out – Component Units	210,883,809	(210,883,809)	-	None
Operating Transfers Out	79,136,615	-	79,136,615	Operating Transfers Out
Other Financing	(10,565,083)	-	(10,565,083)	Other Expenditures (not listed separately)
Total Financing (Sources) Uses	$ 279,455,341	$ (210,883,809)	$68,571,532	Total Financing Uses

Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017

Exhibit XVI

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Supplemental Plan (a)										
Actuarial Determined Contribution	$ 9,378,597	$ 9,193,893	$ 7,548,253	$ 8,462,725	$ 7,441,425	$ 9,394,774	$ 9,882,928	$ 10,284,656	$ 6,381,581	$ 5,419,262
Actual Contribution Amounts	8,006,825	7,586,006	7,173,760	9,705,496	9,373,813	9,854,860	8,544,859	7,416,575	5,109,723	5,409,164
Contribution Deficiency (Excess)	1,371,772	1,607,887	374,493	(1,242,771)	(1,932,388)	(460,086)	1,338,069	2,868,081	1,271,858	10,098
Percentage of Actual Contribution Contributed	85.37%	82.51%	95.04%	114.69%	125.97%	104.90%	86.46%	72.11%	80.07%	99.81%
Covered-Employee Payroll	139,044,952	136,447,066	136,351,396	127,784,140	129,419,066	125,569,484	124,936,457	125,803,615	126,492,987	123,522,516
Contribution as a Percentage of Covered-Employee Payroll	5.76%	5.56%	5.26%	7.60%	7.24%	7.85%	6.84%	5.90%	4.04%	4.38%
Pension Plan for Fire and Police*										
Actuarial Determined Contribution	908,621	1,057,539	1,158,624	1,211,013	1,332,955	1,472,059	1,443,056	1,623,492	1,679,131	1,209,549
Actual Contribution Amounts	1,713,744	1,723,744	1,728,313	1,700,000	1,700,000	1,700,000	1,700,000	1,679,131	1,707,836	850,000
Contribution Deficiency (Excess)	(805,123)	(666,205)	(569,689)	(488,987)	(367,045)	(227,941)	(256,944)	(55,639)	(28,705)	359,549
Percentage of Actual Contribution Contributed	188.61%	163.00%	149.17%	140.38%	127.54%	115.48%	117.81%	103.43%	101.71%	70.27%
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a Percentage of										
Firefighters and Police Pension										
Actuarial Determined Contribution	9,903,407	9,384,623	9,273,326	10,471,367	10,291,033	9,770,783	8,268,658	7,916,599	7,184,309	7,116,057
Actual Contribution Amounts	11,232,823	11,119,553	9,933,001	10,398,552	8,634,820	8,330,531	7,651,601	7,062,118	7,087,325	7,221,966
Contribution Deficiency (Excess)	(1,329,416)	(1,734,930)	(659,675)	72,815	1,656,213	1,440,252	617,057	854,481	96,984	(105,909)
Percentage of Actual Contribution Contributed	113.42%	118.49%	107.11%	99.30%	83.91%	85.26%	92.54%	89.21%	98.65%	101.49%
Covered-Employee Payroll	36,973,064	34,378,179	33,810,854	34,424,794	33,013,511	32,058,296	32,638,214	33,261,971	33,485,674	32,564,077
Contribution as a Percentage of Covered-Employee Payroll	30.38%	32.34%	29.38%	30.21%	26.16%	25.99%	23.44%	21.23%	21.17%	22.18%
Firefighters and Police Disability										
Actuarial Determined Contribution	4,449,438	4,638,338	4,618,019	4,431,587	2,371,116	1,928,701	1,611,887	1,469,682	1,244,853	1,610,278
Actual Contribution Amounts	5,667,369	4,734,529	2,448,696	2,039,849	1,692,368	1,456,788	1,210,062	1,584,314	1,444,947	771,036
Contribution Deficiency (Excess)	(1,217,931)	(96,191)	2,169,323	2,391,738	678,748	471,913	401,825	(114,632)	(200,094)	839,242
Percentage of Actual Contribution Contributed	127.37%	102.07%	53.02%	46.03%	71.37%	75.53%	75.07%	107.80%	116.07%	47.88%
Covered-Employee Payroll	36,973,064	34,378,179	33,810,854	34,424,794	33,013,511	32,058,296	32,638,214	33,261,971	33,485,674	32,564,077
Contribution as a Percentage of Covered-Employee Payroll	15.33%	13.77%	7.24%	5.93%	5.13%	4.54%	3.71%	4.76%	4.32%	2.37%
VRS										
Actuarial Determined Contribution	9,974,720	12,285,419	14,070,398	12,629,447	12,542,600	8,274,478	8,772,167	7,977,375	8,149,979	7,490,208
Actual Contribution Amounts	9,974,720	12,285,419	14,070,398	12,629,447	12,542,600	8,274,478	8,772,167	7,977,375	8,149,979	7,490,208
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Percentage of Actual Contribution Contributed	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Covered-Employee Payroll	$ 126,449,341	$ 125,437,843	$ 125,890,250	$ 123,842,881	$ 117,489,335	$ 115,330,876	$ 112,083,557	$ 115,516,783	$ 114,427,304	$ 108,719,495
Contribution as a Percentage of Covered-Employee Payroll	7.89%	9.79%	11.18%	10.20%	10.68%	7.17%	7.83%	6.91%	7.12%	6.89%

Actuarially determined contributions and covered-employee payrolls are calculated as of June 30, one year prior to the fiscal year in which contributions are reported

* The Pension Plan for Fire and Police is a closed plan with no active participation

Exhibit XVI (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Firefighters' & Police Officers' Pension Plan

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 6,180,741	$ 5,671,076	$ 5,526,902	$ 5,749,258
Interest	23,064,895	21,948,491	20,769,869	19,761,542
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(546,278)	1,386,820	(978,630)	-
Changes in assumptions	-	-	-	-
Benefit payments, including refunds	(12,763,693)	(12,633,775)	(11,610,344)	(10,147,030)
Net Change in Total Pension Liability	15,935,665	16,372,612	13,707,797	15,363,770
Total Pension Liability - Beginning of Year	308,163,946	291,791,334	278,083,537	262,719,767
Total Pension Liability - End of Year	324,099,611	308,163,946	291,791,334	278,083,537
Plan Fiduciary Net Position				
Contributions - employer	11,232,823	11,119,553	9,933,001	10,398,552
Contributions - employee	2,914,101	2,598,821	2,381,830	2,392,226
Net investment income	32,888,556	3,513,529	6,726,117	33,401,003
Benefit payments, including refunds	(12,763,693)	(12,633,775)	(11,610,344)	(10,147,030)
Administration Expenses	(198,337)	(206,917)	(278,201)	(379,242)
Net Change in Plan Fiduciary Net Position	34,073,450	4,391,211	7,152,403	35,665,509
Plan Fiduciary Net Position - Beginning of Year	239,843,968	235,452,757	228,300,354	192,634,845
Plan Fiduciary Net Position - End of Year	273,917,418	239,843,968	235,452,757	228,300,354
Net Pension Liability - End of Year	$ 50,182,193	$ 68,319,978	$ 56,338,577	$ 49,783,183
Plan Fiduciary Net Position as a percentage of Total Pension Liability	84.5%	77.8%	80.7%	82.1%
Covered Employee Payroll	$ 36,973,064	$ 35,671,448	$ 33,810,854	$ 34,424,794
Net Pension Liability as a percentage of Covered Payroll	135.7%	191.5%	166.6%	144.6%

Information is only available for the current and previous three fiscal years. Future years will be added to the schedule.

Exhibit XVI
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Firefighters' & Police Officers' Disablity Pension Plan

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 2,885,911	$ 2,679,963	$ 2,620,753	$ 2,699,276
Interest	2,875,585	2,845,545	2,872,200	2,638,659
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(2,851,393)	(3,385,398)	409,917	-
Changes in assumptions	-	-	-	-
Benefit payments, including refunds	(2,488,687)	(2,470,684)	(2,571,831)	(2,539,650)
Net Change in Total Pension Liability	421,416	(330,574)	3,331,039	2,798,285
Total Pension Liability - Beginning of Year	39,528,466	39,859,040	36,528,001	33,729,716
Total Pension Liability - End of Year	39,949,882	39,528,466	39,859,040	36,528,001
Plan Fiduciary Net Position				
Contributions - employer	5,667,369	4,734,529	2,448,696	2,039,849
Contributions - employee	248,035	243,351	246,551	259,585
Net investment income	2,784,003	263,792	452,996	2,327,679
Benefit payments, including refunds	(2,488,687)	(2,470,684)	(2,571,831)	(2,539,650)
Administration Expenses	(15,277)	(77)	(15,876)	(86,762)
Net Change in Plan Fiduciary Net Position	6,195,443	2,770,911	560,536	2,000,701
Plan Fiduciary Net Position - Beginning of Year	19,063,106	16,292,195	15,731,659	13,730,958
Plan Fiduciary Net Position - End of Year	25,258,549	19,063,106	16,292,195	15,731,659
Net Pension Liability - End of Year	$ 14,691,333	$ 20,465,360	$ 23,566,845	$ 20,796,342
Plan Fiduciary Net Position as a percentage of Total Pension Liability	63.2%	48.2%	40.9%	43.1%
Covered Employee Payroll	$ 36,973,064	$ 35,671,448	$ 33,810,854	$ 34,424,794
Net Pension Liability as a percentage of Covered Payroll	39.7%	57.4%	69.7%	60.4%

Information is only available for the current and three previous fiscal years. Future years will be added to the schedule.

Exhibit XVI
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Firefighters & Police Officers

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ -	$ -	$ -	$ -
Interest	1,399,445	1,534,443	1,664,966	1,778,386
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(584,816)	(425,528)	(95,467)	-
Changes in assumptions	-	-	-	-
Benefit payments, including refunds	(3,298,973)	(3,506,496)	(3,715,881)	(3,773,545)
Net Change in Total Pension Liability	(2,484,344)	(2,397,581)	(2,146,382)	(1,995,159)
Total Pension Liability - Beginning of Year	27,656,684	30,054,265	32,200,647	34,195,806
Total Pension Liability - End of Year	25,172,340	27,656,684	30,054,265	32,200,647
Plan Fiduciary Net Position				
Contributions - employer	1,713,744	1,723,744	1,728,313	1,700,000
Contributions - employee	-	-	-	-
Net investment income	821,797	893,641	920,708	1,041,529
Benefit payments, including refunds	(3,298,973)	(3,506,496)	(3,715,881)	(3,773,545)
Administration Expenses	(23,566)	(27,971)	(18,583)	(10,830)
Net Change in Plan Fiduciary Net Position	(786,998)	(917,082)	(1,085,443)	(1,042,846)
Plan Fiduciary Net Position - Beginning of Year	20,928,764	21,845,846	22,931,289	23,974,135
Plan Fiduciary Net Position - End of Year	20,141,766	20,928,764	21,845,846	22,931,289
Net Pension Liability - End of Year	$ 5,030,574	$ 6,727,920	$ 8,208,419	$ 9,269,358
Plan Fiduciary Net Position as a percentage of Total Pension Liability	80.0%	75.7%	72.7%	71.2%
Covered Employee Payroll	$ -	$ -	$ -	$ -
Net Pension Liability as a percentage of Covered Payroll	N/A	N/A	N/A	N/A

Information is only available for the current and previous three fiscal years. Future years will be added to the schedule.

Exhibit XVI (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Supplemental Retirement Plan

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 4,429,736	$ 4,353,655	$ 4,512,088	$ 4,812,530
Interest	11,710,854	11,626,797	10,773,145	10,210,998
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	1,431,699	4,866,212	2,957,767	-
Changes in assumptions		10,625,401	-	-
Benefit payments, including refunds	(19,026,570)	(13,723,857)	(14,043,843)	(11,276,834)
Net Change in Total Pension Liability	(1,454,281)	17,748,208	4,199,157	3,746,694
Total Pension Liability - Beginning of Year	165,014,417	147,266,209	143,067,052	139,320,358
Total Pension Liability - End of Year	163,560,136	165,014,417	147,266,209	143,067,052
Plan Fiduciary Net Position				
Contributions - employer	8,006,825	7,586,006	7,173,760	9,705,496
Contributions - employee	1,070,814	892,335	756,101	605,369
Net investment income	18,031,871	895,078	5,922,932	20,744,991
Benefit payments, including refunds	(19,026,570)	(13,723,857)	(14,043,843)	(11,276,834)
Administration Expenses	(665,349)	(895,060)	(896,419)	(997,375)
Net Change in Plan Fiduciary Net Position	7,417,591	(5,245,498)	(1,087,469)	18,781,647
Plan Fiduciary Net Position - Beginning of Year	132,491,281	137,736,779	138,824,248	120,042,601
Plan Fiduciary Net Position - End of Year	139,908,872	132,491,281	137,736,779	138,824,248
Net Pension Liability - End of Year	$ 23,651,264	$ 32,523,136	$ 9,529,430	$ 4,242,804
Plan Fiduciary Net Position as a percentage of Total Pension Liability	85.5%	80.3%	93.5%	97.0%
Covered Employee Payroll	$ 139,044,952	$ 139,914,668	$ 136,374,392	$ 127,784,140
Net Pension Liability as a percentage of Covered Payroll	17.0%	23.2%	7.0%	3.3%

Information is only available for the current and previous two fiscal years. Future years will be added to the schedule.

Exhibit XVI (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years

VRS

	2017	2016	2015
Total Pension Liability			
Service Cost	$ 11,832,548	$ 12,256,191	$ 12,232,148
Interest	36,704,090	35,571,142	33,905,011
Changes in benefit terms	-	55,097	-
Difference between expected and actual experience	(2,371,962)	(7,166,675)	-
Changes in assumptions	-	-	-
Benefit payments, including refunds	(25,101,326)	(23,960,243)	(20,710,314)
Net Change in Total Pension Liability	21,063,350	16,755,512	25,426,845
Total Pension Liability - Beginning of Year	536,894,807	520,139,295	494,712,450
Total Pension Liability - End of Year	557,958,157	536,894,807	520,139,295
Plan Fiduciary Net Position			
Contributions - employer	12,331,063	12,232,407	12,630,540
Contributions - employee	6,452,307	6,272,097	6,443,111
Net investment income	7,969,523	20,375,167	61,114,498
Benefit payments, including refunds	(25,101,326)	(23,960,243)	(20,710,314)
Other	(3,392)	(4,303)	3,221
Administration Expenses	(286,988)	(280,179)	(327,787)
Net Change in Plan Fiduciary Net Position	1,361,187	14,634,946	59,153,269
Plan Fiduciary Net Position - Beginning of Year	461,701,938	447,066,992	387,913,723
Plan Fiduciary Net Position - End of Year	$ 463,063,125	$ 461,701,938	$ 447,066,992
Net Pension Liability - End of Year	$ 94,895,032	$ 75,192,869	$ 73,072,303
Plan Fiduciary Net Position as a percentage of Total Pension Liability	83.0%	86.0%	86.0%
Covered Employee Payroll	$ 126,449,341	$ 125,437,843	$ 125,890,250
Net Pension Liability as a percentage of Covered Payroll	75.0%	59.9%	58.0%

Information for VRS is only available for current and previous two fiscal years. Future years will be added to the schedule.

Exhibit XVI
(Continued)

Assumed Rate of Return for Firefighters' & Police Officers' Pension Plan also applies to Firefighters' and Police Officers' Disability Pension Plan

Money-weighted Rate of Return

Last Ten Fiscal Years

	Firefighters' & Police Officers' Pension Plan**	Supplemental Retirement Plan	Pension Plan for Firefighters & Police Officers
2014	17.48%	17.60%	4.42%
2015	3.03%	4.73%	4.11%
2016	1.14%	0.37%	5.31%
2017	13.71%	14.39%	5.13%

Notes to the Required Supplemental Information for the City of Alexandria Pension Plans for the year ended June 30, 2017

Firefighters and Police Officers Pension Plan, Basic Plan

Effective with the July 1, 2015 actuarial evaluation, annual experience gains and losses as well as assumption changes will be amortized over separate 15-year periods. Previously the entire portion of Unfunded Actuarial Liability (UAL) was amortized over closed 25-year periods from July 1, 2004.

Firefighters and Police Officers Pension Plan, Disability Plan

Effective with the July 1, 2015 actuarial evaluation, annual experience gains and losses as well as assumption changes will be amortized over separate 15-year periods. Previously the entire Unfunded Actuarial Liability (UAL) was amortized over closed 25-year periods from July 1, 2004.

Supplemental Pension Plan

Effective with the July 1, 2015 actuarial valuation, annual experience gains and losses as well as assumption changes will be amortized over separate 10-year periods.

Pension Plan for Firefighters and Police Officers

There were no changes of benefit terms nor were there any changes in assumptions since the prior actuarial valuation.

Virginia Retirement System (VRS) Pension Plan

Benefit Changes– There have been no material actuarial changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement members for the first time. The Hybrid plan applies to most of the new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015, was not material.

Changes of assumptions – The following changes of actuarial assumptions were made effective June 30, 2013, based on the most recent experience study of the VRS for the four-year period ending June 30, 2102:

Exhibit XVI
(Continued)

Largest 10 – Non-Law Enforcement Officers (LEOS):

- Update mortality table
- Decrease in rates of service retirement
- Decreases in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – Non-Law Enforcement Officers (LEOS):

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-Law Enforcement Officers (LEOS):

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by 0.25% per year

All Others (Non 10 Largest) – Non-Law Enforcement Officers (LEOS):

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Exhibit XVI (Continued)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date		(1) Actuarial Value of Assets		(2) Actuarial Accrued Liability (AAL)		(3) Unfunded AAL (UAAL) (2)-(1)		(4) Funded Ratio (1/2)		(5) Annual Covered Payroll		(6) UAAL as a Percentage of Covered Payroll ((2-1)/5)
Regular OPEB												
12/31/2010		11,668,519		80,569,082		68,900,563		14.48%		146,101,440		47.16%
12/31/2011		15,081,559		81,202,583		66,121,024		18.57%		148,202,583		44.62%
12/31/2012		19,796,803		88,766,245		68,969,442		22.30%		150,176,760		45.93%
12/31/2013		26,507,342		89,926,799		63,419,457		29.48%		163,191,871		38.86%
12/31/2014		29,961,114		93,440,538		63,479,424		32.06%		159,726,582		39.74%
12/31/2015		32,133,684		91,469,013		59,335,329		35.13%		164,413,239		36.09%
12/31/2016		39,583,602		97,235,699		57,652,097		40.71%		166,699,217		34.58%
Line of Duty												
12/31/2012	$	-	$	16,630,789	$	16,630,789	$	0.00%	$	150,176,760	$	11.07%
12/31/2013		-		28,618,663		28,618,663		0.00%		52,648,238		54.36%
12/31/2014		99,417		28,564,357		28,464,940		0.35%		53,315,217		53.39%
12/31/2015		1,346,173		17,262,055		15,915,882		7.80%		56,263,415		28.29%
12/31/2016		3,320,669		29,237,562		25,916,893		11.36%		57,423,658		45.13%

Effective July 1, 2012, the City assumed responsibility for funding benefits required under the Virginia Line of Duty Act.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial Date	Annual Required Contribution	Percentage Contributed
Regular OPEB		
6/30/2011	7,415,385	110.1%
6/30/2012	7,375,458	109.6%
6/30/2013	7,931,885	102.2%
6/30/2014	7,696,929	80.0%
6/30/2015	7,617,075	83.4%
6/30/2016	7,020,912	181.2%
6/30/2017	7,192,829	176.9%
Line of Duty		
6/30/2013	$2,570,837	34.8%
6/30/2014	5,839,828	19.7%
6/30/2015	5,634,567	42.1%
6/30/2016	3,783,205	74.2%
6/30/2017	5,705,368	64.4%

Exhibit XVI (Continued)

OPEB Schedule of Employer Contributions

	2017
Actuarially Determined Contributions (ADC)	$ 12,898,197
Contributions related to the ADC	16,398,159
Contribution Excess relative to ADC	$ (3,499,962)
Covered Employee Payroll	$ 167,129,788
Contributions as a percentage of covered employee payroll	9.81%

Information is only available for the current fiscal year. Future years will be added to the schedule.

Notes to Schedule

Valuation Date	12/31/2016
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation during the fiscal year

Key Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	21 year level dollar closed as of 12/31/2016
Discount rate	7.5% for Regular OPEB and 6.25% for Line of Duty OPEB
Healthcare Cost Trend Rates	Non-Medicare: 5% for 2017, then 7% for 2018 grading down to 5% over 15 years Medicare: 7% for 2017 grading down to 5% over 15 years Expenses: 5% per year
Ultimate Salary Increase	Fire & Police: 3.5% VRS members: 3.25%

OPEB Money-Weighted Rate of Return
Last Ten Fiscal Years

2017	14.96%

Future years will be added as they become available

Exhibit XVI (Continued)

Schedule of Changes in Net OPEB Liability and Related Ratios

Last 10 Fiscal Years

		2017
Total OPEB Liability		
Service Cost	$	3,803,579
Interest		8,232,053
Changes in benefit terms		-
Difference between expected and actual experience		-
Changes in assumptions		-
Benefit payments, including refunds		(6,298,159)
Net Change in Total Pension Liability		5,737,473
Total OPEB Liability - Beginning of Year		108,945,253
Total OPEB Liability - End of Year		114,682,726
Plan Fiduciary Net Position		
Contributions - employer		16,398,159
Contributions - member		-
Net investment income		6,357,091
Benefit payments, including refunds		(6,298,159)
Administration Expenses		(16)
Net Change in Plan Fiduciary Net Position		16,457,075
Plan Fiduciary Net Position - Beginning of Year		40,550,742
Plan Fiduciary Net Position - End of Year		57,007,817
Net Pension Liability - End of Year	$	57,674,909
Plan Fiduciary Net Position as a percentage of Total Pension Liability		49.7%
Covered Employee Payroll	$	167,129,788
Net Pension Liability as a percentage of Covered Payroll		34.5%

Information is only available for the current fiscal year. Future years will be added to the

OTHER SUPPLEMENTARY INFORMATION

Agency Funds

Agency Funds are the City's custodial funds used to provide accountability of client monies for which the City is custodian.

Human Services Special Welfare Account – This fund accounts for the current payments of supplemental security income for foster children.

Human Services Dedicated Account – This fund accounts for back payments of supplemental security income for foster children.

Industrial Development Authority Agency Fund – This fund accounts for Industrial Development Authority bond issuance fees and expenses, for which the City acts in a custodial capacity.

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Changes in Assets and Liabilities – Agency Funds
For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent	$	$ 17,739	$ 13,445	$ 4,294
Liabilities:				
Other Liabilities	-	17,739	13,445	4,294
Total Liabilities	-	17,739	13,445	4,294
HUMAN SERVICES DEDICATED ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent	23,135	6,099	3,654	25,580
Liabilities:				
Other Liabilities	23,135	6,099	3,654	25,580
Total Liabilities	23,135	6,099	3,654	25,580
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets:				
Equity in Pooled Cash and Investments	416,366	45,050	-	461,416
Liabilities:				
Other Liabilities	416,366	45,050	-	461,416
Total Liabilities	416,366	45,050	-	461,416
TOTAL ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Investments	416,366	45,050	-	461,416
Cash and Investments with Fiscal Agent	23,135	23,838	17,099	29,874
Total Assets	439,501	68,888	17,099	491,290
Liabilities:				
Other Liabilities	439,501	68,888	17,099	491,290
Total Liabilities	$ 439,501	$ 68,888	$ 17,099	$ 491,290

CITY OF ALEXANDRIA, VIRGINIA
Alexandria Transit Company
Statement of Net Position
June 30, 2017

ASSETS		
Cash and Cash Equivalents	$	49,533
Receivables		961,700
Due from Other Governments		16,814
Inventory of Supplies		694,519
Prepaid and Other Assets		42,508
Capital Assets, Net		24,122,123
Total Assets		25,887,197
LIABILITIES		
Accounts Payable		112,078
Accrued Wages		225,976
Other Short-term Liabilities		637,743
Due To Other Funds		300,000
Total Liabilities		1,275,797
NET POSITION		
Net Investment in Capital Assets		24,122,123
Unrestricted		489,277
Total Net Postion		24,611,400
Total Liabilities and Net Position	$	25,887,197

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Alexandria Transit Company
Statement of Revenue, Expenses, and Changes in Net Position
June 30, 2017

OPERATING REVENUES:		
Charges for Services	$	4,322,507
Miscellaneous		60,834
Total Operating Revenues		4,383,341
OPERATING EXPENSES:		
Personnel Services		13,120,182
Contractual Services		1,216,567
Materials and Supplies		1,604,028
Other Charges		964,369
Depreciation		3,094,237
Total Operating Expenses		19,999,383
Operating Income/Loss		(15,616,042)
NON OPERATING REVENUES (EXPENSES):		
Gain on disposal of Fixed Assets		
Other Non Revenue receipts		
Federal Grants		
State Grants		519,495
Total Non Operating Revenues (Expenses)		519,495
Net Profit (Loss) before Transfers		(15,096,547)
Capital Contribution		4,395,833
Transfers In		12,086,552
Change in Net Position		1,385,838
Net Position at Beginning of Year		23,225,562
Net Position at End of Year	$	24,611,400

See Accompanying Notes to Financial Statements

Special Revenue Fund

Housing – This sub fund accounts for the City's housing programs.

Sanitary Sewer – This sub fund accounts for the funding of sanitary sewer maintenance and construction.

Stormwater Management Fund – This sub fund was established in FY 2011. It is funded by a dedicated real estate property tax rate of 0.5 cents per $100 of assessed value.

Potomac Yard Special Tax District – This sub fund accounts for funding for improvements in Potomac Yards, including the development of a metro rail station.

Northern Virginia Transportation Authority (NVTA) – This sub fund was established in FY 2014. It is funded by various state and local other taxes.

Other Special Revenue – This sub fund accounts for grants and donations.

CITY OF ALEXANDRIA, VIRGINIA
Combining Balance Sheet
Special Revenue Fund
As of June 30, 2017

	Housing	Sanitary Sewer	Stormwater	Potomac Yard	NVTA	Other Special Revenue	Total Combined Special Revenue
ASSETS							
Cash and Cash Equivalents	$ 1,990,659	$ 19,676,700	$ 1,567,661	$ 17,042,384	$ 4,546,670	$ 32,296,524	$ 77,120,598
Receivables, Net	-	522,654	-	-	1,140,189	2,498,322	4,161,165
Due From Other Governments	-	-	-	-	-	7,203,597	7,203,597
Prepaid and Other Assets	-	-	-	-	-	1,500	1,500
Total Assets	1,990,659	20,199,354	1,567,661	17,042,384	5,686,859	41,999,943	88,486,860
LIABILITIES							
Accounts Payable	-	169,716	99	-	-	3,236,582	3,406,397
Accrued Wages	-	101,980	44,776	5,473	-	1,994,589	2,146,818
Total Liabilities	-	271,696	44,875	5,473	-	5,231,171	5,553,215
Deferred Inflows	-	-	-	-	-	5,029,312	5,029,312
FUND BALANCES							
Restricted	1,990,659	-	-	-	-	20,406,114	22,396,773
Committed	-	19,927,657	1,522,786	17,036,911	5,686,859	11,333,347	55,507,560
Total Fund Balances	1,990,659	19,927,657	1,522,786	17,036,911	5,686,859	31,739,461	77,904,333
Total Liabilities and Fund Balances	$ 1,990,659	$ 20,199,353	$ 1,567,661	$ 17,042,384	$ 5,686,859	$ 41,999,944	$ 88,486,860

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Housing	Sanitary Sewer	Stormwater	Potomac Yard	NVTA	Other Special Revenue	Total Combined Special Revenue
REVENUES							
General Property Taxes	$ -	$ -	$ 1,898,286	$ 10,150,200	$ -	$ -	$ 12,048,486
Other Local Taxes	-	-		-	6,911,178	-	6,911,178
Permits, Fees, and Licenses	-	-	-	-	-	6,830,019	6,830,019
Use of Money and Property	-	-	-	-	5,486	722,548	728,034
Charges for Services	-	12,815,569	-	-	-	7,084,936	19,900,505
Intergovernmental Revenue	-	-	-	-	-	47,934,221	47,934,221
Miscellaneous		460	-	-	-	10,138,586	10,139,046
Total Revenues	-	12,816,029	1,898,286	10,150,200	6,916,664	72,710,310	104,491,489
EXPENDITURES							
Current Operating:							
General Government	-	-	-	-	-	1,495,346	1,495,346
Judicial Administration	-	-	-	-	-	840,143	840,143
Public Safety	-	-	-	-	-	7,847,606	7,847,606
Public Works	-	4,494,065	1,037,554	102,674	2,681,382	498,467	8,814,142
Health and Welfare	-	-	-	-	-	76,015,511	76,015,511
Culture and Recreation	-	-	-	-	-	2,003,969	2,003,969
Community Development	-	-	419,919	160,434	-	15,371,944	15,952,297
Total Expenditures	-	4,494,065	1,457,473	263,108	2,681,382	104,072,986	112,969,014
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	8,321,964	440,813	9,887,092	4,235,282	(31,362,676)	(8,477,525)
OTHER FINANCING SOURCES (USES)							
Transfers In	1,251,453	-	-	-	11,295,384	37,575,954	50,122,791
Transfers Out		(6,745,392)	(113,000)	(5,419,716)	(15,195,384)	(2,746,731)	(30,220,223)
Total Other Financing Sources and Uses	1,251,453	(6,745,392)	(113,000)	(5,419,716)	(3,900,000)	34,829,223	19,902,568
Net Change in Fund Balance	1,251,453	1,576,572	327,813	4,467,376	335,282	3,466,547	11,425,043
Fund Balance at Beginning of Year	739,206	18,351,085	1,194,973	12,569,535	5,351,577	28,272,914	66,479,290
Fund Balance at End of Year	$ 1,990,659	$ 19,927,657	$ 1,522,786	$ 17,036,911	$ 5,686,859	$ 31,739,461	$ 77,904,333

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APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the City of Alexandria, Virginia (the "City"), in connection with the issuance by the City of $40,925,000 original aggregate principal amount of its General Obligation Capital Improvement Bonds, Series 2018C (the "Bonds"), pursuant to Ordinance No. 5139 (the "Ordinance") adopted by the City Council of the City (the "Council") on May 12, 2018. Pursuant to the Ordinance, the City's Director of Finance approved the offering and sale of the Bonds to Robert W. Baird & Co. Incorporated (the "Underwriter") and the offering and sale of the Bonds by the Underwriter to the public pursuant to an Official Statement relating to the Bonds, dated July 25, 2018 (the "Final Official Statement"). The City hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders (as defined below) and in order to assist the Underwriter in complying with the Rule (as defined below).

Section 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the City means the following:

(i) the annual financial statements of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the City after the date of the Final Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants; and

(ii) financial information and operating data with respect to the City of the type and scope that updates the tabular information and data contained in the Final Official Statement under the captions "Debt Statement," "Five-Year Summary of General Fund Revenues and Expenditures" and "Principal Tax Revenues by Source;" provided that the City is required only to provide such financial information with respect to the immediately preceding Fiscal Year and shall not be required to restate or revise previously furnished information.

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the City and results of its operations for such period are determined. Currently, the City's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as in effect from time to time.

"SEC" means the U.S. Securities and Exchange Commission.

Section 3. Obligations of the City. (a) As long as the Bonds are outstanding, the City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), the Annual Financial Information not later than 270 days after the end of each Fiscal Year beginning with the Fiscal Year ending June 30, 2017. If audited financial statements are not available as of the date by which the Annual Financial Information is to be Made Public, the City will Make Public such financial statements as may be required by the Rule and will Make Public the audited financial statements when they become available.

(b) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner not in excess of ten (10) business days following the occurrence of the event, notice of any of the following events that may from time to time occur with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the City (for the purposes of the event identified in this Section (3)(b)(xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);

(xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

provided that nothing in this subsection (b) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(c) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner, a notice of a failure of the City on or before the date required by Section 3(a) to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement.

(d) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the then current Fiscal Year.

(e) Any information required to be included in the Annual Financial Information may be included by specific reference to other documents available to the public on the MSRB's internet web site or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available to the public on the MSRB's internet web site. The City shall identify clearly each other document so included by specific reference.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system.

Section 5. Identifying Information; CUSIP Numbers. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB. The City shall reference, or cause the Dissemination Agent (if different from the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

Section 6. Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the redemption, legal defeasance or payment in full of the Bonds.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and the Underwriter of the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(b), in addition to that which is required by this Disclosure Agreement. If the City chooses to provide any information in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure

Agreement to update such additional information or include it in any future Annual Financial Information or notice Made Public hereunder.

Section 10. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law, including seeking mandamus or specific performance by court order, to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Underwriter, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _______________ __, 2018

CITY OF ALEXANDRIA, VIRGINIA

By: ____

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the Bonds. It is preliminary and subject to change prior to delivery of the Bonds.

______ __, 2018

City of Alexandria
Alexandria, Virginia

$40,925,000
City of Alexandria, Virginia
General Obligation Capital Improvement Bonds,
Series 2018C

Ladies and Gentlemen:

We have acted as bond counsel to the City of Alexandria, Virginia (the "City") in connection with the issuance and sale by the City of its $40,925,000 General Obligation Capital Improvement Bonds, Series 2018C (the "Bonds"), dated the date of their delivery.

We have examined the Constitution and the laws of both the United States of America and the Commonwealth of Virginia (the "Commonwealth") and such certified proceedings and other documents of the City as we deem necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth and constitute valid and binding general obligations of the City for the payment of which the City's full faith and credit are pledged.

2. The City Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Under current law, (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of Bonds) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum income tax. The "original issue discount" on any of the Bonds is the excess, if any, of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this numbered paragraph 3, we are relying upon and assuming the accuracy of certifications and representations of representatives of the City as to facts material to such opinions and we are assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The City's non-arbitrage and tax covenants certificate dated the date hereof (the "Tax Certificate") contains covenants (the "Covenants") with which the City has agreed to comply. Failure by the City to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated, or referred to in the Tax Certificate, including the Covenants, may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning the effect on the excludability of interest on the Bonds from gross income for federal tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

The rights of the owners of the Bonds and the enforceability of those rights are subject to bankruptcy, insolvency, reorganization, moratorium and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights is also subject to the exercise of judicial discretion in accordance with general principles of equity.

Our services as bond counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the income tax status of the interest on them. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the City's Preliminary Official Statement dated July 17, 2018, the City's Official Statement dated July 25, 2018 or any other offering material relating to the Bonds, and, therefore, we express no opinion as to the accuracy or completeness of any information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds.

This opinion is rendered as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,