



Statement of Estimated Fund Balance

FUND DESCRIPTIONS

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

- The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources, except those required or requested in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant portion of the General Fund's revenues is used to finance the operations of the City of Alexandria School Board. As of June 30, 2022, total fund balance in the City's General Fund was \$225.1 million, comprised of Reservations (\$20.4 million), Commitments and Assignments (\$99.0 million) and Uncommitted and Unassigned Fund Balance of \$105.7 million.
- The Special Revenue Fund accounts for resources restricted to expenditures for specified purposes (for example, State and federal grants). As of June 30, 2022, the Special Revenue Fund total fund balance was \$124.6 million. Funds included in this category include the Code Fund, Housing Fund, Sewer and Stormwater Funds, Residential Refuse Fund, Potomac Yard and Other Special Revenue Funds. Because monies budgeted within the Special Revenue Fund are generally legally restricted to specific activities or programs, these monies are not considered available for appropriation to meet general expenditure requirements. Unexpended Special Revenue Fund monies are generally due to intergovernmental grant timing differences (e.g., a grant awarded to the City for a program operated under the federal fiscal year of October 1 to September 30); remaining Special Revenue funds at June 30 are reappropriated for use in the subsequent City fiscal year for the continuation of the designated programs.
- The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. As of June 30, 2022, the Capital Projects Fund had a total fund balance of \$387.1 million in funded capital projects that are awaiting, or are in the process of implementation. A significant portion of the fund balance total is bond proceeds that were issued in 2019 and 2022 to fund the Potomac Yard Metrorail Station project.
- The Internal Services Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The City established the Equipment Replacement Fund for purposes of providing for the accumulation of money to replace capital equipment items used in City operations. This fund derives its revenues from periodic equipment rental charges assessed to the user departments in the governmental funds. These revenues are then used to finance charges and associated expenditures to replace capital equipment. As of June 30, 2022, the Equipment Replacement Internal Services Fund had Total Net Position of \$21.9 million. Equipment Replacement monies are accrued for the scheduled replacement of capital equipment, and thus are not available for appropriation to meet general expenditure requirements.
- The Alexandria Transit Company Fund accounts for the financing of for the City's transit activity. The Alexandria Transit Company is a blended entity and is considered a major fund. As of June 30, 2022, Alexandria Transit Company had very little fund balance, as operating expenditures have exceeded revenues in the past several years due to staffing challenges and increased fuel prices.



Statement of Estimated Fund Balance

FUND DESCRIPTIONS

Commitments and Assignments Estimated for Fiscal Year 2024

The fiscal year 2024 Operating Budget contains the following commitments of fund balances estimated to be available as of June 30, 2023. City Council approval of the FY 2024 operating budget will constitute reaffirmation of the fund balance commitments, which have been in place for many years. Final assignments of fund balance will be determined as part of the fiscal year FY 2023 closing process.

Commitments

- \$8,500,000 for the City's self-insurance reserve.
- \$6,500,000 for encumbrances estimated to be obligated at the end of the year;

Assignments (to be finalized with FY 2023 close-out)

- \$20,000,000 to fund capital projects contained in the FY 2024—FY 2033 Capital Improvement Program budget.
- \$8,120,000 to fund the FY 2023 operating budget, if necessary
- \$17,250,000 to fund the FY 2024 operating budget, if necessary
- \$5,000,000 for projects and initiatives that are estimated to be approved but not yet under contract at year's end, such as City Council contingent reserve initiatives;
- \$5,000,000 for future transit costs;
- \$3,000,000 for City and ACPS costs resulting from extraordinary natural disasters and emergencies;
- \$3,000,000 to address any soil remediation efforts required by the Landmark Mark Redevelopment project ;
- \$1,000,000 for economic development incentives to grow the City's commercial tax base; and
- \$1,000,000 to cover accrued leave payments for City employees who separate from the City, either through retirement or voluntary/involuntary termination.

These commitments and assignments total \$78,370,000. Despite being designated for a particular purpose, the funds identified here are considered "spendable." When combined with the portion of fund balance that has not been assigned or committed by anyone for any purpose, this total amount is called "spendable" fund balance. Based on projected revenues in FY 2023, the uncommitted/unassigned General Fund Balance at June 30, 2023, is currently estimated to be \$138.1 million, which is more than FY 2022, largely due to vacancy savings on the expenditure side and stronger recovery on the revenue side in several local tax categories, combined with revenue generated from increases in the real estate tax base in Calendar Year 2023. At this time, it is not expected that fund balance will be needed as a revenue source to fund the FY 2023 operating budget.

Statement of Estimated Fund Balance



FUND DESCRIPTIONS

The spendable General Fund balance is estimated to be \$216.5 million or 26.2 percent of estimated General Fund revenues. FY 2023 Spendable Fund Balance is increasing by \$11.8 million compared to FY 2022. The increase is a result of an operating surplus between revenues and expenditures, largely due to vacancies.

In November 2019, City Council updated the Debt-Related Financial Policies to eliminate the ratio related to Uncommitted/Unassigned Fund Balance as a percent of General Fund Revenue. At the same time they established a 15 percent target for Spendable Fund Balance as a percentage of General Fund Revenue. The policies as they were adopted also eliminated a defined limit. The City Manager and financial staff will continue to closely monitor Fund Balance and the operating budget and consider making changes to future commitments and recommend spending restrictions in the future, if necessary, to ensure that the ratios established in the City's Financial Policies are maintained, if not exceeded. The bond rating agencies (Moody's and S&P) have encouraged the City, as well as other localities, to maintain even higher fund balances, as extra protection for bond holders. The City has not used Fund Balance to support operating expenditures since FY 2014. In the past seven years, the City has been able to increase Spendable Fund Balance from \$62.7 million in FY 2014 to the estimated amount of \$216.5 million in FY 2023.

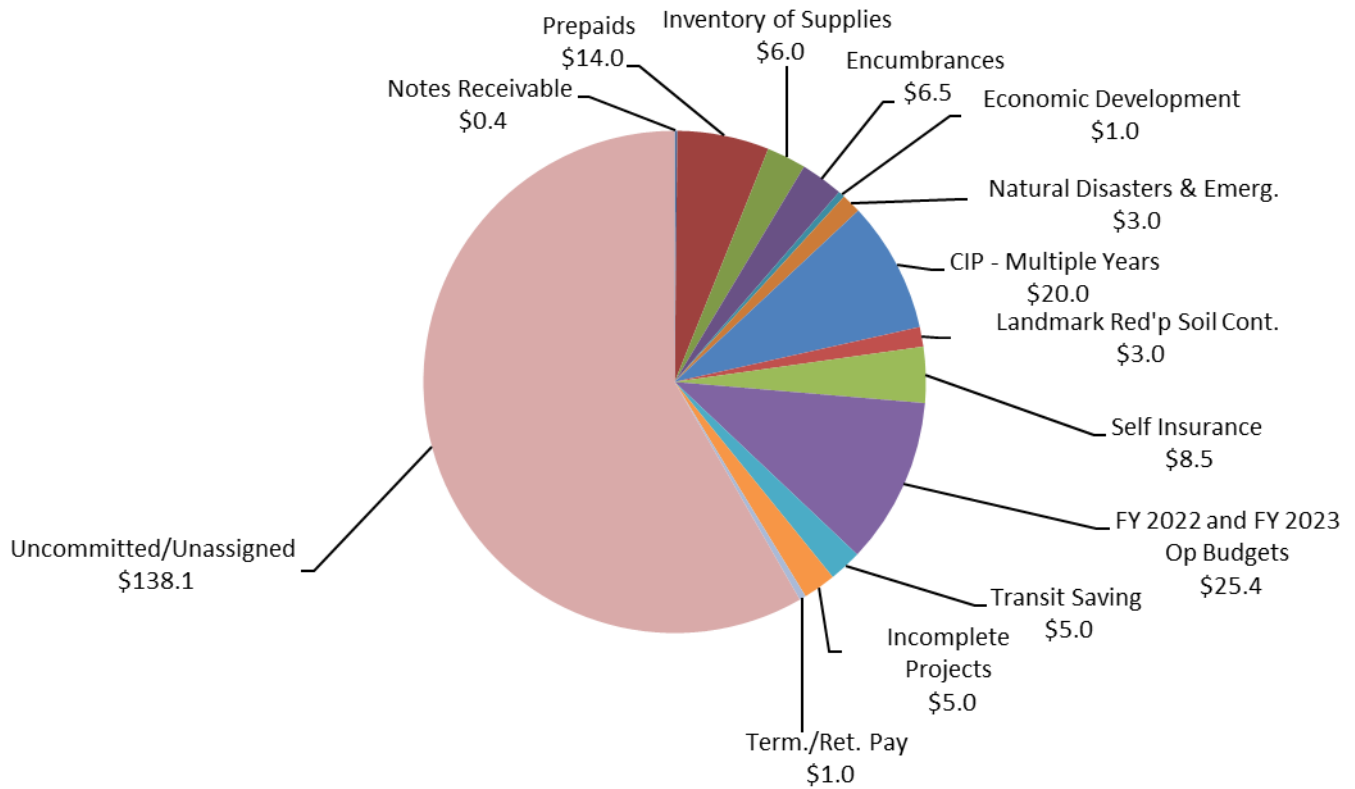


Statement of Estimated Fund Balance

GENERAL FUND BALANCE COMPONENTS

The following chart shows all of the potential components of General Fund balance as of June 30, 2023. Assignments have yet to be finalized. With the exception of \$0.4 million in Notes Receivable and \$6.0 million in inventory of supplies, and \$14.0 million in prepaid expenses, all of the components shown below are considered spendable fund balance.

Estimated Fund Balance as of June 30, 2023
\$236.9 million





Statement of Estimated Fund Balance

FUND DESCRIPTIONS

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

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

The graph on the following page shows total actual Spendable General Fund balance from FY 2001 through FY 2022 and an estimate as of June 30, 2023. Spendable fund balance (the total amount available for appropriation, regardless of assignments and commitments) is projected to be \$216.5 million as of June 30, 2023, which represents 26.2 percent of FY 2023 estimated General Fund Revenues. Uncommitted and unassigned fund balance totals \$138.1 million which will help to protect the City and Schools against future budget uncertainties.

The details of commitments and assignments from FY 2021 through the estimated assignments of FY 2023 are shown in the table on page 7. It should be noted that commitments are confirmed by City Council through the adoption of the budget. The City Manager can propose or recommend assignments. From an accounting standards definitional point of view, either of these designations is considered spendable fund balance. In reality, many of these accounts are only spendable in the case of unforeseen dire circumstances when current year budgeted resources would not be sufficient to address any unforeseen expenditures.

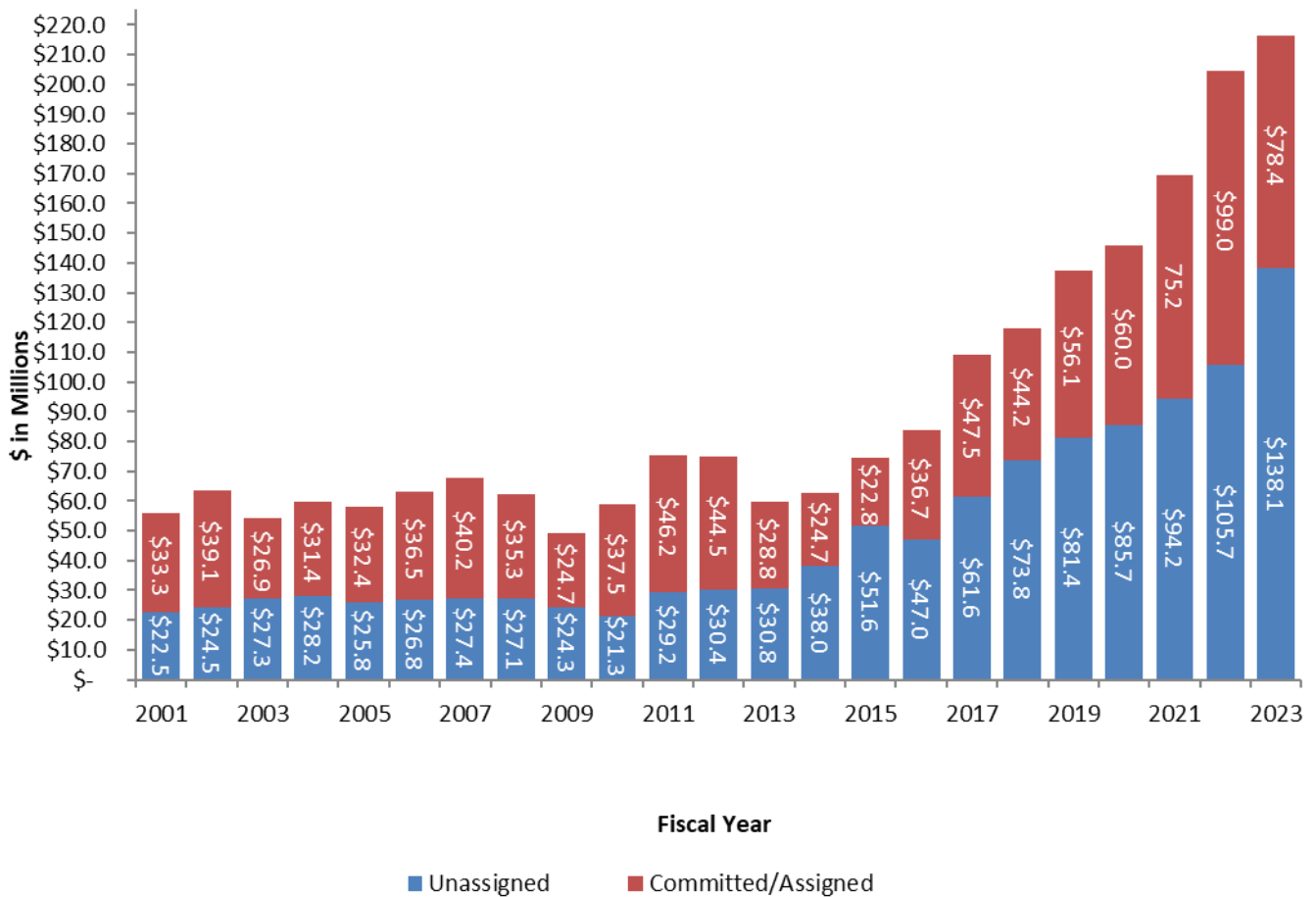


Statement of Estimated Fund Balance

HISTORY OF GENERAL FUND BALANCE

The chart below shows the history of fund balance at the end of the year, including the actual balance from FY 2001 through FY 2022 and an estimate for FY 2023 based on current revenue and expenditure projections. This does not reflect reserved (unspendable) fund balance, but is considered “spendable” regardless of whether it is committed or assigned.

**City of Alexandria
Spendable End of Year Fund Balance**





Statement of Estimated Fund Balance

	2021	2022	2023
Spendable Fund Balance End of Year	\$ 169,372,481	\$ 204,705,854	\$ 216,471,071
Commitments and Assignments			
Operating Funds			
Capital Improvement Program funding (FY 2023 and beyond)	\$ 19,000,000	\$ 20,000,000	\$ 20,000,000
FY 2022 Operating Budget	\$ 10,000,000	\$ -	
FY 2023 Operating Budget	\$ 5,800,000	\$ 8,120,000	\$ 8,120,000
FY 2024 Operating Budget			\$ 17,250,000
Revenue Replacement Projects		\$ 35,441,951	
FY 2022 Pay Initiatives	\$ 7,200,000		
Transit Savings	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Self Insurance	\$ 5,000,000	\$ 8,500,000	\$ 8,500,000
New Incomplete Projects	\$ 8,400,000	\$ 7,432,389	\$ 5,000,000
Encumbrances	\$ 6,807,016	\$ 6,524,074	\$ 6,500,000
Natural Disasters/Emergencies/Response	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Landmark Redevelop, Soil Contingency	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Economic Development Incentives	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Leave Payout	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Total Commitments & Assignments¹	\$ 75,207,016	\$ 99,018,414	\$ 78,370,000
Uncommitted/Unassigned Fund Balance	\$ 94,165,465	\$ 105,687,440	\$ 138,101,071
Reservations/nonspendable	\$ 7,272,032	\$ 20,378,954	\$ 20,378,954
Total Fund Balance EOY	\$ 176,644,513	\$ 225,084,808	\$ 236,850,025
General Fund Revenues	\$ 748,843,351	\$ 781,498,659	\$ 826,660,349
Estimated Spendable Fund Balance as % of General Fund Revenues Limit = 15%	22.62%	26.19%	26.19%
Fund Balance at End of FY	\$ 176,644,513	\$ 225,084,808	\$ 236,850,025



Statement of Estimated Fund Balance

Governmental Funds				Proprietary Funds	
	Special Revenue Funds ¹	Capital Projects Fund ²	Alexandria Transit Company		Internal Services Fund (Equipment Replacement Fund) ³
Beginning Fund Balance 7/1/2021	\$ 142,263,636	\$ 281,105,893	\$ (330,202)	Beginning Net Position 7/1/2021	\$22,672,116
Plus FY 2022 Actual Revenues	279,554,163	352,211,390	30,894,656	Plus FY 2022 Actual Revenues	\$3,599,450
Less FY 2022 Actual Expenditures	297,186,901	246,201,939	30,563,626	Less FY 2022 Actual Expenditures	\$4,356,538
Actual Fund Balance 6/30/2022	124,630,898	387,115,344	828	Actual Net Position 6/30/2022	\$21,915,028
Plus FY 2023 Budgeted Revenues	299,916,472	561,155,721	25,164,459	Plus FY 2023 Revenues	\$5,271,663
Less FY 2023 Estimated Expenditures	278,936,489	392,809,005	25,164,459	Less FY 2023 Expenditures	\$10,510,112
Projected Fund Balance 6/30/2023	\$ 145,610,881	\$ 555,462,060	\$ 828	Projected Net Assets 6/30/2023	\$16,676,579

Sources: City of Alexandria, Virginia, Comprehensive Annual Financial Report, Fiscal Year-ended June 30, 2022; City of Alexandria, Virginia, Operating and Capital Improvement Program, Fiscal Year 2023

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

2/ The Capital Projects Fund Balance of June 30, 2022 is reflected in the Comprehensive Annual Financial Report. The FY 2023 projection is based on prior spending history. Capital projects are multi-year in nature and vary in size and complexity. As a result the predictability of the Capital Projects Fund Balance is limited.

3/ The Internal Services Fund is forecasted to decline as vehicle purchases from prior years that were impacted by supply chain issues are completed in FY 2023.