

NEW ISSUE
Book-Entry-Only

Ratings: Moody's – Aaa
S&P – AAA
(See "RATINGS" herein.)

In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants by and the accuracy of certain representations and certifications of the City and other persons and entities described in the section herein "SECTION TWO: THE BONDS - TAX MATTERS – 2021A Bonds" interest on the 2021A Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the 2021A Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the sections herein "SECTION TWO: THE BONDS - TAX MATTERS – 2021A Bonds" regarding other tax considerations.

In the opinion of Bond Counsel, under current law and subject to conditions described in the section herein entitled "SECTION TWO: THE BONDS - TAX MATTERS – 2021B Bonds" interest on the 2021B Bonds (i) is includible in gross income for federal income tax purposes and (ii) is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the section herein entitled "SECTION TWO: THE BONDS - TAX MATTERS – 2021B Bonds" regarding certain tax considerations.

\$143,135,000
City of Alexandria, Virginia
General Obligation
Capital Improvement Bonds,
Series 2021A (Tax-Exempt)

\$11,695,000
City of Alexandria, Virginia
General Obligation
Refunding Bonds,
Series 2021B (Federally Taxable)

Series 2021A Bonds:

Dated: Date of Delivery

Due: December 15, as shown below

Interest Payable: June 15 and December 15

First Interest Payment: June 15, 2022

Series 2021B Bonds:

Dated: Date of Delivery

Due: July 15, as shown below

Interest Payable: January 15 and July 15

First Interest Payment: July 15, 2022

The General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) the ("2021A Bonds") and the General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (the "2021B Bonds," and together with the 2021A Bonds, 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 the 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 "SECTION TWO: THE BONDS – DESCRIPTION OF THE BONDS – Book-Entry-Only System"). The 2021A Bonds will bear interest from their dated date, payable semiannually on June 15 and December 15, commencing June 15, 2022. The 2021B Bonds will bear interest from their dated date, payable semiannually on January 15 and July 15, commencing July 15, 2022.

The Bonds are subject to redemption prior to their maturities as set forth in the Bonds and described in the section herein entitled "SECTION TWO: 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, Joanna Anderson, Esquire. It is expected that the Bonds will be available for delivery through DTC in New York, New York, on or about December 14, 2021.

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: November 30, 2021

MATURITY SCHEDULE

\$143,135,000

City of Alexandria, Virginia

General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt)

(Base CUSIP** Number 015303)

| <u>Maturity (December 15)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP** Suffix</u> |
|-----------------------------------|-----------------------------|--------------------------|--------------|--------------|---------------------------|
| 2022 | \$3,000,000 | 5.000% | 0.150% | 104.857% | AP5 |
| 2023 | 5,000,000 | 5.000 | 0.240 | 109.504 | AQ3 |
| 2024 | 7,945,000 | 5.000 | 0.340 | 113.909 | AR1 |
| 2025 | 7,945,000 | 5.000 | 0.470 | 117.942 | AS9 |
| 2026 | 7,945,000 | 5.000 | 0.600 | 121.653 | AT7 |
| 2027 | 7,945,000 | 5.000 | 0.760 | 124.833 | AU4 |
| 2028 | 7,945,000 | 5.000 | 0.880 | 127.920 | AV2 |
| 2029 | 7,945,000 | 5.000 | 0.960 | 131.048 | AW0 |
| 2030 | 7,945,000 | 5.000 | 1.000 | 134.355 | AX8 |
| 2031 | 7,945,000 | 5.000 | 1.040 | 137.527 | AY6 |
| 2032 | 7,160,000 | 4.000 | 1.150* | 126.856* | AZ3 |
| 2033 | 7,160,000 | 4.000 | 1.200* | 126.317* | BA7 |
| 2034 | 7,160,000 | 1.750 | 1.700* | 100.458* | BB5 |
| 2035 | 7,160,000 | 1.750 | 1.740* | 100.091* | BC3 |
| 2036 | 7,160,000 | 1.875 | 1.780* | 100.866* | BD1 |
| 2037 | 7,160,000 | 1.875 | 1.820* | 100.500* | BE9 |
| 2038 | 7,160,000 | 2.000 | 1.850* | 101.364* | BF6 |
| 2039 | 7,155,000 | 2.000 | 1.890* | 100.998* | BG4 |
| 2040 | 7,150,000 | 2.000 | 1.930* | 100.633* | BH2 |
| 2041 | 7,150,000 | 2.000 | 1.970* | 100.271* | BJ8 |

*Yield and Price to first optional redemption date of December 15, 2031.

** CUSIP is a registered trademark of the American Bankers Association ("ABA"), used by S&P Global Market Intelligence in its operation of CUSIP Global Services for the ABA. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers referenced herein 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.

\$11,695,000
City of Alexandria, Virginia
General Obligation Refunding Bonds, Series 2021B (Federally Taxable)
(Base CUSIP Number 015303)**

| <u>Maturity</u> <u>(July 15)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP**</u> <u>Suffix</u> |
|---|---|--|---------------------|---------------------|---|
| 2025 | \$90,000 | 2.000% | 0.940% | 103.728% | BN9 |
| 2026 | 1,945,000 | 2.000 | 1.140 | 103.831 | BP4 |
| 2027 | 95,000 | 2.000 | 1.320 | 103.649 | BQ2 |
| 2028 | 95,000 | 2.000 | 1.470 | 103.314 | BR0 |
| 2029 | 100,000 | 2.000 | 1.570 | 103.063 | BS8 |
| 2030 | 1,915,000 | 1.700 | 1.700 | 100.000 | BT6 |
| 2031 | 1,895,000 | 1.750 | 1.750 | 100.000 | BU3 |
| 2032 | 1,875,000 | 1.850 | 1.850 | 100.000 | BV1 |
| 2033 | 1,855,000 | 1.950 | 1.950 | 100.000 | BW9 |
| 2034 | 1,830,000 | 2.050 | 2.050 | 100.000 | BX7 |

Optional Redemption

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

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CITY OF ALEXANDRIA, VIRGINIA

CITY COUNCIL

Justin M. Wilson, Mayor
Elizabeth B. Bennett-Parker, Vice Mayor
Canek Aguirre
John Taylor Chapman
Amy B. Jackson
Redella S. Pepper
Mohamed E. Seifeldein

CITY OFFICIALS

Mark B. Jinks, City Manager
Kendel Taylor, Director of Finance
Morgan E. Routt, Director, Office of Management and Budget
Joanna Anderson, City Attorney
Dr. Gregory C. Hutchings, Jr., Superintendent of Schools

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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 by the City to give any information or to make any representations other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. 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. This Official Statement speaks as of its date except where indicated otherwise, and the information and expressions of opinion herein are subject to change without notice. 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 City 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 winning bidder may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (a) over allot in arranging the sales of the Bonds and (b) 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 winning bidder may determine. Such stabilization, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

\$143,135,000
City of Alexandria, Virginia
General Obligation
Capital Improvement Bonds,
Series 2021A (Tax-Exempt)

\$11,695,000
City of Alexandria, Virginia
General Obligation
Refunding Bonds,
Series 2021B (Federally Taxable)

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 \$143,135,000 General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) (the "2021A Bonds") and \$11,695,000 General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (the "2021B Bonds," and together with the 2021A Bonds, 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 financial and operating data contained in this Official Statement is as of the dates and for the periods indicated, which, in certain instances, were prior to the COVID-19 outbreak. Such financial and operating data has not been updated to reflect any potential impacts of the COVID-19 outbreak on the City's general economic and financial condition.

THE ISSUER

The issuer of the Bonds is the City of Alexandria, Virginia, 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 159,467 in 2020.

Alexandria is one of America's most historic communities. Its 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 2021A Bonds will be payable on each June 15 and December 15, commencing June 15, 2022, until maturity. As long as the 2021A Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, on each interest payment date.

Interest on the 2021B Bonds will be payable on each January 15 and July 15, commencing July 15, 2022, until maturity. As long as the 2021B 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 "SECTION TWO: THE BONDS – DESCRIPTION OF THE BONDS – Security for the Bonds" for a more complete description of the pledge.

USE OF PROCEEDS

The proceeds of the 2021A Bonds will be used to finance certain capital improvement projects for the City, including, but not limited to, projects related to public schools, City parks and public buildings, transportation, transit and traffic control, infrastructure and Landmark Mall site redevelopment, to fund capitalized interest and to pay certain issuance costs of the 2021A Bonds. Pending use, the proceeds of the 2021A Bonds are planned to be invested in the Commonwealth of Virginia's State Non-Arbitrage Pool.

The proceeds of the 2021B Bonds will be used to refund in advance of their maturities certain bonds previously issued by the City and to pay certain issuance costs of the 2021B Bonds. See "SECTION TWO: THE BONDS – AUTHORIZATION AND PURPOSE OF THE BONDS" for a more complete description of the bonds to be refunded with the proceeds of the 2021B Bonds.

REDEMPTION

The 2021A Bonds are subject to optional redemption, in whole or in part, at the direction of the City on or after December 15, 2031. Refer to the subsection entitled "SECTION TWO: THE BONDS – DESCRIPTION OF THE BONDS – Redemption Provisions" for a more detailed description of the optional redemption features of the Bonds.

The 2021B Bonds are subject to optional redemption, in whole or in part, at the direction of the City on or after July 15, 2031. Refer to the subsection entitled "SECTION TWO: THE BONDS – DESCRIPTION OF THE BONDS – Redemption Provisions" 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 Winning Bidders (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, Joanna Anderson, Esquire. It is expected that the Bonds will be available for delivery, at the expense of the City, through the facilities of DTC, on or about December 14, 2021.

RATINGS

The Bonds have been rated as shown on the cover page hereto by Moody's Investors Service, Inc., and S&P Global Ratings. A more complete description of the ratings is provided in "SECTION SIX: MISCELLANEOUS – RATINGS."

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, 2021, 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. 5359 adopted by the City Council on July 6, 2021 (the "Ordinance").

The proceeds of the 2021A Bonds will be used to finance certain capital improvement projects for the City, including, but not limited to, projects related to public schools, City parks and public buildings, transportation, transit and traffic control, infrastructure and Landmark Mall site redevelopment, to fund capitalized interest and to pay certain issuance costs of the 2021A Bonds.

The proceeds of the 2021B Bonds will be used to refund all or a portion of certain bonds previously issued by the City to finance or refinance the costs of certain capital improvements for the City and to pay certain issuance costs of the 2021B Bonds. Upon delivery of the 2021B Bonds, the City will enter into an escrow agreement (the "Escrow Agreement") with U.S. Bank National Association, as escrow agent (the "Escrow Agent"). The Escrow Agreement creates an irrevocable escrow fund, which is to be held by the Escrow Agent and is to be applied solely to the payment of the Refunded Bonds, as hereinafter defined. The City will deposit a portion of the proceeds of the sale of the 2021B Bonds with the Escrow Agent for deposit in such escrow fund in an amount which will be invested, at the direction of the City, in obligations of the United States of America, including guaranteed obligations such as USAID and REFCORP Strips (collectively, the "Government Securities"), maturing in amounts and bearing interest at rates sufficient, without reinvestment (i) to pay when due the interest on the Refunded Bonds through the earlier of the first day on which they may be redeemed at the option of the City or their maturity date, (ii) to pay the principal of and accrued interest on the Refunded Bonds at the earlier of their stated redemption dates or their maturity date and (iii) to pay the applicable redemption premiums due upon such redemption dates. The escrow fund, including interest earnings on the Government Securities, is pledged solely for the benefit of the holders of the Refunded Bonds identified in the applicable Escrow Agreement.

The sufficiency of the Government Securities deposited with the Escrow Agent was verified by The Arbitrage Group, Inc. See "SECTION SIX: MISCELLANEOUS - VERIFICATION OF MATHEMATICAL COMPUTATIONS".

The chart below sets forth the list of bonds to be refunded or defeased with a portion of the proceeds of the 2021B Bonds and other available funds, if any (collectively, the "Refunded Bonds").

| <u>Issue</u> | <u>Maturities being Refunded</u> | <u>Principal Amount to be Refunded</u> | <u>Redemption Date</u> | <u>Redemption Price</u> |
|--|----------------------------------|--|------------------------|-------------------------|
| General Obligation Capital Improvement Bonds, Series 2014B | January 15, 2027 | \$1,800,000 | January 15, 2025 | 100% |
| | January 15, 2031 | 1,800,000 | January 15, 2025 | 100 |
| | January 15, 2032 | 1,800,000 | January 15, 2025 | 100 |
| | January 15, 2033 | 1,800,000 | January 15, 2025 | 100 |
| | January 15, 2034 | 1,800,000 | January 15, 2025 | 100 |
| | January 15, 2035 | 1,795,000 | January 15, 2025 | 100 |

SOURCES AND USES OF FUNDS

The following table sets forth the anticipated application of the proceeds of the Bonds:

| | <u>2021A Bonds</u> | <u>2021B Bonds</u> |
|-------------------------|-------------------------|------------------------|
| Sources of Funds | | |
| Par Amount of Bonds | \$143,135,000.00 | \$11,695,000.00 |
| Original Issue Premium | 21,418,823.25 | 87,546.00 |
| Total Sources | \$164,553,823.25 | \$11,782,546.00 |
| Uses of Funds | | |
| Deposit to Project Fund | \$163,990,677.73 | \$ - |
| Deposit to Escrow Fund | - | 11,710,135.51 |
| Costs of Issuance* | <u>563,145.52</u> | <u>72,410.49</u> |
| Total Uses | <u>\$164,553,823.25</u> | <u>\$11,782,546.00</u> |

*Includes underwriter's discount, and estimated costs of issuance, which include rating agency and legal fees, printing expenses and other fees and expenses.

DESCRIPTION OF THE BONDS

The 2021A 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 2021A Bonds. See "SECTION TWO: THE BONDS – DESCRIPTION OF THE BONDS – Book-Entry-Only System." Purchases of beneficial ownership interests in the 2021A Bonds will be made only in book-entry form, and individual purchasers will not receive physical delivery of bond certificates. The 2021A 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 June 15, 2022, and semi-annually thereafter on June 15 and December 15 of each year (each an "Interest Payment Date"), and will mature on December 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.

The 2021B 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 2021B Bonds. See "SECTION TWO: THE BONDS – DESCRIPTION OF THE BONDS – Book-Entry-Only System." Purchases of beneficial ownership interests in the 2021B Bonds will be made only in book-entry form, and individual purchasers will not receive physical delivery of bond certificates. The 2021B 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 July 15, 2022, 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

Optional Redemption of the 2021A Bonds. The 2021A Bonds maturing on or before December 15, 2031, are not subject to optional redemption prior to their maturity. The 2021A Bonds maturing on or after December 15, 2031, are subject to optional redemption before maturity on or after December 15, 2031, 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.

Optional Redemption of the 2021B Bonds. The 2021B Bonds maturing on or before July 15, 2031, are not subject to optional redemption prior to their maturity. The 2021B Bonds maturing on or after July 15, 2032 are subject to optional redemption before maturity on or after July 15, 2031, 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 "SECTION TWO: 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, payments of principal of and interest on the Bonds to DTC, as hereinafter defined, its nominee, Direct and Indirect Participants, as hereinafter defined, or Beneficial Owners, as hereinafter defined, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered 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 and will be deposited with DTC.

DTC, the world's largest securities depository, 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 over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) 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"). DTC has a Standard &

Poor's rating of AA+. The DTC 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 confirmations 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 such 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 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 MMI 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 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 detailed 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 of and interest 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 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-only 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 DTC or any direct or indirect participant of any amount due to any beneficial owner in respect of the principal of 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, (D) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds, or (E) any consent given, or 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 Bonds.

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 \$83,941,110 for the primary government and \$57,331,565 for the School Board from the Commonwealth during the fiscal year ended June 30, 2021.

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 2021A Bonds in substantially the form attached as Appendix C (the "2021A Bond Opinion") and with respect to the 2021B Bonds in substantially the form attached as Appendix D (the "2021B Bond Opinion") will be furnished at the expense of the City upon delivery of the Bonds. The 2021A Bond Opinion and the 2021B 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 neither the 2021A Bond Opinion nor the 2021B Bond Opinion will make a 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, Joanna Anderson, Esquire.

TAX MATTERS – 2021A BONDS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

The 2021A Bond Opinion will state that, under current law and assuming compliance with the Covenants (as hereinafter defined), (i) interest on the 2021A Bonds is excludable from the gross income of the owners of the 2021A 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 2021A 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 2021A Bond Opinion.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2021A Bonds.

The 2021A 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 2021A Bonds for federal income tax purposes under Section 103 of the Code. The 2021A 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 2021A Bond Opinion, Bond Counsel is relying upon certifications of representatives of the City, the underwriter of the 2021A 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 2021A Bonds in order for interest on the 2021A 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 2021A Bonds and the use of the property financed or refinanced by the 2021A Bonds, limitations on the source of the payment of and the security for the 2021A Bonds and the obligation to rebate certain excess earnings on the gross proceeds of the 2021A Bonds to the United States Treasury. Prior to the issuance of the 2021A Bonds, the City will enter into a tax certificate with respect to the 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A Bonds.

Prospective purchasers of the 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 2021A 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 an 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 2021A Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the 2021A 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 2021A 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 2021A 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 2021A Bonds, regulatory interpretation of the Code or actions by a court involving either the 2021A Bonds or other tax-exempt obligations will not have an adverse effect on the 2021A 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 2021A Bonds.

Prospective purchasers of the 2021A 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 2021A Bonds is excludable from gross income for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the 2021A Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the 2021A Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the 2021A Bonds should consult their own tax advisors regarding the tax status of interest on the 2021A Bonds in a particular state or local jurisdiction other than the Commonwealth.

TAX MATTERS – 2021B BONDS

Opinion of Bond Counsel – Federal Income Tax Status of Interest

The 2021B Bond Opinion will state that, under current law, interest on the 2021B Bonds is includable in the gross income of the owners of the 2021B Bonds for purposes of federal income taxation under the Code.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the 2021B Bonds.

Summary

The following is a summary of certain of the United States federal income tax consequences of the ownership of the 2021B Bonds as of the date hereof. Each prospective purchaser of the 2021B Bonds should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the 2021B Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's own tax advisor. For example, it generally is addressed only to original purchasers of the 2021B Bonds that are "U.S. holders," as hereinafter defined, deals only with 2021B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold the 2021B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of the 2021B Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a 2021B Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a 2021B Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal

income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

General Federal Income Tax Status of the 2021B Bonds

The 2021B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the 2021B Bonds that allocate a basis in the 2021B Bonds that is greater than the principal amount of the 2021B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the 2021B Bonds for an amount that is less than the principal amount of the 2021B Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a 2021B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Sale and Exchange of the 2021B Bonds

Upon a sale or exchange of a 2021B Bond, an owner generally will recognize gain or loss on the 2021B Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such 2021B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the 2021B Bond not yet taken into income will be ordinary). The adjusted basis of the owner in a 2021B Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includable in the gross income of the owner with respect to the 2021B Bonds and decreased by any principal payments received on the 2021B Bond. In general, if the 2021B Bond is held for longer than one year, any gain or loss would be long-term capital gain or loss, and capital losses are subject to certain limitations.

Defeasance

Defeasance of any 2021B Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the 2021B Bond.

Foreign Investors

Distributions of the 2021B Bonds to a non-U.S. holder that has no connection with the United States other than holding its 2021B Bond generally will be made free of withholding tax, as long as the non-U.S. holder has complied with certain tax identification and certification requirements.

Backup Withholding

Under current United States federal income tax laws, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the 2021B Bonds. Certain persons making such payments are required to submit information returns (that is, IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion will also state that, under existing law, interest on the 2021B Bonds is excludable in gross income for purposes of income taxation by the Commonwealth of Virginia. Bond Counsel will express no opinion regarding (a) other Virginia tax consequences arising with respect to the 2021B Bonds or (b) any consequences arising with respect to the 2021B Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the 2021B Bonds should consult their own tax advisors regarding the tax status of interest on the 2021B 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 and to refund bonds previously issued by the City.

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

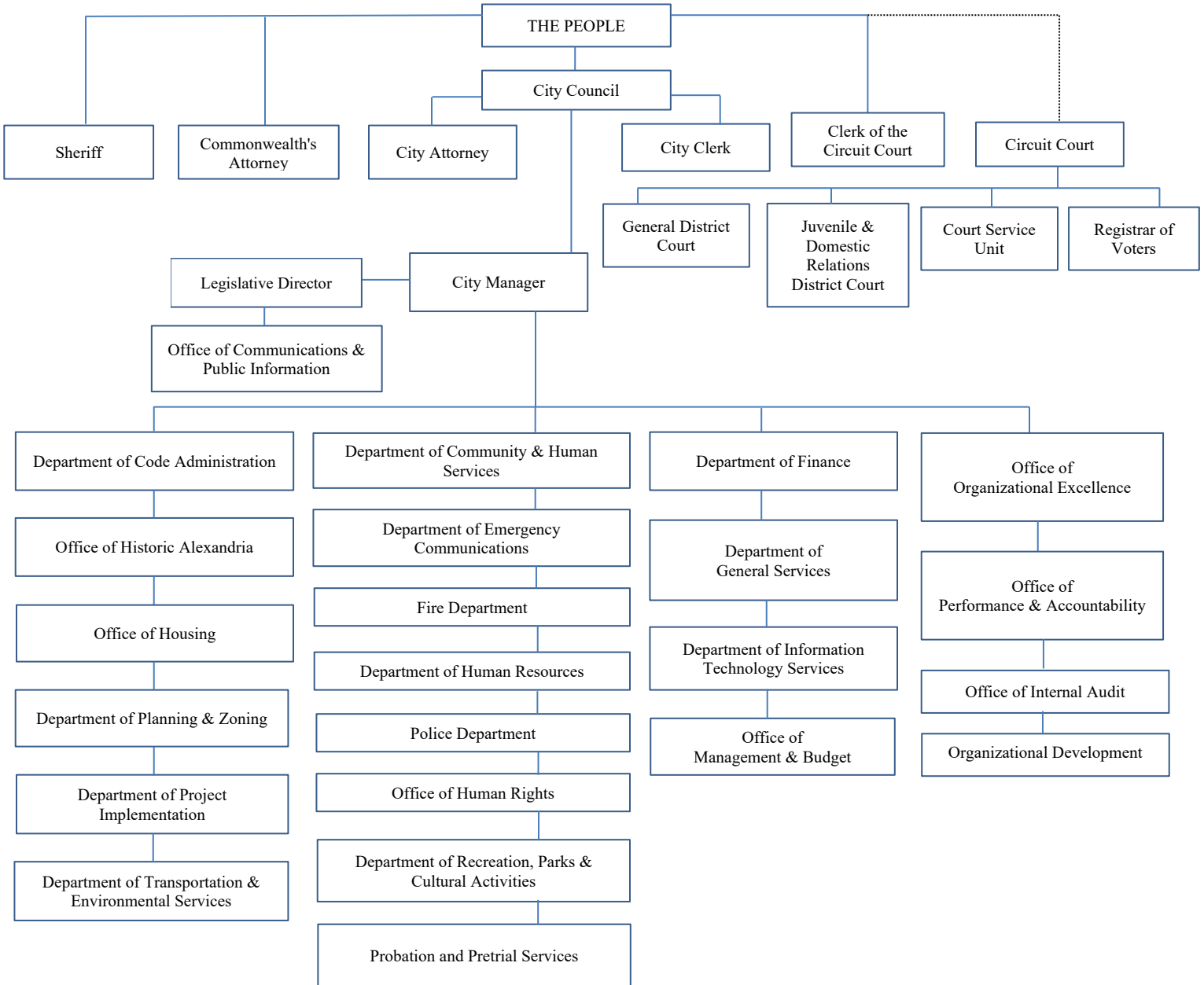
The City adopted the Council-Manager form of government in 1922. The governing body of the City is the City Council, which formulates policies for the administration of the City. The City Council is composed of a mayor and six council members elected at-large for a three-year term. The Mayor is chosen 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

Justin M. Wilson was elected Mayor in November 2018 and represents the City regionally on the Northern Virginia Transportation Authority and the Metropolitan Washington Council of Governments Board of Directors. Within the City, Mayor Wilson leads the City-Schools Subcommittee, the ARHA Redevelopment Committee, the Health and Safety Coordinating Committee, Legislative Subcommittee, the Audit Committee, the Employee Pension/Compensation Committee, the Potomac Yard Metro Implementation Advisory Group and the Combined Sewer Outfall Project Review Team Workgroup.

Prior to his election as mayor, Mayor Wilson served 8 years on the City Council, including service from 2016 – 2019 as Alexandria's Vice Mayor. His leadership has led to new investments in schools, transportation and environmental infrastructure. He has worked to expand early childhood education, address growing student enrollment, accelerate economic growth, advance climate policy as well as protecting and expanding housing affordability.

Prior to his election to the City Council, Mayor Wilson served as the Chair of the Alexandria Transit Company Board of Directors, which operates the City's DASH bus service, and served on the Budget & Fiscal Affairs Advisory Committee. He was an appointee of Governor Mark Warner to the state's Advisory Committee on Juvenile Justice and later to the Board of Juvenile Justice—a position he was re-appointed to by Governor Tim Kaine. He holds a bachelor's of science degree in Information Systems from Virginia Commonwealth University, and is a Fellow of the Sorensen Institute for Political Leadership at the University of Virginia. Mayor Wilson is employed as a Senior Director for the National Railroad Passenger Corporation (Amtrak). Mr. Wilson was re-elected to a second term as Mayor on November 2, 2021.

Elizabeth Bennett-Parker was elected to the Alexandria City Council in November 2018 and is the youngest woman elected to Council in Alexandria's history. Vice Mayor Bennett-Parker is Chair of the board of the Virginia Railway Express. She currently serves on the following local and regional boards: the Northern Virginia Transportation Commission; the Northern Virginia Regional Commission; the Visit Alexandria Board of Governors; the Eco-City Alexandria Environmental Action Plan Steering Committee; the Alexandria Campaign on Adolescent Pregnancy; the Library Board; and co-chairs the Legislative Subcommittee of Council with the Mayor.

Prior to her election, she was appointed by Council to serve on the Community Criminal Justice Board and the Commission on Employment. She also served on the boards of Agenda:Alexandria and the United Way Regional Council for Alexandria. Vice Mayor Bennett-Parker is a former Fulbright Fellow, graduated Phi Beta Kappa from Cornell University, and received a master's degree from the University of London. She was selected as one of Alexandria's 40 under 40 in 2017 and serves on the board of the Arcadia Center for Sustainable Food and Agriculture.

She co-leads Together We Bake, a nonprofit job training and personal development program for women in need. Vice Mayor Bennett-Parker is the founder of Fruitcycle, a social enterprise that produced healthy snacks from locally-sourced produce that would otherwise go to waste, while also providing jobs for women who had been homeless or formerly incarcerated. Recognizing a similarity in missions, she merged Fruitcycle with Together We Bake in 2016.

Before launching Fruitcycle, Councilwoman Bennett-Parker worked for the National Governors Association, where she served as a liaison to Congress, federal agencies and the White House on issues related to transportation, economic development and health. Councilwoman Bennett-Parker's term on City Council ends at the end of 2021. She chose not to seek another term of office on City Council but was elected to the Virginia House of Delegates on November 2, 2021.

Canek Aguirre was elected in November 2018. He is the first Latino elected to City Council. Prior to his election to City Council, Councilman Aguirre served in leadership roles on numerous boards and commissions. He is a past Chair of the Economic Opportunities Commission, past President of the Tenants and Workers United (TWU) Board of Directors, and past Vice Chairman of the Health Systems Agency of Northern Virginia (HSANV) Board of Directors. He also served on the Leadership Council for the Alexandria Campaign on Adolescent Pregnancy (ACAP)

and the Steering Committee for the Partnership for a Healthier Alexandria (PHA). In 2016, Councilman Aguirre was appointed to the Virginia Board of Social Work by Governor Terry McAuliffe.

Councilman Aguirre spent three years in Alexandria City Public Schools creating welcoming spaces and connecting students and families with resources to succeed inside and outside the classroom. He co-founded a parent group for Spanish-speaking families at George Washington Middle School and helped launch a citywide family and community engagement program. As a community advocate, he has fought to increase affordable housing in the city, improve equity in our schools, and built coalitions to promote government transparency and accountability. Councilman Aguirre received a bachelor's degree from the University of North Carolina at Chapel Hill. In his professional capacity, Councilman Aguirre works to increase access to care and improve health outcomes for Medicaid populations throughout Northern Virginia as a Customer Relations Representative with Anthem. On November 2, 2021, Mr. Aguirre was elected to a second term on City Council.

John Taylor Chapman was elected to City Council in November 2012 and re-elected in November 2015 and November 2018. As a member of City Council, Councilman Chapman serves on the following local and regional boards: the Local Emergency Planning Committee, Eisenhower Partnership Board of Directors, the Metropolitan Washington Council of Governments Public Safety and Human Services Committee, Eisenhower Partnership Board of Directors, Eco-City Alexandria Environmental Action Plan Steering Committee, Alexandria Campaign on Adolescent Pregnancy, Sister Cities Committee, Gang Prevention Task Force, and the Children, Youth and Families Collaborative Commission.

Prior to his election to city council, Councilman Chapman served as an appointee to the Budget and Fiscal Affairs Advisory Commission, Vice President of the Volunteer Alexandria Board of Directors, Vice President of Membership for the Taylor Run Citizens' Association, First Night Alexandria Board of Directors, former Vice Chair of the city's Youth Policy Commission and a former President of the Alexandria Branch of the NAACP, the youngest in the history of the branch. He also remains an active member of the Xi Alpha Lambda chapter of Alpha Phi Alpha Fraternity, Inc., the Northern Virginia Urban League Young Professionals Network and Alfred Street Baptist Church.

Councilman Chapman is a graduate of Saint Olaf College in Minnesota, having obtained his Bachelor's degree in Social Studies Education. Councilman Chapman is also a 2008 graduate of the Minority Political Leadership Institute at Virginia Commonwealth University and a 2010 graduate of the Sorensen Institute for Political Leadership at University of Virginia. Professionally, Councilman Chapman is a career educator and currently works as a Community Use Program Specialist for Fairfax County Public Schools. On November 2, 2021, Mr. Chapman was re-elected for another term on City Council.

Amy B. Jackson was elected to City Council on November 6, 2018, to serve a three-year term from 2019 through 2021. As a member of City Council, Councilwoman Jackson serves on a variety of local and regional boards: The City Manager's Quality of Life Committee, City Corps Council, INOVA Alexandria Hospital Task Force, Eisenhower Partnership Board of Directors, Combined Sewer Outfall Project Review Team Workgroup, Metropolitan Washington Council of Governments Chesapeake Bay Policy Committee, Potomac Watershed Roundtable, Gang Prevention Community Task Force, and the Children, Youth and Families Collaborative Commission.

Prior to her election, Councilwoman Jackson served as an appointee to the Alexandria Commission for Women and the Alexandria Landlord and Tenant Relations Commission. Councilwoman Jackson also served on many local non-profit boards and committees, including as Chair of The Fund for Alexandria's Child Advisory Council, Chair of Alexandria's Human Trafficking Awareness Initiative, Junior Friend of The Campagna Center, advocate of our Human Rights Commission, and board member of the Stabler-Leadbeater Apothecary Museum. She has also sponsored several charitable events over the years, especially for Alexandria's children, for The Scholarship Fund of Alexandria, The Campagna Center, SCAN, The Child and Family Network Centers, and the Center for Alexandria's Children. Councilwoman Jackson also remains an active member of the John Alexander Chapter of the Daughters of the American Revolution, Alexandria Democratic Committee, and Board of Directors of Senior Services of Alexandria.

Councilwoman Jackson completed her bachelor's degree in communication studies at Virginia Polytechnic Institution and State University ("Virginia Tech"). She also holds two master's degrees in education from George Mason University in Curriculum and Instruction (Secondary Education, grades 6-12, with Social Studies Education focus), and in Education Leadership (School Administration, grades Pre-K-12). Councilwoman Jackson's career with

Fairfax County Public Schools has spanned 16 years as a teacher, coach, mentor, club and class sponsor, curriculum (social studies-history) team lead, four core-curriculum team lead, and administrator, including appointments to the School Improvement Plan (SIP) as Committee Chair, and Pyramid-Cluster Reorganization Committee member. On November 2, 2021, Ms. Jackson was elected to a second term on City Council.

Del Pepper was first elected to the City Council in 1985. She served as Vice Mayor from 1996 to 1997, from 2003 to 2006, and from 2007 to 2009. Councilwoman Pepper is a member of the Welfare Reform Committee (Alexandria Works!). She is active with the Commission on Aging, Commission on Information Technology, Facilities Naming Committee, and the Council of Governments Air Quality Committee and Board of Directors. She was recently elected Corporate President of the COG. She is a member of the Northern Virginia Regional Commission, where she also chairs the Regional Resources Committee.

Councilwoman Pepper serves on the Boards of the YMCA, the T.C. Williams PTSA, the Alexandria Arts Forum, Bienvenidos, and the Retired Senior Volunteer Program. She is a former first vice president of the local NAACP and former board member of the City's Community Services Board. Other affiliations include the Urban League, the League of Women Voters, and the Sierra Club. She 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. Councilwoman Pepper is a Grinnell College graduate. Councilwoman Pepper's term on City Council ends at the end of 2021. She chose not to seek another term of office.

Councilman Mohamed "Mo" Seifeldein is the first Sudanese immigrant to serve on City Council. He is a progressive champion for environmental protection and equity. Personally, he serves on the board of the Sudanese American Physicians Association, a non-profit organization.

Councilman Seifeldein serves on the INOVA Alexandria Hospital Task Force, Alexandria Economic Opportunities Commission, Council of Governments Region Forward Coalition, Citizen Corps Council, Waterfront Commission, Employee Pension/Compensation Committee, and Audit Committee. He also serves on the Council of Governments Metropolitan Washington Air Quality Committee, Climate, Energy and Environment Policy Committee, Regional Transportation Planning Board, Northern Virginia Transportation Commission, and the Virginia Railway Express Board of Directors as an alternate. He also serves as a Trustee on the Board of Directors for the Sudanese American Physician's Association.

Before his election, Councilman Seifeldein worked as a court-appointed-attorney and volunteered with local legal aid services to the help indigent clients in the community. He is a litigation attorney and was exposed to the highest level of international human rights law at the International Criminal Tribunal for the Former Yugoslavia through an externship. He holds a bachelor's degree in psychology from Old Dominion University and a Juris Doctor from Florida Coastal School of Law. Councilman Seifeldein's term on City Council ends at the end of 2021. He chose not to seek another term of office.

A General Election was held in the City on November 2, 2021. New City Council members include Sarah R. Bagley, Alyia Smith-Parker Gaskins and R. Kirk McPike, all of whom will be sworn in in January 2022.

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 served as the Chair of the Chief Administrative Officers Committee of the Metropolitan Washington Council of Governments from 2017 to 2019. He has served on the boards of the public pension funds for both Arlington County and the City of Alexandria and served on the client advisory board for Prudential Retirement. Mr. Jinks is a member of 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. He has served as a financial and economic development consultant to the Polish cities of Warsaw and Krakow. Mr. Jinks will be retiring near the end of 2021 after 46 years of state and local government public service. City Council is in the process of selecting a new City Manager.

Laura B. Triggs, CPA, PCC, ICMA-CM, 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 the Office of Performance Accountability. 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 (ICMA), Virginia Local Government Managers Association, Government Finance Officers Association, and the International Coach Federation. She holds an accreditation as a Certified Public Accountant (licensed in Texas), a Professional Certified Coach and is Credential Manager with ICMA. Ms. Triggs also serves a volunteer coach for several non-profit organizations and has been a guest lecturer at Harvard University's Business School.

Joanna Anderson was appointed by the City Council as the City Attorney in October 2018. Prior to her appointment, Ms. Anderson was the Deputy City Attorney (February 2016 to October 2018), an Assistant City Attorney (March 2010 to February 2016) and an associate attorney with McGuireWoods LLP, representing commercial land owners with land use applications in Alexandria (2005 to 2010). Ms. Anderson started her legal career in the Alexandria City Attorney's Office in 2001 as an intern, before becoming an Assistant City Attorney. Ms. Anderson is a member of the Local Government Attorneys of Virginia and the Metropolitan Washington Council of Governments Attorneys Group. Ms. Anderson holds a B.A. in History from the University of New Hampshire and a JD from the George Mason University School of Law.

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 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. In September 2018, Ms. Taylor was selected to the Government Finance Officers Association Debt Committee. 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 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 WMATA capital funding agreements, as a member of the financial working group on establishing the NVTVA, 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 427 employees, of whom 312 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 eight museums and five historic sites 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, 2019, and will run through December 31, 2021. 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") 2022 Schools Budget provides for the operation of fourteen 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. The typical Alexandria Public Schools teacher has a Master's Degree and at least 11 years of teaching experience.

PUBLIC SCHOOL FACILITIES AS OF JULY 2021

| TYPE OF SCHOOL | NUMBER |
|-------------------------------------|-----------|
| High School (including STEP*) | 1 |
| Middle Schools | 2 |
| Elementary Schools and PreK Centers | <u>15</u> |
| TOTAL | 18 |

*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 22.9 percent between FY 2013 and FY 2020, 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. The enrollment decline reflected in FY 2021 was the first decline in more than 10 years, but is not expected to continue as the FY 2022 budget reflects a 3.3% increase or a return to pre-pandemic enrollment levels. The pre-pandemic enrollment increases have and will result in the City investing in new and expanded school facilities.

ALEXANDRIA CITY PUBLIC SCHOOL ENROLLMENTS ACTUAL AND PERCENTAGE CHANGE 2013 THROUGH 2021

| Fiscal Year | Total | Percentage Change |
|-------------|--------|-------------------|
| 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 |
| 2019 | 15,795 | 1.6 |
| 2020 | 16,117 | 2.0 |
| 2021 | 15,635 | -3.0 |

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 approaching full utilization by about 2040. Based on these projections, an additional 4 MGD capacity will be needed beyond 2040. In order to provide this additional capacity for the City, alternatives need to be evaluated that may include purchasing a portion of Fairfax's capacity at the plant and/or implementing plant systems upgrades. The City continues to coordinate with Alexandria Renew Enterprises on weather flow management mitigation initiatives, such as City's infiltration and inflow program, and RiverRenew program. RiverRenew program is Alexandria Renew Enterprises led \$615 million Combined Sewer Overflow remediation program to reduce overflows from Combined Sewer System from an average of about 70 to less than 4 per year.

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 an annual rate of 9.1 percent between 2000 and 2010. According to the 2020 Census, Alexandria's population is 159,467, which reflects a rate of growth of 13.9 percent. 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 | 159,467 | 13.9 |

Sources: 2020 Census, US Department of Commerce, Bureau of the Census; the United States Bureau of Economic Analysis; Alexandria Department of Planning and Zoning.

Between the 2010 Census and 2019, the City's median age grew slightly from 35.6 years to 36.8 years; and the population under the age of 18 grew from 23,970 to about 28,632 or from 17.1 to 18.2 percent of the City's population. This growth in the under 18 population was primarily the result of an increase in the population between the ages of 5 and 14, which increased from 7.8 percent of the City's population in 2010 to 11 percent in 2019. The under-18 cohort remains significantly smaller than in the surrounding suburban counties of Fairfax, Loudoun and Prince William, in which the under-18 population comprises 23 to 28 percent of the total population.

The slight increase in the median age despite the increase in the percentage of children can be partially attributed to an increase in the number of residents aged 65 and older. The percentage of residents aged 65 and older increased from 9.1 percent to 11.3 percent of the population from 2010 to 2019.

Families, defined as households with two or more persons related by birth, marriage, or adoption and residing together in a single housing unit, constituted 47.3 percent of all City households in 2019. Despite the increase in families, average household size increased slightly from 2.03 to 2.21 between 2010 and 2019.

The percentage of persons 25 and older with four or more years of college was 63.1 percent by 2019, which is nearly 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 | 36.4 | 38 | 37.8 |
| | 2019 | 38.2 | 36.8 | 38.5 |
| Percent under Age 5 | 2000 | 6.2 | 6.5 | 6.8 |
| | 2010 | 7.1 | 6.4 | 6.5 |
| | 2015 | 7.3 | 6.1 | 6.2 |
| | 2019 | 7.1 | 6 | 5.9 |
| Percent School Age (5-17) | 2000 | 10.6 | 18 | 18.9 |
| | 2010 | 10 | 16.8 | 17.5 |
| | 2015 | 10.8 | 18.6 | 16.7 |
| | 2019 | 11 | 16 | 16.3 |
| Percent under Age 18 | 2000 | 16.8 | 24.6 | 25.7 |
| | 2010 | 17.1 | 23.2 | 24 |
| | 2015 | 18.1 | 22.3 | 22.9 |
| | 2019 | 18.2 | 22.1 | 22.2 |
| Percent of Persons 65 and Older | 2000 | 9 | 11.2 | 12.4 |
| | 2010 | 9.1 | 12.2 | 13 |
| | 2015 | 9.3 | 14.2 | 14.9 |
| | 2019 | 11.3 | 15 | 16.5 |
| Number of Persons/Household | 2000 | 2.04 | 2.54 | 2.59 |
| | 2010 | 2.03 | 2.54 | 2.58 |
| | 2015 | 2.23 | 2.62 | 2.63 |
| | 2019 | 2.21 | 2.61 | 2.61 |
| Percent of Persons 25 and Older with four or more years of college | 2000 | 54.3 | 29.5 | 24.4 |
| | 2010 | 60.5 | 34.7 | 28.5 |
| | 2015 | 61.4 | 37.6 | 30.9 |
| | 2019 | 63.1 | 38.8 | 33.1 |

Sources: 2000 US Census, 2010 US Census, and 2015 and 2019 American Community Survey ("ACS") 5-Year Estimates.

Employment

In March 2021, the City's employment averaged 82,318, which is 7.1 percent lower than in March 2020. City employment has declined by approximately 12.0 percent since 2011, while average annual pay has increased by 10.9 percent (inflation adjusted). Following a spike in 2020 due to the economic impact of the COVID-19 pandemic, the unemployment rate in the City fell to a historically typical 4.3% by June 2021. The decline in jobs in the City has been driven almost entirely by decreases in private sector employment, which is down by 15.6 percent since 2011. This decline is attributable to several long-term trends including the relocation of several major employers and impacts of retail closures and national retail trends. Additionally, the City is experiencing continued impacts from the pandemic especially in the hospitality and food service sectors, where employment in March 2021 was 27.3 percent lower than in March 2020.

UNEMPLOYMENT RATE

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Alexandria * | 3.3% | 2.9% | 2.8% | 2.4% | 2.2% | 8.3% | 4.3% |
| Commonwealth of Virginia * | 4.4 | 4.0 | 3.7 | 2.9 | 2.6 | 8.8 | 4.3 |
| United States * | 5.3 | 4.9 | 4.3 | 4.0 | 3.6 | 11.1 | 5.9 |

* As of June each year. Virginia and U.S. unemployment rates are seasonally adjusted. Alexandria unemployment rates are not seasonally adjusted. Source: U.S. Department of Labor, Bureau of Labor Statistics.

Despite an overall decrease in employment over the last ten years (since 2011), growth has occurred across several sectors. Professional services and government jobs continue to be the leading employment sectors in the City. Government is led by prominent federal agencies, including the U.S. Patent & Trademark Office, the National Science Foundation, the U.S. Department of Defense, and the U.S. Department of Agriculture Food and Nutrition Service.

The City's strong wage growth (+10.9 percent over ten years, inflation-adjusted) has been driven by wage increases across many sectors of the economy. On the top end, the information industry experienced a 36.5 percent increase in average annual pay (inflation-adjusted), which includes jobs in media and communications technology. Most significantly, the City's two largest and most stable employment sectors, the federal government and professional services, saw sustained wage growth over the last decade (2.9 and 9.1 percent, respectively, inflation-adjusted). These two sectors together comprise 32.1 percent of all jobs and 46.4 percent of all wages earned in the City.

The COVID-19 pandemic has caused both temporary impacts and emerging structural changes in employment nationally, particularly in wage-earning employment sectors such as entertainment, hospitality, food service, logistics, and retail trade. These impacts have been felt in the City. Nevertheless, the City's foundation of well-paying jobs in the government, information, finance, and professional services industries points to its diverse and resilient economic base. Ongoing pandemic recovery and major new investments including the Potomac Yard Metrorail district, including the Virginia Tech Innovation Campus, and the Landmark Mall redevelopment point to a future of stable and strong employment.

**EMPLOYMENT BY SECTOR AS A PERCENTAGE
OF TOTAL**

| Alexandria Employment | March 2020 | March 2021 |
|--|-----------------------|-----------------------|
| Construction | 2.54% | 2.58% |
| Manufacturing | 1.93 | 1.61 |
| Transportation, Information, and Utilities | 5.00 | 4.65 |
| Trade | 8.18 | 8.27 |
| Financial, Insurance, Real Estate | 4.71 | 5.02 |
| Arts, Entertainment, and Hospitality | 10.02 | 7.84 |
| Health Care and Social Assistance | 7.76 | 8.12 |
| Services | 35.13 | 35.89 |
| Government | | |
| Local | 8.13 | 8.24 |
| State | 1.03 | 0.97 |
| Federal | 15.57 | 16.82 |
| Total¹ | 100.0% | 100.0% |

Source: U.S. Department of Labor, Bureau of Labor Statistics

¹Total may differ due to rounding.

**PRINCIPAL PRIVATE EMPLOYERS
JULY 1, 2021**

| Company | Nature Of Business | Approximate Number Of Employees* | Estimated Percentage Of Total City Employment |
|---|--------------------------------------|---|--|
| Inova Alexandria Hospital | General Medical & Surgical Hospitals | 1,700 | 2.1% |
| Institute for Defense Analyses | Research and Development Center | 650 | 0.8 |
| Woodbine Rehabilitation & Healthcare Center | Outpatient Care Centers | 425 | 0.5 |
| Society-Human Resource Management | Human Resources Consulting Services | 400 | 0.5 |
| Oblon, Maier & Neustadt PC | Law | 385 | 0.5 |
| Kearney & Company, P.C. | Certified Public Accountants | 380 | 0.5 |
| Systems Planning & Analysis | Computer Systems Design Services | 375 | 0.5 |

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

Income

Per capita income for Alexandria was \$91,990 in 2019, is among the 35 highest in the United States and the third highest among all 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
2015 TO 2019**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Alexandria (VA) | \$82,825 | \$83,447 | \$84,923 | \$89,648 | \$91,990 |
| Arlington County (VA) | 86,764 | 88,181 | 91,685 | 96,881 | 99,407 |
| Fairfax County (VA) | 76,101 | 77,152 | 79,068 | 83,747 | 86,141 |
| Commonwealth of Virginia | 52,184 | 52,957 | 55,306 | 57,910 | 57,910 |
| Washington MSA | 65,961 | 67,952 | 69,679 | 72,340 | 74,385 |
| United States (Metropolitan areas) | 48,451 | 59,246 | 51,885 | 54,446 | 54,446 |

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 November 2018, Amazon announced the results from its year-long second headquarters (HQ2) search - the company will be locating the campus in Northern Virginia in a newly-branded site called National Landing. National Landing encompasses property in existing Pentagon City, Crystal City and Potomac Yard. In conjunction with the HQ2 announcement, Virginia Tech released that it will be partnering with the City of Alexandria and the Commonwealth to develop a revolutionary Innovation Campus in National Landing, within walking distance of the new Potomac Yard Metro Station.

Development and construction in Alexandria remain strong, despite the COVID-19 pandemic. The value of building permits issued in FY 2021 totaled \$1.6 billion, which is more than double the previous year. Construction is underway on many major projects that were in the pipeline across the City.

NUMBER OF BUILDING PERMITS ISSUED AND VALUE

| Fiscal Year | Residential | Commercial | Miscellaneous¹ | Total Building Permits | Total Value |
|--------------------|--------------------|-------------------|----------------------------------|-------------------------------|--------------------|
| 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 | 223 | 53 | 10,341 | 10,617 | 497,488,861 |
| 2019 | 199 | 126 | 11,293 | 11,618 | 425,075,623 |
| 2020 | 331 | 215 | 8,994 | 9,540 | 1,120,420,327 |
| 2021 | 403 | 302 | 1,645 | 2,350 | 1,628,963,323 |

¹ The miscellaneous category includes alterations and repairs; electrical, plumbing, and mechanical permits; and other construction activity.

Source: City of Alexandria Department of Code Administration.

VALUE OF NEW CONSTRUCTION

| Fiscal Year | Residential | Commercial | Miscellaneous¹ | Total Value |
|--------------------|--------------------|-------------------|----------------------------------|--------------------|
| 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 | 45,450,229 | 326,753,308 | 125,285,324 | 497,488,861 |
| 2019 | 34,798,661 | 192,379,252 | 197,897,710 | 425,075,623 |
| 2020 | 40,015,616 | 784,432,563 | 295,972,148 | 1,120,420,327 |
| 2021 | 32,292,595 | 1,313,062,758 | 283,607,970 | 1,628,963,323 |

¹ The miscellaneous category includes alterations and repairs, electrical, plumbing, and mechanical permits, and other construction activity.

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.

Office Vacancy Rates

Alexandria's office vacancy rate was 16.2 percent in the second quarter of 2021. As shown in the table below, this is slightly lower than the office vacancy rate for Northern Virginia and significantly lower than the rate for the Washington, D.C. Metro Area as a whole. Through the mid-year of 2021 office vacancy remained stable and comparable with Northern Virginia neighboring jurisdictions.

| Jurisdiction | 2 nd Quarter 2020 | 2 nd Quarter 2021 |
|----------------------------|---------------------------------|---------------------------------|
| Alexandria, VA | 15.7% | 16.2% |
| Northern Virginia | 15.8 | 16.4 |
| Washington D.C. Metro Area | 14.6 | 23.9 |

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 3.5 million tourists and business travelers per year. The City's Old Town area is a 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 currently more than 4,000 hotel rooms operated in the City by 22 hotels, which are expected to increase with the opening of two new hotels in the near future. Visit Alexandria, the City's tourism agency, estimates that pre-pandemic visitors from outside Alexandria generate more than \$50 million in direct City consumption tax revenues (sales, rooms and meals tax) annually.

Housing

As of January 2021, there were 79,403 total housing units (including rental apartments) located in the City of Alexandria. The average assessed value of a single-family home in 2021 is \$839,961, an increase of 4.54 percent from the previous year. The average assessed value of a residential condominium as of January 1, 2021, is \$375,070, an increase of 3.98 percent compared to the previous year.

HOUSING UNITS BY TYPE OF STRUCTURE ¹

| | 2020 | 2021 |
|--|---------------|---------------|
| Single Family: | | |
| Detached | 9,143 | 9,142 |
| Semi-Detached | 5,861 | 5,863 |
| Rowhouse | 6,709 | 6,714 |
| Condo Townhouse | 1,488 | 1,471 |
| Multi-family: | | |
| Condominium Units | 18,649 | 18,743 |
| Rental Apartments | <u>37,453</u> | <u>37,470</u> |
| Total: | 79,303 | 79,403 |
| 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

Alexandria, located just across the river from Washington, DC, has tremendous levels of access to all the assets of this great region. In addition to several freight lines, with four existing Metrorail stations and one slated to open by 2023, 32 bus routes, 1 bus rapid transit service, a ferry terminal, 42 bikeshare stations, a rail station served by both Amtrak and commuter rail, two Interstates, and an international airport just minutes away--Alexandria's residents, workers, and visitors have many options for getting where they want to go.

The Alexandria Mobility Plan, the City's updated Transportation Master Plan, scheduled for adoption in the Fall of 2021 aims to continue 2017 Strategic Plan policies to reduce the need for single occupancy vehicle travel to improve the environment and quality of life. To that end, the City is pursuing a variety of measures to improve the safety and efficiency of alternative mobility options through a Council adopted Complete Streets Policy and Guidelines, a Vision Zero goal and action plan, a bus network redesign called the Alexandria Transit Vision, and funding for the advancement of three bus rapid transit services. The City is also working to improve traffic flow for cars and buses with investment in smart signal technology.

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. In Spring 2018, the Virginia General Assembly enacted changes to NVTA that diverted two of the three funding streams (transient occupancy tax and grantor's tax) to WMATA for its expanded capital investment program beginning in FY 2019. The diversion of funds impacted both the 30% (direct impact) and 70% (indirect impact) programs. In 2020, the General Assembly partially restored funding to NVYA, reducing the funding gap by \$63.5 million to \$38.5 million. In FY 2022, the City will receive approximately \$4.6 million from NVTA as its share of 30 percent NVTA funds. NVTA revenue has allowed the City to make significant new investments in 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 has been awarded \$103.5 million in 70% funding for development of the City's Bus Rapid Transit (BRT) networks, and for the expansion of the City's bus garage facility and bus fleet.

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 Alexandria Mobility 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 30th busiest airport in the United States, 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 and one is under construction.

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 13 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, Mark Center, and Shirlington Transit Centers. A fifth Metrorail station at Potomac Yard is under construction and will be served by both DASH and Metrobus service when it opens. WMATA operates Metrobus, which consists of approximately 270 routes and 11,000 bus stops throughout Virginia, Washington, D.C., and Maryland. The Fairfax Connector system serves several 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 historically served over 2,000 weekday riders and over 3,500 weekend riders.

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. The Commonwealth's \$3.7 billion investment in rail announced in 2019 in partnership with CSX, will enable more frequent train travel between DC and Richmond.

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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, 2021, the total assessed value of taxable real property in the City is \$43,826,796,330, which translates into a debt limit of \$4,382,679,633. As of June 30, 2021, the City's net obligations subject to debt limitations total \$704,117,000, representing 16 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. 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 to 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, 2021): | |
| Outstanding General Obligation Bonds | <u>\$704,117,000</u> |
| Net Tax Supported Debt: | <u>\$704,117,000</u> |

RATIOS OF NET GENERAL DEBT¹ TO ASSESSED VALUE

LAST FIVE FISCAL YEARS

| Year | Population ³ | Assessed Value(\$000) ² | | | Outstanding Debt as Percentage of Assessed Value | | |
|------|-------------------------|------------------------------------|-------------------|--------------|--|---------------|----------------|
| | | Real Property | Personal Property | Total | Outstanding Debt | Real Property | Total Property |
| 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 | 1,520,865 | 41,698,341 | 595,021,000 | 1.49 | 1.44 |
| 2019 | 156,800 | 40,977,242 | 1,565,335 | 42,542,577 | 589,957,000 | 1.44 | 1.39 |
| 2020 | 159,467 | 42,679,237 | 1,596,166 | 44,275,403 | 747,911,000 | 1.75 | 1.69 |
| 2021 | 164,650 | 43,826,796 | 1,506,234 | 45,333,030 | 704,117,000 | 1.61 | 1.55 |

¹Net General Debt includes general obligations bonds, premium and term notes.
²Includes 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 DEBT¹
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 |
|------|--------------|--------------------------|--------------------|-----------------------------------|--|
| 2017 | \$43,300,000 | \$21,490,252 | \$64,790,252 | \$880,542,277 | 7.36% |
| 2018 | 44,404,949 | 21,795,764 | 66,200,713 | 920,488,621 | 7.19 |
| 2019 | 45,989,000 | 24,591,838 | 70,580,838 | 1,016,462,122 | 6.94 |
| 2020 | 46,126,000 | 23,463,907 | 69,141,868 | 1,041,037,742 | 6.68 |
| 2021 | 47,529,000 | 27,223,323 | 74,752,323 | 1,090,444,851 | 6.86 |

¹Net General Debt includes general obligation bonds.
²Includes 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 2035. 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 |
|--------------------|---------------------------|------------------------------------|
| 2022 | \$5,883,071 | \$3,191,155 |
| 2023 | 5,122,292 | 3,140,535 |
| 2024 | 8,549,848 | 3,066,882 |
| 2025 | 9,578,693 | 3,013,114 |
| 2026 | 9,466,976 | 3,095,975 |
| 2027-2031 | 55,089,333 | 9,521,931 |
| 2032-2036 | 43,783,376 | 9,521,931 |

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:

Capital Contributions – Bus and Rail Replacement

In June 2021, a new six-year Capital Funding Agreement was signed by all members of the WMATA Compact after a series of one-year extensions of the 2010 six-year agreement. That funding agreement did not assume an increase of \$150 million per year of new federal funds past FY 2022, but did assume approximately \$50 million each from the Commonwealth of Virginia, the State of Maryland and the District of Columbia. The new agreement totaled \$13.6 billion over the six-year period, and \$2.1 billion was projected to 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. The dollar amount of the FY 2022 agreement is \$12.7 million, compared to the FY 2021 contribution for Alexandria, which was \$12.5 million.

Operating Subsidies - Bus and Rail Systems

During FY 2021, obligations for bus and rail subsidies amounted to \$41.7 million. The City paid these obligations from the following sources:

| | |
|---|---------------------|
| City General Fund | \$0 |
| State Aid and State Motor Fuel Sales Tax revenues | 40,147,662 |
| NVTA 30% | 1,573,000 |
| TOTAL | \$41,720,662 |

Expected obligations for FY 2022 are \$43 million, \$17.6 million of which is expected to be paid from the City's General Fund. The City will also use \$23.9 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 and thus will not have a substantial financial impact.

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. 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 can 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. Additionally, 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. 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.

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 the lease is essentially 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 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 2021 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 \$1,015,413 in tipping fees in FY 2021 and is anticipating a similar cost in FY 2022.

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 2022 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 Council Approved FY 2022 – FY 2031 Capital Improvement Program (CIP) totals \$2.66 billion, which represents a \$552.8 million, or 26.2%, increase from the Approved FY 2021 – FY 2030 CIP. The increase is largely driven by a new aggressive stormwater capacity program (\$266.6 million), the planned purchase of the DCHS/Health office building at Mark Center (\$58.7 million), and the inclusion of the Landmark Mall site redevelopment plan City financial participation (\$130 million) in the CIP.

The Approved FY 2022 – FY 2031 Capital Improvement Program totals \$2.661 billion. Non-City funds including Federal and State funds and private capital contributions contribute \$357.595 million of this total from FY 2022 – FY 2031. The City portion from FY 2022 – FY 2031 is \$2.304 billion. The Approved FY 2022 – FY 2031 CIP is a \$552.8 million, 26.2% increase compared to last year's approved ten-year plan. The total approved single year CIP for FY 2022 is \$293.1 million; a \$55.5 million decrease from FY 2022 in last year's approved CIP, which is largely attributable to updating the project funding schedule for the Waterfront Small Area Plan Implementation project, which moved the majority of construction funding to FY 2023 – FY 2024..

The Approved FY 2022 – FY 2031 CIP addresses four broad areas of expenditure: protection of the City's investment in existing public facilities or infrastructure (physical assets) through capital maintenance or renovations; planning and construction of major new public facilities and infrastructure, including new or replacement information technology systems; planning and construction of major infrastructure related to the City's stormwater management systems; and Alexandria City Public Schools capital infrastructure needs. 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 \$282.3 million in City appropriations from General Fund transfers, \$17.7 million in reserved General Fund appropriations for transportation projects, and \$1.688 billion in future general obligation bond issuances for a variety of projects. Bond proceeds will provide \$530.7 million to support Alexandria City Public Schools ("ACPS") capital infrastructure needs, \$142.1 million to support WMATA's capital infrastructure needs and \$226.7 million for future planned Stormwater Sewer projects, as well as other smaller capital projects.

Non-City revenue sources including but not limited to NVTVA funding, State and Federal grants, and private capital contributions comprise \$357.6 million. Over the life of the ten-year plan, borrowing compromises 68% of all funding sources, while cash sources contribute 32% 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 to range from \$355 million to \$555 million. The most recent estimate is \$615 million. 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. In the Approved FY 2022 – FY 2031 CIP, fees for the Stormwater Utility, along with state grants, will fund \$266.6 million in mitigation projects over the next ten years and enable the City to meet its State and federal regulatory requirements.

The tables below reflect the Approved FY 2022 – FY 2031 CIP. The Adopted FY 2022 – FY 2031 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 2022 – FY 2031

| EXPENDITURES BY FUNDING SOURCE | | | |
|---|------------------------|---------------------------------|------------------------|
| | Total Cost | Non-City Revenue Sources | Net City Cost |
| Schools | \$551,483,000 | \$ 0 | \$551,483,000 |
| Community Development | 352,881,000 | 0 | 352,881,000 |
| Recreation & Parks | 149,507,100 | 1,000,000 | 148,507,100 |
| Public Buildings | 394,934,200 | 0 | 394,934,200 |
| Transportation | 674,232,737 | 354,594,537 | 319,638,200 |
| Sanitary Sewers¹ | 53,900,000 | 0 | 53,900,000 |
| Stormwater Management | 266,584,900 | 0 | 266,584,900 |
| Other Regional Contributions | 4,790,000 | 0 | 4,790,000 |
| IT Plan | 119,991,600 | 2,000,000 | 117,991,600 |
| CIP Development & Implementation Staff | 93,206,800 | 0 | 93,206,800 |
| TOTAL CIP | \$2,661,511,337 | \$357,594,537 | \$2,303,916,800 |

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

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SUMMARY OF APPROVED CAPITAL IMPROVEMENT PROGRAM BY PROJECT SECTION

FY 2022 - FY 2031

| CAPITAL IMPROVEMENT PROGRAM BY PROGRAM YEAR | | | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | Total |
| Schools | \$55,199,200 | \$167,680,700 | \$31,081,900 | \$77,295,700 | \$9,551,500 | \$27,189,500 | \$79,102,000 | \$8,874,600 | \$25,305,700 | 70,202,200 | \$551,483,000 |
| Community Development | 57,917,900 | 105,958,800 | 104,520,600 | 11,273,800 | 12,388,100 | 11,152,600 | 12,208,600 | 12,410,600 | 12,020,500 | 13,034,500 | 352,881,000 |
| Recreation & Parks | 13,308,400 | 28,204,300 | 15,362,200 | 6,653,800 | 8,610,300 | 9,310,900 | 28,560,700 | 11,625,900 | 15,535,200 | 12,335,400 | 149,507,100 |
| Public Buildings | 49,397,400 | 92,613,800 | 94,453,500 | 32,832,300 | 33,887,700 | 17,971,300 | 13,611,300 | 16,606,000 | 25,947,400 | 20,613,500 | 394,934,200 |
| Transportation | 51,769,042 | 68,262,586 | 108,362,906 | 114,557,903 | 77,777,000 | 50,326,600 | 31,344,800 | 41,911,100 | 53,671,800 | 76,249,000 | 674,232,737 |
| Sanitary Sewers¹ | 10,400,000 | 8,300,000 | 4,400,000 | 4,400,000 | 4,400,000 | 4,400,000 | 4,400,000 | 4,400,000 | 4,400,000 | 4,400,000 | 53,900,000 |
| Storm water Management | 27,524,500 | 34,875,000 | 38,845,000 | 41,940,700 | 27,285,500 | 23,688,200 | 23,832,300 | 19,252,700 | 15,102,500 | 14,238,500 | 266,584,900 |
| Other Regional Contributions | 422,000 | 466,000 | 471,000 | 476,000 | 480,000 | 485,000 | 490,000 | 495,000 | 500,000 | 505,000 | 4,790,000 |
| IT Plan | 23,307,600 | 13,699,200 | 10,003,300 | 17,301,700 | 9,104,500 | 8,135,900 | 7,989,000 | 10,291,700 | 7,525,900 | 12,632,800 | 119,991,600 |
| CIP Development & Implementation Staff | 6,856,800 | 7,839,000 | 8,226,400 | 8,633,900 | 9,058,700 | 9,510,600 | 9,979,800 | 10,474,000 | 10,991,800 | 11,635,600 | 93,206,800 |
| TOTAL CIP³ | \$293,102,842 | \$527,899,386 | \$415,726,806 | \$315,365,803 | \$192,538,300 | \$162,170,600 | \$211,518,500 | \$136,341,800 | \$171,000,800 | \$235,846,500 | \$2,661,511,337 |

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

² Funded predominantly 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 agree 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 management requirements to protect and enhance the water quality in our local streams, the Potomac River, and the Chesapeake Bay. For Alexandria, this means approximately \$400 to \$600 million in investments to its combined sewer system over the next 6 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 for urban stormwater discharges must achieve increasing pollution reduction goals enforced through three 5-year MS4 permit cycles. Accordingly, the City was required to achieve 5 percent of the pollution reduction targets during the 2013 – 2018 permit, with an additional 35% (40% total) required by the end of the current 2018-2023 MS4 permit, and the remaining 60% (100% total) on or before the end of the 2023 – 2028 MS4 permit as part of the Stormwater Management Program. The estimated cost of Stormwater Management Program infrastructure improvements over this period is between \$50 million and \$75 million. Additionally, the region and the City have experienced unprecedented intense rainfall events that are occurring more frequently and creating urban and flash flooding that threatens homes and businesses, causing damages to structures and endangering lives. 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 management infrastructure improvements to meet the state and federal mandates in the MS4 permit and to mitigate the occurrence and impacts of flooding from more frequent and intense storm events. Collection of this fee began in Calendar Year 2018, with the typical single-family home billed approximately \$140 per year.

The City also maintains the wastewater collection system serving residents and businesses that comprises of approximately 240 miles of sewers. Alexandria Renew Enterprises, an independent governmental authority, provides wastewater treatment services to most of the City and to a portion of southern Fairfax County. 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 approaching full utilization by about 2040. Based on these projections, an additional 4 MGD capacity will be needed beyond 2040. In order to provide this additional capacity for City, alternatives need to be evaluated that may include purchasing portion of Fairfax's capacity at the plant and/or implementing plant systems upgrades.

In addition to federal mandates concerning the Chesapeake Bay, the 2017 Virginia General Assembly (CSO) Combined Sewer Outflow Law (CSO Law) required the City to accelerate its efforts to address combined sewer discharges from all four outfalls in the City. A CSO system in Old Town currently comprises approximately 540 acres of the approximate 10,000 acres of land in the City. The CSO Law 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") also known as the RiverRenew program. The LTCPU was developed as a partnership between the City and Alexandria Renew Enterprises, which allowed for the leveraging of both the City's and Alexandria Renew Enterprises' experience and abilities. City Council also authorized transfer of Combined Sewer Outfalls to Alexandria Renew Enterprises. Accordingly, the Outfall Transfer Agreement was executed and combined sewer outfalls were transferred to Alexandria Renew Enterprises effective July 1, 2018.

The RiverRenew program led by Alexandria Renew Enterprises is anticipated to cost \$615 million with the goal of reducing overflows from the Combined Sewer System from an average of about 70 events to less than 4 per year. In 2019, the Virginia General Assembly approved \$25 million in State support for this project. The City and Alexandria Renew Enterprises are currently seeking an additional \$65 million from the State upcoming biennial budgets. The outfall transfer allows Alexandria Renew Enterprises to own all of the combined sewer outfalls and then finance and contract to own the proposed River Renew project, consisting of a unified tunnel and dual use wet weather treatment infrastructure. Alexandria Renew Enterprises would also debt finance this CSO project and increase its user rates to repay bonds issued for the CSO project. The City continues to coordinate with Alexandria Renew Enterprises on wet weather flow management mitigation initiatives, such as City's infiltration and inflow program, and RiverRenew program.

POTOMAC YARD METRORAIL STATION

Alexandria's Potomac Yard is located in the northeast corner of the City, south of downtown Washington, D.C. and just southwest of Ronald Reagan Washington National Airport. It 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. As a major long-term economic development investment, the City of Alexandria approved the North Potomac Yard Small Area Plan on June 12, 2010. This initiative rezoned 69 acres of prime real estate located in Alexandria's Potomac Yard area 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 30-years, entails the construction of a new Metrorail station (Potomac Yard) along the existing heavy rail Metrorail line.

City Council announced the selection of the Locally Preferred Alternative B concept for the Potomac Yard Metrorail Station on May 20, 2015. On June 16, 2016, City Council unanimously approved the Master Plan Amendment, Development Special Use Permit (DSUP), and other special use permits required to construct the Metrorail station in Potomac Yard. WMATA procured a contractor for the design-build contract in Summer 2018, following the project's review under Section 4(f) of the Department of Transportation Act and the National Environmental Policy Act (NEPA). This process concluded with the issuance of Records of Decision by the Federal Transit Administration and the National Park on October 31, 2016 and November 1, 2016, respectively. Additional Federal and state water resource permits were required for construction of the Metrorail station to begin. Following agency review and Public Noticing procedures, Virginia's Marine Resources Commission issued a letter of no jurisdiction under the Wetland Zoning Ordinance on February 26, 2019; the Virginia Department of Environmental Quality issued a Virginia Water Protection Individual Permit on September 6, 2019; and, U.S. Army Corps of Engineers issued the Clean Water Act Section 404 Permit on November 15, 2019.

The project's Notice to Proceed (NTP) was issued on September 24, 2019, and the start of construction was commemorated by a groundbreaking ceremony on December 19, 2019. Construction has continued to advance allowing for substantive construction of the station headhouse (mezzanine, platform, and basement levels), platforms, track zone, AC Switchgear building, pedestrian bridge, north pavilion, and communication and power duct banks.

In November 2018, Amazon selected Virginia's National Landing location, comprised of Arlington's Crystal City and Pentagon City, and Alexandria's Potomac Yard, for its HQ2 offices after an 18-month selection process that began with more than 200 localities. Included in the Commonwealth's Amazon HQ2 bid package was the designation of \$50 million for an enhanced Potomac Yard Metrorail Station southwest access. This updated design concept was approved by City Council on April 18, 2020. Site surveying was completed, and City Council approved an amended DSUP reflecting the design improvements in Fall 2020. Project construction, including the enhanced southwest access, is anticipated to be complete in Fall 2022.

The National Landing site was also selected in part due to Virginia Polytechnic Institute and State University's (Virginia Tech) commitment to build a \$1 billion, 1-million square foot, technology-focused Innovation Campus in Alexandria. The campus' first building is scheduled open by 2024 and is scheduled to have a classroom presence of approximately 3,000 students by 2028. Virginia Tech's Innovation Campus, and a greater surrounding Innovation District immediately adjacent to the north Metro station entrance, was officially added to the North Potomac Yard Small Area Plan on June 20, 2020.

Locally Preferred Alternative B was originally budgeted at \$268 million. In April 2018, changes in labor, materials, and the bidding climate, warranted City Council to authorize increasing the project budget by \$50 million to a total of \$320 million. The City prepared an updated financial feasibility analysis in Spring 2018 that evaluated the City's ability to finance the station using only local shares. The funding sources include cash derived from net new tax revenues from Potomac Yard, \$175 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 and \$25 million from Potomac Yard Fund Balance, and revenue collected in the Potomac Yard development area. In 2020, the projected total project cost increased to \$370 million, following approval by City Council to amend the funding agreement with WMATA to incorporate the \$50 million in funds granted in the Amazon HQ2 bid.

The financial risk to the City associated with the Metrorail station project has been carefully structured. The debt is anticipated to be structured with a ramped up principal repayment schedule to more closely align the debt service payments with the expected growth surrounding the metro station. Long-term debt will be repaid by the net new taxes derived from Potomac Yard development, developer contributions, and taxes from a special tax district established specifically 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) with a 10-cent per \$100 of valuation levy was abolished by City Council in December 2018, due to projected real estate tax revenues resulting from the Amazon HQ2.

Additionally, upfront shortfall guarantees totaling \$32 million have been negotiated with the North Potomac Yard property owner. No cash flow draw from the City's General Fund is planned.

LANDMARK MALL AREA REDEVELOPMENT

In December 2020, the City, Inova Health Care Services (Inova) and a joint venture that includes Foulger-Pratt, Howard Hughes Corporation and Seritage (FP Joint Venture, now Landmark Land Holdings, LLC, Developer) announced a partnership to redevelop the 51-acre Landmark Mall site into a mixed-use town-center type development with new regional Level II Trauma Center Hospital, Cancer Center and at least one medical office building. In total, the plan will encompass 5.6 million (FAR) square feet of new development. For the City, the Landmark total redevelopment, including the impact of moving Inova from its current site, is expected to generate \$1.040 billion in tax revenue over a 30-year period and create a town center for the West End of the City.

The proposed development is expected to transform the unoccupied, enclosed mall site into a mixed-use, walkable urban village. Inova, the leading nonprofit health care provider in Northern Virginia, is expected to invest an estimated \$1 billion to create a new medical campus, anchored by the relocation and expansion of its Alexandria Hospital and more than 2,000 health care workers. Development plans on the balance of the site include residential, retail, commercial, and entertainment offerings integrated into a cohesive neighborhood with a central plaza, a network of parks and public spaces, and a transit hub serving bus rapid transit (BRT), DASH, and Metrobus. Affordable and workforce housing is expected to be enhanced through Developer contributions and co-location with community facilities such as a new Alexandria Fire-EMS station to replace the outdated nearby Station 208.

Excluding the cost of financing, the transaction involves \$140 million in direct public participation comprising (1) an \$86 million investment in infrastructure improvements at and adjacent to the site (plus capitalized interest) to be funded through a plan of synthetic tax increment financing backstopped by special assessments imposed on the property within a Community Development Authority district, and (2) a \$54 million purchase of land and parking space rights for the hospital site by the IDA, which will then lease the land and associated parking easements to Inova.

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. The ratios below reflect the planned debt issuance to fund the FY 2022 - FY 2031 Capital Improvement Program. As shown below, the City will remain in compliance with its debt-related financial policies.

Debt Ratio Policies

DEBT AS A PERCENTAGE OF FAIR MARKET REAL PROPERTY VALUE

| Target | Limit | FY 2021 |
|----------|-------|---------|
| Variable | 2.5% | 1.61% |

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 2021 |
|----------|-------|---------|
| Variable | 12% | 6.85% |

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 | FY 2021 |
|------------------------|--------|---------|
| Spendable (Unreserved) | 15% | 22.46% |

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 a lower limit of 10 percent. In November 2019, City Council adopted new debt-related financial policies that eliminated 10 percent as a lower limit and set a target of General Fund Balance as a Percentage of General Fund Revenue of 15 percent. In addition, City Council established a policy that replenishment of fund balance is a priority over discretionary funding initiatives. The new policy stipulates that replenishment to achieve the 15 percent target should occur within three fiscal years when General Fund operating reserves are drawn down to meet a "critical unpredictable financial need."

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 working 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, 2021, the Equipment Replacement Reserve Fund, which derives its revenues from scheduled equipment charges to user departments, had a cash balance of \$15.7 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 and flood insurance policies on real and personal property and the following liability insurance policies as of June 30, 2021: public entity and public officials excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, cyber security 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 a vehicle to conduct City business, whether a City or personal vehicle, are required to attend defensive driving classes.

The City is self-insured for workers' compensation claims up to \$1.5 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.

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SECTION FIVE: FINANCIAL INFORMATION

COVID-19 IMPACT AND RESPONSE

The COVID-19 (Coronavirus) pandemic has quickly and significantly changed the economic conditions across the country and the world, including in the City. Within the United States, the federal government and various state and local governments, as well as private entities and institutions, implemented a variety of different efforts aimed at mitigating the spread of COVID-19, including but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures.

In March 2020, the Governor of the Commonwealth declared a state of emergency as a result of the COVID-19 pandemic. Following such declaration, the Governor imposed a series of public health restrictions designed to mitigate the spread of COVID-19 in the Commonwealth, including, at various times, statewide mask-wearing and social distancing guidelines, limitations on public and private in-person gatherings, the closure of certain businesses deemed non-essential, a statewide stay-at-home order, and the cancellation of in-person instruction at schools. On May 14, 2021, the Governor lifted the public health restrictions imposed to mitigate the spread of COVID-19, citing the effectiveness and wide availability of the vaccines developed to combat COVID-19 under the auspices of the federal government's program called Operation Warp Speed. In addition, the Governor's declaration of a state of emergency expired on June 30, 2021.

The City's FY 2021 budget was developed with cautious forecasts for all revenue categories and several expenditure savings strategies, including a hiring freeze, travel restrictions and the utilization of funding received by the City from the Commonwealth that were part of the Commonwealth's allocation of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds, as more particularly described below. The City's FY 2021 sales tax revenues have not been impacted, the City's FY 2021 business license tax revenues exceeded the budgeted amount by more than \$10 million and smaller categories of revenues for FY 2021, such as meal sales tax revenues and transient lodging tax revenues continued to rebound each month. The City began FY 2021 with nearly 20 percent of General Fund revenues in reserve and ended FY 2021 with approximately 23 percent of General Fund Balance as a percent of General Fund revenues. The City received more than \$27 million from the Commonwealth that were part of the Commonwealth's allocation of CARES Act funds. These funds were not permitted to replace revenues and must be used on specific, pandemic-related costs. The funds were used to address costs associated with response and preparedness, but primarily the funds are being put into the community to provide rental assistance and to provide food security.

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 ("ACFR") for more than 40 years. 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 30 fiscal years beginning July 1, 1990, through July 1, 2020 (FY 2021), 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 2022.

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.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues: | | | | | |
| General Property Taxes | \$460,874,188 | \$490,205,197 | \$504,616,490 | \$517,263,555 | \$534,770,026 |
| Other Local Taxes | 131,900,663 | 133,448,905 | 140,260,786 | 128,170,493 | 131,506,114 |
| Permits, Fees, and Licenses | 2,713,962 | 2,235,428 | 2,802,064 | 1,387,070 | 4,185,341 |
| Fines and Forfeitures | 4,907,527 | 5,024,337 | 4,297,753 | 4,052,312 | 3,076,876 |
| Use of Money and Property | 5,515,144 | 7,307,650 | 11,265,651 | 8,610,954 | 3,149,630 |
| Charges for Services | 19,419,892 | 21,272,076 | 22,276,812 | 11,215,075 | 10,681,086 |
| Intergovernmental Revenues | 56,444,434 | 56,587,411 | 56,124,121 | 56,885,336 | 59,552,814 |
| Miscellaneous | 1,874,317 | 1,646,321 | 2,663,744 | 1,966,605 | 1,921,463 |
| Total Revenues: | \$683,650,127 | \$717,727,325 | \$744,307,421 | \$729,551,400 | \$748,843,350 |
| Other Financing Sources: | | | | | |
| Operating Transfers In | \$10,414,477 | \$10,705,736 | \$11,921,244 | 9,291,882 | 9,246,427 |
| Refunding Bonds | 34,168,000 | 165,711,747 | - | - | 49,887,196 |
| Sale of Land | - | - | - | - | - |
| Premium | - | - | - | - | - |
| Total Other Financing Sources | \$44,582,477 | \$176,417,483 | \$11,921,244 | \$9,291,882 | \$59,133,623 |
| Total Revenues and Other Financing Sources | \$728,232,604 | \$894,144,808 | \$756,228,665 | \$738,843,282 | \$807,976,973 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | \$49,333,658 | \$51,000,556 | \$48,284,138 | \$46,141,615 | \$52,615,276 |
| Judicial Administration | 19,228,767 | 19,080,832 | 20,363,626 | 20,640,006 | 19,773,623 |
| Public Safety | 138,831,088 | 142,200,883 | 147,267,680 | 147,712,011 | 142,367,202 |
| Public Works | 34,554,827 | 35,665,834 | 46,638,452 | 29,164,816 | 25,638,460 |
| Library | 6,863,312 | 6,935,201 | 7,026,500 | 7,095,682 | 7,379,204 |
| Health and Welfare | 20,444,776 | 20,169,486 | 20,334,366 | 20,703,485 | 20,962,751 |
| Transit | 8,450,237 | 15,340,916 | 5,500,886 | 16,570,690 | 2,478,947 |
| Culture and Recreation | 24,326,744 | 24,860,318 | 25,257,914 | 25,814,160 | 24,292,705 |
| Community Development | 18,891,892 | 19,167,648 | 18,211,203 | 19,715,477 | 20,174,219 |
| Education | 204,032,628 | 214,073,749 | 223,841,444 | 231,685,624 | 234,037,296 |
| Total Expenditures | \$589,748,181 | \$614,696,136 | \$632,307,022 | \$630,962,737 | \$614,323,252 |
| Other Financing Uses: | | | | | |
| Payment to Refunded Bonds Escrow Agent | \$34,017,394 | \$166,600,582 | \$ - | \$ - | \$49,618,630 |
| Operating Transfers Out | 79,136,615 | 103,984,281 | 110,575,925 | 101,197,911 | 120,356,796 |
| Total Other Financing Uses | \$113,154,009 | \$270,584,863 | \$110,575,925 | \$101,197,911 | \$169,972,426 |
| Total Expenditures and Other Financing Uses | \$702,902,190 | \$885,280,998 | \$742,882,947 | \$732,160,649 | \$784,295,678 |
| Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses | \$25,330,414 | \$8,863,809 | \$13,345,718 | \$6,682,634 | \$23,678,295 |
| Fund Balances at Beginning of Year | 94,525,932 | 120,006,283 | 128,958,343 | 143,214,706 | 152,800,030 |
| Increase/(Decrease) in Reserve For Inventory | 149,937 | 88,251 | 910,645 | 2,902,690 | 166,188 |
| FUND BALANCES AT END OF YEAR | \$120,006,283 | \$128,958,343 | \$143,214,706 | \$152,800,030 | \$176,644,513 |

Summaries for fiscal years 2017 to 2021 are compiled from the ACFR 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 2017 TO 2021**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Unspendable:¹ | | | | | |
| Inventories | \$2,669,726 | \$2,757,976 | \$3,668,621 | \$6,571,311 | \$6,737,499 |
| Prepays | 7,847,389 | 7,851,797 | 1,617,055 | 130,481 | 134,533 |
| Long Term Notes | 400,000 | 400,000 | 400,000 | 400,000 | 400,000 |
| | <u>\$10,917,115</u> | <u>\$11,009,773</u> | <u>\$5,685,676</u> | <u>\$7,101,792</u> | <u>\$7,272,032</u> |
| Spendable Committed/Assigned (Designated) For: | | | | | |
| Prior Years' Capital Programs | \$18,330,800 | \$14,000,000 | \$19,000,000 | \$ -- | \$ -- |
| FY 2021 Capital Improvement Program | | | | 19,000,000 | -- |
| Subsequent Years' Capital Program | | | | | 19,000,000 |
| Subsequent Years' Operating Budget | | -- | \$8,000,000 | \$16,000,000 | -- |
| FY 2022 Operating Budget | | | | | 10,000,000 |
| FY 2022 Pay Initiatives | | | | | 6,000,000 |
| Transit Savings Roll Forward | | | | | 5,000,000 |
| Voting Machines | 594,192 | -- | -- | -- | -- |
| Self-Insurance | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Termination/Retirements | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Natural Disasters/Emergencies | 2,900,000 | 2,900,000 | 3,000,000 | 3,000,000 | -- |
| Economic Development Incentives | 600,000 | 1,022,500 | 1,400,000 | 1,000,000 | 1,000,000 |
| Affordable Housing Programs - NSF | 500,000 | 500,000 | -- | -- | -- |
| Affordable Housing -Operating Budget | 3,605,400 | 5,121,442 | -- | -- | -- |
| City Projects/Initiatives | 2,950,917 | 2,300,000 | 6,653,822 | 3,000,000 | 8,400,000 |
| Economic Contingencies | 4,600,000 | 4,600,000 | 5,000,000 | 5,000,000 | -- |
| Encumbrances (for GASB requirements) | 6,737,149 | 5,015,523 | 4,360,247 | 4,336,383 | 6,807,016 |
| Transportation Improvements | 708,540 | 708,540 | 708,540 | 585,829 | -- |
| Stormwater Initiatives | | | | 2,000,000 | -- |
| Regional Transportation | -- | 2,000,000 | 2,000,000 | -- | -- |
| Total Commitments and Assignments | \$47,526,998 | \$48,498,805 | \$56,122,609 | \$59,979,434 | \$75,207,016 |
| Unassigned | <u>46,966,128</u> | <u>73,780,565</u> | <u>81,406,421</u> | <u>85,718,804</u> | <u>94,165,465</u> |
| Total Spendable² | <u>\$109,089,168</u> | <u>\$117,948,570</u> | <u>\$137,529,030</u> | <u>\$145,698,238</u> | <u>\$169,372,481</u> |
| Total General Fund² | <u>\$120,006,283</u> | <u>\$128,958,343</u> | <u>\$143,214,706</u> | <u>\$152,800,030</u> | <u>\$176,644,513</u> |
| General Fund Balance as a percent of General Fund Expenditures and Other Financing Uses | 15.96% | 16.43% | 18.48% | 19.97% | 22.62% |

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.

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.

FY 2022 OPERATING BUDGET

The City Council adopted the FY 2022 Approved Operating Budget on May 5, 2021. The City's FY 2022 Approved General Fund Budget of \$770.7million, which is \$17.4 million (2.3%) more compared to the FY 2021 Approved Budget. The General Fund Budget for FY 2022 (July 1, 2021 to June 30, 2022) is financed principally by tax revenues. For tax year 2021, which coincides with calendar year 2021, the adopted real property tax rate of \$1.11 a two cent reduction compared to the calendar year 2020 rate. At the adopted rate of \$1.11 per \$100 of assessed value, the 2021 tax bill on the average residential property will increase by \$252 or 3.8 percent. (The revenues from 2.2 cents of this \$1.11 rate will be applied to transportation capital and operating projects.) The 2021 adopted personal property tax rate of \$5.33 is equal to the calendar year 2020 rate. There are no increases in City stormwater or sewer fees. The FY 2022 Approved Budget includes \$239.0 million for the Alexandria City Public Schools, representing a 2.1 percent increase from the FY 2021 Approved Budget in the City appropriation to the Schools.

General Fund Expenditures By Spending Area

| | FY 2021 Approved Budget | FY 2022 Approved Budget | % Change |
|---------------------------------------|----------------------------|----------------------------|-------------|
| Legislative and Executive | \$6,742,636 | \$7,742,534 | 14.8% |
| Courts and Constitutional | 46,886,890 | 44,906,390 | -4.2 |
| General Government | 44,677,950 | 46,612,499 | 4.3 |
| Other Non-Departmental | 13,432,612 | 12,069,838 | -10.1 |
| Public Safety | 123,715,265 | 122,888,832 | -0.7 |
| Operating Agencies | 190,582,885 | 197,125,868 | 3.4 |
| Education | 234,053,305 | 239,453,081 | 2.3 |
| Cash Capital/Debt Service | 93,184,604 | 99,909,905 | 7.2 |
| Total Expenditures¹ | \$753,276,147 | \$770,708,947 | 2.3% |

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 |
|-------------|---------------------|-------------------------|-------------------|------------------------|---|---------------|--------------------------------|---------------|
| 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 |
| 2018 | 440,427,264 | 49,240,775 | 31,965,152 | 33,846,543 | 32,220,261 | 12,069,408 | 30,785,523 | 633,177,437 |
| 2019 | 452,762,144 | 50,007,122 | 33,843,610 | 36,883,865 | 36,912,787 | 11,264,818 | 29,367,433 | 651,041,779 |
| 2020 | 461,003,066 | 54,519,245 | 35,179,797 | 35,154,223 | 28,429,282 | 12,077,396 | 22,569,175 | 651,920,211 |
| 2021 | 480,092,075 | 52,984,935 | 37,440,281 | 37,042,157 | 26,697,747 | 11,534,144 | 19,049,503 | 672,947,721 |

¹Other 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. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City billed and collected from the Commonwealth, approximately 30 percent of total personal property tax levy in FY 2021.

The following tables set forth information concerning the City's real property tax collection rate for calendar years 2016 to 2020 and personal property tax collection rate for calendar years 2016 to 2020. The real property tax rate increased from \$1.073 in 2016 to \$1.13 in 2017, and reduced to \$1.11 in 2021. In calendar year 2019, the vehicle personal property tax increased from \$5.00 per \$100 of assessed value to \$5.33, in conjunction with the elimination of the vehicle decal and associated \$33 annual fee. This will result in no change to the total amount of City revenue generated by the tax, while the net cost to each vehicle owner will increase, decrease or remain the same.

REAL ESTATE TAX LEVIES AND COLLECTIONS
(Amounts in thousands)

| <u>Total Collections To Date</u> | | | | | |
|---------------------------------------|------------------------------------|------------|-----------------|---------------------|-----------------------|
| Calendar Year Ended December 31 | Taxes Levied for Calendar Year* | Tax Relief | Net Tax Levy | Amount Collected | Percentage of Levy |
| 2016 | \$399,733 | (\$3,894) | \$395,839 | \$394,696 | 99.7% |
| 2017 | 430,164 | (4,024) | 426,139 | 424,908 | 99.7 |
| 2018 | 440,204 | (4,097) | 436,106 | 434,793 | 99.7 |
| 2019 | 451,108 | (4,480) | 446,629 | 445,474 | 99.7 |
| 2020 | 472,140 | (4,849) | 467,301 | 465,972 | 99.7 |

* Levy adjusted for changes since original levy.

Source: City Department of Finance.

PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
(Amounts in thousands)

| Calendar Year Ended December 31 | <u>Collected within the Fiscal Year of the Levy</u> | | | | | <u>Total Collections To Date</u> | | |
|---------------------------------------|---|--|--|-----------------------------|-------------------------------|---|-------------------------------|-----------------------------------|
| | Total Levy ¹ | Commonwealth Reimbursement ² | Current Payments from Taxpayers | Total Current Revenue | Percentage of Current Levy | Prior Year Delinquent Collections | Total Revenue ³ | Combined Percentage of Levy |
| 2016 | \$71,851 | \$23,517 | \$45,865 | \$69,382 | 96.6% | \$1,611 | \$70,993 | 98.8% |
| 2017 | 72,063 | 23,752 | 47,167 | 70,919 | 98.4 | 2,074 | 72,993 | 101.3 |
| 2018 | 73,764 | 22,724 | 46,890 | 69,614 | 94.4 | 2,304 | 71,918 | 97.5 |
| 2019 | 79,890 | 23,391 | 52,621 | 76,012 | 95.1 | 1,898 | 77,910 | 97.5 |
| 2020 | 79,526 | 23,475 | 50,981 | 74,456 | 94.8 | 2,004 | 76,460 | 97.4 |

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 Total revenue includes current and delinquent taxes; excludes penalties and interest

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 11.0 percent of the \$43.8 billion of taxable real property assessed as of January 1, 2021.

PRINCIPAL TAXPAYERS PRIVATE PROPERTY JANUARY 1, 2021

| Owner's Name | Property | 2021 Assessed Value (In millions) | Percentage of Total Taxable Assessed Valuation* |
|--|----------------------------|--------------------------------------|---|
| 1. LCOR Alexandria, LLC | Office Buildings | \$939.9 | 2.14% |
| 2. Equity Residential | Apartment Buildings | 756.8 | 1.73 |
| 3. Paradigm Companies | Apartment Buildings | 589.7 | 1.35 |
| 4. CIM Group | Apartment Buildings | 563.4 | 1.29 |
| 5. Morgan Properties | Apartment Buildings | 537.6 | 1.12 |
| 6. AIMCO | Apartment Buildings | 373.3 | 0.85 |
| 7. Washington REIT | Apartments, Office, Retail | 334.3 | 0.76 |
| 8. UDR | Apartments Buildings | 313.9 | 0.72 |
| 9. FPA Multifamily | Apartment Buildings | 216.9 | 0.49 |
| 10. Post Carlyle | Apartment Buildings | 209.9 | 0.45 |
| Total Value of Property Owned by the Ten Largest Private Property Owners | | \$4,835.9 | 11.0% |
| * Percentage of Total Assessed Valuation is based on a total assessed value of \$43.8 billion. | | | |

Source: Department of Finance, Division of Real Estate Assessments.

PUBLIC SERVICE COMPANIES JANUARY 1, 2021

| Owner's Name | 2021 Assessed Value (In millions) | Percentage Of Total Assessed Valuation* | |
|--|--|--|--------------|
| 1. Virginia Electric and Power Company | \$237.5 | 0.54% | |
| 2. Virginia American Water Co. | 81.1 | 0.19 | |
| 3. Norfolk Southern Railway Company ¹ | 74.3 | 0.17 | |
| 4. CSX Transportation, Inc. | 65.5 | 0.15 | |
| 5. Washington Gas Light Company | 56.8 | 0.13 | |
| 6. Verizon Virginia LLC | 42.9 | 0.10 | |
| 7. Potomac Electric Power Company | 40.4 | 0.09 | |
| 8. Covanta Alexandria/Arlington Inc. | 20.4 | 0.05 | |
| 9. Cellco Partnership | 11.0 | 0.03 | |
| 10. New Cingular Wireless PCS, LLC | 10.5 | 0.02 | |
| Total Value of Property Owned by the Ten Largest Utility Property Taxpayers | | \$ 640.4 | 1.46% |
| * Percentage of Total Assessed Valuation is based on a total assessed value of \$43.8 billion. | | | |

Source: Virginia Department of Taxation.

The following table sets forth the assessed value of all locally assessed taxable real property in the City from calendar (tax) year 2016 to 2020. 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

| Calendar Year | <u>REAL PROPERTY (\$000)</u> | | | Tax Rate Per \$100* | Motor Vehicle and Tangibles Assessment | <u>PERSONAL PROPERTY (\$000)</u> | | | Total Assessment |
|---------------|------------------------------|--------------|--------------|---------------------|--|----------------------------------|------------------------------|--------------------|------------------|
| | Residential | Commercial | Total | | | Tax Rate Per \$100** | Machine and Tools Assessment | Tax Rate Per \$100 | |
| 2016 | \$22,092,997 | \$16,284,957 | \$38,377,954 | 1.130% | \$1,811,201 | 5.00% | \$11,005 | 4.50% | \$1,822,206 |
| 2017 | 22,844,036 | 16,437,017 | 39,281,053 | 1.130 | 1,805,417 | 5.00 | 10,260 | 4.50 | 1,815,678 |
| 2018 | 23,310,833 | 17,025,285 | 40,336,118 | 1.130 | 1,833,398 | 5.00 | 9,795 | 4.50 | 1,843,194 |
| 2019 | 24,550,610 | 17,501,145 | 42,051,755 | 1.130 | 1,875,620 | 5.33 | 13,364 | 4.50 | 1,888,984 |
| 2020 | 26,029,769 | 17,158,601 | 43,188,369 | 1.110 | 1,807,379 | 5.33 | 16,205 | 4.50 | 1,823,584 |

* 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.

** Reflects motor vehicle tax rate.

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 \$37.4 million or 5.6 percent of all tax revenues (\$672.9 million) for the fiscal year ended June 30, 2021. The table below shows revenue from the local sales tax for the past five years. Local sales tax revenues in 2021 include \$5.2 million of Northern Virginia Transportation Authority revenue.

LOCAL SALES TAX REVENUES

| Fiscal Year | Revenues | Percent Change |
|-------------|--------------|----------------|
| 2017 | \$32,360,983 | 3.8% |
| 2018 | 31,965,152 | -1.2 |
| 2019 | 33,843,610 | 5.9 |
| 2020 | 35,179,797 | 3.9 |
| 2021 | 37,440,281 | 6.4 |

Source: City Department of Finance.

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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, 2021, business license tax receipts amounted to \$37.0 million or 5.5 percent of all tax revenues.

BUSINESS LICENSE TAX REVENUES

| Fiscal Year | Revenues | Percent Change |
|-------------|--------------|----------------|
| 2017 | \$33,751,755 | 5.0% |
| 2018 | 33,846,543 | 0.3 |
| 2019 | 36,883,865 | 9.0 |
| 2020 | 35,154,223 | -4.6 |
| 2021 | 37,042,157 | 5.4 |

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, 2021, utility taxes amounted to \$11.5 million or 1.7 percent of total tax revenues.

UTILITY TAX REVENUES

| Fiscal Year | Revenues | Percent Change |
|-------------|--------------|----------------|
| 2017 | \$12,286,676 | -2.3% |
| 2018 | 12,069,408 | -1.8 |
| 2019 | 11,264,818 | -6.7 |
| 2020 | 12,077,396 | 7.2 |
| 2021 | 11,534,144 | -4.5 |

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 2021, the City received \$8.1 million from the Communications Sales and Use Tax, which represented 1.2 percent of total tax revenues.

COMMUNICATIONS TAX REVENUES

| Fiscal Year | Revenues | Percent Change |
|-------------|--------------|----------------|
| 2017 | \$10,200,706 | -2.5% |
| 2018 | 9,881,812 | -3.1 |
| 2019 | 9,167,402 | -7.2 |
| 2020 | 8,217,077 | -10.4 |
| 2021 | 8,106,878 | -1.3 |

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 \$1.25 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 that year's Presidential Inauguration. The significant decline in FY 2019 is the impact of the shift in revenue generated from transient lodging from the Northern Virginia Transportation Authority for Northern Virginia transportation projects (NVRTA 30% funding) to the State to provide dedicated funding for WMATA. For the fiscal year ended June 30, 2021, transient lodging taxes amounted to \$4.8 million and represented 0.7 percent of all tax revenues.

TRANSIENT LODGING TAX REVENUES

| Fiscal Year | Revenues | Percent Change |
|-------------|--------------|----------------|
| 2017 | \$13,542,901 | 6.2% |
| 2018 | 13,936,579 | 2.9 |
| 2019 | 12,912,839 | -7.3 |
| 2020 | 8,663,346 | -32.9 |
| 2021 | 4,762,880 | -45.0 |

Source: City Department of Finance.

Restaurant Meals Tax

A restaurant meals tax is levied on all food and drink (including alcoholic beverages) sold in the City. Effective July 1, 2018, the tax rate was increased from 4 percent to 5 percent, with the 1 percent increase dedicated to affordable housing initiatives. Similarly, to transient lodging tax revenue, meals tax revenue was negatively impacted by the fluctuations in consumer confidence for several years. For the fiscal year ended June 30, 2021, restaurant meal taxes amounted to \$21.9 million and represented 3.3 percent of total tax revenues.

RESTAURANT MEALS TAX REVENUES

| Fiscal Year | Revenues | Percent Change |
|-------------|--------------|----------------|
| 2017 | \$18,878,758 | 1.20% |
| 2018 | 18,283,682 | -3.2 |
| 2019 | 23,999,948 | 31.3 |
| 2020 | 19,765,936 | -17.6 |
| 2021 | 21,934,868 | 11.0 |

Source: City Department of Finance.

Other Taxes

Revenues received from other local taxes include a per pack cigarette tax (which was \$1.26 per pack in FY 2020), 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, 2021, other local taxes amounted to \$22.7 million or 2.8 percent of total tax revenues.

OTHER LOCAL TAX REVENUES

| Fiscal Year | Revenues | Percent Change |
|-------------|--------------|----------------|
| 2017 | \$20,873,592 | -0.22% |
| 2018 | 23,526,222 | 12.7 |
| 2019 | 20,200,031 | -14.1 |
| 2020 | 22,569,175 | 11.7 |
| 2021 | 22,725,872 | 0.69 |

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 approximately \$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, 2021, was \$6.9 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 \$234.0 million expenditure represented 31.8 percent of total disbursements from the General Fund in the fiscal year ended June 30, 2021, and 81 percent of total expenditures 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.

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 17.6% of total General Fund disbursements in the fiscal year ended June 30, 2021.

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 December 2020, 1,537 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 \$6.4 million for FY 2021. 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, 2020, by an independent actuarial company estimated the City's unfunded actuarial accrued liability to be \$11.0 million for regular OPEB and \$0.8 million for Line of Duty benefits. According to the actuarial report of December 31, 2020, the City contributed \$2.4 million in current funding for Line of Duty benefits and \$6.4 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 ACFR. Additional information regarding City's OPEB and Line of Duty benefits is provided in the "Notes to Financial Statements" in Appendix A.

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; General Schedule employees may carry over no more than 120 hours of compensatory

leave 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, 2021, the City's total compensated absences liability, excluding Schools, was \$28.8 million.

Expenses associated with retirees' health benefits, unemployment compensation and workers' compensation are funded annually. Expenses in fiscal year 2021 were \$2.0 million for retirees' health insurance and \$3.8 million for workers' compensation. The long-term workers' compensation liability as of June 30, 2021, was estimated at \$19.9 million.

EMPLOYEE RELATIONS

Until recently, Virginia was one of only three states that did not allow any form of collective bargaining for public employees. During the 2021 General Assembly legislative session, SB 939 was introduced and ultimately adopted giving localities in Virginia the option to adopt a collective bargaining ordinance for public employees. The local option is codified in Virginia Code § 40.1-57.2 and has an effective date of May 1, 2021. Section 40.1-57.2 provides that any collective bargaining ordinance must set forth procedures for the certification and decertification of exclusive bargaining representatives for employee units. However, it also states that no collective bargaining ordinance shall restrict a locality's governing body's ability to establish a budget or appropriate funds. Finally, the employees of local elected constitutional officers are entirely excluded from collective bargaining.

Under the Virginia law that authorizes collective bargaining, an approved collective bargaining agreement is subject to appropriation by the local government governing body. This means that even after a jurisdiction's governing body approves a collective bargaining agreement and indicates its good faith intention to fund it, legally that local governing body can later decide (such as in the case of low revenue growth, or a recession, or, using a recent example, a pandemic) to defund all or a portion of the fiscal elements of collective bargaining agreements. It also retains the authority to set and amend the amount that the City General Fund transfers to fund the Alexandria City Public Schools operating budget

Prior to the legislative changes, many City employees were members of employee associations. 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. This legislation still is in effect regardless of a locality's option to establish a collective bargaining ordinance.

In April 2021, the City of Alexandria passed an ordinance to establish collective bargaining between the City and certain City employees. At this time, the process is underway to identify the positions that are eligible for collective bargaining and to develop the administrative infrastructure for collection bargaining to be conducted.

GOVERNMENT AND SCHOOL EMPLOYEES¹

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Government Services | 2,549 | 2,549 | 2,568 | 2,595 | 2,634 | 2,675 | 2,697 |
| Education | 2,407 | 2,498 | 2,518 | 2,585 | 2,607 | 2,649 | 2,630 |
| TOTAL | 4,956 | 5,047 | 5,086 | 5,180 | 5,241 | 5,324 | 5,327 |

¹Employee 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, 2021. 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, 2021, 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.

SECTION SIX: MISCELLANEOUS

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa" and S&P Global Ratings ("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, 2021, 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. The Financial Advisor has no underwriting responsibility with respect to this transaction. As financial advisor, the Financial Advisor has advised the City in matters relating to the planning, structuring and issuance of the Bonds and provided to the City other advice with respect to the issuance and sale of the Bonds. Although the Financial Advisor has assisted in the preparation of the Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Arbitrage Group, Inc., (the "Verification Agent") has verified from the information provided to them by the Financial Advisor, the mathematical accuracy as of the date of closing on the 2021B Bonds of the computation contained in the provided schedules to determine that the anticipated receipts from the Government Securities and cash deposits listed in the schedule, to be held in escrow or to be applied at closing, will be sufficient to pay, when due, the principal, interest and call premium payment requirements of the Refunded Bonds. The Verification Agent expresses no opinion on the reasonableness of the assumptions provided to them or the likelihood that the principal and interest on the Refunded Bonds or the Bonds will be paid as described in the accompanying schedules.

SALE AT COMPETITIVE BIDDING

The 2021A Bonds were awarded pursuant to electronic competitive bidding held via BiDCOMP/PARITY on Tuesday, November 30, 2021 to J.P. Morgan Securities LLC (the "2021A Winning Bidder") at a price to the City that results in an underwriter's discount of \$82,423.43 from the initial public offering prices derived from the prices shown on the inside cover. The 2021A Winning Bidder has supplied the information as to the yields and prices with respect to the 2021A Bonds shown on the inside cover. The 2021A Winning Bidder may offer to sell the 2021A Bonds to certain dealers and others at prices lower or yields higher than such initial public offering prices.

The 2021B Bonds were awarded pursuant to electronic competitive bidding held via BiDCOMP/PARITY on Tuesday, November 30, 2021 to Raymond James & Associates, Inc. (the "2021B Winning Bidder" and together with the 2021A Winning Bidder, the "Winning Bidders") at a price to the City that results in an underwriter's discount of \$28,206.12 from the initial public offering prices derived from the prices shown on the inside cover. The 2021B Winning Bidder has supplied the information as to the yields and prices with respect to the 2021B Bonds shown on the inside cover. The 2021B Winning Bidder may offer to sell the 2021B Bonds to certain dealers and others at prices lower or yields higher than such initial public offering prices.

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 or 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. 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 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.

The execution and delivery of this Official Statement have been duly authorized by the City Council. This Official Statement has been deemed final within the meaning of the Rule.

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, 2021**

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Alexandria
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 (the City), as of and for the year ended June 30, 2021, 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 4.0 percent of the assets, -2.0 percent of the net position, and 1.4 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 misstatements. 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

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

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.

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, based on our audit and the report of other auditors, 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, 2021, 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.

Emphasis of Matter Paragraph

During fiscal year ended June 30, 2021, the City adopted GASB Statement No. 84 Fiduciary Activities. The implementation of this standard resulted in a change in accounting principle (see Note 19). Our auditors' opinion was not modified with respect to the change in accounting principle.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as stated 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 non-major fund financial statements, as presented in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

The combining and individual non-major fund financial 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 the accompanying table of contents, have 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 2, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Alexandria's 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

Arlington, Virginia
November 2, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 that ended June 30, 2021. 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 2021

The City’s total Net Position, excluding component units, on a government wide basis, increased approximately \$31.2 million from \$584.4 million to \$615.6 million at June 30, 2021 (Exhibit I). During FY 2021, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 84, “Fiduciary Activities,” and No. 90, “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.”

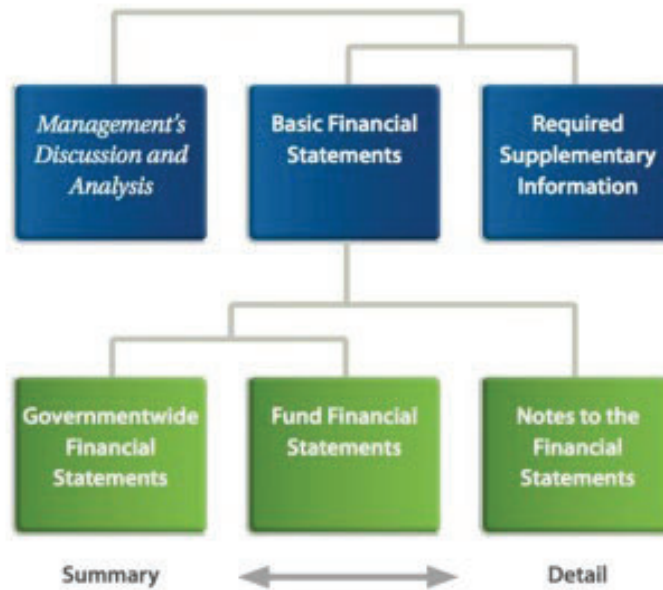
The government-wide activities had an unrestricted net position of \$151.6 million (Exhibit I) as of June 30, 2021, an increase of \$50.8 million from the FY 2020 total of \$100.8 million. The City’s revenues for governmental activities of \$924.9 million were \$18.3 million higher than the \$906.6 million reported in FY 2020 (Exhibit II).

The General Fund reported revenues and other financing sources in excess of expenditures and other financing uses, or current net change in fund balance, of \$23.7 million (Exhibit IV) after making a \$47.3 million transfer to the capital projects fund and a \$75.4 million transfer to the special revenue fund.

USING THE FINANCIAL SECTION OF THIS ANNUAL COMPREHENSIVE FINANCIAL REPORT

This Annual Comprehensive Financial Report (ACFR) consists of three sections: introductory, financial, and statistical. A fourth section, single audit, will be added pending guidance from the U.S. Office of Management and Budget. 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*.

Required Components of the Financial Report



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's activities as a whole. 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 is 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. To assess the overall health of the City 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.

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

Governmental activities—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.

Component units—The City includes two separate legal entities in its report - The City of Alexandria School Board and the Alexandria Library, respectively Schools and 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:

Governmental funds—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 to explain the relationship (or differences) between them.

Proprietary funds—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 custodial 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 of the City’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Custodial funds are City funds used to provide accountability of client monies, for which the City is custodian. The City excludes pension plans and custodial 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, 2021 and 2020
(in millions)

| | Primary Government | | Component Units | |
|----------------------------|----------------------------|---------------|--------------------|-----------------|
| | Governmental Activities | | | |
| | 2021 | 2020 | 2021 | 2020 |
| ASSETS | | | | |
| Current and other assets | \$ 1,093 | \$ 1,096 | \$ 103 | \$ 84 |
| Capital assets | 958 | 929 | 16 | 17 |
| Total Assets | 2,051 | 2,025 | 119 | 101 |
| Deferred Outflows | 86 | 76 | 85 | 63 |
| LIABILITIES | | | | |
| Other Liabilities | 76 | 65 | 52 | 47 |
| Long-term liabilities | 825 | 875 | 15 | 14 |
| Net Pension/OPEB Liability | 145 | 236 | 335 | 298 |
| Total Liabilities | 1,046 | 1,176 | 402 | 359 |
| Deferred Inflows | 475 | 341 | 28 | 30 |
| NET POSITION | | | | |
| Net Investment in Capital | | | | |
| Assets | 406 | 461 | 16 | 16 |
| Restricted | 58 | 22 | 20 | 15 |
| Unrestricted | 152 | 101 | (261) | (256) |
| Total Net Position | \$ 616 | \$ 584 | \$ (225) | \$ (225) |

Amounts may not add due to rounding.

The City’s Net Position, (which is the City’s bottom line) increased \$31.2 million from its Net Position of \$584 million to \$616 million (Table 1).

Statement of Activities

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

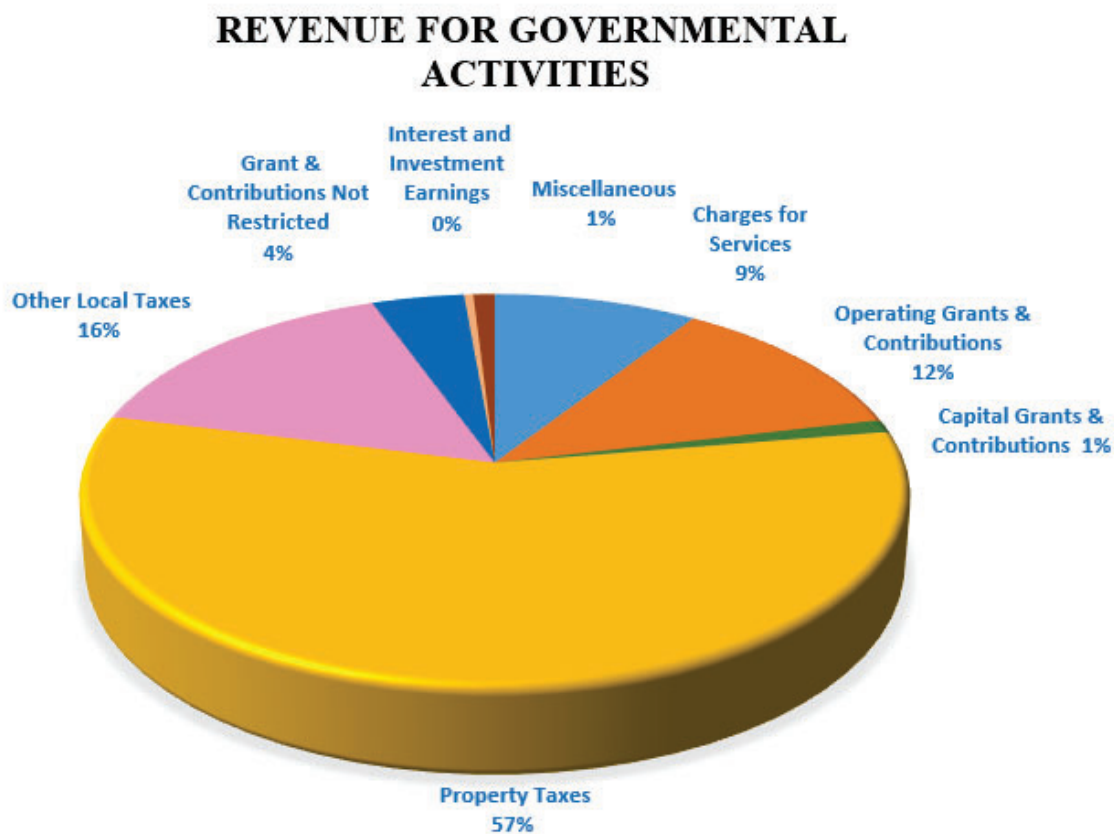
Table 2
Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020
(in millions)

| | Primary Government | | Component Units | |
|---|----------------------------|---------------|--------------------|-----------------|
| | Governmental Activities | | | |
| | 2021 | 2020 | 2021 | 2020 |
| REVENUES | | | | |
| Program revenues | | | | |
| Charges for services | \$ 84 | \$ 96 | \$ 1 | \$ 2 |
| Operating grants and contributions | 113 | 60 | 33 | 22 |
| Capital grant/contributions | 10 | 7 | - | - |
| General revenues | | | | |
| Property taxes | 524 | 520 | - | - |
| Other taxes | 143 | 134 | - | - |
| Other | 38 | 50 | - | - |
| Payment to/from City | 13 | 40 | 307 | 297 |
| Total Revenues | 925 | 907 | 341 | 321 |
| EXPENSES | | | | |
| General Government | 49 | 95 | - | - |
| Judicial Administration | 21 | 22 | - | - |
| Public Safety | 176 | 163 | - | - |
| Public Works | 84 | 77 | - | - |
| Library | 7 | 7 | 8 | 7 |
| Health and Welfare | 120 | 108 | - | - |
| Transit | 29 | 43 | - | - |
| Culture and Recreation | 31 | 33 | - | - |
| Community Development | 57 | 58 | - | - |
| Education | 293 | 263 | 333 | 320 |
| Interest on Long-term Debt | 27 | 23 | - | - |
| Total Expenses | 894 | 892 | 341 | 327 |
| Change in Net Position | 31 | 14 | - | (7) |
| Net Position beginning of Year, restated | 584 | 570 | (225) | (218) |
| Net Position end of Year | \$ 616 | \$ 584 | \$ (225) | \$ (225) |

Amounts may not add due to rounding.

REVENUES

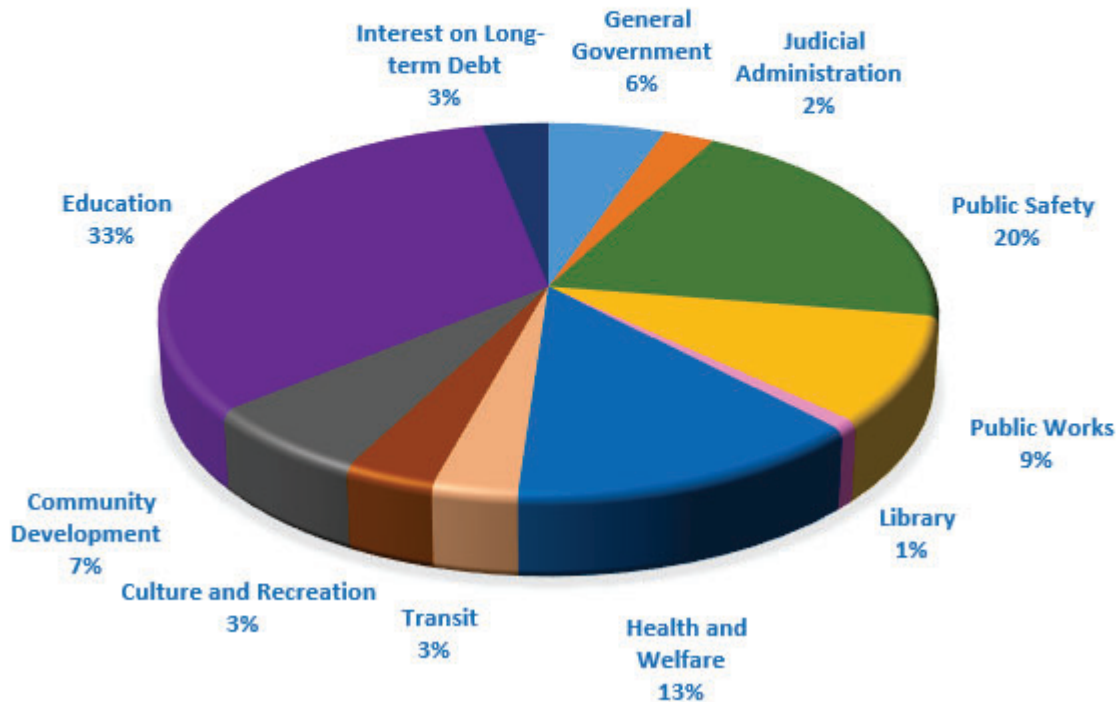
For the fiscal year ending June 30, 2021, revenues for governmental activities totaled \$924.9 million, \$18.4 million higher than FY 2020's total of \$906.6 million (Table 2). This is due to a \$53 million increase in operating grants and contributions as well as stable property tax revenues. The increase in operating grants includes the City's share of pandemic-related federal relief funds from the CARES Act. FY 2021 general revenues declined by \$25.9 million from \$743.9 million in FY 2020 to \$718.0 million in FY 2021, due to reductions in unrestricted grants and interest income. Property tax revenues, including real estate and personal property, were stable and generated 57 percent of total revenue for governmental activities. Other Local Tax revenue increased by \$10.1 million or 7.6 percent compared to FY 2020, due to a stronger than expected recovery in business and sales taxes. Charges for Services decreased by \$11.1 million compared to the prior year, reflecting reduced user fee activity and the suspension of DASH bus transit fares for much of FY 2021.



EXPENSES

For the fiscal year ending June 30, 2021, expenses for governmental activities totaled \$893.7 million, an increase of \$1.5 million from FY 2020 (Table 2). Expenditures for general government declined due to a selective freeze in hiring and merit pay increases, while transit also decreased significantly because the City used other regional transit funds to meet its FY 2021 contribution to the Washington Metropolitan Area Transit Authority (WMATA). At the same time, spending increases for public safety, health and welfare, and education reflects the City's outward response to the COVID-19 public health emergency. Much of this spending increase was funded by the pandemic-related federal relief grants, particularly the CARES Act. The City's contribution to Alexandria City Public Schools was not impacted by the pandemic and continued to represent a third of expenses for governmental activities.

EXPENSES FOR GOVERNMENTAL ACTIVITIES



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2021, the governmental funds reflect a combined fund balance of \$599.7 million (Exhibit III). The Total Governmental Funds fund balance decrease of \$76.0 million was driven by the \$119.6 decrease in the Capital Projects Fund, in which significant capital investments were made using previously issued bond proceeds. The increase in General Fund fund balance of \$23.7 million is the result of revenue collections exceeding the post COVID-19 forecast and the significant expenditure savings that occurred from the precautions taken in the revised FY 2021 budget. These included a selective freeze on hiring and merit pay increases given the uncertainty surrounding the revenue forecast in the pandemic era. Transit expenditures from the General Fund decreased by \$14.1 million as the City used other regional transit funds to meet its FY 2021 WMATA contribution. Special Revenue fund balance increased primarily due to the payment of several sewer connection fees related to developer special use permits.

- The General Fund contributed \$38.7 million to pay-as-you-go financing of capital projects, which represented 5.3 percent of all General Fund expenditures (excluding bond refunding).
- The City contributed \$234.0 million to the Schools operating budget. The ACPS share of total debt service was \$28.6 million.
- The City spent \$187.4 million in the Capital Projects Fund, the most notable projects being the Potomac Yard Metrorail Station and school projects at Patrick Henry and John Adams Elementary Schools.
- The Northern Virginia Transportation Fund received \$23.7 million in regional tax revenue for transportation operations and capital.
- The Potomac Yard fund received \$14.0 million in real estate taxes to be used to build a Metrorail station.

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 2021 | | | Variance from Amended |
|--|--------------------|-------------------|--------------|-----------------------------|
| | Original Budget | Amended Budget | Actual | |
| Revenues, Transfers, and Other Financial Sources | | | | |
| General Property Taxes | \$ 535 | \$ 535 | \$ 535 | \$ - |
| Other Local Taxes | 115 | 115 | 131 | 16 |
| Transfers and Other | 95 | 145 | 142 | (3) |
| Total | <u>745</u> | <u>795</u> | <u>808</u> | <u>13</u> |
| Expenditures, Transfers, and Other Financial Uses | | | | |
| Expenditures | 409 | 409 | 373 | (36) |
| Transfers and Other | 344 | 413 | 411 | (2) |
| Total | <u>753</u> | <u>822</u> | <u>784</u> | <u>(38)</u> |
| Change in Fund Balance | <u>\$ (8)</u> | <u>\$ (27)</u> | <u>\$ 24</u> | <u>\$ 51</u> |

Amounts may not add due to rounding.

Actual General Fund revenues and other financial sources exceeded the original and amended budgets by \$13.0 million during FY 2021. Including supplemental appropriations, actual General Fund expenditures were less than the amended budget by \$38.0 million. Despite the impact of the pandemic, collection of general property taxes reached its budget target. Other Local Taxes significantly exceeded budget due to a strong recovery in the business community and surging online sales which lifted sales taxes. Reductions in user charges and fees as well as interest income due to low rates were offset by an increase in revenue from permits and licenses and intergovernmental revenue, notably a reimbursement from FEMA for eligible expenditures incurred in FY 2020. On the expenditure side, the City’s selective freeze on hiring and merit pay increases, as well as a reduction in its contribution to WMATA, resulted in a substantial savings in the General Fund.

During FY 2021, City Council amended the budget four 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, 2020, but not paid by that date.
- To reappropriate monies to pay for projects budgeted for FY 2020 but not completed before the end of the fiscal year.
- To reappropriate grant, donation and other revenues authorized in FY 2020 or earlier, but not expended or encumbered as of June 30, 2020.

- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2021.

CAPITAL ASSETS

At the end of FY 2021, the City’s governmental activities had invested cumulatively \$957.9 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$29.0 million.

Table 4
Governmental Activities
Capital Assets
(in millions)

| | Balance <u>6/30/2020</u> | Net Additions/ <u>(Deletions)</u> | Balance <u>6/30/2021</u> |
|--|---|---|---|
| Non-Depreciable Assets | | | |
| Land and Land Improvements | \$ 127.6 | \$ - | \$ 127.6 |
| Construction in Progress | 59.3 | 11.7 | 71.0 |
| Other Capital Assets | | | |
| Intangible Assets | 26.3 | 0.1 | 26.4 |
| Buildings | 776.1 | 21.5 | 797.6 |
| Infrastructure | 308.3 | 17.2 | 325.5 |
| Furniture and Other Equipment | 185.4 | 17.3 | 202.7 |
| Accumulated Depreciation on Other Capital Assets | <u>(554.1)</u> | <u>(38.8)</u> | <u>(592.9)</u> |
| Total Capital Assets | <u>\$ 928.9</u> | <u>\$ 29.0</u> | <u>\$ 957.9</u> |

Amounts may not add due to rounding.

The FY 2022—FY 2031 Approved Capital Improvement Program (CIP), which was approved by City Council on May 5, 2021, sets forth a 10-year program with \$2.66 billion in total funding, including \$2.3 billion in new City funding and \$357.6 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 \$0.5 billion more than the FY 2021—FY 2030 CIP. For purpose of comparison the Approved FY 2021—FY 2030 CIP totaled \$2.1 billion, of which \$267.3 million was from non-City sources and \$1.8 billion is the net City cost.

LONG-TERM DEBT

At the end of FY 2021, the City had \$704.1 million in outstanding general obligation bonds, a decrease of \$43.8 million from last year’s outstanding bonds of \$747.9 million. More detailed information about the City’s long-term liabilities is presented in Note 9 to the financial statements.

In October 2020, 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 Aaa rating from Moody’s in 1986 and the AAA rating from S&P in 1992. Standard and Poor’s cited the City’s “very strong” economy, fiscal management, budgetary flexibility, and liquidity as it again rated the City’s credit as AAA. Moody’s noted the City’s tax base, relatively high per capita income, and sound fiscal policies and management in assigning its Aaa rating.

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 \$4.3 billion for the City.

On October 2020, the City issued \$49.8 million in taxable General Obligation Refunding Bonds with a premium of \$0.1 million and a true interest cost of 1.45 percent (Series 2020). The issuance refunded \$46.1 million in previously issued bonds at higher interest rates, resulting in a savings to the City of \$2.3 million in debt service costs.

ECONOMIC FACTORS

Alexandria's economy remains healthy as it emerges from the COVID-19 pandemic, with strong fundamentals including population and wage growth and low unemployment. The City's population continues to grow and, per the 2020 Census, totals 159,467, which reflects a growth rate of 13.9 percent over the last decade. In the first quarter of 2021, the City's employment averaged 82,318, which is 12 percent lower than in 2011. The unemployment rate in the City as of June 2021 was 4.3 percent, returning to historical levels following a temporary spike in the early months of the COVID-19 pandemic. The decline in jobs in the City has been driven almost entirely by decreases in private sector employment, which is down by 15.6 percent since 2011. This decline is attributable to several long-term trends including the relocation of several major employers and impacts of retail closures and national retail trends. Additionally, the City is experiencing continued impacts from the pandemic especially in the hospitality and food service sectors, where employment in March 2021 was 27.3 percent lower than in March 2020.

Despite an overall decrease in employment over the last ten years (since 2011), growth has occurred across several sectors. Professional services and government jobs continue to be the leading employment sectors in the City. Government is led by prominent federal agencies, including the U.S. Patent & Trademark Office, the National Science Foundation, the U.S. Department of Defense, and the U.S. Department of Agriculture Food and Nutrition Service.

The City's strong wage growth (+10.9 percent over ten years, inflation-adjusted) has been driven by wage increases across many sectors of the economy. On the top end, the information industry experienced a 36.5 percent increase in average annual pay (inflation-adjusted), which includes jobs in media and communications technology. Most significantly, the City's two largest and most stable employment sectors, the federal government and professional services, saw sustained wage growth over the last decade (2.9 and 9.1 percent, respectively, inflation-adjusted). These two sectors together comprise 32.1 percent of all jobs and 46.4 percent of all wages earned in the City.

As of 2019 (the latest data available from the U.S. Bureau of Economic Analysis), the City's per capita personal income of \$91,990 remains one of the highest in the United States and is the third highest among all Virginia jurisdictions. The City's office vacancy rate stood at 16.2 percent in the second quarter of 2021, which compares favorably to the office vacancy rate in the Washington, D.C. metropolitan area of 23.9 percent.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, businesses, 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

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CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Position
June 30, 2021

Exhibit I

| | Primary Government Governmental Activities | Component Units |
|---|---|----------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 474,824,518 | \$ 76,815,516 |
| Cash and Investments with Fiscal Agents | 204,349,549 | 4,928,068 |
| Receivables, Net | 322,293,036 | 5,249,556 |
| Accrued Interest | 27,640 | - |
| Due From Other Governments | 39,340,398 | 9,690,170 |
| Inventory of Supplies | 7,586,546 | 281,184 |
| Prepaid and Other Assets | 813,711 | 2,101,999 |
| Net Pension Asset | 43,725,206 | 3,387,963 |
| Capital Assets: | | |
| Land and Construction in Progress | 198,712,224 | 999,381 |
| Other Capital Assets, Net | 759,170,893 | 15,330,394 |
| Capital Assets, Net | 957,883,117 | 16,329,775 |
| Total Assets | 2,050,843,721 | 118,784,231 |
| DEFERRED OUTFLOWS | | |
| Pension | 60,591,444 | 79,086,317 |
| OPEB | 5,517,202 | 6,307,814 |
| Deferred Gain on Refunding Bonds | 19,537,062 | - |
| Total Deferred Outflows of Resources | 85,645,708 | 85,394,131 |
| LIABILITIES | | |
| Accounts Payable | 18,307,083 | 17,923,933 |
| Accrued Wages | 15,860,531 | 30,036,213 |
| Accrued Liabilities | 1,094,386 | - |
| Notes Payable | 195,000 | - |
| Unearned Revenue | 4,782,587 | 4,258,949 |
| Other Liabilities | 28,991,685 | - |
| Deposits | 6,682,100 | - |
| Long-term Liabilities Due Within One Year | 60,687,409 | 2,935,864 |
| Long-term Liabilities Due in More Than One Year | 763,868,008 | 11,726,463 |
| Net Pension Liability | 120,784,107 | 291,935,783 |
| Net OPEB Liability | 24,383,484 | 42,514,622 |
| Total Liabilities | 1,045,636,380 | 401,331,827 |
| DEFERRED INFLOWS | | |
| Deferred Tax Revenues | 348,184,113 | - |
| Pension | 97,225,935 | 18,683,576 |
| OPEB | 29,801,382 | 9,072,153 |
| Total Deferred Inflows of Resources | 475,211,430 | 27,755,729 |
| NET POSITION | | |
| Net Investment in Capital Assets | 405,988,360 | 16,329,775 |
| Restricted for: | | |
| Affordable Housing | 5,711,472 | - |
| Special Projects | 8,413,067 | - |
| Net Pension Assets | 43,725,206 | 3,387,963 |
| Educational Projects | - | 15,701,679 |
| Unrestricted | 151,803,514 | (260,328,611) |
| Total Net Position | \$ 615,641,619 | \$ (224,909,194) |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Exhibit II

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | |
|--|------------------|----------------------|----------------------------------|--------------------------------|---|------------------|
| | Expenses | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Primary Government | Component |
| | | | | | Governmental Activities | Units |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 48,971,746 | \$ 6,114,867 | \$ 24,543,736 | \$ - | \$ (18,313,143) | |
| Judicial Administration | 21,200,818 | 978,138 | 1,066,007 | - | (19,156,673) | |
| Public Safety | 175,683,527 | 7,337,330 | 11,193,204 | - | (157,152,993) | |
| Public Works | 83,991,704 | 53,246,518 | 855,557 | 7,297,534 | (22,592,095) | |
| Library | 7,379,204 | - | - | - | (7,379,204) | |
| Health and Welfare | 119,613,105 | 6,164,954 | 52,551,767 | - | (60,896,384) | |
| Transit | 28,748,152 | 3,594,391 | 127,489 | - | (25,026,272) | |
| Culture and Recreation | 30,579,851 | 2,687,100 | 1,096,445 | 2,443,000 | (24,353,306) | |
| Community Development | 57,475,970 | 4,412,212 | 21,177,063 | - | (31,886,695) | |
| Education | 292,540,162 | - | - | - | (292,540,162) | |
| Interest on Long-term Debt | 27,494,995 | - | - | - | (27,494,995) | |
| Total Governmental Activities | 893,679,234 | 84,535,510 | 112,611,268 | 9,740,534 | (686,791,922) | |
| Total Primary Government | 893,679,234 | 84,535,510 | 112,611,268 | 9,740,534 | (686,791,922) | |
| Component Units: | | | | | | |
| Schools | 333,475,126 | 445,016 | 33,199,667 | - | - | (299,830,443) |
| Library | 7,777,478 | 255,424 | 208,533 | - | - | (7,313,521) |
| Total Component Units | \$ 341,252,604 | \$ 700,440 | \$ 33,408,200 | \$ - | \$ - | \$ (307,143,964) |
| General Revenues: | | | | | | |
| Property Taxes: | | | | | | |
| Real Estate | | | | | 478,384,338 | - |
| Personal Property | | | | | 45,163,953 | - |
| Other Local Taxes: | | | | | | |
| Business License | | | | | 37,042,157 | - |
| Local Sales | | | | | 44,299,858 | - |
| Meals | | | | | 21,934,868 | - |
| Transient Lodging | | | | | 4,762,880 | - |
| Utility | | | | | 11,534,144 | - |
| Communications Sales | | | | | 8,106,878 | - |
| Motor Vehicle License, Recordation, and other local | | | | | 15,866,296 | - |
| Revenue from Primary Government | | | | | | |
| Payment from City of Alexandria Operating | | | | | | 252,415,347 |
| Grants & Contributions Not Restricted to Specific Programs | | | | | 38,242,748 | 52,812,342 |
| Interest and Investment Earnings | | | | | 3,839,349 | 735,369 |
| Miscellaneous | | | | | 8,860,406 | 750,981 |
| Total General Revenues | | | | | 718,037,875 | 306,714,039 |
| Change in Net Position | | | | | 31,245,954 | (429,925) |
| Net Position at Beginning of Year | | | | | 584,395,665 | (224,479,269) |
| Net Position at End of Year | | | | | \$ 615,641,619 | \$ (224,909,194) |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit III

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Alexandria Transit Company</u> | <u>Total Governmental Funds</u> |
|---|-----------------------|------------------------|-----------------------------|---------------------------------------|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 198,879,510 | \$ 175,796,084 | \$ 83,116,233 | \$ 1,317,501 | \$ 459,109,328 |
| Cash and Investments with Fiscal Agents | - | - | 204,349,549 | - | 204,349,549 |
| Receivables, Net | 308,548,947 | 13,373,820 | - | 370,269 | 322,293,036 |
| Accrued Interest | 27,640 | - | - | - | 27,640 |
| Due From Other Governments | 31,332,936 | 5,702,628 | 1,762,076 | 542,758 | 39,340,398 |
| Inventory of Supplies | 6,737,499 | - | - | 849,047 | 7,586,546 |
| Prepaid and Other Assets | 647,745 | 16,717 | - | 149,249 | 813,711 |
| Total Assets | <u>546,174,277</u> | <u>194,889,249</u> | <u>289,227,858</u> | <u>3,228,824</u> | <u>1,033,520,208</u> |
| LIABILITIES | | | | | |
| Accounts Payable | 6,210,180 | 4,195,093 | 6,611,118 | 282,333 | 17,298,724 |
| Due to Other Governments | 268,409 | - | - | - | 268,409 |
| Accrued Wages | 10,937,523 | 3,852,000 | 366,276 | 704,732 | 15,860,531 |
| Current Portion of Notes Payable | - | 195,000 | - | - | 195,000 |
| Other Liabilities | 26,605,659 | 1,230 | 1,144,571 | 1,240,225 | 28,991,685 |
| Deposits | 6,682,100 | - | - | - | 6,682,100 |
| Due to Other Funds | - | - | - | - | - |
| Unearned Revenue | 4,782,587 | - | - | - | 4,782,587 |
| Total Liabilities | <u>55,486,458</u> | <u>8,243,323</u> | <u>8,121,965</u> | <u>2,227,290</u> | <u>74,079,036</u> |
| DEFERRED INFLOWS | | | | | |
| Deferred Inflows | 314,043,306 | 44,382,389 | - | 1,331,736 | 359,757,431 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | <u>369,529,764</u> | <u>52,625,712</u> | <u>8,121,965</u> | <u>3,559,026</u> | <u>433,836,467</u> |
| FUND BALANCES | | | | | |
| Non-Spendable | 7,272,032 | - | - | - | 7,272,032 |
| Restricted | - | 14,124,539 | - | - | 14,124,539 |
| Committed | 11,807,016 | 128,138,998 | 281,105,893 | - | 421,051,907 |
| Assigned | 63,400,000 | - | - | - | 63,400,000 |
| Unassigned | 94,165,465 | - | - | (330,202) | 93,835,263 |
| Total Fund Balances | <u>176,644,513</u> | <u>142,263,537</u> | <u>281,105,893</u> | <u>(330,202)</u> | <u>599,683,741</u> |
| Total Liabilities and Fund Balances | <u>\$ 546,174,277</u> | <u>\$ 194,889,249</u> | <u>\$ 289,227,858</u> | <u>\$ 3,228,824</u> | |

| | |
|---|--------------------|
| (1) Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5) | 916,647,334 |
| (2) Other long-term assets are not available to pay for current period expenditures; the taxes offset by deferred revenue in the governmental funds. (Note 1) | 11,573,318 |
| (3) Other long-term assets are not available to pay for current period expenditures; deferred gain on refunding. (Note 1) | 19,537,062 |
| (4) Deferred inflows of resources related to OPEB & Pensions. (Note 16 & 17) | (127,027,317) |
| (5) Deferred outflows of resources related to OPEB & Pensions. (Note 16 & 17) | 66,108,646 |
| (6) 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) | 22,672,116 |
| (7) Alexandria Transit Company is blended in to the primary government, and therefore, the assets and liabilities are included in governmental activities in the statement of Net Position. (Note 5) | 33,538,907 |
| (8) Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 9) | (970,817,394) |
| (9) Net Pension Asset recorded for the amount of Plan Fiduciary Net Position in excess of Total Pension Liability, included in the Statement of Net Position (Note 17) | 43,725,206 |
| | <u>615,641,619</u> |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenditures and Changes Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

Exhibit IV

| | General | Special Revenue | Capital Projects | Alexandria Transit Company | Total Governmental Funds |
|---|-----------------------|-----------------------|-----------------------|----------------------------|--------------------------|
| REVENUES | | | | | |
| General Property Taxes | \$ 534,770,027 | \$ 1,490,190 | \$ - | \$ - | \$ 536,260,217 |
| Other Local Taxes | 131,506,114 | 5,181,389 | 6,859,577 | - | 143,547,080 |
| Permits, Fees, and Licenses | 4,185,341 | 14,406,531 | - | - | 18,591,872 |
| Fines and Forfeitures | 3,076,876 | - | - | - | 3,076,876 |
| Use of Money and Property | 3,149,630 | 1,358,614 | 689,719 | - | 5,197,963 |
| Charges for Services | 10,681,086 | 45,344,456 | 1,073,380 | 3,594,391 | 60,693,313 |
| Intergovernmental Revenue | 59,552,814 | 78,136,120 | 9,740,535 | 127,489 | 147,556,958 |
| Miscellaneous | 1,921,463 | 5,599,015 | 2,103,788 | 50,976 | 9,675,242 |
| Total Revenues | 748,843,351 | 151,516,315 | 20,466,999 | 3,772,856 | 924,599,521 |
| EXPENDITURES | | | | | |
| Current Operating: | | | | | |
| General Government | 52,615,276 | 5,412,470 | - | - | 58,027,746 |
| Judicial Administration | 19,773,623 | 1,266,449 | - | - | 21,040,072 |
| Public Safety | 142,367,202 | 11,066,150 | - | - | 153,433,352 |
| Public Works | 25,638,460 | 21,171,393 | - | - | 46,809,853 |
| Library | 7,379,204 | - | - | - | 7,379,204 |
| Health and Welfare | 20,962,751 | 98,145,096 | - | - | 119,107,847 |
| Transit | 2,478,947 | - | - | 26,269,205 | 28,748,152 |
| Culture and Recreation | 24,292,705 | 1,683,168 | - | - | 25,975,873 |
| Community Development | 20,174,219 | 24,636,960 | - | - | 44,811,179 |
| Education | 234,037,296 | - | 10,910,634 | - | 244,947,930 |
| Debt Service: | | | | | |
| Principal | 44,965,570 | 2,563,430 | - | - | 47,529,000 |
| Interest and Other Charges | 19,638,000 | 7,585,324 | - | - | 27,223,324 |
| Capital Outlay | - | - | 176,485,849 | - | 176,485,849 |
| Total Expenditures | 614,323,253 | 173,530,440 | 187,396,483 | 26,269,205 | 1,001,519,381 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | | | | |
| | 134,520,098 | (22,014,125) | (166,929,484) | (22,496,349) | (76,919,860) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of Debt | - | - | - | - | - |
| Sale of land | - | - | - | - | - |
| Issuance of Refunding Bonds | 49,887,196 | - | - | - | 49,887,196 |
| Bond Premium (Discount) | - | - | - | - | - |
| Other Financing | - | - | - | - | - |
| Payment to Refunded Bonds Escrow Agent | (49,618,630) | - | - | - | (49,618,630) |
| Transfers In | 9,246,427 | 75,429,239 | 47,314,640 | 22,495,350 | 154,485,656 |
| Transfers Out | (120,356,796) | (33,433,163) | - | - | (153,789,959) |
| Total Other Financing Sources and Uses | (110,841,803) | 41,996,076 | 47,314,640 | 22,495,350 | 964,263 |
| Total other financing sources (uses) | (110,841,803) | 41,996,076 | 47,314,640 | 22,495,350 | (75,955,597) |
| Net Change in Fund Balance | 23,678,295 | 19,981,951 | (119,614,844) | (999) | (75,955,597) |
| Fund Balance at Beginning of Year | 152,800,030 | 122,281,585 | 400,720,737 | (329,203) | 675,473,149 |
| Increase/(Decrease) in Reserve for Inventory | 166,188 | - | - | - | 166,188 |
| Fund Balance at End of Year | \$ 176,644,513 | \$ 142,263,536 | \$ 281,105,893 | \$ (330,202) | 599,683,740 |

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 governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. (Note 9) | 47,529,000 |
| (2) Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense and donated assets 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) | 178,566,906 |
| (3) Governmental funds report pension & OPEB contributions as expenditures, however in the statement of activities the cost of pension & OPEB benefits earned net of employee contributions is reported as pension & OPEB expense. (Note 9) | 29,319,485 |
| (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) | (12,711,925) |
| (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) | (49,887,196) |
| (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) | 6,733,216 |
| (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) | (1,686,750) |
| (8) Change in net pension & OPEB liability. (Note 9) | (90,827,373) |
| | \$ 31,245,954 |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Position
Proprietary Funds – Internal Service Fund
June 30, 2021

Exhibit V

ASSETS

| | |
|-------------------------------|----------------------|
| Current Assets: | |
| Cash and Cash Equivalents | \$ 15,715,190 |
| Total Current Assets | 15,715,190 |
| Capital Assets: | |
| Land | |
| Buildings and Equipment | 49,779,005 |
| Less Accumulated Depreciation | (42,082,129) |
| Capital Assets, Net | 7,696,876 |
| Total Noncurrent Assets | 7,696,876 |
| Total Assets | \$ 23,412,066 |

LIABILITIES

| | |
|--------------------------|----------------|
| Accounts Payable | 739,950 |
| Total Liabilities | 739,950 |

NET POSITION

| | |
|---|----------------------|
| Net Investment in Capital Assets | 7,696,876 |
| Unrestricted Net Position | 14,975,240 |
| Total Net Position | 22,672,116 |
| Total Liabilities and Net Position | \$ 23,412,066 |

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, 2021

Exhibit VI

| | |
|--|---------------|
| OPERATING REVENUES | |
| Charges for Services | \$ 988,666 |
| Total Operating Revenues | 988,666 |
| OPERATING EXPENSES | |
| Materials and Supplies | 2,073,551 |
| Depreciation | 3,689,486 |
| Total Operating Expenses | 5,763,037 |
| Operating Loss | (4,774,371) |
| NON-OPERATING REVENUES (EXPENSES) | |
| Insurance Recoveries | 93,832 |
| Net Loss Before Transfers and Contributions | (4,680,539) |
| Transfers Out | (695,697) |
| Total Net Transfers | (695,697) |
| Change in Net Position | (5,376,236) |
| Net Position at Beginning of Year | 28,048,352 |
| Net Position at End of Year | \$ 22,672,116 |

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, 2021

Exhibit VII

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|----|-------------------------|
| Receipts From Customers | \$ | 988,666 |
| Reduction in Payments to Suppliers | | <u>(1,473,435)</u> |
| Net Cash Provided by Operating Activities | | <u><u>(484,769)</u></u> |

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

| | |
|----------------------------|-----------|
| Transfers from Other Funds | (695,697) |
|----------------------------|-----------|

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

| | |
|--|---------------------------|
| Insurance Recovery | 93,832 |
| Purchases of Capital Assets | <u>(3,101,461)</u> |
| | <u>(3,195,293)</u> |
| Net Cash Used By Capital and Related Financing Activities | <u><u>(3,890,990)</u></u> |

| | |
|---|--------------------------|
| Net Increase in Cash and Cash Equivalents | (4,375,759) |
| Cash and Cash Equivalents at Beginning of Year | <u>20,090,949</u> |
| Cash and Cash Equivalents at End of Year | <u><u>15,715,190</u></u> |

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

| | |
|--|----------------------------|
| Operating Loss | (4,774,371) |
| Adjustments: | |
| (1) Cash flows reported in other categories: | |
| Interest and dividends | |
| Depreciation Expense | 3,689,486 |
| (2) Effect of changes in Operating Assets and Liabilities: | |
| Accounts Payable | <u>600,116</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ (484,769)</u></u> |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Fiduciary Net Position
June 30, 2021

Exhibit VIII

| | Employee Benefit Trust Funds | Private- Purpose Trusts | Custodial Funds |
|---------------------------------|---|--|----------------------------|
| ASSETS | | | |
| Cash and Short-term Investments | \$ - | \$ - | \$ 60,260 |
| Investments, at Fair Value: | | | |
| U.S. Government Obligations | | | |
| LGIP/CDARS/Commercial Paper | - | 7,476 | - |
| | | | |
| Mutual Funds | 219,491,397 | - | - |
| Stocks | 157,392,843 | - | - |
| Guaranteed Investment Accounts | 37,221,262 | - | - |
| Real Estate | 52,296,894 | - | - |
| Timber | 23,638,114 | - | - |
| Private Equity | 36,870,526 | - | - |
| Other Investments | 289,397,487 | - | - |
| Total Investments | 816,308,523 | 7,476 | - |
| Total Assets | 816,308,523 | 7,476 | 60,260 |
| LIABILITIES | | | |
| Refunds Payable and Other | - | - | 60,260 |
| Total Liabilities | - | - | \$ 60,260 |
| NET POSITION | | | |
| Restricted For | | | |
| Pension Benefits | 701,119,149 | - | |
| Other Post Employment Benefits | 115,189,374 | - | |
| Other Purposes | - | 7,476 | |
| Total Net Position | \$ 816,308,523 | \$ 7,476 | |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Change in Fiduciary Net Position
For the Year ended June 30, 2021

Exhibit IX

| | Employee Benefit Trust Funds | Private- Purpose Trusts |
|---|---|--|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 28,488,282 | \$ - |
| Plan Members | 5,226,073 | - |
| Total Contributions | 33,714,355 | - |
| Investment Earnings: | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 137,577,183 | - |
| Interest | 51,890,847 | 22 |
| Investment Expense | (2,447,087) | - |
| Net Investment Income | 187,020,943 | 22 |
| Total Additions | 220,735,298 | 22 |
| DEDUCTIONS | | |
| Benefits | 32,327,095 | - |
| Refunds of Contributions | 1,389,570 | - |
| Administrative Expenses | 1,398,910 | - |
| Total Deductions | 35,115,575 | - |
| Change in Net Position | 185,619,723 | 22 |
| Net Position at Beginning of Year | 630,688,800 | 7,454 |
| Net Position at End of Year | \$ 816,308,523 | \$ 7,476 |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Net Position
Component Units
June 30, 2021

Exhibit X

| | Schools | Library | Total |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 76,137,375 | \$ 678,141 | \$ 76,815,516 |
| Cash and Investments with Fiscal Agents | 817,042 | 4,111,026 | 4,928,068 |
| Receivables | 5,249,556 | - | 5,249,556 |
| Due from Other Governments | 9,690,170 | - | 9,690,170 |
| Inventory of Supplies | 281,184 | - | 281,184 |
| Net Pension Assets | 3,387,963 | - | 3,387,963 |
| Prepaid and Other Assets | 2,101,225 | 774 | 2,101,999 |
| Capital assets | | | |
| Land and Construction in Progress | 999,381 | - | 999,381 |
| Other Capital Assets, Net | 15,330,394 | - | 15,330,394 |
| Capital Assets, Net | 16,329,775 | - | 16,329,775 |
| Total Assets | 113,994,290 | 4,789,941 | 118,784,231 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | 79,086,317 | - | 79,086,317 |
| OPEB | 6,307,814 | - | 6,307,814 |
| Total Deferred Outflows of Resources | 85,394,131 | - | 85,394,131 |
| Total Assets and Deferred Outflows of Resources | 199,388,421 | 4,789,941 | 204,178,362 |
| LIABILITIES | | | |
| Accounts Payable | 17,807,884 | 116,049 | 17,923,933 |
| Accrued Wages | 29,758,889 | 277,324 | 30,036,213 |
| Unearned Revenue | 4,258,949 | - | 4,258,949 |
| Long-term Liabilities Due Within One Year | 2,935,864 | - | 2,935,864 |
| Long-term Liabilities Due in More Than One Year | 11,726,463 | - | 11,726,463 |
| Net Pension Liabilities | 291,935,783 | - | 291,935,783 |
| Net OPEB Liabilities | 42,514,622 | - | 42,514,622 |
| Total Liabilities | 400,938,454 | 393,373 | 401,331,827 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 18,683,576 | - | 18,683,576 |
| OPEB | 9,072,153 | - | 9,072,153 |
| Total Deferred Inflows of Resources | 27,755,729 | - | 27,755,729 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 16,329,775 | - | 16,329,775 |
| Restricted for grant programs | 4,734,758 | - | 4,734,758 |
| Restricted for health benefits | 10,966,921 | - | 10,966,921 |
| Restricted for net pension assets | 3,387,963 | - | 3,387,963 |
| Unrestricted | (264,725,179) | 4,396,568 | (260,328,611) |
| Total Net Position | (229,305,762) | 4,396,568 | (224,909,194) |
| Total Deferred Inflows of Resources, Liabilities and Net Position | \$ 199,388,421 | \$ 4,789,941 | \$ 204,178,362 |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2021

Exhibit XI

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|--------------------|-------------------------|---------------------------------------|--|---------------------|------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Schools | Library | Totals |
| Schools | \$ 333,475,126 | \$ 445,016 | \$ 33,199,667 | \$ (299,830,443) | \$ - | \$(299,830,443) |
| Library | 7,777,478 | 136,902 | 196,640 | - | (7,443,936) | (7,443,936) |
| Total Component Units | <u>341,252,604</u> | <u>581,918</u> | <u>33,396,307</u> | <u>(299,830,443)</u> | <u>(7,443,936)</u> | <u>(307,274,379)</u> |
| General Revenues: | | | | | | |
| Payment From City | | | | 244,947,930 | 7,379,204 | 252,327,134 |
| Grants Not Restricted To Specific Programs | | | | 52,812,342 | - | 52,812,342 |
| Interest and Investment Earnings | | | | - | 735,369 | 735,369 |
| Miscellaneous | | | | 467,282 | 248,575 | 715,857 |
| Total General Revenues | | | | <u>298,227,554</u> | <u>8,363,148</u> | <u>306,590,702</u> |
| Change in Net Position | | | | (1,602,889) | 919,212 | (683,677) |
| Net Position Beginning of Year | | | | <u>(227,702,873)</u> | <u>3,477,356</u> | <u>(224,225,517)</u> |
| Net Position End of Year | | | | <u>\$ (229,305,762)</u> | <u>\$ 4,396,568</u> | <u>\$(224,909,194)</u> |

See Accompanying Notes to Financial Statements

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CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII

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 164,650 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 Council-Manager 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 the analysis that the private sector provides in their annual reports.

Government-wide Financial Statements – These include financial statements prepared using full accrual accounting for all government 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 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 (net of unspent bond proceeds) of any borrowing used for the acquisition, construction, or improvement of those assets.

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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 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 and schedules present the primary government and its component units, entities for which the City is 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 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 has been an elected body which oversees the operations of the Alexandria City Public Schools (ACPS). ACPS is substantially reliant upon the City because City Council approves ACPS’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 ACPS is the City’s annual support, for combined operations and capital equipment which total \$244.9 million in FY 2021. ACPS’ financial statements are available via the ACPS website on the Department of Financial Services page.

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. ACPS issues separate audited financial statements.

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. The seven-member Library Board also includes three members of the non-profit 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 \$7.1 million for FY 2021. 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 authority 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. The Library issues separate audited financial statements.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alexandria Transit Company

Alexandria Transit Company (ATC), although legally separate in substance, is presented as a blended component unit and part of the City's reporting entity. As a not-for-profit corporation for which the primary government is the only corporate member, the blending of ATC fell within the scope of GASB Statement No. 80. ATC's governing body is substantively the same as the governing body of the primary government and the City's management has operational responsibility for ATC.

Excluded from Reporting Entity:

The 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 columns include 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 based on 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 resources 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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 custodial). Since 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 2021.

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 Schools.

b. Special Revenue Fund

A 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 June 30, 2021 is comprised of the following sub funds:

CARES - This sub fund accounts for the City's funds across multiple departments in support of the COVID-19 pandemic response. The source of funding is the Coronavirus Aid Relief and Economic Security Act adopted in March 2020.

ARPA - This sub fund accounts for the City's funds across multiple departments in support of the COVID-19 pandemic response. The source of funding is the American Rescue Plan Act adopted in March 2021.

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 Utility – This sub fund is funded by a stormwater utility fee which was implemented in 2019. This fee replaces the dedicated real estate property tax in the Stormwater Management fund.

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 is funded by certain real estate taxes for the development of the Potomac Yard 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 collected by NVTA.

Industrial Development Authority (IDA) – This fund accounts for IDA bond issuance fees and expenses.

Other Special Revenue – This sub fund accounts for grants and donations and other amounts that represent a small percentage of special revenues.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. Proprietary Funds

Proprietary Funds are used to account for activities that are like those often found in the private sector. 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 for individuals, private organizations, and other governments. The fiduciary funds of the City are the John D. Collins Private Purpose Trust Funds, Employee Retirement Funds, and the custodial funds for the Human Services Special Welfare Account and the Human Services Dedicated Account. 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. Custodial Funds 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The custodial funds held by the City as of the end of FY 2021 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.

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, 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 Funds 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 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Schools appropriation is determined by the City Council and controlled in total by the primary government. On April 29, 2020, the City Council formally approved the original adopted budget and on June 19, 2021, 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.

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 re-appropriation 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 \$23,290 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 (Schools 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on June 30, 2021, is comprised of the following:

| | |
|--|-----------------------------|
| GENERAL FUND: | |
| Taxes Receivable: | |
| Real Property | \$ 1,856,283 |
| Personal | 17,155,889 |
| Penalties and Interest | <u>633,552</u> |
| Total Taxes | 19,645,724 |
| Accounts Receivable | 45,217 |
| Notes Receivable | <u>309,000</u> |
| | <u><u>19,999,941</u></u> |
| SPECIAL REVENUE FUND: | |
| Housing Fund Notes Receivable | \$ <u><u>86,785,094</u></u> |
| CAPITAL PROJECTS FUND: | |
| Capital Projects Fund Notes Receivable | \$ <u><u>1,475,000</u></u> |

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 Schools 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Other Assets

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 | \$ 11,573,318 |
| Deferred gain on Refunding Bonds | <u>19,537,062</u> |
| Total Adjustment | <u>\$ 31,110,380</u> |

I. 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 per unit 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 |

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.

J. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The component unit Schools accrues matured compensated absences (annual, personal, and sick leave benefits) when vested. The current and noncurrent portions of compensated absences are recorded in the Schools 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.

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Detail

General Fund

| | |
|---|------------------------------|
| Nonspendable | |
| Inventories | \$ 6,737,499 |
| Prepays | 134,533 |
| Long Term Notes | <u>400,000</u> |
| Total | <u>7,272,032</u> |
| | |
| Committed | |
| Encumbrances | 6,807,016 |
| Self-Insurance | <u>5,000,000</u> |
| Total | <u>11,807,016</u> |
| | |
| Assigned | |
| Subsequent Capital Program | 19,000,000 |
| FY 2022 Operating Budget | 10,000,000 |
| FY 2023 Operating Budget | 5,800,000 |
| FY 2022 Pay Initiatives | 7,200,000 |
| Transit Savings | 5,000,000 |
| Carryover and Incomplete Projects | 8,400,000 |
| Natural Disaster/Emergencies | 3,000,000 |
| Landmark Redevelopment Soil Contingency | 3,000,000 |
| Accrued Leave Payout | 1,000,000 |
| Economic Development Incentives | <u>1,000,000</u> |
| Total | <u>63,400,000</u> |
| | |
| Unassigned | <u>94,165,465</u> |
| Total Fund Balance | <u><u>\$ 176,644,513</u></u> |

Encumbrances – These funds (\$6.8 million) have been committed for purchase orders and/or contracts to acquire goods and services not yet received.

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

Subsequent Fiscal Years’ Capital Program—These funds (\$19.0 million) have been assigned to fund a portion of the capital improvement program for CIP projects in FY 2022 and beyond.

FY 2022 Operating Budget - These funds (\$10.0 million) have been assigned to fund a portion of the operating budget in FY 2022.

FY 2023 Operating Budget - These funds (\$5.8 million) have been assigned to fund a portion of the operating budget in FY 2023.

FY 2022 Pay Initiatives - These funds (\$7.2 million) have been assigned to address compensation needs that were eliminated from the FY 2021 Proposed Budget due to revenue uncertainty during the early months COVID-19 pandemic.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transit Savings - These funds (\$5.0 million) have been assigned for future transit costs in the FY 2023 and FY 2024 budget. Savings were generated in FY 2021 as a result of available federal funding for WMATA and the City’s utilization of NVTC reserves.

Carryover and Incomplete Projects - These funds (\$8.4 million) are assigned to support projects and initiatives that are approved but not yet under contract.

Natural Disaster/Emergencies/ Emergency Response - These funds (\$3.0 million) have been assigned to cover damages and operational costs associated with responding to extraordinary emergencies.

Landmark Redevelopment Soil Removal Contingency – These funds (\$3.0 million) have been assigned to provide additional resources to address the removal of contaminated soil that may be discovered at the Landmark Mall site, above the amount currently budgeted by the developer.

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 (\$1.0 million) are assigned to provide funds to incentivize business to locate or expand in the City.

Special Revenue

| | |
|---------------------------|-----------------------|
| Restricted | |
| Grants | \$ 2,354,401 |
| Donations | 6,058,666 |
| Housing Programs | 5,711,472 |
| Total | 14,124,539 |
| Committed | |
| Sanitary Sewer | 59,541,090 |
| Stormwater Utility | 6,946,312 |
| Stormwater | 1,761,197 |
| Other Programs | 25,495,037 |
| Potomac Yard | 29,874,860 |
| NVTA | 4,634,929 |
| IDA | (114,427) |
| Total | 128,138,998 |
| Total Fund Balance | \$ 142,263,537 |

Sanitary Sewer - These funds (\$59.5 million) are committed for sanitary sewer maintenance and construction. The funds originate from sewer connection fees and charges.

Stormwater Utility - These funds (\$6.9 million) are committed for stormwater capital projects. The funds originate from a stormwater utility fee which was implemented in 2019. This fee replaces the dedicated real estate property tax in the Stormwater Management fund.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stormwater Management - These funds (\$1.8 million) are committed for stormwater capital projects. The funds originated from a dedicated real estate property tax of 0.5 cents per \$100 of assessed value; however, it was replaced with a stormwater utility fee in 2020.

Potomac Yard - These funds (\$29.9 million) are committed for the development of the Potomac Yard Metrorail Station. The funds originate from certain real estate property taxes.

Northern Virginia Transportation Authority (NVTa) - These funds (\$4.6 million) are committed for transportation improvements in the City. The funds originate from various state and other local taxes collected by the NVTa.

Other Programs - These funds (\$25.5million) are committed per the terms of various grants and donations received by the City.

Capital Projects

| | |
|---------------------------|------------------------------|
| Committed | |
| Notes Receivable | \$ 210,903,469 |
| Encumbrances | <u>70,202,424</u> |
| Total Fund Balance | <u>\$ 281,105,893</u> |

Significant encumbrances greater than \$1.0 million as of June 30, 2021 were:

| <u>Fund</u> | <u>Vendor</u> | <u>Amount</u> |
|------------------|------------------------------------|-----------------|
| Capital Projects | Skanska USA Building, Inc. | \$ 35.7 million |
| Capital Projects | Jones Utilities Construction, Inc. | \$ 10.9 million |
| Capital Projects | Sagres Construction Corp. | \$ 7.1 million |
| Capital Projects | Perkins Eastman Architects DPC | \$ 6.0 million |
| Capital Projects | New Flyer of America, Inc. | \$ 5.3 million |
| Capital Projects | Greeley & Hansen LLC | \$ 4.2 million |
| Capital Projects | Ft. Myer Construction Corp. | \$ 3.9 million |
| Capital Projects | Proterra, Inc. | \$ 3.6 million |
| Capital Projects | Carollo Engineers, Inc. | \$ 2.9 million |
| Capital Projects | Penn Care, Inc. | \$ 2.0 million |
| Capital Projects | F.L. Pinto Companies LLC | \$ 1.6 million |
| Capital Projects | Keller Brothers, Inc. | \$ 1.2 million |
| Capital Projects | Virginia Electric & Power Co. | \$ 1.1 million |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

M. Short Term Liabilities

Short Term Liabilities include unclaimed funds. The City did not have any short-term debt during FY 2021.

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 and OPEB, difference between expected and actual experience, changes in assumptions, and net difference between projects and actual earnings on pension plans investments. On June 30, 2021, the City had deferred outflows of resources related to pensions and OPEB of \$66.1 million. GASB 75 was implemented in FY 2018 and Outflows now include OPEB.

The City calculated a deferred gain on bond refunding in the amount of \$19,537,062 for prior year bonds.

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. On June 30, 2021, the City had deferred inflows of resources of \$475.2 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 2021, the Council approved a re-appropriation of prior fiscal year encumbrances, as well as several other supplemental appropriations. The City Manager has authority to transfer appropriations within each department. In FY 2021, several intradepartmental transfers were made.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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, 2021, the carrying value of the City's deposits was (\$113,793) and the bank balance was \$4,243,678. 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, 2021, the City had \$204,349,549 in the SNAP short term investment.

Component Units

At June 30, 2021, the carrying value of deposits for the Schools was (\$2,339,958) and the bank balance was \$0. The difference between the carrying value of the School's deposits and the bank balance are the checks outstanding. 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, 2021, the carrying value of deposits and bank balance for the Library was \$175,606. The entire balance is covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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), and the 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.

During fiscal year 2021 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, where deposits are eligible for FDIC insurance, as well as commercial paper, U.S. Agencies, and the Virginia Investment Pool.

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 Fiduciary Net Position.

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 and VIP. During the fiscal year, the City held its investments in LGIP and VIP, and investments of US agencies. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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, commercial paper, investments of U.S. agencies, and CDARS. 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, 2021, the City had the following cash, investments and maturities:

Primary Government

| INVESTMENT TYPE | Investment Maturities | | | |
|---|-----------------------|----------------|--------------|----------------|
| | Fair Value | 1-12 Months | 13-24 Months | 25-60 Months |
| Fixed Certificate of Deposit | \$ 10,733,753 | \$ 6,872,044 | \$ 3,861,709 | \$ - |
| Federal Farm Credit Bank (FFCB) | 12,812,554 | - | - | 12,812,554 |
| Federal Home Loan Bank (FHLB) | 29,054,830 | - | - | 29,054,830 |
| Local Government Investment Pool | 422,344,650 | 422,344,650 | - | - |
| Subtotal | 474,945,787 | 429,216,694 | 3,861,709 | 41,867,384 |
| OPEB Trust Investments * | 115,189,374 | - | - | 115,189,374 |
| Pension Plan Investments (Exhibit VIII) * | 701,119,149 | - | - | 701,119,149 |
| Total | \$ 1,291,254,310 | \$ 429,216,694 | \$ 3,861,709 | \$ 858,175,907 |

*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 | \$ (113,793) |
| Cash with Fiscal Agents | 204,409,809 |
| Total Deposits and Investments | <u>\$ 1,495,550,326</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Unit

Schools

| | Investment Maturities | | | |
|---|------------------------------|----------------------|---------------------|---------------------|
| | Fair Value | 1-12 Months | 13-24 Months | 25-60 Months |
| Fixed Certificate of Deposit | \$ 1,773,584 | \$ 1,135,497 | \$ 638,087 | \$ - |
| Federal Farm Credit Bank (FFCB) | 2,117,073 | - | - | 2,117,073 |
| Federal Home Loan Bank (FHLB) | 4,800,854 | - | - | 4,800,854 |
| Local Government Investment Pool | 69,785,822 | 69,785,822 | - | - |
| Total Investments Controlled by City | \$ 78,477,333 | \$ 70,921,319 | \$ 638,087 | \$ 6,917,927 |

Component Unit

Library

| | Investment Maturities | | | |
|---|------------------------------|--------------------|---------------------|---------------------|
| | Fair Value | 1-12 Months | 13-24 Months | 25-60 Months |
| Fixed Certificate of Deposit | \$ 15,326 | \$ 9,812 | \$ 5,514 | \$ - |
| Federal Farm Credit Bank (FFCB) | 18,294 | - | - | 18,294 |
| Federal Home Loan Bank (FHLB) | 41,485 | - | - | 41,485 |
| Local Government Investment Pool | 603,036 | 603,036 | - | - |
| Total Investments Controlled by City | \$ 678,141 | \$ 612,848 | \$ 5,514 | \$ 59,779 |
| Total Investments Controlled by City Primary Government and Component Units: | \$ 554,101,261 | | | |

As of June 30, 2021, the City had investments in the following issuers with credit quality ratings as shown below:

| | Fair Value | AAA | AA+ | CDs and Cash |
|--|-----------------------|-----------------------|----------------------|----------------------|
| Fixed Certificate of Deposit | \$ 12,522,662 | \$ - | \$ - | \$ 12,522,662 |
| Federal Farm Credit Bank (FFCB) | 14,947,921 | - | 14,947,921 | - |
| Federal Home Loan Bank (FHLB) | 33,897,170 | - | 33,897,170 | - |
| Virginia Investment Pool 1-3 Year | 5,159,114 | - | 5,159,114 | - |
| Virginia Local Govt. Investment Pool | 487,574,394 | 487,574,394 | - | - |
| Total Investments Controlled by City & Components | \$ 554,101,261 | \$ 487,574,394 | \$ 54,004,205 | \$ 12,522,662 |

Rated by S&P

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 |
|-------------------------------|------------------------|-------------------|-----------------------|
| Commonwealth of Virginia | VA Dept of Treasury | 487,574,394 | 88.00% |
| Federal Home Loan Bank (FHLB) | FHLB Bond | 33,897,170 | 6.12% |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of total deposits and investments to the government-wide financial statements as of June 30, 2021:

| | Governmental Activities | Fiduciary Activities | Total |
|---|----------------------------|----------------------|------------------|
| Primary Government including DASH | | | |
| Cash on Hand and In Banks | \$ (113,793) | \$ - | \$ (113,793) |
| Cash and Investments | 474,938,311 | 7,476 | 474,945,787 |
| Cash and Investments with Fiscal Agents | 204,349,549 | 816,368,783 | 1,020,718,332 |
| Total | \$ 679,174,067 | \$ 816,376,259 | \$ 1,495,550,326 |
| Component Unit Schools | | | |
| Cash on Hand and In Banks | \$ (2,339,958) | \$ - | \$ (2,339,958) |
| Cash and Investments Controlled by City | 78,477,333 | - | 78,477,333 |
| Cash and Investments with Fiscal Agents | 817,042 | - | 817,042 |
| Total | \$ 76,954,417 | \$ - | \$ 76,954,417 |
| Component Unit Library | | | |
| Cash and Investments Controlled by City | \$ 678,141 | \$ - | \$ 678,141 |
| Cash and Investments with Fiscal Agents | 4,111,026 | - | 4,111,026 |
| Total | 4,789,167 | - | 4,789,167 |
| Grand Total | \$ 760,917,651 | \$ 816,376,259 | \$ 1,577,293,910 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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 2021, zero investments were classified in Level 1 and Level 3 of the fair value hierarchy. Investments worth \$61.4 million were classified in Level 2. Fixed government securities worth \$48.9 million and fixed certificates of deposit worth \$12.5 million were classified in Level 2. The fixed government securities and the fixed securities of deposit were valued using a matrix pricing technique. Matrix pricing is used based on the securities' relationship to benchmark quoted prices.

Virginia Local Government Investment Pool, worth \$487.6 million were excluded from the fair value hierarchy since they are an external investment pool and have the option to report their investments at NAV or amortized cost. They have chosen to report at amortized cost.

| Investments by fair value level | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|--------------------------|-----------------------|-----------------------|-----------------------|
| Debt Securities | | | | |
| Fixed Government Securities | \$ 48,845,091 | \$ - | \$ 48,845,091 | \$ - |
| Fixed Certificates of Deposit | 12,522,662 | - | 12,522,662 | - |
| Total Debt Securities | <u>\$ 61,367,753</u> | <u>\$ -</u> | <u>\$ 61,367,753</u> | <u>\$ -</u> |
| Total Investments by Fair Asset Value | <u>\$ 61,367,753</u> | <u>\$ -</u> | <u>\$ 61,367,753</u> | |
| Investments measured at the net asset value (NAV) | | | | |
| Virginia Investment Pool - Liquidity | 5,159,114 | | | |
| | <u>\$ 5,159,114</u> | | | |
| Total Investments by Fair Value and NAV | <u>\$ 66,526,867</u> | | | |
| Investments Reported by Amortized Cost | | | | |
| Virginia Local Govt. Investment Pool | \$ 487,574,394 | | | |
| Total Investments | <u>\$ 554,101,261</u> | | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2021, consist of the following:

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Project</u> | <u>Alexandria Transit Company</u> | <u>Total</u> |
|---------------------------------------|-----------------------|----------------------------|----------------------------|---|-----------------------|
| Taxes | | | | | |
| Real Property | \$ 241,803,627 | \$ 671,072 | \$ - | \$ - | \$ 242,474,699 |
| Personal Property | 69,715,323 | - | - | - | 69,715,323 |
| Penalties and Interest | 2,659,194 | - | - | - | 2,659,194 |
| Others | 2,948,534 | 9,028,941 | - | - | 11,977,475 |
| Total Taxes | <u>317,126,678</u> | <u>9,700,013</u> | <u>-</u> | <u>-</u> | <u>326,826,691</u> |
| Account | 10,713,209 | 1,175,486 | - | 370,269 | 12,258,964 |
| Interest | 27,640 | - | - | - | 27,640 |
| Intergovernmental | 31,332,935 | 5,702,628 | 1,762,076 | 542,758 | 39,340,398 |
| Notes | 709,000 | 89,283,415 | 1,475,000 | - | 91,467,415 |
| Gross Receivable | <u>359,909,463</u> | <u>105,861,542</u> | <u>3,237,076</u> | <u>913,027</u> | <u>469,921,108</u> |
| Less: Allowance for Uncollectibles | 19,999,940 | 86,785,094 | 1,475,000 | - | 108,260,034 |
| Net Receivables | <u>\$ 339,909,523</u> | <u>\$ 19,076,448</u> | <u>\$ 1,762,076</u> | <u>\$ 913,027</u> | <u>\$ 361,661,074</u> |

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 12.1% percent of the total taxes receivable at June 30, 2021, 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, 2021, represent the second-half payment due for real estate taxes on November 15, 2020.

Receivables on a government-wide basis include taxes receivable of \$11.6 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 \$12.7 million of taxes that are considered current financial resources and, therefore, are reported in the governmental funds. This comprises:

| | |
|-----------------------------------|----------------------|
| Real Estate Tax Receivables | \$ 3,454,518 |
| Personal Property Tax Receivables | <u>9,257,407</u> |
| Total | <u>\$ 12,711,925</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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 2021 unearned revenue in the governmental funds consisted of the following:

| | Unavailable | Unearned | Total |
|---|--------------------|-----------------|----------------|
| Property taxes, net of related allowances | \$ 314,043,306 | \$ 4,782,587 | \$ 318,825,893 |
| Grant proceeds received prior to completion of eligibility requirements | 35,860,619 | - | 35,860,619 |
| | \$ 349,903,925 | \$ 4,782,587 | \$ 354,686,512 |

Deferred Inflows

| | General Fund | Special Revenue Fund | Alexandria Transit Company | Comment |
|--------------------------------------|---------------------|-----------------------------|-----------------------------------|---|
| Total Deferred Taxes | \$ 314,043,306 | \$ 8,521,770 | 1,331,736 | |
| Grants Received Prior to Eligibility | | 35,860,619 | | Eligible grants with timing differences |
| Total Deferred Inflows, Receivables | \$ 314,043,306 | 44,382,389.00 | 1,331,736.00 | |

Component Units

Receivables at June 30, 2021, consist of following:

| | School Board |
|-------------------|---------------------|
| Accounts | \$ 9,690,170 |
| Intergovernmental | 5,249,556 |
| Total Receivables | 14,939,726 |

All the component unit receivables are considered to be collectible.

All deferred revenue in the component units is unearned.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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 Real Estate Assessor 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 incomplete property 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, 2021, includes amounts not yet received from the January 1, 2021 levy (due June 15 and November 15, 2021), less an allowance for uncollectible amounts. The installment due on November 15, 2021 is included as unavailable revenue since these taxes are restricted for use until FY 2022. 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 2020 and reduced to \$1.11 during 2021.

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 5th. The taxes receivable balance at June 30, 2021, includes amounts not yet billed or received from the January 1, 2021 levy (due October 5, 2021). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2022. The tax rate for motor vehicles was \$5.33 per \$100 of assessed value during calendar years 2020 and 2021. The tax rate for motor vehicles remained the same in calendar year 2021 (\$5.33). Tax rates during calendar years 2020 and 2021 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 Commonwealth, approximately 31 percent of total personal property tax levy in calendar year 2021.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

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, 2021:

Governmental Activities

| | |
|--|---------------------|
| General Fund | \$ 709,000 |
| Special Revenue Fund | 89,283,415 |
| Capital Projects Fund | 1,475,000 |
| Less Allowance for Uncollectible Accounts | <u>(88,569,094)</u> |
| Net Notes Receivable | <u>2,898,321</u> |
| Amounts due within one year | <u>30,161</u> |
| Amounts due in more than one year | <u>\$ 2,868,160</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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, 2021:

Governmental Activities

Primary Government

| | Balance June 30, 2020 | Increases | Decreases | Balance June 30, 2021 |
|---|----------------------------------|------------------|------------------|----------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 127,673,426 | \$ - | \$ - | \$ 127,673,426 |
| Construction in Progress | 59,303,465 | 37,824,491 | 26,089,158 | \$ 71,038,798 |
| Total Capital Assets | | | | |
| Not Being Depreciated | 186,976,891 | 37,824,491 | 26,089,158 | \$ 198,712,224 |
| Depreciable Capital Assets | | | | |
| Buildings | 776,187,335 | 21,512,943 | 70,529 | \$ 797,629,749 |
| Infrastructure | 308,314,080 | 17,200,940 | - | \$ 325,515,020 |
| Intangible Assets | 26,324,867 | 120,753 | - | \$ 26,445,620 |
| Furniture and Other Equipment | 130,690,086 | 13,919,728 | 1,695,615 | \$ 142,914,199 |
| Total Depreciable Capital Assets | 1,241,516,368 | 52,754,364 | 1,766,144 | \$ 1,292,504,588 |
| Less Accumulated Depreciation for | | | | |
| Buildings | 257,276,633 | 18,073,423 | 3,086 | \$ 275,346,970 |
| Infrastructure | 166,337,452 | 10,131,397 | - | \$ 176,468,849 |
| Intangible Assets | 24,503,694 | 466,993 | - | \$ 24,970,687 |
| Furniture and Other Equipment | 82,646,860 | 9,129,590 | 1,690,354 | \$ 90,086,096 |
| Total Accumulated Depreciation | 530,764,639 | 37,801,403 | 1,693,440 | \$ 566,872,602 |
| Depreciable Capital Assets, Net | 710,751,729 | 14,952,961 | 72,704 | \$ 725,631,986 |
| Alexandria Transit Company | | | | |
| Depreciable Capital Assets | | | | |
| Equipment | 54,624,851 | 7,126,809 | 1,970,729 | \$ 59,780,931 |
| Less: Accumulated Depreciation | 23,463,919 | 4,748,834 | 1,970,729 | \$ 26,242,024 |
| Total Depreciable Capital Assets, Net | 31,160,932 | 2,377,975 | - | \$ 33,538,907 |
| Totals | \$ 928,889,552 | \$ 55,155,427 | \$ 26,161,862 | \$ 957,883,117 |

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Governmental activities capital assets, net of accumulated depreciation at June 30, 2021, are comprised of the following:

| | |
|--|------------------------------|
| General Capital Assets, Net | \$ 916,647,334 |
| Internal Service Fund Capital Assets, Net | 7,696,876 |
| Alexandria Transit Company Capital Assets, Net | <u>33,538,907</u> |
| Total | <u><u>\$ 957,883,117</u></u> |

Depreciation was charged to governmental functions as follows:

| | |
|---------------------------------------|-----------------------------|
| General Government | \$ 2,380,617 |
| Judicial Administration | 160,746 |
| Public Safety | 3,689,907 |
| Public Works | 8,126,431 |
| Depreciation of Infrastructure Assets | 10,131,397 |
| Health and Welfare | 505,258 |
| Transit | 4,748,834 |
| Culture and Recreation | 2,442,529 |
| Education | 10,135,143 |
| Community Development | <u>229,375</u> |
| Total | <u><u>\$ 42,550,237</u></u> |

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 | \$ 176,485,849 |
| Donated Assets | 13,037,592 |
| Depreciation Expense | (42,550,237) |
| Capital Outlay not capitalized | <u>31,593,702</u> |
| Total Adjustment | <u><u>\$ 178,566,906</u></u> |

Donated assets are comprised of infrastructure assets donated by developers.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Net position Investment in capital assets is computed as follows:

| | | |
|--|---------------|-----------------------|
| General Capital Assets, Net | | \$ 957,883,117 |
| Outstanding bonds (including premium) | (775,781,368) | |
| Unspent bond proceeds at SNAP | 204,349,549 | |
| Deferred gain on the refunding bonds | 19,537,062 | |
| Net Outstanding Debt | | <u>(551,894,757)</u> |
| Investment in Capital Assets Net of Debt | | <u>\$ 405,988,360</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Component Unit - Schools

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2021:

| | <u>Balance</u> <u>June 30, 2020</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2021</u> |
|--|--|-------------------|-------------------|--|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 999,381 | \$ - | \$ - | \$ 999,381 |
| Construction-in progress | 757,599 | - | 757,599 | - |
| Total Capital Assets Not Being Depreciated | <u>1,756,980</u> | <u>-</u> | <u>757,599</u> | <u>999,381</u> |
| Depreciable Capital Assets | | | | |
| Buildings | 44,308,357 | 1,717,833 | - | 46,026,190 |
| Furniture and Other Equipment | 26,045,518 | 1,368,182 | 846,535 | 26,567,165 |
| Total Depreciable Capital Assets | <u>70,353,875</u> | <u>3,086,015</u> | <u>846,535</u> | <u>72,593,355</u> |
| Less Accumulated Depreciation For | | | | |
| Buildings and building improvements | 38,528,629 | 471,003 | - | 38,999,632 |
| Furniture and Other Equipment | 16,828,222 | 2,281,642 | 846,535 | 18,263,329 |
| Depreciable Capital Assets, Net | <u>55,356,851</u> | <u>2,752,645</u> | <u>846,535</u> | <u>57,262,961</u> |
| Total Other Capital Assets, Net | <u>14,997,024</u> | <u>333,370</u> | <u>-</u> | <u>15,330,394</u> |
| Totals | <u>\$ 16,754,004</u> | <u>\$ 333,370</u> | <u>\$ 757,599</u> | <u>\$ 16,329,775</u> |

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 schools 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 schools when the bonds are repaid. Nothing in the law alters the authority or responsibility of the local schools or control of the assets. All depreciation was charged to education.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Primary Government

Construction-in-progress is composed of the following at June 30, 2021:

| | <u>Project</u> <u>Authorization</u> | <u>Expended</u> <u>Through</u> <u>June 30, 2021</u> | <u>Committed</u> |
|-----------------------------------|--|---|----------------------|
| Schools Capital Projects | \$ 70,794,046 | \$ 27,809,971 | \$ 9,754,156 |
| Housing and Community Improvement | 11,665,309 | 5,672,847 | 3,575,989 |
| Parks and Recreation | 21,612,886 | 3,340,604 | 3,228,334 |
| Public Buildings | 28,563,747 | 6,712,834 | 6,463,004 |
| Public Safety | 18,458,517 | 14,927,503 | 1,135,680 |
| Infrastructure | 35,794,848 | 15,332,684 | 11,188,487 |
| Information Technology Hardware | 15,182,273 | 759,215 | 11,544,914 |
| Total | <u>\$ 202,071,627</u> | <u>\$ 74,555,658</u> | <u>\$ 46,890,564</u> |

Component Units

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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, 2021: public entity and public officials' excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, cyber liability and commercial crime. In addition, the City maintains excess workers' compensation insurance. 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 four fiscal years.

The City is self-insured for workers' compensation claims up to \$1.5 million, and for public officers, public entity, physical damage to vehicles, and vehicle general liability under \$2.0 million and over \$10.0 million.

Self-Insurance

The non-current portion of unpaid workers' compensation claims amounted to approximately \$19.9 million as of June 30, 2021 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. On June 30, 2021, the current portion of employees' health insurance was \$2.0 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, 2021. 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. Changes in the estimated claims payable for workers' compensation and health insurance during the fiscal years ended June 30, 2021 and 2020 were as follows:

| | <u>Workers' Compensation</u> | <u>Health Insurance</u> |
|---------------------------------|------------------------------|-------------------------|
| July 1, 2019 Liability Balance | \$ 19,773,359 | \$ 940,999 |
| Claims and Changes in Estimates | 5,961,551 | 20,307,169 |
| Claim Payments | <u>(4,425,853)</u> | <u>(19,705,213)</u> |
| June 30, 2020 Liability Balance | 21,309,057 | 1,542,955 |
| Claims and Changes in Estimates | 2,442,622 | 21,969,654 |
| Claim Payments | <u>(3,804,423)</u> | <u>(21,494,178)</u> |
| June 30, 2021 Liability Balance | <u>\$ 19,947,256</u> | <u>\$ 2,018,431</u> |

The Health Insurance liability is included in other liabilities.

Insurance Commitment

In addition, the City has established a General Fund self-insurance commitment of \$5.0 million as of June 30, 2021.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

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 four 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 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 experience and number of employees. In FY 2021, the Alexandria Transit Company paid an annual premium of \$0.2 million for participation in this pool.

Line of Duty Act (LODA) Pension, Health, and Disability/Life Insurance Benefits

The City provides pension, health, and disability/life insurance 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.

In accordance with State Code, LODA retirees elect a plan administered through the Virginia Department of Human Resources (DHRM). The City pays the DHRM the premiums for covered retirees, spouses, and widows. In FY 2021, the City contributed to the OPEB trust fund for Line of Duty Act benefits. In fiscal year 2021, an actuarial valuation was issued for Line of Duty Act benefits (see Note 16 OPEB). According to the December 31, 2020 actuarial valuation, 741 active employees were eligible for Line of Duty Act pension/health benefits. As of June 30, 2021, 89 beneficiaries were receiving Line of Duty Act health benefits. During FY 2021, Line of Duty Act premium payments for the recipients amounted to \$1.5 million.

In FY21, the average number of employees that were eligible for LODA disability/life insurance was 458, with premium payments of \$53,000.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

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 four fiscal years.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 7. OPERATING LEASES

Rental Costs

The City and the Schools lease office space and equipment under various long-term operating lease agreements expiring at various dates through FY 2036. 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:

| Primary Fiscal Year | Government | School Board Component Unit |
|------------------------|--------------|--------------------------------|
| 2022 | \$ 5,883,071 | \$ 3,191,155 |
| 2023 | 5,122,292 | 3,140,535 |
| 2024 | 8,549,848 | 3,066,882 |
| 2025 | 9,578,693 | 3,013,114 |
| 2026 | 9,466,976 | 3,095,975 |
| 2027-2031 | 55,089,333 | 9,521,931 |
| 2032-2036 | 43,783,376 | 9,521,931 |

Total rental costs during FY 2021 for operating leases were \$5.8 million for the Primary Government and \$3.1 million for the Schools.

Rental Revenues

The City also leases various City-owned properties and buildings under non-cancellable long-term lease agreements through FY 2036. The net book value of leased assets of \$6.2 million (cost of \$27.2 million less accumulated depreciation of \$20.9 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 |
|-------------|----------------|
| 2022 | \$ 1,829,013 |
| 2023 | 1,674,053 |
| 2024 | 1,722,503 |
| 2025 | 1,747,056 |
| 2026 | 1,772,347 |
| 2027-2031 | 7,460,376 |
| 2032-2036 | 11,332,707 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES

A. 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:

i. Capital contributions - Bus and Rail Replacement

In June 2021, a new six-year Capital Funding Agreement was signed by all members of the WMATA Compact after a series of one-year extensions of the 2010 six-year agreement. That funding agreement did not assume an increase of \$150 million per year of new federal funds past FY 2022 but did assume approximately \$50 million each from the Commonwealth of Virginia, the State of Maryland and the District of Columbia. The new agreement totaled \$13.6 billion over the six-year period, and \$2.1 billion was projected to 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. The dollar amount of the FY 2022 agreement is \$12.7 million, compared to the FY 2021 contribution for Alexandria, which was \$12.5 million.

ii. Operating subsidies - Bus and Rail Systems

During FY 2021, obligations for bus and rail subsidies amounted to \$41.7 million. The City paid these obligations from the following sources:

| | |
|---|---------------------|
| State Aid and State Motor Fuel Sales Tax revenues | 40,147,662 |
| NVTA 30% | 1,573,000 |
| TOTAL | \$41,720,662 |

Expected obligations for FY 2022 are \$43 million, \$17.6 million of which is expected to be paid from the City's General Fund. The City will also use \$23.9 million from NVTC funding and \$1.6 million from NVTA 30% funding to cover the rest of the obligations.

iii. Potomac Yard Metrorail Station

Alexandria's Potomac Yard is located in the northeast corner of the City, south of downtown Washington, D.C. and just southwest of Ronald Reagan Washington National Airport. It 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. As a major long-term economic development investment, the City of Alexandria approved the North Potomac Yard Small Area Plan on June 12, 2010. This initiative rezoned 69 acres of prime real estate located in Alexandria's Potomac Yard area 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 30-years, entails the construction of a new Metrorail station (Potomac Yard) along the existing heavy rail Metrorail line.

City Council announced the selection of the Locally Preferred Alternative B concept for the Potomac Yard Metrorail Station on May 20, 2015. On June 16, 2016, City Council unanimously approved the Master Plan Amendment, Development Special Use Permit (DSUP), and other special use permits required to construct the

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Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Metrorail station in Potomac Yard. WMATA procured a contractor for the design-build contract in Summer 2018, following the project's review under Section 4(f) of the Department of Transportation Act and the National Environmental Policy Act (NEPA). This process concluded with the issuance of Records of Decision by the Federal Transit Administration and the National Park on October 31, 2016 and November 1, 2016, respectively. Additional Federal and state water resource permits were required for construction of the Metrorail station to begin. Following agency review and Public Notice procedures, Virginia's Marine Resources Commission issued a letter of no jurisdiction under the Wetland Zoning Ordinance on February 26, 2019; the Virginia Department of Environmental Quality issued a Virginia Water Protection Individual Permit on September 6, 2019; and U.S. Army Corps of Engineers issued the Clean Water Act Section 404 Permit on November 15, 2019.

The project's Notice to Proceed (NTP) was issued on September 24, 2019, and the start of construction was commemorated by a groundbreaking ceremony on December 19, 2019. Construction has continued to advance allowing for substantive construction of the station headhouse (mezzanine, platform, and basement levels), platforms, track zone, AC Switchgear building, pedestrian bridge, north pavilion, and communication and power duct banks.

In November 2018, Amazon selected Virginia's National Landing location, comprised of Arlington's Crystal City and Pentagon City, and Alexandria's Potomac Yard, for its HQ2 offices after an 18-month selection process that began with more than 200 localities. Included in the Commonwealth's Amazon HQ2 bid package was the designation of \$50 million for an enhanced Potomac Yard Metrorail Station southwest access. This updated design concept was approved by City Council on April 18, 2020. Site surveying was completed, and City Council approved an amended DSUP reflecting the design improvements in Fall 2020. Project construction, including the enhanced southwest access, is anticipated to be complete in Fall 2022.

The National Landing site was also selected in part due to Virginia Polytechnic Institute and State University's (Virginia Tech) commitment to build a \$1 billion, 1-million square foot, technology-focused Innovation Campus in Alexandria. The campus' first building is scheduled open by 2024 and is scheduled to have a classroom presence of approximately 3,000 students by 2028. Virginia Tech's Innovation Campus, and a greater surrounding Innovation District immediately adjacent to the north Metro station entrance, was officially added to the North Potomac Yard Small Area Plan on June 20, 2020.

Locally Preferred Alternative B was originally budgeted at \$268 million. In April 2018, changes in labor, materials, and the bidding climate, warranted City Council to authorize increasing the project budget by \$50 million to a total of \$320 million. The City prepared an updated financial feasibility analysis in Spring 2018 that evaluated the City's ability to finance the station using only local shares. The funding sources include cash derived from net new tax revenues from Potomac Yard, \$175 million in long term debt, \$69.5 million in grants from the NVRTA, and a \$50 million 2% VTIB loan that was awarded to the City by the Commonwealth Transportation Board in January 2015 and \$25 million from Potomac Yard Fund Balance, and revenue collected in the Potomac Yard development area. In 2020, the projected total project cost increased to \$370 million, following approval by City Council to amend the funding agreement with WMATA to incorporate the \$50 million in funds granted in the Amazon HQ2 bid.

The financial risk to the City associated with the Metrorail station project has been carefully structured. The debt is anticipated to be structured with a ramped up principal repayment schedule to more closely align the debt service payments with the expected growth surrounding the metro station. Long-term debt will be repaid by the net new taxes derived from Potomac Yard development, developer contributions, and taxes from a special tax district established specifically 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) with a 10-cent per \$100 of valuation levy was abolished by City Council in December 2018, due to projected real estate tax revenues resulting from the Amazon HQ2.

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Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Additionally, upfront shortfall guarantees totaling \$32 million have been negotiated with the North Potomac Yard property owner. No cash flow draw from the City's General Fund is planned.

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 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 and thus will not have a substantial financial impact.

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. 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 can 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. Additionally, 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. 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.

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 the lease is essentially 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 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 2021 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 \$1,015,413 in tipping fees in FY 2021 and is anticipating a similar cost in FY 2022.

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..

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Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

E. Federal and State Sanitary and Stormwater Requirements

The City is facing increased state and federal regulatory mandates associated with sanitary sewer and stormwater management requirements to protect and enhance the water quality in our local streams, the Potomac River, and the Chesapeake Bay. For Alexandria, this means approximately \$400 to \$600 million in investments to its combined sewer system over the next 6 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 for urban stormwater discharges must achieve increasing pollution reduction goals enforced through three 5-year MS4 permit cycles. Accordingly, the City was required to achieve 5 percent of the pollution reduction targets during the 2013 – 2018 permit, with an additional 35% (40% total) required by the end of the current 2018-2023 MS4 permit, and the remaining 60% (100% total) on or before the end of the 2023 – 2028 MS4 permit as part of the Stormwater Management Program. The estimated cost of Stormwater Management Program infrastructure improvements over this period is between \$50 million and \$75 million. Additionally, the region and the City have experienced unprecedented intense rainfall events that are occurring more frequently and creating urban and flash flooding that threatens homes and businesses, causing damages to structures and endangering lives. 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 management infrastructure improvements to meet the state and federal mandates in the MS4 permit and to mitigate the occurrence and impacts of flooding from more frequent and intense storm events. Collection of this fee began in Calendar Year 2018, with the typical single-family home billed approximately \$140 per year.

The City also maintains the wastewater collection system serving residents and businesses that comprises of approximately 240 miles of sewers. Alexandria Renew Enterprises, an independent governmental authority, provides wastewater treatment services to most of the City and to a portion of southern Fairfax County. 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 approaching full utilization by about 2040. Based on these projections, an additional 4 MGD capacity will be needed beyond 2040. In order to provide this additional capacity for City, alternatives need to be evaluated that may include purchasing portion of Fairfax's capacity at the plant and/or implementing plant systems upgrades.

In addition to federal mandates concerning the Chesapeake Bay, the 2017 Virginia General Assembly (CSO) Combined Sewer Outflow Law (CSO Law) required the City to accelerate its efforts to address combined sewer discharges from all four outfalls in the City. A CSO system in Old Town currently comprises approximately 540 acres of the approximate 10,000 acres of land in the City. The CSO Law 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") also known as the RiverRenew program. The LTCPU was developed as a partnership between the City and Alexandria Renew Enterprises, which allowed for the leveraging of both the City's and Alexandria Renew Enterprises' experience and abilities. City Council also authorized transfer of Combined Sewer Outfalls to Alexandria Renew Enterprises. Accordingly, the Outfall Transfer Agreement was executed and combined sewer outfalls were transferred to Alexandria Renew Enterprises effective July 1, 2018.

The RiverRenew program led by Alexandria Renew Enterprises is anticipated to cost \$615 million with the goal of reducing overflows from the Combined Sewer System from an average of about 70 events to less than 4 per year. In 2019, the Virginia General Assembly approved \$25 million in State support for this project. The City and Alexandria Renew Enterprises are currently seeking an additional \$65 million from the State upcoming biennial

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Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

budgets. The outfall transfer allows Alexandria Renew Enterprises to own all of the combined sewer outfalls and then finance and contract to own the proposed River Renew project, consisting of a unified tunnel and dual use wet weather treatment infrastructure. Alexandria Renew Enterprises would also debt finance this CSO project and increase its user rates to repay bonds issued for the CSO project. The City continues to coordinate with Alexandria Renew Enterprises on wet weather flow management mitigation initiatives, such as City's infiltration and inflow program, and RiverRenew program.

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Notes to Financial Statements
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Exhibit XII
(Continued)

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, 2021, are comprised of the following individual issues:

| | | | |
|-----|---|----|-------------|
| 1. | \$49.8 million General Obligation Refunding Bond of 2020, installments ranging from \$0.39 million to \$9.99 million through 2033, bearing interest rates ranging from 0.45 to 1.95 percent payable semiannually on June 15 and December 15, and maturing on June 15, 2033. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after June 15, 2030. | \$ | 49,800,000 |
| 2. | \$204.0 million General Obligation Capital Improvement Bonds of 2019, installments ranging from \$0.5 million to \$46.2 million through 2050, bearing interest rates ranging from 2.1 percent to 5.0 percent payable semiannually on January 15 and July 15, and maturing on July 15, 2050. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July 15, 2030. | | 204,080,000 |
| 3. | \$40.9 million General Obligation Capital Improvement Bonds of 2018, installments ranging from \$0.75 million to \$2.15 million through 2038, bearing interest rates ranging from 2.9 percent to 5.0 percent payable semiannually on January 15 and July 15, and maturing on July 15, 2038. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July 15, 2028. | | 38,675,000 |
| 4. | \$34.9 million General Obligation Refunding Bond of 2017, installments ranging from \$3.0 million to \$4.0 million through 2030, bearing interest rate 5.0 percent payable semiannually on January 1 and July 1, and maturing on July 1, 2030. The Bonds are not subject to optional redemption prior to their maturities. | | 34,905,000 |
| 5. | \$102.2 million General Obligation Refunding Bond of 2017, installments ranging from \$0.5 million to \$11.7 million through 2032, bearing interest rates ranging from 3.0 percent to 5.0 percent payable semiannually on January 1 and July 1, and maturing on July 1, 2032. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July 1, 2027. | | 94,570,000 |
| 6. | \$4.4 million General Obligation Capital Improvement Bonds of 2017 (taxable), installments ranging from \$0.21 million to \$0.22 million through 2037, bearing interest rates ranging from 2.4 percent to 3.4 percent payable semiannually on January 15 and July 15, and maturing on July 15, 2037. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July 15, 2027. | | 3,720,000 |
| 7. | \$94.7 million General Obligation Capital Improvement Bonds of 2017 (tax exempt), installments ranging from \$2.0 million to \$5.0 million through 2037, 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, 2037. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July 15, 2027. | | 84,685,000 |
| 8. | \$34.2 million General Obligation Refunding Bond of 2016 (tax exempt), installments ranging from \$0.4 million to \$4.1 million 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. | | 32,657,000 |
| 9. | \$73.7 million General Obligation Capital Improvement Bonds of 2016 (tax exempt), installments ranging from \$1.4 million to \$4.0 million 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 15, 2026. | | 63,920,000 |
| 10. | \$10.6 million General Obligation Refunding Bonds (taxable) of 2015, installments ranging from \$1.0 million to \$1.1 million through 2028, bearing interest rates ranging from 0.9 percent 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. | | 5,485,000 |
| 11. | \$23.2 million General Obligation Capital Improvement (tax-exempt) Bonds of 2015, installments ranging from \$1.1 million to \$1.2 million through 2035, bearing interest rates ranging from 3.0 percent 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 discretion of the City on or after July 15, 2025. | | 17,390,000 |

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Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

| | | |
|-----|---|----------------|
| 12. | \$34.0 million General Obligation (tax-exempt) Refunding Bonds of 2015, installments ranging from \$0.4 million 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. | 31,430,000 |
| 13. | \$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. | 19,795,000 |
| 14. | \$63.8 million General Obligation (tax-exempt) Refunding Bonds of 2013, installments averaging \$3.3 million through 2023, bearing interest at 5.0 percent. The Bonds maturing on or before June 15, 2023 are not subject to redemption prior to maturity. | 6,610,000 |
| 15. | \$76.8 million General Obligation Capital Improvement (tax-exempt) Bonds of 2012, installments ranging from \$200,000 to \$4.0 million through 2022, bearing interest at 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 their maturity. | 4,000,000 |
| 16. | \$17.3 million General Obligation (tax-exempt) Refunding Bonds of 2012, installments ranging from \$70,000 to \$5.6 million through 2022, 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. | 8,635,000 |
| 17. | \$70.0 million General Obligation (tax-exempt) Refunding Bonds of 2011, installments ranging from \$1.0 million to \$3.8 million through 2021, 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 optional redemption. | 3,760,000 |
| | Total | \$ 704,117,000 |

CITY OF ALEXANDRIA, VIRGINIA
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Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The outstanding bonds listed below have been issued. The maturity dates are noted in fiscal year format.

1. General Obligation Refunding Bonds of 2020

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|--------------|----------------------|-------------|---|
| 0153027AA8 | \$ 9,340,000 | 0.45% | 2023 |
| 0153027AB6 | 9,990,000 | 0.70% | 2024 |
| 0153027AC4 | 3,085,000 | 0.80% | 2025 |
| 0153027AD2 | 390,000 | 1.00% | 2026 |
| 0153027AE0 | 395,000 | 1.15% | 2027 |
| 0153027AF7 | 2,195,000 | 1.35% | 2028 |
| 0153027AG5 | 6,135,000 | 1.40% | 2029 |
| 0153027AH3 | 6,030,000 | 1.50% | 2030 |
| 0153027AJ9 | 4,130,000 | 1.70% | 2031 |
| 0153027AK6 | 4,080,000 | 1.80% | 2032 |
| 0153027AL4 | 4,030,000 | 1.95% | 2033 |
| | <u>\$ 49,800,000</u> | | |

2. General Obligation Capital Improvement Bonds of 2019A

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|--------------|-----------------------|-------------|---|
| 0153027B2 | \$ 500,000 | 5.00% | 2021 |
| 0153027C0 | 1,120,000 | 5.00% | 2022 |
| 0153027D8 | 1,120,000 | 5.00% | 2023 |
| 0153027E6 | 1,120,000 | 5.00% | 2024 |
| 0153027F3 | 1,120,000 | 5.00% | 2025 |
| 0153027G1 | 1,120,000 | 5.00% | 2026 |
| 0153027H9 | 3,450,000 | 5.00% | 2027 |
| 0153027J5 | 3,730,000 | 5.00% | 2028 |
| 0153027K2 | 4,010,000 | 5.00% | 2029 |
| 0153027L0 | 4,285,000 | 5.00% | 2030 |
| 0153027M8 | 4,580,000 | 5.00% | 2031 |
| 0153027N6 | 4,895,000 | 5.00% | 2032 |
| 0153027P1 | 5,205,000 | 4.00% | 2033 |
| 0153027Q9 | 6,650,000 | 2.13% | 2034 |
| 0153027R7 | 7,610,000 | 3.00% | 2035 |
| 0153027S5 | 8,570,000 | 2.25% | 2036 |
| 0153027T3 | 9,365,000 | 3.00% | 2037 |
| 0153027U0 | 9,615,000 | 3.00% | 2038 |
| 0153027V8 | 9,855,000 | 2.63% | 2039 |
| 0153027W6 | 10,090,000 | 2.63% | 2040 |
| 0153027X4 | 9,235,000 | 3.00% | 2041 |
| 0153027Y2 | 9,515,000 | 3.00% | 2042 |
| 0153027Z9 | 9,805,000 | 3.00% | 2043 |
| 0153028C9 | 31,235,000 | 3.00% | 2044-2046 |
| 0153028G0 | 46,280,000 | 3.00% | 2047-2050 |
| | <u>\$ 204,080,000</u> | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

3. General Obligation Capital Improvement Bonds of 2018C

| CUSIP | Issue | Rate | <u>Maturity Date</u> July 15, |
|--------------|----------------------|-------------|--|
| 0153026H0 | 2,150,000 | 5.00% | 2021 |
| 0153026J6 | 2,150,000 | 5.00% | 2022 |
| 0153026K3 | 2,150,000 | 5.00% | 2023 |
| 0153026L1 | 2,150,000 | 5.00% | 2024 |
| 0153026M9 | 2,150,000 | 5.00% | 2025 |
| 0153026N7 | 2,150,000 | 5.00% | 2026 |
| 0153026P2 | 2,150,000 | 5.00% | 2027 |
| 0153026Q0 | 2,150,000 | 5.00% | 2028 |
| 0153026R8 | 2,150,000 | 5.00% | 2029 |
| 0153026S6 | 2,150,000 | 2.90% | 2030 |
| 0153026T4 | 2,150,000 | 3.00% | 2031 |
| 0153026U1 | 2,150,000 | 3.10% | 2032 |
| 0153026V9 | 2,150,000 | 3.15% | 2033 |
| 0153026W7 | 2,145,000 | 3.20% | 2034 |
| 0153026X5 | 2,145,000 | 3.25% | 2035 |
| 0153026Y3 | 2,145,000 | 3.30% | 2036 |
| 0153026Z0 | 2,145,000 | 3.35% | 2037 |
| 0153027A4 | 2,145,000 | 3.40% | 2038 |
| | <u>\$ 38,675,000</u> | | |

4. General Obligation Refunding Bond of 2017D

| CUSIP | Issue | Rate | <u>Maturity Date</u> July 1, |
|--------------|----------------------|-------------|---|
| 0153025V0 | 2,950,000 | 5.00% | 2021 |
| 0153025W8 | 2,995,000 | 5.00% | 2022 |
| 0153025X6 | 3,035,000 | 5.00% | 2023 |
| 0153025Y4 | 3,075,000 | 5.00% | 2024 |
| 0153025Z1 | 3,110,000 | 5.00% | 2025 |
| 0153026A5 | 3,850,000 | 5.00% | 2026 |
| 0153026B3 | 3,900,000 | 5.00% | 2027 |
| 0153026C1 | 3,945,000 | 5.00% | 2028 |
| 0153026D9 | 3,995,000 | 5.00% | 2029 |
| 0153026E7 | 4,050,000 | 5.00% | 2030 |
| | <u>\$ 34,905,000</u> | | |

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Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

5. General Obligation Refunding Bond of 2017C

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 1,</u> |
|---------------------|----------------------|--------------------|--|
| 0153025C2 | 2,130,000 | 5.00% | 2021 |
| 0153025E8 | 500,000 | 3.00% | 2021 |
| 0153025D0 | 500,000 | 3.50% | 2021 |
| 0153025F5 | 8,985,000 | 5.00% | 2022 |
| 0153025G3 | 2,000,000 | 3.00% | 2022 |
| 0153025H1 | 10,595,000 | 5.00% | 2023 |
| 0153025J7 | 10,645,000 | 5.00% | 2024 |
| 0153025K4 | 11,450,000 | 5.00% | 2025 |
| 0153025L2 | 11,555,000 | 5.00% | 2026 |
| 0153025M0 | 11,665,000 | 5.00% | 2027 |
| 0153025N8 | 7,695,000 | 5.00% | 2028 |
| 0153025P3 | 7,670,000 | 3.00% | 2029 |
| 0153025Q1 | 3,085,000 | 4.00% | 2030 |
| 0153025R9 | 3,060,000 | 4.00% | 2031 |
| 0153025S7 | 3,035,000 | 4.00% | 2032 |
| | \$ 94,570,000 | | |

6. General Obligation Bonds (taxable) of 2017B

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>July 15,</u> |
|---------------------|---------------------|--------------------|------------------------|
| 0153024G4 | 220,000 | 2.75% | 2021 |
| 0153024H2 | 220,000 | 3.00% | 2022 |
| 0153024J8 | 220,000 | 3.00% | 2023 |
| 0153024K5 | 220,000 | 3.00% | 2024 |
| 0153024L3 | 220,000 | 2.65% | 2025 |
| 0153024M1 | 220,000 | 2.75% | 2026 |
| 0153024N9 | 220,000 | 2.85% | 2027 |
| 0153024P4 | 220,000 | 3.00% | 2028 |
| 0153024Q2 | 220,000 | 3.10% | 2029 |
| 0153024R0 | 220,000 | 3.20% | 2030 |
| 0153024S8 | 220,000 | 3.25% | 2031 |
| 0153024T6 | 220,000 | 3.30% | 2032 |
| 0153024U3 | 220,000 | 3.30% | 2033 |
| 0153024V1 | 215,000 | 3.30% | 2034 |
| 0153024W9 | 215,000 | 3.35% | 2035 |
| 0153024X7 | 215,000 | 3.35% | 2036 |
| 0153024Y5 | 215,000 | 3.40% | 2037 |
| | \$ 3,720,000 | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

7. General Obligation Capital Improvement Bonds of 2017A

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|--------------|----------------------|-------------|---|
| 0153023L4 | 4,985,000 | 5.00% | 2021 |
| 0153023M2 | 4,985,000 | 5.00% | 2022 |
| 0153023N0 | 4,985,000 | 5.00% | 2023 |
| 0153023P5 | 4,985,000 | 5.00% | 2024 |
| 0153023Q3 | 4,985,000 | 5.00% | 2025 |
| 0153023R1 | 4,980,000 | 5.00% | 2026 |
| 0153023S9 | 4,980,000 | 5.00% | 2027 |
| 0153023T7 | 4,980,000 | 5.00% | 2028 |
| 0153023U4 | 4,980,000 | 2.00% | 2029 |
| 0153023V2 | 4,980,000 | 3.00% | 2030 |
| 0153023W0 | 4,980,000 | 5.00% | 2031 |
| 0153023X8 | 4,980,000 | 3.00% | 2032 |
| 0153023Y6 | 4,980,000 | 3.00% | 2033 |
| 0153023Z3 | 4,980,000 | 3.00% | 2034 |
| 0153024A7 | 4,980,000 | 3.25% | 2035 |
| 0153024B5 | 4,980,000 | 3.25% | 2036 |
| 0153024C3 | 4,980,000 | 3.25% | 2037 |
| | <u>\$ 84,685,000</u> | | |

8. General Obligation Refunding Bond of 2016B

| <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|----------------------|-------------|---|
| 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 |
| <u>\$ 32,657,000</u> | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

9. General Obligation Bonds of 2016A

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|---------------------|-----------------------------|--------------------|---|
| 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 |
| 0153023E0 | 3,995,000 | 3.00% | 2034 |
| 0153023F7 | 3,995,000 | 3.00% | 2035 |
| 0153023G5 | 3,995,000 | 3.00% | 2036 |
| | <u>\$ 63,920,000</u> | | |

10. General Obligation Bonds (taxable) of 2015C

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|---------------------|----------------------------|--------------------|---|
| 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 |
| | <u>\$ 5,485,000</u> | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

11. General Obligation Capital Improvement Bonds of 2015B

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|--------------|----------------------|-------------|---|
| 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 |
| | <u>\$ 17,390,000</u> | | |

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

| <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|----------------------|-------------|---|
| 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 |
| <u>\$ 31,430,000</u> | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

13. General Obligation Capital Improvement Bonds of 2014B

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>January 15,</u> |
|--------------|----------------------|-------------|--|
| 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 | - | 4.00% | 2028 |
| 015302W57 | - | 4.00% | 2029 |
| 015302X31 | - | 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 |
| | <u>\$ 19,795,000</u> | | |

14. General Obligation Capital Improvement Bonds of 2013

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>June 15,</u> |
|--------------|---------------------|-------------|---|
| 015302T44 | 3,305,000 | 5.00% | 2022 |
| 015302T51 | 3,305,000 | 5.00% | 2023 |
| | <u>\$ 6,610,000</u> | | |

15. Public Improvement Bonds of 2012 B

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>June 15,</u> |
|--------------|---------------------|-------------|---|
| 015302P71 | 4,000,000 | 5.00% | 2022 |
| | <u>\$ 4,000,000</u> | | |

16. Refunding Bonds of 2012

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>June 15,</u> |
|--------------|---------------------|-------------|---|
| 015302N40 | 8,635,000 | 4.00% | 2022 |
| | <u>\$ 8,635,000</u> | | |

17. Public Improvement Bonds of 2011

| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>July 15,</u> |
|--------------|---------------------|-------------|---|
| 015302K84 | 3,760,000 | 4.00% | 2021 |
| | <u>\$ 3,760,000</u> | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The requirements to pay all long-term bonds as of June 30, 2021, including interest payments of \$233.5 million, are summarized as follows:

| <u>Fiscal Year</u> | <u>Serial Bonds Principal</u> | <u>Interest</u> |
|--------------------|-----------------------------------|-----------------------|
| 2022..... | \$ 45,546,000 | \$ 24,171,420 |
| 2023..... | 46,934,000 | 22,061,402 |
| 2024..... | 43,842,000 | 20,316,049 |
| 2025..... | 43,614,000 | 18,634,234 |
| 2026..... | 41,546,000 | 16,913,681 |
| 2027-2031..... | 191,796,000 | 60,630,884 |
| 2032-2036..... | 116,454,000 | 34,086,714 |
| 2037-2051..... | 174,385,000 | 36,667,266 |
| | <u>\$ 704,117,000</u> | <u>\$ 233,481,650</u> |

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 Schools. The City received \$0.3 million in Build America Bonds interest subsidy payments in early FY 2021. All Build America Bonds have been refunded and the City will receive no additional interest subsidy payments.

Legal Debt Margin - The City has no overlapping debt with other jurisdictions. As of June 30, 2021, the City had a legal debt limit of \$4.3 billion and a debt margin of \$3.5 billion:

| | |
|---|--------------------|
| Assessed Taxable Value of Real Property, January 1, 2020 | \$43,826,796,330 |
| Constitution Debt Limit (10% of Assessed Taxable Value) | 4,382,679,633 |
| Outstanding General Obligation Indebtedness as of June 30, 2021 | |
| Governmental Activities – General Obligation Debt | <u>704,117,000</u> |
| Net Indebtedness subject to debt limit | <u>704,117,000</u> |
| Legal Debt Margin Remaining | \$3,678,562,633 |
| Percentage of net debt margin available | 83.9% |

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, 2021, are summarized below:

| | Authorized and Unissued July 1, 2020 | Authorized | Issued | Expired | Authorized and Unissued June 30, 2021 |
|--------------------------|---|-------------------|---------------|----------------|--|
| General Obligation Bonds | \$28,075,000 | \$336,800,000 | \$0.00 | \$28,075,000 | \$336,800,000 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

On November 11, 2020, the City Council issued \$49.8 million in General Obligation Refunding Bonds. The \$49.8 million in bonds were issued with an original premium of \$89,196 and a true interest cost of 1.45 percent.

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. The lines of credit will be available for five years and will be used for cash flow purposes, to fund various capital improvement projects, enabling the City to save debt service costs of general obligation bonds.

Other short-term liabilities represent unclaimed money and deposits.

On January 26, 2021, City Council passed a reimbursement resolution, declaring the intent to use on hand bond resources to make expenditures and then reimburse itself from the proceeds of future debt obligations for capital expenditures. These expenditures of up to \$120 million are for projects already approved in the Capital Improvement Program in FY 2020 and FY 2021. The obligations are anticipated to finance projects for the Alexandria City Public Schools in the amount of \$90 million, projects related to city buildings and facilities in the amount of \$10 million and sewer infrastructure projects totaling \$20 million. The general obligation bonds are expected to be issued in the Fall of 2021 and 2022.

Changes in Long-Term Liabilities - Changes in the total long-term liabilities during the fiscal year ended June 30, 2021 are summarized below. In general, the City uses the General Fund to liquidate long-term liabilities.

| | Balance | | | Balance | | Amounts Due Within One Year |
|------------------------------|-------------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------------------|
| | July 1, 2020 | Additions | Reductions | June 30, 2021 | | |
| General Obligation Bonds | \$ 747,911,000 | \$ 49,800,000 | \$ 93,594,000 | \$ 704,117,000 | \$ 47,529,000 | |
| Bond Premium | 77,388,708 | 87,196 | 5,811,536 | 71,664,368 | 5,811,536 | |
| Workers' Compensation Claims | 21,309,057 | 2,931,873 | 4,293,674 | 19,947,256 | 3,810,293 | |
| Accrued Compensated Absences | 28,202,197 | 14,043,849 | 13,419,253 | 28,826,793 | 3,536,580 | |
| Net Pension Liability | 185,290,567 | - | 64,506,460 | 120,784,107 | - | |
| Net OPEB Liability | 50,704,397 | - | 26,320,913 | 24,383,484 | - | |
| Total | \$ 1,110,805,926 | \$ 66,862,918 | \$ 207,945,836 | \$ 969,723,008 | \$ 60,687,409 | |

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, 2021: | |
| Long-term liabilities (detail above) | \$ 969,723,008 |
| Accrued interest payable | <u>1,094,386</u> |
| Adjustment | <u>\$ 970,817,394</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

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:

| | | |
|-----------------------------|----|---------------------|
| Compensated absences | \$ | 624,596 |
| Workers compensation | | (1,361,801) |
| Discount and interest | | (5,724,340) |
| Accrued interest on bonds | | (271,671) |
| Net Adjustment | \$ | <u>(6,733,216)</u> |
| | | |
| Change in Pension Liability | | (64,506,460) |
| Change in OPEB Liability | | (26,320,913) |
| Net Adjustment | \$ | <u>(90,827,373)</u> |

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

Pension and OPEB Adjustment

| | | |
|---------------------------------|----|---------------------|
| Pension expense, Note 17 | \$ | 18,581,049 |
| Contributions, measurement date | | |
| City Single Agency & VRS FY21 | | <u>(40,359,624)</u> |
| Net Pension Expense | | (21,778,575) |
| | | |
| OPEB Expense, Note 16 | | 963,654 |
| Contributions, measurement date | | |
| City OPEB FY21 | | <u>(8,504,564)</u> |
| Net OPEB Adjustment | | <u>(7,540,910)</u> |
| Adjustment to Exhibit IV | \$ | <u>(29,319,485)</u> |

Reconciliation to Net position:

Deferred Inflows

| | | |
|---|----|----------------------|
| Deferred Inflows: Exhibit III | \$ | 359,757,431 |
| Tax Receivable, Note I | | 11,573,318 |
| Deferred Gain on Refunding Bonds, Note I | | <u>19,537,062</u> |
| Adjustment, Exhibit III | | <u>31,110,380</u> |
| Deferred Inflows, Taxes Exhibit I | | <u>348,184,113</u> |
| | | |
| Deferred Inflows, Pensions | | (97,225,935) |
| Deferred Inflows, OPEB | | <u>(29,801,382)</u> |
| Deferred Inflows, Pensions & OPEB Exhibit I | \$ | <u>(127,027,317)</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Component Unit – Schools

| | Balance | | | Balance | | Amounts Due Within One Year | Long Term Payable |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|-----------------------------------|----------------------|
| | July 1, 2020 | Additions | Reductions | June 30, 2021 | | | |
| Compensated Absences | \$ 10,045,187 | \$ 17,371,676 | \$ 16,916,138 | \$ 10,500,725 | \$ 986,635 | \$ 9,514,090 | |
| Workers' Compensation Claims | 1,499,020 | 1,881,648 | 899,261 | 2,481,407 | 1,736,985 | 744,422 | |
| Capital Leases | 639,474 | - | 639,474 | - | - | - | |
| Rent Abatement Accrual | 1,892,439 | - | 212,244 | 1,680,195 | 212,244 | 1,467,951 | |
| Net Pension Liability | 251,317,609 | 121,866,389 | 81,248,215 | 291,935,783 | - | 291,935,783 | |
| Net OPEB Obligation | 46,784,479 | 10,507,055 | 14,776,912 | 42,514,622 | - | 42,514,622 | |
| Total | \$ 312,178,208 | \$ 151,626,768 | \$ 114,692,244 | \$ 349,112,732 | \$ 2,935,864 | \$ 346,176,868 | |

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, 2021, \$136.86 million of bonds outstanding were considered defeased.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

Primary Government

This balance represents timing differences related to accounts receivable.

| Transfers: | General | Special Revenue | Internal Service | Capital Projects | Total Transfers In |
|---------------------------|-----------------------|------------------------|-------------------------|-------------------------|---------------------------|
| Primary Government | | | | | |
| General Fund | \$ - | \$ 8,832,247 | \$ 414,180 | \$ - | \$ 9,246,427 |
| Special Revenue | 75,809,799 | (662,077) | 281,517 | - | 75,429,239 |
| Capital Projects | 38,738,144 | 8,576,496 | - | - | 47,314,640 |
| Alexandria Transit | 5,808,853 | 16,686,497 | - | - | 22,495,350 |
| Total Transfers Out | <u>120,356,796</u> | <u>33,433,163</u> | <u>695,697</u> | <u>-</u> | <u>154,485,656</u> |
| Component Unit | | | | | |
| Schools | 234,037,296 | - | - | 10,910,634 | 244,947,930 |
| Library | 7,379,204 | - | - | - | 7,379,204 |
| Total Transfers Out | <u>\$ 241,416,500</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,910,634</u> | <u>\$ 252,327,134</u> |

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 \$6.6 million in capital assets to Alexandria Transit in FY 2021.

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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 disallowed 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 \$233.0 million in FY 2021. Sources of these revenues were as follows:

| | |
|---|------------------------------|
| GOVERNMENTAL FUNDS | |
| Federal Government | \$ 63,615,848 |
| Commonwealth of Virginia | <u>83,941,110</u> |
| Total Primary Government | <u><u>147,556,958</u></u> |
| | |
| FEDERAL GOVERNMENT | |
| Schools | <u>28,231,638</u> |
| Component Units - Federal Government | <u><u>28,231,638</u></u> |
| | |
| COMMONWEALTH OF VIRGINIA | |
| Schools | 57,331,565 |
| Library | <u>208,533</u> |
| Component Units - Commonwealth of Virginia | <u><u>57,540,098</u></u> |
| | |
| Total Component Units | <u><u>85,771,736</u></u> |
| | |
| TOTAL CITY AND COMPONENT UNITS | |
| Federal Government | 91,847,486 |
| Commonwealth of Virginia | <u>141,481,208</u> |
| Total Intergovernmental Revenue | <u><u>\$ 233,328,694</u></u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 13. DUE FROM OTHER GOVERNMENTS

Due from other governments represents accrued revenue at June 30, 2021, consisting of the following:

PRIMARY GOVERNMENT

State

| | | |
|-----------------------|----|------------|
| General Fund | \$ | 30,759,657 |
| Special Revenue Fund | | 3,281,989 |
| Capital Projects Fund | | 1,762,076 |
| Alexandria Transit | | 542,758 |
| Total State | | 36,346,480 |

Federal

| | | |
|----------------------|--|-----------|
| General Fund | | 573,279 |
| Special Revenue Fund | | 2,420,639 |
| Total Federal | | 2,993,918 |

| | | |
|--------------------------|--|------------|
| Total Primary Government | | 39,340,398 |
|--------------------------|--|------------|

COMPONENT UNITS

State

| | | |
|-------------|--|-----------|
| Schools | | 2,110,552 |
| Total State | | 2,110,552 |

Federal

| | | |
|---------------|--|-----------|
| Schools | | 7,579,618 |
| Total Federal | | 7,579,618 |

| | | |
|-----------------------|--|-----------|
| Total Component Units | | 9,690,170 |
|-----------------------|--|-----------|

| | | |
|---|-----------|-------------------|
| Total Primary Government & Component Units | \$ | 49,030,568 |
|---|-----------|-------------------|

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 14. JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain: (1) an ongoing financial interest or (2) an ongoing financial responsibility.

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 \$6.6 million in 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 million 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 2021, the City paid \$0.7 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 \$1.5 million in FY 2021.

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. 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.

D. Virginia Railway Express (VRE)

In July 2014, the City entered an amended agreement with the Northern Virginia Transportation Commission (NVTC), the Potomac and Rappahannock Transportation Commission (PRTC), and several jurisdictions in Northern Virginia to provide commuter rail services. The commuter rail service is known as Virginia Railway Express (VRE). In fiscal year 2021, the City made payments of \$0.1 million to VRE.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 15. RELATED PARTY TRANSACTIONS

Related parties include, but are not limited to, members of the governing board, administrative boards or commissions, administrative officials and their immediate families, component units and joint ventures, and affiliated or related organizations that are not included as part of the financial reporting entity, and transactions with related parties are defined.

A. Alexandria Housing Development Corporation (AHDC)

AHDC is an affordable housing provider.

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, AHDC, and Pulte Homebuilders. None of these related entities are 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 and is operational and occupied.

The Bloom (Carpenter Shelter Project)

In December 2016 City Council approved a loan in the amount of \$7.1 million for AHDC's Bloom project. In June 2018, the project was awarded LIHTC credits by VHDA. On September 11, 2018 City Council approved additional loan funds in the amount of \$1.7 million for the project. The project is scheduled to be completed in November 2020 and is operational and occupied.

B. Arlington Housing Corporation, Inc (AHC)

AHC is an affordable housing provider.

East Reed LLC (ERLLC)

In February 2013, the City of Alexandria created a special purpose entity, ERLLC, to enter into a public-private partnership arrangement with nonprofit housing developer, 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), and 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 million residual receipts loan agreement.

St. James Plaza

On January 24, 2015, City Council approved a loan in the amount of \$5.7 million for the AHC St James Plaza project. In June 2015, the project was awarded LIHTC credits by VHDA. The project was completed in 2018 and is operational and occupied.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 15. RELATED PARTY TRANSACTIONS (Continued)

Church of Resurrection

On January 20, 2018, the City Council approved a loan in the amount of \$9.0 million for the AHC Church of the Resurrection project. In June 2018, the project was awarded LIHTC credits by VHDA. On April 23, 2019 City Council approved an additional \$0.9 million. The City has distributed \$0.4 million in predevelopment funds previously and closed on the full loan in FY 2019 with all funds now disbursed. The project was completed in Spring 2021 and is operational and occupied.

C. Alexandria Redevelopment and Housing Authority (ARHA)

ARHA is a public agency established under the Housing Authority Law, Chapter 1 Title 36 of the Code of Virginia of 1938. The agency develops a variety of housing projects around the City.

Ramsey Homes

On May 22, 2018 the City Council approved a loan in the amount of \$3.6 million for ARHA's Ramsey Homes project. In June 2017, the project was awarded LIHTC credits by VHDA. On October 22, 2019 the City Council approved additional loan funds in the amount of \$1.4 million for ARHA's Ramsey Home project. The project was completed in Spring 2021 and is operational and occupied.

D. Wesley Housing Development Corporation (Wesley)

Wesley is an affordable housing provider.

The Waypoint

On November 17, 2018, the City Council approved a loan in the amount of \$7.65 million for the Wesley Waypoint project. In June 2019, the project was awarded LIHTC credits by VHDA. The City has distributed \$0.4 million in predevelopment funds previously and closed on the full loan in FY 2021 with all funds now disbursed. The project is schedule to be completed in Spring/Summer 2022.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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 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 benefits under this provision.

Full-time employees who retire under a primary City-sponsored retirement plan may continue to participate in a City-sponsored health insurance plan as a retiree. The City also offers a reimbursement program that is based on the actual cost of the retiree's monthly health care premium up to a maximum amount determined by the City Council. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. In FY 2021, 386 retirees participated in the reimbursement program. 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. In FY 21, 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 \$2.4 million. Employees hired after June 30, 2008 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 to regular full-time employees hired prior to July 1, 2009, at no cost to the employee. At retirement, full-time regular employees hired before July 1, 2009, are eligible for basic life insurance at two times their salary as of the last January 1st rounded up to the nearest \$1,000, with applicable reductions after age 65. On January 1, following the 65th birthday, the basic life insurance amount is reduced by 25 percent and then by 10 percent each year until the 70th birthday. The ultimate insurance amount is 25 percent of the salary.

The City follows the guidance in Statements No. 74 and 75 of the Governmental Accounting Standards Board (GASB), Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions.

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 Annual Comprehensive Financial Report.

Plan Administration

The City's OPEB Plan, which includes the Line of Duty Act benefits (LODA), is one plan and is overseen 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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, all transactions shall be made 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 asset allocation as of June 30, 2021.

Target Allocations

| <u>Asset Class</u> | <u>Target Allocation</u> |
|---------------------------------|--------------------------|
| Large Cap Growth | 10% |
| Large Cap Value | 15% |
| Mid Cap Core | 10% |
| Private Equity | 5% |
| Small Cap Core | 5% |
| International Developed Markets | 10% |
| Emerging Markets | 15% |
| Fixed Income Domestic | 10% |
| Tactical Asset Allocation | 5% |
| Timber | 5% |
| Real Estate | 5% |
| Farmland | 5% |
| Total | <u>100%</u> |

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 34.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

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 in which funds were invested, taking the arithmetic mean and adjusting it for inflation of 2.50 percent. The long term expected rates of return for each major asset class as of June 30, 2021 are summarized in the following table.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

| <u>Asset Class</u> | <u>Long Term Expected Rate of Return</u> |
|--|--|
| Diversified Assets | 0.4% |
| Equity | 6.4% |
| Real Assets | 0.9% |
| Fixed Income | 0.7% |
| Return | 8.4% |
| Inflation | 2.2% |
| Return w/ Inflation | 10.6% |
| Risk Adjustment | -1.5% |
| Total Expected Arithmetic Nominal Return | 9.1% |

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, 2020. An expected contribution rate is calculated each year based on the current funding policy. The long-term expected rate of return used for funding purposes in the December 31, 2020 actuarial reports was 7.00 percent.

Membership

At January 1, 2021, membership consisted of:
Retirees and Beneficiaries Currently Receiving

| | |
|---|--------------|
| Benefits | 1,537 |
| Terminated Employees Entitled to Benefits But not yet receiving them | --- |
| Active Employees | <u>2,301</u> |
| TOTAL | <u>3,838</u> |

Contributions

The City established a Single Employer Other Post-Employment Benefit Trust Plan (OPEB) and funds the obligation through this Trust Fund using a phased in approach. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. Line of Duty Act (LODA) is part of the OPEB Trust Fund. OPEB Trust Fund contributions are comprised of contributions to the Trust Fund and Pay-Go Contributions.

| | <u>OPEB</u> | <u>LODA</u> | <u>Total</u> |
|--------------------------|---------------------|---------------------|---------------------|
| Trust Fund Contributions | \$ 88,830 | \$ 1,050,000 | \$ 1,138,830 |
| Pay Go Contributions | 5,891,226 | 1,474,508 | 7,365,734 |
| | <u>\$ 5,980,056</u> | <u>\$ 2,524,508</u> | <u>\$ 8,504,564</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

Annual OPEB Costs and Net OPEB Liability

The City is responsible for funding benefits required under the Virginia Line of Duty Act. LODA retirees must elect a plan administered through the Virginia Department of Human Resources (DHRM). The City pays DHRM the premiums for covered retirees, spouses, and widows. The OPEB Trust Fund is comprised of regular OPEB benefits and LODA benefits. Separate actuarial reports are generated for each plan.

The City's GASB requirements fall under GASB 74 and 75 and the entire OPEB liability has been recorded on the balance sheet. Under the current method of actuarial funding, the City contributes the entire Actuarially Determined Contribution (ADC). The ADC decreased from \$7.3 million as of June 30, 2020 to \$3.6 million as of June 30, 2021.

The Statement of Fiduciary Net Position for the City's OPEB plan is included as Exhibit VIII and in note 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.

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 the Fire and Police Members are the assumptions that were adopted by the City of Alexandria Firefighters and Police Officers Pension Plan Board based upon the results of an actuarial experience study covering the period July 1, 2013 through June 30, 2017. The actuarial assumptions for the City Members are similar to the assumptions that were adopted by the City of Alexandria Supplemental Retirement Plan Board based upon the results of an actuarial experience study covering the period July 1, 2010 through June 30, 2015. The City is now offering a high deductible health plan option for both UHC and Kaiser, but very few retirees are participating. Changes made can be referenced in the Required Supplemental Information.

In the actuarial valuations the same mortality rates are used for both OPEB and LODA. Mortality rates for Fire and Police were based on the SOA RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected fully generationally with scale MP-2017. The mortality rates for City employees were based on the RP-2000 Combined Mortality Table sex distinct for base rates. For mortality improvement, rates were projected generationally from the base year using a modified version of the MP-2015 projection scale. Disability mortality rates for Fire and Police were based on SOA RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected fully generationally with scale MP-2017. The disability mortality rates for City Employees were based on 70 percent of PBGC Disabled Mortality Table 5a for males, and 90 percent PBGC Disabled Mortality Table 6a for females.

For the December 31, 2020 actuarial valuations, the following assumptions apply to both OPEB and LODA valuation reports. The investment rate used was 7.00 percent. The entry-age actuarial cost method was used. For OPEB an annual medical cost trend rate of 6.90 percent for 2021 grading down to 3.12 percent over 19 years was used. For LODA non-Medicare an annual medical cost trend rate of 6.75 percent for 2021 grading down to 4.75 percent over 8 years, 5.25% for 2021 grading down to 4.75 percent over 3 years for Medicare was used. Salary scale ranges were from 3.25 percent for Fire and Police and 3.25 percent for City employees depending on service with 3.25 percent 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, 2020 was 17 years.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

Total OPEB Liability

The City of Alexandria's total OPEB liability of \$139,572,858 was measured as of June 30, 2021 and was determined by an actuarial valuation as of December 31, 2019, projected to June 30, 2021. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2021 and the Total OPEB Liability as of the valuation date, December 31, 2019, updated to June 30, 2021. There were no significant events between the valuation date and the measurement date.

Change in Net OPEB Liability for City of Alexandria

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|----------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
| Balances as of 6/30/2020 | \$ 135,592,067 | \$ 84,887,670 | \$ 50,704,397 |
| Changes for the year: | | | |
| Service cost | 2,889,520 | - | 2,889,520 |
| Interest | 9,337,427 | - | 9,337,427 |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | (158,892) | - | (158,892) |
| Difference between expected and actual experience | (721,530) | - | (721,530) |
| Contributions-employer | - | 8,504,564 | (8,504,564) |
| Contributions-member | - | - | - |
| Net Investment Income | - | 29,200,847 | (29,200,847) |
| Benefit payments | (7,365,734) | (7,365,734) | - |
| Administrative Expense | - | (37,973) | 37,973 |
| Net Changes | <u>3,980,791</u> | <u>30,301,704</u> | <u>(26,320,913)</u> |
| Balances at 6/30/2021 | <u>\$ 139,572,858</u> | <u>\$ 115,189,374</u> | <u>\$ 24,383,484</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$963,654.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 81,475 | \$ 5,932,932 |
| Changes of assumptions | 5,435,727 | 6,983,255 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 16,885,195 |
| Total | <u>\$ 5,517,202</u> | <u>\$ 29,801,382</u> |

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

| Year ended December 31: | | |
|--------------------------------|-----------|---------------------|
| 2022 | \$ | (5,321,249) |
| 2023 | | (5,333,908) |
| 2024 | | (6,284,992) |
| 2025 | | (7,197,294) |
| 2026 | | (146,737) |
| Total Future Deferrals | <u>\$</u> | <u>(24,284,180)</u> |

The components of the Net OPEB Liability of the City of Alexandria as of June 30, 2021 are as follows:

| | <u>Measurement Date</u> <u>6/30/2021</u> |
|-----------------------------|---|
| Total OPEB Liability | \$ 139,572,858 |
| Plan Fiduciary Net Position | 115,189,374 |
| Net OPEB Liability | <u>\$ 24,383,484</u> |

Plan Fiduciary Net Position as a percentage of Total OPEB Liability 82.5%

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 the discount rate that is 1.0 percent lower or higher than the current rate.

| Sensitivity of Net OPEB Liability to Changes in the Discount Rate | Current | | |
|--|----------------------|----------------------|----------------------|
| | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
| Total OPEB Liability | 6.00% | 7.00% | 8.00% |
| Total OPEB Liability | \$ 154,916,331 | \$ 139,572,858 | \$ 126,807,785 |
| Plan Fiduciary Net Position | 115,189,374 | 115,189,374 | 115,189,374 |
| Net OPEB Liability 6/30/2021 | <u>\$ 39,726,957</u> | <u>\$ 24,383,484</u> | <u>\$ 11,618,411</u> |
| Plan Fiduciary Net Position as a percentage of Total OPEB Liability | 74.4% | 82.5% | 90.8% |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

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 1.0 percent lower and 1.0 percent higher.

| Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Data | 1% Decrease | Healthcare Trend | 1% Increase |
|--|----------------------|----------------------|----------------------|
| Total OPEB Liability | \$ 133,203,189 | \$ 139,572,858 | \$ 147,070,148 |
| Plan Fiduciary Net Position | 115,189,374 | 115,189,374 | 115,189,374 |
| Net OPEB Liability 6/30/2021 | <u>\$ 18,013,815</u> | <u>\$ 24,383,484</u> | <u>\$ 31,880,774</u> |
| Plan Fiduciary Net Position as a percentage of Total OPEB Liability | 86.5% | 82.5% | 78.3% |

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 2021, \$11.5 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 inputs that are observable market data. Level 2 assets include Alexandria's mutual funds and money market funds. Alexandria's mutual funds and money market funds have both equity and fixed income securities as the underlying. While the pricing of the funds is only observable daily, the underlying inputs are continuously observable. The underlying equities are observable through quoting services, while the underlying fixed income instruments pricing is determined through both observable market quotes and market pricing determined using matrix valuation using similar securities. During fiscal year 2021, \$63.6 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

OPEB TRUST
As of June 30, 2021

| <u>Portfolio</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|------------------------------|----------------------|----------------|
| <u>Equity Securities</u> | | | |
| Common Stock & ETFs | \$ 11,523,602 | \$ - | \$ - |
| Mutual Funds | - | 63,289,166 | - |
| Total Equity Securities | <u>11,523,602</u> | <u>63,289,166</u> | <u>-</u> |
| <u>Cash Equivalents</u> | | | |
| Money Market Funds | - | 265,283 | - |
| Total Cash Equivalents | <u>-</u> | <u>265,283</u> | <u>-</u> |
| Total Investments by Fair Asset Value | <u>\$ 11,523,602</u> | <u>\$ 63,554,449</u> | <u>\$ -</u> |
| Investments measured at net asset value (NAV) | | | |
| Commingled Collective Trusts | \$ 25,686,910 | | |
| Private Equity | 3,180,624 | | |
| Real Estate Funds | 3,922,618 | | |
| Timber Funds | 5,177,886 | | |
| Farmland | 2,143,285 | | |
| Total Investments Measured at NAV | <u>40,111,323</u> | | |
| Total Value | <u>\$ 115,189,374</u> | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

\$40.1 million worth of investments were evaluated at Net Asset Value (NAV). The following table presents the NAV investment disclosures for the OPEB Trust Fund.

| | Capital Commitment | Capital Called | Remaining Uncalled Commitment | Current NAV | Withdrawal Frequency |
|------------------------------|--------------------|----------------|----------------------------------|--------------|-----------------------|
| Commingled Collective Trusts | N/A | N/A | N/A | \$25,686,910 | Monthly to Quarterly |
| Private Equity | \$4,600,000 | \$3,370,591 | \$1,229,409 | \$3,180,624 | Closed End Strategies |
| Real Estate Funds | \$2,900,000 | \$2,900,000 | \$0 | \$3,922,618 | Quarterly |
| Timber Funds | \$4,950,000 | \$4,856,000 | \$94,000 | \$5,177,886 | Closed End Strategies |
| Farmland | \$1,700,000 | \$1,700,000 | \$0 | \$2,143,285 | Quarterly |
| | \$14,150,000 | \$12,826,591 | \$1,323,409 | \$40,111,323 | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

COMPONENT UNIT – ALEXANDRIA CITY PUBLIC SCHOOLS (ACPS)

A. ACPS OPEB Trust Fund

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 the purpose of accumulating and investing assets to fund Other Post Employment 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 Trust Fund assets. Investment decisions are made by the Trustees of the Pooled Trust. The Trustees are responsible for managing Pooled Trust assets through the appointment and oversight of investment managers and with the guidance of an investment advisor.

Eligibility

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:

VRS Tier 1:

- 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.

VRS Tier 2:

- Age plus service equals 90 for unreduced pension retirement benefits.
- Age 60 with at least 5 years of service for reduced pension retirement benefits.
- Social Security Normal Retirement Age with at least five years of service.

Benefits

Program participants may continue medical coverage by paying the appropriate subsidized premium which range from \$0 to \$1,961 monthly, 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 OPEB Trust Fund. In FY 2021, ACPS contributed up to \$265 for each participant.

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Exhibit XII
(Continued)

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

For employees hired July 1, 2008 or earlier: ACPS contributes \$265 per month for retiree medical coverage. This Board contribution will not exceed the premium for the coverage tier elected. The retiree and dependents pay the remainder of the premium, if any.

For employees hired after July 1, 2008: The retiree must complete five years of vesting service with ACPS to receive a Board contribution. ACPS contributes a pro-rated amount of \$265 per month equal to 5% per year of service with ACPS (including the five vesting years) and other VRS employers for retiree medical coverage. A maximum of 15 years of service will be credited toward the contribution made by ACPS. This Board contribution will not exceed the premium for the coverage tier elected. The retiree and dependents pay the remainder of the premium, if any.

Actuarial Assumptions

The key actuarial assumptions used in the January 1, 2020 valuation are reflected in the chart below.

| Membership and Key Actuarial Assumptions | |
|---|---|
| Active plan members | 2,459 |
| Inactive/Deferred Vested | 0 |
| Retirees and spouses | 620 |
| Total | 3,079 |
| Covered Payroll | \$169,644,131 |
| Long-term Expected Rate of Return | 7.0 percent |
| Salary increases, including Inflation | 3.0 percent |
| Ultimate Rate of Medical Inflation | 4.55 percent |
| Discount Rate | 7.0 percent |
| Healthcare Cost Trend Rates | UHC POS: 9% in 2021 then grading to 4.55% in 2040; UHC MA-PD: -5% in 2021. 9% in 2021 then grading to 4.55% in 2040; Kaiser: 0% in 2021, 6% in 2022 then grading to 4.55% in 2040 |
| Mortality rates: | |
| - Pre-Retirement | RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at 81 and older with Scale BB to 2020. |
| - Post-Retirement | RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 74 and 2% increase compounded from ages 75 to 90. |
| - Post-Disablement | RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females. |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

Investment Policy

The Pooled Trust Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Trustees will establish and maintain investment policies and objectives. Within this framework, the Trustees 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 Trustees are responsible for making changes to achieve this. The investment objective of the Pooled Trust is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. The Portfolio will be structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. There were no significant changes in investment policy during fiscal year 2021.

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.

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.

| <u>Investment Type</u> | <u>Allocation</u> | <u>Expected Long-Term Rates of Return (real)</u> | <u>Long-Term Arithmetic Weighted Average Real Return</u> |
|-------------------------------------|-------------------|--|--|
| Large Cap Equity (Domestic) | 26.00% | 7.15% | 1.86% |
| Small Cap Equity (Domestic) | 10.00% | 8.44% | 0.84% |
| International Equity (Developed) | 13.00% | 7.94% | 1.03% |
| Emerging Markets Equity | 5.00% | 9.09% | 0.45% |
| Private Equity | 5.00% | 10.40% | 0.52% |
| Long/Short Equity | 6.00% | 5.72% | 0.34% |
| Core Bonds Fixed Income | 7.00% | 2.58% | 0.18% |
| Core Plus Fixed Income | 14.00% | 2.86% | 0.40% |
| Liquid Absolute Return Fixed Income | 4.00% | 3.26% | 0.13% |
| Real Estate Real Assets | 10.00% | 6.66% | 0.67% |
| Total | <u>100.00%</u> | | <u>6.43%</u> |
| | | Inflation | <u>2.75%</u> |
| | | Expected arithmetic nominal return | <u>9.18%</u> |

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.

Discount Rate

The discount rate as of June 30, 2021 is 7.00%, which is the estimated long-term rate of return on Pooled Trust investments. 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.

Measurement Date

The measurement date used for the OPEB Trust GASB 74 reporting is June 30, 2021.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

Concentrations

There are no investments in any one organization that represent 5 percent or more of the OPEB Trust Fund's fiduciary net position.

Money-Weighted Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 30.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Schedule of Investment Returns

| Last 10 Fiscal Years ⁽¹⁾ | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Annual Money-Weighted Rate of Return Net of Investment Expense | 30.07% | 3.01% | 4.67% | 9.52% | 13.04% |

⁽¹⁾This chart is intended to show information for 10 fiscal years. More data will be added as it become available.

Net OPEB Liability

The net OPEB liability at the beginning of the current measurement year is measured as of a valuation date of January 1, 2020 and rolled forward to June 30, 2021. The net OPEB liability at the end of the measurement year, June 30, 2021, is measured as of a valuation date of January 1, 2020 and projected to June 30, 2021. 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)

| | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
|------------------------------|-----------------------------|------------------------------------|---------------------------|
| Balances as of June 30, 2020 | \$ 30,104,795 | \$ 21,698,465 | \$ 8,406,330 |
| Changes for the year: | | | |
| Service cost | 1,060,180 | - | 1,060,180 |
| Interest | 2,149,474 | - | 2,149,474 |
| Contributions - employer | - | 881,633 | (881,633) |
| Contributions - member | - | - | - |
| Net investment income | - | 6,522,171 | (6,522,171) |
| Benefit payments | (881,633) | (881,633) | - |
| Administrative expense | - | (24,438) | 24,438 |
| Net changes | <u>2,328,021</u> | <u>6,497,733</u> | <u>(4,169,712)</u> |
| Balances as of June 30, 2021 | <u>\$ 32,432,816</u> | <u>\$ 28,196,198</u> | <u>\$ 4,236,618</u> |

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability 86.9%

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

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 Fund 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% |
|-----------------------------|------------------------|-----------------------|------------------------|
| Total OPEB Liability | \$ 36,261,557 | \$ 32,432,816 | \$ 29,287,786 |
| Plan Fiduciary Net Position | 28,196,198 | 28,196,198 | 28,196,198 |
| Net OPEB Liability | <u>\$ 8,065,359</u> | <u>\$ 4,236,618</u> | <u>\$ 1,091,588</u> |

| | | | |
|---|-------|-------|-------|
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 77.8% | 86.9% | 96.3% |
|---|-------|-------|-------|

Sensitivity of the Net OPEB Liability to Changes in the Trend Rate

The following presents the net OPEB liability of the Other Post-Retirement Employee Benefits Trust Fund 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% |
|-----------------------------|---------------------|---------------------|----------------------|
| Total OPEB Liability | \$ 30,940,443 | \$ 32,432,816 | \$ 34,233,956 |
| Plan Fiduciary Net Position | 28,196,198 | 28,196,198 | 28,196,198 |
| Net OPEB Liability | <u>\$ 2,744,245</u> | <u>\$ 4,236,618</u> | <u>\$ 6,037,758</u> |

| | | | |
|---|-------|-------|-------|
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 91.1% | 86.9% | 82.4% |
|---|-------|-------|-------|

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2021 the OPEB expense is \$271,342. At June 30, 2021, the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 3,534,125 |
| Change in assumptions | 240,238 | 687,984 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 3,402,849 |
| Total | <u>\$ 240,238</u> | <u>\$ 7,624,958</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

| Year Ending June 30, | Amount |
|-------------------------------------|-----------------------|
| 2022 | \$ (1,444,700) |
| 2023 | (1,364,336) |
| 2024 | (1,455,654) |
| 2025 | (1,621,711) |
| 2026 | (620,889) |
| Thereafter | <u>(877,430)</u> |
| Total | <u>\$ (7,384,720)</u> |

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 through the use of investment income and employer contributions. For the period ending June 30, 2021, ACPS contributed \$1.7 million for current costs and an additional \$1.0 million to prefund benefits.

The funding policy of ACPS is to contribute the difference between the actuarially determined contribution and the expected explicit subsidy payment to the Trust Fund. Benefit payments, including the implicit subsidy, are paid outside the Trust over the next 8 years. It is anticipated that once the Plan becomes 100% funded, ACPS will switch to paying benefit payments from the Trust. The assets were then projected forward reflecting known contributions through June 30, 2021, and then assuming the funding policy is followed going forward. Using the long-term expected rate of return of 7.0%, the assets are projected to always be greater than the expected benefit payments in any given year.

The following is a summary of fiduciary net position of the Trust as of June 30, 2021:

| Summary of Fiduciary Net Position | |
|--|----------------------|
| ACPS OPEB Trust Fund | |
| As of June 30, 2021 | |
| ASSETS | |
| Cash Equivalents | \$ 611,858 |
| Bonds | 14,222,162 |
| Mutual Funds | 8,089,489 |
| Other Investments | 5,272,689 |
| Contribution Receivable | <u>1,046,537</u> |
| Total assets | <u>29,242,735</u> |
| NET POSITION | |
| Held in trust for pension benefits | <u>\$ 29,242,735</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

The following is a summary of changes in fiduciary net position of the Trust for the year ended June 30, 2021:

| Summary of Changes in Fiduciary Net Position | |
|---|----------------------|
| ACPS OPEB Trust Fund | |
| For the Year Ended June 30, 2021 | |
| ADDITIONS | |
| Contributions | \$ 2,739,107 |
| Investment Income, net | <u>6,522,171</u> |
| Total Additions | <u>9,261,278</u> |
| DEDUCTIONS | |
| Benefit payments | 1,692,570 |
| Administrative expenses | <u>24,438</u> |
| Total Deductions | <u>1,717,008</u> |
| Change in net position | 7,544,270 |
| NET POSITION, beginning of year | <u>21,698,465</u> |
| NET POSITION, end of year | <u>\$ 29,242,735</u> |

The ACPS OPEB Trust does not issue a stand-alone financial report and is not included in the report of another entity.

Additional disclosures on changes in schools OPEB liability, related ratios, and employer contributions can be found in the RSI following the notes to the Financial Statements.

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Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

B. VRS Employee Health Insurance Credit Program OPEB – Teachers

Summary of Significant Accounting Policies

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program is a multiple-employer, cost-sharing plan. The Teacher Employee HIC Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC Program OPEB, and the Teacher Employee HIC Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Teacher Employee Health Insurance Credit Program Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

| TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS |
|--|
| <p>Eligible Employees The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS. |
| <p>Benefit Amounts The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • At Retirement – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • Disability Retirement – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> - \$4.00 per month, multiplied by twice the amount of service credit, or - \$4.00 per month, multiplied by the amount of service earned had employee been active until age 60, whichever is lower. |
| <p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree. |

CITY OF ALEXANDRIA, VIRGINIA
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Exhibit XII
(Continued)

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

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$2.0 million for each of the years ended June 30, 2021 and June 30, 2020, respectively.

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee HIC Program OPEB

At June 30, 2021, the school division reported a liability of \$24.4 million for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Program was 1.85656% as compared to 1.87679% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$ 2.0 million. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 325,665 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | 108,069 | - |
| Changes in assumptions | 482,079 | 133,239 |
| Changes in proportionate share | 296,521 | 172,161 |
| Employer contributions subsequent to the measurement date | 1,986,737 | - |
| Total | \$ 2,873,406 | \$ 631,065 |

An amount of \$2.0 million reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a

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Exhibit XII
(Continued)

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

reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

| Year Ending June 30, | Amount |
|-------------------------------------|-------------------|
| 2022 | \$ 43,535 |
| 2023 | 54,246 |
| 2024 | 50,657 |
| 2025 | 53,815 |
| 2026 | 54,815 |
| Thereafter | (1,464) |
| Total | <u>\$ 255,604</u> |

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| | |
|--|--|
| Inflation | 2.50% |
| Salary increases, including inflation – Teacher Employees | 3.5% - 5.95% |
| Investment rate of return | 6.75%, net of plan investment expenses, including inflation* |

*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 the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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June 30, 2021

Exhibit XII
(Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

| | Teacher Employee HIC OPEB Plan |
|---|---|
| | |
| Total Teacher Employee HIC OPEB Liability | \$ 1,448,676 |
| Plan Fiduciary Net Position | 144,160 |
| Teacher Employee net HIC OPEB Liability | \$ 1,304,516 |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | 9.95% |

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS 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

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Notes to Financial Statements
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Exhibit XII
(Continued)

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

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 |
|---------------------------------------|-------------------|--|--|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi -Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | <u>100.00%</u> | | <u>4.64%</u> |
| | | Inflation | <u>2.50%</u> |
| | | (1) Expected arithmetic nominal return | <u>7.14%</u> |

(1) The above allocation provides a one-year return of 7.14%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns that ultimately provide a medium return of 7.11% including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | (-1%) Decrease 5.75% | Discount Rate 6.75% | (+1%) Increase 7.75% |
|--|-------------------------|------------------------|-------------------------|
| School division’s proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability | \$ 27,297,708 | \$ 24,386,110 | \$ 21,911,463 |

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (annual financial report). A copy of the 2020 VRS annual financial report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 Teacher Employee Health Insurance Credit Program OPEB Plan

At June 30, 2021, ACPS reported payables to the Teacher Employee Health Insurance Credit Program OPEB Plan of \$0.2 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 year.

C. VRS Group Life Insurance Program

Summary of Significant Accounting Policies

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance Program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB’s net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Within the Group Life insurance Program, ACPS employees are divided into two groups; Teachers (includes administrators and teachers) and Locality Employees (includes non-exempt support staff).

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|--|
| <p>Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p> |
| <p>Benefit Amounts The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option |
| <p>Reduction in benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p> |
| <p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.</p> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Total contributions to the Group Life Insurance Program from the entity for the Teachers group were \$2.2 million for both years ended June 30, 2021 and June 30, 2020 respectively. Total contributions for the Locality group were \$0.1 million for both years ended June 30, 2021 and June 30, 2020, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2021, ACPS reported liabilities of \$ 13.3 million and \$0.6 million for its proportionate share of the Net GLI OPEB Liability, for the Teachers and Locality groups, respectively. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, for the Teachers group, the ACPS employer's proportion was 0.79551% as compared 0.80828% at June 30, 2019, and for the Locality group, the employer's proportion was 0.03692% at June 30, 2020 as compared 0.04033% at June 30, 2019.

For the year ended June 30, 2021, ACPS recognized GLI OPEB expense of \$0.5 million for the Teachers group and \$6,774 for the Locality group. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, ACPS reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Teachers Group | | Locality Group | | Total GLI OPEB Program | |
|--|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 851,518 | \$ 119,239 | \$ 39,519 | \$ 5,534 | \$ 891,037 | \$ 124,773 |
| Net difference between projected and actual earnings on GLI OPEB program investments | 398,792 | - | 18,508 | - | 417,300 | - |
| Changes in assumptions | 663,941 | 277,206 | 30,814 | 12,865 | 694,755 | 290,071 |
| Changes in proportion | 266,042 | 321,258 | - | 80,028 | 266,042 | 401,286 |
| Employer contributions subsequent to the measurement date | 883,521 | - | 41,515 | - | 925,036 | - |
| Total | \$ 3,063,814 | \$ 717,703 | \$ 130,356 | \$ 98,427 | \$ 3,194,170 | \$ 816,130 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

An amount of \$0.9 million reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ending June 30, | GLI - Locality | | GLI - Total Amount |
|---------------------------------|----------------------------------|-----------------------------|-------------------------------|
| | GLI - Teachers Amount | Employees Amount | |
| 2022 | \$ 215,223 | \$ (7,441) | \$ 207,782 |
| 2023 | 327,844 | (2,215) | 325,629 |
| 2024 | 407,890 | 2,556 | 410,446 |
| 2025 | 422,893 | 4,496 | 427,389 |
| 2026 | 88,358 | (5,417) | 82,941 |
| Thereafter | 382 | (1,565) | (1,183) |
| Total | <u>\$ 1,462,590</u> | <u>\$ (9,586)</u> | <u>\$ 1,453,004</u> |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

| | |
|--|--|
| Inflation | 2.50% |
| Salary increases, including inflation – Teacher Employees | 3.5% - 5.95% |
| General state/locality employees | 3.5% - 5.35% |
| Investment rate of return | 6.75%, net of plan investment expenses, including inflation* |

* 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|--|---|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better match experience |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

Mortality rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

| | |
|--|--|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service year |
| Disability Rates | Lowered Disability Rates |
| Salary Scale | No change |
| Discount Rate | Decrease rate from 7.00% to 6.75% |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

| | VRS Group Life Insurance OPEB Program |
|--|--|
| Total GLI OPEB Liability | \$3,523,937 |
| Plan Fiduciary Net Position | 1,855,102 |
| Employers' Net GLI OPEB Liability (Asset) | \$1,668,835 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 52.64% |

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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 |
|--------------------------------------|------------------------------|--|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PI-Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | | Inflation | 2.50% |
| | | ⁽¹⁾ Expected arithmetic nominal return | 7.14% |

⁽¹⁾ The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system,

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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

stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | <u>(-1%) Decrease</u> <u>5.75%</u> | <u>Discount Rate</u> <u>6.75%</u> | <u>(+1%) Increase</u> <u>7.75%</u> |
|--|---------------------------------------|--------------------------------------|---------------------------------------|
| School division's proportionate share of the VRS Group Life Net OPEB Liability - Teachers Group | \$ 17,452,005 | \$ 13,275,760 | \$ 9,884,257 |
| School division's proportionate share of the VRS Group Life Net OPEB Liability - Locality Employee Group | \$ 809,956 | \$ 616,134 | \$ 458,733 |
| Total VRS Group Life Net OPEB Liability | \$ 18,261,961 | \$ 13,891,894 | \$ 10,342,990 |

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (annual financial report). A copy of the 2020 VRS annual financial report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 VRS Group Life Insurance OPEB Plan

At June 30, 2020, ACPS reported payables to the VRS Group Life Insurance OPEB Plan of \$0.2 million for the Teachers group and \$9,000 for the Locality group. 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 year.

On the following page is a summary of deferred outflows and inflows of resources and net OPEB liabilities for the various OPEB programs as June 30, 2021.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 16. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

| | ACPS OPEB Trust | | | | VRS-HC OPEB Program | | | | GLI OPEB Program | | | | Total OPEB Programs | | | |
|---|--------------------------------|-------------------------------|---------------------|-------------------|--------------------------------|-------------------------------|----------------------|---------------------|--------------------------------|-------------------------------|----------------------|-------------------|--------------------------------|-------------------------------|----------------------|---------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net OPEB Liability | OPEB Expense | Deferred Outflows of Resources | Deferred Inflows of Resources | Net OPEB Liability | OPEB Expense | Deferred Outflows of Resources | Deferred Inflows of Resources | Net OPEB Liability | OPEB Expense | Deferred Outflows of Resources | Deferred Inflows of Resources | Net OPEB Liability | OPEB Expense |
| Net OPEB Liability | \$ - | \$ - | \$ 4,236,618 | \$ - | \$ - | \$ - | \$ 24,386,110 | \$ - | \$ - | \$ - | \$ 13,891,894 | \$ - | \$ - | \$ - | \$ 42,514,622 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 3,402,849 | - | - | 108,069 | - | - | - | 417,300 | - | - | - | 525,369 | 3,402,849 | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | - | - | - | 296,521 | 172,161 | - | - | 266,042 | 401,286 | - | - | 562,563 | 573,447 | - | - |
| Differences between expected and actual experience | - | 3,534,125 | - | - | - | 325,665 | - | - | 891,037 | 124,773 | - | - | 891,037 | 3,984,563 | - | - |
| Changes in assumptions | 240,238 | 687,984 | - | - | 482,079 | 133,239 | - | - | 694,755 | 290,071 | - | - | 1,417,072 | 1,111,294 | - | - |
| Employer contributions subsequent to the measurement date | - | - | - | - | 1,986,737 | - | - | - | 925,036 | - | - | - | 2,911,773 | - | - | - |
| OPEB Expense | - | - | - | 271,342 | - | - | - | 2,040,600 | - | - | - | 528,295 | - | - | - | 2,840,237 |
| Total | \$ 240,238 | \$ 7,624,958 | \$ 4,236,618 | \$ 271,342 | \$ 2,873,406 | \$ 631,065 | \$ 24,386,110 | \$ 2,040,600 | \$ 3,194,170 | \$ 816,130 | \$ 13,891,894 | \$ 528,295 | \$ 6,307,814 | \$ 9,072,153 | \$ 42,514,622 | \$ 2,840,237 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS

PRIMARY GOVERNMENT

During FY 2021, the City participated in six public employee retirement systems (PERS). One system is handled by the 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. Four are single-employer defined benefit systems where a stated methodology for determining benefits is provided. The four systems are the City Supplemental, Pension Plan for Fire and Police, Firefighters and Police Officers Pension Plan-defined benefit component, and Firefighters and Police Officers Pension Plan-disability component. The last system 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 overseen 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 board. There are four alternates nominated by the board and one alternate nominated by the City Manager. The Firefighters and Police Officers Pension 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 members are nominated by the City Manager and four members are nominated 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 all boards.

Method Used to Value Investments

Investments are valued at fair value.

Investment Policy

The Firefighters and Police Officers Pension Board investment policy objectives for Defined Benefit and Disability components and the Supplemental Retirement Board investment policy objectives for the Supplemental Retirement Plan 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 assets for the Pension Plan for the Firefighters and Police Officers are part of a group annuity contract with Prudential. Prudential invests the money according to their guidelines. The following is the asset allocation policy as of June 30, 2021.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Target Allocations

Target Allocations for Firefighters & Police Officers Pension Plan also apply to Firefighters and Police Officers Disability Pension Plan.

| <u>Asset Class</u> | <u>Supplemental Retirement Plan</u> | <u>Firefighters & Police Officers Pension Plan</u> | <u>Pension Plan for Firefighters & Police Officers</u> |
|---------------------------|-------------------------------------|--|--|
| Large Cap Growth | 5% | 5% | 0% |
| Large Cap Value | 10% | 15% | 0% |
| Mid Cap Core | 10% | 15% | 0% |
| Private Equity | 5% | 5% | 0% |
| Small Cap Core | 5% | 5% | 0% |
| International Dev. | 10% | 10% | 0% |
| Emerging Markets | 10% | 10% | 0% |
| Domestic Fixed Income | 7.5% | 7.5% | 0% |
| Global Fixed Income | 10% | 5% | 0% |
| Tactical Asset Allocation | 5% | 0% | 0% |
| Timber | 5% | 5% | 0% |
| Real Estate | 8% | 10% | 0% |
| Farmland | 2% | 0% | 0% |
| Cash/ Other Fixed | 7.5% | 7.5% | 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

| <u>Asset Class</u> | <u>Capital Market</u> | <u>Supplemental Retirement Plan</u> | | <u>Firefighters & Police Officers Pension Plan</u> | | <u>Pension Plan for Firefighters & Police Officers</u> | |
|--|-----------------------|-------------------------------------|---------------|--|---------------|--|---------------|
| | <u>Estimate</u> | <u>Allocation</u> | <u>Return</u> | <u>Allocation</u> | <u>Return</u> | <u>Allocation</u> | <u>Return</u> |
| Diversified | 7.8% | 4.9% | 0.4% | 0.0% | 0.0% | 0.0% | 0.0% |
| Domestic Equity | 9.2% | 60.4% | 5.6% | 69.1% | 6.4% | 0.0% | 0.0% |
| Commodities | 2.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Real Assets | 8.7% | 11.2% | 1.0% | 10.2% | 0.9% | 0.0% | 0.3% |
| Fixed Income | 4.6% | 16.0% | 0.7% | 19.9% | 0.9% | 0.0% | 0.0% |
| Cash | 1.3% | 7.5% | 0.1% | 0.8% | 0.0% | 100.0% | 3.5% |
| Return | | | 7.7% | | 8.2% | | 3.5% |
| Inflation | | | 2.2% | | 2.2% | | 2.5% |
| Return w/Inflation | | | 9.9% | | 10.4% | | 6.0% |
| Risk Adjustment | | | -1.5% | | -1.5% | | -0.5% |
| Total Expected Arithmetic Nominal Return | | | 8.4% | | 8.9% | | 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

| <u>Supplemental Retirement Plan</u> | <u>Firefighters & Police Officers Pension Plan</u> | <u>Pension Plan for Firefighters & Police Officers</u> |
|-------------------------------------|--|--|
| 29.6% | 29.9% | 4.0% |

**Money-weighted Rate of Return for Firefighters & Police Officers Pension Plan also applies to Firefighters and Police Officers Disability Pension Plan

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Virginia Retirement System Long-Term Expected Rate of Return

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|------------------------------------|--------------------------|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS-Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP-Private Investment Partnership | 3.0% | 6.49% | 0.19% |
| Total | <u>100.00%</u> | | <u>4.64%</u> |
| Inflation | | | <u>2.50%</u> |
| Expected arithmetic nominal return | | | <u>7.14%</u> |

VRS 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 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 6.75 percent. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| | Combining Schedule of Fiduciary Net Position | | | | | | Total |
|------------------------------------|---|-----------------------------------|--------------------------------------|---------------------------------|-------------------------|--------------------------------------|----------------|
| | Employee Retirement Plans | | | | | Post Retirement | |
| | Firefighters and Police Officers Pension Plan | | | | | Benefit Trust | |
| | City Supplemental Retirement | Pension for Fire and Police | Defined Contribution Component | Defined Benefit Component | Disability Component | Other Post Employment Benefits | |
| ASSETS | | | | | | | |
| Investments, at Fair Value | | | | | | | |
| Mutual Funds | \$ 45,539,997 | \$ - | \$ 14,927,706 | \$ 68,181,210 | \$ 27,553,318 | \$ 63,289,166 | \$ 219,491,397 |
| Stocks | 36,371,430 | - | - | 99,870,357 | 9,627,454 | 11,523,602 | 157,392,843 |
| Guaranteed Investment Accounts | 14,826,521 | 17,845,101 | - | 3,941,368 | 214,621 | 393,651 | 37,221,262 |
| Real Estate | 12,118,646 | - | - | 36,255,630 | - | 3,922,618 | 52,296,894 |
| Timber | 6,883,947 | - | - | 11,576,281 | - | 5,177,886 | 23,638,114 |
| Private Equity | 10,414,600 | - | - | 22,233,850 | 1,041,452 | 3,180,624 | 36,870,526 |
| Other | 72,662,881 | - | - | 185,498,709 | 3,534,070 | 27,701,827 | 289,397,487 |
| Total Investments | 198,818,022 | 17,845,101 | 14,927,706 | 427,557,405 | 41,970,915 | 115,189,374 | 816,308,523 |
| Total Assets | \$ 198,818,022 | \$ 17,845,101 | \$ 14,927,706 | \$ 427,557,405 | \$ 41,970,915 | \$ 115,189,374 | \$ 816,308,523 |
| NET POSITION | | | | | | | |
| Held in Trust for Pension Benefits | \$ 198,818,022 | \$ 17,845,101 | \$ 14,927,706 | \$ 427,557,405 | \$ 41,970,915 | \$ 115,189,374 | \$ 816,308,523 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Changes in Fiduciary Net Position

| | Employee Retirement Plans | | | | | Post Retirement Benefit Trust | |
|--|---|-----------------------------|--------------------------------|---------------------------|----------------------|--------------------------------|-----------------------|
| | Firefighters and Police Officers Pension Plan | | | | | Other Post Employment Benefits | Total |
| | City Supplemental Retirement | Pension for Fire and Police | Defined Contribution Component | Defined Benefit Component | Disability Component | | |
| ADDITIONS | | | | | | | |
| Contributions: | | | | | | | |
| Employer | \$ 9,388,833 | \$ 1,700,000 | - | \$ 14,784,520 | \$ 1,476,099 | \$ 1,138,830 | \$ 28,488,282 |
| Plan Members | 1,769,665 | - | - | 3,240,298 | 216,110 | - | 5,226,073 |
| Total Contributions | <u>11,158,498</u> | <u>1,700,000</u> | <u>-</u> | <u>18,024,818</u> | <u>1,692,209</u> | <u>1,138,830</u> | <u>33,714,355</u> |
| Investment Income: | | | | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 39,166,451 | - | 2,869,505 | 68,203,165 | 5,650,032 | 21,688,030 | 137,577,183 |
| Interest | 6,737,500 | 574,502 | 107,285 | 35,942,989 | 803,980 | 7,724,591 | 51,890,847 |
| Investment Expense | (588,975) | - | - | (1,525,297) | (121,041) | (211,774) | \$ (2,447,087) |
| Net Investment Income | <u>45,314,976</u> | <u>574,502</u> | <u>2,976,790</u> | <u>102,620,857</u> | <u>6,332,971</u> | <u>29,200,847</u> | <u>187,020,943</u> |
| Total Additions | <u>56,473,474</u> | <u>2,274,502</u> | <u>2,976,790</u> | <u>120,645,675</u> | <u>8,025,180</u> | <u>30,339,677</u> | <u>220,735,298</u> |
| DEDUCTIONS | | | | | | | |
| Benefits | 8,300,436 | 2,623,917 | 933,919 | 17,520,606 | 2,948,217 | - | 32,327,095 |
| Refunds of Contributions | 819,468 | - | - | 570,102 | - | - | 1,389,570 |
| Administrative Expenses | 978,590 | 22,725 | 5,193 | 325,054 | 29,375 | 37,973 | \$ 1,398,910 |
| Total Deductions | <u>10,098,494</u> | <u>2,646,642</u> | <u>939,112</u> | <u>18,415,762</u> | <u>2,977,592</u> | <u>37,973</u> | <u>35,115,575</u> |
| Net Increase (Decrease) | 46,374,980 | (372,140) | 2,037,678 | 102,229,913 | 5,047,588 | 30,301,704 | 185,619,723 |
| Assets Transfer in (Out) | | - | - | | | | \$ - |
| Net Position at Beginning of Year | 152,443,042 | 18,217,241 | 12,890,028 | 325,327,492 | 36,923,327 | 84,887,670 | \$ 630,688,800 |
| Net Position at End of Year | <u>\$ 198,818,022</u> | <u>\$ 17,845,101</u> | <u>\$ 14,927,706</u> | <u>\$ 427,557,405</u> | <u>\$ 41,970,915</u> | <u>\$ 115,189,374</u> | <u>\$ 816,308,523</u> |
| | <u>\$ 198,818,022</u> | <u>\$ 17,845,101</u> | <u>\$ 14,927,706</u> | <u>\$ 427,557,405</u> | <u>\$ 41,970,915</u> | <u>\$ 115,189,374</u> | <u>\$ 816,308,523</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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, 2019 actuarial valuation is 8.93 percent of payroll. Contribution rates for VRS employers are established every two years, so this rate applies to fiscal years ending 2021 and 2022. The Deputy Sheriffs adopted enhanced hazardous duty benefits as of January 1, 2020 which increased the contribution from 8.93 percent to 9.92 percent.

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. Plan 1 and 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 1.00 percent which is matched by the City. A voluntary employee contribution of up to an additional 4.00 percent is allowed with the City matching up to 1.00 percent on the first 1.00 percent of voluntary contributions plus 0.25 percent for each additional 0.50 percent. The employer contribution includes the contribution to the Defined Contribution Plan for Hybrid members.

As of June 30, 2021, the City of Alexandria had 730 employees enrolled in the Hybrid Defined Contribution Plan. The FY 2021 City contribution was \$1.2 million.

The assumption changes are presented in the RSI for Pensions. The basis for the assumptions for all participants is the Virginia Retirement System Experience Study for the Four-Year Period July 1, 2012 to June 30, 2016 issued February 21, 2018 and presented and adopted by the Board at its April 2017 meeting as well as the investment rate of return of 6.75 percent adopted by the Board of Trustees at its October 10, 2019 meeting.

Financial statements and required supplementary information are presented in the VRS comprehensive annual financial report, which can be obtained at www.varetire.org.

Historically the City has assumed the responsibility of paying 2.00 percent of the employee share of contributions for the City Supplemental Retirement Plan. General schedule employees commencing participation in this Plan after July 1, 2009, will make the 2.00 percent employee contribution. The City will continue to make the 2.00 percent contribution for general schedule employees who were participants prior to July 1, 2009. Historically the City has also made the 2.00 percent contribution for its deputy sheriffs, medics, and fire marshals. Beginning on January 1, 2020, deputy sheriffs began making a 1.50 percent employee contribution. The City will continue to make the 2.00 percent contribution for medics and fire marshals. Any employee contributions paid by the City will be characterized as employer contributions. The City paid an employer contribution of 6.78 percent for FY 2021.

The recommended contribution rate decreased from 34.99 percent as of July 1, 2019 to 34.86 percent as of July 1, 2020 for the Firefighter and Police Officers Basic Plan and decreased from 1.67 percent as of July 1, 2019 to 1.26 percent as of July 1, 2020 for the Disability Plan. During the year ended June 30, 2020, the Basic Plan's assets returned 7.64 percent and the Disability Plan's assets had a return of 7.25 percent on a market value basis. As of the July 1, 2020 Actuarial Valuation, the Basic Plan's unfunded actuarial liability was \$63.3 million, and the Disability Plan's unfunded actuarial liability was negative \$5.8 million.

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, 2013 to June 30, 2017. The administrative expense assumption for the Basic Plan was increased from \$200,000 to \$400,000 to account for higher expected expenses. The actuarial assumptions for the Pension Plan for Firefighters and Police Officers, have not been changed since the prior actuarial valuation with the exception of the assumed rate of return which was lowered from 5.00% to 3.50%. The actuarial assumptions reflect the actuary's understanding of the likely future experience of the Plan. The Supplemental Plan had no changes in assumptions since the prior actuarial valuation with the exception of the lump sum conversion rate. The lump sum conversion rate is scheduled to change annually. The lump sum conversion rate for disbursements made in calendar year 2021 is 6.50 percent and calendar year 2022 and thereafter is 7.00 percent.

On June 30, 2021, the City recognized a total liability of \$784 thousand for one of the City's Single Employer Pension Plans. The City recognized a net pension asset of \$43.7 million for the other three City Single Employee

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Plans. Measurements as of June 30, 2021 were based on the fair value of assets as of June 30, 2021 and the Total Pension Liability as of the valuation date, June 30, 2020, updated to June 30, 2021. The City recognized a liability of \$120 million for the VRS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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 normal costs. The amortization of the unfunded liability is calculated as a level-dollar closed period for the Pension Plan for Firefighters and Police Officers. The amortization of the unfunded liability for the Supplemental Plan is calculated as an initial level-dollar closed period. Effective July 1, 2015, the Supplemental Plan began incorporating layers where future gains and losses and assumption changes are amortized over separate 10-year periods. The Firefighters and Police Officers Basic Plan and Disability Plan are calculated as a level percentage. A payment of 16.75 percent of payroll is made towards the remaining unamortized unfunded actuarial liability from July 1, 2010. Effective July 1, 2015, the Firefighters and Police Basic and Disability Plans began incorporating layers where future gains and losses and assumption changes are amortized over separate 15-year periods.

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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.

PLAN DESCRIPTION

| | (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 |
| Administrator | State of Virginia | Prudential | Prudential | MissionSquare | 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 |
| DB/DC | 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 | 6/30/2020 | 7/1/2020 | 7/1/2020 | N/A | 7/1/2020 | 7/1/2020 |
| Measurement Date | 6/30/2020 | 6/30/2021 | 6/30/2021 | 6/30/2021 | 6/30/2021 | 6/30/2021 |

MEMBERSHIP AND PLAN PROVISIONS

| | | | | | | |
|-----------------------------------|---------------------|---------------------------------|---------------------|--------------|-----------------------|-------------------|
| Active Participants | 2041 | 1997 | 0 | 48 | 536 | 536 |
| Retirees & Beneficiaries | 1337 | 545 | 85 | 0 | 343 | 102 |
| Terminated Vested & Non-vested | 945 | 758 | 0 | 49 | 73 | 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 |

* Tier 1 members. Tier 2 and Hybrid members' normal retirement benefit age is their Social Security Retirement age or rule of 90 when age plus service equals 90. Deputy Sheriffs VRS normal retirement age is 60 or age 50 with 25 years of service.

** VRS Hybrid Plan members are vested in the Defined Contributions Plan after four years.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

| As of: | 6/30/2020 | 7/01/2020 | 7/01/2020 | 6/30/2021 | 7/01/2020 | 7/01/2020 |
|--|------------------------------------|------------------------------------|-----------------------------------|---|---------------------------------------|----------------------------------|
| | (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 | 6.8% | 7.0% | 3.5% | N/A | 7.0% | 7.0% |
| Projected Salary Increases | | | | | | |
| Attributable to: | | | | | | |
| Inflation | 2.5%* | 2.75% | N/A | N/A | 2.5% | 3.3% |
| Seniority/Merit | 3.50% -5.35%** | 3.25%-5.10% | N/A | N/A | 3.25%-7.25% | 3.25%-7.25% |
| Projected Postretirement Increases | 2.5%*, 2.25% ¹ | None | 2.5% | N/A | 2.5% | 2.5% |
| 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 Open/Closed/Layered | Level Percentage Closed | Level dollar Layered | Level dollar Closed | N/A | Level Percentage Layered | Level Percentage Layered |
| Remaining Amortization Period | 14-23 | 3(10 year layer) | 5 | N/A | 9(15 year layer) | 9(15 year layer) |
| 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 | \$ 561,191,401 | \$ 155,256,730 | \$ 18,217,241 | N/A | \$ 335,096,820 | \$ 37,937,434 |
| Actuarial Accrued Liability | 671,819,770 | 167,844,281 | 20,578,793 | N/A | 398,377,649 | 32,114,759 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 110,628,369 | \$ 12,587,551 | \$ 2,361,552 | N/A | \$ 63,280,829 | \$ (5,822,675) |
| Funded Ratio | 83.5% | 92.5% | 88.5% | N/A | 84.1% | 118.1% |
| Annual Covered Payroll | \$ 141,098,814 | \$ 155,989,640 | N/A | N/A | \$ 45,242,944 | \$ 45,242,944 |
| UAAL as Percentage of Covered Payroll | 76.4% | 8.1% | N/A | N/A | 139.9% | -12.9% |

The Pension Plan for Fire and Police is a closed plan with no active participants.

* Plan 1, ¹ Plan 2 and Hybrid

**Seniority/Merit: Leo range, 3.50%-4.75%. Non-Leo range 3.50%-5.35%

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

| As of: | 6/30/2020 | 6/30/2021 | 6/30/2021 | 6/30/2021 | 6/30/2021 | 6/30/2021 |
|--|----------------------|------------------------------------|-----------------------------------|---|---------------------------------------|----------------------------------|
| | 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 % | 9.92% ** | 4.78% | \$ 1.7 mil/Yr. | N/A | 34.60% | 2.50% |
| AMOUNT CONTRIBUTED | | | | | | |
| Employee | \$ 6,663,188 | \$ 1,769,665 | \$ - | \$ - | \$ 3,240,297 | \$ 216,110 |
| Employer | <u>13,010,172</u> | <u>9,388,833</u> | <u>1,700,000</u> | <u>-</u> | <u>14,784,520</u> | <u>1,476,099</u> |
| Total Amount Contributed | <u>\$ 19,673,360</u> | <u>\$ 11,158,498</u> | <u>\$ 1,700,000</u> | <u>\$ -</u> | <u>\$ 18,024,817</u> | <u>\$ 1,692,209</u> |

All employees make a 5% contribution to VRS.

COVERED PAYROLL

| | | | | | | |
|----------------------------------|----------|----------|--------|--------|---------|---------|
| Dollar Amount (in millions) | \$ 141.1 | \$ 156.0 | \$ N/A | \$ N/A | \$ 45.2 | \$ 45.2 |
| 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.

| | | | | | | |
|--|---|-----|------|------|-----|-----|
| Prudential General Account (Long Term) | * | 8% | 100% | - | 1% | 1% |
| Prudential and Comerica Mutual Funds | * | 23% | - | 100% | 16% | 66% |
| Stocks | * | 18% | - | - | 23% | 23% |
| Real Estate | * | 6% | - | - | 8% | 0% |
| Timber | * | 3% | - | - | 3% | 0% |
| Private Equity | * | 5% | - | - | 5% | 2% |
| Other | * | 37% | - | - | 44% | 8% |

* Investment information not available on an individual jurisdiction basis.

** The VRS employer contribution was increased from 8.93% to 9.92% due to the addition of enhanced hazardous duty coverage for Deputy Sheriffs.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The tables below summarize 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.

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 inputs that are observable market data. Level 2 assets include Alexandria’s mutual funds and money market funds. Alexandria’s mutual funds and money market funds have both equity and fixed income securities are continuously observable. The underlying equities are observable through quoting services, while the underlying fixed income instruments pricing is determined through both observable market quotes and market pricing determined through the use of matrix valuation using similar securities

Level 3 – Unobservable inputs that are supported by little to 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. Alexandria’s private equity secondaries are priced using private non-observable data.

Firefighters and Police Officers Defined Benefit and Disability Pension Plans
As of June 30, 2021

| <u>Portfolio</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|------------------------------|----------------------|----------------------|
| <u>Equity Securities</u> | | | |
| Common Stock & ETFs | \$ 99,870,357 | \$ - | \$ - |
| Mutual Funds | <u>-</u> | 68,181,210 | <u>-</u> |
| Total Equity Securities | 99,870,357 | 68,181,210 | - |
| <u>Private Equity</u> | | | |
| Secondaries Funds | <u>-</u> | <u>-</u> | 22,233,850 |
| Total Private Equity | - | - | 22,233,850 |
| <u>Cash Equivalents</u> | | | |
| Money Market Funds | <u>-</u> | 4,099,552 | <u>-</u> |
| Total Cash Equivalents | - | 4,099,552 | - |
| Total Investments by Fair Asset Value | <u>\$ 99,870,357</u> | <u>\$ 72,280,762</u> | <u>\$ 22,233,850</u> |
| Investments measured at net asset value (NAV) | | | |
| Commingled Collective Trusts | 227,311,710 | | |
| Real Estate Funds | 36,255,360 | | |
| Timber Funds | <u>11,576,281</u> | | |
| Total Investments Measured at NAV | <u>275,143,351</u> | | |
| Total Value | <u>\$ 469,528,320</u> | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

During fiscal year 2021, \$469.5 million worth of investments were evaluated and classified in the fair value hierarchy as follows: Level 1, \$99.9 million; Level 2, \$72.3 million; Level 3, \$22.2 million; and NAV, \$275.1 million. The following table presents the NAV investment disclosures for Firefighters and Police Officers Pension Plan.

| | Capital Commitment | Capital Called | Remaining Uncalled Commitment | Current NAV | Withdrawal Frequency |
|------------------------------|--------------------|----------------|----------------------------------|---------------|-----------------------|
| Commingled Collective Trusts | N/A | N/A | N/A | \$227,311,710 | Daily to Quarterly |
| Real Estate Funds | \$4,400,000 | \$4,400,000 | \$0 | \$36,255,360 | Monthly |
| Timber Funds | \$8,500,000 | \$8,359,000 | \$141,000 | \$11,576,281 | Closed End Strategies |
| | \$12,900,000 | \$12,759,000 | \$141,000 | \$275,143,351 | |

Pension for Fire and Police
As of June 30, 2021

| <u>Portfolio</u> | Level 1 | Level 2 | Level 3 |
|-------------------------------------|-------------|----------------------|-------------|
| Prudential Guaranteed Deposit Funds | \$ - | \$ 17,845,101 | \$ - |
| Totals | \$ - | \$ 17,845,101 | \$ - |

During fiscal year 2021, \$17.8 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

Retirement Income for Firefighters and Police
As of June 30, 2021

| <u>Portfolio</u> | Level 1 | Level 2 | Level 3 |
|---------------------------------------|-------------|----------------------|-------------|
| <u>Equity Securities</u> | | | |
| Common Stock & ETFs | \$ - | \$ - | \$ - |
| Mutual Funds | - | 14,927,706 | - |
| Total Equity Securities | - | 14,927,706 | - |
| Total Investments by Fair Asset Value | <u>\$ -</u> | <u>\$ 14,927,706</u> | <u>\$ -</u> |

During fiscal year 2021, \$14.9 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| Firefighters & Police Officers Pension Plan | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a)-(b) |
| Balances as of 6/30/2020 | \$ 400,338,848 | \$ 325,327,492 | \$ 75,011,356 |
| Changes for the year: | | | |
| Service cost | 9,483,217 | - | 9,483,217 |
| Interest | 27,927,795 | - | 27,927,795 |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | - | - | - |
| Difference between expected and actual experience | (1,961,199) | - | (1,961,199) |
| Contributions-employer | - | 14,784,520 | (14,784,520) |
| Contributions-employee | - | 3,240,297 | (3,240,297) |
| Net Investment Income | - | 102,620,858 | (102,620,858) |
| Benefit payments, including refunds | (18,090,708) | (18,090,708) | - |
| Administrative Expense | - | (325,054) | 325,054 |
| Net Changes | <u>17,359,105</u> | <u>102,229,913</u> | <u>(84,870,808)</u> |
| Balances at 6/30/2021 | <u>\$ 417,697,953</u> | <u>\$ 427,557,405</u> | <u>\$ (9,859,452)</u> |

| Firefighters & Police Officers Disability Pension Plan | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a)-(b) |
| Balances as of 6/30/2020 | \$ 32,516,030 | \$ 36,923,327 | \$ (4,407,297) |
| Changes for the year: | | | |
| Service cost | 609,396 | - | 609,396 |
| Interest | 2,189,249 | - | 2,189,249 |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | - | - | - |
| Difference between expected and actual experience | (401,271) | - | (401,271) |
| Contributions-employer | - | 1,476,099 | (1,476,099) |
| Contributions-employee | - | 216,110 | (216,110) |
| Net Investment Income | - | 6,332,970 | (6,332,970) |
| Benefit payments, including refunds | (2,948,216) | (2,948,216) | - |
| Administrative Expense | - | (29,375) | 29,375 |
| Net Changes | <u>(550,842)</u> | <u>5,047,588</u> | <u>(5,598,430)</u> |
| Balances at 6/30/2021 | <u>\$ 31,965,188</u> | <u>\$ 41,970,915</u> | <u>\$ (10,005,727)</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| Supplemental Retirement Plan | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a)-(b) |
| Balances as of 6/30/2020 | \$ 167,137,485 | \$ 152,443,042 | \$ 14,694,443 |
| Changes for the year: | | | |
| Service cost | 4,484,408 | - | 4,484,408 |
| Interest | 11,749,210 | - | 11,749,210 |
| Changes in benefit terms | - | - | 0 |
| Changes in assumptions | - | - | 0 |
| Difference between expected and actual experience | 706,796 | - | 706,796 |
| Contributions-employer | - | 9,388,833 | (9,388,833) |
| Contributions-employee | - | 1,769,665 | (1,769,665) |
| Net Investment Income | - | 45,314,976 | (45,314,976) |
| Benefit payments, including refunds | (9,119,904) | (9,119,904) | - |
| Administrative Expense | - | (978,590) | 978,590 |
| Net Changes | <u>7,820,510</u> | <u>46,374,980</u> | <u>(38,554,470)</u> |
| Balances at 6/30/2021 | <u>\$ 174,957,995</u> | <u>\$ 198,818,022</u> | <u>\$ (23,860,027)</u> |

| Pension Plan for Firefighters & Police Officers | Increase (Decrease) | | |
|--|-----------------------------------|---------------------------------------|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a)-(b) |
| Balances as of 6/30/2020 | \$ 19,692,596 | \$ 18,217,241 | \$ 1,475,355 |
| Changes for the year: | | | |
| Service Cost | - | - | - |
| Interest | 674,734 | - | 674,734 |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | 1,660,222 | - | 1,660,222 |
| Difference between expected and actual experience | (774,025) | - | (774,025) |
| Contributions-employer | - | 1,700,000 | (1,700,000) |
| Contributions-employee | - | - | - |
| Net Investment Income | - | 574,501 | (574,501) |
| Benefit payments, including refunds | (2,623,916) | (2,623,916) | - |
| Administrative Expense | - | (22,725) | 22,725 |
| Net Changes | <u>(1,062,985)</u> | <u>(372,140)</u> | <u>(690,845)</u> |
| Balances at 6/30/2021 | <u>\$ 18,629,611</u> | <u>\$ 17,845,101</u> | <u>\$ 784,510</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| VRS | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (a)-(b) |
| Balances as of 6/30/2019 | \$ 644,745,020 | \$ 550,635,607 | \$ 94,109,413 |
| Changes for the year: | | | |
| Service cost | 12,301,089 | - | 12,301,089 |
| Interest | 42,394,263 | - | 42,394,263 |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | - | - | - |
| Difference between expected and actual experience | (1,331,112) | - | (1,331,112) |
| Contributions-employer | - | 10,636,082 | (10,636,082) |
| Contributions-employee | - | 6,894,324 | (6,894,324) |
| Net Investment Income | - | 10,450,641 | (10,450,641) |
| Benefit payments, including refunds | (33,363,733) | (33,363,733) | - |
| Other | - | (15,985) | 15,985 |
| Administrative Expense | - | (361,356) | 361,356 |
| Net Changes | <u>20,000,507</u> | <u>(5,760,027)</u> | <u>25,760,534</u> |
| Balances at 6/30/2020 | <u>\$ 664,745,527</u> | <u>\$ 544,875,580</u> | <u>\$ 119,869,947</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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, 2021 are as follows:

| | Firefighters & Police Officers Pension Plan | Firefighters & Police Officers Disability Pension Plan | Supplemental Retirement Plan | Pension Plan for Firefighters & Police Officers |
|-------------------------------|--|--|---------------------------------|---|
| Total Pension Liability | \$ 417,697,953 | \$ 31,965,188 | \$ 174,957,995 | \$ 18,629,611 |
| Plan Fiduciary Net Position | 427,557,405 | 41,970,915 | 198,818,022 | 17,845,101 |
| Net Pension Liability/(Asset) | <u>\$ (9,859,452)</u> | <u>\$ (10,005,727)</u> | <u>\$ (23,860,027)</u> | <u>\$ 784,510</u> |

| | | | | |
|--|--------|--------|--------|-------|
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 102.4% | 131.3% | 113.6% | 95.8% |
|--|--------|--------|--------|-------|

The following presents the Net Pension Liabilities 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 they 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 |
|--|----------------------|-----------------------|------------------------|
| | 6.00% | 7.00% | 8.00% |
| Total Pension Liability | \$ 476,947,137 | \$ 417,697,953 | \$ 369,107,148 |
| Plan Fiduciary Net Position | 427,557,405 | 427,557,405 | 427,557,405 |
| Net Pension Liability/(Asset) 6/30/2021 | <u>\$ 49,389,732</u> | <u>\$ (9,859,452)</u> | <u>\$ (58,450,257)</u> |

| | | | |
|--|-------|--------|--------|
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 89.6% | 102.4% | 115.8% |
|--|-------|--------|--------|

Firefighters & Police Officers Disability Pension Plan

| Sensitivity of Net Pension Liability to Changes in the Discount Rate | 1% Decrease | Current Discount Rate | 1% Increase |
|--|-----------------------|------------------------|------------------------|
| | 6.00% | 7.00% | 8.00% |
| Total Pension Liability | \$ 34,887,868 | \$ 31,965,188 | \$ 29,476,805 |
| Plan Fiduciary Net Position | 41,970,915 | 41,970,915 | 41,970,915 |
| Net Pension Liability/(Asset) 6/30/2021 | <u>\$ (7,083,047)</u> | <u>\$ (10,005,727)</u> | <u>\$ (12,494,110)</u> |

| | | | |
|--|--------|--------|--------|
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 120.3% | 131.3% | 142.4% |
|--|--------|--------|--------|

Supplemental Retirement Plan

| Sensitivity of Net Pension Liability to Changes in the Discount Rate | 1% Decrease | Current Discount Rate | 1% Increase |
|--|-----------------------|------------------------|------------------------|
| | 6.00% | 7.00% | 8.00% |
| Total Pension Liability | \$ 191,413,117 | \$ 174,957,995 | \$ 160,809,326 |
| Plan Fiduciary Net Position | 198,818,022 | 198,818,022 | 198,818,022 |
| Net Pension Liability/(Asset) 6/30/2021 | <u>\$ (7,404,905)</u> | <u>\$ (23,860,027)</u> | <u>\$ (38,008,696)</u> |

| | | | |
|--|--------|--------|--------|
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 103.9% | 113.6% | 123.6% |
|--|--------|--------|--------|

Pension Plan for Firefighters & Police Officers

| Sensitivity of Net Pension Liability to Changes in the Discount Rate | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------------|-----------------------|---------------------|
| | 2.50% | 3.50% | 4.50% |
| Total Pension Liability | \$ 19,736,709 | \$ 18,629,611 | \$ 17,635,408 |
| Plan Fiduciary Net Position | 17,845,101 | 17,845,101 | 17,845,101 |
| Net Pension Liability/(Asset) 6/30/2021 | <u>\$ 1,891,608</u> | <u>\$ 784,510</u> | <u>\$ (209,693)</u> |

| | | | |
|--|-------|-------|--------|
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 90.4% | 95.8% | 101.2% |
|--|-------|-------|--------|

Virginia Retirement System (VRS)

| Sensitivity of Net Pension Liability to Changes in the Discount Rate | 1% Decrease | Current Discount Rate | 1% Increase |
|--|-----------------------|-----------------------|----------------------|
| | 5.75% | 6.75% | 7.75% |
| Net Pension Liability/(Asset) 6/30/2021 | <u>\$ 202,744,228</u> | <u>\$ 119,869,947</u> | <u>\$ 50,912,297</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

\$13,010,172 reported as deferred outflows of resources related to pensions resulting from City contributions to VRS subsequent to the measurement date of June 30, 2020 will be recognized in pension expense in the year ended June 30, 2021. At June 30, 2020, 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 Retirement 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 Outflows of Resources | Total Deferred Inflows of Resources | Net Deferred Outflows/(Inflows) of Resources |
| Differences between expected and actual experience | \$ 1,777,233 | \$ 2,752,475 | \$ 612,430 | \$ 6,966,231 | \$ 5,902,348 | \$ - | \$ - | \$ - | \$ 3,786,359 | \$ 973,286 | \$ 12,078,370 | \$ 10,691,992 | \$ 1,386,378 |
| Changes in assumptions | 8,243,437 | - | 1,086,677 | 2,802,491 | 707,501 | - | - | - | 8,734,368 | - | 18,771,983 | 2,802,491 | 15,969,492 |
| Net difference between projected and actual earnings on pension plan investments | - | 56,073,644 | - | 2,222,767 | - | 25,435,041 | 410,625 | - | 16,320,294 | - | 16,730,919 | 83,731,452 | (67,000,533) |
| Employer contributions subsequent to the measurement date | - | - | - | - | - | - | - | - | 13,010,172 | - | 13,010,172 | - | 13,010,172 |
| Total | \$ 10,020,670 | \$ 58,826,119 | \$ 1,699,107 | \$ 11,991,489 | \$ 6,609,849 | \$ 25,435,041 | \$ 410,625 | \$ - | \$ 41,851,193 | \$ 973,286 | \$ 60,591,444 | \$ 97,225,935 | \$ (36,634,491) |
| Total deferred outflows | \$ 60,591,444 | | | | | | | | | | | | |
| Total deferred inflows | \$ 97,225,935 | | | | | | | | | | | | |

| Year ended June 30: | Firefighters & Police Officers Pension Plan | | Firefighters & Police Officers Disability Pension Plan | | Supplemental Retirement Plan | | Pension Plan for Firefighters & Police Officers | | VRS | |
|------------------------|---|--|--|--|------------------------------|--|---|--|---------------|--|
| | | | | | | | | | | |
| 2022 | \$ (11,637,337) | | \$ (1,948,251) | | \$ (3,361,203) | | \$ 190,800 | | \$ 7,084,159 | |
| 2023 | (10,533,723) | | (1,902,815) | | (4,260,163) | | 137,401 | | 10,227,311 | |
| 2024 | (10,158,404) | | (1,871,160) | | (4,423,688) | | 73,089 | | 5,322,233 | |
| 2025 | (16,206,594) | | (1,832,050) | | (6,780,138) | | 9,335 | | 5,234,032 | |
| 2026 | 10,782 | | (756,712) | | - | | - | | - | |
| Thereafter | (280,173) | | (1,981,394) | | - | | - | | - | |
| Total Future Deferrals | \$ (48,805,449) | | \$ (10,292,382) | | \$ (18,825,192) | | \$ 410,625 | | \$ 27,867,735 | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

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 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. Plan 1 members who did not have 5 years of service as of December 31, 2012, became Plan 2 members. Members hired after January 1, 2014 who are new participants to VRS 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 Social Security normal retirement age with at least five years of service or when age and service are equal to 90 under Plan 2 and the Hybrid Plan. Beginning January 1, 2020, deputy sheriffs are covered by the VRS enhanced hazardous duty coverage with no supplement. Deputy sheriffs are eligible for an unreduced retirement at age 60 with 5 years of service and at age 50 with 25 years of service under enhanced hazardous duty coverage with no supplement plan. An optional reduced retirement benefit is available to deputy sheriffs as early as age 50 with five years of service under enhanced hazardous duty coverage with no supplement plan. The retirees are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.70 percent of their average final salary (AFS) for each year of credited service under Plan 1 and the enhanced hazardous duty coverage with no supplement plan; 1.65 percent of AFS for Plan 2; 1.00 percent for the Hybrid Plan. 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 including Deputy Sheriffs, Medics and Fire Marshals and regular, part-time City employees who are scheduled to work at least 50 percent 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. State employees working at the Alexandria Health Department are also covered under the Plan. 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.

The Deputy Sheriffs, Medics and Fire Marshals can retire unreduced with at least 25 years of services in those positions and at least age 50. The annual benefit is the sum of:

- (1) 0.6 percent of the participant's average earnings times credited service for years 1-5 in these positions
- (2) 0.9 percent of the participant's average earnings times credited service for years 6-15 in these positions
- (3) 1.0 percent of the participant's average earning times credited service for years 16 and greater in these positions.

Benefit provisions are established and may be amended via resolution by City Council.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 via resolution by City Council. This plan was closed to new participants in 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 via resolution by City Council. 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 under the new defined benefit plan with the assets associated with their contributions.

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. The Plan also allows for early retirement at age 50 with 20 years of service with reduced benefits. Employees hired before October 2013 are entitled to 2.5 percent of the participant's average monthly compensation (AMC), multiplied by the years of credited service up to 20 years; plus 3.2 percent of the participant's AMC, multiplied by years of credited service in excess of 20 years. The maximum benefit is 82.0 percent of the AMC. Employees hired after October 22, 2013 are entitled to 2.5 percent of the participant's average monthly compensation, multiplied by years of credited service. There is no limitation service or maximum benefit for employees hired after October 2013. AMC is the 48 highest consecutive months.

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 service-connected partial disability, and 2.5 percent multiplied by years of credited service, up to 50 percent for non-service connected partial or total and permanent disability. Employees hired after October 23, 2013 are not eligible for the non-service connected disability. Benefits provisions are established and may be amended via resolution by City Council. 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. Members who 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. No interest is applied for members whose DROP effective date is after October 31, 2013. The monthly benefit is calculated using service and average monthly compensation as of the date of entry in DROP, with increases equal to the annual COLA adjustment provided for retirees.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| VRS Plan 1 | VRS Plan 2 | VRS Hybrid Retirement Plan |
|---|--|--|
| <p>About Plan 1</p> <p>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.</p> | <p>About Plan 2</p> <p>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.</p> | <p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • 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. |
| <p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p> | <p>Eligible Members</p> <p>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.</p> <p>Hybrid Opt-In Election</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p><i>Political Subdivision Plan Only:</i></p> <p>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.</p> | <p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: School division employees and 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</p> <p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <p>Political Subdivision employees who are covered by enhanced benefits for hazardous duty employees.</p> <p>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.</p> |
| <p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are</p> | <p>Retirement Contributions</p> <p>Same as Plan 1.</p> | <p>Retirement Contributions</p> <p>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</p> |

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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| | | |
|--|---|---|
| <p>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.</p> | | <p>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.</p> |
| <p>Service Credit</p> <p>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.</p> | <p>Service Credit</p> <p>Same as Plan 1.</p> | <p>Service Credit</p> <p><u>Defined Benefit Component:</u> Under the defined benefit component of the plan, 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |
| <p>Vesting</p> <p>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 year (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.</p> | <p>Vesting</p> <p>Same as Plan 1.</p> | <p>Vesting</p> <p><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.</p> <p><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</p> |

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Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| | | |
|---|---|--|
| | | <p>contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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. <p>Distributions not required, except as governed by law.</p> |
| <p>Calculating the Benefit</p> <p>The Basic Benefit is determined using the average final compensation, service credit and plan multiplier.</p> <p>An early retirement reduction is applied to this amount, if the member is retiring with a reduced benefit.</p> <p>In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p> | <p>Calculating the Benefit</p> <p>See definition under Plan 1.</p> | <p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p> |
| <p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> |
| <p>Service Retirement Multiplier</p> <p>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%.</p> | <p>Service Retirement Multiplier</p> <p>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.</p> | <p>Service Retirement Multiplier</p> <p><u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> |
| <p>Normal Retirement Age</p> <p>VRS: Age 65.</p> | <p>Normal Retirement Age</p> <p>VRS: Normal Social Security retirement age.</p> | <p>Normal Retirement Age</p> <p>VRS:</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| | | |
|--|--|---|
| <p>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.</p> | <p>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.</p> | <p>Earliest Unreduced Retirement Eligibility VRS: Defined Benefit Component: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>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.</p> | <p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> | <p>Earliest Unreduced Retirement Eligibility VRS: Defined Benefit Component: Age 60 with at least five years (60 months) of creditable service.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p>Eligibility:</p> <p>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.</p> <p>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.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. | <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p>Eligibility:</p> <p>Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution component: Not applicable.</p> <p>Eligibility:</p> <p>Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p> |

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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| | | |
|--|---|---|
| <ul style="list-style-type: none"> • 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. | | |
| <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> | <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> | <p>Disability Coverage Employees of school divisions and 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.</p> |
| <p>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.</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service <u>Defined Benefit component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service <p><u>Defined Contribution Component:</u> Not applicable.</p> |

CITY OF ALEXANDRIA, VIRGINIA
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

ACPS VRS Political Subdivision Retirement Plan

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. 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 the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). 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.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Number |
|---|---------------|
| Active Members | 244 |
| Inactive members: | |
| Vested inactive members | 37 |
| Non-vested Inactive Members | 96 |
| LTD | - |
| Inactive members active elsewhere in VRS | 48 |
| Total Inactive Members | 181 |
| Inactive members or their beneficiaries currently receiving benefits | 209 |
| Total Covered Employees | 634 |

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation towards their retirement.

ACPS' contractually required contribution rate for the year ended June 30, 2020 was 1.21 % of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$0.4 million for each of the years ended June 30, 2021 and June 30, 2020, respectively.

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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For ACPS, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions- General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

| Actuarial Assumptions | |
|--|---|
| Inflation | 2.5 percent |
| Salary increases, including Inflation | 3.5 percent – 5.35 percent |
| Investment rate of return | 6.75 Percent, net of pension plan investment expense, including inflation* |
| Mortality rates: | |
| Largest 10- Non-LEOS: | 20% of deaths are assumed to be service related |
| - Pre-Retirement | RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates. |
| - Post-Retirement | RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90. |
| - Post-Disablement | RP-2014 Disability Mortality Table Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates. |
| All Others (non 10 Largest) Non-LEOS: | 15% of deaths are assumed to be service related |
| - Pre-Retirement | RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates. |
| - Post-Retirement | RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90. |
| - Post-Disablement | RP-2014 Disability Mortality Table Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates. |
| * 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities. | |

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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS board action, effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS board action are as follows:

Largest 10-Non-LEOS:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Decrease in rates of disability retirement
- Adjusted withdrawal rates to better fit experience

All Others (Non 10 Largest)-Non-LEOS:

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Decrease in rates of disability retirement
- Adjusted withdrawal rates to better fit experience

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 ⁽¹⁾ |
|--------------------------------------|-------------------|---|---|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | <u>100.00%</u> | | 4.64% |
| | | Inflation | <u>2.50%</u> |
| | | ⁽¹⁾ Expected arithmetic nominal return | <u>7.14%</u> |

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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

(1) The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate.

For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue 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 (Asset)

| | <i>Increase(Decrease)</i> | | |
|--|------------------------------------|--|--|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Balances at June 30, 2019 | \$ 44,264,527 | \$ 49,127,702 | \$ (4,863,175) |
| Changes for the year: | | | |
| Service Cost | 698,590 | | 698,590 |
| Interest | 2,908,527 | | 2,908,527 |
| Differences between expected and actual experience | (803,167) | | (803,167) |
| Changes in assumptions | - | | - |
| Contributions - employer | - | 68,525 | (68,525) |
| Contributions - employee | - | 365,985 | (365,985) |
| Net investment income | - | 927,946 | (927,946) |
| Benefit payments, including refunds of employee contributions | (2,350,467) | (2,350,467) | - |
| Administrative expenses | - | (32,633) | 32,633 |
| Other changes | - | (1,085) | 1,085 |
| Net changes | 453,483 | (1,021,729) | 1,475,212 |
| Balances at June 30, 2020 | \$ 44,718,010 | \$ 48,105,973 | \$ (3,387,963) |

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Notes to Financial Statements
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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 6.75%, as well as, what ACPS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | (-1%) Decrease 5.75% | Current Discount Rate 6.75% | (+1%) Increase 7.75% |
|-------------------------------|-------------------------|-----------------------------------|----------------------------|
| Net Pension Liability (Asset) | \$ 1,324,465 | \$ (3,387,963) | \$ (7,385,546) |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, ACPS recognized pension expense of approximately \$178,497. As of June 30, 2021, 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 earnings on pension plan investments | \$ 1,433,010 | \$ - |
| Employer contributions subsequent to the measurement date | 71,190 | - |
| Change in assumptions | 325,507 | - |
| Differences between expected and actual experience | - | 798,584 |
| Total | \$ 1,829,707 | \$ 798,584 |

The \$0.1 million reported as deferred outflows of resources related to pensions resulting from ACPS's contributions subsequent to the measurement date will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2022. 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 |
|-------------------------|--------------|
| 2022 | \$ (274,054) |
| 2023 | 271,368 |
| 2024 | 498,143 |
| 2025 | 464,476 |
| | \$ 959,933 |

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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Payables to the Pension Plan

At June 30, 2021, ACPS reported payables to the VRS Political Subdivision Retirement Plan of \$50,000. 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 2020 *Comprehensive Annual Financial Report* (Annual Financial Report). A copy of the 2020 VRS Annual Financial Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2020-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

The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. 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 the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Retirement Plan and the additions to/deductions from the VRS Teacher Employee Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. In addition, 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.

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. Each school division's contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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. Contributions to the pension plan from ACPS were \$33.5 million and \$32.1 million for each of the years ended June 30, 2021 and June 30, 2020, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, ACPS reported a liability of \$268.3 million for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 1.84340% as compared to 1.85247% at June 30, 2019.

For the year ended June 30, 2021, ACPS recognized pension expense of \$31.5 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

At June 30, 2021, 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 earnings on pension plan investments | \$ 20,404,381 | \$ - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,888,842 | 1,871,902 |
| Changes in assumptions | 18,312,321 | - |
| Differences between expected and actual experience | - | 15,724,353 |
| Employer contributions subsequent to the measurement date | 25,704,096 | - |
| Total | \$ 66,309,640 | \$ 17,596,255 |

The deferred outflows of resources of \$25.7 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, 2022. 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 |
|---------------------------------|---------------|
| 2022 | \$ 540,432 |
| 2023 | 6,882,388 |
| 2024 | 9,044,628 |
| 2025 | 6,906,133 |
| 2026 | (364,292) |
| | \$ 23,009,289 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

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, 2019, 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, 2020.

| Actuarial Assumptions | |
|---|---|
| Inflation | 2.5 percent |
| Salary increases, including Inflation | 3.5 percent – 5.95 percent |
| Investment rate of return | 6.75 Percent, net of pension plan investment expense, including inflation* |
| Mortality rates: | |
| - Pre-Retirement | RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020. |
| - Post-Retirement | RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90. |
| - Post-Disablement | RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females. |
| <p>* 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.</p> | |

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action, effective as of July 1, 2019.

Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Lowered rates of retirement at older ages
- Adjusted rates of withdrawals for 0 through 9 years of service
- Adjusted rates of disability to better match experience

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | Teacher Employee Retirement Plan |
|---|---|
| Total Pension Liability | \$ 51,001,855 |
| Plan Fiduciary Net Position | 36,449,229 |
| Employers' Net Position Liability | \$ 14,552,626 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.47% |

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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 ⁽¹⁾ |
|--------------------------------------|------------------------------|--|--|
| Public Equity | 34.00% | 4.65% | 1.58% |
| Fixed Income | 15.00% | 0.46% | 0.07% |
| Credit Strategies | 14.00% | 5.38% | 0.75% |
| Real Assets | 14.00% | 5.01% | 0.70% |
| Private Equity | 14.00% | 8.34% | 1.17% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.04% | 0.18% |
| PIP - Private Investment Partnership | 3.00% | 6.49% | 0.19% |
| Total | 100.00% | | 4.64% |
| | | Inflation | 2.50% |
| | | ⁽¹⁾ Expected arithmetic nominal return | 7.14% |

(1) The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2020, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2020 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.

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

| | (-1%) Decrease 5.75% | Current Discount Rate 6.75% | (+1%) Increase 7.75% |
|--|--------------------------------|---|--------------------------------|
| ACPS' proportionate share of VRS Teacher Plan Net Pension Liability | \$ 393,602,232 | \$ 268,263,110 | \$ 164,591,812 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Financial Report). A copy of the 2020 VRS Annual Financial Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020annual-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, 2021, ACPS reported payables to the VRS Teacher Retirement Plan of \$3.6 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

B. EMPLOYEES' SUPPLEMENTAL RETIREMENT PLAN

Plan Description

The 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, 2020 was measured as of August 31, 2020, using the total pension liability that was determined by an actuarial valuation as August 31, 2020.

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, 2020 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 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 measurement 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

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June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

payroll. During FY 2021, only ACPS employees contributed to the Plan. These contributions totaled \$2.7 million for the fiscal year ended June 30, 2021. 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, 2020.

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Expected Geometric Return |
|----------------------------------|---|--|---------------------------|
| U.S Equity - Large Cap | 21.95% | 7.70% | 6.20% |
| U.S Equity - Mid Cap | 2.57% | 8.00% | 6.20% |
| U.S Equity - Small Cap | 2.55% | 8.55% | 6.20% |
| Non-US Equity | 10.86% | 8.00% | 6.20% |
| REITs | 0.50% | 7.30% | 5.65% |
| Real Estate (direct property) | 10.19% | 5.35% | 5.00% |
| TIPS | 0.75% | 1.70% | 1.50% |
| Core Bond | 47.84% | 2.60% | 2.45% |
| High Yield | 2.79% | 5.45% | 5.00% |
| Total | 100.00% | | |
| Exp LTROA (arithmetic mean) | 4.97% | | |
| Portfolio Standard Deviation | 7.91% | | |
| 40th percentile | 4.05% | | |
| 45th percentile | 4.36% | | |
| Expected Compound Return | 4.68% | | |
| 55th percentile | 4.99% | | |
| 60th percentile | 5.31% | | |
| Portfolio Investment Mix: | Equity 38% / Fixed Income 51% / Other 11% | | |

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 \$132.4 million, that represented 5 percent or more of the Plan's fiduciary net position.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Money-Weighted Rate of Return

For the Plan year ended August 31, 2020, the annual money-weighted rate of return on plan investments for the measurement period is 6.69%. 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, 2020, the expected long-term rate of return assumption as of the end of period is 5.50%. 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) 2018. 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 2018 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, 2020 valuation were based upon the results of an actuarial assumption review for the five-year period of September 1, 2007 to August 31, 2012.

During the plan year ended August 31, 2020, the following changes in assumptions were implemented.

- The mortality base table has been changed from Pri-2012 to PubG-2010.
- The mortality improvement scale has been changed to MP2020.
- The discount rate has decreased from 6.00% to 5.50%.
- The long-term rate of return for the current year has decreased from 6.00% to 5.50%.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS (Employees' Supplemental)

| | |
|--|-------|
| Active plan members | 2,359 |
| Retirees and beneficiaries currently receiving benefits | 1,282 |
| Inactive or disabled plan members entitled to but not receiving benefits | 1,811 |
| Total | 5,452 |

| | |
|-------------------------------|-----------------------------|
| 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 | 5.50% |
| Discount rate | 5.50% |
| 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 | PubG-2010 General base table with MP-2020 Mortality Improvement Scale |
| Mortality - Post-reretirement | PubG-2010 General base table with MP-2020 Mortality Improvement Scale |

PERCENTAGE OF COVERED PAYROLL CONTRIBUTION

| | |
|--|----------------|
| Employee contribution percentage | 1.50% |
| Employer contribution percentage | 0.00% |
| Employee contribution, during the measurement period | \$ 2,692,796 |
| Employer contribution | - |
| Total amount contributed | \$ 2,692,796 |
| Covered payroll (Annual member compensation) | \$ 164,529,061 |
| Legally-required reserves | None |
| Long-term contribution contracts | None |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 used to determine the end of period Total Pension Liability is 5.5%. 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 2020 to 2115. Benefit payments after 2115 are projected to be \$0.00.

Net Pension Liability

The net pension liability reported for ACPS fiscal year end of June 30, 2021 was measured as of August 31, 2020, using the total pension liability that was determined by an actuarial valuation as of August 31, 2020.

| | Changes in Net Pension Liability | | |
|---|---|------------------------------------|------------------------------|
| | <i>Increase(Decrease)</i> | | |
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| Balances at August 31, 2019 | \$ 135,346,188 | \$ 127,824,158 | \$ 7,522,030 |
| Changes for the year | | | |
| Service Cost | 3,930,063 | - | 3,930,063 |
| Interest | 8,155,001 | - | 8,155,001 |
| Differences between expected and actual experience | 68,199 | - | 68,199 |
| Change in assumptions | 14,870,418 | | |
| Contributions - employer | - | - | - |
| Contributions - employee | - | 2,692,796 | (2,692,796) |
| Net investment income | - | 8,415,730 | (8,415,730) |
| Benefit payments, including refunds of employee contributions | (6,302,704) | (6,302,704) | - |
| Administrative expenses | - | (235,488) | 235,488 |
| Net changes | <u>20,720,977</u> | <u>4,570,334</u> | <u>16,150,643</u> |
| Balances at August 31, 2020 | <u>\$ 156,067,165</u> | <u>\$ 132,394,492</u> | <u>\$ 23,672,673</u> |

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 5.50%, 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 (4.50%) or one percentage point higher (6.50%) than the current rate.

| | <u>(-1%) Decrease 4.50%</u> | <u>Current Discount Rate 5.50%</u> | <u>(+1%) Increase 6.50%</u> |
|-------------------------------|-------------------------------------|--|-------------------------------------|
| Net Pension Liability (Asset) | \$ 46,831,505 | \$ 23,672,673 | \$ 4,845,449 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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, 2021 is \$8.0 million. For the year ended June 30, 2021, ACPS reported deferred inflows of resources related to pensions for this Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ 160,409 | \$ - |
| Changes in assumptions | 10,681,568 | 288,737 |
| Differences between expected and actual experience | 104,994 | - |
| Total | \$ 10,946,971 | \$ 288,737 |

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 |
|---------------------------------|---------------|
| 2022 | \$ 3,742,378 |
| 2023 | 4,344,080 |
| 2024 | 2,747,004 |
| 2025 | (175,228) |
| Total | \$ 10,658,234 |

Payables to the Pension Plan

At June 30, 2021, ACPS reported payables to the Employees' Supplemental Retirement Plan of \$0.2 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The following is a summary of fiduciary net position of the Plan as of June 30, 2021.

| Summary of Fiduciary Net Position | |
|---|----------------|
| Employees' Supplementary Retirement Plan | |
| As of June 30, 2021 | |
| ASSETS | |
| Bonds | \$ 83,871,093 |
| Mutual Funds | 28,316,136 |
| Other Investments | 28,064,813 |
| Contribution Receivable | 290,166 |
| Total assets | 140,542,208 |
| NET POSITION | |
| Held in trust for pension benefits | \$ 140,542,208 |

The following is a summary of changes in fiduciary net position of the Plan for the year ended June 30, 2021.

| Summary of Changes in Fiduciary Net Position | |
|---|----------------|
| Employees' Supplementary Retirement Plan | |
| For the Year Ended June 30, 2021 | |
| ADDITIONS | |
| Contributions | \$ 2,739,364 |
| Investment Income, net | 16,905,649 |
| Total Additions | 19,645,013 |
| DEDUCTIONS | |
| Benefit payments | 6,361,678 |
| Administrative expenses | 277,552 |
| Total Deductions | 6,639,230 |
| Change in net position | 13,005,783 |
| NET POSITION, beginning of year | 127,536,425 |
| NET POSITION, end of year | \$ 140,542,208 |

CITY OF ALEXANDRIA, VIRGINIA
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Summary of Retirement Related Deferred Outflows and Inflows of Resources
As of June 30, 2021

| | VRS - Teachers Plan | | | | VRS - Political Subdivision Plan | | | | Employees Supplemental Plan | | | | Total Pension Plans | | | | |
|---|--------------------------------|-------------------------------|-----------------------|----------------------|----------------------------------|-------------------------------|---------------------|-------------------|--------------------------------|-------------------------------|-----------------------|---------------------|--------------------------------|-------------------------------|---------------------|-----------------------|----------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Pension Liability | Pension Expense | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Pension Asset | Pension Expense | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Pension Liability | Pension Expense | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Pension Asset | Net Pension Liability | Pension Expense |
| Net Pension Liability | \$ - | \$ - | \$ 268,263,110 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 23,672,673 | \$ - | \$ - | \$ - | \$ - | \$ 291,935,783 | \$ - |
| Net Pension Asset | - | - | - | - | - | - | 3,387,963 | - | - | - | - | - | - | - | 3,387,963 | - | - |
| Net difference between projected and actual earnings on pension plan investments | 20,404,381 | - | - | - | 1,433,010 | - | - | - | 160,409 | - | - | - | 21,997,800 | - | - | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,888,842 | 1,871,902 | - | - | - | - | - | - | - | - | - | - | 1,888,842 | 1,871,902 | - | - | - |
| Differences between expected and actual experience | - | 15,724,353 | - | - | - | 798,584 | - | - | 104,994 | - | - | - | 104,994 | 16,522,937 | - | - | - |
| Changes in assumptions | 18,312,321 | - | - | - | 325,507 | - | - | - | 10,681,568 | 288,737 | - | - | 29,319,395 | 288,737 | - | - | - |
| Employer contributions subsequent to the measurement date | 25,704,096 | - | - | - | 71,190 | - | - | - | - | - | - | - | 25,775,286 | - | - | - | - |
| Pension Expense | - | - | - | 31,507,570 | - | - | - | 178,497 | - | - | - | 7,998,355 | - | - | - | - | 39,684,422 |
| Totals | \$ 66,309,640 | \$ 17,596,255 | \$ 268,263,110 | \$ 31,507,570 | \$ 1,829,707 | \$ 798,584 | \$ 3,387,963 | \$ 178,497 | \$ 10,946,971 | \$ 288,737 | \$ 23,672,673 | \$ 7,998,355 | \$ 79,086,317 | \$ 18,683,576 | \$ 3,387,963 | \$ 291,935,783 | \$ 39,684,422 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 18. 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 for the purchase of real property and construction of a building for lease (known as the Eisenhower Avenue Science Redevelopment 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 percent 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 18. TAX ABATEMENTS (Continued)

- 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.
- 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 percent, 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 percent.
- 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) \$73.0 million over a 15-year period and up to \$95.0 million over a 20-year period if the agency lease is extended. After setting aside a \$28.0 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 18. TAX ABATEMENTS (Continued)

\$45.0 million over a 15-year period and \$68.0 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 \$10.0 million and \$14.0 million to these tax generation estimates).

In FY 2021, the eligibility requirements for the District were met and \$2.7 million in real estate taxes were abated.

2021 Real Estate Tax Relief Program for Elderly and Disabled Persons

Residents who are either 65 years of age or older or permanently and totally disabled, or who become such during the current calendar year, may be eligible for the City's Real Estate Tax Relief Program for Elderly and Disabled Persons. The applicant must own and occupy the property as their sole residence. The following limits are currently in effect:

- For a full tax exemption, a household's gross combined income may not have exceeded \$40,000 in 2020.
- For an exemption of 50 percent of taxes, a household's gross combined income may not have exceeded \$55,000 in 2020.
- For an exemption of 25 percent of taxes, a household's gross combined income may not have exceeded \$72,000 in 2020.
- Taxes over the maximum exemption may be deferred for qualifying applicants, subject to repayment with interest upon conveyance or demise of the owner.
- Qualifying elderly and disabled applicants with gross income over \$72,000 but not in excess of \$100,000 may defer their taxes, also subject to repayment with interest. An exemption does not apply for this category.
- For all qualifying applicants, the assets of the household may not exceed \$430,000 (excluding the house and one acre of land).

2021 Real Property Tax Exemption for Veterans with 100% Service-Connected Disability, and Surviving Spouse

The City offers a full real estate tax exemption to veterans with total and permanent service-connected disability and their surviving spouses, subject to the terms in Virginia Code § 58.1-3219.5:

For veterans:

- The veteran must have been rated by the U.S. Department of Veterans Affairs or its successor agency pursuant to federal law as having a service-connected 100 percent permanent and total disability.
- The residence for which the veteran is seeking tax exemption must be his or her primary residence.
- The property must be deeded in the name of the veteran or the veteran and his or her spouse (to include applicable title in trust).
- The veteran's spouse, if applicable, must also be identified.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

For surviving spouses of disabled veterans:

- The surviving spouse must be able to meet the standards above for the deceased veteran's disability certification.
- The residence must be deeded in the name of the veteran and surviving spouse, or the surviving spouse has ownership rights by virtue of a will or trust agreement.
- The residence for which the surviving spouse is seeking tax exemption must be his or her principal place of residence, however, the exemption applies without any restriction on the spouse's moving to a different principal place of residence.
- The veteran must have died on or after January 1, 2011.
- The surviving spouse must not be remarried.

2021 Real Property Tax Exemption for Spouse of Veteran Killed in Action

The City offers a full real estate tax exemption to the spouse of any veteran killed in action, subject to the terms in Virginia Code § 58.1-3219.9:

- Effective for tax years 2015 and beyond.
- Eligible to the surviving spouse (i) of any member of the armed forces of the United States who was killed in action as determined by the U.S. Department of Defense and (ii) who occupies the real property as their principal place of residence.
- Per state code, the spouse is eligible "so long as the surviving spouse does not remarry and continues to occupy the real property as their principal place of residence." The exemption applies without any restriction on the spouse's moving to a different principal place of residence.
- "Killed in action" includes a determination by the U.S. Department of Defense of "died of wounds received in action."
- If the surviving spouse acquires the property after January 1, 2015, then the exemption shall begin on the date of acquisition.
- If the value of the applicant's dwelling is in excess of the average assessed residential value in the City, then only that portion of the assessed value that is not in excess of the average value shall be exempt from real property taxes.
- In most cases, exemption applies to the qualifying dwelling and the land, not exceeding one acre upon which it is situated.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 19. NEW ACCOUNTING STANDARDS

In FY 2021, the following Governmental Accounting Standards Board (GASB) statement(s) were implemented:

Statement No. 84, "Fiduciary Activities." The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City's activities previously reported in agency funds are now reported in custodial funds. The activities in the Industrial Development Authority (IDA) fund did not meet the criteria for a custodial fund and is now reported in a special revenue fund.

Statement No. 90, "Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020.

In FY 2022, the following GASB statement(s) will be implemented as follows:

Statement No. 87, "Leases." The objective of GASB 87 statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2021.

Statement No. 91, "Conduit Debt Obligations." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2022.

Statement No. 92, "Omnibus 2020." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

Statement No. 93, "Replacement of Interbank Offered Rates." The requirement in paragraph 11b will take effect for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.

Statement No. 96, "Subscription-Based Information Technology Arrangements." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2023.

Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2022.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2021

Exhibit XII
(Continued)

NOTE 20. SUBSEQUENT EVENTS

Alexandria Housing Development Corporation (AHDC) Lacy Court, Inc.

On July 6, 2021, Alexandria Lacy Courts Limited Partnership and the City of Alexandria executed an additional loan for funds in the amount of \$0.8 million; these funds are needed for unforeseen costs related to mold in units and building foundation inadequacies related to the renovation of the Lacy Courts project.

The Bloom at Braddock Apartments

The Bloom is an affordable housing project partnership between AHDC and the Carpenter's Shelter (the Project). On July 14, 2021, the first amendment to the funding loan agreement was executed for additional funds in the amount of \$1.1 million; these funds are needed for unforeseen costs related to contaminated/unsuitable soils and utility conflicts related to the development of the Project. Use of these funds for the foregoing purposes are consistent with the terms of the original loan documents.

Landmark Mall Revitalization and Landmark Community Development Authority (CDA)

On September 18, 2021, the City Council created the Landmark CDA to provide the necessary financial backstop to ensure the City's \$86.0 million investment in the Landmark Mall redevelopment is fully repaid. On July 30, 2021, the Development and Financing Agreement between the City, Landmark Land Holdings, LLC, and Inova Health Care Services, and the Grant Agreement between the City and the Industrial Development Authority of the City of Alexandria were executed. The proposed development will transform the unoccupied, enclosed 51.4-acre mall site into a mixed-use, walkable urban village. The Landmark Redevelopment would generate an estimated \$1.0 billion in tax revenue over a 30-year period from Landmark and create the opportunity to redevelop the Seminary Road Inova site into taxable residential use. After deducting estimated debt service of \$278.0 million for both the infrastructure improvements and the land purchase, the net gain for the City to pay for Landmark and citywide services over that timeframe is estimated at \$762.0 million. This net gain does not include new tax revenues created by the positive economic impact of the redevelopment of sites adjacent to or near the Landmark Redevelopment and the Seminary Road sites.

The City proposes to issue one or more series of City Bonds in a maximum aggregate principal amount sufficient to (i) generate \$86.0 million in net construction proceeds available to pay the costs of the infrastructure improvements and (ii) pay capitalized interest on the City Bonds. To the extent that the Incremental Tax Revenues are less than the amounts due on the City Bonds, the City shall be entitled to seek reimbursement for any City funds applied to pay debt service on the City Bonds through the collection of annual installments of the special assessments.

1703 North Beauregard Office Building Purchase

The 1703 North Beauregard office building is encumbered with three leases totaling 23,801 square feet in leases that run until 2027 and 2032, with the longest lease of 12,488 square feet for the first-floor tenant running until 2034. While these leases produce about \$0.7 million per year in income, the leases also block use of that space by ACPS unless the leases were bought out. The cost of that buyout will not be known until negotiations between ACPS and the tenants occur. ACPS believes that it can buy out at a reasonable cost the shorter-term leases making three of the four floors available for ACPS use in the short-term. The first floor would likely remain rented for some period. The 1703 building would house some ACPS administrative functions, then serving as swing space for schools to allow the rebuilding of the George Mason Elementary School and then the Cora Kelly Elementary School, and finally a new 600 student elementary or secondary school for which ACPS projects the need in about 10 years.



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REQUIRED
SUPPLEMENTARY
INFORMATION
(Unaudited)

In accordance with the Governmental Accounting Standards Board Statements No. 25, No. 27, No. 34, No. 43,

No.45 and No. 75 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, 2021

EXHIBIT XIII

| | Original Budget | Budget as Amended | Actual | Variance from Amended Budget - Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
| Revenues: | | | | |
| General Property Taxes..... | \$ 535,575,000 | \$ 535,575,000 | \$ 534,770,026 | \$ (804,974) |
| Other Local Taxes..... | 114,611,090 | 114,611,090 | 131,506,114 | 16,895,024 |
| Permits, Fees, and Licenses..... | 2,339,631 | 2,339,631 | 4,185,341 | 1,845,710 |
| Fines and Forfeitures..... | 3,502,615 | 3,502,615 | 3,076,876 | (425,739) |
| Use of Money and Property..... | 5,498,250 | 5,498,250 | 3,149,630 | (2,348,620) |
| Charges for Services..... | 14,308,344 | 14,308,344 | 10,681,086 | (3,627,258) |
| Intergovernmental Revenues..... | 58,235,689 | 57,679,700 | 59,552,814 | 1,873,114 |
| Miscellaneous..... | 2,019,966 | 2,199,285 | 1,921,463 | (277,822) |
| Total Revenues | 736,090,585 | 735,713,915 | 748,843,350 | 13,129,435 |
| Expenditures: | | | | |
| City Council..... | 698,106 | 698,106 | 672,803 | 25,303 |
| City Manager..... | 2,369,544 | 2,453,592 | 2,452,836 | 755 |
| Office of Management and Budget..... | 1,275,096 | 1,274,629 | 1,142,806 | 131,823 |
| 18th Circuit Court..... | 1,536,534 | 1,621,661 | 1,379,510 | 242,151 |
| 18th General District Court..... | 98,910 | 99,003 | 96,932 | 2,070 |
| Juvenile And Domestic Relations Court..... | 85,811 | 85,868 | 78,955 | 6,913 |
| Commonwealth's Attorney..... | 2,930,696 | 2,926,679 | 2,759,268 | 167,411 |
| Sheriff..... | 32,849,624 | 33,096,346 | 30,709,241 | 2,387,105 |
| Clerk of Courts..... | 1,744,354 | 1,744,435 | 1,691,720 | 52,715 |
| Other Correctional Activities..... | 4,568,711 | 4,608,929 | 4,542,588 | 66,342 |
| Court Services..... | 1,511,230 | 1,644,500 | 1,591,950 | 52,549 |
| Human Rights..... | 940,880 | 1,039,907 | 963,440 | 76,467 |
| Internal Audit..... | 306,170 | 412,464 | 359,692 | 52,772 |
| Information Technology Services..... | 12,664,588 | 13,118,675 | 11,866,759 | 1,251,916 |
| Office of Communications..... | 1,547,230 | 1,567,258 | 1,307,506 | 259,752 |
| City Clerk and Clerk of Council..... | 423,541 | 423,637 | 399,902 | 23,735 |
| Finance..... | 12,319,067 | 12,845,109 | 11,045,393 | 1,799,716 |
| Organizational Excellence..... | 152,429 | 189,548 | 181,921 | 7,627 |
| Human Resources..... | 4,012,280 | 4,344,021 | 4,060,370 | 283,651 |
| Planning and Zoning..... | 5,777,856 | 5,923,231 | 5,673,464 | 249,768 |
| Economic Development Activities..... | 6,923,390 | 6,923,390 | 6,813,893 | 109,497 |
| City Attorney..... | 3,251,445 | 3,751,516 | 3,223,971 | 527,545 |
| Registrar of Voters..... | 1,459,825 | 1,468,350 | 1,343,429 | 124,922 |
| General Services..... | 10,950,902 | 11,470,118 | 9,883,574 | 1,586,544 |
| Office of Proj. Implementation | - | - | - | - |
| Performance and Accountability..... | 509,308 | 524,772 | 489,824 | 34,948 |
| Transportation and Environmental Services..... | 23,775,536 | 24,207,285 | 21,829,683 | 2,377,603 |
| Transit Subsidies..... | 20,658,367 | 13,562,467 | 2,478,947 | 11,083,520 |
| Fire..... | 54,008,566 | 54,016,580 | 52,137,733 | 1,878,846 |
| Police..... | 62,042,696 | 62,394,683 | 59,517,036 | 2,877,648 |
| Emergency Communication..... | 8,727,703 | 8,743,235 | 8,115,470 | 627,765 |
| Building and Fire Code Administration..... | 24,000 | 24,000 | 5,388 | 18,612 |
| Housing..... | 1,757,228 | 1,912,163 | 1,860,597 | 51,566 |
| Community and Human Services..... | 13,847,042 | 14,850,318 | 13,444,436 | 1,405,881 |
| Other Health Services..... | 1,235,495 | 1,726,070 | 1,725,870 | 200 |
| Health..... | 8,207,391 | 7,404,290 | 6,981,794 | 422,496 |
| Office of Historic Alexandria..... | 3,295,795 | 3,566,232 | 3,361,076 | 205,155 |
| Recreation and Cultural Activities..... | 23,063,820 | 23,236,260 | 20,801,744 | 2,434,516 |
| Library..... | 15,411 | 15,794 | 41,672 | (25,878) |
| ACPS (Debt Service)..... | 28,578,698 | 28,578,698 | 28,578,698 | - |
| Other Educational Activities..... | 16,009 | 16,009 | 16,009 | - |
| Non Departmental (including debt service)..... | 48,421,314 | 50,042,989 | 47,190,641 | 2,852,347 |
| | 408,582,598 | 408,552,817 | 372,818,539 | 35,734,277 |
| Other Financing Sources (Uses): | | | | |
| Proceeds of Refunding Bonds..... | - | 49,887,196 | 49,887,196 | - |
| Payment to Refunded Bonds Escrow Agent..... | - | (49,618,630) | (49,618,630) | - |
| Transfers In..... | 9,246,427 | 9,246,427 | 9,246,427 | - |
| Transfers Out..... | (102,247,747) | (120,371,460) | (120,356,796) | 14,664 |
| Transfers Out - Component Units..... | (241,197,856) | (241,647,856) | (241,504,713) | 143,143 |
| | (334,199,176) | (352,504,323) | (352,346,516) | 157,807 |
| Net Change in Fund Balance..... | (6,691,189) | (25,343,225) | 23,678,295 | 49,021,520 |
| Fund Balances at Beginning of Year..... | 152,800,030 | 152,800,030 | 152,800,030 | - |
| Increase/(Decrease) in Reserve for Inventory | - | 166,188 | 166,188 | - |
| FUND BALANCES AT END OF YEAR..... | \$ 146,108,841 | \$ 127,622,993 | \$ 176,644,513 | \$ 49,021,520 |

(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, 2021

EXHIBIT XIV

| | <u>Original Budget</u> | <u>Budget as Amended</u> | <u>Actual</u> | <u>Variance From Amended Budget Positive (Negative)</u> |
|--|----------------------------|------------------------------|-----------------------|---|
| Revenues: | | | | |
| General Property Taxes..... | \$ 1,552,283 | \$ 1,552,283 | \$ 1,490,191 | \$ (62,092) |
| Other Local Taxes..... | 5,047,000 | 5,047,000 | 5,181,389 | 134,389 |
| Permits, Fees and Licenses..... | 10,079,286 | 10,079,286 | 14,406,531 | 4,327,245 |
| Use of Money and Property..... | 561,036 | 561,036 | 1,358,615 | 797,579 |
| Charges for Services..... | 41,378,717 | 43,495,732 | 45,344,456 | 1,848,724 |
| Intergovernmental Revenues..... | 125,416,261 | 137,902,493 | 78,136,119 | (59,766,374) |
| Miscellaneous..... | 21,349,596 | 23,526,617 | 5,599,015 | (17,927,602) |
| Total Revenues..... | <u>205,384,179</u> | <u>222,164,446</u> | <u>151,516,315</u> | <u>(70,648,131)</u> |
| Other Financing Sources: | | | | |
| Transfers In..... | (76,064,440) | (76,094,016) | 75,429,239 | 151,523,255 |
| Issuance of Debt and other Financing | - | - | - | - |
| Total Other Financing Sources..... | <u>(76,064,440)</u> | <u>(76,094,016)</u> | <u>75,429,239</u> | <u>151,523,255</u> |
| Total Revenues and Other Financing Sources..... | <u>129,319,738</u> | <u>146,070,430</u> | <u>226,945,554</u> | <u>80,875,124</u> |
| Expenditures: | | | | |
| Commonwealth's Attorney..... | 1,070,299 | 1,069,343 | 285,163 | 784,179 |
| Sheriff..... | 161,565 | 161,565 | 137,213 | 24,352 |
| Clerk of Courts..... | 127,915 | 127,915 | 15,375 | 112,540 |
| Law Library..... | - | - | - | - |
| Other Correctional and Judicial Activities..... | 692,343 | 698,154 | 627,343 | 70,811 |
| Court Services..... | 451,269 | 501,249 | 203,828 | 297,421 |
| Human Rights..... | 50,884 | 50,884 | 37,241 | 13,643 |
| Information Technology Services..... | 495,218 | 495,218 | 374,841 | 120,377 |
| Finance..... | 837,060 | 843,310 | 757,156 | 86,154 |
| Planning and Zoning..... | 604,977 | 666,001 | 392,380 | 273,620 |
| Economic Development..... | - | - | - | - |
| Registrar..... | 300,154 | 300,154 | 300,154 | - |
| General Services..... | 127,152 | 127,152 | 45,315 | 81,837 |
| Office of Project Implementation..... | 790,730 | 790,730 | 25 | 790,705 |
| Transportation and Environmental Services..... | 40,007,631 | 42,701,271 | 25,096,604 | 17,604,666 |
| Transit Subsidies..... | 5,800,000 | 5,800,000 | 9,789,511 | (3,989,511) |
| Fire..... | 7,698,283 | 7,939,621 | 4,089,401 | 3,850,221 |
| Police..... | 887,616 | 1,392,254 | 688,414 | 703,839 |
| Emergency Communications..... | 121,128 | 121,128 | 109,371 | 11,757 |
| Building and Fire Code Administration..... | 8,104,256 | 8,122,834 | 6,176,490 | 1,946,344 |
| Office of Housing..... | 28,538,693 | 33,054,469 | 13,556,367 | 19,498,102 |
| Community and Human Services..... | 95,061,542 | 98,622,782 | 91,667,206 | 6,955,575 |
| Alexandria Health..... | 574,234 | 330,168 | 330,952 | (784) |
| Historic Alexandria..... | 1,003,144 | 1,116,628 | 377,890 | 738,738 |
| Recreation and Cultural Activities..... | 3,700,178 | 3,668,636 | 1,241,946 | 2,426,690 |
| Library..... | 64,200 | 64,200 | 63,332 | 868 |
| ACPS - Schools..... | 290,000 | 290,000 | 290,000 | - |
| Non-Departmental..... | 26,856,857 | 40,307,254 | 16,876,919 | 23,430,335 |
| Total Expenditures..... | <u>224,417,328</u> | <u>249,362,919</u> | <u>173,530,439</u> | <u>75,832,480</u> |
| Other Financing Sources/Uses: | | | | |
| Transfers Out..... | 33,207,047 | 35,061,899 | 33,433,163 | 1,628,736 |
| Total Other Financing Uses..... | <u>33,207,047</u> | <u>35,061,899</u> | <u>33,433,163</u> | <u>1,628,736</u> |
| Total Expenditures and Other Financing Uses..... | <u>257,624,375</u> | <u>284,424,818</u> | <u>206,963,602</u> | <u>77,461,216</u> |
| Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses..... | | | | |
| | <u>(128,304,636)</u> | <u>(138,354,388)</u> | <u>19,981,952</u> | <u>19,981,952</u> |
| Fund Balance at Beginning of Year..... | 122,281,585 | 122,281,585 | 122,281,585 | 122,281,585 |
| FUND BALANCE AT END OF YEAR..... | <u>\$ (6,023,051)</u> | <u>\$ (16,072,803)</u> | <u>\$ 142,263,537</u> | <u>\$ 142,263,537</u> |

(See Accompanying Independent Auditor's Report and Notes to Schedules)

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Alexandria Transit Company
For the Fiscal Year Ended June 30, 2021

EXHIBIT XV

| | <u>Original Budget</u> | <u>Budget as Amended</u> | <u>Actual</u> | <u>Variance from Amended Budget - Positive (Negative)</u> |
|---|----------------------------|------------------------------|---------------------|---|
| Revenues: | | | | |
| Charges for Services..... | \$ 7,423,346 | \$ 7,423,346 | \$ 3,594,391 | \$ (3,828,955) |
| Intergovernmental Revenues..... | 16,000 | 131,189 | 127,489 | (3,700) |
| Miscellaneous..... | 55,000 | 55,000 | 50,976 | (4,024) |
| Total Revenues | <u>7,494,346</u> | <u>7,609,535</u> | <u>3,772,856</u> | <u>(3,836,679)</u> |
| Expenditures: | | | | |
| Personnel Services..... | 20,142,074 | 20,441,785 | 20,771,555 | (329,770) |
| Contractual Services..... | 1,095,294 | 1,214,044 | 1,193,715 | 20,329 |
| Materials and Supplies..... | 2,790,400 | 2,561,850 | 2,282,664 | 279,186 |
| Other Charges..... | 1,396,260 | 2,158,802 | 2,021,271 | 137,531 |
| Total Expenditures | <u>25,424,028</u> | <u>26,376,481</u> | <u>26,269,205</u> | <u>107,276</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In..... | 17,723,682 | 18,597,682 | 22,495,350 | 3,897,668 |
| Transfers Out..... | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>17,723,682</u> | <u>18,597,682</u> | <u>22,495,350</u> | <u>3,897,668</u> |
| Change in Fund Balance | (206,000) | (169,264) | (999) | 168,265 |
| Fund Balance at Beginning of Year..... | (329,203) | (329,203) | (329,203) | - |
| Increase/(Decrease) in Reserve for Invento | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE AT END OF YEAR | <u>\$ (535,203)</u> | <u>\$ (498,467)</u> | <u>\$ (330,202)</u> | <u>\$ 168,265</u> |

(See Accompanying Independent Auditors' Report and Notes to Schedules)

CITY OF ALEXANDRIA, VIRGINIA
Notes to Budgetary Comparison Schedules
For the Fiscal Year Ended June 30, 2021

EXHIBIT XVI

(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 April 29, 2020, the City Council approved the original adopted budget and approved multiple budget amendments 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 XIII 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 (Note 10) | Exhibit IV | Exhibit IV Title |
|--|----------------------------|---|-----------------------|--|
| Other Educational Activities | \$ 16,009 | \$ 234,037,296 | \$ 234,053,305 | Education |
| Library Transfer | - | 7,379,204 | 7,379,204 | Library |
| Other Expenditures (not listed separately) | 372,890,744 | - | 372,890,744 | Other Expenditures (not listed separately) |
| Total Expenditures | 372,906,753 | 241,416,500 | 614,323,253 | Total Expenditures |
| Transfers Out – Component Units | 241,416,500 | (241,416,500) | - | None |
| Operating Transfers Out | 120,356,796 | - | 120,356,796 | Operating Transfers Out |
| Other Financing | (9,246,427) | - | (9,246,427) | Other Expenditures (not listed separately) |
| Total Financing (Sources) Uses | \$ 352,526,869 | \$ (241,416,500) | \$ 111,110,369 | Total Financing Uses |

Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

**CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension Schedule of Employer Contributions
For Fiscal Year Ended June 30, 2021**

Exhibit XVII

PENSION SCHEDULE OF EMPLOYER CONTRIBUTIONS

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Supplemental Plan | | | | | | | | | | |
| Actuarial Determined Contribution | \$ 8,363,413 | \$ 8,866,569 | \$ 10,743,083 | \$ 9,509,690 | \$ 9,378,597 | \$ 9,193,893 | \$ 7,548,253 | \$ 8,462,725 | \$ 7,441,425 | \$ 9,394,774 |
| Actual Contribution Amounts | 9,388,833 | 8,627,444 | 8,622,481 | 8,148,716 | 8,006,825 | 7,586,006 | 7,173,760 | 9,705,496 | 9,373,813 | 9,854,860 |
| Contribution Deficiency (Excess) | (1,025,420) | 239,125 | 2,120,602 | 1,360,974 | 1,371,772 | 1,607,887 | 374,493 | (1,242,771) | (1,932,388) | (460,086) |
| Percentage of Actual Contribution Contributed | 112.26% | 97.30% | 80.26% | 85.69% | 85.37% | 82.51% | 95.04% | 114.69% | 125.97% | 104.90% |
| Covered Payroll | 155,989,640 | 151,867,063 | 147,362,907 | 142,843,740 | 139,044,952 | 139,914,668 | 136,374,392 | 127,784,140 | 129,419,066 | 125,569,484 |
| Contribution as a Percentage of Covered Payroll | 6.02% | 5.68% | 5.85% | 5.70% | 5.76% | 5.42% | 5.26% | 7.60% | 7.24% | 7.85% |
| Pension Plan for Fire and Police* | | | | | | | | | | |
| Actuarial Determined Contribution | 548,040 | 563,948 | 652,038 | 868,570 | 908,621 | 1,057,539 | 1,158,624 | 1,211,013 | 1,332,955 | 1,472,059 |
| Actual Contribution Amounts | 1,700,000 | 1,700,000 | 1,700,000 | 1,700,000 | 1,713,744 | 1,723,744 | 1,728,313 | 1,700,000 | 1,700,000 | 1,700,000 |
| Contribution Deficiency (Excess) | (1,151,960) | (1,136,052) | (1,047,962) | (831,430) | (805,123) | (666,205) | (569,689) | (488,987) | (367,045) | (227,941) |
| Percentage of Actual Contribution Contributed | 310.20% | 301.45% | 260.72% | 195.72% | 188.61% | 163.00% | 149.17% | 140.38% | 127.54% | 115.48% |
| Covered 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 | 15,772,143 | 15,117,075 | 14,018,911 | 13,620,056 | 9,903,407 | 9,384,623 | 9,273,326 | 10,471,367 | 10,291,033 | 9,770,783 |
| Actual Contribution Amounts | 14,784,520 | 14,681,733 | 11,099,665 | 10,436,128 | 11,232,823 | 11,119,553 | 9,933,001 | 10,398,552 | 8,634,820 | 8,330,531 |
| Contribution Deficiency (Excess) | 987,623 | 435,342 | 2,919,246 | 3,183,928 | (1,329,416) | (1,734,930) | (659,675) | 72,815 | 1,656,213 | 1,440,252 |
| Percentage of Actual Contribution Contributed | 93.74% | 97.12% | 79.18% | 76.62% | 113.42% | 118.49% | 107.11% | 99.30% | 83.91% | 85.26% |
| Covered Payroll | 45,242,944 | 42,665,383 | 40,168,637 | 39,649,421 | 36,973,064 | 35,671,448 | 33,810,854 | 34,424,794 | 33,013,511 | 32,058,296 |
| Contribution as a Percentage of Covered Payroll | 32.68% | 34.41% | 27.63% | 26.32% | 30.38% | 31.17% | 29.38% | 30.21% | 26.16% | 25.99% |
| Firefighters and Police Disability | | | | | | | | | | |
| Actuarial Determined Contribution | 569,453 | 719,937 | 1,014,585 | 1,834,550 | 4,449,438 | 4,638,338 | 4,618,019 | 4,431,587 | 2,371,116 | 1,928,701 |
| Actual Contribution Amounts | 1,476,099 | 2,145,826 | 5,077,662 | 6,219,316 | 5,667,369 | 4,734,529 | 2,448,696 | 2,039,849 | 1,692,368 | 1,456,788 |
| Contribution Deficiency (Excess) | (906,646) | (1,425,889) | (4,063,077) | (4,384,766) | (1,217,931) | (96,191) | 2,169,323 | 2,391,738 | 678,748 | 471,913 |
| Percentage of Actual Contribution Contributed | 259.21% | 298.06% | 500.47% | 339.01% | 127.37% | 102.07% | 53.02% | 46.03% | 71.37% | 75.53% |
| Covered Payroll | 45,242,944 | 42,665,383 | 40,168,637 | 39,649,421 | 36,973,064 | 35,671,448 | 33,810,854 | 34,424,794 | 33,013,511 | 32,058,296 |
| Contribution as a Percentage of Covered Payroll | 3.26% | 5.03% | 12.64% | 15.69% | 15.33% | 13.27% | 7.24% | 5.93% | 5.13% | 4.54% |
| VRS | | | | | | | | | | |
| Actuarial Determined Contribution | 13,010,172 | 10,506,432 | 9,890,834 | 9,983,362 | 9,974,720 | 12,285,419 | 14,070,398 | 12,629,447 | 12,542,600 | 8,274,478 |
| Actual Contribution Amounts | 13,010,172 | 10,506,432 | 9,890,834 | 9,983,362 | 9,974,720 | 12,285,419 | 14,070,398 | 12,629,447 | 12,542,600 | 8,274,478 |
| Contribution Deficiency (Excess) | - | (0) | - | - | - | - | - | - | - | - |
| 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 Payroll | \$ 141,098,814 | \$ 134,462,348 | \$ 131,605,713 | \$ 126,449,341 | \$ 125,437,843 | \$ 125,890,250 | \$ 125,890,250 | \$ 123,842,881 | \$ 117,489,335 | \$ 115,330,876 |
| Contribution as a Percentage of Covered Payroll | 9.22% | 7.81% | 7.52% | 7.90% | 7.95% | 9.76% | 11.18% | 10.20% | 10.68% | 7.17% |

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

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension and OPEB Plans
For Fiscal Year Ended June 30, 2021

Exhibit XVII
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years

Firefighters & Police Officers Pension Plan

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Total Pension Liability</u> | | | | | | | |
| Service Cost | \$ 9,483,217 | \$ 9,168,309 | \$ 9,620,841 | \$ 8,390,462 | \$ 6,180,741 | \$ 5,671,076 | \$ 5,526,902 |
| Interest | 27,927,795 | 26,764,399 | 25,379,639 | 24,192,874 | 23,064,895 | 21,948,491 | 20,769,869 |
| Changes in benefit terms | - | - | - | - | - | - | - |
| Difference between expected and actual experience | (1,961,199) | 2,036,689 | (1,715,696) | 752,396 | (546,278) | 1,386,820 | (978,630) |
| Changes in assumptions | - | - | - | 19,234,689 | - | - | - |
| Benefit payments, including refunds | (18,090,708) | (17,256,343) | (16,363,487) | (13,965,535) | (12,763,693) | (12,633,775) | (11,610,344) |
| Net Change in Total Pension Liability | 17,359,105 | 20,713,054 | 16,921,297 | 38,604,886 | 15,935,665 | 16,372,612 | 13,707,797 |
| Total Pension Liability - Beginning of Year | 400,338,848 | 379,625,794 | 362,704,497 | 324,099,611 | 308,163,946 | 291,791,334 | 278,083,537 |
| Total Pension Liability - End of Year | <u>417,697,953</u> | <u>400,338,848</u> | <u>379,625,794</u> | <u>362,704,497</u> | <u>324,099,611</u> | <u>308,163,946</u> | <u>291,791,334</u> |
| <u>Plan Fiduciary Net Position</u> | | | | | | | |
| Contributions - employer | 14,784,520 | 14,681,733 | 11,099,665 | 10,436,128 | 11,232,823 | 11,119,553 | 9,933,001 |
| Contributions - employee | 3,240,297 | 3,806,982 | 4,221,569 | 2,745,051 | 2,914,101 | 2,598,821 | 2,381,830 |
| Net investment income | 143,709,908 | 6,335,095 | 22,614,416 | 24,196,919 | 32,888,556 | 3,513,529 | 6,726,117 |
| Benefit payments, including refunds | (18,090,708) | (17,256,343) | (16,363,487) | (13,965,535) | (12,763,693) | (12,633,775) | (11,610,344) |
| Administration Expenses | (325,054) | (391,550) | (368,635) | (381,934) | (198,337) | (206,917) | (278,201) |
| Net Change in Plan Fiduciary Net Position | 143,318,963 | 7,175,917 | 21,203,528 | 23,030,629 | 34,073,450 | 4,391,211 | 7,152,403 |
| Plan Fiduciary Net Position - Beginning of Year | 325,327,492 | 318,151,575 | 296,948,047 | 273,917,418 | 239,843,968 | 235,452,757 | 228,300,354 |
| Plan Fiduciary Net Position - End of Year | <u>468,646,455</u> | <u>325,327,492</u> | <u>318,151,575</u> | <u>296,948,047</u> | <u>273,917,418</u> | <u>239,843,968</u> | <u>235,452,757</u> |
| Net Pension Liability - End of Year | <u>\$ (50,948,502)</u> | <u>\$ 75,011,356</u> | <u>\$ 61,474,219</u> | <u>\$ 65,756,450</u> | <u>\$ 50,182,193</u> | <u>\$ 68,319,978</u> | <u>\$ 56,338,577</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 112.2% | 81.3% | 83.8% | 81.9% | 84.5% | 77.8% | 80.7% |
| Covered Payroll | \$ 45,242,944 | \$ 42,665,383 | \$ 40,168,637 | \$ 39,649,421 | \$ 36,973,064 | \$ 35,671,448 | \$ 33,810,854 |
| Net Pension Liability as a percentage of Covered Payroll | -112.6% | 175.8% | 153.0% | 165.8% | 135.7% | 191.5% | 166.6% |

Information is only available for the current and previous fiscal years. Future years will be added to the schedule.

**CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension and OPEB Plans
For Fiscal Year Ended June 30, 2021**

**Exhibit XVII
(Continued)**

**Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years**

Firefighters & Police Officers Disability Pension Plan

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------------|-----------------------|-----------------------|---------------------|----------------------|----------------------|----------------------|
| <u>Total Pension Liability</u> | | | | | | | |
| Service Cost | \$ 609,396 | \$ 581,315 | \$ 544,069 | \$ 543,661 | \$ 2,885,911 | \$ 2,679,963 | \$ 2,620,753 |
| Interest | 2,189,249 | 2,220,796 | 2,176,646 | 2,512,564 | 2,875,585 | 2,845,545 | 2,872,200 |
| Changes in benefit terms | - | - | - | - | - | - | - |
| Difference between expected and actual experience | (401,271) | 637,187 | (1,364,824) | (5,049,132) | (2,851,393) | (3,385,398) | 409,917 |
| Changes in assumptions | - | - | (3,853,427) | 1,707,637 | - | - | - |
| Benefit payments, including refunds | (2,948,216) | (2,813,258) | (2,717,231) | (2,559,855) | (2,488,687) | (2,470,684) | (2,571,831) |
| Net Change in Total Pension Liability | (550,842) | 626,040 | (5,214,767) | (2,845,125) | 421,416 | (330,574) | 3,331,039 |
| Total Pension Liability - Beginning of Year | <u>32,516,030</u> | <u>31,889,990</u> | <u>37,104,757</u> | <u>39,949,882</u> | <u>39,528,466</u> | <u>39,859,040</u> | <u>36,528,001</u> |
| Total Pension Liability - End of Year | <u>31,965,188</u> | <u>32,516,030</u> | <u>31,889,990</u> | <u>37,104,757</u> | <u>39,949,882</u> | <u>39,528,466</u> | <u>39,859,040</u> |
| <u>Plan Fiduciary Net Position</u> | | | | | | | |
| Contributions - employer | 1,476,099 | 2,145,826 | 5,077,662 | 6,219,316 | 5,667,369 | 4,734,529 | 2,448,696 |
| Contributions - employee | 216,110 | 232,849 | 218,502 | 225,640 | 248,035 | 243,351 | 246,551 |
| Net investment income | 9,905,931 | 855,187 | 2,663,504 | 2,128,875 | 2,784,003 | 263,792 | 452,996 |
| Benefit payments, including refunds | (2,948,216) | (2,813,258) | (2,717,231) | (2,559,855) | (2,488,687) | (2,470,684) | (2,571,831) |
| Administration Expenses | (29,375) | (4,876) | (4,896) | (2,467) | (15,277) | (77) | (15,876) |
| Net Change in Plan Fiduciary Net Position | 8,620,549 | 415,728 | 5,237,541 | 6,011,509 | 6,195,443 | 2,770,911 | 560,536 |
| Plan Fiduciary Net Position - Beginning of Year | <u>36,923,327</u> | <u>36,507,599</u> | <u>31,270,058</u> | <u>25,258,549</u> | <u>19,063,106</u> | <u>16,292,195</u> | <u>15,731,659</u> |
| Plan Fiduciary Net Position - End of Year | <u>45,543,876</u> | <u>36,923,327</u> | <u>36,507,599</u> | <u>31,270,058</u> | <u>25,258,549</u> | <u>19,063,106</u> | <u>16,292,195</u> |
| Net Pension Liability - End of Year | <u>\$ (13,578,688)</u> | <u>\$ (4,407,297)</u> | <u>\$ (4,617,609)</u> | <u>\$ 5,834,699</u> | <u>\$ 14,691,333</u> | <u>\$ 20,465,360</u> | <u>\$ 23,566,845</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 142.5% | 113.6% | 114.5% | 84.3% | 63.2% | 48.2% | 40.9% |
| Covered Payroll | \$ 45,242,944 | \$ 42,665,383 | \$ 40,168,637 | \$ 39,649,421 | \$ 36,973,064 | \$ 35,671,448 | \$ 33,810,854 |
| Net Pension Liability as a percentage of Covered Payroll | -30.0% | -10.3% | -11.5% | 14.7% | 39.7% | 57.4% | 69.7% |

Information is only available for the current and previous fiscal years. Future years will be added to the schedule.

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension and OPEB Plans
For Fiscal Year Ended June 30, 2021

Exhibit XVII
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years

Pension Plan for Firefighters & Police Officers

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Total Pension Liability</u> | | | | | | | |
| Service Cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | 674,734 | 1,006,234 | 1,081,231 | 1,204,224 | 1,399,445 | 1,534,443 | 1,664,966 |
| Changes in benefit terms | - | - | - | - | - | - | - |
| Difference between expected and actual experience | (774,025) | 332,248 | (643,998) | (860,707) | (584,816) | (425,528) | (95,467) |
| Changes in assumptions | 1,660,222 | - | - | 1,282,305 | - | - | - |
| Benefit payments, including refunds | <u>(2,623,916)</u> | <u>(2,841,992)</u> | <u>(2,983,088)</u> | <u>(3,056,201)</u> | <u>(3,298,973)</u> | <u>(3,506,496)</u> | <u>(3,715,881)</u> |
| Net Change in Total Pension Liability | (1,062,985) | (1,503,510) | (2,545,855) | (1,430,379) | (2,484,344) | (2,397,581) | (2,146,382) |
| Total Pension Liability - Beginning of Year | <u>19,692,596</u> | <u>21,196,106</u> | <u>23,741,961</u> | <u>25,172,340</u> | <u>27,656,684</u> | <u>30,054,265</u> | <u>32,200,647</u> |
| Total Pension Liability - End of Year | <u>18,629,611</u> | <u>19,692,596</u> | <u>21,196,106</u> | <u>23,741,961</u> | <u>25,172,340</u> | <u>27,656,684</u> | <u>30,054,265</u> |
| <u>Plan Fiduciary Net Position</u> | | | | | | | |
| Contributions - employer | 1,700,000 | 1,700,000 | 1,700,000 | 1,700,000 | 1,713,744 | 1,723,744 | 1,728,313 |
| Contributions - employee | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net investment income | 574,501 | 592,045 | 619,900 | 706,055 | 821,797 | 893,641 | 920,708 |
| Benefit payments, including refunds | (2,623,916) | (2,841,992) | (2,983,088) | (3,056,201) | (3,298,973) | (3,506,496) | (3,715,881) |
| Administration Expenses | <u>(22,725)</u> | <u>(25,633)</u> | <u>(13,678)</u> | <u>(21,933)</u> | <u>(23,566)</u> | <u>(27,971)</u> | <u>(18,583)</u> |
| Net Change in Plan Fiduciary Net Position | (372,140) | (575,580) | (676,866) | (672,079) | (786,998) | (917,082) | (1,085,443) |
| Plan Fiduciary Net Position - Beginning of Year | <u>18,217,241</u> | <u>18,792,821</u> | <u>19,469,687</u> | <u>20,141,766</u> | <u>20,928,764</u> | <u>21,845,846</u> | <u>22,931,289</u> |
| Plan Fiduciary Net Position - End of Year | <u>17,845,101</u> | <u>18,217,241</u> | <u>18,792,821</u> | <u>19,469,687</u> | <u>20,141,766</u> | <u>20,928,764</u> | <u>21,845,846</u> |
| Net Pension Liability - End of Year | <u>\$ 784,510</u> | <u>\$ 1,475,355</u> | <u>\$ 2,403,285</u> | <u>\$ 4,272,274</u> | <u>\$ 5,030,574</u> | <u>\$ 6,727,920</u> | <u>\$ 8,208,419</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 95.8% | 92.5% | 88.7% | 82.0% | 80.0% | 75.7% | 72.7% |
| Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net Pension Liability as a percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Information is only available for the current and previous fiscal years. Future years will be added to the schedule.

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension and OPEB Plans
For Fiscal Year Ended June 30, 2021

Exhibit XVII
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years

Supplemental Retirement Plan

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 4,484,408 | \$ 4,456,529 | \$ 4,300,104 | \$ 4,561,409 | \$ 4,429,736 | \$ 4,353,655 | \$ 4,512,088 |
| Interest | 11,749,210 | 11,257,622 | 10,855,794 | 11,093,766 | 11,710,854 | 11,626,797 | 10,773,145 |
| Changes in benefit terms | - | (221,996) | (10,649,964) | (7,321,279) | - | - | - |
| Difference between expected and actual experience | 706,796 | 211,707 | 8,221,593 | 5,495,455 | 1,431,699 | 4,866,212 | 2,957,767 |
| Changes in assumptions | - | - | - | 3,537,513 | - | 10,625,401 | - |
| Benefit payments, including refunds | (9,119,904) | (9,722,181) | (9,406,431) | (23,092,292) | (19,026,570) | (13,723,857) | (14,043,843) |
| Net Change in Total Pension Liability | 7,820,510 | 5,981,681 | 3,321,096 | (5,725,428) | (1,454,281) | 17,748,208 | 4,199,157 |
| Total Pension Liability - Beginning of Year | 167,137,485 | 161,155,804 | 157,834,708 | 163,560,136 | 165,014,417 | 147,266,209 | 143,067,052 |
| Total Pension Liability - End of Year | 174,957,995 | 167,137,485 | 161,155,804 | 157,834,708 | 163,560,136 | 165,014,417 | 147,266,209 |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - employer | 9,388,833 | 8,627,444 | 8,622,481 | 8,148,716 | 8,006,825 | 7,586,006 | 7,173,760 |
| Contributions - employee | 1,769,665 | 1,640,659 | 1,352,861 | 1,140,415 | 1,070,814 | 892,335 | 756,101 |
| Net investment income | 66,499,823 | 5,577,321 | 8,889,658 | 13,822,092 | 18,031,871 | 895,078 | 5,922,932 |
| Benefit payments, including refunds | (9,119,904) | (9,722,181) | (9,406,431) | (23,092,292) | (19,026,570) | (13,723,857) | (14,043,843) |
| Administration Expenses | (978,590) | (994,031) | (1,062,762) | (1,009,780) | (665,349) | (895,060) | (896,419) |
| Net Change in Plan Fiduciary Net Position | 67,559,827 | 5,129,212 | 8,395,807 | (990,849) | 7,417,591 | (5,245,498) | (1,087,469) |
| Plan Fiduciary Net Position - Beginning of Year | 152,443,042 | 147,313,830 | 138,918,023 | 139,908,872 | 132,491,281 | 137,736,779 | 138,824,248 |
| Plan Fiduciary Net Position - End of Year | 220,002,869 | 152,443,042 | 147,313,830 | 138,918,023 | 139,908,872 | 132,491,281 | 137,736,779 |
| Net Pension Liability - End of Year | \$ (45,044,874) | \$ 14,694,443 | \$ 13,841,974 | \$ 18,916,685 | \$ 23,651,264 | \$ 32,523,136 | \$ 9,529,430 |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 125.7% | 91.2% | 91.4% | 88.0% | 85.5% | 80.3% | 93.5% |
| Covered Payroll | \$ 155,989,640 | \$ 151,867,063 | \$ 147,362,907 | \$ 142,843,740 | \$ 139,044,952 | \$ 139,914,668 | \$ 136,374,392 |
| Net Pension Liability as a percentage of Covered Payroll | -28.9% | 9.7% | 9.4% | 13.2% | 17.0% | 23.2% | 7.0% |

Information is only available for the current and previous fiscal years. Future years will be added to the schedule.

**CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension and OPEB Plans
For Fiscal Year Ended June 30, 2021**

**Exhibit XVII
(Continued)**

**Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years**

VRS

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>Total Pension Liability</u> | | | | | | |
| Service Cost | \$ 12,301,089 | \$ 11,614,379 | \$ 11,545,603 | \$ 11,562,356 | \$ 11,832,548 | \$ 12,256,191 |
| Interest | 42,394,263 | 40,744,225 | 39,243,929 | 38,089,007 | 36,704,090 | 35,571,142 |
| Changes in benefit terms | - | - | - | - | - | 55,097 |
| Difference between expected and actual experience | (1,331,112) | 7,417,578 | 1,192,221 | (3,765,626) | (2,371,962) | (7,166,675) |
| Changes in assumptions | - | 18,439,222 | - | (539,132) | - | - |
| Benefit payments, including refunds | (33,363,733) | (31,061,479) | (30,036,440) | (27,658,980) | (25,101,326) | (23,960,243) |
| Net Change in Total Pension Liability | <u>20,000,507</u> | <u>47,153,925</u> | <u>21,945,313</u> | <u>17,687,625</u> | <u>21,063,350</u> | <u>16,755,512</u> |
| Total Pension Liability - Beginning of Year | <u>644,745,020</u> | <u>597,591,095</u> | <u>575,645,782</u> | <u>557,958,157</u> | <u>536,894,807</u> | <u>520,139,295</u> |
| Total Pension Liability - End of Year | <u><u>664,745,527</u></u> | <u><u>644,745,020</u></u> | <u><u>597,591,095</u></u> | <u><u>575,645,782</u></u> | <u><u>557,958,157</u></u> | <u><u>536,894,807</u></u> |
| <u>Plan Fiduciary Net Position</u> | | | | | | |
| Contributions - employer | 10,636,082 | 9,883,188 | 9,995,019 | 9,969,716 | 12,331,063 | 12,232,407 |
| Contributions - employee | 6,894,324 | 6,610,813 | 6,457,201 | 6,513,944 | 6,452,307 | 6,272,097 |
| Net investment income | 10,450,641 | 34,895,658 | 37,221,708 | 55,894,128 | 7,969,523 | 20,375,167 |
| Benefit payments, including refunds | (33,363,733) | (31,061,479) | (30,036,440) | (27,658,980) | (25,101,326) | (23,960,243) |
| Other | (15,985) | (24,191) | (32,938) | (49,590) | (3,392) | (4,303) |
| Administration Expenses | <u>(361,356)</u> | <u>(352,518)</u> | <u>(325,786)</u> | <u>(326,971)</u> | <u>(286,988)</u> | <u>(280,179)</u> |
| Net Change in Plan Fiduciary Net Position | <u>(5,760,027)</u> | <u>19,951,471</u> | <u>23,278,764</u> | <u>44,342,247</u> | <u>1,361,187</u> | <u>14,634,946</u> |
| Plan Fiduciary Net Position - Beginning of Year | <u>550,635,607</u> | <u>530,684,136</u> | <u>507,405,372</u> | <u>463,063,125</u> | <u>461,701,938</u> | <u>447,066,992</u> |
| Plan Fiduciary Net Position - End of Year | <u><u>544,875,580</u></u> | <u><u>550,635,607</u></u> | <u><u>530,684,136</u></u> | <u><u>507,405,372</u></u> | <u><u>463,063,125</u></u> | <u><u>461,701,938</u></u> |
| Net Pension Liability - End of Year | <u><u>\$ 119,869,947</u></u> | <u><u>\$ 94,109,413</u></u> | <u><u>\$ 66,906,959</u></u> | <u><u>\$ 68,240,410</u></u> | <u><u>\$ 94,895,032</u></u> | <u><u>\$ 75,192,869</u></u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 82.0% | 85.4% | 88.8% | 88.1% | 83.0% | 86.0% |
| Covered Payroll | \$ 141,098,814 | \$ 134,462,348 | \$ 131,605,713 | \$ 126,449,341 | \$ 125,437,843 | \$ 125,890,250 |
| Net Pension Liability as a percentage of Covered Payroll | 85.0% | 70.0% | 50.8% | 54.0% | 75.7% | 59.7% |

Information for VRS is only available for current and previous fiscal years. Future years will be added to the schedule.

**CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension and OPEB Plans
For Fiscal Year Ended June 30, 2021**

**Exhibit XVII
(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% |
| 2018 | 8.66% | 10.31% | 4.87% |
| 2019 | 7.87% | 6.55% | 4.60% |
| 2020 | 1.80% | 3.59% | 4.30% |
| 2021 | 29.93% | 29.61% | 4.03% |

**Money-weighted Rate of Return for Firefighters & Police Officers Pension Plan also applies to Firefighters and Police Officers Disability Pension Plan
Future years will be added as they become available

Notes to the Required Supplemental Information for the City of Alexandria Pension Plans for the year ended June 30, 2021

Firefighters and Police Officers Pension Plan, Basic Plan and Firefighters and Police Officers Pension Plan, Disability Plan

The administrative expense assumption for the Basic Plan was increased from \$200,000 to \$400,000 to account for higher expected expenses.

Supplemental Retirement Plan

There were no changes in assumptions for the Supplemental Pension Plan since the prior actuarial valuation.

Pension Plan for Firefighters and Police Officers

The assumed interest rate for the minimum required reserve was changed to 2.81% from 2.16% based on the data file from Prudential. The rate of investment was lowered from 5.00% to 3.50%.

Virginia Retirement System (VRS) Pension Plan

The valuation reflects enhanced benefits with no supplement for Deputy Sheriffs, including a 1.70% benefit multiplier.

**CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension and OPEB Plans
For Fiscal Year Ended June 30, 2021**

**Exhibit XVII
(Continued)**

**Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | | |
| Service Cost | \$ 2,889,520 | \$ 3,239,204 | \$ 4,701,991 | \$ 4,814,967 | \$ 3,803,579 |
| Interest | 9,337,427 | 9,595,477 | 9,905,114 | 9,470,934 | 8,232,053 |
| Changes in benefit terms | - | - | - | 4,587,884 | - |
| Difference between expected and actual experience | (721,530) | (4,162,077) | (5,113,882) | 244,419 | - |
| Changes in assumptions | (158,892) | (10,276,267) | 7,485,481 | 5,078,954 | - |
| Benefit payments, including refunds | (7,365,734) | (6,624,477) | (5,732,739) | (6,305,642) | (6,298,159) |
| Net Change in Total Pension Liability | <u>3,980,791</u> | <u>(8,228,140)</u> | <u>11,245,965</u> | <u>17,891,516</u> | <u>5,737,473</u> |
| Total OPEB Liability - Beginning of Year | <u>135,592,067</u> | <u>143,820,207</u> | <u>132,574,242</u> | <u>114,682,726</u> | <u>108,945,253</u> |
| Total OPEB Liability - End of Year | <u>139,572,858</u> | <u>135,592,067</u> | <u>143,820,207</u> | <u>132,574,242</u> | <u>114,682,726</u> |
| Plan Fiduciary Net Position | | | | | |
| Contributions - employer | 8,504,564 | 10,324,477 | 11,932,739 | 12,205,642 | 16,398,159 |
| Net investment income | 29,200,847 | 2,827,980 | 4,953,783 | 4,427,840 | 6,357,091 |
| Benefit payments, including refunds | (7,365,734) | (6,624,477) | (5,732,739) | (6,305,642) | (6,298,159) |
| Administration Expenses | (37,973) | (30,149) | (53,715) | (45,886) | (16) |
| Net Change in Plan Fiduciary Net Position | <u>30,301,704</u> | <u>6,497,831</u> | <u>11,100,068</u> | <u>10,281,954</u> | <u>16,457,075</u> |
| Plan Fiduciary Net Position - Beginning of Year | <u>84,887,670</u> | <u>78,389,839</u> | <u>67,289,771</u> | <u>57,007,817</u> | <u>40,550,742</u> |
| Plan Fiduciary Net Position - End of Year | <u>115,189,374</u> | <u>84,887,670</u> | <u>78,389,839</u> | <u>67,289,771</u> | <u>57,007,817</u> |
| Net Pension Liability - End of Year | <u>\$ 24,383,484</u> | <u>\$ 50,704,397</u> | <u>\$ 65,430,368</u> | <u>\$ 65,284,471</u> | <u>\$ 57,674,909</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 82.5% | 62.6% | 54.5% | 50.8% | 49.7% |
| Covered Payroll | \$ 185,548,765 | \$ 188,014,495 | \$ 175,843,626 | \$ 169,455,099 | \$ 167,129,788 |
| Net Pension Liability as a percentage of Covered Payroll | 13.1% | 27.0% | 37.2% | 38.5% | 34.5% |

Information is only available for the current and previous three fiscal years. Future years will be added to the schedule.

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension and OPEB Plans
For Fiscal Year Ended June 30, 2021

Exhibit XVII
(Continued)

Schedule of OPEB Contributions

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Actuarially Determined Contributions (ADC) | \$ 3,550,219 | \$ 7,346,160 | \$ 8,513,816 | \$ 9,404,961 | \$ 12,898,197 |
| Contributions related to the ADC | 8,504,564 | 10,324,477 | 11,932,739 | 12,205,642 | 16,398,159 |
| Contribution Excess relative to ADC | <u>\$ (4,954,345)</u> | <u>\$ (2,978,317)</u> | <u>\$ (3,418,923)</u> | <u>\$ (2,800,681)</u> | <u>\$ (3,499,962)</u> |
| Covered Payroll | \$ 185,548,765 | \$ 188,014,495 | \$ 175,843,626 | \$ 169,455,099 | \$ 167,129,788 |
| Contributions as a percentage of covered payroll | 4.58% | 5.49% | 6.79% | 7.20% | 9.81% |

Future years will be added to the schedule as they become available.

Notes to the Required Supplemental Information for the City of Alexandria Other Post-Employment Benefits Trust Fund for the year ended June 30, 2021

| | |
|----------------|---|
| Valuation Date | 12/31/2020 |
| Timing | Actuarially determined contribution rates are calculated based on the actuarial valuations 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 | 17-year level dollar closed as of 12/31/2020 |
| Discount rate | 7.00 percent for Regular OPEB and for Line of Duty OPEB |
| Healthcare Cost Trend Rates | |
| Regular OPEB | Medical: 6.9 percent for 2021 grading down to 3.12 percent over 19 years Expenses: 5 percent per year |
| Line of Duty | Non Medicare: 6.75 percent for 2021 grading down to 4.75 percent over 8 years Medicare: 5.25 percent for grading down to 4.75 percent over 3 years |
| Ultimate Salary Increase | 3.25 percent |

OPEB Money-weighted Rate of Return
Last Ten Fiscal Years

| | |
|------|--------|
| 2017 | 14.96% |
| 2018 | 7.39% |
| 2019 | 7.29% |
| 2020 | 3.41% |
| 2021 | 34.50% |

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 \$143,135,000 original aggregate principal amount of its General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) (the "2021A Bonds") and \$11,695,000 original principal amount of its General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (the "2021B Bonds," and together with the 2021A Bonds, the "Bonds"), pursuant to Ordinance No. 5359 (the "Ordinance") adopted by the City Council of the City (the "Council") on July 6, 2021. Pursuant to the Ordinance, the City's Director of Finance approved the offering and sale of the 2021A Bonds to J.P. Morgan Securities LLC and the 2021B Bonds to Raymond James & Associates, Inc. (collectively, the "Underwriters") and the offering and sale of the Bonds by the Underwriters to the public pursuant to an Official Statement relating to the Bonds, dated November 30, 2021 (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 Underwriters 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.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"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, 2022. 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the City, any of which affect Holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City; any of which reflect financial difficulties;

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 Underwriters 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 Underwriters, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 14, 2021

CITY OF ALEXANDRIA, VIRGINIA

By: _____

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION-SERIES 2021A BONDS

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APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION-SERIES 2021A BONDS

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the 2021A Bonds. It is preliminary and subject to change prior to delivery of the 2021A Bonds.

December 14, 2021

City of Alexandria
Alexandria, Virginia

\$143,135,000
City of Alexandria, Virginia
General Obligation Capital Improvement Bonds,
Series 2021A (Tax-Exempt)

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 \$143,135,000 General Obligation Capital Improvement Bonds, Series 2021A (Tax-Exempt) (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 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. 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 November 22, 2021, the City's Official Statement dated November 30, 2021, 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,

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION-SERIES 2021B BONDS

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION-SERIES 2021B BONDS

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the 2021B Bonds. It is preliminary and subject to change prior to delivery of the 2021B Bonds.

December 14, 2021

City of Alexandria
Alexandria, Virginia

\$11,695,000
City of Alexandria, Virginia
General Obligation Refunding Bonds,
Series 2021B (Federally Taxable)

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 \$11,695,000 General Obligation Refunding Bonds, Series 2021B (Federally Taxable) (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. Interest on the Bonds is includable in the gross income of the owners of the Bonds for purposes of federal income taxation. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.
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 November 22, 2021, the City's Official Statement dated November 30, 2021, 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,