

# Statement of Estimated Fund Balance



## STATEMENT OF ESTIMATED GENERAL FUND BALANCE

### Commitments and Assignments in the Proposed Fiscal Year 2015 Budget

The Fiscal Year 2015 Operating Budget contains the following commitments and assignments of fund balances estimated to be available as of June 30, 2014.

#### **Commitments:**

- \$5,000,000 for the City's self-insurance reserve.

#### **Assignments:**

- \$2,636,379 to fund the FY 2015 Operating Budget;
- \$5,388,948 to fund capital projects contained in multiple years of the FY 2014 – FY 2023 Capital Improvement Program budget;
- \$2,000,000 for natural disasters or emergencies;
- \$3,500,000 for encumbrances obligated at the end of the year;
- \$900,000 for emergency response;
- \$750,000 for projects and initiatives that are approved but not yet under contract, such as City Council contingent reserve initiatives; and
- \$500,000 to cover accrued leave payments for City employees who separate from the City, either through retirement or voluntary/involuntary termination.

These commitments and assignments total \$20.7 million. Despite being designated for a particular purpose, the funds identified here are considered "spendable. When combined with the portion of fund balance that has not been assigned or committed by anyone for any purpose, this total amount is called "spendable" fund balance. Based on projected revenues and expenditures in fiscal year 2014, the uncommitted/unassigned General Fund balance at June 30, 2014 is currently estimated to be \$38.3 million or 6.2 percent of projected FY 2014 General Fund revenues. The spendable General Fund balance is estimated to be \$59.0 million or 9.54 percent of projected General Fund revenues. Based on current projections, which reflect revenue collections through December 2013, revenue forecasts through the remainder of Fiscal Year 2014 and an expectation that budgeted expenditures will occur as planned through June 2014, it is projected that the Spendable Fund Balance as a Percent of General Fund Revenue will go below the 10% limit. Uncommitted and unassigned fund balance as a percent of General Fund revenues is projected to be 6.2%, which is well above the target of 5.5%. Because most of the reduction in fund balance was planned, the City Manager and financial staff will continue to closely monitor fund balance and consider making changes to future commitments and recommend spending restrictions in the future, if necessary, to ensure that the ratios established in the City's financial policies are maintained.

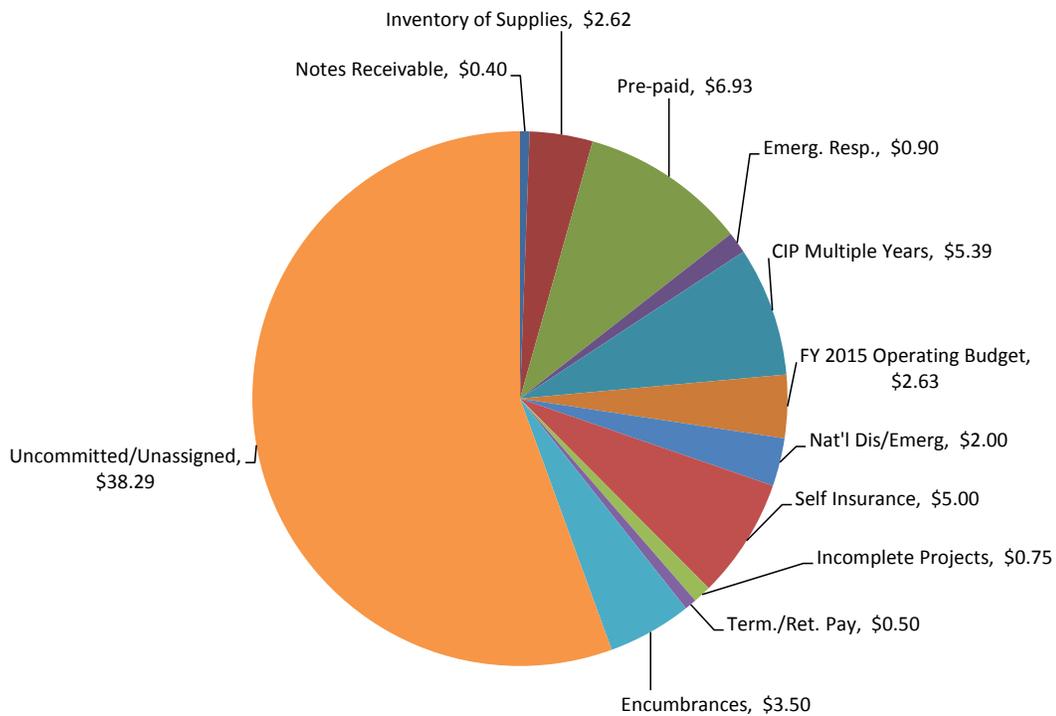
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## GENERAL FUND BALANCE COMPONENTS

The following pie chart shows all of the components of General Fund balance estimated as of June 30, 2014. With the exception of \$0.4 million in Notes Receivable, \$2.62 million in inventory of supplies, and \$6.9 million in pre-paid expenditures, all of the components shown below are considered spendable fund balance.

### Fund Balance as of June 30, 2014 \$68.9 million



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## UNDERSTANDING FUND BALANCE

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

A portion of the spendable fund balance is committed or assigned (designated) for future specific uses on a contingency basis. In order to be available, the funds still must be appropriated by City Council in a future appropriations ordinance. Following this section is an Appendix entitled "Layperson's Guide to Fund Balance" originally written by the City's Budget and Fiscal Affairs Advisory Committee to explain these financial terms for those not involved regularly in local government finance. This appendix has been updated to reflect revisions in new accounting terms.

Committed and Assigned fund balances are funds "earmarked" to help the City offset the cost of a specific type of obligation. Although technically available for appropriation, these monies are not generally considered available to fund other program or service requirements by the City Manager or the City Council under the City's adopted financial policies. Uncommitted and unassigned fund balance are the monies considered to be the City's available fund balance. As with all monies in fund balance, if used, it is a one-time source of revenue.

The graph on the following page shows total actual General Fund balance from FY 2000 through FY 2013, and projected fund balance at the close of FY 2014. The FY 2015 budget includes the commitment of a certain portion of estimated General Fund balances for capital projects, in addition to pay-as-you-go capital funding from current revenues. Spendable fund balance (the total amount available for appropriation, regardless of assignments and commitments) is projected to be \$59.0 million as of June 30, 2014, which represents 6.2 percent of FY 2014 projected General Fund revenues. Uncommitted and unassigned fund balance provides \$38.3 million in funds that help to protect against future budget uncertainties.

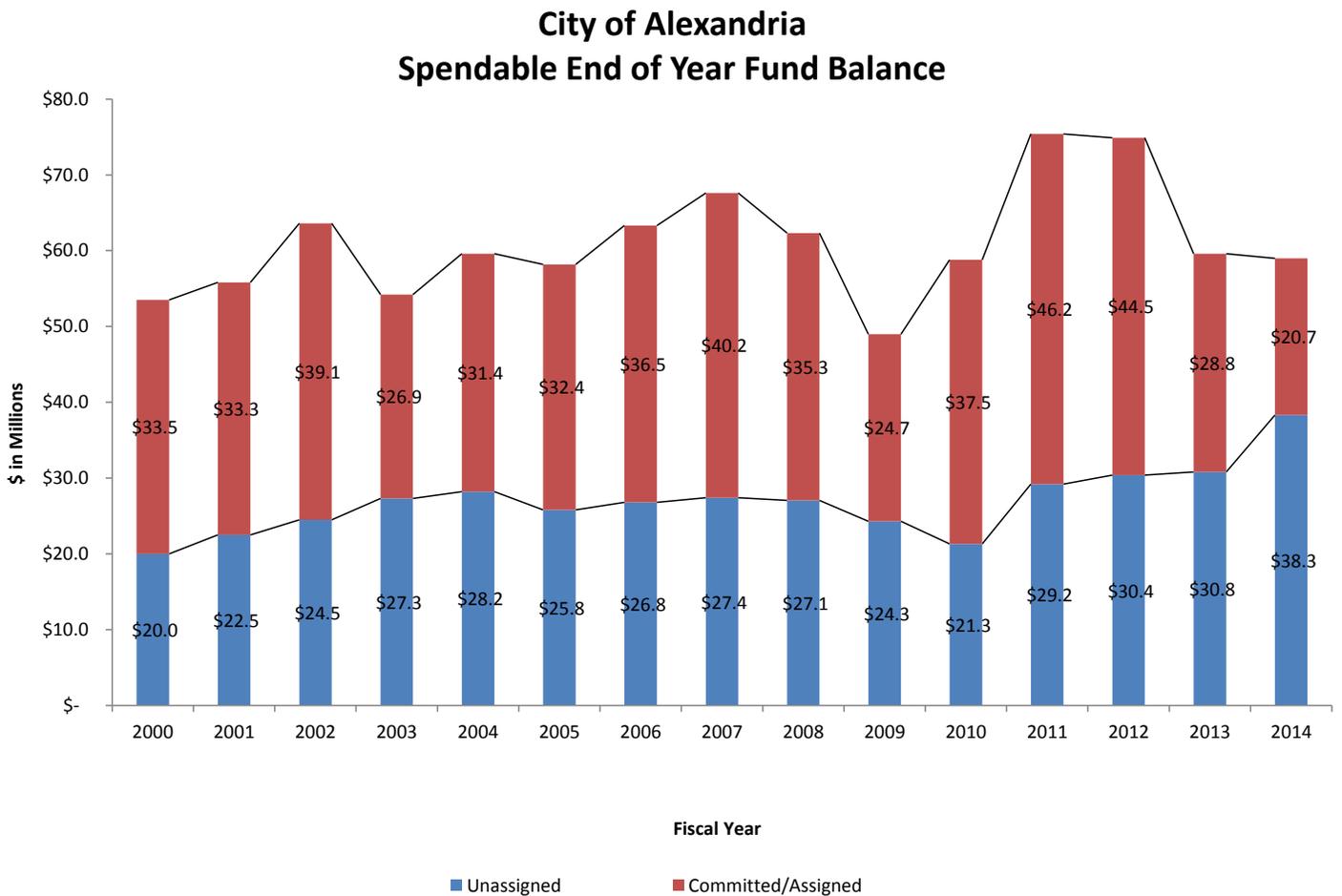
The details of commitments and assignments from FY 2012 through the proposed assignments of FY 2014 are shown in the table on page 5. It should be noted that commitments have been established by City Council. The City Manager can propose or recommend assignments. Either of these designations is still considered spendable fund balance.

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## HISTORY OF FUND BALANCE

The chart below shows the history of fund balance at the end of the year, including the actual balance from FY 2000 through FY 2013 and an estimate balance at the end of June 30, 2014. This does not reflect reserved (unspendable) fund balance, but is considered “spendable” regardless of whether it is committed or assigned.





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## FUND BALANCE CALCULATIONS

Governmental Funds			Proprietary Funds	
	Special Revenue Funds <sup>/1</sup>	Capital Projects Fund <sup>/2</sup>		Internal Services Fund (Equipment Replacement Fund)
Beginning Fund Balance 7/1/13	\$30,649,784	\$169,174,812	Beginning Net Assets 7/1/13	\$24,789,918
Plus FY 2014 Budgeted Revenues	\$118,208,420	\$76,735,227	Plus FY 2014 Budgeted Revenues	\$5,517,040
Less FY 2014 Budgeted Expenditures	\$118,208,420	\$76,735,227	Less FY 2014 Budgeted Expenses	\$6,661,403
Projected Fund Balance 6/30/14	\$30,649,784	\$0	Projected Net Assets 6/30/2014	\$23,645,555
Plus FY 2015 Budgeted Revenues <sup>/3</sup>	\$159,605,121	\$92,464,283	Plus FY 2015 Budgeted Revenues	\$4,874,281
Less FY 2015 Budgeted Expenditures	\$159,605,121	\$92,464,283	Less FY 2015 Budgeted Expenses	\$4,611,350
Projected Fund Balance FY 2015	\$30,649,784	\$0	Projected Net Assets 6/30/14	\$23,908,486

Sources: City of Alexandria, Virginia, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2013; City of Alexandria, Virginia, Operating Budget and Capital Improvement Program, Fiscal Year 2015.

/1 The Special Revenue Funds include the Housing Fund, Sewer and Stormwater Funds, Potomac Yard and Other Special Revenue Funds.

/2 In all likelihood a large portion of Capital Projects, including Sanitary Sewers, will not be expended in FY 2014 and FY 2015, as many capital projects are multi-year in execution.

/3 FY 2015 Budgeted Revenues are based on current estimates, which are subject to change.

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## FUND DESCRIPTIONS

- The Special Revenue Fund accounts for resources restricted to expenditures for specified purposes (for example, State and federal grants). As of June 30, 2013, the Special Revenue Fund total fund balance was \$19,515,139. Funds included in this category include the Housing Fund, Sewer and Stormwater Funds, Potomac Yard and Other Special Revenue Funds. Because monies budgeted within the Special Revenue Fund are generally legally restricted to specific activities or programs, these monies are not considered available for appropriation to meet general expenditure requirements. Unexpended Special Revenue Fund monies are generally due to intergovernmental grant timing differences (e.g., a grant awarded to the City for a program operated under the federal fiscal year of October 1 to September 30), and remaining Special Revenue funds at June 30 are reappropriated for use in the subsequent City fiscal year for the continuation of the designated programs. The total projected Special Revenue Fund fund balance, for GFOA reporting purposes, as of June 30, 2015 is \$30,689,784.
- The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. As of June 30, 2013, the Capital Projects Fund had a total fund balance of \$169,174,812. The significant increase in the balance compared to prior years relates to the timing of receipt of bond proceeds. This funding is dedicated to the completion of approved capital projects, and is therefore not available to meet general expenditure requirements. The total projected Capital Projects Fund fund balance as of June 30, 2013, would be \$0 assuming all budgeted capital projects are initiated and completed. Given implementation issues and plans and their multi-year nature, many of these capital projects will not be completed by June 30, 2015.
- The Internal Services Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The City established the Equipment Replacement Fund for purposes of providing for the accumulation of money to replace capital equipment items used in City operations. This fund derives its revenues from periodic equipment rental charges assessed to the user departments in the governmental funds. These revenues are then used to finance charges and associated expenditures to replace capital equipment. As of June 30, 2013, the Equipment Replacement Internal Services Fund had Total Net Assets of \$24,789,918. Equipment Replacement monies are accrued for the scheduled replacement of capital equipment, and thus are not available for appropriation to meet general expenditure requirements. The projected Equipment Replacement Fund Total Net Assets, for GFOA reporting purposes, as of June 30, 2015 is \$23,908,486.