Statement of Estimated Fund Balance

FUND DESCRIPTIONS

- The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant portion of the General Fund's revenues is used to finance the operations of the City of Alexandria School Board.

- The Special Revenue Fund accounts for resources restricted to expenditures for specified purposes (for example, State and federal grants). As of June 30, 2014, the Special Revenue Fund total fund balance was 60,410,207. Funds included in this category include the Housing Fund, Sewer and Stormwater Funds, Potomac Yard and Other Special Revenue Funds. Because monies budgeted within the Special Revenue Fund are generally legally restricted to specific activities or programs, these monies are not considered available for appropriation to meet general expenditure requirements. Unexpended Special Revenue Fund monies are generally due to intergovernmental grant timing differences (e.g., a grant awarded to the City for a program operated under the federal fiscal year of October 1 to September 30), and remaining Special Revenue funds at June 30 are reappropriated for use in the subsequent City fiscal year for the continuation of the designated programs. Based on the rate of spending that occurred in FY 2014 of both current year funds and prior year fund balance, the total projected Special Revenue Fund's fund balance, for GFOA reporting purposes, as of June 30, 2015 is $70,190,751.

- 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, 2014, the Capital Projects Fund had a total fund balance of $188,551,536. The significant increase in the balance compared to prior years relates to the timing of receipt of bond proceeds. This funding is dedicated to the completion of approved capital projects, and is therefore not available to meet general expenditure requirements. Based on the rate if spending that occurred in FY 2014 of both current year funds and prior year fund balance, the total projected Capital Projects Fund's fund balance as of June 30, 2015, would be $215,468,895. In actuality, each year of the CIP is unique depending on the number and complexity of projects adversely impacting the predictability of the Capital Projections Fund Balance.

- The Internal Services Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The City established the Equipment Replacement Fund for purposes of providing for the accumulation of money to replace capital equipment items used in City operations. This fund derives its revenues from periodic equipment rental charges assessed to the user departments in the governmental funds. These revenues are then used to finance charges and associated expenditures to replace capital equipment. As of June 30, 2014, the Equipment Replacement Internal Services Fund had Total Net Assets of $28,852,816. 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 29,115,747.

STATEMENT OF ESTIMATED GENERAL FUND BALANCE

Commitments and Assignments in the Proposed Fiscal Year 2016

The fiscal year 2016 Operating Budget contains the following commitments and assignments of fund balances estimated to be available as of June 30, 2015.

Commitments

- $6,000,000 for the City's self-insurance reserve. This Commitment is recommended to be increased from $5.0 to $6.0 million . The amount for the City's self-insurance has not been increased in 19 years.
- $4,338,948 to fund capital projects contained in multiple years of the FY 2016—FY 2025 Capital Improvement Program budget.

Assignments

- $5,300,000 for encumbrances obligated at the end of the year;
- $3,000,000 for revenue uncertainties. In prior years the City has maintained an assignment to address sequestration. This assignment has been increased from $2.0 million to $3.0 million and is identified to provide the city and the schools to address significant revenue uncertainties or impacts related to events such as the absence of a state budget, federal budget issues (e.g., sequestration) or significant and extraordinary tax refunds. It is not anticipated to be used for lost grant or other special revenues, nor should it be utilized for long term economic impacts, which should be addressed through systematic, operational adjustments;
- $2,000,000 for City costs resulting from extraordinary natural disasters and emergencies;
- $1,000,000 for Schools costs resulting from extraordinary natural disasters and emergencies;
- $1,000,000 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
- $750,000 to cover accrued level payments for City employees who separate from the City, either through retirement or voluntary/involuntary termination.

This commitments and assignments total $24.19 million. Despite being designated for a particular purpose, the funds identified here are considered "spendable." When combined with the portion of fund balance that has not been assigned or committed by anyone for any purpose, this total amount is called "spendable" fund balance. Based on projected revenues and expenditures in FY 2015, the uncommitted/unassigned General Fund Balance at June 30, 2015, is currently estimated to be $38.6 million or 6.1% of projected FY 2015 General Fund Revenues. This projection is well above the target of 5.5%. This capacity has enabled us to increase several of the assignments to reflect best practices in financial policies. For example, Self-Insurance was established in 1997 at $5.0 million and has been unchanged in nearly 20 years. The value of the City's liability has increased significantly since 1997. The City has maintained an assignment in fund balance for natural disasters and emergencies for the past several years, in response to the recent increase in natural disasters, including an earthquake, a derecho and the snow accumulation of 2010. While remaining below our targeted amount for uncommitted and unassigned fund balance, the City's assignment for natural disasters has been maintained at $2.0 million and an additional assignment has been identified for unplanned expenditures for

STATEMENT OF ESTIMATED GENERAL FUND BALANCE, CONTINUED

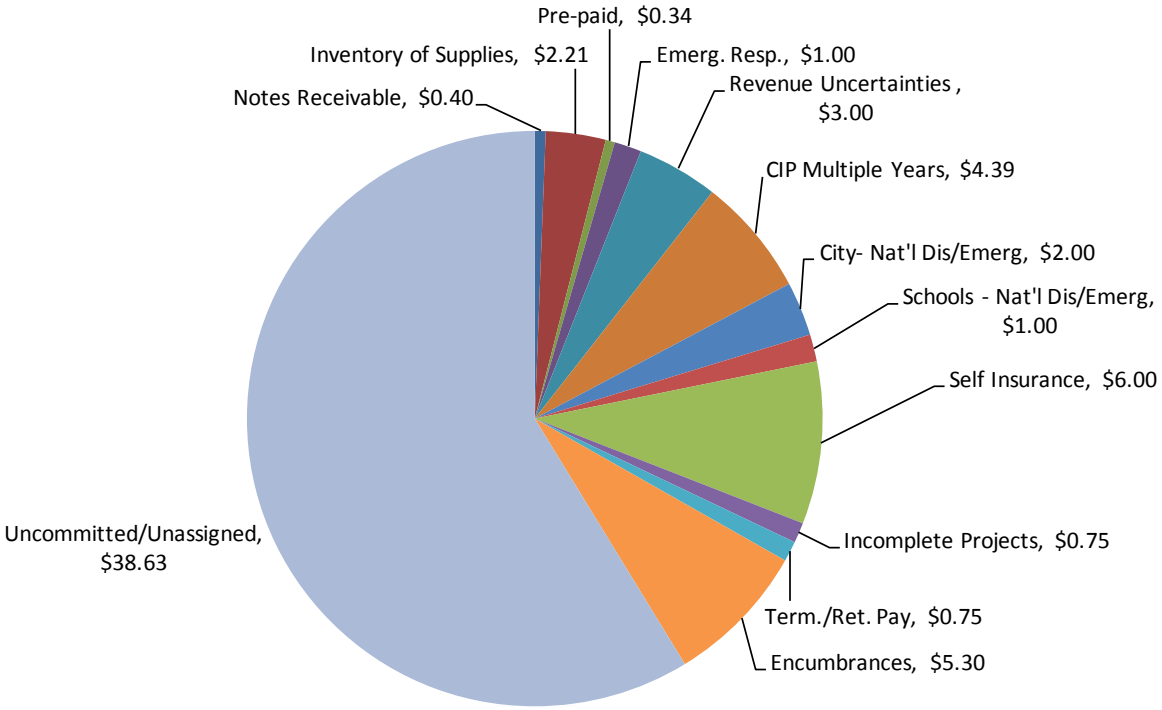
the School system for similar impacts to Schools facilities resulting from natural disasters. Staff is working on a policy to ensure that it is very clear what should be covered by budgeted funds for maintenance and capital improvements and what situations would require the appropriation of fund balance. The assignment for revenue uncertainties has also been increased in response to the increasing frequency in which the City and Schools revenue and cash flow may be jeopardized from external uncertainties. In recent years, federal government shutdowns, sequestration and the absence of a state budget have increased the risk of revenue short falls that can jeopardize the City and Schools from a cash flow standpoint. This fund balance assignment provides an element of preparation for these types of occurrences. Similar to the assignment for emergencies and natural disasters, Schools and City staff will develop a policy that establishes clear guidelines for when these funds would be appropriated. It should be noted that the assignment in fund balance for revenue uncertainty should not be utilized for losses in grant funding and other specific program impacts. Appropriation of fund balance should not be considered available to replace operating resources that have been eliminated. The spendable General Fund balance is estimated to be $62.8 million or 9.93 percent of projected General Fund revenues. Based on current revenue projections and the expenditure forecast through January 2015, this is below the target of 10%. The City Manager and financial staff will continue to closely monitor Fund Balance and the operating budget and consider making changes to future commitments and recommend spending restrictions in the future, if necessary, to ensure that the ratios established in the City's Financial Policies are maintained.

Statement of Estimated Fund Balance

GENERAL FUND BALANCE COMPONENTS

The following pie chart shows all of the components of General Fund balance estimated as of June 30, 2015. With the exception of $0.4 million in Notes Receivable, $2.21 million in inventory of supplies, and $0.3 million in pre-paid expenditures, all of the components shown below are considered spendable fund balance.

Fund Balance as of June 30, 2015
$65.8 million



Statement of Estimated Fund Balance

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

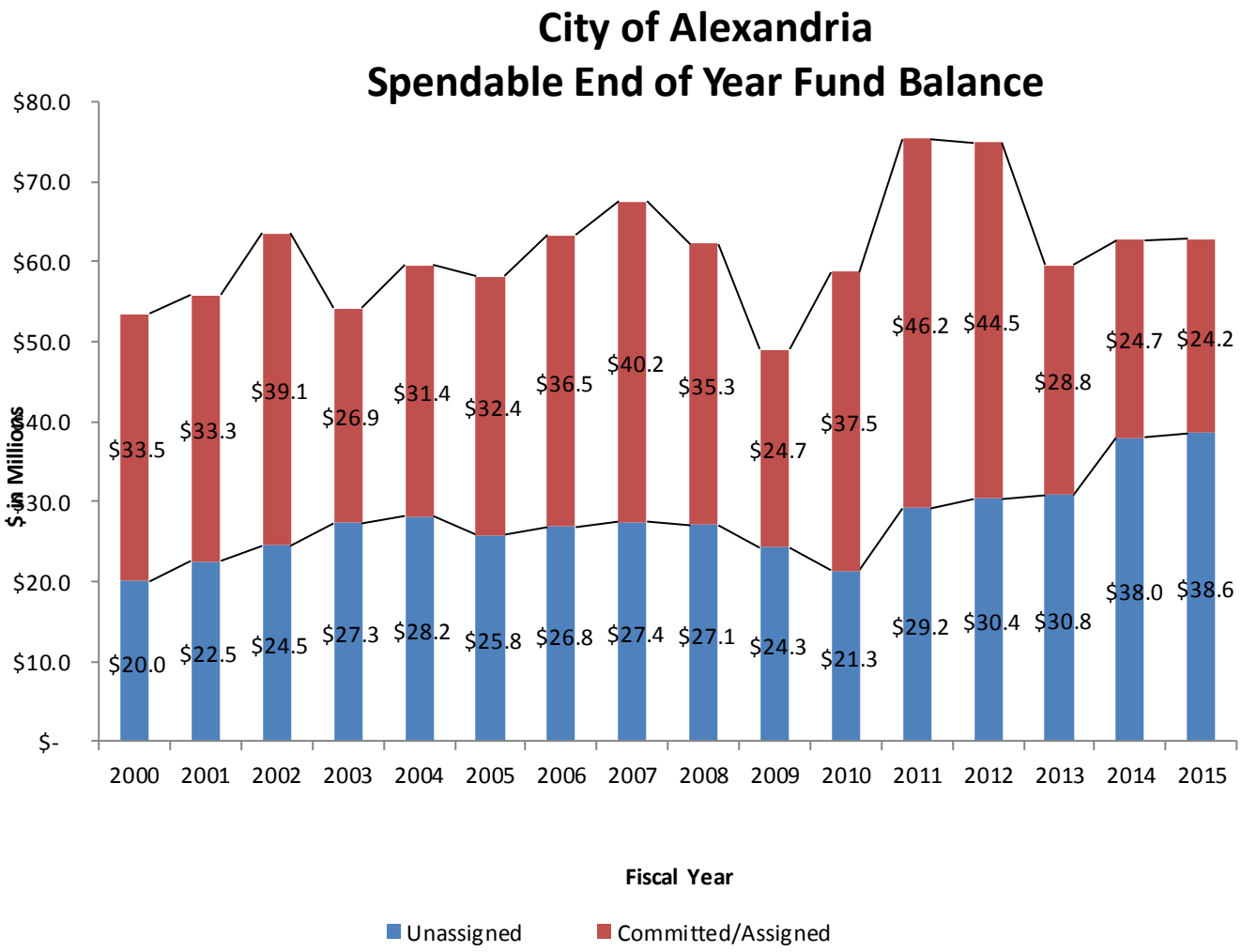
The graph on the following page shows total actual General Fund balance from FY 2000 through FY 2015, and projected fund balance at the close of FY 2015. Spendable fund balance (the total amount available for appropriation, regardless of assignments and commitments) is projected to be $62.8 million as of June 30, 2015, which represents 6.1 percent of FY 2015 projected General Fund revenues. Uncommitted and unassigned fund balance provides $38.6 million that helps to protect the City and Schools against future budget uncertainties.

The details of commitments and assignments from FY 2013 through the proposed assignments of FY 2016 are shown in the table on page 7. It should be noted that commitments have been established by City Council. The City Manager can propose or recommend assignments. Either of these designations is considered spendable fund balance.

Statement of Estimated Fund Balance

HISTORY OF GENERAL FUND BALANCE

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



Statement of Estimated Fund Balance

HISTORY OF END OF YEAR GENERAL FUND BALANCE

HISTORY OF END OF YEAR FUND BALANCE
ACTUAL 2013 AND 2014 ESTIMATED AS OF JUNE 30, 2015

	2013	2014	2015
Spendable Fund Balance End of Year	**59,567,331**	**62,709,854**	**62,815,770**
Commitments			
FY 2014 Operating Budget	6,429,631	-	-
FY 2015 Operating Budget		2,420,958	-
Subsequent CIP (FY 2014 and beyond)	5,388,948	4,388,948	4,388,948
Self Insurance	5,000,000	5,000,000	6,000,000
Assignments			
Operating Funds			
New Incomplete Projects	2,846,412	750,000	750,000
Retiree Health and Life (OPEB)	200,000	-	-
Professional and Performance Investment	354,000	-	-
Planning Studies and One Time Studies	385,000	-	-
Encumbrances	3,563,310	5,300,000	5,300,000
Transportation/Stormwater Fund	242,000	-	-
Natural Disasters/Emergencies	2,000,000	2,000,000	2,000,000
Schools Natural Disasters/Emergencies	-	-	1,000,000
Revenue Uncertainties - City and Schools	1,000,000	1,000,000	3,000,000
Termination	500,000	500,000	750,000
Emergency Response	900,000	900,000	1,000,000
Total Commitments & Assignments	**28,809,301**	**24,680,864**	**24,188,948**
Uncommitted/Unassigned Fund Balance	**$ 30,758,030**	**$ 38,028,990**	**$ 38,626,822**
Reservations/nonspendable	**9,945,850**	**2,542,413**	**2,952,021**
Total Fund Balance EOY	**$ 69,513,181**	**$ 65,252,267**	**$ 65,767,791**
General Fund Revenues	595,009,291	618,824,006	632,333,538
Estimated Uncommitted/Unassigned Fund Balance as % of General Fund Revenues	**5.17%**	**6.15%**	**6.11%**
Target = 5.5%; Limit = 4.0%			
Estimated Spendable Fund Balance as % of General Fund Revenues Limit = 10%	**10.01%**	**10.13%**	**9.93%**
Fund Balance at End of FY	**69,513,181**	**65,252,267**	**65,767,791**

Statement of Estimated Fund Balance

FUND BALANCE CALCULATIONS

Governmental Funds			Proprietary Funds	
	Special Revenue Funds/[1]	Capital Projects Fund[/2]		Internal Services Fund (Equipment Replacement Fund)
Beginning Fund Balance 7/1/2014	$42,179,284	$169,174,812	Beginning Net Assets 7/1/14	$24,789,918
Plus FY 2014 Actual Revenues/3	$147,178,593	$76,735,227	Plus FY 2014 Budgeted Revenues	$8,913,324
Less FY 2014 Actual Expenditures	$128,947,670	$57,358,503	Less FY 2014 Actual Expenditures	$4,850,426
Actual Fund Balance 6/30/2014	$60,410,207	$188,551,536	Projected Net Assets 6/30/2014	$28,852,816
Plus FY 2015 Budgeted Revenues[/3]	$159,605,121	$92,464,283	Plus FY 2015	$4,874,281
Less FY 2015 Budgeted Expenditures	$149,824,577	$65,546,924	Less FY 2015	$4,611,350
Projected Fund Balance FY 2015	$70,190,751	$215,468,895	Projected Net Assets 6/30/15	$29,115,747

Sources: City of Alexandria, Virginia, Comprehensive Annual Financial Report, Fiscal Year-ended June 30, 2014; City of Alexandria, Virginia, Operating and Capital Improvement Program, Fiscal Year 2015

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

2/ The Capital Projects Fund Balance as of 6/30/2014 is reflected in the Comprehensive Annual Financial Report. The FY 2015 projection is based on prior spending history. Capital projects are multi-year in nature and vary in size and complexity.. As a result the predictability of the Capital Projects Fund Balance is limited.