

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 22, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 103 DASH RETAINED EARNINGS (COUNCILWOMAN WOODSON AND COUNCILMAN SMEDBERG'S REQUEST)

In response to Councilwoman Woodson and Councilman Smedberg's request, the following information on DASH retained earnings is provided.

The Alexandria Transit Company (ATC), also known as DASH, is a private non-profit corporation of which City Council is the sole shareholder. The City government supports DASH operations by providing subsidy funding and legal and accounting services. DASH revenues and expenses are recorded by the City's Finance Department within a component unit separate from the City government. Component units are legally separate entities for which the primary government is financially accountable.

The City's annual operating budget subsidy transfer to DASH is based on the projected shortfall between passenger and other revenues and operating expenses in the DASH budget. The City transfers the budgeted subsidy to the DASH component unit.

As City policy adopted some time ago, in fiscal years in which the City budgeted subsidy transfer was greater than needed due to excess revenues or expenditure savings, the unused balance of the City subsidy has remained at the DASH component unit as a cash balance (the formal accounting term is "retained earnings"). This is reported in the City's Comprehensive Annual Financial Report.

As of June 30, 2004, the DASH component unit unrestricted assets were \$2.4 million. In FY 2005, \$1.2 million was transferred to the capital projects fund as partial funding for the purchase of 14 replacement DASH buses. Another transfer to support this purchase of replacement buses in the amount of \$1.1 million is planned for FY 2006, which will leave a DASH component unit balance of \$0.1 million. DASH requested \$115,000 in the FY 2006 operating budget as a contingency fund for rising fuel costs. The City recommended the use of the remaining DASH cash balance if fuel costs exceed the budget.