


City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 20, 2010
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER 
SUBJECT: COMMITMENT (DESIGNATION) OF GENERAL FUND BALANCE

ISSUE: Commitment (designation) of General Fund Balances in the amount of \$23.94 million.

RECOMMENDATION: That Council receive this report.

BACKGROUND: The purpose of this report is to provide Council with information on committed and assigned General Fund Balances at the end of FY 2010 and expected FY 2011 and FY 2010 incomplete projects. The FY 2010 Consolidated Annual Financial Report (CAFR), which will be presented to City Council later this fall, will reflect the commitments and assignments of General Fund Balances described below.

Recent changes to governmental accounting standards have modified the terms used to describe fund balances. This new terminology is intended to clarify how municipalities classify how fund balances may be used. Over the last 20 years, there has been some confusion and inconsistency about how to use the terms.

Using the new terminology, Spendable (Unreserved) 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. The City's current financial policies use this Spendable General Fund Balance as one measure of the City's fiscal condition. It is desirable that the City maintain a Spendable General Fund Balance that is comparable to the ratio maintained by other AAA/AAA-rated jurisdictions, but not to fall below the limit of 10 percent.

A portion of the Spendable General Fund Balance is committed (designated) for future specific uses on a contingency basis. Committed fund balances are reserve funds “earmarked” to help the City offset the cost of a specific obligation or program. In order to be available, these committed funds still must be appropriated by City Council in a future appropriations ordinance. Although technically available for appropriation, these monies generally are not considered available to fund other programs.

Portions of the Spendable General Fund Balance may also be assigned, meaning the funds are *intended* for a specific purpose but have not been formally constrained by Council. Unassigned (undesignated) General Fund Balance is the amount of money considered to be the City's available reserve fund. As with all monies in fund balance, if used, it is a one-time source of revenue. The larger the Unassigned General Fund Balance is, the greater is the City's ability to cope with financial emergencies and fluctuations in revenue cycles as we have seen over the past several years.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, the City will be required to use new classifications for reporting fund balances beginning with the FY 2010 CAFR, to be presented to City Council later this fall. In general, this language has also been included in the FY 2011 Approved Budget. Attachment I and page 9-9 of the FY 2011 Approved Budget include specific definitions of these new terms and examples of the same.

DISCUSSION: The City currently has a total actual and projected increase in the Unassigned General Fund Balance of \$23.94 million. Careful fiscal management and oversight of expenditures during FY 2010 provided \$3.0 million in uncommitted savings. Recent signs of improvement in the commercial real estate market and other positive economic indicators have led to a preliminary estimated \$9.19 million in FY 2011 revenues above that budgeted.

Changes in Sources of General Fund Balance (FY 2010 – FY 2011)

FY 2010 Revenues Committed in FY 2011 Budget	\$11.75 million
FY 2010 Budget Savings	<u>3.00 million</u>
Total FY 2010	\$14.75 million
Preliminary FY 2011 Additional Revenue	<u>9.19 million</u>
Total Sources	<u>\$23.94 million</u>

Of this amount, City Council has previously committed \$10.97 million of this total to the FY 2011 – FY 2020 Capital Improvement Program (CIP) and \$0.78 million to storm water management activities. An additional \$11.33 million in Unassigned General Fund Balance is currently composed of the following:

Commitments and Uses

August 2010 Storm	\$0.80 million
FY 2011 Storm Emergency	1.00 million
FY 2012 Operating Budget	4.75 million
FY 2012 CIP	2.53 million
FY 2011 Incomplete Projects	<u>2.25 million</u>
Total	<u>\$11.33 million</u>

After these commitments and assignments, the remaining \$0.86 million of the \$23.94 million would be proposed to increase the unassigned fund balance to 5.5% of the General Fund revenue at the end of FY 2011. The percentage is equal to the City's financial policy guidelines target. Having these funds set aside in such a manner positions the City to handle whatever financial uncertainties we may face in this economic environment. It also addresses a bond rating concern about our compliance with our fund balance guidelines. The commitments will be considered in the appropriations ordinance presented to City Council in December.

Based on these categories, Attachment II shows the amounts that would be considered committed and assigned at the end of FY 2010 (a total of \$30.48 million) and the amounts projected to be committed and assigned at the end of FY 2011 (a total of \$29.93 million). Attachment III shows the composition of the \$2.25 million in incomplete projects at the end of FY 2010 to be carried over into FY 2011 to provide the budget authority to complete the projects.

Based on these commitments, at the end of FY 2010, the estimated unassigned fund balance was 5.34 percent of General Fund Revenues, an increase of 0.64 percentage points over FY 2009. The estimated Spendable fund balance—which includes restricted, committed, assigned and unassigned balances—was 11.09 percent of General Fund Revenues, above the floor of 10.0 percent established by the City's adopted financial policies and the 9.29 percent at the end of FY 2009.

At the end of FY 2011, the unassigned fund balance is projected to be 5.5 percent of General Fund Revenues and the Spendable fund balance is projected to be 11.12 percent of General Fund Revenues.

ATTACHMENTS:

Attachment I – GASB 54 Definitions of Fund Balance

Attachment II – Committed and Assigned: End of FY 2010 and FY 2011

Attachment III – Incomplete Projects

STAFF:

Bruce Johnson, Chief Financial Officer

Laura B. Triggs, Director of Finance

GASB 54 Definitions of Fund Balance

- **Restricted:** 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. (e.g. self insurance balance)
- **Committed/Commitment:** amounts formally constrained by City Council. The commitment of these funds can only be changed by City Council taking the same formal action that imposed the constraint originally. (e.g. OPEB funds; FY 2011 Operating Budget; FY 2011 – FY 2020 CIP)
- **Assigned/Assignment:** amounts that City Council or the City Manager *intends* to use for a specific purpose, but which have not been formally constrained. (e.g. incomplete projects)
- **Unassigned:** residual amounts that are otherwise not constrained at all and will be reported in the General Fund. These are technically available for any purpose. (e.g. “Undesignated” General Fund Balance)
- **Spendable:** amounts in Spendable form and available for spending, including amounts that are restricted, committed, assigned and unassigned.
- **Non-Spendable:** amounts that cannot be spent because they are either (a) not in Spendable form or (b) contractually required to remain intact. (e.g. inventory of supplies, notes receivable, and encumbrances)

Committed and Assigned: End of FY 2010

FY 2011 Operating Budget	\$ 4.74 M
FY 2012 Operating Budget	2.00 M
FY 2011 – FY 2020 CIP	10.97 M
Self Insurance	5.00 M
Incomplete Projects	2.26 M
Retiree Health and Life (OPEB)	3.70 M
King Street Gardens	0.03 M
Stormwater Utility Fund	0.78 M
Natural Disasters and Emergencies	1.00 M
Total Commitments and Assignments	\$30.48 M

Committed and Assigned: Expected End of FY 2011

FY 2012 Operating Budget	\$ 4.75 M
FY 2012 – FY 2021 CIP	14.80M
Self Insurance	5.00 M
Incomplete Projects	2.25 M
Retiree Health and Life (OPEB)	2.10 M
King Street Gardens	0.03 M
Natural Disasters and Emergencies	1.00 M
Total Commitments and Assignments	\$29.93 M

Office of Historic Alexandria

Funding for archaeology study at Fort Ward. Contract not in place by June 30.	\$48,250
Total OHA	\$48,250

Planning and Zoning

Waterfront costs (contract not yet in place)	\$94,000
Total Planning and Zoning	\$94,000

Non-Departmental

Sheriff Sober Living Unit - Contingent Reserve	\$60,000
Safety Improvement for Fire - Contingent Reserve	222,696
Sister Cities - Contingent Reserve	4,160
Urban Forestry - Contingent Reserve	80,000
Watson Wyatt Implementation - \$379K from Contingent Reserves, remainder from surplus	403,000
Lori Godwin Award	7,750
Department Service Audit	76,323
City-owned asset study	119,000
Financial Impact Analysis of New Development (update of Delta Study)	150,000
Financial Consultants for Landmark Redevelopment	50,000
Total Non-Departmental	\$1,172,929
Total Carry Forward	\$2,255,523

Summary

Transportation & Environmental Services	\$469,344
Economic Development Activities	187,000
Department of Human Services	209,000
Recreation	75,000
Office of Historic Alexandria	48,250
Planning & Zoning	94,000
Non-Departmental	1,172,929
Total	\$2,255,523

Incomplete Projects FY 2010Transportation & Environmental Services

BRAC-133 Study with VDOT - - access alternatives and interim traffic improvements. City's portion is \$250,631, request includes contingency.	\$250,631
Pothole patching - would provide funds to complete 35 large pothole patching jobs	60,000
Snow equipment - 10 V-spreaders and 10 plows to replace current ones that are in poor condition	133,713
Local Match for PY environmental analysis	25,000
Total TES	\$469,344

Economic Development Activities

AEDP - Contingent Reserves funds awaiting signed performance contract	\$137,000
ACVA - Contingent Reserves funds awaiting signed performance contract	50,000
Total Economic Development Activities	\$187,000

Department of Human Services

Community Shelter - homeless services contract increase	\$125,000
Senior Needs Assessment	74,000
Area Agencies on Aging Database - Interjurisdictional funding of database through VDA required through Area Agencies on Aging. Requirement was established subsequent to budget development process (off-cycle).	10,000
Total DHS	\$209,000

Recreation

Marina seasonal staffing correction - funding inadvertently omitted from FY 2011 budget, provides evening support during summer tourist season	\$51,000
Replace lighting - Lee Street basketball courts damaged during storm	24,000
Total Recreation	\$75,000

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City of Alexandria, Virginia

General Fund Balance Commitments

General Fund Balances as Percentage of General Fund Revenues

	Target	Limit	FY 2010	FY2011
Estimated Unassigned Fund Balance	5.5%	4.0%	5.34%	5.50%
Estimated Spendable Fund Balance	N/A	10.0%	11.09%	11.12%

Committed and Assigned: End of FY 2010

FY 2011 – FY 2020 CIP	\$10.97 M
Stormwater Utility Fund	0.78 M
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Self Insurance	5.00 M
Incomplete Projects	2.26 M
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Changes in FY 2011 Fund Balance

Source:

Preliminary FY2011 Revenue Surplus	<u>\$9.19M</u>
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Commitments/Uses:

Aug. 2010 Storm	\$0.80M
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FY 2012 Operating Budget	2.75M
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FY 2012 CIP	2.53M
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FY2011 Incomplete projects	2.25M
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New Commitments/Uses	<u>\$9.63M</u>
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Unassigned/Uncommitted Surplus	<u>\$ 0.86M</u>
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10-26-10



replacement pages for item #19 for 10/26/10 docket

William Euille, KDONLEY, kerry.donley, Frank Fannon, Alicia Hughes, Del Pepper,

Jackie Henderson to: paulcsmedberg, Beth Temple, Judy Stack, Sharon Annear, krupickaaide, Joanne Pyle, nanella, Rob Krupicka, Jerad Ferguson

10/25/2010 10:04 AM

Cc: Michele Evans, Jim Hartmann, James Banks, Mark Jinks, Laura Triggs, Bruce Johnson

Bcc: Kilo Grayson

Attached are two replacement pages for item #19 (report on fund balance commitments.) They have been replaced on-line (link below.)



corrected pages for item 19.pdf

<http://dockets.alexandriava.gov/dsr/fy11dock.nsf/536ee1fcf306fd108525704b0064fc94/56e336243c7976c0852577c10048ec80?OpenDocument>

Jackie M. Henderson
City Clerk and Clerk of Council
City of Alexandria, Virginia
703 746-3975

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