



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 2, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of the Fiscal Year 2016 Comprehensive Annual Financial Report (CAFR).

ISSUE: Council consideration is requested of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016.

RECOMMENDATION: That City Council receive the Fiscal Year 2016 Comprehensive Annual Financial Report (Attachment 1).

DISCUSSION: Code of Virginia §15.2-2511 requires all local governments to have their books and records audited by an independent certified public accountant as of June 30 of each year. The Code further requires that the independent certified public accountant present a written report to the local governing body at a public session by the following December 31.

The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016 has been completed and has been posted on the City's website at alexandriava.gov/financialreports. This report, which follows a format prescribed by the Governmental Accounting Standards Board (GASB), includes a description of the significant financial events of the fiscal year, the City's audited financial statements, and selected financial and demographic information.

The following are highlights of the report:

The City once again received a positive "clean opinion" from its independent certified public accountant, CliftonLarsonAllen, LLP, of its financial statements for the fiscal year ended June 30, 2016. The auditors found that the City's financial statements "present fairly" the City's financial position and results of operations and that the City has complied with applicable laws and regulations related to federal grants.

The CAFR includes a Management's Discussion and Analysis section that provides an overview of the City's financial performance.

Revenues and Expenditures

General Fund revenues in FY 2016 totaled \$649.4 million (CAFR, Exhibit IV, page 38). Final General Fund expenditures and transfers totaled \$639.4 million, with expenditures totaling \$575.4 million and transfers to other City funds totaling \$64.0 million (CAFR, Exhibit IV, page 38). Including Other Financing Sources (Sale of Land and Transfers to the General Fund from other funds), the net result is an increase in General Fund Balance of \$16.9 million, primarily represents the results of careful monitoring of departmental expenditures as staff tracked potential revenue shortfalls, not revenue surplus or ongoing expenditure savings. This increase in General Fund Balance was previously reported to Council, in a prior Monthly Financial Report.

General Fund Fund Balance

General Fund Fund Balance, which includes all General Fund spendable and nonspendable resources, was \$94.5 million at the end of FY 2016 (CAFR, Exhibit III, page 37). This compares to the Total General Fund Balance of \$77.8 million at the end of FY 2015. Total Fund Balance increased by \$16.9 million, primarily from two areas: (1) departmental fiscal management of expenditures, and (2) funds derived from the 3-cent real estate tax rate increase that was approved in May. These funds were allocated during the FY 2017 budget process towards City and school capital projects, economic development incentive funding, and the Housing Trust Fund. After setting aside money for encumbrances and carry over/incomplete projects the FY 2016 year end surplus was approximately \$2 million. This amount enables the City to continue to stabilize one of our Financial Policy ratios that receives significant scrutiny by the bond rating agencies each year. The floor for the ratio of General Fund Balance as a percentage of General Fund Revenues is 10 percent and for the past several years the City has hovered at or only slightly above this ratio. Last year this ratio was increased to 11.7 percent. This \$16.9 million in Fund Balance allowed the City to increase fund balance to a 12.9 percent ratio as of June 30, 2016. This level provides evidence of prudent financial management to the bond rating agencies and will enable the City to address several one-time expenditure needs in FY 2017.

The Spendable Fund Balance of \$83.6 million at the conclusion of FY 2016 represents 12.9 percent of General Fund revenues (unassigned fund of balance \$52.0 million plus Commitments of \$11.5 million and Assignments of \$20.1 million (page 57). Spendable Fund Balance is the portion of accumulated total of all prior years' actual General Fund revenues in excess of expenditures that is available for appropriation by City Council. The most significant change in the Commitments and Assignments is the increase in the Assignment for Subsequent Capital Improvement Program costs, which is increasing from \$7.0 million to \$11.3 million. The increase is the result of the additional two pennies added to the tax rate by City Council that were assigned to use for capital from the June 2016 real estate tax payment to address infrastructure needs.

The Unassigned General Fund Balance of \$52.0 million at the conclusion of FY 2016 (CAFR, page 57) represents 8.0 percent of General Fund revenues. Unassigned General Fund Balance is the accumulated total of all prior years' actual General Fund revenues in excess of expenditures, less nonspendable balances (such as inventory), and amounts committed or assigned for specific uses (such as operating and capital budgets, self-insurance, other post-employment benefits, ongoing projects, and extraordinary events such as natural disasters or other emergencies). In order to maintain a total fund balance of more than ten percent of revenues, this percentage is maintained at the same rate as the end of FY 2015 and exceeds the City's financial policy target of 5.5 percent (and above the floor of 4.0 percent). Staff are considering recommending in the future that this floor and target be changed. Such a target may no longer be prudent as it allows (in effect almost mandates) for

spending of fund balance each year in amounts that can no longer be supported in a low revenue growth environment.

Separate financial information for the Potomac Yard Metrorail Station Fund and the Northern Virginia Transportation Authority (NVTA) Fund are provided in the CAFR. The Potomac Yard Fund ended FY 2016 with a \$12.6 million fund balance (CAFR, page 167), while the NVTA Fund had a fund balance of \$5.4 million. The balances in these funds will be used for Potomac Yard Metrorail and other transportation projects.

The City continues to comply with all debt and fund balance-related financial targets and limits (CAFR, page 10).

Federal grant expenditures of \$38.4 million are the same amount compared to FY 2015. There are modest fluctuations across all categories of federal grant expenditures. All federal expenditures are subject to very stringent audit and accounting requirements.

CAFR

The CAFR cover has traditionally depicted a major completed capital project. In 2016, the cover displays the variety of services performed by the City's public works employees. City employees are the City government's most valuable asset. Throughout the year these employees take care of the City's fixed assets and other infrastructure, improve roads, sidewalks and trails, keep leaves and debris out of our storm drains, and clear the City streets after snow events.

Staff is confident that the City's FY 2016 CAFR will be awarded the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The City has received this award for each of the last 40 consecutive years. In keeping with its commitment to excellence in financial reporting, efficiency and effectiveness of operations and compliance with applicable laws and regulations, the City implemented all new, required GASB standards (note 19).

FISCAL IMPACT: None.

ATTACHMENT: FY 2016 Comprehensive Annual Financial Report (CAFR)

STAFF:

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Michael Stewart, Deputy Director, Finance Department

Ian Greaves, Comptroller, Finance Department