

NEW ISSUE  
Book-Entry-Only

Ratings: Moody's – Aaa  
Standard & Poor's – AAA  
(See "Ratings" herein.)

*In the opinion of Bond Counsel, under existing law and subject to conditions described in the section herein entitled "Tax Matters – Series 2010A Bonds," interest on the Series 2010A Bonds (1) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (2) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations, (3) is excluded from adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed thereon, and (4) is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the section herein entitled "Tax Matters – Series 2010A Bonds" regarding certain other tax considerations.*

*In the opinion of Bond Counsel, under existing law and subject to conditions described in the section herein entitled "Tax Matters – Series 2010B Bonds," interest on the Series 2010B Bonds (1) is includable in gross income for federal income tax purposes and (2) is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the section herein entitled "Tax Matters – Series 2010B Bonds" regarding certain other tax considerations.*

**\$72,300,000**  
**City of Alexandria, Virginia**  
**General Obligation Capital Improvement Bonds**

**\$17,000,000**  
**Series 2010A**  
**(Tax-Exempt)**

**\$55,300,000**  
**Series 2010B**  
**(Federally Taxable - Build America Bonds)**

**Dated: Date of Delivery**  
**Due: July 1, as shown below**

**Interest Payable: January 1 and July 1**  
**First Interest Payment: January 1, 2011**

The \$17,000,000 City of Alexandria, Virginia General Obligation Capital Improvement Bonds, Series 2010A (Tax-Exempt) (the "Series 2010A Bonds") and \$55,300,000 City of Alexandria, Virginia General Obligation Capital Improvement Bonds, Series 2010B (Federally Taxable – Build America Bonds) (the "Series 2010B Bonds" and together with the Series 2010A Bonds, the "Bonds") will constitute general obligations of the City of Alexandria, Virginia (the "City") for the payment of which the full faith and credit and unlimited taxing power of the City will be irrevocably pledged. The City Council will be authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect annually on all locally taxable property in the City an ad valorem tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as the same respectively become due and payable.

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. So long as Cede & Co. is registered owner of the Bonds, as the nominee for DTC, (a) references herein to the Bondholder or registered owner shall mean Cede & Co. and (b) principal and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of beneficial ownership interest in the Bonds will be made in book-entry form only, in denominations of \$5,000 or multiples thereof. Bond certificates will be immobilized at DTC and not available for delivery to the public (See "Description of the Bonds-Book-Entry-Only System"). The Bonds will bear interest from their dated date, payable semiannually on January 1 and July 1, commencing January 1, 2011.

The Series 2010A Bonds are not subject to redemption prior to maturity. The 2010B Bonds are subject to optional, extraordinary optional and mandatory sinking fund redemption prior to their maturities as set forth in the 2010B Bonds and described in the section herein entitled "The Bonds – Description of the Bonds – Redemption Provisions."

---

The Bonds are offered for delivery when, as and if issued, subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, as described herein. Certain legal matters will be passed upon for the City by the City Attorney, James L. Banks, Esquire. It is expected that the Bonds will be available for delivery through The Depository Trust Company in New York, New York, on or about July 20, 2010.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

Dated: July 29, 2010

## MATURITY SCHEDULES

**\$17,000,000**

**City of Alexandria, Virginia**

**General Obligation Capital Improvement Bonds, Series 2010A (Tax-Exempt)**

**(Base CUSIP Number 015302)**

<b><u>Maturity July 1</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Price</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP Suffix</u></b>
2011	\$1,000,000	5.000%	104.491	0.250%	G55
2012	2,000,000	5.000%	108.729	0.490%	G63
2013	2,900,000	4.000%	109.057	0.880%	G71
2014	3,700,000	4.000%	110.640	1.230%	G89
2015	3,700,000	5.000%	116.264	1.570%	G97
2016	3,700,000	4.000%	111.338	1.970%	H21

**\$55,300,000**

**City of Alexandria, Virginia**

**General Obligation Capital Improvement Bonds, Series 2010B (Federally Taxable – Build America Bonds)**

**(Base CUSIP Number 015302)**

<b><u>Maturity July 1</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Price</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP Suffix</u></b>
2017	3,700,000	3.600%	101.226	3.400%	H39
2018	3,700,000	3.950%	101.706	3.700%	H47
2019	3,700,000	4.150%	101.871	3.900%	H54
2020	3,700,000	4.050%	100.000	4.050%	H62
2021	3,700,000	4.250%	100.000	4.250%	H70
2022	3,700,000	4.400%	100.000	4.400%	H88
2023	3,700,000	4.500%	100.000	4.500%	H96
2024	3,700,000	4.600%	100.000	4.600%	J29
2025	3,700,000	4.800%	100.000	4.800%	J37
2026	4,400,000	4.950%	100.000	4.950%	J45
2027	4,400,000	5.000%	100.000	5.000%	J52

\$13,200,000 Term Bond Due July 1, 2030, Priced at 98.508% to Yield 5.120%, CUSIP Suffix J60

### **Optional Redemption**

The Series 2010A Bonds are not subject to optional redemption prior to maturity. The Series 2010B Bonds will be subject to optional redemption in whole or in part as set forth herein. See the section “The Bonds – Description of the Bonds – Redemption Provisions– Optional Redemption.”

### **Mandatory Redemption**

The Series 2010B Bonds will be subject to mandatory sinking fund redemption as set forth herein. See the section “The Bonds – Description of the Bonds – Redemption Provisions – Mandatory Sinking Fund Redemption” herein.

### **Extraordinary Optional Redemption**

The Series 2010B Bonds will be subject to extraordinary optional redemption as set forth herein. See the section “The Bonds – Description of the Bonds – Redemption Provisions – Extraordinary Optional Redemption of Series 2010B Bonds.”

**CITY OF ALEXANDRIA, VIRGINIA**

**CITY COUNCIL**

William D. Euille, Mayor  
Kerry J. Donley, Vice Mayor  
Redella S. Pepper  
K. Rob Krupicka  
Paul C. Smedberg  
Frank H. Fannon, IV  
Alicia R. Hughes

**CITY OFFICIALS**

James K. Hartmann, City Manager  
Mark B. Jinks, Deputy City Manager  
Bruce E. Johnson, Chief Financial Officer  
Laura B. Triggs, Director of Finance  
James L. Banks, City Attorney  
Dr. Morton Sherman, Superintendent of Schools

**BOND COUNSEL**

McGuireWoods LLP  
One James Center  
901 East Cary Street  
Richmond, Virginia 23219

**FINANCIAL ADVISOR**

Davenport & Company LLC  
One James Center  
901 East Cary Street  
Richmond, Virginia 23219  
804.697.2900

**INDEPENDENT AUDITOR**

KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

**FOR ADDITIONAL INFORMATION**

City of Alexandria  
[www.alexandriava.gov](http://www.alexandriava.gov)

Laura B. Triggs, Director of Finance  
301 King Street, Room 1600  
Alexandria, Virginia 22314  
703.746.3900  
[laura.triggs@alexandriava.gov](mailto:laura.triggs@alexandriava.gov)

James M. Traudt, Davenport & Company  
[jtraudt@investdavenport.com](mailto:jtraudt@investdavenport.com)

Michael W. Graff, Jr., McGuireWoods LLP  
[mgraff@mcguirewoods.com](mailto:mgraff@mcguirewoods.com)

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement in connection with the offering of the Bonds and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (a) over-allot in arranging the sales of the Bonds and (b) to make purchases and sales of Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriter may determine.

---

## TABLE OF CONTENTS

OFFICIAL STATEMENT.....	1
SECTION ONE: INTRODUCTION .....	1
THE ISSUER .....	1
THE BONDS .....	1
SECURITY FOR THE BONDS .....	2
USE OF PROCEEDS.....	2
OPTIONAL REDEMPTION .....	2
DELIVERY .....	2
RATINGS .....	2
OFFICIAL STATEMENT .....	2
DISCLOSURE .....	3
ADDITIONAL INFORMATION .....	3
SECTION TWO: THE BONDS .....	4
AUTHORIZATION AND PURPOSE OF THE BONDS.....	4
DESCRIPTION OF THE BONDS.....	4
Redemption Provisions .....	4
Selection for Redemption.....	5
Notice of Redemption .....	5
Waiver of Defeasance Rights with Respect to the Series 2010B Bonds.....	6
Book-Entry-Only System.....	6
Security for the Bonds.....	8
Bondholders’ Remedies in the Event of Default.....	8
APPROVAL OF LEGAL PROCEEDINGS .....	9
TAX MATTERS – SERIES 2010A BONDS.....	9
Approval of Legal Matters .....	9
Opinion of Bond Counsel – Federal Income Tax Status of Interest.....	9
Reliance and Assumptions; Effect of Certain Changes.....	10
Certain Collateral Federal Tax Consequences .....	10
Original Issue Discount.....	11
Bond Premium .....	11
Possible Legislative or Regulatory Action.....	12
Opinion of Bond Counsel—Virginia Income Tax Consequences.....	12
DESIGNATION OF SERIES 2010B BONDS AS FEDERALLY TAXABLE BUILD AMERICA BONDS (DIRECT PAYMENT) .....	12
TAX MATTERS – SERIES 2010B BONDS.....	12
Approval of Legal Matters .....	12
Opinion of Bond Counsel – Income Tax Status of Interest.....	13

Summary .....	13
Tax Status of the Series 2010B Bonds .....	13
Sale and Exchange of Series 2010B Bonds .....	14
Defeasance .....	14
Foreign Investors .....	14
Circular 230 .....	14
Opinion of Bond Counsel – Virginia Income Tax Consequences.....	14
<b>SECTION THREE: THE CITY OF ALEXANDRIA .....</b>	<b>15</b>
OVERVIEW OF GOVERNMENTAL ORGANIZATION .....	15
ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART.....	16
CERTAIN ELECTED OFFICIALS AND ADMINISTRATIVE/FINANCIAL STAFF	
MEMBERS.....	17
Elected Officials.....	17
Appointed Officials.....	19
GOVERNMENTAL SERVICES AND FACILITIES .....	20
Human Resources .....	20
Finance .....	20
Procurement .....	20
Management and Budget .....	20
Real Estate Assessments .....	20
Information Technology Services .....	21
Police Department.....	21
Fire Department .....	21
Code Administration .....	21
Department of Emergency Communications .....	21
Transportation and Environmental Services .....	21
Human Services .....	22
Mental Health, Mental Retardation and Substance Abuse .....	22
Planning and Zoning .....	22
Recreation, Parks, and Cultural Activities .....	22
Office of Housing .....	22
Office of Human Rights and the Office on Women.....	22
Office of Historic Alexandria.....	22
General Services .....	23
City Attorney .....	23
Alexandria Public Library.....	23
Health Department .....	23
Sheriff .....	23

Alexandria City Public Schools .....	23
Alexandria Sanitation Authority .....	24
Alexandria Redevelopment and Housing Authority .....	24
Alexandria Industrial Development Authority.....	24
DEMOGRAPHIC AND ECONOMIC FACTORS .....	24
Population Characteristics.....	24
Public School Characteristics.....	27
Employment.....	27
Income .....	28
Economic Development Activity .....	29
Growth And Development Goals.....	30
Office Vacancy Rates.....	31
Travel and Tourism.....	31
Housing .....	31
Transportation .....	32
SECTION FOUR: CITY INDEBTEDNESS AND CAPITAL IMPROVEMENT PROGRAM .....	33
ISSUANCE AND AUTHORIZATION OF BONDED INDEBTEDNESS .....	33
AUTHORIZED AND UNISSUED DEBT.....	33
OVERLAPPING DEBT.....	33
TAX AND REVENUE ANTICIPATION NOTE BORROWING .....	33
DEBT INFORMATION.....	33
OPERATING AND CAPITAL LEASES .....	35
Operating Leases.....	35
COMMITMENTS AND CONTINGENCIES.....	35
Washington Metropolitan Area Transit Authority .....	35
Litigation.....	36
Waste-To-Energy Facility.....	36
Northern Virginia Transportation District Bonds .....	37
CAPITAL IMPROVEMENT PROGRAM .....	37
CAPITAL FINANCING AND DEBT MANAGEMENT.....	40
Debt Ratio Policies.....	40
Debt Issuance Policies .....	41
Equipment Replacement Reserve Fund .....	42
Risk Management Program.....	42
SECTION FIVE: FINANCIAL INFORMATION .....	43
ACCOUNTING STRUCTURE AND BASIS OF ACCOUNTING .....	43
Certificate of Achievement .....	43
Government-wide and Fund Accounting .....	43

BUDGETARY PROCEDURES .....	48
FY 2010 OPERATING BUDGET .....	48
FY 2011 APPROVED OPERATING BUDGET .....	49
REVENUES .....	49
Real Estate and Personal Property Taxes .....	49
Principal Taxpayers.....	52
Local Sales Tax.....	53
Business License Taxes .....	53
Utility Tax .....	54
Communications Tax .....	54
Transient Lodging Tax.....	55
Restaurant Meals Tax.....	55
Other Taxes .....	55
Revenues from the Commonwealth .....	56
Revenue from the Federal Government .....	56
Other Revenues .....	56
EXPENDITURES .....	57
Costs of General City Government .....	57
Transfers to Other Operating Funds.....	57
Establishment of Sanitary Sewer Special Revenue Fund.....	57
EMPLOYEE RETIREMENT PLANS.....	57
OTHER POST-EMPLOYMENT BENEFITS (“OPEB”).....	57
OTHER EMPLOYEE BENEFITS.....	58
EMPLOYEE RELATIONS .....	58
PUBLISHED FINANCIAL INFORMATION.....	59
SECTION SIX: MISCELLANEOUS .....	59
RATINGS .....	59
LITIGATION .....	59
AUDITORS .....	60
FINANCIAL ADVISOR.....	60
SALE AT COMPETITIVE BIDDING .....	60
CERTIFICATES OF CITY OFFICIALS.....	60
CONTINUING DISCLOSURE .....	60
SUMMARIES AND DESCRIPTIONS .....	62
APPENDIX A BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2009 .....	A-1
APPENDIX B FORM OF CONTINUING DISCLOSURE AGREEMENT .....	B-1
APPENDIX C PROPOSED FORMS OF BOND COUNSEL OPINIONS .....	C-1



## **OFFICIAL STATEMENT**

**\$72,300,000**

**City of Alexandria, Virginia  
General Obligation Capital Improvement Bonds**

**\$17,000,000**

**Series 2010A  
(Tax-Exempt)**

**\$55,300,000**

**Series 2010B  
(Federally Taxable - Build America Bonds)**

### **SECTION ONE: INTRODUCTION**

The purpose of this Official Statement is to furnish information in connection with the sale by the City of Alexandria, Virginia (the "City") of \$17,000,000 General Obligation Capital Improvement Bonds, Series 2010A (Tax-Exempt) (the "Series 2010A Bonds") and \$55,300,000 General Obligation Capital Improvement Bonds, Series 2010B (Federally Taxable – Build America Bonds) (the "Series 2010B Bonds" and together with the Series 2010A Bonds, the "Bonds"). The Bonds were offered for sale at competitive bidding on June 29, 2010. See "Sale at Competitive Bidding" in SECTION SIX.

The Bonds will be general obligations of the City, for the payment of which the full faith and credit of the City are irrevocably pledged. Financial and other information contained in this Official Statement have been prepared by the City from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the City.

#### **THE ISSUER**

The issuer of the Bonds is the City of Alexandria, which is an independent, full-service City located on the west bank of the Potomac River. The City retains sole local governmental taxing power within its boundaries. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. The City of Alexandria is authorized to issue bonds without referendum, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

Alexandria's first recorded beginnings were in 1669, when the site was included in a patent granted by colonial Governor William Berkeley of Virginia. The patent was purchased by John Alexander, the pioneer for whom the town was later named. In 1749, the Virginia House of Burgesses authorized a town of 60 acres. With its incorporation in 1779, Alexandria was made a Port of Entry to the United States and a Customs House was established. Prospering, it became a city of fine houses and shops, a center of culture and trade. George Washington and George Mason were prominent in the community and served as town trustees. In 1852, Alexandria acquired city status and its first charter.

Alexandria has grown by a series of seven annexations from adjoining Arlington and Fairfax Counties, with the most recent boundary change being a minor adjustment with Fairfax County, which occurred in 1973. Alexandria's total land area is now 15.75 square miles.

Alexandria is one of America's most historic communities. It's Old and Historic District, "Old Town," is carefully preserved by strict architectural and demolition standards.

#### **THE BONDS**

The Bonds will be dated the date of their delivery and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The Bonds will be issued in authorized denominations of \$5,000 and multiples thereof and will be held by The Depository Trust Company, New York, New York ("DTC"), or by its nominee as securities depository with respect to the Bonds.

Interest on the Bonds will be payable on each January 1 and July 1 commencing January 1, 2011, until maturity. As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, on each interest payment date.

## **SECURITY FOR THE BONDS**

The Bonds are general obligation bonds of the City, to which the full faith and credit and unlimited taxing power of the City are pledged for the payment thereof. Refer to “Description of the Bonds – Security for the Bonds” in SECTION TWO for a more complete description of the pledge.

## **USE OF PROCEEDS**

The proceeds of the Bonds will be used to finance certain capital improvement projects for the City, including, but not limited to, public school projects, City parks and buildings, capital contributions to the Washington Metropolitan Area Transit Authority (“WMATA”), infrastructure improvements and maintenance and upgrade of traffic control and information technology. Pending use, the bond proceeds are planned to be invested in the Commonwealth of Virginia’s State Non-Arbitrage Pool.

## **OPTIONAL REDEMPTION**

The Series 2010A Bonds are not subject to redemption prior to maturity. The Series 2010B Bonds maturing on or after July 1, 2021 are subject to optional redemption, in whole or in part, at the direction of the City on or after July 1, 2020. In addition, the Series 2010B Bonds are subject to redemption prior to July 1, 2020, at the option of the City, upon the occurrence of an Extraordinary Event (hereinafter defined). Refer to “Description of the Bonds – Redemption Provisions” in SECTION TWO for a more detailed description of the optional redemption features of the Bonds.

## **DELIVERY**

The Bonds are offered for delivery, when, as, and if issued by the City and received by the Underwriter, subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, James L. Banks, Esquire. It is expected that the Bonds will be available for delivery, at the expense of the City, in New York, New York, through the facilities of DTC, on or about July 20, 2010.

## **RATINGS**

The Bonds have been rated as shown on the cover page hereto by Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies, Inc., 55 Water Street, New York, New York 10041. A more complete description of the ratings is provided in SECTION SIX.

## **OFFICIAL STATEMENT**

This Official Statement has been authorized by the City for use in connection with the sale of the Bonds. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Official Statement has been prepared by the City from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the City.

None of the quotations from, and summaries and explanations of, laws contained in this Official Statement purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

**DISCLOSURE**

The City intends to make the final Official Statement available through the Municipal Securities Rulemaking Board (the “MSRB”). Copies of the City’s Comprehensive Annual Financial Report for the year ended June 30, 2009, are available upon request from the City and at [alexandriava.gov/financialreports](http://alexandriava.gov/financialreports).

**ADDITIONAL INFORMATION**

Any question concerning the content of this Official Statement should be directed to Laura B. Triggs, Director of Finance, Post Office Box 178, Alexandria, Virginia 22313 (703.746.3900), e-mail: [laura.triggs@alexandriava.gov](mailto:laura.triggs@alexandriava.gov), or to the City’s Financial Advisor, Davenport & Company LLC, 901 East Cary Street, Richmond, Virginia 23219 (804.697.2900).

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

## **SECTION TWO: THE BONDS**

### **AUTHORIZATION AND PURPOSE OF THE BONDS**

Issuance of the Bonds is authorized by ordinance and other procedures of the City Council adopted pursuant to and in conformity with Article VII of the Constitution of the Commonwealth of Virginia, and pursuant to the Public Finance Act of 1991 (Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended). The issuance of the Bonds was approved by Ordinance No. 4661 adopted by the City Council on May 25, 2010 (the “Ordinance”). The proceeds of the Bonds will be used to pay the costs of certain capital improvements for the City, including, but not limited to, public school projects, City parks and buildings, capital contributions to WMATA, infrastructure improvements and maintenance and upgrade of traffic control and information technology, and to pay issuance costs of the Bonds.

### **DESCRIPTION OF THE BONDS**

The Bonds will be issued in fully registered form in the denominations of \$5,000 or integral multiples thereof and will be held by The Depository Trust Company (“DTC”), or its nominee, as securities depository with respect to the Bonds. See “Book-Entry-Only System.” Purchases of beneficial ownership interests in the Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. The Bonds will be dated the date of their delivery, will bear interest at the rates per annum set forth on the inside cover page hereof, payable on January 1, 2011 and semi-annually thereafter on July 1 and January 1 of each year (an “Interest Payment Date”), and will mature on July 1, in the years and in the principal amounts set forth on the inside cover page hereof.

#### **Redemption Provisions**

##### Optional Redemption

The Series 2010A Bonds are not subject to redemption prior to maturity. The Series 2010B Bonds maturing on or after July 1, 2021 are subject to optional redemption before maturity on or after July 1, 2020, at the direction of the City, in whole or in part, in installments of \$5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption.

##### Extraordinary Optional Redemption of Series 2010B Bonds

Prior to July 1, 2020, the Series 2010B Bonds are subject to redemption prior to their maturity at the option of the City, in whole or in part, upon the occurrence of an Extraordinary Event (as defined below) at a redemption price equal to the greater of: (i) 100% of the principal amount of such Series 2010B Bonds to be redeemed; or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2010B Bonds are to be redeemed, discounted to the date on which such Series 2010B Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus 100 basis points; plus, in each case, accrued and unpaid interest on such Series 2010B Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if the City determines that a material adverse change has occurred to Sections 54AA or 6431 of the Internal Revenue Code of 1986, as amended (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to “Build America Bonds”) or there is any guidance published by the Internal Revenue Service or the United States Department of the Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Department of the Treasury, which determination is not the result of any act or omission by the City to satisfy the requirements to qualify to receive the 35% cash subsidy payment from the United States Department of the Treasury, pursuant to which the City’s 35% cash subsidy payment from the United States Department of the Treasury is reduced or eliminated.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in

the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days, but no more than 45 days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2010B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The redemption price of such Series 2010B Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

#### Mandatory Sinking Fund Redemption

The Series 2010B Bonds maturing on July 1, 2030, are required to be redeemed in part before maturity on July 1 in the years and in the amounts set forth below, at par plus accrued and unpaid interest to the date fixed for redemption.

<u>Year</u>	<u>Amount</u>
2028	\$4,400,000
2029	4,400,000
2030	4,400,000

#### **Selection for Redemption**

If less than all of the Series 2010B Bonds are called for redemption, the maturities of the Series 2010B Bonds to be redeemed shall be called in such order as may be determined by the Director of Finance of the City.

If the Series 2010B Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2010B Bonds shall be allocated among the registered owners of such Series 2010B Bonds as nearly as practicable in proportion to the principal amounts of the Series 2010B Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series 2010B Bonds. This will be calculated based on the following formula:

$$\frac{(\text{principal amount of applicable maturity to be redeemed}) \times (\text{principal amount of applicable maturity owned by owner})}{(\text{principal amount of applicable maturity outstanding})}$$

The particular Series 2010B Bonds to be redeemed shall be determined by the City, using such method as it shall deem fair and appropriate. If the Series 2010B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2010B Bonds, partial redemptions shall be done in accordance with DTC procedures. It is the City's intent that redemption allocations made by DTC, the DTC participants or such other intermediaries that may exist between the City and the Beneficial Owners be made in accordance with these same proportional provisions. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such proportional basis.

#### **Notice of Redemption**

The City shall cause notice of redemption to be sent by facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to DTC or its nominee as the registered owner of the Bonds. The City shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. Each notice of redemption shall

identify the Bonds or portions thereof to be redeemed. Interest shall cease to accrue on any Bonds duly called for prior redemption, after the redemption date, if payment thereof has been duly provided. The Registrar shall not be required to transfer or exchange any Bond or portion thereof after the notice of redemption has been duly provided. During the period that DTC or the DTC nominee is the registered holder of the Bonds, the Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Bonds. See “Description of the Bonds - Book-Entry-Only System.”

### **Waiver of Defeasance Rights with Respect to the Series 2010B Bonds**

The City will not defease or permit a defeasance of the Series 2010B Bonds unless it shall have received an opinion from nationally-recognized bond counsel to the effect that (i) the holders of such Series 2010B Bonds being defeased will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and (ii) the defeasance will not otherwise alter those holders’ federal income tax treatment of principal and interest payments on such Series 2010B Bonds being defeased. See “Tax Matters – Series 2010B Bonds – Defeasance” in SECTION TWO.

### **Book-Entry-Only System**

**The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other amounts due on the Bonds to DTC, its nominee, Direct and Indirect Participants, defined below, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTCC rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can we found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Bonds and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue or a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's Money Market Instruments Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest and any premium payments on the Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and any premium to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Bonds are required to be prepared, executed and delivered.

The foregoing information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, either a successor securities depository will be selected by the City or Bond certificates are required to be prepared, executed and delivered.

THE CITY HAS NO RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DIRECT OR INDIRECT PARTICIPANT, (B) THE PAYMENT BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS, (C) THE

DELIVERY OR TIMELINESS OF DELIVERY BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BONDHOLDERS, OR (D) ANY OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS BONDHOLDER, INCLUDING THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

**So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only Bondholder of the Bonds for all purposes under the ordinance.**

**The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.**

### **Security for the Bonds**

The Bonds constitute general obligations of the City, and the full faith and credit of the City are irrevocably pledged to the payment of principal of and interest on the Bonds. The proceedings authorizing the issuance of the Bonds provide that the City Council shall, in each year while any of the Bonds shall be outstanding, levy and collect on all property in the City subject to local taxation an annual ad valorem tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and the interest on the Bonds, unless other funds are legally available and appropriated for timely payment of the Bonds.

### **Bondholders' Remedies in the Event of Default**

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed by or on behalf of any owner, or by any paying agent therefor, of a general obligation bond in default as to payment of principal or interest, the Governor shall forthwith conduct a summary investigation and, if such default is established to the Governor's satisfaction, the Governor shall immediately order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth of Virginia (the "Commonwealth") to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest. Section 15.2-2659 also provides for notice to registered owners of the Bonds of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 or its predecessor provisions Section 15.1-227.61 and Section 15.1-225 has ever been issued. Although neither Section 15.2-2659 nor its predecessors Section 15.1-227.61 or Section 15.1-225 has been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to that section. The City received a total of \$84,678,045 for the primary government and \$32,413,732 for the School Board from the Commonwealth during the fiscal year ended June 30, 2009.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to Bondholders if the City defaults in the payment of principal of or interest thereon, nor do they contain any provision for the appointment of a trustee to enforce the interests of the Bondholders upon the occurrence of such default. Upon any default in the payment of principal or interest, a Bondholder could, among other things, seek from an appropriate court a writ of mandamus requiring the City Council to observe the covenants contained in the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is "generally authorized to be a debtor under Chapter 9 by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor..." (Bankruptcy Code, § 109(c)(2)). Current Virginia statutes do not expressly authorize the City or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.



Bankruptcy proceedings by the City could have adverse effects on Bondholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claims or the “indubitable equivalent” thereof, although such plan may not provide for payment of the Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

The City has never defaulted in the payment of either principal or interest on any debt obligation.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, whose opinion or opinions with respect to the Bonds in substantially the forms attached as Appendix C (collectively the “Bond Opinion”) which will be furnished at the expense of the City upon delivery of the Bonds. The Bond Opinion will be limited to matters relating to the authorization and validity of the Bonds and to the tax status of interest thereon as described in the following sections. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds. Certain legal matters will be passed on for the City by the City Attorney, James L. Banks, Esquire.

## **TAX MATTERS – SERIES 2010A BONDS**

### **Approval of Legal Matters**

Certain legal matters relating to the authorization and validity of the Series 2010A Bonds are subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, whose opinion with respect to the Series 2010A Bonds will be furnished at the expense of the City upon delivery of the Series 2010A Bonds. Bond Counsel has not verified the accuracy, completeness, or fairness of this Official Statement. Accordingly, Bond Counsel will express no opinion of any kind as to the Official Statement, and the opinions of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2010A Bonds and certain other matters described in this section.

Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Series 2010A Bonds, and the opinion of Bond Counsel will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in the decision to purchase the Series 2010A Bonds.

### **Opinion of Bond Counsel – Federal Income Tax Status of Interest**

Bond Counsel’s opinion will state that, under current law, interest on the Series 2010A Bonds (including any accrued “original issue discount” properly allocable to the owners of the Series 2010A Bonds) (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (iii) is excluded in computing adjusted current earnings for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of Code).

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Series 2010A Bonds.

Bond Counsel’s opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel’s judgment as

to the proper treatment of interest on the Series 2010A Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The City has covenanted, however, to comply with the requirements of the Code.

### **Reliance and Assumptions; Effect of Certain Changes**

In delivering its opinion regarding the treatment of interest on the Series 2010A Bonds, Bond Counsel is relying upon certifications of representatives of the City, the underwriter of the tax-exempt Bonds, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2010A Bonds in order for interest on the Series 2010A Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2010A Bonds and the use of the property financed or refinanced by the Series 2010A Bonds, limitations on the source of the payment of and the security for the Series 2010A Bonds and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2010A Bonds to the United States Treasury. The tax compliance agreement to be entered into by the City with respect to the Series 2010A Bonds contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the Series 2010A Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2010A Bonds from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2010A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the tax compliance agreement, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2010A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2010A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the Series 2010A Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2010A Bonds.

Prospective purchasers of the Series 2010A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Series 2010A Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification

Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Original Issue Discount**

The “original issue discount” (“OID”) on any bond is the excess of such bond’s stated redemption price at maturity (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The “issue price” of a bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The “public” does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Series 2010A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement (or, in the case of Series 2010A Bonds sold on a yield basis, the initial offering price derived from such yield), but is subject to change based on actual sales. OID on the Bonds with OID (the “OID Bonds”) represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner’s cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

### **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax

consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Possible Legislative or Regulatory Action**

Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the U.S. Department of the Treasury (“Treasury”) and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the tax-exempt Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the Series 2010A Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the Series 2010A Bonds or on the economic value of the tax-exempt status of the interest thereon.

### **Opinion of Bond Counsel—Virginia Income Tax Consequences**

Bond Counsel’s opinion also will state that, under current law, interest on the Series 2010A Bonds is excludable from gross income for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2010A Bonds or (ii) any consequences arising with respect to the Series 2010A Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Series 2010A Bonds should consult their own tax advisors regarding the tax status of interest on the Series 2010A Bonds in a particular state or local jurisdiction other than Virginia.

### **DESIGNATION OF SERIES 2010B BONDS AS FEDERALLY TAXABLE BUILD AMERICA BONDS (DIRECT PAYMENT)**

The Series 2010B Bonds will be issued as Build America Bonds (Direct Payment) under Section 54AA(g) of the Code, which authorizes an issuer of such bond to receive a refundable credit under Section 6431 of the Code which is equal to 35 percent of the interest payable on the bond on each interest payment date (the “Interest Subsidy Payment”). Section 6431(b) requires the Secretary of the United States Treasury Department to pay the Interest Subsidy Payment to the issuer contemporaneously with each interest payment date under a Build America Bond (Direct Payment). Sections 54AA(g) and 6431 of the Code contain a number of requirements that must be satisfied by the City in order for the Series 2010B Bonds to qualify as and to remain Build America Bonds (Direct Payment) and for the City to continue to receive the Interest Subsidy Payments. Payment of the Interest Subsidy Payments is subject to certain offsets by the United States Treasury Department, and there is no assurance that the City will receive all Interest Subsidy Payments.

Any Interest Subsidy Payments will be made to the City and not to the owners of the Series 2010B Bonds. Owners of the Series 2010B Bonds have no lien on or claim against the Interest Subsidy Payments received or to be received by the City, and there is no restriction on the City’s use of the Interest Subsidy Payments. The Interest Subsidy Payments do not constitute a guarantee or a pledge of the faith and credit of the United States of America.

As described in the section “Tax Matters – Series 2010B Bonds” below, in the opinion of Bond Counsel, under existing law, interest on the Series 2010B Bonds is includible in the gross income of the owners thereof for federal income tax purposes.

### **TAX MATTERS – SERIES 2010B BONDS**

#### **Approval of Legal Matters**

Certain legal matters relating to the authorization and validity of the Series 2010B Bonds are subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, whose opinion with respect to the Series 2010B Bonds will be furnished at the expense of the City upon delivery of the Series 2010B Bonds. Bond Counsel has not verified the accuracy, completeness, or fairness of this Official Statement. Accordingly, Bond Counsel will express no opinion of any kind as to the Official Statement, and the opinions of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2010B Bonds and certain other matters described in this section.

Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Series 2010B Bonds, and the opinion of Bond Counsel will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in the decision to purchase the Series 2010B Bonds.

### **Opinion of Bond Counsel – Income Tax Status of Interest**

In the opinion of Bond Counsel, under existing law, interest on the Series 2010B Bonds is includible in the gross income of the owners thereof for federal income tax purposes.

### **Summary**

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Series 2010B Bonds as of the date hereof. Each prospective purchaser of the Series 2010B Bonds should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury Department regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2010B Bonds generally and does not purport to furnish information in the level of detail or with the prospective purchaser's specific tax circumstances that would be provided by a prospective purchaser's own tax advisor. For example, it generally is addressed only to original purchasers of the Series 2010B Bonds that are "U.S. holders" (as defined below), deals only with Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to owners that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, S corporations, persons that hold Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in an owner of Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Bond that is not a U.S. Person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury Department regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

### **Tax Status of the Series 2010B Bonds**

The Series 2010B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Owners of the Series 2010B Bonds that allocate a basis in the Series 2010B Bonds that is greater than the principal amount of the Series 2010B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

If an owner purchases the Series 2010B Bonds for an amount that is less than the principal amount of the Series 2010B Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In

addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

### **Sale and Exchange of Series 2010B Bonds**

Upon a sale or exchange of a Series 2010B Bond, an owner generally will recognize gain or loss on the Series 2010B Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2010B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series 2010B Bond not yet taken into income will be ordinary). The adjusted basis of the owner in a Series 2010B Bond will (in general) equal its original purchase price increased by any original issue discount or market discount includible in the gross income of the owner with respect to the Series 2010B Bond and decreased by any principal payments received on the Series 2010B Bond. In general, if the Series 2010B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

### **Defeasance**

Defeasance of any Series 2010B Bond may result in a reissuance thereof, in which event an owner will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2010B Bond. The City, however, has waived the right to defease any Series 2010B Bond as described in SECTION TWO above under "Description of the Bonds – Waiver of Defeasance Rights with Respect to the Series 2010B Bonds."

### **Foreign Investors**

Distributions of the Series 2010B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2010B Bonds generally will be made free of withholding tax, as long as the non-U.S. holder has complied with certain tax identification and certification requirements.

### **Circular 230**

Under 31 C.F.R. part 10, the regulations governing practice before the Internal Revenue Service (Circular 230), the Authority and its tax advisors are (or may be) required to inform you that (i) any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) any such advice is written to support the promotion of marketing of the Series 2010B Bonds and the transactions described herein (or in such opinion or other advice); and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

### **Opinion of Bond Counsel – Virginia Income Tax Consequences**

Bond Counsel's opinion also will state that, under current law, interest on the Series 2010B Bonds is excludable from gross income for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2010B Bonds or (ii) any consequences arising with respect to the Series 2010B Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Series 2010B Bonds should consult their own tax advisors regarding such other Virginia tax consequences or the tax status of interest on the Series 2010B Bonds in a particular state or local jurisdiction other than Virginia.

### **SECTION THREE: THE CITY OF ALEXANDRIA**

Alexandria is an independent, full-service City located on the west bank of the Potomac River. The City retains sole local governmental taxing power within its boundaries and is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. Alexandria is authorized to issue bonds without referendum, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

There are no overlapping general obligation debt or taxing powers with other political subdivisions. The water system and the sewage treatment plant within the City are operated by a private company and an independent authority, respectively, and the City has no debt obligations for these facilities.

#### **OVERVIEW OF GOVERNMENTAL ORGANIZATION**

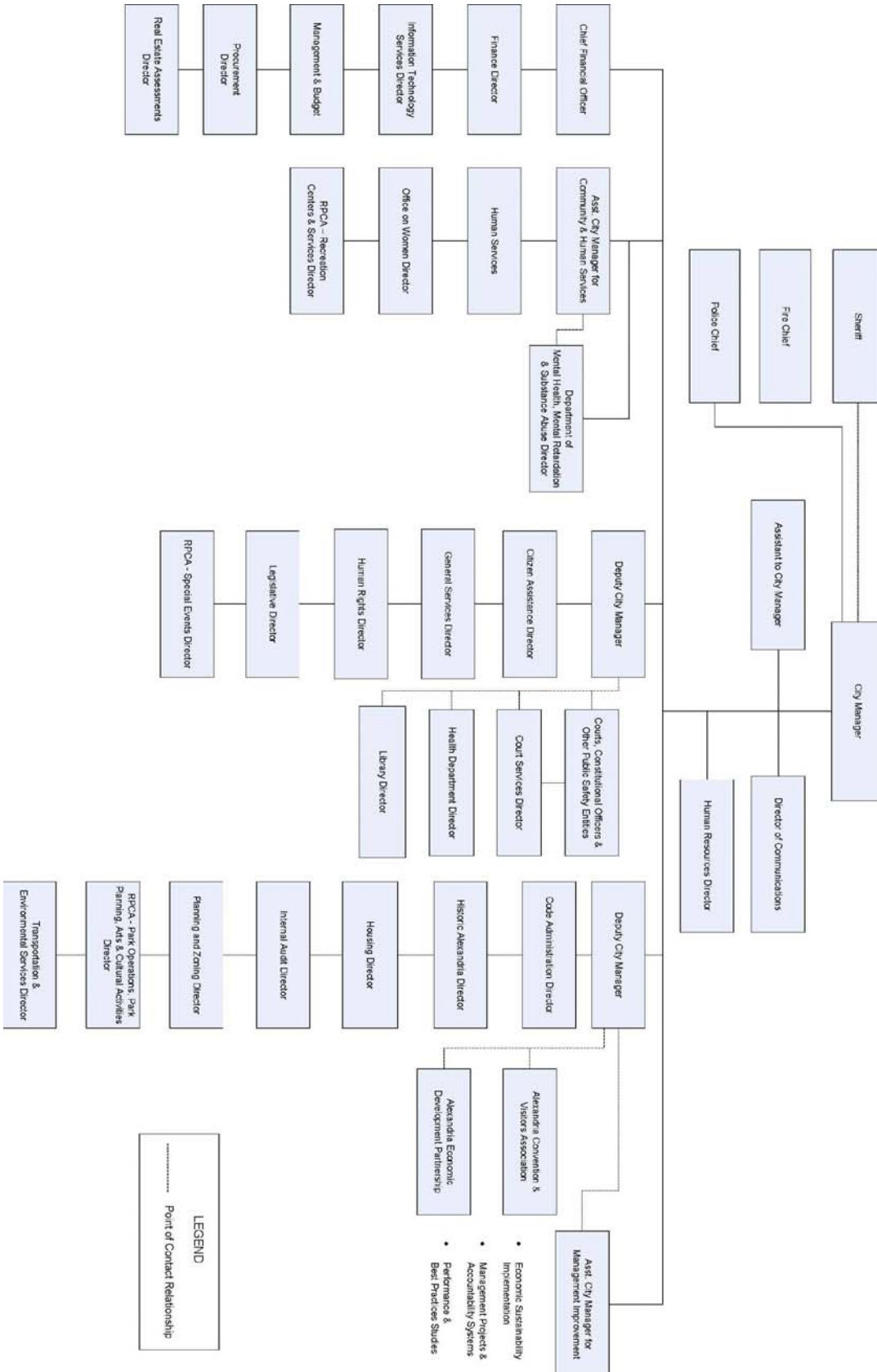
The City adopted the Council-Manager form of government in 1922. The governing body of the City is the City Council, which formulates policies for the administration of the City. The City Council is composed of a mayor and six council members elected at-large for a three-year term. The Mayor is chosen on a separate ballot. City Council appoints the City Manager who serves as the City's Chief Executive Officer. The City Manager has appointment and removal authority over department heads and other employees of the City and is responsible for implementing the policies established by the City Council.

The City provides a comprehensive range of municipal services including: education, health, welfare, housing and human services programs; public safety and administration of justice; community development, recreation, libraries, consumer assistance, cultural and historic activities; and transportation, environmental services and planning.

The executive offices of the City are located at 301 King Street, Alexandria, Virginia 22314. The City's central telephone number is 703.746.4000. The City's website address is [alexandriava.gov](http://alexandriava.gov).

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

# ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART





## **CERTAIN ELECTED OFFICIALS AND ADMINISTRATIVE/FINANCIAL STAFF MEMBERS**

### **Elected Officials**

Mayor William D. Euille was elected Mayor in 2003 and re-elected in May 2006 and May 2009. Prior to that, he was elected to the Alexandria City Council in 1994, re-elected both in 1997 (when he served as Vice Mayor) and in 2000. Mayor Euille serves on the Governor's Council on Virginia's Future and is president of the Virginia Transit Association. He continues to work with the Alexandria Welfare Reform Committee (*Alexandria Works!*), the City Council's Human Services Committee, the Economic Opportunities Commission, and the Local Emergency Planning Committee. He also represents the City on the City Council/School Board Sub-Committee, the City Manager's Quality of Life Committee, the Council of Governments' Board of Directors and Regional Transportation Planning Board (Alternate), Northern Virginia Transportation Commission/Authority, Pension Study Committee, Washington Metropolitan Transit Authority Board (Alternate), and Youth Policy Commission. In the community, Mayor Euille has been active on the boards of the Eisenhower Partnership, Hopkins House Association, Alexandria Hospital Service Corporation, Northern Virginia Urban League, and the Alexandria Scholarship Fund. He resides in Del Ray, and served on the Alexandria School Board from 1974 to 1984. As President/CEO of William D. Euille and Associates, Inc., he was a 1996 finalist for the Greater Washington Entrepreneur of the Year. Mayor Euille is a graduate of T.C. Williams High School and Quinnipiac College.

Vice Mayor Kerry J. Donley was elected to City Council in May 2009. He previously served as a member of City Council from 1988 to 1994, as Vice Mayor from 1994 to 1996, and as Mayor from 1996 to 2003. He served as Chairman of the Virginia Democratic Party from 2003 to 2005. Donley has a long history of leadership in various community organizations and previously served as chair of the Alexandria Economic Development Partnership, Washington Area Housing Partnership, Northern Virginia Transportation Commission, and Business Finance Group. He was founding Chair of the Alexandria Campaign on Adolescent Pregnancy and Open Door Housing. He co-chaired the Cameron Station Redevelopment Task Force and was a member of the Board of Directors of the Metropolitan Council of Governments. Donley received the Skull Award for Public Service from the Metropolitan Washington Council of Governments in 2002, was named the Alexandria Chamber of Commerce Business Leader of the Year in 2004, and was chosen as the Grand Marshall of the 2006 Alexandria St. Patrick's Day Parade. He served as Vice President of Crestar Bank from 1979 to 1998, Executive Vice President of Virginia Commerce Bank from 1998 to 2003, Athletic Director for T.C. Williams High School from 2005 to 2008, and currently is Senior Vice President of Virginia Commerce Bank. Donley lives in the West End, where he and his wife, Eva, have raised five daughters.

Councilwoman Redella S. "Del" Pepper was first elected to the City Council in 1985 and has been re-elected every three years to the present. She served as Vice Mayor from 1996 to 1997 and from 2003 to 2009. Pepper Co-Chairs the Mirant Community Monitoring Group and the Norfolk Southern Community Monitoring Group. She serves as the Mayor's Alternate on the Metropolitan Washington Council of Governments ("COG") and is a former President of COG's Corporation. Pepper represents the City Council on COG's Metropolitan Washington Air Quality Committee ("MWAQC") and the Climate, Energy, and Environment Policy Committee ("CEEPC"). Pepper serves as the Treasurer of the Northern Virginia Regional Commission and as the Chair of NVRC's Operations Committee. Pepper represents the Council on the Alexandria Commission on Aging, the Commission on Information Technology, Alexandria Environmental Action Plan Steering Committee, City's Facilities Naming Committee, Alexandria Works! Coalition (Job Links), the Strategic Planning Subcommittee, and the Historic Alexandria Resource Commission Facilities Subcommittee. Pepper serves on the boards of the YMCA, the T. C. Williams PTSA, the Alexandria Arts Forum, the Friendship Firehouse, and the Retired Senior Volunteer Program. She is a former First Vice President of the Alexandria Branch NAACP and a former board member of the City's Community Services Board. She is a recipient of the Jaycees Appreciation Award, the Council of Senior Citizens Organization's Outstanding Women of Alexandria Award, and the Commission for Women's Living Legend Award. Pepper is a graduate of Grinnell College. She is married to Dr. F. J. Pepper, a practicing psychiatrist with an office in Alexandria. The Peppers moved to Alexandria in 1968. They have a married son, Murphy Pepper. He and his wife, Soo, have five children.

Councilman Rob Krupicka was elected to the City Council in May 2003 and re-elected in both 2006 and 2009. He currently works for the Partnership for America's Economic Success at the Pew Charitable Trusts, where he works with business leaders around the country to promote quality early childhood programs that have a positive impact on the economy of the United States. In 2009, Governor Tim Kaine appointed him to the State Board of

Education. Councilman Krupicka's other statewide roles include Chair of the Virginia Safe Routes to School Network, Chair of Governor Kaine's School Readiness Task Force and member of the Virginia Municipal League's Transportation Committee. Locally, he is Co-Chair of Eco-Alexandria, is a Council liaison to the Alexandria Transportation Commission and the Alexandria Community Emergency Response Team, and serves on the Alexandria Youth Policy Commission, Alexandria's Campaign to Prevent Adolescent Pregnancy, the Alexandria Gang Task Force, the Community Policy Management Team, the Council of Governments Green Building Task Force and the City Council—Alexandria School Board coordinating Committee. He is a former Vice Chairman of the Alexandria Community Services Board and has been awarded the 2007 Virginia Jaycees Young Virginian of the Year, the 2006 Elizabeth Ann Campagna Award for support of children and families, and the 2006 Bike Walk Virginia State Legislative Award. He holds a degree in economics from the University of Virginia and is a graduate of the Virginia Natural Resources Leadership Institute. He currently lives in Del Ray with his wife Lisa and two daughters.

Councilman Paul C. Smedberg was first elected to the Alexandria City Council in 2003 and was re-elected for a third consecutive term in May 2009. Prior to his election, Smedberg was an advisor to the City of Alexandria on its Budget and Fiscal Affairs Advisory Committee. He serves on the City Manager's Quality of Life Committee, the Woodrow Wilson Neighborhood Task Force, the Waterfront Committee and the Inova Alexandria Hospital Task Force. As the co-chair of the Mirant Monitoring Group, Smedberg worked with local, dedicated residents, environmental groups and City Staff to control emissions at the Mirant Corporation. Smedberg has been a member of the Economic Sustainability Implementation Monitoring Committee since its inception several years ago. He continues to serve on the Marketing Coordinating Council and has recently become the City Council representative to the Alexandria Convention and Visitors Association Board of Directors. He also represents Alexandria on the Northern Virginia Transportation Commission and is a member of the Virginia Railway Express ("VRE") Board. He serves as alternate to the Council of Governments regional Transportation Planning Board. Smedberg is active on the volunteer boards of the Alexandria Chapter of the American Red Cross and Senior Services of Alexandria, Inc. He is currently director of policy and public affairs at the American Society of Nephrology. Born and raised in Hartford, Connecticut, he received degrees in History and Economics from Allegheny College and is a 2001 graduate of the Sorensen Institute for Political Leadership at University of Virginia. He lives in Old Town with his partner Michael Molesky.

Councilman Frank H. Fannon, IV was elected to City Council in May 2009. Fannon is a member of the Board of Directors of the Alexandria Chamber of Commerce and the Friendship Firehouse as well as Director of the Alexandria Aces Collegiate Baseball Team. Previously, he was the Finance Chairman of the 250<sup>th</sup> Anniversary Commission of Alexandria and a member of the Board of Governors for the Old Dominion Boat Club. He has been a member of the Sons of the American Legion since 2001 and of the Alexandria Rotary Club since 2004. Fannon graduated from West Potomac High School and received his bachelor's degree from Elon College in North Carolina. He is also a graduate of Leadership Alexandria and the Soren Institute for Political Leadership at the University of Virginia. Fannon has worked for Sun Trust Mortgage since 1995 and is currently the Branch Manager of Sun Trust Mortgage Old Town.

Councilwoman Alicia Hughes was elected to the City Council in May 2009. She serves as a member of the Alexandria Economic Opportunities Commission, the Alexandria Sister Cities Committee, Metropolitan Washington Council of Governments Public Safety and Human Services Committee, the Metropolitan Washington Council of Governments Aviation Policy Committee, and the Potomac Watershed Roundtable. Hughes is currently employed by the United States Patent and Trademark Office. Prior to her election to City Council, she served as a member of the Alexandria Social Services Advisory Board and the Alexandria Early Childhood Commission. She maintains an active presence in the community, reading to children at the Hopkins House Early Childhood Center weekly, chairing a literacy program at the Charles Houston Recreation Center, and mentoring young girls through Project StepOut, a collaboration between her sorority, Alpha Kappa Alpha, and the Alexandria Office on Women. She is also an active member of the Junior League, serving as a member of the Development and Training Committee and a life member of the Northern Virginia Urban League. Hughes received the Alexandria Commission for Women's 2009 Rising Star Award. Hughes received a B.S. in Biology from Texas Southern University and her J.D. from the University of Miami School of Law. She is also a University of Virginia Sorensen Institute Political Leaders Fellow and a resident of Alexandria's West End.

## **Appointed Officials**

James K. Hartmann, City Manager, was appointed to his position in January 2005. Prior to his appointment, Mr. Hartmann was County Administrator for Spartanburg County, South Carolina, serving in this position from 1999 through 2004. From 1996 to 1999, Mr. Hartmann was County Administrator for Eagle County, Colorado, and from 1985 to 1996, he held various senior management positions in Orange County, Florida. Mr. Hartmann is a member of the Homeland Security Subcommittee of the Washington Area Council of Government's Chief Administrative Officer Committee and Co-Chair to the Regional Interoperability Council. Mr. Hartmann earned his Bachelor's degree and Masters in Public Administration from the University of Central Florida. Mr. Hartmann is an International City County Management Association Certified Public Manager.

Mark B. Jinks, Deputy City Manager, has served with the City since March 1999. His responsibilities include overseeing land use planning, transportation, code administration, housing, parks, courts, historic preservation and project finance initiatives. Mr. Jinks served as the City's Chief Financial Officer from 1999 to 2009. Prior to his appointment as the City's Chief Financial Officer, Mr. Jinks served as the Director of the Department of Management and Finance for Arlington County, Virginia and previously its Budget Director as well as Acting Assistant County Manager, Acting Comptroller and as a Trustee of the Arlington County Retirement Fund. Mr. Jinks has also worked as Capital Programs Coordinator for the Michigan Department of Mental Health. Mr. Jinks holds both a Bachelor's degree in Political Science and a Master of Public Administration from the Pennsylvania State University. Mr. Jinks has also taught at the George Mason University School of Public Policy. Mr. Jinks has previously served as an advisor to City governments in Poland, as well as on the Debt and Fiscal Policy Committee and Disclosure Subcommittee of the Government Finance Officers Association of the United States and Canada.

James L. Banks, City Attorney, began his service with the City on May 4, 2009. Prior to joining the City, Banks worked for Seyfarth Shaw LLP, as partner to its labor and employment practice. Previously, he served as partner for McGuire Woods LLP, and served as a substitute judge in Richmond in Virginia's Thirteenth Judicial District from 1998 to 2002. In addition to his legal expertise, Mr. Banks possesses public and non-profit sector experience, serving as a City Council member and Vice Mayor of the Richmond, VA City Council and as Deputy Commonwealth's Attorney for the City of Richmond. In Richmond, he also served as president of the Board of Trustees for the Friends Association for Children, a nonprofit provider of childcare, family and educational services for low-income residents, and was board member and general counsel for the Southside Community Development and Housing Corporation, a nonprofit community development corporation. Currently, Mr. Banks serves as member of the Virginia Law Foundation Board of Directors and the Metropolitan Washington Airports Authority Board of Directors. Mr. Banks is a graduate of Gettysburg College in Pennsylvania, where he is on the Board of Trustees, and received his law degree from the University of Virginia.

Bruce E. Johnson was appointed to serve as the Director of the Office of Management and Budget in October 2003 and promoted to be the City's Chief Financial Officer in 2009. He still serves as Director of the Office of Management and Budget. Prior to his appointment, he was the Budget Director for the Administrative Office of the U.S. Courts. He has also served as Budget Director for the Federal Judiciary as well as in the U.S. Office of Management and Budget, the U.S. General Accounting Office, the U.S. House of Representatives and the U.S. Bureau of the Census. He served 7 years as an advisor to the City of Alexandria on its Budget and Fiscal Affairs Advisory Committee. He is an Association of Government Accountants Certified Government Financial Manager, a member of the Government Finance Officers Association, a graduate of the Federal Executive Institute and previous president of its alumni association. Mr. Johnson received his law degree and masters in public policy from Duke University and his undergraduate degree magna cum laude from Harvard University.

Laura B. Triggs, CPA, currently serves as Director of Finance. She previously served as Deputy Director of Finance/Comptroller for the City of Alexandria, Virginia. She also served as the Associate Chief Financial Officer for the District of Columbia during the District of Columbia's financial crisis and as Director of Financial Projects for the District of Columbia Financial Responsibility and Management Assistance Authority (also known as the Financial Control Board). Before that, Mrs. Triggs worked for the U.S. Government Accountability Office and KPMG LLP, auditing financial, insurance, service, nonprofit, and government institutions. Ms. Triggs holds a Bachelor's degree in Accounting from Southwestern University.

## **GOVERNMENTAL SERVICES AND FACILITIES**

The City of Alexandria provides a comprehensive range of public services that are characteristic of its form of government under Virginia law and of its integral position within the Washington metropolitan area. These services are designed to meet the changing needs of a largely urban city and to provide an environment within which the educational, physical, social and cultural needs of its citizens are met.

### **Human Resources**

The Human Resources Department is responsible for employee recruitment, selection, training, benefits, records, classification and compensation, and ensuring compliance with local, State, and federal regulations governing all phases of personnel activities. The Human Resources Department adheres to and promotes the City's Affirmative Action/Equal Opportunity policy.

### **Finance**

The Finance Department collects and manages all City funds and administers the City's retirement and pension plans. It collects revenues and taxes, issues business licenses, assesses personal property taxes, and adjudicates parking tickets. The Finance Department strives to provide long-term financial stability to the City through effective expenditure control, reliable and equitable revenue collections practices, sound cash and debt management policies, and responsible accounting and purchasing practices.

The Office of Risk Management, a division of the Finance Department, is responsible for managing the City's insurance portfolio; monitoring the adjustment of claims filed against the City; administering the City's workers' compensation program, and providing training and information to City agencies and departments on specific means for avoiding and protecting against losses.

### **Procurement**

The Office of Procurement purchases goods, services, construction and insurance at the request and in support of the 31 Departments of the City of Alexandria government and is responsible for centralized City procurement, including the processing of purchase orders and vendor list control. All City purchases exceeding \$30,000 are made by the Office of Procurement through both formal and informal competitive bidding procedures.

### **Management and Budget**

The Office of Management and Budget ("OMB") prepares the annual operating budget and capital improvement program; performs on-going fiscal and management analyses of City programs; and is responsible for budget review and analysis during the course of the fiscal year. This office also coordinates State and federal aid applications and monitors issues and legislative developments in federal and State agencies that may affect the City. OMB staff provides support to the Budget and Fiscal Affairs Advisory Committee and other task forces and advisory groups.

### **Real Estate Assessments**

The Department of Real Estate Assessments annually provides estimates, for assessment purposes, of the fair market value of all real property within the City, except that owned by public service corporations. Public service corporation assessments are provided by the State Corporation Commission and the Virginia Department of Taxation. The Department notifies property owners of any changes in assessed values and helps property owners to understand the nature of the assessment change, the reasons for the change and the avenues available for administrative review and appeal. There are three levels of appeal: first, to the Department of Real Estate Assessments; second, to the Board of Equalization and Assessment Review; and third, to the Circuit Court of Alexandria. In calendar year 2009, the Department assessed 44,576 parcels and processed 638 administrative reviews to the Department.

## **Information Technology Services**

The Department of Information Technology Services (“ITS”) is responsible for most electronic information processing in the City and is the primary resource for the planning and implementation of new information technology systems. ITS provides City agencies with reliable information technology services using the most cost-effective and efficient means available. ITS maintains the City’s information infrastructure by providing networked computing services and supporting office automation for all City agencies. ITS developed and manages the City’s website and e-government portals.

## **Police Department**

The Police Department is responsible for the maintenance of law and order, protection of persons and property, prevention and suppression of crime, investigation and apprehension of persons suspected of crimes, direction and control of traffic, traffic accident investigation, and enforcement of all State and City criminal laws. The Police Department has a full-time staff of 458 employees, of whom 320 are sworn officers.

## **Fire Department**

The Fire Department is responsible for fire and emergency medical services protection, and the prevention and suppression of fires. The Department maintains eight City-staffed and operated fire stations and five medic units providing 24-hour service. Fire suppression services are also provided through a regional program, which provides service from the closest station without regard to jurisdictional boundaries.

## **Code Administration**

The Department of Code Administration enforces the Virginia Uniform Statewide Building Code, which governs building, mechanical, plumbing, and electrical work in the City, to ensure the health and safety of the public.

## **Department of Emergency Communications**

The Department of Emergency Communications provides 9-1-1 call taking and emergency law enforcement, fire and EMS dispatching (as well as combinations of those services) throughout the City and to the City’s mutual aid partners in the National Capital Region, including Fairfax County and Arlington County in Virginia, Washington, D.C., and Prince George’s County in Maryland. The Public Safety Communications Center includes the Emergency Communications Director, a CAD Administrator, a Radio System Manager, two radio system technicians, seven dispatch supervisors, and seventy-two communicators. All communicators and communications supervisors are trained to handle fire calls, medical calls, police calls and radio traffic. Fire and medical emergency calls are handled with the aid of a prioritization system that helps determine what help is needed and what help to send in a timely manner.

## **Transportation and Environmental Services**

The Department of Transportation and Environmental Services is responsible for the engineering, design, construction, inspection, and maintenance of streets, bridges, City sewers, and traffic control mechanisms. In addition, the Department is responsible for the collection and disposal of solid waste and the implementation of the City’s comprehensive recycling program, including the curbside collection of recyclable goods, the operation of 5 recycling centers, environmental management, environmental facility, the collection of newspapers, and special pickups for white goods, including household appliances and other metal items. The Department is also responsible for responding to environmental quality issues including air quality monitoring, noise control, information related to toxic and hazardous materials; development review for the abatement of contaminated land as identified by the City and State; water quality development review for erosion and sediment impacts and local implementation of the Chesapeake Bay Preservation Act.

## **Human Services**

The Department of Human Services serves the diverse needs of the citizens of Alexandria to promote economic and social independence and self-sufficiency. The Department administers a broad range of social services and financial assistance payments that are legislated by the State and federal governments. Services include child and adult protective services, companion care for the elderly, adoptive services, foster care, early childhood development programs and child day care, and refugee assistance. Financial assistance payments are provided through the Temporary Assistance for Needy Families program and other medical and general financial relief programs. The Department also administers the federally mandated Agency on Aging program, operates a residential care facility for senior citizens, and provides a special day care program for the elderly. The Department provides employment services programs for target population groups, administers programs to assist at-risk youth, ex-offenders, and homeless persons and operates the City's homeless shelter.

## **Mental Health, Mental Retardation and Substance Abuse**

The Department of Mental Health, Mental Retardation and Substance Abuse operates and coordinates services for persons with mental illness, mental retardation, and substance abuse problems. The services provided include residential, outpatient, inpatient, emergency, community prevention/early intervention, and vocational or day support programs for all three disability areas. The Department receives general policy direction from the Alexandria Community Services Board.

## **Planning and Zoning**

The Department of Planning and Zoning evaluates zoning changes, prepares small area plans, and updates the Master Plan; monitors economic and demographic trends; enforces the zoning ordinance; recommends action on requests for special use permits; participates in the review of site plans; and administers the Transportation Management Plan Special Use Permit process.

## **Recreation, Parks, and Cultural Activities**

The Department of Recreation, Parks, and Cultural Activities provides facilities and programming to serve the leisure, social, cultural and recreational needs of the community. The Department operates seven full-time recreation centers, five after-school centers, two large pools and four mini-pools, a nature center, and the Chinquapin Park Recreation Center, which houses the City's only indoor 25-meter pool, four racquetball courts and a fitness room with exercise machines. Special programs are also provided for people 55 years of age or older and for disabled individuals who are not effectively served by general recreation programs.

## **Office of Housing**

The Office of Housing coordinates and administers all City housing and housing-related programs and services, including landlord/tenant relations and assistance to low and moderate income households under the Community Development Block Grant program, funded by the U.S. Department of Housing and Urban Development; the federal Rental Rehabilitation Program, and the Virginia Housing Partnership Fund.

## **Office of Human Rights and the Office on Women**

The Office of Human Rights and the Office on Women are responsible for receiving and investigating allegations of discrimination in the areas of employment, housing education, public accommodations, credit, health and social services; and providing emergency shelter and crisis intervention services to battered women and sexual assault victims.

## **Office of Historic Alexandria**

The Office of Historic Alexandria coordinates and develops programs to preserve the City's historic character and promote tourism. The Office is responsible for the preservation of historic sites, archaeological sites,

artifacts and records, and ensuring that the use of these resources is in accordance with professional standards of scholarship and museum procedures.

### **General Services**

The General Services Department provides support services to other City agencies in the area of facilities planning, construction and maintenance, vehicle acquisition and maintenance, printing and graphics, and communications.

### **City Attorney**

The Office of the City Attorney has the general responsibility of providing legal counsel to the City Council, the City Manager, and all departments, boards, commissions, and agencies of the City, and to represent the City in civil litigation. The Office of the City Attorney also renders opinions, on request; is responsible for drafting ordinances, deeds, affidavits, bonds, leases, and other legal papers; and institutes and prosecutes legal proceedings on behalf of the City.

### **Alexandria Public Library**

The Alexandria Library System, under the supervision of the Alexandria Library Board, provides public library services to the City of Alexandria through a central library, and three (Burke, Duncan, Barrett) branch libraries. Library services include a reference service, children's services, and special services for the homebound, persons with disabilities, and institutionalized persons. The library system holds 600,000 items including books, magazines, newspapers and numerous non-print items such as films, records and videotapes.

### **Health Department**

The Alexandria Health Department is one of 35 State health district offices that comprise the Virginia Health Department's Division of Community Health Services. The Health Department administers immunizations and offers family planning clinics. General medical and specialty clinics are conducted at the Flora Krause Casey Health Center. The Department records vital statistics for the City; provides laboratory services; and inspects food and personal grooming establishments, swimming pools and other businesses to ensure safe and healthful conditions.

### **Sheriff**

The Sheriff administers the Alexandria Detention Center in a safe and secure manner for inmate residents, staff and volunteers. The Sheriff provides for the safe and uninterrupted operation of all judicial proceedings at the Alexandria Courthouse and the Sheriff supports the court through timely service of legal process and warrants.

### **Alexandria City Public Schools**

The Alexandria City Public Schools are governed by the Alexandria City School Board, which formulates, adopts, reviews and revises policies essential to school operations and long-range planning based on community expectations and the recommendations of the Superintendent. School Board members are elected to three-year terms, and the current Board is serving a term that started on July 1, 2009, and will run through June 30, 2012. The School Board functions independently of the City Council, but is required to prepare and submit an annual budget to the City Council for its consideration. Because the School Board can neither levy taxes nor incur indebtedness under Virginia law, the local costs of the school system are provided by appropriation from the General Fund of the City. The costs of constructing school facilities are provided by capital appropriations from the General Fund of the City or by bonds issued as City general obligations for the benefit of Alexandria City Public Schools.

The School Board's adopted FY 2010 Schools Budget provides for the operation of thirteen elementary schools, five middle schools, one ninth-grade center, one high school and the Secondary Training and Education Program ("STEP"), which provides special programs for students who are unable to function within the traditional classroom setting. The FY 2010 membership on September 30, 2009, of 11,559 represented an increase of 334

students, or three percent, from the membership of 11,225 on September 30, 2008. The typical Alexandria Public Schools teacher has a Master's Degree and 8.5 years of teaching experience.

**PUBLIC SCHOOL FACILITIES  
AS OF MARCH 2010**

TYPE OF SCHOOL	NUMBER
High School (including STEP*)	1
Middle Schools	5
Elementary Schools	<u>13</u>
<b>TOTAL</b>	<b>19</b>

\*STEP is the Secondary Training and Education Program

### **Alexandria Sanitation Authority**

The Alexandria Sanitation Authority ("ASA") is an independent agency which provides wastewater treatment services to most of the City of Alexandria and to a portion of southern Fairfax County. ASA levies user fees to finance its operating and capital programs. The current ASA treatment facility has a treatment capacity of 54 million gallons per day ("MGD") of which 60% is allocated to Fairfax County and 40% to the City of Alexandria. Based on City new development build-out projections the City's allocated capacity is projected to be fully utilized by about 2025. In order to provide additional capacity of up to about 11 MGD more in new capacity to carry the City until the year 2050, while undertaking a plant systems upgrade for which engineering is in process, ASA will be planning a 65 MGD eventual capacity. Implementation of such additional capacity will require an increase in permitted nutrient discharge levels for which ASA will need to acquire one or more of the following: acquisition of nutrient credits, implementation of a graywater reuse program and other conservation initiatives. In addition, wet weather flow mitigation initiatives, such as an infiltration and inflow program, will be needed in the western portion of the City.

### **Alexandria Redevelopment and Housing Authority**

The Alexandria Redevelopment and Housing Authority ("ARHA") is the primary provider of low-income housing in the City through its 1,150 public housing units as well as through the administration and issuance of federal housing choice vouchers. ARHA is primarily financed with monies from the Federal Department of Housing and Urban Development. Periodically, to assist with financing replacement public housing units, ARHA accesses federal low income housing tax credits. The City has periodically provided both short-term and long-term capital project loans to ARHA.

### **Alexandria Industrial Development Authority**

The Alexandria Industrial Development Authority ("AIDA") is a conduit financing agency to assist non-profit associations and educational institutions with access to the tax-exempt markets through the issuance of project-related revenue bonds. These AIDA bonds are secured solely by the projects themselves and are not obligations of the City of Alexandria government.

## **DEMOGRAPHIC AND ECONOMIC FACTORS**

### **Population Characteristics**

After declining between 1970 and 1980 due to shrinking household sizes, as was the case in many Northern Virginia jurisdictions, and growing only moderately during the 1980's, Alexandria's population grew by 15.4 percent during the 1990's to a record level of 129,173 residents in 2000 and to approximately 142,420 in 2010. It is expected that the City's population will increase gradually to 154,114 by 2020. The following table presents population figures for selected years through 2020.



**POPULATION AND RATES OF CHANGE  
ACTUAL AND PROJECTED**

<b>Year</b>	<b>Population</b>	<b>Percent Change</b>
1960	91,023	47.3
1970	110,938	21.9
1980	103,217	(7.0)
1990	111,183	7.7
2000	129,173	16.2
2005	137,602	6.5
2008	140,761	2.3
2010	142,420	1.2
2020	154,114	8.2

Sources: Washington Metropolitan Council of Governments Round 7.2A Forecast;  
2000 Census US Department of Commerce, Bureau of the Census;  
Alexandria Department of Planning and Zoning; and the United States Bureau of  
Economic Analysis

During the 1990's, the City of Alexandria underwent significant changes. Alexandria's population increased by 16.2 percent and the number of housing units in the City increased substantially, as the City's historic, livable urban environment located close to Washington, DC, coupled with a wide range of home ownership and rental opportunities, made the City a highly desirable location to live.

The 2000 Census showed a city whose population grew not only in size, but also in terms of age, racial and ethnic diversity. While the City's median age grew slightly from 33.5 years to 34.4 years from 1990 to 2000, the population under the age of 18 grew 26 percent from 17,132 to 21,537, or about 17 percent of the City's population. This was the first Census in at least 40 years that showed an increase in children under the age of 18, although this cohort remains significantly smaller than in the surrounding suburban counties of Fairfax, Loudoun and Prince William. The under 18 population comprise 25 to 30 percent of the total population in those jurisdictions.

The slight increase in the median age to 34.4 years despite the increase in the number and percentage of children during the 1990's can be attributed to an even larger increase in the number and percentage of adults living in households without children. These adults represented cohorts between the ages of 34 and 65. This increase in adult households, many of them single-person households buying new townhouses or condominiums, offsets the increase in children to the degree that the City's average household size of 2.04 persons per household did not change between 1990 and 2000.

Families, defined as households with two or more persons related by birth, marriage or adoption and residing together in a single housing unit, comprised 45 percent of all City households in 2000. This figure was unchanged from the 1990 Census. While the percentage of households with members over the age of 65 decreased from 15.1 percent to 13.8 percent from 1990 to 2000, the number of elderly persons aged 85 and over increased. However, the over 85 age group represents only 1.3 percent of City's 2000 population.

Due to a combination of immigration, high birth rates and better enumeration, the number of persons in Alexandria identifying themselves as Hispanic increased by 75 percent during the 1990's, so that the Hispanic population now comprised 14.7 percent of the City's total population in the 2000 Census. During the 1990's the number of Black and African American persons in the City also increased from 18.8 percent of the population to 22.2 percent of the population. This increase can be partially attributed to the increase in immigration from Sub-Saharan African countries.

SELECTED POPULATION CHARACTERISTICS

Characteristics	Alexandria	Virginia	United States
Median Age 1990	33.5	32.6	32.9
2000	34.4	35.7	35.3
Percent School Age (5-17) 1990	9.8	24.3	18.2
2000	10.6	18.0	18.9
Percent of Persons 65 and Older 1990	10.3	10.7	12.6
2000	9.0	11.2	12.4
Number of Persons/Household 1990	2.04	2.61	2.63
2000	2.04	2.54	2.59
Percent of Persons 25 and Older with four or more years of college 1990	48.5	24.5	20.3
2000	54.3	29.5	24.4

Source: 1990 and 2000 US Census

Statistical and demographic data provided by the Washington Metropolitan Council of Governments Round 7.2A Forecast reflect some apparent changes to the City's population that will become clearer with the release of 2010 Census data at the beginning of 2011. Between 2000 and 2010, there was a only a slight decline (less than one percent) in the percentage of school-age children, a significant decline (31 percent) in the percentage of residents aged 20 to 34, and only a slight increase in the percentage of residents 65 and older. As in the 1990's, this seems to reflect a large increase in the number and percentage of middle-aged adults living in households without children. The data also show a community that is less racially and ethnically diverse in 2010 than it was in 2000, with the percentage of residents who identify as white increasing from 54 percent in 2000 to 58 percent in 2010. While the number of minority residents has increased along with the population in general, the percentage of residents identifying as African-American or Hispanic has decreased from 37 percent in 2000 to 34 percent in 2010.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

## Public School Characteristics

Summarized below are selected items of information concerning total annual school enrollments (actual and projected).

ALEXANDRIA CITY PUBLIC SCHOOL ENROLLMENTS  
ACTUAL AND PROJECTED AND PERCENTAGE CHANGE  
2001 THROUGH 2010

Fiscal Year	<sup>1</sup>	Percentage Change
	Total	
2001	11,345	0.9
2002	11,274	-0.6
2003	10,979	-2.6
2004	11,104	1.1
2005	10,667	-3.9
2006	10,284	-3.6
2007	10,057	-2.2
2008	10,557	5.0
2009	11,225	6.0
2010	11,559	3.0
<sup>1</sup> Enrollments on September 30.		

Source: City of Alexandria Public School System

## Employment

During the last decade, the City's economy became one of the strongest in the nation, driven by steady growth in its service-oriented employment base and income base. Despite the recent drop in service-sector employment nationwide, following national trends, the greatest employment growth for the City over the last decade has been in this sector.

EMPLOYMENT BY SECTOR AS A PERCENTAGE OF TOTAL

Alexandria Employment <sup>1</sup>	<sup>3<sup>rd</sup></sup> Quarter 2008	<sup>3<sup>rd</sup></sup> Quarter 2009
Construction	3.5	3.3
Manufacturing	1.5	1.4
Transportation, Communications and Utilities	2.1	4.2
Trade	10.0	9.4
Financial, Insurance and Real Estate	6.2	6.0
Services	54.0	51.5
Government		
Local	7.3	7.7
State	1.1	1.1
Federal	14.2	15.3
Agriculture	0.0	0.0
Total <sup>2</sup>	100.0	100.0

Source: Virginia Employment Commission

<sup>1</sup>Including the U.S. Patent and Trademark Office

<sup>2</sup>Total may differ due to rounding

**PRINCIPAL PRIVATE EMPLOYERS  
AS OF SEPTEMBER 2009**

(With at least 500 employees)

<b>Company</b>	<b>Nature Of Business</b>	<b>Approximate Number Of Employees</b>	<b>Percentage Of Total City Employment</b>
INOVA Alexandria Hospital	Health Services	1,761	1.8
American Building Maintenance Co.	Janitorial Services	1,005	1.0
Institute for Defense Analyses	R&D/Consulting	827	0.8
CNA Corp.	R&D/Consulting	648	0.7
Grant Thornton LLP	Business Services	534	0.5

Source: Alexandria Economic Development Partnership, Inc.

**UNEMPLOYMENT RATE  
ANNUAL AVERAGE RATES**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>January 2009</b>	<b>January 2010</b>
Alexandria	2.7%	2.5%	2.2%	2.2%	2.7%	4.4%	5.3
Commonwealth of Virginia	3.7	3.5	3.0	3.0	3.4	6.4	6.9
United States	5.5	5.1	4.6	4.6	4.9	7.6	9.7

**Income**

Per capita income for Alexandria was \$72,220 in 2008. Selected income data for the City and other jurisdictions in the Washington metropolitan area are compared to state and national data in the following table.

**PER CAPITA PERSONAL INCOME  
JURISDICTIONS IN THE WASHINGTON, D.C. AREA  
2004 TO 2008**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Alexandria (VA)	\$58,643	\$62,636	\$68,394	\$71,565	\$72,220
Arlington County (VA)	59,150	63,105	67,896	71,650	72,317
Fairfax County (VA)	58,971	63,106	67,033	69,556	69,885
Commonwealth of Virginia	36,842	38,892	41,262	43,158	44,075
Washington MSA	47,251	50,135	53,401	55,737	56,824
United States	33,881	35,424	37,698	39,392	40,166

Source: US Department of Commerce, Bureau of Economic Analysis (These data have been revised from previous estimates provided by the Department of Commerce). Fairfax County, VA data includes Fairfax City, VA and the City of Falls Church, VA.

## Economic Development Activity

The Alexandria Economic Development Partnership, Inc. (“AEDP”) is a public/private partnership between the City and local businesses to attract, retain and assist in the expansion of businesses. AEDP has selectively targeted specific businesses to facilitate diversification of the local business base, expand the tax base, increase employment opportunities, and expand trade for local businesses.

As the marketing arm for Alexandria, AEDP focuses its efforts on promoting the City on a regional, national and international level through exhibitions, marketing events and missions, direct mail campaigns, business networking, and media outreach. At the local level, AEDP serves as a liaison between local businesses and the City. Business outreach meetings throughout the year help to connect local businesses with appropriate City services and to alert public officials of any needs or concerns. AEDP additionally provides staff support to numerous City and business entities, such as the Marketing Fund Committee and the Alexandria Industrial Development Authority. In addition, the Partnership’s executive director serves as an ex-officio member of the Alexandria Convention and Visitors Association Board of Directors, Alexandria Chamber of Commerce Board of Directors and other economic development organizations throughout the City. These efforts contribute to nurturing a viable and growing business environment in Alexandria.

Alexandria continues to grow as a center for national association headquarters, a center for government contracting, a center for high technology and related headquarters operations, and a center for national, regional and divisional headquarters for corporations representing a broad range of fields. Alexandria is a primary business center in the Washington metropolitan area. Lower operational costs, a competitive tax environment, unsurpassed access, diverse office opportunities, a unique ambiance, and safe work and living environments are just several of the advantages enjoyed by business operations located here. Despite recent declines due to the economic downturn, the City has approximately 12,000 more jobs in 2010 than it did in 2000.

As part of the federal Department of Defense (“DOD”) Base Realignment and Closing process, the City was slated to lose some 7,200 DOD jobs from leased office space in the City. Subsequently, DOD decided to construct a new 1.8 million square foot set of office buildings in the City to open in 2011 which will house 6,400 DOD workers and is continuing to lease office space for 5,000 DOD workers. As a result, the City expects to experience a net gain in DOD jobs by 2011.

NUMBER OF BUILDING PERMITS ISSUED AND VALUE

Fiscal Year	Residential	Commercial	Miscellaneous <sup>1</sup>	Total Building Permits	Total Value
2000	1,386	40	18,309	19,735	278,043,000
2001	1,895	51	14,200	16,146	309,722,000
2002	1,805	37	13,380	15,222	910,764,990
2003	312	18	9,471	9,801	354,246,666
2004	763	14	12,659	13,436	365,789,889
2005	470	10	15,867	16,347	480,126,718
2006	1,389	8	17,124	18,521	493,510,491
2007	1,122	11	13,475	14,608	478,171,215
2008	628	29	10,676	11,333	393,086,250
2009	324	14	8,164	8,502	387,289,972
<sup>1</sup> The miscellaneous category includes alterations and repairs, electrical, plumbing, and mechanical permits, and other construction activity.					

Source: City of Alexandria Department of Code Administration

### VALUE OF NEW CONSTRUCTION

Fiscal Year	Residential	Commercial	Miscellaneous <sup>1</sup>	Total Value
1999	114,044,000	63,176,000	98,291,000	275,511,000
2000	98,634,000	114,599,000	64,810,000	278,043,000
2001	135,002,000	32,286,000	142,434,000	309,722,000
2002	174,981,553	612,675,154	123,108,283	910,764,990
2003	45,082,740	181,592,915	127,571,011	354,246,666
2004	109,390,144	81,966,555	174,433,190	365,789,889
2005	177,398,911	130,163,097	164,543,291	480,126,718
2006	272,537,290	53,870,310	167,012,891	493,510,491
2007	181,504,324	115,541,751	181,125,140	478,171,215
2008	104,539,385	134,016,584	154,530,291	393,086,260
2009	89,606,084	158,415,943	139,267,945	387,289,972

<sup>1</sup> The miscellaneous category includes alterations and repairs, electrical, plumbing, and mechanical permits, and other construction activity.

Source: City of Alexandria Department of Code Administration

### Growth And Development Goals

The City began updating its Master Plan in 1987. The process involved developing goals and objectives for fourteen small planning areas, which allowed for extensive community debate and citizen involvement. The City's Master Plan was adopted on June 13, 1992, and includes the following land use goals and objectives:

#### Goals

1. To have a harmonious set of land uses which preserves the predominant character of Alexandria as a city of residential neighborhoods with a lively and attractive mix of commercial, institutional or community facilities, and recreational activity, and maintains an appropriate economic base.
2. To preserve and enhance residential neighborhoods.
3. To preserve and enhance the historic aspect of the City.
4. To preserve the residential and commercial diversity which has historically characterized Alexandria.
5. To preserve and increase parkland (for both active and passive uses) and open space throughout the City.

#### Objectives

1. To promote mixed-use development in most major development or redevelopment areas.
2. To maintain existing residential areas.
3. To ensure that new development is compatible with adjacent or nearby residential neighborhoods.
4. To maintain a mix of uses compatible with existing uses and pedestrian oriented scale.
5. To maintain existing mixed-use areas and ensure that nearby development is complementary.
6. To require open space or parkland, particularly in nearby developing areas targeted for dense residential and commercial use.

## Office Vacancy Rates

According to Grubb and Ellis of Metropolitan Washington, Alexandria's office vacancy rate was 16.3 percent in the 4<sup>th</sup> quarter of 2009. As shown in the table below, this is equal to the office vacancy rate in Northern Virginia and only slightly above the office vacancy rate in the Washington, D.C. Metro Area. The majority of the increase in office vacancies is attributable to a single 600,000 square foot office building coming onto the market after being vacated by the federal government and being subsequently closed for renovations in the summer of 2009. The Alexandria market has weathered the changing economic climate extremely well due to a diverse employment base coupled with a highly educated workforce. Alexandria competes effectively in the regional marketplace due to its adjacency to Washington, D.C.

Jurisdiction	4 <sup>th</sup> Quarter 2008	4 <sup>th</sup> Quarter 2009
Alexandria, VA	8.0%	16.3%
Northern Virginia	14.6%	16.3%
Washington D.C. Metro Area	12.5%	15.4%

Source: Grubb and Ellis of Metropolitan Washington

## Travel and Tourism

With its adjacency to Washington, D.C. and the Ronald Reagan National Airport and with over 380 associations headquartered in the City, Alexandria is a major tourist destination attracting approximately one million tourists and business travelers per year. The City's Old Town area is an historically preserved, vibrant enclave of 18<sup>th</sup> and 19<sup>th</sup> century structures, which serve today as residences, restaurants, retail stores, offices, museums, as well as arts and antique shops. The City is a major draw for residents of the Washington, D.C. Metropolitan area to visit, shop and dine. There are over 4,500 hotel rooms operated in the City. It is estimated that the tourism industry generates over \$15 million in direct City tax revenues annually.

## Housing

As of January 2010, there were 75,854 total housing units (including rental apartments) located in the City of Alexandria. The average assessed value of a single-family home in 2010 is \$612,749, a decrease of approximately 4.03 percent from the previous year. The average assessed value of a residential condominium as January 1, 2010, is \$269,695, a decrease of approximately 7.83 percent compared to the previous year.

**HOUSING UNITS BY TYPE OF STRUCTURE <sup>1</sup>**

	2009	2010
Single Family:		
Detached	9,115	9,117
Semi-Detached	5,601	5,610
Rowhouse	6,207	6,208
Condo Townhouse	960	987
Multi-family:		
Condominium Units	18,274	19,372
Rental Apartments	<u>33,066</u>	<u>33,410</u>
Total:	73,223	74,704
Public Housing & Public Housing Replacement Units	1,150	1,150
<sup>1</sup> Includes vacant and occupied units		

Source: Department of Real Estate Assessments

## **Transportation**

The City's central location enables it to be served by various major highways, freight and passenger rails, bus lines and air transportation facilities. These facilities, which have been constructed in cooperation with the Commonwealth and the federal government, provide excellent transportation services for City residents, tourists, intra-jurisdictional travelers, as well as others who work or do business in the City.

### Streets and Highways

Major highway facilities include Interstate 95 (the Capital Beltway), which borders Alexandria on the south, Interstate 395, which bisects western Alexandria, and the George Washington Parkway, which runs along the City's eastern border. In FY 1991, a new Transportation Plan, a part of the City's Master Plan, was approved by City Council. This plan integrated transportation and land-use planning to allow Alexandria to continue to develop in an orderly manner over the next 10-20 years.

### Ronald Reagan Washington National Airport

Ronald Reagan Washington National Airport, one of the nation's busiest airports, serving approximately 16 million passengers per year, is located on the City's northern border. In 1987, control of Ronald Reagan Washington National and Dulles International Airports was transferred from the Federal Aviation Administration to the Metropolitan Washington Airports Authority. This transfer has enabled the Authority to undertake major capital improvements financed through user fees at the two airports.

### Freight Rail

Freight lines entering the City are CSX Transportation and Norfolk Southern Company.

### Metro Transit System

The City of Alexandria joined the other political subdivisions in the Washington, D.C. Metropolitan Area in an agreement to develop the Metro subway and surface rail transit systems to serve the metropolitan area. The current Metrorail system has 106.3 miles and 86 stations, of which 4 are located in Alexandria.

### Virginia Railway Express

The City is also served by Virginia Railway Express, a commuter train that started operations in 1992. Two rail lines, one originating at Manassas Airport and the other in Fredericksburg, stop in Alexandria en route to and from Washington, D.C.'s Union Station. The Express diverts riders from private autos that would otherwise travel through the City using Interstate 395 or U.S. Route 1.

### Other Passenger Rail

The City is served by the North-South routes of Amtrak, as well as new Virginia intra-city service.

### Port Facilities

The port of Alexandria has two privately operated docks for ocean going freighters which are not frequently used and two large public docks.



## **SECTION FOUR: CITY INDEBTEDNESS AND CAPITAL IMPROVEMENT PROGRAM**

### **ISSUANCE AND AUTHORIZATION OF BONDED INDEBTEDNESS**

Pursuant to the Constitution of Virginia (the “Constitution”) and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, a city in Virginia is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. The Constitution and the Public Finance Act of 1991 also limit the indebtedness that may be incurred by cities to ten percent (10%) of the assessed valuation of real estate subject to local taxation. There is no requirement in the Constitution or the Code of Virginia that the issuance of general obligation bonds of the City be subject to approval of the voters of the City at referendum.

The City Council also has full authority to authorize and issue general obligation bonds under the City Charter. The authorizing procedure consists of the passage on first reading of an ordinance authorizing the issuance of bonds followed by a noticed public hearing at a subsequent meeting and the final passage on second reading following the public hearing.

As of January 1, 2010, the total assessed value of real property in the City was \$31,819,265,702, which translated into a debt limit of \$3,181,926,570. The City’s net obligations subject to debt limitations as of March 1, 2010, totals \$378,055,000 and represented 11.88 percent of the allowed debt limit.

### **AUTHORIZED AND UNISSUED DEBT**

In June 2009, the City issued \$79,700,000 aggregate principal amount of General Obligation Capital Improvement Bonds (the “Series 2009 Bonds”). The ordinance adopted by the City Council with respect to the Series 2009 Bonds authorized the issuance of a maximum amount of \$106,700,000 general obligation bonds. The City anticipates issuing the authorized and unissued bonds in the amount of \$27,000,000 in a subsequent fiscal year or years.

### **OVERLAPPING DEBT**

The City is autonomous from any city, town, or political subdivision of the Commonwealth of Virginia. There are no jurisdictions with overlapping debt or taxing powers.

### **TAX AND REVENUE ANTICIPATION NOTE BORROWING**

The City has not issued any revenue anticipation notes at any time for the past two decades. The City has no plans to borrow for cash flow purposes in FY 2011.

### **DEBT INFORMATION**

Information on the City’s indebtedness is presented in the following tables. Included is information on key debt ratios, debt service to expenditure ratios and selected debt service schedules.

#### **DEBT STATEMENT**

##### **Bonded Debt Outstanding:**

Outstanding General Obligation Bonds *	<u>\$378,055,000</u>
Net Tax Supported Debt:	<u>\$378,055,000</u>

\* As of March 1, 2010

**RATIO OF NET GENERAL DEBT<sup>1</sup> TO ASSESSED VALUE  
AND NET DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

Year	Population <sup>3</sup>	Assessed Value (\$000) <sup>2</sup>			Outstanding Debt As Percentage Of Assessed		Personal Income (\$000)	Debt Per Capita	Dept Per Capita As Percentage Of Per Capita Income <sup>4</sup>
		Real Property	Personal Property	Total	Outstanding Debt	Real Property			
2000	129,147	13,295,308	1,372,621	14,667,929	114,690,000	0.86	6,211,938	888	1.8
2001	130,403	14,632,349	1,573,358	16,205,707	107,875,000	0.74	6,931,579	827	1.6
2002	129,938	16,132,989	1,426,306	17,559,295	153,925,000	0.95	7,009,871	1,185	2.2
2003	135,000	19,225,926	1,459,886	20,685,812	143,615,000	0.75	7,165,859	1,064	2.0
2004	134,000	22,580,995	1,309,443	23,890,438	197,520,000	0.87	7,435,257	1,474	2.7
2005	135,000	27,359,650	1,359,782	28,719,432	241,890,000	0.88	7,776,966	1,792	3.1
2006	138,000	32,906,270	1,409,852	34,316,122	296,540,000	0.90	8,835,057	2,148	3.4
2007	139,000	34,243,031	1,411,599	35,654,630	278,525,000	0.81	9,507,531	2,004	2.9
2008	140,879	35,554,958	1,426,679	36,981,637	260,350,000	0.73	10,204,006	1,848	2.6
2009	144,100	34,379,163	1,354,932	35,734,095	383,950,000	1.12	10,178,071	2,664	3.7

<sup>1</sup>Net General Debt includes general obligations bonds and term notes.

<sup>2</sup>Includes real and personal property as adjusted for change to levy.

<sup>3</sup> Source: Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis

<sup>4</sup>Personal income and per capita income represent data from the United States Bureau of Economic Analysis, as revised in calendar year 2009. The most recent year is estimated based on per capita trends.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR NET GENERAL DEBT<sup>1</sup>  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

Year	Principal	Interest and Other Costs	Total Debt Service	General Expenditures <sup>2</sup>	Ratio of Debt Service To General Governmental Expenditures
2000	6,020,000	2,846,071	8,866,071	393,588,056	2.25
2001	6,815,000	5,567,314	12,382,314	401,555,221	3.08
2002	8,450,000	7,565,996	16,015,996	452,671,072	3.54
2003	10,310,000	7,173,024	17,483,024	488,044,085	3.59
2004	10,795,000	7,887,768	18,682,768	516,275,303	3.62
2005	13,115,000	9,567,247	22,682,247	545,688,442	4.16
2006	16,350,000	10,502,282	26,852,282	623,774,871	4.30
2007	17,670,000	13,306,096	30,976,096	689,280,260	4.49
2008	18,175,000	12,344,320	30,519,320	688,844,141	4.43
2009	19,100,000	12,800,634	31,900,634	720,924,777	4.42

<sup>1</sup>Net General Debt includes general obligation bonds

<sup>2</sup>Includes expenditures for School Board and Library component units

## OPERATING AND CAPITAL LEASES

### Operating Leases

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through fiscal year 2024. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index.

Scheduled minimum rental payments for succeeding years ending June 30 are as follows:

FISCAL YEAR	Primary Government	School Board Component Unit
2010	\$6,359,968	1,228,757
2011	6,594,337	247,370
2012	6,875,266	254,791
2013	5,377,587	239,965
2014	4,391,690	--
2015-2019	10,420,762	7,342,412
2020-2024	3,584,591	--

## COMMITMENTS AND CONTINGENCIES

### Washington Metropolitan Area Transit Authority

The City's commitments to WMATA are comprised of agreements to make capital contributions for construction of the rail transit system, contributions for replacement and improvement of rail and bus equipment, and payments of operating subsidies for both the rail and bus systems.

The City and other participating jurisdictions have entered into a series of capital contributions agreements with WMATA to fund the local share of the cost of the regional Metrorail transit system. The City's commitments are summarized as follows:

#### Capital Contributions – Bus and Rail Replacement

During FY 2004, The WMATA Board, the City and other participating jurisdictions in the Washington DC area negotiated a new "Metro Matters" multi-year capital funding agreement. This agreement reflects some \$3.2 billion in Metrorail and Metrobus infrastructure capital improvements, as well as expansion of Metro transit services through the acquisition of new railcars and buses. The participating jurisdictions' share is planned at \$1.9 billion over a 20-year period with \$0.9 billion planned during the first six years. The City's share is projected at \$82.5 million over the 20-year period with \$40.7 million planned during the first six years. An updated Metro Matters agreement to provide additional funding beyond the first six years will be considered by WMATA and the participating jurisdictions and is currently under regional negotiation. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The participating jurisdictions' financial obligations, including the City, per the Metro Matters agreement, are subject to individual jurisdictional annual appropriation consideration. For all six years of the Metro Matters agreement, the City has paid amounts due WMATA under this agreement.

For the fiscal year ended June 30, 2009, the total City Metro Matters obligation was \$8.0 million, all of which was funded from the City Capital Projects Fund. A new Metro Matters regional capital funding agreement is currently under negotiation.

### Operating Subsidies - Bus and Rail Systems

During the year ended June 30, 2009, obligations for bus and rail subsidies amounted to \$20.3 million. The City paid this obligation from the following sources:

City payments	\$ 2,161,185
State Aid and State Motor Fuel Sales Tax revenues	18,181,869
<b>TOTAL</b>	<b>\$20,343,054</b>

Expected obligations for FY 2010 are \$28.3 million, of which \$7.2 million is expected to be paid from the City's General Fund.

### WMATA Transit Revenue Bonds

WMATA issued approximately \$1 billion of federally guaranteed transit revenue bonds to fund part of the construction of the rail transit system. Operating revenues have been insufficient to retire this debt. The federal government and WMATA entered into an agreement whereby the federal government agreed to pay two-thirds of the debt service costs for these bonds and to advance part of the remaining one third during the first three years of the agreement. The agreement requires that WMATA repay the federal advances, with interest, and one-third of the debt service on the bonds. WMATA allocated the cost of the advances and the one-third of the debt service costs among the participating jurisdictions. The City has not agreed to any payments for the one-third allocation of debt service, but the Northern Virginia Transportation Commission ("NVTC") has paid, from state aid, all such costs allocated to Northern Virginia jurisdictions, of which \$1,418,200 was the City's allocation during the fiscal year ended June 30, 2009. However, NVTC has not paid any of the allocations for federal advances. In July of 1985, the Alexandria City Council authorized NVTC to pay \$4.2 million to WMATA, including accrued interest, from state aid on deposit to the credit of the City. This was the total amount allocated to the City by WMATA for advances by the federal government, including accrued interest. The City has thus, with such authorization, satisfied all claims due WMATA for transit revenue bonds.

### **Litigation**

The City is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance reserves or fund balance designations that may ultimately be incurred as a result of the suits and claims will not be material.

### **Waste-To-Energy Facility**

The City has a guaranteed annual tonnage of acceptable waste commitment to the Waste to Energy Facility, which is owned and operated by a private corporation. The commitment, shared with Arlington County, is based on a percent of the solid waste the City and Arlington County expect to collect together. The facility charges fees on each ton based on defined costs and has two multi-year contracts for large haulers where a fee discount applies. For FY 2009 and for every year the facility has been open, the City and Arlington County exceeded the minimum annual tonnage requirement. Recent experience in FY 2010 has indicated that the minimum annual tonnage requirement may not be met for the first time since building the facility. If the City would be required to augment this requirement, the financial effect on the City would be minimal. This put or pay contract expires at the end of 2012 and the potential projected cost to the City through FY 2012 is about \$1 million to meet this put or pay contract requirement. The City, Arlington County and the owner-operator of the facility, Covanta Energy, Inc., are currently negotiating an agreement that would be put in place prior to or at the time of the expiration of the existing put or pay agreement in 2013.

The Alexandria/Arlington Waste Disposal Trust Fund (the "Trust") is a private purpose trust fund of Arlington County, Virginia and, accordingly, the financial position and results of operations of the Trust are reflected in the comprehensive annual financial report of Arlington County, Virginia. The City of Alexandria, Virginia and Arlington County, Virginia each have a 50 percent ownership interest in the Trust; however, because Arlington County performs the administrative functions for the Trust, it is reflected in the Arlington County reporting entity. As part of the Conditional Sale and Security Agreement, pursuant to which the Corporation acquired the Waste to Energy Facility, the Corporation made a payment of \$1 million to the Trust, which was to be used as a reserve for future expenditures.

The Trust in recent years has been primarily used to subsidize the difference between the contractual tipping fee paid by haulers under special contracts and the standard tipping fee and to cover deficiencies arising in the “income-available-for-debt-service” calculations mandated by the Facility Agreement between the Corporation, the City, Arlington County, the Alexandria Sanitation Authority and the Arlington Solid Waste Authority. There are expected to be sufficient funds in the Trust fund to satisfy the obligations of the City and Arlington County to make any deficit payments through 2013.

The facility’s operating costs are paid for primarily through tipping fees. The City paid \$1.9 million in tipping fees in FY 2009. In the event of an unexpected revenue shortfall at the facility, the City is not responsible for the repayment of the bonds. The Alexandria Sanitation Authority and the Arlington Solid Waste Authority have certain bond repayment obligations through 2013. After 2013, the facility becomes a merchant plant. The City and Arlington County are currently negotiating a new operating and tip contract with Covanta Energy for the post-2013 era.

### **Northern Virginia Transportation District Bonds**

In November 1999, the City signed an agreement with the Commonwealth Transportation Board to provide \$256,070 annually, subject to appropriation, to finance certain Northern Virginia Transportation District Bond projects benefiting the City and other jurisdictions in Northern Virginia. The FY 2009 payment of \$256,070 was made from the proceeds from the City’s telecommunications tax received by the General Fund. The City is not liable for repayment of the 20-year bonds.

### **CAPITAL IMPROVEMENT PROGRAM**

The City of Alexandria responds to the changing demands for infrastructure brought about by commercial growth and the changing needs and expectations of its residential and school communities through its multi-year capital improvement plan. The Capital Improvement Program (“CIP”) is the primary planning tool for scheduling the City’s capital projects. This program is prepared and updated annually. The FY 2011 – FY 2020 Approved Capital Improvement Program represents the first time the City has published a ten-year plan rather than a six-year plan.

The FY 2011 – FY 2020 Approved Capital Improvement Program totals \$793.0 million. Federal, State and other non-City sources fund \$64.5 million of this total. The City is responsible for the remaining \$728.5 million, \$36.7 million of which has been funded in prior fiscal years. Thus, the remaining City share of the CIP is \$691.8 million. The first six years of the plan total \$426.6 million in local funding, which represents an increase of 11.1 percent in local funding over the FY 2010 – FY 2015 CIP. This increase is primarily attributable to planned FY 2011 bonds issued to support the self-supporting Sanitary Sewer Fund and the remaining funding for the new Police headquarters.

The FY 2011 – FY 2020 CIP primarily focuses on repairing, refurbishing, renovating, rehabilitating and reconstructing existing physical assets. In addition, the CIP calls for a select few new capital projects that will save future operating costs, improve public safety service delivery, or help address a growing need for service. Examples of the new capital projects include the completion of the New Police Headquarters, several Fire Station renovation or reconstruction projects, and two new elementary school buildings to help meet increasing enrollment. To fund these investments, the CIP’s identified revenue sources over the ten-year period include \$105.2 million in City appropriations largely from General Fund transfers, \$11.0 million from the General Fund Balance, \$10.4 million in bond interest earnings, \$504.4 million in future general obligation bond issuance, and \$5.2 million in reprogrammed prior year unallocated funds.

One goal for the FY 2011 – FY 2020 CIP was to confront and address City’s capital funding needs identified in prior CIPs directly and build a ten-year plan that meets the most critical needs of the City and community while assuming realistic funding levels in each year. While the majority of the needs have been mitigated by spreading out the planned implementation of projects over ten years rather than six, over \$90 million in specifically identified projects are not included in the FY 2011 Approved CIP. These projects will have to wait until after 2020 unless the City’s projected financial situation improves dramatically. This ten-year capital plan was balanced through calculated prioritization and decision making. As directed by City Council guidance provided in

November 2009, the CIP does not increase the impact on the City's General Fund Operating Budget over what was previously assumed in the FY 2010 – FY 2015 Approved CIP.

**SUMMARY OF CAPITAL IMPROVEMENT PROGRAM BY PROJECT GROUP**

**FY 2011- FY 2020**

By Funding Source						
	Total Cost	Federal/State Grants, Reallocations And Others	Net City Cost	Unallocated Balance*	Remaining City Cost	
Schools	\$158,102,883	\$0	\$158,102,883	\$0	\$158,102,883	
Community Development	\$37,104,298	\$19,932,211	\$17,172,087	\$3,694,997	\$13,477,090	
Recreation & Parks	\$63,996,686	\$0	\$63,996,686	\$8,515,686	\$55,481,000	
Public Buildings	\$150,128,676	\$1,750,000	\$148,378,676	\$2,830,476	\$145,548,200	
Public Transportation & Traffic Control	\$128,574,047	\$12,767,402	\$115,806,645	\$2,650,645	\$113,156,000	
Street, Bridge, & Pedestrian Improvements	\$65,281,174	\$30,065,000	\$35,216,174	\$5,896,174	\$29,320,000	
Stormwater Utility	\$29,815,446	\$0	\$29,815,446	\$3,956,750	\$25,858,696	
Sanitary Sewers	\$62,212,617	\$0	\$62,212,617	\$6,750,740	\$55,461,877	
Other Regional Contributions	\$5,780,487	\$0	\$5,780,487	\$0	\$5,780,487	
Information Technology Plan	\$63,721,131	\$0	\$63,721,131	\$2,418,631	\$61,302,500	
Allowance for Inflation or Additional Projects	\$28,324,318	\$0	\$28,324,318	\$0	\$28,324,318	
<b>TOTAL CIP</b>	<b>\$793,041,763</b>	<b>\$64,514,613</b>	<b>\$728,527,150</b>	<b>\$36,714,099</b>	<b>\$691,813,051</b>	

\* Unallocated balances as of January 2010.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

**SUMMARY OF CAPITAL IMPROVEMENT PROGRAM BY PROJECT GROUP**

**FY 2011 - FY 2016  
(First Six Years)**

City Share by Program Year							
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	SUBTOTAL <sup>1</sup>
Schools	\$13,564,267	\$13,694,616	\$26,613,000	\$9,000,000	\$11,865,000	\$31,500,000	\$106,236,883
Community Development	100,000	357,545	835,545	864,000	3,630,000	880,000	6,667,090
Recreation & Parks	1,547,000	3,440,000	2,078,000	2,078,000	2,628,000	4,628,000	16,399,000
Public Buildings	51,823,200	18,110,000	3,450,000	4,950,000	19,050,000	11,020,000	108,403,200
Public Transportation & Traffic Control	7,877,000	10,644,000	9,647,000	10,113,000	11,530,000	10,595,000	60,406,000
Street, Bridge, & Pedestrian Improvements	1,968,000	1,458,000	1,368,000	1,408,000	1,478,000	3,478,000	11,158,000
Stormwater Utility	3,065,715	2,254,478	2,277,230	2,323,494	2,394,899	2,486,111	14,801,927
Sanitary Sewers	15,198,877	6,864,000	7,979,000	6,335,000	6,335,000	4,150,000	46,861,877
Other Regional Contributions	632,867	625,808	617,860	612,059	606,332	600,679	3,695,605
Information Technology Plan	4,900,000	3,500,000	16,770,000	21,500,000	2,500,000	2,132,500	51,302,500
Allowance for Inflation or Additional Projects	0	0	4,141	3,063	173,795	532,416	713,415
<b>TOTAL CIP</b>	<b>\$100,676,926</b>	<b>\$60,948,447</b>	<b>\$71,639,776</b>	<b>\$59,186,616</b>	<b>\$62,191,026</b>	<b>\$72,002,706</b>	<b>\$426,645,497</b>

**SUMMARY OF CAPITAL IMPROVEMENT PROGRAM BY PROJECT GROUP**

**FY 2011 - FY 2020**

City Share by Program Year							
	FY 2011 – FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Unallocated Balances	TOTAL
Schools	\$106,236,883	\$12,000,000	\$13,000,000	\$13,500,000	\$13,366,000	\$0	\$158,102,883
Community Development	6,667,090	1,480,000	780,000	730,000	3,820,000	3,694,997	17,172,087
Recreation & Parks	16,399,000	14,878,000	8,428,000	9,078,000	6,698,000	8,515,686	63,996,686
Public Buildings	108,403,200	9,585,000	11,950,000	9,650,000	5,960,000	2,830,476	148,378,676
Public Transportation & Traffic Control	60,406,000	13,410,000	13,510,000	13,410,000	12,420,000	2,650,645	115,806,645
Street, Bridge, & Pedestrian Improvements	11,158,000	6,228,000	5,978,000	2,978,000	2,978,000	5,896,174	35,216,174
Stormwater Utility	14,801,927	2,590,867	2,701,909	2,819,613	2,944,380	3,956,750	29,815,446
Sanitary Sewers	46,861,877	2,150,000	2,150,000	2,150,000	2,150,000	6,750,740	62,212,617
Other Regional Contributions	3,695,605	595,100	496,594	496,594	496,594	0	5,780,487
Information Technology Plan	51,302,500	2,500,000	2,500,000	2,500,000	2,500,000	2,418,631	63,721,131
Allowance for Inflation or Additional Projects	713,415	1,991,876	4,382,195	8,354,199	12,882,633	0	28,324,318
<b>TOTAL CIP</b>	<b>\$426,645,497</b>	<b>\$67,408,843</b>	<b>\$65,876,698</b>	<b>\$65,666,406</b>	<b>\$66,215,607</b>	<b>\$36,714,099</b>	<b>\$728,527,150</b>

## CAPITAL FINANCING AND DEBT MANAGEMENT

City Council passed a set of debt-related financial policies on June 9, 1987. To continue a strategy of improving the City's creditworthiness, City Council revised and reaffirmed the City's 1987 debt-related financial policies on December 9, 1997. City Council amended the policies on October 26, 1999, to allow priority consideration for an increase in the designation of fund balance for capital project funding. On June 24, 2008, City Council increased both the target and limit for debt per capita as a percentage of per capita income. By using these debt-related financial policies, the City has been able to maintain a fiscally prudent framework for establishing a realistic, usable, and financially achievable capital improvement program.

At the current time, as a major long-term economic development initiative, the City approved on June 12, 2010 a major rezoning of 69 acres of prime real estate into a high density mixed-use development of over 7.5 million square feet. An integral part of this proposal, which will add approximately 10 percent to the City's tax base and generate over \$1 billion in new tax revenue over a 30 year period, would entail the construction of a new Metrorail station on the existing heavy rail Metrorail line that runs to the east of this 69 acres. The cost of this Metrorail station is estimated (in 2015 dollars) at between \$190 million and \$270 million, depending on the location of the station and other cost variables. The City is currently considering issuing general obligation bonds to finance this Metrorail station construction project and plans to repay these bonds with new tax revenues, two special tax districts, and developer contributions. Other bond financing mechanisms are also being studied. Planning, further studies, station design and refinement of costs are scheduled to occur between 2010 and 2013. A final decision by City Council to proceed with the Metrorail station financing will be made in 2013 at the earliest.

If the City does decide to proceed with the financing of the Metrorail station, it will require a material upward revision to its current debt policy guideline targets and limits which are described below, in that the amount of debt that may be issued would exceed the City's current debt targets and ceilings, which are detailed below.

### Debt Ratio Policies

During FY 1998, the Budget and Fiscal Affairs Advisory Committee ("BFAAC"), a City Council-appointed citizen committee, analyzed the City's debt-related financial policies and examined the City's financial condition in comparison to other jurisdictions with superior credit ratings (other double-triple A rated jurisdictions). The BFAAC and the City Manager recommended that City Council reaffirm the updated debt-related financial policies, incorporating BFAAC's recommended updates to the policies, to establish a consistent set of appropriate relationships between debt targets and limits. Because three of six debt indicators measure the debt capacity of the City in relation to the size of the City and its economy, BFAAC recommended that these indicators should not produce debt capacity limits that vary greatly from each other.

City Council reaffirmed its commitment to sound financial management and adopted the updated debt-related financial policies on December 9, 1997. City Council amended the policies on October 26, 1999, to allow priority consideration for an increase in the designation of fund balance for capital project funding. On June 24, 2008, based on comparison with other AAA/Aaa rated jurisdictions and recommendations by BFAAC, City Council adopted a revision to one guideline: the debt per capita as a percent of per capita income guideline was adjusted upward to a 3.2 percent target and a 4.5 percent limit. The new target and limit are in the range of what other AAA/Aaa rated Washington area jurisdictions experience. This revision also resynchronizes this guideline with that for debt as a percentage of the fair market value of real property. These two indicators had diverged since they were last reviewed and adopted in December 1997.

These policies are currently as follows:

#### DEBT AS A PERCENTAGE OF FAIR MARKET REAL PROPERTY VALUE

<b>June 30, 1986 (At Original Adoption Of Policies)</b>	<b>Target</b>	<b>Limit</b>	<b>June 30, 2009</b>
1.9%	1.1%	1.6%	1.12%

This ratio indicates the relationship between the City's debt and the full value of real property in the City as assessed annually at fair market value. It is an important indicator of the City's ability to repay debt, because real



property taxes are the primary source of the City's revenues used to repay debt. A small ratio indicates that the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations.

#### DEBT PER CAPITA AS A PERCENTAGE OF PER CAPITA INCOME

<b>June 24, 2008</b> <b>(At Adoption Of Revised Policies)</b>	<b>Target</b>	<b>Limit</b>	<b>June 30, 2009</b>
Debt per Capita	2.6%	3.2%	4.5%
	\$1,836	(\$2,260 in 2009)	(\$3,178 in 2009)
			3.7%
			\$2,613

This ratio is a measure of the capacity of citizens to finance tax-supported debt. A lower percentage means that taxes required to repay debt represent a smaller portion of the average citizen's income.

#### DEBT SERVICE AS A PERCENTAGE OF GENERAL GOVERNMENT EXPENDITURES

<b>June 30, 1986</b> <b>(At Original Adoption Of Policies)</b>	<b>Target</b>	<b>Limit</b>	<b>June 30, 2009</b>
9.8%	8%	10%	4.6%

This ratio is a measure of the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget.

#### GENERAL FUND BALANCE AS A PERCENTAGE OF GENERAL FUND REVENUE

	<b>June 30, 1986</b> <b>(At Original Adoption Of Policies)</b>	<b>Target</b>	<b>Lower Limit</b>	<b>June 30, 2009</b>
Unreserved	11.2%	N/A	10%	9.3%
Undesignated	5.5%	5.5%	4.0%	4.7%
Unrestricted Net Assets	N/A	5.5%	4.0%	9.4%

These ratios indicate the ability of the City to cope with unexpected financial problems or emergencies. The Unreserved General Fund Balance represents the funds legally available to the City. It is desirable that the City maintain an Unreserved General Fund Balance that is comparable to the ratio maintained by other double-triple A rated jurisdictions, but not to fall below the limit of 10 percent. The Undesignated General Fund Balance corresponds to the checkbook balance of the City. Both balances are important to consider. The unreserved balance includes designations that the City Council has made but presumably could change. Net assets correspond to stockholder's equity for publicly traded companies. The larger the Undesignated General Fund Balance or unrestricted net assets, the greater the City's ability to cope with financial emergencies and fluctuations in revenue cycles.

As a result of the City's response to the national economic crisis, the use of fund balance funding of the City's OPEB Trust, and some planned use of fund balances, the Unreserved General Fund Balance fell to 9.3 percent of FY 2008 actual General Fund revenues as of June 30, 2009. Therefore, the City was below the minimum limit for unreserved General Fund balance by 0.7 percentage points. The FY 2010 Budget includes funding to restore the Unreserved Fund Balance. It is anticipated that the City will be back over the 10 percent limit at the end of FY 2010.

#### Debt Issuance Policies

The following policies have been adopted by the City Council and represent current City plans, which are subject to change based upon actions of future City Councils.

The City will not issue tax or revenue anticipation notes to fund ongoing governmental operations. The City of Alexandria will manage its cash in a fashion that will prevent any borrowing to meet working capital needs.

The City will not issue bond anticipation notes ("BAN") for a period of longer than two years. If the City issues a BAN for a capital project, the BAN will be converted to a long-term bond or redeemed at its expiration, but will not be rolled over.

The City will continue to rely on current revenue, including its fund balance, to finance its short-lived and maintenance-oriented capital improvements. The City believes in funding a significant portion of capital improvements on a “pay-as-you-go” basis; therefore, the City will continue to finance short-lived and maintenance-oriented capital improvements with current revenues and its fund balance. The priority to consider when additional General Fund revenues become available at the end of the fiscal year would be a designation within the General Fund fund balance for pay-as-you-go capital.

The City will not establish a trend of using General Fund equity to finance current recurring operations. The City’s General Fund equity balance has been built over the years to provide the City with sufficient work capital and to enable it to finance equipment replacement, capital projects and unforeseen emergencies without borrowing. To conserve the General Fund equity balance and to avoid reliance on the balance, the City will not finance recurring operations from the General Fund equity balance for periods longer than two consecutive fiscal years, then the City will adopt in its next ensuing budget a balanced budget in which the operating revenues meet the operating expenditures without any consideration of the General Fund Equity balance.

In accordance with the City Charter and in order to meet the debt ratio targets, to schedule debt issuance and to systematically improve the capital structure, each year the City will prepare and adopt a capital improvement program. This capital improvement program will identify the source of funding for all capital projects. The debt issuances that are a part of the capital improvement program will be structured to meet the City’s debt policies and debt ratio targets.

The City Manager will prepare each year and submit a set of scenarios of possible future revenues and expenditures that match the Capital Improvement Program time horizon with the proposed budget to be considered by the City Council. Those scenarios will be updated to reflect the decisions of the City Council and issued with the approved budget. In order to improve financial planning and decisions, the City Manager also will annually prepare with the approved budget a set of scenarios of possible future General Fund revenues and expenditures and their effects on the debt-related financial policy ratios outlined above, including the effect of planned borrowing under the approved CIP. For FY 2011, the City Manager presented a ten-year capital improvement program, rather than a six-year program as presented in prior years. Future capital improvement programs are planned to be presented on a ten-year basis.

### **Equipment Replacement Reserve Fund**

It has been the policy of the City to allocate monies each year for the future replacement of City equipment. On June 30, 1987, the City established an internal service fund (Equipment Replacement Reserve Fund) for the purpose of providing an orderly accumulation of monies to replace capital equipment. As of June 30, 2009, the Equipment Replacement Reserve Fund, which derives its revenues from scheduled equipment rental charges to user departments, had a cash balance of \$11.5 million.

### **Risk Management Program**

The City’s risk management program is designed to protect against accidental losses that would significantly affect personnel, property, the budget or the City’s ability to fulfill its responsibility to the taxpayers and the public. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risk internally and account for any claims settlement in the General Fund. Exceptions are made when insurance coverage is available and when premiums are cost effective. A total of \$5 million of unreserved General Fund balance has been designated to meet potential self-insurance losses.

In addition, the risk management program includes employee training in prevention and administration of workers’ compensation claims. As part of the program, all employees who drive City vehicles must attend defensive driving classes.

## **SECTION FIVE: FINANCIAL INFORMATION**

### **ACCOUNTING STRUCTURE AND BASIS OF ACCOUNTING**

#### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded the City of Alexandria a Certificate of Achievement for Excellence in Financial Reporting for the City’s Comprehensive Annual Financial Report (“CAFR”) for the 32<sup>nd</sup> consecutive year for fiscal year 2009. The City expects to receive the certificate for its FY 2010 CAFR. The GFOA awards a Certificate to governmental units that display excellence in financial reporting and conform to stringent reporting requirements promulgated by that Association and various authoritative bodies. For all fiscal years beginning July 1, 1990, through July 1, 2009, the City received the GFOA’s Award for Distinguished Budget Presentation.

#### **Government-wide and Fund Accounting**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements’ governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City’s fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government,

these funds are not incorporated into the government-wide financial statements. The following is a brief description of the specific funds used by the City in FY 2010.

### Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

### General Fund

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 part of the General Fund's revenues are transferred to other funds, principally to finance the operations of the City of Alexandria School Board.

### Special Revenue Fund

The Special Revenue Fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Fund is considered a major fund for government-wide reporting purposes. A significant portion of the Special Revenue Fund is used for health and welfare programs.

### Capital Projects Fund

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. The Capital Projects Fund is considered a major fund for government-wide reporting purposes.

### Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net assets, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds to the extent these standards do not conflict with or contradict guidance of the GASB. The City has two proprietary funds - the Internal Service Fund and the component unit Alexandria Transit Company. The Internal Service 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 and is considered an enterprise fund. The City established the Equipment Replacement Reserve Account, the internal service fund, for the purpose of providing for the accumulation of funds to replace capital equipment items used in City operations. This internal service fund derives its funding from periodic equipment rental charges assessed to the user departments in the governmental funds. This funding is then used to replace capital equipment when the need arises. The internal service fund is included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The component unit Alexandria Transit Company is considered an enterprise fund and derives its funding from fare box fees and some support from the City.

### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the City are the John D. Collins Private Purpose Trust Fund, Pension Trust Funds, the Mental Health Client Account, the Human Services Special Welfare Account, Human Services Dedicated Account, and the Industrial Development Authority Agency Funds.

For accounting measurement purposes, the Private Purpose Trust Fund and the Employee Retirement Funds are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Employee Retirement Funds account for the assets of the City's pension plans. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary Funds are not included in the government-wide financial statements.

#### Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long term liability are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities, all Proprietary Funds, and Private Purpose Trust Fund and Pension Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statements of Net Assets, Statements of Activities, financial statements of the Proprietary Funds and Fiduciary Funds (except for agency funds) are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

## Five-Year Summary of General Fund Revenues and Expenditures

The financial data shown below provides a summary of revenues and expenditures of the City's General Fund for the last five fiscal years ended June 30.

	2005	2006	2007	2008	2009
<b>Revenues:</b>					
General Property Taxes	\$ 265,286,800	\$ 290,055,692	\$ 310,821,622	\$ 324,113,019	\$ 333,482,063
Other Local Taxes	101,468,560	109,495,556	110,979,367	112,263,941	112,271,370
Permits, Fees, and Licenses	4,439,701	5,372,138	5,944,363	4,764,924	4,827,422
Fines and Forfeitures	4,035,693	3,536,342	3,628,938	3,903,807	4,116,453
Use of Money and Property	5,790,327	8,190,426	9,712,862	9,044,947	4,433,015
Charges for Services	10,352,947	10,837,058	10,286,955	11,302,195	12,404,166
Intergovernmental Revenues	47,054,318	50,232,988	53,608,403	54,447,311	53,095,127
Miscellaneous	521,372	842,030	590,351	618,907	1,065,130
<b>Total Revenues:</b>	<b>\$ 438,949,718</b>	<b>\$ 478,562,230</b>	<b>\$ 505,572,861</b>	<b>\$ 520,459,051</b>	<b>\$525,694,746</b>
<b>Other Financing Sources:</b>					
Operating Transfers In	\$ -	\$ -	\$ 1,063,895	\$ 1,311,109	\$ 2,223,910
Refunding Bonds	32,465,000	-	22,815,000	-	-
Premium	1,222,931	-	1,448,072	-	-
<b>Total Other Financing Sources</b>	<b>\$ 33,687,931</b>	<b>\$ -</b>	<b>\$ 25,326,967</b>	<b>\$ 1,311,109</b>	<b>\$ 2,223,910</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 472,637,649</b>	<b>\$ 478,562,230</b>	<b>\$ 530,899,828</b>	<b>\$ 521,770,160</b>	<b>\$ 527,918,656</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	\$ 37,233,747	\$ 39,252,972	\$ 44,983,189	\$ 42,536,812	\$ 46,137,096
Judicial Administration	130,060,768	13,904,977	16,024,123	17,028,954	17,958,782
Public Safety	90,347,799	97,853,993	105,381,228	108,941,895	113,896,868
Public Works	29,920,883	30,378,866	33,072,866	34,206,948	34,755,649
Health and Welfare	18,164,634	19,350,745	20,889,031	21,058,544	20,723,663
Culture and Recreation	19,507,018	21,260,550	22,855,258	23,822,427	23,109,869
Community Development	8,538,375	8,758,008	9,219,603	13,009,454	13,840,168
Education	13,299	12,990	12,548	12,399	12,004
Transit	4,761,857	6,110,373	6,755,289	6,644,738	4,595,401
<b>Debt Service:</b>					
Principal Retired	13,220,854	16,461,681	17,729,329	18,175,000	19,100,000
Interest and Fiscal Charges	9,583,716	10,502,282	13,307,530	12,344,320	12,800,635
<b>Total Expenditures</b>	<b>\$ 244,352,950</b>	<b>\$ 263,847,437</b>	<b>\$ 290,229,994</b>	<b>\$ 297,781,491</b>	<b>\$ 306,930,135</b>
<b>Other Financing Uses:</b>					
Payment to Refunded Bonds Escrow Agent	\$ 33,385,875	\$ -	\$ 24,104,018	\$ -	\$ -
Operating Transfers Out	53,883,761	58,296,860	47,816,337	55,343,575	50,769,720
Transfers Out - Component Units	141,825,586	151,533,567	164,032,522	174,651,343	182,702,659
<b>Total Other Financing Uses</b>	<b>229,095,222</b>	<b>209,830,42</b>	<b>235,952,877</b>	<b>229,994,918</b>	<b>\$ 233,472,379</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 473,448,172</b>	<b>\$ 473,677,864</b>	<b>\$ 524,233,704</b>	<b>\$ 527,776,409</b>	<b>\$ 540,402,514</b>
<b>Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses</b>	<b>\$ (810,523)</b>	<b>\$ 4,884,366</b>	<b>\$ 4,716,957</b>	<b>\$ (6,006,249)</b>	<b>\$ (12,483,858)</b>
Fund Balances at Beginning of Year	62,796,610	62,275,183	67,378,045	72,253,728	65,488,041
Increase/(Decrease) in Reserve For Inventory	289,096	218,496	158,726	(759,438)	302,808
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 62,275,183</b>	<b>\$ 67,378,045</b>	<b>\$ 72,253,728</b>	<b>\$ 65,488,041</b>	<b>\$ 53,306,991</b>

Summaries for fiscal years 2005 to 2009 are compiled from the CAFR and City records which the independent auditor for the City has audited. The summaries should be read in conjunction with their related financial statements and notes.

**GENERAL FUND BALANCE  
FISCAL YEARS 2005 TO 2009**

	2005	2006	2007	2008	2009
<b>Reserved for:</b>					
Inventory of Supplies	\$ 1,970,689	\$ 2,189,185	\$ 2,347,911	\$ 1,588,472	\$ 1,891,281
Encumbrances	2,087,658	1,845,820	2,345,051	1,579,168	1,967,201
Notes Receivable	-	-	-	-	400,000
<b>Total Reserved</b>	<b>\$ 4,058,347</b>	<b>\$ 4,035,005</b>	<b>\$ 4,692,962</b>	<b>\$ 3,167,640</b>	<b>\$4,258,482</b>
<b>Unreserved Designated For:</b>					
Subsequent Year's Budget	\$ 4,330,000	\$ 3,354,819	\$ 1,999,550	\$ 4,600,000	\$ 2,315,347
Next Subsequent Year's Budget	3,800,000	3,300,000	4,000,000	1,285,347	3,600,000
Subsequent Years' Capital Expenditures	4,732,890	7,353,288	3,643,211	7,350,000	226,958
Next Subsequent Years' Capital Expenditures	--	--	7,350,000	1,026,958	--
Self-Insurance	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Retiree Health and Life (OPEB)	--	8,700,000	10,700,000	10,700,000	6,500,000
Open Space Fund	--	275,703	--	--	--
Compensated Absences And Others	7,208,635	--	--	--	--
Affordable Housing	--	275,703	--	--	--
Affordable Housing (AHOP) Grants	--	300,000	--	--	--
Federal/State Grant Reductions Set-aside	--	1,000,000	--	--	--
Monroe Avenue Pedestrian Bridge Design Funds	--	300,000	--	--	--
General Schedule Employee Compensation	--	4,000,000	--	--	--
Fiscal Year 2010 Revenue Shortfall Reserve	--	--	--	--	4,309,397
Efficiency Savings	52,592	--	--	--	--
Federal Budget Reductions	143,000	--	--	--	--
Medical Service for Jail Inmates	250,000	--	--	--	--
Public Safety Employee Compensation	3,000,000	--	--	--	--
King Street Garden	--	--	25,000	25,000	25,000
National Harbor	--	--	700,000	-	--
Fuel Costs	1,027,000	--	500,000	250,000	250,000
Social Services Contingency	--	--	530,000	530,000	400,000
Fire Station/Affordable Housing Project	--	--	--	1,600,000	--
Projects Under Discussion	--	--	3,368,000	-	--
On-going Projects	2,824,000	2,649,421	2,345,870	2,902,820	1,694,734
<b>Undesignated</b>	<b>25,848,719</b>	<b>26,834,106</b>	<b>27,399,135</b>	<b>27,050,271</b>	<b>24,727,073</b>
<b>Total Unreserved</b>	<b>\$ 58,216,836</b>	<b>\$ 63,343,040</b>	<b>\$ 67,560,766</b>	<b>\$ 62,320,401</b>	<b>\$ 49,048,509</b>
<b>Total General Fund</b>	<b>\$ 62,275,183</b>	<b>\$ 67,378,045</b>	<b>\$ 72,253,728</b>	<b>\$ 65,488,041</b>	<b>\$ 53,306,991</b>
<b>General Fund Balance as a percent of General Fund Expenditures and Other Financing Uses</b>	<b>13.2%</b>	<b>14.2%</b>	<b>13.8%</b>	<b>12.4%</b>	<b>10.6%</b>

## **BUDGETARY PROCEDURES**

The City's annual budget is based on a fiscal year of July 1 to the following June 30. Under the City Charter, the City Council must adopt an appropriation ordinance for the subsequent fiscal year no later than June 27. The appropriation ordinance is based on a balanced budget of all fiscal operating expenditures to be financed from current fiscal year revenues and balances available from prior years.

The City Charter requires the City Manager to submit a balanced budget to City Council no later than the first regular meeting in April of each year. The School Board prepares the Schools' budget and transmits it to the City Manager. The City Manager's Proposed Budget for the following year is presented to the City Council in March of each year. The Proposed Budget includes recommended funding levels for all City programs, including School operations. The Proposed Budget also includes a recommended program of capital expenditures to be financed from current revenues. A separate six-year Capital Improvement Program is also prepared each year, and is included in the City Manager's Proposed Budget. Estimated revenues are detailed in the Proposed Budget along with any recommended new taxes or changes in tax rate or service charges that may be proposed by the City Manager.

Public hearings on the Proposed Budget and tax rates are held in early spring and are followed by a series of work sessions of the City Council, during which City Council discusses the proposed operating and capital programs and the revenue outlook. Final City Council decisions are made on the evening of Budget adoption, which is generally in early May, and these decisions are incorporated into the appropriation ordinance for the subsequent fiscal year. This appropriation ordinance is approved by City Council no later than June 27 for the succeeding fiscal year to commence July 1.

During the fiscal year, the Department of Finance and the Office of Management and Budget conduct detailed reviews of both expenditures and revenues. As a management tool, budgetary control is maintained in the General Fund at the character level by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. The City follows a similar procedure with Special Revenue Funds, but the level of control is the grant or program level. Throughout the fiscal year, City Council transfers appropriations among departments, divisions and projects. The City Manager has authority to transfer appropriations within departments. The City Council also approves supplemental appropriations, including the reappropriation of prior year encumbrances.

## **FY 2010 OPERATING BUDGET**

City Council adopted the FY 2010 Operating Budget on April 27, 2009. The City's FY 2010 General Fund Budget of \$530.0 million represents an increase of 2.2 percent, compared to the amended FY 2009 Budget. The General Fund Budget for FY 2010 (July 1, 2009, to June 30, 2010) is financed principally by tax revenues. For Tax Year 2009, which coincided with calendar year 2009, the real property tax rate increased to \$0.903 per \$100 of assessed value. The 2009 tax bill on the average single-family residential property increased 1.8 percent from 2008 or approximately \$76. The FY 2010 Budget includes \$164.6 million for the Alexandria City Public Schools representing a 2.0 percent decrease from the FY 2009 Budget in the City appropriation to the Schools.

The downturn in the national economy brought with it major reductions in revenue generated by real estate and other local taxes. In response, the FY 2010 Approved Budget contained reductions unprecedented in 30 years, including a Reduction in Force ("RIF"), the first freeze on employee pay in almost 20 years, and a reduction in new employee benefits. The RIF eliminated 119 funded positions (102 full time equivalents), approximately 4 percent of the City workforce, but required only 29 involuntary terminations. As a result of these reductions, total compensation for City staff decreased by 3.2 percent from the amended FY 2009 Budget.

The FY 2010 Approved Budget made many reductions in programs and activities that were unprecedented as well, following the \$10 million in budget rescissions previously identified and taken to meet a revenue shortfall in FY 2009.



## FY 2011 APPROVED OPERATING BUDGET

The City Council adopted the FY 2011 Approved Operating Budget on May 3, 2010. The City's FY 2011 Approved General Fund Budget of \$531.6 million represents an increase of 0.3 percent compared to the FY 2010 Approved Budget. The General Fund Budget for FY 2011 (July 1, 2010, to June 30, 2011) is financed principally by tax revenues. For tax year 2010, which coincides with calendar year 2010, the proposed real property tax rate is \$0.978 per \$100 of assessed value, an increase of \$0.075 over the previous rate. At the proposed rate of \$0.978 per \$100 of assessed value, the 2010 tax bill on the average single-family residential property will increase by \$125 or 2.9 percent. The FY 2011 Approved Budget includes \$167.9 million for the Alexandria City Public Schools, representing a 2.0 percent increase from the FY 2010 Budget in the City appropriation to the Schools.

As part of a continued effort to control costs and maintain a balanced budget in the face of declining revenues, the FY 2011 Approved Budget includes an increase for City employees in healthcare premium cost-sharing ratios and a second RIF smaller than that implemented in 2010. The budget eliminates 62 funded full and part-time staff positions (50.5 full time equivalents), approximately 2 percent of City staff. This reduction comes on top of the 119 positions reduced in the FY 2010 budget. The total number of full time equivalents in FY 2011 will be 37 less than funded in FY 2005. As of July 1, 2010, all new employees will pay 20 percent of healthcare premiums. Existing employees' share will increase incrementally over the next three fiscal years until it reaches 20 percent (double the current 10 percent share paid by employees). These changes in cost-sharing ratios will contain the City's cost for healthcare to an annual increase of 5.1 percent in FY 2011.

The employee pay freeze implemented in FY 2010 will be partially lifted. In FY 2011, employees eligible on a merit basis will receive salary increases ranging from 2.3 percent to 5 percent. For the third year in a row, there will be no Cost of Living Adjustment or Market Rate Adjustment for City or School employees. Total compensation for employees (including the effects of the RIF and elimination of 62 positions) will increase by 1.9 percent from the FY 2010 Approved Budget.

## REVENUES

The following table shows the City's principal tax revenues by source for each of the last six fiscal years. Growth in total tax revenues has averaged 5.7 percent over the last five fiscal years even though the real estate tax rate has dropped nearly 9 percent during that same time period. (The real estate tax rate increased slightly in FY 2009 to compensate for decreased real estate assessments.)

### PRINCIPAL TAX REVENUES BY SOURCE

Fiscal Year	Real Property Taxes	Personal Property Taxes	Local Sales Taxes	Business License Taxes	Transient Lodging & Restaurant Food Taxes	Utility Taxes	Other Local Taxes <sup>1</sup>	Total
2004	210,922,789	30,944,059	22,541,886	25,601,366	15,375,426	18,570,290	13,529,913	337,485,729
2005	232,528,457	31,243,560	23,812,277	27,098,032	16,781,830	18,520,667	16,770,537	366,755,360
2006	255,141,063	33,163,126	25,264,689	28,381,583	17,906,151	17,587,865	22,106,771	399,551,248
2007	274,477,589	34,487,106	25,440,638	30,947,412	18,072,899	13,836,170	24,539,175	421,800,989
2008	287,344,299	34,883,037	24,256,803	32,026,526	19,478,810	10,019,854	28,367,631	436,376,960
2009	295,518,893	36,023,945	21,679,635	30,527,956	25,505,602	10,409,248	26,088,154	445,753,433

<sup>1</sup>Other local taxes include cable TV franchise license tax, motor vehicle license tax, bank franchise tax, tobacco tax, recordation tax, telecommunication tax, admissions tax, cell phone tax, communications sales tax and penalties and interest on property tax.

Source: City Department of Finance

### Real Estate and Personal Property Taxes

An annual ad valorem tax is levied by the City on the assessed value of real and tangible personal property located within the City. State property assessment law requires real property assessments throughout the State to be made at a ratio of 100 percent of estimated fair market value. Real property is assessed as of January 1 of the

calendar year and the taxes are due on June 15 and November 15 of the same year. The Director of Real Estate Assessments, by the authority of City ordinance, prorates billings for property incomplete on January 1, but completed during the year. Personal property taxes are due on October 5 of the calendar year in which the tax is levied. There is no limit on the property tax rates, which may be established by the City.

The penalty for late payment of property taxes is 10 percent of the tax due or \$10, whichever is greater. However, late payment penalty may not exceed the amount of the tax. Interest charges on unpaid balances are assessed at an annual rate of 10 percent the first year and 5 percent each year thereafter until all unpaid balances are paid. In the case of real estate on which delinquent taxes are not paid within three years, the City may sell the property at public auction to recover the amounts due.

During its 1998 Special Session, the General Assembly of Virginia enacted the Personal Property Tax Relief Act ("PPTRA") that required the Commonwealth to reimburse local governments for the portion of the taxes levied on the first \$20,000 of assessed value on qualifying vehicles. This portion of the tax was in turn then exempted from personal property taxes by the Commonwealth. Beginning in FY 2000, the Commonwealth reimbursed localities for 27.5 percent of the personal property tax. The reimbursement was gradually increased to 70 percent of the personal property taxes by FY 2002 and remained at 70 percent through FY 2006. Beginning in FY 2007 and thereafter, Alexandria will no longer be reimbursed for 70 percent of the personal property taxes on qualifying vehicles. Rather, the Commonwealth will reimburse the City a fixed dollar amount (\$23.6 million) instead of the reimbursement schedule. In FY 2010, the City reimbursement rate was 73 percent.

The following tables set forth information concerning the City's real property tax collection rate for calendar years 2002 to 2009 and personal property tax collection rate for calendar years 2003 to 2009. The real property tax rate will increase to \$0.978 per \$100 in calendar year 2010, from \$0.903 per \$100 in calendar year 2009. The City's personal property tax rate remains at \$4.75 per \$100 of value for FY 2010.

### **REAL ESTATE TAX LEVIES AND COLLECTIONS** (Amounts in thousands)

Calendar Year Ended December 31	Taxes Levied for Calendar Year*	Collected within the Fiscal Year of the Levy			Total Collections To Date	
		Amount Collected	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2002	174,827	172,296	98.55	2,514	174,810	99.99
2003	199,799	196,181	98.19	3,602	199,783	99.99
2004	225,156	223,047	99.06	2,091	225,138	99.99
2005	250,180	247,166	98.80	2,980	250,146	99.99
2006	267,015	264,951	99.23	1,995	266,946	99.97
2007	282,563	279,948	99.07	2,462	282,410	99.95
2008	296,204	292,996	98.92	2,520	295,516	99.77
2009	308,330	305,691	99.14	-	305,691	99.14

\* Levy adjusted for changes since original levy

**PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS**  
(Amounts in thousands)

Calendar Year Ended December 31,	Taxes Levied for the Calendar Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
	Total	Commonwealth Reimbursement*	Amount	Percentage of Levy		Amount	Percentage of Levy
2003	60,472	22,915	50,576	83.64	3,711	54,287	89.77
2004	56,059	21,936	48,535	86.58	3,860	52,395	93.46
2005	58,942	22,558	50,422	85.55	4,693	55,115	93.51
2006	62,213	24,193	55,284	88.86	2,746	58,030	93.28
2007	61,974	23,849	52,247	89.15	2,771	58,018	93.62
2008	62,740	23,768	56,201	89.58	2,749	58,950	93.96
2009	60,820	24,635	54,784	90.08	-	54,784	90.08

\*Commonwealth reimbursement included in taxes levied and collections.

The City of Alexandria aggressively levies a personal property tax even where businesses or individuals have failed to file. For example, if a business is licensed in the City and fails to file a business personal property tax return, that business is automatically billed on the basis of an assumed \$75,000 in personal property. If a business filed a personal property tax return last year and fails to file a return this year, that business is automatically billed 115 percent of last year's tax levy. Automobile registrations for the personal property tax are automatically carried over each year unless the vehicle owner reports that the vehicle is no longer taxable in the City and in some cases, provides documentation of the same. If a vehicle owner fails to report that the vehicle is no longer taxable, the City will assess and bill the personal property tax as if the vehicle remains taxable. If an individual registers his or her vehicle with the Department of Motor Vehicles ("DMV") and fails to register with the City, he or she is automatically billed based on the DMV description of the vehicle. Improvements to the automatic registration process carried out in 2009 have increased revenues from this process while decreasing erroneous registrations. In many cases, personal property tax bills (for both businesses and automobiles) are ultimately reduced or relieved due to, for example, individuals moving out of the City or business submitting amended returns. Because the validity of these billings cannot be known at the time personal property taxes are levied, they are included in the total tax levy and artificially reduce the City's collection rate.

Under Virginia law (Section 58.1-3340), delinquent real estate taxes automatically constitute a lien on the property. The following table lists the estimated delinquent tax liens as of January 30, 2010. These liens represent a small portion of the \$308.3 million annual tax levy. The City may sell real property that has three or more years of outstanding taxes (Virginia Code Section 58.1-3965). After ten years, the City may petition the General District Court to determine if the property has been abandoned and should be sold to the State for the collection of delinquent taxes (Virginia Code sections 55-168, et seq.) Finally, any property against which a judgment has been rendered may be sold by court order (Virginia Code section 8.01-462).

**TAX LIENS AS OF JANUARY 30, 2010**

Calendar Year Tax Due	Delinquent Real Estate Taxes
2002	10,801
2003	9,217
2004	12,789
2005	35,115
2006	79,661
2007	177,627
2008	789,880
2009	3,528,678

Source: City Department of Finance

## Principal Taxpayers

The following table sets forth the ten largest private property and public utility taxpayers of ad valorem real property taxes and the assessed value of property owned by each taxpayer. The aggregate assessed value of the ten largest private taxpayers and the ten largest public service corporations represents 10.87 percent of the \$31.8 billion of real property assessed as of January 1, 2010.

### PRINCIPAL TAXPAYERS PRIVATE PROPERTY JANUARY 1, 2010

	Owner's Name	Property	2010 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1.	LCOR Alexandria, LLC	Office Buildings	\$890.9	2.80%
2.	AIMCO Foxchase LP	Foxchase Apartments	263.5	0.83
3.	Washington Real Estate Investment Trust	Portfolio	230.4	0.72
4.	Southern Towers LLC	Southern Towers Apartments	208.6	0.66
5.	Lafayette Buildings LLC	Mark Center Office Buildings	206.1	0.65
6.	Hoffman Buildings LP	Hoffman Office Buildings	193.8	0.61
7.	CPYR Inc.	Potomac Yard Retail	156.7	0.49
8.	T C Duke Street LLC	Office Buildings	155.1	0.49
9.	Alexandria Apartments LLC	EOS 21 Apartments	152.2	0.48
10.	Tishman Speyer Archstone Smith Newport Village I & II	Newport Village Apartments	152.0	0.48
<b>Total Value of Property owned by the Ten Largest Private Property Owners</b>			<b>\$2,609.4</b>	<b>8.20%</b>

### PUBLIC SERVICE COMPANIES JANUARY 1, 2010

	Owner's Name	2010 Assessed Value (In millions)	Percentage Of Total Assessed Valuation*
1.	Mirant Potomac River LLC	\$271.3	0.85%
2.	Virginia Electric Power Company	164.8	0.52%
3.	Covanta Alexandria, Arlington Inc.	87.7	0.28%
4.	Norfolk Southern Railway Company	72.6	0.23%
5.	Richmond, Fredericksburg & Potomac Railway	68.9	0.22%
6.	Verizon Virginia, Inc.	61.7	0.19%
7.	Virginia American Water Company	48.9	0.15%
8.	Potomac Electric Power Company	36.1	0.11%
9.	Washington Gas Light	32.6	0.10%
10.	American Personal Communications PCS, LLC	6.1	0.02%
<b>Total Value of Property Owned by the Ten Largest Utility Property Taxpayers</b>		<b>\$850.8</b>	<b>2.67%</b>

\* Percentage of Total Assessed Valuation is based on a total assessed value of \$31.8 billion.

Source: City's Department of Finance

The following table sets forth the assessed value of all taxable property in the City from calendar (tax) year 1999 to the present. Tax-exempt properties owned by the federal government, the Commonwealth, local government, churches and schools, totaling \$4.8 billion for calendar year 2010, are not included in the table.

#### HISTORICAL ASSESSED VALUATION AND PROPERTY TAX RATES

Calendar Year	REAL PROPERTY (\$000)			Tax Rate Per \$100	Motor Vehicle and Tangibles Assessment	Tax Rate Per \$100	Machine and Tools Assessment	Tax Rate Per \$100	Total Assessment
	Residential	Commercial	Total						
1999	6,169,055	6,018,465	12,187,519	1.110	1,251,250	4.75	10,259	4.50	1,261,509
2000	6,716,942	6,578,366	13,295,308	1.110	1,359,340	4.75	13,281	4.50	1,372,621
2001	7,573,897	7,058,452	14,632,349	1.110	1,386,141	4.75	187,217	4.50	1,573,358
2002	8,889,290	7,243,699	16,132,989	1.080	1,409,955	4.75	16,351	4.50	1,426,306
2003	11,191,850	8,034,076	19,225,926	1.035	1,459,886	4.75	20,369	4.50	1,480,255
2004	13,224,543	9,532,642	22,757,185	0.995	1,391,110	4.75	17,895	4.50	1,409,005
2005	16,272,324	11,087,326	27,359,650	0.915	1,455,520	4.75	15,009	4.50	1,470,529
2006	20,331,756	12,574,963	32,906,719	0.815	1,394,947	4.75	14,906	4.50	1,409,853
2007	20,205,364	14,037,667	34,243,031	0.830	1,210,281	4.75	11,486	4.50	1,221,767
2008	20,139,614	14,071,150	34,210,764	0.845	1,223,164	4.75	17,837	4.50	1,241,001
2009	19,255,906	14,246,272	33,502,178	0.903	1,170,972	4.75	14,245	4.50	1,185,217
2010	18,203,923	12,731,953	30,935,876	0.978	N/A	4.75	N/A	4.50	N/A

Note: Property is assessed each year as of January 1. Property is assessed at actual value; therefore, assessed values are equal to actual values. Tax rates are assessed per \$100 of assessed value. The City is autonomous from any city, town or other political subdivision of the Commonwealth of Virginia, and there are no overlapping taxing powers with other political subdivisions.

#### Local Sales Tax

The City sales tax is collected with the Commonwealth sales tax. The Commonwealth remits the tax monies for the local portion to the City during the month following receipt. These receipts amounted to \$21.7 million or 4.9 percent of all tax revenues for the fiscal year ended June 30, 2009. The table below shows revenue from the local sales tax for the past five years.

Part of the local sales tax revenue decrease in FY 2009 is attributable to a one-time repayment of \$1.5 million to Fairfax County for businesses located in Fairfax County that had been erroneously remitting sales tax to the City. Excluding this one-time repayment, local sales tax revenues decreased by approximately 4.4 percent between FY 2008 and FY 2009. Sales tax collections as of February 28, 2010, are approximately the same as FY 2009, excluding the one time repayment.

#### LOCAL SALES TAX REVENUES

Fiscal Year	Revenues	Percent Change
2005	23,812,277	5.64
2006	25,264,689	6.10
2007	25,440,638	0.70
2008	24,256,803	-4.65
2009	21,679,635	-10.6

Source: City Department of Finance

#### Business License Taxes

These taxes are levied for the privilege of conducting business and engaging in certain businesses, professions, trades and occupations in the City. Both flat license fees and rates established as a percentage of gross receipts are imposed. The calendar year is the tax year. All license taxes are due on March 1 of each year. Persons liable for payment of the license tax apply to the City for the license and, in cases where the tax is based on gross receipts, must furnish the City with a sworn statement of the amount of gross receipts from the previous year. In the fiscal year ended June 30, 2009, business license taxes represented 6.8 percent of all tax revenues.

**BUSINESS LICENSE TAX REVENUES**

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Percent Change</b>
2004	25,601,366	8.11
2005	27,098,032	5.85
2006	28,381,583	4.74
2007	30,947,412	9.04
2008	32,026,526	3.49
2009	30,527,956	-4.68

Source: City Department of Finance

**Utility Tax**

Every public service corporation that sells or furnishes a utility service must collect a City tax from the purchaser of the service. The tax rates for electricity and natural gas are based on the class of consumers and amount of energy consumption. A monthly maximum tax of \$2.40 applies for both electricity and gas for residential consumers. The tax rate for water is based on the class of consumers and the amount of the monthly utility bill. A monthly maximum tax of \$22.50 for water applies for commercial consumers. In the fiscal year ended June 30, 2009, utility taxes represented 2.3 percent of total tax revenues.

Effective January 1, 2007, State law changed and the Commonwealth assumed responsibility for collecting a flat five percent tax on landline telephone service. Phone revenues that previously appeared in this category (approximately \$0.6 million per month) now appear as part of the Communications Tax. For this reason, the substantial declines in this tax category in FY 2007, when compared to FY 2006, and in FY 2008, when compared to FY 2007, are offset by the new Communications Tax.

**UTILITY TAX REVENUES**

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Percent Change</b>
2005	18,520,667	(0.27)
2006	17,587,865	(5.04)
2007	13,836,170	(21.33)
2008	10,019,854	(27.58)
2009	10,409,248	3.89

Source: City Department of Finance

**Communications Tax**

Virginia HB568 replaced many of the telephone and cable television taxes previously collected by the City with a State administered Communications Sales and Use Tax and a uniform statewide E-911 tax on landline telephone service. Taxes previously collected by the City such as utility tax on phone service, the E-911 service tax, the cable franchise fee, and part of the gross receipt tax on telecommunications companies will now be collected by Virginia and remitted to Alexandria. The new tax of five percent on all communications services went into effect on January 1, 2007. The implementation of the new State collected tax was designed to be revenue neutral for local governments. Based on information provided to Virginia about Alexandria's collection of existing taxes in FY 2006 of \$11,682,596 which equated to 2.6 percent of taxes collected statewide, the City will receive approximately 2.6 percent of the State's total Communications Sales and Use tax revenues. This means that as total communications taxes rise statewide, the City will receive 2.6 percent of these new tax revenues. In FY 2009, the City received \$11,268,560 from the Communications Sales and Use Tax.

The substantial increase in this category between FY 2007 and FY 2008 reflects the fact that the revenues covered under this tax were included in other categories for the first half of FY 2007.

#### COMMUNICATIONS TAX REVENUES

Fiscal Year	Revenues	Percent Change
2007	5,318,253	N/A
2008	12,402,256	133.20
2009	11,268,560	(9.14)

Source: City Department of Finance

#### Transient Lodging Tax

In FY 2009, the transient lodging tax rate was increased from 5.5 percent to 6.5 percent of the amount charged for hotel and motel rooms, plus \$1.00 per room per night. In addition, the Presidential inauguration in January 2009 created a significant bump in hotel room rentals and thus, transient lodging tax revenues. For the fiscal year ended June 30, 2009, transient lodging taxes amounted to \$10.6 million and represented 2.4 percent of all tax revenues.

#### TRANSIENT LODGING TAX REVENUES

Fiscal Year	Revenues	Percent Change
2005	7,183,067	13.59
2006	7,811,884	8.75
2007	7,415,060	(5.08)
2008	8,506,762	14.72
2009	10,592,806	24.52

Source: City Department of Finance

#### Restaurant Meals Tax

In FY 2009, the meals tax rate levied on all food and drink (including alcoholic beverages) sold in the City was increased to four percent, up from three percent in FY 2008. In addition, the Presidential inauguration in January 2009 created a significant bump in the number of visitors to the City and thus, restaurant meals tax revenues. For the fiscal year ended June 30, 2009, restaurant meal taxes amounted to \$14.9 million and represented 3.3 percent of total tax revenues.

#### RESTAURANT MEALS TAX REVENUES

Fiscal Year	Revenues	Percent Change
2005	9,598,763	6.05
2006	10,094,267	5.16
2007	10,657,839	5.58
2008	10,972,048	2.95
2009	14,912,796	35.92

Source: City Department of Finance

#### Other Taxes

Revenues received from other local taxes include a 70-cent per pack cigarette tax, a recordation tax, a bank franchise tax, a motor vehicle license tax, telecommunication tax, admissions tax, and penalty and interest on property taxes. For the fiscal year ended June 30, 2009, other local taxes represented 3.3 percent of total tax revenues. The previously levied cable television franchise license tax, cell phone tax and a portion of the telecommunication tax became part of the communications sales and use tax effective January 1, 2007, leading to

substantial decreases in this category for FY 2007 (when compared to FY 2006) and FY 2008 (when compared to FY 2007).

#### **OTHER LOCAL TAX REVENUES**

<b>Fiscal Year</b>	<b>Revenues</b>	<b>Percent Change</b>
2005	16,770,537	24.0
2006	22,106,771	31.8
2007	19,220,922	-13.1
2008	15,965,375	-19.9
2009	14,819,594	-7.2

Source: City Department of Finance

#### **Revenues from the Commonwealth**

The Commonwealth of Virginia reimburses the City for a portion of certain shared expenses involving the Circuit Court Clerk, the Commonwealth's Attorney, the Finance Department, the Health Department, Sheriff, Registrar and electoral board, and law enforcement aid. In addition, the Commonwealth provides the City with a share of motor vehicle carriers' tax, wine sale taxes, and net profits of the Alcoholic Beverage Control Board derived from liquor sales. Starting in FY 1999, the Commonwealth began to reimburse the City for the State's mandated personal property tax relief. In 2004, the General Assembly passed legislation capping personal property tax relief at \$950 million for the entire state, beginning with the year 2006 (FY 2007). The City's portion of this relief amounts to \$23.6 million in revenues each year. The accounting for grants from the Commonwealth is maintained in the Special Revenue Fund.

#### **Revenue from the Federal Government**

The federal government reimburses the City on a per diem basis for federal prisoners maintained in the City jail. The reimbursement for the year ended June 30, 2009, was \$6.6 million. Revenues from the federal government also include indirect cost reimbursement and federal drug recovery money. The accounting for grants from the federal government is maintained in the Special Revenue Fund.

The City of Alexandria and its partners continue to seek federal grant funds from the American Recovery and Reinvestment Act ("ARRA"). As of March 22, 2010, the City has been awarded \$15.9 million in federal grant funds through formula and competitive grant programs for FY 2009 through FY 2011. These grants include TIGER grants for transportation projects (\$9.2 million), a Special Regional Surface Transportation Allocation (\$3.2 million), and an Energy Efficiency & Conservation Block Grant (\$1.4 million).

In addition, the Commonwealth of Virginia has retroactively classified prior state aid to the City in the amount of \$1.5 million as ARRA funds. One grant application for fire station construction (\$10.0 million) remains pending. To date, the Alexandria City Public Schools, Alexandria Redevelopment and Housing Authority, Alexandria Neighborhood Health Services, and the Alexandria Transit Company are expecting to receive a total of \$7.0 million in stimulus funds. This brings the total federal stimulus benefit for Alexandria to approximately \$34.4 million.

Finally, additional ARRA benefits that have accrued to the City of Alexandria, but which are not included in the \$34.4 million above, include a 35 percent Build America Bonds interest rate subsidy from the federal government that will allow the City to save \$13.2 million over the 20 year life span of \$79.7 million in general obligation bonds sold in June 2009.

#### **Other Revenues**

The revenue category Permits, Fees and Licenses include building permits, residential parking fees, and a variety of fees and licenses. The revenue category Fines and Forfeitures include moving traffic violations fines, parking violations fines, and a variety of other court costs. The Use of Money and Property category consists of revenues from the rental of City facilities and interest earnings on the City's investment portfolio. Charges for Services include revenues from parking meter receipts, recreational program fees, and charges for other services.



## **EXPENDITURES**

### **Costs of General City Government**

General City government services are paid out of the General Fund. These costs include public works, environmental services, public safety, judicial administrations, health and welfare, planning and community development, parks and recreation, libraries, governmental administration, support of regional agencies for services such as mass transit, as well as debt service.

### **Transfers to Other Operating Funds**

The City transfers monies from the General Fund to the School Board to pay the City's share of the costs of operating public schools in the City of Alexandria. This expenditure represented 31 percent of total disbursements from the General Fund in the fiscal year ended June 30, 2009, and 86.8 percent of total General Fund receipts of the School Board. The principal sources of other revenues credited directly to the School Board are derived from the Commonwealth and the Federal Government and locally from fees imposed on students.

The City also makes transfers from the General Fund to other Component Units, Special Revenue, Capital Projects and Enterprise funds. Transfers to these funds represented approximately 11 percent of total General Fund disbursements in the fiscal year ended June 30, 2009.

### **Establishment of Sanitary Sewer Special Revenue Fund**

In FY 2004, the City began incrementally increasing the sewer line maintenance fee for the purpose of achieving revenue self-sufficiency for sanitary sewer maintenance, debt service and capital costs. This was accomplished in FY 2006 when the sewer line maintenance fee was increased to \$1.00 per 1,000 gallons of water used. As a result, a separate Special Revenue Fund for sanitary sewers was established in FY 2006 to account for sanitary sewer revenues and expenses apart from the General Fund. This fund is supported by sewer line maintenance fee and sewer connection fee revenues and will include operating expenditures for maintenance as well as capital contributions and debt service expenditures associated with capital reconstruction, rehabilitation and expansion projects. In FY 2011, the sewer line maintenance fee will increase to \$1.25 per 1,000 gallons of water used. Sanitary Sewer Special Revenue Fund revenues are anticipated to be \$6.6 million in sewer line maintenance fees and \$1.2 million in connection fees. Budgeted expenditures include \$2.2 million for operation and maintenance expenditures, \$1.2 million for debt service and \$15.2 million for capital projects. The operations of the Sanitary Sewer Special Revenue Fund are not associated with the operations of the Alexandria Sanitation Authority, which is a separate entity responsible for the construction, operation, and maintenance of a wastewater treatment system located in the City.

## **EMPLOYEE RETIREMENT PLANS**

City (non-public safety), public transit and school employees are covered by a combination of defined benefit plans, which include the Virginia Retirement System ("VRS") and City supplemental retirement plans. Public safety employees are covered by a pension plan that contains defined benefit provisions and defined contribution provisions. All City employees are participants in the federal Social Security System. Further information regarding City retirement plans is provided in the "Notes to Financial Statements" in Appendix A.

### **OTHER POST-EMPLOYMENT BENEFITS ("OPEB")**

In 1989, City Council voted to establish three classes of post employment health care benefits to supplement the increasing health care costs for City retirees. The three classes are as follows: (a) Full Time City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension Plan; (b) Fire and police employees who are eligible to retire under the current defined benefit pension plan; and (c) Fire and police employees who retired and were eligible for normal retirement with 20 years of service under the old defined contribution retirement income plan and the retirees under the old defined benefit pension. In addition, spouses of deceased retirees are also eligible to receive continued benefits.

The plan is a reimbursement program that is based on the actual cost of the retiree's monthly premium up to a maximum amount determined by the City Council. Effective July 1, 2005, the maximum monthly amount an eligible retiree or a surviving spouse may receive is \$260. The City Council has authority to establish or amend the provisions. As of June 30, 2009, 819 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to \$260 per month for each retiree, for a total annual contribution of \$2.0 million for FY 2009. Employees hired after September 30, 2007, will have their retiree health benefits prorated based on the length of service.

In addition to the healthcare benefits, the City pays for basic life insurance two times the amount of salary at the time of retirement to regular full time employees with applicable reductions if over 65 at no cost to the employees. On the January 1 following the retiree's 65<sup>th</sup> birthday, the basic life insurance amount is reduced by 25 percent, followed by reductions of 10 percent of the original amount each year until the retiree's 70<sup>th</sup> birthday. The ultimate insurance amount is 25 percent of the amount of salary at the time of retirement. As of July 1, 2008, any new City employee will not be eligible to retain City-paid life insurance when they retire.

The City implemented Statement No. 45 of the Governmental Accounting Standards Board ("GASB"), (*Accounting and Financing Reporting by Employers for Post Employment Benefits Other than Pensions*) for the year ended June 30, 2008. The City established a Single Employer OPEB Trust and plans to fund on a phased in basis the obligation through this trust. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. The City does not issue a stand-alone financial report for the OPEB Trust Fund. The financial statements and required supplementary information are included in the City's CAFR.

The Alexandria City Public Schools (a component unit of the City) also provides a post retirement health care subsidy per month for each retiree. For FY 2011, the Schools plan to provide a subsidy of \$265 per month to approximately 460 retirees at a total cost on a "pay-as-you-go" basis of \$1.46 million. An evaluation of their plan as of January 2009 by an independent actuarial company estimated the Unfunded Actuarial Accrued Liability to be \$13.4 million and the Annual Required Contribution to be \$1.6 million. In June 2009, the Schools joined the VACo/VML Pooled OPEB Trust and have set aside a beginning contribution of \$0.8 million for this purpose. As recommended by the actuarial study, the Schools plan to provide \$1.6 million in annual contributions for the next few years.

## **OTHER EMPLOYEE BENEFITS**

City employees are granted vacation leave based upon length of employment; a maximum total of 52 days may be carried over from one year to the next. Compensatory leave is granted to some City employees for overtime work on an hour-to-hour basis; no more than 120 hours of compensatory leave may be carried over from one year to the next. The City does not place a maximum limitation on the accumulation of sick leave that may be carried over from one year to the next. Compensatory leave is vested, while sick leave vests under certain limited circumstances. As of June 30, 2009, the City's total compensated absences liability, including Schools, was \$27.1 million.

Expenses associated with retirees' health benefits, unemployment compensation and workers' compensation are funded annually. Expenses in fiscal year 2009 were \$2.0 million for retirees' health insurance, \$0.1 million for unemployment compensation and \$3.0 million for workers' compensation. The long-term workers' compensation liability as of June 30, 2009, was estimated at \$9.8 million.

## **EMPLOYEE RELATIONS**

Many City employees are members of employee associations; however, the City of Alexandria does not, and may not under Virginia law, bargain collectively with any of its employees. The Virginia General Assembly has rejected several legislative proposals to authorize public employees to engage in collective bargaining. Public employees of Virginia, or of any county, city or towns in Virginia do not have a legal right to strike. Any such employee who engages in any organized strike or willfully refuses to perform his duties shall, according to Virginia law, be deemed to have terminated his employment. Re-employment of any such employee requires court approval.

## GOVERNMENT AND SCHOOL EMPLOYEES BY FUNCTION

	2004	2005	2006	2007	2008	2009
General Government	305	304	300	300	297	273
Judicial Administration	117	120	121	120	120	120
Public Safety	910	926	929	933	936	937
Public Works	229	231	232	225	228	231
Library	54	55	55	55	55	56
Health and Welfare	511	502	509	514	515	511
Culture and Recreation	150	155	154	157	158	155
Community Development	57	57	57	55	55	59
Education	2,082	2,120	2,125	2,119	2,058	2,015
<b>TOTAL</b>	<b>4,415</b>	<b>4,470</b>	<b>4,482</b>	<b>4,478</b>	<b>4,422</b>	<b>4,357</b>

## PUBLISHED FINANCIAL INFORMATION

The City issues and distributes the Comprehensive Annual Financial Report on its financial operations each fiscal year. The report covers the fiscal year ending the prior June 30.

The independent public accounting firm of KPMG LLP has audited the City's general-purpose financial statements for the fiscal year ended June 30, 2009. The City's financial statements are available through the Department of Finance, 301 King Street, Suite 1600, Alexandria, Virginia 22314 or on the City's Finance Department website at [alexandriava.gov/financialreports](http://alexandriava.gov/financialreports).

Sections of the Comprehensive Annual Financial Report of the City of Alexandria for the fiscal year ended June 30, 2009, which correspond to the basic financial statement and required supplementary information, are presented herein in Appendix A. These financial statements, along with the accompanying Notes to Financial Statements, are intended to provide a broad overview of the financial position and operating results of the City's various funds and account groups.

In addition to the Comprehensive Annual Financial Report, the City also annually publishes a comprehensive Operating Budget document and the Capital Improvement Program document. These documents are available through the Office of Management and Budget, 301 King Street, Suite 3600, Alexandria, Virginia 22314 or on the Office of Management and Budget's home page at [alexandriava.gov/Budget](http://alexandriava.gov/Budget).

## SECTION SIX: MISCELLANEOUS

### RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa" and Standard & Poor's Ratings Services ("S&P") has assigned a rating of "AAA" to the Bonds as set forth on the cover page of this Official Statement. The City requested that the Bonds be rated and provided information to Moody's and S&P, including certain information that may not be included in this Official Statement.

Such ratings reflect only the respective views of such organizations. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. There is no assurance that such ratings will be continued for any given period of time or that they will not be revised or withdrawn entirely by either of such rating agencies, if in the judgment of either circumstance so warrants. A downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

### LITIGATION

During the normal course of business, the City or its officers or employees are or may be named as defendants in litigation involving personal injury, property damage, or other matters, which are defended by the City Attorney and associated counsel. The City's potential liability is protected partially by insurance. It is the opinion

of the City Attorney that any possible losses in connection with any such pending or threatened litigation will not materially affect the City's financial condition or operations. There is no litigation pending against the City, which would in any way affect the validity of the Bonds or the ability of the City to levy or collect ad valorem taxes, without limitation as to rate or amount, for the payment of the Bonds or the interest thereon.

## **AUDITORS**

The City's Basic Financial Statements and Required Supplementary Information for the Fiscal Year ended June 30, 2009, have been audited by the independent public accounting firm of KPMG LLP. KPMG LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures of the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement.

## **FINANCIAL ADVISOR**

Davenport & Company LLC, Richmond, Virginia, serves as financial advisor to the City on debt management and capital financing matters.

## **SALE AT COMPETITIVE BIDDING**

After competitive bidding on June 29, 2010, the Bonds were awarded to Wells Fargo Bank, National Association (the "Underwriter"). The Underwriter has supplied the information as to the interest rates and offering prices or yields of the Bonds set forth on the inside cover hereof. If all of the Bonds are resold to the public at such public offering prices or yields, the Underwriter has informed the City that it anticipates total underwriting compensation of \$394,758 for the Bonds. The Underwriter may change the public offering prices or yields of the Bonds from time to time.

## **CERTIFICATES OF CITY OFFICIALS**

Concurrently with the delivery of the Bonds, the City will furnish to each of the successful bidders a certificate dated the date of delivery of the Bonds, signed by the appropriate City officials and stating that (a) to their knowledge, no litigation is then pending or threatened against the City to restrain or enjoin the issuance, sale or delivery of the Bonds or the levy or collection of taxes to pay principal or interest thereon, to affect, contest or challenge the validity of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are issued, and (b) the descriptions and statements in this Official Statement (except in the subsection entitled "Book-Entry-Only System" and the information as to yield or price on the inside cover page) on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects, did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in the light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and the date of delivery of the Bonds other than as contemplated in this Official Statement. Such certificate will also state, however, that such City officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers but that they have no reason to believe that such information is not accurate.

The City Attorney will also furnish to the successful bidders concurrently with the delivery of the Bonds a certificate dated the date of delivery of the Bonds, stating that the statements in the subsection herein entitled "Litigation" on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

## **CONTINUING DISCLOSURE**

This offering is subject to the continuing disclosure requirements of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). For purposes of the Rule, the City is an obligated person with respect to the Bonds. The City has undertaken in its Continuing Disclosure Agreement to comply with the provisions of Rule

15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”), by providing certain annual financial information and material event notices required by the Rule. Such undertaking requires the City to provide only limited information at specified times. The form of the Continuing Disclosure Agreement is attached as Appendix B.

The City has not previously failed to comply with any previous undertaking with regard to the Rule.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

## **SUMMARIES AND DESCRIPTIONS**

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth of Virginia, statutes of the Commonwealth of Virginia, resolutions or ordinances of the City, or other documents and instruments and of the Bonds are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

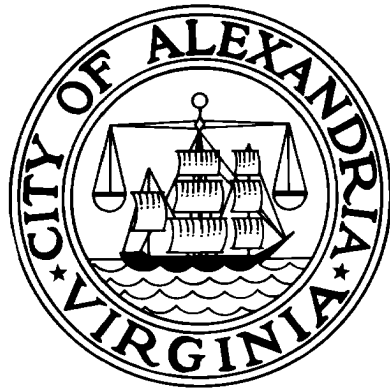
This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of these estimates will be realized.

CITY OF ALEXANDRIA, VIRGINIA

By: /s/ James K. Hartmann  
City Manager

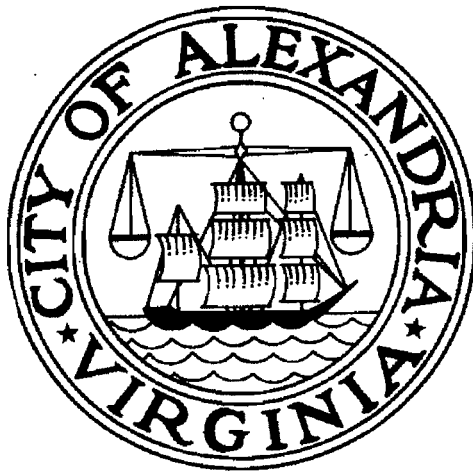
## **APPENDIX A**

### **BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2009**





## **INDEPENDENT AUDITORS' REPORT**





KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

The Honorable Mayor and Members of the City Council  
City of Alexandria, Virginia:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements identified in Exhibits I through XII in the Financial Section of the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (Specifications). Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The accompanying management's discussion and analysis, the budgetary comparison schedules and the schedules of funding progress and employer contributions on pages 23 through 30, 105 through 107, and 108 through 110, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

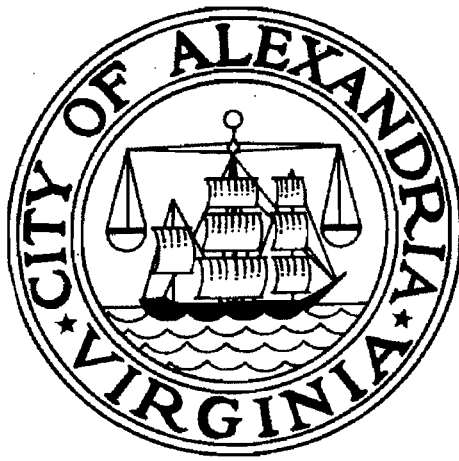
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information identified as schedules 1, 2, 3 and 4 in the Financial Section of the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified as the Introductory and Statistical Sections in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

**KPMG LLP**

November 2, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Alexandria's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS FOR FY 2009

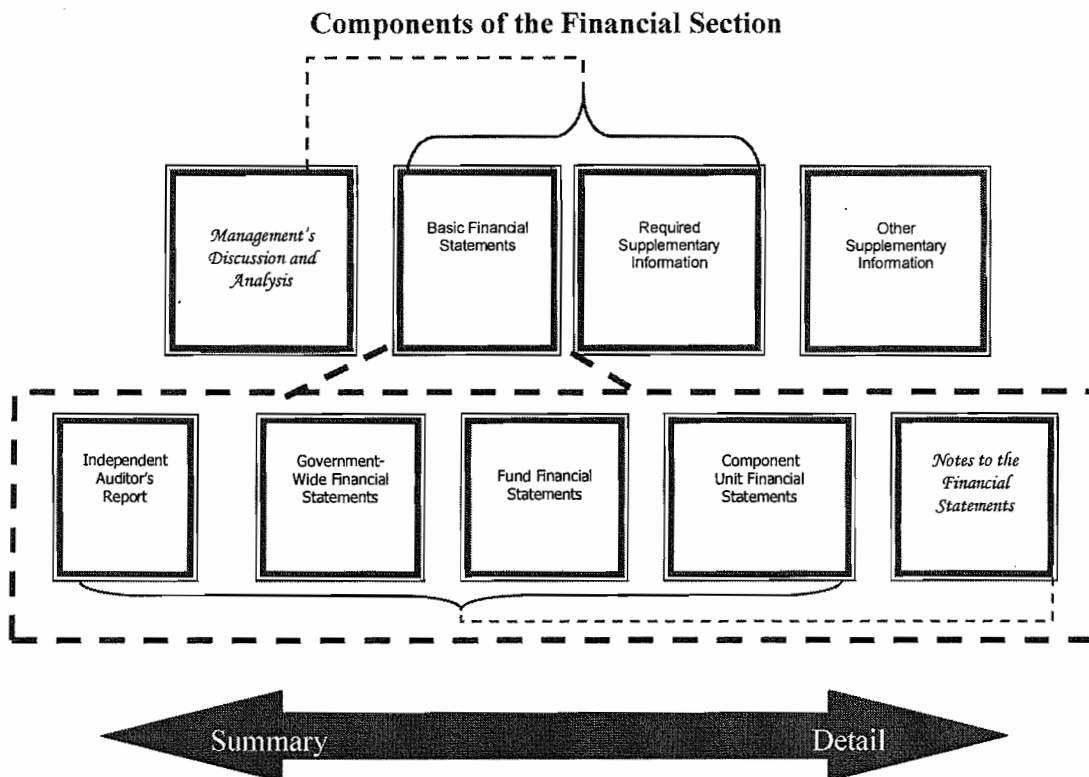
The General Fund, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$12.5 million (Exhibit IV) after making a budgeted \$12.6 million transfer to the capital projects fund and a \$38.2 million transfer to the special revenue fund.

On a government-wide basis for governmental activities, the City's general revenues of \$481.8 million were \$7.8 million less than the \$489.6 million of expenses net of program revenue (Exhibit II).

The City's total net assets, excluding component units, on the government-wide basis, totaled \$335.0 million at June 30, 2009. Of this amount, \$47.0 million is unrestricted (Exhibit I).

### USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and single audit. As the following chart shows, the financial section of this report has four components - *management's discussion and analysis* (this section), the *basic financial statements*, the *required supplementary information* and the *other supplementary information*.



## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. The City's net assets position - the difference between assets and liabilities - is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities include the following:

Governmental activities - Most of the City's basic services are reported here: Police, Fire, Transportation and Environmental Services, Recreation, Parks and Cultural Activities Departments, and general administration. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Component units - The City includes three separate legal entities in its report - the City of Alexandria School Board, the Alexandria Library, and the Alexandria Transit Company. Although legally separate, these "component units" are important because the City is financially accountable for them, and provides operating and capital funding to them. The Alexandria Transit Company component unit is also a proprietary fund.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide additional information about the City's most significant funds - not the City as a whole. The fund financial statements focus on the individual parts of the City government.

The City has three kinds of funds:

Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

Proprietary funds - Services for which the City charges customers or City users a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

The City uses an internal service fund (one kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The Equipment Replacement Reserve Fund is the City's only internal service fund. Its primary purpose is to provide for the accumulation of money to replace capital equipment used in City operations. The Transit Company component unit is considered an enterprise fund since fees are charged to fund the operations.

Fiduciary funds - The City is the trustee, or fiduciary, for its employees' pension plans and employee benefit trusts. It is also responsible for other assets (known as agency funds) that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian. The City excludes pension plans and agency funds from the City's government-wide financial statements because the City cannot use these assets to finance its operations.



## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Statement of Net Assets:

The following table presents the condensed Statement of Net Assets:

**Table 1**  
**Summary of Net Assets**  
**As of June 30, 2009 and 2008**  
**(In millions)**

	<b>Primary Government Governmental Activities</b>		<b>Component Units</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 480	\$ 399	\$ 54	\$ 44
Capital assets	549	501	23	24
Total assets	<u>\$ 1,029</u>	<u>\$ 900</u>	<u>\$ 77</u>	<u>\$ 68</u>
Other liabilities	\$ 277	\$ 267	\$ 29	\$ 25
Long-term liabilities	417	290	14	12
Total liabilities	<u>\$ 694</u>	<u>\$ 557</u>	<u>\$ 43</u>	<u>\$ 37</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 153	\$ 231	\$ 23	\$ 24
Restricted	135	52	-	-
Unrestricted	47	60	10	7
Total Net Assets	<u>\$ 335</u>	<u>\$ 343</u>	<u>\$ 33</u>	<u>\$ 31</u>

Amounts may not add due to rounding

The City's net assets (which is the City's bottom line) decreased two and a half percent, or \$8 million, to \$335 million. The decrease is primarily attributable to increase in liabilities resulting from bond issues. Component units net assets increased by \$2 million. The City's capital assets increased \$48 million mainly due to the increase in construction in progress covering, among other projects, the new transit bus facility and the new fire station at Potomac Yard. Long-term liabilities increased as two separate sets of bonds were issued in FY 2009 (Note 9). The increase in other long term liabilities for component units represents the liability associated with Other Post Employment Benefits.

## Statement of Activities

The following chart shows the revenue and expenses of the governmental activities:

**Table 2**  
**Changes in Net Assets**  
**For the Fiscal Years Ended June 30, 2009 and 2008**  
**(In millions)**

	<b>Total</b>		<b>Component</b>	
	<b>Primary</b>		<b>Units</b>	
	<b>Governmental Activities</b>		<b>Units</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>				
<b>Program revenues:</b>				
Charges for services	\$ 54	\$ 51	\$ 6	\$ 6
Operating grants and Contributions	63	61	43	38
Capital grant/contributions	20	8	--	--
<b>General revenues:</b>				
Property taxes	335	328	--	--
Other taxes	112	112	--	--
Other	35	39	2	1
Payment to/from City	--	--	187	181
<b>Total revenues</b>	<b>\$ 619</b>	<b>\$ 599</b>	<b>\$ 238</b>	<b>\$ 226</b>
<b>Expenses</b>				
General government	\$ 79	\$ 65	\$ --	\$ --
Judicial administration	19	19	--	--
Public safety	120	115	--	--
Public works	49	49	--	--
Library	7	7	8	8
Health and welfare	97	96	--	--
Transit	13	14	13	12
Culture and recreation	28	30	--	--
Community development	30	41	--	--
Education	174	169	214	208
Interest on long-term debt	11	12	--	--
<b>Total expenses</b>	<b>\$ 627</b>	<b>\$ 617</b>	<b>\$ 235</b>	<b>\$ 228</b>
<b>Change in net assets</b>	<b>\$ (8)</b>	<b>\$ (18)</b>	<b>\$ 2</b>	<b>\$ (1)</b>
<b>Net Assets Beginning of Year</b>	<b>\$ 343</b>	<b>\$ 361</b>	<b>\$ 31</b>	<b>\$ 32</b>
<b>Net Assets End of Year</b>	<b>\$ 335</b>	<b>\$ 343</b>	<b>\$ 33</b>	<b>\$ 31</b>

Amounts may not add due to rounding

## REVENUES

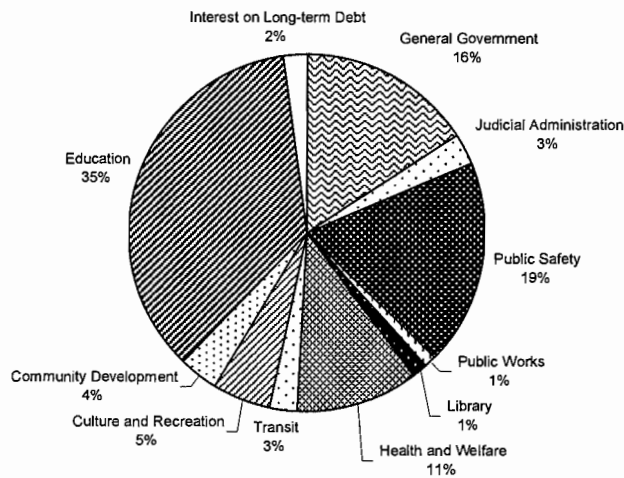
For the fiscal year ended June 30, 2009 revenues from governmental activities totaled \$619 million. Real estate tax revenues, the City's largest revenue source, reflecting the recognition of the taxes associated with the last half of calendar year 2008 and the first half of calendar year 2009 real property tax billings, were \$296 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base in calendar year 2008 and a tax rate increase of 5.8¢. One percent of the City's real estate tax was set aside to fund open space initiatives and the equivalent of one cent of the real estate tax rate revenues was transferred to a special housing fund for affordable housing initiatives in calendar year 2008.

In addition:

- Charges for services increased by \$3 million primarily from ambulance fees and refuse user charges.
- The increase in capital grants and contributions reflect the receipt of funds for the new DASH facility in FY 2009.

Component units' net assets increased \$3 million primarily from the increased payment from the City.

#### Net Expenses for Governmental Activities



#### EXPENSES

For the fiscal year ended June 30, 2009 expenses for governmental activities totaled \$627 million and include budgeted increases for employee compensation, maintenance of public buildings and budgeted increases in payments for educational expenses to the School Board. For FY 2009 the City provided increased resources to the following areas:

- Increased cost of the City's supplemental pension plan,
- Community development

Education continues to be one of the City's highest priorities. Capital funding included \$3.9 million in addition to the City's operating subsidy to the Schools of \$168.0 million.

#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2009, the governmental funds reflect a combined fund balance of \$213 million (Exhibit III). The Governmental fund balance increase of \$78 million is primarily due to bond proceeds in FY 2009. In addition, these other changes in fund balance should be noted:

- The General Fund contributed \$12.6 million to pay-as-you-go financing of capital projects.
- The City contributed \$168 million to the schools for operations.
- The sewer fund contributed \$4.0 million to pay-as-you go capital projects.
- The City spent \$105 million in the Capital Projects Fund primarily to fund the new DASH bus facility.

Except for reservations of fund balances (Exhibit III), there are no significant limitations on fund balances that would affect the availability of fund resources for future uses.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

**Table 3**  
**General Fund Budget**  
**(in millions)**

	FY 2009		
	Original Budget	Amended Budget	Actual
<u>Revenues, Transfers, and Other Financial Sources</u>			
Taxes	\$ 329	\$ 329	\$ 333
Other Local Taxes	121	116	112
Other	87	84	83
Total	<u>\$ 537</u>	<u>\$ 529</u>	<u>\$ 528</u>
<u>Expenditures, Transfers, and Other Financial Uses</u>			
Expenditures	\$ 320	\$ 318	\$ 307
Transfers and other	226	234	233
Total	<u>\$ 546</u>	<u>\$ 552</u>	<u>\$ 540</u>
Change in Fund Balance	<u>\$ (9)</u>	<u>\$ (23)</u>	<u>\$ (12)</u>

Amounts may not add due to rounding

Expenditures and other financing uses exceeded revenue and other financing sources by \$12 million in the General Fund for FY 2009.

Actual General Fund revenues and other financial sources were below original budgeted revenues by \$9 million and the amended budget by \$1 million during FY 2009. This is primarily due to a decrease in other local taxes, primarily decreases in sales and business license taxes. As a result of supplemental appropriations actual General Fund expenditures and transfers were less than the original budget by \$6 million, while General Fund expenditures were less than the amended budget by \$12 million primarily as a result of mandated budget rescissions for all City departments.

During FY 2009, City Council amended the budget three times. These budget amendments, or supplemental appropriation ordinances, were primarily for the following purposes:

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2008 but not paid by that date. Encumbrances for General Fund obligations for purchase orders authorized and issued, but for which goods and services were not received or paid by June 30, 2008, totaled \$1.6 million.
- To reappropriate monies (\$2.9 million) to pay for projects budgeted for FY 2008 but not completed before the end of the fiscal year.

- To reappropriate grant, donation and other revenues authorized in FY 2008 or earlier, but not expended or encumbered as of June 30, 2008.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2009.
- To appropriate the designated General Fund balance of \$7.4 million to planned capital projects.

#### CAPITAL ASSETS

At the end of FY 2009, the City's governmental activities had invested cumulatively \$549.4 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$48.1 million.

**Table 4**  
**Governmental Activities**  
**Change in Capital Assets**  
**(in millions)**

	Balance <u>June 30, 2008</u>	Net Additions/ (Deletions)	Balance <u>June 30, 2009</u>
Non-Depreciable Assets			
Land and Land Improvements	\$ 88.8	\$ -	\$ 88.8
Construction in Progress	36.7	42.5	79.2
Other Capital Assets			
Buildings	362.7	19.5	382.2
Infrastructure	142.8	1.3	144.1
Furniture and Other Equipment	58.0	1.8	59.8
Accumulated Depreciation on Other Capital Assets	<u>(187.8)</u>	<u>(16.9)</u>	<u>(204.7)</u>
Totals	<u>\$501.3</u>	<u>\$ 48.1</u>	<u>\$549.4</u>

Amounts may not add due to rounding

The FY 2009 increase in buildings includes the completion of the Charles Houston Recreation Center and new bleachers for T.C. Williams High School. The primary components of the increase construction in progress are the new Public Safety Center and new Transit Bus Facility.

The FY 2010 - FY 2015 Approved Capital Improvement Program (CIP), which was approved by City Council in May 2009, sets forth a six-year program with \$383.9 million in new City funding and \$59.2 million in prior City funding and partially state transportation aid funded programs of public improvements for the City and the Alexandria City Public Schools. This represents (in City funding) a decrease of approximately \$13.0 million below the FY 2009-2014 CIP. The CIP also provides an increased capital investment in quality of life initiatives, including open space acquisition, and increased Metro capital funding, to enhance the quality of life in Alexandria.

#### LONG-TERM DEBT

At the end of FY 2009, the City had \$384.0 million in outstanding general obligation bonds an increase of \$123.6 million, or 47.5 percent, over last year. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

During 2009, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies reaffirmed the City's triple-A bond ratings. The City received its first triple-A rating from Moody's in 1986 and from S&P in 1992. Standard and Poor's Financial Management Assessment concluded that the City's practices were "strong."

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to ten percent of the assessed value of real property within the City. The City's outstanding debt is significantly below, or less than one-tenth of this state law limit - which would equate to \$3.4 billion for the City.

On July 9, 2008 the City Council issued \$58.0 million in General Obligation bonds for school construction, sewers, and infrastructure improvements and renovation. These bonds were issued with an original issue premium of approximately \$1.4 million and a true interest cost of 3.99 percent. Also, on July 9, 2008 the City Council issued \$5

million in taxable bonds to assist the City's Housing Authority in financing the redevelopment of its Glebe Park site. These bonds were issued with an original issue premium of \$29,048 and a true interest cost of 5.39 percent. The premium and discounts for these bonds are being amortized over the life of the bonds.

On June 25, 2009 the City Council issued \$35.2 million in General Obligation bonds for school construction, sewers, and infrastructure improvements and renovation. These bonds were issued with an original issue premium of approximately \$1.5 million and a true interest cost of 2.68 percent. Also, on June 25, 2009 the City Council issued \$44.5 million in taxable bonds for school construction, sewers, and infrastructure improvements and renovation. These bonds were issued with an original issue premium of \$43,468 and a true interest cost of 3.50 percent for which the Federal government provides a 35 percent interest rate subsidy for these Build America Bonds. The premium for these bonds are being amortized over the life of the bonds.

#### ECONOMIC FACTORS

Job growth in the City slowed somewhat in FY 2009, with total employment of 97,960 for March 2009 (the latest data available from the Virginia Employment Commission). Tourism has remained relatively flat, with restaurant food tax showing only moderate growth in FY 2009 excluding a tax rate increase.

As of 2007 (the latest data available from the U.S. Bureau of Economic Analysis), the City's per capita income of \$70,632 remains one of the highest in the United States, and remains the highest of any major jurisdiction in Virginia. The City's office vacancy rate stood at 8.8 percent by the end of FY 2009, which is lower than the office vacancy rate in Northern Virginia (14.5 percent), as well as the Washington D.C. metropolitan area (11.7 percent).

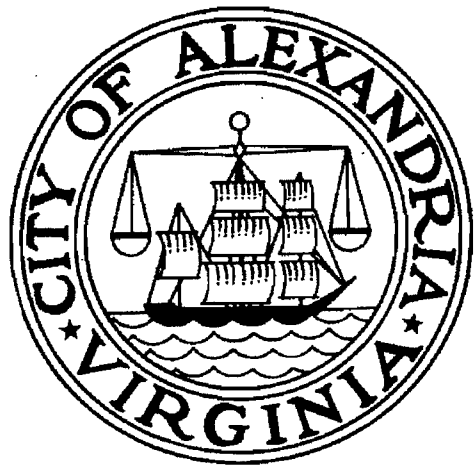
#### OTHER INFORMATION

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses the accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this statement did not have a material impact on the financial statements.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Laura Triggs, Director of the City of Alexandria's Finance Department, City Hall, P.O. Box 178, Alexandria, VA 22313, [laura.triggs@alexandriava.gov](mailto:laura.triggs@alexandriava.gov), telephone (703) 746-3900, or visit the City's web site at [alexandriava.gov](http://alexandriava.gov).

# **BASIC FINANCIAL STATEMENTS**





**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Net Assets**  
**As of June 30, 2009**

**Exhibit I**

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Component</u>
	<u>Activities</u>	<u>Units</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 110,258,066	\$ 41,503,810
Cash and Investments with Fiscal Agents	126,192,334	2,240,479
Receivables, Net	200,749,652	265,645
Due From Other Governments	37,417,306	2,239,874
Inventory of Supplies	1,891,281	605,440
Prepaid and Other Assets	3,532,630	7,127,757
Capital Assets		
Land and Construction in Progress	168,034,785	7,504,188
Other Capital Assets, Net	381,367,611	15,127,859
Capital Assets, Net	<u>\$ 549,402,396</u>	<u>\$ 22,632,047</u>
Total Assets	<u>\$ 1,029,443,665</u>	<u>\$ 76,615,052</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 14,590,683	\$ 2,250,062
Accrued Wages	10,650,009	24,078,134
Accrued Liabilities	5,396,945	-
Unclaimed property	-	14,127
Deferred Revenue	216,032,770	527,733
Other Short-term Liabilities	4,993,168	399,403
Deposits	1,418,114	-
Long-term Liabilities Due Within One Year	24,027,538	2,282,898
Long-term Liabilities Due in More Than One Year	417,346,102	13,644,130
Total Liabilities	<u>\$ 694,455,328</u>	<u>\$ 43,196,487</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 153,239,325	\$ 22,632,047
Restricted for:		
Capital Projects	134,723,262	-
Unrestricted Net Assets	47,025,750	10,786,518
<b>TOTAL NET ASSETS</b>	<u><u>\$ 334,988,337</u></u>	<u><u>\$ 33,418,565</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

**Exhibit II**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating		Governmental Activities	Total	Component Units
			Grants and Contributions	Capital Grants & Contributions			
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 79,488,235	\$ 1,422,406	\$ 764,442	\$ -	\$ (77,301,387)	\$ (77,301,387)	\$ -
Judicial Administration	19,264,524	1,603,784	3,951,340	-	(13,709,400)	(13,709,400)	-
Public Safety	120,479,937	15,476,509	19,226,872	-	(91,776,556)	(91,776,556)	-
Public Works	48,457,241	18,147,109	5,674,615	19,806,934	(4,828,573)	(4,828,573)	-
Library	6,793,868	-	-	-	(6,793,868)	(6,793,868)	-
Health and Welfare	97,337,478	6,609,063	36,026,014	-	(54,702,401)	(54,702,401)	-
Transit	12,550,443	-	-	-	(12,550,443)	(12,550,443)	-
Culture and Recreation	28,142,205	2,849,184	245,608	-	(25,047,413)	(25,047,413)	-
Community Development	30,355,133	8,240,709	3,267,353	677,131	(18,169,940)	(18,169,940)	-
Education	173,826,993	-	-	-	(173,826,993)	(173,826,993)	-
Interest on Long-term Debt	10,911,306	-	-	-	(10,911,306)	(10,911,306)	-
<b>Total Primary Government</b>	<b>\$ 627,607,363</b>	<b>\$ 54,348,774</b>	<b>\$ 63,156,244</b>	<b>\$ 20,484,065</b>	<b>\$ (489,618,280)</b>	<b>\$ (489,618,280)</b>	<b>\$ -</b>
<b>Component Units:</b>							
Library	\$ 7,462,738	\$ 243,490	\$ 196,626	\$ -	\$ -	\$ -	\$ (7,022,622)
Transit	13,071,819	3,356,815	279,274	-	-	-	(9,435,724)
School Board	213,853,213	2,558,276	42,891,356	-	-	-	(168,403,581)
<b>Total Component Units</b>	<b>\$ 234,387,764</b>	<b>\$ 6,158,581</b>	<b>\$ 43,367,256</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (184,861,927)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
General Property Taxes:							
Real Estate					\$ 296,486,150	\$ 296,486,150	\$ -
Personal Property					37,903,068	37,903,068	-
Other Local Taxes:							
Business License Tax					30,527,956	30,527,956	
Local Sales Tax					21,679,635	21,679,635	
Meals Tax					14,912,796	14,912,796	
Transient Lodging Tax					10,592,806	10,592,806	-
Utility Tax					10,409,248	10,409,248	
Communications Sales Tax					11,268,560	11,268,560	
Motor Vehicle License, Recordation, and other local taxes					12,880,369	12,880,369	
Transfer					-	-	186,655,407
Payment from City of Alexandria					32,354,274	32,354,274	-
Grants and Contributions Not Restricted to Specific Programs					1,720,579	1,720,579	16,733
Interest and Investment Earnings					1,065,127	1,065,127	1,161,669
Miscellaneous					-	-	-
<b>Total General Revenues</b>					<b>\$ 481,800,568</b>	<b>\$ 481,800,568</b>	<b>\$ 187,833,809</b>
<b>Change in Net Assets</b>					<b>\$ (7,817,712)</b>	<b>\$ (7,817,712)</b>	<b>\$ 2,971,882</b>
<b>Net Assets at Beginning of Year</b>					<b>342,806,049</b>	<b>342,806,049</b>	<b>30,446,683</b>
<b>Net Assets at End of Year</b>					<b>\$ 334,988,337</b>	<b>\$ 334,988,337</b>	<b>\$ 33,418,565</b>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

**Exhibit III**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 61,199,689	\$ 24,260,544	\$ 13,284,727	\$ 98,744,960
Cash and Investments with Fiscal Agents	-	104,489	126,087,845	126,192,334
Receivables, Net	197,170,715	3,578,924	13	200,749,652
Due From Other Governments	31,800,221	5,617,085	-	37,417,306
Inventory of Supplies	1,891,281	-	-	1,891,281
Prepaid and Other Assets	63,149	43,307	-	106,456
Total Assets	<u>\$ 292,125,055</u>	<u>\$ 33,604,349</u>	<u>\$ 139,372,585</u>	<u>\$ 465,101,989</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,980,535	\$ 2,734,539	\$ 4,645,049	\$ 14,360,123
Accrued Wages	8,455,332	2,190,405	4,274	10,650,011
Accrued Vacation	2,759,272	-	-	2,759,272
Other Liabilities	4,993,168	-	-	4,993,168
Deposits	1,418,114	-	-	1,418,114
Deferred Revenue	214,211,643	3,876,048	-	218,087,691
Total Liabilities	<u>\$ 238,818,064</u>	<u>\$ 8,800,992</u>	<u>\$ 4,649,323</u>	<u>\$ 252,268,379</u>
<b>FUND BALANCES</b>				
Reserved for:				
Capital Projects	\$ -	\$ -	\$ 101,741,783	\$ 101,741,783
Notes Receivable	400,000	2,673,806	-	3,073,806
Inventory of Supplies	1,891,281	-	-	1,891,281
Encumbrances	1,967,201	1,848,720	32,981,479	36,797,400
Unreserved	49,048,509	20,280,831	-	69,329,340
Total Fund Balances	<u>\$ 53,306,991</u>	<u>\$ 24,803,357</u>	<u>\$ 134,723,262</u>	<u>\$ 212,833,610</u>
Total Liabilities and Fund Balances	<u>\$ 292,125,055</u>	<u>\$ 33,604,349</u>	<u>\$ 139,372,585</u>	

**Adjustments for the Statement of Net Assets:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5)	539,799,567
Other long-term assets are not available to pay for current period expenditures; the taxes offset by deferred revenue in the governmental funds. (Note 1)	5,481,094
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. (Exhibit V)	20,885,377
Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 9)	(444,011,311)
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 334,988,337</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2009**

**Exhibit IV**

	General	Special Revenue	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
General Property Taxes	\$ 333,482,063	\$ -	\$ -	\$ 333,482,063
Other Local Taxes	112,271,370	-	-	112,271,370
Permits, Fees, and Licenses	4,827,422	882,686	-	5,710,108
Fines and Forfeitures	4,116,453	-	-	4,116,453
Use of Money and Property	4,433,015	395,672	1,395,697	6,224,384
Charges for Services	12,404,166	12,064,093	792,900	25,261,159
Intergovernmental Revenue	53,095,127	42,415,391	20,484,065	115,994,583
Miscellaneous	1,065,130	8,606,742	6,150,507	15,822,379
Total Revenues	<u>\$ 525,694,746</u>	<u>\$ 64,364,584</u>	<u>\$ 28,823,169</u>	<u>\$ 618,882,499</u>
<b>EXPENDITURES</b>				
Current Operating:				
General Government	\$ 46,137,096	\$ 554,342	\$ -	\$ 46,691,438
Judicial Administration	17,958,782	919,747	-	18,878,529
Public Safety	113,896,868	2,950,578	-	116,847,446
Public Works	34,755,649	2,196,320	-	36,951,969
Library	6,793,868	-	-	6,793,868
Health and Welfare	20,723,663	76,041,847	-	96,765,510
Transit	12,550,443	-	-	12,550,443
Culture and Recreation	23,109,869	43,578	-	23,153,447
Community Development	13,840,168	10,750,251	-	24,590,419
Education	167,965,753	-	3,897,558	171,863,311
Debt Service:				
Principal	19,100,000	-	-	19,100,000
Interest and Other Charges	12,800,635	-	-	12,800,635
Capital Outlay	-	-	100,725,662	100,725,662
Total Expenditures	<u>\$ 489,632,794</u>	<u>\$ 93,456,663</u>	<u>\$ 104,623,220</u>	<u>\$ 687,712,677</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 36,061,952</u>	<u>\$ (29,092,079)</u>	<u>\$ (75,800,051)</u>	<u>\$ (68,830,178)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	5,000,000	137,700,000	142,700,000
Bond Premium (Discount)	-	29,048	2,955,587	2,984,635
Transfers In	2,223,910	38,279,363	18,402,687	58,905,960
Transfers Out	(50,769,720)	(7,386,816)	-	(58,156,536)
Total Other Financing Sources and Uses	<u>(48,545,810)</u>	<u>35,921,595</u>	<u>159,058,274</u>	<u>146,434,059</u>
Net Change in Fund Balance	<u>(12,483,858)</u>	<u>6,829,516</u>	<u>83,258,223</u>	<u>77,603,881</u>
Fund Balance at Beginning of Year	65,488,041	17,973,841	51,465,039	
Increase in Reserve for Inventory	302,808	-	-	302,808
Fund Balance at End of Year	<u>\$ 53,306,991</u>	<u>\$ 24,803,357</u>	<u>\$ 134,723,262</u>	

**Adjustments for the Statement of Activities:**

Repayment and refunding of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	19,100,000
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded capital expenditures in the current period. (Note 5)	41,227,288
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	907,156
Issuance of debt and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets (Note 9)	(145,684,635)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 9)	(3,791,052)
Internal service funds are used by management to charge the costs of certain equipment to individual funds. The net revenue of the internal service fund (except depreciation which is reported in capital outlays above) is reported with governmental activities. (Exhibit VI)	2,516,844
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ (7,817,712)</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Net Assets**  
**Proprietary Funds – Internal Service Fund**  
**June 30, 2009**

**Exhibit V**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 11,513,106
Total Current Assets	<u>\$ 11,513,106</u>

Capital Assets:

Buildings and Equipment	\$ 34,755,711
Less Accumulated Depreciation	(25,152,882)
Capital Assets, Net	<u>\$ 9,602,829</u>

Total Assets	<u>\$ 21,115,935</u>
--------------	----------------------

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 230,558
Total Current Liabilities	<u>\$ 230,558</u>
Total Liabilities	<u>\$ 230,558</u>

**NET ASSETS**

Invested in Capital Assets	\$ 9,602,829
Unrestricted Net Assets	<u>11,282,548</u>
Total Net Assets	<u>\$ 20,885,377</u>
Total Liabilities and Net Assets	<u>\$ 21,115,935</u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds – Internal Service Fund**  
**For the Year Ended June 30, 2009**

**Exhibit VI**

Operating Revenues:	
Charges for Services	\$ 4,984,150
Total Operating Revenues	<u>\$ 4,984,150</u>
Operating Expenses:	
Materials and Supplies	\$ 1,588,781
Depreciation	3,189,922
Total Operating Expenses	<u>\$ 4,778,703</u>
Operating Income	<u>\$ 205,447</u>
Nonoperating Expenses:	
Loss on Disposal of Capital Assets	\$ (129,101)
Total Nonoperating Expenses	<u>\$ (129,101)</u>
Net Profit/Loss Before Operating Transfers	<u>76,346</u>
Operating Transfers:	
Transfers In	\$ 150,576
Transfers Out	(900,000)
Total Net Transfers	<u>\$ (749,424)</u>
Change in Net Assets	\$ (673,078)
Net Assets at Beginning of Year	21,558,455
Net Assets at End of Year	<u><u>\$ 20,885,377</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

**Exhibit VII**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts From Customers	\$ 4,984,150
Payments to Suppliers	(1,633,703)
Net Cash Provided by Operating Activities	<u>\$ 3,350,447</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES**

Operating Subsidies and Transfers from Other Funds	<u>\$ (749,424)</u>
--	---------------------

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	<u>\$ (3,144,595)</u>
Net Cash Used By Capital and Related Financing Activities	<u>\$ (3,894,019)</u>

Net Increase in Cash and Cash Equivalents	\$ (543,572)
---	--------------

Cash and Cash Equivalents at Beginning of Year	<u>12,056,678</u>
--	-------------------

Cash and Cash Equivalents at End of Year	<u><u>\$ 11,513,106</u></u>
--	-----------------------------

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

Operating Income	\$ 205,447
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	3,189,922
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Payable	(44,922)
Net Cash Provided by Operating Activities	<u><u>\$ 3,350,447</u></u>

**Noncash investing, capital and financing activities:**

Capital assets with a net book value of \$129,101 were retired in non-cash transactions during the year in the Internal Service Fund.

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Fiduciary Net Assets**  
**At June 30, 2009**

**Exhibit VIII**

	<b>Employee Retirement Plans</b>	<b>Other Post Employment Benefits</b>	<b>Private- Purpose Trusts</b>	<b>Agency Funds</b>
<b>ASSETS</b>				
Cash and Short-term Investments	\$ -	\$ -	\$ -	\$ 30,983
Investments, at Fair Value:				
U.S. Government Obligations	2,133,390	-	-	-
LGIP	-	-	5,792	681,631
Mutual Funds	139,110,798	-	-	-
Corporate Stocks	42,444,454	3,532,426	-	-
Guaranteed Investment Accounts	66,220,071	878,811	-	-
Domestic Corporate Bonds	700,675	-	-	-
Other Investments	406,165	94,953	-	-
Total Investments	<u>\$ 251,015,553</u>	<u>\$ 4,506,190</u>	<u>\$ 5,792</u>	<u>\$ 681,631</u>
Total Assets	<u>\$ 251,015,553</u>	<u>\$ 4,506,190</u>	<u>\$ 5,792</u>	<u>\$ 712,614</u>
<b>LIABILITIES</b>				
Refunds Payable and Other	\$ -	\$ -	\$ -	\$ 712,614
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 712,614</u>
<b>NET ASSETS</b>				
Held in Trust for:				
Pension Benefits	\$ 251,015,553	\$ -	\$ -	
Other Post Employment Benefits	-	4,506,190	-	
Other Purposes	-	-	5,792	
<b>TOTAL NET ASSETS</b>	<u>\$ 251,015,553</u>	<u>\$ 4,506,190</u>	<u>\$ 5,792</u>	

See Accompanying Notes to Financial Statements



**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Fiscal Year Ended June 30, 2009**

**Exhibit IX**

	<u>Employee Retirement Plans</u>	<u>Other Post Employment Benefits</u>	<u>Private- Purpose Trusts</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 15,632,474	\$ 5,391,667	\$ -
Plan Members	5,118,547	-	-
Total Contributions	<u>\$ 20,751,021</u>	<u>\$ 5,391,667</u>	<u>\$ -</u>
Investment Earnings:			
Net (Depreciation)			
in Fair Value of Investments	\$ (41,748,527)	\$ (1,185,365)	\$ -
Interest	8,926,812	158,351	601
Total Investment Earnings	<u>\$ (32,821,715)</u>	<u>\$ (1,027,014)</u>	<u>\$ 601</u>
Less Investment Expense	-	-	-
Net Investment Income	<u>\$ (32,821,715)</u>	<u>\$ (1,027,014)</u>	<u>\$ 601</u>
Total Additions	<u>\$ (12,070,694)</u>	<u>\$ 4,364,653</u>	<u>\$ 601</u>
<b>DEDUCTIONS</b>			
Benefits	\$ 16,570,756	\$ -	\$ 563
Refunds of Contributions	2,161,727	-	-
Administrative Expenses	469,814	66,796	-
Total Deductions	<u>\$ 19,202,297</u>	<u>\$ 66,796</u>	<u>\$ 563</u>
Change in Net Assets	<u>\$ (31,272,991)</u>	<u>\$ 4,297,857</u>	<u>\$ 38</u>
Net Assets at Beginning of Year	282,288,544	208,333	5,754
Net Assets at End of Year	<u><u>\$251,015,553</u></u>	<u><u>\$ 4,506,190</u></u>	<u><u>\$ 5,792</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Net Assets**  
**Component Units**  
**As of June 30, 2009**

**Exhibit X**

	<u>School Board</u>	<u>Library</u>	<u>Transit</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 41,065,198	\$ 149,078	\$ 289,534	\$ 41,503,810
Cash and Investments with Fiscal Agents	-	2,240,479	-	2,240,479
Receivables	142,055	-	123,590	265,645
Due from Other Governments	2,006,736	-	233,138	2,239,874
Inventory of Supplies	158,618	-	446,822	605,440
Prepaid and Other Assets	7,127,757	-	-	7,127,757
Capital assets				
Land and Construction in Progress	999,381	-	6,504,807	7,504,188
Other Capital Assets, Net	6,568,462	-	8,559,397	15,127,859
Capital Assets, Net	<u>\$ 7,567,843</u>	<u>\$ -</u>	<u>\$ 15,064,204</u>	<u>\$ 22,632,047</u>
Total Assets	<u>\$ 58,068,207</u>	<u>\$ 2,389,557</u>	<u>\$ 16,157,288</u>	<u>\$ 76,615,052</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,949,028	\$ 862	\$ 300,172	\$ 2,250,062
Accrued Wages	23,643,446	257,635	177,053	24,078,134
Deferred Revenue	527,733	-	-	527,733
Unclaimed Property	14,127	-	-	14,127
Other Short-term Liabilities	-	-	399,403	399,403
Long-term Liabilities Due Within One Year	2,282,898	-	-	2,282,898
Long-term Liabilities Due in More Than One Year	13,644,130	-	-	13,644,130
Total Liabilities	<u>\$ 42,061,362</u>	<u>\$ 258,497</u>	<u>\$ 876,628</u>	<u>\$ 43,196,487</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	\$ 7,567,843	\$ -	\$ 15,064,204	\$ 22,632,047
Unrestricted Net Assets	8,439,002	2,131,060	216,456	10,786,518
<b>TOTAL NET ASSETS</b>	<u><u>\$ 16,006,845</u></u>	<u><u>\$ 2,131,060</u></u>	<u><u>\$ 15,280,660</u></u>	<u><u>\$ 33,418,565</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2009**

**Exhibit XI**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	School			Totals
				Board	Library	Transit	
School Board							
Instructional	\$ 213,853,213	\$ 2,558,276	\$ 42,891,356	\$ (168,403,581)	\$ -	\$ -	\$ (168,403,581)
Total School Board	\$ 213,853,213	\$ 2,558,276	\$ 42,891,356	\$ (168,403,581)	\$ -	\$ -	\$ (168,403,581)
Library	\$ 7,462,738	\$ 243,490	\$ 196,626	\$ -	\$ (7,022,622)	\$ -	\$ (7,022,622)
Transit	13,071,813	3,356,815	279,274	-	-	(9,435,724)	(9,435,724)
Total Component Units	\$ 234,387,764	\$ 6,158,581	\$ 43,367,256	\$ -	\$ (7,022,622)	\$ (9,435,724)	\$ (184,861,927)
General Revenues:							
Payment From City				\$ 167,953,749	\$ 6,793,868	\$ 7,955,042	\$ 182,702,659
Capital Payment From City				3,897,558	-	-	3,897,558
Capital Contribution From City				-	-	55,190	55,190
Interest and Investment Earnings				-	16,733	-	16,733
Miscellaneous				1,072,171	21,684	67,814	1,161,669
Total General Revenues				\$ 172,923,478	\$ 6,832,285	\$ 8,078,046	\$ 187,833,809
Change in Net Assets				\$ 4,519,897	\$ (190,337)	\$ (1,357,678)	\$ 2,971,882
Net Assets Beginning of Year				11,486,948	2,321,397	16,638,338	30,446,683
Net Assets End of Year				\$ 16,006,845	\$ 2,131,060	\$ 15,280,660	\$ 33,418,565

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Narrative Profile**

The City of Alexandria, located in northern Virginia and bordered by the District of Columbia (Potomac River) and Arlington and Fairfax Counties, was founded in 1749 and incorporated in 1779. With a population of 141,000 and a land area of 15.75 square miles, Alexandria is the 7<sup>th</sup> largest city in the Commonwealth of Virginia and one of the most densely populated cities in the Commonwealth.

The City is governed under the City Manager-Council form of government. Alexandria engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

The financial statements of the City of Alexandria, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and U.S. generally accepted accounting principles (GAAP) as specified by the Governmental Accounting Standards Board (GASB). The more significant of the City's accounting policies are described below.

**A. Financial Reporting Entity**

The City follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 requires the following financial statement components:

**Management's Discussion and Analysis** – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

**Government-wide financial statements** – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets (such as buildings and infrastructure, including bridges and roads) and long-term liabilities (such as general obligation debt and unfunded pension costs). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Activities.

**Statement of Net Assets** – The Statement of Net Assets displays the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

**Statement of Activities** – The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements** – The fund financial statements display the financial transactions and accounts of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include reconciliation to the government-wide statement, which briefly explains the differences between the fund and government-wide financial statements.

**Budgetary Comparison Schedules** – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have an interest in following the actual financial progress of their governments over the course of the year. The City Council approves revisions to its original budget over the course of the year for a variety of reasons.

As required by GAAP, these financial statements present the primary government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each of the City's discretely presented component units has a June 30 fiscal year-end.

**Component Units:**

**City of Alexandria School Board**

Since FY 1995, the Alexandria City School Board (School Board) has been elected. The School Board is substantially reliant upon the City because City Council approves the School Board's total annual budget appropriation, levies taxes, and issues debt for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. The City's primary transaction with the School Board is the City's annual General Fund revenue support, which totaled \$168 million for operations and \$3.9 million for capital equipment in FY 2009.

The APA establishes financial reporting requirements for all localities in the Commonwealth of Virginia. The APA has determined that all Virginia School Boards shall be reported as discretely presented component units of the locality. The APA has also specified additional reporting requirements with respect to School Boards.

**City of Alexandria Library System**

City Council appoints the Library Board (Library) and approves the Library budget. The City is responsible for issuing debt, and acquiring and maintaining all capital items on behalf of the Library. The legal liability for the general obligation debt issued on behalf of the Library remains with the City. The City's primary transaction with the Library is the City's annual operating support, which was \$6.8 million for FY 2009.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Alexandria Transit Company**

The City Council, acting as sole shareholder, elects members of the Alexandria Transit Company's board of directors. City Council approves bus routes, fares, and budgets. The City funds deficits and may issue debt on behalf of the Alexandria Transit Company. The City's primary transactions with the Alexandria Transit Company are the City's annual subsidy, which was \$8 million, and a capital contribution, which was \$0.1 million, in FY 2009.

Complete financial statements for the School Board and Library component units may be obtained at each entity's administrative offices. The Alexandria Transit Company does not issue separate financial statements and is included as an enterprise fund.

City of Alexandria School Board  
2000 North Beauregard Street  
Alexandria, Virginia 22311

City of Alexandria Library System  
5005 Duke Street  
Alexandria, Virginia 22304-2903

**Excluded from Reporting Entity:**

City Council is not financially accountable for the Deferred Compensation Plan, Alexandria Economic Development Partnership, Alexandria Industrial Development Authority, Alexandria Redevelopment and Housing Authority, Alexandria Sanitation Authority, or Sheltered Homes of Alexandria, Inc. Accordingly, these entities are excluded from the City of Alexandria's financial statements.

**B. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a combined basis, and (b) is reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statements presentations provide information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.). Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

specific and discretionary (either operating or capital) grants, while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with related liabilities, fund balances and net assets, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the City in FY 2009.

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

**a. General Fund**

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 part of the General Fund's revenues is used to finance the operations of the City of Alexandria School Board.

**b. Special Revenue Fund**

The Special Revenue Fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Fund is considered a major fund for reporting purposes. A significant portion of the Special Revenue Fund is used for Health and Welfare programs.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Capital Projects Fund**

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. The Capital Projects Fund is considered a major fund for reporting purposes.

**2. Proprietary Funds**

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net assets, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds to the extent these standards do not conflict with or contradict guidance of the GASB. The City has two proprietary funds – the Internal Service Fund and the component unit Alexandria Transit Company. The Internal Service 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 and is considered an enterprise fund. The City established the Equipment Replacement Reserve Account, the internal service fund, for the purpose of providing for the accumulation of funds to replace capital equipment items used in City operations. This internal service fund derives its funding from periodic equipment rental charges assessed to the user departments in the governmental funds. This funding is then used to replace capital equipment when the need arises. The internal service fund is included in governmental activities for government-wide reporting purposes and is not considered an enterprise fund. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The component unit Alexandria Transit Company is considered an enterprise fund and derives its funding from fare box fees and some support from the City.

**3. Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the City are the John D. Collins Private Purpose Trust Fund, Employee Retirement Funds, the Human Services Special Welfare Account, the Human Services Dedicated Account, the Industrial Development Authority Agency Funds, the Potomac Yard Affordable Housing, and the Potomac Yard Open Space Agency Funds. For accounting measurement purposes, the Private Purpose Trust Fund, the Employee Retirement Funds, and other post employment benefits are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Employee Retirement Funds account for the assets of the City's pension plans and the OPEB fund. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The agency funds held by the City as of end of FY 2009 comprise the following:

***Human Services Special Welfare Account*** – This fund accounts for the current payments of supplemental security income for foster children.

***Human Services Dedicated Account*** – This fund accounts for back payments of supplemental security income for foster children.

***Industrial Development Authority Agency Fund*** – This fund accounts for Industrial Development Authority bond issuance fees and expenses, for which the City acts in a custodial capacity.

***Potomac Yard Affordable Housing*** – This fund accounts for affordable housing donations received from Potomac Yard Development LLC for the purpose of constructing affordable housing.

***Potomac Yard Open Space*** – This fund accounts for the remittances received from Potomac Yard Development LLC to cover open space expenses.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Assets and Statement of Activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. These operating statements present increases (e.g., revenues or additions) and decreases (e.g., expenses or deductions) in total net assets.

The Statement of Net Assets, Statement of Activities, and the financial statements of the Proprietary Fund and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgets and Budgetary Accounting**

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. The School Board appropriation is determined by the City Council and controlled in total by the primary government. On June 14, 2008, the City Council formally approved the original adopted budget (which had been initially approved on May 5, 2008) and on June 23, 2009 approved the revised budget reflected in the required supplemental information. Budgets are prepared for the Capital Projects Fund on a project basis, which covers the life of the project. A Capital Projects Fund appropriation does not lapse until an appropriation reduction is approved by City Council.

**Encumbrances**

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. These encumbrances are subject to reappropriation by Council ordinance in the succeeding fiscal year.

**E. Equity in Pooled Cash and Investments**

Cash resources of the individual funds, including imprest cash of \$19,265 and excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Proprietary Funds, Fiduciary Funds, and discretely presented component units (School Board, Library, and Alexandria Transit Company), are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of the State Treasurer's Local Government Investment Pool (LGIP) and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

The Library maintains separate cash and investment accounts consisting of cash and obligations of the federal government and corporate bonds and stocks recorded at fair value. All cash and investments held with fiscal agents for the primary government and its discretely presented component units are recorded at fair value.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The fair value of investments is based on quoted market prices. All investments in external investment pools are reported at fair value.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Allowance for Uncollectible Accounts**

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2009, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Real Property	\$ 586,246
Personal	17,933,934
Penalties and Interest	<u>1,896,874</u>
Total taxes	\$ 20,417,054
Accounts Receivable	2,825
Notes Receivable	<u>9,000</u>
	<u>\$ 20,428,879</u>
SPECIAL REVENUE FUND:	
Housing Fund Notes Receivable	<u>\$ 35,947,673</u>
CAPITAL PROJECTS FUND:	
Capital Projects Fund Notes Receivable	<u>\$ 1,475,000</u>

The component units' accounts receivable are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

**G. Inventory of Supplies and Prepaid and Other Assets**

**Primary Government**

Inventories of consumable supplies are recorded at cost (determined on a first in, first out basis). Inventory in the General Fund consists of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Reported inventories in the General Fund are equally offset by a reservation of fund balance. Purchases of non-inventory items are recorded as expenses or expenditures under the purchase method. Prepaid expenditures in reimbursable grants are offset by unearned revenues until expenses or expenditures are recognized.

**Component Units**

Inventory for the School Board is comprised of food and commodities on hand pertaining to the Child Nutrition Cluster of programs. Inventories of consumable supplies are recorded at cost using the weighted average method. Inventories received from the U.S. Department of Agriculture are recorded at fair market value when received and the amounts consumed are recorded as revenue. The amounts of unused food commodities are reported as inventory and deferred revenue.

Inventory for the Alexandria Transit Company is comprised of parts and operating materials held for consumption. These inventories are costed by methods that approximate average cost or market value, whichever is lower.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Other assets in the government-wide statements also include taxes receivable discussed in Note 4 and deferred interest on refunding bonds discussed in Note 9. The total adjustment to these assets was comprised of the following:

Taxes receivable	\$ 2,702,134
Deferred interest	<u>2,778,960</u>
Total adjustment	<u>\$ 5,481,094</u>

**H. Capital Assets**

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....	40 years
Infrastructure .....	25 years
Furniture and Other Equipment .....	3-20 years

To the extent the City's capitalization threshold of \$5,000 is met, capital outlays of the Internal Service Fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds and the government-wide financial statements using the straight-line method and the following estimated useful lives:

Leasehold Improvements .....	3-40 years
Equipment.....	3-20 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City uses the proceeds from the sale of historical treasures or works of art to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**I. Compensated Absences**

The City accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the governmental funds' matured compensated absences liabilities are recorded as other liabilities in the General and Special Revenue Funds. The current and noncurrent portions are recorded in the government-wide financial statements. This includes the discretely presented component unit Library, since the City funds all Library personnel costs.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The component unit School Board accrues matured compensated absences (annual, personal, and sick leave benefits) when vested. The current and noncurrent portions of compensated absences are recorded in the School Board component unit government-wide financial statements.

The component unit Transit accrues annual and sick leave benefits in the period in which they are earned.

**J. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

**K. Fund Balance**

**Reservations of Fund Balance**

Except for those required to comply with accounting standards, all reservations and designations of fund balances reflect City Council action in the context of adoption of the City's budget.

**Approved Capital Projects** – These monies have been reserved for capital projects that City Council has already approved.

**Notes Receivable** – These monies have been reserved for notes receivable not expected to mature in the current fiscal year.

**Inventory of Supplies** – These monies have been reserved for reported inventories in the General Fund to comply with accounting standards.

**Encumbrances** – These monies have been reserved for goods and services encumbered, or ordered, before the end of the fiscal year, for which delivery of goods and services had not been made prior to the close of the fiscal year.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Designations of Fund Balance**

General Fund designations at June 30, 2009 consisted of the following:

Subsequent Fiscal Years' Operating Budgets	
FY 2010 – Operating Budget	\$ 2,315,347
FY 2011 – Operating Budget	3,600,000
Subsequent Fiscal Years' Capital Program	
FY 2010- 2015	226,958
Self-Insurance	5,000,000
Retiree Health and Life (OPEB)	6,500,000
Fuel Costs	250,000
One-Time Acute Human Services Needs	400,000
Fiscal Year 2010 Revenue Shortfall Reserve	4,309,397
King Street Gardens	25,000
Ongoing Projects	<u>1,694,734</u>
Total Designations	<u>\$ 24,321,436</u>

**Subsequent Fiscal Year's Operating Budget** – On June 13, 2009, City Council approved the FY 2010 Appropriations Ordinance, which appropriated \$2.3 million of General Fund Balance to meet anticipated expenditures. An additional \$3.6 million has been designated for FY 2011.

**Subsequent Fiscal Years' Capital Program** – These monies (\$0.2 million) have been designated in the Approved FY 2010 – 2015 Capital Improvement Program Funding Plans to fund a portion of the capital improvement program in FY 2010.

**Self – Insurance** – These monies (\$5.0 million) have been designated for reserves for the City's self-insurance program.

**Retiree Health and Life (OPEB)** - These monies (\$6.5 million) have been designated as part of the City's efforts to fund a health and life insurance benefit trust.

**Fuel Costs** - These monies (\$0.3 million) have been set aside as a contingency for possible fuel cost increases.

**One-Time Accute Human Services** – These monies (\$0.4 million) have been set aside for possible shortfalls in federal or state grants for social service programs and for possible additional City costs for mandated foster care and special education services under the Commonwealth's Comprehensive Services Act.

**King Street Gardens** – These monies (\$25,000) have been set aside for the King Street Gardens.

**Ongoing Projects** – These monies (\$1.7 million) have been set aside for projects for which funding was available in the FY 2009 budget, but not completed as of the end of the fiscal year.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Short Term Liabilities**

Short Term Liabilities include unclaimed funds. The City did not have any short term debt during FY 2009.

**M. Pollution Remediation**

The City has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The implementation of GASB Statement no. 49, did not affect the presentation of the financial statements of the City.

**NOTE 2. LEGAL COMPLIANCE – BUDGETS**

After a public hearing and several work sessions, the City Council adopts an annual budget no later than June 27 for the succeeding fiscal year to commence July 1. Transfers of appropriations among departments or projects are made throughout the fiscal year by the City Council. The City Council may also approve supplemental appropriations. In FY 2009, the Council approved a reappropriation of prior fiscal year encumbrances as well as various other supplemental appropriations. The City Manager has authority to transfer appropriations within each department. In FY 2009, a number of intradepartmental transfers were made.

**NOTE 3. DEPOSITS AND INVESTMENTS**

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on the funds' average monthly balances. A "zero balance account" mechanism provides for daily sweeps of deposits made to City checking accounts, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the City's general account are invested at all times. Exceptions to this are funds in the Library System's checking account, the School Student Activity Fund account, and some bank accounts administered by the Human Services Department. The City's pooled portfolio also excludes pension plans.

**A. Deposits**

**Primary Government**

At June 30, 2009, the carrying value of the City's deposits was negative \$605,666 and the bank balance was \$1,948,626. The carrying value of the City's deposits represents checks outstanding. This amount will fluctuate depending on the difference between checks issued and checks paid. The funds for these checks remain invested until the checks are presented for payment at the bank. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (The Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured.

**Component Units**

At June 30, 2009, the carrying value of deposits for the School Board was negative \$1,678,973 and the bank balance was \$0. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

At June 30, 2009, the carrying value of deposits and bank balance for the Library was \$164,369. Of this amount, \$164,369 was collateralized at 102 percent with U.S. government agency securities as part of a repurchase agreement with Burke and Herbert Bank and Trust Company.

Transit deposits are included in the City's pooled cash and investments.

**B. Investments**

State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, LGIP and repurchase agreements fully collateralized in obligations of the United States and agencies thereof.

During fiscal year 2009 all City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts.

The City and its discretely presented component units maintain nine pension plans. The plan provisions allow the assets of the pension plans to be invested by the pension carriers in accordance with provisions of the Code of the Commonwealth of Virginia. The Plans' investments are exposed to various risks such as interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

The City and its discretely presented component units' investments are subject to interest rate, credit and custodial risk as described below:

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than one year.

**Credit Risk** – State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and Virginia Local Government Investment Pool. The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof and the State



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Treasurer's Local Government Investment Pool (LGIP). During the fiscal year, the City held its investments in (LGIP). The investments for five of the City's seven pension plans are handled by Prudential, a company with an A (Excellent) rating, one of the top three, by A.M. Best rating agency. The investments for the two defined contribution plans are directed by employees and are invested in mutual funds and guaranteed investment accounts. The City has directed Prudential to invest funds for the other three defined benefit pension plans in guaranteed investment accounts and mutual funds. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS) and the City has contracted with SunTrust Bank to handle investments for the Firefighters and Police Officers Pension Plan – Disability Component mostly in bonds (U.S., municipal and corporate) and domestic equities. SunTrust Bank also handles investments for OPEB trust fund for the City.

**Custodial Risk** – For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently all City investments are held in LGIP. In the event the City has to invest in a local bank, the City requires a designated portfolio manager and that at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

As of June 30, 2009, the City had the following cash, investments and maturities:

**Primary Government**

	<b>Investment Maturities (in years)</b>			
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Long term</b>
State Treasurer's Local Government Investment Pool (LGIP)	\$ 111,551,155	\$ 111,551,155	\$ ---	\$ ---
Total Investments Controlled by City	\$ 111,551,155	\$ 111,551,155	\$ ---	\$ ---
OPEB Trust Investments	4,506,190	---	---	4,506,190
Pension Plan Investments (Exhibit VIII)	\$ 251,015,553	\$ ---	\$ ---	\$ 251,015,553
Total	<u>\$ 367,072,898</u>	<u>\$ 111,551,155</u>	<u>\$ ---</u>	<u>\$ 255,521,743</u>

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks	(605,666)
Cash With Fiscal Agent	126,223,317
Total Deposits and Investments	<u>\$ 492,690,549</u>

**Component Unit**  
**School Board**

	<b>Investment Maturities (in years)</b>		
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
State Treasurer's Local Government Investment Pool (LGIP)	\$ 42,744,171	\$ 42,744,171	\$ ---
U.S. Treasuries	---	---	---
U.S. Government Agencies	---	---	---
Total Investments Controlled by City	<u>\$ 42,744,171</u>	<u>\$ 42,744,171</u>	<u>\$ ---</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

The cash and investments for the Schools' fiduciary responsibilities are not included in the basic financial statements in accordance with the governmental accounting principles. The financial statements for the Schools' fiduciary responsibilities are available from the School Board.

**Other Component Units**

	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
State Treasurer's Local Government Investment Pool (LGIP)	\$ 438,612	\$ 438,612	\$ ---
Total Investments Controlled by City	<u>\$ 438,612</u>	<u>\$ 438,612</u>	<u>\$ ---</u>

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2009:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
<b>Primary Government</b>				
Cash on Hand and In Banks	\$ (605,666)	\$ ---	\$ ---	\$ (605,666)
Cash and Investments	110,863,732	---	687,423	111,551,155
Cash and Investments with Fiscal Agents	126,192,334	---	255,552,726	381,745,060
Total	<u>\$ 236,450,400</u>	<u>\$ ----</u>	<u>\$ 256,240,149</u>	<u>\$ 492,690,549</u>
<b>Component Unit School Board</b>				
Cash on Hand and In Banks	\$ (1,678,973)	\$ ---	\$ ---	\$ (1,678,973)
Cash and Investments Controlled by City	42,744,171	---	---	42,744,171
Total	<u>\$ 41,065,198</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 41,065,198</u>
<b>Other Component Units</b>				
Cash and Investments Controlled by City	\$ 149,078	\$ 289,534	\$ ---	\$ 438,612
Cash and Investments with Fiscal Agents	2,240,479	---	---	2,240,479
Total	<u>\$ 2,389,557</u>	<u>\$ 289,534</u>	<u>\$ ---</u>	<u>\$ 2,679,091</u>
Grand Total				<u>\$ 536,434,838</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2009 consist of the following:

**Primary Government**

	General	Special Revenue	Capital Project	Total
<b>Taxes</b>				
Real Property	\$ 157,036,219	\$ ---	\$ ---	\$ 157,036,219
Personal Property	47,560,939	---	---	47,560,939
Penalties and Interest	3,091,936	---	---	3,091,936
Other	787,423	---	---	787,423
<b>Total Taxes</b>	<b>\$ 208,476,517</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 208,476,517</b>
Accounts	\$ 8,714,077	\$ 905,118	\$ 13	\$ 9,619,208
Intergovernmental	31,800,221	5,617,085	---	37,417,306
Notes	409,000	38,621,479	1,475,000	40,505,479
<b>Gross Receivables</b>	<b>\$ 249,399,815</b>	<b>\$ 45,143,682</b>	<b>\$ 1,475,013</b>	<b>\$ 296,018,510</b>
Less: Allowance for Uncollectibles	20,428,879	35,947,673	1,475,000	57,851,552
<b>Net Receivables</b>	<b>\$ 228,970,936</b>	<b>\$ 9,196,009</b>	<b>\$ 13</b>	<b>\$ 238,166,958</b>

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 9.8 percent of the total taxes receivable at June 30, 2009 and is based on historical collection rates. Almost all of the uncollectible taxes derive from personal property taxes. Almost all of the real property tax receivables as of June 30, 2009 represent the second-half payment due for real estate taxes on November 15, 2009.

Receivables on a government-wide basis include taxes receivable of \$2.7 million that are not available to pay for current period expenditures and, therefore, are offset by the unearned revenue for the governmental funds. Tax revenues and the corresponding unearned revenue reported on a government-wide basis do not include approximately \$0.9 million of taxes that are considered current financial resources, and therefore, are reported in the governmental funds. This comprises:

Real Estate tax receivables	\$ (110,295)
Personal Property tax receivables	1,017,451
<b>Total</b>	<b>907,156</b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 4. RECEIVABLES (Continued)**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also include unearned revenue related to resources that have been received but not yet earned. At the end of FY 2009 unearned revenue in the governmental funds consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes, net of related allowances	\$ 210,044,791	\$ 4,166,852	\$ 214,211,643
Grant proceeds received prior to completion of eligibility requirements	---	3,876,048	3,876,048
Total unearned revenue for governmental funds	<u>\$ 210,044,791</u>	<u>\$ 8,042,900</u>	<u>\$ 218,087,691</u>

**Component Units**

Receivables at June 30, 2009 consist of following:

	<u>School Board</u>	<u>Transit</u>	<u>Total</u>
Accounts	\$ 142,055	\$ 123,590	\$ 265,645
Intergovernmental	2,006,736	233,138	2,239,874
Total Receivables	<u>\$ 2,148,791</u>	<u>\$ 356,728</u>	<u>\$ 2,505,519</u>

All of the component units' receivables are considered to be collectible.

All deferred revenue in the component units is unearned.

**A. Property Taxes**

The City levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City. The Commonwealth assesses public utility property. Neither the City nor the Commonwealth imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and reassessed each year as of January 1. The Director of Real Estate Assessments, by authority of City ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in equal semi-annual installments due June 15 and November 15. The taxes receivable balance at June 30, 2009 includes amounts not yet received from the January 1, 2009 levy (due June 15 and November 15, 2009), less an allowance for uncollectibles. The installment due on November 15, 2009 is included as unavailable revenue since these taxes are restricted for use until FY 2010. Liens are placed on the property on the date real estate taxes become delinquent and must be satisfied prior to the sale or transfer of the property. In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rate was 90.3¢ and 84.5¢ per \$100 of assessed value during calendar years 2009 and 2008, respectively.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 4. RECEIVABLES (Continued)**

Personal property tax assessments on tangible business property and all motor vehicles are based on 100 percent of fair market value of the property as of January 1 of each year. For a vehicle, the tax may be prorated for the length of time the vehicle has situs in the City. Personal property taxes for the calendar year are due on October 5. Personal property taxes do not create a lien on property; however, City vehicle decals, which are required by law for all vehicles garaged in the City, may not be issued to any individual having outstanding personal property taxes. The taxes receivable balance at June 30, 2009 includes amounts not yet billed or received from the January 1, 2009 levy (due October 5, 2009). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2010. The tax rates during calendar years 2009 and 2008 were \$4.75 for motor vehicles and tangible property and \$4.50 for machinery and tools per \$100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City billed and collected from the State 69 percent of most taxpayers' payments in FY 2009 for the January 1, 2008 levy for the Commonwealth's share of the local personal property tax payment with the remainder collected by the Commonwealth from taxpayers. Unavailable revenues include the state share of the January 1, 2009 levy.

**B. Notes Receivable**

The gross amount of notes receivable is primarily for the City's housing programs and consisted of the following at June 30, 2009:

**Governmental Activities**

General Fund	\$ 409,000
Special Revenue Fund	38,621,479
Capital Projects Fund	1,475,000
Less Allowance for Uncollectible Accounts	<u>(37,431,673)</u>
Net	<u>\$ 3,073,806</u>
Amounts due within one year	<u>\$ 96,636</u>
Amounts due in more than one year	<u>\$ 2,977,170</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 5. CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2009:

**Governmental Activities**

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 88,824,643	\$ ---	\$ ---	\$ 88,824,643
Construction in Progress	36,762,341	63,759,217	21,311,416	79,210,142
Total Capital Assets Not Being Depreciated	<u>\$ 125,586,984</u>	<u>\$ 63,759,217</u>	<u>\$ 21,311,416</u>	<u>\$ 168,034,785</u>
Depreciable Capital Assets:				
Buildings	\$ 362,740,588	\$ 19,476,267	\$ ---	\$ 382,216,855
Infrastructure	142,775,420	1,346,173	---	144,121,593
Furniture and Other Equipment	57,984,971	4,714,903	2,950,010	59,749,864
Total Depreciable Capital Assets	<u>\$ 563,500,979</u>	<u>\$ 25,537,343</u>	<u>\$ 2,950,010</u>	<u>\$ 586,088,312</u>
Less Accumulated Depreciation for:				
Buildings	\$ 81,135,796	\$ 8,541,903	\$ ---	\$ 89,677,699
Infrastructure	67,772,902	5,571,547	---	73,344,449
Furniture and Other Equipment	38,889,377	5,410,172	2,600,996	41,698,553
Total Accumulated Depreciation	<u>\$ 187,798,075</u>	<u>\$ 19,523,622</u>	<u>\$ 2,600,996</u>	<u>\$ 204,720,701</u>
Depreciable Capital Assets, Net	<u>\$ 375,702,904</u>	<u>\$ 6,013,721</u>	<u>\$ 349,014</u>	<u>\$ 381,367,611</u>
TOTALS	<u>\$ 501,289,888</u>	<u>\$ 69,772,938</u>	<u>\$ 21,660,430</u>	<u>\$ 549,402,396</u>

The City acquires and maintains all capital assets for the Library. Accordingly, Library capital assets are included in the governmental activities totals.

Governmental activities capital assets, net of accumulated depreciation at June 30, 2009, are comprised of the following:

General Capital Assets, Net	\$ 539,799,567
Internal Service Fund Capital Assets, Net	<u>9,602,829</u>
TOTAL	<u>\$ 549,402,396</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 5. CAPITAL ASSETS (Continued)**

Depreciation was charged to governmental functions as follows:

General Government	\$ 1,467,306
Judicial Administration	385,995
Public Safety	3,088,363
Public Works	8,126,391
Health and Welfare	571,968
Culture and Recreation	1,916,016
Education	3,743,411
Community Development	<u>224,172</u>
Total	<u>\$ 19,523,622</u>

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

**Primary Government**

City Capital Outlay	\$100,725,662
Donated Assets	765,167
Depreciation Expense	(19,523,622)
Capital Outlay not Capitalized	<u>(40,739,919)</u>
Total Adjustment	<u>\$ 41,227,288</u>

Donated assets are comprised of infrastructure donated by developers.

**Net assets invested in capital assets, net of related debt is computed as follows:**

Capital Assets (Net)	\$ 549,402,396
General Obligation Bonds net of premium and deferrals	(383,950,000)
Bond Premium	(9,434,112)
Deferred Interest	<u>(2,778,959)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 153,239,325</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 5. CAPITAL ASSETS (Continued)**

**Component Unit - School Board**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2009:

	<b>Balance June 30, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2009</b>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 999,381	\$ ---	\$ ---	\$ 999,381
Total Capital Assets Not Being Depreciated	\$ 999,381	\$ ---	\$ ---	\$ 999,381
Depreciable Capital Assets:				
Buildings	\$ 36,331,241	\$ 33,000	\$ ---	\$ 36,364,241
Furniture and Other Equipment	10,462,588	1,470,606	625,738	11,307,456
Total Depreciable Capital Assets	\$ 46,793,829	\$ 1,503,606	\$ 625,738	\$ 47,671,697
Less Accumulated Depreciation	40,512,925	1,216,048	625,738	41,103,235
Depreciable Capital Assets, Net	\$ 6,280,904	\$ 287,558	\$ ---	\$ 6,568,462
<b>TOTALS</b>	<b>\$ 7,280,285</b>	<b>\$ 287,558</b>	<b>\$ ---</b>	<b>\$ 7,567,843</b>

In FY 2002, the Virginia Assembly passed a general law to respond to GASB Statement No. 34 that establishes the local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds for acquisition, construction or improvement of public school property. The sole purpose of the law is to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds are now recorded as part of the primary government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the Alexandria School Board when the bonds are repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets.

All depreciation was charged to education.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 5. CAPITAL ASSETS (Continued)**

**Component Unit – Alexandria Transit Company**

	<u>Balance</u> <u>June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 6,504,807	\$ ----	\$ ---	\$ 6,504,807
Depreciable Capital Assets:				
Equipment	\$ 21,066,752	\$ 199,523	\$ ---	\$ 21,266,275
Less Accumulated Depreciation	<u>11,081,885</u>	<u>1,624,993</u>	<u>---</u>	<u>12,706,878</u>
Total Depreciable Capital Assets, Net	\$ 9,984,867	\$(1,425,470)	\$ ---	\$ 8,559,397
<b>TOTALS</b>	<u>\$ 16,489,674</u>	<u>\$(1,425,470)</u>	<u>\$ ---</u>	<u>\$ 15,064,204</u>

All depreciation was charged to transit.

**Primary Government**

Construction in progress is composed of the following at June 30, 2009:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Through</u> <u>June 30, 2009</u>	<u>Committed</u>
School Capital Projects	\$ 28,410,357	\$ 5,634,207	\$ ---
Infrastructure	21,946,916	15,524,588	4,815,481
Housing and Community Improvement	645,000	62,759	139,903
Alexandria Transit Facility	40,351,201	27,855,512	9,519,456
Parks and Recreation Facilities	2,192,214	198,930	46,734
Public Buildings	7,002,732	2,421,571	2,758,494
Public Safety Buildings	36,193,458	25,716,290	6,680,121
Information Technology	<u>2,013,327</u>	<u>1,796,285</u>	<u>231,908</u>
<b>TOTALS</b>	<u>\$ 138,755,205</u>	<u>\$ 79,210,142</u>	<u>\$ 24,192,097</u>

**Component Units**

There were no construction in progress authorizations for the component units.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 6. RISK MANAGEMENT**

The City is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies as of June 30, 2009: public entity and public officials excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, and commercial crime. In addition, the City maintains excess workers' compensation insurance. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

The City is self insured for workers' compensation claims up to \$1 million and for public officers, public entity, physical damage to vehicles, and vehicle general liability under \$2 million and over \$10 million.

The following Constitutional Officers and City employees are covered by surety bonds issued in the amounts shown below by Aetna Casualty and Surety as of June 30, 2009:

Director of Finance.....	\$ 1,000,000
Treasury Division Chief.....	\$ 500,000
Revenue Division Chief.....	\$ 150,000
Clerk of the Circuit Court.....	\$ 103,000*
Sheriff.....	\$ 30,000*
All other City employees.....	\$ 100,000
Alexandria Historic Restoration and Preservation Commissioners .....	\$ 10,000

\* Bond provided by the Commonwealth of Virginia

**Self-Insurance**

The non-current portion of unpaid workers' compensation claims amounted to approximately \$9.1 million as of June 30, 2009 and is reflected in the government-wide statements. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. In FY 2009 the City became self-insured for one of the two health insurance plans offered to employees. At June 30, 2009 the current portion of employees' health insurance was \$1.2 million which represents an estimate of health insurance claims that have been incurred but not reported and are reported in accrued liabilities. The amount of expenditures did not exceed funds that are available to pay the claims. Therefore a long-term liability has not been recorded as of June 30, 2009. Liabilities are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. An independent contractor processes claims and the City records a provision and liability in the government-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 6. RISK MANAGEMENT (Continued)**

Changes in the estimated claims payable for workers' compensation and health insurance during the fiscal years ended June 30, 2009 and 2008 were as follows:

	<b>Worker's Compensation</b>	<b>Health Insurance</b>
July 1, 2007 Liability Balances	\$ 6,877,347	\$ ---
Claims and changes in estimates	2,511,519	---
Claim Payments	(1,985,493)	---
June 30, 2008 Liability Balances	\$ 7,403,373	\$ ---
Claims and changes in estimates	3,862,655	13,003,349
Claim Payments	(2,161,199)	(11,814,462)
June 30, 2009 Liability Balances	\$ 9,104,829	\$ 1,188,887

**Insurance Designation**

In addition, the City has established a General Fund fund balance self-insurance designation of \$5 million as of June 30, 2009.

**Risk Pools**

On March 15, 1986, the City joined the Commonwealth of Virginia's Law Enforcement Liability plan, called VA Risk, on behalf of the Office of the Sheriff. The Division of Risk Management of the Commonwealth's Department of General Services operates VA Risk. It was created in accordance with Sec. 2.1-526.8:1 of the Code of Virginia, which says that the State shall have the right and duty to defend any suit seeking damages or compensation against the City's officials and employees on account of wrongful acts, even if any of the allegations of the suit are groundless, false, or fraudulent, and may make investigation and settlement of any claims or suit as deemed expedient. The limits of VA Risk coverage are \$1 million per claim. The City retains the risk for all claims in excess of \$1 million.

**Component Units**

The School Board carries insurance for all risks of loss, including property insurance, theft, auto liability, physical damage, and general liability insurance through the Virginia Municipal League. The School Board is self-insured for workers compensation. School management has estimated their workers compensation liability to be \$0.7 million as of June 30, 2009. Settled claims resulting from these risks have not exceeded commercial insurance coverage. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

The Library carries commercial insurance with the Virginia Municipal League for all risks of loss including property insurance, theft, auto liability, physical damage, and general liability insurances. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

On October 1, 1987, the Alexandria Transit Company joined the Virginia Transit Liability Pool. Commercial companies service the Virginia Transit Liability Pool.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 6. RISK MANAGEMENT (Continued)**

The coverage and limits of the pool's liability to the City are as follows:

Commercial General Liability .....	\$10 million
Automobile Liability .....	\$10 million
Uninsured Motorist.....	\$50,000
Automobile Physical Damage .....	(Actual Value)

In FY 2009 the Alexandria Transit Company paid an annual premium of \$ 0.29 million for participation in this pool.

Under the provisions of the Virginia Workers' Compensation Act, the Alexandria Transit Company has secured the payment of Virginia compensation benefits and employers' liability coverage with the Virginia Municipal Group Self-Insurance Association (VMGSIA). VMGSIA is a public entity risk pool providing a comprehensive workers' compensation insurance program to Virginia municipalities and other local government entities. In addition to insurance coverage, the program provides risk management services with emphasis on loss control and claims administration. The Alexandria Transit Company pays an annual premium to VMGSIA for workers' compensation coverage. VMGSIA is self-sustaining through member premiums and will reinsure for claims in excess of \$5 million. Each member's premium is determined through an actuarial analysis based upon the individual member's past experience and number of employees. In FY 2009, the Alexandria Transit Company paid an annual premium of \$0.28 million for participation in this pool.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 7. OPERATING LEASES**

**Rental Costs**

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through FY 2024. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index.

Scheduled minimum rental payments for succeeding fiscal years ending June 30 are as follows:

<u>Fiscal Year</u>	<u>Primary Government</u>	<u>School Board Component Unit</u>
2010	\$ 6,359,968	\$ 1,228,757
2011	6,594,337	247,370
2012	6,875,266	254,791
2013	5,377,587	239,965
2014	4,391,690	---
2015-2019	10,420,762	7,342,412
2020-2024	3,584,591	---

Total rental costs during FY 2009 for operating leases were \$6.1 million for the Primary Government and \$2.9 million for the School Board.

**Rental Revenues**

The City also leases various City-owned properties and buildings under noncancellable long-term lease agreements through FY 2022. The net book value of leased assets of \$4.1 million (cost of \$5.7 million less accumulated depreciation of \$1.6 million) is included in capital assets in the government-wide financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index.

Scheduled minimum revenues for succeeding fiscal years ending June 30 are as follows:

<u>Fiscal Year</u>	<u>Total Revenues</u>
2010	\$ 557,819
2011	33,037
2012	34,028
2013	14,604

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 8. COMMITMENTS AND CONTINGENCIES**

**A. Washington Metropolitan Area Transit Authority**

The City's commitments to the Washington Metropolitan Area Transit Authority (WMATA) are comprised of agreements to make capital contributions for construction of the rail transit system, contributions for replacement and improvement of rail and bus equipment, and payments of operating subsidies for both the rail and bus systems.

The City and other participating jurisdictions have entered into a series of capital contributions agreements with WMATA to fund the local share of the cost of the regional Metrorail transit system. The City's commitments are summarized as follows:

**1. Capital contributions - Bus and Rail Replacement**

During FY 2004 the WMATA Board, the City and other participating jurisdictions in the Washington D.C. area discussed and negotiated a new "Metro Matters" multi-year capital funding agreement. This agreement reflects some \$3.2 billion in Metrorail and Metrobus infrastructure capital improvements, as well as expansion of Metro transit services through the acquisition of new railcars and buses. The participating jurisdictions' share is planned at \$1.9 billion over a 20-year period with \$0.9 billion planned during the first six years. The City's share is \$82.5 million over the 20-year period with \$40.7 million planned during the first six years. It is likely that prior to the end of the first six-year period, an updated Metro Matters agreement to provide additional funding beyond the first six years will be considered by WMATA and the participating jurisdictions. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The participating jurisdictions' financial obligations, including the City, per the Metro Matters agreement, are subject to individual jurisdictional annual appropriation consideration.

For the fiscal year ended June 30, 2009, the total City obligation was \$8.0 million all of which was funded from the City's capital project fund.

**2. Operating subsidies - Bus and Rail Systems**

During the fiscal year ended June 30, 2009, obligations for bus and rail subsidies amounted to \$20.3 million. The City paid this obligation from the following sources:

City payments .....	\$ 2,161,185
State Aid and State Motor Fuel Sales Tax revenues .....	<u>18,181,869</u>
TOTAL	<u>\$20,343,054</u>

Expected obligations for FY 2010 are \$28.3 million, of which \$7.2 million is expected to be paid from the City's General Fund.

**3. WMATA Transit Revenue Bonds**

WMATA issued approximately \$1 billion of federally guaranteed transit revenue bonds to fund part of the construction of the rail transit system. Operating revenues have been insufficient to retire this debt. The federal government and WMATA entered into an agreement whereby the federal government agreed to pay two-thirds of the debt service costs for these bonds and to advance part of the remaining one third during the first three years of the agreement. The agreement requires that WMATA repay the federal advances, with interest, and one-third of the debt service on the bonds. WMATA allocated the cost of the advances and the one-third of the debt service costs among the participating jurisdictions. The City has not agreed to any payments for the one-third allocation of debt service, but the Northern Virginia Transportation Commission (NVTC) has paid, from state aid, all such costs allocated to Northern Virginia jurisdictions, of which \$1,418,200 was the City's allocation during the fiscal year ended June 30, 2009. However, NVTC has not paid any of the allocations for federal advances. In July of 1985, the

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)**

Alexandria City Council authorized NVTC to pay \$4.2 million to WMATA, including accrued interest, from state aid on deposit to the credit of the City. This was the total amount allocated to the City by WMATA for advances by the federal government, including accrued interest. The City has thus, with such authorization, satisfied all claims due WMATA for transit revenue bonds.

**B. Litigation**

The City is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance that may ultimately be incurred as a result of the suits and claims will not be material.

**C. Waste-To-Energy Facility**

The City has guaranteed annual tonnage of acceptable waste commitment to the Waste-to-Energy Facility, which is owned and operated by a private corporation. The commitment, which is joint with Arlington County, is based on a percent of solid waste the City and Arlington County expects to collect together. The facility charges fees on each ton based on defined costs, as well as has two multi-year contracts for large haulers where a fee discount applies. It is expected that the City and Arlington County will be able to continue to meet their minimum requirement for annual tonnage of 225,000 tons per year. For FY 2009 and for every year the facility has been open, the City and Arlington County exceeded the minimum annual tonnage requirement. If the City would be required to augment this requirement, the financial effect on the City would be immaterial.

On December 1, 1984, an inter-local joint enterprise agreement was entered into between the Alexandria Sanitation Authority and the Arlington Solid Waste Authority (the "Authorities"). The Joint Enterprise, referred to as the Alexandria/Arlington Resource Recovery Corporation, was formed to design, construct, equip, test, then operate a solid waste disposal facility having an installed capacity of 975 tons per day of mixed municipal solid waste. The facility is located at 5301 Eisenhower Avenue, Alexandria, Virginia. The Alexandria Industrial Development Authority issued revenue bonds and proceeds were lent to the Authorities to construct the facility.

On October 22, 1985, the Authorities sold the Facility to a private company ("the Corporation") pursuant to a Conditional Sale and Security Agreement (the Agreement). The sale involved the transfer of construction-in-progress together with marketable securities and other assets. The Corporation assumed the obligation to provide funds adequate to pay the current liabilities and the outstanding revenue bonds payable as of October 22, 1985. This Agreement requires the Authorities to transfer full title to the Facility only when principal and interest on the outstanding revenue bonds or any subsequent refinancing revenue bonds have been paid in full. The Agreement also entitles the Authorities to repossess the Facility if revenue bond debt service payments are not made.

In connection with this transaction, the Corporation entered into a Facility Agreement dated as of October 1, 1986, obligating it to construct the Facility and to provide waste disposal services to the City of Alexandria, Arlington County, and the Authorities for 20 years. Under the Facility Agreement, the City has a guaranteed annual tonnage of acceptable waste commitment to the Facility. The commitment was based on a percent of solid waste the City expects to collect. The Facility charges a fee on each ton based on defined costs, and the City has met its requirement for annual tonnage each year.

Federal law changes in the Clean Air Act and subsequent regulations required the City and Arlington County to invest in a retrofit for new equipment at the Waste-To-Energy Facility. In July 1998, the Authorities advance refunded \$55 million of the outstanding revenue bonds (Series 1998 A bonds) for the Facility to take advantage of lower interest rates. The Series A bonds were fully repaid in FY 2008. In November 1998, the Arlington Industrial Development Authority issued \$48.6 million in new retrofit revenue bonds (Series 1998 B bonds) to cover the cost of new pollution abatement equipment at the Facility required by federal law. The proceeds of the Series 1998 B bonds were lent to Authorities to construct the equipment.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)**

The retrofitting of the Facility's boiler units with certain air pollution control equipment was made necessary by the U. S. Environmental Protection Agency regulations adopted pursuant to the 1990 Clean Air Act Amendments, which imposed more stringent emission limitations on waste-to energy facilities. The Corporation has agreed to design, construct, start-up, and test the equipment so that it passes the Acceptance tests.

Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the Authorities and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the City records and are now considered a part of the plant. In FY 2008 they have been recorded in the same manner, as is the rest of the plant.

The Alexandria/Arlington Waste Disposal Trust Fund ("the Trust") is a private purpose trust fund of Arlington County, Virginia and, accordingly, the financial position and results of operations of the Trust are reflected in the comprehensive annual financial report of Arlington County, Virginia. The City of Alexandria, Virginia and Arlington County, Virginia each have a 50% ownership interest in the Trust; however, because Arlington County performs the administrative functions for the Trust, it is reflected in the Arlington County reporting entity. As part of the Conditional Sale and Security Agreement, the Corporation made a payment of \$1 million to the Trust, which was to be used as a reserve for future expenditures.

The Trust Fund derives its revenue from the following sources: a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste and was \$0.5 million for FY 2009.

Expenditures such as capital costs of repairs, replacement/changes to the facility, and waste recycling programs/activities which benefit the two jurisdictions are eligible for reimbursement through the Trust. In addition, in FY 2009 the Trust has been used to pay consulting fees to an engineering firm for operations and maintenance audits of the facility, for oversight of the new construction and for legal consulting fees paid for services related to the issuance of retrofit financing.

The Trust also has been used to subsidize the difference between the contractual tipping fee paid by haulers under special contracts and the standard tipping fee and to cover deficiencies arising in the "income-available-for-debt-service" calculations mandated by the Facility Agreement between the Corporation, the jurisdictions, and the Authorities. In June 2001, the City of Alexandria, with the concurrence of Arlington County, took responsibility for the investment of Trust fund monies.

Operating costs of the facility are paid for primarily through tipping fees. The City paid \$1.9 million in tipping fees in FY 2009. In the event of a revenue shortfall at the facility, the City is not responsible for the repayment of the bonds. The Alexandria Sanitation Authority and the Arlington Solid Waste Authority have certain bond repayment obligations.

**D. Northern Virginia Transportation District Bonds**

In November 1999, the City signed an agreement with the Commonwealth Transportation Board to provide \$256,070 annually, subject to appropriation, to finance certain Northern Virginia Transportation District Bond projects benefiting the City and other jurisdictions in Northern Virginia. The FY 2009 payment of \$256,070 was made from the proceeds from the City's telecommunications tax received by the General Fund. The City is not liable for repayment of the 20-year bonds.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT**

**General Obligation Bonds** - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The City currently has no outstanding arbitrage obligation. General obligation bonds outstanding as of June 30, 2009 are composed of the following individual issues:

\$35.2 million Public Improvement (tax-exempt) Bonds of 2009 installments ranging from \$1.1 million to \$4.1 million through 2019, bearing interest at rates ranging from 1.75 percent to 4.0 percent. The Bonds are not subject to redemption prior to maturity.....	\$	35,200,000
\$44.5 million Public Improvement (taxable-Build America) Bonds of 2009 installments ranging from \$4.1 million to \$4.8 million through 2029, bearing interest at rates ranging from 4.85 percent to 5.7 percent for which the Federal government provides a 35 percent interest rate subsidy. The Bonds maturing on or after July 1, 2019, are subject to optional redemption before maturity on or after July 1, 2019, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.....		44,500,000
\$58.0 million Public Improvement (tax-exempt) Bonds of 2008 installments ranging from \$0.9 million to \$3.1 million through 2028, bearing interest at rates ranging from 3.375 percent to 5.0 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.....		58,000,000
\$5.0 million Public Improvement (taxable) Bonds of 2008 installments ranging from \$0.25 million to \$1.25 million through 2028, bearing interest at rates ranging from 4.5 percent to 5.6 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.....		5,000,000
\$22.8 million Public Improvement (tax-exempt) Refunding Bonds of 2007 installments ranging from \$2.8 million to \$2.9 million through 2021, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds are not subject to redemption prior to their maturity .....		22,815,000
\$56 million Public Improvement (tax-exempt) Bonds of 2006 installments of \$2.9 million through 2026, bearing interest at rates ranging from 4.00 percent to 5.0 percent. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption .....		49,580,000
\$15 million Public Improvement (taxable) Bonds of 2006 installments of \$0.75 million through 2026, bearing interest at rates ranging from 5.5 percent to 5.95 percent. The bonds maturing before December 15, 2016 are not subject to redemption before maturity. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of \$5,000, at any time or from time to time at par plus accrued interest on the principal amount to be redeemed to the date fixed for redemption.....		12,750,000

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

\$54.8 million Public Improvement Bonds of 2004 installments of \$2.74 million through 2024, bearing interest at rates ranging from 3.0 percent to 5.0 percent. The bonds maturing before December 15, 2015 are not subject to redemption before maturity. Beginning December 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest .....	\$	43,845,000
\$32.5 million Refunding Bonds of 2004 installments ranging from \$0.2 million to \$3.205 million through 2020, bearing interest at rates ranging from 2.6 percent to 5.0 percent. The bonds maturing before June 15, 2015 are not subject to redemption before maturity. Beginning June 15, 2015, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest .....		30,985,000
\$64.7 million Public Improvement Bonds of 2004 installments ranging from \$3.3 million to \$3.8 million through 2023, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds maturing before June 15, 2015 are not subject to redemption before maturity. Beginning June 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest .....		46,700,000
\$54.5 million Public Improvement Bonds of 2001 due in installments of \$2.9 million through 2013, bearing interest at rates ranging from 4.0 percent to 4.5 percent. The bonds are not subject to redemption prior to maturity. (\$23.2 million refunded in May 2007). ....		11,590,000
\$55 million Public Improvement Bonds of 2000 installments of \$2.985 million through 2010, bearing interest at rate at 5.0 percent. (\$29.805 million were refunded in October 2004) .....		2,985,000
\$40 million Public Improvement Bonds of 1999 due in annual installments of \$2 million through 2019, bearing interest at rates ranging from 3.9 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity .....		20,000,000
<b>Total</b>	<b>\$</b>	<b>383,950,000</b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

<b>Public Improvement Bonds of 2009 (Tax-Exempt)</b>			
<b><u>CUSIP</u></b>	<b><u>Issue</u></b>	<b><u>Rate</u></b>	<b><u>Maturity Date</u></b> <b><u>July 1,</u></b>
015302D90	\$ 1,100,000	4.00%	2010
015302E24	2,200,000	3.00%	2011
015302E32	3,200,000	4.00%	2012
015302E40	4,100,000	1.75%	2013
015302E57	4,100,000	2.13%	2014
015302E65	4,100,000	3.00%	2015
015302E73	4,100,000	3.00%	2016
015302E81	4,100,000	4.00%	2017
015302E99	4,100,000	4.00%	2018
015302F23	4,100,000	4.00%	2019
Total	<u>\$ 35,200,000</u>		

<b>Public Improvement Bonds of 2009 (Taxable-Build America Bonds)</b>			
<b><u>CUSIP</u></b>	<b><u>Issue</u></b>	<b><u>Rate</u></b>	<b><u>Maturity Date</u></b> <b><u>July 1,</u></b>
015302F31	\$ 4,100,000	4.85%	2020
015302F49	4,100,000	5.00%	2021
015302F56	4,100,000	5.10%	2022
015302F64	4,100,000	5.20%	2023
015302F72	4,100,000	5.30%	2024
015302F80	4,800,000	5.40%	2025
015302F98	4,800,000	5.50%	2026
015302G22	4,800,000	5.60%	2027
015302G30	4,800,000	5.65%	2028
015302G48	4,800,000	5.70%	2029
Total	<u>\$ 44,500,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

**Public Improvement Bonds of 2008 (Tax-exempt)**

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302ZZ8	\$ 900,000	3.38%	2009
015302A28	1,900,000	3.38%	2010
015302A36	2,500,000	3.38%	2011
015302A44	3,100,000	5.00%	2012
015302A51	3,100,000	3.50%	2013
015302A69	3,100,000	3.50%	2014
015302A77	3,100,000	5.00%	2015
015302A85	3,100,000	5.00%	2016
015302A93	3,100,000	5.00%	2017
015302B27	3,100,000	4.00%	2018
015302B35	3,100,000	4.00%	2019
015302B43	3,100,000	4.25%	2020
015302B50	3,100,000	4.00%	2021
015302B68	3,100,000	4.00%	2022
015302B76	3,100,000	4.13%	2023
015302B84	3,100,000	4.20%	2024
015302B92	3,100,000	4.25%	2025
015302C26	3,100,000	4.25%	2026
015302C34	3,100,000	4.30%	2027
015302C42	3,100,000	4.38%	2028
Total	<u>\$58,000,000</u>		

**Public Improvement Bonds of 2008 (Taxable)**

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302C59	\$ 250,000	5.00%	2009
015302C67	250,000	4.50%	2010
015302C75	250,000	4.50%	2011
015302C83	250,000	4.50%	2012
015302C91	250,000	4.63%	2013
015302D25	250,000	4.63%	2014
015302D33	250,000	4.80%	2015
015302D41	250,000	5.00%	2016
015302D58	250,000	5.25%	2017
015302D66	250,000	5.25%	2018
015302D74	1,250,000	5.40%	2023
015302D82	1,250,000	5.60%	2028
Total	<u>\$ 5,000,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

The outstanding bonds have been issued as follows:

<b>Refunding Bonds of 2007</b>			
<b>CUSIP</b>	<b>Issue</b>	<b>Rate</b>	<b>Maturity Date June 15,</b>
015302ZY1	\$ 2,905,000	4.00%	2014
015302ZR6	2,890,000	4.00%	2015
015302ZS4	2,870,000	4.00%	2016
015302ZT2	2,845,000	4.00%	2017
015302ZU9	2,825,000	5.00%	2018
015302ZV7	2,825,000	5.00%	2019
015302ZW5	2,825,000	5.00%	2020
015302ZX3	2,830,000	5.00%	2021
Total	<u>\$22,815,000</u>		

<b>Public Improvement Bonds of 2006 (Tax-exempt)</b>			
<b>CUSIP</b>	<b>Issue</b>	<b>Rate</b>	<b>Maturity Date June 15,</b>
015302YC0	\$ 2,920,000	5.00%	2010
015302YD8	2,920,000	5.00%	2011
015302YE6	2,920,000	5.00%	2012
015302YF3	2,920,000	5.00%	2013
015302YG1	2,920,000	4.00%	2014
015302YH9	2,915,000	4.00%	2015
015302YJ5	2,915,000	5.00%	2016
015302YK2	2,915,000	5.00%	2017
015302YL0	2,915,000	4.25%	2018
015302YM8	2,915,000	4.38%	2019
015302YN6	2,915,000	4.38%	2020
015302Y91	2,915,000	4.50%	2021
015302YQ9	2,915,000	5.00%	2022
015302YR7	2,915,000	5.00%	2023
015302YS5	2,915,000	4.25%	2024
015302Y73	2,915,000	4.25%	2025
015302YU0	2,915,000	4.38%	2026
Total	<u>\$49,580,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

<b>Public Improvement Bonds of 2006 (Taxable)</b>			
<b>CUSIP</b>	<b>Issue</b>	<b>Rate</b>	<b>Maturity Date June 15,</b>
015302YY2	\$ 750,000	5.50%	2010
015302YZ9	750,000	5.50%	2011
015302ZA3	750,000	5.50%	2012
015302ZB1	750,000	5.50%	2013
015302ZC9	750,000	5.50%	2014
015302ZD7	750,000	5.55%	2015
015302ZE5	750,000	5.55%	2016
015302ZF2	750,000	5.65%	2017
015302ZG0	750,000	5.70%	2018
015302ZH8	750,000	5.75%	2019
015302ZJ4	750,000	5.80%	2020
015302ZK1	750,000	5.85%	2021
015302ZL9	750,000	5.90%	2022
015302ZM7	750,000	5.95%	2023
015302ZN5	750,000	5.95%	2024
015302ZP0	750,000	5.95%	2025
015302ZQ8	750,000	5.95%	2026
Total	<u>\$12,750,000</u>		

<b>Public Improvement Bonds of 2004 (Tax-Exempt)</b>			
<b>CUSIP</b>	<b>Issue</b>	<b>Rate</b>	<b>Maturity Date December 15,</b>
015302XH0	\$ 2,745,000	3.00	2009
015302XJ6	2,740,000	3.00	2010
015302XK3	2,740,000	5.00	2011
015302XL1	2,740,000	3.00	2012
015302XM9	2,740,000	3.50	2013
015302XN7	2,740,000	5.00	2014
015302XP2	2,740,000	4.50	2015
015302XQ0	2,740,000	4.50	2016
015302XR8	2,740,000	4.00	2017
015302XS6	2,740,000	4.00	2018
015302XT4	2,740,000	4.00	2019
015302XU1	2,740,000	4.00	2020
015302XV9	2,740,000	4.00	2021
015302XW7	2,740,000	4.00	2022
015302XX5	2,740,000	4.25	2023
015302XY3	2,740,000	4.50	2024
Total	<u>\$43,845,000</u>		

<b>Refunding Bonds of 2004 (Tax-Exempt)</b>			
<b>CUSIP</b>	<b>Issue</b>	<b>Rate</b>	<b>Maturity Date June 15,</b>
015302WS7	\$ 215,000	2.875	2010
015302WT5	3,205,000	3.750	2011
015302WU2	3,170,000	3.500	2012
015302WV0	3,130,000	5.000	2013
015302WW8	3,130,000	4.000	2014
015302WX6	3,085,000	4.250	2015
015302WY4	3,060,000	5.000	2016
015302WZ1	3,050,000	4.250	2017
015302XA5	3,015,000	4.250	2018
015302XB3	2,980,000	4.250	2019
015302XC1	2,945,000	4.375	2020
Total	<u>\$30,985,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

<u>Public Improvement Bonds of 2004 (Tax-Exempt)</u>				<u>Public Improvement Bonds of 2001 (Tax-Exempt)</u>			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>	<u>CUSIP</u>	<u>2000 Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302VX7	\$ 3,800,000	5.00	2010	015302VE9	\$ 2,900,000	4.13	2010
015302VY5	3,300,000	5.00	2011	015302VF6	2,900,000	4.25	2011
015302VZ2	3,300,000	5.00	2012	015302VG4	2,895,000	4.40	2012
015302WA6	3,300,000	4.00	2013	015302VH2	2,895,000	4.50	2013
015302WB4	3,300,000	4.00	2014	Total	<u>\$ 11,590,000</u>		
015302WC2	3,300,000	4.00	2015				
015302WD0	3,300,000	4.00	2016				
015302WE8	3,300,000	4.00	2017				
015302WF5	3,300,000	4.00	2018				
015302WG3	3,300,000	4.00	2019				
015302WH1	3,300,000	4.13	2020				
015302WJ7	3,300,000	4.25	2021				
015302WK4	3,300,000	4.25	2022				
015302WL2	3,300,000	4.25	2023				
Total	<u>\$ 46,700,000</u>						

<u>Public Improvement Bonds of 2000 (Tax-Exempt)</u>				<u>Public Improvement Bonds of 1999 (Tax-Exempt)</u>			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>	<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>January 15,</u>
015302UK6	\$ 2,985,000	5.00	2010	015302TQ5	\$ 2,000,000	5.00	2010
Total	<u>\$ 2,985,000</u>			015302TR3	2,000,000	4.25	2011
				015302TS1	2,000,000	4.25	2012
				015302TT9	2,000,000	5.00	2013
				015302TU6	2,000,000	5.00	2014
				015302TV4	2,000,000	4.50	2015
				015302TW2	2,000,000	5.00	2016
				015302TX0	2,000,000	5.00	2017
				015302TY8	2,000,000	5.00	2018
				015302TZ5	2,000,000	5.00	2019
				Total	<u>\$ 20,000,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

The requirements to pay all long-term bonds as of June 30, 2009, including interest payments of \$154 million, are summarized as follows:

<b>Fiscal Year</b>	<b>Serial Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2010.....	19,465,000	15,123,464
2011.....	21,065,000	15,955,556
2012.....	22,725,000	15,024,768
2013.....	24,285,000	14,011,650
2014.....	25,195,000	12,973,544
2015-2019.....	125,220,000	49,528,946
2020-2024.....	91,075,000	24,132,793
2025-2029.....	50,120,000	7,105,088
2030.....	<u>4,800,000</u>	<u>136,800</u>
	<b><u>\$ 383,950,000</u></b>	<b><u>\$ 153,992,609</u></b>

The General Fund meets debt service requirements for general obligation bonds. The City retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

**Legal Debt Margin** - The City has no overlapping debt with other jurisdictions. As of June 30, 2009, the City had a legal debt limit of \$3.4 billion and a debt margin of \$3.1 billion:

Assessed Value of Real Property, January 1, 2009.....	<u>\$34,379,163,000</u>
Debt Limit: 10 Percent of Assessed Value.....	<u>\$ 3,437,916,300</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds.....	<u>\$383,950,000</u>
Less Total General Obligation Debt.....	<u>(383,950,000)</u>
LEGAL DEBT MARGIN REMAINING .....	<u>\$ 3,053,966,300</u>

**Unissued Bonds** - Bond authorizations expire three years from the effective date of the respective bond ordinances. Authorization of bonds, bonds issued and expired during the fiscal year ended June 30, 2009, are summarized below:

	<b>Authorized and Unissued July 1, 2008</b>	<b>Authorized</b>	<b>Issued</b>	<b>Expired</b>	<b>Authorized and Unissued June 30, 2009</b>
	<u>\$ 77,100,000</u>	<u>\$ 106,700,000</u>	<u>\$ 142,700,000</u>	<u>\$ 7,100,000</u>	<u>\$ 34,000,000</u>
General Obligation Bonds					

On June 25, 2009 the City Council issued \$35.2 million in General Obligation bonds for school construction, sewers, and infrastructure improvements and renovation. These bonds were issued with an original issue premium of approximately \$1.5 million and a true interest cost of 2.68 percent. Also, on June 25, 2009 the City Council issued \$44.5 million in taxable bonds for school construction, sewers, and infrastructure improvements and renovation. These bonds were issued with an original issue premium of \$43,468 and a true interest cost of 3.50 percent for which the Federal government provides a 35 percent interest rate subsidy for these Build America Bonds. The premium for these bonds are being amortized over the life of the bonds.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

On July 15, 2008 the City Council issued \$58.0 million in General Obligation bonds for school construction, sewers, and infrastructure improvements and renovation. These bonds were issued with an original issue premium of approximately \$1.4 million and a true interest cost of 3.99 percent. Also, on July 15, 2008 the City Council issued \$5 million in taxable bonds for the acquisition and rehabilitation of affordable/workforce housing by non-profit housing operations. These bonds were issued with an original issue premium of \$29,048 and a true interest cost of 5.36 percent. The premium and discounts for these bonds are being amortized over the life of the bonds.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2009. Other short-term liabilities represent unclaimed money and deposits.

**Changes in Long-Term Liabilities** - Changes in the total long-term liabilities during the fiscal year ended June 30, 2009 are summarized below. The Net Pension Obligation results from contributions to the City Supplemental Retirement Plan, the Pension for Fire and Police Plan, and the Firefighters' and Police Pension Plan that were less than the required amount. In general the City uses the General Fund to liquidate long-term liabilities.

**Primary Government – Governmental Activities**

	<b>Balance</b>			<b>Balance</b>	<b>Amounts Due</b>
	<b>July 1, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2009</b>	<b>Within One</b>
					<b>Year</b>
General Obligation Bonds	\$ 260,350,000	\$142,700,000	\$19,100,000	\$ 383,950,000	\$ 19,465,000
Bond Premium	6,934,131	2,984,635	484,654	9,434,112	560,489
Workers' Compensation Claims	7,403,373	3,862,655	2,161,199	9,104,829	2,565,651
Accrued Compensated Absences	18,962,174	12,693,579	11,951,413	19,704,340	1,436,398
Net Pension Obligation	12,251,829	1,213,773	1,809,545	11,656,057	---
Net OPEB Obligation	6,978,029	10,769,137	10,222,864	7,524,302	---
<b>Total</b>	<u>\$ 312,879,536</u>	<u>\$174,223,779</u>	<u>\$45,729,675</u>	<u>\$ 441,373,640</u>	<u>\$ 24,027,538</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All liabilities – both current and long-term – are reported in the statement of net assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2009:	
Long-term liabilities (detail above)	\$ 441,373,640
Accrued interest payable	2,637,671
Adjustment	<u>\$ 444,011,311</u>

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. This adjustment from modified accrual to full accrual is composed of the following items:

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

Compensated absences	\$ 742,166
Workers compensation	1,701,456
Change in net pension obligation and net OPEB obligation	(2,680,068)
Amortization of bond premium,	
Discount and interest	2,138,169
Accrued interest on bonds	<u>1,889,329</u>
Adjustment	<u>\$ 3,791,052</u>

**Component Unit – School Board**

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2009</b>	<b>Amounts Due Within One Year</b>
Accrued Compensated Absences	\$ 7,319,792	\$ 11,349,647	\$11,259,822	\$ 7,409,617	\$ 679,336
Capital Leases	---	2,265,980	---	2,265,980	1,132,990
Workers' Compensation Claims	574,956	848,831	751,542	672,245	470,572
Net OPEB Obligation	5,884,556	---	305,370	5,579,186	---
<b>Total</b>	<u>\$ 13,779,304</u>	<u>\$ 14,464,458</u>	<u>\$12,316,734</u>	<u>\$ 15,927,028</u>	<u>\$ 2,282,898</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS**

There were no interfund receivables/payables at June 30, 2009. Interfund transfers and transactions for the year ended June 30, 2009 consisted of the following:

Transfer In/Out:	General	Special Revenue	Capital Projects	Internal Service	Total
<b>Primary Government Transactions</b>					
General Fund	\$ ---	\$ 1,323,910	\$ ---	\$ 900,000	\$ 2,223,910
Special Revenue	38,217,033	62,330	---	---	38,279,363
Capital Projects	12,552,687	5,850,000	---	---	18,402,687
Internal Service	---	150,576	---	---	150,576
Total	<u>\$ 50,769,720</u>	<u>\$ 7,386,816</u>	<u>\$ ---</u>	<u>\$ 900,000</u>	<u>\$ 58,156,536</u>
<b>Component Unit Transactions</b>					
School Board	\$ 167,953,749	\$ ---	\$ 3,897,558	\$ ---	\$ 171,851,307
Library	6,793,868	---	---	---	6,793,868
Alexandria Transit	7,955,042	---	---	---	7,955,042
Total	<u>\$ 182,702,659</u>	<u>\$ ---</u>	<u>\$ 3,897,558</u>	<u>\$ ---</u>	<u>\$ 186,600,217</u>

Primary government transfer activities include:

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant programs resources and taxes collected for affordable housing project

Special Revenue funds are transferred to other funds for capital and equipment purchases as determined by the terms of the grant agreements.

Transfers from the General Fund to the Capital Projects fund represent the City's budgeted pay-as-you go funding of capital projects.

Transfers from Special Revenue funds to Capital Projects represent grants received for capital related expenditures.

Transactions with the component units represent budgeted subsidies for the school operations and capital projects, library operations and transit operations. In addition, the City transferred capital assets totaling \$0.1 million to Alexandria Transit.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 11. GRANTS**

The City receives financial assistance from numerous federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the City. In the opinion of City management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

**NOTE 12. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues for the City and its component units totaled \$159.4 million in FY 2009. Sources of these revenues were as follows:

<b>GOVERNMENTAL FUNDS</b>	
Federal Government	\$ 31,316,538
Commonwealth of Virginia	<u>84,678,045</u>
Total Primary Government	<u>\$ 115,994,583</u>
<b>COMPONENT UNITS</b>	
Federal Government:	
School Board	\$ 10,477,624
Alexandria Transit Company	<u>106,680</u>
Total Component Units of Federal Government	<u>\$ 10,584,304</u>
Commonwealth of Virginia:	
School Board	\$ 32,413,732
Library	196,626
Alexandria Transit Company	<u>172,594</u>
Total Component Units Commonwealth of Virginia	<u>\$ 32,782,952</u>
Total Component Units	<u>\$ 43,367,256</u>
<b>TOTAL CITY AND COMPONENT UNITS</b>	
Total Federal Government	\$ 41,900,842
Total Commonwealth of Virginia	<u>117,460,997</u>
Total Intergovernmental Revenue	<u>\$ 159,361,839</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 13. DUE FROM OTHER GOVERNMENTS**

Due from other governments represents accrued revenue at June 30, 2009, consisting of the following:

<b>Primary Government</b>	
State	
General Fund	\$ 30,674,412
Special Revenue Fund	<u>2,220,479</u>
Total State	<u>\$ 32,894,891</u>
Federal	
General Fund	\$ 1,125,809
Special Revenue Fund	<u>3,396,606</u>
Total Federal	<u>\$ 4,522,415</u>
Total Primary Government	<u>\$ 37,417,306</u>
<b>Component Units</b>	
State	
School Board	\$ 150,575
Alexandria Transit Company	<u>233,138</u>
Total State	<u>\$ 383,713</u>
Federal	
School Board	<u>\$ 1,856,161</u>
Total Component Units	<u>\$ 2,239,874</u>
Total	<u>\$ 39,657,180</u>

**NOTE 14. JOINT VENTURES**

**A. Northern Virginia Criminal Justice Academy**

The City participates in a joint venture with the Counties of Arlington and Loudoun and the Cities of Fairfax, Falls Church, Manassas, and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. The Industrial Development Authority of Loudoun County, Virginia issued \$6,585,000 Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993, to finance the acquisition, renovation, and equipment of the Academy Training Center. The City and the Counties of Arlington and Loudoun have entered into a capital lease with the Industrial Development Authority of Loudoun County. The City maintains an equity interest only in the land and building of the Academy, which is reflected in the City's Statement of Net Assets. The City does not maintain an equity interest in the Academy's operations. This lease was paid in full in FY 2007. New debt of \$18.7 was issued in FY 2007. The City does not have an equity interest associated with this debt. In addition, the City pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2009, the City paid \$0.6 million for operating costs.

Financial statements for the Academy may be obtained at Northern Virginia Criminal Justice Academy, 45299 Research Place, Ashburn, Virginia 22011-2600.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 14. JOINT VENTURES (Continued)**

**B. Northern Virginia Juvenile Detention Home**

The City participates in a joint venture with Arlington County and the City of Falls Church to operate a regional juvenile detention home. In July 1993, the City agreed to fund 55.3 percent of the construction costs of a new facility. The final construction payments were made in FY 1995. In addition, the City pays part of the Northern Virginia Juvenile Detention Home's operating costs based on the number of beds utilized by Alexandria residents. These payments totaled \$1.6 million in FY 2009.

The City does not maintain an equity interest in the detention home. Complete separate financial statements for this operation may be obtained from Northern Virginia Juvenile Detention Home, 200 South Whiting Street, Alexandria, Virginia 22304.

**C. Peumansend Creek Regional Jail Authority**

In 1992, the City entered into an agreement with the Counties of Caroline, Arlington, Prince William, and Loudoun to form an authority to construct and operate a regional jail in Caroline County. The regional jail, which commenced operations in September 1999, is used primarily to hold prisoners from each member jurisdiction. The Regional Jail Authority is composed of two representatives, the Chief Administrative Officer and the Sheriff, from each participating jurisdiction. The City of Richmond, which was not party to the original agreement, is now a part of the project. The regional jail has the capacity for 336 prisoners. The City is guaranteed a minimum of 50 beds.

The total project cost of \$27 million, with 50 percent of the eligible construction cost (\$23.8 million) is expected to be reimbursed by the Commonwealth. The Regional Jail Authority issued \$10.2 million in revenue bonds and \$12 million of grant anticipation notes in March 1997. The City's total share is \$18.2 million, including approximately \$3.2 million in capital and debt service costs and \$15 million in operating costs over the 20-year period of debt service payments (1997-2016). For FY 2009, the City paid \$0.6 million for operating costs and \$0.1 million for debt service payments. The City does not maintain an equity interest in the jail and is not responsible for repayment of the debt.

Complete financial statements can be obtained by writing to the Regional Jail Authority at Post Office Box 1460, Bowling Green, Virginia 22427.

**D. Washington Metropolitan Area Transit Authority**

As discussed in Note 8, the City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system. The City does not maintain an equity interest in WMATA. Complete financial statements of WMATA may be obtained from WMATA, 600 5th Street, N.W., Washington, DC 20001.

**NOTE 15. RELATED PARTY TRANSACTIONS**

Sheltered Homes of Alexandria is a not-for-profit corporation formed to obtain and maintain group homes for mentally and physically disabled or impaired adults. The corporation's trustees also serve on the Alexandria Community Services Board, whose board members are appointed by the City and whose financial activities are therefore included as part of the primary government. During FY 2009, the City made rental payments to Sheltered Homes of Alexandria totaling \$0.1 million.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

In 1989 City Council voted to establish three classes of post employment health care benefits to supplement the increasing health care costs for City retirees. The three classes are as follows: (a) Full Time City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension plan; (b) Fire and police employees who are eligible to retire under the current defined benefit pension plan; and (c) Fire and police employees who retired and were eligible for normal retirement with 20 years of service under the old defined contribution retirement income plan and the retirees under the old defined benefit pension. In addition, spouses of deceased retirees are also eligible to receive continued benefits.

The plan is a reimbursement program that is based on the actual cost of the retiree's monthly premium up to a maximum amount determined by the City Council. Effective July 1, 2005, the maximum monthly amount an eligible retiree or a surviving spouse may receive is \$260. The City Council has authority to establish or amend the provisions. As of June 30, 2009, 819 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to \$260 per month for each retiree, for a total annual contribution of \$2.0 million for FY 2009. Employees hired after September 30, 2007 will have their retirees health benefits prorated based on the length of service.

In addition to the healthcare benefits, the City pays for basic life insurance two times the amount of salary at the time of retirement to regular full time employees with applicable reductions if over 65 at no cost to the employees. On January 1, following the 65<sup>th</sup> birthday the basic life insurance amount is reduced by 25% and then by 10% each year till the 70<sup>th</sup> birthday. The ultimate insurance amount is 25% of the salary. As per City Council FY 2010 budget actions, as of July 1, 2008 any new City employee will not be eligible to receive the life insurance when they retire.

The City implemented Statement No. 45 of the Governmental Accounting Standards Boards (GASB), (Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions) for the year ended June 30, 2008. The City established a Single Employer OPEB Trust and plans to fund on a phased in basis the obligation through this trust. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. The City does not issue a stand alone financial report for OPEB trust fund. The financial statements and required supplementary information are included in City's Comprehensive Annual Financial Report.

**MEMBERSHIP**

At January 1, 2009, membership consisted of:  
Retirees and Beneficiaries Currently Receiving

Benefits	888
Terminated Employees Entitled to Benefits	
But not yet receiving them	---
Active Employees	<u>2,273</u>
TOTAL	<u>3,161</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**ANNUAL OPEB COSTS AND NET OPEB OBLIGATIONS**

The annual required contribution (ARC) decreased from \$10,900,053 for fiscal year 2008 to \$10,800,769 for the current year. As a percentage of the payroll, the ARC decreased from 7.5% to 7.35% this fiscal year. As of June 30, 2009, the Net OPEB Obligation (NOO) increased to \$7,524,302 compared to \$6,978,029 for fiscal year 2008 because only 94.6 percent of the ARC was contributed. As of December 31, 2008 the unfunded Actuarial Accrued Liability (UAAL) increased by \$1,038,460 to 85,584,062. This increase was due to certain valuation changes to mortality, disability and retirement rates for the Fire and Police members and the pre-medical subsidy increased less than projected. The plan changes to prorate the health subsidy payments for retirees hired after September 30, 2007 based on years of service and to eliminate life insurance for those hired after July 1, 2008 were included in this year's valuation but had no effect on the current UAAL. The savings from these changes will be recognized over time.

Annual Required Contribution	\$ 10,800,769
Interest on Net OPEB Obligation	523,352
Adjustment to Annual Required Contribution	(554,984)
Annual OPEB Cost	\$ 10,769,137
Contributions Made	<u>(10,222,864)</u>
Increase (Decrease in Net OPEB Obligation)	\$ 546,273
Net OPEB Obligation, Beginning of Year	6,978,029
Net OPEB Obligation, End Of Year	<u>\$ 7,524,302</u>

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the plan as of December 31, 2008 was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll ((2-1)/5)
12/31/2008	\$ 4,316,727	\$ 89,900,789	\$85,584,062	4.80%	\$146,884,002	58.27%

The Statement of Net Assets for the City's OPEB plan is included in footnote 17.

Actuarial valuations of plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend.

The actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following notes to the financial statements, presents results as of December 31, 2008. The schedule will eventually provide multi-year trend information about whether the actuarial values of plan net assets are increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

**ACTUARIAL METHODS AND ASSUMPTIONS**



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the December 31, 2008 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumption included 7.50% investment rate and an initial annual medical cost trend rate of 8.5% graded to 5.0% over 7 years and salary scale ranging from 3.75% to 7.50% for Fire and Police and 3.75% to 5.60% for City employees depending on service with 3.0% attributable to inflation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. Asset valuation method used was market value and the remaining amortization period as of December 31, 2008 was 29 years.

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contributions	Employer Contributions	Percentage Contributed
06/30/2008	\$ 10,900,053	\$ 3,922,024	36 %
06/30/2009	10,800,769	10,222,864	94.6%

Only two years' information was available. This will be expanded when information becomes available.

**Three Year Trend Information**

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/2008	\$ 10,900,053	36.0%	\$ 6,978,029
06/30/2009	10,769,137	94.9%	7,524,302

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008 and only two years' information was available. This will be expanded in future years when more information becomes available.

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS**

**Primary Government**

The City participates in seven public employee retirement systems (PERS). One of these systems is handled by Virginia Retirement System (VRS), an agent multi-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia, and is, therefore, not reflected as a City pension trust fund. Of the remaining six, four are single-employer defined benefit systems (City Supplemental, Pension for Fire and Police, Firefighters and Police Officers Pension Plan-defined benefit component, and Firefighters and Police Officers Pension Plan-disability component), where a stated methodology for determining benefits is provided, and two are defined contribution plans (Firefighters and Police Officers Pension Plan-defined contribution component and Retirement Income for Sheriff and Emergency Rescue Technicians (ERT)), where contribution requirements are not actuarially determined. All of these systems are included as part of the City's reporting entity and as such are reflected as Pension Trust Funds.

**CITY OF ALEXANDRIA, VIRGINIA**  
Notes to Financial Statements  
June 30, 2009

Exhibit XII  
(Continued)

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Combining Schedule of Fiduciary Net Assets**

	Employee Retirement Plans					Post Retirement Benefit Trust
	Firefighters and Police Officers Pension Plan				Retirement Income for Sheriff and ERT	
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component		
ASSETS						Total
Investments, at Fair Value						
U.S. Government Obligations	\$ -	\$ -	\$ -	\$ 2,133,390	\$ -	\$ 2,133,390
Mutual Funds	20,054,787	-	8,327,058	103,095,485	5,545,084	139,110,798
Stocks	36,939,166	-	-	5,505,288	-	45,976,880
Guaranteed Investment Accounts	12,812,642	27,946,279	9,112,620	7,352,608	8,995,922	67,098,882
Domestic Corporate Bonds	-	-	-	700,675	-	700,675
Other Investments	-	-	-	406,165	-	501,118
Total Investments	\$69,806,595	\$27,946,279	\$ 17,439,678	\$110,448,093	\$14,541,006	\$255,521,743
Total Assets	\$69,806,595	\$27,946,279	\$ 17,439,678	\$110,448,093	\$14,541,006	\$255,521,743
NET ASSETS						
Held in Trust for Pension Benefits	\$69,806,595	\$27,946,279	\$ 17,439,678	\$110,448,093	\$14,541,006	\$255,521,743

**CITY OF ALEXANDRIA, VIRGINIA**  
Notes to Financial Statements  
June 30, 2009

Exhibit XII  
(Continued)

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Combining Schedule of Changes in Fiduciary Net Assets

	Employee Retirement Plans					Post Retirement Benefit Trust		
	Firefighters and Police Officers Pension Plan							
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component		Retirement Income for Sheriff and ERT	Other Post Employment Benefits
<b>ADDITIONS</b>								
Contributions:								
Employer	\$ 5,109,723	\$ 1,707,836	\$ -	\$ 7,087,325	\$ 1,444,947	\$ 282,643	\$ 5,391,667	\$ 21,024,141
Plan Members	2,547,460	-	-	2,402,978	168,109	-	-	5,118,547
Total Contributions	\$ 7,657,183	\$ 1,707,836	\$ -	\$ 9,490,303	\$ 1,613,056	\$ 282,643	\$ 5,391,667	\$ 26,142,688
Investment Income:								
Net Appreciation (Depreciation) in Fair Value of Investments	\$(10,024,177)	\$ -	\$ (3,004,591)	\$ (24,700,325)	\$ (2,298,371)	\$ (1,721,063)	\$ (1,185,365)	\$ (42,933,892)
Interest	1,859,603	1,680,810	350,395	4,303,436	410,670	321,898	158,351	9,085,163
Total Investment Income	\$ (8,164,574)	\$ 1,680,810	\$ (2,654,196)	\$ (20,396,889)	\$ (1,887,701)	\$ (1,399,165)	\$ (1,027,014)	\$ (33,848,729)
Less Investment Expense	-	-	-	-	-	-	-	-
Net Investment Income	\$ (8,164,574)	\$ 1,680,810	\$ (2,654,196)	\$ (20,396,889)	\$ (1,887,701)	\$ (1,399,165)	\$ (1,027,014)	\$ (33,848,729)
Total Additions	\$ (507,391)	\$ 3,388,646	\$ (2,654,196)	\$ (10,906,586)	\$ (274,645)	\$ (1,116,522)	\$ 4,364,653	\$ (7,706,041)
<b>DEDUCTIONS</b>								
Benefits	\$ 5,833,905	\$ 4,459,122	\$ -	\$ 4,576,773	\$ 1,700,956	\$ -	\$ -	\$ 16,570,756
Refunds of Contributions	-	-	1,491,194	-	-	670,533	-	2,161,727
Administrative Expenses	128,054	26,434	-	238,944	76,382	-	66,796	536,610
Total Deductions	\$ 5,961,959	\$ 4,485,556	\$ 1,491,194	\$ 4,815,717	\$ 1,777,338	\$ 670,533	\$ 66,796	\$ 19,269,093
Net Increase (Decrease)	\$ (6,469,350)	\$ (1,096,910)	\$ (4,145,390)	\$ (15,722,303)	\$ (2,051,983)	\$ (1,787,055)	\$ 4,297,857	\$ (26,975,134)
Net Assets at Beginning of Year	76,275,945	29,043,189	21,585,068	126,170,396	12,885,885	16,328,061	208,333	282,496,877
Net Assets at End of Year	\$ 69,806,595	\$ 27,946,279	\$ 17,439,678	\$ 110,448,093	\$ 10,833,902	\$ 14,541,006	\$ 4,506,190	\$ 255,521,743

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The actuarial valuations for all the defined benefit pension plans are performed annually with the exception of VRS, which is performed biennially; however, an actuarial update is performed in the interim year. In the current valuation report, VRS used the same assumptions and methods as the prior year report. The number of active members shown includes those who have worked for the City at one time, but who are now active in another jurisdiction. Also the number of retirees includes those who retired from the City, as well as those who retired from another jurisdiction with service attributable to the City. The liability for the City's share of the benefits for those employees has been reflected in the pension liabilities and employer contribution rates. Financial statements and required supplementary information are presented in the VRS comprehensive annual financial report, which can be obtained by writing to the Virginia Retirement System, Post Office Box 2500, Richmond, Virginia 23218.

There were no significant changes made to the pension plan for Police and Fire during current evaluation. However, the investment return assumption was changed from 7.5% to 5.5% effective July 1, 2008; this was changed in order to more closely align with anticipated investment earnings of the plan. Prior to the changes, the Annual Required Contribution (ARC) increased from \$1,209,549 (\$1,182,987 after interest adjustment) last year to \$1,278,018 this year; this increase was primarily due to the losses from investment return of approximately 6.17%, compared to 7.5% assumed. The change in investment return assumption increased the (ARC) by approximately \$400,000, from \$1,278,018 to \$1,679,131.

Effective this year's valuation, there were some actuarial assumption changes for the Firefighters and Police Officers defined benefit pension plan. Assumed COLA increases were reduced from 3.0% to 2.7% per year. Healthy life mortality rates were changed from 1983 Group Annuity Mortality Table to the more up-to-date RP-2000 Healthy Annuitant Mortality Table. The retirement rates for active participants increased slightly for ages 45-50, and decreased for ages 50-61. The disability incidence rates were decreased for all ages. The percentage for service related disabilities was lowered, while the percentage for non-service related disabilities was increased. The workman's compensation offset to the disability benefit was increased. The current actuarial valuation report is as of July 1, 2008 and the changes in the value of assets subsequent to that date are not reflected. Declines in the asset values will increase the actuarial cost of the plan and the effect would be spread over four years.

There were no changes in actuarial assumptions, benefit provisions, or funding method for the Virginia Retirement System and City Supplemental Pension Plan. The major provisions of all the defined benefit pension plans are listed in this disclosure.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The following schedules present a description of the plan provisions and membership information, actuarial assumptions, accounting and funding policies, and contribution requirements. Six-year schedules of funding progress and trend information for defined benefit pension plans are provided in Exhibit XVI.

**PLAN DESCRIPTION**

	(1) VRS	(2)	(3)	(4)	(5)	(6)	(7)
	City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Firefighters and Police Pension	Fire and Police Disability	Retirement Income for Sheriff and ERT
Administrator	State of Virginia	Prudential	Prudential	Prudential	Prudential	SunTrust	Prudential
Employees Covered	General body	General body Sheriff/ERT	Public Safety	Public Safety	Public Safety	Public Safety	Sheriff/ERT
Authority for Plan Provisions and Contributions	State Statute	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance
Plan Type	Agent Multi- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer
	Defined Benefit	Defined Benefit	Defined Benefit	Defined Contribution	Defined Benefit	Defined Benefit	Defined Contribution
Stand Alone Financial Report	Yes	No	No	No	No	No	No
Actuarial Valuation Date	6/30/2008	7/1/2008	7/1/2008	6/30/2009	7/1/2008	7/1/2008	6/30/2009
<b>MEMBERSHIP AND PLAN PROVISIONS</b>							
Active Participants	2043	2141	0	106	458	458	252
Retirees & Beneficiaries	728	247	154	0	131	64	0
Terminated Vested & Non-vested	498	787	0	37	16	N/A	18
<b>Normal Retirement Benefits:</b>							
Age	65 50 (30Yrs)	65 50 (30Yrs)/ 50(25 Yrs)	60 50 (20Yrs)	60	55 Any Age (25Yrs)	55	60
Benefits Vested	5	5	10	5	5	5	5
Disability & Death Benefits	Disability Death	Disability Death	Disability Death	N/A Death	Disability Death	Disability N/A	N/A Death

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**MEMBERSHIP AND PLAN PROVISIONS**

As of:	6/30/08	7/01/08	7/01/08	6/30/09	7/01/08	7/01/08	6/30/09
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VRS</u>						
	<u>City</u>	<u>City Supplemental Retirement</u>	<u>Pension For Fire and Police</u>	<u>Retirement Income for Fire and Police</u>	<u>Firefighters and Police Pension</u>	<u>Fire and Police Disability</u>	<u>Retirement Income for Sheriff and ERT</u>

**SIGNIFICANT ACTUARIAL ASSUMPTIONS**

Investment Earnings	7.5%	7.5%	5.5%	N/A	7.5%	7.5%	N/A
---------------------	------	------	------	-----	------	------	-----

**Projected Salary Increases**

**Attributable to:**

Inflation	2.5%	3.0%	N/A	N/A	3.0%	3.0%	N/A
-----------	------	------	-----	-----	------	------	-----

Seniority/Merit	1.25% - 3.10%	Up to 4%	N/A	N/A	Up to 4.5%	Up to 4.5%	N/A
-----------------	---------------	----------	-----	-----	------------	------------	-----

**Projected Postretirement**

Increases	2.5%	None	3.0%	N/A	2.7%	2.7%	N/A
-----------	------	------	------	-----	------	------	-----

Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Projected Unit Credit With Zero Normal Cost	N/A	Entry Age Normal Cost	Entry Age Normal Cost	N/A
-----------------------	-----------------------------	-----------------------------	---	-----	-----------------------------	-----------------------------	-----

Amortization Method Open/Closed	Level Percentage Open	Level Percentage N/A	Level dollar Closed	N/A	Level Percentage Closed	Level Percentage Closed	N/A
------------------------------------	--------------------------	-------------------------	------------------------	-----	----------------------------	----------------------------	-----

Remaining Amortization Period	20	20	17	N/A	21	21	N/A
-------------------------------	----	----	----	-----	----	----	-----

Asset Valuation Method	Modified Market	Market Value	Book Value	N/A	4-year Smoothed Market	4-year Smoothed Market	N/A
------------------------	-----------------	--------------	------------	-----	------------------------------	------------------------------	-----

**Funded Status**

Actuarial Value of assets	334,817,687	76,275,945	29,043,189	N/A	133,567,658	14,305,285	N/A
Actuarial Accrued Liability	378,308,775	117,964,452	47,171,730	N/A	181,469,715	16,804,777	N/A
Unfunded Actuarial							
Accrued Liability (UAAL)	43,491,087	41,688,507	18,128,541	N/A	47,902,057	2,499,492	N/A
Funded Ratio	88.5%	64.7%	61.57%	N/A	73.6%	85.1%	N/A
Annual Covered Payroll	114,427,304	126,492,987	N/A	N/A	33,485,674	33,485,674	N/A
UAAL as Percentage of Covered Payroll	38.0%	33.0%	N/A	N/A	143.1%	7.5%	N/A

The multi-year funding progress is presented in RSI.

The Pension Plan for Fire and Police is a closed plan with no active participant.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**FUNDING POLICY AND ANNUAL PENSION COST**

As of:	6/09	6/09	6/09	6/09	6/09	6/09	6/09
	<b>VRS</b>						
	<b>City</b>	<b>City Supplemental Retirement</b>	<b>Pension for Fire and Police</b>	<b>Retirement Income for Fire and Police</b>	<b>Firefighters and Police Pension</b>	<b>Fire and Police Disability</b>	<b>Retirement Income for Sheriff and ERT</b>
<b>PERCENTAGE OF COVERED PAYROLL CONTRIBUTED</b>							
Employee %	5.0%	2.0%	N/A	N/A	7.4%	0.6%	N/A
Employer %	7.07%	3.64% 6.50%	\$ 1.71 mil/Yr.	N/A	21.96%	4.45%	1.78%
<b>AMOUNT CONTRIBUTED</b>							
Employee	\$ 5,827,284 *	\$ 2,547,460 *	\$ -	\$ -	\$ 2,402,978	\$ 168,109	\$ -
Employer	8,149,979	5,109,723	1,707,836	-	7,087,325	1,444,947	282,643
Total Amount Contributed	<u>\$ 13,977,263</u>	<u>\$ 7,657,183</u>	<u>\$ 1,707,836</u>	<u>\$ -</u>	<u>\$ 9,490,303</u>	<u>\$ 1,613,056</u>	<u>\$ 282,643</u>

\* The City assumed the responsibility of payment of employees' share of contributions. Administrative costs of all the pension plans are financed through investment earnings except Public Safety Retirement and Sheriff Retirement plans, where the cost is assumed by the City.  
The Contribution requirements for all pension plans (except VRS) are established and may be amended by City Ordinance. VRS requirements are established and may be amended by State Statutes. No contributions were made to Firefighters and Police defined contribution component plan during FY2009.

**COVERED PAYROLL**

Dollar Amount	\$ 116.5 mil	\$ 127.4 mil	\$ N/A	\$ N/A	\$ 32.5 mil	\$ 32.5 mil	\$ N/A
Legally Required Reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long Term Contribution Contracts	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**INVESTMENT CONCENTRATIONS**

Investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent 5 percent or more of plan assets.

Prudential General Account (Long Term)	*	18%	100%	52%	7%	-	62%
Prudential Mutual Funds	*	29%	-	48%	93%	-	38%
SunTrust Mutual Funds	*	-	-	-	-	20%	-
State Street Global Russell 3000	*	53%	-	-	-	-	-
Stocks	*	-	-	-	-	51%	-
Bonds	*	-	-	-	-	7%	-

\* Investment information not available on an individual jurisdiction basis.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Calculation of Net Pension Obligation (Asset)**

	City Supplemental Retirement	Pension for Fire and Police	Firefighters and Police Pension	Fire and Police Disability
ARC	\$ 6,381,581	\$ 1,679,131	\$ 7,184,309	\$ 1,244,853
Interest on NPO	546,394	69,892	98,613	62,918
ARC Adjustment	(714,625)	(116,964)	(85,451)	(54,520)
Annual Pension Cost	\$ 6,213,350	\$ 1,632,059	\$ 7,197,471	\$ 1,253,251
Actual Deposit	(5,109,723)	(1,707,836)	(7,087,325)	(1,444,947)
Change in NPO	\$ 1,103,627	\$ (75,777)	\$ 110,146	\$ (191,696)
NPO Beginning of year	7,285,247	1,270,763	1,314,838	838,909
NPO End of Year (6/30/09)	\$ 8,388,874	\$ 1,194,986	\$ 1,424,984	\$ 647,213

**THREE-YEAR TREND INFORMATION**

	Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Supplemental Retirement	06/30/2007	\$ 4,256,280	111.48%	\$ 7,447,119
	06/30/2008	5,247,292	103.08%	7,285,247
	06/30/2009	6,213,350	82.24%	8,388,874
Pension for Fire and Police	06/30/2007	\$ 1,027,555	145.98%	937,491
	06/30/2008	1,183,272	72.00%	1,270,763
	06/30/2009	1,632,059	104.64%	1,194,986
Firefighter and Police Pension	* 06/30/2007	\$ 6,996,155	91.11%	\$ 1,403,828
	06/30/2008	7,132,976	101.25%	1,314,838
	06/30/2009	7,197,471	98.47%	1,424,984
Fire and Police Disability	* 06/30/2007	\$ 1,472,750	51.09%	\$ (320)
	06/30/2008	1,610,274	47.88%	838,909
	06/30/2009	1,253,251	115.30%	647,213
Virginia Retirement System	06/30/2007	\$ 7,077,570	100.00%	\$ -
	06/30/2008	7,490,208	100.00%	-
	06/30/2009	8,149,979	100.00%	-

Firefighters and Police Pension plan commenced on January 1, 2004 and Fire and Police Disability plan converted from defined contribution to defined benefit pension plan on the same date.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**DESCRIPTION OF BENEFITS:**

**VRS – City** - Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service. Employees who retire with a reduced benefit at age 55 with at least 5 years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. An optional reduced retirement benefit is available as early as age 50 with 10 years of credited service. In addition, retirees qualify for annual cost-of-living (COLA) increases on July 1 of the second calendar year after retirement. These benefit provisions and all other requirements are established and may be amended by State statutes.

**City Supplemental Retirement Plan**- Regular City employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to the sum of (1) and (2), increased by 50 percent, plus (3):

- (1) 1.625 percent of the participant's past service compensation up to \$100, plus 0.25 percent of the participant's past service compensation in excess of \$100, multiplied by number of years of credited service earned after July 31, 1960, but prior to August 1, 1970.
- (2) 1.625 percent of the participant's average earnings up to \$100, plus 0.25 percent of the participant's average earnings in excess of \$100, multiplied by the number of years of credited service earned after July 31, 1970, but prior to January 1, 1988.
- (3) 0.80 percent of average earnings multiplied by credited service earned after December 31, 1987.

The Sheriff's Deputies, ERT and Fire Marshals who retire at age 65 or after age 50 with 25 years of service are entitled to the sum of (1), (2) and (3):

- (1) 0.6 percent of average earnings multiplied by first five years of credited service,
- (2) 0.9 percent of average earnings multiplied by next ten years of credited service, and
- (3) 1.0 percent of average earnings multiplied by all years of credited service in excess of fifteen years.

Benefit provisions are established and may be amended by City Ordinance.

**Pension Plan for Fire Fighters and Police Officers (closed plan)** - Employees who retired on or after age 60 are entitled to an annual retirement defined benefit, payable monthly for life, in an amount equal to 2.5 percent of final average earnings multiplied by years of credited service, up to a maximum of 30 years. The plan also provided early retirement on or after age 50 with 20 years of credited service or on or after age 56 with 10 years of credited service. This plan further provided early retirement on or after age 50 with 10 years of service with an actuarially reduced benefit. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new participants in FY 1979.

**Firefighters and Police Officers Pension Plan - defined contribution component (closed plan)** - The employees are entitled to contributions made on their behalf after 100 percent vesting. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new members in FY 2004 and converted to a defined benefit plan. Employees in the plan at date of conversion could leave their contributions in the defined contribution component or purchase prior service with the assets associated with their contributions.

**Firefighters and Police Officers Pension Plan - defined benefit component** - The plan provisions were approved by City Council in FY 2004 and provide retirement benefits for covered employees who retire at age 55 with 5 years of service or any age with 25 years of service. The retirees are entitled to 2.5 % of the participant's average monthly compensation (AMC), multiplied by the years of credited service up to 20 years; plus 3.2 % of the participant's AMC, multiplied by years of credited service in excess of 20 years. The maximum benefit is 82% of the AMC. The plan also allows for early retirement at age 50 with 20 years of service with reduced benefits.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2009**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Firefighters and Police Officers Pension Plan - disability component** - The plan provisions provide disability benefits for firefighters and police officers. The benefits for service-connected total and permanent disability are 70 percent of final average earnings, 66 2/3 percent for non-service connected total and permanent disability and service-connected partial disability, and 50 percent for non-service connected partial disability. Benefits provisions are established and may be amended by City Ordinance. Effective January 1, 2004, this plan was merged with the Firefighters and Police Officers Pension Plan. Separate actuarial calculations have been performed for the defined benefit and disability components.

**Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians** - This plan provides for benefits to be distributed in the case of termination, retirement, death, or disability to deputy sheriffs, fire marshals and emergency rescue technicians. Distribution options include cash distribution, annuities, or a combination of the two. Benefit provisions are established and may be amended by City Ordinance.

**NOTE 18. TERMINATION BENEFITS**

The City provided termination benefits to twelve employees in fiscal year 2009. The benefits consisted of three to six weeks of pay based on completed years of service. The total cost to the City was \$169,000. There were no other benefits provided.

**NOTE 19. ACCOUNTING CHANGES**

During the fiscal year ended June 30, 2009, the City adopted:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses the accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this statement did not have a material impact on the financial statements.

REQUIRED  
SUPPLEMENTARY  
INFORMATION  
(Unaudited)

In accordance with the Governmental Accounting Standards Board Statements No. 25, No. 27 and No. 34, the following information is a required part of the basic financial statements.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**June 30, 2009**

**EXHIBIT XIII**

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget - Positive (Negative)
<b>Revenues:</b>				
General Property Taxes.....	\$ 329,070,498	\$ 329,070,498	\$ 333,482,063	\$ 4,411,565
Other Local Taxes.....	121,493,000	115,905,252	112,271,370	(3,633,882)
Permits, Fees, and Licenses.....	6,157,000	6,157,000	4,827,422	(1,329,578)
Fines and Forfeitures.....	4,755,300	4,755,300	4,116,453	(638,847)
Use of Money and Property.....	6,000,000	4,675,689	4,433,015	(242,674)
Charges for Services.....	14,473,877	11,594,877	12,404,166	809,289
Intergovernmental Revenues.....	52,788,012	52,894,012	53,095,127	201,115
Miscellaneous.....	616,750	1,399,810	1,065,130	(334,680)
<b>Total Revenues .....</b>	<b>\$ 535,354,437</b>	<b>\$ 526,452,438</b>	<b>\$ 525,694,746</b>	<b>\$ (757,692)</b>
<b>Expenditures:</b>				
City Council.....	\$ 524,157	\$ 520,780	\$ 510,035	\$ 10,745
City Manager.....	1,845,208	1,769,508	1,619,040	150,468
Office on Women.....	1,451,485	1,389,744	1,389,743	1
Citizens Assistance.....	773,273	757,158	716,378	40,780
Office of Management and Budget.....	1,183,001	1,134,468	1,121,368	13,100
18th Circuit Court.....	1,368,046	1,361,094	1,342,075	19,019
18th General District Court.....	78,571	103,571	99,004	4,567
Juvenile And Domestic Relations Court.....	34,327	34,327	29,908	4,419
Commonwealth's Attorney.....	2,775,506	2,776,132	2,725,092	51,040
Sheriff.....	26,350,559	26,222,556	26,039,589	182,967
Clerk of Courts.....	1,637,190	1,630,261	1,599,348	30,913
Other Correctional Activities.....	5,284,501	5,284,501	5,233,194	51,307
Court Services.....	1,322,775	1,321,339	1,274,887	46,452
Human Rights.....	648,845	643,048	620,316	22,732
Internal Audit.....	239,606	238,445	219,233	19,212
Information Technology Services.....	7,342,566	7,078,396	6,675,286	403,110
Office of Communications.....	1,389,716	1,332,702	1,287,949	44,753
City Clerk and Clerk of Council.....	415,455	415,707	407,573	8,134
Finance.....	9,833,109	10,116,030	9,316,826	799,204
Real Estate Assessments.....	1,635,473	1,635,473	1,573,247	62,226
Human Resources.....	3,421,143	3,306,913	3,219,974	86,939
Planning and Zoning.....	9,345,590	10,151,807	9,866,560	285,247
City Attorney.....	3,341,753	3,287,544	3,015,941	271,603
Registrar of Voters.....	1,275,383	1,400,383	1,377,827	22,556
General Services.....	13,125,647	12,133,554	11,790,479	343,075
Transportation and Environmental Services.....	29,242,032	28,481,370	27,206,561	1,274,809
Transit Subsidies.....	8,680,745	8,162,250	4,595,401	3,566,849
Fire.....	39,142,446	39,628,714	39,497,216	131,498
Police.....	53,502,272	53,713,685	53,079,793	633,892
Mental Health/Mental Retardation and Substance Abuse.....	540,038	599,868	595,442	4,426
Health.....	7,960,099	7,824,865	7,653,868	170,997
Human Services.....	10,206,724	10,239,425	9,751,083	488,342
Human Services Contributions.....	2,324,880	2,324,880	2,304,073	20,807
Office of Historic Alexandria.....	2,913,392	2,915,135	2,906,634	8,501
Recreation and Cultural Activities.....	21,044,635	20,326,429	20,203,235	123,194
Other Educational Activities.....	12,004	12,004	12,004	-
Non Departmental (including debt service).....	48,050,076	47,452,032	46,053,953	1,398,079
<b>Total Expenditures.....</b>	<b>\$ 320,262,228</b>	<b>\$ 317,726,098</b>	<b>\$ 306,930,135</b>	<b>\$ 10,795,963</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	\$ 2,023,910	\$ 2,223,910	\$ 2,223,910	\$ -
Operating Transfers Out.....	(42,690,235)	(51,075,319)	(50,769,720)	305,599
Transfers Out - Component Units.....	(183,225,884)	(182,821,576)	(182,702,659)	118,917
<b>Total Other Financing Sources (Uses).....</b>	<b>\$ (223,892,209)</b>	<b>\$ (231,672,985)</b>	<b>\$ (231,248,469)</b>	<b>\$ 424,516</b>
Net Change in Fund Balance.....	\$ (8,800,000)	\$ (22,946,645)	\$ (12,483,858)	\$ 10,462,787
Fund Balances at Beginning of Year.....	65,488,041	65,488,041	65,488,041	-
<b>Increase/(Decrease) in Reserve for Inventory.....</b>	<b>-</b>	<b>302,808</b>	<b>302,808</b>	<b>-</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 56,688,041</b>	<b>\$ 42,844,204</b>	<b>\$ 53,306,991</b>	<b>\$ 10,462,787</b>

(See Accompanying Independent Auditors' Report and Notes to Schedules)

**CITY OF ALEXANDRIA, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**June 30, 2009**

**Exhibit XIV**

	Original Budget	Budget as Amended	Actual	Variance From Amended Budget Positive (Negative)
<b>Revenues:</b>				
Use of Money and Property.....	\$ 6,000	58,063	395,672	\$ 337,609
Charges for Services.....	13,785,142	14,656,831	12,064,093	(2,592,738)
Permits, Fees and Licenses.....	2,342,107	2,342,107	882,686	(1,459,421)
Intergovernmental Revenues.....	40,347,270	49,053,665	42,415,391	(6,638,274)
Miscellaneous.....	1,231,526	4,590,260	8,606,742	4,016,482
<b>Total Revenues.....</b>	<b>\$ 57,712,045</b>	<b>\$ 70,700,926</b>	<b>\$ 64,364,584</b>	<b>\$ (6,336,342)</b>
<b>Other Financing Sources:</b>				
Bond Proceeds.....	\$ -	\$ -	\$ 5,029,048	\$ (5,029,048)
Operating Transfers In.....	38,839,712	38,839,712	38,279,363	(560,349)
<b>Total Other Financing Sources.....</b>	<b>\$ 38,839,712</b>	<b>\$ 38,839,712</b>	<b>\$ 43,308,411</b>	<b>\$ (5,589,397)</b>
<b>Total Revenues and Other Financing Sources.....</b>	<b>\$ 96,551,757</b>	<b>\$ 109,540,638</b>	<b>\$ 107,672,995</b>	<b>\$ (11,925,739)</b>
<b>Expenditures:</b>				
Office of Women.....	\$ 433,113	588,129	587,614	\$ 515
Citizens Assistance.....	5,498	15,463	9,504	5,959
Commonwealth's Attorney.....	254,957	270,128	246,193	23,935
Sheriff.....	828,529	1,007,898	917,877	90,021
Clerk of Courts.....	-	32,219	15,173	17,046
Law Library.....	163,013	163,013	162,632	381
Other Correctional and Judicial Activities.....	198,333	194,358	194,024	334
Court Services.....	213,010	279,663	212,713	66,950
Human Rights.....	42,850	41,850	26,360	15,490
Personnel.....	6,000	6,000	2,000	4,000
Finance.....	-	11,092	10,847	245
Planning.....	608,343	1,153,971	718,719	435,252
General Services.....	142,181	145,181	144,807	374
Transportation and Environmental Services.....	2,857,683	3,049,308	2,591,010	458,298
Fire.....	2,837,593	3,278,752	1,599,053	1,679,699
Police.....	105,000	1,021,716	507,953	513,763
Office of Housing.....	5,780,738	10,198,156	9,204,079	994,077
Mental Health/Mental Retardation and Substance Abuse.....	30,205,518	31,640,149	30,548,245	1,091,904
Health.....	-	16,462	2,711	13,751
Human Services.....	43,988,074	46,829,898	44,685,080	2,144,818
Office of Historic Alexandria.....	411,660	469,030	465,981	3,049
Recreation and Cultural Activities.....	514,754	571,092	421,530	149,562
Non Departmental.....	1,000,000	1,152,200	182,558	969,642
<b>Total Expenditures.....</b>	<b>\$ 90,596,847</b>	<b>\$ 102,135,728</b>	<b>\$ 93,456,663</b>	<b>\$ 8,679,065</b>
<b>Other Financing Uses:</b>				
Operating Transfers Out.....	\$ 5,954,910	7,404,910	7,386,816	\$ 18,094
<b>Total Other Financing Uses.....</b>	<b>\$ 5,954,910</b>	<b>\$ 7,404,910</b>	<b>\$ 7,386,816</b>	<b>\$ 18,094</b>
<b>Total Expenditures and Other Financing Uses.....</b>	<b>\$ 96,551,757</b>	<b>\$ 109,540,638</b>	<b>\$ 100,843,479</b>	<b>\$ 8,697,159</b>
<b>Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,829,516</b>	<b>\$ 6,829,516</b>
Fund Balances at Beginning of Year.....	\$ -	\$ -	\$ 17,973,841	\$ 17,973,841
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,803,357</b>	<b>\$ 24,803,357</b>

(See Accompanying Independent Auditors' Report and Notes to Schedules)

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2009**

**Exhibit XV**

**(1) SUMMARY OF SIGNIFICANT BUDGET POLICIES**

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. On June 16, 2008, the City Council approved the original adopted budget and on June 14, 2009 approved the revised budget reflected in the required supplementary information.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the required supplementary information for all funds with annual budgets, compare the revenues and expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General and Special Revenue Funds present actual expenditures in accordance with U.S. generally accepted accounting principles on a basis consistent with the legally adopted budgets, as amended. See Table XVII for the schedule of departments' expenditure detail by function. A reconciliation of the perspective difference for reporting Expenditures and Other Financing Uses in the General Fund relates to how transfers to component units are recorded in each statement and includes the following:

<b>General Fund</b>				
Budget Statement Title	Budgetary Statement Amount	Adjustment for Transfer to Component Unit (Footnote 10)	Exhibit IV	Exhibit IV Title
Other Educational Activities	\$ 12,004	\$ 167,953,749	\$ 167,965,753	Education
Transit Subsidies	4,595,401	7,955,042	12,550,443	Transit
Library Transfer	-	6,793,868	6,793,868	Library
Other Expenditures (not listed separately)	302,322,730	-	302,322,730	Other Expenditures (not listed separately)
<b>Total Expenditures</b>	<b>\$ 306,930,135</b>	<b>\$ 182,702,659</b>	<b>\$ 489,632,794</b>	<b>Total Expenditures</b>
Transfers Out – Component Units	\$ 182,702,659	\$ (182,702,659)	\$ -	None
Operating Transfers Out	50,769,720	-	50,769,720	Operating Transfers Out
Other Financing	(2,223,910)	-	(2,223,910)	Other Expenditures (not listed separately)
<b>Total Financing (Sources) Uses</b>	<b>\$ 231,248,469</b>	<b>(182,702,659)</b>	<b>48,545,810</b>	<b>Total Financing Uses</b>

Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Public Employee Retirement Systems - Primary Government**  
**Required Supplementary Information**  
**June 30, 2009**

**Exhibit XVI**

**SCHEDULE OF FUNDING PROGRESS**

			(1)	(2)	(3)	(4)	(5)	(6)
		Actuarial	Actuarial	Actuarial	Unfunded	Funded	Annual	UAAL as a
		Valuation	Value of	Accrued	AAL	Ratio	Covered	Percentage of
		Date	Assets	Liability	(UAAL)	(1/2)	Payroll	Covered Payroll
				(AAL)	(2)-(1)			((2-1)/5)
City Supplemental Pension	(a)	06/30/2006	\$ 65,143,405	\$ 96,974,375	\$ 31,830,970	67.18%	\$ 116,853,571	27.24%
		06/30/2007	77,046,696	107,983,990	30,937,294	71.35%	123,522,516	25.05%
		06/30/2008	76,275,945	117,964,452	41,688,507	64.66%	126,492,987	32.96%
Pension for Fire and Police	**	06/30/2003	\$ 37,406,204	\$ 43,443,748	\$ 6,037,544	86.10%	\$ 60,566	9968.54%
		06/30/2004	35,362,688	42,580,064	7,217,376	83.05%	61,778	11682.76%
		06/30/2005	33,410,759	43,482,216	10,071,457	76.84%	63,012	15983.40%
		06/30/2006	30,940,298	43,895,855	12,955,557	70.49%	71,935	18010.09%
		06/30/2007	30,875,740	42,511,290	11,635,550	72.63%	72,987	15941.95%
		06/30/2008	29,043,189	47,171,730	18,128,541	61.57%	N/A	N/A
Firefighters and Police Pension		01/01/2004	\$ 73,115,648	\$ 112,392,474	\$ 39,276,826	65.05%	\$ 27,221,546	144.29%
		07/01/2004	78,577,979	115,340,503	36,762,524	68.13%	25,268,564	145.49%
		07/01/2005	88,534,386	135,445,004	46,910,618	65.37%	29,132,558	161.02%
		07/01/2006	100,513,967	152,624,962	52,110,995	65.86%	31,961,191	163.04%
		07/01/2007	115,782,806	167,092,854	51,310,048	69.29%	32,564,077	157.57%
		07/01/2008	133,567,658	181,469,715	47,902,057	73.60%	33,485,674	143.05%
Fire and Police Disability		07/01/2003	\$ 11,936,587	\$ 10,165,275	\$ (1,771,312)	117.43%	\$ 26,002,593	-6.81%
		07/01/2004	12,601,146	8,638,183	(3,962,963)	145.88%	25,268,564	-15.68%
		07/01/2005	13,337,719	8,947,524	(4,390,195)	149.07%	29,132,558	-15.07%
		07/01/2006	13,830,273	12,568,299	(1,261,974)	110.04%	31,961,191	-3.95%
		07/01/2007	14,398,259	15,638,422	1,240,163	92.07%	32,564,077	3.81%
		07/01/2008	14,305,285	16,804,777	2,499,492	85.13%	33,485,674	7.46%
Virginia Retirement System		06/30/2003	\$ 239,425,215	\$ 213,902,045	\$ (25,523,170)	111.93%	\$ 78,337,719	-32.58%
		06/30/2004	244,033,928	240,500,266	(3,533,662)	101.47%	90,113,045	-3.92%
		06/30/2005	250,705,689	286,667,574	35,961,885	87.46%	93,142,752	38.61%
		06/30/2006	265,845,121	312,274,142	46,429,021	85.13%	100,219,243	46.33%
		06/30/2007	302,085,645	344,775,571	42,689,926	87.62%	108,719,495	39.27%
		06/30/2008	334,817,687	378,308,775	43,491,088	88.50%	114,427,304	38.01%

\*\* The Pension Plan for Fire and Police is a closed plan with no active participant.

(a) The aggregate actuarial cost method was changed to entry age cost method for City Supplemental pension plan during fiscal year 2007. Only three years of information was available. This will be expanded when information becomes available.

Six-year historical information of City's defined benefit pension plans is presented to help users assess each plan's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of each plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

**See Accompanying Independent Auditors' Report**

**CITY OF ALEXANDRIA, VIRGINIA**  
**Public Employee Retirement Systems - Primary Government**  
**Required Supplementary Information**  
**June 30, 2009**

**Exhibit XVI**  
**(Continued)**

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

**For Defined Benefit Pension Plans**

<b>City Supplemental Retirement</b>		
<b>Actuarial Date</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
06/30/2004	\$ 3,229,768	44.83%
06/30/2005	3,172,787	82.70%
06/30/2006	4,271,649	100.90%
06/30/2007	4,811,560	98.61%
06/30/2008	5,419,262	99.81%
06/30/2009	6,381,581	80.07%

**Firefighters and Police Pension**

06/30/2004	\$ 2,633,733	60.68%
06/30/2005	4,890,046	108.30%
06/30/2006	5,938,572	97.90%
06/30/2007	6,985,282	91.25%
06/30/2008	7,116,057	101.49%
06/30/2009	7,184,309	98.65%

**Fire and Police Disability**

06/30/2004	\$ 443,122	140.10%
06/30/2005	347,672	180.90%
06/30/2006	414,340	165.80%
06/30/2007	1,455,223	51.71%
06/30/2008	1,610,278	47.88%
06/30/2009	1,244,853	116.07%

<b>Pension Plan for Fire and Police</b>		
<b>Actuarial Date</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
06/30/2004	\$ 1,125,912	80.11%
06/30/2005	1,547,955	58.27%
06/30/2006	932,554	113.50%
06/30/2007	1,187,836	126.30%
06/30/2008	1,209,549	70.27%
06/30/2009	1,679,131	101.71%

**Virginia Retirement System**

06/30/2004	\$ 667,108	100.00%
06/30/2005	1,386,592	100.00%
06/30/2006	1,470,239	100.00%
06/30/2007	7,077,570	100.00%
06/30/2008	7,490,208	100.00%
06/30/2009	8,149,979	100.00%

**See Accompanying Independent Auditors' Report**



**CITY OF ALEXANDRIA, VIRGINIA  
Other Post Employment Benefits (OPEB)  
Required Supplementary Information  
June 30, 2009**

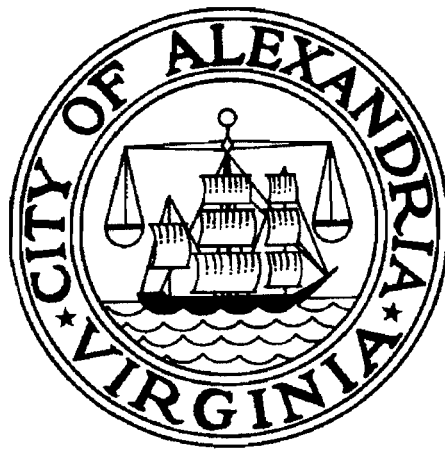
**Exhibit XVI  
(Continued)**

**SCHEDULE OF FUNDING PROCESS**

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL) (2)-(1)</b>	<b>Funded Ratio (1/2)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll ((2-1)/5)</b>
12/31/2007	-	\$84,545,602	\$84,545,602	0.00%	142,475,212	59.34%
12/31/2008	4,316,727	\$89,900,789	\$85,584,062	4.80%	146,884,002	58.27%

Only two years' information was available. This will be expanded when information becomes available.

**See Accompanying Independent Auditors' Report**



## **OTHER SUPPLEMENTARY INFORMATION**

## Agency Funds

Agency Funds are City custodial funds used to provide accountability of client monies for which the City is custodian.

***Human Services Special Welfare Account*** – This fund accounts for the current payments of supplemental security income for foster children.

***Human Services Dedicated Account*** – This fund accounts for back payments of supplemental security income for foster children.

***Industrial Development Authority Agency Fund*** – This fund accounts for Industrial Development Authority bond issuance fees and expenses, for which the City acts in a custodial capacity.

***Potomac Yard Affordable Housing*** – This fund accounts for affordable housing donations received from Potomac Yard Development LLC for the purpose of constructing affordable housing.

***Potomac Yard Open Space*** – This fund accounts for the remittances received from Potomac Yard Development LLC to cover open space expenses.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Combining Schedules of Changes in Assets and Liabilities – Agency Funds**  
**For the Fiscal Year Ended June 30, 2009**

**Schedule 1**

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
<b>HUMAN SERVICES SPECIAL WELFARE ACCOUNT</b>				
<b>Assets</b>				
Cash and Investments with Fiscal Agent.....	\$ 2,892	\$ 34,787	30,438	\$ 7,241
<b>Liabilities:</b>				
Other Liabilities.....	\$ 2,892	\$ 34,787	30,438	\$ 7,241
Total Liabilities.....	\$ 2,892	\$ 34,787	\$ 30,438	\$ 7,241
<b>HUMAN SERVICES DEDICATED ACCOUNT</b>				
<b>Assets</b>				
Cash and Investments with Fiscal Agent.....	\$ 13,639	\$ 10,103	\$ -	\$ 23,742
<b>Liabilities:</b>				
Other Liabilities.....	\$ 13,639	\$ 10,103	\$ -	\$ 23,742
Total Liabilities.....	\$ 13,639	\$ 10,103	\$ -	\$ 23,742
<b>INDUSTRIAL DEVELOPMENT AUTHORITY</b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments.....	\$ 833,020	\$ 20,807	202,542	\$ 651,285
<b>Liabilities:</b>				
Other Liabilities.....	\$ 833,020	\$ 20,807	\$ 202,542	\$ 651,285
Total Liabilities.....	\$ 833,020	\$ 20,807	\$ 202,542	\$ 651,285
<b>POTOMAC YARD AFFORDABLE HOUSING -ASLLC</b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments.....	\$ 18,577	\$ 34,441,785	\$ 34,430,016	\$ 30,346
<b>Liabilities:</b>				
Other Liabilities.....	\$ 18,577	\$ 34,441,785	\$ 34,430,016	\$ 30,346
Total Liabilities.....	\$ 18,577	\$ 34,441,785	\$ 34,430,016	\$ 30,346
<b>POTOMAC YARD OPEN SPACE -ASLLC</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Investments.....	\$ 3,716	\$ 195,667	\$ 199,383	\$ -
<b>Liabilities:</b>				
Other Liabilities.....	\$ 3,716	\$ 195,667	\$ 199,383	\$ -
Total Liabilities.....	\$ 3,716	\$ 195,667	\$ 199,383	\$ -
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Equity in Pooled Cash and Investments.....	\$ 855,313	\$ 34,658,259	\$ 34,831,941	\$ 681,631
Cash and Investments with Fiscal Agent.....	16,531	44,890	30,438	30,983
Total Assets.....	\$ 871,844	\$ 34,703,149	\$ 34,862,379	\$ 712,614
<b>Liabilities:</b>				
Other Liabilities.....	\$ 871,844	\$ 34,703,149	\$ 34,862,379	\$ 712,614
Total Liabilities.....	\$ 871,844	\$ 34,703,149	\$ 34,862,379	\$ 712,614

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Cash Flows**  
**Component Unit**  
**Alexandria Transit Company**  
**As of June 30, 2009**

**Schedule 2**

Cash Flows from Operating Activities:	
Cash Received from Customers.....	\$ 3,405,325
Cash payments to Suppliers for Goods and Services.....	(3,454,463)
Cash Payments to Employees for Services.....	(8,010,470)
Net Cash Used for Operating Activities.....	\$ (8,059,608)
Cash Flows from Noncapital Financing Activities:	
Payments from Primary Government.....	7,955,042
Cash from other non revenue receipts.....	52,569
Cash received from Non Operating Grant.....	279,274
Net Cash provided by Noncapital Financing Activities.....	\$ 8,286,885
Cash Flows from Capital and Related Financing Activities:	
Acquisition/Sale of Capital Assets.....	\$ (144,331)
Net Cash Used for Capital Assets and Related Financing Activities.....	\$ (144,331)
Net Increase in Cash and Cash Equivalents.....	\$ 82,947
Cash and Cash Equivalents at Beginning of Year.....	206,587
<b>Cash and Cash Equivalents at End of Year.....</b>	<b>\$ 289,534</b>
Reconciliation of Operating Loss to Cash Used for Operating Activities:	
Operating Loss.....	\$ (9,699,752)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation Expense.....	\$ 1,624,992
Changes in Assets and Liabilities:	
Decrease (Increase) in Accounts Receivable.....	33,265
Decrease (Increase) in Inventory of Supplies.....	(32,763)
Decrease (Increase) in Prepaid Expenses.....	-
Decrease (Increase) in Accounts Payable.....	(142,435)
Decrease (Increase) in Accrued Liabilities.....	33,573
Decrease (Increase) in Other Liabilities.....	123,512
Total Adjustments.....	\$ 1,640,144
<b>Net Cash Used for Operating Activities.....</b>	<b>\$ (8,059,608)</b>

Noncash Capital and Related Financing Activities:

During Fiscal Year 2009, the City transferred capital assets totaling \$55,190 to Alexandria Transit.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Combining Balance Sheet**  
**Special Revenue Funds**  
**As of June 30, 2009**

**Schedule 3**

	<u>Housing</u>	<u>Sewer</u>	<u>Other Special Revenue</u>	<u>Total Combined Special Revenue</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,643,981	\$ 9,071,761	\$ 10,544,802	\$ 24,260,544
Cash and Investments with Fiscal Agents	-	-	104,489	104,489
Receivables, Net	2,673,806	878,466	26,652	3,578,924
Due From Other Governments	716,401	-	4,900,684	5,617,085
Prepaid and Other Assets	-	-	43,307	43,307
Total Assets	<u>\$ 8,034,188</u>	<u>\$ 9,950,227</u>	<u>\$ 15,619,934</u>	<u>\$ 33,604,349</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 122,690	5,267	\$ 2,606,582	\$ 2,734,539
Accrued Wages	76,423	49,872	2,064,110	2,190,405
Unearned Revenue	-	-	3,876,048	3,876,048
Total Liabilities	<u>\$ 199,113</u>	<u>\$ 55,139</u>	<u>\$ 8,546,740</u>	<u>\$ 8,800,992</u>
<b>FUND BALANCES</b>				
Reserved for:				
Receivable, net	\$ 2,673,806	\$ -	\$ -	\$ 2,673,806
Encumbrances	112,731	10,613	1,725,376	1,848,720
Unreserved	5,048,538	9,884,475	5,347,818	20,280,831
Total Fund Balances	<u>\$ 7,835,075</u>	<u>\$ 9,895,088</u>	<u>\$ 7,073,194</u>	<u>\$ 24,803,357</u>
Total Liabilities and Fund Balances	<u>\$ 8,034,188</u>	<u>\$ 9,950,227</u>	<u>\$ 15,619,934</u>	<u>\$ 33,604,349</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Special Revenue Funds**  
**As of June 30, 2009**

**Schedule 4**

	<b>Housing</b>	<b>Sewer</b>	<b>Other Special Revenue</b>	<b>Total Combined Special Revenue</b>
<b>REVENUES</b>				
Permits, Fees, and Licenses	\$ -	\$ -	\$ 882,686	\$ 882,686
Use of Money and Property	212,059	-	183,613	395,672
Charges for Services	-	4,765,661	7,298,432	12,064,093
Intergovernmental Revenue	2,494,033	-	39,921,358	42,415,391
Miscellaneous	6,280,471	-	2,326,271	8,606,742
Total Revenues	<u>\$ 8,986,563</u>	<u>\$ 4,765,661</u>	<u>\$ 50,612,360</u>	<u>\$ 64,364,584</u>
<b>EXPENDITURES</b>				
Current Operating:				
General Government	\$ -	\$ -	\$ 554,342	\$ 554,342
Judicial Administration	-	-	919,747	919,747
Public Safety	-	-	2,950,578	2,950,578
Public Works	-	1,483,634	712,686	2,196,320
Health and Welfare	-	-	76,041,847	76,041,847
Culture and Recreation	-	-	43,578	43,578
Community Development	9,204,079	-	1,546,172	10,750,251
Total Expenditures	<u>\$ 9,204,079</u>	<u>\$ 1,483,634</u>	<u>\$ 82,768,950</u>	<u>\$ 93,456,663</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (217,516)</u>	<u>\$ 3,282,027</u>	<u>\$ (32,156,590)</u>	<u>\$ (29,092,079)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Bond Premium	29,048	-	-	29,048
Transfers In	4,501,960	-	33,777,403	38,279,363
Transfers Out	(5,062,330)	(1,323,910)	(1,000,576)	(7,386,816)
Total Other Financing Sources and Uses	<u>\$ 4,468,678</u>	<u>\$ (1,323,910)</u>	<u>\$ 32,776,827</u>	<u>\$ 35,921,595</u>
Net Change in Fund Balance	<u>\$ 4,251,162</u>	<u>\$ 1,958,117</u>	<u>\$ 620,237</u>	<u>\$ 6,829,516</u>
Fund Balance at Beginning of Year	3,583,913	7,936,971	6,452,957	17,973,841
Fund Balance at End of Year	<u>\$ 7,835,075</u>	<u>\$ 9,895,088</u>	<u>\$ 7,073,194</u>	<u>\$ 24,803,357</u>



## APPENDIX B

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Alexandria, Virginia (the “City”), in connection with the issuance by the City of \$72,300,000 original aggregate principal amount of its General Obligation Capital Improvement Bonds, consisting of \$17,000,000 General Obligation Capital Improvement Bonds, Series 2010A (Tax-Exempt) (the “Series 2010A Bonds”) and \$55,300,000 General Obligation Capital Improvement Bonds, Series 2010B (Federally Taxable – Build America Bonds) (the “Series 2010B Bonds” and collectively with the Series 2010A Bonds, the “Bonds”), pursuant to Ordinance No. 4661 adopted by the City Council of the City on May 25, 2010 (the “Ordinance”). Pursuant to the Ordinance, the City Manager approved the offering and sale of the Bonds to Wells Fargo Bank, National Association (the “Underwriter”) and the offering and sale of the Bonds by the Underwriter to the public pursuant to an Official Statement relating to the Bonds, dated June 29, 2010 (the “Final Official Statement”). The City hereby represents, covenants and agrees as follows:

**Section 1.**        Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders (as defined below) and in order to assist the Underwriter in complying with the Rule (as defined below).

**Section 2.**        Definitions. The following capitalized terms shall have the following meanings:

“Annual Financial Information” with respect to any Fiscal Year of the City means the following:

- (i) the annual financial statements of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the City after the date of the Final Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants; and
- (ii) financial information and operating data with respect to the City of the type and scope that updates the information and data contained in the Final Official Statement under the captions “Debt Statement,” “Five-Year Summary of General Fund Revenues and Expenditures” and “Principal Tax Revenues by Source;” provided that the City is required only to provide such financial information with respect to the immediately preceding fiscal year and shall not be required to restate or revise previously furnished information.

“Dissemination Agent” shall mean the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Fiscal Year” shall mean the twelve-month period, at the end of which the financial position of the City and results of its operations for such period are determined. Currently, the City’s Fiscal Year begins July 1 and continues through June 30 of the next year.

“Holder” shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

“Make Public” or “Made Public” has the meaning set forth in Section 4 of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 under the Securities Exchange Act of 1934, as in effect from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

**Section 3.** Obligations of the City. (a) As long as the Bonds are outstanding, the City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), the Annual Financial Information not later than 270 days after the end of each Fiscal Year beginning with the Fiscal Year ending June 30, 2010. If audited financial statements are not available as of the date by which the Annual Financial Information is to be Made Public, the City will Make Public such financial statements as may be required by the Rule and will Make Public the audited financial statements when they become available.

(a) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner, notice of any of the following events that may from time to time occur with respect to the Bonds, but with respect to the items in (i) through (xi), only if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2010A Bonds;
- (vii) modifications to rights of Holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds;
- (xi) rating changes; and
- (xii) the failure of the City on or before the date required by this Disclosure Agreement to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement;

provided that nothing in this subsection (b) shall require the City to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(b) The City shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the then current Fiscal Year.

(c) Any information required to be included in the Annual Financial Information may be included by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

**Section 4.** Information Made Public. Information shall be deemed to have been “Made Public” for purposes of this Disclosure Agreement if transmitted to the MSRB in an electronic format as prescribed by the MSRB.

**Section 5.**     Identifying Information; CUSIP Numbers. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB. The City shall reference, or cause the Dissemination Agent (if different from the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

**Section 6.**     Termination of Reporting Obligation. The obligations of the City under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or payment in full of the Bonds.

**Section 7.**     Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the City shall be the Dissemination Agent.

**Section 8.**     Amendment. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the City and the Underwriter of the Bonds to the effect that such amendment is permitted or required by the Rule.

**Section 9.**     Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(b), in addition to that which is required by this Disclosure Agreement. If the City chooses to provide any information in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such additional information or include it in any future Annual Financial Information or notice Made Public hereunder.

**Section 10.**    Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law, including seeking mandamus or specific performance by court order, to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Ordinance or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

**Section 11.**    Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Underwriter, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: July \_\_, 2010

CITY OF ALEXANDRIA, VIRGINIA

By: \_\_\_\_\_

(THIS PAGE INTENTIONALLY LEFT BLANK)

## **APPENDIX C**

### **PROPOSED FORMS OF BOND COUNSEL OPINIONS**

**PROPOSED OPINION FOR SERIES 2010A BONDS**  
**(Preliminary and subject to change prior to delivery of the Series 2010A Bonds)**

July \_\_, 2010

City of Alexandria  
Alexandria, Virginia 22314

**\$17,000,000**  
**City of Alexandria, Virginia**  
**General Obligation Capital Improvement Bonds**  
**Series 2010A (Tax-Exempt)**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Alexandria, Virginia (the "City") of its \$17,100,000 General Obligation Capital Improvement Bonds, Series 2010A (Tax Exempt) (the "Series 2010A Bonds"), dated the date of their delivery.

We have examined the Constitution and the laws of both the United States and the Commonwealth of Virginia and such certified proceedings and other documents of the City as we deem necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, in our opinion, under current law:

1. The Series 2010A Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and binding general obligations of the City for the payment of which the City's full faith and credit are pledged.

2. The City Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Series 2010A Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.

3. Under current law, interest on the Series 2010A Bonds (including any accrued "original issue discount" properly allocable to the owners of Series 2010A Bonds) (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations and (iii) is excluded in computing adjusted current earnings for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Code). The "original issue discount" on any of the Series 2010A Bonds is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Series 2010A Bonds of the same series and maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Series 2010A Bonds.

In providing the opinions set forth in the immediately preceding paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the City. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2010A Bonds in order for interest on the Series 2010A Bonds to be and remain excludable from gross income for purposes of federal

income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2010A Bonds and the use of the property financed or refinanced by the Series 2010A Bonds, limitations on the source of the payment of and the security for the Series 2010A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2010A Bonds to the United States Treasury. The City's non-arbitrage and tax covenants certificate dated the date hereof contains covenants (the "Covenants") under which the City has agreed to comply with such requirements. Failure by the City to comply with the Covenants could cause interest on the Series 2010A Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2010A Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2010A Bonds.

4. Interest on the Series 2010A Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2010A Bonds or (ii) any consequences arising with respect to the Series 2010A Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia.

The rights of the owners of the Series 2010A Bonds and the enforceability of those rights are subject to bankruptcy, insolvency, reorganization, moratorium and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights is also subject to the exercise of judicial discretion in accordance with general principles of equity.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Series 2010A Bonds and the tax-exempt status of the interest on them. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2010A Bonds and, therefore, we express no opinion as to the accuracy or completeness of any information that may have been relied upon by any owner of the Series 2010A Bonds in making a decision to purchase the Series 2010A Bonds.

This opinion is rendered as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

**PROPOSED OPINION FOR SERIES 2010B BONDS**  
**(Preliminary and subject to change prior to delivery of the Series 2010B Bonds)**

July \_\_, 2010

City of Alexandria  
Alexandria, Virginia 22314

**\$55,300,000**  
**City of Alexandria, Virginia**  
**General Obligation Capital Improvement Bonds**  
**Series 2010B (Federally Taxable – Build America Bonds)**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Alexandria, Virginia (the “City”) of its \$55,300,000 General Obligation Capital Improvement Bonds, Series 2010B (Federally Taxable – Build America Bonds) (the “Series 2010B Bonds”), dated the date of their delivery.

We have examined the Constitution and the laws of both the United States and the Commonwealth of Virginia and such certified proceedings and other documents of the City as we deem necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, in our opinion, under current law:

1. The Series 2010B Bonds have been authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and binding general obligations of the City for the payment of which the City’s full faith and credit are pledged.
2. The City Council of the City has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Series 2010B Bonds to the extent other funds of the City are not lawfully available and appropriated for such purpose.
3. Interest on the Series 2010B Bonds is includible in the gross income of the holders thereof for purposes of federal income taxation. We express no opinion regarding other federal tax consequences arising with respect to the Series 2010B Bonds.
4. Interest on the Series 2010B Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2010B Bonds or (ii) any consequences arising with respect to the Series 2010B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia.
5. Internal Revenue Service regulations require us to advise you that, unless otherwise specifically noted, any federal tax advice in this communication (including any attachments, enclosures, or other accompanying materials) was not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that the Internal Revenue Service may impose on the taxpayer. This opinion is provided to support the promotion or marketing of the Series 2010B Bonds.



The rights of the owners of the Series 2010B Bonds and the enforceability of those rights are subject to bankruptcy, insolvency, reorganization, moratorium and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights is also subject to the exercise of judicial discretion in accordance with general principles of equity.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Series 2010B Bonds and the tax status of the interest on them. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2010B Bonds and, therefore, we express no opinion as to the accuracy or completeness of any information that may have been relied upon by any owner of the Series 2010B Bonds in making a decision to purchase the Series 2010B Bonds.

This opinion is rendered as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

(THIS PAGE INTENTIONALLY LEFT BLANK)