

Submitted by: Chair of the Assembly at the
Request of the Mayor

Prepared by: Finance Department

For reading: February 17, 2015

CLERK'S OFFICE

APPROVED

Date:

3-24-15

ANCHORAGE, ALASKA
AR No. 2015-84

**A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE AMENDING THE
DEFINITION OF EXPENDITURES FOR PURPOSES OF CALCULATING FUND
BALANCE FOR FINANCIAL STATEMENT PRESENTATION.**

WHEREAS, the Assembly approved AR 2011-345(S) adopting an unreserved fund balance designation policy for the Municipality of Anchorage (Municipality) General Government that designated 10.0% of current year's revenues as Bond Reserve Designation and 2.0% to 3.0% of current year's revenues as a Working Capital Reserve;

WHEREAS, the two rating agencies used by the Municipality, FitchRatings and Standard & Poor's, use current year expenditures in their fund balance calculation methodology rather than current year revenues; and

WHEREAS, AR 2014-221 modified the fund balance calculation to use current year expenditures rather than current year revenues as the basis for the fund balance calculation to conform to the rating agency fund balance calculation methodology; and

WHEREAS, the Finance Department staff has determined that the definition of General Fund current year expenditures requires further clarification; now, therefore,

THE ANCHORAGE ASSEMBLY RESOLVES:

Section 1. It is the policy of the Municipality to prepare and manage five major General Government fund budgets so as to maintain unrestricted general fund balance in an amount equal to 10% of current year expenditures as a Bond Rating Designation that will become committed fund balance.

Section 2. It is the policy of the Municipality to prepare and manage its Non-major Governmental Operating Funds (Limited Service Areas and Rural Service Areas) budgets so as to maintain an unrestricted fund balance of 8.25% of current year expenditures as a Bond Rating Designation that will become committed fund balance.

Section 3. It is the policy of the Municipality to prepare and manage budgets so as to maintain unrestricted fund balances in its five major funds in an amount between 2.0% and 3.0% of current year expenditures as a Working Capital Reserve that will become part of unassigned fund balance.

1 **Section 4.** Expenditures are defined as total expenditures reported in the CAFR's
2 Statement of Revenues, Expenditures, and Changes in Fund Balance - General
3 Fund and shall be reduced by contributions to education, 'On-behalf' payments
4 made on-behalf of the Municipality by the State of Alaska directly to the Public
5 Employees Retirement System (PERS), expenditures in the Police and Fire
6 Retirement Administration Fund 213 and expenditures in the Municipality's Trust
7 Fund 731.


8
9 **Section 5.** AR 2014-221 is hereby superseded.

10
11
12 **Section 6.** This resolution shall be effective immediately upon passage and
13 approval by the Assembly.

14
15
16
17 PASSED AND APPROVED by the Anchorage Assembly this 24th day of
18 March, 2015.

19
20
21
22 
23 _____
24 Chair of the Assembly

25 ATTEST:

26
27
28 
29 _____
30 Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 166-2015

Meeting Date: March 24, 2015

1 **From:** MAYOR

2
3 **Subject:** A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE
4 AMENDING THE DEFINITION OF EXPENDITURES FOR
5 PURPOSES OF CALCULATING FUND BALANCE FOR
6 FINANCIAL STATEMENT PRESENTATION.
7

8 **Background**

9 In August 2014, AR 2014-221 changed the fund balance calculation methodology
10 to use current year expenditures so that it would match the fund balance
11 calculation methodology used by Fitch and S&P. AR 2014-221 also defined
12 expenditures as such expenditures "as reported in the Government Funds General
13 Section of the CAFR and shall be reduced by contributions to Education".
14

15 The Municipality of Anchorage recommends amending the definition of
16 expenditures used as the basis for the calculation of fund balance for financial
17 statement presentation purposes.
18

19 **Proposed Modification**

20 In evaluating the current methodology for calculating fund balance, we believe that
21 it is appropriate to exclude other expenditures from the CAFR's "Total
22 expenditures". We are recommending that current year's expenditures also be
23 reduced by 'On-behalf payments'. On-behalf payments represent amounts paid
24 by the State of Alaska directly to the Public Employees Retirement System
25 (PERS) on behalf of the Municipality of Anchorage (MOA). We report revenues
26 and expenditures by function for these payments with a net effect of zero to total
27 fund balance. The current inclusion of these expenditures in this calculation yields
28 a result that overstates the required fund balance. Additionally, we believe it is
29 appropriate to exclude expenditures in the Police and Fire Administration Fund
30 213, as well as expenditures in the MOA Trust Fund 731, since they do not have
31 any set-aside requirements.
32

33 Approval of the resolution will make these changes to the definition of
34 expenditures for the purposes of calculating fund balance for financial statement
35 presentation purposes.
36

37 **THE ADMINISTRATION RECOMMENDS APPROVAL OF THE RESOLUTION.**
38

39 Prepared by: Katherine Giard, CFO
40 Concur: George J. Vakalis, Municipal Manager
41 Respectfully submitted: Daniel A. Sullivan, Mayor