

NEW ISSUE

Ratings: Standard & Poor's "BB" (Underlying) / "A"
(State-Aid)
(See "Ratings" herein)

BOOK-ENTRY ONLY

In the opinion of Bond Counsel, under current law and subject to conditions described in the section herein "Tax Exemption," interest on the 2017A Bonds (1) will not be included in gross income for Federal income tax purposes, (2) will not be an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations. Such interest may be included in the calculation of a corporation's alternative minimum taxable income. A holder may be subject to other Federal tax consequences as described in the section herein "Tax Exemption." In the opinion of Bond Counsel, interest on the Bonds will be exempt from income taxation by the Commonwealth of Virginia.



CITY OF PETERSBURG, VIRGINIA

\$10,895,000
GENERAL OBLIGATION AND
REFUNDING BONDS, SERIES 2017A
(TAX-EXEMPT)

\$17,150,000
GENERAL OBLIGATION
REFUNDING BONDS, SERIES 2017B
(TAXABLE)

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

This Official Statement has been prepared by the City of Petersburg, Virginia (the "City"), to provide information on the \$10,895,000 General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt) (the "2017A Bonds") and the \$17,150,000 General Obligation Refunding Bonds, Series 2017B (Taxable) (the "Taxable 2017B Bonds," and together with the 2017A Bonds, the "Bonds"), the security therefor, the City and other relevant information. Selected information is presented on this cover page for the convenience of the user. **An investment in the Bonds should be considered only by risk oriented investors who have thoroughly reviewed the Official Statement including the Investment Considerations Section herein.**

Security	The Bonds will be general obligations of the City for the payment of which its full faith and credit will be irrevocably pledged. The City Council is authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect on all locally taxable property in the City 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 premium, if any, and interest on the Bonds as the same become due and payable. Additionally, the Bonds are secured by certain funds and accounts established under a Trust Agreement, dated as of August 1, 2017 (the "Trust Agreement") between the City and Wilmington Trust, National Association, as trustee and paying agent (the "Trustee"), including a debt service reserve fund.
Redemption	The Bonds are subject to redemption as set forth herein.
Purpose	The proceeds of the Bonds will be used to (a) refund certain of the City's general obligation bonds, (b) finance various capital needs of the City, including, but not limited to, the acquisition of police vehicles, fire apparatus and related capital equipment, (c) fund a debt service reserve fund for the Bonds and (d) pay the costs of issuing the Bonds.
Interest Rates/Yields	See inside cover.
Interest Payment Dates	May 1 and November 1, commencing November 1, 2017.
Record Dates	April 15 and October 15.
Denominations	\$25,000 or any integral multiple of \$5,000 in excess thereof.
Closing/Delivery Dates	On or about August 17, 2017.
Registration	Full book-entry only; The Depository Trust Company, New York, New York.
Trustee/Paying Agent	Wilmington Trust, National Association, Richmond, Virginia.
Bond Counsel	Sands Anderson PC, Richmond, Virginia.
City Attorney	Joseph Preston, Esquire, Petersburg, Virginia.
Underwriter's Counsel	Williams Mullen, Richmond, Virginia.
Financial Advisor	Davenport & Company LLC.
Conditions Affecting Issuance	The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Sands Anderson PC, Bond Counsel, and to certain other conditions referred to herein.

Official Statement Dated: August 10, 2017

Crews and Associates, Inc.

CITY OF PETERSBURG, VIRGINIA

\$10,895,000

**GENERAL OBLIGATION AND REFUNDING BONDS
SERIES 2017A (TAX-EXEMPT)**

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

\$2,555,000 4.000% Term Bonds due November 1, 2025, Priced at 106.520%* to Yield 2.650% CUSIP 716298 QK3

\$1,780,000 4.750% Term Bonds due November 1, 2032, Priced at 107.373%* to Yield 3.200% CUSIP 716298 QL1

\$2,580,000 3.600% Term Bonds due November 1, 2037, Priced at 97.055% to Yield 3.810% CUSIP 716298 QM9

\$3,980,000 3.750% Term Bonds due November 1, 2042, Priced at 96.666% to Yield 3.960% CUSIP 716298 QN7

*Priced to call on the first optional redemption date (November 1, 2022) at par.

\$17,150,000

**GENERAL OBLIGATION REFUNDING BONDS
SERIES 2017B (TAXABLE)**

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIP NUMBERS

\$465,000 2.450% Term Bonds due November 1, 2021, Priced at 99.799% to Yield 2.500% CUSIP 716298 QP2

\$1,315,000 3.720% Term Bonds due November 1, 2027, Priced at 100.000% to Yield 3.720% CUSIP 716298 QQ0

\$2,505,000 4.100% Term Bonds due November 1, 2032, Priced at 99.212% to Yield 4.170% CUSIP 716298 QR8

\$12,865,000 4.625% Term Bonds due November 1, 2042, Priced at 97.450% to Yield 4.800% CUSIP 716298 QS6

CITY OF PETERSBURG, VIRGINIA

CITY COUNCIL

Samuel Parham, *Mayor*
John A. Hart, Sr., *Vice Mayor*
Charles H. Cuthbert
Darrin Hill
W. Howard Myers
Annette Smith-Lee
Treska Wilson-Smith

CITY OFFICIALS

Aretha R. Ferrell-Benavides, *City Manager*
Blake Rane, *Director of Finance*
Nelsie L. Birch, *Interim Deputy City Manager*
Joseph Preston, Esquire, *City Attorney*
Jack Berry, *Interim Deputy City Manager*

FINANCIAL ADVISOR

Davenport & Company LLC
Richmond, Virginia

BOND COUNSEL

Sands Anderson PC
Richmond, Virginia

INDEPENDENT AUDITORS

Robinson, Farmer, Cox Associates
Charlottesville, Virginia

The Bonds will be exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth of Virginia, the Bonds will also be exempt from registration under the securities laws of Virginia.

No broker, dealer, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any 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 thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any of such sources as to information provided by any other source.

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 or in any other matters described herein since the date of this Official Statement or, as in the case of certain information incorporated herein by reference to certain publicly available documents, since the date of such documents.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words, "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the City's business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The Underwriter (as hereinafter defined) has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in the Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Underwriter may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (a) overallot in arranging the sales of the Bonds and (b) 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.

AN INVESTMENT IN THE BONDS SHOULD BE CONSIDERED ONLY BY RISK ORIENTED INVESTORS WHO HAVE THOROUGHLY REVIEWED THIS OFFICIAL STATEMENT, INCLUDING THE INVESTMENT CONSIDERATIONS SECTION.

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- APPENDIX B: City Budget for Fiscal Year Ending June 30, 2018, including Amended City Budget for Fiscal Year Ending June 30, 2017
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- APPENDIX D: Form of Bond Counsel Opinion
- APPENDIX E: Form of Continuing Disclosure Agreement
- APPENDIX F: DTC and Book-Entry System

OFFICIAL STATEMENT

CITY OF PETERSBURG, VIRGINIA

\$10,895,000

**GENERAL OBLIGATION AND REFUNDING BONDS
SERIES 2017A (TAX-EXEMPT)**

\$17,150,000

**GENERAL OBLIGATION REFUNDING BONDS
SERIES 2017B (TAXABLE)**

SECTION ONE: INTRODUCTION

The purpose of this Official Statement, including the cover page and Appendices hereto, is to furnish information in connection with the sale by the City of Petersburg, Virginia (**the "City"**), of its \$10,895,000 General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt) (**the "2017A Bonds"**) and the \$17,150,000 General Obligation Refunding Bonds, Series 2017B (Taxable) (**the "Taxable 2017B Bonds," and together with the 2017A Bonds, the "Bonds"**). 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 has 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 Petersburg, Virginia, a municipal corporation and city of the Commonwealth of Virginia (**the "Commonwealth"**), located in the central region of the Commonwealth.

The Bonds

The Bonds consist of \$10,895,000 General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt) and the \$17,150,000 General Obligation Refunding Bonds, Series 2017B (Taxable). The Bonds are dated the date of their delivery, with principal payments due as shown on the inside cover page. The Bonds will be issued in authorized denominations of \$25,000 or any integral multiple of \$5,000 in excess 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 semi-annually on each May 1 and November 1, commencing November 1, 2017, until the earlier of maturity or redemption. As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date.

Use of Proceeds

The City is issuing the Bonds to (a) refund certain of the City's general obligation bonds, (b) finance various capital needs of the City, including, but not limited to, the acquisition of police vehicles, fire apparatus and related capital equipment, (c) fund a debt service reserve fund for the Bonds and (d) pay the costs of issuing the Bonds.

Redemption

The Series 2017A Bonds maturing on or after November 1, 2023, are subject to redemption prior to maturity at the option of the City on or after November 1, 2022, in whole or in part (in integrals of \$5,000) at any time, upon payment of 100% of the Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.

The Series 2017B Bonds maturing on or after November 1, 2025, are subject to redemption prior to maturity at the option of the City on or after November 1, 2024, in whole or in part (in integrals of \$5,000) at any time, upon payment of 100% of the Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.

Delivery

The Bonds are offered for delivery, when, as and if issued, subject to the approval of their validity by Sands Anderson PC, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, Joseph Preston, Esquire, Petersburg, Virginia and for the Underwriter by its counsel, Williams Mullen. 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 August 17, 2017.

Auditors

The City's general purpose financial statements for the fiscal year ended June 30, 2016, have been audited by the independent public accounting firm of Robinson, Farmer, Cox Associates, Charlottesville, Virginia, and are attached as Appendix A. Robinson, Farmer, Cox Associates has served as the City's auditor since fiscal year 2009. Robinson, Farmer, Cox Associates will not be reviewing any matters in connection with this Official Statement or any other matters related to the issuance of the Bonds. The City's financial statements are available for inspection at the Office of the Director of Finance, 500 City Hall Avenue, Petersburg, Virginia 23662-1996.

Ratings

The Bonds have been rated as shown on the cover page hereto by Standard & Poor's Global Ratings ("**Standard & Poor's**"). A more complete description of the ratings is provided in the section herein "Ratings" in Section Nine.

Bond Counsel

Sands Anderson PC serves as Bond Counsel ("**Bond Counsel**") to the City in connection with the issuance of the Bonds. The opinion of Bond Counsel will be dated and given on, and will speak only as of, the date of issuance and delivery of the Bonds. The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement, and Bond Counsel makes no representation that it has independently verified the same.

Financial Advisor

The City has retained Davenport & Company LLC, Richmond, Virginia (**the "Financial Advisor"**), as its financial advisor in connection with the City's preparation for issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

Verification Agent

The Arbitrage Group, Inc. has been appointed verification agent (**the "Verification Agent"**).

Continuing Disclosure

The City has agreed in its Continuing Disclosure Agreement dated the date of delivery of the Bonds to provide certain annual financial information and notice of events listed in Rule 15c2-12 (**the "Rule"**), promulgated by the Securities and Exchange Commission (**the "SEC"**) under the Securities Exchange Act of 1934. Such undertaking requires the City to provide only limited information at specified times.

Additional Information

Any questions concerning the content of this Official Statement should be directed to Blake Rane, Director of Finance, 135 Union Street, Petersburg, Virginia 23803 (804 733-2337).

SECTION TWO: THE BONDS

Authorization of the Bonds

The Bonds are being issued pursuant to the Constitution of the Commonwealth of Virginia, the provisions of the Public Finance Act of 1991 (Chapter 26 of Title 15.2 of the Code of Virginia, 1950, as amended), and resolutions adopted by the City Council of the City (**the "City Council"**) on June 6, 2017 and July 31, 2017 (**together, the "Bond Resolution"**).

Description of the Bonds

The Bonds will be dated the date of their delivery and will mature as set forth on the inside cover. Interest on the Bonds will be payable on May 1 and November 1, commencing November 1, 2017, by check or draft mailed to the registered owners at their addresses as they appear on the registration books on April 15 and October 15 immediately preceding each May 1 and November 1, provided, however, that as long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date. If such interest payment date is not a business day, such payment shall be made on the next succeeding business day with the same effect as if made on the interest payment date and no additional interest shall accrue. The registration books are kept by Wilmington Trust, National Association, who has been appointed paying agent and trustee (**the "Trustee"**).

Form and Denomination

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. One Bond certificate for each maturity will be issued to DTC, or its nominee, and immobilized in its custody. Beneficial Owners (as hereinafter defined) will not receive physical bond certificates representing their interests in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, references in this Official Statement to the owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners. The Bond Resolution contains provisions applicable to periods when DTC or its nominee is not the registered owner. See the **Appendix F** - "DTC and Book-Entry System."

Optional Redemption

The Series 2017A Bonds maturing on or after November 1, 2023, are subject to redemption prior to maturity at the option of the City on or after November 1, 2022, in whole or in part (in integrals of \$5,000) at any time, upon payment of 100% of the Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.

The Series 2017B Bonds maturing on or after November 1, 2025, are subject to redemption prior to maturity at the option of the City on or after November 1, 2024, in whole or in part (in integrals of \$5,000) at any time, upon payment of 100% of the Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.

Mandatory Redemption

The 2017A Bonds maturing November 1, 2025 are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on November 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>
2018	\$330,000
2019	340,000
2020	375,000
2021	365,000
2022	380,000
2023	225,000
2024	265,000
2025 (Final Maturity)	275,000

The 2017A Bonds maturing November 1, 2032 are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on November 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>
2026	\$415,000
2027	310,000
2028	300,000
2029	195,000
2030	15,000
2031	335,000
2032 (Final Maturity)	210,000

The 2017A Bonds maturing November 1, 2037 are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on November 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>
2033	\$225,000
2034	615,000
2035	560,000
2036	580,000
2037 (Final Maturity)	600,000

The 2017A Bonds maturing November 1, 2042 are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on November 1 in years and amounts as follows:

<u>Year</u>	<u>Amount</u>
2038	\$620,000
2039	650,000
2040	675,000
2041	1,175,000
2042 (Final Maturity)	860,000

The Taxable 2017B Bonds maturing on November 1, 2021 are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on November 1 in years and amount as follows:

<u>Year</u>	<u>Amount</u>
2018	\$75,000
2019	75,000
2020	170,000
2021 (Final Maturity)	145,000

The Taxable 2017B Bonds maturing on November 1, 2027 are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on November 1 in years and amount as follows:

<u>Year</u>	<u>Amount</u>
2022	\$115,000
2023	140,000
2024	205,000
2025	205,000
2026	405,000
2027 (Final Maturity)	245,000

The Taxable 2017B Bonds maturing on November 1, 2032 are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on November 1 in years and amount as follows:

<u>Year</u>	<u>Amount</u>
2028	\$620,000
2029	475,000
2030	200,000
2031	700,000
2032 (Final Maturity)	510,000

The Taxable 2017B Bonds maturing on November 1, 2042 are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on November 1 in years and amount as follows:

<u>Year</u>	<u>Amount</u>
2033	\$535,000
2034	1,140,000
2035	1,090,000
2036	1,135,000
2037	1,195,000
2038	1,245,000
2039	1,305,000
2040	1,365,000
2041	2,145,000
2042 (Final Maturity)	1,710,000

Manner of Redemption

If less than all of any series of the Bonds are called for redemption, the Bonds to be redeemed shall be selected by the City Manager or Assistant City Manager in such manner as may be determined to be in the best interest of the City. If less than all the Bonds of a particular maturity are called for redemption, the Bonds within such maturity to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either case, (a) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof and (b) in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds that is obtained by dividing the principal amount of such bond by \$5,000.

Notice of Redemption

The City shall cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile or electronic 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. If a portion of any Bond is called for redemption, a new Bond in principal amount of the unredeemed portion hereof shall be issued to the registered owner upon surrender hereof. 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.

The City may give or cause to be given notice of redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption and principal will continue to be payable as scheduled. On presentation and surrender of the Bonds called for redemption at the place or places of payment, such Bonds shall be paid and redeemed.

DTC and Book-Entry System

A description of the book-entry system based solely upon information furnished by DTC is attached hereto as Appendix F.

Plan of Refunding

The City is issuing the 2017A Bonds to refund all or a portion of the following issues (**the "Tax-Exempt Refunded Bonds"**):

- The City's \$7,500,000 Literary Fund Loan Bond, Series 1999 (**the "1999 Refunded Bond"**) which was issued to finance school building projects in the City.
- The City's \$5,440,000 General Obligation Bond, Series 2014 (**the "2014 Refunded Bond"**) which was issued to finance various capital improvements in the City in accordance with the City's capital improvements plan and sold to the Virginia Resources Authority ("**VRA**"), the purchase of which was funded from the proceeds of VRA's Infrastructure Revenue Bonds (Virginia Pooled Financing Program), Series 2014C (Non-AMT) (**the "Related 2014 Senior VRA Bonds"**) and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2014C (Non-AMT) ("**Related 2014 Subordinate VRA Bonds**").

The City is issuing the Taxable 2017B Bonds to refund all or a portion of the following issues (**the "Taxable Refunded Bonds"**):

- The City's \$7,285,000 General Obligation School Bond, Series 2009 (**the "2009 Refunded Bond"**) which was issued to finance school capital projects in the City and sold to the Virginia Public School Authority.

- The City's \$3,565,000 General Obligation Refunding Bond, Series 2010 (**the "2010 Refunded Bond"**) which was issued to refund the City's General Obligation Public Improvement and Refunding Bonds, Series 1997, which were issued to finance and refinance various capital improvements, including, but not limited to, water and wastewater system improvements, landfill improvements and court facilities.
- The Economic Development Authority of the City of Petersburg, Virginia's \$2,500,000 Revenue Note (City of Petersburg, Virginia Land Acquisition Project) Series 2011 (**the "2011 Refunded Note"**) which was issued by the EDA, with payments secured by the full faith and credit of the City, to purchase land for economic development purposes.
- The City's \$4,368,000 Taxable General Obligation Refunding Bond, Series 2012A (**the "2012A Refunded Bond"**) which was issued to advance refund the City's General Obligation Refunding Bonds, Series 2004 and General Obligation Refunding Bond, Series 2005 which were issued to finance various capital improvements for the City.
- The City's \$5,000,000 Taxable General Obligation and Refunding Bond, Series 2013B (**the "2013B Refunded Bond"**) which was issued to finance the City's contribution to a new public library in the City.
- The City's \$3,000,000 Stormwater System Revenue Bond, Series 2015 (**the "2015 Refunded Bond"**) which was issued to finance stormwater system improvements in the City.

The refunding of the Tax-Exempt Refunded Bonds and the Taxable Refunded Bonds is being undertaken to achieve current cash flow savings. Pursuant to the VRA Escrow Agreement (as defined below), the Related 2014 Senior VRA Bonds and Related 2014 Subordinate VRA Bonds will be irrevocably called for redemption on their respective redemption dates at the redemption prices set forth below.

Related 2014 Senior VRA Bonds

<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Redemption Price</u>	<u>Redemption Date</u>
2017	\$130,000		
2018	135,000		
2019	140,000		
2020	145,000		
2021	155,000		
2022	165,000		
2023	50,000		
2023	45,000		
2024	180,000		
2025	190,000	100%	11/1/2024
2026	195,000	100%	11/1/2024
2027	210,000	100%	11/1/2024
2028	220,000	100%	11/1/2024
2029	225,000	100%	11/1/2024
2030	235,000	100%	11/1/2024
2031	250,000	100%	11/1/2024
2032	260,000	100%	11/1/2024
2033	275,000	100%	11/1/2024
2034	290,000	100%	11/1/2024

Related 2014 Subordinate VRA Bonds

<u>Maturity (November 1)</u>	<u>Principal Amount</u>	<u>Redemption Price</u>	<u>Redemption Date</u>
2017	\$50,000		
2018	55,000		
2019	60,000		
2020	65,000		
2021	65,000		
2022	65,000		
2023	150,000		
2024	75,000		
2025	80,000	100%	11/1/2024
2026	90,000	100%	11/1/2024
2027	90,000	100%	11/1/2024
2028	95,000	100%	11/1/2024
2029	100,000	100%	11/1/2024
2030	105,000	100%	11/1/2024
2031	105,000	100%	11/1/2024
2032	115,000	100%	11/1/2024
2033	115,000	100%	11/1/2024
2034	120,000	100%	11/1/2024

The portion of the Taxable 2017B Bonds allocable to the 2009 Refunded Bond will be deposited in accordance with the City Escrow Agreement (defined below) and held to make certain principal payments thereunder when due. The 1999 Refunded Bond, the 2010 Refunded Bond, the 2011 Refunded Note, the 2012A Refunded Bond, the 2013B Refunded Bond and the 2015 Refunded Bond will be refunded at Closing. The outstanding principal amounts for the Refunded Bonds (other than the Related 2014 Senior VRA Bonds and Related 2014 Subordinate VRA Bonds) are set forth below.

<u>Refunded Bond</u>	<u>Outstanding Principal Amount</u>
2015	\$1,897,369.42
2013B	4,518,597.68
2012A	4,258,000.00
2011	2,277,139.75
2010	466,750.75
2009	1,340,000.00
1999	1,500,000.00

Upon delivery of the Bonds, the City will enter into (a) an escrow agreement (**the "VRA Escrow Agreement"**) with U.S. Bank National Association, as escrow agent (**the "VRA Escrow Agent"**) and the VRA in connection with the refunding of the 2014 Refunded Bond and the Related 2014 Senior VRA Bond and Related 2014 Subordinate VRA Bonds which funded the purchase of the 2014 Refunded Bond and (b) an escrow agreement (**the "City Escrow Agreement"**) with Wilmington Trust, National Association (**the "City Escrow Agent"**) in connection with payments on the 2009 Refunded Bond. The VRA Escrow Agreement establishes an irrevocable escrow fund (**the "Escrow Fund"**), to be held by the VRA Escrow Agent and to be applied solely to the payment of the 2014 Refunded Bond. The City will deposit a portion of the proceeds of the sale of the Bonds with the VRA Escrow Agent for deposit in the Escrow Fund in an amount which will be held in cash or invested, at the direction of the City, in direct obligations of the United States of America (**the "Government Securities"**) maturing in amounts and bearing interest at rates sufficient, without reinvestment, (i) to pay when due the interest on the 2014 Refunded Bond through the first day on which they may be redeemed at the option of the City and (ii) to pay the principal of and accrued interest on the 2014 Refunded Bond on their stated redemption dates. The Government Securities purchased with the proceeds of the Bonds will be purchased with interest rates and at prices which will cause the yield thereon, computed in accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended (**the "Code"**), and applicable regulations thereunder, not to exceed the yield permitted by the Code. The Escrow Fund, including interest earnings on the Government Securities, is pledged solely for the benefit of the holders of the 2014 Refunded Bond. See **"Verification of Mathematical Computations."**

New Money Project

Proceeds from the sale of the 2017A Bonds in an amount not to exceed \$2,760,000 will be deposited in the Project Fund established pursuant to the Trust Agreement (as defined below) to finance police and fire vehicles for the City, along with other equipment.

Sources and Uses of Proceeds

The following table sets forth the anticipated application of the proceeds of the Bonds for the purposes described above:

Sources of Funds – 2017A

Principal Amount of 2017A Bonds	\$10,895,000.00
Plus Net Original Issue Premium	89,151.20
Prior Funds on Deposit	<u>423,995.94</u>
Total Sources	<u>\$11,408,147.14</u>

Uses of Funds

Costs of Issuance (including Underwriter's Discount)	\$ 450,389.36
Refunding of Tax-Exempt Refunded Bonds	7,445,782.06
2017A Debt Service Reserve Account	614,640.63
New Money Proceeds	<u>2,897,335.09</u>
Total Uses	<u>\$11,408,147.14</u>

Sources of Funds – Taxable 2017B

Principal Amount of Taxable 2017B Bonds	\$17,150,000.00
Less Net Original Issue Discount	<u>348,731.55</u>
Total Sources	<u>\$16,801,268.45</u>

Uses of Funds

Costs of Issuance (including Underwriter's Discount)	\$ 735,295.17
Refunding of Taxable Refunded Bonds	14,929,127.96
Taxable 2017B Debt Service Reserve Account	<u>1,136,845.32</u>
Total Uses	<u>\$16,801,268.45</u>

Security for and Sources of Payment of the Bonds

The Bonds will be general obligations of the City for the payment of which the City's full faith and credit will be irrevocably pledged. While the Bonds remain outstanding and unpaid, the City Council is authorized and required, unless other funds are lawfully available and appropriated for the timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, upon all locally taxable property within the City sufficient to pay when due the principal of and premium, if any, and interest on the Bonds.

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

Additionally, the Bonds will be secured by certain funds and accounts established under the Trust Agreement, dated as of August 1, 2017 (the "Trust Agreement"), between the City and the Trustee, including the Series 2017A Debt Service Reserve Account (the "2017A Debt Service Reserve Account") and the Series 2017B Debt Service Reserve Account (the "Taxable 2017B Debt Service Reserve Account") established in the Debt Service Reserve Fund to secure the 2017A Bonds and Taxable 2017B Bonds, respectively. The Bonds are equally

and ratably secured under the Trust Agreement; *provided* that moneys in any account or subaccount of the Bond Fund relating to a particular series of Bonds shall secure only such Bonds; that moneys in any account or subaccount of the Project Fund relating to a particular series of Bonds shall secure only such Bonds; and that moneys in any account or subaccount of the Debt Service Reserve Fund relating to a particular series of Bonds shall secure only such Bonds.

Bond Fund. Under the Trust Agreement, the City agrees to make quarterly payments (January 15, April 15, July 15 and October 15) to the respective bond fund accounts for the 2017A Bonds and Taxable 2017B Bonds in an amount sufficient to fund $\frac{1}{2}$ of the interest due and $\frac{1}{4}$ of the principal due on the next Payment Date for the respective Series of Bonds (except for the October 15, 2017 payment, which shall be for the full amount due on the November 1, 2017 Payment Date). The quarterly payments to the Bond Fund are set to match up with the City's receipt of quarterly real property tax revenues.

Debt Service Reserve Fund. Under the Trust Agreement, the 2017A Debt Service Reserve Account will be established in the Debt Service Reserve Fund for the 2017A Bonds and funded in an amount equal to the 2017A Debt Service Reserve Requirement. The 2017A Debt Service Reserve Requirement is initially equal to \$614,640.63, which is the least of (1) 50% of the maximum principal and interest payments due on the 2017A Bonds in the current or any future fiscal year, (2) 10% of the original proceeds of the 2017A Bonds, or (3) 125% of the average annual amount payable on account of principal of and interest on the 2017A Bonds for any year in any 12-month period ending on June 30. The 2017A Debt Service Reserve Account will be held as a reserve solely for the payment of principal of and interest on the 2017A Bonds to the extent other funds on deposit in the Bond Fund are not sufficient for such purposes. The Taxable 2017B Debt Service Reserve Account will be established in the Debt Service Reserve Fund for the Taxable 2017B Bonds and funded in an amount equal to the Taxable 2017B Debt Service Reserve Requirement. The Taxable 2017B Debt Service Reserve Requirement is initially equal to \$1,136,845.32, which is the least of (1) 50% of the maximum principal and interest payments due on the Taxable 2017B Bonds in the current or any future fiscal year, (2) 10% of the original proceeds of the Taxable 2017B Bonds, or (3) 125% of the average annual amount payable on account of principal of and interest on the Taxable 2017B Bonds for any year in any 12-month period ending on June 30. The Taxable 2017B Debt Service Reserve Account will be held as a reserve solely for the payment of principal of and interest on the Taxable 2017B Bonds to the extent other funds on deposit in the Bond Fund are not sufficient for such purposes. For additional information concerning the Debt Service Reserve Fund, see Appendix C -- "Trust Agreement."

The Trustee will value investments in the Debt Service Reserve Fund at fair market value semi-annually and, if a deficit exists, the Trustee will immediately notify the City of the deficit. If the amount on deposit in the 2017A Debt Service Reserve Account is less than the 2017A Debt Service Reserve Requirement or the Taxable 2017B Debt Service Reserve Account is less than the Taxable 2017B Debt Service Reserve Requirement, the Trustee will transfer any excess funds in the appropriate subaccounts in the Bond Fund to the respective Debt Service Reserve Account. Thereafter, the Trustee will request the City to make up any such deficit no later than 45 days before the next interest payment date on the Bonds.

State Aid Intercept Provisions

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed with the Governor of the Commonwealth of Virginia (**the "Commonwealth"**) by any holder of or paying agent for a general obligation bond in default as to payment of principal, premium, if any, or interest, the Governor shall conduct a summary investigation to his or her satisfaction and, if satisfied that such default has occurred, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply such funds to payment of the defaulted principal, premium, if any, and interest.

Section 15.2-2659 also provides for notice to the registered owners of such 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 the predecessor provisions of Section 15.2-2659 have ever been issued. Although neither Section 15.2-2659 nor its predecessor provisions have been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to its predecessor section, Section 15.1-225. In the last five fiscal years total direct appropriations to the City by the Commonwealth that would be subject to intercept were as follows:

<u>FY</u>	<u>Total</u>
2012	\$49,797,767
2013	49,973,978
2014	51,428,234
2015	51,175,949
2016	51,833,694

Other Remedies Upon the Event of Default

Neither the Bonds, nor the proceedings with respect thereto otherwise specifically provide any remedies that would be available to a bondholder if the City defaults in the payment of principal of or interest on the Bonds. Under the Trust Agreement, the Trustee undertakes to protect and enforce the interests of the bondholders upon the occurrence of such a default. Upon any default in the payment of principal or interest, the Trustee may, among other things, seek a writ of mandamus from an appropriate court requiring the City Council to levy and collect taxes as described above. The mandamus remedy, however, may be impracticable, time consuming and difficult to enforce. Furthermore, the right to levy and collect taxes and 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 "specifically authorized, in its capacity as a municipality or by name, to be a debtor" in accordance with Bankruptcy Code §109(c)(2). Current Virginia statutes do not expressly authorize the City or municipalities or other political subdivisions of the Commonwealth 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 vendors and other third parties 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 effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

Approval of Legal Proceedings

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Sands Anderson PC, Bond Counsel, which will be furnished at the expense of the City upon delivery of the Bonds, in substantially the form set forth in Appendix D (**the "Bond Opinion"**). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax status of interest on the 2017A Bonds as described in the section herein "Tax Exemption." 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 the Bonds.

Certain legal matters will be passed upon for the City by Joseph E. Preston, Esquire, Petersburg, Virginia, City Attorney.

Tax Exemption

Opinion of Bond Counsel. In the opinion of Bond Counsel, under current law, interest, including accrued original issue discount ("**OID**"), on the 2017A Bonds (a) will not be included in gross income for Federal income tax purposes and (b) will not be an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for Federal income tax purposes) subject to the Federal alternative minimum income tax, such interest is taken into account in

determining adjusted current earnings for purposes of computing such tax. The Taxable 2017B Bonds are not being issued at tax-exempt obligations. Bond Counsel is of the opinion that interest, including OID on the Bonds, will be exempt from income taxation by the Commonwealth of Virginia. Except as discussed below regarding OID, no other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel's opinion will be given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinion and requirements of the Code and is subject to the condition that there is compliance subsequent to the issuance of the 2017A Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for Federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the 2017A Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the City to comply with such covenants, among other things, could cause interest, including accrued OID, on the 2017A Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue.

The Internal Revenue Service (**the "Service"**) has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the City as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but is not a guarantee of result or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law or the interpretation thereof that may thereafter occur or become effective.

The Bonds will not be designated by the City as "bank qualified" obligations in accordance with Section 265 of the Code.

Bond Counsel's opinion with respect to the Taxable 2017B Bonds will state that, based on current law, interest on the Taxable 2017B Bonds is includable in the gross income of the owners thereof for purposes of federal income taxation. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Taxable 2017B Bonds.

Original Issue Discount. The initial public offering prices of each maturity of the 2017A Bonds maturing in the years 2037 and 2042 (**the "OID Bonds"**) will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of such 2017A Bonds are sold.

Under the Code, for purposes of determining a holder's adjusted basis in an OID Bond, OID is treated as having accrued while the holder holds the Bond and will be added to the holder's basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID and the state and local tax consequences of owning or disposing of such Bonds.

Original Issue Premium. Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax

advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Other Tax Matters. In addition to the matters addressed above, prospective purchasers of the 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, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

There are many events which could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance in a secondary market or otherwise may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel, nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Prospective purchasers of the Bonds also should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than Virginia.

Verification of Mathematical Computations

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the City relating to (i) computations of forecasted receipts of principal and interest on the investments in the Government Securities deposited in the escrow fund, and the forecasted payments of principal and interest to redeem the Refunded Bonds, and (ii) computation of the yields on the Bonds and of the issues of which certain of the Refunded Bonds is a part and the Government Securities deposited into the escrow fund will be examined by the Verification Agent. Such computations will be based solely on assumptions and information supplied by the Financial Advisor on behalf of the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Underwriting

The Bonds are being purchased by Crews & Associates, Inc. (**the "Underwriter"**). The purchase contract for the Bonds (**the "Bond Purchase Agreement"**) sets forth the Underwriter's obligation to purchase the (a) the 2017A Bonds at an aggregate purchase price of \$10,766,251.20 representing the par amount of the 2017A Bonds plus net original issue premium of \$89,151.20 and an Underwriter's discount of \$217,900.00 (2% of the par amount) from the initial offering prices set forth on the inside cover of this Official Statement), plus accrued interest, (b) the Taxable 2017B Bonds at an aggregate purchase price of \$16,458,268.45 (representing the par amount of the Taxable 2017B Bonds less net original issue discount of \$348,731.55 and an Underwriter's discount of \$343,000.00 (2% of the par amount) from the initial offering prices set forth on the inside cover of this Official Statement and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices or yields different from the public offering prices and yields stated on the inside cover of this Official Statement. The public offering prices and yields may be changed from time to time at the discretion of the Underwriter.

SECTION THREE: CITY ADMINISTRATION AND SERVICES

Overview

The City, first known as Peter's Point, was granted its first charter as the Town of Petersburg in 1748. The town was consolidated with the nearby settlements of Blandford, Pocahontas and Ravenscroft and officially became a city (the third city in Virginia) in 1850. The present charter was approved on March 14, 1962, by the General Assembly of Virginia, and has subsequently been amended from time to time.

The City encompasses 23.09 square miles and has a population of 31,882 according to the July 1, 2016 estimate from the U.S. Census Bureau. The City is located in east-central Virginia, approximately 25 miles south of Richmond. It is bordered by the Appomattox River and the City of Colonial Heights to the north, by Dinwiddie County to the south and west, by Prince George County to the east and by Chesterfield County to the northwest. Petersburg is one of the 13 jurisdictions that comprise the Richmond-Petersburg Metropolitan Statistical Area. A recent study from the Weldon Cooper Center for Public Service projected a long term decline in the City's population, down approximately 11% by 2040.

Both the Revolutionary and Civil Wars are prominent in the City's history. Today, the City retains established manufacturing and tourism-related industries.



Form and Organization of Government

The City is organized under the Council-Manager form of government as established by its Charter. The City Council is the governing body that makes all policies for the proper administration of the City. A Mayor is elected by the members of the City Council for a two-year term. The Mayor presides over meetings of the City Council and is recognized as the head of City government for all ceremonial purposes. City Council terms are for four years and a portion of the City Council is elected in staggered elections every two years.

The City Council appoints a City Manager, who serves at the pleasure of the Council, to act as administrative head of the City. The City Manager attends all City Council meetings and is charged with the implementation of the City Council's policy decisions. The City Manager directs all other business procedures for the City and has the power of appointment and removal of the heads of all departments and employees under his supervision.

In October 2016, the City engaged the Robert Bobb Group as an emergency turnaround group to oversee the financial and general management of the City. Through this contract, that was extended to September 30, 2017, the Interim City Manager and Interim Deputy City Manager/Director of Finance were hired. The primary responsibilities of this turnaround group was to oversee the day-to-day operations of the government, manage the fiscal year 2017 budget to remain in balance, prepare and approve a balanced budget for fiscal year 2018, complete the Comprehensive Annual Financial Report for fiscal year 2016, and hire full-time, permanent replacements. As of July 10, 2017, a new City Manager, Director of Finance, Police Chief and Fire Chief have all been hired by the City. Recruitment searches for a Deputy City Manager for Operations and a Deputy City Manager/Chief Financial Officer

are in their final stages. The City has also recently approved the creation of a City Tax Collector position to coordinate the billing and collection of taxes by the City. It is expected that the Tax Collector function will be integrated into the existing operational structure of City management by the end of the 3rd quarter of 2017.

The City currently employs approximately 496 full-time and 155 part-time employees. Under Virginia law, a municipality does not have the right to collectively bargain with employee organizations.

The City's School Board is composed of seven members elected from each of the seven wards of the City for staggered four-year terms and who govern the operation of the public school system. Under Virginia law, all operations of the School Board are completely independent of the City Council and the City Administration. The City Council is required to make an annual appropriation to the School Board, but has no authority over how the appropriation is spent. The School Board currently employs approximately 451 full-time and 284 part time employees.

The constitutional officers of the City (Commissioner of the Revenue, Treasurer, Commonwealth's Attorney, Sheriff and Clerk of Court) are elected at large by the voters. They are responsible to the City Council only to the extent of carrying out policies as established by local ordinances.

The City Council is comprised of seven members, one elected from each of the seven wards of the City, and each of whom serves a four-year (staggered) term, each expiring as set forth below:

<u>Member</u>	<u>Occupation and City Council Service</u>	<u>Term Expires December 31</u>
Samuel Parham, Mayor	Business Owner Member of the City Council since January 1, 2015	2018
John A. Hart, Sr., Vice Mayor	Network Engineer/ Project Manager at Virginia Dept. of Emergency Management Member of the City Council since January 1, 2015	2018
W. Howard Myers	Member of the City Council since January 1, 2011	2018
Treska Wilson-Smith	Community Activist for youth and the residents of the City Member of the City Council since January 1, 2011	2018
Charles H. Cuthbert	Partner in the Cuthbert Law Office Member of the City Council since January 1, 2017	2020
Darrin Hill	Member of the City Council since February 20, 2015	2020
Annette Smith-Lee	Financial Management Specialist with Defense Logistics Agency Aviation at the Defense Supply Center-Richmond, Member of the City Council since January 1, 2017	2020

The Mayor of the City Council is Samuel Parham, who was elected to City Council in November, 2014 at a general election of the citizens of the City and appointed by the City Council to serve in such position for a two year term beginning January 1, 2017. The Vice Mayor of the City Council is John A. Hart, Sr., who was appointed by the City Council to serve in such position for a two year term beginning January 1, 2017.

Certain City Administrative and Financial Staff Members

The Robert Bobb Group

The City engaged The Robert Bobb Group, LLC (the "**Bobb Group**") to assist in addressing the City's ongoing financial stress and to coordinate restructuring of the City's operations going forward to reduce the risk of future economic and operational issues. Tom Tyrrell, a Bobb Group employee, was appointed Interim City Manager and Nelsie L. Birch, a Bobb Group employee, was appointed Interim Deputy City Manager / Director of Finance for

the City. For a further discussion of the City's ongoing financial and organizational activities, see Section Seven below.

Col Tom L. Tyrrell, USMC (Retired), Interim City Manager through July 10, 2017. Mr. Tyrrell received his B.A. degree from Texas A&M University in 1976, his MS Management (Acquisition & Contracts) degree from Naval Postgraduate School in 1992 and his MS Strategic Resource Management degree from National Defense University Industrial College of the Armed Forces in 1998. Mr. Tyrrell previously served as Director of Central Management Services for the State of Illinois from 2015-2016, Chief Operating Officer of Chicago Public Schools from 2012-2015, Chief Executive Officer of Steel Partners from 2008-2011, Director of Special Projects of Cantor Fitzgerald from 2006-2008 and currently serves as Chief Executive Officer and Chairman of the Board of Via Novus Financial LLC. Mr. Tyrrell held a number of strategic leadership positions serving as Commanding Officer of the First Marine Corp District, U.S. Marine Corps, overseeing all officer and enlisted recruitment in the 14 state northeastern region as well as serving as Director of Strategic Planning, United Nations interim Mission in Kosovo. As a civilian member of the UN staff, he developed and implemented The Witness Program to observe presidential elections in the Federal Republic of Yugoslavia and participated in the development of the Human Rights Matrix. In 2000, as an Assistant to the Chairman of the Joint Chiefs of Staff, he completed the “Fulcrum Project” and recommended an overarching cultural transformation strategy for the Armed Forces that mapped existing Cold War capacity and processes with future terrorism based conflict requirements. Before 1996, Col. Tyrrell had accrued over 20 years' experience in a variety of assignments including 16 years of Command and a stint as the U.S. Marine Corps Chief Contracting Officer for the Far East. He was an Executive Director and Chief Executive Officer responsible for all management oversight related to the Intrepid Sea-Air-Space Museum operations, programs, and finances. Col. Tyrrell directed a multi-million dollar upgrade and expansion of exhibits and public spaces, the largest undertaking of its kind since the museum's 1982 opening. He joined the Intrepid Sea-Air-Space Museum as Chief Operations Officer in 2002. Col. Tyrrell also served on the Intrepid Museum Foundation Board of Trustees as an ex officio member. He serves as a Director at Seraphima Ventures LLC.

Nelsie L. Birch, Interim Deputy City Manager / served as Director of Finance through July 10, 2017. Ms. Birch holds a Masters of Public Administration degree from Northern Illinois University with a concentration in Urban Management and a Bachelor of Arts degree from Knox College in Political Science. She is a graduate of Leadership ICMA through the International City/County Management Association and a graduate of the Senior Executive Institute through University of Virginia's Darden Business School/Weldon Cooper Center. Ms. Birch is the Founder and President of BIRCHbark Strategic Consulting, LLC. Ms. Birch previously served as Director of Agency Operations for the District of Columbia as a key advisor to the City Administrator responsible for ensuring the success in managing the day-to-day operations of District Government and implementing the strategic direction and policy decisions set forth by the Mayor. Ms. Birch also held the position as the Director of Management and Budget for the City of Alexandria, VA. Prior to that Ms. Birch was a credit analyst for Fitch Ratings, a Principal Analyst for the City of Baltimore, MD's Director of Finance, the Assistant to the City Manager for the City of Greensboro, North Carolina and a Business Development Specialist for PayLock IPT, a parking innovation and technology company.

Jack Berry, Interim Deputy City Manager. Mr. Berry served as the Deputy City Manager and Chief of Staff of the City of Richmond, Virginia, with responsibility for the Finance and Administration portfolio. Prior to working in the City Manager's Office, he was the City's Budget Director, where he also oversaw the City's award-winning productivity analysis unit. Jack later served as the County Administrator of Hanover County, Virginia for over six years. Following a 20-year career in local government, he led Venture Richmond, a public-private partnership that focuses on the economic development of downtown Richmond. Mr. Berry left Venture Richmond last year to run for mayor of the City of Richmond, then joined the turn-around team for the City of Petersburg in January 2017. He holds an undergraduate degree from the University of Virginia and a Master's Degree in Public Administration from George Washington University.

Permanent Management Team

The City hired a new permanent City Manager and Finance Director effective July 10, 2017. The Bobb Group staff serving in city positions on an interim basis continue to serve the City through the extended term of their contract with the City (September 30, 2017) to assist the permanent management team in the transition and in developing management practices to ensure the long-term financial health of the City.

Aretha Ferrell-Benavides, City Manager. Ms. Ferrell-Benavides has more than 25 years of service in local government and was appointed by City Council as City Manager on June 21, 2017 and started on July 10, 2017. She was previously the City Manager of Glenn Heights, Texas since May 2015 and was Deputy City Manager from July, 2014 to May 2015. Prior to her appointment at Glenn Heights, Ms. Ferrell-Benavides served as the Deputy Secretary of the District of Columbia in the Executive Office of the Mayor (Mayor Vincent C. Gray's administration). She has also previously held several positions in the District of Columbia to include serving as the COO for the District of Columbia Department of Parks and Recreation, responsible for managing the day-to-day operation of the Department. Ms. Ferrell-Benavides has also served under District of Columbia Mayor Anthony Williams as Chief of Staff for Office of the Deputy Mayor for Children, Youth and Elders and was later promoted to the position of Director for the Office of Neighborhood Action & the Community Empowerment Cluster. Prior to her work with the District of Columbia, Ms. Ferrell-Benavides worked with the City of Chicago and State of Maryland. Ms. Ferrell-Benavides received both her Bachelor of Arts degree from Southern University and a Master of Arts in Public Administration Planning from Howard University. Ms. Ferrell-Benavides has been a member of the National Forum for Black Public Administrators (NFBPA) for over 22 years and in April 2011 was elected the 17th National President of the organization. She is also a member of the International City/County Management Association (ICMA).

Blake R. Rane, Director of Finance. Mr. Rane was appointed by City Council as Director of Finance on June 26, 2017 and started on July 10, 2017. He was previously the Finance Director of the Town of Lake Park, Florida since 2012. Mr. Rane was responsible for the management of all accounting, finance and budgeting, with the major focus being the restoration of the financial stability of the Town. He has also served as Director of Finance and Interim City Manager for the City of Mulberry, Florida from 2008 to 2012 where he managed the finance, accounting and information technology functions of the City. He has also worked in the private sector as CFO, Director and Comptroller. Mr. Rane received his Bachelor of Science in business and marketing from the University of Utah and a Masters of Business Administration from the University of Oregon. Mr. Rane is a Certified Government Finance Officer and a Certified Public Funds Investment Manager.

Joseph E. Preston, Esq., City Attorney. Mr. Preston was appointed by the City Council to the position of City Attorney on September 30, 2016. Mr. Preston has served as an assistant Commonwealth Attorney for the Commonwealth of Virginia; he has practiced law as a private practitioner for over 25 years; and, he has served as a legislator in the Virginia House of Delegates for the 63rd District. He has been an Adjunct Professor at Virginia State University for over 25 years. Mr. Preston earned an undergraduate degree (Bachelor of Arts) in Psychology from Morehouse College, in Atlanta, Georgia in 1979. In 1983, Preston earned from Howard University School of Law in Washington, D.C., a Juris Doctorate degree. He became licensed to practice law in the states of Nebraska and Virginia in 1984. Mr. Preston has been a member of the Petersburg Breakfast Rotary Club for 23 years, and he has served on numerous boards and commissions. He has also served on the Foundation Boards of Richard Bland College of the College of William and Mary, and the Petersburg Public Library.

Constitutional Officers

Pamela C. Hairston, Commissioner of the Revenue, was elected to such position at a general election of the citizens of the City for a four year term beginning on January 1, 2014. Her term ends on December 31, 2017. She is not running for re-election.

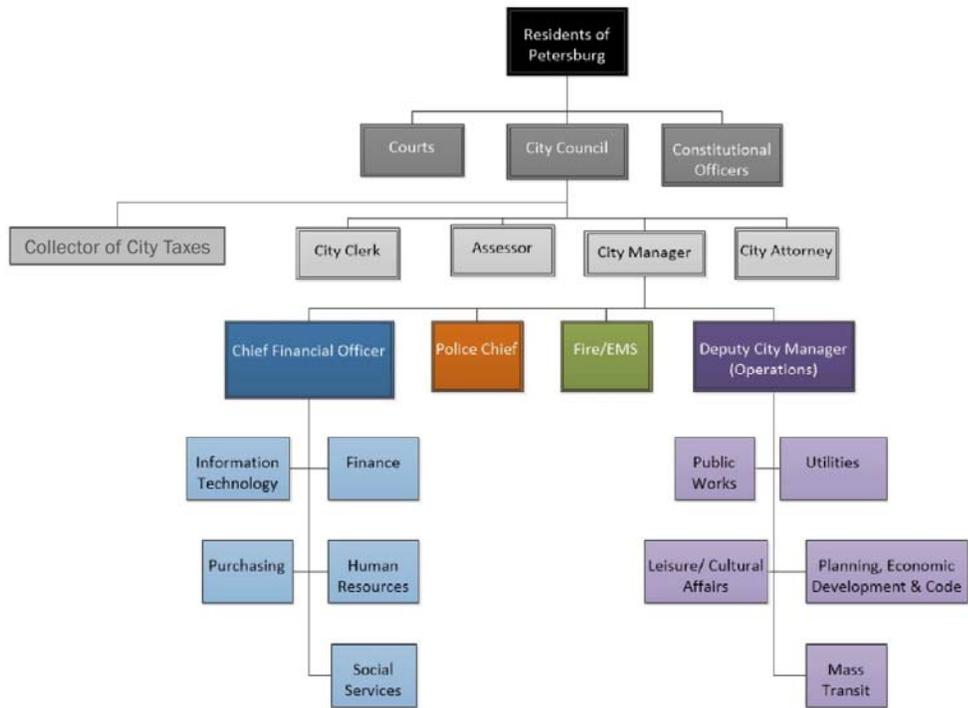
Kevin A. Brown, Treasurer, was elected to such position at a general election of the citizens of the City on November 5, 2013 for a four year term beginning on January 1, 2014. His term ends on December 31, 2017. He is not running for re-election.

Cheryl J. Watson, Esq., Commonwealth's Attorney was appointed in April, 2017, to fill the unexpired term through December 31, 2017 of the now retired long-time Commonwealth Attorney, Cassandra S. Convoy. She has announced that she is running for election in November, 2017 for a full 4 year term.

Vanessa Reese Crawford, Sheriff was first elected to such position at a general election of the citizens of the City beginning on January 1, 2005.

Shalva Jean Kyle Braxton, Clerk of Circuit Court, was elected to such position at a general election of the citizens of the City beginning on January 1, 2012.

City of Petersburg Organizational Chart



GOVERNMENT SERVICES AND FACILITIES

Introduction

The City provides general governmental services for its citizens including police and fire protection, collection and disposal of refuse, water and wastewater services, parks and recreation facilities and activities, libraries/culture, health and social services and maintenance of streets and highways. Other services provided by the City and which receive partial funding from the Commonwealth include public education in grades kindergarten through twelve and certain technical, vocational and special education, mental health assistance, agricultural services and judicial activities.

Public Education

The Petersburg City Public Schools is under the direction of a seven person School Board (**the "School Board"**), the members of which are elected from each of the seven wards of the City for staggered four-year terms. The School Board appoints a School Superintendent who is responsible for the operations of the school system in accordance with Virginia laws, regulations of the State Board of Education, and the policies and regulations of the School Board. The Superintendent recommends and the School Board appoints a staff which directs the school system. The School Board presents an annual budget to City Council. The City Council makes an annual appropriation for school operations and has the authority to approve the appropriation by major line item expenditures. The School Board is not empowered to levy taxes.

Public school facilities include one pre-school, four elementary schools, one middle school, one high school as well as one alternative school for 62 students. The City's public school system currently employs approximately 451 people in its professional staff and 284 persons as support staff under the administration of Dr. Marcus J. Newsome, Superintendent of Schools. Dr. Newsome retired from his decade long position as Superintendent of Chesterfield County Public Schools effective June 30, 2016 and on July 1, 2016 took on the position of Superintendent of Petersburg City Public Schools under a 4 year contract. A portion of his salary has been funded with an incentive fund set up by the Virginia General Assembly. Dr. Newsome is a recipient of Virginia's Region 1 Superintendent of the Year Award. Under his leadership Chesterfield County enjoyed a national reputation for high performing, award-winning schools, where test scores and graduation rates reached all-time highs.

The School Board is responsible for the operation of the City's public school system and, in its corporate capacity, is vested with all the powers and charged with all the duties, obligations and responsibilities imposed upon school boards by law and may sue, be sued, contract, be contracted with, and purchase, take hold, lease and convey school property, both real and personal.

Westview Early Childhood Education Center serves Head Start and Virginia Preschool Initiative three and four-year-old Programs; A.P. Hill Elementary School, J.E.B Elementary School, Robert E. Lee Elementary School and Walnut Hill Elementary School serves grades Kindergarten - 5th; Vernon Johns Middle School serves grades 6th, 7th and 8th; and Petersburg High School serves grades 9-12. Peabody Middle School was removed from service at the end of the 2017 school year due to age and the cost of required renovations. The former Vernon Johns Junior High School building (which was closed at the beginning of the 2017 school year) will house the City's middle school program starting in the 2018 school year.

Fall enrollment as of September 30 of each school year for the past five years is set forth in the table below:

<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
4,434	4,472	4,318	4,282	4,275

Source: Virginia Department of Education.

Petersburg City Public Schools has experienced a 13% decline in enrollment over the last 10 years.

The City is home to the Appomattox Governor's School for Arts and Technology, a regional school providing core and specialized classes for up to 500 gifted students. Petersburg Public Schools provided funding for the Governor's School of approximately \$475,580 for Fiscal Year 2017.

Independent schools in the Petersburg area currently include:

- Bermuda Run Educational Center
- Blandford Manor Education Center
- Grace Baptist School
- Restoration Military Academy
- Rock Church Academy
- Robert A. Lewis Seventh Day Adventist School
- St. Joseph School.

Higher Education

The City lies within Region #2 of the Virginia Community College System and is served by John Tyler Community College, a two-year state-supported co-educational institution located five miles north of the City in Chesterfield County, with an enrollment of approximately 6,000 students. Adjacent to the City is Virginia State University. Founded in 1882, Virginia State University is a four-year state-supported land grant university that offers undergraduate, masters and technical programs to approximately 4,600 students. Just south of the City is Richard Bland College, a division of the College of William and Mary, with an enrollment of approximately 1,300. Richard Bland College offers two years of accredited college work, leading to an Associate Degree in Arts, Science or Science and Business.

Many other institutions of higher education are located nearby in Richmond. These include the University of Richmond, Virginia Union University, Virginia Commonwealth University and Reynolds Community College.

Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of VML Insurance Programs, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays an annual premium to VML for its workers' compensation insurance. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion of which each member's premium bears to the total premiums of all members in the year in which such deficit occurs.

The City continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. The City settled a suit brought by City police and fire employees regarding uncompensated overtime claims. Payments in the amount of \$300,000 for fiscal year 2018 as a result of that settlement are expected to be paid from the City in excess of other amounts paid under the City's insurance coverage. Other settled claims resulting from other risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Water and Wastewater System

The City owns and maintains a water and wastewater distribution and collection system. Water is purchased from the Appomattox River Water Authority ("**ARWA**") in accordance with a multi-jurisdictional

service agreement wherein Petersburg is allocated 16.69% of the plant capacity (16.03 MGD) with a maximum raw water allocation of 14.05 MGD. The City's average daily use is 4.54 MGD and its peak day use is 7.95 MGD. The annual cost of water purchased from ARWA is approximately \$1.5 million.

The City purchases wastewater treatment services from the South Central Wastewater Authority ("SCWWA"). SCWWA was incorporated on March 11, 1996, and currently provides wastewater treatment service to the Cities of Colonial Heights and Petersburg, and to the Counties of Chesterfield, Dinwiddie (through the Dinwiddie County Water Authority) and Prince George. The City's allocated treatment capacity is 12.08 MGD, or 52.5% of the total treatment capacity of 23.0 MGD. The annual treatment cost for the City is approximately \$4.5 million.

The Petersburg Utility System consists of 260 miles of water mains, 6 water storage tanks, 2 water pump stations, 1,378 fire hydrants and 11,900 active accounts. The City maintains over 195 miles of wastewater collector lines and 19 wastewater pumping stations. The City increased utility rates by 13.4% in Fiscal Year 2017 and City Council approved an additional rate increase of 14.3% as part of the FY2018 Adopted Budget, subject to sunset if the City fails to reach a 92% collection rate, in order to fund infrastructure improvements. As further hereinafter discussed, the City has received two unsolicited proposals recently setting forth an interest in purchasing the Petersburg Utility System.

The City serves approximately 38,429 customers with about 11,900 accounts. The table below lists the consumer water and wastewater rates effective July 1, 2017.

Water and Wastewater Rates

The monthly rates for water furnished by the City to customers within the City limits are based on hundred cubic feet (cf) of usage, plus capacity fee outlined below:

- (1) For the first 300 cf, per 100 cubic feet: 0.597.
- (2) From 301 cf through 12,500 cf, per 100 cubic feet: \$2.527.
- (3) All over 12,500 cf, per 100 cf: \$1.621.

The monthly capacity fee for water furnished within the City limit is based upon the following meter sizes:

Meter Size (inches):	Monthly Water Capacity Fee
5/8"	\$8.84
1	22.12
1 1/2	38.67
2	70.68
3	141.34
4	220.86
6	441.76
8	883.52
10	1,369.44
12	1,767.02

The monthly charge for wastewater service furnished by the City to customers within the City limits is based as follows:

- (1) For the first 300 cf, per 100 cubic feet: \$1.335.
- (2) From 301 cf through 12,500 cf, per 100 cubic feet: \$5.742.
- (3) All over 12,500 cf, per 100 cf: \$3.668.

The monthly capacity fee for wastewater service furnished within the City limit shall be based upon the following meter sizes:

Meter Size (inches):	Monthly Sewer Capacity Fee
5/8"	\$20.05
1	50.11
1 1/2	87.74
2	160.31
3	325.35
4	501.01
6	1,002.01
8	2,004.03
10	3,106.24
12	4,008.21

Solid Waste Disposal Service

The City contracts with the Central Virginia Waste Management Authority to provide solid waste collection and disposal services and recycling.

Public Safety

Police Department

The Police Department is responsible for enforcing the law, criminal investigation, traffic regulation and control and for the provision of emergency and other services. The Police Department has active community policy and crime prevention programs. The department has 124 employees of whom 93 are sworn officers. Kenny Miller, a former police captain in Virginia Beach has recently been approved by City Council and hired to serve as Police Chief for the City.

Department of Fire, Rescue and Emergency Services

The Department of Fire, Rescue and Emergency Services operates four stations and is responsible for fire and emergency medical services. All firefighters are certified in basic life support. Advanced life support units are staffed by certified cardiac technicians or certified paramedics. The department has a staff of 83 full-time and 10 part-time employees. The City Council recently approved the hiring of Dennis L. Rubin to act as the Fire Chief for the City.

Jail Facilities

The City contracts with the Riverside Regional Jail Authority to house all of the City’s prisoners.

Health and Welfare

Acute medical care is provided by Southside Regional Medical Center ("**SRMC**") located in the City. SRMC is a 300-bed facility located on a 50-acre campus with 380 physicians representing more than 40 specialties. The hospital was originally started in 1948 by the city of Petersburg, but was sold to Community Health Systems (a conglomerate based in Tennessee) in 2003. The current hospital was constructed in 2012 and the current assessed value is nearly \$100 million. The hospital is designated as a Level III Trauma Center by the Virginia Department of Health. A School of Nursing and a School of Radiation Sciences are both located on the hospital premises and offer a 24-month curriculum for individuals interested in becoming registered nurses or radiologic technologists. Other hospitals serving the City include 15 short-term, non-Federal hospitals in the Richmond area.

Community Facilities

The Petersburg Public Library serves the citizens of the City and surrounding counties at its Central Library. It provides a full range of services to help meet the informational, recreational and educational needs of its patrons. The library's collection includes 124,000 volumes, 2,300 audio-visual materials, 115 art prints, 150 periodicals and 11 newspapers. This collection is supplemented by a microcomputer system available to patrons free of charge. In addition, one of the library system's most important functions, information dissemination, is greatly aided by an interlibrary loan program with other libraries. A diverse schedule of events and activities is offered throughout the year at all three branches. Adult programs, lectures, art displays, story times, and reading programs are designed to appeal to a broad range of interests. The system has a total staff of 20 full-time and part-time employees.

Through its Department of Recreation, the City provides a comprehensive and varied program of public recreational activities and services for residents of all ages. Opportunities and new experiences are available for individual and group involvement through seminars, workshops, classes and sports programs to stimulate personal growth and positive social development through good use of leisure time.

The City's parks include a 12-acre unimproved natural park located in the center of the City, 28 acres of recreational facilities in the City's west end and its largest and most comprehensive facility, Lee Park and Wilcox Lake, to the south. The Petersburg Sports complex is situated on over 100 acres of land and features four softball fields, a baseball field, large concession area, restrooms, press box, office area, public address system and an electronic scoreboard. The City owns and operates a municipal golf course, Dogwood Trace Golf Course which officially opened in 2008.

In the FY 2018 budget, all of these functions and the Dogwood Trace Golf Course were to be consolidated into the Leisure and Cultural Affairs Department in order to leverage the City's resources to maximize the service offerings to residents and the region.

Economic Development

The City consists of 23.1 square miles and is located in south-central Virginia, just south of Richmond. Bordered by the Appomattox River on the north, the City is at the junction of I-85 and I-95 and is the site of two mainline railroads, enabling industries to easily access the East and Midwest markets.

The City is known for its rich history, much of which is centered on the Revolutionary and Civil War periods. It was once a prominent center of rail commerce. As a result, the city possesses a wealth of historic resources, architectural treasures and residential and commercial buildings that are attracting interest from developers and renovators. In recent years, the City has been a temporary home for many film crews who have used it as a backdrop for movies and shows, such as Steven Spielberg's "Lincoln" and television series "Turn" and "Mercy Street."

The City's Old Towne District is experiencing rapid revitalization, spurred by Federal and State historic tax credits and a strong demand for loft apartments. Since 2005, 1,221 apartments have been developed in the downtown area, including 257 since 2014. The Old Towne Petersburg district has approximately 26 restaurants, several trendy coffee shops and two craft breweries. The City is benefitting from its position in the rapidly expanding Richmond Region, with developers now venturing beyond the City of Richmond core to seek additional redevelopment opportunities. The City has a large supply of old and historic buildings that are eligible for State and Federal historic tax credits and tax abatement. Rents and occupancy rates are strong, as the City is located within a 30-minute commute from downtown Richmond. While the City is benefitting from its proximity to the City of Richmond, and the recent strong growth of Virginia's capital, the City retains its own identity as the cultural center of a multi-county region in south-central Virginia.

The City's largest employer is SRMC, the region's primary medical services facility. SRMC, along with Poplar Springs Hospital and HealthSouth Surgical Rehabilitation Hospital, make Petersburg the medical services hub of the Tri-cities area. The facility, which includes a nursing school and a specialty healthcare center, employs over 1,500 professionals. Other large employers include Boar's Head, International Paper, and Brenco Amsted Rail.

Fort Lee Army Base is located adjacent to the City and houses the Army’s Quartermaster and Logistics Management Centers. Fort Lee has experienced significant growth as a result of the 2005 Base Realignment. Fort Lee has an average daily population of 34,000. Approximately 70,000 troops will pass through Fort Lee's classrooms, making it the third largest training site in the Army, and a large part of the regional tourism market. Its economic impact on the region exceeds \$2.4 billion annually.

Virginia State University ("**VSU**"), founded in 1882, is a historically black, public land-grant university located across the Appomattox River from Petersburg. The university offers 31 undergraduate degree programs, 17 graduate degree programs and two doctoral degree programs. VSU has a current student population of approximately 4,600 and is a major employer in the region.

AMPAC Fine Chemicals ("**AMPAC**") will add significantly to the manufacturing employment base as it re-starts operations at the Petersburg manufacturing facility once owned by BI Chemical, a major employer in the City and region. AMPAC is actively preparing the facility for commercial production and has successfully produced three “qualification batches” for quality control testing.

In 2016, Allan Myers, which operates five quarries and 16 asphalt plants in five states, purchased property from the City and invested approximately \$12 million in land development, asphalt plant assets and rolling stock such as trucks, pavers, rollers and loaders. This new business created 51 new jobs in the City.

In 2016, major projects in Virginia’s Gateway Region, which includes the City, resulted in the creation of 478 new jobs totaling \$233 million in private investment and \$67 million in direct foreign investment. Within the region, distribution centers have been constructed by Amazon, Walmart, Aldi and other food distribution outlets. Taking advantage of the region’s proximity to major markets, and both freeway and rail access, expansion of additional distribution businesses is anticipated in the future.

Visitation to the City is enhanced through participation in Petersburg Area Regional Tourism (PART) marketing initiatives, exhibits at the City’s museums, and events such as Friday for the Arts, the Farmer’s Market and the Festival of Grapes and Hops.

SECTION FOUR: ECONOMIC AND DEMOGRAPHIC DATA

Population

<u>Year⁽¹⁾</u>	<u>City of Petersburg</u>	<u>Virginia</u>
2006	32,181	7,673,725
2007	32,318	7,751,000
2008	32,321	7,833,496
2009	32,168	7,925,937
2010	32,420	8,001,024
2011	31,931	8,110,783
2012	31,843	8,193,374
2013	32,117	8,267,875
2014	32,245	8,328,098
2015	32,477	8,382,993
2016	31,882	8,411,808

Source: U.S. Census Bureau.

⁽¹⁾ Estimate as of July 1.

Median Household Income

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City of Petersburg	36,449	36,289	35,126	34,424	33,927	31,798
Commonwealth of Virginia	60,367	62,616	61,782	67,620	64,923	65,015
United States	49,276	50,054	51,371	51,939	53,657	53,889

Source: U.S. Bureau of the Census; most recent information available.

Per Capita Personal Income

<u>Year</u>	<u>City of Petersburg</u>	<u>Virginia</u>	<u>U.S.</u>
2006	30,975	42,386	38,144
2007	32,482	44,422	39,821
2008	33,632	45,618	41,082
2009	33,834	44,458	39,376
2010	34,164	45,412	40,277
2011	36,080	47,689	42,453
2012	36,609	49,320	44,266
2013	36,579	48,956	44,438
2014	36,690	50,345	46,049
2015	38,010	52,136	47,669

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Most recent information available.

Industrial Employment Distribution

The average industrial distribution of employed workers in the City for the 4th quarter ending December, 2016 was as follows:

<u>Type of Industry</u>	<u>Number Employed</u>
Construction	453
Manufacturing	881
Wholesale Trade	431
Retail Trade	1,397
Transportation and Warehousing	326
Information*	*
Finance and Insurance	225
Real Estate and Rental and Leasing	131
Professional, Scientific and Technical Services	175
Management of Companies and Enterprises	24
Administrative and Support and Waste Management	537
Educational Services	62
Health Care and Social Assistance	4,310
Arts, Entertainment and Recreation*	*
Accommodation and Food Services	954
Other Services, (Except Public Administration)	765
Federal Government	165
State Government	200
Local Government	1,845
Unclassified	13
Government Total	<u>2,210</u>
Total	<u>13,036</u>

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 4th quarter ended December, 2016.
*non-disclosable data

Top Ten Employers within the City

<u>Employer</u>	<u>Approximate Number of Employees</u>
Southside Regional Medical Center	1,000 and over
City of Petersburg School Board	500 to 999
City of Petersburg	500 to 999
Amsted Rail Company Inc.	250 to 499
Horizon Mental Health Management Inc.	250 to 499
Wal Mart	250 to 499
Good Neighbor Homes Inc.	250 to 499
Quality Plus Services	100 to 249
District 19 Mental Health and Retardation Services	100 to 249
Beverly Home Care	100 to 249

Source: Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 4th quarter ended December, 2016.

Unemployment Rates

	<u>City of Petersburg</u>	<u>Virginia</u>	<u>United States</u>
2007	6.3	3.0	4.6
2008	7.3	3.9	5.8
2009	13.3	6.7	9.3
2010	14.0	7.1	9.6
2011	12.9	6.6	8.9
2012	12.0	6.1	8.1
2013	11.7	5.7	7.4
2014	10.8	5.2	6.2
2015	9.2	4.5	5.3
2016	7.6	4.0	4.9

Source: Bureau of Labor Statistics.

Taxable Retail Sales

The City's historical retail sales information for the past 10 years is presented below.

<u>Calendar Year</u>	<u>Taxable Retail Sales</u>
2007	\$338,215,289
2008	326,949,092
2009	284,647,864
2010	273,875,293
2011	291,403,385
2012	298,201,261
2013	285,860,538
2014	296,276,637
2015	302,220,886
2016	292,686,873

Source: Virginia Department of Taxation: Includes only those sales subject to Virginia Sales and Use Tax.

Building Permits

The value of building permits for the past ten fiscal years is shown below:

<u>Fiscal Year</u>	<u>Residential</u>		<u>Non-Residential</u>			<u>Total</u>
	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
2007	241	\$29,073,318	147	\$74,479,302	388	\$103,552,620
2008	228	6,692,477	140	13,043,145	368	19,735,622
2009	153	4,557,123	118	36,545,377	271	41,102,500
2010	241	2,187,251	141	51,939,764	382	54,127,015
2011	95	2,667,673	166	20,310,403	261	22,978,076
2012	93	4,466,746	182	25,832,652	275	30,299,398
2013	89	1,916,140	141	12,857,498	230	14,773,638
2014	98	3,009,918	142	22,570,103	240	25,580,021
2015	86	1,771,846	195	15,792,099	281	17,563,945
2016	70	966,716	138	10,967,505	208	11,934,221

Source: Office of Inspections, City of Petersburg, Virginia.

Transportation

The City is conveniently located with respect to major highways. The City has access to Interstate 95 via an interchange within the City limits. Since Interstate 95 runs the entire length of the eastern seaboard, it gives the City access to a wide range of supplies and markets. Interstate 85 also begins within the City limits, making easily available to the City many of the major metropolitan areas of the Southeast. Through an interchange with Interstate 95 in Richmond, Interstate 64 connects the City with an east-west route from the Hampton Roads area. U.S. Route 460 also serves the City with an east-west route. In addition, over 100 carriers provide motor freight service to the City, including both interstate and intrastate shipments.

Air transportation is provided by the Richmond International Airport, located east of Richmond, Virginia, in Henrico County and approximately 30 miles from the City. Richmond International Airport is a major airport, serviced by several major airlines. These airlines schedule numerous flights daily and make world-wide connections through other ports. Charter flights, air express and freight services are also provided at Richmond International

Airport. Petersburg/Dinwiddie Municipal Airport, a general aviation airport is located five miles west of the City and provides private air services. The City has several railway facilities nearby that provide freight and passenger service. Norfolk Southern Corp. has lines and sidings through Chesterfield County and the City. Connections may be made at Richmond with the Chesapeake and Ohio Railroad, and by both lines with major cities of the Midwest.

Petersburg Area Transit ("PAT") is the principal public transportation provider for the City urbanized area. Currently, PAT operates 12 fixed-routes serving the City and surrounding areas. Also PAT operates Para-Transit service within the City, Colonial Heights, Hopewell, and parts of Prince George and Dinwiddie. Service is provided Monday-Saturday and closed on Sunday. PAT services approximately 54,000 riders a month within its service area. It has a fleet of 16 fixed-route buses, 12 support vehicles and 6 Para-Transit vans.

In partnership with the Federal Transit Authority, the City now operates three trolleys in the downtown and surrounding areas. To reduce cost and improve operations, the City outsourced fleet repair services.

Business and Labor

The City's basic industries are healthcare, manufacturing, state and federal government and tourism. Fort Lee Army Base is located adjacent to the City. Fort Lee houses the Army's Quartermaster and Logistics Management Centers. Fort Lee currently employs about 4,123 civilians.

The City's economic prospects are enhanced by its proximity to Richmond, the state capital. It is included in the Richmond-Petersburg Metropolitan Statistical Area, which, in 2000, was ranked as the 43rd largest metropolitan area in the nation.

SECTION FIVE: FINANCIAL INFORMATION

Budgeting, Accounting and Auditing

Before the thirtieth day of April, the City Manager is required to prepare and submit to the City Council for its consideration a proposed annual budget (**the "Budget"**) for the ensuing fiscal year beginning on the next July 1 and ending on June 30 of the following year. The Budget is to be based upon detailed estimates furnished by the departments and divisions of the City. A public hearing on the Budget is held after a synopsis of the Budget is published in a newspaper having general circulation in the City and notice is given of the public hearing. After the conclusion of the public hearing, the City Council may insert new items of expenditure or may increase, decrease or strike out items of expenditures in the Budget, except that items of expenditure for debt service or items required by the City Charter or other provisions of law cannot be reduced or stricken out. Prior to the beginning of each fiscal year, the City Council will pass an appropriation ordinance which will be based on the Budget submitted by the City Manager and will levy such tax for the ensuing fiscal year as may be necessary to meet the appropriations not met by other revenues and all sums required by law to be raised for account of the City debt. The total amount of appropriations will not exceed the estimated revenues of the City.

A modified accrual basis of accounting is maintained for general governmental operations whereby expenditures are recorded when paid or when liabilities are incurred and revenues are recorded in the period when earned and available to fund appropriations for that period. The accrual basis of accounting is used in the Enterprise Funds and Internal Service Funds.

An annual audit is made of the accounts and records maintained in the offices of the Director of Finance and the School Board. The annual audit is made by independent certified public accountants appointed by the City Council. The most recently completed financial statements of the City, presented in Appendix A to this Official Statement, are accompanied by a letter from Robinson, Farmer, Cox, Charlottesville, Virginia, the City's independent auditors. Robinson, Farmer, Cox will not be reviewing any matters in connection with this Official Statement or any other matters related to the issuance of the Bonds.

Five Year Summary of General Fund Revenues and Expenditures

The financial data presented on the following page summarize Governmental Funds revenues and expenditures for the five fiscal years ended June 30, 2016. Such data has been compiled from the audited financial statements of the City for the fiscal years 2012 through 2016. Financial data for the fiscal year ended June 30, 2016, should be read in conjunction with the related financial statements and notes thereto appearing in Appendix A.

City of Petersburg, Virginia
Changes in Fund Balances – Governmental Funds
Last Five Fiscal Years

Revenues	2012	2013	2014	2015	2016
General property taxes	\$33,388,519	\$33,787,723	\$33,299,800	\$32,558,767	\$34,495,560
Other local taxes	11,281,505	11,931,952	11,694,985	12,079,523	12,341,696
Permits, privilege fees, and regulatory licenses	559,870	589,836	570,939	686,551	496,899
Fines and forfeitures	786,925	784,879	714,870	765,358	407,471
Revenue from use of money and property	383,397	397,947	487,382	231,452	489,754
Charges for services	1,971,784	2,583,808	3,498,762	3,785,602	4,141,347
Miscellaneous	472,304	1,285,606	861,739	1,104,557	641,101
Recovered costs	35,966	1,153,960	1,189,699	312,402	416,380
Intergovernmental:					
Commonwealth	23,474,260	23,044,851	23,487,926	23,548,977	22,492,191
Federal	<u>6,166,684</u>	<u>6,356,920</u>	<u>6,444,971</u>	<u>5,740,647</u>	<u>6,332,708</u>
Total Revenues	<u>\$78,521,214</u>	<u>\$81,917,482</u>	<u>\$82,251,073</u>	<u>\$80,814,136</u>	<u>\$82,255,107</u>
Expenditures					
General government and administration	\$4,623,610	\$5,754,005	\$7,163,246	\$7,524,695	\$7,442,109
Judicial administration	1,942,608	2,179,386	2,491,818	2,463,424	2,382,411
Public safety	29,063,421	28,748,274	27,484,115	27,606,870	23,060,160
Public works	13,148,715	11,822,628	11,417,788	10,981,210	12,285,985
Health and welfare	13,035,375	12,077,260	12,943,794	13,680,829	13,319,206
Education	10,270,452	12,464,698	10,858,309	12,162,407	12,071,503
Parks, recreation and cultural	2,366,214	7,711,017	2,968,898	2,410,228	2,155,546
Community development	3,422,572	3,210,767	3,845,518	6,173,516	6,177,866
Nondepartmental	1,968,166	1,583,016	1,740,834	1,499,907	1,316,723
Debt service:					
Principal retirement	3,520,535	4,422,975	2,350,820	1,274,446	4,741,043
Interest and other fiscal charges	<u>1,108,836</u>	<u>1,309,349</u>	<u>1,306,617</u>	<u>2,603,645</u>	<u>1,715,407</u>
Total Expenditures	<u>\$84,470,504</u>	<u>\$91,283,375</u>	<u>\$84,571,937</u>	<u>\$88,381,177</u>	<u>\$86,667,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$(5,949,290)</u>	<u>\$(9,365,893)</u>	<u>\$(2,320,864)</u>	<u>\$(7,567,041)</u>	<u>\$(4,412,852)</u>
Other Financing Sources (Uses)					
Transfers in	\$493,471	\$1,291,148	\$870,061	\$235,078	\$719,040
Transfers out	(993,090)	(2,093,885)	(1,748,621)	(235,078)	(1,926,215)
Proceeds from capital leases	165,000	1,030,747	691,910	703,067	-
Sale of Assets	-	-	-	-	-
Issuance of debt	1,530,000	5,000,000	2,330,000	7,292,000	3,000,000
Premium on debt issued	-	-	234,035	789,515	-
Proceeds from refunding bonds	-	3,751,828	-	-	-
Payment to refunded bond escrow agent	-	<u>(1,831,338)</u>	-	-	-
Total other financing sources (uses)	<u>\$1,195,381</u>	<u>\$7,148,500</u>	<u>\$2,377,385</u>	<u>\$8,784,582</u>	<u>\$1,792,825</u>
Net change in fund balances	<u>\$(4,753,909)</u>	<u>\$(2,217,393)</u>	<u>\$56,521</u>	<u>\$1,217,541</u>	<u>\$(2,620,027)</u>

Source: City's audited financial statements for the years ended June 30, 2012-2016.

City of Petersburg, Virginia
Fund Balances – Governmental Funds
Last Five Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund					
Non-Spendable	\$4,891,455	\$5,484,889	\$6,251,308	\$5,603,045	\$5,403,507
Restricted	3,252,924	3,682,545	3,969,947	4,314,400	3,855,383
Assigned	-	-	-	-	-
Unassigned	4,615,214	1,725,979	174,507	(5,011,152)	(7,728,395)
Total general fund	<u>\$13,009,664</u>	<u>\$11,173,601</u>	<u>\$10,395,762</u>	<u>\$4,906,293</u>	<u>\$1,530,495</u>
All Other Governmental Funds					
Restricted	3,326,049	3,237,329	4,006,165	10,707,283	11,439,789
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$5,398,505</u>	<u>\$16,190,777</u>	<u>\$5,851,537</u>	<u>\$12,558,547</u>	<u>\$13,314,318</u>

Source: City's audited financial statements for the years ended June 30, 2012-2016.

GENERAL FUND ADOPTED BUDGETS FOR FISCAL YEARS 2016 - 2017 AND 2017 – 2018

	Fiscal Year 2016 Unaudited <u>Actual</u>	Fiscal Year 2017-2018 <u>Budget</u>	FY 2018 <u>Budget</u>
<u>Revenues</u>			
General Property Tax Revenue			
Real Property	\$23,641,659	\$22,314,693	\$24,431,028
Personal Property	7,888,081	8,543,030	9,733,514
Penalties and Interest	<u>935,932</u>	<u>1,050,000</u>	<u>700,000</u>
Total General Property Tax Revenue	<u>\$32,465,672</u>	<u>\$31,907,723</u>	<u>\$34,864,542</u>
Other Local Tax Revenue			
Local Sales & Use Tax	2,930,402	3,368,106	3,500,000
Communications	1,187,017	1,341,519	1,340,000
Consumer Utility	1,884,948	1,902,358	1,800,000
E911	367,336	337,742	350,000
Business License	2,659,030	2,650,000	3,350,000
Bank Stock License	194,040	193,150	190,000
Motor Vehicle License	389,349	390,000	442,000
Recordation & Wills	142,261	115,095	140,000
Cigarette	195,360	860,000	900,000
Admission & Amusement	6,961	7,000	7,000
Lodging	264,490	384,021	500,000
Meals	<u>2,479,401</u>	<u>2,709,472</u>	<u>2,900,000</u>
Total Other Local Tax Revenue	<u>\$12,700,595</u>	<u>\$14,258,463</u>	<u>\$15,419,000</u>
Non-Tax Revenue			
Permits/Privilege Fees/Regulatory License	436,991	465,667	472,500
Fines and Forfeitures	444,365	548,464	683,000
Revenue from Use of Property/Money	210,100	176,396	151,312
Charges for Services	2,622,328	2,786,796	2,497,520
Recovered Costs	280,531	162,015	75,000
Intergovernmental Revenue	13,494,413	16,573,946	17,266,625
Miscellaneous Revenue	<u>121,921</u>	<u>232,205</u>	<u>6,070,000</u>
Total Non-Tax Revenue	<u>\$17,610,649</u>	<u>\$20,945,489</u>	<u>\$27,215,957</u>
Other Financing Sources (Uses)			
Appropriations from Fund Balances	-	-	-
Bond Proceeds	4,471,876	1,300,000	-
Transfer from Other Funds	-	-	726,000
Total Non-Tax Revenue	<u>\$4,471,876</u>	<u>\$1,300,000</u>	<u>\$726,000</u>
Total General Fund Revenues	<u>\$67,248,792</u>	<u>\$68,411,675</u>	<u>\$78,225,499</u>
<u>Expenditures</u>			
Department/Agency			
General Government	5,689,941	5,376,618	6,201,586
Constitutional Offices	4,275,575	4,142,985	4,457,934
Police	9,412,677	9,259,491	11,058,230
Fire, Rescue & Emergency Services	6,400,987	5,877,870	7,277,842
Courts & Other Public Safety	226,096	286,355	332,981
Public Works	2,473,875	3,466,266	2,519,963
Utilities-Refuse Collection	1,500,000	1,915,310	1,921,311
Social Services	11,771,272	12,616,437	12,513,119
Leisure & Cultural Affairs	3,420,922	2,665,765	1,976,298
Planning, ED & Code	1,530,764	1,548,962	1,894,632
Non-Departmental	<u>6,264,765</u>	<u>6,180,742</u>	<u>6,954,411</u>
Subtotal Departments/Agencies	<u>\$52,966,874</u>	<u>\$53,336,801</u>	<u>\$57,108,217</u>
Other Uses			
Debt Service	\$4,580,327	\$5,442,129	\$5,432,520
Contingencies/Fund Balance	-	1,243,190	6,000,000
Rebuild Fund Balance-Policy	-	-	750,000
Pay-go Capital Funding	-	-	160,000
Petersburg Public Schools	11,662,512	8,474,762	8,474,762
Petersburg Generals	108,011	64,616	-
Mass Transit	246,592	-	300,000
CDBG-Code Cost	-	(150,000)	-
Subtotal Other Uses	<u>\$16,597,442</u>	<u>\$15,074,697</u>	<u>\$21,117,282</u>
Total General Fund Expenditures	<u>\$69,564,316</u>	<u>\$68,411,498</u>	<u>\$78,225,499</u>

Source: Department of Finance, City of Petersburg.

A full copy of the City's adopted budget for the fiscal year ending June 30, 2018, including the amended City budget for the fiscal year ended June 30, 2017 is attached as Appendix B.

General Fund Revenues and Expenditures

The General Fund is the primary operating fund maintained by the City to account for revenue derived from City property taxes, other local taxes, fines, forfeitures, licenses, fees, permits, reimbursement of certain City expenses shared by the Commonwealth, certain Commonwealth-collected revenue, and transfers from the Enterprise Fund. General Fund expenditures include the costs of general City government, transfers to the School Operating Fund to pay the local share of operating the City's public school system, certain capital expenditures, and transfers to the Debt Service Fund to provide for the payment of debt service on the City's general government and school bonds.

The following is a discussion of the General Fund revenue structure and major classifications of General Fund expenditures.

Revenues

General Property Taxes - An annual ad valorem tax is levied by the City Council on the assessed value of real and personal property located within the City as of January 1. Except as referenced in the following paragraph, there are no constitutional or statutory limitations upon the City's ability to levy taxes on real or personal property. The ratio of the assessed value of real property to its fair market value is 100%. Real property taxes are payable in four installments on September 30, December 31, March 31, and June 30 of the fiscal year in which they are levied. Personal property taxes are payable in full on June 5 of the fiscal year in which they are levied. Past due balances paid by the end of the month the taxes are due are assessed a 2% penalty. A penalty of \$10 or 10%, whichever is greater, is assessed on most due balances on the first day of the month following the month in which the tax is due. Interest on delinquent taxes and penalties accrue at a rate of 10% per annum. Real property taxes and personal property taxes (including penalties for late payment of prior years' taxes) represented 48.3% of total General Fund revenue and other sources for the fiscal year ended June 30, 2016.

Pursuant to the Personal Property Tax Relief Act of 1998 (Chapter 35.1, Title 58.1 of the Code of Virginia of 1950, as amended), personal property taxes applicable to the first \$20,000 in assessed value of certain individually owned motor vehicles were to be eliminated over a period of time. Such legislation provided a formula for the Commonwealth generally to reimburse localities, including the City, for up to 100% of the decrease in revenues attributable to such tax. The timing and the amount of such reimbursements, however, were subject to annual appropriation and further modification by the General Assembly. Implementation of such reimbursements began with calendar year 1998, with the level of reimbursement reaching 70%. Beginning in 2006, reimbursement by the Commonwealth to localities was capped at \$950 million. The City received \$2,726,040 in fiscal year ended June 30, 2016, and expects to receive a like amount in fiscal year ending June 30, 2017.

Other Local Taxes - The City levies various other local taxes including a sales and use tax, business, professional and occupational license taxes, a motor vehicle license tax, a meals tax, a recordation tax and a lodging tax. Other local taxes represented 17.3% of total General Fund revenues and other sources for the fiscal year ended June 30, 2016.

Intergovernmental Revenue - The City receives revenue from the Commonwealth of Virginia for a portion of shared categorical expenses including certain expenditures for social services and the operation of constitutional offices. The City also receives a significant amount of aid from the Commonwealth in support of the public school system; however, such revenues are credited directly to the School Operating Fund and are not reflected in the General Fund. Revenues from the Commonwealth of Virginia represented 21.0% of total General Fund revenues and other sources for the fiscal year ended June 30, 2016.

Other Revenues - Other sources of revenue of the General Fund represent 13.4% of total General Fund revenues and other sources for the fiscal year ended June 30, 2016, and include permits, privilege fees and regulatory licenses, fines and forfeitures, interest on General Fund investments, transfers from the Utility Fund,

certain charges for services rendered, various recovered costs, revenue from the Federal Government and other miscellaneous sources.

Expenditures

Costs of General City Government – Payments for the costs of the operation of the City government are made from the General Fund. Such costs include expenditures for public safety, general administration, public works, health and welfare, education, community development, parks and recreation, judicial administration and social services. This classification represented 92.0% of total General Fund expenditures and other uses for the fiscal year ended June 30, 2016. These costs are inclusive of the transfer to the School operating fund to pay the City’s share of the costs of operating the public school system.

Transfers to Debt Service Fund – Debt service requirements on City general government and school bonds are paid by transfers from the General Fund to the Debt Service Fund. Such transfers represented 8.0% of total General Fund expenditures and other uses for the fiscal year ended June 30, 2016.

Recent Financial Results and Ongoing Management Efforts

For a full discussion of the City's recent financial results and management efforts to address systemic issues related thereto, see Section Seven.

Operating Data

The tables below represent a summary of real and personal property tax levies and collections for the last ten fiscal years.

PERSONAL PROPERTY/MACHINERY AND TOOLS TAX COLLECTIONS

Fiscal Year	Original Levy ⁽¹⁾	Collections and Adjustments Thru End of Month in which 2 nd Half Tax Due ⁽²⁾	Uncollected at End of Month in which 2 nd Half Tax Due	Original Levy Uncollected at End of Month in which 2 nd Half Tax Due	Collections and Adjustments After End of Month in which 2 nd Half Tax Due ⁽²⁾	Uncollected Balance June 30, 2016	Percentage of Original Levy
							Uncollected June 30, 2016
2012	\$11,257,950.32	\$10,058,939.62	\$1,199,010.70	\$1,199,010.70	\$21,398.79	\$291,943.42	96.35%
2013	11,401,932.52	10,157,072.59	1,244,859.93	1,244,859.93	19,657.93	374,080.62	95.31
2014	11,455,507.70	10,229,281.74	1,226,225.96	1,226,225.96	18,488.92	530,464.88	93.51
2015	10,244,967.04	9,016,194.71	1,228,772.33	1,228,772.33	24,130.78	821,601.46	88.87
2016	11,893,848.08	10,397,691.26	1,496,156.82	1,496,156.82	26,104.22	1,496,156.82	77.64

Source: Treasurer’s Office, City of Petersburg.

⁽¹⁾ According to state law uncollected personal property taxes are collectible five years following the year of levy.

⁽²⁾ Includes all abatements, supplements and collections. It also includes the Personal Property Tax Relief Act funds from the Commonwealth. Such funds amounting to \$2,726,040 are received in three installments during July, August and November of each year.

The following table provides a listing of the ten largest real estate taxpayers in the City for the fiscal year ended June 30, 2016.

**Top Ten Principal Taxpayers
as of June 30, 2016**

<u>Business Name</u>	<u>Type of Business</u>	<u>FY 2016 Real Estate Assessed Valuation</u>	<u>Percent of Total Real Estate Assessment</u>
Petersburg Hospital LLC	Hospital	\$98,796,700	4.97%
Addison/At Crater Woods	Apartment Complex	34,652,600	1.74
Uni Tao	Pharmaceutical	28,564,600	1.44
1200 Aqua LLC	Apartment Complex	26,200,200	1.32
Amsted/Brenco	Railroad Equipment Manufacturer	18,529,790	0.93
Virginia Electric	Electric Services	14,391,222	0.72
Georgetown Square	Property Management	14,233,000	0.72
South Crater Square	Apartment Complex	13,614,800	0.68
MPT of Petersburg/Petersburg Rehab Hospital	Rehabilitation Hospital	11,241,300	0.57
Wal-Mart	Retail Corporation	10,118,300	0.51

Source: City's audited financial statements for the year ended June 30, 2016.

Local tax revenues are derived primarily from real and personal property located within the City. Both real and personal property were assessed at the estimated fair market value for the years shown below. The following table illustrates the assessed value and estimated actual value of taxable real property in the City over the last ten fiscal years.

Assessed and Estimated Valuation of All Taxable Property

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Total</u>
2007	\$1,392,905,100	\$213,392,655	\$1,606,297,755
2008	1,606,004,199	239,757,045	1,845,761,244
2009	1,894,736,243	251,183,757	2,145,920,000
2010	1,951,398,974	252,407,922	2,203,806,896
2011	1,947,667,364	254,240,653	2,201,908,017
2012	1,857,317,235	246,651,794	2,103,969,029
2013	1,926,214,795	246,783,150	2,172,997,945
2014	1,897,715,161	251,007,184	2,148,722,345
2015	1,873,395,296	223,450,973	2,096,846,269
2016	1,987,471,782	187,871,989	2,175,343,771

Source: City's Audited Financial Statements for the year ended June 30, 2016/Commissioner of the Revenue.

Property Tax Levies and Collections

Property tax levies and collections for the City over the last ten years are as follows:

Fiscal Year	Total Tax Levy ⁽¹⁾	Current Tax ⁽¹⁾ Collections	Percent of Levy Collected	Delinquent Tax Collections	Amount	As Percent of Current Levy	Outstanding Delinquent	
							At End of Fiscal Year ⁽²⁾	As Percent of Current Levy
2007	\$26,039,276	\$23,249,391	89.29%	\$2,774,849	\$26,024,240	99.94%	15,036	0.06%
2008	28,468,895	26,388,079	92.69	2,032,169	28,420,248	99.83	48,647	0.17
2009	33,415,398	31,253,720	93.53	2,092,908	33,346,628	99.79	68,770	0.21
2010	34,297,170	32,267,620	94.08	1,824,190	34,091,810	99.40	205,360	1.60
2011	34,058,168	31,830,367	93.46	1,937,953	33,768,320	99.15	289,848	0.85
2012	32,693,624	30,092,517	92.04	1,888,866	31,981,383	97.82	712,241	2.18
2013	33,280,733	31,079,168	93.38	1,269,642	32,348,810	97.20	931,923	2.80
2014	33,169,073	30,643,027	92.38	1,262,976	31,906,003	96.19	1,263,070	3.81
2015	31,769,767	30,122,272	94.81	1,769,640	31,891,912	100.38	1,953,893	6.15
2016	31,753,778	30,451,031	95.90	-	30,451,031	95.90	2,557,696	8.05

Source: City's Audited Financial Statements for the year ended June 30, 2016/Treasurer's Department.

- (1) Exclusive of penalties and interest.
- (2) Does not include land redemptions.

PROPERTY TAX RATES
For Tax Years Beginning July 1
(Per \$100 Assessed Value)

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Mobile Homes</u>	<u>Total Direct Tax Rate ⁽¹⁾</u>
2007	1.35	4.40	3.80	1.35	1.62
2008	1.35	4.40	3.80	1.35	1.54
2009	1.35	4.40	3.80	1.35	1.56
2010	1.35	4.40	3.80	1.35	1.56
2011	1.35	4.40	3.80	1.35	1.55
2012	1.35	4.40	3.80	1.35	1.55
2013	1.35	4.40	3.80	1.35	1.53
2014	1.35	4.40	3.80	1.35	1.54
2015	1.35	4.40	3.80	1.35	1.51
2016	1.35	4.40	3.80	1.35	1.46

Source: Commissioner of Revenue.

⁽¹⁾ The total direct tax rate is calculated using the weighted average method.

QUARTERLY REAL PROPERTY TAX COLLECTION ⁽¹⁾
For Fiscal Years Beginning July 1 of the Preceding Calendar Year

<u>Quarter</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1	\$5,817,471.66	\$5,778,741.93	\$5,829,369.13	\$5,821,849.60	\$5,710,897.23
2	5,812,190.83	5,801,833.18	5,849,530.58	5,808,757.17	5,639,495.39
3	5,817,962.91	5,804,314.10	5,850,949.92	5,798,652.06	5,889,679.94
4	5,830,907.90	5,851,072.00	5,848,160.17	5,823,814.80	5,042,803.40
Total	<u>\$23,280,545.30</u>	<u>\$23,237,974.21</u>	<u>\$23,380,023.80</u>	<u>\$23,255,088.63</u>	<u>\$22,284,891.96</u>

Source: Department of Finance.

⁽¹⁾ Amounts collected as of the last day of each fiscal quarter.

Pension Fund Information

All full-time, salaried permanent employees of the City are automatically covered by VRS Retirement Plan ("VRS") upon employment. This plan is administered by the Virginia Retirement System along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The VRS administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria.

- VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members"). The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined Benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2016 was 15.25% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,708,507 and \$4,065,368 for the years ended June 30, 2016 and June 30, 2015, respectively. The School Board's contractually required contribution rate for the year ended June 30, 2016 was 12.40% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$298,363 for the year ended June 30, 2016.

The School Board's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of the June 30, 2014 actuarial valuation. The actuarially determined rate for the VRS Teachers' Pool was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Title 51.1-145 of the Code of Virginia, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$4,246,282 for the year ended June 30, 2016.

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application during the fiscal year ended June 30, 2016.

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants during the fiscal year ended June 30, 2016.

The City early implemented provisions of Governmental Accounting Standards Board Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73 during the fiscal year ended June 30, 2016.

See Note 1 to the Financial Statements, Appendix A, for additional details on the Adoption of Accounting Principles.

See Note 12 to the Financial Statements, Appendix A, for additional details on the Pension Plan.

Post-Employment Benefits Other than Pensions

The City Post-Retirement Medical Plan is a multiple-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the City. Retired employees, who were enrolled in the City group health insurance plan for the 24 month prior to retirement date, who were employed by City with at least 20 years of service and who retire under the VRS plan are eligible to elect post-retirement coverage in the plan. The plan has no separate financial report.

See Note 15 to the Financial Statements, Appendix A, for additional details on the Other - Post Employment Benefits – Health Insurance.

SECTION SIX: CITY INDEBTEDNESS AND CAPITAL PLANS

Debt Administration

Pursuant to the Constitution of Virginia, a city in Virginia is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the governing body of the City is required to levy, if necessary, an ad valorem tax on all property in the City subject to local taxation. The issuance by cities in the Commonwealth of bonds or other interest bearing obligations is subject to a limitation of ten percent of the assessed value of real property in the city subject to taxation as shown by the last preceding assessment for taxes. In determining the limitation, certain classes of indebtedness may be excluded under Article VII, Section 10 of the Constitution of Virginia, including revenue anticipation notes maturing in one year or less, referendum-approved general obligation bonds payable from a specific revenue-producing undertaking and revenue bonds.

Certificates of indebtedness, revenue bonds, or other obligations issued in anticipation of the collection of the revenues of such City for the current year, provided that such certificates, bonds, or other obligations mature within one year from the date of their issue, are exempt from the aforesaid limitation or requirement for submission to the qualified voters of the City.

Statement of Legal Debt Margin

Debt Limit Per Constitution of Virginia - Assessed Value of Real Estate at June 30, 2016	\$1,987,471,782
Less: Bonds Issued Pursuant to Section 10, Article VII of the Constitution of Virginia as of June 30, 2017:	<u>49,451,317</u>
10% Legal Debt Margin at June 30, 2017	<u>\$198,747,178</u>

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Statement of Bonded Debt

The following table sets forth the annual principal and interest payments on the outstanding general obligation long-term bonded indebtedness of the City including literary loans but excluding debt service on self-supporting utility revenues, bonded indebtedness and debt on installment loans and lease obligations.

TAX-SUPPORTED GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS As of June 30, 2017

FY	Outstanding General Obligation Debt ⁽¹⁾			Less: Refunded Debt ^{(2)*}			Plus: 2017 Bonds			Total General Obligation Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Totals	\$49,451,317	\$18,579,895	\$68,031,211	\$19,455,488	\$4,326,805	\$23,782,293	\$28,045,000	\$21,233,173	\$49,278,173	\$58,040,828	\$35,486,262	\$93,527,091
2018	\$3,768,693	\$1,739,673	\$5,508,366	\$2,497,955	\$605,486	\$3,103,441	\$ -	\$837,425	\$837,425	\$1,270,738	\$1,971,612	\$3,242,350
2019	3,815,539	1,646,924	5,462,464	2,474,479	612,012	3,086,491	405,000	1,179,383	1,584,383	1,746,060	2,214,296	3,960,356
2020	3,748,228	1,550,011	5,298,239	1,884,130	546,340	2,430,470	415,000	1,164,146	1,579,146	2,279,098	2,167,817	4,446,915
2021	4,344,204	1,439,538	5,783,742	2,599,213	468,043	3,067,257	545,000	1,146,844	1,691,844	2,289,990	2,118,339	4,408,329
2022	3,649,098	1,321,477	4,970,575	2,027,205	376,321	2,403,525	510,000	1,128,186	1,638,186	2,131,894	2,073,342	4,205,235
2023	3,438,446	1,215,901	4,654,347	1,816,780	306,062	2,122,842	495,000	1,109,370	1,604,370	2,116,667	2,019,209	4,135,876
2024	2,214,298	1,133,267	3,347,565	668,713	259,250	927,964	365,000	1,092,527	1,457,527	1,910,585	1,966,544	3,877,129
2025	2,291,477	1,066,738	3,358,215	695,270	230,275	925,545	470,000	1,076,310	1,546,310	2,066,207	1,912,773	3,978,980
2026	2,144,321	996,900	3,141,221	727,473	199,619	927,092	480,000	1,057,884	1,537,884	1,896,848	1,855,165	3,752,013
2027	2,222,856	923,447	3,146,303	760,348	167,971	928,320	820,000	1,031,182	1,851,182	2,282,508	1,786,658	4,069,165
2028	1,777,109	849,595	2,626,704	793,922	135,307	929,229	555,000	1,001,873	1,556,873	1,538,187	1,716,161	3,254,348
2029	1,333,886	777,878	2,111,764	315,000	106,091	421,091	920,000	970,119	1,890,119	1,938,886	1,641,906	3,580,792
2030	1,394,606	720,465	2,115,071	325,000	92,916	417,916	670,000	935,915	1,605,915	1,739,606	1,563,465	3,303,070
2031	1,450,347	630,531	2,080,878	340,000	79,150	419,150	215,000	917,090	1,132,090	1,325,347	1,468,471	2,793,818
2032	1,403,208	535,669	1,938,877	355,000	62,391	417,391	1,035,000	890,328	1,925,328	2,083,208	1,363,606	3,446,814
2033	1,465,000	468,799	1,933,799	375,000	44,784	419,784	720,000	852,579	1,572,579	1,810,000	1,276,593	3,086,593
2034	1,525,000	398,192	1,923,192	390,000	26,331	416,331	760,000	820,714	1,580,714	1,895,000	1,192,575	3,087,575
2035	1,375,000	330,994	1,705,994	410,000	8,456	418,456	1,755,000	766,860	2,521,860	2,720,000	1,089,398	3,809,398
2036	1,020,000	273,703	1,293,703	-	-	-	1,650,000	694,141	2,344,141	2,670,000	967,844	3,637,844
2037	1,065,000	221,675	1,286,675	-	-	-	1,715,000	622,168	2,337,168	2,780,000	843,843	3,623,843
2038	1,120,000	167,362	1,287,362	-	-	-	1,795,000	547,047	2,342,047	2,915,000	714,409	3,629,409
2039	1,175,000	109,988	1,284,988	-	-	-	1,865,000	468,197	2,333,197	3,040,000	578,185	3,618,185
2040	1,235,000	51,370	1,286,370	-	-	-	1,955,000	385,416	2,340,416	3,190,000	436,786	3,626,786
2041	475,000	9,797	484,797	-	-	-	2,040,000	298,828	2,338,828	2,515,000	308,625	2,823,625
2042	-	-	-	-	-	-	3,320,000	182,972	3,502,972	3,320,000	182,972	3,502,972
2043	-	-	-	-	-	-	2,570,000	55,669	2,625,669	2,570,000	55,669	2,625,669
2044	-	-	-	-	-	-	-	-	-	-	-	-

Source: Department of Finance, City of Petersburg.

⁽¹⁾ Includes General Fund, Golf Fund and Utility Fund general obligation debt. Utility Fund General Obligation debt is repaid from utility revenues.

⁽²⁾ Includes selected General Fund, Golf Fund and Utility Fund debt.

The following table sets forth the annual principal and interest payments on the City's self-supporting indebtedness.

REVENUE-SUPPORTED BONDED DEBT SERVICE REQUIREMENTS⁽¹⁾
As of June 30, 2017

FY	Outstanding Revenue Debt ⁽¹⁾			Less: Refunded Debt ⁽²⁾			Total Revenue Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Totals	\$1,995,585	\$89,370	\$2,084,954	\$1,995,585	\$89,370	\$2,084,954	-	-	-
2018	595,844	45,681	641,524	595,844	45,681	641,524	-	-	-
2019	611,827	29,698	641,524	611,827	29,698	641,524	-	-	-
2020	628,239	13,286	641,524	628,239	13,286	641,524	-	-	-
2021	159,675	706	160,381	159,675	706	160,381	-	-	-
2022							-	-	-
2023							-	-	-
2024							-	-	-
2025							-	-	-
2026							-	-	-
2027							-	-	-
2028							-	-	-
2029							-	-	-
2030							-	-	-
2031							-	-	-
2032							-	-	-
2033							-	-	-
2034							-	-	-
2035							-	-	-
2036							-	-	-
2037							-	-	-
2038							-	-	-
2039							-	-	-
2040							-	-	-
2041							-	-	-
2042							-	-	-
2043							-	-	-
2044							-	-	-

Source: Department of Finance, City of Petersburg.

⁽¹⁾ Stormwater revenue bond.

⁽²⁾ Reflects Stormwater revenue bond to be refunded with general obligation bonds.

The following table sets forth the annual principal and interest components on City capital leases.

CAPITAL LEASE PAYMENT OBLIGATIONS
As of June 30, 2017

Fiscal Year	Principal	Interest	Total
Total	0	\$1,148,737	\$14,329,981
2018	\$889,118	\$170,101	\$1,059,219
2020	542,965	152,199	695,164
2021	445,053	142,019	587,071
2022	711,280	130,147	841,427
2023	932,309	117,618	1,049,927
2024	945,270	104,657	1,049,927
2025	958,679	91,248	1,049,927
2026	972,551	77,376	1,049,927
2027	986,902	63,025	1,049,927
2028	1,001,748	48,179	1,049,927
2029	1,017,107	32,820	1,049,927
2030	1,030,339	16,949	1,047,287
2031	1,076,924	2,400	1,079,324
2032	557,000	-	557,000
2033	557,000	-	557,000
2034	557,000	-	557,000

Key Debt Ratio Statistics

Set forth below are the City's key debt ratio statistics for the past ten fiscal years.

Ratio of Outstanding Debt by Type

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Net Obligations Per Capita
	General Obligation Bonds	State Literary Loans	Capital Leases	Notes Payable	School Qualified Zone Academy Bonds	General Obligation Bonds ⁽¹⁾	Notes Payable	Capital Leases		
2007	\$13,985,722	\$6,000,000	\$1,414,458	\$9,256,116	\$6,795,695	\$4,092,568	\$ -	\$510,243	\$42,054,802	1,290
2008	12,694,013	5,575,000	1,277,585	13,861,087	6,795,695	3,600,988	4,000,000	650,086	48,454,454	1,523
2009	18,604,067	5,150,000	1,691,239	10,246,855	6,795,695	6,860,933	-	423,488	49,772,277	1,537
2010	25,667,417	4,725,000	1,292,389	6,761,672	6,795,695	6,097,584	-	395,649	51,735,406	1,597
2011	24,538,328	4,300,000	1,320,235	3,155,393	6,795,695	5,707,673	-	281,978	46,099,302	1,422
2012	23,940,398	3,875,000	1,098,460	2,574,563	6,795,695	5,310,603	-	247,334	43,842,053	1,331
2013	27,807,281	3,450,000	1,788,320	1,971,081	6,795,695	5,031,261	-	155,832	46,999,470	1,419
2014	29,432,511	3,025,000	1,883,854	1,346,407	6,795,695	5,333,060	-	4,321,572	52,138,099	1,575
2015	33,873,564	2,600,000	2,707,695	694,935	8,795,695	12,650,371	-	5,276,761	65,599,021	2,054
2016	32,676,492	2,175,000	1,958,003	-	7,395,695	12,426,745	-	5,058,898	64,266,696	1,982

Source: City's audited financial statements for the year ended June 30, 2016.

(1) General Bonded Debt

Net General Bonded Debt to Assessed Value

Fiscal Year	Assessed Value ⁽¹⁾	Net Bonded Debt	Percentage of Net General Obligation Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2007	\$1,606,297,755	\$18,078,290	1.13%	\$536
2008	1,845,761,244	16,295,001	0.88	483
2009	2,145,920,000	25,465,000	1.19	755
2010	2,203,806,896	31,765,001	1.44	965
2011	2,201,908,017	30,246,001	1.37	933
2012	2,103,969,029	29,251,001	1.39	902
2013	2,172,997,945	32,838,542	1.51	1,013
2014	2,148,722,345	34,765,571	1.62	1,072
2015	2,096,846,269	46,523,935	2.22	1,435
2016	2,175,343,771	45,103,237	2.07	1,391

Source: City's audited financial statements for the year ended June 30, 2016.

(1) From Table 7 of the City's audited financial statements for the year ended June 30, 2016.

Capital Improvement Plan

The City Council approved the Capital Improvement Plan for the 2018-2022 fiscal years (the "CIP") on June 6, 2017. The CIP is normally reviewed and updated on an annual basis as a part of the budget process to reflect changing priorities, cost estimates and financing strategies. The City Council appropriates funds for capital project expenditures on a project-by-project basis, as the funding sources become available.

**SUMMARY OF CAPITAL IMPROVEMENT PLAN
Fiscal Years Ending June 30 2018-2022**

	FY2018 Budget	FY 2019 Planned	FY 2020 Planned	FY 2021 Planned	FY 2022 Planned	TOTAL
Summary of Proposed Sources of Funds						
VRA Bonds (Previously Issued/Approved) - Utilities	\$5,300,000	-	-	-	-	\$5,300,000
General Fund Pay-as-you-go	160,000	-	-	-	-	160,000
FTA	278,000	-	-	-	-	278,000
State Transit Grants	289,000	-	-	-	-	289,000
Local Transit Share (PAT)	41,000	-	-	-	-	41,000
General Obligation Bonds (1)	3,000,000	1,315,000	1,902,000	2,378,400	2,723,000	11,318,400
General Obligation/Revenue Bonds	-	18,305,000	10,025,000	9,800,000	9,300,000	47,430,000
Qualified Zone Academy Bonds (QZAB) for Schools	-	1,162,500	567,900	251,500	-	1,981,900
DEQ Loan - Utilities	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,000</u>
Total Sources of Funds	<u>\$9,818,000</u>	<u>\$20,782,500</u>	<u>\$12,494,900</u>	<u>\$12,429,900</u>	<u>\$12,023,000</u>	<u>\$67,548,300</u>

	FY 2018 Budget	FY 2019 Planned	FY 2020 Planned	FY 2021 Planned	FY 2022 Planned	TOTAL
Summary of Proposed Uses of Funds						
School Projects	-	\$1,232,500	\$697,900	\$1,755,900	\$233,000	\$3,919,300
Public Safety Projects (1)	3,000,000	1,095,000	1,602,000	554,000	2,430,000	8,681,000
Transportation & Drainage Projects	608,000	-	-	-	-	608,000
Public Works	-	-	-	-	-	-
Facilities Projects	47,000	150,000	50,000	70,000	60,000	377,000
Finance & IT Projects	-	-	120,000	-	-	120,000
Recreation & Events Projects	-	-	-	250,000	-	250,000
Utilities Projects Stormwater	-	-	-	500,000	500,000	1,000,000
Utilities Projects Water & Sewer	6,050,000	18,305,000	10,025,000	9,300,000	8,800,000	52,480,000
Contingencies	<u>113,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,000</u>
Total Uses of Funds	<u>\$9,818,000</u>	<u>\$20,782,500</u>	<u>\$12,494,900</u>	<u>\$12,429,900</u>	<u>\$12,023,000</u>	<u>\$67,548,300</u>

(1) FY 2018 G.O. Bonds of \$3 million for Public Safety Projects is funded with 2017 Bonds discussed herein.

SECTION SEVEN: CITY FINANCIAL DISTRESS AND STABILIZATION PROGRESS

Financial Distress and Evaluation of Remedial Actions

The Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended June 30, 2015 ("**Fiscal Year 2015**") reported the final budget for Fiscal Year 2015 was \$81,053,866, but actual expenditures were \$82,936,405. The budget was over spent by \$1,882,539. In Fiscal Year 2015, the City's general fund had \$34 million: \$13 million in liabilities, \$7.5 million in unavailable revenue, and fund balance amounts of \$13 million. In addition, the Undesignated fund balance was negative \$5 million.

The City's budget deficit, however, began in 2009. Eight years of structurally unbalanced budgets forced the City to face its financial crisis in late 2016 because it was unable to receive short term financing from the capital markets. The fiscal crisis was so severe that employee payroll was at risk, payments to the South-Central Wastewater Authority were withheld, and payments to Virginia Retirement Services (VRS) were withheld. The breakdown of the City's utility billing and collection processes created a significant loss of monthly recurring revenue that worsened the mounting deficits. The City ended Fiscal Year 2016 on June 30, 2016 with over \$18 million in outstanding vendor and internal account obligations.

In the summer of 2016, the City asked the Commonwealth of Virginia for assistance. At the City's request, the Commonwealth's Technical Assistance Team reviewed the City's financial operations. On August 3, 2016, the Commonwealth, Davenport & Company LLC (the City's Financial Advisor) and the PFM Group Consulting LLC (PFM) presented their findings to the City Council. This joint presentation brought together the most current data on outstanding obligations, the City's deficit, and specific actions to balance the Fiscal Year 2017 budget. Specifically:

- The Commonwealth team presented its findings that the City had upwards of \$18.8 million of unpaid obligations as of June 30, 2016.
- The Davenport team presented a summary of its observations with respect to the City's financial statements and presented a short term and long term financing strategy.
- The PFM Group presented its thirteen recommendations for improvement. This was the foundation for the 1st Amendment to the Fiscal Year 2017 budget.

This joint presentation to the Council formed the basis for the City to seek expert turnaround assistance. In October 2016, the City contracted with the Bobb Group to conduct an emergency financial and operational turnaround and restructuring effort. The City contracted with the Bobb Group effective October 25, 2016 through March 25, 2017, using an emergency procurement process. The contract with the Bobb Group has subsequently been extended through September 30, 2017.

The presentations from August 2016 and the collaboration of the groups mentioned above provided the starting point for the Bobb Group's turnaround efforts. The Bobb Group reviewed each of PFM's thirteen recommendations that were used to create the 1st Amendment to the Fiscal Year 2017 budget. A summary of each PFM recommendation, the projected Fiscal Year 2017 impact, the realized 1st Amendment impact and the expected 2nd Amendment impact is included in the table below:

	PFM Recommendation	PFM Projected FY 17 Impact	1st Amendment Impact	2nd Amendment Impact
1	Reduce School Funding to the level required by State law	\$4,140,000.00	\$3,420,000.00	\$3,420,000.00
2	10% reduction in salaries	\$2,066,666.67	\$2,066,666.67	\$2,066,666.67
3	Close a firehouse and reduce staffing	\$675,000.00	\$887,020.00	-\$50,621.00
4	Freeze police hiring and redeploy detectives to patrol	\$550,000.00	\$1,054,011.00	\$898,944.00
5	Fund Code compliance with CDBG funds	\$475,000.00	\$587,699.00	\$392,923.00
6	Eliminate funding for museums and tourism centers	\$300,000.00	\$404,649.00	\$410,461.00
7	Reduce jail population	\$0.00	\$0.00	\$0.00
8	Reduce agency appropriations	\$230,000.00	\$230,000.00	\$230,000.00
9	Consolidation of planning, economic and community development	\$120,000.00	\$431,000.00	\$449,000.00
10	Reduce library hours and spending by 25%	\$112,500.00	\$69,506.00	\$90,867.00
11	Reduce parks programing	\$0.00	\$182,306.00	\$162,680.00
12	Eliminate the Office of Hispanic/Liaison	\$75,000.00	\$78,711.00	\$58,527.00
13	Increase the cigarette tax to 90 cents per pack	\$900,000.00	\$740,495.00	\$646,993.00
14	Add commercial and industrial properties to the tax base	\$1,000,000.00	\$0.00	\$0.00
15	Increase refuse management fee to \$20/month	\$472,500.00	-\$353,000.00	\$99,728.00
16	Audit tax exempt property	\$585,000.00	\$0.00	\$0.00
17	Increase the meals tax to 7.5%	\$360,000.00	\$9,091.00	\$9,091.00
18	Increase personal property tax to \$4.90	\$352,500.00	\$576,645.00	\$576,645.00
19	Increase the lodging tax to 10%	<u>\$127,500.00</u>	<u>\$137,927.00</u>	<u>\$110,724.00</u>
	TOTAL	\$12,541,666.67	\$10,522,726.67	\$9,572,628.67

By conducting its own budget to actuals analysis, the Bobb Group discovered PFM's recommendations would not be sufficient to address the gap between Revenues and Expenditures. PFM's recommendations were projected to realize \$12.5M in savings for the City. However, the actual impact of the 1st Amendment was \$10.5M.

The Bobb Group's analysis of the impact to the 2nd Amendment ultimately projected a savings to the City of \$9.5M. This analysis of the PFM recommendations was essential to the development of the 2nd Amendment proposal. The Bobb Group presented the revisions to City Council in January 2017. A 2nd Amendment to balance the Fiscal Year 2017 budget was approved by City Council in February 2017.

The Bobb Group identified a number of short-term needs and goals for the City, in addition to initiating a framework to lead to financial stabilization and the long-term financial health for the City. A checklist of project activities identified and completed by the Bobb Group and City staff are included in the table below:

SHORT TERM FINANCING: OCTOBER 25, 2016-DECEMBER 2, 2016

- Determined list of outstanding invoices from FY 2016 and prior years in order to develop and prioritize payment plans for addressing unpaid obligations.
- Worked with local, regional and state partners in addressing payments in arrears.
- Formally appropriated, by City Council Action, the First Amendment to the FY 2017 Budget.
- Secured Revenue Anticipation Note (RAN) to assist with cash flow and payment of current FY 2017 obligations.
- Developed a long-term financing strategy to deal with the deficit.
- Conducted document reviews to build on previous work of the Commonwealth Technical Assistance Team and PFM budgetary recommendations.
- Identified Capital Funds that could be deferred and essential projects that were to be completed.
- Prioritized workforce compensation issues and review salary survey.

FINANCIAL STABILIZATION: DECEMBER 2, 2016-JANUARY 27, 2017

- Determined the revenue cycle and what billing cycles should change to help cash flows, including state-shared revenue.
- Provided a budget to actual assessment of FY 2017 to City Council. Resumed a monthly budget to actual financial reporting to City Council.
- Reviewed and validated the FY 2017 Budget which led to the Second Amendment of the FY 2017 Budget.
- Determined critical positions to hire.
- Issued RFP for the City's CAFR and pre-auditing responsibilities.
- Reviewed the City's economic development plan and individual agency plans.
- Conducted organizational assessment and identified resource gaps.
- Conducted business process reviews for financial operations, create standard operating procedures & policies.
- Started recruiting critical hires.
- Mapped process flows for Accounts Payable.
- Published an FY 2018 Budget Calendar that included a Capital Improvement Plan (CIP).

FINANCIAL STABILIZATION: JANUARY 27, 2017 TO PRESENT

- Implemented new procedures to track cash and revenues, manage expenditures and track grant funding.
- Implemented long-term financing strategy to provide financial flexibility in FY 2018 and beyond.
- Right sized the organization and developed new departmental structures with the goals of enhancing efficiency.
- Filled key positions.
- Identified additional cost savings.
- Implemented technologies that enhance financial transparency.
- Conducted a mid-year FY 2017 Budget review and monthly assessment/reporting of revenues.
- Developed and recommended an FY 2018 Operating and Capital Budget.
- Implemented the Office of Tax Collector to be responsible for collection of all local taxes.
- Hired a national CPA Firm to serve as its Internal Auditor in July 2017. That firm will assist in testing various financial and operational issues on an ongoing basis.

- Evaluating the out sourcing of certain functions for efficiencies and cost savings including, Such evaluation may include the potential sale of assets (i.e. PPEA).
- Developing a knowledge repository to hand off to permanent administrative City staff.

Adjustments to 2016 Financial Statement

The City has carried unbooked losses on its financial statements that began around Fiscal Year 2000 and grew to \$9,178,414 by Fiscal Year 2011 and remained constant since that time. The Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2016 (“**Fiscal Year 2016**”) was finalized and delivered by Robinson Farmer Cox (**the “Auditors”**) to the City on May 31, 2017 (**the “2016 Financial Statement”**). The Auditor has served the City since 2009. This year, the City has elected to book losses in the aggregate amount of \$9,178,414 for Fiscal Year 2016. The aggregate amount of losses booked reflects the cumulative impact of a variety of accounting decisions intended to recognize such existing items in Fiscal Year 2016, rather than carrying the impact forward onto subsequent financial reports. These accounting decisions are expected to elevate the losses reflected in the 2016 Financial Statement. However, the decision to recognize the losses in the 2016 Financial Report will limit the impact of such legacy economic condition on future financial statements of the City. All such determinations have been made and are reflected in accordance with generally accepted accounting practices.

Cash Flow Stabilization

The City has experienced meaningful short-term cashflow pressures in recent years that became acute during the latter part of Fiscal Year 2016. That condition has continued through the fiscal year beginning July 1, 2016 and ending June 30, 2017 (**the “2017 Fiscal Year”**). The cash flow issues are attributable to multiple years of deficit spending and structural imbalances in the City’s budgetary process. As a result, the City has utilized short-term borrowing in the form of revenue anticipation debt obligations to manage its day-to-day operations in recent years.

On December 3, 2016, the City issued its \$6,500,000 General Obligation Revenue Anticipation Note (**the “2016 Note”**) to stabilize cash flow needs. The 2016 Note matures on October 1, 2017 and bears interest at 4.50 percent (4.50%). The City is not in default under this obligation, and has made monthly sinking fund payments in the amount of \$673,806.25 to the trustee on behalf of the holder of the 2016 Note.

Remedial Action to Address Structural Imbalance in City Budget

The City has taken remedial action to address the structural imbalances experienced in recent prior year budgets. The City began Fiscal Year 2017 with an approximately \$12,000,000 budget deficit. These actions include, but are not limited to, the establishment of and focus upon internal financial reporting controls, enhanced billing and payment collection procedures and budget oversight monitoring systems.

For the last several years, the City has annually issued general obligation debt to pay a portion of the near-term debt service on outstanding general obligation bonds, in order to limit the annual property tax levy for debt service on outstanding general obligation bonds. This practice has the effect of extending and increasing the City’s overall debt levels.

Fiscal Year 2017 and Fiscal Year 2018 Budgets

The City budget for Fiscal Year 2017 was amended twice to achieve better detail and accuracy for planning purposes. The 2nd amendment was conducted to reflect mid-year budget to actuals. This exercise resulted in a budgetary increase in anticipated expenses and a decrease in revenue, including a \$1.2M contingency to account for any unknown expenditures at the time of the 2nd Amendment adoption. The City is working diligently to ensure that FY 2017 ends in balance and without the continued drawdown of fund balance. Controlling spending while paying FY 2016 payables within FY 2017 revenue appropriation is how the City has been able to accomplish this.

The City budget for the fiscal year commencing July 1, 2017 and ending June 30, 2018 (“**Fiscal Year 2018**”) is attached as Appendix B to the Official Statement, and reflects a realistic revenue forecast and budgetary flexibility that begins to restore a fund balance. The City believes its budget for Fiscal Year 2018 is accurate and complete, but there can be no guaranty that it will not be subsequently amended or revised to reflect actual financial performance and expectations. Monthly reporting to City Council has been instituted and is expected to continue in order to manage the performance of the budget.

Payment Obligation Carry Forward Amounts

As of June 30, 2016, the City had approximately \$18.8 million in unpaid contractual obligations to vendors, governmental entities and other third parties. Payments on such indebtedness carried forward into Fiscal Year 2017. The City has worked aggressively to retire the payment obligations carried forward from Fiscal Year 2016, and as of June 30, 2017, approximately \$4.1 million of the payment obligations carried forward remain outstanding.

Workforce Attrition

In the 3rd quarter of 2016, the City implemented an across the board ten percent (10%) pay reduction for all City employees. The reduction in compensation did not affect employees of the City school system, and there were certain other limited exceptions. This action was taken to lower City expenses and preserve cash. The pay reduction, which became effective immediately, resulted in substantial employee departures from the City’s workforce. Some of the attrition occurred in areas significant to City management responsibilities and public safety. The City has made progress in hiring qualified applicants to replace departing employees as needed. The City has also outsourced various governmental services. That strategy is expected to result in cost savings, but will also result in the elimination of job positions for City employees. In April 2017, the City reinstated the pay rates for City police and fire employees to the levels before the 10% cut. Effective July, 2017, the City reinstated pay rates for all remaining City employees to pre-cut levels as well.

Water and Wastewater System Public Utility Fund Operating Deficits

The City’s water and wastewater system (**the “System”**) is an enterprise fund that was established to provide governmental services in a manner that will pay for itself through the collection of user fees from its customers without requiring funding from the City in order to operate. Revenue and other proceeds received by the System are deposited and disbursed from its Public Utility Fund (**the “Utility Fund”**). In Fiscal Years 2015 and 2016, the Utility Fund experienced a cash deficit from operations of approximately \$5,000,000 in each year. The City has subsequently learned that the bill collection realization from customer charges for System services during such period was approximately seventy percent (70%). The City has determined that the billing and collection deficiencies were attributable to a combination of inadequate billing collection system software, and management shortcomings. The City hired a new Public Works and Utility Director in April of 2017 and is in the process of upgrading its information technology in the System’s billing and collection department.

Investigation of Financial Irregularities

The Commonwealth's Attorney's office in Chesterfield County, Virginia was appointed by the Circuit Court of Petersburg to investigate possible financial improprieties in administrative departments of the City, including missing funds and other unaccounted for items within the City's police department. The appointment regarding missing funds from the police department was made on January 11, 2016. The appointment regarding possible financial irregularities in connection with the administration of the City was made October 7, 2016. There have been no reports from the Chesterfield Commonwealth Attorney's office since their appointment.

Additionally, City Council in April 2017 hired P.B. Mares to conduct a forensic audit of the City focusing on the following areas:

- Johnson Control contract (water meters);
- Cash Handling (including the Treasurer's Office, golf course, parks/recreation facilities, and Transit);
- Appropriateness of tax credits and abatements placed on taxes;
- Fuel usage from City purchased fuel;
- P-Card Activity/Accounts Payable Activity; and

- The City's Perpetual Care Fund and activity within the fund.

The forensic audit is currently underway and a report is expected before the end of September, 2017.

The FBI has opened an investigation into the use of funds in the office of the City Treasurer as a result of information referred to authorities by the forensic auditor. The status and results of that investigation are not known at this time.

Management of Federal and State Grant Funds

The 2016 Financial Report identified several situations whereby the City received federal and state grant funds that were commingled with general revenue received from other unrestricted sources. Various situations were identified whereby the conditions upon which the grant moneys were received were not followed, or the restricted funds received were not used for their intended purposes. The City has agreed to develop and implement procedures to ensure future compliance with terms upon which grant funds are awarded. However, there can be no guarantee that such internal controls will be successfully implemented and effective, or that the City may not be required to forfeit or disgorge grant funds previously received but improperly utilized.

Asset Sales and Privatization Transactions

In conjunction with the recommendation of its consultants, the City is entertaining the sale of certain assets to raise cash. These efforts are focused on the sale of surplus assets, such as City owned real estate, and an evaluation of two unsolicited public/private partnership proposals related to the purchase and operation of the City System. This process is ongoing, and there is no guaranty that surplus assets will be sold or that the System will be privatized. A special ad hoc committee appointed by City Council to evaluate the sale of the System did not recommend that the City move forward with a sale in a report delivered June 20, 2017. The City does not intend to sell any of its assets at less than fair market value, and no privatization transaction will be undertaken without a careful analysis of the going availability of the public service to City residents and users of the System.

System Deferred Maintenance Needs

The City operated System is in need of ordinary and customary repairs, pipe replacement expenditures and facility upgrades. Competing priorities have resulted in the deferral by the City of the incurrence of such expenses in recent years. The City reached that determination only after concluding that a delay would not have an adverse impact on public health and safety considerations related to the use and operation of the System. Delay in addressing the System maintenance needs cannot be postponed indefinitely, and such improvements will need to be financed and undertaken within the coming years if the City retains ownership and operational responsibility for the System. The aggregate estimated cost for such System improvements is approximately \$52.5 million. As part of its 5 year rate plan, the City increased utility rates by 13.4% in Fiscal Year 2017 and City Council approved an additional rate increase of 14.3% as part of the FY2018 Adopted Budget, subject to sunset if the City fails to reach a 92% collection rate, in order to fund infrastructure improvements.

Unfunded City Employee Retirement System Obligation

City employees, and employees of the City's school system, are members of the Virginia Retirement System ("VRS"). The VRS administers pension plans and other benefits for participating public sector employees in the Commonwealth of Virginia (the "Plan"). The Plan provides retirement, disability and survivor benefits to Plan members and beneficiaries. Members of the Plan include active City employees, retirees and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. City retirees and beneficiaries are those members currently receiving benefits. The City has obligations to provide pension funding for the retirement obligation to eligible current and former employees. The VRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The contribution requirements are established and may be amended by the VRS board of trustees. The City's contribution is set by the City Council in

conjunction with its approval of the City's annual budget based on information provided by the VRS consulting actuary. The City fell behind on its required contributions in prior fiscal years – as of June 30, 2017, the City had required but unpaid contribution of approximately \$1.48 million. In its Fiscal year 2018 budget, the City has appropriated funds sufficient to satisfy the required contributions in full by December 31, 2017.

Unfunded State School Funding Mandate

The City has not fully funded the State mandated \$7,600,000 funding contribution for its public school system (“**School System**”) for Fiscal Year 2017. A deficiency in the amount of \$1,900,000 was payable by the City to the School System by June 30, 2017 which has been reduced by \$900,000, and the balance will be payable in Fiscal Year 2018. The State establishes baseline funding requirements for localities to establish a floor amount needed to meet benchmarks established by the Commonwealth's Department of Education for a quality education. The City has budgeted the full amount of its State mandated contribution for Fiscal Year 2018.

SECTION EIGHT: INVESTMENT CONSIDERATIONS

The following discussion of investment considerations should be reviewed by prospective investors prior to purchasing the Bonds. Any one or more of the investment considerations discussed herein could lead to a decrease in the market value and the liquidity of the Bonds or, ultimately, a payment default on the Bonds. There can be no assurance that other factors not discussed herein will not become material in the future.

Cash Flow Stabilization

The City has experienced meaningful short-term cashflow pressures in recent years that became acute during the latter part of Fiscal Year 2016. That condition has continued through the fiscal year beginning July 1, 2016 and ending June 30, 2017 (“**Fiscal Year 2017**”). The cash flow issues are attributable to multiple years of deficit spending and structural imbalances in the City’s budgetary process. As described in Section Seven, the City has utilized short-term borrowing in the form of revenue anticipation debt obligations to manage its day-to-day operations in recent years. Following the maturity of the 2016 Note, the City expects to issue another revenue anticipation debt instrument and use the proceeds for operating expense needs. There can be no guaranty that such debt obligation will be purchased by investors, or that the terms and conditions to which such a borrowing may be subject will be commercially reasonable and acceptable to the City.

Remedial Action to Address Structural Imbalance in City Budget

For the last several years, the City has funded capitalized interest on most of its new general obligation bonds, in order to limit the annual property tax levy for debt service on outstanding general obligation bonds. This practice has the effect of extending and increasing the City’s overall debt levels. Unless the City is able to pay its annual general obligation debt service from recurring revenue sources, the City’s interest costs and outstanding debt are likely to continue to rise. Recurring operating budget gaps and increases in the City’s debt burden could result in the need for new or enhanced revenue sources, including tax increases, or reduction of essential City services.

Fiscal Year 2018 Budget

The City believes its budget for Fiscal Year 2018 (**the "2018 Budget"**) is accurate and complete, but there can be no guaranty that it will not be subsequently amended or revised to reflect actual financial performance and expectations. The 2018 Budget includes a \$6,000,000 liquidity event to balance the 2018 Budget. It is unclear if the City can realize such a liquidity event without either the sale or privatization of the City's water and wastewater system, or the sale of City-owned property. There can be no guaranty that a liquidity event from the sale of City assets in Fiscal Year 2018 can be achieved.

Payment Obligation Carry Forward Amounts

As of June 30, 2016, the City had approximately \$18 million in unpaid contractual obligations to vendors, governmental entities and other third parties. Payments on such indebtedness carried forward into Fiscal Year 2017. The City worked aggressively to retire the payment obligations carried forward from Fiscal Year 2016, and as of June 30, 2017, approximately \$4.1 million of the payment obligations carried forward remain outstanding.

Workforce and Management Continuity

As described in Section Seven, the City has suffered substantial workforce attrition in the last few years, but it has also made substantial progress in hiring qualified applicants to replace departing employees. In order to attract and retain experienced and qualified individuals to staff its workforce needs, the City has plans to evaluate market rates for workforce salaries commensurate with an employee’s position and responsibilities over time. There can be no guaranty that such actions, if taken, will result in the continued attraction and retention of qualified employees.

The City’s path to economic recovery depends in part on an orderly transition from the Robert Bobb Group consultants to a permanent and stable management team. To date, the City has hired a City Manager, Finance Director, Chief of Police, Fire Chief, and a General Manager of its Transit System.

Improved fiscal performance by the City in the future will require changes in budgeting practices and ultimately depend on a new management team. In recent years, the City's previous management team failed to implement internal controls and did not always solicit or follow advice from financial consultants. An executive search is currently underway for key permanent positions in the City's Finance Department.

Impact of this Bond Issue on the City's Debt Restructuring Initiative

Petersburg's recovery plan includes a proposal to restructure debt to provide annual debt service payment relief. The issuance of the Bonds described in this Official Statement is an important element of that initiative. As of June 30, 2017, the City had \$49.9 million of outstanding general fund and golf fund indebtedness and leases with an annual debt service payment of approximately \$5.5 million. The plan proposes a restructuring of \$18.6 million of general fund and golf fund indebtedness to reduce annual debt service to approximately \$3.7 million annually over the next 10 years with gradual declines thereafter. Approximately \$700,000 of general obligation debt related to the City's Utility Fund will be restructured and have a negligible impact on the City's utility debt service. In addition, approximately \$1.9 million of stormwater revenue bonds will be restructured as general obligation debt to be repaid by the general fund. Such restructuring is expected to add approximately \$200,000 annually to the City's general fund debt service and reduce the stormwater fund debt service by \$400,000.

Forward-Looking Statements

This Official Statement may contain, in addition to historical information, various "forward-looking statements" that represent the City's judgment concerning the future and are subject to risks and uncertainties that could cause the City's actual operating results and financial position to differ materially from those projected in the forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, such as "may," "will," "expect," "anticipate," "estimate," or "continue" or comparable terminology. Any such forward-looking statements are further qualified and important factors that could cause the City's actual operating results and financial position to differ materially from the forward-looking statements, including, without limitation, considerations described in connection with specific forward-looking statements themselves, factors set forth in this Official Statement under the caption "Investment Considerations" and other cautionary statements set forth in this Official Statement. The City has no obligation to update any forward-looking statements to reflect events or circumstances arising after the date of this prospectus.

Bankruptcy Considerations

The rights of the holders of the Bonds and the enforceability of the City's obligation to make payments on the Bonds could be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights under existing law or under laws enacted in the future. Bondholders should be aware that under United States Bankruptcy Code 11 U.S.C. § 101, et seq. (**the "Bankruptcy Code"**) creditors are not permitted to commence an involuntary bankruptcy petition against the City. Moreover, under current law, the City is unable to pursue federal bankruptcy reorganization without authorization from the Commonwealth of Virginia.

The Tenth Amendment to the United States Constitution (**the "Constitution"**) provides that powers not granted to the federal government nor prohibited to the states in the Constitution are reserved to the states. Although Article I, Section 8 of the Constitution gives Congress the power to "establish uniform laws on the subject of bankruptcies through the United States," that power may not interfere with the authority reserved to the states by the Tenth Amendment.

Chapter 9 of the Bankruptcy Code (**"Chapter 9"**) provides a vehicle for a reorganization process for local governments under the federal bankruptcy process. However, Chapter 9 recognizes the concept of sovereignty of states and the limitations imposed by the Tenth Amendment on its availability. Section 903 of Chapter 9 specifically reserves a state's power to control actions of its municipalities. As a result, the power of a Bankruptcy Court presiding over a Chapter 9 case is limited. The jurisdiction of the Bankruptcy Court over a municipality flows from the specific authorization of the state in question to allow the municipality to file for bankruptcy protection.

Most states have chosen not to specifically authorize their municipalities to file for bankruptcy protection under Federal law. The Commonwealth of Virginia is one of the approximately 22 states that prohibit its municipalities from filing for bankruptcy protection under Chapter 9. There can be no guaranty, however, that the General Assembly of the Commonwealth of Virginia, or members of the executive branch of its government, will not authorize municipalities, including the City, to file for bankruptcy protection under Chapter 9 in the future. Moreover, despite legal authority to the contrary, the City or interested third parties may argue that federal law providing access to Chapter 9 reorganization proceedings preempts a State's ability to prohibit such action.

Virginia State Aid Intercept Risks in Bankruptcy

An analysis of the Virginia state aid intercept act set forth in Section 15.2-2659 of the Code of Virginia suggests that it creates a statutory lien in favor of the Bondholders on state funds otherwise distributable to the City, but withheld and paid to the holders of the Bonds as a result of an event of default on the City's general obligation debt. As long as revenues from the Commonwealth are subject to a statutory lien, payments to the Bondholders should be protected post-petition. On a pre-petition basis though, Bondholders may be unable to claim or claw back payments previously made by Virginia to the City which would otherwise be available to Bondholders in accordance with the Commonwealth's state aid intercept act/statutory lien upon a default by the City on general obligation debt. Unsecured creditors may also take the position that the state aid intercept act is an invalid, continuing Post Petition Lien under Section 552 of the Bankruptcy Code. It may also be possible to assert that actions by the Bondholders or the Commonwealth to divert state proceeds otherwise payable to the City is a violation of the automatic stay provisions of the Bankruptcy Code. State aid intercept provisions will not be available or enforced while funds to make scheduled payments on the Bonds are available from proceeds in the Debt Service Reserve Fund. The Debt Service Reserve Fund may not be replenished through state aid intercept provisions.

Limited Resources Available from Virginia to Help the City

The City may receive some assistance from the Commonwealth of Virginia. A recent budget bill passed by the General Assembly includes provisions for emergency aid and a strong monitoring system for distressed local governments. However, Virginia's experience and statutory ability to assist financially troubled localities is limited.

Force Majeure Events

There are certain unanticipated events beyond the City's control that could have a material adverse impact on the City's operations and financial conditions if they were to occur. These events include fire, flood, earthquake, epidemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppage, civil commotion, new acts of war or escalation of existing war conditions, sabotage, terrorism or enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the City's operations and financial condition.

Adverse Changes in Law

There are a variety of State and federal laws, regulations and constitutional provisions that apply to the City's ability to raise taxes, fund its pension obligations or to reorganize its debts. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the City or the taxing authority of the City, which could materially adversely affect the City's operations or financial condition.

SECTION NINE: MISCELLANEOUS

Pending Litigation and Administrative Proceedings

The City and its employees have been named from time to time as defendants in various claims, which are being defended by the City Attorney and associated counsel. The City's potential liability is protected partially by sovereign immunity and by indemnification agreements. The City Attorney is of the opinion that none of the litigation currently pending against the City reasonably can be expected to have a material adverse effect on the City's financial condition.

According to the City Attorney, there is no litigation of any kind now pending or, to the best of his information, knowledge and belief, threatened against the City which would affect the validity of the Bonds or the right of the City to levy or collect an annual ad valorem tax, over and above all other taxes authorizing or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay the principal of and interest on the Bonds as the same became due.

Rating

Standard & Poor's has given the Bonds a rating of "BB" based solely on the creditworthiness of the City and "A," based on the credit of the City, plus the state-aid intercept provisions set forth in Section 15.2-2659 of the Code of Virginia. Standard & Poor's has also given the rating on the Bonds and the City a "stable" outlook.

Such ratings reflect only the respective view of Standard & Poor's. References should be made to Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, 55 Water Street, New York, New York 10041, for a fuller explanation of the significance of the ratings assigned by such rating agency. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be changed, suspended or withdrawn entirely by such rating agency if, in the judgment of such rating agency, changes in or unavailability of, information so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Continuing Disclosure

Current Undertaking. The City will execute and deliver in connection with the Bonds a Continuing Disclosure Agreement, the form of which is set forth as Appendix E to this Official Statement, pursuant to which the City will covenant and agree to provide certain annual financial information and notices of the events specified in the Rule. As described in Appendix E, the Continuing Disclosure Agreement requires the City to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Bonds at any particular time. The City may from time to time disclose certain information and data in addition to that required by the Continuing Disclosure Agreement. If the City chooses to provide any additional information, the City shall have no obligation to continue to update such information or to include it in any future disclosure filing. The City may amend its undertakings if such amendment complies with the Rule at the time of the amendment and will promptly disclose such amendment on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"). See **Appendix E – "Form of Continuing Disclosure Agreement."**

The continuing obligation of the City to provide annual financial information and notices pursuant to such Continuing Disclosure Agreement will terminate with respect to any Bond when such Bonds are no longer outstanding. Any failure by the City to comply with the foregoing will not constitute a default with respect to the Bonds.

Prior Undertakings. The City has entered into an undertaking (**the "Prior Undertaking"**) with respect to the City's \$6,155,000 General Obligation Refunding Bonds, Series 2004. During the past five years, the audited financial statements for Fiscal Years 2011, 2012, 2013, 2014 and 2015 were untimely filed under the terms of the Prior Undertaking. In connection with each of the foregoing late filings, the City was required, but failed to file notices of failures to comply with its Prior Undertaking for such fiscal years. The City's audited financial statements for Fiscal Year 2016 were filed late, but the City did properly file a notice of failure to file and did file the 2016

audited statements as soon as they were available. The City was also required, but failed to file operating data on a timely basis. The operating data that was initially filed to remedy such failure did not include all required information (relating to taxable retail sales data). A corrected filing relating to operating data has been filed. Pursuant to the 2016 Undertaking, the City was required to provide certain additional information on a monthly basis regarding property tax collections for fiscal year 2017. Such information was provided to the investor and trustee in a timely fashion, but was not initially filed with EMMA as well. Such filings have all now been submitted to EMMA as well. In connection with the operational restructuring of the City, the City has enacted procedures to ensure future compliance with the current undertaking and the Prior Undertaking and all other applicable MSRB and contractual disclosure requirements.

Certificate Regarding Official Statement

Concurrently with the delivery of the Bonds, officials who signed the Bonds will certify that, to the best of their knowledge (i) the Final Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Final Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading and (ii) that no litigation is pending or threatened against the City (A) to restrain or enjoin the issuance or delivery of any of the Bonds, (B) in any way contesting or affecting any authority for the issuance or validity of the Bonds or (C) in any way contesting the existence or powers of the City. Such certificate will also state, however, that such officials did not independently verify the information in the Final Official Statement from sources other than the City, but that they have no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the Final Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

Approval of Official Statement

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth, statutes of the Commonwealth, the City Charter or resolutions 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.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. 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 opinions 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 the estimates will be realized.

The distribution of this Official Statement has been duly authorized by the City Council. The City Council has deemed this Official Statement final as of its date within the meaning of the Rule.

CITY OF PETERSBURG, VIRGINIA

By: /s/ Aretha R. Ferrell-Benavides
City Manager

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**BASIC FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of City Council
City of Petersburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Petersburg, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Public Utility Fund	Qualified
Mass Transit Fund	Unmodified
Golf Course Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinion on Business-Type Activities, Public Utility Fund, and Aggregate Remaining Fund Information

The City encountered significant issues with its utility billing system due to system measurement changes. These issues resulted in material billing errors, material billing adjustments and material differences between the utility billing system and the City's general ledger. Due to these material issues and the lack of internal controls in place over this process, the City was unable to provide sufficient audit evidence to support the Receivables and Revenues reported in the Public Utility Fund and Stormwater Fund.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Business-Type Activities, Public Utility Fund, and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, Public Utility Fund, and the aggregate remaining fund information of the City of Petersburg, Virginia, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Unmodified 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 discretely presented component unit, and each major fund other than the Public Utility Fund of the City of Petersburg, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 18 to the financial statements, in 2016, the City adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-12, 92, and 93-96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Petersburg, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, on our consideration of the City of Petersburg, Virginia'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Petersburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

May 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

As management of the City of Petersburg, Virginia (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$35,008,201 (net position).
- The City's net position decreased in governmental funds and business-type activities. Governmental funds net position decreased \$1,810,434 while business-type activities decreased \$3,987,395.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$14,844,813, a decrease of \$2,620,027 in comparison with the prior year. Unassigned fund balance for the General Fund decreased from \$(5,011,152) to \$(7,728,395).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred inflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial administration, public safety, public works, health and welfare services, education, parks recreation, & cultural events, and community development. The business-type activities of the City include Public Utility and Mass Transit operations.

Overview of the Financial Statements: (Continued)

The Government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate school district for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. The General Fund and the Capital Projects Fund are both considered to be major funds and accordingly financial information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. The six other governmental funds (Federal and State Projects Fund, Community Development Act Fund, Stormwater Fund, Blandford Cemetery Perpetual Care Fund, Clara J. McKenney Memorial Fund, and Library Endowment Fund) are considered to be non-major funds and are reported in the fund financial statements in one column and in the combining and individual fund statements and schedules as individual columns.

The City adopts an annual appropriated budget for certain Governmental funds. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget.

Proprietary funds - The City maintains three enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water system, mass transportation and golf course operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, mass transportation and golf course activities all of which are considered to be major funds of the City.

Fiduciary funds - The City is the trustee, or fiduciary, for the City's agency and private-purpose trust funds. It 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 Position and a Statement of Changes in Fiduciary Net Position. The City excludes these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. Fiduciary funds consist of private purpose trust funds and agency funds. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian.

Overview of the Financial Statements: (Continued)

Notes to the basic financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the General Fund budgetary comparison schedule and pension funding activities and other supplementary information, including combining and individual fund financial statements and schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred inflows of resources exceeded liabilities and deferred inflows of resources by \$35,008,201 at the close of the fiscal year.

City of Petersburg's, Net Position
Schedule of Assets, Liabilities and Net Position
Governmental and Business-type Activities
For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 31,444,744	\$ 36,576,998	\$ 9,370,563	\$ 10,884,124	\$ 40,815,307	\$ 47,461,122
Capital assets	57,901,150	57,521,734	49,803,544	50,408,126	107,704,694	107,929,860
Total assets	\$ 89,345,894	\$ 94,098,732	\$ 59,174,107	\$ 61,292,250	\$ 148,520,001	\$ 155,390,982
Deferred outflows of resources	\$ 3,350,413	\$ 3,695,513	\$ 611,878	\$ 369,855	\$ 3,962,291	\$ 4,065,368
Total assets and deferred outflows of resources	\$ 92,696,307	\$ 97,794,245	\$ 59,785,985	\$ 61,662,105	\$ 152,482,292	\$ 159,456,350
Long-term liabilities outstanding	\$ 68,407,506	\$ 67,877,937	\$ 19,777,649	\$ 19,875,824	\$ 88,185,155	\$ 87,753,761
Current liabilities	16,792,319	16,461,025	8,197,749	5,571,231	24,990,068	22,032,256
Total liabilities	\$ 85,199,825	\$ 84,338,962	\$ 27,975,398	\$ 25,447,055	\$ 113,175,223	\$ 109,786,017
Deferred inflows of resources	\$ 3,991,848	\$ 8,140,215	\$ 307,020	\$ 724,088	\$ 4,298,868	\$ 8,864,303
Net position:						
Net investment in capital assets	\$ 20,071,779	\$ 20,896,406	\$ 38,557,116	\$ 39,271,737	\$ 58,628,895	\$ 60,168,143
Restricted	4,275,250	3,011,799	489,434	489,434	4,764,684	3,501,233
Unrestricted	(20,842,395)	(18,593,137)	(7,542,983)	(4,270,209)	(28,385,378)	(22,863,346)
Total net position	\$ 3,504,634	\$ 5,315,068	\$ 31,503,567	\$ 35,490,962	\$ 35,008,201	\$ 40,806,030
Total liabilities, deferred inflows and net position	\$ 92,696,307	\$ 97,794,245	\$ 59,785,985	\$ 61,662,105	\$ 152,482,292	\$ 159,456,350

The majority of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

At the end of the current fiscal year, the City is able to report positive balances in most categories of net position. The requirement to record the VRS pension plan liabilities, which totaled \$24,088,769 for governmental activities caused it to report negative unrestricted net position as it will many other localities in Virginia. The Business-type activities also reported negative unrestricted position at year end, however, the City plans to remediate its negative unrestricted net position over time through increases in user fees and transfers from the general government.

Governmental Activities - Governmental activities decreased the City's net position by \$1,810,434, while business-type activities decreased net position by \$3,987,395. Key elements of these decreases are as follows:

**City of Petersburg, Virginia's Changes in Net Position
Governmental and Business-type Activities
For the Years Ended June 30, 2016 and 2015**

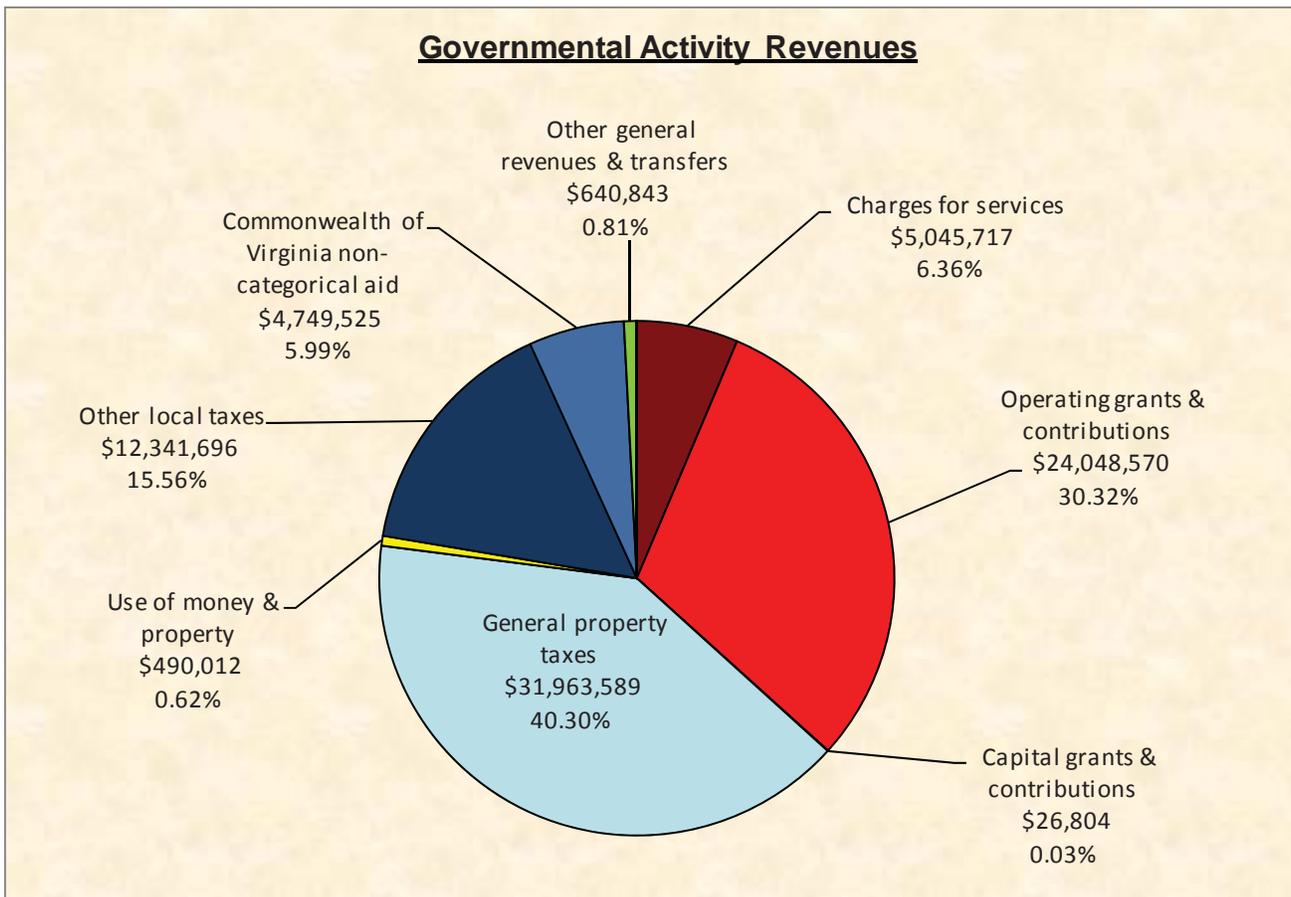
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,045,717	\$ 5,237,511	\$ 8,492,194	\$ 10,031,375	\$ 13,537,911	\$ 15,268,886
Operating grants and contributions	24,048,570	24,458,455	2,091,584	3,144,068	26,140,154	27,602,523
Capital grants and contributions	26,804	3,154	784,525	158,355	811,329	161,509
General revenues:						
General property taxes	31,963,589	33,418,636	-	-	31,963,589	33,418,636
Other local taxes	12,341,696	12,079,523	-	-	12,341,696	12,079,523
Use of money and property	490,012	231,452	4,971	1,181	494,983	232,633
Commonwealth of Virginia non-categorical aid	4,749,525	4,828,315	-	-	4,749,525	4,828,315
Other general revenues	640,843	1,104,557	-	-	640,843	1,104,557
Total revenues	\$ 79,306,756	\$ 81,361,603	\$ 11,373,274	\$ 13,334,979	\$ 90,680,030	\$ 94,696,582
Expenses:						
General government administration	\$ 7,000,032	\$ 7,085,421	\$ -	\$ -	\$ 7,000,032	\$ 7,085,421
Judicial administration	2,324,844	2,392,925	-	-	2,324,844	2,392,925
Public safety	23,666,410	26,840,786	-	-	23,666,410	26,840,786
Public works	11,605,106	12,992,788	-	-	11,605,106	12,992,788
Health and welfare	13,488,320	13,703,670	-	-	13,488,320	13,703,670
Education	11,673,961	12,048,813	-	-	11,673,961	12,048,813
Parks, recreation, and cultural	2,216,162	2,445,593	-	-	2,216,162	2,445,593
Community development	6,286,581	6,152,338	-	-	6,286,581	6,152,338
Interest	1,648,599	1,541,463	-	-	1,648,599	1,541,463
Public Utility	-	-	10,248,093	10,141,929	10,248,093	10,141,929
Mass Transit	-	-	5,133,570	4,429,192	5,133,570	4,429,192
Golf Course	-	-	1,186,181	1,256,939	1,186,181	1,256,939
Total expenses	\$ 79,910,015	\$ 85,203,797	\$ 16,567,844	\$ 15,828,060	\$ 96,477,859	\$ 101,031,857
Increase (decrease) in net position before transfers	\$ (603,259)	\$ (3,842,194)	\$ (5,194,570)	\$ (2,493,081)	\$ (5,797,829)	\$ (6,335,275)
Transfers	(1,207,175)	-	1,207,175	-	-	-
Increase (decrease) in net position	\$ (1,810,434)	\$ (3,842,194)	\$ (3,987,395)	\$ (2,493,081)	\$ (5,797,829)	\$ (6,335,275)
Net position, beginning of year, as restated	5,315,068	9,157,262	35,490,962	37,984,043	40,806,030	47,141,305
Net position, end of year	\$ 3,504,634	\$ 5,315,068	\$ 31,503,567	\$ 35,490,962	\$ 35,008,201	\$ 40,806,030

Government-wide Financial Analysis: (Continued)

The City's net position decreased \$5,797,829 during the current fiscal year. This decrease was reflective of a decrease in net position of governmental activities of \$1,810,434 and a decrease of \$3,987,395 in business-type activities. Governmental activity revenues decreased from \$81,361,603 to \$79,306,756, an decrease of \$2,054,847 or 2.53%. There were two major factors which contributed to the decrease in revenue to include decrease in operating grants and contributions of \$409,885 and general property taxes of \$1,455,047. Governmental expenses decrease from \$85,203,797 to \$79,910,015 or \$5,293,782. There were several factors to support this decrease which were primarily in public safety and public works. Public safety expenses totaled \$23,666,410 in FY 16 compared to \$26,840,786 in FY 15. Public works expenses totaled \$11,605,106 in FY 16 compared to \$12,992,788 in FY 15.

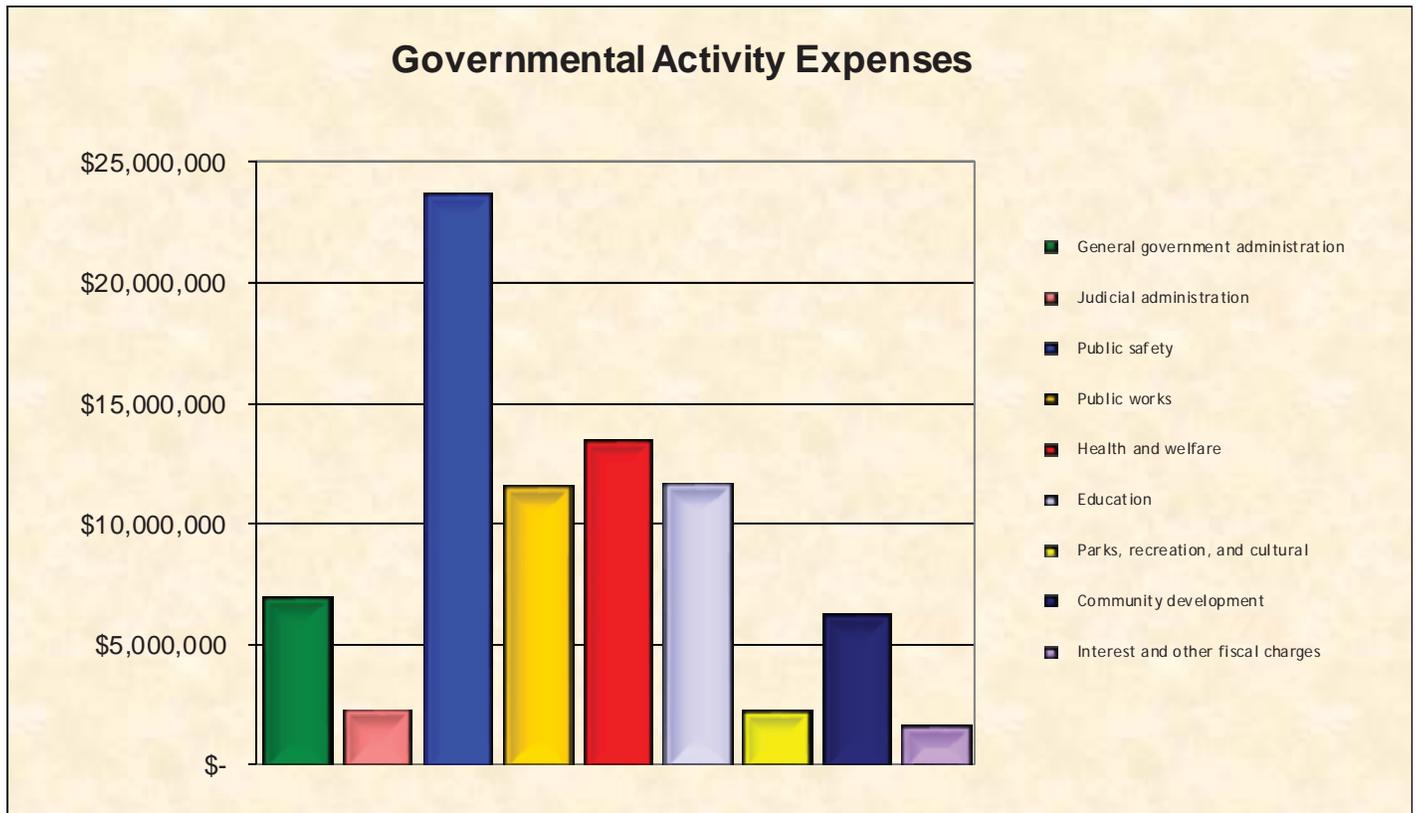
Net position decreased in the business-type activities by \$3,987,395. The Public Utility Fund's net position decreased by \$2,459,586, the Mass Transit Fund net position decreased by \$1,473,768 and the Golf Course decreased by \$54,041. Overall business-type activity revenues decreased from \$13,334,979 to \$11,373,274 or \$1,961,705. The most significant decrease was noted in Public Utility charges for services which decreased from \$8,758,140 in FY 15 to \$7,180,519, or \$1,577,621. Mass Transit expenses increased from \$4,429,192 in FY 15 to \$5,133,570 in FY 16 or \$704,378.

The chart below provides an overview of FY 15-16 revenues by program source:



Government-wide Financial Analysis: (Continued)

The chart below denotes expenses by major category.



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,844,813 a decrease of \$2,620,027 in comparison with the prior year. The City has non-spendable balances comprised of inventory and land held for resale in the amount of \$5,153,436 and inter-fund loans in the amount of \$250,071. The City's General Fund has restricted fund balance for debt service in the amount of \$3,855,383. The fund balance of the City's General Fund decreased \$3,375,798 during the current fiscal year. Key factors in the decrease are as follows:

- The City's revenue from the commonwealth decreased by \$7,114,124 in FY 16. The largest contribution to this decrease was the Street Maintenance Revenue of \$5,501,186 was moved to the Federal and State Projects Fund in FY 16.
- The City's general property tax revenue increased from \$32,558,767 to \$34,495,560 or \$1,936,793.

Financial Analysis of the City's Funds: (Continued)

- Public Safety expenses decreased from \$26,047,620 in FY 15 to \$20,899,960 in FY 16, or \$5,147,660. City Jail expenditures decreased from \$5,718,288 to \$1,529,465 as the City joined the Riverside Regional Jail in FY 16.
- In FY 16 the General Fund expended \$73,653,455 while revenues totaled \$71,390,235, a deficiency of \$2,263,220, reference Exhibit 11.

The City's other governmental funds reflected an overall increase in fund balances of \$755,771. The Capital Projects fund balance decreased \$507,680 and the other non-major funds increased \$1,263,451.

The Federal and State Projects Fund had revenues of \$9,094,295 and expenditures of \$8,345,180. The Federal and States Projects Fund has an increase in fund balance of \$940,503 in FY 16. More information on the other governmental funds can be found on Exhibit 17.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Unrestricted net position (deficit) of the Public Utility Fund, Mass Transit Fund and the Golf Course at the end of the year were \$(1,424,676), (\$3,751,507), and (\$2,366,800), respectively. Net position decreased for the Public Utility Fund by \$2,459,586 and by \$1,473,768 for Mass Transit while the Golf Course Fund had a decrease in net position of \$54,041. Information for these funds was discussed previously in this letter. The Multi-modal Transportation Facility was fully operational for the first year in FY 11 and state and federal funding sources in addition to charges for services were insufficient to cover operating expenses thus contributing to the decline in net position.

General Fund Budgetary Highlights

The differences between the General Fund original budget and final amended budget were caused by one main increase in appropriations. These increases caused the expenditure budget to increase from \$74,762,516 to \$75,099,544 as disclosed on Exhibit 11. Some of the major differences can be summarized as follows:

- An increase of \$337,028 in health and welfare primarily for social services expenditures.

The total General Fund revenue budget decreased from \$80,429,629 to \$75,614,800 or \$4,814,829. This was primarily due to moving Street Maintenance revenue to the Federal and State Grants Fund in FY 16. More detailed information on the General Fund budget revenues and expenditures can be found on Schedules 1 and 2 of this report.

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totaled \$107,704,694 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, water capacity rights intangibles, vehicles, and machinery and equipment. Current year depreciation on the assets amounted to \$3,618,945 in the governmental activities and \$2,564,361 in the business-type activities. The City's governmental capital assets, net of accumulated depreciation, increased by \$379,416. The City's business-type capital assets, net of accumulated depreciation, decreased \$604,582. More detailed information on the City's capital assets can be found in Note 6 of this report.

Long-term obligations - At the end of the current fiscal year, the City governmental activities had total long-term obligations outstanding of \$72,411,256 and the business-type activities had \$20,496,060. Of these amounts \$52,498,932 comprises debt backed by the full faith and credit of the City as general obligation and Qualified Zone Academy bonds. During the fiscal year, the City issued \$3,000,000 in Stormwater Revenue Bonds. The City also issued and redeemed \$4,471,876 of tax revenue anticipation notes during the year. As noted earlier the City recorded net pension liabilities in accordance with GASB 68 and the liabilities total \$24,088,769 at June 30, 2016. More detailed information on the City's long-term obligations can be found in the Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

Based on available economic data, certain trends for the local economy have continued to show improvements while others have not. The local unemployment rate is currently at 6.9%, which is lower than the 8.4% in September, 2015. The state unemployment rate is currently 5.0%.

This factor was considered in preparing the City's budget for the 2017 fiscal year. The General Fund for FY 17 totals \$68,411,675, which is \$6,815,653 lower than the fiscal 2016 approved budget. The real estate tax rate of \$1.35 per \$100 assessment remains unchanged.

Requests for Information

This financial report is designed to provide a general overview of the City of Petersburg, Virginia's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City Hall Annex, Petersburg, Virginia 23803.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2016

	Primary Government			Component
	Governmental Activities	Business- type Activities	Total	Unit
				School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 240,711	\$ -	\$ 240,711	\$ -
Restricted cash	11,585,445	7,394,075	18,979,520	-
Receivables (net of allowance for uncollectibles):				
Property taxes	6,989,277	-	6,989,277	-
Accounts receivable	1,981,508	1,446,007	3,427,515	-
Prepaid items	-	-	-	75,000
Inventory	5,153,436	675,901	5,829,337	86,591
Due from Primary Government	-	-	-	5,278,031
Internal balances	279,781	(279,781)	-	-
Due from other governmental units	5,214,586	134,361	5,348,947	3,130,333
Total Current Assets	\$ 31,444,744	\$ 9,370,563	\$ 40,815,307	\$ 8,569,955
Capital Assets (net of depreciation):				
Land	\$ 6,046,998	\$ 5,123,939	\$ 11,170,937	\$ 5,000
Construction in progress	3,866,610	540,938	4,407,548	523,278
Land improvements	-	494,490	494,490	100,987
Utility plant in service	-	18,567,672	18,567,672	-
Water capacity rights	-	2,210,000	2,210,000	-
Buildings and improvements	31,589,655	20,712,084	52,301,739	6,354,231
Vehicles	1,785,756	1,822,866	3,608,622	998,492
Equipment and machinery	2,252,434	331,555	2,583,989	320,933
Infrastructure	12,359,697	-	12,359,697	-
Total Capital Assets	\$ 57,901,150	\$ 49,803,544	\$ 107,704,694	\$ 8,302,921
Total Assets	\$ 89,345,894	\$ 59,174,107	\$ 148,520,001	\$ 16,872,876
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	\$ 3,350,413	\$ 611,878	\$ 3,962,291	\$ 5,686,645
Total Assets and Deferred Outflows of Resources	\$ 92,696,307	\$ 59,785,985	\$ 152,482,292	\$ 22,559,521
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 5,834,551	\$ 530,288	\$ 6,364,839	\$ 5,668,340
Reconciled overdraft	-	6,120,463	6,120,463	550,150
Accrued interest payable	313,773	135,248	449,021	-
Advance payable	-	80,000	80,000	-
Unearned revenue	397,047	-	397,047	32,786
Customer deposits	40,207	613,339	653,546	-
Due to Component Unit School Board	5,278,031	-	5,278,031	-
Current portion of litigation payable	424,960	-	424,960	-
Current portion of long-term obligations	4,503,750	718,411	5,222,161	58,793
Total Current Liabilities	\$ 16,792,319	\$ 8,197,749	\$ 24,990,068	\$ 6,310,069
Noncurrent Liabilities:				
Noncurrent portion of litigation payable	\$ 500,000	\$ -	\$ 500,000	\$ -
Noncurrent portion of long-term obligations	67,907,506	19,777,649	87,685,155	41,833,014
Total Noncurrent Liabilities	\$ 68,407,506	\$ 19,777,649	\$ 88,185,155	\$ 41,833,014
Total Liabilities	\$ 85,199,825	\$ 27,975,398	\$ 113,175,223	\$ 48,143,083
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ 8,819	\$ -	\$ 8,819	\$ -
Pension deferrals	3,983,029	307,020	4,290,049	4,112,731
Total Deferred Inflows of Resources	\$ 3,991,848	\$ 307,020	\$ 4,298,868	\$ 4,112,731
NET POSITION				
Net investment in capital assets	\$ 20,071,779	\$ 38,557,116	\$ 58,628,895	\$ 8,302,921
Restricted for grants	2,400,721	-	2,400,721	-
Restricted for debt service	-	489,434	489,434	-
Restricted for McKenney scholarships	8,536	-	8,536	-
Restricted for perpetual care and library	1,865,993	-	1,865,993	-
Unrestricted (deficit)	(20,842,395)	(7,542,983)	(28,385,378)	(37,999,214)
Total Net Position	\$ 3,504,634	\$ 31,503,567	\$ 35,008,201	\$ (29,696,293)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 92,696,307	\$ 59,785,985	\$ 152,482,292	\$ 22,559,521

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PETERSBURG, VIRGINIA

Statement of Activities
 Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 7,000,032	\$ 108,845	\$ 335,426	\$ -
Judicial administration	2,324,844	458,825	1,271,503	-
Public safety	23,666,410	973,578	4,722,327	-
Public works	11,605,106	3,394,087	6,887,122	26,804
Health and welfare	13,488,320	-	10,212,459	-
Education	11,673,961	-	-	-
Parks, recreation, and cultural	2,216,162	91,383	181,506	-
Community development	6,286,581	18,999	438,227	-
Interest	1,648,599	-	-	-
Total governmental activities	\$ 79,910,015	\$ 5,045,717	\$ 24,048,570	\$ 26,804
Business-type activities:				
Public utility	\$ 10,248,093	\$ 7,180,519	\$ -	\$ -
Mass transit	5,133,570	617,774	2,091,584	784,525
Golf course	1,186,181	693,901	-	-
Total business-type activities	\$ 16,567,844	\$ 8,492,194	\$ 2,091,584	\$ 784,525
Total primary government	\$ 96,477,859	\$ 13,537,911	\$ 26,140,154	\$ 811,329
COMPONENT UNIT:				
School Board	\$ 50,128,432	\$ 202,707	\$ 24,714,503	\$ -

General revenues:
 General property taxes
 Local sales and use taxes
 Consumer utility taxes
 Business license taxes
 Motor vehicle license taxes
 Lodging taxes
 Meals taxes
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 City contribution to the school board
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning, as restated
 Net position - ending

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
\$ (6,555,761)	\$ -	\$ (6,555,761)	\$ -
(594,516)	-	(594,516)	-
(17,970,505)	-	(17,970,505)	-
(1,297,093)	-	(1,297,093)	-
(3,275,861)	-	(3,275,861)	-
(11,673,961)	-	(11,673,961)	-
(1,943,273)	-	(1,943,273)	-
(5,829,355)	-	(5,829,355)	-
(1,648,599)	-	(1,648,599)	-
<u>\$ (50,788,924)</u>	<u>\$ -</u>	<u>\$ (50,788,924)</u>	<u>\$ -</u>
\$ -	\$ (3,067,574)	\$ (3,067,574)	\$ -
-	(1,639,687)	(1,639,687)	-
-	(492,280)	(492,280)	-
<u>\$ -</u>	<u>\$ (5,199,541)</u>	<u>\$ (5,199,541)</u>	<u>\$ -</u>
<u>\$ (50,788,924)</u>	<u>\$ (5,199,541)</u>	<u>\$ (55,988,465)</u>	<u>\$ -</u>
			<u>\$ (25,211,222)</u>
\$ 31,963,589	\$ -	\$ 31,963,589	\$ -
3,528,238	-	3,528,238	-
1,918,122	-	1,918,122	-
2,659,030	-	2,659,030	-
389,349	-	389,349	-
320,486	-	320,486	-
2,948,184	-	2,948,184	-
578,287	-	578,287	-
489,754	4,971	494,725	21,905
641,101	-	641,101	128,284
4,749,525	-	4,749,525	16,535,184
-	-	-	11,112,251
(1,207,175)	1,207,175	-	-
<u>\$ 48,978,490</u>	<u>\$ 1,212,146</u>	<u>\$ 50,190,636</u>	<u>\$ 27,797,624</u>
<u>\$ (1,810,434)</u>	<u>\$ (3,987,395)</u>	<u>\$ (5,797,829)</u>	<u>\$ 2,586,402</u>
<u>5,315,068</u>	<u>35,490,962</u>	<u>40,806,030</u>	<u>(32,282,695)</u>
<u>\$ 3,504,634</u>	<u>\$ 31,503,567</u>	<u>\$ 35,008,201</u>	<u>\$ (29,696,293)</u>

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Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2016

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Non Major Funds	
ASSETS				
Cash and cash equivalents	\$ -	\$ 4,299,812	\$ 3,187,050	\$ 7,486,862
Restricted cash	3,855,383	5,855,533	1,874,529	11,585,445
Receivables (Net of allowances for uncollectibles):				
Taxes	6,989,277	-	-	6,989,277
Accounts	1,634,786	-	346,722	1,981,508
Inventory and land held for resale	5,153,436	-	-	5,153,436
Due from other funds	250,071	2,091,952	-	2,342,023
Due from other governmental units	4,885,093	-	329,493	5,214,586
Total assets	<u>\$ 22,768,046</u>	<u>\$ 12,247,297</u>	<u>\$ 5,737,794</u>	<u>\$ 40,753,137</u>
LIABILITIES				
Accounts payable	\$ 1,434,495	\$ 137,743	\$ 662,631	\$ 2,234,869
Reconciled overdraft	7,217,403	-	28,748	7,246,151
Accrued salaries payable	3,475,635	-	124,047	3,599,682
Deposits held	40,207	-	-	40,207
Unearned revenue	-	-	397,047	397,047
Due to other funds	1,812,171	-	250,071	2,062,242
Due to Component Unit School Board	2,207,545	3,070,486	-	5,278,031
Total liabilities	<u>\$ 16,187,456</u>	<u>\$ 3,208,229</u>	<u>\$ 1,462,544</u>	<u>\$ 20,858,229</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>\$ 5,050,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,050,095</u>
FUND BALANCE				
Nonspendable:				
Inventory and land held for resale	\$ 5,153,436	\$ -	\$ -	\$ 5,153,436
Cemetery Perpetual care and library	-	-	1,865,993	1,865,993
McKenney scholarships	-	-	8,536	8,536
Interfund loans	250,071	-	-	250,071
Restricted:				
Grants	-	-	2,400,721	2,400,721
Debt service	3,855,383	-	-	3,855,383
Capital projects	-	9,039,068	-	9,039,068
Unassigned (deficit)	(7,728,395)	-	-	(7,728,395)
Total fund balances	<u>\$ 1,530,495</u>	<u>\$ 9,039,068</u>	<u>\$ 4,275,250</u>	<u>\$ 14,844,813</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 22,768,046</u>	<u>\$ 12,247,297</u>	<u>\$ 5,737,794</u>	<u>\$ 40,753,137</u>
Fund balances above				\$ 14,844,813

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.	57,901,150
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(313,773)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	
Items related to measurement of net pension liability	(3,983,029)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.	3,350,413
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as unavailable in the funds.	5,041,276
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. All liabilities--both current and long-term--are reported in the statement of net position.	(73,336,216)
Net position of General Government Activities	<u>\$ 3,504,634</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds
 Year Ended June 30, 2016

	Governmental Fund Types			
	General	Capital Projects	Non-Major Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 34,495,560	\$ -	\$ -	\$ 34,495,560
Other local taxes	12,341,696	-	-	12,341,696
Permits, privilege fees and regulatory licenses	436,992	-	59,907	496,899
Fines and forfeitures	407,471	-	-	407,471
Revenue from use of money and property	372,387	49,217	68,150	489,754
Charges for services	2,903,461	-	1,237,886	4,141,347
Miscellaneous	458,913	-	182,188	641,101
Recovered costs	388,622	-	27,758	416,380
Intergovernmental:				
Commonwealth	15,004,874	-	7,487,317	22,492,191
Federal	4,580,259	26,804	1,725,645	6,332,708
Total revenues	\$ 71,390,235	\$ 76,021	\$ 10,788,851	\$ 82,255,107
Expenditures:				
Current:				
General government administration	\$ 7,397,973	\$ 44,136	\$ -	\$ 7,442,109
Judicial administration	2,196,250	143,736	42,425	2,382,411
Public safety	20,899,960	284,024	1,876,176	23,060,160
Public works	4,867,105	1,086,213	6,332,667	12,285,985
Health and welfare	13,227,205	-	92,001	13,319,206
Education	10,593,975	1,477,528	-	12,071,503
Parks, recreation, and cultural	1,955,940	190,574	9,032	2,155,546
Community development	5,310,156	-	867,710	6,177,866
Nondepartmental	1,316,723	-	-	1,316,723
Debt service:				
Principal retirement	4,316,906	-	424,137	4,741,043
Interest and other fiscal charges	1,571,262	87,139	57,006	1,715,407
Total expenditures	\$ 73,653,455	\$ 3,313,350	\$ 9,701,154	\$ 86,667,959
Excess (deficiency) of revenues over (under) expenditures	\$ (2,263,220)	\$ (3,237,329)	\$ 1,087,697	\$ (4,412,852)
Other financing sources (uses):				
Transfers in	\$ -	\$ 527,652	\$ 191,388	\$ 719,040
Transfers (out)	(1,112,578)	(798,003)	(15,634)	(1,926,215)
Issuance of debt	-	3,000,000	-	3,000,000
Total other financing sources (uses)	\$ (1,112,578)	\$ 2,729,649	\$ 175,754	\$ 1,792,825
Changes in fund balance	\$ (3,375,798)	\$ (507,680)	\$ 1,263,451	\$ (2,620,027)
Fund balances at beginning of year, as restated	4,906,293	9,546,748	3,011,799	17,464,840
Fund balances at end of year	\$ 1,530,495	\$ 9,039,068	\$ 4,275,250	\$ 14,844,813

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2016

		<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(2,620,027)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. The following details support this adjustment.		
Capital asset additions	\$ 3,998,361	
Depreciation expense	<u>(3,618,945)</u>	379,416
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:		
Change in deferred taxes	\$ (2,531,971)	
Increase (decrease) in deferred inflows related to the measurement of net pension liability	<u>4,134,001</u>	1,602,030
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows:		
Principal retired on debt	\$ 4,890,836	
Issuance of debt, premium on debt and capital leases	<u>(2,962,404)</u>	1,928,432
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		(345,100)
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. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$ 54,915	
Change in net pension liability	(1,921,352)	
Change in litigation payable	(924,960)	
Change in net OPEB obligation	7,000	
Change in accrued interest payable	<u>29,212</u>	<u>(2,755,185)</u>
Change in net position of governmental activities	\$	<u>(1,810,434)</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
ASSETS				
Current Assets				
Restricted cash	\$ 7,394,075	\$ -	\$ -	\$ 7,394,075
Receivables (net of allowance for uncollectibles):				
Accounts receivable	1,446,007	-	-	1,446,007
Due from other governmental units	-	134,361	-	134,361
Inventory	433,886	199,320	42,695	675,901
Total Current Assets	\$ 9,273,968	\$ 333,681	\$ 42,695	\$ 9,650,344
Capital assets (net of depreciation):				
Land	\$ 173,898	\$ 1,566,994	\$ 3,383,047	\$ 5,123,939
Construction in progress	540,938	-	-	540,938
Land improvements	-	-	494,490	494,490
Utility plant in service	18,567,672	-	-	18,567,672
Buildings and improvements	-	19,770,156	941,928	20,712,084
Water capacity rights	2,210,000	-	-	2,210,000
Vehicles	73,589	1,749,277	-	1,822,866
Equipment and machinery	139,889	157,579	34,087	331,555
Total capital assets (net of accumulated depreciation)	\$ 21,705,986	\$ 23,244,006	\$ 4,853,552	\$ 49,803,544
Total Assets	\$ 30,979,954	\$ 23,577,687	\$ 4,896,247	\$ 59,453,888
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	\$ 186,518	\$ 358,965	\$ 66,395	\$ 611,878
Total Assets and Deferred Outflows of Resources	\$ 31,166,472	\$ 23,936,652	\$ 4,962,642	\$ 60,065,766
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 156,867	\$ 131,485	\$ 28,897	\$ 317,249
Reconciled overdraft	1,310,101	2,852,922	1,957,440	6,120,463
Accrued salaries payable	79,478	119,607	13,954	213,039
Accrued interest payable	90,261	-	44,987	135,248
Advance payable	-	80,000	-	80,000
Due to other funds	-	-	279,781	279,781
Customers' deposits payable	613,339	-	-	613,339
Current portion of compensated absenses	6,264	7,844	2,797	16,905
Current portion of capital leases	280,287	-	5,871	286,158
Current portion of premium on bonds issued	24,612	-	-	24,612
Current portion of general obligation bonds	289,849	-	100,887	390,736
Total Current Liabilities	\$ 2,851,058	\$ 3,191,858	\$ 2,434,614	\$ 8,477,530
Noncurrent Liabilities:				
Noncurrent portion of compensated absenses	\$ 56,371	82,593	25,176	164,140
Noncurrent portion of capital leases	4,772,740	-	-	4,772,740
Noncurrent portion of premium on bonds issued	613,237	-	-	613,237
Noncurrent portion of net pension liability	1,039,445	1,044,859	107,219	2,191,523
Noncurrent portion of general obligation bonds	7,939,881	-	4,096,128	12,036,009
Total Noncurrent Liabilities	\$ 14,421,674	\$ 1,127,452	\$ 4,228,523	\$ 19,777,649
Total Liabilities	\$ 17,272,732	\$ 4,319,310	\$ 6,663,137	\$ 28,255,179
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	\$ 166,538	\$ 124,843	\$ 15,639	\$ 307,020
NET POSITION				
Net investment in capital assets	\$ 14,662,444	\$ 23,244,006	\$ 650,666	\$ 38,557,116
Restricted for debt service	489,434	-	-	489,434
Unrestricted	(1,424,676)	(3,751,507)	(2,366,800)	(7,542,983)
Total Net Position	\$ 13,727,202	\$ 19,492,499	\$ (1,716,134)	\$ 31,503,567
Total Liabilities, Deferred Inflows of resources, and Net Position	\$ 31,166,472	\$ 23,936,652	\$ 4,962,642	\$ 60,065,766

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position --
 Proprietary Funds
 Year Ended June 30, 2016

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
Operating revenues:				
Charges for services	\$ 6,267,868	\$ 605,322	\$ 693,901	\$ 7,567,091
Connection fees	908,655	-	-	908,655
Miscellaneous income	3,996	12,452	-	16,448
Total operating revenues	<u>\$ 7,180,519</u>	<u>\$ 617,774</u>	<u>\$ 693,901</u>	<u>\$ 8,492,194</u>
Operating expenses:				
Personal services	\$ 1,327,362	\$ 1,922,836	\$ 194,862	\$ 3,445,060
Fringe benefits	429,087	537,352	56,590	1,023,029
Contractual services	617,870	749,491	377,573	1,744,934
Wastewater treatment services	4,393,284	-	-	4,393,284
Water purchased for resale	1,185,655	-	-	1,185,655
Other charges	798,534	536,305	271,335	1,606,174
Depreciation	1,102,426	1,363,239	98,696	2,564,361
Total operating expenses	<u>\$ 9,854,218</u>	<u>\$ 5,109,223</u>	<u>\$ 999,056</u>	<u>\$ 15,962,497</u>
Operating income (loss)	<u>\$ (2,673,699)</u>	<u>\$ (4,491,449)</u>	<u>\$ (305,155)</u>	<u>\$ (7,470,303)</u>
Nonoperating revenues (expenses):				
State grants	\$ -	\$ 707,262	\$ -	\$ 707,262
Federal grants	-	1,384,322	-	1,384,322
Interest income	5	4,966	-	4,971
Loss on disposal of assets	(23,256)	(24,347)	-	(47,603)
Interest expense	(370,619)	-	(187,125)	(557,744)
Total nonoperating revenues (expenses)	<u>\$ (393,870)</u>	<u>\$ 2,072,203</u>	<u>\$ (187,125)</u>	<u>\$ 1,491,208</u>
Income (loss) before contributions and transfers	\$ (3,067,569)	\$ (2,419,246)	\$ (492,280)	\$ (5,979,095)
Capital contributions and construction grants	-	784,525	-	784,525
Transfers in	607,983	160,953	438,239	1,207,175
Changes in net position	<u>\$ (2,459,586)</u>	<u>\$ (1,473,768)</u>	<u>\$ (54,041)</u>	<u>\$ (3,987,395)</u>
Net position (deficit) at beginning of year, as restated	<u>16,186,788</u>	<u>20,966,267</u>	<u>(1,662,093)</u>	<u>35,490,962</u>
Net position (deficit) at end of year	<u>\$ 13,727,202</u>	<u>\$ 19,492,499</u>	<u>\$ (1,716,134)</u>	<u>\$ 31,503,567</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows --
 Proprietary Funds
 Year Ended June 30, 2016

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,823,830	\$ 623,755	\$ 693,901	\$ 9,141,486
Payments to employees (including fringe benefits)	(1,875,711)	(2,552,506)	(249,738)	(4,677,955)
Payments to suppliers	(7,398,317)	(1,316,243)	(785,625)	(9,500,185)
Net cash provided by (used for) operating activities	<u>\$ (1,450,198)</u>	<u>\$ (3,244,994)</u>	<u>\$ (341,462)</u>	<u>\$ (5,036,654)</u>
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	\$ (712,069)	\$ (1,106,081)	\$ (189,232)	\$ (2,007,382)
Capital grants and contributions	-	784,525	-	784,525
Interest expense	(364,435)	-	(194,076)	(558,511)
Transfers (to) and from other funds	607,983	160,953	438,239	1,207,175
Retirement of indebtedness	(333,186)	-	(108,303)	(441,489)
Net cash provided by (used for) capital and related financing activities	<u>\$ (801,707)</u>	<u>\$ (160,603)</u>	<u>\$ (53,372)</u>	<u>\$ (1,015,682)</u>
Cash flows from noncapital financing activities:				
State and federal grants	\$ -	\$ 2,269,312	\$ -	\$ 2,269,312
Negative cash balances implicitly financed	-	1,136,285	394,834	1,531,119
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 3,405,597</u>	<u>\$ 394,834</u>	<u>\$ 3,800,431</u>
Cash flows from investing activities:				
Interest income	\$ 5	\$ -	\$ -	\$ 5
Increase in cash and cash equivalents	\$ (2,251,900)	\$ -	\$ -	\$ (2,251,900)
Cash and cash equivalents at beginning of year	8,335,874	-	-	8,335,874
Cash and cash equivalents at end of year	<u>\$ 6,083,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,083,974</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (2,673,699)	\$ (4,491,449)	\$ (305,155)	\$ (7,470,303)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation	\$ 1,102,426	\$ 1,363,239	\$ 98,696	\$ 2,564,361
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable and due from other governments	601,749	1,014	-	602,763
Inventory	(156,066)	19,420	7,917	(128,729)
Increase (decrease) in:				
Accounts payable and accrued expenses	(311,660)	(101,265)	(147,762)	(560,687)
Customer deposits	41,562	-	-	41,562
Pension deferred outflows of resources	(11,095)	(182,628)	(48,300)	(242,023)
Pension deferred inflows of resources	(204,789)	(191,669)	(20,610)	(417,068)
Net pension liability	164,462	326,451	73,624	564,537
Compensated absences	(3,088)	11,893	128	8,933
Total adjustments	<u>\$ 1,223,501</u>	<u>\$ 1,246,455</u>	<u>\$ (36,307)</u>	<u>\$ 2,433,649</u>
Net cash provided by (used for) operating activities	<u>\$ (1,450,198)</u>	<u>\$ (3,244,994)</u>	<u>\$ (341,462)</u>	<u>\$ (5,036,654)</u>
Reconciliation of Cash to Statement of Net Position:				
Restricted cash - SCWA - debt service	\$ 7,394,075	\$ -	\$ -	\$ 7,394,075
Negative cash balances implicitly financed	(1,310,101)	(2,852,922)	(1,957,440)	(6,120,463)
Total cash and cash equivalents at end of year	<u>\$ 6,083,974</u>	<u>\$ (2,852,922)</u>	<u>\$ (1,957,440)</u>	<u>\$ 1,273,612</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2016

	<u>Hospital Trust Fund</u>		<u>Agency Funds</u>
	<u>Private- Purpose Trust</u>		
ASSETS			
Cash and cash equivalents	\$ 554,717	\$	258,138
Land held for resale	-		2,500,000
	<u>554,717</u>		<u>2,758,138</u>
Total assets	<u>\$ 554,717</u>	<u>\$</u>	<u>2,758,138</u>
LIABILITIES			
Accounts payable	\$ 135,000	\$	-
Amounts held for others	-		258,138
Note payable	-		2,500,000
	<u>135,000</u>		<u>2,758,138</u>
Total liabilities	<u>\$ 135,000</u>	<u>\$</u>	<u>2,758,138</u>
NET POSITION			
Held for hospitalization care for welfare recipients	<u>419,717</u>		<u>-</u>
Total liabilities and net position	<u>\$ 554,717</u>	<u>\$</u>	<u>2,758,138</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
 Year Ended June 30, 2016

	Hospital Trust Fund <u>Private- Purpose Trust</u>
Additions	
Investment income	\$ <u>45</u>
Change in net position	\$ 45
Net position - beginning of the year	<u>419,672</u>
Net position - end of the year	<u><u>\$ 419,717</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1—Summary of Significant Accounting Policies:

The City of Petersburg, Virginia (the City) was incorporated in 1850 and its current Charter was granted in 1962. The City is governed by an elected seven member City Council. The City operates under a Council/Manager form of government and provides the following services: public safety (police and fire), public works, health and welfare services, parks, recreation and cultural, education, community and economic development and judicial and general administrative services.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Petersburg, Virginia (the primary government) and its component unit. 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. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The City has no blended component units to be included for the fiscal year ended June 30, 2016.

Discretely Presented Component Unit. The School Board is a discretely presented component unit of the City of Petersburg, Virginia for the fiscal year ended June 30, 2016.

The School Board members are elected by the citizens and are responsible for the operations of the City's School System. The School Board is fiscally dependent on the City in that the City has the ability to approve its budget and any amendments and serves as the primary funding source for the School Board.

Complete financial statements of the School Board can be obtained from the administrative offices at Petersburg Public Schools, 255 South Boulevard East, Petersburg, Virginia 23805.

C. Other Related Organizations

Included in the City's Comprehensive Annual Financial Report

None

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations: (Continued)

Excluded from the City's Comprehensive Annual Financial Report

Joint Ventures

South Central Wastewater Authority

The South Central Wastewater Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights each appoint one member to the five member board. Each participating entity is required to purchase wastewater treatment services from the Authority at prescribed rates and capacity levels. Based on the City's capacity level of 10.5 million gallons out of total capacity of 20 million gallons, the City retains an on-going financial responsibility for the joint venture due to this requirement. The City's expenditures for wastewater treatment services for the year ended June 30, 2016 were \$4,393,284. The City does not retain a financial interest in the SCWA.

Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

Riverside Regional Jail Authority

The Riverside Regional Jail Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Charles City, Chesterfield, Prince George and Surry and the Cities of Petersburg, Colonial Heights and Hopewell each appoint one member to the seven member board. Each participating entity is required to commit prisoners and pay the established per diem charge in accordance with its service agreement with the RRJA. The City's expenditures for confinement services for the year ended June 30, 2016 were \$1,529,465. The City does not retain a financial interest in the RRJA.

Complete financial statements for the Authority can be obtained from the Authority's office at 1000 River Road, Hopewell, Virginia 23860.

Appomattox River Water Authority

The Appomattox River Water Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights each appoint one member to the five member board. Each participating entity is required to purchase water in accordance with its service agreement with the ARWA. The City's expenses for water purchased for the year ended June 30, 2016 were \$1,185,655. The City does not retain a financial interest in the ARWA.

Complete financial statements for the ARWA can be obtained from the ARWA's office at 21300 Chesdin Road, Petersburg, Virginia 23860.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations: (Continued)

Jointly Governed Organizations

Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (CVWMA) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Cities of Petersburg, Colonial Heights, Hopewell, and Richmond and the Town of Ashland each appoint at least one member and no more than three members to the twenty member board based on population. The City appoints two of the twenty members to the CVWMA Board. The CVWMA Board has the ability to execute contracts and to budget and expend funds. No locality contributes more than 50 % of the CVWMA's funding.

Appomattox Basin Industrial Development Corporation

The Appomattox Basin Industrial Development Corporation (ABIDCO) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg, Colonial Heights, and Hopewell each appoint one member to the six member ABIDCO Board. The ABIDCO Board has the ability to execute contracts and to budget and expend funds. No locality contributes more than 50 % of the ABIDCO's funding.

District 19 Community Services Board

The District 19 Community Services Board (Board) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Greensville, Surry, Sussex and Dinwiddie and the Cities of Petersburg, Colonial Heights, Hopewell and Emporia each appoint a member to the Board. The City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the City.

Related Organizations

The City Council is responsible for appointing the members of the Petersburg Redevelopment and Housing Authority (the Housing Authority) and the Petersburg Industrial Development Authority (the Development Authority), but the City Council's financial accountability for these organizations does not extend beyond making these appointments. The Housing Authority provides housing to eligible families for redevelopment and conservation of housing in the City. The Housing Authority performs certain services under contract with the City for community development block grants and downtown redevelopment and conservation projects. The Development Authority was established under the Industrial Development and Revenue Act, Code of the Commonwealth of Virginia. The Development Authority has the responsibility to promote industry and develop trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the City.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Financial Statement Presentation

Management's Discussion and Analysis - GAAP require the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The GAAP reporting model includes financial statements prepared using full accrual accounting for all of the City's non-fiduciary activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its components unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Primary Government (governmental and business-type activities) and its discretely presented component unit. Governments report all capital assets, in the government-wide Statement of Net Position and report their depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government'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).

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Reconciliation of Government-wide and Fund Financial Statements - A summary reconciliation of the difference between total fund balances as reflected on the Governmental Funds Balance Sheet and total net position for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the Governmental Funds' Balance Sheet. The asset and liability and the deferred outflows/inflows of resources elements which comprise the reconciliation differences stem from Governmental Funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances. The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Administrative overhead charges are included in direct expenses. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. For the governmental funds, the financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. For the proprietary funds, the financial statements consist of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. For the fiduciary funds, the financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

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 one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments provide budgetary comparison information in their annual reports, including the government's original budget and a comparison of final budget and actual results.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported and accounted for using the economic resources measurement focus and the accrual basis of accounting, which include all assets and liabilities associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included in the Statement of Fiduciary Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly, receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales and income taxes are recognized when the underlying exchange transaction takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which 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. The City does not allocate indirect expenses. Operating grants presented include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers non-grant related revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent they are measurable and available. Reimbursement grants, or expenditure-driven grants, are recognized as revenue when measurable, all eligibility criteria have been

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Measurement Focus and Basis of Accounting: (Continued)

met, the related amounts become available, and if received within one year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments, and landfill closure liability and post-closure monitoring, are recorded only when payment is due.

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. GAAP sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements. Since the governmental fund financial 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 fund types utilized are as follows:

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following funds.

- a. General Fund - The General Fund is the primary operating fund of the City. This fund is used to account for and report 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 principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the Federal and State Projects Fund, Community Development Act and Stormwater Fund. All of these funds are considered nonmajor funds for reporting purposes.
- c. Capital Projects Funds - Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects fund is considered a major fund for reporting purposes.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

1. Governmental Funds: (Continued)

- d. Permanent Funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the City's programs for the benefit of the government or its citizenry. Permanent funds consist of the Blandford Cemetery Perpetual Care, Clara J. McKenney Memorial, and Library Endowment funds. These funds are considered nonmajor funds for financial reporting purposes.

2. Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liability is incurred. City proprietary funds consist of Enterprise Funds.

Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services and state and federal grants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major enterprise funds.

Public Utility Fund - to account for the operations of the City's water system.

Mass Transit Fund - to account for the operations of the City's bus system.

Golf Course Fund - to account for the operations of the Dogwood Trace Golf Course.

3. Fiduciary Funds (Trust and Agency Funds) - account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private-Purpose Trust Funds and Agency Funds. The Private-Purpose Trust Fund accounts for monies derived from investment earnings to provide hospitalization care for welfare recipients in the City and is named the Hospital Trust Fund. The Agency Funds are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Special Welfare, Jail Inmate, Drug Seizure and Industrial Development Authority Funds. The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Budgets and Budgetary Accounting

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to April 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions of budgetary control at the function level for the General Fund and the fund level for the Special Revenue Funds. City Council must approve any budget revisions at the function level once the appropriation ordinance has been adopted.
5. Capital Projects Funds are budgeted on a project-length basis. Adopted budgets may be amended or superseded by action of City Council.
6. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented since there is no legal requirement for such presentation.
7. Appropriations, except for encumbrances and committed or assigned fund balances, lapse at year-end.
8. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
9. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

F. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All funds, unless otherwise classified as restricted, are deposited into pooled bank accounts; the major account defined as the General Fund concentration account. As disbursements are made from the payroll, budget, and social services bank accounts, funds from the General Fund concentration account are automatically transferred to those bank accounts to cover those disbursements on a daily basis.

G. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

G. Investments: (Continued)

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$3,206,798 at June 30, 2016 and is comprised of the following:

Property taxes - General Fund	\$	1,084,516
Refuse and consumer's utility taxes - General Fund		292,658
Stormwater fees		217,759
Public Utility Accounts		1,611,865
Total	\$	<u>3,206,798</u>

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The City bills and collects its own property taxes.

I. South Central Wastewater Authority Water Capacity Rights

The City participates in the South Central Wastewater Authority joint venture. The SCWA was established when the City transferred its investment in its wastewater treatment assets, net of the related debt of approximately \$19 million, in exchange for 10.5 million gallons of capacity valued at \$1 million per 1 million gallons of capacity and a payment of \$9.5 million. The City maintained 10.5 million gallons of capacity or 52.5% of the plant's total capacity. The joint venture agreement does not state that the City is to share in the profits and losses of SCWA, and there is no explicit, measurable equity interest in SCWA. The City reports the water capacity rights as an intangible capital asset.

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure, and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the City as land, buildings, infrastructure, road registered vehicles, intangible assets and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized for the year ended June 30, 2016.

Property, plant and equipment, infrastructure, and intangibles of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Intangibles	40
Land Improvements	15-20
Buildings	40
Building Improvements	20-40
Buses	12
Machinery and Equipment	5-20
Vehicles	3-10
Infrastructure	30-50

K. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, other than retirement, City employees are reimbursed for accumulated vacation days based on years of service and are not reimbursed for accumulated sick leave. Upon retirement, City employees are reimbursed for accumulated vacation days and accumulated sick leave. A liability for these amounts is reported in governmental funds if they have matured, for example, as a result of employee resignations and retirements.

For City governmental funds, the cost of accumulated vacation and sick leave expected to be paid based on known terminations at year-end is recorded as a fund liability and all other amounts are recorded in the government-wide statements as a liability. For City proprietary funds, the cost of vacation and sick leave is recorded as a liability when earned.

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Property Taxes

The City levies real estate and personal property taxes on property within its boundaries, except those specifically exempted by statute. These levies are assessed each year as of July 1 on the estimated market value of the property, at which time a lien in favor of the City is automatically attached to the property. The City follows the practices of reassessing real estate and personal property annually.

Real estate taxes are payable in equal quarterly installments on September 30, December 31, March 31, and June 30. Personal property taxes are payable in full on June 5. Property taxes are levied to finance activities of the fiscal year in which they are due from the taxpayer. The City bills and collects taxes and recognizes such as revenues when measurable and available in the General Fund and when earned in the governmental activities. Property taxes, net of allowance for uncollectible amounts, not collected within 60 days after year end are reflected as unavailable revenue in the governmental fund financial statements. For government-wide reporting, uncollected property taxes, net of allowance for uncollectible amounts, are reported as revenues.

M. Inventory and Land Held for Resale

Inventory consists of expendable supplies held for consumption and commercial and residential property held for resale. Inventories are valued at cost or using the first-in, first-out method for the supplies held for consumption. The land parcels held for resale are valued at the lower of cost or market value.

N. Long-term Obligations

In the basic financial statements long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond discounts in the government-wide financial statements are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. Fund Equity

The City reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Fund Equity: (Continued)

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Council policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The City Council establishes and modifies or rescinds fund balance commitments at year-end by passage of a resolution. The City Council has not delegated this authority to assign amounts to any individual for the fiscal year ending June 30, 2016.

As of June 30, 2016, there was a deficit net position in the Golf Course Fund (\$1,716,134).

P. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Internal and Intra-entity Activity

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified. Eliminations are made in the Statement of Net Position to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the Primary Government. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the government wide financial statements, except for net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction.

In the government-wide financial statements, resource flows between the Primary Government and the discretely presented Component Unit are reported as if they were external transactions.

Note 1—Summary of Significant Accounting Policies: (Continued)

R. Restricted Cash

The City has governmental fund restricted cash amounts in the General Fund and in its Capital Projects Fund, which consists of debt service reserve funds and unexpended bond proceeds, and in Permanent Funds which are restricted of amounts held for cemetery and other purposes.

S. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

T. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

U. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year and the impact of the change in proportionate share of net pension liability. For more detailed information on this item, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. One is the deferred amount of property tax revenue. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. The other includes differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

V. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plan and the additions to/deductions from the City's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The City's investment policy provides that securities purchased for the City shall be held by the City Treasury or by the Treasurer's custodian. If held by a custodian, the securities must be in the City's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the City. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction. At June 30, 2016 all of the City's investments were held in accordance with this policy.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The City's investment policy is to follow the legal limits set forth in the Code of Virginia, 2.2-45, Investment of Public Funds Act, which describes the types of investments permitted. The City has not established credit risk limits for each category of investment; however, the City has an emphasis on high credit quality and known marketability. The City has contracted with investment advisors to ensure compliance. The City's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

City's Rated Debt Investment Values

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AAA	AA+	AA-	BBB+
Primary Government:					
Local Government Investment Pool	\$ 462,068	\$ -	\$ -	\$ -	\$ -
Virginia State Non-Arbitrage Program (SNAP)	12,339,306	-	-	-	-
U.S. Treasury Money Market Funds	910,537	-	-	-	-
U.S. Savings Bonds	-	2,000	-	-	-
Fixed income	-	-	-	-	200,948
U.S. Agency Securities	-	-	800,057	-	-
Total Primary Government investments	<u>\$ 13,711,911</u>	<u>\$ 2,000</u>	<u>\$ 800,057</u>	<u>\$ -</u>	<u>\$ 200,948</u>

Interest Rate Risk

The City does not have a policy regarding interest rate risk.

Investment Type	Investment Maturities (in years)				
	Fair Value	<1 Year	1-5 Years	6-10 Years	Greater than 10 Years
Primary Government:					
Local Government Investment Pool	\$ 462,068	\$ 462,068	\$ -	\$ -	\$ -
Virginia State Non-Arbitrage Program (SNAP)	12,339,306	12,339,306	-	-	-
U.S. Savings Bonds	2,000	-	-	-	2,000
Fixed income	200,948	-	200,948	-	-
U.S. Agency Securities	800,057	-	800,057	-	-
Total Primary Government investments	<u>\$ 13,804,379</u>	<u>\$ 12,801,374</u>	<u>\$ 1,001,005</u>	<u>\$ -</u>	<u>\$ 2,000</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pools: (Continued)

The fair values of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

Foreign Currency Risk

The City does not have a policy regarding foreign currency risk and the City does not have any investments in foreign currencies.

Concentration of Credit Risk

The City does not have a policy regarding concentration of credit risk.

Note 3—Due From Other Governmental Units:

At June 30, 2016 the City has receivables from other governments as follows:

	<u>Primary Government</u>	
	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Commonwealth of Virginia:		
Local sales taxes	\$ 597,835	\$ -
Miscellaneous grants	286,406	-
Shared expenses	177,461	-
Public assistance and welfare administration	285,684	-
Comprehensive services	614,187	-
Mass Transit	-	10,014
PPTRA	2,294,331	-
Communications tax	351,709	-
Federal Government:		
Public assistance and welfare administration	384,299	-
Miscellaneous grants	206,765	-
Mass Transit	15,909	124,347
Total due from other governments	<u>\$ 5,214,586</u>	<u>\$ 134,361</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 4—Interfund Transfers Due From/To Other Funds/Primary Government/Component Unit:

Individual fund and interfund receivable and payable balances related to working capital loans at June 30, 2016 are presented below:

<u>Fund</u>	<u>Due from Other Funds/ Component Unit</u>	<u>Due to Other Funds/ Component Unit</u>
Interfund Balances:		
General	\$ 250,071	\$ 1,812,171
Capital projects	2,091,952	-
Enterprise:		
Golf Course	-	279,781
Nonmajor funds:		
Blandford Cemetery Perpetual Care	-	250,071
Total	<u>\$ 2,342,023</u>	<u>\$ 2,342,023</u>
Reporting Entity:		
Primary Government - General Fund	\$ -	\$ 2,207,545
Primary Government - Capital Projects Fund	-	3,070,486
School Board	5,278,031	-
Total	<u>\$ 5,278,031</u>	<u>\$ 5,278,031</u>

Interfund balances have been recorded to cover fund cash deficits; however, it is expected that future revenue streams will enable repayment from the General Fund. As investments mature in the Blandford Cemetery Perpetual Care Fund, funds will be available to reimburse the General Fund.

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Major Funds:		
General	\$ -	\$ 1,112,578
Capital Projects Fund	527,652	798,003
Public Utility Fund	607,983	-
Mass Transit Fund	160,953	-
Golf Course Fund	438,239	-
Nonmajor Funds:		
Stormwater Fund	-	15,634
Federal and State Grants Fund	191,388	-
Total	<u>\$ 1,926,215</u>	<u>\$ 1,926,215</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization and (3) move expenditures paid out of capital projects fund for Enterprise fund projects.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 5—Inventory:

At June 30, 2016 the City has inventory recorded in the various funds as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Expendable supplies	\$ 54,774	\$ 675,901
Land and building inventory held for resale:		
324 Commercial/residential lots owned in the City	5,066,481	-
8 Commercial buildings owned in Dinwiddie County	<u>32,181</u>	<u>-</u>
Totals	<u>\$ 5,153,436</u>	<u>\$ 675,901</u>

The following is a summary of changes in inventory held for resale for the fiscal year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance June 30, 2016</u>
Land and building inventory held for resale:				
312 Commercial/residential lots owned in the City	\$ 5,260,614	\$ 40,000	\$ 234,133	\$ 5,066,481
8 Commercial buildings owned in Dinwiddie County	<u>32,181</u>	<u>-</u>	<u>-</u>	<u>32,181</u>
Totals	<u>\$ 5,292,795</u>	<u>\$ 40,000</u>	<u>\$ 234,133</u>	<u>\$ 5,098,662</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets:

Primary Government:

The following is a summary of changes in governmental capital assets for the fiscal year ended June 30, 2016:

	July 1, 2015, as restated	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,046,998	\$ -	\$ -	\$ 6,046,998
Construction in progress - city projects	938,416	1,710,522	-	2,648,938
Construction in progress - school projects	298,966	918,706	-	1,217,672
Total capital assets not being depreciated	<u>\$ 7,284,380</u>	<u>\$ 2,629,228</u>	<u>\$ -</u>	<u>\$ 9,913,608</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 75,287,083	\$ 128,541	\$ -	\$ 75,415,624
Infrastructure	107,423,187	692,784	-	108,115,971
Vehicles	12,527,724	239,137	139,121	12,627,740
Equipment (other than vehicles)	12,867,791	311,831	5,267	13,174,355
Total capital assets being depreciated	<u>\$ 208,105,785</u>	<u>\$ 1,372,293</u>	<u>\$ 144,388</u>	<u>\$ 209,333,690</u>
Accumulated depreciation:				
Buildings and improvements	\$ 42,382,759	\$ 1,443,210	\$ -	\$ 43,825,969
Infrastructure	95,181,253	575,021	-	95,756,274
Vehicles	10,468,887	512,218	139,121	10,841,984
Equipment (other than vehicles)	9,835,532	1,088,496	2,107	10,921,921
Total accumulated depreciation	<u>\$ 157,868,431</u>	<u>\$ 3,618,945</u>	<u>\$ 141,228</u>	<u>\$ 161,346,148</u>
Total capital assets being depreciated, net	<u>\$ 50,237,354</u>	<u>\$ (2,246,652)</u>	<u>\$ 3,160</u>	<u>\$ 47,987,542</u>
Governmental Activities capital assets, net	<u>\$ 57,521,734</u>	<u>\$ 382,576</u>	<u>\$ 3,160</u>	<u>\$ 57,901,150</u>
Reconciliation of primary government net position net investment in capital assets:				
Net capital assets				<u>\$ 57,901,150</u>
Long-term debt applicable to capital assets:				
General obligation bonds			\$ 32,676,492	
School Literary Fund loan			2,175,000	
School Qualified Zone Academy Bonds (SQZAB's)			7,395,695	
Cash deposited in School Qualified Zone Academy Bonds Funds			(3,855,383)	
Premium on bonds payable			751,919	
Stormwater revenue bond			2,575,863	
Capital lease			1,958,003	\$ 43,677,589
Less-debt proceeds received but not expended on capital assets at year end				<u>(5,848,218)</u>
Net long-term debt, as adjusted				<u>\$ 37,829,371</u>
Net investment in capital assets				<u>\$ 20,071,779</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

The following is a summary of changes in Public Utility Fund capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type Activities:				
Public Utility Fund:				
Capital assets, not being depreciated:				
Land	\$ 173,898	\$ -	\$ -	\$ 173,898
Construction in progress	-	540,938	-	540,938
Total capital assets not being depreciated	<u>\$ 173,898</u>	<u>\$ 540,938</u>	<u>\$ -</u>	<u>\$ 714,836</u>
Capital assets being depreciated:				
Utility plant in service	\$ 35,332,352	\$ 97,436	\$ 90,902	\$ 35,338,886
Water capacity rights	4,420,000	-	-	4,420,000
Vehicles	1,143,953	67,045	-	1,210,998
Equipment and machinery	1,361,789	6,650	3,606	1,364,833
Total capital assets being depreciated	<u>\$ 42,258,094</u>	<u>\$ 171,131</u>	<u>\$ 94,508</u>	<u>\$ 42,334,717</u>
Accumulated depreciation:				
Utility plant in service	\$ 15,941,626	\$ 897,234	\$ 67,646	\$ 16,771,214
Water capacity rights	2,099,500	110,500	-	2,210,000
Vehicles	1,086,099	51,310	-	1,137,409
Equipment and machinery	1,185,168	43,382	3,606	1,224,944
Total accumulated depreciation	<u>\$ 20,312,393</u>	<u>\$ 1,102,426</u>	<u>\$ 71,252</u>	<u>\$ 21,343,567</u>
Total capital assets being depreciated, net	<u>\$ 21,945,701</u>	<u>\$ (931,295)</u>	<u>\$ 23,256</u>	<u>\$ 20,991,150</u>
Public Utility Fund capital assets, net	<u>\$ 22,119,599</u>	<u>\$ (390,357)</u>	<u>\$ 23,256</u>	<u>\$ 21,705,986</u>
Reconciliation of Public Utility Fund net position net investment in capital				
Net capital assets				\$ 21,705,986
Long-term debt applicable to capital assets:				
General obligation bonds		\$ 8,229,730		
Premium on bonds issued		637,849		
Capital lease		5,053,027		\$ 13,920,606
Less-debt proceeds received but not expended on capital assets at year end				<u>(6,877,064)</u>
Net long-term debt, as adjusted				<u>\$ 7,043,542</u>
Net investment in capital assets				<u>\$ 14,662,444</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

The following is a summary of changes in Mass Transit Fund capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities:				
Mass Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,143,415	\$ 423,579	\$ -	\$ 1,566,994
Construction in progress	455,200	-	455,200	-
Total capital assets not being depreciated	<u>\$ 1,598,615</u>	<u>\$ 423,579</u>	<u>\$ 455,200</u>	<u>\$ 1,566,994</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 24,680,648	\$ 777,000	\$ -	\$ 25,457,648
Vehicles	5,769,284	360,702	642,993	5,486,993
Equipment and machinery	848,953	-	-	848,953
Total capital assets being depreciated	<u>\$ 31,298,885</u>	<u>\$ 1,137,702</u>	<u>\$ 642,993</u>	<u>\$ 31,793,594</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,976,989	\$ 710,503	\$ -	\$ 5,687,492
Vehicles	3,811,565	544,797	618,646	3,737,716
Equipment and machinery	583,435	107,939	-	691,374
Total accumulated depreciation	<u>\$ 9,371,989</u>	<u>\$ 1,363,239</u>	<u>\$ 618,646</u>	<u>\$ 10,116,582</u>
Total capital assets being depreciated, net	<u>\$ 21,926,896</u>	<u>\$ (225,537)</u>	<u>\$ 24,347</u>	<u>\$ 21,677,012</u>
Mass Transit Fund capital assets, net	<u><u>\$ 23,525,511</u></u>	<u><u>\$ 198,042</u></u>	<u><u>\$ 479,547</u></u>	<u><u>\$ 23,244,006</u></u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

The following is a summary of changes in Golf Course Fund capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities:				
Golf Course				
Capital assets, not being depreciated:				
Land	\$ 3,383,047	\$ -	\$ -	\$ 3,383,047
Construction in progress	768,773	190,020	958,793	-
Total capital assets not being depreciated	<u>\$ 4,151,820</u>	<u>\$ 190,020</u>	<u>\$ 958,793</u>	<u>\$ 3,383,047</u>
Capital assets being depreciated:				
Land improvements	\$ 1,040,599	\$ -	\$ -	\$ 1,040,599
Buildings and improvements	56,000	920,131	-	976,131
Equipment and machinery	-	37,874	-	37,874
Total capital assets being depreciated	<u>\$ 1,096,599</u>	<u>\$ 958,005</u>	<u>\$ -</u>	<u>\$ 2,054,604</u>
Accumulated depreciation:				
Land improvements	\$ 477,003	\$ 69,106	\$ -	\$ 546,109
Buildings and improvements	8,400	25,803	-	34,203
Equipment and machinery	-	3,787	-	3,787
Total accumulated depreciation	<u>\$ 485,403</u>	<u>\$ 98,696</u>	<u>\$ -</u>	<u>\$ 584,099</u>
Total capital assets being depreciated, net	<u>\$ 611,196</u>	<u>\$ 859,309</u>	<u>\$ -</u>	<u>\$ 1,470,505</u>
Golf Course Fund capital assets, net	<u>\$ 4,763,016</u>	<u>\$ 1,049,329</u>	<u>\$ 958,793</u>	<u>\$ 4,853,552</u>
Reconciliation of Golf Course Fund net position net investment in capital assets:				
Net capital assets				<u>\$ 4,853,552</u>
Long-term debt applicable to capital assets:				
General obligation bonds		\$ 4,197,015		
Capital lease		5,871		<u>\$ 4,202,886</u>
Net long-term debt, as adjusted				<u>\$ 4,202,886</u>
Net investment in capital assets				<u>\$ 650,666</u>
Total Business-type Activities capital assets, net	<u>\$ 50,408,126</u>	<u>\$ 857,014</u>	<u>\$ 1,461,596</u>	<u>\$ 49,803,544</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Depreciation expense was charged to the functions/programs of the Primary Government as follows:

Governmental activities:

General government administration	\$	71,604
Judicial administration		167,171
Public safety		1,351,976
Public works		1,055,696
Health and welfare		177,309
Education		521,164
Parks, recreation and cultural		218,766
Community development		<u>55,259</u>

Total Governmental activities \$ 3,618,945

Business-type activities:

Public Utility Fund	\$	1,102,426
Mass Transit Fund		1,363,239
Golf Course Fund		<u>98,696</u>

Total Business-type activities \$ 2,564,361

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations:

Primary Government

Governmental Activities

The following is a summary of governmental long-term obligation transactions of the City for the year ended June 30, 2016:

Description	July 1, 2015, as restated	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Long-term obligation transactions:					
General obligation bonds	\$ 33,873,564	-	\$ 1,197,072	\$ 32,676,492	\$ 1,964,288
Stormwater revenue bonds	-	3,000,000	424,137	2,575,863	580,278
School Literary Fund loans	2,600,000	-	425,000	2,175,000	425,000
School Qualified Zone Academy Bonds	8,795,695	-	1,400,000	7,395,695	600,000
Note payable	694,935	-	694,935	-	-
Capital leases	2,707,695	-	749,692	1,958,003	677,784
Premium on bonds payable	789,515	-	37,596	751,919	37,596
Net pension liability	19,975,892	13,320,116	11,398,764	21,897,244	-
Net OPEB obligation	700,000	208,000	215,000	693,000	-
Compensated absences	2,342,955	179,381	234,296	2,288,040	218,804
Total Governmental Activities long-term obligations	\$ 72,480,251	\$ 16,707,497	\$ 16,776,492	\$ 72,411,256	\$ 4,503,750
Short-term obligation transactions:					
Anticipation notes	-	4,471,876	4,471,876	-	-
Total Governmental Activities obligations	\$ 72,480,251	\$ 21,179,373	\$ 21,248,368	\$ 72,411,256	\$ 4,503,750
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year:				\$ 4,503,750	
Long-term liabilities due in more than one year:				67,907,506	
Total long-term obligations				\$ 72,411,256	

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Annual requirements to amortize governmental activities obligations outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Loans		Stormwater Revenue Bonds		Qualified Zone Academy Bonds	Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	\$ 1,964,288	\$ 1,135,353	\$ 425,000	\$ 43,500	\$ 580,278	\$ 61,246	\$ 600,000	\$ 677,784	\$ 42,831
2018	2,037,552	1,088,499	425,000	35,000	595,844	45,681	-	656,575	27,583
2019	2,042,791	1,040,052	425,000	26,500	611,827	29,698	2,142,167	380,922	14,543
2020	2,115,444	988,270	425,000	18,000	628,239	13,286	-	242,722	9,470
2021	2,503,997	925,814	425,000	9,500	159,675	2,465	1,536,671	-	-
2022	2,574,051	852,819	50,000	1,000	-	-	-	-	-
2023	2,609,092	776,434	-	-	-	-	1,116,857	-	-
2024	1,646,424	714,583	-	-	-	-	-	-	-
2025	1,691,804	666,504	-	-	-	-	2,000,000	-	-
2026	1,738,386	616,288	-	-	-	-	-	-	-
2027	1,793,060	563,665	-	-	-	-	-	-	-
2028	1,329,321	508,943	-	-	-	-	-	-	-
2029	866,396	457,218	-	-	-	-	-	-	-
2030	903,106	420,936	-	-	-	-	-	-	-
2031	939,701	350,422	-	-	-	-	-	-	-
2032	873,690	276,075	-	-	-	-	-	-	-
2033	910,046	232,979	-	-	-	-	-	-	-
2034	949,150	187,519	-	-	-	-	-	-	-
2035	811,346	145,573	-	-	-	-	-	-	-
2036	437,000	115,763	-	-	-	-	-	-	-
2037	453,250	92,549	-	-	-	-	-	-	-
2038	481,000	68,373	-	-	-	-	-	-	-
2039	500,500	42,801	-	-	-	-	-	-	-
2040	505,097	16,182	-	-	-	-	-	-	-
Total	\$ 32,676,492	\$ 12,283,614	\$ 2,175,000	\$ 133,500	\$ 2,575,863	\$ 152,376	\$ 7,395,695	\$ 1,958,003	\$ 94,427

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Details of long-term obligations as of June 30, 2016 are as follows:

Original Amount	Description	Outstanding Amount at June 30, 2016
General Obligation Bonds:		
\$ 396,000	Series 2010 general obligation bonds due in semi-annual installments of \$13,401 through October 2031, interest at 2.93%	\$ 331,393
2,686,689	Series 2010 general obligation refunding bonds due various semi-annual installments of principal and interest through December 2017, interest at 2.45% (\$2,689,689 of original issue allocated to governmental; \$878,311 allocated to proprietary)	738,168
6,155,000	Series 2004 refunding general obligation bonds due in annual installments of \$75,000 to \$620,000 through July 2019, interest at 2.5% to 4.125%	280,000
4,368,000	Series 2012A taxable general obligation refunding bond due in various annual installments of \$15,000 to \$1,179,000 through July 15, 2022, interest at 3.24% (\$2,501,000 of original issue allocated to governmental; \$1,867,000 to business-type)	3,704,586
7,360,000	Series 2009A general obligation bonds due in various annual installments through 2040, interest at various rates (\$7,360,000 of original issue allocated to governmental; \$4,000,000 to business-type)	6,613,345
7,285,000	Qualified School Construction Bonds issued November 13, 2009, due in various annual installments ranging from \$135,000 to \$515,000 through February 15, 2040 interest free as a federal tax credit is provided to bondholders	6,315,000
5,000,000	Series 2013B taxable general obligation and refunding bond due in various annual installments through April 2028, interest at 3.87%	4,843,360
1,530,000	Qualified School Construction Bonds issued December 1, 2011, due in various annual installments ranging from \$52,000 to \$122,700 through December 1, 2030 interest free as a federal tax credit is provided to bondholders	1,426,000
5,440,000	Series 2014 VRA general obligation bonds due in various annual installments through 2035, interest at 3.398144% (\$5,292,000 of original issue allocated to governmental; \$148,000 to business-type)	5,126,626
2,330,000	Series 2013 general obligation bonds due in various annual installments through 2034, interest at various rates (\$2,330,000 of original issue allocated to governmental; \$490,000 to business-type)	2,173,014
1,275,000	VML / VACO Recovery Act Bonds issued November 13, 2009, due in various annual installments ranging from \$30,000 to \$70,000 through March 15, 2040	1,125,000
	Total general obligation bonds	<u>\$ 32,676,492</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Original Amount	Description	Outstanding Amount at June 30, 2016
State Literary Fund Loans:		
\$ 7,500,000	State Literary Fund Loan issued December 13, 1999, due in annual installments of \$375,000 through December 15, 2021, interest at 2%	\$ 1,875,000
1,000,000	State Literary Fund Loan issued March 15, 2002, due in annual installments of \$50,000 through March 15, 2022 interest at 2%	<u>300,000</u>
	Total State Literary Fund Loans	<u>\$ 2,175,000</u>
Qualified Zone Academy Bonds:		
600,000	(2) Series 2002 issued December 27, 2002, due in annual installments of \$34,124 through December 15, 2016	\$ 600,000
2,142,167	(3) Series 2003 issued December 29, 2003, due in annual installments of \$107,700 through December 29, 2017, final payment of \$182,500 due December 29, 2018	2,142,167
1,536,671	(4) Series 2004 issued December 30, 2004, due in annual installments of \$78,329 through December 30, 2019, final payment of \$153,667 due December 30, 2020	1,536,671
1,116,857	(5) Series 2006 issued October 31, 2006, due in annual installments of \$54,300 through October 31, 2022, final payment of \$111,686 due October 31, 2022	1,116,857
2,000,000	(6) Series 2014 issued October 14, 2014, due in various annual installments through December 1, 2024, final payment of \$215,000 due December 1, 2024	<u>2,000,000</u>
	Total Qualified Zone Academy Bonds	<u>\$ 7,395,695</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

<u>Original Amount</u>	<u>Description</u>	<u>Outstanding Amount at June 30, 2016</u>
	Stormwater Revenue Bond:	
\$ 3,000,000	Series 2015 issued August 26, 2015, due in monthly installments of principal and interest of \$53,460 through September 1, 2020, interest at 2.65%	\$ 2,575,863
	Total Stormwater Revenue Bond	\$ 2,575,863
	Other Long-term Obligations:	
	Capital leases	1,958,003
	Premium on bonds payable	751,919
	Net pension liability	21,897,244
	Net OPEB obligation	693,000
	Compensated absences	2,288,040
	Total governmental activities long-term obligations	\$ 72,411,256

- (2) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 3.40% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$600,000.
- (3) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 3.40% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$2,142,167.
- (4) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 2.0% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,536,671.
- (5) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 2.57% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,116,857.
- (6) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 2.93% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$2,000,000.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Qualified Zone Academy Bonds (QZABs) are zero interest loans. Annually, payments are made into a sinking fund that is irrevocably pledged to the bank that issued the bonds. The sinking funds are held by the bank in custody and in escrow for the benefit of the bank and any future owners of the QZAB and are irrevocably pledged to secure the payment of the principal of the QZAB. The annual payments are deposited and invested in qualified governmental investments and accrue interest during the life of the bond. The interest inures to the benefit of the bank, just as the annual deposit. Due to the irrevocable nature of the sinking fund, the annual deposits made thereto and the interest earned to date are considered defeasance of debt. Instead of interest, the bondholder receives a tax credit.

Business-type Activities

The following is a summary of proprietary long-term obligation transactions of the City for the year ended June 30, 2016:

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Public Utility Fund:					
General obligation bonds	\$ 8,356,540	\$ -	\$ 126,810	\$ 8,229,730	\$ 289,849
Capital leases	5,259,403	-	206,376	5,053,027	280,287
Premium on bonds issued	662,461	-	24,612	637,849	24,612
Net pension liability	874,983	689,489	525,027	1,039,445	-
Compensated absences	65,723	3,484	6,572	62,635	6,264
Total Public Utility fund	\$ 15,219,110	\$ 692,973	\$ 889,397	\$ 15,022,686	\$ 601,012
Mass Transit Fund:					
Net pension liability	\$ 718,408	\$ 854,214	\$ 527,763	\$ 1,044,859	-
Compensated absences	78,544	19,737	7,844	90,437	7,844
Total Mass Transit fund	\$ 796,952	\$ 873,951	\$ 535,607	\$ 1,135,296	\$ 7,844
Golf Course Fund:					
General obligation bonds	\$ 4,293,831	-	\$ 96,816	\$ 4,197,015	\$ 100,887
Capital leases	17,358	-	11,487	5,871	5,871
Net pension liability	33,595	127,781	54,157	107,219	-
Compensated absences	27,845	2,912	2,784	27,973	2,797
Total Golf Course fund	\$ 4,372,629	\$ 130,693	\$ 165,244	\$ 4,338,078	\$ 109,555
Total Business-type Activities	\$ 20,388,691	\$ 1,697,617	\$ 1,590,248	\$ 20,496,060	\$ 718,411

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

Details of long-term obligations transactions as of June 30, 2016:

Original Amount	Description	Outstanding Amount at June 30, 2016
	Public Utility Fund:	
	General Obligation Bonds:	
\$ 7,380,000	Series 2015A general obligation bonds due in various semi-annual installments of principal and interest through April 2041, interest at 3.79%	\$ 7,380,000
878,311	Series 2010 general obligation refunding bonds due in various semi-annual installments of principal and interest through December 2017, interest at 2.45% (\$3,686,689 allocated to governmental; \$878,311 allocated to business-type)	241,316
4,368,000	Series 2012A taxable general obligation refunding bond due in various annual installments of \$15,000 to \$1,179,000 through July 15, 2022, interest at 3.24% (\$2,501,000 of original issue allocated to governmental; \$1,867,000 to business-type)	608,414
	Total general obligation bonds	\$ 8,229,730
	Capital Leases	5,053,027
	Bond premium	637,849
	Net pension liability	1,039,445
	Compensated absences	62,635
	Total Public Utility Fund	\$ 15,022,686
	Mass Transit Fund:	
	Net pension liability	\$ 1,044,859
	Compensated absences	90,437
	Total Mass Transit Fund	\$ 1,135,296
	Golf Course Fund:	
	General Obligation Bonds:	
4,000,000	Series 2009A general obligation bonds due in various annual installments through 2040, interest at various rates (\$7,360,000 of original issue allocated to governmental; \$4,000,000 to business-type)	\$ 3,596,655
5,440,000	Series 2014 VRA general obligation bonds due in various annual installments through 2035, interest at 3.3981% (\$5,292,000 of original issue allocated to governmental; \$148,000 to business-type)	143,374
490,000	Series 2013 general obligation bonds due in various annual installments through 2034, interest at various rates (\$2,330,000 of original issue allocated to governmental; \$490,000 to business-type)	456,986
	Total general obligation bonds	\$ 4,197,015
	Capital Leases	5,871
	Net pension liability	107,219
	Compensated absences	27,973
	Total Golf Course Fund	\$ 4,338,078
	Total business-type activities	\$ 20,496,060

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize business-type activities obligations outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	General Obligation Bonds				Capital Leases			
	Public Utility Fund		Golf Course Fund		Public Utility Fund		Golf Course Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 289,849	\$ 350,542	\$ 100,887	\$ 199,995	\$ 280,287	\$ 167,460	\$ 5,871	\$ 51
2018	289,226	339,351	106,273	195,168	295,809	157,743	-	-
2019	231,426	328,694	110,914	189,989	230,230	147,959	-	-
2020	246,363	318,811	117,305	184,449	253,594	141,292	-	-
2021	350,736	306,806	123,696	178,459	362,780	130,147	-	-
2022	365,814	291,428	130,086	172,193	375,309	117,618	-	-
2023	381,316	275,366	136,477	165,678	388,270	104,657	-	-
2024	225,000	261,397	143,004	158,859	401,679	91,248	-	-
2025	235,000	249,609	150,264	151,735	415,550	77,376	-	-
2026	250,000	237,181	156,791	144,277	429,902	63,025	-	-
2027	265,000	223,984	165,936	136,359	444,748	48,179	-	-
2028	275,000	212,897	174,213	128,038	460,107	32,820	-	-
2029	285,000	201,297	182,490	119,363	473,338	16,949	-	-
2030	300,000	189,063	191,500	110,467	241,424	2,400	-	-
2031	310,000	178,844	200,645	101,265	-	-	-	-
2032	320,000	168,038	208,922	91,557	-	-	-	-
2033	335,000	154,434	219,954	81,385	-	-	-	-
2034	345,000	140,031	230,850	70,641	-	-	-	-
2035	360,000	125,144	203,654	60,278	-	-	-	-
2036	380,000	107,525	203,000	50,415	-	-	-	-
2037	400,000	88,975	211,750	40,150	-	-	-	-
2038	415,000	69,622	224,000	29,367	-	-	-	-
2039	440,000	49,169	234,500	18,018	-	-	-	-
2040	460,000	29,081	269,904	6,106	-	-	-	-
2041	475,000	9,797	-	-	-	-	-	-
Total	\$ 8,229,730	\$ 4,907,086	\$ 4,197,015	\$ 2,784,211	\$ 5,053,027	\$ 1,298,873	\$ 5,871	\$ 51

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital Leases:			
\$103,578 issued September 11, 2013 for the purchase of three Ford vehicles and four snow plows and other equipment; payable in semi-annual installments of \$10,901 through September, 2018; interest at 1.88%	\$ 53,000	\$ -	\$ 53,000
\$115,452 issued April 9, 2014 for the purchase of four Ford F350 trucks; payable in semi-annual installments of \$12,115 through October, 2018; interest at 1.77%	58,998	-	58,998
\$797,000 issued December 31, 2014 for the purchase of a Radio system upgrade; payable in annual installments of \$174,491 through January 1, 2020; interest at 3.09%	647,207	-	647,207
\$485,948 issued July 21, 2014 for the purchase of 2014 Firetruck; payable in semi-annual installments of \$51,252 through July 21, 2019; interest at 1.96%	345,107	-	345,107
\$220,000 issued December 15, 2011 for the purchase of voting machine equipment; vehicle, and club house payable in monthly installments of \$3,948 through December, 2016; interest at 2.95%	17,615	-	17,615
\$265,738 issued May 7, 2013, for the purchase of eleven Dodge chargers; payable in semi-annual installments of \$27,750 beginning November 7, 2013 through May 7, 2018; interest at 1.59%	108,827	-	108,827
\$765,009 issued June 28, 2013, for the purchase of six school buses, two GMC Savanas, and six Ford trucks; payable in semi-annual installments of \$80,295 beginning June 28, 2013 through June 28, 2018; interest at 1.78%	314,161	-	314,161

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>		
Capital Leases: (Continued)					
\$5,289,403 issued January 8, 2014 proceeds to be used for installation of water meters for the Public Utility Fund; payable in various monthly installments of through December 2029; interest at 3.10%. At June 30, 2015 \$5,259,403 has been received of this obligation.	\$ -	\$ 5,053,027	\$ 5,053,027		
\$339,218 issued August 7, 2013 for the purchase of fourteen police vehicles, and two vans for public works ; payable in semi-annual installments of \$35,585 through August 2018; interest at 1.76%	173,324	-	173,324		
\$177,016 issued December 16, 2014 for the purchase of six vehicles; payable in semi-annual installments of \$18,670 through December 16, 2019; interest at 2.00%	143,008	-	143,008		
\$41,303 issued December 30, 2014 for the purchase of a 2015 Ford truck; payable in semi-annual installments of \$4,243 through December 30, 2019; interest at 2.08%	28,504	-	28,504		
\$133,662 issued November 15, 2013 for the purchase of two Ford F550 trucks and one Ford Sedan; payable in semi-annual installments of \$14,003 through November 2018; interest at 1.71%	68,252	-	68,252		
Total capital leases	<u>\$ 1,958,003</u>	<u>\$ 5,053,027</u>	<u>\$ 7,011,030</u>		
Total equipment cost of assets acquired through capital lease	\$ 6,703,792	\$ 6,310,244	\$ 13,014,036		
Total accumulated depreciation on assets acquired through capital lease	(4,600,604)	(1,074,974)	(5,675,578)		
Net remaining book value	<u>\$ 2,103,188</u>	<u>\$ 5,235,270</u>	<u>\$ 7,338,458</u>		
	Date Issued	Balance July 1, 2015	Issued	Redeemed	Balance June 30, 2016
Tax revenue anticipation note	8/28/2014	\$ -	\$ 4,471,876	\$ 4,471,876	\$ -
		<u>\$ -</u>	<u>\$ 4,471,876</u>	<u>\$ 4,471,876</u>	<u>\$ -</u>

General fund will be used to pay its governmental compensated absences as well as any net pension obligation and other postemployment benefits.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities

The general obligation bonds payable totaling \$8,229,730 in the Public Utility Fund are secured by the full faith and credit of the City are expected to be paid from water utility fund service revenues and general obligation bonds payable totaling \$4,197,015 are expected to be paid from the operating revenues of the Golf Course.

Economic Development Authority

The following is a summary of Economic Development Authority-term obligation transactions for the year ending June 30, 2016:

	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ -

Annual requirements to amortize Economic Development Authority obligations outstanding as of June 30, 2016 are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>General</u> <u>Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 222,860	\$ 106,890
2018	469,544	92,353
2019	489,664	72,063
2020	510,645	50,524
2021	532,526	28,837
2022	274,761	5,824
Total	<u>\$ 2,500,000</u>	<u>\$ 356,491</u>

<u>Description</u>	<u>Outstanding</u> <u>Amount at</u> <u>June 30, 2016</u>
Economic Development Authority \$2,500,000 Revenue Note Series 2011 issued as of August 1, 2011 due in various semi-annual installments of principal beginning February 29, 2017 through August 31, 2021 interest payable beginning February 28, 2012 through August 31, 2021, interest at 4.24%	<u>\$ 2,500,000</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 8—Unearned/Deferred/Unavailable Revenue:

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2016:

Description	Governmental Funds			
	Unavailable General Fund	Unearned	Total Governmental Funds	Governmental Activities
		Federal and State Projects Fund		
VA Center of Policing Innovation Grant	\$ -	\$ 79,500	\$ 79,500	\$ 79,500
CIT Assessment	-	121,416	121,416	121,416
Other grants	-	103,510	103,510	103,510
Courthouse construction	-	92,621	92,621	92,621
Prepaid property taxes	8,819	-	8,819	8,819
Local delinquent real and personal property taxes	5,041,276	-	5,041,276	-
	<u>\$ 5,050,095</u>	<u>\$ 397,047</u>	<u>\$ 5,447,142</u>	<u>\$ 405,866</u>

Note 9—Commitments and Contingencies:

There were matters of noncompliance that were disclosed by audit. In addition, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The City had the following commitments at year-end:

Project	Authorized Commitment	Expended/ Expensed as of June 30, 2016	Remaining Commitment
Rehabilitation of Poor Creek Pump Station	\$ 176,530	\$ 102,205	\$ 74,325
North Park Drive Drainage Improvements	406,867	334,859	72,008
Renovation of Transit Building	183,049	174,102	8,947
Southside Depot Phase 1	791,906	740,177	51,729
Purchase of Fire Trucks	2,145,000	-	2,145,000
Total	<u>\$ 3,703,352</u>	<u>\$ 1,351,343</u>	<u>\$ 2,352,009</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 10—Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays an annual premium to the association for its workers compensation insurance.

In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11—Litigation:

At June 30, 2016, the City had the following matters of Litigation that have been settled or still pending:

Lawsuit against the City for unpaid overtime to City police officers. This case has been settled and the plaintiffs were awarded \$1,350,000 in unpaid overtime. The City's insurance carrier will cover \$550,000 of this amount. The remaining \$800,000 will be paid by the City over a three year period as follows; \$300,000 in FY 2017, \$300,000 in FY 2018, and \$200,000 in FY 2019. In addition, the plaintiffs were awarded \$100,000 in additional compensatory time. These amounts have been recorded as liabilities in the government-wide financial statements.

Threatened litigation against the City for wrongful termination of the former Police Chief. This was settled in the amount of \$124,960. This amount has been recorded as a liability in the government-wide financial statements.

Threatened litigation against the City for the payment of three fire trucks in the amount of \$2,145,000. These fire trucks were not ready to be delivered until FY 2017. The City is planning on issuing a \$3,000,000 bond to be able to pay this claim. The City believes this matter will be settled without a lawsuit being filed.

The City has had several other lawsuits brought against it. Most of this litigation is covered by insurance or settled through subsequent agreements.

Note 12—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Note 12—Pension Plan:

Plan Description: (Continued)

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)</p> <p><u>Defined Contributions Component: (Cont.)</u></p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u></p> <p>See definition under Plan 1</p> <p><u>Defined Contribution Component:</u></p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	666
Inactive members:	
Vested inactive members	136
Non-vested inactive members	181
Inactive members active elsewhere in VRS	478
Total inactive members	<u>795</u>
Active members	672
Total covered employees	<u><u>2,133</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2016 was 15.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,708,507 and \$4,065,368 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

- All Others (Non 10 Largest) - Non-LEOS:
- Update mortality table
 - Decrease in rates of service retirement
 - Decrease in rates of disability retirement
 - Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 164,669,136	\$ 143,066,258	\$ 21,602,878
Changes for the year:			
Service cost	\$ 3,356,539	\$ -	\$ 3,356,539
Interest	11,204,390	-	11,204,390
Differences between expected and actual experience	(209,785)	-	(209,785)
Contributions - employer	-	4,137,457	(4,137,457)
Contributions - employee	-	1,351,478	(1,351,478)
Net investment income	-	6,468,611	(6,468,611)
Benefit payments, including refunds of employee contributions	(9,212,842)	(9,212,842)	-
Administrative expenses	-	(90,934)	90,934
Other changes	-	(1,359)	1,359
Net changes	\$ 5,138,302	\$ 2,652,411	\$ 2,485,891
Balances at June 30, 2015	\$ 169,807,438	\$ 145,718,669	\$ 24,088,769

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension asset of the City using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Authority			
Net Pension Liability	44,666,094	24,088,769	6,901,340

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of \$1,746,404. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 135,395
Change in proportionate share	253,784	253,784
Net difference between projected and actual earnings on pension plan investments	-	3,900,870
Employer contributions subsequent to the measurement date	3,708,507	-
Total	\$ 3,962,291	\$ 4,290,049

\$3,708,507 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Asset in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	\$ (1,602,180)
2018	(1,588,789)
2019	(1,527,786)
2020	682,492
Thereafter	-

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 13—Landfill Closure and Postclosure Care Costs:

The City entered into a purchase and sale agreement dated August 31, 2009 in which the City's property including the sanitary landfill currently operating under Virginia Solid Waste Facility Permit No. 228 was sold to an independent contractor. In addition the City and independent contractor entered into a Financial Assurance and Indemnity Agreement dated April 2011. The contractor, upon taking possession of the Landfill, has obtained a Permit from DEQ to operate the facility and pursuant to the agreement assumed all liabilities and duties for compliance with applicable laws and regulations, with the Permit and with all subsequent amendments to include maintenance of financial assurance, monitoring, corrective action, closure, and post-closure care as of January 1, 2014. As a result of these courses of actions the City's liability for closure and post-closure care was removed from the City's long-term obligations.

Note 14—Expenditures and Appropriations:

Expenditures exceeded appropriations at June 30, 2016 as follows:

<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Amount</u>
General government administration	\$ 7,338,520	\$ 7,397,973	\$ 59,453
Public safety	20,596,907	20,899,960	303,053
Health and welfare	12,777,741	13,227,205	449,464
Nondepartmental	1,301,427	1,316,723	15,296
Debt Service	4,580,327	5,888,168	1,307,841

Note 15—Other Postemployment Benefits—Health Insurance:

A. Plan Description

The City Post-Retirement Medical Plan is a multiple-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the City. Retired employees, who were enrolled in the City group health insurance plan for the 24 month prior to retirement date, who were employed by City with at least 20 years of service and who retire under the VRS plan are eligible to elect post-retirement coverage in the plan. The plan has no separate financial report.

B. Funding Policy

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the City contributed zero per month towards the monthly premium and the retiree contributes all remaining funds towards the monthly premium. Retirees pay 100 % of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

Note 15—Other Postemployment Benefits—Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

In accordance with GASB Statement No. 45, an actuarial study was performed calculating the postemployment healthcare costs as of June 30, 2016. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (“UAAL”) at \$3,008,000 and an Annual Required Contribution (“ARC”) of \$209,000. The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The City paid \$215,000 towards the estimated pay as you go cost for OPEB benefits in fiscal year 2016. The City elected to pre-fund OPEB liabilities. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending June 30, 2016, 2015 and 2014 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 208,000	103%	\$ 693,000
June 30, 2015	207,000	99%	700,000
June 30, 2014	189,000	99%	697,000

For 2016, the City’s cash payments of \$215,000 was greater than the annual OPEB costs. The City’s annual OPEB cost, the contributions made, and the decrease in net OPEB obligation as well as the net OPEB obligation for 2016 is as follows:

	<u>City</u>
Annual required contribution	\$ 209,000
Interest on net OPEB obligation	28,000
Adjustment to annual required contribution	(29,000)
Annual OPEB cost (expense)	\$ 208,000
Contributions made	215,000
Increase (decrease) in net OPEB obligation	\$ (7,000)
Net OPEB obligation - beginning of year	700,000
Net OPEB obligation - end of year	\$ 693,000

Note 15—Other Postemployment Benefits—Health Insurance: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016 is as follows:

Actuarial accrued liability (AAL)	\$	3,008,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		3,008,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		24,219,000
UAAL as a percentage of covered payroll		12.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions 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 the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cost Method

In the June 30, 2015 (most recent) actuarial valuation report, the entry age actuarial cost method was used. The actuarial assumptions included a 8.50 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after ten years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was thirty years.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 15—Other Postemployment Benefits—Health Insurance: (Continued)

E. Actuarial Methods and Assumptions

Interest Assumptions

	<u>Funded</u>
Discount rate	4.0%
Payroll growth	N/A
Inflation rate	2.5%
Health cost trend rate	8.5%

Note 16—City of Petersburg and Petersburg Library Foundation Lease Financing Arrangement:

The City of Petersburg and the Petersburg Library Foundation have entered into a sublease financing arrangement dated April 11, 2013. The City will be making lease payments to the Petersburg Library Foundation in the amounts of \$147,000 beginning in FY 2013 through FY 2018, \$134,000 in FY 2019, and \$640,000 in FY 2020 through FY2032. These payments are subject to annual appropriation by the City.

Note 17—Restatement of Fund Balance/Net Position

Fund Balance/Net Position at June 30, 2015 was restated as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>	<u>Public Utility Fund</u>	<u>Mass Transit Fund</u>	<u>Golf Course Fund</u>	<u>Business- type Activities</u>
Fund Balance/Net position, as previously reported	\$ 13,804,926	\$ 14,213,701	\$ 15,514,112	\$ 14,485,912	\$ (3,407,695)	\$ 26,592,329
Adjustment for:						
Removal of Due to/Due From Capital lease	\$ (8,898,633)	\$ (8,898,633)	\$ 672,676	\$ 6,480,355	\$ 1,745,602	\$ 8,898,633
Capital assets from capital lease	-	(797,000)	-	-	-	-
	-	797,000	-	-	-	-
Total adjustments	\$ (8,898,633)	\$ (8,898,633)	\$ 672,676	\$ 6,480,355	\$ 1,745,602	\$ 8,898,633
Fund Balance/Net position, as restated	<u>\$ 4,906,293</u>	<u>\$ 5,315,068</u>	<u>\$ 16,186,788</u>	<u>\$ 20,966,267</u>	<u>\$ (1,662,093)</u>	<u>\$ 35,490,962</u>

Note 18—Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. All required disclosures are located in Note 20.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the City's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The City early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 19—Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Note 19—Upcoming Pronouncements: (Continued)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 20—Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The City has the following recurring fair value measurements as of June 30, 2016:

Investment	Fair Value Measurements Using			
	6/30/2016	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ 800,057	\$ 800,057	-	\$ -
Fixed Income	200,948	200,948	-	-
Total	\$ 1,001,005	\$ 1,001,005	-	\$ -

Note 21—Subsequent Events:

On December 8, 2016, the City issued a \$6,500,000 General Obligation Revenue Anticipation Notes Series 2016. The Note matures on October 1, 2017 with an interest rate of 4.50%.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 36,963,995	\$ 36,963,995	\$ 34,495,560	\$ (2,468,435)
Other local taxes	14,276,706	14,276,706	12,341,696	(1,935,010)
Permits, privilege fees and regulatory licenses	837,627	837,627	436,992	(400,635)
Fines and forfeitures	929,769	929,769	407,471	(522,298)
Revenue from use of money and property	318,594	318,594	372,387	53,793
Charges for services	3,469,839	3,607,850	2,903,461	(704,389)
Miscellaneous	452,115	452,115	458,913	6,798
Recovered costs	892,000	892,000	388,622	(503,378)
Intergovernmental:				
Commonwealth	17,606,195	12,653,355	15,004,874	2,351,519
Federal	4,682,789	4,682,789	4,580,259	(102,530)
Total revenues	<u>\$ 80,429,629</u>	<u>\$ 75,614,800</u>	<u>\$ 71,390,235</u>	<u>\$ (4,224,565)</u>
Expenditures:				
Current:				
General government administration	\$ 7,338,790	\$ 7,338,520	\$ 7,397,973	\$ (59,453)
Judicial administration	2,245,715	2,245,715	2,196,250	49,465
Public safety	20,596,907	20,596,907	20,899,960	(303,053)
Public works	5,004,491	5,004,491	4,867,105	137,386
Health and welfare	12,440,713	12,777,741	13,227,205	(449,464)
Education	11,667,512	11,667,512	10,593,975	1,073,537
Parks, recreation, and cultural	2,101,595	2,101,595	1,955,940	145,655
Community development	7,485,309	7,485,309	5,310,156	2,175,153
Debt service:				
Principal retirement	2,768,390	2,768,390	4,316,906	(1,548,516)
Interest and other fiscal charges	1,811,937	1,811,937	1,571,262	240,675
Nondepartmental	1,301,157	1,301,427	1,316,723	(15,296)
Total expenditures	<u>\$ 74,762,516</u>	<u>\$ 75,099,544</u>	<u>\$ 73,653,455</u>	<u>\$ 1,446,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,667,113</u>	<u>\$ 515,256</u>	<u>\$ (2,263,220)</u>	<u>\$ (2,778,476)</u>
Other financing sources (uses):				
Transfers in	\$ 87,567	\$ 87,567	\$ -	\$ (87,567)
Transfers (out)	(494,811)	(494,811)	(1,112,578)	(617,767)
Total other financing sources (uses)	<u>\$ (407,244)</u>	<u>\$ (407,244)</u>	<u>\$ (1,112,578)</u>	<u>\$ (705,334)</u>
Changes in fund balance	\$ 5,259,869	\$ 108,012	\$ (3,375,798)	\$ (3,483,810)
Fund balances at beginning of year, as restated	<u>(5,259,869)</u>	<u>(108,012)</u>	<u>4,906,293</u>	<u>5,014,305</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,530,495</u>	<u>\$ 1,530,495</u>

Schedule of Components of and Changes in Net Pension Liability and Related Ratios

Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 3,356,539	\$ 3,390,570
Interest	11,204,390	10,849,513
Difference between expected and actual experience	(209,785)	-
Benefit payments, including refunds of employee contributions	(9,212,842)	(9,127,979)
Net change in total pension liability	\$ 5,138,302	\$ 5,112,104
Total pension liability - beginning	164,669,136	159,557,032
Total pension liability - ending (a)	\$ 169,807,438	\$ 164,669,136
Plan fiduciary net position		
Contributions - employer	\$ 4,137,457	\$ 3,913,309
Contributions - employee	1,351,478	1,353,263
Net investment income	6,468,611	19,817,721
Benefit payments, including refunds of employee contributions	(9,212,842)	(9,127,979)
Administrative expense	(90,934)	(108,941)
Other	(1,359)	1,045
Net change in plan fiduciary net position	\$ 2,652,411	\$ 15,848,418
Plan fiduciary net position - beginning	143,066,258	127,217,840
Plan fiduciary net position - ending (b)	\$ 145,718,669	\$ 143,066,258
Political subdivision's net pension liability - ending (a) - (b)	\$ 24,088,769	\$ 21,602,878
Plan fiduciary net position as a percentage of the total pension liability	85.81%	86.88%
Covered payroll	\$ 26,986,626	\$ 26,328,270
Political subdivision's net pension liability as a percentage of covered payroll	89.26%	82.05%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	\$ 3,708,507	\$ 3,708,507	\$ -	\$ 24,318,079	15.25%
2015	4,065,367	4,065,367	-	26,986,626	15.25%
2014	3,915,014	3,915,014	-	26,328,270	14.87%
2013	3,853,122	3,853,122	-	25,912,053	14.87%
2012	2,349,174	2,349,174	-	24,938,155	9.42%
2011	2,339,884	2,339,884	-	24,839,537	9.42%
2010	1,833,951	1,833,951	-	25,088,254	7.31%
2009	1,814,828	1,814,828	-	24,826,655	7.31%
2008	1,894,650	1,894,650	-	23,624,068	8.02%
2007	1,772,748	1,772,748	-	22,104,088	8.02%

Current year contributions are from City of Petersburg's records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule of OPEB Funding Progress

Last Three Fiscal Years

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
6/30/2015	\$ -	\$ 3,008,000	\$ 3,008,000	0.00%	\$ 24,219,000	12.42%
6/30/2014	-	2,400,000	2,400,000	0.00%	25,667,000	9.35%
6/30/2013	-	2,400,000	2,400,000	0.00%	25,667,000	9.35%

Notes to Required Supplementary Information
Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

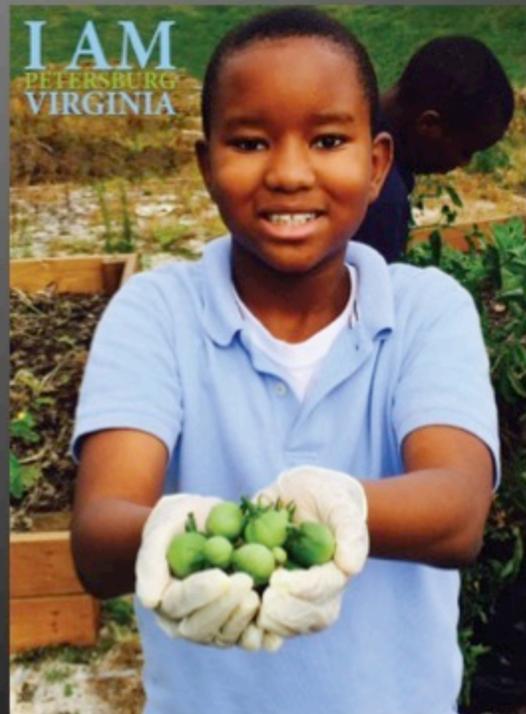
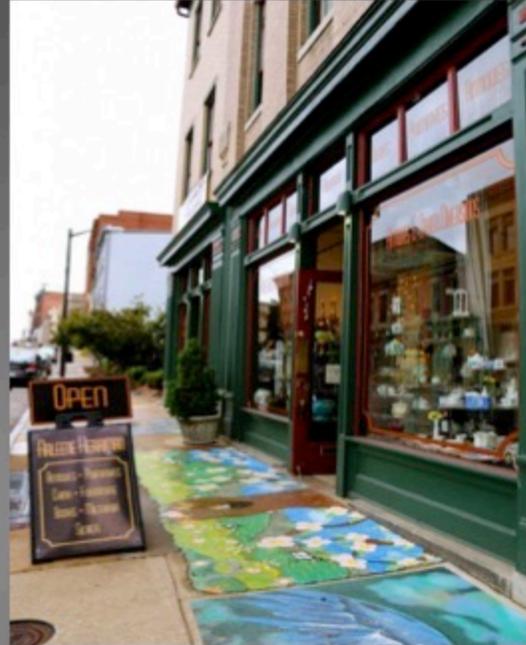
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**CITY BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2018,
INCLUDING AMENDED CITY BUDGET FOR FISCAL YEAR ENDING JUNE 30, 2017**

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Adopted
City of Petersburg
Fiscal Year 2018 Operating Budget

Stabilizing the Future





City of Petersburg

Office of the City Manager
135 North Union Street
Petersburg, Virginia 23803

(804) 733-2301
Fax 732-9212
TDD 733-8003

Message from the City Manager

June 30, 2017

I am pleased to present the Adopted FY 2018 – FY 2022 Operating Budget for the City of Petersburg.

On March 27, the City Manager submitted the Proposed FY 2018 Operating and Capital Budgets to City Council. The Proposed Budget was a collaborative, zero-based, bottom up budget crafted to responsibly provide the City with the critical services Petersburg residents, workers and visitors rely on every day. The budget development process was transparent and interactive – between March and June, eight public sessions were held with City Council. At the conclusion of this two month deliberation process, City Council amended and approved the FY 2018 Adopted Budget.

The Adopted Budget reflects the fiscal limitations of a city in financial crisis, a situation brought on by years of economic challenges and chronic financial mismanagement. In recent years, the City's bond rating has dropped to BB (negative outlook) and its Unassigned Fund balance is less than zero. The most recent annual financial report indicated that the City had seriously overdrawn its bank account. The Adopted Budget acknowledges that issuing new General Fund-supported debt at this time is neither prudent nor realistic. More details on the Capital Improvement Plan (CIP) is found in the CIP budget that accompanies this document.

Fiscal Year 2018 is a year to further stabilize the City's finances. While the actual Fiscal 2018 General Fund budget is \$78,225,499, an important emphasis is placed on a one-time, mandatory \$6,000,000 liquidity event in order to build the City's reserves and eliminate the need for short-term borrowing. As the City transitions to building reserves, however, the FY 2018 budget assumes the issuance of a Revenue Anticipation Note.

The 2018 General Fund Budget reflects a process to prioritize funds by:

1. Reorganizing the organization structure of government.
2. Reinstating the 10% pay cut for all employees and raised compensation to at least the minimum pay ranges to compete with other jurisdictions.
3. Planning for modest revenue growth.
4. Outsourcing many City operations which may result in reduction of force.
5. Creating level funding for schools.

Major Assumptions and Highlights:

- **Attract and Attain High Quality Talent:** The FY 2018 Operating Budget restores employees' salaries to their levels before the across the board 10% cuts with attention and investments in critical departments such as Finance, IT/Data Analytics and Public Safety.
- **Invest in Public Safety:** The FY 2018 Operating Budget invests in police, fire and emergency communications to ensure the safety of Petersburg's residents. The investment will provide for competitive salaries, fill vacancies and replace vehicles and equipment.
- **Invest in Public Education:** The FY 2018 Budget keeps flat the City's investment in its public school system and funds at their requested level. Going forward, however, this level of funding will not be adequate. In the School District's 5-year plan through FY 2022, requested contributions will increase by 45 percent in FY 19 and then 1.5 percent annually thereafter.
- **Identify Cost Efficiencies:** To ensure a structurally balanced budget, the City must identify cost efficiencies. Approaches include (a) outsourcing municipal services; (b) streamlining the organization; and (c) reducing healthcare costs in the workforce.
- **Restructuring with Innovation and Creativity:** The restructuring of the Department of Recreation and Parks and the creation of the Department of Leisure & Cultural Affairs, a newly formed department that was constructed to provide a variety of high-quality sports and leisure, cultural, and heritage-based opportunities for the residents of and visitors to Petersburg. The department is also responsible for operating the public library, sports complex and Dogwood Trace golf course.

Conclusion

While Petersburg is at a crossroads with significant work to do to become fiscally solvent, this budget begins to provide a path forward. We must adopt a structurally balanced budget, we must build a fund balance, and we must make tough decisions to invest in the future.

Sincerely,

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Tyrrell". The signature is fluid and cursive, with a large initial "T" and a stylized "Y".

Tom Tyrrell, Interim City Manager



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City of Petersburg, VA
FY 2018 Operating Budget

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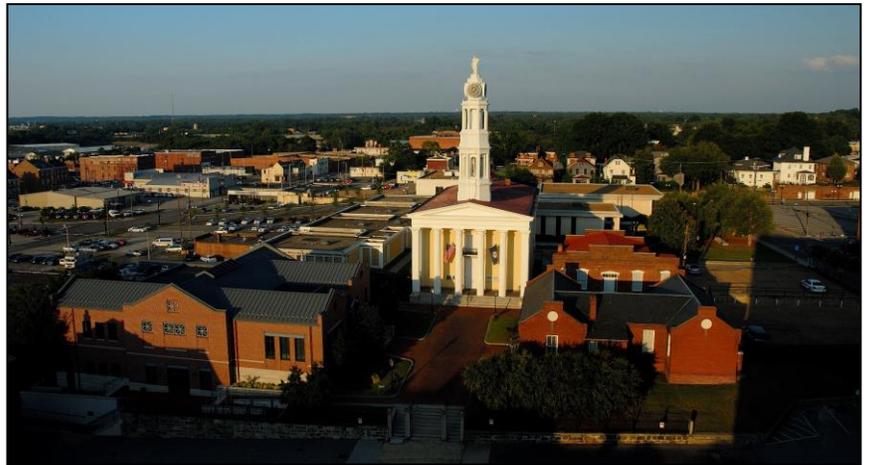


Community Profile

City of Petersburg, VA
FY 2018 Operating Budget

Petersburg, VA Community Profile

Formally incorporated as a City in 1748, Petersburg, Virginia is rich in history and character. Rising from the banks of the Appomattox River, Petersburg was once in the forefront of industry and commercial opportunity and the second largest City in Virginia.



Petersburg boasts history, geography and beautifully intact historic districts. Visible reminders of Petersburg's prominent role in the emergence of the country are evident in the rich range of architecture and the unique character of the neighborhoods. The Petersburg Old Towne Historic District is on the National Register of Historic Places, offering architectural variety, restaurants, shops, and housing. Historical sites range from battlefields to old houses, including the Petersburg National Battlefield Park (which preserves the sites of the Civil Wars' Siege of Petersburg and the Battle of Crater), Pamplin Historical Park, Blandford Church and Cemetery, National Museum of the Civil War, Centre Hill Mansion, and the Siege Museum. One of the most architecturally refined properties is the Battersea, a Palladian-style house from the 1700s along the Appomattox River.

Petersburg has more to offer than just history. The downtown area includes an up-and-coming Old Towne neighborhood. Old warehouses have been converted into lofts and mixed-use developments and numerous restaurants and shopping options have opened. The Petersburg Area Arts League (PAAL) and the performing arts center, Sycamore Rouge, feature shows, live music and cabaret performances. On the second Friday of each month, the City celebrates a "Friday for the Arts," which fills the City with local artwork and live music. The City also offers nearly a dozen parks and recreational facilities including Wilcox Lake.

True to its history, Petersburg is rife with opportunity and an innovative, industrial spirit. The heart of Petersburg lies in an appreciation and celebration of its rich history while continually pushing into the future.



Community Profile

City of Petersburg, VA
FY 2018 Operating Budget

History

Petersburg's modern history began with English colonists who settled along the Appomattox River. The establishment of Fort Henry marked the beginning of U.S.'s westward expansion and exploration. When the fort commander opened a trading post at Peter's Point, Petersburg saw its beginning as a commercial center.



After distinguishing itself in the American Revolution during the Siege of Fort Mifflin, Petersburg's influence continued to increase. With the proximity of the Appomattox River, the Port of Petersburg became renowned as a processing center for cotton, tobacco, and metal, marking Petersburg as an industrial center in a state that was largely agricultural. The railroad center established in the 19th century not only helped continue the City's tradition as a substantial business community, it strengthened it. Flour mills and banking were added to tobacco and cotton as Petersburg's successes. Due to the availability of jobs, many free people of color migrated to the City. The railroads that passed through the City made it a shipping center and a lifeline to Richmond during the Civil War.

After the Civil War, Petersburg saw an influx of churches, businesses, and institutions. The City continued to prosper but so did segregation in Virginia. In the 1960s, Dr. Wyatt Tee Walker served as the pastor of Petersburg's Gillfield Baptist Church. While in graduate school, he met Dr. Martin Luther King, Jr., and was one of the founders of the Southern Christian Leadership Conference. According to him and other close associates of Dr. King, Petersburg had played an important role, a kind of blueprint for the national civil rights movement.

Until the 1980s, commerce and industry flourished. As an independent City, Petersburg was limited geographically. Then, as happened in numerous older industrial cities in the region, manufacturing jobs were lost to the growth of industries outside the U.S., Petersburg's core began to decline. The expansion of the economy in the Richmond metro area in fields of financial and retail services also took some of Petersburg's population. Suburbs grew around the City and many of the downtown merchants moved to the Southpark Mall. Additionally, in 1993, a major tornado severely damaged Petersburg's downtown. As Petersburg's economy weakened in the 20th century, its population declined. As upper and middle classes fled to the suburbs, the City was left with a high percentage of low income residents. The increase in demand for public services seriously strained limited financial resources.



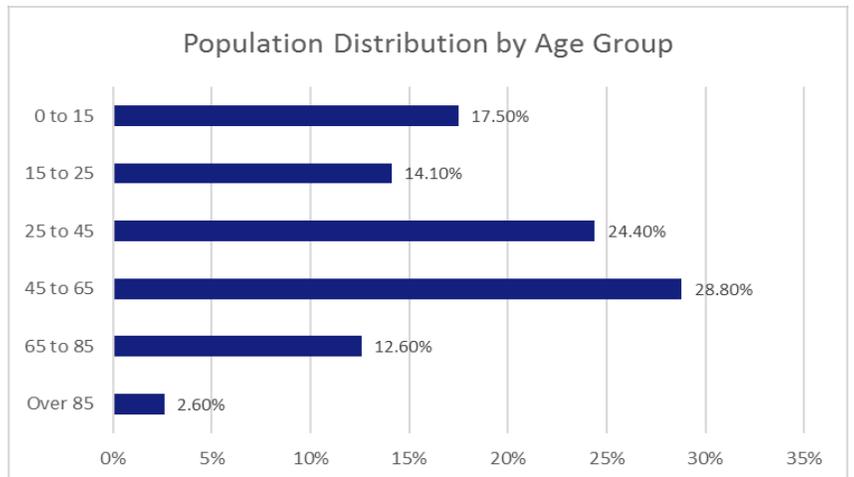
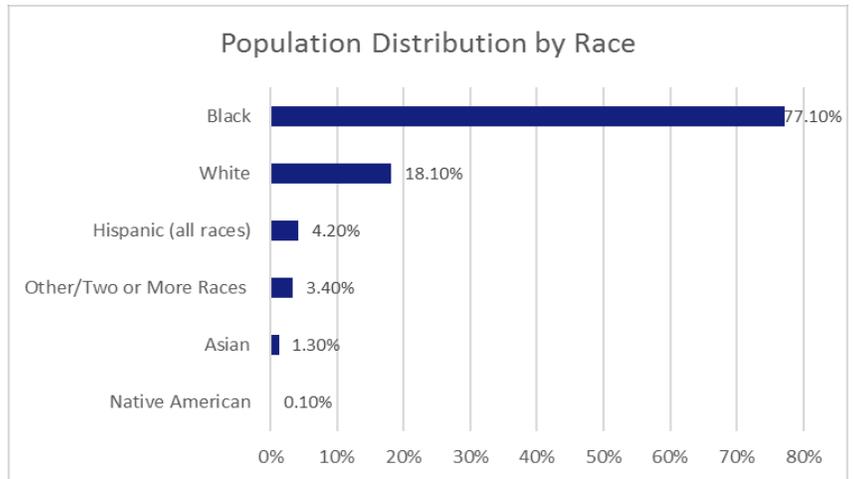
Community Profile

City of Petersburg, VA
FY 2018 Operating Budget

In 2007, Petersburg’s rebirth began to take off with new businesses moving into Old Towne, the historic downtown area, and the Army’s recent expansion of activities at nearby Fort Lee. All in all, Petersburg has a bright future with its historical flair and its tradition of innovation and industry.

Demographics

The population of Petersburg peaked in 1980 at 41,000 and has been declining since then. In 2015, the estimated population of was 32,123. The median age was 39.5, compared to a national median age of 37.4. Nearly 78 percent of Petersburg residents have at least a high school diploma, though only 16 percent have a Bachelor’s degree or higher. According to the U.S. Census, the poverty rate in 2015 was 28 percent – more than twice the statewide poverty rate. The tables below illustrate the distribution of Petersburg’s population by age group and race.



Source: U.S. Census Bureau

Geography

Petersburg is in South Central Virginia, 24 miles south of the City of Richmond, 132 miles south of Washington D.C. and 73 miles west of the Chesapeake Bay. Petersburg is situated at the Falls of the Appomattox, on the boundary between the Tidewater and the Piedmont, between the Chesapeake and Albemarle basins.



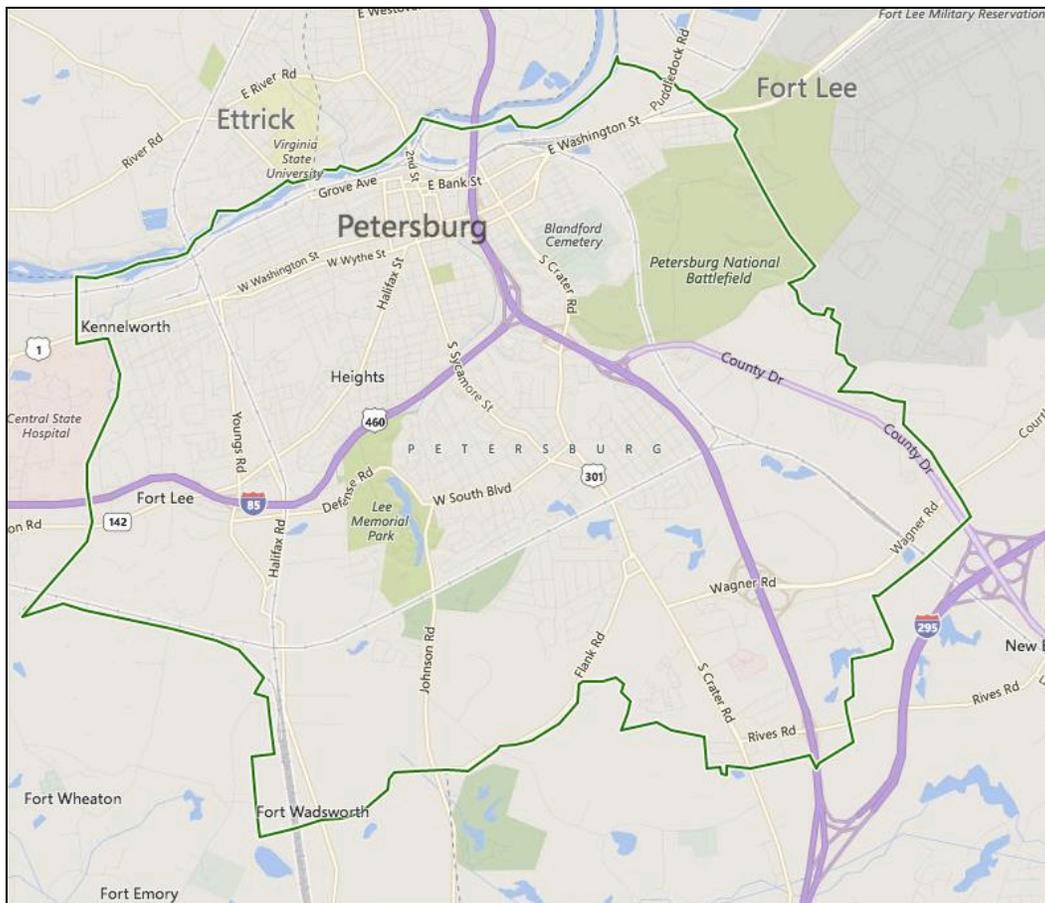
Community Profile

City of Petersburg, VA
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Petersburg has a total area of 23.2 square miles and is one of 13 jurisdictions that comprise the Richmond Petersburg Metropolitan Statistical Area. Colonial Heights and Chesterfield County are its neighbors to the north, along with Dinwiddie County to the west and south and Prince George County to the east and southeast.

Transportation

Petersburg is located at the juncture of Interstates 95 and 85 with easy access to Interstate 295, US Route 460, 301 and 1. CSX and Norfolk Southern rail lines run through the City. Amtrak passenger services operate trains along these lines and there is an Amtrak station just outside the City limits, providing connections north to Richmond and the northeast corridor, as well as south to Norfolk. There is also a bus station with Greyhound desk and an active regional bus between Petersburg and downtown Richmond. Richmond International Airport, located less than 30 miles north of City, serves passengers from Petersburg.





Community Profile

City of Petersburg, VA
FY 2018 Operating Budget

Commerce

Petersburg has a long history as an industrial center for the state, being home to many tobacco companies, pharmaceutical companies, and early distribution centers for companies like Walmart and Amazon. Of the prominent manufacturing companies that once operated in Petersburg, only Titmus Optical and Amsted Rail-Brenco bearings remain.

Today, the healthcare industry provides over 10 percent of the jobs in the City. The table below illustrates the major employers in the City by industry and number of employees.

Rank	Employer	Industry	Employees
1	Southside Regional Medical Center	Healthcare	1000+
2	Amsted Rail Company, Inc.	Construction	200-300
3	Horizon Mental Health Management, Inc.	Healthcare	200-300
4	Wal-Mart	Retail	200-300
5	Good Neighbor Homes, Inc.	Healthcare	100-200
6	Beverly Home Care	Healthcare	100-200
7	District 19 Mental Health and Retardation Services	Healthcare	100-200
8	Virginia Linen	Retail	100-200
9	Rehabilitation Hospital, Inc.	Healthcare	100-200
10	Quality Plus Service	Retail	100-200

Source: City of Petersburg, VA 2015 CAFR

Government

Petersburg is an independent City, or a City that is not in the territory of any county, and utilizes the council-manager form of government. The Council has seven members, each representing a ward (or geographic



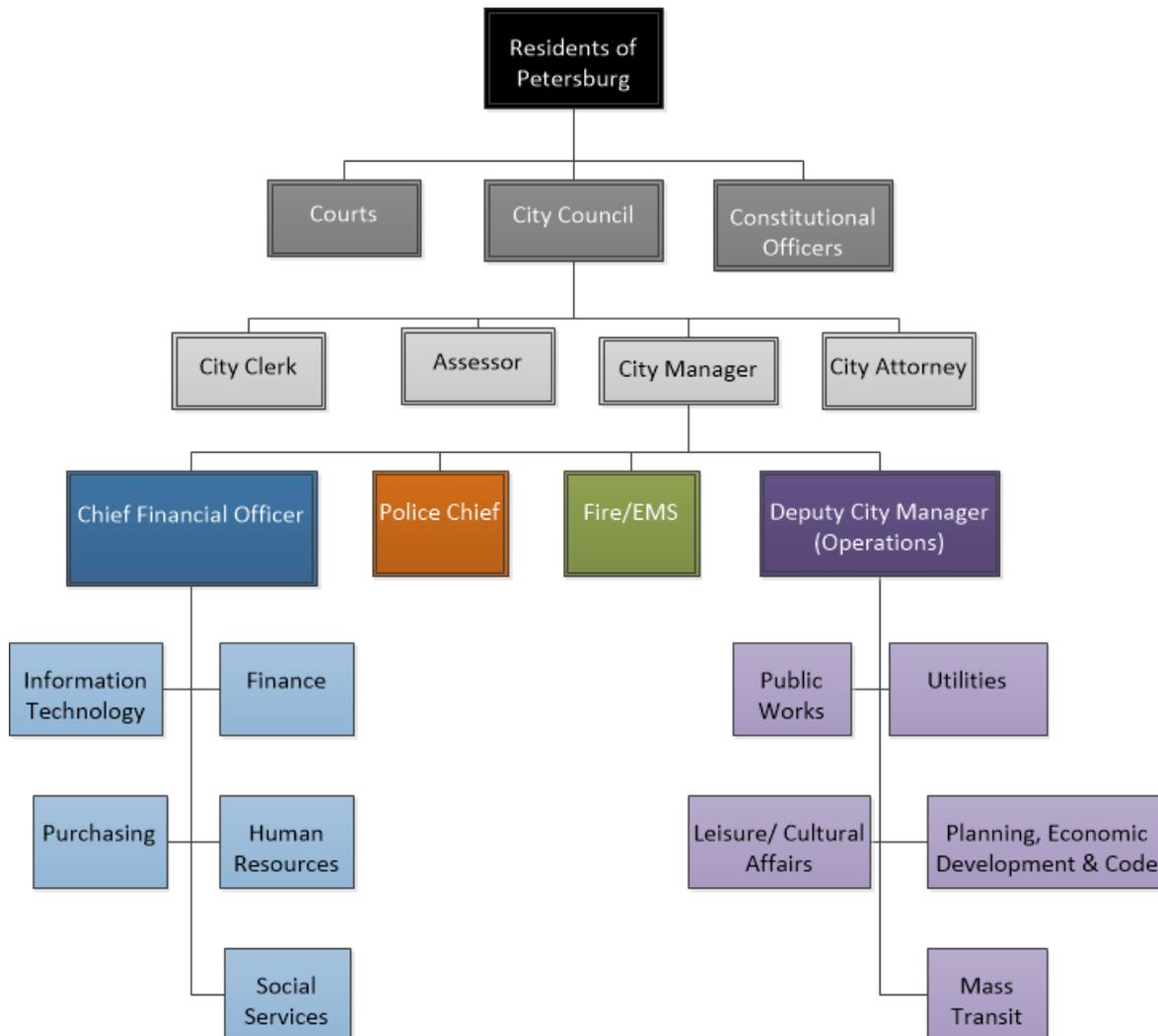
Community Profile

City of Petersburg, VA
FY 2018 Operating Budget

portion of the City). Council members must reside in their wards. Members serve staggered four year terms with elections being held in even numbered years. The mayor is selected from among the council members. Of the seven council members, one has served as mayor in the past and one is currently serving as mayor. Elections are staggered. Two council members were elected in the fall of 2016, three are in their third year, and two members have served for over six years.

The Council hires a City manager to oversee the City’s day-to-day operations. The figure below illustrates the organization of Petersburg City government that will be implemented along with the adoption of the FY 2018 budget.

City of Petersburg New Organizational Structure





Budget Process

City of Petersburg, VA
FY 2018 Operating Budget

Budget Development Process

The FY 2018 budget development process began in January 2017 with guidance from the City Manager to department heads. The City Manager identified budget priorities and outlined investment areas for the departments. It directed department heads to identify cost saving measures and efficiencies and to adjust service levels in order to propose a balanced budget. The guidelines from the City Manager included:

- Restoring the 10 percent that was cut from staff salaries;
- Paying staff salaries that are competitive with peer communities, per the 2015 Compensation Study;
- Investing in public safety and public education; and
- A limit of 5 percent growth in department budgets.

It was recognized that with the guidance to budget for competitive salaries it would likely result in the need to cut FTEs in order to accomplish this.

The City Manager instructed departments to develop their budgets using a process known as zero-based budgeting. In zero-based budgeting, all expenses must be analyzed and justified—not only additions or deletions from previous years. This form of budgeting ensures that past decisions are not taken for granted. Current and proposed programs and expenses are evaluated equally.

City departments developed and submitted budget proposals based on the City Manager's guidelines. Department proposals detailed the needed resources (i.e., funding and staff) for each program. The City Manager's team then reviewed the proposals to ensure they aligned with the guidelines and made difficult decisions about what services could be funded this year and at what level.

The financial and debt-related policies passed in a motion by City Council on September 2, 2014 also served as guidance for the development of the FY 2018 budget (See Financial Policies Section).

The City Manager's Adopted FY 2018 Budget describes the funding and staffing levels needed to support the City's services and programs while ensuring a balanced budget. The City Manager presented the FY 2018 Proposed Budget on March 27, 2017. City Council then held budget work sessions to discuss the City Manager's Proposed Budget. Members of the public were invited to attend and observe these work sessions. City Council heard public input on the Proposed FY 2018 Budget at a May 2 public hearing. The public input was considered by City Council in their recommended changes to the City Manager. City Council discussed



Budget Process

City of Petersburg, VA
FY 2018 Operating Budget

those changes at its May 12 Council meeting. Council Members had to have support from three additional Members to request changes to the Proposed Budget. When proposing additions to the Proposed Budget, Council Members committed to identifying a revenue enhancement or a deletion from another part of the budget. When a deletion was requested, Council Members proposed a use for the funds saved. See Appendix A for the form that Council Members used to request budget modifications.

The FY 2018 Budget was adopted on June 6 at a Special City Council Meeting. The FY 2018 tax rate is established with the adoption of the budget based on a projected real estate assessment figure. The real estate reassessment impact results will not be available until after the landbook is finalized in September. If the assessment is more than a 1 percent increase in revenue, the City must hold a public hearing, which is currently schedule for October 17

The calendar below illustrates the schedule for reviewing, discussing and adopting the FY 2018 budget. The bolded dates represent opportunities for the public to observe or participate in budget discussions.

FY 18 Budget Development Calendar

Date	Event
March 27	City Manager Proposed Budget to City Council
March 27 - April 28	Council Work Sessions on FY 18 Budget
March 27	General Fund Revenues
March 29	Debt/Budget Policies; Capital Budget; Utilities
April 10	Police, Fire and Emergency Communications
April 12	Social Services Agencies; Health Department; Personnel/Benefits
April 24	Schools Operating & Capital
May 8	Leisure and Cultural Affairs; Planning, Economic Development & Code
May 2	Public Hearing on FY 18 Budget
May 12	City Council submits recommended changes to City Manager
May 16	City Council to discuss changes to the budget
June 6	City Council Meeting for Adopt/Appropriate FY 18 Budget
June	Landbook Finalized
September	FY 18 Landbook Produced/Published
October 17	Public Hearing on Proposed Tax Rate Adjustment Due to Reassessment



Financial Policies

City of Petersburg, VA
FY 2018 Operating Budget

Financial Policies

The City of Petersburg's financial policies described in this section were adopted by City Council in September 2014 with additional changes adopted by motion in January 2017. During the budget process, City leadership will bring forward ordinances for Council to adopt related to these policies.

Financial policies are the tools to ensure that the City is financially able to meet its immediate and long-term service objectives. The policies are guidelines for both the financial planning and internal financial management of the City. The City is accountable to its citizens for the use of public dollars. These funds must be carefully used and managed to ensure adequate funding for the programs, services, and infrastructure needed to meet the community's current and future needs.

Financial Policy Objectives

The City's financial policy is a statement of the guidelines and goals that will influence and guide the management practice of City of Petersburg, Virginia. Financial Policy Guidelines that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Effective financial policy guidelines:

- Contribute significantly to the City's ability to insulate itself from fiscal crisis,
- Enhance short-term and long-term financial credit of the City by helping to achieve the highest credit and bond ratings possible,
- Promote long-term financial stability by establishing clear and consistent guidelines,
- Direct attention to the total financial picture of the City rather than single issue areas,
- Promote the view of linking long-run financial planning with day to day operations, and
- Provide the City Council and the citizens with a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

While adherence to this policy is expected, the City understands that changes in the capital markets, City programs, or other unforeseen circumstances may from time to time produce situations that are not covered by this policy and will require modifications or exceptions to achieve the policy goals. In these cases, the City's management may act, provided specific authorization from the City Council is obtained. These Financial Policy Guidelines shall be reviewed at least every two years by the CFO and Director of Finance, who shall in turn



Financial Policies

City of Petersburg, VA
FY 2018 Operating Budget

report his findings to the City Manager and City Council.

Budget Development Policies

The City's operating budget will be developed adhering to the following policies:

1. The City will strive to maintain diversified and stable revenue streams to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services.
2. Current revenues will fund current expenditures. One-time or other special revenues will not be used to finance continuing City operations but instead will be used for funding special projects.
3. The City will pursue an aggressive policy seeking the collection of delinquent utility, license, permit and other fees due to the City.
4. The City will prepare and annually update a long range (5 year) financial forecast model utilizing trend indicators and projections of annual operating revenue, expenditures, capital improvements with related debt service and operating costs, and fund balance levels.
5. Expenditure and revenue projections will be developed quarterly and reviewed with Departmental Directors, the City Manager, and City Council. The City Manager, through the Finance Department, will exercise appropriate fiscal management as necessary to live within the limits of the adopted budget.
6. The City will budget for operating subsidies, if any, to its golf, mass transit or other funds requiring annual support from the General Fund.
7. Once the City Manager proposes his/her budget, the City Council can only make recommended changes that keep the budget in balance and that are proposed with at least four members of City Council's prior-approval. (See Appendix A form that City Council will fill out and return to the City Manager).

Capital Improvement Budget Policies

The City will develop a five-year Capital Improvement Plan which will serve as the basis for planning and prioritizing the City's capital improvement needs based on affordability and compliance with Debt and Reserve Policies. The Capital Improvement Plan will only include projects with identified and known realistic funding sources. The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.



Financial Policies

City of Petersburg, VA
FY 2018 Operating Budget

1. The City will consider all capital improvements in accordance with an adopted Capital Improvement Plan.
2. The City, in consultation with the City of Petersburg Public School System, will develop a five-year Capital Improvement Plan that includes funding sources and uses and review and update the plan annually.
3. The City will enact an Annual Capital Budget based on the five-year Capital Improvement Plan. The first year of the Capital Improvement Plan will be used as the basis for the Annual Capital Budget.
4. The City will coordinate development of the Annual capital Budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
5. The City will maintain all its assets at a level adequate to protect the City's capital investment and to minimize future maintenance and replacement costs.
6. The City will project its equipment replacement and maintenance needs in conjunction with the five-year Capital Improvement Plan and will develop a maintenance and replacement schedule to be followed.
7. The City will attempt to determine the least costly and most flexible financing method for all new projects.
8. The City will target a minimum amount of equity (e.g. cash pay-as-you- go) funding of 5% of the General Fund-supported Capital Improvement Plan on a five-year rolling average after reaching the Unassigned Fund Balance Policy Goal.

Debt Policies

The City will take on, manage and repay debt according to the following debt policies:

1. The City will confine long-term borrowing to capital improvement or projects that cannot be financed from current revenues except where approved justification is provided.
2. When the City finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project. Target debt ratios will be annually calculated and included in the review of financial trends.
3. Direct Net Debt as a percentage of estimated market value of all taxable property shall not exceed a



Financial Policies

City of Petersburg, VA
FY 2018 Operating Budget

range of 4.0% to 4.5%. Direct Net Debt is defined as any and all debt that is tax-supported. This ratio will be measured annually.

4. The ratio of Direct Net Debt Service expenditures as a percent of Total Governmental Fund Expenditures should not exceed 10%. Direct Net Debt Service is defined as any and all debt service that is tax-supported. Utility Fund debt service that is self-supporting shall be excluded. Total Governmental Fund Expenditures includes the General Fund and School Component Unit Expenditures less the local government transfer. This ratio will be measured annually.
5. Payout of aggregate outstanding tax-supported Direct Net Debt principal shall be no less than 50% repaid in 10 years.
6. The City recognizes the importance of underlying and overlapping debt in analyzing financial condition. The City will regularly analyze total indebtedness including underlying and overlapping debt.
7. Where feasible, the City will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
8. The City will retire tax anticipation debt, if any, annually.

Reserve Policies

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain fund balance reserves sufficient to fund all cash flows of the City, to provide financial reserves for unanticipated or emergency expenditures and/or revenue shortfalls, and to provide funds for all existing encumbrances.

The purpose of this policy is to specify the composition of the City's financial reserves, set minimum levels for certain reserve balances, and to identify certain requirements for replenishing any fund balance reserves utilized.

1. **Fund Balance Categories:** For documentation of the City's fund balance position, communication with interested parties and general understanding, a clear and consistent system of classification of the components of the City's fund balances is necessary. The City's reporting and communication relating to fund balance reserves will utilize the classifications outlined in generally accepted accounting principles (GAAP). GAAP dictates the following hierarchical fund balance classification structure based primarily on the extent to which the City is restricted in its use of resources.



Financial Policies

City of Petersburg, VA
FY 2018 Operating Budget

- A. **Non-spendable Fund Balance:** These are fund balance amounts that are not in a readily spendable form, such as inventories or prepayments, or trust or endowment funds where the balance must remain intact.
- B. **Restricted Fund Balance:** These are amounts that have constraints placed on their use for a specific purpose by external sources such as creditors, or legal or constitutional provisions.
- C. **Committed Fund Balances:** These amounts are designated for a specific purpose or constraints have been placed on the resources by City Council. Amounts within this category require City Council action to commit or to release the funds from their commitment.
- D. **Assigned Fund Balances:** These are amounts set aside with the intent that they be used for specific purposes. The expression of intent can be by City Council or their designee and does not necessarily require City Council action to remove the constraint on the resources.
- E. **Unassigned Fund Balances:** These are amounts not included in the previously defined categories. The City General Fund is the only fund that should report a positive Unassigned Fund Balance. Amounts in this classification represent balances available for appropriation at the discretion of City Council. However, City Council recognizes that the Unassigned Fund Balance needs to be sufficient and comprised of liquid cash and investments to meet the City's cyclical cash flow requirements and allow the City to avoid the need for short term tax anticipation borrowing. The Unassigned Fund Balance should also allow for a margin of safety against unforeseen expenditures that could include, but not be limited to, natural disasters, severe economic downturns, and economic development opportunities. Unassigned Fund Balance shall not be used for annual recurring expenditures, except for unforeseen emergency circumstances.

As of the date of this policy document, City Council recognizes that it does not have any liquid Unassigned Fund Balance (e.g. cash and investments) and as a result shall budget approximately \$750,000 (the "Annual Budgeted Amount") toward rebuilding the Unassigned Fund Balance until the balance, at a minimum, reaches an amount that is sufficient to eliminate the need for annual cash flow Revenue Anticipation Note borrowings (The "Minimum Initial Target").

To the extent that the City has any remaining operating surplus after all expenditures (including the Annual Budgeted Amount) have been satisfied, the City shall apply at a minimum 50% of



Financial Policies

City of Petersburg, VA
FY 2018 Operating Budget

such remaining operating surplus to further accelerate the build- up of the Unassigned Fund Balance.

After the Minimum Initial Target has been reached, the City shall adopt a plan to increase the Unassigned Fund Balance to a balance that is not less than 10% of the combined budgeted expenditures of the City General Fund and the City of Petersburg Public Schools Operating Fund, net of the City's local contribution (the "Policy Goal").

City Council recognizes that if amounts above the 10% Policy Goal exist, City Council could contemplate strategically utilizing these amounts, if appropriate. However, City Council also recognizes that maintaining an Unassigned Fund Balance above the minimum policy level may be beneficial to the overall wellbeing of the City. Should any amounts above the 10% policy exist they should only be appropriated for non-recurring expenditures as they represent prior year surpluses that may or may not materialize in subsequent fiscal years. Amounts above the 10% policy minimum could be used for the following purposes (listed in order of priority):

- i. Increase Restricted Fund Balances as necessary.
 - ii. Fund an additional reserve for use during an emergency or during periods of economic uncertainty or budget adversity. Such additional reserves shall be determined by City Council.
 - iii. Allocating such amounts toward equity funding of the Capital Improvement Plan or transfer to the Capital Improvement Fund.
2. **Prioritization of Fund Balances:** As indicated, the fund balance classifications outlined above are based on the level of restriction. In the event expenditures qualify for disbursement from more than one fund balance category, it shall be the policy of City of Petersburg that the most constrained or limited fund balance available will be used first. Unassigned fund balance will be used last.
3. **Accounting for Encumbrances:** Amounts set aside for encumbered purchase orders may be either restricted, committed or assigned fund balance depending upon the resources to be used to fund the purchases. Amounts set aside for encumbrances may not be classified as unassigned since the creation of an encumbrance signifies a specific purpose for the use of the funds.
4. **Replenishment of the Unassigned Fund Balance:** Upon the use of any Unassigned Fund Balance, which causes such fund balance to fall below either the Policy Goal and/or Minimum Initial Target levels, City Council must approve and adopt a plan to restore amounts used within 24 months. If restoration of the



Financial Policies

City of Petersburg, VA
FY 2018 Operating Budget

reserve cannot be accomplished within such period without severe hardship to the City, then the City Council will establish a different time period.

Financial Policy Progress Report

While most of the financial policies were adopted by Council in 2014, the adopted budgets have not complied with those policies up until now. The Adopted Budget makes significant progress toward complying with these policies. The table below illustrates the City’s compliance with its adopted policies in FY 2017 and in the Adopted FY 2018 Operating Budget. In addition to working toward full compliance, the City should work toward developing a five-year financial plan that guides the City toward fiscal solvency and maintains compliance with its adopted policies. See Appendix B for the calculations used to evaluate compliance.

Financial Policy Progress Report

		Compliance Status		
		FY 16 Budgeted	FY 17 2nd Amendment	FY 18 Adopted
Petersburg Adopted Financial Policies				
Capital Improvement Budget Policies				
0.1	Consider all Capital Improvements with an adopted Capital Improvement Plan	X	X	✓
0.2	Develop a five (5) year CIP in consultation with Schools	X	X	✓
0.2	Include funding sources and uses for all projects.	X	X	✓
0.2	Review and update annually	X	X	✓
0.3	The first year of the CIP will be the basis for the Annual Capital Budget	X	X	✓
0.4	Project future operating costs of new capital projects into forecasts	X	X	✓
0.5	Maintain all capital assets to protect investments.	X	X	X
0.6	Develop a maintenance and replacement schedule for equipment in the CIP	X	X	X
0.7	Determine the least costly and most flexible financing methods for projects.	X	X	X
0.8	Target a 5% cash pay-as-you go of the CIP on a five (5) year rolling average after reaching the Unassigned Fund Balance Policy Goal.	N/A	N/A	7.77%



Financial Policies

City of Petersburg, VA
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Financial Policy Progress Report (cont.)

		Compliance Status		
		FY 16 Budgeted	FY 17 2nd Amendment	FY 18 Adopted
Petersburg Adopted Financial Policies				
Budget Development Policies				
0.1	Maintain diversified and stable revenue streams	✓	✓	✓
0.2	Current revenue will fund current expenditures and one-time or special revenue will not be used for operations.	✓	X	✓
0.3	Pursue an aggressive policy seeking the collection of revenues.	X	X	Recommendations provided to Treasurer
0.4	Prepare and annually update a 5 year financial forecast model.	X	X	
0.5	Project revenue and expenses quarterly and review with Departmental Directors, the City Manager, and City Council.	X	✓	✓
0.6	The budget will reflect any operating subsidies for funds requiring annual support from the General Fund.	✓	✓	✓
Debt Policies				
0.1	Confine long term borrowing to Capital Projects that cannot be financed from current revenues.	✓	✓	✓
0.2	Debt issuance will not exceed the expected useful life of the project.	✓	✓	✓
0.3	Direct Net Debt will not exceed 4.5% of estimated market value of all taxable property.	✓	✓ - est. of 2.19%	✓ - est. of 2.19%
0.4	Direct Net Debt Service will not exceed 10% of Total Governmental Fund Expenditures (General Fund plus School Fund less local government transfer).	✓ - 4.00%	✓ - 5.49%	✓ - est. of 5.49%
0.5	Pay down 50% of tax supported Direct Net Debt principal in 10 years.	✓	✓	✓
0.6	Regularly analyze total indebtedness to include overlapping debt.	✓	✓	✓
0.7	Feasibly utilize special revenue sources or self supporting bonds instead of general obligation bonds.	✓	✓	✓
0.8	Retire tax anticipation debt annually.	✓	✓	✓

(cont. on next page)



Financial Policies

City of Petersburg, VA
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Financial Policy Progress Report (cont.)

Petersburg Adopted Financial Policies		Compliance Status		
		FY 16 Budgeted	FY 17 2nd Amendment	FY 18 Adopted
Reserve Policies				
0.1 .e	Unassigned Fund Balance shall not be used for annual recurring expenditures except for unforeseen emergencies.	N/A	N/A	√
0.1 .e	City Council shall budget \$750,000 toward rebuilding the Unassigned Fund Balance until sufficient to eliminate the need for Revenue Anticipation Note borrowings. (The "Minimum Initial Target")	√	X	√
0.1 .e	City Council shall adopt a plan to achieve an Unassigned Fund Balance of 10% of the combined budgeted expenditures of the General Fund and School Fund net of the City's local contribution.	X	X at (4.5%)	√ - est. of - 0.8%
0.1 .e	Amounts above the 10% policy will only be budgeted for non-recurring expenditures.	N/A	N/A	N/A
0.4	Any use of Unassigned Fund Balance must have a 24 month restoration plan approved by City Council	N/A	N/A	N/A



Budget Overview

City of Petersburg, VA
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Budget Overview

The FY 2018 budget is an opportunity to address the financial woes that have been plaguing the City of Petersburg since at least Fiscal Year 2009. In the summer of 2016, a state technical assistance team found that Petersburg had a \$12 million budget gap and was faced with at least \$18 million in unpaid bills. City Council took several measures to address the crisis, including a 10 percent salary cut across the board for all employees, as well as hiring a turnaround firm to address both financial and management issues in the City. The FY 2018 budget must be structurally balanced and establish a path forward for the City to maintain fiscal solvency. Some historical context on how the City came to this fiscal crisis will be instructive in how to avoid it in the future.

Demographic/Economic Conditions

Petersburg's financial crisis can be attributed to the lack of budgetary controls and sound fiscal policy, but was also influenced by economic and demographic conditions. The number of people living in poverty in Petersburg has increased from approximately 6,500 in 1999 to 8,700 in 2014 while the overall population has declined. The City's population is also older than the surrounding metropolitan area and the rest of the Commonwealth.

Economic and demographic conditions directly affect local government's ability to raise revenues and manage expenditures. High poverty rates, a diminishing population and an aging population can all constrain the tax base. In addition, higher poverty rates and an aging population often increase the demand for government services. With challenging economic and demographic conditions, localities must have the budget and fiscal controls in place to ensure that expenditure growth does not overtake revenue growth, leading to ongoing and unsustainable structural deficits.

Structural Issues

For much of the early 2000s, the City had a balanced budget. In 2008, the City closed with a budget surplus. Beginning in 2009, however, the City consistently overestimated its revenue and underestimated expenditures, resulting in a budget deficit. For example, the FY 2015 budget estimated General Fund revenue at \$81.4 million and spending at \$81.1 million. The audited financial reports from FY 2015 show that the actual revenue collected was \$77 million, while spending was \$82.9 million – a \$5.9 million deficit. The FY 2016 audit



Budget Overview

City of Petersburg, VA
FY 2018 Operating Budget

reported General Fund revenues of \$71.4 million and expenditures of \$74.7 million, representing a \$3.3 million deficit. This occurred as a result of both departments overspending and revenues underperforming.

Much of the City's spending grew out of a desire to provide more programs and services to residents and higher wages and benefits for City workers. While these intentions were good, the budget and financial management practices were not: the City was routinely spending more than it could afford.

To address the budget imbalances each year, the City drew down cash reserves that existed to address *unexpected* revenue shortfalls. The City depleted nearly all its reserves by 2011. The City also began to rely on short-term financing that is borrowed within a fiscal year and repaid by June 30 of the same fiscal year. This short-term financing option is known as revenue anticipation notes, or RANs. RANs can be an appropriate option for municipalities when there are insufficient cash reserves because of a timing mismatch with anticipated revenues. The City, however, was relying on RANs not because of a timing issue, but because revenue estimations were consistently inflated.

In 2016, City leadership documented awareness of the financial problems and took steps to address the issues. The FY 2017 budget was reduced by 15 percent. City salaries were cut 10 percent across the board and nearly 150 positions were eliminated. In December 2016, Wells Fargo provided the City with a \$6.5 million short-term loan to help it through its fiscal crisis. This was a necessary step to alleviate a cash crunch but it did not fix the root problem. While the situation has begun to stabilize, more needs to be done to ensure permanent change and fiscal stability.

The Future of Petersburg

The City of Petersburg is at a crossroads. If City leadership continues to take steps to address financial and management issues, while at the same time investing strategically in the City's future, Petersburg can take advantage of its innovative, industrial spirit and the development potential at its doorstep.

The FY 2018 Adopted Operating Budget defines several strategies that will lead Petersburg on the path toward fiscal solvency and economic growth. Achieving a structurally balanced budget is imperative but insufficient. The City must also put the budgetary and financial controls in place to manage the implementation of the budget. At the same time, the City has to invest in its own future. This budget reflects strategic decisions about how the City can invest its limited resources to encourage development, attract new residents and businesses, and address some of the economic and demographic conditions that contributed to the City's fiscal woes.



Budget Overview

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Adopt a Structurally Balanced Budget

In a balanced budget, current revenues are equal to current expenditures. The term also refers to a budget that has no deficit, and if managed well, is likely to have a budget surplus. In the past, the City relied on non-recurring revenues (such as its reserves) to fund ongoing expenses. A structurally balanced budget, however, is not simply balanced from year to year, but allows financial sustainability for multiple years into the future. To ensure a structurally balanced budget, the City must:

1. Adopt **and** adhere to rigorous budgetary and fiscal policies. See the Financial Policies section (beginning on page 10) for the City's adopted policies and progress report.
2. Accurately forecast revenues. As described above, the City has consistently overestimated its revenues. In the most recent personal property tax billings, 17 percent of bills were returned due to incorrect mailing addresses. To correct this imbalance, the Commissioner of Revenue must begin to regularly audit all assessment and billing functions and files. The Robert Bobb Group sent a letter to the Commissioner of Revenue in February 2017 outlining several recommendations for improving the accuracy and timeliness of revenue forecasting (Appendix C). Until these measures are put into place, the City needs to be realistic about the amount of revenue it can collect while at the same being aggressive to collect all that is owed.
3. Make tough, strategic decisions about where to spend its money. This Adopted Budget includes important investments as well as recommended cuts to ensure that City spending does not outpace revenues. Those cuts and investments are described in detail in the Departmental Budgets section (beginning on page 55).
4. Build a fund balance. A fund balance, also known as a rainy day fund or the equivalent of a personal savings account, is the net cash a City has on hand after all revenues have been deposited and all expenses have been paid. Localities maintain fund balances for two reasons. First, a fund balance helps manage cash flow. For example, Petersburg collects its property tax revenue over four quarters: September, December, March and June but those funds quickly run out in the subsequent months. By maintaining a fund balance, the City can pay its operating expenses throughout the rest of the year without relying on short-term loans like RANs. Second, the fund balance can act as a reserve to support planned capital improvements or for contingency in case of unexpected expenditures or revenue shortfalls. The FY 2018 Adopted Operating Budget includes a threefold approach to restore the fund balance:



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- a. The budget assumes that decisions will be made that will generate a liquidity event of roughly \$6 million. This \$6 million will then be used to establish a fund balance. If the liquidity event comes in higher or lower, it should not impact the management of the budget as these funds were not considered to be available for ongoing expenses.
- b. According to policy, the City is to put aside \$750,000 annually, which this budget does.
- c. This budget also begins to establish the use of pay-as-you-go (or cash funded capital projects) of \$160,000. This represents the policy level of 5 percent rolling average of the capital budget. While there are no planned capital projects for FY 18, these funds will be used to offset any unexpected capital needs during the year or help fund future needs while providing additional cashflow for the City.

This approach, if executed and managed as planned, will provide budget flexibility and contribute to fund balance. If the City had no accumulated deficits, this action alone would produce an 8.8 percent fund balance as a percent of the of the total General Fund operating budget (includes a. + b. above divided by General Fund expenditures) for FY 2018. However, given the accumulated deficits the City has experienced (as reflected in the FY 2016 audit), the reported percentage would be only -0.8% for FY 2018 (see Appendix B for further information on the calculation). Even with the assumption that there will be a \$6.0 million liquidity event, the City will only be at a -0.8% fund balance. It will take another 12 to 19 years of similar activity to be at the policy level, which is also consistent with the Government Finance Officers Association recommended fund balance of 10 to 15 percent. Strong and consistent financial leadership and management will be required to grow the City's fund balance, eliminate the need for short-term borrowing (RANs), and improve its standing with the capital markets. This will be done through budgetary surpluses and strong cash management, year after year.

A structurally balanced budget is critical for the health of the City's day-to-day operations. It can also create a pathway to capital markets that the City does not currently have access to. In 2014, when the City notified Standard & Poor's of its actual fund balance (which had been previously overstated), the City's bond rating was downgraded from A+ to BB with a negative outlook, which suggests that the rating could go lower. With such a low bond rating, the City cannot access funding for the major capital improvements that are desperately needed.



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Policy, Procedures and Practices

Adopting a structurally balanced budget is only the first step to achieving financial health. The City must then be able to implement the budget and manage spending throughout the year to ensure that expenditures do not outpace revenues or the adopted budget.

The FY 2018 Adopted Operating Budget establishes the foundation for the City to develop and implement the necessary process, procedures and practices by funding for a fully staffed Finance Department. This department will manage expenditures, establish processes that reconcile the budget and expenditures to avoid overspending, reconcile revenue forecasts regularly so spending can be adjusted in a timely manner. A Finance Department that believes in, adheres to and enforces process, procedures and practices can set in motion a culture change throughout the City.

In 2016 – 2017, the City has invested time and resources to establish a foundation for fiscal health. In future years, the City must build on this foundation to create a high performing, high productivity government. A critical next step will be the establishment of performance metrics that (1) monitor the City's adherence to established process, procedures and practices and (2) demonstrate the results the City achieves for its investments.

Attract and Retain High Quality Talent

In 2014, a compensation study compared Petersburg to other Virginia local governments and found that compensation for City employees lags the market average by significant margins for all but six out of 55 job titles reviewed. The City implemented some of the study's recommendations, but salaries continued to fall behind the market average.

It was against this backdrop that, in the Summer of 2016, at the recommendation of the PFM Group, City Council cut salaries by 10 percent across the board in order to address a significant budget deficit.¹ The PFM Group report acknowledged that the City would not be able to sustain the reduction in pay indefinitely.

To rebuild a healthy, productive government, the City must be able to compete with neighboring jurisdictions for high quality staff. To aid in recruitment and retention, the FY 2018 Adopted Operating Budget restores



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employees' salaries to their levels before the across the board cuts, wherever possible. Because the City is still in financially trying times, any requests for new staff or for salary increases beyond the 10 percent were reviewed very carefully.

The Adopted Budget makes a particular effort to ensure that all job titles that were part of the market study are paid at least the minimum end of the recommended competitive salary range; makes investments in critical areas such as Finance, IT/Data Analytics, and Public Safety; and clarifies reporting structures for all positions in the reorganization. Compensation, like infrastructure, requires continued investment or the cost to catch up becomes insurmountable. To ensure that talent can be attracted and retained and the City is an enjoyable place to work, this will need to be reviewed annually for adjustments.

Invest in Public Safety

The salary cuts implemented in 2016 had a particularly negative impact on the City's public safety departments. The cuts led to the loss of many police officers, emergency telecommunicators and fire fighters, left these departments woefully understaffed and caused significant over time usage and burnout. Meanwhile, the City has underinvested in the fire department for decades and their equipment has not been replaced or maintained as needed. Without proper personnel, equipment or resources, the police and fire departments are stretched to their limits to keep the community safe.

The shortage of police officers has particularly affected the City's ability to effectively implement community policing. This approach to policing requires police to spend time in and develop relationships with Petersburg communities. By building and leveraging relationships in the community, police are better positioned to address public safety issues. With limited staff resources, however, the police are constrained in their ability to devote staff to this effort.

The FY 2018 Adopted Operating Budget invests in police, fire and emergency communications to ensure the safety of Petersburg's residents, businesses and visitors. Public safety includes not only reducing and investigating crime, but also preventing fires, delivering life-saving services, preparing for and responding to man-made and natural disasters, and providing the emergency communications to support all these efforts effectively.

¹ *Petersburg: A Need for Action, A Path Forward Recommendation for FY 2017 - Program to Eliminate the Gap.* PFM Group: Financial & Investment Advisors, August 22, 2016. <http://www.petersburgva.gov/DocumentCenter/View/2349>.



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Done well, public safety also plays a critical role in supporting economic growth. It is very difficult to attract homeowners, investors and businesses when neighborhoods are perceived as unsafe or experience significant crime. Perceptions of public safety perceptions are also often used in rankings of localities and quality of life measures. Cities and neighborhoods with lower crime rates are generally perceived as more desirable.

The following investments in public safety are included in the FY 2018 Adopted Budget:

- A 16 percent increase in the Police budget from the 2017 2nd budget amendment. This additional funding will allow the department to fill vacant positions; pay officers, supervisors and other staff a salary competitive with surrounding jurisdictions; support community policing initiatives; purchase body cameras for officers; and make much needed vehicle repairs and procure new vehicles.
- A 36 percent increase for Emergency Communications, which will be used to invest in new radio equipment and fill vacant positions at a competitive salary.
- A 24 percent increase for Fire, Rescue and Emergency Services which experienced a substantial budget cut in FY 2017. The funding will allow the Fire department to pay staff competitive salaries; fill vacant positions; and replace old and outdated vehicles and equipment.

Invest in Public Education

Investment in public education is an investment the future of Petersburg. Education is a valuable tool for addressing poverty and it lays the foundation for sustainable economic growth. Cities across the country are beginning to think of good schools as amenities that can attract homeowners and businesses and promote community development.

To balance the budget, both the City and the school system are forced to make reductions in FY 2018. While the FY 2018 Adopted Operating Budget includes many difficult cuts, it keeps flat the City's investment in its public school system and funds at their requested level. Going forward, however, this level of funding will not be adequate. In the School District's 5-year plan through FY 2022, requested contributions will increase by 45 percent in FY 19 and then 1.5 percent annually thereafter.

In addition, the City will continue to invest in social services that are critical to supporting the most socioeconomically disadvantaged students. Students that are burdened with unmet needs struggle to achieve successful outcomes in school. The City administers programs like SNAP (Supplemental Nutrition Assistance Program) and TANF (Temporary Assistance for Needy Families) to support families and children and ensure



Budget Overview

City of Petersburg, VA
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their needs outside of school are met. Research has shown that children who participate in programs like SNAP do better in school and improve long-term health and economic outcomes.²

Identify Cost Efficiencies

To ensure a structurally balanced budget, the City must find cost efficiencies in the FY 2018 Adopted Operating Budget. Two approaches are illustrated in the Adopted Budget: (a) outsourcing municipal services and (b) streamlining the organization.

Contracting public services to private companies has been tested all over the country and can often, but not always, reduce costs. Many local governments have found millions of dollars in savings by outsourcing functions like trash collection, payroll processing, and water and wastewater treatment. A critical first step is to complete a thorough analysis to evaluate whether a third party can deliver services better and at a reduced cost. The City will submit a series of Requests for Information and Requests for Proposals in the Spring to gather information from service providers about what they are able to deliver and at what cost. Services that will be evaluated for outsourcing include vehicle maintenance, risk management, facilities maintenance, janitorial services, utility billing and payroll/timekeeping.

The Adopted Budget also reflects a change in the organization of City government. This change is based on the PFM Group report and national best practices. The reorganization will streamline the management function, reducing personnel costs and creating clearer lines of accountability for staff. Until now, the City Manager has had 15 direct reports. Under the new organizational structure, only five individuals will report to the City Manager. The addition of a Deputy City Manager and a Chief Financial Officer will allow the City Manager and Council to continue to focus on strategic change while ensuring there are qualified leaders in place to manage the City's day-to-day operations. The new organizational structure also collapses small offices into larger departments where there is mission affinity in order to improve programming.

² *SNAP Helps Kids over the Long Term, Too*. Center for Budget and Policy Priorities. October 2016.
<http://www.cbpp.org/blog/snap-helps-kids-over-the-long-term-too>



Summary Tables

City of Petersburg, VA
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Summary Tables

The following section details revenues and expenditures (excluding interfund transfers) for both the General Fund and Special Revenue Funds. For enterprise funds or programs that are supported entirely by user fees or service charges, revenue and expenditure details are included in the Department Budgets section.

Total Revenues and Expenditures by Fund

	FY 2016	FY 2017	FY 2018 Proposed	FY 2018 Adopted
Revenue				
General Fund Revenue	67,248,792	68,411,675	77,732,499	78,225,499
Special Revenue	10,158,824	10,585,080	6,392,367	7,115,786
Enterprise	1,138,845	4,569,266	17,738,043	17,766,113
Total Revenue	78,546,461	83,566,021	101,862,909	103,107,398
Expenditures				
General Fund	67,248,792	68,411,675	77,732,499	78,225,499
Special Revenue Funds	10,158,824	10,585,080	6,392,367	7,115,786
Enterprise	1,138,845	4,569,266	17,738,043	17,766,113
Total Expenditures	78,546,461	83,566,021	101,862,909	103,107,398

Revenues

Below is a summary of General Fund revenues and Special Revenue Funds.

General Fund Revenues

The pie chart below shows the distribution of estimated General Fund revenues for FY 2018 of \$78,225,499. A detailed breakdown of the fund distribution can be found on the following page.

No General Fund tax or fee rate increases are included in this budget; however, a 14.3 percent increase in water/wastewater rates is included. City Council voted to rescind the water/sewer tax rate within six months if percent collection rate is not met. The City evaluated peer jurisdictions rates and rate increases, as well as the current economic conditions in Petersburg and determined that City residents cannot absorb multiple fee and tax increases. To continue to support General Fund revenue growth, the City must (1) grow its tax base to create an ongoing revenue stream by converting tax-exempt property into taxable or developing parcels,

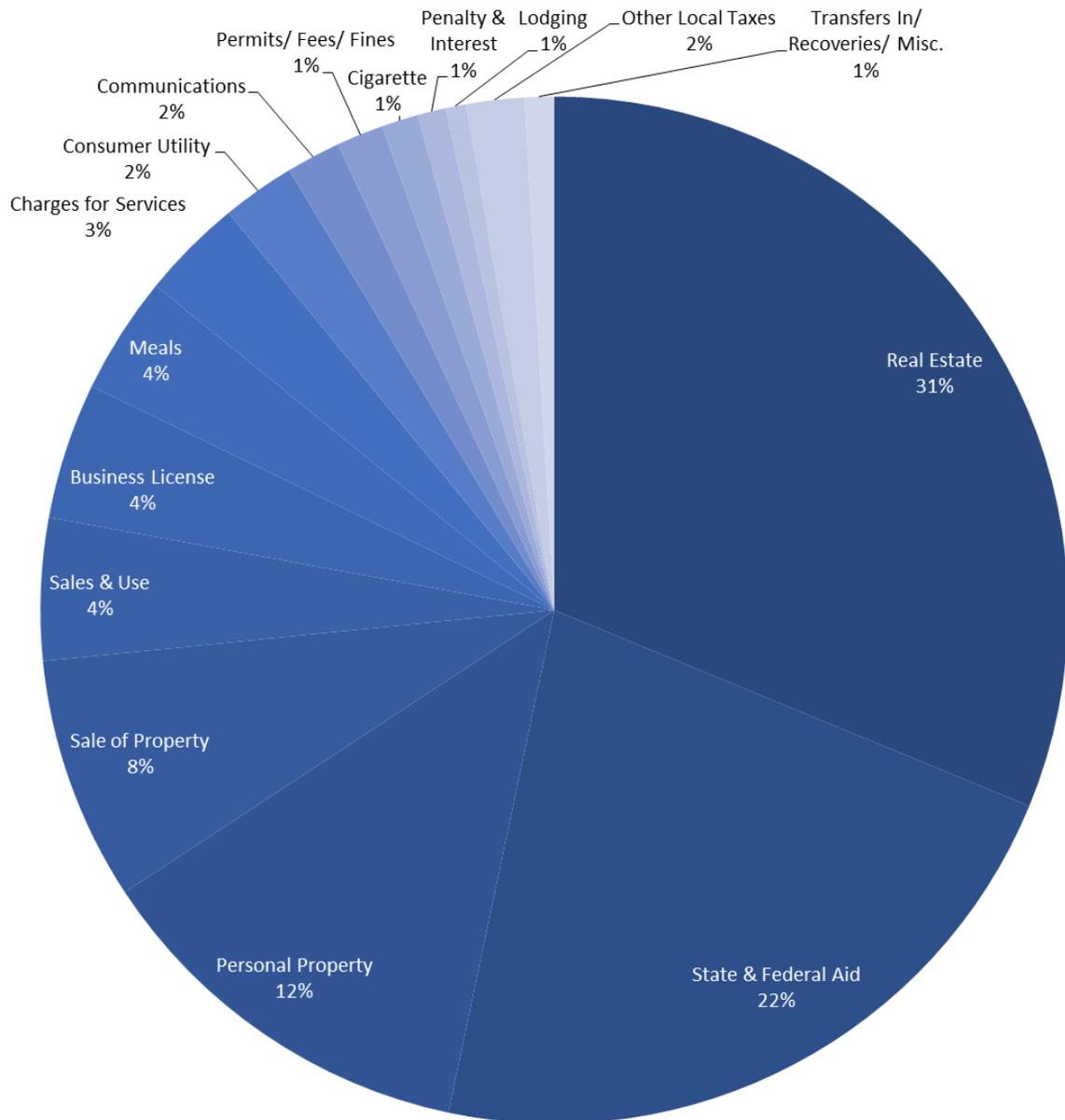


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(2) adjust fees related to development activities and (3) improve its collection efforts of existing taxes and fees. All of these efforts are currently being pursued diligently.

General Fund Revenue by Source





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General Fund Revenue by Source

General Fund Revenues Detail	FY 2016 Unaudited	FY 2017 Amended	FY 2018 Proposed	FY 2018 Adopted
<i>General Property Tax Revenue</i>				
Real Property	23,641,659	22,314,693	24,431,028	24,431,028
Personal Property (All Categories)	7,888,081	8,543,030	9,733,514	9,733,514
Penalties & Interest	935,932	1,050,000	700,000	700,000
Total General Property Tax Revenue	32,465,672	31,907,723	34,864,542	34,864,542
<i>Other Local Tax Revenue</i>				
Local Sales & Use	2,930,402	3,368,106	3,500,000	3,500,000
Communications	1,187,017	1,341,519	1,340,000	1,340,000
Consumer Utility	1,884,948	1,902,358	1,800,000	1,800,000
E-911	367,336	337,742	350,000	350,000
Business License	2,659,030	2,650,000	3,350,000	3,350,000
Bank Stock License	194,040	193,150	190,000	190,000
Motor Vehicle Licenses	389,349	390,000	442,000	442,000
Recordation & Wills	142,261	115,095	140,000	140,000
Cigarette	195,360	860,000	900,000	900,000
Admission & Amusement	6,961	7,000	7,000	7,000
Lodging	264,490	384,021	500,000	500,000
Meals	2,479,401	2,709,472	2,900,000	2,900,000
Total Other Local Tax Revenue	12,700,595	14,258,463	15,419,000	15,419,000
<i>Non-Tax Revenue</i>				
Permits, Privilege Fees & Regulatory Licenses	436,991	465,667	472,500	472,500
Fines and Forfeitures	444,365	548,464	683,000	683,000
Revenue from Use of Money & Property	210,100	176,396	151,312	151,312
Charges for Services	2,622,328	2,786,796	2,462,520	2,497,520
Recovered Costs	280,531	162,015	75,000	75,000
Intergovernmental Revenue	13,494,413	16,573,946	17,334,625	17,266,625
Miscellaneous Revenue	121,921	232,205	6,070,000	6,070,000
Total Non-Tax Revenue	17,610,649	20,945,489	27,248,957	27,215,957
<i>Other Financing Sources (Uses)</i>				
Appropriations from Fund Balances	-	-	-	-
Bond Proceeds	4,471,876	1,300,000	-	-
Transfers from Other Funds	-	-	200,000	726,000
Total Other Financing Sources (Uses)	4,471,876	1,300,000	200,000	726,000
Total General Fund Revenue & Other Sources	67,248,792	68,411,675	77,732,499	78,225,499



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The General Fund is comprised of tax revenue and other sources, as illustrated in the table above. The FY 2018 Adopted Operating Budget maintains all General Fund tax rates at the current rates. A description of the various taxes, the current and adopted tax rates, and comparison to neighboring jurisdictions is provided in the table below.

Current and Adopted Tax Rates and Regional Tax Rate Comparison

	2015 Hopewell	2015 Colonial Heights	Petersburg Current	Petersburg Adopted	Cap per State Code
REAL ESTATE RATES PER \$100 of ASSESSED VALUE:					
Current Real Estate Tax is estimated to generate \$21.9M after adjustment for the delinquent collection rate of 9% with an equivalent of \$163,000 per penny of the tax rate. (58.1-3200)					
	\$1.13	\$1.14	\$1.35	\$1.35	N/A
PERSONAL PROPERTY -VEHICLES/EQUIPMENT PER \$100 of ASSESSED VALUE:					
Current Vehicle and Business Equipment Personal Property is estimated to generate \$6.7M with an equivalent of \$13,600 per penny of tax rate. This category includes Business Personal Property, Vehicles, and Mobile Homes. (58.1-3507)					
	\$3.50	\$3.50	\$4.90	\$4.90	N/A
PERSONAL PROPERTY - MACHINERY & TOOLS PER \$100 of ASSESSED VALUE:					
Current Machinery & Tools Tax is estimated to generate \$2.7M with an equivalent of \$7,200 per penny of tax rate. The estimate has been adjusted to include the addition of Ampac Fine Chemicals anticipated to enter service in April of 2017. (58.1-3507)					
	\$3.05	\$2.00	\$3.80	\$3.80	N/A
BUSINESS LICENSE:					
Current Business License Tax is levied upon those doing business in the City. The rates vary by the amount of gross receipts and the type of business. Current year tax is estimated at \$3M from 1,925 business' registered in the City. (58.1-3700)					
For gross receipts less than:	\$20,000	\$20,000	\$50,000	\$50,000	\$50,000
Flat rate of:	\$30.00	\$30.00	\$50.00	\$50.00	\$50.00
For gross receipts p/\$100 over the above threshold:					
Professional	\$0.58	\$0.57	\$0.58	\$0.58	\$0.58
Financial Services	\$0.58	\$0.57	\$0.32	\$0.32	\$0.58
Personal, Business, & Repair Services	\$0.36	\$0.35	\$0.32	\$0.32	\$0.36
Retail Merchants	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
Contractors	\$0.16	\$0.15	\$0.16	\$0.16	\$0.16
Wholesale Merchants	\$.25 Gross Receipts	\$.05 Purchase	\$250 flat	\$250 flat	\$0.05



Summary Tables

City of Petersburg, VA
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Current and Adopted Tax Rates and Regional Tax Rate Comparison (cont.)

	2015 Hopewell	2015 Colonial Heights	Petersburg Current	Petersburg Adopted	Cap per State Code
MOTOR VEHICLE LICENSE:					
A Motor Vehicle License is required for vehicles registered with DMV in the City. The rates vary by the weight and type of vehicle and are due annually. The current year estimated tax to be collected is \$400,000 after adjustment by the 27% non-collection rate based on historic experience.					
Motorcycles	\$7.50	\$18.00	\$6.50	\$6.50	
Less than 4,000 pounds	\$20.00	\$33.00	\$23.00	\$23.00	
4,000 - 6,000 pounds	\$20.00	\$38.00	\$28.00	\$28.00	
Tiers beyond 6,000 pounds	various	various	various	various	
CIGARETTE:					
The Cigarette Tax is assessed on each pack of cigarettes sold in the City. Current taxes are expected to generate \$800,000 based upon the revised rate established in September 2016. (58.1-3830, 58.1-3840)					
Fee per pack	N/A	N/A	\$0.90	\$0.90	N/A
ADMISSIONS & AMUSEMENT:					
The Admissions Tax is assessed as a percent on the admission charge to events held in the City. The current tax estimate is \$7,000 based upon historic collection trends. (58.1-3840)					
	N/A	N/A	5%	5%	N/A
LODGING:					
The Lodging Tax is a percent on the room charge. The current tax estimate is \$500,000 from the 20 registered lodging facilities located in the City and the adjusted tax rate approved in September, 2016. (58.1-3840)					
	8%	8%	10%	10%	N/A
MEALS:					
The Meals Tax is levied on all prepared food and beverages sold by business' in the City. The current tax estimate is \$2.9M to be generated by the 119 registered vendors in the City and new tax rate approved in September, 2016. (58.1-3840)					
	5.5%	6%	7%	7%	N/A



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City of Petersburg, VA
FY 2018 Operating Budget

The following tables illustrate how the revenues for each of the major tax categories were estimated. They have been signed and certified by the City Assessor, City Treasurer and Commissioner of Revenue.

**City of Petersburg
Tax Revenue Projections**

	Real Estate FY 18		To Be Provided By:	Provider's Initials Initials	
	Prelim - March	Final - Sept.			
Land Book Assessed Value:	\$ 2,316,641,862	\$ -	Assessor/CofR	PH	RA
Less Non-taxable AV Exemptions of:					
Govt./Religious/Disabled Vetrn (State Code)	\$ (369,694,145)	\$ -	Assessor/CofR	PH	RA
Taxable Assessed Value:					
Less Credit/Deduction Program AV of:					
Land Use Program (Local Option)	\$ (8,057,100)	\$ -	Assessor/CofR	PH	RA
Rehab Structure Program (Local Option)	\$ (99,957,785)	\$ -	Assessor/CofR	PH	RA
Less Estimated Abatements due to Corrections:					
Abatements	\$ (13,000,000)	\$ -	Assessor		RA
Plus Estimated Supplements due to New Construction/Improvements:					
Supplements	\$ 5,500,000	\$ -	Assessor		RA
Net Taxable Assessed Value:	\$ 1,831,432,832	\$ -			
AV Taxed as "Service Charge" (nonprofit) Reduced Rate:	\$ 36,138,001	\$ -	CofR	PH	
AV Taxed as General Property Rate:	\$ 1,795,294,831	\$ -			
Tax Rate for "Public Service":	\$ 0.27	\$ 0.27			
Tax Rate for General Property:	\$ 1.35	\$ 1.35	City Council		
Tax Revenue Estimate:	\$ 24,334,053	\$ -			
Less Revenue Reduction Programs of:					
Tax Relief for Elderly & Disabled	\$ (201,720)	\$ -	CofR	PH	
Tax Revenue to be billed:	\$ 24,132,333	\$ -			
Less Current Yr Delinquency Rate est. below:					
90.8%		0.0%	Treasurer	KB	
21,912,158	\$ -				
Add Estimated Revenue Collection of:					
Agricultural Roll Back Tax Revenue (5 Years)	\$ -	\$ -	Assessor	PH	
Prior Years of Delinquent Revenue	\$ 518,870	\$ -	Treasurer, Audit Table 10	KB	
Net Revenue Projection:	\$ 22,431,029	\$ -			
General Property "One Cent = "	\$ 163,013	\$ -			

Note: Treasurer provided the following historic collection rates:	Prelim - March	Final - Sept.
RE2013:	88.63%	0.00%
RE2014:	84.37%	0.00%
RE2015:	91.43%	0.00%
RE2016: 1st half rate from Treas. 2-13-17	90.17%	
RE2017:		
Avg of: (3 year rolling average)	88.14%	0.00%

average of 15' & 16': 90.80%

Submitted & Certified By:

Date:
 2/15/17 Assessor
 2/15/17 C of R
 2/15/17 Treasurer



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

City of Petersburg Personal Property Taxes

Personal Property Tax Revenues					To Be Provided By:	Provider's Initials
FY	PP-Vehicles (excludes PPTR)	PP-Bus. Equip	PP-Mobile Homes	PP-M&T		
Audit 2006						
Audit 2007						
Audit 2008						
Audit 2009						
Audit 2010						
Audit 2011						
Audit 2012						
Audit 2013						
Audit 2014	\$ 4,360,584		\$ 14,481	\$ 3,471,516		
Audit 2015	\$ 4,103,977		\$ 14,769	\$ 2,437,433		
GL Report Unaudited 2016	\$ 4,426,944	\$ 1,693,378.00	\$ 9,812	\$ 1,479,200		
Proj 2017	\$ 4,121,983	\$ 1,947,384.00	\$ 15,765	\$ 1,458,234	C of R	PH
					C of R	PH
Revenue Receivable:	\$ 6,503,407.00		\$ 20,249.00	\$ 2,794,509.00	C of R	PH
Est. Collection Rate:	73.57%		78.51%	97.79%	Treasurer	KB
Proj 2018:	<u>\$ 4,784,773.31</u>	<u>\$ 1,900,000.00</u>	<u>\$ 15,896.81</u>	<u>\$ 2,732,843.50</u>		

Personal Property "One Cent = "

Justification:

Added due diligence was used in getting vehicles entered in a timely manner as of Dec. 16' thus a 10 % increase in revenue.	An increase of 15% is estimated for arbitrary assessment increases due to nonfilings which are not typically challenged by the business. Also an increase is anticipated for the new chemical plant, Ampac Fine Chemicals opening in April, 2017.	Fairly consistent revenue is anticipated.	New Chemical Plant of Ampac Fine Chemicals anticipated to be running April, 2017 but not able to tax until 18' (Jan 1 run date) for added value of \$2.1M in equipment.
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Note: Treasurer provided the following historic collection rates (PP is for vehicles only):

PP 2014:	78.47%	79.49%	98.81%	Treasurer	KB
PP 2015:	71.77%	80.51%	95.24%	Treasurer	KB
PP 2016:	70.48%	75.52%	99.33%	Treasurer	KB
3 Yr Avg of:	73.57%	78.51%	97.79%		

Submitted & Certified By:

Janet G. Harris

Don A. From

Date: 2/15/17
2/15/17
C of R
Treasurer

Supplements and Abatement to be a wash of each other per CofR.



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

City of Petersburg Public Service Corp. Taxes

FY	Public Service Corp.s	To Be Provided By:	Provider's Initials	Justification:
Audit 2006				
Audit 2007				
Audit 2008				
Audit 2009				
Audit 2010				
Audit 2011				
Audit 2012				
Audit 2013				
Audit 2014	\$ 1,741,283			
Audit 2015	\$ 1,722,866			
GL Report Unaudited	\$ 1,972,124			
Proj 2017	\$ 2,057,431	C of R	PH	Represents amount billed and near 100% Collection rate
Proj 2018	\$ 2,000,000	C of R	PH	Billed in Oct. and Due in Dec.

Submitted & Certified By:

Pamela C. Harshey

C of R

Date:

2/15/17



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

City of Petersburg Local Tax Revenues By Source (Audit Table 6 - Modified Accrual Basis)

FY	R.E.,PP,PSC, Mobile,M&T, P&I													Total
	GenProp	Local Sales	Consumer Utility	BusLic.	Motor Veh Lic.	Lodging	Meals	Recordation & Wills	Cigarette	Admissions	Bank Franchise	Other		
Audit 2006	\$ 24,706,331	\$ 3,827,026	\$ 3,130,198	\$ 2,926,116	\$ 598,616	\$ 301,209	\$ 1,201,759	\$ -	\$ -	\$ -	\$ -	\$ 925,888	\$ 37,617,143	
Audit 2007	\$ 26,546,575	\$ 3,815,937	\$ 2,483,943	\$ 3,029,257	\$ 593,977	\$ 428,595	\$ 1,286,205	\$ -	\$ -	\$ -	\$ -	\$ 1,147,339	\$ 39,341,828	
Audit 2008	\$ 28,104,541	\$ 3,995,564	\$ 1,578,832	\$ 2,747,595	\$ 595,329	\$ 470,393	\$ 1,459,964	\$ -	\$ -	\$ -	\$ -	\$ 839,751	\$ 39,791,969	
Audit 2009	\$ 32,299,130	\$ 3,796,848	\$ 1,778,414	\$ 3,144,714	\$ 533,365	\$ 435,520	\$ 1,316,975	\$ -	\$ -	\$ -	\$ -	\$ 561,596	\$ 43,866,562	
Audit 2010	\$ 34,703,935	\$ 3,396,411	\$ 1,678,216	\$ 2,553,424	\$ 491,904	\$ 375,201	\$ 1,361,103	\$ -	\$ -	\$ -	\$ -	\$ 664,274	\$ 45,224,468	
Audit 2011	\$ 34,039,946	\$ 3,667,579	\$ 1,691,546	\$ 2,489,284	\$ 493,869	\$ 340,894	\$ 1,376,528	\$ -	\$ -	\$ -	\$ -	\$ 627,076	\$ 44,726,722	
Audit 2012	\$ 33,388,519	\$ 3,755,828	\$ 1,658,993	\$ 2,931,183	\$ 511,083	\$ 294,194	\$ 1,559,147	\$ -	\$ -	\$ -	\$ -	\$ 571,077	\$ 44,670,024	
Audit 2013	\$ 33,787,723	\$ 3,738,656	\$ 1,761,728	\$ 2,876,387	\$ 502,714	\$ 273,899	\$ 2,211,886	\$ -	\$ -	\$ -	\$ -	\$ 566,682	\$ 45,719,675	
Audit 2014	\$ 33,299,800	\$ 3,530,101	\$ 1,638,787	\$ 2,727,728	\$ 487,391	\$ 268,575	\$ 2,423,433	\$ -	\$ -	\$ -	\$ -	\$ 618,970	\$ 44,994,785	
Audit 2015	\$ 32,558,767	\$ 3,715,835	\$ 1,715,224	\$ 2,797,490	\$ 420,192	\$ 256,522	\$ 2,571,793	\$ 230,894	\$ 190,558	\$ 6,272	\$ 174,743	\$ -	\$ 44,638,290	
2016 GL Unaudited fr. CoR	\$ -	\$ 3,443,616	\$ 1,884,949	\$ 2,878,603	\$ 389,349	\$ 340,936	\$ 2,762,320	\$ 142,261	\$ 167,293	\$ 6,030	\$ 193,150	\$ -	\$ 12,208,507	
Proj 2017	N/A	\$ 3,500,000	\$ 1,800,000	\$ 2,959,000	\$ 400,000	\$ 505,643	\$ 2,858,000	N/A	\$ 750,000	\$ 7,000	\$ 190,000	\$ -	N/A	
2018 Est. Per State	N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Proj 2018	N/A	\$ 3,500,000	\$ 1,800,000	\$ 3,000,000	\$ 400,000	\$ 500,000	\$ 2,900,000	\$ 140,000	\$ 1,000,000	\$ 7,000	\$ 190,000			

Justification:

Estimate of 2016 actuals used with slight increase for new Farmers Market restaurant and movie creation tourism impacts.	Use General Ledger Revenue as estimate for collections annually.	FY 15 had 1,678 business; FY 16 had 1,925 business; growth in revenue anticipated given vendor increase; CoR audits are scheduled to enhance compliance.	Value due of \$773,000 however 73% do not pay thus estimate is based from history of collections.	20 Vendors with some closures recently so recommendation is to remain at FY 17' Projection where rate was increased from 6% to 10% effective 9-6-16.	119 Vendors pay with new vendors of Farmers Market and Rajun Cajun; rate went from 6% to 7% effective 9-6-16 therefore projection is conservatively consistent with FY 17'.	Not a CoR estimate; used General Ledger to estimate revenues.	Rate increased from \$.10 to \$.90 per stamp effective 9-6-16 therefore estimate is increased for FY 17 (\$250K for Oct to Dec) & 18' exponentially.	More audits anticipated for the 22 Vendors registered.	6 Banks registered to file by May 1st; no changes anticipated from FY 16.
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NOTE: Numbers in Red were provided the CoR on 2-14-17

Submitted & Certified By:

Janella C. Howard
of R

Date:

2/15/17



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

City of Petersburg
Review of R.E. Tax Exempt Property Impacts

2015 Land Book Overview Provided by the Commissioner of the Revenue								
# of Parcels	FMV	Exempted Value	Taxable Value	Taxed Rate	Tax Revenue Due	Tax Revenue Exempted	% Tax Exempted	
State/Fed/Local/Churches/Veterans	782	\$ 373,753,198	\$ 373,753,198	\$ -	\$ 1.35	\$ -	\$ 5,045,668	100%
Agricultural Land Use Credit	27	\$ 9,972,000	\$ 8,057,100	\$ 1,914,900	\$ 1.35	\$ 25,851	\$ 108,771	81%
Rehab Bldg & Tax Relief	134	\$ 88,296,000	\$ 68,053,493	\$ 20,242,507	\$ 1.35	\$ 273,274	\$ 918,722	77%
Non-Profit Service	57	\$ 36,138,000		\$ 36,138,000	\$ 0.27	\$ 97,573	\$ 390,290	80%
Taxable	13,222	\$ 1,768,190,589		\$ 1,768,190,589	\$ 1.35	\$ 23,870,573	\$ -	0%
TOTAL:	14,222	\$ 2,276,349,787	\$ 449,863,791	\$ 1,826,485,996		\$ 24,267,271	\$ 6,463,452	21%



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

Special Revenue Funds

Revenue that is derived primarily from grant funds is not allocated to the General Fund but rather is accounted for in Special Revenue Funds. As such, this revenue is derived from a specific source and must be used to finance specific activities. In addition to revenue from external sources, some revenue derived from charges and fees for services are also accounted for in Special Revenue Funds.

The City is changing its process for how it budgets, appropriates and accounts for grant funds in the Special Revenue Fund. Beginning in FY 18, the City will not assume the revenue from a grant unless a grant award is received. At the time of the grant award, the City will seek approval from Council to appropriate the funds and will add the spending authority to the Special Revenue Fund budget. Historically, there are numerous examples where the City overspent grant funds due to a grant award projection that never materialized and expenditures were not brought in line with the grant award or actual revenues. This new process will eliminate the overspend, which puts a burden on the General Fund, and results in a much lower Special Revenue Fund than was historically budgeted (See Appendix D for new Standard Operating Procedures).

The tables below illustrate where these revenues come from and how they are expended by department and the current special revenue fund budget request for FY 18.

Special Revenue Funds - Sources

	FY 16 Unaudited Actual	FY 17 2nd Amendment	FY 2017 Year to Date	FY 2018 Proposed	FY 2018 Adopted
<i>Local</i>					
Community Corrections - Intervention Fees				40,185	40,185
Community Corrections - Transfer from General Fund					48,640
Local Funding	594,849	741,167	141,830	40,185	88,825
<i>State</i>					
VDOT Highway Maintenance Urban Allocation				5,697,247	5,697,247
CAPUP Grant				50,000	50,000
Community Corrections - DCJS				318,072	318,072
Victim Witness - State				57,372	57,372
State Categorical Aid	6,316,331	7,307,783	2,028,646	6,072,691	6,122,691
<i>Federal</i>					
Victim Witness - Federal				229,491	229,491
Federal Categorical Aid	3,247,644	2,536,130	411,919	229,491	229,491
Total Revenues	10,158,824	10,585,080	2,582,395	6,392,367	6,441,007



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

Special Revenue Funds – Uses

	FY 16 Unaudited	FY 17 2nd Amendment	FY 2017 Year to Date	FY 2018 Proposed	FY 2018 Adopted
General Government	-	-	-	-	-
City Manager - Freedom House	234,631	76,000	145,405	-	-
Info. Tech. - 24 Computer Replacement Project	20,775	-	-	-	-
Constitutional Offices					
Com Atty - Victim Witness	208,525	283,505	145,694	286,863	286,863
Com Atty - Federal Asset Forfeiture	15,244	6,067	4,275	-	-
Com Atty - State Asset Forfeiture	14,276	15,000	6,805	-	-
Sheriff					
TRIAD	1,645	2,500	-	-	-
Sheriff Courthouse Security	211,500	-	-	-	-
Sheriff Vine Program	33,000	-	-	-	-
Ed Byrne S.T.E.P.S.	20,250	12,000	1,750	-	-
Police					
CIT Assessment	4,057	-	12,671	-	-
Asset Forfeiture Police State	38,580	-	21,213	-	-
DMV Mini Grant	85,372	-	45,653	-	-
Bulletproof Vest Grant	(13,658)	-	-	-	-
Police SWAT Armor	14,473	-	-	-	-
DMV Mini Grant	-	56,370	2,820	-	-
Fire					
Four for Life - Fire	24,592	25,000	(3,864)	-	-
Fire Service Board Hardware	963	250,000	-	-	-
Bio Terrorism	3,024	-	-	-	-
Assistant to Fire Grant	472,856	-	130,266	-	-
Fire LEMPG Grant 2013/2015	-	-	10,409	-	-
Fire Purchase of Life Support	-	142,937	-	-	-
Fire Program Donations	-	5,811	113	-	-
Social Services					
Petg Housing Authority Emergency Housing	64,145	-	(22)	-	-
Afro American Adoption Contribution	111,851	109,500	37,283	-	-
CAPUP Grant	15,479	31,625	24,209	50,000	50,000
Mental Health Cameron	387	16,100	-	-	-



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

Special Revenue Funds – Uses (cont.)

	FY 16 Unaudited Actual	FY 17 2nd Amendment	FY 2017 Year to Date	FY 2018 Proposed Budget	FY 2018 Adopted Budget
Courts & Other Public Safety					
Law Library	28,686	100,000	9,897	-	-
Community Corrections	311,790	358,257	191,124	358,257	406,897
Va. Juvenile Community Crime Control Act	171,537	191,051	109,473	-	-
Courthouse Construction	1,760	177,939	-	-	-
Courthouse Construction Fee	(2,451)	-	397	-	-
Public Works					
VDOT Highway Maintenance Urban Allocation	4,085,248	5,282,075	1,037,873	5,697,247	5,697,247
Paving W. Washington Street - State Revenue Sharing	549,362	-	(487,497)	-	-
Litter Control	7,479	10,000	-	-	-
Centre Hill Mansion - Cameron	39,261	9,270	-	-	-
Southside Depot Restoration	392,806	163,876	147	-	-
Rte. 460 Paving Overlay - State Revenue Sharing	1,515,233	40,000	-	-	-
Area Signal Coordination	-	200,050	-	-	-
East Washington St. Rte 36	-	600,000	-	-	-
A-1 Gateway Adoption	-	700,000	-	-	-
Stormwater Management Program	-	-	(5,164)	-	-
Leisure & Cultural Affairs					
Summer Youth Employment 1995	(519)	-	(655)	-	-
Summer Youth Employment 1997	10,932	1,278,424	-	-	-
Library Donations	1,125	-	523	-	-
Library Early Literacy United Way	7,907	-	573	-	-
Healthy Living - Cameron Foundation	43,356	50,000	28,223	-	-
Healthy Living Grant	4,582	20,000	-	-	-
Planning, ED & Code					
Permit Issuance Fees	952	23,832	2,968	-	-
PPEA Projects	-	45,000	-	-	-
Economic Development Incentive	71,350	200,000	-	-	-
Economic Development Agricultural & Consumer	-	50,000	-	-	-
Marketing Funds - FTA	(11,995)	-	-	-	-
CBRAO Historical Data Cleanup	24,975	-	-	-	-
Total Expenditures	\$8,835,343	\$ 10,532,189	\$ 1,472,562	\$ 6,392,367	\$ 6,441,007



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

The Community Development Block Grant funds local community development activities, such as infrastructure development, affordable housing, or anti-poverty programs. The CBDG is administered by the Department of Planning and Economic Development. Below is a breakdown of the sources and uses of the CDBG funds.

Community Development Block Grant – Sources

	FY 2016			
	Unaudited Actual	FY 2017 2nd Amendment	FY 2017 Year to Date	FY 2018 Adopted
Local Charges/Fees/Rent/Donations/Recovered Cost	-	-	-	-
State Categorical Aid	438,227	1,339,150	153,129	723,419
Federal Categorical Aid	-	-	-	-
Transfer from Designated Fund Balance (General Fund Code Enforcement)	-	-	-	200,000
Total Revenues:	438,227	1,339,150	153,129	923,419



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

Community Development Block Grant - Uses

	FY 2016 Unaudited Actual	FY 2017 2nd Amendment	FY 2017 Year to Date	FY 2018 Adopted
<i>Grant Administration</i>				
Salaries & Wages	\$ 28,323	\$ -	\$ 15,443	\$ -
Part-time Salaries	15,831	-	12,700	-
FICA	93	-	-	-
VRS	134	-	-	-
Hospitalization/Medical Plans	148	-	-	-
Group Insurance	12	-	-	-
Contractual Services	48,879	117,163	22,516	-
Printing & Binding	-	-	-	-
Advertising	210	-	431	-
Subsistence and Lodging	-	-	-	-
Training & Conference	50	-	-	-
Travel Expenditure	-	-	-	-
Office Supplies	1,359	-	-	-
Administration Expenditures	\$ 95,038	\$ 117,163	\$ 51,090	\$ 118,419
<i>Project Expenditures</i>				
Code Enforcement	\$ -	\$ 140,000	\$ -	\$ 95,000
C.A.R.E.S.	19,302	14,000	9,571	20,000
Salvation Army	19,400	14,000	-	20,000
Elder Homes Corporation	144,400	194,000	81,837	-
YMCA Child Care & After School	19,386	14,000	8,453	20,000
Rebuilding Together	19,400	23,800	-	25,000
Hope Center-Roof/Interior Improvement	12,545	14,000	-	-
History Camp	2,152	5,000	-	-
Serenity	4,800	4,800	4,800	5,000
Freedom Support Center	44,900	29,200	-	-
Rt 36 Sidewalks	42,518	-	-	-
Centre Hill Mansion	223	-	-	-
McKenney Street Sewer-CDBG	14,843	-	-	-
Jarret House CDBG	3,932	-	-	-
Main Street Program Operating	-	44,000	30	-
Black History Museum	-	29,200	-	-
Sycamore Towers	-	197,000	-	-
Slagle Ave Neighborhood Sidewalk	-	300,000	-	-
Jarratt House	-	188,630	-	-
McKenney St. Sewer Project	-	10,357	-	-
Project Homes	-	-	-	200,000
Commercial Improvement Grants	-	-	-	55,000
Develop Petersburg Program Grants	-	-	-	25,000
Technical Assistance to Businesses	-	-	-	20,000
CIP/Utilities	-	-	-	120,000
Subtotal CDBG Project Expenditures	\$ 347,801	\$ 1,221,987	\$ 104,691	\$ 605,000
Transfer to General Fund				\$ 200,000



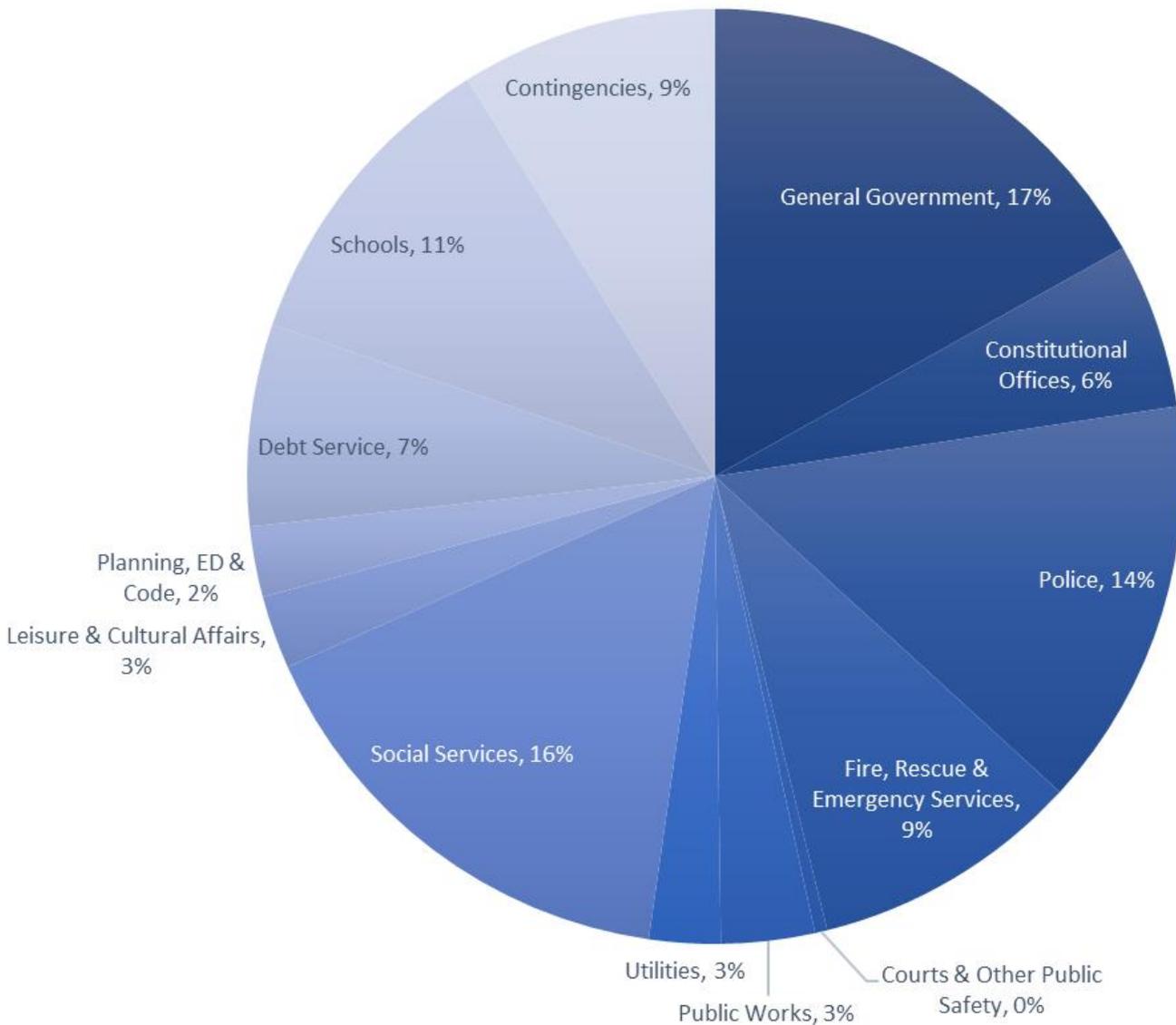
Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

Expenditures

The following charts summarize department and non-departmental General Fund expenditures. Additional detail can be found below.

General Fund Expenditures





Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

General Fund Expenditures by Department

Department\Agency	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
General Government	11,954,706	11,557,360	12,890,792	13,155,997	14%
City Council/City Clerk	292,555	178,812	166,304	172,625	-3%
City Manager	659,179	852,600	903,649	887,590	4%
Hispanic Liaison	107,697	47,887	-	-	-100%
City Attorney	341,355	392,892	446,971	456,957	16%
Human Resources	318,134	354,012	528,039	528,039	49%
Assessor	490,115	376,326	430,509	428,016	14%
Finance	659,151	522,028	943,572	943,572	81%
Risk Management	1,415,433	1,642,999	1,510,864	1,510,864	-8%
Purchasing	299,041	276,871	298,303	298,303	8%
Information Systems	1,107,281	732,191	975,621	975,621	33%
Non Departmental	6,264,765	6,180,742	6,686,961	6,954,411	13%
Constitutional Offices	4,275,575	4,142,985	4,404,868	4,457,934	8%
Commissioner of Revenue	351,928	349,725	351,294	351,294	0%
Treasurer	482,421	389,263	553,238	553,238	42%
Registrar and Elections	320,951	271,472	355,238	355,237	31%
Clerk - Circuit Court	704,366	653,384	659,381	659,382	1%
Commonwealth Attorney	1,083,048	1,040,530	1,116,098	1,116,098	7%
Sheriff	1,332,861	1,438,611	1,369,618	1,422,684	-1%
Police	9,412,677	9,259,491	11,208,230	11,058,230	19%
Police	7,317,191	7,390,174	8,742,896	8,592,896	16%
Emergency Communications	310,725	1,597,481	2,169,767	2,169,767	36%
Animal Warden	1,784,761	271,836	295,568	295,567	9%
Fire, Rescue & Emergency Services	6,400,987	5,877,870	7,677,842	7,277,842	24%
Courts & Other Public Safety	\$ 226,096	286,355	284,251	332,891	16%
Circuit Court Judges & Administration	\$ 75,008	102,939	96,081	96,081	-7%
General District Court	\$ 52,800	40,700	40,800	40,800	0%
Magistrate	\$ -	42,730	43,318	43,318	1%
Juv Justice/Court Services Unit	\$ 89,288	92,236	96,301	96,301	4%
Juvenile & Domestic Relations Court	\$ 9,000	7,750	7,750	7,750	0%
Transfer to Community Corrections	\$ -	-	-	48,640	

(cont. on the following page)



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

General Fund Expenditures by Department (cont.)

Department\Agency	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Public Works	3,245,346	4,054,997	2,462,214	2,519,963	-38%
Fleet & Equip Management	-	1,527,353	44,243	44,243	-97%
Engineering	141,741	175,899	210,626	210,626	20%
Facilities Management	2,332,134	1,763,014	1,576,304	1,576,304	-11%
Grounds	771,471	588,731	631,041	688,791	17%
Utilities	1,500,000	1,915,310	1,628,014	1,921,311	0%
Refuse Collection	1,500,000	1,915,310	1,628,014	1,921,311	0%
Social Services	11,771,272	12,616,437	12,513,119	12,513,119	-1%
Social Services	8,488,906	8,808,111	8,607,226	8,607,226	-2%
CSA	3,093,326	3,689,483	3,694,234	3,694,234	0%
V/PJCCCA	189,040	118,843	211,659	211,659	78%
Leisure & Cultural Affairs	2,649,451	2,077,034	1,951,254	1,976,298	-5%
Parks & Leisure Svcs.	956,995	716,825	569,087	716,445	0%
Public Library	1,355,989	1,058,038	1,089,590	1,113,966	5%
Special Events	336,467	199,317	188,601	107,939	-46%
Cemeteries Operations	-	102,854	103,975	37,948	-63%
Planning, ED & Code	1,530,764	1,548,962	1,894,632	1,894,632	22%
Planning and ED	599,466	596,079	873,081	873,081	46%
Code Compliance	844,698	540,674	824,122	824,122	52%
Museums Visitor Svcs	86,600	261,925	100,880	100,880	-61%
Freedom Support Center	-	150,284	96,549	96,549	-36%
Departmental General Fund Total	52,966,874	53,336,801	56,915,216	57,108,217	7%



Summary Tables

City of Petersburg, VA
FY 2018 Operating Budget

General Fund Expenditures – Other Uses

Other Uses	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Debt Service	4,580,327	5,442,129	5,432,520	5,432,520	0%
Contingencies/Fund Balance	-	1,243,190	6,000,000	6,000,000	383%
Rebuild Fund Balance-Policy Requirement		-	750,000	750,000	
Pay-Go (Per Policy: 5% Rolling Avg)	-	-	160,000	160,000	
Schools	11,662,512	8,474,762	8,474,762	8,474,762	0%
Petersburg Generals	108,011	64,616	-	-	-100%
Mass Transit	246,592	-	-	300,000	
CDBG Funds to Offset Code Cost		(150,000)			
Other Uses General Fund Total	16,597,442	15,074,697	20,817,282	21,117,282	40%
Total General Fund Expenditures	69,564,316	68,411,498	77,732,498	78,225,499	14.35%



CIP Summary

City of Petersburg, VA
FY 2018 Operating Budget

Capital Improvement Program Overview

The Adopted Capital Budget and CIP are the means by which the City invests in its future. The Capital Budget addresses critical infrastructure projects that have a long useful life. The projects are generally funded by bonds (borrowings) with 20-30 year terms that match the useful lives of the projects.

The City of Petersburg has extensive infrastructure needs as a result of the age of its facilities and a history of long-term neglect and disinvestment.

The City's ability to fund capital projects is directly related to its ability to borrow money. The ability to borrow funds (issue debt) at reasonable rates is dependent on several factors:

1. The City must not be overburdened by debt. Petersburg is very fortunate that it has relatively low levels of long term debt and its debt service as a percentage of the General Fund Budget is low as well.
2. The City must have an investment grade credit rating, which is a measure of the City's financial management, its financial policies and fiscal discipline, its level of indebtedness, its fund balance reserve, its budget performance, its economy and revenue growth, and its poverty levels. The City's bond rating has dropped to BB with a negative outlook, which means it could fall even further.
3. The City needs to be able to invest in the future and that is dependent on its ability to borrow and service debt. To improve its credit rating and increase the likelihood of being able to borrow funds, the City must adopt a structurally balanced and conservative budget and it must rebuild its fund balance.

The Adopted FY 2018 Capital Budget and 5-Year Capital Improvement Program reflect the City's fiscal limitations. Issuing new debt at this time is neither prudent nor realistic. Accordingly, the Adopted Capital Budget does not include any new debt-financed projects other than Utility capital projects, which are planned to be financed by previously allocated bond financings of the Virginia Resources Authority (VRA).

FY 2018 will be a year to further stabilize the City's finances.

Additional highlights of the 5-Year Capital Improvement Program include:

- Council approved \$160,000 in Pay-Go funds to support the repair of the HVAC system at Blandford Church (\$12,000), the repair of the Centre Hill Mansion boiler (\$35,000), and contingency (\$113,000).
- No funds for capital projects have been appropriated. City staff will return to Council for fund appropriation as revenues become available and projects are ready.
- The City's financial advisors (Davenport) have advised that the City can support an additional \$24 million in General Fund supported debt over the next 10 years, or roughly \$10 million over the next 5



CIP Summary

City of Petersburg, VA
FY 2018 Operating Budget

years, without increasing the City's debt service burden. As a result, the 5-Year CIP includes only about \$10 million in General Fund-supported projects, allocated between fiscal years 2019 and 2022.

- The Utility CIP includes \$52.5 million in infrastructure projects and is contingent on the City's ability to issue ratepayer-supported revenue bonds, which is uncertain at this time.
- FY 2018 includes Utility projects amounting to \$5.3 million, which are funded by VRA bonds allocated to Petersburg and are contingent on approval by VRA.
- Capital improvements planned by the Appomattox Water Authority and the South Central Wastewater Authority will be financed by the respective authorities (not through the CIP) and will be reflected in rates charged to Petersburg and its utility customers.
- Storm water capital projects are delayed to years 2021 and 2022 in the CIP, as current storm water fees are already allocated to operating costs and debt service on a previous borrowing.
- Transit projects are included based on anticipated funding from State and Federal government agencies to Petersburg Area Transit.
- VDOT Urban Allocation funds for street improvements are reflected in the operating budget for the Department of Public Works, not in the CIP.
- The School Board requests for major new construction projects, including three new elementary schools, a middle school classroom/multi-purpose room, and a high school field house have all been delayed beyond the 5-year time horizon of the CIP.

See The Adopted 5-Year Capital Improvement Program for additional detail.



Personnel

City of Petersburg, VA
FY 2018 Operating Budget

Personnel & Compensation

The FY 18 Adopted Operating Budget continues to invest a significant amount of funding in the City’s workforce. The Adopted Budget includes funding for 492 full-time General Fund positions and 627 total full-time positions when Utilities, Mass Transit, Streets, Dogwood Trace Golf Course, and other non-General Fund supported agencies are included. Forty percent of the City’s General Fund operating costs are dedicated to personnel, including both salaries and benefits. Full-time, part-time and seasonal employees are paid salaries and fringe benefits, such as healthcare, retirement, social security and life insurance, are provided to qualifying employees.

Personnel

In 2014, the City conducted a compensation study that compared 55 job titles in Petersburg government to other local jurisdictions in Virginia. The study found that compensation for City employees lags the market average significantly for all but six out of the jobs evaluated. The City implemented some of the study’s recommendations, but salaries continued to fall behind the market average. The study recommended that the City shift from a step system to an open range pay plan; routinely evaluate the pay plan and ensure that compensation is market driven. Even after implementing some of the recommendations, City salaries continued to lag the market average.

The tables below show compensation levels for a sampling of job titles at the City in FY 16, as well as how much the City salaries lag the regional job market.

FY 16 Compensation

Job Title	Min	Mid	Max
Firefighter	38,147	56,540	62,829
Police Sergeant	48,687	59,398	80,187
Human Resources Technician	30,673	37,421	50,518
Account Clerk II	24,033	29,320	39,582
Maintenance Worker I	17,080	20,837	28,130
Telecommunicator I	32,206	39,292	53,044
Administrative Assistant I	27,821	33,942	45,821
Recreation Program Coordinator	37,283	45,485	61,405
Motor Equipment Operator II	25,235	30,786	41,561
Accountant II	41,104	50,147	67,699



Personnel

City of Petersburg, VA
FY 2018 Operating Budget

FY 16 Market Lag

Job Title	Min	Mid	Max
Firefighter	-18%	-16%	-16%
Police Sergeant	-5%	-8%	-10%
Human Resources Technician	-28%	-28%	-28%
Account Clerk II	-47%	-47%	-47%
Maintenance Worker I	-32%	-31%	-30%
Telecommunicator I	-6%	-8%	-9%
Administrative Assistant I	-14%	-15%	-15%
Recreation Program Coordinator	-28%	-29%	-31%
Motor Equipment Operator II	-26%	-27%	-29%
Accountant II	-25%	-25%	-26%

It was against this backdrop that, in the Summer of 2016, at the recommendation of the PFM Group, City Council cut salaries by 10 percent across the board in order to address a significant budget deficit.³ The PFM Group report acknowledged that the City would not be able to sustain the reduction in pay indefinitely.

To rebuild a healthy, productive government, the City must be able to compete with neighboring jurisdictions for high quality staff. To aid in recruitment and retention, the FY 2018 Adopted Operating Budget restore employees' salaries to their levels before the across the board cuts, wherever possible. Because the City is still in financially trying times, any requests for new staff or for salary increases beyond the 10 percent were reviewed very carefully. On average, salaries are increasing 16 percent across the City. For the Police Department, salaries are increasing 33 percent, on average, to deal with significant recruitment and retention challenges.

The Adopted Budget makes a particular effort to ensure that all job titles that were part of the market study are paid at least the minimum end of the recommended competitive salary range; make investments in critical areas such as Finance, IT/Data Analytics, and Public Safety; and clarify reporting structures for all positions in the reorganization.

The tables below illustrate the number of full time employees by department funded by the General Fund and other revenue sources. For detailed breakdown of positions in each department see Appendix E.

³ Petersburg: A Need for Action, A Path Forward Recommendation for FY 2017 - Program to Eliminate the Gap. PFM Group: Financial & Investment Advisors, August 22, 2016. <http://www.petersburgva.gov/DocumentCenter/View/2349>.



Personnel

City of Petersburg, VA
FY 2018 Operating Budget

Full-Time Employees by Department

Department/Division	FY 2016 Adopted	FY 2017 Amended	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
General Fund					
General Government					
City Attorney	3	3	3	2	3
City Council/Clerk	8	8	8	8	8
City Manager	5	2	2	4	5
Hispanic Liaison	1	0	0	0	0
City Treasurer	9	7	7	5	5
Finance	7	7	6	7	7
Human Resources	3	3	4	4	4
Information Technology	4	6	4	5	5
Purchasing	3	3	3	3	3
City Assessor	6	5	5	5	5
Risk Manager	2	1	1	0	0
Constitutional Officers					
Circuit Court	1	1	1	1	1
Clerk of Circuit Court	11	11	10	11	11
Commissioner of the Revenue	7	7	6	6	6
Commonwealth Attorney	12	12	12	12	12
Sheriff	21	22	23	24	24
Registrar	3	3	3	3	3
Police					
Animal Control	5	5	5	4	4
Emergency Communications	26	21	22	22	22
Police	124	123	110	111	111
Fire, Rescue & Emergency Services					
Fire	82	84	83	83	83
Public Works					
Fleet (Motor Vehicle Repair)	0	2	1	1	1
Facilities	16	14	14	2	2
Grounds	15	15	13	12	12
Engineering	5	5	5	5	5
Social Services					
Juvenile Community Crime Control Programs	4	4	4	3	3
Office of Child Services (Comprehensive Services)	1	1	1	1	1
Social Services	117.5	104	104	110	110

(cont. on next page)



Personnel

City of Petersburg, VA
FY 2018 Operating Budget

Full-Time Employees by Department

Department/Division	FY 16 Adopted	FY 17 Amended	FY 17 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
General Fund (cont.)					
Leisure and Cultural Affairs					
Museums/Visitor Center	2	2	0	0	0
Parks and Leisure	8	6	6	1	4
Public Library	12	12	10	10	10
Special Events/Cultural Affairs	3	3	1	1	1
Planning, ED, and Code					
Code Compliance	12	8	8	13	13
Freedom Support Center	0	1	1	1	1
Planning and Community Development	13	7	7	7	7
Total General Fund Positions	551.5	518	384	489	492
Other Revenue Sources					
Utilities					
Water/Wastewater	37.5	38.5	38.5	33	35
Stormwater (Public Works)	3	3	3	3	3
Mass Transit					
Mass Transit	40	40	40	38	46
Public Works					
Street Maintenance	35	35	35	35	35
Leisure and Cultural Affairs					
Dogwood Trace Golf Course	3	3	4	7	6
Social Services					
Community Corrections	5	5	5	5	6
Courts & Other Public Safety					
Victim Witness	4	4	4	4	4
Total Non-General Fund Positions	127.5	128.5	129.5	125	135
Total Full-Time Positions	679	646.5	513.5	617	627



Personnel

City of Petersburg, VA
FY 2018 Operating Budget

Compensation

The City provides a range of benefits to its full- and part-time employees. Several of these rates remain constant in the FY 2018 Adopted Budget, including:

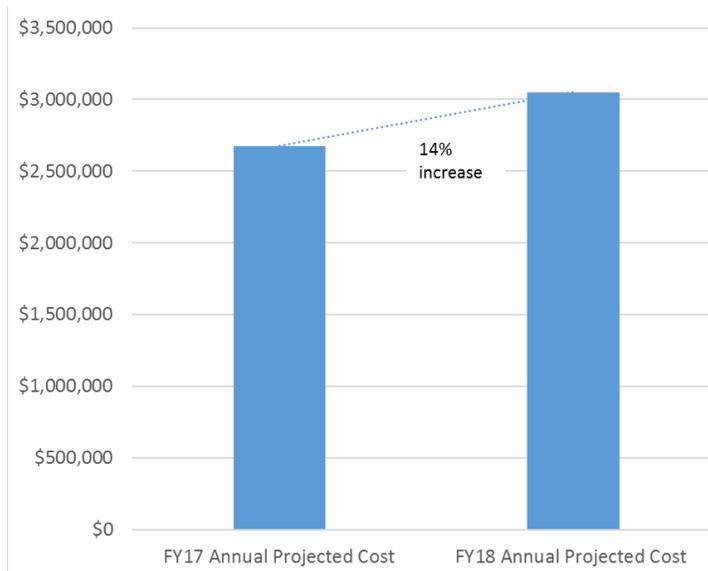
- All full-time employees are eligible to participate in the VRS retirement system. The City contributes 12.01 percent of employees' salaries into the VRS fund.
- The City contributes to FICA for full-time, part-time and overtime workers at a rate of 7.65 percent of their salaries.
- Full-time employees can participate in Group Life Insurance. The City contributes 1.31 percent of full-time employees' salaries towards Group Life Insurance

Health Care

The City participates in a consortium of local governments called Local Choice to offer employees' health care. In FY 2017, the City offered two different health care plans to employees. For both of these plans, the City contributed 93 percent of the cost of health care coverage, while employees contributed the remaining 7 percent.

While estimating expenditures for the FY 2018 budget, the City found that if it continued to offer these two plans with no changes, healthcare costs would increase 14 percent in FY 2018 from \$2.7 to \$3.1 million.

Current and Annual Projected Health Care Costs Under Current Benefit Structure





Personnel

City of Petersburg, VA
 FY 2018 Operating Budget

The FY 2018 Adopted Budget offers a two-pronged approach to manage costs:

1. Reduce the City’s contribution to health care coverage from 93 to 80 percent. State code requires that the City pay a minimum of 80 percent of employees’ health care premium costs. Most jurisdictions pay only 80 percent of costs.
2. Modify the plans offered to employees (see table below). The City will continue to offer the Key 500 Plan, but will eliminate the Key Expanded Plan from its benefit package. The Key Expanded Plan will be replaced with the Key 1000 Plan, which will offer lower premiums and a \$1,000 deductible. The combination of the Key 500 and Key 1000 plans will allow employees to choose whether they prefer a higher premium and lower deductible or a lower premium and higher deductible.

Current and New Health Care Plans - Employee Costs*

	Plan Name	Monthly Premium	Deductible
Current	Key Advantage 500 - Comprehensive Dental	\$55.00	\$500
	Key Advantage 500 - Preventive Dental	\$37.12	\$500
	Key Advantage Expanded - Comprehensive Dental	\$169.00	\$100
	Key Advantage Expanded - Preventive Dental	\$151.12	\$100
New	Key Advantage 500 - Comprehensive Dental	\$133.20	\$500
	Key Advantage 500 - Preventive Dental	\$130.40	\$500
	Key Advantage 1000 - Comprehensive Dental	\$126.00	\$1,000
	Key Advantage 1000 - Preventive Dental	\$123.20	\$1,000

*Costs for plans covering individual employee-only.

The City expects to save \$300,000 in health care costs by implementing this approach. Employees will see a change of less than \$100 per paycheck as a result of these benefit changes. City leadership is continuing to explore the best way to offer healthcare benefits, including but not limited to the addition of high-deductible plans and incentives for good healthcare management.



Department Budgets

City of Petersburg, VA
FY 2018 Operating Budget

Department Budgets

The sections below provide summaries of department and division responsibilities, as well as historical and adopted budgets for each department and division. Where applicable, revenues, such as user fees or service charges, are also detailed.



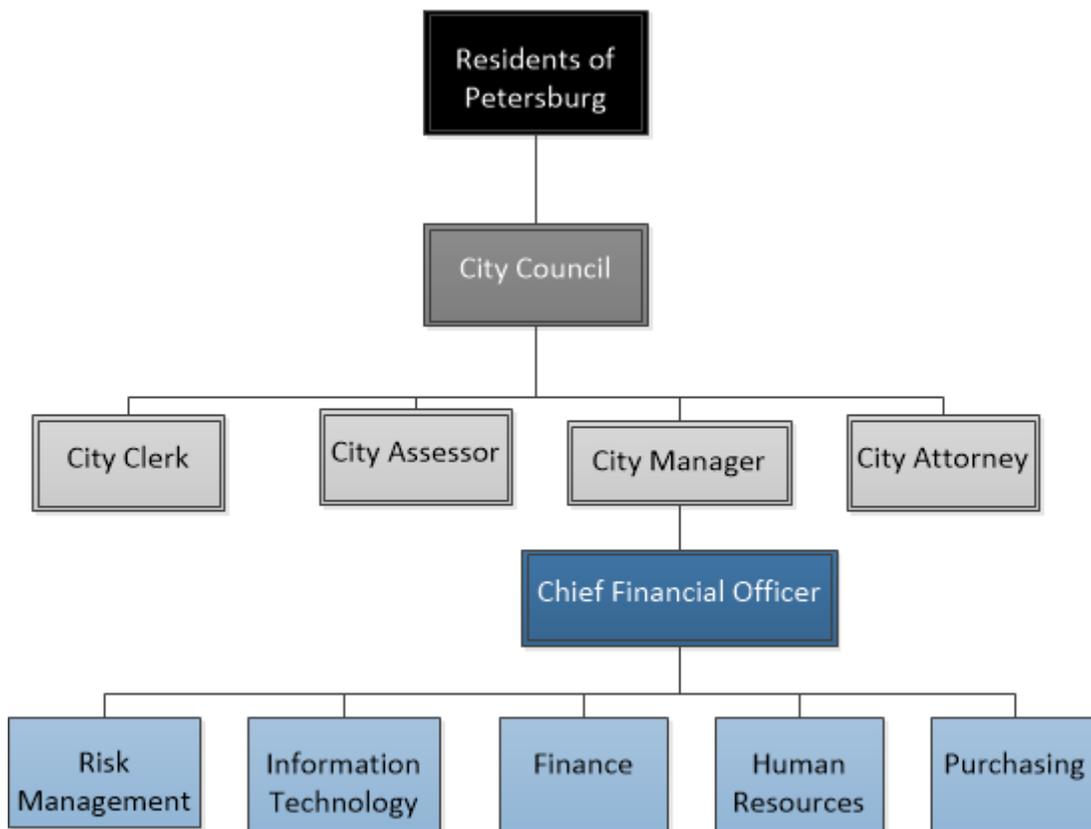


General Government

City of Petersburg, VA
FY 2018 Operating Budget

General Government

The new budget structure puts the following departments in the General Government category. These departments share similar characteristics, although some report directly to City Council and others are internally focused support agencies who report to the newly created Chief Financial Officer position. This budget also includes the “Non-Departmental” budget, which pays for items that do not closely link to a particular departmental budget. Significant work has been done to include expenses in departmental budgets, where possible. Further details are provided below.



Budget Highlights

The total FY18 Adopted Operating Budget for General Government is \$13,155,997, an increase of 12 percent from the FY17 Adopted 2nd Amendment Budget.

Aligned with the City’s goal of achieving fiscal solvency and stability, the budget reflects additional investment of over \$500,000 from FY 2017 to build a functional Finance Department. The department will be responsible for establishing and monitoring adherence to financial and budget policies, along with compliance and execution of



General Government

City of Petersburg, VA
FY 2018 Operating Budget

strong operating policies. The Non-Departmental budget includes funding for continued support from the Robert Bobb Group’s management consulting contract to support the turnaround of Petersburg. In addition, the City Manager’s budget includes the addition of a Deputy City Manager and a Chief Financial Officer position and funding to hire a strong internal auditing function to ensure that progress continues to be made towards the implementation of policies, practices and procedures. Additional resources have been provided to the Information Services department to focus more attention on data analytics and ensuring that information in the City’s critical systems is accurate. Additionally, the City Assessor will continue to work to ensure that tax credits and tax exemptions of real property assessments are audited and appropriate.

Towards the goal of increasing operational efficiency while driving performance, the budget provides for the procuring of a time and attendance system. This system will replace the existing manual process and outsource the payroll processing function. This will provide for increased redundancy and the assurance that all changes in laws and rules are enacted. Another function recommended for outsourcing is the City’s risk management function, which is largely already outsourced through a contract with BB&T. The Finance, Purchasing and Human Resources departments would absorb any functions that could not be done through a contract. The Proposed Budget included funding in City Attorney’s budget for outside legal support. In the Adopted Budget, City Council instead approved an Assistant City Attorney position. Lastly, the Purchasing Office has been tasked with driving operational efficiency by moving to one contract for copying/scanning/printing services, building security and overseeing the process to outsource several functions that are addressed throughout this budget.

GENERAL GOVERNMENT	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	2,833,149	2,206,836	3,065,313	3,262,886	48%
Non-Personnel	2,749,095	3,121,895	3,138,519	2,938,701	-6%
Non-Departmental	6,264,765	6,180,742	6,686,961	6,954,411	13%
Hispanic Liaison	107,697	47,887	-	-	-100%
Total	11,954,706	11,557,360	12,890,792	13,155,997	14%

Divisions

City Assessor

The City Assessor conducts an annual reassessment program on real estate parcels throughout the City. The Assessor develops a regular inspection schedule to review property changes due to permits, demolition or other damage; processes deed transfers and deeds of trust; administers land use and rehabilitation programs; reviews assessment appeals by property owners; and assists the Board of Equalization with appeals. The



General Government

City of Petersburg, VA
FY 2018 Operating Budget

Assessor will continue to audit tax credits and tax exempt properties to ensure the appropriateness of their designation.

City Assessor Personnel & Non-Personnel Costs

CITY ASSESSOR	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	412,715	337,802	352,587	350,094	4%
Non-Personnel	77,400	38,524	77,922	77,922	102%
Total	490,115	376,326	430,509	428,016	14%

City Assessor Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	314,316	251,387	269,744	267,683
Part-time Salaries	24,045	-	-	-
FICA	47,933	19,231	20,635	20,478
V.R.S.	22,272	30,192	32,396	32,149
Hospitalization/Medical Plans	4,149	33,674	26,278	26,278
Group Insurance	-	3,318	3,534	3,507
Total Personnel Costs	412,715	337,802	352,587	350,094

City Assessor Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Oth Contract Serv-Equalization Bd	65,300	28,752	64,050	64,050
Telephone	-	-	600	600
Repairs - Motor Vehilces	-	900	900	900
Postal Services	3,500	3,500	7,000	7,000
Travel	2,500	1,000	1,000	1,000
Dues and Association Memberships	400	372	372	372
Office Supplies	1,500	1,500	1,500	1,500
Vehicle and Powered Equipment Fuels	4,200	2,500	2,500	2,500
Total Non-Personnel Costs	77,400	38,524	77,922	77,922



General Government

City of Petersburg, VA
FY 2018 Operating Budget

Office of the City Attorney

The general duties of the Office of the City Attorney include:

- Preparation of all bonds, contracts, deeds, and instruments in writing whatsoever, which may be required by any ordinance or order of the City Council, or when, by law, usage or agreement, the preparation of such instrument is to be at the expense of the City.
- To give, whenever required, to the City Council and other officers and employees of the City, any and all necessary legal counsel and advice concerning their duties and matters and questions pertaining to such duties.
- To defend any and all suits or proceedings instituted against the City.
- To institute and prosecute all suits or proceedings commenced by the City.
- To render such other legal service as the City Council may require.

In addition to the other duties prescribed by law, the City Attorney renders legal services to the officers and employees of the City in all suits, actions, and proceedings brought against them as defendants, other than those involving violations of the criminal laws of the state and penal ordinances of the City, in which the City has an interest when there is no conflict between the City's interest and that of any such officer and employee and the subject matter of the suit, action, or proceeding arose during and out of the scope of the employment of such officer or employee and during the hours prescribed for performing such services. The Adopted Budget includes funding for an Assistant City Attorney position to handle the myriad of legal support that is required.

City Attorney Personnel & Non-Personnel Costs

CITY ATTORNEY	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	290,855	345,392	238,975	347,361	1%
Non-Personnel	50,500	47,500	207,996	109,596	131%
Total	341,355	392,892	446,971	456,957	16%

City Attorney Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	229,431	275,000	184,500	274,090
FICA	17,551	21,038	14,114	20,968
V.R.S.	34,989	33,028	22,158	32,918
Hospitalization/Medical Plans	5,856	12,696	15,767	15,767
Group Insurance	3,028	3,630	2,435	3,618
Total Personnel Costs	290,855	345,392	238,975	347,361



General Government

City of Petersburg, VA
FY 2018 Operating Budget

City Attorney Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	46,000	45,000	200,000	101,600
Telecommunications	-	-	600	600
Postal Services	300	300	300	300
Travel	1,500	500	500	500
Dues and Association Memberships	1,200	200	5,096	5,096
Office Supplies	1,500	1,500	1,500	1,500
Total Non-Personnel Costs	50,500	47,500	207,996	109,596

City Council & City Clerk

The City Council is the governing body and legislative arm of the City of Petersburg. It is comprised of seven members, one from each ward and elected by qualified voters from each ward. City Council Members' salaries are established based on population in accordance with Virginia state law. The City Council selects a Mayor and Vice Mayor from its membership every other year at their reorganization meeting. The City Council meets the 1st and 3rd Tuesday of each month with other special meetings as needed.

As approved by the City Charter, the City Council established the position of Clerk of Council, who is appointed by Council and serves at their pleasure. The Clerk of Council is the custodian of the City Seal, serves as the official records manager for all City Council documents, prepares the City Council meeting agenda, prepares the minutes from the City Council meetings, and provides assistance to City Council, citizens and other departments as needed.

City Council Personnel & Non-Personnel Costs

CITY COUNCIL & CITY CLERK	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	124,855	117,912	116,904	123,225	5%
Non-Personnel	167,700	60,900	49,400	49,400	-19%
Total	292,555	178,812	166,304	172,625	-3%



General Government

City of Petersburg, VA
FY 2018 Operating Budget

City Council Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	52,250	47,025	47,025	52,250
Part-time Salaries	50,250	42,750	50,250	50,250
FICA	7,841	6,868	7,442	7,841
V.R.S.	7,968	5,648	5,648	6,275
Hospitalization/Medical Plans	5,856	15,000	5,256	5,256
Group Insurance	690	621	1,284	1,353
Total Personnel Costs	124,855	117,912	116,904	123,225

City Council Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Professional Service - Other	8,000	2,000	5,000	5,000
Other Contractual Services	48,000	29,000	5,000	5,000
Advertising	17,000	15,000	15,000	15,000
Postal Services	400	400	400	400
Telecommunications	-		3,000	3,000
Subsistence and Lodging	38,500	3,000	3,000	3,000
Travel	38,500	3,000	3,000	3,000
Dues and Association Memberships	7,000	3,000	3,000	3,000
Office Supplies	10,300	5,500	12,000	12,000
Total Non-Personnel Costs	167,700	60,900	49,400	49,400

City Manager

The City Manager is hired to serve City Council and the community. The Manager supports, oversees and coordinates executive branch departments, ensuring efficient and high-quality delivery of projects and services. The City Manager's office also plays a key role in developing policy initiatives and monitoring department performance. The City Manager is responsible for ensuring seamless collaboration across executive branch departments. The City Manager's budget includes the addition of a Deputy City Manager and a Chief Financial Officer position, funding to hire a strong internal auditing function to ensure that progress continues to be made towards the implementation of policies, practices and procedures. The Proposed Budget included funding for outsourced public information/public relations assistance; City Council replaced contractor funding with funding for a Public Information Officer position in the Adopted Budget.



General Government

City of Petersburg, VA
FY 2018 Operating Budget

City Manager Personnel & Non-Personnel Costs

CITY MANAGER	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	531,636	230,998	662,809	748,168	224%
Non-Personnel	127,543	621,602	240,840	139,422	-78%
Total	659,179	852,600	903,649	887,590	4%

City Manager Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	407,229	176,975	517,500	588,062
FICA	31,153	12,406	39,589	44,987
V.R.S.	62,103	19,476	62,152	70,626
Hospitalization/Medical Plans	25,776	20,000	36,789	36,789
Group Insurance	5,375	2,141	6,779	7,704
Total Personnel Costs	531,636	230,998	662,809	748,168

City Manager Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	100,573	610,352	200,000	98,582
Advertising	2,000	2,500	-	-
Public Relations	-	-	5,000	5,000
Postal Services	350	100	200	200
Telecommunications	-	-	3,000	3,000
Lease/Rent of Equipment	5,820	4,500	6,000	6,000
Subsistence and Lodging	2,250	-	1,500	1,500
Travel	2,500	500	1,000	1,000
Dues and Association Memberships	4,000	500	5,000	5,000
Office Supplies	7,300	2,000	5,000	5,000
Vehicle and Powered Equipment Fuels	2,000	1,000	4,200	4,200
Books and Subscriptions	750	150	-	-
Computer Software under \$5000	-	-	6,600	6,600
Vehicle Maintenance	-	-	3,340	3,340
Total Non-Personnel Costs	127,543	621,602	240,840	139,422



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Finance

The Finance office is responsible for the direction, coordination, control and administration of the fiscal management of the City. The budget proposes over \$500,000 to rebuild a functional Finance Department. The department will be responsible for establishing and monitoring adherence to financial and budget policies, along with compliance and execution of strong operating policies. The focus will be heavily on compliance, policies and procedures and providing the foundation for the administrative and financial stability of the City. The structure will include a Director/Controller, two Assistant Directors/Controllers, a Grant Accountant, an Accountant, and two Accounts Payable clerks.

Finance Personnel & Non-Personnel Costs

FINANCE	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	502,121	305,578	722,822	722,822	137%
Non-Personnel	157,030	216,450	220,750	220,750	2%
Total	659,151	522,028	943,572	943,572	81%

Finance Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	365,618	163,000	480,100	480,100
Part-time Salaries	-	65,000	-	-
Unemployment Insurance	-	-	50,000	50,000
Workers Comp	-	-	50,000	50,000
FICA	29,954	15,000	36,728	36,728
V.R.S.	55,757	19,576	57,660	57,660
Hospitalization/Medical Plans	45,966	40,850	42,045	42,045
Group Insurance	4,826	2,152	6,289	6,289
Total Personnel Costs	502,121	305,578	722,822	722,822



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Finance Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Accounting and Auditing Services	102,580	90,000	90,000	90,000
Other Contractual Services	34,400	94,000	94,000	94,000
Forms	500	500	500	500
Advertising	500	500	500	500
Postage	9,800	5,200	5,200	5,200
Mileage - Allowance	250	250	250	250
Subsistence and Lodging	500	500	500	500
Office Supplies	7,500	6,000	5,000	5,000
Dues and Association Memberships	1,000	19,500	24,050	24,050
Equipment	-	-	750	750
Total Non-Personnel Costs	157,030	216,450	220,750	220,750

Risk Management

The Risk Management office is responsible for administering the City's Loss Control/Safety Program, ensuring adequate risk transfer through the purchase of the appropriate insurance coverage, and facilitating the reporting and resolution of insurance claims. In FY 2018, the City is considering contracting out the remainder of the risk management services, which is already largely outsourced through a contract with BB&T. The Finance, Purchasing and Human Resources departments would absorb any functions that could not be done through a contract and will therefore will eliminate the personnel budget for this office. This budget, which is largely comprised of the insurance premiums the City pays will be incorporated into the Finance Department moving forward.

Risk Management Personnel & Non-Personnel Costs

RISK MANAGEMENT	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	119,276	79,136	-	-	-100%
Non-Personnel	1,296,157	1,563,863	1,510,864	1,510,864	-3%
Total	1,415,433	1,642,999	1,510,864	1,510,864	-8%



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Risk Management Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	96,020	65,412	-	-
FICA	7,346	5,004	-	-
V.R.S.	14,643	7,856	-	-
V.R.S. Group Life	1,267	863	-	-
Total Personnel Costs	119,276	79,136	-	-

Risk Management Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Employee Liability - Workers Comp	264,182	252,615	252,615	252,615
Other Contractual Services	35,900	35,900	50,000	50,000
Postage	200	200		
Insurance--Buildings	183,539	159,800	159,800	159,800
Other Property Insurance	21,594	21,025	12,425	12,425
Motor Vehicle Insurance	354,073	300,117	300,117	300,117
General Liability Insurance	225,197	238,673	238,673	238,673
Theft Insurance	800	800	800	800
Line of Duty - Public Safety	156,690	142,835	144,537	144,537
Insurance - Flood	50,482	58,398	51,897	51,897
Registration and Training	800	800		
Dues & Subscription	200	200		
Contingences	-	350,000	300,000	300,000
Office Supplies	2,000	2,000		
Educational & Recreational Supplies	500	500		
Total Non-Personnel Costs	1,296,157	1,563,863	1,510,864	1,510,864

Human Resources

The Human Resources office's mission is to deliver a comprehensive human resources management system which includes attracting, developing, and retaining a highly qualified, and continuously learning workforce. The department:

- Reviews and revises policies and procedures to enhance the efficiency of government operations;
- Manages a pay/classification plan that promotes advancement and skill development;
- Offers training programs to provide employees with the knowledge and skills necessary to work



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collaboratively and deliver results; and

- Maintains accurate personnel records.

The department will work to increase its benefits program administration and analysis, while pursuing the outsourcing of the payroll processing function.

Human Resources Personnel & Non-Personnel Costs

HUMAN RESOURCES	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	284,234	266,552	337,709	337,709	27%
Non-Personnel	33,900	87,460	190,330	190,330	118%
Total	318,134	354,012	528,039	528,039	49%

Human Resources Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	199,905	195,115	253,100	253,100
Salaries & Wages - Overtime	-	-	-	-
Part-time Salaries	15,652	6,500	-	-
FICA	16,490	15,763	19,362	19,362
V.R.S.	32,054	24,608	30,397	30,397
Hospitalization/Medical Plans	17,568	22,191	31,534	31,534
Group Insurance	2,565	2,375	3,316	3,316
Total Personnel Costs	284,234	266,552	337,709	337,709



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Human Resources Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Training/Tuition	6,500	-	-	-
Other Contractual Services	17,500	74,960	174,980	174,980
Advertising	4,500	2,000	1,000	1,000
Postal Services	1,000	500	500	500
Telephone	-	750	600	600
Training	750	-	1,000	1,000
Travel Expense	-	8,000	8,000	8,000
Dues and Association Memberships	400	750	750	750
Special Events	1,500	-	1,500	1,500
Office Supplies	1,750	500	1,000	1,000
New Office Equipment	-	-	1,000	1,000
Total Non-Personnel Costs	33,900	87,460	190,330	190,330

Information Services

The Information Services office plays a vital to the City's day to day operations. In the coming fiscal year, the IT office will upgrade and consolidate the City's network, giving the City the tools it needs to leverage our current systems to full potential. The IT department will also increase its data analytics capabilities and focus on training employees to utilize existing technology to enhance employee productivity. In addition, IT will continue to work with all City departments to craft grants that will benefit continued automation.

Information Services Personnel & Non-Personnel Costs

INFORMATION SERVICES	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	346,316	313,894	402,504	402,504	28%
Non-Personnel	760,965	418,297	573,118	573,118	37%
Total	1,107,281	732,191	975,621	975,621	33%



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Information Services Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	255,171	230,431	315,352	315,352
Part-time Salaries	-	-	-	-
FICA	19,521	17,628	24,124	24,124
V.R.S.	37,943	27,675	37,874	37,874
Hospitalization/Medical Plans	30,644	35,118	21,022	21,022
Group Insurance	3,037	3,042	4,131	4,131
Total Personnel Costs	346,316	313,894	402,504	402,504

Information Services Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	75,000	51,000	150,933	150,933
Repairs - Motor Vehicles	-	-	-	-
Repairs - Office Equipment	10,000	5,000	-	-
Licensure	50,000	41,000	55,000	55,000
Advertising	-	-	-	-
Vehicle Maintenance	-	-	1,670	1,670
Telecommunications	549,965	314,297	295,450	295,450
Travel	1,000	-	1,000	1,000
Office Supplies	5,000	2,000	2,000	2,000
Gas Grease Oil	-	-	250	250
Computer Software under \$5000	-	-	1,875	1,875
Replacement of Office Equipment	40,000	5,000	29,940	29,940
New-Other Software	30,000	-	35,000	35,000
Tota Non-Personnel Costs	760,965	418,297	573,118	573,118

Purchasing

The Purchasing Office performs the purchasing function in a manner which results in the most efficient and effect use of City funds. This is achieved by providing quality goods and services in all aspects of the procurement process, from the receipt of the department requisition to issuance of a purchase order or contract. The Purchasing Office issues Citywide consolidated services solicitations, public private partnerships, manages the surplus property program, trains employees on the procurement process and administers the Citywide Purchasing and Travel Cards programs. In FY 2018, the Purchasing Office will pursue additional consolidated contract for services and products needed Citywide, such as printers/copiers and custodial



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services and supplies. The goal of these consolidated contracts is to take advantage of economies of scale and reduce spending.

Purchasing Personnel & Non-Personnel Costs

PURCHASING	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel	221,141	209,572	231,004	231,004	10%
Non-Personnel	77,900	67,299	67,299	67,299	0%
Total	299,041	276,871	298,303	298,303	8%

Purchasing Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	162,783	160,134	177,926	177,926
Salaries & Wages - Overtime	-	-	-	-
Part-time Salaries	-	-	-	-
FICA	12,453	12,250	13,611	13,611
V.R.S.	24,824	21,866	21,369	21,369
Hospitalization/Medical Plans	18,932	13,314	15,767	15,767
Group Insurance	2,149	2,008	2,331	2,331
Total Personnel Costs	221,141	209,572	231,004	231,004

Purchasing Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Contractual Services	70,000	60,699	58,880	58,880
Advertising	1,750	1,000	1,000	1,000
Postal Services	1,000	1,000	1,000	1,000
Telecommunications	-	-	719	719
Subsistence and Lodging	-	-	800	800
Convention and Education	750	750	850	850
Travel	750	750	850	850
Dues and Association Memberships	1,150	600	700	700
Office Supplies	2,500	2,500	2,500	2,500
Total Non-Personnel Costs	77,900	67,299	67,299	67,299



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Non-Departmental

The Non-Departmental budget encompasses expenditures and initiatives that are not specifically related to any department or have Citywide impacts. Where possible, expenditures have been moved to department budgets to allow for greater accountability and management of the funds. For example:

- Black History Month funds were moved to Leisure & Cultural Affairs Department;
- Crater Criminal Justice Training funds were moved to the Police and Sherriff Departments;
- Freedom Support Center funding was moved to Planning and Economic Development;
- Petersburg Area Regional Tourism funds were moved to Planning and Economic Development;
- PPL Inc. (Petersburg Public Library, Inc.) funds have been moved to the Public Library budget.



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Non-Departmental Expenditures

Expenditures	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
American Red Cross	2,000			
Appomattox River Soil & Water Conserv.District		4,000	4,000	4,000
Black History Month				
C.V.W.M.A.	15,735			
Chamber of Commerce	1,000			
Crater Criminal Justice				
Crater Dist Area Agncy DN	2,000	1,925	1,925	1,925
Crater Juv Det Home	498,231	498,231	440,454	440,454
Crater Planning Dist				
Dogwood Trace Golf Course Subsidy	248,219			
District 19 - Mental Health	193,523	209,185	209,185	209,185
Employee Recognition Events	8,500			
Feed More	3,000			
Forensic Audit		230,000		
Freedom Center				
Fund Balance	750,000			
Health Care Alliance	50,000			
Health Care Increase	224,024			
Health Department	N/A	562,206	591,547	591,547
Host Agreement - Refuse	50,000			
John Tyler Community College	5,000		5,361	5,361
Legal Aid Justice Center	59,200			
National League Of Cities	3,388			3,500
Petersburg Area Transit Subsidy				
Petersburg Area Regional Tourism				
PPL Inc.				
Petersburg Symphony	10,000			
Professional Turnaround Management Consulting			289,500	289,500
Pre-Trial Match	24,023			
Regional Med Flight	3,200			
Richard Bland College	3,000			
Riverside Regional Jail	3,844,179	3,292,195	3,455,481	3,455,481
South Centre Corridors RCDC	1,500			
Southside Va Emer Crew	183,000	183,000		
Halifax Music Festival	5,000			
Va Coop Extnsn Svc	40,000			48,950
Va First Cities	15,763			
Virginia Institute of Gov	1,500			
Virginia Municipal League	12,280		12,300	12,300
Virginia State University	7,500			
Virginia Retirement System Payback		1,200,000	1,485,186	1,485,186
Advertising for Tourism/Museums				30,000
Repay VDOT-Urban Allocation				100,000
Repay Stormwater Fund				100,000
Comp Board 2% Salary Increase			192,022	67,022
Council Contingency from Removal of City Collector				110,000
Total Non-Departmental	6,264,765	6,180,742	6,686,961	6,954,411



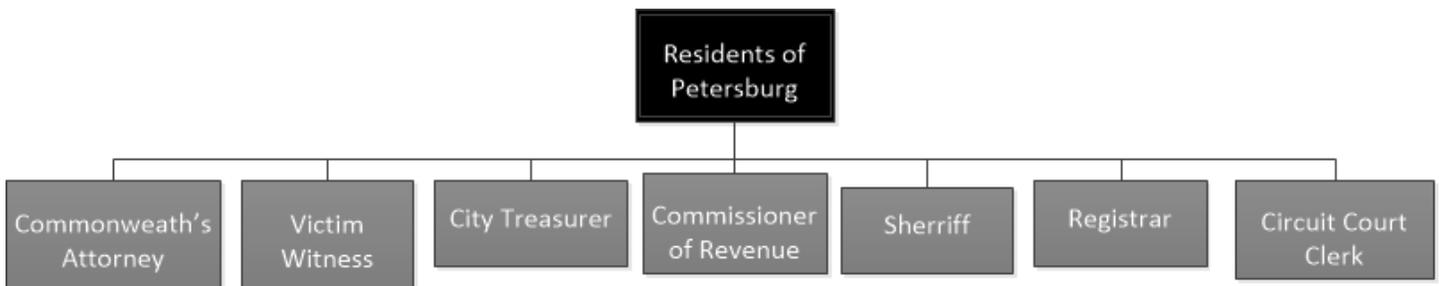
Constitutional Officers

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Constitutional Officers

Constitutional Officers, as defined in this section, are either elected by the voters of Petersburg or appointed by the Board of Elections (the Registrar). All offices receive funds from the Commonwealth to offset the cost of providing these functions to the residents of Petersburg. Those who are voted into office receive funds through the Compensation Board, while the Registrar/Board of Election receives funding through the State Board of Elections. The positions do not report to the City Manager but rely heavily on the coordination and support from many of the internal departments that report to the City Manager.

A 2 percent increase in Compensation Board funding is incorporated in the General Fund revenue, as approved by the Compensation Board. This increase is for salary increases but the distribution of this per position will not be known until the Commonwealth’s Budget is approved in final form. Until the distribution is known, \$192,000 was placed in the “Non-Departmental” budget. These funds will need to be redistributed at a later date.



Budget Highlights

The total FY18 Adopted Operating Budget for Constitutional Officers is \$4,744,797, an increase of 7 percent from the FY17 Adopted 2nd Amendment Budget. The department total includes the Victim Witness budget, which is fully funded by state aid.

For the Commonwealth’s Attorney, the Adopted Budget includes additional funding for the travel, subsistence, and lodging for victims, witnesses, attorneys and investigation for upcoming trials. Victims and witnesses may occasionally need to be paid for travel and lodging in order to have them available for trials. These expenses are reimbursed after the trial by the state, but the City must pay for these expenses up front. The office expects to prosecute at least two large cases with many witnesses in FY 2018. Additional travel



Constitutional Officers

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expenses are included in the FY 2018 budget to cover the cost of traveling to other jurisdictions to interview witnesses.

The adopted City Treasurer’s budget reflects the establishment a lockbox and remittance system to manage the collection of certain tax and fee revenue, thereby increasing efficiencies. Because of this, the budget reflects a two FTE reduction. The City will enter into a contract with a bank that will deposit incoming tax and fee payments into a temporary interest-bearing holding account and forward the accompanying tax or billing documents to the Treasurer's office for routine processing. If the payments are deemed proper, a check is drawn on the account for deposit in the proper City account. The bank is an agent of the City and is bound by the provisions of statutes and ordinances governing collection of taxes and fees, including provisions of confidentiality. Given the high volume of bills mailed to City residents and businesses, it is more cost effective to have these documents processed by a third party. This change will also result in more timely and accurate revenue deposits and more effective revenue collection.

CONSTITUTIONAL OFFICERS	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	3,724,523	3,631,928	3,651,006	3,703,072	2%
Non-Personnel Costs	759,577	794,562	1,040,726	1,041,726	31%
Total Costs	4,484,100	4,426,490	4,691,731	4,744,797	7%

Divisions

Commonwealth’s Attorney

The primary responsibilities of the Commonwealth Attorney include the criminal prosecution of criminal offenses in the three courts in the City of Petersburg, on both misdemeanor and felony levels. In addition, the office occasionally prosecutes violations of City ordinances and special prosecutions in other jurisdictions. The attorneys are also responsible for preparing and answering pleadings on cases appealed to the Court of Appeals and the Supreme Court. Criminal prosecutions require case preparation with witness interviewing, production of documents such as subpoenas, and transportation and lodging of witnesses and victims for trials.



Constitutional Officers

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Commonwealth's Attorney Personnel & Non-Personnel Costs

COMMONWEALTH'S ATTORNEY	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	1,006,048	974,871	1,038,244	1,038,244	7%
Non-Personnel Costs	77,000	65,659	77,854	77,854	19%
Total Costs	1,083,048	1,040,530	1,116,098	1,116,098	7%

Commonwealth's Attorney Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	738,882	718,686	780,999	780,999
Part-time Salaries	25,357	25,357	33,124	33,124
FICA	58,464	56,919	62,280	62,280
V.R.S.	112,680	86,314	93,798	93,798
Hospitalization/Medical Plans	60,912	78,108	57,812	57,812
Group Insurance	9,753	9,487	10,231	10,231
Workers Comp	-	-	-	-
Total Personnel Costs	1,006,048	974,871	1,038,244	1,038,244

Commonwealth's Attorney Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	47,800	37,059	16,875	16,875
Repairs - Motor Vehicles	900	500	500	500
Postal Services	1,200	1,200	1,600	1,600
Subsistence and Lodging	2,750	4,000	25,000	25,000
Convention and Education	1,900	1,900	4,190	4,190
Travel	200	-	12,500	12,500
Dues and Association Memberships	8,000	10,000	11,035	11,035
Office Supplies	12,000	10,000	5,000	5,000
Mileage - Allowance	1,250	-	-	-
Vehicle and Powered Equipment Fuels	1,000	1,000	1,154	1,154
Total Non-Personnel Costs	77,000	65,659	77,854	77,854



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Victim Witness

Petersburg’s Victim Witness program supports crime victims, families and witnesses throughout the court process. The Victim Witness program ensures that victims are advised of their rights and feel empowered to testify. The program is fully funded by the state and expenditures are budgeted as special revenue funds (see Revenues section).

VICTIM WITNESS	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Revenue					
Victim Witness - State Aid	208,525	283,505	286,863	286,863	1%
Expenditures	208,525	283,505	286,863	286,863	1%

City Treasurer

The City Treasurer manages the revenue and cash flow for the City. Among other duties, the Treasurer bills real estate taxes and personal property; collects utility bills; reconciles bank statements; maintains state income tax files; manage City investment of funds; collects on delinquent accounts; and manages the City’s tax foreclosure program. With the implementation of a lockbox/remittance process, a reduction of two FTEs has been incorporated in this budget.

City Treasurer Personnel & Non-Personnel Costs

CITY TREASURER	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	425,375	332,217	292,558	292,558	-12%
Non-Personnel Costs	57,046	57,046	260,680	260,680	357%
Total Costs	482,421	389,263	553,238	553,238	42%

City Treasurer Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	304,288	244,490	211,432	211,432
FICA	23,278	18,703	16,175	16,175
V.R.S.	46,404	29,363	25,393	25,393
Hospitalization/Medical Plans	47,388	39,326	36,789	36,789
Group Insurance	4,017	335	2,770	2,770
Total Personnel Costs	425,375	332,217	292,558	292,558



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City Treasurer Personnel & Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Legal Fees - Delinquent Real Estate	-	-	2,500	2,500
Credit Card Fees	-	-	720	720
Other Contractual Services	6,096	6,096	161,096	161,096
Contractual Services-Adm Fees	-	-	68,464	68,464
Printing & Binding	10,000	10,000	-	-
Advertising	2,400	2,400	2,400	2,400
Postal Services	30,000	30,000	-	-
Travel	1,250	1,250	500	500
Dues and Association Memberships	800	800	-	-
Office Supplies	6,500	6,500	25,000	25,000
Total Non-Personnel Costs	57,046	57,046	260,680	260,680

Commissioner of Revenue

The Commissioner of Revenue prepares the land book and has the responsibility of assessing various City and state taxes, including:

- Personal property;
- Business, professional license and occupational license;
- Meals and lodging;
- Public service tax; and
- Real estate exemption for elderly and handicapped.

In addition to assessing taxes, the Commissioner of Revenue establishes an enforcement system and brings into compliance all of the taxation functions it administers. The office also assists residents in the preparation of state income filings.

Commissioner of Revenue Personnel & Non-Personnel Costs

COMMISSIONER OF REVENUE	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	331,828	329,250	330,819	330,819	0%
Non-Personnel Costs	20,100	20,475	20,475	20,475	0%
Total Costs	351,928	349,725	351,294	351,294	0%



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Commissioner of Revenue Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	238,844	240,670	240,670	240,670
Salaries & Wages - Overtime	-	-	-	-
Part-time Salaries	-	-	7,546	7,546
FICA	18,272	18,411	18,989	18,989
V.R.S.	36,423	28,904	28,904	28,904
Hospitalization/Medical Plans	35,136	38,088	31,534	31,534
Group Insurance	3,153	3,177	3,177	3,177
Total Personnel Costs	331,828	329,250	330,819	330,819

Commissioner of Revenue Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	2,000	-	-	-
Repairs - Office Equipment	1,000	500	500	500
Forms	-	-	-	-
Postal Services	9,500	9,500	6,525	6,525
Convention and Education	300	675	875	875
Travel	300	300	275	275
Dues and Association Memberships	500	500	3,800	3,800
Office Supplies	6,500	4,000	3,500	3,500
Cigarette Stamp Purchase	-	5,000	5,000	5,000
Total Non-Personnel Costs	20,100	20,475	20,475	20,475

Sherriff's Office

The mission of the Petersburg Sheriff's Office is to safely and securely maintain the inmates at the Petersburg City Jail and Jail Annex, thus ensuring the safety of the inmates, deputies, and the public. It is also the mission of the Sheriff's Office to make certain that all court operations are safe and secure, and to guarantee timely and accurate service of civil and criminal warrants. The City will continue to invest in Court security provided by Deputy Sheriffs. Two positions were added in FY 17 and another two were adopted in the FY 18 budget.



Constitutional Officers

City of Petersburg, VA
FY 2018 Operating Budget

Sherriff Personnel & Non-Personnel Costs

SHERRIFF'S OFFICE	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	1,168,456	1,273,776	1,248,078	1,300,144	2%
Non-Personnel Costs	164,405	164,835	121,541	122,541	-26%
Total Costs	1,332,861	1,438,611	1,369,618	1,422,684	-1%

Sherriff Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	888,831	953,137	949,100	953,137
Part-time Salaries	39,000	39,000	-	39,000
FICA	70,979	75,898	72,606	75,898
V.R.S.	111,433	114,472	113,987	119,156
Hospitalization/Medical Plans	45,966	74,888	99,856	99,856
Group Insurance	12,247	12,581	12,528	13,096
Workers Comp	-	3,800	-	-
Total Personnel Costs	1,168,456	1,273,776	1,248,078	1,300,144



Constitutional Officers

City of Petersburg, VA
FY 2018 Operating Budget

Sherriff Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	18,336	3,000	4,000	4,000
Contractual Services	-	-	-	-
Disposal of Bodies	1,300	-	-	1,000
Courthouse Security	6,000	56,000	10,000	10,000
Repairs - Motor Vehicles	10,345	2,000	8,500	8,500
Repairs - Machinery & Motors	-	-	-	-
Repairs - Office Equipment	475	475	-	-
Repairs - Radio Equipment	1,045	750	750	750
Advertising	-	-	-	-
Pest Control	290	990	1,800	1,800
Laundry & Dry Cleaning Services	-	400	300	300
Electric Services	5,119	12,000	18,000	18,000
Fuel	51,317	-	12,600	12,600
Water & Sewer Service	6,300	-	2,100	2,100
Postal Services	1,118	1,200	4,800	4,800
Telecommunications	-	120	7,000	7,000
Other Property Insurance	-	-	-	-
Lease/Rent of Equipment	-	-	5,850	5,850
Subsistence and Lodging	1,624	500	2,000	2,000
Training/Tuition	950	500	1,000	1,000
Travel	1,314	500	1,314	1,314
Dues and Association Memberships	1,173	500	1,000	1,000
Office Supplies	8,189	4,000	4,000	4,000
Food Supplies	-	-	-	-
Cleaning Material & Supplies	4,300	600	750	750
Repair and Maintenance Supplies	1,114	1,000	500	500
Vehicle and Powered Equipment Fuels	7,008	9,000	8,000	8,000
Police Supplies (Ammunition)	1,000	1,800	2,000	2,000
Uniforms & Wearing Apparel	10,880	3,000	4,000	4,000
Books and Subscriptions	-	500	-	-
Other Operating Supplies	12,893	-	2,000	2,000
Animal Feed	-	500	1,500	1,500
First Aid Supplies	-	500	1,950	1,950
Replacement Other	12,315	65,000	7,730	7,730
Local Match	-	-	225	225
Crater Criminal Justice	-	-	7,871	7,871
Total Non-Personnel Costs	164,405	164,835	121,541	122,541



Constitutional Officers

City of Petersburg, VA
FY 2018 Operating Budget

Registrar

The Registrar’s Office ensures the integrity of the election process by maintaining an accurate voter registration list and conducting elections with federal and state laws. To conduct fair and accurate elections, the office recruits and trains over 100 officers of election, establishes a Central Absentee Voting Precinct for the 45 days preceding each general election, develops and delivers election materials, tests and distributes election equipment, and provides information and assistance to candidates.

In addition, for each election, the Registrar prepares and manages eight polling locations located throughout the City, which serves 1,800 to 3,000 people each day. The office also educates the public and encourages voter registration.

Registrar Personnel & Non-Personnel Costs

REGISTRAR	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	161,550	144,030	159,355	159,354	11%
Non-Personnel Costs	159,401	127,442	195,883	195,883	54%
Total Costs	320,951	271,472	355,238	355,237	31%

Registrar Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	110,526	106,654	118,503	118,503
Salaries & Wages - Overtime	2,000	-	-	-
Part-time Salaries	2,550	-	-	-
FICA	8,803	8,159	9,066	9,065
V.R.S.	16,436	12,809	14,232	14,232
Hospitalization/Medical Plans	19,920	15,000	15,767	15,767
Group Insurance	1,315	1,408	1,787	1,787
Total Personnel Costs	161,550	144,030	159,355	159,354



Constitutional Officers

City of Petersburg, VA
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Registrar Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Electoral Board	9,750	8,541	9,750	9,750
Contractual Services	50,000	50,000	50,000	50,000
Repairs-Machinery & Motors	12,000	6,000	19,759	19,759
Advertising	2,200	2,200	2,200	2,200
Postal Services	-	8,500	8,500	8,500
Telecommunications	-	-	960	960
Rent of Equipment	19,700	2,500	5,150	5,150
Rent of Property	32,782	32,782	32,782	32,782
Mileage - Allowance	1,120	1,120	1,120	1,120
Subsistence and Lodging	805	1,610	1,700	1,700
Convention and Education	645	645	1,580	1,580
Travel	74	74	74	74
Dues and Association Memberships	325	470	380	380
Office Supplies-Ballots	-	-	33,075	33,075
Office Supplies	29,000	10,000	9,389	9,389
Food Supplies	-	3,000	4,200	4,200
Computer Software under \$5000	-	-	12,665	12,665
New Office Equipment	1,000	-	2,600	2,600
Total Non-Personnel Costs	159,401	127,442	195,883	195,883

Circuit Court Clerk

The Circuit Court is the trial court of general jurisdiction in Virginia and the court has authority to try a full range of both civil and criminal cases. The Circuit Court Clerk is a constitutional officer elected to an eight-year term by the voters of Petersburg. The clerk handles administrative matters for the court and has authority to probate wills, grant administration of estates, and appoint guardians. The clerk is the custodian of the court's records, and the clerk's office is where deeds are recorded and marriage licenses are issued.

Circuit Court Clerk Personnel & Non-Personnel Costs

CIRCUIT COURT CLERK	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	631,266	577,784	581,951	581,951	1%
Non-Personnel Costs	73,100	75,600	77,430	77,430	2%
Total Costs	704,366	653,384	659,381	659,381	1%



Constitutional Officers

City of Petersburg, VA
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Circuit Court Clerk Personnel & Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	431,981	399,986	433,281	433,281
Part-time Salaries	31,000	31,000	-	-
FICA	35,418	32,970	33,146	33,146
V.R.S.	65,877	48,038	52,037	52,037
Hospitalization/Medical Plans	61,288	60,510	57,812	57,812
Group Insurance	5,702	5,280	5,676	5,676
Total Personnel Costs	631,266	577,784	581,951	581,951

Circuit Court Clerk Personnel & Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Accounting and Auditing Services	3,500	3,500	3,500	3,500
Petty Juror's	32,000	38,000	38,000	38,000
Grand Juror's Cost	-	-	1,830	1,830
Other Contractual Services	13,000	13,000	13,000	13,000
Printing & Binding	500	500	500	500
Postal Services	3,800	3,800	3,800	3,800
Telecommunications	-	-	-	-
Lease/Rent of Equipment	10,500	10,500	10,500	10,500
Dues and Association Memberships	300	300	300	300
Office Supplies	9,500	6,000	6,000	6,000
Total Non-Personnel Costs	73,100	75,600	77,430	77,430

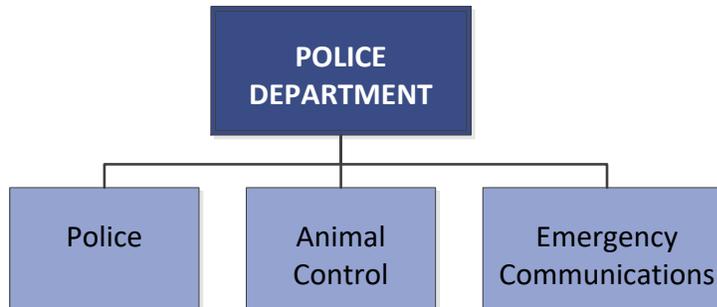


Police

City of Petersburg, VA
FY 2018 Operating Budget

Police Department

In the new budget and structure, the Police Department is comprised of three divisions: the traditional Police department, Animal Control, and Emergency Communications. All of these divisions report up through the Chief of Police.



Budget Highlights

The total FY18 Adopted Operating Budget for the Department of Police is \$11,058,230, an increase of 19 percent from the FY17 Adopted 2nd Amendment budget.

Aligned with the City’s goal of improving public safety and building a stable, community-oriented police force, the Police Division personnel budget is increasing 11 percent in the FY 18 budget. In April 2017, Police will see the 10 percent restoration of their salaries. In addition, the FY 18 budget goes further by making starting salaries highly competitive with the market and deals with the pay compression issues that have plagued retention efforts for the division for some time. The starting salary for a police officer will be brought to \$43,900, an increase of 7.9 percent from the post-10 percent restored salary of \$40,688.

In addition to personnel, the FY 18 budget provides funding for various equipment enhancements, including upgraded police body cameras and funding for 16 new vehicles. The Police fleet is aging with the newest vehicles approaching 5 years of age. In FY17, Police spent over \$10,000 per month in vehicle repairs. The repairs not only keep vehicles out of service, but also disrupt the deployment of officers.

The FY 18 Adopted Budget also includes additional funding for Emergency Communications radio replacements to ensure reliable communications in the event of an emergency and 911 dispatch for the community. Given the significant turnover experienced, the significant training time for a new employee to become active, the criticality



Police

City of Petersburg, VA
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of these positions and the high demand regionally (and evenly nationally) for these positions, the salaries for these positions must be brought to a level competitive with the market.

DEPARTMENT TOTAL	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Police	7,317,191	7,390,174	8,742,896	8,592,896	16%
Animal Control	310,725	271,836	295,568	295,568	9%
Emergency Communications	1,784,761	1,597,481	2,169,767	2,169,767	36%
Total	9,412,677	9,259,491	11,208,230	11,058,230	19%

Divisions

Police

The Petersburg Bureau of Police protects persons and property by providing essential law enforcement and public safety services, while promoting officer engagement and community involvement, stability and order through service, assistance and visibility.

Department Performance

In 2016, violent crime in Petersburg was significantly lower than the previous year (-12%), although property crime was up (+4%) and all Major Crime was up (+2%).

Police Personnel & Non-Personnel Costs

POLICE	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	6,518,171	6,805,092	7,551,931	7,551,931	11%
Non-Personnel Costs	799,020	585,082	1,190,964	1,040,964	78%
Total Police Costs	7,317,191	7,390,174	8,742,896	8,592,896	16%



Police

City of Petersburg, VA
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Police Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	4,536,095	4,477,962	5,236,808	5,236,808
Salaries & Wages - Overtime	75,000	288,200	288,200	288,200
Part-time Salaries	65,000	100,000	92,430	92,430
FICA	432,616	350,214	429,734	429,734
V.R.S.	544,785	537,803	628,941	628,941
Hospitalization/Medical Plans	797,799	810,042	672,717	672,717
Group Insurance	59,876	56,371	68,602	68,602
Other		125,000	-	-
Clothing Allowance	7,000	9,500	9,500	9,500
Employee Liability - Workers Comp	-	50,000	125,000	125,000
Total Personnel Costs	6,518,171	6,805,092	7,551,931	7,551,931



Police

City of Petersburg, VA
FY 2018 Operating Budget

Police Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Training/Tuition	-	-	9,320	9,320
Docotors & Physicans Fees	15,000	12,000	4,800	4,800
Other	12,115	25,000	570	570
Other Contractual Services-Body Cameras		-	97,432	97,432
Other Contractual Services	146,000	100,000	140,842	140,842
Repairs - Motor Vehicles	-	-	57,000	57,000
Repairs - Office Equipment	1,500	800	-	-
Postal Services	2,000	700	750	750
Telecommunications	-	35,000	48,000	48,000
Subsistence and Lodging	-	2,000	13,100	13,100
Convention and Education	-	5,000	-	-
Travel	10,000	7,500	3,600	3,600
Dues and Association Memberships	250	1,500	-	-
Special Events	1,500	-	-	-
Miscellaneous Supplies	117,000	70,000	270,000	270,000
Office Supplies	21,000	6,000	3,620	3,620
Food Supplies	1,500	500	-	-
Cleaning Material & Supplies	4,500	2,500	5,000	5,000
Vehicle and Powered Equipment				
Fuels	290,000	67,200	168,000	168,000
Police Supplies (Ammunition)	50,000	47,625	49,649	49,649
Uniforms & Wearing Apparel	45,000	50,000	45,464	45,464
Other Operating Supplies	-	-	784	784
Replacement of Office Equipment	-	5,500	-	-
Replace Furniture & Fixtures	-	10,300	10,000	10,000
Replace Motor Vehicles	-	68,000	204,000	54,000
New Furniture & Fixtures	-	5,000	-	-
Crater Criminal Justice	81,655	62,957	59,034	59,034
Total Non-Personnel Costs	799,020	585,082	1,190,964	1,040,964



Police

City of Petersburg, VA
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Animal Control

Animal Control is an open door public shelter that houses and cares for animals and partners with many venues to get maximum exposure for adoptable animals. The division also enforces laws regarding the proper housing and care of animals and investigates cases of neglect or cruelty.

Animal Control Personnel & Non-Personnel Costs

	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
ANIMAL CONTROL					
Personnel Costs	273,925	242,436	267,141	267,141	10%
Non-Personnel Costs	36,800	29,400	28,426	28,426	-3%
Total Animal Control Costs	310,725	271,836	295,568	295,568	9%

Animal Control Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	165,997	145,879	167,036	167,036
Salaries & Wages - Overtime	5,000	2,500	2,500	2,500
Part-time Salaries	28,882	28,882	38,424	38,424
FICA	14,908	13,369	15,909	15,909
V.R.S.	25,315	17,520	20,061	20,061
Hospitalization/Medical Plans	31,632	32,360	21,022	21,022
Group Insurance	2,191	1,926	2,188	2,188
Total Personnel Costs	273,925	242,436	267,141	267,141



Police

City of Petersburg, VA
FY 2018 Operating Budget

Animal Control Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	15,000	10,000	7,880	7,880
Repairs-Other	-	-	2,545	2,545
Dues and Associations Memberships	-	-	125	125
State Permits/License Fees	500	100	90	90
Office Supplies	1,000	1,000	1,731	1,731
Dog Food	2,500	2,500	2,406	2,406
Cleaning Material & Supplies	2,500	2,500	2,500	2,500
Vehicle and Powered Equipment	5,000	5,000	3,600	3,600
Uniforms & Wearing Apparel	600	600	870	870
Other Operating Supplies	-	-	800	800
Chemical Supplies	2,200	2,200	3,500	3,500
Dog Supplies	2,500	2,500	2,000	2,000
Replacement Other	1,000	-	-	-
New Office Equipment	4,000	3,000	380	380
Total Non-Personnel Costs	36,800	29,400	28,426	28,426

Emergency Communications

Emergency Communications is the central point for both emergency and non-emergency communications. The division facilitates around-the-clock communications services, channeling information and service request to appropriate units. Emergency Communications answers 4,000 in-coming E911 phone calls each month and processes and dispatches 5,000 public safety calls for service.

Emergency Communications Personnel & Non-Personnel Costs

EMERGENCY COMMUNICATIONS	FY 2016	FY 2017 2nd	FY 2018	FY 2018	Percent
Personnel Costs	1,244,277	1,077,463	1,403,908	1,403,908	30%
Non-Personnel Costs	540,484	520,018	765,858	765,858	47%
Total Emergency Communications	1,784,761	1,597,481	2,169,767	2,169,767	36%



Police

City of Petersburg, VA
FY 2018 Operating Budget

Emergency Communications Personnel Costs

Object	FY 2016	FY 2017 2nd	FY 2018	FY 2018
Full Time Salaries	875,013	644,354	981,382	981,382
Overtime	20,000	134,296	134,296	134,296
Part-time Salaries	4,000	8,000	8,000	8,000
FICA	67,244	49,905	99,856	99,856
V.R.S.	133,440	77,387	117,864	117,864
Health Insurance	133,030	155,016	52,656	52,656
V.R.S. Group Life	11,550	8,505	9,854	9,854
Total Personnel Costs	1,244,277	1,077,463	1,403,908	1,403,908

Emergency Communications Non-Personnel Costs

Object	FY 2016	FY 2017 2nd	FY 2018	FY 2018
Other	2,000	2,000	9,700	9,700
Other Contractual Services	518,234	498,768	499,165	499,165
Repairs - Radio Equipment	5,000	5,000	4,800	4,800
Telephone	-	-	236,942	236,942
Travel	1,500	1,500	-	-
Dues and Subscriptions	250	250	276	276
Office Supplies	2,000	2,000	1,075	1,075
Uniforms & Wearing Apparel	2,000	2,000	-	-
Replacement of Office Equipment	2,500	2,500	3,300	3,300
Replace Furniture & Fixtures	2,000	1,000	1,600	1,600
Replace Radio Equipment	5,000	5,000	9,000	9,000
Total Non-Personnel Costs	540,484	520,018	765,858	765,858



Fire

Fire, Rescue & Emergency Services

The Fire, Rescue and Emergency Services department provides emergency services to protect lives, property, and the economic well-being of the community. This includes special operations, such as hazardous material response and technical rescue, as well as response, mitigation and recovery to natural and manmade disasters. The department is committed to community risk reduction; fire response, suppression and support functions; public fire and life safety education; and advance life support emergency medical services.

Budget Highlights

The total FY18 Adopted Operating Budget for the Fire, Rescue and Emergency Services Department is \$7,277,842, an increase of 24 percent over the FY 2017 budget. Significant underfunding over the years has led to the need for investment in FY 18 in non-personnel costs.

The FY18 Adopted Budget emphasizes the need to rebuild the Fire department’s human resources, equipment and assets. The budget includes 15 new full-time positions, including 5 new Fire Captain positions. It also funds salary increases to make Petersburg Fire department positions more competitive with surrounding jurisdictions, as recommended in the 2014 Compensation Study. In addition, \$316,550 is provided to outfit 13 firefighters at the Recruit Academy. Funding in the amount of \$21,540 was included for the repair of buildings and grounds, compared to only \$400 in the FY 17 budget and \$125,000 is available for the repair and replacement of vehicles.

Currently, EMS service delivery in the City of Petersburg is provided as a shared responsibility between the Petersburg Fire, Rescue & Emergency Services and Southside Virginia Emergency Crew. This partnership has been defined with a Memorandum of Understanding that articulates the assigned zone coverages of PFRES and SVEC at the advanced life support level. The Fire Department maintains oversight of the EMS system for the City of Petersburg.

Fire, Rescue & Emergency Services Personnel & Non-Personnel Costs

DEPARTMENT TOTAL	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	5,790,133	5,603,220	6,002,735	6,002,735	7%
Non-Personnel Costs	610,854	274,650	1,675,107	1,275,107	364%
Total	6,400,987	5,877,870	7,677,842	7,277,842	24%



Fire

City of Petersburg, VA
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Fire, Rescue & Emergency Services Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	3,762,633	3,465,967	4,125,797	4,125,797
Salaries & Wages - Overtime	350,000	753,850	300,000	300,000
Part-time Salaries	140,160	80,000	80,000	80,000
FICA	325,339	328,936	344,694	344,694
V.R.S.	573,802	416,263	495,508	495,508
Hospitalization/Medical Plans	566,206	485,235	441,470	441,470
Group Insurance	44,775	45,751	54,048	54,048
Employee Liability - Workers Comp	-	-	135,500	135,500
Docotors & Physicans Fees	27,218	27,218	25,718	25,718
Total Personnel Costs	5,790,133	5,603,220	6,002,735	6,002,735



Fire

City of Petersburg, VA
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Fire, Rescue & Emergency Services Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	315,669	86,000	314,060	314,060
Repairs - Motor Vehicles	-	-	150,000	150,000
Repairs-Machinery & Motors	2,500	2,500	3,000	3,000
Repairs - Radio Equipment	6,500	6,500	6,500	6,500
Repairs - Building & Grounds	400	400	21,540	21,540
Repairs - Other	3,000	3,000	3,500	3,500
Repairs - Breathing Apparatus	5,000	5,000	4,000	4,000
Repairs - Personal Prot Eq	500	500	500	500
Postal Services	3,475	3,100	3,100	3,100
Postal Services	-	-	250	250
Subsistence and Lodging	9,450	3,150	4,284	4,284
Convention and Education	3,200	3,200	4,080	4,080
Dues and Association Memberships	11,360	2,500	2,270	2,270
Breathing Air Test	750	750	750	750
Office Supplies	9,500	7,000	12,500	12,500
Cleaning Material & Supplies	-	-	15,000	15,000
Linen Supplies/Bedding	500	500	500	500
Vehicle and Powered Equipment Fuels	87,500	57,500	87,500	87,500
Uniforms & Wearing Apparel	65,790	45,000	62,700	62,700
Educational & Recreational Supplies	2,500	2,000	400	400
Chemical Supplies	8,000	7,000	9,300	9,300
Textbooks	900	900	2,460	2,460
First Aid Supplies	9,000	9,000	9,000	9,000
Tires & Tubes	14,200	4,200	15,000	15,000
Misc & Kitchen Supplies	15,000	5,000	4,700	4,700
Public Ed Supplies	3,000	-	3,000	3,000
Training Supplies	8,200	5,050	321,050	321,050
Small Tools	5,550	1,000	18,005	18,005
Replace Machinery & Motors	2,800	1,500	3,250	3,250
Replace Furniture & Fixtures	1,860	-	2,000	2,000
Replace Motor Vehicles	-	-	125,000	125,000
Replacement Hose	2,750	2,750	10,000	10,000
Replacement Other	12,000	9,650	5,200	5,200
Supplemental (Competitive Salary/Benefits, Apparatus Lease, Ambulance Outfit, Wireless)			450,708	50,708
Total Non-Personnel Costs	610,854	274,650	1,675,107	1,275,107

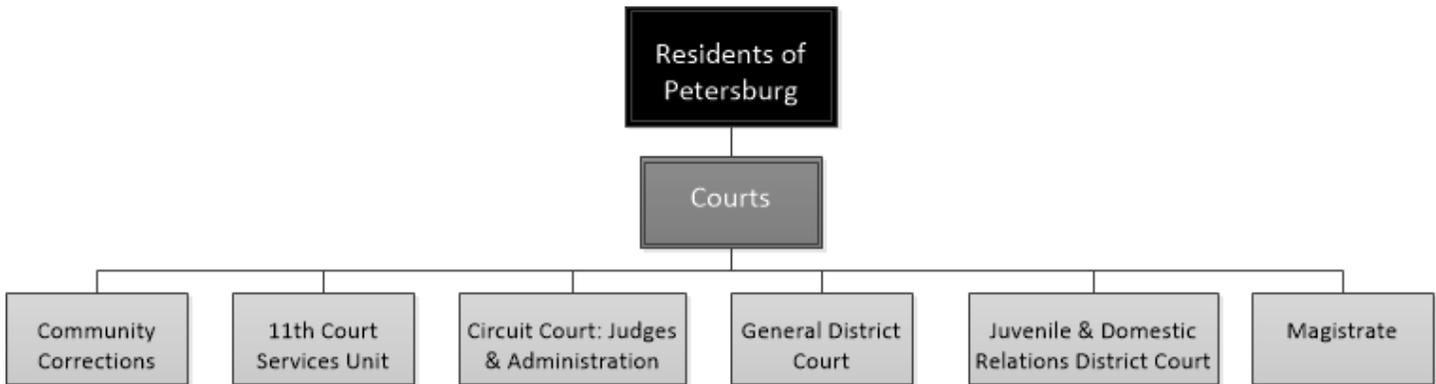


Courts

City of Petersburg, VA
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Courts & Other Public Safety

The new budget format has linked all court and court-related services that the City is responsible for funding, on some level, into one category. These positions do not report to the City Manager but relies on the support of many of the internal departments to assist with their day-to-day operations. Additionally, an area of opportunity that is being pursued is eliminating the need for leasing space for these functions. This will be part of the holistic review of City leases and City-owned property to reduce cost and maximize efficiency.



Budget Highlights

The total FY18 Adopted Operating Budget for the Courts is \$691,148. The department total includes the Community Corrections budget, which is funded by intervention fees and the General Fund. The total operating budget for Courts and Other Public Safety increased 7 percent compared to the FY17 Adopted 2nd Amendment Budget.

DEPARTMENT TOTAL	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	67,108	97,189	88,631	88,631	-9%
Non-Personnel Costs	470,778	547,423	553,876	602,516	10%
Total	537,886	644,612	642,508	691,148	7%



Courts

Divisions

Community Corrections

Petersburg Community Corrections provides services mandated by the state Department of Criminal Justice Services, including pretrial investigations and pretrial supervision for Petersburg, and local probation supervision for six courts between Petersburg and Dinwiddie. Pretrial services promotes community safety with impartial bail investigations and recommendations to the court, based on the risk of non-appearance and/or danger to the community using a validated risk assessment. Local probation enhances public safety by providing alternatives to incarceration, delivering evidence-based supervision, and facilitating viable interventions and treatment options, which reduce recidivism and improve the lives of the citizens in our communities. PCC is a collaborative member of the Mental Health Docket. The Community Corrections division is funded primarily by non-General Fund sources. In FY 2018, a transfer from the General Fund will support a new position that will work to decrease the jail population.

COMMUNITY CORRECTIONS	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Revenue					
Community Corrections - Intervention Fees	311,790	358,257	358,257	358,257	0%
Community Corrections - Transfer from General Fund				48,640	
Expenditures	311,790	358,257	358,257	406,897	14%

11th Court Service Unit

The 11th District Court Service Unit (CSU) provides services mandated by the state Department of Juvenile Justice, including intake, pre- and post-dispositional social histories, court-ordered reports, and probation and parole supervision. CSU is represented on the four Petersburg Family Assessment & Planning Treatment Teams and the Community Policy & Management Team. The CSU works collaboratively with Virginia State University for intern placement and is a collaborative partner with the state in the Juvenile Detention Alternative Initiative.



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11th Court Service Unit Personnel & Non-Personnel Costs

11TH COURT SERVICE UNIT	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	-	-	-	-
Non-Personnel Costs	89,288	92,236	96,301	96,301	4%
Total	89,288	92,236	96,301	96,301	4%

11th Court Service Unit Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	3,600	3,600	3,600	3,600
Telephone	12,000	12,000	12,000	12,000
Rent of Property	73,688	76,636	79,701	79,701
Replace Furniture & Fixtures	-	-	1,000	1,000
Total Non-Personnel Costs	89,288	92,236	96,301	96,301

Circuit Court Judges & Administration

The office of the Circuit Court Judges provides the necessary administrative support to the three Circuit Court judges of the 11th Judicial Circuit and any designated judges who may assist in the circuit. In June 2010, the judicial assistant in Petersburg was named Court Administrator for the 11th Judicial Circuit. Together, the governing bodies in the localities of the 11th Circuit (Petersburg, Amelia, Dinwiddie, Nottoway, and Powhatan) fund the salary, benefits, and office expenses of the Court Administrator. The City of Petersburg, as host jurisdiction, pays these expenses and is partially reimbursed by the other localities, based on an agreed upon funding formula.

Circuit Court Judges & Administration Personnel & Non-Personnel Costs

CIRCUIT COURT - JUDGES & ADMIN	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	67,108	97,189	88,631	88,631	-9%
Non-Personnel Costs	7,900	5,750	7,450	7,450	30%
Total	75,008	102,939	96,081	96,081	-7%



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Circuit Court Judges & Administration Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	49,309	49,309	49,309	49,309
Part-time Salaries	-	22,500	22,500	22,500
FICA	3,772	5,493	5,493	5,493
V.R.S.	7,520	5,922	5,922	5,922
Hospitalization/Medical Plans	5,856	13,314	4,761	4,761
Group Insurance	651	651	646	646
Total Personnel Costs	67,108	97,189	88,631	88,631

Circuit Court Judges & Administration Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Repairs - Office Equipment	1,000	500	850	850
Laundry and Dry Cleaning	300	-	200	200
Postal Services	1,000	1,000	1,200	1,200
Telecommunications	4,000	3,500	4,000	4,000
Office Supplies	1,000	750	1,000	1,000
Cleaning Material & Supplies	600	-	200	200
Total Non-Personnel Costs	7,900	5,750	7,450	7,450

General District Court

The General District Court handles criminal, traffic and civil cases. The court's Clerk's office serves as the administrative arm of the court and is mandated by the Supreme Court of Virginia, Office of the Executive Secretary. The clerk develops, implements and administers procedures necessary for the efficient operation of the office and supervises non-judicial personnel. It also ensures compliance with statutory requirements to properly process, retain, store, dispose and secure court records.

General District Personnel & Non-Personnel Costs

GENERAL DISTRICT COURT	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	-	-	-	-
Non-Personnel Costs	52,800	40,700	40,800	40,800	0%
Total	52,800	40,700	40,800	40,800	0%



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General District Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Legal Fees	30,000	20,000	24,000	24,000
Other Contractual Services	600	800	800	800
Postal Services	6,500	6,000	6,000	6,000
Lease/Rent of Equipment	4,000	4,000	4,000	4,000
Travel	500	500	800	800
Dues and Association Membership	1,200	1,000	1,000	1,000
Office Supplies	2,100	1,800	1,800	1,800
Uniforms & Wearing Apparel	500	200	200	200
Other Operating Supplies	-	-	-	-
Replacement of Office Equipment	2,400	2,400	1,200	1,200
Replace Furniture & Fixtures	5,000	4,000	1,000	1,000
Total Non-Personnel Costs	52,800	40,700	40,800	40,800

Juvenile & Domestic Relations District Court

The Juvenile and Domestic Relations District Court handles juvenile delinquencies and status offenses, custody and visitation, abuse and neglect, support petitions and domestic related disputes involving adults. Each juvenile and domestic relations district court has a clerk's office that processes all case papers, keeps court records and provides information to the people involved in a case (to the extent permitted by law).

Juvenile & Domestic Relations District Court Personnel & Non-Personnel Costs

JUVENILE & DOMESTIC RELATIONS COURT	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	-	-	-	-
Non-Personnel Costs	9,000	7,750	7,750	7,750	0%
Total	9,000	7,750	7,750	7,750	0%



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Juvenile & Domestic Relations District Court Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Contractual\Purchase Services	-	1,500	500	500
Repairs - Building & Grounds	600	-	200	200
Laundry and Dry Cleaning	100	50	100	100
Rent of Equipment	3,000	2,500	2,200	2,200
Travel	650	1,300	1,300	1,300
Dues and Association Membership	350	300	300	300
Shelter Care	500	500	500	500
Office Supplies	1,300	300	500	500
Cleaning Material & Supplies	300	150	500	500
Books and Subscriptions	200	300	200	200
Other Operating Supplies	-	-	450	450
Replacement of Office Equipment	400	200	-	-
Replace Furniture & Fixtures	1,600	650	1,000	1,000
Total Non-Personnel Costs	9,000	7,750	7,750	7,750

Magistrate

The Magistrate's office takes citizen and criminal complaints, issues warrants or summons, holds bond hearings, sets bond, commits criminals to jail and releases criminals from jail. The office is responsible for issuing emergency custody orders and emergency protective orders for domestic abuse cases.

Magistrate Personnel & Non-Personnel Costs

MAGISTRATE	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	-	-	-	-
Non-Personnel Costs	-	42,730	43,318	43,318	1%
Total	-	42,730	43,318	43,318	1%



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Magistrate Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	-	1,400	1,400	1,400
Rental of Property	-	39,330	39,918	39,918
Office Supplies	-	2,000	2,000	2,000
Total Non-Personnel Costs	-	42,730	43,318	43,318



Public Works

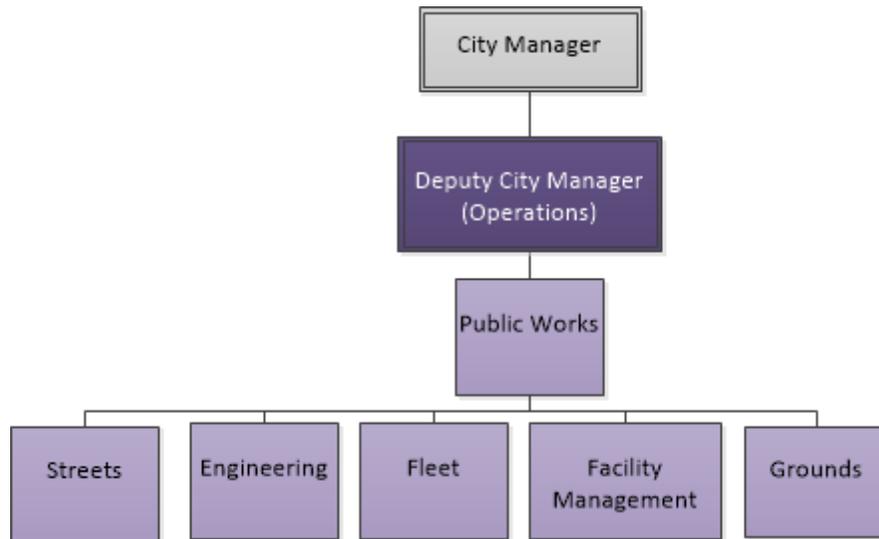
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Department of Public Works

The primary mission of the Department of Public Works (DPW) is to provide reliable and efficient delivery of essential infrastructure services to the residents of Petersburg. DPW protects and promotes the general health, safety and welfare of the community by monitoring, managing and maintaining public infrastructure and properties. In the FY 18 budget, DPW is changing its service offerings as the City continues to restructure and better align its services. DPW no longer has the responsibility for grounds/cemeteries, stormwater, the contract for refuse collection or utilities. However, DPW will provide a wide range of essential services including infrastructure implementation and maintenance, management of City fleet and facilities, all engineering needs including street lights and traffic signals, and street and right-of-way management.

DPW is responsible for approximately 395 lane miles of streets, 32 structures, 47 signalized intersections, and 90 Buildings.

Services provided by the Department of Public Works are funded by General Fund revenue; permit fees; and state and federal financial assistance for street maintenance.



Budget Highlights

The total FY18 Adopted Operating Budget for the Department of Public Works is \$8,217,210, a 7 percent reduction from FY 17. The largest driver of this reduction is the change in how City fleet is managed. The FY 16 and FY 17 budgets continued to rely on one City contract to oversee fleet maintenance and were accounted for in the Fleet budget, including the lawsuit the City settled with the vendor. For FY 18, those costs are reflected in



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the departmental budgets. The City is currently working to secure contracts with local fleet maintenance firms that will be overseen by one Fleet Manager who reports to the DPW Director.

In an effort to streamline services, improve performance and reduce costs, the City will consider outsourcing facility management services and comprehensive janitorial services in FY 18. The budget reflects this approach by eliminating 21 positions from the Facility Management Division, for a savings of \$394,938. An additional \$500,000 is included in the non-personnel budget to fund a custodial and facility maintenance contract.

DEPARTMENT TOTAL	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	3,501,266	3,256,823	2,050,283	2,651,693	-19%
Non-Personnel Costs	4,657,219	5,574,903	6,115,906	5,565,517	0%
Total	8,158,485	8,831,726	8,166,189	8,217,210	-7%

Note: Data are missing for Fleet Division in FY 2016.

Divisions

Engineering

The Engineering Division oversees all technical issues relating to the City’s public infrastructure and provides effective engineering solutions, as needed. Engineering is responsible for planning, design and project management for City capital improvement projects and performs various studies and cost estimates. An additional \$50,000 investment has been incorporated to allow for necessary street-related improvements that occur every year, are not budgeted, and are not covered by the urban allocation funding from the Commonwealth.

Engineering Personnel & Non-Personnel Costs

ENGINEERING	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	130,636	171,544	149,071	149,071	-13%
Non-Personnel Costs	11,105	4,355	61,555	61,555	1313%
Total	141,741	175,899	210,626	210,626	20%



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Engineering Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	86,636	115,671	102,364	102,364
Part-time Salaries	8,317	15,000	12,000	12,000
FICA	7,264	9,996	8,749	8,749
V.R.S.	13,211	13,892	12,294	12,293.95
Hospitalization/Medical Plans	14,064	15,458	12,323	12,323
Group Insurance	1,144	1,527	1,341	1,341
Total Personnel Costs	130,636	171,544	149,071	149,071

Engineering Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Repairs - Office Equipment	100	100	100	100
Postal Services	-	400	175	175
Telecommunications	-	-	2,000	2,000
Other Contracting Services	-	-	50,000	50,000
Travel	150	-	-	-
Dues and Association Memberships	355	355	-	-
Office Supplies	1,500	500	1,000	1,000
Vehicle and Powered Equipment Fuels	9,000	3,000	1,500	1,500
Vehicle Maintenance	-	-	6,680	6,680
Other Operating Supplies	-	-	100	100
Total Non-Personnel	11,105	4,355	61,555	61,555

Facility Management

The FY 2018 assumes that the City will outsource the responsibilities of facilities management beginning in FY 18. Contractors will oversee repair, renovation and general maintenance of City properties. The City will also issue a Citywide custodial contract (for supplies and janitorial staffing) that will be managed by the Facilities Management Division. The FY 2018 budget funds a General Manager and administrative staff to oversee a facilities management contract; 12 full-time positions have been eliminated from the budget.



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Facility Management Personnel & Non-Personnel Costs

FACILITY MANAGEMENT	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	958,981	656,726	154,426	154,426	-76%
Non-Personnel Costs	1,373,153	1,106,288	1,421,878	1,421,878	29%
Total	2,332,134	1,763,014	1,576,304	1,576,304	-11%

Facility Management Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	614,628	414,619	112,493	112,493
Salaries & Wages - Overtime	6,000	3,000	-	-
Part-time Salaries	100,547	80,000	-	-
FICA	56,314	37,838	8,606	8,606
V.R.S.	96,926	49,796	13,510	13,510
Hospitalization/Medical Plans	76,176	66,000	18,343	18,343
Group Insurance	8,390	5,473	1,474	1,474
Unemployment Insurance	-	-	-	-
Workers Comp	-	-	-	-
Total Personnel Costs	958,981	656,726	154,426	154,426



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Facility Management Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	108,823	30,000	555,000	555,000
Repairs - Motor Vehicles	-	-	-	-
Repairs-Machinery & Motors	33,045	30,000	-	-
Repairs - Heat & Cool Equipment	130,000	125,000	80,000	80,000
Repairs - Building & Grounds	248,380	70,000	-	-
Repairs-Courthouse	40,856	40,856	40,856	40,856
Pest Control	7,270	3,000	6,822	6,822
Advertising	2,445	500	-	-
Electric Current	518,400	518,400	518,400	518,400
Fuel	65,000	10,000	60,000	60,000
Water & Sewer Service	76,000	130,000	130,000	130,000
Telecommunications	-	-	1,200	1,200
Rent of Equipment	1,500	1,148	-	-
Office Supplies	-	3,000	1,500	1,500
Food Supplies	234	234	-	-
Agricultural Supplies-Fertilizer/Se	-	-	-	-
Cleaning Material & Supplies	55,000	20,000	-	-
Vehicle and Powered Equipment Fuels	25,000	20,000	-	-
Uniforms & Wearing Apparel	9,500	7,500	-	-
First Aid Supplies	700	150	-	-
Building Materials & Supplies	-	50,000	-	-
Small Tools	1,000	500	500	500
Replace Heat & Cool Equipment	50,000	46,000	20,000	20,000
Computer Software over \$5000	-	-	7,600	7,600
Total Non-Personnel Costs	1,373,153	1,106,288	1,421,878	1,421,878

Fleet Division

The Fleet division is a renewed coordinated responsibility now overseen by DPW for the service and maintenance of City fleet vehicles, public safety vehicles, and heavy construction equipment. The division coordinates with other departments for more extensive vehicle or equipment repair, accident and insurance coverage information, and replacements of vehicles and equipment. The shop also serves as a fueling station for many City vehicles and equipment. Administrative support and non-personnel costs resulting from this



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division will be provided by other divisions within DPW. The outsourcing effort will, in part, seek out partnerships with local vendors to provide repair and maintenance of City vehicles.

Fleet Personnel & Non-Personnel Costs

FLEET	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	11,780	44,243	44,243	276%
Non-Personnel Costs	-	1,515,573	-	-	-100%
Total	-	1,527,353	44,243	44,243	-97%

Fleet Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	-	8,644	31,200	31,200
Overtime	-	-	-	-
Part-time Salaries	-	-	-	-
FICA	-	661	2,387	2,387
V.R.S.	-	1,038	3,747	3,747
Health Insurance	-	1,323	6,500	6,500
Group Insurance	-	114	409	409
Total Personnel Costs	-	11,780	44,243	44,243

Fleet Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual	-	1,390,573	-	-
Repairs - Machinery & Motors	-	20,000	-	-
Gasoline purchase	-	105,000	-	-
Total Non-Personnel Costs	-	1,515,573	-	-

Streets Division

The Streets division is responsible for maintaining 365 lane-miles of the City's street system. The division's maintenance functions include vacuum leaf collection; snow removal; street sweeping; repairs to curbs, gutters, storm drains; installation and maintenance of street signs, street lights, and roadway markings; pothole repair; pavement preservation; and response to hazardous material spills. This division is funded 100



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percent from urban allocation funds from the Commonwealth and are not included in the General Fund.

Major construction projects for FY 18 that are included in the budget are: Wagner Rd Underdrain (\$1.5M-failed VDOT rating), City-wide guardrail replacement \$300,000 (safety requirement), bridge inspection and maintenance \$120,000 (required by Federal government), and Harrison street paving \$180,000 (failed requirement).

Streets Personnel & Non-Personnel Costs

STREETS	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	1,855,028	1,826,323	1,235,807	1,746,933	-4%
Non-Personnel Costs	3,058,111	2,847,552	4,364,193	3,950,314	39%
Total	4,913,139	4,673,875	5,600,000	5,697,247	22%

Streets Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	1,224,320	1,205,268	934,507	1,137,020
Overtime	50,000	50,000	25,000	25,000
Part-time Salaries	67,761	67,761	15,000	-
FICA	102,669	101,212	71,500	75,627
V.R.S.	186,709	144,753	112,300	118,728
Health Insurance	207,408	241,419	65,250	37,608
Group Insurance	16,161	15,910	12,250	12,950
Employee Liability - Workers Comp	-	-	-	340,000
Total Personnel Costs	1,855,028	1,826,323	1,235,807	1,746,933



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Streets Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Training/Tuition	1,000	1,000	2,500	2,500
Docotors & Physicans Fees	1,000	3,000	3,000	3,000
Contractual Services	-	-	3,334,593	2,494,953
Other Contractual Services	25,000	25,000	30,000	120,576
Snow Removal Services	-	-	-	150,000
Vehicles	-	-	-	100,000
Vehicle & Powered Equipment Fuels	-	-	-	50,000
Vehicle Repairs	-	10,000	20,000	20,000
Repairs - Office Equipment	900	1,600	1,500	1,500
Paving	628,661	765,000	-	-
Pavement-Potholes & Restore	50,000	50,000	200,000	-
Street Repairs	-	-	10,000	-
Pavement-Sidewalk	358,000	350,000	100,000	-
Drainage-Ditch	5,000	30,000	30,000	-
Bridges-Repairs	100,000	100,000	250,000	-
Advertising	5,000	1,000	1,000	1,000
Traffic Controls Devs-Elec Current	500,000	500,000	100,000	-
Postage	50	200	100	200
Training and Conferences	6,000	6,000	3,000	2,500
Admin-Dues and Subscriptions (Books)	500	800	1,000	1,000
Office Supplies	5,000	8,000	5,000	5,000
Food Supplies	3,000	5,000	2,500	2,500
Cleaning Material & Supplies	4,000	5,000	2,500	2,500
Mileage & Transportation	-	-	-	1,500
Telecommunications	-	-	-	5,000
Gas Grease Oil	130,000	97,206	50,000	-
Uniforms & Wearing Apparel	15,000	18,000	10,000	10,000
First Aid Supplies	3,000	3,000	5,000	-
Emerg Operation-Equip & Vehicles	25,000	150,246	-	-
Road Material and Supplies	30,000	50,000	40,000	-
Traffic Materials-Signals	30,000	10,000	10,000	-
Traffic Control Devices-Signs	50,000	50,000	50,000	-
Repair & Maintenance Supplies	-	-	-	550,000
Other Operating Supplies	-	-	-	3,000
Small Tools	2,000	2,500	2,500	2,500
Machinery & Equipment	5,000	5,000	100,000	100,000
Utility Service	-	-	-	320,000
Contingency	-	-	-	1,085
Transfer to Other Funds	1,075,000	600,000	-	-
Total Non-Personnel Costs	3,058,111	2,847,552	4,364,193	3,950,314



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Grounds

The Grounds division maintains the right-of-way for all City-owned parcels and facilities, including grass cutting leaf collection, tree and shrubbery maintenance, snow removal and litter pick-up litter.

Grounds Personnel & Non-Personnel Costs

GROUND	FY 2016	FY 2017 2nd Amendment	FY 18 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	556,621	503,948	395,611	519,250	3%
Non-Personnel Costs	214,850	84,783	235,430	98,920	17%
Total	771,471	588,731	631,041	618,170	5%

Grounds Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Proposed
Full Time Salaries	341,641	253,771	267,394	385,220
Overtime	6,000	-	3,000	-
Part-time Salaries	50,000	112,000	29,447	36,500
FICA	29,961	27,981	22,708	29,470
V.R.S.	50,801	30,478	32,114	40,225
Health Insurance	74,152	76,368	23,445	23,445
V.R.S. Group Life	4,066	3,350	3,503	4,390
Workers Comp	-	-	14,000	-
Total Personnel Costs	556,621	503,948	395,611	519,250



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Grounds Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Proposed
Other Contractual Services	100,000	50,000	85,000	60,470
Repairs - Motor Vehicles	-	-	2,500	2,000
Repairs - Machinery & Motors	5,000	5,000	2,500	2,500
Fuel	25,000	5,000	27,480	5,000
State Permits/License Fees	100	100	100	100
Food Supplies	250	250	250	250
Fertilizer Seed Spray	13,750	5,000	5,000	5,000
Cleaning Mats & Supplies	-	-	-	500
Gas Grease Oil	-	-	-	12,000
Uniforms & Wearing Apparel	10,000	12,000	12,000	4,000
First Aid Supplies	750	100	100	100
Beautification Supplies	30,000	2,333	1,000	1,000
Small Tools	2,000	2,500	2,500	1,000
Replace Machinery & Motors	28,000	2,500	5,000	5,000
Leased Equipment	-	-	92,000	-
Total Non-Personnel Costs	214,850	84,783	235,430	98,920

The Grounds division also maintains the cemetery grounds. The cemetery adjacent to Blandford Church has been used as a burial ground since the early 18th century. The oldest marked grave dates from 1702. Among the more noted individuals buried within the cemetery is one foreigner, Major General William Phillips. The City maintains the grounds of the cemetery. \$32,000 from the Perpetual Care Fund will be used to offset the costs of maintaining the cemetery in FY 18.

Cemetery Personnel & Non-Personnel Costs

CEMETERY	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	86,502	71,125	37,771	-56%
Non-Personnel Costs	-	16,352	32,850	32,850	101%
Total	-	102,854	103,975	70,621	-31%



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Cemetery Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	-	21,116	30,000	30,000
Salaries & Wages - Overtime	-	1,000	-	-
Part-time Salaries	-	49,725	32,000	-
FICA	-	5,496	4,825	2,295
V.R.S.	-	2,536	2,540	3,603
Hospitalization/Medical Plans	-	6,350	1,480	1,480
Group Insurance	-	279	280	393
Total Personnel Costs	-	86,502	71,125	37,771

Cemetery Personnel & Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Proposed
Other Contractual Services	-	2,000	12,250	12,250
Repairs-Machinery & Motors	-	1,500	3,000	3,000
Repairs - Building & Grounds	-	-	2,500	2,500
Postal Services	-	-	-	-
Telecommunications	-	-	1,000	1,000
Training and Conferences	-	-	-	-
Dues and Subscriptions	-	-	-	-
Office Supplies	-	1,500	2,000	2,000
Agricultural Supplies-Fertilizer/Se	-	1,000	3,000	3,000
Cleaning Material & Supplies	-	-	500	500
Vehicle and Powered Equipment Fuels	-	4,000	3,000	3,000
Uniforms & Wearing Apparel	-	1,400	1,600	1,600
Small Tools	-	252	1,000	1,000
Computer Software under \$5000	-	-	-	-
Replace Machinery & Motors	-	2,700	3,000	3,000
New Machinery & Motors	-	2,000	-	-
New Equipment - Other	-	-	-	-
Total Non-Personnel Costs	-	16,352	32,850	32,850



Utilities

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Utilities

The FY 18 Adopted Budget establishes a new Department of Public Utilities separate from the Department of Public Works. The new department brings together services that are self-funded through user charges, including water, wastewater, stormwater management and refuse collection. In addition to providing essential services every day, this department will have a major infrastructure investment responsibility as well as a very important billing and revenue collection function.

The City of Petersburg is a member of the Appomattox River Water Authority (ARWA). The City purchases approximately 1.7 billion gallons of water annually from ARWA and has rights to 16.7 percent of the ARWA water purification plant capacity, or a maximum of 14.1 million gallons per day (MGD). Petersburg has an average daily use of 4.54 MGD.

Petersburg also is a member of the South Central Wastewater Authority (SCWWA) which treats all of Petersburg's wastewater. The City has an allocation of 52.5 percent of the plant capacity, or 12.1 MGD.

Petersburg operates a water distribution and wastewater collection system consisting of 260 miles of water mains, 6 water storage tanks, 2 water pump stations, 1,378 fire hydrants, 195 miles of sanitary sewer lines, and 19 wastewater pump stations. The City has approximately 23,000 accounts, about half of which are water and half are sewer.

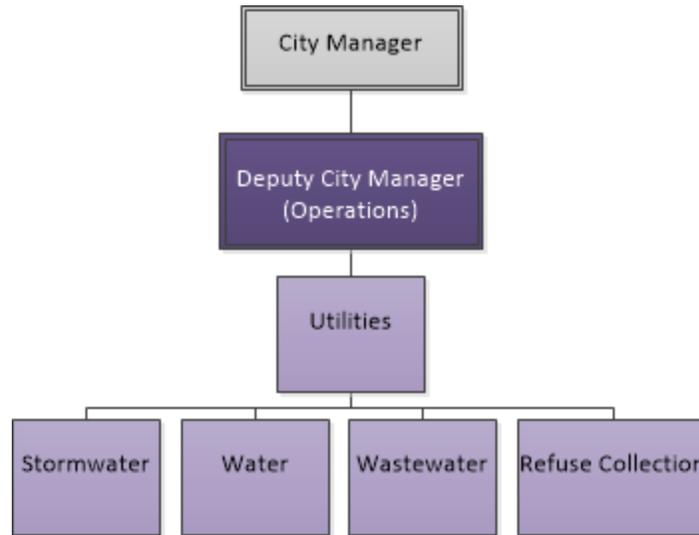
The new Utilities Department will also be responsible for the City's Stormwater Management Program, which provides for storm drainage improvements, erosion and sediment control, and best management practices (BMPs) designed to protect the environment, including the Appomattox River and the Chesapeake Bay.

The new department will also be responsible for Refuse Collection, which is currently provided under a contract managed through the Central Virginia Waste Management Authority and funded through a fee included on utility bills.



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Budget Highlights

The FY 18 Adopted Budget for the new Department of Public Utilities is \$15,211,491, which includes \$12,008,214 for the Water and Wastewater Utility, \$1,921,311 for Refuse Collection, and \$1,281,967 for Stormwater Management.

DEPARTMENT TOTAL*	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	1,615,377	1,911,883	2,004,854	24%
Non-Personnel Costs	2,656,715	10,554,709	10,875,996	11,578,204	10%
Reserve & Debt Service	-	1,127,512	1,958,932	1,590,932	41%
DEQ Loan	-	-	37,500	37,500	-
Total	2,656,715	13,297,598	14,784,311	15,211,491	14%

*Notes: (1) In FY 2016 and FY 2017, Stormwater funding was not broken out into Personnel and Non-Personnel costs. The total Stormwater budget is included in the Non-Personnel Costs. (2) FY 2016 data are not available for Water/Wastewater. (3) Reserve & Debt Service funding and the DEQ Loan are for Water/Wastewater only.

Divisions

Water & Wastewater Utility

The FY18 Adopted Operating Budget for the Water and Wastewater Utility is \$12 million, which compares to a FY17 operating budget of \$10.2 million. The budget includes \$1,525,000 for purchased water from ARWA and



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\$4,800,000 for wastewater treatment by SCWWA. Significant operating budget increases are included for system repairs, including pumps and machinery, pump station facilities, repairs to vehicles and a pump station pilot project.

A capital reserve of \$878,000 is included to address unforeseen infrastructure failures, which are anticipated each year due to the age and condition of the system.

Personnel costs are budgeted to increase by \$477,000 reflecting the restoration of the 10 percent salary cuts made in FY17 and the addition of seven authorized positions which will comprise an additional maintenance crew.

Debt service of \$1,080,000 is included to cover existing debt and \$37,000 is included for the initial payment on a new loan from The Department of Environmental Quality (DEQ). The Capital Improvement Program includes projects amounting to \$6,050,000 in FY18, to be financed through an existing debt allocation of \$5.3 million from the Virginia Resources Authority (VRA) and \$750,000 from the DEQ loan. Debt service on the VRA borrowing is budgeted to begin in FY19. The Capital Budget reflects approximately one half of the FY18 infrastructure investment recommended by Timmons Engineering, because the City's fiscal condition precludes additional borrowing at this time. The entire five-year \$52.5 million capital program recommended by Timmons is reflected in the 5-Year Capital Improvement Program.

Historically, the City has budgeted revenues and expenditures for Water and Wastewater together. City staff is currently working to create separate budgets for each utility to better account for each service offering and for future funding requests.

Water/Wastewater Summary

WATER/WASTEWATER	FY 2017	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Revenue		12,639,291	12,632,291	-
<i>Expenditures</i>				
Personnel	1,615,377	1,699,151	1,792,123	11%
Non-Personnel (O&M)	7,457,253	8,219,658	8,587,658	15%
Reserve & Debt Service	1,127,512	1,958,932	1,590,932	41%
DEQ Loan	-	37,500	37,500	-
Expenditure Subtotal	10,200,142	11,915,242	12,008,214	18%
Net Income		724,049	624,077	
Total Expenditures	10,200,142	12,639,291	12,632,291	24%



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Water/Wastewater Personnel Costs

WATER/WASTEWATER	FY 2017	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	1,097,062	1,233,845	1,307,222
Overtime	120,000	120,000	120,000
Part-Time/Temp Salaries	5,000	7,000	7,000
FICA	93,488	92,276	97,889
Virginia Retirement System	131,757	145,702	153,679
Health Care	153,589	84,435	89,571
VRS Group Life Insurance	14,481	15,893	16,762
Total Personnel	1,615,377	1,699,151	1,792,123

Water/Wastewater Non-Personnel Costs

WATER/WASTEWATER	FY 2017	FY 2018 Proposed	FY 2018 Adopted
Work Comp	-	25,000	25,000
Tuition	1,500	-	-
Doctor & Phys Exam Fees	2,300	2,600	2,600
Professional Services	54,000	72,660	72,660
Other Contractual Services	155,217	100,012	100,012
Repairs - Motor Vehicles	45,000	71,500	71,500
Repairs - Machinery & Motors*	55,000	165,000	165,000
Repairs & Maint - Office Equip	1,600	5,400	5,400
Repairs - Heating & Cooling Equip	-	2,000	2,000
Repairs - Streets & Sidewalks	-	100,000	100,000
Repairs - Bldgs & Grounds*	24,793	60,000	60,000
Pest Control	150	350	350
Forms	-	10,000	10,000
Advertising	2,300	1,000	1,000
Electric Current*	168,000	80,000	168,000
Natural Gas	3,000	3,000	3,000
Water & Sewer Service	4,800	6,000	6,000

(cont. on next page)



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Water/Wastewater Non-Personnel Costs (cont.)

WATER/WASTEWATER	FY 2017	FY 2018 Proposed	FY 2018 Adopted
Postage	45,000	60,500	60,500
Telephone	32,000	22,000	22,000
Insurance Premiums - Fire	4,000	4,000	4,000
Other Property Insurance	4,000	4,000	4,000
Insurance - Auto	4,200	2,400	2,400
Rent of Equipment	34,000	40,000	40,000
Rent of Property	1,000	-	-
Sub & Lodge	2,000	-	-
Registration / Training / Travel	4,000	4,000	4,000
Travel	500	-	-
Dues & Subscriptions	1,000	700	700
State Permits / License	55,000	36,000	36,000
Wastewater Treatment Service	4,796,539	4,800,000	4,800,000
Repayment schedule from SCWWA	-	513,036	513,036
Office Supplies	7,000	20,000	20,000
Food	500	2,000	2,000
Cleaning Materials & Supplies*	6,100	7,000	7,000
Gas, Grease, Oil	65,000	66,000	66,000
Wearing Apparel	24,000	16,000	16,000
Other*	200	15,000	15,000
Water Purchased for Resale	1,523,954	1,525,000	1,525,000
Construction Materials	100,000	145,000	145,000
Diesel Fuel Machines & Equipment*	18,300	-	-
Service Connection & Materials	50,000	85,000	85,000
First Aid Supplies	-	500	500
Water & Sewer Materials & Supplies	150,000	100,000	100,000
Small Tools*	11,000	6,500	6,500
Replace Motor Vehicles	-	32,500	32,500
Computer Software	-	6,000	6,000
Computer Hardware	-	2,000	2,000
New Equipment*	300	-	-
Pump Station Pilot	-	-	280,000
Total Operating & Maintenance Costs	7,457,253	8,219,658	8,587,658

*Includes pump station amount



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Water/Wastewater Reserve & Debt Service

WATER/WASTEWATER	FY 2017	FY 2018 Proposed	FY 2018 Proposed
Capital Reserve		878,091	510,091
Contingencies	40,000	-	-
Debt Service	1,087,512	1,080,841	1,080,841
Total Reserve & Debt Service	1,127,512	1,958,932	1,590,932

Water & Wastewater Revenues and Rates

The FY18 Adopted Budget for Water and Wastewater includes revenues of \$12,639,291. An operating surplus is projected in order to provide the necessary coverage ratio for planned borrowings.

Like the Water and Wastewater expenditures, revenues for these two utilities have historically been budgeted together. FY 2018 anticipated revenues are illustrated in the table below.

The total Water/Wastewater billings for FY 2018 is \$17 million. The City's collection rate is 70 percent, resulting in anticipated revenue of \$12.6 million

Water/Wastewater Estimated FY 2018 Revenues

Water/Wastewater Revenue	FY 2018 Adopted
Residential (8060)	6,522,600
Industrial (8061)	573,300
Commercial (8062)	5,165,300
Recoveries and rebates	68,275
Cutoff fees	59,816
Delinquent charges	250,000
Connection fees	-
Total Revenue	12,639,291

Water/Wastewater Annual Projected Rate Increases

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Projected Rate Increase	14.3%	15%	15%	15%	15%

The revenue model, prepared by Davenport (Financial Advisors) and CH2M (Consulting Engineers) assumes a FY17 rate increase of 13.4 percent and an additional rate increase of 14.3 percent proposed for FY18. The budget assumes a collection rate of only 70 percent, which reflects the extremely poor past performance of the City in collecting charges for services. However, Council voted to rescind the water/sewer tax rate within



Utilities

6 months if the administration does not meet a 92 percent collection rate. The department plans to re-impose delinquent penalties for late payments, increase efforts to engage past-due customers and establish payment plans, and increase the number of cut-offs for customers who refuse to pay past due amounts or establish payment arrangements. An aggressive effort will begin immediately and may include outside billing contactors to supplement current staff resources. The latest rate model anticipates a need to increase rates by approximately 15 percent per year in each of the next 5 years, in order to pay debt service on borrowings that will cover the long-neglected infrastructure needs of the system (included in the 5-Year CIP). These increases may be partially mitigated if collection efforts improve to reflect industry standards.

The rate study has determined that an average residential customer that uses 7.4 CCF (5,559 gallons per month) would see his or her water bill increase (after the FY17 and FY18 rate increases) from \$16.78 to \$21.75. The same sewer customer would see an increase from \$38.05 to \$49.32. The increase for water would be \$4.97, and for sewer would be \$11.27, for a total monthly increase covering both water and sewer of \$16.24.

The impact of rate increases on residents and businesses, while necessary, is a concern that cannot be minimized. The EPA Affordability Threshold for water bills is 2.5 percent of median household income (MHI). The FY18 rate equates to 0.8 percent of MHI. The EPA Affordability Threshold for sewer is 2.0 percent of MHI, and the FY18 rate is 1.9 percent.

The City Administration continues to recommend that the City consider detailed proposals, under the PPEA process, to privatize the City’s utility system. The needs of the system are immense, from operations to infrastructure to billing and collections. Every alternative for revamping the system should be fully explored.

Refuse Collection

Historically, the City’s refuse has been managed by the Central Virginia Waste Management Association (CVWMA). The CVWMA was responsible for the garbage and refuse collection, transfer and disposal program or system within the member jurisdictions.

Refuse Collection Personnel & Non-Personnel Costs

REFUSE COLLECTION	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	-	-	-	0%
Non-Personnel Costs	1,500,000	1,915,310	1,628,014	1,921,311	0.3%
Total	1,500,000	1,915,310	1,628,014	1,921,311	0.3%



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Refuse Collection Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	1,500,000	1,915,310	1,628,014	1,921,311
Total Non-Personnel	1,500,000	1,915,310	1,628,014	1,921,311

Stormwater Management

The Stormwater Management division promotes effective storm water drainage and informs and educates residents on storm water issues. The division's responsibilities include:

- Daily site inspection of multiple construction projects to ensure compliance with local, state, and federal codes and standards;
- Site construction, erosion and sediment control and Best Management Practice inspections; and
- Review of site and development plans to ensure compliance with stormwater management standards.

Stormwater Management Summary

STORMWATER	FY 2016	FY 2017	FY 2018 Proposed	FY 2018 Adopted	Percent Change
<i>Revenue</i>					
Stormwater Fees	1,138,845	1,138,845	1,181,967	1,181,967	4%
Transfer from General Fund				100,000	
Total Revenues	1,138,845	1,138,845	1,181,967	1,281,967	13%
<i>Expenditures</i>					
Personnel	*	*	212,731	212,731	
Non-Personnel (O&M)	1,156,715	1,182,146	1,028,324	1,069,235	-10%
Total Expenditures	1,156,715	1,182,146	1,241,056	1,281,967	8%

*In FY 2016 and FY 2017, personnel costs were budgeted as part of the total program budget. The non-personnel line item includes both personnel and non-personnel



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Stormwater Management Personnel Costs

Object	FY 2016	FY 2017	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	-	-	166,221	166,221
Overtime	-	-	-	-
FICA	-	-	12,720	12,720
V.R.S.	-	-	19,970	19,970
Health Insurance	-	-	11,640	11,640
V.R.S. Group Life	-	-	2,180	2,180
Total Personnel Costs	*	*	212,731	212,731

*In FY 2016 and FY 2017, personnel costs were budgeted as part of the total program budget. Personnel is included in the non-personnel costs below.

Stormwater Management Non-Personnel Costs

Object	FY 2016	FY 2017	FY 2018 Proposed	FY 2018 Adopted
Docotors & Physicans Fees	-	-	200	200
Other Contractual Services	-	-	66,500	-
Contractual Services	-	-	300,000	307,411
Advertising	-	-	1,000	1,000
Registration and Training	-	-	2,500	2,500
State Permits/License Fees	-	-	4,000	4,000
Office Supplies	-	-	5,000	5,000
Food Supplies	-	-	500	500
Gas Grease Oil	-	-	1,000	1,000
Uniforms & Wearing Apparel	-	-	2,000	2,000
First Aid	-	-	-	-
Engineering Supplies	-	-	100	100
Computer Software over \$5000	-	-	1,500	4,000
Computer Hardware over \$5000	-	-	2,500	-
Debt-Principal	-	641,524	595,844	595,844
Interest	-	-	45,681	45,681
Contingency	-	-	-	100,000
Stormwater Program	1,138,845	522,752	-	-
Storm Management Program	17,870	17,870	-	-
Total Non-Personnel Costs	1,156,715	1,182,146	1,028,324	1,069,235



Social Services

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Social Services

The Social Services department delivers a wide range of quality programming and services to people in the community to promote self-sufficiency, responsibility, and safety. The Social Services department will continue to oversee the Social Services Division, but also will have management responsibility over the Child Services Agency (CSA). CSA, in turn, will oversee the Virginia Juvenile Community Crime Control Agency (VJCCCA), as well as the coordination of the CAPUP Grant that is used to employ youth. The reorganization of these programs within the Social Services department will allow for greater coordinating, benefiting not only those who receive services but also clearer structure and greater administrative support for those who provide these functions. The department:

- Promotes the safety, permanency and well-being for children, families and individuals through adoption, child protective services, foster care and other programs.
- Provides screening services for customers applying for benefits and services sufficient to ensure timely processing in accordance with established local, state, and federal guidelines.
- Investigates reports of abuse, neglect, and exploitation of adults 60 years of age or older and incapacitated adults age 18 or older.
- Screens individuals entering nursing homes or assisted living facilities and provides companion services to the elderly to keep them in their own homes.
- Provides financial assistance to eligible families to help pay for the cost of child care so they can work or attend education or training programs.
- Identifies, assesses and provides services to children and families to protect children, preserve families, and prevent further maltreatment.



Social Services

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Budget Highlights

The total FY18 Adopted Operating Budget for the Social Services Department is \$12,513,119, a decrease of 1 percent from the FY17 Adopted 2nd Amendment Budget but an increase of six percent from FY 16. A 2 percent increase for employees of the Social Services Division are incorporated in these numbers, even though the budgets are not expected to be approved until May 2017. The budget will be adjusted if this proposal is not executed by the Commonwealth.

In order for program to run efficiently, personnel staffing is needed and necessary staffing positions have been structured through the Virginia Department of Social Services that will enable adequate services. There are 107 positions that would comply with adequate services. There is an 84.5 percent reimbursement from the Commonwealth of Virginia for the 107 positions therefore the City share would only be 15.5 percent.

DEPARTMENT TOTAL	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	5,167,677	5,053,436	5,398,929	5,398,929	7%
Non-Personnel Costs	6,603,595	7,563,001	7,114,190	7,114,190	-6%
Total	11,771,272	12,616,437	12,513,119	12,513,119	-1%



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Divisions

Social Services

The service division of the Department of Social Services is responsible for providing Adult Services, Adult Protective Services, Child Care Services, Child Protective Services, Employment Services and Foster Care Services. The majority of services that are provided are mandated by the Commonwealth of Virginia. Guidelines for service provision are provided by the Code of Virginia and the Virginia Department of Social Services.

On average, Social Services programming is funded 85.5 percent by the Commonwealth, and 14.5 percent by the City.

Division Performance

In FY 2015, Social Services helped 54 children receive foster care services and saw 10 children adopted. In addition, the VIEW program, which provides job readiness, retention and advancement assistance to disadvantaged residents served 552 participants in FY 2015 and hired a former VIEW client in FY 2016.

Social Services Personnel & Non-Personnel Costs

SOCIAL SERVICES	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	4,977,146	4,948,310	5,121,686	5,121,686	4%
Non-Personnel Costs	3,511,760	3,859,801	3,485,540	3,485,540	-10%
Total	8,488,906	8,808,111	8,607,226	8,607,226	-2%

Social Services Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	3,502,873	3,583,715	3,710,784	3,710,784
Overtime	32,862	28,000	28,000	28,000
Part-time Salaries	50,000	27,634	27,634	27,634
FICA	274,309	278,410	288,131	288,131
V.R.S.	534,188	430,404	445,665	445,665
Hospitalization/Medical Plans	534,586	550,752	572,860	572,860
Group Insurance	46,238	47,305	48,611	48,611
Doctors & Physicians Fees	2,090	2,090	-	-
Total Personnel Costs	4,977,146	4,948,310	5,121,686	5,121,686



Social Services

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Social Services Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Legal Fees	50,060	85,500	85,500	85,500
Other Contractual Services	89,600	89,600	89,600	89,600
Repairs - Motor Vehicles	8,350	8,350	10,000	10,000
Repairs - Office Equipment	2,310	2,310	2,310	2,310
Electric Current	35,650	35,650	35,650	35,650
Fuel	5,700	5,700	7,500	7,500
Postal Services	30,680	32,752	30,300	30,300
Telecommunications	42,315	42,315	42,315	42,315
Surety Bonds	2,550	1,911	2,550	2,550
Lease/Rent of Equipment	11,720	11,720	12,000	12,000
Rent of Property	68,590	68,590	68,590	68,590
Mileage-Allowances	540	540	540	540
Subsistence and Lodging	1,000	1,000	5,000	5,000
Convention and Education	2,500	2,500	2,500	2,500
Travel	1,000	1,000	3,000	3,000
Auxiliary Grants - Aged	159,880	209,980	539,000	539,000
Auxiliary Grants - Disabled	418,445	469,906	-	-
TANF Manual Checks	6,350	-	2,000	2,000
TANF Foster Care	527,780	547,847	619,275	619,275
Emergency Services	-	-	2,400	2,400
Child Welfare Serv & Adoption	1,436,000	1,632,000	1,436,000	1,436,000
Independent Living Program	8,260	7,500	8,260	8,260
Companion Program	90,825	60,825	27,030	27,030
Prevention Allocation	40,090	59,469	40,090	40,090
View - Welfare Reform	338,400	314,000	257,000	257,000
Foster Parent - Adoptive	3,680	3,680	3,680	3,680
Day Care Quality Enhancement	11,425	12,000	12,000	12,000
Healthy Families	42,440	42,440	48,500	48,500
Dues and Association Memberships	1,150	-	2,500	2,500
Office Supplies	42,205	78,451	55,000	55,000
Cleaning Material & Supplies	11,815	11,815	15,000	15,000
Vehicle and Powered Equipment				
Fuels	20,450	20,450	20,450	20,450
Total Non-Personnel Costs	3,511,760	3,859,801	3,485,540	3,485,540



Social Services

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Juvenile Community Crime Control Program

The Juvenile Community Crime Control Program (JCCCP) strives to provide youth and families a safe, nurturing community that will provide for their needs, recognize their strengths, and support their success. The office provides services for youth that are Court ordered into the program or diverted at Juvenile Intake. Programs and services include Outreach Detention, Electronic Monitoring, Surveillance Services, and Community Services. JCCCP also offers the following groups: Law Related Education, Pro-Social Skills, Too Good for Drugs, and Communications. In FY 18, the VJCCCA budget is now located entirely in the General Fund rather than split between the General Fund and Special Revenue Fund. Lastly, the Director of VJCCCA will report to the Director of CSA.

Juvenile Community Crime Control Program Personnel & Non-Personnel Costs

JUVENILE & CHILDREN'S OUTREACH	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	91,576	85,733	90,984	90,984	6%
Non-Personnel Costs	3,001,750	3,603,750	3,603,250	3,603,250	0%
Total	3,093,326	3,689,483	3,694,234	3,694,234	0%

Juvenile Community Crime Control Program Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	57,444	57,444	57,444	57,444
Part-time Salaries	13,342	15,084	15,084	15,084
FICA	5,415	5,548	5,548	5,548
V.R.S.	8,761	6,899	6,899	6,899
Hospitalization/Medical Plans	5,856	-	5,256	5,256
Group Insurance	758	758	753	753
Total Personnel Costs	91,576	85,733	90,984	90,984



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Juvenile Community Crime Control Program Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Pool Funds	2,998,000	3,600,000	3,600,000	3,600,000
Travel	750	750	750	750
Office Supplies	2,500	2,500	2,000	2,000
New Office Equipment	500	500	500	500
Total Non-Personnel Costs	3,001,750	3,603,750	3,603,250	3,603,250

Juvenile and Children's Outreach (Office of Child Services Agency)

The Children's Services Act (CSA) is the name for a law enacted in 1993 that establishes a single state pool of funds to purchase services for at-risk youth and their families. The state funds, combined with local community funds, are managed by local interagency teams who plan and oversee services to youth.

The mission of the CSA, as defined by the Commonwealth, is to create a collaborative system of services and funding that is child-centered, family-focused and community-based when addressing the strengths and needs of troubled and at-risk youth and their families in the Commonwealth.

The costs of the program are funded 37 percent by the City and 63 percent by the Commonwealth.

Juvenile and Children's Outreach (Office of Child Services Agency) Personnel & Non-Personnel Costs

JCCCP	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	98,955	19,393	186,259	186,259	860%
Non-Personnel Costs	90,085	99,450	25,400	25,400	-74%
Total	189,040	118,843	211,659	211,659	78%



Social Services

City of Petersburg, VA
FY 2018 Operating Budget

Juvenile and Children's Outreach (Office of Child Services Agency) Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	67,559	10,721	132,143	132,143
Part-time Salaries	900	4,000	4,000	4,000
FICA	5,237	1,126	10,415	10,415
V.R.S.	10,303	1,288	15,870	15,870
Hospitalization Insurance	14,064	2,116	22,000	22,000
Group Insurance	892	142	1,731	1,731
Docotors & Physicans Fees	-	-	100	100
Total Personnel Costs	98,955	19,393	186,259	186,259

Juvenile and Children's Outreach (Office of Child Services Agency) Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	11,100	11,100	11,700	11,700
Transfer Out	76,650	88,350	-	-
Advertising	-	-	1,000	1,000
Telephone	1,200	-	2,500	2,500
Subsistence and Lodging	180	-	2,000	2,000
Registration and Training	75	-	1,000	1,000
Travel	80	-	1,000	1,000
Office Supplies	300	-	1,750	1,750
New Office Equipment	500	-	2,000	2,000
New Furniture & Fixtures	-	-	-	-
Food Supplies			500	500
Vehicle Maintenance			1,500	1,500
Fuel	-	-	450	450
Total Personnel Costs	90,085	99,450	25,400	25,400

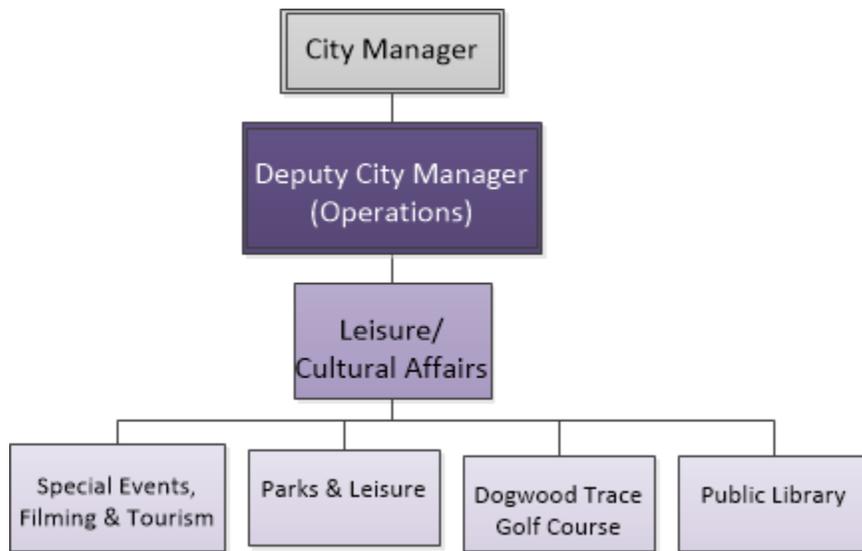


Leisure & Cultural Affairs

City of Petersburg, VA
FY 2018 Operating Budget

Leisure & Cultural Affairs

The Department of Leisure & Cultural Affairs is a newly formed department that was constructed to provide a variety of high-quality sports and leisure, cultural, and heritage-based opportunities for the residents of and visitors to Petersburg. The department is also responsible for operating the public library and Dogwood Trace golf course.



Budget Highlights

The total FY18 Adopted Operating Budget for the Department of Leisure & Cultural Affairs is \$2,676,007 a decrease of 0.02 percent from the FY17 Adopted 2nd Amendment Budget.

In FY18, the City will seek opportunities to partner with external agencies to provide recreational programming for both youth and adults. These agencies have additional resources that can be leveraged by the City and can deliver services more effectively and cost efficiently.

DEPARTMENT TOTAL	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	1,783,309	1,657,934	1,209,415	1,710,134	3%
Non-Personnel Costs	1,698,517	1,018,588	1,367,229	965,873	-5%
Total	3,481,826	2,676,522	2,576,644	2,676,007	-0.02%



Leisure & Cultural Affairs

City of Petersburg, VA
FY 2018 Operating Budget

Divisions

Special Events, Tourism & Filming

The Office of Special Events celebrates special events and the contributions to the vibrancy, cultural richness and economic vitality of the Petersburg community. The office issues special event permits for the use of outdoor City property, film permits to film in the City's historical buildings and streets, and assists event organizers in collaborating with City departments to provide services and support for events. The office also manages the rental of Union Train Station for special events.

In addition, the office oversees the Petersburg Area Regional Tourism Corporation to help visitors discover this historic and entertaining region.

Special Events, Tourism & Filming Personnel & Non-Personnel Costs

SPECIAL EVENTS	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	123,467	99,317	61,236	41,214	-59%
Non-Personnel Costs	213,000	100,000	127,365	66,725	-33%
Total	336,467	199,317	188,601	107,939	-46%

Special Events, Tourism & Filming Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	90,000	72,000	32,206	32,206
Vehicle Allowance	-	-	1,000	-
Salaries & Wages - Overtime	-	-	-	-
Part-time Salaries	5,400	5,902	10,000	
FICA	7,298	5,960	3,229	2,464
V.R.S.	13,725	8,647	3,868	3,868
Hospitalization/medical Plans	5,856	5,858	10,511	2,254
Group Insurance	1,188	950	422	422
Total Personnel Costs	123,467	99,317	61,236	41,214



Leisure & Cultural Affairs

City of Petersburg, VA
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Special Events, Tourism & Filming Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Professional Service - Other	-	-	5,000	-
Telecommunications	-	-	800	800
Other Contractual Services	-	20,000	20,000	5,000
Advertising	42,500	15,000	20,000	8,000
Public Relations	7,000	5,000	5,000	-
Postage	-	-	300	-
Gas, Grease and Oil	-	-	1,000	-
Subsistence and Lodging	2,000	-	-	-
Registration and Training	500	-	-	-
Travel	3,000	-	-	-
Special Programs/Dance Culture	3,000	-	-	-
Travel/Special Events	10,000	-	1,000	1,000
Friday For The Arts	10,000	10,000	5,000	-
State Permits/Lic Fees	-	5,000	5,000	5,000
Miscellaneous Supply	-	-	-	-
Office Supplies	1,500	1,500	1,000	2,000
Food Supplies	-	-	1,000	-
Merchandise for Resale	-	-	-	-
Beautification Supplies	15,000	-	15,000	-
Fuel	-	-	425	425
Vehicle Maintenance	-	-	3,340	1,000
Furnitures & Fixtures	76,000	-	-	-
Black History Month	10,000	5,000	5,000	5,000
Petersburg Area Regional Tourism	32,500	38,500	38,500	38,500
Total Non-Personnel Costs	213,000	100,000	127,365	66,725

Parks & Leisure

The Parks and Leisure Services division provides recreational opportunities for seniors, adults and youth. The department strives to strengthen the community's image, promote health and wellness, foster human development, support economic development through sports tourism and protect environmental resources. Programming includes organized sports, arts and crafts, music and dance, drama, environmental education, cultural experiences, and other social, physical and creative opportunities. The Parks and Leisure Services



Leisure & Cultural Affairs

City of Petersburg, VA
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division develops and nurtures community partners to leverage external resources to assist with the development, preservation, restoration of recreation sites and to develop/implement programs. The division also operates and maintains the Petersburg Sports Complex, which features four softball fields, one baseball diamond with locker rooms, one large pavilion, eight mini pavilions, and two retention ponds. FY18 will see a greater emphasis on leveraging community partnerships and outsourcing programs to qualified contractors.

Parks & Leisure Personnel & Non-Personnel Costs

PARKS & LEISURE	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	734,712	536,385	69,087	569,445	6%
Non-Personnel Costs	222,283	180,440	500,000	147,000	-19%
Total	956,995	716,825	569,087	716,445	-0.05%

Parks & Leisure Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	319,913	227,075	54,080	228,339
Part-time Salaries	268,712	200,000	-	250,091
FICA	45,030	32,671	4,137	36,600
V.R.S.	48,786	27,272	6,495	27,424
Hospitalization/Medical Plans	48,048	46,370	3,667	24,000
Group Insurance	4,223	2,997	708	2,991
Total Personnel Costs	734,712	536,385	69,087	569,445



Leisure & Cultural Affairs

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Parks & Leisure Personnel & Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	125,000	100,000	500,000	80,000
Repairs - Motor Vehicles	-	-	-	-
Advertising	2,000	2,000	-	-
Public Relations	1,000	1,000	-	-
Rent of Equipment	14,613	10,000	-	-
Subsistence and Lodging	2,000	2,000	-	-
Registration and Training	1,000	1,000	-	-
Travel Expense	3,500	3,500	-	-
Dues and Association Memberships	600	600	-	-
Activity	19,770	15,000	-	8,800
Office Supplies	2,000	2,000	-	3,000
Food Supplies	4,000	7,000	-	7,000
Vehicle and Powered Equipment Fuels	22,000	15,000	-	15,000
Uniforms & Wearing Apparel	6,000	5,000	-	5,000
Educational & Recreational Supplies	18,000	15,540	-	-
First Aid Supplies	800	800	-	1,200
Other Operating Supplies	-	-	-	12,000
Recreation Supplies	-	-	-	15,000
Total Non-Personnel Costs	222,283	180,440	500,000	147,000

Public Library

The Petersburg Public Library aims to provide citizens equitable access to evolving information and resources that will enable them to enhance their quality of life. The Library offers programming and services to ensure that children and teens develop and maintain a life-long love of reading and learning and that adults have the services information and resources they need.

The Library also partners with other agencies to provide services to the community. The Healthy Living and Learning Center provides residents access to accurate and reliable health information. The Longwood Small Business Development Center offers education, consulting, and economic research to support small business owners throughout Southern Virginia. The READ Center helps adults with low-level literacy develop basic reading and communication skills. Funding is provided for security at the library during peak business hours.



Leisure & Cultural Affairs

City of Petersburg, VA
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Public Library Personnel & Non-Personnel Costs

PUBLIC LIBRARY	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	703,556	591,475	648,037	672,413	14%
Non-Personnel Costs	652,433	466,563	441,553	441,553	-5%
Total	1,355,989	1,058,038	1,089,590	1,113,966	5%

Public Library Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	418,075	332,000	395,061	414,986
Part-time Salaries	110,792	106,000	118,985	119,238
FICA	40,458	33,507	39,325	40,868
V.R.S.	63,756	50,630	47,447	49,840
Hospitalization/Medical Plans	64,956	64,956	42,045	42,045
Group Insurance	5,519	4,382	5,175	5,436
Total Personnel Costs	703,556	591,475	648,037	672,413



Leisure & Cultural Affairs

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Public Library Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	95,086	71,314	46,983	46,983
Security Guard	23,046	17,285	15,000	15,000
Advertising	1,000	750	1,000	1,000
Public Relations	15,680	11,760	7,318	7,318
Postal Services	2,660	1,995	1,100	1,100
Telecommunications	33,258	24,944	17,665	17,665
Lease/Rent of Equipment	14,508	14,508	12,718	12,718
Travel	1,250	938	1,250	1,250
Dues and Association Memberships	880	1,000	955	955
Office Supplies	6,000	4,500	4,500	4,500
Vehicle and Powered Equipment Fuels	3,000	1,125	1,125	1,125
Books and Subscriptions	78,000	78,000	78,000	78,000
Library Supplies	8,000	6,000	6,000	6,000
Vehicle Maintenance	-	-	5,010	5,010
Gift Shop Purchases	4,000	3,000	2,000	2,000
Replacement of Office Equipment	-	-	7,500	7,500
New Equipment - Other	16,065	16,065	16,706	16,706
PPL Development, Inc	350,000	213,380	216,723	216,723
Total Non-Personnel Costs	652,433	466,563	441,553	441,553

Dogwood Trace Golf Course

Dogwood Trace Golf Course is a municipal golf course located in historic Petersburg, Virginia. The golf course officially opened in April 2008 after a two-year renovation from old Lee Park Golf Course, which saw a complete restructuring of the layout. The golf course offers significant programming for children in the City, serving over 300 annually. The creation of the Leisure & Cultural Affairs department will provide greater opportunities to leverage this asset, along with other leisure assets in the City.

Excluding debt service associated with this capital expense, the golf course is fully self-supporting from an operations perspective. No additional General Fund support is required to operate the facility.



Leisure & Cultural Affairs

City of Petersburg, VA
FY 2018 Operating Budget

Dogwood Trace Golf Course Summary

GOLF COURSE	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Revenue		674,319	737,657	737,657	9%
<i>Expenditures</i>					
Personnel	221,574	430,757	431,054	427,062	-1%
Non-Personnel	610,801	271,585	298,311	310,595	14%
Subtotal Expenditures	832,375	702,342	729,365	737,657	5%
Net Income			8,292	0	
Total Expenditures	832,375	702,342	737,657	737,657	5%

Dogwood Trace Golf Course Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	143,652	259,625	280,525	280,525
Part-time Salaries	27,000	73,760	51,011	47,303
FICA	13,055	25,504	25,363	25,079
V.R.S.	21,907	31,181	33,691	33,691
Hospitalization Insurance	14,064	37,260	36,789	36,789
V.R.S. Group Life	1,896	3,427	3,675	3,675
Total Personnel Costs	221,574	430,757	431,054	427,062



Leisure & Cultural Affairs

City of Petersburg, VA
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Dogwood Trace Golf Course Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Accounting and Auditing Services	2,500	2,500	2,500	2,500
Credit Card Fees	-	-	10,250	10,250
Other Contractual Services	-	1,516	-	-
VA Sales Tax	14,221	14,221	14,221	14,221
City Tax	336	336	-	-
Grounds Maintenance	450,000	103,012	87,950	85,950
Advertising	5,500	2,500	1,500	1,284
Public Relations	6,400	2,000	1,500	1,000
Electric Current	15,500	21,000	21,000	21,000
Fuel	14,000	25,000	21,000	21,000
Water & Sewer Service	11,000	15,000	13,000	13,000
Telephone	3,000	3,000	1,140	1,140
Insurance	7,500	7,500	7,500	7,500
Rent-Golf Carts	55,500	55,500	60,400	60,400
Rent of Property	11,844	-	4,800	19,800
Dues & Subscriptions	7,000	9,500	8,650	8,650
Office Supplies	2,000	4,500	3,000	3,000
Concession Resale	-	-	-	-
Cleaning Material & Supplies	4,500	4,500	3,500	3,500
Pro-Shop Resale	-	-	36,400	36,400
Total Non-Personnel Costs	610,801	271,585	298,311	310,595



Leisure & Cultural Affairs

City of Petersburg, VA
FY 2018 Operating Budget

Dogwood Trace Golf Course Revenues

GOLF COURSE REVENUE	FY 2017	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Green Fees	439,725			
<i>Outing Green Fees</i>		49,100	49,100	
<i>Annual Pass/Member Fees</i>		102,500	102,500	
<i>Daily Green Fees</i>		319,750	319,750	
<i>Range Fees</i>		17,000	17,000	
Subtotal Green Fees	439,725	488,350	488,350	11%
Car Rental	156,541	166,000	166,000	6%
Pro-Shop	46,897	52,000	52,000	11%
Concession Sales	16,935	16,750	16,750	-1%
Sales Tax	14,221	14,557	14,557	2%
Total Revenues	674,319	737,657	737,657	9%

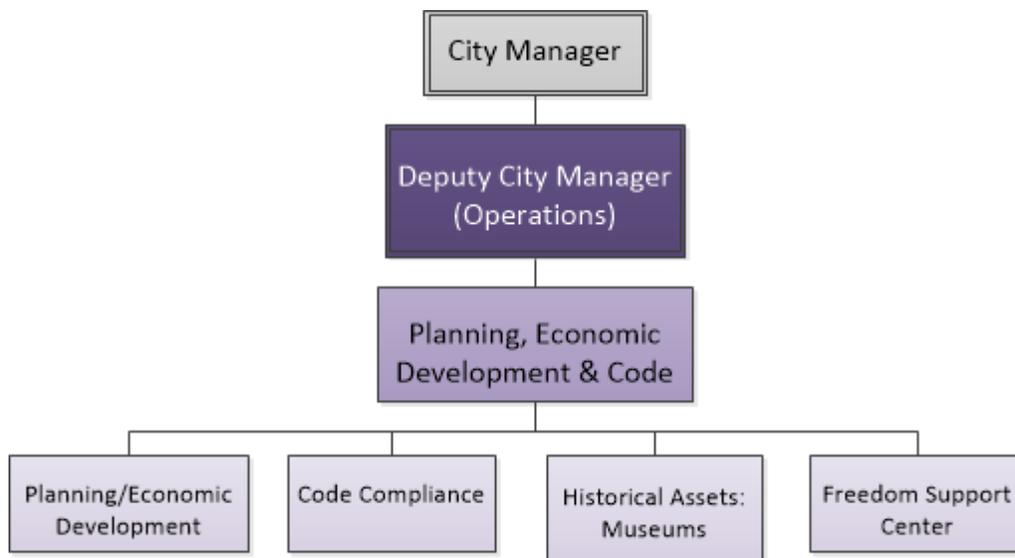


Planning, Economic Development & Code

City of Petersburg, VA
FY 2018 Operating Budget

Planning, Economic Development & Code

The consolidation of the Planning & Economic Development departments occurred in the FY 17 2nd Amendment budget, by recommendation from the PFM Group Report. To further address community blight and stabilization, funds from the Community Development Block Grant (CDBG) program to support Code Enforcement also began in FY 17 2nd Amendment representing \$150,000 to offset General Fund costs. In FY 18, the City is furthering this initiative by bringing Code Compliance under the direction of the Planning, Economic Development Director and appropriating an additional \$200,000 in CDBG money for FY 18.



Budget Highlights

The total FY18 Adopted Operating Budget for the Department of Planning, Economic Development & Code is \$1,894,632, an increase of 22 percent from the FY17 Adopted 2nd Amendment Budget and an increase of 24 percent from the FY 16 budget.

DEPARTMENT TOTAL	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	870,046	1,032,111	1,185,614	1,185,614	15%
Non-Personnel Costs	660,718	516,851	709,018	709,018	37%
Total	1,530,764	1,548,962	1,894,632	1,894,632	22%



Planning, Economic Development & Code

City of Petersburg, VA
FY 2018 Operating Budget

Divisions

Planning & Economic Development

The Planning and Economic Development department encourages and promotes the orderly use of land for redevelopment and growth through intermediate and long range comprehensive and strategic planning.

In FY 2018, the department will update and implement the City's Zoning Ordinance, Subdivision Ordinance and other land use regulations and policies. The department will also strive to offer greater opportunities for citizen participation and involvement in the planning process.

Planning & Economic Development Personnel & Non-Personnel Costs

PLANNING & ECONOMIC DEVELOPMENT	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	266,213	463,317	504,493	504,493	9%
Non-Personnel Costs	333,253	132,762	368,588	368,588	178%
Total	599,466	596,079	873,081	873,081	46%

Planning & Economic Development Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	172,915	392,492	395,317	395,317
Vehicle Allowance	3,000	-	-	-
Part-time Salaries	22,754	1,704	-	-
FICA	15,198	17,994	30,242	30,242
V.R.S.	26,370	28,045	47,478	47,478
Hospitalization/Medical Plans	23,694	20,000	26,278	26,278
Group Insurance	2,282	3,082	5,179	5,179
Total Personnel Costs	266,213	463,317	504,493	504,493



Planning, Economic Development & Code

City of Petersburg, VA
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Planning & Economic Development Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	60,000	75,000	254,000	254,000
Petersburg IDA	110,000	-	-	-
Advertising	4,300	1,000	-	-
Public Relations	-	-	10,000	10,000
Electric Current	10,500	14,854	-	-
Water & Sewer Service	15,000	-	-	-
Postal Services	115	615	-	-
Telecommunications	-	500	-	-
Rent of Equipment	19,250	18,445	1,500	1,500
Mileage-Allowance	-	-	-	-
Subsistence and Lodging	2,500	-	-	-
Convention and Education	600	-	-	-
Travel	2,000	300	2,000	2,000
Dues and Association Membership	2,000	250	-	-
Office Supplies	1,500	500	6,000	6,000
Gas, Grease and Oil	-	225	-	-
New Office Equipment	10,000	-	-	-
New Furniture & Fixtures	16,000	-	-	-
Cleaning Material & Supplies	-	-	400	400
Other/Historical Resources	-	-	2,600	2,600
Survey-Historic District	-	-	2,500	2,500
Board/Commission Stipends	8,500	-	-	-
Printing & Binding	1,500	-	1,500	1,500
Advertising	9,500	-	7,500	7,500
Postal Services	700	-	700	700
Telecommunications	-	-	2,800	2,800
Subsistence and Lodging	500	-	2,500	2,500
Convention and Education	3,500	-	1,200	1,200
Dues and Association Membership	1,160	-	700	700
Vehicle and Powered Equipment	400	-	500	500
Vehicle Maintenance	-	-	5,010	5,010
Books and Subscriptions	250	-	200	200
Computer Software under \$5000	-	-	3,500	3,500
Virginia Gateway Region	32,405	-	42,405	42,405
Crater Planning District	21,073	21,073	21,073	21,073
Total Non-Personnel Costs	333,253	132,762	368,588	368,588



Planning, Economic Development & Code

City of Petersburg, VA
FY 2018 Operating Budget

Code Compliance

The Code Compliance division ensures compliance with building construction standards of buildings to help protect the public’s health, safety and welfare. The division determines permit application requirements, reviews construction documents, issues construction, building, electrical, mechanical and plumbing permits, and performs inspections for compliance.

In addition, the division is responsible for maintaining residential and commercial properties that have been identified in the Deteriorated and Deteriorating revitalization areas in the City. This effort is partially funded by Community Development Block Grant Funds. In FY 2018, the division will work closely with eligible citizens to identify funding opportunities to assist with abatement activity. Grass cutting on private property is anticipated to be handled by an outside contractor. Additional responsibilities of Code Compliance include:

- Maintenance of the vacant property registry;
- Inspections of rental properties on a complaint basis;
- The reviews of plans and development proposals to ensure compliance with City codes and ordinances;
- Participation on the City’s Abatement, Compliance and Enforcement Team to collect taxes, abate violations and conduct inspections.

Code Compliance Personnel & Non-Personnel Costs

CODE COMPLIANCE	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	603,833	409,809	584,572	584,572	43%
Non-Personnel Costs	240,865	130,865	239,550	239,550	83%
Total	844,698	540,674	824,122	824,122	52%

Code Compliance Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	435,171	292,202	431,103	431,103
FICA	33,291	22,353	32,979	32,979
V.R.S.	66,363	35,093	51,775	51,775
Health Insurance	63,264	56,304	63,067	63,067
V.R.S. Group Life	5,744	3,857	5,647	5,647
Total Personnel Costs	603,833	409,809	584,572	584,572



Planning, Economic Development & Code

City of Petersburg, VA
FY 2018 Operating Budget

Code Compliance Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual Services	9,340	9,340	3,000	3,000
Demolition	100,000	50,000	130,000	130,000
Grass Cutting	120,000	60,000	60,000	60,000
Subsistence and Lodging	950	950	550	550
Training and Conferences	950	950	550	550
Travel	-	-	1,000	1,000
Dues and Subscriptions	1,000	1,000	1,000	1,000
Uniforms & Wearing Apparel	2,125	2,125	4,250	4,250
Textbooks	3,500	3,500	10,000	10,000
Code Compliance Supplies	2,500	2,500	2,500	2,500
Training Supplies	200	200	3,000	3,000
Small Tools	300	300	700	700
Postal Services	-	-	1,500	1,500
Computer Software under \$5000	-	-	3,000	3,000
Telecommunications	-	-	5,000	5,000
Vehicle and Powered Equipment f	-	-	13,500	13,500
Total Non-Personnel Costs	240,865	130,865	239,550	239,550

Freedom Support Center

The Freedom Support Center (FSC) is a one-stop service facility that assists individuals who have served in the United States Military. FSC provides a variety of services to veterans including case management, disability claims, homeless prevention, housing mental health counseling, employment assistance, soft skills and VA loan resources. As part of a new agreement the City will be responsible for only the personnel who support the center, but not the operations, rent and maintenance of the facility. The reduction is shown in the table below.

Freedom Support Center Personnel & Non-Personnel Costs

FREEDOM SUPPORT CENTER	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	-	96,549	96,549	
Non-Personnel Costs	-	150,284	-	-	-100%
Total	-	150,284	96,549	96,549	-36%



Planning, Economic Development & Code

City of Petersburg, VA
FY 2018 Operating Budget

Freedom Support Center Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	-		55,000	55,000
Part-time Salaries	-		23,000	23,000
FICA	-		5,967	5,967
VRS	-		6,606	6,606
Health Insurance			5,256	5,256
Group Insurance	-		721	721
Total Personnel Costs	-	-	96,549	96,549

Freedom Support Center Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Freedom Center	-	150,284	-	-
Total Non-Personnel Costs	-	150,284	-	-

Historical Assets: Museums

The City Museums (Blandford Church, The Visitor's Center, and Centre Hill) are currently operated by a non-profit organization – The Petersburg Preservation Task Force. The City is responsible for utilities, telephone, maintenance and managing the inventory.

Museums Personnel & Non-Personnel Costs

HISTORICAL ASSETS: MUSEUMS	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Personnel Costs	-	158,985	-	-	0%
Non-Personnel Costs	86,600	102,940	100,880	100,880	-2%
Total	86,600	261,925	100,880	100,880	-61%



Planning, Economic Development & Code

City of Petersburg, VA
FY 2018 Operating Budget

Museums Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	-	51,196	-	-
Part-Time/Temp Salaries	-	64,000	-	-
FICA	-	8,812	-	-
VRS	-	6,149	-	-
Health Insurance	-	28,152	-	-
VRS Group Life	-	676	-	-
Total Personnel	-	158,985	-	-

Museums Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Other Contractual	-	2,650	-	-
Advertising	-	710	-	-
Collections Management	3,000	5,200	1,500	1,500
Electric Current	65,000	86,000	48,000	48,000
Fuel	5,000	1,025	4,100	4,100
Water & Sewer Service	8,600	4,300	17,200	17,200
Postal Services	2,500	55	200	200
Telecommunications	-	3,000	3,000	3,000
City Special Events	-	-	500	500
Cleaning Material & Supplies	2,500	-	1,000	1,000
Other Operating Supplies	-	-	25,380	25,380
Total Non-Personnel Costs	86,600	102,940	100,880	100,880



Mass Transit

City of Petersburg, VA
FY 2018 Operating Budget

Mass Transit

Petersburg Area Transit (PAT) is committed to improving the riding experience and availability of public transportation in the Southside region for local residents, businesses and visitors of Petersburg, Hopewell, Colonial Heights and the surrounding counties. PAT transports an average of 57,000 passengers a month, aiming to connect people, jobs, and communities.

PAT is also responsible for overseeing the implementation of federally funded transit programs and ensuring compliance with grant regulations. PAT ensures assured that transit facilities and vehicles are safe and properly maintained.

Budget Highlights

The total FY18 Adopted Operating Budget for Mass Transit is \$3,253,206, an increase of 18 percent from the FY17 Adopted 2nd Amendment Budget of \$2,756,751. A \$300,000 General Fund subsidy is included as a local match to State aid. Mass Transit revenue detail can be found below.

Mass Transit Summary

MASS TRANSIT	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted	Percent Change
Revenue		2,756,102	3,179,128	3,253,206	18%
<i>Expenditures</i>					
Personnel	2,116,052	1,279,630	2,186,348	2,090,527	63%
Non-Personnel	1,115,040	876,121	956,740	1,108,679	27%
Subtotal Expenditures	3,231,092	2,155,751	3,143,088	3,199,206	48%
Net Income		600,351	36,040	54,000	
Total Expenditures	3,231,092	2,756,102	3,179,128	3,253,206	18%



Mass Transit

City of Petersburg, VA
FY 2018 Operating Budget

Mass Transit Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Full Time Salaries	1,305,615	740,253	1,397,177	1,422,296
Salaries & Wages - Overtime	30,000	110,000	104,788	25,005
Part-time Salaries	234,749	162,000	236,671	199,969
FICA	117,838	54,644	133,006	124,104
V.R.S.	199,106	77,954	167,801	170,818
Hospitalization/Medical Plans	211,510	126,208	97,802	99,561
Group Insurance	17,234	8,571	18,303	18,774
Employee Liability - Workers Comp	-	-	30,800	30,000
Total Personnel Costs	2,116,052	1,279,630	2,186,348	2,090,527



Mass Transit

City of Petersburg, VA
FY 2018 Operating Budget

Mass Transit Non-Personnel Costs

Object	FY 2016	FY 2017 2nd Amendment	FY 2018 Proposed	FY 2018 Adopted
Training/Tuition	-	800	1,000	500
Docotors & Physicans Fees	5,000	4,830	5,000	5,000
Credit Card Fees	-	1,300	1,500	5,000
Other Contractual Services	10,000	19,390	50,000	80,000
Sales Tax CafÃ©	-	-	500	1,298
Other-GRTC	200,000	200,000	200,000	200,000
Other-GRTC	200,000	200,000	-	-
Repairs - Motor Vehicles	40,000	-	24,000	41,000
Repairs-Machinery & Motors	-	-	15,000	5,000
Repairs - Office Equipment	-	3,000	5,000	3,000
Repairs - Radio Equipment	-	-	5,000	2,000
Repairs - Building & Grounds	8,000	-	10,000	14,000
Repairs - Other	-	(1,000)	-	-
Pest Control	-	240	160	250
Advertising	1,500	500	800	2,500
Public Relations	-	1,000	-	-
Electric Current	55,000	20,060	22,000	60,000
Fuel	8,000	3,000	4,000	28,000
Water & Sewer Service	17,000	17,000	17,000	16,999
Postal Services	250	475	500	300
Telecommunications	30,000	38,500	33,000	41,913
Insurance-Other	-	19,000	20,000	10,000
Motor Vehicle Insurance	29,590	10,590	10,000	5,000
Registration and Training	2,000	1,000	1,000	200
Travel	10,000	6,000	3,000	500
Dues and Subscriptions	2,500	2,000	1,000	2,000
Office Supplies	10,000	2,000	1,200	1,500
Food Supplies	1,000	1,000	600	500
Concession Expenses	-	1,900	-	-
Cleaning Material & Supplies	10,000	10,000	44,000	15,000
Vehicle and Powered Equipment Fuels	390,000	244,036	358,000	232,523
Uniforms & Wearing Apparel	9,000	3,500	10,000	20,000
Educational & Recreational Supplies	-	800	1,000	-
Other Operating Supplies	-	2,100	4,980	3,000
First Aid Supplies	500	100	500	696
Garage Supplies	-	-	15,000	-
Tires & Tubes	35,000	35,000	50,000	55,000
Bus Tickets	5,000	5,000	12,000	10,000
Small Tools	-	3,000	-	-
Local Match	35,700	20,000	30,000	246,000
Total Non-Personnel Costs	1,115,040	876,121	956,740	1,108,679



Mass Transit

City of Petersburg, VA
FY 2018 Operating Budget

Mass Transit Revenue Detail

Description	FY 2017 Amended	FY 2018 Proposed	FY 2018 Adopted
Battlefield Park	-	120,000	-
Rental of Trolleys	-	60,000	-
New Freedom Mobility	-	-	46,008
Advertising	35,000	35,000	35,000
Farebox	515,000	515,000	476,400
City of Hopewell	216,000	216,000	216,000
Riverside Jail	11,568	11,568	23,400
Greyhound	-	43,026	25,210
Café	33,000	33,000	25,000
City of Colonial Hght	-	200,000	50,000
State	518,411	518,411	614,065
FTA (PM)	725,000	725,000	740,000
FTA	702,123	702,123	702,123
Local	-	-	300,000
Total Revenue	2,756,102	3,179,128	3,253,206



Appendices

City of Petersburg, VA
FY 2018 Operating Budget

Appendix A. Council process for Council changes to City Manager's proposed budget

FY 2017-2018 BUDGET

PROCESS FOR COUNCIL CHANGES TO CITY MANAGER'S PROPOSED BUDGET

DATE:

CITY COUNCIL SPONSOR:

CO-SPONSORS (REQUIRES 3 ADDITIONAL SPONSORS):

<input type="checkbox"/>	Mavor Parham	<input type="checkbox"/>	Councilman Hill	<input type="checkbox"/>	Councilwoman Smith-Lee
<input type="checkbox"/>	Vice Mavor Hart	<input type="checkbox"/>	Councilman Mvers	<input type="checkbox"/>	Councilwoman Wilson-Smith
<input type="checkbox"/>	Councilman Cuthbert				

WHAT IS THE INITIATIVE YOU WANT TO ADD TO OR REMOVE FROM
THE BUDGET?

IF YOU WANT TO ADD TO BUDGET, HOW DO YOU PLAN TO OFFSET
ADDITIONAL COSTS?

- REVENUE ENHANCEMENT; EXPLAIN_____
- REMOVAL FROM OTHER AREA; EXPLAIN_____



Appendices

City of Petersburg, VA
FY 2018 Operating Budget

IF YOU WANT TO DELETE FROM BUDGET, WHAT DO YOU PLAN TO DO WITH THE SAVINGS?

ADD TO OTHER AREA OF THE BUDGET; EXPLAIN_____

ADD TO FUND BALANCE

CONTRIBUTE TO TAX/FEE REDUCTION; EXPLAIN_____

THIS FORM IS DUE TO THE CITY MANAGER NO LATER THAN MAY 12, 2016. THE RECOMMENDED CHANGES FROM COUNCIL WILL BE DISCUSSED AT THE MAY 16, 2016 CITY COUNCIL MEETING.



Appendices

City of Petersburg, VA
FY 2018 Operating Budget

Appendix B. Financial Policy Calculations

City of Petersburg
Financial Policy Calculation Requirements
Based on 15' CAFR, 16' Unaudited, 17' Projections & 18' Proposed Budget

Section 2.8		Section 4.3		Section 4.4		Section 5.1.e	
Pay-Go Contribtn		Debt as % of AV		Debt Service as % of Gen. Govt. Expts.		Undesignated FB as % of Gov't Funds	
min. of 5% of 5 Yr rolling average of CIP		max of 4.5%		max of 10%		min of 10%	
Established Policy Requirement / Limit:		R.E. Taxable Assessed Value FY 18 @ 2/14/17:	\$ 1,831,432,832	Budgeted Debt Service Estimate P & I:	\$ 5,445,948		
5 Year Rolling Average CIP:	\$ 2,060,060	P.P. Assessed Value FY 18 @ 2-14-17:	\$ 190,986,523	GF Debt Service (P & I)			
Pay-as-you-go Capital % per Policy:	5.00%		\$ 2,022,419,355	(Includes Capital Lease Payments)			
Proposed Pay-go Capital Transfer:	\$ 103,003	Outstanding Debt @ 6/30: (used p59 of FY 15 audit)	44,296,386	Total Gen. Funded Debt Service:	\$ 5,445,948		
Pay-Go Capital Transfer Budgeted:	\$ 160,000	General Fund Borrowings to Include Capital Leases					
		Less Self Supported Fund Debt:					
		Utility / Transit / Golf					
Proposed Pay-Go as % of Expenditures:	7.77%	Total Outstanding Debt:	\$ 44,296,386				
		% of Outstanding Debt to AV:	2.19%	Budgeted General Govt. Expenditures:		Budgeted General Govt. Expenditures:	
				100 General Fund (less local School transfer)	69,750,737	100 General Fund (less local School transfer)	\$ 69,750,737
				252 Component Unit - Schools Cafeteria	-	252 Component Unit - Schools Cafeteria	-
				250 Component Unit - Schools (estimate)	51,374,901	250 Component Unit - Schools (estimate)	51,374,901
				(used FY 17 as est. for FY 18)			
					\$ 121,125,638		\$ 121,125,638
				Debt Service as % to Gen. Govt. Exp.:	4.50%	Undesignated FB as % of Governmt'l Exp:	
						Policy Level Goal:	\$ 12,112,564 10%
						Projected UFB Level @ 6/30/16:	\$ (7,728,395) -6.4%
						Projected Incr/Decr for Upcoming FY:	
						Reserve Allocation per budget	6,750,000
						Projected Operations:	-
						Projected Level @ Budget YE:	\$ (978,395) -0.8%



Appendices

City of Petersburg, VA
FY 2018 Operating Budget

Appendix C. RBG Group Recommendations to Commissioner of Revenue



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Friday, February 24, 2017

The Honorable Pam Hairston, Commissioner of Revenue
City of Petersburg, Virginia

Dear Ms. Hairston:

I want to sincerely thank you for meeting with us and working through the revenue assessment and collections process in the City of Petersburg. The ability to timely and accurately assess and collect revenue owed is fundamental to a prosperous City and is critical in restructuring a financially distressed City. I am writing to express our concerns related to both the timeliness and accuracy of information generated from your office that directly impedes our ability to maximize revenue collections.

Timeliness

Related to the most recent billing of personal property taxes on vehicles, we were made aware that there is a consistent issue with producing the Assessment Book, which contains all of the values to be billed every year. The issue is not only that the information gets to the Treasurer's Office later than expected, but that historically this delay has created a situation whereby Council has granted an extension (as recent as February 2016) in the collection of these bills. Given the severe financial situation of the City, a delay in collection by 5-10 days can prove disastrous.

Going forward, the Commissioner of Revenue's Office should work on the assumption that there is no leniency in the collection of our revenue and work to ensure the timeliness of providing accurate information to all parties responsible for mailing bills. A schedule should be worked out between your office and the Treasurer's Office, in the fall of each year, and communicated to the City Administration.

Accuracy

One measurement of effectiveness in determining the quality of billing is to look at the amount of returned mail. The City received the return of 17% of the most recent personal property tax billings, due to incorrect mailing addresses. In other words, there were 30,401 total personal property tax bills, for vehicles, mailed and approximately 5,200 returned (unopened) to the City. These are some comparisons with our surrounding jurisdictions: Prince George County mails out ~19,000 pieces with returns of ~1,300 (or 6.8%); Dinwiddie County mails out ~24,000 pieces and have returns of ~600 (or 2.5%). Our experience is significantly higher. Another measurement to determine the accuracy of billings is to evaluate the number of corrections we must make to customers' bills subsequent, to billing them. This can be done by both reviewing the information that comes back from the City's 3rd Party collection agent (TACS) on the number of inaccurate billings and by evaluating the volume of customer complaints, either through mail, walk-ins or telephone, of address inaccuracies. Comparing the City's extraction and processing of this data with systems in those jurisdictions will enhance our efforts reduce faulty address billing.

Your goal, in elevating your performance and becoming more aligned with neighboring jurisdictions, in the area of billing accuracy, should be to actively work the files; inclusive of hiring a 3rd party company for assistance in improving the billing file and to include improving the internal functionality of the office. Among these improvements would be fully optimizing the DMV download process for both additions and deletions of the file; which must be done weekly to ensure accurate records. Second, there are a series of queries that can be run in the system to enhance the accuracy of the billing and ensure no severe outliers exist. This action should be done within your office, prior to completing the Book and sending it to the Treasurer's Office, or receiving the input from the IT Department.

To prepare for Personal Property billing, the following process and reports should be run by your office and appropriately troubleshoot:

1. 2 weeks prior to deadline of sending the Personal Property (PP) Book to the Treasurer, the Commissioners' Office should send the PP file to be valued by NADA (your 3rd party value validator);
2. While waiting on the file to come back from NADA, the following system queries should be conducted by your office:
 - a. PPTTEST1 – this will list records that contain a second name but do not have a second social security number on the account.
 - b. PPTTEST2 – this query will list a second social security number but the second name is missing.
 - c. PPTTEST4 – checks for a value in the social security number in the field.
 - d. PPTTEST5 – lists missing vehicle ID#'s.
 - e. PPTTEST6 – missing city name.
3. Once the file is back from NADA you will import the values into the records.
4. Run the following queries:
 - a. CURRENTVAL – looks at current values of zero and the status code is a blank, which means they should get a bill.
 - b. CURVALLYVA – this compares current value to last year's value and lists a difference which needs to be looked at for big differences in values.
 - c. EMPTYVALALL – this will list all vehicles that have an empty value in them.

The City's IT Department can be of assistance to you if there appears to be system functionality issues, but it should not be used as an extension to the functions that are held by your office.

Lastly, as it relates to accuracy of the bills, we have been made aware and provided proof from residents and businesses that all of the personal property tax bills (both for vehicles and business tangible) went out with the \$4.40 tax rate and were not updated to reflect the new tax rate of \$4.90, adopted by City Council. While we understand that the vehicle personal property tax rate was incorrect, the amount due was correct on the bill, due to the billing process for this type of tax; albeit causing confusion to residents and likely increasing the email, foot, and telephone traffic to the City. However, a greater



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concern is that the business tangible personal property tax that is a self-filing and self-calculating tax went out initially with the wrong rate, thus forcing a subsequent mailing. Not only was this a considerable cost for the City to re-mail the forms and time consuming for your staff, there is no guarantee that all business received the updated forms, which could prevent the City from collecting all that is owed. It is our expectation that the Commissioner's Office will work to ensure that the City does not see reduced collections on this tax due to this error. Going forward, the Commissioner's Office should create a process whereby a final review of the bill is conducted with representatives from the Treasurer's Office, the Finance Department, and IT Department to prevent these small errors that have a direct financial impact to the City.

As we discussed in December, the process whereby we wait until January/February to bill for any supplements that occurred throughout the year is unacceptable and should be changed. Our records show that we billed the sum of \$645,576.62 in January/February 2017 for supplemental personal property taxes assessed on vehicles during year 2016. This not only causes a delay in receiving funds into the City but also creates a greater collection challenge for the City as the receivables are delayed from collection. We have asked the City Attorney's Office to prepare updated legislation that will allow for more frequent billings to occur and not be restricted to only two billing/collection dates.

As a Management Turnaround Firm that is working to bring the City out of this financial crisis, our expectation is that the Commissioner of Revenue's Office will work to maximize the opportunity for revenue collection by increasing accuracy, appropriately auditing all assessment and billing functions; thus, improving the timeliness of information provided to other agencies. Your continued cooperation is much appreciated.

Sincerely,

A handwritten signature in black ink that reads "Robert C. Bobb". The signature is written in a cursive, slightly slanted style.

Robert C. Bobb

Cc: Mayor and Members of Council
Honorable Kevin Brown, City Treasurer
Tom Tyrrell, Interim City Manager
Joseph Preston, City Attorney
Nelsie Birch, Interim Deputy City Manager/Director of Finance
Gerrit VanVorhees, IT Director



Appendices

City of Petersburg, VA
FY 2018 Operating Budget

Appendix D. Standard Operating Procedures for Grant Processing

CITY OF PETERSBURG	STANDARD OPERATING PROCEDURE	NUMBER:
		PAGE 1 OF 2
	GRANT PROCESSING (CONSOLIDATED GRANTS FUND)	DATE: APRIL 1, 2017
		SUPERSEDES: N/A

I. Background and Purpose

Periodically the City makes application for grant funding to support needs of the City. The budget and financial functions related to grant application and award are reviewed and approved by the Grant Accountant. Programmatic reporting and/or compliance monitoring is the responsibility of the departmental project manager. The following procedures are to be applied to grant application and award processing to support appropriate budgetary control, financial management and reporting .

II. Procedures:

Application for Grant Funding

1. The applying department completes the Grant Application and forwards to the Grant Accountant in Finance for review (complete and accurate capture of all personnel related expenses; inclusion of in-kind contributions; and availability of any requested local cash match).
2. Upon review and approval by the Grant Accountant, the Grant Accountant obtains the authorizing signature of the City Manager and retains a copy for the grant file and returns the original to the department for submission of the application.

Award of Grant Funding

1. Upon receipt of the "Notification of Grant Award", the Grant Accountant compares the Award to the Application (if applicable) and files by fiscal year noting award name and consistent General Ledger naming convention as prescribed by Finance.
2. The Grant Accountant prepares a budget amendment ordinance on behalf of the City Manager's office for approval by City Council. The proposed ordinance includes the General ledger account naming and coding structure for budget supplement processing.
3. Additionally, when a local cash match is required, the award ordinance must reference same to authorize the transfer of local matching funds to the grant account.
4. The approved Ordinance and related Budget Amendment is processed to the financial system with a copy retained in the Grant file and a copy provided to the managing department as notification of funding availability.
5. The department may begin spending the funds according to the grant award and against the newly established grant account codes.

CITY OF PETERSBURG	STANDARD OPERATING PROCEDURE	NUMBER:
		PAGE 2 OF 2
	GRANT PROCESSING (CONSOLIDATED GRANTS FUND)	DATE: APRIL 1, 2017
		SUPERSEDES: N/A

Quarterly Financial Reporting

Most of the grants received in the Consolidated Grants Fund require some form of financial or programmatic reporting to the awarding agency.

1. The programmatic reporting is submitted by the program manager to the Grant Accountant two (2) weeks in advance of the reporting deadline.
2. All financial reporting is prepared by the Grant Accountant in Finance.
3. Financial reporting and drawdown requests for expenditures are submitted at the same time as the program reporting by the Grant Accountant with a copy drawdown request maintained in the grant file.
4. A summary of grant reimbursement requests anticipated with revenue codes and amounts is provided to the Treasurer for processing revenue received.

Accounting Requirements

1. Grant reimbursements are received by the Treasurer's Office, electronically. The Treasurer's Office records the revenue as instructed by the Grant Accountant. The Grant Accountant reviews the G/L at least quarterly to insure that grant revenue has been received and posted into the General Ledger correctly.
2. At year-end, the Grant Accountant prepares a schedule of all grants receivable and deferred revenue along with appropriate journal entries for the Consolidated Grants Fund.
3. The Grant Accountant prepares a spreadsheet of all federal grant expenditures maintained in the Consolidated Grants Fund that indicates by Function and Federal grant #, all moneys spent and what has been reimbursed. This information is used to prepare the City's Schedule of Federal Expenditures.

City Manager Approved: _____

3/23/17
Date

I have read and understand the above note Grant Management Standard Operating Procedures effective April 1, 2017 and agree to comply with same effective immediately.

Department/Agency Head: _____

Date

FORM OF TRUST AGREEMENT

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TRUST AGREEMENT

between

CITY OF PETERSBURG, VIRGINIA

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee

Dated as of August 1, 2017

**Relating to
City of Petersburg, Virginia
General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt)
And Series 2017B (Taxable)**

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THIS TRUST AGREEMENT dated as of the 1st day of August, 2017, by and between the **CITY OF PETERSBURG, VIRGINIA (the “City”)**, and **WILMINGTON TRUST, NATIONAL ASSOCIATION**, as trustee (in such capacity, together with any successor in such capacity, herein called the **“Trustee”**), provides:

WHEREAS, the City has issued its \$_____ General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt) (**the “2017A Bonds”**) and \$_____ General Obligation and Refunding Bonds, Series 2017B (Taxable) (**the “2017B Bonds,” and, together with the 2017A Bonds, the “Bonds”**) pursuant to Resolutions adopted June 6, 2017 and _____. 2017 (**together, the “Resolution”**) to restructure certain outstanding obligations of the City and to finance police and fire vehicles and equipment for the City; and

WHEREAS, simultaneously with issuing the Bonds, the City and the Trustee will enter into this Trust Agreement providing for (a) the Trustee’s services as paying agent and registrar for the Bonds, (b) the payment by the City of regular quarterly payments to be applied to the payment of principal and interest on the Bonds on the payment dates or at maturity as set forth herein and (c) holding funds to be applied to the Costs of a Project (as defined herein); and

WHEREAS, all acts, conditions and things required by law to happen, exist and be performed precedent to and in connection with the execution of and entering into this Agreement have happened, exist and have been performed in regular and due time and in form and manner as required by law, and the parties hereto are now duly empowered to execute and enter into this Agreement.

NOW, THEREFORE, THIS AGREEMENT FURTHER WITNESSETH:

That, as security for payment of the principal of and premium, if any, and interest on the Bond and for the moneys that may be advanced by the Trustee pursuant hereto, the City does hereby absolutely and irrevocably pledge and assign to the Trustee all right, title and interest of the City in and to the following described property (**the “Trust Estate”**):

A. The Funds, including moneys and investments therein, held by the Trustee, pursuant to the terms of this Agreement.

B. All other property of any kind mortgaged, pledged or hypothecated at any time as and for additional security hereunder by the City or by anyone on its behalf or with its written consent in favor of the Trustee, which is hereby authorized to receive all such property at any time and to hold and apply it subject to the terms hereof.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Trustee and its assigns forever.

IN TRUST, however, for the equal and proportionate benefit and security of the holders from time to time of the Bonds issued under and secured by this Agreement, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the others except as on the terms and conditions hereinafter stated.

The City hereby covenants and agrees with the Trustee and with the respective holders, from time to time, of the Bonds as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 101. Definitions.

The following words as used in this Agreement shall have the following meanings unless a different meaning clearly appears from the context:

“**Act**” shall mean the Public Finance Act, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended.

“**Account**” shall mean any of the various Accounts created within a Fund under this Agreement.

“**Agreement**” shall mean this Trust Agreement, as supplemented, amended or modified.

“**Authorized City Representative**” shall mean any officer of the City, including the City Manager.

“**Bond**” or “**Bonds**” shall mean the City’s \$ _____ General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt) and \$ _____ General Obligation and Refunding Bonds, Series 2017B (Taxable).

“**Bond Counsel**” shall mean Sands Anderson PC, or another attorney or firm of attorneys nationally recognized on the subject of municipal bonds.

“**Bond Fund**” shall mean the Bond Fund established in Section 302.

“**Bondholder**” or “**holder**” shall mean the registered owner of any Bonds.

“**Bond Payment Date**” shall mean the date on which any payment of principal of (whether at maturity or mandatory sinking fund redemption) or interest on any of the Bonds is scheduled to become due and payable.

“**Business Day**” shall mean a day on which banking business is transacted, but not including a Saturday, Sunday or legal holiday, or any day on which banking institutions are authorized by law to close in the city in which the Trustee has its principal corporate trust office.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended, including applicable regulations, rulings and revenue procedures promulgated or applicable thereunder.

“**Cost of a Project**” shall have the meaning set forth in Section 305.

“Commonwealth” shall mean the Commonwealth of Virginia.

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established in Section 303.

“Event of Default” shall mean any of the events enumerated in Section 601.

“Fiscal Year” shall mean the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the City.

“Fund” shall mean the Bond Fund, the Project Fund, the Debt Service Reserve Fund or any other fund established under this Agreement.

“Government Certificates” shall mean certificates representing proportionate ownership of Government Obligations, which Government Obligations are held by a bank or trust company organized under the laws of the United States of America or any of its states in the capacity of custodian of such certificates.

“Government Obligations” shall mean bonds, notes and other direct obligations of the United States of America and securities unconditionally guaranteed as to the timely payment of principal, if applicable, and interest by the United States of America.

“Interest Account” shall mean the Interest Account in the Bond Fund established in Section 604.

“Investment Obligations” shall have the meaning assigned to such term in Section 402.

“Opinion of Counsel” shall mean an opinion of any attorney or firm of attorneys reasonably acceptable to the Trustee, who may be counsel for the City or the Trustee but who shall not be a full time employee of the City or the Trustee.

“Outstanding” shall mean, when used as descriptive of Bonds, that such Bonds have been authorized, issued, authenticated and delivered under this Agreement and have not been canceled or surrendered to the Trustee for cancellation, deemed to have been paid as provided in Article IX, have had other Bonds issued in exchange therefor or had their principal become due and moneys sufficient for their payment deposited with the Trustee as provided in Section 901.

In determining whether holders of a requisite aggregate principal amount of the Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under this Agreement, words referring to or connoting “principal of” or “principal amount of” Outstanding Bonds shall be deemed also to be references to, to connote and to include the accreted value of the Bonds as of the immediately preceding interest compounding date for such Bonds. Bonds that are owned by the City shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

“Principal Account” shall mean the Principal Account in the Bond Fund established in Section 301.

“Project Fund” shall mean the Project Fund established in Section 304.

“Quarterly Payment Date” shall mean each January 15, April 15, July 15 and October 15 while any of the Bonds are Outstanding.

“Redemption Account” shall mean the Redemption Account in the Bond Fund established in Section 301.

“Reserve Determination Date” shall mean (a) each interest payment date for the Bonds or (b) any other date established in writing by an Authorized City Representative for the valuation of obligations on deposit in a Series Debt Service Reserve Account.

“Series 2017A Debt Service Reserve Account” means the Series 2017A Debt Service Reserve Account established for the Bonds as an account within the Debt Service Reserve Fund.

“Series 2017B Debt Service Reserve Account” means the Series 2017B Debt Service Reserve Account established for the Bonds as an account within the Debt Service Reserve Fund.

“Series 2017A Debt Service Reserve Requirement” means at any time an amount equal to the least of (i) 50% of the maximum amount of principal of and interest on all Outstanding Series 2017A Bonds due in the current or any future Fiscal Year (ii) 10% of the stated principal amount of the Series 2017A Bonds or (iii) 125% of the average annual debt service of the Series 2017A Bonds. Initially, the Series 2017A Debt Service Reserve Requirement is \$_____.

“Series 2017B Debt Service Reserve Requirement” means at any time an amount equal to the least of (i) 50% of the maximum amount of principal of and interest on all Outstanding Series 2017B Bonds due in the current or any future Fiscal Year (ii) 10% of the stated principal amount of the Series 2017B Bonds or (iii) 125% of the average annual debt service of the Series 2017B Bonds. Initially, the Series 2017B Debt Service Reserve Requirement is \$_____.

“Trustee” shall mean Wilmington Trust, National Association, or its successors serving as such hereunder.

“Trust Estate” shall have the meaning set forth in the recitals hereof.

“Virginia Code” shall mean the Code of Virginia of 1950, as amended.

Section 102. Rules of Construction.

Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Words importing the redemption or calling for redemption of Bonds shall not be deemed to refer to or connote the payment of Bonds at their stated maturity.

(c) Unless otherwise indicated, all references herein to particular Articles or Sections are references to Articles or Sections of this Agreement.

(d) The headings herein and Table of Contents to this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

(e) All references herein to the payment of Bonds are references to payment of principal of and premium, if any, and interest on Bonds.

ARTICLE II

APPOINTMENT AS PAYING AGENT AND REGISTRAR

Section 201. Appointment and Acceptance.

The City hereby appoints the Trustee, and the Trustee accepts such appointment, to act as Paying Agent, Registrar and Transfer Agent for the Bonds pursuant to the terms of this Agreement.

Section 202. Compensation.

The City hereby agrees to pay the Trustee the fees and expenses outlined in the fee schedule letter, a copy of which is attached as Exhibit A to this Agreement and as further set forth in Section 802.

Section 203. Authentication of Bonds.

The Bonds shall bear a certificate of authentication and shall not be valid until the Trustee shall have executed the certificate of authentication and inserted the date of authentication thereon. The Trustee shall authenticate each Bond with the signature of an authorized officer or employee, but it shall not be necessary for the same person to authenticate all of the Bonds. Only such authenticated Bonds shall be entitled to any right or benefit under this Agreement, and such certificate on any Bond issued hereunder shall be conclusive evidence that the Bond has been duly issued and is secured by the provisions hereof.

Section 204. Registration and Transfer of Bonds; Persons Treated as Owners.

(a) All Bonds issued under this Agreement shall be negotiable, unless otherwise provided, subject to the provisions for registration and registration of transfer thereof contained herein or in the Bonds.

(b) The Trustee shall maintain registration books with respect to the Bonds at the offices of the Trustee and shall provide for the registration and registration of transfer of any

Bond under such reasonable regulations as the Trustee may prescribe. The Trustee shall maintain books for purposes of exchanging and registering Bonds in accordance with the provisions hereof.

(c) The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as security depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, principal and interest shall be payable to Cede & Co., as nominee of DTC. The Bonds will be in denominations of \$25,000 and increments of \$5,000 in excess thereof. References in this Agreement to the Owners of the Bonds will mean Cede & Co., and will not mean the beneficial owners of the Bonds.

(d) Each Bond shall be registered or registered for transfer only upon the registration books maintained by the Trustee, by the Bondholder thereof in person or by his attorney or legal representative duly authorized in writing, upon presentation and surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Bondholder or his duly authorized attorney or legal representative. Upon surrender for registration of transfer of any such Bond, the City shall cause to be executed and the Trustee shall authenticate and deliver, in the name of the transferee, one or more new Bonds of the same interest rate, maturity, principal amount and date as the surrendered Bond, as fully registered Bonds only.

(e) The Trustee shall treat the registered holder as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the holder on the registration books, except that interest payments shall be made to the person shown as holder on the first day of the month in which each interest payment date occurs.

ARTICLE III

FUNDS AND ACCOUNTS

Section 301. Creation of Funds and Accounts.

There are hereby established (a) a Bond Fund, to be held by the Trustee, in which there are established an Interest Account, a Principal Account and a Redemption Account, (b) a Debt Service Reserve Fund, to be held by the Trustee, in which there shall be established the Series 2017A Debt Service Reserve Account and Series 2017B Debt Service Reserve Account for the Series 2017A Bonds and the Series 2017B Bonds respectively and (c) a Project Fund, to be held by the Trustee.

Section 302. Bond Fund.

(a) On each Quarterly Payment Date while the Bonds are Outstanding, the City shall pay to the Trustee for deposit to the Bond Fund held by the Trustee the amounts (each equal to ½ of the amount of interest accruing on the Bonds on the next respective Bond Payment Date and ¼

of the amount of the principal amount due on the Bonds on the next respective Bond Payment Date) set forth in Exhibit B attached hereto. The Trustee shall deposit each such installment (i) to the subaccount established for each Series of Bonds in the Interest Account an amount equal to the amount, if any, as may be required to make the total amount on deposit therein equal to the amount of interest accrued through the last day of the current month for such Bonds, to be used to pay interest on the applicable Series of Bonds on the next Bond Payment Date for such Series of Bonds, and (ii) to the subaccount established for each Series of Bonds in the Principal Account an amount equal to the amount, if any, as may be required to make the total amount on deposit therein equal to the amount of principal due and payable on the next Bond Payment Date on which principal will be due for such Bonds, whether at maturity or mandatory sinking fund redemption, divided by the number of months between that date and the next Bond Payment Date on which principal will be due for such Bonds, to be used to pay principal on the applicable Series of Bonds on the next Bond Payment Date on which principal will be due for such Series of Bonds.

(b) Notwithstanding anything in this Agreement to the contrary, at any time the Trustee is required to make transfers pursuant to subsections (i) and (ii) in the preceding paragraph, and there are insufficient moneys to make all required transfers pursuant to such subsections, the Trustee shall make the transfers ratably from the moneys available and immediately give notice to the City of such deficiency and request immediate payment to satisfy such deficiency.

(c) The Trustee shall deposit in the Redemption Account any moneys received from the City to redeem the Bonds pursuant to any optional or extraordinary redemption provisions exercised by the City in accordance with the terms of the Bonds.

(d) Upon the final maturity of all of the Bonds, any amount remaining on deposit in the Bond Fund in excess of the amount necessary to pay the principal of and interest on the Outstanding Bonds shall be paid to the City.

(e) The Trustee shall withdraw from the respective subaccounts within the Interest Account and the Principal Account, on each Bond Payment Date, amounts equal to the amounts of interest and principal, if any, due with respect to the Bonds on such Bond Payment Date, and shall cause the same to be applied to the payment of interest and principal, respectively, if any, due on such Bond Payment Date. In the event there are insufficient moneys in the Interest Account or the Principal Account on any Bond Payment Date to pay interest and principal, if any, due on such Bond Payment Date, the Trustee shall, first transfer any excess amounts on deposit in the Interest Account or the Principal Account, as applicable, to the other Account in which there are insufficient moneys, and then if a deficiency remains, transfer moneys on such Bond Payment Date in the amount of such remaining deficiency from the respective Series Debt Service Reserve Account, first to the applicable subaccount within the Interest Account and then to the applicable subaccount within the Principal Account, and shall cause the same to be applied to the payment of interest and principal, if any, due on such Payment Date.

(f) Any money in the Bond Fund transferred from the Project Fund shall be credited against any payment required to be paid by the City on the next Bond Payment Date and shall be

used, together with other available amounts, to pay interest and principal, if any, due on the next Bond Payment Date or Dates.

[(g) The Trustee shall provide for redemption of any Term Bonds in accordance with the schedules set forth for such Bonds; provided, however, that on or before the 70th day next preceding any such sinking fund payment date, the City may:

(i) deliver to the Trustee for cancellation Term Bonds required to be redeemed on such sinking fund payment date in any aggregate principal amount desired; or

(ii) instruct the Trustee to apply a credit against the City's next sinking fund redemption obligation for any such Term Bonds that previously have been redeemed (other than through the operation of the sinking fund) and canceled but not theretofore applied as a credit against any sinking fund redemption obligation.

(h) Upon the occurrence of any of the events described in subsections (i) or (ii) of this Section, the Trustee shall credit against the City's sinking fund redemption obligation on the next sinking fund payment date the amount of such Term Bonds so delivered or previously redeemed. Any principal amount of such Term Bonds in excess of the principal amount required to be redeemed on such sinking fund payment date shall be similarly credited in such order as may be determined by the City against future payments to the Principal Account and shall similarly reduce the principal amount of the Term Bonds of the applicable Series to be redeemed on the next sinking fund payment date.]

(i) In the event the amount on deposit in the Interest Account on any Bond Payment Date shall exceed the amount required to pay interest on the Bonds on such Bond Payment Date, the Trustee shall transfer such excess, if the amount on deposit in the Debt Service Reserve Account is less than the applicable Debt Service Reserve Requirement, to such Debt Service Reserve Account to the extent of such deficiency, then any excess shall be, at the direction of an Authorized City Representative retained in the Interest Account or transferred to the Principal Account to be credited against subsequent required deposits thereto.

In the event the amount on deposit in the Principal Account on any Bond Payment Date shall exceed the amount required on such date to pay Bonds at maturity or to redeem Term Bonds pursuant to mandatory sinking fund requirements, the Trustee shall transfer such excess, if the amount on deposit in the Debt Service Reserve Account is less than the applicable Debt Service Reserve Requirement, to such Series Debt Service Reserve Account to the extent of such deficiency, then any excess shall be, at the direction of an Authorized City Representative retained in the Principal Account or transferred to the Interest Account to be credited against subsequent required deposits thereto.

Section 303. Debt Service Reserve Fund.

The Trustee shall use moneys in the Series 2017A Debt Service Reserve Account and Series 2017B Debt Service Reserve Account within the Debt Service Reserve Fund to make transfers to the Bond Fund to the extent necessary to pay when due the principal of (whether at

maturity or by mandatory sinking fund redemption) and interest on the applicable Series of Bonds if the amounts on deposit therein are insufficient therefor. Moneys in each Series Debt Service Reserve Account shall be pledged only to the Series of Bonds for which each was established and shall not be used for any other Series of Bonds.

On or within five days after each Reserve Determination Date, the Trustee shall determine if the balance on deposit in each Series Debt Service Reserve Account was, as of the Reserve Determination Date, at least equal to the applicable Series Debt Service Reserve Requirement. In making such determination, any obligations in the Series Debt Service Reserve Account shall be valued in accordance with Section 704.

In the event the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, the Trustee will request the City and the City shall transfer such amount, if any, to such Series Debt Service Reserve Account as may be available to increase the amount on deposit therein to the amount of the applicable Debt Service Reserve Requirement in twelve equal monthly payments such that the deficiency in the applicable Series Debt Service Reserve Requirement is satisfied within twelve months. In the event the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement after such transfers from the City, the Trustee shall transfer, to the extent and in the manner provided in Section 302, such amounts from the Bond Fund to such Series Debt Service Reserve Account as may be available to increase the amount on deposit therein to the amount of the applicable Debt Service Reserve Requirement.

In the event the amount on deposit in a Series Debt Service Reserve Account exceeds the applicable Series Debt Service Reserve Requirement, the Trustee shall transfer such excess to the Bond Fund to be deposited, as directed by an Authorized City Representative, in the applicable subaccounts of the Interest Account or the Principal Account to the extent amounts in such subaccounts are less than the amounts required to be paid on the applicable Series of Bonds on the next Bond Payment Date; provided, however, that if an Authorized City Representative calls for a Reserve Determination Date in connection with the refunding or defeasance of a Series of Bonds, then the Trustee is authorized to take such refunding or defeasance into account in valuing the Series Debt Service Reserve Account securing such Series of Bonds and is further authorized to apply the amount of any surplus arising from such valuation to reduce the amount of the refunding bonds and/or to provide for the defeasance of the Series of Bonds in such manner as the Authorized City Representative may direct.

In lieu of or in addition to cash or investments, at any time the City may cause to be deposited to the credit of any Series Debt Service Reserve Account any form of credit facility, including, but not limited to a letter of credit, bond insurance policy or surety bond, in the amount of all or a portion of the Series Debt Service Reserve Requirement, irrevocably payable to the Trustee as beneficiary for the holders of the respective Series of Bonds, provided that the Trustee has received evidence satisfactory to it that (a) the provider of the credit facility has a credit rating in one of the two highest credit rating categories (without regard to any rating refinement or gradation by numerical modifier or otherwise) by two Rating Agencies, (b) the obligation of the City to pay the fees of and to reimburse the provider of the credit facility is

subordinate to its obligation to pay principal of and interest on the respective Series of Bonds, (c) the term of the credit facility is at least 24 months, (d) the only condition to a drawing under the credit facility is insufficient amounts in the applicable Funds and Accounts held by the Trustee with respect to such Series of Bonds when needed to pay principal of and interest on such Series or the expiration of the credit facility and (e) the provider of the credit facility shall notify the City and the Trustee at least 24 months prior to the expiration of the credit facility. If (1) the City receives such expiration notice and the provider of such credit facility does not extend its expiration date, (2) the City receives notice of the termination of the credit facility or (3) in the case of a letter of credit, the provider of such credit facility no longer has a credit rating in the two highest credit rating categories by two Rating Agencies, the City shall (A) provide a substitute credit facility that meets the requirements set forth in the foregoing sentences, (B) deposit the Series Debt Service Reserve Requirement to the respective Series Debt Service Reserve Account (i) in equal monthly installments over the next succeeding 12 months in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating or (C) instruct the Trustee to draw on such credit facility in the amount of the Series Debt Service Reserve Requirement (i) 12 months prior to expiration of the credit facility in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice or (iii) immediately in the case of such reduction in credit rating and deposit such drawing to the Series Debt Service Reserve Account.

If a disbursement is made pursuant to any credit facility, the City shall either (a) reinstate the maximum limits of such credit facility or (b) deposit to the credit of the applicable Series Debt Service Reserve Account moneys in the amount of the disbursement made under such credit facility.

Amounts, if any, released from any Series Debt Service Reserve Account upon deposit to the credit of such Account of a credit facility pursuant to the preceding paragraph shall, upon designation by an Authorized City Representative, accompanied by an opinion of Bond Counsel that such use will not adversely affect the exclusion from gross income of interest on the respective Series of Bonds if the interest on such Bonds was excludable from gross income at the time of their issuance, be transferred (a) to the subaccount within the Principal Account with respect to such Series of Bonds and used to pay principal of or to redeem such Bonds or (b) to the Project Fund, and used for payment of Costs of a Project with respect to such Series.

Section 304. Project Fund; Deposit of Bond Proceeds.

A portion of the proceeds of the Series 2017A Bonds shall be deposited in the Project Fund as provided in the [Closing Memo]. All earnings on moneys in each Account and subaccount shall be credited to such Account and subaccount.

The Trustee shall hold the moneys in the Project Fund in trust to be used only to pay the Cost of a Project, except as otherwise provided herein.

Section 305. Cost of a Project.

The Cost of a Project shall include all items within the meaning of the term “Cost” in the Act. Unless not allowed by the terms of the Act, the Cost of a Project shall include (but is not limited to) the purchase price of police and fire vehicles and equipment; the cost of improvements; the cost of all lands, property, rights, easements, franchises and permits acquired; the cost of all labor, machinery and equipment; financing and credit enhancement charges; interest prior to and during construction and for up to one year after completion of construction; any deposit to any bond interest and principal reserve account, start-up costs and start-up operating capital; amounts paid to purchase refuse disposal capacity or services from other entities which are required to be capitalized or which the City makes an election to capitalize; the cost of engineering, financial advisory, consulting and legal services, plans, specifications, surveys, estimates of costs and revenues; other expenses necessary or incident to determining the feasibility or practicability of any such acquisition, improvement or construction; administrative expenses and such other expenses as may be necessary or incident to the financing of a Project and to the acquisition, improvement or construction of any Project and the placing of the Project in operation by the City. Any obligation or expense incurred by the City in connection with any of the foregoing items of Cost and any obligation or expense incurred by the City prior to the issuance of any Series of Bonds under the provisions of the Act for engineering studies, for estimates of cost and revenues, and for other technical or professional services which may be utilized in the acquisition, improvement, renovation or construction of such system is a part of the Cost of such system.

Section 306. Payments from Project Fund.

(a) The Trustee shall use moneys in the Project Fund to pay the Cost of a Project. Before any payment shall be made from the Project Fund, the Trustee shall have been presented with a requisition stating (1) the name of the person, firm or corporation to whom such payment is to be made, (2) the amount to be paid, (3) the purpose in reasonable detail for which such payment is to be made and (4) if applicable, from which Account such payment is to be made. A requisition may represent reimbursement to the City for the Cost of a Project initially paid by the City or may represent payment to the City of moneys to be paid in turn by the City to third parties for the Cost of a Project.

(b) Each requisition shall be accompanied by a certificate signed by an Authorized City Representative stating, as applicable:

(1) There shall not be received any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such invoice to any of the persons, firms or corporations name therein, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the invoice.

(2) The invoice does not contain any items representing payment on account of any percentage entitled to be retained at the date of the invoice.

(3) The obligation stated on the invoice has been incurred in or about the acquisition, construction or equipping of the Project, each item is a proper charge against the Project Fund, and the obligation has not been the basis for a prior invoice which has been paid.

(4) If an invoice includes an item for payment for labor or to contractors, builders or materialmen, the certificate shall also state that (A) such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the Project and (B) such materials, supplies or equipment are not subject to any lien or security interest or that such lien or security interest will be released or discharged upon payment of the invoice.

(5) If an invoice includes an item for payment of the cost of acquisition of any lands, easements, rights or interests or related to lands, the certificate shall also state that (A) such lands, easements, rights or interests are being acquired and are necessary or convenient for the acquisition, construction or equipping of the Project and (B) the Authority will have title in fee simple to, or easements, rights or interests sufficient for the purposes of, the Project over and through such lands.

Upon receipt of each such invoice and accompanying certificate or certificates, the Trustee shall make payment from the Project Fund in accordance with such invoice.

Section 307. Disposition of Balance in Project Fund.

When the Trustee shall have received a certificate, signed by an Authorized City Representative, stating either that all items of the Cost of a Project have been paid or what items of the Cost of a Project have not been paid and for the payment of which moneys should be reserved in the Project Fund, the balance of any moneys remaining in the Project Fund in excess of the amount to be reserved for payment of unpaid items of the Cost of a Project shall be used to pay (a) principal of and interest on the Series of Bonds that provided such proceeds or to purchase Bonds on the open market to the extent approved by Bond Counsel or (b) all or any portion of the Cost of any other Project designated by the City and approved by Bond Counsel.

Section 308. Pledge of Certain Funds and Accounts.

Moneys in the Bond Fund, the Project Fund (subject to draws by the City to pay Costs of a Project) and the Debt Service Reserve Fund shall be trust funds and are hereby pledged (except as provided in the next sentence hereof) equally and ratably to the payment of the principal of and interest on all Bonds, subject only to the right of the Trustee, as applicable, to make application thereof to other purposes as provided herein. The lien and trust hereby created are for the benefit of the Bondholders and for their additional security until all the Bonds have been paid.

Section 309. Disposition of Balances in Funds after Payment of Bonds.

After the principal of and interest on all of the Bonds, any amounts required to be paid pursuant to the terms of this Agreement, and all expenses and charges herein required have been

paid or provision therefor has been made, the Trustee shall pay to the City any balance remaining in any Fund then held by the Trustee.

ARTICLE IV

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 401. Security for Deposits.

All moneys held in the Funds and Accounts created by this Agreement that are on deposit with any bank shall be continuously secured in the manner required by the Virginia Security for Public Deposits Act (Chapter 44, Title 2.2 of the Virginia Code) or any successor provision of law.

Section 402. Investment of Moneys.

Any moneys held by the Trustee in the Funds and Accounts shall be invested and reinvested by the Trustee, as directed in writing by an Authorized City Representative, in Investment Obligations, subject to the limitations stated herein. The term "Investment Obligations" shall mean any of the obligations or securities that are at the time legal investments for public funds under the Investment of Public Funds Act (Chapter 45, Title 2.2 of the Virginia Code) or any successor provisions of law applicable to such investments. In the absence of the receipt of investment instructions from the City, the Trustee is hereby directed to invest and reinvest in a money market fund available to the Trustee composed of bonds, notes and other obligations of the United States and securities unconditionally guaranteed as to the payment of principal and interest by the United States or any agency thereof or otherwise in compliance with Section 2.2-4500 of the Virginia Code.

Moneys held in the Bond Fund shall be invested obligations maturing not later than the dates on which such moneys will be needed to pay principal of or interest on Bonds. The Trustee may conclusively rely upon the written instructions of the Authorized City Representative as to the suitability and legality of the directed investment.

For purposes of this Section, investments shall be considered as maturing on the date on which they are redeemable without penalty at the option of the holder or the date on which the City or the Trustee may require their repurchase pursuant to a repurchase agreement.

Whenever a payment or transfer of moneys between Funds or Accounts is permitted or required, such payment or transfer may be made in whole or in part by transfer of one or more investment obligations at a value determined in accordance with Section 404, provided that the Investment Obligations transferred are permitted investments for the Fund or Account receiving such Investment Obligations.

Unless otherwise provided in this Agreement, earnings on Investment Obligations shall accrue to the Fund or Account in which such Investment Obligations are on deposit.

Section 403. Investment of Surplus Moneys.

The City shall direct the Trustee to invest all moneys in any Fund or Account held by the Trustee not immediately necessary for the purposes of such Fund or Account so that all idle moneys may be invested for the benefit of the Bondholders.

Section 404. Valuation of Investments.

In computing the amount in any Fund or Account created by this Agreement, obligations purchased as an investment of moneys therein shall be valued at cost or fair market value thereof, whichever is lower, plus accrued interest. Such valuations for each such Fund or Account shall be made by the Trustee at least annually not later than the end of each Fiscal Year and at such other times as an Authorized City Representative may direct.

Section 405. Investments Through Trustee's Bond Department.

The Trustee may make investments permitted by Section 402 through its own bond department or the bond department of any affiliate.

Section 406. Investments by Trustee.

The Trustee shall not be liable for any losses resulting from investments made by it pursuant to the provisions of Section 402.

Section 407. Investments in Bonds by Trustee.

The bank or trust company acting as Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee. To the extent permitted by law, such bank or trust company may also receive tenders and purchase in good faith Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not the Trustee.

Section 408. Acknowledgement Regarding Bankruptcy.

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 “specifically authorized, in its capacity as a municipality or by name, 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. The Bankruptcy Code also does not authorize the filing of involuntary petitions against municipalities such as the City (11 U.S.C. Section 303(a)). However, Bankruptcy Code section 926(b) protects holders of a bond or note issued by a municipality from having payments on such bond or notes recovered as preferences under Bankruptcy Code section 547.

ARTICLE V

PARTICULAR COVENANTS

Section 501. Payment of Bonds; General Obligation.

The City shall promptly pay or cause to be paid when due the principal of (whether at maturity, call for redemption or otherwise) and interest on the Bonds, including but not limited to the payments provided under Article III hereof, at the places, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof. The City's full faith and credit are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, payable from property tax collections by or on behalf of the City plus any other available funds of the City. Unless other funds are lawfully available and appropriated for timely payment of the Bonds, the City agrees to levy an annual tax upon all property subject to local taxation in the City sufficient to pay the principal of and premium, if any, and interest on the Bonds.

Section 502. City Covenants and Representations.

The City shall faithfully observe and perform all covenants, conditions and agreements on its part contained in this Agreement, in every Bond executed, authenticated and delivered hereunder and in all proceedings of the City pertaining thereto. The City represents that is duly authorized under the Constitution and laws of the Commonwealth of Virginia, including particularly and without limitation the Act, to issue the Bonds, to execute this Agreement, and to pledge revenues in the manner and to the extent herein set forth. The City covenants to execute, acknowledge and deliver any indentures supplemental hereto and other acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, conveying, pledging and assigning to the Trustee of all the rights and funds assigned by this Agreement to secure the payment of the principal of and premium, if any, and interest on the Bonds. The City covenants to fully cooperate with the Trustee and the Bondholders in protecting the rights and security of the Bondholders.

Section 503. Further Assurances.

The parties hereto shall make, execute and deliver any and all such further documents, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement and for the better assuring and confirming unto the Trustee and the Bondholders of their rights and benefits provided in this Agreement.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 601. Events of Default.

Each of the following events shall be an Event of Default:

(a) Default in the due and punctual payment of the principal of any Bond (whether at maturity, call for redemption or otherwise);

(b) Default in the due and punctual payment of the interest on any Bond; and

(c) Default in the payment of any amount due on a Quarterly Payment Date which is not paid by the date which is three (3) Business Days following the date such payment is due.

(d) Failure of the City to observe and perform any of its other covenants, conditions or agreements under this Agreement or in the Bonds for a period of 30 days after written notice either from the Trustee or holders of not less than 25% in aggregate principal amount of Bonds then Outstanding (unless the Trustee should agree in writing to an extension of such time prior to its expiration), specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 30-day period, failure of the City to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence.

Section 602. Notice to Bondholders of Certain Default.

If the Trustee is required to draw moneys from the Debt Service Reserve Fund to pay principal or interest on the Bonds, then the Trustee shall send a notice to the Bondholders notifying them of such draw.

Section 603. No Acceleration.

Upon the occurrence and during the continuation of an Event of Default, the Trustee may not declare the principal of all Bonds and interest accrued thereon immediately due and payable.

Section 604. Other Remedies; Rights of Bondholders.

Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding and if provided satisfactory indemnity) proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any covenant or agreement herein contained.

In the Event of Default resulting from a failure to pay principal or interest on the Bonds when due, the Trustee shall utilize the State Intercept provisions of Section 15.2-2659 of the Virginia Code by filing an affidavit with the Governor of the Commonwealth of a default as to payment of principal of, premium, if any, or interest on, a general obligation bond.

No remedy conferred by this Agreement upon or reserved to the Trustee or Bondholders is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or Bondholders hereunder or now or hereafter existing at law, in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Trustee or Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 605. Right of Bondholders to Direct Proceedings.

Anything in this Agreement to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Agreement or any other proceedings hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of this Agreement.

Section 606. Application of Money.

All money received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such money, the expenses, liabilities and advances incurred or made by the Trustee and its fees and the expenses of the City in carrying out this Agreement, be deposited in the Bond Fund and applied as follows and for no other purpose:

(a) Unless the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

Second - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Agreement), in the order of their due dates, with interest on such Bonds at the respective rates specified therein from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal and premium, if any, ratably, according to the amount of such

principal due on such date, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Bonds, including, to the extent permitted by law, interest on overdue installments of interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any bond over any other bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Payment Date unless it shall deem another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid and on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Whenever the principal of and premium, if any, and interest on all Bonds have been paid under the provisions of this Section, and all expenses and charges of the Trustee have been paid, any balance remaining in the several Funds created by this Agreement and held by the Trustee shall be paid to the City as provided in Section 304.

Section 607. Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this Agreement or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondholder, and any recovery of judgment shall be for the equal benefit of the holders of all Bonds then Outstanding.

Section 608. Limitation on Suits.

Except to enforce the rights given under Sections 603 and 604, no Bondholder shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Agreement or for the execution of any trust thereof or any other remedy hereunder, unless (a) a default has occurred and is continuing of which the Trustee has been notified as provided in Section 801(h), or of which by such Section it is deemed to have notice, (b) such default has become an Event of Default and the holders of 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either

to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) such requesting Bondholders have offered to the Trustee indemnity as provided in Section 801(k), (d) the Trustee has thereafter failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names, (e) no direction inconsistent with such written request has been given to the Trustee by the holders of a majority in aggregate principal amount of Bonds then Outstanding and (f) notice of such action, suit or proceeding is given to the Trustee; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice this Agreement by its or their action or to enforce any rights hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds then Outstanding. The notification, request and offer of indemnity set forth above, at the option of the Trustee, shall be conditions precedent to the execution of the powers and trusts of this Agreement and to any action or cause of action for the enforcement of this Agreement or for any other remedy hereunder.

Section 609. Termination of Proceedings.

In case the Trustee shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the City and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 610. Waivers of Events of Default.

The Trustee may in its discretion waive any Event of Default hereunder or any action taken pursuant to any Event of Default and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so on the request of the holders of (a) a majority in aggregate principal amount of Bonds then Outstanding in respect of which default in the payment of principal and/or premium, if any, and/or interest exists or (b) a majority in aggregate principal amount of Bonds then Outstanding in the case of any other default; provided, however, that:

(1) there shall not be waived without the consent of the holders of all Bonds then Outstanding (A) any Event of Default in the payment of the principal of any Outstanding Bonds (whether at maturity or by sinking fund redemption) or (B) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission,

(i) there shall have been paid or provided for all arrears of interest with interest, to the extent permitted by law, at the rate borne by the Bonds on overdue installments of interest, all arrears of principal and premium, if any, and all expenses of the Trustee in connection with such default and

(ii) in case of any such waiver or rescission or in the case of any discontinuance, abandonment or adverse determination of any proceeding taken by the

Trustee on account of any such default, the City, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively; and

No such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 611. Unconditional Right to Receive Principal, Premium and Interest.

Nothing in this Agreement shall, however, affect or impair the right of the Trustee or any Bondholder to enforce, by action at law, payment of the principal of or premium, if any, or interest on any Bond at and after the maturity thereof, or on the date fixed for redemption or upon the same being declared due prior to maturity as herein provided, or the obligation of the City to pay the principal of and premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof at the time and place, from the source and in the manner herein and in the Bonds expressed.

ARTICLE VII

SUPPLEMENTAL TRUST AGREEMENT

Section 701. Supplemental Agreements Requiring Consent of Bondholders.

The holders of not less than a majority in aggregate principal amount of Bonds then Outstanding shall have the right from time to time, notwithstanding anything in this Agreement to the contrary, to consent to the execution by the City and the Trustee of such other agreements or agreements supplemental hereto as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Agreement and any Supplemental Trust Agreement; provided, however, that nothing in this Agreement shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond, (b) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (c) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Trust Agreement, (d) a reduction in the principal amount of or premium, if any, on any Bond or the rate of interest thereon or (e) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bond, without the consent of the holders of all Bonds then Outstanding.

If at any time the City shall request the Trustee to enter into any such Supplemental Trust Agreement, the Trustee shall cause notice of the proposed execution of such Supplemental Trust Agreement to be sent by registered or certified mail to the registered holder of each Bond at his address as it appears on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that a copy thereof is on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within 90 days or such longer period as shall be prescribed by the City following the giving of such notice, the holders of not less than a majority in aggregate principal amount of all Bonds then Outstanding, or in the case of (a) through (e) above, the holders of all Bonds then Outstanding, shall have consented to

and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation hereof, or in any manner to question the propriety thereof, or to enjoin or restrain the Trustee or the City from executing such Supplemental Trust Agreement or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Trust Agreement as in this Section permitted and provided, this Agreement shall be and be deemed to be modified and amended in accordance therewith.

Section 702. Amendment by Unanimous Consent.

Notwithstanding any other provision of this Agreement, the City and the Trustee may enter into any Supplemental Trust Agreement upon receipt of the consent of the holders of all Bonds then Outstanding.

ARTICLE VIII

THE TRUSTEE

Section 801. Acceptance of Trusts and Obligations.

The Trustee hereby accepts the trusts and obligations imposed upon it by this Agreement and agrees to perform such trusts and obligations, but only upon and subject to the following express terms and conditions and no implied covenants or obligations shall be read into this Agreement against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and as a corporate trustee ordinarily would perform such duties under a corporate indenture. Upon the occurrence and continuation of an Event of Default (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Agreement and use the same degree of care and skill in their exercise as a reasonable person ordinarily would exercise and use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall not be answerable for negligence or willful misconduct of the same if appointed with due care, and shall be entitled to act upon the opinion or advice of its counsel concerning all matters of trust hereof and the duties hereunder, any may in all cases pay reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trust hereof. The Trustee may act on an advice or Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith and in reliance on such advice or Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds) or for the recording, re-

recording, filing or re-filing of any financing or continuation statement or any other document or instrument, or for the validity of the execution by the City of this Agreement or for any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the City under this Agreement except as hereinafter set forth. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Section 402.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The bank or trust company acting as Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee. To the extent permitted by law, such bank or trust company may also receive tenders and purchase in good faith Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not the Trustee.

(e) The Trustee shall be protected in acting on any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Agreement on the request or authority or consent of any person who at the time or making such request or giving such authority or consent is the holders of any Bond shall be conclusive and binding upon all future holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely on a certificate signed on behalf of the City by its Mayor or Vice-Mayor or such other person or persons as may be designated for such purposes by resolution of the City, as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section, or of which by said subsection it is deemed to have notice, may also accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the City Manager to the effect that a resolution in the form therein set forth has been adopted by the City as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder, except failure by the City to cause to be made any of the payments to the Trustee required to be made by Article VI, unless the Trustee shall be notified of such default in

writing by the City or by the holders of 25% in aggregate principal amount of Bonds then Outstanding.

(i) The Trustee shall not be required to give any bond or surety with respect to the execution of its rights and obligations hereunder.

(j) Notwithstanding any other provision of this Agreement, the Trustee shall have the right, but shall not be required, to demand, as a condition of any action by the Trustee in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Agreement, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof.

(k) Before taking any action under this Agreement the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all expenses to which it may be put and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct.

(l) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other moneys except to the extent required by this Agreement or law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

Section 802. Fees, Charges and Expenses of Trustee.

Absent a specific agreement as to the payment of the Trustee's fees, charges and expenses, the Trustee shall be entitled to payment of and reimbursement by the City for reasonable fees for its ordinary services and all expenses reasonably incurred by it hereunder, including the reasonable fees and disbursements of its counsel. Additionally, should it become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to additional compensation therefor and entitled to reimbursement for out-of-pocket and extraordinary costs and expenses, including, but not limited to attorneys' fees. Upon an Event of Default, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of, or premium, if any, and interest on any Bond upon the trust estate created by this Agreement for the foregoing fees, charges and expenses incurred by the Trustee, which shall include any funds held or invested in the Bond Fund.

Section 803. Intervention by Trustee.

In any judicial proceeding to which the City is a party and which in the opinion of the Trustee has a substantial bearing on the interests of the Bondholders, the Trustee may intervene on behalf of Bondholders and, subject to Section 801(k), shall do so if requested by the holders of 25% in aggregate principal amount of Bonds then Outstanding.

Section 804. Merger or Consolidation of Trustee.

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall be and become successor Trustee hereunder and vested with all the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 805. Resignation by Trustee.

The Trustee may, at any time, resign from the trusts hereby created by giving 30 days' notice to the City and each holder of Bonds then Outstanding. Such resignation shall only take effect upon the appointment of a successor or temporary Trustee by the Bondholders, the City or a court of competent jurisdiction.

Section 806. Removal of Trustee.

The Trustee may be removed at any time (a) by an instrument or concurrent instruments in writing delivered to the Trustee and the City and signed by the holders of a majority in aggregate principal amount of Bonds then Outstanding or (b) by the City by notice in writing given by an Authorized City Representative to the Trustee at least 60 days before the removal date; provided, however, that the City shall have no right to remove the Trustee during any time when an Event of Default has occurred or is continuing or when an event has occurred and is continuing or a condition exists that with the giving of notice or the passage of time, or both, would be an Event of Default. The removed Trustee shall return to the City the amount of the Trustee's annual fee allocable to the portion of the current year remaining after the removal date. Notwithstanding the foregoing, nothing contained in this Agreement shall relieve the City of its obligation to pay the Trustee's fees and expenses incurred to the date of such removal. Such removal shall take effect upon the appointment of a successor Trustee or the earlier appointment of a temporary Trustee by the Bondholders, the City or a court of competent jurisdiction.

Section 807. Appointment of Successor Trustee by Bondholders; Temporary Trustee.

In case the Trustee hereunder shall resign, be removed, be dissolved, be in course of dissolution or liquidation or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor may be appointed by the holders of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such holders; provided, however, that in case of such vacancy the City, by an instrument signed by an Authorized City Representative, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders in the manner provided above; and any such temporary Trustee so appointed by the City shall immediately and without further act be

superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to this section shall be, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms, (a) a bank or trust company transacting business in the Commonwealth of Virginia, in good standing and having a combined capital, surplus and undivided profits of not less than \$100,000,000 or (b) a subsidiary trust company under the Trust Subsidiary Act, Article 3.1, Chapter 2, Title 6.1, of the Virginia Code, or any successor provision of law, whose parent Virginia bank or bank holding company has undertaken to be responsible for the acts of such subsidiary trust company pursuant to the provisions of Section 6.1-32.7(a) of the Trust Subsidiary Act, or any successor provision of law, and whose combined capital, surplus and undivided profits, together with that of its parent Virginia bank or bank holding company, as the case may be, is not less than \$50,000,000. If a successor Trustee or a temporary Trustee has not been so appointed within 45 days after such vacancy, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor Trustee.

Section 808. Concerning any Successor Trustee.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the City an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed of conveyance, shall become fully vested with all the properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the request of the City, and upon the payment of its outstanding charges, execute and deliver an instrument transferring to such successor Trustee all the properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such successor the properties, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

Section 809. Trustee Protected in Relying on Agreements, Etc.

The resolutions, opinions, certificates and other instruments provided for in this Agreement may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder or the taking of any other action by the Trustee as provided hereunder.

Section 810. Successor Trustee as Paying Agent, Registrar and Custodian of Funds.

In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be paying agent and registrar for the Bonds and custodian of the Funds created hereunder and held by the Trustee, and the successor Trustee shall become such paying agent and custodian.

ARTICLE IX

DISCHARGE OF AGREEMENT

Section 901. Discharge of Liens and Pledges; Bonds No Longer Deemed to Be Outstanding Hereunder.

The obligations of the City under this Agreement and the liens, pledges, charges, trusts, covenants and agreements of the City herein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be Outstanding hereunder:

(a) when such Bond shall have been cancelled, or shall have been surrendered for cancellation and is subject to cancellation; or shall have been purchased by the City from moneys in the Bond Fund;

(b) as to any Bond not cancelled or so purchased or so surrendered for cancellation and subject to cancellation, when (1) payment of the principal and the applicable premium of such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or otherwise) shall have been made or caused to be made in accordance with the terms thereof, or (2) payment of the principal and the applicable premium of such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or otherwise) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably appropriating and setting aside exclusively for such payment (i) moneys sufficient to make such payment or (ii) Government Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, or (iii) a combination of both such moneys and Government Obligations, and (iv) payment of all necessary and proper fees, costs, and expenses of the Trustee satisfactory to the Trustee shall have been made in connection with the Bonds and the administration of this Agreement.

Notwithstanding the foregoing, in the case of a Bond which by its terms may be redeemed or otherwise prepaid prior to the stated maturity thereof, and which the City elects to redeem or prepay, no deposit under clause (2) of subparagraph (b) above shall constitute such payment, discharge and satisfaction as aforesaid until such Bond shall have been irrevocably called or designated for redemption or prepayment and proper notice of such redemption or prepayment shall have been previously mailed in accordance with Section 402 of this Agreement, or irrevocable provision shall have been made for the giving of such notice; provided that nothing in this Article shall require or be deemed to require the City to elect to redeem or prepay any such Bond.

In the event the City elects to redeem or prepay any such Bond, nothing in this Article shall require or be deemed to require the redemption or prepayment as of any particular date or dates.

Notwithstanding any provision of any other Article of this Agreement which may be contrary to the provisions of this Article, all moneys or Government Obligations set aside and

held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest and premium, if any, thereof) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereof) with respect to which such moneys and Government Obligations have been so set aside in trust.

In the event that all of the Bonds secured by this Agreement are paid or deemed paid in accordance with the terms of this Agreement, then the right and interest of the Trustee in and to the trust estate and all covenants, agreements and other obligations of the City to the registered holders of the Bonds will cease and be discharged and satisfied. In the event the Bonds of any maturity are paid or deemed to be paid in accordance with the terms of this agreement, then such Bonds will cease to be entitled to any lien, benefit or security under this Agreement (other than the right to receive payment) and all covenants, agreements and other obligations of the City to the registered holders of such Bonds will cease and be discharged and satisfied.

ARTICLE X

MISCELLANEOUS

Section 1001. Consents, etc., of Bondholders.

Any consent, request, direction, approval, objection or other instrument (**collectively, a “Consent”**) required by this Agreement to be executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of a Consent or of the writing appointing any such agent shall be sufficient for any of the purposes of this Agreement and shall be conclusive in favor of the City with regard to any action taken under the Consent if the fact and date of the execution by any person of any such writing is proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

Section 1002. Limitation of Rights.

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Agreement or the Bonds is intended or shall be construed to give to any person other than the parties hereto and the holders of the Bonds any legal or equitable right, remedy or claim under or in respect to this Agreement or any covenants, conditions and agreements herein contained since this Agreement and all of the covenants, conditions and agreements hereof are intended to be and is for the sole and exclusive benefit of the parties hereto and the holders of the Bonds as herein provided.

Section 1003. Limitation of Liability of City, Etc.

No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the City or officer, director, employee or agent of the City in his individual capacity, and neither the members of the City nor

any officer or director of the City executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the City or officer, director, employee, agent or advisor of the City shall incur any personal liability with respect to any other action taken by him pursuant to this Agreement or the Act.

Section 1004. Severability.

If any provision of this Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof and this Agreement shall be construed and enforced as if such illegal provision had not been contained herein.

Section 1005. Notices.

Unless otherwise provided herein, all demands, notices, approvals, consents, requests, opinions and other communications hereunder shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed (a) if to the City, at 135 North Union Street, Petersburg, Virginia 23803 (Attention: City Manager) or (b) if to the Trustee, at 8002 Discovery Drive, Suite 200, Richmond Virginia 23229 (Attention: Corporate Trust Services). The City and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

Section 1006. Successors and Assigns.

This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 1007. Applicable Law.

This Agreement shall be governed by the applicable laws of the Commonwealth of Virginia.

Section 1008. Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument. The parties hereto agree the transactions described herein may be conducted and related documents may be sent and stored by electronic means.

IN WITNESS WHEREOF, the City and the Trustee have caused this Agreement to be executed in their respective corporate names as of the date first above written.

CITY OF PETERSBURG, VIRGINIA

By _____
Mayor

ASSOCIATION,

WILMINGTON TRUST, NATIONAL

as Trustee

By _____
Authorized Officer

EXHIBIT A
FEE SCHEDULE

EXHIBIT B

QUARTERLY PAYMENT SCHEDULE

FORM OF BOND COUNSEL OPINION

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Set forth below is the proposed form of the opinion of bond counsel. It is preliminary and subject to change prior to delivery of the Bonds.

Mayor and Council
City of Petersburg
Petersburg, Virginia

City of Petersburg, Virginia
\$10,895,000 General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt)
\$17,150,000 General Obligation Refunding Bonds, Series 2017B (Taxable)

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the City of Petersburg, Virginia (**the "City"**), of its \$10,895,000 General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt) (**the "2017A Bonds"**) and the \$17,150,000 General Obligation Refunding Bonds, Series 2017B (Taxable) (**the "Taxable 2017B Bonds," and together with the 2017A Bonds, the "Bonds"**). The 2017A Bonds are being issued to (a) refund all or a portion of its \$7,500,000 Literary Fund Loan Bond, Series 1999 (**the "1999 Refunded Bond"**) and \$5,440,000 General Obligation Bond, Series 2014 (**the "2014 Refunded Bond," and, together with the 1999 Refunded Bond, the "Tax-Exempt Refunded Bonds"**), (b) finance various capital needs for the City, including the acquisition of police vehicles, fire apparatus and other equipment and (c) to pay costs incurred in defeasing or refunding the Tax-Exempt Refunded Bonds and in issuing such 2017A Bonds. The Taxable 2017B Bonds are being issued to (a) refund all or a portion of its \$7,285,000 General Obligation School Bond, Series 2009 (**the "2009 Refunded Bond"**), \$3,565,000 General Obligation Refunding Bond, Series 2010 (**the "2010 Refunded Bond"**), \$4,368,000 Taxable General Obligation Refunding Bond, Series 2012A (**the "2012A Refunded Bond"**), \$5,000,000 Taxable General Obligation and Refunding Bond, Series 2013B (**the "2013B Refunded Bond"**), \$3,000,000 Stormwater System Revenue Bond, Series 2015 (**the "2015 Refunded Bond"**) and the Economic Development Authority of the City of Petersburg, Virginia's \$2,500,000 Revenue Note (City of Petersburg, Virginia Land Acquisition Project) Series 2011 (**the "2011 Refunded Note," and, together with the 2009 Refunded Bond, the 2010 Refunded Bond, the 2012A Refunded Bond, the 2013B Refunded Bond and the 2015 Refunded Bond, the "Taxable Refunded Bonds"**) and (b) to pay costs incurred in defeasing or refunding the Taxable Refunded Bonds and in issuing such Taxable 2017B Bonds. Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, and the proceedings pursuant to which they are issued.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the City as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (**the "Code"**). The City has covenanted to comply with the current provisions of the Code, regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (**the "Covenants"**).

Based on the foregoing, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, and constitute valid and binding obligations of the City, and the City Council is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay when due the principal of and premium, if any, and interest on the Bonds.
2. The rights of the holders of the Bonds and the enforceability of such rights may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

3. Under current law, interest on the 2017A Bonds, including accrued original issue discount ("**OID**"), (a) is not included in gross income for Federal income tax purposes, and (b) is not an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for Federal income tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax. The opinion set forth in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the 2017A Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for Federal income tax purposes. Failure by the City to comply with the Covenants, among other things, could cause interest, including accrued OID, on the 2017A Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. In the case of the 2017A Bonds maturing in the years 2037 and 2042 (**the "OID Bonds"**), the difference between (i) the stated principal amount of each maturity of the OID Bonds and (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of such maturity is sold will constitute OID; OID will accrue for Federal income tax purposes on a constant yield-to-maturity method; and a holder's basis in such a Bond will be increased by the amount of OID treated for Federal income tax purposes as having accrued on the Bond while the holder holds the Bond. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

4. Under current law, interest, including accrued OID, on the Bonds is exempt from income taxation by the Commonwealth of Virginia.

Our services as bond counsel to the City have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest on the Bonds. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated August 3, 2017, and its Official Statement dated August 10, 2017, that may have been relied upon by anyone in making the decision to purchase Bonds.

Very truly yours,

SANDS ANDERSON PC

By: _____

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the **City of Petersburg, Virginia** (the “City”) in connection with the issuance by the City of its \$_____ General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt) and the \$_____ General Obligation Refunding Bonds Series 2017B (Taxable) (collectively, the “Bonds”) pursuant to the Resolution of the City adopted on June 6, 2017 and the related resolution adopted on July 31, 2017 (together, the “Resolution”). The City hereby 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 of the Bonds, and in order to assist Crews and Associates, Inc. and any other Participating Underwriter in complying with the Rule, as hereinafter defined. The City acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City with respect to itself and any Obligated Person pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“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.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system located at www.emma.msrb.org.

“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.

“Listed Events” shall mean any of the events listed in subsection (b)(5)(i)(C) of the Rule, which are as follows:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability with respect to the Series 2017A Tax-Exempt Bonds, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determination with

respect to the tax status of the Series 2017A Bonds, or other material events affecting the tax-exempt status of the Series 2017A Bonds;

7. modifications to rights of Holders, if material;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the City;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material; and
14. the failure of the City on or before the date required by this Disclosure Agreement to provide an Annual Report to the persons and in the manner required by this Disclosure Agreement.

“Obligated Person” shall mean any such person within the meaning of the Rule.

“Participating Underwriter” shall mean Crews & Associates, Inc., and any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports; Audited Financial Statements. Not later than seven months following the end of each Fiscal Year of the City, commencing with the Fiscal Year ending June 30, 2017, the City shall, or shall cause the Dissemination Agent (if different from the City) to, electronically file with EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 10 days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if applicable). In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement, and (iii) shall include such financial statements as may be required by the Rule. If the City’s audited financial statements are not available for release within 210 days of the end of its Fiscal Year, the City shall file all unaudited financial information to the extent available with respect to the Annual Report, and identify the date by which an Audited Annual Report shall be filed on such date. The audited financial statements shall be filed immediately upon its availability.

The annual financial statements of the City shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be filed with EMMA when they become publicly available.

If the City fails to provide an Annual Report with EMMA by the date required in this Section 3 or to file its audited annual financial statements with EMMA when they become publicly available, the City

shall electronically file with EMMA an appropriate notice in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. Each Annual Report required to be filed hereunder shall include, at a minimum, all information necessary to assist the Participating Underwriter in complying with the Rule, including an update of all financial and operating performance data set forth in Sections Five and Six of the Official Statement dated August ____, 2017 prepared by the City in connection with the issuance of the Bonds. Any or all of such information may be incorporated by reference from other documents, including official statements containing information with respect to the City and audited financial statements, which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. The City will electronically file with EMMA, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of any of the Listed Events.

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 final retirement 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 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 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 Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, 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 information or include it, in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 11 (other than the City) may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligation of the City to file its Annual Report or to give notice of a Listed Event. In addition, holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions 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 any applicable resolution or other debt authorization of the City, 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 of the Bonds 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 Participating Underwriter, and holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August ____, 2017

CITY OF PETERSBURG, VIRGINIA

By: _____
Samuel Parham
Mayor

**NOTICE OF FAILURE TO FILE
[AUDITED ANNUAL FINANCIAL STATEMENT]**

\$ _____
City of Petersburg, Virginia
General Obligation and Refunding Bonds, Series 2017A (Tax-Exempt)

and

\$ _____
City of Petersburg, Virginia
General Obligation Refunding Bonds, Series 2017B (Taxable)

CUSIP NOS. _____

Dated: _____, 20__

NOTICE IS HEREBY GIVEN that the City of Petersburg, Virginia has not provided [an Annual Report] [audited annual financial statements] as required by Section 3 of the Continuing Disclosure Agreement, which was delivered in connection with the above-referenced bonds (the "Bonds") issued pursuant to that certain Resolution adopted on June 6, 2017, as supplemented by the Resolution dated July 31, 2017 for the Bonds. The City anticipates that the [Annual Report] [audited annual financial statements] will be filed by _____.

Date: _____

CITY OF PETERSBURG, VIRGINIA

By: _____
City Manager

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BOOK-ENTRY ONLY LANGUAGE

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Book-Entry Only Language

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 bonds and notes registered 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 certificate for the Bonds will be issued for each maturity as set forth on the cover page of this Private Placement Memorandum, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, 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 and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's 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 & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. 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**"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 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 and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations 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 other 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 DTC 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 such 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue 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.

Principal and interest 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 detail information from the City, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee), or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will 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 reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, Bond certificates will be printed and delivered.

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