

CITY OF PETERSBURG

Financial Policy Guidelines



City of Petersburg

Categories Within the Financial Policy Guidelines



Financial Policy
Objectives



Budget Development
Policies



Capital Improvement
Policies



Debt Policies



Reserve Policies

Financial Policy Objectives

This financial policy is a statement of the guidelines and goals that will influence and guide the management practice of the City of Petersburg, Virginia. Financial Policy Guidelines that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management.

Contribute significantly to the City's ability to insulate itself from fiscal crisis.

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.

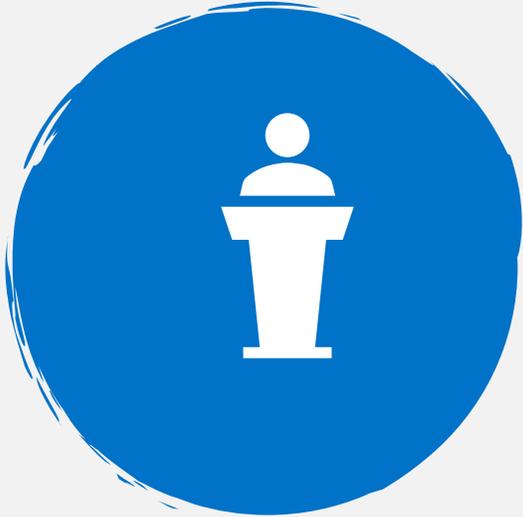
Promote the view of linking long-run financial planning with day to day operations.

Provide the City Council and the citizens with a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

Ensure that the organization has sufficient resources to perform mandated responsibilities.



Principles



Policies



Process

Budget Development Policies

Budget Development

Principles

Collaborative
Process

Diversified
& Stable
Revenue
Streams

Avoid
Dedicating
Revenue to
Specific
Projects or
Programs

Coordination

Budget Development

Policies

Balanced
Budget

Current
Revenues will
Fund Current
Expenditures

Appropriations
Lapse at the
end of the
Fiscal Year

Aggressive
Collection of
Delinquent
Revenue

Monthly
Projections
Presented to
City Council

Strategic
Plan Serves
as the
Framework

Long Range
(5 Year)
Forecasting

Budget Development

Process

City Manager submits Proposed Budget no later than April 1st of each year.

City Council holds a public hearing for interested citizens to be given an opportunity to be heard on issues related to the Proposed Budget.

City Council may make adjustments with at least four members of City Council's prior approval.

City Council votes to approve the Proposed Budget.



Capital Improvement 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.

Capital Improvement Policies

The City will consider all capital improvements in accordance with an adopted CIP

The CIP will include funding sources for all projects and will be updated annually

Capital Budget will be developed yearly according to the CIP

Capital Budget will be developed congruently with the Operating Budget

The City will maintain its assets to minimize future maintenance and replacement costs

Replacement and maintenance schedules need to be developed based on the CIP

The City will attempt to determine the least costly and most flexible financing method for all projects

The City will target a minimum funding annually for pay-as-you-go capital after reaching the Unassigned Fund Balance Policy Goal

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 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 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.



Reserve Policies

Fund Balance Categories

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.

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.

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.

Non-Spendable Fund Balance

These are amounts not included in the previously defined categories

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.

Reserve Policies

Unassigned Fund Balance

Unassigned Fund Balance shall not be used for annual recurring expenditures, except for unforeseen emergency circumstances. The City shall have a Minimum Initial Target unassigned fund balance that represents 30 days of its general fund operating expenditures. This will include the City budgeting \$1,000,000 annually toward the Unassigned Fund Balance. Upon reaching the Minimum Initial Target the City shall budget \$500,000 toward the Fund Balance Replenishment and \$500,000 to fund Pay-Go Capital Projects.

- **Minimum Initial Target**
 - Previous Amount: Cost of Revenue Anticipation Note (RAN)
 - Recommended Amount: 30 Days of its General Fund Operating expenditures
- **Next Phase Target**
 - Previous Amount: 10% General Fund public School minus City Contribution
 - Recommended Amount: 60 days of its General Fund Operating expenditures.
- **Fiscal Year Surplus**
 - Previous Amount: 50% of such remaining operating surplus to further accelerate the build-up of the Unassigned Fund Balance
 - Recommended Amount: 75% of such remaining operating surplus to further accelerate the build- up of the Unassigned Fund Balance.
- Should any amounts above 10% beyond the new reserve policy target 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):
 - Increase Restricted Fund Balances as necessary.
 - 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.
 - Allocating such amounts toward equity funding of the Capital Improvement Plan or transfer to the Capital Improvement Fund.

Prioritization of Fund Balances

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.

Accounting for Encumbrances

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.

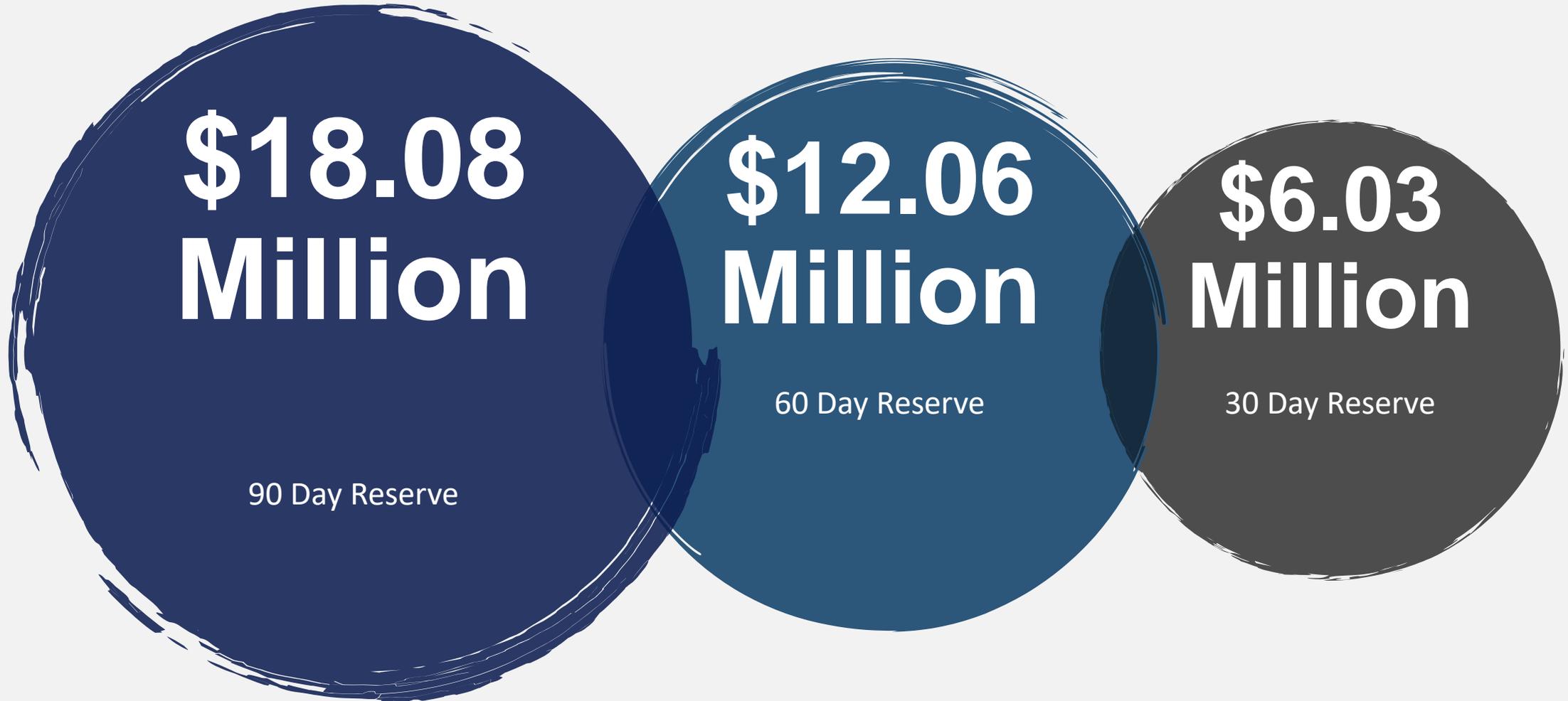
Replenishment of the Unassigned Fund Balance

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 reserve cannot be accomplished within such period without severe hardship to the City, then the City Council will establish a different time period.

Reserve Policies Unassigned Fund Balance

Fund Reserve Calculations

Days in reserve is calculated based on a General Fund Budget of \$73.33 Million at \$200,926 Per Day



THANK YOU