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.

1. **Contribute significantly to the City’s ability to insulate itself from fiscal crisis.**

2. **Promote long-term financial stability by establishing clear and consistent guidelines.**

3. **Direct attention to the total financial picture of the City rather than single issue areas.**

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

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

6. **Ensure that the organization has sufficient resources to perform mandated responsibilities.**
Budget Development Policies

- Principles
- Policies
- Process
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 1\textsuperscript{st} 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.
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.

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

Capital Budget will be developed yearly according to 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.

Capital Budget will be developed congruently with the Operating Budget.

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

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.

**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.

**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.

**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.

**Non-Spendable Fund Balance**
These are amounts not included in the previously defined categories.
• 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.
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.

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

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

- **$18.08 Million** 90 Day Reserve
- **$12.06 Million** 60 Day Reserve
- **$6.03 Million** 30 Day Reserve