



## **City of Petersburg Virginia**

[www.petersburgva.gov](http://www.petersburgva.gov)

### **July 5, 2023 - Special City Council Meeting Agenda**

**July 5, 2023  
Petersburg Public Library  
201 West Washington Street  
Petersburg, VA 23803  
4:30 PM**

#### **City Council**

Samuel Parham, Mayor – Ward 3  
Darrin Hill, Vice Mayor – Ward 2  
Marlow Jones, Councilor – Ward 1  
Charlie Cuthbert, Councilor – Ward 4  
W. Howard Myers, Councilor – Ward 5  
Annette Smith-Lee, Councilor – Ward 6  
Arnold Westbrook, Jr., Councilor – Ward 7

#### **City Administration**

John March Altman, Jr. - City Manager  
Anthony Williams - City Attorney  
Nykesha D. Lucas - City Clerk

- 
- 1. Roll Call**
  - 2. Discussion and/or Consideration**
    - a. City of Petersburg Financial Policy Update
    - b. Presentation and/or consideration of the Courthouse Project Plan of Finance
  - 3. Adjournment**



# City of Petersburg

## Ordinance, Resolution, and Agenda Request

**DATE:** July 5, 2023  
**TO:** The Honorable Mayor and Members of City Council  
**THROUGH:** March Altman, Jr., City Manager  
**FROM:** March Altman, Jr.  
**RE:** City of Petersburg Financial Policy Update

---

**PURPOSE:** To amend the City's Financial Policies.

**REASON:** To enhance the city's existing financial policies to promote short and long term financial stability, establish clear and consent guidelines, and provide a framework to measure the fiscal impact of government services.

**RECOMMENDATION:** To adopt the amendments to the City's Financial Policies as submitted.

**BACKGROUND:** See the attached presentations.

**COST TO CITY:** N/A

**BUDGETED ITEM:** N/A

**REVENUE TO CITY:** N/A

**CITY COUNCIL HEARING DATE:** 7/5/2023

**CONSIDERATION BY OTHER GOVERNMENT ENTITIES:** N/A

**AFFECTED AGENCIES:** N/A

**RELATIONSHIP TO EXISTING ORDINANCE OR RESOLUTION:** N/A

**REQUIRED CHANGES TO WORK PROGRAMS:** N/A

**ATTACHMENTS:**

1. Petersburg Financial Policies Presentation 06.06.23 FINAL
2. RESOLUTION financial policy guidelines

# City of Petersburg, Virginia

## Financial Policy Guidelines Overview & Recommendations



June 6, 2023



- Davenport & Company LLC, as the City’s Financial Advisor, was tasked with preparing a review of the City’s existing Financial Policy Guidelines (the “Financial Policies”) and providing recommendations on any updates or enhancements that could be made to help further improve the City’s financial standing.
- In developing our recommendations for the City’s Policies, we considered the following:
  - Key Ratios for a peer group of rated Virginia cities;
  - Industry Standard Benchmarks; and
  - The City’s existing and projected debt and fund balance ratios.
- Effective Financial Policies are revisited from time to time to ensure they still promote short-term and long-term financial stability, establish clear and consistent guidelines, and provide the City (Council, Staff, and Citizens) with a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.

# Goals and Objectives

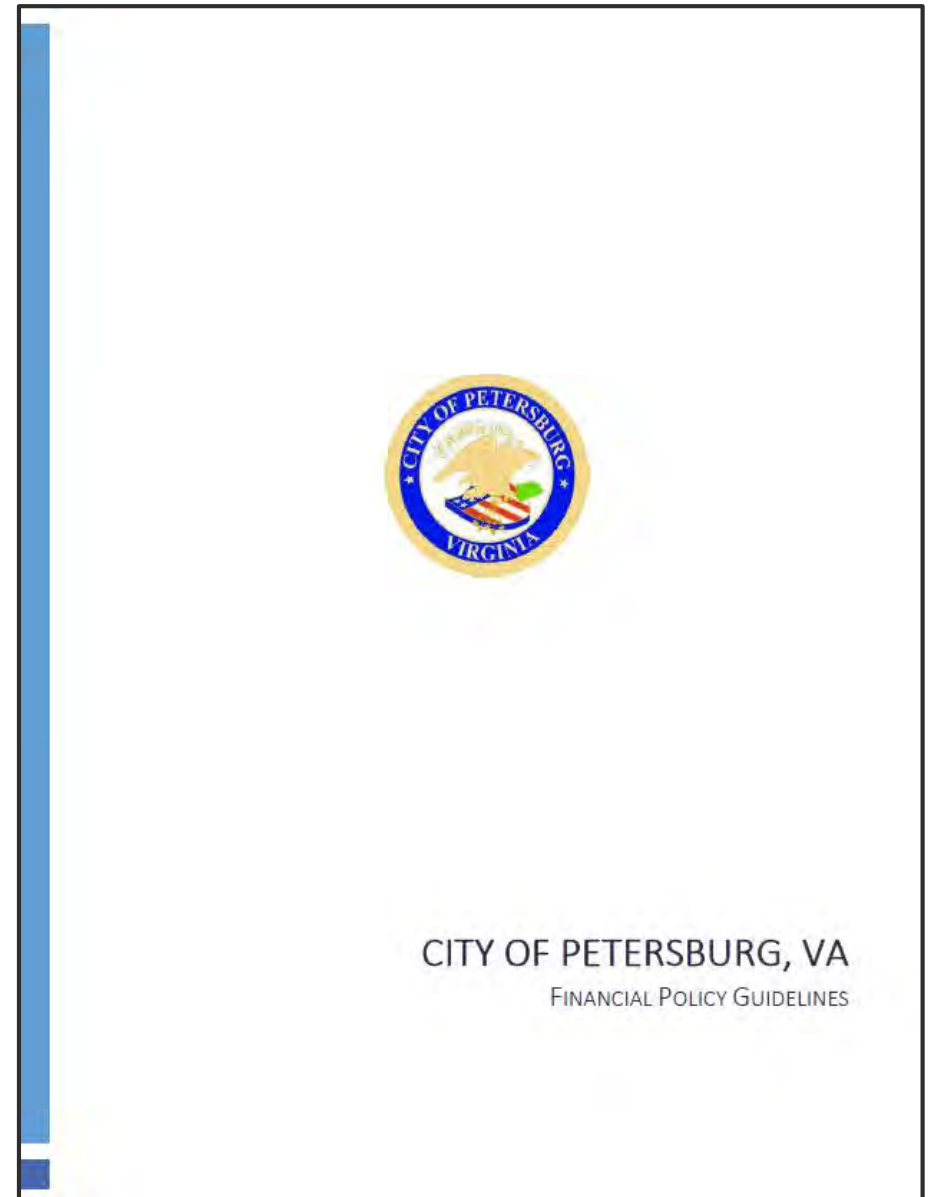
---



- Present an overview of the City's existing Financial Policies.
- Provide City Council with recommended updates and enhancements to the Financial Policies for consideration and adoption.
- *Implement updates to the City's Financial Policies that are consistent with "Best Practices" and sound fiscal management.*



- The City's existing Financial Policies (last updated in 2021) include five (5) major sections:
  1. Financial Policy Objectives
  2. Budget Development Policies
  3. Capital Improvement Policies
  4. Debt Policies
  5. Reserve Policies
- These materials provide an overview of the City's Financial Policies, recommended updates to the existing sections of the Financial Policies, and an introduction to new concepts that the City may want to consider incorporating into the Financial Policies.

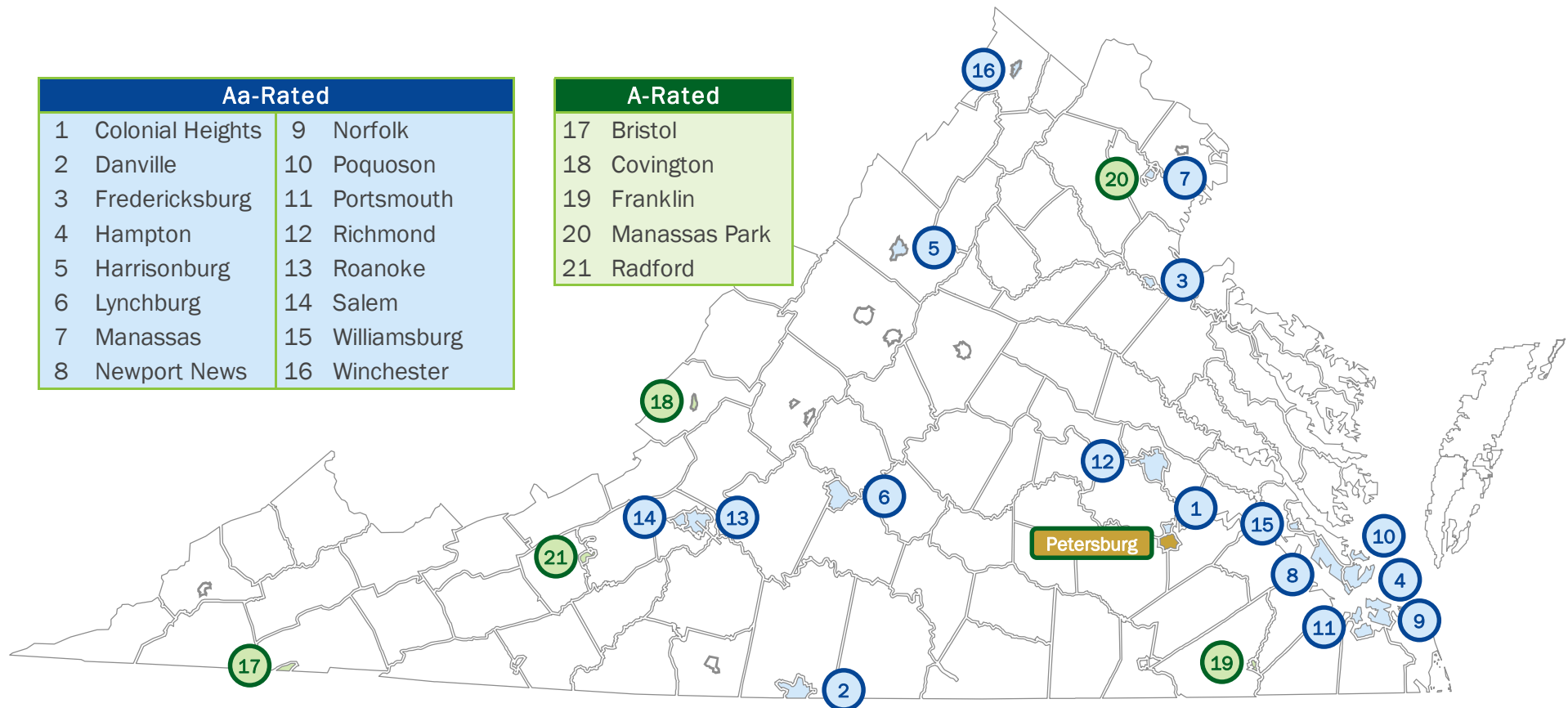




# Selection of Peer Comparative Group

## Composition

- This presentation includes a number of peer comparatives for perspective.
  - The Peer Group used in the comparatives consists of all sixteen (16) Aa-rated and five (5) A-rated Cities in the Commonwealth of Virginia (as rated by Moody's Investors Service).





# Section 1: Financial Policy Objectives





# 1. Financial Policy Objectives | Section Overview

- Section 1 of the existing Financial Policies outlines the objectives of the document.
- Additionally, this section charges the City with reviewing the contents of the Financial Policies at least every two years.
  - With the last amendments to the Financial Policies occurring in 2021, the City is on track to meet this goal.
- At this time, Davenport has no recommended updates to this section of the Financial Policies.

**Please see the Appendix for the full Policy Section.**



City of Petersburg, VA

## 1. FINANCIAL POLICY OBJECTIVES

This 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.
- 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.

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 Fiscal Management Team, who shall in turn report their findings to the City Manager and City Council.

Page | 1



## Section 2: Budget Development Policies



## 2. Budget Development Policies | Section Overview

- Section 2 of the existing Financial Policies outlines the City's goals and process for the development of the annual budget.
- This Section incorporates several "Best Practices" of budgeting, including:
  - Focusing on the diversification of revenue sources;
  - Funding current expenditures with current revenues; and
  - Requiring the identification of sources of funding when a new expenditure is proposed.

### ■ **Recommended Enhancements:**

- *Increase budgetary flexibility for the City by providing additional authority to the City Manager to make minor adjustments to the budget as needed.*
- *Establishment of a Finance Committee that will meet monthly to review the financial affairs of the City generally. It would be composed of a minimum of six (6) members:*
  - Mayor
  - City Manager
  - Chief Financial Officer
  - Commissioner of the Revenue
  - Treasurer
  - Financial Advisor Representative

**Please see the Appendix for the full Policy Section.**



City of Petersburg, VA

### 2. BUDGET DEVELOPMENT POLICIES

#### Principles

- The budget development process will be a collaborative process to include residents, City Council, and staff.
- 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.
- The City will avoid dedicating revenue to a specific project or program because of the constraint this may place on flexibility in resource allocation except in instances where programs are expected to be self-sufficient or where revenue is dedicated to a program for statutory or policy reasons.
- The budget process will be coordinated in a way that major policy issues are identified for City Council several months prior to consideration of budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

#### Policies

- City Council shall adopt a balanced budget in accordance with all legal requirements.
- All operating budget appropriations shall lapse at the end of the fiscal year to the extent that they are not expended or encumbered.
- The budget shall be adopted by the favorable vote of a majority of members of City Council.
- The Vision and priorities established by City Council as well as the Strategic Plan will serve as the framework for the budget proposed by the City Manager.
- 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.
- The City will pursue an aggressive policy seeking the collection of delinquent real estate, utility, licenses, permits and other taxes and fees due to the City via the utilization of third-party collection agencies.
- 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.
- Expenditure and revenue projections will be developed monthly and reviewed with Departmental Directors, the City Manager, and City Council. The City Manager, through the Budget Department, will exercise appropriate fiscal management as necessary to live within the limits of the adopted budget.

Page | 2



# Section 3: Capital Improvement Policies



## 3. Capital Improvement Policies | Section Overview

- As a natural extension of the contents of Section 2 (Budget Development), Section 3 of the existing Financial Policies outlines the City's process for the development of a Capital Improvement Plan ("CIP").

- **Recommended Enhancements:**
  - Clarify that the remaining four years of the CIP would be used for planning purposes.
  - Add a provision that the five-year CIP will be updated annually during the budget process.

**Please see the Appendix for the full Policy Section.**



City of Petersburg, VA

### 3. 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.

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. Upon reaching the Minimum Initial Target of the Unassigned Fund Balance, the City shall budget \$500,000 toward the Fund Balance Replenishment and \$500,000 to fund Pay-Go Capital Projects.

Page | 4



# Section 4: Debt Policies

## 4. Debt Policies | Section Overview



- Section 4 of the existing Financial Policies addresses the City's use of debt for capital improvements and establishes guidelines for the following:
  - The appropriate circumstances to finance a capital project with debt; and
  - The parameters by which the debt should be repaid.
- The focus of these policies is Net Direct Debt (also known as Tax-Supported Debt).
- Three (3) key financial ratios are currently included in this Section:
  - **10-Year Payout of Principal Outstanding.**
    - Current Policy: no less than 50%.
  - **Debt as a Percentage of Assessed Value.**
    - Current Policy: not to exceed 4.5%.
  - **Debt Service as a Percentage of Expenditures.**
    - Current Policy: not to exceed 10%.

*Please see the Appendix for the full Policy Section.*



City of Petersburg, VA

### 4. 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 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 and revenue anticipation debt, if any, annually.

Page | 5





# Existing Tax-Supported Debt as of June 30, 2022

- Approximately \$41.0 Million of existing Tax-Supported Debt was outstanding as of June 30, 2022.
- The FY 2023 for the General Fund debt service budget and transfer to the Golf Fund for debt service totaled \$3,503,647.



Note: the City's debt service structure is not level due to the recent simplification/shift from quarterly payments to semi-annual payments.

## Tax-Supported Debt Service

Fiscal Year	General Fund	Golf Fund	Stormwater	Total Debt Service
2023	2,916,395	256,267	136,811	3,309,473
2024	2,661,557	256,273	139,441	3,057,270
2025	2,762,826	256,068	137,065	3,155,959
2026	2,532,690	255,533	139,557	2,927,780
2027	2,847,078	260,473	136,946	3,244,497
2028	2,030,446	256,010	139,259	2,425,715
2029	2,357,350	262,921	136,333	2,756,604
2030	2,080,281	260,458	138,136	2,478,875
2031	1,577,918	255,803	139,763	1,973,485
2032	2,222,309	262,086	136,269	2,620,664
2033	1,862,059	258,636	137,691	2,258,386
2034	1,870,729	260,329	138,655	2,269,713
2035	2,617,430	232,507	139,144	2,989,081
2036	2,439,366	231,382	139,402	2,810,151
2037	2,428,546	228,651	139,417	2,796,613
2038	2,431,493	229,668	139,212	2,800,374
2039	2,422,778	229,123	138,795	2,790,695
2040	2,431,213	230,776	138,129	2,800,118
2041	1,962,151	19,160	137,221	2,118,532
2042	3,119,319	31,738	136,128	3,287,184
2043	590,431	5,069	39,155	634,655
<b>Total</b>	<b>\$ 48,164,366</b>	<b>\$ 4,538,933</b>	<b>\$ 2,802,527</b>	<b>\$ 55,505,826</b>

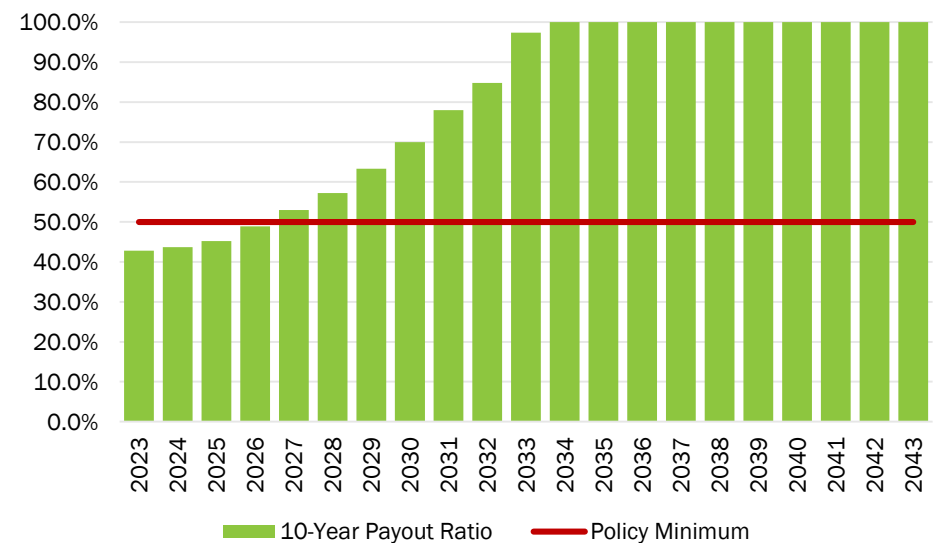




# Key Debt Ratio | 10-Year Payout Ratio

- The Tax-Supported 10-Year Payout is a key ratio because it measures how quickly the City debt is paying off its debt.
  - The calculation is the amount of principal being repaid in the next ten (10) years as a percentage of the total principal outstanding.
- Rating Considerations:
  - S&P: A payout ratio greater than 65% results in a one point positive qualitative adjustment to the Debt & Contingent Liabilities section of S&P's General Obligation rating methodology.

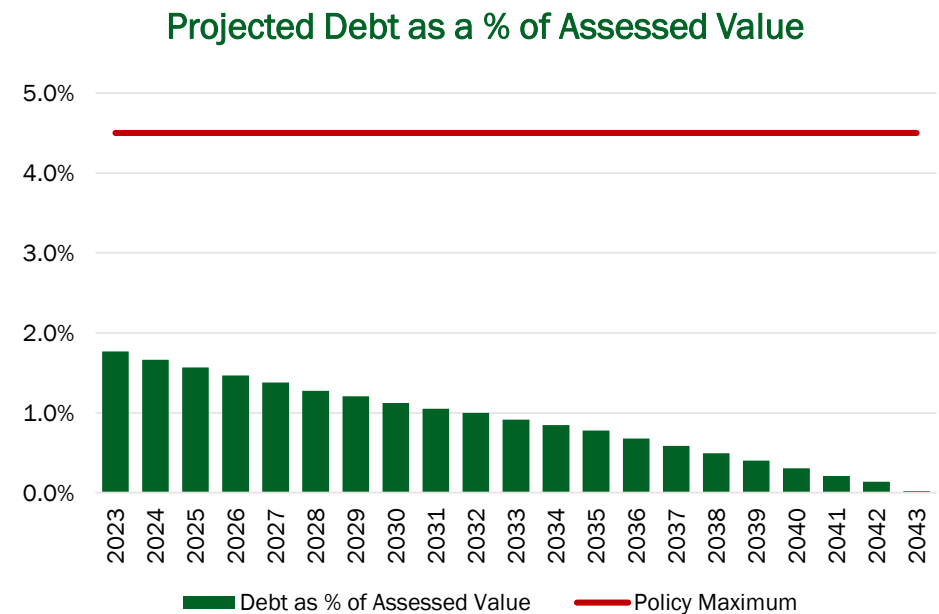
Projected 10-Year Payout Ratio





# Key Debt Ratio | Debt as a Percentage of Assessed Value

- Tax-Supported Debt as a Percentage of Assessed Value of taxable property is a key ratio because it measures the City's debt in comparison to its most significant revenue source.
  - It answers the question ***"Can I Borrow This?"***
- The City currently has the capacity to issue \$65 million in new debt and still remain in compliance with the policy maximum of 4.5%.\*



\* Based on the City's existing debt and its FY 2021 Assessed Value of All Taxable Property of \$2,103,969,029 grown by 2% each year thereafter.

# Key Debt Ratio | Debt as a Percentage of Assessed Value



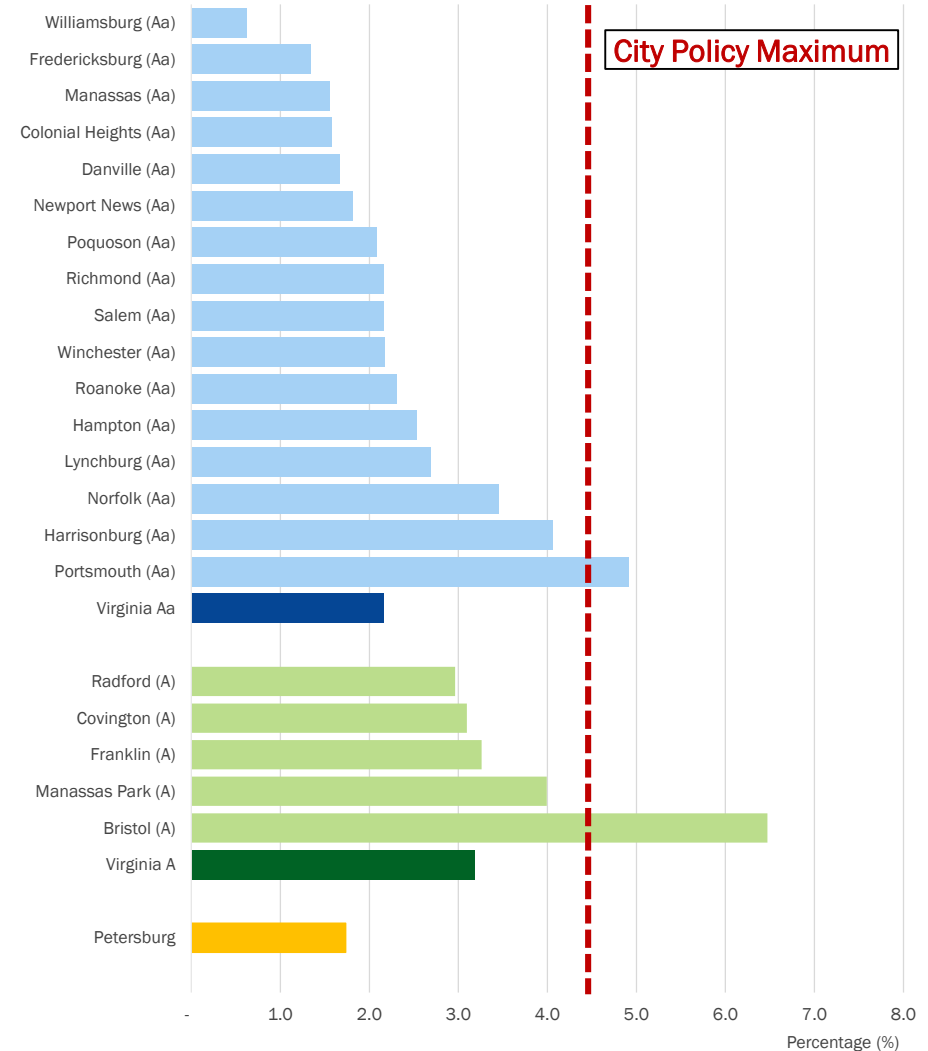
- Compared to its peers in Virginia, the City's Debt as a Percentage of Assessed Value is favorable.

## ■ Rating Considerations:

- S&P: A positive qualitative adjustment is made to the Debt and Contingent Liabilities score for a debt to market value ratio below 3.0%, while a negative adjustment is made for a ratio above 10.0%.

■ **Recommended Enhancement: Revise the definition of Assessed Value in the Financial Policies to be consistent with the reporting in the annual audit.**

## Debt as a % of Assessed Value



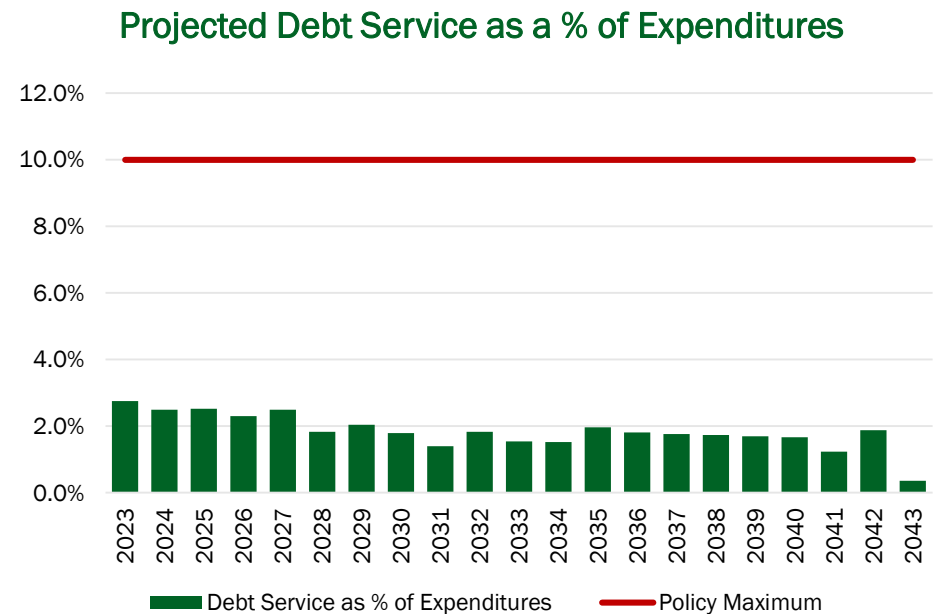
(1) As of most recently available audited financial statements for each City.

Source: Respective City audited financial statements and S&P.

# Key Debt Ratio | Debt Service as a Percentage of Expenditures



- Tax-Supported Debt Service as a Percentage of Expenditures is a key ratio because it measures how much of the annual budget is being spent to pay for debt, and can show how much additional debt service can be added before exceeding prudent levels.
  - It answers the question: ***“Can I Afford This?”***
- The City currently has the capacity to issue \$108 million in new debt and still remain in compliance with the policy maximum of 10.0%.<sup>(1)</sup>



Note: Graph assumes Total Budgeted Expenditures, grow 2% annually from budgeted FY 2023 levels. Total Budgeted Expenditures is defined as budgeted expenditures for the General Fund less the Transfer to Schools plus the Budgeted Expenditures in the School Operating Fund.

(1) Capacity calculation assumes a 5% interest rate and 20-Year level debt service amortization.

# Key Debt Ratio | Debt Service as a Percentage of Expenditures



- Compared to its peers in Virginia, the City's Debt Service as a Percentage of Expenditures is favorable.

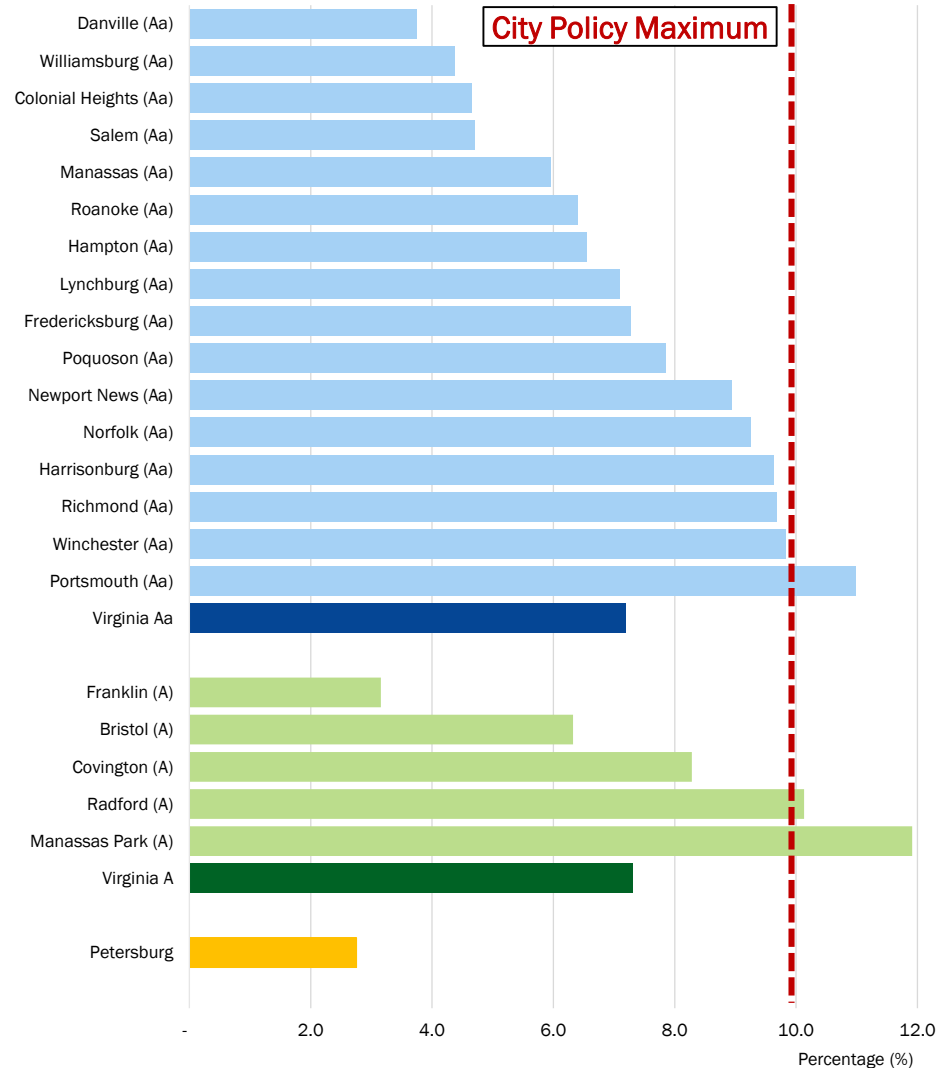
## ■ Rating Considerations:

- S&P: The Debt and Contingent Liabilities section defines categories of Net Direct Debt as a % of Total Governmental Funds Expenditures.

Very Strong	< 8%
Strong	8% - 15%
Adequate	15% - 25%
Weak	25% - 35%
Very Weak	> 35%

- **Recommended Enhancement: Revise the definition of Expenditures in the Financial Policies to specify the use of Budgeted Expenditures for calculating the ratio.**

## Debt Service as a % of Expenditures Peer Comparative



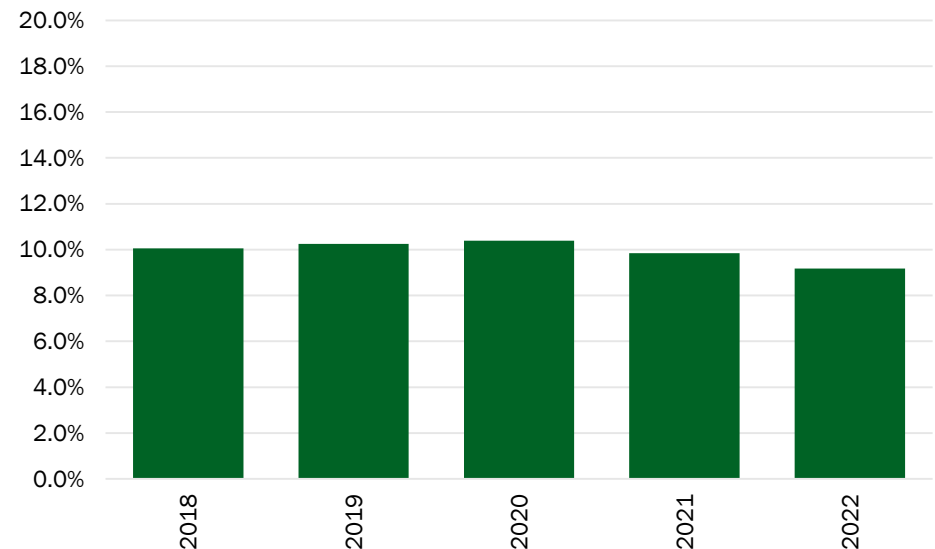
(1) As of most recently available audited financial statements for each City.  
Source: Respective City audited financial statements and S&P.



# Potential New Metric | Fixed Costs Ratio

- Over the past several years, the Rating Agencies have focused on a more complete picture of a locality's long-term liabilities.
  - In particular both Moody's and S&P take into consideration an entity's pension and other post employment benefit ("OPEB") liabilities as well as its debt outstanding.
- One metric that Moody's includes in its analysis of local governments is the Fixed Costs Ratio.
  - Much like Debt Service as a Percentage of Expenditures, the Fixed Costs Ratio measures the City's debt service in comparison to the total budget, but it also takes into account the annual contributions that the City makes for Pension and OPEB.
- The graph to the right shows the City's Fixed Costs Ratio for the past five (5) fiscal years.

Historical Fixed Costs Ratio



Note: Includes Budgeted Expenditures and Debt Service for each fiscal year and actual Pension and OPEB contributions in FY 2018 through FY 2020. In FY 2021 and FY 2022, the City's Pension and OPEB contributions are used, but the Schools' contributions are based on an average of the prior three (3) years, as the audits are not yet available.

Source: City and Schools audits.

# Potential New Metric | Fixed Costs Ratio

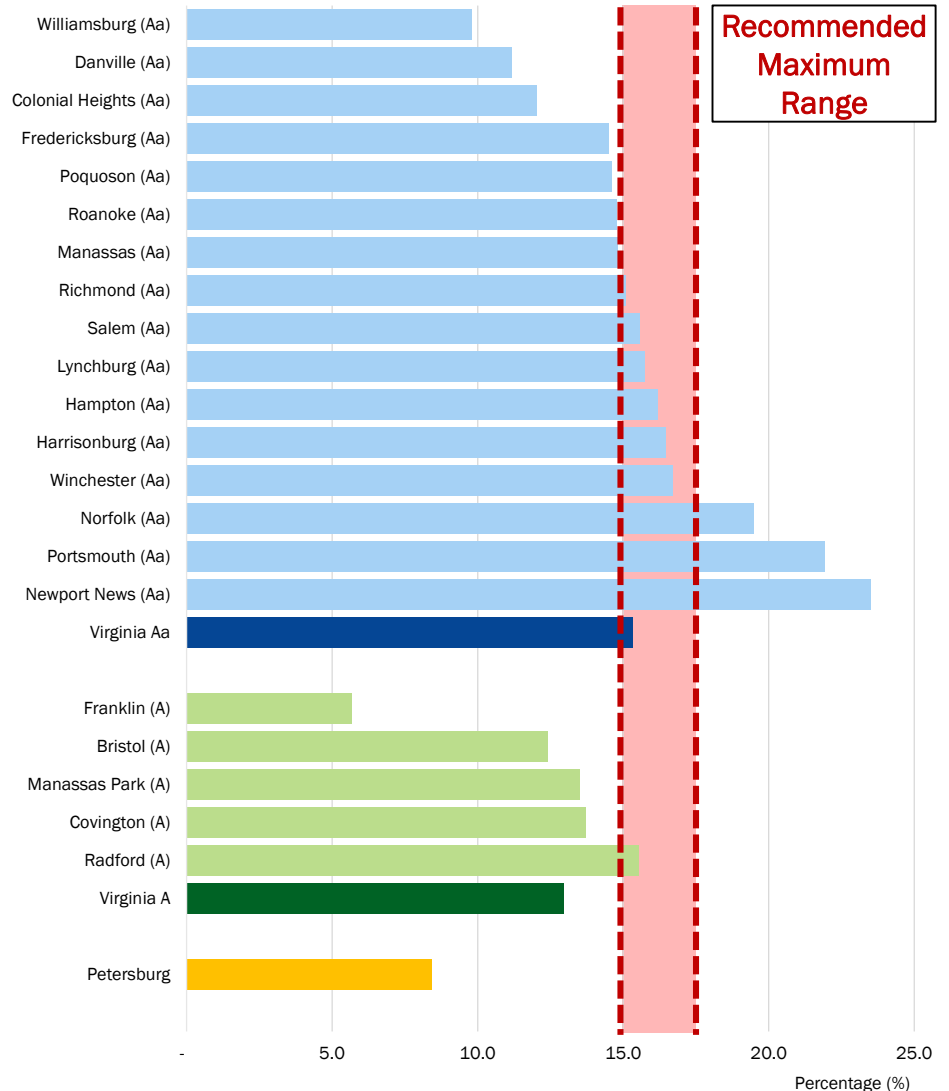


- Compared to its peers in Virginia, the City's Fixed Costs Ratio is favorable.

- **Recommended Enhancement: The City's Fixed Costs Ratio should not exceed a "range" of 15.0%-17.5%.**
  - For this ratio, Fixed Costs mean the City's Budgeted Debt Service and actual Pension and OPEB Contributions in a given fiscal year, and that figure will be measured as a percentage of budgeted expenditures for the General Fund less the Transfer to Schools plus the Budgeted Expenditures in the School Operating Fund.

Note: For Petersburg, includes Budgeted Expenditures and Debt Service and actual City Pension and OPEB contributions for FY 2022. The Schools' contributions are based on an average of the prior three (3) years, as the audits are not yet available. Peer ratios include Schools' contributions, where applicable.  
Source: Respective City and/or Schools audited financial statements.

## Fixed Costs Ratio Peer Comparative





# Section 5: Reserve Policies



## 5. Reserve Policies | Section Overview



- Section 5 of the existing Financial Policies addresses the City's fund balance reserves, their categorization in the financial statements, and minimum balances to maintain.
- The Financial Policies specifically establish a minimum Unassigned Fund Balance equal to sixty (60) days of General Fund operating expenditures (approximately 1/6 or 16.7%).
- Based on recent years' financial results, the City's Unassigned Fund Balance has more than met its minimum requirements.
  - The City has the opportunity to strengthen these Reserve Policies by requiring a higher minimum balance and/or setting aside funds for specific purposes, both of which will be discussed on the following pages.

**Please see the Appendix for the full Policy Section.**



City of Petersburg, VA

### 5. RESERVE POLICIES

The City believes that sound financial management principles always require that sufficient funds be retained by the City to provide a stable financial base. 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.
  - 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 and requires City Council action to remove the constraint on the resources.

Page | 6



# Why Unassigned Fund Balance Matters

---

- Allows the City to fully cash flow its month-to-month operations and avoid costly Tax Anticipation Notes (“TANs”) /Revenue Anticipation Notes (“RANs”).
- Enables the City to earn interest income, which helps the General Fund and alleviates pressure on tax rate(s).
- Serves as the single most important factor for credit ratings.
- Enables the City to borrow at lower interest rates, which in turn, provides for lower debt service and potential refunding opportunities for debt service savings.
- Excess Unassigned Fund Balance can be used for one-time capital investment and economic development purposes.

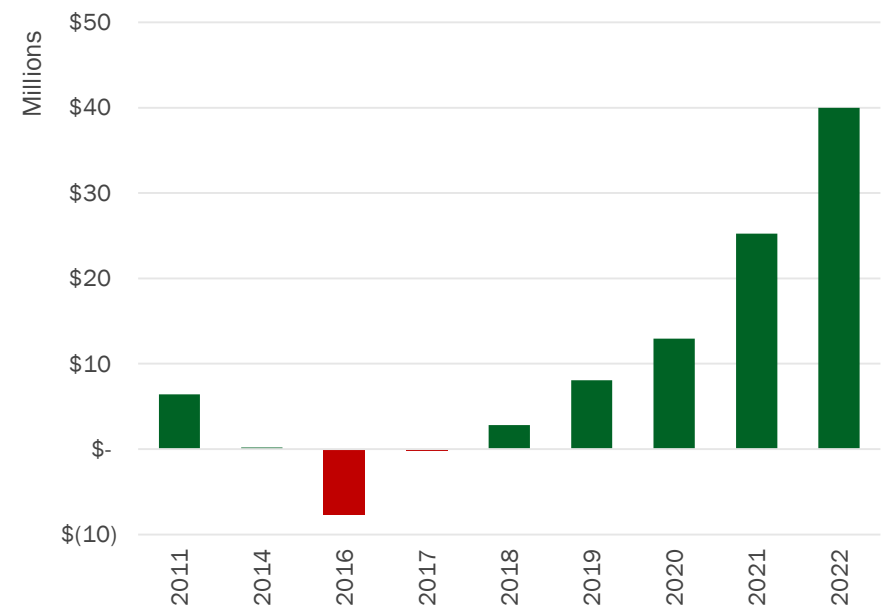


# Historical Unassigned Fund Balance

- The existing Financial Policies established a goal of a Minimum Initial Target for Unassigned Fund Balance equal to thirty (30) days of its General Fund operating expenditures (approximately 1/12 or 8.3%).
  - As the following pages will demonstrate, the City first met the Minimum Initial Target in FY 2019 and has only improved its Unassigned Fund Balance since then.
- The Financial Policies also state that the City would increase its Unassigned Fund Balance to sixty (60) days of its General Fund operating expenditures (approximately 1/6 or 16.7%) within three (3) years following meeting the Minimum Initial Target.
  - After meeting the Minimum Initial Target in FY 2019, the City continued to increase its Unassigned Fund Balance and has met this higher level since FY 2020.

Fiscal Year	Unassigned Fund Balance (UFB)	Budgeted General Fund Expenditures	UFB as a % of Budgeted General Fund Expenditures
2011	\$6,400,000	\$79,320,442	8.1%
2014	\$200,000	\$80,324,854	0.2%
2016	(\$7,728,395)	\$69,564,316	-11.1%
2017	(\$200,000)	\$68,411,498	-0.3%
2018	\$2,803,522	\$74,804,958	3.7%
2019	\$8,060,337	\$73,440,122	11.0%
2020	\$12,936,270	\$76,120,754	17.0%
2021	\$25,232,436	\$73,338,140	34.4%
2022	\$40,013,727	\$74,724,622	53.5%

Unassigned Fund Balance



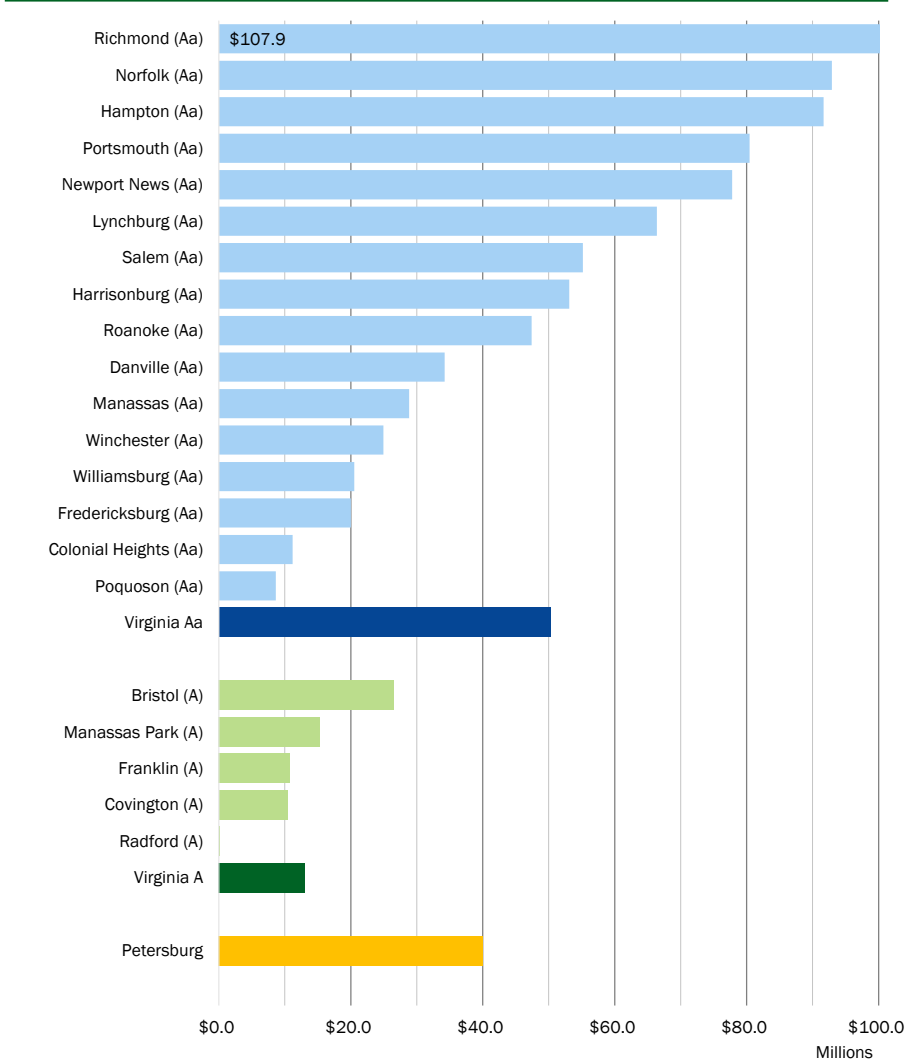
Source: City Audits and Budgets.



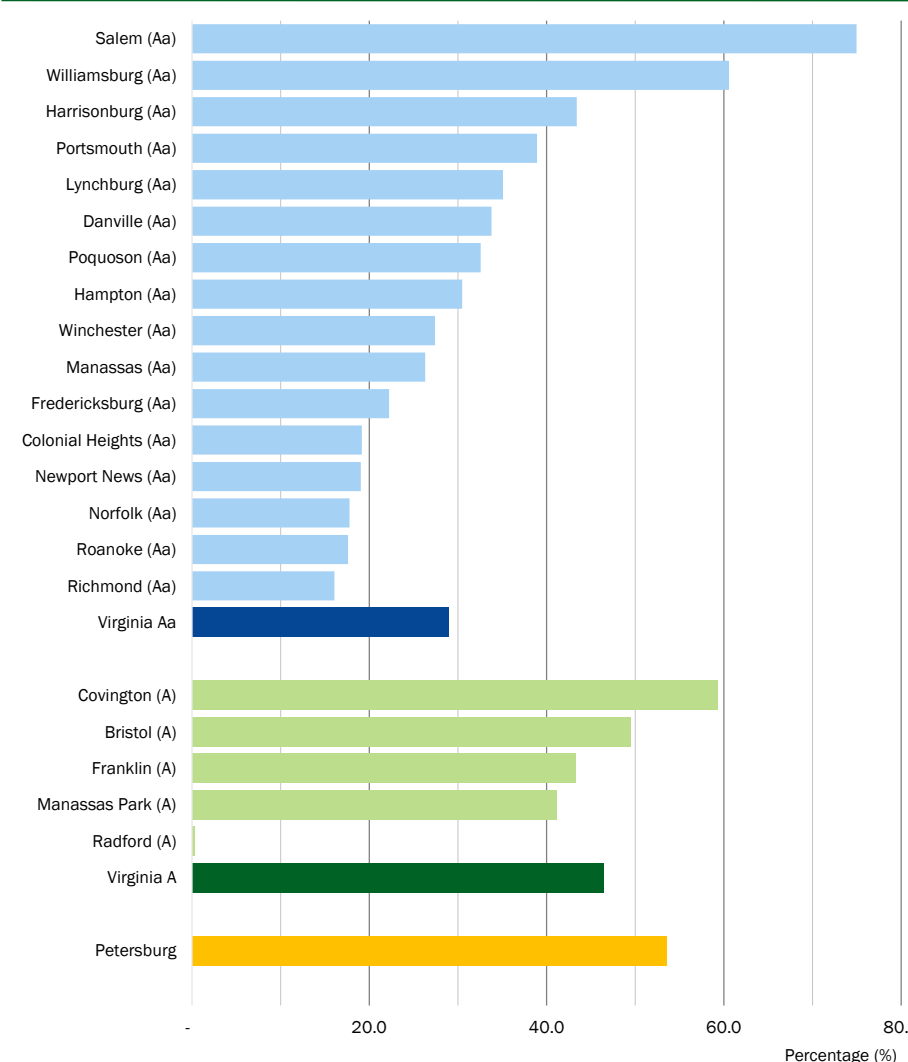
# Unassigned Fund Balance Peer Comparison

■ The City’s FY 2022 Unassigned Fund Balance level is compared with Virginia ‘Aa’ and ‘A’ rated cities below.

Unassigned Fund Balance



Unassigned Fund Balance as % of Expenditures



# Available Fund Balance Peer Comparison



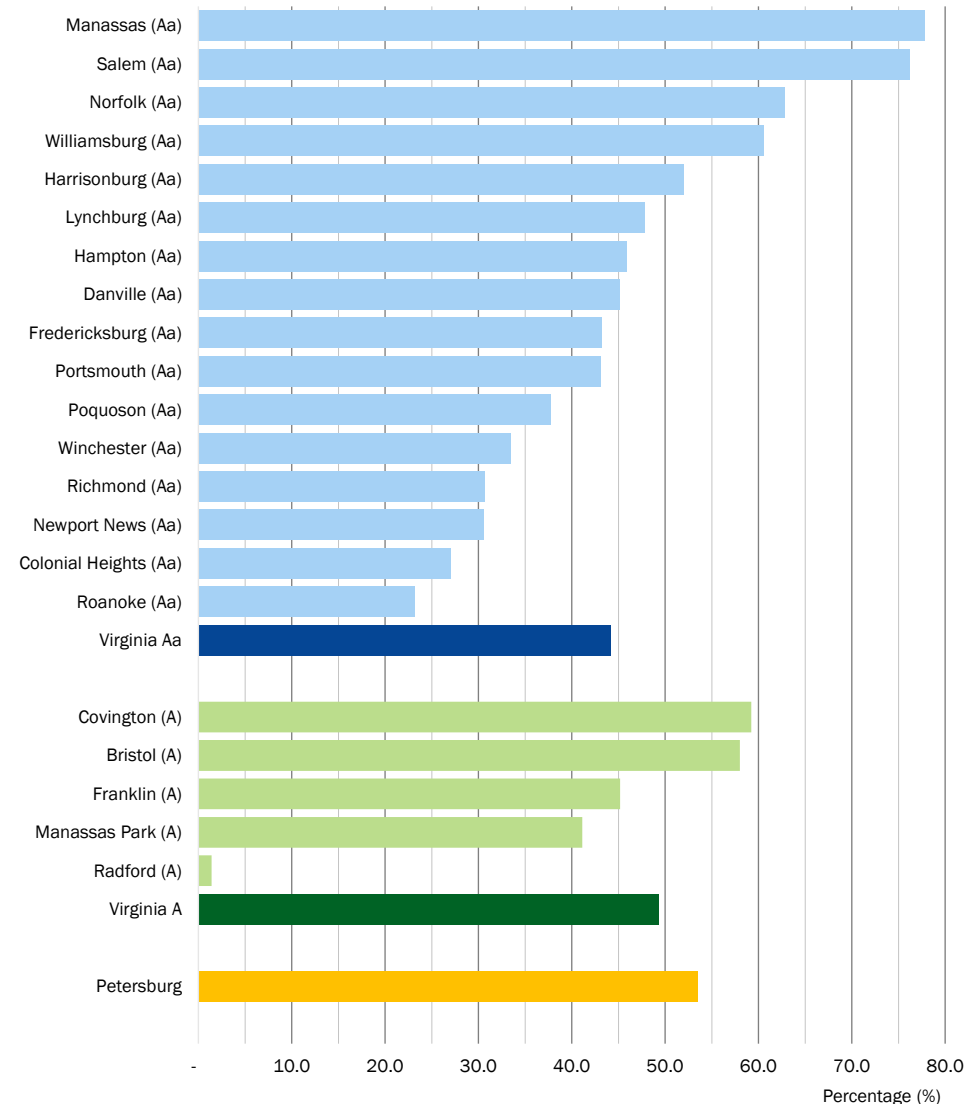
## ■ Rating Considerations:

- Moody's: Moody's Criteria for General Obligation Credits defines categories for Available Fund Balance (including Committed, Available, and Unassigned Fund Balances) as a Percentage of Revenues.

Very Strong (Aaa)	≥35%
Strong (Aa)	25% - 35%
Moderate (A)	15% - 25%
Weak (Baa)	5% - 15%
Very Poor (Ba & below)	< 5%

- S&P: The Finances section defines categories of Budgetary Flexibility as Available Fund Balance as a % of Expenditures.

## Available Fund Balance Peer Comparative





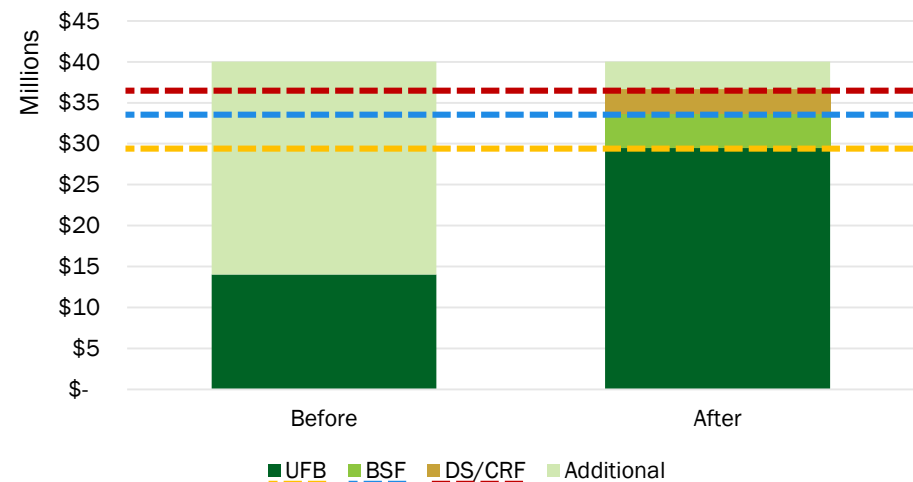
## Recommended Enhancements:

- **Unassigned Fund Balance (UFB) level at 35% of Budgeted General Fund Expenditures.**
  - Based on the FY 2024 Budget, this figure approximates \$29.5 million.
- **Budget Stabilization Fund (BSF) level at 5% of General Fund Expenditures.**
  - Based on the FY 2024 Budget, this figure approximates \$4.2 million.
- **Debt Service/Capital Reserve Fund (DS/CRF) funded as determined in the City's most current multi-year capital plan.**
  - Based on the City's multi-year capital plan that is currently being developed, this figure is anticipated to be approximately \$3.0 million.
- **Annual Review – formalizing the review process in connection with the budget development timeline.**

## Effect of Recommended Enhancements

Category	Before	After
1 FY 2024 Budgeted Gen. Fund Rev.	\$ 84,202,469	\$ 84,202,469
2 Available Fund Balance (FY 2022 Audit)		
3 Unassigned Fund Balance	\$ 14,033,745	\$ 29,470,864
4 Budget Stabilization Fund (BSF)	-	4,210,123
5 Debt Service/Capital Reserve Fund (DS/CRF)	-	3,000,000
6 Additional Funds Over Policies	25,979,982	3,332,739
7 Total Available Fund Balance	\$ 40,013,727	\$ 40,013,727
8 UFB as a % of Gen. Fund Rev.	16.7%	35.0%
9 BSF as a % of Gen. Fund Rev.	0.0%	5.0%
10 Addl. Funds as a % of Gen. Fund Rev.	30.9%	4.0%

Available Fund Balance Before & After Updates





# Potential New Section: Investment Policy



## ***Recommended Policy:***

- ***With interest rates rising over the past year, Davenport recommends that the City implement Investment Policy Guidelines that include, at a minimum:***
  - ***Scope and Objectives***
  - ***Standards of Care***
  - ***Safekeeping/Delivery of Investments***
  - ***Authorized Investments***
  - ***Investment Approach/Maturity Restrictions***
  - ***Investment of Bond Proceeds***
  
- Additional topics that could be addressed in an Investment Policy include, but are not limited to:
  - Delegation of Authority
  - Monitoring and Adjusting the Portfolio
  - Internal Controls
  - Diversification
  - Qualified Institutions
  - Reporting Requirements





# Next Steps



- Obtain guidance from City Council on the proposed updates to the Financial Policies.
  
- Make changes to the revised version of the Financial Policies based on feedback from City Council, if needed.
  
- Return to a City Council meeting at a later date for consideration of official adoption of the revised Financial Policies.
  
- Work with City Staff to implement the new components of the Financial Policies.



# Appendix



# A. Proposed Revisions to the City's Financial Policy Guidelines



# CITY OF PETERSBURG, VA

## FINANCIAL POLICY GUIDELINES

I

City of Petersburg, VA

Contents

<del>1. Financial Policy Objectives</del>	<del>1</del>
<del>2. Budget Development Policies</del>	<del>2</del>
<del>3. Capital Improvement Policies</del>	<del>4</del>
<del>4. Debt Policies</del>	<del>5</del>
<del>5. Reserve Policies</del>	<del>6</del>
<del>6. Expenditures Policies</del>	<del>7</del>
1. Financial Policy Objectives	<a href="#">1</a>
2. Budget Development Policies	<a href="#">2</a>
3. Capital Improvement Policies	<a href="#">64</a>
4. Debt Policies	<a href="#">75</a>
5. Reserve Policies	<a href="#">86</a>
6. Expenditures Policies	<a href="#">129</a>
7. Investment Policies	<a href="#">141</a>



## 1. FINANCIAL POLICY OBJECTIVES

This 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.
- 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.

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 Fiscal Management Team, who shall in turn report their findings to the City Manager and City Council.





City of Petersburg, VA

## 2. BUDGET DEVELOPMENT POLICIES

### Principles

- The budget development process will be a collaborative process to include residents, City Council, and staff.
- 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.
- The City will avoid dedicating revenue to a specific project or program because of the constraint this may place on flexibility in resource allocation except in instances where programs are expected to be self-sufficient or where revenue is dedicated to a program for statutory or policy reasons.
- The budget process will be coordinated in a way that major policy issues are identified for City Council several months prior to consideration of budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

### Policies

- City Council shall adopt a balanced budget in accordance with all legal requirements.
- All operating budget appropriations shall lapse at the end of the fiscal year to the extent that they are not expended ~~or~~, encumbered, or restricted to specific purposes such as capital projects, reserves, grants, and donations.
- All outstanding encumbrances, both operating and capital, at the end of the fiscal year shall be re-appropriated to the following fiscal year to the same department and account for which they are encumbered in the previous year.
- Appropriations for capital projects will not lapse at the end of the fiscal year but shall remain appropriations until the completion of the projects or until City Council, by appropriate ordinance or resolution, changes or eliminates the appropriation. The City Manager may approve necessary accounting transfers between capital funds to enable the capital projects to be accounted for in the correct manner. Upon completion of a capital project, staff is authorized to close out the projects and transfer to the funding source any remaining balances. The City Manager may approve construction change orders to contracts up to an increase of \$25,000 and approve all change orders for reductions to contracts.
- The budget shall be adopted by the favorable vote of a majority of members of City Council.
- The Vision and priorities established by City Council as well as the Strategic Plan will serve as the framework for the budget proposed by the City Manager.
- 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.

- The City Manager may make all necessary fund and expense adjustments for the following items of non-budgetary revenue that may occur during the fiscal year:
  - Insurance recoveries received for damage to City vehicles or other property for which City funds have been expended to make repairs.
  - Refunds or reimbursements made to the City for which the City has expended funds directly related to that refund or reimbursement.
  - Any revenue source not to exceed \$25,000.
- The City Manager may utilize revenues and increase expenditures for funds received by the City from asset forfeitures for operating expenditures directly related to drug enforcement. All such funds received from asset forfeiture in a fiscal year shall not lapse but be carried forward into the next fiscal year.
- The City Manager is authorized to approve transfers within operating funds as long as total net spending is not exceeded and all transfer activity is to be reported to City Council on a monthly basis. Upon approval of City Council, the City Manager is authorized to transfer between funds should fiscal conditions or circumstances prescribe that the transfer is required. The transfer amount must not result in a deficit balance in the fund that the transfer is being made from.
- The City will pursue an aggressive policy seeking the collection of delinquent real estate, utility, licenses, permits and other taxes and fees due to the City via the utilization of third-party collection agencies.
- 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.
- Expenditure and revenue projections will be developed monthly and reviewed with Departmental Directors, the City Manager, and City Council. The City Manager, through the Budget Department, will exercise appropriate fiscal management as necessary to live within the limits of the adopted budget.



## City of Petersburg, VA

### Process

- The City Manager must annually prepare and present a Proposed Budget for City Council review no later than April 1<sup>st</sup>. The Proposed Budget shall serve as a financial plan for the upcoming fiscal year and shall contain the following information.
  1. A budget message that outlines the proposed revenue and expenditures for the upcoming fiscal year together with an explanation of any major changes from the previous fiscal year. The budget message should also include any proposals for major changes in financial policy.
  2. Charts indicating the major revenues and expenditures in each major fund (General, Utilities, Grants, CDBG, Streets, Stormwater, Golf, Transit) as well as changes in fund balance for all funds.
  3. Summaries of proposed expenditures for all funds proposed to be expended in a fiscal year.
  4. A schedule of estimated requirements for the principal and interest of each bond issue.
  5. A three-year history of revenues and expenditures to include the prior year actual, current year adopted, revised, and proposed budgets for each major fund.
- The City Council shall hold a public hearing on the budget submitted by the City Manager for interested citizens to be given an opportunity to be heard on issues related to the proposed budget, including the Capital Improvement Plan.
- Following the public hearing on the Proposed Budget, City Council may make adjustments. The City Council can only make recommended changes that keep the budget in balance and that are Adopted with at least four members of City Council's prior approval.
  - In instances where City Council increases the total proposed expenditures, it shall also identify a source of funding at least equal to the proposed expenditures.



Finance Committee

- The City will established a Finance Committee that will meet monthly to review the financial affairs of the City generally. The Finance Committee will be composed of:
  - o Mayor;
  - o City Manager;
  - o Chief Financial Officer;
  - o Commissioner of the Revenue;
  - o Treasurer; and
  - o City's Financial Advisor Representative
- Its specific duties shall include, but not be limited to:
  - o Monthly tracking of revenues and expenditures versus Budget and Prior Year (i.e. year-over-year trends).
  - o Review of the City's reconciled cash balances/position for all accounts and funds based on the most recent month end close (understanding that the report should not be more than 2 months old).
  - o Compliance with the Financial Policy Guidelines.
  - o Consideration and recommendations concerning candidates for financial management positions.
  - o Report on the City's approach to the strategic investment plan to include, but not be limited to:
    - Investment strategy;
    - Amounts invested and return;
    - Amounts anticipated/projected to be available for investment;
    - Current and historic portfolio returns; and
    - Any other information that may benefit the City in its overall investment approach.

*[Remainder of page intentionally left blank]*



City of Petersburg, VA

### 3. CAPITAL IMPROVEMENT POLICIES

~~The~~During the budget process each year, 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.

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 subsequent four years of the Capital Improvement Plan will be used for planning purposes.
- ~~4.5.~~5. The City will coordinate development of the Annual ~~capital~~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.
- ~~5.6.~~6. 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.
- ~~6.7.~~7. 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.
- ~~7.8.~~8. The City will attempt to determine the least costly and most flexible financing method for all new projects.
- ~~8.9.~~9. Upon reaching the Minimum Initial Target of the Unassigned Fund Balance, the City shall budget \$500,000 toward the Fund Balance Replenishment and \$500,000 to fund Pay-Go Capital Projects.



City of Petersburg, VA

#### 4. 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~~ the Assessed Value of all taxable property All Taxable Property shall not exceed 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 Budgeted General Fund Expenditures and School ~~Component Unit~~ Operating Fund Expenditures less the ~~local government transfer~~ City's Transfer to Schools (as reflected in the Budget Document). 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's Fixed Costs shall not exceed a range of 15.0%-17.5% of Total Governmental Fund Expenditures (as defined above). Fixed Costs include the City's budgeted Debt Service and both the City's and Schools' budgeted contributions to Pension and Other Post-Employment Benefits in a given fiscal year.
- ~~6-7.~~ 7. 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.
- ~~7-8.~~ 8. Where feasible, the City will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
- ~~8-9.~~ 9. The City will retire tax anticipation debt and revenue anticipation debt, if any, annually.

## 5. RESERVE POLICIES

The City believes that sound financial management principles always require that sufficient funds be retained by the City to provide a stable financial base. 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.
  - 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 and requires 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. ~~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. Within three years following the City meeting the Minimum Initial Target, the~~ The City shall ~~increase the~~ have a Minimum Unassigned Fund Balance of 35% of Budgeted General Fund Expenditures.

i. Example Calculation: Based on the City's FY 2024 Budgeted General Fund Expenditure of \$84,202,469, 35% translates to a minimum balance that represents 60 days of its general fund operating expenditures of \$29,470,864.

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 75% of such remaining operating surplus to further accelerate the build- up of the Unassigned Fund Balance.

[Remainder of page intentionally left blank]





City Council recognizes that if amounts above the ~~10% Policy Goal~~ minimum policy level 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~~ levels may be beneficial to the overall wellbeing of the City. Should any amounts above the ~~10% minimum~~ policy level 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% minimum~~ policy minimum level could be used for the following purposes (listed in order of priority):

- ii. Increase Restricted Fund Balances as necessary.
- iii. 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.
- iv. Allocating such amounts toward equity funding of the Capital Improvement Plan or transfer to the Capital Improvement Fund.

## 2. Budget Stabilization Fund

The City shall separately establish a Budget Stabilization Fund, which shall be considered a part of the City's Committed Fund Balance. The Budget Stabilization Fund shall be used for unforeseen, emergency expenditures or unplanned, unforeseen declines in revenues. The Budget Stabilization Fund shall be initially established in an amount equal to 5% of General Fund Budgeted Revenues. Expenditures.

- i. Example Calculation: Based on the City's FY 2023 Budgeted General Fund Expenditure of \$73,856,740, 5% translates to a balance of \$3,692,837.

## 3. Debt Service/Capital Reserve Fund

The City shall separately establish a Debt Service/Capital Reserve Fund, which shall be considered a part of the City's Committed Fund Balance. The Debt Service/Capital Reserve Fund shall be utilized as needed in the City's multi-year capital plan. The required balance of the Debt Service/Capital Reserve Fund will be determined based upon the City's most current multi-year capital plan. Initially as of the end of fiscal year 2023, the City will establish a minimum balance of \$3,000,000 to be applied to debt service payments in future years, thus mitigating the impact of new projects on the City's budget.

2.4. 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.

3.5. 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.

6. Annual Review: During the annual budget process, the City will review the estimated Fund Balance levels in relation to the proposed budget under consideration for adoption. Any addition to the Fund Balances, if necessary, to maintain compliance with policy levels and/or replenish any amounts used shall be incorporated into the proposed budget under consideration for adoption. In addition, the City shall also review the Fund Balance policy levels and increase such levels as may be necessary in order to further the goals of this policy.

4.7. Replenishment of the Unassigned Fund Balance/Budget Stabilization Fund: Upon the use of any Unassigned Fund Balance or Budget Stabilization Fund, 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 amount used cannot be accomplished within such period without severe hardship to the City, then the City Council will establish a different time period. If both of these funds have been used then priority of replenishment shall first be to the Unassigned Fund Balance, then the Budget Stabilization Fund.

8. Replenishment of the Debt Service/Capital Reserve Fund: Given that this fund is intended to be used as needed in the City's multi-year capital plan, the City shall evaluate on an annual basis the amounts used/projected to be used in such plan and provide for replenishment as may be necessary. The amount of this fund shall be evaluated on an annual basis and shall be amended as needed in order to effect the implementation of the City's multi-year capital plan.

## 6. EXPENDITURES POLICIES

The City intends to manage cash in a fashion that omits borrowing to meet daily operational needs. The City will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.

The City will utilize a balanced approach to capital project funding, using a combination of debt financing, draws on unassigned fund balance, and pay-as-you-go current year appropriations. Debt will be repaid within a period not to exceed the expected useful life of the project. It is the City's intention to develop and update, at least annually, a Capital Improvement Funding Plan that identifies all funding sources for existing and proposed debt service and pay-go capital expenditures.

As part of this Plan, the City will strive to provide a current year revenue appropriation for debt service that is consistent from year-to-year whereby excess funding resulting from declines in debt service payments will be carried forward to be applied to future debt service payments and/or other capital expenditures. This budgeting approach will help to create future debt and capital affordability and will provide budgeting consistency for debt and capital purposes. ~~For tax-supported debt, the net debt as a percentage of estimated market value of taxable property shall not exceed 5%. Net debt is defined as any and all debt that is tax-supported. The ratio of tax-supported debt service expenditures as a percentage of total governmental fund expenditures shall not exceed 10% with a minimum aggregate ten-year taxsupported payout ratio of 50%.~~ Target debt ratios will be annually calculated and included in the review of financial trends.

In the event that the City anticipates exceeding the debt policy requirements stated ~~above~~herein, staff may request an exception from City Council stating the reason and length of time. City staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. The City will seek to maintain its current bond ratings and comply with continuing disclosure of financial and pertinent credit information relevant to outstanding debt issues.

### **Expenditure Accountability**

The Director of Budget and Procurement shall maintain ongoing contact with department managers and Constitutional Officers throughout the budget implementation and execution process. Department managers and Constitutional Officers have the ability to review their expenditures at any time within the City's on-line financial system. Monthly financial reports shall be prepared for City Council to monitor budgeted and actual expenditures and revenues.

City of Petersburg, VA

The City shall appropriate as part of its annual budget, or any amendments thereto, amounts for salaries, expenses and other allowances for its Constitutional Officers that are not less than those established for such offices by the State Compensation Board.

#### **Appropriation Amendments and Transfers**

Appropriation amendments to the operating budget shall be brought before City Council for approval throughout the fiscal year. Per the Code of Virginia, any additional appropriation which exceeds 1% of the total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of a meeting and a public hearing once in a general circulation newspaper at least seven days prior to the meeting date.

The notice shall state the Council's intent to amend the budget and include a brief synopsis of the proposed budget amendment. The amendment may be adopted at the meeting after the public hearing.

All appropriations lapse on June 30 of each fiscal year for all budgets.

*[Remainder of page intentionally left blank]*

## 7. INVESTMENT POLICIES

An investment policy is designed to serve as a guideline from which all City deposits and investments will be managed. In recognition of its fiduciary role in the management of all public funds entrusted to its care, it shall be the policy of the City that all investable balances be invested with the same care, skill, prudence and diligence that a person would exercise when undertaking an enterprise of like character and aims under circumstances prevailing at that time.

Unless otherwise specifically referenced, all investment actions, controls and reporting shall be the responsibility of the Treasurer's Office with the exceptions to the policy to be properly documented, approved in writing by the Treasurer and communicated to the City officials. Any modification to this policy shall require the approval of the Treasurer and City Council. It is recognized that the Treasurer is an elected official whose responsibilities are delineated by the Code of Virginia and that this policy is meant to illustrate strong fiscal management of a City and not to circumvent the powers of the constitutional officer. This policy is based on guidelines established in the State Code, and is used regarding compliance on investments.

### 1. Investment Objectives

The primary investment objectives for all assets and/or asset groups shall be:

- a. Safety – Safety of principal is the foremost objective of the investment of City funds. Investments in all asset groups shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.
- b. Liquidity – Each investment/investment portfolio will remain sufficiently liquid to enable it to meet all operational requirements, which might be reasonably anticipated.
- c. Return on Investment – Each investment/investment portfolio shall be managed to maximize the return on investments within the context and parameters set forth by objectives (a) and (b) above.

### 2. Standards of Care

- a. Standard of Prudence – Investments shall be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering first the safety and liquidity of capital and next the probable income to be derived.
- b. Ethics and Conflicts of Interest – City employees and investment officials involved in the investment process shall refrain from personal business that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment

officials shall disclose any material financial interest in financial institutions with which they conduct business, and they shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees shall refrain from undertaking personal investment transactions with the same broker or account representative with whom business is conducted on behalf of the City.

### 3. Safekeeping/Delivery of Investments

In accordance with the Section 2.2-4515 of the Code of Virginia: All investment securities purchased by the City shall be held in third-party safekeeping at a qualified public depository that may not otherwise be a counterparty to the investment transaction. (A qualified public depository is defined under Virginia law as a national banking association, federal savings and loan association or federal savings bank located in Virginia and any bank, trust company or savings institution organized under Virginia law that receives or holds public deposits which are secured pursuant to Section 2.2-4400 of the Code of Virginia (the "Virginia Security for Public Deposits Act").

All securities in the City's portfolio shall be held in the name of the City and will be free and clear of any lien. All investment transactions will be conducted on a delivery-vs-payment basis. The depository shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity, and other pertinent information. On a monthly basis, the depository will also provide reports that list all securities held for the City, the book value and the market value as of month end.

Appropriate City officials and representatives of the depository responsible for or in any manner involved with the safekeeping and custody process of the City shall be bonded in such a fashion as to protect the City from losses from malfeasance and misfeasance. Securities purchased for the City shall be held by the Treasurer or the City's designated custodial agent.

Securities held by a custodial agent shall be recorded in name of the City on the custodian's records. If a custodial agent is used, a written agreement defining the responsibilities of the agent and the custodial agent shall not be a counterpart to purchase of securities held by the custodial agent. This shall not apply to investments with a maturity of less than thirty-one calendar days.

Collateral for savings and time deposits shall be pledged according to the provisions of the Virginia Security for Public Deposits Act and the requirements of the state Treasury Board regulations.

#### 4. Authorized Investments

Unless otherwise stated in this section the City may not invest in any security not specifically authorized by this policy. To the extent permitted by law, the City may invest in the following types of securities:

- a. United States Treasury Obligations – Bonds, notes and bills issued by the United States Treasury or certificates representing ownership of treasury bond principal or coupons.
- b. Agency Securities (FHLB, FNMA, FFCB, FHLMC) – Fixed rate obligations issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank or Federal Home Loan Mortgage Corporation.
- c. Prime Commercial Paper – Commercial Paper maturing within 270 days of the date of purchase with at least two of the following ratings: P-1 or higher by Moody's, A-1 or higher by Standard & Poor's, F-1 or higher by Fitch, provided that the issuing corporation (or guarantor) has a net worth of at least \$50 million, average net income of \$3 million for the past 5 years and a long-term debt rating of A or better by at least two of the following National Credit Rating Agencies: Moody's, Standard & Poor's or Fitch.
- d. Certificates of Deposit – Certificates of Deposit (CD) maturing within one year and issued by domestic banks rated P-1 or higher by Moody's AND A-1 or higher by Standard & Poor's. For CD's maturing from 1 to 5 years the bank must be rated Aa or higher by Moody's AND AA or higher by Standard & Poor's. Funds must be secured in the manner required by the Virginia Security for Public Deposits Act.
- e. Banker's Acceptances – Banker's Acceptances maturing within 180 days rated P-1 or higher by Moody's AND A-1 or higher by Standard & Poor's, provided that the issuer is a major domestic bank or the domestic office of an international bank rated Aa or higher by Moody's AND AA or higher by Standard & Poor's.
- f. Commonwealth of Virginia and Virginia Local Government Obligations – General Obligation bonds maturing within 5 years from date of purchase and rated AA or higher by at least two of the following National Credit Rating Agencies: Moody's, Standard & Poor's or Fitch.
- g. Repurchase Agreements – Repurchase Agreements collateralized by securities listed in items (a) and (b) above. The collateral on overnight, one day, or longer-term repurchase agreements is required to be at least 102% of the value of the repurchase

agreement. Structured notes are not permitted collateral. Collateral must be marked to market weekly with option to liquidate if deficiency is not corrected. The counterparty must be rated A or higher by Moody's AND Standard & Poor's and insured by FDIC, or is a Broker-Dealer subject to SIPC protection.

- h. Open-End Investment Funds (Mutual Funds) – Open-end investment funds (mutual funds) which trade on a constant net asset value and are registered under the Securities Act of the Commonwealth of Virginia or the Federal Investment Co. Act of 1940 and which invest solely in instruments otherwise permitted under items (a) through (g) above.
- i. Virginia Local Government Investment Pool – The pooled fund known as the Virginia Local Government Investment Pool ("LGIP") as provided for in Section 2.2-4600 of the Code of Virginia.
- j. Virginia State Non-Arbitrage Program.

#### 5. Investment Approach/Maturity Restrictions

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements based on a monthly (at a minimum) cash flow analysis of its revenue and expenditures. Such analysis shall be used to develop a strategic investment plan to meet the City's Investment Objectives. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances.

Reserve funds and other funds with longer-terms investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

#### 6. Investment of Bond Proceeds

Proceeds of debt issuances shall be invested with the Virginia State Non-Arbitrage Program (SNAP) or other investment options that may provide higher interest earnings, while safeguarding the principal of the amount invested. Such other investment options/strategies shall be explored with the consultation of the City's Financial Advisor and Bond Counsel if it is deemed to be in the best interest of the City and is permitted by the Public Finance Act of the Virginia State Code. In any event, unexpended funds shall be held in a segregated account to facilitate the tracking of expenditures and investment earnings.





## B. Financial Information



# Exhibit 1: Balance Sheet

## General Fund

1	General Fund	2018	2019	2020	2021	2022 Draft
2						
3	<b>Assets</b>					
4	Cash and Cash Equivalents	\$ 2,630,857	\$ 8,779,141	\$ 8,863,017	\$ 20,121,490	\$ 35,928,294
5	Restricted Cash	7,200,123	5,454,572	5,243,476	1,260,498	992,504
6	Tax Receivables (Net of Allowance for Uncollectibles)	13,489,658	11,748,646	14,649,831	12,170,137	13,642,162
7	Accounts Receivables (Net of Allowance for Uncollectibles)	3,113,143	3,049,046	3,204,167	3,263,116	2,838,030
8	Prepaid Items	-	567,067	105,880	587,031	1,145,688
9	Inventory and Land Held for Resale	4,841,117	4,718,160	4,711,711	4,218,602	4,008,074
10	Due from Other Funds	-	250,071	415,501	404,799	368,945
11	Due from Component Unit School Board	87,948	648,538	1,755,085	4,301,480	4,301,480
12	Due from Other Governmental Units	4,900,444	4,737,603	4,592,600	4,611,378	4,702,618
13	<b>Total Assets</b>	<b>\$ 36,263,290</b>	<b>\$ 39,952,844</b>	<b>\$ 43,541,268</b>	<b>\$ 50,938,531</b>	<b>\$ 67,927,795</b>
14						
15	<b>Liabilities</b>					
16	Accounts Payable	\$ 2,490,076	\$ 1,864,987	\$ 1,371,577	\$ 2,027,306	\$ 2,395,433
17	Accrued Salaries Payable	740,314	804,878	972,259	992,142	1,298,363
18	Deposits Held	57,742	57,742	57,742	57,742	57,742
19	Unearned Revenue	-	-	-	3,936,000	3,936,000
20	Short-Term Revenue Anticipation Note	6,500,000	6,500,000	5,500,000	-	-
21	Due to Other Funds	2,232,100	2,497,582	2,498,455	2,498,455	2,498,455
22	<b>Total Liabilities</b>	<b>\$ 12,020,232</b>	<b>\$ 11,725,189</b>	<b>\$ 10,400,033</b>	<b>\$ 9,511,645</b>	<b>\$ 10,185,993</b>
23						
24	<b>Deferred Inflows of Resources</b>					
25	Unavailable Revenue - Property Taxes	\$ 9,398,296	\$ 9,177,448	\$ 9,728,397	\$ 9,723,521	\$ 11,212,864
26	<b>Total Deferred Inflows of Resources</b>	<b>\$ 9,398,296</b>	<b>\$ 9,177,448</b>	<b>\$ 9,728,397</b>	<b>\$ 9,723,521</b>	<b>\$ 11,212,864</b>
27						
28	<b>Fund Balance</b>					
29	Nonspendable	\$ 4,841,117	\$ 5,535,298	\$ 5,233,092	\$ 5,210,432	\$ 5,522,707
30	Restricted	7,200,123	5,454,572	5,243,476	1,260,498	992,504
31	Unassigned	2,803,522	8,060,337	12,936,270	25,232,435	40,013,727
32	<b>Total Fund Balance</b>	<b>\$ 14,844,762</b>	<b>\$ 19,050,207</b>	<b>\$ 23,412,838</b>	<b>\$ 31,703,365</b>	<b>\$ 46,528,938</b>
33						
34	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 36,263,290</b>	<b>\$ 39,952,844</b>	<b>\$ 43,541,268</b>	<b>\$ 50,938,531</b>	<b>\$ 67,927,795</b>

# Exhibit 2: Revenues, Expenditures, & Change in Fund Balance

## General Fund



	Base	1	2	3	4	5	
1 General Fund	2017	2018	2019	2020	2021	2022 Draft	5-Year CAGR
2 Revenues							
3 General Property Taxes	\$ 33,735,254	\$ 33,025,417	\$ 35,568,665	\$ 34,396,701	\$ 36,695,007	\$ 41,888,326	4.4%
4 Other Local Taxes	13,486,416	14,573,067	14,964,565	14,276,165	14,942,697	16,918,741	4.6%
5 Permits/Privilege Fees/Regulatory Licenses	514,189	272,177	364,217	346,167	619,222	707,371	6.6%
6 Fines/Forfeitures	765,982	774,641	826,862	643,894	525,460	281,119	-18.2%
7 Revenues-Use of Money/Property	133,102	902,049	45,720	406,397	(263,430)	(20,760)	-169.0%
8 Charges for Services	3,610,716	3,392,000	2,952,197	2,500,667	2,703,811	4,000,996	2.1%
9 Miscellaneous	321,341	1,416,069	652,768	1,128,671	1,095,783	256,324	-4.4%
10 Recovered Costs	866,150	318,246	303,854	262,251	157,838	106,048	-34.3%
11 Intergovernmental - Commonwealth	15,222,229	15,007,142	15,184,123	15,158,444	15,166,145	14,792,145	-0.6%
12 Intergovernmental - Federal	4,414,465	4,552,864	5,200,750	4,840,785	4,632,540	6,656,698	8.6%
13 Total Revenues	\$ 73,069,844	\$ 74,233,672	\$ 76,063,721	\$ 73,960,142	\$ 76,275,073	\$ 85,587,008	3.2%
14							
15 Expenditures							
16 General	\$ 6,895,282	\$ 8,231,951	\$ 7,598,433	\$ 8,505,637	\$ 7,507,691	\$ 7,707,340	2.3%
17 Judicial	1,972,605	3,639,750	3,793,717	3,628,426	3,721,333	3,763,652	13.8%
18 Public Safety	17,745,235	22,681,267	22,724,474	21,603,996	21,083,684	21,422,556	3.8%
19 Public Works	3,875,562	4,421,210	4,718,981	4,596,979	5,289,266	5,445,863	7.0%
20 Health and welfare	12,405,235	13,828,208	14,068,704	14,473,444	13,343,701	12,581,335	0.3%
21 Education	8,254,730	8,656,447	9,190,686	8,898,561	7,458,660	10,004,945	3.9%
22 Parks/Recreation/Cultural	1,400,330	1,962,303	1,916,025	1,859,623	1,574,889	1,679,566	3.7%
23 Community Development	4,861,404	746,828	538,714	654,987	790,753	603,362	-34.1%
24 Non-Departmental	2,660,937	1,056,598	845,624	234,946	984,043	2,360,526	-2.4%
25 Debt Service	5,789,805	3,094,502	5,452,225	3,604,913	4,669,051	2,898,927	-12.9%
26 Total Expenditures	\$ 65,861,125	\$ 68,319,064	\$ 70,847,583	\$ 68,061,512	\$ 66,423,071	\$ 68,468,072	0.8%
27							
28 Revenues Over (Under) Expenditures	\$ 7,208,719	\$ 5,914,608	\$ 5,216,138	\$ 5,898,630	\$ 9,852,002	\$ 17,118,936	
29							
30 Other Sources (Uses)							
31 Transfers In	\$ -	\$ 38,024	\$ -	\$ 38,139	\$ -	\$ -	
32 Transfers Out	-	(1,469,713)	(1,413,355)	(1,574,138)	(1,561,475)	(2,293,363)	
33 Net Proceeds from Capital Leases / Debt	-	-	-	-	-	-	
34 Subtotal Other Sources (Uses)	\$ -	\$ (1,431,689)	\$ (1,413,355)	\$ (1,535,999)	\$ (1,561,475)	\$ (2,293,363)	
35 Change in Fund Balance	7,208,719	4,482,919	3,802,783	4,362,631	8,290,527	14,825,573	
36 Fund Balance- Beginning, as restated <sup>(2)</sup>	1,530,495	10,361,843	15,247,424	19,050,207	23,412,838	31,703,365	
37 Fund Balance - Ending	\$ 8,739,214	\$ 14,844,762	\$ 19,050,207	\$ 23,412,838	\$ 31,703,365	\$ 46,528,938	

(1) Debt Service in 2018 through 2020 includes bond issuance costs.

(2) Beginning Fund Balance for FY 2018 and 2019 was restated.



# Exhibit 3: FY 2022 Budget vs. Actual

## General Fund

1	General Fund	Final Budget	Actual	Variance
2	<b>Revenues</b>			
3	General Property Taxes	\$ 34,457,439	\$ 41,888,326	\$ 7,430,887
4	Other Local Taxes	13,554,136	16,918,741	3,364,605
5	Permits/Privilege Fees/Regulatory Licenses	364,890	707,371	342,481
6	Fines/Forfeitures	580,079	281,119	(298,960)
7	Revenues-Use of Money/Property	297,500	(20,760)	(318,260)
8	Charges for Services	3,084,544	4,000,996	916,452
9	Miscellaneous	923,500	256,324	(667,176)
10	Recovered Costs	122,000	106,048	(15,952)
11	Intergovernmental - Commonwealth	16,407,867	14,792,145	(1,615,722)
12	Intergovernmental - Federal	5,003,944	6,656,698	1,652,754
13	<b>Total Revenues</b>	<b>\$ 74,795,899</b>	<b>\$ 85,587,008</b>	<b>\$ 10,791,109</b>
14				
15	<b>Expenditures</b>			
16	General	\$ 7,669,979	\$ 7,707,340	\$ 37,361
17	Judicial	4,360,991	3,763,652	(597,339)
18	Public Safety	22,464,440	21,422,556	(1,041,884)
19	Public Works	4,740,125	5,445,863	705,738
20	Health and welfare	16,220,832	12,581,335	(3,639,497)
21	Education	10,006,608	10,004,945	(1,663)
22	Parks/Recreation/Cultural	1,782,644	1,679,566	(103,078)
23	Community Development	880,366	603,362	(277,004)
24	Non-Departmental	1,827,215	2,360,526	533,311
25	Debt Service	3,127,269	2,898,927	(228,342)
26	<b>Total Expenditures</b>	<b>\$ 73,080,469</b>	<b>\$ 68,468,072</b>	<b>\$ (4,612,397)</b>
27				
28	<b>Revenues Over (Under) Expenditures</b>	<b>\$ 1,715,430</b>	<b>\$ 17,118,936</b>	<b>\$ 15,403,506</b>
29				
30	<b>Other Sources (Uses)</b>			
31	Transfers In	\$ -	\$ -	\$ -
32	Transfers Out	(1,715,430)	(2,293,363)	(577,933)
33	Net Proceeds from Capital Leases / Debt	-	-	-
34	<b>Subtotal Other Sources (Uses)</b>	<b>\$ (1,715,430)</b>	<b>\$ (2,293,363)</b>	<b>\$ (577,933)</b>
35	<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 14,825,573</b>	<b>\$ 14,825,573</b>



# Exhibit 4: FY 2022 and FY 2023 Budget Comparison

## General Fund

	Adopted	Adopted	
	2022	2023	FY 2022 to 2023
1 <b>General Fund</b>			
2 <b>Revenues</b>			
3 General Property Taxes	34,457,439	36,957,828	7.3%
4 Other Local Taxes	13,554,136	13,577,400	0.2%
5 Permits, Fees & Licenses	364,890	302,840	-17.0%
6 Fines & Forfeitures	687,079	405,000	-41.1%
7 Revenue from Use of Money/Property	97,500	110,000	12.8%
8 Charges for Services	3,021,664	2,625,008	-13.1%
9 Miscellaneous Revenues	970,880	914,880	-5.8%
10 Recovered Costs	30,500	40,500	32.8%
11 Non-Revenue Receipts	200,000	200,000	0.0%
12 Intergovernmental - State	16,336,591	14,023,284	-14.2%
13 Intergovernmental - Federal	5,003,944	4,700,000	-6.1%
14 <b>Total Revenues</b>	<b>74,724,623</b>	<b>73,856,740</b>	-1.2%
15			
16 <b>Expenditures:</b>			
17 General	7,161,605	6,380,474	-10.9%
18 Constitutional Offices	5,005,969	5,287,980	5.6%
19 Public Safety	17,334,337	17,785,504	2.6%
20 Courts & Other Public Safety	282,389	273,360	-3.2%
21 Public Works	4,703,595	5,536,145	17.7%
22 Social Services	14,653,957	14,596,193	-0.4%
23 Leisure & Community Affairs	1,724,141	1,977,763	14.7%
24 Development Services	1,840,161	2,427,008	31.9%
25 Schools	10,000,000	10,000,000	0.0%
26 Debt Service	3,127,269	3,127,269	0.0%
27 Transfers - Debt Service	279,479	376,378	34.7%
28 Transfers - Other	2,185,951	2,185,951	0.0%
29 Non-Departmental	6,425,769	3,902,716	-39.3%
30 <b>Total Expenditures</b>	<b>74,724,622</b>	<b>73,856,741</b>	-1.2%
31			
32 <b>Revenues Over (Under) Expenditures</b>	<b>1</b>	<b>(1)</b>	



Richmond — Headquarters

One James Center  
901 East Cary Street,  
Suite 1100,  
Richmond, Virginia 23219

Telephone:  
(804) 780-2000

Toll-Free:  
(800) 846-6666

E-Mail:  
info@investdavenport.com

David Rose

Manager of Public Finance  
Senior Vice President

(804) 697-2905  
drose@investdavenport.com

Roland Kooch

Senior Vice President

(804) 697-2906  
rkooch@investdavenport.com

Ben Wilson

Associate Vice President

(804) 697-2920  
bwilson@investdavenport.com

# Disclaimer



The U.S. Securities and Exchange Commission (the “SEC”) has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC (“Davenport”) has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons,

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author’s and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 01.01.23 | BW | RK | DR |

**RESOLUTION TO ACCEPT PROPOSED REVISIONS TO  
CITY OF PETERSBURG'S FINANCIAL POLICY GUIDELINES**

WHEREAS, the City has adopted Financial Policy Guidelines to serve as the cornerstone of its efforts to ensure sound financial management of the City's funds; and

WHEREAS, the City has employed and relies upon its Financial Advisor, Davenport & Company, LLC (hereinafter "Davenport") with respect to its recommendations concerning financial management practices for the City of Petersburg; and

WHEREAS, Davenport has recommended that the City adopt certain revisions to its Financial Policy Guidelines as expressly included in the July 5, 2023 Special City Council Meeting Agenda under item 2(a) which is hereby incorporated by reference; and

WHEREAS, it is the belief of Council that these revisions will serve the best financial interests of the City.

NOW therefore be it RESOLVED, that City Council does hereby accept the revisions to the City's Financial Policy Guidelines and directs the City Manager to take all necessary actions in furtherance of the implementation of said revisions.





# City of Petersburg

## Ordinance, Resolution, and Agenda Request

**DATE:** July 5, 2023  
**TO:** The Honorable Mayor and Members of City Council  
**THROUGH:** March Altman, Jr., City Manager  
**FROM:** March Altman, Jr.  
**RE:** **Presentation and/or consideration of the Courthouse Project Plan of Finance**

---

**PURPOSE:** To present to city council for consideration of a plan of finance for the new courthouse.

**REASON:** See attached presentation.

**RECOMMENDATION:** To approve the plan of finance as presented.

**BACKGROUND:** See attached presentation.

**COST TO CITY:** N/A

**BUDGETED ITEM:** N/A

**REVENUE TO CITY:** N/A

**CITY COUNCIL HEARING DATE:** 7/5/2023

**CONSIDERATION BY OTHER GOVERNMENT ENTITIES:** N/A

**AFFECTED AGENCIES:** N/A

**RELATIONSHIP TO EXISTING ORDINANCE OR RESOLUTION:** N/A

**REQUIRED CHANGES TO WORK PROGRAMS:** N/A

**ATTACHMENTS:**

1. Petersburg, VA Courthouse Project Plan of Finance FINAL 06.27.23
2. RESOLUTION courthouse financing

# Courthouse Project Plan of Finance

City of Petersburg

July 5, 2023





- As Financial Advisor to the City of Petersburg (the “City”), Davenport & Company LLC (“Davenport”) presented a General Fund Financial Review to City Council in February 2023.
  
- As a part of the General Fund Financial Review, Davenport analyzed the effect of the City’s upcoming major capital projects on the General Fund. These projects included:
  - A mandated Courthouse Project; and
  - A School Project.
  
- While the School Project is still early in development, the Courthouse Project is expected to begin the design process this summer, with construction beginning in the second half of CY 2024.
  - As such, this presentation outlines the Plan of Finance for the Courthouse Project.

# Courthouse Project Plan of Finance



- Though interest rates have risen over the past 12-18 months, the cost of borrowing is still near all-time historical lows.
- To take advantage of the current interest rate environment, Davenport recommends that the City move forward with a two-phase Plan of Finance for funding the Courthouse Project:

## Phase 1

Issue bonds in late Summer 2023 (the “2023 Bonds”) for up to \$30 Million of the total project cost to fund architectural and engineering expenses.

- Takes advantage of improved fiscal health, increased fund balances, enhanced financial policies, and upwardly trending credit ratings.
- Locks in cost of funding on approximately two thirds (2/3) of the Project.
- The City could invest the project funds at or near the cost of borrowing to generate interest earnings that could be used toward debt service and/or project costs.

## Phase 2

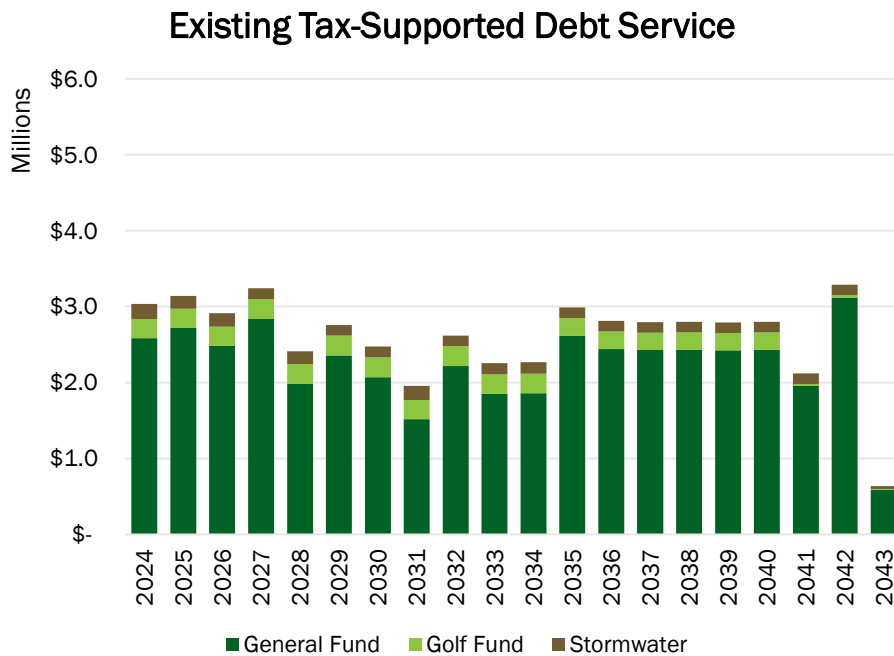
Issue bonds to fund the remaining balance of the Courthouse Project (the “Completion Funding”) once the final project cost is known (anticipated to occur in the second half of CY 2024).

*The existing General Fund Budget(s) already includes capacity to pay the debt service on these obligations.*



# Existing Tax-Supported Debt

- Approximately \$38.9 Million of existing Tax-Supported Debt is outstanding as of 6/30/2023.



Note: the City's debt service structure is not level due to the recent simplification/shift from quarterly payments to semi-annual payments.

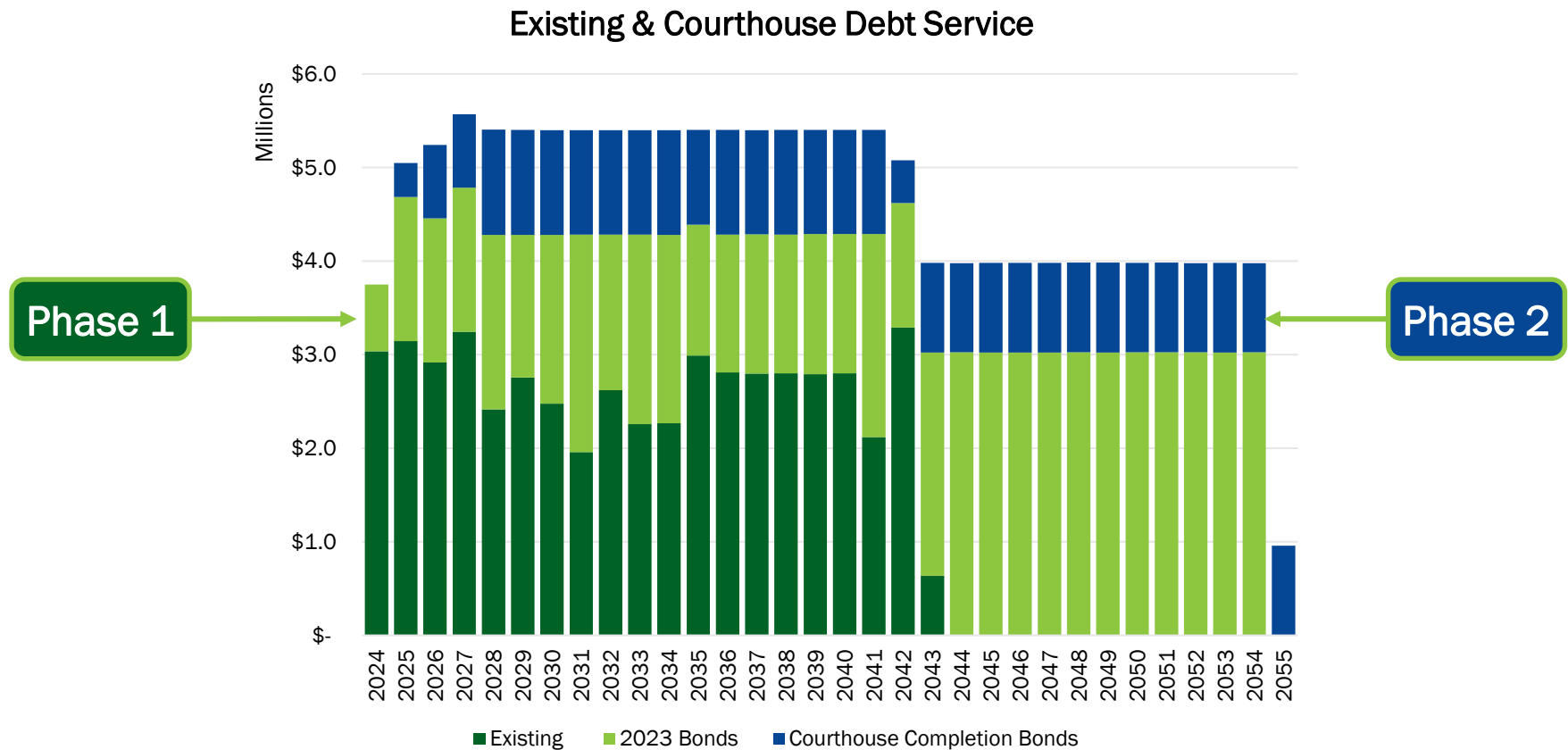
## Tax-Supported Debt Service

Fiscal Year	General Fund	Golf Fund	Stormwater	Total Debt Service
2024	2,582,967	254,781	197,135	3,034,883
2025	2,718,849	254,834	169,561	3,143,245
2026	2,483,543	254,286	176,984	2,914,814
2027	2,837,639	259,725	144,752	3,242,116
2028	1,987,145	254,954	170,586	2,412,686
2029	2,356,328	262,921	136,706	2,755,955
2030	2,069,525	260,458	145,943	2,475,925
2031	1,515,067	255,920	186,404	1,957,391
2032	2,218,618	262,141	137,999	2,618,758
2033	1,848,897	258,738	146,909	2,254,545
2034	1,857,046	260,411	148,608	2,266,066
2035	2,619,558	232,507	137,752	2,989,817
2036	2,440,157	231,382	138,772	2,810,312
2037	2,428,861	228,651	139,245	2,796,757
2038	2,431,783	229,668	138,922	2,800,373
2039	2,423,102	229,229	138,458	2,790,789
2040	2,431,523	230,776	137,914	2,800,212
2041	1,961,948	19,160	137,364	2,118,472
2042	3,118,778	31,797	136,458	3,287,032
2043	590,431	5,069	39,155	634,655
<b>Total</b>	<b>\$ 44,921,767</b>	<b>\$ 4,277,409</b>	<b>\$ 2,905,628</b>	<b>\$ 52,104,804</b>

# Estimated Courthouse Project Debt Service



- The chart below reflects the City's existing Tax-Supported debt service with the Courthouse Project debt service layered on top.

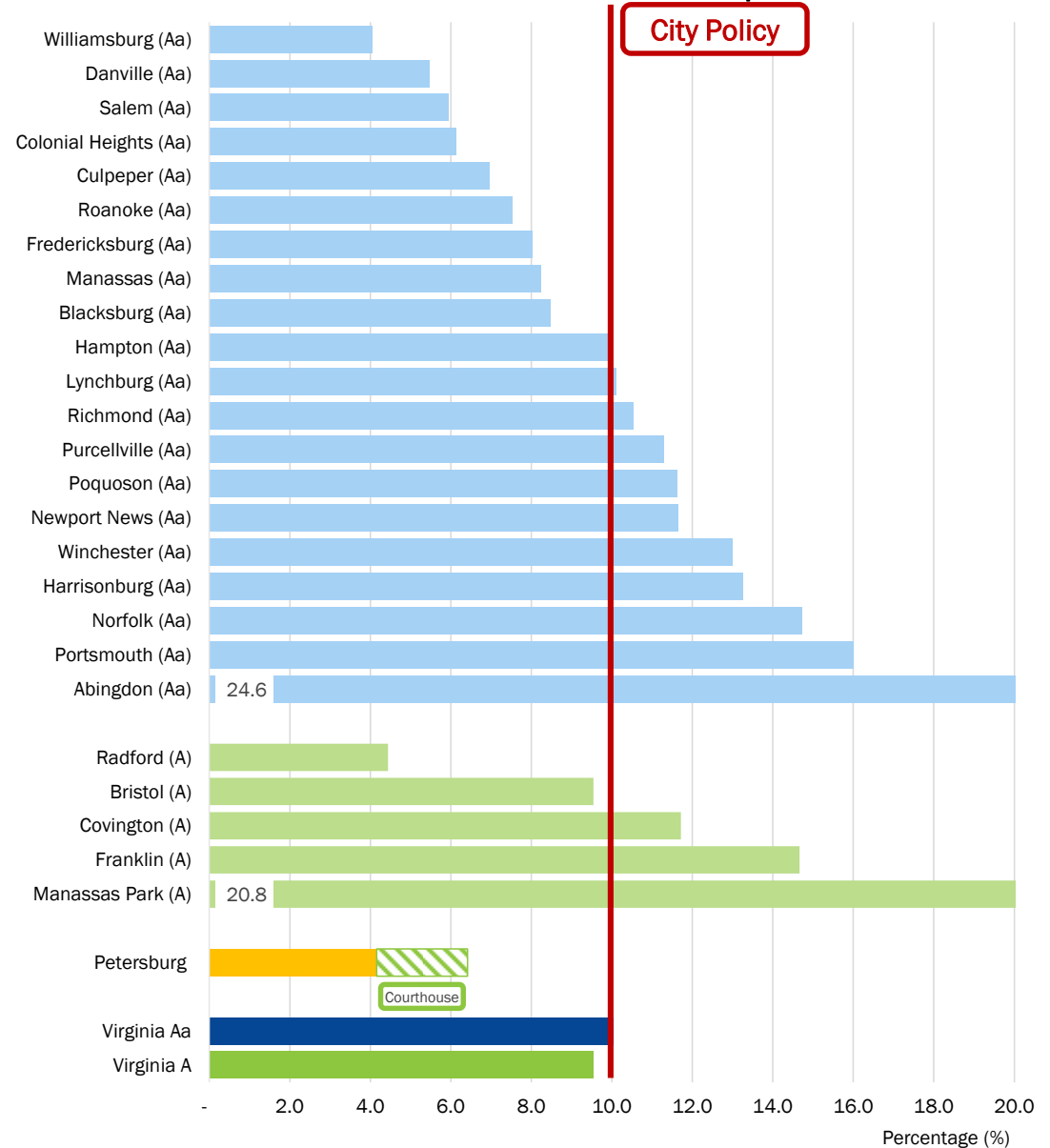


# Debt Ratio Impact | Debt Service vs. Expenditures



- After both Courthouse Project issuances, the new level of debt service would be approximately \$5.4 Million (or 6.4% of budgeted General Fund Expenditures).
- The City would still have the necessary capacity to fund the remaining balance of the Courthouse Project and the School Project.

Debt Service as a % of General Fund Expenditures<sup>(1)</sup>



(1) Figures for Petersburg as of FY 2023 Budget. Figures for peers as of FY 2021 Budget, including the Debt Service Fund, where applicable.

# 2023 Bonds Timeline



Date	Task
July 5	Present Plan of Finance to City Council. Schedule a Public Hearing for the July 26 Meeting.
July 24	Meetings with Rating Agencies.
July 26	Public Hearing held and authorizing resolution considered for the issuance of the 2023 Bonds.
Late August	Pricing for the 2023 Bonds (interest rates locked in).
Mid-September	Closing Date for the 2023 Bonds.



# Disclaimer



The U.S. Securities and Exchange Commission (the “SEC”) has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC (“Davenport”) has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons,

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author’s and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein.

This material may not be sold or redistributed without the prior written consent of Davenport. 01.01.23 | BW | RK | DR |



**RESOLUTION TO ACCEPT PROPOSED PLAN  
FOR FINANCING THE COURTHOUSE PROJECT**

WHEREAS, the City has employed and relies upon its Financial Advisor, Davenport & Company, LLC (hereinafter “Davenport”) with respect to its recommendations concerning financial management practices for the City of Petersburg; and

WHEREAS, as a part of the General Fund Financial Review, Davenport analyzed the effect of the City’s upcoming major capital projects on the General Fund including the mandated Courthouse Project; and

WHEREAS, Davenport and City Staff made a presentation to City Council at the Special Meeting on July 5, 2023 which included a proposed Plan for Financing the Courthouse Project as Agenda Item 2(g) which is hereby adopted and incorporated by reference; and

WHEREAS, it is the belief of Council that these this proposed plan is in furtherance of the City’s best financial interests.

NOW therefore be it RESOLVED, that City Council does hereby accept the Proposed Plan for Financing the Courthouse Project and directs the City Manager to take all necessary actions in furtherance of the implementation of said plan.