



Adopted Operating and Capital Budget FY 2010

Financial Policies

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**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
FINANCIAL MANAGEMENT POLICIES**

Section 2-2 Financial Management Policy (Adopted 3/11/97 by Resolution 97-19)

Policy I
Fund Balance

- 1.01 The City of Fredericksburg’s Undesignated General Fund Balance will be maintained to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.
- 1.02 The Undesignated General Fund Balance should not be used to support recurring operating expenditures outside of the current budget year. If a budget variance requires the use of Undesignated General Fund Balance the City will increase its General Fund revenues and/or decrease its expenditures to prevent using the Undesignated General Fund Balance two consecutive fiscal years in a row to subsidize General Fund operations.

The Undesignated General Fund Balance will be provided as follows:

- 1.03 The Undesignated General Fund Balance goal will be twelve percent (12%), but not less than seven percent (7%), of the actual General Fund revenues for the preceding fiscal year. These funds can only be appropriated by a resolution of the City Council.
- 1.04 In the event the Undesignated General Fund Balance is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Undesignated General Fund Balance to seven percent (7%) of the actual General Fund revenues for the preceding year within two fiscal years following the fiscal year in which the event occurred. To the extent additional funds are necessary to restore the Undesignated General Fund Balance to twelve percent (12%) of the actual General Fund revenues for the preceding fiscal year, such funds will be accumulated in no more than five approximately equal contributions each fiscal year. This will provide for full recovery of the targeted fund balance amount within five years following the fiscal year in which the event occurred.
- 1.05 In the event that the Undesignated General Balance exceeds the twelve percent (12%) target described in 1.03 above, or available revenues exceed the annual deposits required in 1.04 above, then City Council may consider appropriating such funds for “pay as you go” capital outlay expenditures, other non-recurring expenditures, or supplemental reserves as deemed necessary by City Council.

Policy II
Fiscal Planning

- 2.01 The City Manager shall submit to the City Council a proposed annual budget, with his recommendations, and shall execute the budget as finally adopted, pursuant to the requirements of Title 15.1 of the Code of Virginia, as amended.
- 2.02 The City Manager will budget revenues and expenditures on the basis of a fiscal year which begins July 1 and ends on the following June 30.
- 2.03 The City Manager shall provide annually a Budget Preparation Schedule outlining the preparation timelines for the proposed budget.
- 2.04 Budget packages for the preparation of the budget, including forms and instructions, shall be distributed to City departments to complete. Department officials shall prepare and return their budget proposals to the office of the Assistant City Manager.
- 2.05 The proposed budget will contain the following:
- A) Revenue estimates by major category;
 - B) Expenditure estimates by program levels and major expenditure categories;
 - C) Debt service summarized by issues detailing principal and interest amounts by fund.
- 2.06 The proposed budget will also contain information regarding:
- A) Proposed personnel staffing levels;
 - B) A detailed schedule of capital projects;
 - C) Any additional information, data, or analysis requested of management by the City Council.
- 2.07 The proposed budget will be balanced.
- 2.08 The City Council will adopt the budget no later than June 30.
- 2.09 A monthly report on the status of the general fund budget will be prepared by the Fiscal Affairs Department and presented to the City Council within 15 days of the end of each month.
- 2.10 Budgeting procedures will attempt to identify distinct functions and activities and to allocate budget resources to perform these functions and activities as required.

- 2.11 Alternatives for improving the efficiency and effectiveness of the City's programs and the productivity of its employees will be considered during the budget process.
- 2.12 Duplication of services and inefficiency in delivery should be eliminated wherever they are identified. The City will continue to examine alternative service delivery options for all City functions.
- 2.13 Performance measurement and productivity indicators will be integrated into the budget process as appropriate.
- 2.14 For multi-year projects, the appropriated by as yet unencumbered and encumbered balances will be considered for re-appropriation in the subsequent fiscal year in a resolution amending the adopting budget.
- 2.15 The City will fund current expenditures with current revenues and other recurring funding sources.
- 2.16 If a deficit is projected during any fiscal year, the City will take steps to reduce expenditures, increase revenues, or consider using the Undesignated General Fund Balance in accordance with Policy I, to the extent necessary to ensure a balanced budget at the close of the fiscal year.
- 2.17 The City will annually appropriate a Contingency Budget to provide for increases in service delivery costs and unanticipated needs that may arise throughout the fiscal year.
- 2.18 The City will follow the bid policy pursuant to the requirements of Chapter 2, Article XII of the City Code.

Policy III
Revenues and Collections

- 3.01 The City's goal is a diversified revenue system balanced between real estate, personal property, sales taxes and other revenue sources.
- 3.02 The City will monitor all taxes to insure they are equitably administered and collections are timely and accurate. Fees and charges should be based on benefits and/or privileges granted by the City, or based on costs of a particular service.
- 3.03 Periodically, the City will recalculate the full costs of activities supported by user fees to identify the impact of inflation and other attendant costs. It is recognized that, on occasion, competing policy objectives may result in user fee levels that recover only a portion of service costs.

- 3.04 The City will assess all real property annually as of July 1, and assess all personal property annually on January 1. Real property assessments shall be based on market value and follow standards established by the International Association of Assessing Officers. Personal property assessments shall be based on the average trade-in value as supplied by a nationally recognized organization, or a percentage of original cost that reasonably estimates market value.
- 3.05 The City will provide, as appropriate, funding or tax exemptions to churches, governmental entities and other eligible organizations pursuant to the state and local guidelines. The City will process all requests for tax exemption status pursuant to the appropriate statute cited in the Code of Virginia.

Policy IV

Capital Improvement Program and Fixed Assets

- 4.01 The City Manager will annually submit a Capital Improvement Program for review by the City Council pursuant to the time line established in the annual Budget Preparation Schedule. Submission of the Capital Improvement Plan shall be consistent with the requirements of title 15.1 of the Code of Virginia.
- A) An implementation program for each of the capital improvements.
 - B) A statement of the objectives of the Capital Improvement Program and the relationship with the comprehensive plan.
 - C) An estimate of the cost of and the anticipated sources of revenue for financing the Capital Improvement Program and an estimate of the impact of each capital improvement on City revenues and future operating expenses.
 - D) An estimated debt service schedule for any debt anticipated as a source of funds for the Capital Improvement Program.
- 4.02 The City will maintain a schedule of fixed assets in its fixed asset accounting system.
- 4.03 Upon completion of any capital project, remaining appropriated funds in that project will be returned to the undesignated capital project fund balance.

Policy V
Debt Management

- 5.01 The City will not use long-term debt to fund current operations and will continue to emphasize “ pay as you go” capital financing, where practical.
- 5.02 The City will not use tax anticipation notes (TRANs) to fund current operations.
- 5.03 The City does not intend to issue bond anticipation notes (BANs) for a period longer than three years.
- 5.04 The issuance of variable rate debt by the City will be subject to careful review and will be issued only in a prudent and fiscally responsible manner.
- 5.05 Whenever the City finds it necessary to issue bonds, the following policy will be adhered to:
 - A) General Fund supported debt will not exceed 4.8% of the assessed valuation of real property in the City.
 - B) The term of any bond issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.
- 5.06 The City shall comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness.
- 5.07 The City shall comply with all requirements of Title 15.1 of the Code of Virginia and other legal requirements regarding the issuance of bonds and certificates of the City or its debt issuing authorities.

Policy VI
Cash Management

- 6.01 The City shall invest all funds of the City according to four criteria, in order of their importance: (1) legality, (2) safety, (3) liquidity, (4) yield.
- 6.02 The City will collect, deposit and disburse all funds on a schedule which insures optimum cash availability.
- 6.03 All City bank accounts shall be reconciled on a timely basis.
- 6.04 The City will optimize the amount of funds available for investment by rapid collection of money owed to the City. Cash invested shall, at a minimum, equal 100% of total bank cash balances.

- 6.05 The City will conduct its treasury activities with financial institution(s) based upon written contracts.

Policy VII

Personnel

- 7.01 At no time shall the number of permanent full-time employees on the payroll exceed the number of positions authorized by the City Council. All Personnel actions shall be in strict conformance with applicable federal and state law and all City ordinances and policies.
- 7.02 The City Manager may institute a cessation during the fiscal year on hirings, promotions, and transfers for the purpose of expenditure control. Such action will not be used arbitrarily and without knowledge and support of the City Council and will allow for exceptions in appropriate areas to comply with emergency needs such as a loss or decline in a major revenue source or natural disaster.

Policy VIII

Accounting, Auditing and Financial Reporting

- 8.01 The City will comply with generally accepted accounting principles (GAAP) in its accounting and financial reporting, as contained in the following publications:
- A.) Codification of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standard Board (GASB)
 - B.) Pronouncements of the Financial Accounting Standards Board, (FASB)
 - C.) Governmental Accounting, Auditing, and Financial Reporting (GAAFR), issued by the Government Finance Officers Association (GFOA) of the United States and Canada.
 - D.) Uniform Financial Reporting Manual for Virginia Counties, prepared by the Commonwealth of Virginia Auditor of Public Accounts (APA).
 - E.) Audits of State and Local Governmental Units, an industry audit guide published by the American Institute of Certified Public Accounts (AICPA).
 - F.) Government Accounting Standards, issued by the Controller General of the United States.
- 8.02 Monthly financial reports will be issued to all agency administrators summarizing financial activity comparing actual revenues and expenditures with budgeted amounts.

- 8.03 A comprehensive financial audit including an audit of federal grants according to the Single Audit Act of 1984 will be performed annually by an independent public accounting firm. The independent public accounting firm will express an opinion on the City's Financial Statements.
- 8.04 The comprehensive annual financial report will be issued by November 30 of each year for the preceding fiscal year to the Commonwealth of Virginia Auditor of Public Accounts and to the City Council by December 5 or as required by the Code of Virginia.
- 8.05 The City will prepare its comprehensive annual financial report in compliance with the principles and guidelines established by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.
- 8.06 Full disclosure will be provided in the City's annual financial and budget reports and bond documents.
- 8.07 The City will provide annual disclosure to the rating agencies and national bond disclosure libraries regarding City audited financial matter.

Policy IX
Risk Management

- 9.01 The City shall make diligent efforts to avoid or prevent loss of City assets and to reduce the City's exposure to liability through training, safety, risk financing and the transfer of risk when cost effective.
- 9.02 City shall transfer where cost effective by purchasing insurance and requiring others (contractors, etc.) to carry insurance.
- 9.03 The City shall manage risk exposure and purchase traditional insurance in the following areas: general liability, automobile liability, public officials' errors and omissions, police professional liability, property loss and worker's compensation.

Policy X
Expenditure Control

- 10.01 Expenditures will be controlled by an annual budget at the departmental level. The City Council may amend appropriations as necessary.
- 10.02 All purchases shall be made in accordance with the City's purchasing policies and procedures and applicable state and federal laws. The City shall endeavor to obtain supplies, equipment and services as economically as possible.

10.03 The City will maintain a purchasing system which provides needed materials in a timely manner to avoid interruptions in the delivery of services.

10.04 The City shall pay all invoices within thirty (30) days of receipt in accordance with the prompt payment requirements of the Code of Virginia.

Policy XI

Economic Development and Tourism

11.01 While constantly striving to enhance its appeal as a heritage tourism destination, the City shall continue to expand and diversify its economic base by attracting industrial and commercial enterprises to the City. Special emphasis should be given to industrial and commercial enterprises that will employ the local labor force. Such businesses and industries will be in accordance with the plans and ordinances of the City.

11.02 The City will endeavor to develop a network of public facilities which link planned industrial and commercial areas with its growing residential areas.

Policy XII

Policy Review

12.01 The City Council will review and affirm by resolution the financial policies contained in this document a minimum of once every two years after review with its staff.

12.02 The City Manager shall provide the City Council a written status report concerning the City of Fredericksburg's compliance with the twelve financial policy categories on an annual basis concurrent with the delivery of the comprehensive annual financial report.