CITY OF PETERSBURG, VA

FINANCIAL POLICY GUIDELINES

Amended July 5, 2023

City of Petersburg, VA

Contents

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.

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, 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.

Process

- The City Manager must annually prepare and present a Proposed Budget for City Council review no later than April 1st. 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:
    - Mayor;
    - City Manager;
    - Chief Financial Officer;
    - Commissioner of the Revenue;
    - Treasurer; and
    - City's Financial Advisor Representative

- Its specific duties shall include, but not be limited to:
    - Monthly tracking of revenues and expenditures versus Budget and Prior Year (i.e. year-over-year trends).
    - 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).
    - Compliance with the Financial Policy Guidelines.
    - Consideration and recommendations concerning candidates for financial management positions.
    - 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.

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3. CAPITAL IMPROVEMENT POLICIES

During the budget process each year. the City will develop a five-year Capital Improvement Plan which will serve as the basis forplanning and prioritizing the City's capital improvement needs based on affordability and compliance with Debt and Reserve Policies. The Capital Improvement Plan will only includeprojects 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 issubmitted 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.
5. 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.
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.
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.
8. The City will attempt to determine the least costly and most flexible financing method for all new projects.
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.

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 the Assessed 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 Budgeted General Fund Expenditures and School Operating Fund Expenditures less the 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.
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.
8. Where feasible, the City will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
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 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 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 suchremaining operating surplus to further accelerate the build- up of the Unassigned Fund Balance.

   City Council recognizes that if amounts above the 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 levels may be beneficial to the overall wellbeing of the City. Should any amounts above the 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 minimum policy 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.

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 balanceavailable will be used first. Unassigned fund balance will be used last.

5. Accounting for Encumbrances: Amounts set aside for encumbered purchase orders may be either restricted, committed or assigned fund balance dependingupon 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.

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 levels, City Council must approve and adopt a plan to restore amounts used within 24 months. If restoration of the 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. 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 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.

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.

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.