Legislative References

Relevant Budget Legislative References

State Code

Sec. 58.785.1: Requires that the local tax rate must be adopted by June 30, but after April 15.

City Charter

General Provisions

Sec. 3.04 (b): The City Council shall have the power to adopt the budget of the City.

Sec. 4.02 (c): The City Manager shall have the power and shall be required to prepare and submit the annual budget to the City Council as provided in the Charter, and shall be responsible for its administration.

Sec. 5.05 : Work programs, allotments. Before the beginning of the budget year, the head of each office, department or agency shall submit to the Director of Finance, at such time as may be set by him, a work program for the year, which program shall show the requested allotments of the appropriations for such office, department or agency, for such periods as may be designated by the City Manager, for the entire budget year. The City Manager shall review the requested allotments and may revise, alter or change such allotments Before approving the same. The aggregate of such allotments shall not exceed the total appropriation available to said office, department or agency for the budget year.

Sec. 5.06: Allotments constitute basis of expenditures and are subject to revision. The Director of Finance shall Authorize all expenditures for the offices, departments and agencies to be made from appropriations on the basis An approved allotments and not otherwise. An approved allotment may be revised during the budget year in the same manner as the original allotment was made. If, at any time during the budget year, the City Manager shall ascertain that the available income, plus balances, for the year will be less that the total appropriations, he shall Reconsider the work programs and allotments of the several offices, departments and agencies and revise the allotments so as to prevent the making of expenditures in excess of the said income.

Sec. 5.07: Transfer of appropriations. The City Manager may at any time transfer any unencumbered appropriation balance or portion thereof within the accounts of an office, department or agency. The Council when advised of The details by the City Manager may be duly docketed resolution transfer any unencumbered appropriation balance or portion thereof form one office, department or agency to another. (Acts 1968, ch. 510, Sec. 1)

Sec. 6.03: Each department head, the judges of the courts, each board or commission, and any other office or agency supported by the City, is required to file with the City Manager, at the prescribed time, all estimates of revenue and expenditure for the ensuing fiscal year. Such estimates shall be submitted on forms furnished by the finance director and all information required by the City Manager is to be submitted thereon. The City Manager shall hold staff hearings to review and revise these estimates as (s)he may deem advisable.

Sec. 6.05: In no event shall the expenditures recommended by the City Manager in the general budget exceed the receipts estimated, taking into account the estimated cash surplus or deficit at the end of the current fiscal year, unless property assessments have been raised or unless the City Manager shall recommend an increase in the rate of ad valorem taxes on real estate and tangible personal property or other new or increased taxes, licenses or other sources. Receipts from increased taxes, licenses or other sources shall be estimated on the basis of the average rate of increased collections during the preceding two fiscal years except in instances in which the City Manager submits, as a part of the budget, a written statement explaining any estimate that is made on some other basis. Receipts from new taxes, licenses or other sources shall be estimated on information available for other cities, the State of Virginia or other states, the federal government or other appropriate sources. If estimated receipts exceed estimated expenditures, the City Manager may recommend revisions in the tax, license or other ordinances of the City in order to bring the general fund budget into balance.

Sec. 6.08: The budget and budget message and all supporting schedules shall be a public record in the office of the City Manager, open to public inspection after the budget has been submitted to the Council and made public by it; provided, however, that no department or agency head, judge or board or commission, manager or director of finance shall divulge details of the proposed budget estimates until the budget has been submitted to the Council and made public by it.

Sec 6.08.1: The school board shall, prior to the time work has begun on the school budget, hold a public informational hearing to receive suggestions from the public concerning the school budget. The school board shall also hold a public hearing on its proposed budget prior to submitting it to the City Manager. The school board shall cause a notice of the time and place of each public hearing to be published in a newspaper of general circulation in the City at least seven days prior to the hearing. The school board shall also cause copies of the proposed budget to be available to the public at least seven days prior to the public hearing on the proposed budget. The school board may submit to the City Manager as its proposed budget the same proposed budget considered at the public hearing or it may, subsequent to said public hearing, submit a revised proposed budget.

Responsibility of the City Manager for the Budget:

Sec. 6.02: The City Manager is required to submit a general budget, a capital budget and an explanatory budget message in the form and with the contents provided by the Charter.

Sec. 6.04: The general budget shall contain:

(a) An estimate of that portion of surplus cash remaining at the end of the fiscal year which is to be used in meeting expenditures in the general budget;

(b) An estimate of receipts from current ad valorem taxes on real estate and personal property, and from all other sources;

(c) A statement of debt service requirements;

(d) An estimate of cash deficit, if any, at the end of the current fiscal year, and an estimate of obligations required by the Charter to be budgeted for the ensuing year; and,

(e) An estimate of expenditures for all other purposes to be met in the coming fiscal year.

Sec. 6.05: In no event shall the expenditures recommended by the City Manager in the general budget exceed the receipts estimated, taking into account the estimated cash surplus or deficit at the end of the current fiscal year, unless property assessments have been raised or unless the City Manager shall recommend an increase in the rate of ad valorem taxes on real estate and tangible personal property or other new or increased taxes, licenses or other sources.

Sec. 6.06: The explanatory budget message shall contain an outline of the proposed financial policies of the City for the budget year and a description of the important features of the budget plan. Major policy changes are to be explained and reasons for salient changes in cost and revenue items from the previous year are to be indicated. A statement of pending capital projects and proposed new projects, with proposed financing plans, shall be included.

Sec. 6.07: At the same time that the City Manager submits a general budget (s)he may also submit a general appropriation ordinance and those additional tax ordinances as may be required to balance the Proposed budget.

Sec. 6.14: The capital budget is a budget of the proposed capital improvements projects for the ensuing fiscal year and for five years thereafter, with recommendations for financing the proposed improvements for the coming year.

Responsibility of the City Council for the Budget:

Sec. 6.09: At the meeting of the City Council at which the budget and budget message are submitted, the council shall determine the place and time (at least sixty days prior to the beginning of the budget year) of a public hearing on the budget, and shall publish a notice of said place and time, which shall not be less than seven days after the date of publication.

Sec. 6.10: All interested persons shall be given an opportunity to be heard at the public meeting for or against any of the estimates of any item of the budget.

Sec. 6.11: After the conclusion of the public hearing the City Council may insert new items of expenditure or may increase, decrease or strike out items of expenditure in the general fund budget, except that no items or expenditures for debt service or other provision of law shall be reduced or stricken out. The City Council shall adopt a balanced budget, or adopt measures for providing additional revenues in the case hat expenditures exceed revenues.

Sec. 6.12: The budget shall be adopted by the votes of at least a majority of Council not later than the 27th day of June. If the City Council has not taken final action on or before this date, the budget as submitted shall be deemed to have been finally adopted by the Council.

Sec. 6.13: An appropriation in addition to those contained in the general appropriation ordinance, except for the purpose of meeting a public emergency as provided for elsewhere in this charter, may be made by the Council, by not less than a majority affirmative vote of all members of Council, only if there is available in the general fund a sum unencumbered and unappropriated sufficient to meet such appropriation.

Sec. 6.14: The City Council shall hold at least one public hearing on the capital budget and shall take final action not later than twenty days after June 27, the date prescribed for the adoption of the general budget.

Sec. 6.15: The City Council may establish by ordinance a reserve fund for permanent public improvements and may appropriate thereto any portion of the general fund cash surplus not otherwise appropriated at the close of the fiscal year.

Ordinance 4291 - Adopted February 22, 2003,[1]
Establishing the Budget and Fiscal Affairs Advisory Committee

AN ORDINANCE to amend Chapter 4 (COMMITTEES, BOARDS AND COMMISSIONS), of Title 2 (GENERAL GOVERNMENT) of The Code of the City of Alexandria, Virginia, 1981, as amended, by adding thereto a new Article R (BUDGET AND FISCAL AFFAIRS ADVISORY COMMITTEE).

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Chapter 4 of Title 2 of The Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same is hereby, amended by adding thereto a new Article R to read as follows:

ARTICLE R

Budget and Fiscal Affairs Advisory Committee

Sec. 2-4-130 Creation, composition, organization and term.

(a) The Budget and Fiscal Affairs Advisory Committee initially established by Resolution No. 1464, is hereby established by ordinance and designated as a standing committee known as the Budget and Fiscal Affairs Advisory Committee.

(b) The members of the committee shall be appointed by the City Council as follows:

(1) seven members, one each of whom shall be designated by the mayor and members of city council;

(2) three members appointed at-large in accordance with the provisions of section 2-4-7 of this code;

(3) one member designated by the Alexandria School Board; and

(4) two members designated by the Alexandria Chamber of Commerce.

(c) The members designated by the mayor and members of city council, the school board, or the chamber of commerce shall serve at the pleasure of the mayor, member of council, school board or chamber of commerce designating such person, and any vacancies in such positions shall be filled in the same manner as the original appointment. Members appointed at large shall serve for a term of two years, and vacancies and reappointments shall be handled in the manner prescribed in section 2-4-7 of this code.

[1]The Budget and Fiscal Affairs Advisory Committee was established July 2, 1985, by Resolution 1129. Resolution 1464 amended Resolution 1129 by adding two representative of the Chamber of Commerce to the committee. Resolution 1129 has been replaced by Ordinance 4291 as a result of Council action on February 22, 2003.

(d) All members of the committee shall:

(1) by virtue of their education and employment in the public or private sector, have demonstrated competence in one or more of the following areas: accounting, financial analysis, budget and fiscal management, public finance, or urban economics;

(2) be residents of and residing in the City of Alexandria at the time of appointment and continue to do so during the term of their appointment. The provisions of section 2-4-7(d) notwithstanding, this provision may not be waived; and

(3) not be (i) a member of any other board or commission having one or more members appointed by the city council, or (ii) an employee of the city, the school board, the Alexandria Chamber of Commerce, or any agency of any such entity or organization.

(4) declare to the committee their position as an officer or director of any entity or organization, and abstain from discussing, participating or voting on any matter before the committee, that directly relates to any appropriation or grant made or awarded by or through the city to the entity or organization of which the member is an officer or director.

Sec. 2-4-131 Functions, powers and duties; staff assistance.

(a) The functions, powers and duties of the committee shall be to advise and support the city council as to:

(1) an examination of the city's budget procedures and process and ways of improving such procedures and process, including participation by the public therein;

(2) the forecasting of future revenue and expenditure requirements and the effect on the several taxes and fees levied by the city and burden of taxation imposed on Alexandria citizens and business organizations;

(3) an evaluation of the comparative tax, revenue and expenditure levels in Alexandria with those in neighboring jurisdictions and the effect of such differences on the ability of Alexandria to attract new residents and economic development; and

(4) such other tasks as may be requested by the city council.

(b) Except as expressly provided in this article, the committee may adopt rules and regulations in regard to procedure and other matters for the conduct of its business, so long as the same are not inconsistent with the city code, including, but not limited to, the establishment of committees through which it may carry on its functions, duties and purpose.

(c) Subject to the availability of funds and staff, and recognizing that the city manager must give priority attention to requests from the city council, the city manager is authorized to provide such staff or other assistance to the committee as requested, and to make such information available to the committee as is available to the public generally.

Section 2. That no provision of this ordinance shall be deemed to affect the appointments or terms of the members of the Budget and Fiscal Affairs Advisory Committee in office on the effective date hereof.

Section 3. That Resolution No. 1464 be, and the same hereby is, rescinded.

Section 4. That this ordinance shall become effective upon the date and at the time of its final passage.

Resolution No. 2371

Budget Resolution Setting Guidance for FY 2011 General Fund Operating Budget and Capital Improvement Program for FY 2011-FY 2020

WHEREAS, the City Council of Alexandria passed Resolution 2368 on November 10, 2009, that established the process to be used for formulating the budget during the term of this Council and requires that City Council set budget guidance for the City Manager and the School Board for the FY 2011 budget;

WHEREAS, the City Council held a public hearing on the FY 2010 budget on October 17, 2009; and

WHEREAS, the City Manager and the Alexandria City Public Schools presented to City Council at its November 7, 2009, retreat their preliminary forecasts of revenues, expenditures and capital needs; and

WHEREAS, the City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet those needs; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to focus on managing for results; and

WHEREAS, the City Council is committed to continue performing fully its obligations to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria; and

WHEREAS, the national economy has suffered the worst recession in at least 30 some years and perhaps 50 years;

WHEREAS, the regional and local economy has also declined significantly, although not at the rate of the national economy;

WHEREAS, a decline in real estate values in the City is expected between 5.7% and 9.4% with a best estimate of 8.1%;

WHEREAS, a loss in State revenues is expected for both the City General Fund budget and the Schools operating budget;

WHEREAS, these reductions in General Fund revenues due to the decline in the national, regional and local economies presents the City Council and City government with an overall decline of revenues of between 5.4% and 1.8%; with a best estimate at this time of a decline in revenues of -3.9% for FY 2011;

WHEREAS, this decline places demands on the City's ability to deliver services, maintain and expand its infrastructure as well as meeting the expectations of City residents; and

WHEREAS, City Council fully expects that there will be substantial service reductions in the proposed budget and that these reductions may need to be continued for the foreseeable future;

WHEREAS, the budget must contain for all contractual commitments, including debt service; and

WHEREAS, City Council will not make any other material changes that may threaten the City's AAA/Aaa bond rating.

NOW, THEREFORE, BE IT RESOVED BY THE CITY COUNCIL OF ALEXANDRIA:

1. **Base Budget for City-Managed Programs and Activities:** That the City Manager shall submit a proposed FY 2011 Operating Budget for City-managed programs and activities of no more than $365,408,344 million for City operations, debt service and cash capital to fund the CIP, and transit subsidies, plus an additional amount required to be appropriated to receive Build America Bond subsidy from the Federal government ($833,088 in FY 2011) and whatever amount is proposed for storm water operating and capital expenditures to be funded by a storm water utility fee (see section 8 below) .

2. **City Staffing Levels:** That the City Manager shall not increase total City employment levels (as measured on a full-time equivalency basis) in the base budget above those estimated in the Approved FY 2010 operating budget.

3. **Cost Saving Measures:** That the City Manager shall continue to identify and implement cost saving measures and efficiencies in all City operations, including public safety.

4. **City Staff Compensation**: That the City Manager shall include in the base budget funding for merit/step increases for eligible employees and an additional step (the "Q" step) on the pay scale.

5. **Market Rate Adjustment**: That the City Manager shall not include a market rate adjustment for either City or Schools staff;

6. **Schools Transfer:** That the City Manager shall include in the base budget a transfer to the Schools for operating expenses of $167,886,567.

7. **Capital Improvement Program (CIP):** That the City Manager's proposed CIP shall include:
   a. Specific estimates for FY 2011 through FY 2016 and preliminary estimates for FY 2017 through FY 2020;
   b. No more cash capital from current revenues than that planned for FY 2011through FY 2015 in the Approved FY 2010 – FY 2015 CIP;
   c. No more debt issuance than that planned for FY 2011 through FY 2015 in the Approved FY 2010 – FY 2015 CIP;
   d. The use of General Fund operating budget surplus expected in FY 2010 as a designation for capital projects in FY 2011 and beyond, provided that the first $3.6 million of any such surplus will be designated for the FY 2012 General Fund operating budget;
   e. Specific descriptions of projects that can be funded within recommended levels of funding and their costs estimated for all years (FY 2011 – FY 2020); and
   f. Identification of projects that exceed the recommended levels of funding whether or not the estimated costs are identified or remain to be developed. These projects should be shown by year if known or alternatively listed in a general appendix.

8. **Storm Water Utility Fee:** That the City Manager shall propose a storm water utility fee as necessary and appropriate for the provision of additional storm water capital projects and operating costs above those contained in the Approved FY 2010 – 2015 CIP. Such additional Special Revenue Fund expenditures and fees proposed for storm water utility operations and capital projects under this section shall be considered as a part of the base budget allowed by section 1 above.

9. **Taxes, Fees, Fines and Service Charges**: That the City Manager shall propose whatever combination of taxes, fees, fines and service charges that are necessary and appropriate to balance the base budget provided that these proposals:
   a. Are within the constraints imposed by the Code of Virginia;
   b. Maximize the non-real estate revenue sources available to the City within those constraints; and
   c. Do not contain an additional real estate tax for transportation purposes on commercial real estate.

10. **Sale/Lease of Capital Assets:** That the City Manager shall propose measures to sell or lease excess City capital assets as appropriate in the base budget and use those proceeds to fund the CIP as cash capital.

11. **Options for Additional Operating and CIP Expenditures**: That the City Manager may propose whatever additional operating costs and capital projects as deemed appropriate for Council consideration above those specified in the base budget, together with appropriate sources of revenue available within the constraints imposed by the Code of Virginia, so long as those options would provide additional operating expenditures to improve public safety, transportation or educational services or provide additional capital expenditures deemed necessary and appropriate by the City Manager.

12. **Fiscal Year 2012 Special Analysis**: That the City Manager shall prepare a special analysis that shows the projected expenditures and revenues for FY 2012. That analysis shall contain:
    a. Revenue estimates at the same level of detail as shown in the long range forecast section of the budget document, including three forecast estimates – high, mid and low level.
    b. Revenue estimates that assume the same tax rates as those proposed for FY 2011 in the base budget.
    c. Expenditure estimates in the same level of detail as provided in the long range forecast section of the budget document.
    d. A detailed estimate of the impact in FY 2012 of any recommended expenditures in the FY 2011 base budget.
    e. The impact on FY 2012 revenues and expenditures of any of the options for additional operating and CIP expenditures proposed under the authority of section 11 above; and
    f. A general discussion of the types of actions that might be necessary to balance the FY 2012 budget if there is a projected deficit for that year.

    The City Manager shall also provide estimates of the revenue and expenditure impact in FY 2012 of any budget amendment proposed by a Council member for consideration during the FY 2011budget development process.

Adopted: November 24, 2009

WILLIAM D. EUILLE MAYOR

ATTEST:

Jacqueline M. Henderson, MMC City Clerk

Resolution No. 2368

Budget Resolution Establishing the Process To Be Used To Adopt Operating Budgets and Capital Improvement Programs

WHEREAS, the Alexandria City Council wishes to establish specific policies to guide upcoming budget deliberations to ensure responsible actions with current economic resources; and

WHEREAS, resolutions No. 2088, 2150, 2166, and 2256 previously adopted by City Council have now expired; and

WHEREAS, City Council wishes to establish a budget process that is responsive to the economic times in which we live and that provides the Council and community with clear information about the trade-offs between revenues and services in order to facilitate the creation of the final budget; and

WHEREAS, City Council understands that after four years of program reductions, audits and efficiency efforts, the capacity of the city to do the same work for less money has been essentially eliminated; and

WHEREAS, City Council believes that flexibility is needed for both the preparation and evaluation of expense items as well as with regard to diversifying the sources of revenue available to fund the General Fund Operating Budget; and

WHEREAS, City Council's deliberations on the budget each and every year reflect a balancing of the needs of the community, with the community's ability to afford services to meet-those needs; and

WHEREAS, the City Council desires to provide the core services expected of a municipal government and to continue to provide quality services and facilities for the residents and businesses of Alexandria, but understands that economic reality will require stark trade-offs between services and revenues; and

WHEREAS, over the last ten years, residential real estate taxes have borne an increasing share of the burden of paying for City and School services both because of the earlier run-up in residential home value and development and most recently because of the decline of commercial property values; and

WHEREAS, the City Council is committed to managing the growth of City General Fund operating and capital expenditures in order to properly balance residential real estate taxes; and

WHEREAS, the City Council is committed to assisting Alexandria City Public Schools improve student performance, decrease drop-out rates and in achieving its mission and being among the best in Northern Virginia; and

WHEREAS, the City-Council understands that delayed infrastructure maintenance threatens the health and safety of the community as well as its long-term economic prosperity; and

WHEREAS, the City Council is committed to maintaining a fair, reasonable and competitive compensation plan for City and School employees; and

WHEREAS, the City Council is committed to continuously improving City government effectiveness and efficiency, and expects the City Manager and City staff to continue its focus on managing for results, sharing services with the Alexandria City Public Schools, and developing clear accountable metrics for all city programs and services; and

WHEREAS, the City Council is committed to maintaining its top AAA/Aaa credit ratings; and

WHEREAS, the City Council desires to achieve the vision and strategic goals, objectives, and initiatives as outlined in the City Council's Strategic Plan; and

WHEREAS, sufficient time for the budget process is necessary for the City Council and the community to deliberate on the various issues raised given the budget's complexity and importance.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Alexandria, Virginia, that the Council shall, for the purposes of consideration of the Budget for the City of Alexandria, adopt this resolution and adhere to the following rules of procedure:

Section (a) The Timing of the Setting of Budget Guidance by City Council and the City Manager's Budget Submission to City Council

(1) That the City Manager shall plan and prepare the proposed Operating Budget and proposed six-year Capital Improvement Program and that such preparations shall include, but not be limited to, requests for City departments to identify efficiencies, low priority programs not crucial to achieving City Council strategic goals, objectives, and initiatives, potential discretionary supplemental increases crucial to achieving City Council's strategic goals, objectives, and initiatives, and potential City-wide process changes that would be beneficial to City operations and to the public.

(2) That the City Manager shall present to City Council in time for the fall Council Retreat a preliminary forecast and outlook for (a) revenues (including the outlook for real estate assessments), (b) expenditures necessary to maintain appropriate services and policies (including in the City Manager's forecast of cash capital and debt service costs related to the most recently approved Capital Improvement Program and estimates of the cost of any appropriate market rate-adjustment for City and School staff), (c) the outlook for possible additional requests for City operating needs in the upcoming fiscal year and future capital needs in the upcoming fiscal year and succeeding 5 to 10 fiscal years, (d) the outlook for possible budget reductions and increases in fees, fines and charges for services, and (e) the outlook for Federal and State grants and the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

(3) That the Alexandria City School System shall separately present to City Council, but in a format coordinated with the City Manager, its preliminary forecast and outlook for (a) expenditures necessary to maintain appropriate services and policies, (b) the outlook for additional requests for Schools operating in the upcoming fiscal year and capital needs through the upcoming fiscal year and the succeeding 5 to 10 years, (d) the outlook for possible budget reductions and increases in fees, fines and charges for services, and (e) the outlook for Federal and State grants, and the costs of meeting unfunded Federal and State mandates, both current mandates and projected new mandates.

(4) That as part of its fall Retreat, City Council will consider this information and any other relevant information available to it at that time from the efforts described above, including resident input to be provided by a public hearing on the upcoming budget to be conducted prior to City Council's fall Retreat.

(5) That City Council shall, as a result of information available to it at the Retreat, direct that the City Manager prepare a budget resolution to be adopted by City Council to guide the preparation of the upcoming Operating Budget and next Capital Improvement Program.

(6) That City Council plans to adopt such a budget resolution during the month of November for the next fiscal year.

(7) That the City Manager shall submit a proposed Operating Budget and Capital Improvement Program to the City Council no later than the first legislative meeting of Council in February, prior to the upcoming fiscal year. Such budget shall meet any guidance for General Fund revenues and expenditures established by City Council.

(8) That the Board of the Alexandria City Public Schools is requested to approve an Operating Budget and Capital Improvement Program no later than the week of the first legislative meeting of the Council in February, prior to the upcoming fiscal year. Such budget, if it shall exceed or otherwise not comply with the guidance provided by City Council, shall clearly identify what operating programs and activities would be funded, if additional funding were provided above that guidance, and the reasons therefore.

(9) That the Council shall hold a budget public hearing on the City Manager's proposed budget in the month following the budget submission by the City Manager and may hold an additional public meeting on the budget, if Council deems it necessary, in April, in addition to any effective tax-rate public hearing needing to be held prior to budget adoption.

(10) That the council requests that staff create a way for residents and organizations to submit written budget comments to the Council in lieu of or in addition to participation in public meetings.

(11) That City Council shall consider these recommendations and endeavor to enact an Operating Budget and Capital Improvement Program that balances the needs of the community with the community's ability to afford services to meet those needs.

Section (b) Proposed Budget for the City of Alexandria -

(1) For purposes of this resolution, the proposed budget of revenue rates and expenditure levels for the fiscal year shall be that proposed by the City Manager.

(2) For purposes of this resolution, the Chief Financial Officer shall provide revenue and/or expenditure projections for any motion or amendment that could affect the proposed budget specified in Section (b) (1).

Section (c) Maximum Expenditure Levels May Not Exceed Sum of Projected Revenue and Appropriation from Fund Balance in Proposed Budget

(1) It shall not be in order in the Alexandria City Council to consider any motion or amendment to the proposed budget of the City of Alexandria if there has not been a budget memo requested that relates to the specific item or a Council discussion of the proposal during a budget work-session or public hearing and

(iii) such motion or amendment is not provided in writing electronically or in hard copy to all members of Council and the City Manager or Chief Financial Officer at least 7 days before the first budget work session to consider such motions or amendments (the preliminary add-delete work session), or discussed at the preliminary add-delete work session to be considered at the final add-delete work session.

(2) In the Alexandria City Council, any appropriation from the Fund Balance or any like account beyond that proposed in the Manager's proposed budget shall require an affirmative vote of five Council Members.

(3) In the event that the City Manager recommends final revenue technical adjustments that result in a net increase or net decrease from the revenue estimates specified in section (b) of this resolution, the net change in the revenue estimate shall be reflected as a change in the proposed appropriation from the Fund Balance. As specified in Section c (2), any appropriation from the Fund Balance beyond that proposed in the Manager's proposed budget, including the net effect of final revenue adjustments, shall require an affirmative vote of five Council Members.

Section (d) Expiration -- The provisions of this resolution shall expire with the expiration of the term of this City Council.

ADOPTED: 11/10/2009

William D. Euille Mayor

ATTEST:

Jacqueline M. Henderson

Jacqueline M. Henderson, MMC City Clerk

Reduction In Force (RIF)
A.R. 6-22

PURPOSE: This Administrative Regulation will establish the policy of the City Administration in the event of a Reduction in Force (RIF) of the employees of the City of Alexandria.

POLICY: The City of Alexandria will implement a Reduction in Force only when such action is required by a lack of work or a lack of funds may be the result of a policy decision by the City Council, or it may be made necessary by program modification or funding shortfall.

The City Manager will determine whether a layoff will apply across the City or, within a Department only, through the issuance of a RIF order.

A reduction in force is to be accomplished in a way which will reduce adverse impact on employees to the greatest extent which is reasonable under the circumstances, and in a manner consistent with the City's affirmative action commitment.

Exceptions to any part of this policy may be made by the City Manager, as needed to ensure that service levels are maintained. Events not expressly covered by this policy shall move forward with a recommendation by the City of Human Resources.

REDUCTION IN FORCE: The administration shall consider the following in order as listed:

1. Normal attrition.
2. Job sharing or reduced work schedules.
3. Termination of temporary appointments in the affected classes.
4. Reassignment to funded, vacant positions approved for hiring (voluntary demotions).
5. Layoff of regular employees in the affected classes.

DEFINITIONS:

Administration: The City Manager or his or her designee.

Affected Class: The class to which the employee is assigned when he/she becomes subject to the reduction in force procedure.

Bumping Rights: An employee's right, based upon higher seniority, to transfer from one job classification/position designated for elimination under a RIF order to the same or lower job class series, which maintaining current salary, within a Department or between Departments or agencies. The result may be the removal of the current employee in that job classification/position that has less seniority.

Department: All offices, divisions, and other work units that are under the control of a single Department head.

Month: For the purposes of seniority, a month is credited after an employee serves 15 calendar days of the month in which the employee is in a paid status.

Probationary Employee: An employee who is serving the first twelve months of a regular position is considered to be a probationary appointment. The initial probation may be extended up to an additional six months. Employees are removed from probationary status by written approval of their department head or designee.

Reduction in Force (RIF): a Reduction in Force is the elimination of a position or positions due to a lack of funding, a change in a work program, design or service within a department of City-wide, or a technological change or advancement that impacts work force needs. Employees subject to a RIF may be separated from the City payroll.

Grant Funded Employee (Restricted/Unrestricted): A source of funding for an employee's position. May include grant only or grant/City funding sources.

Seniority: Continuous employment (without an unpaid interruption greater than six months) with the City of Alexandria in a benefited position, except absences on approved leave with or without pay for absences to serve in the Armed Forces (action forces, Reserves, or National Guard), of the United States. Employees who have a break in service greater than six months will be credited with the total continuous months served in a paid, benefited position since the last date of rehire. Ties will be broken by performance records followed by the last four digits of the employees payroll identification number. The higher number prevails.

Service Needs: A position within an affected class that requires unique knowledge, skills, and abilities that are not required for every position in the affected class and that cannot be acquired by other employees in 6 months or less.

Temporary Appointment Employee: This includes any City employee designated as seasonal, Undefined, temporary, regular/limited term. Exceptions from the RIF of temporary appointments Can be made based on the service needs of the department.

REDUCTION IN FORCE PROCEDURE

The City Manager will make a determination of a need to reduce the work force as the result of Inadequate work available or as the result of inadequate funding to meet payroll obligations for any Specific program, and within a department. The affected Department Head will recommend to the Office of Management and Budget the positions to be eliminated. The Director of Management And Budget, in concert with the Director of Human Resources will forward recommendations with Appropriate comments to the City Manager. Upon the approval of the City Manager, the Human Resources Director shall be responsible for the implementation of the Reduction in Force directive. The directive shall specify the number of positions in each classification to be affected.

A. Department-specific only reduction in force.
B. City-wide reduction in force, or
C. Some combination of A and B.

A. Department – Specific, Reduction in Force (RIF)

If the City Manager determines that the RIF will be Department – specific only, the following procedures shall be followed unless an exception is made by the City Manager:

Step 1. Normal Attrition

Upon receipt of the determination of the City Manager to implement a Reduction in Force (RIF), the Director Human Resources shall halt the processing of advertising or selection for all classes of employees indicated in the RIF order. No further applications for affected positions will be released to any department.

Step 2. Notice to Affected Employees on the City Payroll

The Director of Human Resources shall develop a list of employees by classification and seniority ranking. This list will be used to identify the affected classes in the RIF order. The Human Resources Director will issue a written termination notice to employees in the affected classes as soon as practicable upon receipt of the RIF order. Individual employees will be given a written notice with a minimum of thirty (30) days prior to termination. Copies of all such notices will be forwarded to the employing department.

Step 3. Placement in a Funded, Vacant Positions Approved for Hiring

At the sole discretion of the Department Head, outstanding vacancies in affected positions which are approved for hire by OMB may be filled by placing an employee whose position has been identified for elimination, in the same or appropriate positions in the Department which has not been designated for elimination. Employees who have completed their probationary periods will have the first opportunity for such placements.

Any employee refusing a placement to the same classification will be laid off without further consideration. The Director of Human Resources will notify the employees affected by the RIF of the proposed effective date of placement.

When implementing such a placement, the ability of the employee to perform the work assignment will be assessed. The employees will be required to demonstrate their ability and will serve a new probationary period of one year. All employees so placed will be evaluated at the end this probationary period and their demonstrated performance will be the sole basis of any determination to retain or to terminate the employee from the assignment. In consultation with the affected Department, the Director of Human Resources will determine what constitutes an appropriate position/classification for placement.

Step 4. Layoff of Regular Employees

The layoff of regular employees will be initiated, if necessary, to complete the reduction specified in the RIF order. Employees in the affected classes will be laid off by least seniority order, until the requirements of the RIF order are met. Years/months or seniority will be reduced for each adverse performance or disciplinary action that occurred within the last five years preceding the data of the RIF order according to the following chart.

YEARS OF SERVICE/SENIORITY	Adverse Performance or Disciplinary Action (within the past five years of the RIF notice)
Minus 2 yrs. (24 months) each	MINOR DISCIPLINE (excludes suspensions) Extended probation(s) Each denied merit increase Unsatisfactory Performance Evaluation
Minus 5 yrs. (60 months) each	MINOR SUSPENSIONS or loss of annual leave (up to 3 days)
Minus 10 yrs. (120 months) each	MAJOR DISCIPLINE (greater than 3 day suspension or loss of annual leave)

Once the required number of positions is eliminated in each position/classification, placement may be initiated to vacant funded positions which have been approved for hire within the Department(s) or division(s) identified in the RIF order.

All employees who are affected by internal Departmental placements will be required to demonstrate their ability in their new assignment and a new one-year probationary period will be required. Exceptions to the above procedure (Steps 1 through 4) may be made by the City Manager based on the Department's service and/or business needs.

B. City-wide, Reduction In Force (RIF)

If the City manager determines that the RIF will be City-wide, the following procedures shall be followed unless an exception is made by the City Manager.

Step 1. Normal Attrition

Upon receipt of the determination of the City Manager to implement a Reduction in Force, the Director of Human Resources shall halt the processing of advertising or selection for all classes of employees within the City indicated in the RIF order. No further applications for affected positions will be released to the hiring Departments.

Step 2. Notice to Affected Employees on the City Payroll

The Department of Human Resources shall develop a list of employees by classification and seniority ranking. This list will be used to identify the affected classes in the RIF order. The Director of Human Resources shall issue a written termination notice to employees in the affected classes, as soon as practicable upon receipt of the RIF order. Individual employees will be given a minimum of thirty (30) days notice prior to termination. Copies of all such notices will be forwarded to the employing Department.

Step 3. Placement in a Funded, Vacant Position Which has been Approved for Hiring

At the sole discretion of the Department Heads, outstanding vacancies in affected positions which are approved for hire may be filled by placing an employee whose position has been identified for elimination, in the same or appropriate positions in the City. Employees who have completed their probationary periods will have the first opportunity for such placements. Any employee refusing a placement to the same classification will be laid off without further consideration. The Director of Human Resources will notify both the Department which will receive the employee and the Department affected by the RIF, of the proposed effective date of placement. The Director of Human Resources in consultation with the affected Departments will determine what constitutes an appropriate placement.

When implementing such placement, the ability of the employee to perform the work assignment will be assessed. The employees will be required to demonstrate their ability and will serve a new probationary period of one year. All employees so transferred, will be evaluated during this probationary period and their demonstrated performance will be the sole basis of any determination to retain or to terminate the employee from the assignment.

Step 4. Layoff of Regular Employees

The layoff of regular employees will be initiated if necessary to complete the reduction specified in the RIF order. Employees in the affected classes will be laid off by least seniority order, until the requirements of the RIF order are met. Years/months of seniority will be reduced for each adverse performance or disciplinary action that occurred within the last five years preceding the date of the RIF order according to the following chart:

YEARS OF SERVICE SENIORITY	Adverse Performance or DISCIPLINARY ACTION (within past five years of the RIF notice)
Minus 2 years (24 months) each	MINOR DISCIPLINE (excludes suspensions) Extended probation(s) Each denied merit increase Unsatisfactory Performance Evaluation
Minus 5 yrs. (60 months) each	MINOR SUSPENSIONs or loss of leave (up to 3 days)

Minus 10 yrs. (120 months) each	<u>MAJOR DISCIPLINE (greater than 3 days suspension or loss of annual leave</u>

Layoff will be implemented without regard to the employing department of the affected individual. Once the required number of positions is eliminated in each position/classification, placement may be initiated to vacant funded positions which have been approved for hire in any department according to the RIF order.

All employees who are affected by internal placements will be required to demonstrate their ability in their new assignment and a new one-year probationary period will be required. Exceptions to the above procedure (Steps 1 through 4) may be made by the City Manager based on the Department's service and or business needs.

CALCULATING SENIORITY AND BUMPING PROCEDURES

A. Department-Specific RIF Procedure:

Step 1. A list of affected employees, identified for layoff, their job classes and seniority calculated in months, (Part-time and Full-time lists are combined), in a department, shall be compiled.

Step 2. The Human Resources Director will notify affected employees of their bumping rights within 10 days of an employee's notification letter.

Step 3. The Human Resources Department will compile a list of incumbents holding the same identified jobs and/or classifications or class series, listed by name, title and seniority in months, in the employee's department.

Step 4. The Human Resources Department, in consultation with the affected Department, will determine which positions to offer employees, based on classifications, class series and seniority.

Step 5. The bumping employee has 10 working days to accept the offer of a placement within the employee's current classification or class series. Full-time positions will not be reduced to accommodate Regular part-time employees. Acceptance of the bump/transfer is voluntary. If placement is available and declined, the employee is terminated under the RIF and no further action will be required. The employee <u>will</u> be eligible for leave payouts and severance pay.

Employees who accept a lateral or lower position as a result of bumping, will not see a reduction in their pay, but will incur a new merit date and new probationary period as the result of occupying a new position. In no case will an employee move to a higher grade. If the same job classification and/or series does not exist in the Department, the employee will be subject to termination.

B. City-wide RIF Procedure:

Step 1. A list of affected employees, identified for layoff, their job classes and seniority calculated in months, (part-time and full-time lists are combined), City-wide, shall be compiled.

Step 2. The Human Resources Director will notify affected employees of their bumping rights within 10 days of the employee's notification letter.

Step 3. The Human Resources Department compiles list of incumbents holding the same identified job and/or classification or class series, listed by name, title, seniority in months, across City Departments.

Step 4. The Human Resources Department, in consultation with the affected Department Heads will determine which positions to offer employees based on classifications, class series and seniority.

Step 5. The affected employee has 10 working days to accept the offer of a placement. Full-time positions will not be reduced to accommodate Regular part-time employees. Acceptance of the bump/transfer in voluntary. If placement is available and declined, employee is terminated under the RIF and no further action will be required. The employee will be eligible for leave payouts and severance pay.

Employees who accept a lateral or lower position as a result of bumping, will not see a reduction in their current pay, but will incur a new merit date and new probationary period as the result of occupying a new position. In no case will an employee move to a higher grade. If the same job classification and/or class series does not exist in the City, the employee will be subject to termination.

SALARY ASSIGNMENTS

Regular full-time and part-time employees placed as the result of t his Administrative Regulation, to a work assignment in their same position/classification, shall retain their same salary step and within-scale eligibility date. Employees who accept a lower classification shall be placed on the step of their new salary grade which is the nearest to their original salary. If placed between two pay steps, the employee will receive the higher step in the new grade.

Employees will receive a new merit date that documents the start of the one-year probation. Employees, who bump into a position whose salary is at the top of or above the pay scale, shall have their salary frozen at their current salary level.

SEVERANCE PAY

Severance pay is authorized to be paid at an employee's current rate of pay at the time of lay off and granted to Regular employees laid off under the procedures of this regulation and in accordance with the following formula. The pay does not count toward hours worked in any pay period in which it is granted.

Completed YEARS OF SERVICE	WEEKS OF SEVERANCE PAY
<u>0 to 5</u>	<u>3 weeks pay</u>
<u>6 to 10</u>	<u>4 weeks pay</u>
<u>11 to 15</u>	<u>5 weeks pay</u>
<u>16 or more</u>	<u>6 weeks pay</u>

REEMPLOYMENT AND RECALL LISTS

All employees who are affected by the RIF action will be placed on a Recall List for their position/classification for a period of <u>one year</u> from separation. All future vacancies in these classification will be filled by the recall of the individual with the longest period of satisfactory service with the City (seniority) for the duration of the Recall List. Individuals recalled to fill the same classification from which they were removed (vacated) will be restored to regular employment and at the same step/grade. Individuals recalled to a classification other than that in which they have been previously employed will be required to satisfactorily complete a <u>new</u> one-year probationary period. If any employee accepts an alternative city position (one which they may have applied for and were selected), will be removed the recall list.

EMPLOYEE RESPONSIBILITY

Any employee laid off and placed on a Recall List will be responsible for notifying the City Human Resources Department of any change in address or telephone number. Employees will be notified to return to work by registered mail. Any employee who fails to report to work as directed (within ten working days) following receipt of notification to return to work, will forfeit all further recall rights.

AID TO EMPLOYEES

Individuals who are laid off under this Administrative Regulation shall be entitled to Unemployment Compensation as provided by the Code of the Commonwealth of Virginia. The City Human Resources Department will provide assistance to aid in filing for such unemployment compensation. Laid off employees will be paid for any earned annual leave or compensatory time (if eligible for payment) on the next pay day following their lay off. Upon re-employment within six months, all earned but unused sick leave will be reinstated if not reduced to zero by a sick leave payout at termination. The employee's annual leave accrual rate at the time of the lay off will be restored upon reemployment in a benefited position.

All recalled employees shall be subject to the provisions of AR 6-18, for purposes of reemployment and RIF. For the duration of any lay off, laid off employees will be given priority consideration for any employment opportunity for which they apply and are qualified.

GRANT FUNDED OR PARTIALLY GRANT FUNDED POSITIONS

A grant funded position is considered restricted when the grant and required match is funding only the scope of the position outlined in the grant. This position would not be expected to backfill other duties in the City or assist in a different capacity for the general City benefit as in doing so would be outside the scope of expectations outlined in the grant. Under this scenario, the employee occupying this position is not eligible for the benefits or the RIF policy.

A grant funded position is considered unrestricted when the grant and its required match supports a greater level of service or benefit to an existing City service/benefit, or when the grant covers a broad range of duties not intended in its award to be directed to a specified position or number of positions. The employee(s) occupying this position is eligible for benefits under the City's RIF policy.

Positions created to perform restricted grant functions that aren't fully supported by the grant are eligible for the benefits in the City's RIF policy. Existing positions that are subsequently assigned in whole or in part to restricted grant functions are eligible for the benefits of the City's RIF policy. Using the aforementioned definition, the Human Resources Department in conjunction with Office of Budget and Management will create lists of employees who are eligible and not eligible for benefits under the City's RIF policy.

APPEAL

Any employee who believes that the City did not follow the prescribed RIF process as specified in this Administrative Regulation shall have access to an administrative hearing with the Director of Human Resources, utilizing the procedure contained in A.R. 6-20. A reduction in force implemented under the Reduction in Force regulation is not grievable pursuant to A.R. 6-21, Grievance Procedure, (IV)(B)(6).

James K. Hartmann
City Manager

The following pages provide the principles and policies that guide the City's overall financial management. These policies include :

Debt Related Financial Policy Guidelines - These policies guide City Council and staff in determining the debt capacity of the City, managing the impact of debt service on the operating budget, and maintaining adequate fund balances to cope with unexpected financial problems or emergencies.

Investment Policy – These policies guide the City's Treasurer in the management of all cash and cash equivalents, defined in the City of Alexandria's Comprehensive Annual Financial Report (CAFR), excluding pension funds.

Financial Management Self-Assessment Using Standard and Poors Rating Criteria – The City prepares this every year prior to going to the rating agencies for the affirmation of our credit rating. This checklist provides a self-assessment of all financial policies and procedures relevant to maintaining the City's financial sustainability.

Debt Ratio Policies
Debt Related Financial Policies

City Council passed a set of debt-related financial policies on June 9, 1987. During FY 1998, the Budget and Fiscal Affairs Advisory Committee (BFAAC), a City Council appointed citizen committee, analyzed these debt-related financial policies, examined the City's financial condition in comparison to other jurisdictions with superior credit ratings (other double-triple A rated jurisdictions). The BFAAC and the City Manager recommended that City Council reaffirm the updated debt-related financial policies, incorporating BFAAC's recommended updates to the policies to establish a consistent set of appropriate relationships between debt targets and limits. Because three of the six debt indicators measure the debt capacity of the City in relation to the size of the City and its economy, BFAAC recommended that these indicators should not produce debt capacity limits that vary greatly from each other.

City Council reaffirmed its commitment to sound financial management and adopted the updated debt-related financial policies on December 9, 1997. City Council amended the policies on October 26, 1999, to allow priority consideration for an increase in the designation of fund balance for capital project funding.

On June 24, 2008, City Council adopted the City Manager's recommendation, endorsed by BFACC, to revise the target limit upward reflecting the ratio of debt as a percentage of personal income.

These updated polices are as follows:

Debt as a Percentage of Fair Market Real Property Value
Target = 1.1 percent; Limit = 1.6 percent

This ratio indicates the relationship between the City's debt and the full value of real property in the\ City as assessed annually at fair market value. It is an important indicator of the City's ability to repay debt because real property taxes are the primary source of the City's revenues used to repay debt. A small ratio is an indication that the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations.

Debt as a Percentage of Total Personal Income
Target = 3.2 percent; Limit = 4.5 percent

This percentage is a measure of the capacity of citizens to finance tax-supported debt. A lower percentage means that taxes required to repay debt represent a smaller portion of the average citizen's Income.

Debt Service as a Percentage of General Government Expenditures
Target = 8.0 percent; Limit = 10 percent

This ratio is a measure of the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget.

Unreserved General Fund Balance as a Percentage of General Fund Revenue
Target = Not applicable; Limit = 10 percent

Undesignated General Fund Balance as a Percentage of General Fund Revenue
Target = 5.5 percent; Limit = 4.0 percent

Unrestricted Net Assets as a Percentage of General Revenues
Target = 5.5 percent; Limit = 4.0 percent

These ratios indicate the ability of the City to cope with unexpected financial problems or emergencies. The Unreserved General Fund Balance represents the funds legally available to the City. It is desirable that the City maintain Unreserved General Fund Balance that is comparable to the ratio maintained by other double triple A rated jurisdictions, but not to fall below the limit of 10 percent. The Undesignated General Fund Balance corresponds to the checkbook balance of the City. Both balances are important to consider. The unreserved balance includes designations that the City Council has made but presumably could change.

Net assets corresponds to stockholders' equity for publicly traded companies. The larger the undesignated General Fund Balance or unrestricted net assets, the greater the City's ability to cope with financial emergencies and fluctuations in revenue cycles.

The ratios for undesignated general fund balance and unrestricted net assets are calculated after adjusting for the effect of subsequent year's expenditures, and funding for future equipment replacement and capital projects, grants and contributions restricted to specific programs, and extraordinary and special items.

The City will not issue tax or revenue anticipation notes to fund ongoing governmental operations. The City of Alexandria will manage its cash in a fashion that will prevent any borrowing to meet working capital needs.

The City will not issue bond anticipation notes (BAN's) for a period of longer than two years. If the City issues a BAN for a capital project, the BAN will be converted to a long-term bond or redeemed at its expiration, but will not be rolled over.

The City will continue to rely on current revenue, including its fund balance, to finance its short-lived and maintenance-oriented capital improvements. The City believes in funding a significant portion of capital improvements on a pay as you go basis; therefore, the City will continue to finance short-lived and maintenance oriented capital improvements with current revenues, and its fund balance. The priority to consider when additional General Fund revenues become available at the end of the fiscal year would be a designation within the General Fund fund balance for pay as you go capital.

The City will not establish a trend of using General Fund equity to finance current recurring operations. The City's General Fund equity has been built over the years to provide the City with sufficient working capital and to enable it to finance equipment replacement, capital projects, and unforeseen emergencies without borrowing. To conserve the General Fund equity balance and to avoid reliance on this balance, the City will not finance recurring operations from the General Fund equity balance for periods longer than two years as confirmed by the audited financial statements. If the audited financial statements confirm that recurring operations have been funded from the General Fund equity balance for a period longer than two consecutive fiscal years, then the City will adopt in its next ensuing budget a balanced budget in which the operating revenues meet the operating expenditures without any consideration of the General Fund equity balance City will annually prepare a six-year capital improvement program. In accordance with the City Charter and in order to meet the debt ratio targets, to schedule debt issuance, and to systematically improve The capital structure, each year the City will prepare and adopt a six-year capital improvement program. This capital improvement program will identify the source of funding for all capital projects. The debt Issuances that are a part of the capital improvement program will be structured to meet the City's debt policies and debt ratio targets.

The City Manager will prepare each year and submit a set of six-year scenarios of possible future revenues and expenditures that match the six year Capital Improvement Program time horizon with the proposed budget to be considered by the City Council. Those scenarios will be updated to reflect the decisions of the City Council and issued with the approved budget. In order to improve financial planning and decisions, the City Manager also will annually prepare with the approved budget a set of six-year scenarios of possible future General Fund revenues and expenditures and their effects on the debt-related financial policy ratios outlined above, including the effect of planned borrowing under the approved CIP.

In accordance with the Government Finance Officers Association budget review requirements, this table, taken from the City's FY 2009 Comprehensive Annual Financial Report, is repeated here:

City of Alexandria, Virginia
Computation of Legal Debt Margin
as of June 30, 2009

Assessed Value of Real property, January 1, 2009		$34,379,163,000
Debt Limit: 10 Percent of Assessed Value		3,437,916,300
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds	$383,950,000	
Less Total General Obligation Debt		(383,950,000)
LEGAL DEBT MARGIN REMAINING		$ 3,053,966,300

Limitations on the Incurrence of General Obligation Debt:

There is no requirement in the Virginia Constitution, the Virginia Statutes or in the Charter of the City of Alexandria that the issuance of general obligation bonds of the City be subject to approval of the electors of the City at referendum.

Under the City Charter, the City Council has full authority to authorize and issue general obligation bonds. The authorizing procedure consists of the passage on first reading of an ordinance authorizing the issuance of the bonds followed by a notice of public hearing at a subsequent meeting and the final passage on second reading following the public hearing.

The only constitutional limitation on the issuance of general obligation bonds is contained in Article VII, Section 10 of the Virginia Constitution, which states that: No city or town shall issue any bonds or other interest-bearing obligations which, including existing indebtedness, shall at any time exceed ten percent of the assessed valuation of real estate in the city or town subject to taxation, as shown by the last preceding assessment for taxes.

City of Alexandria, Virginia
Investment Policy
Adopted June 4, 2008

1. Policy Statement

It is the policy of the City of Alexandria that the administration of Deposits of Cash and Cash Equivalents, and their investment, shall be handled as its highest public trust. Investments shall be made in a manner that provides maximum security of principal invested and conforms to all applicable statutes of the Commonwealth of Virginia governing the investment of public funds. The portfolio shall consist of U.S. Treasuries, Agencies, “prime-quality” commercial paper (suspended pending future authorization by the City’s Investment Committee), repurchase agreements and/or the Virginia Local Government Investment Pool. The portfolio shall have an average maturity of up to one year, while remaining liquid to meet the daily cash flow needs of the City. The receipt of a market rate of return will be secondary to safety and liquidity requirements.

2. Scope

This investment policy applies to all Deposits of Cash and Cash Equivalents, defined in the City of Alexandria's Comprehensive Annual Financial Report (CAFR), excluding pension funds. The City commingles its funds into one pooled investment fund for efficiency and maximum investment opportunity. Any new Deposits of Cash and Cash Equivalents will also be commingled unless specifically exempted by City Council and this policy. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

3. Objective and Strategy

It is the policy of the City of Alexandria that all Deposits of Cash and Cash Equivalents shall be managed and invested with three primary objectives, listed in order of their priority: safety, liquidity and yield.

a. Safety of Principal. Safety of principal is the foremost objective of the City of Alexandria. Investments of the City shall be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

Limiting investments to the safest types of securities.

Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business.

Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Investing operating funds primarily in shorter-term securities.

b. Liquidity. The City of Alexandria's investment portfolio will remain sufficiently liquid to enable it to meet all operating requirements that might be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio will consist largely of securities with active secondary or resale markets.

Cash flow forecasting is designed to ensure adequate liquid funds to meet the City of Alexandria's cash-flow requirements. Supplemental to the financial and budgetary systems, the Investment Committee and the external cash manager will maintain a cash-flow forecasting process designed to monitor and forecast cash positions for investment purposes.

c. Yield. The City of Alexandria's investment portfolio shall be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and liquidity needs. "Market rate of return" may be defined as the average yield of the current six-month U.S. Treasury Bill. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

A security with declining credit may be sold early to minimize loss of principal.
A security swap would improve the quality, yield, or target duration in the portfolio.
Liquidity needs of the portfolio require that the security be sold.

4. Legal Limits, Responsibilities, and Authority

Specific parameters for the investment of public funds in Virginia are found in Sections 2.2-4500 through 2.2-4606 of the Code of Virginia.

5. Delegation of Investment Authority

The Deputy City Manager, the Director of Finance, and the Treasury Division Chief are designated as the City's Investment Committee and are responsible for investment management decisions and activities. The Investment Committee may delegate the daily investment activities to an external cash manager procured through the competitive bidding process or to the Investment Division of the Virginia Department of the Treasury, which manages the Virginia Local Government Investment Pool. The Investment Committee is responsible for considering the quality and ability of the City staff and external cash manager involved with investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The external cash manager shall develop and maintain written administrative procedures and internal controls specific to the City of Alexandria's investment program, which are consistent with this investment policy. These procedures will include TBMA Master Repurchase Agreements, master custodial agreements, wire transfer agreements, internal controls, authorized investments, authorized dealers, diversity and maturity limitations, safekeeping and collateralization, delivery versus payment, and other investment-related activities. The written procedures will be approved initially, and reviewed annually, by the Investment Committee and the City's independent auditors.

The external cash manager shall be responsible for all transactions undertaken and shall establish controls to regulate the activities of subordinate officers and staff. The external cash manager shall designate a backup in the event circumstances require timely action when the external cash manager is not available.
No officer or designee may engage in any investment transaction except as provided under the terms of this policy and the external cash manager's written procedures, once they are approved by the Investment Committee.

6. <u>Prudence</u>

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing the City's overall portfolio. The standard states:
“Investments shall be made with judgement and care, under 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 the probable safety of their capital as well as the expected income to be derived.”
Limitation of personal liability. The Investment Committee, and those delegated with investment authority under this policy, when acting in accordance with the written procedures and this investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

7. <u>Ethics and Conflicts of Interest</u>

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

8. <u>Internal Controls</u>

The external cash manager shall establish written internal controls that will be reviewed annually by the Investment Committee and by the City of Alexandria's independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of the City of Alexandria or of the external cash manager. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgements by management.

The internal controls shall address the following points:

Control of collusion
Separation of transaction authority from accounting and recordkeeping
Custodial safekeeping
Avoidance of physical delivery securities
Clear delegation of authority to subordinate staff members
Written confirmation of transactions for investments and wire transfers
Development of a wire transfer agreement with the lead bank and third-party custodian

9. Authorized Financial Dealers and Institutions

All investment transactions on behalf of the City of Alexandria must be restricted to approved broker/dealers. The external cash manager shall maintain a list of brokers and dealers, which are approved for investment purposes. For brokers and dealers of government securities, the external cash manager shall select only primary government securities dealers that report daily to the New York Federal Reserve Bank. Investment officers shall not conduct business with any securities dealer with whom or through whom public entities have paid excessive prices or have sustained losses on investments through mismanagement by the securities dealer. The external cash manage must periodically (at least annually) assess the financial strength and integrity of the broker/dealer firms and the individual account representatives with whom it does business, The list must be approved by the City's Investment Committee before investing any City funds. The following criteria must be met by those firms on the list:

a. Provide an audited financial statement for the most recent period.
b. Proof of certification by the National Association of Securities Dealers.
c. Proof of current registration with the State Securities Commission.
d. Completion of the City of Alexandria's broker/dealer questionnaire.

In addition, the supervising officers at each depository, recognized securities broker/dealer, and the external cash investment management service shall submit certifications that they have reviewed this investment policy and agree to disclose potential conflicts or risks to public funds that might arise out of business transactions between the firm/depository and the City of Alexandria. All depositories and the external cash manager shall agree to undertake all reasonable efforts to preclude imprudent transactions involving City funds.

The supervising officer of the depositories or firms shall agree to exercise due diligence in monitoring the activities of other officers and subordinate staff members engaged in transactions with the City. Employees of any firm or financial institution offering securities or investments to the City of Alexandria shall be trained in the precautions appropriate to public sector investments and shall be required to familiarize themselves with the City's investment objectives, policies, and constraints.

As investments are made, the external cash manager shall rotate from the authorized bidder's list for bids/offers. An attempt will be made to alternate to all names on the list.

10. Authorized Investments

Under this policy, investments shall be limited to the instruments listed below. The investments are to be chosen in a manner that promotes diversity of issuer and maturity. The choice of high-grade government instruments is designed to ensure the marketability of those investments should liquidity needs arise.

a. Obligations of the United States Government, and direct borrowings of United States Government Agencies and Instrumentalities, and United States Government Sponsored Enterprises, with a stated maturity not to exceed three years and a liquid market with a readily determinable market value.

b. Repurchase agreements, collateralized by U. S. Treasuries, not to exceed 180 days to stated maturity. An executed TBMA Master Repurchase Agreement with supplemental amendments must be on file with the City of Alexandria and the counter party bank or primary dealer.

To anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102 percent of the market value of the principal and accrued interest. U. S. Treasury Notes will be the only acceptable securities for collateral.

c. "Prime Quality" commercial paper, with a maturity of 270 days or less, of issuing corporations organized under the laws of the United States, or of any state thereof including paper issued by banks and bank holding companies. (Suspended pending future authorization by the City's Investment Committee.) "Prime Quality" shall be as rated by at least two of the following: Moody's Investor Services,Inc., within its NCO/Moody's rating of prime 1, by Standard & Poor's, Inc., within its rating of A-1, by Fitch Investor's Services, Inc., within its rating of F-1, or by Duff and Phelps, Inc., within its rating of D-1, or by their corporate successors, provided that at the time of any such investment: 1. The issuing corporation, or its guarantor, has a net worth of at least fifty million dollars; and 2. The net income of the issuing corporation, or its guarantor, has averaged three million dollars per year for the previous five years: and 3. All existing senior bonded indebtedness of the issue, or its guarantor, is rated "A" or better or the equivalent rating by at least two of the following: Moody's Investors Services, Inc., Standard & Poor's, Inc., Fitch Investor's Services, Inc., or Duff and Phelps, Inc. The commercial paper must be backed by a bank line of credit equal to 100 percent of the issuer's outstanding commercial paper.

d. Virginia Local Government Investment Pool.

The external cash manager must review the portfolio at least weekly to ensure compliance with the City's investment policy and to review the credit ratings of all securities in the investment portfolio. The external cash manager will promptly notify the Investment Committee in the event that any investment no longer meets the original purchase requirements. The external cash manager and the Investment Committee will then review and discuss available alternatives and arrive at an agreed upon course of action. The external cash manager will issue monthly reports confirming their findings.

Competitive Bidding Requirement. Securities will only be purchased or sold after (3) offers/bids are taken to verify that the City of Alexandria is receiving fair market value/price for the investment. Records will be maintained of the bids offered, the bids accepted, and the justification for each investment decision.

Delivery Versus Payment. All security transactions, including collateral for repurchase agreements, entered into by, or on behalf of, the City of Alexandria, shall be conducted on a delivery versus payment (DVP) basis. Written trade confirmation tickets must be received by the external cash manager and Treasury Division Chief within three business days of all trades. A manager who is not authorized to buy or sell securities for this portfolio must receive and review the written trade confirmation tickets. The written trade confirmation ticket must provide the trade date, par value, maturity, interest rate, price, yield, settlement date, description of security purchased, issuer's name, amount due, third-party custodial information, and show City of Alexandria as owner of security.

11. Unauthorized Investments

a. The City will not "sell short," i.e., sell something it does not own in hope of buying it later at a lower price.
b. The City will not buy on margin.
c. The City will not contract for future delivery.
d. The City will not deal in futures or options of any kind.

12. Diversity and Maturity Limitations

The investment portfolio shall be diversified by:

limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
limiting investment in securities that have higher credit risks,
investing in securities with varying maturities, and
continuously investing a portion of the portfolio in overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

	Security Type	Maximum Percentage of the Total Funds Available For Investment
a.	U. S. Treasuries and securities with the U. S. Government's guarantee	85%
b.	U. S. Government agencies and instrumentalities	85%
c.	Repurchase agreements, fully collateralized by U. S. Treasuries	50%
d.	Commercial Paper (in total)	35%
e.	Commercial Paper of any one Issuing Corporation	5%
f.	Virginia Local Government Investment Pool	100%

The external cash manager shall diversify maturities, and to the extent possible, match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. The average maturity of the City's investment portfolio at the end of any given month shall be up to one year. No less than $15 million will be invested in securities with maturities of 14 days or less. Excluding the Virginia Local Government Investment Pool, securities with more than 36 months to maturity are not authorized for the City's investment portfolio.

13. Safekeeping and Collateralization

All trades where applicable will be executed by delivery versus payment (DVP) to ensure that all securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held in safekeeping in the City of Alexandria's name in a segregated or pledged position in the Trust Department's account of an independent third-party custodial bank at the Federal Reserve Bank or Depository Trust Company (DTC). The custodial bank may not be within the same holding company as the bank from which the securities are pledged. At no time will the City's securities or collateral for repurchase agreements be commingled with those of other investors.

All safekeeping arrangements shall be approved by the Investment Committee and an agreement of the terms executed in writing. The third-party custodian shall issue original safekeeping receipts to the external cash manager, and duplicates to the Treasury Division Chief, listing each specific security, rate, description, maturity and cusip number. Each safekeeping receipt will clearly state that the security is held for the City of Alexandria or pledged for the City of Alexandria.

14. Perfected Security Interest

To ensure the City has a perfected security interest, the external cash manager must obtain written authorization from the City's Investment Committee prior to selling any security from the City's investment portfolio. Prior to making a purchase on behalf of the City, the external cash manager must notify the City's Investment Committee of the par value, maturity range, and type of security to be purchased.

15. Performance Evaluation and Reporting

By the fifth of each month, the external cash manager shall submit monthly reports to the Investment Committee containing sufficient information to permit an informed outside reader to evaluate the performance of the investment program. By July 5 each year, the external cash manager shall submit an annual report to the Investment Committee. The reports will be prepared and reviewed by individuals who are not responsible for buying and selling securities. In addition, the market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least monthly. The reports will summarize investment activity and include, at a minimum, the following information:

Monthly Investment Portfolio Inventory Reports. Securities will be grouped by type, and will include the following information:

Name of issuer
Par amount
Coupon Rate
Contractual maturity date
Call date, if applicable

Amortized cost (book value)
Fair value (market value)
Expected yield
Unrealized gain or loss
Credit rating
CUSIP number
Purchase price
Original dollar amount of premium or discount
Yield to maturity or total return if held to maturity
Yield to call, or total return if held to call, if applicable
Interest received
Accrued interest
Amortized/Accretion Premium/Discount
Percentage of total portfolio that specific security comprises

Monthly Investment Portfolio Activity Reports. Listing of purchases, sales, calls, maturities, interest received, rating upgrades and rating downgrades, and beginning and ending par, book, and market values.

Monthly Investment Portfolio Liquidity Reports. Listing of investments by maturity date, and a maturity breakdown of the portfolio by type of investment and by time period.

Monthly Investment Portfolio Earnings Summary Reports. Listing of interest earnings accrued, amortization/accretion, and total earnings for the month and fiscal year-to-date.

Monthly Investment Portfolio Unrealized Gains and Losses Report.

Monthly Investment Portfolio Performance Reports. Listing of average weighted yield-to-maturity and yield-at-cost for current month and fiscal year-to-date, with comparison to the six-month U.S. Treasury Bill and average Federal Funds Rate.

Monthly Investment Policy Compliance Reports.

16. Policy Considerations

This policy shall be reviewed on an annual basis. The City's Investment Committee must approve any change.

CITY OF ALEXANDRIA, VIRGINIA
FINANCIAL MANAGEMENT SELF-ASSESSMENT
USING
STANDARD AND POORS
RATING CRITERIA
June 2010

Revenue and Expenditure Assumptions

Are the organization's financial assumptions and projections realistic and well grounded both from long-term and recent trend perspectives?

Conservative revenue forecasting and expenditure management is the practice, so as to make the question "how much of a surplus" rather than "is there is going to be a surplus."

Recent trend analysis used to update current year and subsequent year revenue projections in January and again in April prior to passage of budget in May for fiscal year beginning July 1.

If during the fiscal year, economy appears to be varying from budget assumptions, management tools are implemented to manage expenditures.

Multi-year forecasting required by City Council adopted Debt Related Financial Policy Guidelines since 1987.

Multi-year revenue and expenditure forecasts (10 years out) are produced for three revenue growth scenarios and included in the proposed and approved operating budgets.

Budget Long Range Forecasts use reasonable range of revenue trend estimates and expenditure trend estimates.

Long Range Forecasts updated annually.

Projections in long range forecast based on historical trend analysis.

Outside information used in assessing strength of economy and tax base.

Regional economic and commercial real estate forecasts provided to the City quarterly by Delta Associates and used in revenue projections and budget planning.

Regional economic and fiscal information (such as that produced by the George Mason University Center for Regional Analysis) monitored and used as an influencer of revenue projections and budget recommendation decisions.

Multiple City agencies tasked with collecting and sharing economic and fiscal data with City financial and policy managers.

City Manager conducts quarterly economic discussions with key business community leaders.

Budget Amendments and Updates

Are there procedures for reviewing and amending the budget based on updated information and actual performance to ensure financial targets are met?

Monthly financial reporting is required by the City Charter, and as a result a Monthly Financial Report is presented to City Council each month. Nine months of the year it is presented at a Council meeting, and also posted on the City's web site.

Monthly Financial Report contains an analysis of the economy, revenue trends and expenditure patterns, as well as contains selected historical economic indicators.

Debt Related Financial Policy Guidelines prohibit City Council from amending the City Manager's revenue projections.

In month prior to budget adoption, a full detailed analysis of each revenue source is undertaken and current and subsequent fiscal year revenue budgets are adjusted accordingly by the City Manager.

Management when revenue trends warranted has mandated expenditure curtailment or budget sequestration by operating departments.

City Departments submit monthly expenditure forecasts for the last half of the fiscal year.

These reports are used to take any necessary actions through the transfer of resources between departments, to reduce expenditures, or to make supplemental appropriations from fund balances designated for certain contingencies (e.g. fuel price increases).

Long Term Financial Planning

Does Management have a long-term financial plan that allows them to identify future revenues and expenditures as well as address upcoming issues that might affect these?

Debt Related Financial Policy Guidelines require the long range operating budget forecasts go out 6 years (budget year plus 5). Current practice is to project 10 years out.

These forecasts incorporate the results of the 10 year Capital Improvement Program and the funding plan (debt, cash capital, and other sources of revenue) for those capital expenditures.

Interactive model created to examine what ifs. Sensitivity analysis of impact of different rates of growth in salaries and benefits shown.

Forecasts used at Council Retreat in fall of the year to set budget guidance for February budget submission.

Forecasts have been used to look at impact on operating budget of options during consideration of future CIPs.

Council created Strategic Plan with a Vision for Alexandria in 2015 and Goals for the period 2004 to 2009.

New Strategic Plan to be adopted by City Council in June of 2010.

Business plans are begin created to link that Strategic Plan more tightly with the very detailed performance based budget that contains approximately 165 programs and 470 activities.

Long Term Capital Planning

Has the organization created a long-term capital improvement program?

Ten year CIP (budget year plus 9 years) approved annually by City Council.

CIP presents all known capital needs over the period, and prioritizes between those needs that can be funded through reasonable levels of cash capital, debt and special revenues, and those that are unfunded at the moment, and put on a "wait list" for possible future funding.

CIP funding linked to operating budget (simultaneously considered and passed by City Council).

CIP future funding linked to 10 year long range forecast, which includes cash capital and debt service costs over that time period from approved CIP.

The City also maintains a separate equipment replacement fund that is primarily used to fund the replacement of vehicles and other heavy equipment through regular depreciation charges to the annual operating budget.

The City also maintains a similar, separate computer replacement fund used to replace and modernize desk top computer equipment.

Investment Management Policies

Has the organization established policies pertaining to investments, such as the selection of financial institutions for services and transactions; risk assessment; investment objectives; investment maturities and volatility; portfolio diversification; safekeeping and custody; and investment performance reporting, benchmarking and disclosure?

Formal written investment policies exist for short-term investments.

As of July 1, 2008 the City started using the Commonwealth of Virginia's Local Government Investment Pool.

The City also started using the Certificate of Deposit Account Registry Service (CDARS) program in the spring of 2010 to invest a portion of its short term investments in a ladder of short term bank certificates of deposit guaranteed by the Federal Deposit Insurance Program. New investments in these CDs are competitively bid to a group of banks in the region who participate in the program.

Formal written investment policies exist for long-term (i.e., pension fund) investments.

Actuarial assumptions reviewed annually.

Financial consultant employed to monitor performance of long-term investments and investment managers.

Primary bank for City day-to-day revenue collection, check writing, and other banking services is competitively selected.

Formal asset allocation policies for long term investment created after studies of risk and returns were evaluated have been adopted and are in place.

Financial reporting on investments created and issued quarterly to pension board and to City staff.

Debt Management Policies

Has the organization established policies pertaining to the issuance of debt, such as projects that may or may not be funded with debt (including economic development projects); maturity and debt service structure; use of security and pledges, credit enhancement, and derivatives; and debt refunding guidelines?

Debt Related Financial Policy Guidelines were adopted by the City Council in 1987, and have been formally amended when appropriate. The adopted debt policy guidelines that provide target and limits for the following debt ratios:

Debt as a percent of fair market value of real property (target 1.1%; limit 1.6%)

Debt as a percent of total personal income (target 3.2%; limit 4.5%)

Debt Services as a percent of general government expenditures. (target 8.0%; limit 10%.)

Debt ratio performance is recalculated at the beginning of the budget process to frame the capital planning discussion, and are rerun simultaneous to capital project decision making to ensure debt policies are followed.

Practice is to keep CIP at least 1/4 cash funded.

City's debt issuance practices have been to issue fixed rate general obligation bonds with an aggressive payback period.

Swaps and variable rate debt have not been authorized by City Council.

Debt policy guidelines also establish specific policies and expectations related to financial and debt management:

CIP will rely on current revenue, including fund balance, to finance its short-lived and maintenance oriented capital improvements.

City believes in funding a significant portion of CIP on pay-as-you-go basis.

The priority to consider when additional General Fund revenues are available at the end of the fiscal year would be a designation within fund balance for pay-as-you-go capital.

The City will not issue tax or revenue anticipation notes to fund ongoing governmental operations.

The City manages its cash in a fashion that will prevent borrowing to meet working capital needs.

The City will not issuing bond anticipation notes (BAN) for a period of longer than 2 years.

If BAN issued, will be converted to long-term bond or redeemed, but it will not be rolled over.

The City's CIP states what type of projects are eligible for inclusion in the CIP.

> "Expenditure of more than $10,000 that acquires, expands, repairs, or rehabilitates a physical asset with a useful life of at least three years. It does not include day-to-day maintenance expenditures such as custodial or janitorial services, painting, minor (less than $10,000) carpentry, electrical and plumbing repairs, or repair or routine replacement of fixtures or furniture."

Reserve and Liquidity Policies

Has the organization established a formalized operating reserve policy, which takes into account the government's cash flow/operating requirements and the historic volatility of revenues and expenditures through economic cycles?

Debt Related Financial Policy Guidelines established by City Council states that:

> The City will maintain at an unreserved fund balance of at least 10% of general fund revenues.
>
> The City will maintain a target of 5.5% and a minimum of 4.0% undesignated fund balance as a percent of general fund revenues.
>
> These two ratios compare favorably with the reserve balances maintained by other triple A rated jurisdictions of similar size in the Metropolitan Washington area.
>
> The City will not finance recurring operations from the General Fund equity balance for periods longer than two years as confirmed by the audited financial statements.
>
> If the audited financial statements confirm that recurring operations have been financed from the General Fund equity balance for periods longer than two years, the next ensuing budget will rely on any General Fund equity balance.
>
> With the exception of the unreserved fund balance minimum, the City has conformed to these guidelines, first established in 1987, over the years.
>
>> The unreserved fund balance was below the 10% minimum limit at the end of FY 2009. It was 9.3%. This situation was caused in large part by the spend-down of prior year surpluses in FY 2009 for a $4.2 million initial down payment to the new post-retirement benefits trust fund (OPEB) and a $7.35 million contribution to cash capital for the CIP.
>>
>> Staff believes that going below this ratio, while of long-term concern, was an appropriate financial management response to the current recession caused revenue shortfall, given the City's overall financial health, the strength of our undesignated fund balance ratio (which was 5.5% of general fund revenues at the end of FY 2009 and equal to the target of 5.5% and significantly above the limit of 4.0%), and other underlying economic fundamentals.

It is now expected that the ratio of unreserved fund balance to general fund revenues will rise to 10.2% at the end of FY 2010s, slightly above the minimum 10.0% limit. This improvement is a result of expenditure savings of $8.9 million and revenue increases above the initial budget of $1.7 million, as well as a decline in the planned use of fund balance in FY 2010 for cash capital to $0.2 million and to $2.8 million for OPEB.

To stay above 10.0% at the end of FY 2011 will require about $5.5 million in either expenditure savings and/or surplus revenues. This is not unrealistic given the City's track record in using conservative revenue projections and ability to control expenditures during the year to budged levels or below.

Annual cash flow projections undertaken to determine liquidity needs and to insure sufficient cash is on hand or reasonably accessible to meet expenditure needs.

Revenues and expenditures monitored monthly, and actions taken if revenues and expenditures vary materially from the adopted budget.

On June 13, 2008, Standard and Poor's issued a document describing its Top 10 Management Characteristics of Highly Rated Credits In U.S. Public Finance. Many of those characteristics repeat what was previously listed in its financial management assessment public finance criteria issued in June of 2006 and discussed above. However, there are a couple of additional characteristics mentioned in this newer document.

Prioritized Spending Plans and Established Contingency Plans for Operating Budgets

It is good public policy to have contingency plans and options to address budget imbalance when it occurs. This would include an analysis of the following:

What part of the budget is discretionary;
What spending areas can be legally or practically reduced;
The time frame necessary to achieve reductions of various programs;
Where revenue flexibility exists; and
A course of action on the revenue side under various economic scenarios.

Our activity in this regard can be summarized as follows:

We have restructured the City's budget through the Managing for Results Initiative to show approximately 165 programs and 470 activities.

For each activity the cost, and number of employee positions are shown, as well as measures of output, efficiency and quality of service.

We believe this transparent display of budget information allows City Council and the public to see and evaluate the relative value of City programs and activities at a level of detail that would permit, if necessary, the hard choices that may need to be made if the City's revenue outlook deteriorates.

City Council has reformed the budget process in order to provide guidance to City staff in the fall of each year that sets clear expectations and provides a transparent process. These policies and procedures should help us address future budget challenges.

The reformed budget process, first adopted in May of 2005, gives Council a mechanism to review the budget outlook in the fall and set specific parameters for the City staff in development of the proposed budget and Capital Improvement Program.

These reforms have been fine tuned over the last few budgets and are working well through the conclusion of the Fiscal Year 2011 budget process.

We have been conducting efficiency and best practices studies of individual departments and programs through outside consultants.

These studies have identified some relatively modest efficiency savings (in the range of hundreds of thousands of dollars in each study) as well as program improvements (sometimes costing nearly as much).

These studies, and others to come, allow us to examine each department and program in the depth required to find true efficiencies and to benchmark ourselves against best practices found in other comparable jurisdictions.

A key study has concluded of the City's Personnel Classification and Compensation policies and procedures. The pay and benefits provided to City and Schools employees constitute the single largest type of expense of City government.

We must ensure that pay and benefits are adequate to attract and keep an excellent workforce, but our future financial sustainability requires us to be prudent in our pay and benefits decisions so that we both compete in the regional labor market for our employees and recognize our financial limitations.

This study of City employee pay and benefits was used to inform Council in its deliberations on the FY 2010 and the FY 2011 budgets.

We are closely monitoring our revenues, expenditures and staffing levels during the fiscal year.

City staff has provided Council with detailed monthly expenditure and revenue status reports for many years.

Given its transitional nature and high degree of uncertainty, we have been closely monitoring sales and values in the real estate market, as well as other key revenue trends, such as interest earnings.

We have internal reports that monitor citywide and departmental on-board staffing levels compared with authorized staffing levels.

We also ask departments to periodically project their spending through the end of the fiscal year and have measures in place to ensure orderly year-end spending practices.

We have already been monitoring closely the amount of vacancy savings captured in our budget process.

In the FY 2011 approved budget we have maintained vacancy savings in department budgets of $3.8 million. This compares with $3.1 million taken out of the FY 2005 budget.

These vacancy savings have been taken very precisely to reflect both the size and past experience of each department with turnover and actual vacancy savings in prior years. They have been reduced in FY 2011 from the FY 2010 level to reflect the elimination of 119 positions, in the FY 2010 budget and the reduction of an additional 62 positions in the FY 2011 budget, many of them vacant.

We have instituted a procedure for the City Manager to review individual vacancies on City Staff before allowing action to proceed to fill those vacancies. This has allowed the City to tighten down on hiring immediately and in a targeted manner, to the extent that may be necessary. Vacancies have risen to approximately 230 to 240 or 9% of the regular workforce under this procedure.

City Council has the ability through the monthly Capital Improvement Program allocation docket items to control capital spending.

Each of the months that Council is in session, City Staff presents a request for Council to release ("allocate") funds for upcoming CIP projects that are ready to go.

Combined with this monthly allocation process, as City Staff begin to adopt the discipline required by the phased approval process for major CIP projects, City Council and the City Manager have had the ability to slow down the pace of capital spending.

We continue to maintain adequate undesignated fund balances that are available to ensure a final backstop against an unexpected major decline in revenues in FY 2010 or FY 2011.

Our current estimated undesignated fund balance of $27.2 million at the end of FY 2010 is 5.1 percent of FY 2010 General Fund Revenues. This number includes a $2.0 million set aside specifically as a "FY 2011 Revenue Shortfall Reserve" intended to provide a cushion against possible further deterioration in revenues beyond what is already projected. This ratio is slightly below City Council's Target of 5.5 percent and well above the limit of 4.0 percent.

This balance is sufficient protection, in the highly unlikely case the above measures, or other measures which may be needed to be crafted and implemented, are not sufficient to protect us against further deterioration in the economy.

Using this fund balance would be a last resort, and ultimately we will make sure there are no major, sudden dislocations of services.

Long-Term Planning for All Liabilities of Government

Long-term planning for all liabilities of a government, including pension obligations, other post employment benefits and other contingent obligations would be optimal and allow for comprehensive assessment of future budgetary risks.

The City has recently instituted a plan, including the creation of a trust fund for funding Other Post Employment Benefits (health and life insurance)

According to the most recent actuary study, the estimated unfunded liability of $99.1 million (both City and Schools) requires an estimated $12.5 million annual required contribution assuming a 7.5% annual return to the trust fund.

Beginning in FY 2009, the City and Schools have begun a process to reach that level of annual required contribution by FY 2018.

The Schools will create a separate trust for OPEB funds. The Schools are already contributing 100% of their ARC.

The City will gradually draw down and deposit in the trust $10.7 million designated in fund balance for this purpose. $3.7 million remains to be drawn down in FY 2010 and beyond.

Gradually, the city will increase its level of new funding from current revenues from $1.7 million (in the approved FY 2011 budget) to $2.7 million in FY 2015.

Together with current pay-go contributions and cost pool subsidy amounts with active employees, the percent of the annual contribution funded will be at 86% in FY 2011 and reach 100% by FY 2018.

Other actions have been taken to control OPEB costs.

The City previously had established a fixed dollar contribution of $260 a month (in lieu of % of premium) for retiree health benefits.

Also, the City has changed the policy so that for new employees this benefit will be graduated by length of service.

The City has examined the level of life insurance provided to its retired employees and decided to eliminate this benefit for new employees hired after June 30, 2009.

The City of Alexandria's budget does not contain many component units operating outside of the primary general government budget that pose a financial risk to the City's fiscal condition.

Only three component units are outside of the primary government budget, the Schools, the Library and the locally operated bus transit company.

Each of them receives the bulk of their funding from the City through annual appropriations controlled by Council and do not have the power to enter into debt obligations on their own.

Effective Management and Information Systems

Investing in systems that improve the efficiency and effectiveness of a government unit and enhance overall service delivery is a positive financial management tool. Investment in financial management and information technology infrastructure has been significant during the past decade. To the extent that these changes improve financial reporting and monitoring capabilities, they enhance transparency and are viewed as a positive credit factor.

The City of Alexandria prepares an annual information technology plan as part of its annual Capital Improvement Program.

This plan is a 10 year plan of information systems for public access, financial and human resource management, geographic information systems, public safety systems, recreation systems, and other program specific systems.

It also provides 10 year plan for basis information infrastructure projects, such as local area network services, wide area network services, and enterprise services.

The City of Alexandria also maintains a computer replacement fund that charges depreciation to the users so that timely replacement and modernization of desk top computer equipment can occur on a regular cycle.

The City is looking at the replacement of its financial and human resource management systems. Funding is programmed in the CIP for this purpose in FY 2010 and FY 2011.

Economic Development Strategy

Economic development programs have expanded rapidly over the last 20 years. The question for state and local governments now is not whether there should be a formal economic development program, but rather how significant a resource commitment should be dedicated to running these programs and offering incentives. These are clearly government policy decisions involving cost benefit analysis that are generally outside the credit rating process. However, if these economic development programs and strategies create employment, enhance diversification, and general solid income growth, they could have a positive effect on a government credit rating over the long-term. To the extent that there is a net revenue benefit to the government, it could also be a positive credit factor. Economic development strategies have increasingly become regional in nature and there has been a more coordinated approach between state and local governments.

On December 15, 2007, the City adopted, in principal the recommendations of a blue ribbon Economic Sustainability Work Group.

The Work Group created an Economic Vision

A 21st Century, knowledge based, creative class, diverse community with a high quality of life.

A place where business can locate and grow.

A place where planning and land use encourage smart fiscal practices with historic preservation.

Where City government is responsive to all.

Where taxes generated by commercial activities fund community needs and help reduce taxes paid by residents and local businesses.

The Work Group identified strategies for achieving that vision.

Close-in urban location

Low unemployment

High per capital and household income

High quality of life

Strong demand for housing

Well-educated population

Low crime

Tax base growth strong

Wide range of government services

Historic preservation

Top AAA/Aaa bond ratings

The Work Group make over 100 recommendations covering a wide range of topic areas. The Work Group organized the recommendations into 10 key topic areas.

- Metrorail
- Commercial Economic Activity
- Potomac Waterfront Potential
- Landmark Mall
- Leveraging the City's Assets
- Travel and Tourism
- Focus of Economic Development Activities
- Responsiveness of City Bureaucracy and City Processes
- Organization and Vision and Performance of Economic Development Functions
- Tax Structure

Council approved the establishment of an Economic Sustainability Implementation Monitoring Committee to ensure that these recommendations are addressed. The Committee will:

- Receive regular reports from City departments and economic development-related agencies on the status of implementation of the recommendations.
- Advise on implementation priorities, as well as assist in developing implementation strategies and monitoring the status of implementation.
- Advise on outcome and impact metrics of economic development activities.
- Provide periodic reports to Council, and
- Monitor and review the status of the implementation of the recommendations of Small Business Task Force.