Community Development Block Grant (CDBG) funding by project

Project	FY 2026 Funding Distribution
City Administration	$137,537
Diamond Hill Neighborhood Plan – Phase 2 Improvements (Dunbar Schoolyard)	500,795
Miriam's House/CVCoC Coordinated Homeless Intake and Access	65,000
Miriam's House – Extreme Weather Center	32,127
Blue Ridge Mountains Council, Inc. Boy Scouts of America - Scoutreach	15,520
TOTAL	**$750,979**

Note: The Adopted FY 2026 amount does not match the FY 2026 Funding Distribution total because the amount of Federal Entitlement has been adjusted to reflect the actual amount received.

Children's Services Act (CSA) Fund. The CSA Program provides services to children and youth who come before the local Family and Planning Assessment Team (FAPT) and the Lynchburg Community Policy Management Team (CPMT). Juvenile Services provides administrative supervision to the CSA staff.

	Actual FY 2025	Adopted FY 2026	Department Submitted FY 2027	Manager's Proposed FY 2027	Adopted FY 2027
CHILDREN'S SERVICES ACT (CSA) FUND POSITION SUMMARY					
Grant Funded Full-Time	1	1	1	1	1
TOTAL FTE	**1**	**1**	**1**	**1**	**1**
CHILDREN'S SERVICES ACT (CSA) FUND BUDGET SUMMARY					
REVENUES					
Intergovernmental - Public Assistance	$10,176,071	$6,667,909	$6,667,909	$6,667,909	$6,667,909
Contribution from the General Fund	3,230,937	2,575,950	2,575,950	2,575,950	2,575,950
Contribution from Lynchburg City Schools	196,541	196,541	196,541	196,541	196,541
Special Welfare Recoupments	102,918	50,000	50,000	50,000	50,000
Children's Services Act Parental Co-Payments	16,776	9,500	9,500	9,500	9,500
Miscellaneous Revenue	0	100	100	100	100
Use of (Additions to) Unassigned Fund Balance	194,789	0	0	0	0
TOTAL REVENUES	**$13,918,032**	**$9,500,000**	**$9,500,000**	**$9,500,000**	**$9,500,000**
EXPENDITURES					
Salaries	$50,297	$50,170	$51,418	$51,418	$51,418
Employee Benefits	22,731	22,745	24,314	24,314	24,314
Administrative	750	1,651	1,651	1,651	1,651
Mandated - Foster Care	7,366,511	1,411,000	5,358,183	5,358,183	5,358,183
Mandated - Special Education	6,463,868	7,638,527	3,688,527	3,688,527	3,688,527
Non-Mandated Services	13,875	375,907	375,907	375,907	375,907
TOTAL EXPENDITURES	**$13,918,032**	**$9,500,000**	**$9,500,000**	**$9,500,000**	**$9,500,000**

Children's Services Act (CSA) Fund Budget Description

The Department Submitted FY 2027 Children's Services Act (CSA) Fund budget of $9,500,000 represents no change compared to the Adopted FY 2026 budget.

Highlights of the Department Submitted FY 2027 budget include:

- $2,817 increase in Salaries and Employee Benefits reflecting adjustments resulting from the 2.5% cost of living adjustment adopted by City Council for FY 2026 as well as the increase for the employer's share for health insurance.
- $2,817 net decrease in Mandated - Foster Care and Mandated - Special Education costs to better allocate funds based on spending and to meet the maximum City Cost allocation.

All major items submitted were proposed by the City Manager for funding.

The Manager's Proposed FY 2027 Children's Services Act (CSA) Fund budget was adopted by City Council without change.

Forfeited Assets Fund. Established as required by the Commonwealth of Virginia to monitor the receipts of assets seized as a result of police investigations of criminal activity. The seizure of assets is a civil forfeiture based upon probable cause to believe the asset was used in substantial connection to a drug violation. Upon judicial action authorizing such seizure, the asset is remitted to the Commonwealth of Virginia. The State is allocated a portion of the seizure and returns the balance to the respective locality to allocate between the Police Department, Commonwealth Attorney, Sheriff and other municipalities, if appropriate. The expenditure of these funds must be related to law enforcement purposes. Per State Code it is not appropriate to budget or anticipate revenues in this fund; therefore, only figures for actual revenues can be demonstrated in the budget. Represented in the columns below are the respective allocations received from the State and allowable expenditures. Due to the delicate nature of these expenditures, they have not been itemized. This fund will be reviewed each year at the annual Carry Forward/First Quarter Adjustments and Third Quarter Reviews to adjust for revenues and expenditures.

	Actual FY 2025	Adopted FY 2026	Department Submitted FY 2027	Manager's Proposed FY 2027	Adopted FY 2027
FORFEITED ASSETS FUND BUDGET SUMMARY					
REVENUES					
State Asset Forfeiture	$22,669	$0	$0	$0	$0
Federal Asset Forfeiture	81,184	0	0	0	0
Interest	6,957	0	0	0	0
Use of (Additions to) Unassigned Fund Balance	(14,043)	0	0	0	0
TOTAL REVENUES	**$96,767**	**$0**	**$0**	**$0**	**$0**
EXPENDITURES					
Judicial Administration	$23,763	$0	$0	$0	$0
Public Safety	73,004	0	0	0	0
TOTAL EXPENDITURES	**$96,767**	**$0**	**$0**	**$0**	**$0**

Forfeited Assets Fund Budget Description

No funds are requested for FY 2027.

HOME Investment Partnerships Program Fund. The Program is designed to assist first-time, low-income homebuyers with the purchase of a home, as well as rehabilitation of owner-occupied homes and incentives to support development, redevelopment, and rehabilitation of affordable owner-occupied and rental housing. The City receives federal funding each year for this program. Any unexpended funds at year-end are carried forward into the next fiscal year.

	Actual FY 2025	Adopted FY 2026	Department Submitted FY 2027	Manager's Proposed FY 2027	Adopted FY 2027
HOME INVESTMENT PARTNERSHIPS PROGRAM FUND POSITION SUMMARY					
Grant Funded Full-Time	0.2	0.2	0.2	0.2	0.2
Grant Funded Part-Time	0.2	0.2	0.2	0.2	0.2
TOTAL FTE	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**
HOME INVESTMENT PARTNERSHIPS PROGRAM FUND BUDGET SUMMARY					
REVENUES					
Federal Entitlement	$176,775	$378,083	$320,518	$320,518	$324,753
Use of (Additions to) HOME Fund Balance	5,834	0	0	0	0
TOTAL REVENUES	**$182,609**	**$378,083**	**$320,518**	**$320,518**	**$324,753**
EXPENDITURES					
Salaries	$27,449	$26,232	$26,887	$26,887	$26,887
Employee Benefits	5,734	5,665	6,007	6,007	6,007
Contractual Services	148,448	342,986	284,424	284,424	288,659
Other Charges	978	3,200	3,200	3,200	3,200
TOTAL EXPENDITURES	**$182,609**	**$378,083**	**$320,518**	**$320,518**	**$324,753**

HOME Investment Partnerships Program Fund Budget Description

The Department Submitted FY 2027 HOME Investment Partnerships Program budget of $320,518 represents a 15.2% decrease of $57,565 compared to the Adopted FY 2026 budget of $378,083.

Highlights of the Department Submitted FY 2027 budget include:

- $58,562 decrease in Contractual Services reflecting a change in subrecipient project allocations.

All major items submitted were proposed by the City Manager for funding.

The Manager's Proposed FY 2027 HOME Investment Partnerships Program Fund budget was adopted by City Council with the following change(s):

- $4,235 increase in Contractual Services reflecting a change in subrecipient project allocations to reflect the final entitlement amount.

HOME Investment Partnerships Program funding by project

Project	FY 2026 Funding Distribution
City Administration	$30,000
Rush Homes – Carolyn's Place – Rental Housing (CHDO)	103,689
Habitat for Humanity – Homeownership Program	180,915
Lyn-CAG – First Time Homebuyer Down Payment Assistance	105,915
TOTAL	**$420,519**

Note: The Adopted FY 2026 amount does not match the FY 2026 Funding Distribution total because the amount of Federal Entitlement has been adjusted to reflect the actual amount received and reprogrammed funds.

Lynchburg Expressway Appearance Fund (LEAF). The Lynchburg Expressway Appearance Fund (LEAF) accounts for any pledges and donations from citizens and businesses for the beautification of major transportation corridors throughout the City by the planting of trees, shrubs, and flowerbeds.

	Actual FY 2025	Adopted FY 2026	Department Submitted FY 2027	Manager's Proposed FY 2027	Adopted FY 2027
LYNCHBURG EXPRESSWAY APPEARANCE FUND (LEAF) BUDGET SUMMARY					
REVENUES					
Revenue from pledges and donations	$0	$0	$0	$0	$0
Use of (Additions to) Unassigned Fund Balance	29,415	75,000	75,000	75,000	75,000
TOTAL REVENUES	**$29,415**	**$75,000**	**$75,000**	**$75,000**	**$75,000**
EXPENDITURES					
Contractual Services	$17,755	$40,000	$40,000	$40,000	$40,000
Other Charges	11,660	35,000	35,000	35,000	35,000
TOTAL EXPENDITURES	**$29,415**	**$75,000**	**$75,000**	**$75,000**	**$75,000**

Lynchburg Expressway Appearance Fund (LEAF) Budget Description

The Department Submitted FY 2027 Lynchburg Expressway Appearance Fund (LEAF) budget of $75,000 represents no change compared to the Adopted FY 2026 budget.

All major items submitted were proposed by the City Manager for funding.

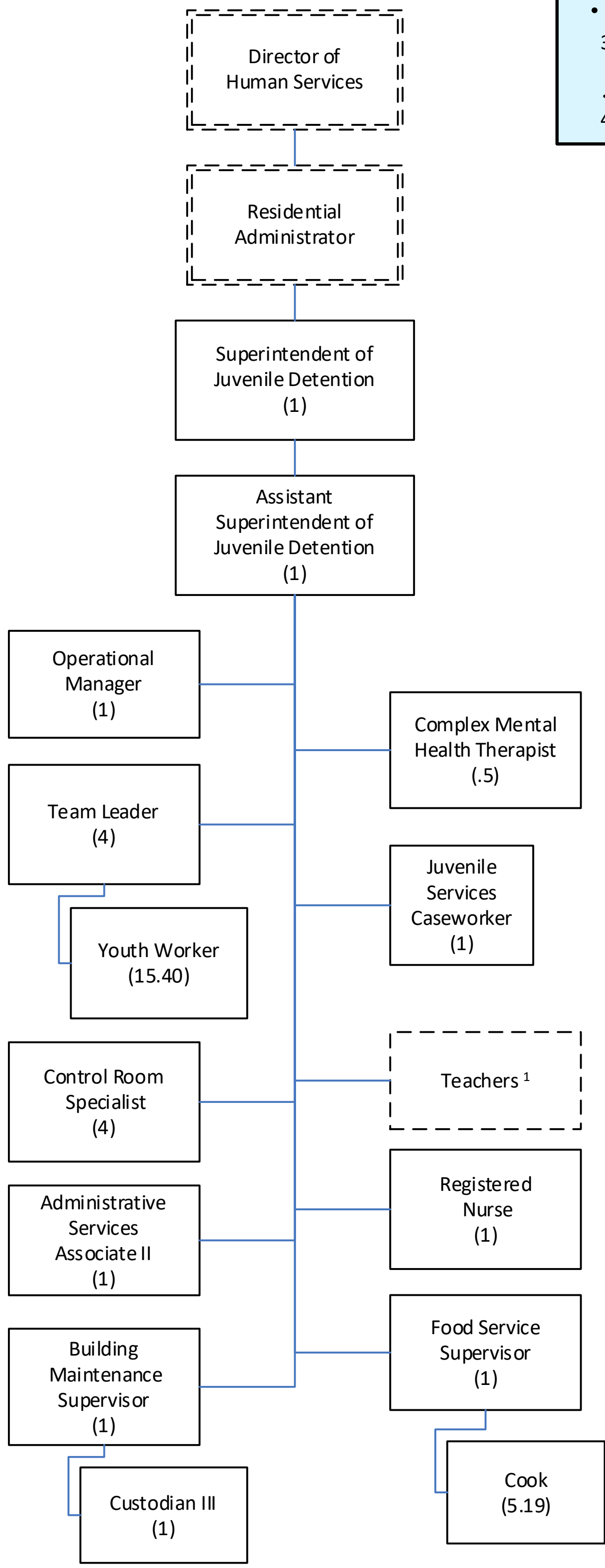
The Manager's Proposed FY 2027 Lynchburg Expressway Appearance Fund (LEAF) budget was adopted by City Council without change.

Regional Juvenile Detention Center

Position Summary

38.09 City Funded Positions
4.53 Hourly Positions

42.62 Total Funded Positions



[1] *Administered by the Lynchburg City Schools*

Regional Juvenile Detention Center Fund. The Detention Center provides a secure facility to house and care for juvenile offenders in the City of Lynchburg as well as the Counties of Amherst, Appomattox, Bedford, Campbell, and Nelson under the purview of the law who are awaiting disposition of their charges by the Juvenile and Domestic Relations Court or transportation to a State facility. Post-dispositional services are also available for up to nine juveniles. The Lynchburg Regional Juvenile Detention Center Advisory Board provides guidance and insight to the operations of the Detention Center.

	Actual FY 2025	Adopted FY 2026	Department Submitted FY 2027	Manager's Proposed FY 2027	Adopted FY 2027
REGIONAL JUVENILE DETENTION CENTER FUND POSITION SUMMARY					
City Funded Full-Time	34.50	35.50	35.50	35.50	35.50
City Funded Part-Time	2.59	2.59	2.59	2.59	2.59
City Funded Hourly	4.53	4.53	4.53	4.53	4.53
TOTAL FTE	**41.62**	**42.62**	**42.62**	**42.62**	**42.62**
REGIONAL JUVENILE DETENTION CENTER FUND BUDGET SUMMARY					
REVENUES					
Charges for Services	$2,035,165	$2,620,722	$2,633,919	$2,633,919	$2,633,919
Intergovernmental - State	1,264,870	1,226,442	1,233,140	1,233,140	1,233,140
Intergovernmental - Federal	49,075	50,000	0	0	0
Juvenile Justice State Ward Per Diem	14,200	8,000	8,000	8,000	8,000
Lease Financing	8,247	0	0	0	0
TOTAL REVENUES	**$3,371,557**	**$3,905,164**	**$3,875,059**	**$3,875,059**	**$3,875,059**
EXPENDITURES					
Salaries	$1,958,274	$2,149,478	$2,134,156	$2,134,156	$2,134,156
Employee Benefits	622,050	848,439	897,893	897,893	897,893
Contractual Services	76,639	68,040	66,322	66,322	66,322
Internal Service Charges	16,336	17,610	17,199	17,199	17,199
Other Charges	325,232	294,700	302,084	302,084	302,084
Indirect Costs	250,922	272,161	335,516	335,516	335,516
Self-Insurance	32,739	33,147	33,530	33,530	33,530
Rentals and Leases	2,428	3,410	3,410	3,410	3,410
Capital Outlay	8,247	0	0	0	0
Debt Service	9,927	9,892	10,010	10,010	10,010
Non-Departmental	68,763	198,704	74,939	74,939	74,939
Transfer to Fleet Fund for Vehicle Replacement	0	9,583	0	0	0
TOTAL EXPENDITURES	**$3,371,557**	**$3,905,164**	**$3,875,059**	**$3,875,059**	**$3,875,059**

Regional Juvenile Detention Center Fund Budget Description

The Department Submitted FY 2027 Regional Juvenile Detention Center Fund budget of $3,875,059 represents a 0.8% decrease of $30,105 compared to the Adopted FY 2026 budget of $3,905,164.

Highlights of the Department Submitted FY 2027 budget include:

- $34,132 increase in Salaries and Employee Benefits reflecting adjustments resulting from the 2.5% cost of living adjustment adopted by City Council for FY 2026 as well as the increase for the employer's share for health insurance.
- $1,718 decrease in Contractual Services reflecting moving software licenses to Other Charges.
- $7,384 increase in Other Charges reflecting inflationary cost of custodial supplies, an increase in cable service expense, and the subscription expense of Office 365 licenses being moved to the correct code from Contractual Services.
- $63,355 increase in Indirect Costs reflecting the Maximus indirect cost study for FY 2024.
- $123,765 decrease in Non-Departmental reflecting Virginia Retirement System (VRS) and group life rate reductions offset by the proposed 2.5% cost of living increase for FY 2027 and moving the increase in health insurance cost from non-departmental to Employee Benefits.
- $9,583 decrease in Transfer to Fleet Fund for vehicle replacement that occurred in FY 2026.

All major items submitted were proposed by the City Manager for funding.

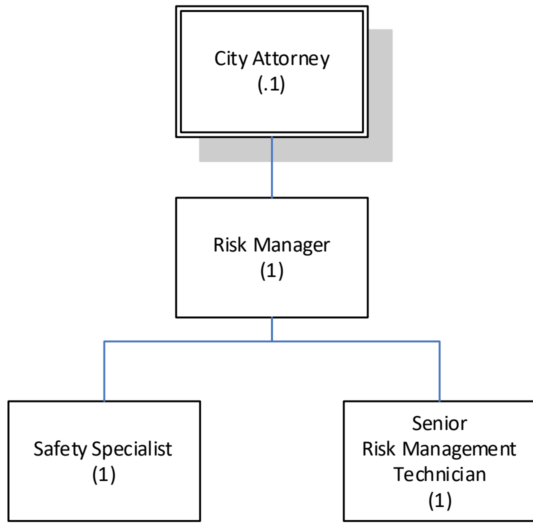
The Manager's Proposed FY 2027 Regional Juvenile Detention Center Fund budget was adopted by City Council without change.

Risk Management Office

Position Summary

3.1 City Funded Positions

3.1 Total Funded Positions



Risk Management Fund. The Risk Management Program was established by City Council effective January 1, 1986, as an alternative to the routine procurement of general liability and automobile liability insurance policies from commercial insurance companies. The program is funded through annual contributions from the General, Water, Sewer, Stormwater, Airport, Regional Juvenile Detention Funds, subrogation, and interest income. The claims placed in this fund are expended in lieu of insurance to settle liability claims filed against the City. These claims include both property damage and bodily injury claims. As part of the self-insurance program, the Risk Management Department conducts investigations for all claims. This includes documenting the scene, interviewing people involved, determining the City's liability and settling the claim. The City also purchases additional insurance coverages to reduce exposure to various other types of liability. These include airport liability, pollution liability, excess workers compensation, property coverage for City facilities, cyber liability, and volunteer coverage.

	Actual FY 2025	Adopted FY 2026	Department Submitted FY 2027	Manager's Proposed FY 2027	Adopted FY 2027
RISK MANAGEMENT FUND POSITION SUMMARY					
City Funded Full-Time	3.1	3.1	3.1	3.1	3.1
TOTAL FTE	**3.1**	**3.1**	**3.1**	**3.1**	**3.1**
RISK MANAGEMENT FUND BUDGET SUMMARY					
REVENUES					
General Fund	$1,428,460	$1,575,701	$1,694,074	$1,694,074	$1,694,074
Juvenile Detention Home	32,739	33,147	33,530	33,530	33,530
Water Fund	361,318	133,416	135,362	135,362	135,362
Sewer Fund	329,205	142,947	149,986	149,986	149,986
Sewer Fund - Waste Water Treatment Plant	161,168	112,994	114,613	114,613	114,613
Airport Fund	74,103	65,570	65,379	65,379	65,379
Stormwater Fund	60,303	52,072	55,291	55,291	55,291
Transfer from General Fund	10,126	0	0	0	0
Interest Earnings	31,835	0	0	0	0
Use of (Additions to) Unassigned Fund Balance	(157,217)	0	0	0	0
TOTAL REVENUES	**$2,332,040**	**$2,115,847**	**$2,248,235**	**$2,248,235**	**$2,248,235**
DEPARTMENTAL					
Salaries	$225,926	$225,511	$237,071	$237,071	$237,071
Employee Benefits	90,513	90,921	98,072	98,072	98,072
Contractual Services	900	3,600	3,600	3,600	3,600
Internal Service Charges	3,201	5,637	5,637	5,637	5,637
Other Charges	14,549	27,250	27,250	27,250	27,250
TOTAL DEPARTMENTAL EXPENDITURES	**$335,089**	**$352,919**	**$371,630**	**$371,630**	**$371,630**
NON-DEPARTMENTAL					
Insurance and Claims	$1,996,951	$1,740,105	$1,876,605	$1,876,605	$1,876,605
Non-Departmental	0	22,823	0	0	0
TOTAL NON-DEPARTMENTAL EXPENDITURES	**$1,996,951**	**$1,762,928**	**$1,876,605**	**$1,876,605**	**$1,876,605**
TOTAL EXPENDITURES	**$2,332,040**	**$2,115,847**	**$2,248,235**	**$2,248,235**	**$2,248,235**

Risk Management Fund Budget Description

The Department Submitted FY 2027 Risk Management Fund budget of $2,248,235 represents a 6.3% increase of $132,388 compared to the Adopted FY 2026 budget of $2,115,847.

Highlights of the Department Submitted FY 2027 budget include:

- $18,711 increase in Salaries and Employee Benefits reflecting adjustments resulting from the 2.5% cost of living adjustment adopted by City Council for FY 2026 as well as the increase for the employer's share for health insurance.
- $136,500 increase in Insurance and Claims reflecting the increased premium costs.
- $22,823 decrease in Non-Departmental reflecting Virginia Retirement System (VRS) and group life rate reductions offset by the proposed 2.5% cost of living increase for FY 2027 and moving the increase in health insurance cost from non-departmental to Employee Benefits.

All major items submitted were proposed by the City Manager for funding.

The Manager's Proposed FY 2027 Risk Management Fund budget was adopted by City Council without change.

Special Welfare Fund. Accounts for monies received by Social Services to be used for those persons in the custody of the City and those receiving public assistance. The funds received are Christmas donations for children in the City's custody as well as restitution payments made by individuals who received public assistance for food stamps and fuel. Those monies are not part of the locality's reimbursements for regular program and administrative costs incurred by the City in delivering services to the citizens. Also, funds are received from the Health Department for pre-screening of clients by Social Workers. These funds are used for various Social Services expenses.

SPECIAL WELFARE FUND BUDGET SUMMARY	Actual FY 2025	Adopted FY 2026	Department Submitted FY 2027	Manager's Proposed FY 2027	Adopted FY 2027
REVENUES					
Donations and Restitutions	$33,677	$69,324	$69,324	$69,324	$69,324
Interest	6,568	1,200	1,200	1,200	1,200
Use of (Additions to) Unassigned Fund Balance	(12,196)	0	0	0	0
TOTAL REVENUES	**$28,049**	**$70,524**	**$70,524**	**$70,524**	**$70,524**
EXPENDITURES					
Christmas Fund	$2,419	$8,000	$8,000	$8,000	$8,000
Food Stamps Restitution	20,474	29,000	29,000	29,000	29,000
Interest / Fiscal Relief	0	900	900	900	900
Fuel Restitution	0	500	500	500	500
Pre-Screening Assessments	5,156	0	0	0	0
Fuel Assistance	0	300	300	300	300
TANF Restitution	0	22,824	22,824	22,824	22,824
Child-Care Restitution	0	5,000	5,000	5,000	5,000
APS Laptop Supplies	0	4,000	4,000	4,000	4,000
TOTAL EXPENDITURES	**$28,049**	**$70,524**	**$70,524**	**$70,524**	**$70,524**

Special Welfare Fund Budget Description

The Department Submitted FY 2027 Special Welfare Fund budget of $70,524 represents no change compared to the Adopted FY 2026 budget.

All major items submitted were proposed by the City Manager for funding.

The Manager's Proposed FY 2027 Special Welfare Fund budget was adopted by City Council without change.

Technology Fund. This fund provides for the ongoing replacement and enhancement of the City's technology infrastructure.

	Actual FY 2025	Adopted FY 2026	Department Submitted FY 2027	Manager's Proposed FY 2027	Adopted FY 2027
TECHNOLOGY FUND BUDGET SUMMARY					
REVENUES					
Use of Money and Property	$67,193	$55,000	$60,000	$60,000	$60,000
Miscellaneous	23,288	0	0	0	0
Transfer from General Fund	508,419	346,768	343,641	343,641	343,641
Use of (Additions to) Unassigned Fund Balance	28,256	331,287	555,171	555,171	555,171
TOTAL REVENUES	**$627,156**	**$733,055**	**$958,812**	**$958,812**	**$958,812**
EXPENDITURES					
Contractual Services	$280,379	$245,882	$288,948	$288,948	$288,948
Other Charges	325,325	347,673	512,664	512,664	512,664
Capital Outlay	21,452	139,500	157,200	157,200	157,200
TOTAL EXPENDITURES	**$627,156**	**$733,055**	**$958,812**	**$958,812**	**$958,812**

Technology Fund Budget Description

The Department Submitted FY 2027 Technology Fund budget of $958,812 represents a 30.8% percent increase of $225,757 compared to the Adopted FY 2026 budget of $733,055.

Highlights of the Department Submitted FY 2027 budget include:

- $43,066 increase in Contractual Services reflecting hardware/technical support for various network and telephony equipment and cellular monitoring of generators at the IT facility and Disaster Recovery site. Also includes a three-year software support renewal for the suite of tools for enterprise-level application development and warranty renewals for a server and Storage Area Network (SAN) device.
- $164,991 increase in Other Charges reflecting subscription software licensing to support security, disaster recovery, network, service management, and telephony systems; replacement or purchase of UPS (uninterrupted power supply) devices, network switches, and other network appliances. Also includes an increase in the number of desktop and laptop replacements.
- $17,700 increase in Capital Outlay reflecting phase two of the City-wide access point replacement project and replacing a switch that is out of warranty at the Public Library. Also includes the addition of costs to update GIS contours and aerials which have not been updated since 2017 and 2021 respectively. One-time expense budgeted in the Technology Fund to comply with the FY 2027 General Fund budget instructions.

All major items submitted were proposed by the City Manager for funding.

The Manager's Proposed FY 2027 Technology Fund budget was adopted by City Council without change.

Accrual Basis of Accounting – Method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows.

Adopted Budget – The budget approved by City Council and enacted through budget appropriation ordinances.

Affordable Care Act (ACA) – Federal legislation that mandates certain health benefit requirements.

Airport Fund – Supports the operation and maintenance of the Lynchburg Regional Airport. This fund is intended to operate on a self-sustaining or enterprise basis.

Appropriation – The legal authority granted by City Council to expend or obligate funds for a specific purpose. Appropriations may be adjusted during the fiscal year, either up or down, by amendment of City Council.

Assessment – The official valuation of property for purposes of taxation.

Assessment Ratio – The ratio which the assessed value of a taxed item bears to market value of that item. In the City of Lynchburg, real estate is assessed every other year at market value.

Audit – The objectives of an audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes the Auditor's opinions about whether the financial statements are fairly presented, in all material respects, and are in conformity with GAAP.

Balanced Budget – Occurs when total revenues equal total expenditures for a fiscal year; fund balance dollars above the Financial Policy limit of ten percent may be used to offset non-recurring expenditures.

Basis of Accounting – A term used to indicate when revenues, expenditures, expenses and transfers, as well as the related assets and liabilities are recognized in the accounts and reported in the financial statements.

Beginning Balance – Unexpended funds from the previous fiscal year, which may be used to fund one-time expenditures during the current fiscal year. This is also referred to as fund balance.

Blue Ridge Regional Jail Authority (BRRJA) – The Blue Ridge Regional Jail Authority, (the "Authority"), was created by member jurisdictions for the purpose of developing and operating a regional jail system by acquiring, renovating and expanding certain existing jail facilities and constructing additional jail facilities. The member jurisdictions are the City of Lynchburg and the Counties of Amherst, Appomattox, Bedford, Campbell, and Halifax. The Authority began operating the existing jail facilities in the member jurisdiction on July 1, 1998. The City sold its existing jail facilities to the Authority during fiscal year 1997. A new central jail facility was constructed in Lynchburg and opened in FY 2000. It is owned and operated by the Authority. Each member jurisdiction pays a per diem charge for each day that one of its prisoners is at any Regional Jail Facility. In accordance with the Service Agreement, the Authority has divided the per diem charge into an operating component and a debt service component. The per diem charge is based on an agreed upon number of prisoner days, and is subject to adjustment at the end of each fiscal year.

Bond – A written promise to pay a specified sum of money (called the principal) at a specified date in the future, together with periodic interest at a specified rate. In the budget document, these payments are identified as debt service. Bonds may be used as an alternative to tax receipts to secure funding for long-term capital improvements. General Obligation Bonds are debt approved by City Council to which the full faith and credit of the City is pledged. The State Constitution mandates that taxes on real property be sufficient to pay the principal and interest of such bonds.

Budget – A plan for the acquisition and allocation of resources to accomplish specified purposes. A plan of financial operations comprising of an estimate of proposed expenditures for a fiscal year and the proposed means of financing those expenditures (revenues). The term may be used to describe special purpose fiscal plans or parts of a fiscal plan, such as "the budget of the Police Department or the Capital Budget" or may relate to a fiscal plan for an entire jurisdiction, such as "the budget of the City of Lynchburg."

Budget Adoption – The official enactment by City Council to establish authority for the obligation and expenditure of resources.

Budget Document – The official written statement that outlines the annual budget.

Budget Schedule – The key dates or milestones that the City follows in preparing, considering and adopting the budget.

Budgetary Control – A mechanism whereby expenditures are monitored to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council.

Calendar Year (CY) – Twelve months beginning January 1 and ending December 31.

Capital Assets – Assets of long-term character which are intended to continue to be held or used by the City, including land, buildings, machinery and other equipment.

Capital Expenditure – An expenditure that results in the creation of an asset beyond the year in which that asset is provided. The City's capitalization threshold is $5,000 for equipment and $20,000 for buildings with a useful life as follows: land improvements 15-20 years; buildings and improvements: new construction 30-40 years and improvements 15-20 years; infrastructure 30-50 years; and machinery and equipment 5-10 years

Capital Improvement Program (CIP) – A five-year plan for public facilities, which results in construction or acquisition of capital assets, primarily buildings and infrastructure needs such as street re-paving. The program also includes funding for parks, sewers, sidewalks, major equipment and major items of capital equipment related to the new facilities. The following funds are included in the capital improvement program: City Capital Projects, School Capital Projects, Airport, Sewer, Stormwater and Water funds.

Capital Project Funds – Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by enterprise funds or trust funds.

Cash Management – A conscious effort to manage cash flows in such a way that interest and penalties paid are minimized and interest earned is maximized. Checks received are deposited the same day, bills are paid no sooner that the due date unless discounts can be obtained by paying earlier, future needs for cash are determined with exactness and cash-on-hand not needed immediately is invested in short-term interest-bearing investments.

Combined Sewer Overflow (CSO) – Occurs when heavy rainfall enters a combined sewer system, resulting in a volume of rainwater and sanitary wastewater that exceeds the system's capacity. Sewage is forced to overflow into area streams and rivers through CSO outfalls.

Component Unit – A legally separate organization that a primary government must include as part of its financial reporting entity for fair presentation in conformity with generally accepted accounting principles.

Comprehensive Plan – The Comprehensive Plan establishes a clear vision for the future of Lynchburg, identifies goals towards achieving that vision, creates policy guidance for public and private decision-makers, and identifies tasks that need to be pursued to make the Plan's vision and goals a reality. The 2013 – 2030 Comprehensive Plan was adopted by City Council in FY 2014 and can be found on the City's website at www.lynchburgva.gov.

Debt Service – Principal and interest payments on bond and capital lease long term debt.

Dedicated Revenue – Revenue designated for specific programs in the City including those designated by the federal or state government.

Department – An entity within the City organization established either by State Code or identified need, for the administration of specifically related duties or responsibilities. A department head is responsible for all expenditures and other activities assigned to that department.

Depreciation – The systematic and rational distribution of the cost of a tangible capital asset (less salvage value) over its estimated useful life.

Disbursement – A cash payment to an outside party, or a transfer of funds to another accounting entity within the City's financial system.

Division – For manageability and accounting purposes, some departments are further divided into smaller units of control, called divisions. For example, the Streets Division is part of the Department of Public Works.

Economic Development Authority (EDA) – Under the Code of Virginia, City Council passed an ordinance on March 14, 1967, which created the Industrial Development Authority of the City of Lynchburg (the "IDA"). The IDA was established to promote industry and develop trade within the City. The IDA is governed by a board of seven directors appointed by City Council. City Council, however, is not financially accountable for the IDA. In 2008 City Council changed the name from the Industrial Development Authority (IDA) to an Economic Development Authority (EDA) to more accurately reflect the work of the Authority beyond the focus of industrial development.

Encumbrance – A reservation of funds for an anticipated expenditure prior to actual payment for an item. Funds usually are reserved or encumbered once a contracted obligation has been entered into for an item, but prior to the cash payment actually being disbursed.

Enterprise Fund – A type of proprietary fund used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Expenditure – The authorized payment of City funds for goods and services. Expenditures include payment in cash for current operating expenses, capital improvement and debt service.

Fiduciary Fund – Custodial funds account for assets held by the City as a custodian for others and the City's custodial fund is the Special Welfare Fund.

Fiscal Year (FY) – A year-long accounting period. For the City of Lynchburg, the fiscal year is from July 1 to June 30 of the following year.

Fringe Benefits – The fringe benefit expenditures included in the budget are the City's share of an employee's fringe benefits. Fringe benefits provided by the City include: FICA taxes (Social Security and Medicare), health insurance, dental insurance, vision insurance, life insurance, retirement, unemployment insurance, and workers' compensation insurance.

Full-Time Equivalent (FTE) – Full-time equivalents; the total count of full-time and part-time classified as well as hourly personnel in a department or sub-department. Part-time classified and hourly personnel are shown as a percentage of a full-time position.

Fund – A fiscal and accounting entity with a self-balancing set of accounts, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Fund Balance – GASB 54 identifies the following as Fund Balance classifications:

Non-Spendable Fund Balance – Non-Spendable Fund balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted Fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed Fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority - City Council. These committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance – Assigned Fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or his/her designee, the Chief Financial Officer, in accordance with the Council adopted fund balance policy.

Unassigned Fund Balance – Unassigned Fund balance is the positive fund balance within the General fund which has not been classified as Restricted, Committed or Assigned and negative fund balances in other governmental funds.

General Accepted Accounting Principles (GAAP) – Uniform minimum standards and guidelines for financial accounting and reporting. GAAP encompasses the conventions, rules and procedures necessary to define accepted accounting practices.

General Fund – A fund type used to account for all revenues and expenditures of the City not required to be accounted for in other funds. Revenues are derived primarily from property taxes, local sales and use tax, utility taxes, licenses, permits, user fees and other sources. General Fund expenditures finance the daily operations of the City and include the costs of general government activities, transfers to other funds and debt service requirements. Included in the General Fund are the groups and programs discussed in that section of this budget.

Governmental Funds – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Intergovernmental Revenues – Revenues from other governments, such as state and federal in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

Internal Service Fund – A type of proprietary fund used to account for the financing of goods or services provided to other funds of the City, or to other governments, on a cost-reimbursement basis.

Investment Earnings – Revenue earned on investments with a third party. The City uses a pooled cash system, investing the total amount of cash regardless of fund boundaries. The interest earned is then allocated back to individual funds by average cash balance in that fund.

Lease-Purchase Agreement – An agreement that conveys the right to property or equipment for a stated period of time. It allows the City to spread the cost of the acquisition over several budget years.

Line Item – A specific expenditure category within a department budget. For example: supplies and materials, utilities or gasoline/diesel.

Major Fund – The General Fund is always a major fund. Other governmental funds are classified as major based on relative size (quantitative factors) or qualitative factors.

Maturities – The dates on which the principal or stated values of investments or debt obligations become due and/or may be reclaimed.

Non-Dedicated Revenue – Revenue that can be used at the City's discretion.

Operating Expenses – The portion of the budget pertaining to the daily operations that provides basic governmental services. Expenditures such as supplies and materials, utilities and gasoline/diesel fuel are considered operating expenditures.

Operating Transfers – Authorized amounts transferred between funds in the City's financial records that are not related to the provision of a specific service.

Personnel Services – A category of expenditures which primarily covers wages, salaries, overtime and fringe benefit costs paid to or on behalf of City employees.

Position – A group of duties and responsibilities, as prescribed by an office or agency, to be performed by a person on a full-time, part-time, or hourly basis.

Proposed Budget – The budget recommended for adoption by the City Manager to City Council.

Proposed Budget Overview – A general discussion of the proposed budget presented to City Council by the City Manager as a part of or supplement to the budget document. The proposed budget overview explains principal budget issues against the background of financial experience in recent years, and presents recommendations made by the City Manager.

Proprietary Funds – Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two types of proprietary funds: enterprise funds and internal service funds.

Public Assistance Payments – Payments made to individuals or organizations providing goods or services for individuals in accordance with the requirements of the federal and state public assistance programs.

Real Property – Real estate, including land and improvements (buildings, fences, pavements, etc.) classified for assessment.

Region 2000 Services Authority (RSA) – Established in 2008, the RSA serves the City of Lynchburg and Campbell County residents and businesses, as well as participating localities (Appomattox County and Nelson County), that transfer solid waste to the regional landfill.

Reserve – These accounts contain funds that have been set-aside for a specific purpose or use.

Revenue – Government income including but not limited to taxes, permits, fees, licenses, fines, and grants, and also payments from other governmental entities.

Sewer Fund – Consists of the operating budget of the sewer and wastewater treatment programs of the City. Revenues from the operation, such as user fees finance this fund.

Special Revenue Funds – Governmental fund type used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Stormwater Fund – Consists of the operating budget of the stormwater program of the City. Revenues from user fees and other governmental revenue finance this fund.

Tax Base – The aggregate value of the items being taxed. The base of the City's real property tax is the assessed value of all real estate in the City.

Tax Rate – The level of taxation stated in terms of either a dollar amount (e.g., $0.84 per $100 of assessed valuation), or a percentage of the value of the tax base (e.g., 5.3 percent sales and use tax).

Unencumbered Balance – The amount of an appropriation that is neither expended nor encumbered. It is essentially the amount of money still available for expenditures.

Water Fund – Consists of the operating budget of the water program of the City. This fund depends on the specific revenues generated by this operation, such as user fees or contracts to supply water to entities.

ACA	Affordable Care Act
ADM	Average Daily Membership
ACFR	Annual Comprehensive Financial Report
ALS	Advanced Life Support
ARPA	American Rescue Plan Act
AVL	Automatic Vehicle Location
BLS	Basic Life Support
BOE	Board of Equalization
BRRJA	Blue Ridge Regional Jail Authority
BWC	Body Worn Camera
CARES Act	Coronavirus Aid, Relief, and Economic Security (CARES) Act
CDBG	Community Development Block Grant
CHDO	Community Housing Development Organization
CIP	Capital Improvement Program
COPS	Community Oriented Policing Services
CPMT	Community Policy Management Team
CPS	Child Protective Services
CQI	Continuous Quality Improvement
CSA	Children's Services Act
CSO	Combined Sewer Overflow
CVCC	Central Virginia Community College
CVCJA	Central Virginia Criminal Justice Academy
CVPDC	Central Virginia Planning District Commission
CVRRB	Central Virginia Regional Radio Board
CWB	Community Wealth Building
CY	Calendar Year
DEQ	Department of Environmental Quality (Virginia)
DCJS	Department of Criminal Justice Services
DMV	Department of Motor Vehicles
ECC	Emergency Communications Center
ECO	Emergency Communications Officer
EDA	Economic Development Authority
EMS	Emergency Medical Services
EPA	Environmental Protection Agency (U.S.)
FAPT	Family and Planning Assessment Team
FEMA	Federal Emergency Management Agency
FOIA	Freedom of Information Act
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GIS	Geographic Information System
GLTC	Greater Lynchburg Transit Company
GO	General Obligation
HCF	Hundred Cubic Feet
IT	Information Technology
J&DR	Juvenile and Domestic Relations (District Court)
LFD	Lynchburg Fire Department
LEAF	Lynchburg Expressway Appearance Fund
LEMPG	Local Emergency Management Performance Grant
LPD	Lynchburg Police Department
LRA	Lynchburg Regional Airport
LRHA	Lynchburg Redevelopment and Housing Authority
LWDA	Local Workforce Development Area
MGD	Million Gallons per Day
MHI	Median Household Income
MOU	Memorandum of Understanding
MSA	Metropolitan Statistical Area
NADA	National Automobile Dealers Association
OEDT	Office of Economic Development and Tourism
OEW	Outstationed Eligibility Workers
OPEB	Other Post-Employment Benefits
PIER	Partners in Emergency Response
PPTRA	Personal Property Tax Relief Act
PSAP	Public Safety Answering Point
PSC	Public Service Corporation
RSA	Region 2000 Services Authority
SCBA	Self-Contained Breathing Apparatus
SFU	Single Family Unit
SNAP	Supplemental Nutrition Assistance Program
SOQ	Standards of Quality
SRO	School Resource Officer
TANF	Temporary Assistance for Needy Families
TMDL	Total Maximum Daily Load
TRT	Technical Rescue Team
UGFB	Unassigned General Fund Balance
USDA	U. S. Department of Agriculture
VAWA	Violence Against Women Act
VDOT	Virginia Department of Transportation
VJCCCA	Virginia Juvenile Community Crime Control Act
VLDP	Virginia Local Disability Program
VPSA	Virginia Public School Authority
VRS	Virginia Retirement System
WIOA	Workforce Innovation and Opportunity Act
WWTP	Wastewater Treatment Plant

Compliance with Policy			
☑	Policy I - Fund Balance	☑	Policy III - Budget
☑	Policy II - Debt Management	☑	Policy IV - Investment

CITY OF LYNCHBURG
FINANCIAL MANAGEMENT POLICIES

Policy I	***Fund Balance***	**Adopted August 10, 1999** **Reaffirmed November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Reaffirmed December 12, 2006** **Reaffirmed December 9, 2008** **Reaffirmed November 23, 2010** **Revised May 10, 2011** **Revised February 26, 2013** **Revised March 22, 2016** **Reaffirmed March 27, 2018** **Revised December 10, 2019**	**Reaffirmed January 24, 2023**
Policy II	***Debt Management***	**Adopted August 10, 1999** **Reaffirmed November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Revised November 23, 2010** **Revised February 26, 2013** **Revised March 22, 2016** **Reaffirmed March 27, 2018** **Revised December 10, 2019**	**Reaffirmed January 24, 2023**
Policy III	***Budget***	**Adopted November 14, 2000** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Reaffirmed November 23, 2010** **Revised February 26, 2013** **Revised March 22, 2016** **Reaffirmed March 27, 2018** **Reaffirmed December 10, 2019**	**Reaffirmed January 24, 2023**
Policy IV	***Investment***	**Adopted September 25, 2001** **Revised October 29, 2002** **Reaffirmed September 28, 2004** **Revised December 12, 2006** **Revised December 9, 2008** **Reaffirmed November 23, 2010** **Revised February 26, 2013** **Reaffirmed March 22, 2016** **Reaffirmed March 27, 2018** **Reaffirmed December 10, 2019**	**Revised January 24, 2023**

Basis for Sound Financial Management Policies

The primary objective of sound financial management policies is for the City Council to create a framework within which financial decisions can be made. These policies are a statement of the guidelines and goals that influence and guide the financial management practices of the City of Lynchburg. Financial management policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Sound financial management policies:

- Contribute significantly to the City's ability to insulate itself from fiscal crisis and economic disruption.
- Enhance short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible.
- Promote long-term financial stability by establishing clear and consistent guidelines.
- Direct attention to the total financial picture of the City rather than single-issue areas.
- Promote the view of linking long-term financial planning with day-to-day operations.
- Provide the City Council and citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- Ensure that the organization has sufficient resources to perform mandated responsibilities.
- Provide a foundation for evaluating financial analysis and condition.

Financial Management Policies

The City intends to adhere to these policies. If there is any anticipated or unplanned variance from these policies, staff will advise City Council and establish a plan for recovery within three years.

Policy I - Fund Balance

<u>General Fund</u>

Unassigned Fund Balance

- The City of Lynchburg's Unassigned General Fund Balance will be maintained at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.
- The City shall not use the Unassigned General Fund Balance to finance recurring operating expenditures.
- The City will maintain an Unassigned General Fund Balance (UGFB) equal to a minimum of 10% of General Fund revenues with a goal of 15% as the City strives to grow incrementally each year subject to revenues available. In the event the UGFB is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Unassigned General Fund Balance to the previous level within three years.
- The City will balance moving towards the 15% targeted fund balance with its annual "Pay as you go" capital improvement requirements.

Committed Fund Balance

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council. These committed fund balance amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. Committed fund balance also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance

- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or designee, in accordance with Council adopted fund balance policy.

Restricted Fund Balance

- Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Non-Spendable Fund Balance

- Non-spendable Fund Balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.

Policy on the order of spending resources

- The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balance are available unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

Enterprise Funds

Water Fund

- Minimum ending fund balance shall not be less than 25% of total fund appropriations with a target balance of 40% of total fund appropriations. In the event the ending fund balance falls below the minimum of 25% of total fund appropriations, the City shall restore the fund balance to the minimum of 25% within three years. Funds in excess of the annual requirements may be considered for "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or funding of necessary reserves. Total appropriations include operating expenses, debt service and transfers.
- A rate review will be conducted at least every two years.

Sewer Fund

- In accordance with the Virginia Department of Environmental Quality Special Order, the City shall annually adjust sewer system reserve funds to no more than 40% of the subsequent fiscal years' budgeted operating expenses and debt service.
- Minimum ending fund balance shall not be less than 25% of total fund appropriations. In the event the ending fund balance falls below the minimum of 25% of total fund appropriations, the City shall restore the fund balance to the minimum of 25% within three years. Total appropriations include operating expenses, debt service and transfers.
- Ending fund balance in excess of 40% will be reallocated to "pay-as-you-go" capital outlay expenditures.
- A rate review will be conducted at least every two years.

Stormwater Fund

- Minimum ending fund balance shall not be less than 15% of total fund appropriations with a target balance of 20% of total fund appropriations. In the event the ending fund balance falls below the minimum of 15% of total fund appropriations, the City shall restore the fund balance to the minimum of 15% within three years. Total appropriations include operating expenses, debt service and transfers.
- Funds in excess of the annual requirements may be considered for "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or funding of necessary reserves.
- A rate review will be conducted at least every two years.

Policy II - Debt Management

Tax-Supported Debt

Tax-supported obligations are those that are expected to be repaid from the General Fund tax revenue of the City of Lynchburg. These include general obligation bonds (except self-supporting bonds) and capital leases. General obligation bonds issued for self-supporting enterprise funds are not included in calculations of tax-supported bonds.

- The City will not use long-term debt to fund current operations.
- The City will not use short-term borrowing to fund current operations.
- Whenever the City finds it necessary to issue tax-supported bonds, the following policy will be adhered to:
    1. The City will never borrow more than it has the capacity to repay.
    2. The term of any bond issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.
    3. Annual debt service expenditures for tax-supported debt should not exceed 10% of total General Fund Expenditures plus School Component Unit Expenditures minus the General Fund Transfer to Schools.
    4. Total tax-supported debt will not exceed 4.50% of the net assessed valuation of taxable property in the City of Lynchburg.
    5. The 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program for Tax-Supported General Obligation Indebtedness.

Revenue-Supported Debt

The Water, Sewer and Stormwater Funds may issue General Obligation or Revenue-Supported Debt.

Revenue-supported obligations are those for which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water, sewer). These are not considered tax-supported debt of the City. Whenever the City finds it necessary to issue revenue-supported bonds, the following guidelines will be adhered to:

1. The term of any revenue-supported or general obligation bond issue will not exceed the useful life of the capital project/facility or equipment for which borrowing is intended.
2. Revenue-supported and general obligation bonds will be structured to allow equal or declining annual debt service payments over a term not to exceed the life of the project being financed. For those revenue-supported bonds issued through the Virginia Revolving Loan Fund, annual debt service payments shall not exceed thirty years.
3. The Water, Sewer and Stormwater Funds, net revenues available for debt service shall not be less than 1.2 times annual debt service for each fiscal year. For the Sewer Fund, in accordance with the Virginia Department of Environmental Quality Special Order, net revenues shall not exceed 1.5 times annual debt service computed on a three-year rolling average. Net revenues available for debt service will be calculated as operating income, plus depreciation and amortization, plus interest income, plus governmental grants, plus miscellaneous income, plus capital contributions of others who jointly share in ownership of an infrastructure or facility, and plus any capitalized costs. Debt service will include all debt service paid by the respective fund; however, the principal portion of any bond anticipation notes or other short-term financing should be excluded.
4. In the event net revenues available for debt service falls below 1.2 times annual debt service of any fiscal year, the City shall restore the net revenues available for debt service to the minimum of 1.2 within three years.

Refinancing of Debt

- The City shall issue refunding bonds to achieve debt service savings, eliminate onerous covenants or provisions in outstanding bond documents, or to respond to a financial emergency.
- The City shall continually monitor its outstanding debt to identify instances where the City may achieve savings through an advance refunding or current refunding transaction.
- The City shall receive a written refunding analysis indicating the amount of net present value savings from its financial advisor prior to selling bonds to refund any outstanding bonds.
- A refunding transaction to achieve debt service savings should only be undertaken when the net present value of the savings, net of issuance costs, will be at least 3% of the principal amount of the refunded bonds. Refunding transactions for revenue bonds can be structured so that savings are realized over the life of the refunding bonds or up-front, depending on the results of a cost-benefit analysis.

General Debt Policies

- The City will maintain communication with bond rating agencies to keep them abreast of its financial condition and will provide them with information on a timely basis including the City's *Annual Comprehensive Financial Report*, *Annual Adopted Budget* and *Capital Improvement Program*.
- The City shall comply with all of its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers' Association and Securities and Exchange Commission requirements for continuing disclosure.
- The City may use the Virginia Public School Authority (VPSA) or State Literary Fund loans to finance school capital projects. City bonds sold to the VPSA and Literary Fund loans constitute general obligation debt of the City. City Council shall approve any application to the VPSA or the Department of Education for a Literary Fund loan. City Council shall approve the issuance of the bonds as required by the Public Finance Act. The School Board shall recommend such financings before a proposed financing is brought to City Council for approval.

Policy III - Budget

Principles

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

Policies

- City Council shall adopt a balanced budget in accordance with all legal requirements.
- A structured budget preparation and formulation process shall be used for all departments and agencies receiving funding from the City.
- Departmental budgets shall be managed within the total appropriated budget for each fiscal year.
- All operating budget appropriations shall lapse at the end of the fiscal year to the extent that they are not expended or encumbered.
- The budget shall be adopted by the favorable vote of a majority of members of City Council.
- The Vision and priorities established by City Council as well as the *Comprehensive Plan* will serve as the framework for the budget proposed by the City Manager.

- The fiscal year for the City is July 1 through June 30 as defined by the *City Code*, Section 18-1.
- One-time revenues shall be used for one-time expenditures only.
- A General Fund Reserve for Contingencies of $1.2 million shall be used as a source of funding for unanticipated expenditures during the budget year. The Reserve for Contingencies is limited to one-time expenditures and shall not be considered a source for recurring financing.

Process

- The City Manager shall annually prepare a *Proposed Budget* for City Council review. The *Proposed Budget* shall serve as a financial plan for the upcoming fiscal year and shall contain the following information:
    1. A budget message that outlines the proposed revenue and expenditures for the upcoming fiscal year together with an explanation of any major changes from the previous fiscal year. The budget message should also include any proposals for major changes in financial policy.
    2. Charts indicating the major revenues and expenditures in each major fund (General, Water, Sewer, Stormwater, Airport) as well as changes in fund balance for all funds.
    3. Summaries of proposed expenditures by function, department and activity for all funds proposed to be expended in a fiscal year.
    4. A schedule of estimated requirements for the principal and interest of each bond issue.
    5. A three-year history of revenues and expenditures to include the prior year actual, current year adopted, revised and proposed budgets for each major fund.
    6. The proposed budget appropriation resolution, including the tax levy.
- The City Council shall hold a public hearing on the budget submitted by the City Manager and all interested citizens shall be given an opportunity to be heard on issues related to the proposed budget, including the *Capital Improvement Program*.
- Following the public hearing on the *Proposed Budget*, City Council may make adjustments. In instances where City Council increases the total proposed expenditures, it shall also identify a source of funding at least equal to the proposed expenditures.

Capital Improvement Program

- A five-year *Capital Improvement Program (CIP)* that serves as the basis for annual capital appropriations and debt financing requirements shall be prepared and updated annually.
- The *CIP* shall include descriptions, timeline, cost estimates, and a schedule of expected expenditures for each project.
- Debt service requirements and funding needs for schools and City government shall be determined based on the *Adopted CIP*.
- Long-term borrowing shall be confined to major capital improvements and equipment purchases.
- Short-term borrowing shall be limited to bond anticipation notes and equipment leasing, where feasible, with a life of less than 8 years.
- Capital project appropriations shall lapse upon project completion, allowing for an adequate warranty period. Lapsed appropriations shall remain in the Capital Fund for reallocation to other projects.
- Incremental operating costs associated with capital projects shall be funded in the operating budget after being identified and approved in the Capital Improvement Program.
- Pay-as-you-go funding, including State Highway Maintenance Funds, State Revenue Sharing Funds, State and federal grants, and other cash sources, shall not be less than 10%, with a goal of 15%, of the City's 5-Year CIP.

Quarterly Financial Reporting

The City Manager will present to the City Council's Finance Committee (with copies to the remainder of Council) quarterly financial reports identifying meaningful trends in revenues and expenditures for the General, Water, Sewer, Stormwater, Airport, Children's Services Act, Juvenile Detention, and Greater Lynchburg Transit Company Funds.

Third Quarter Review

In March, Budget staff will evaluate all expenditures and revenues as compared to budget and make recommendations to City Council regarding possible budget adjustments. Section 15.2-2507 of the *Code of Virginia* requires that a public hearing be held prior to City Council action when a proposed amendment of the budget exceeds one percent of the total expenditures shown in the currently adopted budget.

First Quarter Review

In September, Budget staff will evaluate requests for the carry forward of funds remaining from prior year appropriations and other possible budget adjustments. Section 15.2-2507 of the Code of Virginia requires that a public hearing be held prior to City Council action when a proposed budget amendment exceeds one percent of the total expenditures shown in the currently adopted budget.

Policy IV - Investment

I. Policy Statement

It is the policy of The City of Lynchburg, Virginia ("the City") that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. The City shall be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council. See Appendix 1 for a Glossary of Investment Terms.

II. Scope

This policy applies to the investment of all the financial assets and funds held by the City. Specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds are located in Section X of this Policy. These Funds are accounted for in the City of Lynchburg's *Annual Comprehensive Financial Report* and include the General, Special Revenue, Capital Projects, and Proprietary Funds.

III. Objectives

Funds shall be invested in only those investments permitted by Federal, State and local law as it relates to public funds, as well as any contractual agreements entered into by the City.

All of the City's funds, regardless of term, shall be invested with the following objectives listed in the order of priority:

1. *Safety* - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. Specifically, the City will:
   a. seek to avoid realizing any loss through the sale or disposal of an investment; and
   b. seek to mitigate the risk of unrealized losses due to a decline in value of investments held in the portfolio.
2. *Liquidity* - The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio in the following manner:
   a. The City will purchase investments scheduled to mature in accordance with its anticipated cash needs, in order to minimize the need to sell investments prior to maturity;

b. A portion of City Funds will be maintained in cash equivalents, including money market funds, investment pools and overnight securities, which may be easily liquidated without a loss of principal should an unexpected need for cash arise; and

c. The portfolio will consist largely of investments with active secondary markets.

3. *Yield* - The City's investment portfolio shall be designed with the objective of maximizing a fair rate of return consistent with the investment risk constraints and cash flow characteristics of the portfolio. The Investment Committee shall establish suitable benchmarks for the measurement of the portfolio's return.

IV. Delegation of Authority

Under the guidance of the Investment Committee, the City's Director of Financial Services is the official charged with collecting, safeguarding and disbursing City funds. In this capacity, and with consensus from the Investment Committee, the Director of Financial Services is responsible for establishing staff roles and responsibilities, considering the quality and capability of staff, selecting investment advisors and consultants involved in investment management, and developing and maintaining appropriate administrative procedures for the operation of the investment program. Examples of key staff roles and responsibilities include, but are not limited to, solicitation of investment offerings, placement of purchase and sell orders, confirmation of trades, and preparation of reports and other activities as required for the daily operations of the investment area. The Director of Financial Services is also charged with developing written standard Investment procedures and an asset allocation plan consistent with this policy. Such procedures shall be reviewed and approved by the Investment Committee. Subject to the approval of the Investment Committee and City Council, the Director of Financial Services may employ financial consultants on a contractual basis to assist in the development and implementation of investment procedures and policies, to monitor the effectiveness and continued compliance with such policies and procedures, and to provide guidance in investment matters.

V. Standards of Care

The standard of prudence to be used by investment personnel shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states:

> "Investments shall be made with judgment 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 probable income to be derived."

The Director of Financial Services, and those delegated investment authority under this Policy, when acting in accordance with 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 price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

VI. Ethics and Conflicts of Interest

Officers and employees of the City involved in the investment process shall refrain from personal business activities 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 to the Office of the Clerk of Council any material interests in financial institutions with which they conduct business and any personal 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. Officers and employees are required to abide by the provisions of the Virginia Conflict of Interests Act. The Act prohibits City officers and employees from seeking or accepting money or any other thing of value for the performance of their duties, using confidential information for their own benefit and having a personal interest in a company with which the City is doing business. "Officer" means any person appointed or elected to the City's government whether or not he/she receives compensation or other emolument of office. "Employee" means all persons employed by the City.

VII. Collateral and Safekeeping Arrangements

The City's investments shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by Virginia Code, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. The Code refers to counterparty as the issuer or seller of the security and any repurchase agreement provider. All securities purchased or sold will be transferred when possible only under "delivery vs. payment method" to ensure that funds or securities are not released until all criteria relating to the specific transaction are met.

VIII. Competitive Selection of Investment Instruments

It is desirable to select investments on a competitive basis when possible to ensure that the City receives the best price available on a particular investment and avoids paying excessive fees, mark-ups or other compensation to the provider. A list will be maintained of approved financial institutions and security broker/dealers selected by creditworthiness (*e.g.*, a minimum capital requirement of $10,000,000 and at least five years of operations). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions will supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the City of Lynchburg Investment Policy

Under the guidance and oversight of the Investment Committee, the Director of Financial Services shall adhere to the following procedures, with assistance from the City's Investment Advisor where appropriate, when funds become available for investment to the extent practical:

1. The Director of Financial Services shall determine the class of investment and maturity range most appropriate for investment of the funds available, based upon the anticipated expenditure schedule of the City, the desired asset allocation of the City's portfolio and the City's Investment Plan.
2. Offers will be solicited for the selected investment from the list of pre-approved providers as noted above.
3. The Director of Financial Services will accept the offer (or bid, if the City is selling an investment) which provides the highest rate of return or which is otherwise deemed most suitable while complying with this Policy and any other criteria specified in the solicitation of offers.

The City shall retain a record of the offers received, the instruments chosen, and the rationale for making the decision.

From time to time, certain investment dealers may present the City with offers that are attractive for investment. Although the City should endeavor to verify (and document) that the price is "fair," it may occasionally purchase such a security without a competitive process if the investment is for $500,000 or less.

Additionally, a competitive process shall not be required for the investment of funds in money market funds, investment pools and overnight securities. However, it shall be the responsibility of the Director of Financial Services to be aware of the yields being offered by various highly liquid investments, and to invest the City's overnight funds in the vehicle(s) which provide a competitive return to the City while complying with this policy and any other criteria established by the Investment Committee or City Council.

IX. Suitable and Authorized Investments – Without Exception, Only the Following Investments Are Suitable and Authorized

1. **Treasury Securities**
   Bonds, Notes and Bills issued by the United States Treasury or certificates representing ownership of treasury bond principal or coupons.

2. **Agency Securities (FHLB, FNMA, FFCB, FHLMC, GNMA)**
   Obligations issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association, maturing within five years of the date of purchase.

3. **Prime Commercial Paper**
   Commercial Paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody's and A-l or higher by Standard & Poor's, provided that the issuing domestic corporation has a net worth of $50 million and its long-term debt is rated A or better by Moody's and Standard & Poor's.

4. **Corporate Bonds/Notes**
   Corporate obligations rated AA or higher by Standard & Poor's and Aa by Moody's that were issued by a domestic corporation with a net worth of at least $50 million maturing within five years of the date of purchase.

5. **Certificates of Deposit**
   Certificates of Deposit maturing within one year and issued by domestic banks rated P-l by Moody's and A-l by Standard & Poor's.

6. **Banker's Acceptances**
   Banker's Acceptances maturing within 180 days rated P-l or higher by Moody's and A-l or higher by Standard & Poor's, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA category or higher by Moody's and Standard & Poor's.

7. **Commonwealth of Virginia and Virginia Local Government Obligations**
   General Obligations, Insured Obligations or Revenue Bonds secured by Debt Service Reserve Funds not subject to annual appropriation rated AA category or higher by Moody's or Standard & Poor's.

8. **Pre-Refunded Obligations of the Commonwealth of Virginia and Virginia Local Government Obligations**
   Obligations of the Commonwealth of Virginia and Virginia Local Governments that have been legally and economically defeased and are secured by an escrow account funded with cash or securities issued or unconditionally guaranteed by the United States Treasury.

9. **Repurchase Agreements**
   Repurchase Agreements collateralized by securities approved for investment herein, provided that the counterparty is rate A or better by Moody's and Standard & Poor's and the collateral is held by an independent third party. All Repurchase Agreements are purchased with a Master Repurchase Agreement in place with a third-party custodian.

10. **Open-End Investment Funds**
    Open-end Investment Funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein.

11. **Virginia Local Government Investment Pool**
    Any portfolio established by the Virginia Department of the Treasury.

12. **Virginia State Non-Arbitrage Program or Other Authorized Arbitrage Investment Management Programs**

X. Suitable and Authorized Investments – Restricted Funds

Funds defined as sinking funds under the Virginia Code may be invested in items listed in Section IX.1 and IX.6 above, repurchase agreements collateralized by those investments, and in the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs.

XI. Internal Controls

Under the guidance of the Investment Committee, the Director of Financial Services will establish and maintain an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure will 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 judgments by management. The Internal Audit Department shall add this Policy and related Procedures to their Audit Universe for audit consideration. The internal control structure will address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of 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

XII. Reporting

Under the guidance of the Investment Committee, the Director of Financial Services will ensure that a Management Report will be prepared on a quarterly basis. The information from this Report may be derived from the Investment Advisor and/or the Safekeeping Agent, or both, where appropriate. This Report will include information that provides an analysis of the status of the current investment portfolio and whether investment activities during the reporting period have conformed to the investment policy herein. The Report will be presented to City Council for information and comment. To the extent practical, the report detail may include such items as the following:

- Listing of securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Average weighted yield to maturity of portfolio on investments compared to benchmarks
- Listing of investment by maturity type
- Percentage of the total portfolio which each type of investment represents

XIII. Diversification

The City will endeavor to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. Target asset allocation strategies shall be developed by the Investment Committee to provide guidance as to appropriate levels of diversification. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the City's total investment will be the obligations of a single financial institution.

XIV. Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase.

Appendix 1: Glossary of Investment Terms

Accrued Interest – The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GOMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization – The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life – The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Basis Point – A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "one-quarter" of 1 percent is equal to 25 basis points.

Bid – The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value – The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Call Price – The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk – The risk to a bondholder that a bond may be redeemed prior to maturity.

Callable Bond – A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Cash Sale/Purchase – A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Collateralization – Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper – An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Convexity – A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Corporate Bond – A promissory note issued by corporations with maturities ranging from 0 to 5 years.

Coupon Rate – The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality – The measurement of the financial strength of a bond issuer to help an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) – A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) – A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Discount – The amount by which the par value of a security exceeds the price paid for the security.

Diversification – A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration – A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value – The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) – Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate – Interest rate charged by one institution lending federal funds to the other.

Government Securities – An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market See "Treasury Bills, Notes, and Bonds."

Interest Rate – See "Coupon Rate."

Interest Rate Risk – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls – An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is 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 judgments by management. Internal controls should address the following points:

1. Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers -Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian – The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverted Yield Curve – A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy. **Investment Company Act of 1940** – Federal legislation which sets the standards by which investment such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy – A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Liquidity – An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) – An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-Market – The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk – The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value – Current market price of a security.

Maturity – The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Money Market Mutual Fund – Mutual funds that invest, solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

Mutual Fund Statistical Services – Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD) – A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value – The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. [(Total assets) - (Liabilities)] / (Number of shares outstanding)

No Load Fund – A mutual fund which does not levy a sales charge on the purchase of its shares.

Nominal Yield – The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Offer – An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par – Face value or principal value of a bond, typically $1,000 per bond.

Positive Yield Curve – A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium – The amount by which the price paid for a security exceeds the security's par value.

Prime Rate – A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus – A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Regular Way Delivery – Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+l basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk – The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (repo or RP) – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) – An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act – Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping – Holding of assets (e.g., securities) by a financial institution.

Serial Bond – A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund – Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Swap – Trading one asset for another.

Term Bond – Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return – The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

Treasury Bills – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Bonds – Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Treasury Notes – Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Uniform Net Capital Rule – SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility – A degree of fluctuation in the price and valuation of securities.

"Volatility Risk" Rating – A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bonds funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("AAA" by S&P; "V- 1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("CCC"- S&P, "V-10" by Fitch).

Weighted Average Maturity (WAM) – The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) – A conditional transaction in which an authorized new security has not been issued. All "when issued' transactions are settled when the actual security is issued.

Yield – The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield Curve – A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-Call (YTC) – The rate of return an investor earns on a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield-to-Maturity – The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-Coupon Securities – Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

TRANSPORTATION (CONTINUED)

ECONOMIC DEVELOPMENT

PARKS AND RECREATION