

**MINUTES OF THE CITY COUNCIL MEETING
OCTOBER 13, 2009, 6:00 P.M.
WORK SESSION**

PRESENT: The Honorable Gordon C. Helsel, Jr., Mayor
The Honorable Arthur V. Holloway, Jr., Vice Mayor
The Honorable Carey L. Freeman
The Honorable E. T. "Tom" Meree
The Honorable Traci-Dale Crawford
The Honorable Frank A. Kreiger
The Honorable W. Eugene Hunt, Jr.

J. Randall Wheeler, City Manager
Judy F. Wiggins, City Clerk
D. Wayne Moore, City Attorney

The meeting was called to order by Mayor Helsel at approximately 6:10 p.m. in the Council Chambers.

Financial Advisors – Financial Policies:

City Manager, J. Randall Wheeler, introduced Messrs. Kyle Laux and Courtney Rogers of Davenport and Company, LLC who provided a brief overview of proposed Financial Policy Guidelines prepared for the City. They stressed the importance of implementing policies prior to initiation of the next fiscal year budget. During the brief presentation, the following information was provided:

- The reasons for adopting formal Financial Policy Guidelines;
- The Goals & Objectives to be attained by formalizing the guidelines;
- Charts illustrating how the City's credit rating compares to other Virginia localities;
- Explanation of the three (3) most widely used debt related ratios/metrics to determine a locality's credit rating, specifying how Poquoson currently ranks using each formula;
- General Fund Undesignated Fund Balance history for Poquoson over the past six years, specifically pointing out that the City's reserve is below the average for small/medium sized cities in Virginia; and
- General Fund Cash Balance specifics for 2007 through 2009 emphasizing the critical lack of cash flow particularly in October and April.

Messrs. Laux and Rogers made the following recommendations:

- That at the end of each fiscal year the General Fund Undesignated Fund Balance should be equal to at least 15% of the total General Fund Operating Expenditures.
- The City, over the next two (2) fiscal years, should build a Fiscal Stability Reserve of at least \$1 million, which will be separate from the Undesignated Fund Balance.
- The Undesignated Fund Balance should only be drawn upon in case of an absolute necessity, i.e. one time capital needs; help offset expenditures during a fiscal emergency; non-recurring expenditures; provide liquidity in emergency situation; and to engage in a financial opportunity that will enhance the City's well-being.
- That the proposed Financial Policies be formally considered for adoption by City Council.

In response to Council queries, Mr. Laux explained that the information provided reflected tax supported debt only. In addition, he stated that property investments are not normally a component of a financial analysis due to liquidity concerns. Several Council members commented that the proposed policy guidelines were quite aggressive considering the state of the economy.

ADJOURNMENT:

There being no further business, the meeting was adjourned at approximately 7:10 p.m.

ADOPTED: _____

TESTE: _____
City Clerk