

A Case Study in Adopting and Implementing Financial Policies

DANIEL R. LYNCH

CITY OF DOVER, NEW HAMPSHIRE

MAY 2, 2019 NH GFOA ANNUAL CONFERENCE

Why Did the City of Dover Review and Update their Financial Policies ?

In 1996 the Dover City Council adopts 12 Financial Policies

The Financial Policies remained in place and unchanged for 14 years

Although the Financial Policies resulted in several key benefits, not all financial policy goals were fully achieved

The Economic Impact on Local, State and National Levels due to The Great Recession of 2007

THE SIGNIFICANT STEPS IN THE PROCESS

CITY COUNCIL
ACKNOWLEDGES
NEED FOR
POLICY REVIEW
AND UPDATES

CITY
COUNCIL
ESTABLISHES
AN AD-HOC
COMMITTEE

AD-HOC
COMMITTEE
SCOPE OF
WORK AND
FINAL REPORT

CITY
COUNCIL
ADOPTION
OF NEW SET
OF FINANCIAL
POLICIES

CITY COUNCIL ACKNOWLEDGES NEED FOR POLICY REVIEW AND UPDATES



Provide Understanding of City's
Current Financial Condition

What Existing Financial Policy
Goals are Achieved

What Existing Financial Policy
Goals are Under Achieved

How is the Local, State and
National Economy

The Feedback from Credit Rating
Agencies

Public Input and Comment on
City Financial Condition and
Operations

CITY COUNCIL ESTABLISHES AN AD-HOC COMMITTEE



JANUARY 2010

MAYOR
CITY COUNCIL MEMBER
SCHOOL BOARD MEMBER
CITY MANAGER
CITY FINANCE DIRECTOR
CITIZEN MEMBER
CITIZEN MEMBER

CHARGED WITH CONSIDERING
AND RECOMMENDING
REVISIONS TO THE CITY'S
EXISTING FINANCIAL POLICIES

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

Review Existing Financial Policy
Report of 1996

Review the Financial Policy
Goals that were achieved

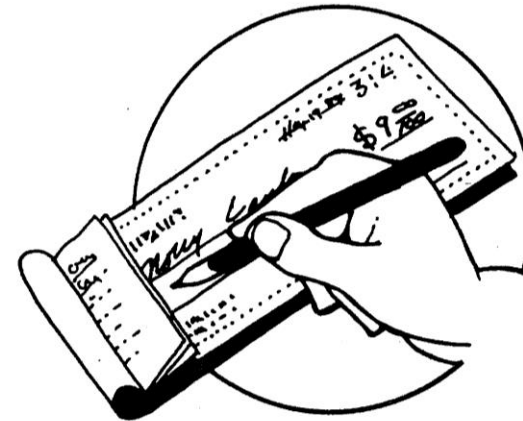
Determine Why Certain
Financial Policy Goals were not
achieved

Review the 6 Subject Areas in
Which the Existing 12 Policies
were Classified

6

City of Dover, N.H. Oct 11 10 00 PM '96
Financial Planning Committee

Recommendations for City Financial Policies



Submitted to the City Council October 16, 1996

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

1. Better Ability to Withstand Economic Downturns
2. Improved Long Term Planning
3. Elimination of Short Term Borrowings
4. Control Debt Growth
5. Better Use of Capital Reserves for Capital Asset Replacement
6. Proper Financing of Capital Asset Acquisitions

Benefits to be achieved from Policy recommendations:

1. Better Ability to Address Budgetary Emergencies
2. Maintain Aggressive Debt Retirement
3. Avoidance of Large Increases in User Fees
4. Improve Potential for Upgrade of the City's Bond Rating

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

1996 Subject Areas:

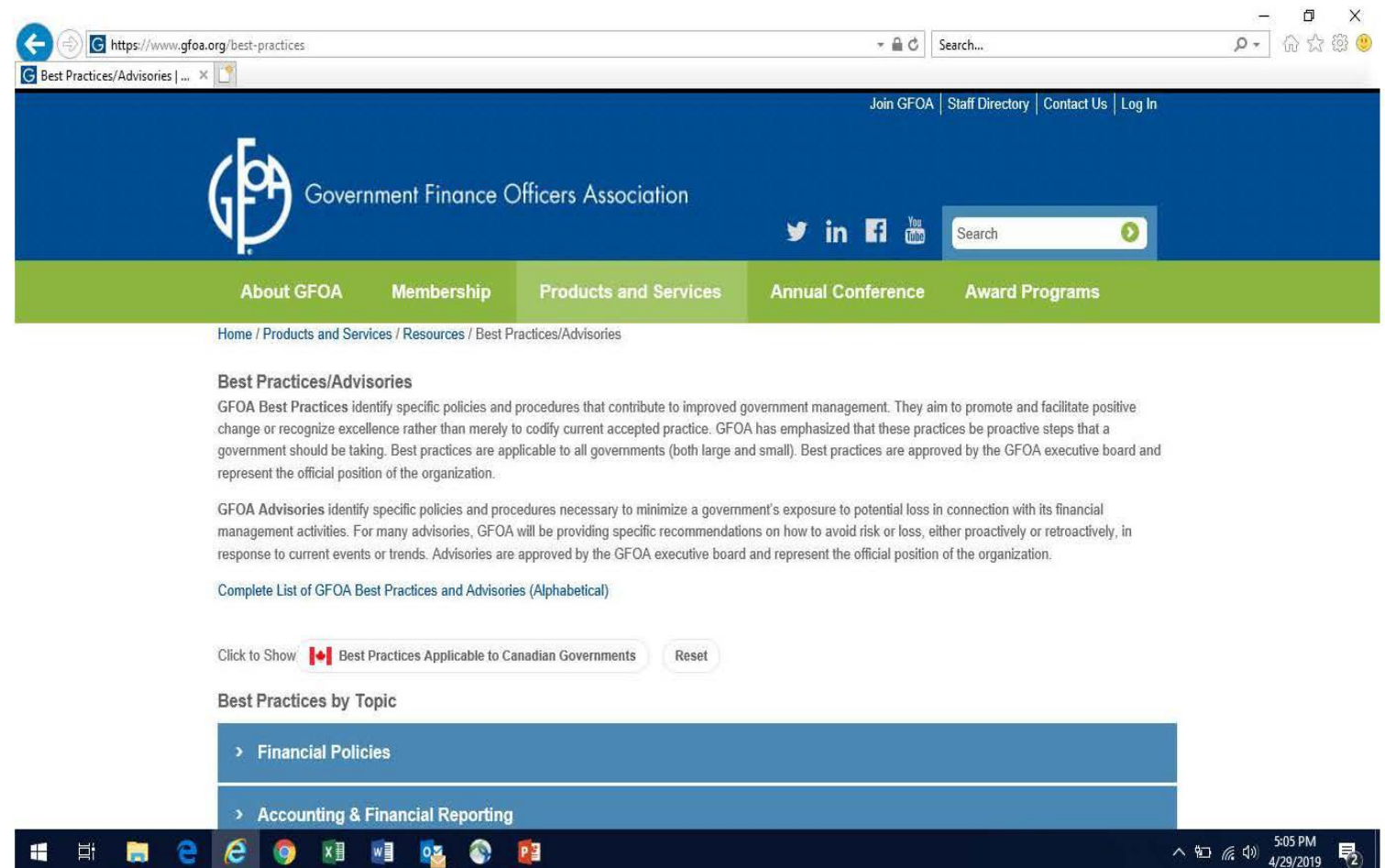
1. Maintenance of Fund Reserves
2. Capital Improvements Program (CIP)
3. Debt Policies
4. Cash Flow
5. Management of Enterprise Funds
6. Budget Process

2011 Subject Areas:

1. Stabilization Funds
2. Fees & Charges
3. Debt Issuance & Management
4. Debt Level & Capacity
5. Use of One-Time Revenues
6. Use of Unpredictable Revenues
7. Balancing the Operating Budget
8. Revenue Diversification
9. Contingency Planning

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

9



The screenshot shows the GFOA website's 'Best Practices/Advisories' page. The browser address bar shows 'https://www.gfoa.org/best-practices'. The page features a blue header with the GFOA logo and navigation links: 'Join GFOA', 'Staff Directory', 'Contact Us', and 'Log In'. Below the header is a green navigation bar with links: 'About GFOA', 'Membership', 'Products and Services', 'Annual Conference', and 'Award Programs'. The main content area has a breadcrumb trail: 'Home / Products and Services / Resources / Best Practices/Advisories'. It includes a section titled 'Best Practices/Advisories' with a paragraph explaining their purpose. Below this is a section for 'GFOA Advisories' and a link to the 'Complete List of GFOA Best Practices and Advisories (Alphabetical)'. A filter section allows users to 'Click to Show' 'Best Practices Applicable to Canadian Governments' with a 'Reset' button. At the bottom, there are expandable sections for 'Financial Policies' and 'Accounting & Financial Reporting'. The Windows taskbar at the bottom shows the date as 4/29/2019 and the time as 5:05 PM.

https://www.gfoa.org/best-practices

Best Practices/Advisories | ... X

Join GFOA | Staff Directory | Contact Us | Log In

GFOA Government Finance Officers Association

Twitter LinkedIn Facebook YouTube Search

About GFOA Membership Products and Services Annual Conference Award Programs


Home / Products and Services / Resources / Best Practices/Advisories

Best Practices/Advisories

GFOA Best Practices identify specific policies and procedures that contribute to improved government management. They aim to promote and facilitate positive change or recognize excellence rather than merely to codify current accepted practice. GFOA has emphasized that these practices be proactive steps that a government should be taking. Best practices are applicable to all governments (both large and small). Best practices are approved by the GFOA executive board and represent the official position of the organization.

GFOA Advisories identify specific policies and procedures necessary to minimize a government's exposure to potential loss in connection with its financial management activities. For many advisories, GFOA will be providing specific recommendations on how to avoid risk or loss, either proactively or retroactively, in response to current events or trends. Advisories are approved by the GFOA executive board and represent the official position of the organization.

[Complete List of GFOA Best Practices and Advisories \(Alphabetical\)](#)

Click to Show  Best Practices Applicable to Canadian Governments [Reset](#)

Best Practices by Topic

- > Financial Policies
- > Accounting & Financial Reporting

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

DRAFT POLICY

ANALYZE DATA
TO SUPPORT OR
NEGATE DRAFT
POLICY

DEVELOP
STRATEGIES TO
IMPLEMENT
RECOMMENDED
POLICY

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

ANALYZING DATA TO SUPPORT POLICY RECOMMENDATIONS

ADDRESSING ANNUAL OPEB OBLIGATIONS

11

Currently, retirees contribute various percentages of the cost of their health plan, as determined by provisions established in prior and current collective bargaining agreements. The City contributes the remainder of the health plan costs on a PAYG basis. The retiree health care benefit cost to the City is lessened by subsidies received by retirees from the New Hampshire Retirement System (NHRS). Health care benefit costs are reduced significantly upon a retiree or their dependents attaining the age of 65, at which time they become eligible for Medicare and are changed to a Medicare supplement plan.

For purposes of complying with GASB Statement 45, the City's annual OPEB expense is actuarially calculated and designated as the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost necessary per year to amortize the OPEB expense over a period of thirty years and thereby avoid an increasing cumulative liability.

The following table shows the City's actuarially calculated and projected OPEB ARC, the current annual pay-as-you-go OPEB cost obligation and the accumulating OPEB liability (the net of ARC and PAYG) through June 30, 2017.

		PAYG = Pay-as-You-Go Cost for the City			
		NOO = Net OPEB Obligation (Difference of ARC minus PAYG)			
	Actuary/or				Cumulative
Fiscal Year	Projected	ARC	PAYG	NOO	OPEB Liability
2009	Actuary	3,982,897	1,144,571	2,838,326	2,838,326
2010	Actuary	3,831,195	1,264,860	2,566,335	5,404,661
2011	Projected	3,877,066	1,378,697	2,498,369	7,903,030
2012	Projected	3,877,066	1,612,234	2,264,832	10,167,862
2013	Projected	3,877,066	1,803,148	2,073,918	12,241,780
2014	Projected	3,877,066	2,003,857	1,873,209	14,114,989
2015	Projected	3,877,066	2,223,033	1,654,033	15,769,022
2016	Projected	3,877,066	2,469,868	1,407,198	17,176,220
2017	Projected	3,877,066	2,744,605	1,132,461	18,308,681
2018	Projected	3,877,066	2,842,970	1,034,096	19,342,777
2019	Projected	3,877,066	3,130,514	746,552	20,089,329

In order to minimize and eventually assist with reducing the accumulating OPEB expense, the City previously grandfathered and eliminated the availability of paid retiree health insurance through prior collective bargaining negotiations. However, the remaining OPEB obligation continues to be addressed on a PAYG basis and, as a result of the accrual accounting requirements established by GASB Statement 45, an accumulating liability results.

The FY2010 present value of the City's actuarially calculated OPEB obligation over the next 30 years is currently \$42,171,618, a slight reduction from the \$42,669,587 present value calculated previously for FY2009. These actuarial calculations reflect no prefunding of the obligation and a 5% discount rate for liabilities and return for assets. This long term OPEB liability amount is able to be significantly reduced if pre-funding of the obligation is addressed by making the minimum ARC. The reduction results not only from the offset of accumulating ARC funding that is retained beyond the

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

DEVELOP STRATEGIES TO IMPLEMENT POLICY RECOMMENDATIONS

PROVIDE EXPLANATION FOR POLICY RECOMMENDATION

STRATEGY FOR PRE-FUNDING OPEB OBLIGATIONS

annual PAYG amount necessary each year but also the higher 8% investment rate of return that is allowed in determining the present value of the OPEB obligation. To illustrate, if fully funding the ARC amount each year, the FY2010 present value of the OPEB accrued liability would fall to \$28,595,086.

To address the OPEB liability being recorded in the City's annual financial statements, an amount beyond the minimum PAYG cost obligation must be achieved, eventually reaching the levels of an actuarially calculated ARC. The Financial Policy Review Committee recommends that this amount be achieved by supplementing the annual PAYG contribution by an amount equivalent to 5% of the ARC amount and increasing this calculation in increments of 5% each year until the accumulated net OPEB related liability is decreased, at which point the annual 5% escalator will no longer be necessary. As the OPEB liability is associated with each of the major funds, this contribution is to be apportioned accordingly.

Other Post Employment Benefits (OPEB) Contribution						
			Supplement	PAYG	Cumulative	Supplemented
Fiscal Year	ARC	PAYG	% of ARC	Supplement	NOO	NOO
2011	3,877,066	1,378,697	-	0	15,848,618	15,848,618
2012	3,877,066	1,612,234	5%	193,853	18,113,450	17,919,597
2013	3,877,066	1,803,148	10%	387,707	20,187,368	19,605,808
2014	3,877,066	2,003,857	15%	581,560	22,060,577	20,897,457
2015	3,877,066	2,223,033	20%	775,413	23,714,610	21,776,077
2016	3,877,066	2,469,868	25%	969,267	25,121,808	22,214,009
2017	3,877,066	2,744,605	30%	1,163,120	26,254,269	22,183,350

3. The City shall establish and maintain sufficient annual contributions into capital reserves for infrastructure and equipment needs associated with the City's major operating funds as identified and planned for in the annually adopted Six-Year Capital Improvements Plan (General, Water, and Sewer).

The use of capital reserve financing allows for level contributions to be budgeted from year to year in order to save and eventually fund future planned capital expenditures. By utilizing this financing mechanism, large swings in budgeted amounts and resulting rate changes are avoided. Additionally, as funds accumulate towards a savings goal, investment returns help to mitigate the expense. To fund the same capital acquisitions utilizing debt financing would result in driving the cost for the item upwards by 150% when interest expenses are factored in.

The previous Financial Planning Committee recommended that 10 year target levels for funding capital reserves in the Water and Sewer Fund be attained. General Fund capital reserve target levels were not specified. The water and sewer related ten year capital reserve targets were originally recommended to be \$500,000 for water and \$3,500,000 for sewer. As planned capital improvement projects have been adopted in subsequent CIP's, the actual budgeted capital reserve ten year targets have increased and currently are equivalent to \$4,500,000 for water and \$4,000,000 for sewer. Recognizing that the 10 year target level will change over time based upon the adopted CIP, the Finance Policy Review Committee recommends that the policy be updated to set the 10 year capital

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

AD-HOC COMMITTEE
PROVIDES FINAL REPORT
IN FEBRUARY 2011



2010 Financial Policy Report and Recommendations*

City of Dover, NH
Ad-Hoc Financial Policy
Review Committee

Mayor Scott Myers, Chair
Councilor Catherine Cheney, Vice Chair*
Ken Appel, School Board Member
J. Michael Joyal, Jr., City Manager
Paul Kageleiry, Citizen Appointee
John Leggett, Citizen Appointee
Dan Lynch, Finance Director

February 10, 2011

* Report and Recommendations approved by vote of Committee with Councilor Cheney opposed

AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

FINAL REPORT FORMAT:

1. INTRODUCTION
2. HISTORICAL PERSPECTIVE
3. POLICY
RECOMMENDATIONS
4. EXPLANATION OF
POLICIES
5. PROPERTY TAX IMPACT
ANALYSIS
6. USERS FEES IMPACT
ANALYSIS

Contents

An Introduction to Financial Policies:	1
The Initial Development and Adoption of Dover's Financial Policies:	2
Benefits Resulting From the Adoption and Implementation of Financial Policies:	2
The Current Review and Update of Dover's Financial Policies:	3
The Recommended Update of Dover's Financial Policies:	3
Stabilization Funds:	3
Fees and Charges:	5
Debt Issuance and Management:	5
Debt Level and Capacity:	6
Use of One-Time Revenues:	7
Use of Unpredictable Revenues:	7
Balancing the Operating Budget:	8
Revenue Diversification:	8
Contingency Planning:	8
Accounting Basis and Concepts:	9
Financial Condition and Bond Ratings:	11
Explanation of Policies Related to Stabilization Funds:	14
Explanation of Policies Related to Fees and Charges:	23
Explanation of Policies Related to Debt Issuance and Management:	25
Explanation of Policies Related to Debt Level and Capacity:	28
Explanation of Policies Related to Use of One-time Revenues:	32
Explanation of Policies Related to the Use of Unpredictable Revenues:	33
Explanation of Policies Related to Balancing the Operating Budget:	34
Explanation of Policies Related to Revenue Diversification:	35
Explanation of Policies Related to Contingency Planning:	36
Implementation of Recommended Updates to Financial Policies:	38
Appendices:	39
Recommended Financial Policies Impact Analysis:	40
2010 Moody's Investor Services Dover, NH Rating Information	45
2010 Standard & Poor's Rating Services Dover, NH Rating Information	51

CITY COUNCIL ADOPTION OF NEW SET OF FINANCIAL POLICIES

PROVIDE A VISUAL
ILLUSTRATION OF
INCREMENTALLY
IMPLEMENTING POLICIES

PROVIDE CITY
COUNCIL WITH AN
UNDERSTANDING OF
THE POTENTIAL TAX
IMPACT

15

City of Dover								
Recommended City Financial Policies								
Summary of Impacts								
(Assumes full and continuing implementation beginning 2012)								
GENERAL FUND:	Impact To	2012	2013	2014	2015	2016	2017	Totals
Fund Balance Minimum	Budget	175,995	509,592	501,393	539,269	323,154	79,517	2,128,919
	Tax Rate	0.067	0.125	0.120	0.132	0.051	(0.038)	0.456
Capital Reserve Funding	Budget	255,000	0	0	0	0	0	255,000
	Tax Rate	0.097	0.000	0.000	0.000	0.000	0.000	0.097
Benefit Stabilization Fund	Budget	Impact will be positive pending accumulation of funds						
	Tax Rate							
Operating Budget Capital Outlay	Budget	166,572	227,468	242,720	258,812	275,788	293,692	1,465,052
	Tax Rate	0.063	0.086	0.090	0.095	0.101	0.106	0.541
OPEB Contribution	Budget	181,156	181,156	181,156	181,156	181,156	181,156	1,086,935
	Tax Rate	0.069	0.068	0.067	0.067	0.066	0.065	0.403
Contingency Funding	Budget	31,996	96,533	94,329	51,984	137,508	19,879	432,230
	Tax Rate	0.012	0.036	0.035	0.019	0.050	0.007	0.160
Debt Financed Threshold Change (Per Proposed CIP 2012-2017)	Budget	Impact offset by adjustments to adopted CIP						
	Tax Rate							
Debt Service as % of Budget (Per Proposed CIP 2012-2017)	Budget	Impact offset by adjustments to adopted CIP						
	Tax Rate							
GENERAL FUND TOTALS:	Budget	810,718	1,014,750	1,019,598	1,031,221	917,606	574,244	5,368,136
	Tax Rate	0.31	0.31	0.31	0.31	0.27	0.14	1.66

CITY COUNCIL ADOPTION OF NEW SET OF FINANCIAL POLICIES

A NEW SET OF
FINANCIAL POLICIES
ADOPTED APRIL 27, 2011

16



City
City Council
City Financial

City
City

increments will be so
decreased.

Stabilization Funds:

1. The City shall maintain adequate fund reserves during economic downturns.
 - a. General Fund – The City shall allocate a balance of 15% of the General Fund to the County appropriations. The City shall maintain an unassigned fund balance for emergency purposes otherwise unanticipated expense decreases the General Fund unassigned fund balance by this percentage. For purposes of this section, the unassigned fund balance does not include:
 - i. Emergency purpose does not include
 - ii. Unassigned fund balance with the following principles:
 - iii. The General Fund unassigned fund balance shall be budgeted annually between both the City and State. These amounts shall be removed from the Special Revenue Funds – Non (General) Fund unassigned fund balances of 5% of the General Fund budgeted.
 - c. Enterprise Funds – The City shall allocate from bond proceeds of 15% of the General Fund budgeted.
 - d. Internal Service Funds (in general) 100% of inventory levels.
 - i. Workers Compensation Fund actuarially determined claim

3. The City shall establish and maintain infrastructure and equipment not identified and planned for in the (General, Water, and Sewer).
 - a. The General Fund Capital Projects achieving a discount rate of 10%
 - b. The Water Capital Projects achieving a discounted ten year rate
 - c. The Sewer Capital Projects achieving a discounted ten year rate

4. The City shall establish a stabilization fund to be used to year.
 - a. The amount to be set aside upon the average of the previous years.
 - b. When the actual amount will be contributed
 - c. When the actual amount withdrawn from

5. The City shall utilize minimum levels given fund balances, OPEB

6. Upon achieving minimum amounts fall below allocations in the

Fees and Charges:

7. The various board review all fees to the City Council and

City of Dover City Council Adopted City Financial Policies

- ii. Significantly improve the efficiency of existing services.
- iii. Preserve a previous capital investment made by the City.
- iv. Significantly reduce future operating costs or increase future operating revenues.

13. The City shall finance qualifying CIP projects using established criteria:

- a. Debt Financed – Purchases financed by the issuance of bonds or capital leases. Purchase of assets of \$250,000 or more, nonrecurring within a five year period, and with a useful life of five years or more are recommended for debt financing. This shall include design costs for projects even when the costs occur in an earlier year.
- b. Capital Reserve Financed – Purchases financed by savings from annual appropriations over a period of time for assets over \$25,000 recurring or not. Capital reserves can be established for a specific item or a type of item.
- c. Grant Financed – Purchase of assets over \$25,000 partially or wholly funded by grants from the State or Federal government.
- d. Existing Funds Financed – After the CIP projects are submitted and compiled, any items that can be financed with existing funds shall be identified. Existing funds could be any funds available from savings from another project or other source of funds.
 - i. If bonded funds are to be used, the item has to meet the useful life criteria for the remaining years of amortization of the bond funds used.
- e. Operating Budget Financed – Purchase of assets of less than \$250,000 or recurring in nature, are recommended to be financed through the annual operating budget for the fund involved. Annual programs, whether over \$250,000 or not, are suited for operating budget financing due to the ongoing nature of the program.

14. In utilizing debt financing for CIP related projects, the useful life span of the capital project or item shall equal or exceed the years for amortization of the bond.

15. In consultation with the City's designated financial advisor, the City shall regularly analyze and pursue bond refunding in instances where significant savings or other substantial benefits will be realized.

Debt Level and Capacity:

16. The City shall size the issuance of the local share of new debt so as not to exceed certain parameters in any given fiscal year:
 - a. The City portion shall not exceed 65% of the State of NH legal limit.
 - i. The debt related to Toland Landfill Closure is to be excluded in calculating the City portion for purposes of this section.

City of Dover City Council Adopted City Financial Policies

fees and charges to cover costs associated with individually benefit a person, family or other time as opposed to utilizing funds derived from intended to generally benefit the whole

charges, the City shall strive to cover all direct and inter-fund transfers associated with the program.

funds on a self-sustaining user fee basis, shall be set annually to support the adopted

dividing the amount of money to be and cubic feet units, expected for the year.

in conjunction with the annual adoption of tion for all fees and charges to be levied

six year Capital Improvements

planned capital improvement program delineating the estimated impact to

binding for multi-year projects at the

basis for the City Manager to re portions of the subsequent fiscal

ject in the CIP:
is to have

PUBLICIZE CITY FINANCIAL POLICIES

18



Proposed Capital Improvements Program Fiscal Years 2020-2025



**Submitted by:
J. Michael Joyal, Jr. City Manager**

October 3, 2018




City of Dover New Hampshire

Proposed Budget Fiscal Year 2020

As submitted to the City Council
By City Manager J. Michael Joyal, Jr.

FINANCIAL DECISIONS IMPACTING POLICY COMPLIANCE

 CITY OF DOVER	CITY OF DOVER - RESOLUTION	
	Agenda Item#: 12.C.1.	
Resolution Number:	R – 2015.07.22 – 101	
Resolution Re:	Appropriation For FY2016 Capital Improvements for Dover High School Project and Authorization for Bonding	

19

Debt Authorization versus Debt Retirement

The following table compares the tentative authorization amount to the amount of debt being retired:

Description	School
FY16 School CIP Authorizations	23,300,000
This Authorization	49,700,000
FY16 Debt Retirement	2,245,586
Net Change	<u>70,754,414</u>

Financial Policy Considerations

The proposed debt authorization contained in this resolution will result in two of the City Council adopted Financial Policies not being adhered to:


- A. School District debt shall not exceed 28% of the State of NH legal limit.
- B. General Fund debt service for any given fiscal year shall not exceed 10% of the total appropriations of the General Fund.

School District debt is projected to be over the 28% policy limit starting in FY2017 and continuing through FY2027. The debt service for the proposed Dover High School project is projected to increase General Fund debt service in excess of 10% of total General Fund appropriations starting in FY2017 and continuing through FY2027.

Rate Impacts

The table attached to this resolution, summarize the change from year to year on the Property Tax Rate, net of existing debt service and aid, related to the project proposed to be bonded. The table reflects the impact of the new authorization and anticipated debt related to prior year authorizations for the School District. The table also reflects the net change from year to year for an average residential property for taxes on the FY15 assessed value at \$231,321.

FINANCIAL DECISIONS IMPACTING POLICY COMPLIANCE

 CITY OF DOVER	CITY OF DOVER - RESOLUTION	
	Agenda Item#: 12.C.4.	
	Resolution Number: R – 2015.11.04 – 148	
	Resolution Re: Appropriation For FY2017 Capital Improvements Program and Authorization for Bonding	

20

Multi-Year Projects Proposed Bonding Schedule

The following table summarizes the bonding schedule for the proposed debt authorizations. This table shows that for multi-year projects the issuance of bonds will be done based on cash flow requirements per the projects' proposed segments as presented in the Capital Improvements Program.

Item #	Description	Proposed Appropriations	FY2017	FY2018	FY2019	FY2020
1	Intersection Reconstruction - Sixth/Venture Dr	250,000	50,000		200,000	
2	Street Reconstruction - Bellamy Road	250,000	50,000		200,000	
3	Street Reconstruction - Floral Ave & Brick Street	250,000	50,000		200,000	
4	Street Reconstruction - Mast Rd/Stonewall Drive	583,000	583,000			
5	Street Reconstruction - Piscataqua/Rabbit Road	1,700,000	200,000		1,500,000	
6	Street Reconstruction - Silver Street	1,000,000	1,000,000			
7	Street Reconstruction - Oak/Ham/Ela/Broadway	2,500,000	1,500,000	1,000,000		
8	Garrison Elementary School Improvements	6,900,000	3,300,000	3,600,000		
9	Cochecho River Dredge Cell Closure	300,000	300,000			
10	Cochecho Riverfront Bank Stabilization	600,000	600,000			
11	Cochecho Riverfront Site Preparation	1,650,000	1,150,000	500,000		
12	Water Main Replacement - Mast Rd/Washington	1,100,000	100,000			1,000,000
13	Water Main Replacement - Piscataqua/Drew Rd	2,200,000	300,000	1,000,000	900,000	
14	Water System Facilities Upgrade	12,400,000	800,000	6,200,000		5,400,000
15	Pump Station - Mast Rd/Stonewall Drive	300,000	300,000			
16	Sewer Main Replacements - Spaulding Turnpike	800,000	800,000			
Total		32,783,000	11,083,000	12,300,000	3,000,000	6,400,000

Financial Policy Considerations

The proposed debt authorizations contained in this resolution will result in the following City Council adopted Financial Policies not being adhered to:

- A. School District debt shall not exceed 28% of the State of NH legal limit.
- B. General Fund debt service for any given fiscal year shall not exceed 10% of the total appropriations of the General Fund.
- C. Water Fund debt shall not exceed 5% of the State of NH legal limit.
- D. Water Fund debt service for any given fiscal year shall not exceed 40% of the total appropriations for the fund.

School District debt is currently over the 28% policy limit due to existing Dover High School project authorizations. Debt authorizations for Garrison Elementary School Improvements will result in School District debt further exceeding the 28% policy limit. Previous debt authorizations for the Dover High School project are projected to increase General Fund debt service in excess of 10% of total General Fund appropriations starting in FY2017. Additional debt authorizations for the General Fund will result in debt service further continuing to be in excess of 10% of total General Fund appropriations in FY2018 and FY2019.

FINANCIAL POLICY MONITORING

City of Dover
Financial Policy Review
Fiscal Year 2018

January 23, 2019

Policy Description	Purpose	FY 2018 Policy Target	FY 2018 Results	Comments
GENERAL FUND:				
A. Unassigned General Fund Balance	Maintain Adequate fund reserves	15.00%	18.39%	Policy Objective is to annually maintain 15% level
B. Pre-fund OPEB Liability	Maintain sufficient annual contribution	30% of ARC	30% of ARC	Policy Objective is to increase % annually to achieve 30%
C. General Fund Capital Reserve	Maintain annual contribution for 10 year goal	\$750,000	\$850,000	FY2018 contribution meets policy and CIP requirements
D. City Outstanding Debt Obligation	Debt Level and Capacity management	65% of State Limit	52.0% of State Limit	Tolend Landfill Debt is excluded per policy
E. School Outstanding Debt Obligation	Debt Level and Capacity management	28% of State Limit	38.69% of State Limit	Above Policy Level - High School Debt Obligation
F. General Fund Debt Service	Debt Level and Capacity management	10% of Appropriations	10.7% of Appropriations	Above Policy Level - Tolend Landfill Debt excluded
G. General Fund Capital Outlay	Maintain Annual Capital Outlay funding	7.5% of Appropriations	6.84% of Appropriations	Policy Objective is to increase % annually to achieve 7.5%
H. Pay Down of Net Debt	Debt Level and Capacity management	75% Retired in 10 Years	47% Retired in 10 Years	Below Policy Level - High School Debt Repayment
WATER FUND:				
A. Unrestricted Water Fund Net Assets	Maintain adequate operating reserves	15%	37.50%	% of FY2019 Adopted Water Fund Budget - Meets Policy Level
B. Water Fund Capital Reserve	Maintain annual contribution for 10 year goal	\$500,000	\$500,000	Meets Policy Level
C. Water Fund Outstanding Debt	Debt Level and Capacity management	5% of State Limit	11.9% of State Limit	6.9% Above Policy Limit - Water Facilities System Improvements
D. Water Fund Debt Service	Debt Level and Capacity management	40% of Appropriations	36.7% of Appropriations	Below Policy Level
E. Water Fund Capital Outlay	Maintain Annual Capital Outlay funding	13% of Appropriations	14.5% of Appropriations	Meets Policy Level
F. Water Fund Pay Down of Net Debt	Debt Level and Capacity management	75% Retired in 10 Years	84.9% Retired in 10 Years	Meets Policy Level
SEWER FUND:				
A. Unrestricted Sewer Fund Net Assets	Maintain adequate operating reserves	15%	35.60%	% of FY2019 Adopted Sewer Fund Budget - Below Policy Level
B. Sewer Fund Capital Reserve	Maintain annual contribution for 10 year goal	\$500,000	\$500,000	Meets Policy Level
C. Sewer Fund Outstanding Debt	Debt Level and Capacity management	1.5% of Equalized Value	0.45% of Equalized Value	Below Policy Level
D. Sewer Fund Debt Service	Debt Level and Capacity management	40% of Appropriations	32.0% of Appropriations	Below Policy Level
E. Sewer Fund Capital Outlay	Maintain Annual Capital Outlay funding	11% of Appropriations	7.7% of Appropriations	Policy Objective is to increase % annually to achieve 11%
F. Sewer Fund Pay Down of Net Debt	Debt Level and Capacity management	75% Retired in 10 Years	63.9% Retired in 10 Years	Below Policy Level - WWTP Upgrade and MLE Conversion

Financial Policy Objective Achieved
Policy Objective on Target to be Achieved
Financial Policy Objective Not Achieved

SUBSEQUENT POLICY REVISIONS



CITY OF DOVER

CITY OF DOVER - RESOLUTION

Agenda Item#: 13.B.2.

Resolution Number: **R – 2016.03.09 – 029**

Resolution Re: **Minimum Fund Balance Financial Policy**

WHEREAS: Sound financial policies are necessary to maintain and improve the financial condition of the City and School finances which in turn support advantageous municipal bond market ratings for the overall City of Dover municipal corporation; and,

WHEREAS: The National Government Finance Officers Association recommends, at a minimum, that governments, regardless of size, maintain an Unassigned Fund Balance in their General Fund of no less than two (2) months of the annual General Fund budget. This recommendation is also recognized by the NH Department of Revenue Administration; and,

WHEREAS: Moody's Investors Service and Standard & Poor's Rating Services both recently conducted a credit rating of the City of Dover municipal corporation and identified maintaining a consistent and strong General Fund Unassigned Fund Balance as an important rating factor in achieving and sustaining an advantageous bond market rating; and,

WHEREAS: The City of Dover's previously adopted financial policy of maintaining a minimum General Fund Unassigned Fund Balance of 8%, equivalent to less than one (1) month, is in need of revision to better reflect current national and State of NH recognized municipal finance best practices, position the City for achieving and maintaining lower cost access to bond markets and to ensure availability of sufficient working capital for ongoing operational and potential emergency needs of the Dover community;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND DOVER CITY COUNCIL THAT:

A revision to the City Financial Policies pertaining to the General Fund Minimum Unassigned Fund Balance is hereby adopted as follows:

"The City shall achieve and maintain a minimum unassigned fund balance of 15% of the General Fund's annual budget, including City, School and County appropriations. The City Council may appropriate the General Fund unassigned fund balance for emergency purposes per City Charter Section C3-9 A or otherwise unanticipated expenses at year end, as deemed necessary, even if such use decreases the General Fund unassigned fund balance below the designated percentage. For purposes of this section the following shall apply:

- i. Emergency purpose does not include the offsetting of property taxes.
- ii. Unassigned Fund Balance will be defined by generally accepted accounting principles."

AUTHORIZATION

Approved as to Funding: Daniel R. Lynch
Finance Director

Sponsored by: Mayor Karen Weston
By Request

Approved as to Legal
Form and Compliance: Anthony Blenkinsop
General Legal Counsel

Recorded by: Karen Lavertu
City Clerk

