



CITY OF DOVER

AD-HOC FINANCIAL POLICY REVIEW COMMITTEE - MINUTES

Meeting Type: Regular Meeting
Meeting Location: Office of the City Manager – 288 Central Ave.
Meeting Date: Thursday, May 27, 2010
Meeting Time: **4:30 PM**

Members Present: Mayor Scott Myers, City Councilor Catherine Cheney, School Board Member Ken Appel, John Leggett, Finance Director Dan Lynch and City Manager Mike Joyal

Members Absent: Paul Kageleiry

Meeting commenced at approximately 4:30 pm.

1. Approval of Minutes

a. 05/13/10 Minutes

Discussion ensued regarding the recommendation for minimum undesignated General Fund balance. Peter Frazier of First Southwest Financial Advisors will be contacted to verify and committee members will be copied, Motion to accept. Cheney/Appel – Unan.

2. Discuss Fund Balance Policy

Discussion regarding the relationship of maintaining adequate fund balance and the overall financial health of community. Mayor Myers reminds of Frazier's comment about increasing vs. decreasing bond ratings. In terms of interest savings, there is negligible benefit for increasing rating from existing levels as compared to the significant detriment in suffering a decrease. School Board Member Appel indicates that interest rates are likely to increase in the future and as a result the spread between current and higher bond ratings may be more favorable. Leggett notes that it is important to continue with having independent look and rating of city's financial health.

Reference is made to the GFOA publication the New Fund Balance and the recommendation for maintaining a minimum level of unrestricted fund balance in the general fund equal to two months operating revenues. Finance Director Lynch advises that the current 6% level is not adequate as an absolute minimum level and recommends maintaining an absolute minimum equal to one month of operating revenues or 8.3%

Finance Director Lynch reviews chart showing cash flow levels over 12 month period. With property taxes collected in arrears over the course of 2 payments, this creates the potential for cash shortages twice per year. Maintenance of sufficient fund balances avoids the need for short-term borrowing to address ongoing operational costs. In considering the relationship between cash and fund balance levels, there are also non cash expenses and recorded liabilities hitting fund balance including due/to from amounts from non-General Fund funds.



CITY OF DOVER

AD-HOC FINANCIAL POLICY REVIEW COMMITTEE - MINUTES

Meeting Type: Regular Meeting
Meeting Location: Office of the City Manager – 288 Central Ave.
Meeting Date: Thursday, May 27, 2010
Meeting Time: **4:30 PM**

City Manager Joyal notes that the essential elements of a comprehensive fund balance policy include:

- The appropriate level of unrestricted fund balance to be maintained in the General Fund;
- The circumstances in which unrestricted fund balance can be “spent down”;
- The policy for replenishing deficiencies.

Committee members discuss utilizing a catch-up provision if the fund balance falls below the policy levels and what should occur if fund balance goes above target level.

Committee member consensus is to strive for achieving 8% level over a 5 year period and then maintaining that level going forward. Utilize catch up provision if any year falls short of target whereby the shortfall is addressed in the following year. Amounts accumulated over the target level to be utilized for stabilization funds. Use of fund balance bringing amount below the target level only for emergency needs.

3. Set Upcoming Meeting Agenda/Schedules

June 24th 4:30pm to discuss fees and charges policy and use of one time revenue policy

4. Citizen Forum

No citizens present

5. Adjourn

Cheney/Leggett. Unan.