



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, June 24, 2010
Meeting Time: **4:30 PM**

Members Present: Mayor Scott Myers, City Councilor Catherine Cheney, John Leggett, Paul Kageleiry and City Manager Mike Joyal

Members Absent: School Board Member Ken Appel and Finance Director Dan Lynch

Meeting commenced at approximately 4:30 pm.

1. Approval of Minutes

a. 05/27/2010 Minutes

Motion to accept. Leggett/Kageleiry – Unan.

2. Discuss Fees & Charges Policy

Mayor Myers explained that the intent in discussing the various subjects included on the agenda each meeting was to identify and develop consensus of committee members on policy guidelines. These discussions and the preliminary consensus will then be utilized to draft language for recommended policy statements to be reviewed and voted upon by the committee. The final package voted by the committee will then be presented to the City Council for their consideration.

City Manager Joyal notes considerations for establishing policies related to revenue in general and fees and charges specifically. These include: utilizing fees and charges to maintain a diversified and stable revenue base to avoid budgetary fluctuations caused by various external factors beyond the direct control of the community; ensuring revenue estimates associated with fees and charges are conservative, objective and reasonable to support responsible budgeting efforts; determine if and when new or adjusted user charges and/or fees for programs, activities or services are appropriate.

Committee members discuss the importance of maintaining a diversified and stable revenue system as a protection from short run fluctuations. Reliance on revenues not under the direct control of the community, including intergovernmental grants, should not be utilized nor depended upon to sustain ongoing operations. To a certain degree the property tax can be considered a stable revenue source in both good and bad economic times. However, the ongoing stability of property taxes is tied to the success in maintaining a diverse tax base.

Leggett indicates a need for allocating overhead costs for programs/activities to fees. Ensuing discussion regarding cost recovery and what costs fees should recover. A need for defining the purpose of particular fees and charges is discussed. User fees are imposed for services or programs that benefit a specific segment of the community as opposed to the whole. Joyal suggests differentiating between public goods/services that



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are social in nature, not of specific benefit to a single user and difficult to allocate all direct and indirect costs versus specific goods/services that are provided to individuals and complete allocations of both direct and indirect costs are feasible. Used as examples of specific goods/services are utility services and recreation programs. Enterprise fund related fees fully support both the direct and indirect costs related to the funds purpose whereas recreation fees are often calculated to only achieve coverage of the related direct costs for the program or activity.

General consensus of committee members is that the aim should be for all fees and charges to cover both direct and indirect costs to the extent possible. An explanation should be available for the rationale behind each fee or charge and whether or not it covers the full cost for the particular program/activity.

Kageleiry raises the question regarding differentiating between cost coverage for resident and nonresident fees. Committee consensus is nonresident fees should be calculated and used to support the ability to provide programs/activities for residents that otherwise would not be able to be provided due to insufficient participation.

Discussion ensues relating to revenue estimates and guidelines for new fees. Revenue estimates for budgeting purposes should be predicted as accurately as possible however should be conservative erring on the side of caution. Multi-year revenue estimates are encouraged to allow additional time to prepare for operational adjustments to accommodate shortfalls or excesses. Joyal notes the development of a revenue manual documenting the characteristics of revenue sources as suggested above and including historical trends and forecast assumptions is in process. .

In adjusting fees and charges and considering new revenue, acceptability to the community is understood by committee members to be important. Fees need to be competitive and require review as part of the budgeting process. Aside from cost coverage requirements, comparison to neighboring communities and, in certain cases, the private sector is warranted. The majority of revenue derived from fees and charges needs to withstand economic cycles as part of the consideration for a diverse and stable base. The cost for administering any fee/charge must be reasonable in comparison to the amount collected. To the extent possible, the burden of fees and charges needs to account for the ability to pay, the benefits received and fair share allocation.

Committee members generally agree that any change in fees or charges should be based upon a periodic review and compared to external sources where appropriate. If a program is at capacity, rates should be increased to account for demand. However, fee waivers in the form of subsidies or consideration for discounts should be applied in cases of



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financial hardship or excessive administrative cost. An example includes the existing subsidies included in the annual budget that are available to recreation program participants in cases of financial hardship.

Cross subsidization is discussed by committee members. Generally agreed that cross subsidization within a particular fund should be allowed between charges for one service/activity and another. Examples include motor vehicle registration and ambulance fees offsetting the need for increased property taxes supporting other General Fund operations. Cross subsidization between separate funds should not occur. Revenues in excess of expenses (profit) for a particular service/program is acceptable provided it is utilized within the same fund.

The use of charges and fees to encourage or discourage behavior is discussed. Committee members acknowledge that the pricing of certain activities/services may be utilized to achieve a desired result on behalf of the community. Parking passes or development application fees are cited as examples.

3. Discuss Use of One Time Revenue Policy

Committee members begin to discuss one-time revenue policy issues. Due to the lateness of meeting, agreed to defer topic to next meeting date.

4. Citizen Forum

No citizens present

5. Set Upcoming Meeting Agenda/Schedule

July 8th 4:30pm to discuss use of one time revenue policy and July 29th TBD

6. Adjourn

Cheney/Leggett. Unan.