



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 13, 2010
Meeting Time: **5:00 PM**

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

Members Absent: John Leggett

Meeting commenced at approximately 5:00 pm.

1. Approval of Minutes

a. 04/29/10 Minutes

Motion to accept. Appel/Cheney – Unan.

2. Financial Advisor Presentation with Q&A

See below

3. Independent Auditor Presentation with Q&A

Peter Frazier from First Southwest Financial Services, the City's contracted financial advisors, and Patrick O'Reilly from McDonald Page, the independent auditing firm engaged by the City were invited and are in attendance to share information and answer questions pertaining to the City's current financial policies and recommendations for future policies.

Frazier reviews written materials that he has assembled including bond rating information and local and national median financial related measures. City has worked its way from a position of low financial health to high and is now near the top of the rating scale. He advises that many factors have contributed to this rise including improved local economy and strong management practices. Dover financial measures are at the median to higher range when compared to other NH communities however they are lower when compared to levels across nation. This lower level is consistent for New England communities due to more frugal spending and relatively stable tax structures.

Frazier indicates that he likes the fact that Dover has an existing set of financial policies as it shows forward thinking and competent management. He suggests that policies should be periodically reviewed to ensure they are realistic and achievable as times and circumstances change. Frazier indicates that raising existing local debt limits is not viewed as a negative since State has already established limits by law. The need for concern is to ensure that Dover complies with its local policy as long as it is set at or below State required limits.



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Frazier responds that the planned debt levels to be assumed with the future renovation of the high school as shown in the current six year CIP will require raising local limits however that is not necessarily a concern. Investors and the rating agencies are more interested in the overall community condition and its ability to satisfy debt obligations over the long-term by having consistent and sound operations and financial practices.

Patrick O'Reilly advises that setting and not meeting local policy limits will become an audit issue as it relates to Dover's internal control practices.

Frazier and O'Reilly comment that debt levels should be tied to affordability. Frazier remarks that capital spending levels in budget, whether pay as you go or debt financed, need to be established at levels sufficient to support existing and planned assets maintenance and replacement. The balance of capital investment made between pay as you go and debt can be shifted back and forth however reasonable levels should be maintained from year to year. Frazier advises that current capital investments should be at least 8-10% of annual spending. O'Reilly advises that in considering the balance to be funded by debt, affordability over the long term is a consideration. In making comparisons with other communities' debt per capita is good measure. O'Reilly comments that although Dover appears high, the rate of pay down tempers this level.

Frazier advises that Dover has a very strong credit rating at this point in time. He believes there would be approximately 20 basis points to be achieved in interest savings if bond rating were to be move higher. This quality spread tends to widen when interest rates increase and compresses when interest rates fall. The focus in terms of value should be on maintaining existing rating levels. Rating drops will have larger cost increases than savings realized if rating were to increase from current level.

Frazier indicates achieving higher ratings would require stronger revenue growth which is primarily a function of economy which in the short term is beyond the control or direct influence of local government. Even at our current rating level, Dover's fund balance position is weak as it is below medians. A reasonable target should be at least 10%. O'Reilly advises that the majority of community's they perform audit services maintain between 10 to 12% fund balance. He recommends a minimum one month's of operating expense in fund balance which equates to 8.33%.



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Frazier advises that weaknesses in Dover’s financial health are primarily in areas the local government has no control. Existing debt is not going to go away. The local economy is influenced heavily by state, regional and national influences. Dover does have ability to control and maintain fund balance levels. He indicates reporting and financial control is already excellent. Financial strength is the area to focus on particularly as it relates to balance sheet items including offsetting liabilities and building fund balances. Frazier remarks that communities get in trouble using appropriations from fund balance and other one-time revenues to fund ongoing operations.

O’Reilly indicates that Dover’s OPEB liability is higher than other communities they perform work for. He comments that it is not as high as other communities across the country. He recommends that a policy be developed to acknowledge existence of OPEB obligation and how Dover will address over time.

O’Reilly suggests that financial policies include established goals that are realistic and can be achieved based upon a timeline. He suggests that the document be updated regularly and should require provisions for annual monitoring along with reporting of achievements.

Frazier and O’Reilly support dollar limits being indexed. O’Reilly suggest considering housing index. Both suggest that education public and orientation of elected and appointed officials be part of policy.

Frazier and O’Reilly indicate that we already have a comprehensive set of policies. Both suggest the addition of debt financing policy that limits financing to period not longer than useful life.

Ken Appel and Mayor Myers left to attend other meetings

4. Set Upcoming Meeting Agenda/Schedules

Next meeting scheduled for 4:30pm Thursday May 27, 2010

5. Citizen Forum

No citizens present

6. Adjourn

Motion to adjourn. Cheney/ Kageleiry – Unan.