



CITY OF DOVER

CITY COUNCIL - MINUTES

Meeting Type: Workshop
Meeting Location: Council Chambers, City Hall
Meeting Date: **Wednesday, January 19, 2011**
Meeting Time: **7:00 pm**

1. CALL TO ORDER

2. MOMENT OF SILENCE

3. PLEDGE OF ALLEGIANCE

Councilor Cruikshank led the Pledge of Allegiance.

4. ROLL CALL ATTENDANCE

Present: Mayor Myers, Deputy Mayor Trefethen, Councilor Carrier, Councilor Cheney, Councilor Cruikshank, Councilor Garrison, Councilor Hooper, Councilor Nedelka and Councilor Weston.

Also present: City Manager Joyal, General Legal Counsel and City Clerk Lavertu.

5. FINANCIAL POLICY RECOMMENDATIONS/BUDGET PROJECTIONS

City Manager Joyal gave a presentation to the Council on the recommendations from the Ad-Hoc Financial Policy Review Committee. He said financial policies are guidelines for operational and strategic decision-making, acceptable and unacceptable courses of actions, parameters in which the government can operate, and provide a standard on which the government's performance can be judged. He listed a few characteristics that define good financial polices: incorporate a long-term perspective, establish a link to organizational goals, focus budget decisions on their particular needs, involve and promote communication with the City's stakeholders, and provide guidance and focus on the day-to-day management of the City's operations. He said in 1996 the City Council established a Financial Policy Committee which developed financial policies that are still in effect today. He said the benefits of the policies is to better address budget emergencies, promote better long-term planning, provide a proper guide and ensure proper financing of capital acquisitions, smooth tax and utility rates changes each year while still allowing the community to take on large purchases, controlling debt and elimination of short-term borrowing, making sure there is sufficient cash available to sustain the operations of the City, allows self-sufficiency of those operations that are intended to be self-supporting, help improve the budget process with guidance, and most importantly they have long-term cost implications because they are tied directly to the City's credit rating. He said the Committee went through the existing financial policies and discussed the framework for abbreviating the policies with the national, state and local budgeting guidelines. He listed the major categories that the Committee reviewed: establishment of stabilization funds, fees and charges, debt issuance and management, debt level and capacity, use of one-time revenues and unexpected revenues, balancing the operating budget, revenue diversification, and contingency planning. He explained the focus of government accounting compared to private sector accounting. He discussed the importance of maintaining the City's bond rating in showing the City's health. The City's current rating is AA with both Moody's and Standard & Poor's.



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He discussed the financial policies the Committee has discussed. He said there has been no final vote at this time.

- Maintain adequate fund reserves to protect the community against emergencies and economic downturns. Provides a financial cushion as a savings vehicle.
General Fund: Current policy is 6%. Recommendation to increase to 8% over time so that there would be sufficient reserves on hand.
Water/Sewer Fund: Current policy is 40% of net assets: Recommendation is to leave as is.
- Establish capital reserve funds with regular contributions. Recommendation is to set aside an additional \$500,000 for reserve funds within the General Fund each year.
- Addressing other post employment benefit (OPEB) costs, primarily health insurance.
- Establishing a stabilization fund to cover changes in employee health insurance each year.
- Fees & charges. Recommendation is that they continue to be evaluated each year to be competitive and appropriate.
- Debt issuance and management. Discussion was primarily around the use of debt and that it is used in an appropriate fashion. Recommendation: Be used only for projects that are not recurring, have a useful life of greater than three years, and has a cost in excess of \$250,000.
- Debt level and capacity. Debt levels allowed by State law, and the Council's policy of a more conservative limit. Recommendation: To leave limits remain unchanged with the exception of the School's limit. The current percentage for the school is 7%, and it is recommended to be increased to 28%.
- Continue aggressive pay down on debt. In 1996 the policy was to reduce debt by 75% over 10 years, which the City has done. Recommendation: To continue the policy.
- Use of one-time revenues. Specifically restricted for the purpose that they were intended and not used for recurring expenses.
- Unpredictable revenues:
 1. Time of tax collections. Current: collect 6 months in arrears, which affect cash on hand. Recommendation: consider moving tax collection dates so we're collecting 6 months in advance.
 2. Financing from State and Federal governments.
 3. Conservative and reasonable budget estimates.
- Balancing Operating Budgets. Have a preliminary budget meeting and look at the forecast for future years.
- Revenue Diversification. Economic Development and Impact fees.
- Contingency Planning. Items can be addressed without a budget crisis.

He said the purpose for this was to give an overview to the Council and understood that it was a major policy issue for the Council to consider. He said the Committee is very hopeful that the Council will look favorably on the recommendations and adopt them.

Mr. John Leggett, Member of the Ad-Hoc Financial Policy Review Committee, spoke about the impact and what it really means. He said the increase to 8% for the reserve fund balance is really a tax. He said every expense means something. He said his biggest concern is debt service, because the City is reaching the ceiling of what the credit agencies look at. He said it was something that needed to be dealt with today.



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Mayor Myers said one of the recommendations will be that these policies be look at a minimum of every five years. He said several policies also impact the schools. He mentioned three: 1. Increase fund balance proportionately. 2. Capital reserve in various accounts. 3. One-time revenues. He said they will be scheduling a Joint Fiscal Committee meeting soon, and will be able to discuss these issues with the School Board.

City Manager Joyal explained the OPEB costs and the recommendation to increase the reserve fund 5% until liability is reduced.

Deputy Mayor Trefethen started a discussion regarding paying down debt. City Manager Joyal said the City is paying off debt quicker.

Deputy Mayor Trefethen started a discussion on property taxes currently paid 6 months in arrears and the proposal to get it to a more current schedule. He asked how the City can get to that point.

City Manager Joyal spoke about specific legislation that allows the City to do this. He said one way is to borrow the money to cover six months and then the next property tax bill will be for current expenses. He said another method was to advance the property tax due date by a month or weeks. He used the example of the current December bill being due in November next year, and the following year it would be due in October; taking six years to get back to December, or more if the Council changes it by weeks instead of a full month.

City Manager Joyal discussed his second handout, Analysis of Tax Cap – FY 2012 Budget, with the Council. He said even with the Tax Cap being in conflict with State Law they have still calculated the numbers. The CPI year-end average was 1.6%. The City saw some growth in net new construction, \$12 million. He said this allows an increase in the levy by \$1.2 million, or a 1.5% increase. He said more than half of the increase in the tax levy for the current fiscal year was due to the loss in revenues from the State: rooms and meals tax, shared revenue, and gaps in the state budget because of the use of stimulus money, adequacy aid for schools, building aid for schools, and cities/towns must now provide Health and Human Services. He said they are not expecting much growth next year in the City. He discussed additional expense costs: personnel costs, overtime costs, health insurance, retirement costs, supplies, and implementing the Financial Policy Review Committee recommendations.

City Manager Joyal discussed and gave an overview of his third handout, Forecast Assumptions – All Funds, with the Council. He stressed that the figures were based on assumptions and tried to make a reasonable forecast of the budget over the next few years.

Deputy Mayor Trefethen said the recommendations will have a short-term impact, but are good long-term. The conservative Councilors will look bad because they will be increasing taxes this year.

Mr. Leggett said the job of the Financial Policy Review Committee was to give policy and not make choices for the Council. He said he felt the flat line budget increase was high. He felt they should put a \$1.00 surcharge on property taxes to cover the increase, but as a trade off



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other things needed to be cut. He said programs needed to be cut because the City can't afford them. He said the City can't afford a new high school or a new police station. Mayor Myers said the Committee will be finalizing the recommendations by mid-February and will be bringing it to the Council to implement.

6. CAPITAL IMPROVEMENT PROGRAM (CIP) DISCUSSION

Mayor Myers reminded everyone that they are working off of the revised December 8, 2010 table. He said one key to policy was to fund capital reserves. Councilor Cheney started a discussion about what the Council can do in the next few years so the Council won't go over its debt limit in 2015. Mayor Myers said it wasn't just moving a million dollars, because the million consists of principle and interest payments on an approximately \$10 million bond. Councilor Cheney asked where the drastic cuts were going to come from. Deputy Mayor Trefethen said part of the answer is adjusting the CIP projects in the out-years, as they have always done. He understood, and asked if he was correct, that the handout showed the actual dollar amounts that had to be paid that year. He said it wasn't happening right now. He said he didn't think the Council had to do anything about the out-years when they vote on the CIP, but they should start discussing it within six to nine months. Mayor Myers said the problem with the out-years has to do with the school project. He said they needed to hear from the schools, and they needed to engage the public on what they want. Councilor Nedelka said they should let the future Council do their job. Mayor Myers said the CIP vote will be on the January 26, 2011 Agenda.

7. CITIZEN'S FORUM

Citizens are invited to speak on the subject matter of the Workshop. Statements shall be limited to five minutes.

Mayor Myers, seeing no one wishing to speak, he closed the Citizen's Forum.

8. ADJOURNMENT

Deputy Mayor Trefethen moved to adjourn; seconded by Councilor Weston.
Vote: 9/0.

All handouts have been archived with the Minutes.