

# 2010 Financial Policy Recommendations

359,464	0.3%
8,632,724	7.7%
59,087	0.1%
13,963,095	12.4%
5,266,055	4.7%
10,323,178	9.2%
5,283,470	4.7%
4,330,582	3.8%
190,555	0.4%
121,256	10.1%
4,162,809	3.7%
33,607,969	29.9%
1,987,731	1.8%
1,665,228	1.5%
5,014,932	4.5%
5,255,312	4.7%

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City of Dover, NH

# Financial Policy Characteristics

- Long term perspective
- Link to organizational goals
- Focus budget decisions
- Communicate with stakeholders
- Provide incentives for compliance



# Financial Policy Characteristics

- Provide guidance for future City Councils
- Give context to policy setting discussions
- Guide management decisions
- Promote consistency and quality control



# Financial Policy Development

- **1996 Ad-Hoc Financial Planning Committee**

- Maintenance of fund reserves
- Capital improvements planning
- Debt issuance
- Cash flow
- Enterprise fund management
- Budget process

- **City Council adopted on December 11, 1996**



# Implementation of 1996 Policies

- Better long term planning
- Improve cash flow and investment opportunity
- Eliminate short term borrowing
- Maintain self sustaining utility operations
- Improved budgeting process
- Upgrades to City's bond rating



# Update of 1996 Financial Policies

- **2010 Ad-Hoc Finance Policy Review Committee**

- Initial meeting March 25, 2010
- Reviewed best practices from GFOA and NACSLB
- Input from consulting Financial Advisor
- Considered comments of Independent Auditor
- Public comment opportunities



# 2010 Recommended Financial Policies Categories

- Stabilization Funds
- Revenues
- CIP and Debt Parameters
- Budget Guidance
- Policy Implementation



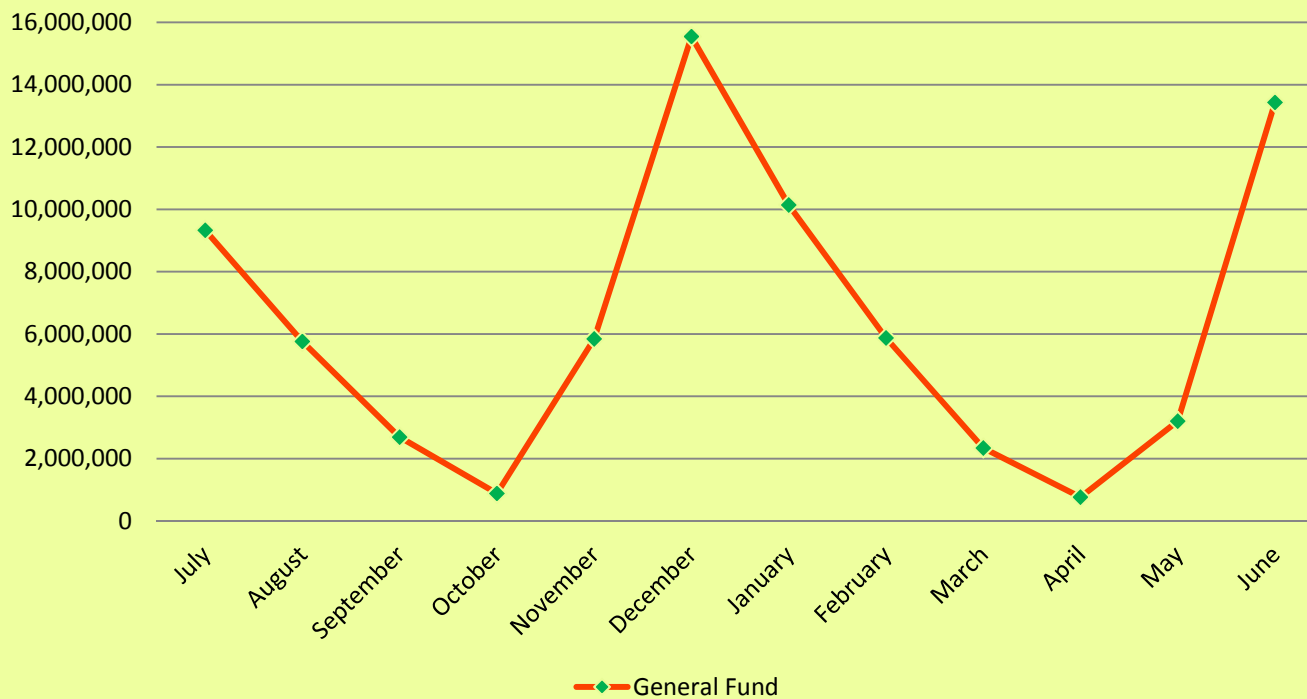
# 2010 Recommended Financial Policies – Stabilization Funds

- **General Fund – Min 8% of annual appropriations**
  - Emergency purpose does not include tax offset
  - Target level achieved by apportioning between  
**City and School budgets over 6 years**



# 2010 Recommended Financial Policies – Stabilization Funds

## General Fund Unrestricted Cash Balance



# 2010 Recommended Financial Policies – Stabilization Funds

- **OPEB Fund – contributions required to offset liability**
  - Target level achieved by budgeting for PAYG and 5% of ARC each year
  - Increments stop as accumulated OPEB related liability decreases



# 2010 Recommended Financial Policies – Stabilization Funds

- **Capital Reserves - Fund approved CIP projects**
  - **General, Water and Sewer Funds**
  - **Min funding to achieve 10 year goal of \$500k**



# 2010 Recommended Financial Policies – Stabilization Funds

- **Benefit Cost Stabilization - offset annual budget fluctuations**

- Budget based upon 10 year average increase
- When actual cost is less in one year, save
- When actual cost is more in one year, offset



# 2010 Recommended Financial Policies – Stabilization Funds

- **Surplus Funds – build stabilization funds to min levels based upon following priority**
  - Unassigned (undesigned) Fund Balance
  - OPEB obligation
  - Capital Reserves
  - Benefit cost stabilization



# 2010 Recommended Financial Policies - CIP and Debt Parameters

- CIP— annually adopt 6 yr plan of major capital items
  - CIP document identifies all planned projects
  - City Council authorizes multi-yr project funding
  - Year I of adopted CIP provides basis for City Manager budget proposal



# 2010 Recommended Financial Policies - CIP and Debt Parameters

- **CIP Project Criteria – annual aggregate of \$25k or more and minimum 3 year useful life**

- **Protects health and safety**
- **Improve service efficiency**
- **Preserve capital investment**
- **Reduce operating cost/increase revenue**



# 2010 Recommended Financial Policies - CIP and Debt Parameters

- **CIP Funding Criteria –**

- Debt - \$250K or more, non recurring, 5+ yr life
- Capital Reserve - \$25k recurring or not
- Grant/Existing Funds
- Operating Budget – any recurring item or any item less than \$250K



# 2010 Recommended Financial Policies - CIP and Debt Parameters

- Debt management –
  - useful life equal or exceed amortization length
  - Pursue refunding when significant savings/benefits will be realized



# 2010 Recommended Financial Policies - CIP and Debt Parameters

- **Local debt limits – more conservative than NH law**
  - **City – 65% of NH legal limit (net Tolend)**
  - **School – 28% of NH legal limit**
  - **Water – 5% of NH legal limit**
  - **Sewer – 1.5% of equalized value (no NH limit)**



# 2010 Recommended Financial Policies - CIP and Debt Parameters

- **Debt indices**

- **General Fund – Debt Service max of 10% of total appropriation (net Tolend)**
- **Enterprise and Special Revenue Funds – Debt service max 40% of total appropriation**
- **75% of net debt balance retired over 10 years**



# 2010 Recommended Financial Policies - CIP and Debt Parameters

- **Capital Outlay – reduce reliance on debt**
  - **General Fund – Min 7.5% of total appropriation**
  - **Water Fund – Min 13% of total appropriation**
  - **Sewer Fund – Min of 11% of total appropriation**



# 2010 Recommended Financial Policies - Revenues

- Fees & Charges

- Annual review/recommendation by boards
- Non-resident – cover direct and indirect cost
- Resident – cover direct cost
- Utilities remain self sufficient
- Annual fee schedule produced



# 2010 Recommended Financial Policies - Revenues

- **Other revenue items**

- One-time revenues for intended purpose or building stabilization funds only
- Grant funds with continuing obligations reviewed and approved by City Council prior to acceptance



# 2010 Recommended Financial Policies - Revenues

- **Other revenue items**

- Improve timing of cash flow – revise tax dates
- Budgets based on conservative and reasonable estimates
- Revenue diversification emphasis on Econ Dev
- Review and maintain impact fees



# 2010 Recommended Financial Policies – Budget Guidance

- **Budget Guidance**

- Require balanced budgets
- Preliminary estimates and 5 year forecast
- Council budget guidance



# 2010 Recommended Financial Policies – Implementation

- Annual contingency funding allocations
- Emergency and catastrophic needs
- Recognize and acknowledge policy deviations as part of decision making process

