A Case Study in Adopting and Implementing Financial Policies

DANIEL R. LYNCH
CITY OF DOVER, NEW HAMPSHIRE
MAY 2, 2019 NH GFOA ANNUAL CONFERENCE
In 1996 the Dover City Council adopts 12 Financial Policies.

The Financial Policies remained in place and unchanged for 14 years.

Why Did the City of Dover Review and Update their Financial Policies?

Although the Financial Policies resulted in several key benefits, not all financial policy goals were fully achieved.

The Economic Impact on Local, State and National Levels due to The Great Recession of 2007.
THE SIGNIFICANT STEPS IN THE PROCESS

- CITY COUNCIL ACKNOWLEDGES NEED FOR POLICY REVIEW AND UPDATES
- CITY COUNCIL ESTABLISHES AN AD-HOC COMMITTEE
- AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT
- CITY COUNCIL ADOPTION OF NEW SET OF FINANCIAL POLICIES
CITY COUNCIL ACKNOWLEDGES NEED FOR POLICY REVIEW AND UPDATES

Provide Understanding of City’s Current Financial Condition

What Existing Financial Policy Goals are Achieved

What Existing Financial Policy Goals are Under Achieved

How is the Local, State and National Economy

The Feedback from Credit Rating Agencies

Public Input and Comment on City Financial Condition and Operations
CITY COUNCIL ESTABLISHES AN AD-HOC COMMITTEE

JANUARY 2010

MAYOR
CITY COUNCIL MEMBER
SCHOOL BOARD MEMBER
CITY MANAGER
CITY FINANCE DIRECTOR
CITIZEN MEMBER
CITIZEN MEMBER

CHARGED WITH CONSIDERING AND RECOMMENDING REVISIONS TO THE CITY’S EXISTING FINANCIAL POLICIES
AD-HOC COMMITTEE
SCOPE OF WORK
AND FINAL REPORT

Review Existing Financial Policy
Report of 1996

Review the Financial Policy
Goals that were achieved

Determine Why Certain
Financial Policy Goals were not
achieved

Review the 6 Subject Areas in
Which the Existing 12 Policies
were Classified
AD-HOC COMMITTEE
SCOPE OF WORK
AND FINAL REPORT

1. Better Ability to Withstand Economic Downturns
2. Improved Long Term Planning
3. Elimination of Short Term Borrowings
4. Control Debt Growth
5. Better Use of Capital Reserves for Capital Asset Replacement
6. Proper Financing of Capital Asset Acquisitions

Benefits to be achieved from Policy recommendations:

1. Better Ability to Address Budgetary Emergencies
2. Maintain Aggressive Debt Retirement
3. Avoidance of Large Increases in User Fees
4. Improve Potential for Upgrade of the City’s Bond Rating
AD-HOC COMMITTEE
SCOPE OF WORK
AND FINAL REPORT

1996 Subject Areas:
1. Maintenance of Fund Reserves
2. Capital Improvements Program (CIP)
3. Debt Policies
4. Cash Flow
5. Management of Enterprise Funds
6. Budget Process

2011 Subject Areas:
1. Stabilization Funds
2. Fees & Charges
3. Debt Issuance & Management
4. Debt Level & Capacity
5. Use of One-Time Revenues
6. Use of Unpredictable Revenues
7. Balancing the Operating Budget
8. Revenue Diversification
9. Contingency Planning
AD-HOC COMMITTEE SCOPE OF WORK AND FINAL REPORT

- DRAFT POLICY
- ANALYZE DATA TO SUPPORT OR NEGATE DRAFT POLICY
- DEVELOP STRATEGIES TO IMPLEMENT RECOMMENDED POLICY
Currently, retirees contribute various percentages of the cost of their health plan, as determined by provisions established in prior and current collective bargaining agreements. The City contributes the remainder of the health plan costs on a PAYS basis. The retiree health care benefit cost to the City is lessened by subsidies received by retirees from the New Hampshire Retirement System (NHRS). Health care benefit costs are reduced significantly upon a retiree or their dependents attaining the age of 65, at which time they become eligible for Medicare and are charged to a Medicare supplement plan.

For purposes of complying with GASB Statement 45, the City’s annual OPEB expense is actuarially calculated and designated as the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost necessary per year to amortize the OPEB expense over a period of thirty years and thereby avoid an increasing cumulative liability.

The following table shows the City’s actuarially calculated and projected OPEB ARC, the current annual pay-as-you-go OPEB cost obligation and the accumulating OPEB liability (the net of ARC and PAYS) through June 30, 2017.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actuarial</th>
<th>Projected ARC</th>
<th>Projected PAYS</th>
<th>NOO</th>
<th>OPEB Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>Actuarial</td>
<td>2,942,452</td>
<td>2,896,879</td>
<td>2,848,326</td>
<td>2,791,769</td>
</tr>
<tr>
<td>2010</td>
<td>Actuarial</td>
<td>3,013,796</td>
<td>2,964,100</td>
<td>2,914,535</td>
<td>2,858,309</td>
</tr>
<tr>
<td>2011</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
<tr>
<td>2012</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
<tr>
<td>2013</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
<tr>
<td>2014</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
<tr>
<td>2015</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
<tr>
<td>2016</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
<tr>
<td>2017</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
<tr>
<td>2018</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
<tr>
<td>2019</td>
<td>Projected</td>
<td>3,877,066</td>
<td>3,827,067</td>
<td>2,988,869</td>
<td>7,903,080</td>
</tr>
</tbody>
</table>

In order to minimize and eventually assist with reducing the accumulating OPEB expense, the City previously grandfathered and eliminated the availability of paid retiree health insurance through prior collective bargaining negotiations. However, the remaining OPEB obligation continues to be addressed on a PAYS basis and, as a result of the accrual accounting requirements established by GASB Statement 45, an accumulating liability results.

The FY2010 present value of the City’s actuarially calculated OPEB obligation over the next 30 years is currently $42,171,618, a slight reduction from the $42,620,587 present value calculated previously for FY2009. These actuarial calculations reflect no pre-funding of the obligation and a 5% discount rate for liabilities and return for assets. This long term OPEB liability amount is able to be significantly reduced if pre-funding of the obligation is addressed by making the minimum ARC. The reduction results not only from the offset of accumulating ARC funding that is retained beyond the
AD-HOC COMMITTEE
SCOPE OF WORK AND FINAL REPORT
DEVELOP STRATEGIES TO IMPLEMENT POLICY RECOMMENDATIONS
PROVIDE EXPLANATION FOR POLICY RECOMMENDATION
STRATEGY FOR PRE-FUNDING OPEB OBLIGATIONS

annual PAYG amount necessary each year but also the higher 4% investment rate of return that is allowed in determining the present value of the OPEB obligation. To illustrate, if fully funding the ARC amount each year, the FY2010 present value of the OPEB accrued liability would fall to $28,555,086.

To address the OPEB liability being recorded in the City’s annual financial statements, an amount beyond the minimum PAYG cost obligation must be achieved, eventually reaching the levels of an actuarially calculated ARC. The Financial Policy Review Committee recommends that this amount be achieved by supplementing the annual PAYG contribution by an amount equivalent to 5% of the ARC amount and increasing this calculation in increments of 5% each year until the accumulated net OPEB related liability is decreased, at which point the annual 5% escalator will no longer be necessary. As the OPEB liability is associated with each of the major funds, this contribution is to be apportioned accordingly.

<table>
<thead>
<tr>
<th>Other Post Employment Benefits (OPEB) Contribution</th>
<th>Supplement</th>
<th>PAYG</th>
<th>Cumulative Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td>ARC</td>
<td>PAYS</td>
<td>Supplement % of ARC</td>
</tr>
<tr>
<td>2011</td>
<td>3,877,066</td>
<td>1,076,697</td>
<td>5%</td>
</tr>
<tr>
<td>2012</td>
<td>3,877,066</td>
<td>1,62,234</td>
<td>10%</td>
</tr>
<tr>
<td>2013</td>
<td>3,877,066</td>
<td>2,103,148</td>
<td>15%</td>
</tr>
<tr>
<td>2014</td>
<td>3,877,066</td>
<td>2,223,033</td>
<td>20%</td>
</tr>
<tr>
<td>2015</td>
<td>3,877,066</td>
<td>2,469,868</td>
<td>25%</td>
</tr>
<tr>
<td>2016</td>
<td>3,877,066</td>
<td>2,594,695</td>
<td>30%</td>
</tr>
</tbody>
</table>

The City shall establish and maintain sufficient annual contributions into capital reserves for infrastructure and equipment needs associated with the City’s major operating funds as identified and planned for in the annually adopted Six-Year Capital Improvements Plan (General, Water, and Sewer).

The use of capital reserve financing allows for level contributions to be budgeted from year to year in order to save and eventually fund future planned capital expenditures. By utilizing this financing mechanism, large swings in budgeted amounts and resulting rate changes are avoided. Additionally, as funds accumulate towards a savings goal, investment returns help to mitigate the expense. To fund the same capital acquisitions utilizing debt financing would result in driving the cost for the item upwards by 150% when interest expenses are factored in.

The previous Financial Planning Committee recommended that 10 year target levels for funding capital reserves in the Water and Sewer Fund be attained. General Fund capital reserve target levels were not specified. The water and sewer related ten year capital reserve targets were originally recommended to be $5,000,000 for water and $5,500,000 for sewer. As planned capital improvement projects have been adopted in subsequent CIP’s, the actual budgeted capital reserve ten year targets have increased and currently are equivalent to $4,500,000 for water and $4,000,000 for sewer. Recognizing that the 10 year target level will change over time based upon the adopted CIP, the Finance Policy Review Committee recommends that the policy be updated to set the 10 year capital
AD-HOC COMMITTEE
SCOPE OF WORK
AND FINAL REPORT

AD-HOC COMMITTEE PROVIDES FINAL REPORT IN FEBRUARY 2011

2010 Financial Policy Report and Recommendations*

City of Dover, NH
Ad-Hoc Financial Policy
Review Committee

Mayor Scott Myers, Chair
Councillor Catherine Chane,y, Vice Chair*
Ken Apel, School Board Member
J. Michael Joyal Jr., City Manager
Paul Kageleiry, Citizen Appointee
John Regitini, Citizen Appointee
Dan Lynch, Finance Director

February 10, 2011

* Report and Recommendations approved by vote of Committee with Councillor Cheney opposed.
AD-HOC COMMITTEE
SCOPE OF WORK
AND FINAL REPORT
FINAL REPORT FORMAT:
1. INTRODUCTION
2. HISTORICAL PERSPECTIVE
3. POLICY
RECOMMENDATIONS
4. EXPLANATION OF
POLICIES
5. PROPERTY TAX IMPACT
ANALYSIS
6. USERS FEES IMPACT
ANALYSIS

Contents
An Introduction to Financial Policies: ................................................................. 1
The Initial Development and Adoption of Dover's Financial Policies: .................. 2
Benefits Resulting from the Adoption and Implementation of Financial Policies: .... 2
The Current Review and Update of Dover's Financial Policies: ......................... 3
The Recommended Update of Dover's Financial Policies: ................................. 3
Stabilization Funds: ....................................................................................... 3
Fees and Charges: ......................................................................................... 5
Debt Issuance and Management: ...................................................................... 5
Debt Level and Capacity: ................................................................................ 6
Use of One-Time Revenues: .......................................................................... 7
Use of Unpredictable Revenues: ...................................................................... 7
Balancing the Operating Budget: ................................................................... 8
Revenue Diversification: ............................................................................... 8
Contingency Planning: ............................................................................... 8
Accounting Basis and Concepts: .................................................................... 9
Financial Condition and Bond Ratings: ............................................................ 11
Explanation of Policies Related to Stabilization Funds: .................................... 14
Explanation of Policies Related to Fees and Charges: ...................................... 23
Explanation of Policies Related to Debt Issuance and Management: ............... 25
Explanation of Policies Related to Debt Level and Capacity: ......................... 28
Explanation of Policies Related to Use of One-time Revenues: ....................... 32
Explanation of Policies Related to the Use of Unpredictable Revenues: .......... 33
Explanation of Policies Related to Balancing the Operating Budget: .......... 34
Explanation of Policies Related to Revenue Diversification: ......................... 35
Explanation of Policies Related to Contingency Planning: ......................... 36
Implementation of Recommended Updates to Financial Policies: ................. 38
Appendices: ............................................................................................... 39
Recommended Financial Policies Impact Analysis ........................................ 40
2010 Moody's Investor Services Dover, NH Rating Information ................... 45
2010 Standard & Poor's Rating Services Dover, NH Rating Information .......... 51
### City of Dover

#### Recommended City Financial Policies

**Summary of Impacts** (Assumes full and continuing implementation beginning 2012)

<table>
<thead>
<tr>
<th></th>
<th>Impact To</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL FUND:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance Minimum</td>
<td>Budget</td>
<td>175,995</td>
<td>509,592</td>
<td>501,393</td>
<td>539,269</td>
<td>323,154</td>
<td>79,517</td>
<td>2,128,919</td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td>0.067</td>
<td>0.125</td>
<td>0.120</td>
<td>0.132</td>
<td>0.051</td>
<td>(0.038)</td>
<td>0.456</td>
</tr>
<tr>
<td>Capital Reserve Funding</td>
<td>Budget</td>
<td>255,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>255,000</td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td>0.097</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.097</td>
</tr>
<tr>
<td>Benefit Stabilization Fund</td>
<td>Budget</td>
<td>Impact will be positive pending accumulation of funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Budget Capital Outlay</td>
<td>Budget</td>
<td>166,572</td>
<td>227,468</td>
<td>242,720</td>
<td>258,812</td>
<td>275,788</td>
<td>293,692</td>
<td>1,465,052</td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td>0.063</td>
<td>0.086</td>
<td>0.090</td>
<td>0.095</td>
<td>0.101</td>
<td>0.106</td>
<td>0.541</td>
</tr>
<tr>
<td>OPEB Contribution</td>
<td>Budget</td>
<td>181,156</td>
<td>181,156</td>
<td>181,156</td>
<td>181,156</td>
<td>181,156</td>
<td>181,156</td>
<td>1,086,935</td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td>0.069</td>
<td>0.068</td>
<td>0.067</td>
<td>0.067</td>
<td>0.066</td>
<td>0.065</td>
<td>0.403</td>
</tr>
<tr>
<td>Contingency Funding</td>
<td>Budget</td>
<td>31,996</td>
<td>96,533</td>
<td>94,329</td>
<td>51,984</td>
<td>137,508</td>
<td>19,879</td>
<td>432,230</td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td>0.012</td>
<td>0.036</td>
<td>0.035</td>
<td>0.019</td>
<td>0.050</td>
<td>0.007</td>
<td>0.160</td>
</tr>
<tr>
<td>Debt Financed Threshold Change (Per Proposed CIP 2012-2017)</td>
<td>Budget</td>
<td>Impact offset by adjustments to adopted CIP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service as % of Budget (Per Proposed CIP 2012-2017)</td>
<td>Budget</td>
<td>Impact offset by adjustments to adopted CIP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GENERAL FUND TOTALS:</strong></td>
<td>Budget</td>
<td>810,718</td>
<td>1,014,750</td>
<td>1,019,598</td>
<td>1,031,221</td>
<td>917,606</td>
<td>574,244</td>
<td>5,368,136</td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td>0.31</td>
<td>0.31</td>
<td>0.31</td>
<td>0.31</td>
<td>0.27</td>
<td>0.14</td>
<td>1.66</td>
</tr>
</tbody>
</table>
CITY COUNCIL
ADOPTION OF NEW
SET OF FINANCIAL
POLICIES

A NEW SET OF
FINANCIAL POLICIES
ADOPTED APRIL 27, 2011
City of Dover
City Council Adopted
City Financial Policies

ii. Significantly improve the efficiency of existing services.
iii. Preserve a previous capital investment made by the City.
iv. Significantly reduce future operating costs or increase future operating revenues.

13. The City shall finance qualifying CIP projects using established criteria:
   a. Debt Financed – Purchases financed by the issuance of bonds or capital leases.
      Purchase of assets at $250,000 or more, nonrecurrent within a five-year period, and
      with a useful life of five years or more are recommended for debt financing. This
      shall include design and construction costs for projects even when the costs occur in an
      earlier year.
   b. Capital Reserve Financed – Purchases financed by savings from annual
      appropriations over a period of time for assets over $25,000 purchasing or not. Capital
      reserves can be established for a specific item or a type of item.
   c. Grant Financed – Purchase of assets over $25,000 partially or wholly funded by
      grants from the State or Federal government.
   d. Existing Funds Financed – After the CIP projects are submitted and compiled, any
      funds that can be financed with existing funds shall be identified. Existing funds
      could be any funds available from savings from another project or other source of
      funds.
      i. If bonded funds are to be used, then the item has to meet the useful life criteria for
         the remaining years of amortization of the bond funds used.
      e. Operating Budget Financed – Purchase of assets less than $250,000 or recurring in
         nature, are recommended to be financed through the annual operating budget for the
         fund involved. Annual programs, whether over $250,000 or not, are suited for
         operating budget financing due to the ongoing nature of the program.

14. In utilizing debt financing for CIP related projects, the useful life span of the capital project
    or item shall equal or exceed the years for amortization of the bond.

15. In consultation with the City’s designated financial advisor, the City shall regularly analyze
    and pursue bond refunding in instances where significant savings or other substantial
    benefits will be realized.

Debt Level and Capacity:

16. The City shall size the issuance of the local share of new debt so as not to exceed certain
    parameters in any given fiscal year:
       a. The City portion shall not exceed 85% of the State of NH legal limit.
       i. The debt related to Toland Landfill Closure is to be excluded in calculating the
          City portion for purposes of this section.
PUBLICIZE CITY FINANCIAL POLICIES

Proposed Capital Improvements Program
Fiscal Years 2020-2025

Submitted by:
J. Michael Joyal, Jr. City Manager
October 3, 2018

City of Dover
New Hampshire

Proposed Budget
Fiscal Year 2020

As submitted to the City Council
By City Manager J. Michael Joyal, Jr.
Debt Authorization versus Debt Retirement

The following table compares the tentative authorization amount to the amount of debt being retired:

<table>
<thead>
<tr>
<th>Description</th>
<th>School</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16 School CP Authorizations</td>
<td>23,300,000</td>
</tr>
<tr>
<td>This Authorization</td>
<td>49,700,000</td>
</tr>
<tr>
<td>FY16 Debt Retirement</td>
<td>2,245,586</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td><strong>70,754,414</strong></td>
</tr>
</tbody>
</table>

Financial Policy Considerations

The proposed debt authorization contained in this resolution will result in two of the City Council adopted Financial Policies not being adhered to:

A. School District debt shall not exceed 28% of the State of NH legal limit.

B. General Fund debt service for any given fiscal year shall not exceed 10% of the total appropriations of the General Fund.

School District debt is projected to be over the 28% policy limit starting in FY2017 and continuing through FY2027. The debt service for the proposed Dover High School project is projected to increase General Fund debt service to exceed 10% of total General Fund appropriations starting in FY2017 and continuing through FY2027.

Rate Impacts

The table attached to this resolution, summarizes the change from year to year on the Property Tax Rate, net of existing debt service and aid, related to the project proposed to be bonded. The table reflects the impact of the new authorization and anticipated debt related to prior year authorizations for the School District. The table also reflects the net change from year to year for an average residential property for taxers on the FY15 assessed value of $251,321.
Multi-Year Projects Proposed Bonding Schedule

The following table summarizes the bonding schedule for the proposed debt authorizations. This table shows that for multi-year projects the issuance of bonds will be done based on cash flow requirements per the projects' proposed segments as presented in the Capital Improvements Program.

<table>
<thead>
<tr>
<th>Item #</th>
<th>Description</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Intersection Reconstruction - 6th/7th Ave Dr</td>
<td>250,000</td>
<td>50,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Street Reconstruction - Bellamy Road</td>
<td>250,000</td>
<td>50,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Street Reconstruction - Floral Ave &amp; Brick Street</td>
<td>250,000</td>
<td>50,000</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Street Reconstruction - Modoc Rd/Stonewall Drive</td>
<td>583,000</td>
<td>583,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Street Reconstruction - Pennsylvania Road</td>
<td>1,700,000</td>
<td>1,500,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>6</td>
<td>Street Reconstruction - Silver Street</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Street Reconstruction - Oak Hill/Beechwood Ave</td>
<td>2,000,000</td>
<td>1,500,000</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Garnett Elementary School Improvements</td>
<td>6,000,000</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Cochere River Drainage Cell Closure</td>
<td>300,000</td>
<td>300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Cochere Riverfront Bank Stabilization</td>
<td>600,000</td>
<td>600,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Cochere Riverfront Site Preparation</td>
<td>1,050,000</td>
<td>1,000,000</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Water Main Replacement - Matt Rd/Washington</td>
<td>1,100,000</td>
<td>100,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>13</td>
<td>Water Main Replacement - Pocatello/Drew Rd</td>
<td>3,200,000</td>
<td>300,000</td>
<td>1,000,000</td>
<td>900,000</td>
</tr>
<tr>
<td>14</td>
<td>Water System Facilities Upgrade</td>
<td>12,400,000</td>
<td>800,000</td>
<td>6,300,000</td>
<td>5,400,000</td>
</tr>
<tr>
<td>15</td>
<td>Pump Station - Belk/Redstone Drive</td>
<td>300,000</td>
<td>300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Severn Main Replacements - Sprinkle Turnpike</td>
<td>800,000</td>
<td>800,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total: 32,783,000 | 11,050,000 | 12,300,000 | 3,000,000 | 6,400,000 |

Financial Policy Considerations

The proposed debt authorizations contained in this resolution will result in the following City Council adopted Financial Policies not being adhered to:

A. School District debt shall not exceed 28% of the State of NH legal limit.
B. General Fund debt service for any given fiscal year shall not exceed 10% of the total appropriations of the General Fund.
C. Water Fund debt shall not exceed 5% of the State of NH legal limit.
D. Water Fund debt service for any given fiscal year shall not exceed 4% of the total appropriations for the fund.

School District debt is currently over the 28% policy limit due to existing Dover High School project authorizations. Debt authorizations for Garnett Elementary School Improvements will result in School District debt further exceeding the 28% policy limit. Previous debt authorizations for the Dover High School project are projected to increase General Fund debt service in excess of 10% of total General Fund appropriations starting in FY2017. Additional debt authorizations for the General Fund will result in debt service further continuing to be in excess of 10% of total General Fund appropriations in FY2018 and FY2019.
## FINANCIAL POLICY MONITORING

**City of Dower**  
**Financial Policy Review**  
**Fiscal Year 2018**  
January 23, 2019

<table>
<thead>
<tr>
<th>Policy Description</th>
<th>Purpose</th>
<th>FY 2018 Policy Target</th>
<th>FY 2018 Results</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL FUND:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Unassigned General Fund Balance</td>
<td>Maintain Adequate fund reserves</td>
<td>15.00%</td>
<td>18.39%</td>
<td>Policy Objective is to annually maintain 15% level</td>
</tr>
<tr>
<td>B. Pre-fund OPEB Liability</td>
<td>Maintain sufficient annual contribution</td>
<td>30% of ARC</td>
<td>30% of ARC</td>
<td>Policy Objective is to increase % annually to achieve 30%</td>
</tr>
<tr>
<td>C. General Fund Capital Reserve</td>
<td>Maintain annual contribution for 10 year goal</td>
<td>$750,000</td>
<td>$850,000</td>
<td>FY2018 contribution meets policy and CP requirements</td>
</tr>
<tr>
<td>D. City Outstanding Debt Obligation</td>
<td>Debt Level and Capacity management</td>
<td>60% of State Limit</td>
<td>52.0% of State Limit</td>
<td>Totaled Landfill Debt included per policy</td>
</tr>
<tr>
<td>E. School Outstanding Debt Obligation</td>
<td>Debt Level and Capacity management</td>
<td>30% of State Limit</td>
<td>38.60% of State Limit</td>
<td>Above Policy Level - High School Debt Obligation</td>
</tr>
<tr>
<td>F. General Fund Debt Service</td>
<td>Debt Level and Capacity management</td>
<td>10% of Appropriations</td>
<td>10.7% of Appropriations</td>
<td>Above Policy Level - Totaled Landfill Debt excluded</td>
</tr>
<tr>
<td>G. General Fund Capital Outlay</td>
<td>Maintain Annual Capital Outlay funding</td>
<td>7.5% of Appropriations</td>
<td>6.84% of Appropriations</td>
<td>Policy Objective is to increase % annually to achieve 7.5%</td>
</tr>
<tr>
<td>H. Pay Down of Net Debt</td>
<td>Debt Level and Capacity management</td>
<td>75% Retired in 10 Years</td>
<td>4.7% Retired in 10 Years</td>
<td>Below Policy Level - High School Debt Repayment</td>
</tr>
<tr>
<td><strong>WATER FUND:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Unrestricted Water Fund Net Assets</td>
<td>Maintain adequate operating reserves</td>
<td>1%</td>
<td>37.50%</td>
<td>% of FY2019 Adopted Water Fund Budget - Meets Policy Level</td>
</tr>
<tr>
<td>B. Water Fund Capital Reserve</td>
<td>Maintain annual contribution for 10 year goal</td>
<td>$500,000</td>
<td>$500,000</td>
<td>Meets Policy Level</td>
</tr>
<tr>
<td>C. Water Fund Outstanding Debt</td>
<td>Debt Level and Capacity management</td>
<td>5% of State Limit</td>
<td>11.3% of State Limit</td>
<td>6.3% Above Policy Limit - Water Facilities System Improvements</td>
</tr>
<tr>
<td>D. Water Fund Debt Service</td>
<td>Debt Level and Capacity management</td>
<td>40% of Appropriations</td>
<td>36.7% of Appropriations</td>
<td>Below Policy Level</td>
</tr>
<tr>
<td>E. Water Fund Capital Outlay</td>
<td>Maintain Annual Capital Outlay funding</td>
<td>13% of Appropriations</td>
<td>14.5% of Appropriations</td>
<td>Meets Policy Level</td>
</tr>
<tr>
<td>F. Water Fund Pay Down of Net Debt</td>
<td>Debt Level and Capacity management</td>
<td>75% Retired in 10 Years</td>
<td>84.9% Retired in 10 Years</td>
<td>Meets Policy Level</td>
</tr>
<tr>
<td><strong>SEWER FUND:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Unrestricted Sewer Fund Net Assets</td>
<td>Maintain adequate operating reserves</td>
<td>1%</td>
<td>33.60%</td>
<td>% of FY2019 Adopted Sewer Fund Budget - Below Policy Level</td>
</tr>
<tr>
<td>B. Sewer Fund Capital Reserve</td>
<td>Maintain annual contribution for 10 year goal</td>
<td>$500,000</td>
<td>$500,000</td>
<td>Meets Policy Level</td>
</tr>
<tr>
<td>C. Sewer Fund Outstanding Debt</td>
<td>Debt Level and Capacity management</td>
<td>3.5% of Equalized Value</td>
<td>0.45% of Equalized Value</td>
<td>Below Policy Level</td>
</tr>
<tr>
<td>D. Sewer Fund Debt Service</td>
<td>Debt Level and Capacity management</td>
<td>40% of Appropriations</td>
<td>32.0% of Appropriations</td>
<td>Below Policy Level</td>
</tr>
<tr>
<td>E. Sewer Fund Capital Outlay</td>
<td>Maintain Annual Capital Outlay funding</td>
<td>14% of Appropriations</td>
<td>7.7% of Appropriations</td>
<td>Policy Objective is to increase % annually to achieve 11%</td>
</tr>
<tr>
<td>F. Sewer Fund Pay Down of Net Debt</td>
<td>Debt Level and Capacity management</td>
<td>75% Retired in 10 Years</td>
<td>63.9% Retired in 10 Years</td>
<td>Below Policy Level - WWTP Upgrade and MLE Conversion</td>
</tr>
</tbody>
</table>

**Financial Policy Objective Achieved**  
Policy Objective on Target to be Achieved  
Financial Policy Objective Not Achieved
WHEREAS: Sound financial policies are necessary to maintain and improve the financial condition of the City and School finances which in turn support advantageous municipal bond market ratings for the overall City of Dover municipal corporation; and,

WHEREAS: The National Government Finance Officers Association recommends, at a minimum, that governments, regardless of size, maintain an Unassigned Fund Balance in their General Fund of no less than two (2) months of the annual General Fund budget. This recommendation is also recognized by the NH Department of Revenue Administration; and,

WHEREAS: Moody’s Investors Service and Standard & Poor’s Rating Services both recently conducted a credit rating of the City of Dover municipal corporation and identified maintaining a consistent and strong General Fund Unassigned Fund Balance as an important rating factor in achieving and sustaining an advantageous bond market rating; and,

WHEREAS: The City of Dover’s previously adopted financial policy of maintaining a minimum General Fund Unassigned Fund Balance of 8%, equivalent to less than one (1) month, is in need of revision to better reflect current national and State of NH recognized municipal finance best practices, position the City for achieving and maintaining lower cost access to bond markets and to ensure availability of sufficient working capital for ongoing operational and potential emergency needs of the Dover community.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND DOVER CITY COUNCIL THAT:

A revision to the City Financial Policies pertaining to the General Fund Minimum Unassigned Fund Balance is hereby adopted as follows:

“The City shall achieve and maintain a minimum unassigned fund balance of 15% of the General Fund's annual budget, including City, School and County appropriations. The City Council may appropriate the General Fund unassigned fund balance for emergency purposes per City Charter Section C1-9-A or otherwise unanticipated expenses at year end, as deemed necessary, even if such use decreases the General Fund unassigned fund balance below the designated percentage. For purposes of this section the following shall apply:

i. Emergency purpose does not include the offsetting of property taxes.
ii. Unassigned Fund Balance will be defined by generally accepted accounting principles.”

AUTHORIZATION:

Approved as to Funding: Daniel R. Lynch
Finance Director

Approved as to Legal
Powers and Compliance: Anthony Blackipsen
General Legal Counsel

Recorded By: Karen Lavento
City Clerk

Sponsored by: Mary Kane Weston
By Request

Document Created by: Finance Department
Document Posted on: March 15, 2016
Page 1 of 4
That's all Folks!