

# City of Dover

## City Council Adopted

### City Financial Policies

#### Stabilization Funds:

1. The City shall maintain adequate fund reserves to protect itself against emergencies and economic downturns.
  - a. General Fund – The City shall achieve and maintain a minimum unassigned fund balance of 25% 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 C3-9 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.
    - iii. The General Fund unassigned fund balance target level shall be achieved by annually budgeting a fund balance contribution over a six year period apportioned between both the City and School portions of the General Fund annual budget. These amounts shall be removed if the targeted level is achieved earlier.
  - b. Special Revenue Funds – Non Grant – The City shall achieve and maintain minimum unassigned fund balances of 5% of the total appropriations of each such fund budgeted.
  - c. Enterprise Funds – The City shall maintain net current assets (excluding unspent cash from bond proceeds) of 15% of the total appropriations of each such fund in a given fiscal year.
  - d. Internal Service Funds (in general) – The City shall maintain net current assets of 100% of inventory levels.
    - i. Workers Compensation Fund – The City shall maintain 100% funding for an actuarially determined claims liability based on a 65% confidence level.
2. The City shall establish a dedicated fund and maintain sufficient annual contributions to offset the liability associated with other post-employment benefit (OPEB) obligations.
  - a. OPEB Fund – The City shall achieve and maintain an annual contribution from the respective budgetary funds based upon the actuarially calculated Actuarial Determined Contribution (ADC) for its OPEB obligation.
    - i. The OPEB annual contribution target level shall be achieved by annually budgeting in each of the respective budgetary funds, at a minimum, the current year OPEB related expense plus an additional amount equivalent to 5% of the ADC amount and increasing in increments of 5% each year. The increasing increments will be stopped once the accumulated net OPEB related liability is decreased.

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3. 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).
  - a. The General Fund Capital Reserve shall be funded at a minimum amount based on achieving a discounted ten year goal of \$5,000,000.
  - b. The Water Capital Reserve shall be funded at a minimum amount based on achieving a discounted ten year goal of \$5,000,000.
  - c. The Sewer Capital Reserve shall be funded at a minimum amount based on achieving a discounted ten year goal of \$5,000,000.
  
4. The City shall establish and maintain regular contributions into an employee benefit stabilization fund to be used to offset fluctuations in actual benefit related expenses from year to year.
  - a. The amount to be budgeted each year for health insurance premiums will be set based upon the average change in the cost of health insurance premiums over the prior 10 years.
  - b. When the actual premium costs paid are less than the amount budgeted, the savings will be contributed into a health insurance stabilization fund.
  - c. When the actual premium costs are more than the amount budgeted, funds will be withdrawn provided no more than 25% of the fund balance is depleted.
  
5. The City shall perform an annual evaluation of capital project funds and special revenue funds to determine which funds may have a deficit fund balance at fiscal year-end and by May 15th the City Manager shall submit to the City Council the results of the evaluation along with recommendations to resolve a deficit fund balance of any fund. The City Council shall review and approve any recommendations to resolve a deficit fund balance through a resolution at its next regularly scheduled meeting
  
6. The City shall utilize year-end surplus funds to build and maintain stabilization funds at minimum levels giving priority for allocations to be made in the following order: unassigned fund balances, OPEB obligations, capital reserves and then benefit expenses.
  
7. Upon achieving minimum levels established for each stabilization related fund, should amounts fall below the minimum thresholds in subsequent years, the City shall include allocations in the following annual budgets to return to the minimum amounts specified.

**Fees and Charges:**

8. The various boards and commissions that advise the City Council and City Manager shall review all fees that support such functions annually and report recommended changes to the City Council and City Manager prior to the preparation of the annual budget.

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9. It shall be the intent for the City to establish fees and charges to cover costs associated with providing certain services or programs that individually benefit a person, family or other specific segment of the community at a given time as opposed to utilizing funds derived from general tax dollars for services and programs intended to generally benefit the whole population of the community all of the time.
  - a. In establishing non-resident fees and charges, the City shall strive to cover all direct and indirect costs including debt service and inter-fund transfers associated with the service or program.
  - b. In establishing resident fees and charges, the City shall strive to cover, at a minimum, direct costs associated with the service or program.
10. The City shall continue to maintain all enterprise funds on a self-sustaining user fee basis, with no support from property tax revenues. Fees shall be set annually to support the adopted budget.
  - a. Water and Sewer fees shall be calculated by dividing the amount of money to be raised by the billable volume, in one hundred cubic feet units, expected for the year.
11. The City shall prepare and adopt a Fee Schedule in conjunction with the annual adoption of the budget that will itemize and provide the justification for all fees and charges to be levied in the coming fiscal year.

#### **Debt Issuance and Management:**

12. The City Council shall annually, by resolution, adopt a six year Capital Improvements Planning (CIP) document.
  - a. The CIP document shall contain a listing of all planned capital improvement program projects, identifying the source of financing and delineating the estimated impact to annual operations and maintenance.
  - b. The City Council shall typically appropriate the funding for multi-year projects at the same time it funds the first year portion of the project.
  - c. The first year of the adopted CIP shall provide the basis for the City Manager to develop the proposed capital outlay and debt service portions of the subsequent fiscal year budget.
13. The City shall maintain formal criteria for inclusion of a project in the CIP:
  - a. In order to be included within the CIP, a project needs to have an estimated annual aggregate cost of \$25,000 or more and have a useful life of three years or greater.
  - b. Projects must satisfy at least one of the following:
    - i. Protect the health and safety of employees and/or the community at large.
    - 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.

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14. 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 of \$250,000 or more, nonrecurring within a five year period, and with a useful life of five years or more are recommended for debt financing. This shall include design 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 recurring 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 items 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, 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 of 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.
15. 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.
16. 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:**

17. 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 65% of the State of NH legal limit.
    - i. The debt related to Tolend Landfill Closure is to be excluded in calculating the City portion for purposes of this section.
  - b. The School portion shall not exceed 28% of the State of NH legal limit.
  - c. The Water portion shall not exceed 10% of the State of NH legal limit.
  - d. The Sewer portion shall not exceed 1.5% of the City’s equalized assessed value for debt limits.

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18. The City's net annual debt service (payment of principal and interest less reimbursements) shall not exceed certain parameters in any given fiscal year:
  - a. General Fund debt service for a fiscal year shall not exceed 10% of the total appropriations of the General Fund.
    - i. The debt service related to Tolend Landfill Closure is to be excluded in calculating the City portion for purposes of this section.
  - b. Enterprise and Special Revenue Fund debt service for a fiscal year shall not exceed 40% of the total appropriations for the fund involved.
19. The City shall maintain a pay down of net debt (debt principal less reimbursements to be received) for each fund whereby 75% or more is retired within the next ten years.
20. To reduce reliance on an increased utilization of debt for capital related maintenance needs in future years, the City shall achieve and maintain a minimum level of capital outlay in each of the major operating funds as part of the annual budget adoption for sustaining the community's existing and future infrastructure and equipment:
  - a. The target level of operating capital outlay to be included as part of the General Fund annual budget shall be increased annually to achieve at least 7.5% of total General Fund appropriations.
  - b. The target level of operating capital outlay to be included as part of the Water Fund annual budget shall be increased annually to achieve at least 13% of total Water Fund appropriations.
  - c. The target level of operating capital outlay to be included as part of the Sewer Fund annual budget shall be increased annually to achieve at least 11% of total Sewer Fund appropriations.

**Use of One-Time Revenues:**

21. The City shall use one-time revenues for the limited purpose for which they were intended or, in the absence of a specified purpose, for a non-recurring capital expenditure or as a contribution towards building established stabilization funds. One-time revenues shall not be used to fund existing operations.
  - a. One-time revenues are those which are not expected to recur beyond a limited period or remain sustainable for a continued future use. These may include proceeds from sale of a specific asset, grant funds, etc.
22. Grant funds with continuing obligations beyond the grant period shall be reviewed and approved by vote of the City Council prior to acceptance of award.

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#### **Use of Unpredictable Revenues:**

23. To improve the timing of cash collections required for disbursements made throughout the fiscal year and minimize the possibility of incurring additional expenses associated with short term borrowing for operational needs, the City shall revise Property Tax due dates in accordance with provisions established by NH law.
24. The City shall anticipate and take into consideration unpredictable revenues in conjunction with reviewing and adopting the annual budget.
  - a. Unpredictable revenues include types that originate from sources not under the City's own control or influence such as intergovernmental revenues shared at the discretion of other levels of government.
25. The City shall rely upon conservative and reasonable revenue estimates in establishing annual budgets. The City Manager, in consultation with the Finance Director, is responsible for assembling and submitting revenue estimates supporting the annual budget that are current and based upon objective and reasonable analysis.

#### **Balancing the Operating Budget:**

26. In preparing and adopting the annual budget, the City shall achieve a balanced budget whereby estimated revenues equal or exceed budgeted expenses (including debt service and transfers).
27. Preliminary budget estimates reflecting the adopted Financial Policies for the following fiscal year for both the City and School portions shall be submitted to the City Council by the City Manager prior to December 31<sup>st</sup>. The City Council shall review and approve a preliminary budget resolution by its next regularly scheduled meeting to give budgetary guidance to the City Manager and the School Department for development of the budget for the next fiscal year.
28. Throughout the course of a fiscal year, actual budget results will be monitored and reported on a regular basis. Adjustments to estimated revenues and budgeted expenditures may be made at any time during the course of the fiscal year to ensure the budget remains balanced. If necessary, transfers and/or overall budget amendments will typically be made immediately prior to year end closing.

#### **Revenue Diversification:**

29. The City shall strive to achieve a diversified and stable revenue system as a protection from short run fluctuations.
  - a. The City shall maintain support for economic development initiatives which diversify the local property tax base, retain and expand existing businesses and create additional job opportunities.

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30. The City shall periodically review and maintain impact fees to offset the local impact of private development.
  - a. Impact fees will be accumulated and utilized for their intended purpose in accordance with State of NH law and whenever a significant portion of a project cost previously identified in the CIP can be covered.

**Contingency Planning:**

31. The City shall routinely budget funds annually for unanticipated expenses and minor emergency situations as a contingency line item in each of the major operating funds.
32. In the instance of a catastrophic or otherwise significant unanticipated financial need impacting the community, the City shall utilize the emergency powers afforded by provisions of State of NH law and City Charter to address the matter in a fiscally responsible and timely manner. Use of existing discretionary budgeted funds, the curtailment of discretionary expenditures, and access to accumulated stabilization funds, along with pursuing reimbursements where available, will be utilized to meet the City's contractual and other obligatory financial commitments along with addressing the need that has arisen.
33. Deviations from adopted financial policies are to be anticipated to accommodate various situations that may arise from time to time. In particular, deviations may specifically occur where there is an offsetting condition or benefit to the City. In such cases where adherence to a specific financial policy may not be possible or otherwise is not achieved, the nature of the deviation and the rationale shall be noted as part of the decision making process.