LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE

A G E N D A

August 10, 2009 - 6:00 P.M. - Council Chambers - City Hall - City of Dover

Public comments are welcomed on any item and will be permitted at appropriate times. When possible, please notify the City Clerk (736-7008 or e-mail at Tmcdowell@dover.de.us) should you wish to be recognized.

AGENDA ADDITIONS/DELETIONS

1. Review and Recommendation - Filling of Critical Positions

2. Revenue/Cost Saving Ideas Submitted for Consideration (Items #11 - 20) *(Deferred by Committee on July 27, 2009)*

3. Debt Management Policy Review

4. Adjournment by 7:00 P.M.

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THE AGENDA ITEMS AS LISTED MAY NOT BE CONSIDERED IN SEQUENCE. THIS AGENDA IS SUBJECT TO CHANGE TO INCLUDE THE ADDITION OR THE DELETION OF ITEMS, INCLUDING EXECUTIVE SESSIONS.

ACTION FORM

PROCEEDING: Legislative, Finance, and Administration Committee
DEPARTMENT OF ORIGIN: City Clerk's Office
PREPARED BY: Rebecca M. Rollison, Administrative Assistant
DATE SUBMITTED: 07-13-09

SUBJECT: Revenue/Cost Saving Ideas Submitted for Consideration
RELATED PROJECT: N/A
APPROVALS: N/A
EXHIBITS: Proposed Revenue/Cost Saving Recommendations provided by Kenneth Clendaniel on behalf of the IUE, Memo dated 5/15/09 regarding take home vehicles, and a Memo dated July 1, 2009 regarding meeting with union representatives
EXPENDITURE REQUIRED: $ N/A **AMOUNT BUDGETED**: $ N/A **FUNDING SOURCE (Dept./Page in CIP & Budget)**: N/A
TIMETABLE: Recommendation to Council upon completion of the discussion of the items

RECOMMENDED ACTION: Incorporate cost saving suggestions to reduce budget shortfall

BACKGROUND AND ANALYSIS

During their meeting of May 19, 2009, Council reviewed the budget for Fiscal Year 2009/2010 which included a budget shortfall in the amount of $986,781.00 (across all three funds).

In light of the shortfall, Kenneth Clendaniel, along with the IUE, provided a list of suggestions to save money and increase revenue throughout the City of Dover.

List of ideas for the City to Save money or bring in Revenue

1. For scheduled appointment no shows for inspections, fines should be issued ($50.00 fine 1st offense, $100.00 each additional offense)
2. Code Violations and Housing inspections- If violation is not corrected within 30 days a $50.00 re-inspection fee should be assessed for second inspection in addition to any summonses issued.
3. Stronger collection method to collect unpaid summonses (60-65% of all summonses are unpaid)
4. More enforcement of fire lane and handicap parking.
5. Enact a yard sale/garage sale permit. (Most other communities charge $5.00 fee)
6. Enact chronic nuisance property ordinance that includes higher violations fees for those who are chronic violators. To include press releases of problem properties and also implement a program that will have the city repair the violation and place a tax lien on the property for the cost. Properties classified as "chronic nuisance" will not be able to re-new rental permits with large amounts of unpaid violations (this will avoid mailings and casework)
7. All unpaid fines and fees should be paid through a tax lien on the property.
8. Charge additional fees for copies of violations, permits, maps ECT....
9. Increase late fees assessed for all rental and business licenses that are not renewed by the renewal date, in additions to any other fees or fines.
10. Require merchant licenses at all events on the Green. (Old Dover days, African American Festival, 4th of July, Art festivals, or even Music Venues on the Green.)
11. On-call personnel for the Water Department per week are now at three persons per week....needs to be changed to one person on call a week.
12. Limit late notices for Electric bills to one instead of sending duplicate copies. (currently sending multiple notices)
13. Keep flower budget to a minimum for the upcoming year.
14. Sell pulled bulbs instead of giving them away each year
15. Do away with duplicate trash pickups on same street (example: Trash pickups on Loockerman St are done on Tuesday night, and then returns again on Wednesday morning.)
16. Do away with Trash Collection pickups outside the City Limits. Residents outside the city limits who do not pay city Taxes should not be having trash collection.
17. Implement Volunteer Ambulance Service that is Non-Profit or start City run ambulance service that is not contracted out (long term goal).
18. City residents currently pay only $5.00 for trash collection a month. Average rate for county pick up and private companies is around $22.75 a month. This could be a huge revenue increase even if it is only raised to $15.00 a month.
19. City currently maintains and cuts clearances in alleys. Residents should have to maintain their own properties. If not compliant with the city ordinance, they should be fined accordingly. The man hours as well as the expense it takes the city crews to clear these. Alley ways could be allocated to other jobs they need to do.
20. City residents have not had a Tax increase in several years. With the city deficit, it is time.

21. Put **ALL** unnecessary projects on hold until the city's financial situation is corrected. **Especially the Library project.**
22. Discontinue all studies that do not directly involve the current financial problem with the city.
23. Raise business licenses. Fees for venders at Dover Downs...now $40.00, elsewhere it is on average $150.00.
24. Yard waste (branches, leaves, brush, ECT...) that is collected should be mulched by the city and used by the city or sell. Should not be hauling to dump and paying large fees to do so.
25. Cease using Post card survey reminders at city inspections. Use Emails and post in-house memos.
26. Start charging the public for Lock jocks being performed by Police Officers and Animal control officer. (unlock vehicles with keys locked in them) For many years there has never been a charge for this service. For 2009 so far from Jan1 to May 14th, there have been 621 lock jocks. In 2008 there were 1590 calls for service for lock jocks. With this service come liability issues for damage while providing this service that could cost the city money. Most Locksmith companies charge on average $50.00-$75.00 for this service. The city could issue a bill in the form of a DCO (add this service on the "other" line on the DCO), for the customer to send payment to the city within 72 hrs just like parking summons', if not paid within that time, it doubles just like all the other city ordinances . This would be a substantial form of revenue for the city on an annual basis.
27. City inspections are currently using two systems to log inspections complaints. The HTE and the CRN. Both are accomplishing the same task duplicating work. It is suggested that utilizing the old complaint forms and doing away with the Customer Resource Management system would save city a lot of money. Not only because of the man hours spent duplicating entries, but also the cost of keeping the on-line system updated and running on a daily basis.
28. The city uses outside Companies to monitor alarm systems within the city. Rather than contracting other outside agencies, the City should use their own dispatch centers (Electric or PD) to monitor them. This would eliminate costs for Security systems.
29. There are a large number of extra phone lines within the City that are being paid for but are not in use. Eliminate costs for those lines by removing them altogether, and only adding lines, on an as needed basis.
30. All standard vehicle maintenance work on City vehicles should be done by City Mechanics, rather than contracting outside Dealerships to do the work. However, all major warranty work should be done by the appropriate dealerships that apply. This is a huge expense for each Department and can save a substantial amount of money annually. Even if the City were to hire another mechanic to share the new work load, the cost of his annual pay would be far less than the Vehicle Maintenance costs each year.

City wide Ideas to save money

1. Christmas lights on Loockerman are lit from November until Feb/March....Should only be on from November just after Thanksgiving to Jan 1. (Huge electric expense)
2. If the City Manager implements the 8 hr per month furlough for bargaining Units, ALL non-bargaining, as well as City Administration should also have to suffer a decrease in hours each month without pay to equal the percentage that is lost by everyone else.
3. Take home vehicles should be made available to employees from each Department **only when they are on call.** Take home vehicles have been issued to Department Heads who are NEVER on call, as well as issuing other City officials or administrators take home vehicles. Though there is no budget for **new** vehicles now, the take home vehicles that have already been issued still have expenses such as vehicle maintenance, and gas expenses, as well as car wash expenses. This can be eliminated by getting rid of them. By eliminating most of these take home vehicles, the City could sell or auction them to make money as well as saving all the other expenses that goes with keeping them.
4. All Departments should shut down all computers at night when not in use.
5. No more catering or serving food and refreshments at City Council meetings and upper management meetings/training events.
6. City council and committee/board members should pick up packets from City Hall. No more home deliveries.
7. Re-Evaluate all part time positions and lay off all Non-essential part time and temporary employees.
8. All non-essential city services employees go to a 10hr days (City Hall/Reed Street ECT) and close on Fridays. Many State and County offices are currently under that schedule to save power and utility expenses.
9. Eliminate Medicare Part B for city management
10. Do away with the City Employee Appreciation gift each year.

Memorandum

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To: **Councilman McGlumphy**

From: **Anthony J. DePrima, AICP, ICMA-CM, City Manager**

Date: **May 15, 2009**

Subject: **Take Home Vehicles**

You asked "Before implementing furloughs and forgoing pay increases; have we implemented the following: All take home vehicles stopped, so less gasoline and maintenance? If these measures have not been taken, why? What is critical about taking home vehicles?" Before I answer your questions, I would like to describe take home usage by classifying them into two broad categories:

1) **Vehicles assigned to on-call personnel.** These individuals generally use specialized vehicles when responding to an afterhours request or the nature of their job requires them to take home a vehicle. The following is a list of the vehicles that I put in this class. Some of these vehicles are taken home by the same individual every night while others are taken home to whoever is assigned on-call duty.

   - (2) Electric Line Vehicles
   - (1) Electric Substation Technician Vehicle
   - (1) Water/Wastewater Employee Vehicle
   - (1) On-call Deputy Fire Marshal
   - (1) Warehouse Vehicle (If warehouse needs to be open after hours for parts)
   - (1) Meter Reader
   - (4) K-9 Police Officers
   - (1) Criminal Investigation Sergeant
   - (1) On-Call Detectives
   - (1)Victim Services Coordinator
   - (5) Drug and Vice Organized Crime Officers

2) **Mayor and Staff Vehicles.** These individuals frequently use their vehicles for city business after hours or are expected to be available for city business anytime, anywhere for whatever reasons may arise. Allowing the vehicle to be taken home enables the employee to travel directly to wherever their services are needed, without first picking up their city assigned vehicle. A rough analysis shows that the average annual savings would be $160 per car; this assumes a 12 mile round trip (average trip for current employees who we had trip data on) made 50 weeks a year, and applying a value of $0.55 per mile (Federal reimbursement rate).

- Mayor – per Council action when Mayor went to full time
- City Manager – per employment contract
- Police Chief
- Police Major
- (2) Police Captains
- (4) Police Lieutenants
- Fire Marshal
- Public Utilities Director
- Central Services Director
- Electric Systems Operations Manager
- Water/Wastewater Supervisor
- Tax Assessor

By far, most vehicles are being taken home by the first group of employees. Changing this policy would seriously impede providing services when needed most. Eliminating the 16 vehicles in the second group would have a small impact compared to savings from the "leave without pay" and "no salary increases" and therefore have no impact on their implementation. However, eliminating the take home vehicle for this group would have a large negative impact on service, delivery and morale compared to the savings.

Memorandum

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To: **Legislative, Finance, and Administration Committee.**

From: **Anthony J. DePrima, AICP**
City Manager

Date: **July 1, 2009**

Subject: **List of ideas for the City to Save money or bring in Revenue.**

I want to report to the committee that I received this list directly from the Union representatives several weeks ago. I reviewed the list with the representatives and informed them that I would take each item very seriously. I advised them that I would have to review the list with various department heads that will be impacted and would keep them apprised of the progress. They seemed satisfied with that. I also advised them that there was nothing on the list that I believed would cause me to alter the budget. But some of the ideas, if implemented, would certainly increase revenue or reduce expenses. It is important to note that this list was not vetted by the Union leadership; any idea expressed by a member was added to the list. Some items on the list would not require anything more than my approval or the approval of a department head. Other items, such as the various suggested fee increases, would require city council approval.

I would recommend to the Committee that the full list be referred back to me for consideration and further handling. I am interested in knowing what suggestions the Committee finds particularly interesting and those that the committee finds utterly unappetizing. I will keep the Committee updated on the status of the ideas.

CITY OF DOVER

DEBT MANAGEMENT POLICY

ISSUED BY: FINANCE DEPARTMENT
FEBRUARY 26, 2007

Approved by City Council: February 26, 2007

City of Dover
Debt Management Policy

I. Purpose of Policy

The City recognizes the foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. The debt policy should recognize a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that credit quality is protected. Advantages of a debt policy are as follows:

- Enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making,
- Rationalizes the decision-making process,
- Identifies objectives for staff to implement,
- Demonstrates a commitment to long-term financial planning objectives, and is regarded positively by the rating agencies in reviewing credit quality.

The City understands that incurring long-term debt serves to obligate future taxpayers or ratepayers. Excess reliance on long-term debt can cause debt levels to reach or exceed the government's ability to pay. Therefore, conscientious use of long-term debt will provide assurance that future residents will be able to service the debt obligations left by former residents.

The **Controller/Treasurer** ~~Treasurer/Finance Director~~ is responsible for implementation and oversight of the City's debt policy.

II. Debt Management Objectives

- Maintain cost-effective access to the capital markets through prudent practices;
- Maintain current credit rating and when possible enhance current credit rating in order to reduce interest costs;
- Assess risks and benefits associated with all options available to the City for any bond issue, including fixed and variable rate debt;
- Determine the amortization schedule that will best fit within the overall debt structure;
- Avoid financial decisions that can negatively impact credit ratings;
- Analyze the effects on pertinent debt and capital ratios:
- Issue debt to finance capital construction, improvements, or acquisitions so as to be integrated with the City's long-term Capital Investment Plan;

III. Legal Governing Principles

In the issuance and management of debt, the City shall comply with the City Charter and with all other legal requirements imposed by federal, state, and local rules and regulations, as applicable.

IV. Permitted Debt by Type

Under the provisions of the code, the Mayor and Council may issue debt to pay down the cost of acquiring, constructing, or improving capital assets or to meet its cash flow needs. The Council should not finance general operating costs from debt having maturities more than one year. General operating costs include, but may not be limited to, those items normally funded in the Council's annual operating budget and having a useful life of less than one year. However, the Council may deem it necessary to finance cash flow requirements pursuant to the Charter, Section 50(a).

A. Short-Term Debt

The Council may issue short-term debt when such instruments allow the Council to meet its cash-flow requirements or provide increased flexibility in its financing program. Short-term debt includes, but is not limited to, tax anticipation notes, lines of credit and commercial paper, and interfund loans for short-term cash flow needs. Short-term debt may be variable rate debt.

B. Long-Term Debt

The Council may issue long-term debt when the duration of the debt issue is consistent with the economic or useful life to the improvement or asset the issue is financing. Long-term debt shall be fixed rate debt in order to better project cash flow requirements. Long-term debt may include, but is not limited to the following:

1. *General Obligation Bonds* – General Obligation (G.O.) bonds are secured by the general credit and full revenue powers of the City; that is, the full faith and credit of the City. It is not debt specific to a specific fund. All general obligation bonds must be approved by the Council and can be sold in competitive or negotiated sales. The City will finance its long-lived municipal improvements over the estimated life of the improvement, not to exceed twenty years. The principal payments shall be structured such that 60% is repaid within the first half of the estimated life of the improvement. General Obligation Bonds may require voter approval.

2. *Revenue Bonds* – This is debt payable from a specific pledged revenue source or special assessments, typically in the Electric Revenue and Water/Wastewater Funds. These bonds are subject to covenants which limit the total debt service for the fund to a percentage of the qualified expenditures of that fund. All revenue bonds must be approved by the Council. The City will finance its system and infrastructure improvements over a term not to exceed the lesser of 30 years or the life of the improvement. Revenue bonds can be sold in competitive or negotiated sales. Revenue Bond sales shall be structured to achieve level debt service payments to the extent possible taking into consideration the costs of such financings. The City Revenue bonds do not require voter approval.

3. *Capital Leases* - This is debt payable for the purchase of and secured by specific capital equipment. Ownership transfers upon final payment. Capital Leases shall not exceed the life years of the equipment being leased. All Capital Leases must be approved by the Council.

4. *Tax and Revenue Anticipation Notes (TRANs)* – The **Controller/Treasurer** ~~Treasurer/Finance Director~~ may ascertain the need to fund internal working capital cash flow. Before issuing such notes, cash flow projections shall be prepared and reviewed by the Legislative, Finance, and Administrative Committee of the Council, which may report to the Council with a recommendation to approve a TRAN. TRANs may be sold in either a competitive or negotiated sale. All TRANs must be approved by the Council.

5. *State Revolving Loan Fund* - Delaware has revolving loan funds which are long-term debt issued at below market interest rates for municipalities to fund designated programs. As funds are repaid to the state by the various debtors, they are made available to other qualified applicants for the loan. All State Revolving Fund Loans must be approved by the Council.

C. Refunding Debt

The City shall review its outstanding debt annually for the purpose of determining if the financial marketplace will afford the City the opportunity to refund an issue and lessen its debt service costs. In order to consider the possible refunding of an issue a Net Present Value savings of three percent over the life of the respective issue, at a minimum, must be attainable. The NPV savings will include consideration of all fees and legal costs. The City may also refund or restructure bonds when existing bond covenants impinge on prudent and sound financial management.

V. Restrictions on Debt Issuance

A) Charter Restrictions – Section 50

i. Tax or revenue anticipation notes shall not exceed one (1) percent of the total taxable assessment for a general tax, and shall be paid back out of current revenue received thereafter, and shall require approval of three-fourths vote of all Council Members and approval of the Mayor. (Section 50(a))

ii. General Obligation aggregate indebtedness cannot exceed one (1) percent of taxable assessment for a general tax at the time such new bonds are issued. Requires three-fourths vote of Council and approval of the Mayor. (Section 50(c)(i))

iii. The aggregate of amounts borrowed together with all other bonded indebtedness for which the full faith and credit of the City has been pledged shall not at any time exceed a sum equal to twenty-five (25%) percent of the total assessed value of real property**.**

iv. **The amounts borrowed greater than ¼ of one percent (.25%) of taxable assessed value of real property** ~~$1,000,000 issued~~ (General Obligation) at any one time shall first be approved by a referendum vote of the qualified voters of the City of Dover. **(Section 50(c)(i))**

B.) Debt Service Limitations

i. Debt service payments (principal and interest) shall not exceed 8% of recurring General Fund revenues for all general obligation bonds.

ii. General Obligation direct debt of the City shall not exceed $700 per capita. **(Population Source: Delaware Population Consortium)**

iii. Revenue Bonds will adhere to all bond covenants and shall include Trustee held debt service reserve accounts.

iv. Tax Exempt Bonds will have arbitrage calculations performed every five- years as required by the Internal Revenue Code.

v. No City debt issued for the purpose of funding capital projects may be authorized by the City Council unless an appropriation has been included in the Operating Budget and the debt issue was presented in the Capital Investment Plan.

VI. Planning and Oversight of City Indebtedness

A. Overview

The City plans long- and short-term debt issuance to finance its capital program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The Capital Investment Plan projects the capital needs of the City for the next five years. The City shall prepare cash flow projections for the general, water/wastewater, and electric funds for five years along with the attendant debt and capital ratios as presented in Appendix A. The financial impact of these projections and ratios shall be considered by the Council before any new debt instrument is approved.

The financial projections will include developer contributions, assessments, or impact fees when planned construction projects (i.e. extensions) benefit a small sector of the service area or small group of customers. Projects to replace or upgrade the trunk systems that benefit all customers of the system will be financed through operating revenues.

B. Roles and Responsibilities

The City shall maintain a combination of in-house and contracted professionals to complete all debt issuance transactions. The primary responsibilities shall be handled by the **Controller/Treasurer** ~~Finance Director~~, City bond counsel, and a Financial Advisor. Other services may be provided as determined necessary by this three-person team.

1. City Council shall authorize bond issues and the selection of all relevant service providers is the responsibility of the City Council. A representative or appointee of the Council is to attend all competitive sales and appropriate bid openings. The Legislative, Finance and Administrative Committee is responsible to provide recommendations to the Council for the need for debt issuance, selection of service providers, and presentation of all pertinent information.

2. The **Controller/Treasurer** ~~Finance Director~~ oversees and coordinates the timing, issuance process and marketing of the City's borrowing and capital funding activities required in support of the Capital Investment Plan. In this regard, the **Controller** ~~Director~~ shall have responsibility as delineated in Appendix B.

3. Financial Advisors shall be selected by means of an RFP from a selected pool of such advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Once selected, the City shall require a new RFP for each new issue or refinancing every five years. The City may replace a financial advisor with notice at any time. The financial advisor shall provide transaction specific and ongoing services including, but not limited those as described in Appendix C.

4. Bond Counsel shall include a written opinion affirming the City is authorized to issue the proposed debt and has met all legal requirements. The City may replace a bond counsel with notice at any time. The Bond Counsel shall prepare all documents and perform all advisory functions, including the services as described in Appendix D.

5. Letter of Credit Bank or Liquidity Facility Provider Bank. In the issuance of variable rate debt, the City shall procure a letter of credit or line of credit in support of such variable rate debt. The bank shall be evaluated based on its experience in providing liquidity facilities to municipal bond issuers, the credit ratings of the bank, and the competitiveness of its fees based on a market analysis of such fees.

6. Verification Agent. For refundings, the City shall procure the services of a verification agent. The verification agent confirms that sufficient proceeds are escrowed to ensure the timely repayment of principal and interest. The verification agent shall be selected based on ability to provide accurate and timely information and competitiveness of fees, based on a market analysis of such fees. The City may replace a verification agent with notice at any time.

7. Underwriters. For negotiated sales, underwriters are selected to structure the debt and sell debt to institutional and retail investors. They shall be selected based on demonstrated ability to perform these functions, be recommended by the Financial Advisor and/or Bond Counsel. The City may replace underwriters with notice at any time.

8. Trustees. For all bond issues, the City shall select a trustee to hold and invest the funds of the bond issue. The City may replace a trustee with notice at any time.

9. Auction Agents. For all relevant issues, the City shall select an auction agent to conduct the competitive bidding. The City may replace an auction agent with notice at any time.

10. Investment Agreement Counterparties. Repurchase Agreements or Forward Delivery Agreements shall be executed with counterparties rated at least AA (by at least on major rating agency) with downgrade provisions requiring assignment or collateral should the rating fall below A- or A3 by Standard and Poor's and Moody's, respectively. The City may replace Investment Agreement Counterparties with notice at any time.

VII. Transaction-Specific Policies

A. Presumption of Competitive Sale

Unless otherwise justified and deemed necessary to minimize the costs and risk of the City's debt issue, the issuance and sale of all long-term debt (with the exception of capital leases and State Revolving Loans) shall be achieved by competitive bid.

B. Competitive Bid Method

Any competitive sale of the City's debt shall require approval of the City Council. The City's debt issued on a competitive bid basis shall be sold to the bidder(s) proposing the lowest true interest cost to the City. Such bid may take the form of hand-delivered or electronically transmitted offers to purchase the bonds. The City may use the services of a financial advisor to administer the bid.

C. Negotiated Bid

When deemed appropriate to minimize costs and risks of the City's debt issue, the Legislative, Finance and Administrative Committee shall submit to the City a request to sell the debt issue on a negotiated basis. If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees and commissions. All negotiated bids shall have a financial advisor who shall evaluate the terms offered by the underwriter(s) and comparisons with the terms and conditions in the marketplace for comparable issuers. The City shall require a post-sale analysis as described in the section Roles and Responsibilities, Financial Advisors, above. No debt issue shall be sold on a negotiated basis without an independent financial advisor.

D. Private Sale

The City shall only sell debt through private placement when necessary for a bridge loan to cover emergencies or project start-ups.

E. Refunding

The City may refinance outstanding long-term debt when the public policy benefits of replacing such debt outweigh the costs associated with new issuance as well as any increase in annual debt service. The **Controller/Treasurer** ~~Director of Finance~~, with advice from the Financial Advisor and Bond Counsel, will recommend to the Legislative, Finance, and Administrative Committee when the opportunity to refinance will provide significant benefit based on net present value savings. The potential realization of a significant reduction in overall debt service costs shall be considered a public policy benefit in preparing the recommendation. This may be accomplished either by advance refunding to the first call or by defeasance to maturity.

F. Call Provisions

The City seeks to minimize the protection bondholders receive from optional redemption. This is consistent with the City's desire to obtain the lowest possible interest rate on its debt over time. The City will seek early calls at low premiums to allow it to refinance debt more easily when interest rates drop. The **Controller/Treasurer** ~~Director~~ and the City's Financial Advisor shall evaluate optional redemption provisions for each issue to assure the City does not pay unacceptable higher interest rates to obtain advantageous call dates.

G. Investment of Bond Proceeds
All investments of bond proceeds shall adhere to the City's Investment Policy approved by the City Council.

H. Communications with Credit Rating Agencies
The **Controller/Treasurer** ~~Finance Director~~ is responsible for maintaining relationships with rating agencies that assign ratings to the City's various debt obligations. The credit objective of the City is to maintain the highest possible credit rating at all times. The **Controller** ~~Director~~ is to from time to time report to the City Council the status of such ratings and describe the underlying elements of the activities of the City which the rating agencies indicate affect said ratings. Each month the **Controller** ~~Director~~ shall provide the Council with the current covenant ratios for revenue bonds. The **Controller** ~~Director~~ shall request ratings prior to the sale of securities from at least one nationally recognized rating agency.

I. Credit Enhancements
Credit enhancements (letters of credit, bond insurance, etc.) may be used, but only when net debt service on the bonds is reduced by more than the costs of the enhancement.

J. Disclosure
The City is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

The City will comply with the standards of the Government Finance Officers Association for financial reporting and budgeting presentation and the disclosure requirements of the Securities and Exchange Commission. The Finance Department shall be responsible for ongoing disclosure to established national information repositories and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies.

APPENDIX A
CASH FLOW PROJECTIONS & PERTINENT DEBT AND CAPITAL RATIOS

City of Dover
Debt Management Policy
Sample Financial Model

Table 1
Projected Net Margins

	Year 0 2006	Year 1 2007	Year 2 2008	Year 3 2009	Year 4 2010	Year 5 2011
Operating Revenue - Rate Revenue	50,000,000	51,500,000	53,045,000	54,636,400	56,275,500	57,963,800
Operating Revenue - Other	500,000	510,000	520,000	530,000	540,000	550,000
Total Revenue	50,500,000	52,010,000	53,565,000	55,166,400	56,815,500	58,513,800
Direct Operating Expenses	(35,000,000)	(36,050,000)	(37,131,500)	(38,245,445)	(39,392,808)	(40,574,593)
Allocated Overheads	(5,000,000)	(5,150,000)	(5,304,500)	(5,463,635)	(5,627,544)	(5,796,370)
Total Operating Expenses	(40,000,000)	(41,200,000)	(42,436,000)	(43,709,080)	(45,020,352)	(46,370,963)
Operating Margin	10,500,000	10,810,000	11,129,000	11,457,320	11,795,148	12,142,837
Non-Oper. Rev. - Interest on Operating Funds	400,000	634,000	634,000	634,000	634,000	634,000
Operating Transfers - Out	(5,700,000)	(5,700,000)	(4,285,200)	(3,585,800)	(3,693,000)	(3,803,400)
Margins Available For Debt Service	5,200,000	5,744,000	7,477,800	8,505,520	8,736,148	8,973,437
Interest for Long-Term Debt	(914,000)	(859,048)	(1,599,500)	(1,726,400)	(1,617,400)	(1,498,300)
Cash From Operations	4,286,000	4,884,952	5,878,300	6,779,120	7,118,748	7,475,137
Non Cash Income/Loss on Investments	-	-	-	-	-	-
Gain/Loss on Sale of Assets	-	-	-	-	-	-
Debt Issue Cost Amort.-Outstanding Debt	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)
Debt Issue Cost Amort.-New Debt		-	-	(25,000)	(25,000)	(25,000)
Depreciation Expense	(3,800,000)	(4,164,400)	(4,472,000)	(4,846,900)	(5,011,800)	(5,019,200)
Net Margins ($)	376,000	610,552	1,296,300	1,797,220	1,971,948	2,320,937
Debt Service Coverage						
Margins Avail. for Debt Service	5,200,000	5,744,000	7,477,800	8,505,520	8,736,148	8,973,437
Total Debt Service	2,768,614	2,589,048	3,379,500	4,171,300	4,157,500	4,160,100
Debt Service Coverage Ratio	1.88	2.22	2.21	2.04	2.10	2.16

City of Dover
Debt Management Policy
Sample Financial Model

Table 2
Projected Cash Flows

	Year 0 2006	Year 1 2007	Year 2 2008	Year 3 2009	Year 4 2010	Year 5 2011
Beginning Cash Balance						
Cash Balance as of July 1	$7,068,372	$1,344,732	$5,667,765	$8,030,565	$6,423,085	$10,001,932
Sources of Cash						
Sale of Bonds	-	-	15,000,000	-	-	-
Cost of Bond Sales	-	-	500,000	-	-	-
Net Bond Proceeds	-	-	14,500,000	-	-	-
Transfers From Reserves and Grants	504,000	8,714,000	-	5,241,500	1,194,000	3,463,500
Sale of Investments	4,000,000	-	-	-	-	-
Cash from Operations	4,286,000	4,884,952	5,878,300	6,779,120	7,118,748	7,475,137
Non-Oper. Rev. - Interest on Reserve Funds	621,600	1,144,924	953,700	991,900	821,900	807,000
Other Sources of Cash	-	-	-	-	-	-
Total Sources of Cash	$9,411,600	$14,743,876	$21,332,000	$13,012,520	$9,134,648	$11,745,637
Transfers To Reserves	2,315,000	840,000	0	0	0	-
Plant Additions	3,802,958	6,705,919	16,235,500	11,183,200	2,193,800	9,143,800
Principal on Debt	1,855,000	1,730,000	1,780,000	2,444,900	2,540,100	2,661,800
Purchase of Investments	7,162,282	1,144,924	953,700	991,900	821,900	807,000
Total Cash Requirements	$15,135,240	10,420,843	$18,969,200	$14,620,000	$5,555,800	$12,612,600
Ending Cash Balance						
Increase (Decrease) in Cash	($5,723,640)	$4,323,033	$2,362,800	($1,607,480)	$3,578,848	($866,963)
Unaccounted for Variance						
Cash Balance as of June 30	$1,344,732	$5,667,765	$8,030,565	$6,423,085	$10,001,932	$9,134,969
Minimum General Reserves-5% of Revenue	2,525,000	2,600,500	2,678,250	2,758,320	2,840,775	2,925,690
Difference from Cash Reserve - Net Long/(Short)	($1,180,268)	$3,067,265	$5,352,315	$3,664,765	$7,161,157	$6,209,279
Cash Available for Plant Additions	116,000	2,314,952	4,098,300	4,334,220	4,578,648	4,813,337

APPENDIX B
LIST OF SERVICES TO BE PROVIDED BY CONTROLLER/TREASURER ~~FINANCE DIRECTOR~~

- Maintain a database with all outstanding debt;
- Attend meetings of the City Council or its committees relating to financial issues affecting the financing;
- Use comparative bond pricing services or market indices as a benchmark in negotiated transactions;
- Provide the Legislative and Finance Committee an evaluation of the final bond pricing results;
- Attend competitive bid openings for issuance of debt to assist the City with verification of bids, ensuring compliance with financing terms and conditions and to recommend acceptance or rejection of bids;
- Develop cash flow projections and pertinent debt and capital ratios for the current and the next four fiscal years;
- Determine the available debt capacity;
- Recommend to the Legislative and Finance Committee the manner of sale of debt, including a recommendation to use either fixed rate debt or variable rate debt;
- Monitor opportunities to refund debt and recommend such refunding, as appropriate;
- Provide for the timely payment of principal and interest on all debt;
- Provide for and participate in the preparation of offering and disclosure documents;
- Assure all repositories are provided the legally required information under Securities and Exchange Commission Rule 15c2-12, regarding continuing disclosure;
- Provide for the timely distribution of pertinent information to the bond counsel, financial advisor, paying agent, auditor, underwriters and rating agency and other municipal market participants;
- Provide post sale analysis;
- Prepare and review bid procedures, including CUSIP subscription, escrow services;
- Recommend investment of proceeds and reserves;
- Assist in the review and analysis of state and federal legislation pertaining to the City's financing programs;
- Prepare and assist in the evaluations of RFPs for financial services as are considered appropriate by the City Council, including, but not limited to, the financial advisor, bond counsel, line of credit banks or liquidity facilities bank for variable rate bonds and trustees;
- Seek out and evaluate proposals on new products and other financing ideas from underwriters and other professionals in the field of finance;
- Maintain communications with credit rating agencies, as described in the section "Communications with Credit Rating Agencies";
- Provide other services as requested by the City Council.

APPENDIX C
LIST OF SERVICES PROVIDED BY FINANCIAL ADVISOR

- Recommend specific covenants, financing structure, indentures and terms, including call provisions;
- Prepare and/or review preliminary and final official documents and all contracts and resolutions relating to the issuance of debt;
- Prepare and review advertisements of sales;
- Assist in preparation of information for rating agencies, investors and other municipal market participants;
- Assist the City with any other financing matters, including setting up electronic bids, investing proceeds, handling escrow issues and administering the City's program;
- Attend meetings of the City as requested;
- Attend competitive sales' bid openings to assist in the verification of bids and assure compliance with the terms of terms and conditions, and recommend to the **Controller/Treasurer** ~~Director of Finance~~ acceptance or rejection of the bids;
- Advise the City regarding negotiated sales during the sales process so as to assure the coupon rates reflect current market rates;
- Provide assistance in the preparation of RFPs for services related to the issuance of debt;
- Provide post sales analysis, including an issue summary and Final Report;
- Provide continuing service, including monitoring the outstanding obligations and the opportunities to refund, evaluating proposals on new products, and assisting in reviewing state and federal legislation.

APPENDIX D
LIST OF SERVICES PROVIDED BY BOND COUNSEL

- Render legal opinions regarding the validity and binding effect of the bonds, the source of payment and security for the bonds and the excludability of interest on the bonds from gross income for federal income tax purposes;
- Prepare and review the documents necessary to authorize, issue, sell and deliver the bonds and to coordinate the authorization and execution of these documents including the Resolution;
- Review all legal issues related to the structure of the bonds;
- Prepare and review those sections of the offering documents to be disseminated in connection with the sale of the bonds;
- Assist, as needed, the City in presenting information regarding legal issues pertinent to the bond rating agencies, investors, and other municipal market participants;
- Participate in meetings relating to legal issues;
- Prepare and/or contracts, as necessary, including bond purchase contracts, liquidity facility agreements, remarketing agreements, investment and trust agreements and other documents as is deemed appropriate by the City;
- Prepare the official transcripts of the proceedings related to the sale of bonds
- Assist in other legal matters relating to the issuance of the bonds;
- Provide ongoing services including tax advice, regulatory efforts and rulings that pertain to the City, planning for continuing disclosure and RFPs for financial services relating to the issuance of bonds.

GLOSSARY

Amortization – accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income, or the reduction of debt by regular payments of interest and principal sufficient to pay off the debt by maturity.

Arbitrage – profiting from differences in price when the same security, currency, or commodity is traded on two or more markets. An element of tax exempt debt. The City maintains bond reserves to provide assurance to bond holders of its ability to make its annual debt service payments. In doing so, the rate earned on the reserve accounts may at times exceed the rate being paid on the bonds. In these instances, the City will be subject to tax payments on the earnings that exceed the interest cost as determined by a licensed arbitrage calculator.

Direct Debt – direct debt is a comprehensive measure of a municipality's long-term obligations directly supported and backed by general revenues and taxes.

Fixed Rate Debt – debt that pays interest based on a fixed coupon rate until maturity.

Letter of Credit – instrument or document issued by a bank guaranteeing the payment of a customer's drafts up to a stated amount for a specified period. It substitutes the bank's credit for the buyers and eliminates the seller's risk.

Long-term Debt – Debt with maturities of greater than one year from date of issuance.

Revenue Anticipation Notes – short-term debt issue of a municipal entity that is to be repaid out of anticipated revenues such as sales taxes. When the taxes are collected, the RAN is paid off. Interest from the note is usually tax-free to RAN holders.

Short-term Debt – Debt with maturities less than one year from the date of issuance.

Tax Anticipation Notes – short-term obligation of a state or municipal government to finance current expenditures pending receipt of expected tax payments. TAN debt evens out cash flow and is retired once corporate and individual tax revenues are received

Trust Company – an organization usually combined with a commercial bank, which is engaged as trustee, fiduciary, or agent in the administration of trust funds, estates, custodial arrangements, stock transfer and registration, and other related services. Trust companies are regulated by State law.

Underwriter – an investment banker, who, singly or a member of an underwriting group or syndicate, agrees to purchase a new issue of securities from an issuer and distribute to investors, making a profit on the underwriting spread.

Variable Rate Debt – debt that pays interest based on a rate which is reset periodically