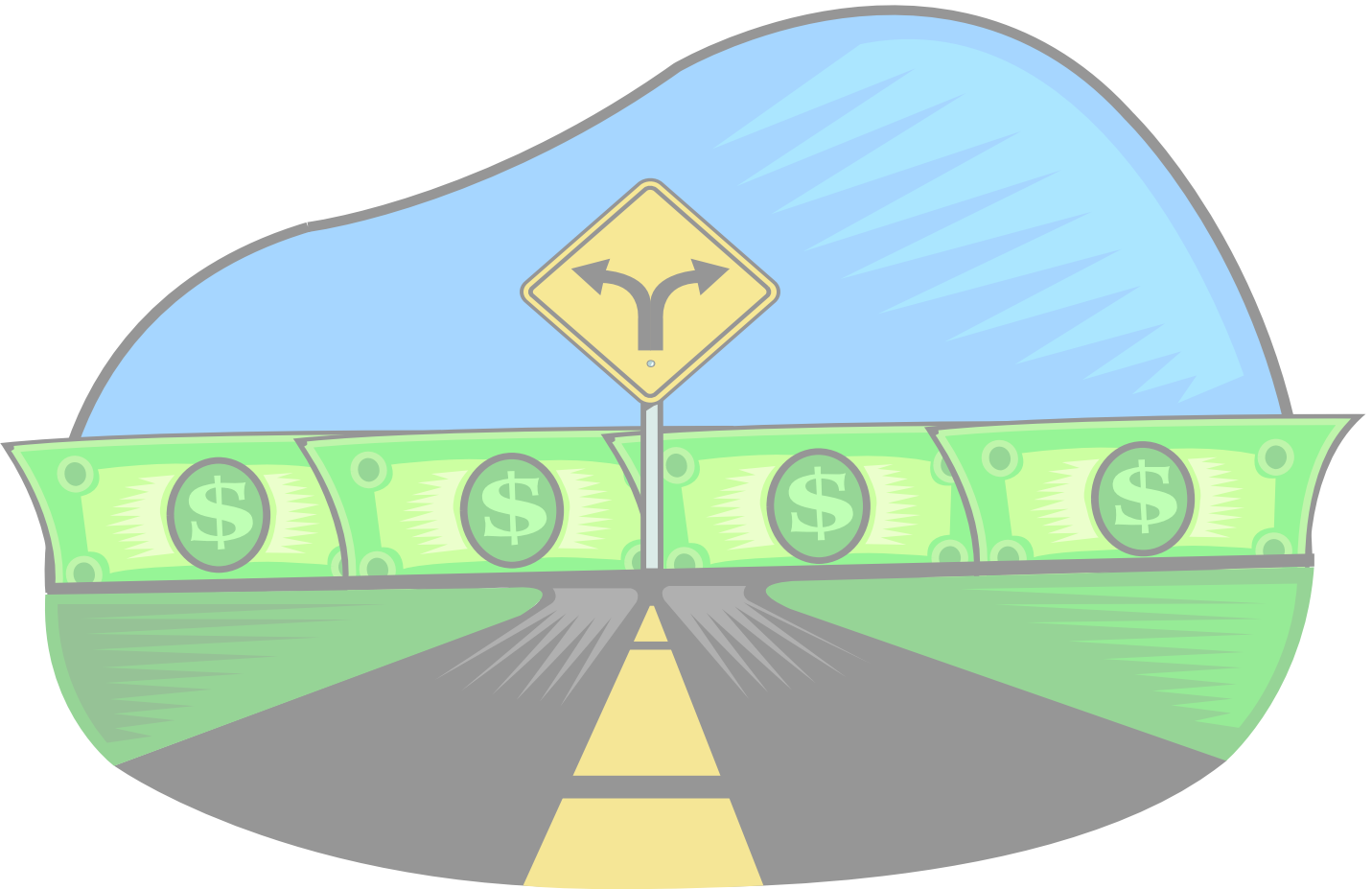


CITY OF DOVER

FINANCIAL POLICIES



CITY OF DOVER, DELAWARE

FINANCIAL POLICIES

The purpose of these policies are to present a standardized set of principles that the City follows in managing its financial and budgetary affairs. These are general statements of policies, which represent long-standing principles, traditions, and practices that will be used to guide the City in maintaining financial stability.

Revenue Policy

1. The City will strive to maintain a broad and diversified revenue base that will equitably distribute the burden of supporting City services and will protect the City from short-term fluctuations in any one revenue source.
2. The City will actively support economic and industrial development recruitment and retention efforts to provide for a solid revenue base.
3. The City will maintain timely collection systems and implement necessary enforcement strategies to collect revenues from available sources.
4. The City will establish user fees and charges for services, when feasible, at levels related to the cost of providing the services. The City will review the fees and charges every three years to determine modifications needed to keep pace with the cost of providing the services.
5. The City will establish, when feasible, self-supporting enterprise funds and intergovernmental service funds in which a relationship between revenues and expenditures clearly exists.
6. The City will project current revenues on a conservative basis so the actual revenues will consistently meet or exceed budgeted revenues.
7. The City will maintain a budgetary control system and will prepare reports, which compare actual revenues to budgeted amounts.
8. The City will limit the designation of General Fund revenues for specified purposes to maximize flexibility in budgeting and revenue utilization.
9. The City will review annually and revise, where necessary, its cost allocation formulas, i.e. internal service funds, right-of-way fees.

Expenditure Policy

1. Basic and essential services provided by the City will receive first priority for funding, i.e. Public Safety & Health, Utilities, Streets, & Sanitation. The City will establish performance measurements for all program areas, when feasible. These measures will reflect the demand, workload capability, and projected outcomes for the program to accomplish its objectives.

City of Dover Financial Policy - Continued

2. The City will adopt a balanced budget, by fund, for all funds maintained by the City, in which total anticipated revenues must equal or exceed the budgeted expenditures for each fund. However, if this cannot be attained, the City will utilize unallocated fund reserves, which have been carried forward from prior years as approved by Mayor and Council.
3. The City will maintain a budgetary control system to ensure adherence to the adopted budget and will prepare reports, which compare actual expenditures to budgeted amounts.
4. The City will refrain from budgeting non-recurring or one-time revenue for ongoing expenses. These revenues will be set aside for asset replacement or as otherwise directed by Mayor and Council.
5. The City will provide access to medical, dental, vision, life, AD & D, and short-term disability insurance for its employees. The cost for these benefits will be a shared responsibility between the City and its employees as outlined in the City Personnel Handbook or collective bargaining agreements.
6. The City will provide access to appropriate retirement plans for its employees. The City will make contributions for eligible employees at the percentage defined for each of the respective retirement plans.
7. The City will provide access to medical and dental insurance for its retiree's and their families. The cost for these benefits will be a shared responsibility between the City and its retirees as outlined in the City Personnel Handbook or collective bargaining agreements.

Debt Policy

1. The City will maintain a policy of full disclosure on financial reports and bond prospectus.
2. The City will maintain communications with bond rating agencies and continue to strive for improvements in the City's bond rating.
3. The City will adhere to its debt covenants.
4. The City will review its debt capacity every three years.
5. The City will pay for all capital projects and capital improvements on a pay-as-you-go basis using current revenues whenever possible. If a project or improvement can not be financed with current revenues, long-term debt will be recommended.
6. The City will refrain from issuing long-term debt for a period in excess of the expected useful life of the capital project.
7. The City will use special assessment revenue or other self-supporting bonds instead of general obligation bonds, when feasible.
8. The City will seek refinancing of outstanding debt if it is determined that the City will benefit by reduced interest expense over the remaining life of the bonds.

Reserve Policy

1. The City will strive to maintain a minimum reserve, in the Budget Balance, of at least 8% of the current year operating revenues for the General Fund, excluding the carry forward balance. If existing reserves exceed the required level, such funds may be used to provide for non-recurring expenditures. The City may use monies in the reserve only in times of fiscal and economic hardship.
2. The City will strive to maintain a minimum reserve, in the Budget Balance, of at least 10% of the current year operating revenues for the Water/Wastewater Fund, excluding the carry forward balance. If existing reserves exceed the required level, such funds may be used to provide for non-recurring expenditures. The City may use monies in the reserve only in times of fiscal and economic hardship.
3. The City will strive to maintain a minimum reserve, in the Budget Balance, of at least 5% of the current year operating revenues for the Electric Revenue Fund, excluding the carry forward balance. If existing reserves exceed the required level, such funds may be used to provide for non-recurring expenditures. The City may use monies in the reserve only in times of fiscal and economic hardship.
4. Once achieved, at no time should the City's budget balances fall below their specified percentages. If a shortfall occurs in the budget balance and immediately restoring the balances to the specified percentage would cause an extreme burden on the taxpayers, the budget balance may, with the Mayor's and City Council's approval, be restored to the specified percentage within one year, but in any case, no longer than three years.
5. The City will maintain a minimum reserve, in a contingency account, of at least 2% of the current year operating revenues for the General Fund. The City may only use monies in the contingency accounts in times of unforeseen emergency expenditures and uninsured capital losses.
6. The City will maintain a minimum reserve, in a contingency account, of at least 2% of the current year operating revenues for the Water/Wastewater Fund. The City may only use monies in the contingency accounts in times of unforeseen emergency expenditures and uninsured capital losses.
7. The City will maintain a minimum reserve, in a contingency account, of at least 1% of the current year operating revenues for the Electric Revenue Fund. The City may only use monies in the contingency accounts in times of unforeseen emergency expenditures and uninsured capital losses.
8. The City will strive to maintain a Capital Asset reserve necessary to fund the replacement and expansion of the City's long-term assets (i.e., infrastructure, buildings).

Investment and Cash Management Policy

1. The City will deposit all receipts on a timely basis.
2. The City will strive to maximize the return on its investment portfolio without jeopardizing principal amounts.
3. The City will limit its investments to the types of securities provided for by Delaware statutes.

City of Dover Financial Policy - Continued

4. The City will diversify its investments by maturity date to protect against market fluctuations.
5. The City will purchase securities from qualified institutions based on competitive bids in an effort to obtain the highest available rates.

Capital Improvement Policy

1. The City will prepare and update, as needed a five-year Capital Improvements Program (CIP) which will provide for the orderly maintenance, replacement, and expansion of capital assets.
2. The CIP will identify long-range capital projects and capital improvements of all types, which will be coordinated with the annual operating budget to maintain full utilization of available revenue sources.
3. When preparing the CIP, the City will seek to identify all viable capital projects and capital improvements required during the subsequent five-year period. These projects and improvements will be prioritized by year and by funding source.
4. Every attempt will be made to match projects and improvements with available funding sources. Future operating costs and savings associated with a project or an improvement will also be given consideration in the establishment of priorities.
5. The City will seek Federal, State, and other funding to assist in financing capital projects and capital improvements.
6. The City will incorporate the reasonable findings and recommendations of other cities' Boards, Commissions, Committees, and Citizen Task Forces, as they relate to capital projects and improvements.
7. The City will seek input from the public by holding public hearings in relation to the establishment of projects and project priorities.

Financial Reporting Policies

1. The City's accounting system will maintain records in accordance with accounting standards and principles outlined by the Governmental Accounting Standards Board (GASB), Financial Accounting Standards Board (FASB), and the State of Delaware.
2. The City will employ an independent accounting firm to perform an annual audit of the City's finances and make the annual audit available to all required and interested parties.
3. The City will produce monthly and quarterly financial statements reporting the current periods' activity for all funds maintained by the City.
4. The City will prepare an annual budget document that provides a basic understanding of the City's planned financial operations for the coming fiscal year. Copies of the proposed and final budget will be made available to all interested parties and opportunities will be provided for citizen input prior to final decisions on the budget.

City of Dover Financial Policy - Continued

5. The City will place continued emphasis on review and maintenance of an accounting system which provides strong internal budgetary and accounting controls designed to provide reasonable assurance, but not absolute, assurance regarding:
 - (a) the safeguarding of assets against loss from unauthorized use or disposition and
 - (b) the reliability of financial records for preparing financial statements and reports, and the maintaining accountability for assets.

6. The City will seek annual renewal of the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting and the Distinguished Budget Presentation Award.

LEGEND

1. Approval by City Council: January 28, 2002
2. Approved by City Council: November 25, 2002