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May 15, 2006

BOARD OF FINANCE CHAIRMAN'S BUDGET MESSAGE

TO THE CITY COUNCIL, CITIZENS AND TAXPAYERS OF BRISTOL:

As Chairman of the Board of Finance, it is my privilege to present this 2006-2007 budget message.

This budget was approved despite the state facing a large surplus that may affect our grant revenue sources. Even with the large surplus projected, our grant revenue source from the state is to increase by 1-2%. Several revenue categories were looked at and adjusted accordingly. The collections for building permits and collections for the conveyance tax continue to exceed expectations. Funding is included in this budget for technology upgrades, eight new police cars, plus four new CID vehicles under a new lease initiative and new Public Works vehicles. Also, \$100,000 has been put aside for the anticipated fire truck replacements.

We must continue our practice of fiscal austerity to ensure that any increases in spending does not exceed the benefits derived from those increases.

The Board of Finance budget was approved with a .98 mill increase. This represents a decrease of .44 mills in general government and a 1.42 mill educational increase. For the eighth consecutive year, the Board of Finance has followed its own policy of reducing, and eventually eliminating its reliance on General Fund Reserves to balance the budget.

REVENUES:

- Interest income more than doubled to \$1,500,000 due to rising interest rates;
- Recording Fees in the City Clerk's office increased slightly due to the continued strong volume of filings;

- Parking ticket revenue in the Police Department increased due to the implementation of a new aggressive collection process. This nearly doubled the anticipated fees collected this year;
- Increased the Conveyance Tax budget from \$750,000 to \$1,100,000 based on legislation lasting until 6/30/07 for real estate transactions in the City;
- Tax collection rates continue to exceed expectations during this recovering economy. We anticipate the collection rate to approach 98%, which is very good for a City of our demographics. In addition, prior taxes have been aggressively pursued in the 05/06 year resulting in an additional \$300,000 revenue projection for 06/07.

EXPENDITURES:

- Most City Hall departments followed the Mayor's request for minimal budget growth, making our budgetary decisions easier for those departments. Many requests remained untouched or had minor reductions. We, as a Board, recognized those departments for adhering to the Mayor's request;
- Education entails the largest portion of the City's budget. They requested a 7.59% increase which equals \$6,643,626. The Board recommends a 5.06% increase which equals a \$4,432,195 for a total education budget of \$91,941,365;
- We recognized that larger departments, such as Public Works, Public Safety (Police and Fire), Parks and Libraries have extreme difficulty preparing zero growth budgets, merely by their size and contractual obligations. Our Board fully funded all contractual obligations. Reductions were made in overtime within the Fire Department due to a new Mayoral initiative to control costs associated with this line item;
- We were able to transfer proposed expenditures in the new budget due to current year excesses in the Conveyance Tax and Interest to purchase capital items for departments such as Public Works, Fire Department, and Police Department;
- The Board also will use \$400,000, in the 05/06 budget to start road resurfacing projects in Public Works.

OTHER:

- This year's budget will use a transfer from Equipment/Building Sinking Fund of \$1,750,000 for equipment purchases. This is a one-time transfer that was made possible by the City's financial position in fiscal year 04/05 that designates the use of these monies for the 06/07 budget.
- Public Works will receive the largest equipment replacement in recent history that will allow for the replacement of one-time large items such as a dump truck, automated refuse truck and sweepers.

ACKNOWLEDGEMENTS

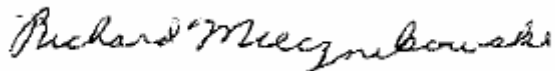
Each and every member of this Board of Finance should be commended for their numerous hours of work dedicated to the eventual approval of our City's budget. Your attendance at numerous evenings of public hearings and workshops regarding this budget shows your enduring voluntary commitment to the City. Once again, I would like to thank the Mayor and his support staff for their hard work on the budget.

Last, and certainly not least, I want to sincerely thank the entire budgetary staff of the Comptroller's Office for their assistance and professional guidance throughout this process. As chairman, on behalf of the Board of Finance, we thank Comptroller, Glenn Klocko, Assistant Comptroller, Robin Manuele, Chief Accountant, David Bertnagel, and Assistant to the Comptroller, Jodi Dabrowski, for their efforts. I would also like to thank the City Council and my fellow commissioners for their support of me during the entire year.

CONCLUSION:

The annual budget process is a dynamic process that provides the City of Bristol with the opportunity and means to review past accomplishments and evaluate goals and objectives for the future. City elected officials, appointed officials, agency heads, and department heads come together, as a team, on a number of occasions to address and meet the challenges of this budget year. We will look forward to the successful implantation of this budget and to the challenges of next year's budgetary process.

Respectfully submitted,



Richard Miecznikowski
Board of Finance Chairman





Comptroller's Budget Message

To the Citizens, Taxpayers, and Businesses of Bristol, Connecticut,

It is my pleasure to present this 2006-2007 budget message and budget document for your review. It is the final culmination of months of effort on the part of many City residents. Elected officials, people appointed to Boards and Commissions of the City, management and staff employee's worked diligently to present this document in its completed format.

This letter to you provides a concise overview of the City's approved 2006-2007 budget. The budget is balanced for all funds and was approved by the Joint Board of the City Council and Board of Finance on May 15, 2006. The approved budget for all funds is \$177,490,834 and the general fund portion of the budget, which the mill rate is primarily based on, is \$158,205,335. The mill rate increased .88 mills from 33.33 to 34.21.

The budget process started with a December Mayoral "kick-off" meeting in the Council Chambers with Department Heads. All city officials were invited to attend.

In the November 2005 election, Bristol elected a new mayor, William T. Stortz, who returned to the position he held in 1991.

The change in the Chief Elected Official changes the approach, in part, to many of the former administration's initiatives. One of those initiatives was the preparation and submission of a two-year budget. The City has returned to concentrating efforts on a one-year budget; the 2006-2007 budget.

Mayor Stortz expressed to Department Heads at the kick-off budget meeting his priorities and goals for the upcoming budget session:

- Communication- There needs to be more communication on many fronts. Upward communication by Department Heads to the Mayor. Downwards communication from the Mayor's Office to Department Heads, and open communication among Department Heads, with a common goal of helping one another for the betterment of the Community.
- Update and maintain existing City infrastructure and equipment. The Mayor's Office feels the City's roads need substantial financial attention in an effort to resurface them sooner in the overall resurfacing program.
- In support of the more aggressive road resurfacing program, the Public Works Department will need new and updated equipment to support the program. The Mayor's Public Works proposals lead the budget discussions and eventually became the largest departmental budgetary increase other than Education.
- The 5 year Capital Improvement Plan (CIP) which incorporates the Capital Budget will be reviewed for approval after the operating budget and its total

Comptroller’s Budget Message (continued)

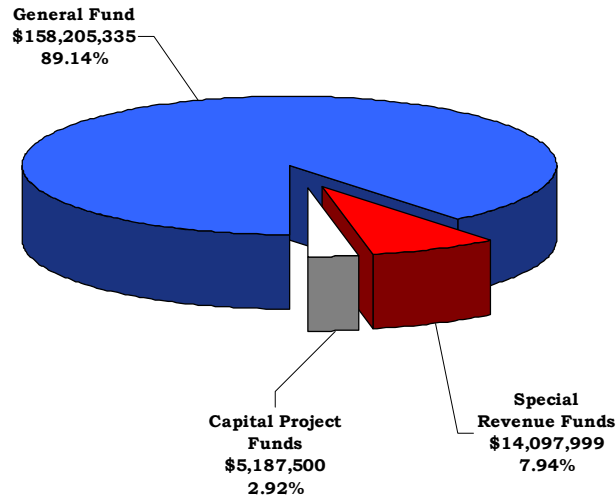
impact to the city finances are known. The black tab labeled ‘Capital Budget Summary’ contains the Capital Budget and CIP information for 2006-07.

Balanced Budget

Our fiscal year 2007 Operating Budget is balanced financially and philosophically. It embraces many tenets that are reviewed in this budget message. It is the desire of this administration through this budget to advance the quality of life for City of Bristol residents.

- The budget provides balanced total estimated revenues to total projected expenditures by fund for all funds;
- Estimated Revenues (financial resources) **equal** appropriations (financial uses) for all funds; formally budgeted or not. When estimated revenues are below appropriations for any fund, the fund shall use its accumulated fund balance/retained earnings in an amount to maintain a balanced fund budget.

HIGHLIGHTS OF THE APPROVED 2007 OPERATING BUDGET

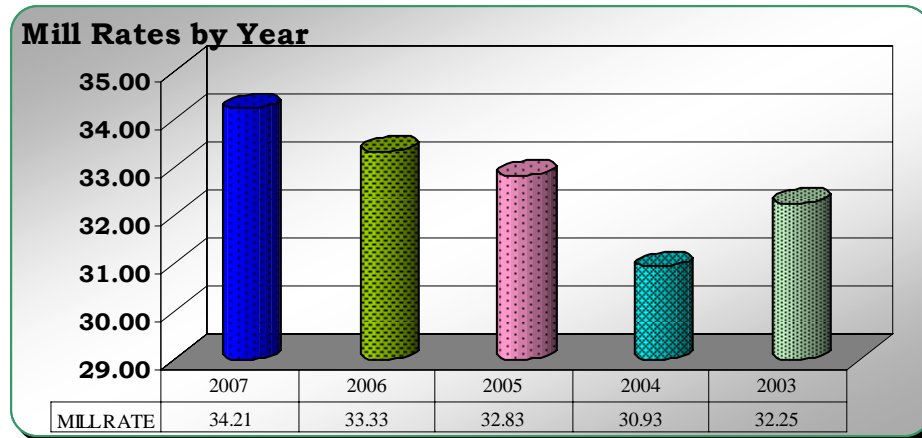


ALL FUNDS TOTAL: \$177,490,834

The approved 2006-2007 Operating Budget (for all funds) totals \$177,490,834. It is an increase of \$13,525,562 or 8.25% above the original 2005-2006 authorized Operating Budget.

Comptroller's Budget Message (continued)

The City of Bristol's Operating Budget totals \$177,490,834. The 2007 budget emphasizes a focus on near full funding at the request level for the City's Education system as well as public works.



Shown above are the City of Bristol mill rates for the last five budget years

MAJOR HIGHLIGHTS OF THE 2006-2007 BUDGET

Gas, Oil & Utilities

During the budgetary process, the cost of gasoline and oil related products began to rise dramatically. The costs of gas, oil, propane and utilities began to rise 20-25% in several short months. Budgets were adjusted upwards in light of these facts.

State Budget

The timing of the State of Connecticut budget approval directly affects the Intergovernmental (Grants) portion of our estimated revenues budget. Fortunately the state budget would be approved close to the end of Bristol's budgetary process, but before Bristol's final adoption in May.

City officials, by general consensus (not absolute) strived for a mill rate increase at or below one mill. With preliminary state grant information, the Board of Finance met this mill rate target (.98 mills) through a combination of increased revenue projections, use of reserves, and appropriation expenditure reductions.

The state adopted a revised state budget on May 1, 2006. The City's budget is approved the third Monday of May.

Key budget items in the state budget impacting Bristol's budget and its citizens were:

- 1) A new property tax relief grant
- 2) An increase in the special education reimbursement grant
- 3) Increasing the ceiling of the property tax credit on the state personal income taxes from \$350 to \$500
- 4) Miscellaneous other grant increases
- 5) Educational Cost Sharing grant (ECS) increase

Comptroller's Budget Message (continued)

As a result of these additional state grant funds, Bristol's Board of Finance voted to lower the mill rate by a tenth of a mill from .98 to .88 mills and at the same time increased the Contingency appropriation (for emergency or unforeseen expenditures).

The Contingency line item increased from \$1,050,000 to \$1,685,835.

OTHER HIGHLIGHTS

Revenue Sources:

Forecasting

Revenue forecasting involves the use of analytical techniques to produce estimates of the inflow of resources in the future.

Revenues of the city are annually forecasted (estimated), based on revenue type, growth pattern, underlying historical assumptions, as well as revenue reliability and validity of the estimates. Our forecasting uses a combination of 3 to 5 year trend analysis, consensus, and human judgment (as opposed to random guessing) methods. The underlying assumptions for each major sources of revenue are identified and documented. The comptroller's office works closely with department heads responsible for a revenue estimate to identify any changes in local, regional, or national economic conditions, citizen demands, as well as changes in professional associations' guidance relative to revenues, and changes in state and local government programs and policies. Changes in the city's political environment are also considered. All assumptions, when identified must be reasonable, valid, and current. Obviously, obsolete assumptions due to changing conditions are identified and no longer considered.

Readers may find it an interesting fact that taxes levied and intergovernmental revenues (state & federal grants) comprise 93% of all 2006-2007 city general fund estimated revenue sources.

Taxes (64% of all revenues)

Our tax levy increased 4% for this budget year of 2006-07. The City of Bristol has what would be independently considered, a strong tax collection rate at 97.70% at June 30, 2005. During the course of the past ten fiscal years the collection rate has varied from a low during 1998 of 96.80% to a high of 98.60% during 2001.

Intergovernmental (29% of all revenues)

Cities rely heavily upon intergovernmental revenues to balance their budgets. Bristol is no exception to that fact. The majority of Bristol's 5% increase in its \$46 million in grant revenues come from the State of Connecticut. The states Educational Cost Sharing grant to Bristol represents \$35.4 million of the total \$46 million in grants. Federal grants have been shrinking over the past several years. Nevertheless, any grant is important to the city. Federal grants are a very small portion of the overall grant picture of the city at \$108 thousand in estimated grant awards.

Comptroller's Budget Message (continued)

Other Revenues

The Board of Finance chose to use \$800,000 of existing excess 2005-2006 actual revenues to balance the budget. The Conveyance Tax revenues, along with interest income significantly exceeded budgeted estimates in the current year, and were, therefore, available for 2006-07 budgetary needs, at the request of the current administration.

Using these current revenues helped to offset and lower the proposed 2006-07 mill rate increase. The revenues were used to pay for vehicle and equipment requests now, in the current budget, rather than in the budget requests under review.

Those same estimated revenue sources were all increased in the 2006-07 general fund budget given the trend of an on-going high level of activity, and perhaps overly prudent budget estimates in prior budgets.

Appropriations (Expenditures):

It is said that budgeting is not an exact science. The structural-balance concept in budgeting seeks to ensure that stable and reliable delivery of public services is the goal of the budget process.

The Mayor requested extra financial attention to road resurfacing in this budget process. A determination was made to start the program now (spring) rather than later (summer). \$400,000 of the current 2005-2006 Contingency line item was designated for road resurfacing. Once again, this action lowered proposed expenditures in the upcoming budget and placed them within the current budget.

The Contingency line item in the general fund was mainly untouched throughout the fiscal year due to little to no unforeseen emergencies, less winter storms, and over all tight fiscal control by the Board of Finance over the Contingency line item.

The Big Picture

After all the dust settled and the City of Bristol had an approved budget, here's a summary of what happened.

- The mill rate increased .88 mills from 33.33 to 34.21 mills.
- The General Government budget increased \$4,713,505 or 7.66%.
- The majority of the increases were for contractual matters such as union negotiated wages, multi-year lease agreements (computers) and 20-25% increases in petroleum related products (gas and oil) and utilities.
- Health care estimates were approved with double digit percentage cost increases per estimates given to the city by our health care consultant.
- Most departmental increases, budget wide, were in the 3-5% range with two major and higher increase exceptions: Public Works Department & Education.

Comptroller's Budget Message (continued)

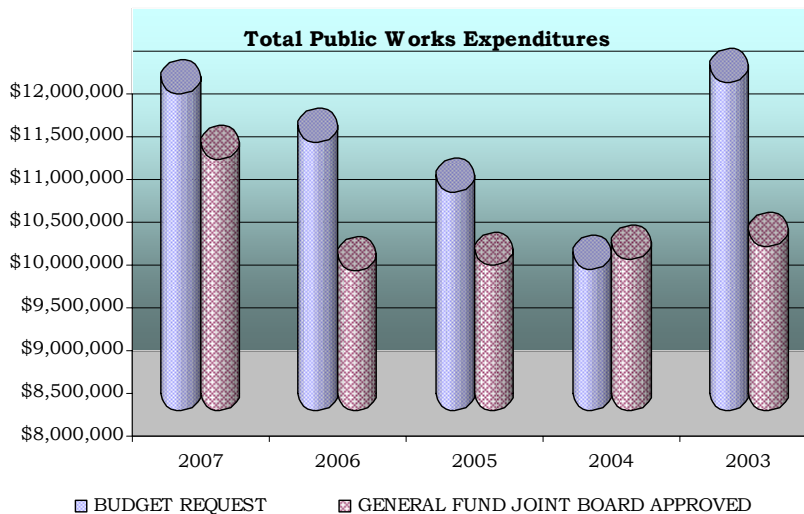
Public Works

As previously mentioned, the Public Works Department received extra financial attention during the budget approval process.

Emphasis was placed on:

- Providing advanced funding to early implement several road projects
- Providing advanced funding to purchase heavy equipment
- Increase the base funding in the budget for materials and equipment

Note: Maintenance line items were reduced in many cases in light of newer equipment in service.



Education

This department represents the largest appropriation in the budget due to the nature of its function; educating the City's children.

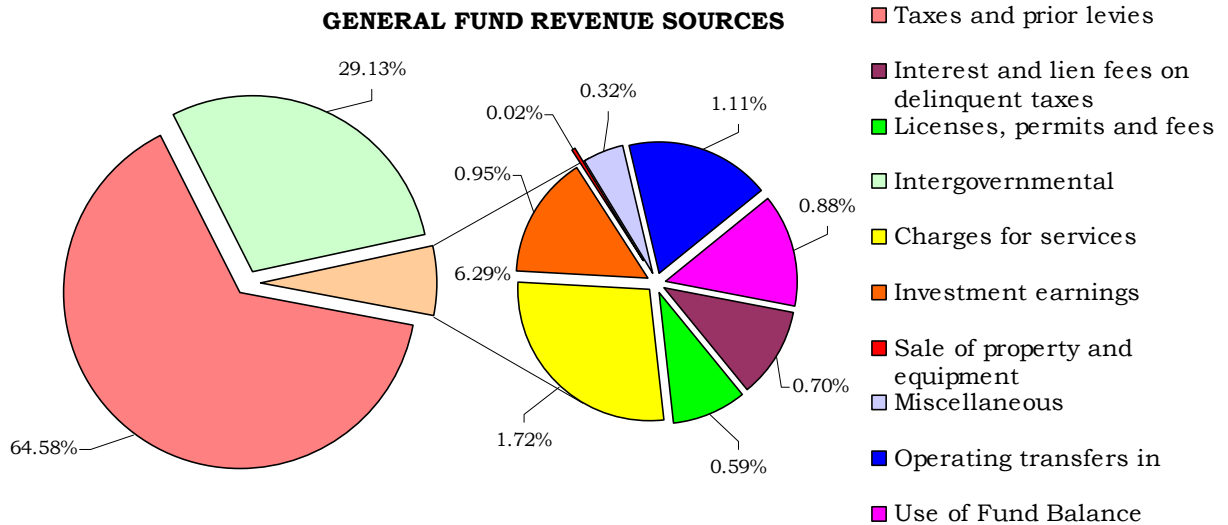
This year represents an on-going fiscal effort to provide near request level funding to support its initiatives and programs.

The Education budget received a 5.06% or \$4,432,195 increase. However, this number is somewhat distorted. Approximately \$911,431 of Health Aid Salaries, benefits, and related supplies appropriations will be transferred this budget year to the Bristol Burlington Health District. This was a mutually planned multi year effort that will be finalized this year.

In addition, preliminary education related health and benefits cost information were lowered at final approval time. While these costs were lowered due to updated information, the education budget was allowed to keep intact the budget appropriations at the higher level with an anticipated after the fact transfer for instructional purposes.

Comptroller's Budget Message (continued)

PROFILES OF THE APPROVED 2007 OPERATING BUDGET BY FUND



The City of Bristol's General Fund supports the majority of the City's public services including police, fire, public works, general government, parks & recreation, libraries, debt service as well as other miscellaneous items. The 2006-2007 General Fund operating budget reflects an increase of \$9,145,700 or a 6.14% increase over the 2005-2006 General Fund approved budget. This increases the current tax levy by 4.09% from \$98,157,877 to \$102,165,550.

FISCAL IMPACT

OPERATING BUDGET: GENERAL FUND

Contingency

Perhaps the most unpredictable yet probably highly favorable impact is the increase to the general fund Contingency appropriation from its traditional \$1,100,000 level to a \$1,650,000 level. Each fiscal year, City officials "worry" if the \$1,100,000 level will be sufficient to handle emergency expenditures for a bad winter storm year. The ramifications of placing the additional monies into this account from the additional state grant revenue sources will help to ease and lessen contingency balance fears.

Bristol Burlington Health District (BBHD)

Due to the final culmination of a multi-year plan, the BBHD took full control over the nurses health aides within the City's school system. This control shift means that \$911,431 of school appropriations were shifted to the health district to cover salaries (10 health aides and 10 nurses), benefits, as well as health aides supplies and equipment.

Comptroller's Budget Message (continued)

Public Works

The approved Public Works budget increased 22%. That increase does not include one-time "off budget" appropriations for vehicles and equipment from current revenue sources. While future funding levels are unknown at this time, it is probably safe to say that the next budget process will not see a similar increase and any significant one-time funding with regards to vehicles and equipment. There may, however, be increases to related maintenance items.

Library

The newly renovated and expanded Library is coming on-line this spring. An increase in expenses comes with the newly renovated Library. Budgetary adjustments have been made, but it will take a full year to see if these adjustments are on target.

Staffing Levels

The expansion of the city library and an updating of its technology have created the need for more library staff. The purchasing office secretary retired and it was felt this would be a good time to provide further staff assistance to the Purchasing Agent, who, at the time was the only office employee other than a part time open position, who also recently retired. The police department has been seriously under manned for the past few years. One new position was added to the budget. The BOE added 6 new positions and a shift of health aides occurred between the BOE and the City Health District. A listing of the new positions is presented below:

4.5 New City Positions:

| | |
|-----|-----------------------------------|
| 5 | Purchasing Assistant |
| 1.0 | Circulation Clerk- Library |
| 1.0 | Reference Assistant- Library |
| 1.0 | Computer Lab Coordinator- Library |
| 1.0 | Detective |

6.0 New Board of Education Positions:

| | |
|-----|---------------|
| 1.0 | ESL Teacher |
| 1.0 | Math Teachers |
| 1.0 | Custodian |
| 1.0 | Secretaries |

20.0 Positions transferred to Bristol/Burlington Health district (10 Nurses, 10 Health Aides).

Board of Education positions reduced by a total of 14 positions due to the transfer.

Other: Accounting Standards, GASB Statement No. 45

A new accounting requirement will impact future funding levels of employee benefits other than pension benefits. Beginning in the 2007 reporting year, the City will be required to disclose in its financial statements the liability for what is termed: Other Post Employment Benefits (OPEB), and the assets designated to cover those liabilities. This disclosure will mirror a similar requirement for pension benefits assets versus liabilities. The future budgetary impact is significant. Any state or municipality issuing debt will be questioned by rating agency analysts on 'the plan' to cover the OPEB liability. Any 'plan' will require an ongoing and increasing cash infusion into an irrevocable trust fund. Failure to do so over time will have future credit rating implications (downgrade) we are told. A reservation of fund balance has been set aside for this purpose. No funds were budgeted for Statement 45 in 2006-07 but our

Comptroller's Budget Message (continued)

intention is to begin to budget funds in the 2007-08 budget year. The amount will be determined at that time.

After Budget Adoption

During the budgetary process, the Personnel Office of the City was negotiating with consultants for Police Department diversity training. While the City knew the training would take place in the budget under deliberation, the costs, even estimates, were just too difficult to determine. It was agreed that the costs, when known, would be handled by the Contingency line item, which is for such a purpose.

A similar issue took place and was resolved in the same manner with the hiring of a consultant to conduct a school renovation and expansion feasibility study.

The 2006-07 Capital Budget can be found on page 353.

THE FUTURE OUTLOOK

Economic Outlook: Nationally

“Surging energy prices are acting like a double whammy on the country’s economy, crimping growth even as they push up inflation” A recent quote from Federal Reserve Chairman Ben Bernanke. He went on to say further that “the increase in energy prices is clearly making the economy worse off both in terms of real activity and in terms of inflation. Lofty energy prices, a cooling housing market and less consumer appetite for spending are figuring prominently in the forecast for slower overall economic activity”. Bristol has experienced the rising energy prices and the slower housing market. Both directly affect the city’s budget. Higher energy prices on the expenditure side and slower housing on the revenue producing side due to less local city clerk fees generated from real estate sales.

Economic Outlook: The State of Connecticut

Towns and cities in Connecticut rely heavily on state revenue sharing grants. “The State is in the midst of recovering from a deficit that will cross multiple fiscal years.” Interestingly, that was the opening sentence in this budget message only 12 months ago! To date, the state went from a prior billion dollar deficit to a current billion dollar surplus. State aid to towns and cities was a key winner in these years’ state budget negotiations among legislators. The adopted state budget increased aid to municipalities by at least \$113 million over the prior year. How quickly things can change.

Revaluation

Revaluation occurs once every five years, previously, the law mandated once every four years and prior to that, once every 10 years. To lessen the financial impact, the City has annually set aside funds for an anticipated revaluation in 2007 at a cost of \$998,000. The last statistical revaluation was completed in October of 2002 and was effective for the 2004 budget year. The next revaluation after the 2007 revaluation will be 2012.

Downtown

Comptroller's Budget Message (continued)

Downtown Bristol continues to be a renewed growth opportunity for the City. Based on feedback from the public, past efforts to make the downtown mall complex into a municipal-sports complex have been placed aside. The current administration's efforts are more directed toward private development.

The State and City have revised the Assistance Agreement allowing for greater flexibility in seeking state aid in developing the Downtown area. This will lead to the razing of the Mall and subsequent mixed use development.

The first section of the streetscapes effort has been completed. Subsequent streetscape efforts will be aligned to mall site development.

Significant additional housing, privately owned and developed, will be opening soon in the Downtown area.

Brackett Park, a downtown park, has been revitalized. Plans are underway for the long-term development of the whole downtown area.

Schools

In conjunction with census 2000 information, our Board of Education is proceeding with an upgrade to several school facilities to accommodate the aging buildings. Plans include additions and refurbishing of existing buildings. The ramifications of this process, apart from the new facilities, will be future planning of a series of debt service issuances that will fit the parameters of the city's debt policy.

BUDGET DOCUMENT

Much of the format and content of this document changes year-to-year. This is due, in part, to changing administrations, changes in local fiscal priorities, changes in state grant funding levels, and certainly economic changes on local, regional and national levels.

In addition, to keep pace with related changes in financial statement requirements, the Government Finance Officers Association (GFOA) Budget Awards Program criteria incorporates annual mandatory changes to the budget document that must be addressed each year by City management and staff and noted on the application for peer review. This is a GFOA Award winning document with regard to the GFOA's criteria. The appropriate changes have been made based on criteria and suggestions from budget award reviewers to match current award standards.

I encourage all City Officials and employees to use this document year round. This document now moves beyond the traditional concept of line item expenditure control, providing information to managers that can lead to improved program efficiency and effectiveness with its new format. Under the criteria established by the GFOA Distinguished Budget Award Program, our document is a staff and citizen's useable policy, objective, and goal-orientated document. It focuses budget decisions on results and outcomes, incorporates a long-term perspective and lastly we believe it is an easy to read and understand communication device to interested parties.

Comptroller's Budget Message (continued)

Review and Award Process

After a preliminary screening, eligible budgets are sent to three independent reviewers who are members of GFOA's Budget Review Panel. To receive the award, a budget must be judged proficient in all four major award categories as well as all "mandatory" criteria by two of the three reviewers. Those budgets that are rated "outstanding" by all three reviewers in any of four major award categories, receive special recognition. Budgets are categorized by size and assigned to reviewers based on their experience and familiarity with reviewing documents of a similar size. Reviewers operate independently of GFOA officers and staff. The identities of reviewers to whom particular budgets are assigned for review are kept confidential. We believe this budget document will be favorably judged to continue to receive the GFOA's Budget Award, on behalf of the City. Every attempt is made by staff to incorporate all past reviewers' suggestions into the current document.

ACKNOWLEDGEMENTS

The annual budget process provides the community with the opportunity and means to review past accomplishments and enunciate collective goals and objectives for the future.

It is with great pleasure that I present this completed and City approved budget to the reader for review. A conscious effort was made by staff to make it a readable and useable document. Suggestions for improvement are always welcome.

Most City officials believe that once our City budget is approved the 3rd Monday in May that the process is over for another year. This is far from true. It is actually the start of a 90-day document preparation, criteria review, rewriting, proofing, and finalized cross-checking for accuracy process. With that said, I would be remiss if I did not extend a special thank you to Robin Manuele, Assistant Comptroller, David Bertnagel, Chief Accountant, and Jodi Dabrowski, Assistant to the Comptroller, all from the Comptroller's office, for their endless efforts in continuing to contribute to producing this GFOA award-winning document on behalf of the citizens, taxpayers, and elected and appointed officials of the City of Bristol.

Respectfully submitted,



Glenn S. Klocko,
Comptroller

