



## MISSION STATEMENT

*We commit to Excellence in*

*Customer Service,*

*in Community Governing,*

*and the*

*Enhancement of the Quality of life*

*in the City of Bristol*

*through*

*Integrity, Leadership,*

*Teamwork, Communication,*

*and Innovation.*

## Policy Overview: The 2011 Budget

### Executive Guidelines

In December 2009, the Mayor met with all department heads to offer his budgetary guidance for the 2010-2011 budget process.

This would be the third budget for Mayor Arthur J. Ward.

The Comptroller's Office assists the Mayor, the Board of Finance and the City Council with budget preparation and budgetary suggestions. The Mayor is an ex-officio voting member of the Board of Finance.

The Mayor stressed one overall theme: keep all request as low as possible without disrupting City services or Public Safety.

An economic forecast has been prepared by Purchasing Agent Roger Rousseau.

### Departmental and Agency Budget Requests and Approvals

With the Mayoral directive in mind, many departments presented the lowest requests seen in years. The following chart shows the requests by function.

<b>Summary of Request- Policy Chart 1</b>		
<b>Department</b>	<b>Requested Percent of Increase</b>	<b>Approved Increase (Decrease)</b>
General Government	4.92%	(6.18%)
Public Safety	6.80%	0.22%
Public Works	3.08%	(18.11%)
Health & Social Services	(0.97%)	(5.46%)
Libraries	1.51%	(3.02%)
Parks & Recreation	1.74%	(3.10%)
Debt Service	0.00%	0.00%
Miscellaneous (Insurance & Benefits)	4.98%	1.74%
<b>Total General City</b>	<b>8.66%</b>	<b>(0.23%)</b>
Education	1.74%	0.29%
<b>Total General Fund</b>	<b>4.52%</b>	<b>0.08%</b>

### Revenues

This year's grand list grew .5% or \$25 million as compared to last year's growth of .18%. Tax collections continue strong for a City with our demographics, at 98% or more.

The State of Connecticut is anticipating a multi-billion dollar deficit due to the recessionary economy. This will certainly affect grants received from the State.

## Policy Initiatives

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### Policy Initiatives- (continued)

Three non-grant revenue sources are closely monitored for current and projected collections due to their high level of revenue producing activity. Interest income budgeted last year at \$925,000, was reduced to \$160,000 due to declining short-term (under one year) investment rates. Building permits and conveyance tax collections, which are closely correlated in trend direction, were both scrutinized. Building permits were reduced by \$40,000 to \$460,000 from the 09-10 budget. Conveyance taxes were budgeted at \$800,000, a \$50,000 decrease from the 09-10 budget.

### Board of Finance Review and Approval

In keeping with tradition, the Board of Finance (hereafter, BOF) held public hearings with department heads, boards, and City agencies who were requesting funds, to better understand the details supporting their requests. It is at the BOF workshops, however, that a final budget begins to take shape. The Comptroller and his staff provide budgetary recommendations to the BOF.

### Past Trends

It has been the general and consistent guidance of the Chairman of the BOF to keep tax increases as low as possible without affecting City services. There was a zero mill rate increase for fiscal year 2009-10.

Unlike prior years, a very large disparity between estimated revenues and appropriations soon became apparent. For fiscal year 2010-11, again due to the worsening economy, grand list growth was at its lowest in years... one half of one percent. Fortunately, the City built up reserves in better times. A formal policy exists that keeps fund balance at 10% of budget, which is used for emergencies or one-time opportunities. The City used \$2.6 million to balance its 2009-10 budget. A continued use of fund balance could not be sustained without jeopardizing the 10% policy. A decision was made to discontinue the use of fund balance.

### Current Events

- Health Care Costs for Employees- Our administrator predicted a \$2 million increase, or roughly a 10% increase
- Employee Bargaining Unit Increases- City and Education contractual bargaining unit costs increased \$2.6 million
- Revenue Reductions-
  - \$2.6 million prior use of fund balance
  - Significant reduction in interest income, building permits fees and transfer (Conveyance) taxes
- Sinking Fund Transfers- Fund balance levels were exhausted in the prior budget and no longer available until built up in the future, if possible
- Litigation Settlements- Anticipated settlement for a closed landfill dispute and the three-year Firefighters contract arbitration award which will cost several hundred thousand dollars
- Increased costs for utilities and motor fuels

All of the above contributed to what was coined a “structural” budgetary problem... an imbalance with a potential to span several fiscal years.

The “structural” problem became the main focus of correction by City officials.

### **Policy Initiatives- (continued)**

#### **Comptroller Assistance to the BOF**

The Comptroller's office assists the Mayor, BOF and Joint Board with budget formulation throughout the process. This office has no formal budget approval authority, however, the office acts as "budget officer and staff" to those offices.

With the approval of the BOF and the Mayor, the Comptroller's office met with most departments to assess and suggest lower levels of requests forwarded for BOF review and approval.

#### **Emerging Issues**

Very early in the budget process (October 2009) there was a request by the Board of Finance that all departments except Education present reduction scenarios of 5 and 10% of their budget with supporting documentation.

Those scenarios quickly brought to light that either options would directly affect provided City services, especially at the 10% level. While not completely dismissed, the 5-10% plan was placed aside.

The Mayor continued, as in the prior year to direct all departments to seek his prior approval for any expenditure of funds for conferences and associated expenses such as registration, travel reimbursement, hotels and meals. Except for Public Safety employees, the Mayor continued a hiring freeze for the existing budget and the newly approved budget. All requests for replacement of employees must have his prior approval. Finally, all overtime by employees must also have his prior approval.

#### **Operating Budget: General Fund**

##### **Education**

Because of its size, the education system budget usually generates the most dialogue. An early dialogue with education officials produced a mutual understanding of the struggles facing Bristol taxpayers' ability to fund education and the need to continue funding programs that have produced outstanding student academic achievements. A reduction was made to the education request that was, again, mutually agreeable.

##### **Other Issues**

- Financial Statement Deficit- It is predicted by the Comptroller's Office that the City will experience a June 30, 2009 deficit. While the amount is less predictable, the certainty of a deficit is imminent. The depth and the duration of the recession have hurt our budgetary estimates on the revenue side. Most revenue collections are well below estimates made 18 months ago.

2010-2011 revenue estimates were adjusted downward to more accurately reflect current collection rates.

The reduced estimates correct, in part, the "structural" problem cited previously. Appropriations would be reduced to complete the structural correction and bring the budget in balance.

## **Policy Initiatives**

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### **Policy Initiatives- (continued)**

If left uncorrected, the structural situation would cause future deficits... an unacceptable financial situation to City leaders.

- Debt Service - The City stayed within its self-imposed policy of not issuing debt more frequently than every two years. The last issuance was February 2009.

However, the City is moving forward faster than expected with debt service issuances for the construction of the two new schools. Rather than issue bonds in 2011-2012, notes are planned for issue in December 2010 and 2011 with a 'roll over' to bonds in 2012. A further explanation is provided below.

- The City purchased and demolished a 17 acre downtown mall property in an effort to revitalize its downtown area.

The City has contracted with a developer familiar with such enterprises (redevelopment) to draw an overall economic plan for the 17 acre parcel.

In a somewhat related issue, the State constructed a \$39 million road project that extends the existing Route 72 to the eastern doorstep of downtown and the 17 acre parcel. Combined, the 17 acre plan and the extended highway should provide future economic stimulus to the immediate downtown area.

- With the soaring increases in health care costs for its employees, the insurance subcommittee of the Board of Finance sent out a request for proposals (RFP) for a health care administrator to coordinate health billings and payments. The City is Self Insured for those costs. After an evaluation, the City and Board of Education chose a different administrator for medical and prescription administration and remained with the existing provider for dental care. Total savings of approximately \$1 million are anticipated.

### Education Facilities and Buildings

The City and the Board of Education are in the planning stages of a system-wide reorganization of school facilities/buildings. A consultant was hired to assist the City in developing an overall plan with possible alternative options for expanding buildings and/or abandoning certain schools within the City. Preliminary cost estimates are put at \$100 million. This is an extremely preliminary number. It is expected the costs will be handled through multiple debt service issuances in the Capital Budget of approximately \$30 million, with the State of Connecticut cost sharing the \$70 million balance. This matter has been known for many years now and the timing of future education related debt issuances will be incorporated into the City's Five-Year Capital Improvement Plan. The City has purchased two separate parcels of land for the two new schools. Initial construction may begin during the 2010-2011 fiscal year.

### Policy Initiatives- (continued)

#### Other Funds

There are a number of other funds that the City appropriates budgets for – the Capital Projects Fund, seven special revenue funds – Equipment and Building Sinking Fund, Community Development Act, Sewer Operating and Assessment Fund, Solid Waste Disposal Fund, School Lunch Program, Pine Lake Challenge Course, LoCIP Projects, the Internal Service Fund comprised of three individual funds and the Enterprise Fund – Bristol Water Department. The following is a brief synopsis of each:

**Community Development Act (Bristol Development Authority)** - This fund accounts for the operations of the Bristol Development Authority. The Bristol Development Authority is responsible for community development (aid to low to moderate-income persons and neighbors), grants administration, legislative liaison activities and economic development. The Bristol Development Authority is staffed by six professionals and one clerical person. The Bristol Development Authority is funded by two sources; the City share costs and the Community Development Block Grant (referred to as CDBG). The City share costs are budgeted within the General Fund and can be found as a transfer-out to a special revenue fund. The City share pays for the Executive Director's salary, two Grants Administrator's salaries, and clerical support as well as their benefits and costs for running offices. The 2010-2011 City share is \$380,000, which represents an increase of \$9,550 over the 2009-2010 budget. The remaining monies of \$682,478 are funded by the Federal Government. These monies pay for three additional positions and 93% of the benefits within the Bristol Development Authority as well as their related expenses. A reprogrammed cost of \$76,660 was approved. The reprogrammed costs are monies not spent in the previous CDBG budget and are approved by the Federal Government to be used in subsequent years. In addition, \$15,554 in program income has been budgeted.

**Sewer Operating and Assessment Fund** – This fund accounts for the operations of the City's Wastewater Treatment Plant. The fund is supported by sewer user charges billed by the Bristol Water Department. Additionally, Water Pollution Control currently bills for assessments on Sewer Capital Projects. The revenues from these assessments are used to pay back outstanding debt issued several years ago for these Capital Projects. Water Pollution Control has undertaken several Capital Projects known as Infiltration/Inflow Studies. These completed studies will result in a reduction of flow into the wastewater treatment plant. This will eventually reduce some of the operating costs associated with the treatment supplies and costs. In anticipation of the wastewater treatment plant upgrades, the City set up a Water Pollution Capital and Non-Recurring Fund several years ago to help defray costs for the taxpayers as well as the users. This fund is currently being used for the repayment of loans and capital project costs associated with the studies taking place. The Water Pollution Control approved budget is \$4,873,000 or a \$131,740 increase over the approved 2009-2010 budget. There is a 5% increase in sewer user fees for the 2011 fiscal year.

**Solid Waste Disposal Fund** – This special revenue fund accounts for the operations of the City's solid waste disposal program. It is subsidized primarily by a transfer-in from the General Fund. Other revenue sources of the fund are disposal permits, hauler charges, the City's host fee, and interest income. The total budget for this self-balancing fund is \$2,670,945, a decrease of \$243,412.

### Policy Initiatives- (continued)

**School Lunch Program** - This special revenue fund is used to account for the sales of school lunches in the Bristol School system. This fund has several revenue sources. There is a General Fund transfer-in of \$138,090 budgeted for this fund. The two largest revenue sources within the fund are the sale of school lunches budgeted at \$1,504,385 and federal reimbursement at \$1,550,510. The expenses of the fund include the salaries of the employees needed to operate and supervise the cafeterias, food supplies, and employee benefits. The total budget is \$3,360,190 or an increase of \$364,490.

**Pine Lake Challenge Course** - This special revenue fund is used to account for a recreational facility used mainly by outside groups. This budget is one of the City's smaller funds and is generally accepted as presented. This year's budget decreased the funding level to \$171,750.

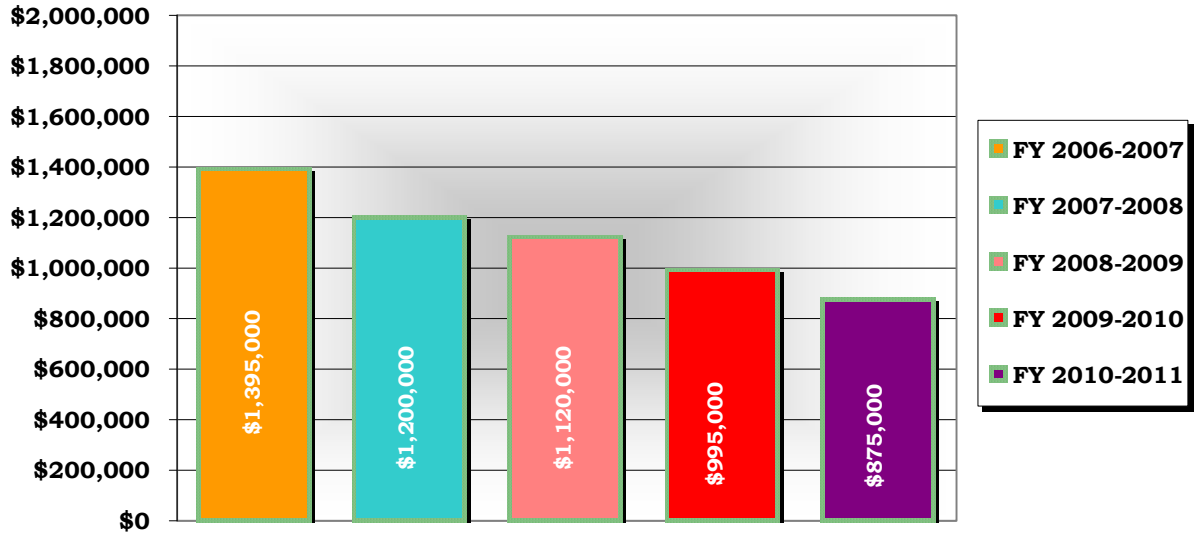
**LoCIP Projects** - This special revenue fund is used to pay for projects approved under the Capital Budget with the yearly state grant allocation of money to the cities and towns in Connecticut under this program. The City is reimbursed after the expenditure is made on the given projects approved under this State grant. The City of Bristol receives approximately \$500,000 yearly for this program. This year, the City plans to use \$385,000 from the fund to pay for various capital projects. A listing of the projects can be found in the Capital Budget Summary section of this document.

**Enterprise Fund** - The enterprise fund is used to account for the operations of the Bristol Water Department. The supervision of the Bristol Water Department is entrusted to the Board of Water Commissioners. These operations are financed and operated in a manner similar to that of a private business enterprise. It has been an ongoing practice to accept the Water Department's revenue estimates and expense estimates as projected. Those estimates may be found behind the "Enterprise Fund" tab of this budget document.

**Internal Service Fund** - Years ago, the City established a Health Benefit and Workers' Compensation Funds to provide reserves necessary to support an insurance program for health benefits and workers' compensation claims. Expenditures are expected to grow by 2.3%. The City has, since the 2002 budget year, adjusted all its accounts for health benefits accordingly and within the fund.

## FUND BALANCE POLICY

**General Fund** - Several years ago, a policy was established by the BOF to reduce the General Fund's reliance on surplus to balance the budget. The original plan was to go from the use of \$3.66 million to zero (0) in five years. Given economic realities, it was agreed the plan was somewhat too aggressive. The current budget recommendation is \$875 thousand. This chart shows the five year trend of General Fund Fund Balance usage.



**Non-General Fund - Use of Fund Balance** – This budget approves the use of undesignated fund balance in the Water Pollution Control Capital and Non-Recurring funds for capital projects, the use of fund balance within the Health Benefits Fund, and the use of fund balance within the “Old” Workers’ Compensation Fund. The effects of use will be closely monitored during the year and financially managed at year-end. For more information, see the “Special Revenue Funds,” “Internal Service Fund” and “Capital Budget Summary” tabs.

### Policy - General Fund - Fund Balances – Approved 12/20/00

**Purpose:** Governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time emergency expenditures.

**Policy:** The Board of Finance recognizes the importance of maintaining stable and adequate General Fund - Fund Balances and sets forth the following policy:

## Policy Initiatives

### Policy Initiatives- (continued)

1. Maintain ending General Fund Designated and Undesignated Fund Balances as a percent of operating revenues at  $\geq 15\%$ .
2. Maintain General Fund Unreserved Undesignated Fund Balances as a percent of operating revenues equal to 10%.

### Example: For Balances as of FYE - Audit June 30, 2009

#### Fund Balances:

Unreserved, Undesignated	<u>\$ 17,645,000</u>
Total Balance	<u>\$ 27,591,000</u>
Operating Budget	<u>\$170,934,555</u>

#### Ratio's: at FYE Audit June 30, 2009

(1) The total General Fund Designated and Undesignated Fund Balances as a percentage of operating revenues: 16.14%

(2) Unreserved Undesignated General Fund Balances as a percentage of operating revenues: 10.32%

**Exceptions:** Exceptions and/or changes to this policy may be allowed under certain unique conditions to maintain flexibility in case of emergencies and one-time opportunities.

### Fund Balances- All Funds

Fund Balances- All Funds					
	2008	2007	2006	2005	2004
General Fund (Reserved & Unreserved)	\$ 29,053	\$ 27,721	\$ 27,486	\$ 24,783	\$ 20,320
Special Revenue Funds	\$ 7,817	\$ 7,579	\$ 7,914	\$ 7,495	\$ 5,834
Capital projects funds	\$ (5,055)	\$ 1,853	\$ (24,611)	\$ (9,158)	\$ (8,254)
Permanent funds	\$ 311	\$ 246	\$ 192	\$ 171	\$ 163
Reserved Fund Balances in all Other Governmental Funds	<u>\$ 6,582</u>	<u>\$ 5,339</u>	<u>\$ 16,412</u>	<u>\$ 10,065</u>	<u>\$ 5,607</u>
<b>Total Fund Balances:</b>	<b>\$ 38,708</b>	<b>\$ 42,738</b>	<b>\$ 27,393</b>	<b>\$ 33,356</b>	<b>\$ 23,670</b>

The chart above shows fund balances for the General Fund as well as all other funds of the City for the last five years. Further information can be found in the appendix section on page 383. The amounts shown above are in thousands (000's).

### Key Financial Policies:

- ✓ All proposed new positions requested by the departments (excluding the Board of Education) must be justified to and approved by the City Council salary committee, prior to Board of Finance inclusion in the budget.

## Policy Initiatives

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### Policy Initiatives- (continued)

- ✓ The travel reimbursement rates follow the IRS yearly travel reimbursement rates.
- ✓ The City uses a sinking fund to supplement operating appropriations for capital equipment and infrastructure.
- ✓ An annual operating transfer-in from the Equipment and Building Sinking Fund occurs within the General Fund. This revenue source is usually funded by Sinking Fund revenues, which is a separate special revenue fund. This practice eliminates past practice and confusion related to comparing year-to-year departmental requests among the two funds.
- ✓ It is practice within the General Fund to set aside funds to be available for emergency appropriations during the year as a way of stabilizing funds without the utilization of Unreserved Fund Balance.
- ✓ In the past, the economic development account was funded with an annual appropriation of \$500,000. This appropriation is added to the remaining balance in the account at the end of the previous fiscal year and is carried over to the next year by a designation of fund balance. The 2010 budget appropriation is 75,000.
- ✓ The 2001-2002 budget process started a \$500,000 funding program for Capital Projects from General Fund Operating Transfers-In. This year \$200,000 is budgeted for Capital Projects.
- ✓ The City has developed a tax exemption policy as authorized in the Connecticut City and Town Development Act. A sister program, the Urban Jobs Program, is available to businesses anywhere in the City (with permission of the Commissioner of Economic Development). This has been a major incentive for new and expanding manufacturers. These incentives include abating local real property tax assessments on a ten year declining scale, substantial tax abatements on local property (50% of which is reimbursed to the City by the state) and a Connecticut Corporate Income Tax Credit.
- ✓ The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's appropriation authority (the Joint Board: the City Council and the Board of Finance). Activities of the General Fund are included in the annual appropriated budget. Project-length budgets are prepared for capital projects funds. Budgets for Special Revenue Funds are prepared in accordance with the requirements of the various grant agreements and/or legal provisions, which control the expenditures of such funds. The level of budgetary control is the object level in each department within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Outstanding encumbrances generally are re-appropriated as part of the following year's budget.
- ✓ Cash management in the operating funds restricts its activities to instruments that provide the greatest safety, liquidity, and yield; in that order. Demand deposits, certificate of deposits, and overnight repurchase agreements comprise

## **Policy Initiatives**

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### **Policy Initiatives- (continued)**

the bulk of the operating investment portfolio. In addition, the City monitors the risk based capital ratios and collateral requirements of the qualified public depositories it deals with as defined in Connecticut General Statutes Section 36-382.

- ✓ The City voters approved a charter change for updating allowable investments in order to adopt and implement a future Investment Policy.
- ✓ Cash management in the Pension Trust Funds' investment portfolio is comprised of stocks, bonds, certificates of deposits, and real estate participating units.
- ✓ Keep current with changing technology issues through the Computer Lease Program.
- ✓ Establishment of a Fire Vehicle reserve account within the Equipment and Building Sinking Fund for the replacement of outdated fire apparatus.
- ✓ Continuation of the “Major Bridge” contingency account within the Capital Projects fund for eventual bridge overhaul or replacement.
- ✓ Annually contribute to the Capital and Nonrecurring Fund for special capital projects that may need to be done in any given fiscal year
- ✓ Continue to set aside funds annually for the assessor revaluation every five years as mandated by the State of Connecticut Office of Policy and Management.
- ✓ Protect the City’s credit quality rating. See ratings from the three agencies: Moody’s, Standard and Poor’s, and Fitch on page 385 in the “Debt Management” tab of this budget document.

### **GASB STATEMENT 45**

Governmental Accounting Standards Board (GASB) Statement No. 45 relates to Other Post Employment Benefits (OPEB)- payments and services provided for retirees other than pensions. OPEB consists mainly of retiree health care benefits. GASB 45 applies the accounting, actuarial, and reporting requirements used for pension fund assets and liabilities to health benefits.

Under GASB 45, municipalities providing benefits to more than 200 plan members (like Bristol) are required to have an actuarial valuation of their OPEB plans done every two years. Pay-as-you-go funding will probably not keep up with rising OPEB obligations. The City has set aside reserves to initiate a start toward a longer term plan which will be a ramping up of funding (by appropriation and surplus reserves) to meet long-term annually required contributions (ARC).

Governments will be required to disclose their compliance in meeting statement 45 only on a going-forward basis. A trust has been established to deposit funds for a long-term investment horizon versus a return horizon. This year’s budget will see the fourth requested annual appropriation. The first actuarial valuation was performed for GASB 45 purposes in fiscal year 2005-06 and has been updated for fiscal year 2007-2008 and 2009-2010.

## City of Bristol, Connecticut Debt Policy

### *Introduction*

The purpose of a debt policy is to establish parameters and guidance for the Board to make decisions on capital spending and issuance of debt as a means to fund them.

The Board recognizes the foundation of any well-managed debt program is a comprehensive debt policy. In addition to the general parameters, this policy provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt financing, methods of sale that may be used, and structural features that may be incorporated.

Finally, this debt policy is the Board's recognition of a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. The policy helps to ensure that the Board maintains a sound debt position and that credit quality is protected.

In summary, the main advantages of a formal debt policy are as follows:

- Enhances the quality of decisions by imposing order and discipline, and promotes 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.

### **INTEGRATION OF CAPITAL-PLANNING AND DEBT FINANCING ACTIVITIES**

**Multi-Year Capital Plan.** The City prepares a multi-year Capital Improvement Program for consideration and adoption by the Board of Finance and Joint Board as part of the City's budget process. Annually, the capital budget identifies revenue sources and expenditures for the current year and the next succeeding four fiscal years, as required by Connecticut General Statutes Sec. 8-24. As part of the capital project planning process, the Board will evaluate the financial impact of each proposed project. The plan is updated annually.

**Funding of the Capital Improvement Program.** Whenever possible, the Board will first attempt to fund capital projects with Local Capital Improvement Program (LoCIP) grants as part of its broader capital improvement plan. If these grants are not available, the Board will use general revenues (pay-as-you go), excess surplus, bond financing, or a combination thereof. The Board is guided by three principles in selecting a funding source for capital improvements: equity, effectiveness and efficiency.

## Policy Initiatives

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### Policy Initiatives- (continued)

1. **Equity:** Whenever appropriate the beneficiaries of a project or service will pay for it. For example, if a project is a general function of government that benefits the entire community, such as a school, police station or library, the project will be paid for with general tax revenues or financed with general obligation bonds. If, however, the project benefits specific users, such as water and sewer facilities, the revenues will be derived through user fees or charges and assessments.
2. **Effectiveness:** In selecting a source or sources for financing projects, the Board will select one or more financing options that effectively funds the total cost of the project. For example, funding a capital project or the debt service on a project with a user fee that does not provide sufficient funds to pay for the project is not an effective means of funding the project.
3. **Efficiency:** If grants or current revenues are not available to fund a project, the Board will select a financing technique that provides for the lowest total cost consistent with acceptable risk factors and principals of equity and effectiveness. These methods currently consist of fixed-rate general obligation or revenue bonds issued by the Board.

**Infrastructure Maintenance, Replacement and Renewal.** The Board intends to set aside sufficient current revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal consistent with its philosophy of keeping the City's capital facilities and infrastructure systems in good repair and to maximize a capital asset's useful life. It is the Board's policy to encourage plans for scheduling this maintenance.

### DEBT AUTHORIZATION (CITY CHARTER REQUIREMENTS)

City Charter Sec. 25. The Board shall have the power to borrow money shall authorize the issuance of notes and determine the amount to be issued and shall apportion such moneys as it shall determine necessary for the benefit of the City and tax districts existing or which may be created. (w) The Board shall have sole power to determine the necessity for, and manner of, issuing bonds by the City or Town of Bristol, or any subdivision thereof or district therein. The members of the Board of Finance shall constitute a Board of sinking fund commissioners for the City. The Board of sinking fund commissioners, as a whole or acting through a sub-committee, shall have the care and management of any sinking fund already established or that may be established, to provide for the payment of the principal and interest of the bonds issued by the City.

### Policy Initiatives- (continued)

The Board shall act as fiscal agents for all other funds, which are the property of the City of Bristol except as otherwise provided. (x) The Board of Finance, as fiscal agent for the City funds, may invest and reinvest the same as follows: Either in bonds of the United States or in bonds of any of the New England states, or in bonds of any town or incorporated City in this state or shall deposit the sums in any savings, state or national bank. Neither said sinking fund nor any part thereof shall ever be used by the City in any other way than for the redemption and payment of such bonds. Any sinking funds of the City established by law, shall be continued for the purposes for which such funds were created. (y) Any agency or district, whether authorized to carry out state or to carry out local functions of government, which is required by statute to render or cause to be rendered any public service requiring an expenditure of the City's money from the treasury of said City, or any contract involving borrowing of money for the City or any subdivision thereof, shall first submit an estimate of the proposed expenditure or borrowing, with the statement of the necessity therefore, to the Board. The Board shall determine whether any such proposed expenditure or borrowing is necessary and, if necessary, the amount thereof. It may, at any time, summon before it any officer of said City for information, consultation and advice upon the affairs of the City. (z) The Board of Finance annually shall make appropriation for the expenses and maintenance of the City and including the debt of the former first taxing district. Upon completion of the grand list, the City Council and the Board of Finance shall meet in joint session for the purpose of laying a tax on persons and property in the City, and a proper rate bill therefore shall be prepared and signed and a tax laid and collected in the same manner as is provided for herein for the rate bill (Amend. eff. 11-8-93; Amend., eff. 11-4-92; Amend., eff. 12-4-97 taken from Supp. No. 58 of the City Charter).

### **PURPOSES FOR WHICH DEBT MAY BE ISSUED**

- The Board during emergency situations may issue debt to provide for emergency infrastructure repair or replacement
- The Board will only consider financing major capital improvements with a total cost exceeding \$100,000. Such costs may include any planning, design and land acquisition costs for such improvements.
- The Board will consider issuing debt to finance only those projects that have been included in the Five-Year Capital Improvement Program.
- The Board will not fund current operating expenditures through the issuance of debt.

### **REFUNDING OF EXISTING DEBT**

A refunding is a bond financing procedure in which issuers refinance an outstanding bond issue by issuing new bonds. Most refundings are performed to take advantage of current interest rates that are lower than those rates on outstanding bonds. Such refundings are for interest rate savings. The Board may consider a refunding for three primary reasons:

## Policy Initiatives

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### Policy Initiatives- (continued)

1. To reduce interest costs;
2. To restructure debt service only if the present value of debt service savings exceeds two (2%) percent of the debt service amount of the refunded bonds; and
3. To eliminate old bond covenants that may have become restrictive.

### OBJECTIVES OF ISSUING DEBT

- The Board will finance capital projects through the issuance of debt for the shortest period practical but will not exceed the useful life of the asset.
- The Board will evaluate debt-funding scenarios as part of its annual Five-Year Capital Improvement Program process in order to prioritize future financing needs.
- The City will attempt to minimize its reliance on long term debt.

### LEGAL LIMITATIONS

- Connecticut General Statutes limits the amount of indebtedness the City may have outstanding to seven times the total annual tax collections including interest and lien fees plus the reimbursement for revenue loss on tax relief programs.

### TYPES OF DEBT PERMITTED TO BE ISSUED AND CRITERIA FOR ISSUANCE

#### TYPES

- Bond Anticipation Notes (B.A.N.'s)
- Tax Anticipation Notes (T.A.N.'s)
- Revenue Anticipation Notes (R.A.N.'s)
- General Obligation (G.O.) Bonds
- Revenue Bonds or Special Assessment Bonds
- Lease Purchase Financing
- Conduit/Tax Increment Financing (TIF)

#### CRITERIA

##### a. **Short Term Debt**

1. **Bond Anticipation Notes:** The Board may choose to issue Bond Anticipation Notes as a source of interim construction financing when deemed prudent. Before issuing such notes, the Board will direct the Comptroller to contact the City's Financial Advisor, for consultation. Bond Anticipation Notes may be sold in either a competitive or negotiated sale, subject to authorization and approval by the Board of Finance.

### Policy Initiatives- (continued)

2. **Tax or Revenue Anticipation Notes:** The Board may choose to issue Tax and/or Revenue Anticipation Notes to fund internal working capital cash flow needs. Before issuing such notes, cash flow projections will be prepared by the appropriate City Departments and reviewed by the Comptroller. Tax and Revenue Anticipation Notes may be sold in either a competitive or negotiated sale, subject to authorization and approval by the Board of Finance.
3. **Leasing:** Leasing is appropriate for procuring assets that are too expensive to fund with current receipts in any one year, but with useful lives too short (less than ten years) to finance with long-term debt.

Leasing will be considered for assets that will be needed for only short periods of time, or which are subject to rapid technological obsolescence.

#### b. **Long Term Debt**

1. **General Obligation (G.O.) Bonds:** General obligation bonds are general obligations of the City payable from general (ad valorem) taxes, subject to certain constitutional and statutory limitations. Bonding should be used to finance or refinance only capital improvements and long-term assets, or other costs directly associated with financing of a project, which has been determined to be beneficial to a significant proportion of the citizens of the City, and for which repayment sources have been identified. Bonding should be used only after considering alternative funding sources such as project revenues, Federal and State grants, and special assessments.
2. **Revenue Bonds:** Whenever possible, the City will use revenue, self-supporting, or special assessment bonds instead of G.O. bonds. To enhance security when issuing revenue bonds, the City will issue “double-barreled” bonds, which are secured both by a dedicated revenue stream, as well as by the general taxing powers the City. The City will strictly adhere to all provisions of the bond resolution or trust indenture including but not limited to covenants, additional bond tests, and operation and maintenance requirements. Revenue bonds are generally issued by the City’s Water Department, an Enterprise Fund.

**Conduit/Tax Increment Financing (TIF):** The City may sponsor conduit financings for those activities (i.e., economic development, housing, health facilities, etc.) that have a general public purpose and are consistent with the City’s overall service and policy objectives. Debt service on TIF bonds will be derived from the increase in tax revenues generated as a result of economic growth in the TIF district. Since the Board recognizes TIF bonds can be highly risky during periods of economic downturn, all such financing must insulate the City completely from any credit risk or exposure.

## Policy Initiatives

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### Policy Initiatives- (continued)

**Credit Enhancement:** The Board shall seek to use credit enhancement (letters of credit, bond insurance, surety bonds etc.) when such credit enhancement improves marketability and cost-effectiveness.

### RESTRICTION/LIMITATIONS ON DEBT ISSUANCE

Policy prohibits issuing G.O. debt for: current operations, enterprise activities, enterprise funds, vehicles/rolling stock, leased or lease/purchased items.

Policy prohibits the issuance of derivative securities.

### STRUCTURAL FEATURES OF DEBT

**Overview:** The Board plans long-term and short-term debt issuances to finance the City's capital program based on cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions.

At the time of establishing the structure of a bond issue, the mill rate impact in the early years will be evaluated so as to minimize overall tax increases and maintain level principal payments where practical.

**Debt Repayment:** Generally, borrowings by the City should be of a duration that does not exceed the economic life of the improvement that it finances and where feasible should be shorter than the projected economic life. Moreover, to the extent possible, the City will design the repayment of the debt so as to recapture rapidly its credit capacity for future use. The City will endeavor to repay, at a minimum, 50% of the City's overall outstanding debt in the first ten years when structuring new bond issues.

### CREDIT OBJECTIVES

Many analysts use debt ratios i.e. debt per capita to analyze debt levels. However, the Board recognizes overemphasis on debt ratios should be avoided because debt ratios are but one of many factors which influence bond ratings. Commonly used debt ratios of comparable sized Cities will provide one measure against which the City can assess its debt burden. Another method is to compare ourselves against ratios developed by rating agencies, such as, *Moody's Medians*. The analysis is not intended to review the City's total financial position or to make projections of future expenditures other than debt service.

The Board will use the following debt ratios when reviewing the City's capacity to issue debt:

## Policy Initiatives

### Policy Initiatives- (continued)

#### Debt Burden Indicator

- Debt as a percentage of Net Taxable Grand List.

<b>Moody's Median: 3.3%</b>					
<b>Grand List Of 10-01</b>	<b>Fiscal Year Ending 6-30</b>	<b>Net Taxable Grand List</b>	<b>Total General Fund Debt (1)</b>	<b>Total General Fund Debt as a % of the NTGL</b>	
	2007	2008	\$4,234,932,240	\$50,731,000	1.20%
	2006	2007	\$3,040,092,230	\$55,416,000	1.82%
	2005	2006	\$2,985,956,800	\$38,665,000	1.29%
	2004	2005	\$2,953,309,410	\$44,215,000	1.50%
	2003	2004	\$2,934,401,850	\$26,245,000	0.89%
	2002	2003	\$2,497,532,520	\$30,650,000	1.23%
	2001	2002	\$2,448,977,270	\$35,050,000	1.43%
	2000	2001	\$2,399,413,360	\$39,230,000	1.63%
	1999	2000	\$2,343,823,720	\$36,835,000	1.57%
	1998	1999	\$2,753,595,000	\$41,030,000	1.49%
	1997	1998	\$2,714,038,610	\$27,520,000	1.01%
	1996	1997	\$2,675,268,141	\$31,840,000	1.19%

(1) Excludes Self-supporting Water & Cleanwater Debt.

#### Debt Service Indicators

- Annual G.O. debt service as a percentage of General Fund operating budget expenditures.

<b>Moody's Median: under 10%</b>			
<b>Fiscal Year</b>	<b>General Obligation Debt Service (P&amp;I) (1)</b>	<b>GF Operating Expenditures (2)</b>	<b>G.O. Debt Service to GF Operating EXP %</b>
2008	\$6,906,000	\$174,452,000	3.96%
2007	\$6,620,000	\$137,236,000	4.82%
2006	\$7,567,000	\$129,163,000	5.86%
2005	\$6,408,000	\$119,752,000	5.35%
2004	\$6,234,000	\$113,824,000	5.48%
2003	\$6,315,000	\$113,830,000	5.55%
2002	\$6,119,000	\$111,396,000	5.49%
2001	\$6,189,000	\$105,229,000	5.88%
2000	\$6,360,000	\$102,300,000	6.22%
1999	\$6,568,000	\$100,018,000	6.57%

(1) Excludes Self-supporting Water Debt.

(2) Does not include transfer out.

- A retirement rate of 50% of principal in 10 years for new debt issuances.

<b>Moody's Median: greater than 50%</b>		
<b>Fiscal Year Ending Debt</b>	<b>Total GF Principal Outstanding (1)</b>	<b>% of Principal Retired after 10 years</b>
2008	\$54,828,000	74.0%
2007	59,762,000	71.8%
2006	43,255,000	84.0%
2005	48,558,000	86.9%
2004	30,134,000	85.0%
2003	33,278,000	83.2%
2002	37,798,000	79.8%
2001	39,230,000	76.5%
2000	36,395,000	70.7%
1999	41,030,000	70.7%

(1) Excludes Self-supporting Water Debt.

### Policy Initiatives- (continued)

#### Overlapping Debt

- There is no overlapping municipal debt in the City.

#### METHOD OF SALE

**Competitive Sale:** The Board, as a matter of policy, shall seek to issue its debt obligations in a competitive sale unless it is determined by the Comptroller that such a sale method will not produce the best results for the City. In such instances where the City, in a competitive bidding for its debt securities (whether general obligation or non-general obligation debt), deems the bids received as unsatisfactory or does not receive bids, it may, at the election of the Board of Finance, enter into negotiation for sale of the securities.

**Negotiated Sale:** When determined appropriate by the Comptroller and approved by the Board of Finance, the City may elect to sell its debt obligations through a negotiated sale. Such determination may be made on an issue by issue basis, for a series of issues, or for part or all of a specific financing program. Selection of the underwriting team shall be made pursuant to selection procedures set forth in this debt policy under "Selection of Consultants and Service Providers".

**Private Placement:** When determined appropriate by the Comptroller and approved by the Board of Finance, the City may elect to sell its debt obligations through a private placement of limited public offering. Selection of a placement agent shall be made pursuant to selection procedures developed by the Comptroller.

#### DISCLOSURE/ARBITRAGE COMPLIANCE

**Rating Agencies:** Full disclosure of operations and open lines of communication shall be made to the rating agencies. City staff, with assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies. A credit rating will be sought from Moody's, Standard & Poor's and Fitch rating agencies as recommended by the Comptroller in conjunction with the City's financial advisor.

**Arbitrage:** The Comptroller shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirement of the federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebateable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City's outstanding debt issues. Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure that all covenants are complied with.

**Continuing Disclosure:** The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City's outstanding securities and will abide by the Provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.

**Policy Initiatives- (continued)**

**SELECTION OF CONSULTANTS AND SERVICE PROVIDERS**

**Solicitation:** The City's Comptroller shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement the City's debt program. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices.

**Financing Team:** The City employs outside financial specialists to assist it in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors. The key players in the City's financing transactions include its financial representatives (the Comptroller and staff, among others), Bond Counsel and a Financial Advisor. Other outside firms, such as those providing paying agent/registrar, trustee, credit enhancement, auditing, or printing services, are retained as required.

**Investment of Proceeds**

The investment of idle funds must be in conformance with federal laws, state statutes, the City Charter, and internal policies and procedures.

**SAFETY FIRST**

Besides legality, the City's foremost investment objective will be safety of principal.

**LIQUIDITY**

The City will maintain sufficient liquidity to meet project expenditure requirements.

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**Approval:**

Unanimously approved by the Board of Finance on May 22, 2001 by a vote of 6-0 with two Commissioners absent.

**APPROVED BY BOARD OF FINANCE 5-22-01**

## **Fixed Assets Policies and Procedures**

### **Introduction**

The fixed assets of the City are basically things of value the City owns. The amount of the yearly change to fixed asset values helps determine if the City's fiscal status is improving or declining.

The Board of Finance approved the following policies for City fixed assets to ensure as much as possible, accountability for fixed assets.

This policy is meant to answer questions about its fixed assets for financial reporting purposes such as:

- What types of assets do we have?
- What is the monetary threshold for assets to be capitalized and depreciated?
- Do we want to track assets below the depreciation threshold?
- What possible disposal or retirement reasons and what protocol will be used?
- Where are the locations?
- Who will decide the criteria to use for asset determination?
- What standards will be used for "useful life"?

Presented herewith is the City's (new) Fixed Asset Policy and Procedures.

The City periodically appropriates funds to provide private vendor support to update and modernize the City's infrastructure reporting capabilities. The last appropriation was for \$5,000 in fiscal year 07-08. The City plans to continue to updated valuations in the future.

### **Asset Definitions**

#### **Capital Assets**

A capital asset is defined as a piece of equipment, or investment in general infrastructure, that has a value in excess of \$5,000 and has an expected useful life of greater than one year. The Governmental Accounting Standards Board ("GASB") has issued Statement 34, dictating the requirements for the reporting of such assets. The annual value of such assets is reported in the Comprehensive Annual Financial Report as prepared by the Comptroller's Office.

#### **Controllable Assets**

Certain purchases made by the City do not meet the criteria established for designation as a capital asset; by their nature, however, should be monitored for proper use and disposal, even though their value does not substantially impact the overall value of City assets. These controllable assets either render a critical function or put the City at risk by their absence (e.g. office equipment). Department heads must make every effort to maintain adequate controls for such controllable assets, and must relay such controls to the purchasing agent.

**Policy Initiatives- (continued)**

**Capitalization Threshold**

All assets with an initial individual cost of \$5,000 or greater shall be recorded as a distinct asset for the purposes of reporting asset values in the City's Comprehensive Annual Financial Report, Financial Statement, and all related reports. The City shall maintain of minimum the following information on such assets: description, acquisition cost, acquisition date, purchase order, asset custodian, location, and condition.

The costs for improvements to current assets are to be added to the cost of the existing asset, where practical (in certain cases, improvements may be identified to be a unique asset). The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Donated capital assets shall be recorded at the estimated fair market value at the date of donation.

Assets shall be assigned to one of the following class groups, for the purposes of reporting in government-wide financial statements: land and land improvements, buildings and building improvements, equipment, construction work in progress, and infrastructure.

Certain assets valued less than \$5,000.00 but considered significant as to warrant the monitoring of their condition and location, shall additionally be tracked but not considered in the reporting of asset values as described in the City's Comprehensive Annual Financial Report or Financial Statement. Such items include but are not limited to computers, printers, minor furnishings, firearms, and general office equipment.

**Asset Classes**

**Land and Land Improvements**

Land and land improvements, including easements and rights of way, are assigned a useful life of 100 years; however, no depreciation is applied to land and land improvements.

**Construction**

Construction includes all buildings and building-related structures. Construction-in-process is considered as a separate type of construction and is tracked as a separate asset until the time of completion, at which point the value is reclassified as either a new building or related structure, or added to the value of the construction renovated. Construction is divided into the following sub classes, with relevant useful life assigned to each subclass:

300 Construction	40 years
301 Portable Structures	25 years
302 Swimming Pools	50 years
305 Wastewater Treatment Buildings	30 years

### Policy Initiatives- (continued)

#### Infrastructure

Investment in systems that provide a critical service to a municipality when considered as a system, but not a distinct separate asset, is recorded as infrastructure. By its nature, infrastructure is difficult to define as a separate system, and is difficult to define useful life on a broad basis. The Governmental Accounting Standards Board has recommended, and the City of Bristol has adopted, reporting of infrastructure using the following subclasses and relative useful life for the subclasses:

320	General Infrastructure	65 years
410	Bridges	50 years
415	Tunnels	60 years
420	Streets/alleys – subsurface	0 years
425	Streets/alleys - asphalt	20 years
430	Traffic control signals	10 years
440	Sidewalks and curbing	20 years
455	Dams, Basins, and levees	60 years
480	Street Lighting	15 years
490	Water/sewer collection (piping)	65 years

#### Machinery and Equipment

Machinery and equipment typically comprises the largest number of assets, but comprises the smallest overall value in relation to other classes. Machinery and equipment are given consideration within the following sub classes, with related useful life:

110	Outdoor Equipment	20 years
120	Police and Fire Equipment	10 years
130	Machinery & Tools	15 years
140	Custodial/Kitchen Appliances	15 years
150	Science & Engineering Equipment	10 years
160	Furniture & Accessories	20 years
170	Business Machines	10 years
180	Communications Equipment	10 years
190	Computer Equipment	5 years
200	Computer Software	5 years
210	Audiovisual Equipment	10 years
220	Books & Multimedia	5 years
230	Athletic Equipment	10 years
250	Musical Instruments	10 years
270	Contractor Equipment	10 years
280	Grounds Maintenance Equipment	15 years

The City of Bristol does not engage in the practice of tagging specific equipment; however, all machinery and equipment is monitored by departments on an annual basis.

**Policy Initiatives- (continued)**

**Vehicles**

Consideration is made for vehicles separately from machinery & equipment, in one of the following subclasses:

121 Fire Protection Vehicles	20 years
122 Police Patrol Vehicles	3 years
260 Other Licensed Vehicles	8 years

Please note that equipment such as forklifts, loaders, bulldozers, and backhoes are considered contractor's equipment, and are not defined as a vehicle for purposes of asset reporting.

**Property Accounting**

**Useful Life Assessments**

Normal useful life is defined as the physical life, in terms of years, that an asset is expected to endure before it deteriorates to an unusable condition. Asset classes as defined in this document have been assigned an estimated useful life; a useful life is assigned to each and every asset according to the values listed in the table of classes.

**Asset In-Service Dates**

An asset's age is typically based on when the asset was acquired, or when the asset underwent its most recent major renovation. The Munis system uses the invoice date for determination of when the asset was acquired.

**Fund Designations/Function Designations**

**Fund Designations**

For accounting purposes, assets are associated with a fund type; either governmental or proprietary. Assets associated with governmental funds are intended primarily for general governmental use, serving such uses as public safety or public use. The source of the funds used to acquire these assets is typically, although not exclusively, derived from common collected taxes and fees. Assets associated with proprietary funds are intended primarily for the use of specific self-supporting units; for the City of Bristol, the Water Department is an example of a self-supporting unit. The source of the funds used to acquire these assets is typically, although not exclusively, derived from specific fees associated with direct use of the services offered.

### Policy Initiatives- (continued)

#### Function Designations

Assets are additionally associated with a function (also referred to as program use). The City of Bristol defines assets as relevant to one of the following functions:

- 10 General Government
- 20 Public Safety
- 30 Public Works
- 40 Health and Social Services
- 50 Education
- 60 Libraries
- 70 Parks and Recreations
- 80 Miscellaneous/Art

#### Depreciation Considerations

Depreciation shall be applied to all capital assets, assigned on an annual basis. The straight line depreciation method shall be used, according to the following formula:

Original cost less salvage value, divided by estimated useful life.

Please note that depreciation is not applied to land or land improvements.

### Property Control

#### Department Responsibilities

City departments must maintain all assets that are within their control, in as good condition as may be made in the asset's working environment. Departments shall take adequate care that the working environment for the assets is appropriate and suitable for such assets. City departments must treat all assets in an ethical manner, and must not misuse the assets or use the assets for personal use or benefit. City departments must provide to the Purchasing Department any relevant information or documents (e.g. vehicle titles) for assets within their control. City departments must consult with, and obtain approval of the Purchasing Department, for suitable and appropriate disposal method for assets no longer required by the department.

City departments must annually report all additions and deletions of assets for their department, to the Purchasing Department. Such annual report must be made within sixty days of the end of the fiscal year relevant to the annual report.

#### Purchasing Responsibilities

- The Purchasing Department maintains a full and comprehensive list of capitalized assets possessed by the City. Information on the asset history, location, and appropriate custodial responsibility is retained and managed in such list.
- The Purchasing Department maintains all files relative to vehicle titles and/or certificates of origin.

### Policy Initiatives- (continued)

- The Purchasing Department is responsible for the issuance of RFP's relative to the sale of land parcels, as directed by either the Mayor or the Real Estate Committee of the City Council.
- The Purchasing Department is responsible for the continuing maintenance of asset records in the City's financial records system (i.e. Munis), including maintenance of tables relative to such asset records.
- The Purchasing Department reports asset additions and/or deletions to the Comptroller's Office, for its consideration in the preparation of the Comprehensive Annual Financial Report ("CAFR").

### Comptroller Responsibilities

- The Comptroller's Office is responsible for the presentation of the value of all assets in the Comprehensive Annual Financial Report. Such reporting includes the reporting of assets both by fund and by function.
- The Comptroller's Office is additionally responsible for the calculation and application of all depreciation, and any and all adjustments to the plant asset fund.
- The Comptroller's Office shall provide direction and management in the establishment of appropriate useful lives for asset classes.

### Additions and Deletions

All City departments are required to provide detailed information on all assets newly acquired during a fiscal year, no later than sixty (60) days after the last day of the fiscal year. Such information shall include, where possible: asset description, location funding source, acquisition date, purchase order number, serial number, and asset cost.

All City departments are required to provide detailed information on all asset deletions during a fiscal year, no later than sixty (60) days after the last day of the fiscal year. Such deletions shall be within guidelines established by the City regarding appropriate disposition of assets.

Additions and deletions of assets are to be reported directly to the Purchasing Agent, who shall compile a summary of all additions and deletions and present to the Comptroller.

### Methods of Asset Disposition

Assets owned by the City may be deleted from the list of assets by the following means:

1. Trade-in – assets may be considered for trade-in at the time of acquisition of replacement assets, subject to normal purchasing bidding guidelines, and written approval by the department head.
2. Surplus Sale - in the event that no other City department has been identified as a potential recipient of surplus property, the Purchasing Department may sell surplus property by soliciting competitive bids. Such sales will be the result of public notice in a locally distributed newspaper, no less than ten days prior to the scheduled sale.

### Policy Initiatives- (continued)

3. Discard/Disposal - a department head, with written approval by the Comptroller's Office, may recommend the disposal of assets that are both no longer in use and have been determined to have no remaining value.

### Annual Reporting

The total value of assets is reported in the Comprehensive Annual Financial Report ("CAFR") as prepared by the Comptroller's Office. The value of assets, reported by function, shall include the beginning value, a summary of additions, a summary of retirements, and an ending value for the fiscal year being reported.

### Munis Operating Procedures

#### Creation of New Fixed Assets

To determine relevant records for inclusion as new assets, select menu item "Fixed Asset Work File Maintenance". Click on "Import PO"; a menu asking for search parameters appears. Provide search parameters for the month of activity requested, and press Escape.

A table showing available records is displayed, showing the PO number, vendor, description and cost. Items may be considered for inclusion by pressing the number of the relevant line to select or deselect the record. If more than 10 records exist, press "N" for the next page of records (for "P" for previous page).

Click on "Create" to convert the selected records as temporary fixed asset records. Records selected from the PO Import are created as a temporary record, and not immediately fed as an asset. The records must be updated under the menu item "Fixed Asset Work File Maintenance", in the following fields:

- Class Code as described in Section 3
- Subclass code as described in Section 3
- Location (usually matching department code, already provided)
- Custodian (usually matching department code, already provided)
- Create Fixed Asset Field (change from "N" to "Y")

Once all acceptable temporary records are updated, click on "Create Asset". The records are removed from the list of temporary records, and assets have been created.

Once the asset has been created, the following updates shall be made to the record, under the menu item "New Assets and General Maintenance". Press 6 to update Funding Source; enter the function (or "program") type as described in Section 5.C, and enter 100 in the percent field; click on OK and then click on exit.

To activate the asset, press "U" to update the asset. Change the status code from N ("New") to A ("Active"), and click on OK. .

### Policy Initiatives- (continued)

#### Retirement of Assets

From the Fixed Assets Processing Menu, click on “Adjustments & Retirements”.  
Select the asset to be retired.

Click on “Transactions”; four transaction types are available. Press R to select Retirement/Disposal. Press U to update the asset; enter one of the following disposal code values:

- D – Defective
- S – Sold
- T – Trade-in
- P – Past Useful Life

If the asset was either sold or traded in, enter the value of the sale or trade-in as the disposal price. Enter a Retirement Code of R, and press enter.

A window will appear asking for the “GL Effective Date”; the current date will automatically be provided. The GL effective date will be the date used in calculating depreciation.

Please note that an error message reading “No Posting allowed due to Parameter Settings” will appear; accounting links to the Plant Asset Fund and to Depreciation Expense have not been established. When asked to continue with retirement, click on Yes.

