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**City of Bristol**

**June 2, 2011**

**BOARD OF FINANCE CHAIRMAN'S BUDGET MESSAGE**

**TO THE CITY COUNCIL, CITIZENS AND TAXPAYERS OF BRISTOL:**

As Vice Chairman of the Board of Finance, it is my privilege to present the Board of Finance adopted 2011-2012 budget.

**BUDGET HIGHLIGHTS, PRIORITIES, AND ISSUES**

The primary purpose of the 2011-2012 budgetary process was to develop an expenditure plan which would result in a zero mill rate increase. This goal was based on the realization that the economic climate had shown little if any improvement over the past twelve months, that local businesses and individuals were faced with growing expenses, especially in the areas of gasoline, heating oil and other utilities, and the potential that taxes at the state level would increase due to its' growing debt. Finally, the Board of Finance was committed to presenting a balanced budget without any additional transfers from the City's fund balance.

Additionally, this goal was further complicated by decisions emanating from both the federal and state level. From a national perspective, federal stimulus funds would no longer be available, having a negative impact in several areas. At the state level, it does appear that grants and reimbursements will remain at the same level as 2010-2011. There is no consideration for increased expenses especially in the area of funded mandates, and in spite of the continued efforts of Bristol's local officials, there will be no relief in the area of unfunded mandates.

Locally, Bristol's grand list has experienced absolutely no growth. Increases in expenditures for workers' compensation insurance premiums, fuel oil and gasoline are mandatory. Additionally, the City will have increased interest expense as a result of a \$40 million bond sale scheduled for late June. Fortunately, our favorable bond rating (Aa2), should have some mitigating effect on the interest rate.

## **EXPENDITURE REQUESTS**

Expenditure requests submitted by all departments including the Board of Education totaled in the area of \$181 million. The Board of Finance recommended spending plan is in the area of \$171 million, an actual reduction of \$9.7 million, most significantly in education (\$5 million exclusive of one-time federal JOBS money). The education budget, then, will actually be the same for 2011-2012 as it was for 2010-2011. In some cases, the necessity to make reductions were somewhat ameliorated by the savings achieved through a change in health insurance providers for both the City and Board of Education. Also, the proposal to take advantage of a GASB 45 provision as it impacts the Police and Fire pension funds will afford the City an estimated savings of \$1.1 million, and both funds will continue to be well over funded.

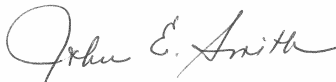
## **SUMMARY**

The City of Bristol's finances remain sound. It has significant reserves and an extremely favorable rating from national rating agencies. Nevertheless, there are significant challenges ahead. Bristol, like other urban areas, has issues that must be addressed. These can only be resolved by long term planning, sound financial management, and a continuing effort to expand the tax base by attracting new businesses, to mention a few. In that regard, we look forward to the Bristol Downtown Development Corporation and Renaissance Downtowns at Bristol bringing to fruition the development plan for downtown Bristol.

## **ACKNOWLEDGEMENTS**

The development of the 2011-2012 recommended budget for the City of Bristol was an extremely difficult and trying task. The Mayor and members of the Board of Finance have worked diligently to review, question, and interpret all requests. The decisions made were not arrived at lightly, knowing full well that some would be disputed and perhaps criticized. Department heads and their staffs and volunteer boards should be commended for their work in the process. And finally a sincere thank you to the staff of the Comptroller's Office, Comptroller Glenn Klocko, Assistant Comptroller Robin Manuele, Chief Accountant David Bertnagel, Accountant Tina Bunnell and Assistant to the Comptroller Jodi McGrane, for all of their efforts.

Respectfully Submitted,



John E. Smith, Vice Chairman  
On behalf of Richard Miecznikowski  
Chairman, Board of Finance

# Comptroller's Budget Message

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

It is my pleasure to present this 2011-2012 budget message and budget document for review. It is the culmination of months of effort on the part of many. Elected officials, people appointed to Boards and Commissions of the City, management and staff employees worked diligently to present this document in its completed format.

This letter provides a concise overview of the City's approved 2011-2012 budget. The budget is balanced for all funds and was approved by the Joint Board of the City Council and Board of Finance on June 2, 2011. The approved budget for all funds is \$189,325,668, with the general fund portion of the budget on which the mill rate is primarily based, is \$171,149,960. There was no mill rate increase this year.

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.

### **Budget - Early Preparation Stage**

Acting Mayor Ken Cockayne expressed to Department Heads at the December kick-off budget meeting the Mayor's concerns, priorities, and goals for the upcoming budget session.

The Acting Mayor stressed how the State of Connecticut budget affects the City of Bristol budget. A large State fiscal year-end deficit is anticipated due to lower sales tax revenues, lower income tax revenues, and lower corporate tax revenues. This means, at best, no future budgetary growth to municipalities for state grants. While the State deficit is expected to grow, it is also expected that State service cut-backs will be necessary in response to lower state revenues. It was unclear at this time how Bristol would be affected by the States' actions.

Connecticut continues to be in a recessionary economy. We can expect rising unemployment locally, and regionally, coupled with sluggish housing sales and continued housing foreclosures.

The Acting Mayor also indicated the 5 year Capital Improvement Plan (CIP), which incorporates the Capital Budget, will be reviewed for approval along with the operating budget, to gain the total impact of the state of the City's finances. The tab labeled 'Capital Budget Summary' contains the Capital Budget and CIP information for 2011-2012.

Very early in the budget development stages, the Acting Mayor requested that departments build their budgets in the following manner which mirrored the previous year's guidance:

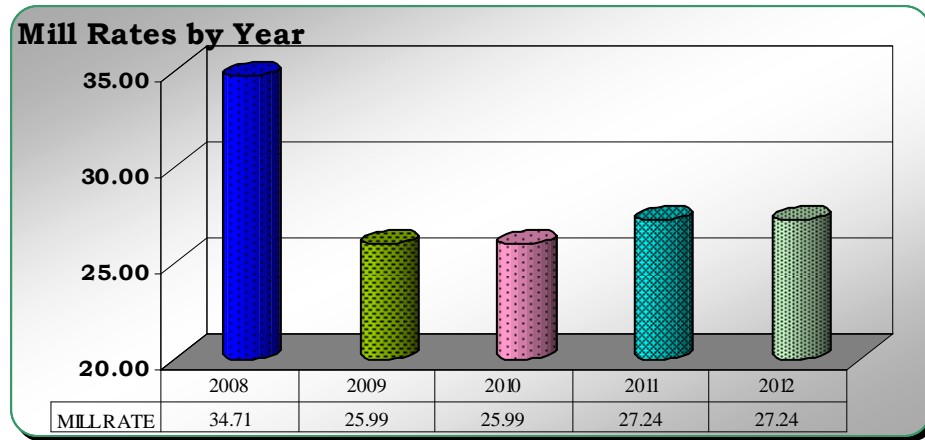
- Overall departmental requests should not exceed a 2% increase. Zero increase is more desirable.
- Revert 11-12 operational requests (supplies) to current year levels where there are no contractual agreements to do otherwise.
- General Fund Capital Requests: request only those items that represent employee and or public safety matters of importance. Public/employee safety, along with written comprehensive justification, will be the key determinants for Mayoral consideration and approval.

**Comptroller’s Budget Message (continued)**

**Balanced Budget**

The fiscal year 2012 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 residents of the City of Bristol.

**MAJOR HIGHLIGHTS OF THE 2011-2012 BUDGET**



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

**Economic Forecast: Recession:**

Each year the Economic Forecast is prepared by the City’s Purchasing Agent. The forecast is used year-to-year to provide a consistency factor for departments estimating operating costs contained within the various budgets. If actual costs are higher than estimated, budgetary adjustments will be necessary during budget implementation. Due to rising fuel costs a commodities line item was added in the amount of \$423,000 to the budget due to uncertainty .

**State Budget**

The adopted state budget calls for new municipal revenue from a portion of the increased state sales tax.

The adopted state budget makes the current municipal rates of the real estate conveyance tax permanent. The budget also restores funding to prior year levels for the PILOT MME reimbursement program. Additional new municipal revenue will come from a 3.0% cabaret tax and an increase in fines for failing to register a motor vehicle in the proper state.

## **Comptroller's Budget Message (continued)**

### **Mill Rate: Result of Budget Deliberations**

The mill rate was kept frozen this year with no increase. Last year, due to structural problems with both sides of the budget, the mill rate increased 1.25 mills.

Perhaps the most debated budget reduction was the no increase voted for the Board of Education budget.

Delivering a no increase mill rate was no easy task in a small city environment like Bristol.

One source of additional and timely revenue was related to GASB 45, and a required reporting of Other Post Employment Benefits (OPEB). The City's pension funds are well over funded and IRS regulations allow, with certain stipulations, to transfer and use a portion of excess pension funding to pay for OPEB. In our case, for police and fire retiree health care costs. The resulting savings exceeded \$900,000.

The Mayor froze most open/vacant employee positions in the existing year and for the upcoming budget year. Next, there were significant cut-backs for in-state and out-of-state travel, including conference attendance when not affecting employee certifications. Also, all overtime was strictly monitored and any significant expenditure of overtime required advance Mayoral approval. Motor fuel usage was closely monitored and cost savings and usage measures were implemented, which remain ongoing. Also, thermostats in City buildings were lowered in winter and raised in summer. Finally, after extensive review of budgetary requests, significant appropriation reductions were made.

## **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 three to five year trend analysis, consensus, and human judgment (as opposed to random guessing) methods. The underlying assumptions for each major source of revenue are identified and documented. The Comptroller's Office works closely with department heads responsible for revenue estimates 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. For fiscal year 2010-11, many revenue sources such as building permits, investment income, and real estate transfer taxes were significantly adjusted downward to more accurately reflect economic conditions and actual collections. Those adjustments corrected a budgetary structural problem for 2010-2011 and going forward to 2011-2012. Most current revenue estimates remained flat at prior year levels.

## **Comptroller's Budget Message (continued)**

Readers may find it an interesting fact that taxes levied and intergovernmental revenues (state & federal grants) comprise 97.06% of all 2011-2012 City General Fund estimated revenue sources.

### **Taxes (68.21% of all revenues)**

The tax levy increase by the smallest amount in recent years, only \$450,000. Usually that figure is in the millions. The small amount is due to a tax rate (mill rate) freeze. The City of Bristol tax collection rate was 98.32% at June 30, 2010.

### **Intergovernmental (28.85% of all revenues)**

Cities rely heavily upon intergovernmental revenues (state & federal grants) to balance their budgets. Bristol is no exception to that fact. The total grant revenue Bristol receives increased slightly, by \$74,435. That increase is welcome in the context of a tough state budget.

### **Federal 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 2011-2012 grant picture of the City at \$86,000 in estimated grant awards. An anomaly this year was a federal stimulus grant carried forward from last year's award. The award was \$5.9 million in 2010-2011, of which \$2.4 million was carried forward in a Special Revenue Fund for 2012.

### **Appropriations (Expenditures):**

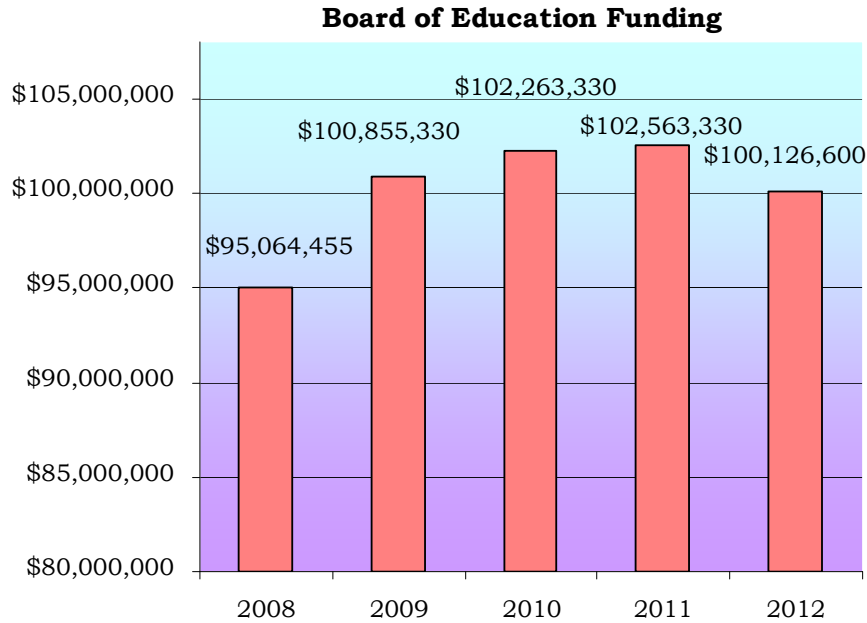
It is said that budgeting is not an exact science. The structural-balance concept in budgeting seeks to ensure that stable and reliable delivery of public services is the goal of the budget process.

The following factors were significant components within the appropriation side of the budget this year:

- A significant pending State deficit puts a large degree of uncertainty on its effect to Bristol's state grant revenue projections
- Percentage increase - after several rounds of departmental reductions, most department budget increases were at or close to zero
- All controllable appropriations remained at prior levels
- Use of Fund Balance to balance the operating budget was reduced from \$875,000 to \$750,000
- Infrastructure line items within the Public Works budget for snow removal, vehicle replacements and road resurfacing were increased according to plan. A 3-5 year plan was put in place to systematically increase those appropriations, recognizing that infrastructure upkeep cannot be ignored
- Funding for education saw no increase. As previously mentioned, a mid-year multi million dollar federal relief grant provided some relief for any lost City funding

**Comptroller's Budget Message (continued)**

**Education**



**Shown above is the Joint Board approved funding for the Board of Education for the last five budget years**

Education was funded at the same level as 2010-2011. The Board of Education decided to use the Federal ARRA JOBS money in fiscal year 2011-2012. The \$2,435,732 JOBS funding, combined with the City's budget of \$100,126,600, provided level funding at \$102,562,332 for Education.

For further commentary on the Education Departments service efforts, please turn to the Board of Education tab.

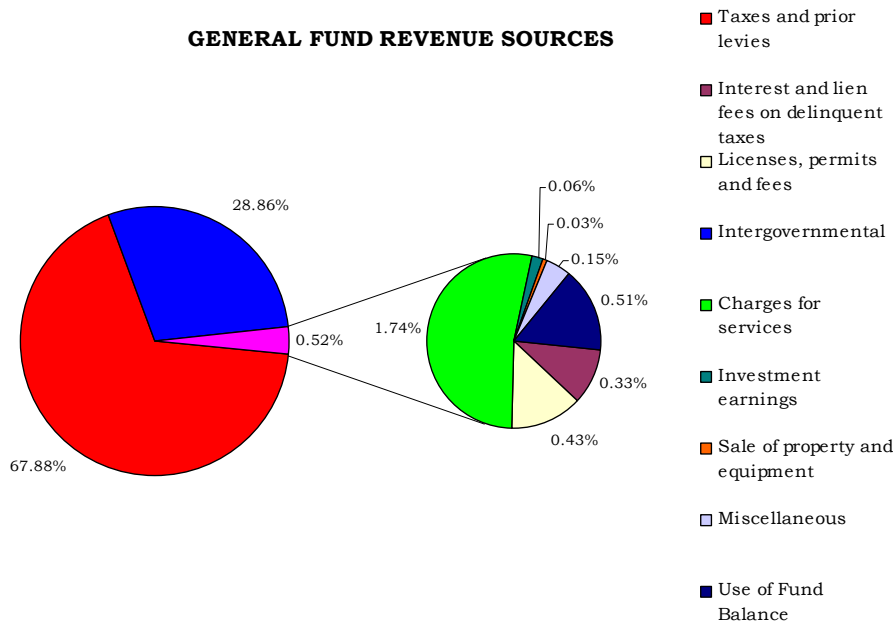
**Our Schools in the Future**

Construction has begun on the two new K-8 Schools in West Bristol and Forestville.

With the completion of the schools in the fall of 2012, there exists a possibility to close one or more older elementary schools and re-organize the school population at that level. A general obligation bond was issued in June to pay for the City's portion for the construction of the schools, with the state paying approximately 70% of the total eligible costs.

**Comptroller's Budget Message (continued)**

**PROFILES OF THE APPROVED 2012 OPERATING BUDGET BY FUND**



**FISCAL IMPACT**

**OPERATING BUDGET: GENERAL FUND**

Even with significant appropriation reductions, the City of Bristol's General Fund continues to support the majority of the City's public services including police, fire, public works, general government, parks & recreation, libraries, debt service, and other miscellaneous items. The 2011-2012 General Fund operating budget reflects an increase of \$215,405 or a .13% increase over the 2010-2011 General Fund approved budget.

**Contingency**

Perhaps the most unpredictable yet probably highly favorable budgetary impact account is the General Fund Contingency appropriation. Each fiscal year, City officials "worry" if the funding level will be sufficient to handle emergency expenditures for a bad winter storm year or unforeseen emergencies. A Contingency account provides the first line of defense to any potential use of the City's fund balance levels. The Contingency line item was increased to \$1,230,000 from \$930,000.

**Comptroller’s Budget Message (continued)**

**Staffing Levels**

As previously mentioned, most open positions not affecting employee and/or public safety were not funded in the 2011-2012 budget. Open positions will continue to be reviewed by the Mayor on a case by case basis. Over the past few years, approximately 40 positions have been eliminated due to attrition.

**Public Works**

The following funding strategies were adopted by the Board of Finance for future snow removal, fleet and road overlay budgets:

**Snow Removal**

Year		Base	<b>\$779,200</b>
<b>1</b>	<b>09-10</b>		\$779,200
<b>2</b>	<b>10-11</b>	40,000	819,200
<b>3</b>	<b>11-12</b>	60,000	879,200
<b>4</b>	<b>12-13</b>	80,000	959,200
<b>5</b>	<b>13-14</b>	100,000	1,059,200
<b>6</b>	<b>14-15</b>	120,000	1,179,200

**Fleet**

Year		Base	<b>\$15,000</b>
<b>1</b>	<b>09-10</b>		\$15,000
<b>2</b>	<b>10-11</b>		15,000
<b>3</b>	<b>11-12</b>	385,000	400,000
<b>4</b>	<b>12-13</b>	150,000	550,000
<b>5</b>	<b>13-14</b>	150,000	700,000
<b>6</b>	<b>14-15</b>	150,000	850,000
<b>7</b>	<b>15-16</b>	150,000	1,000,000

**Roads**

Year		Base	<b>\$935,000</b>
<b>1</b>	<b>09-10</b>		\$935,000
<b>2</b>	<b>10-11</b>	150,000	1,085,000
<b>3</b>	<b>11-12</b>	200,000	1,285,000
<b>4</b>	<b>12-13</b>	250,000	1,535,000
<b>5</b>	<b>13-14</b>	300,000	1,835,000
<b>6</b>	<b>14-15</b>	350,000	2,185,000
<b>7</b>	<b>15-16</b>	400,000	2,585,000

The Board of Finance continued their plan and funded at the 2011-2012 levels.

**Other: Accounting Standards, GASB Statement No. 45 Funding Background**

The Governmental Accounting Standards Board (GASB) issues new pronouncements that affect the City non-financially, but in its required financial reporting requirements. GASB #45 & #54 are two such pronouncements.

GASB #45: This statement established standards for the measurement, recognition, and display of Other Post Employment Benefits. Expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in our financial reports (CAFR). The City has implemented statement #45.

## **Comptroller's Budget Message (continued)**

### **Further Background: GASB 45 & OPEB**

An accounting requirement will impact future funding levels for employee benefits other than pension benefits. Beginning in the 2007 reporting year, the City was required to disclose the liability for what is termed Other Post Employment Benefits (OPEB) and the assets designated to cover those liabilities in its financial statements. This disclosure mirrors 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. In addition, the Board of Finance selected a graduated funding method to eventually fully fund our annual required contribution.

GASB #54: The objective of this statement is to enhance the usefulness of Fund Balance information by providing clearer Fund Balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

## **THE FUTURE OUTLOOK**

### **Long-Term Goals and Objectives**

The City faces the challenge of meeting infrastructure and equipment needs with limited resources.

With its long-term financial goals and objectives in mind, the City develops and prepares a Capital Improvement Program (CIP) that is a multi year plan identifying capital projects to be funded during the planning period. The Capital budget represents the first year of the CIP. The CIP and Capital Budget also serve as links to the City's planning process in other ways. The CIP is developed in concert with the City's Comprehensive Land Use Plan, its Debt Management strategy, the City's downtown redevelopment plans, and a multi-year plan to refurbish the City's parks. This year the CIP was reviewed in depth and expanded to become a 10 year CIP Plan.

### **Financial Goals and Objectives**

In addition to the formal long-term planning process, City administration from time to time adopts a set of informal long-term goals and policies. Increasing expenses related to snow removal, fleet replacement and road upgrades are on-going financial problems. Presented on the previous page are three informal 5-7 year funding policies to increase appropriations for the three aforementioned programs.

## **Comptroller's Budget Message (continued)**

### **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, and provides 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 for interested parties.

#### **Review and Award Process**

After a preliminary screening, eligible budget documents 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. A conscious effort was made by staff to make it a readable and useable document. Suggestions for improvement are always welcome.

**Comptroller's Budget Message (continued)**

Most City officials believe that once our City budget is approved 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 Bernagel, Chief Accountant, Tina Bunnell, Accountant, and Jodi McGrane, Assistant to the Comptroller, all from the Comptroller's office, for their seemingly 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

