

Board of Finance

Richard Miecznikowski, Chairman
Ronald Erling, Vice Chairman
Arthur J. Ward, Mayor
Mark Peterson
Janet Moylan
Ronald C. Messier
Donald Soucy
John E. Smith
Cheryl Thibeault



City Council

Arthur J. Ward, Mayor
Craig Minor
Mike Rimcoski
Cliff Block
Frank Nicastro
Kevin McCauley
Kenneth Cockayne

May 19, 2008

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 tradition and my privilege to present this 2008-2009 budget message.

BUDGET HIGHLIGHTS, PRIORITIES, AND ISSUES

The focus and priority of the 2009 budget was to preserve the current level of City services while maintaining the City's strong financial condition. It is certainly a goal of the Board to not place an unreasonable additional financial tax burden on our citizens and businesses in this recessionary economy due to this budget finalization and eventual adoption.

The July tax bills to city residents and businesses will reflect the implementation of the city-wide revaluation. The result of revaluation increased the city's grand list by 40%. The impact of that increase reduced the mill rate by 9.25 mills, from a previous 34.71 to a new base of 24.95. The impact of the 2009 budget will add 1.5* mills to the base, increasing it to 26.45 based upon the Board of Finance approved budget.

Expenditures. Clearly, much of the 1.5 mill increase stems from:

- Rising energy prices & utility costs;
- Anticipated increases for unsettled wage and benefit contracts;
- New accounting standards for post employment health benefits and the financing of those benefits;
- New or replaced capital equipment;
- Outside legal representation costs;
- On-going contractual obligations; and
- New personnel (2 in Police, 1 in Public Works, and 1 in the Library).

We analyzed and balanced the needs of each department with resources available to the city. We maintained and in some cases improved our

**Joint Board approved mill rate reduced to 1.04 increase*

Board of Finance Chairman's Budget Message (continued)

infrastructure needs. Most importantly, we considered the ability of our taxpayers to pay for the cost of services to operate our city government.

Education. The largest single factor in the City of Bristol's budget increase is the funding of our Education system. Our board approved a 6.25% increase to the education department, or what equates to an approximate \$5.9 million dollar increase in funding over the previous year. Primarily, an increase of this magnitude stems from several factors, including the unfunded federal mandate for No Child Left Behind, rising Special Education costs, and increases to normal and contractual operating expenses throughout our education system.

General Government. Approved funding for the general government side of the budget equation amounted to an increase of 3.99% or \$2.75 million dollars. The combined departmental requests were 7.26%.

- *Capital Outlay Assumptions.* The city recognizes it's financially desirable to maintain and periodically replace its expansive fleet of equipment and vehicles. The total requested capital outlay by city departments was \$2.6 million dollars, which equates to .63 mills. The final approval was amount was \$1.5 million or .37 mills. A mill is \$4.1 million dollars.
- *Five Year Capital Improvement Plan.* It is important to focus attention on long-range planning. The board is providing continued financial support to the 5-year Capital Improvement Plan for various city infrastructures such as road, storm drainage, and sidewalk improvements throughout the city.
- The pay-as-you-go funding portion of the long-term plan remains consistent year-to-year with a funding level around \$500,000. The state grants funding also remained consistent at \$495,000. However, recognizing possible significant future increases to debt service expenditures for expansion of school facilities, the board reduced it's current debt service funding to the plan for new projects from a previous years \$15-17 million level to \$7.5 million. This managed debt service financing strategy should play out favorably for Bristol among the rating agencies.
- *Overtime.* Particular attention was paid this year to controlling overtime costs budget-wide. Overtime requests were reduced. City departments are asked to find effective ways to control overtime costs within their budgets next year and report to the board all potential overages in a timely manner.
- *Economic Forecast.* Our economic forecast indicates rising costs for fuel oil, gasoline, diesel fuel, and natural gas in the neighborhood of 15-20%. Most line items for these fuel sources were approved at a 17% increase over the previous year's level.

Board of Finance Chairman's Budget Message (continued)

Revenues. A recessionary economy puts unusual stresses on fiscal budgets. Conservative projections help ensure that adequate resources will always be available to meet budgeted obligations.

- *Charges for Services.* Local revenue trends, for the first time in many years, have provided little or no growth to offset expenditures that are increasing at a comparatively higher trend rate.

State Grants. On the other hand, state grants did provide some local relief, with the Educational Cost Sharing grant increasing by approximately \$2.1 million dollars. Most other state grants remain at comparatively level funding.

- *Interest income.* This revenue was decreased \$300,000 or 14% in light of projected lower investment rates compared to a year ago.
- *Building Permits.* The history of this revenue source during the past 3 years experienced large growth. Our projections now indicate a leveling off period. A modest increase of \$25,000 or 4 % was budgeted over prior year actual amounts.
- *Conveyance Tax.* It should be noted the Conveyance tax revenue increased several hundred thousand dollars over the past several budget years. Like building permits, the property conveyance is economy driven and revenue trends have slowed over the past year for this tax. This budget anticipates that trend to continue. We have budgeted the same amount as the current fiscal year; \$900,000. Comparatively, last years actual collections were approximately \$1.5 million dollars. At the time of budget adoption, the State had not finished its deliberation of the State budget. The State adjourned the session on May 7, 2008 and will be reconvening in a Special Session prior to July 1, 2008 to possibly extend this tax for another two years.
- *Tuition Reimbursement.* This education related source of revenue grew to \$325,000 from previous budgeted levels of \$190,000 based on current trend information from our education offices.
- *Fund Balance.* The last significant revenue resource used year-to-year and worth mentioning is our use of Fund Balance to balance our budget. In keeping with our fiscal policy to eventually eliminate our reliance on any surplus funds to balance the budget; our budgeted use of fund balance was reduced from \$1.2 million to \$995,000. Our zero goal is in sight.
- *Capital Improvement Program.* Finally, the City's 5-Year Capital Improvement Plan was approved in a timely manner in conjunction with the operating budget. It provides funding to a variety of large scale City-wide projects through the use of grants, debt service and cash payments.

Board of Finance Chairman's Budget Message (continued)

Since the Board of Finance adoption, several economic indicators have come to fruition. This has prompted the Mayor, City Council and Board of Finance to reconsider the adopted budget with a proposed mill rate increase of 1.5 mills.

A workshop was convened by the City on May 15, 2008 and discussions ensued regarding additional expenditure reductions while keeping services uninterrupted for the 2009 budget year. The Mayor in conjunction with the Comptroller's office and department heads of all City departments came up with recommendations to reduce the tax burden. As a result, a new proposed mill rate increase of .98 will be recommended. This is an increase of 3.9% in taxes.

The reductions on the City side come from several special fund transfers that will not impact, but delay some projects in the future.

On the revenue side, it was decided to increase the use of fund balance from \$995,000 to \$1,120,000, still a reduction and following the fund balance policy of eventually achieving \$0.

The Future. It will be extremely important that the Board keep in mind financial issues affecting Bristol and its budget in the near future.

- *School Facilities.* Any approved new school facilities will certainly affect future debt services costs, debt service capacity, and yearly operating costs.
- *State Budget.* State officials have indicated that next years grants to municipalities may be reduced due to state revenue declines in sales and corporate taxes. The State budget was approved with the 2007-2008 Governor's recommended numbers. No changes were made by the State Legislature due to the State predicting a deficit for the 2007-2008 year and 2008-2009 year. However; the State will reconvene as stated earlier into a Special Session prior to July 1, 2008 to discuss and take action on the extension of the real estate conveyance tax.
- *Economic Development.* Hopefully, the city will begin to recognize increased tax revenues from the development of the new South East Industrial Park and from downtown revitalization efforts. An expanded tax base is essential to keep pace with service demands in such areas as schools, public safety, community services, and advancing technologies.

Board of Finance Chairman's Budget Message (continued)

ACKNOWLEDGEMENTS

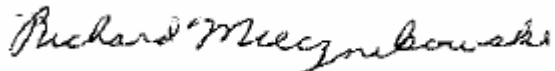
I personally want to recognize every member of this Finance Board for your numerous hours of work on behalf of the citizens of Bristol. Your attendance during evening meetings of public hearings and workshops regarding this budget in addition to regular meetings shows your enduring voluntary commitment to your City. Thank you for your efforts in continuing to make Bristol a highly desirable community to live, work, and play.

Each year at this time we thank the Comptroller and his staff. Certainly, this year can be no exception. On behalf of the Board, I sincerely thank our Comptroller, Glenn Klocko, Assistant Comptroller, Robin Manuele, Chief Accountant, David Bertnagel, Accountant, Cynthia Smith, and Assistant to the Comptroller, Jodi McGrane, for their professional budgetary guidance and assistance to the Board in this process. Thank you.

IN 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. The Mayor, the City Council, and Department Heads came together, as a team, at a number of hearing and workshops to address and meet the challenges of this budget year. We will look forward to the successful implementation 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 2008-2009 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 employees worked diligently to present this document in its completed format.

This letter to you provides a concise overview of the City's approved 2008-2009 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 19, 2008. The approved budget for all funds is \$197,961,850 and the general fund portion of the budget, which the mill rate is primarily based on, is \$170,902,327. The mill rate decreased 8.72 mills from 34.71 to 25.99 due to revaluation.

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. Board of Finance Chairman Richard Miecznikowski attended and spoke briefly.

Mayor Ward 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.
- Departments are expected to submit budget requests within a 3-5% range of increase.
- The higher the increase, the more scrutiny of review and justification will take place by the Mayor's Office.
- The 5 year Capital Improvement Plan (CIP) which incorporates the Capital Budget will be reviewed for approval with the operating budget and its total impact to the City finances are known. The tab labeled 'Capital Budget Summary' contains the Capital Budget and CIP information for 2008-09.

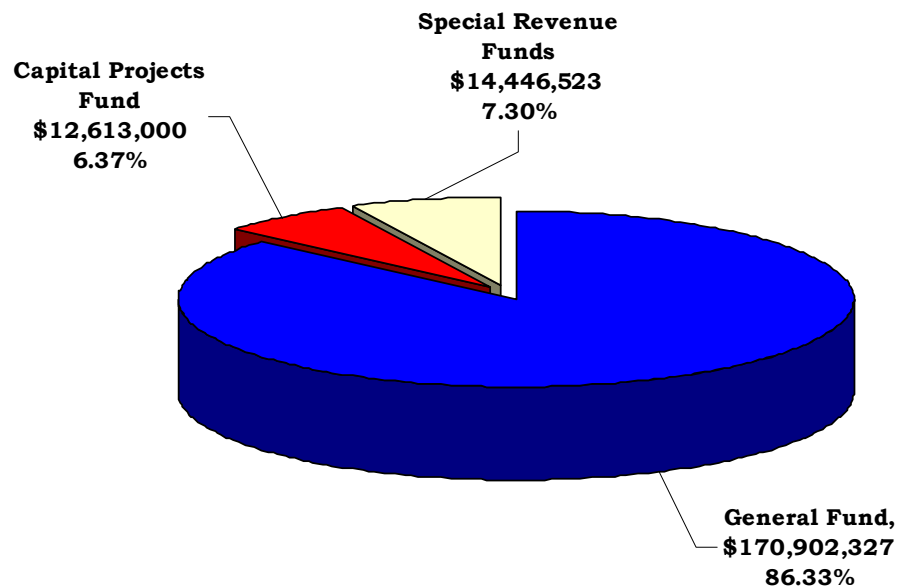
Comptroller's Budget Message (continued)

Balanced Budget

Our fiscal year 2009 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 2009 OPERATING BUDGET

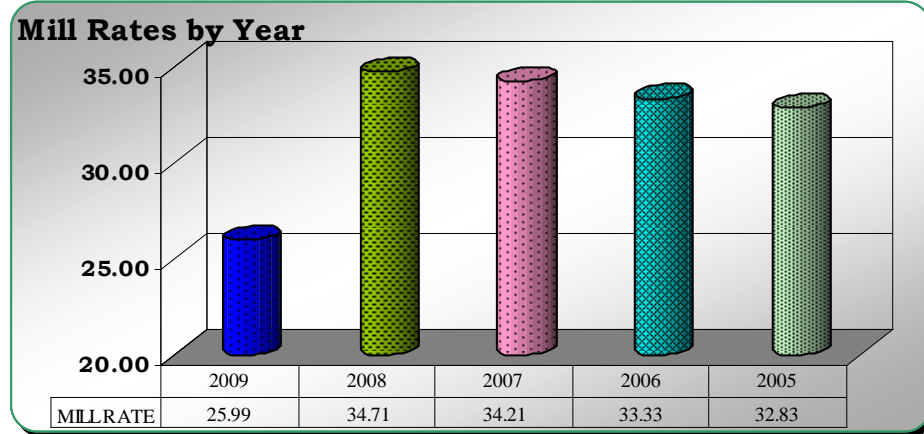


ALL FUNDS TOTAL: \$197,961,850

It is an increase of \$6,266,245 or 3.26% above the original 2007-2008 authorized Operating Budget.

The City of Bristol's Operating Budget totals \$170,902,327. The 2009 budget emphasizes a focus on reducing expenditure levels, government-wide, with little to no impact on service levels.

Comptroller's Budget Message (continued)



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

MAJOR HIGHLIGHTS OF THE 2008-2009 BUDGET

Economic Forecast

The following Economic Forecast was 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. Actual costs were higher than estimates. Budgetary adjustments will most likely be necessary during budget implementation.

Average Cost Per Gallon:

	Economic Forecast		Actual			
	<u>07-08</u>	<u>08-09</u>	<u>08-09</u>	Increases:	<u>07-08</u>	<u>08-09</u>
			Cost			
Fuel Oil:	\$2.30	\$2.51	\$3.98	Electricity:	8.3%	
Gasoline:	\$2.18	\$2.63	\$2.68	Bituminous Materials:	1.8%	10%
Diesel Fuel:	\$2.30	\$2.70	\$4.01	Tires:	1.8%	10%
Natural Gas:*	\$1.24	\$1.16	\$1.69	Postage: Increase May 2008	0.41	0.42
				Office Supplies:	3%	2%
				Clothing & Uniforms:	5.2%	1.3%
				Transportation:	2.1%	2.1%

State Budget

The State has a biennial budget. 2008-09 is the second year. The State agreed to keep last year's budget numbers consistent for 2009. The City's budget for 2009 was approved on May 19, 2008. This timing created uncertainty with regard to reliance on a state approved continuance of the City's share of real estate Conveyance Tax. The tax was scheduled to be sunset at fiscal year end 2008. The Board of Finance took a calculated gamble that the tax would be continued. Fortunately, it was continued for two years during a special session of the Connecticut State legislature after local budget approval. It is expected that the State will discontinue the conveyance tax sharing

Comptroller's Budget Message (continued)

program after the two year period. Steps will be taken to reduce our reliance on the tax revenue (\$400,000 +/-) over that time period.

Mill Rate: Result of Budget Deliberations

City officials, by general consensus (not absolute) strived for a mill rate increase at or below 1.50. With preliminary state grant information, the Board of Finance met the mill rate target of 1.50 mills through a combination of increased revenue projections, use of reserves, and appropriation expenditure reductions.

The mill rate increase of 1.5 mills was reconsidered and further reductions in appropriations were approved which reduced the mill rate increase from 1.5 mills to 1.04 mills. These reductions were discussed and approved at the Joint Board level of the City Council and Board of Finance, which is toward the end of the budgetary approval process.

Revaluation

The City implemented a state mandated City-wide revaluation on all real estate property. The increase in assessed values had the effect of lowering the previous mill rate of 34.21 by 9.26 mills. Then, the 1.04 budgetary mill increase was applied to the new lower rate. The final adopted mill rate for 2008-09 is 25.99 mills.

Mill Rate Calculation: $\frac{\text{Previous} - \text{Revaluation} + \text{08-09 Budget}}{34.71 - 9.76 + 1.04} = \underline{\underline{25.99}}$

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

- Elimination of Early Reading Success grant of approximately \$650,000 for education.
- The State continued the conveyance tax at .50 percent for two more years. It is a significant source of revenue to the City. When sunset by the state, the rate will revert to the previous .25 percentage.
- An increase to the City from the State for an Educational Cost Sharing grant (ECS) of \$1,755,672.
- Weakening local economy resulting in a lowering of revenues for new building permits

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

Comptroller's Budget Message (continued)

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 95% of all 2008-2009 City General Fund estimated revenue sources.

Taxes (64% of all revenues)

Our tax levy increased 4.1% for this budget year of 2008-09. The City of Bristol has what would be independently considered, a strong tax collection rate at 97.94% at June 30, 2007. During the course of the past ten fiscal years the collection rate has varied from a low during 2002 of 97.10% to a high of 98.11% during 2006.

Intergovernmental (31% 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 5.83% increase in its \$51.7 million in grant revenues come from the State of Connecticut. The State's Educational Cost sharing grant to Bristol is its largest grant and represents \$41.7million of the total \$57.1 million in estimated state grants.

Federal Grants

These 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 \$84 thousand in estimated grant awards.

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:

- Rising energy costs
- Uncertainty of State budget grants due to the City
- Other Post Employment Benefits becomes reportable (GASB 45)
- Potential financial legal settlement with a landfill issue
- New positions in budget
- Controlling authorized debt service levels in anticipation of construction of two new schools
- Economy dipping into prolonged recession

Comptroller's Budget Message (continued)

The Big Picture

After all the dust settled and the City of Bristol had an approved budget, the following is a summary of what happened.

Percentages

- The Operating budget (for all funds) increased 3.26%
- The General Fund budget increased 4.18%
- The Education Department received a 6.09% increase
- Taxes increased 3.98%

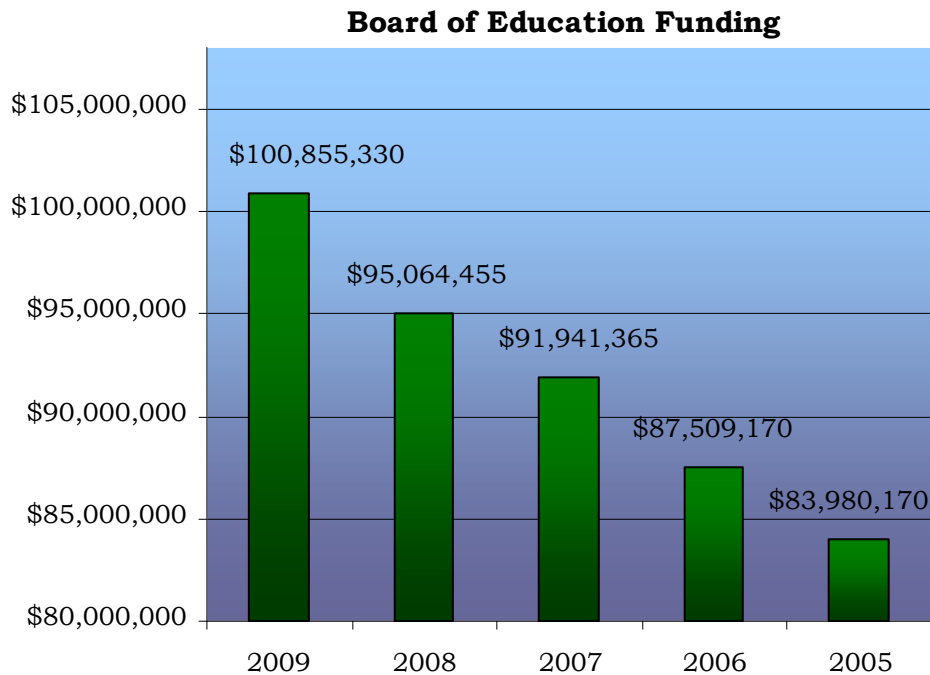
Other

- Due to revaluation, the City Grand List grew from \$2.984 billion dollars to \$4.176 billion dollars.
- \$1.85 million of the Building Sinking Fund was used to fund General Fund Capital equipment.

Education

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

The Education budget received a 6.09% or \$5,790,875 increase.



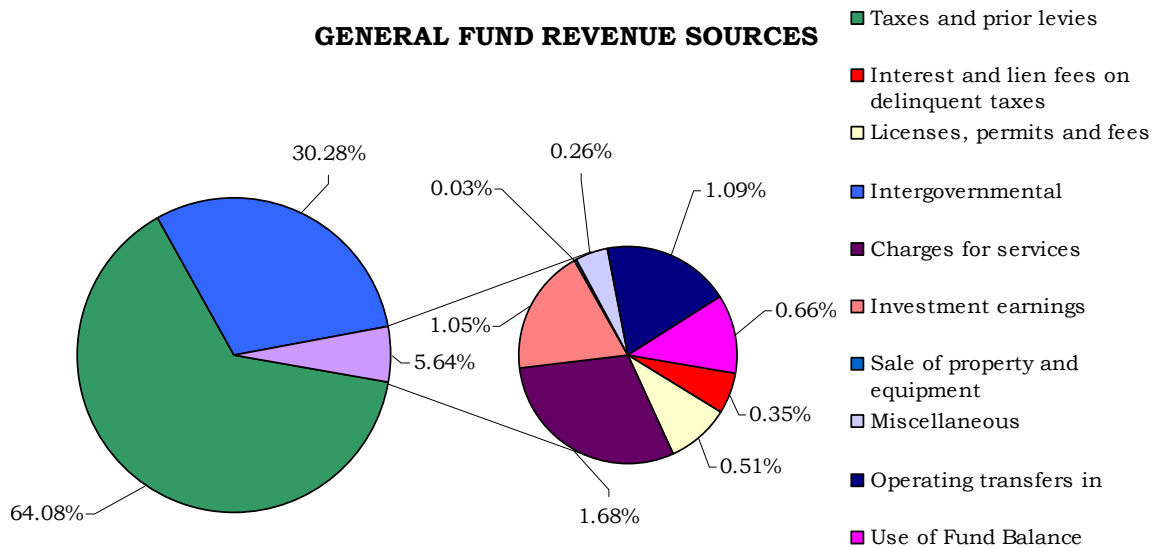
Shown above is the Joint Board approved funding level for the Board of Education for the last five budget years

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

Comptroller’s Budget Message (continued)

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 2008-2009 General Fund operating budget reflects an increase of \$6,854,007 or a 4.18% increase over the 2007-2008 General Fund approved budget. This increases the current tax levy by \$4,312,387 or 4.1% from \$105,201,455 to \$109,513,842.

PROFILES OF THE APPROVED 2008 OPERATING BUDGET BY FUND



FISCAL IMPACT

OPERATING BUDGET: GENERAL FUND

Contingency

Perhaps the most unpredictable yet probably highly favorable impact 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 for unforeseen emergencies. The Contingency provides a first line of defense to any potential use of the City’s fund balance levels.

Comptroller's Budget Message (continued)

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 this line item.

Contingency has traditionally been funded at the \$1.1 million. Analysis of the account has indicated that the year end balance for the past several years exceeds \$400,000. This year, contingency was lowered to \$932,252 to assist in lowering the tax rate in combination with providing funding from this account to necessary capital projects.

Staffing Levels

A listing of the new positions is presented below:

4.0 New City Positions:

- 2.0 Police Officers
- 1.0 Public Works Grounds Maintainer
- 1.0 Library Children's Assistant

14.7 New Board of Education Positions

Long-Term Goals and Objectives

Education

The City of Bristol has invested a great deal of resources in the last few years toward education spending. This has allowed the Board of Education to improve its curriculum as well as improve its overall education structure.

The City of Bristol, like most towns and cities, is faced with the challenges of the federal "No Child left Behind" act. This act alone requires a great deal of resources and management. It requires all students to be proficient and does not distinguish special education students from the whole student body. As a result, the City is proud of its recent achievements on test scores administered by the State of Connecticut. These scores can be found in their entirety behind the "Board of Education" tab reflect the investment Bristol has made to educate its children.

The scores reflect a remarkable improvement over the previous year in the tenth grade. The percentage of the city's sophomores who scored at or above the statewide goal soared in three of the four areas tested: math, science and writing and held their own in reading. The scores as a whole showed that the goals set by the district and the strategies in place to meet them paid off. More than 90 percent of the Bristol students scored proficient in reading, 91 percent in writing.

The district spends a lot of time helping teachers learn new ways of reaching students. Teachers meet to collaborate with others teaching the same classes, or the same grade level.

Comptroller's Budget Message (continued)

Planning Division (Public Works)



In recent years, the City of Bristol's West End neighborhood has experienced a number of significant changes. In 2006, the city began to focus greater attention on the neighborhood and to consider ways to stabilize and strengthen the area. In 2007, the City decided that an in-depth study of the West End was needed in order to better understand the ways in which the neighborhood has changed and to develop an action plan to revitalize and improve the neighborhood in the coming years. The study, which began in January 2008, will use both professional expertise and neighborhood-based participation to develop both a collective vision for the neighborhood and an implementation program intended to guide future revitalization activities there. Partnering with the City on this study are The Capstan Group, economic and community development specialists, and the Yale Urban Design Workshop, a planning and architectural firm, both based in New Haven. The study is expected to take 12 to 15 months to complete.

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

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. In addition, the Board of Finance selected a graduated funding method to eventually fully fund our annual required contribution. The Mayor is planning in 2008 to comprise a GASB 45 committee to explore the feasibility of transferring excess Pension Fund Assets into an OPEB trust fund.

The information on the next page summarizes the actuarial liabilities and contributions for the GASB 45 initial planning phase. This information is required to be updated every two years. The City is in the process of doing so.

Comptroller's Budget Message (continued)

Summary of Actuarial Results
(As provided by Aon Consulting)

	<u>June 30, 2007</u>
Present Value of all Projected Benefits (PVPB)	\$115,000,000
Present Value of benefits earned to date (AAL)	\$71,700,000
2005/06 Annual Required Contributions (ARC)	\$8,200,000
2005/06 Annual OPEB Cost	\$8,200,000
2005-06 Expected Benefit Premiums	\$3,300,000

Annual Required Contribution: June 30, 2008

Service Cost (with interest) 2007/2008	\$3,600,000
AAL Amortization	\$4,600,000
Total Annual Required Contribution	<u>\$8,200,000</u>

The funding scale below was adopted by the Board of Finance to eventually fund the \$4.6 million employee gap in required cash contributions for employee Other Post Employment Benefits (OPEB).

The funding starts with a base in 2007-08 of \$200,000. Each year, the base is increased by 25%, creating a new base. In the next year, 25% is then added to the new base, and so on until the \$7.8 million funding is achieved. This year's appropriation was \$250,000.

Year	Funding (Base + 25%)	Total	Year	Funding	Total
1	Starting Base	\$200,000	9	238,419	1,192,093
2	50,000	250,000	10	298,023	1,490,116
3	62,500	312,500	11	372,529	1,862,645
4	78,125	390,625	12	465,661	2,328,306
5	97,656	488,281	13	582,077	2,910,383
6	122,070	610,352	14	727,596	3,637,979
7	152,588	762,939	15	909,495	4,547,474
8	190,735	953,674			

After Budget Adoption

The Connecticut Legislative met in Special Session after Bristol's budget was approved. What was important to Bristol about this session was the State's subsequent approval of the Conveyance Tax. Our budget included an additional \$400,000 of Conveyance Tax revenues that the State was considering sun-setting at June 30, 2008. Fortunately, the State continued the higher rate of .25% for two additional fiscal years. The City is also taking advantage of being a "target community" and able to double the rate to .50%. This was also extended by the City Council for two additional fiscal years.

Comptroller's Budget Message (continued)

THE FUTURE OUTLOOK

Economic Outlook: Nationally (from Bank of America, U.S. Economic Weekly)

- On balance, the recent indicators of economic activity have been weak.
- High gasoline prices are constricting vehicle sales and will result in further declines in auto production, profits and employment.
- Consumption spending is expected to slow as the year ends due to the waning impact of the tax rebates.
- Labor market weakness is expected to continue through the year as demand remains soft and consumer confidence weakens.
- Businesses continue to trim inventories, in line with weak final sales growth. Weakening tax revenues are likely to constrain State and local government purchases with a lag.
- Notably, the wide array of negative factors, including rapid rises in food and energy prices, continues to weigh heavily on consumer confidence, especially expectations for the future.

Economic Outlook: The State of Connecticut

(From: Connecticut Economy: Current Trends in Employment, Unemployment and Income by Joachim Hero, MPH and Douglas Hall, Ph.D.)

Recent economic indicators suggest that Connecticut – like the nation as a whole – also is either headed towards, or is currently experiencing, an economic recession. Employment levels have dipped sharply downward, unemployment has risen faster than the national rate, and incomes for many Connecticut residents have flat-lined or declined. Economic growth in Connecticut as measured by gross state product (GSP) also has been slow in recent years compared to overall economic growth in the United States.

State economists attribute much of our slow growth to increasing retirement and out-migration of 25-44 year olds, but non-demographic factors will play a more important role in future GSP trends. The decline of property values (which some speculate has only recently begun in Connecticut, recent woes in the financial sector (which make up a larger portion of the Connecticut economy than the national average), and stagnating wages will continue to shape the Connecticut economy in coming months.

Employment

The three-month decline in employment from December 2007 to March 2008 is the largest three-month employment decline in Connecticut since 2003. While three months of job decline is never a welcome sign, it is still too early to know for sure whether employment will continue to trend downward.

Unemployment

Connecticut's unemployment rate was 5.3% in March 2008. Unemployment in Connecticut has risen rapidly over the past two months and also has increased steadily since June 2007. For the first time since 1997, unemployment in Connecticut has been higher than the national rate for two consecutive months.

Comptroller's Budget Message (continued)

Historically, Connecticut has had lower unemployment than the national average.

Of particular concern (with Connecticut either in recession or on the verge of entering a recession) is that the Connecticut unemployment rate is much higher today than it was heading into the 2000 recession. Unemployment was just over 2% before its precipitous rise in the 2000 recession; unemployment in Connecticut is over twice as high today.

Income

The incomes of a state's population are an important factor in its standard of living, the health of its economy, and its economic potential. Rising incomes positively affect consumption, access to education and health care, and the ability to build assets as goods and services become more affordable. The average real (inflation-adjusted) income for the poorest 40% of Connecticut residents has fallen since the late 80's and the average income for the middle 20% in Connecticut grew more slowly than all other states but one. The poorest 20% of Connecticut residents made an average of \$4,437 less (when adjusting for inflation) than they did in the late 1980's—a remarkable loss considering that no other state in the country saw real incomes decline among this population. Incomes among the top 20% of earners in Connecticut, on the other hand, rose considerably over this period.

Conclusion

Connecticut's low and middle income families are far more vulnerable today than they were heading into the 2000 recession. Unemployment is currently twice as high as it was in 2000, and incomes, hurt by persistent real wage erosion in spite of general economic growth, are now lower for the poorest Connecticut residents than they were at the end of the 1980s. Rising unemployment and the continued decline of income among lower-income residents will make them more vulnerable to economic turbulence and undercuts not only our societal values but also the current and future viability of our state economy.

Revaluation in the Future

Revaluation of all taxable property (real estate, personal property and motor vehicle) 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 2012 at an anticipated cost of \$900,000. The last statistical revaluation was completed in 2007 and was effective for the 2008-09 budget year. The next revaluation after the 2012 revaluation will be 2017.

Our Schools in the Future

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 and an ongoing discussion about the possibility of building one or two new elementary schools. 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.

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, 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.

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.

Comptroller's Budget Message (continued)

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, Cynthia Smith, Accountant and Jodi McGrane, 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

