

## **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 2017 Budget

### Executive Guidelines

In December 2015, the Mayor met with all department heads to offer his budgetary guidance for the 2016-2017 budget process.

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.

One overall theme was stressed: keep all requests with a two to three percent range of increase without disrupting City services or public safety.

An annual economic forecast had been prepared by Purchasing Agent Roger Rousseau.

### Departmental and Agency Budget Requests and Approvals

The following chart shows the requests and approvals by function.

Summary of Requests		
Department	Requested Percent of Increase (Decrease)	Approved Increase (Decrease)
General Government	(1.10%)	(1.67%)
Public Safety	5.19%	2.05%
Public Works	5.10%	4.02%
Health & Social Services	2.88%	0.58%
Libraries	1.31%	0.93%
Parks & Recreation	2.73%	1.80%
Miscellaneous (Insurance & Benefits)	11.50%	10.24%
<b>Total General City</b>	<b>6.67%</b>	<b>4.92%</b>
Education	4.47%	0.29%
<b>Total General Fund</b>	<b>5.41%</b>	<b>2.25%</b>

**Policy Initiatives - (continued)**

**Revenues**

This year's grand list Real Estate values increased .45%. Personal Property valuations represented the largest percentage increase at 2.69%, and Motor Vehicle decreased .22%. The total taxable revenue increase for these Grand List changes amounted to \$718,000 thousand (rounded).

**2015 Grand List Analysis**

<b>Category</b>	<b>Post BAA Net 2014 Grand List</b>	<b>Post BAA Net 2015 Grand List</b>	<b>Assessment Change</b>	<b>% Change</b>
<b>Real Estate</b>	3,186,497,289	3,200,954,203	\$ 14,456,914	0.45%
<b>Personal Property</b>	264,924,186	272,039,602	\$ 7,115,416	2.69%
<b>Motor Vehicle</b>	370,508,441	369,675,106	\$ (833,335)	-0.22%
<b>Total</b>	3,821,929,916	3,842,668,911	\$ 20,738,995	0.54%

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 \$210,000, was increased to \$250,000 due to the current interest rate environment. Building permits and conveyance tax collections, which are closely correlated in trend direction, were both scrutinized. Building permits increased from \$528,475 to \$1,000,000, due to the City Council increasing the permit fees in April 2016. The Real Estate Transfer Tax, also known as Conveyance Tax was budgeted at \$750,000, a level funding from the 2015-16 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 adversely affecting City services. The final outcome was a 1.42 mill rate increase for fiscal year 2016-17.

Similar to last year, a very large disparity between estimated revenues and appropriations soon became apparent due to the state's predicted large fiscal year ending deficit.

Also last year, the City budgeted the use of \$195,000 of Fund Balance to balance the budget. For the upcoming fiscal year, the use of Fund Balance is \$0.

**Policy Initiatives - (continued)**

**Current Events –**

Expenditures

- Health Care Costs for Employees- Health care continues to increase each year, this year's increase is 6%. Last year's predicted change, for the first time in many years, anticipated health care costs flat, meaning no increase based on the previous year's expenditure experience. The City's Insurance Committee (subcommittee of the Board of Finance) continued a City-wide wellness program in an effort to promote employee health while reducing costs.
- Education- There was a slight increase of \$310,590 increasing the State's minimum budget requirement.
- Debt Service- Debt service expenditures decreased by \$285,426 this year. This is due to reduction in annual principal and interest payments on existing debt.

Revenues

- Revenue estimates remain flat this year in keeping with prior year adjustments based on the stagnant state and local economies.
- State Grants- Overall, this estimated revenue source decreased by \$2,269,775. A majority of this decrease is due to reductions in the Board of Education revenues. An expanded explanation is referenced in the Comptroller's Transmittal Letter on page 13.

***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 officials.

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

***Emerging Issues***

The Mayor continued, as did the prior administration, to direct all departments to seek his 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.

**Policy Initiatives - (continued)**

**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. The Board of Education budget was not increased for 2015-16. The fiscal 2016-17 BOE budget increased \$310,590. This increase also increases their Minimum Budget Requirement (MBR) for subsequent years. In addition to the increased MBR funding the BOE received several other sources of funding from the City not affecting their MBR. A schedule of all their funding sources is located on page 16.

**Other Issues**

- The City continues to move forward with its redevelopment plans for a 17 acre parcel of land in the heart of its downtown area.
- Many open employee positions have been eliminated or combined with other positions to realize budgetary savings, especially in the Public Works Department. The administration continues to evaluate whether to fill open positions on a case-by-case basis. Consolidations of departmental services are also being evaluated.

**Other Funds**

There are a number of other funds for which the City appropriates budgets – the Capital Projects Fund, seven special revenue funds – Community Development Act, Sewer Operating and Assessment Fund, Solid Waste Disposal Fund, School Lunch Program, Pine Lake Challenge Course, LoCIP Projects, and the Transfer Station Fund, the Internal Service Fund comprised of two individual funds and one Enterprise Fund – the 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 including aid to low to moderate-income persons and neighbors, grants administration, legislative liaison activities and economic development. The Bristol Development Authority is staffed by five 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 Administrators' salaries, and clerical support, their benefits and costs for running the office. The 2016-2017 City share is \$367,450 which represents an increase of \$13,580 over the 2015-2016 budget. The remaining monies of \$603,622 are funded by the Federal Government. These monies pay for two additional positions and 93% of the benefits within the Bristol Development Authority as well as their related expenses. In addition, \$7,500 in program income has been budgeted.

### Policy Initiatives - (continued)

**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 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 Sewer Operating and Assessment Fund approved budget is \$6,591,500, or a \$364,000 increase over the approved 2015-2016 budget.

**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 \$1,012,250 a decrease of \$137,750. The decrease is a result of an increase in the City of Bristol Host Fee.

**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. The two largest revenue sources within the fund are the sale of school lunches budgeted at \$892,000 and federal reimbursement at \$1,845,405. 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 \$2,825,930 or an increase of \$40,160.

**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 to \$152,940.

**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 approved projects under this State grant. The City of Bristol receives approximately \$500,000-\$600,000 yearly for this program. This year, the City plans to use \$610,000 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.

**Transfer Station Fund**- This special revenue fund is used to account for the Pay as You Throw (PAYT) program at the Transfer Station. PAYT is also known as SMART (Save Money and Reduce Trash). The PAYT System seeks to equalize the cost of using the transfer station. Additional information can be found under the "Special Revenue Section" pages 329-331. This year's budget is \$731,495.

## Policy Initiatives

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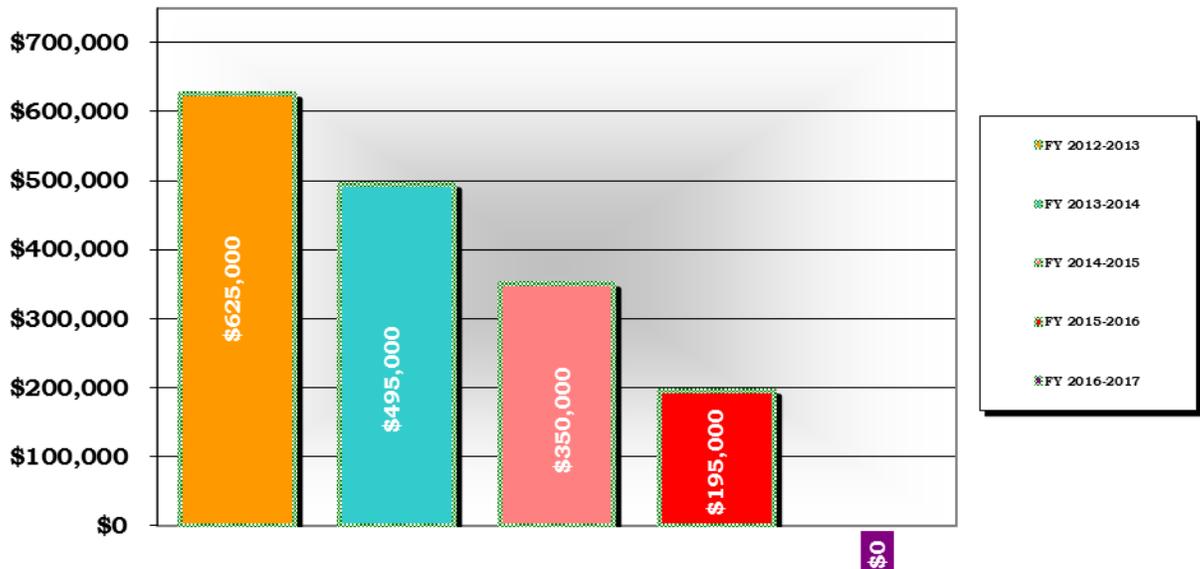
### Policy Initiatives - (continued)

**Internal Service Fund** – Years ago, the City established Health Benefit and Workers’ Compensation Funds to provide reserves necessary to support an insurance program for health benefits and workers’ compensation claims. Expenses are expected to increase by 6% in 2016-2017. The Insurance Committee’s (a subcommittee of the Board of Finance) is charged with oversight as well as plan design changes within the Health Benefits Fund.

**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. 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.

## 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 reduce use of the General Fund Fund Balance from \$3.66 million to zero in five years. Given economic realities, it was agreed the plan was too aggressive and unrealistic. The fiscal 2016-16 budget amount was \$195,000. This chart shows the five year downward trend of budgeting the use of General Fund Fund Balance. Fiscal year 2016-17 eliminates the use of Fund Balance to balance the General Fund budget.



**Policy Initiatives - (continued)**

**Policy - General Fund - Fund Balances – Revised 2/25/14**

**Original Fund Balance Policy Adopted by the Board of Finance on December 20, 2000.**

**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:

1. Maintain ending General Fund total Fund Balances as a percent of operating revenues at between 15% and 20%.
2. Maintain General Fund Unassigned Fund Balances as a percent of operating revenues between 10% and 15%.

**Example: For Balances as of FYE - Audit June 30, 2015**

**Fund Balances:**

Unassigned	\$ 26,605,958
Total	\$ 31,716,983
<b>Operating Budget 2015-2016</b>	<b><u>\$185,005,865</u></b>

*Ratios: at FYE Audit June 30, 2015*

(1) The total General Fund Balance as a percentage of operating budget: 17.14%

(2) Unassigned General Fund Balances as a percentage of operating budget: 14.38%

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.**

**Policy Initiatives**

**Policy Initiatives - (continued)**

**Fund Balances- All Funds**

<b>Fund Balances- All Funds (in thousands)</b>					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
General Fund	\$ 31,716	\$ 30,926	\$ 30,099	\$ 29,430	\$ 28,437
Special Revenue Funds	\$ 16,636	\$ 16,689	\$ 14,237	\$ 10,725	\$ 12,287
Capital Projects Funds	\$ (5,562)	\$ (3,205)	\$ 19	\$ 14,440	\$ 23,962
Permanent Funds	\$ 815	\$ 801	\$ 705	\$ 647	\$ 492
Fund Balances in all					
Other Governmental Funds	\$ 1,385	\$ 1,029	\$ 586	\$ 1,640	\$ 1,615
<b>Total Fund Balances:</b>	<b>\$ 44,990</b>	<b>\$ 46,240</b>	<b>\$ 45,646</b>	<b>\$ 56,882</b>	<b>\$ 66,793</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 380-381.

Cumulatively, the fund balances in the fund types decreased a net \$1,250 or 2.7% from 2014. The General Fund, the main operating fund of the City increased \$790 or 2.6% due to higher than expected revenues received during the year. The Special Revenue funds decreased \$53 or .32% due to the education funds within the Equipment Building Sinking Fund. The Capital projects fund decreased \$2,357 due to cash payments for capital projects made during the year awaiting for eventual sale of long term bonds. In 2011, the City issued long term bonds to replace cash used to pay for the on-going construction. In 2012, payments were made to vendors for the completion of these facilities. The Permanent Funds increased \$14 or 1.7% due to the addition of funds to the Storm Water Trust for perpetual care in the Southeast Business Park.

**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.
- ✓ 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.
- ✓ 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 Unassigned Fund Balance.
- ✓ The economic development account was funded with an annual appropriation of \$200,000. 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.
- ✓ The 2016-2017 budget includes \$560,400 in cash contributions for the Capital Improvement Program funding program for Capital Projects from General Fund Operating Transfers-In. For 2015-2016 \$544,265 was budgeted for Capital Projects.

### Policy Initiatives - (continued)

- ✓ 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 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 and an Investment Policy was adopted by the Board of Finance on February 28, 2012. See page 76-79 for the complete policy.
- ✓ Cash management in the Pension Trust Funds' investment portfolio is diversified into many different classes of investments and is over funded.
- ✓ 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 to keep fire apparatus current.
- ✓ 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 favorable credit quality rating. See ratings from the three agencies: Moody's, Standard and Poor's, and Fitch on page 364 in the "Debt Management" tab of this budget document.

**Policy Initiatives - (continued)**

**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 with a longer term plan which will be a ramping up of funding (by appropriation and surpluses) 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. The first actuarial valuation was performed for GASB 45 purposes dated July 1, 2005, and has been updated for fiscal year July 1, 2007, July 1, 2008, July 1, 2010 and July 1, 2012. There is an appropriation within the General Fund to set aside funds for the Annual Required Contribution (ARC). For the past seven years, it has been increasing each year by a schedule on page 295-296. The 2012-2013 funding was only for the General City portion of OPEB. In June 2011, the City Council voted to transfer excess pension funds to a trust for Police and Fire. For 2015 the funding schedule is back to the original schedule. For 2016-17, the scheduled amount was reduced by \$490,125.

**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.

**Policy Initiatives - (continued)**

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 nine 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.

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.

**Policy Initiatives - (continued)**

**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.

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).

**Policy Initiatives - (continued)**

**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 Ten-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:

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 Ten-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.Ns)
- General Obligation (G.O.) Bonds
- Revenue Bonds or Special Assessment Bonds
- Lease Purchase Financing
- Conduit/Tax Increment Financing (TIF)

**Policy Initiatives - (continued)**

**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.
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.

**Policy Initiatives - (continued)**

**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.

**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 such as 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 the City 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 Indicators

- Debt as a percentage of Net Taxable Grand List.

<b>Moody's Median: 3.3%</b>				
<b>Grand List</b>	<b>Fiscal Year</b>	<b>Net Taxable</b>	<b>Total General Fund</b>	<b>Total General Fund</b>
<b>of Oct 1</b>	<b>Ending 6-30</b>	<b>Grand List</b>	<b>Long-Term Debt</b>	<b>Debt as a % of the</b>
			<b>Debt (1):</b>	<b>Net Taxable GL</b>
			<b>Principal Only</b>	
2015	2017	\$3,842,669,000	\$45,475,000	1.18%
2014	2016	\$3,821,930,000	\$51,354,000	1.34%
2013	2015	\$3,835,068,000	\$57,414,000	1.50%
2012	2014	\$3,773,177,000	\$63,315,000	1.68%
2011	2013	\$4,318,105,000	\$69,305,000	1.60%
2010	2012	\$4,271,540,000	\$75,295,000	1.76%
(1) Excludes Self-supporting Water 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</b>	<b>GF Operating</b>	<b>G.O. Debt Service</b>
	<b>Debt Service (P&amp;I) (1)</b>	<b>Expenditures (2)</b>	<b>% to GF Operating Exp.</b>
2015	\$8,137,000	\$191,704,000	4.24%
2014	\$8,456,000	\$158,025,000	5.35%
2013	\$8,695,000	\$152,601,000	5.70%
2012	\$6,629,000	\$156,356,000	4.24%
2011	\$6,029,000	\$149,239,000	4.04%
2010	\$6,192,000	\$146,669,000	4.22%
(1) Excludes Self-supporting Water Debt & Sewer			
(2) Does not include transfers out			

#### Overlapping Debt

- There is no overlapping municipal debt in the City.

**Policy Initiatives- (continued)**

**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 & Poors 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 compliance with all covenants.

**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 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/registrars, 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.

**YIELD**

The yield on an investment is its current rate of return until maturity. Yield should not and is not the primary concern for the City's investment of idle operating funds.

**APPROVAL**

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

**Policy Initiatives- (continued)**

## **Fixed Assets Policies and Procedures**

### **Introduction**

A fixed asset is an asset that is not consumed or sold during the normal course of business, such as land, buildings, equipment, machinery, vehicles, leasehold improvements, and other such items. 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 governs the following policies for City fixed assets, to ensure accountability for fixed assets.

These policies are meant to answer questions about the City's 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"?

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 update valuations in the future.

Presented herewith are the City's Fixed Asset Policies and Procedures.

### **1. Asset Definitions**

#### **a. Capital Assets**

A capital asset is defined as a piece of equipment, or an investment in general infrastructure, that has a value of \$5,000 or greater 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.

#### **b. 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)**

**2. 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, as a 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 buildings, improvements other than buildings, machinery and equipment, construction work in progress, and infrastructure.

Certain assets valued less than \$5,000 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.

**3. Asset Classes**

**a. Land**

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 or land improvements.

**b. Construction**

Construction includes all buildings and building-related structures. Construction-in-progress is considered as a separate type of construction and is tracked as an 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

**c. 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.

**Policy Initiatives - (continued)**

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:

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

**d. 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 reported using the following subclasses, and relative useful life:

110 Outdoor Equipment	20 years
120 Police and Fire Equipment	10 years
130 Machinery and Tools	15 years
140 Custodial/Kitchen Appliances	15 years
150 Science and Engineering Equipment	10 years
160 Furniture and 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 and 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.

**e. Vehicles**

Consideration is made for vehicles separately from Machinery and Equipment, in one of the following subclasses, and relative useful life:

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

**Policy Initiatives - (continued)**

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.

**4. Property Accounting**

**a. 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.

**b. Asset In-Service Dates**

An asset's in-service date 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.

**c. Fund Designations/Function Designations**

**1. 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.

**2. 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 Recreation
- 80 Miscellaneous/Art

**d. Depreciation Considerations**

Depreciation shall be applied to all capital assets, except land and land improvements calculate 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.

**Policy Initiatives - (continued)**

**5. Property Control**

**a. 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 the 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 no later than sixty (60) days after the last day of the fiscal year.

**b. 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.
- 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.

**c. 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.

**6. Additions and Deletions**

All City departments are required to provide detailed information on all assets 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.

### Policy Initiatives - (continued)

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 to be presented 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 via sealed bids** - 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.
3. **Surplus Sale via online auction** - the Purchasing Department may sell surplus property via online auction. Such sales will be publicly available via the Purchasing web site, no less than ten days prior to the scheduled sale.
4. **Sale of real estate** - the Purchasing Department shall sell surplus real estate in accordance with direction set forth by the Real Estate Committee, via guidelines set forth in the Code of Ordinances Section 2-14 (governing both the sale and purchase of real estate).
5. **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.

### 7. Annual Reporting

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

## **Investment Policy**

The purpose of the investment policy is to specify the policies and guidelines that provide for the prudent and productive investment of funds. It is the policy of the City of Bristol to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City. The investment policy will be operated in conformance with federal, state and local statutes governing the investment of public funds.

In accordance with Section 25 of the City Charter, the Board of Finance authorizes the Treasurer to act as the investment officer and to invest all City funds with the exception of pension and various other trust funds.

### **Scope**

This investment policy applies to all financial assets of the City of Bristol. These funds are accounted for in the City's Comprehensive Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Internal Service Funds
- Trust and Agency Funds
- Any new fund created by the governing body, unless specifically exempted by the governing body or legally restricted

This investment policy applies to all transactions involving the financial assets and related activity of all foregoing funds. This investment policy excludes investment of employees' retirement funds and post-employment benefits funds.

Except for cash in certain restricted and special funds, the City of Bristol will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

### **Investment Objectives**

Investments shall be made in accordance with the following principles:

- Safety
- Liquidity
- Yield

### **Safety**

Safety is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

The City of Bristol will minimize credit risk, the risk of loss due to failure of the issuer or backer by:

- Limiting investments to the types of investments listed in this investment policy
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which Bristol will do business.

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

- Diversifying the investment portfolio so that potential losses in individual securities will be minimized.

The City of Bristol will minimize interest rate risk, the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

### **Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished structuring the portfolio so that the securities mature concurrent with the cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio may be placed in money market mutual funds or state government investment pools, which offer same-day liquidity for short-term funds.

### **Yield**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

### **Prudence**

The “prudent person” rule shall be the standard used by the City staff and shall be applied in the context of managing the overall portfolio. City staff acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

### **Delegation of Authority**

Responsibility for the operation of the investment program is hereby delegated to the Treasurer or the Deputy Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with the investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer’s Office. The Treasurer/Deputy Treasurer will have the authority to make investments as deemed appropriate and within the guidelines of the Investment Policy.

### **Ethics and Conflicts of Interest**

Rules and policies promulgated by the Treasurer shall be designed in the best interest of the City and its citizens, and shall not afford special financial advantage to any individual or corporate member of the financial investment community.

### Policy Initiatives - (continued)

#### **Authorized Financial Institutions, Depositories, and Brokers/Dealers**

All investments must be made in securities authorized by CGS 3-24f, 3-27f or 7-400 or in deposits authorized by CGS 7-401-402. To further clarify, the City shall only do business with qualified public depositories. Eligibility may be based on the recent certified Qualified Public Depository Qualification Form which is prepared by each institution. At a minimum, the City's Treasurer shall conduct an annual evaluation of each institution's credit worthiness to determine whether it should be an authorized institution.

Financial institutions which serve as depositories of City funds shall comply with all prevailing collateralization provisions of the State of Connecticut.

#### **Internal Controls**

The Treasurer shall establish and maintain a system of internal controls. The controls shall be designed to prevent and control loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions. The internal control structure shall be designed to provide reasonable assurance that the cost of the control should not exceed the benefits likely to be derived; and the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

- Competitive bids on investments
- Division of duties among staff
- Custodial safekeeping
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers

#### **Safekeeping**

All investment securities purchased or owned by the City shall be held in third-party safekeeping by an institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity and other pertinent information.

#### **Diversification**

The City of Bristol shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual issuers or maturities.

Diversification strategies shall include:

- Limiting to ten percent (10%) of the overall portfolio the amount that may be invested in deposits with a single bank, unless the deposits are fully-insured or fully collateralized.
- There is no limitation on the percentage of the overall portfolio that may be invested in; (1) U.S. government agency obligations and in repurchase agreements fully collateralized by such securities, (2) an authorized custodial arrangement, pool or money market fund or (3) STIF (Short-Term Investment Fund)
- Investments in securities that are not readily marketable, other than securities or deposits that mature within seven days, may not exceed ten percent (10%) of the portfolio's net assets at the time of purchase, and
- Investing in securities with varying maturities.

## **Policy Initiatives**

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

This policy does not apply to bank accounts used for temporary deposit of receipts and deposits needed to cover disbursements that are expected to clear over the next seven days.

Investment decisions shall be based on the relative and varying yields and risks of individual securities and the municipality's liquidity requirements.

### **Reporting Requirements**

Semi-annually, the Treasurer shall prepare a report of investments and present it to the Board of Finance. This report will include any data on investment instruments being held, as well as any narrative necessary for clarification.

### **Approval of Investment Policy**

The City's Investment policy shall be adopted by resolution of the City of Bristol Board of Finance. The policy shall be reviewed annually and any modifications made thereto must be approved by the Board of Finance.

The Board of Finance adopted the Investment Policy on February 28, 2012.

## **Donations Policy**

Civic, non-profit groups requesting a monetary donation from the City of Bristol for a program or event that will be held in Bristol and benefit the residents may submit a proposal in writing to the Board of Finance for review.

### **Requirements:**

- A written plan for the program must be submitted to the Comptroller's Office – Attention Board of Finance. Documentation shall detail all fundraising efforts and other sources of funds or donations for the project. The necessary permits shall be obtained and a Certificate of Insurance shall be provided (if required).
- Accounting of the donation is required. Proof of expenditures, including an invoice and receipt must be provided to the Comptroller's Office within 30 days after the event. If the event has not taken place at the end of the fiscal year (June 30) an accounting of the donation is required to be submitted to the Comptroller's Office.
- The donation shall be applied directly to the program.
- The program or event must be held in Bristol and designed to benefit Bristol citizens
- The City of Bristol shall be recognized for the donation on any plaque or program presented for the event.
- Only one request per group will be reviewed in a fiscal year
- This policy does not imply that any donation will be guaranteed. All decisions by the Board of Finance are final.

Due to the limits of available funds, priority will be given to those civic programs willing to share costs of the projects, coordinate services and work cooperatively with City Departments.

Failure to supply the necessary information may result in the delay of the review of the donation request. Failure to supply accounting of the donation will result in repayment of the donation to the City.

The Board of Finance adopted the Donations Policy on March 11, 2014.

