

Board of Finance

Cheryl Thibeault, Chairman
John Smith, Vice Chairman
Ken Cockayne, Mayor
Ron Burns
Orlando Calfe
Jake Carrier
Derek Czenczelewski
Mike Fiorini
Mike LaMothe



City Council

Ken Cockayne, Mayor
Calvin Brown
Anthony D'Amato
Dave Mills
Mary Fortier
Dave Preleski
Jodi Zils Gagne

City of Bristol

May 30, 2017

BOARD OF FINANCE CHAIRMAN'S BUDGET MESSAGE

TO THE CITY COUNCIL, CITIZENS AND TAXPAYERS OF BRISTOL:

Last year when we approved the budget of 2016-2017, I mentioned we were facing headwinds. Those same headwinds have escalated into a monsoon season as we bobble in the waves of a state budget that is anything but stable or predictable and we can only anticipate the impacts to municipalities. Even as we adopt our budget today, May 31, 2017 the state has not finalized a budget. Given these obstacles, we have emerged with OUR plan. A budget that provides the necessary services that citizens want, a budget that incents economic growth and vitality, a budget which compliments our recently renewed triple A rating by Fitch, a budget which provides a substantial increase to education, a budget that remembers our taxpayers look to us for frugality and that we pass benefits of good fiscal leadership onto them.

Two weeks ago, acting on the best information possible, the Board of Finance voted to present a budget to the joint board that absorbed a \$7.1 million grant cut from the State of Connecticut. If adopted, this would have required a tax increase of 1.95 mills. As we continued to watch and communicate with our local legislators, a newer confidence has emerged. Generally, I am not a risk taker; however it is upsetting to raise taxes on a possibility. Therefore, it will be recommended in a subsequent motion to restore the ECS Grant to the 2016-2017 funding level in the budget. Should this cut or others become a reality once the state has approved a budget – the need to issue a supplemental tax invoice to tax payers, unfortunately will become a reality.

As a result, for 2017-18, we have the opportunity before us to present a budget with NO mill rate increase.

Some may say this is a gimmick, an election year play – but those who do, I say – “do the math”. We have growth in our grand list, we have savings in our bonding expenses, we have smart attrition and have combined positions, we have implemented cost saving programs, and our employees have excelled in wellness holding our benefit costs down. We continue to allocate funds to improve city buildings, we have restored funds to street improvements and appropriated capital to replace aging infrastructure and technology. Prudent increases in some departmental budgets were provided where warranted. Additionally we were able to increase the board of education budget by 3% and reduce their benefit expense by an additional 1.2%.

Transmittal Letter

Transmittal Letter – (continued)

The Board of Finance, the Mayor, and the Council, while mindful of the taxpayers of Bristol, are asked to approve this budget. When you watch the nickels and dimes – the dollars take care of themselves.

Breakdown of Increasing Expenditures and Stagnant Revenues

Expenditures

The Board of Finance had to bridge a gap of \$20.2 million between requests and revenues.

- Requests totaled \$204.7 million from the City side and Board of Education. This represented a \$15.5 million or 8.22% increase over the current budget.
- The Board of Education request was originally an increase of \$7.2 million or 6.79%. Through combined efforts and workshops between the Board of Finance and the Board of Education, this increase was reduced to a 3.0% impact to MBR (minimum budget requirement). Additionally, the Board of Education benefitted by the reductions in benefit costs of \$1.4 million. The allocated revenues transferred from last year are expected to increase by \$.5 million and just yesterday the State removed certain unfunded mandates which will save an additional \$.4 million in expenditures

- General City requests were finalized at a decrease of \$.5 million or 1%

Revenue Decline

Revenues basically remain flat pending receipt of the school readiness grant.

Strategies used in balancing the 2017-2018 budget:

- Department Heads were asked to submit a budget between one and a half and two percent
- Minimal bonding of the Ten-Year Capital Improvement Plan
- Continue to develop and implement fiscal policies to keep the City's bond rating strong
- Develop a plan to prioritize Capital spending in a way that spread these costs over time to minimize the tax impact

The Grand List increased from \$3.84 billion to \$3.91 billion, and our tax collection rate is strong at over 98%.

The initial gap between revenues and expenditures was a 5.85 mill increase to the mill rate and an 8.22% budget increase to start the process.

Capital requests of \$1.9 million within the General Fund were reduced by \$977 thousand, however \$771 thousand was funded out of the Equipment Building Sinking Fund which does not impact the mill rate.

Health Insurance decreased 3% this year for employee health benefits based on the City's consultants cost projections.

Transmittal Letter

Transmittal Letter – (continued)

State Budget

At this time we anticipate that there is no adopted state budget. A state budget is not anticipated until early fall. Should funding fall short of what is budgeted, a supplemental tax invoice, while undesirable, will be necessary.

Summary

Bristol's finances have strong financial management from the Mayor, City Council, Board of Finance, as well as a very dedicated and efficient Comptroller's Office. We also have a very strong reserve which results in favorable ratings by Fitch, Moody's and Standard & Poor's for future borrowing and we have eliminated the need to rely on fund balance. As we face the uncertainty of the future, we need to prepare for additional impacts from the State budget as well as any potential effects from the federal budget. We need to continue to focus on business growth to attract more companies to our City which would create jobs and increase our Grand List. We need to find synergies between departments to eliminate duplicate duties and spending. We must continue to invest in ourselves by maintaining buildings and roads. We will continue to support and build strong schools but spend money wisely. We need to watch our expenses and correct anomalies when identified. Most importantly we need to work together.

ACKNOWLEDGEMENTS

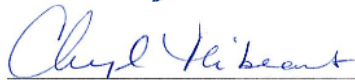
I personally want to recognize every member of this Finance Board for your numerous hours of work on behalf of the citizens of Bristol. Your attendance during evening meetings of public hearings and workshops regarding this budget, in addition to regular meetings shows your enduring voluntary commitment to your City.

I want to give special acknowledgement to our Comptroller's office. As our Comptroller Glenn Klocko gives up the reins next month – he can retire knowing that he passed on sage advice, solid recommendations and led us into a season of a strong, enviable financial position. His legacy will carry on in a dedicated staff: Assistant Comptroller, Robin Manuele, Senior Accountant, Skip Gillis, and Assistant to the Comptroller, Jodi McGrane. We are blessed with the guidance and assistance they provided to the Board in this process. Again, many, many thanks.

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 hearings 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,



Cheryl Thibeault
Board of Finance Chairperson

Comptroller's Budget Message

Glenn Klocko completed this message prior to retirement in June 2017.

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

It is my pleasure to present this 2017-2018 budget message and budget document for review. It is the culmination of months of effort on the part of many. Elected officials, citizens appointed to Boards and Commissions of the City, management and staff employees who worked diligently to present this document in its completed format.

This letter provides a concise overview of the City's approved 2017-2018 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 31, 2017. The approved budget for all funds is \$211,161,945. The General Fund portion of the budget on which the mill rate is primarily based is \$191,835,815. There is no mill rate increase to the prior mill rate of 36.03.

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

Budget - Early Preparation Stage

Mayor Cockayne expressed to Department Heads at the November kick-off budget meeting concerns, priorities, and goals for the upcoming budget session. This is the third budget kick-off for Mayor Cockayne.

The Mayor stressed how the State of Connecticut budget affects the City of Bristol's budget. The City will approve its budget prior to the State budget approval, which was June 5th. Due to the uncertainty of State grant information, the City budget approval was delayed from its normal 3rd Monday in May to Wednesday, May 31st. The Mayor asked that all Departments keep their budget increases within a two to three percent range. Almost all departments were able to keep their increases at or very close to the Mayor's request, in spite of increases in areas such as contractual obligations and utilities that are out of direct departmental control.

The State of Connecticut has serious budgetary structural concerns. It is projected that the State will have approximately a \$900 million deficit for fiscal year 2016-17 and that deficit will be even greater in the following years.

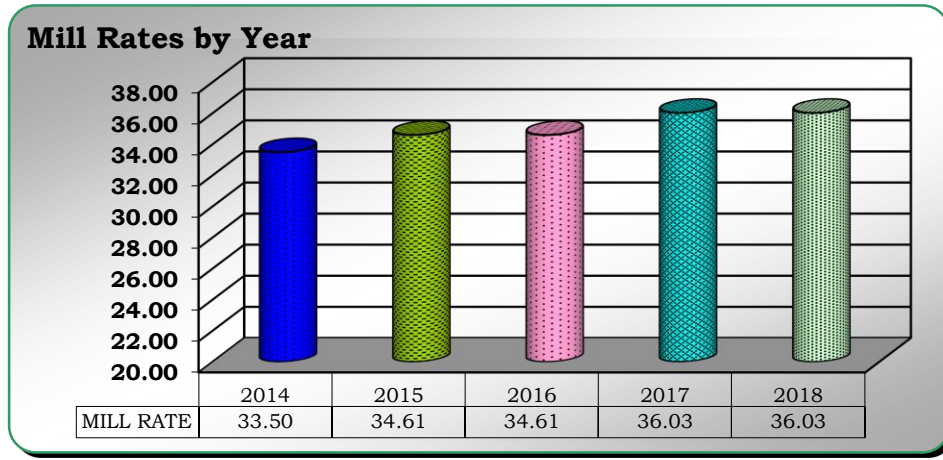
Capital Outlay requests totaled \$1,891,235 on the City side within the General Fund, excluding Board of Education. Public Works submitted requests of \$1,120,000, which were approved in the amount of \$914,000. The Mayor also indicated the 10-Year Capital Improvement Plan (CIP), which incorporates the Capital Budget, will be reviewed for approval along with the operating budget, in order to incorporate the full impact of the budget on the City's finances. The tab labeled 'Capital Budget Summary' contains the Capital Budget and CIP information for 2017-2018.

Balanced Budget

The fiscal year 2018 operating budget is balanced financially and philosophically. It embraces many tenets that are reviewed in this budget message. It is the desire of this administration, through this budget, to advance the quality of life for residents of the City of Bristol.

Transmittal Letter – (continued)

MAJOR HIGHLIGHTS OF THE 2017-2018 BUDGET



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

Economic Forecast: Recession Continues

Each year the Economic Forecast is prepared by the City’s Purchasing Agent. The forecast is used year-to-year to provide a consistency factor for departments estimating operating costs contained within the various budgets. If actual costs are higher than estimated, budgetary adjustments will be necessary during budget implementation.

Intergovernmental Revenue

The final adopted State budget saw State grants increase in total by \$1,418,560 for the City. This includes a new revenue sharing grant for Motor Vehicles as the new mill rate for motor vehicles is 32 mills. Bristol is expected to receive \$1,095,290 in a state grant to make up the revenue loss for motor vehicles. However, the budget also assumes the Education Cost Sharing grant is not reduced as proposed by the Governor, but remains at current funding levels. It was the intent of the Joint Board to issue a supplemental tax bill should adopted state revenues be significantly less and as proposed by the Governor.

Mill Rate: Result of Budget Deliberations

The 2016-2017 mill rate was 36.03. The mill rate for 2017-2018 remains at 36.03. Last year, there was an increase of 1.42 mills.

Perhaps the most annually debated budget is the Board of Education budget due to their significant proposed increases in fiscal funding. Any increase results in increasing the Minimum Budget Requirement (MBR) as required by State statute. An in depth analysis of fiscal year 2017-2018 funding for Education is discussed on page 15-16.

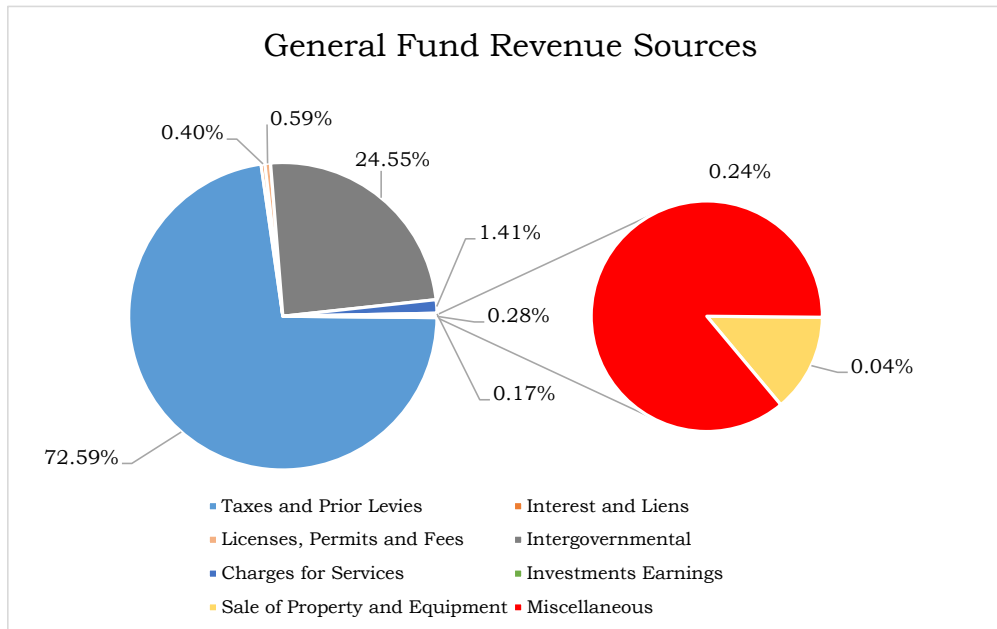
OTHER HIGHLIGHTS

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 or reduction patterns, underlying historical assumptions, as well as revenue reliability and validity of the estimates. Our forecasting uses a combination of three to five year trend analysis, consensus, and human judgment (as opposed to random guessing) methods. The underlying assumptions for each major source of revenue are identified and documented. The Comptroller’s Office works closely with department heads responsible for revenue estimates to identify any changes in local, regional, or national economic conditions, citizen demands, as well as changes in professional associations’ guidance relative to revenues, and changes in state and local government programs and policies. Changes in the City’s political environment are also considered. All assumptions, when identified, must be reasonable, valid, and current. Obviously, obsolete assumptions due to changing conditions are identified and no longer considered. Most current revenue estimates remained flat at prior year levels for the fiscal 2017-2018 budget estimates.



Shown in the graph above are the main categories of revenue in the General Fund and their respective percentages of the budget.

Taxes (73% of all revenues)

The combined current and prior tax levy increased \$1,060,490 due minor growth of the grand list. Also, the prior year tax levy increased due to the aggressive collection of back taxes. The City of Bristol tax collection rate was 98.68% at June 30, 2016 a slight increase from the previous year’s collection rate of 98.47%.

Transmittal Letter – (continued)

Intergovernmental (25% of all revenues)

Cities rely heavily upon intergovernmental revenues (State & Federal grants) to balance their budgets. Bristol is no exception to that fact. The total State grant revenue budget increased by \$1,419,825. Excess Student Cost is a State formula grant to partially reimburse Special Education student costs. Last year, the City agreed to shift this grant from General Fund revenue to the Board of Education as a reduction of their Special Education expenditures. The grant amount was estimated at \$2,600,000.

Federal Grants

Federal grants have been shrinking over the past several years. Nevertheless, any grant is important to the City. Federal grants are a very small portion of the overall 2016-2017 grant picture of the City at \$8,235 in estimated Civil Preparedness grant awards. This grant decreased by \$1,265 for 2017-2018.

Appropriations (Expenditures):

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

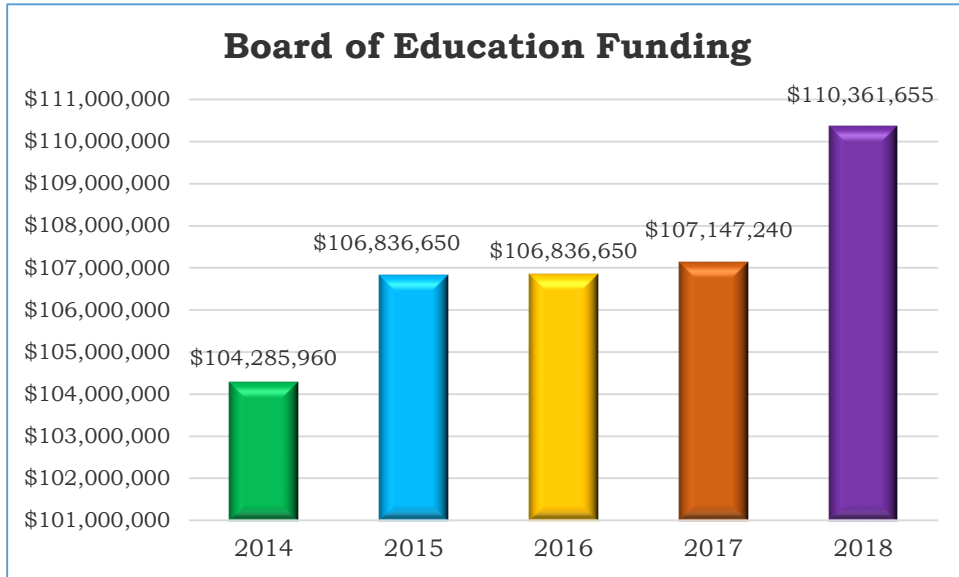
The following factors were significant components within the appropriation side of the budget this year:

- A significant pending State deficit puts a large degree of uncertainty on its effect to Bristol's State grant revenue projections resulting in the Mayor invoking a charter provision to delay final approval of the budget
- The largest increase was realized by the Police Department at 5.61% due to the settlement of the union contract resulting in multiyear wage increases impacting the budget
- The Public Works Department had a decrease of -9.29% due to reductions in snow removal, major road improvements, and fleet
- All controllable appropriations remained at prior levels
- Use of Fund Balance to balance the operating budget remained at \$0 for the second year
- Funding for education increased 3% to \$110,361,655. This increases the State's Minimum Budget Requirement (MBR) by \$3,214,415

Education

The Board of Education (BOE) Joint Board adopted budget of \$110,361,655 is an increase of \$3,214,415. State statute mandates a BOE budget, at a minimum must be funded to at least the prior year approved funding level. This is known as the Minimum Budget Requirement, or MBR. The Board of Education will have savings available in their 2018 budget of \$1,412,679 due to the City's Health Benefits Fund projecting a savings of 3%.

Transmittal Letter – (continued)



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

In summary, the BOE budget is as follows:

Approved budget 2017-2018 \$110,361,655

Other BOE funding sources not affecting MBR:

Use of Revenue Estimates:	
❖ Tuition Revenue	\$150,000
❖ School Building Revenue	\$ 35,000
❖ Medicaid Revenue	\$100,000
❖ Excess Student Cost Revenue	<u>\$2,600,000</u>
Total Other Funding Sources	<u>\$2,885,000</u>

Looking at past history, actual revenues have been higher than estimates, therefore the Board of Education may receive more than the \$2,885,000 in other funding sources in 2017/2018.

For further commentary on the Education Department’s service efforts, please turn to the ‘Board of Education’ tab.

Transmittal Letter – (continued)

PROFILES OF THE APPROVED 2018 OPERATING BUDGET BY FUND

FISCAL IMPACT

OPERATING BUDGET: GENERAL FUND

Even with appropriation reductions, the City of Bristol's General Fund continues to support the majority of the City's public services including police, fire, public works, general government, parks & recreation, libraries, debt service, and other miscellaneous items. The General City budget decreased \$541,510 or -0.66% while the Board of Education increase \$3,214,415 or 3%. This results in a net operating budget increase of \$2,672,905 or, 1.41%, over the 2016-2017 General Fund approved budget.

Contingency

Perhaps the most unpredictable yet probably highly favorable budgetary impact account is the General Fund Contingency appropriation. Each fiscal year, City officials "worry" if the funding level will be sufficient to handle emergency expenditures for a bad winter storm year or unforeseen emergencies or opportunities. A Contingency account provides the first line of defense to any potential use of the City's fund balance levels. The Contingency line decreased from \$1,599,135 in 2016-2017 to \$1,000,000 for 2017-2018. This reduction is because the \$599,135 was included in 2016-2017 for the Board of Education loss of State revenue for the alliance portion of the Education Cost Sharing (ECS) grant.

Public Works

Overall, the Public Works budget had a record decrease of \$1,226,215 or 9.29%. The three major reductions within the Public Works budget requests were \$211,000 for Fleet to purchase vehicles and equipment, \$584,990 for Public Roads improvements and \$100,000 for Snow Removal.

THE FUTURE OUTLOOK

Long-Term Goals and Objectives

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

With its long-term financial goals and objectives in mind, the City develops and prepares a Capital Improvement Program (CIP) that is a forward looking multiyear plan identifying capital projects to be funded during the planning period. The Capital budget represents the first year of the CIP. The CIP and Capital Budget also serve as links to the City's planning process in other ways. The CIP is developed in concert with the City's Comprehensive Land Use Plan, its Debt Management strategy, the City's downtown redevelopment plans, and a multi-year plan to refurbish the City's parks. It was expanded, several years ago to become a 10-year CIP Plan. Previously it was a 5-year plan.

The City and the Board of Education elected/appointed and respective management have agreed to meet on education related funding matters throughout the fiscal year to gain a mutual understanding of financial situations affecting the educational system and the City's ability to pay for proposed increases. This is a new initiative in the interest of mutual cooperation and understanding.

Transmittal Letter – (continued)

Financial Goals and Objectives

In addition to the formal long-term planning process, City administration from time to time adopts a set of informal long-term goals and policies. Increasing expenses related to snow removal, fleet replacement and road upgrades are on-going financial problems. A discussion will take place next year to decide if expansion of the policies is warranted.

Non-Financial Goals and Objectives

The City is expected to continue its review of programs and services in light of the rising costs of providing a wide variety of services to the community.

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 moves beyond the traditional concept of line item expenditure control, and provides information to managers that can lead to improved program efficiency and effectiveness with its format. Under the criteria established by the GFOA Distinguished Budget Award Program, our document is a staff and citizens' useable policy, objective, and goal-orientated document. It focuses budget decisions on results and outcomes, incorporates a long-term perspective and lastly, we believe it is an easy to read and understand communication device for interested parties.

Review and Award Process

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

Transmittal Letter – (continued)

ACKNOWLEDGEMENTS

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

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

Most City officials believe that once our City budget is approved the process is over for another year. This is far from true. It is actually the start of a 90-day document preparation that includes criteria review, rewriting, proofing, and a 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, Skip Gillis, Senior Accountant, and Jodi McGrane, Assistant to the Comptroller, all from the Comptroller's Office, for their seemingly endless efforts in continuing to contribute to producing this GFOA award-winning document on behalf of the citizens, taxpayers, and elected and appointed officials of the City of Bristol.

Respectfully submitted,



Glenn S. Klocko
Comptroller

