Speaker:

Glenn Klocko, Comptroller, City of Bristol

Glenn has been the Comptroller for the City of Bristol for the past 16 years. Prior to his service in Bristol, Glenn was the first Director of Finance for the Town of Avon. He was a part of the management team that received the first Hartford County municipality Triple A upgrade from the rating agencies in over 20 years (for the Town of Avon).
Klocko’s Tips

*Klocko’s Tips* are interspersed throughout his presentation and offer his personal and well tested remedies and advice on unique and or troublesome issues and often misunderstood aspects of our financial discussion.
Municipal Budgeting - The Context

• Impact of Economic Environment

  Slow or no grand list growth

  Reduced tax revenue

  Reduced non-tax revenue

  Potential increase in required services

  Public ability/willingness to pay
Municipal Budgeting—The Context (cont.)

- Today’s budget environment presents a significant challenge.
- Many communities are facing stagnant/declining grand list growth and declining non tax revenues.
- These economic factors are combined with an ever increasing demand for services and the ability/willingness of the public to support continued tax increases.
- A very challenging situation is the result.
- In this environment of heightened public scrutiny and economic scarcity, the keys to success are strong financial management and thoughtful and responsible budgeting.
Municipal Budgeting Management

- Budget Process
- Phases of Budget
Municipal Budgeting Management

The budget process includes:
- Preparation
- Review
- Revision
- Adoption
- Implementation
- Evaluation (Audit)

Phases of budget cycle
1. Preparation of requests
2. Legislative adoption
3. Implementation
4. Evaluation

End product of each phase
- Proposed budget
- Legal Appropriations
- Revenues, expenditures occur
- Audit report: Surplus v. deficit
Budgeting:
Tools, Terms & Tips
Tools

• Documents and Reference Materials:
• Official Statement
• Budgets (current and prior)
• Audit Report, Management letters
• CAFR (Comprehensive Annual Financial Report)
• Rating Agencies market reports
• An Elected Official’s Guide Series
• Robert’s Rules
Websites

- gfoa.org
- gfoa-ct.org
- ccm.org
- icma.org,
- ct.gov (fiscal indicators)
- cbia.com
- neepecon.org
- rating agencies
  - (moodys.com, standardandpoors.com, fitchratings.com)
- CBIA.com
- NEEPECON.org
Terms

• Fund Balance - Unassigned
• Surplus
• Cyclical
• Fund balance
• Tax levy
• Assessor
• GASB/OPEB
• Budget Variances (Budget to Actual: RSI 1&2)
• Capital Budget
• Mill Rate
• Budgetary basis
• Financial Position

Deficit
Structural
Contingency
Grand List
Tax Collector
Encumbrances
Capital Improvement Plan
Transfers
G.A.A.P. Basis
Financial Condition
Klocko’s Tips

Oh by the way, pronunciation is important; It’s Fiscal not Physical; and it’s Gazz-Bee not Gatsby).
Budget as a Communications Device

Your budget is not just for your community leaders; others read and want it. Remember there are other potential users?

• Your budget communicates:
  – A budget in Brief:
    The Budget Message articulates priorities and issues, such as significant budgetary changes on year to the next and factors causing the changes.

Examples: Economic Factors (Economic Forecast)
  Regulator (mandate costs)
  Legislative (state budget delays)
Budget as a Communications Device (cont.)

- Describes the process for preparing, reviewing, and adopting budget along with procedures to amend the budget after adoption
- Includes a Budget Calendar
- Has Charts and graphs with narrative interpretation.
- Contains: Table of contents, a glossary, and acronyms or abbreviations are all defined
- Statistical information is provided for comparative purposes
- The Budget Document itself is produced and formatted in such a way as to enhance its understanding by the average reader
- And, it should be attractive, consistent, and oriented to the reader’s needs
Let’s Take Sides
Municipal Budget Management
Klocko’s Tips

The best budget documents tell the story behind the numbers
Recommended Budget Practices

The best budget documents also have:

a) Synopsis of budget decisions
b) Factors leading to them
c) Implications for programs and services
d) Spells out short and long-term goals and priorities
e) Disclose any and all assumptions
Important!

Relate the past to the current and future by highlighting historical significance of prior year’s plans to current and future plans. This provides a bridge between budget years.
12 Habits of Highly Successful Elected Officials
• Fund balance reserve policy/working capital reserves
• Multiyear financial forecasting
• Monthly or quarterly financial reporting & monitoring
• Contingency planning policies and practices
• Policies regarding non-recurring revenue (review/update all policies)
• Debt affordability reviews and policies and practices
• Superior debt disclosure practices
• Pay-as-you-go capital funding policies and practices
• Rapid debt retirement policies (greater than 65% in 10 years); Compare ratio to other municipalities.
• Ten-year capital improvement plan; integrating operating
• Government Finance Officers Association (GFOA): Financial reporting and budgeting awards
• Compliance with Governmental Accounting Standards Board (GASB 45- OPEB)
• Lack of willingness to pay obligations (OPEB, ARC, Liabilities)
• Qualified audit opinion of material weakness
• Operating deficit for two of past five years
• Slow debt retirement (less than 35% in 10 years)
• Unfunded accrued pension liability (funding ratio less than 60%)
• Debt restructuring that defers more than 35% of current debt service (back loading versus level debt service of front loading)
• Over reliance on nonrecurring revenue (for more than 15% of recurring expenses)
• Structural Imbalance
• Aggressive investment policy for operating funds (S.L.Y.)
• Pension contribution deferrals
• Lack of capital improvement plan
• Excess interfund borrowing with no capacity to repay in near future