

Policy Initiatives

Overview

The City of Bristol's Board of Finance has approved key financial policies or best practices which are followed for financial transactions, financial reporting and annual budgeting. These policies are highlighted herein.

Debt

The foundation of any well-managed debt program is a comprehensive debt policy. The purpose of a debt policy is to establish parameters and guidance for decisions on capital spending and issuance of debt as financing mechanism as well as to provide guidance regarding the timing and purposes for which debt may be issued, the types and amounts of permissible debt, the methods of sale that may be used, and the structural features that may be incorporated. The advantages of a formal debt policy include:

- 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.
- Is regarded positively by the rating agencies in reviewing credit quality.
- Ensures that the City maintains a sound debt position and projects the City's favorable credit rating.

Original policy approved by the Board of Finance on May 22, 2001 and updated February 28, 2017.

Long-term and short-term debt issuances to finance the City's capital program will be reviewed based on cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions.

The mill rate impact of any debt issues will be evaluated so as to minimize overall tax increases and maintain level debt service payments as practical.

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. The City will structure debt repayment on new bond issues to retire, at a minimum, 50% of the City's overall outstanding debt in the first ten years.

Debt ratios are one of many factors which influence bond ratings. The Board will consider the following debt ratios when reviewing the City's capacity to issue debt:

- Debt as a percentage of Net Taxable Grand List.
- Annual General Obligation debt service as a percentage of General Fund operating budget expenditures.

Integration of Capital Planning and Debt Financing Activities

- **Ten Year Capital Plan.** A Ten Year Capital Improvement Plan (CIP) is prepared. The CIP will identify revenue sources and expenditures for the current budget year (Capital Budget) and evaluate the financial impact of each proposed project. The Capital Budget is adopted as part of the annual budget process by the Board of Finance and the Joint Meeting of the City Council and Board of Finance.
- **Funding of the Capital Improvement Program.** The Board will use the following sources to fund the CIP:
 - General revenues (pay-as-you go) or excess surplus
 - Bond financing
 - Grants
 - User Fees
 - Any Combination of the above
- **Equity, Effectiveness and Efficiency.** The Board is guided by three principles in selecting a funding source for capital improvements:
 - **Equity:** Whenever appropriate the beneficiaries of a project or service will pay for it. 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 the project benefits specific users, such as water and sewer facilities, the revenues will be derived through user fees or charges and assessments.
 - **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.
 - **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.

Debt Authorization (City Charter Requirements)

In accordance with the City Charter (Section 25) the Board of Finance is authorized to borrow money through the issuance of notes or bonds for the city and any tax districts, either existing or which may be create. The City also has an established sinking fund to be used solely for the redemption of payment of bonds. The members of the Board of Finance also serve as the Board of Sinking Fund Commissioners to oversee this fund.

Purposes for Which Debt May or May Not Be Issued

- The Board will consider financing major capital improvements with a total cost generally in excess of \$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 Plan.
- The Board may issue debt to provide for emergency infrastructure repair or replacement.
- The Board will consider refunding existing debt to take advantage of lower interest rates and/or to eliminate existing debt covenants that may have become restrictive.
- The Board will not issue debt to fund current operating expenditures, enterprise activities, enterprise funds, vehicles/rolling stock, leased or lease/purchase items.
- The Board will not issue any derivative securities.

Legal Limitations

The City will be in compliance with and will not exceed the debt limitations set by the State. Connecticut General Statutes limit 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

Before issuing debt, the Board will direct the Comptroller to contact the City's Financial Advisor and Bond Counsel for consultation.

- **Short Term Debt**
 - **Bond Anticipation Notes:** The Board may choose to issue Bond Anticipation Notes as a source of interim construction financing when deemed prudent.
 - **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.
- **Long Term Debt**
 - **General Obligation 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. Bonding should be used only after considering alternative funding sources such as project revenues, Federal and State grants, and special assessments.

- **Revenue Bonds:** Whenever possible, the City will use revenue, self-supporting, or special assessment bonds instead of general obligation 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.
- **Tax Increment Financing (TIF):** The City created the Bristol Downtown Tax Increment Financing District and the District Master Plan to help revitalize the City’s downtown and support employment, housing and economic growth in the City. The City reserves the right to incur debt to facilitate, in part or in whole, any of the projects within the District Master Plan. Should such debt be issued and to which TIF revenues have been pledged, a Development Sinking Fund will be created and charged with the payment of interest and principal as well as any other related financing costs. TIF revenues shall be deposited first to the District Master Plan Fund, then to the Development Sinking Fund and then to the Project Cost Account.
- **Credit Enhancement:** Credit enhancement agreements (CEA’s) are a mechanism for providing assistance to property owners or developers for undertaking development projects in the TIF district. Generally, CEA’s allow the City to provide reimbursements of future incremental property tax to property owners or developers. Mandatory requirements for participation include but are not limited to: the need to offset economic advantages offered outside the City, financial capability of the developer to undertake to project, a minimum project cost of \$1,000,000, and a minimum 10% of the project cost equity contribution by the owner or developer.
- **Leasing:** Leasing is appropriate for procuring assets that are too expensive to fund with current receipts in any one year and are operational in nature. The City will not fund operating expenditures with debt. Generally, leasing relates to assets with short useful lives (less than 10 years) and which are subject to rapid technological obsolescence.

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.

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- **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 and 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.

Selection of Consultants and Service Providers

- **Solicitation:** The City’s Comptroller shall be responsible for establishing a solicitation and selection process in accordance with the City’s Purchasing Policies and Guidelines for securing professional services that are required to develop and implement the City’s debt program.
- **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/registrar, 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. Besides legality, the City's foremost investment objective will be safety of principal. The City will maintain sufficient liquidity to meet project expenditure requirements. 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.

Donations

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

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 a request for the repayment of the donation amount to the City.

Fixed Assets (Capital Assets)

The Board of Finance governs the policy for City fixed assets, to ensure accountability for fixed assets. 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 total value of fixed assets is reported as Capital Assets in the Comprehensive Annual Financial Report (“CAFR”) as prepared by the Comptroller’s Office. The value of Capital Assets, reported by function (governmental activities and business-type activities), shall include the beginning value, a summary of additions, a summary of retirements, and an ending value for the fiscal year being reported.

A purchasing subcommittee of the Board of Finance will meet as needed to make updates to the policy. The policy was reviewed and updated by the Board of Finance on February 28, 2017.

Presented herewith is a summary of the City’s Fixed Asset Policies and Procedures. This policy in its entirety is available in the Comptroller’s Office.

Asset Definitions

- **Capital Assets** - A capital asset is defined as a piece of equipment, or investment in general infrastructure, that has a value in excess of \$5,000 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.
- **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, 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.

Capitalization Thresholds

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 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 on 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 and Land Improvements
- Construction Work in Progress
- Infrastructure
- Buildings and Building Improvements
- Equipment

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.

Asset Classification

- **Land and Land Improvements** - 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 and land improvements.
- **Construction** - Construction includes all buildings and building-related structures. Construction-in-process is considered as a separate type of construction and is tracked as a separate 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.
- **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. The City of Bristol has adopted the Governmental Accounting Standards Board recommendations.
- **Machinery and Equipment** - Machinery and equipment typically comprises the largest number of assets, but comprises the smallest overall value in relation to other classes.

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.

- **Vehicles** - Consideration is made for vehicles separately from machinery and equipment.

Property Accounting

- **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 In-Service Dates** - An asset's age is typically based on when the asset was acquired, or when the asset underwent its most recent major renovation.
- **Fund Designations/Function Designations**
 - **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.
 - **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 Receptions
 - 80 Miscellaneous/Art
 - **Depreciation Considerations** - Depreciation shall be applied to all capital assets, assigned on an annual basis (except for land or land improvements, and work in process). Straight line depreciation will be calculated using the original cost less salvage value, divided by estimated useful life.

Property Control

Department Responsibilities

- Maintain assets in good condition as applicable to the assets working environment
- Use of assets for personal use or benefit is prohibited
- Provide Purchasing Department with relevant documents and information
- Obtain approval of the Purchasing Department, for suitable and appropriate disposal method for assets no longer required by the department

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- Annually Report detail of all additional and deletions of assets for their department for the year, to the Purchasing Department. Such annual report must be made within sixty days of the end of the fiscal year relevant to the annual report. Such information shall include, as applicable: asset description, location funding source, acquisition date, purchase order number, serial number, and asset cost.

Purchasing Responsibilities

- Maintain a full and comprehensive list of capitalized assets owned by the City. Information on the asset history, location, and appropriate custodial responsibility shall be retained and managed in such list.
- Maintain all files relative to vehicle titles and/or certificates of origin.
- Issue RFP's relative to the sale of land parcels, as directed by either the Mayor or the Real Estate Committee of the City Council.
- Maintain asset records in the City's financial records system (i.e. Munis), including maintenance of tables relative to such asset records.
- Report summary of asset additions and/or deletions to the Comptroller's Office, for its consideration in the preparation of the Comprehensive Annual Financial Report ("CAFR").

Comptroller Responsibilities

- 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.
- Responsible for the calculation and application of all depreciation, and any and all adjustments to the plant asset fund.
- Provide direction and management in the establishment of appropriate useful lives for asset classes.

Methods of Asset Disposition

- **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.
- **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.
- **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.
- **Sale of real estate** - the Purchasing Department shall sell surplus real estate in accordance with direction set forth by the Real Estate Committee.
- **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.

Fund Balance

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The Board of Finance established a policy to reduce the reliance on surplus to balance the General Fund budget. From an historical high of \$3.66 million years ago, the City has achieved its goal and since 2016-2017 has not used any amount of fund balance to balance the budget.

As a matter of sound financial policy governments should maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time emergency expenditures. The Board of Finance recognizes the importance of maintaining a stable and adequate General Fund - Fund Balances and sets forth the following policy:

- Maintain ending General Fund total Fund Balances as a percent of operating revenues at between 15% and 20%.
- Maintain General Fund Unassigned Fund Balances as a percent of operating revenues between 12% and 15%.
- 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.

General Retirement Fund

The purpose of this policy is to set the guidelines and objectives for a funding policy for the City of Bristol General Retirement Fund. The policy objectives are to:

- Maintain a fully funded pension plan for its employees and the taxpayers of the City of Bristol.
- Have a pension funding policy that is based on actuarially determined contributions.
- Build funding discipline into the policy to ensure promised benefits can be paid.
- Maintain intergenerational equity so the cost of employee benefits is paid by the generation of taxpayers who receive the services.
- As necessary, make employer costs a consistent percentage of payroll.
- Require clear reporting to show how the pension plan will maintain its fully funded status.

The City of Bristol has three pension plan designs for its employees. A Police Retirement Benefits Fund, a Fire Retirement Benefits Fund, and a General City Retirement Benefits Fund for all other covered City employees, including certain Board of Education employees. Investments for all three plan designs are handled in one custodial trustee account. Prior to July 1, 2018 the City had separate actuarial valuations performed for each plan where the investment/assets had historically been allocated to account for separate values between the three plan designs. The funded ratios of the plans as of July 1, 2017 were Police – 164.4%, Fire -268%, and the General City Plan – 99.1%.

Effective June 30, 2018, the City combined the valuation reporting of all three funds into one in order to maximize the asset values to the liabilities. This eliminated the annual Actuarially Determined Contribution (ADC) to the General City Plan, which was approximately \$3.47 million, for FY2019. While the combining of the three valuations yielded a combined actuarial funded ratio of 149%, and assuming future investment performance similar to historical trends, financial/actuarial projections estimate that it

is likely the City may not be required to make a contribution over a twenty to thirty year time frame.

While the analysis is hypothetical and subject to market volatility, the City of Bristol recognizes it is important to have a sound funding policy in place for its pension plan for a number of reasons:

- Determines a plan to fund pensions.
- Provides guidance in determining pension funding decisions annually for budget purposes.
- Demonstrates adherence to prudent financial management practices.
- Reassures bond rating agencies.
- Demonstrates to the public and employees how the pension plans will be funded.

The actuarial valuation includes a Long Range Forecast with regard to the anticipated Funded Ratio of the plan as well as the anticipated employer contribution to the pension plan. In keeping with sound financial practices, the City of Bristol Retirement Board and Board of Finance shall annually review this forecast to assess the financial strength of the plan. If at any time within this projection the plan is projected to trend towards a minimum funded ratio of 125% the Retirement Board and Board of Finance shall develop and implement a plan to fund the pension plan over a reasonable period of years to re-establish the funded ratio.

In the event the City and/or the Board of Education is negotiating benefits offered within the Retirement System, any benefit improvements and/or changes will require an actuarial analysis, coordinated with the City Comptroller, to determine:

- The cost of the benefit changes.
- The effect on the funded ratio and funded ratio projections.

At no time will benefit improvements/changes be enacted that reduce the projected funded ratio to trend at or below 125%.

This policy will be reviewed annually at the February Retirement Board meeting.

This policy was approved by the Retirement Board on January 10, 2019, and by the Board of Finance on January 22, 2019.

Investments

The purpose 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. 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. Following are highlights of the policy. The Policy in its entirety is available in the Comptroller's Office.

Scope

The investment policy applies to all financial transactions including the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Trust and Agency Funds and any new fund created by the governing body, unless specifically exempted by the governing body or legally restricted. The employees' retirement and other post-employment benefits funds are excluded from this policy.

Delegation of Authority

In accordance with Section 25 of the City Charter, the Board of Finance authorizes the Treasurer and/or Deputy Treasurer to act as the investment officer and to invest all City funds with the exception of pension and various other trust funds. who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with the investment policy.

Internal Controls

The Treasurer shall establish and maintain a system of internal controls 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

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.

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.

Authorized Financial Institutions, Depositories, and Brokers/Dealers

All investments must be made in securities authorized by CGS 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.

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.
- Investing in securities with varying maturities.
- 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.

Consolidation of Cash

Except for cash in certain restricted and special funds, the City 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** - 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.
- 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.

New Positions

All proposed new positions requested by departments (excluding the Board of Education) must be justified to and approved by the Salary Committee, prior to inclusion in any departmental budget. Positions are then approved by the City Council and funded by the Board of Finance.

Sinking Funds

The City of Bristol follows a policy of using sinking funds to provide funding for major projects that recur but do not necessarily recur annually, to provide funding for unexpected emergencies and to provide funding for one-time opportunities. Such funding currently includes:

- A sinking fund to supplement operating appropriations for capital equipment and infrastructure.
- A fire vehicle reserve account within the Equipment and Building Sinking Fund to replace fire apparatus on a cash basis.
- A “Major Bridge” contingency account within the Capital Projects fund for eventual bridge overhaul or replacement.
- Annual contribution to the Capital and Nonrecurring Fund for special capital projects that may need to be done in any given fiscal year.
- Annually appropriate funds for the assessor revaluation to be performed every five years as mandated by the State of Connecticut Office of Policy and Management.

Tax Abatements

The City provides tax abatements through the Connecticut Enterprise Zone Program and Urban Jobs Program as well as a City-sponsored and locally administered Enterprise Zone Program for projects that fall within the State-designated Enterprise Zone but which do not qualify for the State-sponsored program. All such programs may be available to certain businesses in the City (with permission of the Director of Economic Development.) These incentives include the potential of abating local real property tax assessments on up to a ten year declining scale and a Connecticut Corporate Income Tax Credit.

Travel Reimbursement

The City’s Personnel Policies & Procedures outlines the process and procedures for authorization for business travel. Mileage reimbursement is in accordance with the IRS standard mileage reimbursement rate.