

Audits: No cause for alarm in Meriden

City's finances headed 'in the right direction'

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MERIDEN — A recently completed audit shows the city spent more than \$1 million less than it budgeted over the fiscal year that ended June 30.

The \$1.05 million left over is composed of a \$50,890 surplus from the operating budget and a full return of \$1 million from the city's fund balance that was added as a contingency for any unforeseen expenses. City Manager Lawrence J. Kendzior attributed

the return to positive operating results that included major savings in areas such as general government employee benefits.

"It was not necessary to use the \$1,000,000 the city had budgeted from undesignated reserves because of the good operating results," he said via e-mail on Wednesday.

By leaving the \$1 million untouched, the city now has reserves of \$14.3 million, \$13.3 million of which is undesignated. That's about 7.92 percent of the city's operating budget — just short of the eight to 10 percent the city would ideally like, according to Finance Director Michael Lupkas.

The fund balance has rebounded nicely from three to four years ago, when it hit a dangerous low of only around \$2 million.

"It's showing good management," said Lupkas. "Things are heading in the right direction."

Another bright spot in the audit was a tax collection rate that, in spite of the economic downturn, increased to 97.43 percent — the highest the city has seen in 10 years.

The increase, however, did not translate to more revenue overall, as the city brought in \$1,262,314 less than it had budgeted to receive through taxes, investments, state grants and charges for services such as building permits. The lack of tax money was attributed to an overestimation in motor vehicle tax revenue and the impact of tax assessment settlements, while Lupkas said the lower-than-anticipated investment revenue was due to a decrease in interest rates in an ailing economy.

"That's just the condition that's out there," he said. "We have taken steps to do as much as we can with investment return, but it's such a terrible market."

Fortunately, the reduction in revenue was offset by several line items that came in significantly under budget. Benefit spending for general government employees came in

\$1,665,805 under budget, while Board of Education expenditures were \$509,855 less than anticipated.

Other audit findings saw the city's grand list fall by \$15.1 million to \$3.86 billion due to a loss of business properties and an increase in tax-exempt properties under a change in state law, as well as a pension fund that gained \$18.72 million since last year.

Interest on long-term debt decreased by \$1.2 million, and total bonded debt was reduced by \$14.5 million. After not issuing any long-term bonds over the entire fiscal year, the city owed a total of \$68.7 million in long-term debt as of July 1.

Overall, both Lupkas and Kendzior said relatively strict spending policies that have been in place for the past several years had paid dividends in weathering the effects of the prolonged recession.

"The control exercised over expenditures, the increase in the tax collection rate, the decrease in bonded indebtedness and debt payment and the increase in pension assets are all very good achievements in a difficult economic climate," said Kendzior.

The city's operating budget in 2009-10 was \$177,965,427. The audit was performed by the West Hartford firm Blum, Shapiro & Co. P.C.

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