

VERONA

Township of Verona, New Jersey



2018 Municipal Budget



Budget Workshop
March 12, 2018



Looking Back at 2017...



2017 Revenue Results

2017 Anticipated Revenue collections exceeded budgeted amounts by approximately \$170,000:

- Positive Results:

- Building Dept. Fees \$437,000 (300,00 Budgeted)
- Interest on Deposit \$145,000 (50,000 Budgeted)
- 1st year of Verona Place PILOT Agreement (\$39,000)
- Non-Anticipated Revenue of \$246,000
 - FEMA Receipts, Surplus Vehicle Sales, Trust Account Cancellations

- Negative Results:

- Change in Status of Verona Senior Housing PILOT





2017 Budget Results

For the most part, 2017 actual expenses fell inline with our projected budget:

- Savings:
 - The Department of Public Works and the Health Department saw significant decreases in personnel cost due to Retirements
 - Employee Benefit Costs
 - PSEG Reimbursements
 - Energy efficiency, combined with steady rates, led to low utility costs.
- Increases:
 - Property Revaluation added \$400,000 to be paid over the next five years
 - PBA and OPEIU contracts expiring 12/31/16 have not been settled. Outcome of negotiations did not yet impact the 2017 Budget.



2017 Operating Results

The net result of the Township's operations is an increase or decrease to the Township's Fund Balance

- Fund Balance Increased by:
 - Revenue collections in excess of budgeted amounts
 - Actual expenditures less than budgeted amounts
 - Miscellaneous revenue not anticipated
- Fund Balance Decreased by:
 - Revenue Shortfall
 - Expenses over budgeted amounts
 - Emergency Expenses
- 2017 Operations resulted in an \$564,000 increase to Fund Balance



Moving on to 2018...



2018 Proposed Municipal Budget Summary

Revenue Source	2018 Budget
Miscellaneous Anticipated Revenue	\$ 4,060,988
Delinquent Taxes	420,000
Fund Balance	2,920,000
Amount to be Raised by Taxation	<u>\$16,475,923</u>
TOTAL	\$23,876,911

Expense Appropriation	2018 Budget
Salary and Wages	\$ 8,030,070
Statutory Expenses	1,803,533
Debt Service	3,820,405
Public Library	820,243
Reserve for Uncollected Tax	1,628,850
Other Expenses	<u>7,773,810</u>
TOTAL	\$23,876,911



2017 and 2018 Municipal Budget Comparison

	2017 Budget	2018 Budget (Proposed)	Change
Municipal Tax Levy	\$15,885,429	\$16,475,923	3.72%
Municipal Tax Rate	.7852	.8149	3.78%
Avg. Property Valuation	\$361,700	\$362,600	\$900
Municipal Tax on Avg. Property	\$2,842	\$2,955	\$115
Assessed Valuation	\$2,023,084,900	\$2,021,822,600	-.06%



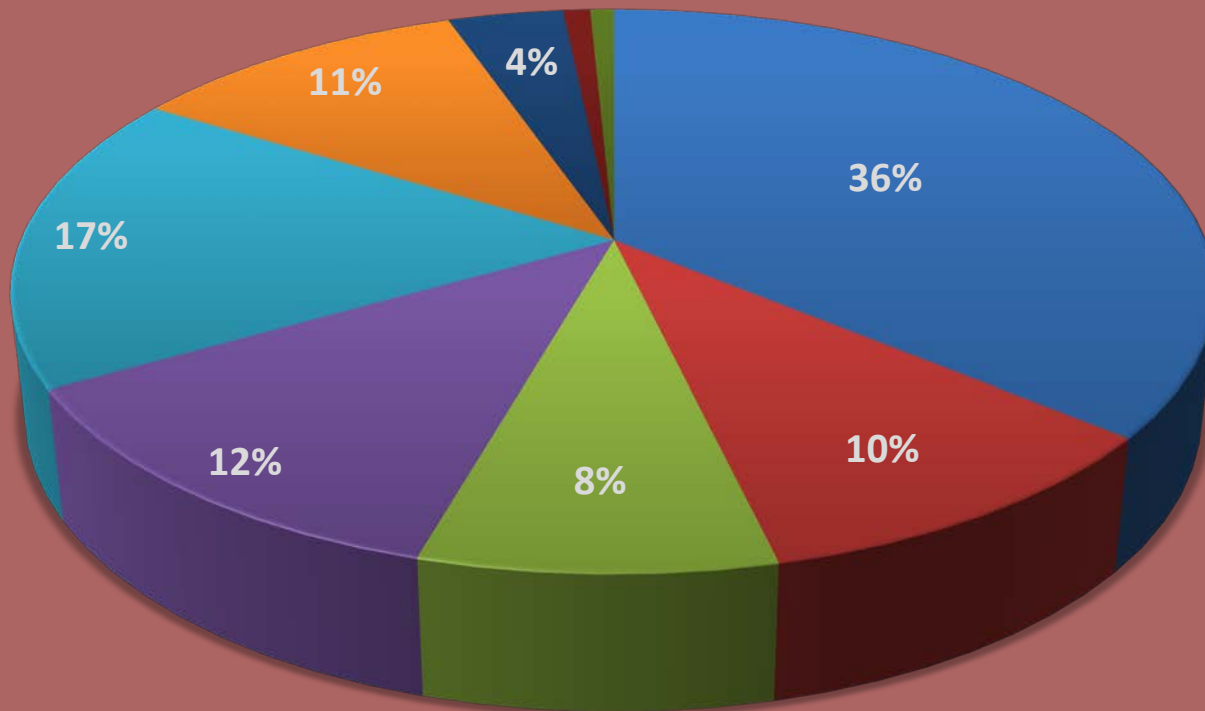
Municipal Tax History

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Municipal Tax Levy (in 000's)	14,856	14,865	15,710	15,762	15,842	15,885	16,475
% Change from Prior Year	0.00%	0.00%	5.69%	0.33%	0.51%	.27%	3.72%
Municipal Tax Rate	.720	.740	.785	.785	.785	.785	.815
% Change from Prior Year	3.75%	2.76%	6.08%	0.00%	0.00%	0.00%	3.81%
Operating Expenses (in 000's)	21,062	21,311	22,063	22,117	21,888	21,896	22,248
% Change from Prior Year	4.32%	1.18%	3.53%	.25%	-1.04%	0.04%	1.61%

Before we look at what is driving the 2018 increase, lets examine the budget in more detail...



Total Expense by Category



■ Salary and Wage

■ Health Benefits

■ Statutory Expenses

■ Other Expense

■ Debt Service

■ Utilities, Garbage, Recycling

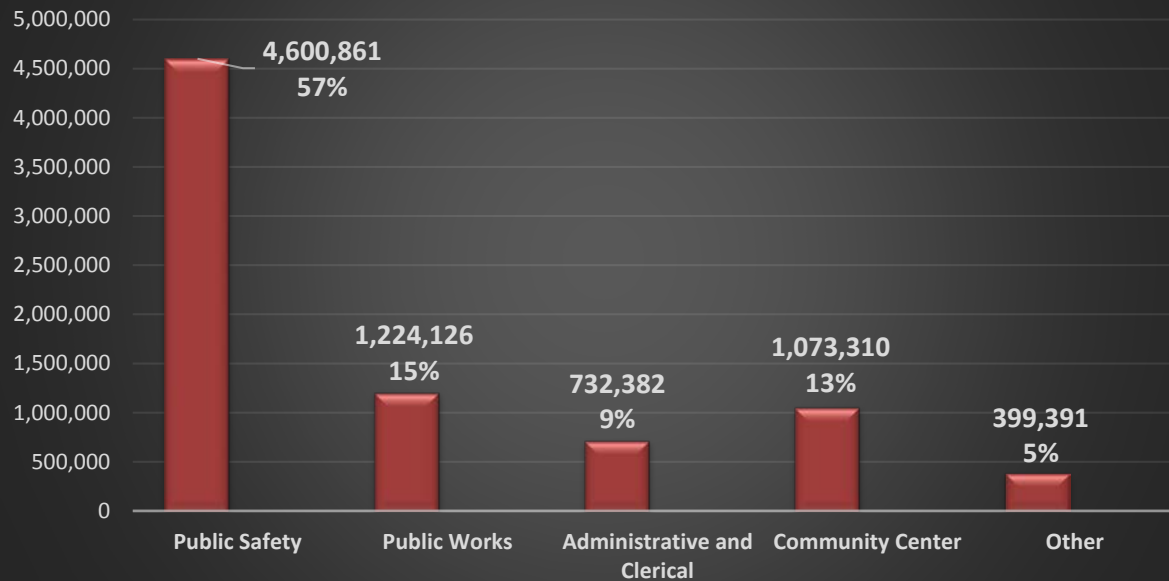
■ Library

■ Fire and Rescue

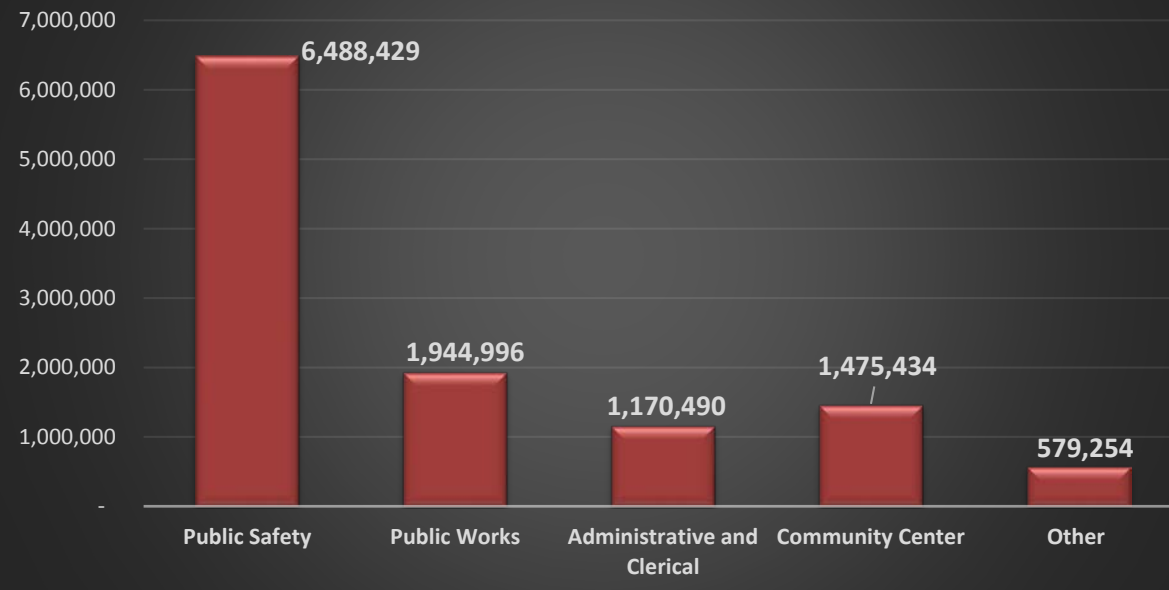
■ Grants/Interfunds



Analysis of Salary by Department



Salary & Benefit Cost by Department



- Estimated cost allocation



What Can the Average Resident Expect to in Municipal Taxes Pay?

Municipal Service	Annual Cost
Public Safety	\$ 903
Capital Projects and Debt	\$ 413
Public Works	\$ 507
Public Utilities, Garbage, Collection	\$ 320
Administration and Legal	\$ 306
Community Services & Recreation	\$ 256
Public Library	\$ 109
Other Miscellaneous Services	<u>\$ 141</u>
Total Average Annual Tax Bill	\$ 2,955

Municipal Services as a Monthly Bill

Municipal Service	Annual Cost
Public Safety	\$ 75
Capital Projects and Debt	\$ 42
Public Works	\$ 34
Public Utilities, Garbage, Collection	\$ 27
Administration and Legal	\$ 25
Community Services & Recreation	\$ 21
Public Library	\$ 9
Other Miscellaneous Services	<u>\$ 12</u>
Total Monthly Service Bill	\$ 246

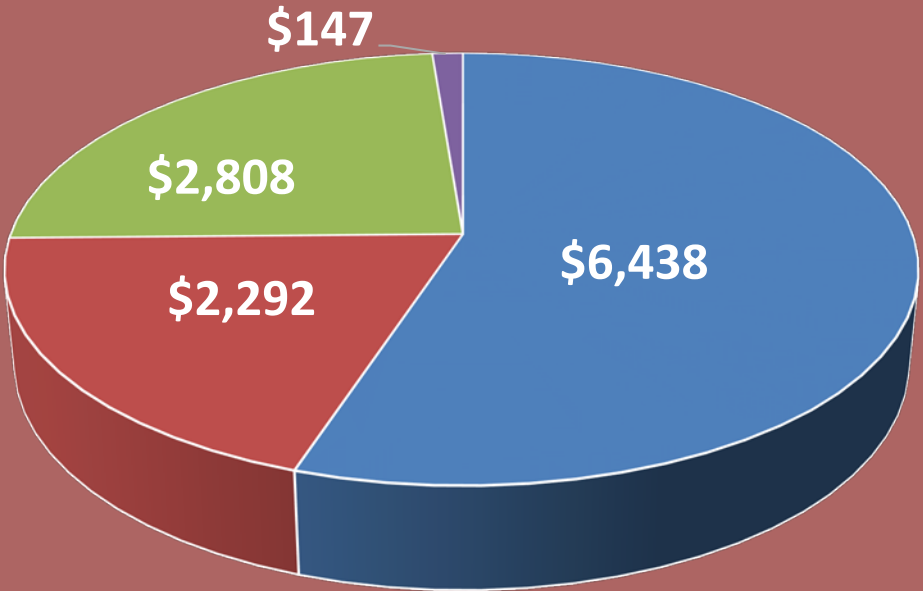


Now, Let's Look at the Entire Property Tax bill of a Verona resident

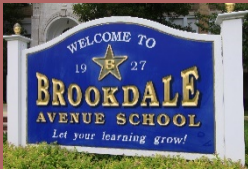


Tax Entity	% Increase (2014-2018)
Board of Education	11.50%
County	11.75%
Municipal	4.80%

Estimated Total Tax Bill of \$11,685



■ School ■ County ■ Municipal ■ Library



* 2018 School and County estimated based on historical increases

So What is Driving the 2018 Increase?

Debt Service on Capital Projects

Hilltop Fields Approx. \$6 Million



Library Renovation Approx. \$4 Million



Capital Ordinance Approval Process

- Governing Body approves capital spending outside of the normal budget process
- Capital Ordinance Requirements
 - Introduction (Meeting One)
 - Public Hearing (Meeting two)
 - Adoption by 4/5 Governing Body (Meeting two)
- Capital Projects are funded by a combination of:
 - Operating Budget
 - Grants
 - Long and Short Term Debt
- Debt Service (Principal and Interest)
 - Paid annually out of the operating budget

Debt Process & 2017 Bond Sale

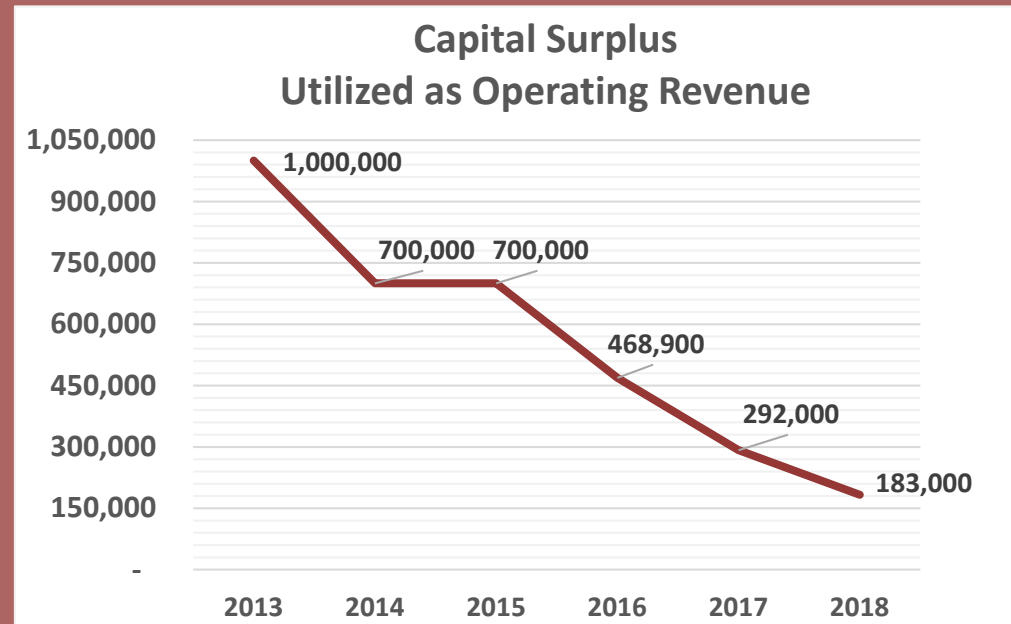
- Required Down Payment of 5%
- Short-Term Debt
 - Bond Anticipation Notes
 - Renewed Annually
 - Low Rates, Low Principal, Rate Risk
- Long-Term Debt
 - Scheduled principal and interest spread over the life of the projects
 - Locks in positive interest rates
- 2017 Bond Sale
 - 1st Since 2013
 - Credit Rating AA+
 - \$14,355,000 16yr Bonds (2018-2033)
 - 2.7% Net Interest Cost
- \$400,000 Increase to Debt Service



Progress

Revenue

- Very finite revenue streams
- Fees are examined on an annual basis:
 - Recreation Programs
 - Construction Fees
 - Municipal Court Fines
- Limited Investment Options
 - Regular Deposits
 - Prepaid Taxes
- Reduced Capital Funds as Revenue



Progress

Expenses

- Local Governments are service providers with many large fixed costs:
 - Personnel Costs amount to about 50% of our operating budget
 - PFRS Employer Contribution 27%
 - PERS Employer Contribution 13%
 - Police & Public Works
 - Garbage Collection and Utilities



Substantial effort to control expenses has produced bona fide results



Progress

2014 → 2018

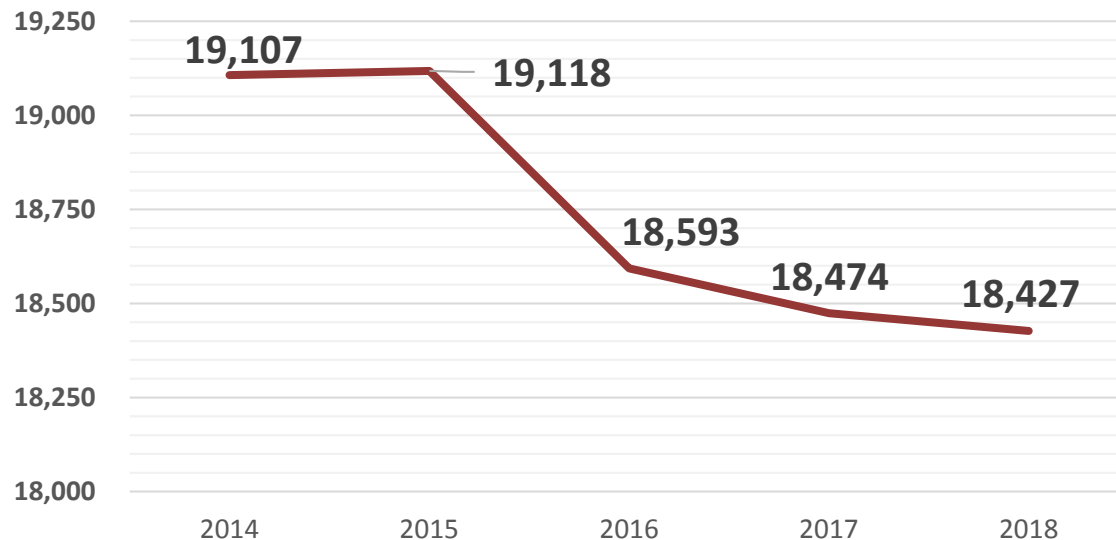
Operating Expenses

2014 Expense: \$ 22,063,489
2018 Expense: 22,248,060
Five Year Increase: \$ 184,571

Operating Expenses (Ex Debt)

2014 Expense: \$ 19,107,240
2018 Expense: 18,427,655
Five Year Decrease: \$ (679,585)

Operating Expenses (000's)
Excluding Debt Service





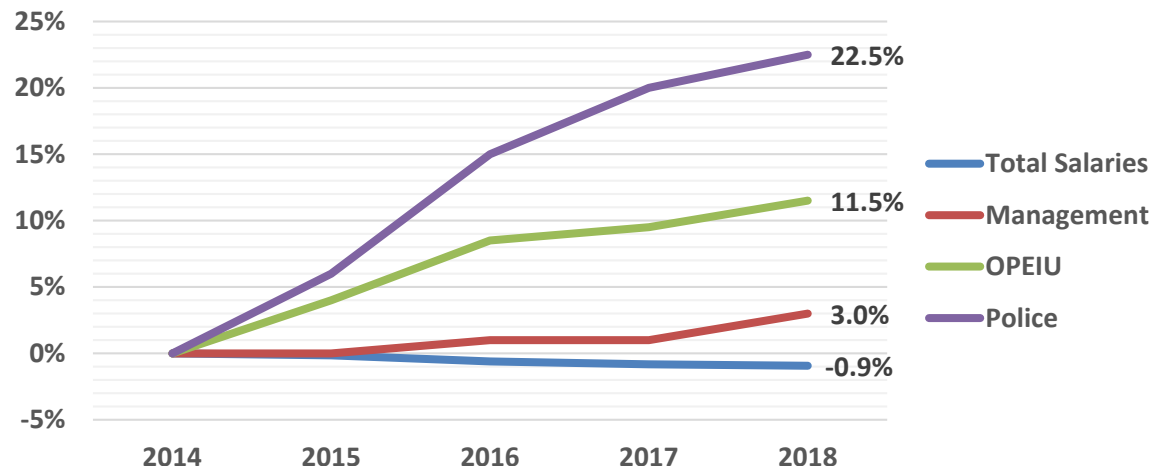
Progress

2014 → 2018

Total Salary and Wages

2014 Expense:	\$ 8,104,880
2018 Expense:	<u>8,030,070</u>
Five Year Decrease:	\$ (74,810)

Average Salary Increase 2014-2018





Challenges Ahead

1. Unsettled Collective Bargaining Agreements

- Both PBA and OPEIU contracts expired as of January 1, 2017
- The result of negotiations will dictate a large portion of the Township personnel expenses
- Estimated increases built into 2017 and 2018 Budget

2. Capital Projects and Debt Management

- Eliminate reliance on Capital Surplus as a revenue source
- Fund Capital Projects directly from operations to reduce debt
 - 2010 and 2008 Bonds retire in 2024
- Plan and Reserve funds for upcoming expenses (fields)

Utility Budgets

- Verona Operates Two Municipal Utilities
- Utilities are “Self-Liquidating”, which means they are operated strictly from user fees and not supplemented by Taxes
- Utilities Capital Projects and Debt
 - 2017 Bond Sale:
 - Water and Sewer = \$1,505,000
 - Swimming Pool = \$171,000
- Municipal Employees who spend time on both Municipal and Utility operations will often have their salaries split between the two

Swimming Pool Utility

2017 Operations

- Swimming Pool Utility is funded fully by its members and users
- Membership Fees of \$466,00 collected in 2017. \$88,000 in other revenues (Guests, Parties, Etc.)
- No Fee Increase in 2018 (Last increase was 2016)
- 2016 Badge and Membership system upgrade has produced greater revenue and allowed for improved controls

2018 Budget

- Less than \$20,000 Increase from the 2017 budgeted expenses
- DPW Salaries traditionally have not been charge to the Pool Utility
- Future Projects:
 - Children's Splash Park



Water & Sewer Utility

2017 Operations

- Mild summer contributed to rent revenue coming in at \$5,255,000
- Connection Fees from new development (in/out of Town) have produced substantial revenues
- Significant progress has been made towards automating the meter reading process:
 - 2/3 Complete
 - Estimated to be fully automated by the Fall of 2018

2018 Budget

- Approximately \$160,000 increase to operations in 2018
- Salary increase based on projected result of negotiations (OPEIU)
- Water Purchase – Major expense to supplement Verona Wells
 - 2018 Increase of 5% from Passaic Valley Water Commission (\$60,000)
- Debt Payments
 - \$60,000 increase to Debt in 2018
- Capital Projects
 - Major infrastructure improvements
 - More planning and analysis required

Next Steps

- Workshop Discussions with Dept. Heads 3/12/2018
- Introduction of Budget 3/19/2018
- Public Hearing and Adoption 4/16/18 (Tentative)

