

MINUTES OF THE FINANCE ADVISORY COMMITTEE

March 1, 2017

7:30 P.M.

*Mountain Lakes Borough Hall  
400 Boulevard, Mountain Lakes, NJ 07046*

*Present:*

*Chair: John Kaplan*

*Manager Rich Sheola*

*CFO: Monica Goscicki*

*Auditor: Ray Sarinelli*

*Members: Dodyk, Ricciardi, Happer, Holmberg (minutes)*

*Absent: Dewing, Horst*

I. Approval of February Minutes.

II. Reports: Ray Sarinelli of Nisivoccia LLP

**Recommendation made by Ray Sarinelli, Borough auditor, to establish the following Trust and Reserve Funds:**

I Storm Relief Trust: Current: \$0 – Recommend: \$300k

- Per state best practices should be 3 times average annual snow removal cost

II. Accumulated Sick Leave and Vacations: Current: \$0 – Recommend \$50k

III. Reserve for Insurance Co-pays & Deductibles (Trust): Current: \$0 – Recommend: \$25k to \$50k

IV. Reserve for Tax Appeals (Current Fund Reserve) Current \$0 – Recommend: \$250k+

- We are waiting to get a listing from the Tax Assessor to determine what the appropriate amount should be.

V. Capital Improvement fund Current \$26k - Recommend: \$100k

- This can be funded from the 2016 Appropriation reserves in 2017

The Storm Relief Trust would be funded with the \$293,000 FEMA reimbursement expected in Q1 2017. The other Trusts and Reserves would be funded with fund balances in excess of \$1.6mm not to exceed \$300,000. Incremental fund balances are anticipated from ~\$300,000 of inter-fund receivables. The above recommendations are subject to final support of amounts and would not be implemented until year-end.

Policies should be established for these accounts and how the level of reserves will be determined and replenished.

**Recommendation made by Ray Sarinelli, Borough auditor, to change current and future approach to the budget with respect to Fund Balance**

Target 5% to 7.5% of the annual operating budget as unused fund balance, i.e. surplus. This balance would leave sufficient uncommitted funds to manage cash flow constraints at year-end due to the time lag between quarterly tax bill collection and monthly expenditures

Recommendation for 2017: Reduce the Reserve for Uncollected Taxes (RUT) to 95.50% and use \$1.075mm of the \$1.595mm 2016 Fund Balance for the 2017 budget, leaving \$520,000 of surplus. This is approximately 5.8% of the operating budget and falls within the recommended target of 5 to 7.5%.

Recommendation for future years:

- 5% to 7.5% of annual operating budget retained as unused fund balance (surplus) targeting upper end of range when economic conditions warrant
- Maintain RUT at 95.50%
- Increase annual unused fund balance (surplus) at the same rate as taxes increase annually

Changes to the approach to the budget related to the annual fund balance should be supported with a specific policy resolution.

FAC agreed with Mr. Sarinelli's recommendations and further recommended that the proposal be brought to Borough Council.