

BOROUGH OF MOUNTAIN LAKES, NJ

FINANCE ADVISORY COMMITTEE

6 MAY 2020

Present: Barnett (minutes), Dewing, Happer, Kaplan, Lane, Mitchell, Murphy Stern (Borough Manager), Goscicki (Chief Financial Officer) Mooney (Auditor), Ray Sarinelli (Auditor)

Absent: None

Notes from the February 5th meeting were approved by the board members.

Audit review with Nisivoccia, John Mooney

1. Auditors expressed their appreciation to Borough CFO Monica Goscicki, the Finance Department and Manager Mitchell Stern for being very organized and responsive during the audit process. They noted the quality of the Borough's record keeping and Monica's thorough review. Mr. Mooney stated that the Borough's audit only required two journal entries, while some municipalities require 50+ journal entries, a positive reflection on the Borough's Finance Department.
2. Mr. Mooney walked the committee through the audit. He noted: the Borough's cash position dipped a little YTY; tax collection is off slightly; and cash reserves are up, including the tax appeal reserve. He also noted that the storm recovery trust can be used for any type of state of emergency event, including COVID-19.
3. Mr. Mooney noted that the committee may want to consider increasing the Water Utility fund balance from the current fund balance of \$150k. The committee will discuss this at a future meeting.
4. The Borough's 2020 audit contains one finding: a note on segregation of duties. Roughly 80% of municipalities, 100% of public libraries and most school districts have this same audit recommendation. Remedying this recommendation would involve hiring an additional employee, which the Borough doesn't consider advisable. Instead the Borough employs internal controls to address this issue. In 2019 the Borough had two audit findings. The finding regarding the municipal court record was taken care of last year.
5. Mr. Mooney noted that the goal is to finalize the audit within the week.
6. The committee thanked Ray Sarinelli for his years of service to the Borough.

Impact on property tax collection based on Governor Murphy's decision to allow deferral until June 1. Contingencies for potential increase in delinquencies due to Covid-19.

The committee took the opportunity to ask the auditors their opinions on any actions the Borough should consider due to COVID-19. The auditor recommended: a business as usual approach to tax collection, grace period and interest rates; handling any hardship cases on a case-by-case basis; and possibly lobbying for legislation to allow for after-the-fact forgiveness.

First Quarter 2020 Review

1. Revenue – The committee reviewed Q1 revenues for the current fund budget. Of note:
 - a. General capital and grant revenues will be realized in April.

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- b. BOE – The Board of Education field lease and solid waste fees collected from the BOE will be invoiced for half the year in July and half the year in October.
 - c. In Q1 the Borough collected \$230,814 (58%) of the delinquent tax balance from 12/31/19 of \$398,828.
 - d. State revenue is usually received between July and November. However, with the State extending their fiscal year, municipalities probably will not be receiving their State revenue until November/December
2. Disbursements – The total paid/charged as of 3/31/20 against the 2020 budget was \$2,599,885, which equals 25.61% of the total budget amount of \$10,149,960. Of note:
- a. As of 3/31/20, 7 payrolls had been recorded against the budget.
 - b. Finance O/E – over 25% of the budget has been spent because the annual service contract for Municipal Software was due and paid.
 - c. Liability Insurance and Worker’s Comp Insurance – The first half year payment was due in January and the Volunteer Fire Department policy was paid in full.
 - d. Group Health Insurance – The Water and Sewer portions of those budgets were not credited back for Q1. The Q1 and Q2 portions will be credited back to the current budget before 6/30/20.
3. Water Operating
- a. Revenues – The total 2020 Water Operating budget is \$868,650 and receipts for the first quarter were \$141,189. The Q1 payment was due on 2/24/20 and delinquent notices were mailed out on 3/16 with a due date of 3/30.
 - b. Disbursements – Expenditures paid/charged as of 3/31 are approximately 21.45% of the total budget
 - c. The Manager noted the need to replace the Borough’s water meters
4. Sewer Operating
- a. The total Sewer Operating budget is \$898,566 and receipts for the first quarter were \$238,674. The Q1 payment was due on 2/24 and delinquent notices were mailed out on 3/16 with a due date of 3/30.
 - b. The expenditures paid/charged at 3/31/20 are approximately 22.15% of the total budget.

Funding need/timing for 2019 and 2020 capital budget.

The committee reviewed an analysis of general capital funding needed for the next 12 months:

- Cash balance at 4/20/20 = \$676,549
- Current Outstanding Encumbrances = -\$93,585
- Projected Expenditure for next 12 months of \$4,915,381 (includes Borough Hall project)
- Amount needed = \$4,332,417

The amount of debt authorized for Ordinance 2-19 is \$2,815,758 less DEP dam loan of \$1,995,000 less cancellation of balances in 2020 of \$709 would equal \$820,049. The amount of debt authorized for Ordinance 10-19 is \$105,000. The total minimum amount the Borough must borrow in bond anticipation notes (BANs) by year-end to fund capital ordinances would be \$925,049. In addition, the Borough will need to refinance \$702,055 (\$791,540 less \$89,485 repayment) of BANs maturing on October 1. The committee discussed the current favorability of

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bond rates and the timing on authorization of project funding for the Borough Hall project related to issuing a bond later this year.

N. Pocono Road over-spend

The Manager reviewed controls on road projects in order to prevent over-spending, including better estimates of police overtime. Also, the CFO and Manager proposed that if the bid on a road job (that the Borough receives State funding on) comes in lower than the original estimate, then the Borough will encumber the full amount of the estimated job until the job is completed, allowing the Borough to know how much State funding it will receive.

Tax payment notification similar to water & sewer given elimination of automatic pay system

The committee discussed the recent elimination of the auto-pay system (auto-pay on the customer-side) for utility and tax payments. The Manager noted that payment reminders will appear on Borough eblasts and there are plans to do phone call reminders to late-paying residents as they adjust to the new payment options. The Borough will continue to seek out municipal software vendors with better payment options for residents.

Other business

- a. Decision to defer discussion of Moody's reports to the next FAC meeting
- b. Decision to discuss a Mountain Lakes endowment fund (e.g. "Friends of ML fund") at an upcoming meeting

Next meeting: Wednesday, June 3, 2020 at 5:00pm – Zoom mtg or Borough Hall TBD.