

**Finance Advisory Committee  
Minutes –9/1/2021**

Attendees: Mike Albanese (minutes), Lauren Barnett, Bob Dewing, Monica Goscicki, Dan Happer, John Kaplan, Jim Murphy, Khizar Sheikh.

Absent: Mitchell Stern

1. Approval of 8/4/21 minutes.
2. Water and Sewer current fund balance and rate discussion:

The Borough sets Water and Sewer fund balance targets, currently \$150K and \$75K, respectively.

Water:

- Based on projected 2021 usage estimates, the fund balance for water is projected to finish the fiscal year at approximately \$285,450. The Borough has historically targeted a Water fund balance of \$150k.
- The Borough's auditor has recommended a conservative fund balance that is based on a percentage of the budget, not a fixed number. This allows the surplus to grow as the budget grows. FAC agrees and believes a target of 20% of Total Appropriations provides sufficient buffer year to year. The new target based on this 20% methodology would increase to approximately \$180k.
- Given a projected excess in fund balance well above the 20% target (\$285k at end of 2021 vs. \$180k target), FAC recommends a 0% water rate increase for 2022.
- Summary: FAC recommends a 20% water fund balance on Total Appropriations going forward, and a 0% water rate increase for 2022.

Sewer:

- Based on projected 2021 usage estimates, the fund balance for sewer is expected to finish the fiscal year at approximately \$268,246. The Borough has historically targeted a Sewer fund balance target of \$75k.
- FAC recommends a 15% fund balance on Total Sewer Appropriations, which is approximately \$135k. The lower target fund balance compared to water is due to more certainty related to usage and less frequent one-time repair expenses.
- Given a projected excess in fund balance well above the 15% target (\$268k at end of 2021 vs. \$135k target), FAC recommends a 0% rate increase for 2022.
- Summary: FAC recommends a 15% sewer fund balance on Total Appropriations going forward and a 0% sewer rate increase for 2022.

3. Water and Sewer use analysis
  - The Borough currently bills residential homes for sewer by charging a rate/ based on water usage volumes. For homes with a second meter dedicated to

lawn irrigation, irrigation usage is excluded from the sewer bill as that water usage does not enter the sewer system.

- Borough Council recently approved a project to upgrade water meters in all commercial and residential properties, as existing meters are outdated and at times result in inaccurate readings. Rather than absorb the cost to replace two water meters in homes with an irrigation meter, FAC is investigating an update to the sewer billing policy.
- After researching other municipalities throughout the County, it was determined that for residential properties a majority bill based on a stable flat rate rather than based on water usage. This methodology would simplify billing and create more predictable revenue for budgeting purposes. Commercial properties were all billed based on usage.
- FAC will continue to investigate and review at a subsequent meeting.

4. Hawkins, Delafield & Wood reimbursement for incremental interest cost and negative carry:

- When the Borough issued a \$4.1MM BAN in 2020, the intention was for the BAN to be issued with a 9.5-month term. Borough counsel made an error and issued the BAN for 12 months.
- The result of the increased term is an estimated \$1,130.47 of increased interest expense driven by a 3 basis point rate increase, as well as approximately \$337.16 of negative carry for the extra 2.5 months of carry costs (0.434% BAN rate – 0.40% deposit interest rate).
- The Borough will seek reimbursement from Hawkins for the \$1,467.63 of increased costs associated with the error.

5. Update on status of American Rescue Plan fund availability and qualified uses.

- Allocation for Mountain Lakes is approximately \$414K over 2-year period.
- The Borough continues to evaluate potential uses that would qualify and will report to council once a determination is finalized.

6. Next meeting: Wednesday 10/15/21 7:30pm Zoom mtg.

- Draft Water & Sewer Target Fund Balance Policy
- Finalized reimbursement from Hawkins
- Other business.