

## **Finance Advisory Committee Minutes – 1/12/2022**

Attendees: Mike Albanese, Lauren Barnett, Bob Dewing, Dan Happer (minutes), John Kaplan, Jim Murphy, Chris Richter, Mitchell Stern and Monica Goscicki.

Absent: None

1. Approval of 12/1/21 minutes.
2. Monica Goscicki and Mitchell Stern provided a first draft of the 2022 Budget to FAC, with a detailed review of projected Revenues and Appropriations:
  - The first draft of the budget in its preliminary form calls for a 2.31% year over year tax rate decrease given the current revenue and appropriation assumptions. The Decrease is driven by an increase in ratables partly offset by a \$173,774 (2.53%) increase in the amount to be raised by taxation. This increase does not factor in minor revisions noted by meeting participants to be factored into the next draft.
  - Total Revenues are projected to decline by \$10k net of a \$174k tax increase, primarily driven by:
    - i. \$69k decrease in Surplus Anticipated
    - ii. \$38k Capital surplus realized in Current Fund
    - iii. \$7.5k decline in Municipal Court Fines and Costs driven by continued expected impact from Covid
    - iv. \$8k decline in Interest and Cost – Tax collection reflecting lower delinquent taxes at the end of 2021
    - v. \$15k increase in Recreation Fees and Income reflecting increased fee rates and participation rates.
    - vi. \$169k increase in water and sewer fund balances (\$160 k related to water and sewer hookups from construction projects, and \$46k for debt service on water meters that are funded through current fund)
    - vii. \$65k increase in Federal & State Grant Revenue which is offset by the related expenses increases.
    - viii. \$120k decrease in Receipts Delinquent Taxes reflecting lower Delinquent taxes at the end of 2021.
  - Total Appropriations are projected to increase by \$184k (1.87%) driven by increases of:
    - i. \$10k in Manager’s budget for the Legacy condo Services Act agreement being finalized for years 2018 to 2022. Going forward this will be about 25% of this amount annually
    - ii. \$10k in legal fees for PBA contract that expires at the end of 2022
    - iii. \$14k for engineering fees for bi-annual dam inspections
    - iv. \$22k for planned review of Zoning ordinances

- v. \$62k for Police Other Expenditures primarily related to education reimbursement increase of \$10K, \$4k in fees for the proposed establishment of Lieutenant position, \$23K for police patrol vehicle and \$20k for police accreditation program.
- vi. \$7k in recreation reflecting mostly higher 4<sup>th</sup> of July fireworks cost
- vii. \$32K in police pension costs set by the State
- viii. \$77k increase in grant expenditures largely offset by increased grant revenues.
- ix. \$41k increase in debt service which is more than covered by the \$46k transfer from the Water Fund
- x. \$49k increase in reserve for uncollected taxes.
- These appropriation increases are partly offset by decreases of:
  - i. \$157K in Police (salary & Wages) reflecting the retirement of higher paid officers in 2021 being replaced by new officers at lower rates.
  - ii. \$29K in health insurance costs also reflecting the change in police department personnel
  - iii. \$22k decrease in Capital improvement fund
- Takeaways: FAC suggested that management consider a Zero increase in the amount to be raised by taxation
- Follow up items to achieve this threshold include:
  - i. Review of detailed expense line items to determine if there are any areas that can be reduced. Several areas were discussed including police educational reimbursement, with additional feedback to be provided by Monica and Mitchell.
  - ii. Mitchell noted that he thought the \$50K for police vehicle lease purchase was not needed and will review and report back to the FAC.
  - iii. Potential adjustment to the Surplus Anticipated. This requires further evaluation of expected expense and revenue increases/decreases in future years, including the upcoming solid waste and PBA contract negotiations future debt service associated with new bond issuances and the Halsey field lease expiration.
    - a. As part of this exercise the Borough should consider how the \$250k of Enclave Developers Agreement received in 2021 should be used or earmarked for future use. Mitchel to check on any stipulations in the agreement
  - iv. Review the need for the \$200k increase in the reserve for tax appeals in light of the current balance in the reserve, the annual reassessment program that was implemented in 2020 and the level of surplus that can be used for older appeals.
  - v. Consider if the \$60k of water fees hookup should be transferred before the completion of the water meter project that should be completed this year.

- Additional items to review included the sufficiency of the accumulated leave compensation in light of the retirements in 2021 and potential for additional retirements in the near future.

3. Next meeting: Thursday, January 20 at 7:30pm Zoom mtg.

- To Do: 2<sup>nd</sup> budget review after incorporating discussions from this meeting and the upcoming Borough Council 1/19/22 budget workshop meeting.
- Prepare for follow up discussions noted above
- Other business.