

Finance Advisory Committee Minutes -5/1/24

Attendees: Mike Albanese (minutes), Bob Dewing, Monica Goscicki, John Kaplan, Jim Murphy, Chris Richter, Khizar Sheikh, Mitchell Stern.

Absent: Lauren Barnett

1. Approval of February 13 minutes: unanimous (Kaplan abstain)
2. Approval of March 6 minutes: unanimous
3. Standard and Poor's ratings upgrade:
 - Borough was upgraded to AAA from AA+ by S&P in March 2024, Mitchell Stern to distribute report to FAC members.
4. 1st Quarter Budget, Trust Account and Tax Appeal review:
 - FAC reviewed 1st quarter actuals compared to budget. No substantial questions or issues identified.
 - Reserve for Tax Appeal target balance is \$150k-\$250k, while the current balance is \$379k. The Borough reduced the 2024 contribution to the reserve to \$50,000 from \$100,000 and is waiting on several tax appeals to settle before making any decisions on the excess balance.
 - Reserve for Storm Recovery target balance is \$300k, while the current balance is \$385k. The current excess is acceptable at this time.
 - Monica will add target balances to the Reserve Summary for tracking purposes.
5. New Capital Ordinances were recently introduced and approved by counsel:
 - Sunset Dam - Supplemental appropriation of \$350,000 (\$333,000 debt) for change orders.
 - PFAS Treatment Plant at Well #4 - Initial cost of \$218,500 (\$208,000 debt) for 2024 was introduced and approved. It is too early to lock down a final cost for the project, but high side estimate is \$3.0MM. This is likely a 2025 project due to protracted permitting process.
 - i. The work outlined includes Well #3 in addition to #4, based on new Federal regulations that reduced the acceptable PPT to a 4.0 threshold.
 - ii. Other two wells (#1 and #2) will also need new Treatment Plants when the work for #3 and #4 is complete. Total cost for all wells is estimated to reach up to \$7.0MM as a high side estimate.
 - iii. This issue is not unique to Mountain Lakes. Opportunities for State support are being investigated.
 - iv. Investigation into whether the debt should be bonded at the utility or at the Borough will be completed.

6. Capital Ordinance Cash Flow Review and 2024 BAN/Bond financing:
 - Borough will pursue a new \$5.345MM BAN financing in October 2024 which includes refinancing \$3.19MM of the maturing BAN and \$2.15MM of new debt to fund 2023 and 2024 capital ordinances.
 - FAC believes financing through a 1-year BAN rather than a long-term bond is the right decision given the current high rate environment and larger debt requirements (Treatment Plants) coming up in future years. All debt can be rolled into a larger bond issuance in 2025 or 2026 to benefit from economies of scale.

7. Review Updated Long Term Capital Plan:
 - Capital Plan needs to be updated to include the Treatment Plant expected costs and additional potential dam replacement/repair.
 - FAC reviewed historic spending compared to the proposed 10-year capital plan for a variety of line items. Understanding that the capital plan is a long-term estimate and actual spending will be reviewed each year, with only required spending to be approved by counsel.

8. Confirm Meeting Date for 2023 Audit Review with J.Mooney at Nisivoccia:
 - Draft may not be available before June 5 and therefore J. Mooney is asking that we push the next meeting back to June 12. FAC agrees with that change.

9. Next meeting: Wednesday, June 12 at 7:00pm, via Zoom.
 - Tax appeal exposure update from tax assessor
 - Circulate S&P final ratings report – Mitchell Stern
 - Circulate updated long-term capital plan – Mitchell Stern
 - Updated bond model discussion in conjunction with revised 2024 capital budget and long-term capital plan
 - Update and distribute Surplus Account / Fund Balance Forecast analysis, include supplemental dam and initial PFAS remediation debt service beginning in 2025 – M. Goscicki – 11/6 meeting.