



FY19 Budget Presentation

MARCH 27, 2019

What is a budget?

- ▶ The budget is a spending plan for the fiscal year (January 1 – December 31)
- ▶ It demonstrates the desires, goals and objectives of the governing body based public feedback and professional advice received over the last year
- ▶ In this form of government, the City Manager drafts and implements the budget
- ▶ The City Council approves the budget and has oversight of its implementation
- ▶ Various laws, rules and regulations govern the adoption, implementation and management of the budget:
 - ▶ Local Bond Law
 - ▶ Local Budget Law
 - ▶ Local Fiscal Affairs Law
 - ▶ Local Public Contracts Law
 - ▶ Local Finance Notices

Documents that direct the formulation of the budget

- ▶ In New Jersey, there are various documents that lead to the adoption of the budget
 - ▶ Annual Debt Statement
 - ▶ Annual Financial Statement
 - ▶ Annual audits
 - ▶ Union and other employment contracts
 - ▶ Shared Service Agreements
 - ▶ Multi-year contracts for service(s)

The Budget Process

- ▶ The budget is year round process
 - ▶ Managing reserves of the prior year
 - ▶ Managing the budget of the current year
 - ▶ Developing the budget for the next year
 - ▶ Managing 6-year Capital Improvement Plan
 - ▶ Debt management
 - ▶ Utility budgets (Beach, Parking and Sewer)

Budgeting 101

- ▶ The budget is based upon
 - ▶ Revenues
 - ▶ Appropriations – in which there are two line items in the budget
 - ▶ Salary and Wages (SW)
 - ▶ Other Expenses (OE)
 - ▶ Revenues and Appropriations legally must equal

Budgeting 102

- ▶ How is the tax rate determined?
 - ▶ Total tax levy divided by the Total Assessed Valuation
 - ▶ Then take that number and multiple it by 100 = Total Tax Rate
- ▶ To determine municipal tax rate, it is the same formula with a small tweak....
 - ▶ Total municipal levy divided by the Total Assessed Valuation
 - ▶ Then take that number and multiple it by 100 = Municipal Tax Rate

Budgeting 103

- ▶ It is a common misperception that the City sets the budget for the school system
 - ▶ All the City does for other taxing districts (schools, county, county open space, etc.) is collect the money and send it to them!
 - ▶ The City does not set other taxing districts budgets; they make their own budgets and we collect the money for them

Budgeting 104

- ▶ What makes a good budget?
 - ▶ Reviewing and prioritizing internal and external services
 - ▶ Internal: Hiring an IT Director to oversee dozens of hardware appliance, various software packages, radio equipment to ensure continued operation and reduce staff downtime to save tax dollars and costs
 - ▶ External: Hiring a consultant to develop an Affordable Housing Plan
 - ▶ Formulating a spending plan that makes sense, not just “spending money to spend money”
 - ▶ Not “raising taxes just to spend, but raising taxes as a last resort”

Budgeting 105

- ▶ Do PILOTs impact school budgets?
 - ▶ No, not at all
 - ▶ A Payment in Lieu of Taxes (PILOT) is a mechanism to spur economic revitalization in which if a project had to pay “full” taxes, it would have never been built
 - ▶ Like a standard assessment, there are two parts of a PILOT:
 - ▶ Land valuation
 - ▶ Improvement valuation (this is what is exempt from taxes and receives the PILOT under the law)
 - ▶ Regardless of valuation, the school always receives 100% of what their approved budget is
 - ▶ A good project will increase the value of the surrounding neighborhood. Subsequently the tax rate will decrease as the values increase. This is occurring in the City....values have risen and the tax rate has gone down.

Document Review – Annual Debt Statement

- ▶ This document provides a snapshot as of 12/31 of each year of the municipal debt
 - ▶ Net Debt 2.336%
 - ▶ The City has approximately \$20 million more in borrowing power
 - ▶ The Net Debt of the City is \$36,761,707.32
 - ▶ The Utilities have a Gross Debt of \$22,320,232.30 and as they are self-liquidating, do not count against Net Debt
 - ▶ The City is in very good shape in regards to its debt
 - ▶ Moody's historic three level increase in rating to A2 in FY18
 - ▶ Hopeful for another level increase in FY19

Document Review – Annual Financial Statement

- ▶ This document provides a snapshot as of 12/31 of each year of the municipal financial operations
 - ▶ It is currently under review by the State Department of Community Affairs and this slide will be updated when appropriate
 - ▶ This document is also posted to the City website and in EMMA

The FY19 Budget – The Numbers Behind the Numbers – Home Values

- ▶ Average Assessed Value of a Home
 - ▶ FY15 = \$226,831
 - ▶ FY16 = \$240,646
 - ▶ FY17 = \$252,411
 - ▶ FY18 = \$297,820
 - ▶ FY19 = \$336,841

The FY19 Budget – The Numbers Behind the Numbers – City Tax Rate

- ▶ This is only the tax rate for the City's operations
 - ▶ FY15 = 1.300
 - ▶ FY16 = 1.288
 - ▶ FY17 = 1.268
 - ▶ FY18 = 1.059
 - ▶ FY19 = 0.944

- ▶ As the values of property rise, the tax rate decreases

The FY19 Budget – The Numbers Behind the Numbers – Dollars

- ▶ The following is City taxes (only the City) on the average home and the dollar increase or decrease from the prior year
 - ▶ FY15 = \$2,948.80; increase from previous year of \$199.56
 - ▶ FY16 = \$3,099.52; increase from previous year of \$150.72
 - ▶ FY17 = \$3,200.57; increase from previous year of \$101.05
 - ▶ FY18 = \$3,153.91; decrease from previous year of \$46.66
 - ▶ FY19 = \$3,178.97; increase from previous year of \$25.05
- ▶ The average home will realize an increase of \$25.05 in their municipal portion of the taxes in FY19

Future Fiscal Concerns to Monitor

- ▶ As the budget is a living, breathing document, there are some concerns on the horizon
 - ▶ Future increases in State Health Benefit premiums
 - ▶ Future pension increases in both PERS & PFRS
 - ▶ Outstanding liabilities at State Tax Court (tax appeals)
 - ▶ Largest is Sackman with numerous appeals
 - ▶ City has counter-claimed stating the properties are under-assessed
 - ▶ City must continue to fund improvements to its infrastructure and operations
 - ▶ Must take steps to ensure all utilities are self-liquidating
 - ▶ Continue working with other taxing districts to ensure a stable tax rate

Untapped Potential

- ▶ As vacant property continue to be developed or redeveloped, additional revenues will develop
- ▶ The governing body adopting the “lot-by-lot” regulations in the Waterfront Area will assist in the development of vacant and underutilized parcels

Closing Remarks

- ▶ Recap of the FY19 spending plan
- ▶ General commentary on the City's fiscal status