



2019 Borough of Leonia Municipal Budget Overview

Borough Administrator Alex Torpey February 20th 2019

Agenda



1. Overview of 2019 Budget
2. Important Budget Facts
3. List of items that have been worked into budget
4. List of outstanding items to be decided
5. Operating Overview
6. Capital Overview
 - a. Borrowing examples
 - b. Capital Worksheet
7. Next steps
 - a. Items which need to be discussed and/or decided
 - b. Timeline
8. Additional documentation

2019 Budget Overview

Overview



	Total	Per avg homeowner
Difference from 2018 - 2019	\$263,797	As intro: \$65 W/ update: \$79

2019 Budget Overview

Overview



A few helpful facts to be aware of:

- This is a “rounded up” estimate that provides the highest we anticipate things to be (without major changes in statutory costs). As numbers get finalized before introduction, we expect a small drop in overall costs
- 2018 saw a significant surplus regeneration, primarily due to:
 - Excess in Anticipated Revenues + 80,000
 - Current Tax Collections +237,000
 - Misc. Revenues Not Anticipated +100,000
 - Unexpended Balance of Appropriation Reserves +760,000
 - Tax Overpayments Cancelled + 20,000
 - Total 1,200,000. (Rounded to the nearest 10,000)
- Every .5% in operating decrease brings down a little more than \$20 (\$22) per avg homeowner
- Staying at AA bond rating
- Updated data to most recent count of 2589 total taxpayers
- Just under 2% (~1.72%) spending increase “within the 2.5% cap.” This will be explained further on Wed.
- One FT position at 80k approximately equals 1 million on bonding as far as tax impact

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Things previously discussed we have already taken into account in the budget as presented

- Hiring a new person to fill a retired police officer position, but not adding a new PO position in 2019
- Using \$1m existing capital funds spread over the next three years for road resurfacing
- Moving the FD radio repair down the road and starting a study for it this year
- Moving Police (and any department) IT request into one Admin IT line
- One vehicle for police is being bought with seizure funds instead of new capital funds
- Cost savings on various technology and other contracts that were discussed in 2018
- Transferring funds from existing capital for building maintenance to help offset costs of the repairs to the Firehouse identified in capital, as well as other 2019 building repairs as well as sewer repairs
- Doing something temporary/inexpensive in 2019 or holding off on doing something altogether with the DPW garage addition to 2020
- Using one-time surplus to reduce one-time massive CIF contribution requirement for new building
- Golf Course Drive sewer replacement: Will be collected in separate account, anticipated payback for five years with 20% of total max project cost paid by the Borough
- 2% raise for non-union employees as well as the Collective Bargaining Unit requests (still undecided)
- New OEM Coordinator stipend
- Health for new potential employees (Clerk, Library Director)
- Slightly reducing non-project based Engineering line

Items previously discussed we have yet to decide on:



- Whether we are doing a turf field
- Whether we are buying or renting a stump grinder (analysis ongoing)
- Whether we are removing and/or replacing the solar panels on DPW (analysis ongoing)

Operating Highlights



- Salaries and Wages
 - 2% increase for non-union employees
 - All contracts
 - Collective Bargaining Unit Estimated Requests (still TBD)
- Other Expenses
 - As presented on 12/1 and 12/15
- Statutory Costs
 - All have been estimated - Vince will be available to answer any additional questions
- Surplus
 - Significant regeneration in 2018, able to aid in new building downpayment and future financial stability

Capital Highlights



- Including \$10m for new building and approx \$3m of 2019 capital expenses
- Most thorough capital planning ever completed for Borough available in Worksheet
- Raises significant concerns about capital spending levels and future tax impact
- Capital is one of the only areas where the Borough has significant discretion (unlike S&W, OE, debt, statutory costs)
- Agenda for capital:
 - Borrowing examples
 - Capital Worksheet Walkthrough
 - More discussion in the presentation's next steps

Exploring the impact of borrowing



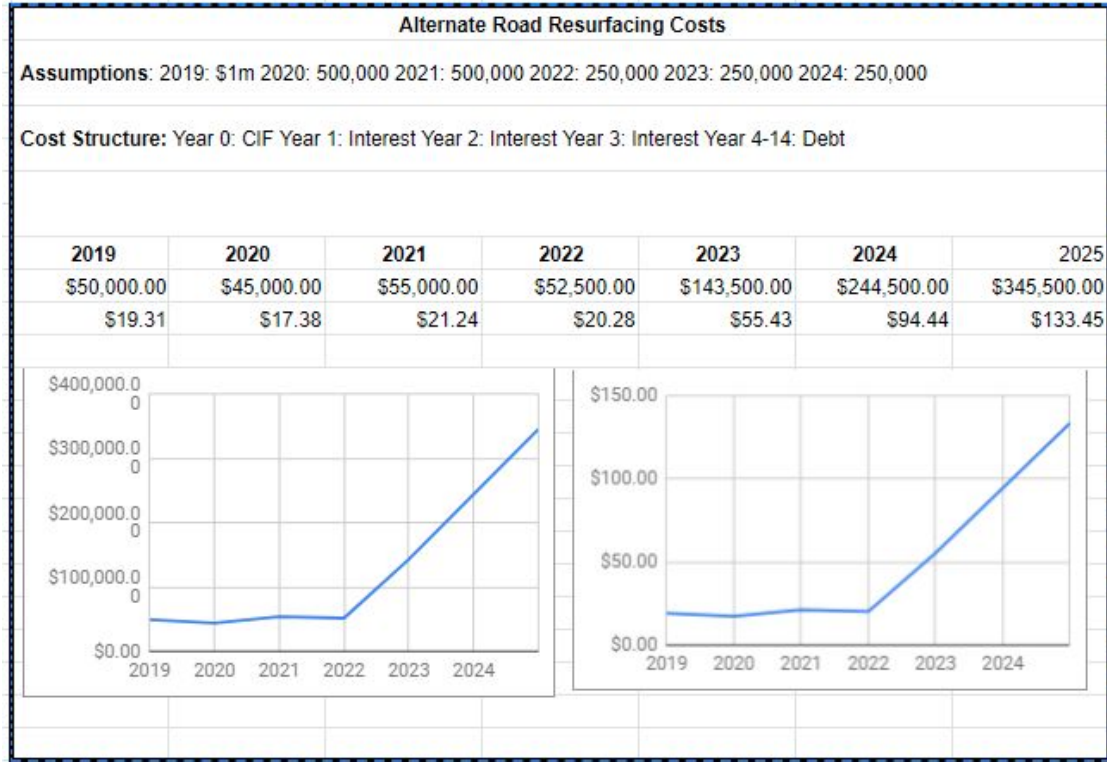
Borrowing can seem like an easy way to finance large projects. But the tax impact of borrowing adds up over time, and is more expensive than it initially appears.

As part of the comprehensive financial analysis and forecasting we've performed this year, the following sections help explore capital spending, which is not only a significant contributor to overall taxpayer impact, but one of the only cost areas the Borough has significant discretion over.

To aid in this perspective, each \$1m over the sustainable borrowing amount (for us, approximately \$1m) is about the same as hiring a new employee at an annual salary of \$75,000 (plus their tail costs).

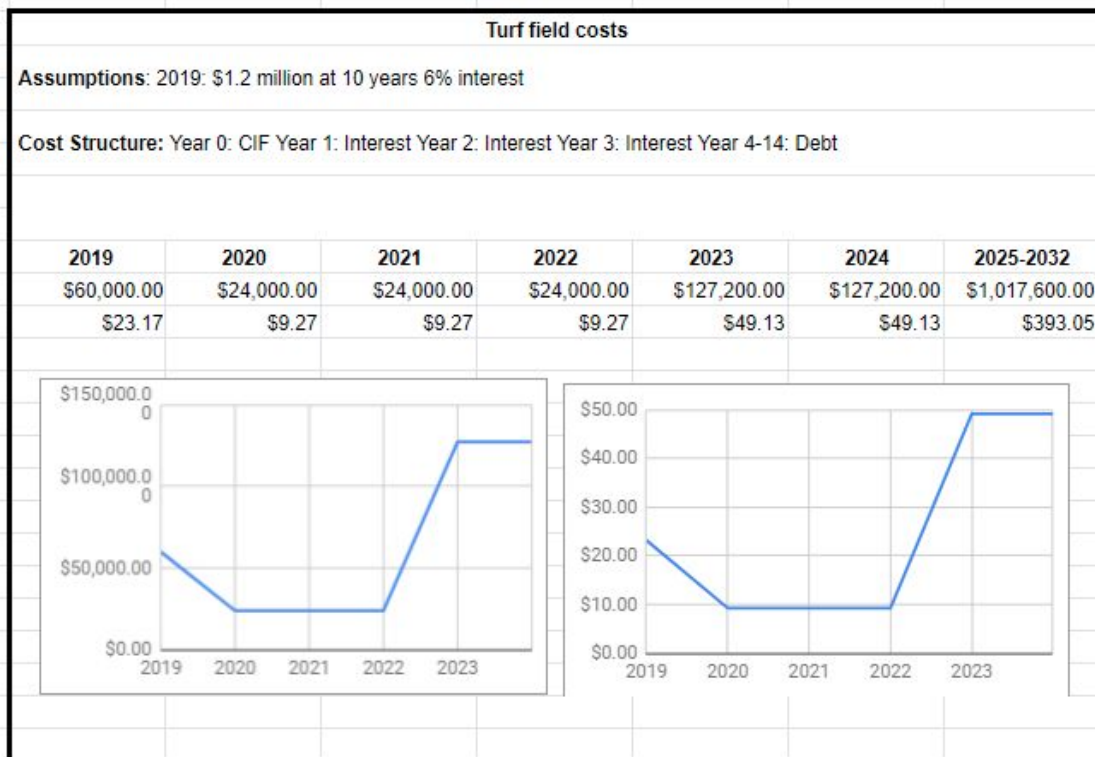
2019 Budget Overview

Costs of removing/not removing road resurfacing



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Cost of contributing or not \$1.2m towards a Turf Field

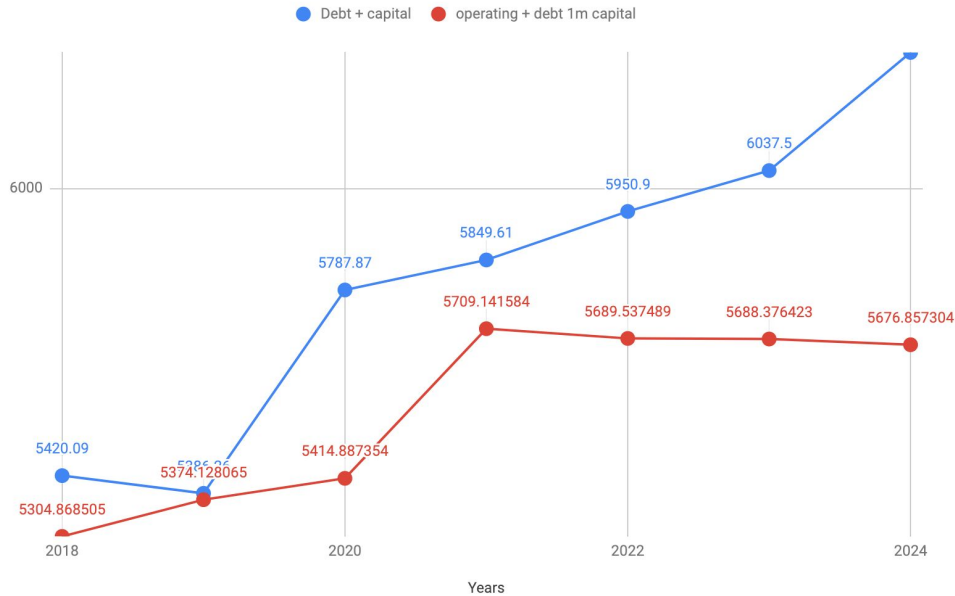


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Example of unsustainable and sustainable capital spending

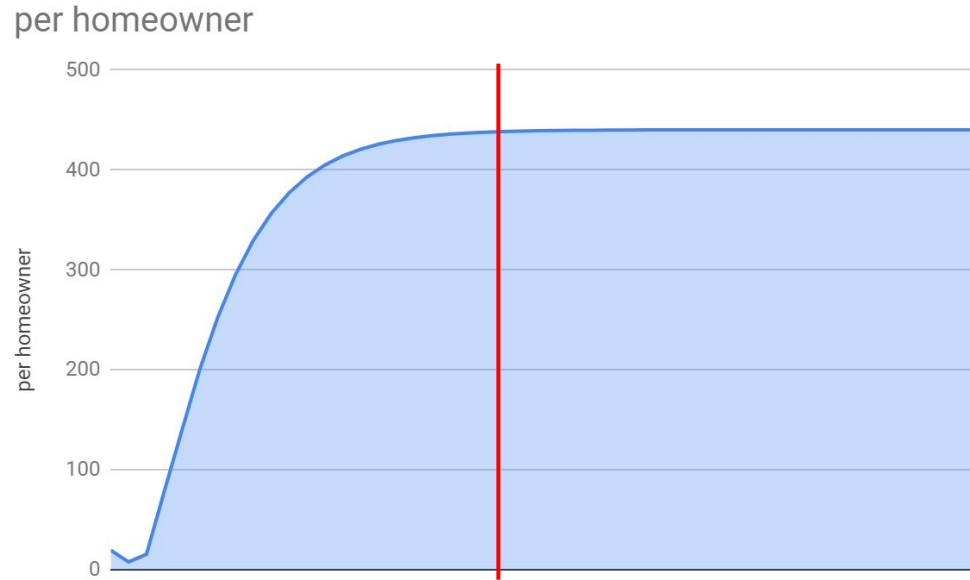


Various schemes



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What sustainable borrowing looks like from municipality's day zero



The red line indicates (approximately) where we are currently, and that the amortization of future borrowing and old debt payoff schedules, at \$1m per year level, balance each other out and allow sustainable spending at that level, which should be the Borough's goal.

2019 Budget Overview

Next steps



1. Borough needs to make decisions on any outstanding item(s) to guide the March 4th budget introduction.
2. To prevent tax spike in 2021, Borough needs new revenue or a significant staff cut (2 non-entry level FT equivalents) made before the 2021 budget adopted. And to prevent spike in 2023, same thing needed. Suggestion is new revenue in the form of econ dev (see memo), ideally one “PILOT-able” commercial property before Q2 2021, and “Gateway” before Q2 2023.
3. Borough needs to commit to this capital plan, and to capital plan “last year out,” instead of “next year” for the subsequent years to remain in the “magic” \$1m area, which allows for sustainable capital spending without cumulative tax increases.
3. Borough should commit to aggressively marketing and selling or leasing old Borough Hall and parking lot before Q2 2021 to incorporate new one-time revenue to help with the debt service increases. Requires extremely tight deadline and budget control on new building project.
4. Borough needs to create a full TOO, personnel plan, succession and retirement planning. We do not have capacity in house to do that completely or thoroughly, I recommend finding a professional who can assist, so we can accurately anticipate future S&W and retirement costs
5. Borough should aggressively aim to shave off \$1m from cost of new building, which would make significant impact on future taxes. Explore cost cutting measures, naming rights, sponsorships, grants, etc.

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Next steps: Timeline



1. Budget Discussion - February 20th
2. Budget Introduction - March 4th
3. Budget Public Hearing and Adoption - April 1st
4. 2019 Bond Ordinance Introduction: April 14th
5. 2019 Bond Ordinance Public Hearing and Adoption - May 6th