

2021 Municipal Budget

Borough of New Providence
April 27, 2021

B O R O U G H O F
NEW PROVIDENCE

SETTLED IN 1720

Goals

- Effectively manage the financial challenges and uncertainty of the COVID-19 pandemic
- Demonstrate fiscal responsibility and sound fiscal planning and management. Continue practices that support our AAA Bond Rating
 - Maintain projected adequate funding levels of reserve accounts for Tax Appeals, Storm Recovery & Insurance
- Make decisions that provides strength to the Borough's future budgets
- Be mindful of resident's precious tax dollars
 - Seek out efficiencies to contain operating costs and overhead
 - Seek shared services wherever possible
 - Seek grants wherever possible to fund operations and capital improvements
- Continue to deliver the high level of services our residents are accustomed to

AAA Rating – Our Guiding Principle

- New Providence has received a AAA Bond rating from all three major rating agencies (Moody's, Standard and Poor's and Fitch)
- There are only a select few municipalities in New Jersey with a AAA rating from two agencies and there are even fewer that have AAA ratings from three rating agencies (Moody's, Standard and Poor's and Fitch)
- For illustrative purposes: for a Bond Sale of \$25M depending on the duration of the bond, the difference in Interest Costs of AAA Rating vs. AA Rating, would yield a savings of \$750K - \$1.27M over the duration of the bond or roughly \$80K - \$125K a year in interest costs

	AAA	AA	Difference
Par Amount	\$25,000,000	\$25,000,000	
Duration	20 Years	20 Years	
True Interest Cost	2.40%	2.90%	.50%
Interest	\$10.77M	\$12.04M	\$1.27M

Overview

- Owners of real property in New Providence pay real estate taxes based upon the assessed valuation of their property
- Municipal governments collect the property tax for the benefit of three taxing entities;
 - **The Municipality** - *The Mayor and Council control only this portion of your taxes*
 - **Local Schools** - *The school tax is determined by the Board of Education*
 - **Union County** - *The County budget is established by the County Commissioners*

Where Your Tax Dollars Go

- The estimated 2021 breakdown of the total tax between the Municipal, County and Board of Education, based on the property tax on the average home is as follows:

– Municipal	20.63%	\$2,873
– Municipal Open Space	.19%	\$ 27
– Library	1.39%	\$ 193
– Union County**	20.68%	\$2,879
– Union County Open Space**	.64%	\$ 89
– Board of Education**	<u>56.47%</u>	<u>\$7,862</u>
	100.00%	\$13,923

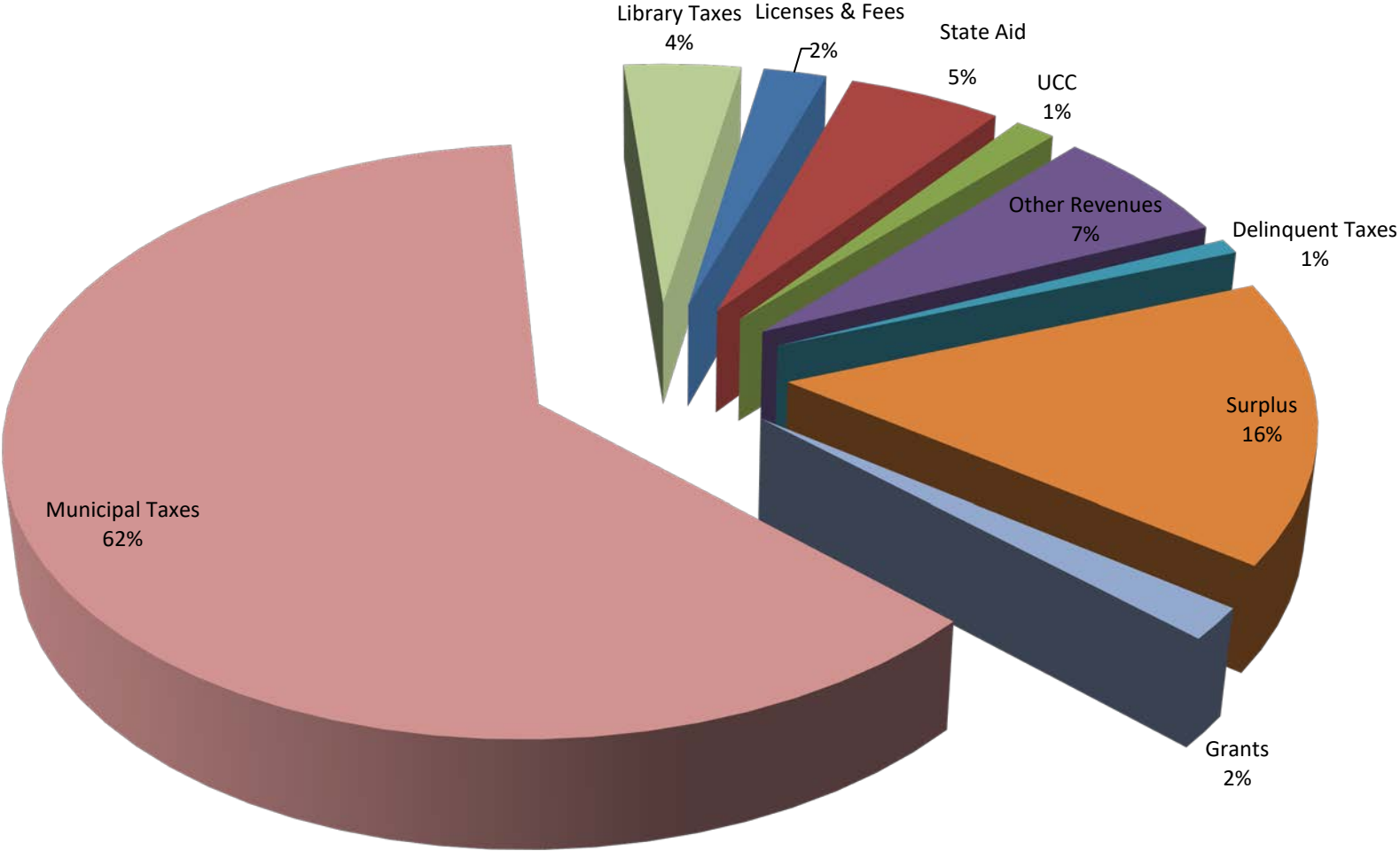
* Average home assessment, in New Providence is \$282K, which equates to a market value of \$583K

** These are estimated until the equalized valuations are known

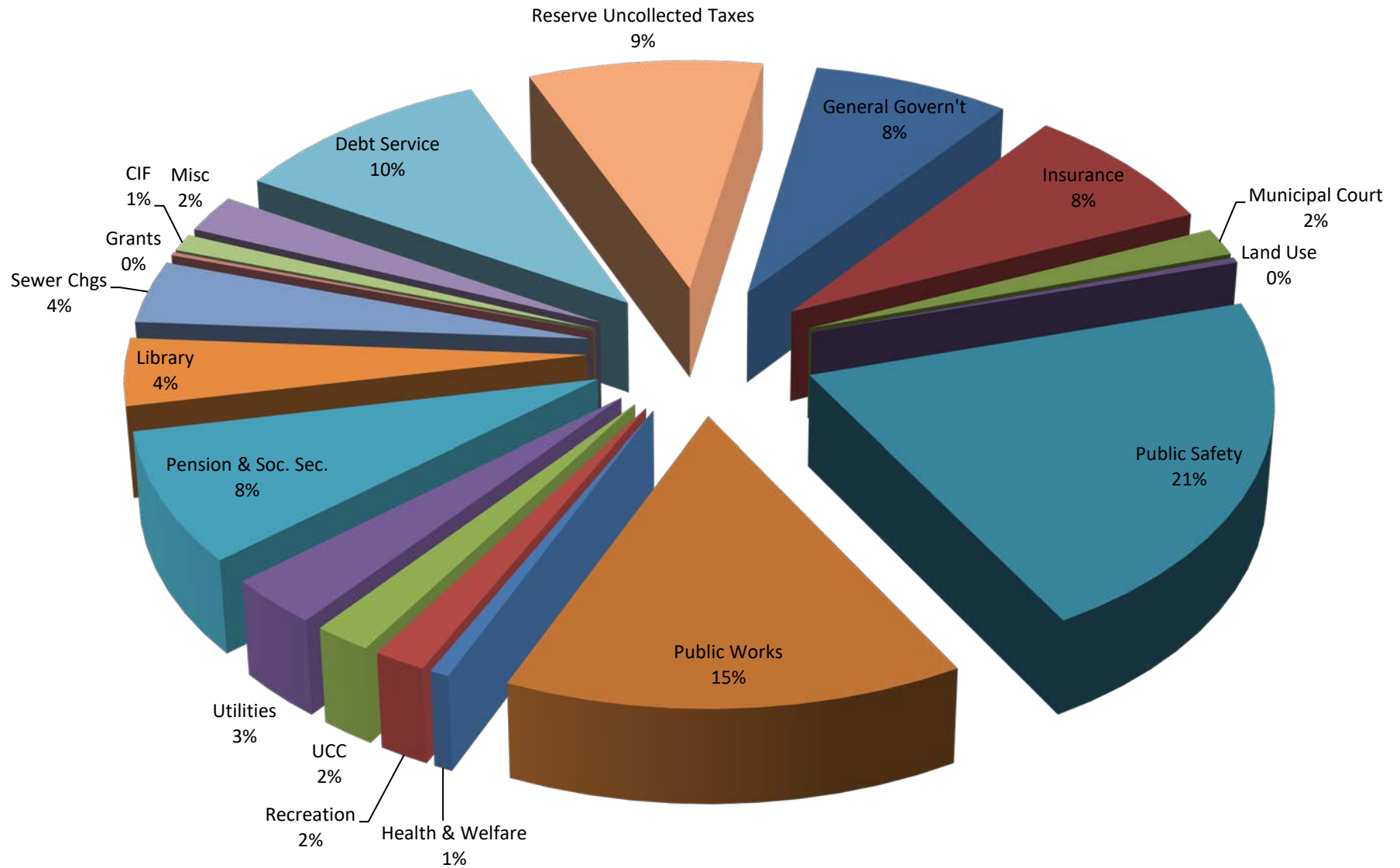
2021 Budget Overview

- Increase in Municipal Tax rate is 2.95% or \$82.27 per year – (*\$6.85 per month*) on the average assessed home in New Providence
- Conservatively anticipates reduced revenues due to COVID-19, including Municipal Court Fees, Interest on Investments, Parking Permits and Hotel Tax. Corresponding appropriation reductions made
- Maintains all current programs and staffing levels

Borough of New Providence 2021 Budget Breakdown of Revenues



Borough of New Providence 2021 Budget Breakdown of Appropriations



New Providence 2020 Municipal Taxes Among the Lowest When Compared to Union County Peer Communities

		Average Tax	Garbage	Sewer	Total Municipal
1	Scotch Plains	\$1,896	520 +/-	\$250	\$2,666
2	Berkeley Heights	\$2,347	500 +/-	Included	\$2,847
3	New Providence	\$2,964	Included	Included	\$2,964
4	Westfield	\$2,753	\$360	Included	\$3,113
5	Cranford	\$2,594	\$275	\$250	\$3,119
6	Mountainside	\$3,045	\$180	Included	\$3,225
7	Springfield	\$3,626	Included	Included	\$3,626
8	Summit	\$3,592	Included	\$247	\$3,839

American Rescue Plan

American Rescue Plan Act of 2021 Coronavirus State and Local Fiscal Recovery Funds Fact Sheet Summary

Source: U.S. House Committee on Oversight and Reform

- Preliminary indications are:
 - New Providence is anticipated to receive \$1.335 million for the Municipal Government (not schools and not residents)
 - The funds will come in two payments, one this summer and one next summer
 - We will have until December 31, 2024 to utilize the funds judiciously when the rules and regulations are clearer
- Rules are not set, however;
 - **Funds can not be used directly or indirectly to reduce property taxes**
 - **Funds can be used for investment in water and sewer systems**
- **ADMINISTRATOR COMMENTS:**
 - \$1.335 million is a large sum. But keep in mind, our revenues were off \$300K last year. And they will be off by a significant amount this year.
 - These are important funds to the Borough and we don't want to run afoul of any rules and regulations on how they can be spent.

Budget Highlights

- Continue to deliver high level of services to our residents
- Provides enhanced services in our Wastewater Treatment Plant by using odor-reducing chemicals
- Allows the Borough to position itself favorably moving into a post-COVID environment
- Prudent usage of funds on the balance sheet to help mitigate the impact of lost revenue due to the COVID-19 pandemic
- 2021 Budget Expenses Include:
 - Shared Dispatch Center “911” system upgrades
 - Solid Waste and Recycling Collection
 - Pension Costs (supplied by the State and are statutory in nature)

Capital Budget

- Funds major improvements to Borough facilities and infrastructure
- Allows projects to be amortized across its useful life rather than burdening taxpayers in one year
- Allows residents utilizing the project in future years to pay their share of the cost
- Proper planning of projects allows the Borough to mitigate the impact on the operating budget by staging the costs in a strategic manner
- Capital projects are supported through multiple funding sources including bonds, grants and cash
- Continually investing in capital projects allows
 - Aging infrastructure to be maintained
 - Deliver high level of services to our residents

Capital Projects - 2021

During these uncertain times, the Borough Council is committed to remain fiscally responsible and pursue projects based on immediate need and not want. Although the Borough Council authorized a \$2,472,200 capital improvement plan, the projects will be decided on a case-by-case basis, considering several factors before making any decisions to move forward such as:

- Is moving ahead with the project in this fiscally challenging environment the responsible course of action?
- Does the project resolve safety issues or concerns?
- Does delaying the project have negative impact on Borough operations?
- Is there an economy of scale with other projects currently underway?
- Will the project require any short-term borrowing in the form of Bond Anticipation Notes (BANs) in 2021?

*Projects currently underway are from prior year appropriations