

2022 Municipal Budget

Borough of New Providence
April 26, 2022

B O R O U G H O F
NEW PROVIDENCE

SETTLED IN 1720

The Annual Budget Process

- The Borough is funded by annual Operating and Capital budgets, which must be approved by the Borough Council.
- The **Operating Budget** includes personnel costs, annual facility operating costs and debt service. It is funded primarily through local property and sales taxes, licenses (such as building and department fees), charges for services and other similar sources of revenue.
- The **Capital Budget** funds major improvements to the Borough and its infrastructure (such as paving roads and major building projects); resources that have an expected lifetime that extends beyond the acquisition year. It is supported using multiple funding sources including different types of bonds (debt), grants, cash as well as other sources of funding.
- The annual budget process occurs between the months of November and April. At this time, the proposed budgets are prepared by the Borough Administrator and CFO and through discussions with Borough's Finance Committee.
- All costs and line items are examined to be deemed whether appropriate or not or whether reductions and/or increases are needed to be made.

The Annual Budget Process

- During the months of January and February the Borough is in the process of closing its books for 2021 and preparing the Annual Financial Statements, which must be filed before a budget can be introduced.
- These Financial Statements serve as our foundation to ensure whatever estimates that were used in the budget are correct and that all reserves are in accordance with our financial policies.
- We then review the budget to ensure that none of the decisions and assumptions utilized in putting together the budget does not result in future year budgets structural imbalances.
- There is a statutory timeline for the budget process that all municipalities follow that will be discussed in a later slide.
- The budget was **formally introduced** at a regular Borough Council meeting for 2022 on March 29, 2022.
- After Introduction, the budget is placed on the Borough website for citizen review.

The Annual Budget Process

- There are rules about official advertisement of the Budget Introduction and Adoption meetings. A 28 day period is required between the budget introduction and the public meeting where the budget can be formally adopted.
- At the Budget Adoption to be held on April 26, 2022, a Public Hearing is held to allow the public to ask questions and/or provide opinion on the budget.
- Once the Public Hearing is closed the Governing Body can now either adopt the budget in which the hearing was held or amend the budget.
- Depending on the amendment, the budget may not be able to be adopted on the same night. There may be a need for further advertisement and an additional public hearing.

The Annual Budget Process

- The foundation of the budget are the financial decisions that are made and many decisions that have been made over time. Examples are:
 - Shared Services – allows for the sharing of costs across multiple agencies
 - Union Contract Negotiations – this defines our contractual increases for personnel and allows us to manage to the best of the Borough's abilities pension costs
 - Analyzing retirements and trying to capture savings whenever applicable to defray future costs
 - Maintaining reserves – these reserves help mitigate some of the pressure on the operating and capital budgets by being able to utilize the reserves to offset expenses.
 - Multi-Year Capital Plan – this allows us to strategically ladder our debt to manage the Borough's Annual Debt Service in the Operating Budget
 - Long-Term Planning – this allows us to identify in advance possible pressures on the operating and capital budget.

- **The items from above are being looked at all year round as the annual budget process never ends and keeps evolving throughout the year.**

Budget Calendar (Municipal)

Action Taken	Earliest Date	Latest Date
Budget Introduction	Jan 1	Mar 30
Filing Introduced Budget with the DLGS	3 Days after Approval	
Budget Publication (10 days prior to Adoption)	Jan 1	Apr 20
Budget Hearing (at least 28 days after Introduction)	Jan 30	Apr 30
Budget Adoption	Jan 30	Apr 30

A budget cannot be introduced until the Annual Financial Statements are filed

Goals

- Demonstrate fiscal responsibility and sound fiscal planning and management. *Continue practices that support our AAA Bond Rating.*
 - ✓ Assure adequate funding levels of reserve accounts for Tax Appeals, Storm Recovery & Insurance.
- Keep municipal tax increases within affordable limits **especially considering impact of current decisions on future budgets.**
 - ✓ Seek out efficiencies to contain operating costs and overhead.
 - ✓ Seek shared services wherever possible
 - ✓ Seek grants wherever possible to fund operations and capital improvements.
- Deliver the high level of services our residents expect.

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 2022 breakdown of the total tax bill between the Municipal, County and Board of Education, based on the average home is as follows:

Tax	Percentage	Tax \$
Municipal	20.70%	\$3,150
Municipal Open Space	.20%	\$30
Library	1.40%	\$213
Union County	21.22%	\$3,230
Union County Open Space	.62%	\$94
Board of Education	55.86%	\$8,499
Total	100.00%	\$15,216

2022 Budget Overview

- Increase in Municipal Tax rate is 1.98% or \$61.00 per year – (*\$5.08 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

New Providence 2021 Municipal Taxes Among the Lowest When Compared to Union County Peer Communities

		Average Tax	Average Garbage*	Average Sewer*	Total Municipal
1	Scotch Plains	\$2,147	\$520 +/-	\$250	\$2,917
2	Berkeley Heights	\$2,612	\$500 +/-	Included	\$3,112
3	New Providence	\$3,187	Included	Included	\$3,187
4	Cranford	\$2,807	\$275	\$250	\$3,332
5	Mountainside	\$3,187	\$180	Included	\$3,367
6	Westfield	\$3,082	\$360	Included	\$3,442
7	Springfield	\$3,834	Included	Included	\$3,834
8	Summit	\$3,592	Included	\$247	\$4,229

***Denotes these figures are for 2020**
- Average Tax figures are for 2021

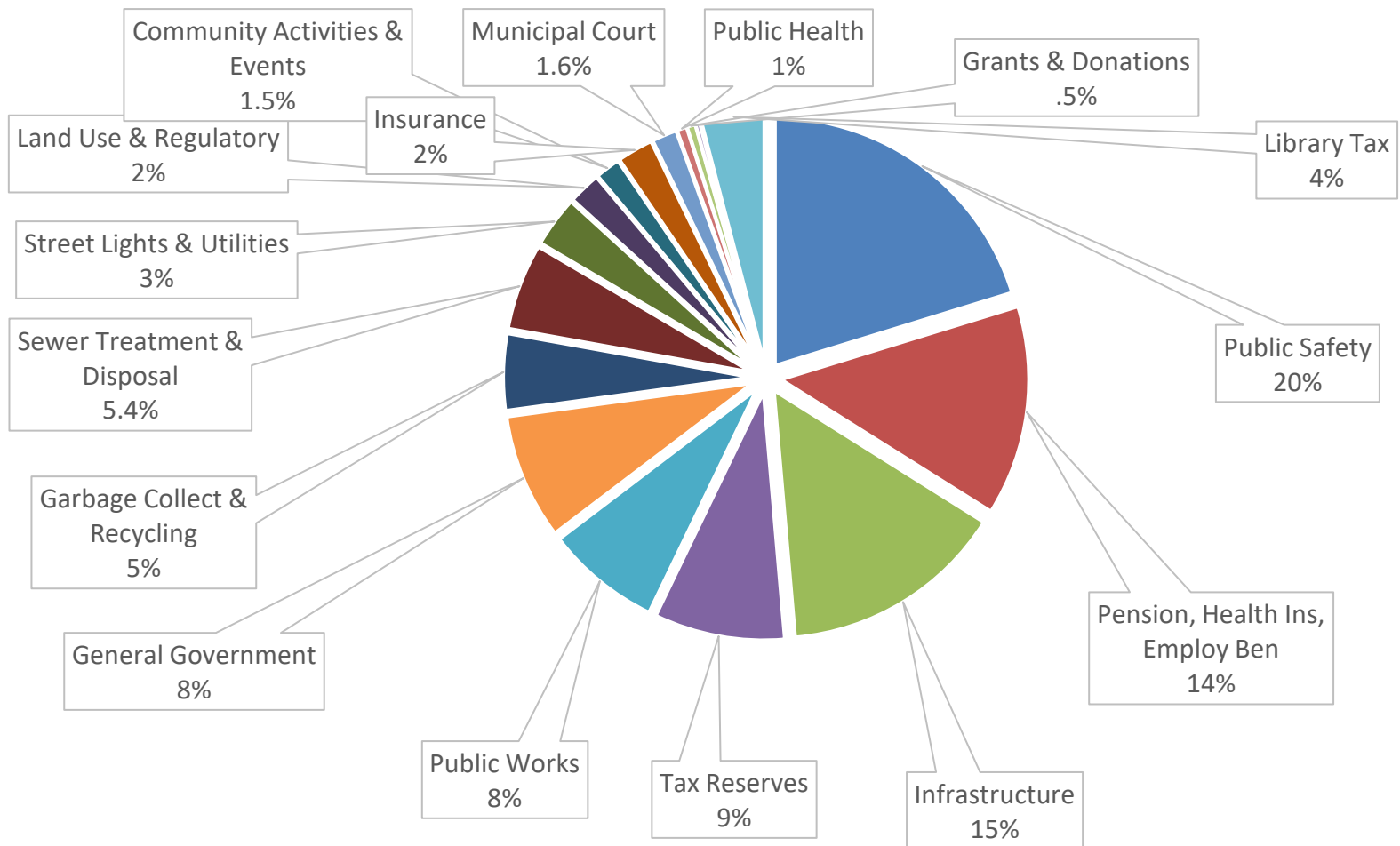
The American Rescue Plan Act of 2021

- Funds must be obligated by December 31, 2024 and expended by December 31, 2026.
- Current Guidance on what can the funds be used for:
 - To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries; or
 - To respond to workers performing essential work by providing premium pay or by providing grants to employers that have essential workers;
 - For the reduction in revenue due to the public health emergency (Standard up to \$10M or formulated); or
 - For the provision of governmental services to the extent of the reduction in revenue due to the public health emergency; or
 - To make necessary investments in water, sewer, or broadband infrastructure; or
 - To transfer the money to a private, nonprofit organization; or
 - For Public health eligible uses including COVID-19 mitigation and prevention, medical expenses, behavioral healthcare, and preventing and responding to violence

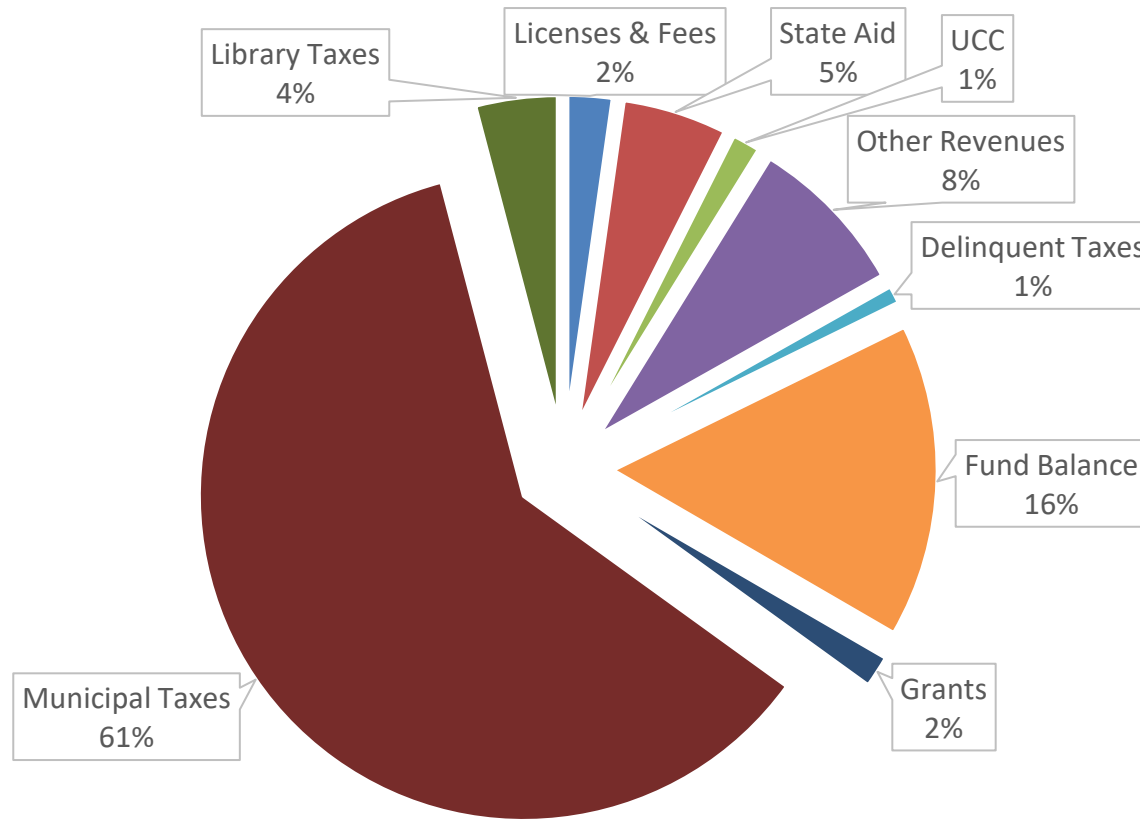
The American Rescue Plan Act of 2021

- What can the funds cannot be used for:
 - To deposit in any pension fund; and
 - Payment of debt service or replenishing financial reserves; and
 - Satisfaction of settlements and judgements; and
 - Non-Federal Match or Cost-Share Requirements; and
 - Directly or indirectly utilize these funds to offset a reduction in net tax revenue and penalty for doing so will require repayment to the Treasury
- **In accordance with Federal and State Guidelines, \$711,484.50 of funds are being utilized in the 2022 Budget**

2022 New Providence Breakdown of Appropriations



2022 New Providence Breakdown of Revenues



Budget Highlights

- Deliver high level of service - remains unchanged
- Deals with the effects felt from COVID-19 and allows us to position ourselves favorably for future budgets
- Biggest drivers for the 2022 Budget
 - Infrastructure Needs
 - Upgrading Computer Programs utilized by the Borough
 - Insurance Costs
 - Increased Contractual Costs – Solid Waste/Recycling
 - Utility Cost Increases
 - Pension Costs – These costs are supplied by the State and are statutory payments

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 - 2022

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 \$3,746,100 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 2022?

*Projects currently underway are from prior year appropriations