

BOROUGH OF POINT PLEASANT 2018 MUNICIPAL BUDGET

Mayor Bob Sabosik

Presented By:

Finance Committee

Chief Financial Officer Himanshu R. Shah

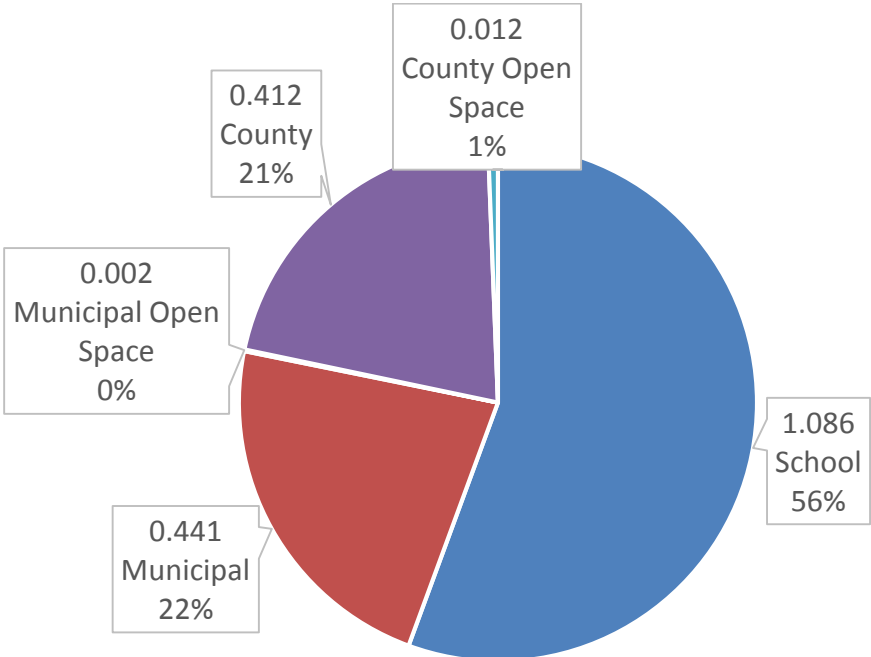
Business Administrator Frank Pannucci

March 20, 2018

2018 MUNICIPAL BUDGET OVERVIEW

- The Municipal Budget represents 22% of the total tax rate and is the only portion of the tax bill that Borough Officials can directly control.
- This 22% covers the majority of municipal services that are provided to the residents of the BOROUGH OF POINT PLEASANT including **code enforcement, community development** (engineering, planning and zoning), **health and senior services, parks and facilities, recreation programs, public safety** (police protection and emergency management) and **public works** (roads, recycling, snow removal).
- The remaining portion of the tax bill (78%) funds the Point Pleasant Public Schools, Ocean County Government, Ocean County Open Space Program.

TOTAL 2017 TAX RATE “BREAKDOWN”



Tax Rate -- in cents per \$100 of Assessed Valuation

| | |
|----------------------|--------------|
| | 2017 |
| School | 1.086 |
| Municipal | 0.441 |
| Municipal Open Space | 0.002 |
| County | 0.412 |
| County Open Space | 0.012 |
| Total | <u>1.953</u> |

APPORTIONMENT OF TAX RATE

(PER \$100 OF ASSESSED VALUE)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SCHOOL | 0.984 | 1.033 | 1.058 | 1.071 | 1.086 | |
| MUNICIPAL | 0.418 | 0.424 | 0.430 | 0.436 | 0.441 | 0.444 |
| MUNICIPAL OPEN SPACE | 0.002 | 0.002 | 0.002 | 0.002 | 0.002 | 0.002 |
| COUNTY | 0.385 | 0.400 | 0.413 | 0.417 | 0.412 | |
| COUNTY OPEN SPACE | 0.012 | 0.012 | 0.012 | 0.012 | 0.012 | 0.012 |
| TOTAL | 1.801 | 1.871 | 1.915 | 1.938 | 1.953 | 0.458 |

2018 MUNICIPAL BUDGET GOALS

- Maintain or improve core municipal services for the citizens of Point Pleasant.
- Minimize tax impact and remain under statutory caps.
- Continue to implement a sound and longer term financial plan for the Borough.
- Identify potential areas for operational improvements and/or cost savings for 2019 and 2020.

2018 MUNICIPAL BUDGET DEVELOPMENT PROCESS

July 2017

- Memorandum and budget guidelines sent to Department Heads

September 2017

- Department budget requests submitted to Finance Department
- Department budget meetings with Administration

October – December 2017

- Department budget meetings with Administration

January 2018

- Department budget meetings with Administration

February 2018

- Proposed Municipal Budget Reviewed by Finance Committee– February 07, 2018
- Municipal Budget Introduction – February 20, 2018

March 2018

- Municipal Budget Public Hearing – March 20, 2018
- *Municipal Budget Adoption – March 20, 2018*

2018 MUNICIPAL BUDGET SUMMARY

- The 2018 proposed Municipal Budget calls for \$19,905,788 in expenditures.
- Revenues include \$1,437,604.00 in municipal state aid, \$400,000.00 in uniform construction code fees, \$508,000 in miscellaneous revenue, \$150,000.00 in municipal court fines and costs, \$150,000.00 in interest on investments and deposits, \$400,000.00 in receipts from delinquent taxes and \$14,461,415.00 as the amount to be raised by taxation.
- An anticipation of \$2,400,000.00 from fund balance will be required to bring the 2018 budget into balance. This will leave \$2,110,948.00 in cash fund balance to help stabilize taxes for 2019.
- The proposed municipal tax rate is therefore estimated to be \$0.444 in 2018, which reflects a tax increase of 0.003 cents over 2017 (\$0.441).
- For an average home in Point Pleasant assessed at \$385,000.00 the proposed municipal tax increase would be \$11.00 (from \$1,698 in 2017 to \$1,709 in 2018).

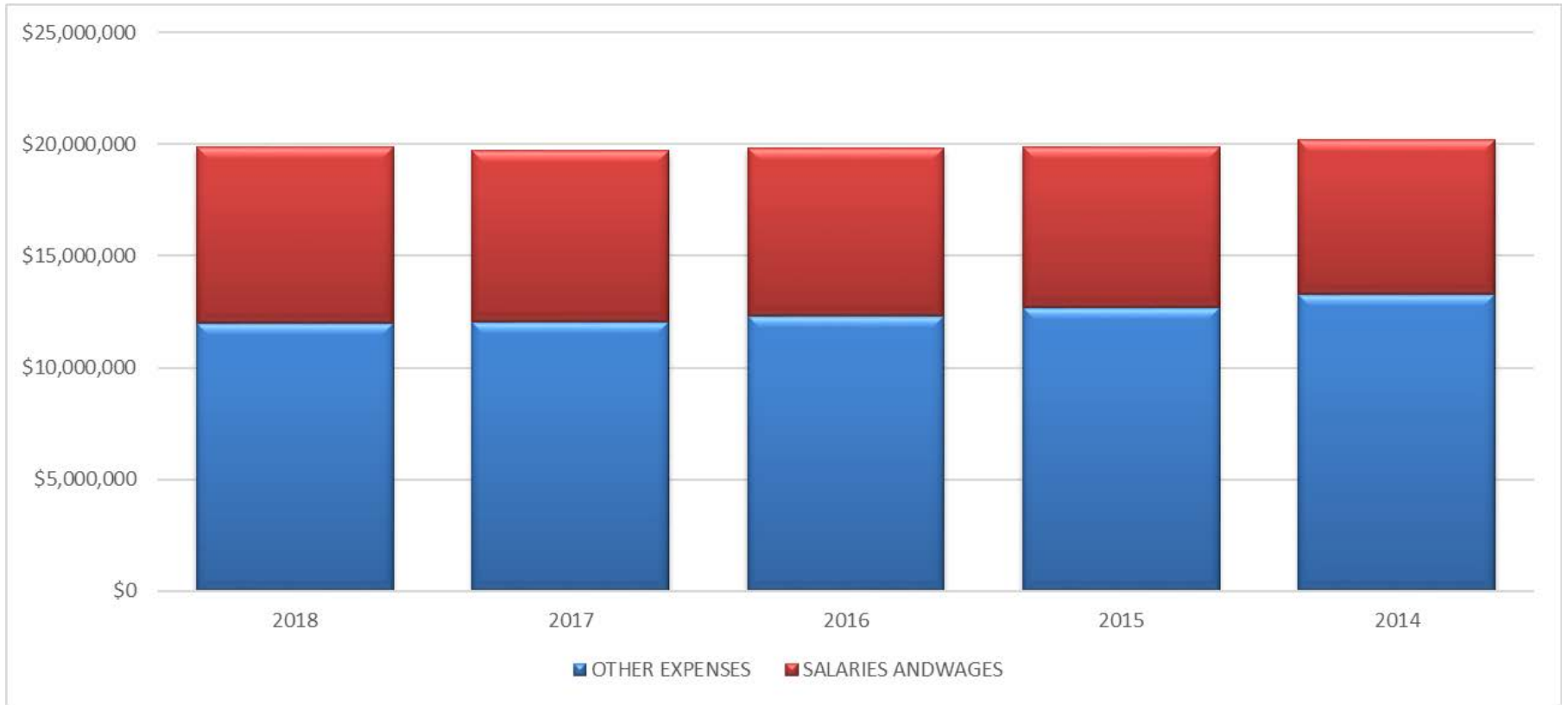
2018 EXPENDITURES

| Current Fund Appropriations | 2018 Recommend | 2017 As Amended | Chg. over 2017 | % Chg. | % of Total |
|-----------------------------|---------------------|---------------------|------------------|--------------|----------------|
| Salaries & Wages | \$7,913,106 | \$7,658,725 | \$254,381 | 3.32% | 39.75% |
| Health Insurance | \$1,836,000 | \$1,886,000 | (\$50,000) | -2.65% | 9.22% |
| Social Security | \$620,000 | \$600,000 | \$20,000 | 3.33% | 3.11% |
| Pension-PFRS | \$960,000 | \$835,440 | \$124,560 | 14.91% | 4.82% |
| Pension-PERS/DCRP | \$429,000 | \$402,300 | \$26,700 | 6.64% | 2.16% |
| Total Employee Comp | \$11,758,106 | \$11,382,465 | \$375,641 | 3.30% | 59.07% |
| Other Expenses | \$4,200,284.00 | \$4,257,152 | (\$56,868) | -1.34% | 21.10% |
| Interlocal Services | \$50,000 | \$50,000 | \$0 | 0.00% | 0.25% |
| Public & Private Grants | \$48,769 | \$110,893 | (\$62,124) | -56.02% | 0.24% |
| Capital Improvements | \$100,000 | \$110,000 | (\$10,000) | -9.09% | 0.50% |
| Debt Service & Def. Charg. | \$2,259,834 | \$2,211,987 | \$47,847 | 2.16% | 11.35% |
| Emergency Approp. | \$0 | \$0 | \$0 | 0.00% | 0.00% |
| Resrv. For Uncoll. Taxes | \$1,488,795 | \$1,593,045 | (\$104,250) | -6.54% | 7.48% |
| Total Appropriations | \$19,905,788 | \$19,715,542 | \$190,246 | 0.96% | 100.00% |

2018 OTHER EXPENSES DETAIL

| Other Expenses | 2018 Recommend | 2017 As Amended |
|---------------------------------------|--------------------|--------------------|
| Audit | \$31,000 | \$30,000 |
| Unemployment Insurance | \$60,000 | \$60,000 |
| Fire Department | \$190,000 | \$190,000 |
| Aid to Volunteer Ambulance Services | \$70,000 | \$95,000 |
| LOSAP | \$85,000 | \$95,000 |
| Engineering | \$100,000 | \$100,000 |
| Municipal Service Act | \$33,000 | \$41,959 |
| Legal | \$210,000 | \$202,900 |
| Public Works | \$210,500 | \$204,200 |
| Police Department (including vehicle) | \$334,944 | \$325,028 |
| Liability Insurance | \$450,000 | \$440,300 |
| Solid Waste/Recycling | \$1,606,300 | \$1,668,300 |
| Utilities | \$404,100 | \$402,720 |
| Miscellaneous Other Expenses | \$415,440 | \$401,745 |
| Total | \$4,200,284 | \$4,257,152 |

ANNUAL BUDGETS EXPENDITURE COMPARISON 2018-2014



| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------|--------------|--------------|--------------|--------------|--------------|
| | Recommended | Adopted | Adopted | Adopted | Adopted |
| OTHER EXPENSES | \$11,992,682 | \$12,056,817 | \$12,298,365 | \$12,708,868 | \$13,276,451 |
| SALARIES AND WAGES | \$7,913,106 | \$7,658,725 | \$7,555,596 | \$7,163,864 | \$6,923,492 |
| | \$19,905,788 | \$19,715,542 | \$19,853,961 | \$19,872,732 | \$20,199,943 |

2018 EXPENDITURES

- The **Salaries & Wages (S&W)** expenditure category has increased by \$254,381.00 (+ 3.32%) from \$7,629,334.00 in 2017 to \$7,913,106.00 in 2018.
 - *In addition to contractual increases, the 2018 budget includes funding for a promotion from clerk typist to senior clerk typist.*
- The **Other Expenses (O/E)** expenditure category has decreased by \$56,868.00 (-1.34%) from \$4,257,152.00 in 2017 to \$4,200,284.00 in 2018.
 - *The major decrease under this expenditure category are Solid Waste/Recycling (-\$62,000.00), and Municipal Service Act (-\$8,959.00)*
 - *The major increase under this expenditure category are Liability Insurance (+ \$9,700.00), and Public Works (+ \$6,300.00)*



2018 EXPENDITURES (CONTINUED)

- The **Municipal Debt Service** expenditure category has increased by \$47,847.00 (+2.16%) from \$2,211,987.00 in 2017 to \$2,259,834.00 in 2018.
 - *This increase is the result of the increase in Bond Principal Payment per our Amortization schedule .*
- The **Statutory expenditure** category has increased by \$171,560.00 (+ 9.04%) from \$1,897,440.00 in 2017 to \$2,069,000.00 in 2018.
 - *The major increase under this expenditure category is Police and Firefighters Retirement System (+\$124,560.00) as a result of state increase.*
- The **Deferred Charges** expenditure category has remained unchanged for 2018.
 - *Borough did not have any emergency appropriation authorized in 2018.*

2018 EXPENDITURES (CONTINUED)

- The **Capital Improvement Fund** expenditure category has decreased by \$10,000 (-9.09%) from \$110,000 in 2017 to \$100,000 in 2018.
 - *The proposed capital budget for 2018 is expected to be \$2,933,000 for parks, facilities, and road improvements and replacement equipment and vehicles for various departments and divisions.*
- The **Reserve for Uncollected Taxes** expenditure category has decreased by \$104,095.00 (-6.53%) from \$1,593,045.00 in 2017 to \$1,488,950.00 in 2018.
 - *This is a statutory non-spending appropriation.*
 - *The actual tax collection rate for 2017 was 99.19%.*
 - *The projected tax collection rate for 2018 is 97.69%.*

2018 REVENUES

| General & Tax Revenues | 2018 | 2017 | 2018 - 2017 | % Chg | % of Total |
|-----------------------------------|---------------------|---------------------|--------------------|--------------|-------------------|
| Surplus | \$2,400,000.00 | \$2,500,000 | (\$100,000) | -4.00% | 12.06% |
| Municipal Revenues | \$758,000 | \$603,000 | \$155,000 | 25.70% | 3.81% |
| FEMA/CDL | \$210,028 | \$0 | \$210,028 | 100.00% | 1.06% |
| State Aid | \$1,227,576 | \$1,227,576 | \$0 | 0.00% | 6.17% |
| UCC Revenue | \$400,000 | 400,000.00 | \$0 | 0.00% | 2.01% |
| Public & Private Grants | \$48,769 | \$110,893 | (\$62,124) | -56.02% | 0.24% |
| Delinquent Tax | 400,000.00 | 600,000.00 | (\$200,000) | -33.33% | 2.01% |
| Total General Revenues | \$5,444,373 | \$5,441,469 | \$2,904 | 0.05% | 27.35% |
| Taxes | 14,461,415 | 14,274,073 | \$187,342 | 1.31% | 72.65% |
| Total Revenues | \$19,905,788 | \$19,715,542 | \$190,246 | 0.96% | 100.00% |

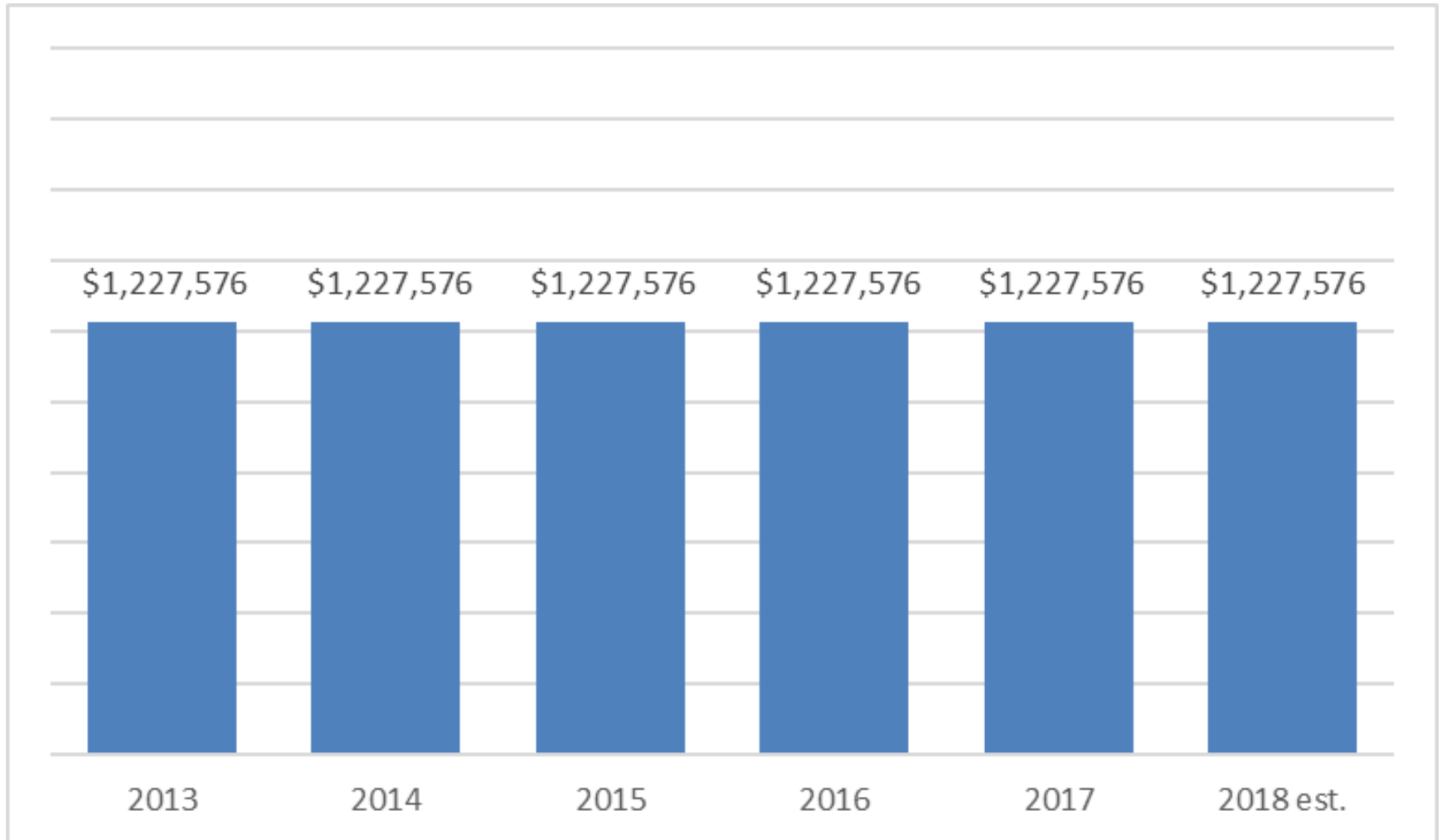
2018 REVENUES

- Total municipal revenue has increased by \$190,246.00 (0.96%) from \$19,715,542.00 in 2017 to \$19,905,788.00 in 2018.
- The **Municipal State Aid** revenue category has not been changed in 2018.
- The **Fund Balance** revenue category has been decreased by \$100,00.00 for 2018.
 - *The fund balance reserve has been set at 10.97% of the total municipal budget for 2018 (compared to 9.69% in 2017).*
- The **Uniform Construction and Code Fees** revenue category has not been changed in 2018.

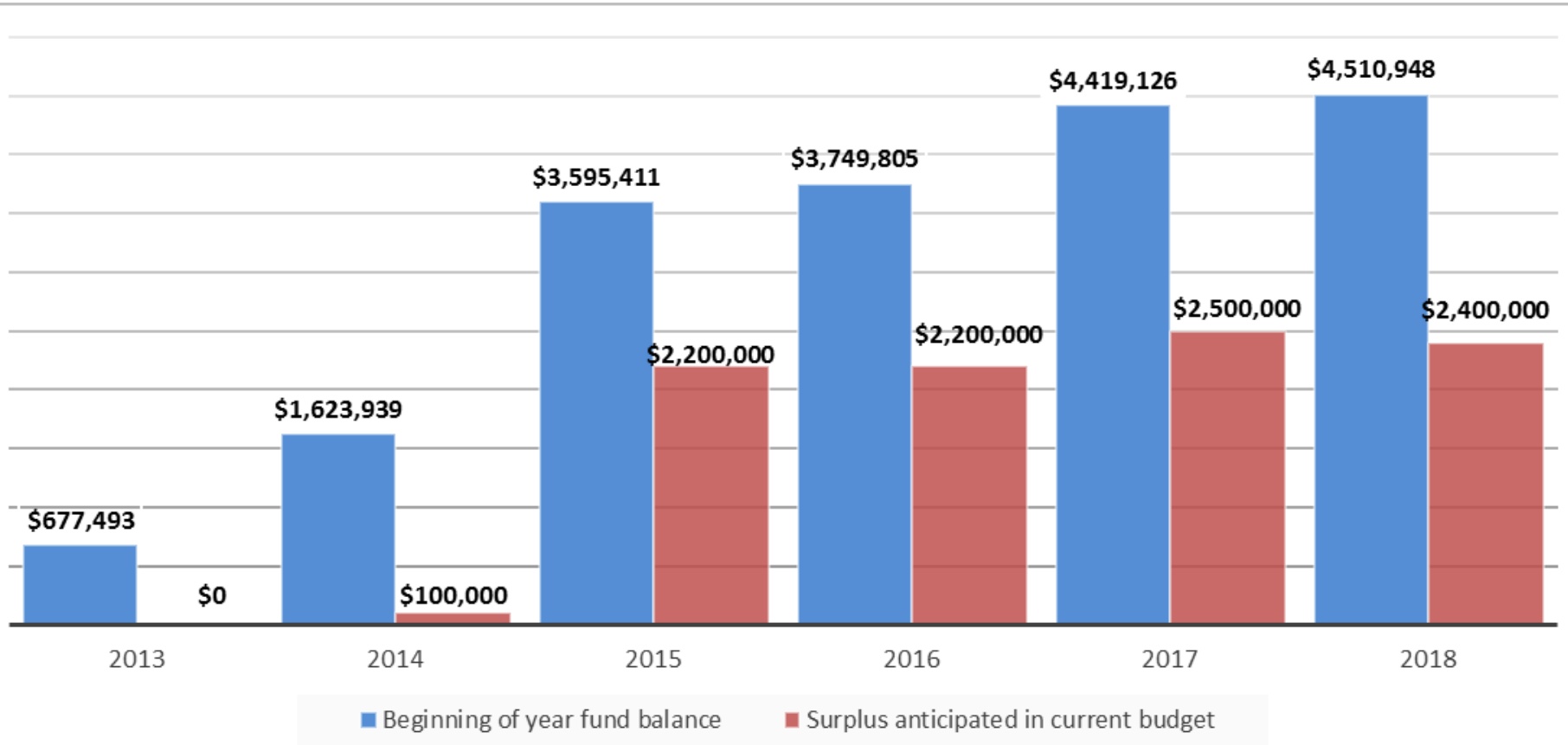
2018 REVENUES (CONTINUED)

- The **Municipal Court Fines and Costs** revenue category has not been changed in 2018.
- The **Interest on Investments and Deposits** revenue category has been increased by \$120,000.00 (+400.00%) for 2018.
- The **Miscellaneous Revenues** category has been increased by \$302,904.00 (+12.93%) from \$2,341,469.00 in 2017 to \$2,644,373.00 for 2018.
 - *This includes new revenue of reserve from sale of assets (Revenue from sale of communication tower).*
- The **Receipts from Delinquent Taxes** revenue category has decreased by \$200,000 (-0.33%) from \$600,000 in 2017 to \$400,000 for 2018.
- The **Amount to be Raised by Taxation** revenue category has been increased by \$187,342.00.00 (+1.31%) from \$14,274,073.00 in 2017 to \$14,461,415.00 for 2018.

MUNICIPAL STATE AID 2013-2018



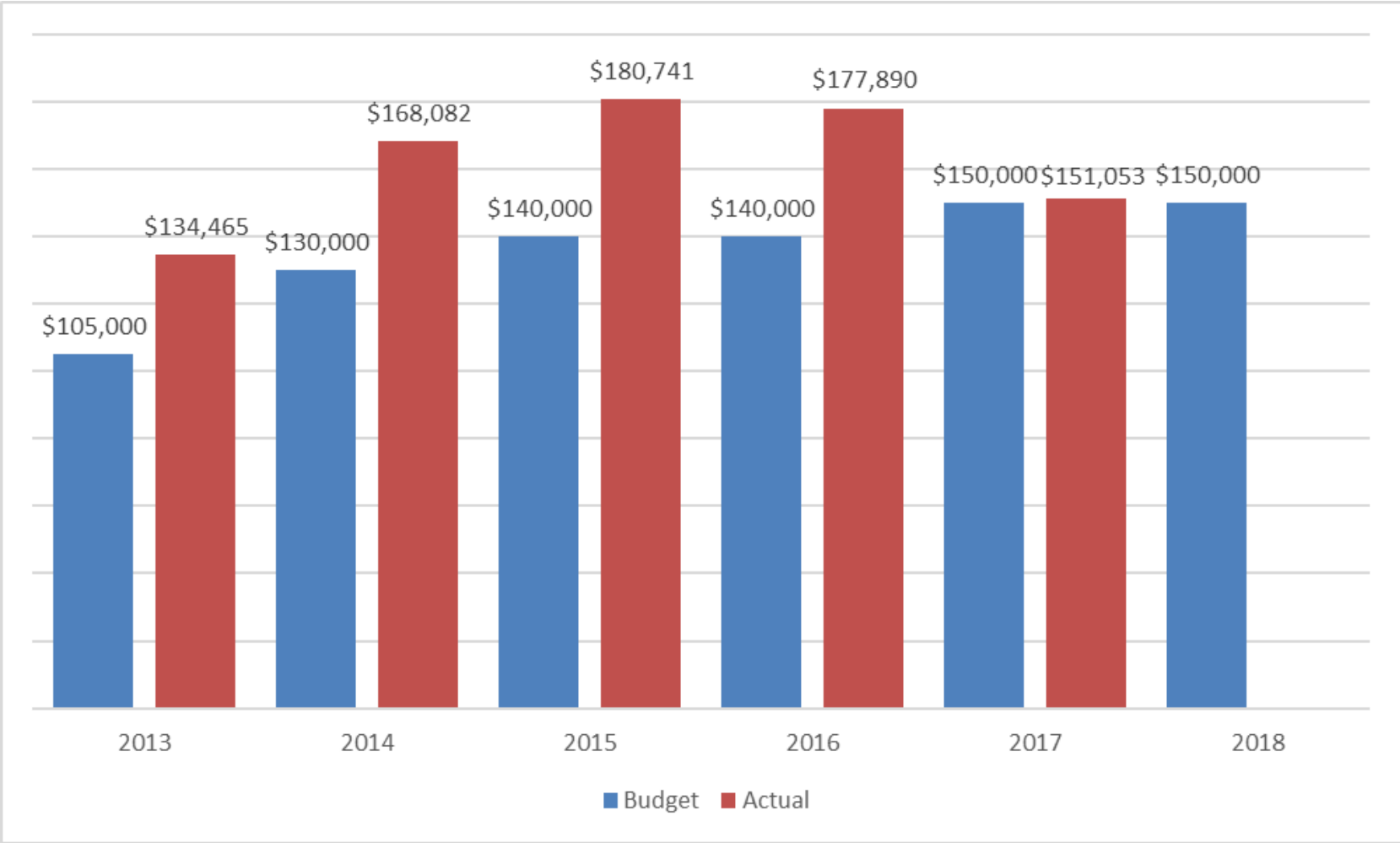
FUND BALANCE (“SURPLUS”) 2013-2018



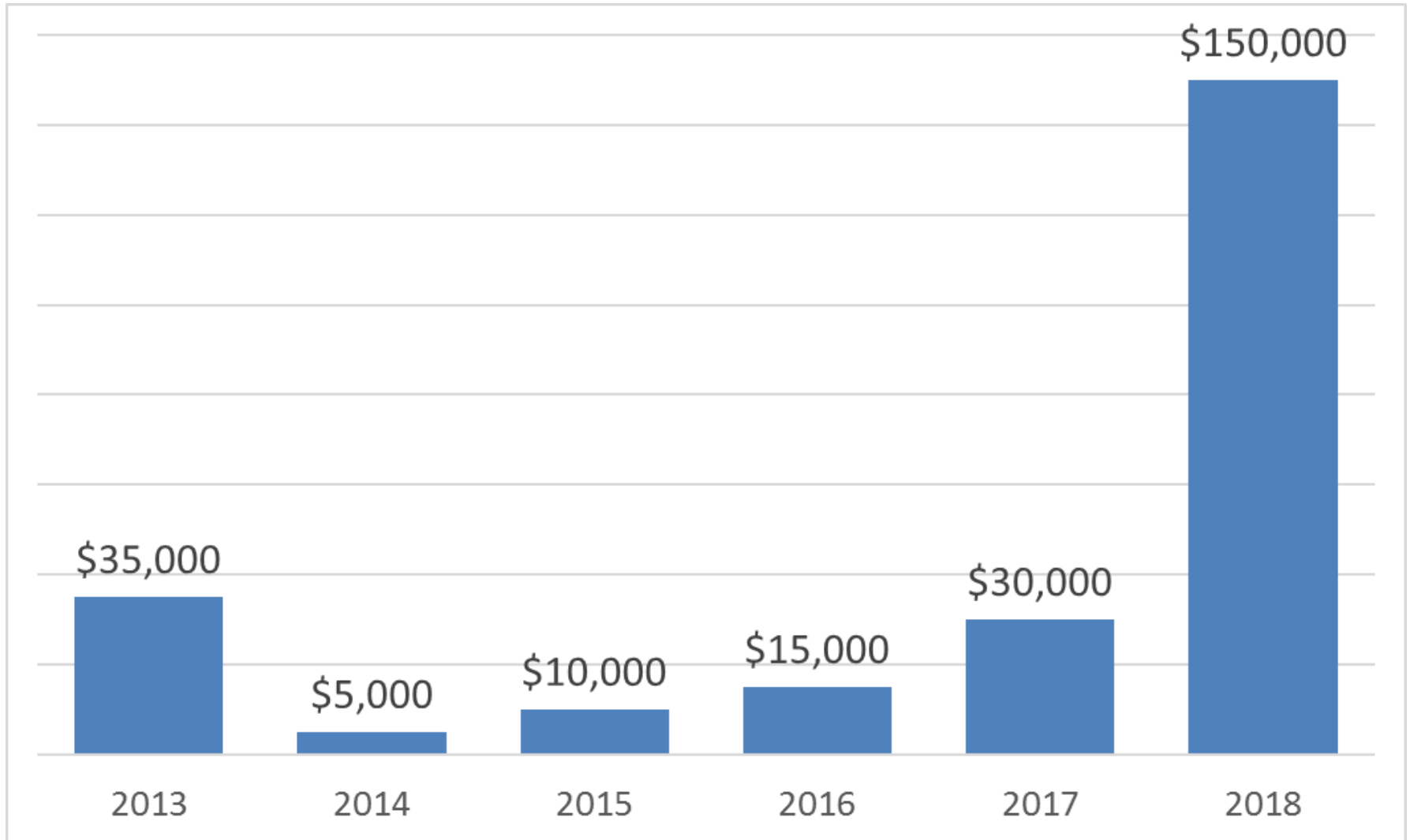
UNIFORM CONSTRUCTION AND CODE FEES 2013-2018



MUNICIPAL COURT FINES AND COSTS 2013-2018

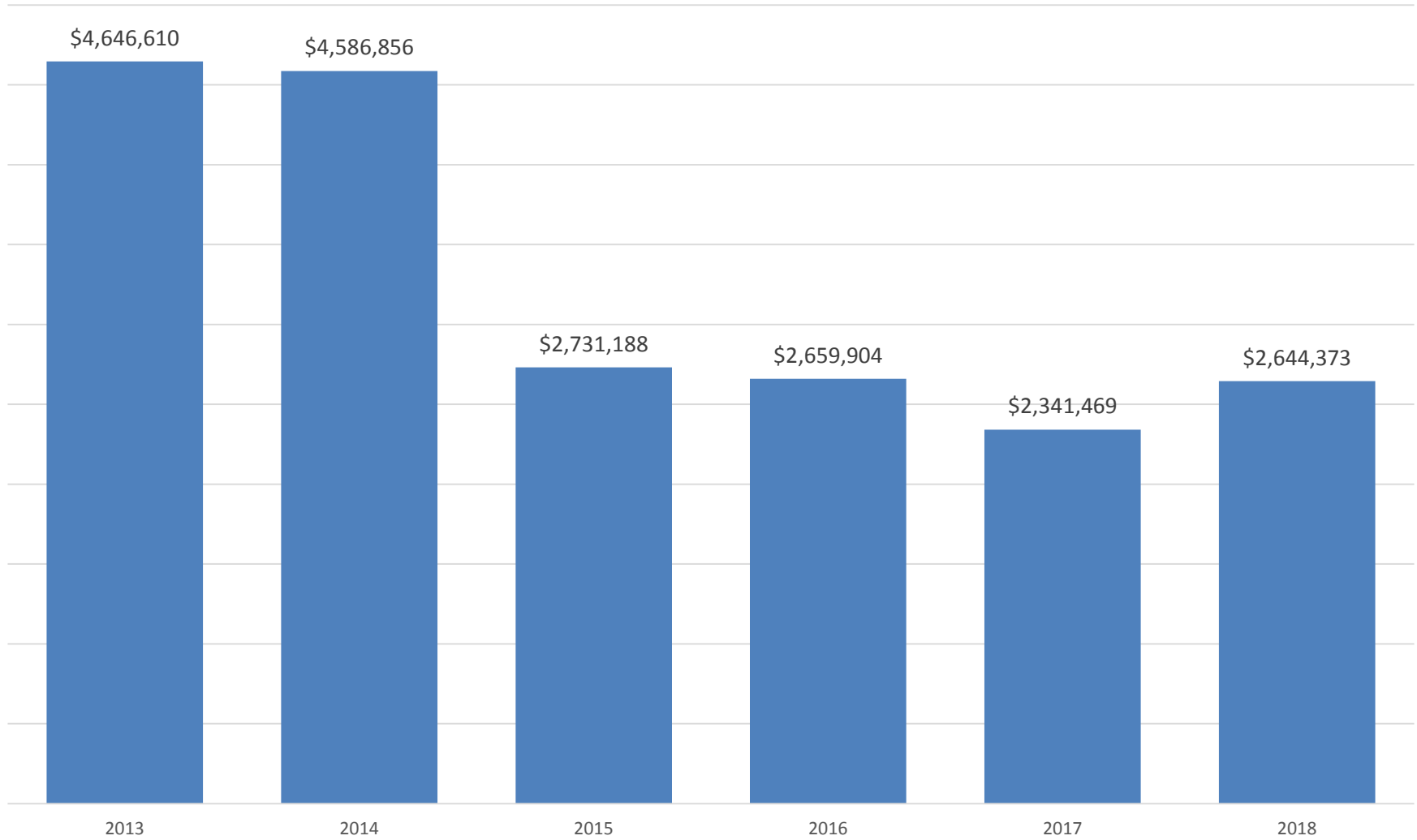


INTEREST ON INVESTMENTS AND DEPOSITS 2013-2018

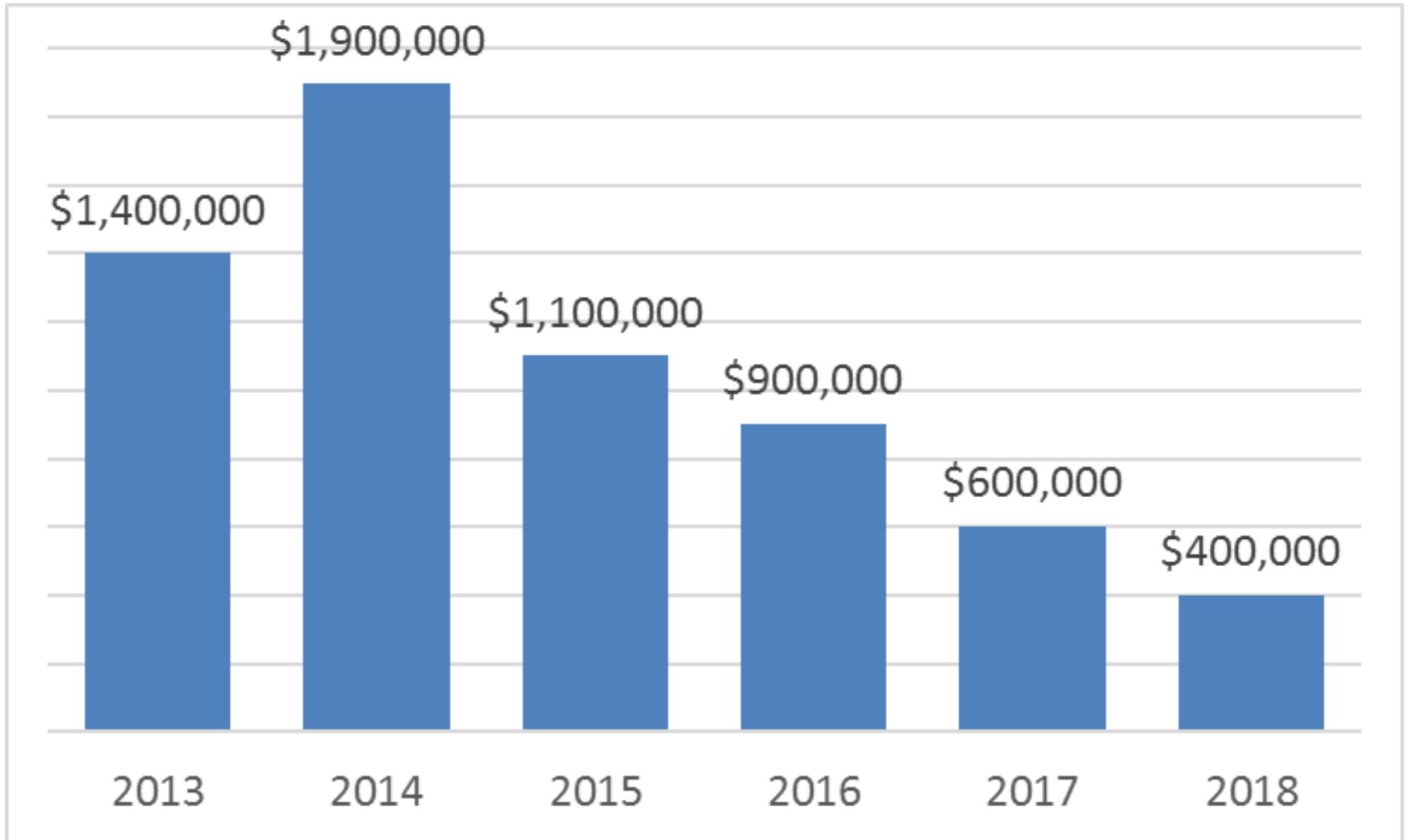




MISCELLANEOUS REVENUES 2013-2018

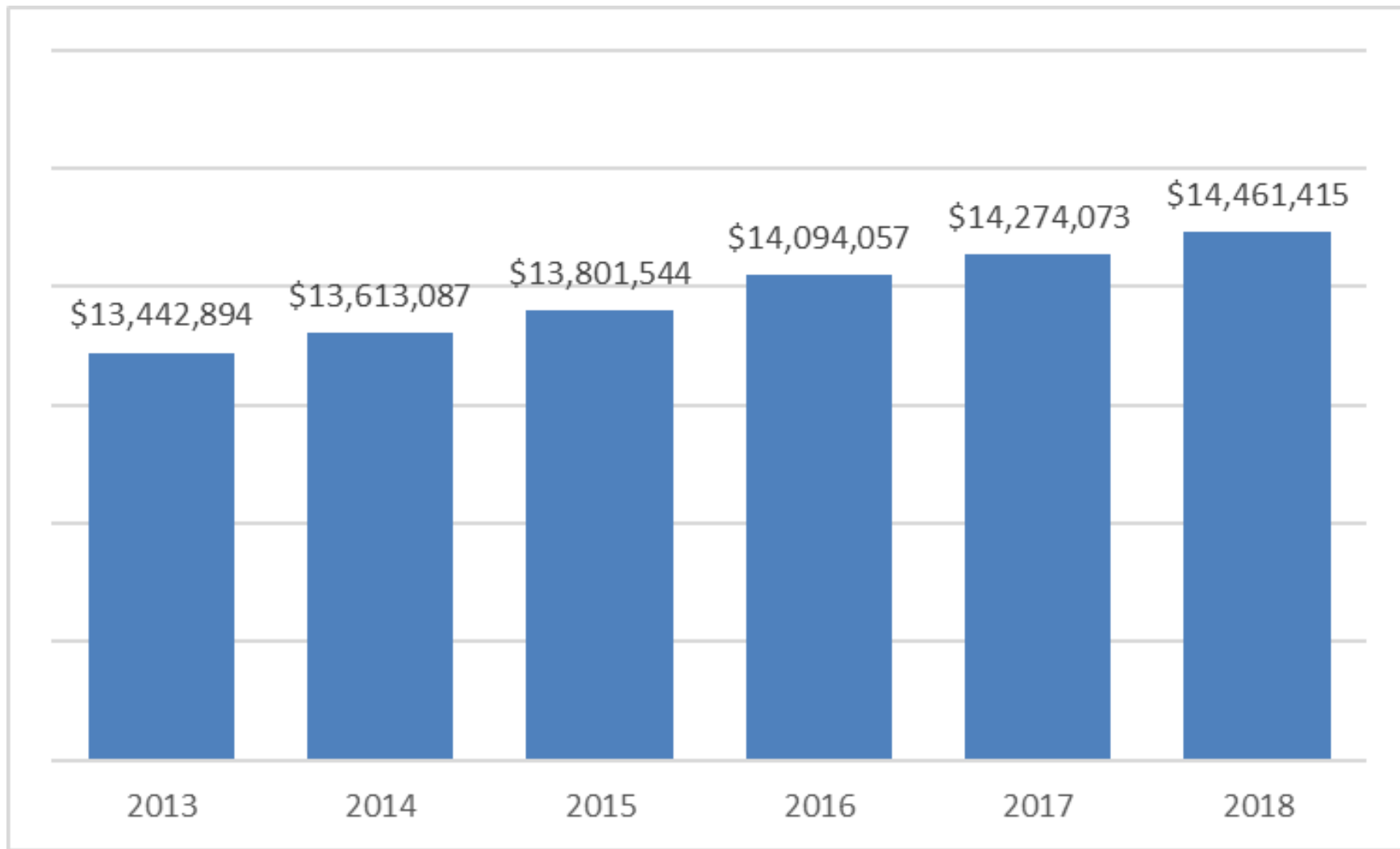


RECEIPTS FROM DELINQUENT TAXES 2013-2018





AMOUNT TO BE RAISED BY TAXATION 2013-2018



Average annual increase of 1.6%.

STATUTORY CAPS

- The “**Cost of Living Cap Adjustment**” enacted by the State requires each municipality to limit the local government unit’s final budget appropriation to no more than 3.5% with the adoption of a COLA or “Cap Index” Ordinance.
- For Point Pleasant Borough, the proposed final budget appropriation for 2018 is \$15,853,290.00 which is \$362,872.71 below the state mandated cap base of \$16,226,161.71.
- The “**Property Tax Levy Cap**” enacted by the State requires each municipality to limit the local government unit’s amount to be raised by taxation to no more than 2% over the prior year’s levy. *The State allows specific exceptions for health benefits, pensions, Length of Service Awards Program (LOSAP) for volunteers, capital improvements and debt service.*
- For Point Pleasant Borough, the proposed municipal tax levy for 2018 is \$14,461,415.00 which is \$374,339.00 below the state mandated property tax levy cap of \$14,835,754.00.

2017 Bond Rating and Rationale

- Moody's assigns Aa3 rating to the BOROUGH OF POINT PLEASANT's \$8.70 million GO Refunding Bonds, Series 2015.
- ***The upgrade to Aa3 reflects the borough's positive financial trend, substantial tax base, and above-average wealth***
- ***levels.*** What could drive the rating up?
 - Strengthening of the borough's tax base and socioeconomic indices
 - - Continued growth in Current Fund reserves and liquidity.
- What could drive the rating down?
 - Material deterioration of the tax base and socioeconomic indices
 - - Significant decrease in reserves
 - - Reversion to reliance on cash flow borrowing

“The Future...”

2018- POTENTIAL CHALLENGES

- National, State and Local Economic Conditions...?
- **Weather Related Emergencies and Related Costs...!?!?**
- Contractual Cost Increases...?
- Accumulated Time Payouts for Retirees...?
- Tax Appeals...?
- New and Unfunded State Mandates...?
- Further Cuts to Municipal State Aid...?

2018 POTENTIAL OPPORTUNITIES

- Ongoing Cost Containment Strategies
- Competitive Contracting for Services
- Cooperative Purchasing for Goods and Services
- New Technology-Related Initiatives
- Federal, State and Local Grant Programs
- Additional and/or Enhanced Shared Services with the Point Pleasant Public Library, Point Pleasant Public Schools, Ocean County Government and/or neighboring municipalities

2018 MUNICIPAL BUDGET ADOPTION

Tuesday, March 20, 2018