

2020 Municipal Budget Overview

Borough of Montvale

April 28, 2020

Key Questions

- ◆ What are the sources of revenue that the Borough expects in 2020?
- ◆ What are the Borough's key expenses and significant expenditures in 2020?
- ◆ How will this affect our municipal tax rate?
- ◆ What is the current financial state of the Borough?
- ◆ What challenges do we face, and what is our strategy to build upon Montvale's strong financial footing?

2020 Budget Summary Revenues

	Budget Year (2020) Proposed	Prior Year (2019) Adopted	Change	Percent
Surplus Anticipated (Utilized)	4,100,000	4,250,000	<150,000>	<3.53>%
Local	649,000	623,000	26,000	4.17%
State Aid	1,262,378	1,262,378	0	0.00%
Construction Code	510,000	260,000	250,000	96.15%
Shared Service Agreements	371,376	341,027	30,349	8.90%
Public & Private Revenue	19,534	156,749	<137,215>	<87.54>%
Special Items	495,516	364,272	131,244	36.03%
Delinquent Tax	200,000	220,000	<20,000>	<9.09>%
Municipal Tax	12,137,762	12,152,641	<14,879>	<.42>%
TOTALS	19,745,566	19,630,067	115,499	0.59%

BOROUGH OF MONTVALE
ANALYSIS OF BUDGET REVENUES

2016 - 2020

CATEGORY	2016	2017	INCREASE/ <DECREASE>	2017	2018	INCREASE/ <DECREASE>	2018	2019	INCREASE/ <DECREASE>	2019	PROPOSED	INCREASE/ <DECREASE>	CUMULATIVE
			PERCENT			PERCENT			PERCENT		2020	PERCENT	PERCENT
SURPLUS	3,500,000	4,075,000	575,000 16.43%	4,075,000	4,175,000	100,000 2.45%	4,175,000	4,250,000	75,000 1.80%	4,250,000	4,100,000	<150,000> -3.53%	600,000 17.14%
LOCAL REVENUE	496,450	496,250	(200) -0.04%	496,250	570,000	73,750 14.86%	570,000	623,000	53,000 9.30%	623,000	649,000	26,000 4.17%	152,550 30.73%
STATE AID	1,262,378	1,262,378	0 0.00%	0 0.00%									
UNIFORM CONSTRUCTION CODE	260,000	850,000	590,000 226.92%	850,000	650,000	(200,000) -23.53%	650,000	260,000	(390,000) -60.00%	260,000	510,000	250,000 96.15%	250,000 96.15%
SHARED SERVICE AGREEMENTS	182,528	193,602	11,074 6.07%	193,602	290,191	96,589 49.89%	290,191	341,027	50,836 17.52%	341,027	371,376	30,349 8.9%	188,848 103.46%
PUBLIC AND PRIVATE (GRANTS)	29,925	45,476	15,551 51.97%	45,476	244,312	198,836 437.23%	244,312	156,749	(87,563) -35.84%	156,749	19,534	<137,215> -87.54%	(10,391) -34.72%
OTHER SPECIAL ITEMS	344,426	375,254	30,828 8.95%	375,254	381,939	6,685 1.78%	381,939	364,272	(17,667) -4.63%	364,272	495,516	131,244 36.03%	151,090 43.87%
DELINQUENT TAXES	175,000	175,000	0 0.00%	175,000	215,000	40,000 22.86%	215,000	220,000	5,000 2.33%	220,000	200,000	<20000> -9.09%	25,000 14.29%
AMOUNT TO BE RAISED	<u>11,928,142</u>	<u>12,226,595</u>	298,453 2.50%	<u>12,226,595</u>	<u>12,286,473</u>	59,878 0.49%	<u>12,286,473</u>	<u>12,152,641</u>	(133,832) -1.09%	<u>12,152,641</u>	<u>12,137,762</u>	<14879> -0.42%	209,620 1.76%
	18,178,849	19,699,555		19,699,555	20,075,293		20,075,293	19,630,067		19,630,067	19,745,566		

2020 Budget Summary Appropriations

	Budget Year (2020) Proposed	Prior Year (2019) Adopted	Change	Percent
Salary and Wages	5,632,382	5,392,350	240,032	4.45%
Deferred Charges & Statutory Expenditures	1,279,470	1,268,157	11,313	.89%
Other Appropriations	9,112,239	9,012,130	100,109	1.11%
Debt Service	1,627,025	1,776,825	<149,800>	<8.43>%
Capital Improvements	324,050	465,538	<141,488>	<30.39>%
Reserve for Uncollected Taxes	1,770,400	1,715,067	55,333	3.23%
TOTALS	19,745,566	19,630,067	115,499	0.59%

BUDGET APPROPRIATIONS BY CATEGORY (PERCENT OF TOTAL BUDGET)

<u>CATEGORY</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL BUDGET</u>
SALARIES AND WAGES	\$5,632,382	28.53%
UTILITIES / SANITATION / SEWERAGE	\$2,164,944	10.96%
INSURANCE	\$1,186,784	6.01%
LIBRARY	\$825,955	4.18%
SHARED SERVICES	\$2,456,119	12.44%
CAPITAL	\$324,050	1.64%
DEBT SERVICE	\$1,627,025	8.24%
DEFERRED CHARGES / STATUTORY EXPENDITURES	\$1,279,470	6.48%
RESERVE FOR UNCOLLECTED TAXES	\$1,770,400	8.97%
OTHER APPROPRIATIONS	\$2,478,437	12.55%
TOTAL	\$19,745,566	100%

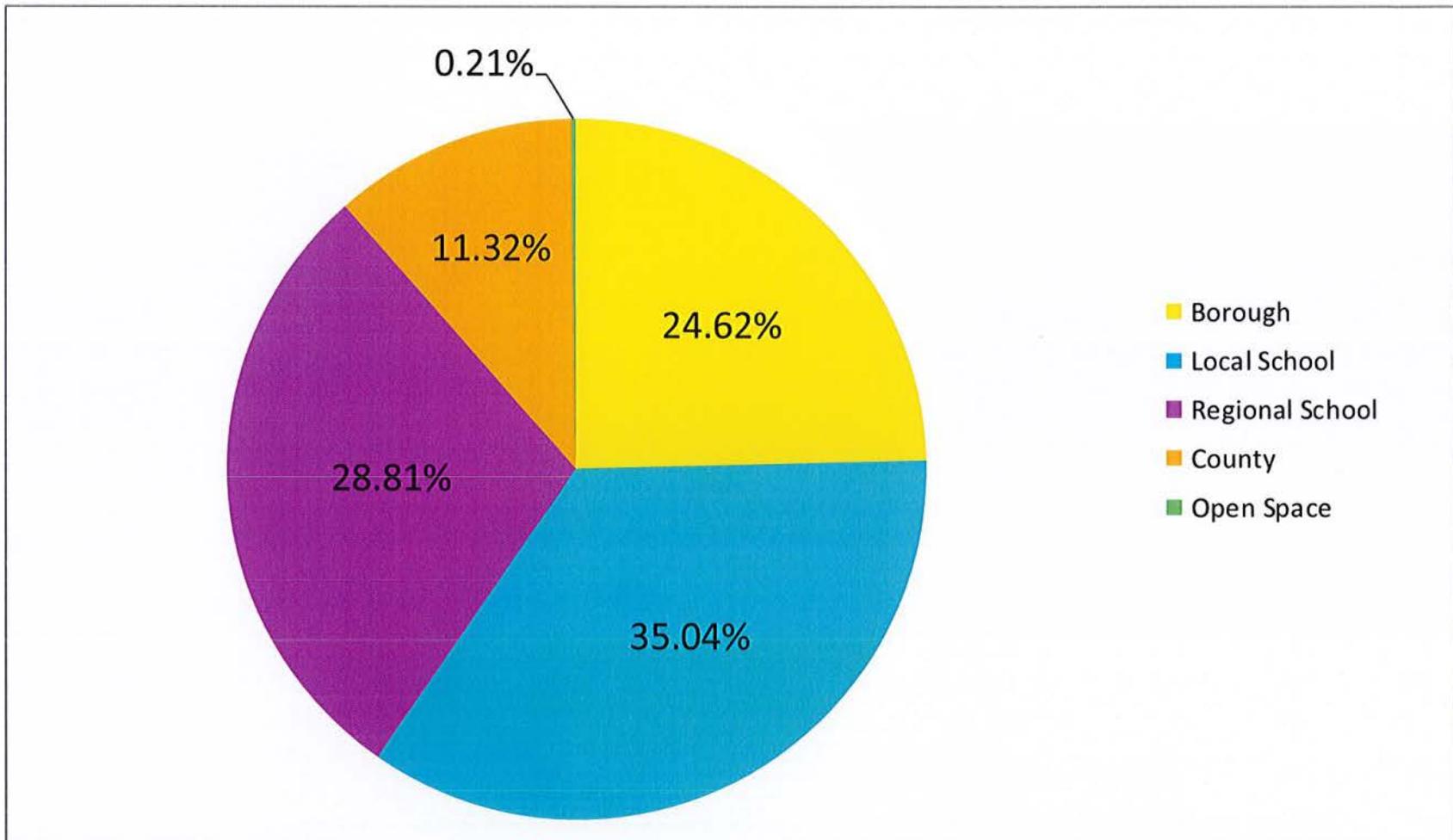
Significant Expenditures

- ◆ Road Resurfacing
- ◆ Improvements to Public Buildings
- ◆ Purchase of Sewer Truck
- ◆ Health Benefits
- ◆ Pension
- ◆ Debt Service
- ◆ Sewer Service

Property Tax Levies

	2020 (Projected)	2019	2018	2017
Municipal	12,137,762	12,152,641	12,286,473	12,226,595
Open Space	102,309	102,184	102,988	102,383
Regional School	14,204,012	13,790,303	13,637,934	13,387,934
Local School	17,275,125	16,771,966	16,349,965	15,740,203
County	5,580,409	5,470,989	5,688,893	5,525,896
Total Levy	49,299,617	48,288,083	48,066,253	46,983,011

2020 Projected Tax Levy



Tax Rate Comparison

	2020 (Projected)	2019	Change	Percent
County	.273	.267	.006	2.14%
Regional School	.694	.676	.018	2.69%
Local School	.844	.821	.023	2.83%
Open Space	.005	.005	.000	0.00%
Library	.039	.037	.002	4.70%
Municipal	.554	.557	<.003>	<0.46>%
Total Municipal	.598	.599	<.001>	<0.17>%
Total	2.409	2.363	.046	1.96%

The average assessed value of a residence is estimated at approximately **\$524,788**

The projected decrease in the 2020 municipal portion of tax for an average residence is estimated at approximately **<\$5.25>**.



Montvale's Surplus: 5 Year Overview

Surplus serves as a cushion against the impact of negative financial events and liquidity for cash flow.

In the past 5 years we utilized these surplus amounts in developing the budget.

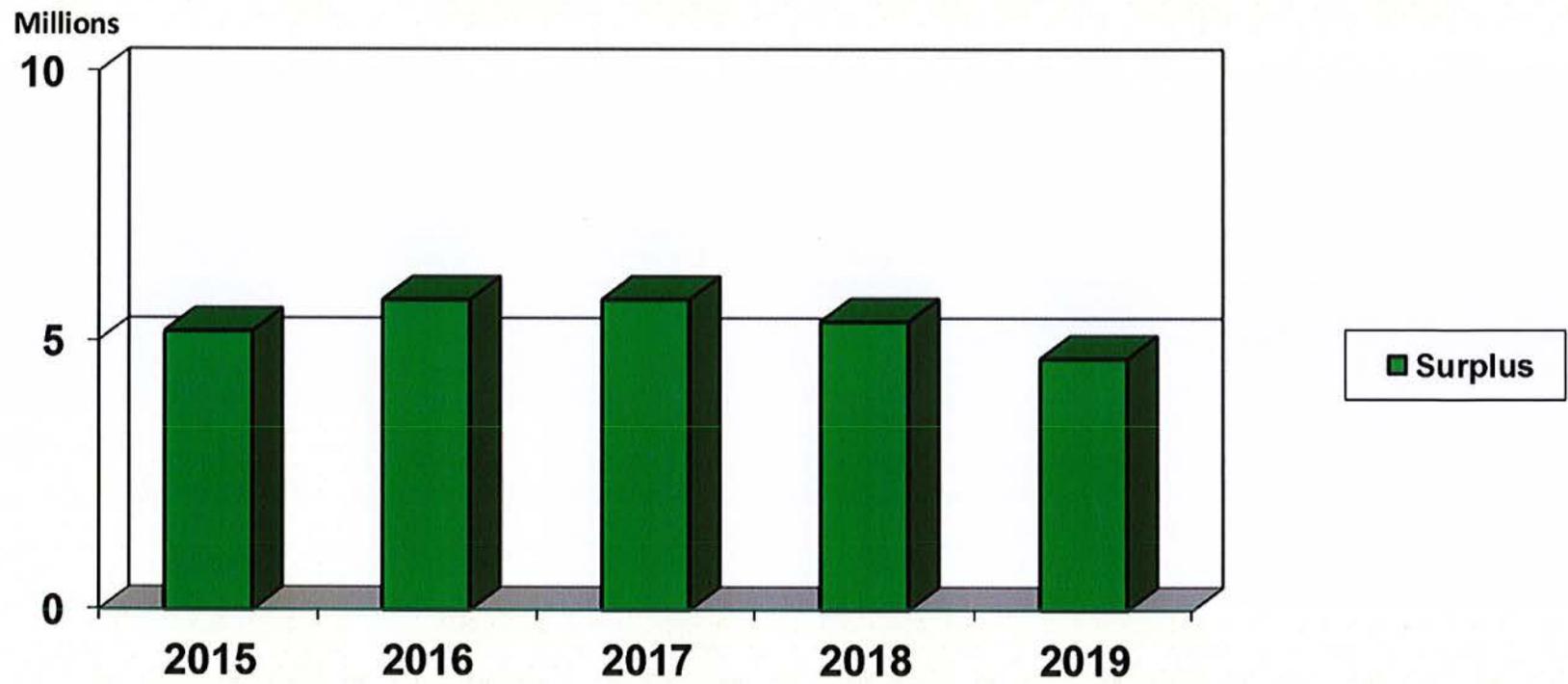
◆ 2016	\$3,500,000
◆ 2017	\$4,075,000
◆ 2018	\$4,175,000
◆ 2019	\$4,250,000
◆ 2020 (proposed)	\$4,100,000

ANALYSIS OF SURPLUS

*actual balance in budget @ year end

<u>YEAR</u>	<u>AMOUNT</u>
2015	\$5,175,233
2016	\$5,763,258
2017	\$5,768,520
2018	\$5,357,250
2019 (Unaudited)	\$4,670,197

Surplus Analysis



Municipal Debt

<u>Year</u>	<u>Outstanding Bonds</u>	<u>Outstanding Notes</u>	<u>Authorized But Not Issued</u>	<u>Total</u>
2015	6,580,000	0	4,855,000	11,435,000
2016	4,985,000	5,700,000	580,000	11,265,000
2017	3,355,000	7,600,000	507,500	11,462,500
2018	11,035,000	0	0	11,035,000
2019	9,620,000	2,300,000	51,250	11,971,250

Debt Service

<u>Year</u>	<u>Combined</u>			<i>Outstanding</i>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Year End</u>
2020	1,270,000	322,525	1,592,525	8,350,000
2021	1,275,000	286,550	1,561,550	7,075,000
2022	905,000	250,450	1,155,450	6,170,000
2023	760,000	223,300	983,300	5,410,000
2024	<u>760,000</u>	<u>200,500</u>	<u>960,500</u>	4,650,000
	<u>4,970,000</u>	<u>1,283,325</u>	<u>6,253,325</u>	

Municipal Debt

The Borough's bond rating is a AAA with a stable outlook.

The following factors (among others) were considered in determining the rating:

- Surplus and the ability to replenish
- Outstanding debt and the ability to pay
- Tax base
- Strong financial management practices and a stable financial position

Surplus vs. Municipal Debt

If Montvale has a significant Surplus, why don't we just pay off our Municipal Debt?

- Our current debt is at advantageous rates that might be difficult to replicate in the future.
- We are careful about economic changes that may require the use of surplus.
- There are specific call features on the Bonds.
- Also: the “fairness” issue...

Long-term Investments: Who Should Pay?

For major projects that will serve Montvale for 40+ years, like the new firehouse, financing a large part of it through debt, shares the financial burden of paying for it between today's taxpayers and future Montvale residents.

Challenges Ahead

- ◆ **Upcoming Infrastructure Investments**
 - Road Maintenance
 - Aging Sanitary Sewer System
 - Air Conditioning Units
- ◆ **Changing Corporate Real Estate Environment**
 - Are large corporate HQs going to continue?
 - Will tax appeals increase in frequency and size?
- ◆ **Employee Pension and Health Benefit Liabilities**
 - Much of this is driven by Trenton & overall economy
 - Continue offering services while managing salaries and benefits

Strategies: Infrastructure

- ◆ **Air Conditioning System**
 - Explore financing that dovetails with pay down of existing Borough debt
- ◆ **Road Program**
 - Develop a multi-year schedule
- ◆ **Fieldstone Turf / Sanitary Sewers**
 - Pursue grants when available

Strategies: Corporate Real Estate

- ◆ Evaluate current zoning
 - Review master plan
- ◆ Continue outreach to new corporate tenants
 - Expand scope to nontraditional tenants
 - Target entities with strong ties to specific location infrastructure
- ◆ Establish sufficient reserve for tax appeals

Questions?

APPENDIX & EXHIBITS

PROPERTY TAX BREAKDOWN

USER FRIENDLY BUDGET SECTION - PROPERTY TAX BREAKDOWN

<u>2019 Calendar Year Property Tax Levies - ALL entities levying property taxes</u>					<u>Current Year 2020 Budget</u>		
	<u>Calendar Year</u>	<u>Calendar Year</u>	<u>% of</u>	<u>Avg Residential</u>	<u>Taxes</u>	<u>Actual/Estimated</u>	<u>Tax Levy</u>
	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Total Levy</u>	<u>Taxpayer Impact</u>			
Municipal Purpose Tax	0.557	\$11,392,716.00	23.59%	\$2,903.00	Municipal Purpose Tax	ACTUAL	\$11,345,112.00
Municipal Library	0.037	\$759,925.00	1.57%	\$192.84	Municipal Library	ACTUAL	\$792,650.00
Municipal Open Space	0.005	\$102,184.00	0.21%	\$26.06	Municipal Open Space	ACTUAL	\$102,309.00
Fire Districts (avg. rate/total levies)			0.00%	\$0.00	Fire Districts (total levies)		
Other Special Districts (total levies)			0.00%	\$0.00	Other Special Districts (total levies)		
Local School District	0.821	\$16,771,966.00	34.73%	\$4,278.93	Local School District	ESTIMATED	\$17,275,125.00
Regional School District	0.676	\$13,790,303.00	28.56%	\$3,523.21	Regional School District	ESTIMATED	\$14,204,012.00
County Purposes	0.257	\$5,244,034.38	10.86%	\$1,339.45	County Purposes	ESTIMATED	\$5,348,915.00
County Library			0.00%	\$0.00	County Library		
County Board of Health			0.00%	\$0.00	County Board of Health		
County Open Space	0.010	\$226,954.85	0.47%	\$52.12	County Open Space	ESTIMATED	\$231,494.00
Other County Levies (total)			0.00%	\$0.00	Other County Levies (total)		
Total (Calendar Year 2019 Budget)	2.363	\$48,288,083.23	100.00%	\$12,315.60	Total ESTIMATED amount to be raised by taxes		\$49,299,617.00
Total Taxable Valuation as of October 1, 2019 (To be used to calculate the current year tax rate)		\$2,046,183,586.00			Revenue Anticipated, Excluding Tax Levy		7,607,804.00
Current Year Average Residential Assessment		\$524,788.00			Budget Appropriations, before Reserve for Uncollected Taxes		17,975,166.00
					Total Non-Municipal Tax Levy		\$37,161,855.00
					Amount to be Raised by Taxes - Before RUT		\$47,529,217.00
					Reserve for Uncollected Taxes (RUT)		\$1,769,836.00
					Total Amount to be Raised by Taxes		\$49,299,053.00
					% of Tax Collections used to Calculate RUT		96.41%
					If % used exceeds the actual collection % then reference the statutory exception used		
					Tax Collections - ACTUAL as of Prior Year		
					Total Tax Revenue, Collections CY 2019		48,046,233.00
					Total Tax Levy, CY 2019		48,479,680.00
					% of Taxes Collected, CY 2019		99.11%
					Delinquent Taxes - December 31, 2019		\$205,468.00

Grants Received

◆ Clean Communities

– 2017	\$17,689
– 2018	\$16,921
– 2019	\$35,808

◆ Recycling Tonnage Grant

– 2017	\$7,462
– 2018	\$9,898
– 2019	\$8,498
– 2020	\$14,063

Other Grants Received

- ◆ New Jersey DOT (Roads)

 - 2019 \$207,000

 - 2020 \$220,000

- ◆ County Open Space – Field Improvements

 - 2019 \$178,538

Medical Benefits

Comparison of Health Insurance Costs for 2019 and 2018

<u>Group Insurance</u>	<u>Actual Cost</u>		<u>Difference</u>
	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>
Medical	625,879	644,314	<18,435>
Prescription	114,598	148,719	<34,121>
Dental	<u>34,083</u>	<u>43,183</u>	<u><9,100></u>
Total	<u>774,560</u>	<u>836,216</u>	<u><61,656></u>
% Increase			<u><7.37%></u>