



# Borough of Madison



## Budget Presentation, February 11, 2019



# Agenda

- Summary of what the budget includes.
- The services you get that are paid for out of the municipal budget.
- Presentation of draft budget.
- Focus on the appropriation side of the budget including a breakdown by department / expense.
- Review Municipal Surplus.



# Transparency



Home > Departments > Finance Department > Annual Budget Process

## Annual Budget Process

The annual budget process occurs between the months of November and April. During this time, the Finance Department produces public information in various formats, ranging from graphic/simple to comprehensive/granular. Residents can choose what level of detail they wish to see based on the below list.

[Annual One Sheet Budget Summary](#): This document presents budget information in a very graphic and simple format and has been produced since 2015.

[Budget in Brief](#): This is a one-page budget summary. The document has been created since 1986 and while the format has changed slightly, it is still possible to make meaningful comparisons of numbers from 1986 to present.

[Audit Report](#): This very detailed 100+ page document contains very comprehensive and granular information. Digital copies are on-line from 2006 to date and hard copies dating back to the 1970's are readily available in the finance office.

ANNUAL BUDGET PROCESS: The remainder of this page outlines the budget documents and presentations given to Council during the budget process as well as a schedule of upcoming budget-related meetings. Click on Financial Documents on the left menu bar for a full listing of past budgets, audits, and other information.

2019	2018	2017	2016	2015	2014	2013
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### 2019 Budget Process

Monday, January 28, 2019. Council received a [presentation](#) on the Utilities budget, including electric and water.

Sunday, January 27. The [Annual Debt Statement](#) was filed with the State of NJ Division of Local Government Services as per NJSA 40A:2-40.

Monday, January 14, 2019. Council discussed the [Budget Schedule](#), [the Open Space Trust Fund](#). A revised [Five Year Capital Plan](#) was presented to Council and discussed as well. An Ordinance for 2019 Road Reconstruction and Milling & Overlay were introduced as well.

Those interested in learning more about the budget process are encouraged to visit the “Annual Budget Process” page on [Rosenet](#). Which can be found under the Finance Department.

# Budget Schedule

- November 26, Hearing on \$4,770,000 Bond Ordinance for MCJM
- December 10, Draft Five Year Capital Plan
- January 14, Open Space Trust Fund & Revised Five Year Capital Plan
- January 23, Annual Debt Statement submitted to State.
- January 27, Unaudited Annual Financial Statements completed. Ready for submission to the State of NJ.
- January 28, Utilities Performance
- February 11, Initial Budget Discussion & Surplus Discussion
- February 25, Department Head Operating & Capital
  - March 4 @ 7pm, Special meeting. Revised budget & strategic planning guidelines  
(prepare the Official State Budget document)
- March 25, Official Budget Introduction
- April 22, Official Budget Hearing & Adoption



# Summary

## This budget includes the following:

- No change in services to the residents
- Extra funds for recreation field improvements
- Funds to replace one retiring firefighter
- Budgeted dollars to replace two Public Works staff
- Continued focus on public information and transparency
- Increased insurance coverage limits
- Additional money in the legal budget for the Affordable Housing litigation
- Extra dollars in the Planning budget for a Master Plan Update
- Extra \$100,000 for the library
- Aggressive capital investment plan



# Did You Know?



An average home valued at \$667,200 received a 2018 property tax bill of \$12,830.26. The municipal portion of this tax bill is \$2,888.98. For this amount, the residents of that home received the following municipal services:

- Garbage and Recycling Pickup
- Recreation and Parks Maintenance
- Fire Department & Fire Safety
- Sewage Treatment
- Fire Hydrants & Street Lights
- Plowing and maintenance of over 50 miles of roads
- Health, Administration, Finance, Elections, Records, Construction, Planning, Zoning.
- Yard Waste & Fall Leaf Pickup
- Senior Citizen Services
- Police Department & Crossing Guards
- Health Department
- Free Public Library





# Draft Municipal Budget



Line	REVENUE	2018	2019	INCREASE (DECREASE)	PERCENT CHANGE
1	PRIOR YEAR MUNICIPAL SURPLUS	4,827,010	4,900,000	72,990	1.51%
2	MUNICIPAL REVENUE SOURCES	3,710,000	3,929,550	219,550	5.92%
3	PROPERTY TAXES: Existing Ratables	14,719,513	15,009,513	290,000	1.97%
4	PROPERTY TAXES: New Ratables	n/a	91,730	91,730	n/a
4b	TAX REVENUE FROM GVR APARTMENTS / CONDOS	n/a	300,000	300,000	n/a
5	STATE AID	808,529	808,529	0	0.00%
6	<b>TOTAL RECURRING REVENUE</b>	<b>24,065,052</b>	<b>25,039,322</b>	<b>974,270</b>	<b>4.05%</b>
7	GRANT REVENUE	223,397	140,000	(83,397)	-37.33%
8	ELECTRIC SURPLUS - FOR OPERATING BUDGET	927,153	737,659	(189,494)	-20.44%
9	WATER SURPLUS - FOR OPERATING BUDGET	200,000	200,000	0	0.00%
10	<b>UTIL SURPLUS &amp; NON-RECURRING REVENUE FOR OPERATING</b>	<b>1,350,550</b>	<b>1,077,659</b>	<b>(272,891)</b>	<b>-20.21%</b>
11	ELECTRIC SURPLUS - FOR CAPITAL	3,800,000	3,800,000	0	0.00%
12	ELECTRIC SURPLUS - FOR DEBT SERVICE	2,318,000	2,255,525	(62,475)	-2.70%
13	<b>TOTAL UTILITY SURPLUS FOR CAPITAL/DEBT</b>	<b>6,118,000</b>	<b>6,055,525</b>	<b>(62,475)</b>	<b>-1.02%</b>
15	<b>TOTAL MUNICIPAL REVENUES</b>	<b>31,533,602</b>	<b>32,172,506</b>	<b>638,904</b>	<b>2.03%</b>
Line	APPROPRIATIONS	2018	2019	INCREASE (DECREASE)	PERCENT CHANGE
16	SALARIES & WAGES	10,706,489	10,960,942	254,453	2.38%
17	HEALTH INSURANCE	1,814,000	1,814,000	0	0.00%
18	PENSION & SOCIAL SECURITY	1,908,000	2,080,200	172,200	9.03%
19	UNEMPLOYMENT INSURANCE	50,000	50,000	0	0.00%
20	LEGAL	235,000	260,000	25,000	10.64%
21	DEPARTMENT OPERATING EXPENSES	3,356,382	3,452,792	96,410	2.87%
22	UTILITIES	748,600	748,600	0	0.00%
23	WASTE REMOVAL	1,657,300	1,657,300	0	0.00%
24	LIABILITY & WC INSURANCE	645,850	667,163	21,313	3.30%
25	<b>TOTAL MUNICIPAL OPERATING EXPENSES</b>	<b>21,121,621</b>	<b>21,690,997</b>	<b>569,376</b>	<b>2.70%</b>
26	MCJM SEWAGE PROCESSING	1,130,000	1,130,000	0	0.00%
27	PUBLIC LIBRARY	1,430,981	1,527,984	97,003	6.78%
28	RESERVE FOR UNCOLLECTED TAXES	1,733,000	1,768,000	35,000	2.02%
29	<b>NON-MUNICIPAL &amp; OUTSIDE THE CAP OPERATING EXPENSES</b>	<b>4,293,981</b>	<b>4,425,984</b>	<b>132,003</b>	<b>3.07%</b>
30	CAPITAL IMPROVEMENT FUND	3,800,000	3,800,000	0	0.00%
31	DEBT SERVICE	2,318,000	2,255,525	(62,475)	-2.70%
32	<b>TOTAL CAPITAL &amp; DEBT EXPENSES</b>	<b>6,118,000</b>	<b>6,055,525</b>	<b>(62,475)</b>	<b>-1.02%</b>
33	<b>TOTAL APPROPRIATIONS</b>	<b>31,533,602</b>	<b>32,172,506</b>	<b>638,904</b>	<b>2.03%</b>

This evening, we will focus on appropriations.



# Draft Appropriations



Salary and employee related expenses account for over 46% of the budget.

Line	APPROPRIATIONS	2018	2019	INCREASE (DECREASE)	PERCENT CHANGE
16	<b>SALARIES &amp; WAGES</b>	10,706,489	10,960,942	254,453	2.38%
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33	<b>TOTAL APPROPRIATIONS</b>	31,533,602	32,172,506	638,904	2.03%

# Employee Gross Earnings

[2018 Payroll Data](#) is available on Rosenet. Employee gross earnings reflect the W-2 reported gross income, and include base pay, step increases, longevity increases, overtime pay and standby pay.

Home > Departments > Finance Department > 2018 Payroll Data

## 2018 Payroll Data

The Madison Borough Council is committed to openness and transparency in governance. To that end, we have compiled a five-year study of employee gross pay. We have excluded from this summary employees who are no longer with the Borough, as well as many part-time employees, as appropriate.

### 5 Year History by Amount of 2018 Compensation

		2014	2015	2016	2017	2018
Cavezza, James C	Sergeant	\$158,974.49	\$160,410.15	\$152,642.56	\$160,368.67	\$188,765.30
Glab, Bartlomiej J	Corporal	\$66,403.43 <sup>1</sup>	\$91,803.78	\$101,243.39	\$130,031.89	\$183,041.69
De Caro, Carmine J	Patrolman	\$144,587.45	\$147,006.97	\$145,545.53	\$147,811.43	\$178,990.04
Codey, Raymond M	Borough Administrator	\$160,021.92	\$163,089.51	\$166,350.50	\$169,677.89	\$173,071.57
Plumstead, Sean T	Sergeant	\$156,787.39	\$146,533.26	\$137,566.36	\$148,061.10	\$167,212.19
De Blasse Jr, Thomas L	Foreman	\$127,080.72	\$149,562.49	\$152,224.26	\$151,687.72	\$165,742.72
Dellavalle, Vincent	Corporal	\$97,126.01	\$111,371.75	\$112,821.84	\$126,969.15	\$163,184.71
Dachisen, Darren	Chief of Police	\$143,245.00	\$140,180.41	\$150,889.43	\$165,415.00	\$162,995.00
Boone, Kevin F	Acting Police Sergeant	\$129,395.12	\$127,455.59	\$144,168.69	\$150,934.39	\$162,722.68
Burans, Christopher F	Patrolman	\$49,106.81	\$62,038.43	\$79,105.59	\$104,589.77	\$161,037.89
Miscia, John R	Lieutenant	\$143,285.26	\$149,344.64	\$150,473.61	\$152,511.30	\$160,494.03
Finelli, James R	Water Utility Man	\$121,020.01	\$141,042.22	\$140,678.98	\$157,123.02	\$155,680.33
Di Rocco, Joseph P	Patrolman		\$43,771.80	\$63,616.01	\$98,193.40	\$154,024.09
Longo, Joseph M	Lieutenant	\$140,464.48	\$140,599.94	\$137,865.91	\$146,238.93	\$153,771.88
Mirabella, Matthew V	Patrolman	\$130,689.71	\$124,746.00	\$133,604.56	\$134,623.76	\$149,625.91
Perrelli Jr, Craig W	Sergeant	\$129,872.14	\$135,774.25	\$130,747.29	\$139,831.43	\$149,306.59
Kosakowski, Paul J	Detective/Sergeant	\$130,068.10	\$136,397.26	\$140,742.61	\$141,270.56	\$148,381.43
Artigliere, David	Foreman	\$121,399.88	\$123,631.91	\$125,891.58	\$127,745.29	\$146,175.76 <sup>2</sup>
Mattina, James S	Superintendent	\$127,197.09	\$127,994.08	\$130,684.17	\$134,448.11 <sup>2</sup>	\$145,185.88 <sup>2</sup>
Vogel, Robert A	Borough Engineer	\$131,817.10	\$134,343.28	\$137,030.06	\$139,771.28	\$142,567.32



# Employee Gross Earnings



This table shows average gross earnings by department.

Department	# of Employees*	Average Gross Earnings
Fire Department	14	\$124,409
Police Department**	35	\$119,955
Engineering	4	\$106,711
Court	4	\$90,905
Admin/Clerk/HR/Purchasing	7	\$89,479
Public Works	22	\$88,316
Construction	3	\$87,086
Finance, Tax Coll, Assessor, Payroll	6	\$80,407
Health, Recreation, Seniors	4	\$70,194

\* Does not include part time employees, employees that were hired after January 1, 2018 and employees that retired during 2018.

\*\* Police earnings also include items paid partially or completely by others such as court security and outside duty (ie traffic control for PSEG).

# Health Insurance Costs



Line	APPROPRIATIONS	2018	2019	INCREASE (DECREASE)	PERCENT CHANGE
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20	LEGAL	235,000	260,000	25,000	10.64%
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32	TOTAL CAPITAL & DEBT EXPENSES	6,118,000	6,055,525	(62,475)	-1.02%
33	TOTAL APPROPRIATIONS	31,533,602	32,172,506	638,904	2.03%



# About Health Insurance



Both employees and employers contribute to Health Insurance. The Borough pays the following:

2018 Borough's share	2018 # in System	2018 Cost Per Employee
\$2,441,060	104	\$23,472

The cost listed above is funded thru the current fund, the electric utility, the water utility and the public library. In 2018, employees contributed an additional \$664,750 towards their health insurance.

# Pension Costs

Pension costs continue to rise, increasing this year by 9.5%

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# About Pensions



Both employees and employers contribute to the pension system. There are two systems, Police and Firemen’s Retirement System (PFRS) for police and fire and Public Employee Retirement System (PERS) for all others. These are ‘defined benefit’ pension systems in that the employee receives a monthly dollar payment based on a percentage of final average salary and years of service. An IRA or 401K plan is a ‘defined contribution’ plan. The Borough pays the following:

System	2018 Cost	2018 # in System	2019 Cost	2019 # in System	2019 Cost Per Employee
PFRS	\$1,017,505	40	\$1,161,825	42	\$27,663.
PERS	\$973,240	100	\$1,010,053*	98	\$10,307.

PFRS costs more because a policeman or firefighter can retire after 25 years and immediately receive a full pension. There is no age requirement. So a police officer hired at age 22 can retire when they are 47 years old and immediately receive their full monthly pension payments.

PERS employees can not receive a full pension until they are 60 to 65 years old (depending on their date of hire). \* The Borough’s PERS bill is split between the municipal operating (current) fund, electric utility, water utility and library.

# Department Costs



Now let's combine the highlighted appropriations so we can look at expenses by Department.

Line	APPROPRIATIONS	2018	2019	INCREASE (DECREASE)	PERCENT CHANGE
16	SALARIES & WAGES	10,706,489	10,960,942	254,453	2.38%
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32	<b>TOTAL CAPITAL &amp; DEBT EXPENSES</b>	<b>6,118,000</b>	<b>6,055,525</b>	<b>(62,475)</b>	<b>-1.02%</b>
33	<b>TOTAL APPROPRIATIONS</b>	<b>31,533,602</b>	<b>32,172,506</b>	<b>638,904</b>	<b>2.03%</b>



# Largest Department Appropriations



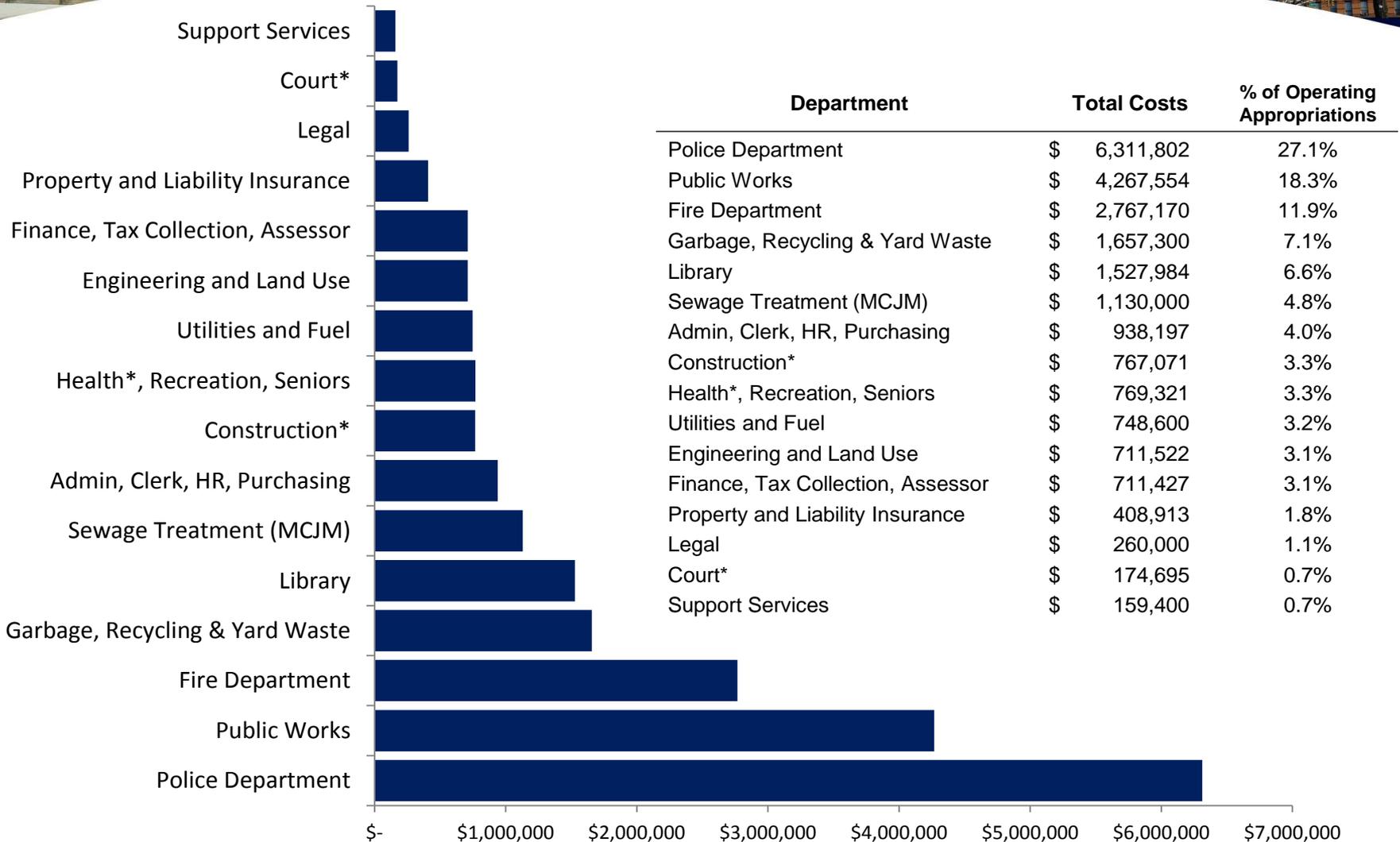
<b>Police Department*</b>	<b>\$</b>	<b>6,311,802</b>
<b>Department of Public Works</b>	<b>\$</b>	<b>4,267,554</b>
<b>Fire Department*</b>	<b>\$</b>	<b>2,767,170</b>
<b>Garbage, Recycling &amp; Yard Waste</b>	<b>\$</b>	<b>1,657,300</b>
<b>Library</b>	<b>\$</b>	<b>1,527,984</b>
<b>Sewage Treatment (MCJM)</b>	<b>\$</b>	<b>1,130,000</b>

\* Police and Fire Departments are on shift and unlike other departments have staff on duty 24 / 7 / 365.

Health, pension, social security and other fringe benefit items were added to all department salaries.

# Department Appropriations

Excluding Capital, Debt and Reserve for Uncollected Tax



Health, pension, social security and other fringe benefit items were added to all department salaries.

\* Indicates the number is net of shared service revenues.

# Department Appropriations

Excluding Capital, Debt and Reserve for Uncollected Tax

Year over year change in appropriations.

Department	2017	2018	2019	Difference	% Change
Police	5,707,831	6,095,128	6,311,802	603,971	10.6%
Public Works	4,284,159	4,092,326	4,267,554	(16,605)	-0.4%
Fire Department	2,633,105	2,746,806	2,767,170	134,065	5.1%
Garbage	1,657,300	1,657,300	1,657,300	0	0.0%
Library	1,438,968	1,430,981	1,527,984	89,016	6.2%
Joint Meeting	1,230,000	1,130,000	1,130,000	(100,000)	-8.1%
Admin, Clerk, HR, Purchasing	953,998	922,065	938,197	(15,801)	-1.7%
Health*, Recreation, Seniors	792,054	778,230	769,321	(22,733)	-2.9%
Utilities and Fuel	748,600	748,600	748,600	0	0.0%
Construction* ^	651,946	688,731	767,071	115,124	17.7%
Engineering and Land Use	690,723	692,823	711,522	20,799	3.0%
Finance, Tax Coll, Assessor, Payroll	699,117	686,350	711,427	12,311	1.8%
Property and Liability Insurance	386,150	395,850	408,913	22,763	5.9%
Legal	235,000	235,000	260,000	25,000	10.6%
Court*	168,875	164,187	174,695	5,820	3.4%
Support Services	175,509	177,420	159,400	(16,109)	-9.2%

Health, pension, social security and other fringe benefit items were added to all department salaries.

\* Indicates the number is net of shared service revenues.

^ Construction increase due to shifting expenses out of other departments and into Construction to align with state guidelines.



# What is “Surplus”



Homework for those that want to know more.

There are two types of surpluses, municipal surplus and utility surplus. We generate surplus because NJ Accounting Laws require the Borough to conservatively budget revenues and expenses. **Strong surplus balances are one of the most important factors that rating agencies consider. Madison’s AAA bond rating keeps our borrowing costs down.**

Municipal surplus is generated when actual revenues exceed budgeted revenues. An example may help. If we budgeted \$200,000 in anticipated construction fees but we actually collected \$250,000, then the extra \$50,000 becomes surplus.

Municipal surplus is also generated from unspent funds in a budget expense line at the end of the year. As previously mentioned, the budget is more like a spending plan. We can not spend more than the budgeted amount. Because of this, we are conservative when budgeting items like rock salt, snow removal and fuel. We set those budget numbers on the high side, in case we have a bad winter or in case prices go up. If we budgeted \$300,000 for rock salt but only spent \$190,000 then the extra \$110,000 becomes surplus. We are fortunate that our Department Heads only purchase what they need and do not spend their entire budget.

Utility Surplus is the same. We have separate budgets for the water utility and electric utility. When revenues exceed projections or when expenses come in below budget, surplus is generated in each of the utility funds.

For over 70 years Madison has intentionally set electric rates in order to generate surplus. This surplus is transferred into the municipal budget as a revenue, which reduces the amount we have to raise in property taxes. In 2018, over \$7 million was used to reduce property taxes. In fact, the electric utility surplus paid for all our road reconstruction, capital needs, garbage, recycling yard waste and sewage processing. Other towns charge for garbage, charge for sewer and bond for road reconstruction and capital. We don’t have those charges in Madison because of our electric utility.

Interested in learning more about the budget or how surplus works. Visit the [2014 Strategic Planning Report](#) or contact the Chief Financial Officer at [cfo@rosenet.org](mailto:cfo@rosenet.org).



# Municipal Surplus



**\$5.9 million**

Generated  
in surplus

**\$1,090,000**

Increase in  
surplus balances



## **We had an excellent year. What generated the extra surplus?**

- 1) Interest rates increased significantly, so interest earned was over \$200,000 more than anticipated in the budget. We will anticipate more in 2019.
- 2) 2018 was the first year the Borough received significant revenue / 'taxes' for the KRE development on Kings Road. This alone generated over \$450,000 in surplus. We will anticipate this revenue in 2019.
- 3) The Department Heads were fiscally responsible and only purchased what they needed. The \$\$ not spent becomes surplus.

# Municipal Surplus



Borough of Madison							
Schedule of Municipal Surplus Balances							
Surplus Balances 2013 Thru 2018							
		2013	2014	2015	2016	2017	2018
Line	Surplus Generated From:	Actual	Actual	Actual	Actual	Actual	Est
1	Non-Taxable Revenues	550	559	750	913	1,055	<b>1,120</b>
2	Delinquent Tax Collections	118	10	78	263	-	
3	Current Year Taxes	1,731	1,444	1,370	1,857	1,807	<b>1,776</b>
4	Cancellation of Prior Years Appropriations	1,565	1,625	1,768	1,370	2,050	<b>2,582</b>
5	Misc Revenue and Other Revenues	289	487	287	340	481	<b>439</b>
6	FEMA	380	-	-	-	-	
7	Reserved for Tax Appeals in AFS				(200)		
	<b>TOTAL</b>	<b>4,633</b>	<b>4,125</b>	<b>4,253</b>	<b>4,543</b>	<b>5,393</b>	<b>5,917</b>
Line		2013	2014	2015	2016	2017	2018
		Actual	Actual	Actual	Actual	Actual	Est
8	Balance at Beginning of Year	5,592	7,250	7,778	8,131	8,470	<b>9,276</b>
9	Less: Utilized in Municipal Budget	(2,975)	(3,597)	(3,900)	(4,200)	(4,587)	<b>(4,827)</b>
10	Sub Total (Free Balance)	2,617	3,653	3,878	3,931	3,883	<b>4,449</b>
11	Add: Generated in Current Year	4,633	4,125	4,253	4,539	5,393	<b>5,917</b>
12	Balance at Year End	7,250	7,778	8,131	8,470	9,276	<b>10,366</b>
13	Increase (Decrease)	1,658	528	353	339	806	<b>1,090</b>



# Borough of Madison



## QUESTIONS?

