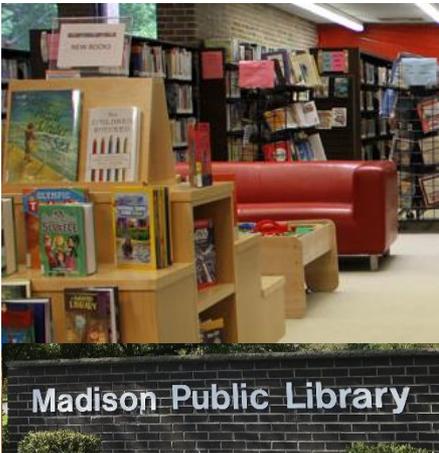




# Borough of Madison



## Budget Presentation, March 4, 2019



# Transparency



Annual Budget Process

Financial Documents

Property Assessor

Tax Collector

Utility Billing Office

2018 Payroll Data

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

### 2019 Budget Process

Monday, February 25, 2019. Various Department Heads gave a [presentation](#) and discussed their 2018 accomplishments as well as their 2019 goals, objectives and capital requests.

Monday, February 11, 2019. A [draft budget](#) was presented to Council that included details on appropriations and municipal surplus.

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

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

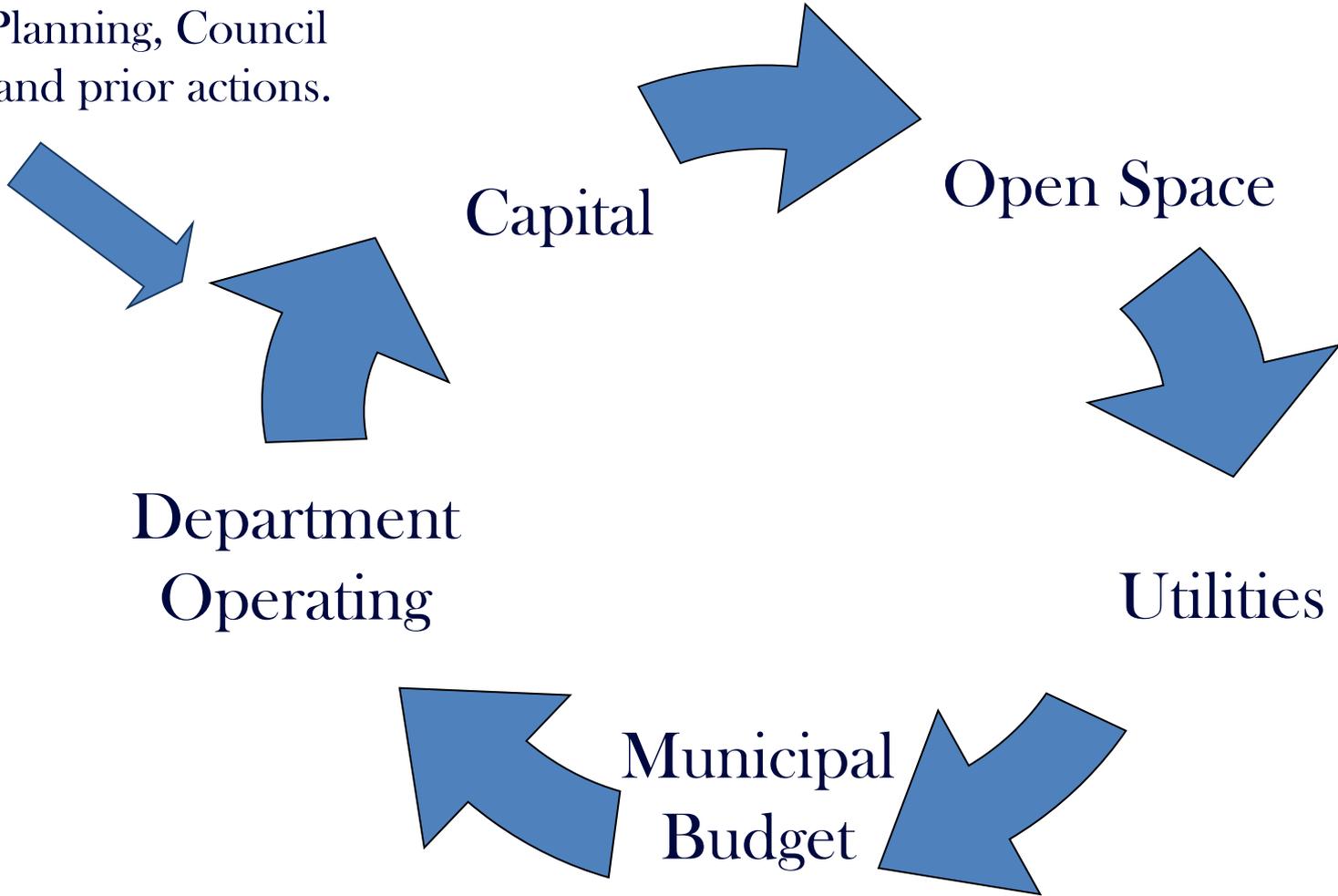
Details can be found at <http://www.rosenet.org/725/Annual-Budget-Process>



# Budget Process



Strategic Planning, Council initiatives and prior actions.



# Budget Schedule

We have previously discussed:

- **Capital** (December 10, January 14, February 25)
- **Open Space** (January 14)
- **Utilities** (January 28)
- **Municipal Appropriations** (February 11 & 25)
- **Surplus Review** (February 11)

**The goal for this evening is to discuss revenues and to “tie it all together”.**

Hopefully, there will be a consensus to move forward so the state budget document can be prepared for introduction on March 25<sup>th</sup>. We introduced the budget on March 26<sup>th</sup> last year.





# Agenda



- Budget overview.
- Discuss the GVR property and revenue it generates.
- Briefly discuss taxes on new ratables.
- Review Municipal Surplus.
- Presentation of draft budget (including Utilities).
- Review Strategic Planning Guidelines.
- Present the Alternate Budget Format.





# Budget Highlights



**TAX INCREASE.** The budget includes a 0% tax increase on existing homes.





# Budget Highlights



**\$6.3 million**

For Capital Improvements  
& critical infrastructure

The proposed budget includes \$6.3 million in capital dollars for 2019 and over \$28 million for capital improvements over the next five years for roads, utilities, and critical infrastructure.



# Electric Dividend



**The Budget can accommodate an increase in the dividend from \$1.5 million to \$2.0 million to be given back to the electric utility customers this year, plus a \$200.00 targeted rebate for income-eligible residents.**



**\$2  
Million**  
given back to the  
electric customers



# Budget Highlights



**The budget includes a very manageable  
2.16% increase in Total Appropriations (spending).**



# GVR Property



**New \$370,000 in recurring revenue from the GVR Property gives everyone else a 0% tax increase.**





# Summary



## A “Good News” Budget

- 0% tax increase for existing properties.
- \$6.3 Million in Capital Improvements.
- Increase Electric Dividend that will be given to all customers from \$1.5 million to \$2 million and increase the electric rebate for income-eligible residents from \$150 to \$200.
- Manageable 2.16% increase in spending.
- GVR property will generate \$370,000 of new recurring revenue in the budget.
- Reduce reliance on the electric utility surplus for the operating budget by over \$300,000.
- No change in the level of services to residents.
- No change in the water utility rates (unchanged for 10 years in a row).
- Extra \$\$ for grass field maintenance.
- Replacement of two Public Works employees
- \$\$ reserved for MRC Turf reskinning and commitment to explore additional turf field with BOE

# GVR Property



## WHAT'S THERE?

100 Transit Oriented Apartment Units.

35 High End Condominiums.

4,500 sf retail space.

## BOROUGH BENEFITS

3,000 sf community space rent free for 30 years.

16,000 sf outside performance space.

\$11,000,000 paid to the Board of Education.

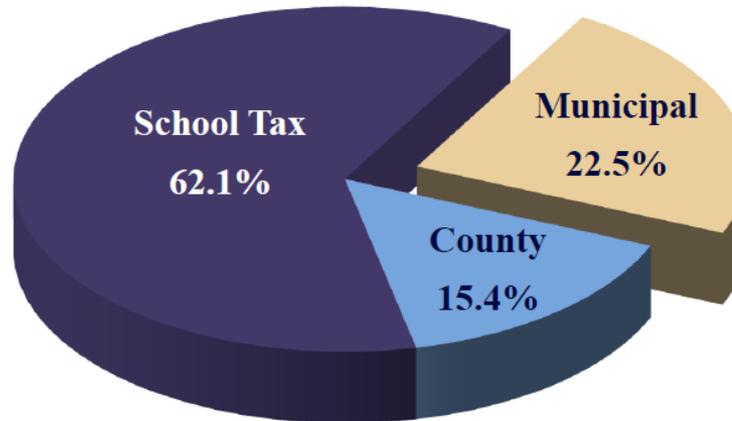
\$1,000,000 given to help pay for the MRC turf fields.

\$894,688 in permit and utility connection fees.

The property was previously tax exempt and generated zero revenue.

# PILOT Information

## MADISON TAX BILL BREAKDOWN



A PILOT, or Payment in lieu of Taxes, enables the Borough to retain a much larger percentage of every tax dollar. We currently get 22.5 cents of every tax dollar. In this agreement, the Borough will get 95% of the revenue and share 32.5% of that with the BOE.

The revenue is 'outside the cap' for municipal government and outside the BOE permitted increases, which gives each governing body more flexibility with accounting and spending.

Taxes are still paid on the land. The PILOT covers the buildings and improvements.

A Financial Agreement outlines the details of the PILOT.

# GVR Property



How the GVR Property compares to other apartment complexes.

Complex	Address	# of Units	2018 Taxes
<b>GVR Property</b>	<b>10 Kings Road</b>	<b>135</b>	<b>\$683,617</b>
General Wayne	Ridgedale Avenue	97	\$248,071
Towne Gardens	Madison Avenue	80	\$201,915
Rosedale Manor	171 Main Street	66	\$165,070
Madison Mall Apts	286 Main Street	64	\$141,532
Tudor House	39 Green Village Rd	26	\$123,072

# GVR Property



Our top 6 largest tax payers in 2018 were:

Allergan	\$1,466,047
Realogy	\$1,272,064
<b>GVR Property</b>	<b>\$683,617*</b>
Giralda 7 Office Building	\$627,882
Merck	\$565,362
Giralda 1 Office Building	\$422,752



\* In 2018, we received the PILOT payments of \$453,886, land tax payments of \$185,532 and annual administrative fees of \$44,200 for a total of \$683,617.

# Giralda Farms



Giralda 3  
Empty

Giralda 1  
Pfizer

Giralda 4  
Atlantic  
Health

Giralda 5  
Allergan

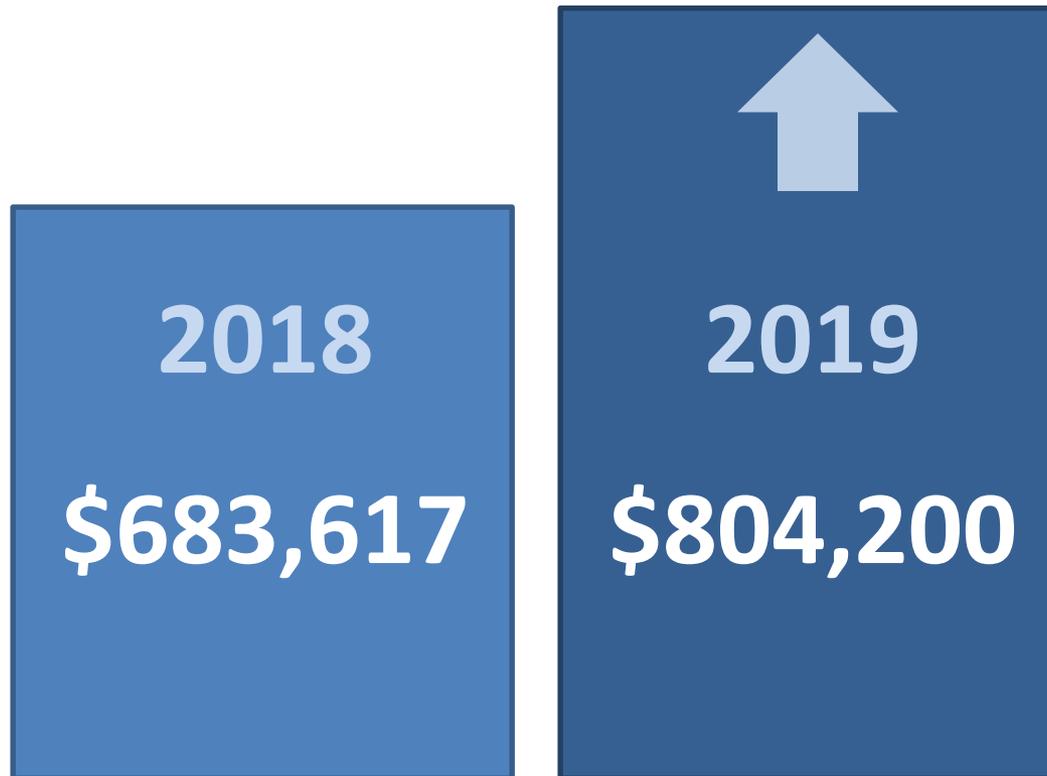
Giralda 2  
Merck

Giralda 7  
Multi-Tenant



# GVR Property

Total "Taxes" collected



In 2019, we estimate that the borough will receive the following payments from the GVR property:  
PILOT of \$590,000 + Land Tax of \$200,000 + Admin Fees of \$14,200 = \$804,200

# GVR Property



## Other revenues and information

**\$894,688**

Collected the last three years in construction, sewer and water connection fees

**\$200,000** per year in electric and water utility revenues.

The development pays for their own garbage removal etc.

There is only 1 student in the Madison Public Schools that currently lives in the development



# How Property Taxes Work

Impact of new construction



# How taxes work



To make things simple, let's assume the following:

- In 2017, the tiny fictitious hamlet of Conleyville billed \$45 in property taxes for their municipal budget.

- Conleyville had 4 houses and one vacant lot in it and the taxes were split like this:



House 1  
Tax = \$10



House 2  
Tax = \$10



House 3  
Tax = \$10



House 4  
Tax = \$10



Vacant Lot  
Tax = \$5

Total taxes for 2017 are \$45



# How taxes work



-A home was built on the vacant lot in 2017 and in 2018, Conleyville billed for \$50 in property taxes for that year's municipal budget.

-The taxes would be split like this:



House 1  
Tax = \$10



House 2  
Tax = \$10



House 3  
Tax = \$10



House 4  
Tax = \$10



New Home!  
Tax = \$10

Total taxes for 2018 are \$50

# How Taxes Work



- **Question 1... Did the taxes collected in Conleyville go up in 2018?**

**Yes.** They went from \$45 to \$50.

- **Question 2... Did the taxes on House #1 go up?**

**No.** The taxes stayed the same from 2017 and 2018.

So taxes for the Conleyville municipal budget went up, but taxes on the existing houses #1 – 4 stayed the same.



House 1  
Tax = \$10



House 2  
Tax = \$10



House 3  
Tax = \$10



House 4  
Tax = \$10



New Home!  
Tax = \$10

# How Taxes Work

-Taxes from new ratables are reflected in the budget summary.

Line	REVENUE	2018	2019	INCREASE (DECREASE)	PERCENT CHANGE
B 1	PRIOR YEAR MUNICIPAL SURPLUS	4,827,010	5,090,000	262,990	5.45%
B 2	MUNICIPAL REVENUE SOURCES	3,710,000	4,082,654	372,654	10.04%
B 3	PROPERTY TAXES: Existing Ratables	14,719,513	14,719,513	0	0.00%
B 4	<b>PROPERTY TAXES: New Ratables</b>	<b>n/a</b>	<b>91,730</b>	<b>91,730</b>	<b>n/a</b>
B 5	TAX REVENUE FROM GVR APARTMENTS / CONDOS	n/a	370,000	370,000	n/a
B 6	STATE AID	808,529	808,529	0	0.00%
B 7	<b>TOTAL RECURRING REVENUE</b>	<b>24,065,052</b>	<b>25,162,426</b>	<b>1,097,374</b>	<b>4.56%</b>
B 8	GRANT REVENUE	223,397	178,249	(45,148)	-20.21%
B 9	ELECTRIC SURPLUS - FOR OPERATING BUDGET	927,153	617,659	(309,494)	-33.38%
B 10	WATER SURPLUS - FOR OPERATING BUDGET	200,000	200,000	0	0.00%
B 11	<b>UTIL SURPLUS &amp; NON-RECURRING REVENUE FOR OPERATING</b>	<b>1,350,550</b>	<b>995,908</b>	<b>(354,642)</b>	<b>-26.26%</b>
B 12	ELECTRIC SURPLUS - FOR CAPITAL	3,800,000	3,800,000	0	0.00%
B 13	ELECTRIC SURPLUS - FOR DEBT SERVICE	2,318,000	2,255,525	(62,475)	-2.70%
B 14	<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>
B 15	<b>TOTAL MUNICIPAL REVENUES</b>	<b>31,533,602</b>	<b>32,213,859</b>	<b>680,257</b>	<b>2.16%</b>

# Borough of Madison - Budget Surplus and Free Balance Analysis

as of 5-Mar-19

(amounts in \$000s)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Municipal Budget</b>										
<b>Total Appropriations</b>	<b>24,763</b>	<b>24,451</b>	<b>25,150</b>	<b>25,682</b>	<b>29,558</b>	<b>29,063</b>	<b>30,618</b>	<b>31,256</b>	<b>31,533</b>	<b>32,214</b>
Operating Budget Less Capital	22,189	22,190	22,051	22,331	23,709	23,684	24,416	25,096	25,412	26,158
General Capital Budget (not inc Debt Svc)	1,793	1,520	1,856	1,012	3,468	3,180	3,779	4,745	4,417	4,627
Surplus Utilized in Budget	5,235	3,636	2,800	2,975	3,597	3,900	4,200	4,587	4,824	5,090
Utility Surpluses transferred to Support Budget	3,113	3,706	3,866	4,172	6,246	6,733	7,699	7,534	7,245	6,873
End of Year Op Surplus	4,409	4,365	5,592	7,250	7,778	8,131	8,470	9,282	10,371	
<b>Tax Levy (including PILOT)</b>	<b>12,748</b>	<b>13,174</b>	<b>13,437</b>	<b>13,637</b>	<b>13,637</b>	<b>13,842</b>	<b>14,050</b>	<b>14,452</b>	<b>14,720</b>	<b>15,181</b>
<b>End of Year Free Balance (as of 1/1/xx)</b>	<b>771</b>	<b>774</b>	<b>1,565</b>	<b>2,617</b>	<b>3,653</b>	<b>3,878</b>	<b>3,931</b>	<b>3,883</b>	<b>4,449</b>	<b>5,449</b>
End of Year Capital Account Balance	2,012	1,115	78	539	933	1,611	922	1,657	1,185	1,185
Reserve for Tax Appeals	10	250	439	247	562	522	542	429	497	450
<b>Electric Department Budget</b>										
Operating Budget less Capital	19,723	20,149	19,233	19,107	17,928	15,415	14,163	14,567	15,038	14,755
Electric Capital Budget	100	100	100	100	200	400	895	895	895	795
Surplus Generated in the calendar year	4,760	3,217	4,206	4,701	5,993	7,893	9,056	6,514	7,482	6,564
Surplus Balance at year end	4,822	4,683	5,373	6,322	6,496	8,156	10,013	9,393	9,830	9,433
<b>End of Year Free Balance</b>	<b>1,466</b>	<b>1,167</b>	<b>1,651</b>	<b>526</b>	<b>263</b>	<b>957</b>	<b>2,879</b>	<b>2,348</b>	<b>3,159</b>	<b>2,869</b>
End of Year Capital Acct Balance (not including reserve acct)	1,132	956	1,014	679	738	895	827	899	804	804
Reserve for Substation Repairs	0	0	0	0	0	0	300	600	900	1,200
<b>Water Department</b>										
Operating Budget less Capital	1,779	1,791	1,865	1,931	1,980	1,959	2,069	1,816	1,804	1,840
Water Capital Budget	100	200	200	200	200	200	540	1,500	900	900
Surplus Generated in the calendar year	708	463	651	527	542	789	530	(231)	404	285
Surplus Balance at year end	1,027	1,140	1,441	1,518	1,610	1,899	1,929	1,298	1,501	1,586
<b>End of Year Free Balance</b>	<b>319</b>	<b>677</b>	<b>790</b>	<b>991</b>	<b>1,068</b>	<b>1,110</b>	<b>1,399</b>	<b>1,529</b>	<b>1,098</b>	<b>1,302</b>
End of Year Capital Account Balance	702	652	690	111	131	245	205	376	296	296
Reserve for Automated Meter Reading	0	200	400	600	800	1,000	1,000	1,000	1,000	1,000
<b>Total - All Capital Budgets</b>	<b>1,993</b>	<b>1,820</b>	<b>2,156</b>	<b>1,312</b>	<b>3,868</b>	<b>3,780</b>	<b>5,214</b>	<b>7,140</b>	<b>6,212</b>	<b>6,322</b>
<b>Total Free Balance</b>	<b>2,556</b>	<b>2,618</b>	<b>4,006</b>	<b>4,134</b>	<b>4,984</b>	<b>5,945</b>	<b>8,209</b>	<b>7,760</b>	<b>8,706</b>	<b>9,620</b>
<b>Total Capital Surplus</b>	<b>3,846</b>	<b>2,723</b>	<b>1,782</b>	<b>1,329</b>	<b>1,802</b>	<b>2,751</b>	<b>1,954</b>	<b>2,932</b>	<b>2,285</b>	<b>2,285</b>
<b>Total "Reserved" Funds</b>	<b>10</b>	<b>450</b>	<b>839</b>	<b>847</b>	<b>1,362</b>	<b>1,522</b>	<b>1,842</b>	<b>2,029</b>	<b>2,397</b>	<b>2,650</b>
<b>TOTAL UNENCUMBERED FUNDS</b>	<b>6,412</b>	<b>5,791</b>	<b>6,627</b>	<b>6,310</b>	<b>8,148</b>	<b>10,218</b>	<b>12,005</b>	<b>12,721</b>	<b>13,388</b>	<b>14,555</b>
Inc/(Dec)		(621)	836	(317)	1,838	2,070	1,787	716	667	1,167
Cummulative Inc from 2013 thru 2019 (6 years)					1,838	3,908	5,695	6,411	7,078	8,245
Average Annual Increase 2013 thru 2019										1,374
<b>Total Unreserved, unencumbered funds</b>	<b>6,402</b>	<b>5,341</b>	<b>5,788</b>	<b>5,463</b>	<b>6,786</b>	<b>8,696</b>	<b>10,163</b>	<b>10,692</b>	<b>10,991</b>	<b>11,905</b>
Inc/(Dec)		(1,061)	447	(325)	1,323	1,910	1,467	529	299	914
<b>Unencumbered Funds - Percent of Total Tax Levy</b>	<b>50%</b>	<b>44%</b>	<b>49%</b>	<b>46%</b>	<b>60%</b>	<b>74%</b>	<b>85%</b>	<b>88%</b>	<b>91%</b>	<b>96%</b>
Unreserved, enencumbered as % of tax levy	50%	41%	43%	40%	50%	63%	72%	74%	75%	78%
Percent of unencumbered as a % of total app	26%	24%	26%	25%	28%	35%	39%	41%	42%	45%



# Municipal Surplus



**We expected surplus balances to remain flat in 2018. Instead, we had an excellent year with surplus balances increasing by \$1,095,000. What generated the extra surplus?**

- 1) Interest rates increased significantly, so interest earned was over \$200,000 more than anticipated in the budget.
- 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.
- 3) The Department Heads were fiscally responsible and only purchased what they needed. The \$\$ not spent in the 2017 budget becomes surplus.

# Municipal Surplus



Borough of Madison											
Schedule of Municipal Surplus Balances											
Surplus Balances 2013 Thru 2018											
		2010	2011	2012	2013	2014	2015	2016	2017	2018	
Line	Surplus Generated From:	Actual	Rev Est								
s 1	Non-Taxable Revenues	569	1,357	785	550	559	750	913	1,055	478	
s 2	Delinquent Tax Collections	131	306	615	118	10	78	263	-	36	
s 3	Current Year Taxes	933	595	1,001	1,731	1,444	1,370	1,857	1,807	1,733	
s 4	Cancellation of Prior Years Appropriations	1,388	1,245	1,265	1,565	1,625	1,768	1,370	2,050	2,571	
s 5	Misc Revenue and Other Revenues	617	88	(49)	289	487	287	340	481	1,104	
s 6	FEMA	-	-	410	380	-	-	-	-		
s 7	Reserved for Tax Appeals in AFS							(200)			
	<b>TOTAL</b>	<b>3,638</b>	<b>3,591</b>	<b>4,027</b>	<b>4,633</b>	<b>4,125</b>	<b>4,253</b>	<b>4,543</b>	<b>5,393</b>	<b>5,922</b>	
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Line		Actual	Est	Est							
s 8	Balance at Beginning of Year	6,006	4,409	4,365	5,592	7,250	7,778	8,131	8,470	9,276	10,371
s 9	Less: Utilized in Municipal Budget	(5,235)	(3,635)	(2,800)	(2,975)	(3,597)	(3,900)	(4,200)	(4,587)	(4,827)	(5,090)
s 10	Sub Total (Free Balance)	771	774	1,565	2,617	3,653	3,878	3,931	3,883	4,449	5,281
s 11	Add: Generated in Current Year	3,638	3,591	4,027	4,633	4,125	4,253	4,539	5,393	5,922	
s 12	Balance at Year End	4,409	4,365	5,592	7,250	7,778	8,131	8,470	9,276	10,371	
s 13	Increase (Decrease)	(1,597)	(44)	1,227	1,658	528	353	339	806	1,095	

# Borough of Madison



## How is Surplus Generated?

Surplus is typically generated as follows:

- Actual revenues exceed budgeted revenues (line S1 & S5)
- Current year taxes collected exceeding what is budgeted (line S3).
- Cancellation of unspent line items from the 2017 budget (line S4)

		2010	2011	2012	2013	2014	2015	2016	2017	2018
Line	Surplus Generated From:	Actual	Rev Est							
s 1	Non-Taxable Revenues	569	1,357	785	550	559	750	913	1,055	<b>478</b>
s 2	Delinquent Tax Collections	131	306	615	118	10	78	263	-	<b>36</b>
s 3	Current Year Taxes	933	595	1,001	1,731	1,444	1,370	1,857	1,807	<b>1,733</b>
s 4	Cancellation of Prior Years Appropriations	1,388	1,245	1,265	1,565	1,625	1,768	1,370	2,050	<b>2,571</b>
s 5	Misc Revenue and Other Revenues	617	88	(49)	289	487	287	340	481	<b>1,104</b>
s 6	FEMA	-	-	410	380	-	-	-	-	
s 7	Reserved for Tax Appeals in AFS							(200)		
	<b>TOTAL</b>	<b>3,638</b>	<b>3,591</b>	<b>4,027</b>	<b>4,633</b>	<b>4,125</b>	<b>4,253</b>	<b>4,543</b>	<b>5,393</b>	<b>5,922</b>

# Borough of Madison



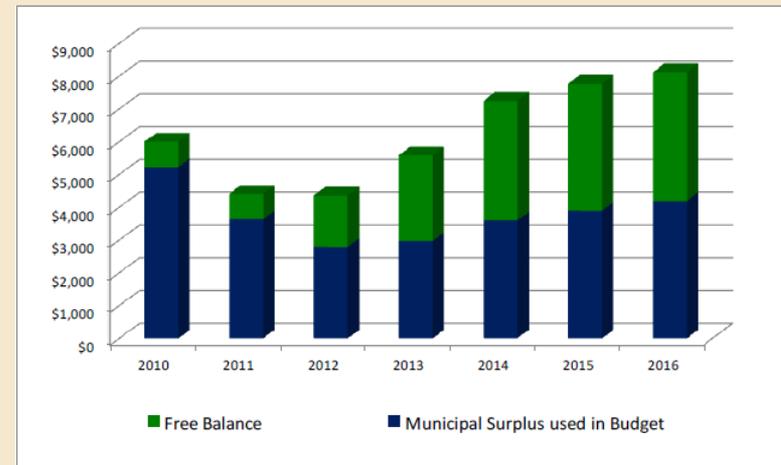
## Surplus is a GOOD thing

Protects the Borough from unforeseen circumstances such as storms or infrastructure failure.

Strong Surplus Balances help us maintain our AAA credit rating.

Help to limit tax increases and to absorb large budget increases.

### FISCAL STRENGTH



The bars above show total Municipal Surplus as of January 1st, split between the amount used in that year's budget and the remaining 'Free Balance'.

**Historical Surplus Analysis:** Over time, the Borough generates surplus when revenues exceed expenditures. Adequate surplus and 'Free Balance' protect the Borough from unforeseen circumstances including extreme storm damage and sudden infrastructure failure. The Borough has a long standing policy of using prior year's surplus to offset property tax increases.



# Borough of Madison



Surplus Guideline 1B states that prior year end municipal surplus should be no more than 25% of total appropriations for the coming year.

		2016	2017	2018	2019 est
Guideline 1B	Prior Year End Municipal Surplus/	\$8,131	\$8,474	\$9,276	\$10,371
	Total Appropriations for coming year	\$30,618	\$31,187	\$31,534	\$32,214
	(20% to 25%)	26.6%	27.2%	29.4%	32.2%
	(Surplus Doc Line S12 divided by Budget Doc Line B33)				

The guideline is trending in the ‘wrong’ direction. This is indicating that we have to monitor surplus.

# Borough of Madison



To resolve this surplus imbalance, Administration suggests the following:

- 1) Increase Anticipated Revenues.
- 2) Utilize more Surplus in the budget as revenue.
- 3) Offer a 0% tax increase for existing properties.



# Municipal Budget



Line	REVENUE	2018	2019	INCREASE (DECREASE)	PERCENT CHANGE
B 1	PRIOR YEAR MUNICIPAL SURPLUS	4,827,010	5,090,000	262,990	5.45%
B 2	MUNICIPAL REVENUE SOURCES	3,710,000	4,082,654	372,654	10.04%
B 3	PROPERTY TAXES: Existing Ratables	14,719,513	14,719,513	0	0.00%
B 4	PROPERTY TAXES: New Ratables	n/a	91,730	91,730	n/a
B 5	TAX REVENUE FROM GVR APARTMENTS / CONDOS	n/a	370,000	370,000	n/a
B 6	STATE AID	808,529	808,529	0	0.00%
B 7	TOTAL RECURRING REVENUE	24,065,052	25,162,426	1,097,374	4.56%
B 8	GRANT REVENUE	223,397	178,249	(45,148)	-20.21%
B 9	ELECTRIC SURPLUS - FOR OPERATING BUDGET	927,153	617,659	(309,494)	-33.38%
B 10	WATER SURPLUS - FOR OPERATING BUDGET	200,000	200,000	0	0.00%
B 11	UTIL SURPLUS & NON-RECURRING REVENUE FOR OPERATING	1,350,550	995,908	(354,642)	-26.26%
B 12	ELECTRIC SURPLUS - FOR CAPITAL	3,800,000	3,800,000	0	0.00%
B 13	ELECTRIC SURPLUS - FOR DEBT SERVICE	2,318,000	2,255,525	(62,475)	-2.70%
B 14	TOTAL UTILITY SURPLUS FOR CAPITAL/DEBT	6,118,000	6,055,525	(62,475)	-1.02%
B 15	TOTAL MUNICIPAL REVENUES	31,533,602	32,213,859	680,257	2.16%

Line	APPROPRIATIONS	2018	2019	INCREASE (DECREASE)	PERCENT CHANGE
B 16	SALARIES & WAGES	10,706,489	10,960,942	254,453	2.38%
B 17	HEALTH INSURANCE	1,814,000	1,814,000	0	0.00%
B 18	PENSION & SOCIAL SECURITY	1,908,000	2,080,200	172,200	9.03%
B 19	UNEMPLOYMENT INSURANCE	50,000	50,000	0	0.00%
B 20	LEGAL	235,000	260,000	25,000	10.64%
B 21	DEPARTMENT OPERATING EXPENSES	3,356,382	3,494,145	137,763	4.10%
B 22	UTILITIES	748,600	748,600	0	0.00%
B 23	WASTE REMOVAL	1,657,300	1,657,300	0	0.00%
B 24	LIABILITY & WC INSURANCE	645,850	667,163	21,313	3.30%
B 25	TOTAL MUNICIPAL OPERATING EXPENSES	21,121,621	21,732,350	610,729	2.89%
B 26	MCJM SEWAGE PROCESSING	1,130,000	1,130,000	0	0.00%
B 27	PUBLIC LIBRARY	1,430,981	1,527,984	97,003	6.78%
B 28	RESERVE FOR UNCOLLECTED TAXES	1,733,000	1,768,000	35,000	2.02%
B 29	NON-MUNICIPAL & OUTSIDE THE CAP OPERATING EXPENSES	4,293,981	4,425,984	132,003	3.07%
B 30	CAPITAL IMPROVEMENT FUND	3,800,000	3,800,000	0	0.00%
B 31	DEBT SERVICE	2,318,000	2,255,525	(62,475)	-2.70%
B 32	TOTAL CAPITAL & DEBT EXPENSES	6,118,000	6,055,525	(62,475)	-1.02%
B 33	TOTAL APPROPRIATIONS	31,533,602	32,213,859	680,257	2.16%

## Please Note:

**B1:** Utilizing more Surplus in the budget.

**B2:** Increased Anticipated Revenues.

**B3:** A 0% tax increase.

**B5:** Note the new "Tax" from the GVR property.

# Electric Utility Budget



Schedule of Electric Utility Sales and Performance (in 000's) as of Dec 31st								
Line		2015 Actual	2016 Actual	2017 Actual	2018 Orig Est	2018 Rev Est	2019 Estimate	2020 Estimate
<b>REVENUES</b>								
E 1	Cash Collections	\$22,840	\$22,993	\$22,056	\$22,500	\$23,251	\$22,700	\$22,700
E 2	Electric Utility Dividend			(\$1,003)	(\$1,500)	(\$1,545)	(\$2,000)	(\$2,000)
E 3	Misc Revenue + Fund Balance Realized	\$42	\$70	\$81	\$100	\$210	\$175	\$175
E 4	Cancellation of Appropriations	\$826	\$1,051	\$842	\$825	\$1,501	\$985	\$985
<b>EXPENSES</b>								
E 5	Block Contracts	(\$11,713)	(\$6,750)	(\$6,340)	(\$5,635)	(\$5,635)	(\$5,042)	(\$4,954)
E 6	Capacity		(\$2,265)	(\$2,305)	(\$2,954)	(\$2,954)	(\$2,322)	(\$2,261)
E 7	Transmission		(\$529)	(\$742)	(\$1,202)	(\$1,351)	(\$2,042)	(\$1,786)
E 8	Spot, Admin, Ancillaries, etc		(\$797)	(\$999)	(\$816)	(\$816)	(\$984)	(\$904)
E 9	Admin & Operating	(\$3,702)	(\$3,822)	(\$4,181)	(\$4,282)	(\$4,282)	(\$4,365)	(\$4,496)
E 10	Elec Utility Capital*	(\$400)	(\$895)	(\$895)	(\$895)	(\$895)	(\$795)	(\$895)
E 11	<b>Total Surplus Generated (end of year)</b>	<b>\$7,893</b>	<b>\$9,056</b>	<b>\$6,514</b>	<b>\$6,141</b>	<b>\$7,484</b>	<b>\$6,310</b>	<b>\$6,564</b>
Schedule of Electric Utility Surplus Balances (in 000's)								
Line		2015 Actual	2016 Actual	2017 Actual	2018 Orig Est	2018 Rev Est	2019 Estimate	2020 Estimate
E 12	Balance at Beginning of Year	\$6,496	\$8,156	\$10,013	\$9,393	\$9,393	\$9,832	\$9,469
E 13	Less: Utilized in Municipal Budget	(\$6,233)	(\$7,199)	(\$7,134)	(\$7,045)	(\$7,045)	(\$6,673)	(\$6,600)
E 14	Sub Total (Free Balance)	\$263	\$957	\$2,879	\$2,348	\$2,348	\$3,159	\$2,869
E 15	Add: Generated in Current Year	\$7,893	\$9,056	\$6,514	\$6,141	\$7,484	\$6,310	\$6,564
E 16	Surplus Balance at Year End	\$8,156	\$10,013	\$9,393	\$8,489	\$9,832	\$9,469	\$9,433

The only change to Revenue was a slight increase of \$100,000 in cash collections E1 and the dividend was increased to \$2 million for 2019. No changes to Expenses from the Jan 28 presentation.

The surplus used in the municipal budget (line E13) dropped which improved the overall surplus position for the utility.

# Electric Utility Budget



Schedule of Electric Utility Sales and Performance (in 000's) as of Dec 31st								
Line		2015 Actual	2016 Actual	2017 Actual	2018 Orig Est	2018 Rev Est	2019 Estimate	2020 Estimate
<b>REVENUES</b>								
E 1	Cash Collections	\$22,840	\$22,993	\$22,056	\$22,500	\$23,251	\$22,700	\$22,700
E 2	Electric Utility Dividend			(\$1,003)	(\$1,500)	(\$1,545)	(\$2,000)	(\$2,000)
E 3	Misc Revenue + Fund Balance Realized	\$42	\$70	\$81	\$100	\$210	\$175	\$175
E 4	Cancellation of Appropriations	\$826	\$1,051	\$842	\$825	\$1,501	\$985	\$985
<b>EXPENSES</b>								
E 5	Block Contracts	(\$11,713)	(\$6,750)	(\$6,340)	(\$5,635)	(\$5,635)	(\$5,042)	(\$4,954)
E 6	Capacity		(\$2,265)	(\$2,305)	(\$2,954)	(\$2,954)	(\$2,322)	(\$2,261)
E 7	Transmission		(\$529)	(\$742)	(\$1,202)	(\$1,351)	(\$2,042)	(\$1,786)
E 8	Spot, Admin, Ancillaries, etc		(\$797)	(\$999)	(\$816)	(\$816)	(\$984)	(\$904)
E 9	Admin & Operating	(\$3,702)	(\$3,822)	(\$4,181)	(\$4,282)	(\$4,282)	(\$4,365)	(\$4,496)
E 10	Elec Utility Capital*	(\$400)	(\$895)	(\$895)	(\$895)	(\$895)	(\$795)	(\$895)
E 11	<b>Total Surplus Generated (end of year)</b>	<b>\$7,893</b>	<b>\$9,056</b>	<b>\$6,514</b>	<b>\$6,141</b>	<b>\$7,484</b>	<b>\$6,310</b>	<b>\$6,564</b>
Schedule of Electric Utility Surplus Balances (in 000's)								
Line		2015 Actual	2016 Actual	2017 Actual	2018 Orig Est	2018 Rev Est	2019 Estimate	2020 Estimate
E 12	Balance at Beginning of Year	\$6,496	\$8,156	\$10,013	\$9,393	\$9,393	\$9,832	\$9,469
E 13	Less: Utilized in Municipal Budget	(\$6,233)	(\$7,199)	(\$7,134)	(\$7,045)	(\$7,045)	(\$6,673)	(\$6,600)
E 14	Sub Total (Free Balance)	\$263	\$957	\$2,879	\$2,348	\$2,348	\$3,159	\$2,869
E 15	Add: Generated in Current Year	\$7,893	\$9,056	\$6,514	\$6,141	\$7,484	\$6,310	\$6,564
E 16	Surplus Balance at Year End	\$8,156	\$10,013	\$9,393	\$8,489	\$9,832	\$9,469	\$9,433

Note, if you include this budget, Council has approved over **\$6 million** in electric rate relief over the last four years.



# Water Utility Budget



Schedule of Estimated Water Utility Sales and Performance (in 000's)							
Line		2016 Actual	2017 Actual	2018 Orig Est	2018 Rev Est	2019 Estimate	2020 Estimate
<b>REVENUES</b>							
w1	Tariff Collections	\$2,666	\$2,522	\$2,550	<b>\$2,494</b>	<b>\$2,550</b>	\$2,550
w2	Miscellaneous Revenue	\$176	\$63	\$65	<b>\$216</b>	<b>\$150</b>	\$150
w3	Cancellation of PY Appropriations	\$297	\$500	\$325	<b>\$398</b>	<b>\$325</b>	\$325
<b>EXPENSES</b>							
w4	Operations	(\$2,069)	(\$1,816)	(\$1,804)	<b>(\$1,804)</b>	<b>(\$1,840)</b>	(\$1,877)
w5	Capital Improvement	(\$540)	(\$1,500)	(\$900)	<b>(\$900)</b>	<b>(\$900)</b>	(\$900)
w6	Estimated Surplus	\$530	(\$231)	\$236	<b>\$404</b>	<b>\$285</b>	\$248
<b>Schedule of Water Utility Surplus Balances (in 000's)</b>							
Line		2016 Actual	2017 Estimate	2018 Rev Est	2018 Rev Est	2019 Estimate	2020 Estimate
w7	Balance at Beginning of Year	\$1,899	\$1,929	\$1,298	<b>\$1,298</b>	<b>\$1,502</b>	\$1,587
w8	Less: Utilized in Municipal Budget	(\$500)	(\$400)	(\$200)	<b>(\$200)</b>	<b>(\$200)</b>	(\$200)
w9	Sub Total (Free Balance)	\$1,399	\$1,529	\$1,098	<b>\$1,098</b>	<b>\$1,302</b>	\$1,387
w10	Add: Generated in Current Year	\$530	(\$231)	\$236	<b>\$404</b>	<b>\$285</b>	\$248
w11	Balance at Year End	\$1,929	\$1,298	\$1,334	<b>\$1,502</b>	<b>\$1,587</b>	\$1,635
w12	Increase (Decrease)	\$30	(\$631)	\$36	<b>\$204</b>	<b>\$85</b>	\$48

No changes to the Revenues and Expenses that were presented to Council on January 28<sup>th</sup>.

Note the \$200,000 on line W8 is what is used in the municipal budget on line B10.

## Strategic Planning Guidelines

In 2014, the Borough embarked on a comprehensive strategic planning initiative with volunteers working with staff to establish budget and finance guidelines. Paraphrasing from the report...

*The guidelines provide structure to the annual budget process to assure that a decision on one part of the budget does not have unintended consequences on another element of the budget.*

*They help form the basis of communicating to the public some of the tradeoffs involved in achieving the balanced budget required by statute.*

*The guidelines should not be considered hard and fast rules that can not tolerate exceptions. Rather they should be seen as firm but flexible and to be complied with over the long term with material deviations explained as part of the budget process.*

# Strategic Planning Guidelines

*Guideline 7: As part of the budget cycle, the Chief Financial Officer should prepare a 5 year history of how budgets have performed relative to guidelines. Compliant? Yes. See below.*

		2011	2012	2013	2014	2015	2016	2017	2018	19 est	Compliant?
Guideline 1A	Surplus revenue in budget should be less than surplus generated in the prior year (Budget Doc Line B1 divided by Surplus Doc Line S11)	\$3,635	\$2,800	\$2,975	\$3,597	\$3,900	\$4,200	\$4,587	<b>\$4,827</b>	<b>5,090</b>	Yes
		\$3,638	\$3,591	\$4,027	\$4,633	\$4,113	\$4,253	\$4,539	<b>\$5,393</b>	<b>5,922</b>	
Guideline 1B	Prior Year End Municipal Surplus/ Total Appropriations for coming year (20% to 25%) (Surplus Doc Line S12 divided by Budget Doc Line B33)	\$4,409	\$4,365	\$5,592	\$7,250	\$7,786	\$8,131	\$8,474	<b>\$9,276</b>	<b>\$10,371</b>	Above
		\$24,452	\$25,151	\$25,682	\$29,587	\$29,063	\$30,618	\$31,187	<b>\$31,534</b>	<b>\$32,214</b>	
		18.0%	17.4%	21.8%	24.5%	26.8%	26.6%	27.2%	<b>29.4%</b>	<b>32.2%</b>	
Guideline 2	Operations Shortfall/ Total Appropriations (less than 7%) (Budget Doc Line B9 + B10 divided by line B33)	\$1,611	\$1,778	\$1,710	\$2,319	\$1,483	\$1,597	\$1,405	<b>\$1,127</b>	<b>818</b>	Yes
		\$24,452	\$25,151	\$25,682	\$29,587	29,603	30,618	\$31,187	<b>\$31,530</b>	<b>\$32,214</b>	
		6.6%	7.1%	6.7%	7.8%	5.0%	5.2%	4.5%	<b>3.6%</b>	<b>2.5%</b>	
Guideline 3A	Water & Elec Utility Surplus Transfer/ Total Appropriations (Should not exceed 22%) (Budget Doc Lines 9+10+12+13 divided by line B33)	\$3,706	\$3,866	\$4,172	\$6,246	\$6,733	\$7,698	\$7,534	<b>\$7,245</b>	<b>6,873</b>	Yes
		\$24,452	\$25,151	\$25,682	\$29,587	\$29,063	\$30,618	\$31,187	<b>\$31,530</b>	<b>\$32,214</b>	
		15.2%	15.4%	16.2%	21.1%	23.2%	25.1%	24.2%	<b>23.0%</b>	<b>21.3%</b>	
Guideline 4A	Debt Service/ Total Appropriations (should not exceed 10%) (Budget Doc Line B31 divided by Budget doc line B33)	\$2,262	\$2,269	\$2,266	\$2,269	\$2,247	\$2,330	\$2,330	<b>\$2,318</b>	<b>2,256</b>	Yes
		\$24,452	\$25,151	\$25,682	\$29,587	\$29,063	\$30,618	\$31,187	<b>\$31,530</b>	<b>\$32,214</b>	
		9.3%	9.0%	8.8%	7.7%	7.7%	7.6%	7.5%	<b>7.4%</b>	<b>7.0%</b>	
Guideline 5	The Capital Improvement Fund / Total Appropriations (should be no less than 10%) (Budget Doc Line B30 divided by Budget doc line B33)	\$0	\$750	\$1,000	\$3,500	\$3,053	\$3,800	\$3,800	<b>\$3,800</b>	<b>\$3,800</b>	Yes
		\$24,452	\$25,151	\$25,682	\$29,587	\$29,063	\$30,618	\$31,187	<b>\$31,530</b>	<b>\$32,214</b>	
		0.0%	3.0%	3.9%	11.8%	10.5%	12.4%	12.2%	<b>12.1%</b>	<b>11.8%</b>	

# Strategic Planning Guidelines



Guideline 1C: Surplus in excess of the upper end of Guideline 1B range (ie >25%) may only be used for the Capital Improvement Fund or to pay down debt.

Guideline 3B: Surplus should be transferred from a utility only to the extent that the utility's surplus remaining after transfer (free balance) is considered sufficient for the utility's (a) working capital, (b) capital expenditures, and c) need for reasonable cushion for contingencies.

Guideline 4B: New borrowing should be limited to capital assets having a useful life of at least 15 years. Compliant? YES.

Guideline 6A: Property taxes in the municipal budget should be maintained at prudent levels after considering a) inflation, b) increases in municipal appropriations and c) the availability of utility transfers and other municipal revenue.

Guideline 6B: Maintain the Reserve for Uncollected Tax at 2.63% of the total tax levy. RUT for 2018 is 2.5%.

Guideline 7: As part of the budget cycle, the Chief Financial Officer should prepare a 5 year history of how budgets have performed relative to guidelines. Compliant? YES.





# Borough of Madison

## Issues 2020 and beyond

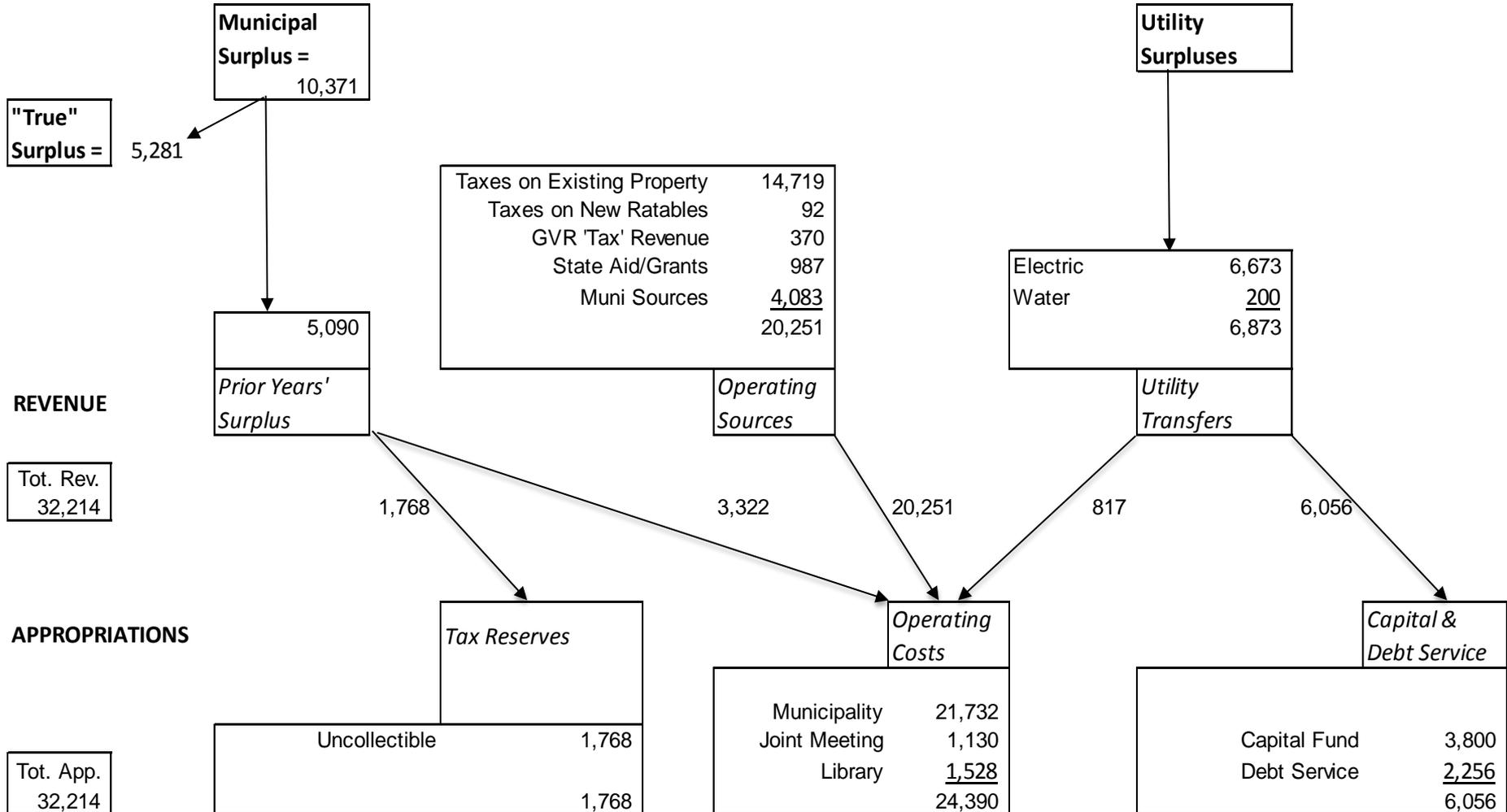
- Garbage and recycling costs are likely to go up by \$100,000 or more in 2020.
- Major expenses that have been flat for the last two years (health and sewage processing) will likely go up in 2020.
- Affordable housing litigation costs.
- PFRS pension costs.
- Debt service for major sewage treatment plant expansion.
- No cap on arbitration awards for future PBA/FMBA labor contracts.



# Budget Alternate Format

## Borough of Madison -- 2019 Budget Flows

4-Mar-19





# Borough of Madison



## QUESTIONS?

