

Budget Hearing

February 10, 2020



Agenda

- Police Operating Budget (Chief Darren Dachisen);
- Summary of the budget issues this year;
- Presentation of the draft budget;
- Focus on the appropriation side of the budget including a breakdown by department and major cost drivers;
- Review Municipal Surplus;
- Highlights of what is included in the budget this year



Police Department

Chief Darren P. Dachisen Sr.

Staffing

Divisions

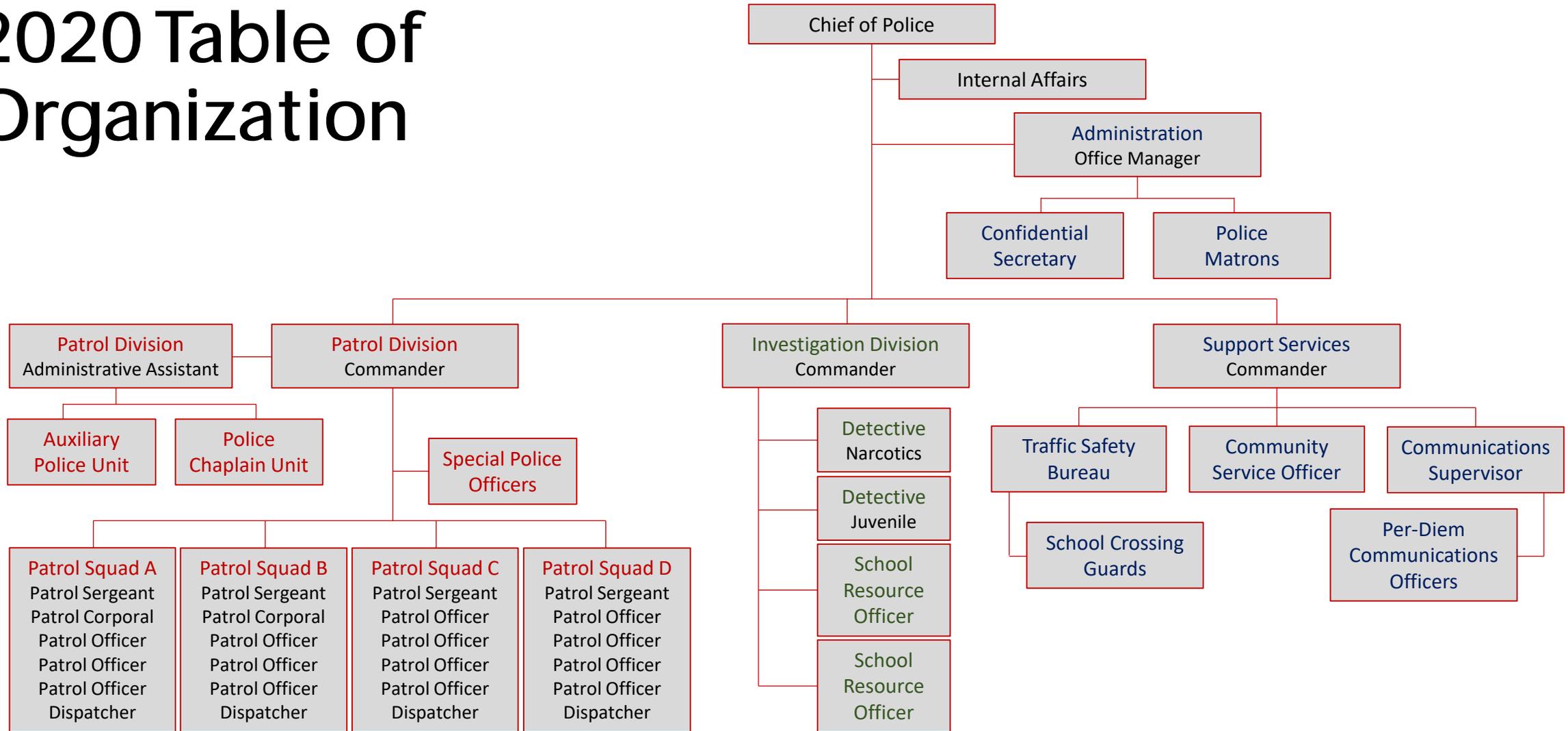
- Patrol;
- Investigation;
- Support Services;

Employees

- **85 Total:**
 - 29 - Sworn;
 - 2 - Class II School Officers;
 - 9 - Civilian/Non-Sworn (Dispatchers/Office Staff);
 - 30 - School Crossing Guards;
 - 5 - Per-Diem Communications Officers;
 - 10 - Auxiliary Officers



2020 Table of Organization



Annual Statistics

Assignments that are distributed to police officers that require either attention or a police presence to resolve, correct or assist with a particular situation.

	2017	2018	2019
Calls for Service	36,808	33,099	31,324
Arrests	162	153	122
CPR / AED Deployment	5	6	2
Narcan Deployment	0	6	2
Medical Emergency Calls	954	884	895
Disorderly Conduct	253	241	222
Domestic Violence	67	57	50
Motor Vehicle Stops	5,196	5,743	6,024
Crash Investigations	457	396	426
Traffic Tickets	1,505	1,574	1,756
Parking Tickets	2,970	2,880	4,431

Annual Statistics Continued

	2017	2018	2019
Burglary	13	16	34
Theft/Motor Vehicle Theft	57	70	79
Alarm	699	666	643
Fraud	87	68	88
Bias Incidents	4	10	2
Assaults	34	28	18
Use of Force Incidents	6	10	11
Assaults on Police	4	0	1
Weapons Offence	1	0	3
Sex Offense	5	5	6
Juvenile Complaint	46	77	62

Annual Statistics Continued

	2017	2018	2019
Detective Investigations	151	128	131
Auxiliary Police Hours	1,509	811	1,187
Firearm Applications	147	134	116
OPRA Requests	285	255	256
Expungements	63	52	31
Overtime	\$201,217	\$176,162	\$230,805
Outside Job Hours	7,110	10,475	8,876.5
On-Duty Injuries	10	7	6
Medication Destruction	570 lbs.	616 lbs.	560 lbs.
Car Seat Inspections	11	36	28

2019 Community Outreach

- Toys-for-Tots Toy Drive;
- Central Avenue School Bicycle Rodeo;
- Child Safety Seat Program;
- Child ID Program;
- Pink Patch Project;
- National Night Out;
- Madison High School Every 15 Minutes Program;
- St. Vincent's Food Basket Delivery;
- Mallory's Army – 10k Run;
- Madison / Florham Park Fishing Derby;
- Sandy Hook bicycle escort to Trenton NJ;
- Trunk or Treat

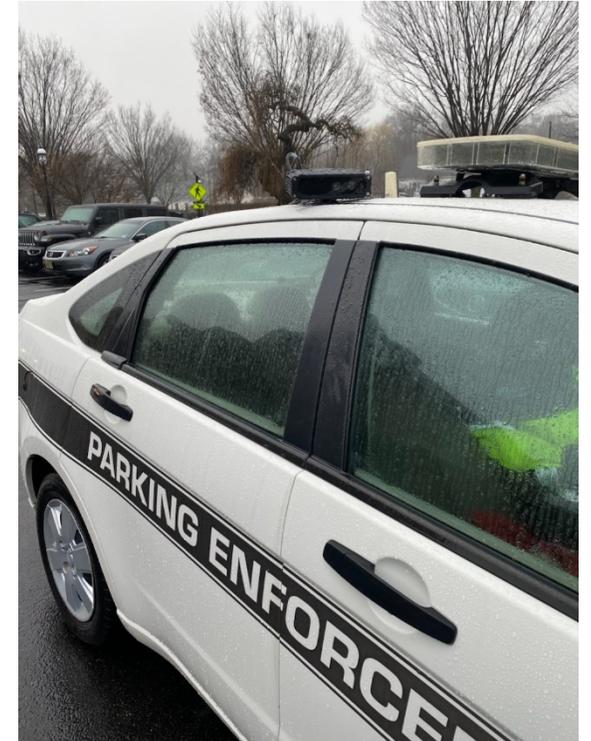


2019 Accomplishments

- Shared service agreement with Morris County for 911 call answering;
- Improved parking enforcement applications;
- Instituted eTicket for parking enforcement;
- Upgraded communications desk;
- Successful National Night Out;
- Medication return program up to 4,044 lbs. collected since its inception;
- Full audit of evidence room resulting in 100% compliance(5000+ items);
- Introduced 2 hybrid patrol vehicles;
- Started LED light installation in PSC to reduce energy consumption

2020 Goals

- Accreditation re-assessment;
- Complete training center building at firearms range;
- Fill vacancy in the Detective Bureau;
- Promotional exam to fill vacancies due to retirements (Sergeant, Lieutenant, Captain);
- Add a second officer to the Traffic Safety Bureau;
- Help Madison maintain #1 status of best place to live;
- Increase number of cameras and ALPR points in town



Budgets

- Operating Budget 25-240;
- Salaries/Wages;
- Equipment & Associated Maintenance;
- Vehicle Purchase;
- Supplies;
- Training;
- Vehicle Maintenance budget 26-316;
- Parts and accessories;
- Emergency Management Budget 25-252;
- OEM Services



DEPARTMENT: POLICE / CHIEF DACHISEN

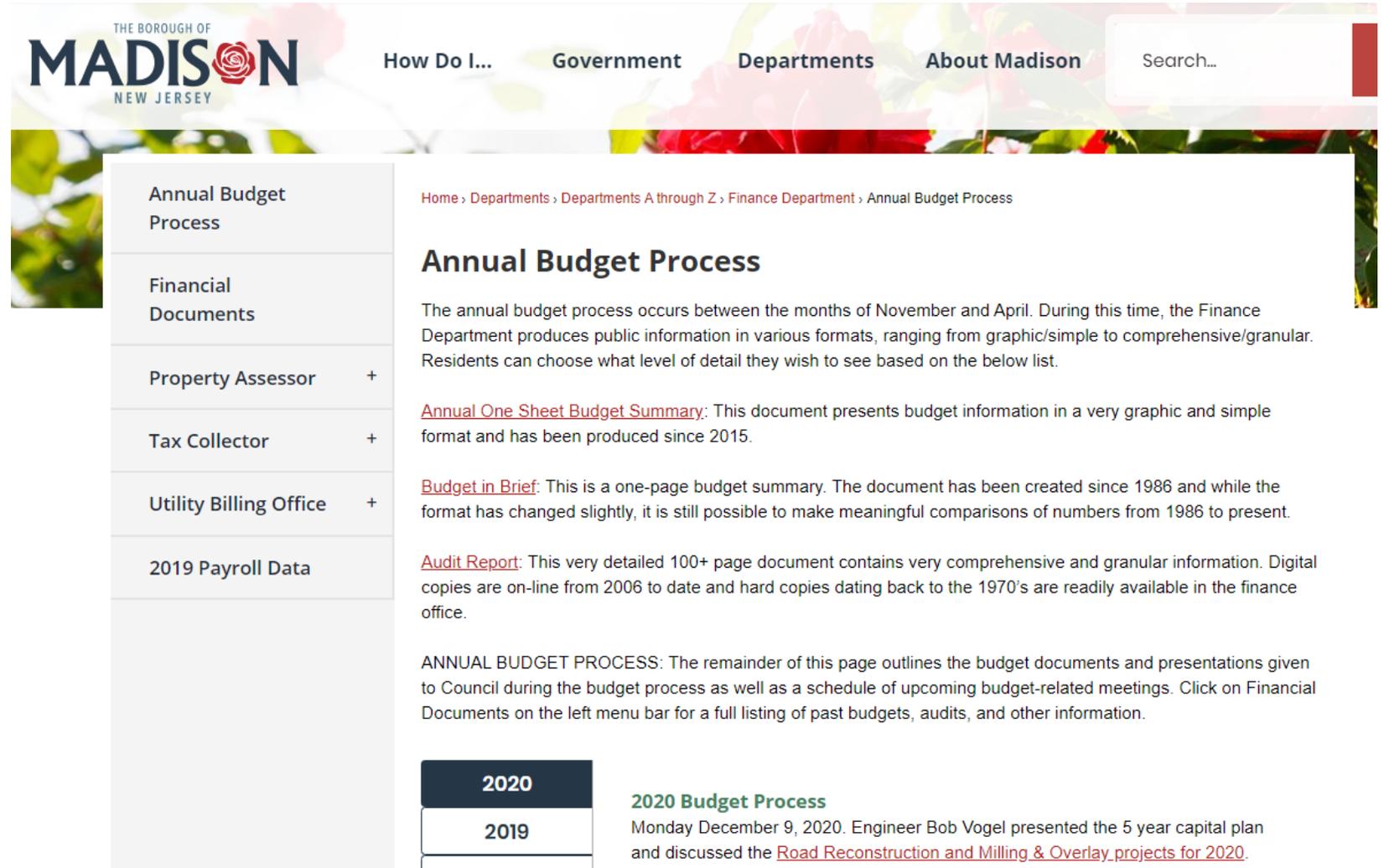
<u>Project Description</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Bullet Proof Vests ***	10,000	10,000	10,000		
Parking Shelter Patrol Vehicles	50,000				
Kings Rd Storage Garage		75,000			
Message Board			20,000		
Handgun Replacement		5,000		50,000	
Security Cameras & Enhancements		50,000		50,000	50,000
Protective Eq (Helmets, masks, etc)	10,000				
Fleet Computer/MDT Replacement					40,000
Boro Wide Radio System ****		TBD	TBD		
Yearly Totals	<u>70,000.00</u>	<u>140,000.00</u>	<u>30,000.00</u>	<u>100,000.00</u>	<u>90,000.00</u>

*** Body Armor Grant applications to be submitted to help offset costs.

**** Cost share Police, Fire, DPW, Electric, Water

Questions?

Transparency

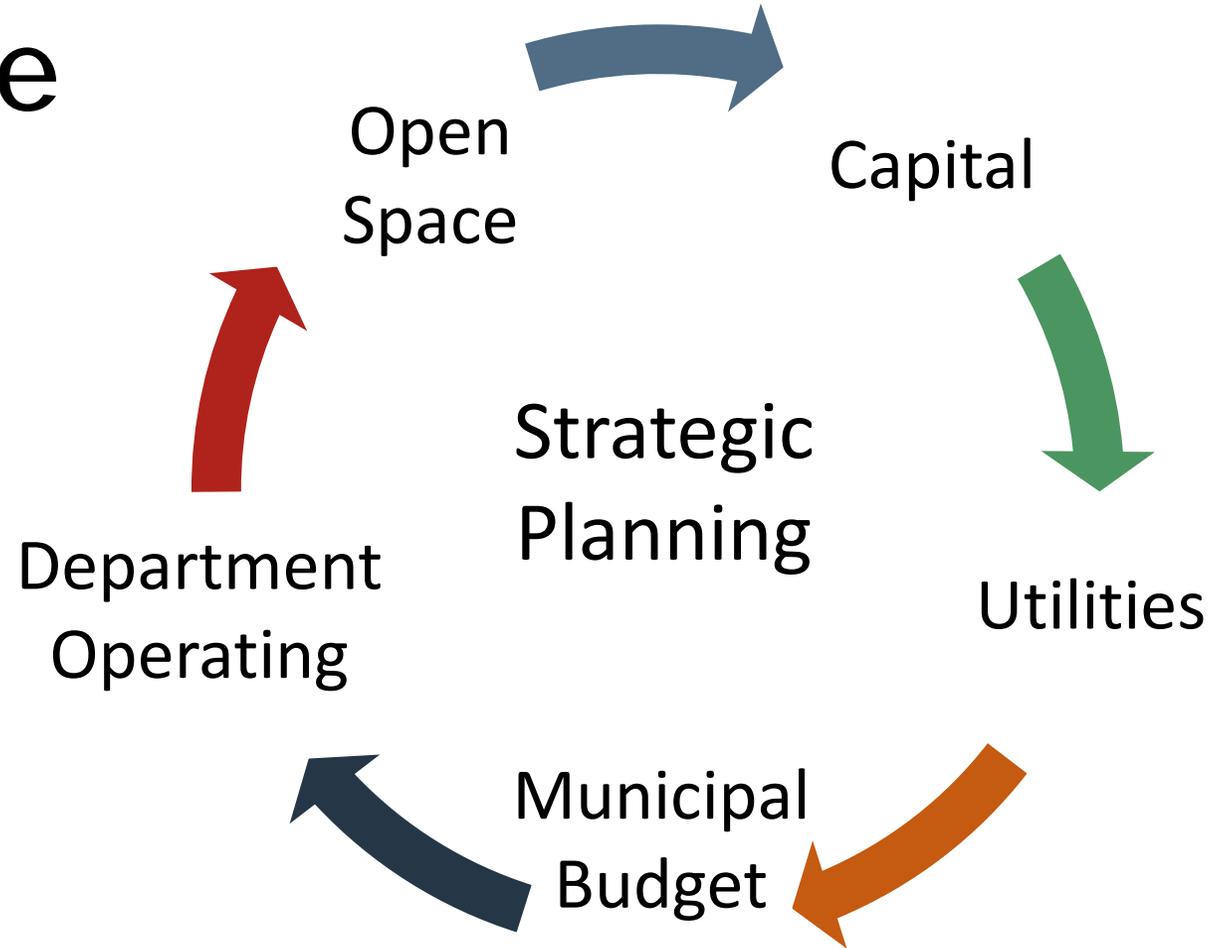
A screenshot of the Madison, NJ website's "Annual Budget Process" page. The page features a navigation menu with "How Do I...", "Government", "Departments", and "About Madison". A search bar is located on the right. The main content area includes a breadcrumb trail: "Home > Departments > Departments A through Z > Finance Department > Annual Budget Process". The title "Annual Budget Process" is prominently displayed. Below the title, a paragraph explains that the annual budget process occurs between November and April, with the Finance Department producing public information in various formats. A list of links is provided: "Annual One Sheet Budget Summary" (described as a graphic and simple format since 2015), "Budget in Brief" (a one-page summary since 1986), and "Audit Report" (a 100+ page document since 2006). A section titled "2020 Budget Process" is highlighted, dated Monday, December 9, 2020, and mentions Engineer Bob Vogel presenting a 5-year capital plan and discussing "Road Reconstruction and Milling & Overlay projects for 2020". A left-hand menu contains links for "Annual Budget Process", "Financial Documents", "Property Assessor", "Tax Collector", "Utility Billing Office", and "2019 Payroll Data".

Those interested in learning more about the budget process are encouraged to visit the “Annual Budget Process” page on rosenet.org, which can be found under the Finance Department.

Proposed Hearing Schedule

- January 13: Budget schedule review, Open Space Trust Fund, Five Year Capital;
- January 27: Utilities Budget & Surplus Review, and Electric Utility, Water Utility and Public Works Department Head Presentation;
- **February 10: Police Department Operating Budget, Initial Budget Discussion & Municipal Surplus Discussion;**
- February 24: Department Head Presentations;
- March 2: Revised Budget Presentation including a discussion of revenues and long term matters. Strategic Planning Guidelines and Alternate Budget Format presented;
- March 30: Official State Budget Introduction;
- April 27: Budget Adoption

The Budget Cycle



Three Entities

When Council votes to adopt the budget, they are approving the year's **OPERATING** budgets for three entities:

- **Current Fund:** This is the “main budget” and includes police, fire, public works, buildings & grounds, library, sewage, garbage, recycling, yard waste, clerk, court, construction, seniors, finance, administration, etc.;
- **Electric Utility:** Field operations, back office and billing;
- **Water Utility:** Field operations, back office and billing

Three Capital Accounts

When Council votes on the budget, you are voting on the OPERATING budgets for the current fund, water utility and electric utility. Capital items are voted on via separate capital ordinances throughout the year.

Each of the three entities has a Capital Account...the General Capital Fund (for the current fund), Electric Capital Fund and Water Capital Fund. When you vote on a separate capital ordinance, the funds for that ordinance typically come from the capital fund.

Each operating budget includes a line for capital. That is the amount of \$\$ that is being taken from the operating account and transferred into the capital account to fund future projects.

Budget or Spending Plan?

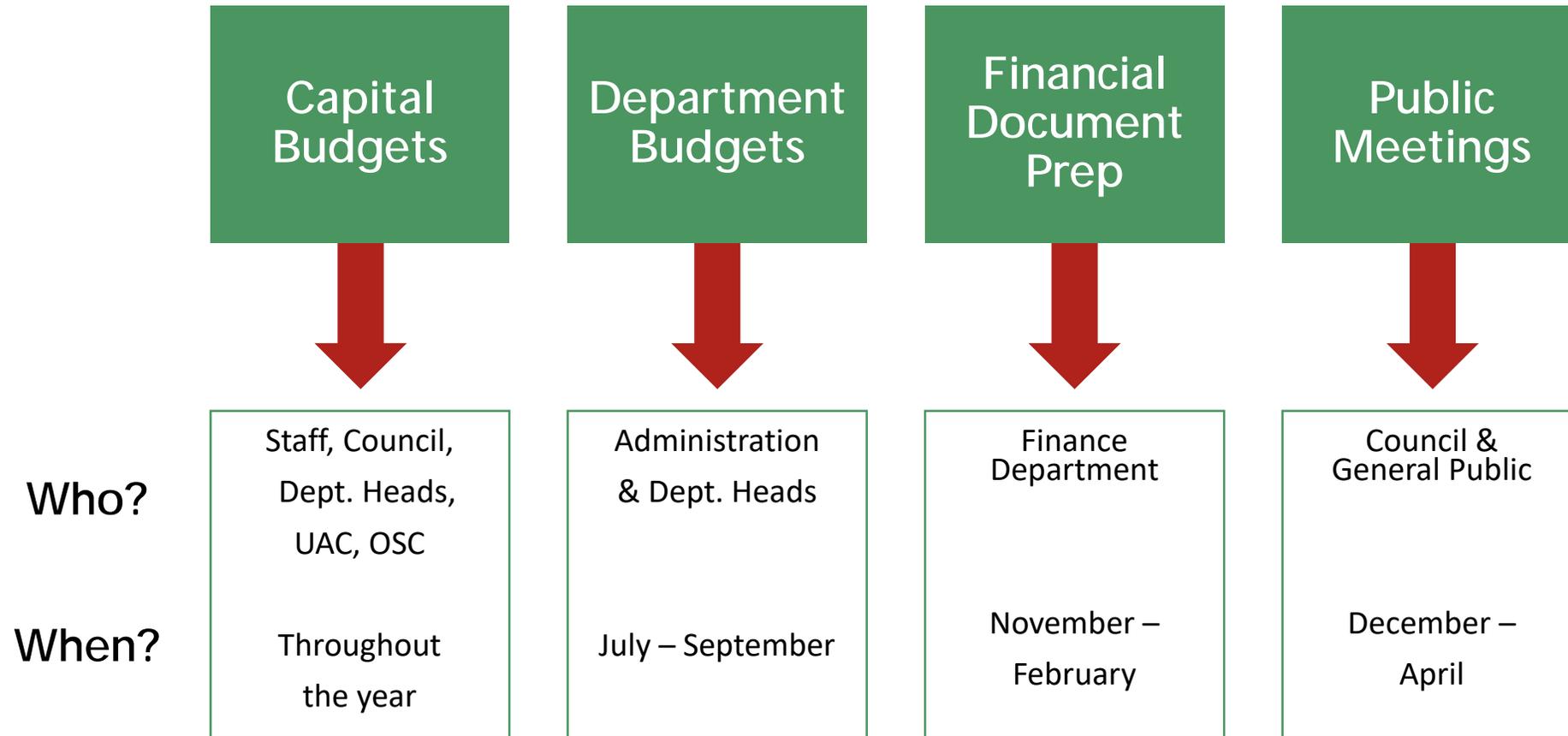
The word ‘budget’ is used, but ‘spending plan’ is a better term. When council approves the budget, they are approving the amount of money that will be spent for the entire year.

A business can typically change their budget during the year. Example.... They get a new contract so they decide to expand the business. The same holds true for a personal budget. If someone gets a promotion, they may go out and make additional purchases that year.

That is not the case for a municipal budget. The amount for snow removal or fuel is set at the beginning of the year and (unless an emergency is declared) can not change, no matter what happens with the weather or fuel prices.

If the budget includes \$200,000 for snow removal, and only \$120,000 is spent, then the remaining funds become “surplus”.

Budget Process



The Main Takeaway

- Two major expenses are driving the budget this year:
 - Costs for Police and Fire are going up by \$278,641;
 - Garbage and recycling costs are going up \$322,500;
- By way of comparison, a 2% property tax increase would generate \$294,390 in additional revenue

Line	REVENUE	2018	2019	2020	INCREASE (DECREASE)	PERCENT CHANGE
B 1	PRIOR YEAR MUNICIPAL SURPLUS	4,827,010	5,090,000	5,100,000	10,000	0.20%
B 2	MUNICIPAL REVENUE SOURCES	3,710,000	4,082,654	3,848,150	(234,504)	-5.74%
B 3	PROPERTY TAXES: Existing Ratables	14,719,513	14,719,513	15,153,903	434,390	2.95%
B 4	PROPERTY TAXES: New Ratables	n/a	91,730	98,460	6,730	7.34%
B 5	TAX REVENUE FROM GVR APARTMENTS / CONDOS	n/a	370,000	430,000	60,000	16.22%
B 6	STATE AID	808,529	808,529	808,529	0	0.00%
B 7	TOTAL RECURRING REVENUE	24,065,052	25,162,426	25,439,042	276,616	1.10%
B 8	GRANT REVENUE	223,397	178,249	178,250	1	0.00%
B 9	ELECTRIC SURPLUS - FOR OPERATING BUDGET	927,153	617,659	846,600	228,941	37.07%
B 10	WATER SURPLUS - FOR OPERATING BUDGET	200,000	200,000	300,000	100,000	50.00%
B 11	UTIL SURPLUS & NON-RECURRING REVENUE FOR OPERATING	1,350,550	995,908	1,324,850	328,942	33.03%
B 12	ELECTRIC SURPLUS - FOR CAPITAL	3,800,000	3,800,000	3,500,000	(300,000)	-7.89%
B 13	ELECTRIC SURPLUS - FOR DEBT SERVICE	2,318,000	2,255,525	2,253,400	(2,125)	-0.09%
B 14	TOTAL UTILITY SURPLUS FOR CAPITAL/DEBT	6,118,000	6,055,525	5,753,400	(302,125)	-4.99%
B 15	TOTAL MUNICIPAL REVENUES	31,533,602	32,213,859	32,517,292	303,433	0.94%

Line	APPROPRIATIONS	2018	2019	2020	INCREASE (DECREASE)	PERCENT CHANGE
B 16	SALARIES & WAGES - POLICE AND FIRE	5,407,888	5,672,139	5,868,780	196,641	3.47%
B 16.1	SALARIES & WAGES - ALL OTHER MUNICIPAL EMPLOYEES	5,298,601	5,288,803	5,136,895	(151,908)	-2.87%
B 17	HEALTH INSURANCE	1,814,000	1,814,000	1,826,000	12,000	0.66%
B 18	PENSION (Police & Fire and Public Employee) **	1,418,000	1,590,200	1,652,440	62,240	3.91%
18.1	SOCIAL SECURITY	490,000	490,000	500,000	10,000	2.04%
B 19	UNEMPLOYMENT INSURANCE	50,000	50,000	50,000	0	0.00%
B 20	LEGAL	235,000	260,000	260,000	0	0.00%
B 21	DEPARTMENT OPERATING EXPENSES	3,356,382	3,494,145	3,667,630	173,485	4.97%
B 22	UTILITIES	748,600	748,600	673,600	(75,000)	-10.02%
B 23	WASTE REMOVAL	1,657,300	1,657,300	1,979,800	322,500	19.46%
B 24	LIABILITY & WC INSURANCE	645,850	667,163	640,116	(27,047)	-4.05%
B 25	TOTAL MUNICIPAL OPERATING EXPENSES	21,121,621	21,732,350	22,255,261	522,911	2.41%
B 26	MCJM SEWAGE PROCESSING	1,130,000	1,130,000	1,130,000	0	0.00%
B 27	PUBLIC LIBRARY	1,430,981	1,527,984	1,575,231	47,247	3.09%
B 28	RESERVE FOR UNCOLLECTED TAXES	1,733,000	1,768,000	1,803,400	35,400	2.00%
B 29	NON-MUNICIPAL & OUTSIDE THE CAP OPERATING EXPENSES	4,293,981	4,425,984	4,508,631	82,647	1.87%
B 30	CAPITAL IMPROVEMENT FUND	3,800,000	3,800,000	3,500,000	(300,000)	-7.89%
B 31	DEBT SERVICE	2,318,000	2,255,525	2,253,400	(2,125)	-0.09%
B 32	TOTAL CAPITAL & DEBT EXPENSES	6,118,000	6,055,525	5,753,400	(302,125)	-4.99%
B 33	TOTAL APPROPRIATIONS	31,533,602	32,213,859	32,517,292	303,433	0.94%

** Police & Fire pension increased by \$150,000 in 2019 and by \$82,000 in 2020.

This evening, we will focus on appropriations.

What this Budget Includes:

- No change in services to residents;
- Funds for one additional Public Works employee, one additional water utility employee, and funds to hire a recycling monitor and expand recycling hours at the new center;
- Funds to hire three new police officers in August to replace officers that will be on the books but retiring;
- Extra funds for recreation field improvements;
- Extra dollars in the Planning budget for a Master Plan Update;
- Aggressive Capital Improvement Plan

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B 18	PENSION (Police & Fire and Public Employee) **	1,418,000	1,590,200	1,652,440	62,240	3.91%
18.1	SOCIAL SECURITY	490,000	490,000	500,000	10,000	2.04%
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B 22	UTILITIES	748,600	748,600	673,600	(75,000)	-10.02%
B 23	WASTE REMOVAL	1,657,300	1,657,300	1,979,800	322,500	19.46%
B 24	LIABILITY & WC INSURANCE	645,850	667,163	640,116	(27,047)	-4.05%
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Waste Removal was flat for a number of years, but this year is up \$322,500.

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Library went up \$47,247 this year and \$144,250 over two years (10% increase in two years)

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Capital Improvement was reduced by \$300,000. We anticipate having no issues funding our Long term capital needs.

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Police and Fire wages were separated out so you could see the three year trend. These costs went up \$196,641 (3.5%) this year and they have gone up \$460,892 (8.5%) in the last two years.

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B 16.1	SALARIES & WAGES - ALL OTHER MUNICIPAL EMPLOYEES	5,298,601	5,288,803	5,136,895	(151,908)	-2.87%
B 17	HEALTH INSURANCE	1,814,000	1,814,000	1,826,000	12,000	0.66%
B 18	PENSION (Police & Fire and Public Employee) **	1,418,000	1,590,200	1,652,440	62,240	3.91%
18.1	SOCIAL SECURITY	490,000	490,000	500,000	10,000	2.04%
B 19	UNEMPLOYMENT INSURANCE	50,000	50,000	50,000	0	0.00%
B 20	LEGAL	235,000	260,000	260,000	0	0.00%
B 21	DEPARTMENT OPERATING EXPENSES	3,356,382	3,494,145	3,667,630	173,485	4.97%
B 22	UTILITIES	748,600	748,600	673,600	(75,000)	-10.02%
B 23	WASTE REMOVAL	1,657,300	1,657,300	1,979,800	322,500	19.46%
B 24	LIABILITY & WC INSURANCE	645,850	667,163	640,116	(27,047)	-4.05%
B 25	TOTAL MUNICIPAL OPERATING EXPENSES	21,121,621	21,732,350	22,255,261	522,911	2.41%
B 26	MCJM SEWAGE PROCESSING	1,130,000	1,130,000	1,130,000	0	0.00%
B 27	PUBLIC LIBRARY	1,430,981	1,527,984	1,575,231	47,247	3.09%
B 28	RESERVE FOR UNCOLLECTED TAXES	1,733,000	1,768,000	1,803,400	35,400	2.00%
B 29	NON-MUNICIPAL & OUTSIDE THE CAP OPERATING EXPENSES	4,293,981	4,425,984	4,508,631	82,647	1.87%
B 30	CAPITAL IMPROVEMENT FUND	3,800,000	3,800,000	3,500,000	(300,000)	-7.89%
B 31	DEBT SERVICE	2,318,000	2,255,525	2,253,400	(2,125)	-0.09%
B 32	TOTAL CAPITAL & DEBT EXPENSES	6,118,000	6,055,525	5,753,400	(302,125)	-4.99%
B 33	TOTAL APPROPRIATIONS	31,533,602	32,213,859	32,517,292	303,433	0.94%

Changes in Other Salary & Wages are often directly linked to Department Operating. This year, we had a reduction in Health Department salaries with those functions now being covered by a contract.

Employee Gross Earnings

- 2019 Payroll Data is available on Rosenet.org;
- Employee gross earnings reflect the W-2 reported gross income, and include base pay, step increases, longevity increases, overtime pay and standby pay

2019 Payroll Data

The Madison Borough Council is committed to openness and transparency in governance. To that end, we have compiled a six-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.

Total Compensation by rank		2014	2015	2016	2017	2018	2019
Glab, Bartlomiej J	Corporal	\$66,403.43 ¹	\$91,803.78	\$101,243.39	\$130,031.89	\$183,041.69	\$182,266.86
Cavezza, James C	Sergeant	\$158,974.49	\$160,410.15	\$152,642.56	\$160,368.67	\$188,765.30	\$178,314.19
Codey, Raymond M	Borough Administrator	\$160,021.92	\$163,089.51	\$166,350.50	\$169,677.89	\$173,071.57	\$176,532.73
Boone, Kevin F	Acting Police Sergeant	\$129,395.12	\$127,455.59	\$144,168.69	\$150,934.39	\$162,722.68	\$169,441.53
Plumstead, Sean T	Sergeant	\$156,787.39	\$146,533.26	\$137,566.36	\$148,061.10	\$167,212.19	\$169,170.48
De Caro, Carmine J	Patrolman	\$144,587.45	\$147,006.97	\$145,545.53	\$147,811.43	\$178,990.04	\$165,150.58
Miscia, John R	Lieutenant	\$143,285.26	\$149,344.64	\$150,473.61	\$152,511.30	\$160,494.03	\$160,360.68
Dachisen, Darren	Chief of Police	\$143,245.00	\$140,180.41	\$150,889.43	\$165,415.00	\$162,995.00	\$159,050.99
Burans, Christopher F	Patrolman	\$49,106.81	\$62,038.43	\$79,105.59	\$104,589.77	\$161,037.89	\$158,508.42
Perrelli Jr, Craig W	Sergeant	\$129,872.14	\$135,774.25	\$130,747.29	\$139,831.43	\$149,306.59	\$154,522.43
De Biasse Jr, Thomas L	Foreman	\$127,080.72	\$149,562.49	\$152,224.26	\$151,687.72	\$165,742.72	\$154,241.10
Esposito, Lisa M	Sergeant	\$108,810.34	\$109,179.48	\$118,380.97	\$125,296.26	\$126,788.28	\$153,445.75
Dellavalle, Vincent	Corporal	\$97,126.01	\$111,371.75	\$112,821.84	\$126,969.15	\$163,184.71	\$152,668.58
Longo, Joseph M	Lieutenant	\$140,464.48	\$140,599.94	\$137,865.91	\$146,238.93	\$153,771.88	\$151,246.90
Kosakowski, Paul J	Detective/Sergeant	\$130,068.10	\$136,397.26	\$140,742.61	\$141,270.56	\$148,381.43	\$148,608.90
Finelli, James R	Water Utility Leadman	\$121,020.01	\$141,042.22	\$140,678.98	\$157,123.02	\$155,680.33	\$147,106.98
Mirabella, Matthew V	Patrolman	\$130,689.71	\$124,746.00	\$133,604.56	\$134,623.76	\$149,625.91	\$146,964.47
Vogel, Robert A	Borough Engineer	\$131,817.10	\$134,343.28	\$137,030.06	\$139,771.28	\$142,567.32	\$145,418.95

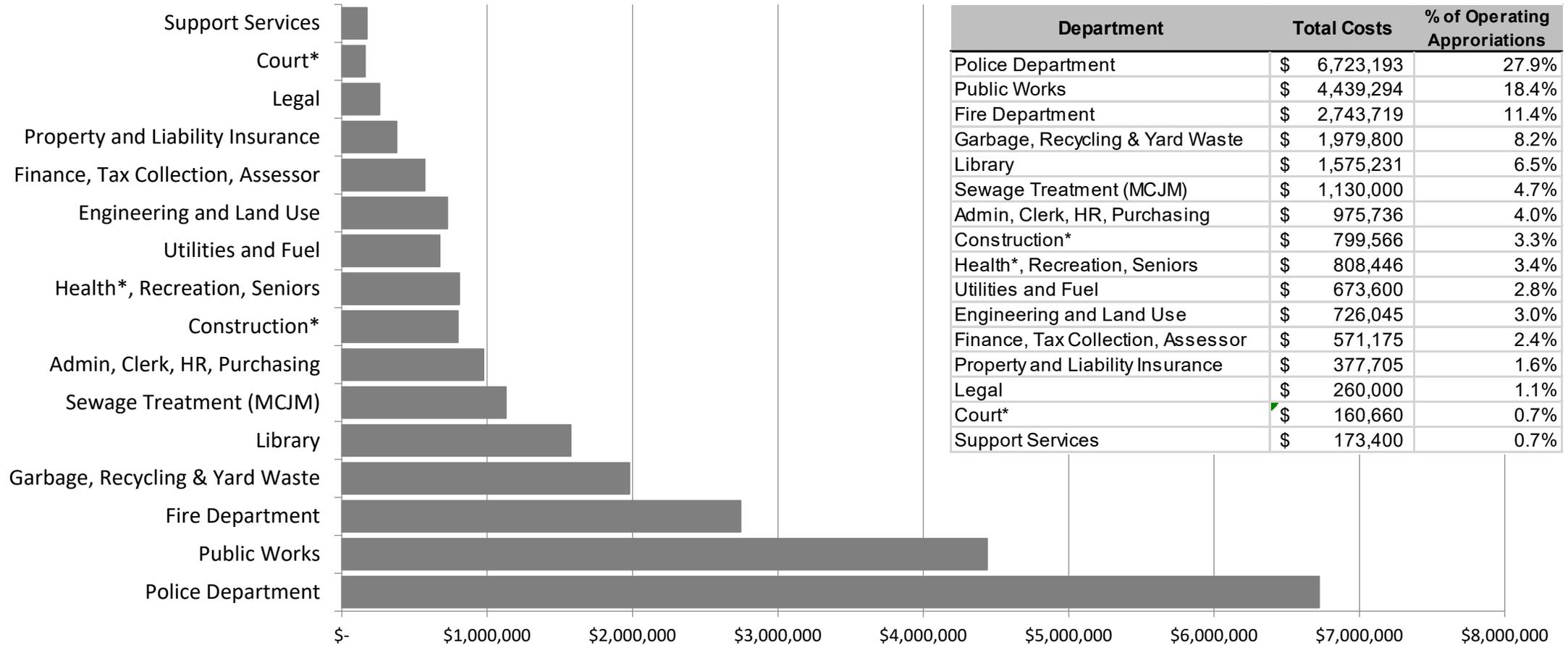
Largest Department Appropriations

Police Department*	\$ 6,723,193
Department of Public Works	\$ 4,439,294
Fire Department*	\$ 2,743,719
Garbage, Recycling & Yard Waste	\$ 1,979,800
Library	\$ 1,575,231
Sewage Treatment (MCJM)	\$ 1,130,000

* 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



Health, pension, social security and other fringe benefit items were added to all department salaries. * Indicates the number is net of shared service revenues.

Pension Costs

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:

Pension System	2018 Cost	2019 Cost	2020 Cost	\$ change over 3 years	2020 # in System	2020 Cost Per Employee
Police & Fire	\$1,017,505	\$1,161,825	\$1,244,177	+\$226,672	40	\$31,104.
Public Employees	\$973,240	\$1,010,053	\$956,504*	-\$16,736	94	\$10,176.

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.

Health Insurance

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

2019 Borough's share	2019 # in System	2019 Cost Per Employee
\$2,430,595	110	\$22,096.32

The cost listed above is funded thru the current fund, the electric utility, the water utility and the public library. In 2019, employees contributed an additional \$676,144 towards their health insurance.

Employee Gross Earnings

Does not include part time employees, employees that were hired after January 1, 2019 and employees that retired in 2019

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

Adding the costs of pension, healthcare, salary, and other items, the average firefighter costs the Borough of \$188,153

Department	# of Employees*	Average Gross Earnings
Fire Department	13	\$131,150
Police Department**	37	\$114,808
Engineering	4	\$109,460
Court	2	\$103,280
Construction	3	\$99,491
Public Works	20	\$97,983
Admin/Clerk/HR/Purchasing	6	\$96,760
Finance, Tax Coll, Assessor, Payroll	6	\$84,308
Health, Recreation, Seniors	4	\$72,161

4 Year Trend of Department Appropriations

Department	2017	2018	2019	2020	Difference	% Change
Police	5,707,831	6,095,128	6,311,802	6,723,193	1,015,362	17.8%
Public Works	4,284,159	4,092,326	4,279,954	4,439,294	155,135	3.6%
Fire Department	2,633,105	2,746,806	2,767,170	2,743,719	110,613	4.2%
Garbage	1,657,300	1,657,300	1,657,300	1,979,800	322,500	19.5%
Library	1,438,968	1,430,981	1,527,984	1,575,231	136,263	9.5%
Joint Meeting	1,230,000	1,130,000	1,130,000	1,130,000	(100,000)	-8.1%
Admin, Clerk, HR, Purchasing	953,998	922,065	938,197	975,736	21,738	2.3%
Health*, Recreation, Seniors	792,054	778,230	769,321	808,446	16,391	2.1%
Utilities and Fuel	748,600	748,600	748,600	673,600	(75,000)	-10.0%
Construction* ^	651,946	688,731	767,071	799,566	147,620	22.6%
Engineering and Land Use	690,723	692,823	711,522	726,045	35,322	5.1%
Finance, Tax Collection, Assessor	699,117	686,350	711,427	571,175	(127,941)	-18.3%
Property and Liability Insurance	386,150	395,850	408,913	377,705	(8,445)	-2.2%
Legal	235,000	235,000	260,000	260,000	25,000	10.6%
Support Services	175,509	177,420	159,400	173,400	(2,109)	-1.2%
Court*	168,875	164,187	174,695	160,660	(8,215)	-4.9%

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 operating departments and into Construction to align with state guidelines

What is “Surplus”

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.

One line that will DEFINITELY generate less surplus this year is the Madison Chatham Joint Meeting. For the past few year, Administration included additional dollars in that budget line because of the variability of the allocation and the possibility of a true up expense. Madison’s portion of the Joint Meeting is increasing in 2020 by \$55,000 but the budget line remains flat at \$1,130,000. That guarantees that less surplus will be generated from that appropriation. Administration has done the same with other lines in the budget including utilities which is why surplus generated and free balance is expected to drop in the coming years.

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 2019, \$6.7 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.

Municipal Surplus

		2012	2013	2014	2015	2016	2017	2018	2019	
Line	Surplus Generated From:	Actual	Est							
s 1	Non-Taxable Revenues	785	550	559	750	913	1,055	478	558	
s 2	Delinquent Tax Collections	615	118	10	78	263	-	36	18	
s 3	Current Year Taxes	1,001	1,731	1,444	1,370	1,857	1,807	1,733	1,719	
s 4	Cancellation of Prior Years Appropriations	1,265	1,565	1,625	1,768	1,370	2,050	2,571	2,336	
s 5	Misc Revenue and Other Revenues	(49)	289	487	287	340	481	1,104	576	
s 6	FEMA	410	380	-	-	-	-			
s 7	Reserved for Tax Appeals in AFS					(200)				
	TOTAL	4,027	4,633	4,125	4,253	4,543	5,393	5,922	5,207	
Line		2012	2013	2014	2015	2016	2017	2018	2019	2019
		Actual	Est	Est						
s 8	Balance at Beginning of Year	4,365	5,592	7,250	7,778	8,131	8,470	9,276	10,371	10,488
s 9	Less: Utilized in Municipal Budget	(2,800)	(2,975)	(3,597)	(3,900)	(4,200)	(4,587)	(4,827)	(5,090)	(5,100)
s 10	Sub Total (Free Balance)	1,565	2,617	3,653	3,878	3,931	3,883	4,449	5,281	5,388
s 11	Add: Generated in Current Year	4,027	4,633	4,125	4,253	4,539	5,393	5,922	5,207	
s 12	Balance at Year End	5,592	7,250	7,778	8,131	8,470	9,276	10,371	10,488	
s 13	Increase (Decrease)	1,227	1,658	528	353	339	806	1,095	117	

Surplus generation was in line with what was used in the budget but it must be monitored going forward. The previous slide explains why Surplus generated (S11) and Free Balance (S10) will drop in the coming years.

Did You Know?

An average home valued at \$667,200 received a 2019 property tax bill of \$13,163.86. The municipal portion of this tax bill is \$2,888.98. For this amount, the residents of that home received the following municipal services:

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

Municipal property tax increases over the last 6 years

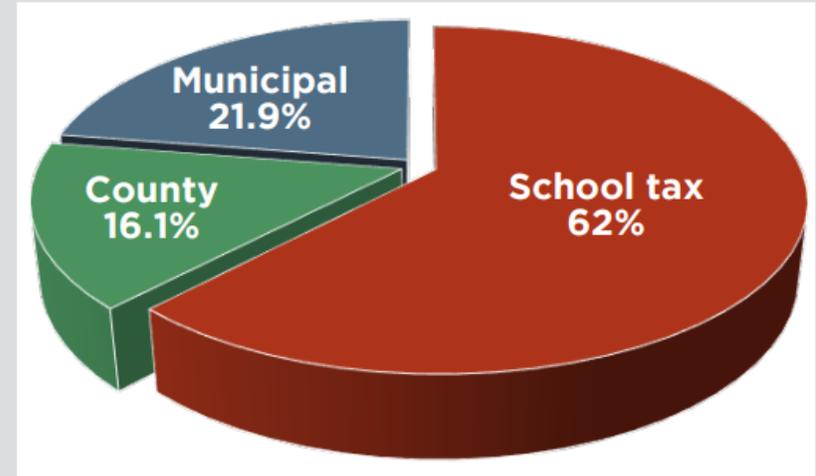
Administration is advocating for a tax increase of 2.95%. This would equate to an increase of \$85.22 on the average home shown to the right.

Municipal property tax increases on an existing home by year:

2019	0%	2017	2%	2015	.4%
2018	1%	2016	.9%	2014	-1.2%

MADISON TAX BILL BREAKDOWN

This chart illustrates the breakdown of taxes for each component of your property tax bill.



	2013	2019	6 Year \$ Inc.	6 Year % Inc.
County	\$1,781.42	\$2,121.70	\$340.28	19.1%
School	\$7,119.02	\$8,153.18	\$1,034.16	14.5%
Borough	\$2,802.24	\$2,888.98	\$86.74	3.1%
Total	\$11,702.68	\$13,163.86	\$1,461.18	



This table shows all of the parts of a tax bill for a property assessed at \$667,200.

The Main Takeaway & Revenue Recommendations

Two major expenses are driving the budget this year.

- Costs for Police and Fire are going up by \$278,641
- Garbage and recycling costs are going up \$322,500

By way of comparison, a 2% property tax increase would generate \$294,390 in additional revenue.

The future of the electric markets is very uncertain. Administration believes that the Borough should take stronger steps to reduce the reliance on electric utility surplus over the coming years. Also, certain expenses such as PERS and Health Insurance have been relatively flat and will likely go up in the coming years. The most logical and sustainable options for the future would be to consider a water rate increase and continued small, incremental property tax increases.

Questions?