

Budget Hearing

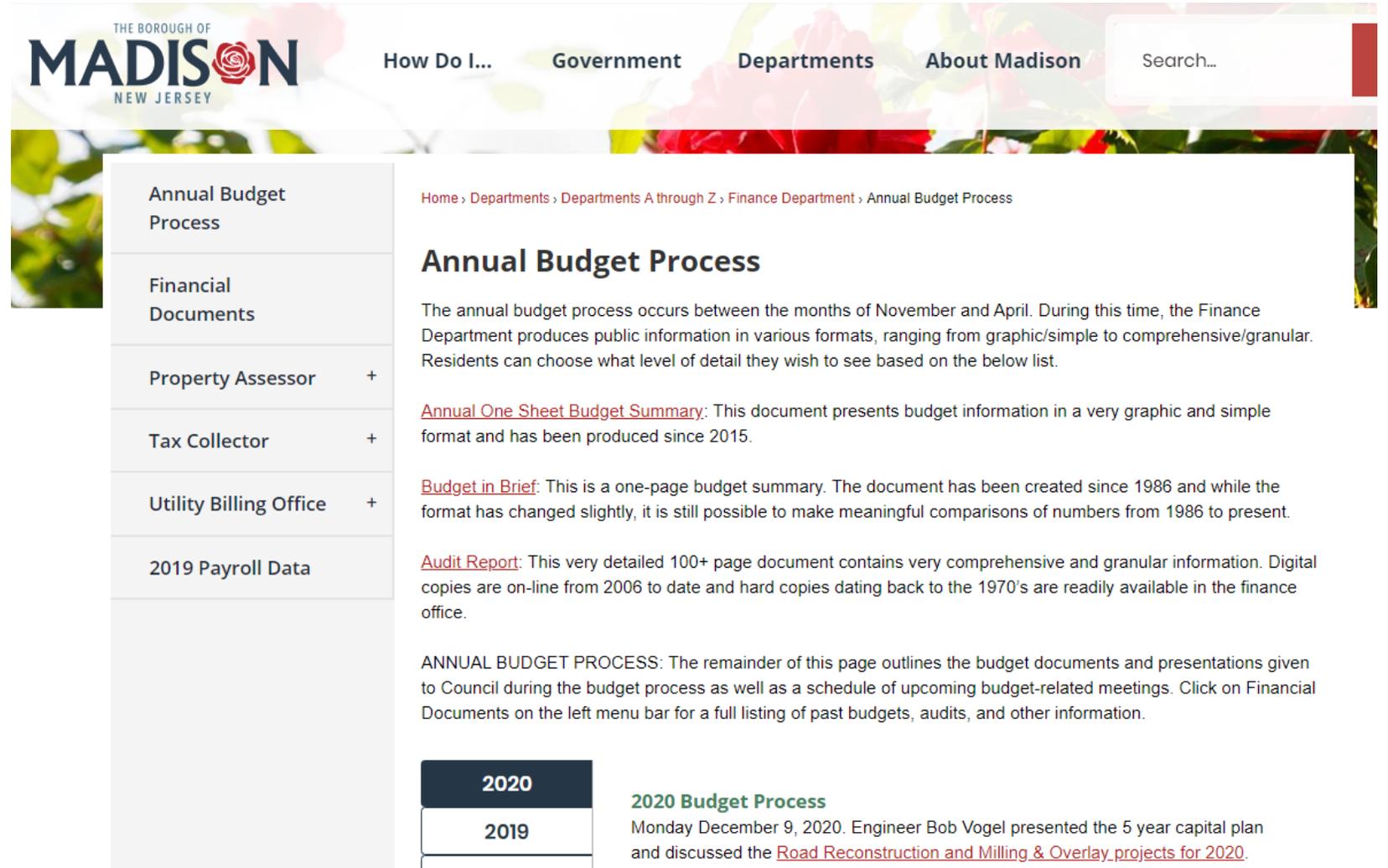
March 2, 2020



Agenda

- Budget overview;
- Briefly discuss taxes on new ratables;
- Review Municipal Surplus and Surplus Guidelines;
- Presentation of draft budget (including Utilities);
- Review Strategic Planning Guidelines;
- Present the Alternate Budget Format;
- **The goal for the night is to ‘tie it all together’ and come to a consensus, then give the CFO guidance on preparing the official state budget document for introduction March 30th.**

Transparency



The screenshot shows the website for The Borough of Madison, New Jersey. The navigation menu includes 'How Do I...', 'Government', 'Departments', and 'About Madison'. A search bar is located on the right. The main content area is titled 'Annual Budget Process' and includes a breadcrumb trail: 'Home > Departments > Departments A through Z > Finance Department > Annual Budget Process'. The page describes the annual budget process occurring between November and April, mentioning that the Finance Department provides public information in various formats. It lists several documents available for review: 'Annual One Sheet Budget Summary', 'Budget in Brief', and 'Audit Report'. A sidebar on the left contains a menu with items like 'Annual Budget Process', 'Financial Documents', 'Property Assessor', 'Tax Collector', 'Utility Billing Office', and '2019 Payroll Data'. At the bottom, there is a section for the '2020 Budget Process' dated Monday, December 9, 2020, mentioning Engineer Bob Vogel and a link to 'Road Reconstruction and Milling & Overlay projects for 2020'.

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.

Budget 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

Budget Highlights



\$7.8 Million
For Capital Improvements
& critical infrastructure

The proposed budget includes \$7.8 million in capital dollars for 2020 and over \$30 million for capital improvements over the next five years for roads, utilities, and critical infrastructure.

Electric Dividend

The Budget can accommodate a \$2.0 million dividend 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



Water Meter Project

An additional \$1 million will be used from the Water Surplus to expedite the installation of new water meters and automated water modules.

Additional
\$1 Million
in Water Surplus used to
fund the water meter
project in 2020.



Budget Highlights

The budget includes a very manageable 1.09% increase in Total Appropriations (spending).



1.16%
Total
Appropriations



Budget Highlights

- 2% property tax increase on existing ratables.
- No change in services to residents.
- Another \$108,500 in property taxes from new ratables.
- \$1 million in water surplus being used to fund water meter project. I have spoken to some of you individually about this, but it has not been discussed publicly yet.
- \$7.8 million in capital across all budgets.
- Total appropriations increasing by only 1.16%.
- Funds to hire three new police officers.
- Increase of Garbage and Recycling budget of \$322,500 (B 23).
- Increase in Police / Fire Salaries & Wages of \$196,641 and Police & Fire Portion Pension of \$82,292 (B16 & B18).
- Funds for recreation field improvements.
- Funds for Master Plan update.
- Two new staff for Ken O'Brien (one in DPW and one in water) and \$\$ for expanded hours at the recycling center.
- Within this presentation is a SURPLUS PLAN which will help Council determine appropriate levels and if/when/how to reduce surplus. A number of small changes are embedded within the budget that will reduce the generation of surplus.

GVR Property – Rose Hall & Madison Place



Property continues to be the third largest taxpayer in the Borough. The complex paid over \$900,000 in property taxes and fees in 2019.

The Board of Education received \$225,541.58 in 2019 from GVR.

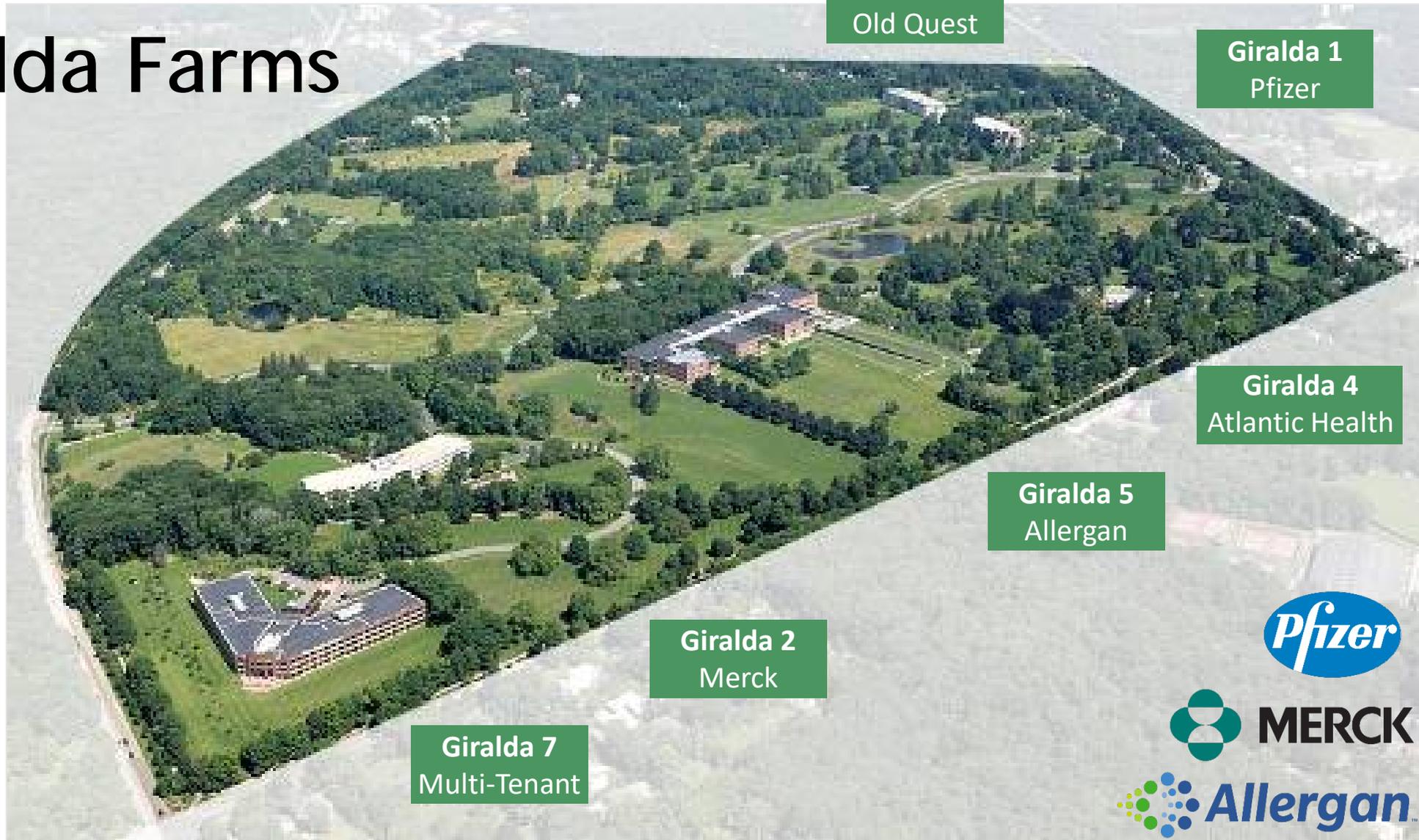
Top 6 Largest Tax Payers in 2019

Giralda 5 - Allergan	\$ 1,504,168
Realty, Park Avenue	\$ 1,305,140
GVR Property – Rose Hall & Madison Place	\$ 927,494*
Giralda 7 – Multi Tenant Office Building	\$ 649,446
Giralda 2 - Merck Animal Health	\$ 580,062
Giralda 1 - Multi Tenant Office Building	\$ 433,744



* This number includes all PILOT payments, land taxes and administrative fees.

Giralda Farms



Giralda 3
Old Quest

Giralda 1
Pfizer

Giralda 4
Atlantic Health

Giralda 5
Allergan

Giralda 2
Merck

Giralda 7
Multi-Tenant



Questions?

How Property Taxes Work

Impact of new construction

How Taxes Work

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

- In 2018, 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 1
Tax = \$10



House 1
Tax = \$10



House 1
Tax = \$10



Vacant Lot
Tax = \$5

Total taxes for 2018 are \$45

How Taxes Work

- A home was built on the vacant lot in 2018 and in 2019, 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 1
Tax = \$10



House 1
Tax = \$10



House 1
Tax = \$10



New Home!
Tax = \$10

Total taxes for 2019 are \$50

How Taxes Work

- **Question 1:** Did the taxes collected in Conleyville go up in 2019?

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

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

No. The taxes stayed the same from 2018 to 2019.

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 1
Tax = \$10



House 1
Tax = \$10



House 1
Tax = \$10



New Home!
Tax = \$10

How Taxes Work

Taxes from new ratables are reflected in the budget summary.

Line	REVENUE	2018	2019	2020	INCREASE (DECREASE)	PERCENT CHANGE
B1	PRIOR YEAR MUNICIPAL SURPLUS	4,827,010	5,090,000	5,183,396	93,396	1.83%
B2	MUNICIPAL REVENUE SOURCES	3,710,000	4,082,654	3,984,950	(97,704)	-2.39%
B3	PROPERTY TAXES: Existing Ratables *	14,719,513	14,811,243	15,107,467	296,224	2.00%
B4	PROPERTY TAXES: New Ratables	n/a	n/a	108,500	n/a	n/a
B5	TAX REVENUE FROM GVR APARTMENTS / CONDOS	n/a	370,000	430,000	60,000	16.22%
B6	STATE AID	808,529	808,529	808,529	0	0.00%
B7	TOTAL RECURRING REVENUE	24,065,052	25,162,426	25,622,842	460,416	1.83%
B8	GRANT REVENUE	223,397	178,249	178,250	1	0.00%
B9	ELECTRIC SURPLUS - FOR OPERATING BUDGET	927,153	617,659	709,800	92,141	14.92%
B10	WATER SURPLUS - FOR OPERATING BUDGET	200,000	200,000	300,000	100,000	50.00%
B11	UTIL SURPLUS & NON-RECURRING REVENUE FOR OPERATING	1,350,550	995,908	1,188,050	192,142	19.29%
B12	ELECTRIC SURPLUS - FOR CAPITAL	3,800,000	3,800,000	3,500,000	(300,000)	-7.89%
B13	ELECTRIC SURPLUS - FOR DEBT SERVICE	2,318,000	2,255,525	2,253,400	(2,125)	-0.09%
B14	TOTAL UTILITY SURPLUS FOR CAPITAL/DEBT	6,118,000	6,055,525	5,753,400	(302,125)	-4.99%
B15	TOTAL MUNICIPAL REVENUES	31,533,602	32,213,859	32,564,292	350,433	1.09%

Property Taxes on Existing Ratables and New Ratables (for those that want to know more)

- B3 “Property Taxes on Existing Ratables” show the municipal property taxes generated by assessed property that was in existence and on the tax rolls the prior year. This covers the vast majority of home owners and as such the % change of this line represents the change in municipal property taxes for those residents.
- B4 “Property Taxes on New Ratables” shows the municipal property taxes that will generated in the current year from the net increase in all assessed property in the borough. Assessments can increase due to construction of a new property such as the new Allergan parking garage, or improvements to an existing property such as an addition to a home. Property owners have the annual right to appeal their property taxes and their assessment can drop if the win their appeal. So the B4 “Property Taxes on New Ratables” is the net increase in all assessed property and includes increases from new construction and decreases from successful tax appeals.
- Assessed Values have increased by \$110,156,100 in the last four years. Every year, those new ratables will generate over \$2 million in new property taxes (municipal, county and school).

Property Taxes on Existing Ratables and New Ratables (for those that want to know more)

In 2019, the Borough had a 0% tax increase on existing ratables but the “Property Taxes on Existing Ratables” amount in the current budget went up from 2018 to 2019. How does this happen? Because the property taxes from new ratables in the prior year gets added into the property taxes on existing ratables in the current year. The number is also slightly adjusted after the fact once the actual tax rate is confirmed by the County Tax Board.

Final Budget, adopted April 22, 2019

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

The numbers above added together from the prior year should roughly equal the number below on the current year schedule

Line	REVENUE	2018	2019	2020
B 1	PRIOR YEAR MUNICIPAL SURPLUS	4,827,010	5,090,000	5,183,396
B 2	MUNICIPAL REVENUE SOURCES	3,710,000	4,082,654	3,984,950
B 3	PROPERTY TAXES: Existing Ratables *	14,719,513	14,811,243	15,107,467
B 4	PROPERTY TAXES: New Ratables	n/a	n/a	108,500

Questions?

Surplus Discussion

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	2020
		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)	(5,183)
s 10	Sub Total (Free Balance)	1,565	2,617	3,653	3,878	3,931	3,883	4,449	5,281	5,305
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.

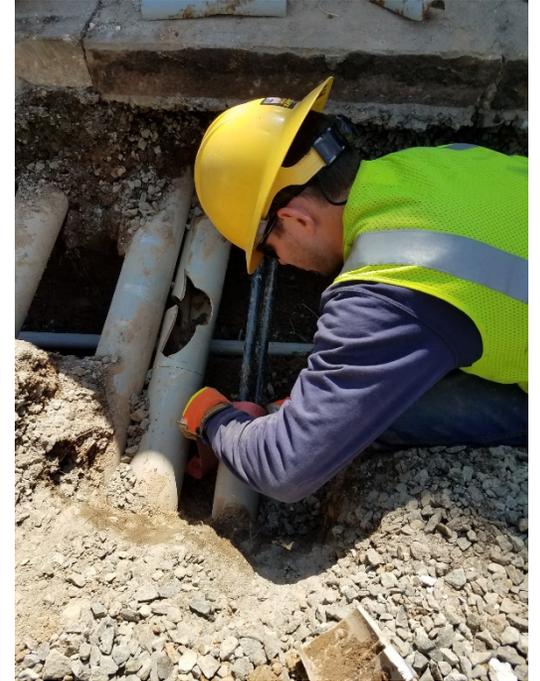
How is Surplus Generated?

- 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 2018 budget (line S4)

Line	Surplus Generated From:	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Est
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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

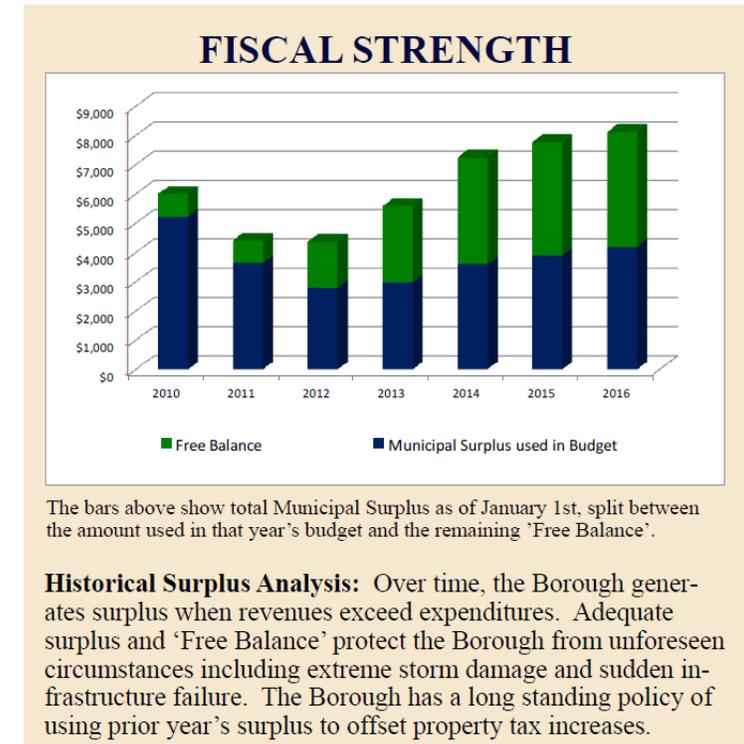
To slow the growth of surplus, this budget includes the following actions:

1. Increase Anticipated Revenues which will reduce surplus generation funds (S1 and S5);
2. Utilize more Surplus in the budget as revenue (B1);
3. Trim certain budget lines which will reduce lapsing appropriations (S4).



Surplus is a GOOD Thing

- Surplus is being portrayed as bad, but it is good. It is generated by better than expected revenues (a good thing) and by department heads not spending their entire budget (a good thing)
- Surplus protects the Borough from unforeseen circumstances such as storms or infrastructure failure;
- Strong Surplus Balances help us maintain our AAA credit rating;
- Surplus helps to limit tax increases and helps to absorb large budget increases. There are a number of recurring and non-recurring expenses on the horizon including:
 - Affordable Housing obligation (could be \$10 million or more)
 - New Radio System (currently estimated at \$1.5 million)
 - Possible upcoming Property Revaluation (\$750,000)
 - Debt Service on Sewage Processing Plant (\$350,000 annually for 30 years)
 - Future costs for pension and union contracts are unknown



Municipal Surplus Policy

Administration has reviewed the Strategic Planning Guidelines and suggests the following policy:

1. Monitor Surplus Balances annually.
2. Monitor Upcoming Budget Issues (recurring and non-recurring).
3. When balances are above guidelines and future budget issues permit, take action to SLOWLY reduce the balances.
 - a) Utilize excess surplus for one time projects, not for operating expenses. (Being done in this budget)
 - b) Pass a budget that reduces the generation of surplus in future years. (Being done in this budget)

Guideline 1A says municipal surplus used in the budget should NOT EXCEED the amount generated in the prior year. Guideline 1C says excess surplus should be used for capital and to pay down debt. The report also states that excess surplus should “be used for improving the long-term financial condition of the Borough, not for near term or operating appropriations”.

The Borough is doing everything listed above. And there are a significant number of upcoming financial issues to take into consideration. Administration believes that appropriate action has been taken reduce the surplus. Compared to other towns, Madison goes to great lengths to be transparent about surplus and the budget.

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

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Compliant?
Guideline 1B	Prior Year End Municipal Surplus/	\$4,409	\$4,365	\$5,592	\$7,250	\$7,786	\$8,131	\$8,474	\$9,276	\$10,371	\$10,488	Above
	Total Appropriations for coming year	\$24,452	\$25,151	\$25,682	\$29,587	\$29,063	\$30,618	\$31,187	\$31,534	\$32,214	\$32,564	
	(20% to 25%)	18.0%	17.4%	21.8%	24.5%	26.8%	26.6%	27.2%	29.4%	32.2%	32.2%	
(Surplus Doc Line S12 divided by Budget Doc Line B33)												

The guideline is outside the parameters indicating that we have to monitor surplus.

Appropriating just one extraordinary project like the \$1.5 million Radio System would almost bring us back into compliance. One problem like unexpected costs with affordable housing could wipe out half of the surplus.

Questions?

Strategic Planning Guidelines



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.

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Compliant?
Guideline 1B	Prior Year End Municipal Surplus/	\$4,409	\$4,365	\$5,592	\$7,250	\$7,786	\$8,131	\$8,474	\$9,276	\$10,371	\$10,488	Above
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	(20% to 25%)	18.0%	17.4%	21.8%	24.5%	26.8%	26.6%	27.2%	29.4%	32.2%	32.2%	
	(Surplus Doc Line S12 divided by Budget Doc Line B33)											
Guideline 2	Operations Shortfall/	\$1,611	\$1,778	\$1,710	\$2,319	\$1,483	\$1,597	\$1,405	\$1,127	818	1,034	Yes
	Total Appropriations	\$24,452	\$25,151	\$25,682	\$29,587	29,603	30,618	\$31,187	\$31,530	\$32,214	\$32,588	
	(less than 7%)	6.6%	7.1%	6.7%	7.8%	5.0%	5.2%	4.5%	3.6%	2.5%	3.2%	
	(Budget Doc Line B9 + B10 divided by line B33)											
Guideline 3A	Water & Elec Utility Surplus Transfer/	\$3,706	\$3,866	\$4,172	\$6,246	\$6,733	\$7,698	\$7,534	\$7,245	6,873	6,787	Yes
	Total Appropriations	\$24,452	\$25,151	\$25,682	\$29,587	\$29,063	\$30,618	\$31,187	\$31,530	\$32,214	\$32,588	
	(Should not exceed 22%)	15.2%	15.4%	16.2%	21.1%	23.2%	25.1%	24.2%	23.0%	21.3%	20.8%	
	(Budget Doc Lines 9+10+12+13 divided by line B33)											
Guideline 4A	Debt Service/	\$2,262	\$2,269	\$2,266	\$2,269	\$2,247	\$2,330	\$2,330	\$2,318	2,256	2,253	Yes
	Total Appropriations	\$24,452	\$25,151	\$25,682	\$29,587	\$29,063	\$30,618	\$31,187	\$31,530	\$32,214	\$32,588	
	(should not exceed 10%)	9.3%	9.0%	8.8%	7.7%	7.7%	7.6%	7.5%	7.4%	7.0%	6.9%	
	(Budget Doc Line B31 divided by Budget doc line B33)											
Guideline 5	The Capital Improvement Fund /	\$0	\$750	\$1,000	\$3,500	\$3,053	\$3,800	\$3,800	\$3,800	\$3,800	\$3,800	Yes
	Total Appropriations	\$24,452	\$25,151	\$25,682	\$29,587	\$29,063	\$30,618	\$31,187	\$31,530	\$32,214	\$32,588	
	(should be no less than 10%)	0.0%	3.0%	3.9%	11.8%	10.5%	12.4%	12.2%	12.1%	11.8%	11.7%	
	(Budget Doc Line B30 divided by Budget doc line B33)											

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. **COMPLIANT? YES.**
- **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. **COMPLIANT? YES.**
- **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. **COMPLIANT? YES.**
- **Guideline 6B:** Maintain the Reserve for Uncollected Tax at 2.63% of the total tax levy. **RUT for 2019 was 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.**

Questions?

Revised 2020 Budgets

Municipal Budget

Adjustments were made and property taxes on existing homes are increasing by 2%

* Property Taxes on existing Ratables (B3) for the current year include Property Tax on New Ratables from the prior year. And the number is slightly adjusted after the fact once the actual tax rate is confirmed.

** Pension (B18) The Police and Fire portion of the entire B18 pension bill increased \$150,000 in 2019 and by \$82,000 in 2020.

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B 11	UTIL SURPLUS & NON-RECURRING REVENUE FOR OPERATING	1,350,550	995,908	1,212,050	216,142	21.70%
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	32,588,292	374,433	1.16%
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	5,108,895	(179,908)	-3.40%
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%
B 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	3,766,630	272,485	7.80%
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	22,326,261	593,911	2.73%
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	32,588,292	374,433	1.16%

Electric Utility Budget & Surplus

No changes to the budget. The only change is the amount of surplus used in the municipal budget (E13), which was reduced by \$137,000 from the figures given on January 27, 2020.

Administration believes it is important that over the coming years the Borough continue to reduce the use of Electric Surplus E13 in the municipal budget.

Schedule of Electric Utility Sales and Performance (in 000's) as of Dec 31st									
Line	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Orig Est	2019 Rev Est	2020 Estimate	2021 Estimate	
REVENUES									
E 1	Cash Collections	\$22,840	\$22,993	\$22,056	\$23,251	\$22,700	\$22,579	\$22,700	\$22,700
E 2	Electric Utility Dividend			(\$1,003)	(\$1,545)	(\$2,000)	(\$1,990)	(\$2,000)	(\$2,000)
E 3	Misc Revenue + Fund Balance Realized	\$42	\$70	\$81	\$210	\$175	\$287	\$175	\$175
E 4	Cancellation of Appropriations	\$826	\$1,051	\$842	\$1,501	\$985	\$1,448	\$985	\$985
EXPENSES									
E 5	Block Contracts	(\$11,713)	(\$6,750)	(\$6,340)	(\$5,635)	(\$5,042)	(\$5,042)	(\$4,933)	(\$4,808)
E 6	Capacity		(\$2,265)	(\$2,305)	(\$2,954)	(\$2,322)	(\$2,322)	(\$2,370)	(\$2,609)
E 7	Transmission		(\$529)	(\$742)	(\$1,351)	(\$2,042)	(\$2,042)	(\$1,918)	(\$2,051)
E 8	Spot, Admin, Ancillaries, etc		(\$797)	(\$999)	(\$816)	(\$984)	(\$984)	(\$925)	(\$925)
E 9	Admin & Operating	(\$3,507)	(\$3,630)	(\$3,981)	(\$4,094)	(\$4,165)	(\$4,184)	(\$4,355)	(\$4,486)
E 9.5	NYPA Hydro Energy Purchased	(\$195)	(\$192)	(\$200)	(\$188)	(\$200)	(\$181)	(\$350)	(\$350)
E 10	Elec Utility Capital*	(\$400)	(\$895)	(\$895)	(\$895)	(\$795)	(\$795)	(\$795)	(\$795)
E 11	Total Surplus Generated (end of year)	\$7,893	\$9,056	\$6,514	\$7,484	\$6,310	\$6,774	\$6,214	\$5,836
Schedule of Electric Utility Surplus Balances (in 000's)									
Line	2015 Actual	2016 Actual	2017 Actual	2018 Rev Est	2019 Orig Est	2019 Rev Est	2020 Estimate	2021 Estimate	
E 12	Balance at Beginning of Year	\$6,496	\$8,156	\$10,013	\$9,393	\$9,832	\$9,832	\$9,933	\$9,660
E 13	Less: Utilized in Municipal Budget	(\$6,233)	(\$7,199)	(\$7,134)	(\$7,045)	(\$6,673)	(\$6,673)	(\$6,487)	???
E 14	Sub Total (Free Balance)	\$263	\$957	\$2,879	\$2,348	\$3,159	\$3,159	\$3,446	
E 15	Add: Generated in Current Year	\$7,893	\$9,056	\$6,514	\$7,484	\$6,310	\$6,774	\$6,214	
E 16	Surplus Balance at Year End	\$8,156	\$10,013	\$9,393	\$9,832	\$9,469	\$9,933	\$9,660	

Water Utility Budget

Note new line W1.5 denoting the use of \$1 Million in surplus for capital. The additional \$1 million is reflected in W5 line "Capital Improvement".

Schedule of Estimated Water Utility Sales and Performance (in 000's)							
Line		2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Estimate	2021 Estimate
	REVENUES						
W 1	Tariff Collections	\$2,666	\$2,522	\$2,495	\$2,476	\$2,550	\$2,550
W 1.5	Water Surplus used to fund capital					\$1,000	
W 2	Miscellaneous Revenue	\$176	\$63	\$215	\$479	\$200	\$200
W 3	Cancellation of PY Appropriations	\$297	\$500	\$398	\$428	\$325	\$325
	EXPENSES						
W 4	Operations	(\$2,069)	(\$1,816)	(\$1,804)	(\$1,851)	(\$1,899)	(\$1,857)
W 5	Capital Improvement	(\$540)	(\$1,500)	(\$900)	(\$900)	(\$1,900)	(\$900)
W 6	Estimated Surplus	\$530	(\$231)	\$404	\$632	\$276	\$318
Schedule of Water Utility Surplus Balances (in 000's)							
Line		2016 Actual	2017 Estimate	2018 Actual	2019 Rev Est	2020 Estimate	2021 Estimate
W 7	Balance at Beginning of Year	\$1,899	\$1,929	\$1,298	\$1,502	\$1,934	\$910
W 8	Less: Utilized in Municipal Budget	(\$500)	(\$400)	(\$200)	(\$200)	(\$1,300)	(\$300)
W 9	Sub Total (Free Balance)	\$1,399	\$1,529	\$1,098	\$1,302	\$634	\$610
W 10	Add: Generated in Current Year	\$530	(\$231)	\$404	\$632	\$276	\$318
W 11	Balance at Year End	\$1,929	\$1,298	\$1,502	\$1,934	\$910	\$928
W 12	Increase (Decrease)	\$30	(\$631)	\$204	\$432	(\$1,024)	\$18

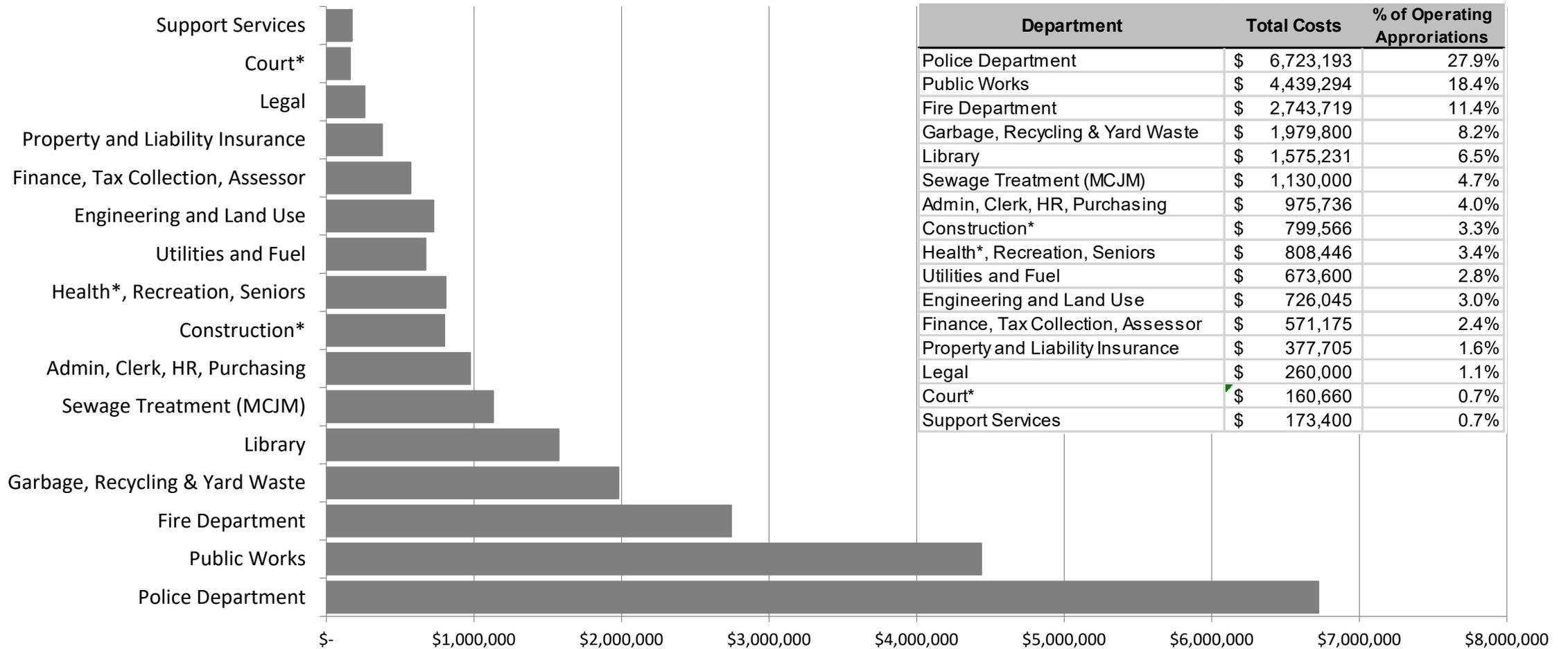
Water Utility Rate Comparison

Bill for a customer with a ¾” line that consumes 2,000 cubic feet of water per quarter. This is a typical amount for a family of four in a home that does not have lawn sprinklers.

Town / Company	ANNUAL bill based on 2000cf consumed quarterly
Madison	\$248.76
American Water: Serving Chatham Township, Summit, Bernardsville, New Providence, Milburn, Mendham, Maplewood etc	\$668.66
Suez Water: Bergen, Hudson Counties	\$550.78
AQUA: Sussex, Warren and Hunterdon Counties	\$683.12
Southeast Morris County MUA: Morristown, Morris Township, Morris Plains, Hanover.	\$387.44
Denville Municipal Water	\$333.30
Chatham Borough	\$352.80
Florham Park	\$466.64

LAST WATER RATE INCREASE: Florham Park January 1, 2020. SMCMUA January 1, 2020. Denville 2011. Chatham Borough September 22, 2008. Madison January 2011. 2,000 cubic feet per quarter = \$14,961 gallons per quarter or about 166 gallons per day.* Special Thanks to Intern Tyler Peterson for his help in gathering this information.

Department Appropriations



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

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

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 \$188,153

4 Year Trend of Department Appropriations

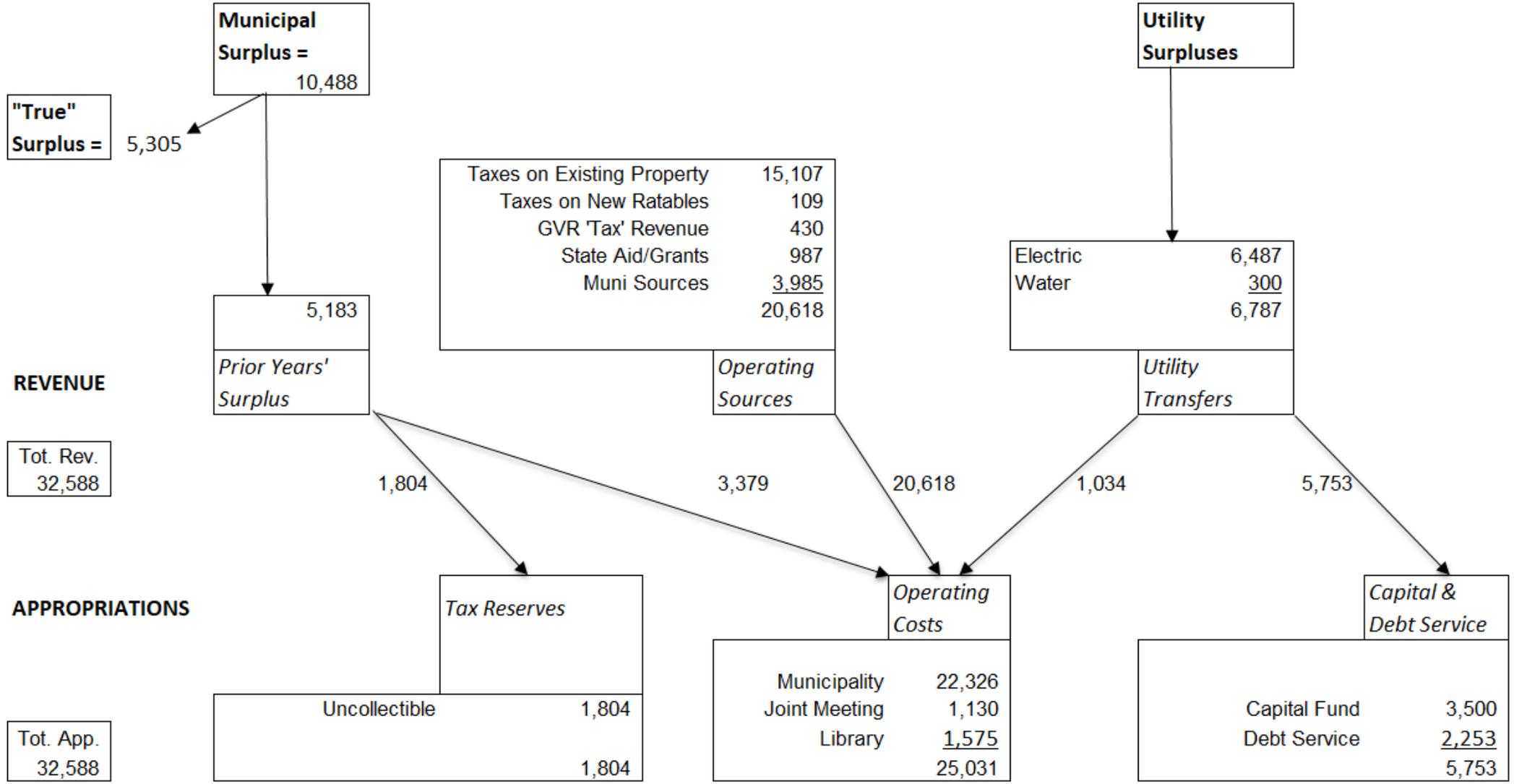
Department	2017	2018	2019	2020	Difference	% Change
Police	5,707,831	6,095,128	6,311,802	6,723,193	1,015,362	17.8%
Public Works	4,284,159	4,092,326	4,279,954	4,439,294	155,135	3.6%
Fire Department	2,633,105	2,746,806	2,767,170	2,743,719	110,613	4.2%
Garbage	1,657,300	1,657,300	1,657,300	1,979,800	322,500	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

Budget Flows 2020



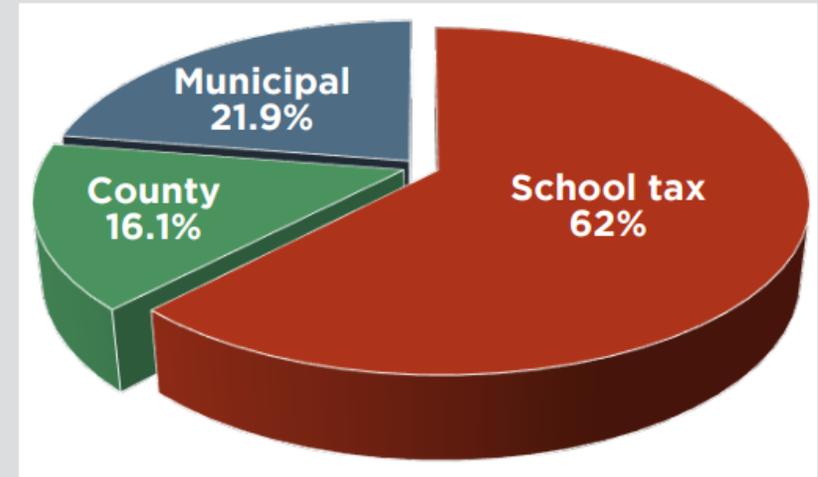
Municipal property tax increases over the last 6 years

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.

Questions?