FY 2018 Executive Municipal Budget Overview Presentation

Town Council Meeting

May 8, 2018

Jillian Barrick, Business Administrator
Budget Summary Points

- **1.3 penny Increase** in Municipal Tax Rate
- **Net Assessed Valuation** – Increased $5.0 million or 0.22 percent
- **$740,380** under the 2% Property Tax Levy CAP
- **One Cent of the Municipal Tax Rate** = **$226,676**
Municipal Tax Rate History

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1.017</td>
</tr>
<tr>
<td>2012</td>
<td>$1.015</td>
</tr>
<tr>
<td>2013</td>
<td>$1.013</td>
</tr>
<tr>
<td>2014</td>
<td>$1.013</td>
</tr>
<tr>
<td>2015</td>
<td>$1.013</td>
</tr>
<tr>
<td>2016</td>
<td>$0.993</td>
</tr>
<tr>
<td>2017</td>
<td>$0.993</td>
</tr>
<tr>
<td>2018</td>
<td>$1.006</td>
</tr>
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</table>
## Property Tax Rates

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td>$0.993</td>
<td>$1.006</td>
<td>$0.013</td>
</tr>
<tr>
<td>School District*</td>
<td>$1.389</td>
<td>$1.444</td>
<td>$0.055</td>
</tr>
<tr>
<td>County*</td>
<td>$0.336</td>
<td>$0.344</td>
<td>$0.009</td>
</tr>
<tr>
<td>Library</td>
<td>$0.042</td>
<td>$0.048</td>
<td>$0.006</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2.760</td>
<td>$2.843</td>
<td>$0.083</td>
</tr>
</tbody>
</table>

* FY 2018 Estimated Tax Rates
Property Tax Rates - 5 Year Trend

Municipal  | County  | Library  | SUBTOTAL | School District
---|---|---|---|---
FY2014 | $1.35 | | | 
FY2015 | $1.35 | | | 
FY2016 | $1.33 | | | 
FY2017 | $1.37 | | | 
FY2018 | $1.40 | | | 

May 8, 2018
FY 2018
Property Tax Rates Breakdown

$0.35 of Each Total Tax Dollar
Funds Municipal Government

- Municipal: $0.35
- School District: $0.51
- County: $0.12
- Library: $0.02
## Tax Bill Comparison
*(Avg. Residential NAV - $354,791)*

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Municipal Tax</strong></td>
<td>$3,519</td>
<td>$3,568</td>
<td>$49</td>
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<tr>
<td><strong>Morris School District Tax</strong></td>
<td>$4,928</td>
<td>$5,121</td>
<td>$193</td>
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<tr>
<td><strong>Morris County Tax</strong></td>
<td>$1,192</td>
<td>$1,222</td>
<td>$30</td>
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<tr>
<td><strong>Public Library Tax</strong></td>
<td>$153</td>
<td>$169</td>
<td>$17</td>
</tr>
<tr>
<td><strong>Total Tax Bill Amount</strong></td>
<td>$9,792</td>
<td>$10,081</td>
<td>$289</td>
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</table>

- **FY 2018 Total Property Tax $ Effect**
  - *Increase of $72/quarter or $289/year*

* *FY 2018 Estimated Tax Amounts*
$100,000 of Assessed Valuation

2018 Tax Rate Impact:

- Municipal: $13.81
- School District: $54.53
- County: $8.42
- Public Library: $4.65
- TOTAL: $81.41
Tax Base

- FY 2018 Town Net Assessed Valuation
  $2,266,767,400
- NAV Increased by $5,036,345 million
- NAV increase from Tax Appeal Settlements, Court Adjudications and Tax Assessor changes – ($12.9m)
- Largest Increase in Valuation (residential) - $9.3m
- Largest Decrease in Valuation (commercial) – ($14.9m)
Equalization Rate

May 8, 2018

Equalization Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
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<tbody>
<tr>
<td>2009</td>
<td>71.72%</td>
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<tr>
<td>2010</td>
<td>69.34%</td>
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<tr>
<td>2011</td>
<td>76.02%</td>
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<tr>
<td>2012</td>
<td>80.24%</td>
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<tr>
<td>2013</td>
<td>85.29%</td>
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<tr>
<td>2014</td>
<td>86.02%</td>
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<tr>
<td>2015</td>
<td>85.53%</td>
</tr>
<tr>
<td>2016</td>
<td>80.12%</td>
</tr>
<tr>
<td>2017</td>
<td>78.32%</td>
</tr>
<tr>
<td>2018</td>
<td>72.42%</td>
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### Financial Summary Totals

<table>
<thead>
<tr>
<th></th>
<th>FY2016 Budget</th>
<th>FY2017 Budget</th>
<th>FY2018 Proposed</th>
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<tbody>
<tr>
<td><strong>Operating Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipal Budget</td>
<td>$40,291,962</td>
<td>$39,494,839</td>
<td>$40,843,207</td>
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<tr>
<td>Grants</td>
<td>15,000</td>
<td>245,044</td>
<td>444,150</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$40,306,962</td>
<td>40,889,321</td>
<td>$41,287,357</td>
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<tr>
<td>Capital Improvements Plan</td>
<td>3,443,850</td>
<td>4,028,566</td>
<td>2,778,500</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$3,443,850</td>
<td>$4,028,566</td>
<td>$2,778,500</td>
</tr>
<tr>
<td><strong>Sewer Utility Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer Utility Budget</td>
<td>7,862,582</td>
<td>8,063,204</td>
<td>7,620,000</td>
</tr>
<tr>
<td>Capital Improvements Plan</td>
<td>670,000</td>
<td>670,000</td>
<td>670,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>$8,532,582</td>
<td>$8,733,204</td>
<td>$8,290,000</td>
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<tr>
<td><strong>Total Financial Budgets</strong></td>
<td>$52,283,394</td>
<td>$53,651,091</td>
<td>$52,355,857</td>
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What Changed?

<table>
<thead>
<tr>
<th>OPERATING BUDGET</th>
<th>FY2018 Increase*</th>
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<tbody>
<tr>
<td>Medical and Dental Insurance</td>
<td>710,851</td>
</tr>
<tr>
<td>Pension – Police &amp; Fire –</td>
<td>365,919</td>
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<tr>
<td>Reserve for Salary Increases</td>
<td>175,000</td>
</tr>
<tr>
<td>Bond Principal</td>
<td>149,900</td>
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<tr>
<td>Public Works – Other Expenses</td>
<td>136,367</td>
</tr>
<tr>
<td><strong>TOTAL CHANGE</strong></td>
<td><strong>1,538,037</strong></td>
</tr>
</tbody>
</table>

*compared to FY2017 Budget

May 8, 2018
2% Property Tax Levy CAP

- Projected Total Revenues - $41,287,357
- Maximum Allowable Municipal Tax Levy Amount - $23,539,781
- FY 2018 Municipal Tax Levy Revenue - $22,794,711
- $740,380 Under Tax Levy Cap Limit
FY 2018 Anticipated Revenues (%)
“Where The Budget $$ Comes From”

- Municipal Tax Levy: 57.8%
- Surplus Anticipated: 7.3%
- Special Items: 8.0%
- Sewer Utility Surplus: 8.0%
- State Aid: 6.9%
- Local Revenues: 6.5%
- Receipts from Delinquent Taxes: 1.5%
- UCC: 3.0%
- State & Federal Grants: 1.1%

May 8, 2018
General Revenues

- Revenue Increases from FY2017 Budget (projected)
  - Municipal Levy - $343,917
  - Sale of Municipal Property - $300,000
  - Payment in Lieu of Taxes (PILOT) - $209,880
  - General Capital Surplus - $150,000
  - Municipal Court - $145,000
  - Fees and Permits - $27,537

$923,060
“State Aid” aka Energy Tax Receipts and CMPTRA

Cumulatively, the State has shorted the Town $13.4 million since 2001

May 8, 2018
General Revenues (cont.)

• **Revenue Decreases**
  - ($475,000) – 2018 Surplus Anticipated
  - $3m compared to utilized $3,475,000 in 2017
  - ($797,060) - Delinquent Taxes
  - Collection Rate increased to 99.04% from 97.33% in 2017
Morristown Medical Center Settlement

• Monetary portion is made up of three components:
  • $10.0 million up-front payment received Dec 2015.
  • $550,000/year for 10 years for interest and penalties began 2016
    • $533,750 in 2017, $517,656 in 2018
  • A tax assessment on the taxable portion of the hospital of $40.0 million which began in 2016. Generates $402,324 in new tax revenue to the Town in 2018.

• Use of Funds:
  • 2016 Capital Improvement Fund, an additional $1M used as down payment on bond ordinance 2016-19. It was introduced on 6/14/16.
  • 2017 Capital Improvement Fund, an additional $897,000 used as down payment on bond ordinance.
# Use of Surplus/Fund Balance

<table>
<thead>
<tr>
<th>Source &amp; Use</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>REVENUE SOURCE</td>
<td></td>
</tr>
<tr>
<td>Fund Balance Anticipated (Surplus)</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>TOTAL SOURCES OF FUNDS</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>PROPOSED APPROPRIATION USE</td>
<td></td>
</tr>
<tr>
<td>Municipal Operations/ Tax Relief</td>
<td>1,477,295</td>
</tr>
<tr>
<td>Capital Improvement Fund</td>
<td>150,000</td>
</tr>
<tr>
<td>Reserve for Tax Appeals</td>
<td>700,000</td>
</tr>
<tr>
<td>Morris School District Pass Thru Aid</td>
<td>197,705</td>
</tr>
<tr>
<td>Reserve for Vacation &amp; Sick Time</td>
<td>475,000</td>
</tr>
<tr>
<td>TOTAL USES OF FUNDS</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>

- The town typically budgets for between $2.5 and $3.5 million in Surplus annually.
- Surplus is typically generated by lapsed appropriations and unanticipated revenue.
- Use of Surplus should be targeted to one-time expenses.
- Surplus Policy resolution on for adoption.

May 8, 2018
Fund Balance Trend

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Bal. January 1st</td>
<td>$4,033,623</td>
<td>$5,085,104</td>
<td>$4,098,735</td>
<td>$14,920,374</td>
<td>$14,790,342</td>
<td>$14,647,501</td>
</tr>
<tr>
<td>Fund Bal. December 31st</td>
<td>$5,085,104</td>
<td>$4,362,291</td>
<td>$14,920,374</td>
<td>$14,790,342</td>
<td>$14,647,501</td>
<td>$11,647,501</td>
</tr>
<tr>
<td>Change in Fund Balance</td>
<td>$1,051,481</td>
<td>($722,813)</td>
<td>$10,821,639</td>
<td>($130,032)</td>
<td>($142,841)</td>
<td>($3,000,000)</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>26.07%</td>
<td>-14.21%</td>
<td>264.02%</td>
<td>-0.87%</td>
<td>-0.97%</td>
<td>-20.48%</td>
</tr>
</tbody>
</table>
FY 2018 Proposed Appropriations (%)
“How The Budget Revenues Are Allocated”

- Capital Improvements: 254,000 (0.6%)
- Shared Service Agreements: 716,352 (1.7%)
- Reserve for Uncollected Taxes: 805,103 (1.9%)
- Other: 3,394,415 (8.2%)
- Debt Services: 3,545,400 (8.6%)
- Public Safety: 10,294,058 (24.9%)
- General Government: 5,182,737 (12.6%)
- Public Works: 6,594,691 (16.0%)
- Insurance: 6,569,692 (15.9%)
- Pension: 3,930,910 (9.5%)
Line-Item Appropriations Summary

• **Largest Increases**
  - Medical & Dental Insurance - $5,788,358 (Up $710,851)
  - Pension - Police & Fire - $2,385,653 (Up $365,919)
  - Reserve for Salary Increases $475,000 (Up $175,000)
  - Bond Principal- $2,796,400 (Up$149,900)
  - Public Works-Other Expenses $1,751,735 (Up $136,367)

• **Largest Decreases**
  - Capital Improvement Fund $150,000 (down $880,000)
  - Reserve for Uncollected Taxes $800,414 (down $354,703)
  - Police –Other Expenses $234,990 (down $143,181)
  - Fire Dept – Salary & Wages $3,221,491 (down $130,057)
  - Interest on bonds- $550,000 (down $120,000)
General Appropriations

- **Departmental Operations** - $23,074,331
  - Up 0.5%, or $122,518.
  - **Salary & Wages** - $17,306,000 (42% of Total Appropriations)
    - Down $17,467
    - Three (3) Additional Full-Time Employees
      - 1 Fire, 2 Police
  - **Other Expenses** - $5,768,331 (14% of Total Appropriations)
    - Up 2.5%, or $139,985

May 8, 2018
General Appropriations (cont.)

- Other Appropriations
  - Insurance (11.8% of Total Appropriations)
    - Up $692,185
  - Pension Obligations (7.9% of Total Appropriations)
    - Up $404,290
  - Debt Service Payments (8.6% of Total Appropriations)
    - Up $92,900

May 8, 2018
Pension Costs

- FY 2018 Pension Cost - $3,256,833
- FY 2018 Pension obligations – Up 14%, or $404,290
  - PFRS - $365,919 Increase
  - PERS - $38,371 Increase
- Reasons for $ Increase
  - Local Employer contribution rate changes:
    - PERS – 12.91% to 13.37%
    - PFRS – 25.51% to 27.35%
  - Salary Increases from prior year settled contracts reflected in 2018 budgeted amount.

May 8, 2018
Health Care Insurance

- FY 2018 Health Care Insurance Cost - $6.6 million
- FY 2018 Medical & Dental Insurance Appropriation total of $5.7 Million which is net of:
  - Current Employee/Retiree Premium Cost Sharing ($958k)
  - Offset from Sewer and Building Dept.
  - CMS Drug Subsidy
- **Reasons for $ Increase**
  - Broker went out to market for proposals.
  - High claims experience

May 8, 2018
Debt Service (Operating Budget)

- **Standard & Poor’s Credit Rating** – “AA (Positive Outlook)”
- **Principal Debt Payment Obligations** paid down by $2,711,500 in FY 2017.
  - $2,830,400 scheduled principal payment this year.
- **Net Debt Outstanding as of 12/31/17** - $23,323,279
  - GO Principal - $16.0 million
  - Bond Anticipation Notes - $7.3 million
- **Total Net Debt to Equalized Valuation** ($2,960,510,607): 1.09%
- **Total Net Debt** has declined by **$16.3 million** since FY 2011

May 8, 2018
Debt Service (Sewer Utility)

- **Principal Debt Payment Obligations reduced by $2,264,600 in FY 2017.**
  - $1,956,596 scheduled to paid off this year (includes $854,868 payments on BAN’s)

- **Sewer Utility Debt Outstanding as of 12/31/17 - $8,540,868**
  - Long Term Debt - $5.6 million
  - Bond Anticipation Notes - $2.9 million

- **“Pay-As-You Go” - Utility Budget includes $670,000 for Capital Improvement Projects.**
  - No new Sewer Utility Debt – Sixth year in a row!

May 8, 2018
Capital Projects

- Total allocated for new capital funding is $2.8 million which includes:
  - $1,040,500 in sidewalk, curb and roadway improvements
  - $195,000 for vehicles and heavy equipment
  - $645,000 Park & Playground improvements
  - $45,000 for Dam improvements
  - $180,000 for building improvements
  - $273,000 Pool improvements
  - $400,000 Section 20