

CITY OF BRIGANTINE 2016 City Manager's Budget

The City Manager is required by statute to deliver to the Mayor and City Council a working document for the preparation of the annual municipal budget. In preparing the working budget document, Department Heads submitted their budget requests and a special meeting was held in January, open to the public, where the Department Heads formally presented their operating budget requests.

CFO Roxanne Tosto and I have met with each department head and reviewed their budget request and worked together with the City's Finance Department staff to prepare and collect the data for the budget document. We have worked with City Auditor Leon Costello to verify compliance with the State of New Jersey spending CAPS law, Tax Levy CAP law, and other budget regulations. The City Manager's proposed operating budgets are compliant with the Tax Levy CAP law, and the Spending CAPS Law.

The statutes call for the Manager to present the budget document to the governing body, which commences the formal budget process under the control of the Mayor and City Council. This open meeting allows for transparency in the process as well as an opportunity to report to the taxpayers and residents the Manager's budget recommendations.

The working budget document has been prepared in the format required by the Department of Community Affairs, Division of Local Government Services, and includes the City Current Fund budget, the Water-Sewer Utility budget, and the Golf Utility budget.

Calendar:

While the City Manager's recommended budget is submitted to the governing body on the recognized State budget forms, **I want to be clear that the presentation today is not the official "introduction" of the City's budgets.** At the conclusion of tonight's meeting the working document belongs to the Mayor and City Council, and you may make changes to the recommended budget, or move to introduce the budget as recommended at a future City Council meeting. The revised Budget Calendar allows for introduction by March 18th and adoption by April 22nd.

Self-Exam:

Several years ago, the State divided all municipalities into three groups and Brigantine was placed into Group 3. On a rotating basis the budgets for one of the groups is reviewed by the Division of Local Government Services (DLGS) for approval prior to Council's adoption. The other two groups based upon specific criteria, and certification by the Chief Financial Officer, are eligible for self-exam and adoption of the budget. All municipal budgets are forwarded to the DLGS after adoption. In 2016, Group 2 will be reviewed by DLGS, and Groups 1&3 are eligible for self-exam.

CAPS laws:

Since 1977, municipal budgets have been prepared in compliance with a spending CAPS law. Each year municipalities are allowed to increase the budget appropriations based on a percentage index similar to the CPI with certain exceptions. For 2016, the CAPS Cost of Living Adjustment (COLA formerly the Index Factor) is zero percent (0.00%), which limits growth in total appropriations to two and one-half percent (2.50%). However, by statute municipalities are permitted to increase expenditures by one percent increment up to 3.5% upon passage of an ordinance. Historically, Brigantine has been compliant with the spending CAPS calculations and this ordinance has already been adopted.

In 2008, Governor Corzine created the Tax Levy CAP law, which limited the growth of the municipal local purpose tax to 4% annually. Certain exceptions or exclusions are part of the law. In 2010, the Tax Levy CAP law was amended, and reduced the 4% down to a 2% limit. The City Manager's recommended budget is in compliance with both CAP laws. As presented, the proposed 2016 Current Fund budget is approximately \$1,116,000.00 under the 2% Tax Levy CAP limit. In addition, the proposed budget is under the 3.5% spending CAPS calculation by more than \$717,000.00.

Before I get into the details of this 2016 budget, I would like to take this opportunity to reflect upon the goals established last year with the introduction of the 2015 budget. The goals were as follows: (see attached)

- Negotiate new public safety contracts (police expired 12-31-12 and Fire expired 12-31-13).
- Stop the recent practice of using water and sewer utility fund balance to supplement the current fund. Fund balance in the utility was depleted and a rate analysis is warranted to evaluate the need for a rate increase.
- Create an expense allocation plan for cross over employees and other expenses to be allocated appropriately between the current budget and the water/sewer utility budget.

I am pleased to tell you this evening that we have accomplished these goals.

At this time, I would like to reflect back upon the condition of the budget at the beginning of 2015 when I started as Manager.

- The Current Fund budget for 2016 totals \$30,548,143 and is a decrease of \$ 986,857 as compared to the 2014 budget.
- The Water & Sewer budget for 2016 totals \$5,768,500 and is a decrease of \$721,500 as compared to the 2014 budget.
- The Golf Utility Fund budget for 2016 totals \$1,385,900 and is a decrease of \$296,075 as compared to the 2014 budget.
- This represents over \$2,000,000 reduction in spending over the past two budgets.

The 2016 Current Fund budget represents a decrease of almost \$1 million. This reduction has been accomplished by:

- Hiring a full time CFO to vastly improve financial record keeping.
- Negotiated new public safety contracts:
 - Extend salary guide to 15 years.
 - Eliminate longevity for new hires.
 - Control terminal leave payout.
 - Hold salary increase to under 2% average.
- Created an allocation Plan to properly assign salary and other expenses between the current fund and the water/sewer utility.
- Efficiencies in the Golf Course operation by shared service agreement with the ACIA and with a Food and Beverage Service contract.

2016 Current Fund Budget Comparison to 2015

The Manager's 2016 Current Fund Budget as presented here tonight totals \$30,548,142.69.

REVENUES

The City's percentage of tax collections was strong in 2015 at 98.71% and was obvious by the Current Tax and Delinquent Tax collections realized. The City's Current Fund Miscellaneous Revenues without Grants for 2015 exceeded expectations even with the absence of the \$134,000 in FEMA Sandy Proceeds. The approximate \$315,000 increase in Miscellaneous Revenues over budget was due mostly to the Uniform Construction Fees totaling approximately \$612,000 or an increase of 135% over budget. Both Municipal Court Fees and City Fees & Permits realized increases over budget at 37.9% and 13.4%, respectively. Beach Tag Fees also had an increase over budget of 7.4%

It should be noted, that the City receives just \$921,587.00 in State-aid, which is less than 3% of the total revenue for the Current Fund budget.

This budget reflects a conservative approach to the anticipation of revenues. There are no one-time revenues anticipated. Even with the use of \$2,550,000 in fund balance, which is a \$957,000 increase over last year, the remaining surplus balance of \$2,784,840 is \$771,000 over last year's balance. With long term budgeting and strategic financial planning it is anticipated that a significant portion of the balance will be replenished by the end of 2016.

EXPENSES OR APPROPRIATIONS

Salary and Wages total \$12,706,125.00, including required contractual commitments. The total appropriations for Salaries and Wages in the Current Fund budget are \$265,125 more than in 2015, or approximately 2.1% increase. This increase reflects the re-alignment of wages allocated between the City and the Water and Sewer Utility which is based upon a more fair and accurate allocation. It also reflects an increase of reserves for accumulated leave compensation of \$300,000 over 2015. In addition to these increases, it also reflects the positive changes made with negotiated contracts in Public Safety. Without the increase in the accumulated leave compensation, salaries and wages actually experienced a slight decrease of \$35,000 from 2015. Additionally, Salary & Wages are approximately \$270,000 less than the same comparison with the 2014 budget.

Other Expense total is \$7,574,725 excluding grants, representing the OE from all departments along with Insurance and Utilities costs. That is an increase of \$434,125 or 6% due mostly to the increase in Insurances, expected Legal Fees and Engineering Fees for anticipated studies. It also reflects the creation of a Storm Reserve in the amount of \$100,000. Other departmental OE increased approximately \$79,000 or 2% over last year's budget.

Statutory and Deferred Charges amount to \$3,698,063 which represents a \$326,066 or 8% decrease from the prior year. The decrease is mostly due to the drop in pension costs of \$141,825 and deferred charges \$151,490, or a drop of 6.4% and 3.6%, respectively.

Municipal Debt Service and Capital Improvement Fund

Levelization of Debt Service Costs is an initiative of this administration. The 2016 municipal portion of debt is \$3,721,874.00 which reflects a slight increase of \$13,662 over 2015 even with the issuance of \$ 6.85 million in new debt during 2015. This debt was issued to fund various projects from 2006 through 2014. When compared to 2014, Debt service is down \$73,030.

The contribution to the Capital Improvement Fund went from \$50,000 in 2015 to \$150,000 in 2016. This is anticipation of additional much needed Capital Projects.

Reserve for Uncollected Taxes is a calculation based upon the entire Levy of the City. That includes County and School Taxes. The calculation this year is a conservative one and is based upon the current Local Purpose Tax Levy and an estimate of the School and County taxes. The 2016 increase is \$83,329. This will help offset future tax appeals.

SUMMARY OF CURRENT FUND BUDGET

In summary, the Manager's 2016 Current Fund Budget as presented here tonight totals \$30,548,142.69. It represents a conservative approach to revenue projection and includes both the increases and decreases in the respective department budgets and other operating expenses.

The Local Purpose Tax is \$22,643,300 and is a decrease of \$327,923 as compared to the 2015 budget. Based on the 2016 City assessed value, a penny on the tax rate equals \$323,433.00. The proposed Local Purpose Tax Rate will be \$.70 (70 cents) per \$100 of assessed value, a decrease of one (1) penny from \$0.71 (71 cents) tax rate in 2015.

A property with an assessed value of \$400,000 will pay approximately \$40 less for the year in Local Purpose taxes. As of December 31, 2015 the “unaudited” surplus balance stands at \$5.3 million which is more than a \$1.7 million increase over the surplus balance at December 31, 2014.

WATER & SEWER UTILITY

The 2016 Water-Sewer Utility budget totals \$5,768,500 and is a decrease of \$461,813 or 7.4% as compared with the 2015 budget of \$6,230,313.

The Water-Sewer Utility budget is largely supported by the billings and fees charged for the consumption of water by individual customers and bulk users. Water-Sewer Utility as presented has a proposed balanced budget for 2016 and maintains a self-liquidating status. As such, any capital bond ordinances approved will not require a 5% down payment.

REVENUES

The current 2016 Water & Sewer budget does not anticipate the use of any surplus to balance the budget. The Fiscal objective is to stabilize the utility and its surplus balance. The “unaudited” Surplus balance at December 31, 2015 stands at \$542,895.01. Expected operating revenues are directly tied to the anticipated expenses and the amount of revenue realized in the prior year.

Salary and Wages total \$1,100,000, representing a decrease of \$100,000.00 as the result of the appropriate re-allocation of salary and wages between the City and the Water & Sewer utility.

Other Expenses total is \$3,240,000, a decrease of \$175,000.00 from last year's budget due to the more accurate allocation and estimation of expenses to be incurred. It also includes an allocation for engineering and rate study to be completed to assess the condition of the Utility's infrastructure and future requirements.

GOLF COURSE UTILITY

The Golf Course Utility budget for 2016 totals \$1,385,900.00 and is a decrease of \$70,850.00 as compared to the 2015 budget of \$1,456,750. It is the goal of this administration to operate the Golf Course Utility as efficiently as possible while maintaining the recreational opportunity for residents and visitors and preserving the open space that is so valuable to our island.

REVENUES

The current 2016 Golf Course Utility Revenues reflects the use of fund balance of \$53,680 which is less than the \$143,000 used in 2015. The "unaudited" Surplus balance at December 31, 2015 stands at \$61,090.28.

Golf operating revenue has been anticipated up to the level of the 2015 realization amount. That is an increase of \$48,000. The proposed budget anticipates the same deficit amount as it did for 2015.

OTHER EXPENSES

The 2016 Budget consists mostly of the value of the contract that the City has entered into with the Atlantic County Improvement Authority (ACIA) to run the golf course. The contract came to \$938,856.98 worth of expenses. Therefore the budget reflects a contract amount of \$940,000.00.

There were some salary and wages that were paid out in 2016 relating to wages earned at the end of 2015 that were excluded from the contract. As is customary, there is a lag between the earning and the paying out of wages. They are considered to be 2016 expenses as they were paid to the employees in 2016. The City has provided an additional \$24,400 for these costs.

The 2016 total operating cost without debt is \$964,400 and is a decrease of \$85,600.00 in comparison with the 2015 budget.

Debt has increased due to issuance of notes for outstanding improvement authorizations. Bonds will be paid off in 2018.

CAPITAL BUDGET

The various departments submitted capital requests totaling \$5,750,000.00 over the next three (3) years, as included on the last pages of the budget document. This is always a work in progress and can fluctuate from year to year. It is the intention of this administration to evaluate current approved Improvement Authorizations and to either re-allocate or cancel as to make the best use of funds already borrowed before initiating the request for new funds.

CONCLUSION

In closing, the management of the City's budget in 2016 continues to improve in a professional and fiscally sound manner. This has been achieved by hiring a full-time CFO, long term budgeting and projections, re-aligning and establishing proper allocation methods and providing the necessary reserves for future expenditures.

While the Total Budget calls for an increase of \$112,595 or 0.37%, the Local Purpose Tax is \$22,643,300 and is a decrease of \$327,923 as compared to the 2015 budget. The proposed Local Purpose Tax Rate will be \$ 0.70 (70 cents) per \$100 of assessed value, a decrease of one (1) penny from \$0.71 (71 cents) 2015tax rate.

Through a conservative approach to budgeting on revenues, and limiting growth on discretionary expenditures, the City remains in sound financial position. The City has not relied on one-time revenues to balance this budget. The recommended budgets allow the City to continue to provide the same services in 2016 as in the past and this budget also provides for a stable future

I would like to thank the City employees and department heads for their service to the City of Brigantine and for their assistance in the budget preparation process. Also, I would like to thank Roxanne Tosto and the Finance Department, and City Auditor Leon Costello for their help and input in the development of the City Manager's recommended budgets.

As always, I am available to meet with Mayor and City Council to review the budget and provide any additional information necessary.

Thank you for your time.

Edward Stinson
City Manager
February 17, 2016