

CITY OF BRIGANTINE
2017 City Manager's Budget
2/15/17

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, I have met with each Department Head to review their budget requests. There was also a special meeting held in December, open to the public, where the Department Heads formally presented their operating budget requests.

CFO Roxanne Tosto and I have reviewed each departments 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 they 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 17th and adoption by April 21st.

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 2017, Group 1 will be reviewed by DLGS, and Groups 2&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 Consumer Price Index (CPI) with certain exceptions. For 2017, the CAPS Cost of Living Adjustment (COLA formerly the Index Factor) is one-half percent (0.05%), 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. This ordinance is scheduled for adoption this evening.

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 reducing the permitted increase from 4% down to a 2% limit. The City Manager's recommended budget is in compliance with both CAP laws. As presented, the proposed 2017 Current Fund budget is approximately \$ 1,251,000 under the 2% Tax Levy CAP limit. In addition, the proposed budget is under the 3.5% spending CAPS calculation by over \$1,976,000.

The Manager's 2017 Current Fund Budget as presented here tonight totals \$31,131,706.33 and is a reduction of \$268,382 from 2016 budget. The Local Purpose Tax has been reduced by approximately \$599,000 for the current year and has a combined reduction of over \$952,000 for the last two years.

REVENUES

The City's percentage of tax collections continued to be strong in 2016 at 98.41% and was obvious by the Current Tax and Delinquent Tax collections realized. Total 2017 Miscellaneous Revenues without the Reserve to Pay Bonds & Notes is the same as 2016 Budget of \$3.7 million. The approximate net increase of \$177,000 in Miscellaneous Revenues in 2016 was the result of various increases and decreases in the revenue realized. The largest of the variances was once again due to Uniform Construction Fees totaling approximately \$522,000 or an increase of 16% over budget. The City's fees for Beach Tags and Vehicle permits combined realized a 4% increase over budget, while EMS Revenue also increased slightly.

It should be noted, that the City State Aid received is anticipated to be the same as 2016 and is just \$866,415.00, which is less than 3% of the total revenue for the Current Fund budget.

The 2017 Budgeted revenues includes the realization of \$1,450,000 in Reserves to Pay Bonds & Notes. Of that, \$1,400,000 represents the reimbursement from the State for the School's projects and will be applied to the balance of the outstanding notes.

This budget reflects a conservative approach to the anticipation of revenues. There are no one-time revenues anticipated and the use of \$2,550,000 in fund balance is equal to the amount used in 2016. With long term budgeting and strategic financial planning the 2016 fund balance was replenished and it is anticipated that a significant portion of the balance will be replenished by the end of 2017 as well. As of December 31, 2016 the "unaudited" fund balance stands at \$5.7 million.

EXPENSES OR APPROPRIATIONS

Salary and Wages total \$12,669,870.00, including required contractual commitments. The total appropriations for Salaries and Wages in the Current Fund budget are **\$66,255** less than in 2016 or approximately a .5% reduction. This decrease includes the \$500,000 of accumulated leave compensation which remains at the same level as 2016.

Other Expense total is \$7,438,830 excluding grants, and represents the OE from all departments along with Insurance and Utilities costs. That represents a decrease of **\$155,895** or a 2.0% reduction from last year's budget. There are fluctuations up and down throughout the various departments but the majority of the decrease comes from insurance, fuel and natural gas costs. Insurance costs are down due to employee group insurance as a

result of the election of additional employees for a buy-out and an increase in contributions levels over 2016. Fuel has been estimated at a much lower cost based upon previous years' experience. Other departmental OE increased approximately \$29,000 or 1.4% over last year's budget.

Statutory and Deferred Charges amount to \$3,554,819 which represents a reduction of \$118,243 or 3.2% decrease from the prior year. The decrease is mostly due to the drop in pension costs of \$143,333 or 7%. For the first time, this budget has allocated PERS Pension costs to the Water and Sewer Utility and is based upon the budgeted salaries in the Water and Sewer Department. This is a continuation of our effort to correctly allocate costs between the entities.

Municipal Debt Service and Capital Improvement Fund

Levelization of Debt Service Costs is an initiative of this administration. The 2017 municipal portion of debt is \$3,407,557.50 which reflects a decrease of \$314,317 over 2016. This debt was issued to fund various projects from 2006 through 2014. The contribution to the Capital Improvement Fund remained at the 2016 levels of \$100,000. 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 remains a conservative one and is based upon the current Local Purpose Tax Levy and an estimate of the School and County taxes. The 2017 increase is \$126,948 which will help offset future tax appeals.

SUMMARY OF CURRENT FUND BUDGET

In summary, the Manager's 2017 Current Fund Budget as presented here tonight totals \$31,131,706.33. It represents a

conservative approach to revenue projection and includes both the increases and decreases in the respective department budgets and other operating expenses.

As presented, the Local Purpose Tax is \$22,019,166 which is a decrease of \$598,566 from the 2016 Budget (\$22,617,732). Based on the 2017 City assessed value, a penny on the tax rate equals \$324,772.00. **The proposed Local Purpose Tax Rate will be 67.8 cents per \$100 of assessed value, a decrease of 2.1 cents from in 2016 (69.9 cents).** A property with an assessed value of \$400,000 will pay approximately \$84.05 less for the year in Local Purpose taxes.

WATER & SEWER UTILITY

The Water-Sewer Utility budget is largely supported by the billings and fees charged for the consumption of water by individual customers. Water-Sewer Utility as presented has a proposed balanced budget for 2017 and maintains a self-liquidating status. As such, any capital bond ordinances approved will not require a 5% down payment.

The 2017 Water-Sewer Utility budget totals \$5,752,650, approximately \$16,000 less than the 2016 budget (\$5,768,500).

REVENUES

The current 2017 Water & Sewer budget does not anticipate the use of any surplus to balance the budget. The Fiscal objective has been to stabilize the utility and its fund balance. The “unaudited” fund balance at December 31, 2016 stands at \$1,428,888.67 for an increase of \$885,993.66 over the ending Fund Balance at December 31, 2015 (\$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 \$1,110,000, representing an increase of \$10,000.00 from 2016 budget.

Other Expenses total \$3,201,000 indicating a decrease of \$39,000.00 from last year's budget due to the operating needs of the utility.

Statutory Expenses are \$220,150 for 2017 representing an increase of \$127,650 over 2016 for PERS Pension allocation.

GOLF COURSE UTILITY

The Golf Course Utility budget for 2017 totals \$1,217,000.00, and is a decrease of \$168,900 as compared to the 2016 budget (\$1,385,900). 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 2017 Golf Course Utility Revenues reflects only the revenues projected and the contribution of the City for debt payment. Golf operating revenue has been anticipated up to the level of the 2016 realization amount \$812,000. The proposed budget anticipates debt payments of \$409,000.

OTHER EXPENSES

The 2016 Budget consists of the value of the contract that the City has entered into with the Atlantic County Improvement Authority (ACIA) to run the golf course. For 2017 the contract is based upon the anticipated expenses required to achieve the level of revenue and came to \$808,000. The total operating costs without debt for 2017 has been reduced to \$808,000 in comparison with

\$964,400 for 2016, representing a decrease of \$156,400 without debt.

Debt has decreased due to the effects of the 2016 principal payments of bonds and notes. **Bonds will be paid off in 2018.**

CAPITAL BUDGET

The various departments submitted capital requests totaling \$9.5 million 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 2017 continues to improve in a professional and fiscally sound manner. This has been achieved through long term budgeting and projections, maintaining proper allocation methods and sound financial records while providing the necessary reserves for future expenditures.

Through a conservative approach to budgeting on revenues, and limiting growth on discretionary expenditures, the City remains in sound financial position and 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 2017 as in the past. This budget also provides for a very stable future. As always, I

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

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.

Edward Stinson
City Manager
February 15, 2017