

Budgeting in the Municipal World

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GFOA OF NJ PRESIDENT

It behooves every man to remember that the work of the critic is of altogether secondary importance, and that in the end, progress is accomplished by the man who does things.

-Theodore Roosevelt

Budgeting in the Municipal World

WHAT EVERY ELECTED OFFICIAL SHOULD KNOW

The World Around Us

Best Practices

Revenue Accountability

Loss

Municipal Consolidation!

**Do more
with Less!**

**Increased
Fiscal Oversight!**

Transparency

Planning is the Key

- **Planning, Planning & more Planning**
- **“HOPE”** is not a Plan
- Taking a proactive approach to Municipal Budgeting is the key to a successful budget and the financial viability of the organization
- We are forced to react to the economic environment around us, legislative actions and much more
- Planning for contingencies and the unknown will better prepare your community to deal with these unknown pressures
- **“Murphy’s Law!”** – What can go Wrong will go Wrong! ... and in fact does

How to deal with the unexpected

How much is enough?

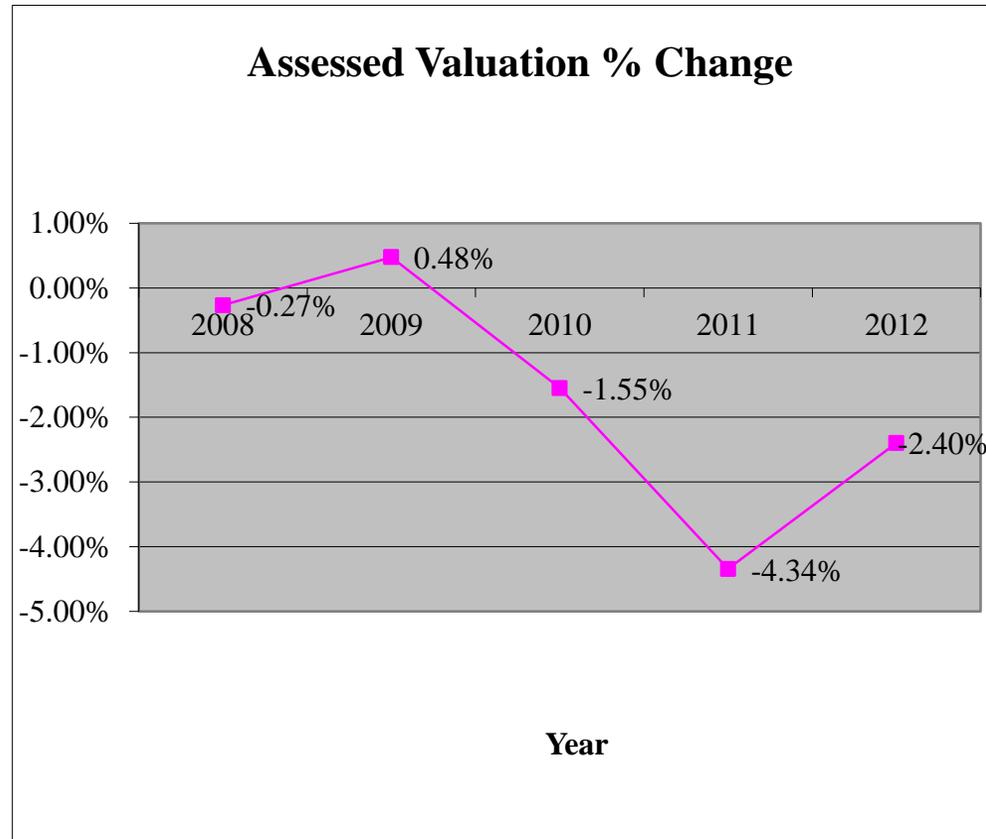
- Establishing and Maintaining Emergency Reserves
 - Super Storm Sandy
 - October Snow Storm
 - Hurricane Irene
 - Unusual or Excessive Snow Events
- Fund Balance Levels
- Reserve for Tax Appeals
- Accumulated Absences Trust Fund
- Reserve for Litigation
- Storm Emergency Trust Fund

Past

Historical View

- Knowing where you have been should be the foundation for any budget
- Financial Tools Available
 - Financial Trends Analysis – Developed by the GFOA of NJ for its members
 - Historical Tax Rate
 - Historical State Aid Revenue – “Replacement Revenue”
 - Tax Appeal Trends
 - Fund Balance Trends
- Other Trends that have Impacted your municipality
 - Don’t be afraid to ask for information

Assessed Valuation % Change

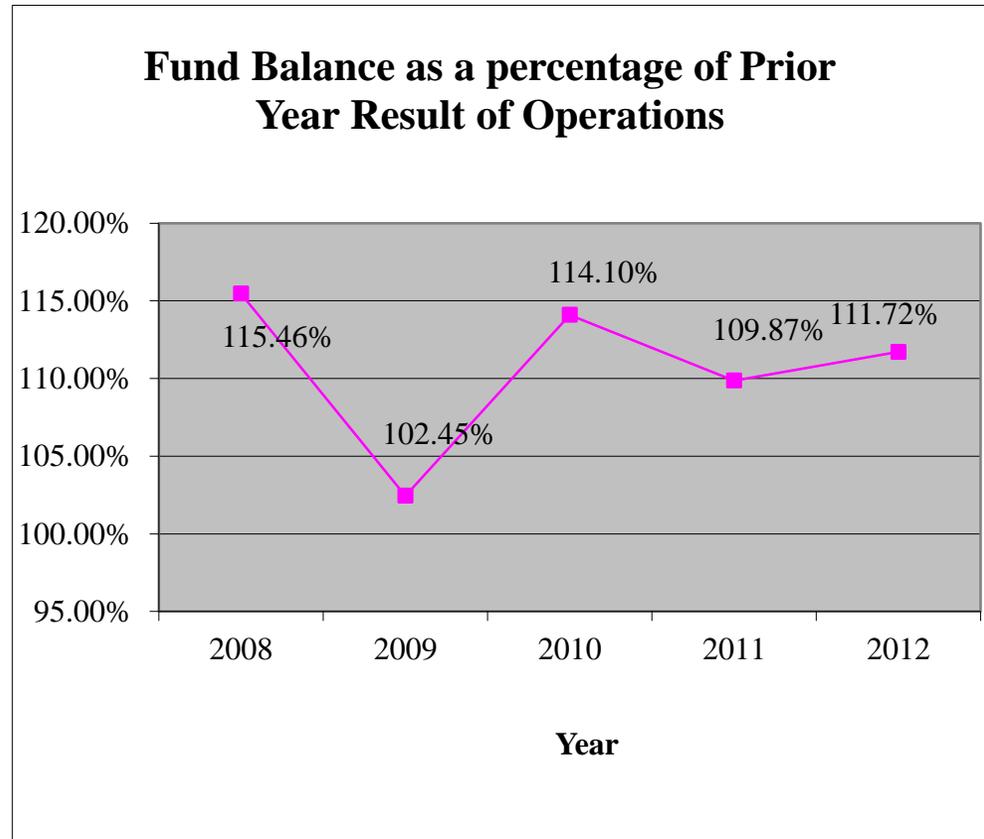


This indicator is a measure of how well a community is able to manage its tax levy cap

Growth in the range of 3% or higher would enable a community to manage its tax burden along with budget growth

It will require significant management going forward as we see the impacts of property value growth slow down and tax appeals increase

Fund Balance as a % of Prior Year Result of Operations



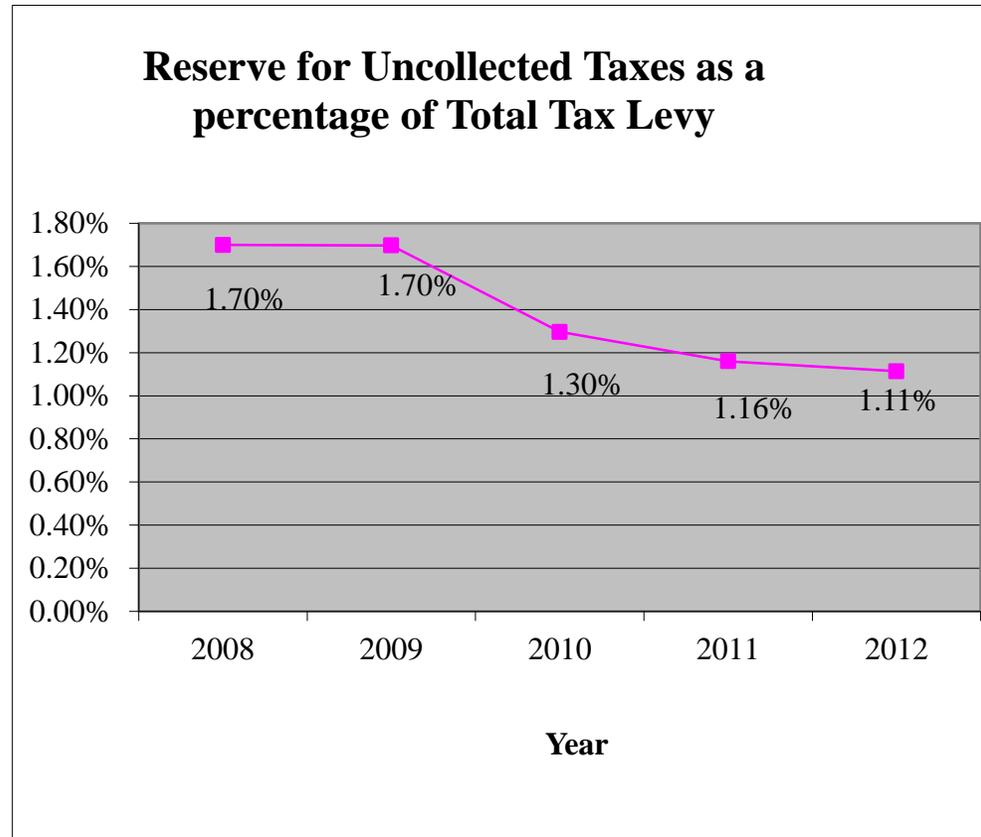
This indicator is used to measure how responsibly Fund Balance is being utilized

Fund Balance as a % of Prior Year Operations should be less than 100%

Utilization rates greater than 100% may be an indication that the dependence on Fund Balance may not be reasonable

Usage of greater than 100%, when monitored and planned for, is acceptable as long as the dependence is not permanent

Reserve for Uncollected Taxes as a % of Total Tax Levy

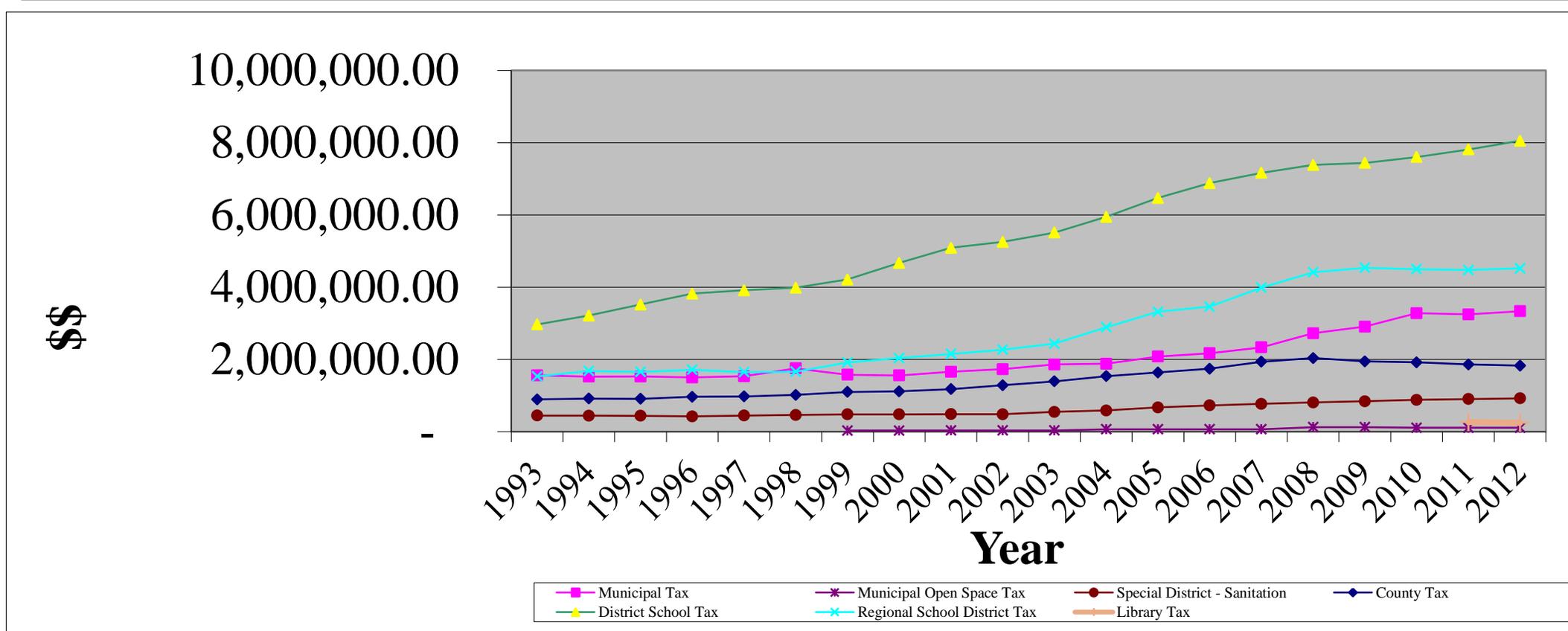


This indicator is used to measure whether the Reserve for Uncollected Taxes Account is maintained at a constant in relation to the total tax levy

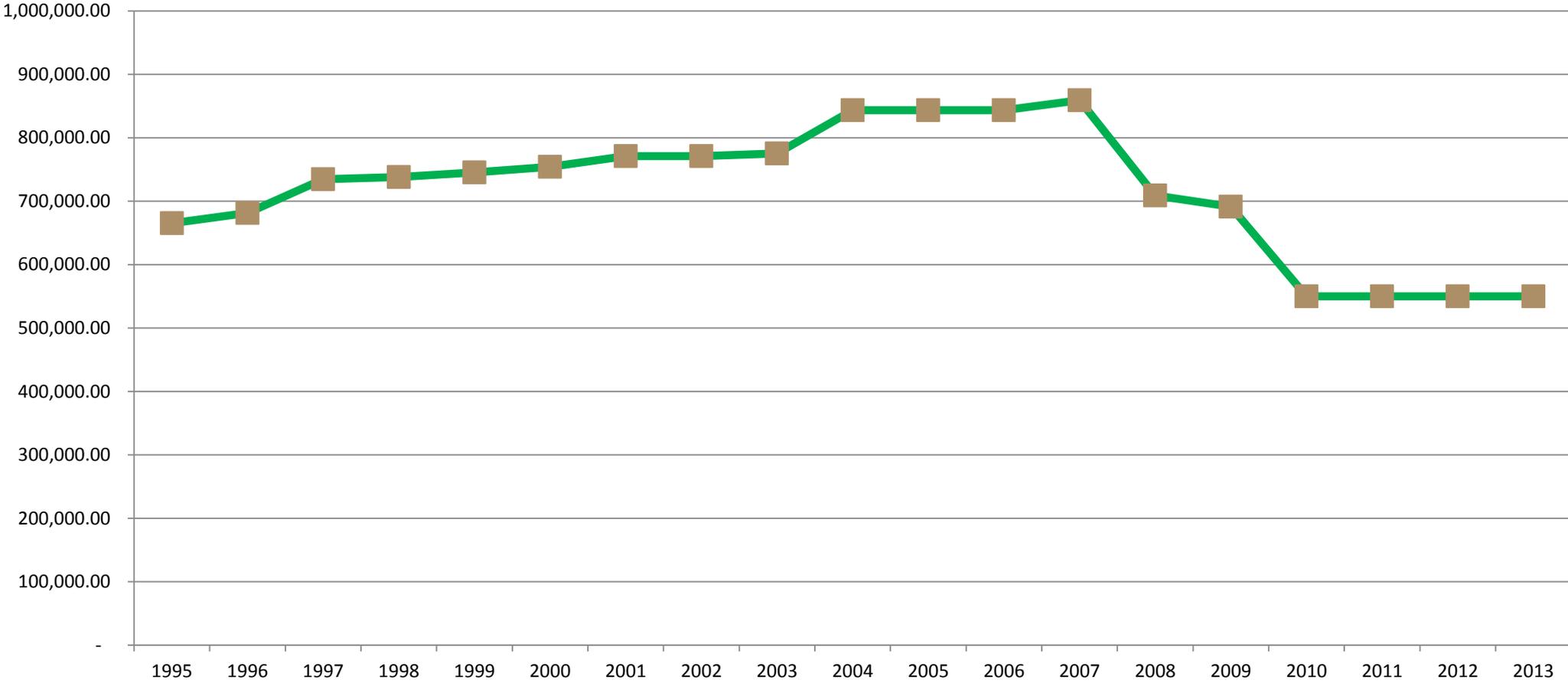
A decreasing trend may indicate that the account is being underfunded. The ideal position would be to have this account remain level from year to year

An increasing trend could be an indication that it is overfunded or possibly to correct a declining fund balance position through the Reserve for Uncollected Taxes account

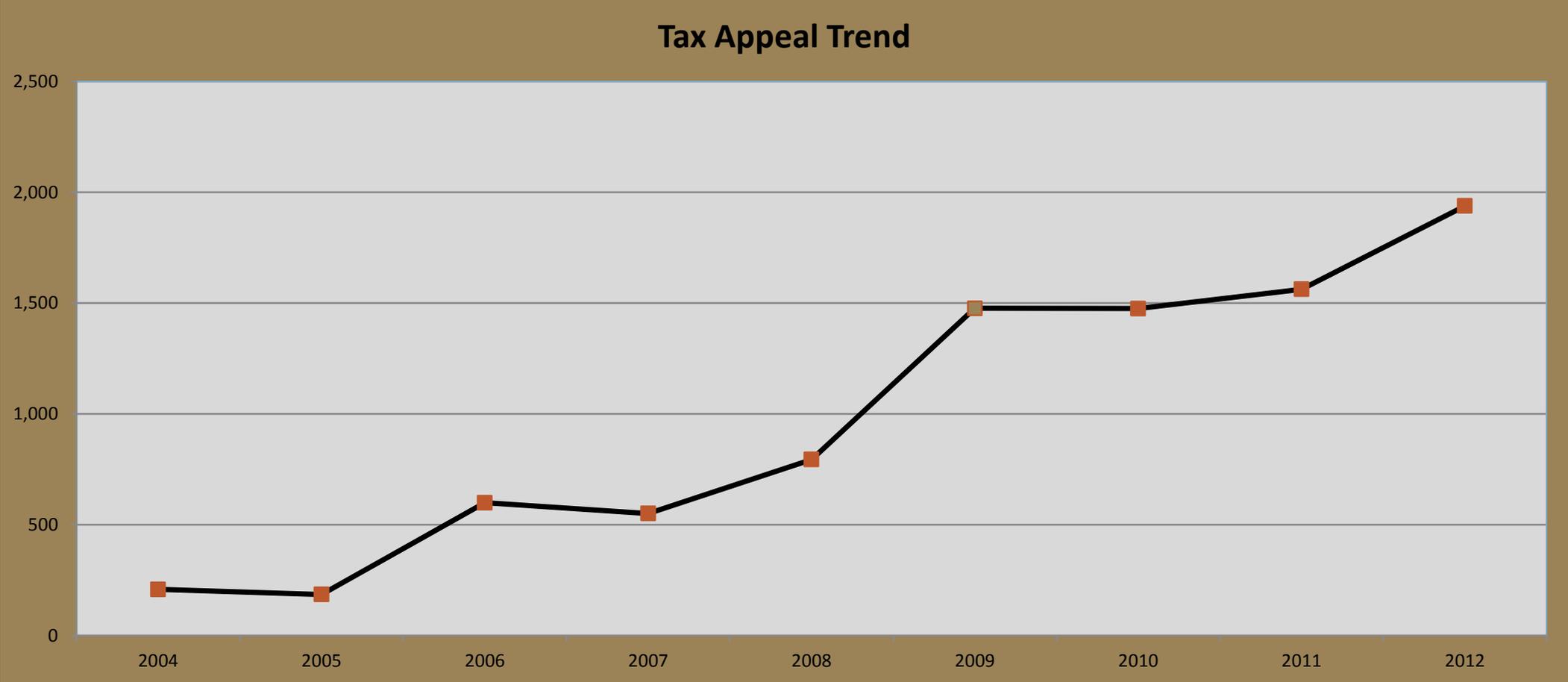
Tax Dollar Trend



Historic State Aid Graph (All Aid)



Tax Appeal Trends



Present

Questions to ask during Budget Development

- Have we learned from the mistakes of the past
- Are we kicking the can down the road for someone else to deal with a problem
- Can our Operations support the budget we have (Have your CFO review Sheet 19)
- Zeros sound great but can your community afford it?
- Listen to your professional staff and consultants – That is what they are paid to do
- Utilize the resources available to you

Where does Fund Balance Come From?

It is not Surplus

Miscellaneous Revenue Anticipated (Excess over Budget)

Amount to be Raised by Taxation (Current Year) Takes into Consideration the RUT

Delinquent Taxes (Excess over Budget)

Miscellaneous Revenue Not Anticipated (MRNA)

Prior Year Budget Appropriations “Appropriation Reserves” Lapsing (Residual Budget Funds)

Unlike a for profit entity, our ability to maintain and replenish Fund Balance is largely controlled by how we budget.

Operations Schedule – AFS Sheet 19

RESULTS OF 2012 OPERATION

CURRENT FUND

		Debit	Credit
Excess of Anticipated Revenues:			
Miscellaneous Revenues Anticipated	80013-01	XXXXXXX	212,873.53
Delinquent Tax Collections	80013-02	XXXXXXX	20,973.20
		XXXXXXX	
Required Collection of Current Taxes	80013-03	XXXXXXX	1,186,856.78
Unexpended Balances of 2012 Budget Appropriations	80013-04	XXXXXXX	3,938.71
Miscellaneous Revenue Not Anticipated	81113-	XXXXXXX	219,633.17
Miscellaneous Revenue Not Anticipated: Proceeds of Sale of Foreclosed Property (Sheet 27)	81114-	XXXXXXX	
Payments in Lieu of Taxes on Real Property	81120-	XXXXXXX	
Sale of Municipal Assets		XXXXXXX	
Unexpended Balances of 2011 Appropriation Reserves	80013-05	XXXXXXX	199,091.02
Prior Years Interfunds Returned in 2012	80013-06	XXXXXXX	26,632.10
Cancellation of Local School Taxes Payable		XXXXXXX	
Interfunds Returned - Originating in 2009		XXXXXXX	

Deferred School Tax Revenue: (See School Taxes, Sheets 13 & 14)		XXXXXXX	XXXXXXX
Balance January 1, 2012	80013-07		XXXXXXX
Balance December 31, 2012	80013-08	XXXXXXX	
Deficit in Anticipated Revenues:			
Miscellaneous Revenues Anticipated	80013-09		XXXXXXX
Delinquent Tax Collections	80013-10		XXXXXXX
Reserve for Pending Tax Appeals		180,000.00	XXXXXXX
Required Collection of Current Taxes	80013-11		XXXXXXX
Interfund Advances Originating in 2012	80013-12	5,480.45	XXXXXXX
Federal and State Grant Funds Cancelled			XXXXXXX
Sr. Citizen Deduction Disallowed by Tax Collector - 2011		699.31	XXXXXXX
			XXXXXXX
			XXXXXXX
Deficit Balance - To Trial Balance (Sheet 3)	80013-13	XXXXXXX	
Surplus Balance - To Surplus (Sheet 21)	80013-14	1,683,818.75	XXXXXXX
		1,869,998.51	1,869,998.51

Budget Rules

- CAP Rules (Levy CAP vs. Appropriation CAP)
 - Have been in place since 1976
- Revenue Rules
- Appropriation Rules
- Temporary Budget Rules (26.25%)
- Adoption of Budget and requirement for Public Hearing
- Budgeting planning is different for every community – Forms of Government or Practice

Major Budget Revenues

- Property Taxes – Amount to be Raised by Taxation
- Fund Balance Anticipated (Not Surplus!)
- Miscellaneous Revenues
 - Local Revenues
 - **State Aid** without Offsetting Appropriations
 - Dedicated **Uniform Construction Code** Fees
 - Interlocal / **Shared Service** Revenues
 - Public & Private Revenues (**Grants**)
- Delinquent Tax Revenue (Prior Years & Tax Title Liens)
- Minimum Library Tax

Major Budget Appropriations

- Operations (within CAP)
- Operations (outside CAP)
- Contingent
- Capital Improvements
- Debt Service
- Deferred Charges & Statutory Expenditures
- Reserve for Uncollected Taxes

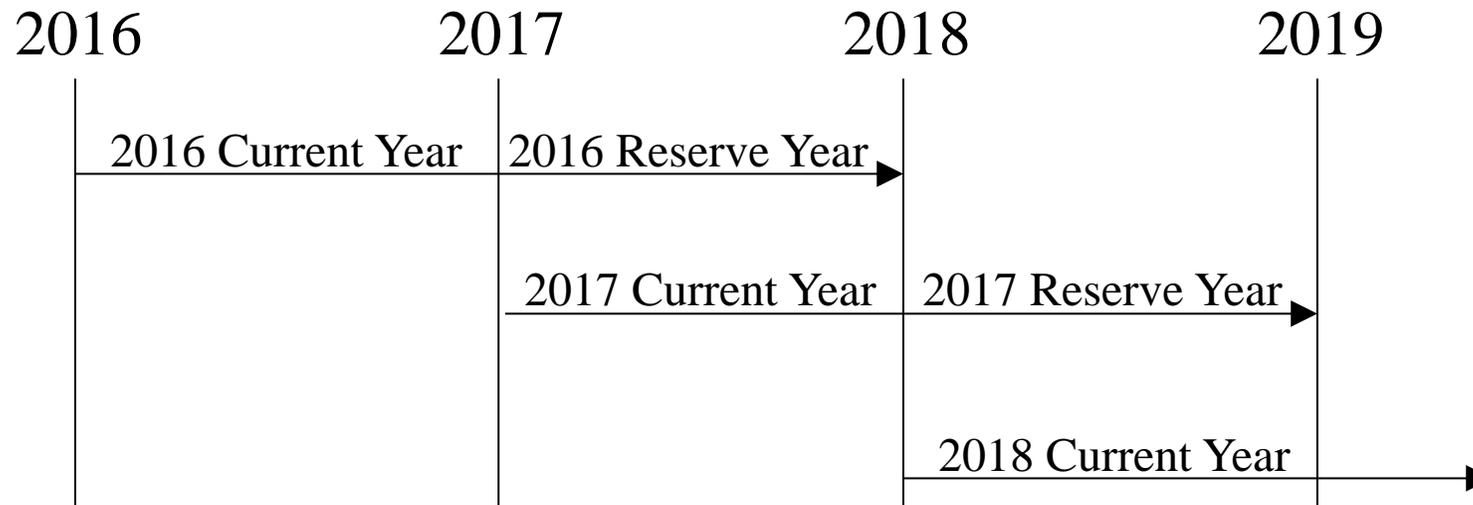
What is a Line Item Budget?

- In New Jersey, each appropriation must be categorized between “Salaries & Wages” and “Other Expenses”. This is the level of detail required when preparing the State Budget Document.
- This is the format for the publicized budget. However, local units typically break their budgets down into greater detail for internal tracking purposes.

Reserve for Uncollected Taxes

- This is the amount of the tax levy that we do not anticipate will be collected
- Acts similar to an Allowance for Doubtful Accounts. We are writing off our bad debts based upon the tax collection rate of the previous year.
- We can later recoup this revenue through the Receipts from Delinquent Taxes
- Grosses up taxes to account for less than 100% collection
 - Other entities receive their taxes at 100% while the town gets what is left over
 - Cash flow

Budget Timeline



As you can see, you are running two budgets at a time.

User Friendly Budget

- NJSA 40A:5-48 (PL 2007, c.63) requires the Local Finance Board to promulgate a “user friendly” plain language budget summary, or User Friendly Budget
- Intended to give the public, as well as local officials, a better understanding of local government finances
- Municipalities were the first of the statutorily required entities to implement the User friendly budget
- Will not replace the current budget document but will be required to be filed at the same time and will serve as an appendix

Capital & Debt Planning and Budgeting



Vehicles and Equipment

Borough of Wharton 2019 Capital Program															
Category	Year	Make	Description	Veh ID for JIF	Wharton ID	VIN # (Last 5)	Replacement Value	Age of Asset	2019 Funding Source				Red	Yellow	Green
									Capital Improvement Fund	Capital Fund Balance	Grant	Debt			
VEHICLES:															
Administration:															
	2016	Jeep	Patriot Sport	V20300035		44715	25,855.00	3	-						
Fire Department:															
	1987	ARROW	PUMPER	V20300055	9235	40446	0.00	32	-						
	1996	PIERCE	PUMPER FIRE TRUCK	V20300064	9236	69997	147,696.00	23	22,500						450,000
	2003	KENWORTH	FIRE TRUCK	V20300037	407	84106	326,000.00	16	-						
	2008	ARROW	XT MOUNT AERIAL FIRE TRUCK	V20300039	1058	8231	962,042.00	11	-						
	2013	Chevy	Tahoe	V20300004		58362	0.00	6	-						
Senior Bus:															
	2009	GMC	SENIOR BUS	V20300062	8685	208	0.00	10	4,400						88,000
Police:															
	2010	DODGE	DURANGO	V20300056	8493	12744	23,800.00	9	1,900						38,000
	2010	FORD	CROWN VICTORIA	V20300057	8492	11234	20,000.00	9	1,600						30,400
	2012	Ford	Taurus	V20300003		15001	26,000.00	7	-						
	2012	DODGE	CHARGER	V20300040	13655	29548	24,094.00	7	-						
	2013	FORD	EXPLORER	V20300030	13657	15842	25,825.00	6	-						
	2013	Chevrolet	Tahoe	V20300036		58362	25,825.00	6	-						
	2013	FORD	PICK UP	V20300042	13656	29558	22,310.00	6	-						
	2014	Ford	Explorer	V20300033		19809	25,613.00	5	-						
	2015	Ford	Taurus	V20300022		51664	26,000.00	4	-						
	2015	Ford	Taurus	V20300047		51665	26,000.00	4	-						
	2016	Chevy	Impala	V20300023		13960	25,825.00	3	-						
	2016	Chevy	Impala	V20300060		16411	25,825.00	3	-						
	2017	Ford	Explorer	V20300073		61186	41,831.00	2	-						



BOROUGH OF WHARTON, NEW JERSEY

2019 Road Improvement Program

1 - Excellent
5 - Needs Help

Ave

Improved Municipal Roads	Grid	Length	Date of Last Improvement	Ord. #	Notes	Anticipated Impr. Year	Condition (1-5)	Estimated Cost
High Street	C3	580 ft	2007				2	52,000
Huff Street	D3	525 ft	2017				1	47,000
Hurd Street	C5	290 ft	2016				1	26,000
Irondale Road (Kice to Bartek)	B5	1,170 ft			Waiting for Wharton Woods to be completed	2020	3	104,000
Jackson Avenue	D2	465 ft	2016				1	44,000
Kice Avenue	B5, C5	1,220 ft	2009		Done as part of the Tree Streets		2	108,000
Kitchell Avenue (South)	D8	476 ft	2015		From Orange to Walnut		1	42,000
Kitchell Avenue (North)		476 ft				2019	5	42,000
Kossuth Street	C5	540 ft	2005				2	48,000
Lafayette Street	D6, D7	2,045 ft	2003			2020	3	181,000
Lane Way	D7	590 ft	2009			2019	5	52,000
Langdon Avenue	C2	1,575 ft	2003			2021	3	139,000
Laurel Street	B4, B5	250 ft	2009				1	23,000
Lehigh Street	D8, E8	710 ft				2020	2	63,000
Lowe Street	D7	620 ft				2020	3	55,000
Lowry Avenue	A7, B7, C7	1,775 ft	2016				1	178,000
Luxemburg Avenue	C3	670 ft	2006			2020	1	60,000
Maple Terrace	C7	290 ft	2017				1	26,000
Meadow Avenue	D2	1,425 ft	2016				1	81,000
Michigan Avenue	E7, E8	1,745 ft	2018				1	154,000
Mill Street (East)	B5, C5	985 ft	2004		Waiting for Wharton Woods to be completed	2020	4	87,000
Mill Street (West)					Waiting for Wharton Woods to be completed	2020	3	-
Mount Pleasant Avenue	C5, D5	980 ft	2013				2	87,000
Mt. Pleasant Lane	C1, D1	440 ft	2014		From Fern Hill to Third		1	39,000
Mt. Pleasant Lane	C1, D1	440 ft	2017		From Third to Church		1	39,000

Road Planning

<u>% of Total Roads</u>	<u>Length</u>	<u>Recap by Year:</u>	
9.57%	9,136 ft	2019	808,000
10.59%	10,104 ft	2020	897,000
1.65%	1,575 ft	2021	139,000
0.00%	ft	2022	-
0.00%	ft	2023	-
0.00%	ft	2024	-
	20,815 ft		1,844,000

<u>% of Total Roads</u>	<u>Length</u>	<u>Recap by Condition:</u>	
65.43%	62,428 ft	1	5,403,000
12.23%	11,670 ft	2	1,045,000
16.40%	15,651 ft	3	1,383,000
3.90%	3,719 ft	4	331,000
2.04%	1,951 ft	5	173,000
0.00%	ft	U	-
100.00%	95,419 ft		8,335,000

<u>Historical Improvement by Year</u>		
<u>Length</u>	<u>Recap by Year:</u>	
17,165 ft	2018	17.99%
13,020 ft	2017	13.65%
12,192 ft	2016	12.78%
1,121 ft	2015	1.17%
6,760 ft	2014	7.08%
2,870 ft	2013	3.01%
2,215 ft	2012	2.32%
3,495 ft	2011	3.66%
2,630 ft	2010	2.76%
3,330 ft	2009	3.49%
5,365 ft	2008	5.62%
1,390 ft	2007	1.46%
1,515 ft	2006	1.59%
670 ft	2005	0.70%
985 ft	2004	1.03%
3,620 ft	2003	3.79%

Road Rating Program

Borough of Wharton
Road/Pavement Rating Form

Street Name:		Date:	/ /
Length of Road:		Width of Road:	

Note: A rating of "0" indicates defect does not occur

DEFECTS	SCALE	RATING
Transverse Cracks	0-5	_____
Longitudinal Cracks	0-5	_____
Alligator Cracks	0-10	_____
Shrinkage Cracks	0-5	_____
Rutting	0-10	_____
Corrugations	0-5	_____
Raveling	0-5	_____
Shoving or Pushing	0-10	_____
Pot Holes	0-10	_____
Excess Asphalt	0-10	_____
Polished Aggregate	0-5	_____
Deficient Drainage	0-10	_____
Overall Riding Quality	0-10	_____
 SUM OF DEFECTS		 -----
 Condition Rating = 100 – Sum of Defects		
 Condition Rating = _____		

Source: City of Ocean City

<http://www.ocnj.us/Capital-Projects-Roads-and-Drainage/>

Don't be afraid to steal someone else's ideas.
Especially if they are good ones.

Debt Planning

PRINCIPAL & INTEREST

Budget Year	Total Existing	2011 Notes	Fields (Net of Revenue)	Future Needs	Total Debt Service	\$\$ Increase over Prior Year	%% Increase over Prior Year	4.0% Debt Service Growth Plan	Total Debt To Debt Plan Variance
2011	2,013,759	91,710	-	-	2,105,469			2,105,469	-
2012	1,930,946	200,584	60,000	-	2,191,530	86,061	4.1%	2,190,000	1,530
2013	1,908,095	338,348	30,000	11,250	2,287,693	96,164	4.4%	2,278,000	9,693
2014	1,830,739	411,582	113,725	22,500	2,378,546	90,853	4.0%	2,370,000	8,546
2015	1,802,991	466,586	127,225	71,180	2,467,982	89,437	3.8%	2,465,000	2,982
2016	1,706,033	614,266	125,725	119,290	2,565,314	97,332	3.9%	2,564,000	1,314
2017	587,837	1,674,657	237,500	166,830	2,666,824	101,510	4.0%	2,667,000	(176)
2018	569,440	1,769,277	219,500	213,800	2,772,017	105,193	3.9%	2,774,000	(1,983)
2019	-	2,201,922	206,650	347,865	2,756,437	(15,580)	-0.6%	2,885,000	(128,563)
2020	-	2,346,659	203,800	304,695	2,855,154	98,717	3.6%	3,001,000	(145,846)
2021	-	658,000	920,000	1,288,660	2,866,660	11,506	0.4%	3,001,000	(134,340)
2022	-	-	-	2,868,460	2,868,460	1,800	0.1%	3,001,000	(132,540)
2023	-	-	-	2,870,750	2,870,750	2,290	0.1%	3,001,000	(130,250)
2024	-	-	-	1,950,000	1,950,000	(920,750)	-32.1%	3,001,000	(1,051,000)
2025	-	-	-	750,000	750,000	(1,200,000)	-61.5%	3,001,000	(2,251,000)
2026	-	-	-	750,000	750,000	-	0.0%	3,001,000	(2,251,000)
2027	-	-	-	750,000	750,000	-	0.0%	3,001,000	(2,251,000)
2028	-	-	-	750,000	750,000	-	0.0%	3,001,000	(2,251,000)
2029	-	-	-	750,000	750,000	-	0.0%	3,001,000	(2,251,000)
2030	-	-	-	750,000	750,000	-	0.0%	3,001,000	(2,251,000)
2031	-	-	-	750,000	750,000	-	0.0%	3,001,000	(2,251,000)
2032	-	-	-	750,000	750,000	-	0.0%	3,001,000	(2,251,000)
	<u>12,349,840</u>	<u>10,773,590</u>	<u>2,244,125</u>	<u>16,235,280</u>	<u>41,602,835</u>				

Future

HAVING A GOOD CRYSTAL BALL HELPS WITH THIS

Looking Ahead

- Fund Balance Forecasting
- Operations Schedule
- Budget Projections
- Debt Service Planning & Affordability

5 Year Budget Projections

Account Name	Adopted 2012	Adopted 2011	Adopted 2012	2013	2014	Projected 2015	2016	2017	Average Annual Increase
REVENUES									
CURRENT FUND REVENUES:									
Fund Balance	985,124	985,124	1,037,494	1,037,494	1,037,494	1,037,494	1,037,494	1,037,494	0.00%
Local Revenues	464,760	375,760	348,460	355,180	362,034	369,192	376,498	383,955	2.04%
State Aid without Offsetting Appropriations	549,711	549,711	549,711	549,711	549,711	549,711	549,711	549,711	0.00%
Uniform Construction Code Fees	39,300	39,300	58,300	59,466	60,655	61,868	63,105	64,367	2.08%
Interlocal Service Agreements	1,305,129	1,373,648	1,445,765	1,521,668	1,601,556	1,685,638	1,774,134	1,867,276	5.83%
Public and Private Revenues Offset by Appropriations	44,396	37,377	-	-	-	-	-	-	NA
Other Special Items	398,835	374,560	343,969	305,900	290,605	276,075	262,272	249,158	-5.51%
Delinquent Taxes	194,600	194,600	194,600	197,519	200,482	203,489	206,541	209,639	1.55%
Amount to be Raised by Taxation	3,281,432	3,510,518	3,580,386	3,694,707	3,823,977	3,955,122	4,088,408	4,223,958	3.59%
TOTAL ALL REVENUES	7,263,287	7,440,598	7,558,685	7,721,645	7,926,514	8,138,589	8,358,163	8,585,558	2.72%
APPROPRIATIONS									
APPROPRIATIONS WITHIN "CAPS":									
General Government	603,829	618,847	643,294	650,122	657,078	664,165	671,386	678,743	1.10%
Land Use Administration	60,065	60,065	60,945	62,038	63,151	64,285	65,440	66,617	1.86%
Insurance	559,659	590,040	642,417	655,976	669,828	683,980	698,437	713,207	2.20%
Public Safety	1,230,419	1,221,167	1,209,119	1,235,588	1,262,778	1,290,716	1,319,423	1,348,930	2.31%
Streets And Roads	408,875	410,985	409,455	415,980	422,619	429,373	436,246	443,240	1.65%
Health And Welfare	112,117	112,117	108,121	109,510	110,921	112,355	113,812	115,292	1.33%
Parks And Recreation	136,944	136,944	134,159	135,401	136,668	137,961	139,279	140,623	0.96%
Utilities & Bulk Purchase	205,000	205,000	205,000	209,100	213,282	217,548	221,899	226,337	2.08%
Uniform Construction Code	116,370	116,370	133,765	136,286	138,857	141,481	144,156	146,885	1.96%
Unclassified	6,715	6,715	10,715	10,715	10,715	10,715	10,715	10,715	0.00%
Statutory Expenditures	425,876	766,421	711,567	734,458	758,110	782,549	807,803	833,898	3.44%
TOTAL OPERATIONS WITHIN "CAPS"	3,865,869	4,244,671	4,268,557	4,355,174	4,444,007	4,535,128	4,628,596	4,724,487	2.14%
				2.03%	2.04%	2.05%	2.06%	2.07%	
OPERATIONS EXCLUDED FROM "CAPS"									
Statutory Expenditures	282,649	-	32,478	32,478	32,478	32,478	32,478	32,478	0.00%
Maintenance of Free Public Library	291,072	263,517	270,706	276,120	281,642	287,275	293,021	298,881	2.08%
Interlocal Service Agreements	1,410,629	1,479,148	1,551,265	1,629,278	1,711,318	1,797,595	1,888,330	1,983,756	5.58%
Federal And State Grants	49,276	42,257	4,880	4,880	4,880	4,880	4,880	4,880	0.00%
Capital Improvements	187,203	223,447	285,307	291,013	296,833	302,770	308,825	315,002	2.08%
Debt Service	391,172	393,694	403,487	411,557	419,788	428,184	436,748	445,483	2.08%
Deferred Charges	106,000	100,859	35,000	-	-	-	-	-	-20.00%
SUBTOTAL GENERAL APPROPRIATIONS EXLUDED FROM "C	2,718,001	2,502,922	2,583,123	2,645,326	2,746,939	2,853,182	2,964,282	3,080,480	3.85%
SUBTOTAL APPROPRIATIONS	6,583,870	6,747,593	6,851,680	7,000,500	7,190,946	7,388,310	7,592,878	7,804,967	2.78%
Reserve For Uncollected Taxes	679,417	693,005	707,005	721,145	735,568	750,279	765,285	780,591	2.08%
TOTAL APPROPRIATIONS	7,263,287	7,440,598	7,558,685	7,721,645	7,926,514	8,138,589	8,358,163	8,585,558	2.72%
Budget Change as a Percentage		2.44%	1.59%	2.16%	2.65%	2.68%	2.70%	2.72%	

Recap

- Budgeting in the Past, Present & Future
- It is never too late to start the planning process or improve what you have

**Those who say it can't be done are usually
interrupted by others doing it.**

-James A Baldwin

Questions

