

**Township of Montclair**  
**2022 Budget Presentation**  
**March 15, 2022**



## PERSPECTIVE

According to the US Census Bureau the US has 35,886 municipalities, including townships. Of these municipalities 422 have (as of October 2021) a AAA designation by Standard and Poors, the gold standard in evaluating municipal finance. New Jersey has 564 municipalities, including townships. Of these municipalities as of October 1, 2021-twenty six had a AAA S&P rating. Montclair had its AAA reaffirmed on October 12, 2021. Montclair is by far the largest municipality in the NJ AAA group.

During the height of this prolonged pandemic Township received reaffirmation of AAA rating from Standard & Poors.

- *Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;*
- *Very strong budgetary flexibility, with an available fund balance in fiscal 2020 of 18% of operating expenditures;*
- *Very strong liquidity, with total government available cash at 60.3% of current fund expenditures and 5.1x governmental debt service, and access to external liquidity we consider strong;*
- *Adequate debt and contingent liability profile, with debt service carrying charges at 11.9% of expenditures and net direct debt that is 87.0% of general fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 90.5% of debt scheduled to be retired in 10 years, but a large pension and OPEB obligation;*
- *Strong institutional framework score.*

# Objectives

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## **Minimize Tax Increases**

Local economy continues to be negatively impacted by this prolonged pandemic. On top of it, inflation rate of over 7% that is affecting almost all residents of Town is equally affecting the Township operations. Under these circumstances, it is an extremely difficult task to prepare a budget that minimizes the tax increases. As you recall before the pandemic, we had three continuous years of no municipal tax increase.

FY 2022 budget as presented is increasing the local purpose tax rate by under 2% which is an increase of \$99.64 per year on the average residence assessed at \$632,000.

## **Service Excellence:**

This budget aims to maintain or improve existing service levels. During 2021 our departments creatively adopted to delivering exceptional services under difficult conditions. Senior Services Department has been providing digital access to many home bound seniors, providing safe transportation services so they can safely commute to vaccination centers, doctor's appointment, to get groceries, etc.

Our Police and Fire have been delivering exceptional services while the demands for their services have been progressively growing.

DCS and Utilities Divisions has been providing un-interrupted services while maintaining and upgrading the infrastructure.

FY2022 budget is funding for the efficient and effective delivery of services while limiting the increase in appropriations to the minimum, barring increases in contractual and statutory obligations

## **Budget Flexibility**

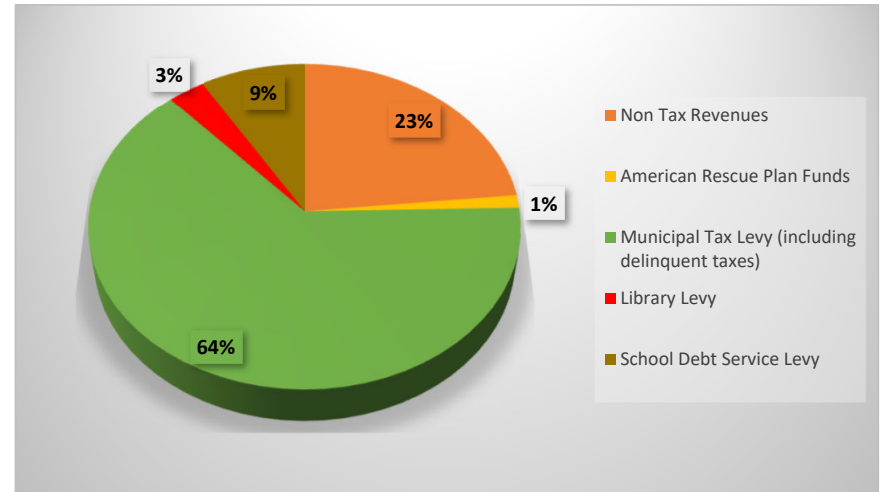
For the 2021 budget we used a significant amount of our reserves. Our goal is to stop dipping into our reserves and eventually replenish these reserves.

## **Debt Management**

Continued focus on debt reduction. Use the funds for actual services and infrastructure needs than to pay debt service

## REVENUES

<u>Revenue Category</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Surplus Anticipated	6,700,000	9,450,000	(2,750,000)	-29.10%
State Aid	2,967,066	2,967,066	-	0.00%
Fees, permits, etc.	2,913,000	2,157,000	756,000	35.05%
PILOT Revenues	4,299,190	4,097,190	202,000	4.93%
Uniform Construction Code Fees	1,200,000	747,000	453,000	60.64%
Interlocal Services	1,263,366	1,275,128	(11,762)	-0.92%
Federal, State, County and Local grants	566,059	1,789,096	(1,223,037)	-68.36%
Reserves from General Capital and Other funds	1,151,095	1,239,145	(88,050)	-7.11%
Other Miscellaneous	1,155,290	1,146,314	8,976	0.78%
<b>American Rescue Plan Funds</b>	<b>1,200,000</b>		<b>1,200,000</b>	
Miscellaneous Revenues Anticipated	23,415,067	24,867,940	(1,452,873)	-5.84%
Delinquent Taxes	2,500,000	2,650,000	(150,000)	-5.66%
Total Miscellaneous Revenues	25,915,067	27,517,940	(1,602,873)	-5.82%
<b>Municipal Tax Levy</b>	<b>58,014,756</b>	<b>56,694,091</b>	<b>1,320,665</b>	<b>2.33%</b>
Minimum Statutory Library Tax Levy	2,867,267	2,680,152	187,115	6.98%
School Capital & Debt Service	8,192,000	8,243,000	(51,000)	-0.62%
Total Tax Levy	69,074,023	67,617,242	1,456,781	2.15%
<b>Total General Revenues</b>	<b>94,989,090</b>	<b>95,135,182</b>	<b>(146,092)</b>	<b>-0.15%</b>



## REVENUES

Last year we used about \$9.5M of our fund balance. We cannot continue to do that and expect to not hit the taxpayers with an enormous tax increase in succeeding years. We are using \$6,700,000 in this year's budget.

We received \$2,018,219 of the first tranche of American Rescue Plan Funds and we are expecting to receive the second tranche later. We are utilizing **all** ARP funds we received so far in this budget: \$1.2M in the general budget and the balance of \$818,219 in the parking utility budget.

Some non-tax revenues like license, permits and fees are starting to increase. However, many of these non-tax revenue items are not anywhere close to pre-pandemic levels yet.

Minimum statutory library levy is going up by almost 7%.

Despite the continuing revenue losses and high inflation, the municipal tax rate increase in this proposed budget is contained to 2%.

## Fund Balance

	2022	2021	2020
<b>Available</b>	13,924,799	15,771,419	16,867,362
<b>Used to Fund the Budget</b>	6,700,000	9,450,000	7,950,000
<b>Remaining Balance</b>	<b>7,224,799</b>	<b>6,321,419</b>	<b>8,917,362</b>

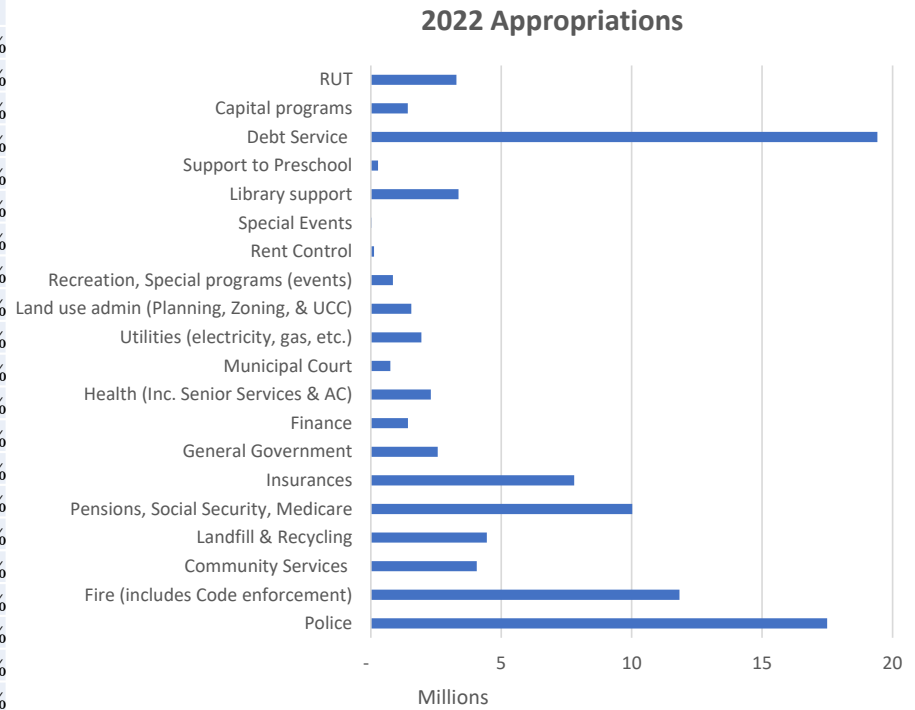
NJ municipal accounting principles require revenues to be recognized only when received whereas expenditures to be recorded when they are encumbered (goods/services are ordered).

Similarly, NJ budgeting laws require the municipalities to adopt conservative budgeting principles. Revenues can be anticipated only to the extent received in prior year. Surplus/fund balance accumulated in prior years is used to balance the budget. Strong fund balance reserves is one of the if not the number one criteria the rating agencies look for. High credit rating keeps the Township's borrowing costs low. Budget is a balancing act.

GFOA recommendation is to have a minimum of 2 months (17%) of budget appropriations in fund balance reserve.

## APPROPRIATIONS

Appropriations Category	2022	2021	Change	%Change
Police	17,495,410	16,656,262	839,148	5.04%
Fire (includes Code enforcement)	11,834,115	11,652,180	181,935	1.56%
Community Services	4,065,127	4,501,497	(436,370)	-9.69%
Landfill & Recycling	4,447,620	4,452,211	(4,590)	-0.10%
Pensions, Social Security, Medicare	10,022,474	10,091,360	(68,886)	-0.68%
Insurances	7,795,000	7,885,000	(90,000)	-1.14%
General Government	2,569,949	2,446,217	123,733	5.06%
Finance	1,427,943	1,383,194	44,749	3.24%
Health (general health, Senior Services & AC)	2,303,810	2,832,871	(529,061)	-18.68%
Municipal Court	750,671	741,378	9,292	1.25%
Utilities (electricity, gas, etc.)	1,945,000	2,629,500	(684,500)	-26.03%
Land use admin (Planning, Zoning, UCC, Code Enforcement)	1,554,061	1,506,540	47,520	3.15%
Recreation & Special programs/ public events	848,718	913,820	(65,102)	-7.12%
Rent Control	125,000	-	125,000	100.00%
Special Events	15,000	-	15,000	100.00%
Library support	3,382,267	3,100,000	282,267	8.62%
Support to Preschool	278,000	278,000	-	0.00%
Support to Parking Utility	-	200,000	(200,000)	-100.00%
Debt Service	19,423,098	18,694,742	728,356	3.90%
Capital programs	1,420,000	1,934,888	(514,888)	-26.61%
RUT	3,285,826	3,235,520	50,306	1.55%
<b>Total Appropriations</b>	<b>94,989,090</b>	<b>95,135,182</b>	<b>(146,092)</b>	<b>-0.15%</b>



The Salary increases in public safety is 3.05% and the increases in civilian employees including public works is 1.82% for the year.

## Appropriations

The budget is a “target” type budget with appropriations established from year to year on a baseline basis, i.e., the number of employees and the compensation level is pre-determined leaving little room for changes. Given the continuing revenue loss achieving reductions is an extremely difficult task that can be accomplished only through attritions.

All our departments have been providing un-interrupted services since the beginning of the pandemic. They have adopted creative solutions in delivering the services under the covid conditions. Over the years, we have adopted aggressive refinancing measures and conservative fiscal and debt management policies that have been facilitating us in funding for major capital projects like streets, curbs, parks, playgrounds etc. without adversely impacting the budget.

Noteworthy amount of grants our departments pursue help significantly in providing targeted services. E.g., our Health Department received about \$300k for covid response in the community, \$120k for our nurses to investigate children exposed to lead. Visiting Nurses grant, MClA grant from the county and other private foundation grants help our Health Department deliver much needed services to the community without burdening the tax-payers. Similarly, police and public works pursue hundreds of thousands of grants that enhance our public safety and revitalize our infrastructure. The work on the \$2M Green-acres grant we received has just started.

### **Notable increases/reductions:**

There are 13 positions in the Fire Departments that are not getting filled in this budget. Similarly, in many departments the hiring freeze that was implemented right after the pandemic continues.

We have sufficient reserves in the snow removal account and no need to add to the reserves in 2022.

In addition to the general fund appropriations, we also manage about \$23million dollars of utility revenues and appropriations comprising of Water, Sewer and Parking Utilities



## 2022 Proposed Budget Tax Status

<b>SUMMARY OF TAX RATES</b>							<b>LEVY CHANGE PER VARIOUS ASSESSED VALUES</b>						
	Estimated		Actual		Change	%	Property Assessment	Estimated		Actual		Total Tax Change	Local Tax Change
	2022	2021	2022	2021				2022	2021	Total Tax	Local Tax		
	Levy Amount	Rate	Levy Amount	Rate				Tax	Tax	Tax	Tax		
<b>COUNTY:</b>													
County Tax (General)	38,317,276.33	0.537	37,565,957.19	0.529	0.008	1.60%	100,000.00	3,305.73	813.77	3,231.00	798.00	74.73	15.77
							125,000.00	4,132.16	1,017.21	4,038.75	997.50	93.41	19.71
							150,000.00	4,958.60	1,220.65	4,846.50	1,197.00	112.10	23.65
County Open Space	1,243,460.12	0.017	1,219,078.55	0.017	0.000	2.60%	175,000.00	5,785.03	1,424.09	5,654.25	1,396.50	130.78	27.59
Total All County Levies	39,560,736.45	0.555	38,785,035.74	0.546	0.009	1.63%	200,000.00	6,611.46	1,627.53	6,462.00	1,596.00	149.46	31.53
							225,000.00	7,437.89	1,830.97	7,269.75	1,795.50	168.14	35.47
							250,000.00	8,264.33	2,034.41	8,077.50	1,995.00	186.83	39.41
<b>SCHOOLS:</b>													
Local School	127,036,541.92	1.782	123,037,813.00	1.733	0.049	2.82%	275,000.00	9,090.76	2,237.85	8,885.25	2,194.50	205.51	43.35
							300,000.00	9,917.19	2,441.30	9,693.00	2,394.00	224.19	47.30
							325,000.00	10,743.62	2,644.74	10,500.75	2,593.50	242.87	51.24
							350,000.00	11,570.06	2,848.18	11,308.50	2,793.00	261.56	55.18
School Debt Service	8,192,000.00	0.115	8,243,000.00	0.116	(0.001)	-0.94%	375,000.00	12,396.49	3,051.62	12,116.25	2,992.50	280.24	59.12
							400,000.00	13,222.92	3,255.06	12,924.00	3,192.00	298.92	63.06
							425,000.00	14,049.35	3,458.50	13,731.75	3,391.50	317.60	67.00
							450,000.00	14,875.79	3,661.94	14,539.50	3,591.00	336.29	70.94
<b>SPECIAL DISTRICTS:</b>													
Special District Tax	953,583.00		665,760.00		-		475,000.00	15,702.22	3,865.39	15,347.25	3,790.50	354.97	74.89
							500,000.00	16,528.65	4,068.83	16,155.00	3,990.00	373.65	78.83
<b>LOCAL PURPOSE TAX</b>	<b>58,014,756.06</b>	<b>0.814</b>	<b>56,694,090.58</b>	<b>0.798</b>	<b>0.016</b>	<b>1.98%</b>	632,000.00	20,892.21	5,143.00	20,419.92	5,043.36	472.29	99.64
Municipal Library	2,867,267.00	0.040	2,680,151.51	0.038	0.002	5.84%	750,000.00	24,792.98	6,103.24	24,232.50	5,985.00	560.48	118.24
							1,000,000.00	33,057.30	8,137.65	32,310.00	7,980.00	747.30	157.65
							1,250,000.00	41,321.63	10,172.07	40,387.50	9,975.00	934.13	197.07
<b>TOTAL ALL LEVIES</b>	<b>236,624,884.44</b>	<b>3.306</b>	<b>230,105,850.83</b>	<b>3.231</b>	<b>0.07473</b>	<b>0.023129</b>	1,500,000.00	49,585.95	12,206.48	48,465.00	11,970.00	1,120.95	236.48
<b>NET VALUATION TAXABLE</b>	<b>7,129,175,489</b>		<b>7,101,614,300</b>										

Note: County and School numbers for 2022 are for illustrative purposes only



## WATER UTILITY BUDGET

<b><u>Revenues</u></b>	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Surplus Anticipated	1,592,153.50	1,700,000.00	(107,846.50)	-6.34%
Water Rents	7,900,000.00	7,000,000.00	900,000.00	12.86%
Miscellaneous Revenues	150,000.00	146,956.18	3,043.82	2.07%
<b>Total Revenues</b>	<b>9,642,153.50</b>	<b>8,846,956.18</b>	<b>795,197.32</b>	<b>8.99%</b>
<b><u>Appropriations</u></b>	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Salaries & Wages	1,485,139.77	1,350,519.79	134,619.98	9.97%
Other Expenses	2,249,013.73	2,175,350.00	73,663.73	3.39%
Purchased Water	1,900,000.00	1,880,000.00	20,000.00	1.06%
Capital Improvements	2,600,000.00	1,800,000.00	800,000.00	44.44%
Debt Service	1,083,000.00	1,350,000.00	(267,000.00)	-20%
Statutory Exp - Pension, FICA etc.	325,000.00	291,086.39	33,913.61	12%
<b>Total Appropriations</b>	<b>9,642,153.50</b>	<b>8,846,956.18</b>	<b>795,197.32</b>	<b>8.99%</b>

Significant item in the water utility budget is Capital improvements. Budget is funding \$2.6M towards Backup pump and drive at WAPS, Burnside Ave Cleanup, Water meter replacements, Distribution improvements and security upgrades.

## SEWER UTILITY BUDGET

<b><u>Revenues</u></b>	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Surplus Anticipated	1,000,000.00	1,392,000.00	(392,000.00)	-28.16%
Sewer Rents	7,800,000.00	7,000,000.00	800,000.00	11.43%
Miscellaneous	140,000.00	105,309.99	34,690.01	32.94%
Sewer Flow Usage Fees: Reservoir Ridge condo	17,000.00	17,000.00	-	0.00%
Sewer Flow Usage Fees: Township of Glen Ridge	50,000.00	52,000.00	(2,000.00)	-3.85%
<b>Total Revenues</b>	<b>9,007,000.00</b>	<b>8,566,309.99</b>	<b>440,690.01</b>	<b>5.14%</b>
<b><u>Appropriations</u></b>	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Salaries & Wages	944,665.19	934,805.44	9,859.75	1.05%
Other Expenses	730,007.78	696,240.00	33,767.78	4.85%
Passaic Valley Sewer Commission	4,800,000.00	4,500,000.00	300,000.00	6.67%
Third River Sewer	5,000.00	5,000.00	-	0.00%
Second River Sewer	95,000.00	65,000.00	30,000.00	46.15%
Capital Improvements	2,100,000.00	2,035,000.00	65,000.00	3.19%
Debt Service	127,000.00	135,000.00	(8,000.00)	-5.93%
Statutory Exp - Pension, FICA etc.	205,327.03	195,264.55	10,062.48	5.15%
<b>Total Appropriations</b>	<b>9,007,000.00</b>	<b>8,566,309.99</b>	<b>440,690.01</b>	<b>5.14%</b>

In the Sewer Utility budget also, the significant item is the funding for capital improvements. We are funding \$2.1M towards lining of sanitary pipes, manhole rehabilitation and purchase of flusher truck.

## PARKING UTILITY BUDGET

<b><u>Revenues</u></b>	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Surplus Anticipated	802,660.54	1,500,000.00	(697,339.46)	-46.49%
Miscellaneous	275,000.00	268,062.51	6,937.49	2.59%
Meter Fees	1,000,000.00	720,000.00	280,000.00	38.89%
Permit Fees	1,500,000.00	1,151,000.00	349,000.00	30.32%
Transient	620,000.00	350,000.00	270,000.00	77.14%
PATS Revenue	100,000.00	75,000.00	25,000.00	33.33%
<b>ARP Funds - Revenue Loss</b>	<b>818,219.07</b>		<b>818,219.07</b>	
Deficit (General Budget)		200,000.00	(200,000.00)	-100.00%
<b>Total Revenues</b>	<b>5,115,879.61</b>	<b>4,264,062.51</b>	<b>851,817.10</b>	<b>19.98%</b>
<b><u>Appropriations</u></b>	<b>2022</b>	<b>2021</b>	<b>Change</b>	<b>% Change</b>
Salaries & Wages	1,193,987.66	988,876.78	205,110.88	20.74%
Other Expenses	1,906,475.17	1,459,557.00	446,918.17	30.62%
Reserve for Midtown Deck		600,000.00	(600,000.00)	-100.00%
Capital Improvements	760,000.00		760,000.00	
Debt Service	1,015,000.00	1,014,000.00	1,000.00	0.10%
Statutory Exp - Pension, FICA etc.	240,416.78	201,628.73	38,788.05	19.24%
<b>Total Appropriations</b>	<b>5,115,879.61</b>	<b>4,264,062.51</b>	<b>851,817.10</b>	<b>19.98%</b>

Funds are allocated for led lighting and blue light camera security at the decks, purchase of meters and pay stations, purchase of vehicles and items for the mid-town deck.

**2022 Budget Impact - Outstanding Debt Reduction**

Beginning Debt Balance (Highest Level)-2011 YE	\$223,000,000
Debt at YE 2016	\$178,000,000
Debt at YE 2017	\$172,000,000
Debt at YE 2018	\$168,441,000
Debt at YE 2019	\$164,700,000
Debt at YE 2020	\$157,586,000
Debt at YE 2021	\$147,731,370
Target at YE 2022	\$145,000,000

### **Goals 2022 and beyond...**

- Continue investing in capital infrastructure and facilities: roads, parks, parking infrastructure, sewer and water lines while continuing to reduce debt.
- Keep service level increases to the minimum while continuing to provide the excellent levels of services to the residents.
- Continue the policies to develop the local economy thereby expanding the ratable base.
- Build back the reserves once the pandemic is over.