

Budgeting in the Municipal World

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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

Division of Local Government Services

WHO AND WHAT THEY ARE

Department of Community Affairs Division of Local Government Services (DLGS)

- Timothy Cunningham serves as the Director of the Division
- The Division of Local Government Services:
 - Provides technical and financial assistance in budgeting, financial reporting, joint services, purchasing, and management issues
 - Most importantly, however, they are responsible for the financial integrity of all local government units
 - They review and approve all municipal, county and fire district budgets and review many local government financial actions and also govern and guide the conduct of local government officials
- Internal Organization of the DLGS:
 - Hardcore Financial Regulation and Assistance
 - Other Services / Local Management Services and Regulation
- Regularly issues Local Finance Notices as guidance to local government on current issues

Local Finance Board

- Within the DLGS is the Local Finance Board
- Comprised of 7 Members in addition to the Chair
 - The Director of the DLGS is the Ex-Officio Chair of the Board
- Created in conjunction with the Local Government Supervision Act of 1947
- Promulgates rules and regulations for local finance
- Conducts hearings for a wide variety of issues ranging from extensions of credit for municipalities that want to exceed their debt threshold to approving the formation of a new local authority or utility

Reason DLGS takes an Active Role in Local Budgeting

- There is diversity in local government budgeting competence: some excellent, vast majority acceptable, some... ehhhhhhhhh
- Bankruptcy/default impacts bad officials and innocent constituents, and other communities when investor confidence in region declines
- New Jersey recognizes the need to protect innocents and others from bad actors

Role of the State of New Jersey: Four Main Components

UNLIKE OTHER STATES (CALIFORNIA, ETC)

1. Laws, LFB, DLGS and tradition maintain a system that make serious fiscal distress rare
2. When serious distress rears its head, State system prevents bankruptcy or default
3. NJ intervenes aggressively to restore stability
4. State implements reforms to reduce local spending pressures in all communities

Budgeting in the Municipal World

WHAT EVERY ELECTED OFFICIAL SHOULD KNOW

The World Around Us

Best Practices
Revenue Loss
Accountability
Increased Fiscal Oversight!
Transparency
Municipal Consolidation!
Do more with Less!

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

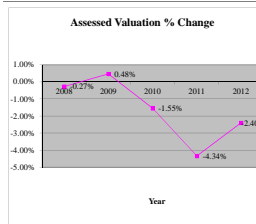
- Establishing and Maintaining Emergency Reserves
 - Super Storm Sandy
 - October Snow Storm
 - Hurricane Irene
 - Unusual or Excessive Snow Events
- Fund Balance Levels
- Reserve for Tax Appeals
- Accumulated Absences Trust Fund
- Reserve for Litigation
- Snow Emergency Trust Fund

Past

Historical View

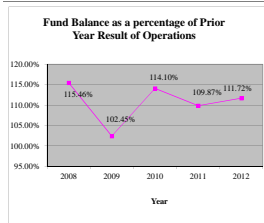
- Knowing where you have been should be the foundation for any budget
- Financial Tools Available
 - Financial Trends Analysis – Developed by the GFOA of NJ for its members
 - Historical Tax Rate
 - Historical State Aid Revenue – “Replacement Revenue”
 - Tax Appeal Trends
 - Fund Balance Trends
- Other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

Assessed Valuation % Change



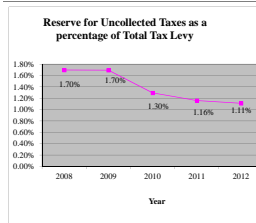
This indicator is a measure of how well a community is able to manage its tax levy cap. Growth in the range of 3% or higher would enable a community to manage its tax burden along with budget growth. It will require significant management going forward as we see the impacts of property value growth slow down and tax appeals increase.

Fund Balance as a % of Prior Year Result of Operations



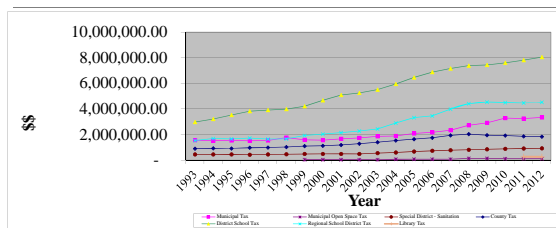
This indicator is used to measure how responsibly Fund Balance is being utilized. Fund Balance as a % of Prior Year Operations should be less than 100%. Utilization rates greater than 100% may be an indication that the dependence on Fund Balance may not be reasonable. Usage of greater than 100%, when monitored and planned for, is acceptable as long as the dependence is not permanent.

Reserve for Uncollected Taxes as a % of Total Tax Levy

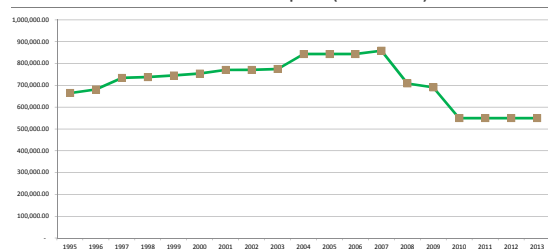


This indicator is used to measure whether the Reserve for Uncollected Taxes Account is maintained at a constant in relation to the total tax levy. A decreasing trend may indicate that the account is being underfunded. The ideal position would be to have this account remain level from year to year. An 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)



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

Budget Timeline



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

User Friendly Budget

- NISA 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 will be 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

User Friendly Budget

- UFB 1 – Tax Impact (Tax Rate Calculation)
- UFB 2 – Anticipated Revenue Summary
- UFB 3 – Appropriations Summary
- UFB 4 – Structural Budget Imbalances
- UFB 5 – Tax Assessments
- UFB 6 – Tax Abatements
- UFB 7 – Personnel Costs
- UFB 8 – Health Benefits
- UFB 9 – Accumulated Absence Liability
- UFB 10 – Debt
- UFB 11 – Shared Services

Future

HAVING A GOOD CRYSTAL BALL HELPS WITH THIS

Looking Ahead

- Fund Balance Forecasting
- Operations Schedule
- Budget Projections

5 Year Budget Projections

Account Name	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES								
General Fund	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000	1,350,000
State Grants	500,000	510,000	520,000	530,000	540,000	550,000	560,000	570,000
Federal Grants	200,000	210,000	220,000	230,000	240,000	250,000	260,000	270,000
Local Grants	100,000	105,000	110,000	115,000	120,000	125,000	130,000	135,000
Other Revenues	100,000	105,000	110,000	115,000	120,000	125,000	130,000	135,000
Total Revenues	1,900,000	1,980,000	2,060,000	2,140,000	2,220,000	2,300,000	2,380,000	2,460,000
EXPENDITURES								
Personnel	800,000	820,000	840,000	860,000	880,000	900,000	920,000	940,000
Materials	100,000	105,000	110,000	115,000	120,000	125,000	130,000	135,000
Travel	50,000	55,000	60,000	65,000	70,000	75,000	80,000	85,000
Utilities	100,000	105,000	110,000	115,000	120,000	125,000	130,000	135,000
Depreciation	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000
Other Expenses	150,000	155,000	160,000	165,000	170,000	175,000	180,000	185,000
Total Expenditures	1,350,000	1,390,000	1,430,000	1,470,000	1,510,000	1,550,000	1,590,000	1,630,000
Surplus	550,000	590,000	630,000	670,000	710,000	750,000	790,000	830,000

Recap

- Role of DLGS and the LFB
- Budgeting in the Past, Present & Future

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

-James A. Baldwin

Questions

