

MOUNTAIN LAKES, NJ FINANCIAL ADVISORY COMMITTEE

MEETING MINUTES

20 JANUARY 2022

Attendees

- Kaplan, Chairman
- Stern, Borough Manager
- Goscicki, CFO
- Albanese
- Barnett, Borough Council
- Dewing
- Happer, Borough Council
- Richter, Borough Council
- Murphy (minutes)

Agenda

1. Approval of January 12 minutes. Minutes for current meeting - J. Murphy.
2. Continue budget review: Current, Water and Sewer.
 - Review fund balance forecast.
 - Evaluate size of Surplus Anticipated.
 - Evaluate size of appropriation for Reserve for Tax Appeals.
3. Determine timing for annual meeting with J. Mooney, Nisivoccia (February 23?).
4. Other business.
5. Next meeting: February 2 at 7:30pm, Zoom. Minutes -M. Albanese.

Meeting Minutes

1. Review of prior meeting minutes (1-12-2022, Happer). Approved.
2. Police Budget - Stern updated FAC on the status of current police vehicles under lease (none currently). An overview of the fleet management is pending.
3. Water Utility fund balance of \$60,000 related to Enclave connection fees will not be transferred to Current Fund until after new water meter installations are complete.
4. Volunteer Ambulance Squad Donation - to be discussed by borough council.
5. EDAC consultant fee to be removed from the budget for this year.
6. Budget for Litigation legal support to be reviewed.
7. American Rescue Plan funds - discussion of possible uses for funds. Funds have to be obligated by the end of 2023 and spent by the end of 2025. Half of the money has been received and the second half will be delivered in 2022. Total funding of approximately \$415,000. Some of the grant money has been allocated for police body cameras. High level guidance for allowable fund use includes water infrastructure and stormwater management, broadband services, COVID-related safety upgrades, amongst other items. A dedicated conversation on this topic to be scheduled.
8. Unused Fund Balance (“UFB”) discussion. Unused Fund Balance target range is 5% to 7.5% of total appropriations. Currently the UFB is 11%, which is above the target range. The current budget for 2022 is forecast to yield a UFB of ~22% by the end of the year.

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- a. Within the current UFB there is \$250,000 from the Enclave Developer's Agreement which can be used by the Borough to offset costs related to the impact of the development on Borough equipment, services or infrastructure. Possible use would be to pay for a portion of a new fire truck.
 - b. Ongoing evaluation for use of fund balance to reduce taxes and mitigate anticipated and unanticipated future expense increases, e.g., new solid waste and PBA contracts
9. Long-term contracts pending renewal include solid waste and police union. Both contracts could be for 5 years and may be subject to a material increase of costs.
10. Reserve for tax appeals, current balance is ~\$300,000 with a target of \$250,000. Preliminary budget recommendation calls for contributing \$200,000 to the reserve. FAC recommended adding no more than \$100,000 to this account. Excess reserve balance could be returned to fund balance in the future.
 - a. Two tax appeals likely to be settled in the near-term.
 - b. A backlog of appeals remains to be settled. Some of these appeals have and will take years to be resolved.
 - c. The move to annual tax reassessments will likely reduce future tax appeals.
11. Reserve for Uncollected Taxes ("RUT"): The current target is 4.5% of expected tax collection. For the last 10 years, the tax collection rate has been approximately 98.5%. M. Goscicki suggested we consider changing the policy to a trailing uncollected tax rate less 2%. FAC agreed to revisit this topic after the long-term contracts mentioned above are settled and discussing the policy with our auditors. The current RUT and UFB policy resolution was established in March 2017 ensuring a disciplined annual review of reserves and fund balance in the context of budgetary requirements, retaining sufficient uncommitted funds to manage future unforeseen expenditures and mitigating volatility in tax rates.
12. Water Budget for 2022: \$932,400 including surplus anticipated of \$72,400. Budgeting an increase in revenue of 4.2%. Budgeted costs of \$932,400 which is an increase of 4.2%. The three largest cost increases are for water meter maintenance of \$17,500; \$8,700 in debt service for funding the new water meters to be installed throughout the borough; and \$14,200 for group health benefits offset by a reduction of electricity costs for water pumping of \$13,000. Water surplus balance is \$398,000 and is expected to end the year at \$325,000. Surplus includes \$60,000 of connection fees related to the Enclave which will be held in the water fund balance until the new water meter installation is complete. Any balance is expected to be transferred to the Current Fund in 2023.
13. Sewer Budget for 2022: \$922,900 including surplus anticipated of \$88,900. Budgeting an additional \$25,600 in surplus anticipated to cover the 2.9% budget increase. The amount raised by rent is flat with 2021. Budgeted expenses of \$922,900 which is an increase of \$25,600 or 2.9%. Group health benefits is budgeted to increase \$9,500 or 32% and Parsippany sewer charges is budgeted to increase \$9,900 or 2%. Sewer surplus balance is \$405,000 and is expected to end the year at \$216,000 net of surplus anticipated in 2022 revenue and a \$100,000 transfer of connections fees related to the Enclave.

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14. Meeting with auditor - targeting the May 2022 meeting.
15. Next meeting Wednesday, 2 February at 7:30pm. Subsequent meeting on Wednesday, 2 March at 7:30pm to review the capital budget including the long range (10 year) forecast.