

**Finance Advisory Committee**  
**Minutes – 1/31/2023**

Attendees: Mike Albanese, Lauren Barnett (minutes), Bob Dewing, Monica Goscicki, John Kaplan, Jim Murphy, Chris Richter, Khizar Sheikh and Mitchell Stern

1. Approval of 1/18/23 minutes deferred until 2/15/23 meeting
2. Review of second draft of 2023 Current Budget, provided by M. Stern and M. Goscicki
  - Version 2 of budget calls for:
    - Tax Rate decrease of  $-\$0.0033$  (-0.63%), from  $\$0.52798$  (per  $\$100$  assessed property value) in 2022 to  $\$0.52464$  (per  $\$100$  assessed property value) in 2023
    - Total Budget increase of  $\$746K$  (+7.53%) from 9,905,586 in 2022 to 10,651,689 in 2023
    - Amount to Be Raised by Taxation increase of  $\$660K$  (+9.8%) from 6,752,339 in 2022 to 7,412,702 in 2023
  - The Amount to Be Raised by Taxation increase is largely driven by non-discretionary expenditure line items, including Solid Waste contract ( $\$368K$  increase) and Group Health Insurance ( $\$144K$  increase); and the elimination of the Borough's Green Bag Program ( $\$163K$  net revenue decrease)
  - Given significant increases in non-discretionary line items, FAC encouraged thoughtful review of discretionary spending increases by Manager and Council
3. Total Property Valuation and Communications regarding Budget
  - 2023 Total Property Valuation increased  $\$134,020,500$  (+10.47%) YTY from  $\$1,278,893,400$  in 2022 to  $\$1,412,913,900$  in 2023
  - Primary driver for increased valuation is higher market valuations
  - The Assessed Value of the Average Residential Property increased  $\$81,300$  (+10.08%) YTY from  $\$806,500$  in 2022 to  $\$887,800$  in 2023
  - FAC councilmembers (L. Barnett, C. Richter and K. Sheikh) who attended meeting with Tax Assessor reported on discussion to track/report metrics related to YTY changes in Property Valuation – what % coming from new rateables vs. improvements vs. market increases/decreases; average home values, etc.
  - With the Borough's new annual reassessment program, there are more YTY changes impacting property taxes – FAC agreed that additional metrics and explanation of factors driving tax bills will be helpful in providing taxpayers with a more complete understanding of the annual budget and taxpayer impact
4. Review of 2023 Water Budget, provided by M. Stern and M. Goscicki
  - First draft of 2023 Water Budget calls for Total Budget increase of  $\$71,421$  (+7.81%) from 914,841 in 2022 to 986,262 in 2023
  - Total Budget increase largely driven by  $\$22,119$  increase in Water Operating S&W (primarily due to increased allocation of administrative time due to water meter replacement and lead line replacement projects), and  $\$39,492$  in Group Health Benefits line item (in part due to fact that future new hire for Water Dept may choose a family plan)
  - Current Water Surplus is  $\$511K$
  - FAC recommendation to take a close look at this surplus later this year (Late Summer/Fall) after new water meters are installed and when new rates are being discussed

5. Review of 2023 Sewer Budget, provided by M. Stern and M. Goscicki
  - First draft of 2023 Sewer Budget calls for Total Budget increase of \$38,177 (+3.77%) from 1,011,547 in 2022 to 1,049,724 in 2023
  - Total Budget increase primarily driven by \$12,326 increase in Group Health Benefits and \$15,165 increase in Parsippany Sewer Charges. (Final charges not yet received from Parsippany)
  - Current Fund Balance of \$212K
  - M. Goscicki to follow up on timing of move to flat rate sewer billing
  
6. Discussion of RUT
  - FAC reviewed modelling of RUT and historical factors driving surplus provided by J. Kaplan, concluding that it would be a good annual practice to analyze how RUT and Surplus Anticipated match up. Keeping RUT and Anticipated Surplus at the same level may make sense, with the understanding that efforts to increase/decrease surplus and other variables may come into play in any given year.
  - FAC recommends revising the Borough's RUT policy, increasing RUT to 96.50% from its current level of 95.5%. FAC has been discussing this recommendation for the last year, deciding to wait until 2023 to make a final recommendation when the impact of new long-term solid waste and employee contracts could be determined. FAC's recommendation is based on historic collection rates over the last 34 years averaging 98.5%, with a low of 95.5% in 1993 and a high of 99.5% in 2005. Aside from the 95.5% low in 1993, the next lowest collection year was 97.3% in 1991. As discussed at prior meetings, FAC agreed that RUT policy should be completely independent of the budget process.
  
7. Discussion of Fund Balance (Surplus)
  - In conjunction with the proposed 96.5% RUT recommendation, FAC recommends revising the Target for Unused Fund Balance to 7.5% - 10% of the current annual operating budget (from the existing policy of 5.0% - 7.5%).
  - FAC continued its discussions of Fund Balance and a thoughtful approach for reducing the current Surplus. Fund Balance at year-end 2022 was approximately \$4.2M.
  - The preliminary FAC recommendation is to return approximately \$2M of the existing surplus to taxpayers over the next 5+ years by off-setting one-time expenses in the Current Budget, tax appeal settlements, and capital budget items with shorter-term useful lives. The amount of surplus to be returned to taxpayers should be re-examined each year as balances change. One capital item in the 2023 budget discussed as a candidate for use of surplus is the Fire Dept Vehicle line item, potentially by earmarking \$250k from the Enclave Developers Agreement (2021) and/or \$100k from Enclave sewer hook ups (transferred to Current fund from the Sewer Utility Fund in 2022).
  
8. Next meeting: February 15 at 7:00pm, Zoom. Minutes – C. Richter

To Dos:

- 4th Quarter budget and trust account review, 2/15 meeting – M. Goscicki.
- Proposed 2023 Capital Budget review, 2/15 meeting – M. Stern
- Discuss RUT and Fund Balance recommendations – Borough Council
- Review update from Tax Assessor on tax appeal exposure, after 2/27 Council meeting – M. Stern
- Updated bond model discussion in conjunction w/ 2023 capital budget and long-term capital plan
- Follow up on timing of move to flat rate sewer billing – M. Goscicki
- Review Water Surplus after new meters are installed and new rates are being discussed, late Summer/Fall 2023