

Finance Advisory Committee
Minutes – 2/15/2023

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

Absent: Dewing

- Meeting minutes unanimously approved for the 1/18/23 and 1/31/23 meetings.
- Committee discussed the Q4 budget review and trust account summary.
 - Agreed to review reserve for tax appeals after tax assessor updates Borough Council at the end of March .
 - Discussed the unused Reserve for Salary adjustments.
 - Discussed the increased asphalt costs and the exceedance of the 2022 capital ordinance. Overage can be absorbed by open public works paving and curbing ordinances.
- Review of third draft of 2023 Current Budget, provided by M. Stern and M. Goscicki
 - Version 3 of budget calls for RUT at 96.5% and Anticipated Surplus of \$1,500,000
 - Tax Rate decrease of $-\$0.0299$ (-5.66%), from $\$0.52798$ (per \$100 assessed property value) in 2022 to $\$0.49811$ (per \$100 assessed property value) in 2023
 - Total Budget increase of $\$386,668.83(+3.90)$ from 9,905,586 in 2022 to $\$10,292,255.07$ in 2023
 - Amount to Be Raised by Taxation increase of $\$285,556.42 (+4.23\%)$ from $\$6,752,339$ in 2022 to $\$7,037,895.25$ in 2023
 - Given significant increases in non-discretionary line items, FAC, again, encouraged thoughtful review of discretionary spending increases by Manager and Council
 - Discussed using \$100 of assessed property value versus a home valued at \$800,000 as a comparison for the tax impact on the taxpayers. It was agreed that that regardless of the comparison, a more detailed explanation would be conveyed to the taxpayers.
- Review of the latest version of the Water and Sewer budget
 - There were no changes to the water budget
 - Discussed the $\$127,594$ reduction of the Parsippany sewer fees from $\$606,594$ in 2022 to $\$479,000$ in 2023. The reduction should help sewer fund balance. Monica indicated we should have better communications with Parsippany and more clarity for the budget moving forward.
 - Discussed timing of going to a flat sewer billing rate. Mitchell Stern advised it would be implemented after the 2nd or 3rd quarter 2023 billing.
- Review of Resolution 88-17 (RUT and Unused Fund Balance Policy)
 - Agreed an annual review of the RUT and Unused Fund balance is required by FAC and Council and is currently being done with the present FAC and Council members.
 - FAC to prepare a checklist of annual review items that can serve as a policy manual for future FAC and Council members.
- Discussion of Fund Balance (Surplus)
 - FAC continued its discussions of Fund Balance and a thoughtful approach for reducing the current Surplus. The FAC recommended applying $\$750,000$ of the current Surplus to a combination of 2023 nonrecurring general expenditure items and capital items. Specifically, the use of approximately $\$60,000$ for incremental hydro-raking needs (2023 budget is $\$100,000$ -

~\$40,000 for regular annual needs and ~\$60,000 for catch up needs), capital items with useful lives less than 5-years (amount to be determined) and the balance as partial payment for the new fire truck purchase. It was discussed that “one off” capital projects have become yearly events and that Fund Balance in excess of target levels could be used to partially fund these capital projects to reduce the Borough’s future debt burden.

- Future tax appeals may impact the decision of using the Fund Balance to fund capital projects in future years.
- The \$255,230 difference between the 2023 RUT (\$1,244,770) and Surplus Anticipated (\$1,500,000) in version 3 of the budget in addition to the FAC’s recommendation to add an additional \$750,000 to Surplus Anticipated for use as noted above will reduce Fund Balance at the end of 2023. Other factors, such as 2023 MRNA and 2021 unexpended balances lapsing will offset some of this reduction.
- 2023 Capital Budget Review
 - Reviewed the 2023 Capital Budget line items. Discussed the \$800,000 line item for the Station renovations and that it is anticipated that 100% of the costs will be funded thru grants from the State and County.
- BAN Funding and Timing of capital projects
 - Discussed the present capital ordinances and spending schedule. It was determined that the BAN funding for 2022’s capital ordinances should occur in May/June of 2023. Some 2023 capital ordinances may also be included. Monica stated we will require 6 weeks of lead time to obtain the BAN funding.
- Next meeting: April 4th at 7:00pm, Zoom. Minutes – B. Dewing

To Dos:

- Review update from Tax Assessor on tax appeal exposure, after 2/27 Council meeting – M. Stern
- Update and distribute Surplus Account / Fund Balance Forecast analysis ahead of April meeting. – M. Goscicki
- Updated bond model/debt level discussion in conjunction w/ 2023 capital budget and long-term capital plan. To be presented to Council by FAC after budget adoption.
- 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
- Prepare draft of FAC checklist – J. Kaplan