

BOROUGH OF MOUNTAIN LAKES, NJ

FINANCE ADVISORY COMMITTEE

7 JUNE 2023

Agenda:

1. Approval of May 3 minutes. Minutes for current meeting – J. Murphy.
2. 2022 Audit Review with J. Mooney at Nisivoccia.
3. Borough debt capacity discussion including potential rating agency perspective (B. Dewing).
4. BAN financing timing update.
5. Other business.
6. Next meeting: Wednesday, July 26 or TBD at 7:00pm, Zoom. Minutes – M. Albanese

To Dos:

- Recommendations for reserve replenishment and/or increases if there is any new update from tax assessor – M. Stern, M. Goscicki.
- Review Water and Sewer fund balance – September Meeting.
- Update and distribute Surplus Account / Fund Balance Forecast analysis for November Meeting – M. Goscicki.
- Timing for move to flat rate sewer billing (2024).

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Present: Barnett, Kaplan, Richter, Albanese, Murphy (Secretary for meeting), Stern (Borough Manager), Goscicki (Borough CFO)
Absent: Sheikh and Dewing

Notes:

- 2022 Audit Review with John Mooney at Nisivoccia
 - Field work undertaken March 2023
 - Report completed in mid-May 2023
 - Current Fund: Main focus of the audit. Unused fund balance at the end of each of the last three fiscal years (2020, 2021 & 2022) \$2.4 million, \$3.5 million and \$4.1 million. The largest driver of the increase was the collection of income taxes over budget (in excess of 98% collection rate). Comment from Auditor: The use of \$1.75 million of the fund balance in fiscal year 2023 Current Fund is conservative as ML should collect more than this in excess tax collection in 2023.
 - Discussion with auditor regarding a change in ML's reserve for uncollected taxes ("RUT") policy adopted in 2023.
 - General discussion with the auditor regarding concerns for fiscal year 2023. The prior COVID concern has been replaced with a concern for inflation and its potential impact on tax collection. Consider using surplus fund balance for one-off expenses / projects. We expect ML

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- to end 2023 at the same level of surplus fund balance. Discussion regarding unused fund balance target / policy of 7.5% to 10% of tax collections.
- Cash Balance: \$5.8 million, up from the prior year. Has ML thought about investing excess cash in short term CDs (-4.25% for 6 months)?
 - Reserve for Pending Tax Appeals: \$288,000; this is appropriate. The State of NJ expects municipalities to have a reserve for this item. ML looking to resolve outstanding tax appeals this year by using surplus fund balance.
 - Tax Payment Delinquencies: Increased modestly.
- Trust Funds: Reserve for storm recovery (\$300,000) and reserve accumulated unpaid absences (\$60,000 vs. max liability of \$90,000 as of the date of the audit) appear to be appropriate.
 - Capital: 3 improvement bonds (due 2027, 2035 and 2042). Total debt outstanding \$14.5 million. Debt limit, at 3.5% of 3-year average equalized value, of \$46.5 million. See footnote 2 to the financial statements. Excludes school district debt (just under \$20 million currently; same formula and cap of 3.5% applies).
 - Capital Improvement Fund: \$233,000 can be used to fund capital improvements or downpayments on the same. Budget for 2023 calls for additional funding of \$327,000. Of this total amount, some of the money will be used for the new firetruck and tennis court repairs.
 - Water & Sewage Fund Balances: Increased to \$511,000 (for water). Decreased to \$240,000 (for sewer). Cash and receivables increased for both the water & sewer. ML will move to a fixed rate sewer fee in 2024 and replace existing water meters throughout the borough.
 - Audit Recommendation: Segregation of duties within the finance staff. Only recommendation this year and for the last several years.
 - Audit: We did not have to make any journal entries and very few reconciliation items. The ML borough management and finance teams should be commended.
- BAN financing discussion and timetable
 - Official Statement (“OS”) required for bond and any BAN over \$1 million and 1 year in duration
 - Nisovaccia recommends a BAN and limit the funding to the fiscal year 2022 ordinance of \$992,000 in September 2023 which is consistent with FACs recommendation.
 - Proposed Next Meeting: Wednesday, 26 July at 7pm ET. Minutes - M. Albanese