

Borough of Hawthorne

2015 BUDGET PRESENTATION



Failure to Plan is Planning to Fail

Budgetary Planning

- Look Ahead Multiple Years
- Identify Budgetary Needs & Challenges
- Identify Budgetary Opportunities & Resources
- Match Resources to Needs

Budgetary Planning Goals

- Maintain Services
- Stability in Tax Rates
- Meet Both Expected and Unexpected Challenges
- Good Bond Rating – Lower Borrowing Costs

Surplus

| | 2012 | 2013 | 2014 | 2015 |
|------------------------|-------------|-------------|-------------|-------------|
| Surplus Used in Budget | \$1,441,300 | \$1,402,500 | \$1,595,000 | \$1,941,000 |
| Regenerated | \$1,444,000 | \$1,869,710 | \$1,908,743 | ??? |

Hawthorne consciously budgets to regenerate the amount of surplus we use as a budget revenue, so that the practice is sustainable

2015 Cost Increases

- \$218,000 Salaries (contractual increases)
- \$113,000 Pensions & Benefits
- \$ 71,000 P.V.S.C.
- \$ 40,000 Reserve for Uncollected Taxes

Benefit of Healthy Surplus

A healthy fund balance allows a municipality to:

- Maintain a good bond rating
- Have adequate cash-flow during the year
- Fund one-time costs without raising taxes
- Survive economic down-turns

Use of Surplus 2015

- \$1,250,000 General Operations (unchanged)
- \$ 400,000 Reserve for Tax Appeals
- \$ 75,000 Master Plan, Housing Element &
Zoning Ordinance
- \$ 90,000 Finance Software
- \$ 104,500 Building Improvements/Equipment
Purchases
- \$ 21,500 2014 Emergency Appropriation

Debt Management

Funds from canceling old capital ordinances used as revenue to minimize tax impact.

| | 2014 | 2015 | 2016 | 2017 |
|---------------------------|-------------|-------------|-------------|-------------|
| Debt Service | 2,193,747 | 2,079,141 | 1,885,446 | 2,217,281 |
| Reserve/Payment of Debt | 275,000 | 190,000 | 0 | 335,000 |
| Net Budget | 1,918,747 | 1,889,141 | 1,885,446 | 1,882,281 |
| Change from previous year | | -29,606 | -3,695 | -3,165 |

Capital Budget

- \$740,000 Road Improvements
- \$250,000 Braen Avenue Improvements
(NJDOT grant funding)
- \$200,000 Acquisition of DPW Equipment
- \$250,000 Refurbish Fire Engine Co. 3
- \$750,000 DPW Garage & Truck Wash
- \$100,000 Pool Improvements (if needed)
- \$ 60,000 Resurface Roller Hockey Rink

Four-Year Budget Projection

| | 2015 | 2016 | 2017 | 2018 |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| Total Budget | 20,799,042 | 20,524,694 | 21,328,624 | 21,830,155 |
| Tax Levy | 14,558,222 | 15,087,116 | 15,507,746 | 15,922,977 |
| Tax Rate | 1.192 | 1.239 | 1.274 | 1.306 |
| Increase | 1.93% | 3.94% | 2.79% | 2.57% |

Ratables

- Loss in ratables .12%, or \$1,521,211. from 2014 to 2015 due to tax appeals.
- Minimal new construction for 2015.
- Expect further reduction for 2016 due to tax appeals.
- Expect growth by 2017 due to construction of approved projects.

Union Contracts

- PBA contracts settled for 2015-2018; 1.7% per year.
- Goal is to settle Blue and White Collar contracts for similar amounts.
- All employees have been contributing more each year for medical benefits through this year.

Bottom Line

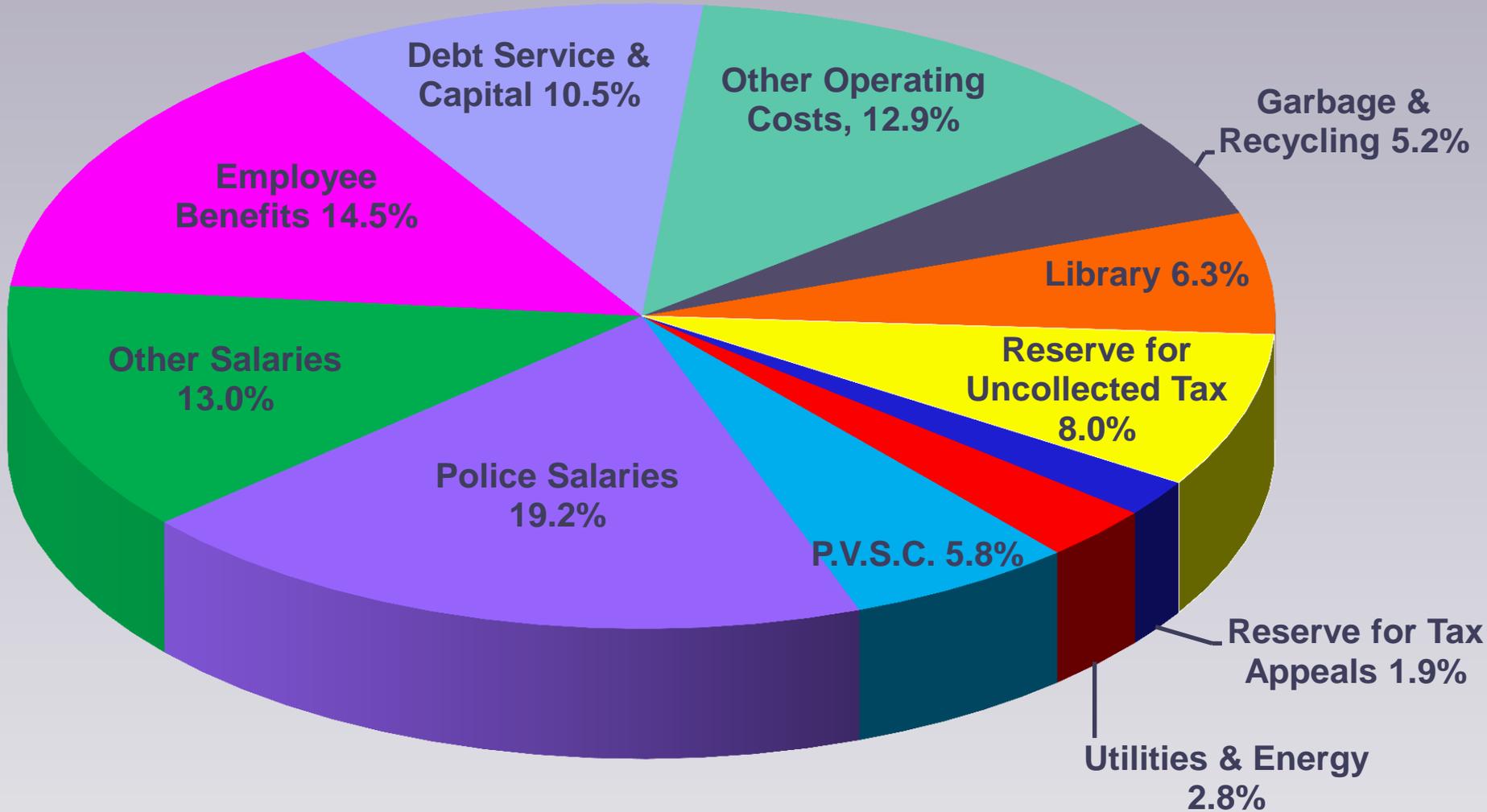
- Budget up \$691,000, or 3.4%
- Tax Levy up \$258,000, or 1.8%
 - Within Tax Levy Cap restriction. \$79,000 in unused Cap from 2012 will lapse. \$102,000 unused from 2013 remains banked; \$223,000 added to the bank this year.
- Tax Rate up 2.26 cents per \$100 Assessed Valuation, or 1.93%

Water Utility

Water fees cover all expenditures

Total budget is \$3,071,193.

2015 Budget Appropriations



Services Funded From Municipal Taxes

- Police
- Library
- Garbage, Recycling, Leaf Pick-up
- Sewer Service
- Road Maintenance
 - Cleaning * Snow Plowing * Traffic Lights *
Street Lights
- Fire and Ambulance Service
 - Budget Supports Volunteer Services
- Recreation
- Shade Tree
- Code Enforcement
- Court

Municipal Tax Bill for the Average Home Assessed at \$182,000
Per Year: \$2,169 Per Month: \$181

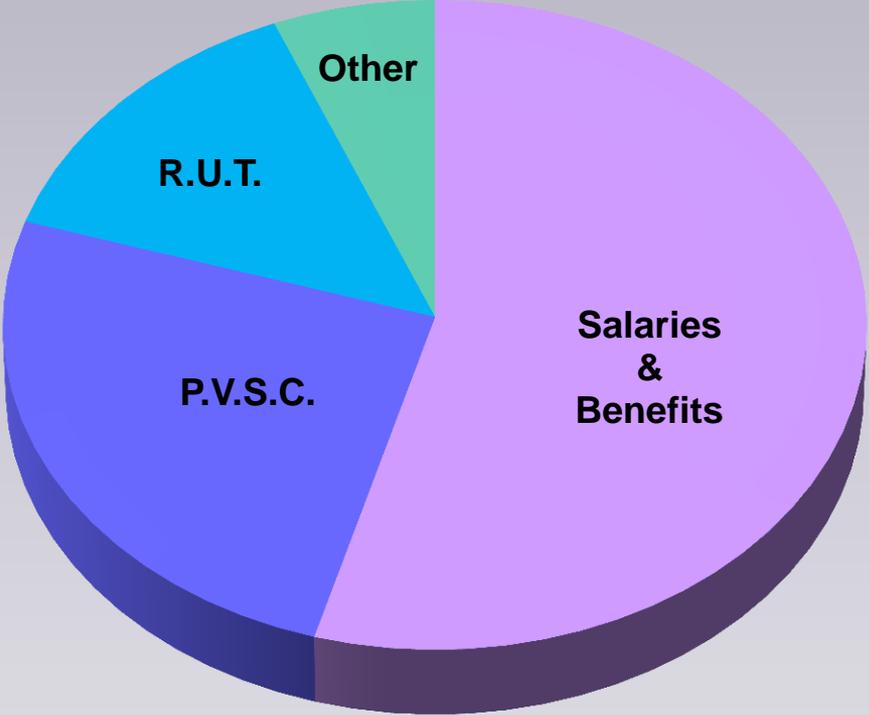
Municipal Tax Impact

\$ Increase for the Average Home
Assessed at \$182,000
= \$41
or 1.93%

\$ Increase per each \$100,000 of
Assessed Value
= \$23

Factors Driving 1.93% Tax Increase

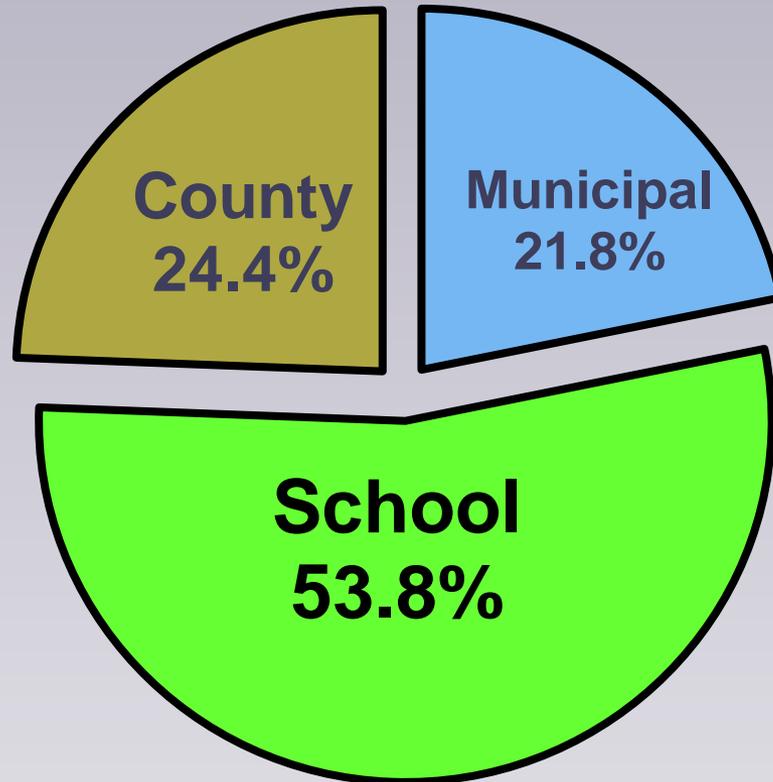
| | |
|---------------------------------------------|--------------|
| Salaries & Benefits | 1.05% |
| P.V.S.C. | .49% |
| Reserve for Uncollected Tax (R.U.T.) | .27% |
| Other | .12% |
| TOTAL | 1.93% |



Breakdown of Average 2015 Tax Bill (Estimated)

| | |
|-------------------------------|----------------|
| School (Estimated) | \$5,349 |
| County (Estimated) | \$2,432 |
| Municipal (including Library) | \$2,169 |
| Total | \$9,950 |

Distribution of Hawthorne Property Taxes



Looking Ahead

- No apparent Cap problem for 2016
- By 2017 or 2018, Cap could be an issue
- Expired Blue and White Collar union contracts
- Expiring garbage & recycling collection contracts 3/31/2016
- Multi-year budgeting allows opportunity to address problems before they arrive

Budgets Under the 2% Tax Levy Cap

| | Tax Levy | | Assessed Values | | Tax Rate | |
|-------|------------|-------|-----------------|--------|----------|--------|
| 2010 | 13,281,059 | | 1,237,019,764 | | 1.0736 | |
| 2011 | 13,507,606 | 1.71% | 1,234,883,657 | -0.17% | 1.0938 | 1.88% |
| 2012 | 13,694,681 | 1.38% | 1,229,305,395 | -0.45% | 1.1140 | 1.85% |
| 2013 | 13,996,764 | 2.21% | 1,223,017,600 | -0.51% | 1.1445 | 2.74% |
| 2014 | 14,299,701 | 2.16% | 1,222,857,642 | -.01% | 1.1694 | 2.18% |
| 2015 | 14,558,222 | 1.81% | 1,221,336,431 | -.12% | 1.1291 | 1.93% |
| TOTAL | | 9.31% | | -1.26% | | 10.58% |

PROPER PLANNING = SUCCESS

- Conservative Fiscal Practices
- Maintain Current Services
- Live Within the 2% Tax Cap
- Plan Now for Future Budgets