

Borough of Madison
Operating Budget Document
Issued February 9, 2015



MUNICIPAL BUDGET
SUMMARY OF REVENUE AND APPROPRIATIONS

Line	REVENUE	2014	2015	INCREASE (DECREASE)	PERCENT CHANGE
1	PRIOR YR. SURPLUS-OPERATING	3,597,000	3,900,000	303,000	8.42%
2	MUNICIPAL SOURCES	3,608,000	3,920,000	312,000	8.65%
3	GENERAL CAPITAL FUND BALANCE	1,460,000	130,000	(1,330,000)	-91.10%
4	STATE AID AND GRANTS	997,357	1,007,357	10,000	1.00%
5	ELECTRIC SURPLUS - CAPITAL	1,578,000	2,870,000	1,292,000	81.88%
6	ELECTRIC SURPLUS - OPER.	4,218,000	3,363,000	(855,000)	-20.27%
7	SALE OF PROPERTY	462,000	0	(462,000)	-100.00%
8	TOTAL MUNICIPAL REVENUES	15,920,357	15,190,357	(730,000)	-4.59%
9	PROPERTY TAXES	13,637,389	13,842,373	204,984	1.50%
10	TOTAL REVENUES	29,557,746	29,032,730	(525,016)	-1.78%
APPROPRIATIONS					
11	SALARIES & WAGES	9,909,774	9,984,082	74,308	0.75%
12	HEALTH INSURANCE (NET)	1,889,000	1,814,000	(75,000)	-3.97%
13	PENSION & SOCIAL SECURITY	1,663,000	1,725,000	62,000	3.73%
14	SUB-TOTAL	13,461,774	13,523,082	61,308	0.46%
15	UNEMPLOYMENT INSURANCE	50,000	50,000	0	0.00%
16	LEGAL	210,000	210,000	0	0.00%
17	DEPARTMENT OPERATING EXP.	2,757,843	2,843,312	85,469	3.10%
18	UTILITIES	787,000	787,000	0	0.00%
19	WASTE REMOVAL	1,590,600	1,608,600	18,000	1.13%
20	LIABILITY INSURANCE	569,000	590,000	21,000	3.69%
21	SUB-TOTAL	5,964,443	6,088,912	124,469	2.09%
22	CAPITAL IMPROVEMENT FUND	3,500,000	3,000,000	(500,000)	-14.29%
23	DEBT SERVICE	2,269,000	2,246,600	(22,400)	-0.99%
24	REVALUATION NOTE PAYMENT	80,000	80,000	0	0.00%
25	SUB-TOTAL	5,849,000	5,326,600	(522,400)	-8.93%
26	MADISON-CHATHAM JOINT MTG.	984,602	1,083,131	98,529	10.01%
27	PUBLIC LIBRARY	1,297,927	1,379,005	81,078	6.25%
28	RESERVE FOR TAX APPEALS	400,000	0	(400,000)	
29	TOTAL SPENDING	27,957,746	27,400,730	(557,016)	-1.99%
30	RESERVE FOR UNCOLL. TAXES	1,600,000	1,632,000	32,000	2.00%
31	TOTAL APPROPRIATIONS	29,557,746	29,032,730	(525,016)	-1.78%

Borough of Madison
Primary 2015 Municipal Budget Assumptions

Revenue:

1. Municipal Surplus:

Increase of \$303,000 from \$3,597,000 to \$3,900,000. Actual 2014 Surplus generated was \$4,133,000 during 2014. Keep the Transfer below the amount generated according to new guidelines and Standard & Poor's.

2. Municipal Sources:

Increase of \$312,000 from \$3,608,000 to \$3,920,000. Primarily due to increases in Boro Note Premiums - \$58,000, Water Utility Surplus - \$50,000, Construction Code - \$60,000, KRE payments - \$75,000 and Technology Services - \$85,000.

3. General Capital Fund Balance For Capital Improvements:

This is a decrease of \$1,330,000 from \$1,460,000 to \$130,000. The fund balance account will now be depleted and will not be re-generated.

4. State Aid & Grants:

This source of Revenue remains stable assuming the State Aid remains at \$808,929.

5. Electric Surplus:

The Electric Utility Surplus combines Transfer of Capital and Operating will be increased from \$5,796,000 to \$6,233,000. This increase is primarily due to the reduction of General Capital Fund Balance Revenue of \$1,330,000 and zero funds from the Sale of Property which was \$462,000 last year.

6. Sale Of Property:

The Sale of Property of \$462,000 will be reduced to zero. There are no planned property sales this year.

Appropriations:1. Salaries & Wages:

Increases from \$9,909,774 to \$9,984,082 or \$74,308. Assumes 2.0% increase for all Borough employees plus adjustments per union contracts. Reduction in Police salaries of \$85,334 and in Public Works of \$111,488 are due to lower budgeted overtime and personnel changes. These reductions have almost offset the salary increases in all other Departments.

2. Health Insurance:

Decreases from \$1,889,000 to \$1,814,000 or \$75,000. The State Health Benefit Plan rates have increased between 6.1% and 12.2% for the various coverages. The increases are more than offset by the higher premium contributions in year four of the phase-in contributions and several employees that have legally opted out of required coverage.

3. Pension and Social Security:

Increases from \$1,663,000 to \$1,725,000 or 3.73%. Police & Fire Pensions increases 4.2% and Public Employees by 3.17%.

4. Departmental Operating Expenses:

Increases from \$2,757,843 to \$2,843,212 or \$85,469. Primary increases are Construction Code - \$41,000, Police - \$26,300, Public Works - \$15,600 and Vehicle Maintenance - \$13,000.

5. Debt Services:

Decreases from \$2,269,000 to \$2,246,600 or a reduction of \$22,400.

This is due to:

- a. Net interest savings of \$ 133,000 from the bond refunding.
- b. Principal payment increase of \$50,000 from the non-refunded debt or from \$1,160,000 to \$1,210,000.
- c. First year principal and interest payments of \$60,000 on the New Jersey Environmental Infrastructure Loan of \$2,090,750.

1. Revaluation Note Payment:

No change. The year 2016 will be the last required appropriation.

2. Madison – Chatham Joint Meeting:

Increases from \$984,602 to \$1,083,131 or \$98,529. This reflects a 65.0% share plus \$8,000 for year end true up if required.

3. Public Library:

Increases from \$1,297,927 to \$1,379,005 or \$ 81,078. This is the state mandate minimum payment of \$1,269,005 plus \$110,000 for electricity subsidy. The increase is due to the increased equalized valuation in 2015 from 2014.

4. Reserve for Tax Appeals:

Recommended to reduce the appropriation from \$400,000 to zero. The Borough has a year end balance of \$563,000. Our Counsel has opined that this amount is sufficient to cover outstanding appeals.

5. Reserve for Uncollected Taxes:

Increases from \$1,600,000 to \$1,632,000 or \$32,000. This increase is consistent with the recommendation in the new budget guidelines.

Police Department:

1. Replacements for Lieutenant Lam, Patrolman Williams and Patrolman Keller. Three new hires.
2. Add two (2) new Patrolman
3. Add funding for Special Police Officers
4. Add part time records clerk for 2015.
5. Increase the compensation for crossing guards
6. Promotions to Lieutenant and Sergeant
7. Increase funding for per diem dispatchers to reduce OT. (\$20k to \$30k)
8. Reduce OT from \$260,000 to \$220,000.

Fire:

1. Hire a Firefighter at midyear.

Construction Code:

1. Add part time Building Inspector and convert a part time office assistant to full time for 2015 to assist with the Chatham Construction Shared Services contract volume. (also services Tax Assessor).
2. Charge salary allocation for fire inspector/subcode officials to Construction Code budget.

Board of Health:

1. Three (3) retirements will occur in 2015. A BOH Reorganization is planned.

Financial Administration:

1. Replace the Financial Assistant I position with a full time replacement. Current incumbent will leave in April and be paid until the end of November 2015.
2. Replace the Chief Financial Officer position with a full time replacement. Current incumbent will leave in October and be paid thru March 2016.

Employee Benefits:

1. Contributions are now the highest throughout 2015 and several employees have legally opted out of coverage.

Borough of Madison
 2015 Budget Guideline Calculations
 (in \$000's)

line	Guideline	2013 Budget		2014 Budget		2015 Preliminary	
1	Capital Improvement Fund	\$1,000/	3.90%	\$3,500/	11.80%	\$3,000/	10.30%
2	Total Appropriations	\$25,682		\$29,587		\$29,033	
3	Utility Transfers	\$4,172/	16.20%	\$6,246/	21.10%	\$6,733/	23.20%
4	Total Appropriations	\$25,682		\$29,587		\$29,033	
	Prior Year End						
5	Municipal Surplus	\$5,592,/	21.80%	\$7,250,/	24.50%	\$7,786/	26.80%
6	Total Appropriations	\$25,682		\$29,587		\$29,033	
7	Operating Shortfall	\$1,260/	4.90%	\$2,319/	7.80%	\$1,536/	5.30%
8	Total Appropriations	\$25,682		\$29,587		\$29,033	
9	(Funded From Utilities)						
	Guideline Ranges:						
10	Capital Improvement Fund		8% to 12 %				
11	Utility Transfers		17% to 20 %				
12	Year End Municipal Surplus		20 % to 25%				
13	Operating Shortfall (Funded From Utilities)		7% to 9%				

Borough of Madison
Schedule of All Surplus Balances
2012 Actual thru 2014 Actual as of December 31st
(in \$ 000's)

	Actual 2012	Actual 2013	Actual 2014
Municipal	\$ 5,592	\$ 7,250	\$ 7,786
Electric	\$ 5,373	\$ 6,322	\$ 6,519
Water	\$ 1,441	\$ 1,518	\$ 1,587
Total	\$ 12,406	\$ 15,090	\$ 15,892
 Increase/(Decrease) From Prior Year	 \$ 2,219	 \$ 2,684	 \$ 802

Assumptions for 2015:

- 1) **Generated \$4.1M surplus in Municipal Operations in 2014 and transfer \$3.9M to the 2015 Budget.**
- 2) **Generated \$6.0M surplus in the Electric Utility in 2014 and transfer \$6.2 M to the 2015 Budget. No change in rates or consumption. Appropriate \$50,000 for the electric rebate program.**
- 3) **Generated \$.5M surplus in the Water Utility in 2014 and transfer \$.5 M to the 2015 Budget. No change in consumption or rates.**

Borough of Madison
Schedule of Municipal Surplus Balances
2010 Actual Thru 2014 Estimate as of December 31st

Line	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
1 Balance at Beginning of Year	\$ 6,006	\$ 4,409	\$ 4,365	\$ 5,592	\$ 7,250
2 Less: Utilized in Municipal Budget	(5,235)	(3,635)	(2,800)	\$ (2,975)	\$ (3,597)
3 Sub Total	771	774	1,565	\$ 2,617	\$ 3,653
4 Add: Generated in Current Year	3,638	3,591	4,027	\$ 4,633	\$ 4,133
5 Balance at Year End	<u>\$ 4,409</u>	<u>\$ 4,365</u>	<u>\$ 5,592</u>	<u>\$ 7,250</u>	<u>\$ 7,786</u>
6 Increase (Decrease)	(1,597)	(44)	1,227	1,658	536

Surplus Generated From:	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
7 Non-Taxable Revenues	\$ 569	\$ 1,357	\$ 785	\$ 550	559
8 Delinquent Tax Collections	131	306	615	118	10
Excess of Tax Collections Generated from Reserve for Uncollected Tax and Added & Omitted Assessments	933	595	1,001	1,731	1444
9 Cancellation of Prior Years Appropriations	1,388	1,245	1,265	1,565	1625
10 Misc Revenue and Other Revenues, net	617	88	(49)	289	495
12 FEMA	-	-	410	380	0
TOTAL	<u>\$ 3,638</u>	<u>\$ 3,591</u>	<u>\$ 4,027</u>	<u>\$ 4,633</u>	<u>\$ 4,133</u>

Borough of Madison
2014 and 2015 Alternative Budget Format (in \$000's)

line	APPROPRIATIONS	Operations	2014 Capital	Total	Operations	2015 Capital	Total
1	Operating Expenses	\$ 19,426			\$ 19,612		
2	Public Library	\$ 1,298			\$ 1,379		
3	Joint Meeting	\$ 985			\$ 1,083		
4	Tax Reserves	\$ 2,000			\$ 1,632		
5	Capital Improvement Fund		\$ 3,500			\$ 3,000	
6	Debt Service		\$ 2,349			\$ 2,327	
7	Total Appropriations	\$ 23,709	\$ 5,849	\$ 29,558	\$ 23,706	\$ 5,327	\$ 29,033
	REVENUES	Operations	2014 Capital	Total	Operations	2015 Capital	Total
Recurring							
8	Prior Year Surplus	\$ 3,597			\$ 3,900		
9	Property Taxes	\$ 13,638			\$ 13,842		
10	Municipal Sources	\$ 3,158			\$ 3,420		
11	State Aid & Grants	\$ 997			\$ 1,008		
Non-recurring							
12	General Cap. Fund Balance		\$ 1,460			\$ 130	
13	Sale of Property		\$ 462			\$ -	
14	Revenues Before Transfers	\$ 21,390	\$ 1,922	\$ 23,312	\$ 22,170	\$ 130	\$ 22,300
15	Funded from Utilities (line 7 - 14) *	\$ (2,319)	\$ (3,927)	\$ (6,246)	\$ (1,536)	\$ (5,197)	\$ (6,733)
Utility Transfers							
16	Electric			\$ 5,796			\$ 6,233
17	Water			\$ 450			\$ 500

* Statagic Planning Budget Guidelines suggest no more than 7% to 9% of the Municipal Operating budget be funded from the utilities. In 2014 the Borough funded 7.81% (\$2,319,000) from utilities. In 2015 the budget funds 5.3% from utilities (\$1,536,000)