

**CITY OF BRIGANTINE**  
**2020 City Manager's Budget**  
**3/4/20**

**(revised 3-3-20)**

The City Manager is required by statute to deliver to the Mayor and City Council a budget document for the preparation of the annual municipal budget. In preparing this document, the CFO Roxanne Tosto and I have met with each Department Head to review their budget requests. There was also a special meeting held in December 2019, open to the public, where the Department Heads formally presented their operating budget requests.

Roxanne Tosto and I have reviewed each department's request and worked together to prepare and collect the data for the budget document. We have worked with City Auditor Leon Costello to verify compliance with the State of New Jersey spending CAPS law, Tax Levy CAP law, and other budget regulations. The City Manager's proposed operating budgets are compliant with the Tax Levy CAP law and the Spending CAPS Law.

The statutes call for the Manager to present the budget document to the governing body, which commences the formal budget process under the control of the Mayor and City Council. This open meeting allows for transparency in the process as well as an opportunity to report to the taxpayers and residents the Manager's budget recommendations.

The working budget document has been prepared in the format required by the Department of Community Affairs, Division of Local Government Services, and includes the City Current Fund budget and the Water-Sewer Utility budget. In December 2019, City Council voted to eliminate the Golf Utility by passing

Ordinance N0.22 of 2019. Therefore, the golf utility no longer exists as a separate entity but is now included as part of the Current Fund Budget.

### **Calendar**

The revised Budget Calendar allows for transmission of a budget document to Mayor and Council no later than February 28<sup>th</sup> or the next regular meeting and introduction by March 30<sup>th</sup> and adoption by April 30<sup>th</sup> or the next regularly scheduled meeting of the governing body.

I am recommending once again this year that at the conclusion of my introduction of the Manager's budget that the Mayor and Council move to introduce the budget this evening as presented. The Mayor and City Council will have ample time to review the budget in detail prior to the public hearing and adoption on April 1st at which time an amendment can be introduced if changes are necessary.

### **Self-Exam**

Several years ago, the State divided all municipalities into three groups for Self-Exam and Brigantine was placed into Group 3. On a rotating basis the budgets for one of the groups is reviewed by the Division of Local Government Services (DLGS) for approval prior to Council's adoption. The other two groups based upon specific criteria, and certification by the Chief Financial Officer, are eligible for self-exam and adoption of the budget. All municipal budgets are forwarded to the DLGS after adoption. In 2020, Group 1 will be reviewed by DLGS, and Groups 2&3 are eligible for self-exam.

### **CAPS laws**

Since 1977, municipal budgets have been prepared in compliance with a spending CAPS law. Each year municipalities are allowed to increase the budget appropriations based on a percentage

index similar to the Consumer Price Index (CPI) with certain exceptions. For 2020, the CAPS Cost of Living Adjustment (COLA formerly the Index Factor) is two and one-half percent (2.50%), which limits growth in total appropriations to two and one-half percent (2.50%). However, by statute municipalities are permitted to increase expenditures by one percent up to 3.5% upon passage of an ordinance. This ordinance was adopted on February 19, 2020. Historically, Brigantine has been compliant with the spending CAPS calculations.

In 2008, a 4% Tax Levy CAP law went into effect which limited the growth of the municipal local purpose tax to 4% annually. In 2010, the Tax Levy CAP law was amended reducing the permitted increase to a 2% limit. Certain exceptions or exclusions are part of the law.

The City Manager's recommended budget is in compliance with both CAP laws. As presented, the proposed 2020 Current Fund budget is approximately \$ 1.2 million under the 2% Tax Levy CAP limit and approximately \$2.1 million under the 3.5% spending CAP.

The Manager's 2020 Current Fund Budget as presented here tonight totals \$31,145,979.04. The Local Purpose Tax of \$21,109,370.65 reflects a reduction of \$259,027.01 from the 2019 Local Purpose tax of \$21,368,397.66 resulting in a combined reduction of over \$1.8 million over the last five years. **In fact, the local purpose tax for 2020 continues to remain lower than the local purpose tax in 2012 of \$21,720,975.**

## **REVENUES**

The City's percentage of tax collections continued to be strong in 2019 at 98.94%. This budget reflects a conservative approach to the anticipation of revenues.

Total Miscellaneous Revenues without the Reserve to Pay Bonds & Notes and Grants is projected to be \$4,165,874.62 in the 2020 budget. This amount represents a net increase of \$911,374.62 in Miscellaneous Revenues over the 2019 budget. There were increases and decreases throughout the revenue line items, but the increase is mostly as a result of including \$775,000 Golf Course Revenue in the Current fund budget. Other increases were in Beach Fee revenue, Interest Income from Investments and Fire Prevention Inspection Fees.

Miscellaneous Revenues including the Reserves to Pay Bonds and Notes increased an additional \$746,596.19 due to the recognition of revenue from the reimbursement received from the state for school construction costs in the amount of \$576,000 and the use of Reserves for Payment of Bonds and Notes in the amount of \$170,596.19. This revenue offsets the effects of debt costs in this budget.

City State Aid received is anticipated to be comparable to 2019 levels and remains less than 3% of the total revenue for the Current Fund budget.

The use of \$2,850,000 in fund balance is equal to the amount used in both the 2019 and 2018 budgets. Once again with long term budgeting and strategic financial planning, the 2019 fund balance was replenished and it is anticipated that a significant portion of the balance used in 2020 will also be replenished by the end of the year as well.

As of December 31, 2019, the "unaudited" fund balance stands at approximately \$6.5 million which is an increase of about \$331,000 over the 2018 balance.

## **EXPENSES OR APPROPRIATIONS**

**Salary and Wages total \$12,911,710.00.** The total appropriations for Salaries and Wages in the Current Fund budget are **\$20,950** more than in 2019 or approximately a .16% increase and includes required contractual commitments, as well as, \$100,000 for accumulated leave compensation. The accumulated leave reserve at the end of 2019 was \$1,393,000.

**Other Expenses total \$8,103,265** and represents the OE from all departments along with Insurance and Utility costs and reflects an increase of **\$773,266** from last year's budget. There are fluctuations up and down throughout the various departments but the majority of the increase is once again due to the transfer of the Golf Utility OE to the Current Fund budget in the amount of \$788,000. Without the Golf Course, OE expenses declined approximately \$15,000 from the previous year's budget.

The Golf Course OE budget is a decrease of \$2,000 for 2020 compared to \$790,000 for 2019.

**Statutory and Deferred Charges amount to \$3,362,682.00** which represents a slight decrease from 2019 in the amount of \$7,910.00

### **Municipal Debt Service and Capital Improvement Fund**

Levelization of Debt Service and Capital Costs continues to be an important initiative of this administration. In an effort to achieve that initiative, the 2020 municipal portion of debt is \$3,576,284 which reflects an increase of approximately \$471,886.00 from 2019 which is offset in part with a decrease of \$425,000 in Capital costs. In addition, the revenue realized from the Reserve for Payment of Bonds and Notes in the amount of \$170,596.19 more than offsets the increase in debt costs as well.

Reserve for Uncollected Taxes is a calculation based upon the entire Levy of the City, including County and School Taxes. The

calculation this year remains a conservative one and is based upon the current Local Purpose Tax Levy and an estimate of the School and County taxes. The 2020 decrease is approximately \$6,000 at \$1,421,184.

### **SUMMARY OF CURRENT FUND BUDGET**

In summary, the Manager's 2020 Current Fund Budget as presented here tonight totals \$31,145,979.04. It represents a conservative approach to revenue projection and includes both the increases and decreases in the respective department budgets and other operating expenses.

As presented, the Local Purpose Tax is \$21,109,370.65 which is a decrease of \$259,027.01 from the 2019 Budget. (\$21,368,397.66). **In fact, the 2020 Local Purpose Tax is \$611,604.67 less than the 2012 local purpose tax. (\$21,720,975.32).**

Based on the 2020 City assessed value, a penny on the tax rate equals \$332,288. **The proposed Local Purpose Tax Rate will be 63.5 cents per \$100 of assessed value, a decrease of 1.3 cents from 2019 (64.8cents).** A property with an assessed value of \$400,000 will pay approximately \$2,541.10 in local tax which is \$50.90 less for the current year compared to last in Local Purpose taxes.

### **WATER & SEWER UTILITY**

The Water-Sewer Utility budget is supported by the billings and fees charged for the consumption of water by individual customers. Water-Sewer Utility as presented has a proposed balanced budget for 2020 and maintains a self-liquidating status. As such, any capital bond ordinances approved will not require a 5% down payment.

The <sup>20</sup>2019 Water-Sewer Utility budget totals \$6,362,705 for an increase of \$268,705 over the 2019 budget (\$6,094,000.)

## **REVENUES**

The proposed 2020 Water & Sewer budget includes \$324,000 of Fund Balance compared to \$200,000 in the 2019 budget. The “unaudited” fund balance at December 31, 2019 stands at \$2,999,390.18 for an increase of \$236,925.81 over the ending Fund Balance at December 31, 2018 (\$2,762,464.37). The Fiscal objective still remains continued stabilization of the utility and its fund balance while providing funding for necessary infrastructure improvements. Expected operating revenues are directly tied to the anticipated expenses and the amount of revenue realized in the prior year.

**Salary and Wages** total \$1,100,000, representing a \$25,000 increase from 2019 budget and reflects required contractual obligations and appropriate allocations.

**Other Expenses** total \$3,470,000.00 indicating an increase of \$50,300.00 from last year’s budget due to the operating needs of the utility.

**Debt Expense** totals \$ 1,577,855.00 compared to \$1,383,100 in 2019 for an increase of \$194,755. This is the result of the 2019 Debt issuance for necessary Water & Sewer Infrastructure improvements. The increase is offset in part with the Revenue from the Reserve for Bonds in the amount of \$100,000.00.

**Deferred Charges-** There aren’t any deferred charges in this budget.

**Statutory Expenses** are \$214,850 as compared to \$216,200.00 representing a minimal decrease from the previous year.

## **CAPITAL BUDGET**

The Capital Budget included in the 2020 budget has been expanded from a three-year to a six-year plan. This is in response to Standard and Poor rating analysis in 2019. The Capital Budget represents a total of potential capital improvements of approximately \$37,060,000 over a six-year period.

The capital expenditures for 2020 are estimated to be about \$2.2 million, of which \$500,000 of that relates to the Water & Sewer Utility. The bulk of the current year capital projects have already been authorized through the issuance of improvement authorizations, the largest of which was approved in August of 2019 and substantially funded with the bond issuance in October 2019.

## **CONCLUSION**

In closing, the City's budget in 2020 continues to be managed in a professional and fiscally sound manner. This has been achieved through long term budgeting and projections, maintaining proper allocation methods, sound financial records while providing the necessary reserves for future expenditures.

Through a conservative approach to budgeting on revenues, and limiting growth on discretionary expenditures, the City remains in sound financial position and has not relied on one-time revenues to balance this budget. The recommended budget allows the City to continue to provide the same services in 2020 as in the past. This budget also provides for a very stable future. As always, I am available to meet with Mayor and City Council to review the budget and provide any additional information necessary.

I would like to thank the City employees and department heads for their service and dedication to the City of Brigantine and for their assistance in the budget preparation process and for working



together to continue to provide the level of service expected by our residents. Also, I would like to thank Roxanne Tosto, the Finance Department, and City Auditor Leon Costello for their help and input in the development of the City Manager's recommended budgets.

As I stated at the beginning of this presentation, I now ask that the Mayor and Council consider introducing this budget this evening. Keeping in mind that any questions and concerns can be addressed from this point on and until the public hearing on April 1, 2020. Should any changes be required an amendment will be presented for approval to reflect those changes.

James Bennett  
City Manager  
March 1, 2020