



SOUTH RIVER

2018 BUDGET PRESENTATION

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The budget process begins in the Budget Committee in coordination with the Borough Administrator and the Chief Financial Officer. This committee reviews every line item of prior year budgets and makes recommendations based upon trends, needs, and priorities. Once the Budget Committee is satisfied, the budget is sent to the State for initial approval. Upon return, it is introduced at public hearing before being approved by the Borough Council.

2018 BUDGET COMMITTEE

Councilman Ryan M. Jones, Chairman

Councilman Jack Alai, Member

Councilwoman Sandra Adelino, Member

Jack P. Layne, Borough Administrator

Joseph Zanga, Chief Financial Officer

2018 BUDGET PRESENTATION



South River Governing Body

Mayor John Krenzel

Council President Shawn Haussermann

Councilwoman Sandra Adelino

Councilman Jack Alai

Councilman James Curchensky

Councilman Ryan M. Jones

Councilwoman Julie Meira

OUR PHILOSOPHY

A budget is a planning document that allows the Borough to set priorities and provide a guideline for how to manage taxpayer funds.

1

Provide Value to Residents

Taxpayers pay for every single item the borough purchases. We evaluate every purchase order to ensure that resident dollars are being spent efficiently and with the basic question: "how does this benefit residents?"

2

Make South River A Friendlier Place

Last year, we began focusing on making small scale investments (expenditures that don't break the budget) that have a demonstrable effect on the quality of life of residents and make taxpayers proud to live here.

3

Bonds Are For Maintenance and Investment

Major expenses need to be planned before immediately going to the credit card. Debt should only be used on (1) maintenance projects to prevent bigger, more costly problems in the future and (2) Down payments on investments that raise property values, reduce costs, or generate revenue.

4

Keep Tax Increases To A Minimum

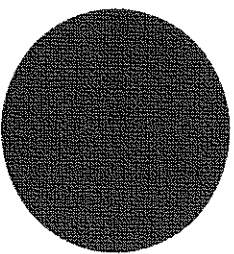
Taxpayers have been hit with huge tax increases over the past several years, a result of debt spending and lack of planning.

PROVIDING VALUE

Taxpayers pay for every single item the borough purchases. We evaluate every purchase order to ensure that resident dollars are being spent efficiently and with the basic question: "how does this benefit residents?"

FOCUSED ON HOW THE TOWN FUNCTIONS

The Finance Committee meets each week to ask, is there a better or more efficient way to spend money? The next step is to talk with the Budget Committee to determine how to implement these ideas that create savings.



CHANGES PROPOSED BY IN THE FINANCE COMMITTEE

New Borough Administrator

By hiring our Borough Administrator, we have reduced the line item in Administration salaries by \$50,000.

Reorganizing Admin Staff

By reorganizing our Administrative staff, we were able to realize \$94,000 savings.

Cell Phone Reduction

The Committee reviewed the Borough cell phone bill and was able to save \$12,000 by eliminating unused lines and switching carriers to the same used by our Police Department.

Streamlining Permit Process

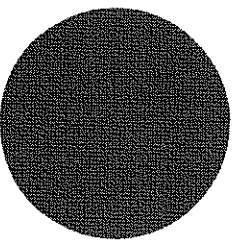
The Committee has been working to listen to resident concerns related to confusion of filing out applications and permits downtown to increase efficiency and save time.

A FRIENDLIER SOUTH RIVER

Last year, we began focusing on making small scale investments (expenditures that don't break the budget) that have a demonstrable effect on the quality of life of residents and make taxpayers proud to live here.

CHANGES WE'VE MADE

Visit: <http://southrivernj.org/friendlier/changes/> for a full list of efforts implemented over the past year.

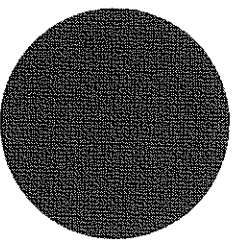


BEING CAREFUL WITH DEBT

Major expenses need to be planned before immediately going to the credit card. Debt should only be used on (1) maintenance projects to prevent bigger, more costly problems in the future and (2) Down payments on investments that raise property values, reduce costs, or generate revenue.

HOW ARE WE ADDRESSING DEBT?

We used \$500,000 more than typical years to pay down our short term debt to avoid having to take on long term obligations. This has allowed us to begin reversing the trend of large debt loads in the borough that will take years to fully reverse.

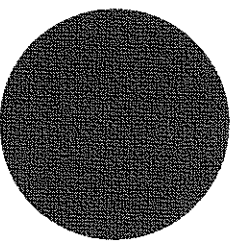


KEEP TAXES LOW

Taxpayers have been hit with huge tax increases over the past several years, a result of debt spending and lack of planning.

LOWEST TAX INCREASE IN OVER FOUR YEARS

Our administration is committed to returning fiscal responsibility to the Borough. Fiscal responsibility means properly planning and budgeting for projects and not looking towards the "credit card" to avoid paying today.



BUDGETARY PRESSURES

There are 4 major items placing pressure on the budget this year.

GROUP HEALTH BENEFITS

In 2015, left the state plan and signed up with a private insurance plan. While we are still seeing a net savings from this move, we will need to monitor this situation, as increases have occurred at an amount greater than that of the state plan.

CONTRACTUAL POLICE SALARY INCREASES

Biggest increase in this year's budget.
The police negotiate a contract for a term of years.
This is the last year of the present contract negotiated several years ago.

ANNUAL PENSION COSTS

These obligations grew in this year's budget for our public employees and for police and fire personnel.

SEWER TREATMENT COSTS

This line item has been a difficult one to account for over the past several years. This is a fixed cost and should be relatively stable, but we've seen significant fluctuation over the past 4 years.

BUDGETARY BOTTOM LINE

What is the overall tax liability to residents based upon these pressures?

BUDGET PRESSURES

(from last slide)

\$249,873

This represents the amount of new taxes to be raised before any budgetary savings are found. This number is found by adding up all of the budgetary pressures of the preceding slide.

BUDGETARY SAVINGS

(plus savings from changes to last year's budget)

\$33,873

Spending smarter doesn't mean cuts to services. We found savings by making cuts after reviewing line items and comparing to historical numbers, removing small amounts of waste along many of our line items.

TAX IMPLICATIONS

Lowest tax increase in several years. On the path back to fiscal sanity.

\$216k

Total Increase
in Amount to
be raised year
over year.

2.31%

Percent of tax
Increase.

5.25

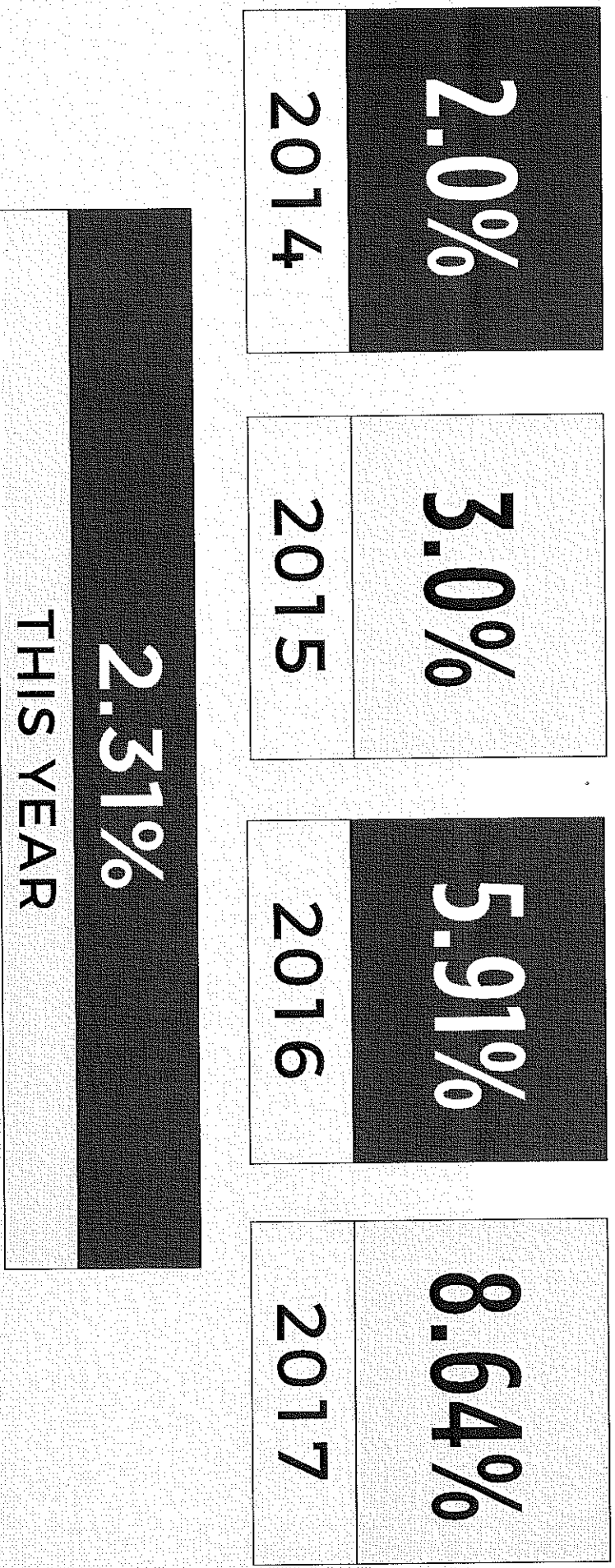
Increase in tax
points

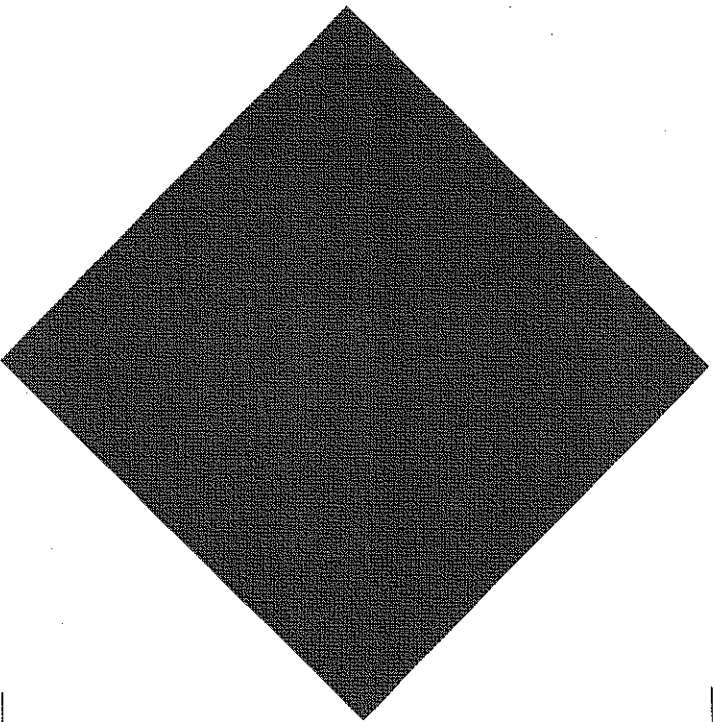
\$12.07

Average
amount of
increase per
household per
quarter.

HISTORICAL PERSPECTIVE

A look back at taxes over the past several years.



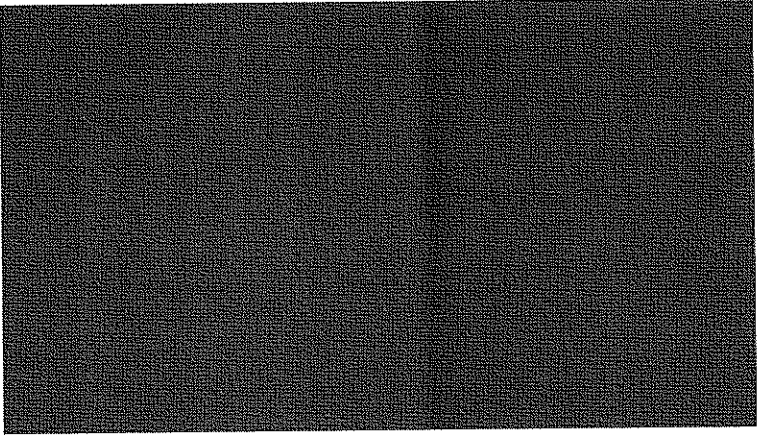


THIS IS THE LOWEST TAX INCREASE
SINCE 2014.

BUT WE ARE NOT DONE YET.

WE WANT TO CONTINUE OUR PATH
TOWARDS FISCAL RESPONSIBILITY BY
SPENDING WITHIN OUR MEANS AND
REDUCING OUR HIGH DEBT LOAD.

BUDGET PERSPECTIVE



This year's tax increase is less than the \$476,000 firehouse payment we will owe for the next 30 years.

With a more modest and better budgeted project, we could have lowered taxes this year. We need to adopt this approach as we address aging infrastructure going forward.

OPPORTUNITIES FOR NEW REVENUES

The Borough is focused on developing new revenue opportunities, which allows it to avoid having to go to the taxpayers as often.

We are anticipating several new revenue opportunities that should reduce budgetary pressures.

VACANT PROPERTIES

The vacant property registration fee, designed to provide the Borough with funds to beautify the town and address property maintenance issues will come online this year

MONTHLY BUZZ ADS

The Monthly Buzz is designed to provide valuable information to residents. We've allowed local companies to sponsor the publication and look to break even in the near future.

PEPS

By creating a plan to have developers contribute to the town's parking planning, it allows us to strengthen our downtown by providing additional and more well-utilized parking

ELECTRIC INVESTMENT

We have engaged with numerous companies to strategize how we can invest in our electric utility to bring down fixed costs and pass savings onto residents.

DEBT

The Borough is focused on spending smarter and looking at ways to bring our debt load down to more manageable levels.

At the same time, we have extremely old infrastructure in South River that needs investment and repair.

AGGRESSIVE PAYDOWN

Last year we began paying down outstanding debt more aggressively, using available money to pay down an

additional \$500,000 in short term debt.

We will continue to examine ways to reduce our debt load in the years ahead.

REDUCING NET DEBT

Currently we are carrying way too much debt and need to reevaluate when and how we use this financial tool. We believe debt should be used only to (1) finance projects that result in a return in investment and (2) manage Capital Expenditures that repair aging infrastructure.

Net Debt Overview

This overview is designed to give you a brief understanding of the present debt load carried by the Borough for general obligations.

This statement is a good measurement of the Borough's overall financial health

Our Net Debt has increased nearly 20% increase in 5 years. Healthy municipalities should operate with around 1.5% Net Debt. Due to a single large project in the borough, we have put our borough into a risky situation increasing our Net Debt to over 2%.

Net Debt 2018	\$27.9 MILLION	2.058%
Net Debt 2017	\$27.9 MILLION	2.058%
Year over year change 2017-2018	0%	0%
Net Debt 2013	\$22.5 MILLION	1.646%

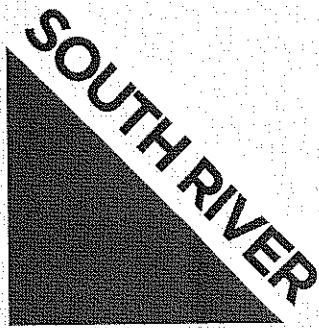
Revenues

The Borough operations consist of 4 different funds:

- *Current Fund*
- *Electric Utility*
- *Water Utility*
- *Parking Utility*

Current Fund	\$17,827,477.57
Electric Utility	\$14,940,167
Water Utility	\$3,614,319
Parking Utility	\$66,200

Revenues general determine what the Borough can spend each year. The above numbers reflect the overall moneys received to cover operations.



CURRENT FUND

Our General Operating Fund

Overview

The Current Fund is responsible for the everyday functioning of the borough and is responsible for all operations except the Electric, Water, and the Parking utilities.

Surplus

\$1,419,581.07

Revenues A

\$3,664,000

Revenues B

\$825,291

UCC Fees

\$213,200

Grants

\$51,967.86

Grand Total

\$17,827,477.57

Miscellaneous

\$1,054,463.64

Property Tax Revenue

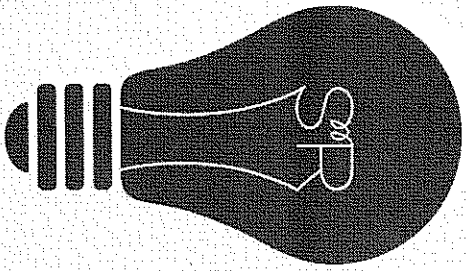
\$9,948,974

Delinquent Tax Receipts

\$650,000

Subtotal

\$7,878,503.57



ELECTRIC UTILITY

Electric Power Operations in the Borough

Overview

South River operates its own Electric Utility, which is in charge of providing electric power to residents of the borough. This utility is self-liquidating.

This utility is in good health and carries very little debt.

Shared Rate	\$1,419,581.07
Basic Rate	\$3,731,000
Electric Charges	\$11,688,367
Surplus Anticipated	\$3,250,000
Capital Balance	\$1,800
Total Electric Revenues	\$14,940,167

Where Our Current Electric Rates Come From?

Our electric rates are some of the highest in the state. There's a reason why they are where they are. Here's a closer look at actions that effected electric rates over the years.

Ordinance
2007-30
December 17, 2007

67%
increase in
rates

Ordinance
2014-11
July 14, 2014

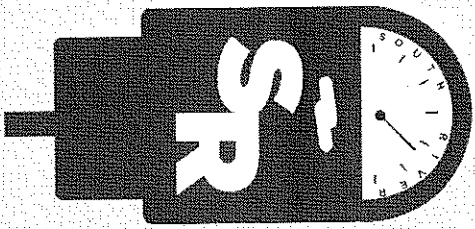
20%
increase in
rates

Ordinance
2015-24
September 26, 2015

8%
decrease
in rates

Ordinance
2015-27
December 14, 2015

4%
decrease
in rates



PARKING UTILITY

Managing Downtown Parking

Overview

South River also operates a self-liquidating Parking Utility, presently in charge of managing parking in the Downtown Business area.

This utility is in good health and carries very little debt.

Salaries

\$23,000

Debt & Interest

\$21,700

Operating Surplus

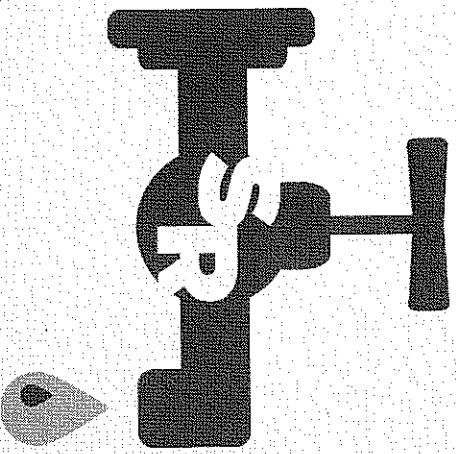
\$26,200

Parking Fees

\$40,000

Total Revenue

\$66,200



WATER UTILITY

Our Water Operations in the Borough

Overview

South River operates a self-liquidating Water Utility, which provides water to residents in the Borough.

Due to increases in cost of Water transmission this year, and an incredibly wet 2017, this is an area we will be watching.

Surplus

\$524,319

Revenues

\$3,090,000

Total

\$3,614,319

2017 Revenues

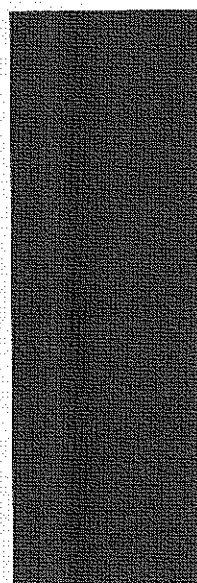
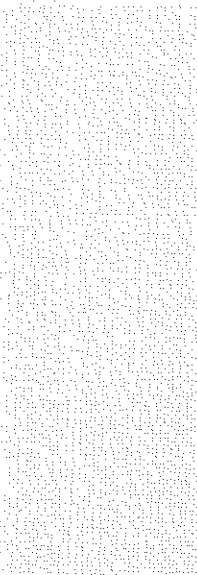
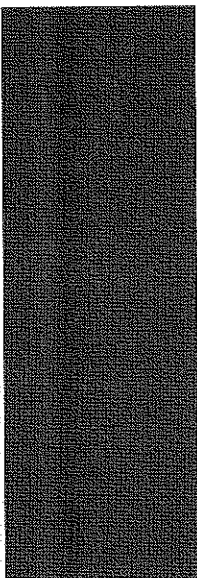
\$3,200,000

Loss in this
year's Surplus

\$110,000

LONG TERM CONCERNS

We have identified several items that warrant additional discussion as we begin to plan for solutions to them.



OUR LEAN WATER UTILITY IN 2017

AGING SEWER INFRASTRUCTURE

AGING PARKS & BOROUGH ASSETS

Due to the wet year and increase in fixed costs, our water utility is something we must watch more closely.

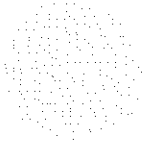
Sewer repairs cost more each year as our infrastructure ages past 100 years.

Very little investment has been shown in our parks over the past 30 years and it shows.

ON REVALUATION

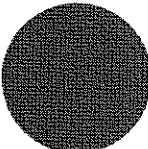
In 2016, the State of New Jersey Treasury ordered the Borough of South River to conduct a revaluation of all of the land parcels within the Borough to comply with the New Jersey Constitution. What will this mean for residents?

SPECIAL PRESENTATION MAY 14TH



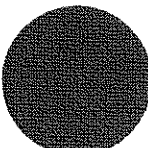
INSPECTION OF ALL PROPERTIES

An appraisal company will be appraising all properties in the Borough.



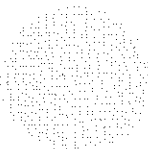
BALANCE PROPERTY VALUE RATIO

The company will assess each property and ensure that every one is valued at the same ratio.



UPDATED ASSESSMENT ISSUED

The company will provide an updated assessment to ensure every household is taxed at the same ratio.



BOROUGH REVENUES REMAIN FLAT

Based upon the new assessments, the Borough will change its tax rate to ensure that the amount of revenue received is consistent to this year.

FOR MORE INFORMATION

[HTTP://SOUTHRIVERNJ.ORG/BUDGET](http://southrivernj.org/budget)

or

Contact our Borough CFO:

Joe Zanga

732-257-1999 X112

QUESTIONS?

OUR BUDGET IS HUNDREDS OF PAGES LONG. WE WILL ATTEMPT TO ANSWER TODAY, OR GET BACK TO YOU AT THE NEXT MEETING.