

What You Should Know About Budgeting and Financial Planning for Your Town?

Presented by:

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Budgeting Basics

- The annual budget for a municipality is a “cash basis” budget.
- **True** for revenue with a few exceptions. Meaning you cannot anticipate more in revenue for an Anticipated Revenue than you collected in the prior year.
- **False** for appropriations. Your budget appropriations have a 2 year “life” and are charged in full to operations in the budget year.
- This is a very conservative basis of accounting unique to New Jersey.



Budget Calendar

- **Budget Introduction**
 - March 29th or next regularly scheduled meeting of the governing body.
- **Filing of Budget with DLGS**
 - 3 days after approval of Introduced Budget by the governing body
- **Publication of Introduced Budget**
 - 10 days prior to adoption in a newspaper circulated within the town
 - The budget must also be posted to the municipality's website
- **Public Hearing on Budget**
 - At least 28 days after Introduction
- **Budget Adoption**
 - April 30th, after Public Hearing
 - Public Hearing and Adoption can be at the same meeting



Budget CAPs

- **2010 levy cap law**
 - Places a 2% limit on local tax levy increase with certain adjustments.
 - Adjustments include capital appropriations, debt service, certain emergencies, new ratables, health benefits & pensions
- **1997 appropriations cap law**
 - Puts a limit on “Inside Cap” appropriations increase with certain adjustments.
 - Inside CAP appropriations is generally your operating costs. It does not include capital, debt service, federal/state grants, deferred charges, Reserve for Uncollected Taxes.
 - Adjustments include capital appropriations, debt service, certain emergencies, health benefits in excess of state health benefit increase.
 - For 2024, the Cost-of-Living Adjustment (“COLA”) is 2.5% but can be increased to 3.5% with a COLA ordinance.



Budget/Financial Planning

- When should you start? Simple answer ... whatever works for you.
- The process should reflect the municipality's policy, expectations and goals.
- Reach out to department heads to get an understanding of their needs and goals.
- Consider starting a multi-year budget, perhaps 2-3 years.
 - This can be accomplished but it takes time and effort to produce a realistic multi-year budget.
 - Why? Because the decisions you undertake now will affect your budget and finances for years.
- Consider developing a long-term capital and debt management plan.
- The State requires a capital plan of up to 6 years depending on the size of your municipality.
- A minimum 10-year capital and debt management plan, which is updated annually, provides structure and stability to guide the current and future governing bodies.



Understanding “Your” Budget

- **Introductory Section: Sheets A through 3**
- **Current Fund Revenue: Sheets 4 through 11**
- **Current Fund Appropriations: Sheets 12 through 30**
- **Utility Budget – Sheets 31 through 36 (N/A for Vernon)**
- **Assessment Budget – Sheets 37 through 38 (N/A for Vernon)**
- **Capital and Miscellaneous – Sheets 39 through 45**



Understanding “Your” Budget

- Introductory Section (Sheets A through 3):
 - Shows governing body members
 - Informs about introduction and adoption dates
 - Budget summary
 - Presents the budget CAPs

2023 MUNICIPAL DATA SHEET

(MUST ACCOMPANY 2023 BUDGET)

CAP

MUNICIPALITY: _____ TOWNSHIP OF VERNON _____ COUNTY: _____ SUSSEX _____

HOWARD BURRELL
Mayer's Name

December 31, 2023
Term Expires

Municipal Officials

MARCY GIANATTASIO
Municipal Clerk

LISA KIMKOWSKI
Tax Collector

DONELLE BRIGHT
Chief Financial Officer

MAN LEE
Registered Municipal Accountant

JOSHUA ZIELINSKI
Municipal Attorney

12/26/2019
Date of Org. Appt.

C-1958
Cert. No.

T-4145
Cert. No.

N-1718
Cert. No.

562
Lic. No.

Governing Body Members		Term Expires
Name		
NATALIE BUCCIERI, COUNCIL PRESIDENT		12/31/2025
PATRICK RIZZUTO, COUNCIL VICE PRESIDENT		12/31/2025
JOSEPH TADRICK		11/7/2023
BRAD SPARTA		11/7/2023
PEG DISTASI		11/7/2023

Official Mailing Address of Municipality

VERNON TOWNSHIP
21 CHURCH STREET
VERNON, NJ 07462

Fax #: 973-764-7504

Understanding "Your" Budget

- Revenue Section (Sheets 4 through 11):

CURRENT FUND - ANTICIPATED REVENUES

GENERAL REVENUES	FCOA	Anticipated		Realized in Cash in 2022
		2023	2022	
1. Surplus Anticipated	08-101	2,065,000.00	900,000.00	900,000.00
2. Surplus Anticipated with Prior Written Consent of Director of Local Government Services	08-102			
Total Surplus Anticipated	08-100	2,065,000.00	900,000.00	900,000.00
3. Miscellaneous Revenues - Section A: Local Revenues	XXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
Licenses:	XXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
Alcoholic Beverages	08-103	10,000.00	10,000.00	11,541.73
Other	08-104			
Fees and Permits	08-105	232,020.00	213,620.00	265,931.91
Fines and Costs:	XXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
Municipal Court	08-110	40,000.00	40,000.00	45,943.75
Other	08-109			
Interest and Costs on Taxes	08-112	358,000.00	400,000.00	369,228.83
Interest and Costs on Assessments	08-115			
Parking Meters	08-111			
Interest on Investments and Deposits	08-113	200,000.00	20,000.00	213,521.86
Anticipated Utility Operating Surplus	08-114			
Recycling Receipts	08-229	50,000.00	47,000.00	54,011.05
Vacant Property Fees	08-230	-	135,000.00	142,981.53



Understanding “Your” Budget

- Revenue Section (Sheets 4 through 11):
 - “Surplus” (or Fund Balance) Anticipated
 - Local Miscellaneous Revenue (ABC licenses, fees & permits, court fines, etc.)
 - State Aid (e.g. energy receipts) and UCC fees
 - Shared Services (e.g. Animal Control, 911)
 - Grants
 - Special Items (e.g. hotel occupancy tax, VTMUA reimbursements for SCMUA bills and debt service)
 - Delinquent Taxes
 - Amount to be Raised by Taxation



Understanding “Your” Budget

- Revenue Section (Sheets 4 through 11):
 - Anticipated revenue in the current year cannot exceed the amount realized in the prior year, with exceptions.
 - Surplus Anticipated cannot exceed amount of “Cash Surplus” on AFS Sheet 21
 - Delinquent taxes cannot exceed amount on AFS Sheet 26 (and should not exceed prior year delinquent balance, not including TTL).
 - New items of revenue much have support.



Understanding “Your” Budget

- Appropriations Section (Sheets 12 through 30):
 - Within CAP (Sheets 12 through 19):
 - Operating costs (S&W, OE, pension, insurance, group health, etc.)
 - Outside CAP (Sheets 20 through 28):
 - Certain operations (e.g. health benefits in excess of state health benefit costs)
 - Shared services
 - Grants
 - Capital
 - Debt service
- Reserve for Uncollected Taxes (Sheet 30)
 - Statutorily required item of appropriation



Operations Affect Fund Balance

- Budget must balance: Revenue = Appropriations
- “Surplus” or Fund Balance is often anticipated as revenue to help balance the budget
- Should not anticipate more fund balance than what you expect to regenerate
- Realized Revenue > Anticipated Revenue = positive impact on fund balance
- Realized Revenue < Anticipated Revenue = negative impact on fund balance
- Unexpended appropriations are reserved for one year and then lapse into fund balance at the end of Year 2



What is a tax point?

- Simply put, a tax point is the amount it will take to increase / decrease the local tax rate by a penny (\$0.01).
- A tax point is equivalent to the Net Valuation Taxable divided by 10,000.
- 2024 NVT = \$3,399,886,912
- 1 Tax Point (\$0.01) = \$339,989
- How do you calculate your local tax rate?

$$\text{Local Tax Rate (2023)} = \frac{\text{Local Tax Levy}}{\text{Net Valuation Taxable} \div 100} = \frac{18,975,218}{3,099,995,708 \div 100} = \$ 0.612$$



Budget Amendments

- In accordance to N.J.S.A. 40A:4-9, the following amendments to the budget requires a separate public hearing:
 - Add a new item of appropriation in excess of 1% of total appropriations
 - Increase to the amount to be raised by taxes by more than 5%
 - Increase or decrease to any item of appropriation by more than 10%



Self Examination

- Every three years you are able to self examine your budget.
- Must pass a resolution before budget adoption
 - Recommend to do so prior to introduction but MUST be done prior to public hearing.
- This year all Group 3 are state exam. Vernon is Group 2 (which will be 2025).
- Exceptions to self-examination are, but not limited to:
 - If you did not do your UFB in 2023, automatic state review
 - Have a Covid special emergency, automatic state review
 - No CFO license and serving as a temporary CFO
 - Private entity was fulfilling duties of CFO – automatic state review
 - Prior year, voters approved the sale of a water or sewer system – automatic state review.



Questions?

Thank you!