

**EVERYTHING YOU WANTED TO KNOW
ABOUT THE MUNICIPAL BUDGET PROCESS
BUT WERE AFRAID TO ASK**

Budget glossary

- **Three (3) operating funds**
 - General fund (property tax)
 - Water Utility fund (Established user rate)
 - Parking Utility fund (Parking user rates)

Budget glossary

OPERATING:

- **Cash basis**

- Sufficient to meet all debt service requirements
- Necessary operations of the local unit
- Provide for any mandatory payments required to be met during the year

Emergency Appropriations

- 2/3 VC approval (4 yes votes)
- Raised in subsequent year's budget

Special Emergency Appropriation

- Adopt ordinance authorizing special emergency appropriations for any of the following:
 - Tax map
 - Revaluation
 - Codification of ordinances
 - Master plan
 - Drainage maps for flood control purposes
 - Engineering costs for installation and construction of a sanitary sewer system
 - Natural Disaster Relief
- 2/3 vote required
- 1/5 raised each year for the next 5 years

Budget Transfers (Appropriations)

- Allowed during November and December
- Transfers cannot be made FROM
 - Contingent
 - Deferred charges
 - Cash deficit of preceding year
 - Down payments
 - Reserve for uncollected taxes
 - Capital improvement fund
 - Debt service

Appropriation Reserves (Transfers)

- January, February and March
- To provide sufficient department appropriations to pay claims authorized or incurred during the preceding year

Surplus

- Excess of Revenues over Expenditures
- Retained Earnings
- Used to balance budget
- Must conform to Village policy

Amount to be Raised by Taxation

- **Difference between Miscellaneous Revenue Anticipated and Budgeted Appropriations**

Reserve for Uncollected Taxes

- Amount required to be appropriated for anticipated shortfall in tax collection
- 2020 rate was 99.19%
- O/S delinquent taxes approximately \$700,000

Capital Improvement Fund

- Used to fund capital projects and/or down payment for capital ordinances

Capital Appropriations

- 6 years of Capital Budgets provided in annual state budget
- Provided for each operating fund by class
 - Vehicles
 - Equipment
 - Buildings
 - Infrastructure

Capital Appropriations - Continued

- Minimum cost \$5,000
- Minimum useful life 5 years
- Capital Ordinance utilized for appropriations
- Minimum 5% down payment requirement
- Balance funded by:
 - Issuance of BAN's (short-term) 1 year
 - Issuance of Bonds – Maturities up to 40 years
 - Budget Appropriations

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Components

- Operations (General Fund)
- Public Utilities (Water, Parking)
- Capital Budget (6 Years)
- Dedicated Assessment (Open Space)
- Dedicated by Rider (i.e., Municipal Alliance, Snow Removal, Self-Insurance)

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Introduction

- In writing at a meeting of the governing body
- Fix the time and place for the holding of a public meeting
- Introduced budget is then submitted to the Division of Local Government Services (DLGS) for review. Any comment/changes must be incorporated into the adopted budget

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Public advertising

- Shall contain a copy of the budget and shall set forth the date, time and venue of the public hearing
- Published at least 10 days prior to date fixed

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Public hearing

- No budget shall be adopted until a public hearing has been held and taxpayers and persons having an interest therein shall be given an opportunity to present
- Shall be held at the time and place specified in the advertisement but may be adjourned from time to time until the hearing is closed

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Public hearing - Continued

- Shall be held not less than 28 days after introduction of the budget
- At least one week prior to the date of the hearing, a complete copy of the budget, as advertised, be posted in a public place (website)
- After closing hearing, the governing body may adopt the budget without amendment, or may approve amendments before adoption

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Amendments and public hearings, if necessary

- Governing body may amend the budget during or after the public hearing
- No amendments shall be effective until taxpayer and all persons having an interest therein shall have been granted a public hearing

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Amendments and public hearings, if necessary

- Public Hearing required of:
 - Add a new item of appropriation in an amount in excess of 1% of the total amount of appropriations
 - Increase or decrease any appropriation by more than 10%
 - Increase the amount to be raised by taxes by more than 5% unless such increase is needed to cover an emergency temporary appropriation

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Should a hearing be required, notice on the amendment shall be advertised at least 3 days before the date set, published in the same manner as the original publication and read in full at the hearing and before adoption

State Established Components of Budget Process (NJSA 40A:4-1 et seq)

Adoption

- No budget or amendment shall be adopted without the approval of the Director of the Division of Local Government Services (DLGS)
- All modifications, if any, from DLGS, must be incorporated into the budget document
- No budget can be adopted without DLGS approval
- Resolution for adoption shall be by a majority of the full membership of the governing body

Timing of Village Budget Process

August Current Year (CY)

- Provide Dept. Directors with instructions and current year operating and capital budgets
- Establish process and timing for review with CFO and Treasurer

Timing of Village Budget Process

September CY

- Department Directors submit Operating and Capital Budget requests for 2022

October CY

- CFO and Treasurer meet with Department heads to review details of 2022 requests. Includes plans for additional personnel and support for any other expense request in excess of 1% of CY budget

Timing of Village Budget Process

November/December CY

- Update worksheets used for analyzing overall 2022 operating and capital amounts
- Provides insight on impact of 2022 budget requests
- Adopt 2022 Temporary Budget (26.25% of total 2021 budget appropriations excluding debt service, capital improvement fund and public assistance)

Timing of Village Budget Process

January

- Update 2021 expenditure amounts and compare to 2022 budget requests
- Begin meetings with Department Directors. Village Manager, CFO and Treasurer will challenge requests and modify budget requests for recommendation to Village Council

Timing of Village Budget Process

February

- Department Directors make presentations to Village Council for their respective operating and capital budgets **at public meetings**
- 4 to 5 public meetings used to complete process
- CFO incorporates changes to budget requests
- At last VC meeting, final presentation of operating and capital budget recommendations made by CFO and Village Manager
- Municipal tax rate presented for consideration
- Capital budgets (General, Water and Parking) finalized

Timing of Village Budget Process

March

- Village Council introduces 2022 operating budget
- CFO and Village Manager present:
 - 2021 accomplishments
 - 2022 goals
 - Comparison of 2022 vs 2021 operating budgets
 - Estimated Municipal/Library tax rate for 2022
 - Estimated overall tax rate for 2022
- Ordinances for 2022 capital budgets introduced

Timing of Village Budget Process

April

- 2022 Operating Budget advertised in local newspaper, posted in lobby of Village Hall and on the Village Website at least 10 days prior to public hearing
- CFO and Village Manager present:
 - Final operating budgets
 - Final Municipal/Library tax rate
 - Estimated overall tax rate

Timing of Village Budget Process

April Continued

- Public hearing held at least 28 days after introduction
- Village Council considers if amendment to introduced budget is needed
- Village Council adopts 2022 operating budgets
- Hearing on 2022 Capital Ordinances held
- Village Council adopts 2022 Capital Ordinances

CAP Limitations

- Appropriation
- Levy

Appropriation Cap Calculation

Total General Appropriations for 2020	<u>\$ 50,967,676.00</u>
Exceptions Less:	
Total Other Operations	2,525,876.00
Total Interlocal Service Agreement	745,000.00
Total Capital Improvements	430,000.00
Total Debt Service	5,318,681.00
Total Public & Private Programs	20,000.00
Total Deferred Charges	55,000.00
Reserve for Uncollected Taxes	<u>1,230,000.00</u>
Total Exceptions	10,324,557.00
Amount on Which CAP is Applied	40,643,119.00
<u>1.0% CAP</u>	<u>406,431.19</u>
Allowable Operating Appropriations before	
Additional Exceptions per (N.J.S.A. 40A:4-45.3)	<u>\$ 41,049,550.19 (a)</u>

Appropriation Cap Calculation - Continued

Allowable Operating Appropriations before

Additional Exceptions per (N.J.S.A. 40A:4-45.3)

\$41,049,550.19

Additions:

New Construction (Assessor Certification)

160,623.85

2019 Cap Bank

1,174,946.58

2020 Cap Bank

Total Additions

1,335,570.43

Maximum Appropriations within "CAPS" Budget Sheet 19 @ 2.5%

42,385,120.62

Additional Increase to COLA rate:

Amount of Increase allowable (a) @ 2.5%

1,016,077.98

Maximum Appropriations with "CAPS" Budget Sheet 19

\$43,401,198.60

Summary Levy Cap Calculation

Prior Year Amount to be Raised by Taxation	\$33,887,468.96
Less:	
Prior Year Deferred Charges to Future Taxation Unfunded	55,000.00
	<hr/>
Net Prior Year Tax Levy for Municipal Purpose Tax for CAP Calculation	<u>33,832,468.00</u>
Plus 2% CAP Increase	<u>676,649.38</u>
Adjusted Tax Levy Prior to Exclusions	<u>\$34,509,118.34</u>

Summary Levy Cap Calculation - Continued

Adjusted Tax Levy Prior to Exclusions		\$34,509,118.34
Exclusions:		
Allowable Pension Obligations Increases	\$403,294.00	
Allowable Capital Improvements Increase	70,000.00	
Allowable Debt Service & Capital Leases Inc.	366,857.00	
Deferred Charge to Future Taxation Unfunded Current Year Deferred Charges: Emergencies	55,000.00 <u>60,000.00</u>	
Add Total Exclusions		<u>955,151.00</u>
Less Cancelled or Unexpected Exclusions		<u>70,302.00</u>
Adjusted Tax Levy		<u>\$35,393,967.34</u>

Summary Levy Cap Calculation - Continued

Adjusted Tax Levy \$35,393,967.34

Additions:

New Ratables – Increase for new construction \$27,598,600

Prior Year’s Local Purpose Tax Rate (per \$100) 0.582

New Ratable Adjustment to Levy 160,623.85

Levy CAP Bank Applied 71,090.85

Maximum Allowable Amount to be Raised by Taxation \$35,625,682.04

Amount to be Raised for Municipal Purposes \$35,475,199.75

Over or (Under) 2% Levy CAP ³⁵
(\$150,482.29)

Components of Property Tax Rate (12/31 YE)

- Municipality (Collection Entity unlike other States)
- Village
- Library
- County
- School (FY 6/30)
- Open Space (both County and Municipal)

Calculation of Municipal Tax Rate

- Revenues:
 - Surplus Anticipated
 - Miscellaneous Revenues (Generally limited to cash received in prior year):
 - ABC Licenses
 - Fees and Permits
 - Municipal Court Fines and Costs
 - Recreation
 - Building Permits
 - Other specific line itemsTotal Miscellaneous Revenue Anticipated
 - Receipts from Delinquent Taxes
 - Subtotal General Revenues

Calculation of Municipal Tax Rate

- **Appropriations:**
 - Village Departments
 - Salaries & Wages
 - Other Expenses
 - Unclassified
 - Deferred Charges and Statutory Expenditures
 - Capital Improvement Fund
 - Debt Service
 - Reserve for Uncollected Taxes

Total Appropriations

Calculation of Municipal Tax Rate

Rate:

- Total Appropriations
- Less Subtotal Revenues
- Balance – Amount to be Raised by Taxation

Amount to be raised/net valuations taxable = Municipal Tax Rate

Village 2021 Tax Rate

LEVIES:

County Levy	\$ 16,341,225.72
County Open Space Levy	678,808.12
Municipal Open Space Levy	291,302.48
Total School Levy	102,700,867.00
Library Levy	2,256,745.00
Municipal Levy	<u>35,475,199.75</u>
Total Levies To Be Raised	<u>\$157,744,148.07</u>

Village 2021 Tax Rate

RATES:

County	0.281
County Open Space	0.012
Municipal Open Space	0.006
Total School – Local, District, Regional	1.763
Library	0.038
Municipal	<u>0.608</u>
Total Tax Rate	<u>2.708</u>
Will Raise	\$ 157,769,423.17
Net Valuations	<u>\$5,826,049,600.00</u>

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