

## 2018 Municipal Budget Questions & Answers

In accordance with the process prescribed by State Law, the Town Council formally introduced the municipal budget on March 27, 2018. The budget presentation made at the March 27<sup>th</sup> meeting can be viewed in its entirety at the following link to the Town's website:

<http://www.westfieldnj.gov/budget>.

The Town Council has been encouraging residents to email any questions they may have about the municipal budget to the [budget@westfieldnj.gov](mailto:budget@westfieldnj.gov) email address prior to the scheduled public hearing on April 24, 2018.

The following are the questions asked in the order they were received through the budget email address and the applicable answers provided by the Town.

### QUESTION:

**The proposal to spend 30% of the town's surplus on marketing public events and a Public Info. Officer is a poor use of these funds. Instead that money should be allocated to improving the town's roads which are in disrepair., e.g. Grove Street among others. This would be a more durable use of the citizen's money and not increase the town budget. Just because Summit has a Public Info. Officer does not mean we have to also. Mark LoGrippe communicates so well to the citizens in our ward. We are so lucky to have him.**

### ANSWER:

Thank you for your email regarding the 2018 municipal budget. The use of Town surplus in the annual budget is usually used to offset large increases in budget items that the town does not necessarily control and to manage the tax levy passed on to residents. Examples of large increases in 2018 include debt service, pensions, insurance, Rahway Valley Sewer Authority costs and capital investment expenditures. In 2018, these large costs have a value of approximately \$3,700,000 and surplus is being used to offset these costs. The Town Council has chosen to use an additional \$500,000 of surplus to reduce the tax levy down to a very low .5%. The annual road paving program is funded through a capital budget which is separate from the municipal operating budget and it is expected that there will be additional road paving authorized for 2018 which will include Grove Street. Thank you for submitting your email.

### QUESTION:

**Hello Team Westfield! First off -- thanks for all that you do for our town -- and all in the margins with somehow getting the rest of life taken care of too! I don't know how you do it!! I feel I have a responsibility to get off my lazy duff and get more educated as to how my taxes are managed and spent as well as see if I can provide some constructive ideas vs simply moaning about my ever-increasing property taxes and not doing anything about it. To that end, barring a work emergency or kid illness, I hope to attend the budget mtg. on the 27th. I've located the prior year's information on the website but was wondering if anything already existed for public consumption for 2018 -- either in final or draft format? I prefer to show up educated vs. processing the information for the first time at the meeting -- better to do my HW before showing up to class! Thank you very much!**

**ANSWER:**

Thank you for your email. The 2018 municipal budget was discussed in its draft form at the March 13, 2018 Town Council meeting and was reported on in the local press. The elected Town Council members have been providing their input since the March 13<sup>th</sup> meeting and the staff is preparing the annual municipal budget for formal introduction at the March 27<sup>th</sup> Town Council meeting in compliance with state mandated deadlines for municipal budgeting. Once the budget is formally introduced, the state budget documents and the annual PowerPoint presentation will be posted to the Town website for the public to view. Also, at the March 27<sup>th</sup> meeting a public hearing date will be set for the municipal budget which is expected to be Tuesday, April 24<sup>th</sup>, subject to State review. The public will have an opportunity to be heard on the 2018 municipal budget on April 24<sup>th</sup> as well as any other Town Council meeting prior to April 24<sup>th</sup>. It sounds like you have done some due diligence already by visiting our website which has over 10 years of budget information available for public view and we look forward to seeing you at the March 27<sup>th</sup> meeting.

**QUESTION:**

**What was the surplus balance at the end of 2016 \$975,000?....and at the end of 2017?? (I realize the 2018 budget has not been introduced) ...and I assume the Sale of Assets account balance is zero?....**

**ANSWER:**

Surplus balance at end of 2016 = 12,400,000 (used 2,200,000 in 2017 budget leaving \$10,200,000)

Surplus balance at end of 2017 = \$14,500,000 (proposed use of \$4,200,000 in 2018 budget leaving \$10,300,000)

Sale of Assets is approximately \$180,000

**QUESTION:**

**Why don't we reduce taxes instead of spend a surplus? Not surprising that our democrat leadership will spend our money. I know how I will vote next election.**

**ANSWER:**

Mr. [Resident], I am the Chair of the Finance Committee. We are working to reduce your tax burden. This year the tax increase is .52%, less than inflation and less than the any year in the past decade. At the same time, we are wisely investing the surplus to make the Town more efficient and serve you better. We can't return the surplus to you and fellow residents but we can budget wisely, reduce costs, and look for new sources of revenue to control as much as possible the tax burden we place on property holders.

We will present the full budget to the public on 3/27. Please join us at Town Hall at 8 pm and bring your questions.

**QUESTION:**

Thank you for the opportunity to provide feedback and questions regarding the 2018 budget via this email address. My husband and I are 26-year residents of Westfield and I would like to ask the following:

**Historical spending:**

For the Great Recession, how much surplus or other appropriations did the Town use to enable us not to have to lay off critical personnel such as Fire, Police, DPW, etc.?

For storm Irene, how much was spent by the Town to cover the costs of the storm (please include all costs including but not limited to fire/police/EMT/DPW personnel, cost to remove debris, etc.)? How much was reimbursed from FEMA or others? How long did it take to receive reimbursement after the storm?

For Hurricane Sandy: Same three questions as above.

For the 4 Nor'easters of 2018: How much do you anticipate that the Town will spend for the storms that we have had this year (including tomorrows anticipated storm)? How much do you anticipate being reimbursed for? When do you anticipate that the Town would receive reimbursement?

**Acceptable level of surplus:**

Councilwoman Habgood explained at the conference session on 3/13/18 that the Town had about \$12 million in surplus at the end of 2016, spent about \$2 million in 2017, gained \$4.2 million in 2017, and will spend that \$4.2 million in 2018 for a resulting \$10 million in surplus expected at the end of 2018. What is the acceptable level of surplus that you believe the Town should have at the end of each year that would enable us to maintain our AAA bond rating while also covering any significant costs such as the above events should they arise? Please kindly comment on the surplus level that you are comfortable with and provide your reasoning for this level.

**Justification for a 193% increase in surplus spending in 2018 over 2017:**

In the 2016 budget, the anticipated revenue from fund balance (aka surplus) was \$974,344. In 2017, the anticipated revenue from fund balance (aka surplus) was \$2,174,344, representing an increase of \$1,297,414 or 133% increase from 2016. The proposed 2018 anticipated revenue from fund balance (aka surplus) is \$4.2 million, or roughly \$2.0 million higher and a 193% increase over 2017. How can you justify an almost doubling of surplus spending year-over-year?

**Line item appropriations for the 2018 surplus:**

I would like to request that the 2018 User Friendly Budget that the Town posts on its website containing the budget spreadsheets, as well as the 2018 Municipal Budget Presentation and any other information created for the budgeting process include an Excel spreadsheet that provides complete detail of the type of appropriation and the cost of each totaling the \$4.2 million. This will not only provide line item information to our 9 elected officials, but also to all Town residents who bear the

cost of this spending. To be clear, I am asking for detail on how the money will be spent and what each expenditure will cost; I am not looking for a simple list of some of the key components.

**2018 Budget detail:**

**Can you tell me when the 2018 Municipal Budget Presentation and the 2018 User Friendly Budget will be posted on the Town website, so that we all have access to this important information? I am hopeful that this will be posted in ample time for the residents to review the information and pose questions/concerns well ahead of the final budget vote.**

**[Budget@westfieldnj.gov](mailto:Budget@westfieldnj.gov) email:**

**Finally, I am disappointed to learn that emails sent to this address are not automatically forwarded to the Mayor and all 8 Council members. While this can be circumvented by cc to you all (as I have done), it is not the best way to disseminate information. I would suggest that in the spirit of transparency and cooperative collaboration, these emails immediately be sent to all 9 elected officials and that any replies that you make to the email sender be made as a reply to all. Many thanks for your time in reading this email and for your responses.**

**ANSWER:**

**(First Response)** Thanks very much for reaching out. We are happy to see residents engaging with us in the budget process, and I also hope that you and your husband are planning to attend this coming Tuesday's Council meeting where we will get into a lot of details about the budget in a public forum. Tuesday is the official date for the presentation of the budget by the Council to the residents.

I am glad that you copied all of us because many of your questions are multi-faceted and require some historical perspective. I will leave your first topic on Historical Spending to be answered by Councilwoman Neylan, who has much more historical perspective on the last ten years' budgets than I do. Jim Gildea can also assist with answers to the questions related to storm recovery costs from the past.

Regarding the storms this Spring, we are still tallying OT for the DPW and police, but have added another \$100K in appropriations into the budget to cover those expenses. We will file an application with FEMA if we are eligible, but any monies available from the federal level would likely not materialize until next year.

On Acceptable Level of Surplus, I will share my perspective and the conversations we have had about this on the Finance Committee this year.

At the beginning of the budget process, the Finance Committee (Stokes, Contract, Neylan and me) mutually agreed to use the rule of thumb determined in the 2017 budgeting process, which was to target \$10 million in surplus. As you very correctly point out, this resulted in us committing \$4.2 million of our surplus this year because the current Fund balance is \$14.5 million.

We have been very disciplined in our budget process. We met with all 17 departments and in every case asked them to identify where we can save money today and how we can invest to save money in the future. We also talked about ideas for future "non-property tax" revenue streams.

Moreover, the use of surplus as proposed for this year is generally no different than in the past. The surplus in the annual budget is first used to offset large increases in budget items that are non-discretionary (current debt service, pensions, insurance, Rahway Valley Sewer authority costs). A portion is also allocated to capital expenditures (to be made in a manner consistent with long-term capex planning) and then to manage what we think is the appropriate increase in the tax levy. In numbers, the non-discretionary costs were just shy of \$2 million, the capital improvement fund was funded with \$1.725 million and we allocated another \$500K to reduce “costs” to property tax payers. Residents will benefit from both the low tax levy increase (.52%) and the reduced future operating costs enabled by the new DPW equipment. Most importantly, we will make these wise investments while achieving our Finance Committee goal of targeting ~\$10 million in surplus, per the 2017 precedent.

In addition, on the topic of “the right amount of surplus”, rest assured, we have consulted with the rating agencies and with our auditor, Warren Korecky, who works on behalf of 20+ nearby towns in NJ. Both are very comfortable with our position. I can share more info on comparisons shortly—this is a work in process that will inform next year and beyond.

#### Surplus spending.

The challenge with year-over-year percentages in this instance is that they don’t really tell the story. It is a good news story that we generated a lot of new surplus in 2017, and that we have the opportunity to invest \$4.2 million wisely. What we are targeting is a safe and comfortable level of surplus, the fund that Sam Della Fera has called the “nest egg”. Towns require a lot of ongoing investment in order to control operating costs. If we have money to make wise investments, we will do so. Otherwise your money and mine will sit in an account earning .75 bps.

#### Budget Details.

Details on capital expenditures planned for 2018 will be presented during the 3/27 Council meeting. There will be a presentation and handouts. As of today, the budget has been presented to the Council in a public meeting on the 13<sup>th</sup> of March. Once it is presented by the Council to the public on the 27<sup>th</sup> of March, all the details will be available on the website as well. The public will then have an entire month until the adoption of the budget on 4/24 to review and ask questions.

I’m not sure that I understand your disappointment regarding our separate email address for budget questions. It helps us keep track of who we have responded to and was set up this way many years ago. Each question is being forwarded to the Mayor and the Council. We are all fully in the loop on the budget process and the details.

By the way, it sounds like you will be one of the residents interested in participating in all the Finance Committee meetings coming up for the remainder of 2018 and beyond. In a departure from past practice, our plan is to have open meetings throughout the 2019 budget process. Residents have strongly requested this, and I hope you will plan to join us.

#### **ANSWER:**

**(Second Response)** I am responding on behalf of the Town Council to your most recent questions and your questions of historical spending from an earlier email.

In regard to your recent questions about an “itemized spreadsheet that shows complete and full detail of each and every appropriation with its cost, totaling the \$4.2 million that will be used from surplus” I can provide the following:

Surplus is considered to represent cash and may be utilized as a revenue item in the budget to support appropriations. Please keep in mind that under New Jersey municipal budget law, surplus is not required to be attributed to any specific line items as it is anticipated as a lump sum revenue item. Over the years the Town has used surplus to offset certain expenses and to manage the municipal tax rate. Here is a quick itemized spreadsheet showing the 2018 and 2017 itemized list of the appropriation increases or full appropriations that surplus is being proposed to offset in addition to a portion used to manage the tax rate.

	<u>2018</u>	<u>2017</u>
<b>Available Surplus (Jan. 1)</b>	<b>14,510,517</b>	<b>12,409,665</b>
Police & Fire Pensions Increase	\$281,035.00	-\$129,536.00
Public Employee Pensions Increase	\$62,596.00	\$31,608.00
Reserve for Uncollected Taxes Increase	\$45,000.00	\$45,000.00
Rahway Valley Sewer Authority Increase	\$257,983.00	\$142,546.00
Health Insurance Increase	\$4,000.00	\$237,000.00
Joint Insurance Fund Increase	\$86,917.00	\$12,784.00
Debt Service Increase	\$531,600.00	\$173,195.00
Tax Appeal Reserve	\$500,000.00	\$500,000.00
Deferred Charges (Revaluation Costs)	\$190,000.00	\$50,000.00
Capital Improvement Fund*	\$1,725,000.00	\$1,100,000.00
	\$3,684,131.00	\$2,162,597.00
Additional Surplus to Reduce Tax Rate	\$515,869.00	\$11,747.00
<b>Total Surplus Used</b>	<b>\$4,200,000.00</b>	<b>\$2,174,344.00</b>
Tax Rate	0.52%	1.43%

\*In addition, the breakdown of items included in the 2018 Capital Improvement Fund line item equaling \$1,725,000 are as follows:

- 2 street sweepers
- 2 large & 2 mid-size dump trucks
- 2 utility vehicles
- 1 75' bucket truck
- 1 cardboard compactor
- State of the art Paving equipment
- General addition to Capital Improvement Fund account

Your questions in regard to historical spending are below with answers provided in red.

For the Great Recession, how much surplus or other appropriations did the Town use to enable us not to have to lay off critical personnel such as Fire, Police, DPW, etc.? **Please refer to the chart included below from one of the slides from the budget presentation which shows the amount of surplus used each year 2008 through 2018. As stated above, surplus is not required to be attributed to any specific line items, but the Town strategically used the available surplus from 2008 through 2013, as seen below, to avoid layoffs and offset other expenses.**

Year	Fund Balance Available a/o Jan. 1	% of Budget	Fund Balance Appropriated	Fund Balance Generated
2008	\$3,894,896	10.28%	\$3,785,000	\$2,738,527
2009	\$2,848,423	7.18%	\$2,700,000	\$1,907,122
2010	\$2,055,545	5.26%	\$1,840,000	\$1,627,557
2011	\$1,843,103	4.67%	\$1,719,000	\$74,391
2012	\$198,494	0.50%	\$0	\$1,431,303
2013	\$1,629,797	3.99%	\$750,000	\$3,840,667
2014	\$4,720,465	11.49%	\$906,023	\$2,776,449
2015	\$6,590,891	16.64%	\$167,172	\$3,159,303
2016	\$9,583,022	23.25%	\$974,344	\$3,800,986
2017	\$12,409,665	28.97%	\$2,174,344	\$4,275,196
2018	\$14,510,517	31.79%	\$4,200,000	?

For storm Irene, how much was spent by the Town to cover the costs of the storm (please include all costs including but not limited to fire/police/EMT/DPW personnel, cost to remove debris, etc.)? **A quick look back shows we submitted approximately \$210,000 for FEMA reimbursement for Hurricane Irene. How much was reimbursed from FEMA or others? FEMA normally reimburses a percentage of the costs submitted, and we were reimbursed approximately \$170,000 for Hurricane Irene. How long did it take to receive reimbursement after the storm? Approximately 12 months.**

For Hurricane Sandy: Same three questions as above. **A quick look back shows we submitted approximately \$1,360,000 for FEMA reimbursement for Hurricane Sandy. We were reimbursed**

approximately \$1,090,000. Approximately \$570,000 was received in 2013, \$185,000 in 2014 and the last \$335,000 in 2016.

For the 4 Nor'easters of 2018: How much do you anticipate that the Town will spend for the storms that we have had this year (including tomorrows anticipated storm)? Too early to tell the final costs yet, but the Town Council added \$100,000 to the budget to cover the expected personnel costs needed to handle the March 7<sup>th</sup> storm which was the most significant this year and the only storm that we may be eligible for reimbursement. How much do you anticipate being reimbursed for? We have submitted preliminary information to the County and like all other union county municipalities, are awaiting a decision on whether the entire County will be eligible for any reimbursement for the March 7<sup>th</sup> Nor'easter. When do you anticipate that the Town would receive reimbursement? Unknown at this time.

**QUESTION:**

Just a thought about the proposed spending in the town's budget and I was wondering if you could clear this up. At the last Town Council meeting there was a consensus that a \$10,000,000 surplus was a "safe" amount to have on hand to keep Westfield's enviable AAA rating. The administration justified spending 4.2 million dollars of the surplus because it still left a 10 million surplus intact. Are we to infer that the 10 million dollar surplus "safety net" is our new de facto baseline. Can the administration guarantee that they will not dip into that 10 million in the future?

**ANSWER:**

Thank you for your email. As you can see from the chart below that was included in the budget presentation at the March 27<sup>th</sup> Town Council meeting, surplus appropriations vary greatly from year to year and is usually dependent on the budget challenges presented to the Town each and every year.

Unfortunately, there are no guarantees on the use of surplus, but we are currently in a very strong financial position. Thank you.

Year	Fund Balance Available a/o Jan. 1	% of Budget	Fund Balance Appropriated	Fund Balance Generated
2008	\$3,894,896	10.28%	\$3,785,000	\$2,738,527
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2017	\$12,409,665	28.97%	\$2,174,344	\$4,275,196
2018	\$14,510,517	31.79%	\$4,200,000	?

**QUESTION:**



The article that I read this morning suggested that the proposed budget would be available before the budget meeting Tuesday night. I am not seeing it on the site. Is it there and I am just not seeing it? If its not, I would think that in order to have intelligent questions being asked at the meeting tomorrow night, it would be helpful to have had an opportunity to see what is being proposed before the meeting. I would like to understand exactly what the surplus is being forecasted to be at the end of the new fiscal year (so how much is being used to fund the new budget), which lines in the budget are being reduced year over year and by how much etc etc. As a former Finance chairperson for the School Board, I realize how difficult it is to provide the services that an organization needs as well as invest in the future and control tax increases. Any additional details that can be provided before the meeting would be very helpful to the residents and would go a long way to achieving the enhanced communication that you all are saying that you want. I will also suggest, though I know that on the school board we did not execute this way either and it was always frustrating, to show a line by line budget vs the prior year ACTUAL expenditures, not compared to the prior year BUDGET. That is truly the only way to understand if the new budget is realistic or not, at least in my opinion. Thanks for your efforts on this and your service to the town.

**ANSWER:**

Thank you for your email. The municipal budget is being introduced at tomorrow evenings regularly scheduled Town Council meeting and the budget document along with the power point presentation will be posted on our website after introduction as it is normally. It is my understanding that the Mayor and Finance Chairwoman intend on posting the presentation prior to tomorrow evenings meeting. I understand that the meeting will also be live streamed, so if you are unable to attend the meeting you should be able to view it on Mayor's Facebook live stream. After introduction, the public has approximately 4 weeks to review the budget and ask questions prior to the scheduled public hearing and adoption of the municipal budget on April 24th. I am copying the entire Town Council on all emails that are received at the [budget@westfeldnj.gov](mailto:budget@westfeldnj.gov) in the event that they desire to provide additional information. Thank you.

**QUESTION:**

To the budget committee. I took a cursory look at the budget presentation. Thank you for sharing it on the website. I have two quick questions/clarifications I hope you can help with

- 1) How many employees does the town have? FT vs. part time? In the 17M or so of salaries?
- 2) For health insurance at 5.2M\$\$ ... that seems massively so high relative to the salary number compared to any other business I have ever been involved with. At 30ish%. I must be missing something that is mandated or necessary because it's a government. I am sure that police and fire health insurance must be more expensive than the average white or blue collar worker but still seems crazy high. Are there non-employees, or former employees that we provide insurance for? Can you help me understand what is going on here?

**ANSWER:**

Thank you for your email. The Town has 200 FT employees and 23 PT employees. In addition, we employee 52 crossing guards and an additional 200 seasonal employees in the summer months. In regard to health insurance costs, the total number in the budget includes retirees. For detail on health insurance costs I can direct you to the User-Friendly Budget (UFB) document on the Town's website. The 2017 UFB form is posted and we are working on the 2018 form which will be posted prior

to our scheduled budget adoption on April 24 as per State of NJ requirements. The link below to the UFB form can provide you some detail on the insurance costs from 2017. Thank you.

<http://www.westfieldnj.gov/budget>.

**QUESTION:**

**What was the actual municipal revenue for Westfield in 2017? It looks like projected was about \$15.1mm. I'm curious because their projected revenue for 2018 is \$2.5mm more than that at \$17.6mm. Where is this extra anticipated revenue coming from?**

**ANSWER:**

Thank you for your email. The actual anticipated municipal revenue for 2018 equals \$17,663,890 which is \$2,496,284 more than was anticipated in 2017. Each budget year there are variations in anticipated revenues based on various factors. In many revenue categories the municipality cannot by law anticipate more revenue than it realized in the previous year. In 2018 the town anticipates its largest revenue increases in the following five categories:

- Construction permit fees (+\$230,000)
- Interest on investments (+\$165,500)
- Prepaid school taxes (+\$176,986)
- Other trust fund (which are funds generated from renting police cars to utility companies to offset police costs) (+\$109,000)
- Fund Balance (aka surplus) (+\$2,025,656)

More detailed information can be found in the actual state budget document that is posted on our website and can be viewed by clicking the link below. (Revenue detail begins on sheet #4) Thank you

<http://www.westfieldnj.gov/budget>.

**QUESTION:**

**I'm curious about the proposed level of funding for tree plantings in the 2018 budget; hoping that restoring the town's street tree canopy, which took another hit from the March nor'easters, remains a priority. Please let me know. Thank you.**

**ANSWER:**

The budget line item for tree plantings in the Public Works Dept. was increased by \$5,000 in 2018 and I do believe that tree planting will continue to be a top priority. Thank you for your email.

**QUESTION:**

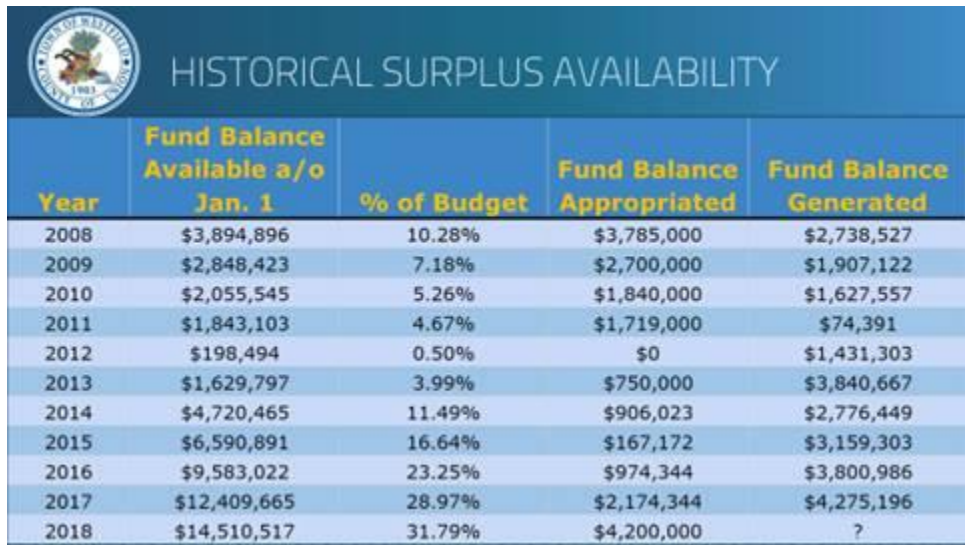
**Just a thought about the proposed spending in the town's budget and I was wondering if you could clear this up. At the last Town Council meeting there was a consensus that a \$10,000,000 surplus was**

a "safe" amount to have on hand to keep Westfield's enviable AAA rating. The administration justified spending 4.2 million dollars of the surplus because it still left a 10 million surplus intact. Are we to infer that the 10 million dollar surplus "safety net" is our new de facto baseline. Can the administration guarantee that they will not dip into that 10 million in the future?

**ANSWER:**

Thank you for your email. As you can see from the chart below that was included in the budget presentation at the March 27<sup>th</sup> Town Council meeting, surplus appropriations vary greatly from year to year and is usually dependent on the budget challenges presented to the Town each and every year.

Unfortunately, there are no guarantees on the use of surplus, but we are currently in a very strong financial position. Thank you.



The table is titled "HISTORICAL SURPLUS AVAILABILITY" and features the Town of Westfield seal in the top left corner. It contains five columns: Year, Fund Balance Available a/o Jan. 1, % of Budget, Fund Balance Appropriated, and Fund Balance Generated. The data spans from 2008 to 2018, with the 2018 entry for Fund Balance Generated marked with a question mark.

Year	Fund Balance Available a/o Jan. 1	% of Budget	Fund Balance Appropriated	Fund Balance Generated
2008	\$3,894,896	10.28%	\$3,785,000	\$2,738,527
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2016	\$9,583,022	23.25%	\$974,344	\$3,800,986
2017	\$12,409,665	28.97%	\$2,174,344	\$4,275,196
2018	\$14,510,517	31.79%	\$4,200,000	?

**QUESTION:**

Hello. I think it would be nice, prudent and not even a burden to the town, to not increase the municipal tax levy at all. You could keep the entire plan the same but slow down your accelerated capital improvement fund program by \$300k.

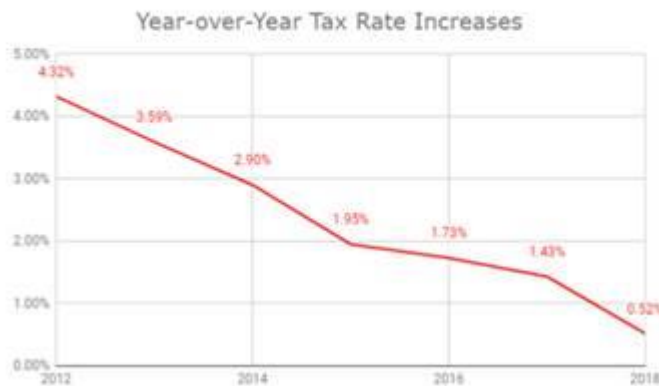
A quick look comparing what was anticipated in 2017 vs. what we are anticipating in revenue now shows a massive growth in the municipal budget. It would be good to give the relief to the tax payers.

	2017 (Anticipated Revenue)	2018
Tax Levy	\$ 27,662,382.00	\$ 27,976,943.62
Fund Balance	\$ 2,174,344.00	\$ 4,198,823.51
Delinquent Taxes	\$ 1,378,000.00	\$ 1,049,705.88
Misc Revenue	\$ 8,541,935.00	\$ 9,356,074.13
Formula Aid	\$ 3,073,326.00	\$ 3,057,838.86
TOTAL	\$ 42,829,987.00	\$ 45,639,386.00
Increase		7%

**ANSWER:**

Thank you for your email. The budget is proposed to increase by 6.6% in 2018, to accommodate non-discretionary costs along with new initiatives including investments in technology and equipment. At the same time, miscellaneous revenues and the use of surplus are increasing significantly which helps to offset the increased expenses and produces the lowest municipal tax increase in decades. The Town Council has always been mindful of the tax impact of the portion of your tax bill that it controls, and has strategically used surplus to manage the tax rate that is passed along to residents when it can.

Please see three slides below from the municipal budget presentation that was presented at the March 27<sup>th</sup> Town Council meeting that provide more information regarding your question. Thank you.





## MUNICIPAL TAX LEVY & TAX RATE CALCULATIONS

□ **Tax Levy** – amount municipality needs to raise through taxation of property owners after accounting for non-property tax revenues and anticipated expenditures  
– There is a 2% cap on the tax levy + allowable exclusions that can be passed through to the taxpayer

□ **Tax Rate** – the municipal tax levy divided by the assessed value of all town property (annual ratables)

Expenditures – Revenues = Tax Levy

$$\$45,639,386 - \$17,663,890 = \$27,975,496$$

**2018 Tax Levy Increase = 1.13%**

Tax Levy / Total Ratables = Tax Rate

$$\$27,975,496 / \$1,868,094,590 = .0149754$$

**2018 Tax Rate Increase = 0.52%**

## 2018 Budget Highlights



- Despite more than \$1.4 million increase in non-discretionary costs (31%) and \$150K+ of storm clean up costs, tax levy increase is only .52%
- Non-property tax revenue is up ~\$800K or 9.35%
- A surplus of \$4.2m generated in 2017 will be used for strategic investments in equipment and technology to improve services and decrease costs over time in addition to lowering the tax rate increase
- Surplus balance will be retained at target \$10 million in line with 2017

### QUESTION:

I am sending you this note as a private citizen and Westfield resident tax payer. I find it interesting that we are considering to raise property taxes even by half a point given the current situation in the state of NJ. We are at a point where the math no longer justifies a NJ residency for both tax payers and jobs in this state, two groups the state desperately needs more of to avoid a financial meltdown like Hartford. Instead of driving these two groups out of the state, we should be adopting policies that attract high paying jobs to move into the state and broaden the tax base. Otherwise, NJ faces a future of further tax increases and potentially bankruptcy.

The Tax Cuts and Jobs Act will increase the tax burden for NJ residents, including higher earners, by up to 5% on an effective tax basis. The new Governor's tax proposal will add to that burden even

more. Collectively, these actions disproportionately and adversely impact more affluent communities like Westfield. NJ now has the highest property tax rates in the nation. If Murphy's proposal passes, NJ will have the highest income taxes in the Tri-state area, and he will be adding taxes in a number of other categories also putting NJ in a leading position in additional categories. So, you ask yourself, why and for what?

That being said and shifting to the local level, I would have expected to see the town council try to mitigate some of these incremental cost burdens at the local level. I think the prudent thing to do is to explore how we reduce our property tax rates to make it more attractive for people to stay in NJ because right now NJ does not look attractive for tax payers nor employers. If Westfield is successful in reducing its property tax rates, that may actually help mitigate the reduction in property values we are all going to experience. Had the town been run as a corporation, the focus would have been on cost reductions and operational efficiencies while balancing it with investments for the future. Business as usual operating expenses need to come down year on year through standardization, elimination, automation and consolidation. A portion of these savings are then used to fund investments; however, the investments are ruthlessly prioritized based on return on investments and pay off periods. Without that, neither management nor potentially the corporation can survive. I strongly believe the same principles should be applied to managing our town budget. So, I would ask you to reconsider your budget proposal in light of the current situation and come up with a plan to actually reducing our overall property taxes on a net basis while allowing for investments to better the town.

I also see discussion of spending some of the "surplus". Given my finance background, I view the surplus as part of our rainy-day fund. I believe it is prudent and good governance for the Town Council to study Westfield's future obligations on benefits to unionized employees beyond the budget time horizon. If the plans that Town employees participate in are similar to other municipal plans around the country, then these obligations will only increase over time, which will require further tax increases. If that is the case, it would be more financially prudent to keep the surplus in reserve to offset future increase in these costs instead of spending it. That would also be in the interest of the tax payers who are long-term residents of Westfield. As fiduciaries, I believe you need to know the answer to that question before agreeing to spend the money.

While these are my personal views and no one else's, I know that they are shared by the majority who have studied these matters. I urge you not to discount the negative impact of the increasing tax burden on NJ tax residents as that is putting the state on a path that I don't believe will have a happy ending. As elected officials, you have a fiduciary responsibility to the tax payers living in Westfield and need to act in our best interest. I strongly believe that the current proposal budget is not in the best interest of Westfield residents.

**ANSWER:**

Thank you for your email. I hope that you had an opportunity to watch the budget presentation via live stream on Tuesday evening. If not, the presentation and the budget are both now available on the town website:

<http://www.westfieldnj.gov/budget>.

Your email resonated with the Mayor and me. We are very intent on managing the burdens on the property taxpayers and you will continue to see us focused on 1) generating non-property tax streams of revenue to the town and 2) investing surplus generated in excess of a target level--which this year was \$10 million. Excess savings doesn't make sense when we are currently earning only .75% on those monies. Our auditor, Warren Korecky, affirmed in the meeting that \$10 million was a very healthy amount of "rainy day fund" for a town of our size and with our future obligations (pension and otherwise).

Please let me know if you have questions or concerns after reviewing the information on the website. Thank you again for reaching out.

**QUESTION:**

**Thanks for the response. Yes. I have studied the materials and there are a couple of things that I am having researched before coming back to you with my follows up.**

**One thing that would be helpful in the meantime is to see Westfield's balance sheet that shows our assets, reserves and accrued liabilities. I have not been successful to finding one in the public domain.**

**With respect to Warren Korecky's commentary that \$10M is an adequate size for a rainy day fund, I am curious on what basis, what assumptions, what timeframe and what modeling/analyses he is basing his opinion on. Would he willing to render on an opinion in writing with a full disclosure of his assumptions, data and analyses? Has the determination of whether \$10M is adequate been discussed with S&P and Moody's?**

**ANSWER:**

I am responding on behalf of the Town Council to your most recent questions regarding the 2018 municipal budget.

In regard to your request about the Town's balance sheets, please refer to the most recent Audit Report (2016) on the Town website at the following link:

<http://www.westfieldnj.gov/budget>.

All past budget information including audit reports can be found on our website under "Town Departments", in the "Administration" tab.

The first section of the report provides balance sheets on a regulatory basis for our various funds in accordance with the regulatory basis of accounting prescribed by the State of New Jersey. The 2017 Audit report is being finalized and is expected to be posted to the website shortly.

In regard to Mr. Korecky's comments, he was merely answering a spontaneous question at a public meeting based upon his extensive municipal finance experience in many municipalities across the State of NJ. Lastly, surplus reserves are discussed with the rating agencies as appropriate and in our two

most recent rating reports from S&P and Moody's in 2017, it was positively noted that "surplus operating margins were considered strong" and "reserves are staying above 15% of expenditures."

**QUESTION:**

**Can you please provide a list of roads to be paved in the ~6.7 miles included in the new budget? Can you also indicate what factors were used in determining which roads were to be paved (e.g. current condition, frequency of use, others?)**

**Have there been any comparisons done to see what Westfield pays contractors to pave per unit (e.g. sq ft) versus what other municipalities pay per unit? Are there any unique contracting strategies we could employ to lower the unit costs and increase the amount of roads paved each year? Have we looked at other municipalities to see how much road they can pave in a year versus Westfield and how much their budget is for those activities? As a construction Project Manager with lots of contracting experience with a large Corporation, I would be happy to volunteer in doing a cost analysis or participating in some brainstorming for the town.**

**ANSWER:**

Thank you for your email. The list of roads to be paved will be released shortly as the Town Council is in the process of finalizing the list for 2018. Historically, factors that are considered are based on numerous criteria including, but not limited to, the underlying roadbed condition; traffic volume and patterns; the fitness of the pavement to handle the applicable speed limit, volume and type of usage; proximity to school zones; topography; availability of NJ DOT state aid; pending utility company work; underlying drainage infrastructure; scheduled County and State roadwork in the immediate vicinity; and any other criteria that may be relevant for a particular capital budget cycle. Roads are not necessarily considered singly; rather, they are oftentimes evaluated as part of the larger grid within the town's master circulation plan. It is the intention of the Town Council to engage a professional engineering consultant to perform an independent analysis of all of its roads in 2018 to prepare a new comprehensive list of roads to be paved for 2019 and beyond.

In regard to cost comparisons and unit pricing, the Town is required to comply with the State of New Jersey's Local Public Contracts Law and most, if not all, of our large projects, including paving projects, are required to be publicly bid to assure a transparent and competitive process resulting in a fair and reasonable cost for the job. We have received very favorable bids in the past few years allowing us to pave more roads. The proposed miles of road to be paved in 2018 is approximately 2 more miles than the Town has normally approved so there continues to be an effort to pave more roads. Thank you for your offer to provide volunteer services and we will definitely call on you if required. Thank you.

**QUESTION:**

**I am curious about the \$26,651 for Municipal Alliance and the \$57,137.99 for Clean Communities that was anticipated for 2017 and 2018. What were the programs that these covered and what are the plans for these monies in 2018?**

**ANSWER:**

Thank you for your email. The two items you refer to are both anticipated revenue items. The first item is the Municipal Alliance program revenue which comes from the New Jersey Governor's



Council on Alcoholism and Drug Abuse (GCADA). GCADA receives funding to administer the program from the Drug Enforcement Demand Reduction Fund (DEDR) established to collect fines from individuals who are assessed such when convicted of a drug offense. Municipal Alliance award recipients are required to match the GCADA grants with a cash-match of 25% of the award and 75% in-kind-services. Union County grant awards fund Municipal Alliances, which plan for and develop evidenced-based and community level prevention strategies, to target substance abuse in their communities. The \$26,651 represents Westfield's DEDR grant award and is anticipated as a revenue in the annual municipal budget to provide funding for the programs that are administered through the program in Westfield each year.

The second item is the Clean Communities program revenue which comes from the statewide New Jersey Clean Communities program created by the passage of the Clean Communities Act in 1986. The Clean Communities Program Fund disburses funding each year to municipalities, counties and the state parks service. Recipients of the funding must implement programs that incorporate cleanup efforts in their community. Westfield has used this revenue to offset the costs of the operation of our Conservation Center each year. There is no anticipated amount in the 2018 budget because the awards have not yet been released by the program which is not unusual. The \$57,137.99 amount was received last year after budget adoption. We expect to receive an award after the budget is adopted and the revenue will be added to the budget in the process prescribed by municipal finance law so the funds can be used this year.

**QUESTION:**

**I am wondering what generated the increase in surplus in 2017. From my understanding, the 2017 budget that was unanimously approved by the town council included the appropriation of \$2,174,344 of surplus or 17.5% of the surplus balance at the time.**

**At year-end, instead of depleting the surplus by the \$2.2m as planned, it instead increased by \$2.1m. This is a \$4.3m swing from plan to actual.**

**My question is can you provide me with the larger variances that led to this swing? How much came from revenues above plan (and why) and how much from expenses below budget (and what were the bigger ones)?**

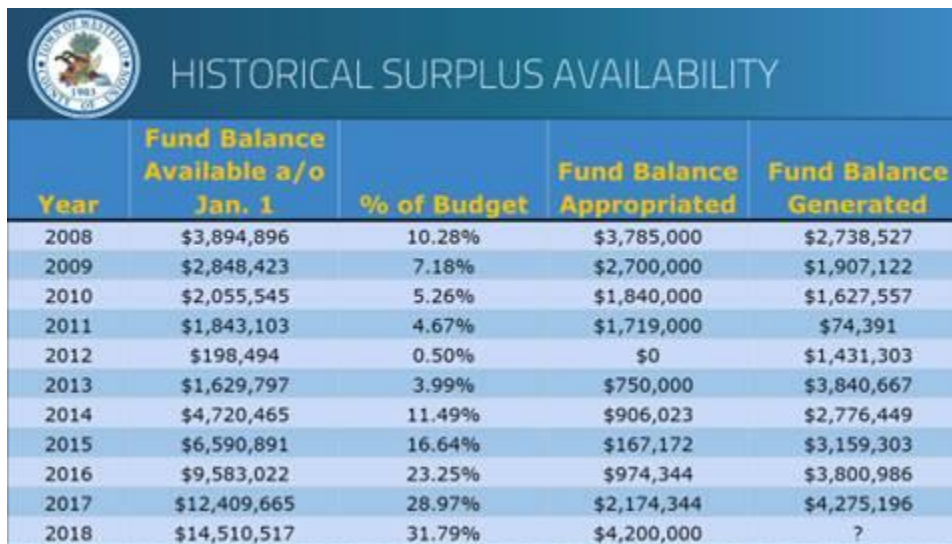
**It appears to me that the town has budgeted to use surplus every year from 2013-2017 yet each year, the ending surplus went up. Are we so conservative in our budgeting that we under spend every year? If so, should I expect a different result in 2018?**

**My second question is: Does the town have a target for surplus balance as a percentage of total appropriations? I note that Princeton (AAA rated) has a target of 10-15% and will appropriate \$8+m of surplus this year because their balance is well above the target. Westfield's surplus currently sits at 30% which seems exorbitantly high to me. I'd suggest that the finance committee sets (and publishes) a target and works to bring out surplus down to that level over several years, through smaller tax increases (or none) and smart investments in infrastructure. I'd just assume keep my money until the town needs it rather than have it sit in your bank account.**

**ANSWER:**

Thank you for your email. Surplus is generated from many factors and many of these final excesses or deficits are unknown until year end. It should be noted that surplus is considered to

represent cash and may be utilized as a revenue item but is considered a one-time revenue source that has no guarantee to be regenerated. Areas that contribute to surplus generation include, Excess Anticipated Revenues, Excess Delinquent Tax Collections, Excess Current Tax Collections, Miscellaneous Revenues Not Anticipated, Appropriation Reserves Lapsed (previous years unspent appropriations) and School Taxes Deferred (due to the fact that we are on a calendar year and the school is on a fiscal year and the Town is the tax collector.) The main contributors to the large swing from 2017 to 2018 were Excess Anticipated Revenues, Excess Current Tax Collections and School Taxes Deferred. While in recent years the town has been able to regenerate surplus successfully, from 2008 to 2012 it was different story as seen below from one of the slides from the Town’s budget presentation provided at the March 27<sup>th</sup> Town Council meeting. Anticipated surplus use in the budget and surplus regeneration vary greatly from year to year and are usually dependent on the budget challenges presented to the Town each and every year.



The table, titled "HISTORICAL SURPLUS AVAILABILITY", shows the relationship between fund balance, budget appropriation, and surplus generation from 2008 to 2018. The columns are: Year, Fund Balance Available a/o Jan. 1, % of Budget, Fund Balance Appropriated, and Fund Balance Generated. The data shows a significant increase in surplus generation in 2018 compared to previous years, reaching a target of \$4,275,196.

Year	Fund Balance Available a/o Jan. 1	% of Budget	Fund Balance Appropriated	Fund Balance Generated
2008	\$3,894,896	10.28%	\$3,785,000	\$2,738,527
2009	\$2,848,423	7.18%	\$2,700,000	\$1,907,122
2010	\$2,055,545	5.26%	\$1,840,000	\$1,627,557
2011	\$1,843,103	4.67%	\$1,719,000	\$74,391
2012	\$198,494	0.50%	\$0	\$1,431,303
2013	\$1,629,797	3.99%	\$750,000	\$3,840,667
2014	\$4,720,465	11.49%	\$906,023	\$2,776,449
2015	\$6,590,891	16.64%	\$167,172	\$3,159,303
2016	\$9,583,022	23.25%	\$974,344	\$3,800,986
2017	\$12,409,665	28.97%	\$2,174,344	\$4,275,196
2018	\$14,510,517	31.79%	\$4,200,000	?

In regard to your second question about a target for surplus spending, the appropriate level of surplus will vary greatly between communities, because their circumstances are usually different (risk tolerance, size, fiscal year, spending plans, etc...). We have looked at the Princeton policy on surplus over the past few years and while at this time there is no published policy in Westfield, surplus use, appropriate levels and target ranges are deliberated every year among the Finance Committee members and professional staff keeping in mind rating agency preferences. Westfield, like Princeton, is one of only a very small number of municipalities in the State of New Jersey to hold a AAA rating. In 2018 the target surplus balance to be achieved was approximately \$10 million dollars which was consistent with 2017 target. One of the largest increases in anticipated surplus (\$625,000) this year is offsetting additional appropriations for public works equipment in order to better serve the residents which the current Council believes is a wise investment. In addition, the Council has anticipated additional surplus (\$516,000) in 2018 to reduce to the tax rate for residents to approximately .5% for municipal purposes. Thank you.