



The Avalon Home and Land Owners Association

DECEMBER 2009 – COUNCIL PRESIDENT CHUCK COVINGTON

COUNCILWOMAN NANCY HUDANICH, CFO JIM CRAFT ON BOROUGH BUDGETS AND FINANCE

Council President Chuck Covington indicated that Avalon was in the middle of the process of preparing the 2010 budget.

Avalon has a professional form of government, i.e., 5 council members and a mayor who is elected separately. The Business Administrator runs the Borough. The council members sit on various committees, but they do not have credentials.

The Borough Master plan requires the development of viable economic programs with neighboring communities and to maintain the dunes and waterways.

The NJ Division of Local Government Services ensures the budget complies with laws. It supplies the forms used to generate the budget; approves certain special items, e.g., those that exceed prior year spending. It defines revenue, tax levy and spending caps. The rules change every year.

The Administrator sets the long term goals for financing. The Mayor creates the budget and gets it to Council in January.

The Finance Committee gives input on the state of the finances and recommends capital expenditures. It reviews the Mayor's preliminary budget and can make changes. It presents the budget to a public hearing.

Council reviews the Mayor's budget, introduces it and recommends changes. It conducts the public hearing.

The budget has to be approved by a two thirds majority, i.e., by 4 out of 5 members.

Councilwoman Hudanich stated that the budget is a spending plan that is divided into categories:

Essential Services (38%);

Regulatory Services (9%), including the library, construction;

General Administration (27%), includes controllable operating expenses;

Community Services (8%), includes performing arts, recreation;

Debt Service (20%). By law the debt could be 3.3% of the total rateables in the Borough (about \$300 million). It is currently \$33 million.

Revenues can only be projected to the amount realized in the previous year. Any surplus goes into the General Fund and enables Council to strike the collection rate for a year. Fees and permits account for 6% of the revenue and come from court fines, general permits, construction permits, rental licenses and interest. The State supplies 2% from energy tax receipts (that have decreased drastically in 20 years, since New Jersey does not tax microwave technology). Property taxes account for 77% of the revenue.

The statutory requirements are a full cash basis budget, a reserve for uncollected taxes, account for payments to the county, school and library. There is a 3.5% Spending Cap and a 4% Tax Levy Cap. Statutory expenses also include pensions, and Social Security.



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The operating constraints are:

Salary and wage contracts (multi year);

Utility rates (multi-year);

County MUA fees (multi-year);

Pension contributions (19% per person for police and 12.7% per person for others). There is a make up provision to overcome the “holiday” from pension contributions granted by Governor Whitman.

Multi-year contracts;

Insurance, and

Debt.

The goal is not to have spikes in tax rates.

Work on the budget starts in September. The Borough is looking for no increase in department spending.

CFO Jim Craft outlined the schedule for developing the budget. If necessary a temporary budget of less than 26.25% of the previous year’s budget can be implemented by year-end to pay for operations from January to March. The temporary budget will have funds to start a project; funds would be sought to reduce the amount of the new debt.

Major projects that have to be considered include staying as current as possible on the road project; the 39th Street water tower needs to be refurbished soon; the long range plan for dredging the back bay needs to be continued, however, that requires a decision on the use of the dredge materials