



2020 Municipal Budget Questions & Answers

In accordance with the process prescribed by State Law, the Town Council formally introduced the municipal budget on April 28, 2020. The budget presentation made at the April 28th 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 email address prior to the scheduled public hearing on May 26, 2020.

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: (Submitted Feb. 10, 2020)

Can you provide a table that contains the line item amounts for surplus spending for 2017, 2018, and 2019? If projections are available for 2020, please provide those as well.

ANSWER:

Thanks for the email to the municipal budget email address. The email that I sent you last March is responsive to your questions submitted on Monday of this week. There are no projections yet as the 2020 budget is still in its formulation stages. See below for the info provided last year:

On Wed, Mar 27, 2019 at 9:48 PM the Town wrote:

As per your question below I can provide the following information:

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 2019, 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>2019</u>	<u>2018</u>	<u>2017</u>
Available Surplus (Jan. 1)	14,511,356	14,510,517	12,409,665
Police & Fire Pensions (Inc./Dec.)	\$246,487.00	\$281,035.00	-\$129,536.00
Public Employee Pensions (Inc./Dec.)	\$83,757.00	\$62,596.00	\$31,608.00
Reserve for Uncollected Taxes (Inc./Dec.)	\$50,000.00	\$45,000.00	\$45,000.00
Rahway Valley Sewer Authority (Inc./Dec.)	\$289,248.00	\$257,983.00	\$142,546.00
Health Insurance (Inc./Dec.)	-\$251,000.00	\$4,000.00	\$237,000.00
Joint Insurance Fund (Inc./Dec.)	-\$23,608.00	\$86,917.00	\$12,784.00
Debt Service (Inc./Dec.)	\$4,247.00	\$531,600.00	\$173,195.00
Tax Appeal Reserve	\$750,000.00	\$500,000.00	\$500,000.00
Deferred Charges (Revaluation Costs)	\$190,000.00	\$190,000.00	\$50,000.00
Capital Improvement Fund*	<u>\$1,300,000.00</u>	<u>\$1,725,000.00</u>	<u>\$1,100,000.00</u>
Total Surplus Used to Offset	\$2,639,131.00	\$3,684,131.00	\$2,162,597.00
Additional Surplus to Reduce Tax Rate	\$2,354,869.00	\$515,869.00	\$11,747.00
Total Surplus Used	\$4,994,000.00	\$4,200,000.00	\$2,174,344.00
Tax Rate Increase	0.00%	0.52%	1.43%
Surplus Balance Remaining	\$9,517,356.00	\$10,310,517.00	\$10,235,321.00

*In addition, the breakdown of items included in the 2019 Capital Improvement Fund line item equaling \$1,300,000 were on slide 27 of last night's presentation



2019 Capital Improvement Fund

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- 2 large dump trucks
- 4 mid size pick up trucks
- 1 large dump truck
- 1 sewer jet truck
- General additions to Capital Improvement Fund



Total 2019 Cost: \$1,300,000

2019 Capital Improvement Fund budget represents year 7 of a 9 year capital investment and rebranding plan for public works equipment initiated in 2015. Equipment purchases were doubled in 2016 and 2018.



Westfield, NJ

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QUESTION: (Submitted Feb. 24, 2020)

I have the following questions regarding AddamsFest:

1. What was the amount that the town provided as seed money in 2019?
2. What were the event overtime expenses in 2019?
3. And were the event overtime expenses reimbursed to the town in 2019 as they were in 2018?
4. When will the Profit & Loss statement for 2019 be posted on the town website, just as this one was posted for 2018?

UNAUDITED	
AddamsFest Event	
Profit & Loss	
January 1 through December 10, 2018	
6:22 PM 12/10/18 Accrual Basis	Jan 1 - Dec 10, 18
Ordinary Income/Expense	
Income	
Art Exhibit	6,692.00
Beer Garden-Online Ticket Sales	12,590.00
Beer Garden - Harvest	6,500.00
Lectures/Tours Income	587.50
Miscellaneous	150.00
Morticia's Movie Event	5,815.00
Morticia/Gomez Masquerade Ball	16,250.00
Sponsorship Income	57,830.00
Town of Westfield Seed Money	25,000.00
Total Revenue	131,414.50
Expense	
Admin	7,239.80
Armory	3,540.00
Art Contest	369.64
Art Exhibit Expenses	9,414.69
Beer Garden Expenses	15,573.42
Event Kickoff	200.83
Family Fun Zone	8,175.12
House Decorating Contest	450.00
Lantern Float	768.61
Lectures/Tours	1,474.06
Marketing	2,143.51
Masquerade Ball Expenses	13,435.83
Movie Event	4,900.28
Townwide Decor & Utility	9,916.42
Trunk or Treat	7,838.74
Windows of Westfield	1,609.26
Total Expense	(87,050.21)
Net Profit	44,364.29
Other Expense	
Event Overtime Expense	24,125.04
Total Other Expense	(24,125.04)
Net Profit after Overtime	20,239.25

Thanks ahead of time for your reply.



ANSWER:

Thank you for your email. Answers to your questions below are in red.

I have the following questions regarding AddamsFest:

1. What was the amount that the town provided as seed money in 2019? **\$0. The seed money was only for the inaugural year (2018) and money earned from the inaugural event was deposited into the Town's dedicated Addamsfest account and provided the seed money for 2019.**
2. What were the event overtime expenses in 2019? **This is expected to be included in the Profit & Loss statement. See question below for more info.**
3. And were the event overtime expenses reimbursed to the town in 2019 as they were in 2018? **The event overtime expenses were not reimbursed in 2018 or 2019 as Addamsfest is a Town sponsored event and we do not reimburse ourselves for our own events.**
4. When will the Profit & Loss statement for 2019 be posted on the town website, just as this one was posted for 2018? **Very soon. My understanding is there are bank statement receipts pending before the report can be finalized and posted.**

QUESTION: (Submitted March 6, 2020)

This week, the 2020 sewer fee (tax) hit our mailboxes and that has led to a lot of discussion about this on social media. So, I have the following questions:

1. For each year from 2012-2020, can you provide:
 - the total amount the Town paid to the RVSA
 - the total amount residents paid to the Town for sewer fees
 - the total RVSA amount paid (i.e., the sum of the two amounts above)
2. What is the cause for an increase in RSVA sewer costs by \$750,000 in last 3 years and by \$210,000 in 2019 as noted in the Town's social media outlets as well as in discussion at the February town council meeting where a vote was taken?
3. Has the town researched how Fanwood , Scotch Plains, Clark and perhaps other towns within the RVSA base the sewer fee on consumption rather than on a flat fee? If not, when will you be doing so?

Thank you ahead of time for your response

ANSWER:

Thank you for your email. The sewer fee was first implemented in 2012 and I have attached the FAQ that was distributed with the first bills in 2012 that provides some of the background on the reasons for the sewer fee. The answers to your other questions are provided below in red.

This week, the 2020 sewer fee (tax) hit our mailboxes and that has led to a lot of discussion about this on social media. So, I have the following questions:

1. For each year from 2012-2020, can you provide:
 - the total amount the Town paid to the RVSA
 - the total amount residents paid to the Town for sewer fees
 - the total RVSA amount paid (i.e., the sum of the two amounts above)

Please see the chart below that provides the information you are seeking. The first column shows the bill amount received and paid by the Town to the RVSA each year. The second column shows the revenue realized in that calendar year from all property owners who paid the sewer fee. The third column shows the amount that the town subsidizes after we collect the annual revenue. As you can see, the costs have historically been at about a 50% subsidy rate, except for the last few years when the Town received larger increases in its annual rates. It is anticipated that the Town will collect approximately \$2,100,000 in the sewer fee in 2020, returning to the 50% subsidy rate.



	RVSA	Revenue	Town	
	<u>Actual</u>	<u>Realized</u>	<u>Subsidizing</u>	
2012	\$3,548,538.00	\$1,647,897.00	\$1,900,641.00	54%
2013	\$3,556,048.00	\$1,759,935.00	\$1,796,113.00	51%
2014	\$3,506,458.00	\$1,749,855.00	\$1,756,603.00	50%
2015	\$3,376,411.00	\$1,749,197.05	\$1,627,213.95	48%
2016	\$3,369,896.00	\$1,707,236.38	\$1,662,659.62	49%
2017	\$3,512,422.00	\$1,749,813.33	\$1,762,608.67	50%
2018	\$3,770,425.00	\$1,714,505.39	\$2,055,919.61	55%
2019	\$4,068,672.00	\$1,725,127.52	\$2,343,544.48	58%
2020	\$4,279,550.00	????	????	??

2. What is the cause for an increase in RSVA sewer costs by \$750,000 in last 3 years and by \$210,000 in 2019 as noted in the Town's social media outlets as well as in discussion at the February town council meeting where a vote was taken? **Like all of the municipalities who are members of the Rahway Valley Sewerage Authority (RVSA), the annual allocation is based on a five year rolling average based on flow and sewage content readings.**

3. Has the town researched how Fanwood, Scotch Plains, Clark and perhaps other towns within the RVSA base the sewer fee on consumption rather than on a flat fee? If not, when will you be doing so? **The Town did perform an independent analysis in 2014 of sewer fees to assist in determining whether a consumption-based model vs. the flat fee model would be preferred. At that time, the analysis confirmed that the flat fee model was adequate to achieve the desired revenue at the 50% subsidy rate without any additional administrative costs to implement a consumption-based method. The current flat rate fee methodology has been a topic of discussion during the 2020 budget formulation and will continue to be reviewed further by the Finance Policy Committee. Thank you.**

QUESTION: (Submitted March 9, 2020)

I know that you are in the budget planning process for 2020. Can you tell me the thinking of the Mayor and Council with regard to the following future obligations?

1. When will the police contract, which expired in 2018, be settled? And what are the additional costs anticipated annually to the town when a new contract is signed?

2. Knowing that the fire department contract expires in 2021 and the DPW in 2022, what are the additional costs anticipated annually to the town when these new contracts are signed?



3. The Parks Master Plan looks for \$41.7 million (about the same as the town's annual budget) in spending in the coming 10 years, with \$10.4 million in 0-2 years; \$26.6 million in 3-5 years, and \$4.7 million in 4-10 years. I am supportive of many of the suggestions in the Parks Master Plan and acknowledge that public/private monies will be needed for these projects. Specifically, how will the town cover the costs? And, when do you expect to begin some of the projects recommended in the Parks Master Plan?

4. The Mayor has repeatedly spoken about the efforts to find a permanent solution to reopen the Rialto, perhaps as a performing arts center. The Mayor has also said that the town will not operate the future Rialto. The asking price for the building is current \$5 million (per the owner to several interested parties in January and February 2020). Will the Mayor and Council also commit that taxpayer dollars would not be used in the purchase or lease of the building in the future?

5. Many are aware that the Town needs to relocate Firehouse #1 in the near future. What is the plan for this, including timing and costs?

I appreciate all that the Mayor and Council do during the budget process, especially the amount of time given to this (speaking as a resident and as a small business owner who has to plan not only for this year but for future years).

Thanks so much for your reply

ANSWER:

Thank you for your email. Unfortunately, I am unable to tell you the thinking of the Mayor and Council and the first two questions below are personnel related and we are unable to provide responses to these speculative questions. Questions 3 – 5 are also speculative, but I will share the Mayor's statement from last night's Town Council meeting which I believe provides some info pertinent to your question #3-5 below. Thanks



EXPERIENCE WESTFIELD. A CLASSIC TOWN FOR MODERN FAMILIES.

SPECIAL EDITION



a bold action for a brighter future

Read Mayor
Brindle's March
9th remarks
about
redevelopment
and the Town's
growth strategy



In two weeks, we will be presenting our 2020 budget to the public. While the budget is still being finalized, I want to take this opportunity to provide some context behind the numbers, let you know what to expect in this year's tax bill, and share our growth strategy for the future.

First and foremost, some background. For the past decade, the Town has taken a very conservative approach to budgeting which has effectively maintained the status quo while yielding a positive AAA bond rating and sizable surplus. It's an approach that a financial advisor would apply to a couple in retirement, ensuring there is adequate funding to support basic needs for their remaining years, while leaving something for the grandkids.

For Westfield, this has resulted in a healthy nest egg, but has come at the expense of long term investment in roads, parks, infrastructure, and our downtown to adequately meet the reasonable expectations of taxpayers.

It's a strategy that has also made us overly reliant on revenue sources that contradict good long-term policy, such as parking tickets and permits for tear downs, road openings, and construction. This not only undermines our neighborhood character, downtown vibrancy, and quality of life, but also makes us vulnerable to the whims of the economy, which has necessitated an excessive surplus as a safeguard.

...this has resulted in a healthy nest egg, but has come at the expense of long term investment in roads, parks, infrastructure, and our downtown to adequately meet the reasonable expectations of taxpayers.

Since I was elected, we've begun to take a different approach. Under the leadership of Finance Chair Councilwoman Linda Habgood, we have begun transitioning our financial approach to one that a financial advisor would apply to a growing family with a long and expansive future ahead. We made investments in roads, equipment, and automation, while returning excess surplus to the taxpayers in the form of a zero percent municipal tax increase last year. That reduction was a deliberate decision made, in part, to reduce taxpayer uncertainty over

the impact of the county mandated tax revaluation, the final outcome of which resulted in a decrease in taxes for 57% of residential properties.

We have also made conscious decisions to reduce downtown parking enforcement, discourage tear downs and subdivisions, and protect our newly paved roads with a temporary road opening moratorium until a better long term solution was determined.

...how will we accomplish our goal of increasing revenue to achieve our ambitious plans for parks, fields, and downtown revitalization, without relying on tax increases? The answer lies, in large part, in the economic benefits of redevelopment...a tool used by Cranford, Summit, South Orange, Princeton, and Morristown...

In the short term, while we have made these choices to positively impact issues that matter to residents, understandably they have resulted in a revenue shortfall that will force us to make some hard budget decisions this year. To offset that loss, there will be a tax adjustment for residents, and department budgets have been reduced so that our Town's budget is anticipated to increase by only .05%, among one of the lowest increases in recent history.

It's also important to remember that the Town only receives **16%** of the property taxes we collect. 24% of our taxes are sent to Union County (we are their largest municipal

tax contributor), while 58% of our taxes go to the schools, and 2% to the library. Also of note, 90% of our taxes are paid by residents, not commercial businesses, reinforcing the need to diversify and expand our tax base if we are to improve and enhance Town services.

Going forward, how will we accomplish our goal of increasing revenue to achieve our ambitious plans for parks, fields, and downtown revitalization, without relying on tax increases? **The answer lies, in large part, in the economic benefits of redevelopment**, a tool created by the State Legislature that has been employed by many NJ towns to jumpstart their revitalization, including Cranford, Summit, South Orange, Princeton, and Morristown, to name a few. Westfield is one of the few towns that has never capitalized on the financial benefits of redevelopment.

There has been a good deal of concern over the health and vitality of our downtown and, rightly or wrongly, there has long been a perception that the vibrancy of our downtown reflects the health of our Town generally. A thoughtful and well-planned redevelopment strategy allows us to control and drive the outcome of future development to bring our Master Plan Reexamination goals to fruition, prioritizing the downtown recommendations as a means to support its revitalization.

As a municipality, we have the authority to declare certain public or private properties as “areas in need of redevelopment,” a designation that the State allows if properties meet qualifying criteria. Once designated, a Town may enter into a redevelopment agreement with a potential developer which typically includes a Payment In Lieu Of Taxes (PILOT) and is beneficial for three significant reasons:

...these opportunities have the potential to reshape Westfield's future by establishing significant new revenue streams while transforming our Downtown to ensure the long term vibrancy of our community.

- 1) provides the Town significant control over a project, including the power to dictate architecture, building materials, green spaces, amenities and more,
 - 2) allows the Town to retain 95% of the negotiated fee, with only 5% going to the County (as opposed to 24%),
 - 3) provides up to 30 years of consistent, recurring revenue to the Town.
- For example, the 333 Central apartment building was built without a redevelopment designation, therefore the Town was unable to dictate the project's aesthetics nor reap the financial benefits of a PILOT agreement. As a result, the Town currently only receives 16%, or \$72K, of their current tax bill of \$451,500 (the County receives \$108K). If it had been a designated redevelopment area with a PILOT agreement, the Town could be receiving a 30 year payment of approximately \$380K/yr (vs \$20K for the County) as a Payment In Lieu of Taxes. This \$308K positive difference to the Town would be an annual recurring revenue stream that could be used towards improving our parks, adding new fields, and enhancing our downtown.

We also know it's in our collective best interest to adequately invest in our schools. PILOT programs allow the opportunity for the Town to enter into creative agreements with the school district to support specific initiatives that benefit the community as a whole, a potentially very timely opportunity.

...it allows us to take a strategic approach to identifying the best opportunities and locations for new parking solutions and revenue-generating residential, retail and commercial development; as well as planning for the possibility of a new firehouse, community center, and public plazas.

For reasons that are unclear to me, Westfield has never pursued a redevelopment designation. The adoption of our affordable housing settlement, however, has provided us with the opportunity to consider redevelopment designations to maximize the economic benefits of development that is already planned. It also enables us to ensure that these developments are in line with our vision, and addresses community concerns regarding traffic, school enrollment, and infrastructure. To that end, the proposed project at 418-448 South Ave East has already been designated a redevelopment area as a preface to an expected agreement with Elite properties, the owner of that development.

Tonight the Council will be voting on resolutions asking for redevelopment studies to assess all eight municipal parking lots and the property that the Rialto building occupies to see if they qualify as “non-condemnation areas in need of redevelopment.” Additionally, we will be asking for a redevelopment study of the Lord & Taylor sites as a result of our continued conversations with the owner of that property, Hudson’s Bay Company, in order to plan for the future of that location.

These potential designations do not necessarily mean that we will be proposing developments on any or all of these sites. But by designating them all, it allows us to take a strategic approach to identifying the best opportunities and locations for new parking solutions and revenue-generating residential, retail and commercial development; as well as planning for the possibility of a new firehouse, community center, and public plazas. As with the Master Plan, we will be seeking and encouraging public input into any proposed downtown plan, a process that will take place during the 3-6 months that the study will take to complete.

Additionally, in consultation with the downtown property owners, we will soon be seeking a study to qualify our entire Special Improvement District as an “area in need of rehabilitation,” a lower threshold designation which does not allow for PILOT agreements. It does, however, allow for agreements with property owners to encourage them to improve their properties through five year tax abatements on the value of their improvements.

This designation would ensure that all downtown stakeholders have an opportunity to participate in and benefit from the revitalization of our downtown.

In closing, these opportunities have the potential to reshape Westfield’s future by establishing significant new revenue streams while transforming our Downtown to ensure the long term vibrancy of our community. I can think of no better legacy as we celebrate our 300th year. #W300 #ourfutureisnow

[FOLLOW WESTFIELDNJ.GOV FOR THE MOST CURRENT INFORMATION ABOUT DOWNTOWN WESTFIELD REDEVELOPMENT](https://www.westfieldnj.gov)

QUESTION: (Submitted April 29, 2020)

I am following up on my email of February 10, 2020 below. Now that the budget has been presented, can you kindly provide the data below for 2017, 2018, 2019, and 2020?

ANSWER:

As per your question below I can provide the following information:



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 2020, 2019 and 2018 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>2020</u>	<u>2019</u>	<u>2018</u>
Available Surplus (Jan. 1)	\$11,507,692	\$14,511,356	\$14,510,517
Police & Fire Pensions (Inc./Dec.)	\$80,438.00	\$246,487.00	\$281,035.00
Public Employee Pensions (Inc./Dec.)	-\$36,597.00	\$83,757.00	\$62,596.00
Reserve for Uncollected Taxes (Inc./Dec.)	\$40,000.00	\$50,000.00	\$45,000.00
Rahway Valley Sewer Authority (Inc./Dec.)	\$219,877.00	\$289,248.00	\$257,983.00
Health Insurance (Inc./Dec.)	\$702,000.00	-\$251,000.00	\$4,000.00
Joint Insurance Fund (Inc./Dec.)	-\$1,819.00	-\$23,608.00	\$86,917.00
Debt Service (Inc./Dec.)	\$88,453.00	\$4,247.00	\$531,600.00
Tax Appeal Reserve	\$200,000.00	\$750,000.00	\$500,000.00
Deferred Charges (Revaluation Costs)	\$145,000.00	\$190,000.00	\$190,000.00
Capital Improvement Fund	<u>\$100,000.00</u>	<u>\$1,300,000.00</u>	<u>\$1,725,000.00</u>
Total Surplus Used to Offset	\$1,537,352.00	\$2,639,131.00	\$3,684,131.00
Additional Surplus to Manage Tax Rate	\$2,967,648.00	\$2,354,869.00	\$515,869.00
Total Surplus Used	\$4,505,000.00	\$4,994,000.00	\$4,200,000.00
Tax Rate Increase	1.95%	0.00%	0.52%
Surplus Balance Remaining	\$7,002,692.00	\$9,517,356.00	\$10,310,517.00

Thank you.

QUESTION: (Submitted April 29, 2020)

Last year, I sent the email below to ask about the use of consultants and new part-time staff.

For the 2020 budget, I have the following questions:

Use of consultants:

The 2018 budget included \$259K for consultants:

- \$40K for a Parks Consultant
- \$59K for a Master Plan Consultant
- \$40K for a Parking Consultant
- \$120K for Firehouse relocation Consultant

The 2019 budget included \$163K for consultants:

- \$100K for consultant work to produce the Land Use and Transportation Plan Element reports as companion documents to the Master Plan Reexamination report.
- \$18K to perform an evaluation of meeting room spaces in Town Hall
- \$45K in 2019 for the next phase of the Fire House relocation project now that the Master Plan is completed



For 2020:

I am already aware that \$50k will be spent in 2020 to hire the redevelopment planning firm, Topology NJ LLC of Newark for a one-year contract for services related to the South Avenue redevelopment plan.

I also understand that \$15k will be spent to hire LAN Associates to conduct a wetlands study and file an applicator to NJDEP to obtain a Letter of Interpretation for a portion of Tamaques Park

In addition, certainly there will be costs for consultants for determining the steps forward as part of both the Master Plan and Parks Master plan.

And, the Mayor spoke on 3/10/2020 and posted on 4/7/2020 about redevelopment studies by Topology to assess all eight municipal parking lots, the property that the Rialto building occupies, and the Lord & Taylor properties (main property and 2 parking lots across the street) to see if they qualify as "non-condemnation areas in need of redevelopment."

The Mayor also spoke on 3/10/2020 and posted on 4/14/20 about a "study to qualify our entire Special Improvement District as an "area in need of rehabilitation"

Please provide a list for all consultants by type, project, and amount budgeted in 2020, as you have done in the past.

New Part-Time staff:

In 2018 and 2019, the Town budgeted \$40k for a part-time Public Information Officer.

I believe?? that a part-time engineer was also added in 2018 or 2019.

What is the budget for part-time staff in 2020 by position?

Thanks ahead of time for your assistance.

ANSWER:

In regard to consultants included in the 2020 municipal budget, we can provide the following:

Redevelopment Planning Consultant - \$50,000 – (Topology was hired after a public RFP process, and this cost is expected to incorporate redevelopment designation studies for all eight municipal parking lots, the property that the Rialto building occupies, and the Lord & Taylor properties, a redevelopment plan for the new development to be built by Elite properties on South Ave and any other tasks assigned by the Town.) – The study for the area in need of rehabilitation for the SID was done in house by the Town Engineer and Town Planner.

Circulation Element of the Master Plan Consultant - \$70,000 – (WSP was hired after a public RFP process to perform the Unified Circulation Element of the Master Plan in conjunction with the Land Use Element consultant hired in 2019 as the next steps in the Master Plan process.)

Redevelopment Attorney - \$50,000 – (The firm of Greenbaum, Rowe, Smith and Davis was hired after a public RFP process to provide legal advice on proposed redevelopment projects.)

The \$15,000 contract that you mention below awarded to LAN for the Tamaques Park wetland delineation study is not included in the 2020 budget as half of the cost will be offset by a grant received from Union County and the other half will be charged to the Park Improvement Fund.)

I neglected to mention that the consultant costs for the Redevelopment Planner and the Redevelopment Attorney are anticipated to be reimbursed by the developers performing the redevelopment work which is a common practice. Thank you.

In regard to new part time staff, there is no new part time staff included in the 2020 budget. We added a full time Engineering Inspector in 2019. The Town has many part time staff positions throughout most of our departments and it would take more time to gather this information. Please let me know if you are able to be more specific in your request to reduce the resources needed to respond. Thank you.

QUESTION: (Submitted April 29, 2020)

Based on the budget presentation at the town Council meeting on 4/28/2020, I understand that it is the intention to spend \$4.505 million from surplus in 2020, such that the surplus will drop to \$7.002 million.

In the past:

1. Warren Korecky (town auditor) stated on 3/27/2018: "{i believe that} \$10.3 million {surplus} is a safe area."



2. Councilman David Contract stated on 3/27/2018: "{I am} confident that {a} \$10 million {surplus} will maintain a AAA rating and this will not increase borrowing costs."
3. Councilman David Contract also stated on 4/10/2018: "In each of the last 6 years, anticipated revenues has been higher than predicted. The average is \$2.4 million in excess. \$10 million is a reasonable large surplus." "{I am} comfortable with it."
4. Mayor Brindle commented on 3/26/2019: "We heard you and ensure that your priorities are our priorities. {we have} a 0% municipal tax levy, while [prioritizing investment in infrastructure and technology while maintaining an extremely healthy \$10 million surplus."
5. Councilwoman Linda Habgood stated on 3/26/2019: "{There is} no trend to spend the surplus and no jeopardy to for the Town. {We are} utilizing dollars we took from taxpayers to put to use. With input from the town attorney, CFO, investment advisory council, there is no need to have more surplus than we do at \$10 million."

In addition, the target of a \$9.5-10.3 million surplus level is reinforced on the town website in eight (8) instances as follows:

From the 2018 FAQ:

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 27th 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.

HISTORICAL SURPLUS AVAILABILITY				
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	?

From the 2018 FAQ:

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.westfieldni.gov/budget>.



From the 2018 FAQ:

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 27th 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.

HISTORICAL SURPLUS AVAILABILITY				
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.

From the 3-27-2018 budget presentation:

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

From the 3-26-2019 budget presentation:

2019 Budget Highlights

- Zero % Municipal Tax Increase in 2019
- Total revenues increase by 6%, total expenditures increase by 2.32%
- Fiscally smart use of surplus. Putting “savings” to work to stabilize the tax rate and continue to invest in the Town’s future.
- Surplus balance retained at \$9.5 million target



From the 3-26-2019 budget presentation:

Putting our Surplus to work, but maintaining ample nest egg!

Year	Balance Available Jan 1	Balance Appropriated	Balance Remaining	Amount Generated
2009	\$2,848,423	\$2,700,000	\$148,423	\$1,907,122
2010	\$2,055,545	\$1,840,000	\$215,545	\$1,627,557
2011	\$1,843,103	\$1,719,000	\$124,103	\$74,391
2012	\$198,494	\$0	\$198,494	\$1,431,303
2013	\$1,629,798	\$750,000	\$879,798	\$3,840,667
2014	\$4,720,465	\$906,023	\$3,814,442	\$2,776,449
2015	\$6,590,891	\$167,172	\$6,423,719	\$3,159,303
2016	\$9,583,023	\$974,344	\$8,608,679	\$3,800,986
2017	\$12,409,665	\$2,174,344	\$10,235,321	\$4,275,196
2018	\$14,510,517	\$4,200,000	\$10,310,517	\$4,200,840
2019	\$14,511,357	\$4,994,000	\$9,517,357	?

Investing \$4,994,000 of the 2019 available surplus will leave the town with a \$9.5 mm surplus – 20% of the budget!

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From the 3-26-2019 budget presentation:

2019 Budget Summary/Next Steps

- ZERO % increase in 2019 municipal tax rate. This hasn't happened in decades
- Surplus remains at a healthy \$9.5 million! AAA rating maintained
- Residents will still see a tax increase due to proposed 2.8% increase by BOE and proposed 2% increase by County.
- Accomplishing all that we set out to do—investment in infrastructure, roads, technology, planning, engagement—but adhering to our fiscal objectives
- Next Steps – Finalization of 2019 capital budget including:
 - road paving
 - sidewalk replacement
 - facility enhancements
 - technology upgrades
 - equipment replacement

And finally, from the 1-20-2020 budget presentation:

Goal 1

Continue strong fiscal management, with an emphasis on managing surplus, investing strategically, and improving cost efficiencies

- Presenting a 2019 municipal budget with a 0% increase in the tax rate
- Maintain the Town's 'AAA' credit bond rating
- Maintain a healthy \$9.5 million in fund balance
- Continue to evaluate our cash management plan to maximize returns with input from the Investment Council
- Reassess all opportunities to grow non-property tax revenue sources while ensuring alignment with Town objectives and quality of life initiatives

This leads to a series of questions:

1. Did you believe in 2018 and 2019 and in early 2020 that the \$9.5-10.3 million surplus level was appropriate? Why or why not?
2. What are the rationales in 2020 that justify that we now fall below the historical target of \$9.5-10.3 million in surplus to \$7.002 million?
3. Since the town has already stated in March and April 2020 that construction permit revenues, parking meter revenues, court fees, investment returns, etc. will certainly fall as a result of the measures taken to stem the spread of Coronavirus and since we are in an economic recession (which may result in declining property values and tax revenues), what measures will the town be taking as revenues fall in 2020?

Many thanks ahead of time for your answers to these questions.



ANSWER:

In regard to your questions below, I can provide the following in red:

1. Did you believe in 2018 and 2019 and in early 2020 that the \$9.5-10.3 million surplus level was appropriate? Why or why not? **I am unable to answer a question about someone's belief.**
2. What are the rationales in 2020 that justify that we now fall below the historical target of \$9.5-10.3 million in surplus to \$7.002 million? **Due to the unprecedented impact of the Coronavirus on all municipalities, the Town Council has elected to use \$4,505,000 in surplus to offset certain costs and bring the tax rate below the allowable 2% tax levy cap and keep \$7 million in reserve for use in 2021.**
3. Since the town has already stated in March and April 2020 that construction permit revenues, parking meter revenues, court fees, investment returns, etc. will certainly fall as a result of the measures taken to stem the spread of Coronavirus and since we are in an economic recession (which may result in declining property values and tax revenues), what measures will the town be taking as revenues fall in 2020? **In addition to the answer in question #2, the Town significantly reduced anticipated revenues and expenditures in most areas of the budget and will be taking various measures throughout the remainder of 2020 as outlined in the budget presentation slide below that was presented this past Tuesday evening via the Zoom Town Council meeting.**

Progress against the budget will be vigilantly monitored to see where additional action may be necessary, including:

- ◆ Ongoing discussions seeking less expensive alternatives to our current health insurance program
- ◆ Introduce Town solar solutions to save energy costs on a going forward basis; RFQ is being released soon
- ◆ Discuss with the Westfield Senior Housing Corporation lease renewal and additional revenue to the Town
- ◆ Discuss with ACMS, our crossing guard company to restructure program in Sept. 2020
- ◆ Conduct cost-benefit analysis on \$170K+ leaf collection process and assess possible lower cost alternatives
- ◆ Evaluate the Westfield Memorial Pool revenues and costs to ensure that we can operate on a fiscally prudent basis in 2020
- ◆ As last resort, consider employee furloughs and/or adjustments to current benefit packages

If things are better than expected, we will work to catch up on Master Plan and Parks Plan key priorities

Thank you

QUESTION: (Submitted April 29, 2020)

It is my understanding that when Mayor Brindle began her position, the town had a surplus of about \$14.5 M. Further, it is my understanding that the surplus is now down to about \$7M.

I'm told that much of the road paving that was accomplished last year was mostly done by Elizabethtown Gas and Union County funding.

It appears to me that over \$7M from the surplus was spent and quite frankly I don't see what we have to show for it. Perhaps you can explain.

ANSWER:

Here is some additional information to provide you a fuller picture of the budget and the surplus. Unfortunately, it's not accurate to say the surplus was \$14mm and now it's \$7mm. Here's why:

-- When I took office in Jan 2018, the surplus was \$14mm. However, many residents complained as I ran for Council that the surplus was too large, it wasn't being used to invest in the town and instead it was sitting in an online savings account earning barely 50 basis points. I agreed with these concerns and when I joined the Finance Committee and the Council, I promised to more smartly run the town's



finances, focusing on investment and minimizing taxes while preserving a level of surplus recommended by our town's fiscal experts.

-- This level of surplus recommended by the town's experts was 15% of the town's budget which is roughly \$7mm. NOTE: the town earned its AAA bond rating with \$6mm in surplus

-- In 2018 and 2019, the surplus was used primarily to lower municipal tax rates (recall the tax increase was 0.5% in 2018 and 0% in 2019 which is far lower than the annual tax increases in the preceding decade) as well purchasing Public Works equipment to improve services and reduce maintenance using cash on hand vs bonds.

-- At the end of 2019, the town had \$11.5mm of surplus, which is well ahead of the minimum level recommended by experts.

-- In last night's budget, the Town Council proposed using \$4.5mm of surplus to again keep municipal taxes as low as possible in 2020. The fiscal situation this year is far different than the previous two years because of COVID-19 with declining revenues, non-discretionary cost increases of over \$1mm and salary/wage increases of 2% or more.

-- On paper, this budget reduces the surplus to \$7.0mm but it's an apples to oranges comparison vs the starting off point of \$11.5mm because of different time periods.

-- An accurate assessment is to compare the \$11.5mm surplus at the end of 2019 to a projected surplus number at the end of 2020. Obviously, no one knows this, but history can be a guide. Typically, the town generates \$1mm-\$2mm or more of surplus during the year. Even during the economic downturn in 2009 and 2010, the town regenerated an average of \$1.8mm of surplus each year. And the town generated \$2.5mm of surplus last year and over \$4.0mm the year before.

-- So, on a projected 12/31/20 basis, I believe the town will end the year with likely around \$9mm of surplus, which again is well ahead of what the town's experts say we need for a rainy day fund.

QUESTION: (Submitted May 3, 2020)

I hope that this note finds you and your families well. I would like to start by thanking all of you for your work during the COVID crisis. Shelley, your positive leadership, even with difficult decisions to make, has been excellent. Thank you.

I have included Mark and David as the Ward 3 councilmen and Linda as Chair of the Finance Committee.

Now to my questions. I have been watching this budget season more closely than last year. As you all know, I was the Chairperson of the Finance committee of the Board of Education for four years. I have some understanding of how these budgets are put together and how difficult it is to please everyone. That simply cannot happen. The goal I believe is to bring good financial management to the town (or school district) and be transparent, with facts. I always believed that so long as we had a good thought process in our decisions, even if people did not agree, they couldn't "really" argue with the decisions.

I also understand that what you were proposing pre and post COVID has changed a bit to make up for the significant shortfall in revenues we will continue to see.

All that said, there are two questions I have, and some information that I would like to see. I believe both are public information, and in fact, the format that I am requesting either has already been shared OR you have it already done. You would have needed them done so that you could have thoughtful conversations about the issues around the town council table, even virtually.

1) With respect to the surplus—. There is some number, perhaps \$14 million, that has been identified as the surplus at the beginning of your term. Is that accurate? Whatever the number is, I would like to see what I would call a "roll-forward" of that beginning of term surplus through your most recent



budget proposal. In that analysis, we would see, the starting point, all of the uses of the surplus and then the ending estimated surplus at the moment. I am sure you have this and it might be out there but I cannot seem to find it in this format. I would imagine that this would make it clear to everyone, once and for all, how the surplus has been utilized and then everyone can make their own judgements about whether it was a good use of the money or not. At this point, I have NO opinion because I am not clear on where the reported \$7 million or so went. I am absolutely a believer of investing for the future and have been for the most part in favor of many of the suggestions and actions that have been taken.

2) PILOT. Until this got discussed in Westfield, I had never heard of the program. I imagine, that with any program, there are pros and cons that you have had to weigh before you can decide to proceed or not. I would like to see a document that shows your objective evaluation of the pros and cons of the program. What are the benefits to the town (short term and long term) and what risks or concerns do you all have—. Does this program give us revenue certainty and that makes it a benefit? Does it impact the future tax revenues and if so, does that impact us down the road in ways that might not be obvious to residents? I do not know, but I think that we should be afforded something that is clear, concise and the facts of why this is a good program for the town.

Again, let me thank you all for your work in support of the town. I know that its not an easy job in the best of times.

One of the many things I learned during my 6+ years on the school board. People often complained that we did not communicate enough; that we were not transparent. There is always room for improvement in that area from any organization. I did feel we were pretty good at it but what people did not sometimes understand is that you can be great communicators, but people HAVE to WANT to LISTEN when the information is put out there. I want to listen, so I look forward to the facts so I can make an informed decision on these important issues. Once informed, I am happy to communicate out to the many in town who have asked me what I think about some of these important issues.

Lastly, I wanted to commend some comments that were made at a recent meeting. The public is focused on seeing that our town council, regardless of party affiliation, working together to fulfill the needs for which you were elected.

Best to you and your families and I look forward to getting the information that's been requested.

ANSWER:

Hope you are well and thank you for your email. Answers to your two questions are below in red:

With respect to the surplus—. There is some number, perhaps \$14 million, that has been identified as the surplus at the beginning of your term. Is that accurate? Whatever the number is, I would like to see what I would call a “roll-forward” of that beginning of term surplus through your most recent budget proposal. In that analysis, we would see, the starting point, all of the uses of the surplus and then the ending estimated surplus at the moment. I am sure you have this, and it might be out there but I cannot seem to find it in this format. I would imagine that this would make it clear to everyone, once and for all, how the surplus has been utilized and then everyone can make their own judgements about whether it was a good use of the money or not. At this point, I have NO opinion because I am not clear on where the reported \$7 million or so went. I am absolutely a believer of investing for the future and have been for the most part in favor of many of the suggestions and actions that have been taken. **There are two documents that will shed some light on historical and current surplus use. 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. The first screenshot below is one of the slides that was included in the budget presentation at the Town Council meeting last week. The full presentation can be found at the following link: https://www.westfieldnj.gov/vertical/sites/%7B57704CD8-22F3-44AB-BC43-B0B1CE80A3BB%7D/uploads/2020_Proposed_Municipal_Budget_.pdf The second item is a spreadsheet showing the 2020, 2019 and 2018 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 annual tax rate.**



Historical View on Surplus

Year	Available Jan 1	Appropriated	Remaining	Generated
2009	\$2,848,423	\$2,700,000	\$148,423	\$1,907,122
2010	\$2,055,545	\$1,840,000	\$215,545	\$1,627,557
2011	\$1,843,103	\$1,719,000	\$124,103	\$74,391
2012	\$198,494	\$0	\$198,494	\$1,431,303
2013	\$1,629,798	\$750,000	\$879,798	\$3,840,667
2014	\$4,720,465	\$906,023	\$3,814,442	\$2,776,449
2015	\$6,590,891	\$167,172	\$6,423,719	\$3,159,303
2016	\$9,583,023	\$974,344	\$8,608,679	\$3,800,986
2017	\$12,409,665	\$2,174,344	\$10,235,321	\$4,275,196
2018	\$14,510,517	\$4,200,000	\$10,310,517	\$4,200,840
2019	\$14,511,357	\$4,994,000	\$9,517,357	\$1,990,336
2020	\$11,507,693	\$4,505,000	\$7,002,693	?

Investing \$4,505,000 of the 2020 available surplus will leave the town with a \$7mm surplus - 15% of the budget

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	<u>2020</u>	<u>2019</u>	<u>2018</u>
Available Surplus (Jan. 1)	\$11,507,692	\$14,511,356	\$14,510,517
Police & Fire Pensions (Inc./Dec.)	\$80,438.00	\$246,487.00	\$281,035.00
Public Employee Pensions (Inc./Dec.)	-\$36,597.00	\$83,757.00	\$62,596.00
Reserve for Uncollected Taxes (Inc./Dec.)	\$40,000.00	\$50,000.00	\$45,000.00
Rahway Valley Sewer Authority (Inc./Dec.)	\$219,877.00	\$289,248.00	\$257,983.00
Health Insurance (Inc./Dec.)	\$702,000.00	-\$251,000.00	\$4,000.00
Joint Insurance Fund (Inc./Dec.)	-\$1,819.00	-\$23,608.00	\$86,917.00
Debt Service (Inc./Dec.)	\$88,453.00	\$4,247.00	\$531,600.00
Tax Appeal Reserve	\$200,000.00	\$750,000.00	\$500,000.00
Deferred Charges (Revaluation Costs)	\$145,000.00	\$190,000.00	\$190,000.00
Capital Improvement Fund	<u>\$100,000.00</u>	<u>\$1,300,000.00</u>	<u>\$1,725,000.00</u>
Total Surplus Used to Offset	\$1,537,352.00	\$2,639,131.00	\$3,684,131.00
Additional Surplus to Manage Tax Rate	\$2,967,648.00	\$2,354,869.00	\$515,869.00
Total Surplus Used	\$4,505,000.00	\$4,994,000.00	\$4,200,000.00
Tax Rate Increase	1.95%	0.00%	0.52%
Surplus Balance Remaining	\$7,002,692.00	\$9,517,356.00	\$10,310,517.00

2) PILOT. Until this got discussed in Westfield, I had never heard of the program. I imagine, that with any program, there are pros and cons that you have had to weigh before you can decide to proceed or not. I would like to see a document that shows your objective evaluation of the pros and cons of the program. What are the benefits to the town (short term and long term) and what risks or concerns do you all have—. Does this program give us revenue certainty and that makes it a benefit? Does it impact the future tax revenues and if so, does that impact us down the road in ways that might not be obvious to residents? I do not know, but I think that we should be afforded something that is clear, concise and the facts of why this is a good program for the town. **Regarding your PILOT question, we have not yet**



entered into or negotiated any redevelopment agreement that would include a PILOT. The Council only recently approved our first redevelopment designation on South Ave, referred to by many as the Sevels property. The next step would be to draft a redevelopment plan that may or may not include a PILOT agreement depending upon what is deemed to be in the best interests of the community. While there are general parameters for PILOTS, many of which are statutory, there is not necessarily a one size fits all approach. The agreements vary depending upon the scale, designated use, and location of the project. They can be very effective development tools to control the outcome of projects while providing significant economic benefits to the Town to support infrastructure and other capital improvements. If and when we do consider entering into a PILOT agreement, it would be done very transparently with the economic and project benefits clearly stated along with a request for public input. Thank you.

QUESTION: (Submitted May 6, 2020)

The 2020 proposed budget includes \$3,209,361 for debt service. However, the budget does not indicate what the interest rates are for the outstanding bonds. Since we currently have historically low municipal bond interest rates, for example less than 1.25% for 10 yr. bonds, can all or some of the outstanding bonds be refinance/or replaced with current low interest rate bonds and save the town on the debt service?

ANSWER:

Thank you for your email. Our annual debt service increases for the last few years have been stable and we always look to avoid large swings in annual debt service by managing the timing and amounts of issuing general improvement capital bonds and general improvement bond anticipation notes (BAN). In addition, our debt profile is strong as our current debt service is only 7% of budget and our net debt as a percentage of the 3-year average Equalized Valuations is only 0.371%, as compared with some of our neighboring towns that have net debt approaching or over 1%. The increase in debt service for 2020 has been offset by revenue to mitigate its impact on the tax rate.

The 2020 debt service is comprised of three general improvement bond issues and one BAN. The first bond issue is from 2009 and has two remaining annual payment installments ending July 2021. The second bond issue is from 2015 and has remaining payment installments ending July 2027 at an approximate 2% annual interest rate. The third bond issue is from 2017 and has remaining payment installments ending September 2029 at an approximate 1.9% annual interest rate. Lastly, the one BAN for interest only payment has a rate of approximately 1.3%. The three bond issues are not callable, but we are in a good position at this time and we are in consultation with our bond counsel regularly seeking opportunities to manage debt service whenever possible. Thank you