

Princeton Township

Citizens' Finance Advisory Committee
April 25, 2011

Presentation Agenda

- CFAC Background
 - Who we are
 - What we've done / What we're doing
- Fund Balance Update
 - Why is it important?
- 2010 Financial Performance
- 2011 Budget & Budget trends
 - Revenue trends
 - Expense trends
 - Debt Service
 - Staffing & Compensation
- Open Space Fund
- Longer-term Concerns

CFAC Background

- Established in 2008
- Purpose: Offer advice to Township Committee on Financial Matters
- 7 Members, incl. 2 from Township Committee
- Monthly meetings
 - Township Administrator & CFO actively participate
 - Other experts in attendance as needed

CFAC Members

- Scott Sillars-Chair
 - Fmr VP & Treasurer, *GenTek, Inc.*
- Zvi Eiref-Vice Chair
 - Fmr CFO, *Church & Dwight*
- Anne Burns
 - PR Director, *Issues Management LLC*
- John Wynne, Jr.
 - Business Strategy Consultant
- Brian McDonald
 - President, *NewMarket Pharmaceuticals*
 - Former VP Development, *Princeton University*
- Liz Lempert & Sue Nemeth
 - *Township Committee*

Major Projects in 2010

- Princeton University Fair Share Payment negotiations resulted in \$500k contribution for 2011
- Introduced improved financial planning tools
- Analyzed and projected debt service costs
- First formal CFAC Report to Township Committee
- *Ongoing: Monitor Township Budgets and Financial Performance; publish Budget Summary*

2011 Work Plan

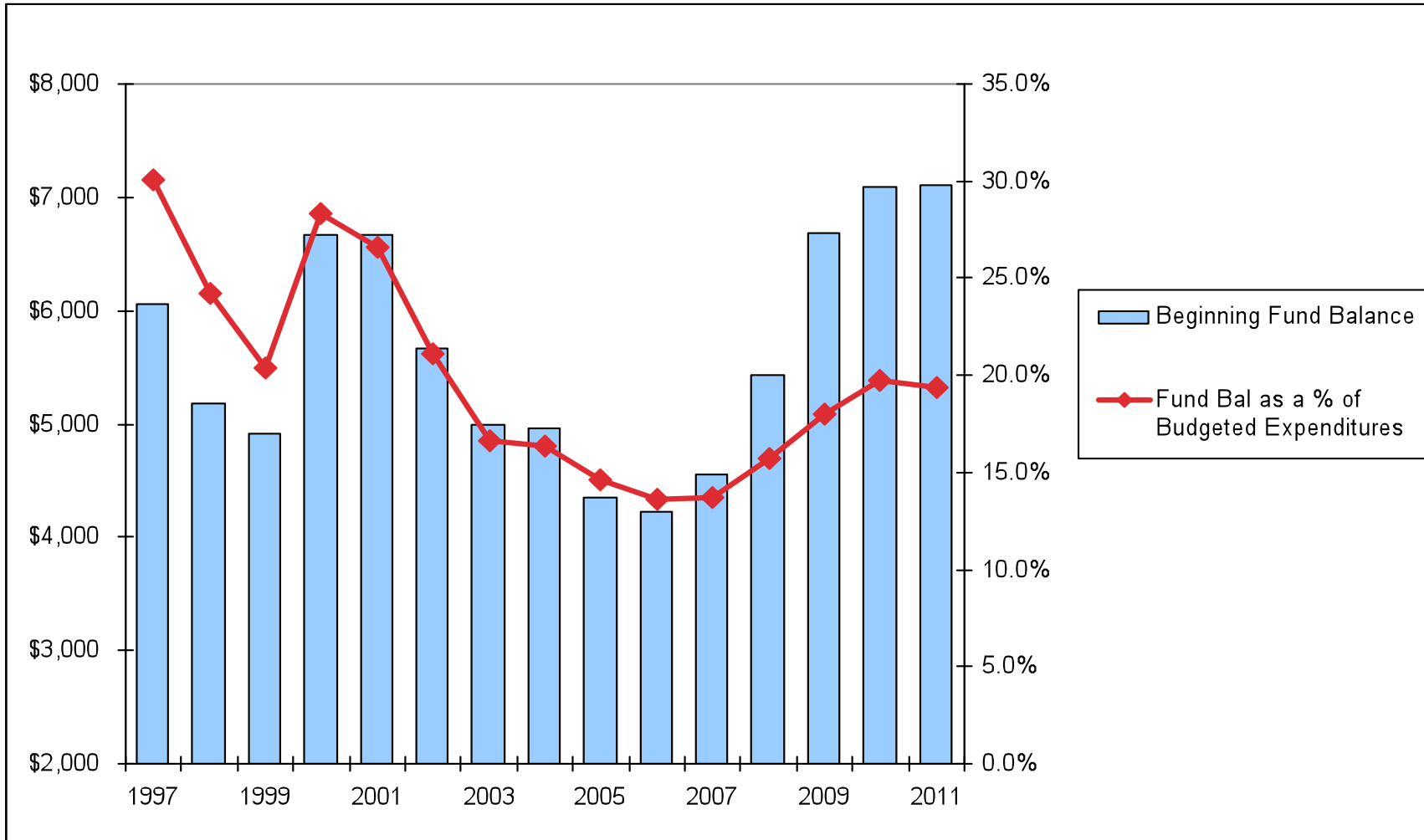
- Open Space Tax & Fund analysis (under way)
- Benchmark Public Works costs
- Possible reengagement on PU Contribution
- Other projects to be defined
- *Ongoing:*
 - *Publish Budget Summary*
 - *Monitor Township Budgets and Financial Performance*
 - *Operating Budgets vs Actual Results; associated impact on Fund Balance (Surplus)*

Fund Balance

... is the accumulation of past budget surpluses and is a Town's Financial Cushion:

- Available to offset temporary events; either anticipated or, more importantly, unanticipated
- Greatly enhances taxing & budgeting flexibility
- Budgeting uncertainties and Regulatory & Accounting complexity make the Fund Balance difficult to project
- Negative trends can be hard to reverse
- Must be managed with long-term view in mind (same goes for Budgets)
- Important factor in Bond Ratings

Fund Balance



Standard & Poors' called Township's Fund Balance as a % of Budgeted Expenditures "very strong" in November 2010 Ratings review

Fund Balance Planning Tool

- Current Fund Surplus is projected to be unchanged in 2011

Budget / Actuals:	2011		2010	
	Projected	Introduced	Unaudited	Budget
Revenue:				
Budget Anticipated				
Fund Balance Approp	\$ 4,125,000	\$ 4,125,000	\$ 4,125,000	\$ 4,125,000
Misc. Revenues	10,051,000	9,830,204	9,113,648	8,855,455
Non-anticipated revenues	586,840		586,840	
Receipts from taxes:				
Current (Munic. Portion)	20,305,458	21,717,067	20,772,476	22,144,756
Delinquent	864,900	961,000	830,930	820,000
Other credits to income:				
Lapsed approp reserve	2,150,000		2,144,252	
Total Revenue	38,083,198	36,633,271	37,573,146	35,945,211
Expenditures:				
Budget Expenditures	34,018,866	36,633,271	33,429,046	35,945,211
Revenue - Expenditures	\$ 4,064,332	\$ -	\$ 4,144,100	\$ -
Change in Fund Balance				
Balance January 1	\$ 7,107,715		\$ 7,088,615*	
Plus: Revenue - Expenditures	4,064,332		4,144,100	
Less: Used as Budget Revenue	(4,125,000)		(4,125,000)	
Fund Balance December 31	\$ 7,047,047		\$ 7,107,715	

* Adjusted for Interfund Repayment

2010 Review

- Last year's projection of no change in Surplus was correct, but not in the details

<u>Projected vs Actuals</u>	Actual	May 24, 2010 Projected	Variance
Revenue:			
Budget Anticipated			
Fund Balance Approp	\$ 4,125,000	\$ 4,125,000	\$ -
Misc. Revenues	9,113,648	8,586,313	527,335
Non-anticipated revenues	586,840	561,169	25,671
Receipts from taxes:			
Current (Munic. Portion)	20,772,476	21,746,150	(973,674)
Delinquent	830,930	779,000	51,930
Other credits to income:			
Lapsed approp reserve	2,144,252	1,500,000	644,252
Total Revenue	<u>37,573,146</u>	<u>37,297,632</u>	<u>275,514</u>
Expenditures:			
Budget Expenditures	<u>33,429,046</u>	<u>33,373,244</u>	<u>(55,802)</u>
Revenue - Expenditures	<u>\$ 4,144,100</u>	<u>\$ 3,924,388</u>	<u>\$ 219,712</u>
<hr/>			
<u>Change in Surplus:</u>			
Balance January 1	\$ 7,088,615	\$ 7,088,615*	\$ -
Plus: Revenue - Expenditures	4,144,100	3,924,388	219,712
Less: Used as Budget Revenue	<u>(4,125,000)</u>	<u>(4,125,000)</u>	<u>-</u>
Fund Balance December 31	<u>\$ 7,107,715</u>	<u>\$ 6,888,003</u>	<u>\$ 219,712</u>

* Adjusted for Interfund Repayment

2010 Review

- Property Tax Receipts were below expectations as a result of appeals, adjustments and lower collections

Change in Fund Balance: May 24, 2010 Projection vs Actual (Prelim)

Revenue Variances:

Current Taxes	\$	(973,674)
Lapsed Appropriation Reserve		644,252
Sewer Revenues		264,124
All Other		340,812
		<u>275,514</u>

Expenditure Variances

(55,802)

Total Variance

\$ 219,712

Projected Change in Fund Balance

\$ (200,612)

Actual Change in Fund Balance (prelim)

19,100

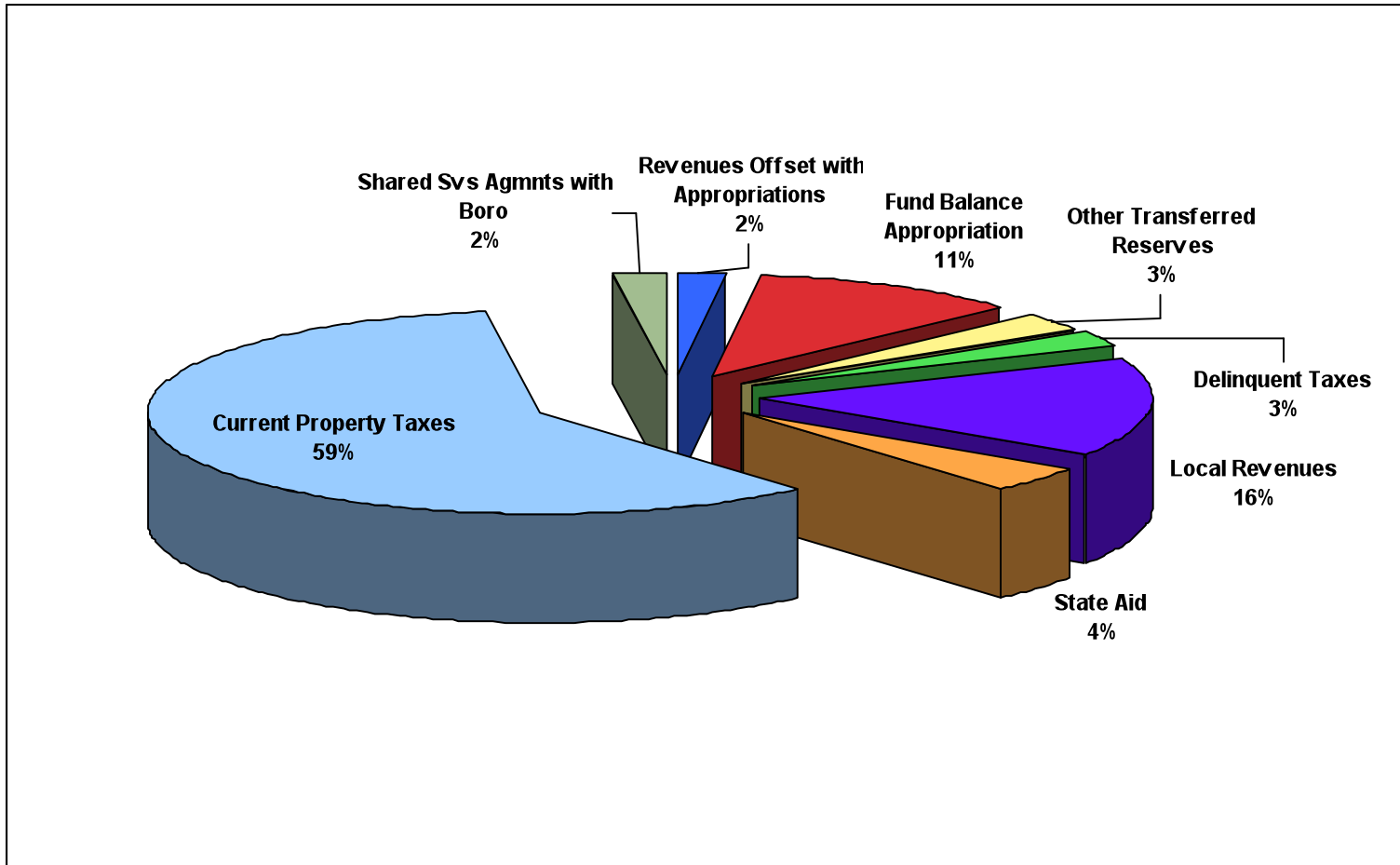
Total Variance

\$ 219,712

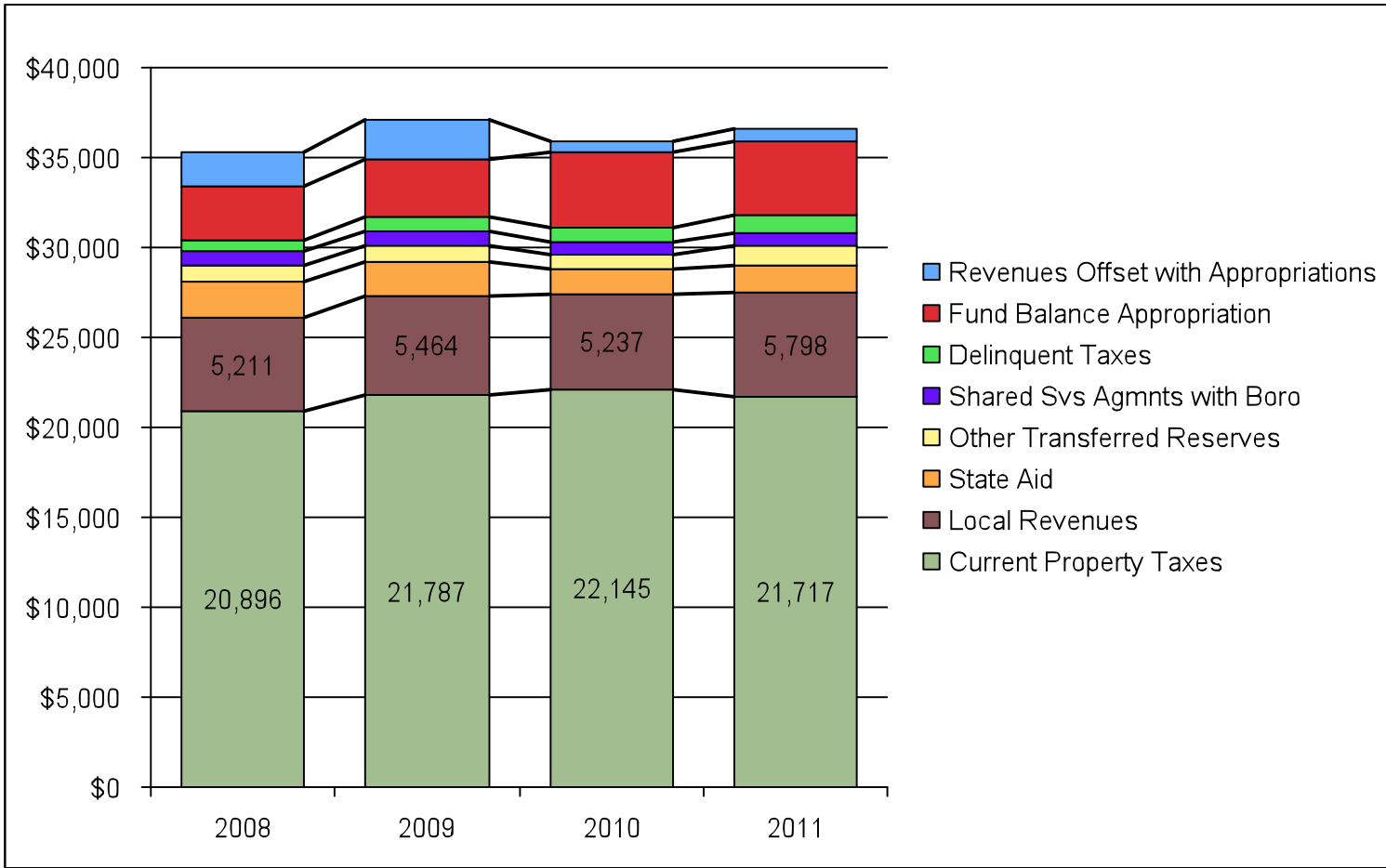
2011 Budget Compared with 2010

2010 Budgeted Revenues	\$ 35,945,211	2010 Budgeted Expenditures	\$ 35,945,211
<i>Significant Changes for 2011:</i>		<i>Significant Changes for 2011:</i>	
Princeton Univ Payment	500,000	Debt Service Payments	308,029
Bond Issue Premium	350,000	Pension Payments	306,063
Sewer Rentals	100,000	Sewer System	108,817
Receipts from taxes:		Salaries and Wages	(76,367)
Current (Munic. Portion)	(427,689)	Aid to First Aid Org.	(108,000)
Delinquent	141,000	All other	<u>149,518</u>
All other	<u>24,749</u>		
	<u>688,060</u>		<u>688,060</u>
2011 Budgeted Revenues	\$ 36,633,271	2011 Budgeted Expenditures	\$ 36,633,271

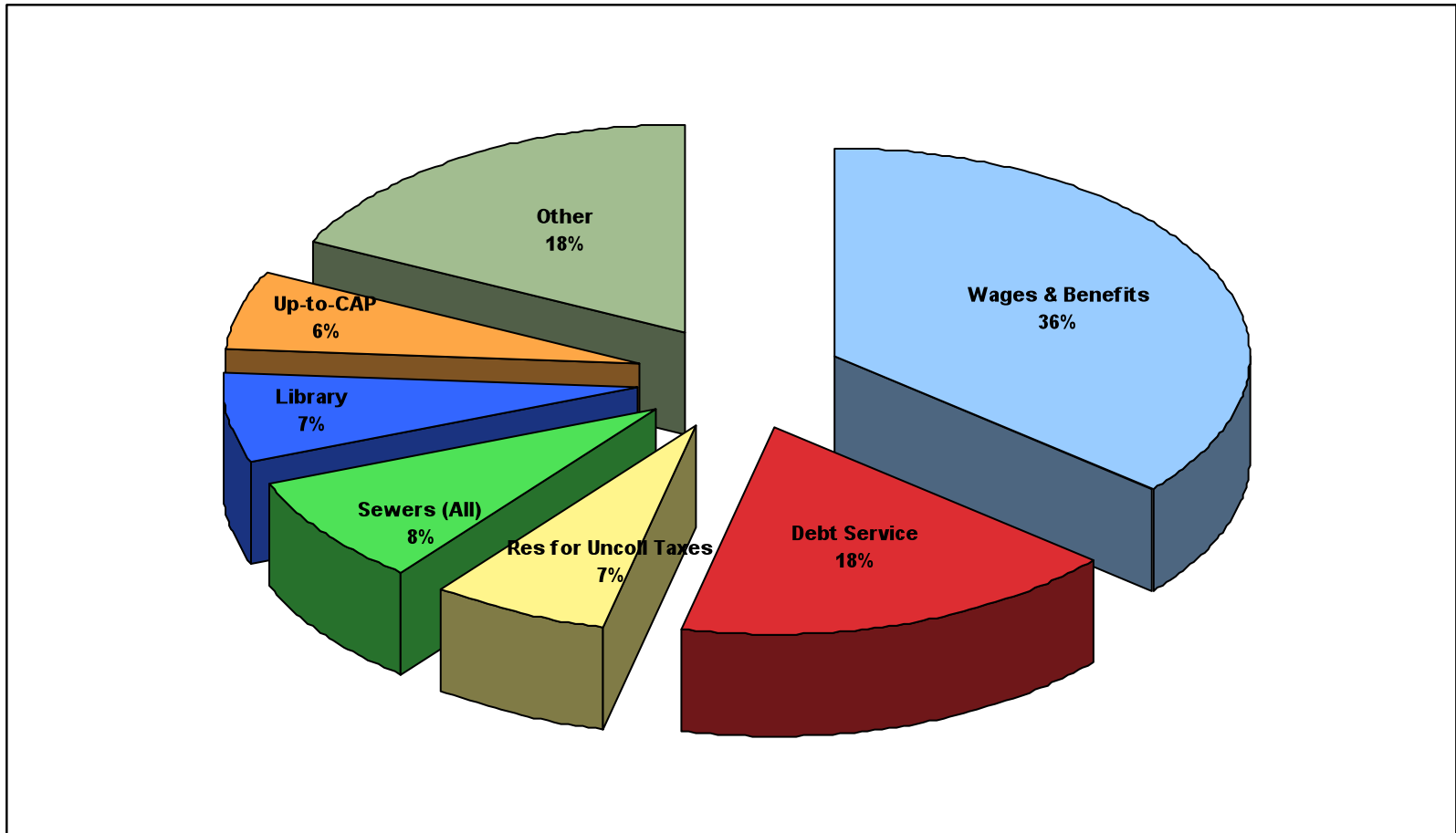
2011 Budgeted Revenues = \$36,633,271



Budgeted Revenue Trends 2008 - 2011

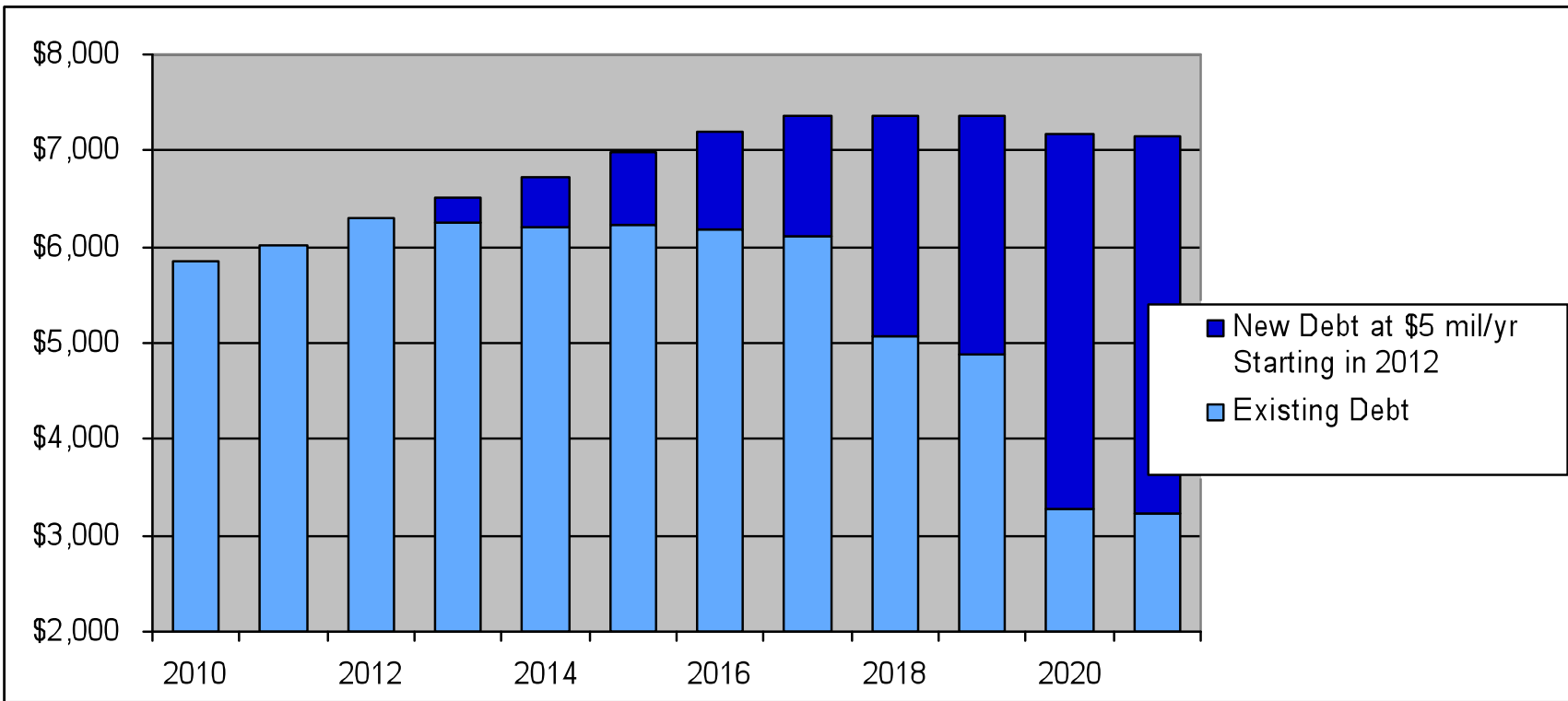


2011 Budgeted Expenditures = \$36,633,271



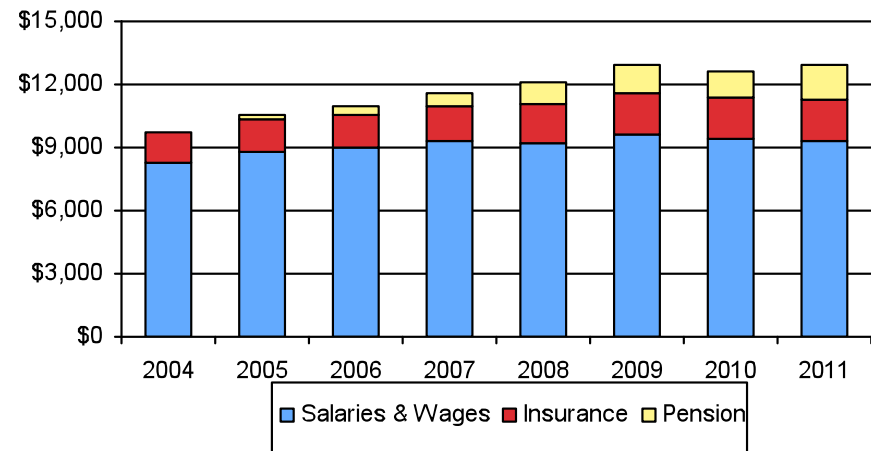
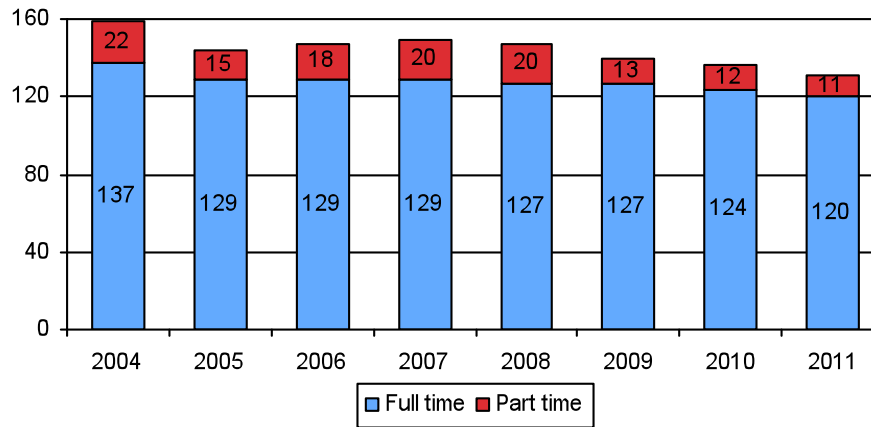
Projected Growth in Debt Service

- Debt Service is growing at 3 – 5% per year; careful budgeting and sequencing will be crucial



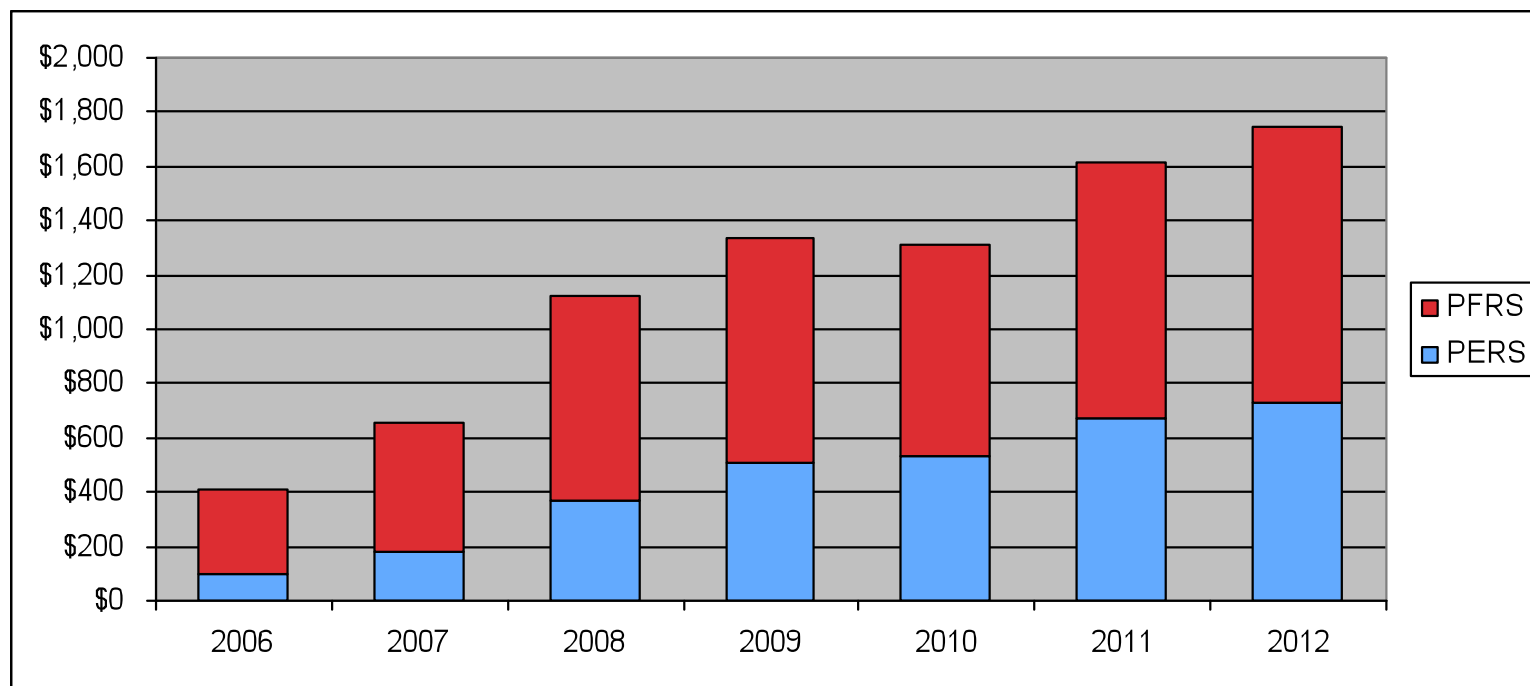
Employment Cost Trends

- Employment Costs continue to be offset with increased efficiency & reduction in Staff



Pension Cost Trends

- Pension costs are volatile:
 - Flat in 2010
 - Increased \$306k in 2011 (23%) to \$1.6 million
 - Projected increase for 2012 is \$127k



Open Space Fund

- Because the Open Space Tax is set at 2 cents, receipts into the Fund doubled with the revaluation
- Modifying the Tax requires voter approval
- A thorough evaluation of future funding requirements is under way

	2009	2010	2011
Receipts			
Amount Raised by Taxation	\$ 487,725	\$ 940,000	\$ 923,560
Donations, Grants & Repayments	100,000	-	680,000
Other	<u>4,336</u>	<u>5,506</u>	<u>1,800</u>
	592,061	945,506	1,605,360
Expenditures			
Debt Service	(571,372)	(456,000)	(393,521)
Acquisitions	-	(74,000)	(1,006,000)
Park Maintenance & Development	<u>(75,000)</u>	<u>(75,000)</u>	<u>(162,055)</u>
	<u>(646,372)</u>	<u>(605,000)</u>	<u>(1,561,576)</u>
Change in Fund Balance	<u>\$ (54,311)</u>	<u>\$ 340,506</u>	<u>\$ 43,784</u>
Fund Balance at Year-End	<u>\$ 181,496</u>	<u>\$ 522,001</u>	<u>\$ 565,785</u>

Observations

- CFAC agrees that a flat tax rate for 2011 is reasonable & that the Current Fund Balance will be stable despite a slight reduction in Current Taxes
- 2011 will likely mark the 3rd consecutive year of flat/down Township tax revenues
- For 2011 a stable Current Fund Balance will be accomplished by:
 - Employee wage freezes & furloughs & reductions in headcount
 - Nonrecurring revenue items
 - \$350k Bond Issuance Premium
 - [\$500k PU Contribution]

Observations (continued)

- At this point, there is no indication of any turnaround in property values, which means continued pressure on the ratable base
- Several expense categories (such as Debt Service and Pensions) are likely to grow, creating a predictable budget challenge for 2012 and beyond

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