Borough of Chatham

Strategic Financial Management Plan

Prepared by the Chatham Borough Budget and Finance Committee

January 27, 2014
The BOX & The Forces

Huge demographic changes

Flat Ratable Base

Reduced State Aid

Declining Revenues

Greater Demands for Infrastructure Improvements

Ongoing Expectations for Services

Legal Expenses

Federal & State Mandates

Demand for Lower Taxes

Governing Body & Administrator

Emergency Services

2% CAP

1/28/2014
Desire to Live in Chatham Borough Keeps Rising

- Consistently rated a Top 10 public school district across New Jersey
- Great Schools-Highest SAT average for the lowest cost (grades K-12)
- Athletic & Recreation programs
- Train Station (access to New York City)
- 4th Lowest Municipal Tax Rate in Morris County (2013)
- Small Town All American Atmosphere
- Strong Community Traditions
- Wide range of services offered
Results

- Home valuations are continuing to increase

- Rated #1 in Morris County & #3 in New Jersey as strongest housing market/greatest demand

- One of the only towns across New Jersey where public school enrollments continue to rise
Chatham Borough’s Financial Success Barometer

- Moody’s Bond Rating: Aaa
- Infrastructure Improvements & Maintenance
- Strategic Financial Management Plan
- 2nd lowest percentage of taxes to fund the municipal budget (surrounding towns)
- 3rd lowest total general debt (surrounding towns)
- 4th lowest municipal tax rate in Morris County
- 4th lowest total general debt owed per person by population (surrounding towns)
**Goal:** Change the financial planning model from an annual process to the multi-year process.

**WHY Change?** To avoid the PUSH to the financial cliff through LONG RANGE FINANCIAL PLANNING.
Purpose: Manage the forces that drive the budget & taxes

The strategic financial management plan is designed to anticipate future financial conditions that would affect:

- Municipal taxes
- Operations & Services
- Chatham Borough’s current Aaa bond rating.
Predictability and Avoidance of Reactionary Government

1. Unexpected immediate employee terminations

2. Reduction of municipal office hours

3. One time revenue sources applied to reduce taxes from the sale of Borough assets

4. Service reductions

5. Reduces the chance of tax spikes

1/28/2014
Bond Rating Factors:

The Borough’s strengths to maintain the current Aaa bond rating are:
1. Strong wealth levels
2. Strong cash and financial reserves
3. Moderately sized tax base with proximity to New York City
4. Development of a multi-year strategic financial management plan
5. Current and future revenue sources other than property taxes
6. Consistent investment in the Borough’s infrastructure
Recommendation #1 – Reduce 5 year average capital spend from 2.0 million to 1.0 million annually
Recommendation # 2 – Reduce Total Debt by 31% over 10 year period

Reduce the total debt over ten years (2014 – 2023) approximately $4,764,636 or 31%

Average annual total debt for each of the following years 2008–2012 ($15,225,182)
Where Chatham Borough Stacks Up Against Neighbors

2012 General Debt owed per person by population - Chatham Borough ranks 4th lowest
Where Chatham Borough Stacks Up Against Neighbors

2012 Total general debt by municipality - Chatham Borough ranks 3rd lowest
Where Chatham Borough Stacks Up Against Neighbors

Percentage of property tax that funds the municipal budget – Chatham Borough ranks 2nd lowest
Annual capital appropriation limit to lower debt is $175,000.
General Recommendations

1. Reduce the five year annual debt average for general capital purchases from $2,030,622 to no more than $1,000,000 annually. (reduction of $1,030,622 or 50%)

2. By 2023, reduce the total debt by $4,764,636. (reduction of total debt 31%)

3. Limit annual increases for personnel and operating expenses to no more than 2%. 
4. Annually review revenue streams to ensure that the fee charged for each service is at least adequate to cover the actual expenses incurred by the Borough to provide the service.

5. Continue to identify new shared services opportunities to offset expenses.
General Recommendations (continued)

6. Identify and rezone areas to encourage new businesses to locate in Chatham Borough to increase the ratable base.

7. Identify and develop new mass transit opportunities, including parking and access.

8. Extend the useful life of equipment, facilities and infrastructure through aggressive preventative maintenance programs.
9. Maintain the Borough’s Aaa bond rating.

10. To measure financial performance, annually review and update the strategic financial management plan. Include the review and updating as one of the annual goals and report the achievement status.
The Finance Committee recommends that the Borough Finance Committee and Board of Education Finance Committee meet annually to review draft budgets and discuss the impact that each budget would have on the tax rate.

Develop a plan that will fund the Open Space debt and fund new Open Space projects.
Utilities

1. Limit water utility capital spending to $175,000 annually.

2. Annually review water & solid waste rates to determine that the rates are adequate to fund future personnel, operating and capital improvements that are necessary for the efficient operation of the Chatham Borough Water Utility and solid waste collection services.

4. Reduce the water utility debt by a minimum of $50,000 annually.
Discussion