



Township of Mendham

INCORPORATED MARCH 29, 1749

April 14, 2016

Warren Gisser
warrensvt@yahoo.com

Re: Budget Questions

Dear Mr. Gisser:

Below please find responses to your budget inquiries submitted on April 14, 2016.

Mendham Township 2016 Budget review/questions:

1 – What alternative debt management plan was considered to address the impact of the rollover of the BANs? If other plans were considered and dismissed, on what basis was the conclusion reached. If no other plan was considered, why?

The other option considered by the finance committee was to roll the bond anticipation notes into a bond sale in 2017 to eliminate the balloon payment that will be due on the outstanding notes. This option was eliminated for two reasons:

1. With the refunding sale in December of 2015, the rating agencies would not look favorably on a bond sale so close in time to the refunding sale.
2. The finance committee did not want to extend debt service payments for ordinances that the useful life may have already expired on.

For a better understanding of the debt restructuring, please refer to the attachment.

2 – As it relates to the additional \$10,000 draw against the General Fund to subsidize the resident users of Mendham Sewer West...It has been stated that a larger increase to their rate would not be acceptable. However, both Sewer East and Sewer West have a comparable number of homes (101 in West and 104 in East) yet the budget increase for the users of East is \$19,000 and the increase in West is \$12,800. How is \$19,000 acceptable in one community and not the other? What is the plan to recoup the now projected \$24,000 draw against the General Fund?

Sewer West's financial condition is a top priority for the finance committee. If a utility is operating in a deficit, the Current Fund by statute is required to raise the funds to cover the deficit. Options to consider for the current fund payback will include:

- One-time billing
- Multi-year rate increase

3 – Please explain the difference between Road Overlay and Road Improvement. If Road Overlay is typically considered a “repair” or “temporary” what is the expected life of these repairs versus the expected life of a capital expenditure for replacement.

Road overlay is considered the paving of the street. The useful life varies depending on the material used to pave the street. Road Improvement is considered a repair which extends the useful life of the street by 5 years.

4 – Capital Budget projections – In reviewing the budget submitted to the State on April 11th and posted to the Township Website and then comparing this document to prior-year submissions I see there are a number of material changes to the current and projected 3-year Capital Program. Specifically...as part of the 2015 budget, under the category “Public Works – Roads” there was a total of \$5,135,500, with \$742,500 slated for 2015. The balance to be completed between 2016 and 2020 was projected at \$4,393,000. In the current budget submission the total for the combined “Road Overlay Program” and “Road Improvement” is \$996,510 (\$854,510 + \$142,000). Beyond this year (2016) there are projections for additional “Road Overlay Program” expenses of \$300,000 each in 2017 and 2018. This would appear to leave \$2,796,490 (\$4,393,000 - \$996,510 - \$600,000) of previously anticipated capital needs unaccounted for. Can you please reconcile this?

The 2016, 2017 and 2018 capital plan was formulated based on requests from the Department of Public Works and previous detailed capital plan documents. The capital plan outlines a road overlay program requesting \$300,000 per year from 2014-2018, totaling \$1,500,000. This is vastly different from \$5,135,000. I was unable to reconcile how the 2015 budget's capital plan was completed. Please feel free to stop into town hall to review the capital plan.

5 – Additional comparisons to prior capital budget projections – The currently submitted budget has no provision for the replacement of fire apparatus for either of the two fire companies (Ralston and Brookside) in the current or future years. However, the 2014 budget identified \$365,000 specifically for “Engine Replacement.” Apparently that money was never appropriated, which led to a 2015 budget that had a 2015 – 2020 capital plan (inclusive of all capital needs) for Ralston totaling \$905,000 (with \$483,000 in 2016) and for Brookside

\$796,500 (with \$420,000 in 2017). That is a total of \$1,701,500 versus a current total projection of \$80,000 for Ralston and \$127,000 for Brookside (inclusive of the line item for "Apparatus Repairs – Brookside"). Similar to the question regarding the roads, how was this adjustment made.

See response to Question#4 regarding how the numbers were formulated in the 2016 capital budget. The replacement of the fire apparatuses were left off, because a decision has not been made as to when to fund the replacements. Once a decision is made, the budget can be amended via bond ordinance.