

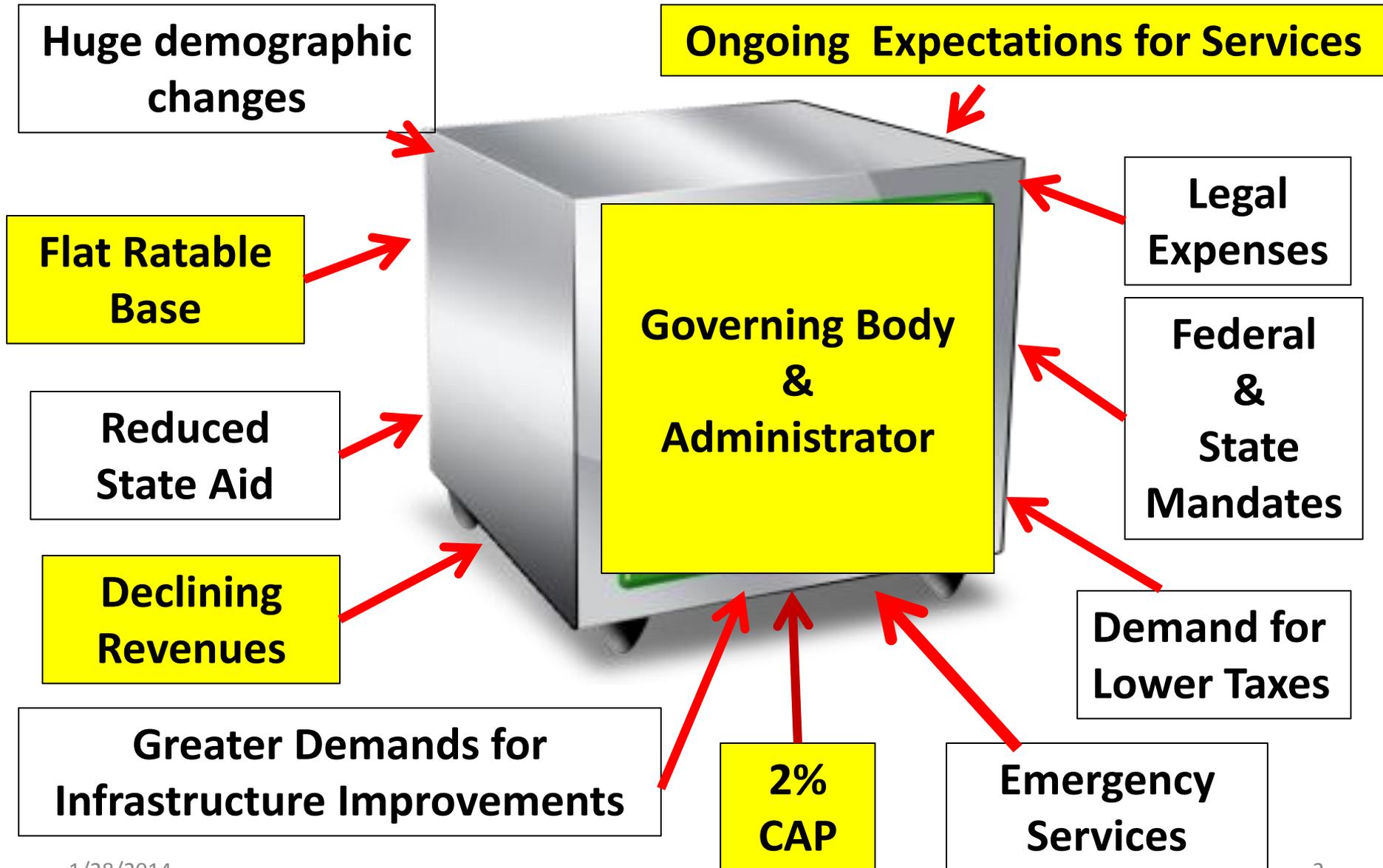
# **Borough of Chatham**

## **Strategic Financial Management Plan**

Prepared by the Chatham Borough Budget and Finance Committee

January 27, 2014

# The BOX & The Forces

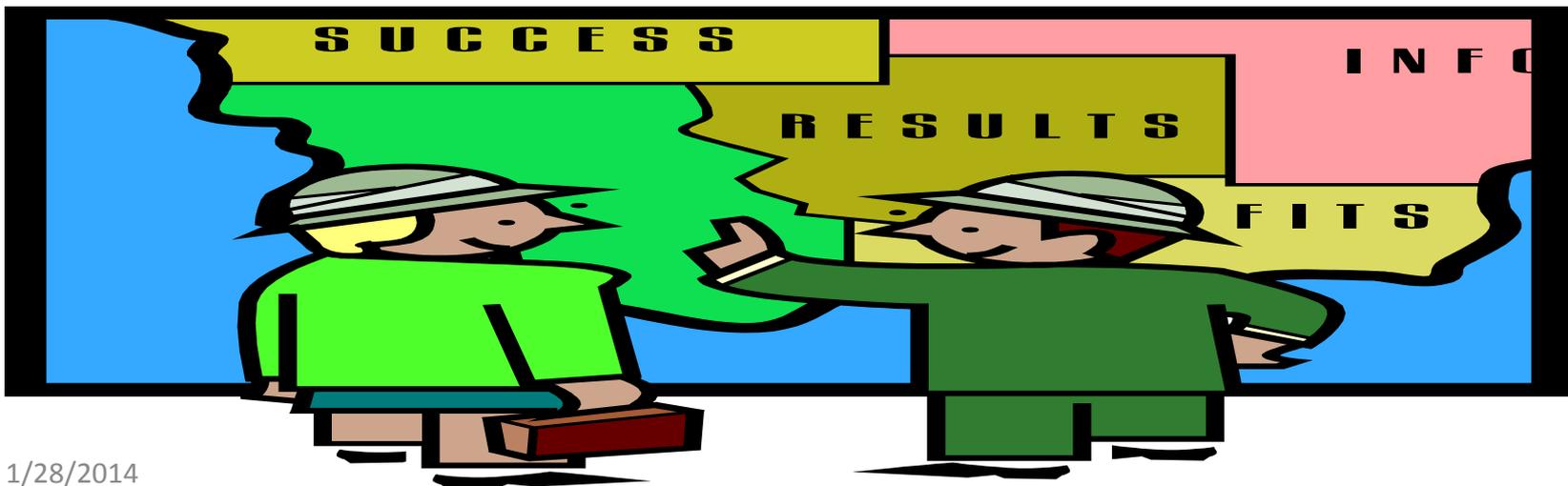


# Desire to Live in Chatham Borough Keeps Rising

- 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)
- 4<sup>th</sup> 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

2<sup>nd</sup> lowest percentage of taxes to fund the municipal budget (surrounding towns)

3<sup>rd</sup> lowest total general debt (surrounding towns)

4<sup>th</sup> lowest municipal tax rate in Morris County

4<sup>th</sup> 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

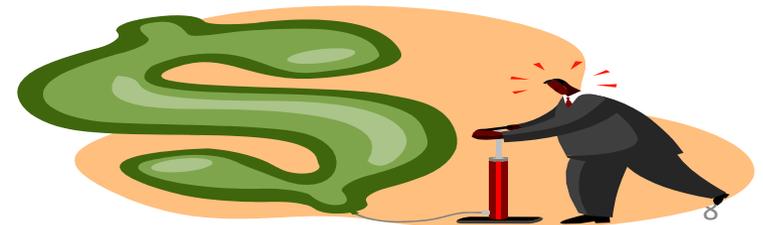


3. One time revenue sources applied to reduce taxes from the sale of Borough assets

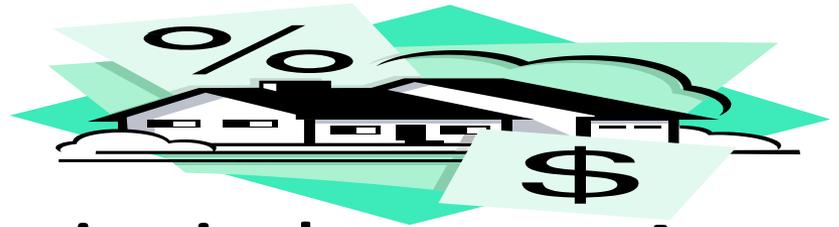


4. Service reductions

5. Reduces the chance of tax spikes



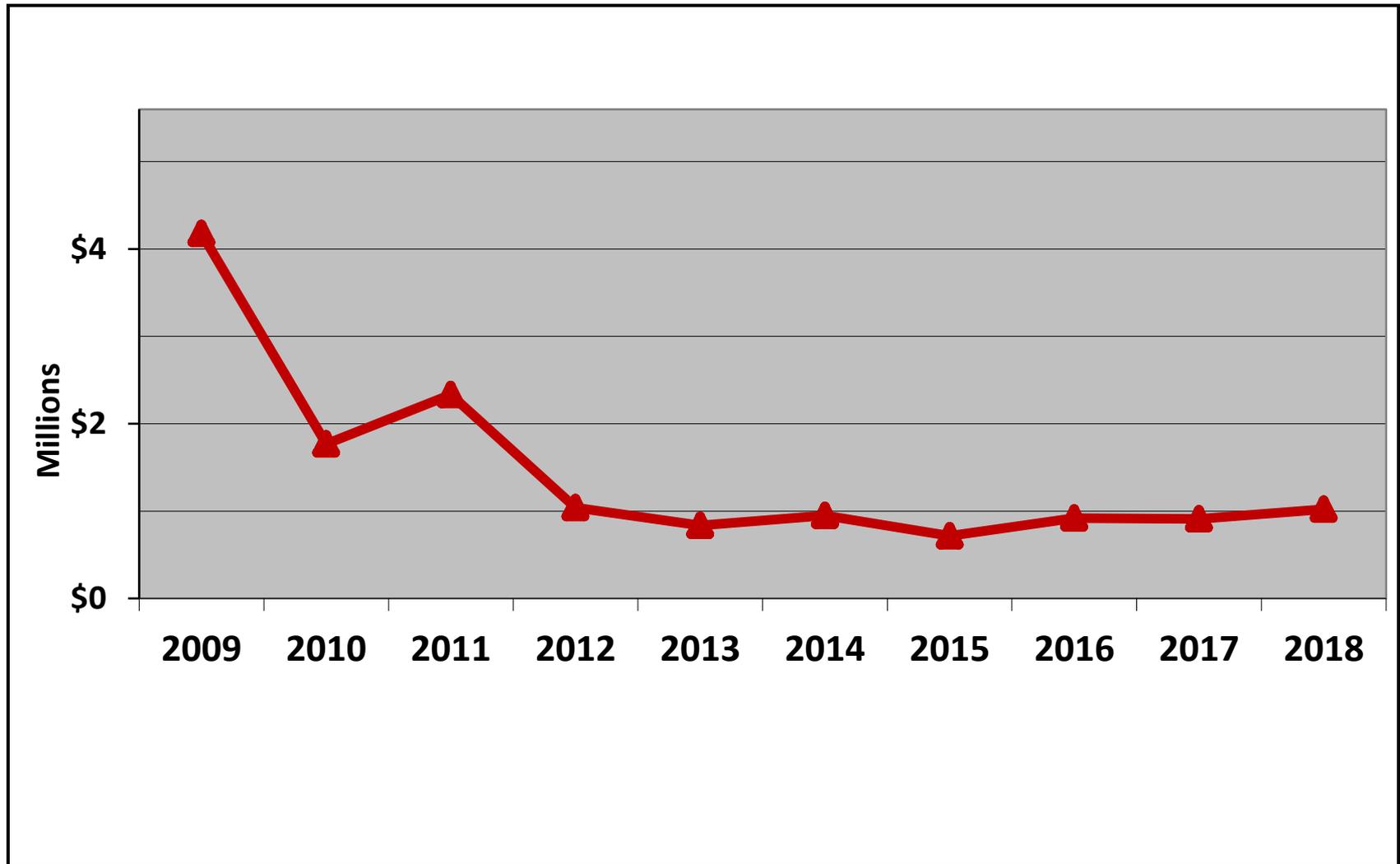
# Bond Rating Factors:



The Borough's strengths to maintain the current Aaa bond rating are:

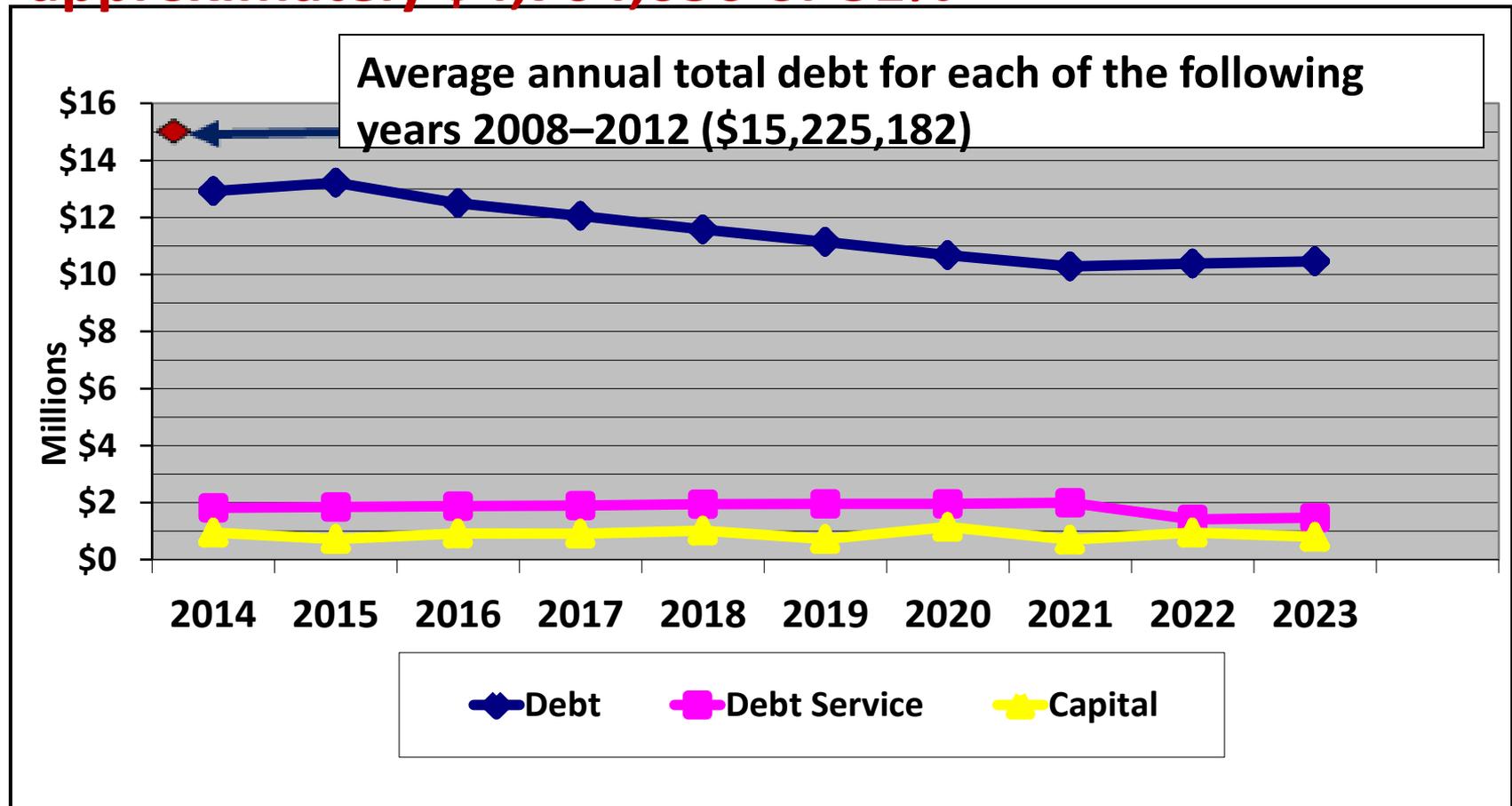
1. Strong wealth levels
2. Strong cash and financial reserves
3. Moderately sized tax base with proximity to New York City
4. **Development of a multi-year strategic financial management plan**
5. Current and future revenue sources other than property taxes
6. Consistent investment in the Borough's infrastructure

# 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

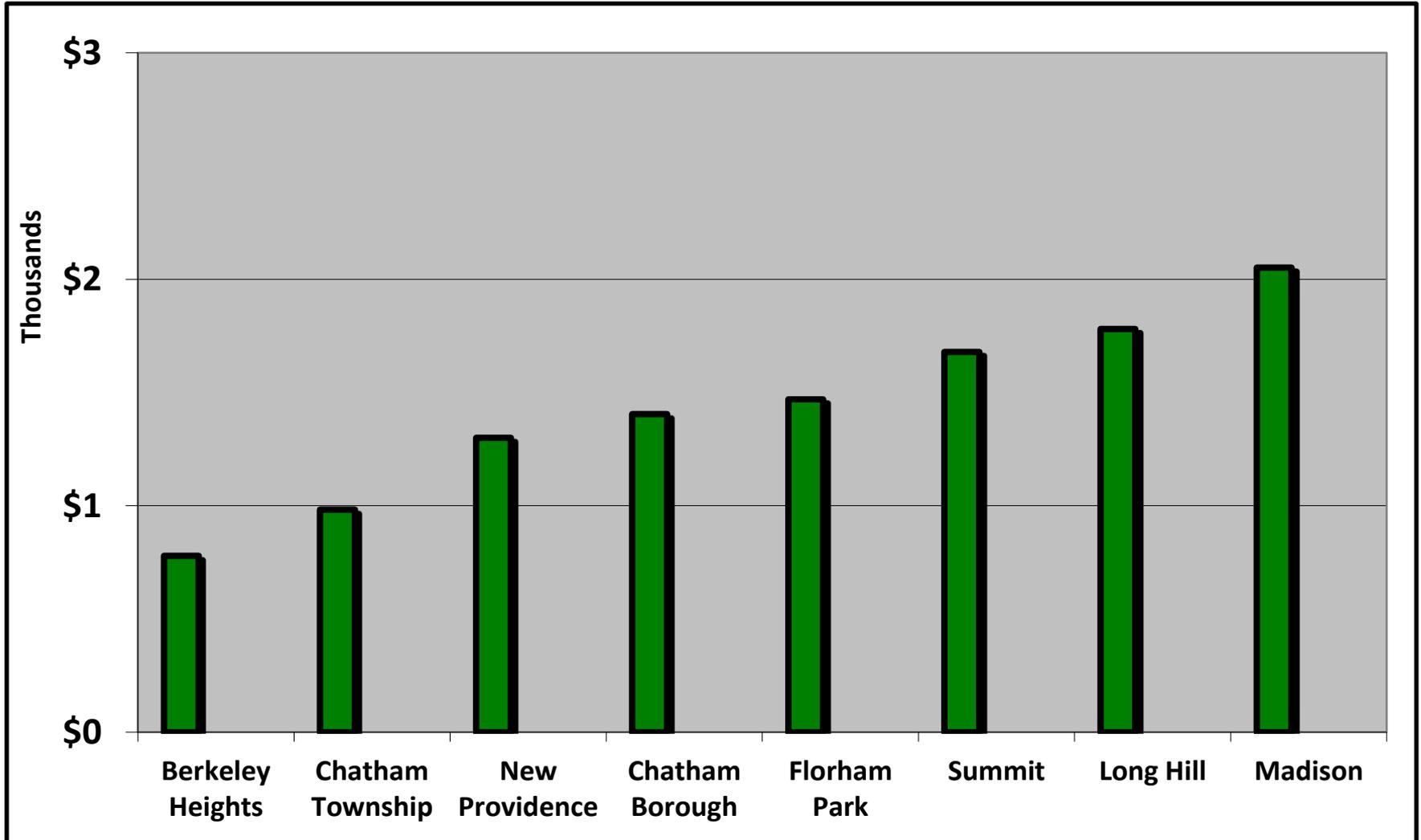
**Reduce the total debt over ten years (2014 – 2023) approximately \$4,764,636 or 31%**



# Where Chatham Borough Stacks Up Against Neighbors

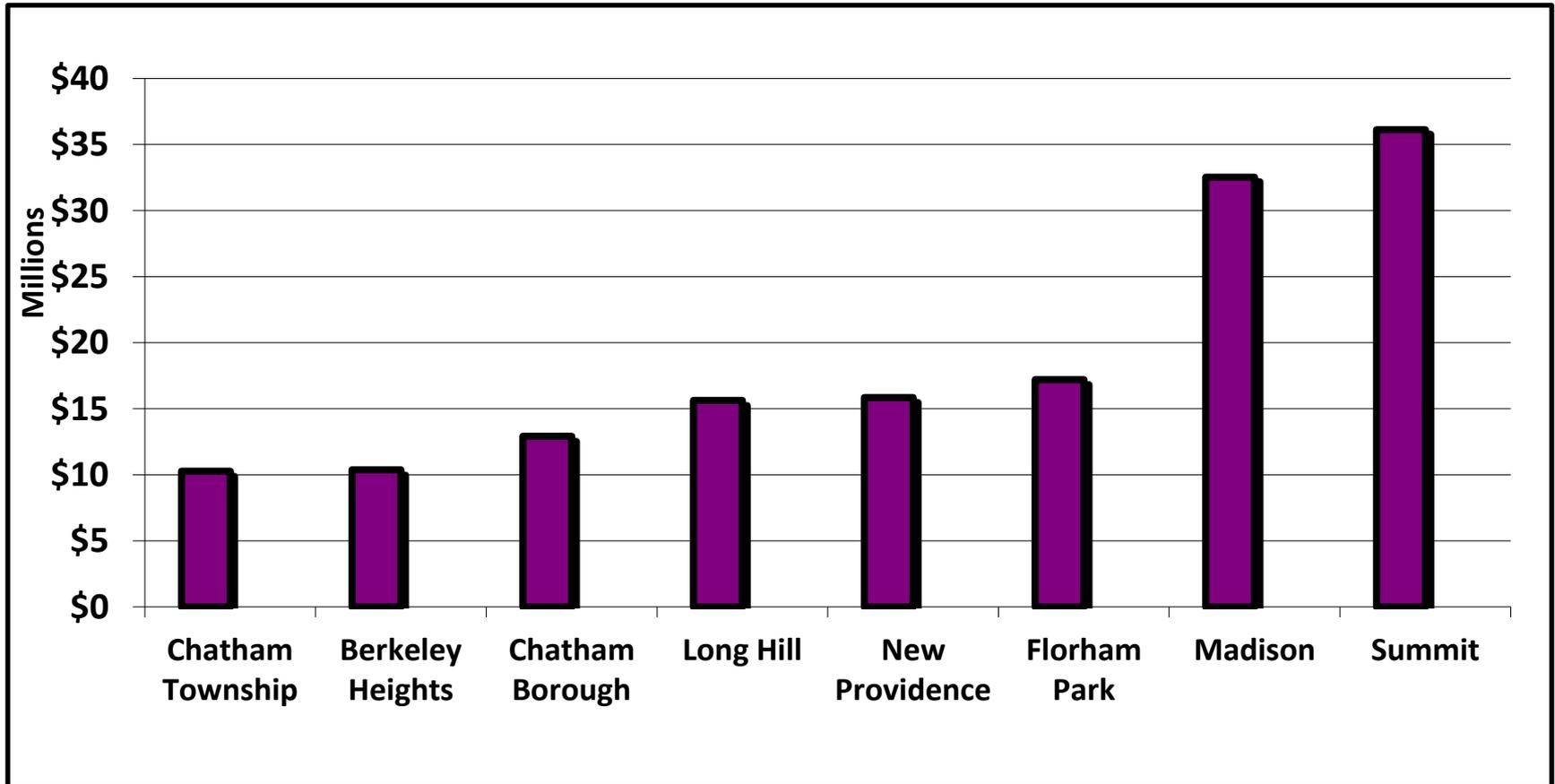
2012 General Debt owed per person by population - **Chatham Borough ranks**

**4<sup>th</sup> lowest**



# Where Chatham Borough Stacks Up Against Neighbors

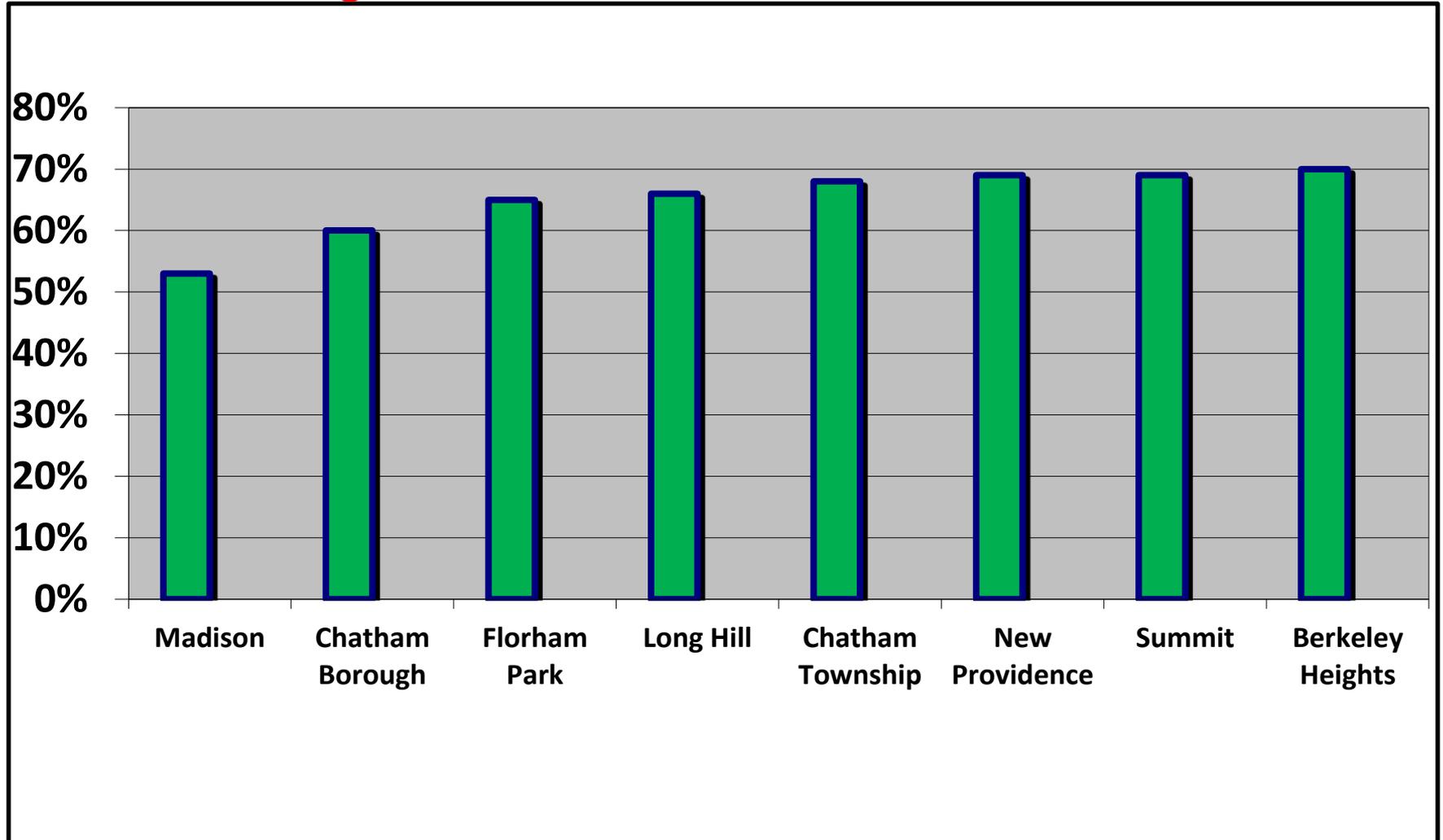
**2012 Total general debt by municipality - Chatham Borough  
ranks 3<sup>rd</sup> lowest**



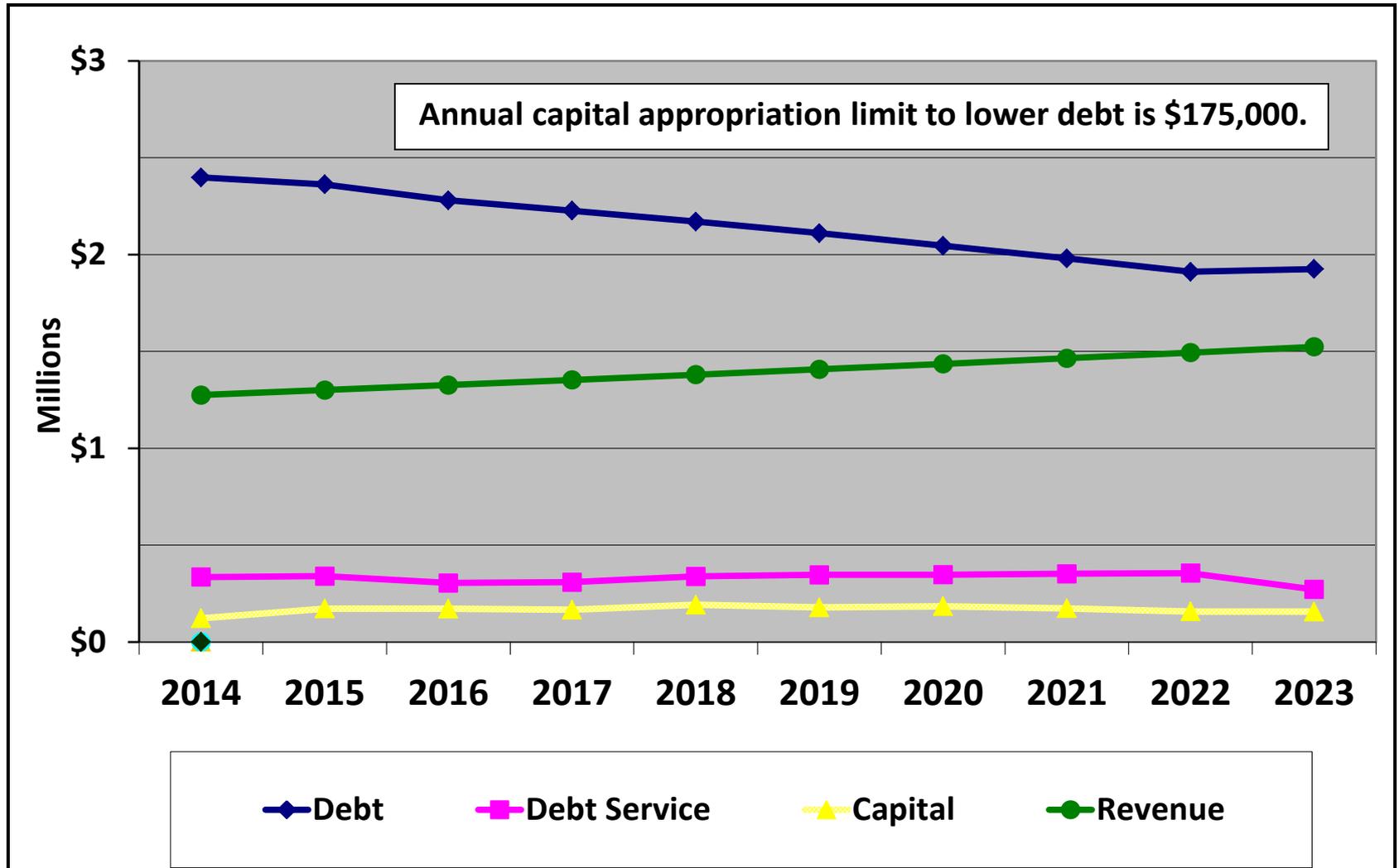
# Where Chatham Borough Stacks Up Against Neighbors

Percentage of property tax that funds the municipal budget –

**Chatham Borough ranks 2<sup>nd</sup> lowest**



# Water Utility debt/capital/revenue analysis



# *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%.**

## **General Recommendations (continued)**

- 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.**

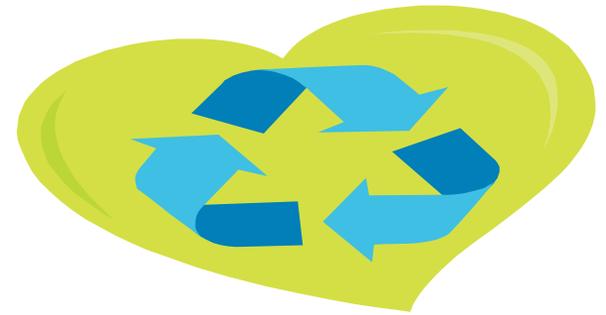
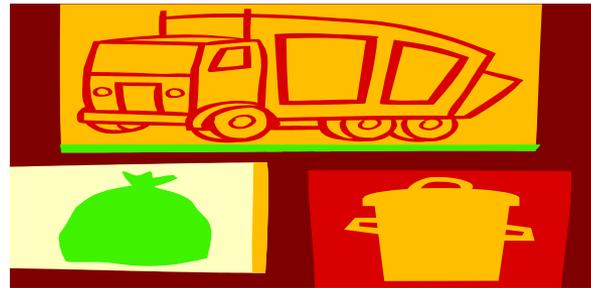
## **General Recommendations (continued)**

- 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.**

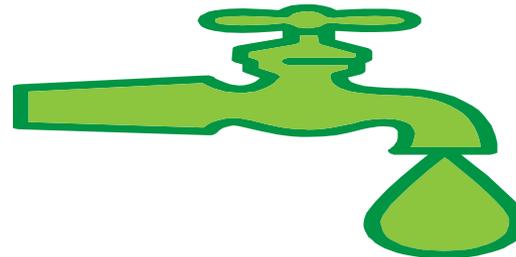
## **General Recommendations (continued)**

- 11. 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.**
  
- 12. 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

