



2012 Hillsdale Municipal Budget Overview

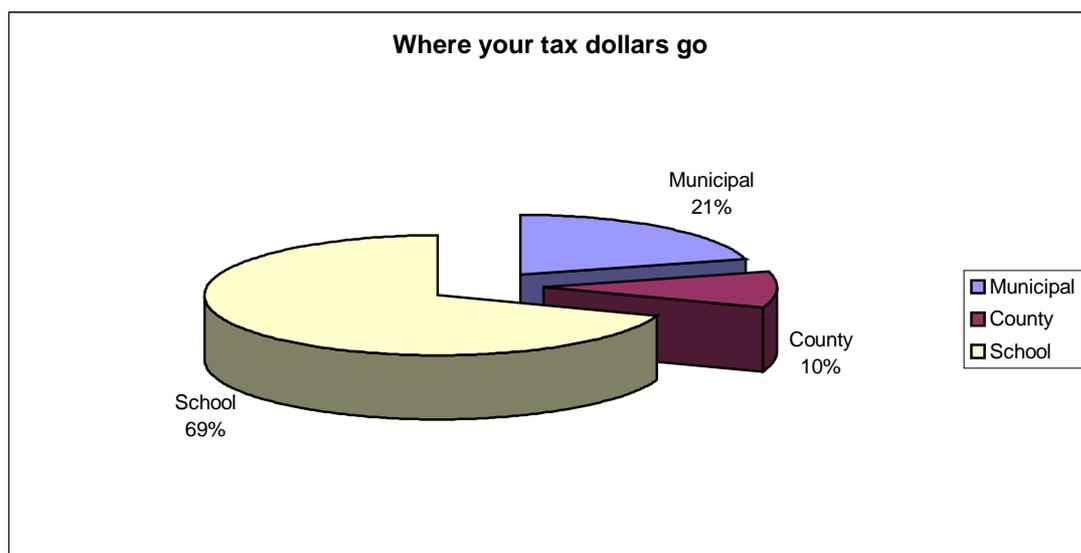
Introduction

Hillsdale is and has traditionally been a strong and affordable place to live. High service levels and reasonable taxation have made it one of the most desirable towns in the Pascack Valley. Recent restrictions on spending as a result of the state mandated 2% cap on both spending and tax increases have brought forth challenges for the governing body that have not been seen in the past. We are working diligently to maintain these services in very difficult economic times.

Hillsdale has just under \$2 billion in assessed real estate value. The town has enjoyed reasonable tax rates when compared to some of our neighbors and the region. We have great schools, an excellent infrastructure of primary and secondary roads, good parks and we offer our residents a wide array of recreation and senior services. Hillsdale is a great community because of the efforts of the employees, volunteers and elected officials who have worked hard on your behalf.

The town continues to operate without a large debt burden. We attempt to fund our yearly activities with current funds rather than increasing our debt, which is now below \$5 million. Borrowing for operations of the Borough is considered unwise and unfair, as it moves the burden for current services to future residents. We have used, and will continue to use borrowing only for needed infrastructure investments.

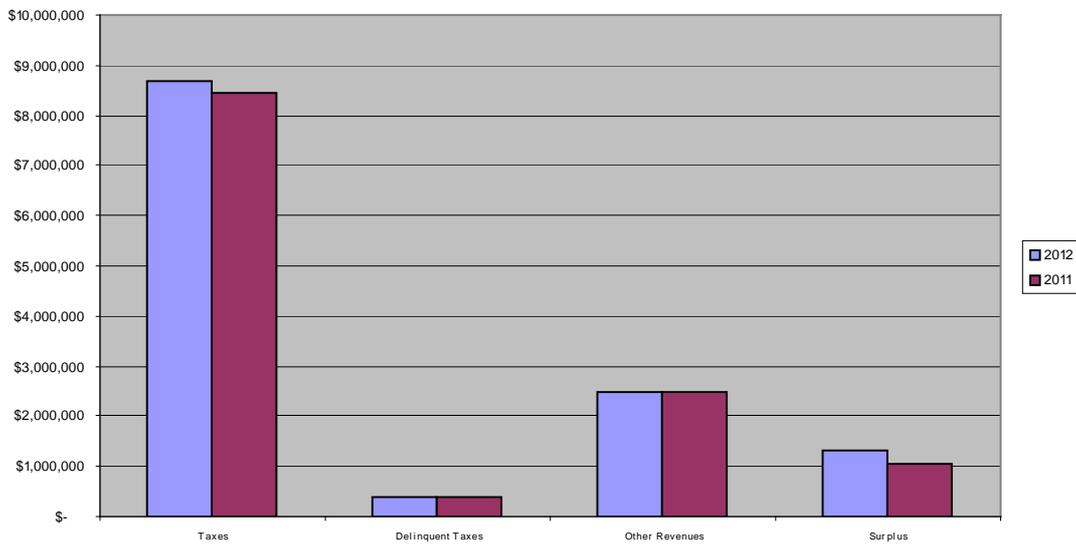
The following is an overview of the 2012 Municipal Budget. Please note that this budget represents just a portion of your annual property tax. The bulk of the tax goes to support our excellent school systems. We also contribute over \$4 million annually in taxes to fund Bergen County operations. The total tax burden in Hillsdale is anticipated to be just over \$42 million in 2012. The municipal tax portion of that is approximately 21% of the total.



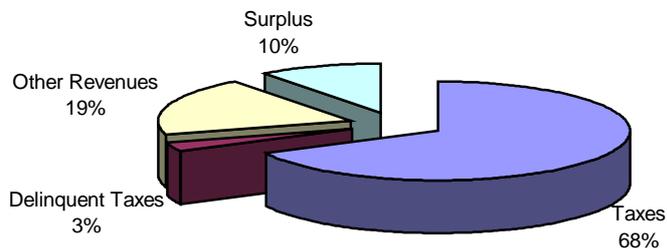
2012 Sources of Revenue for Municipal Budget Only

Sources of Revenue	<u>2012</u>	<u>2011</u>	<u>Change 2012 from 2011</u>
Taxes	\$ 8,679,104	\$ 8,462,133	2.564%
Delinquent Taxes	\$ 400,000	\$ 375,000	6.667%
Other Revenues	\$ 2,474,381	\$ 2,498,176	-0.952%
Surplus	\$ 1,320,000	\$ 1,040,000	26.923%
	\$ 12,873,485	\$12,375,309	4.026%

Revenue Comparison



2012 Sources of Revenue for Municipal Budget



Definitions

Taxes. Property taxes paid by residents and businesses

Other Revenue includes fees, fines, state aid, utility surcharges

Delinquent Taxes are taxes that are paid late

Surplus is our savings from under spending versus budget or over collection of anticipated revenue in previous years.

Condition Of The Town Finances

- * Reasonably low Debt.
- * Reasonable staffing levels.
- * Continued high service levels to the residents.
- * Operating expenses are exceeding revenues

The governing body is challenged to maintain the basic services that our residents need and at the same time conform to the mandated 2% cap on municipal taxes, despite cost pressures. It has been explained that some cost increases are by definition, “outside the cap”, meaning they do not count towards the cap on tax increases. This is why our tax increase in 2012 of 2.56% is actually below the 2% cap. This was accomplished despite strong cost pressures that are detailed below.

The council needed to use an unusually high level of our surplus to accomplish this, thus depleting the surplus to a record low level. Surplus is the equivalent of “savings” that are regenerated each year through controlled spending. As most of our neighboring towns have been forced to do, we dug into our savings to accomplish this budget. Because our current spending levels are not sustainable long term without some relief, we will need to reduce our costs in order to meet the challenge of 2013. In 2013 we will not have the same level of available surplus we used in 2012 to balance the budget. This is never easy to accomplish as all of our programs and services are of high value. We need to rationalize some of these offerings. Our residents need to understand the cost pressures that our municipal government faces.

Significant Events for 2012

We have the following increases in expenses for 2012 that have had a significant impact on our budget. The allowable increase in taxes for municipal purposes with a 2% cap is approximately \$160,000. This means that for just these few items we incurred approximately \$280,000 in increased costs over the cap in 2012. To cover these increases we have had to take a variety of cost containment actions.

Health Insurance	\$	93,723
Storm Emergency	\$	140,000
Reval amortization	\$	50,000
Legal for PVRHS and Flood	\$	50,000
Reserve for uncollected Taxes	\$	106,000
Total	\$	439,723

Explanations

1. Health Insurance for Employees. This is the continued growth in health care costs that Hillsdale, along with all public and private entities, is experiencing
2. Emergency Appropriation for the October 2011 Storm. We had not budgeted for this early storm that littered our streets with tree limbs and brush. We needed to enact an emergency appropriation in October 2011. Legally we must then add this to our 2012 budget. We may get some reimbursement for these costs from FEMA later in 2012 or 2013.
3. Revaluation of the town, amortized over 5 years. The total appropriation for this full revaluation is \$250,000. We are amortizing this over 5 years. Thus the expense will be \$50,000 per year. The revaluation will reduce the tax appeals, which result in a decline in our revenues. It will redistribute the tax burden fairly across all residents and businesses.
4. PVRHS Legal funding is to cover legal and consulting fees for the efforts to maintain the Pascack Valley Regional High School system which is being challenged by Woodcliff Lake and Montvale. Should they be successful, the quality of education offered by the district will suffer and the cost of the system to the residents of Hillsdale is expected to jump dramatically. We are partnered with River Vale in this effort.
5. United Water Legal funding. This funding is for legal costs and an engineering study to insure that the plan by United Water to rebuild the dam at Church Road will be structurally sound and not increase the flooding in Hillsdale.
6. Reserve for Uncollected Taxes. We were required to increase our reserve due to slow and non-payment of local taxes due to the severe economic downturn.

Capital Projects

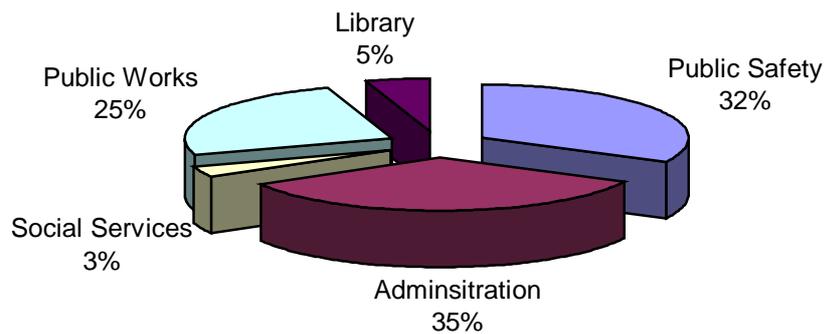
Our Capital budget for 2012 is \$246,000. This is coming from general revenues and does not entail any borrowing. Capital projects for 2012 include \$150,000 for our road program, \$50,000 for needed improvements to our computers and buildings. We also funded new turnout gear for the Fire Department and a new computer for the Police Department.

2012 Appropriations by Area

Municipal Appropriations

	2012
Public Safety	\$ 3,087,219
Public Works	\$ 1,645,160
Utilities	\$ 1,573,300
Insurance, Health, WC, Liability	\$ 1,452,610
Administration	\$ 1,083,185
Statutory Employee retirement, FICA	\$ 965,208
Library	\$ 632,917
Reserve Uncollected Taxes	\$ 560,000
Principal and interest	\$ 505,762
Capital	\$ 246,000
Health and Welfare	\$ 223,093
Recreation	\$ 219,011
Land Use Administration	\$ 213,360
Emergency	\$ 190,000
Court	\$ 129,870
Accumulated Absences	\$ 94,890
Misc	\$ 51,900
	\$ 12,873,485

2012 Appropriations



Change in Surplus

	Balance	
12/31/2011	\$ 1,723,582	Required transfer of \$389,000.
12/31/2012	\$ 403,582	Anticipated

	Surplus used
2011	\$ 1,040,000
2012	\$ 1,320,000

Note that the surplus balance at the end of 2011 includes approximately \$389,000 of funds transferred from an over reserved payables account. This is a one-time fix.

Due to continued tight budgets we do not anticipate a strong regeneration of our surplus in 2012. At present the balance is anticipated to be \$403,582 at the end of 2012. Any revenues that were not anticipated will increase this, as will any spending that was curtailed at levels less than budget. This is still a historically low surplus,

Planning for 2013 and Beyond

It is anticipated that we will enter the 2013 budget year with a surplus that is a combination of \$405,000 that we have left in reserve, plus whatever we are able to generate through further reduced spending and revenue growth in 2012. As we required \$1,320,000 in surplus to cover the spending in 2012, it is unfortunately, reasonable to assume that we will not be able to balance our budget without making changes in our spending.

The administration continues to seek out ways to reduce our spending of your tax dollars without a serious impact on the services that you have come to expect.

- We have taken actions on garbage collection, reducing pickups to one day a week for a large part of the year. Our contract is up late in 2012 and we will again revisit how we collect garbage.
- We have reduced the recycling center Saturday hours to lower our costs.
- We have gotten cooperation from the sports associations to share in the costs of the lights at Centennial field.
- We have reviewed our fees and fines to make sure that they are adequate, fair and in line with other towns in the area.
- We have funded Town Day, Concerts in the Park and other town activities without any tax dollars, relying on the generous donations of our local businesses. We will continue to do this.
- We continue to explore opportunities for shared services. Most notably we are investigating utilizing the Bergen County Central Dispatch center instead of our current in house system/Paramus 911.
- We are investigating a shared municipal court. We are in discussions with both the Joint Pascack Court in Montvale and with other neighboring towns.
- We have joined cooperative purchasing agreements with local towns, other counties and Bergen County. We recently joined with Bergen County to save \$18,000 per year on electrical power purchases. We will continue to explore all opportunities to reduce spending where it makes sense.

The Finance Committee, the Mayor and Council and the Administration will continue to seek out ways to keep Hillsdale both Strong and Affordable.

Douglas Frank
Council Member
Chair, Finance Committee

Michael Giancarlo
Council President
Finance Committee

Jonathan DeJoseph
Borough Administrator/CMFO