A Closer Look at City Budgeting

How the city intends to pay for the Closson Preservation Project
and what it means for your taxes

Where the City gets its revenue:

Tax Revenue

(fixed, predictable)

Includes annual taxes that are collected including open space tax

+

Non-Tax Revenue

(fluctuates, unpredictable)

Includes court fees, parking meters, etc.

What the City pays for:

Operating Expenses

(day-to-day operating costs)

Includes salaries, utilities, debt payments, insurance, etc.

Operating expenses are paid with the City's revenue (tax and non-tax)

+

Capital Expenses

(longer-term projects of 5+ years)

Includes roads, public works vehicles, building repairs, etc.

Capital expenses are funded with municipal bonds

How municipal bonds work

The City borrows money using municipal bonds, which are like loans that investors make to local governments, to help fund projects with long term value (5+ years). Municipal bonds make larger projects accessible and help spread the costs out over time.

Money borrowed through municipal bonds gets paid over many years. Payments during the first couple of years are minimal.

Year 1	Year 2	Years 3+
The City pays a down payment (typically 5%) on what it borrows	The City pays interest on a Bond Anticipation Note (BAN)	The City pays principal and interest on the bond.

How the City would pay for the Closson property

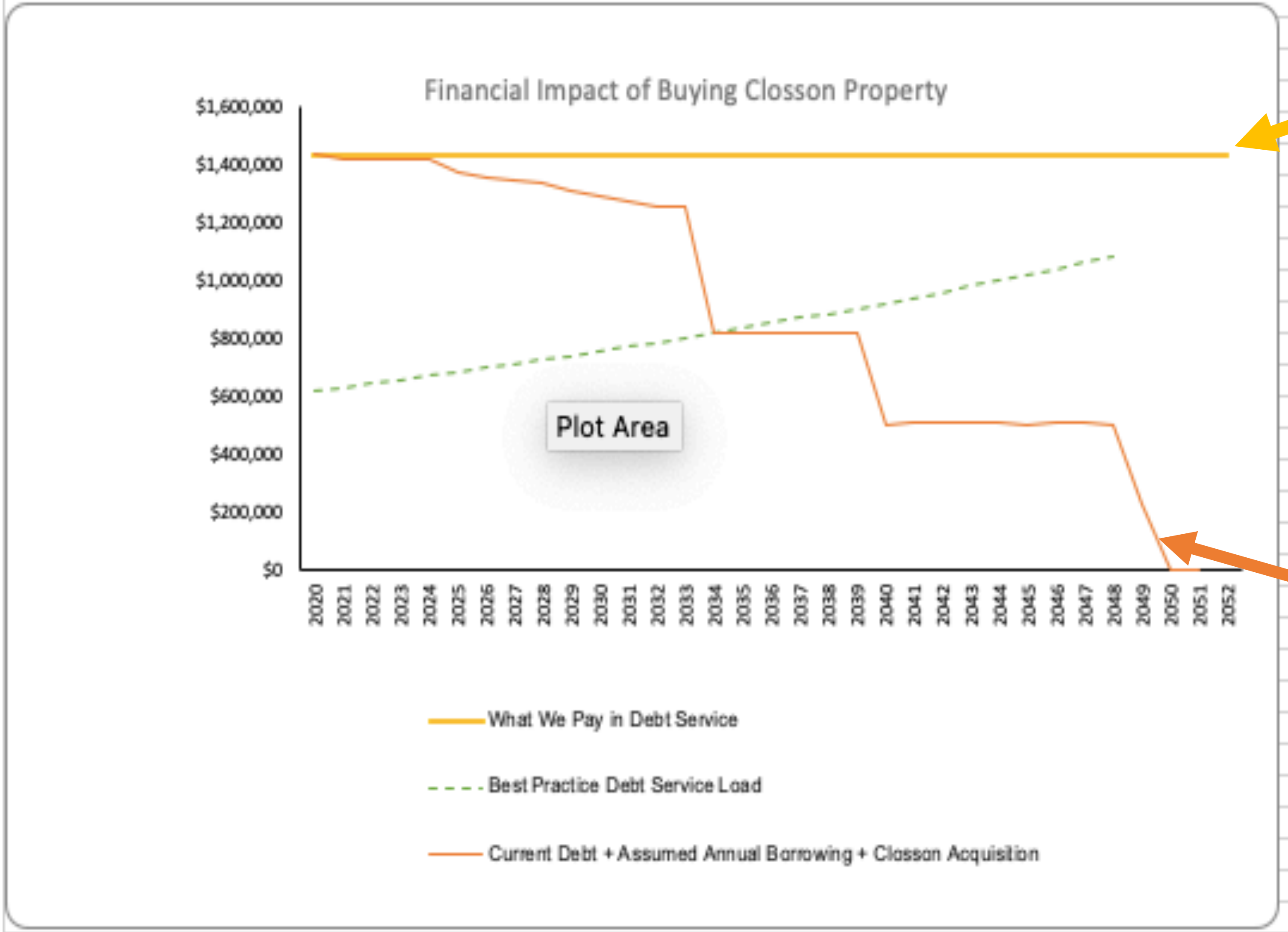
1. The upfront costs, including the down payment, would be paid using the Open Space Tax that is already collected by the City:

Current Open Space Tax revenue available:	$273,833
Ongoing annual Open Space Tax revenue:	$77,000

This revenue cannot be used to pay for other City expenses, such as repairing potholes, equipment repairs, or facilities improvements. It must be used for open space maintenance and preservation.

2. The City would apply for potential sources for reimbursement, such as Green Acres and County Open Space Funds

3. The City would fund due diligence and feasibility studies and the majority of the property acquisition using municipal bonds



*Best practice assumes a 2% increase in municipal budget year over year

** Assumes $350,000-$400,000 of annual capital spending outside of Closson Property Acquisition

Above this line would indicate an increase in taxes.

What we currently budget of debt service payment

This line includes:

Payments on existing debt that we currently owe

+

potential new debt from the Closson Preservation Project

+

regular annual capital costs, such as DPW vehicle repairs, road maintenance, city beautification, etc.

+

other expenses within a budget.

Takeaways

- **If the City studies and ultimately purchases the Closson property, it would cost taxpayers $0 in additional taxes.** All studies associated with purchasing the site also would have no direct impact on taxpayers.
- This project addresses the community's concern about overdevelopment by helping us preserve one of the biggest tracts of open land left in Lambertville – and we would use Open Space Tax revenue currently in-hand to make it possible without costing taxpayers more.

Additional Notes

- We know that the City has other big expenses that need to be addressed. Those expenses cannot be paid using Open Space Tax revenue.
- The City is budgeting for those expenses and has worked hard to change debt practices.
  - Current debt payments are 25% of our budget, but we are moving to hit the best practice goal which is 8 - 10% of our annual budget.
- This will take time; by staying the course on these budgeting practices, the City can continue to invest in its infrastructure - road repairs, vehicle maintenance, and facility repair – while moving towards this best practice on debt.