
City of Lambertville

2020 Budget Presentations
Part Four - December 3rd 2019

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The vision of a new budget process

- **A City government** which leverages the expertise of its staff to build a responsible, long-term, and transparent budget.
- **A City budget** which is both able to be easily accessed, and used to derive valuable information from, by all stakeholders including the public.
- **A public** that is able to use the City's budget to get more educated about, involved, and taking ownership over what's happening in their community.

The **challenges** of a new budget process

1. There is no existing capital plan or long-term analysis/forecasting, which must be created from scratch
2. Various operating expenses have been charged to capital accounts. This will take several years to reverse and will have an impact on taxes.
3. Amount of fund balance (surplus) used to cover expenses has been going up while the balance available has been declining for the past five years
4. Many existing expenses are distributed across various accounts in such a way that generating insightful financial reports is nearly impossible
5. Many operating budgets don't have regular or annual expenses budgeted for, and many accounts are barely able to provide for existing departmental needs
6. There is a lack of documentation and written agreements in place for various payees
7. Appropriations and revenues are tied too closely together for several departments, making accurate budgeting challenging and contributing to a revenue-focused budgeting culture

The **opportunities** of a new budget process

- **Department Heads** can take more ownership over planning and implementing their budgets and departments, and the City can better leverage their expertise
- **The Business Administrator** is able to bring all fragmented pieces together under a unified financial (and capital) plan and within a single budgeting framework, which helps inform other policy/program areas, for the first time, and helps focus stakeholder attention in the highest priority areas
- **The Mayor** is able to share an unprecedented level of budget/finance information to the community, going from only the state-mandated documentation to one of the most transparent budgets in the state
- **The Governing Body** can access significantly greater information about the City's operations and long-term plans, giving much more context with which to make ultimate decisions about the budget
- **The Public** can access clear and organized budget information for the first time, helping provide new educational and engagement opportunities

The timeline of a new budget process

Early August 2019	Governing Body goal setting process - workshop where Governing Body sets goals/priorities for the coming year
Early August 2019	DCCB's are briefed on new budget process and provided summary sheet of the timeline and steps for new process
September 2019	Capital planning (for six years) begun, including facility reviews, vehicle inventories, infrastructure evaluation, etc
Mid October 2019	All operating and capital requests due from DCCB's
Mid/Late October 2019	Administration discusses and finalizes requests with DCCB's, helps create facility/capital requests and plans
End of October 2019	Mayor and Administrator finalize requests for Governing Body, and Mayor holds several budget meetings with various community groups/neighborhoods
November 2019	Two public budget workshops held, Nov 12 and Nov 14th, where DCCB's present a "year in review" as well as operating and capital requests
November/December 2019	Preliminary 2020 Overview and Proposed Programs presented by Mayor and Administrator in subsequent Governing Body meetings
December 2019	Feedback (from governing and/or public) from budget workshops taken back and Administrator and Mayor finalize anticipated 2020 budget introduction
January/February 2020	Budget is reviewed by Financial Team, and ready for introduction as soon as state/county/etc numbers become available
Late February/Early March 2020	In three sequential governing body meetings: <ul style="list-style-type: none"> • Municipal Budget Discussion • Municipal Budget First Reading/Introduction (and explanation) • Municipal Budget Public Hearing and Second Reading/ Adoption
End of March 2020/Early April	2020 Municipal Budget Adopted
Early April 2020	Bond ordinance (if needed) for 2020 capital items introduced/adopted
April 2020	2020 Capital spending, road resurfacing, etc will begin

Timeline of next steps

12/19 Governing Body Meeting:

- Presentation of key revenue information. Identifying 2025 Vision and Metrics and Draft Preliminary 2020 Overview

1/7 Governing Body Meeting:

- Budget Discussion

January - March:

- Capital project prioritization & other public discussion(s)
- Internal meetings of City's Financial Team

Detailed Timeline of Capital Improvement Plan

- DCCB Review and Creation of Capital Requests - September - October 2019
- Introduction of Initial Capital Requests - November 2019
- Discussion/prioritization of submitted capital requests - December 2019 - February 2020
- Creation of final Capital Improvement Plan - March/April 2020
- Bond ordinances (if applicable) and procurement - April/May 2020

Please note: The detail of the full six-year Capital Improvement Plan being developed is primarily a City document, not a statutory requirement. The final plan itself does not commit the City to, or authorize, any spending, borrowing, or debt.

Presentation Goals

These presentations are:

- Submitted Operating and Capital requests, with some explanation/context from Administration.
- This is an introduction of all of the possible operating and capital expenses anticipated for 2020
- An opportunity for the Governing Body and public to ask questions and/or provide key early-stage feedback that helps guide subsequent budget planning and prioritization
- **The starting point** of 2020 budget discussions with the Governing Body

These presentations are not:

- An overview or summary of the 2020 Budget
- Final review or authorization of any operating or capital items or the creation of a capital plan
- A discussion of 2020 statutory/fixed costs, or of anticipated revenues
- A prioritization of any submitted or requested item
- The discussion of proposed finance/budgeting solutions, programs or policies

The above items are discussed at subsequent Governing Body budget meetings

Important Information

Before moving forward, it's important to at a minimum, to have already watched and/or reviewed:

- Summary and full PDF of August Introductory Presentation
- All other prior budget presentations

Please remember: What follows are only the initial requests, subject and likely to change as the budget is further developed. This includes the names and types of budget accounts presented, some of which are being re-organized for 2020. At various points numbers may be estimated or projected. If you have any questions, or encounter any errors, please reach out to us.

- **A note on this process.** In an ongoing effort to create a transparent budget process the city is engaging in several key internal budget conversations in public working sessions. Keep in mind that many numbers are estimates based on assumptions that can't be finalized until outside stakeholders, such as the county and state, provide certain information.
- **Key areas of appropriations.** Before we dive into details, it's important to get a brief context for some of the most important spending "buckets."
- **Drilldown in three key appropriation areas**
 - **Professional Services.** Over time the City has evolved to have many services delivered by consultants, which typically come at a higher price than in-house staff.
 - **Debt service.** The City's existing major debt service obligations have accumulated from incremental significant historical capital spending.
 - **Capital projects.** Growing deferred maintenance issues exist with the condition of all City facilities, on top of other major capital commitments, such as flood mitigation and affordable housing.
 - **Further details of City facility deferred maintenance challenges and costs**
- **Next steps**

Key Spending Categories

Key buckets that make up appropriations

These are not accounting or statutory categories, or all of the categories, but a simplified list of the most important and relevant spending categories

Category	Summary	Key takeaways
Salaries and Wages	All personnel salaries, contractual/non contractual and overtime.	Minimally discretionary - approximately half the total costs here are obligated by Collective Bargaining Unit agreement, and the rest by other employees who perform vital functions. The small increases in S&W lines since 2015 have not kept up with inflation, leaving various employees with the same or lower pay (in purchasing power) than they had in 2015. The amount allocated for S&W in 2015 (\$1,715,114) would need to be \$1,888,594.38 in 2019 to have the same purchasing power as it did in 2015. It is \$156,292.38 short of that.
Other Expenses	Utility payments, internet service, office supplies, mileage, payments for contractors/vendors	Many recurring purchases are not budgeted for. This means that we can't track expenses over time easily , and that items need to be charged to accounts to which they don't belong. This also results in many end of year transfers.
Professional Services	This includes all payments made to all contracted professionals for work on capital or non-capital projects, such as from the City's attorney, engineer, architect, bond attorney, labor attorney, redevelopment attorney.	There are many services in the City performed by consultants at a much higher rate than it would cost from a salaried employee , and which are difficult to track over time because the costs are distributed across different accounts. Additionally, some fees are higher than market rates, and many NTE (Not To Exceeds) have been exceeded.)
Capital	The total cost (part of professional services falls within this) for all capital projects, which includes the upfront down payment as well the costs of repaying	Capital projects are the biggest discretionary cost driver over time for the City , inclusive of professional services fees as well as ultimately becoming the primary contributor to debt service. Facilities are one of the most expensive elements of this.
Debt Service	Existing debt service payments based on what's been borrowed	Significantly higher debt service obligations than similar municipalities , debt service is nearly one quarter of the overall operating budget. Currently paying for debt service costs in both operating and capital budgets making the true cost not transparent to the public or governing body.
Fixed Costs	Costs that the City has no ultimate discretion over once any relevant policies have been put in place, such as healthcare, and pension contributions or payments to the County or School for their taxes	These costs are relatively inflexible and can change based on various market activities and state policies.

Key buckets that make up appropriations

Tends to be operating



Tends to be capital

**Salaries and
Wages (S&W)**

**Other Expenses
(OE)**

**Fixed and
Statutory Costs**

**Professional
Services Fees**

Debt Service*

Capital Projects

City positions staffed by outside consultants versus staff

Many City services are provided by consultants through the “Professional Services” framework, rather than City employees. There are approximately 28 professional service positions, listed below:

- City Attorney
- City Prosecutor
- Alternate City Prosecutor
- City Public Defender
- Alternate Public Defender
- City Auditor
- Bond Counsel
- Labor Attorney
- COAH Attorney
- Redevelopment Attorney
- Planning Board Attorney
- Alternate Planning Board Attorney
- Planning Board Engineer
- Alternate Planning Board Engineer
- City Engineer
- Alternate City Engineer
- City Engineer for Special Projects
- City Planner
- Alternate City Planner
- Grant Writer
- Zoning Board Attorney
- Alternate Zoning Board Attorney
- Zoning Board Engineer
- Alternate Zoning Board Engineer
- City Architect
- Alternate City Architect
- Risk Manager
- Communications Director

Cost/Benefit of staffing by Professionals versus Staff

This over-reliance on professionals rather than full time staff means often the city pays a premium for work that could be accomplished by in-house staff. These services typically cost in excess of between \$175 per hour to \$300+ per hour. Full-time City staff make between \$12 - \$75 per hour.

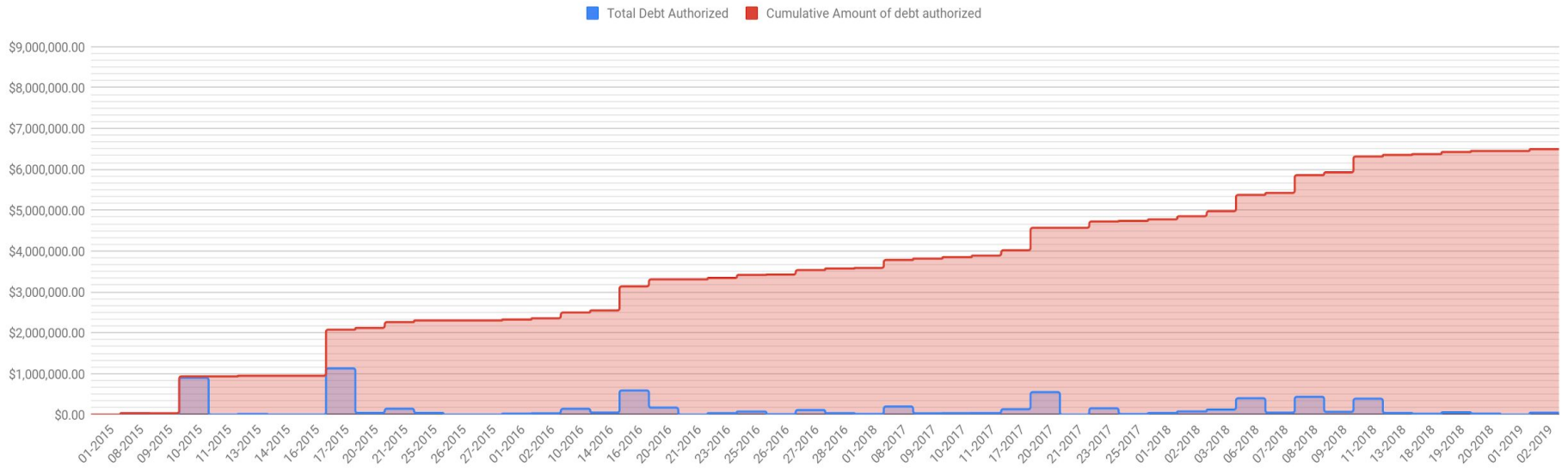
In 2018, nearly \$650,000 was paid to professionals in total (including escrow payments). In 2019 that number was approximately \$560,00.

Consulting professionals typically perform less ongoing “management” type services than a City department heads, such as attending meetings, creating plans and budgets, distributing reports, and managing stakeholder communication.

Previously, many consultants were in charge of their own budgets and not subjected to the accountability and budget control that is now in place with a full time BA. Lambertville has often exceeded budgets for projects, this is routinely mentioned in the City's annual financial audit.

Historical costs of incremental borrowing

The City has a significant debt obligation that has grown incrementally over the years due largely to ad-hoc capital projects done without a strategic multi-year plan.



New categories to help track capital spending

For the first time, the City will now be tracking capital spending, and doing so using the following categories. Highlighted ones are currently the biggest cost-drivers.

- **Building/Facility Maintenance.** Any maintenance or updates to existing facilities
- **New Building/Facility Construction.** Any costs for new construction
- **Public Infrastructure.** Costs related to roads, water, sewer, utility, flood mitigation, etc
- **Vehicles.** Purchase of vehicles
- **Vehicle Equipment.** Purchase of vehicle equipment/repairs
- **Technology/Equipment.** Any technology or other equipment
- **Public Spaces/Programs.** Parks and community programs.

Building/Facility Cost Summary

10 Year Facility Costs	
\$2,889,270	Library
\$1,175,550	DPW
\$2,398,318	City Hall
\$1,551,510	Police
\$597,066	Justice Center
\$8,611,714.00	
\$9,472,885.4**	

Estimated cost breakdown for achieving:		
Compliance & reasonable workplace standards	50%	\$4,736,442.70
Meeting current needs	70%	\$6,631,019.78
Meeting basic anticipated future needs	100%	\$9,472,885.40

Building/Facility Maintenance Drilldown - Police HQ 1/2

Six-year estimated cost breakdown					
2020	2021	2022	2023	2024	2025
\$31,725	\$89,175	\$96,375	\$881,250	\$170,400	\$0

Highlighted Needs	<ul style="list-style-type: none">• Floor of building is detaching from walls due to building's foundation and fill• Parking lot and associated drainage is collapsing• Interior space does not provide enough space for either a separate break room or meeting room
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Building/Facility Maintenance Drilldown - Police HQ 2/2



Floors are sinking into improperly created fill, slowly detaching from walls of the building



Building envelope has significant water and vegetation intrusion. Several exterior doors were not weather-proofed properly and require complete refinishing or replacement



Improper fill is sinking, also causing collapse of drainage systems, potentially compromising environmentally sensitive areas with parking lot runoff as well as being a safety and liability hazard

Building/Facility Maintenance Drilldown - City Hall 1/2

Six-year estimated cost breakdown					
2020	2021	2022	2023	2024	2025
\$31,725	\$89,175	\$96,375	\$881,250	\$170,400	\$0

Highlighted Needs	<ul style="list-style-type: none">• Significant roof issues have created larger water damage problems that will require moderate/major rehabilitation• Numerous problems including water intrusion in the building envelope, stairwell concrete, and drainage/retaining walls have increased in cost to renovate over time• Interior space does not provide office space for all officials/staff, a break room, proper number of meeting rooms and more• Old windows and fittings create high energy usage/cost and create inappropriate working environment for staff
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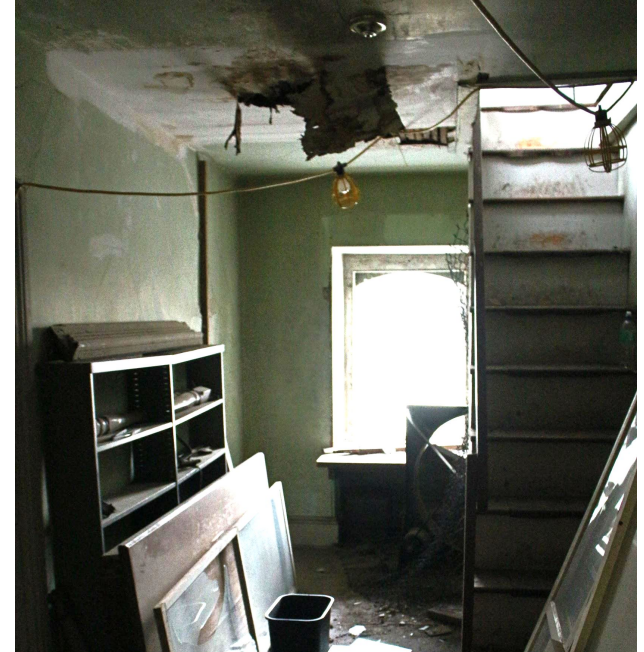
Building/Facility Maintenance Drilldown - City Hall 2/2



Exterior work which was not done properly has led to damage to much of the building's envelope from water intrusion that requires remediation as well as redoing the exterior work



Inefficient interior space creates many challenges for the staff and public, for example, having no waiting or meeting area for one of the most used City offices - Construction



City Hall's upper three floors are in major disrepair due to lack of ongoing maintenance and major roof issues stemming from a replacement put in approximately ten years ago. It will require significant renovation and roof replacement.

Building/Facility Maintenance Drilldown - Justice Center 1/2

Six-year estimated cost breakdown					
2020	2021	2022	2023	2024	2025
\$123,420	\$142,800	\$109,735	\$172,236	\$82,875	\$0

Highlighted Needs	<ul style="list-style-type: none">• Current floodwater mitigation solution is in violation of numerous local, state, and federal laws• Historical water intrusion has created persistent mold issues that require significant rehabilitation• Interior space does not meet current needs for Court, Governing Body or leasee (ACME Screening)
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Building/Facility Maintenance Drilldown - Justice Center



The current flood mitigation solution for the Justice Center routinely fails to work, and more importantly, is a serious violation of numerous of local, state, and federal laws.



Caused in part by years of neglect of the Justice Center's flooding and water issues, there is mold present through the building's HVAC system. Parts of it have been cleaned, but the entire system needs to be replaced after the water issues are mitigated.



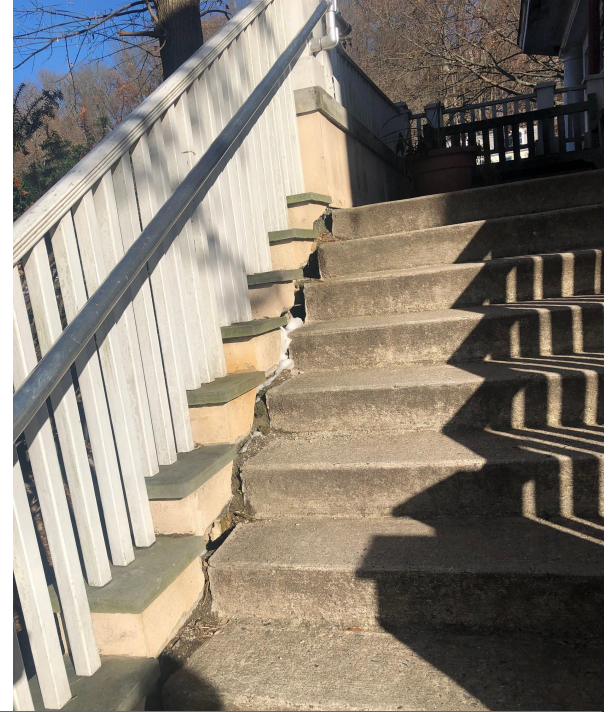
An entirely open ceiling creates water intrusion issues as well as annual cleaning costs as particulate matter falls from the open ceiling into light fixtures

Building/Facility Maintenance Drilldown - Public Library 1/2

Six-year estimated cost breakdown					
2020	2021	2022	2023	2024	2025
\$759,600	\$1,443,600	\$226,800	\$459,270	\$0	\$0

Highlighted Needs	<ul style="list-style-type: none">● Interior space does not accommodate current programming● Major cost to repair many unsafe and degrading exterior facility elements, including exterior paint, the porches and stairs, lighting fixtures, drainage, and more● Old windows and fittings create high energy demands● Outdated interior elements, such as the elevator, bathrooms, and furniture need to be replaced (some to stay up to code)
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Building/Facility Maintenance Drilldown - Public Library



The Public Library suffers from a lack of space to accommodate current (or future) programming needs, and because of many years of lapsed maintenance, requires extensive renovation and rehabilitation to bring the building up to code and reasonable standards for a publicly available facility.

Building/Facility Maintenance Drilldown - Public Works 1/2

Six-year estimated cost breakdown					
2020	2021	2022	2023	2024	2025
\$436,050	\$739,500	\$0	\$0	\$0	\$0

Highlighted Needs	<ul style="list-style-type: none">• Fuel storage tanks are at risk of creating environmental contamination and need to be replaced• Building needs large expansion to accommodate storing vehicles and equipment out of the weather and indoors• Sewer line is aging and needs to be replaced
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Building/Facility Maintenance Drilldown - Public Works



Many Public Works assets are stored outside, decreasing their shelf life, complicating repairs, and taking up space that could be used for other DPW functions

So what do we do from here?

If we continued on the path that we were on, we would likely incur significant future tax increases.

To ensure that Lambertville stays affordable and continues to improve, we have to revisit prior assumptions and find new ways to address Lambertville's infrastructure needs.

Timeline of next steps

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