



Englewood

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TO: City Council Members & Mayor Frank Huttle III
FROM: Timothy J. Dacey, City Manager *(^)*
DATE: February 3, 2017
SUBJECT: 2017 Budget

Dear Mayor and Council:

The 2017 Budget Book for the City of Englewood is attached.

Before discussing the 2017 budget, it is worth reviewing the many accomplishments the City enjoyed in 2016.

During 2016, the City of Englewood:

1. Completed construction on, and moved into the new firehouse in April.
2. Sold the old firehouse and Lincoln School in April.
3. Saw the commencement of construction on the new apartments on the old firehouse and Lincoln School site.
4. Continued with the James Street development. The addition to the ShopRite is now completed, with interior work underway.
5. The Route 4 West Diner was demolished with site work ongoing for the new assisted living facility.
6. Had another successful year at the John T. Wright Arena. We installed new bleachers, took over the operation of the food stand and brought more Englewood school children into our programs. Revenue was \$369,826, well above the 2015 revenue of \$332,900.
7. Efficiently and quickly completed leaf pick-up using new equipment purchased over the past two years.
8. Completed the reconstruction of East Palisade Avenue from the railroad tracks to Englewood Cliffs.
9. Finished the environmental clean-up of the old pistol range.

10. Finished the year with a surplus of \$3.2 million. I am recommending that we use \$1.5 million of this for tax relief in the 2017 budget.

The 2017 budget is a challenging one. Our surplus is reduced to the lowest level in many years and state aid is expected to be flat for the 9th year in a row. We have many financial obligations that are out of control of the City. I have worked with Michael Kauffman, our CFO, and our financial advisors to come-up with a budget/financial plan for 2017, 2018 and 2019.

To take advantage of low interest rates and a reduction in our debt service at the end of 2017, we are planning on issuing about \$14 million in bonds and rolling over \$32 million in bond anticipation notes (BANs) in early April 2017.

In June, we will issue a \$5.3 million BAN for our 2017 Capital improvements as well as a \$1.0 BAN for terminal leave, which is rising to over \$800,000 for recent and planned retirements. This historically has been budgeted at about \$400,000 a year. By issuing a BAN we can spread out the cost by repaying \$200,000 a year for 5 years.

We have another drop in debt service in 2019 when we will again issue bonds.

Some of the larger increases for 2017 that we have to budget for are:

1. \$573,000 for State Health Benefits
2. \$112,000 for Police S/W
3. \$170,000 for Fire S/W
4. \$138,000 for Fire O/E
5. \$200,000 for Oak Trail Settlement
6. \$78,000 for Recreation O/E
7. \$130,000 for BCUA increases
8. \$105,000 for PERS increases
9. \$91,000 for PFRS increases
10. \$250,000 for debt
11. \$200,000 for tax appeals
\$2,047,000

Some of our offsets include the following reductions:

1. \$250,000 for workers compensation
2. \$318,000 for storm water
3. \$400,000 for terminal leave (which will be bonded for)
4. \$240,000 for street lighting
5. \$235,000 for capital improvement fund due to lower capital budget
\$1,443,000

Operational wise, I will give a quick review of some departments:

1. Code Enforcement: We have added a property maintenance/sign enforcement inspector last summer. A challenge that we have is that we will be paying a part-time person to do plan reviews for the next few months.

2. Police: We currently have 1 officer in the academy. We have budgeted to send 3 to the July Academy once we have a police test this spring. We have 2 pending retirements for 2017, so with no other retirements we will end the year with 84 officers.
3. Public Works: We are expecting the delivery of the two automated trucks and the cans this spring. Weather dependent, we expect to begin the automated pick-up in W2 and W3 in April. We are not planning on filling 2 vacancies due to expected retirements in 2017.
4. Library: I am recommending flat funding for 2017.
5. Recreation: Merle is expecting to increase our summer programming so we are adding \$78,000 to their O/E budget.
6. Fire: We have 2 firefighters in the academy. We will be holding exams for Captain and Lieutenant this spring which will create vacancies in the summer/fall depending on promotions. These will be filled based on academy availability.

Other things that affect the 2017 budget are:

1. Lincoln School redevelopment – The developer is paying taxes on the property while construction is ongoing. The PILOT will begin once the project is done which hopefully will be in 2018. We have \$2,287,000 left from the sale of the property. I am recommending the \$1,150,000 of that be used for tax relief in the 2017 budget. The rest of the money can be used for tax relief in 2018.
2. No provisions have been made for any payment from Englewood Hospital for 2017.
3. State aid is expected to remain flat for the 9th year in a row.
4. The proposed capital budget is \$5.3 million. It is recommended that we stay at this level for 2017 to 2020 to help reduce our debt and increase our surplus.

While the City has enjoyed less than a 2% tax increase in total for the last 6 years, we now have to increase taxes to meet our costs and begin to build our surplus.

This year's budget is \$63,449,317 which is an increase of \$1,085,401 over 2016. City appropriations rose 1.74% while revenues declined by 19.85%. The municipal rate increase is 7.47%, or \$365.72 on an average home valued at \$461,978 which declined from \$462,000 last year.

Michael and I feel that while this is a large percentage increase, if it is done, we can go back to increases at or below 2% for the next three years, assuming that only \$1.5 million from surplus is used in the 2018 budget. A 4 year plan to rebuild our surplus plus the added revenue from new development will help eliminate a large tax increase like we have this year.

The 1.74% appropriations increase this year compares to the 3.31% increase in 2016. As pointed out in the past, we have a revenue issue in 2017, not a spending issue.

Our employees have worked hard to give quality services to the residents and taxpayers of Englewood over the past years.

I look forward to working with you over the next few months as we work towards the adoption of the 2017 budget.

Sincerely,



Timothy J. Dacey
City Manager

cc: Michael Kaufmann, CFO