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Mayor's 2023 Budget Letter

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TOWN OF CLINTON
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March 23, 2023

Dear Clinton Residents,

As always, I would like to begin with my sincere gratitude. Time and again Clinton residents, business owners and employees step up and show their compassion and determination as we return to a post remote-working world.

The Mayor and Council introduced our 2023 budget on March 22, 2023, with the

public hearing and adoption scheduled for April 26, 2023. Our meeting is in person, with a zoom option available for those that cannot attend in person. However, if there is an issue with Zoom, we will continue the meeting in person.

Over the last eleven years, since I have been Mayor and partnered with Council, we have worked diligently to establish a strong financial base, to pay down debt, establish a master plan for infrastructure and build a cash reserve.

This past year, we were forced to address garbage and recycling as a utility and not as part of our municipal budget. In October I shared a letter explaining that based on the pricing we received from the one garbage hauler that placed a bid, the cost of solid waste collection increased by 55%, recycling by 90%, and disposal by 10% (per ton). Because of these cost increases we chose to move solid waste and recycling collection/disposal out of our current budget. In an effort to offset the cost to residents for the collection and disposal, we are using the \$288,000 in American Rescue Plan Act funds that we obtained, which allows us to keep the cost down to under \$200 per household for the next several years and gives the Mayor and Council time to research a long-term solution to solid waste and recycling.

What does this mean for your taxes? As we said when we initially introduced the garbage utility, our plan was to pull the funding from the current budget in order to reduce municipal taxes. However, as we were still dealing with other budget constraints, we could not yet make that promise. After working through multiple options and meeting our statutory and debt obligations, the Mayor and Council will be reducing the municipal tax rate by 0.058. For an averaged assessed home value of \$387,344.26 there will be a reduction in municipal taxes of \$224.

How does this work? The Town's tax rate in 2022 was .8745 and in 2023 the tax rate will be .8185. We were able to reduce this year by using more of the surplus which we have built up over many years. Ultimately, our goal is to keep the Town on sound financial ground with a healthy surplus.

From previous experience, the real estate bubble we are currently in may likely show a downturn in the next 12-18 months. With that downturn we could see our ratable base decrease, as happened in 2014 after our Town wide revaluation. The difference is that then even with the reset of the tax rate from the revaluation, we still had a five-point tax increase to property owners. We will not have that ability when/if the ratable base decreases again. However, because of our surplus, Council's careful management of expenses and payment on our debt the impact will not be as harsh.

We do know that we should continue to expect certain revenues to remain flat or go down. The line items we expect will to continue to be negatively impacted are:

- Municipal Court Fines and Costs
- Hotel/Motel Occupancy Fee (the former Holiday Inn has begun transitioning to an assisted living facility, which will still generate a tax revenue but not the additional hotel/motel tax)

What does the budget look like? First, at this time our ratable base is still up about \$20M (for more information on the Town's assessment process please view the FAQs that were emailed and are also available on the Town's website at <https://www.clintonnj.gov/administration/finance-taxes> . Second, we continue to maintain both a healthy surplus, and a sound financial management plan to keep the Town financially strong. This planning includes proactively maintaining infrastructure and paying down debt. However, even with the Council's frugal approach, our costs are increasing for items such as health insurance (increase of 23%), liability insurance and pensions which continue to increase at a rate greater than our 2% cap.

As I state each year, flat taxes or reductions are short term benefits with long term repercussions. While it would be amazing to offer a flat rate each year, remember that if we reduce services, implement further reductions, or adopt a flat budget, these actions will ONLY apply to the municipal portion of your property taxes, which represents 25% of your tax bill.

From experience we have learned that a flat tax can cause financial problems in future years. The municipal budget is subject to the same inflationary pressure as everyone else in their personal budget. As a community we plan for infrastructure improvements that have generational impact rather than deal with short-term fixes or delay critical infrastructure projects.

I hope this letter provides an overall explanation of the Town's 2023 budget. As always feel free to reach out to me at 908.399.8921 and jkovach@clintonnj.gov , our CFO Kathy Olsen, or our Business Administrator Rich Phelan. If you have more questions, I will be happy to carefully go over them with you.

And as a reminder our public hearing on the budget will be April 26th in person and via Zoom at 7:30PM (<https://www.clintonnj.gov/mayor-council/events/43101>)

On a separate note, I've mentioned at several meetings that we continue to apply for and receive grant funding to assist with our infrastructure projects. In the state budget last year, the town was awarded a \$3M grant to relocate our Police Headquarters. While there are several locations under consideration, as soon as a final decision is made, we will share via email, council meetings and social media.

On a personal note, I again want to thank each of you for your patience as we have navigated these last several years. As we move forward, remember to continue supporting our small business community. We are all in this together and we will come out stronger together.

I look forward to seeing you at a council meeting or downtown during one of the many events!



Janice Kovach

Mayor



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Hours of Operation
Monday – Friday
8:30am to 4:30pm

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