



TOWN OF CLINTON

INCORPORATED APRIL 5, 1865

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May 21, 2020

Dear Clinton Residents;

The Mayor and Council introduced our 2020 budget on April 8, 2020; we delayed our adoption until May 27, 2020 due to the unique circumstances of COVID-19. While we had hoped we would be able to host the meeting in person, we now know that unfortunately we will not. Our budget adoption will take place via Zoom during our council meeting. This is also not the budget letter that I would have sent under other circumstances.

For the past eight years 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. Because we have taken these steps, we were able to offer some relief to residents with an extension of the water and sewer grace period as well as an extension of the property tax grace period. Currently this only applies to the second quarter payments – there is pending legislation that would give towns the flexibility during a state of emergency to extend the grace period for tax payments in future quarters. However, at this time third quarter tax payments are due August 1 – with the existing 10 grace period the latest payment date is August 10.

While the budget we introduced in April anticipated certain revenues, we now know that those numbers will be down. The line items we expect will have been impacted by the pandemic are:

- Municipal Court Fines and Costs,
- Uniform Construction Code Fees,
- Hotel/Motel Occupancy Fee,
- Energy Tax Receipts from the state,
- Receipts from Delinquent Taxes and
- possibly Property Taxes.

What does this mean? Similar to our personal budgets, we can't spend more than we bring in. As such we began a spending freeze for all but essential items – we will continue to evaluate budget capabilities over the course of the next several months. We will postpone any projects where possible, and any projects that were in process – such as the Filter Building at the Sewer Plant and the West Main Street Water Main Replacement Project – will continue to move forward. Obviously observing all current Executive Orders and health and safety precautions.

So now into the budget – a couple of points of interest to note. First, at this time our ratable base is up just under 2.5% (\$7.3M). Second, we continue to maintain both a healthy surplus, and a sound financial management plan, in order 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 and liability insurance, and pensions continue to increase at a rate greater than our 2% cap. Even with these unavoidable increases, we have been able to limit the increase in Town taxes to 1.5 points by examining every budget item and cutting where we can.

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 past experience we have learned that while this approach makes for a great sound bite, it can cause financial problems in future years.

To review the numbers in this year's budget, our overall our budget will increase to \$120,721 in taxes collected. Of that amount \$65,000 is due to the increase in debt service. The remainder of the budget increases are attributed to statutory and contractual obligations.

Now that I have run through the highlights in our overall budget and some of the significant financial challenges, we faced this year, the Council and I feel the 1.5 points (or 1.5 cents) increase is reasonable. As stated in previous budget letters, if we cut the points, we would eventually have an impact on the services the Town provides, as well as seeing larger increases in the future. We don't want to see a repeat of 2013, when after multiple years of flat or reduced taxes, there was a significant increase (5 cents) because of the need to move back to practice sound financial planning.

I hope this letter provides an overall explanation of the Town's 2020 budget. As always feel free to reach out to me at 908.399.8921 and jkovach@clintonnj.gov, to any of the Council Members, our CFO Kathy Olsen, or our Business Administrator Rich Phelan. And as a reminder our public hearing on the budget will be May 27th via Zoom at 7:30PM (to attend, visit <https://zoom.us/j/6452208495>, or dial into 646.558.8656). If you have more questions, the Council and I will be happy to carefully go over them with you.

On a personal note, I want to thank each of you for your patience as we navigate this unprecedented time – and as we move forward into the re-opening phase please remember to continue supporting our small business community. We are all in this together and we will come out stronger together. Stay safe.

A handwritten signature in cursive script that reads "Janice Kovach". The signature is written in black ink and is positioned above the printed name and title.

Janice Kovach
Mayor