

TOWNSHIP OF BYRAM

NEW JERSEY

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TO: Township Council

FROM: Joseph W. Sabatini, Township Manager

DATE: November 12, 2020

RE: LFN 2020-24: COVID-19 Operating Deficits and Extraordinary Expenditures

As referenced in the Local Finance Notice (LFN), P.L.2020 c.74, was enacted on August 31, 2020, which empowers local government to alleviate fiscal impacts related to the COVID-19 emergency. The LFN further states that municipalities facing budget shortfalls tied to COVID-19 pandemic have the flexibility to spread an unsustainable single-year impact over several years.

To address an operating deficit due to the COVID-19 emergency, the Division of Local Government Services (Division) can certify a special emergency to spread the deficit over several subsequent budgets as a deferred charge, rather than budget fully in the current or next year.

If the Township wants to seek approval for a Special Emergency, the Township will need to make a written application to the Division Director documenting and certifying the COVID-19 related revenue loss and/or additional expenditures. The application process includes the Chief Finance Officer submitting a certification for approval by a majority of the full Governing Body. Application will need to be submitted to the Division Director by no later than December 1, 2020.

The funding of the special emergency may be raised in the budget over a five-year period and no appropriation for the deferred charged is required in the first year. As presented in the LFN, a special emergency in 2020 is not required to be funded in 2021, but 1/5 of the amount would be budgeted in the years 2022 through 2026 annual budgets.

Byram Township's impact from the COVID-19 emergency is related to loss revenue. This was expected at time of budget adoption and it was discussed to address in 2020 or beyond dependent on the State providing relief. Specifically, it was presented that any expected loss of revenue in 2020 would be offset by canceling budget appropriations in 2020. This solution will have impact on regeneration of Fund Balance at end of budget year 2021.

The Township has experienced unplanned expenses due to the response to the COVID-19 pandemic; however, we have filed a grant application with the Department of Community Affairs for reimbursement of these expenses through the Local Government Emergency Fund provided

through an allocation of the State of New Jersey CARES Act Coronavirus Relief Fund. The payment of loss revenues under this grant was not permissible.

As of November 12, 2020, the Township is seeing an actual shortfall of \$134,780 revenue in the following categories. By the end of 2020, this shortfall is projected to be \$120,000.

REVENUE SOURCE	ANTICIPATED	ACTUAL (11/2)	DELTA
Court	\$60,000	\$25,370	(\$34,630)
Interest & Cost on Taxes	\$115,000	\$93,890	(\$21,110)
Interest Investments	\$152,255	\$95,960	(\$56,295)
Garden State Preservation Trust	\$64,665	\$41,920	(\$22,745)
		TOTAL:	(\$134,780)

The Mayor and Council have the option to consider the special emergency or to continue with plan of canceling budget appropriations in 2020.

It is recommended that we continue with the original plan for canceling budget appropriations in 2020. This will have an impact on unexpended balances for the 2020 reserve year and the regeneration of fund balance at the end of 2021. Projected calculations for 2020 indicate that we will regenerate what was committed to the 2020 budget in fund balance to support operations. Once the 2020 calendar year is closed and the unaudited fund balance is available, we can complete a more thorough evaluation of fund balance for the 2021 budget and beyond.

The special emergency process affords the municipality the time to compensate for lost revenues and achieve recovery over time. Basically, it is the authorization of a no-interest loan using the Township's own budget. Requesting a special emergency has a direct impact on the budget. As outlined in the LFN, the Township will need to budget for 1/5 each year or approximately \$24,000 per year for five years. The Township does not need to borrow (bond) to fill the gap of lost revenues. The Township is in the position to fund the shortfall which indirectly comes from using fund balance. It should be noted with approval of a special emergency by the Director, the Township will not be eligible for local budget exam and will be subject to State review for the duration of the special emergency. In this case, it could be six years.