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MEMORANDUM

To: Bill Cogger, Chair, Budget and Finance Committee
Eric Peterson, Budget and Finance Committee
Janice Kovach, Budget and Finance Committee

From: Eileen Swan, Executive Director

Subject: Budget and Finance Committee Meeting - September 11, 2008

Date: September 5, 2008

Please accept the attached materials for the upcoming Budget and Finance Committee Meeting. The Council staff has been working hard with our financial consultant, Greg Della Pia, to update our internal financial systems.

Update on financial operations and improvements

New accounting software has been installed and we are transitioning the records over to the new software program. This program will allow for check printing and the customization of budget reports with less reliance on spreadsheet accounting. As part of the new software implementation, we are establishing a new banking relationship with Commerce Bank. The previous banking relationship did not provide interest credits on the account balances and they were unable to provide a "sweep" account program without risk of loss of principal to the agency. Additionally, service charges were assessed for check printing and other miscellaneous services. Commerce Bank will provide a sweep account program for all of our checking accounts without any fees for banking services or check printing costs.

Year to Date Financial Report – Highlands FY08 General Operating Budget

As of June 30, 2008 the operating budget was closed with an unexpended balance of \$489,453.02. Overall, 85.27% of this year's budget was expended. The unexpended portion is proposed to be carried forward to the FY09 Budget. The attached report provides details on FY08 expenses.

Proposed Highlands FY09 General Operating Budget

The enclosed FY09 Proposed General Operating Budget report provides comparative analysis of FY08 budgeted, expended and remaining balance. The State FY09 appropriation to the Highlands Council was decreased from \$3M to \$2.4M and thus it is recommended that the entire appropriation be dedicated to the General Operating Budget. Last year, the Council was able to dedicate \$500,000

to the Regional Master Plan Budget. Putting aside the \$500,000 for FY08 RMP Budget, the proposed FY09 General Operating Budget reflects an increase of 3% over last year's budget.

The attached analysis of percentage changed from FY08 to FY09 provides an overview of the proposed increases and decreases for the General Operating Budget. The major increases and the basis for the proposed increases follow. There is an increase in the budget for Graduate Studies Program that reflects the need for two full time and two part time interns. The Council will utilize these interns to assist in planning, science, and legal analysis. The increase in Conferences and Training is a recognition that staff has been dedicated to their work in the development of the RMP and it is proposed that we increase the opportunity to further enhance their skills and competencies in areas related to their work. As a result, \$25,000 has been proposed in the FY09 budget. Lastly, a proposed increase in the Audit Services item is proposed for payment of the ongoing audit and additional work by the Mercadien Group for an audit of FY08 for which we had not previously budgeted.