



SHPOA

Stone Harbor Property Owners Association

P.O. Box 155 | Stone Harbor, NJ 08247 | www.stoneharborpoa.org

OFFICERS

April 29, 2022

PRESIDENT

Richard Fuchs
Pennsylvania
Avenue

Subject: SHPOA Prepared Borough of Stone Harbor Financial Sustainability Analysis

VICE PRESIDENT

Jack Kelleher
Third Avenue

Dear SHPOA Member,

TREASURER

Paul Grady
First Avenue

New Jersey coastal towns are facing serious sustainability issues. Eroding beaches, excessive bay sediment, routine flooding, and water over-usage must be mitigated soon. Additionally, aging infrastructure replacement and requisite maintenance can no longer be deferred as stormwater management is now mission-critical for much of the Northeast, including Stone Harbor.

SECRETARY

Heidi Yacker
84th Street

CHIEF INFORMATION OFFICER

Homi Kapadia
102nd Street

Sustainability is and has been the key issue at the Stone Harbor Property Owners Association (SHPOA) for the past decade, as the future of Stone Harbor depends on it. Our focus is on water conservation, beach preservation, bay sustainability, flood mitigation, and the associated financial underpinnings. We have urged the Borough Council (with the support of 87% of our members per the feedback received in our SHPOA member survey in March 2021) to adopt a 10-year financial plan reflecting the necessity of sustainability investments. To that end, SHPOA has developed a 10-year financial model to address the financial challenges which are the foundation of any sustainability efforts. We have reviewed our model, its assumptions, and financial conclusions with the Borough on several occasions.

The message is clear. At the January 2022 Opening Council Meeting, Stone Harbor Mayor Judy Davies-Dunhour voiced her concern about the magnitude of expense and potential debt issuance related to sustainability economics at the Borough.

As always, we want to keep our members informed about the areas of capital spending and associated costs. The required investments will be substantial, expensive, and borne by the taxpayers. Forecasting the impact on the taxpayers in the Borough is key to planning, and our focus in this area will remain our top priority.

TRUSTEES

Susan Barrett
Sunset Dr
John Kinol
101st St

Jay Blackman
98th St
Joe Maurer
First Ave

Cynthia Burton
Sunset Dr
Joselyn Rich
Sunset Dr

Anthony Tinari
100th St

Mantura Gallagher
101st St
Beth Toolen
119th St

Beth Ann Griesser
Corinthian Dr
Kerry Wendel
90th St

Scott Jarden
Golden Gate Rd
Geoff Woolery
110th St

Ted Kestner
109th St
Chris Yates
Second Ave

Capital expenditures to implement the flood master plan developed by the Borough and for beach renourishment and bay management, are estimated at \$47 million through 2027 (with more to follow). The capital spending includes beach replenishment, bay dredging, Borough-owned bulkhead replacements, new pumping stations, a bayside tidal control system, and critical storm drain improvements to the existing infrastructure. Additionally, the Borough has budgeted \$5 million to upgrade the Marina at 80th Street. Although we encourage the Borough to aggressively look for operational cost reductions, the capital costs for most this will need to be funded through debt issuance supported by tax increases.

In our model, SHPOA has projected the impact of taxation on homeowners. (Please refer to the attached PowerPoint presentation for more detail). We estimate that the \$47 million in new investments and related borrowing will result in an increase in Municipal tax of 46% over 5 years (which equates to 7.8% per annum). Assuming increases in County & School Taxes consistent with historic norms, the total results in a bottom-line 5-year tax increase of 29% (5.2% per annum) for Stone Harbor property owners. What does this look like in dollars? Using a median home value of \$2.5 million, a current annual property tax of \$15,725 will increase to \$20,225 by 2027.

SHPOA supports investment in these important areas in order to preserve Stone Harbor as we know it. We are sending this communication because we feel it is very important for our members to be aware of the need for this investment and the associated costs. Sustainability of Stone Harbor remains our primary focus.

We will include a discussion on this topic at our SHPOA Membership Meeting on Saturday, June 11th, so do plan on attending. In the meantime, if you have any comments, please send them to us at Contact@StoneHarborPOA.org.

Sincerely,



Richard Fuchs
President



Geoff Woolery
Chair, Sustainability Committee

Attachment: PowerPoint Presentation



Borough of Stone Harbor Financial Sustainability Analysis

Prepared by:

Stone Harbor Property Owners Association
("SHPOA")

April 29, 2022



The Four Legs of the Sustainability Stool

- Water Conservation
- Beach Preservation
 - Bay Sustenation
 - Flood Mitigation
- Financial Planning & Management is the Foundation



Why is this analysis necessary

- Significant investments in Sustainability initiatives are required in the 5-year period 2023-2027 to preserve our island and homeowner investments.
- SHPOA has previously recommended that the Borough develop a 10-year financial plan to address this issue. The Borough committed to this as part of the 2021 budget approval process.
- Additional investment will be necessary in the 5-year period 2028-2032 which will need to be funded via additional Debt Issuance and Tax Increases.
- 87% of our Members support the implementation of a 10-year financial plan by the Borough (2021 SHPOA Members Survey).
- Operating expenditure savings are likely available by changes to the current Borough model for service delivery. This should be a focus; however, our analysis indicates that available savings will not offset the investments.



Assumptions – Base Operating Budget

- 2022 Actual Borough Budget Baseline for Operating Expenses
 - Budget is Balanced – i.e., Revenues will match Expenses
 - Zero Based Approach – Each Year is Treated Individually
 - Operating cost increases only for inflation/wage increase expectations
- Operating Expenses increased for cost of new Sustainability Investments
 - estimated \$500,000 Per Annum each for 93rd St Pump Station (2024) and 83rd St Pump Station (2027)



Budget Forecast / Tax Rate (Stone Harbor Borough Only)

	2022 (Actual)	2023	2024	2025	2026	2027
Revenues	\$19.1 Million	\$19.8 Million	\$21.1 Million	\$23.8 Million	\$25.1 Million	\$26.4 Million
Taxation	\$14.5 Million	\$16.3 Million	\$17.6 Million	\$20.1 Million	\$21.4 Million	\$22.6 Million
Operating Expenses	\$13.5 Million	\$13.7 Million	\$14.5 Million	\$14.9 Million	\$15.2 Million	\$16.1 Million
Capital/Debt Service	\$ 5.7 Million	\$ 6.1 Million	\$ 6.6 Million	\$ 8.9 Million	\$ 9.9 Million	\$10.3 Million
Tax Rate *	29.1	32.2	34.2	38.5	40.6	42.5

* Rateables based on 15 Year Average Annual Increase and Include estimated new Rateables from Villa Maria Project

Forecasted 5 Year Borough Tax Increase: 45.9%
Compound Annual Growth Rate: 7.8%



Projected Tax Rate/Median Taxation Including Borough, School and County Tax

Tax Authority	2022	2023	2024	2025	2026	2027
Borough Tax	29.1	32.2	34.2	38.5	40.6	42.5
School Tax**	5.3	5.3	5.3	5.3	5.3	5.3
County Tax**	28.5	29.4	30.3	31.2	32.1	33.1
Total Tax	62.9	66.9	69.8	75.0	78.0	80.9
Median Home Annual Total Tax*	15,725	16,725	17,450	18,750	19,500	20,225

*Median Home Value 12/31/21: \$2,500,000

**Assumes a 3% Annual Increase in County Taxes, no increase in School Taxes

Forecasted 5 Year Total Tax Increase: 28.6%
Compound Annual Growth Rate: 5.2%



Capital Projects

RECURRING	\$ 29,359,000*
SUSTAINABILITY	\$ 47,143,000
TOTAL	\$ 76,502,000
FUNDING SOURCES	
- Operating Budget (e.g., Taxation)	\$ 9,639,000
- New Debt	\$ 66,863,000

* **Recurring Capital Expenditures** represent expenditures planned by the Borough in the period 2022-2027 as documented in the 2022 Borough budget document



Debt Obligations 2022-2027

Debt Obligations, 12/31/2021	\$ 31,124,000
Debt Financing	\$ 66,863,000
Repayments	\$ 27,318,000
Debt Obligations, 12/31/2027	\$ 70,669,000



Sustainability Capital Projects

Project	Est. Cost 2022 Dollars	Expected Implementation Date
93 rd St Pump Station	\$12,000,000	2024 and 2025
83 rd St Pump Station	\$ 6,000,000	2027
111 th /114 th St Outfall Pipe Removal	\$ 5,884,000	2023 and 2024
Bulkhead Replacements	\$ 2,280,000	annually
Marina Improvements	\$ 5,851,000	2023 and 2024
Bay Dredging*	\$ 2,907,000	2024
Beach Replenishment*	\$ 6,009,000	2023 and 2026
Permeable Pavement	\$ 2,500,000	annually
Bayside Tide Control System	\$ 2,212,000	2025 and 2026
Storm Drain System Improvements	\$ 1,500,000	annually
	\$47,143,000	

* Expenditure net of amounts available from beach and bay reserves