

TOWNSHIP OF BYRAM NEW JERSEY

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TO: Township Council
FROM: Joseph W. Sabatini, Township Manager
DATE: January 7, 2013
RE: DRAFT (ESTIMATED) 2013 Municipal Budget –
January 23, 2013 Budget Workshop

This 2013 proposed budget is the best possible representation based on known expenses and anticipated revenues. The Township is still in active negotiations with the three labor unions and I have applied no changes to the Salary & Wage accounts from 2012. Anticipated revenues will be adjusted based on final 2012 revenues. For the purposes of this presentation, the anticipated revenues have been kept flat with a minor adjustment since interest income was less than anticipated in 2012. The tax levy has been adjusted to balance the budget.

Summary of Estimated Expenses:

- **Salary and Wages:**
 - Applied no changes to Departmental Salary & Wages.
 - Does not include any current contract obligations, i.e. increase for longevity.
 - Budget Plan assumes replacement of two police officers that retired. Salaries have not been reduced and kept at rate of top pay of retired officers.
 - Budget Plan assumes replacement of an additional DPW employee that resigned. Salary for open position and recently replaced position for retiree have not been reduced and kept at rate of a senior public works repairer.
 - There has been no adjustment to salary and wages for replacement of CFO/Tax Collector (Used 2012 Salary for CFO/TC).

- **Group Insurance Costs (Estimated Increase of \$229,382):**
 - Applied Medical/Rx assessment of 11.3%.
 - Increased contributions for collective bargaining unit employees (Chapter 78 Healthcare and Pension Reform).
 - Included employee change of status from Parent/Child to Family.
 - Included cost of benefits for prospective new hires (less 1st year contributions):
 - Police Department: 2 new hires at total cost of \$75,456
 - Public Works Department: 1 new hire at total cost of \$34,629
 - CFO/TC : \$27,704 (Based on 2012 salary of CFO/TC)
 - Note: Three employees retired in 2012 and their cost for group insurance coverage was not eliminated. Included in retirees costs with no contributions toward coverage.
 - Two Employees elected to waive health benefits effective January 1, 2013, to receive \$5,000 waiver for each employee. The balance of total cost of benefits (\$64,319) for these employees has **NOT** been removed from budget. It is expected in the future at least one of these employees will elect to receive coverage from the Township. Challenge becomes managing known significant changes in health benefits in future budget cycles.

- Dental, Life, LTD and AD&D – updated census. No change of rates from 2012.
- General Liability and Workers’ Compensation Insurance – applied 2% increase and additional assessment received in 2012.
- **Pension Costs (Estimated Increase \$52,203):**
 - Local Finance Notice 2011-20 introduced implementation of the 2011 Pension and Health Benefits Reform under Public Law 2011, Chapter 78. This law required increased contributions from the members of PERS (Public Employees Retirement System) and PFRS (Police Fire Retirement System).
 - In 2012, without the reform of Chapter 78 the Township’s pension contribution was estimated to increase \$63,111 and instead PFRS reduced \$14,897 and PERS only increased \$1,443.
 - **2013 Assessments:**
 - PFRS increased \$42,115
 - PERS increased \$10,088
- **Solid Waste and Recycling Costs (Estimated Decrease \$32,500):**
 - New Contract awarded to Blue Diamond Disposal Effective February 1, 2013. Township will pay tipping fee for solid waste disposal and the Township will own recyclables with estimated new anticipated revenue based on \$18/ton.
 - Township still obligated under old contract for January. Estimated reduction for 2013 is \$32,500.
 - Budget Plan assumes no increase in SCMUA tipping fee for 2013. Approved rate from SCMUA Rate hearing for Period December 1, 2012 through November 30, 2013 is \$96/ton.
- **Other Category of Expenses:**
 - Auditing Fees – NO CHANGE
 - Sparta Dispatch Services Agreement – NO CHANGE
 - Mt. Olive Animal Control Agreement – NO CHANGE
 - Applied reductions assuming closing of Consolidated School:
 - Buildings and Grounds reduced \$2,600 (fire alarm system)
 - Sewer Charges – reduction of \$8,626
 - Possible Other Reductions:
 - Fuel Oil: Estimated \$10,000
 - Electric: Estimated \$8,000
 - Phone Service: Estimated \$600
 - I APPLIED NO CHANGES TO UTILITIES - with the exception of phone expenses. Applied a reduction of \$5,000 based on switch to Xtel under the Middlesex Regional Education Services Commission (MRESC).
 - As referenced in the 2012 Budget Message, deferred charges were reducing \$74,000 since 2012 was the last year the Township needed to budget for the special emergency due to the result of the 2007 ordered revaluation. The plan was to restore the capital program in 2013 when the deferred charges reduced. I decreased the deferred charges expense \$74,000, increased drainage improvements \$4,000 and increased Streets and Roads \$70,000.

Summary of Anticipated Revenues:

- **Surplus Anticipated:**
 - As referenced in the 2012 Budget Message, surplus anticipated in the 2012 budget was increased \$40,000 from 2011. This increase was the result of a one-time dividend that was received as miscellaneous revenue not anticipated in 2011 from the North Jersey Health Insurance Fund. It was expected that the dependency on surplus for the 2013 budget cycle would minimally be reduced by this amount.

- The Township received a dividend in 2012 totaling \$41,485 as miscellaneous revenue not anticipated from the North Jersey Health Insurance Fund.
 - Recommend no change in anticipated surplus for the 2013 budget - \$1,240,102 or 11.6% of total anticipated revenues.
 - It is estimated with close of 2011 budget year we will regenerate surplus balance anticipated for 2012 budget.
- **Miscellaneous Revenues:**
 - There may be an opportunity to increase amounts of anticipated miscellaneous revenues (fees permits, construction fees, court fees). This will be reviewed with the Township Auditor once the year end closeout is complete.
 - It has been the practice of the Township to remain conservative when anticipating miscellaneous revenues. Over estimation of anticipated revenues result in reduction of surplus balance.
 - State statute prevents the Township from anticipating more revenues than what was realized in prior year.
 - 2012 Interest Income was \$5,500 under what was anticipated. Made minor adjustment reducing anticipated interest income for 2013 and offset with an increase to court revenues.
 - There is an option for the 2013 budget plan to anticipate new revenue for Recycling. Estimated revenue based on 2011 tonnage is \$15,750. An alternative option is to wait to 2014 to anticipate based on 2013 actual revenues received. The revenue not anticipated in 2013 will treated as miscellaneous revenue not anticipated and used to regenerate surplus balance.
- **State Aid:**
 - State Aid received in 2012 totaled \$617,395. Anticipating no change to the State formula aid. State Aid is estimated at 5.77% of total revenues needed to balance proposed budget plan.
- **Estimated Tax Levy:**
 - Levy Cap (2010 Cap Law) or Appropriation Cap (1977 Cap Law) Calculations have not been completed. These Cap calculations will be completed to determine impact once a proposed budget plan is defined with input from Mayor and Council.
 - **2% Levy Cap (Estimated):** 2012 Tax Levy (\$7,826,629) X 2% = \$156,533 (without exclusions)
 - The 2010 Cap Law (Levy Cap) general exclusions will allow the levy to raise more than 2% of the 2012 tax levy. The exclusions are as follows:
 - Increases in debt service and capital expenditures
 - Weather and other "declared" emergencies
 - Pension contributions in excess of two percent
 - Health benefit cost increases in excess of two percent and limited by the increase in State Health Benefit rate increase (9.2% for 2013).
 - *Current proposed budget plan will require an increase amount to be raised by taxes - \$239,579 or 3.1% – which is the amount of the total estimated increases in expenses and reduction in revenues.*