

# TOWNSHIP OF BYRAM

## NEW JERSEY

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TO: Mayor and Council and all Residents and Taxpayers of Byram Township

DATE: March 14, 2014

RE: 2014 Municipal Budget Message

### **INTRODUCTION**

Every year the Township Council is called upon to establish municipal policy through the adoption of the Municipal Budget. While the Manager and staff prepare recommendations in the form of a draft document, the Council must ensure that the adopted budget adequately satisfies the needs of the community and serves the best interests of the Township.

The budget is divided into several categories as follows:

1. **Fund Balance to support the budget**

Fund Balance is generated by several sources including cancellation of budget reserves from 2012, revenues in excess of anticipated amounts, receipts from delinquent taxes from 2013 and added and omitted taxes collected for when construction improvements are deemed complete by Tax Assessor.

2. **Miscellaneous revenues**

These are the revenues that are generated by fees & permits, uniform construction fees, municipal court, interest on investments, interest and costs on taxes, grants, and State Aid. The forecasting of these revenues is based upon the performance of each category in the previous year. State statute prevents the Township from anticipating more than what was realized in the prior year.

3. **Receipt for delinquent taxes**

These are funds collected from property owners delinquent in making prior year tax payments. This budget plan anticipates \$339,350 or 3.17% of total revenues.

4. **Current property taxes**

With limited growth in the Township's ratable base, and miscellaneous revenues declining, the Township increasingly relies on property taxes to support its operations.

5. Appropriations

The expenditure side of the budget is assigned by department and divided within each department into “Salary and Wages” and “Other Expenses.” Also, there are categories of expenses that are not assigned to the departments. All appropriations are presented in a line-item budget format.

6. Capital Improvement Program

This item is a critical component in long-term tax stability. The Capital Improvement Program is the vehicle that allows the Township to plan and prioritize large expenditures.

7. Sewer Utility

The Township’s Sewer Utility is supported by fees collected from users of the system. The Sewer Utility has its own separate budget.

8. Open Space

The Township’s Open Space Dedicated Trust Fund is funded through the dedication of an Open Space Tax that is not to exceed \$0.02 per \$100 of assessed valuation of each annual tax levy. For 2014, the Township anticipates raising \$110,430 or \$.01 for each \$100 of assessed valuation.

The 2014 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$10,689,336.

## REVENUES

Municipal Operations and the Capital Improvement Program are supported by a variety of revenues. These sources include current property taxes, State Aid, fund balance and miscellaneous revenues generated by municipal operations.

Municipalities are required by law to adopt balanced budgets. Also, municipalities are obligated to the 2010 Cap Law (Levy Cap) that amended the 2007 Cap to a two percent (2%) Cap and modified exclusions. The general exclusions include:

- 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 (6.6% for CY 2014)

The following compares the proportion of budgeted revenues from 2007 to 2014 excluding public and private revenues.

	2007	2008	2009	2010	2011	2012	2013	2014
<b>Current property taxes</b>	67%	69%	71.10%	74.39%	74.47%	74.85%	75.39%	75.58%
<b>Miscellaneous revenues</b>	18%	16.60%	14%	10.78%	10.43%	10.04%	9.77%	9.65%
<b>Surplus fund</b>	11%	10.80%	11.50%	11.41%	11.77%	11.86%	11.66%	11.60%
<b>Delinquent taxes</b>	4%	3.60%	3.40%	3.42%	3.33%	3.25%	3.19%	3.17

Fund Balance:

The fund balance as of December 31, 2013 totaled \$1,987,899.23. The amount of Fund Balance committed to the 2014 budget is \$1,240,102 (11.66% of total revenues) leaving a balance of \$747,797.23.

In 2013, the Township had one-time occurrences that supported the regeneration of fund balance and supported increases of reserve balances.

Sources of One-time Occurrences:

- Miscellaneous Restitution (FEMA): \$80,128.97 – 2012 Storms
- Other Miscellaneous Revenues (NJHIF Dividend): \$41,485

Increases of Reserve Balances:

- Sick and Vacation Leave Reserve was increased \$57,100 to a total of \$449,386.281. Total obligation as of December 31, 2013 totals \$761,315.24.
  - o Administrative and Clerical Employees = \$85,198.45
  - o Department of Public Works Employees = \$83,325.04
  - o Police Department = \$592,791.75
- The State of New Jersey Best Practice Initiatives expect the municipality to reserve at least the average of snow removal expenses incurred over a minimum of three years. The Township was able to increase the Snow Removal reserve \$63,000 for a total of \$181,844.44 but still falls short of the three year average of \$231,000.

Miscellaneous Revenues:

Local Finance Notice (LFN) 2014-4 published February 27, 2014 titled CY 2014/SFY 2015 State Aid Certification reports that the State Fiscal Year budget proposes level aggregate funding for Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts (ETR). While the funding is level, the State is classifying more CMPTRA dollars as ETR, and the Township continues to remain underfunded for its ETR.

ETR were taxes created for utilities for having lines or mains located in, on, over any street, highway or other public property. In the 1980's, the State of New Jersey took control over the collection and distribution of various energy taxes and rebranded the local municipal revenues as State Aid. Chapter 168, of P.L. 1999, provided that in each year subsequent to State FY 2002, ETR distributions would annually increase at the rate of the Implicit Price Deflator which is used to measure the impact of inflation on governmental spending. There is a calculator available on the New Jersey League of Municipalities website which indicates the Township has been underfunded in its ETR in excess of \$2.9 million for the period 2001 to 2013.

The proposed CMPTRA and ETR for 2014 total \$575,475 or 5.38% of the total revenues.

The LFN indicates the Township should anticipate Garden State Trust PILOT (Payment in Lieu of Taxes) funding at the same level as received in October 2012. The Township will receive \$41,920 in PILOT funding.

Other Miscellaneous revenues anticipated comprise 3.44% of the revenues or \$368,000 which is a reduction of \$28,500 from 2013. These anticipated revenues include Court Fees, Uniform Construction Fees, Interest on Investments, Interest and Costs on Taxes, and Fees and Permits.

- Municipal Court Fees reduced \$26,500
- Interest & Cost on Taxes reduced \$5,000 (increased collections lowering delinquents)
- Including Septic Management Fees in current fund of \$3,000 with an offsetting expense of \$3,000
- In 2013 the Township only realized \$5,628.08 of interest compared to \$210,909 in 2007.

#### Property Taxes:

This budget plan has property taxes representing 75.58% or \$8,078,681 in revenues. In 2013, budgeted property taxes totaled \$8,020,514 of the revenues. This budget plan is a .7% or \$58,167 increase of the tax levy.

The Township is not raising the levy to the maximum allowable amount as permitted under the 2010 Levy Cap.

### **APPROPRIATIONS**

Appropriations are the platform that allows local government to deliver services to its residents. Overall this budget plan is presenting an increase in appropriations totaling \$29,667 after excluding Public and Private Programs (Grants) Offset by Revenues.

The Township is still subject to the 1977 CAP law (Appropriations Cap) that established the original municipal Appropriation Cap. The most recent amendments to this Cap in 2003 imposed a 2.5% limit on increases on municipal appropriations.

The COLA for CY2014 budget is calculated at .5%. Since the COLA is less than the statutory maximum of 2.5%, the cap rate for CY 2014 is .5%.

The Byram Township Mayor and Council adopted Ordinance No. 2-2014 titled, "Calendar Year 2014 Ordinance to Exceed the Municipal Budget Appropriation Limits and to Establish a Cap Bank" during the February 4, 2014 Council meeting. This ordinance increased the cap base for 2014 to 3.5% and is used to establish the Cap bank which is the banking of any unappropriated balance. Cap bank balances from 2012 and 2013 are available for use in 2014.

Adoption of this ordinance in itself does not define the Council's policy for the 2014 municipal budget, but ensures responsible action has been taken for future budget cycles keeping local control

without a dependency on the State of New Jersey in the event of an unplanned event impacting the Appropriations Cap.

General Government, Public Safety, Public Works and Community Programs include all the Salary & Wages and Operating Expenses for each of the Township's departments. Summary of changes include:

- All Salary and Wages - added 1.5% increase in salaries (contract obligation), employees' eligible for steps and changes to longevity.
- Budget plan does not include replacement of a police officer that retired December 31, 2012. Police OT budget was increased \$20,000.
- Administrative Office of Courts is requesting the Township to implement wandering for court security. Added \$20,000 to Court OT Budget.
- Increased DPW Snow OT Budget and Salt Budget a total of \$15,000 due to 2014 early snow storms.
- Increased the amount raised for Improvements to Streets and Roads under the operating budget by \$15,000.

Following are comments on the other expenses of the Township. These expenses include utilities, insurances, statutory expenses, pension expenses, garbage, debt service, deferred charges, capital improvements and the reserve for uncollected taxes.

It should be noted that the majority of expenses that are increasing are not directly under the control of the Township due to contractual obligations and other assessments.

**Utilities – decreased 22% (\$85,000):**

- An analysis of the Township's utility charges was completed and it was determined there was an opportunity to reduce the budget for some of the utility accounts. Unexpended balances from the utility accounts have been a source of regenerating fund balance. The budget reduction of the utility accounts has been moved to accounts that will be spent.

**Statutory Expenditures (Pensions) – increased .89% (\$7,492):**

- The Township's obligation to fund the Public Employee Retirement System increased \$7,492.

**Group Insurance – decreased 2.05% (\$34,688):**

- Public Law 2011, Chapter 78 was effective June 28, 2011 that increased the share of health benefits coverage paid by public employees and retirees who receive employer paid health benefits.
- Highlights of the law that impact employees of Byram Township are as follows:
  - Byram Township is a non-SHBP Employer and under the law it requires that the cost of coverage shall include all health care benefits, medical, prescription drugs, dental, and vision.

- Percentage of contribution (derived from salary and type of coverage tables) is multiplied by the total premium due for each employee and deducted from base salary. Contribution is phased in over four years at 25% each year.
  - All active employees receiving health benefits will contribute to the cost of health benefits.
  - Existing employees (Total of 7) not covered by Collective Negotiations Agreement (CNA) were required to start phased-in contribution January 1, 2012. They will reach Tier 4 (100%), July 1, 2014.
  - Remaining employees (DPW, Clerical and PBA) started the four year phase-in effective January 1, 2013. Tier 4 will be reached January 1, 2016.
- The Group Insurance budget includes medical insurance, prescription drugs, dental, Medicare reimbursements, payment for waiver of medical benefits, life insurance, and long term disability which is assessed based on each employee's salary.
- The health insurance and prescription drug premium assessment for 2014 is 6.27%.
- Changes in 2014 contributing to the decrease include:
  - Group Insurance decreased by not replacing police officer.
  - Police active employees were required (arbitration ruling) to move from Open Access to Patriot V plan design.
  - New Hires in all departments are obligated to select from one of the Township's low cost plan designs.
  - Dental insurance costs reduced 8%.
- The 2010 Levy Cap Law allows for a general exclusion for health benefit cost increase in excess of 2 percent but limited by the increase in State Health Benefit rate (6.6%).

<b>Employee Group</b>	<b>Total Cost: (Health, Dental &amp; RX)</b>	<b>Employee Contributions</b>	<b>Total Net Cost to Township</b>
Clerical Active	\$59,664	\$2,965	\$56,699
Clerical Retired	\$52,894	\$0	\$52,894
DPW Active	\$265,860	\$26,799	\$239,061
DPW Retired	\$222,439	\$0	\$222,439
Police Active	\$464,700	\$77,237	\$387,463
Police Retired	\$376,932	\$0	\$376,932
All Other Active	\$153,924	\$28,631	\$125,293
All Other Retired	\$66,824	\$0	\$66,824
Waivers			\$40,250
<b>TOTALS:</b>	<b>\$1,663,237</b>	<b>(\$135,632)</b>	<b>\$1,567,855</b>

**Workers Compensation and General Liability – increased 2.4% (+\$6,410):**

- **Byram Township is a member of the Statewide Insurance Fund for Workers Compensation and General Liability.** The Township covers all active employees and volunteers of both the Lakeland Emergency Squad and Byram Township Fire Department.

**Solid Waste (Garbage Contract) – decreased 4.63% (-\$20,000):**

- The Township's current contract for solid waste and recycling was awarded effective February 1, 2013 for a period of three years with two, one-year options.
- The Township pays the tipping fee for solid waste disposal and the Township will own recyclables under new contract.
- The Township entered into a contract with a single-streamed recycling facility for disposal and sale of recyclable material (\$18/ton).
- The reduction is the result of realizing a full twelve months of new contract. For 2013, January's cost was associated with old contract.

**Debt Service— increased 20.53% (+\$83,703):**

- Total Debt Service including Bond Principal and Interest, Bond Anticipation Notes Principal and Interest, and Loan Repayments for Principal and Interest has been increasing with the need to incur debt to support capital projects.
- Under the Local Bond Law (40A:2-8.1) no bond notes can be renewed beyond the third anniversary date of the original notes unless the first legally payable installment is paid.
- The Township is increasing pay down of Bond Anticipation Notes to pay more than the minimum required. This will provide flexibility for when the Township plans for a permanent bond issue and for what items to consider for bonding. A permanent bond issue is being targeted for 2016.

**Capital Improvement Fund – No Change:**

- The Capital Program includes the following:
  - Capital Improvement Fund: \$25,000
  - Drainage Improvements: \$5,000
  - Supplement to Road Improvement Program: \$100,000

**TAX RATE**

The 2014 municipal budget calls for an estimated municipal rate increase of .007 for each \$100 of assessed value using the net valuation of \$930,010,451. This increase represents an estimated \$20.69 annual municipal tax increase for the average assessed home of \$253,458. A comparison of municipal real estate taxes is summarized in the following table.

	2008	*2009	2010	2011	**2012	2013	2014	Estimated Increase/ Decrease
Average Assessed Home	\$146,473	\$303,743	\$302,795	\$301,833	\$253,020	\$253,116	\$253,458	
Tax Rate	1.244	.631	.669	.687	.839	.862	.869	
Municipal Taxes	\$1,822.12	\$1,916.62	\$2,025.70	\$2,073.59	\$2,122.84	\$2,181.86	\$2,202.55	\$20.69
Open Space Taxes	\$27.83	\$27.34	\$27.25	\$27.16	\$27.83	\$27.84	***\$27.88	\$0.04
Total Municipal Taxes	\$1,849.95	\$1,943.96	\$2,052.95	\$2,100.75	\$2,150.67	\$2,209.70	\$2,230.43	\$20.73

NOTES:

- \*2009 was the revaluation year.
- \*\*2012 was a reassessment year.
- \*\*\*Assuming \$110,430 to be raised in OS Tax.

**ALLOCATION OF TAX DOLLAR**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Municipal Tax with OS Tax</b>	25.81%	26.54%	26.68%	26.40%	26.75%	26.68%
<b>County</b>	17.84%	16.75%	16.56%	16.92%	16.05%	16.53%
<b>Schools</b>	56.35%	56.71%	56.76%	56.68%	57.20%	56.79%

**SUMMARY**

In summary, the challenge with this budget and future budgets is to be able to maintain the same level of services for the Township residents while costs continue to increase, the growth of the Township's ratable base remains restricted, and miscellaneous revenues decrease resulting in a higher reliance on property taxes.

The 2014 municipal budget plan, as presented, limits impacts to current service levels in a difficult operating environment. These services are being preserved as best they can be in accordance with the expectations of the Township's residents which add to the quality of life for all taxpayers in Byram.

Respectfully submitted,



Joseph W. Sabatini, Township Manager