

TOWNSHIP OF BYRAM

NEW JERSEY

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TO: Mayor and Council and all Residents and Taxpayers of Byram Township
 DATE: April 1, 2016
 RE: 2016 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 2016 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$11,075,837.

The budget is divided into several categories as follows: Anticipated Revenues, Appropriations and the Capital Improvement Program. Also, the approval and adoption of the Municipal Budget includes the budget for the Open Space Tax and the Sewer Utility.

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.

The following compares the proportion of budgeted revenues from 2007 to 2016 excluding public and private revenues.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Current Property Taxes	67%	69%	71.1%	74.39%	74.47%	74.85%	75.39%	75.58%	75.11%	75.41%
Miscellaneous Revenues	18%	16.6%	14%	10.78%	10.43%	10.04%	9.77%	9.65%	9.31%	9.03%
Fund Balance	11%	10.8%	11.5%	11.41%	11.77%	11.86%	11.66%	11.60%	12.45%	12.39%
Delinquent Taxes	4%	3.6%	3.4%	3.42%	3.33%	3.25%	3.19%	3.17%	3.13%	3.17%

Fund Balance:

Fund Balance is generated by several sources including cancellation of budget reserves from 2014, revenues in excess of anticipated amounts, receipts from delinquent taxes from 2015 and added and omitted taxes collected for when construction improvements are deemed complete by Tax Assessor.

The fund balance as of December 31, 2015 totaled \$2,175,997.90. The amount of Fund Balance committed to the 2016 budget is \$1,370,102 which is an increase of \$30,000.

Miscellaneous Revenues:

Miscellaneous Revenues 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.

The Township received notification that the State Fiscal Year 2017 budget proposes level aggregate funding for Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts (ETR). The proposed State aid CMPTRA and ETR for 2016 totals \$575,475 or 5.21% of the total revenues. Also, we received notification that the Township should anticipate Garden State Trust PILOT (Payment in Lieu of Taxes) funding at the same level as 2015 totaling \$41,920.

Other Miscellaneous revenues anticipated comprise 3.44% of the revenues or \$380,500. These anticipated revenues include Court Fees, Uniform Construction Fees, Interest on Investments, Interest and Costs on Taxes, and Fees and Permits. Also, this includes \$25,000 from the reserve for Debt Service. Court Revenues are anticipated at \$70,000 which is a \$19,000 reduction from 2015.

Receipt From Delinquent Taxes

Receipts from delinquent taxes are funds collected from property owners delinquent in making prior year tax payments. This budget plan anticipates \$350,000, an increase of \$10,650, or 3.17% of total revenues.

Property Taxes:

This budget plan has property taxes representing 75.41% or \$8,337,180 in revenues. In 2015, budgeted property taxes totaled \$8,154,343 of the revenues. This budget plan is a 2.2 % or \$182,837 increase of the tax levy.

APPROPRIATIONS

Appropriations are the platform that allows local government to deliver services to its residents. 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. Overall, this budget plan is presenting an increase in appropriations totaling \$198,487 after excluding Public and Private Programs (Grants) Offset by Revenues.

General Government, Public Safety, Public Works and Community Programs include all the Salary & Wages and Operating Expenses for each of the Township's departments. Overall these categories of expenses resulted in a \$34,550 increase.

Summary of changes include:

- Applied Changes to Departmental Salary and Wages:
 - PBA, Clerical and DPW contractually receive a salary and wage increase of 2.0%. The same increase was applied to non-union employees.
 - Accounted for changes in longevity (PBA) and contractual steps (PBA & DPW).
 - Updated Police salary and wages to reflect appointment of new Chief of Police, addition of a new hire and sergeant and lieutenant promotions. Salary breakage was moved to new account for purchase of new vehicles.
- Tax Collection Operating Expenses includes Shared Services Agreement with Newton for Tax Collector.
- The planning budget for Affordable Housing was increased \$30,000 for update and litigation related to the Township's Housing Element and Fair Share Housing Plan.

Other expenses of the Township that are not tracked by department include utilities, insurances, statutory expenses, pension expenses, garbage, debt service, deferred charges, capital improvements and the reserve for uncollected taxes. Overall, these increased \$163,937. The following are comments on the other expenses of the Township.

Specific Appropriations Increasing:

- General Liability Insurance increased \$8,958 (4.9%).
- Workers Compensation Insurance increased \$3,366 (3.5%).
- Pension Payments increased \$52,113 (10.1%).
 - PERS – Increased \$9,126 (5.85%)
 - PFRS – Increased \$39,987 (11.25%)
 - DCRP – Increased \$3,000 (42.86%)
- Garbage Contract increased \$12,000 (1.85%).

Group Insurance – No Change:

- 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 5) not covered by Collective Negotiations Agreement (CNA) were required to start phased-in contribution January 1, 2012 and reached Tier 4 (100%), July 1, 2014.
 - Remaining employees (DPW, Clerical and PBA) started the four year phase-in effective January 1, 2013 and reached Tier 4 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 blended rate increase for health insurance, prescription drugs and dental for 2016 is 3.72%.
- In 2016 there are a total of seven employees that are waiving health benefits at a total cost of \$45,922.53. This is an increase of two employees from 2015. This is an estimated annual savings of \$150,000 after considering cost of waivers.

Employee Group	Total Cost: (Health, Dental & RX)	Employee Contributions	Total Net Cost to Township
Clerical Active	\$57,852.00	\$5,359.68	\$52,492.32
Clerical Retired	\$53,280.00	\$484.92	\$52,795.08
DPW Active	\$272,700.00	\$57,694.44	\$215,005.56
DPW Retired	\$201,984.00	\$0.00	\$201,984.00
Police Active	\$388,494.00	\$120,928.26	\$267,565.74
Police Retired	\$430,476.00	\$0.00	\$430,476.00
All Other Active	\$125,868.00	\$37,050.00	\$88,818.00
All Other Retired	\$53,280.00	\$0.00	\$53,280.00
Waivers	\$45,922.53	\$0.00	\$45,922.53
TOTALS:	\$1,629,856.53	\$221,517.30	\$1,408,339.23

Debt Service/ Capital Improvements – No Change:

- In 2015, the Township was at the end of its ten (10) year permanent debt cycle with the final payment on the outstanding general obligation bonds made on October 1, 2015.
- To continue with a new ten (10) year cycle, the Township took advantage of interest rates and authorized a bond sale to convert all short-term debt (bond anticipation notes) to permanent debt.
- The Township purchased \$1,928,000 in general bonds with a net interest rate of 1.911494%. The final payment on new bonds will be September 1, 2025.
- For 2016, the Township has no outstanding debt obligation for Bond Anticipation Notes Payable (short-term debt). 2016 starts the next 10 year cycle of debt. The object is to balance your permanent and short-term debt to keep you principal and interest payments flat year after year.
- In 2015, the total Debt Service Obligation exceeded \$621,000, allowing the Township to move \$308,183 into the Capital Improvement fund to fully/partially fund capital projects in 2016.
- Amounts that can be moved from Debt Service to the Capital Improvement fund will drop to \$248,000 and \$128,000 respectfully for the years 2017 and 2018. Starting in 2017, the Township needs to plan to start making minimal pay downs and interest on Bond Anticipation Notes.
- The Capital Improvement Program is the vehicle that allows the Township to plan and prioritize large expenditures. The 2016 proposed Capital Improvements funded from the budget are:

- Capital Improvement Fund: \$308,138
 - \$25,000 is raised to fund Capital Improvement Fund.
- Drainage Improvements: \$5,000
- Supplement for Streets and Roads: \$100,000

- Budget Appropriation (Streets-n-Roads) \$105,500
- Budget Appropriation (Purchase Vehicles) \$89,000
 - Administration Vehicle.
 - Supplement purchase of DPW Vehicles.
 - Police Vehicle – replacing vehicle in accident.

TAX RATE

The 2016 municipal budget calls for an estimated municipal rate increase of .021 for each \$100 of assessed value using the net valuation of \$925,408,700. This increase represents an estimated \$55.26 annual municipal tax increase for the average assessed home of \$253,264. A comparison of municipal real estate taxes is summarized in the following table. The Township loss \$1,250,600 in net valuation largely related to tax appeals which accounts for \$3.08 of the tax increase for the average assessed home.

	2010	2011	*2012	2013	2014	2015	2016	Estimated Increase/Decrease
Average Assessed Home	\$302,795	\$301,833	\$253,020	\$253,116	\$253,458	\$253,014	\$253,264	
Tax Rate	.669	.687	.839	.862	.864	.880	.901	
Municipal Taxes	\$2,025.70	\$2,073.59	\$2,122.84	\$2,181.86	\$2,189.88	\$2,226.45	\$2,281.71	\$55.26
Open Space Taxes	\$27.25	\$27.16	\$27.83	\$27.84	\$27.88	\$27.83	**\$27.86	\$.03
Total Municipal Taxes	\$2,052.95	\$2,100.75	\$2,150.67	\$2,209.70	\$2,217.76	\$2,254.28	\$2,309.57	\$55.29

NOTES:

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

ALLOCATION OF TAX DOLLAR

	2010	2011	2012	2013	2014	2015
Municipal Tax with OS Tax	26.68%	26.40%	26.75%	26.68%	26.36%	26.66%
County	16.56%	16.92%	16.05%	16.53%	16.63%	16.08%
Schools	56.76%	56.68%	57.20%	56.79%	57.01%	57.26%

The approval and adoption of the Municipal Budget includes the budget for the Open Space Tax and the Sewer Utility.

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

2016, the Township anticipates raising \$110,430 or \$.01 for each \$100 of assessed valuation. The Open Space Tax cannot be eliminated as future receipts were committed to cover the debt service of Open Space Bonds that were issued in 2005 and are scheduled to expire in 2024. Also, the funds are used to support the maintenance and development of open space parcels that have been purchased with the open space tax.

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. For 2015, the Operating Budget was restructured reducing the Salary and Wage and Operating Expenses portion of the budget by \$30,244. This supported a five percent reduction of user fees. The Operating Budget is remaining flat for 2016. In 2017, there may be an opportunity for an additional reduction of the user fees when the legacy debt obligations for the establishment of the utility are fully paid.

The Capital Program for the Township's Sewer Utility includes rehabilitation of the pump station located on the municipal complex as there was a catastrophic failure at the end of 2015. Also, in 2015 the Township's sanitary sewer engineer completed an inspection of the system providing a report that contains a renewal and replacement fund analysis for each of the system's critical structures and equipment. The elimination of the original debt service obligation provides the opportunity to issue new debt that will support the renewal and rehabilitation of the system with a much lower debt service obligation.

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 Township continues to hold the line on departmental operating expenses.

The 2016 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 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