

TOWNSHIP OF BYRAM

NEW JERSEY

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

DATE: April 7, 2015

RE: 2015 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 2015 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$10,868,325.

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.

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 2015 excluding public and private revenues.

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

*Note: Fund Balance for 2015 includes \$12,500 from Capital Surplus.

Fund Balance:

Fund Balance is generated by several sources including cancellation of budget reserves from 2013, revenues in excess of anticipated amounts, receipts from delinquent taxes from 2014 and added and omitted taxes collected for when construction improvements are deemed complete by Tax Assessor.

The fund balance as of December 31, 2014 totaled \$2,289,802.01. The amount of Fund Balance committed to the 2015 budget is \$1,340,102 (12.34% of total revenues) an increase of \$100,000. Also, the Township is anticipating an additional \$12,500 from Capital Surplus.

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.

Local Finance Notice (LFN) 2015-7 published February 26, 2015 titled CY 2015/SFY 2016 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. The proposed CMPTRA and ETR for 2015 total \$575,475 or 5.3% of the total revenues.

The LFN indicates the State Proposed Budget keeps FY 2016 appropriation for Garden State Trust Aid at the same level of appropriation as FY 2015. The Township will receive \$41,920 in Garden State Trust Aid.

Other Miscellaneous revenues anticipated comprise 3.62% of the revenues or \$393,000. 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.

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 3.12% of total revenues.

Property Taxes:

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

This budget plan has property taxes representing 75.03% or \$8,154,343 in revenues. In 2014, budgeted property taxes totaled \$8,036,815 of the revenues. This budget plan is a 1.46 % or \$117,528 increase of the tax levy.

The Township is not raising the levy to the maximum allowable amount and is \$163,847 under the Levy Cap.

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.

The Township is still subject to the 1977 CAP law (Appropriations Cap) that established the original municipal Appropriation Cap. The COLA for CY2015 budget is calculated at 1.5%. Since the COLA is less than the statutory maximum of 2.5%, the cap rate for CY 2014 is 1.5%.

The Byram Township Mayor and Council adopted Ordinance No. 2-2015 titled, "Calendar Year 2015 Ordinance to Exceed the Municipal Budget Appropriation Limits and to Establish a Cap Bank" during the February 17, 2015 Council meeting. This ordinance increased the cap base for 2015 to 3.5% and is used to establish the Cap bank which is the banking of any unappropriated balances from 2013 and 2014 which are available for use in 2015.

Adoption of this ordinance in itself does not define the Council's policy for the 2015 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. The 2015 change of appropriations within the Cap totals \$126,852 and the Township is \$663,508.40 under Cap.

Overall, this budget plan is presenting an increase in appropriations (within Cap and outside Cap) totaling \$230,028 after excluding Public and Private Programs (Grants) Offset by Revenues. This includes an increased pay down of debt service of \$100,000.

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 \$129,880 increase. Summary of changes include:

- Applied Changes to Departmental Salary and Wages:
 - PBA contractually receives an increase of 2.0% in 2015.

- Clerical and DPW contractually receives an increase of 1.75%. The same increase was applied to non-union employees.
 - Accounted for changes in longevity (PBA) and contractual steps (PBA & DPW).
- Tax Collection Operating Expenses includes Shared Services Agreement with Newton for Tax Collector.
- Anticipated an increased amount of salary for anticipating of hiring or promoting an employee to Tax Collector.
- Applied Changes due to Joint Court:
 - Removed S&W \$92,500 and O&E \$10,100.
 - Added \$125,000 to O&E for agreement with Andover Township for Joint Court.
 - Removed \$25,000 for Prosecutor.

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 \$67,341. Following are comments on the other expenses of the Township with significant changes.

Group Insurance – decreased 1.8% (\$29,950):

- 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 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 will reach 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 for health insurance, prescription drugs and dental for 2015 is 7.23%.
- Changes in 2015 contributing to the decrease include:
 - Waiver of benefit calculation changed for Township Manager reducing from \$13,994 to \$5,000 - reduction of \$8,994.
 - Eliminated cost of retired employee who passed away in November 2014 - reduction of \$21,419.

- 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 (7.4%).

Employee Group	Total Cost: (Health, Dental & RX)	Employee Contributions	Total Net Cost to Township
Clerical Active	\$57,492.00	\$4,669.00	\$52,823.00
Clerical Retired	\$42,837.60	\$0.00	\$42,837.60
DPW Active	\$303,960.00	\$47,014.00	\$256,946.00
DPW Retired	\$196,820.40	\$0.00	\$196,820.40
Police Active	\$417,504.00	\$105,021.00	\$312,483.00
Police Retired	\$359,424.00	\$0.00	\$359,424.00
All Other Active	\$154,212.00	\$39,815.00	\$114,397.00
All Other Retired	\$54,320.40	\$0.00	\$54,320.40
Waivers	\$36,276.16		\$36,276.16
TOTALS:	\$1,622,846.56	(\$196,519.00)	\$1,426,327.56

Debt Service– increased 20.53% (+\$99,815):

- 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 the 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. The Township’s permanent debt will be fully paid in 2015.

Capital Improvements – No Change:

The Capital Improvement Program is the vehicle that allows the Township to plan and prioritize large expenditures.

- The Capital Program includes the following:
 - Capital Improvement Fund: \$25,000
 - Drainage Improvements: \$5,000
 - Supplement to Road Improvement Program: \$100,000
 - Budget Appropriation (Streets-n-Roads) \$105,500

TAX RATE

The 2015 municipal budget calls for an estimated municipal rate increase of .016 for each \$100 of assessed value using the net valuation of \$926,659,300. This increase represents an estimated

\$36.57 annual municipal tax increase for the average assessed home of \$253,014. A comparison of municipal real estate taxes is summarized in the following table.

	*2009	2010	2011	**2012	2013	2014	2015	Estimated Increase/ Decrease
Average Assessed Home	\$303,743	\$302,795	\$301,833	\$253,020	\$253,116	\$253,458	\$253,014	
Tax Rate	.631	.669	.687	.839	.862	.864	.880	
Municipal Taxes	\$1,916.62	\$2,025.70	\$2,073.59	\$2,122.84	\$2,181.86	\$2,189.88	\$2,226.45	\$36.57
Open Space Taxes	\$27.34	\$27.25	\$27.16	\$27.83	\$27.84	\$27.88	\$27.83	<\$.05>
Total Municipal Taxes	\$1,943.96	\$2,052.95	\$2,100.75	\$2,150.67	\$2,209.70	\$2,217.76	\$2,254.28	\$36.52

NOTES:

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

ALLOCATION OF TAX DOLLAR

	2009	2010	2011	2012	2013	2014
Municipal Tax with OS Tax	26.54%	26.68%	26.40%	26.75%	26.68%	26.36%
County	16.75%	16.56%	16.92%	16.05%	16.53%	16.63%
Schools	56.71%	56.76%	56.68%	57.20%	56.79%	57.01%

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 2015, 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. The 2015 Operating Budget has been restructured reducing the Salary and Wage and Operating Expenses portion of the budget by \$30,244. Also, on the revenue side of the budget the Township is eliminating the dependency of fund balance to cover the operating expenses of the utility. If the budget is approved, there will be a recommendation through ordinance for the Mayor and Council to reduce the user fees by five percent. In 2017, there may be the opportunity for a more significant reduction of the user fees when the legacy debt obligations for the establishment of the utility are fully paid.

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 remain flat resulting in a higher reliance on property taxes.

The 2015 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