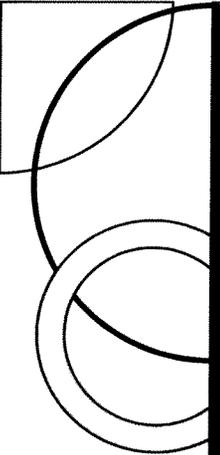


The 2011 (2%) Property Tax Cap and Byram Township



Governor Chris Christie Original Proposal (Summary):	Senate President Stephen Sweeney (D – Gloucester) Counter Proposal (Summary)
<ul style="list-style-type: none"> • Constitutional amendment. • Local governments would be banned from increasing property tax collections more than 2.5 percent in a given year without approval of 60 percent of the voters. • Only exception would be for debt-service payments. • Towns that keep taxes under the cap could "bank" the additional levy to use in future years, for up to three years per decade. 	<ul style="list-style-type: none"> • Both the State Senate and the General Assembly approved <u>S-29 (A-3065)</u> bill, which was sponsored by Senate President Steve Sweeney and Assemblyman and Mayor John McKeon. • Proposes to lower the current statutory levy cap from 4% to 2.9%. • Automatic exceptions for health care, pension contributions, energy costs, a cut in state aid, and other circumstances mirroring the current 4 percent cap law. • Towns that keep taxes under the cap could "bank" the additional levy to use in future years without limits.

Christie/Sweeney Proposals



33 point ‘Toolkit’ of reforms

- Governor Christie announced the introduction of a 33 bill package of reforms aimed at solving New Jersey’s property tax crisis.
- This package includes separate ‘toolkits’ for municipalities and counties, school districts, and higher education institutions.

The Key Items proposed in the “Toolkit” for municipalities includes:

- Constitutional amendment to impose a 2.5% cap on increases in the property tax levy increases for municipal, school and county taxes, cap banking is allowed.
- Reform in selection of arbitrators for union contracts.
- Arbitrators are mandated to consider impact of union contracts on property taxes, no such requirement in current law.
- Arbitrators are barred from making contract awards that exceed 2.5% cap, inclusive of all salary, benefit and other economic contract provisions.

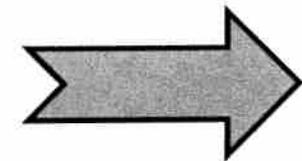
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- Pension benefit reform - cap sick leave and carry forward of vacation for current employees.
- Shared services reform - when local units decide to share services current law requires buyout of union contracts, bumping and other civil service protections that destroy the efficiencies of the merger; this proposal eliminates certain civil services protections when services are shared. (2 bills required to amend different statutes).
- Allow furloughs by local government to save costs.
- Allow municipalities to opt out of civil service municipalities by ordinance or referendum initiated by 15% of the voters.
- Revise layoff rules to allow less senior, but more essential employees to avoid bumping.



League Position on Governor's Proposed 2.5% Constitutional Property Tax Cap, Mandates Relief and the 'Toolkit' Reforms:

- Executive Board of the New Jersey League of Municipalities voted to support the caps, if amended, **as the final piece, not the centerpiece**, of vital property tax relief initiatives.
- The Leagues key conditional points:



Continued.....

- Statutory reforms relating to binding arbitration, civil service, public employee pensions and benefits, disciplinary procedures, school and special district elections and mandates relief must be enacted **BEFORE** the voters are asked to approve the Constitutional Caps.
- Arbitration reforms must limit the full economic impact of awards to conform to the 2.5% cap.
- Since many municipalities will be in the midst of multi-year contracts that require increases in excess of 2.5%, the administration's cap proposal must account for the fact that such contracts will be in place at the time the cap is imposed.
- The administration's proposed arbitration reforms must be able to withstand a probable legal challenge.

Continued.....

- Health benefit reforms must conform future health benefit costs to the 2.5% cap.
- The Administration must advance immediate mandates relief initiatives to assist municipalities in managing within the 2.5% cap.
- The cap must allow local units some flexibility to deal with pension costs, utility costs, disaster and emergency response costs and other costs imposed by factors beyond the control of local leaders.

Continued.....

- Municipal revenues, such as the Energy Tax, which are now collected by, and diverted to, the State, but which are legally intended for municipal property tax relief, must be constitutionally dedicated for their original purpose.
- A simple majority vote should prevail in a cap exception referendum.
- Cap exceptions costs associated with tax appeals should be included.
- Allow flexibility to meet local capital needs.
- Costs mandated by the Administrative Office of the Courts (AOC).

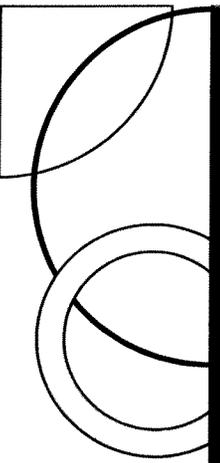
POSITION OF THE NEW JERSEY MUNICIPAL MANAGEMENT ASSOCIATION:

- Recognizes the need for property tax relief in New Jersey.
- Levy CAP should:
 - a) be passed in conjunction with measures to strengthen local government's ability to reduce costs,
 - b) allow for certain exceptions for extraordinary or unforeseeable costs that cannot be managed around
 - c) permit future legislatures to adapt and respond to volatile economic times and changing circumstances.

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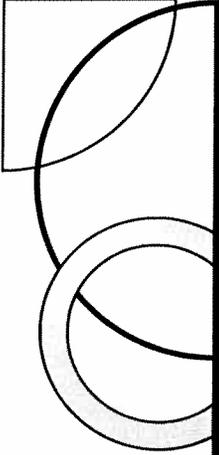
POSITION OF THE NEW JERSEY MUNICIPAL MANAGEMENT ASSOCIATION:

- Consider making legislation effective at same time as 'tool kit' measures are effective.
- Recommend allowing the Local Finance Board to grant waivers currently allowed which would be eliminated under the proposed legislation: namely, for extraordinary utility rate increases and for state or federal mandates.



Deal Reached over Fourth of July weekend between Governor and Lawmakers:

- Cap property tax increases at 2 percent a year for local governments, but it includes certain exemptions.
- This is a statutory cap and not a constitutional cap.
- Local governments that raise taxes under the cap can bank the difference between the two percent and the actual increase for up to three years.
- Four exemptions to the cap:
 - rising health care costs
 - pension payments
 - debt service payments
 - capital expenditures, including new equipment and public works projects.
- If you want to exceed the CAP you will need to hold a referendum to seek voter approval.
- Legislation will be meeting over the summer to work on proposed legislation for Tool Kit.



League of Municipalities Update as of July 12

- The General Assembly approved S-29 to implement a tax levy cap of 2%.
- The Governor signed the bill Tuesday, July 13th.

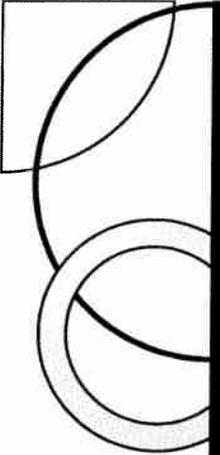
- Statement from the League Executive Director Bill Dressel:

*“Caps do not address the real cost drivers confronted by local leaders. A hard 2.0 cap is, as the Governor said ‘unworkable,’ without the toolkit. No one can declare the cap a victory for reform, until the toolkit reforms are passed. Now that the proverbial cart has been placed before the horse, the Legislature and Administration must immediately prioritize and pass the toolkit reforms. For years local leaders have called for reform, including binding arbitration reform, COAH reform, health benefits reform, mandates relief, civil service reform, revenue replacement funding compliance, flexibility to deal with pension costs, utility costs, disaster and emergency response costs and other costs imposed by factors beyond the control of local leaders, and conformity of any new local caps to a new State spending cap. **“The League of Municipalities can support a property tax levy cap, if and only if it is moved as the final piece, not the centerpiece of reform.”**”*



Impact to Byram Township

- The proposed CAP shifts from starting with a budget based on programs and services the Town wants to provide, to beginning with a set amount of levy funding and determine what programs and services can be provided based on that amount.
- The 2010 adopted budget of \$10,090,955, required a municipal levy of \$7,418,002.
- Total operations within 2010 CAPs totaled \$7,451,477 (S&Ws and Other Expenses).
- Excluded from the 2010 CAPs are Other Operations - Sewer gallons for VC, Recycling Tax, Public and Private Programs Offset by Revenues, Capital Improvements, Municipal Debt Service, Total Deferred Charges, and Reserve for Uncollected Taxes.



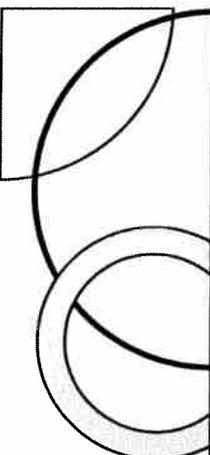
Impact to Byram Township...continued

Summary of Revenues Supporting 2010 Budget are as follows:

Surplus Anticipated	\$ 1,138,142
Miscellaneous Revenues that include State Aid (State Aid = \$638,355)	\$ 1,194,061
Receipts from Delinquent Taxes	\$ 340,750
Property Taxes	<u>\$ 7,418,002</u>
TOTAL:	\$10,090,955

The total amount that can be raised by Property Taxes with the 2% cap will be \$7,566,362 or an increase of \$148,360.

If the Governor reduces state aid by an additional 20.45% (same as 2010) this will be a reduction of \$130,544.



Impact to Byram Township...continued

'CAP 2.0' will have a significant impact on the services and programs the residents of Byram Township receive.

Assuming no changes to the Township's operating expenses and other uncontrollable expenses, estimating the Township budget will need to reduce over \$325,000. This is including the 2.0% increase in the municipal tax levy, salary and wage increases, garbage contract (\$30,000), Flow Control/Increased tipping fees (\$144,000), and reduction of state aid.

Impact to Byram Township...continued

ESTIMATED EXCEPTIONS:

Healthcare **\$112,000**

(10% increase of premiums: 2010 = 9.67%, 2009 = 9.93%)

Pensions **\$30,000**

(2010 increase was \$28,000)

Debt Service **\$75,000**

(Est. – has been recommend to increase debt service payments)

Special Emergencies **\$28,000**

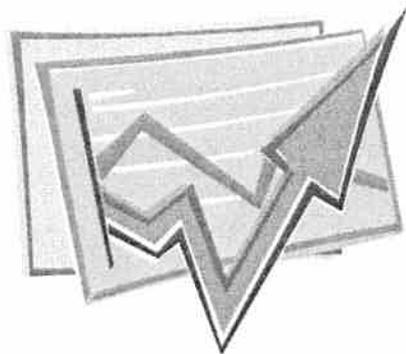
(1/3 of Special Emergency to raise funds for Flow Control – total \$84,000)

Total **\$245,000**

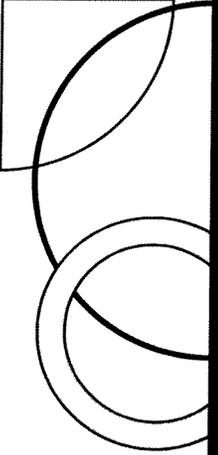
Impact to Byram Township...continued

Total Estimated Tax Increase 2011:

2.0% Allowable:	\$148,360
Exceptions:	<u>\$245,000</u>
Total:	\$393,360



**The 2010 increase
in the tax levy
totaled: \$385,077**



This presentation is making the following assumptions for 2011 proposed increase of tax levy:

- Raise property taxes maximum amount allowable with 2.0% CAP.
- Continued reductions of State Aid – estimated 20.45%.
- Increased reduction of Debt Service.
- Estimated increases in healthcare costs and pension costs based on prior years.
- No further changes to staffing and meeting contractual obligations.