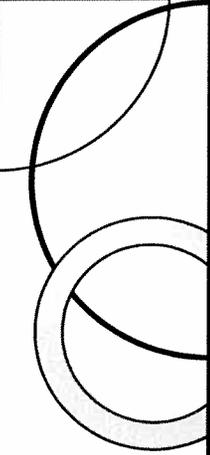


Byram Township 2011 Budget Discussion

(Worse Case Scenario)

October 18, 2010





General Comment

- **Worse Case Scenario:**

- At the conclusion of the September 21, 2010 Budget Workshop, I was requested to present the DRAFT proposed 2011 as a 'Worse Case Scenario'.
- For this exercise, I used the DRAFT 2011 proposed budget that was presented for discussion during the August 30, 2010 budget discussion and applied actual known changes.
- Also, I have created a summary of possible changes that may or may not occur.
- The 2011 proposed budget is the best possible representation based on known and estimated expenses which are based on prior years.
- At 'NO' time should it be assumed this is final budget plan for 2011.

- **Objectives of Meeting:**

- Gain direction from the Byram Township Mayor and Council on areas for potential budget reductions.
 - What are the Council's objectives regarding a potential tax increase or reduction?
 - How do you want to handle a reduction of state aid?
- Schedule additional 2011 Budget Workshops/Discussions during October and November.
- NOTE: If there is a need for staff reductions, **target final plan by November 1, 2010.**
- Next Steps



2011 Proposed Budget Comparison to 2010

- The 2010 Budget Totaled \$10,090,955 including Public & Private Programs Offset by Revenues (Grants) and required a municipal property tax levy of \$7,418,002.
- The 2010 property tax rate was .669 and the average assessed home in 2010 totaled \$302,795 which results in a municipal tax levy of \$2,025.70.
- In 2011 - 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.
 - $\$7,418,002 \times .02 = \$148,360$
- Senate Bill S29 - Amends the tax levy cap from 4% to 2%:
 - ✓ Exclusions (Outside of CAP):
 - Capital expenditures, including debt service as defined by law.
 - Increases in pension contributions and accrued liability for pension contributions in excess of 2%.
 - Increases in health care costs in excess of 2% but less than the percentage increase of the State Health Benefits Program.
 - Extraordinary costs incurred by local unit directly related to a declared emergency.



Actual Changes to Budget Plan since September 21, 2010

- Finance Administration:
 - Added cost for payroll services – (+)\$7,500.
- Group Insurance:
 - Added cost to cover change of status for two employees – (+)\$28,352.
- Pensions/Social Security/Recycling Tax:
 - The Division of Pensions and Benefits has released FY 2011 employer billing information for local employers for PERS and PFRS.
 - Originally estimated an 11% increase.
 - Additional increase for PERS – (+)\$21,449 [Actual % increase 31.12%]
 - Additional increase for PFRS – (+)\$47,381 [Actual % increase 26.6%]

Additional Changes to Budget Plan

- **NOTE:** I have not made these changes to the actual budget plan but accounting for them in the 'Worse Case Scenario'.
- **Group Insurance** – Referendum to eliminate Council healthcare benefits effective January 1, 2011.
 - Reduction of Group Insurance (Outside CAP): (-)\$54,647
 - Mayor and Council Salary and Wages (Inside CAP): (+)\$ 3,150
- **Garbage Contract** – Remove additional increase to cover increased tipping fee if successful with contract negotiations.
 - Reduction of Garbage Contract (Inside CAP): (-)\$43,200
- **Revenues** (A decrease in revenues, increases the amount to be raised by taxes.):
 - State Aid:
 - ✓ 2010 State Aid Totaled \$638,355
 - ✓ 20% Reduction of State Aid (Inside CAP): (+)\$127,671
 - ✓ Since 2008 and including 2010, the Township has loss \$367,685 in state aid.
 - Interest Income:
 - ✓ 2010 Anticipated Interest: \$36,000
 - ✓ 2011 Initially Anticipate \$24,000
 - ✓ 2010 Actual (ESTIMATED) \$10,000
 - ✓ Reduced Interest Income (+)\$14,000
 - ✓ Market Conditions were not favorable in 2010 which has had a direct impact on Interest on Investments. Since 2008 anticipated interest income has reduced from \$98,000 to an anticipated amount of \$14,000 or for 2011. (2009 realized \$38,051.57 and anticipated \$36,000 in 2010 with actual projected at \$10,000).

Summary 2011 "Worse Case Scenario"

	<u>2011 Budget</u>	<u>2010 Budget</u>
Appropriations (Inside CAP):		
Salary & Wages	\$3,441,876	\$3,310,476
Operating Expenses	\$6,359,904	\$6,260,292
Total Appropriations (Inside CAP):	\$9,801,780	\$9,570,768
CHANGE: (+) \$231,012 or 2.41% of Total Budget		
Appropriations (Outside CAP):		
Grp Insurance – Balance of Increase	\$ 15,913	
Pensions – Balance of Increase	\$111,779	
Debt Service	\$329,716	\$322,947
Capital Improvements	\$200,000	\$180,000
Total Appropriations (Outside CAP):	\$657,408	\$502,947
Total Appropriations	\$10,459,188	\$10,073,715

CHANGE: (+) \$385,473 or 3.83% of Total Budget

NOTE: The inside and outside CAP calculation was not completed using the state CAP calculation worksheet. This is an estimate based on an understanding of the new 2% Levy CAP Law.

Summary of the “Worse Case Scenario”:

- In 2011 - 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.
- The “Worse Case Scenario” is \$82,652 over the 2% CAP. (\$231,012 is a 3.11% increase of the 2010 Tax Levy (\$7,418,002)).
- This plan requires an overall \$385,473 (**Inside CAP \$231,012 + Outside CAP \$154,461**) increase of property tax levy or 5.2%.
- The proposed 2011 budget plan results in a property tax levy of \$7,803,475.
- *The 2010 adjusted property tax rate would be .704 and result in a municipal tax levy of \$2,131.68 or an \$105.98 in an increase of taxes to the average assessed home \$302,795.*

KEY FACTS:

- **Any reduction of anticipated or actual revenues will minimally require an equal reduction of appropriations that fall under the 2% Levy CAP. This has a direct impact on services.**
- The 2010 Municipal Purpose Property Tax Rate was .669 for every \$100 of assessed value.
- The Averaged Assessed Home in 2010 was \$302,795 resulting in a municipal purpose tax of \$2,025.70.
- **A 50% reduction of the Municipal Budget will ONLY result in an estimated \$1,012.85 reduction to the Average Tax Payer in the Township.**

Next Steps:

Next Steps:

1. Discuss issue regarding being over CAP.
2. How does the Council want to handle the reduction of state aid?
3. Discuss areas for possible reductions.
4. Determine objectives regarding the estimated tax increase.
5. Define next steps.
6. Schedule next 2011 Budget Workshop.

