

# TOWNSHIP OF BYRAM

## NEW JERSEY

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TO: All Residents and Taxpayers of Byram Township

DATE: March 8, 2011

RE: 2011 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:

Municipal Operations  
Capital Improvement Program  
Sewer Utility

Municipal Operations and the Capital Improvement Program are supported by a variety of revenues. These sources include current property taxes, state aid, surplus balance and miscellaneous revenues generated by municipal operations. The Sewer Utility is supported by fees collected from users of the system.

The 2011 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$10,392,732. This represents a 2.23% increase over the 2010 budget if you exclude public and private programs offset by revenues (grants).

In 2010, the municipal tax levy including the municipal open space tax was 27% of the total net taxes to be raised, schools 57% and the county 16%.

On July 13, 2010 the New Jersey Legislature with the support of Governor Christie enacted the 2010 Cap Law that amended the 2007 Cap to a two percent 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 (16.7 percent for 2011).

Also, the Township is still subject to the 1977 CAP law 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 1977 Cap Cost of Living Adjustment (COLA) rate for FY 2011 is two percent (2%). Pursuant to N.J.S.A. 40A: 4-45.2, “municipalities shall be prohibited from increasing their final appropriations by more than 2.5%...” unless action is taken by the governing body to increase their final appropriations subject to the cap to the statutorily permitted three and a half percent (3.5%). Since the COLA is less than the statutory maximum of 2.5%, the cap rate for CY 2011 is 2%. The governing body may pass a COLA ordinance, increasing the cap base to 3.5%. Also, this ordinance is used to establish Cap bank which is the banking of any unappropriated balance. Cap bank balances from 2009 and 2010 are available for use in 2011. The Byram Township Mayor and Council adopted ordinance No. 2-2011 titled, “Calendar Year 2011 Ordinance to Exceed the Municipal Budget Appropriation Limits and to Establish a CAP Bank” during the March 1, 2011 council meeting.

The budget is divided into several categories as follows:

1. Surplus to support the budget

Surplus is generated by several sources including cancellation of budget reserves from 2009, revenues in excess of anticipated amounts, receipts from delinquent taxes from 2009, and added and omitted taxes collected.

2. Miscellaneous revenues

These are the revenues that are generated by fees, grants, and state aid. The forecasting of these revenues is based upon the performance of each category in the previous year. State statute prevents from anticipating more than what was realized in the prior year. The Township will continue to remain conservative with the anticipation of miscellaneous revenues.

3. Receipt for delinquent taxes

These are funds collected from property owners negligent in making tax payments. This budget plan anticipates \$339,350 or 3.33% of total revenues.

4. Current property taxes

With limited growth in the Township’s ratable base, loss of state aid and miscellaneous revenues declining, the Township increasingly relies on property taxes to support its operations. The 2010 Cap Law limits the percentage property taxes can increase.

5. Appropriations

The expenditure side of the budget is assigned by department and divided within each department into “Salary and Wages” and “Other Expenses.” These appropriations are presented in a line-item budget format. There are exceptions to this with a portion of operations funded for the Recreation Department, and Animal Control Services through the

dedicated trust accounts. The 1977 CAP law limits the percentage final appropriations can be increased.

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.

**REVENUES**

Municipalities are required by law to adopt balanced budgets. The proposed budget requires an increased use of the surplus fund to balance the budget. The growth of the Township's ratable base is restricted. With the reduction of State Aid and miscellaneous revenues, there is a reliance on property taxes and surplus to support operations. Also, there is an increased dependency on debt to fund items that have been previously covered under the capital improvement fund.

The results of 2010 operations resulted in regeneration of surplus totaling \$1,229,450. The Township closed 2010 with \$2,019,494 in the surplus fund. Surplus anticipated in this budget is \$1,200,102 or 11.77% of the total revenues. This is a \$61,960 increase from 2010 or 5.44%. The increased dependency on surplus offsets a loss of revenues and supports an increased pay down of debt.

The proposed state aid for 2011 totals \$617,395 or 6.06% of the total revenues. This is a \$20,960 reduction from 2010. The Governor reported in his February 22 budget message that all municipalities will be receiving the same State formula aid they received in State FY 2011 budget for Consolidated Municipal Property Tax Relief Aid and Total Energy Receipts. The reduction is due to State reducing the FY 2011 appropriation for Garden State Trust (payment in lieu of taxes) by one third from \$9.824 million to \$6.473 million. This reduction did not impact the CY 2010 budget but affects the CY 2011 budget. It has been suggested the proposed State FY 2012 budget maintains the appropriation for the Garden State Trust Pilot payment at the FY 2011 level.

The remaining miscellaneous revenues comprise 4.37% of the revenues or \$446,000. These anticipated revenues include Court, Uniform Construction Fees, Interest on Investments, Interest and Costs on Taxes, and Fees and Permits. This budget anticipates an increase of \$20,000 in uniform construction fees largely due to guaranteed payment (\$12,000) from Netcong Borough for consolidated services agreement and a reduction of Interest on Investments of \$21,000 since only \$15,032.49 was realized in 2010.

This budget plan has property taxes representing 74.47% or \$7,592,013 in revenues. In 2010, property taxes totaled \$7,418,002 of the revenues. This budget plan is a 2.3% or \$174,011 increase of the tax levy.

The 2010 Levy Cap calculation supports the maximum allowable amount that can be raised by taxation in 2011 as \$7,709,130 (+\$291,128) or a 3.92% increase from the 2010 levy. There are several exclusions to the 2010 Levy Cap: increases in debt service and capital expenditures; weather and other "declared" emergencies; pension contributions in excess of two percent, and health benefit costs increases in excess of 2 percent and limited by the increase in State Health

Benefit rate increases (16.7% for CY 2011). The Township has an allowable pension obligation increase exclusion of \$105,836 and an allowable debt service increase of \$31,688. The Township has no exclusion for a health insurance cost increase or capital improvement increase.

The following compares the proportion of budgeted revenues from 2007 to 2011 excluding public and private revenues.

|                        | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Current property taxes | 67%         | 69%         | 71.1%       | 74.39%      | 74.47%      |
| Miscellaneous revenues | 18%         | 16.6%       | 14%         | 10.78%      | 10.43%      |
| Surplus fund           | 11%         | 10.8%       | 11.5%       | 11.41%      | 11.77%      |
| Delinquent taxes       | 4%          | 3.6%        | 3.4%        | 3.42%       | 3.33%       |

## **APPROPRIATIONS**

Appropriations are the platform that allows local government to deliver services to its residents.

I offer the following comments on the general categories of the 2011 appropriations:

### **General Government – down 4.20% (-\$54,154):**

- **Salary & Wages:**
  - Staff changes:
    - Township planner position was not filled.
    - Full-time finance clerk resigned and was replaced with part-time clerk.
- **Operating Expenses:**
  - Reduced printing and postage costs by not mailing Township calendar and annual report (-\$7,300).
  - Reduced budget for codification of Township code since annual changes have been minimal and Highland’s grant is expected to cover all changes related to full conformance with the Highlands Regional Master Plan (-\$4,000).
  - The Auditor’s cost for budget and financial services reduced by 23% (-\$6,569).
  - Reduced professional planner fees (-\$5,000).
  - Shared services agreement with Sparta Township expired December 31, 2010 requiring negotiations for a new animal control officer. New shared service agreement with Mt. Olive Township required increase to cover callouts. (+\$2,750)
  - Due to New Jersey regulatory changes under the New Jersey Government Uniform Deposit Protection Act the banks changed practices of paying for third-party expenses. Effective January 1, 2011, PNC Bank no longer pays third-party expenses incurred by our customers, such as Payroll Preparation, and Credit Card Interchange fees. With no success, the Township’s Finance Officer did submit a request for proposal to find another bank that may cover the third-party expenses. As a result, the Township eliminated credit card services for tax payments effective January 1 and budgeted for payroll costs. (+\$7,500)

**Public Safety – up 3.59% (+\$77,920):**

- **Salary & Wages:**
  - The Police Department Salary and Wages includes annual salary increases for each officer, step increases, and longevity increases. (+101,000)
  - Court Security was amended to eliminate the mandatory pre-entry weapons screening driving toward a reduction of the Police Department Over-time budget. (-\$10,000)
  
- **Operating Expenses:**
  - Reduced police cars and public safety budget to only purchase one new vehicle. Past practice has been to purchase two vehicles each year. (-\$23,000)
  - Police training increased to cover contractual obligation for college tuition reimbursement. (+\$16,000)
  - Radio Communication Services contract for dispatch services with Sparta Township increased 3.5%. The contract expires at the end of 2012. (+\$5,632)
  - Fire Department operating budget reduced. (-\$12,080 or 11.93%)

**Public Works – up 4.02% (+\$49,400):**

- **Salary & Wages:**
  - The total public works staff is at eleven which includes Buildings and Grounds employee, Public Works Superintendent and Mechanic. The budget plan includes annual salary increases, step increases for three eligible employees, and longevity increases. (+\$44,000)
  - Storm over-time budget increased to cover early 2011 storms. (+\$10,000)
  - The budget does not have funding specifically dedicated for summer help.
  
- **Operating Expenses:**
  - Road Repair and Maintenance operating expenses reduced which includes a \$20,000 reduction of the Park Maintenance and Operating Budget. (-\$40,500)
  - Improvements to Streets and Roads budget for road resurfacing increased to move funding under operating budget and less under the capital improvement budget which is outside the Levy Cap. (+\$35,000)
  - Public Buildings and Grounds Operating Expense budget reduced. Future decisions of the Civic Center (old consolidated school building) will have an impact on the buildings and ground operating budget as well as utilities. (-\$9,150)
  - No change of Fleet Maintenance budget.

**Community Programs – up 2.6% (+\$2,625):**

- **Salary & Wages:**
  - The budget plan includes annual salary increases for Recreation Director and Senior Citizen Transportation Bus Driver.
  
- **Operating Expenses:**
  - Operating Expenses for the Recreation Department were reduced 6.93% and only account for .07% of overall budget. (-\$525)
  - Senior Citizens receive \$8,000. – No Change
  - Historical Society receives \$1,000 – No Change

**Utilities – up 8.15% (+\$30,000):**

- Increased fuel budget to cover cost of increased gasoline, diesel and heating oil prices. Budget is based on an average annual cost of \$3.50 per gallon.

**Statutory Expenditures – up 7.62% (+\$117,660):**

- FICA taxes increased due to the increase of salaries. (+\$3,000)
- The Township's obligation to fund the Police and Fire Retirement System increased 26.6%. (+\$80,885)
- The Township's obligation to fund the Public Employee Retirement System increased 31.1%. (+\$33,175)
- The allowable Levy Cap pension obligation exclusion for 2011 totals \$105,836.

**Group Insurance – down 1.0% (-\$14,000):**

- In 2010, Governor Christie signed into law Chapter 2, Public Law 2010 that changed various provisions of the State Health Benefit Program. Certain provisions of the law affect municipalities that provide employee health benefits outside the State Health Benefits Program.
- Highlights of the law that impact employees of Byram Township are as follows:
  - All employees must contribute a minimum of 1.5% of their current base salary towards their health benefit costs on May 21, 2010 or on the expiration of any applicable labor agreement enforce on that date. The Township's three bargaining unit labor contracts expire December 31, 2012. The Byram Township labor union employees have been contributing toward health benefit costs since 2007 (reference table below).
  - For non-State Health Benefit Program employers, non-aligned employees became subject to the 1.5% contribution as of May 21, 2010. This impacts four employees.
  - The law does not affect current retirees or current employees who are already members of a state or locally administered retirement system. Employees that become member of a retirement system after May 21, 2010 will be required to pay 1.5% of their retirement allowance. None of the Township retired employees contribute toward health benefits.
  - The law provides for a maximum payment for employees that waive health benefit coverage. Under the law, the maximum amount is 25% of the cost of health benefits saved or \$5,000, whichever is less. The law applies to new waiver requests filed or approved after May 21, 2010. The Township has three active employees that requested the waiver prior to May 21, 2010. There is one retiree that receives a payout for not receiving health benefits and this is a contractual obligation.
- The Group Insurance budget includes medical insurance, prescription drugs, dental, Medicare reimbursements, payment for waiver of medical benefits, life insurance, and long term disability.
- Health Insurance and prescription drug premium assessment for 2011 increased 7.5%.

- The Township was successful negotiating a change of medical coverage for employees of the Clerical (Effective May 1, 2010) and Department of Public Works (Effective January 1, 2010) labor unions, and all active employees and retirees for these groups as well as active and retired administrative employees (Effective May 1, 2010). This resulted in a 10% reduction of medical and prescription drug premiums. This year is the first full year the Township will see the reduction of premiums on the budget for group insurance.
- Also, staff changes through attrition have lowered the number of active employees eligible to receive healthcare benefits.
- Effective January 1, 2011 the Mayor and Council were no longer eligible for health benefits.
- 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 increases (16.7 percent for CY 2011). In 2011, the Township does not need a Levy Cap exclusion due to the fact that the Group Insurance budget is decreasing \$14,000.

| <b>Employee Group</b> | <b>Total Cost:<br/>(Health,<br/>Dental &amp; RX)</b> | <b>Employee<br/>Contributions</b> | <b>Total Net<br/>Cost to<br/>Township</b> |
|-----------------------|------------------------------------------------------|-----------------------------------|-------------------------------------------|
| Clerical Active       | \$69,047                                             | \$2,275                           | \$66,772                                  |
| Clerical Retired      | \$61,727                                             | \$0                               | \$61,727                                  |
| DPW Active            | \$212,244                                            | \$6,034                           | \$206,210                                 |
| DPW Retired           | \$151,824                                            | \$0                               | \$151,824                                 |
| Police Active         | \$475,466                                            | \$16,000                          | \$459,466                                 |
| Police Retired        | \$186,065                                            | \$0                               | \$186,065                                 |
| All Other Active      | \$110,730                                            | \$4,286                           | \$106,445                                 |
| All Other Retired     | \$28,459                                             | \$0                               | \$28,459                                  |
| <b>TOTALS:</b>        | <b>\$1,295,562</b>                                   | <b>\$28,595</b>                   | <b>\$1,266,968</b>                        |

**Workers Compensation and General Liability – up 1.42% (+\$3,551):**

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

**Other Expenditures:**

- This is the last year the Township needs to budget for the special emergency due to the result of the revaluation. (\$74,000)
- 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. The Township's Auditor recommended increasing our debt pay down by \$50,000. In order to meet the need to increase the fuel budget, this amount was decreased to \$25,000. (+\$31,682)
- The five year contract with the garbage hauler expires January 13, 2013. The contract requires an annual increase. In 2010, the Township negotiated an addendum

to the agreement that resulted from the Sussex County Municipal Utilities Authority implementing flow control and significantly increasing the disposal rate. The negotiations with the garbage hauler resulted in a savings of \$45,000. The Township will be working with the garbage hauler to move the collection and disposal of solid waste for the entire Township to one day per week that will avoid holiday disruptions that occur on Mondays and for better operations management.  
(+\$30,000)

**Capital Improvement Fund – down 28% (-\$50,000):**

- o Capital Program includes \$50,000 for Road Resurfacing of Roseville Road Phase 2. The Township received a 2011 New Jersey Department of Transportation grant for this project totaling \$165,000.
- o Capital Improvement Fund includes \$50,000 payment which are funds allocated to cover down payments or fully funded ordinances.
- o Increased funding under operating budget for Improvements to Streets and Roads for road resurfacing and less under the capital improvement budget which is outside the Levy Cap.
- o Capital Improvement Fund also includes the following:

|                           | <u>2011</u> | <u>Change</u> |
|---------------------------|-------------|---------------|
| Drainage                  | \$5,000     | \$0.00        |
| Road Resurfacing Projects | \$25,000    | \$0.00        |

**TAX RATE**

The 2011 municipal budget calls for a rate increase of \$0.018 for each \$100 of assessed value using the net valuation of \$969,486,200. This increase represents an estimated \$51.84 annual municipal tax increase for the average assessed home of \$301,833. A comparison of municipal real estate taxes is summarized in the following table.

|                       | <b>2007<br/>Amount</b> | <b>2008<br/>Amount</b> | <b>*2009<br/>Amount</b> | <b>2010<br/>Amount</b> | <b>2011<br/>Estimated</b> | <b>Estimated<br/>Increase/<br/>Decrease</b> |
|-----------------------|------------------------|------------------------|-------------------------|------------------------|---------------------------|---------------------------------------------|
| Average Assessed Home | \$146,379              | \$146,473              | \$303,743               | \$302,795              | \$301,833                 |                                             |
| Tax Rate              | 1.141                  | 1.244                  | .631                    | .669                   | .688                      |                                             |
| Municipal Taxes       | \$1,670.18             | \$1,822.12             | \$1,916.62              | \$2,025.70             | \$2,077.63                | \$ 51.93                                    |
| Open Space Taxes      | \$ 29.28               | \$ 27.83               | \$ 27.34                | \$ 27.25               | \$ 27.16                  | \$ -.09                                     |
| Total Municipal Taxes | \$1,699.46             | \$1,849.95             | \$1,943.95              | \$2,052.95             | \$2,104.79                | \$ 51.84                                    |

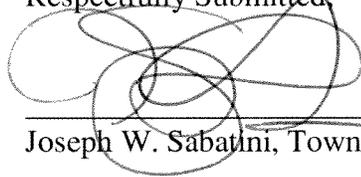
\*NOTE: 2009 was the revaluation year.

**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, State Aid is reduced and miscellaneous revenues decrease. As referenced in the list of appropriations with significant increases, most of the expenses are beyond the direct control of the Township.

The 2011 municipal budget, as presented, maintains current service levels that residents have come to expect which adds to the quality of life for all taxpayers in Byram.

Respectfully Submitted,



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Joseph W. Sabatini, Township Manager