

TOWNSHIP OF BYRAM

NEW JERSEY

MAILING ADDRESS:
10 Mansfield Drive
Stanhope, NJ 07874
Phone 973-347-2500
Fax 973-347-0502



WEBSITE ADDRESS:
www.byramtwp.org

MEMORANDUM

TO: Township Council

FROM: Joseph W. Sabatini, Township Manager

DATE: February 11, 2016

RE: Proposed DRAFT 2016 Capital Budget

Capital Budget:

- Local Budget Law 40A:4-43 – Capital Budgets, definition.
The governing body may and shall, when directed by the local government board, prepare, approve and adopt a budget for the expenditure of public funds for capital purposes to give effect to general improvement programs. A capital budget shall be a plan for the expenditure of public funds for capital purposes, showing as income the revenues, special assessments, free surplus, and down payment appropriations to be applied to the cost of a capital project or projects, expenses of issuance of obligations, engineering supervision, contracts and any other related expenditures.
- The Governing Body is required to adopt a capital budget and a capital improvement program in conjunction with its annual operating budget.
- The capital budget represents *the current year* of a three year capital improvement program since the Township is under a 10,000 population.
- The capital improvement program presents the schedule for capital projects showing projected costs and revenue sources.
- The capital budget DOES NOT in itself confer any authority to raise or expend funds.
- The Governing Body may assign the responsibility for preparing the capital budget for the capital improvement program to the administrative staff or the Planning Board, or both. Final content of the plan resides with the Governing Body.
- Municipal Land Use Law permits the Governing Body to request the Planning Board to prepare the proposed capital program. The Land Use Law states that if there is an adopted master plan, the Planning Board must be given 45 days to review any “action necessitating the expenditure of any public fund” affecting the master plan.

- In Byram Township, it has been the responsibility of the Administrative Staff to prepare the capital budget and capital improvement program.

Capital Improvement Fund:

- Within the general fund under general appropriations there is a provision for Capital Improvement appropriations.
- This is for appropriations that have a useful life of 5 years or more.
- The fund permits appropriations to be set aside for purposes that may not be known or specified at time of the budget adoption.
- Municipalities annually may appropriate a fixed sum to this fund permitting it to build up over several years.
- No money may be expended from the Capital Improvement Fund without an ordinance being adopted for a specific purpose.
- The capital improvement fund is used as a means of financing down payments for bond ordinance appropriations. All bondable capital items must have a minimum 5% down payment. Also, the Governing Body can decide to fully fund an ordinance from the Capital Improvement Fund and/or Capital Fund Balance.
- Capital Fund Balance results from the cancelation of unexpended funds in a fully funded debt or mixed funded ordinance. The Governing Body may adopt an ordinance authorizing the funding of a capital project from Capital Fund Balance or it can be anticipated as revenue in the current fund operating budget.
 - As of December 31, 2015 the balance in the Capital Improvement Fund totaled \$264,188.43.
 - As of December 31, 2015 the balance in Capital Fund Balance totaled \$376,963.15.

Capital Planning Process:

- The Township’s Master Plan serves the blueprint for the future of the community. This is a long-term planning document that can be referenced when completing the capital planning process.
- Departments have been asked to compile their capital project requests. These projects can fall into the categories of being a recurring project such as street maintenance, previously identified projects and new projects which can include acquisition of land or structures, construction, major repairs or rehabilitation, and major equipment.
- Projects should be described with justification, estimated costs and proposed method of financing.

Debt Service:

- Local Bond Law – 40A:2:
 - 40A:2-5. Debt Limitation – no bond ordinance shall be finally adopted if it appears from the supplemental debt statement that the percentage of net

debt as stated pursuant to 40A:2-42 exceeds 3.5% (based on the equalized valuations of the taxable real estate, together with the improvement for the last 3 preceding years).

- Annual Debt Statement (1/31/2016):
 - Total Debt = \$2,300,262.18
 - Percentage of Debt = .237%
 - Total allowable debt = \$34,010,046.28 (3.5%)
 - NOTES:
 - Total Debt includes: Bond Anticipation Notes, Bonds, Green Acres Loans, Emergency Notes, Sewer Debt and Open Space Debt.
- 40A:2-8.1 Issuance of bond anticipation notes:
 - Issued for a period not to exceed one year.
 - Shall mature and be paid not later than the first day of the fifth month following the closing of the tenth fiscal year next following the date of the original notes.
 - No notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which those notes are issued, is paid.
- 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 over year.

○ The scheduled payment for 2016 Debt Service is as follows:

	Principal	Interest
Bond	\$200,000	\$39,050
BAN	\$0.00	\$0.00
Green Acres	\$35,839	\$7,691
Special Emergency Note (Revaluation 5 yrs)*	\$30,000	\$325
TOTALS:	\$265,839	\$47,066
	TOTAL:	\$312,905

*Note: 2016 is last year for Special Emergency Note

- 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.
- Future Debt Obligations (plan):
 - Need to consider plan for capital projects for years 2016-2018.
 - Increasing budget for debt service will provide opportunity to fund capital projects.

2016 PROPOSED Capital Improvements – funded from Budget:

- 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) \$59,000
 - Administration Vehicle - \$23,000
 - Supplement purchase of DPW Vehicles - \$26,000

NOTE:

Budget Objective may be to plan to fund more of the Township’s capital projects.

2015 DRAFT Capital Budget and 3 Year Capital Improvement Program

(FOR DISCUSSION):

- Attached is summary of all the requested capital projects for the years 2016 – 2020.
- Attached is a 10 year capital plan for Streets and Roads (2016 – 2025).
- Attached is the draft three year Capital Program (2016 - 2018).
- Attached are departmental requests and other supporting documentation to support the presented Capital Projects.
- The proposed projects will require further discussion to assess need and prioritization; and also, how the projects are proposed to be funded.
- Focus should be placed on the amount that is being proposed to be raised as a 2016 budget appropriation.
- Remember this capital budget does not in itself confer any authority to raise or expend funds.

Sanitary Sewer System Capital Projects:

- The Township's Sanitary Sewer System is supported by fees collected from users of the system.
- Capital Projects are being planned for 2016.
- Pump Station Three (3) located on the Municipal Complex had a catastrophic failure at the end of 2015 and a temporary repair was installed. It is recommended that we consider a significant rehabilitation of the pump station to avoid future failures.
- The Sanitary Sewer System was put into operation in late 1996. The system is now 20 years old, and much of the system's critical structures and equipment exceed their useful life.
- In 2015 the Township's sewer engineer, CP Engineers, completed an inspection on operations and maintenance of the Sanitary Sewer System. The report contains a renewal and replacement fund analysis that presents a replacement cost schedule for each of the system's critical structures and equipment.
- In 2016 the last scheduled principal and interest payments of the original New Jersey Wastewater Treatment loans will be paid (\$126,088.34). These are the loans (\$1,802,284) that were taken to construct the system. The elimination of the original debt obligation provides the opportunity to issue new debt that will support the renewal and rehabilitation of the system with much lower debt service obligation. The funding analysis with contingency is estimated at \$525,000.

TOWNSHIP OF BYRAM										CAPITAL IMPROVEMENT PROGRAM 2016-2018									
2016 CAPITAL BUDGET										5% Down Pymt									
										CAPITAL									
										2016									
										2016									
										Amounts									
										Capital									
										Grants and									
										Debt									
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										Total									
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										Other									
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										Total									
Proposed Projects	Proposed Costs	Budget O&E	Budget Appropriation	Reserved In Prior Years	Capital Improvement Fund	Grants and Funds	Debt Authorized	Other Funding	NOTES	Total									
Mill and Paving Project - Amity Road - Phase 2	\$265,000	\$19,000	\$0	\$0	\$0	\$220,000	\$0	\$26,000	NJDOT Grant Requested - \$220,000 O&E - Improvements to Streets/Roads (Prior Ordinances: 4-2014, 7-2014 & 8-2015)	\$265,000									
Mill and Paving Project - Lynn Drive, & Various Streets Phase 1	\$180,000	\$2,500	\$100,000	\$0	\$4,000	\$0	\$73,500	\$0	Supplement to Streets and Roads	\$180,000									
Road Resurface Program - Forest Lakes Drive and Various Streets	\$100,000	\$84,000	\$0	\$0	\$0	\$0	\$0	\$16,000	Cape Seal O&E - Improvements to Streets/Roads Ord. 06-2015	\$100,000									
Purchase (Qty 2) - F450 DPW Trucks	\$100,000	\$26,000	\$74,000	\$0	\$0	\$0	\$0	\$0	O&E - Purchase of Vehicles	\$100,000									
Drainage Improvements	\$5,000	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	Annual approp. To reserve	\$5,000									
Capital Improvements	\$25,000	\$0	\$25,000	\$0	\$0	\$0	\$0	\$0	Annual approp. to fund	\$25,000									
Alcotest Marchine - Police Dept	\$20,000	\$0	\$0	\$0	\$20,000	\$0	\$0	\$0	Fully Fund from CIF	\$20,000									
Radio Communications	\$500,000	\$0	\$234,138	\$0	\$13,293	\$0	\$252,569	\$0	Improvements to Radio Springs Communication Tower and other locations	\$500,000									
Little Paint Way Drainage Improvements	\$125,000	\$12,500	\$0	\$0	\$0	\$112,500	\$0	\$0	FEMA Hazard Mitigation Grant (90%)	\$125,000									
Police Dept - 4 Wheel Drive	\$55,000	\$0	\$0	\$0	\$0	\$0	\$0	\$55,000	PSE&G Funding	\$55,000									
Guiderail Project - Bridget, Stonehedge	\$42,000	\$0	\$0	\$0	\$0	\$0	\$0	\$42,000	PSE&G Funding	\$42,000									
Improvements Mountain Heights Park	\$29,100	\$0	\$0	\$0	\$0	\$0	\$0	\$29,100	PSE&G Funding	\$29,100									
Tamarck Park - Irrigation, Gates and Improvements to parking lot	\$90,000	\$0	\$0	\$0	\$0	\$0	\$0	\$90,000	Open Space Trust	\$90,000									
SEWER - Improvements to Pump Station 3 (Municipal Building)	\$50,000	\$0	\$31,000	\$0	\$0	\$0	\$0	\$19,000	Ord. 09-03	\$50,000									
SEWER - Renewal and Replacement Sanitary Sewer System	\$525,000	\$0	\$0	\$0	\$26,250	\$0	\$498,750	\$0	2015 Inspection Report	\$525,000									
TOTAL	\$2,111,100	\$144,000	\$469,138	\$0	\$63,543	\$332,500	\$824,819	\$277,100	\$2,111,100	\$2,111,100									
2017 CAPITAL BUDGET										5% Down Pymt									
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2018 CAPITAL BUDGET										
					5% Down Pymt					
			CAPITAL							
		2018	2018	Amounts	Capital	Grants and				
	Proposed	Budget	Budget	Reserved In	Improvement	Other	Debt	Other		
Proposed Projects	Costs	O&E	Appropriation	Prior Years	Fund	Funds	Authorized	Funding	NOTES	
									Total	
Mansfield Drive - Paving Project	\$80,000	\$80,000	\$0	\$0	\$0	\$0	\$0	\$0		\$80,000
Road Resurface Program - Northshore, Heminover, Lake Drive, Reis, Brown, South Shore	\$305,000	\$0	\$0	\$0	\$15,250	\$0	\$289,750	\$0	Cape Seal	\$305,000
Road Resurface Program - Cranberry Lake, Tamarack Area, Lake Lackawanna	\$215,000	\$25,500	\$128,000	\$0	\$4,350	\$0	\$57,150	\$0	Chip and Seal Program	\$215,000
DPW - Dump Truck Replacement	\$180,000	\$0	\$100,000	\$0	\$4,000	\$0	\$76,000	\$0	Replacement of D5	\$180,000
Fire Dept - New Engine	\$500,000	\$0	\$0	\$0	\$0	\$500,000	\$0	\$0	Replacement of Engine 6 FEMA Fire Grant	\$500,000
Automatic License Plate Rader	\$20,000	\$20,000	\$0	\$0	\$0	\$0	\$0	\$0	PD Operating Budget	\$20,000
Drainage Improvements	\$5,000	\$0	\$5,000	\$0	\$0	\$0	\$0	\$0	Annual approp. to fund	\$5,000
Capital Improvements	\$55,000	\$0	\$55,000	\$0	\$0	\$0	\$0	\$0	Annual approp. to fund	\$55,000
TOTAL	\$1,360,000	\$125,500	\$288,000	\$0	\$23,600	\$500,000	\$422,900	\$0		\$1,360,000