



The Township of Byram
10 Mansfield Drive
Stanhope, New Jersey 07874

973-347-2500

www.byramtwp.org

TO: Mayor and Council and all Residents of Byram Township

DATE: February 17, 2023

RE: 2023 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 2023 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$12,616,168.02.

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.

It should be noted that Uniform Construction Revenues and Expenditures were removed from the municipal budget and will be managed through the UCC Trust Account.

REVENUES

Municipal Operations and the Capital Improvement Program are supported by a variety of revenues. These sources include current property taxes, miscellaneous revenues generated by municipal operations, and fund balance.

The following compares the proportion of budgeted revenues from 2014 to 2023.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Current Property Taxes	75.58%	75.11%	75.41%	75.82%	75.08%	74.16%	69.62%	73.41%	70.28%	71.98%
Misc. Revenues	12.82%	12.44%	12.20%	11.95%	11.99%	12.03%	13.47%	11.87%	14.34%	12.33%
Fund Balance	11.60%	12.45%	12.39%	12.23%	12.93%	13.81%	16.91%	14.72%	15.38%	15.69%

Fund Balance:

Fund Balance is generated by several sources including cancellation of budget reserves from 2021, revenues in excess of anticipated amounts from 2022, receipts from delinquent taxes from 2022 and added and omitted taxes collected for when construction improvements are deemed complete by the Tax Assessor.

The total amount of Fund Balance committed to the 2023 budget is \$1,980,000.

- \$1,785,000: Support Operations (increase of \$155,000 from 2022)
- \$195,000: Offsets one-time appropriations to the Capital Improvement Fund.

Since 2021, there has been an increased (\$219,500) dependency on the use of fund balance to support operations. This increased use of fund balance will need to be assessed for sustainability in future budget cycles.

Miscellaneous Revenues:

Miscellaneous revenues are the revenues that are generated by fees & permits, municipal court, interest on investments, interest and costs on taxes, receipts from delinquent 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.

The budget anticipates that the State Fiscal Year 2023 budget will propose the same level of aggregate funding for Energy Tax Receipts (ETR) as 2022, or \$575,475.

Payment in lieu of taxes from the Open Space PILOT (formerly Garden State Trust) program were returned to the pre-State FY 2022 amount of \$41,920 which is a reduction of \$22,635.

In 2022, the State FY 2023 budget appropriated \$75 million for Municipal Relief Fund Aid. Byram Township was certified to receive \$30,019. Since the Township's CY 2022 budget was adopted, instruction received was to anticipate this revenue in the CY 2023 budget. No guidance has been provided regarding the future receipt of this aid.

State Aid accounts for 5.13% of the Township's revenues.

Excluding State Aid funding, the remaining miscellaneous revenues comprise 7.20% of the revenues. These anticipated revenues include Court Fees, Interest on Investments, Interest and Costs on Taxes, Fees and Permits, Receipts from Delinquent Taxes and Public and Private Programs.

In 2022, the Township experienced loss of revenues for interest and costs on taxes. The anticipation of court revenues remains flat compared to 2022, and the anticipation of Interest on investments is a significant increase due to increased interest rates. See table below.

Revenue	2022 Anticipated	2022 Actual	2023 Budget	Reduction or Increase
Municipal Court	\$40,000	\$44,337.36	\$40,000	N/C
Interest and Costs on Taxes	\$100,000	\$86,455.98	\$85,000	(-) \$15,000
Interest on Investments	\$45,000	\$237,587.42	\$175,000	(+) \$135,000

Property Taxes:

This budget plan has property taxes totaling \$9,080,867, or 71.98% of revenues. This is a 2.96% or \$261,332 increase of the tax levy.

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.

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, the Township’s departmental budgets are only increasing \$63,011 or 1.16%. This includes all the Township’s municipal departments excluding the construction department. Key changes include:

- Salary and Wages have been populated with contractual obligations (steps, longevity and salary increases (2%)).
- The Clerical Collective Bargaining Group received a \$1.50 per hour pay increase to start to offset the increase of minimum wage. This is greater than a 2% increase for eligible employees.
- This budget plan does not include an increase of community program staffing to support regularly scheduled recreation programming.

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.

There are four categories of other expenses that are driving the increase of the 2023 budget and each category as a percentage increase far exceed the cost of inflation. The four categories are as follows:

Garbage/Recycling:

- Bid opening was October 19, 2022 – One Bidder:
 - Bid is for hauling of solid waste and hauling/disposal of recycling.
 - Option 1: 3-year term – first year increase: \$243,000 or 55%
 - Option 2: 5-year term – first year increase: \$225,000 or 51%
- Tipping fees for solid waste are separate and current budget plan assumes no rate increase or increase in tonnage. Proposed SCMUA rates present no increase at \$96 per ton.
- Mayor and Council still needs to authorize contract Option 2.
- \$225,000 increase or 29.61% including solid waste tipping fees.

Utilities:

- Electricity/Street Lighting – No Change
- Telephone – decrease of \$11,000 or 35.48%
- Heating Oil – increase of \$19,500 or 29.77%
- Gasoline/Diesel - increase of \$80,000 or 66.67 %
- Overall Net Increase of \$88,500 or 28.69%

Pensions:

- The Division of Pensions and Benefits has released the 2023 Public Employee Retirement System (PERS) and Police and Fire Retirement System (PFRS) rates.

- For 2023 the PERS rate increased from 15.98% to 17.11%. The PFRS rate increased from 33.25% to 36.51%.
- PERS and PFRS totals are provided by the Division of Pension and Benefits and are based on employee census for eligible members with a three-year lag.
- The Defined Contribution Retirement Program (DCRP) is for employees that are considered part-time and do not work greater than 32 hours, elected and appointed officials, and for members of PERS/PFRS who earn in excess of the annual maximum wage who are enrolled in DCRP for the excess. Member contributions are matched by a three percent employer contribution, 0.74% employer paid group life insurance and 0.31% employer paid long term disability.

	2023 Total	2023 Increase	% Increase
DCRP	\$18,700	\$4,100	28.1%
PERS	\$219,290	\$5,090	2.4%
PFRS	\$606,571	\$42,394	7.5%

Group Insurance:

- Group Health Insurance was updated for changes of active/retired employee census and the State Health Benefits rate increases (Active Employees 21.6%, Early Retirees 13%, and Medicare Eligible Retirees .7%) as well as changes for Medicare reimbursements and waivers.
- Overall Increase of \$118,500 or 10.46%
- 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. The percentage of employee contribution (derived from salary and type of coverage tables) is multiplied by the total premium due for each employee and deducted from base salary. The Group Insurance budget is less employee contributions.
- 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.
 - There are eleven active employees and one retiree that are waiving health benefits.
 - The following table summarizes the cost of medical insurance, prescription drugs and dental benefits less employee contributions.

Employee Group	Total Cost: (Health, Dental & RX)	Employee Contributions	Total Net Cost to Township
Clerical Active	\$0.00	\$0.00	\$0.00
Clerical Retired	\$15,902.04	\$237.00	\$15,665.04
DPW Active	\$262,974.84	\$49,001.94	\$213,972.90
DPW Retired	\$201,625.68	\$4,222.56	\$197,403.12
Police Active	\$418,286.04	\$110,635.62	\$307,650.42
Police Retired	\$220,121.28	\$0.00	\$220,121.28
All Other Active	\$192,335.52	\$44,454.57	\$147,880.95
All Other Retired	\$42,565.20	\$2,031.00	\$40,534.20
Medicare Reimbursements	\$30,000.00	\$0.00	\$30,000.00
Waivers	\$53,900.00	\$0.00	\$53,900.00
TOTALS:	\$1,437,710.60	\$210,582.69	\$1,227,127.91

Other Notable Changes:

- Workers Compensation Insurance increased \$4,904 or 7%
- General Liability Insurance increased \$13,667 or 7%
- Fleet Maintenance Police increased \$5,000 or 25%
- Celebration of Public Events increased \$6,235 or 33.2%

CAPITAL BUDGET AND CAPITAL IMPROVEMENT PROGRAM

The Capital Budget represents the current year of a three-year capital improvement program. The Capital Budget does not in itself confer any authority to raise or expend funds. The 2023 Capital Budget includes proposed projects totaling \$5,011,500. The proposed capital budget does not include the municipal building. Following is summary by department:

• Streets and Roads	\$1,766,500
• DPW	\$154,000
• Facilities	\$451,000
• Fire	\$1,040,000
• Parks:	\$1,520,000
• Police:	\$20,000
• Drainage	\$35,000
• Capital Improvement Fund	\$25,000

The Capital Improvement Program is the vehicle that allows the Township to plan and prioritize large expenditures. The Capital Improvement Fund is used as a means of financing down payments for bond ordinance appropriations. Also, the Governing Body can decide to fund a capital ordinance partially or fully from the Capital Improvement Fund.

- The total appropriation to the Capital Improvement Fund for 2023 is \$642,573 which is a reduction of \$111,060 compared to 2022.
- This budget includes a \$195,000 one-time funding to the Capital Improvement Fund which is offset by an increase in Fund Balance.
- Includes \$25,000 that is raised annually to fund the Capital Improvement Fund.

2023 PROPOSED Capital Improvements – funded from Budget:**Operating portion of Budget:**

○ Improvements to Streets and Roads	\$225,500
○ DPW Equipment	\$100,000
○ Purchase of Vehicles	\$60,000

Capital portion of Budget:

○ Supplement for Streets and Roads:	\$100,000
○ Drainage Improvements:	\$5,000
○ Capital Improvement Fund:	\$447,573
○ Capital Improvement Fund (one-time increase)	\$195,000

NOTES:

- In 2023, the Township now has 11 active employees and one retiree that waive health benefits. The Township remains liable to provide health benefits if the employee becomes ineligible for coverage from the independent source.
- Moved \$100,000 to DPW Equipment and \$120,000 to Improvements to Streets and Roads from the Group Health Insurance account. This will reduce unexpended balances which is a source of regenerating fund balance.

TAX RATE

The 2023 municipal budget results in an increase of the tax levy. This is an estimated increase of \$74.70 for the average assessed home of \$255,764.

Estimated Municipal Taxes and Open Space Taxes for 2023 for the average assessed home:

	2023	Estimated Increase/ Decrease
Average Assessed Home	\$255,764	
Tax Rate	.980	
Opens Space Tax Rate	.011	
Municipal Taxes	\$2,506.67	\$74.70
Open Space Taxes	\$28.13	\$0.00
Total Municipal Taxes	\$2,534.80	\$74.70

OPEN SPACE AND SEWER UTILITY:

The approval and adoption of the Municipal Budget includes the budget for the Open Space Tax and the Sewer Utility.

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 2023, the Township again anticipates raising \$110,430 or approximately \$.011 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. The Open Space Trust Fund may be utilized for the development of recreation fields, improvements to indoor recreation facilities located on lands utilized for recreation; improvements to an existing structure on lands devoted to recreational purposes to enhance its suitability for such purposes; and funds expended in connection with ordinance regarding maintenance of lands utilized for recreation and conservation purposes. As defined by ordinance, open space trust funds can be used to acquire or develop vacant land, as well as land which has improvements upon it at time of acquisition, or to acquire development rights, where the principal purpose of the acquisition is to preserve open space, recreation, farmland preservation and historic preservation.

Sewer Utility

The Township's Sewer Utility has its own separate budget totaling \$380,000 which remains unchanged from 2022. The primary revenue (\$290,000) of the sewer utility are the fees collected from users of the system. Sewer user fees for calendar year 2023 are again remaining unchanged. The remaining source of revenues is fund balance which is \$90,000 or 24% of the total revenues. On the appropriation side there is a shifting funds

between line items to keep the budget flat which is primarily supported by a reduction of the capital improvement fund. Following is a summary of the primary changes.

Account	Amount	Change
Salary & Wages	\$55,500	(+) \$1,000
Operating Expenses (telephone)	\$53,500	(-) \$1,800
MSA Fees	\$66,100	(+) \$6,000
BANS (P&I)	\$102,000	(+) \$25,750
Capital Improvement Fund	\$98,300	(-) 31,050
Social Security	\$4,300	(+) \$100

In 2016, a bond ordinance of \$525,000 was issued for improvements of the sanitary sewerage system, including the rehabilitation and upgrade of sewer lines, pumps, generators, and equipment. In 2022/2023 improvements to the primary pump stations (1 & 2) will be completed that includes new pumps and sewer lines. This is the main reason for the increase in debt service. There will be a final draw in 2023 against this bond that will be included in the debt service for the 2024 calendar year budget.

SUMMARY

The 2023 budget challenges are primarily driven by spending demands in the areas of public health and healthcare. These are not unique to Byram Township and the New Jersey State Local Finance Board has granted additional exceptions under extraordinary circumstances that result in an unanticipated increase in expenditures for services essential to the health, safety, and welfare of the residents of New Jersey. These exceptions to the appropriations cap for 2023 include garbage collection and disposal, recycling costs, gas and diesel fuel, health insurance contributions and pensions. There are the four categories of other expenses that are driving the increase of the 2023 budget and each category as a percentage increase far exceed the cost of inflation.

The staff has done an exceptional job for this budget plan holding the line on departmental operating expenses. Overall, the Township's departmental budgets are only increasing \$63,011 or 1.16%.

The Township's revenues except for interest income, are remaining flat or decreasing. This year's budget is dependent on a significant increase in the use of fund balance to support operations. This Township's prior discipline of good fiscal planning has offered the opportunity to depend on fund balance to reduce the increase to property taxes. This increased use of fund balance will need to be assessed for sustainability in future budget cycles.

This budget plan continues to support the shifting of funds between line items to increase the amount of Capital Improvement Fund to help reduce the dependency on incurring debt to pay for capital projects. Also, this plan includes a one-time increase of the Capital Improvement Fund with offset of Fund Balance. However, overall, there is a reduction of funding to support capital projects in this budget plan compared to 2022.

The Township's ratable base remains restricted with 88% of the Township's assessments being residential properties. There are no expected residential subdivisions. Only 8.65% of the rate base is commercial or industrial. The opportunities with these properties are through redevelopment.

In summary, the challenge with this budget is 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 revenues are remaining relatively flat which increases the reliance on property taxes. The Township continues to hold the line

on departmental operating expenses with the objective of preserving services in accordance with the expectations of the Township's residents.

Respectfully Submitted,



Joseph W. Sabatini, Township Manager