

TOWNSHIP OF BYRAM
NEW JERSEY

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TO: Mayor and Council and all Residents of Byram Township

DATE: February 27, 2020

RE: 2020 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 2020 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$12,390,210.42.

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.

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 2011 to 2020 excluding public and private revenues.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Property Taxes	74.47%	74.85%	75.39%	75.58%	75.11%	75.41%	75.82%	75.08%	74.16%	69.62%
Misc. Revenues	13.76%	13.29%	12.95%	12.82%	12.44%	12.20%	11.95%	11.99%	12.03%	13.47%
Fund Balance	11.77%	11.86%	11.66%	11.60%	12.45%	12.39%	12.23%	12.93%	13.81%	16.91%

Fund Balance:

Fund Balance is generated by several sources including cancellation of budget reserves from 2018, revenues in-excess of anticipated amounts, receipts from delinquent taxes from 2019 and added and omitted taxes collected for when construction improvements are deemed complete by the Tax Assessor.

The Fund Balance as of December 31, 2019 totaled \$3,255,151.15. Fund balance increased by \$528,457.07 compared to December 31, 2018. This increase is the result of one-time events in 2019 that cannot be expected in a future year. These events included:

- Cancellation of Appropriated Grant Reserve: \$292,071.28
- Tax Sale Premium Escheat: \$58,500.00
- UCC Revenues for isolated large projects: \$89,508
- Interest Income exceeding anticipated amount: \$167,290.12
 - o NOTE: Increased anticipated amount for 2020 to \$175,000 – increase of \$130,000.

The total amount of Fund Balance committed to the 2020 budget is \$2,095,000 which is an increase of \$485,000 from 2019. The breakdown of fund balance is as follows:

- o \$1,610,5000: Support Operations
- o \$450,000: Offsets a one-time additional appropriation to the Capital Improvement Fund.
- o \$35,000: Offset of changes Construction Code Salary and Wages, and Operating Expense explained further under appropriations.

Miscellaneous Revenues:

Miscellaneous revenues are the revenues that are generated by fees & permits, uniform construction fees, 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 2020 budget proposes level aggregate funding for Energy Tax Receipts (ETR). The proposed for 2020 totals \$575,475. Also, we are anticipating the Garden State Trust PILOT (Payment in Lieu of Taxes) funding at the same level as 2019 totaling \$41,920. State Aid accounts for 4.98% of the Township’s revenues.

Excluding State Aid funding, the remaining miscellaneous revenues comprise 8.49% of the revenues. These anticipated revenues include Court Fees, Uniform Construction Fees, Interest on Investments, Interest and Costs on Taxes, Fees and Permits and Receipts from Delinquent Taxes. Overall, the anticipation of miscellaneous revenues was increased by \$130,000 which is the increase of the anticipation of Interest on Investments.

Property Taxes:

This budget plan has property taxes totaling \$8,625,524.00, 69.62% of revenues. This is a .27 percent or \$23,568.00 reduction 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.

Overall, this budget plan is presenting an increase in appropriations totaling \$591,432 after excluding Public and Private Programs which are Offset by Revenues (net zero). This includes the \$450,000 to the Capital Improvement Fund which is offset by a one-time increase of \$450,000 in Fund Balance for 2020.

General Government, Public Safety, Public Works and Community Programs include all the Salary & Wages and Operating Expenses for each of the Township’s departments. These categories of expenses resulted in a \$278,312 increase. Summary of changes include:

- Applied Changes to Departmental Salary and Wages:
 - Salary and Wages have been populated with contractual obligations (steps and longevity) and anticipated changes for staffing.
 - Police Officers:
 - 3 employees will receive increased longevity.
 - 1 employee in steps.
 - Adjusted salaries to include 2% increase.
 - No change to overtime budgets for Police or DPW.
- Changes to Departmental Operating Expenses:
 - Road Repair & Maintenance:
 - Salt budget increased \$40,000 (usage and pricing issue)
 - Celebration of Public Events (Support of Recreation Committee Plans) increased \$14,515.
 - Construction Department:
 - \$20,500 - increase Salary and Wages
 - \$28,000 - increase in Operating Expense.
 - Construction Department budget is anticipating changes due to recent resignation of subcode officials and discussions regarding shared services. It is expected these items will be resolved by year-end 2020.

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. Significant dollar changes were seen in the following appropriations:

• Garbage Contract:	Increased	\$12,000
• Social Security – FICA Tax	Increased	\$28,425
• Debt Service	Increased	\$38,550
• Improvements to Street and Roads	Increased	\$50,000

Group Insurance:

- The Township transitioned for both active and retired employees to the State Health Benefits Program (SHBP) effective June 1, 2019.
- 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 a total of twelve employees and one retiree that are waiving health benefits at a total cost of \$51,721.05.
 - 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	\$23,168.04	\$237.00	\$22,931.04
DPW Active	\$245,757.60	\$48,998.50	\$196,759.10
DPW Retired	\$102,457.08	\$1,307.28	\$101,149.80
Police Active	\$251,208.48	\$68,481.76	\$182,726.72
Police Retired	\$195,024.36	\$0.00	\$195,024.36
All Other Active	\$188,129.76	\$21,653.52	\$166,476.24
All Other Retired	\$37,371.12	\$1,047.36	\$36,323.76
Medicare Reimbursements	\$22,557.60	\$0.00	\$22,557.60
Waivers	\$51,721.05	\$0.00	\$51,721.05
TOTALS:	\$1,117,395.09	\$141,725.42	\$975,669.67

Capital Improvement Fund:

- 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 partially or fully fund a capital ordinance from the Capital Improvement Fund.
- Total for 2020 = \$905,843.
 - Includes \$25,000 that is raised annually to fund the Capital Improvement Fund.
 - There were several one-time events in 2019 that supported appropriating an additional \$450,000 to the Capital Improvement Fund which is being offset by an increase of \$450,000 in Fund Balance.

2020 PROPOSED Capital Improvements – funded from Budget:

Operating portion of Budget:

- Improvements to Streets and Roads \$275,500
- DPW Equipment \$100,000
- Purchase of Vehicles (Police) \$50,000

Capital portion of Budget:

- Supplement for Streets and Roads: \$100,000
- Drainage Improvements: \$5,000
- Capital Improvement Fund: \$455,843
- Capital Improvement Fund (one-time increase) \$450,000

NOTES:

- In 2020, the Township now has 12 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.

Capital Budget:

- 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 2020 Capital Budget includes proposed projects totaling \$2,653,900. Following is summary by department:
 - Streets and Roads \$1,099,500
 - DPW \$341,000
 - Facilities \$252,400
 - Fire \$550,000
 - Parks: \$381,000
 - Drainage \$5,000
 - Capital Improvement Fund \$25,000

TAX RATE

The 2020 municipal budget results in a decrease of the tax levy. The reduction is relative to the rounding of the estimated tax rate based on a net valuation of \$924,670,100. This decrease is an estimated reduction \$.23 for the average assessed home of \$253,466.

Estimated Municipal Taxes and Open Space Taxes for 2020 for the average assessed home:

	2020	Estimated Increase/Decrease
Average Assessed Home	253,466	
Tax Rate	.933	
Opens Space Tax Rate	.011	
Municipal Taxes	\$2,364.83	-\$0.23
Open Space Taxes	\$27.88	\$0.00
Total Municipal Taxes	\$2,392.71	-\$0.23

ALLOCATION OF TAX DOLLAR

	2019
Municipal Tax with OS Tax	26.45%
County	17.54%
Schools	56.01%

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 2020, 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 is supported by fees collected from users of the system. The Sewer Utility has its own separate budget. For 2020, the Operating Budget has been restructured to start charging a portion of the employee salaries that support the utility. Additionally, the operating budget has been updated to support a project to jet all sewer lines. The 2020 Operating Budget is increasing \$36,000 which is being offset by a \$35,000 increase of fund balance and \$1,000 increase in anticipated Sewer Rents. There is no change to the user fees.

SUMMARY

In summary, the challenge with this budget and future budgets 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 miscellaneous revenues remain flat resulting in a 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.

The 2020 municipal budget plan has been constructed to fund more capital projects through the budget. The combination of shifting money between line items and increasing the amount of Capital Improvement Fund is reducing the dependency on incurring debt to pay for capital projects.

Respectfully Submitted,



Joseph W. Sabatini, Township Manager