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TO: Mayor and Council and all Residents of Byram Township

DATE: March 6, 2024 - UPDATED

RE: 2024 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 2024 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$12,855,330.82.

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 are 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 2015 to 2024.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Current Property Taxes</b>	75.11%	75.41%	75.82%	75.08%	74.16%	69.62%	73.41%	70.28%	71.98%	71.45%
<b>Misc. Revenues</b>	12.44%	12.20%	11.95%	11.99%	12.03%	13.47%	11.87%	14.34%	12.33%	14.67%
<b>Fund Balance</b>	12.45%	12.39%	12.23%	12.93%	13.81%	16.91%	14.72%	15.38%	15.69%	13.88%

**Fund Balance:**

Fund Balance is generated by several sources including cancellation of budget reserves from 2022, revenues in excess of anticipated amounts from 2023, receipts from delinquent taxes from 2023 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 2024 budget is \$1,785,000.

- \$1,785,000: Support Operations  
(Increase of \$155,000 from 2022, and no change from 2023)

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.

On March 4, 2024, the New Jersey Department of Community Affairs Division of Local Government Services published the Certification of State Aid for Calendar Year 2024. The amount of Total Energy Tax Receipts allocated to Byram Township increased \$2,884 to \$582,337.

Per Local Finance Notice 2023-12, the FY 2024 State Budget doubles the amount of Municipal Relief Fund aid to \$150 million versus the prior year. Calendar Year municipalities having already adopted their CY 2023 budgets were to establish a reserve for the Municipal Relief Fund Aid revenue and the receipt of the revenue should be anticipated in the CY 2024 budget.

This budget presents Municipal Relief aid at \$60,025.27. As referenced in Local Finance Notice 2024-05, the proposed FY 2025 State budget removes the FY 2024 appropriation for Municipal Relief Fund Aid. This means for the CY 2024 municipal budget there will be reduction of state aid totaling \$60,025.27.

This budget presents Garden State Preservation at \$51,622.

State Aid accounts for 5.40% of the Township's revenues.

Excluding State Aid funding, the remaining miscellaneous revenues comprise 9.27% 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 2023, the Township experienced a significant increase in Municipal Court revenues and Interest on Investments. For this budget plan it was decided to increase the anticipation of court revenues \$10,000, and the anticipation of Interest on Investments significantly to \$500,000. The increase in anticipation of Interest on Investment is due to the increased interest rates and the temporary increased balances in various accounts. This increased anticipation of Interest on Investments is a risk to future budgets. As various account balances are spent down and interest rates decrease, the amount of actual Interest on Investments received will decrease. See table below.

Revenue	2023 Anticipated	2023 Actual	2024 Budget	Reduction or Increase
Municipal Court	\$40,000	\$60,461.95	\$50,000	(+) \$10,000
Interest on Investments	\$175,000	\$766,844.85	\$500,000	(+) \$325,000

### **Property Taxes:**

This budget plan now has property taxes totaling \$9,184,793.73 or 71.45% of the revenues. This a 1.19% or \$107,904.73 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. Salary and Wages have been populated with contractual obligations (steps, longevity and salary increases), and all known and planned staff changes. There were minor changes to Operating Expenses with the main increases in the Department of Road Repair and Maintenance to support the removal of Ash Trees from Township owned properties and for new CDL training requirements.

Overall, the Township’s departmental budgets are increasing \$131,679 or 2.41%. This includes all the Township’s municipal departments excluding the construction department which operates through the UCC Trust Account.

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.

The following other expenses are the main contributors to the increase of the 2024 budget and each category as a percentage increase exceeds the COLA (2.5%) for calendar year 2024.

#### **Garbage/Recycling (Increase of \$40,000/4.06%):**

- Annual Garbage/Recycling Contract increase of \$12,000.
- Tipping fees for solid waste are separate and SCUMA has approved a rate increase from \$96 to \$107 per ton. Total increase of \$28,000.

#### **Workers Compensation/General Liability:**

- 2024 assessments increased (6.5%) for 2024 resulting in a combined increase of \$18,473.

#### **Group Insurance:**

- Group Health Insurance was updated for changes of census and State Health Benefits rate increases (Active Employees 7.3%, Early Retirees 7.3%, and Medicare Eligible Retirees 8.8%) as well as changes for Medicare reimbursements, waivers and employee life changes.
- Overall Increase of \$117,600 or 9.4%
- 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 seven active employees and two retirees that are waiving health benefits.
  - The following table summarizes the cost of medical insurance, prescription drugs and dental benefits less employee contributions.

<b>Employee Group</b>	<b>Total Cost: (Health, Dental &amp; RX)</b>	<b>Employee Contributions</b>	<b>Total Net Cost to Township</b>
Clerical Active	\$0.00	\$0.00	\$0.00
Clerical Retired	\$11,495.28	\$237.00	\$11,258.28
DPW Active	\$289,766.40	\$59,999.30	\$229,767.10
DPW Retired	\$183,227.88	\$4,063.20	\$179,164.68
Police Active	\$428,371.20	\$116,862.63	\$311,508.57
Police Retired	\$241,693.80	\$12,016.68	\$229,677.12
All Other Active	\$221,273.16	\$53,625.00	\$167,648.16
All Other Retired	\$45,526.08	\$2,093.76	\$43,432.32
Medicare Reimbursements	\$33,600.00	\$0.00	\$33,600.00
Waivers	\$47,000.00	\$0.00	\$47,000.00
<b>TOTALS:</b>	<b>\$1,501,953.80</b>	<b>\$248,897.57</b>	<b>\$1,253,056.23</b>

### **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 2024 Capital Budget includes proposed projects totaling \$4,923,000. The proposed capital budget does not include necessary improvements to the municipal building. Following is summary by department:

- Streets and Roads \$1,121,000
- DPW \$401,000
- Fire \$1,316,000
- Parks: \$2,035,000
- Police: \$20,000
- Drainage \$5,000
- Capital Improvement Fund \$25,000
- 2024 Minimum Municipal Building Repairs TBD

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 2024 is \$634,223 which is a reduction of \$8,350 compared to 2023.
- Includes \$25,000 that is raised annually to fund the Capital Improvement Fund.

## 2024 PROPOSED Capital Improvements – funded from Budget:

### Operating portion of Budget:

- Improvements to Streets and Roads \$225,500
- DPW Equipment \$100,000
- Purchase of Vehicles \$70,000

### Capital portion of Budget:

- Supplement for Streets and Roads: \$100,000
- Drainage Improvements: \$5,000
- Capital Improvement Fund: \$617,000

### NOTES:

- In 2024, the Township now has seven (7) active employees and two (2) retirees 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 2024 municipal budget results in an increase of the tax levy. This is an estimated increase of \$38.11 for the average assessed home of \$256,000.

Estimated Municipal Taxes and Open Space Taxes for 2024 for the average assessed home:

	2024	Estimated Increase/ Decrease
Average Assessed Home	\$256,000	
Tax Rate	.993	
Opens Space Tax Rate	.011	
Municipal Taxes	\$2,542.01	\$38.08
Open Space Taxes	\$28.16	\$0.03
Total Municipal Taxes	\$2,570.17	\$38.11

## 2023 TAX DOLLAR ALLOCATION:

- Local and Regional Schools: 56%
- Municipal Tax: 26%
- County Tax: 18%

## 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 2024, 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 2023. The primary revenue (\$290,000) of the sewer utility are the fees collected from users of the system. Sewer user fees for calendar year 2024 are again remaining unchanged. The remaining source of revenues is fund balance which is \$90,000 or 24% of the total revenues.

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. There was a final draw in 2023 against this bond that is included in the debt service for the 2024 calendar year budget.

### **SUMMARY**

The municipal budget is the Council's most important annual policy statement. It defines how the local government team will implement its priorities for the next fiscal year, and where the money will come from to carry out that work plan.

Each year the budget plan is presented with different challenges on both the appropriations side and revenue side of the budget.

This year on the appropriations side, the budget plan again is primarily driven by spending in the areas of public health (garbage), healthcare, workers compensation insurance and general liability insurance costs. These increased costs are not unique to Byram Township as 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 2024 include garbage collection and disposal, recycling costs, gas and diesel fuel, health insurance contributions and pensions.

The staff has done an exceptional job for this budget plan holding the line on departmental operating expenses.

On the revenue side of the budget the Township is anticipating a significant increase in the anticipation of Interest on Investments which is due to increased interest rates and the temporary increased balances in various interest-bearing accounts. This increased anticipation of Interest on Investments is a risk to future budgets. As various account balances are spent down and interest rates decrease, the amount of actual Interest on Investments received

will decrease. As the result of this increased anticipation of interest income, it is supporting both increased funding to the capital improvement fund and is being used to offset increased costs.

As in recent years, this budget plan continues to support the shifting of funds between line items to increase the amount of spending for capital improvements. Please review the Capital Budget and three-year Capital Program to understand the varying capital projects that are being considered.

The Township's ratable base remains restricted with 88% of the Township's assessments being residential properties. There are no expected residential subdivisions as most of the communities are fully built out. Only 8.65% of the rate base is commercial or industrial. Most of the opportunities with these properties are through redevelopment. There are some new anticipated commercial rateables that are expected to start in 2024.

In summary, the proposed budget plan adequately satisfies the needs of the community and serves the best interests of the Township. This is a responsible budget plan and I very much appreciate the hard work of all the Township's department heads and staff for holding the line on departmental operating expenses.

Respectfully Submitted,



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Joseph W. Sabatini, Township Manager