

TOWNSHIP OF BYRAM

NEW JERSEY

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TO: Mayor and Council and all Residents and Taxpayers of Byram Township

DATE: March 22, 2017

RE: 2017 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 2017 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$11,338,581.19.

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, State Aid, fund balance and miscellaneous revenues generated by municipal operations.

The following compares the proportion of budgeted revenues from 2008 to 2017 excluding public and private revenues.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Current Property Taxes	69%	71.1%	74.39%	74.47%	74.85%	75.39%	75.58%	75.11%	75.41%	75.82%
Misc. Revenues	16.6%	14%	10.78%	10.43%	10.04%	9.77%	9.65%	9.31%	9.03%	8.82%
Fund Balance	10.8%	11.5%	11.41%	11.77%	11.86%	11.66%	11.60%	12.45%	12.39%	12.23%
Delinquent Taxes	3.6%	3.4%	3.42%	3.33%	3.25%	3.19%	3.17%	3.13%	3.17%	3.13%

Fund Balance:

Fund Balance is generated by several sources including cancellation of budget reserves from 2015, revenues in excess of anticipated amounts, receipts from delinquent taxes from 2016 and added and omitted taxes collected for when construction improvements are deemed complete by Tax Assessor.

The fund balance as of December 31, 2016 totaled \$2,332,167.84. The amount of Fund Balance committed to the 2017 budget is \$1,370,102 which is the same amount as 2016. In 2016, Fund Balance increased \$30,000.

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, 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 Township received notification that the State Fiscal Year 2018 budget proposes level aggregate funding for Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts (ETR). The proposed State Aid CMPTRA and ETR for 2017 totals \$575,475. Also, we received notification that the Township should anticipate Garden State Trust PILOT (Payment in Lieu of Taxes) funding at the same level as 2016 totaling \$41,920. State Aid accounts for 5.5% of the Township’s revenues.

Other Miscellaneous revenues anticipated comprise 3.3% of the revenues or \$370,500. These anticipated revenues include Court Fees, Uniform Construction Fees, Interest on Investments, Interest and Costs on Taxes, and Fees and Permits. Also, this includes \$25,000 from the reserve for Debt Service. Court Revenues for 2016 were anticipated at \$70,000 which was a \$19,000 reduction from 2015. Court Revenues for 2017 are anticipated at \$60,000 which is another \$10,000 reduction. Total Court Revenues received for 2016 totaled \$60,533.41.

Receipt from Delinquent Taxes:

Receipts from delinquent taxes are funds collected from property owners delinquent in making prior year tax payments. This budget plan anticipates \$350,000 or 3.09% of total revenues.

Property Taxes:

This budget plan has property taxes representing 75.82% or \$8,491,284 in revenues. In 2016, budgeted property taxes totaled \$8,337,180 of the revenues. This budget plan is a 1.8 % or \$154,104 increase of the tax levy. The increase is the result of a \$144,104 increase of appropriations and \$10,000 decrease of revenues.

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 \$144,104 after excluding Public and Private Programs (Grants - \$129,730.71) and Special Assessment Administrative Fees (Forest Lakes Dam - \$9,569) which are Offset by Revenues (net zero).

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 these categories of expenses resulted in a \$157,914 increase which includes an increase of \$100,000 for Improvements to Streets and Roads. Summary of changes include:

- Applied Changes to Departmental Salary and Wages:
 - Salary and Wages have been updated with contractual obligations and anticipated changes for staffing. All employees received a 2% increase.
 - Accounted for changes in longevity (PBA) and contractual steps (PBA).
 - In 2016 the Construction Official and Sub-code Officials resigned. The staff was replaced with a significant reduction of cost. Moved \$45,500 to Capital Improvement Fund.
- Public Safety Answering Point (PSAP) agreement with Sparta – increased assessment 2% (\$3,500). This agreement expires December 31, 2017.
- The 2016 planning budget for Affordable Housing was increased \$25,000 for litigation related to the Township’s Housing Element and Fair Share Housing Plan. This budget plan keeps this amount in the planning budget to support hiring a program facilitator for implementation of action items as outlined in the Township’s Sustainable Economic Development Plan.
- Special Assessment Administration is related to the Forest Lakes Dam Assessment. Included in the special assessment was an annual fee to cover the annual costs of administering the special assessment. An equal amount (\$9,569) was included as an appropriation and revenue that will allow the Township to charge and pay expenses associated with the assessment.

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. Overall Other Expenses reflect a decrease of \$13,810 which is the result of redirecting funding from the Group Insurance account to other capital project accounts.

The following are comments on the other expenses of the Township.

Pension Payments:			
PERS:	Increased		\$11,363
PFRS:	Increased		\$12,035
Garbage Contract:	Increased		\$12,000

General Liability Insurance (3.1%):	Increased	\$ 5,896
Workers Compensation Insurance (3.1%):	Increased	\$ 3,078

Group Insurance:

- The 2017 obligation for Group insurance is \$1,632,434.
- 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. Highlights of the law that impact employees of Byram Township are as follows:
 - Byram Township is a non-SHBP Employer and under the law it requires that the cost of coverage shall include all health care benefits, medical, prescription drugs, dental, and vision.
 - Percentage of contribution (derived from salary and type of coverage tables) is multiplied by the total premium due for each employee and deducted from base salary.
 - All active employees receiving health benefits will contribute to the cost of health benefits.
- 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.
- The blended rate increase for health insurance, prescription drugs and dental for 2017 is 1.71%.
- In 2017 there are a total of thirteen employees that are waiving health benefits at a total cost of \$75,279.76. This is an increase of six employees from 2016. This is an annual savings of \$290,326 after considering cost of waivers.

Employee Group	Total Cost: (Health, Dental & RX)	Employee Contributions	Total Net Cost to Township
Clerical Active	\$0.00	\$0.00	\$0.00
Clerical Retired	\$55,368.00	\$503.28	\$54,864.72
DPW Active	\$269,448.00	\$62,049.84	\$207,398.16
DPW Retired	\$158,928.00	\$0.00	\$158,928.00
Police Active	\$268,500.00	\$93,008.88	\$175,491.12
Police Retired	\$432,048.00	\$0.00	\$432,048.00
All Other Active	\$131,172.00	\$28,692.36	\$102,479.64
All Other Retired	\$83,628.00	\$1,978.20	\$81,649.80
Medicare Reimbursements	\$13,680.00	\$0.00	\$13,680.00
Waivers	\$75,279.76	\$0.00	\$75,279.76
TOTALS:	\$1,488,051.76	\$186,232.56	\$1,301,819.20

Debt Service - Increased \$12,725:

- 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.
- 2016 started the next 10 year cycle of 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.
- The goal of the Township is to balance the permanent and short-term debt obligations to keep the principal and interest payments flat year after year.
- In 2017, the Township is making minimal pay downs and interest (\$45,300) on Bond Anticipation Notes.
- The balance of Debt Service was moved into Capital Improvement Fund to support funding Capital Projects.

Capital Improvement Fund - Increased \$32,775:

- The Capital Improvement Program is the vehicle that allows the Township to plan and prioritize large expenditures.
- Total for 2017 = \$365,913 which includes \$25,000 that is raised annually to fund the Capital Improvement Fund.
 - Includes \$45,500 moved from Construction Department S&W.
 - Includes \$30,000 moved from Special Emergency.
- The 2017 proposed Capital Improvements funded from the budget are:

▪ Capital Improvement Fund:	\$365,913
▪ Drainage Improvements:	\$5,000
▪ Supplement for Streets and Roads:	\$100,000
▪ Other Budget Expenses:	
▪ Budget Appropriation (Streets-n-Roads)	\$205,500
▪ Budget Appropriation (DPW Equipment)	\$120,000
▪ Budget Appropriation (Purchase Vehicles)	\$59,000
• Administration Vehicle.	
• Supplement purchase of DPW Vehicles.	
• Police Vehicle – replacing vehicle in accident.	

TAX RATE

The 2017 municipal budget calls for an estimated municipal rate increase of .015 for each \$100 of assessed value using the net valuation of \$926,499,000. This increase represents an estimated \$38.58 annual municipal tax increase for the average assessed home of \$253,307. A comparison of municipal real estate taxes is summarized in the following table.

	2011	*2012	2013	2014	2015	2016	2017	Estimated Increase/ Decrease
Average Assessed Home	\$301,833	\$253,020	\$253,116	\$253,458	\$253,014	\$253,264	\$253,307	
Tax Rate	.687	.839	.862	.864	.880	.901	.916	
Municipal Taxes	\$2,073.59	\$2,122.84	\$2,181.86	\$2,189.88	\$2,226.45	\$2,281.71	\$2,320.29	\$38.58
Open Space Taxes	\$27.16	\$27.83	\$27.84	\$27.88	\$27.83	\$27.86	**\$27.86	\$0.00
Total Municipal Taxes	\$2,100.75	\$2,150.67	\$2,209.70	\$2,217.76	\$2,254.28	\$2,309.57	\$2,348.15	\$38.58

NOTES:

- *2012 was a reassessment year.
- **Assuming \$110,430 to be raised in OS Tax.

ALLOCATION OF TAX DOLLAR

	2010	2011	2012	2013	2014	2015	2016
Municipal Tax with OS Tax	26.68%	26.40%	26.75%	26.68%	26.36%	26.66%	26.60%
County	16.56%	16.92%	16.05%	16.53%	16.63%	16.08%	16.96%
Schools	56.76%	56.68%	57.20%	56.79%	57.01%	57.26%	56.44%

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 2017, the Township anticipates raising \$110,430 or approximately \$.01 for each \$100 of assessed valuation. This represents no change from 2016. 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. Also, the funds are used to support the maintenance and development of open space parcels that have been purchased with the open space tax.

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 2015, the Operating Budget was restructured to support a five percent reduction of user fees. The Operating Budget remained flat for 2016 and the legacy debt obligations for the establishment of the utility were fully paid. Mainly due to the reduction of debt service, the Township is able to support an additional five percent reduction of user fees for the 2017 budget.

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 decrease resulting in a higher 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 2017 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