

**TOWNSHIP OF BYRAM
NEW JERSEY**

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TO: Mayor and Council and all Residents of Byram Township

DATE: March 27, 2018

RE: 2018 Municipal Budget Message – Adoption

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 2018 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$11,369,394.25.

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 2009 to 2018 excluding public and private revenues.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current Property Taxes	71.10%	74.39%	74.47%	74.85%	75.39%	75.58%	75.11%	75.41%	75.82%	75.08%
Misc. Revenues	17.40%	14.20%	13.76%	13.29%	12.95%	12.82%	12.44%	12.20%	11.95%	11.99%
Fund Balance	11.50%	11.41%	11.77%	11.86%	11.66%	11.60%	12.45%	12.39%	12.23%	12.93%

Fund Balance:

Fund Balance is generated by several sources including cancellation of budget reserves from 2016, revenues in-excess of anticipated amounts, receipts from delinquent taxes from 2017 and added and omitted taxes collected for when construction improvements are deemed complete by Tax Assessor.

The fund balance as of December 31, 2017 totaled \$2,569,563. The amount of Fund Balance committed to the 2018 budget is \$1,470,102. Overall this is an increase of \$100,000 from 2017. This increase in fund balance is not to offset the costs of ongoing operations but to support one-time expenses for 2018. The 2017 and 2018 budget plans anticipated the spending of known sources of unexpended balances which will reduce the amount of fund balance regenerated.

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 Township received notification that the State Fiscal Year 2019 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 2018 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 2017 totaling \$41,920. State Aid accounts for 5.43% of the Township’s revenues.

Other Miscellaneous revenues anticipated comprise 6.56% 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. No changes to anticipated revenues were made for 2018.

Property Taxes:

This budget plan has property taxes representing 75.08% or \$8,536,187.40 in revenues. This is a .53 % or \$44,903 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.

Overall, this budget plan is presenting an increase in appropriations totaling \$144,903 after excluding Public and Private Programs 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. These categories of expenses resulted in a \$114,975 increase. Summary of changes include:

- Applied Changes to Departmental Salary and Wages:
 - Salary and Wages have been populated with contractual obligations for steps and changes of longevity for Police Officers (minimum increase \$21,500).
 - 4 employees will receive increased longevity.
 - 2 employees in steps.
 - Budget is presented with a 0% increase of Salary and Wages for Administrative, DPW, and Police Department employees. Clerical Employees settled for a 2% increase. Collective Bargaining Groups (DPW and Police) are currently in contract negotiations.
 - No change to overtime budgets for Police or DPW.
- Staff Changes:
 - The Township’s Chief Municipal Finance Officer was appointed Tax Collector.
 - Budgeted for Part-time position in Tax Collection Department.
 - In process of hiring a new DPW laborer that will replace an employee that had provided notification of his retirement effective May 1, 2018.
 - Adding new staff member (DPW laborer).
 - Budgeted for a Part-time recreation director not to exceed 28 hours per week.
- Changes to Departmental Operating Expenses:
 - Included \$50,000 in the General Administration O&E budget for research and development for a new building solution.
 - Included \$5,000 for QPA to manage the procurement of goods and services through public bid upon request.
 - Increased Planning O&E budget \$25,000 to support a budget of \$50,000 to be used at Council’s discretion for a grant writer or activities that are outlined in the Township’s Sustainable Economic Development Plan.
 - Included \$1,000 in budget plan for an annual stipend to appoint member of the Environmental Commission as a secretary.

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 increased \$29,928. Significant dollar changes were seen in the following appropriations:

○ Pension Payments (PFRS):	Increased	\$17,685
○ Garbage Contract:	Increased	\$16,000
○ Pension Payments (PERS/DCRP):	Decreased	\$ 8,948
○ General Liability Insurance:	Decreased	\$21,045
○ Workers Compensation Insurance:	Decreased	\$10,986

Group Insurance:

- The 2018 obligation for Group Insurance is \$1,638,887 representing an increase of \$40,385 from 2017. This was mainly the result of one less employee choosing to waive health benefits.
- 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 was a decrease of 1.69% for health insurance, prescription drugs and dental.
- In 2018 there are a total of twelve employees that are waiving health benefits at a total cost of \$58,767. This is a decrease of one employee from 2017. This is an annual savings of \$289,122 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	\$26,496.00	\$397.44	\$26,098.56
DPW Active	\$328,800.00	\$76,317.72	\$252,482.28
DPW Retired	\$194,220.00	\$0.00	\$194,220.00
Police Active	\$255,708.00	\$86,791.32	\$168,916.68
Police Retired	\$456,876.00	\$0.00	\$456,876.00
All Other Active	\$96,024.00	\$21,137.76	\$74,886.24
All Other Retired	\$101,328.00	\$2,504.52	\$98,823.48
Medicare Reimbursements	\$18,626.00	\$0.00	\$18,626.00
Waivers	\$58,767.40	\$0.00	\$58,767.40
TOTALS:	\$1,536,845.40	\$187,148.76	\$1,349,696.64

Capital Improvement Fund - Increased \$32,540:

- 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 2018 = \$398,453 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.
 - Includes \$32,000 moved from Workers' Compensation and General Liability Insurance which is reduction of 2018 premiums.
- The 2018 proposed Capital Improvements funded from the budget are:
 - Capital Improvement Fund: \$398,453
 - Drainage Improvements: \$5,000
 - Supplement for Streets and Roads: \$100,000
 - Other Budget Expenses:
 - Budget Appropriation (Streets-n-Roads) \$225,500
 - Budget Appropriation (DPW Equipment) \$100,000
 - Budget Appropriation (Purchase of Vehicles) \$29,000
 - Supplement purchase of DPW Vehicles.
 - Police Vehicles – leasing to 2 patrol cars and outfitting.

TAX RATE

The 2018 municipal budget calls for an estimated municipal rate increase of .007 for each \$100 of assessed value using the net valuation of \$925,038,900. This increase represents an estimated \$12.62 annual municipal tax increase for the average assessed home of \$252,753. A comparison of municipal real estate taxes is summarized in the following table.

	*2012	2013	2014	2015	2016	2017	2018	Estimated Increase/ Decrease
Average Assessed Home	\$253,020	\$253,116	\$253,458	\$253,014	\$253,264	\$253,307	\$252,753	
Tax Rate	.839	.862	.864	.880	.901	.916	.923	
Municipal Taxes	\$2,122.84	\$2,181.86	\$2,189.88	\$2,226.45	\$2,281.71	\$2,320.29	\$2,332.91	\$12.62
Open Space Taxes	\$27.83	\$27.84	\$27.88	\$27.83	\$27.86	\$27.86	**\$30.33	\$2.47
Total Municipal Taxes	\$2,150.67	\$2,209.70	\$2,217.76	\$2,254.28	\$2,309.57	\$2,348.15	\$2,363.24	\$15.09

NOTES:

- *2012 was a reassessment year.
- **\$110,430 to be raised in OS Tax.
- *If there was not a loss of \$1,460,100 in the Township's net valuation, the new tax rate would be .921 as opposed to .923 (the loss of net valuation represents a rate increase of .002 for each \$100). This equates to a difference of \$5.05 for the average assessed home.*

ALLOCATION OF TAX DOLLAR

	2011	2012	2013	2014	2015	2016	2017
Municipal Tax with OS Tax	26.40%	26.75%	26.68%	26.36%	26.66%	26.60%	26.61%
County	16.92%	16.05%	16.53%	16.63%	16.08%	16.96%	17.14%
Schools	56.68%	57.20%	56.79%	57.01%	57.26%	56.44%	56.25%

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 2018, the Township again anticipates raising \$110,430 or approximately \$.012 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. 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

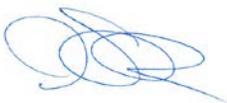
The Township’s Sewer Utility is supported by fees collected from users of the system. The Sewer Utility has its own separate budget. For 2015, the Operating Budget was restructured to support a five percent reduction of user fees. The Operating Budget remained flat for 2016 and the legacy debt obligations for the establishment of the utility were fully paid. Mainly due to the reduction of debt service, the Township was able to support an additional five percent reduction of user fees for the 2017 budget. The 2018 Operating Budget has remained flat from 2017.

SUMMARY

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 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 2018 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