

Joseph Sabatini

From: Joseph Sabatini
Sent: Thursday, January 5, 2023 11:45 AM
To: Alex Rubenstein; Cindy Church; Cris Franco; Harvey Roseff; John Gallagher; Phil Crosson; Raymond Bonker; T Collins
Cc: Ashleigh Frueholz; Cindy Church; Construction Official; Ken Burke; Michael Orgera; Penny Holenstein; Phil Crosson; Zoning Officer; Catherine Biancone; Todd Rudloff
Subject: January 10, 2023 - Budget Workshop - 7:00 PM
Attachments: 10262022 12023 Initial Budget Presentation Final.pdf

All,

Please see below the links to the updated Budget Workbooks.

- Budget Workbook including the Construction Department: <https://www.byrantwp.org/useruploads/files/01042023%202023%20Budget%20Workbook.pdf>
- Budget Workbook removes the Construction Department assuming a UCC Trust: <https://www.byrantwp.org/useruploads/files/01042023%202023%20Budget%20Workbook%20-%20UCC%20TRUST.pdf>

Please find attached a copy of my budget memo from October 26, 2022. Following is summary of the major changes that have been made since this memo was published.

- Appropriations:
 - Celebration of Public Events – Increased \$6,235
 - General Liability – Increased \$9,761 (NOTE: Final assessments for GL and WC was an increase of 7%)
 - Workers Compensation – Increased \$3,502
 - Pensions (DCRP) – Increased \$1,900
 - Musconetcong Sewer Fees – Increased \$3,600
 - Telephone – Reduced \$20,000
 - Heating Oil – Reduced \$15,000
 - Gasoline/Diesel – Reduced \$5,000
 - NET CHANGE – REDUCTION OF \$15,002
- Anticipated Revenues:
 - Uniform Construction Fees – Increased \$40,000
 - Interest and Costs on Taxes – Increased \$9,000
 - Interest on Investments – Increased \$20,000
 - NET CHANGE – INCREASE OF \$69,000

As presented, the revised budget plan has property taxes totaling \$9,348,517. This is a 6.00% or \$528,982 increase of the tax levy. This is a reduction of \$84,002 from the budget plan that was presented October 26, 2022.

If Construction Department is removed from the General Fund Budget and managed through the UCC Trust, the revised budget plan has property taxes totaling \$9,290,767. This is a 5.34% or \$471,232 increase of the tax levy. The changes are as follows: Total Reduction of Appropriations (S&W, O&E and Fringe Benefits) is \$297,750 and Reduction of Revenues is \$240,000 for an overall Net Reduction of \$57,750.

Following is the link to the three-year Capital Improvement Program and the 2023 Capital Budget. Under the 2023 Capital Budget we are planning to fully fund the DPW Salt Dome improvements through the Capital Improvement Program. To start the design and prepare for early bidding of the salt dome project, we are planning to introduce a fully funded capital ordinance at the next Council Meeting. When the 2023 Budget is adopted the capital improvement fund will be replenished.

<https://www.byrampwp.org/useruploads/files/11282022%20Capital%20Budget%202022%20-%202025%20with%20BKUP.pdf>

Prior to the meeting, Ashleigh will complete a preliminary calculation to determine the amount of fund balance that has been regenerated with the close of 2022 budget year and 2021 reserve year that will be available for 2023. Also, preliminary CAP calculations will be completed. The recommendation for the final adopted budget is to maximize the amount that can be raised under the Levy CAP with the remainder of the increase offset by an increased use of fund balance. This strategy will carry the liability of being able to regenerate fund balance in future years, so it should be expected to reduce this dependency of the increased fund balance in future budget cycles. We can discuss further during the budget workshop.

If you have specific questions that you would like us to address at the January 10 budget workshop, please send them to me so that we can be better prepared to answer.

Thanks - Joe



Joseph W. Sabatini
Byram Township Manager

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TO: Township Council

FROM: Joseph W. Sabatini, Township Manager

DATE: October 26, 2022

RE: PRELIMINARY VIEW (ESTIMATED) 2023 Municipal Budget

Disclaimer:

The attached budget details are a preliminary view of the 2023 Budget, and there are items that still have not been fully resolved and items that will require further discussion with the Mayor and Council. These items may have impact on the final budget plan and the amount to be raised by taxes.

At the time of writing this memo, the annual inflation rate for the United States is 8.2% for the 12 months ending September 2022, according to U.S. Labor Department.

As you will reference below, there are a few cost drivers in this budget plan that are the main sources contributing to the increase of expenditures, and as a percent of increase these individual expenditures far exceed the level of inflation.

Departmental Budgets:

The 2023 Budget Process was kicked off in July with the initial submissions of the Departmental Budgets from each of the Township's Department Heads due in August. The Department Heads were instructed to prepare budget requests with each subaccount-starting at zero and to provide detailed justification of each sub-account request in lieu of pointing to prior years' allocations as the starting point.

Salary and Wages have been populated with contractual obligations (steps, longevity and salary increases), and all known and planned staff changes. Overall, Salary and Wages for all departments total \$4,134,050 which is an increase of \$111,200 or 2.7% from 2022. This budget includes the addition of a permanent part-time technical assistant (TACO) for the construction department and eliminates the budget for temporary help in the construction department. This budget plan does not include an increase of community program staffing to support regularly scheduled recreation programming. Also, this budget plan does not include an increase of the Celebration of Public Events.

Overall, operational expenses for all departments total \$1,609,709 which is a reduction of \$15,824. These expenses may have minor changes prior to budget introduction. The IT support budget is being finalized dependent on final inventory of users and equipment. Still waiting on final assessment for construction department software (SDL) which is to include plan review, but preliminary budget assumes an anticipated increase. Also, working on shared service agreement renewals which include animal control/pound services and

fire prevention services. This preliminary budget assumes no increase for these services. Overall the Township's operating budget is increasing \$95,376 or 1.7%. This includes all of the Township's municipal departments.

Other Categories of Expenses:

Most of these expenses have been updated. We are still waiting on assessments from Statewide Insurance for general liability and workers' compensation insurances.

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:
 - o 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%
 - o 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.
 - o Used Option 2 for preliminary budget presentation. Mayor and Council still needs to authorize contract option.
 - o \$225,000 increase or 29.61% including solid waste tipping fees.
- Utilities:
 - o Telephone – increase of \$9,000 or 29.03%
 - In process of completing a phone line audit.
 - Verizon charges for analog lines increased in June by 40%.
 - o Heating Oil – increase of \$34,500 or 52.67%
 - o Gasoline/Diesel = increase of \$85,000 or 70.83%
- Group Insurance:
 - o Increase of \$146,000 or 12.36%
 - o Group Health Insurance was updated for changes of census and 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.
- Pensions:
 - o 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%.
 - o Byram Increase (PERS, PFRS & DCRP): \$49,684 or 6.3%

This plan reduces the allocation of funds supporting the Capital Budget Program which is due to eliminating the one-time use of Fund Balance to increase the capital program by \$300,000 in 2022.

Summary of Estimated Revenues:

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

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 following assumptions have been made for Miscellaneous Revenues. When the 2022 calendar year is closed out, the anticipated miscellaneous revenues will be reviewed for any final adjustments.

- Fees and Permits – no change
- Uniform Construction fees – increase of \$5,000
- Municipal Court – no change
- Interest on Costs on Taxes – reduction of \$24,000. In 2021 and 2022, the Director of Local Government Services authorized the use of a three-year average for calculation of affected revenues. This may be an option in 2023 for Interest on Cost on Taxes that may help the soften the impact of the reduction on the 2023 budget. If these revenues continue to not recover it will have impact to the 2024 budget.
- Interest on Investments – increase of \$55,000
- State Aid (Energy Receipts Tax, Garden State Preservation Trust & Municipal Relief Fund Aid) – Overall, this version of the budget plan presents a slight increase of \$7,384 for state aid. In 2022/2023 the State established Municipal Relief Fund Aid and the Township received \$30,019. Since the budget was already adopted by the time the fund was established, as per LFN 2022-13, the amount was reserved to be accounted for in the 2023 budget cycle. The Garden State Preservation Trust monies were reduced to \$41,920. The Township will be informed in first quarter 2023 regarding the final state aid allocations.
- Receipts from Delinquent Taxes – Difficult to estimate as this time. Presented as no change. Once fourth quarter collection is completed, anticipated amount will be revisited for budgetary purposes.

Once the 2022 calendar year is closed and the unaudited fund balance is available, we can complete a thorough evaluation of fund balance for the 2023 budget and beyond. Currently, we are anticipating \$1,630,000, a reduction of \$300,000 from the 2022 Budget, which was supporting one-time funding of the Capital Improvement Program. It is expected the 2023 Budget Plan will have a high dependency on an increased use of fund balance. This increased use of fund balance will need to be assessed for sustainability to offset operations and it will have impact on future budget cycles.

As presented, this budget plan has property taxes totaling \$9,432,519. This is a 6.95% or \$612,984 increase of the tax levy. As referenced in Local Finance Notice 2022-18 (October 19, 2022), the Township's budget must comply with both the 1977 cap law (appropriations) and the 2010 levy cap law. In particular, the 2010 levy cap law will have significant impact on the amount that can be raised by property taxes for the 2023 budget, without modification by the State Legislature. There are general exclusions in the 2010 levy cap law for pension contributions in excess of two percent, and health benefit cost increases of two percent limited by the increase in State Health Benefit rate increase.