

# TOWNSHIP OF BYRAM NEW JERSEY

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TO: Mayor and Council and all Residents of Byram Township

DATE: February 23, 2021

RE: 2021 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 2021 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$11,854,835.36.

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.

Excluding Grants, Property Taxes, and Fund Balance, this budget plan is seeing a reduction of \$130,000 in anticipated revenues.

The following compares the proportion of budgeted revenues from 2012 to 2021.

|                               | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Current Property Taxes</b> | 74.85% | 75.39% | 75.58% | 75.11% | 75.41% | 75.82% | 75.08% | 74.16% | 69.62% | 73.41% |
| <b>Misc. Revenues</b>         | 13.29% | 12.95% | 12.82% | 12.44% | 12.20% | 11.95% | 11.99% | 12.03% | 13.47% | 11.87% |
| <b>Fund Balance</b>           | 11.86% | 11.66% | 11.60% | 12.45% | 12.39% | 12.23% | 12.93% | 13.81% | 16.91% | 14.72% |

**Fund Balance:**

Fund Balance is generated by several sources including cancellation of budget reserves from 2019, revenues in-excess of anticipated amounts from 2020, receipts from delinquent taxes from 2020 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 2021 budget is \$1,745,500:

- o \$1,535,500: Support Operations
- o \$210,000: Offsets one-time appropriations to the Capital Improvement Fund, and Legal Budget.

In 2020, we collected on two grant reserves totaling \$251,041.45 which supports bringing in additional Fund Balance of \$210,000 to offset the one-time appropriations to Capital Improvement Fund and the Legal Budget.

Due to the changes to the Township revenues for the 2021 budget year, we are not expecting revenues in-excess of anticipated amounts having a direct impact on the regeneration of fund balance at the end of the 2021 budget year. Also, the cancellation of unexpended balances is expected to be less since we have taken breakage of savings in various appropriations. Therefore, this budget plan reduces the dependency on Fund Balance to support operations by \$75,000.

**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, 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 2021 budget will propose the same level of aggregate funding for Energy Tax Receipts (ETR) as 2020, or \$575,475. Also, we are anticipating the Garden State Trust PILOT (Payment in Lieu of Taxes) funding at the same level as 2020 totaling \$41,920. State Aid accounts for 5.21% of the Township's revenues.

Excluding State Aid funding, the remaining miscellaneous revenues comprise 6.66% 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.

In 2020, the Township's impact from the COVID-19 emergency has resulted in loss revenue mainly in court and interest on investments. This has an impact on what can be anticipated in 2021 budget.

- Municipal Court: Reduction of \$10,000
- Interest on Investments: Reduction of \$107,255

The tax collection rate in 2020 increased which resulted in a reduction of what can be anticipated in Receipts from Delinquent Taxes in 2021. Reduced the anticipation of Receipts from Delinquent Taxes by \$25,000.

This budget plan includes an increased anticipation of Uniform Construction fees of 26.92% or \$35,000. The Uniform Construction Fee schedule was changed increasing most fees to align with the State fees. This increase in the fee schedule supports the increased anticipation of revenues which is helping to offset the increase in the Construction Department operating budget. This increase of anticipated revenues will decrease the amount of revenues not anticipated which has a negative impact on the regeneration of Fund Balance.

**Property Taxes:**

This budget plan has property taxes totaling \$8,702,246.00, or 73.41% of revenues. This is a .89 percent or \$76,722.00 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 a decrease in appropriations totaling \$322,150.01 after excluding Public and Private Programs which are Offset by Revenues.

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 \$34,650 decrease. Summary of changes include:

**Salary and Wages:**

- Salary and Wages have been populated with contractual obligations (steps, longevity and salary increases (2%)) and anticipated changes for staffing.

**Staff Changes:**

- This budget plan includes all staff changes made as of January 1, 2021.
- There has been the elimination of one (1) full-time Administration position (Deputy Clerk Title).
- This plan includes the retirement of the Township Clerk, the appointment of the Deputy Clerk to Township Clerk, and the appointment of a Deputy Manager. Also, this budget plan includes the hiring of a part-time recreation leader. These changes have resulted in overall savings of approximately \$20,000.
- Includes the appointment of a full-time Construction Official effective January 1, 2021, and an increase of the fire subcode official weekly hours to accommodate inspections.
- The current plan includes the salaries for the current census of the Police Department which includes the breakage of salaries from the retiring of two long-term employees and the hiring of new police officers. Police overtime budget was reduced \$20,000.
- This plan includes the retirement of the Senior Buildings and Grounds employee and replacement with a Laborer.
- Includes the reduction of Senior Bus services from three (3) days per week (24 hours) to one (1) day per week (8 hours).
- Included \$40,000 in Parks and Playgrounds Salary and Wages to hire a part-time recreation leader. In 2018 the Council decided not to replace the full-time Recreation Director that retired December 31, 2017. The part-time recreation leader will assist the Recreation Committee with Township sponsored events. Additionally, this individual will be responsible for recreation administration including facility applications, recreation procurement and requests for proposals regarding recreation events.

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:

- The budget plan includes the implementation of an interactive government management software program which is the small-town solution (10 users licenses) of Spatial Data Logic (SDL).
- Group Insurance updated based on employee census and the Township's total exposure. Savings from the move to State Health Benefits in 2019 has been factored into this budget plan.
- Workers Compensation and General Liability Insurance reduced \$30,247 compared to 2020 costs based on the three-year renewal with Statewide Insurance. There is concern the new premiums are not sustainable in successive years. The \$30,000 saving was moved to Capital Improvement Fund to assist with funding capital projects. This can always be pulled back in a future budget cycle.
- First Aid Contributions were reduced \$19,500 from \$25,500 to \$6,000.
- Pensions:
  - o PERS increase: \$9,807 or 5.6%
  - o PFRS increase: \$71,037 or 14.6%
  - o DCRP increase: \$4,000 or 39.2%

#### **Group Insurance:**

- 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.
  - o There are twelve employees and two retirees that are waiving health benefits.
  - o The following table summarizes the cost of medical insurance, prescription drugs and dental benefits less employee contributions.

| <b>Employee Group</b>      | <b>Total Cost:<br/>(Health, Dental<br/>&amp; RX)</b> | <b>Employee<br/>Contributions</b> | <b>Total Net Cost<br/>to Township</b> |
|----------------------------|------------------------------------------------------|-----------------------------------|---------------------------------------|
| Clerical Active            | \$0.00                                               | \$0.00                            | \$0.00                                |
| Clerical Retired           | \$25,088.28                                          | \$237.00                          | \$24,851.28                           |
| DPW Active                 | \$250,329.72                                         | \$41,887.27                       | \$208,442.45                          |
| DPW Retired                | \$134,181.96                                         | \$2,308.08                        | \$131,873.88                          |
| Police Active              | \$283,262.40                                         | \$84,087.60                       | \$199,174.80                          |
| Police Retired             | \$196,571.16                                         | \$0.00                            | \$196,571.16                          |
| All Other Active           | \$172,286.88                                         | \$32,517.58                       | \$139,769.30                          |
| All Other Retired          | \$45,502.80                                          | \$2,148.60                        | \$43,354.20                           |
| Medicare<br>Reimbursements | \$22,275.00                                          | \$0.00                            | \$22,275.00                           |
| Waivers                    | \$53,400.00                                          | \$0.00                            | \$53,400.00                           |
| <b>TOTALS:</b>             | <b>\$1,182,898.20</b>                                | <b>\$163,186.13</b>               | <b>\$1,019,712.07</b>                 |

#### **Capital Improvement Fund:**

- o The Capital Improvement Program is the vehicle that allows the Township to plan and prioritize large expenditures.
- o 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.

- o The total appropriation to the Capital Improvement for 2021 is \$671,443 which is a \$234,400 reduction from 2020.
  - Includes \$25,000 that is raised annually to fund the Capital Improvement Fund.
  - There were one-time events in 2020 that supported appropriating an additional \$200,000 to the Capital Improvement Fund which is being offset by an increase of \$200,000 in Fund Balance.

**2021 PROPOSED Capital Improvements – funded from Budget:**

**Operating portion of Budget:**

|                                     |                                   |
|-------------------------------------|-----------------------------------|
| o Improvements to Streets and Roads | \$225,500 (Reduction of \$50,000) |
| o DPW Equipment                     | \$100,000                         |
| o Purchase of Vehicles (Police)     | \$50,000                          |

**Capital portion of Budget:**

|                                                |           |
|------------------------------------------------|-----------|
| o Supplement for Streets and Roads:            | \$100,000 |
| o Drainage Improvements:                       | \$5,000   |
| o Capital Improvement Fund:                    | \$471,443 |
| o Capital Improvement Fund (one-time increase) | \$200,000 |

**NOTES:**

- o In 2020, the Township now has 11 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.
- o 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:**

- o The Capital Budget represents the current year of a three-year capital improvement program.
- o The Capital Budget does not in itself confer any authority to raise or expend funds.
- o The 2021 Capital Budget includes proposed projects totaling \$3,112,500. Following is summary by department:
  - Streets and Roads \$1,886,500
  - DPW \$293,000
  - Facilities \$200,000
  - Fire \$550,000
  - Parks: \$98,000
  - Police: \$55,000
  - Drainage \$5,000
  - Capital Improvement Fund \$25,000

**TAX RATE**

The 2021 municipal budget results in an increase of the tax levy. This is an estimated increase of \$17.18 for the average assessed home of \$254,154.

Estimated Municipal Taxes and Open Space Taxes for 2021 for the average assessed home:

|                              |                   |                                             |
|------------------------------|-------------------|---------------------------------------------|
|                              | <b>2021</b>       | <b>Estimated<br/>Increase/<br/>Decrease</b> |
| <b>Average Assessed Home</b> | \$254,154         |                                             |
| <b>Tax Rate</b>              | .94               |                                             |
| <b>Opens Space Tax Rate</b>  | .012              |                                             |
| <b>Municipal Taxes</b>       | \$2,388.43        | \$17.18                                     |
| <b>Open Space Taxes</b>      | \$30.50           | \$0.00                                      |
| <b>Total Municipal Taxes</b> | <b>\$2,418.93</b> | <b>\$17.18</b>                              |

### **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 2021, 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. 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 and there is no change to the user fees for 2021. The 2021 Operating Budget is presented with an increase of \$40,000 which is being offset by a \$40,000 increase of fund balance. This one-time increase is specifically related to the expense associated with the acquisition of sewer gallons from Stanhope Borough. This additional gallonage will be held in reserve and will be available to businesses to support redevelopment.

### **SUMMARY**

This past year was extremely challenging for everyone and the fallout of the 2020 COVID-19 Pandemic has a significant impact on the 2021 calendar year budget. This impact is mainly related to the amounts of revenues that can be anticipated. Due to the revenue changes for the 2021 budget year, we are not expecting revenues in excess of anticipated amounts which have a direct impact on the regeneration of fund balance at the end of the 2021 budget year. Also, the cancellation of unexpended balances is expected to be less since we have taken breakage of savings in various appropriations. Therefore, this budget plan reduces the dependency on Fund Balance to support operations.

The Township's ratable base remains restricted with 88% of the Township's assessments being residential properties. There are no expected residential subdivisions. Only 8.65% of the rate base is commercial or industrial. The opportunities with these properties are through redevelopment.

This budget supports the shifting of funds between line items to increase the amount of Capital Improvement Fund to help reduce the dependency on incurring debt to pay for capital projects.

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 revenues are decreasing which increases on 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.

Respectfully Submitted,



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Joseph W. Sabatini, Township Manager