

TOWNSHIP OF BYRAM NEW JERSEY

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TO: Mayor and Council and all Residents of Byram Township

DATE: February 23, 2022

RE: 2022 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 2022 municipal budget including the Capital Improvement Program and Public and Private Programs Offset by Revenues totals \$12,549,070.73.

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 2013 to 2022.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current Property Taxes	75.39%	75.58%	75.11%	75.41%	75.82%	75.08%	74.16%	69.62%	73.41%	70.28%
Misc. Revenues	12.95%	12.82%	12.44%	12.20%	11.95%	11.99%	12.03%	13.47%	11.87%	14.34%
Fund Balance	11.66%	11.60%	12.45%	12.39%	12.23%	12.93%	13.81%	16.91%	14.72%	15.38%

Fund Balance:

Fund Balance is generated by several sources including cancellation of budget reserves from 2020, revenues in excess of anticipated amounts from 2021, receipts from delinquent taxes from 2021 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 2022 budget is \$1,930,000.

- o \$1,600,000: Support Operations (increase of \$64,500 from 2021)
- o \$330,000: Offsets one-time appropriations to the Capital Improvement Fund (\$300,000), and DPW for demo of structures on abandon properties (\$30,000).

In 2022, the Township closed the reserve year for 2020 that resulted in about a forty percent increase over the average of unexpended balances that support the regeneration of fund balance. This was mainly due to the pandemic and operating budgets not being fully expended.

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 2022 budget will propose the same level of aggregate funding for Energy Tax Receipts (ETR) as 2021, or \$575,475.

In 2021, we were informed payments in lieu of taxes from the Open Space PILOT (formerly Garden State Trust) program are increasing 54% for State FY 2022. This was not anticipated in the 2021 Municipal Budget. Guidance received was to anticipate the increase in the 2022 budget. The Open Space PILOT funds are increasing from \$41,920 to \$64,555.

State Aid accounts for 5.10% of the Township's revenues.

Excluding State Aid funding, the remaining miscellaneous revenues comprise 9.24% of the revenues. These anticipated revenues include Court Fees, Uniform Construction Fees, Interest on Investments, Interest and Costs on Taxes, Fees and Permits, Receipts from Delinquent Taxes and Public and Private Programs.

In 2021, the Township continued to experience losses of court revenue and interest on investments. This has an impact on what can be anticipated in 2022. These have been identified as COVID-19 affected Revenues, which allows for the use of a three-year average for the calculation of the affected revenues. This is helping to soften the impact on the 2022 budget, but if revenues do not recover it will further impact the 2023 budget. See table below.

Revenue	2021 Anticipated	2021 Actual	2022 Budget	Reduction	Possible Additional Liability
Municipal Court	\$50,000	\$30,393.90	\$40,000	\$10,000	\$10,000
Interest on Investments	\$115,000	\$71,585.47	\$100,000	\$15,000	\$30,000

This budget plan includes an additional increased anticipation of Uniform Construction fees of 18% or \$30,000. In 2021, we increased the anticipation of these revenues 26.92% or \$35,000.

Property Taxes:

This budget plan has property taxes totaling \$8,819,535.00, or 70.28% of revenues. This is a 1.35% or \$117,289.00 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 an increase in appropriations totaling \$329,424 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 \$91,485 increase. Summary of changes include:

Salary and Wages:

- Salary and Wages have been populated with contractual obligations (steps, longevity and salary increases (2%), changes in staffing including promotions.
- The Clerical Collective Bargaining Group received a \$2.00 per hour pay increase to start to offset the increase of minimum wage. This is greater than a 2% increase for eligible employees.
- Overall Salary and Wages for all departments is only increasing \$19,250 or .5%.

Staff Changes:

- The longest termed DPW employee retired in December 2021. This plan includes the hiring of a direct replacement as well as the hiring of an additional DPW employee. The breakage of the retiring employee, the elimination of need for budgeting for summer help and the elimination of the DPW PT position that was unfilled in 2021 enabled the planning of this new employee with no impact on the budget.
- This budget plan anticipates the need for temporary help in the building department.
- Includes the elimination of the animal attendant position.
- This plan includes the retirement of the lieutenant and a patrol officer, the promotion of a new sergeant and lieutenant, pay increase to the chief of police, and the hiring of two new officers.

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:

- This budget plan includes an increase of \$9,050 or 81.53% of the primary election expenses which is required for the printing of the Township’s vote-by-mail ballots and sample ballots; as well as the Township’s portion of the county clerk staff overtime required to fulfill the mail-in ballot requests.
- This plan adds \$30,000 to the DPW budget for the demolition of abandoned Township owned properties. This was offset with \$30,000 increase of fund balance as this is anticipated as a one-time expense.

- Increased the contribution to the purchase of vehicles \$10,000 because the cost of all vehicles has significantly increased.
- Garbage and Recycling Contract obligation increase \$12,000 or 1.6%
- Workers Compensation Insurance increased \$5,008 or 7.7%
- General Liability Insurance increased \$13,960 or 7.7%
- Pensions:
 - o PERS increase: \$30,106 or 16.4%
 - o PFRS increase: \$7,140 or 1.3%
 - o DCRP increase: \$400 or 2.8%

Group Insurance:

- Group Health Insurance was updated for changes of census and State Health Benefits rate increases (Active Employees 2.3%, Early Retirees 31.8%, and Medicare Eligible Retirees 5.7%) as well as changes for Medicare reimbursements. Overall increase of \$68,000 or 6.66%.
- 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 ten 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.

Employee Group	Total Cost: (Health, Dental & RX)	Employee Contributions	Total Net Cost to Township
Clerical Active	\$0.00	\$0.00	\$0.00
Clerical Retired	\$15,877.20	\$237.00	\$15,640.20
DPW Active	\$219,159.84	\$36,817.41	\$182,342.43
DPW Retired	\$188,891.16	\$3,829.80	\$185,061.36
Police Active	\$279,652.32	\$84,061.50	\$195,590.82
Police Retired	\$211,605.96	\$0.00	\$211,605.96
All Other Active	\$169,096.68	\$35,759.48	\$133,337.20
All Other Retired	\$58,422.36	\$1,980.60	\$56,441.76
Medicare Reimbursements	\$29,500.00	\$0.00	\$29,500.00
Waivers	\$48,900.00	\$0.00	\$48,900.00
TOTALS:	\$1,221,105.52	\$162,685.79	\$1,058,419.73

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 Fund for 2022 is \$753,633.

- Includes \$25,000 that is raised annually to fund the Capital Improvement Fund.
- This includes a \$300,000 one-time funding to the Capital Improvement Fund which is offset by an increase in Fund Balance.

2022 PROPOSED Capital Improvements – funded from Budget:

Operating portion of Budget:

o Improvements to Streets and Roads	\$225,500
o DPW Equipment	\$100,000
o Purchase of Vehicles (Police)	\$60,000 (Increase of \$10,00)

Capital portion of Budget:

o Supplement for Streets and Roads:	\$100,000
o Drainage Improvements:	\$5,000
o Capital Improvement Fund:	\$453,633
o Capital Improvement Fund (one-time increase)	\$300,000

NOTES:

- o In 2022, the Township now has 10 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 2022 Capital Budget includes proposed projects totaling \$3,963,300. Following is summary by department:

▪ Streets and Roads	\$2,068,000
▪ DPW	\$185,000
▪ Facilities	\$306,000
▪ Fire	\$890,000
▪ Parks:	\$464,300
▪ Police:	\$20,000
▪ Drainage	\$5,000
▪ Capital Improvement Fund	\$25,000

TAX RATE

The 2022 municipal budget results in an increase of the tax levy. This is an estimated increase of \$34.89 for the average assessed home of \$255,354.

Estimated Municipal Taxes and Open Space Taxes for 2022 for the average assessed home:

	2022	Estimated Increase/ Decrease
Average Assessed Home	\$255,354	
Tax Rate	.953	
Opens Space Tax Rate	.011	
Municipal Taxes	\$2,432.66	\$34.89
Open Space Taxes	\$28.09	\$0.00
Total Municipal Taxes	\$2,460.75	\$34.89

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 2022, 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 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 2022. The 2021 Operating Budget included a one-time increase related to the acquisition of sewer gallons from Stanhope Borough. These additional sewer gallons are being held in reserve and will be available to support redevelopment.

SUMMARY

The 2022 budget challenges are a combination of increased expenditures and a reduction of anticipated revenues. The continued impact of the COVID-19 emergency has contributed to amount of revenues that can be anticipated in the 2022 budget. In accordance with Local Finance Notice 2021-24, this budget plan uses a three-year average for calculation of affected revenues for both court and interest & cost on taxes. This softens the impact but if they do not recover in 2022 the loss revenue will have a lingering impact on successive budgets.

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. Also, this plan includes a one-time increase of the Capital Improvement Fund with offset of Fund Balance.

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 the 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,

A handwritten signature in blue ink, consisting of several overlapping loops and a trailing line, positioned above a horizontal line.

Joseph W. Sabatini, Township Manager