

TOWNSHIP OF ROXBURY

Interoffice Memo

To: Mayor and Council
From: Township Manager
Subject: 2014 Annual Report and Budget Message
Date: January 21, 2014

With this year's Manager's Annual Report and budget message, I am pleased to state that through fiscal discipline and comprehensive planning; the Township has achieved a stable financial position. Furthermore, the Township is poised to take advantage of this situation while facing the challenges of the future.

This report provides analysis to support the before mentioned position. The report is presented in three sections.

- I. Five Year Review
- II. Revenue Review/Comparisons
- III. 2013 Accomplishments
- IV. 2014 Budget Objectives
 - i. Stabilize/Reduce Growth in Expenditures
 - ii. Limit increase in Tax Rate
 - iii. 2014 "To Do" List
- V. Future Trends/Tax Rate Analysis



I. Five Year Review

This section compares several fiscal benchmarks between 2009 and 2013. These benchmarks include:

- Total Operating Revenue
- State Aid
- Local Revenues
- Operating Expenditures
- Operations
- Salary and Wages
- Fund Balance
- Net Value Property (NVT)
- Tax Collection Rate
- Total Debt
- Total Debt Payment
- Net Debt as Percentage of Equalized Value
- Tax Rate
- Forces Driving the Budget
- Accomplishments

Side by Side Review of Key Factors

	2009	2013	Dollar	5 year % Change	Annualized
Total Revenue	\$26,454,981	\$28,572,995	\$2,118,014	8.01%	1.60%
State Aid	\$2,000,806	\$2,102,463	\$101,657	5.08%	1.02%
Local Revenue	\$2,062,415	\$2,134,387	\$71,972	3.49%	0.70%
Total Operating Expenses	\$21,108,465	\$21,479,889	\$371,424	1.76%	0.35%
Operations	\$9,995,697	\$12,085,469	\$2,089,772	20.91%	4.18%
Salary/Wages	\$11,112,768	\$9,394,420	(\$1,718,348)	(15.46%)	-3.09%
Fund Balance	\$647,783	(pending)			
NVT	\$2,066,192,754	\$2,053,180,700	(\$13,012,054)	(0.63%)	-0.13%
Tax Collection	97.9%	98.42%			
Total Debt Owed	\$16,966,787	*\$10,037,055			
Total Debt Payment	\$3,005,818	*\$1,319,324			
Debt as % of Equalized Value	0.37%				
Tax Rate	0.960	1.071	0.111	11.56%	2.31%

*2012

2009 – 2013 Forces Driving Budget Operating Budget

	2009	2013 (Budget)	Total
Total Increase			<u>1,437,969</u>
Health	2,813,515	3,100,000	(286,485)
PERS	468,586	515,824	(47,238)
PFRS	1,037,204	1,120,037	(82,833)
Utility	910,646	1,080,450	(169,804)
Reserve for Uncollected Taxes	1,575,000	2,100,000	<u>(525,000)</u>
Impact in Discretionary Expense			326,609

The side by side review clearly illustrates the Township's commitment to fiscal prudence and stewardship of the public's tax dollars. From 2009 to 2013 the total operating expenditures rose by only \$371,000 or 0.35% per year. At the same time, the Township's debt decreased from \$16,995,000 to \$10,037,055. The annual debt payment was reduced by over \$1.5 million dollars.

Other Trends: The Township historically reviews and monitors the following. The reports will be presented Tuesday.

- Operating Revenue per Capita (Pending)
- Tax Revenue
- Local Revenue
- Change in Net Value
- Total Debt per Capita
- Debt as Equalized Value
- Revenue Expenditure per Capita

The accomplishments of the past few years are the foundation for a solid financial future.

The building blocks of the future include:

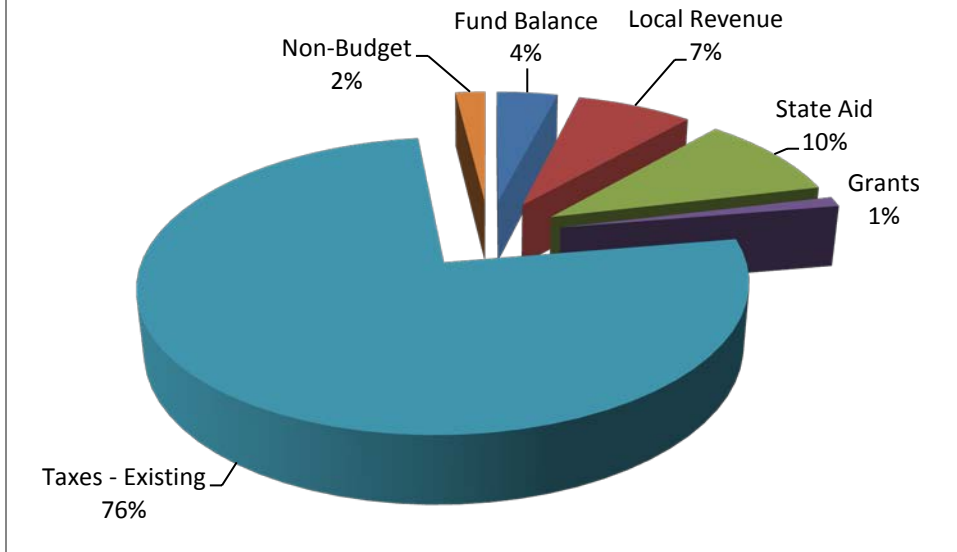
- Elimination of General Operating Debt by 2020
- Stable or reduction in overall wages due in large part to new wage structure
- Ability to increase Capital Expenditures; as debt payment decreases by \$400,000 balances can be utilized to invest in our infrastructure
- Modest to moderate tax increases for the foreseeable future

The Township administration will continue to evaluate these conditions in future reports.

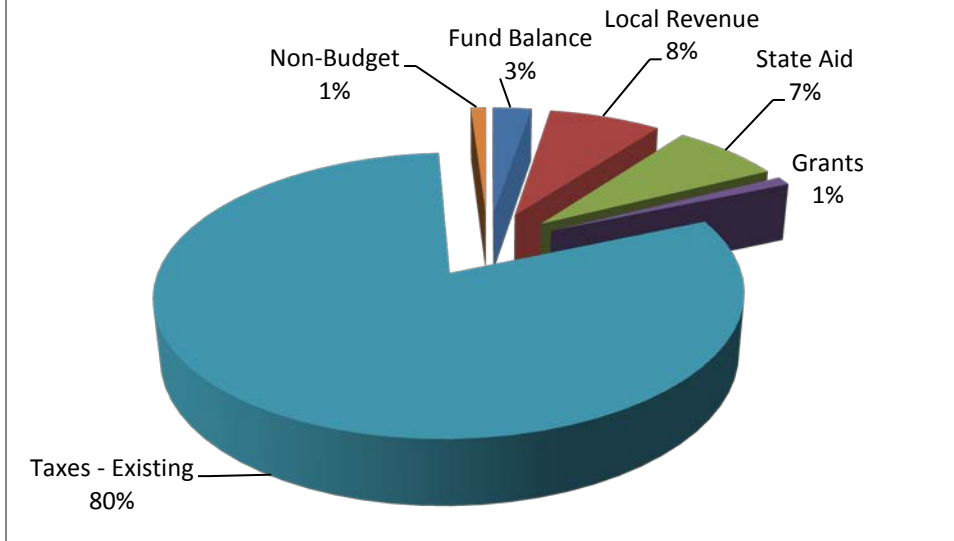
II. Revenue Review/Comparisons

The Township receives revenues from four sources: local revenues, fund balance, State Aid and local property taxes. As in previous years, the Township continues to use a conservative approach to revenue anticipation. The following charts below compares the sources of revenues and corresponding percentage from years 2009 and 2013.

2009 Sources of Revenue



2013 Sources of Revenue



Local Receipt

As illustrated by the charts, local revenues have remained stagnant to the condition of the economy. State Aid has also been reduced due to the same factor. This creates a greater reliance on property taxes.

The 2014 budget recommendation anticipates local receipts remaining flat with a modest overall increase of \$57,000.

State Aid

As previously noted State Aid has decreased over the past few years. And although the 2014 budget anticipates State Aid to remain flat, this projection warrants attention.

Grants Interlocal Agreement

At this time, the majority of formula grants have been discontinued by the State and Feds. At this time, all anticipated grants have off-setting appropriation, such as Highway Safety Grant, with no impact on the tax rate. Funds from these grants are anticipated at \$121,318. The following chart details grants received in 2013.

<u>TITLE OF GRANT 2013</u>	<u>BUDGETED</u>	<u>RECEIVED</u>
ROMAC County Grants	16,931	17,972
Body Armor Grant		6,450
Reserve for Body Armor Grant	4,090	
Safe & Secure Grant	60,000	85,000
Res for Rec Trails Grant Veterans		7,931
Snr Cit & Disable Resident Grant		6,111
Highway Traffic Safety Grant	32,185	32,185
ROID GRANT	20,000	30,000
Secure our Schools Local Share		11,851
Clean Communities Grant		47,089
Anjec Grant Honey Bee Hives		1,000
Plan Conformance Grant		10,749
DDEF grant		52,034
	<u>\$133,206</u>	<u>\$308,372</u>

The budget also anticipates \$48,456 for the Interlocal Health Services Agreement with Mine Hill.

Prior Year Taxes/Fund Balances

The 2014 budget recommendation includes \$1,200,000 in receipts from prior years taxes.

The Manager's recommendation utilizes \$550,000 from fund balance to offset the tax rate.

III. 2013 Accomplishments

During the past year the Township was able to accomplish the following:

- Paved 3 miles of road including Mountain, Ridge, Whitegate and Hilltop Areas
- Completed sidewalk repairs on Hillary, Radcliff, Parkwood and Churchill
- Repaired swim docks at Horseshoe Lake
- Replaced roof at 72 Eyland Ave under budget
- Selected consultant and began plan development of the Landing Road Recreation Facility
- Installed wireless network in Town Hall and at 72 Eyland Ave
- Implemented paperless Council packets
- Hired 6 new replacement officers in police department
- Completed school building and security plan
- Updated all tax maps

While the Township performed well under trying circumstances in 2013, fiscal conditions remain that may impact the future. These include:

- Tax Appeals – There were 203 in 2013
- The State’s fiscal condition
- Expenditures related to the Fenimore Landfill
- A stagnant economy resulting in flat or reduced local receipts
- Reduction in tax collection (2013 was 98.42 compared to 98.59 in 2012)
- Need for additional services example (Increase in Social Services customers)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
# of Families	219	267	208
# of Calls	895	1,009	1,086

IV. 2014 Budget Objectives

Objectives in this year’s budget move us forward with certainty. In 2014, the Township has the ability to dedicate resources to improve our capital facility and implement modest improvements in services while maintaining a stable tax rate. The Manager’s 2014 budget recommends additional funds for the following items.

- Additional \$100,000 in the legal budget to continue Council’s legal efforts in regards to the Fenimore Landfill
- Police Salaries, along with cost of living, increase an additional \$40,000 is to provide armed court officers. This has been identified as a need in the administrative office of the Courts State of New Jersey annual reports to the courts
- The budget recommends increasing the asphalt expenditures by \$65,000 extending the life of roads. Additionally, we will use the box paver shared with Denville and Randolph. The following roads are scheduled for section repair:
 - Eyland Avenue – Section between Holly and Nyma
 - High Street
 - Third Street
 - Old Way
 - Silver Springs
 - Others as needed
- The budget recommends increased funds for the snow removal. In 2013, \$400,789.00 was expended. The snow trust offset these costs. Additional funds in 2014 will reduce the need to utilize the snow removal trust.
- Parks and Recreation – Including \$10,000 for a Lake Management Plan in the operating budget will reduce capital expense for lake dredging by \$250,000
- The Public Assistance budget recommends an increase of 10 hours per week for additional support. Furthermore, the center will revise their hours. The facility will be open 3 additional hours a week and one Saturday each quarter. These improvements require a part time position for \$5,000 a year at \$10 an hour.
- The budget includes \$200,000 to be reserved for future appropriations. If the funds are approved this year and in future years by 2017, \$800,000 will be available for the revaluation.

1. Stabilize/Reduce growth in expenditures.
2014 manager budget results in a 1.52% or \$432,317 increase from 2013

The following chart provides details key budget items:

Increase in Capital Expenditures	\$177,000.00
Reduction in Health Insurance	\$100,000.00
Reduction in Pension	\$85,135.00
Reduction in Debt Payment	\$445,072.00
Increase for future appropriations 2017 Revaluation	\$200,000.00

2. Limit increase in Tax Rate

As in past years, the primary objective of this year's budget is to minimize any increase in the tax rate. The 2014 budget recommendation of the Manager results in an increase of 0.32 points or 3.05%. The tax bill for residents on a \$200,000 home would increase by \$60.00.

The following chart compares Roxbury's 2013 tax bill to Morris County Towns of similar size.

	Total Tax Per Unit	Total Tax Per Person
Roxbury	\$9,527	\$3,505
Sample Group	\$10,337	\$3,950
Median	\$10,270	\$3,936

In addition, taxpayers should be aware of what services are provided for their tax dollars. The following chart illustrates the value of each dollar in 2011 spent by our residents on a monthly basis.

Service	Per Capita
24 hour Police protection	\$19.22
Trash collection and disposal	\$6.05
Road repair and snow removal	\$4.73
Library services	\$4.16
Capital Improvements (roads, sidewalks)	\$4.30
Parks and Recreation (maintenance)	\$1.40
Fire/EMS/Fire Prevention/Office of Emergency Mgt	\$1.44
Health, Dial-a-Ride and Public Assistance	\$1.28
Total	\$42.58

Municipal Tax per Person

Both these charts illustrate that Roxbury provides services in a competitive manner.

3. 2014 “To Do” List

The final objective for the 2014 budget is to continue to provide outstanding service to our residents and to accomplish well defined tasks. The 2014 “To Do” List contains the following departmental objectives:

- Prepare and solicit for banking services. Now done every 3-4 years.
- Finalize plan to convert former DPW to affordable housing and begin environmental remediation.
- Replace Mt. Arlington water main
- Bank stabilization along the Succasunna Tributary
- Implement Lake Management Plan
- Prepare and solicit bids for Property/Casualty Insurance

The Township will continue to have the complete “To Do” List posted at Township buildings and on the website for residents to review and comment.

V. Future Trends/Tax Rate Analysis

The final section of this report reviews trends that will impact our communities' future. Several of these include:

- Continued slow economic growth – As stated earlier, the economies condition with no turnaround in the future will continue to have a negative impact on local receipts and State aid.
- Reduction in the Township NVT – There was a reduction in the Township NVT from \$2,058,131,000 to \$2,053,180,700. This correlates into a reduction of \$90,000 in revenues.
- Slow or no ratable growth – The Township has not seen a significant growth in ratables for several years. This trend may improve in 2014 with the Burger King and KPM projects.
- Increase in Health Care Costs over the rate of inflation – Health Care costs represents 14% of the operating budget. Double digit increases will have significant impacts going forward.
- Rising Pension Cost – While local Government and Police pension are funded at acceptable accrual rates, State employees' pension is unfunded.

The power point presentation includes a chart projection for tax rates in the future.

Summary

In conclusion, 2014 represents a potential watershed for the Township due to significant cost cutting efforts in the areas of: debt, salaries, health care and operational expenses. The Township should see modest increase in expense over the next few years. There remains a great deal of uncertainty in the areas of health care, pension and compliancy that warrant careful monitoring.

Lastly, I want to thank Ms. Lisa Spring, Ms. Patty Reiche, Ms. Robyn Lance and all of the Department Heads for their efforts on behalf of the taxpayers.