

# 2014 Budget Message

## January 28, 2014

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# Report Overview

I. Five Year Review

II. Revenue Review/Comparison

III. 2013 Accomplishments

IV. 2014 Budget Objectives

1. 2014 Stabilize growth in expenditures
2. 2014 Limit Increases on Tax Rate
3. 2014 To Do List

V. Future Trends Tax Rate Analysis



# I. Five Year Review

- This section compares several fiscal benchmarks between 2009 and 2013.

## Benchmark Review – Trends

- 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

# Key Factor Review

|                              | 2009             | 2013             | Dollar           | 5 year<br>% Change | Annualized |
|------------------------------|------------------|------------------|------------------|--------------------|------------|
| Total Revenue                | 26,454,981.00    | 28,572,995.00    | 2,118,014.00     | 8.01%              | 1.60%      |
| State Aid                    | 2,000,806.00     | 2,102,463.00     | 101,657.00       | 5.08%              | 1.02%      |
| Local Revenue                | 2,062,415.00     | 2,134,387.00     | 71,972.00        | 3.49%              | 0.70%      |
| Total Operating Expenses     | 21,108,465.00    | 21,479,889.00    | 371,424.00       | 1.76%              | 0.35%      |
| Operations                   | 9,995,697.00     | 12,085,469.00    | 2,089,772.00     | 20.91%             | 4.18%      |
| Salary/Wages                 | 11,112,768.00    | 9,394,420.00     | (1,718,348.00)   | (15.46%)           | (3.09%)    |
| Fund Balance                 | 647,783.00       | (Pending)        |                  |                    |            |
| NVT                          | 2,066,192,754.00 | 2,053,180,700.00 | (13,012,054.00 ) | (0.63%)            | (0.13%)    |
| Tax Collection               | 97.9%            | 98.42%           |                  |                    |            |
| Total Debt Owed              | 16,996,787.00    | *10,037,055.00   | (5,173,216.00)   |                    |            |
| Total Debt Payment           | 3,005,818.00     |                  | (1,049,232.00)   |                    |            |
| Debt as % of Equalized Value | 0.37%            |                  |                  |                    |            |
| Tax Rate                     | 0.960            | 1.071            | 0.111            | 11.56%             | 2.31%      |

# 2009 – 2014 Forces Driving Budget

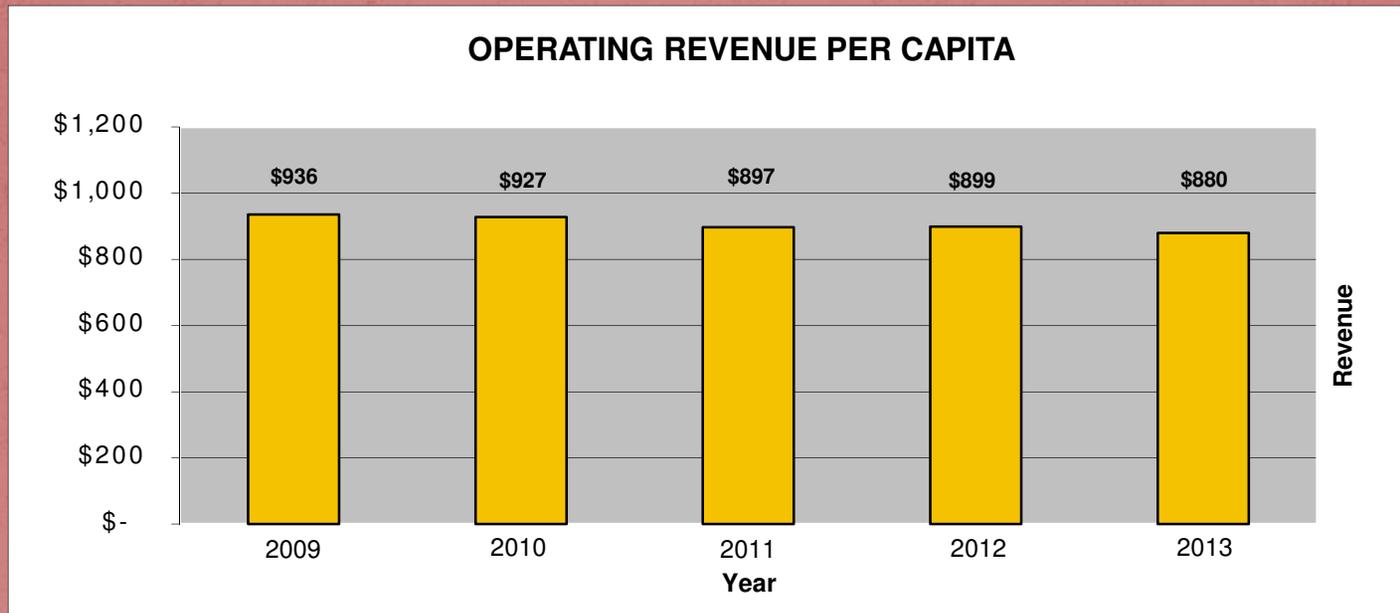
|  | 2009      | 2014 (Budget) | Total            |
|--|-----------|---------------|------------------|
| <b>Total Increase</b>                  |           |               | <u>1,437,969</u> |
| <b>Health</b>                          | 2,813,515 | 3,100,000     | (286,485)        |
| <b>PERS</b>                            | 468,586   | 515,824       | (47,238)         |
| <b>PFRS</b>                            | 1,037,204 | 1,120,037     | (82,833)         |
| <b>Utility</b>                         | 910,646   | 1,080,450     | (169,804)        |
| <b>Reserve Uncollected</b>             | 1,575,000 | 2,100,000     | (525,000)        |
| <b>Impact in Discretionary Expense</b> |           |               | 326,609          |

# Benchmark Review – Trends

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

# Benchmark Review

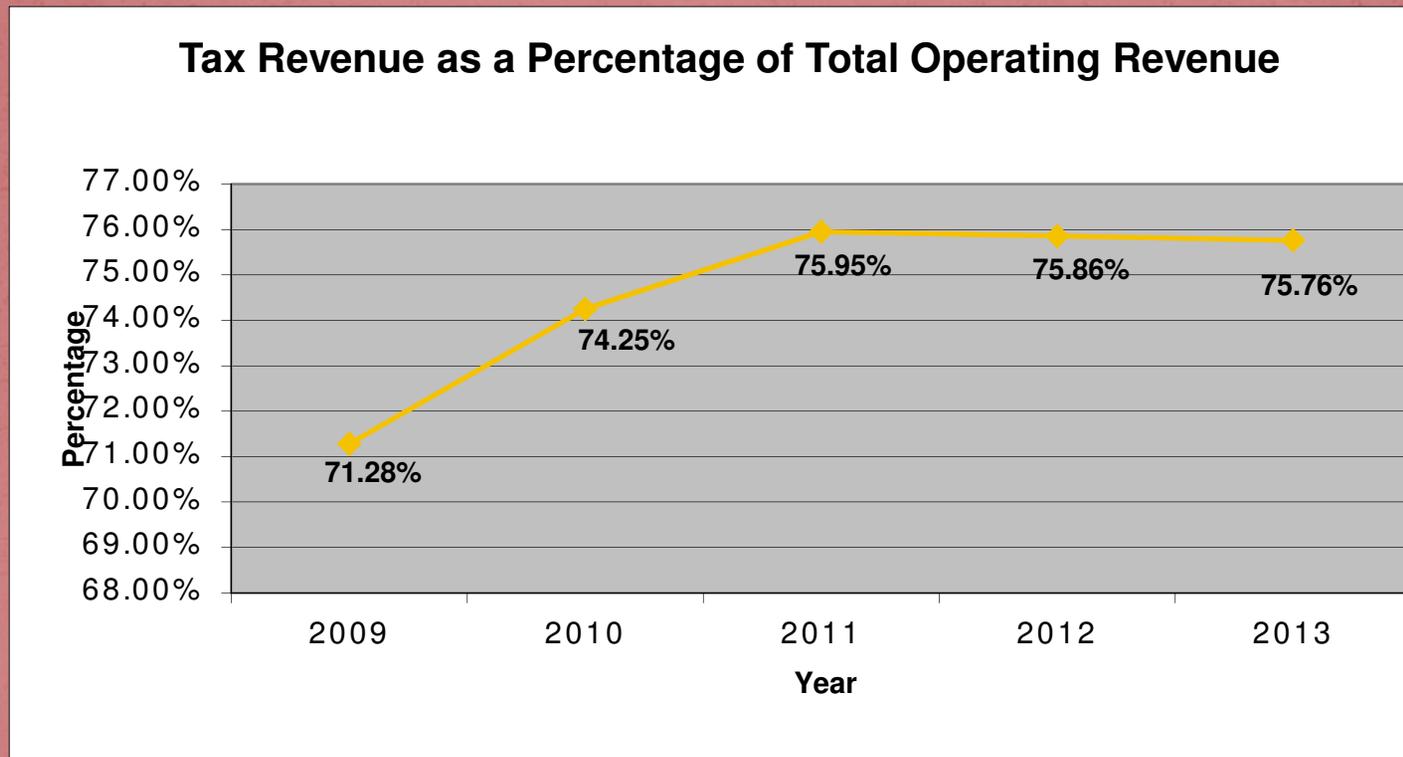
**Warning trend:** Decreasing Operating Revenue per Capita



| Year End                     | 2009             | 2010          | 2011          | 2012          | 2013          |
|------------------------------|------------------|---------------|---------------|---------------|---------------|
| Operating Revenue(Actual)    | \$ 27,464,224.00 | \$ 27,798,831 | \$ 27,896,911 | \$ 28,706,276 | \$ 28,609,895 |
| CPI Index                    | 214.5            | 218           | 225           | 230           | 233.1         |
| CPI Constant                 | 121.19           | 123.16        | 127.12        | 129.94        | 131.68        |
| CPI In Decimals              | 1.212            | 1.232         | 1.271         | 1.299         | 1.317         |
| Operating Revenue(Constant)  | \$ 22,662,786    | \$ 22,570,610 | \$ 21,945,570 | \$ 22,091,352 | \$ 21,727,263 |
| Population                   | 24,214           | 24,335        | 24,457        | 24,579        | 24,702        |
| Operating Revenue Per Capita | \$ 936           | \$ 927        | \$ 897        | \$ 899        | \$ 880        |
| Dollar Change                | \$ 21            | \$ (8)        | \$ (30)       | \$ 1          | \$ (19)       |
| Percent Change               | 2.31%            | -0.90%        | -3.25%        | 0.16%         | -2.14%        |

# Benchmark Review

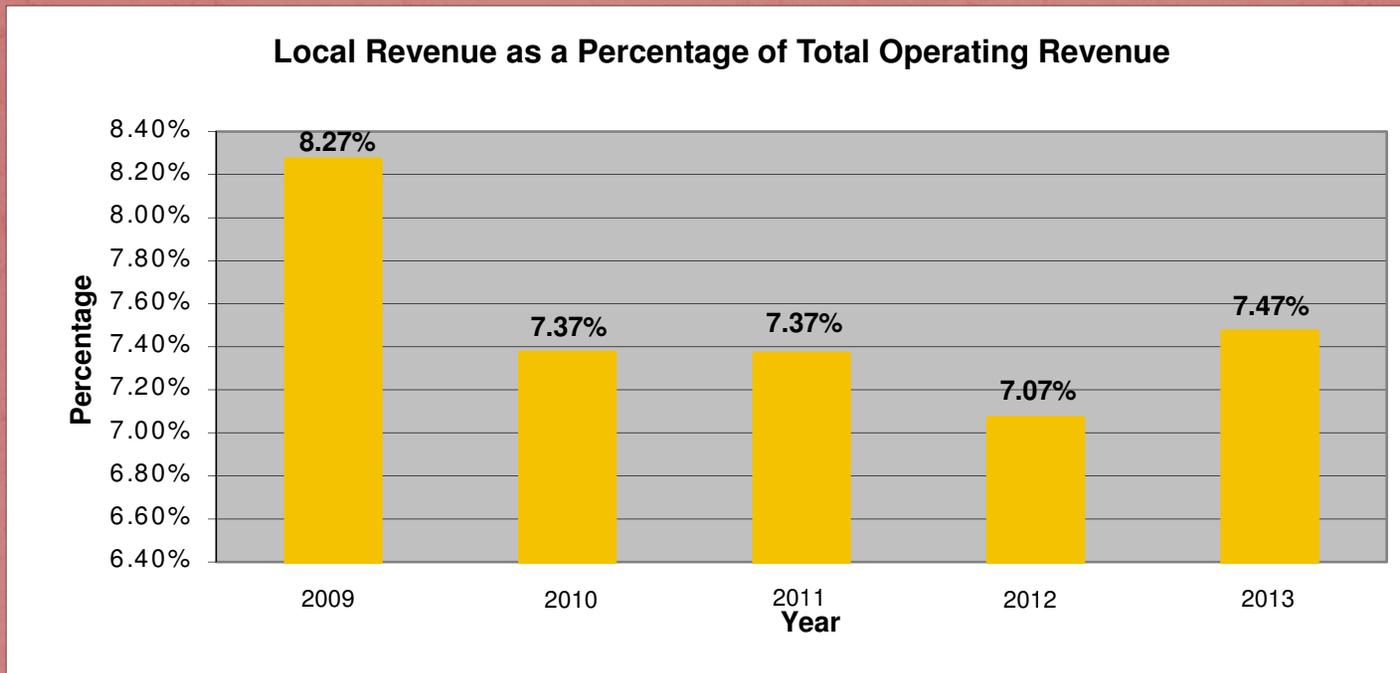
- Tax Revenue



| Year End                | 2009          | 2010          | 2011          | 2012          | 2013          |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Operating Revenue | \$ 27,464,224 | \$ 27,798,831 | \$ 27,896,911 | \$ 28,706,276 | \$ 28,572,995 |
| Property Tax Revenue    | \$ 19,576,741 | \$ 20,640,530 | \$ 21,186,839 | \$ 21,775,690 | \$ 21,647,422 |
| Percent of Total        | 71.28%        | 74.25%        | 75.95%        | 75.86%        | 75.76%        |

# Benchmark Review

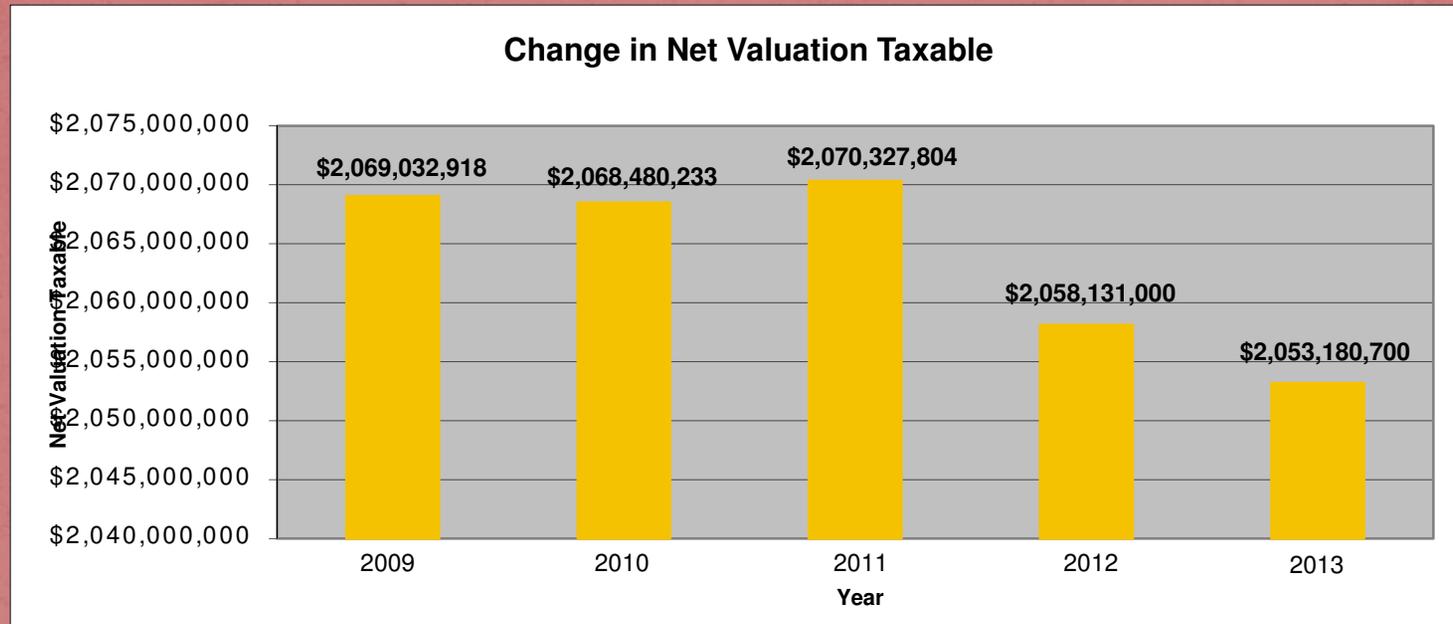
- Local Revenue



| Year End                | 2009            | 2010            | 2011            | 2012            | 2013            |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Operating Revenue | \$27,464,224.00 | \$27,798,831.00 | \$28,753,591.05 | \$28,706,276.00 | \$28,572,995.00 |
| Local Revenue           | \$2,270,802.00  | \$2,047,811.00  | \$2,118,098.55  | \$2,028,486.00  | \$2,134,387.00  |
| Percent of Total        | 8.27%           | 7.37%           | 7.37%           | 7.07%           | 7.47%           |

# Benchmark Review

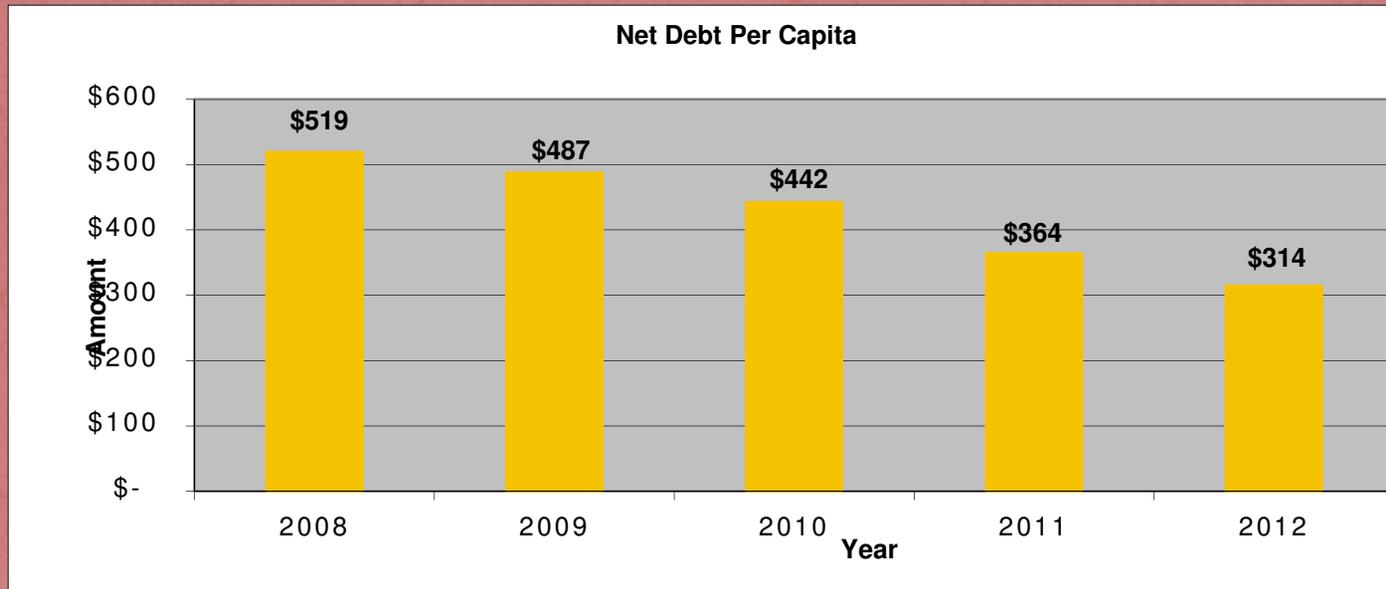
- Change in Net Value



| Year End               | 2009             | 2010             | 2011             | 2012             | 2013             |
|------------------------|------------------|------------------|------------------|------------------|------------------|
| NVT Bal. January 1st   | \$ 2,066,192,754 | \$ 2,069,032,918 | \$ 2,068,480,233 | \$ 2,070,327,804 | \$ 2,058,131,000 |
| NVT Bal. December 31st | \$ 2,069,032,918 | \$ 2,068,480,233 | \$ 2,070,327,804 | \$ 2,058,131,000 | \$ 2,053,180,700 |
| Change in NVT          | \$ 2,840,164     | \$ (552,685)     | \$ 1,847,571     | \$ (12,196,804)  | \$ (4,950,300)   |
| Percentage             | 0.14%            | -0.03%           | 0.09%            | -0.59%           | -0.24%           |

# Benchmark Review

- Net Debt per Capita

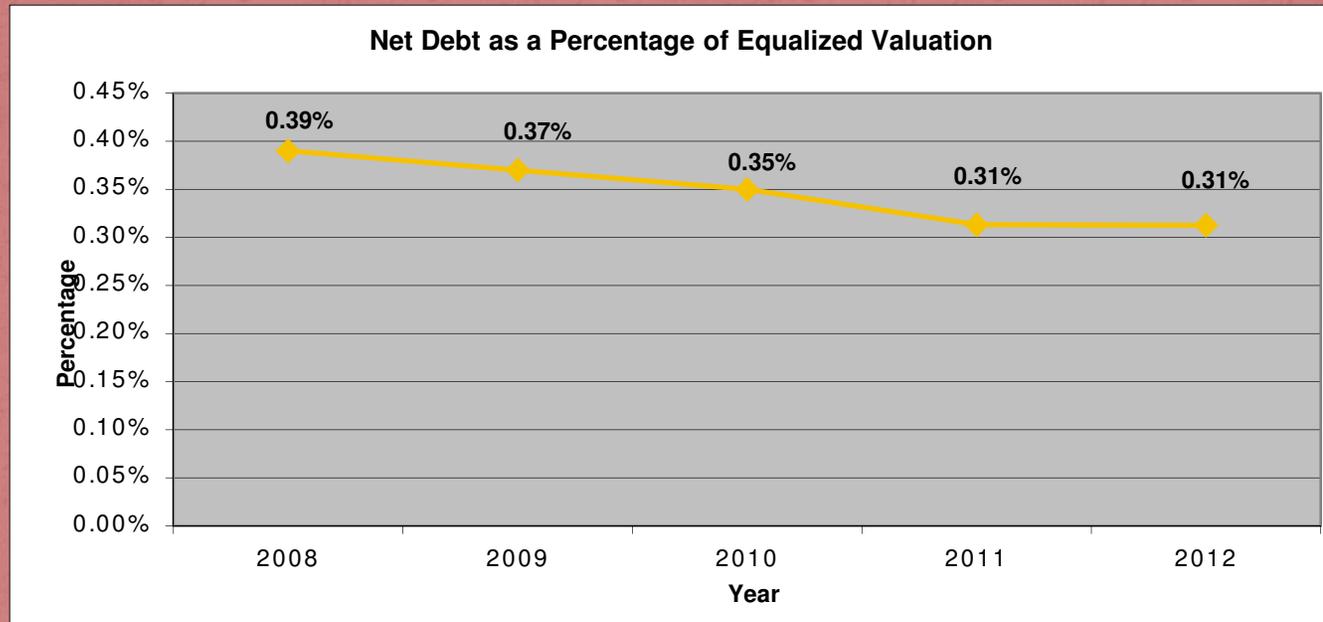


| Fiscal Year         | 2008          | 2009          | 2010          | 2011          | 2012          |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| Total Net Debt      | \$ 15,210,271 | \$ 14,285,000 | \$ 13,253,243 | \$ 11,313,453 | \$ 10,037,055 |
| CPI Index           | 215.3         | 214.5         | 218           | 225           | 230           |
| CPI Constant        | 121.64        | 121.19        | 123.16        | 127.12        | 129.94        |
| CPI In Decimals     | 1.216         | 1.212         | 1.232         | 1.271         | 1.299         |
| Net Debt (Constant) | \$ 12,504,496 | \$ 11,787,622 | \$ 10,760,661 | \$ 8,899,916  | \$ 7,724,168  |
| Population          | 24,093        | 24,214        | 24,335        | 24,457        | 24,579        |
| Net Debt Per Capita | \$ 519        | \$ 487        | \$ 442        | \$ 364        | \$ 314        |
| Dollar Change       | \$ (62)       | \$ (32)       | \$ (45)       | \$ (78)       | \$ (50)       |
| Percent Change      | -10.66%       | -6.20%        | -9.17%        | -17.70%       | -13.64%       |

Increased Debt Per Capita presents a threat to the ability of tax payers to pay their taxes. This may lead to an increase in outstanding property tax.

# Benchmark Review – Trends

- Net Debt as Percentage of Equalized Value



**Example** - On a \$400,000 house you would owe less than \$1,240.00

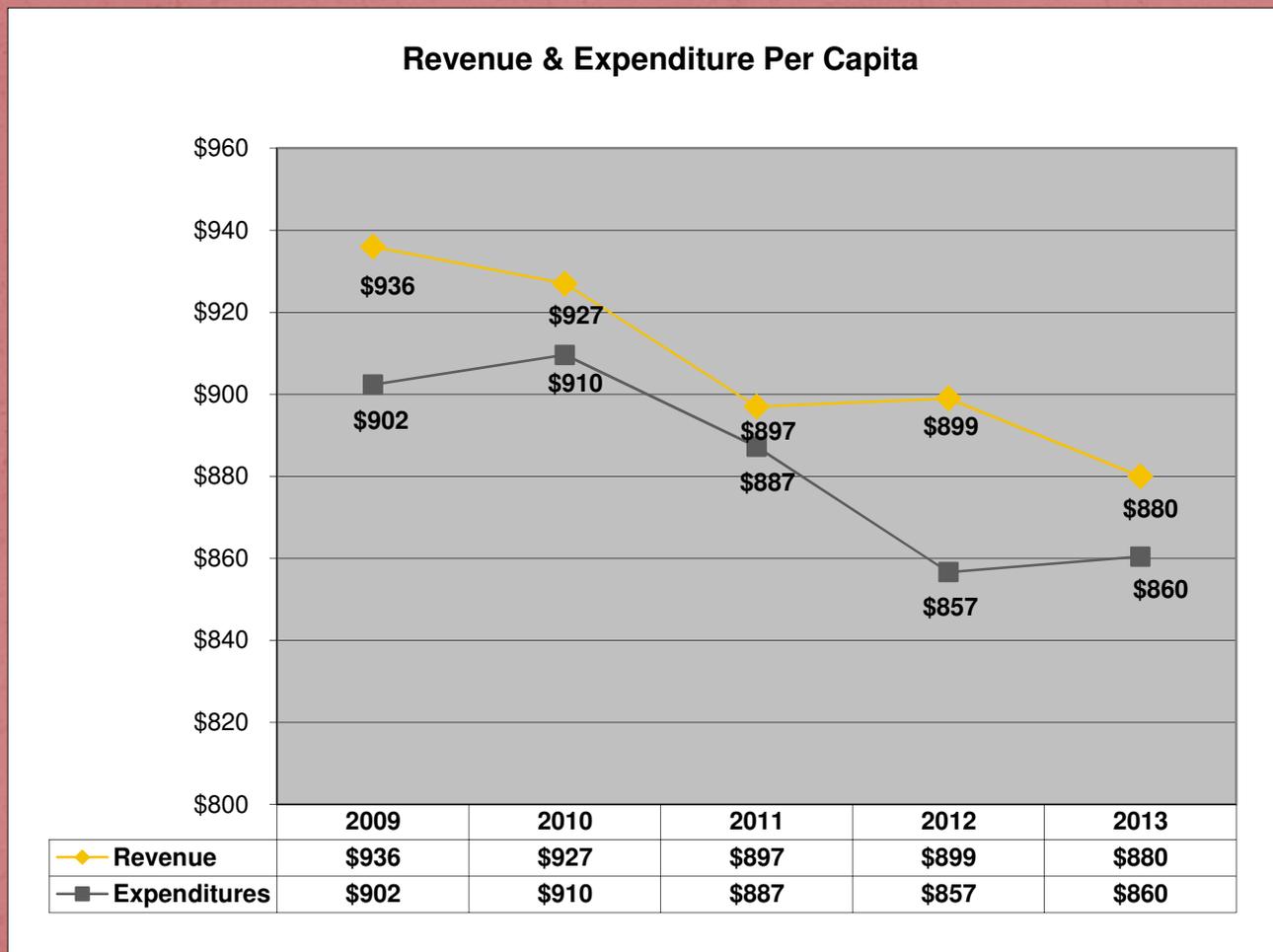
| Year End                        | 2008            | 2009            | 2010            | 2011            | 2012            |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| *3 Yr. Avg. Equalized Valuation | \$3,888,216,209 | \$3,875,879,411 | \$3,746,042,035 | \$3,611,203,692 | \$3,461,020,345 |
| *Net Debt per Annual Debt Stmt. | \$15,210,271    | \$14,285,000    | \$13,253,243    | \$11,313,453    | \$10,820,394    |
| Percentage                      | 0.39%           | 0.37%           | 0.35%           | 0.31%           | 0.31%           |

40A:2-5 - "No bond ordinance shall be finally adopted if it appears from the supplemental debt statement required by this chapter that the percentage of net debt as stated therein pursuant to 40A:2-42 exceeds 2%, in the case of a county, or 3.5% in the case of a municipality."

\*the 3 yr avg equalized valuation and the net debt are directly from the annual debt statement for each calendar year

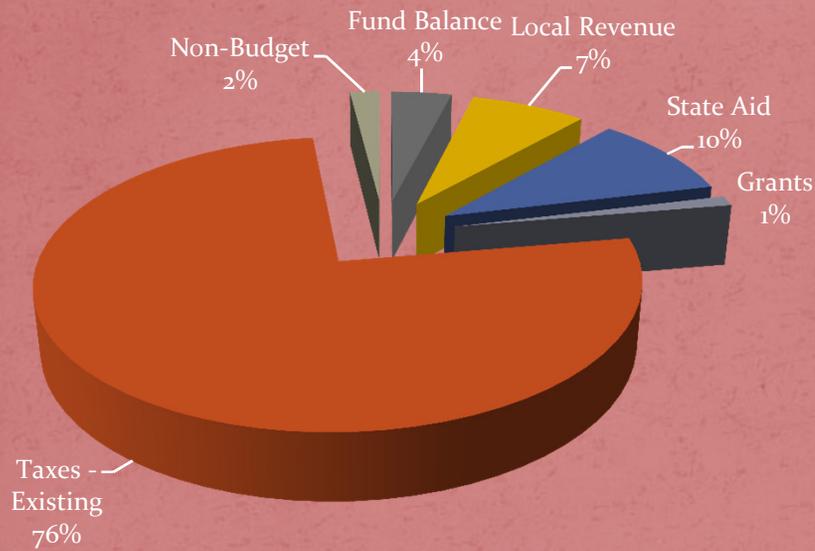
# Financial Trend Monitoring System

Warning Trend: Expenditure per Capita greater than Revenue Per Capita

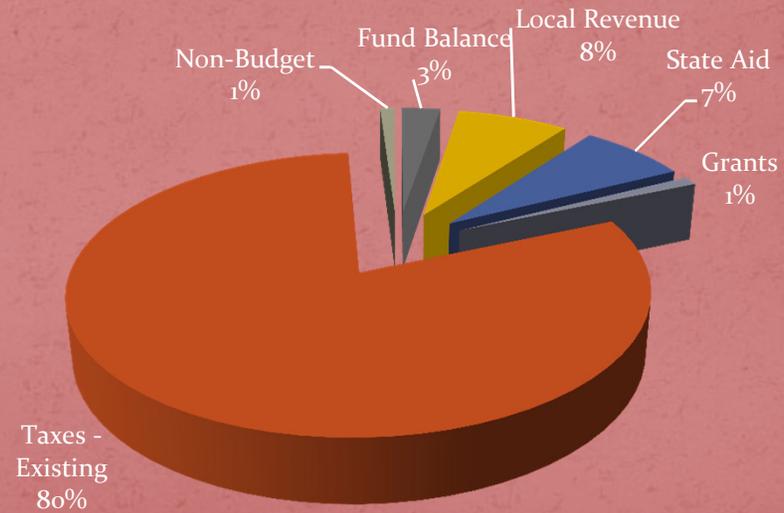


# II. Revenue Review/Comparison

## 2009 Sources of Revenue

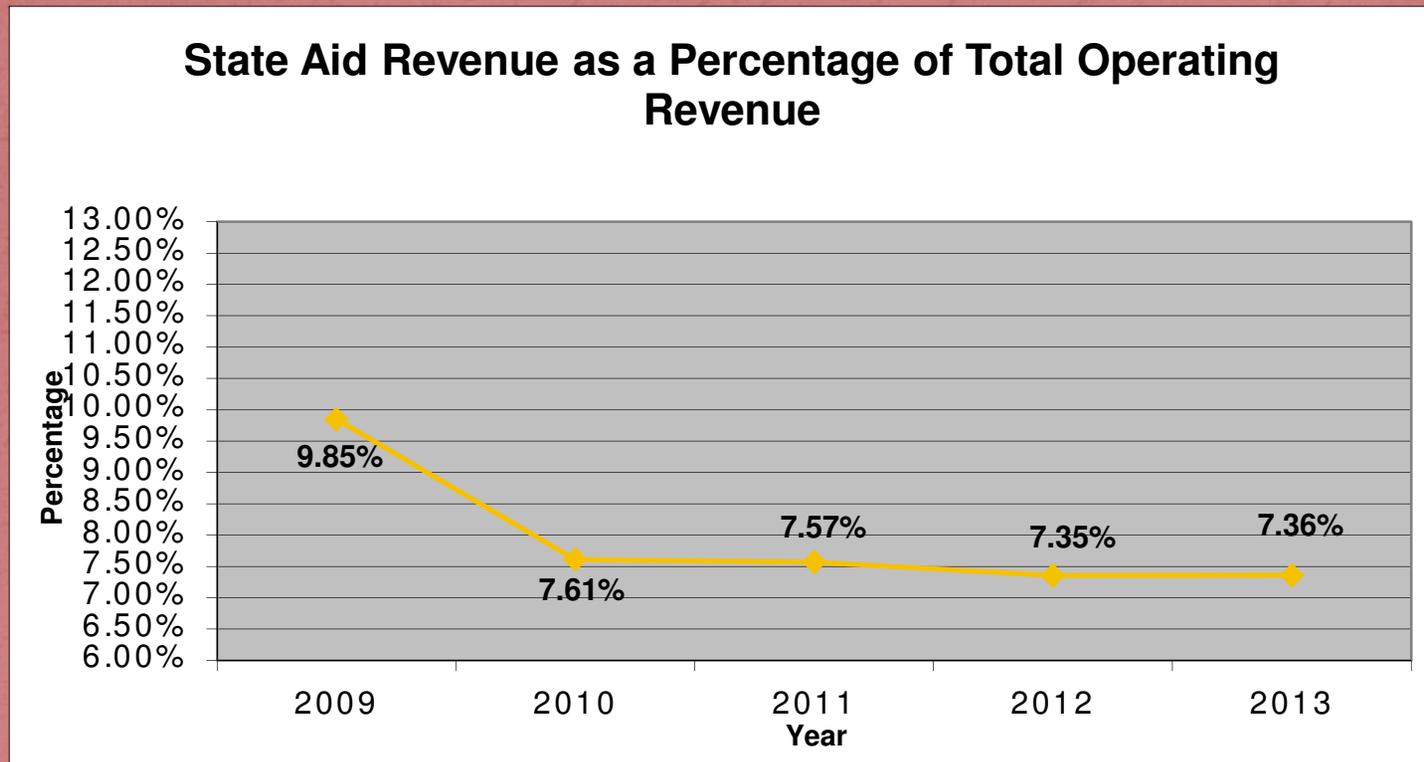


## 2013 Sources of Revenue



# Benchmark Review – Trends

- State Aid



| Fiscal Year             | 2009          | 2010          | 2011          | 2012          | 2013          |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Operating Revenue | \$ 27,464,224 | \$ 27,798,831 | \$ 27,896,911 | \$ 28,706,276 | \$ 28,572,995 |
| State Aid Revenue       | \$ 2,705,711  | \$ 2,116,232  | \$ 2,110,960  | \$ 2,110,960  | \$ 2,102,463  |
| Percent of Total        | 9.85%         | 7.61%         | 7.57%         | 7.35%         | 7.36%         |

# Benchmark Review

- Grant Revenue

| <b>2013 GRANTS RECEIVED</b>       |               |                 |
|-----------------------------------|---------------|-----------------|
|                                   | <u>Budget</u> | <u>Received</u> |
| ROMAC - DRUG ALLIANCE GRANT       | \$16,931      | \$17,972        |
| BODY ARMOR GRANT                  |               | \$6,450         |
| RESERVE FOR BODY ARMOR GRANT      | \$4,090       |                 |
| SAFE AND 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        |
|                                   | <hr/>         |                 |
|                                   | \$133,206     | \$308,372       |

# III. 2013 Accomplishments

- During the same period the Township was able to accomplish the following:
- Paved 3 miles of roadway
- 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
- Hired 6 new replacement officers in police department
- Completed school building and security plan
- Updated all tax maps

# Accomplishments

## Building Blocks for the Future

- Elimination of General Operating Debt by 2019
- 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

# Fiscal Conditions/Concerns

- Tax Appeals (203 for 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       |

# 2014 Budget Objectives

- As the Township proceeds into the future with confidence in our past the 2014 budget is of great importance. Accomplishment of objectives in this budget moves us forward with financial certainty.
  - i. Minimize Tax Rate Impact
  - ii. 2014 Revenue Review
  - iii. “To Do” List

# 2014 Budget Objectives

## Just a sample of objectives

- 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.

## i. Stabilize Growth in Expenditures

|                                    |              |
|------------------------------------|--------------|
| Increase in Capital Expenditures   |              |
| Invest in infrastructure           | 177,000.00   |
| Increase for future appropriations |              |
| 2017 Revaluation                   | 200,000.00   |
| Reduction in Health Insurance      | (100,000.00) |
| Reduction in Pension               | (85,135.00)  |
| Reduction in Debt Payment          | (445,072.00) |

## ii. Tax Rate Impact 2014

Manager's Recommended Budget

Increase of .32 points or 3.05%\*

\$60.00 on a \$200,000 home



# ROXBURY TOWNSHIP TAX COMPARISON

|              | Total Tax Per Unit | Municipal Tax Per Person | Total Tax Per Person |
|--------------|--------------------|--------------------------|----------------------|
| Roxbury      | \$9,527            | \$2,204                  | \$3,505              |
| Sample Group | \$10,337           | \$2,022                  | \$3,950              |
| Median       | \$10,270           | \$1,946                  | \$3,936              |

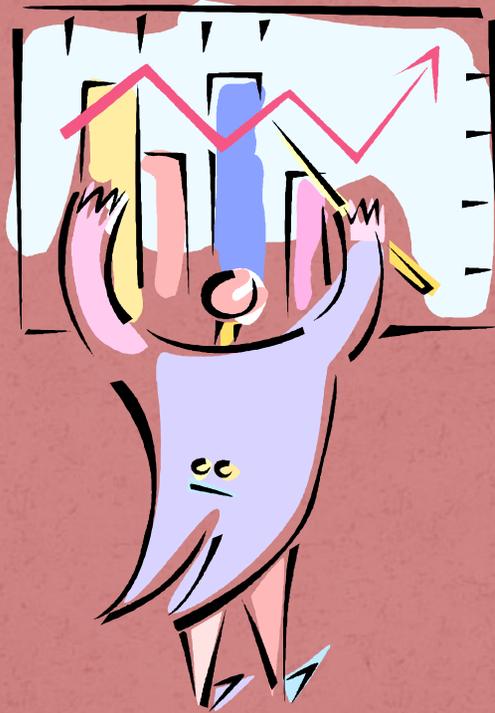


# ROXBURY MUNICIPAL TAX PER PERSON

| 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         |
|  |                |
| <b>Total</b>                                     | <b>\$42.58</b> |



# V. Future Trends



# Future Trends

- 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 – Appeals have increased and there are currently 203 before the Township. At this time, several property owners of high value properties have appeals before the County. There could be a great number of appeals forthcoming due to the reopening of the landfill. The impact of these appeals could be significant.
- Slow or no ratable growth – The Township has not seen a significant growth in ratable for several years. I anticipate this trend to continue for the next few years.
- Increase in Health Care Costs over the rate of inflation – Health Care cost represents 14% of the operating budget. Double digit increases will have significant impacts going forward.
- Rising Pension Cost – The overall pension system remains underfunded. It is safe to estimate that increased contributions will be required in future years.

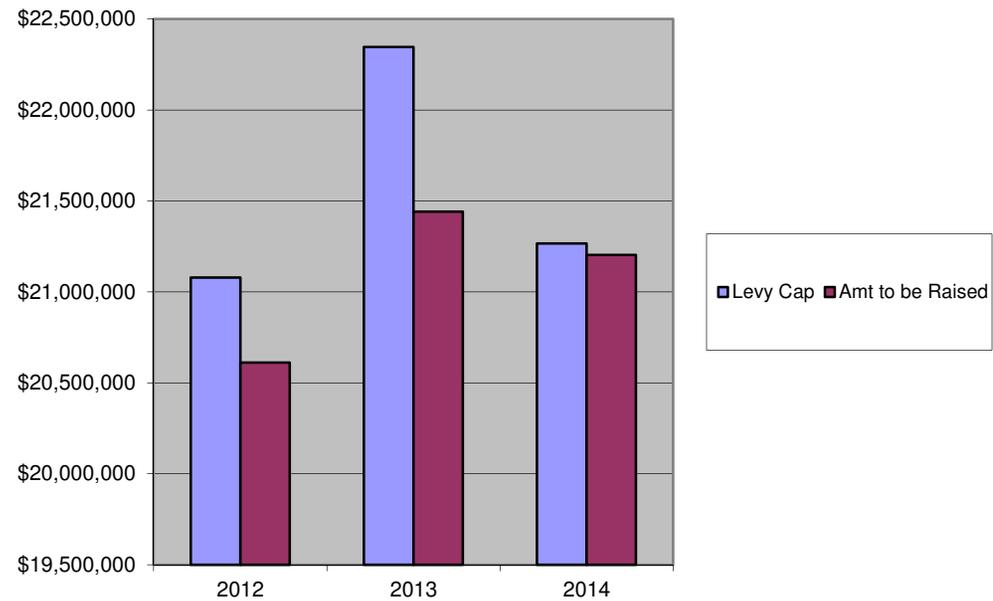
# Tax Rate Projection

- 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.

# Tax Rate Sheet

| updated 1/27/14                 | <b>TOWNSHIP OF ROXBURY</b>         |                             |                        |                        |                        |                        |                        |                        |
|---------------------------------|------------------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                                 | <b>5 YEAR TAX RATE PROJECTIONS</b> |                             |                        |                        |                        |                        |                        |                        |
|                                 | Adopted<br>FY 2013                 | Manager's 2014<br>Recommend | Projected<br>FY 2014   | Projected<br>FY 2015   | Projected<br>FY 2016   | Projected<br>FY 2017   | Projected<br>FY 2018   | Projected<br>FY 2019   |
| <b>TAX RATE:</b>                |                                    |                             |                        |                        |                        |                        |                        |                        |
| Municipal Tax                   | 1.053                              | 1.086                       | 1.097                  | 1.147                  | 1.199                  | 1.262                  | 1.303                  | 1.328                  |
| Municipal Open Space Tax        | 0.020                              | 0.020                       | 0.020                  | 0.020                  | 0.020                  | 0.020                  | 0.020                  | 0.020                  |
| School Tax                      | 2.998                              | 3.246                       | 3.246                  | 3.505                  | 3.786                  | 4.089                  | 4.416                  | 4.769                  |
| County Tax                      | 0.436                              | 0.459                       | 0.459                  | 0.482                  | 0.506                  | 0.531                  | 0.558                  | 0.586                  |
| County Open Space Tax           | 0.055                              | 0.061                       | 0.061                  | 0.067                  | 0.074                  | 0.081                  | 0.089                  | 0.098                  |
| <b>Total Tax Rate</b>           | <b>4.564</b>                       | <b>4.872</b>                | <b>4.884</b>           | <b>5.222</b>           | <b>5.586</b>           | <b>5.984</b>           | <b>6.387</b>           | <b>6.801</b>           |
| <b>NET VALUATION TAXABLE</b>    | <b>\$2,058,131,000</b>             | <b>\$2,053,180,700</b>      | <b>\$2,053,180,700</b> | <b>\$2,053,180,700</b> | <b>\$2,053,180,700</b> | <b>\$2,053,180,700</b> | <b>\$2,053,180,700</b> | <b>\$2,053,180,700</b> |
| <b>MUN. TAX POINT INCREASE</b>  | <b>0.001</b>                       | <b>0.032</b>                | <b>0.044</b>           | <b>0.050</b>           | <b>0.052</b>           | <b>0.062</b>           | <b>0.041</b>           | <b>0.024</b>           |
| <b>MUNICIPAL TAX % INCREASE</b> | <b>0.07%</b>                       | <b>3.05%</b>                | <b>4.16%</b>           | <b>4.55%</b>           | <b>4.56%</b>           | <b>5.20%</b>           | <b>3.27%</b>           | <b>1.88%</b>           |

### Levy Cap Projection



|                   | 2012         | 2013         | 2014         | 2015          | 2016         |
|-------------------|--------------|--------------|--------------|---------------|--------------|
| Levy Cap          | \$21,078,478 | \$22,347,088 | \$21,267,000 | \$22,807,984  | \$23,801,567 |
| Amt to be Raised  | \$20,611,487 | \$21,441,523 | \$21,202,802 | \$22,848,533  | \$23,779,874 |
| Excess/Deficit    | \$466,991    | \$905,565    | \$64,198     | -\$40,549     | \$21,693     |
| Cap Bank          | \$184,200    | \$289,720    | \$692,145    | \$651,596     | \$673,289    |
| 3 Year Expiration | -384,211     | -184,200     |              |               |              |
| Cap Bank Balance  | \$466,991    | \$1,188,356  | \$1,252,554  | \$1,212,005   | \$1,233,698  |
|                   |              |              | \$22,519,554 | Levy Cap Bank |              |

