

# TOWNSHIP OF ROXBURY

## *Interoffice Memo*

To: Mayor and Council  
From: Township Manager  
Subject: 2013 Budget Message and Annual Report  
Date: January 15, 2013

As in past years, the 2013 budget message also serves as the Manager's Annual Report.

After many years of cost cutting, consolidation and conservative financial projections the Township fiscal condition is adequate to good in most areas. This trend should improve going forward unless there are unforeseen difficulties.

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

- I. Five Year Review
- II. 2013 Budget Objectives
  1. 2013 Conservative Revenue Projection
  2. 2013 Stabilize growth in expenditures
  3. 2013 Limit Increases on Tax Rate
  4. 2013 To Do List
- III. Future Trends
  1. Tax Rate Analysis



## I. Five Year Review

This section compares several fiscal benchmarks between 2008 and 2012. These benchmarks include:

- Total Operating Revenue
- State Aid
- Local Revenues
- Revenue/Expenditure per Capita
- Operating Expenditures
- Operations
- Salary and Wages
- Fund Balance
- Net Value Property (NVT)
- Tax Collection
- 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

|                              | 2008             | 2012             | Dollar         | 5 year<br>% Change | Annualized |
|------------------------------|------------------|------------------|----------------|--------------------|------------|
| Total Revenue                | 26,809,536.00    | 28,286,622.00    | 1,447,086.00   | 5.50%              | 1.10%      |
| State Aid                    | 2,763,774.00     | 2,110,960.00     | (651,814.00)   | (24%)              | (4.7%)     |
| Local Revenue                | 2,280,325.00     | 2,279,922.00     | (1,105.00)     | 0%                 | 0%         |
| Total Operating Expenses     | 20,335,766.00    | 21,363,546.00    | 1,027,780.00   | 5%                 | 1%         |
| Operations                   | 10,584,252.00    | 12,314,851.00    | 1,730,599.00   | 16%                | 3.7%       |
| Salary/Wages                 | 9,751,514.00     | 9,048,695.00     | (702,819.00)   | (7.8%)             | (1.6%)     |
| Fund Balance                 | 1,419,834.00     | (Pending)        |                |                    |            |
| NVT                          | 2,066,192,754.00 | 2,070,327,804.00 | 4,135,100.00   | 0.02               | -          |
| Tax Collection               | 98.55%           | 98.41%           |                | -                  | -          |
| Total Debt Owed              | 15,210,271.00    | 10,037,055.00    | (5,173,216.00) | (34%)              | (6.8%)     |
| Total Debt Payment           | 3,135,763.00     | 2,086,531.00     | (1,049,232.00) | (33%)              | (6.6%)     |
| Debt as % of Equalized Value | 0.39%            | .028%            |                |                    |            |
| Tax Rate                     | 0.913            | 1.53             | 0.617          | 6.7%               | 1.35%      |

### 2008 – 2012 Forces Driving Budget Operating Budget

|                                    | 2008      | 2012      |           |
|------------------------------------|-----------|-----------|-----------|
| Total Increase                     |           |           | 1,027,780 |
| Health                             | 2,609,345 | 3,400,000 | (790,665) |
| PERS                               | 314,079   | 679,845   | (365,166) |
| PFRS                               | 963,076   | 1,194,514 | (241,438) |
| Utility                            | 884,425   | 1,024,000 | (139,575) |
| Reduction in Discretionary Expense |           |           | (509,064) |

The side by side review clearly illustrates the Township's commitment to fiscal prudence and stewardship of the public's tax dollars. From 2008 to 2012 the total expenditures rose by an average of \$330,000 or 1.6% per year. When pension, health and utilities increases are accounted for discretionary expenses decreased by \$509,064. At the same time, the Township's debt decreased from \$15,210,270 to \$10,037,055. The annual debt payment was reduced by over \$1 million dollars.

Other Trends: The Township historically reviews and monitors the following. The reports have been attached.

- 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

During the same period, the Township was able to accomplish the following:

- Construction of new Department of Public Works Building – under budget
- Paved 32.34 miles of roadway
- Entered into a joint services with County for dispatch services
- Contracted with Blue Diamond for Trash/Recycling Collection
- Joined shared service with Randolph for Health Services
- Reduced personnel by 20%
- Developed and implemented the Recreation Master Plan

The financial 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 2019
- Stable or reduction in overall wages due in large part to new wage structure
- Reduction in Health Insurance cost in 2013 (\$300,000)
- Ability to increase Capital Expenditures; as debt payment decreases balances can be utilized to invest in our infrastructure
- Modest to moderate tax increases for the foreseeable future

There remain many fiscal conditions that depending upon their intensity will impact the future and bare watching. These include:

- Tax Appeals (400 for 2012)
- Reduction in State Aid due to slow rate of growth
- A declining economy resulting in
  - Decrease in tax collection rate
  - Reduction in local receipts
  - Need for additional services

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

## **II. 2013 Budget Objectives**

As the Township proceeds into the future with confidence in our past achievements, the 2013 budget is of great importance. Objectives in this year's budget move us forward with financial certainty.

This year's budget objectives include:

1. Stabilize growth in expenditures.

The 2013 budget as recommended reduces operation expenses by \$325,636 or 1.5% from 2012.

The overall budget recommends a \$74,331 reduction in all expenditures. The Manager's budget recommendation increases capital expenditure by \$480,000 and an increase of \$160,000 for reserve for uncollected taxes.

The Manager's recommendation also transfers approximately \$100,000 in funds normally charged to the Road Department's Capital Budget to the Road Department's Operating Budget. In that Capital is fully funded through cash this transfer has no impact on the tax rate. The reallocation better accounts for the expenditures.

The 2013 budget recommends a reduction in Health Care cost from \$3.4 million to \$3.1 million for a savings of \$300,000. This savings was realized by moving from the NJHIF to the State Health Insurance Fund. The budget recommends a \$60,000 decrease in State Unemployment Insurance, along with a decrease of \$134,000 in Statutory Expense (Pension) is also recommended.

The recommended budget is under the 2013 CAP. The following chart provides detail:

|                                  |            |
|----------------------------------|------------|
| Increase in Capital Expenditures | 480,000.00 |
| Reduction in Health Insurance    | 300,000.00 |
| Reduction in Pension             | 160,000.00 |
| Reduction in State Unemployment  | 60,000.00  |
| Overall Decrease                 | 325,636.00 |

2. Minimize Tax Rate Impact

As in past years, the primary objective of this year's budget is to minimize any increase in the tax rate. The 2013 budget recommendation of the Manager results in an increase of 1.2 points or 1.10%. The tax bill for residents on a \$200,000 home would increase by \$24.00.

The primary reason for any increase in the 2013 tax rate is due to \$11,000,000 decrease in the Township's net valuation. The courts recently ruled that Verizon Corporation no longer has to pay property tax on their equipment.

The following chart compares Roxbury's 2012 tax bill to Morris County Towns of similar size.

|              | <b>Total Tax Per Unit</b> | <b>Total Tax Per Person</b> |
|--------------|---------------------------|-----------------------------|
| Roxbury      | \$9,333                   | \$3,434                     |
| Sample Group | \$10,002                  | \$3,749                     |
| Median       | \$10,461                  | \$3,798                     |

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

| <b>Service</b>                                   | <b>Per Capita</b> |
|--|-------------------|
| 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>    |

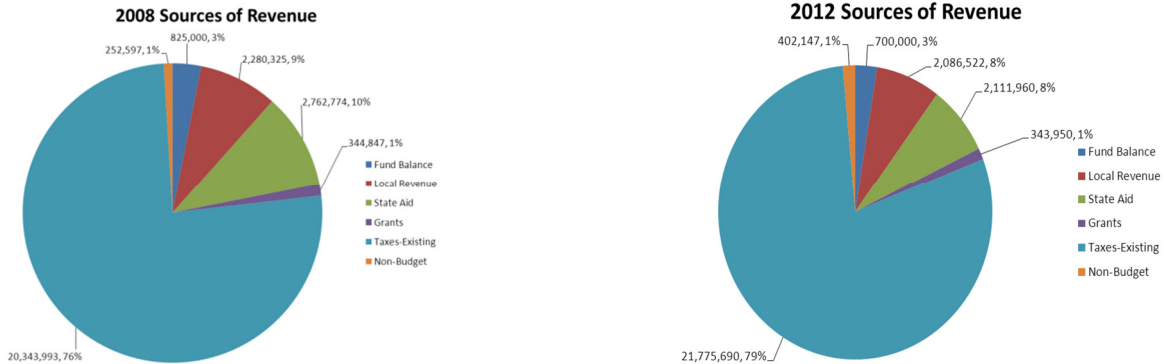
Municipal Tax per Person

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

3. 2013 Revenue Review

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 chart below compares the sources of revenues and corresponding percentage from years 2008 and 2012.



As illustrated by the charts, local revenues have declined due 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 2013 budget recommendation anticipates local receipts remaining flat with a modest overall increase of \$30,000. All though overall local receipts in 2012 met anticipate levels, municipal court fees will be off by \$60,000 or 12%.

State Aid as previously noted State Aid has decreased over the past few years. And although the 2013 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 Clean Communities, with no impact on the tax rate. Funds from these grants are anticipated at \$201,113. The following chart details grants received in 2012.

| 2012 GRANTS RECEIVED                    |           |
|---|-----------|
| ROMAC - DRUG ALLIANCE GRANT             | \$12,329  |
| SAFE & SECURE GRANT                     | \$70,043  |
| BODY ARMOR GRANT                        | \$4,090   |
| SNR CIT/DISABLED RES GRANT              | \$6,790   |
| HIGHWAY TRAFFIC SAFETY GRANT            | \$35,621  |
| ROID GRANT                              | \$20,000  |
| SECURE OUR SCHOOLS GRANT-LOCAL SHARE    | \$61,225  |
| SECURE OUR SCHOOLS GRANT-BD OF ED SHARE | \$61,225  |
| CLEAN COMMUNITIES GRANT                 | \$40,107  |
| PLAN CONFORMANCE GRANT                  | \$13,025  |
|   | <hr/>     |
|   | \$324,455 |

The budget also anticipates \$46,652 for the Interlocal Health Services Agreement with Mine Hill.

#### Prior Year Taxes/Fund Balances

The 2013 budget recommendation includes \$1,269,981 in receipts from prior years taxes.

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

#### 4. "To Do" List

The final objective for the 2013 budget is to continue to provide outstanding service to our residents and to accomplish well defined tasks. The 2013 "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.
- Update Roxbury Tax Assessment Maps
- Analysis online payment vendors for performance and costs
- Complete final design, bid document and begin construction of Landing Road Recreation Facility
- Review school building security plans
- Replace Mt. Arlington water main
- Bank stabilization along the Succasunna Tributary

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.

### III. Future Trends

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 – Appeals have increased and there are currently 400 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.

The following chart provides a projection of tax rates in the future.

Summary

In conclusion, 2013 represents a potential water shed 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 tax payers.