

TOWNSHIP OF OLD BRIDGE

Administration Department

MEMORANDUM

TO: Council President Mary Sohor
Members of Township Council

FROM: Mayor Owen Henry
Himanshu R. Shah, Business Administrator/CFO

SUBJECT: 2020 Municipal Budget Transmittal

DATE: February 10, 2020

OVERVIEW

The 2020 proposed Municipal Budget calls for \$56,299,412.00 in expenditures. Revenues include \$6,270,857.00 in municipal state aid, \$3,705,610.00 in miscellaneous revenue, \$2,100,000.00 in uniform construction and code enforcement fees, \$425,000.00 in municipal court fines and costs, \$325,000.00 in interest on investments and deposits, \$700,000.00 in receipts from delinquent taxes and \$35,064,180.00 as the amount to be raised by taxation. An anticipation of \$7,000,000.00 from fund balance will be required to bring the 2020 budget into balance. This will leave \$3,103,036.38 in cash fund balance to help stabilize taxes for 2021. The proposed municipal tax rate is estimated to be \$0.995 in 2020, which reflects a tax increase of 0.015 cents (1.53%) over 2019 (\$0.980). For an average home in Old Bridge assessed at \$154,390.00 the proposed municipal tax increase would be \$25.00 (from \$1,511.00 in 2019 to \$1,536.00 in 2020).

The Municipal Library Purposes expenditure category is included as an appropriation in the municipal budget. However, since 2011, the amount is deducted from the municipal tax levy in the calculation of the amount to be raised by taxation. The 2020 minimum state-required funding for the Old Bridge Public Library is \$2,788,823.00. The associated tax rate is estimated to be \$0.079 in 2020, which reflects an increase of \$0.002 in the tax rate over 2019 (\$0.077). For an average home in Old Bridge assessed at \$154,390.00 the municipal library tax increase would be \$3.00 (from \$119.00 in 2019 to \$122.00 in 2020).

The total general appropriation for 2020, including Municipal Library Purposes, is \$59,088,235.00 (\$56,299,412.00 Municipal and \$2,788,823.00 Municipal Library) compared to \$58,629,687.00 in the 2019 budget as modified. This is a total budget increase of \$458,548.00 or 0.78%. The proposed tax rate for both Municipal and Municipal Library Purposes for 2020 is therefore estimated to be \$1.074 which reflects a tax increase of \$0.017 cents over 2019 (\$1.057). For an average home in Old Bridge assessed at \$154,390.00 the proposed municipal and municipal library tax would be \$28.00 (from \$1,630.00 in 2019 to \$1,658.00 in 2020).

2020 MUNICIPAL EXPENDITURES

The 2020 budget provides funding for the continuation and improvement of core municipal services for the residents of Old Bridge including code enforcement, community development (engineering, planning and zoning), health and social services, parks and facilities, recreation programs, public safety (police protection and emergency management) and public works (roads, recycling, snow removal). It is important to note that employee salaries, benefits and payroll taxes comprise 62.02% of total annual expenditures in the proposed 2020 Municipal Budget.

The Salaries & Wages (S&W) expenditure category has increased by \$369,908.00 (+ 1.61%) from \$23,045,002.00 in 2019 to \$23,414,910.00 in 2020. In addition to contractual increases and minimum wage increases, the 2020 budget includes funding for one new full-time position in the Police Department (Patrol Officer) and one new part-time position in OBTV (Public Information Coordinator).

The Other Expenses (O/E) expenditure category has increased by \$240,582.00 (- 1.34%) from \$17,952,686.00 in 2019 to \$18,193,268.00 in 2020. The major increase under this expenditure category is Recycling (+ \$460,454.00).

The Municipal Debt Service expenditure category has decreased by \$27,523.00 (- 0.53%) from \$5,233,905.00 in 2019 to \$5,206,382.00 in 2020. This decrease is the result of managing the annual amortization and improved bond ratings.

The Statutory expenditure category has increased by \$396,289.00 (+ 8.40%) from \$4,716,305.00 in 2019 to \$5,112,594.00 in 2020. The major increase under this expenditure category is the Police and Firemen's Retirement System (+ \$239,342.00), Public Employees Retirement System (+ \$147,162.00).

The Deferred Charges expenditure category has increased by \$12,802.00 (+ 14.63%) from \$87,488.00 in 2019 to \$100,290.00 in 2020. The major increase under this expenditure category is Unfunded Capital (+11,893.00).

The Capital Improvement Fund expenditure category has decreased by \$40,000.00 (- 13.33%) from \$300,000.00 in 2019 to \$260,000.00 in 2020. The proposed capital budget for 2020 is expected to be \$5,985,000.00, including \$1,000,000.00 in funding from Green Acres, for the development of Cottrell Farm, curbing, drainage, facilities and road improvements, parks and playground improvements, replacement of equipment and vehicles for various departments and divisions.

The Reserve for Uncollected Taxes expenditure category has increased by \$130,000.00 (+ 4.42%) from \$2,940,000.00 in 2019 to \$3,070,000.00 in 2020. This is a statutory non-spending appropriation. It is important to note that the actual tax collection rate for 2019 was 99.30%. The projected tax collection rate for 2020 is 98.30%. The Township did away with the accelerated tax sale in 2017 and went back to holding a standard tax sale. We believe this is a positive change for the residents.

Budget Comparison 2020/2019 Expenditures

Expenditure Category	2020 Recommended	2019 Modified	\$ Change
Salaries & Wages	23,414,910.00	23,045,002.00	369,908.00
Other Expenses	18,193,268.00	17,952,686.00	240,582.00
Municipal Debt Service	5,206,382.00	5,233,905.00	(27,523.00)
Statutory	5,112,594.00	4,716,305.00	396,289.00
Deferred Charges	100,290.00	87,488.00	12,802.00
Grants	941,968.00	1,661,129.00	(719,161.00)
Capital Improvement Fund	260,000.00	300,000.00	(40,000.00)
Reserve for Uncollected Taxes	3,070,000.00	2,940,000.00	130,000.00
Sub-Total:	56,299,412.00	55,936,515.00	362,897.00
Municipal Library Purpose	2,788,823.00	2,693,172.00	95,651.00
Total:	59,088,235.00	58,629,687.00	458,548.00

2020 MUNICIPAL REVENUES

The Fund Balance revenue category has not been changed for 2020. The proposed budget anticipates the same level of funding as last year (\$7,000,000.00).

The Miscellaneous Revenues category has been decreased by \$294,742.00 (- 7.37%) from \$4,000,352.00 in 2019 to \$3,705,610.00 for 2020.

The Uniform Construction and Code Fees revenue category has been increased by \$450,000.00 (+ 27.27%) from \$1,650,000.00 in 2019 to \$2,100,000.00 for 2020.

The Municipal Court Fines and Fees revenue category has not been changed for 2020. The proposed budget anticipates the same level of funding as last year (\$425,000.00).

The Interest on Investments and Deposits revenue category has been increased by \$175,000.00 (+ 116.67%) from \$150,000.00 in 2019 to \$325,000.00 for 2020. Interest rates continue to stay stable over previous years.

The Municipal State Aid revenue category has not been changed for 2020. There is no increase or decrease in state aid expected for this year so the proposed budget anticipates the same level of funding as last year (\$6,270,857.00).

The Receipts from Delinquent Taxes revenue category has not been changed for 2020. The proposed budget anticipates the same level of funding as last year (\$700,000.00).

The Amount to be Raised by Taxation revenue category has been increased by \$752,969.00 (+ 2.19%) from \$34,311,211.00 in 2019 to \$35,064,180.00 for 2020.

Budget Comparison 2020/2019 Revenues

Revenue Category	2020 Recommended	2019 Modified	\$ Change
Fund Balance	7,000,000.00	7,000,000.00	0.00
Miscellaneous Revenues	3,705,610.00	4,000,352.00	(294,742.00)
Uniform Construction Code Fees	2,100,000.00	1,650,000.00	450,000.00
Municipal Court Fines and Fees	425,000.00	425,000.00	0.00
Interest on Investments and Deposits	325,000.00	150,000.00	175,000.00
Municipal State Aid	6,270,857.00	6,270,857.00	0.00
Grants	708,765.00	1,429,095.00	(720,330.00)
Receipts From Delinquent Taxes	700,000.00	700,000.00	0.00
Amount to Be Raised by Taxation	35,064,180.00	34,311,211.00	752,969.00
Sub Total:	56,299,412.00	55,936,515.00	362,897.00
Municipal Library Tax Levy	2,788,823.00	2,693,172.00	95,651.00
Total:	59,088,235.00	58,629,687.00	458,548.00

STATUTORY CAPS

The “Cost of Living Cap Adjustment” enacted by the State requires each municipality to limit the local government unit’s final budget appropriation to no more than 3.5% with the adoption of a COLA or “Cap Index” Ordinance. For Old Bridge Township, the proposed final budget appropriation for 2020 is \$45,330,322.00 which is \$482,019.43 below the state mandated cap base of \$45,812,341.43.

The “Property Tax Levy Cap” enacted by the State requires each municipality to limit the local government unit’s amount to be raised by taxation to no more than 2% over the prior year’s levy with specific exceptions for health benefits, pensions, Length of Service Awards Program (LOSAP) for volunteers, capital improvements and debt service. For Old Bridge Township, the proposed municipal tax levy for 2020 is \$35,064,180.00 which is \$167,604.00 below the state mandated property tax levy cap of \$35,231,784.00.

CONCLUSION

The Township’s financial position has continued to improve over the last eight years through sound business practices, improved capital investment, strong debt management and a longer term approach to budgeting and planning. This year’s proposed Municipal Budget will enable the Township to keep the positive momentum going in 2020 as we continue to improve the ways that the Township conducts business and provides services to our citizens.

In closing, we would once again like to acknowledge and thank the department heads, division managers and all of our front line employees for their hard work and dedication to the Township over the last year. A special “thank you” should also be extended to the staff in Finance, Human Resources and MIS for their collective efforts during the 2020 budget development process.

And finally, we would like to thank the Members of Township Council for all of your time, input and consideration over the last year. Our management team is available, at your convenience, to discuss the proposed 2020 Municipal Budget in more detail.