

TOWNSHIP OF OLD BRIDGE

Administration Department

MEMORANDUM

TO: Council President Debbie Walker
Council Vice-President Mary Sohor
Members of Township Council

FROM: Mayor Owen Henry
Christopher R. Marion, Business Administrator
Himanshu R. Shah, Chief Financial Officer

SUBJECT: 2015 Municipal Budget Transmittal

DATE: February 20, 2015

OVERVIEW

The 2015 proposed Municipal Budget calls for \$50,282,302.00 in expenditures. Revenues include \$6,270,857.00 in municipal state aid, \$1,550,000.00 in uniform construction and code enforcement fees, \$2,941,919.00 in miscellaneous revenue, \$500,000.00 in municipal court fines and costs, \$70,000.00 in interest on investments and deposits, \$30,000.00 in receipts from delinquent taxes and \$32,419,526.00 as the amount to be raised by taxation. An anticipation of \$6,500,000.00 from fund balance will be required to bring the 2015 budget into balance. This will leave \$2,385,954.18 in cash fund balance to help stabilize taxes for 2016. The proposed municipal tax rate is therefore estimated to be \$0.949 in 2015, which reflects no change in the tax rate over 2014. For an average home in Old Bridge assessed at \$152,500.00 the proposed municipal tax would be the same as it was in 2014 (\$1,447.00).

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 2015 minimum state-required funding for the Old Bridge Public Library is \$2,317,520.00. The associated tax rate is estimated to be \$0.068 in 2015 which reflects an increase of \$0.002 in the tax rate over 2014 (\$0.066). For an average home in Old Bridge assessed at \$152,500.00 the municipal library tax increase would be \$3.00 (from \$101.00 in 2014 to \$104.00 in 2015)

The total general appropriation for 2015, including Municipal Library Purposes, is \$52,599,822.00 compared to \$53,948,529.00 in the 2014 budget as modified. This is a total budget decrease of \$1,348,707.00 or 2.50%. The proposed tax rate for both Municipal and Municipal Library Purposes for 2015 is therefore estimated to be \$1.017 which reflects a tax increase of one twentieth of one cent over 2014 (\$0.002). For an average home in Old Bridge assessed at \$152,500.00 the proposed municipal and municipal library tax increase would be \$3.00 (from \$1,548.00 in 2014 to \$1,551.00 in 2015).

2015 MUNICIPAL EXPENDITURES

The 2015 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 64.32% of total annual expenditures in the proposed 2015 Municipal Budget.

The Salaries & Wages (S&W) expenditure category has increased by \$174,642.00 (+ 0.84%) from \$20,890,491.00 in 2014 to \$21,065,133.00 in 2015. In addition to contractual increases, the 2015 budget includes funding for one new full time position in the Police Department (patrol officer), one new full time position in the Public Works Department (building mechanic) and two new full time positions in the Uniform Construction Code Division (one HHS inspector and one assistant uniform construction control person). The proposed budget also includes funding for a full time station manager position for Old Bridge Television (OBTV) which will replace the existing part time position.

The Other Expenses (O/E) expenditure category has decreased by \$1,404,331.00 (- 7.39%) from \$18,997,871.00 in 2014 to \$17,593,540.00 in 2015. Major decreases under this expenditure category include state and federal grants (- \$1,069,622.00) and group health insurance (- \$476,381.00). The major increase under this expenditure category is gasoline/diesel (+ \$60,000.00).

The Municipal Debt Service expenditure category has decreased by \$51,582.00 (- 0.99%) from \$5,234,575.00 in 2014 to \$5,182,993.00 in 2015. This decrease is the result of the amortization of previously issued bonds.

The Statutory expenditure category has increased by \$18,071.00 (+ 0.46%) from \$3,936,038.00 in 2014 to \$3,954,109.00 in 2015. The major increase under this expenditure category is Police and Firemen's Retirement System (+ \$70,826.00). The major decreases under this expenditure category include Public Employees' Retirement System (- \$33,210.00) and Social Security (- \$19,545.00).

The Deferred Charges expenditure category has increased by \$51,502.00 (+ 10.00%) from \$415,025.00 in 2014 to \$466,527.00 in 2015. This expenditure category includes one fifth of the emergency appropriation approved by the Township Council in 2012 for recovery efforts associated with Super Storm Sandy and an emergency appropriation in the amount of \$100,000.00 for the recent acquisition of the new police radio communications system.

The Capital Improvement Fund expenditure category has decreased by \$250,000.00 (- 55.56%) from \$450,000.00 in 2014 to \$200,000.00 in 2015. The proposed capital budget for 2015 is expected to be \$4,000,000.00 for curbing, drainage, facilities and road improvements and replacement equipment and vehicles for various departments and divisions.

The Reserve for Uncollected Taxes expenditure category has decreased by \$40,000.00 (- 2.15%) from \$1,860,000.00 in 2014 to \$1,820,000.00 in 2015. This is a statutory non-spending appropriation. It is important to note that the actual tax collection rate for 2014 was 99.79%. The projected tax collection rate for 2015 is 98.85%.

Budget Comparison 2015/2014 Expenditures

Expenditure Category	2015 Recommended	2014 Modified	\$ Change
Salaries & Wages	21,065,133.00	20,890,491.00	174,642.00
Other Expenses	17,593,540.00	18,997,871.00	(1,404,331.00)
Municipal Debt Service	5,182,993.00	5,234,575.00	(51,582.00)
Statutory	3,954,109.00	3,936,038.00	18,071.00
Deferred Charges	466,527.00	415,025.00	51,502.00
Capital Improvement Fund	200,000.00	450,000.00	(250,000.00)
Reserve for Uncollected Taxes	1,820,000.00	1,860,000.00	(40,000.00)
<i>Sub-Total:</i>	50,282,302.00	51,784,000.00	(1,501,698.00)
Municipal Library Purpose	2,317,520.00	2,264,529.00	52,991.00
<i>Total:</i>	52,599,822.00	54,048,529.00	(1,448,707.00)

2015 MUNICIPAL REVENUES

Total municipal revenue has decreased by \$1,348,707.00 (- 2.50%) from \$51,684,000.00 in 2014 to \$50,282,302.00 in 2015.

The Municipal State Aid revenue category has not been changed for 2015. 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 Fund Balance revenue category has been not been changed for 2015. The fund balance reserve has been set at 4.54% of the total municipal budget for 2015 (compared to 3.68% in 2014).

The Uniform Construction and Code Fees revenue category has been increased by \$100,000.00 (+ 6.90%) from \$1,450,000.00 in 2014 to \$1,550,000.00 for 2015.

The Municipal Court Fines and Costs revenue category has been decreased by \$500,000.00 (- 50.00%) from \$1,000,000.00 in 2014 to \$500,000.00 for 2015.

The Interest on Investments and Deposits revenue category has not been changed for 2015. Interest rates continue to be lower than in previous years.

The Miscellaneous Revenues category has been decreased by \$1,191,354.00 (- 28.82%) from \$4,133,273.00 in 2014 to \$2,941,919.00 for 2015. The major decreases under this revenue category include a reduction in state and federal grants (- \$963,636.00) and capital fund surplus (- \$200,000.00).

The Receipts from Delinquent Taxes revenue category has not been changed for 2015 (\$30,000.00).

The Amount to be Raised by Taxation revenue category has been increased by \$189,656.00 (+ 0.59%) from \$32,229,870.00 in 2014 to \$32,419,526.00 for 2015.

Budget Comparison 2015/2014 Revenues

Revenue Category	2015 Recommended	2014 Modified	\$ Change
Municipal State Aid	6,270,857.00	6,270,857.00	0.00
Fund Balance	6,500,000.00	6,500,000.00	0.00
Miscellaneous	2,941,919.00	4,133,273.00	(1,191,354.00)
Uniform Construction Code Fees	1,550,000.00	1,450,000.00	100,000.00
Municipal Court Fines and Fees	500,000.00	1,000,000.00	(500,000.00)
Interest on Investments and Deposits	70,000.00	70,000.00	0.00
Receipts From Delinquent Taxes	30,000.00	30,000.00	0.00
Amount to Be Raised by Taxation	32,419,526.00	32,229,870.00	189,656.00
<i>Sub Total:</i>	50,282,302.00	51,684,000.00	(1,401,698.00)
Municipal Library Tax Levy	2,317,520.00	2,264,529.00	52,991.00
<i>Total:</i>	52,599,822.00	53,948,529.00	(1,348,707.00)

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 2015 is \$41,330,372.73 which is \$1,786,992.01 below the state mandated cap base of \$43,117,364.74.

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 2015 is \$32,419,526.00 which is \$1,045,210.00 below the state mandated property tax levy cap of \$33,464,736.00.

CONCLUSION

The Township’s financial position and condition have dramatically improved over the last three (3) 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, with no change in the municipal tax rate and no “one shot” revenues, will enable the Township to keep the positive momentum going in 2015 and beyond (!) as we continue to change and 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 2015 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 2015 Municipal Budget in more detail.