

Questions & Answers on the Budget

- 1) What are the major reductions in appropriations in the CY 2011 Budget over the CY 2010 Budget other than Federal and State Grants/Aids with offsetting appropriation?

DESCRIPTION	Decrease %	AMOUNT
Police Salaries & Wages	4.56%	\$585,001
MCIA Lease/Loan	46.11%	\$230,915
Recreation Salaries & Wages	7.46%	\$103,943
Total Major Reductions in Appropriations		\$919,859

- 2) What are the major increases in appropriation in the CY 2011 Budget over the CY 2010 Budget other than Federal and State Grants/Aid with offsetting revenue items?

DESCRIPTION	Increase %	AMOUNT
Group Insurance (Inside & Outside CAP)	8.41%	\$865,501
PERS/PFRS (Inside & Outside CAP)	19.71%	\$696,786
Unemployment	118.98%	\$244,500
Subcode Salaries & Wages (1)	34.97%	\$225,240
Private Community Reimbursement (2)	37.25%	\$95,000
Sick Leave, Comp Time & Termination	21.08%	\$70,000
Police MIS Other Expenses (3)	43.45%	\$66,549
Contribution to Kennel (4)	50.00%	\$40,000
Contribution to Arena (4)	19.02%	\$23,166
Total Major Increases in Appropriations		\$2,326,742

- (1) Subcode Salaries & Wages – Interlocal with South River ended 9/30/10. Two employees split with Code Enforcement are now 100% charged to Subcode and one employee transferred from another department.
 (2) Private Community Reimbursement – Increase for Reimbursement of Snow Removal costs due to significant snow storms in CY 2011.
 (3) Police MIS Other Expenses – Additional cost of E-ticket, PSAP grant ended in 2010 and repair & replacement of outdated radio & equipment.
 (4) Kennel and Arena – Running at a higher deficit than in previous years.

3) What is the breakdown of budget items that are broken out between Inside and Outside of CAP?

DESCRIPTION	Inside CAP	Outside CAP	Total
Gasoline – Other Expenses (Interlocal Agreement – Twp Agency Gasoline)	\$576,920	\$250,000	\$826,920
Data Processing – Salary & Wage (Interlocal Agreement – Sayreville Computer Services)	\$193,106	\$48,000	\$241,106
Public Safety – Salary & Wage (Safe & Secure Grant)	\$12,248,858	\$217,618	\$12,466,476
Recreation – Salary & Wage (Municipal Alliance Grant)	\$1,288,706	\$26,367	\$1,315,073
Office on Aging – Salary & Wage (Information & Assistance Grant)	\$456,096	\$9,900	\$465,996
Public Employees Retirement System (PERS)	\$1,147,881	\$225,200	\$1,373,081
Police & Firemen Retirement System (PFRS)	\$2,458,363	\$400,895	\$2,859,258
Health Insurance	\$8,947,554	\$393,144	\$9,340,698

4) What is the breakdown of Emergency Appropriation figures in the Budget?

DESCRIPTION	AMOUNT
Buildings & Grounds Other Expenses (Emergency with the main electrical service to the Municipal Complex 7/14/10-7/15/10)	\$57,000
Snow Removal Salary & Wage and Other Expenses (December 26 th -27 th Blizzard costs)	\$175,868
Total Emergency Appropriations	\$232,868

5) What are the snow removal costs for CY 2010 and CY 2011?

DESCRIPTION	CY 2010 (1) AMOUNT	CY 2011 (2) AMOUNT
Salary & Wage	\$161,308	\$53,830
Other Expenses	\$932,295	\$401,615
Total Snow Removal Costs	\$1,093,603	\$455,445

(1) CY 2010 amount for January-December 2010 and includes the blizzard on December 26th & 27th, 2010.

(2) CY 2011 amount includes all storms through February 14, 2011.

- 6) What are the major increases in revenue for the CY 2011 Budget over the CY 2010 Budget other than Federal and State Grants/Aids with offsetting appropriation and Amount to be Raised by Taxation?

DESCRIPTION	Increase %	AMOUNT
Sale of Land/Assets	100.00%	\$5,300,000
Municipal Court Revenue	23.33%	\$140,000
Employee Contribution to Health Benefits	140.00%	\$70,000
Total Major Increases in Revenue		\$5,510,000

- 7) What are the major reductions in revenues in the CY 2011 Budget over the CY 2010 Budget other than Federal and State Grants/Aids with offsetting appropriations?

DESCRIPTION	Decrease %	AMOUNT
Surplus	43.87%	\$4,423,605
Capital Surplus	85.00%	\$340,000
Receipts from Delinquent Taxes (2)	90.48%	\$285,046
State Aid (1)	3.05%	\$197,343
Parking Utility Surplus	100.00%	\$140,000
Interest & Costs on Taxes (2)	76.67%	\$115,000
Interest on Investments	30.56%	\$110,000
Redevelopment Agency Reimbursement	100.00%	\$100,000
UCC/Code Enforcement	3.57%	\$50,000
Total Major Reductions in Revenues		\$5,760,994

- (1) State Aid reduction reflects additional Supplemental Energy Tax receipt received in CY 2010 as a result of the Transition Year. Final State Aid numbers have not yet been release by the state.
(2) Receipts from Delinquent Taxes and Interest & Costs on Taxes is reduced for CY 2011 due to an accelerated tax sale being held in CY 2010 reducing the amount of taxes receivable.

- 8) What is the major source of surplus and how is it generated from operations?

Surplus is normally generated from collecting more revenue than anticipated in the budget. It can also be generated from unexpended appropriation reserves or the cancellation of unexpended appropriations.

The unaudited surplus balance as of December 31, 2010 is \$6,662,330.87. This amount is \$4,302,953.35 lower than the balance at December 31, 2009. We intend to use \$5,660,000 of the surplus, about 85% in the current budget. The surplus balance after the budget is \$1,002,330.87. In order to maintain our bond rating, we will need to restore surplus to the 2008 level.

9) What is the percentage of Employee costs in the current budget?

Total employee cost is about 63.3% of the current budget. This is made up of salaries and wages of \$20.8 million, benefits of \$10.2 million, pension costs of \$4.2 million and termination costs of \$0.85 million.

10) What is the Bond Rating for the Township?

In June of 2008, Moody's Investor Services maintained the Bond Rating for the Township of **Aa3** and in November of 2010, Fitch IBCA raised the Bond Rating from **AA-** to **AA**. These ratings reflect improvements in the building and maintaining of Fund Balance and the prudent financial management by the Township. We were fortunate to have surplus balance verses other municipalities operating with a zero surplus balance.

11) How do the present Bond Ratings affect the Township?

The current Bond Ratings have helped the Township save thousands of dollars on interest on bonds and notes sold in 2009/2010. A lower rating would mean higher interest rates.

12) What are the changes in Debt Service over the previous year?

The Table below shows that changes in Debt Service of CY 2010 over TY 2009. The Net Total Debt at the end of CY 2010 is \$3,471,847 higher than TY 2009. The statutory debt limitation is 3.5%, and currently Old Bridge is at .77% compared to .71% in TY 2009.

DESCRIPTION	TY 2009	CY 2010	Change
Long Term Debt: Serial Bonds	\$32,064,600	\$28,105,300	(\$3,959,300)
Short Term Debt: Bond Anticipation Notes	\$6,048,000	\$7,538,000	\$1,490,000
Authorized But Not Issued: Bonds & Notes (2)	\$11,284,214	\$17,348,022	\$6,063,808
Loans: Green Trust, Infrastructure & EDA	\$8,624,796	\$7,942,136	(\$682,660)
Less: Deductions for School Leasehold	(\$2,320,000)	(\$1,760,000)	(\$560,000)
Total Net Debt	\$55,701,610	\$59,173,457	\$3,471,847
Net Debt Percentage of Equalized Value (1)	.71%	.77%	.06%

(1) Total Net Debt Divided by Average Assessed Valuation

(2) Increase in Authorized but not Issued: Bonds & Notes is related to capital ordinances for Parks Improvements, Paving, Curbing & Drainage Improvements, Recreation & Public Works Equipment, MIS Improvements, Improvements to the Municipal Complex and the Acquisition of Cottrell Farm and Whitney Estates.

13) What is the Reserve for Uncollected Taxes and why is it required in the Budget?

The Reserve for Uncollected Taxes is a non-spending appropriation required by law to be included in the budget of all municipalities in the State of New Jersey. This is required in the budget for the shortfall of taxes not collected by the Township. The Township is obligated to pay 100% of all the taxes due to the School, County and Fire Districts, despite not collecting all the taxes for the year. Appendix (vii) shows a comparison of the percentage of collections and the percentage utilized for Reserve for Uncollected Taxes. The Township has continued to hold an accelerated tax sale since FY 2008 which increases the collection rate and therefore keeps the reserve for uncollected taxes low in the CY 2011 budget.

14) How does the proposed Municipal Tax Rate compare with previous years?

Year	Municipal Tax Rate	Percentage of Collections	% utilized for Reserve for Uncollected Taxes
1985	0.56	96.09	96.59
1986	0.66	95.96	96.22
1987	0.74	96.85	95.96
1988	0.84	96.62	96.87
1989	0.95	96.77	96.60
1990	0.60	94.69	95.00
TY 1991	0.60	92.21	-
SFY 1992	0.56	93.74	95.26 (1)
SFY 1993	0.76	93.11	95.12 (1)
SFY 1994	0.74	94.91	93.00
SFY 1995	0.73	95.40	94.00
SFY 1996	0.73	96.80	94.00
SFY 1997	0.69	96.88	95.30
SFY 1998	0.66	97.87	95.40
SFY 1999	0.65	97.63	96.00
SFY 2000	0.55	97.69	95.92
SFY 2001	0.60	98.37	96.18
SFY 2002	0.63	99.00	96.30
SFY 2003	0.73	99.52	97.09
SFY 2004	0.73	99.31	97.92
SFY 2005	0.73	100.21	97.75
SFY 2006	0.76	99.19	98.19
SFY 2007	0.79	99.06	98.00
SFY 2008	0.80	99.89	98.89
SFY 2009	0.843	99.86	98.89
TY 2009	0.843	98.67	99.00
CY 2010	0.924	99.87	99.00
CY 2011	0.984	-	98.87

NOTES:

(1) Three years average used by State of New Jersey with approval by Local Finance Board.

The proposed rate of \$0.984 is an increase of \$0.060 over last year's rate.

15) What is the difference between the Tax Collection Rate and the percentage utilized for the Reserve for Uncollected Taxes, since SFY 1992?

The difference between the Tax Collection Rate and percentage utilized for the Reserve for Uncollected Taxes since SFY 1992 are shown in the table below:

YEAR	COLLEC- TION RATE	RESERVE FOR UNCOLLEC- TED TAX	DIFFERENCE	AMOUNT OF RESERVE	TAX LEVY
SFY 1992	93.74%	95.26%	-1.52%	\$3,480,551.97	\$74,347,789.02
SFY 1993	95.41%	95.12%	0.29%	\$3,893,653.89	\$80,186,828.38
SFY 1994	95.06%	93.00%	2.06%	\$5,401,841.80	\$81,255,586.37
SFY 1995	95.40%	94.00%	1.40%	\$4,837,698.39	\$83,775,746.54
SFY 1996	96.80%	94.00%	2.80%	\$4,925,982.00	\$86,075,434.94
SFY 1997	96.88%	95.32%	1.56%	\$3,890,893.28	\$85,663,637.54
SFY 1999	97.63%	96.00%	1.63%	\$3,358,724.00	\$87,574,312.78
SFY 2000	97.69%	95.92%	1.77%	\$3,410,064.00	\$86,954,598.67
SFY 2001	98.41%	96.18%	2.23%	\$3,339,858.00	\$89,021,566.32
SFY 2002	99.00%	97.07%	1.93%	\$3,136,201.00	\$95,341,799.58
SFY 2003	99.52%	97.92%	1.60%	\$2,373,975.00	\$110,186,249.89
SFY 2004	99.31%	97.75%	1.56%	\$2,669,597.00	\$115,925,368.56
SFY 2005	100.21%	98.15%	2.06%	\$2,325,705.00	\$119,132,315.81
SFY 2006	99.19%	98.19%	1.00%	\$2,430,610.00	\$127,029,095.95
SFY 2007	99.06%	98.00%	1.06%	\$2,688,788.00	\$137,657,132.57
SFY 2008	99.89%	98.00%	1.89%	\$2,756,318.00	\$141,740,944.77
SFY 2009	99.86%	98.89%	0.97%	\$1,568,993.00	\$142,947,654.97
TY 2009	98.67%	99.00%	-0.33%	\$784,497.00	\$73,813,899.35
CY 2010	99.87%	98.87%	1.00%	\$1,546,440.00	\$146,646,465.10

The risk of using a high of collection rate is the increased potential for cash deficits and other related financial problems. The table above highlights such a problem in SFY 1992 and 1993.

Further, it should be noted that the increase in the Reserve for Uncollected Taxes over the years is the result of the higher Amount to be Raised by Taxation, which is a product of an unusually high number of tax judgments collected. Also, it should be noted that a 1 % decline in the Collection Rate will result in a loss of revenue generated of over \$1,466,000.

The Township of Old Bridge experienced cash deficits of about \$2 million in 1992 as mainly due to utilizing a higher rate for the Reserve for Uncollected Taxes than the tax collection. The differences between the rates were -1.52% in SFY 1992 and - 0.29% in SFY 1993. The deficit contributed to the lowering of the Township's Bond Rating and higher interest cost on its debt.

During FY 2008, the Township began the process to hold an accelerated tax sale before the end of the year. The accelerated tax sale process allows the Township to continue to hold a stable high collection rate even in the declined economy. The last accelerated tax sale was held on December 29, 2010.