

Township of Long Hill

2011 Municipal Funding Proposal

April 2011

Mayor

Nanette Harrington

Deputy Mayor

Michael Mazzucco

Township Committee

Jerry Aroneo

Guy Pischeria

George Viturera

Township Administrator/CFO

Richard J. Sheola

Township Clerk

Christine Gatti

Township of Long Hill 2011 Municipal Budget Proposal

The 2011 Municipal Budget for the Township of Long Hill as Introduced on April 27, 2011 is \$14,359,911 and reduces appropriations by \$76,301 or a 0.53% reduction compared to 2010. Despite the reduction in the budget, our tax rate will increase by 1¼ points over 2010 for a total rate of \$0.7263 per hundred dollars of assessed value.

The appropriations side of the budget is relatively stable in spite of increases in mandated and fixed expenses such as pension, health benefits, the Reserve for Uncollected Taxes and increased costs of utilities and decreases to debt service.

On the revenue side, total non-tax revenue, is \$254,937 lower than 2010. However, we have managed to keep the tax increase low by reducing expenditures where we can and where the reductions would not affect the health, safety or welfare of our residents. The increase in taxes is directly attributable to several items: \$86,700 increase in the Reserve for Uncollected Taxes; increase in pension, health benefits and social security costs.

<i>Cost of Average Residence</i>	<i>2010</i>	<i>2011</i>
Average Assessment	\$390,000	\$390,000
times Local Tax Rate (per \$100)	\$0.7136	\$0.7263
Annual Cost to Average Residence	\$2,782.97	\$2,832.57
Increase/(Decrease) in Average Cost	\$49.60	1.78%

The proposed budget maintains all services and is well under the Tax Levy CAP by \$179,116 and under the Appropriations CAP by \$1,206,687. The use of Surplus as a revenue to support operations is at a level estimated to be questionable in future budgets, given the township's inability to regenerate used surplus going forward. This situation is not unique to Long Hill as many of our neighboring communities are struggling with the same realities. Taxes on the average house represents an increase of \$49.60 per year or about \$4.13 per month.

Local Revenues

Revenues from local sources available for the support of the general budget operations decreased from \$2,558,506 to \$2,268,450 or \$290,056 – a 11.3% decrease. The largest portions of this decrease are the reduced use of Surplus (\$160,000), the cancellation of the Interlocal Agreement with Millburn Township (\$37,700) and a reduced NJ Department of Transportation grant (\$75,000) – the last two items also have a corresponding reduction in expenses. When Surplus is included in this analysis, Local Revenue only decreased by 2.89%. The Township Committee has continued its commitment of reviewing fees and charges each year to make certain those customers who are using the services, such as sewer rates and recreation fees, are paying the proper amount. The significant decrease in the generation of interest on investments was marginally offset by the increase in building permits, recreation registrations and Stirling Lake memberships.

State Payments

In 2011, payments from the State of New Jersey are projected to remain stable compared to 2010 revenue.

Mandated Pension Payments

After a State-mandated pension “holiday” for three years, when the State did not bill municipalities for pension obligations and did not allow for municipalities to reserve funds for these obligations, legislation was adopted in 2003 requiring pension payments for the Police and Fire Retirement System (“PFRS”) and the Public Employees Retirement System (“PERS”) to be phased back into local budgets based on updated actuarial valuations. The five-year phase-in period began in 2004 for PFRS and 2005 for PERS, and required that twenty percent of total pension liabilities be budgeted in the first year, and increased by twenty percent in each subsequent year until full funding was achieved in the fifth year. However, actual bills were more than 20% per year due to the fact that pension obligations were calculated as 20% of a larger liability each year. Payments to the Police and Fire Retirement System reached the full funding level in 2008. The five-year phase-in period for the Public Employees Retirement System was complete in 2009. There is uncertainty over the viability of the pension funds for the foreseeable future as the State has again elected to forego their payment for the 2011-2012 fiscal year.

Our share of Pension costs – both Police & Fire and Public Employees – have increased \$451,700 or 50.6% since 2007.

Budget CAPS

This year, the budget CAP's have changed significantly. There is now a 2% CAP on spending and a 2% CAP on taxes, expandable up to 3.5%. The proposed budget is \$179,115 under the statutory 2% Spending CAP and is \$1,206,680 less than the maximum permitted by the spending levy CAP.

Because certain legal obligations and mandated expenditures are excluded from the new tax levy CAP, the permitted increase in the proposed tax levy may actually exceed the statutory limitation. However, the Township Committee has remained steadfast in their commitment to keep the actual increase in taxes to below 2%.

Significant Increases and Decreases

In general, the appropriations by category proposed for 2011 compared with 2010 amounts reflect inflationary increases in the costs of providing services, including salaries and other expenses. Those categories of expenditures that exhibit significant percentage increases or decreases or are major expenditures, are explained below:

Salaries & Wages – All Departments

Due to the fiscal conditions we are operating under, the Administrative employees – those not aligned with a bargaining unit – elected not to take a salary increase for 2010. In addition, the Long Hill Public Works Association, which represents all Road Division and Waste Water Division employees (except management), agreed to re-open their recently settled contract and deferred a 3% planned increase due to them on July 1st to January 1, 2011. And finally, the Long Hill PBA#322 and Superior Officers Association recently approved a contract that did not grant a salary increase for 2010 and provided minimal increases for the next three years. However, due to retirements during 2010 and early 2011 and the judicious replacement of those employees, our salary costs for 2011 are less than 2010 by \$22,400.

Each employee group began contributing towards their Health Benefits for the first time in 2010 with the Administrative employees contributing 1.5% of their base pay on June 1st. This is in accordance with state legislation that is part of an overhaul of the pension and health benefit programs. The contributions account for over \$20,000 in 2011 and are estimated to be over \$50,000 within a few years.

Risk Management and Group Insurance: +2.7%

Increases in these line items reflect an increase of \$206,684 with most of the increase attributable to increases in the New Jersey State Health Benefits Program (3.96%). The increase was partially off-set by a reduced employee population and employee contributions.

Purchase of Police Vehicles -50.0%

The department will be replacing one (1) police cruiser in 2011 at an estimated cost of \$30,500 which includes all lettering, equipment transfer & installation and the vehicle itself. They will be removing two vehicles from the fleet, continuing with the program initiated several years ago of reducing the overall police fleet. The Department made the decision to stay with the Crown Victoria since all present equipment will readily transfer

to the new cars; if a different vehicle was purchased, virtually none of the equipment would be transferable resulting in an expenditure of an additional \$5,000 per car.

Debt Management -11.8%

Due to good planning and prudent fiscal management, the Township reduced its debt burden by over \$260,000 from 2010 to 2011. However, to avoid the spikes and valleys of issuing new debt, the Township did authorize the issuance of \$2.0M in sewer debt to cover expenses during rehabilitation of five (5) sewer pump stations and re-issued \$2.3M in General Capital Bond Anticipation Notes for normal equipment and infrastructure needs. Had these two items not been approved, the decrease in debt would have been over \$436,000. Good debt management and capital planning will avoid the “peaks and valleys” in debt payments. It is anticipated that additional projects will be authorized in 2011 and beyond to address critical needs and projects.

Cost Saving Measures

Cost containment and revenue enhancement are continual objectives. Significant actions that will affect property taxes in 2011 and future years are:

- Vacant positions in Public Works/Road Division and the Police Department are not funded resulting in savings of \$150,000 in salaries and benefits.
- The Road Division continued to review all projects. For example, all lawn maintenance and field stripping has been outsourced at a potential savings of \$36,000 per year.
- We anticipate cancelling balances from older capital ordinances will be used to off-set the cost of future capital projects.
- Shared services will be explored with the Board of Education and other municipalities in the area of fuel purchase/distribution management, purchasing management and other support services.
- Salaries of certain employees have been re-distributed based on work performed. For example, those employees who spend significant time on Transit Parking have a proportion of their salary re-allocated to the Parking Enterprise and Animal Control Trust saving \$12,500 in the municipal budget.
- All requests for training and overnight conference requests have been reviewed to determine if courses align with any certifications or licenses needed for the employees' position.
- At the end of 2010, approximately \$856,835 of the \$14,454,589 budget remained un-spent. Although some invoices have been paid against that balance, we anticipate approximately \$300,000 to \$350,000 will be available at the end of 2011 for cancellation towards 2012 Fund Balance.
- Local and long distance telephone service was changed to a third party re-seller ultimately saving 30% on calling rates. Likewise, cellular service was switched to another carrier saving 20% on billings. For 2011, we are actively reviewing options to move to T-1 or other high-speed, wide band width systems.

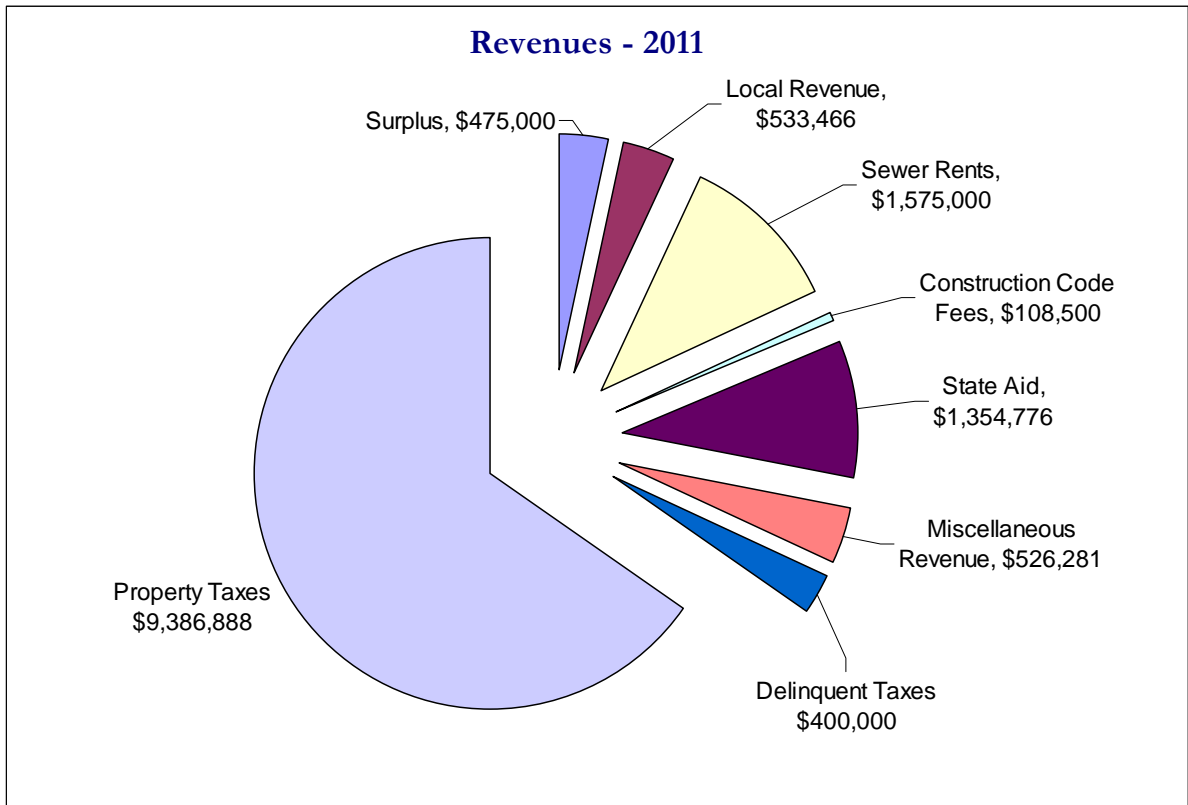
- The Township joined the New Jersey Performance Measurement Co-operative with 11 other communities to share data on most municipal operations in order to determine “Best Practices” for a variety of services. Although the Township did not renew membership for 2011, the lessons learned should give us insight for future savings and smarter work practices.
 - The Public Works/Waste Water Division completed a “flow test” of major main sewer lines to locate any possible sources of inflow and infiltration. We are anticipating the results of the year long monitoring in early May 2011. This will help us pinpoint major – and minor – sources of inflow and infiltration.
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**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
SUMMARY OF REVENUES AND APPROPRIATIONS
CURRENT FUND**

<u>Revenues</u>	<u>Proposed 2011</u>	<u>Adopted 2010</u>	<u>Percent Change</u>
Surplus	\$ 475,000	\$ 635,000	-25.20%
Local Revenue	\$ 533,466	\$ 514,500	3.69%
Sewer Rents	\$ 1,575,000	\$ 1,616,506	-2.57%
Construction Code Fees	\$ 108,500	\$ 52,500	106.6%
State Aid	\$ 1,354,573	\$ 1,354,776	0 %
Miscellaneous Revenue	\$ 526,281	\$ 679,678	-22.57%
Delinquent Taxes	\$ 400,000	\$ 375,000	6.67%
<u>Property Taxes</u>	<u>\$ 9,386,888</u>	<u>\$ 9,208,252</u>	<u>1.94%</u>
Total Revenues	\$14,359,911	\$14,436,212	-0.53%
 <u>Appropriations</u>			
Administrative/Executive	\$1,161,485	\$1,182,989	-1.82%
Insurance incl. Health Benefits	\$1,272,601	\$1,238,419	2.76%
Public Safety	\$3,849,067	\$3,626,228	6.15%
Public Works	\$2,732,301	\$2,219,908	23.08%
Health	\$70,459	\$65,234	8.01%
Recreation incl. Library	\$800,303	\$830,943	-3.69%
Construction Code	\$119,904	\$164,354	-27.05%
Pension/SSI	\$1,257,206	\$1,206,016	4.24%
Miscellaneous	\$302,690	\$755,166	-59.92%
Capital	\$135,395	\$304,000	-55.46%
Debt	\$1,928,795	\$2,199,953	-12.33%
<u>Reserve for Uncollected Taxes</u>	<u>\$729,705</u>	<u>\$643,002</u>	<u>13.48%</u>
Total Appropriations	\$14,359,911	\$14,436,212	-0.53%

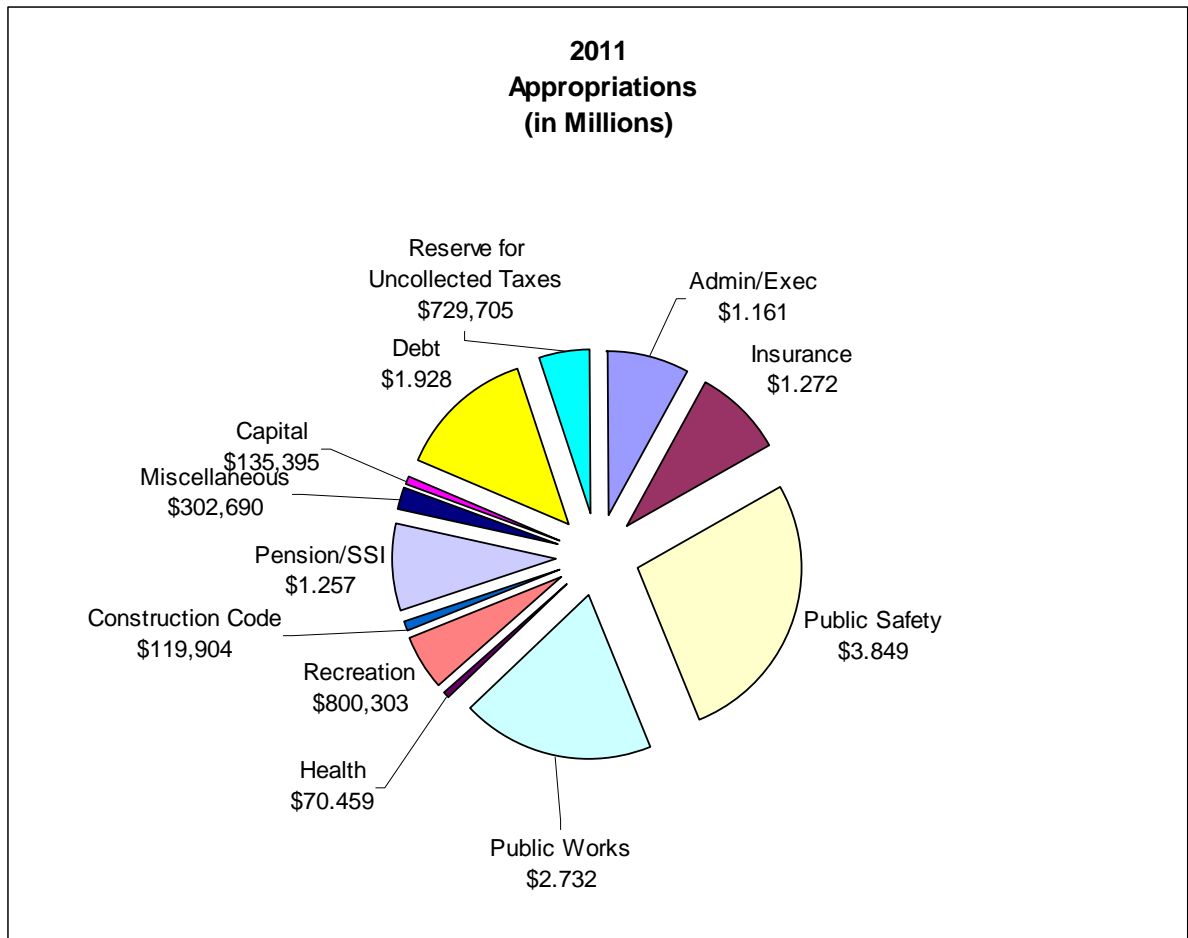
**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
SOURCES OF REVENUES
CURRENT FUND**

<u>Revenues</u>	<u>Proposed 2011</u>	<u>Adopted 2010</u>	<u>Percent Change</u>
Surplus	\$ 475,000	\$ 635,000	-25.20%
Local Revenue	\$ 533,466	\$ 514,500	3.69%
Sewer Rents	\$ 1,575,000	\$ 1,616,506	-2.57%
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Miscellaneous Revenue	\$ 526,281	\$ 679,678	-22.57%
Delinquent Taxes	\$ 400,000	\$ 375,000	6.67%
<u>Property Taxes</u>	<u>\$ 9,386,888</u>	<u>\$ 9,208,252</u>	<u>1.94%</u>
Total Revenues	\$14,359,911	\$14,436,212	-0.53%



**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
ALLOCATION OF RESOURCES
CURRENT FUND**

<u>Revenues</u>	<u>Proposed 2011</u>	<u>Adopted 2010</u>	<u>Percent Change</u>
Administrative/Executive	\$1,161,485	\$1,182,989	-1.82%
Insurance incl. Health Benefits	\$1,272,601	\$1,238,419	2.76%
Public Safety	\$3,849,067	\$3,626,228	6.15%
Public Works	\$2,732,301	\$2,219,908	23.08%
Health	\$ 70,459	\$ 65,234	8.01%
Recreation incl. Library	\$ 800,303	\$ 830,943	-3.69%
Construction Code	\$ 119,904	\$ 164,354	-27.05%
Pension/SSI	\$1,257,206	\$1,206,016	4.24%
Miscellaneous	\$ 302,690	\$ 755,166	-59.92%
Capital	\$ 135,395	\$ 304,000	-55.46%
Debt	\$1,928,795	\$2,199,953	-12.33%
<u>Reserve for Uncollected Taxes</u>	<u>\$ 729,705</u>	<u>\$ 643,002</u>	<u>13.48%</u>
Total Appropriations	\$14,359,911	\$14,436,212	-0.53%



**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
CALCULATION OF LEVY CAP LIMITATIONS**

TAX LEVY CAP

2010 Amount to be Raised by Taxation		\$9,208,252
Less: Prior Year Capital Improvements		\$ 40,146
Less: Change in Service Provider – Library Taxes		(\$ 595,553)
Adjusted Tax Levy Base		\$8,612,699
Plus: 2% CAP Increase		<u>\$ 172,254</u>
Adjusted Tax Levy Prior to Exclusions		\$8,784,953

Tax Levy CAP Adjustments

Exclusions:		
Allowable Increase in Health Ins. costs	\$ 45,393	
Allowable Pension Obligation Increase	\$ 35,140	
Allowable Capital Improvement Increase	<u>\$ 81,305</u>	
Add Total Exclusions		\$ 161,838

Less Cancelled or Unexpended Exclusions		\$ 5,834
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Adjusted Tax Levy		\$8,940,957
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Additions:

New Ratables – Increases in Valuations	\$4,130,700	
Prior Years Local Municipal Purpose Tax Rate	\$ 0.714	
New Ratable Adjustment to Levy		\$ 29,493

Maximum Allowable Amount to be Raised by Taxation		\$8,970,450
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Amount to be Raised by Taxation for Municipal Purposes		\$8,791,335
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Under (Over) CAP		\$ 179,115
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**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
CALCULATION OF APPROPRIATION CAP LIMITATIONS**

Total Appropriations 2010	\$14,436,212
CAP Base Adjustment	<u>\$ 33,229</u>
	\$14,469,441
Total Exceptions	<u>\$ 4,059,852</u>
Amount on Which 3.5% CAP is Applied	\$10,598,592
CAP (3.5%)	<u>\$ 364,335.61</u>
Allowable Appropriations before Additional Exceptions per NJSA 40A:45.3	\$10,773,924.61
Modifications	
CAP Bank – 2009	\$ 322,852.77
CAP Bank – 2010	\$ 624,380.13
Assessed Value of New Construction at 2009 Local Tax Rate (\$4,130,700 x 0.714 per hundred)	<u>\$ 29,493.20</u>
Maximum Allowable General Appropriations for Municipal Purposes within CAPS	\$11,750,650.71
Municipal Budget within CAPS	\$10,453,970.00
Under (Over) CAPS	\$ 1,296,680.71

**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
ANALYSIS OF MUNICIPAL PROPERTY TAX RATE**

	<u>2011</u>	<u>2010</u>
Total Budget Appropriations	\$14,359,911	\$14,436,212
Less:		
Surplus	\$ 475,000	\$ 635,000
Local Revenue	\$ 533,466	\$ 514,500
Sewer Rents	\$ 1,575,000	\$ 1,616,506
Construction Code Fees	\$ 108,500	\$ 52,500
State Aid	\$ 1,354,573	\$ 1,354,776
Miscellaneous Revenue	\$ 526,484	\$ 679,678
Delinquent Taxes	<u>\$ 400,000</u>	<u>\$ 375,000</u>
 Amount to Be Raised by Taxes	 \$ 9,386,888	 \$ 9,208,252
 Divided by Assessed Valuation	 <u>1,292,281,441</u>	 <u>1,290,426,614</u>
 Municipal Purposed Tax Rate (per \$100)	 <u>\$0.7263</u>	 <u>\$0.7135</u>

**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
CHANGES IN LOCAL TAX LEVY**

<u>Revenues</u>	<u>Proposed 2011</u>	<u>Adopted 2010</u>	<u>Change</u>
Surplus	\$ 475,000	\$ 635,000	-\$ 160,000
Local Revenue	\$ 533,466	\$ 514,500	\$ 18,966
Sewer Rents	\$ 1,575,000	\$ 1,616,000	-\$ 41,000
Construction Code Fees	\$ 108,500	\$ 52,500	\$ 56,000
State Aid	\$ 1,354,573	\$ 1,354,766	-\$ 193
Miscellaneous Revenue	\$ 526,281	\$ 679,678	-\$ 153,397
Delinquent Taxes	<u>\$ 400,000</u>	<u>\$ 375,000</u>	<u>\$ 25,000</u>
Net Impact on Local Tax Levy			<u>\$254,624</u>

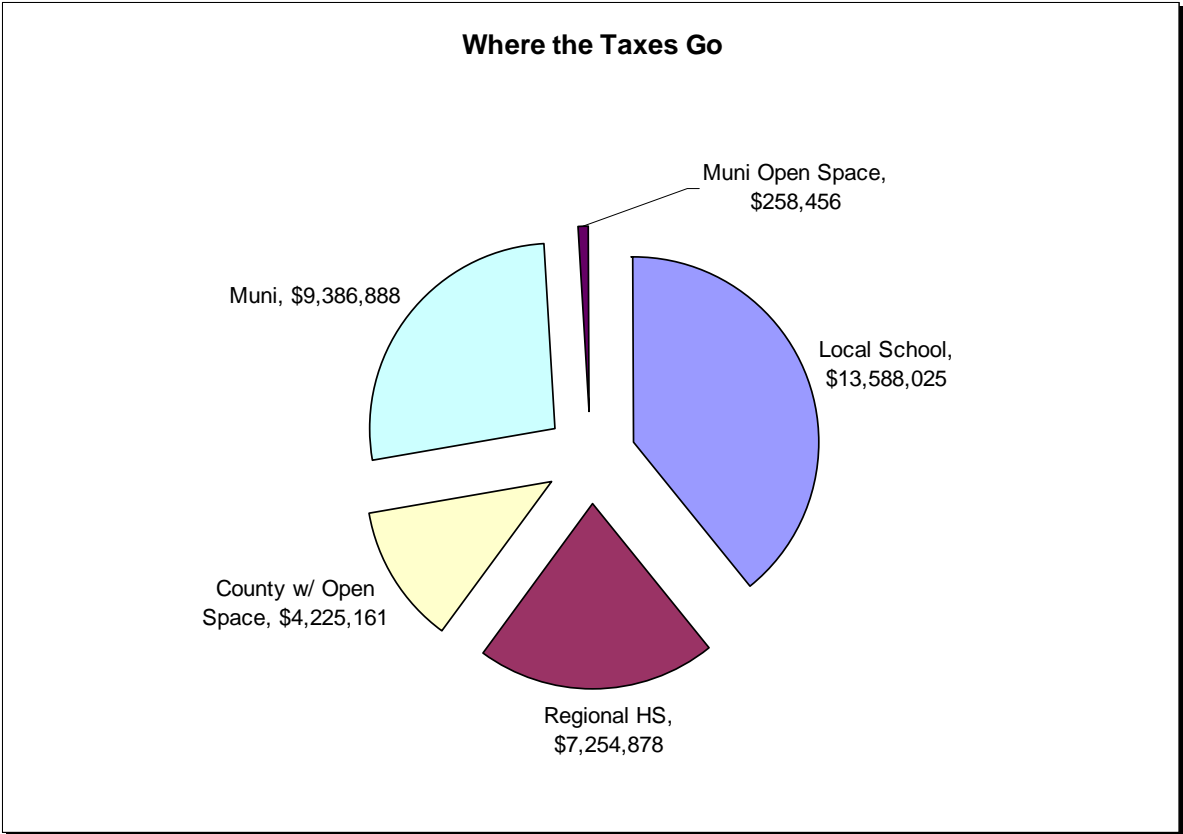
Locally Funded Appropriations

<u>Revenues</u>	<u>Proposed 2011</u>	<u>Adopted 2010</u>	<u>Change</u>
Administrative/Executive	\$ 1,161,485	\$ 1,182,989	-\$ 21,504
Insurance incl. Health Benefits	\$ 1,272,601	\$ 1,238,419	\$ 34,182
Public Safety	\$ 3,849,067	\$ 3,626,228	\$ 222,839
Public Works	\$ 2,732,301	\$ 2,219,908	\$ 512,393
Health	\$ 70,459	\$ 65,234	\$ 5,225
Recreation incl. Library	\$ 800,303	\$ 830,943	-\$ 30,640
Construction Code	\$ 119,904	\$ 164,354	-\$ 44,450
Pension/SSI	\$ 1,257,206	\$ 1,206,016	\$ 51,190
Miscellaneous	\$ 302,690	\$ 755,166	-\$ 452,476
Capital	\$ 135,395	\$ 304,000	-\$ 168,605
Debt	\$ 1,928,795	\$ 2,199,953	-\$ 271,158
<u>Reserve for Uncollected Taxes</u>	<u>\$ 729,705</u>	<u>\$ 643,002</u>	<u>\$ 86,703</u>
Total Appropriations	<u>\$14,359,911</u>	<u>\$14,436,212</u>	

Budget Impact on Local Tax Levy	\$254,624
Adjustments in Operations/Revenues to Offset Increases	-\$330,925
Net Change to Budget	-\$76,301

**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
DISTRIBUTION OF PROPERTY TAXES**

Long Hill Board of Education	\$13,588,025	39.14%
Watchung Hills Regional HS	\$ 7,254,878	20.90%
County w/ Open Space	\$ 4,225,161	12.17%
Municipal	\$ 9,386,888	27.04%
<u>Muni Open Space</u>	<u>\$ 258,456</u>	<u>0.74%</u>
Total	\$ 34,681,458	100%



**TOWNSHIP OF LONG HILL
2011 MUNICIPAL FUNDING PROPOSAL
CAPITAL PROJECTS**

Public Safety	<u>Item</u>	<u>Capital Improvement Fund</u>	<u>Capital Surplus</u>	<u>Budget</u>	<u>Debt</u>
Stirling Fire Company	Turn-out Gear		\$ 10,000		
	5" LHD Hose		\$ 3,000		
	Radio		\$ 2,500		
Millington Fire Company	Scene Lighting – Engine 12		\$ 19,500		
	Turn-out Gear		\$ 8,500		
First Aid Squad	Stair Chair		\$ 3,000		
	Laptops w/ Vehicle Mounts(2)		\$ 12,000		
 Department of Public Works					
Div of Buildings & Grounds	Flood Gates – PD-WWTF-DPW			\$ 4,000	\$ 76,000
 Division of Roads					
	Road Paving Program *			\$12,500	\$ 237,500
	Drainage Repair			\$ 4,750	\$ 90,250
	Equipment			\$ 36,200	
	Vehicle Replacement (\$35,000 prior funding)			\$ 4,250	\$ 80,750
 Div of Waste Water					
	Flow Meter		\$ 8,000		
	Sand Filter Air Lifts		\$ 24,750		
 Department of Recreation & Parks					
	Little League Backstops		\$ 20,500		
 Technology Equipment					
	Server Upgrades – Police	\$ 13,000			
	Replacement In-car Computers	\$ 26,000			
	Replacement – PC's Town Hall	\$ 5,000			
Total Capital Improvements	\$736,950	\$ 44,000	\$ 111,750	\$ 61,700	\$484,500

* Plus \$175,000 NJDOT Grant for Center Street