

2024 Township of Lawrence (Mercer County) Recommended Municipal Budget

Message

NOTE: Figures in [] represent 2023 amounts.

As we enter into 2024, the same financial conditions and challenges exist as they did when I prepared the 2023 budget message. However, in this budget, we propose no increase to personnel, and we find ourselves well positioned to offset our inescapable increases to appropriations with (primarily) new ratables, the full balance of the cannabis tax, and a conservative approach to provide for meeting the needs of the community and supporting the municipal employees that provide them. As a result of these factors, this year's budget provides for no increase in our municipal tax. The total Municipal Budget is **\$58,129,937.97** [\$61,763,587.57].

What we consistently strive to do, we have done in this recommended budget: (1) maintain our fiscal strength; (2) continue to actively and strategically improve our infrastructure; (3) maintain and improve the services we provide to the community; (4) grow our Surplus Fund (aka, "Fund Balance"); and (5) reduce our municipal debt.

The recommended municipal tax rate for 2024 represents a 0-cent increase from last year and is **.652** [.652] 1 cent = **\$472,151.97** [\$470,635.22]

The amount to be raised by taxation in 2024 is **\$30,785,543.00** [30,686,650.90]; the increase of \$98,892.10 is attributed to the increased assessed valuation.

The levy cap bank available from 2021, 2022, and 2023 is **\$5,465,141**, and we will use \$0 to remain within the 2% tax levy cap. NOTE: The 2021 cap bank in the amount of \$1,082,439 is expiring this year, leaving a usable "cap bank" of **\$4,382,702**.

The 2023 year-end Surplus balance is **\$20,638,658.38** versus a 2022 year-end balance of \$20,687,139.52, a decrease of \$48,481.14. However, the Surplus balance remaining available after applying an amount as anticipated 2024 revenue, will be **\$12,323,658.38** [\$10,772,139.52], an increase of \$1,551,518.86 over the 2023 remaining balance.

The cash reserve balance for tax appeals is **\$6,219,491.18** [\$6,219,491.18].

The decrease in outstanding debt continues. The 2010 closing balance was **\$30,797,000**. The 2023 closing balance is **\$10,788,000** [\$13,210,850], reducing our debt by \$2,422,854. For 2024, we have budgeted a \$2,433,000 reduction to our debt.

In addition, the year-end reserve balance in the Lawrence Township Self-Insurance Fund is **\$1,707,244.05** [\$1,861,526.36]; the 2024 Municipal Budget has an Appropriation of \$120,000 to fund this decrease. In addition, the Municipal Open Space Fund balance is **\$3,660,691.78** [\$2,711,806.90].

REVENUE

Revenues that support the municipal budget have multiple sources but are placed in one of the four categories: *Surplus, Miscellaneous Revenues, Receipts from Delinquent Taxes, and The Amount to be Raised by Taxation (or current tax receipts)*. The amount of revenue from each category to be anticipated in support of the municipal budget is controlled by state statutes and regulations. Those

legal restrictions are in place to promote assurance of the fiscal solvency of New Jersey municipalities. Generally defined, the statutory restrictions are as follows: (1) surplus is limited to the amount available from fund balance cash, (2) miscellaneous revenues are limited to no more than the amount realized in cash in the immediately preceding fiscal year for each individual revenue source, (3) receipts from delinquent taxes are limited to the collection percentage realized in cash against receivable balances of the prior year, and (4) current taxes are the default revenue necessary to close any gap in revenues in order to balance the budget against appropriations.

The legal provisions that regulate the utilization of revenue in an operating budget must be applied along with a local policy of anticipating revenues at levels that can be sustained for future budgets and with consideration of the replenishment of cash surplus. Receipt of revenues in excess of what is anticipated to be received in a budget is credited to surplus at year-end, simply the regeneration of surplus. The development of revenue estimates must be approached with not only consideration of the current budget but of future budgets as well. Failure to craft a budget without sustaining revenues for future use will lead to their diminished support of appropriations and increase the demand for taxation. This long-term approach has been applied in preparing the recommended budget.

Cash Surplus (anticipated) as budget revenue results from the fiscal activity of the immediate prior fiscal year. The amount of Surplus to be applied as budget revenue comes from a known year-end balance. The major contributions to generating a cash surplus are revenue realized in excess of the amounts anticipated to be realized in the prior budget year, lapsed 2022 appropriations reserves, and miscellaneous revenue not anticipated. Cash Surplus being anticipated as revenue in the 2024 recommended municipal budget is **\$8,315,000** [\$9,915,000], including funding of \$1,845,000 for the 2024 Various Capital and Road Ordinances. Surplus is fourteen and thirty-hundredths percent (14.30%) of total budget revenues.

Miscellaneous Revenues are from known and recurring sources (e.g., permit fees, interest income, and state aid). The amount of revenue from this category is limited by statute to not being anticipated in the current year's budget in excess of what was collected from that same identical source in the immediately prior year. Two items of note in this category for 2024 are *Interest Income Due* and *2% Local Tax*. State Aid has increased due to the State of New Jersey program titled Reserve for Municipal Relief Fund. Miscellaneous Revenues are thirty-one and thirty-three hundredths percent (31.33%) of total budget revenues.

Receipts from Delinquent Taxes are receipts from payments of outstanding prior-year tax receivables and tax title liens held by the municipality. The year-end tax receivable balance is \$1,206,182.24 [\$833,152.45]. The 2024 budget anticipates **\$820,000** [\$830,000] as revenue from this source. Delinquent tax revenue is one and forty-one hundredths percent (1.41%) of the total budget.

Property taxes are the amount necessary to balance the budget with revenues to equal appropriations. Property taxes, also referred to as the "*Amount to be Raised by Taxation*," is the difference between the total of all budget appropriations and the total of anticipated revenues. The amount to be raised by taxation in the 2024 budget is **\$30,785,543** [\$30,686,650.90], an increase of **\$98,892.10** [\$1,259,547.27]. The revenue from property taxes is fifty-two and ninety-six hundredths percent (52.96%) of total revenues.

When calculating the tax rate, it is necessary to know not only the amount of taxes to be collected but also the value of taxable property in the municipality, also known as Net Valuation Taxable. The 2024 Net Valuation Taxable is \$4,721,519,700 [\$4,706,352,200] an increase of \$15,167,500 [\$13,231,135] over the previous year. The increase in taxable value helps to support growth in the budget.

The new amount of taxable value results in one penny on the tax rate equaling \$472,151.97. The recommended municipal tax rate for 2024 is .652 [.652] and is a 0-cent increase. A residential property owner with a property valued at the 2024 average residential assessment of \$285,767 [\$284,792] will pay \$1,863.20 [\$1,856.84] as the municipal portion of their property taxes.

APPROPRIATIONS

While crafting the 2024 recommended municipal budget, the challenge continues to be implementing financially efficient services at an appropriate level. New Jersey municipal budgets are restricted by law (Appropriation Cap) to limit designated appropriations from increasing no more than "2.5% or the cost of living adjustment, whichever is less, with exceptions." For fiscal year 2024, the cost of living adjustment was 2.5%. Below is a list of significant increases in appropriations:

<u>Appropriation</u>	<u>Increase</u>	<u>Reason</u>
Salary & Wages	450,000.00	Contractual Increase
Employee Group Health	390,494.33	State Health Benefit Increase
MCIA	304,354.04	Contractual Increase
PERS	150,652.00	state Pension Increase
Solid Waste	132,152.60	Contractual Increase
Dispatch Services	94,410.00	Contractual Increase
Joint Insurance Fund	86,256.00	Increase in Premium
Vehicle Maintenance	65,000.00	Add'l Fire Apparatus Repairs
Reserve for Uncollected Taxes	58,850.14	Statutory Calculation
Interest on Notes	50,715.38	Increase in Borrowing Costs

The recommended budget includes a funding amount of \$55,000 to the Lawrence Township Unemployment Fund, \$120,000 to the Self-Insurance Trust Fund, and \$51,000 to the Lawrence Township Accumulated Sick Leave Trust Fund. These are consistent, annual budget contributions.

Lawrence Township municipal employees are provided health benefits or may qualify for a cash payment in lieu of receiving health benefits if the employee complies with the applicable eligibility requirements of the health care program. Health benefits are provided through the New Jersey State Health Benefits Program (NJSHBP), which dictates specific benefits and co-payments. Employees contribute a percentage of the premium for their applicable coverage, and these percentage contributions are guided by the salary levels. Employees will contribute \$1,089,836 toward the cost of their individual health benefits. The Employee Group Health Insurance appropriation increased \$390,494.33 (9.7%). The appropriation increased due to changes in rates and participation.

The three Lawrence Township Volunteer Fire Companies are financially supported through their fundraising efforts and the municipal government's monetary support. One form of that monetary support comes from a budget appropriation that directly aids each Fire Company. The 2024

recommended budget totals \$60,000 per fire company (including \$20,000 in utility reimbursement). This direct contribution is in addition to other financial and operational support provided to the Lawrence Township volunteer fire service.

Lawrence Township employees are members of the Public Employee Retirement System (PERS), Police and Firemen's Retirement System (PFRS), or Defined Contribution Retirement Plan (DCRP). Participation in these systems requires contributions from employees and the employer. Police and Fire employees contribute ten percent (10%) of their salary, and civilian employees contribute seven and fifty-hundredths percent (7.50%) of their salary for PERS and five and one-half percent (5.5%) for the DCRP. The employer rates of contribution are thirty-six and fifty-four hundredths (36.54%) for police, seventy and sixty-one hundredths (17.61%) for PERS, and three percent (3%) for the DCRP participants. The 2024 appropriations are PFRS \$2,248,258, PERS \$1,251,933, and DCRP \$9,500. The 2023 appropriations were PFRS \$2,272,793, PERS \$1,101,281, and DCRP \$9,500. The pension systems are fully administered by the State of New Jersey. Lawrence Township is billed annually for the pension liability that must be paid to PFRS and PERS for the employer's share of the contribution. The systems are valued on prior wage levels, two years prior for PERS and PFRS

The Ewing Lawrence Sewerage Authority (ELSA) provides sewer treatment services to Ewing Township and Lawrence Township. The cost of that service is controlled by ELSA and is apportioned to each municipality based on the flow levels received at the plant (projected for 2024, based on flows through November 2023, is 57.25% for Ewing and 42.75% for Lawrence). Each town will pay the debt service for specific projects that benefit the individual community. For 2024, the annual charge for Lawrence Township is \$6,387,000 with no rate increase to the end users (township residents). The appropriation is paid from collecting sewer service fees separate from real estate taxes.

The appropriation for Debt Service includes appropriations for BAN interest in the amount of \$507,670.88, \$61,494.24 in lease payments related to Police Vehicles, statutory BAN payments of \$420,656.05, and \$2,002,343.95 in BAN rollover payments to further decrease the outstanding debt of the Township with anticipated settlement in 2027.

The reserve for uncollected taxes is a non-spending appropriation mandated by state law to collect adequate cash through taxes for the school, county, and municipality tax levy requirements. The appropriation is needed to close the gap between the current taxes anticipated and one hundred percent (100%) being collected. This appropriation is \$4,500,013.30 in 2023 [\$4,441,163.16], of which approximately 14.62% is attributable to the municipal portion of the tax rate.

Respectfully submitted,

s/ Kevin P. Nerwinski

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