

TOWNSHIP OF LAWRENCE

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2008 BUDGET RECOMMENDATION

The fundamental philosophy that is applied to the preparation of the Lawrence Township municipal budget is balancing the appropriate level of services against the amount to be raised by taxation toward their support. The 2008 recommended budget is presented in that context. Simultaneously there must be due consideration of compliance with state laws regulating the level of appropriations and the amount that may be raised by taxation. This budget complies with the mandates of those laws.

Throughout the 2008 budget process cost efficiencies and changes to services were considered. New matters of influence were introduced upon the budget, although not unforeseen, and will continue to affect the process for the foreseeable future. The question was repeatedly asked. "What do we do and how do we do it"? It was asked as a means of weighing alternatives to the service levels the Township provides. It creates the opportunity to examine the fundamental components of a service.

The 2008 recommended budget maintains basic service levels, eliminates two part-time and two full-time positions, appropriates expenses in many operations at the same levels as the previous year, begins planning for future changes in traditional services, takes a long term approach to revenue management and endeavors to minimize any impact upon Lawrence Township taxpayers.

The following are discussions of revenues and appropriations recommended in the 2008 municipal budget.

REVENUES

The Lawrence Township municipal budget includes four (4) categories of revenue; anticipated surplus, miscellaneous revenues, delinquent taxes and current real estate taxes. The levels of anticipated revenues were carefully considered not only in the context of the immediate year, but how current use may impact future years. This condition exists simply because a contraction of one category not able to be absorbed by a non-tax category will force the revenue gap to be closed by an increase in the amount of needed property taxes. The long term approach of revenue use contributes to stable budget management and prudent management of the tax rate.

Surplus as an anticipated revenue in the municipal budget is available from the excess of quick assets over liabilities. Sources of these assets are items such as realization of revenues in excess of anticipated amounts, including delinquent and current taxes, the lapsing of unexpended budget balances from two years prior and miscellaneous revenues not anticipated.

The recommended amount as anticipated surplus for use in the 2008 budget is \$6,210,000, an increase of \$77,000 or 1.26%. The recommended amount of anticipated surplus is predicated on two reasons. First, the amount of surplus resulting from operations in 2007 is \$6,209,000 (unaudited). Second, the ending surplus balance will be at the same level at the opening and close of the fiscal year. Maintaining an adequate surplus balance provides fundamental support to the overall fiscal condition of the municipality. Anticipated surplus is 15% of total revenues, an amount consistent with the prior year.

Miscellaneous revenues are generated from known and recurring sources. This category of revenue includes local revenues, state aid, grant funds as well as other sources. State law limits the amount to be anticipated from miscellaneous revenues to no more than what was realized in cash for that item in the prior year. Fluctuations of realized amounts are common in this category of revenue. New or higher anticipated amounts of miscellaneous revenue may be included in the budget with permission of the Director of the Division of Local Government Services. One new revenue item that permission will be requested for is the "Reserve for Sale of Municipal Assets". The balance in this reserve included a prior amount of \$61,050 that was added to in 2007 from the proceeds of the sale of the Trent Motel site. Sale proceeds of \$499,950 were received. Recommended for use is the prior balance and \$100,000 of the sale proceeds. Incremental amounts of \$100,000 could be used over the next four budget years, which should then coincide with the additional tax revenue anticipated from the completion of the Quaker Bridge Mall expansion. Spreading the proceeds in this manner will avoid the negative effects of a large one-time revenue item being utilized and not repeated in the following year. The other miscellaneous revenues in 2008 are quite similar to the anticipated levels budgeted in 2007. Miscellaneous revenues are 35% of total revenues.

State aid, which is included in the miscellaneous revenue category, is being recommended at the same level as the prior year. Aid amounts will not be known until certified by the Division of Local Government Services.

Receipts from delinquent taxes are the third category of revenue that may be anticipated for use in the municipal budget. The source of these funds is the payment of outstanding prior year tax receivables and tax title liens. The year-end 2007 tax receivable balance of \$1,152,850 is less than the 2006 receivable of \$1,230,000; therefore the 2008 budget anticipates \$768,000 in delinquent tax revenue, identical to the two previous years. Receipt from delinquent taxes are 2% of total revenues.

The last of the revenue categories is the amount to be raised by taxation. The level of taxation is the amount necessary to fund appropriations which the previous three revenue categories cannot. In addition to the pressure on taxes caused by a gap in the other three categories of revenue, is the stagnation of taxable values.

Prior year trends in taxable value have shown nominal growth. For 2008 Lawrence Township will actually experience a decrease in taxable value to \$3,897,074 or -.14 %. This decrease reduces the value of one penny on the tax rate to \$269,126 from a 2007 value of \$269,516. The decrease in value increases pressure on the tax rate because no new tax revenue is available for spreading of the tax burden. The 2008 amount to be raised by taxation for municipal purposes is recommended at \$19,110,719 and is 48% of total revenues, the same level of support as the prior year.

The tax levy amount is compliant with the new law limiting the increase of the municipal tax levy by four percent (4%), with permitted exceptions. The recommended amount of tax revenue is \$359,000 below the amount allowed by the new statutory requirements.

APPROPRIATIONS

The level of appropriations recommended in the 2008 municipal budget were weighed against the impact on Lawrence taxpayers versus the appropriate level of service that everyone has not only come to expect, but service levels that are necessary to meet our obligation as public administrators. Neither of these matters was considered without diligent examination. The Administration remained cognizant of the Township Council policy that there should be quality services to residents and businesses while being fair to all taxpayers.

The 2008 budget proposal is indicative of the consideration given to the level of taxation and recognition of revenue limits. Therefore, it is recommended that four positions, currently vacant, be eliminated for 2008. The positions are a part-time Housing Inspector, a part-time clerical position and full-time Building Inspector both in the Division of Construction and a Clerk Transcriber position in the Police Department. These eliminated positions will save in excess of \$100,000 in salary costs not including associated employee benefits.

The level of appropriations subject to the New Jersey Budget Law limiting specific budget appropriations to not increase by more than 2.5% has been satisfied. The 2008 budget has increased by \$1,280,404 or 3.34 %, exclusive of programs funded by grants. This increase is below the current rate of inflation, which is 4.31%.

A list of major increases and extraordinary changes in spending with explanations is as follows:

Appropriation	Increase/Decrease	Reason
Salaries	\$255,000	Labor Agreements
Park Maintenance Salaries	(67,000)	Charge to Open Space
Eliminated Positions	(100,000)	Eliminated Vacancies
Pensions	672,000	Increase in Contribution Rate
Health Benefits	100,000	General Increase
Social Security	44,000	Associated Salary Increases
Trash Collection	110,000	Increase Contract & Tip Fees
Utilities	85,000	General Increases
Debt Service	(314,000)	Retirement of Debt

Capital Improvement Fund	25,000	Required Down Payment
Municipal Clerk O.E.	16,000	Codification of Ordinances
Municipal Manager O.E.	25,000	Newsletter Cost
Fire Services O.E.	36,000	Training, Stipend Program
Length of Service Award Program	(20,000)	Retro Year Eligibility Ended
Ambulance Service	125,000	Full Year Appropriation
Reserve Uncollected Taxes	40,000	Increase Amount to be Raised

The increase of 2008 salaries of \$255,000 reflects the net change after applying the \$100,000 savings from eliminating vacant positions and charging an additional amount of Park Maintenance salaries to the Lawrence Township Open Space Trust Fund.

The state pension system had resumed in 2004 billing municipalities for pension contributions. The pension contributions are directly billed to the municipality by the New Jersey Division of Pensions. The 2008 pension appropriation increase of \$672,000 includes \$524,690 for the Police and Firemen Retirement System (PFRS) and \$147,750 for the Public Employees Retirement System (PERS). The total pension contributions for 2008 are PFRS \$1,475,450 and PERS \$340,750 or a combined total of \$1,816,200.

Township paid health benefits are provided to current employees, and to retirees until Medicare eligible or for limited length of times depending upon ages at retirement. The increase in the 2008 appropriation is only an estimate at this time due to a change in the State Health Benefits Program for which new premium rates are pending.

The rise in the appropriation for trash collection services are a function of an increase in the contract costs for collection by a private provider and an increase in tipping fees charged by the Mercer County Improvement Authority. Utility costs are being affected by market conditions. A reduction in debt service has resulted from the final payoff of a bond issue and reduced General Serial Bond interest payments as principal amounts decline.

The appropriation for the Capital Improvement Fund is a required source for down payment on municipal debt required by the New Jersey Local Bond Law. Capital ordinances for municipal projects are required to provide a minimum down payment of five percent (5%) of the amount of debt authorized. The proposed appropriation is expected to provide the amount needed for the 2008 capital improvement program. An appropriation at this level will protect the small remaining reserve balance to be available in the event of an emergency.

The increase in the 2008 appropriation for Municipal Clerk Other Expenses is to provide for codification of ordinances by a contracted vendor. The increase of the appropriation for the Municipal Manager Other Expenses is to be applied to the cost of producing and mailing a newsletter.

As 2007 saw a need to adjust how Lawrence Township provided emergency medical services, the time will soon be upon us that the providing of fire services will too evolve. That planning is included in the appropriation of Fire Services Other Expenses. The recommended amount includes training funds to be shared by the volunteer fire companies and an amount to provide for a pilot stipend program for volunteers. The funding is suggested at this time but would only be utilized after the completion of a strategic plan addressing the future of fire protection services that would be developed between the Township and Volunteer Fire Companies. The Length of Service Award Program funding can be reduced due to the sun setting of prior year service contributions for eligible volunteer firefighters.

The appropriation for ambulance service is increasing to reflect a full year of activity. The 2007 budget appropriation and revenue reflected only six months of service.

The reserve for uncollected taxes is a non-spending appropriation mandated by state law to ensure there is adequate cash collected through taxes for the tax levy requirements of the school, county and municipality. The appropriation is needed to close the gap between the amount of current taxes anticipated to be collected and one hundred percent (100%) being collected. The appropriation may change since estimates were used to project the tax levies of the non-municipal tax entities.

The 2008 municipal budget preparation process reflects the changing financial conditions in which we operate, a decrease in tax rates, the elimination of positions, the rising costs of basic services such as public safety and solid waste collection and finally the need to confront the necessity to plan for the shift in how traditional services have been provided until now. Compliance with state laws capping budget appropriations and the tax levy were also factors with which to grapple. With these issues as a backdrop the attention to the impact on the taxpayer was equally weighed during the review and preparation of the 2008 municipal budget.

The weaving of all the above considerations will require an adjustment to the local tax rate. The 2008 municipal tax rate is being recommended at .71 per \$100 of assessed valuation or an increase of .04 over the 2007 rate. The result of this recommended tax rate for a residential property at the average 2008 assessed value of \$164,742 is an increase of \$65.90 or \$5.49 per month. The annual cost for municipal services to the homeowner at the average assessed value would only be \$1,169.67.

The administration is prepared to provide the Township Council and members of the public all the necessary assistance required to examine and deliberate the recommended 2008 municipal budget.

Respectfully submitted,



Richard S. Krawczun, CMFO
Municipal Manager