

TO: All Residents and Taxpayers of Rockaway Township
DATE: June 1, 2010
RE: 2010 Municipal Budget Message

INTRODUCTION

Every year our Township Council establishes municipal policy through the adoption of the Municipal Budget. The Mayor and administrative staff prepare recommendations in the form of a draft budget but the Council ensures that the adopted budget adequately satisfies the needs of the community and serves the best interests of the Township and its taxpayers.

The budget is divided into three categories including: Municipal Operations, Capital Improvement Program, and Utility. Municipal Operations and the Capital Improvement Program are supported by a variety of revenues. Revenue sources include current property taxes, state aid, and miscellaneous fees generated by municipal operations. The Utility is supported by billing users of the system and is self funding.

The 2010 municipal budget including the capital improvement program totals \$34,276,662. This is a 1.66% increase over the 2009 budget. Significant dollar increases were seen in the following appropriations: insurance, pension obligations, public safety salary and wages, and reserve for uncollected taxes.

Reductions in expenses were achieved by implementing twelve mandatory, unpaid furlough days of the municipal staff excluding police and dispatchers and eliminating four positions. This resulted in total salaries and wages being reduced by \$287,375 or 2.28%. In addition department operating expenses were reduced by \$157,009 or 4.05%

The sum total of all appropriations, including salaries and other operating expenses, was cut by a net amount of \$375,002, excluding Insurance and Pension. This would mean that for the first time in modern budget history the Rockaway Township spending budget

would have decreased. However an insurance increase of \$657,870 and a pension increase of \$276,765 have more than offset the reductions that have been made in most of the controllable costs of the Township.

These two items have created a gross increase of \$934,635 and a net increase in the budget of \$559,633. Until these expenses, which are controlled by collective bargaining and mandated by Trenton, are brought under control it is not possible to bring in a budget that is a reduction from the previous year. We have cut staff, reduced services, implemented furloughs, and yet it is still not enough to offset increases in health insurance and pension obligations. This must change.

REVENUES

Revenues come from four sources including current property taxes, miscellaneous revenues generated by operations, general fund surplus, and receipts for delinquent taxes.

The State of New Jersey has eliminated more than \$820,000 in State Aid over the past three years and \$573,353 alone this year. Due to the economic downturn, miscellaneous revenues overall are also in decline. These factors have a negative impact on the replenishment of the surplus fund at the end of the year. The loss of state aid, decline of miscellaneous revenues, and reduction of surplus balances coupled with almost \$400 million in tax appeals must be made up with a tax increase.

The impact of such a significant loss in state aid along with a loss of miscellaneous revenues has increased the Township’s dependence on property taxes by five percent and can be seen in the following table:

Year	Current property taxes	Miscellaneous revenues	Surplus funds	Delinquent tax receipts
2008	68%	16%	14%	2%
2009	67%	18%	13%	2%
2010	72%	13%	13%	2%

APPROPRIATIONS

Appropriations allow local government to provide or deliver services to its residents. Significant dollar increases are seen in the following appropriations:

Insurance	\$657,870
Statutory Charges (Pension)	\$276,765
Public Safety Salary and Wages	\$145,827
Reserve for Uncollected Taxes	\$95,000

The two most significant line item increases are Insurance, \$657,870 or 12.56% and Statutory Charge (Pension and Social Security), \$276,765 or 12.99%. The State Health Benefits Program imposed a 20% rate increase on health insurance premiums this year. The State also increased the Township's portion of pension obligations for its employees.

Several actions were taken in 2009 to limit operating expenses:

1. Eliminating three and one half positions including a deputy tax collector, a senior registered environmental health specialist, a police officer, and a crossing guard at an estimated savings of \$209,000.
2. Reducing departmental "Other Expenses" by \$120,180.
3. Negotiating a one percent salary increase with Morris Council No. 6, representing four of the Township's six labor unions.
4. Initiating a temporary hiring freeze for non-essential employees.

Further measures have been executed as part of the 2010 municipal budget:

1. Implementing twelve mandatory, unpaid furlough days of the municipal staff excluding police and dispatchers at an estimated savings of \$330,000.
2. Eliminating four positions including a senior engineer, a housing inspector, a zoning officer, and a police officer at an estimated savings of \$235,000.

3. Transferring a mechanic's position in the Department of Public Works to the Water Utility at an estimated savings of \$65,000.
4. Reducing departmental "Other Expenses" by \$157,009.

These actions taken over the past two years have dramatically improved the Township's financial position and directly addressed on-going concerns of local taxpayers. This year's budget, as previously stated, would have decreased if health insurance and pension obligations had tracked with the current inflation rate. Simply stated the Township can no longer afford the current state regulated benefits provided to its employees and retirees.

The Township Council must use all available means to communicate with State elected representatives to demand changes to the way these state regulated health and pension benefits are negotiated and administered. Until local governments are afforded the ability to have greater influence over health insurance plan design including co-payments, deductibles, and policy limits that are similar to private insurance offerings, the Township will see little if any relief in health insurance premiums. As a result municipal operating budgets state-wide will continue to grow and in turn property tax rates will continue to increase.

TAX APPEALS

The Township continues to deal with tremendous municipal tax appeals. These appeals are largely from commercial ratables. The issue for the current budget is not just increases in appropriations but a potential for significant decreases in revenue as a result municipal tax appeals. The costs associated with such appeals include the preparation of the Township's case by appraisal experts, defense by attorneys before the County Board of Appeals or State Tax Court, and if the ruling is unfavorable, revenue loss through adjustments in property valuation or tax refunds.

TAX RATE

The 2010 municipal budget calls for a rate increase of \$0.050. Despite the reductions, the decision to increase taxes is carefully considered in context of the Township's long term fiscal integrity; especially in times of significant pressure from commercial and residential tax appeals.

A decrease in the Township's assessed value of 0.34% and a significant decrease in miscellaneous revenues of 15.24% contribute to the need for an increase in the municipal tax rate. The increase in the municipal tax rate represents a \$150.00 annual municipal tax increase for the average assessed home of \$300,000.

SUMMARY

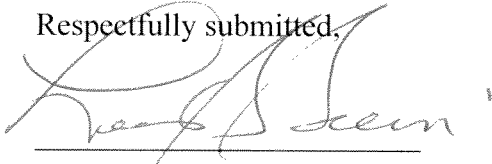
I would like to take this opportunity to recognize the leaders and membership of Morris Council No. 6 for working with the Administration in the implementation of the unpaid furloughs. This cooperation by the majority of the workforce has eliminated the necessity of permanent layoffs to date.

If no meaningful property tax reform occurs at the State level and these poor economic trends continue, the Township and other municipalities will increasingly rely on property taxes to support municipal operations. The need for property tax reform is no longer a catch phrase but absolutely necessary for the solvency of some municipalities and for the maintenance of our quality of life.

This year's budget maintains a prudent level of surplus so as to avoid potential spikes in future tax rates. The 2010 municipal budget, as presented, modestly impacts current service levels in an increasingly more difficult operating environment. These services are being preserved as best as can be done even in difficult economic times as residents have

come to expect the same and contribute to the quality of life for all taxpayers in Rockaway.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Louis S. Sceusi", written over a horizontal line.

Louis S. Sceusi, Mayor