

Honorable President Phil Tobey and
Members of the Township Council
Township of Mount Olive
Mount Olive, NJ

Pursuant to NJSA 40:69A-46, I am submitting the Township's 2011 municipal budget, inclusive of other supplementary documentation in the form a workbook. Public hearings on the individual department requests were held, pursuant to NJSA 40:69A-45, in the month of November. Requests from the department heads and various volunteer organizations and committees are included in the 2011 Mayor's budget workbook as well. Our annual financial statement and annual debt statement have been prepared by the Chief Financial Officer and that information has been incorporated into the Mayor's budget.

The Township of Mount Olive, like most New Jersey municipalities, is faced with preparing the 2011 budget with no anticipated increase in state aid, as well as a possible decrease in state aid, and limited miscellaneous revenue increases to offset increases in statutory and mandated costs. We also face the constraints of the Property Tax Levy Cap, which has now been decreased to 2%, and the Appropriations Cap.

Set forth below are my explanatory comments pertaining to the Mayor's 2011 budget.

2011 Appropriation CAP Calculation

The 2011 CAP increase has been set at the maximum rate of 2.0 percent. The Township is well within the 2011 appropriation limit.

Under the amended CAP law, the Township can bank (for up to two years) the difference between its final appropriations subject to the CAP and 3.5 percent. The Township's governing body must pass an ordinance for the difference of 3.5 percent to be banked. In the past, banking was automatic regardless of whether an ordinance was passed by the governing body. I am recommending that the Township Council continue its recent tradition of adopting an ordinance to ensure the Township banks the additional 3.5 percent to be available for calendar years 2012 and 2013 if it is not utilized in 2011.

2011 Levy Cap Calculation

Chapter 62 of the Laws of 2007 established a formula that limits increases in the amount to be raised by taxation. This property tax levy cap is in addition to the existing appropriation cap for municipalities. The core of the formula has been changed and is now a 2% increase to the previous year's amount to be raised by taxation which is then subject to various adjustments. Examples of adjustments include pension, health insurance and debt service cost increases. The Mayor's budget is within the property tax levy cap of 2%.

Proposed Tax Rate

The proposed municipal rate for 2011 is .616 as compared to 2010's rate of .604. This translates to an increase of \$28.60 per year for a home assessed at the \$310,800 average assessment. Keep in mind that the Township went through a one-time reassessment again in 2010 which resulted in a ratable base for 2011 that is .98% lower than in 2010. Of the proposed \$28.60 increase per year, \$19.00 of this was directly attributed to the decrease in ratable base.

The increase proposed for the sanitation district is \$5.08 per year for the average homeowner. \$3.00 of this increase is also attributable to the reduction in assessments in the sanitation district.

Revenues

In Section 3 of the Mayor's workbook you will find the actual revenue figures from 2010 and the proposed revenue figures for 2011.

The 2011 revenues have been estimated based upon the 2010 actual revenue figures. Pursuant to NJSA 40A:4-36, recurring revenues, excluding grants, have been anticipated at a level no greater than the 2010 realized amounts with the exception of fees that have been increased or new fees that have been established. Most grant revenues are unknown at this time and have not been included in the 2011 budget. If grant information becomes available prior to budget adoption we will encourage you to make the required changes to the budget. If available after adoption then budget amendments will be needed as has been normal practice.

The amount of surplus that may be anticipated in a budget is dependent on the prior year's December 31st balance. The Township's surplus at 12/31 was \$2,981,039.25 and we are using \$2,281,273 in the 2011 budget.

Significant changes in revenues are as follows:

1. Fund Balance – Decreased \$68,727 as less surplus was available at 12/31/10
2. Local Revenues – Increased \$29,095 primarily based upon new revenue from the Chester shared service agreement for fire prevention services
3. State Aid – Decreased \$24,189 primarily from the garden state trust fund aid
4. Building Department Fees – Increased \$35,000 based upon anticipated current year development
5. Interlocal Revenues – Increased \$43,568 as a result of a new interlocal agreement anticipated for 2011
6. Special Item Revenues – Decreased \$107,127 primarily from the insurance settlement that was received in 2010 but won't be in 2011
7. Receipt from Delinquent Taxes – Reduced \$25,000 since less taxes were outstanding in 2010 than in 2009
8. Grants – Reduced \$107,798 but will likely be increased as new grant awards come in throughout 2011
9. Tax Revenues – Increased \$152,817 to balance the budget

Appropriations

Salaries and Wages – The 2011 Mayor's budget reflects a projected 3.75% increase for all unionized employees based upon contract settlements; however the majority of those increases were offset with two layoffs and various givebacks.

Other Expenses – Significant changes in expenses are as follows:

1. Salaries and Wages/Social Security – Decreased \$408,243 to lack of replacement from attrition and givebacks to offset contractual increases
2. Library – 1/3 mil requirement decreased by \$71,676
3. Pension Contributions – Increased \$305,859 as per funding requirements from the Division of Pensions and Benefits
4. Reserve for Uncollected Taxes – Decreased \$175,901 based upon a continued increase in the collection rate
5. Debt Service – Increased \$4,137 as a result of required debt payments in 2011
6. Utilities – Increased \$86,480 primarily attributable to the uncertainty of vehicle fuel prices in the future
7. Special Emergency – Decreased \$36,870 as a result of the final cost of the revaluation being slightly lower than anticipated
8. Accumulated Absence Contribution – Increased \$150,000 as a result of known retirement payouts in 2011
9. Capital Improvements – Increased \$25,000 since no capital improvements were budgeted for in 2010
10. Departmental Budgets – Decreased \$122,710 since most budgets were decreased by 10%
11. Budd Lake Fire Contribution – Increased \$11,840 due to the full repayment of the oldest EDA loan for underground storage tank removal
12. Unemployment Insurance – Increased \$200,000 as a result of expected contributions in 2011 from employees previously laid off
13. Interlocal Agreements – Increased \$43,568 as a result of an anticipated new contract in 2011
14. Grants – Decreased \$107,798 but will likely be increased as new grant awards are announced in 2011
15. General Insurance/Health Insurance – Increased \$23,952 as a result of a premium increases

In closing I would like to stress that this budget provides for the same level of services that are expected from our citizens with a minimal tax increase. Thank you to all who have participated and contributed to the 2011 budget process.