

TO: All Residents and Taxpayers of Rockaway Township

DATE: May 27, 2008

RE: 2008 Municipal Budget Message

INTRODUCTION

Every year the Township Council establishes municipal policy through the adoption of the Municipal Budget. While the Mayor and administrative staff prepare recommendations in the form of a draft document, the Council must ensure 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 several categories including: Municipal Operations, Capital Improvement Program, and Utility. Municipal Operations and the Capital Improvement Program are supported by a variety of revenues. These 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.

The 2008 municipal budget including the capital improvement program totals \$32,788,532. This represents a 3.80% increase over the 2007 budget. Significant dollar increases were seen in the following appropriations: pension expenses, total salary and wages, reserve for uncollected taxes, insurance, and utilities.

APPROPRIATIONS

Appropriations are the platform that allows local government to deliver services to its residents. Significant dollar increases are seen in the following appropriations:

Statutory Charges (Pension)	\$504,358
Public Safety Salary and Wages	\$271,787
Other Salary and Wages	\$192,633
Reserve for Uncollected Taxes	\$126,000
Insurance	\$123,280
Utilities	\$95,100

The total for these non-discretionary costs amounts to 90% of the million dollar increase. The two most significant line item increases are Statutory Charges (Pension), \$504,358 or 33.61% and Total Salary and Wages, \$464,420 or 3.89%. The Township has a responsibility to fund its share of its employees' pension contributions. There are also increases in social security contributions as well. Salary and Wages are obligations the Township has through a variety of Collective Bargaining Agreements with a unionized workforce.

REVENUES

Revenues in support of the budget comprise four sources including current property taxes 68%, miscellaneous revenues generated by operations 16%, general fund surplus 14%, and receipts for delinquent taxes 2%.

The fact that State of New Jersey eliminated more than \$225,000 in State Aid and miscellaneous revenues are in decline impacts the replenishment of the surplus fund at the end of the year. So as to avoid becoming overly dependent on the Township's surplus fund and as a part of sound financial planning, the proposed budget recommends an equal amount of surplus from the previous year's budget.

TAX RATE

The 2008 municipal budget calls for a rate increase of \$0.060. The Council invested a significant amount of time and effort to review all requests and to make adjustments of

approximately \$110,000. Despite the reductions, the decision to increase taxes is carefully considered in context of the Township's long term fiscal integrity.

A negligible increase in Township's assessed value of 0.05% and a significant decrease in miscellaneous revenues of 10.48% contribute to the need for an increase in the municipal tax rate. This represents a \$155.78 annual municipal tax increase for the average assessed home of \$258,147. A comparison of municipal real estate taxes is summarized in the following table. If no meaningful property tax reform occurs at the State level and these trends continue, the Township and other municipalities will increasingly rely on property taxes to support municipal operations.

	2007	2008	Increase/ Decrease
Average Assessed Home	\$258,147	\$258,147	---
Municipal Taxes	\$1,831.52	\$1,987.30	\$155.78
Open Space Taxes	\$25.81	\$25.81	\$00.00
Total Municipal Taxes	\$1,857.33	\$2,013.11	\$155.78

This year's budget maintains a prudent level of surplus so as to avoid potential spikes in future tax rates. The 2008 municipal budget, as presented, maintains current service levels that residents have come to expect and add to the quality of life for all taxpayers in Rockaway.

Respectfully submitted,

Louis S. Sceusi, Mayor