

2010 MUNICIPAL BUDGET NARRATIVE

The Borough of Tenafly 2010 Municipal Budget adopted by the Mayor and Borough Council on Tuesday, June 22, 2010, is based on the following principles:

- Reduce expenditures wherever possible while minimizing reduction of service to residents and taxpayers
- Fund liabilities and anticipate revenues in a way to protect and maintain the fiscal integrity of the municipal corporation
- Direct the Administrator and Director of Finance to aggressively seek efficiencies and take advantage of opportunities to save money for borough taxpayers on an ongoing basis, making the budget processes a year round activity.

Based upon these goals and extensive budget deliberations, the proposed 2010 Borough of Tenafly budget appropriations increased by \$1,350,853 or 5.4% over the 2009 budget. This increase is due primarily to an increase in the Reserve for Uncollected taxes in the amount of \$259,170, and to the loss of state aid in the amount of \$343,035, and other reduced municipal revenues. It is important to point out that the proposed budget is almost \$100,000 below the state mandated levy cap, and more than \$500,000 below the state mandated appropriations cap unlike many other municipalities that are considering drastic cuts in services to stay within the cap. Under the budget proposed for introduction, the tax rate would rise from 64.5 cents to 69.4 cents or 4.9 cents, or 7.6%.

Budget preparation in the Borough of Tenafly began with department heads preparing requests for 2010 in November 2009. Department heads were told to be cost-conscious with their requests. The requests were reviewed and analyzed by the new Director of Finance and the Interim Borough Administrator. These budget requests were reduced by more than \$1 million while the overall budget was cut by almost \$600,000 below the budget of 2009. The recommended budget from the Interim Borough Administrator was further reduced by actions of the Mayor and Council at budget review meetings held on April 8, 10, 17, 22, and May 6 and 12. Very few departmental appropriations exceed last year's appropriation levels. Most departmental operating budgets are below last year levels, and staffing levels have been reduced by five positions below the number for 2009. Expenditure increases in this budget are limited to mandatory appropriations, e.g. health and pension, or to fund increased liabilities, such as tax appeals.

Most of these reductions have occurred as the result of eliminating positions or filling vacant positions at significantly reduced costs. Positions of registrar of vital statistics, police officer, and assistant to the tax collector have been eliminated. Two public works employees have been replaced with half time seasonal employees, but seasonal staff and overtime to provide leaf collection and summer public works support have been eliminated; and a fire prevention inspector's time has been reduced by half. Essential support staff positions, including the assistant director of recreation, the assistant to the municipal clerk, and the assistant to the senior center director have all been filled at a lower cost than previously was paid. The Borough's Mayor, Council, Administrator and Finance Officer are committed to proceeding in the same fashion whenever possible with other future vacancies and continuing to apply strict control of operating expenses.

The Borough has offset some of the increased mandatory appropriations through the reorganization of departmental operations and increased restrictions on discretionary expenditures to achieve budget

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reductions of nearly \$700,000. A summary of these savings by category includes: direct personnel savings through re-structuring and attrition totaling \$521,860; overtime budget reductions in the amount of \$37,400; a new shared service agreement which saves \$49,000 in administering vital statistics; and \$73,450 in other expense reductions while charging \$31,818 of recycling expenses to a recycling grant for a total of \$696,528 (see chart on page 4).

Even given all of these budget cuts, several factors came into play to drive up the 2010 local municipal budget higher than the Mayor and Borough Council wanted to allow. Increased billings and reduced revenues have caused the municipal budget to rise beyond the Borough's ability to halt it. These factors affect both the appropriation and revenue sides of the budget:

- Because the tax collection rate, the percentage of tax payers fully paying their tax bills, declined last year, the Reserve for Uncollected Taxes which serves the municipality, the school district and the county, must rise by State law by \$259,170. This mandatory appropriation accounts for at least 13.9% of the overall increase.
- Sewerage service in Tenafly is part of the tax bill, not a separate charge. In 2010 the Bergen County Utilities Authority, which treats the sewage, has set the billing to the Borough at \$1,414,400, for an increase of \$161,900. This bill alone accounts for about 8.6% of the increase in the tax bill. If this cost were in a sewer utility, it would not show in the tax bill at all. However, consumers would still receive a separate bill based on usage.
- The County Board of Taxation, a state agency, mandated that Tenafly revalue all properties within the Borough in 2010. While this can, and will be paid over a five year period, the mandate adds a new appropriation of \$74,000 this year. The total cost over 5 years is estimated to be \$370,000.
- Because last year's budget did not have sufficient funds, two 2009 emergency appropriations totaling \$49,000 must be appropriated in 2010, according to State law. These expenditures were to acquire the services of a consultant to work on behalf of the Borough to understand the impacts of the Light Rail proposal of New Jersey Transit. These funds also permitted the Borough to proceed with the funding a 2009 bond ordinance.
- In 2008, the PBA invoked binding interest arbitration. Even though the matter did not go to full hearing, the arbitrator strongly influenced the Borough and the PBA to agree to a settlement that among other things causes the salary guide for police personnel to rise 3.75% each year through 2012. This is in addition to wage increases that must be paid through salary steps and longevity increments. Similar salary increases were then provided to other employees. All things being equal, this would have caused an increased cost of almost \$700,000, but due to the reductions and position eliminations mentioned above the impact in 2010 is about \$383,000.
 - The Borough Administrator and Chief Financial Officer have scheduled meetings with the leadership of the unions that represent the majority of employees who work for the Borough to discuss the current budget dilemma. Labor contracts, other than the one covering police officers, will expire at the end of 2010. It is the intention of the

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governing body to pursue aggressively the stabilization of the cost of labor when contracts expire.

- The State of New Jersey bills the Borough for both health insurance and pensions. These bills will increase in 2010 by about \$296,000 and \$178,000 respectively. There is no ability to stop these bills. Because the Borough obtained from the PBA a contribution toward health insurance premiums starting this year, health insurance costs will be offset this year with about \$16,000 contributed by employees.
- A number of pending tax appeals in all likelihood will be adjudicated, or settled, in 2010. In order to have sufficient monies available to fund these, it is necessary to provide about \$95,000 in a reserve for tax appeals.
- A longstanding policy of the Borough provides retiring employees with terminal leave payments based on the employee's length of service. While pay-as-you-go appropriations were made last year of about \$300,000, this year's budget appropriates an additional \$93,000 to create a reserve for this ongoing liability. This will fund the current actual liability of the Borough only partially, but it is critical to start addressing this increasing liability since retirements of long-term employees are expected to occur during the 2010 budget year.
- The snow and wind storms of early 2010 added \$128,000 to the public works budget for storm response and clean-up that would not have been funded otherwise.
- Increased workers compensation insurance premiums and added unemployment insurance payments increased almost \$50,000 over last year.
- Lost Revenues: The State of New Jersey reduced the aid that they were supposed to provide with very short notice. The reduction from last year is greater than \$343,000. In addition, because of the loss of reduced tax collections and other factors, the amount of surplus that can be anticipated this year is down \$200,000 from last year.

The net effect of all of these cost increases and revenue losses is about \$2,300,000. This is almost \$1,000,000 more than the increase in the tax levy. This shows how the **operating expenses have been substantially reduced**, while maintaining the fiscal integrity of the municipal corporation.

The Tenaflly Mayor and Borough Council will introduce the Borough's 2010 Local Municipal Budget on Tuesday May 18, 2010. The governing body has held eight (8) budget review sessions and spent many hours analyzing and debating the content of the budget recommended by the former Interim Borough Administrator. As stated above, they made additional reductions to the recommended budget.

Therefore, the increase in the 2010 budget appropriations for the Borough of Tenaflly would increase by \$1,350,853 or 5.4% over the 2009 budget. Included in this total is a 2009 emergency appropriation of \$49,000 that must be budgeted in 2010 as a deferred charge. The increase in the Borough tax levy in the amount of \$1,773,028 is due primarily to the mandated increases in appropriations outlined above and the loss of state aid in the amount of \$343,035.

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Despite this tax levy increase, the borough would be almost \$100,000 below the state mandated levy cap and more than \$500,000 below the state mandated appropriations cap, unlike many other municipalities that are considering drastic cuts in services to stay within the cap. The 2010 tax rate would rise 4.9 cents from 64.5 cents to 69.4 cents, or an increase of 7.6%.

The estimated total tax rate for the Borough of Tenafly in 2010 is \$2.763 per \$100 of assessed valuation. This compares to the 2009 rate of \$2.68 or an increase of 3.1%. Every tax dollar collected from our residents during 2010 will be used to support the School District (64 cents), Municipal services (26 cents) and County services (10 cents). The 3.1% increase represents the lowest tax increase over the past five years which included a 6.4% increase in 2008 vs. 2007 and compares to the average annual increase of approximately 5% during this period.

SUMMARY CHART OF BUDGET REDUCTIONS DESCRIBED ABOVE

Category	Item of Savings	Capital Budget	Fire					Police	Public Works	Various Depts.	Grand Total
			Finance	Prevention	Health	Insurance					
Fringe	Pension & Benefits		\$ 32,000				\$ 39,000	\$ 40,000		\$ 111,000	
Fringe Total			\$ 32,000				\$ 39,000	\$ 40,000		\$ 111,000	
Other Expense	CIP	\$ 20,000								\$ 20,000	
	Liability Insurance					\$ 3,000				\$ 3,000	
	Operations								\$ 9,450	\$ 9,450	
	Payroll System		\$ 16,000							\$ 16,000	
	Recycling							\$ 56,818		\$ 56,818	
Other Expense Total		\$ 20,000	\$ 16,000			\$ 3,000		\$ 56,818	\$ 9,450	\$ 105,268	
Salary & Wage	Assistant Collector		\$ 21,380							\$ 21,380	
	Director's Salary		\$ 22,320							\$ 22,320	
	Diver/Laborer (2)							\$ 132,500		\$ 132,500	
	Inspections			\$ 7,370						\$ 7,370	
	Overtime								\$ 37,400	\$ 37,400	
	Police Officer (1)					\$ 129,500				\$ 129,500	
	Restructuring								\$ 32,790	\$ 32,790	
	Seasonal Labor							\$ 48,000		\$ 48,000	
Salary & Wage Total			\$ 43,700	\$ 7,370			\$ 129,500	\$ 180,500	\$ 70,190	\$ 431,260	
Shared Service	Registrar				\$ 49,000					\$ 49,000	
Shared Service Total					\$ 49,000					\$ 49,000	
Grand Total		\$ 20,000	\$ 91,700	\$ 7,370	\$ 49,000	\$ 3,000	\$ 168,500	\$ 277,318	\$ 79,640	\$ 696,528	