FY 2016
Executive Municipal Budget Overview Presentation

Town Council Meeting
May 10, 2016

Jillian Barrick, Business Administrator
Budget Summary Points

- No Increase in Municipal Tax Rate
- *A MUNICIPAL TAX DECREASE OF 2 CENTS*
- Municipal Tax Levy – ($34,895) LOWER Than Last Year
- $0.04 Total Property Tax Rate Increase
- $2,094,281 UNDER 2% Property Tax Levy CAP
<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td>$1.012</td>
<td>$0.993</td>
<td>($0.019)</td>
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<tr>
<td>School District*</td>
<td>$1.278</td>
<td>$1.336</td>
<td>$0.058</td>
</tr>
<tr>
<td>County*</td>
<td>$0.296</td>
<td>$0.296</td>
<td>$0.000</td>
</tr>
<tr>
<td>Library</td>
<td>$0.039</td>
<td>$0.041</td>
<td>$0.002</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2.625</td>
<td>$2.665</td>
<td>$0.040</td>
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</table>

* FY 2016 Estimated Tax Rates
Property Tax Rates - 5 Year Trend

<table>
<thead>
<tr>
<th>FY</th>
<th>Municipal</th>
<th>School District</th>
<th>County</th>
<th>Library</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td>$1.243</td>
<td>$0.309</td>
<td>$0.041</td>
<td>$0.000</td>
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<tr>
<td>FY 2013</td>
<td>$1.235</td>
<td>$0.298</td>
<td>$0.039</td>
<td>$0.000</td>
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<tr>
<td>FY 2014</td>
<td>$1.245</td>
<td>$0.299</td>
<td>$0.039</td>
<td>$0.000</td>
</tr>
<tr>
<td>FY 2015</td>
<td>$1.278</td>
<td>$0.296</td>
<td>$0.039</td>
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</tr>
<tr>
<td>FY 2016</td>
<td>$1.336</td>
<td>$0.296</td>
<td>$0.041</td>
<td>$0.000</td>
</tr>
</tbody>
</table>
FY 2016
Property Tax Rates % Breakdown

$0.37 of Each Total Tax Dollar
Funds Municipal Government

- Municipal: 37.25%
- School District: 50.12%
- County: 11.10%
- Library: 1.53%

Town of Morristown - FY 2016 Municipal Budget Presentation
May 10, 2016
# Tax Bill Comparison
(Avg. Residential NAV - $350,084)

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Tax</td>
<td>$3,542.85</td>
<td>$3,475.79</td>
<td>-$67.06</td>
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<tr>
<td>Morris County Tax*</td>
<td>1,036.25</td>
<td>1,035.72</td>
<td>-$0.53</td>
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<tr>
<td>Morris School District Tax*</td>
<td>4,474.07</td>
<td>4,676.07</td>
<td>$202.00</td>
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<tr>
<td>Public Library Tax</td>
<td>136.53</td>
<td>142.98</td>
<td>$6.45</td>
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<tr>
<td>Total Tax Bill Amount</td>
<td>$9,189.71</td>
<td>$9,330.56</td>
<td>$140.85</td>
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</table>

**FY 2016 Total Property Tax $ Effect**

- *Increase of $35.21/quarter or $140.86/year*

* FY 2016 Estimated Tax Amounts
$100,000 of Assessed Valuation

2016 Tax Rate Impact:

- Municipal: $(19.15)
- County: $(0.15)
- School District: $57.70
- Public Library: $1.84
- TOTAL: $40.24
Tax Base

- FY 2016 Town Net Assessed Valuation - $2,254,650,700
- NAV Increased by $41,347,803 million
- NAV reductions from Tax Appeal Settlements, Court Adjudications and Tax Assessor changes - $2,845,200
- Largest Increase in Valuation (Atlantic Health) - $40,000,000
- Largest Decrease in Valuation (Vacant Land) – ($1,500,000)
## Financial Summary Totals

<table>
<thead>
<tr>
<th></th>
<th>FY2015 Budgeted</th>
<th>FY2015 Actual</th>
<th>FY2016 Proposed</th>
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<tbody>
<tr>
<td><strong>Operating Fund</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Municipal Budget</td>
<td>$37,208,974</td>
<td>$36,347,388</td>
<td>$40,085,838</td>
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<tr>
<td>Grants</td>
<td>144,260</td>
<td>139,260</td>
<td>15,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>37,353,234</td>
<td>36,486,648</td>
<td>40,100,838</td>
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<tr>
<td><strong>Capital Improvements Plan</strong></td>
<td>2,536,000</td>
<td>2,536,000</td>
<td>3,443,850</td>
</tr>
<tr>
<td>Sub-total</td>
<td>2,536,000</td>
<td>2,536,000</td>
<td>3,443,850</td>
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<tr>
<td><strong>Sewer Utility Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer Utility Budget</td>
<td>7,429,154</td>
<td>7,615,252</td>
<td>7,907,142</td>
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<tr>
<td>Capital Improvements Plan</td>
<td>670,000</td>
<td>670,000</td>
<td>670,000</td>
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<tr>
<td>Sub-total</td>
<td>8,099,154</td>
<td>8,285,252</td>
<td>8,577,142</td>
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<tr>
<td><strong>Total Financial Budgets</strong></td>
<td>47,988,388</td>
<td>47,307,900</td>
<td>52,122,329</td>
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What Changed?

<table>
<thead>
<tr>
<th>OPERATING BUDGET</th>
<th>FY2016 Increase*</th>
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<tbody>
<tr>
<td>Health Insurance</td>
<td>$659k</td>
</tr>
<tr>
<td>Pension and Statutory Expenditures</td>
<td>$627k</td>
</tr>
<tr>
<td>Planning</td>
<td>$300k</td>
</tr>
<tr>
<td>Sanitation Contract</td>
<td>$261k</td>
</tr>
<tr>
<td>Capital Improvement Fund</td>
<td>$1.0 mil</td>
</tr>
<tr>
<td>TOTAL CHANGE</td>
<td>$2.9 million</td>
</tr>
</tbody>
</table>

*compared to FY2015 Actual
2% Property Tax Levy CAP

- Projected Total Revenues - $40,100,838
- Maximum Allowable Municipal Tax Levy Amount - $24,479,475
- FY 2016 Municipal Tax Levy Revenue - $22,385,194
- $2,094,281 Under Tax Levy Cap Limit
FY 2016 Anticipated Revenues (%)

“Where The Budget $$ Comes From”

- Municipal Tax Levy: 58.12%
- Sewer Utility Surplus: 8.04%
- State & Federal Grants: 0.00%
- Local Revenues: 5.86%
- State Aid: 7.15%
- Receipts from Delinquent Taxes: 1.18%
- Special Items: 6.46%
- Surplus Anticipated: 10.60%
- UCC: 2.58%
General Revenues

• Revenue Increases (projected)

➤ Uniform Construction Code Fees

• UCC Fees - $25,000
• Interest on Investments & Deposits - $6,000

➤ Special Items

• Payment in Lieu of Taxes (PILOT) - $385,000
• Hotel/Motel Tax - $165,000
• Atlantic Health System - Settlement - $550,000

May 10, 2016
Town of Morristown - FY 2016 Municipal Budget Presentation
“State Aid”
aka Energy Tax Receipts and CMPTRA

Cumulatively, the State has shorted the Town $9.8 million since 2001
General Revenues (cont.)

- **Revenue Decreases**
  - ($85,000) - Fire Bureau EMS recovery
  - Due to shift in service to Atlantic Health Ambulance Services
  - Salary Savings of $123,150 in Fire S&W comparing 2015 paid to 2016 Budget
Morristown Medical Center Settlement

- Monetary portion is made up of three components:
  - $10.0 million up-front payment
  - $550,000/year for 10 years for interest and penalties
  - An additional $40.0 million in assessed value as of 2016 which will generate $397,138 in new revenue to the Town

- Additional benefits:
  - Settles matter for 10 years
  - Town is indemnified in the event of a challenge or new legislation
  - Community health needs assessment and economic development initiative
### Use of Surplus/Fund Balance

<table>
<thead>
<tr>
<th>Source &amp; Use</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE SOURCE</strong></td>
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<tr>
<td>Fund Balance Anticipated (Surplus)</td>
<td>$4,250,000</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES OF FUNDS</strong></td>
<td>$4,250,000</td>
</tr>
<tr>
<td><strong>PROPOSED APPROPRIATION USE</strong></td>
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<tr>
<td>Municipal Operations</td>
<td>$1,288,223</td>
</tr>
<tr>
<td>Capital Improvement Fund</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Reserve for Tax Appeals</td>
<td>510,000</td>
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<tr>
<td>Property Tax Relief</td>
<td>450,000</td>
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<tr>
<td>Reserve for Salary &amp; Wage Increases</td>
<td>300,000</td>
</tr>
<tr>
<td>Morris School District Pass Thru Aid</td>
<td>218,777</td>
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<tr>
<td>Snow Emergency</td>
<td>150,000</td>
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<tr>
<td>Reserve for Vacation &amp; Sick Time</td>
<td>125,000</td>
</tr>
<tr>
<td>Fire Truck Lease Payment</td>
<td>58,000</td>
</tr>
<tr>
<td><strong>TOTAL USES OF FUNDS</strong></td>
<td>$4,250,000</td>
</tr>
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- The town typically budgets for between $1.5 and $2.5 million in Surplus annually.
- Surplus is typically generated by lapsed appropriations and unanticipated revenue.
- This year, that use is increased in light of new revenues from settlement.
- Use of Surplus should be targeted to one-time expenses.
## Fund Balance Trend

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Fund Bal. January 1st</td>
<td>$2,307,961</td>
<td>$1,560,561</td>
<td>$4,033,623</td>
<td>$5,085,104</td>
<td>$4,098,735</td>
<td>$15,278,425</td>
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<tr>
<td>Change in Fund Balance</td>
<td>($747,400)</td>
<td>$2,473,062</td>
<td>$1,051,481</td>
<td>($722,813)</td>
<td>$11,179,690</td>
<td>($4,250,000)</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>-32.38%</td>
<td>158.47%</td>
<td>26.07%</td>
<td>-14.21%</td>
<td>272.76%</td>
<td>-27.82%</td>
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</tbody>
</table>

*May 10, 2016*

Town of Morristown - FY 2016 Municipal Budget Presentation
FY 2016 Proposed Appropriations (%)
“How The Budget Revenues Are Allocated”

- Insurance & Pension: $9,573,223 (24.4%)
- Public Works: $6,668,609 (17.0%)
- Police Services: $6,111,405 (15.6%)
- General Government: $5,142,306 (13.1%)
- Debt Services: $4,308,000 (11.0%)
- Fire Protection Services: $3,437,020 (8.8%)
- Other: $1,378,377 (3.5%)
- Capital Improvements: $1,212,000 (3.1%)
- Reserve for Uncollected Taxes: $841,284 (2.1%)
- Shared Service Agreements: $506,910 (1.3%)
- Statutory & Deferred Charges: $877 (0.0%)
## 5 Largest Appropriations

<table>
<thead>
<tr>
<th></th>
<th>FY 2015</th>
<th>FY2016</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary &amp; Wages</td>
<td>$14,182,496</td>
<td>14,206,254</td>
<td>0.17%</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>4,300,000</td>
<td>4,919,385</td>
<td>14.40%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>4,767,558</td>
<td>4,308,000</td>
<td>-9.64%</td>
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<tr>
<td>Pension Obligations</td>
<td>2,667,634</td>
<td>3,142,804</td>
<td>17.81%</td>
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<tr>
<td>General Liability/ Workers Comp.</td>
<td>779,205</td>
<td>810,373</td>
<td>4.00%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$26,696,893</strong></td>
<td><strong>27,386,816</strong></td>
<td><strong>2.58%</strong></td>
</tr>
</tbody>
</table>

In five years, health insurance and debt service costs have decreased.

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY2016</th>
<th>% Change from FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary &amp; Wages</td>
<td>13,511,890</td>
<td>14,206,254</td>
<td>5.14%</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>5,546,000</td>
<td>4,919,385</td>
<td>-11.30%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>5,779,325</td>
<td>4,308,000</td>
<td>-25.46%</td>
</tr>
<tr>
<td>Pension Obligations</td>
<td>2,734,345</td>
<td>3,142,804</td>
<td>14.94%</td>
</tr>
<tr>
<td>General Liability/ Workers Comp.</td>
<td>763,926</td>
<td>810,373</td>
<td>6.08%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>28,335,486</strong></td>
<td><strong>27,386,816</strong></td>
<td><strong>-10.60%</strong></td>
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</table>
General Appropriations

- **Municipal Operations** - $20,227,575
  - Up 2.5%, or $489,964.
  - **Salary & Wages** - $14,206,254 (32.6% of Total Appropriations)
    - Up $23,758.
    - Five (5) Additional Full-Time Employees
      - 1 Fire, 2 Police, 1 UCC, 1 Admin.
    - Contractual Step Increases.
  - **Other Expenses** - $5,084,850 (12.7% of Total Appropriations)
General Appropriations (cont.)

- **Other Appropriations**
  - Health Care Insurance (12.3% of Total Appropriations)
    - Up $619,385
  - Pension Obligations (7.9% of Total Appropriations)
    - Up $514,970
  - Debt Service Payments (10.7% of Total Appropriations)
    - Down $459,558
Pension Costs

- FY 2016 Pension Cost - $3,182,604
- FY 2016 Pension obligations – Up 19%, or $514,970
  - PFRS - $440,205 Increase
  - PERS - $ 62,965 Increase
  - DCRP - $ 11,800 Increase

Reasons for $ Increase

- Local Employer contribution rate changes:
  - PERS – 11.92% to 12.46%
  - PFRS – 24.32% to 25.67%
- PFRS also includes retro-active billing of $116,036
- Salary Increases from settled contracts reflected in 2016 budgeted amount.
Health Care Insurance

- FY 2016 Health Care Insurance Cost - $6.14 million
- FY 2016 Medical & Dental Insurance Appropriation total of $4.9 Million which is net of:
  - Current Employee/Retiree Premium Cost Sharing
  - Offset from Sewer and Building Dept.
  - CMS Drug Subsidy
- Reasons for $ Increase
  - Broker went out to market for proposals.
  - 2 of 3 major providers declined to bid.
  - Less than 1 year claims experience available with new provider
Line-Item Appropriations Summary

• **Largest Increases**
  - Capital Improvement Fund - $1,150,000 (Up $1,000,000)
  - Medical & Dental Insurance - $4,919,385 (Up $659,294)
  - PFRS Pension Obligations - $2,370,137 (Up $440,205)
  - Planning Other Expenses - $565,000 (Up $310,967)
  - Solid Waste & Recycling Services - $1,417,308 (Up $261,022)

• **Largest Decreases**
  - Payment of BAN’s & Capital Notes - $157,000 (down $297,000)
  - Bond Principal - $3,382,000 (down $145,406)
  - Reserve for Tax Appeals - $510,000 (down $100,000)
  - Interest Payments on Notes - $137,000 (down $21,000)
  - Assessment of Taxes OE - $256,064 (down $18,686)
Debt Service (Operating Budget)

• **Standard & Poor’s Credit Rating** – “AA”

• **Principal Debt Payment Obligations** reduced by $3,978,065 in FY 2015.
  
  ➢ $3,540,000 scheduled principal payment this year.

• **Net Debt Outstanding as of 12/31/15** - $24,962,239
  
  ➢ GO Principal - $11.2 million
  ➢ Bond Anticipation Notes - $13.7 million

• **Total Net Debt to Equalized Valuation ($2,636,116,752): 1.018%**

• **Total Net Debt has declined by $13 million since FY 2011**
Debt Service (Sewer Utility)

- Principal Debt Payment Obligations reduced by $1,769,353 in FY 2015.
  - $2,167,102 scheduled to paid off this year (includes $784,504 additional pay down on BAN’s)

- Sewer Utility Debt Outstanding as of 12/31/15 - $12,054,335
  - Long Term Debt - $7.09 million
  - Bond Anticipation Notes - $4.96 million

- “Pay-As-You Go” - Utility Budget includes $670,000 for Capital Improvement Projects.
  - No new Sewer Utility Debt – Fourth year in a row!
Capital Projects

• Total allocated for new capital funding is $3.4 million which includes:
  • $1,720,000 in sidewalk, curb and roadway improvements
  • $519,000 for heavy equipment
  • $222,000 for pool and park improvements
  • $194,500 for technology improvements
  • $41,000 for Town Hall and Fire Department building improvements
Q&A