



**LEAGUE SESSION for
NEWLY ELECTED
OFFICIALS**

**OVERVIEW
of the
NEW JERSEY
MUNICIPAL BUDGET PROCESS**



JANUARY 6, 2018

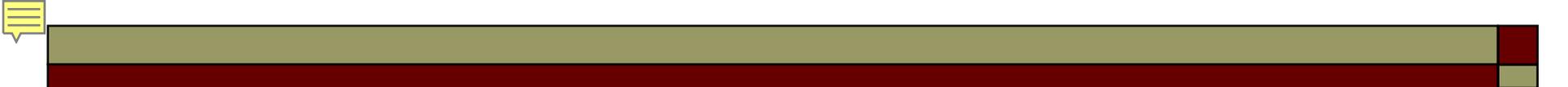
David W. Hollberg, CMFO

Township Manager / Chief Financial Officer

Township of Pequannock

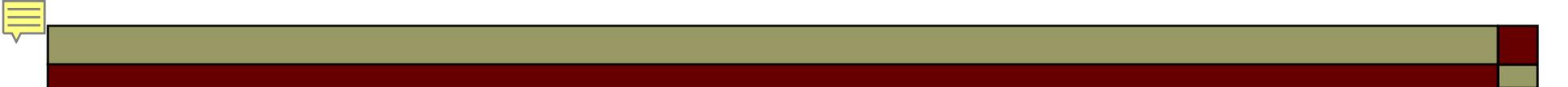
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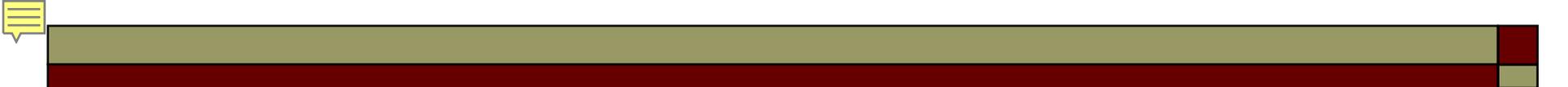
NJ BUDGET PROCESS

- ❑ CALENDAR / FISCAL YEAR BUDGET
- ❑ REQUIRED TO BE BALANCED
(Revenues = Appropriations)
- ❑ INTRODUCTION in FEBRUARY
- ❑ REVIEWED BY STATE / DLGS
- ❑ BUDGET HEARING / ADOPTION in MARCH
- ❑ STATUTORY DATES CAN BE MODIFIED



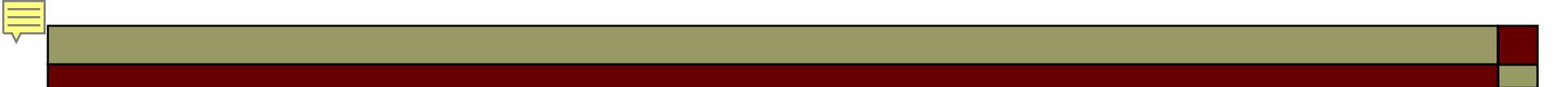
FAULKNER ACT (Council – Manager) BUDGET PROCESS

- ❑ TOWNSHIP MANAGER HOLDS DEPARTMENTAL BUDGET HEARINGS IN NOVEMBER
- ❑ TOWNSHIP MANAGER PRESENTS BALANCED BUDGET PROPOSAL TO COUNCIL BY JANUARY 15
- ❑ COUNCIL ADOPTS BUDGET; MANAGER ADMINISTERS



APPROPRIATIONS

- LEGAL AUTHORITY TO SPEND MONEY
- MADE BY COUNCIL:
 - BUDGET ADOPTION (OPERATIONS)
 - EMERGENCY (UNFORSEEN EXPENSES)
 - CHAPTER 159 (REVENUES – GRANTS)
 - ORDINANCE (CAPITAL)
 - DEDICATION BY RIDER (TRUST FUNDS)



NJ BUDGET LAW

- ❑ SETS BUDGET CALENDAR
- ❑ PUBLICATION REQUIREMENTS and ADOPTION PROCESS
- ❑ REQUIRES FORMAT (Dept; S&W – OE)
- ❑ LIMIT ON REVENUE ANTICIPATION (Not to Exceed Previous Year's Actual)
- ❑ LIMIT APPROPRIATION GROWTH (CAP)
- ❑ LIMIT TAX LEVY GROWTH (LEVY CAP)



NJ BUDGET LAW cont.

- ❑ OVEREXPENDITURES ARE ILLEGAL
(Requirement to Appropriate Sufficient Funding for Known Operations)
- ❑ LINE ITEM TRANSFERS (Nov thru Mar)
- ❑ EMERGENCY APPROPRIATIONS
- ❑ BUDGET REMAINS ON BOOKS FOR TWO YEARS, THEN UNSPENT BALANCES LAPSE TO FUND BALANCE



BUDGET CAP

- ❑ LIMITS INCREASE IN APPROPRIATIONS
- ❑ BASED ON INDEX RATE UNTIL 2004
- ❑ INDEX RATE NOW CALLED COLA
- ❑ CAP IS LOWER OF INDEX RATE or 2.5%
- ❑ COLA FOR 2017 IS 0.5%; CAP IS 0.5%
- ❑ MAY BE RAISED TO 3.5% BY
ORDINANCE

BUDGET CAP cont.

- ❑ EXCESS CAP MAY BE BANKED, but ONLY IF ORDINANCE IS PASSED
- ❑ CAP RATE ORDINANCE WAS PASSED FOR 2016 BUDGET, BANK OF \$635,978 AVAILABLE FOR USE IN 2017 BUDGET
- ❑ 2016 BUDGET WAS \$410,000 UNDER APPROPRIATION CAP WHICH WAS BANKED FOR 2017



BUDGET CAP EXCEPTIONS

- ❑ LIBRARY
- ❑ FAIR HOUSING
- ❑ EMERGENCY DISPATCHING
- ❑ PROGRAMS OFFSET BY REVENUE
(Grants and Inter-local Services)
- ❑ HEALTH INSURANCE INCREASES IN
EXCESS OF 2%



BUDGET CAP EXCEPTIONS cont.

- CAPITAL
- DEBT SERVICE
- EMERGENCY APPROPRIATIONS
 - IF APPROVED BY DLGS
- RESERVE FOR UNCOLLECTED TAXES

TAX LEVY CAP

- LAW PASSED IN 2007; REVISED 2010
- EFFECTIVE STARTING IN 2008
- LIMITS THE INCREASE IN THE TAX LEVY TO 2% (Originally 4%)
- VERY FEW EXCEPTIONS
 - CAPITAL & DEBT SERVICE
 - PENSION INCREASES OVER 2%
 - HEALTH INSURANCE (Within Window)



RESERVE for UNCOLLECTED TAXES

- ❑ REQUIRED APPROPRIATION
- ❑ INCREASES LEVY TO ENSURE ADEQUATE CASH COLLECTION
- ❑ MINIMUM APPROPRIATION BASED ON PRIOR YEAR'S TAX COLLECTION RATE
- ❑ EXCESS APPROPRIATION COVERS TAX APPEAL REFUNDS & BUILDS FUND BALANCE



FUND BALANCE

- ALSO CALLED SURPLUS
- EXCESS, UNCOMMITTED FUNDS AT THE END OF THE YEAR
- INCREASED BY:
 - EXCESS REVENUES
 - UNSPENT BUDGET (1 YEAR PRIOR)
 - CANCELLED APPROPRIATIONS
 - EXCESS TAX COLLECTIONS

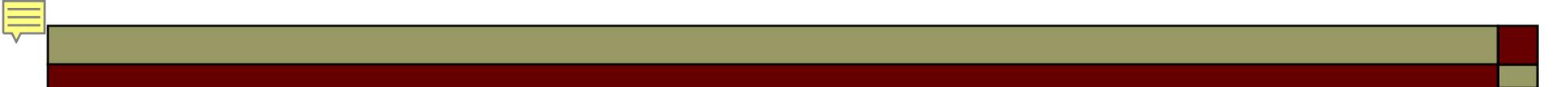
FUND BALANCE cont.

- A PORTION OF FUND BALANCE CAN BE USED AS A REVENUE IN THE SUCCEEDING YEAR'S BUDGET.
- GENERALLY ACCEPTED PRACTICES:
 - LEAVE 1 MONTHS' WORTH OF EXPENSES
 - DO NOT USE MORE THAN CAN BE REPLACED THROUGH OPERATIONS



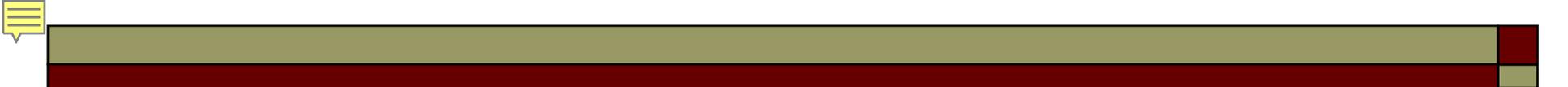
FUND BALANCE HISTORY

Year	12/31 Fund Balance	Used in Budget	Balance
2015	\$1,805,613.00	\$1,350,000.00	\$455,613.00
2014	\$1,621,710.00	\$1,250,000.00	\$371,710.00
2013	\$1,608,874.00	\$1,260,000.00	\$348,874.00
2012	\$1,593,554.00	\$1,250,000.00	\$343,327.00
2011	\$1,719,111.00	\$1,230,000.00	\$489,111.00
2010	\$1,579,765.00	\$1,300,000.00	\$279,765.00
2009	\$1,432,684.00	\$1,350,000.00	\$82,684.00
2008	\$1,884,230.00	\$1,450,000.00	\$434,230.00
2007	\$2,596,327.00	\$1,605,000.00	\$991,327.00
2006	\$2,667,119.00	\$1,595,000.00	\$1,072,119.00



BUDGET THEORY & PRACTICES

- ❑ ALL BUDGETS ARE INTERRELATED ACROSS YEARS.
- ❑ PEQUANNOCK TWP HAS TRIED TO MAINTAIN A STABLE TAX RATE (Standard Increases vs Large Swings)
- ❑ REVENUES HAVE HISTORICALLY BEEN BUDGETED CONSERVATIVELY TO REGENERATE FUND BALANCE



THEORY & PRACTICES cont.

- REDUCED APPROPRIATIONS NEED TO HAVE UNDERLYING REDUCTIONS IN EXPENSES
- REDUCING APPROPRIATIONS WITHOUT REDUCING EXPENSES:
 - IMPACTS ABILITY TO TRANSFER
 - MAY CREATE A STRUCTURAL DEFECIT
 - REDUCES FUTURE FUND BALANCE

TAX RATE / TAX POINTS

- ❑ TAX RATE EXPRESSED IN CENTS per HUNDRED DOLLARS OF ASSESSED VALUE
- ❑ ONE POINT = ONE PENNY OF TAX RATE
- ❑ TAX RATE IS ROUNDED BY COUNTY TAX BOARD IN ONE/TENTH POINT INCREMENTS