Borough of Rutherford

Budget Presentation

April 11, 2022

Rutherford 2022 BUDGET PRESENTATION

2022 Budget Snapshot

Borough Value

$ 2,737,610,277

16M
Greater than 2021

Municipal Property Tax Rate

$ 0.935

1.63%
More than 2021

Average Assessed Home Value

$ 434,000

0.70%
Greater than 2021

Rutherford
2022 BUDGET PRESENTATION

Property Tax Rate Information

2022

- Est. Municipal Tax Rate = 0.935
- $0.015 increase over prior year
- Tax on $434,000 Home; $4,057.90

2021

- Est. Municipal Tax Rate = 0.920
- $0.023 increase over prior year
- Tax on $431,000 Home; $3,965.20

Municipal rate includes Borough levy and Public Library levy.

2022 Municipal Property Tax Calculation 101

- (Taxes Raised / Borough Assessment) x 100 = Tax Rate

  ($25,608,606 /2,737,610,277) x 100 = $0.935

- 2022 Municipal Tax on Avg. Assed Home:

  ($434,000 *0.935) / 100 = $4,057.90 ($338.16 per month)

  Approximately 31% of your total property tax bill

- 2021Municipal Tax on Avg. Assed Home:

  ($431,000 *0.920) / 100 = $3,965.20 ($330.43 per month)

  Approximately 31% of your total property tax bill

Rutherford
2022 BUDGET PRESENTATION

2021 Tax Rate & 2022 Introduced Tax Rate

Rutherford Tax Rate — 2021

Net Valuation (Ratables) $ 2,721,634,280.00

	LEVY	RATE	% of Rate	Assessment $ 431,000
County	$ 7,634,720.76	$ 0.281	9.58%	$ 1,209.04
County Open Space	$ 316,483.87	$ 0.012	0.40%	$ 50.12
School	$ 46,715,530.00	$ 1.716	58.61%	$ 7,397.91
Library	$ 1,051,931.93	$ 0.039	1.32%	$ 166.58
Municipal	$ 23,981,071.75	$ 0.881	30.09%	$ 3,797.66
TOTAL	**$ 79,699,738.31**	**$ 2.928**	**100%**	**$ 12,621.31**

Rutherford Tax Rate — Introduced 2022

Net Valuation (Ratables) $ 2,737,610,277.00

	LEVY	RATE	% of Rate	Assessment $ 431,000
County	$ 7,787,415.18	$ 0.284	9.57%	$ 1,226.02
County Open Space	$ 322,813.55	$ 0.012	0.40%	$ 50.82
School	$ 47,649,840.60	$ 1.741	58.56%	$ 7,501.83
Library	$ 1,063,439.79	$ 0.039	1.31%	$ 167.42
Municipal	$ 24,545,165.83	$ 0.897	30.17%	$ 3,864.31
TOTAL	**$ 81,368,674.94**	**$ 2.972**	**100%**	**$ 12,810.41**

Estimated 2% increase

Rutherford 2022 BUDGET PRESENTATION

Rutherford Borough
2022 Budget Introduction

Overview

Total 2022 Current Fund Budget Appropriations:

$34,132,266

Amount to be raised by Taxes:

$25,608,606

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2022 BUDGET PRESENTATION

Year Over Year Comparison

2022

Amount to be Raised by Property Taxes:

$25,608,606

2021

Amount to be Raised by Property Taxes:

$25,033,004

The 2019, 2020 and 2021 Cap Banks will NOT be utilized.

2% TAX LEVY CAP

- The tax levy cap law imposes a 2% cap on the total increase of local government tax levies, subject to certain exclusions. These exclusions to the 2% tax levy cap allow a municipality to increase the tax levy over 2% due to these exclusions.
- The exclusions include increase in debt service and capital expenditures; weather and other declared emergencies; pension contributions in excess of two percent, and health benefit cost increases in excess of 2 percent.
- In short, if any of the aforementioned exemptions causes our tax levy to increase over 2 percent, we still comply with the 2% tax levy cap law. Now, in order to increase the tax levy over 2%, when not related to these exemptions, we would need a referendum.

2.5% APPROPRIATION CAP

- When we talk about the 2.5% cap (also referred to as the 3.5% cap), we are referring to the appropriation *(or expenses)* cap. There are two types of appropriations:

- **Inside the CAP:**
  - Salary & Wages
  - Operating expenses (stationary, equipment, professional services, advertising, audit, training, uniforms, pensions, health insurance, employer taxes, etc…)

- **Outside the CAP:**
  - Debt Service
  - Capital expenditures
  - Reserve for the uncollected
  - Emergency appropriations
  - Grant appropriations
  - Library funding
  - Shared Service Expenses
  - Judgements

2.5% APPROPRIATION CAP

- The 2.5% cap relates only to “inside the cap” appropriations.

  The law limits the increase in inside the cap appropriations from year to year to 2.5% or the state’s cost of living adjustment (COLA), whichever is lower. This year state’s COLA is 2.5%. The state also allows a municipality, by ordinance, to increase the COLA percentage to 3.5%

2.5% APPROPRIATION CAP

- <u>The 3.5% ordinance does not mean that the tax rate will increase by 3.5%.</u>

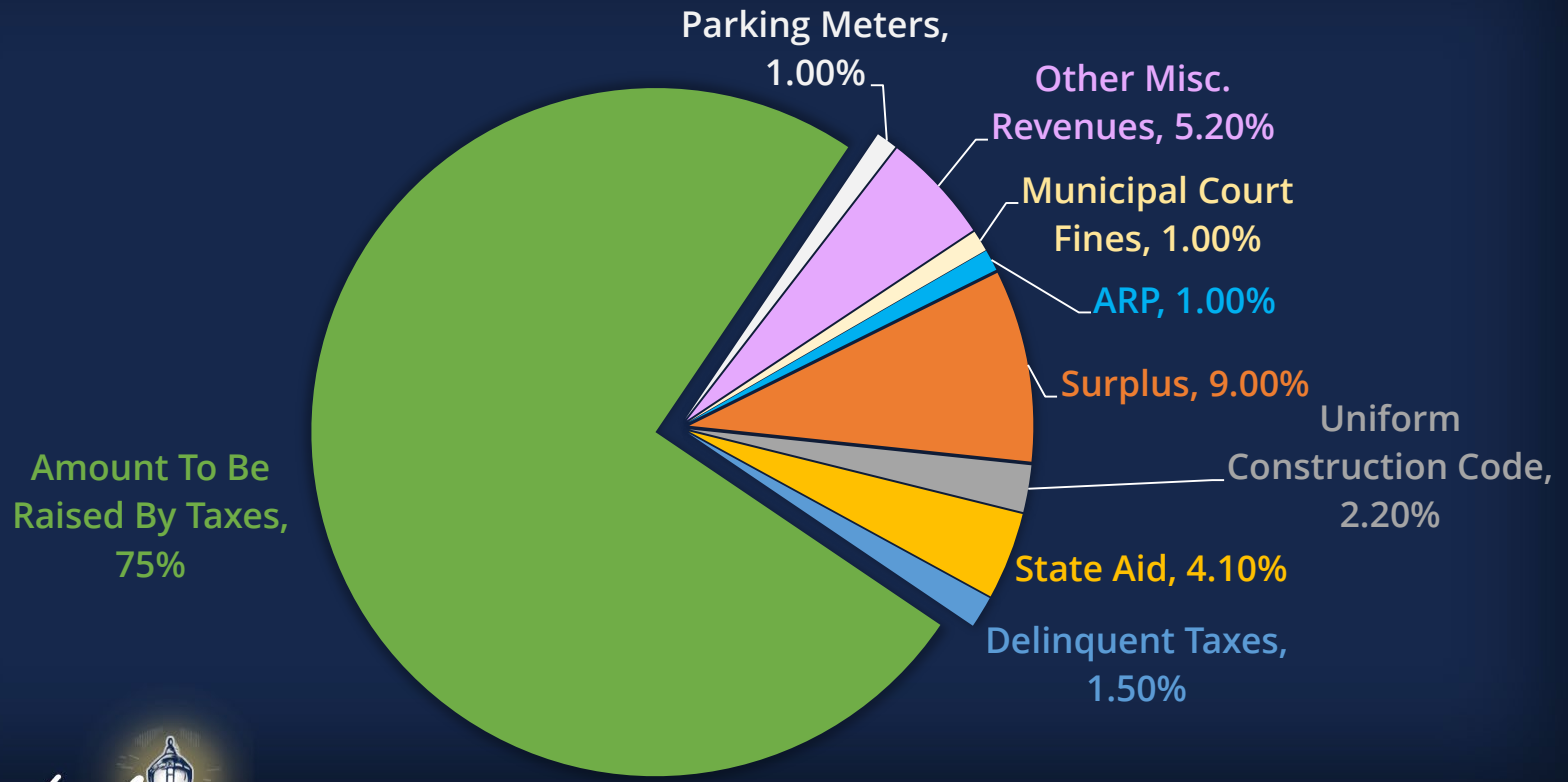
  This is a common misconception. It only means that if truly needed, we would be able to increase our inside the cap appropriations to 3.5% of prior years inside the cap appropriations. *Again, doing so does not automatically mean the tax rate will increase to 2.5% either.* There are many variables in the tax rate equation that can offset the increase in inside the cap appropriations.

- Finally, if a 3.5% cap ordinance is passed, and we do not raise our inside the cap appropriations by 3.5%, the state allows us to bank (carry-over), for up to two years, the difference between its final appropriation subject to the cap and 3.5%. This ordinance is a tool we have in our budgeting arsenal, which allows us flexibility in the event of an unforeseen financial incident.

Current Fund 2022 Revenue Sources

- Amount to be Raised by Taxes = $25,608,606
- Surplus = $3,050,000
- State Aid = $1,354,589
- Fees & Permits = $122,000
- Construction Code Fees = $764,000
- Interests/Investments = $55,000
- Interest on Taxes = $150,000
- Municipal Court Fines = $237,000
- Delinquent Taxes = $500,000

2022 Revenue Sources



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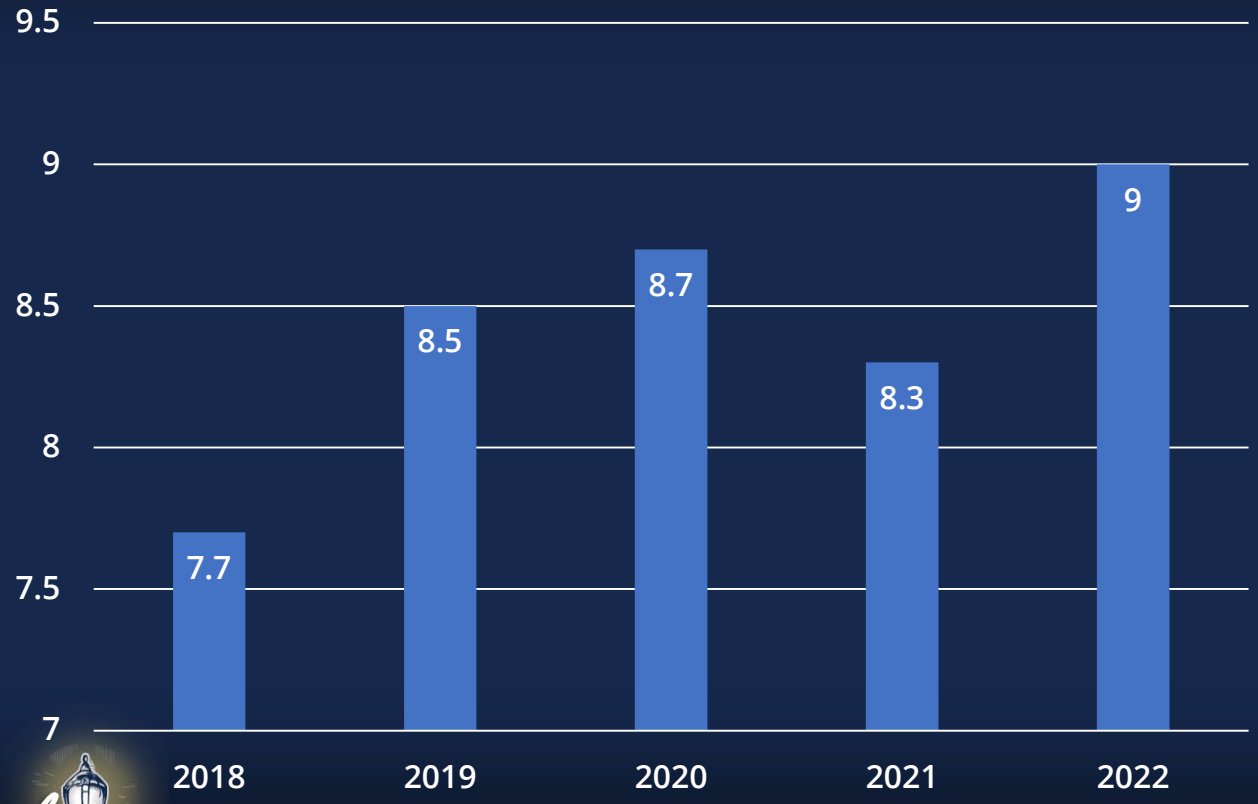
2022 BUDGET PRESENTATION

2022 Surplus Used - % of Budget



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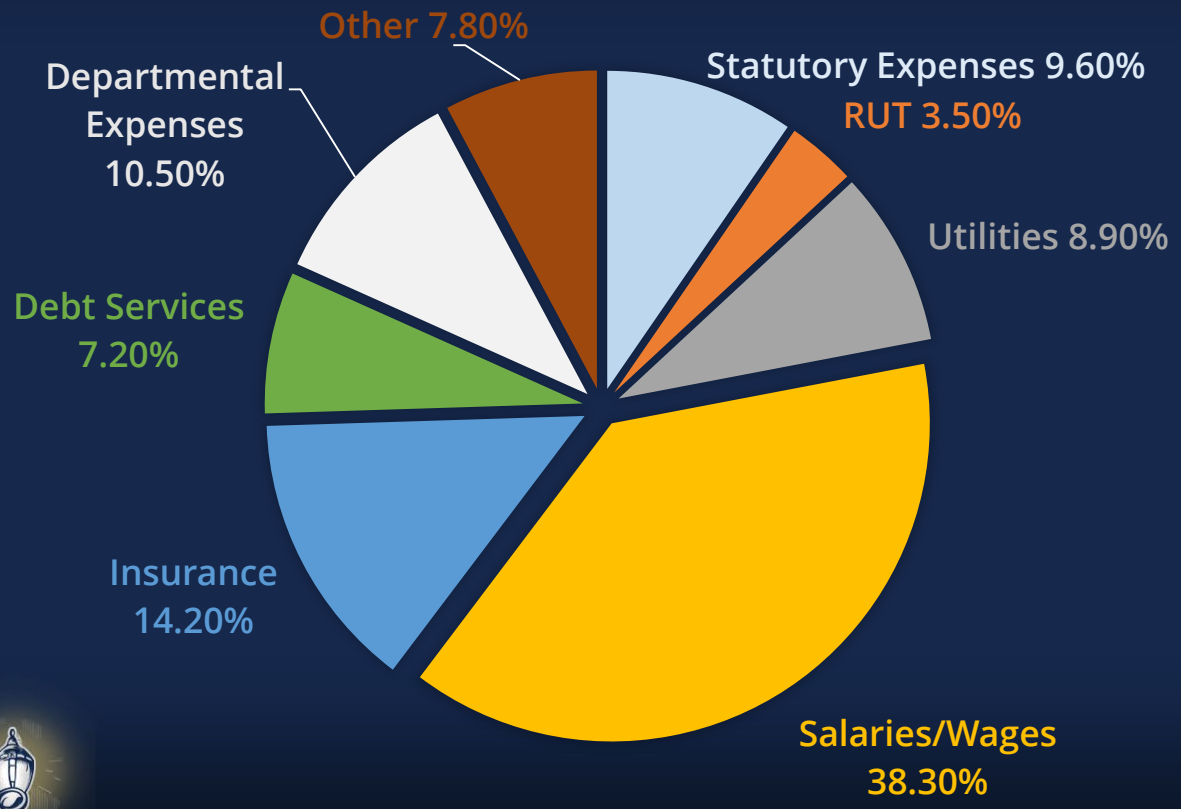
Current Fund 2022 Major Appropriations

- Salaries/Wages = $13,065,000
- Annual Debt Service = $2,445,000
- Health Insurance & Liability Ins. = $4,092,000
- Pensions = $2,643,776
- Utilities = $3,034,500
- Reserve for Uncollected Taxes = $1,200,000
- Social Security, Unemployment, WC:$1,375,000

2022 Appropriation Sources



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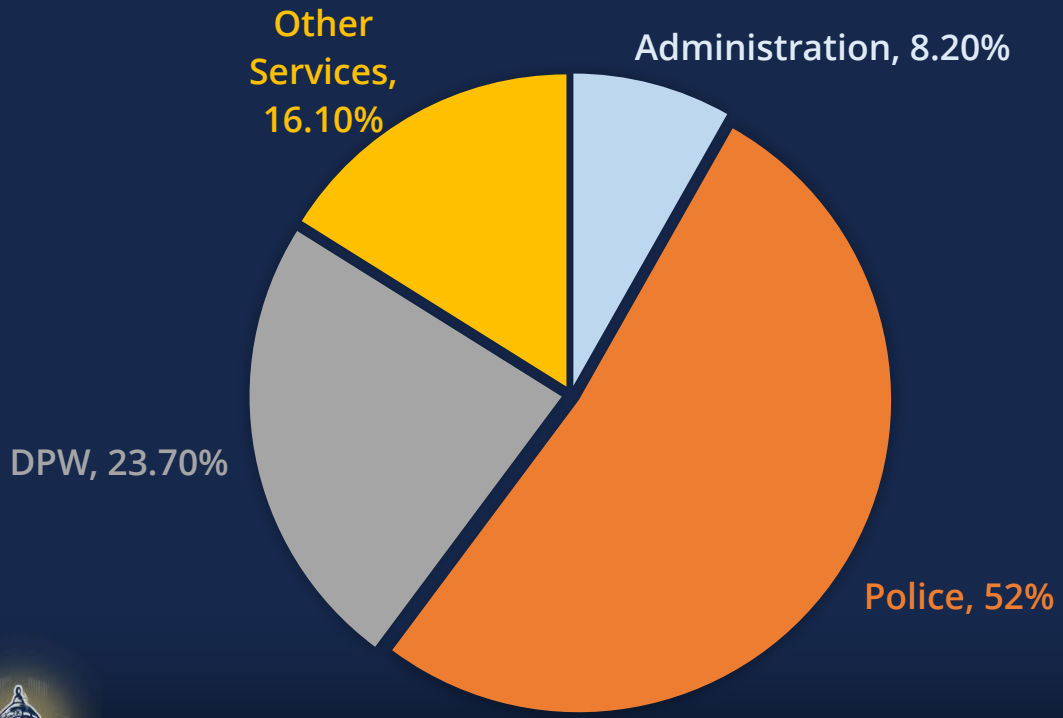
2022 Total Salary Breakout



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2022 BUDGET PRESENTATION

Debt Service Detail

STANDARD AND POORS RATING: AA+

- The AA+ term rating reflects the borough's very strong economy, very strong budgetary flexibility, very strong liquidity, strong institutional framework, strong management and budgetary performance

FACTORS THAT COULD LEAD TO AN UPGRADE

- Consistent budgetary performance
- Improvements in economic metrics

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Fiscal pressures from rising pension and OPEB liabilities
- Significant use of reserves to bridge budgetary imbalance

Debt Service Detail (continued)

Outstanding General Serial Bonds

- 2018 General Improvement Bonds - $7,830,000
- 2020 General Improvement Bonds - $17,105,000

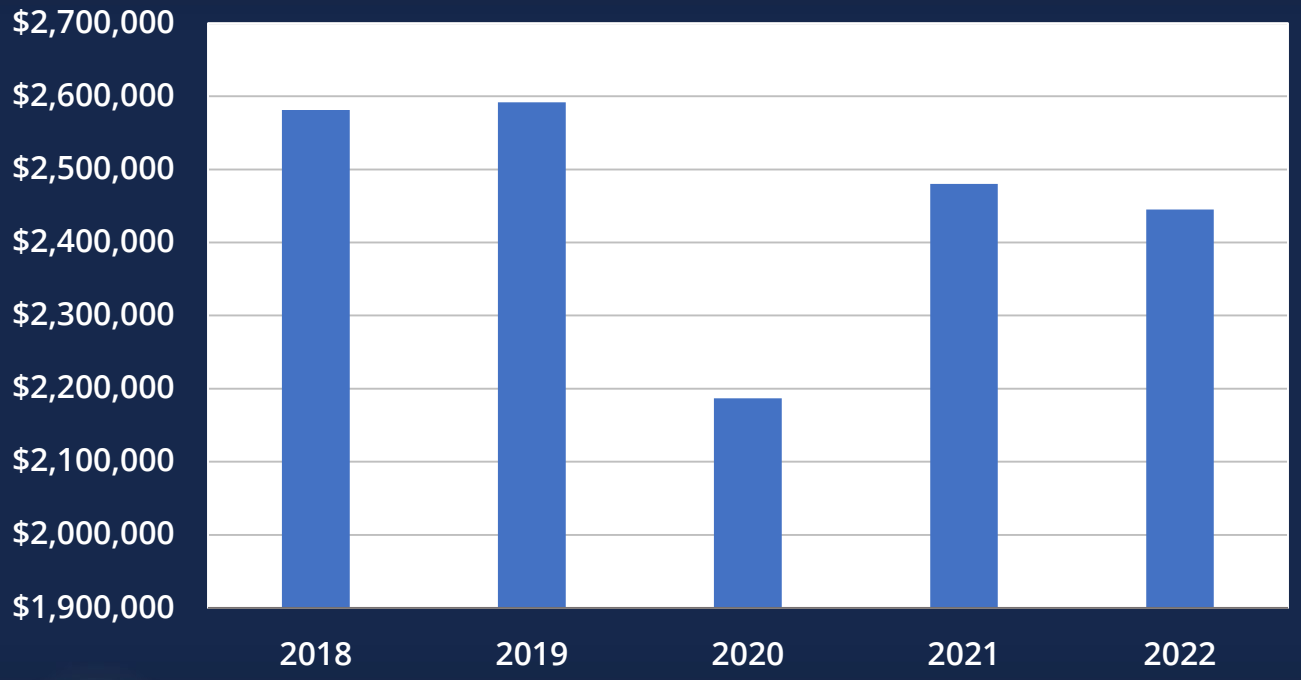
$24,935,000

Debt Authorized but not issued:

- 2021 Ordinance - $1,615,000

$1,615,000

Municipal Debt Payments 2018-2022



2022 Budget Calendar

- March 14, 2022 - Budget Introduction
- April 11, 2022 - Public Hearing and Adoption

Thank You!

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2022 BUDGET PRESENTATION