



**LEAGUE SESSION for  
NEWLY ELECTED  
OFFICIALS**

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



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David W. Hollberg, CMFO

Township Manager / Chief Financial Officer

Township of Pequannock

[Dhollberg@Peqtwp.org](mailto:Dhollberg@Peqtwp.org)

(973) 835-5700 x133



# NJ BUDGET PROCESS

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- ❑ 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

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- ❑ 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

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- 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

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- ❑ 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.

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- ❑ 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

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- ❑ 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.

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- ❑ 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

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- ❑ 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.

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

# TAX LEVY CAP

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- 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

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- ❑ 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

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- 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.

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- 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

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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

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- ❑ 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.

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- 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

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- 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