

August 2010

Dear Resident,

There have been several news articles describing the budget process in Morris Township this year. In addition, many of you have noticed changes in our staff levels or increased fees. Since not everyone has the opportunity to come to our Township Committee meetings or read all the articles that appear in the press, I wanted to provide you with a description of this year's budget process and how it was handled.

We actually began our 2010 budget process in the fall of last year. At that time, all of our department heads submitted their initial requests for expenses, programs and capital projects for this year's budget. These requests were reviewed by sub-committees made up of two Committeemen, our Administrator, our CFO and the department head. The department budgets were then combined and reviewed as a whole by the Finance sub-committee.

The financial situation in Morris Township is not unique this year. Many towns lost state aid – our reduction was \$1 million (in addition to previous years' reductions). In addition we also determined that one of our largest sources of revenue, our fund balance (aka surplus fund), was down by \$2 million compared to the previous year. The fund balance is impacted by many factors but the largest reductions resulted from commercial tax appeals. A combination of 'other revenues' was also down by \$500,000 (from sources such as building permits, fees and interest on investments). None of these reductions in revenue could be prevented by the Township.

When we added up all of the budget requests for 2010, we would have had to raise \$26.1 M (million) in taxes to meet all of the requests. The State of NJ had previously established a cap on how much we could raise taxes in 2010 – the maximum allowed by the cap was \$22.7 M. To follow the new State mandate, we had to close a budget gap of \$3.4 M. Many actions were taken to close this gap.

The first major change was elimination of a request that the general budget pay for a proposed deficit in the swim pool utility. The Township Committee rejected this request, and insisted that the pool utility operate at least on a 'break even' basis – that is, they had to stand on their own and operate solely from user / membership fees. This saved \$219,000.

The next steps were a series of increases in revenue. This includes increases in the use of fund balance, increased anticipation of tax collections and support from the sewer utility. These measures reduced the gap by about \$760,000.

The next step was unusual and was done on a one time basis. For many years we have purchased Open Space with funds from our Open Space fund. For all of the years that we have acquired the many acres of property we have never used Open Space funds to maintain these spaces (use of these funds for maintenance is an approved use by State law). We decided to use Open Space funds to pay for our parks maintenance program for 2010 as a 'catch up' for not doing so in previous years. This reduced the gap by about \$475,000.

We then turned to the expense and capital requests. Requests for expenditures were reduced by over \$700,000. By substantially reducing our capital expense program, we saved about

\$175,000 that no longer had to be included in our general budget (for the Capital Improvement Fund – or 5% of the cost of the capital amounts).

The Township's financial situation was explained in great detail to our employees during several meetings. These first changes to the proposed budget (reductions in expenditures and increases in revenues) closed about \$2 M of the \$3.4 M gap. It was only after cutting expenses across all departments that we reluctantly turned to our most valuable resource – our employees. By the end of the process, we reduced our headcount by over 10%, but we still needed furloughs to close the gap. In our effort to spread the pain fairly across all departments we asked all employees to agree to voluntary furloughs. The Police union was the only group that would not agree to furloughs, and as a result of their refusal we had to raise taxes by \$175,000 more than planned for 2010. I compare this to all of our other municipal employees, whose cooperation will save the taxpayers almost \$300,000 in taxes this year through furloughs or equivalent savings. Furthermore, most of our other employees have agreed to accept no salary increase in 2010. However, the Police union (the PBA) has not agreed to this cost-saving step either. The other unions and the employees who have worked with us to close the extraordinary budget gap we faced this year have truly made sacrifices, and they deserve our thanks. I would also like you to know that the Township Committee has also reduced its stipend for 2010.

The changes made by Morris Township were difficult and painful for many families this year. We made every effort to maintain all of the services that our residents have come to expect, and we are still in the process of adjusting to our new staff levels and schedules. In the meantime, the public can be assured that all emergency services will continue to be provided as needed. We will continue our work to maintain these services while we hold tax increases to a minimum.

H. Scott Rosenbush
Mayor, Morris Township