

TOWNSHIP OF LAWRENCE

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Recommended Municipal Budget Message

February 4, 2025

NOTE: Figures in [] represent 2024 amounts.

As we prepared the 2025 municipal budget, future federal and state funding uncertainty was front and center. We were also mindful that our taxpayers will likely have increases from the other public entities funded by them. With this as a backdrop, we deemed it necessary and appropriate to limit new non-capital spending to adding three police officers and three firefighters to municipal operations.¹ We also increased our annual contributions to the three volunteer fire companies by \$10,000 each (for a total of \$70,000 per year to each fire company).²

We continue to enjoy a favorable financial situation that allows us to provide (and improve upon) the essential services our community deserves and expects from their local government. In short, we continue to reduce our debt, increase our surplus (the "Fund"), add personnel to improve public safety, maintain a forward-thinking, proactive capital improvement plan, and deliver a budget with **no increase** in our municipal tax for a second consecutive year. Where we find ourselves today isn't by happenstance. It is from a consistent, fiscally responsible approach to governance over the past eight years and the good work of the employees who serve our community.

The total Municipal Budget is **\$60,395,196.30** [\$60,720,228.14].

The recommended municipal tax rate for 2025 **represents a 0-cent increase from last year** and is **.652** [.652] 1 cent = **\$475,445.93** [\$472,154.66]

The amount to be raised by taxation in 2025 is **\$31,000,180.20** [30,785,718.39]; the increase of \$214,461.81 is attributed to the increased assessed valuation.

The levy cap bank available from 2022, 2023, and 2024 is **\$5,403,374**, and we will use \$0 to remain within the 2% tax levy cap. NOTE: The 2022 cap bank of \$894,055 expires this year, leaving a usable "cap bank" of **\$4,509,319**.³

The 2024 year-end Surplus balance is **\$22,091,314.27** versus a 2023 year-end balance of \$20,638,658.38, an increase of \$1,452,655.89. The Surplus balance remaining available after applying

¹ We also include a potential new staff member for the Municipal Clerk's Office. However, a final decision is yet to be made, but funding for it must be included in the budget. NOTE: Our transition to an in-house 911 Dispatch service requires hiring 11 dispatchers but without an increase over last year's cost.

² This includes a \$20,000 reimbursement of utilities to each fire company.

³ Not including the 2025 Levy Cap Bank of \$2,206,966 available upon adoption for subsequent years.

an amount as anticipated 2025 revenue will be **\$12,776,314.27** [\$12,323,658.38], an increase of \$452,655.89 over the 2024 remaining balance.

The cash reserve balance for tax appeals is **\$8,019,491.18** [\$6,219,491.18].

The decrease in outstanding debt continues. The 2010 closing balance was **\$30,797,000**. The 2024 closing balance is **\$8,365,000** [\$10,788,000], reducing our debt by \$2,423,000 from last year. For 2024, we have budgeted another \$2,423,000 reduction to our debt.

In addition, the year-end reserve balance in the Lawrence Township Self-Insurance Fund is **\$1,620,853.08** [\$1,709,856.80]; the 2025 Municipal Budget has an Appropriation of \$120,000 to fund this decrease. The Municipal Open Space Fund balance is **\$4,031,028.28** [\$3,660,691.78].

REVENUE

Revenues that support the municipal budget have multiple sources but are placed in one of the four categories: ***Surplus, Miscellaneous Revenues, Receipts from Delinquent Taxes, and The Amount to be Raised by Taxation (or current tax receipts)***. The amount of revenue from each category to be anticipated in support of the municipal budget is controlled by state statutes and regulations. Those legal restrictions are in place to promote assurance of the fiscal solvency of New Jersey municipalities. Generally defined, the statutory restrictions are as follows: (1) surplus is limited to the amount available from fund balance cash, (2) miscellaneous revenues are limited to no more than the amount realized in cash in the immediately preceding fiscal year for each revenue source, (3) receipts from delinquent taxes are limited to the collection percentage realized in cash against receivable balances of the prior year, and (4) current taxes are the default revenue necessary to close any gap in revenues to balance the budget against appropriations.

The legal provisions that regulate the utilization of revenue in an operating budget must be applied along with a local policy of anticipating revenues at levels that can be sustained for future budgets and with consideration of the replenishment of cash surplus. Receipt of revenues in excess of what is anticipated to be received in a budget is credited to surplus at year-end, simply the regeneration of surplus. The development of revenue estimates must be approached with not only consideration of the current budget but of future budgets as well. Failure to craft a budget without sustaining revenues for future use will lead to their diminished support of appropriations and increase the demand for taxation. This long-term approach has been applied to prepare the recommended budget.

Cash Surplus (anticipated) as budget revenue results from the fiscal activity of the immediate prior fiscal year. The amount of Surplus to be applied as budget revenue comes from a known year-end balance. The significant contributions to generating a cash surplus are revenue realized in excess of the amounts anticipated to be realized in the prior budget year, lapsed 2023 appropriations reserves, and miscellaneous revenue not anticipated. Cash surplus is anticipated as revenue in the 2025 recommended municipal budget of **\$9,315,000** [\$8,315,000].⁴ Surplus is fifteen and forty-two hundredths percent (15.42%) of total budget revenues.

Miscellaneous Revenues are from known and recurring sources (e.g., permit fees, interest income, and state aid). The amount of revenue from this category is limited by statute to not being

⁴ The increase is due to funding \$1,000, 000 for the capital improvements to the Neighborhood Center

anticipated in the current year's budget in excess of what was collected from that same identical source in the immediately prior year. Miscellaneous Revenues are thirty-one and thirty-four hundredths percent (31.34%) of total budget revenues.

Receipts from Delinquent Taxes are receipts from payments of outstanding prior-year tax receivables and tax title liens held by the municipality. The year-end tax receivable balance is \$1,267,670.36 [\$1,206,182.23]. The 2025 budget anticipates **\$1,150,000** [\$820,000] as revenue from this source. Delinquent tax revenue is one and ninety-hundredths percent (1.90%) of the total budget.

Property taxes are the amount necessary to balance the budget with revenues to equal appropriations. Property taxes, also referred to as the "*Amount to be Raised by Taxation*," is the difference between the total of all budget appropriations and the total of anticipated revenues. The amount to be raised by taxation in the 2025 budget is **\$31,000,180.20** [\$30,785,718.39], an increase of **\$214,461.81** [\$98,892.10]. The revenue from property taxes is fifty-one and thirty-three hundredths percent (51.33%) of total revenues.

When calculating the tax rate, it is necessary to know not only the amount of taxes to be collected but also the value of taxable property in the municipality, also known as Net Valuation Taxable. The 2025 net valuation taxable is \$4,754,459,300 [\$4,721,546,600], an increase of \$32,912,700 [\$15,167,500] over the previous year. The increase in taxable value helps to support budget growth.

The new amount of taxable value results in one penny on the tax rate equaling **\$475,445.93**. The recommended municipal tax rate for 2025 is .652 [.652], a **0-cent increase**. A residential property owner with a property valued at the 2025 average residential assessment of **\$287,570** [\$285,767] will pay **\$1,874.96** [\$1,863.20] as the municipal portion of their property taxes.

APPROPRIATIONS

While crafting the 2025 recommended municipal budget, the challenge continues to be implementing financially efficient services at an appropriate level. New Jersey municipal budgets are restricted by law (Appropriation Cap) to limit designated appropriations from increasing no more than "*2.5% or the cost of living adjustment, whichever is less, with exceptions.*" For fiscal year 2025, Per the NJ DCA the cost of living adjustment was 2.5%. Below is a list of significant increases in appropriations:

<u>Appropriation</u>	<u>Increase</u>	<u>Reason</u>
Capital Improvement Fund	1,000,000.00	Community Center Funding
Salary & Wages	842,628.00	New Hire and Contractual Increase
Employee Group Health	841,482.40	NJSHBP Increase and New Hires
MCIA	61,558.96	Contractual Increase
Joint Insurance Fund	47,323.50	Increase in Premium
Fire Company Funding	30,000.00	Appropriation Increase

The recommended budget includes a funding amount of \$55,000 to the Lawrence Township Unemployment Fund, \$120,000 to the Self-Insurance Trust Fund, and \$51,000 to the Lawrence Township Accumulated Sick Leave Trust Fund. These are consistent annual budget contributions.

Lawrence Township municipal employees are provided health benefits or may qualify for a cash payment in lieu of receiving health benefits if the employee complies with the applicable eligibility requirements of the health care program. Health benefits are provided through the New Jersey State

Health Benefits Program (NJSHBP), which dictates specific benefits and co-payments. Employees contribute a percentage of the premium for their applicable coverage, and the salary levels guide these percentage contributions. Employees will contribute \$1,445,033 toward the cost of their health benefits. The Employee Group Health Insurance appropriation increased \$841,482.40 (19.07%). The appropriation increased due to rate changes, participation, and new hires.

Lawrence Township employees are members of the Public Employee Retirement System (PERS), Police and Firemen's Retirement System (PFRS), or Defined Contribution Retirement Plan (DCRP). Participation in these systems requires contributions from employees and the employer. Police and Fire employees contribute ten percent (10%) of their salary, and civilian employees contribute seven and fifty-hundredths percent (7.50%) of their salary for PERS and five and one-half percent (5.5%) for the DCRP. The employer rates of contribution are thirty-seven percent (37.00%) for police, seventeen and eleven hundredths (17.11%) for PERS, and three percent (3%) for the DCRP participants. The 2025 appropriations are PFRS \$2,186,575, PERS \$1,267,260, and DCRP \$9,500. The 2024 appropriations were PFRS \$2,248,258, PERS \$1,251,933, and DCRP \$9,500. The State of New Jersey fully administers the pension system. Lawrence Township is billed annually for the pension liability that must be paid to PFRS and PERS for the employer's share of the contribution. The systems are valued on prior wage levels, two years prior for PERS and PFRS

The Ewing Lawrence Sewerage Authority (ELSA) provides sewer treatment services to Ewing Township and Lawrence Township. The cost of that service is controlled by ELSA and is apportioned to each municipality based on the flow levels received at the plant. Each town will pay the debt service for specific projects that benefit the individual community. For 2025, the annual charge for Lawrence Township is \$6,200,000 with no rate increase to the end users (township residents). The appropriation is paid from collecting sewer service fees separate from real estate taxes.

The appropriation for Debt Service includes appropriations for BAN interest in the amount of \$276,164.58, \$42,459.24 in lease payments related to Police Vehicles, statutory BAN payments of \$354,573.25, and \$2,068,426.75 in BAN rollover payments to further decrease the Township's outstanding debt with an anticipated settlement in 2027.

The reserve for uncollected taxes is a non-spending appropriation mandated by state law to collect adequate cash through taxes for the school, county, and municipality tax levy requirements. The appropriation is needed to close the gap between the current taxes anticipated and one hundred percent (100%) being collected. This appropriation is **\$4,504,185.04** in 2025 [\$4,500,018.86], of which approximately 14.53% is attributable to the municipal portion of the tax rate.

Thank you to our C.F.O. Peter Kiriakatis and all of our department heads for assisting in crafting the 2025 recommended budget for our governing body.

Respectfully submitted,
s/ Kevin P. Nerwinski
Kevin P. Nerwinski, Esq.,
Municipal Manager/QPA

