

# Hillsborough Township

October

CFO  
Report

2017

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Chief Finance Officer's Report  
Hillsborough Township  
October 2017

**Executive Summary**

This report examines these financial issues:

Non-Tax Budget Revenue Changes

2017 Municipal Budget Key Spending Changes

Hillsborough Township Tax Increase Below Allowable CAP

The 2017 Tax Rate and Its Components

Hillsborough Township Continues to Maintain the Lowest Per Capita Spending of Area Municipalities

2017 Best Practices Compliance Assures 100% of State Aid for 8<sup>th</sup> Consecutive Year

Summary

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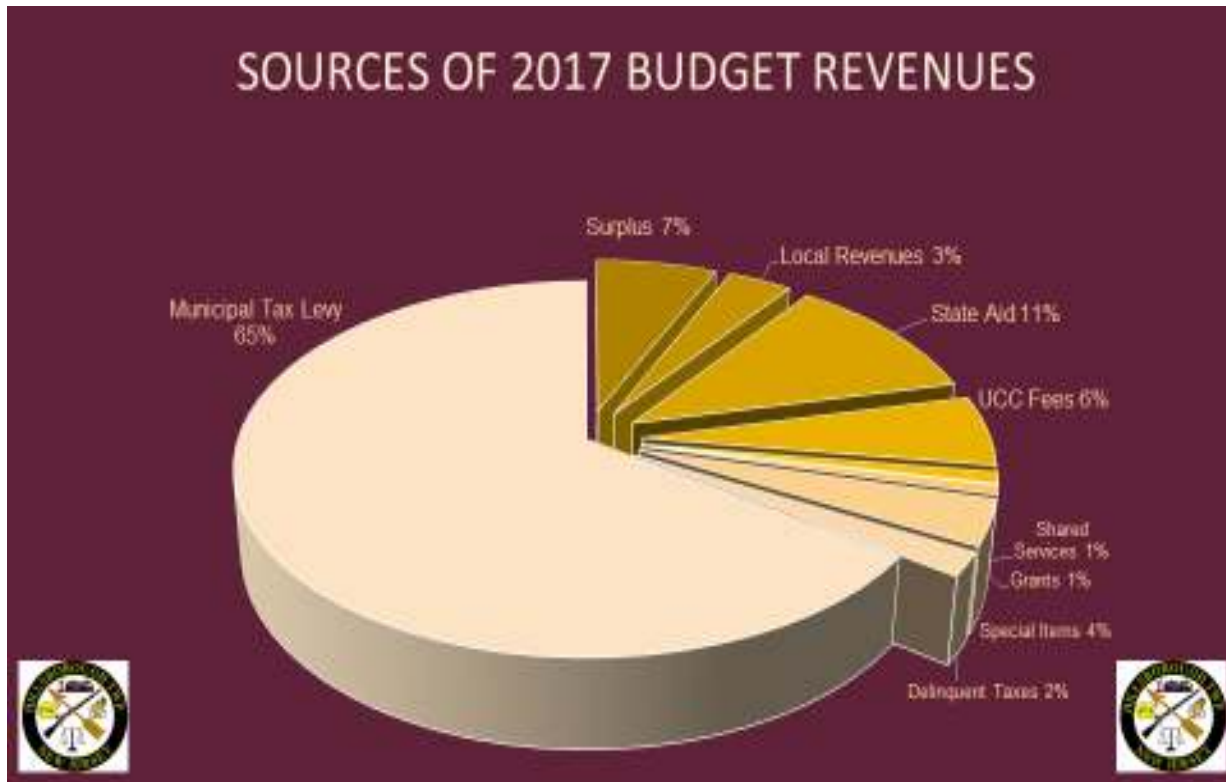
## **Non-Tax Budget Revenues Changes**

Municipal property taxes provide 65% of the 2017 budget revenues. Non-tax revenues come from sources such as licenses, fees & permits, interest on investments and delinquent property taxes, and State Aid provides the additional 35%.

The Township experienced some key revenue decreases in 2016, which affected the 2017 budget. The reduction in available enforcement grants, for which most of the proceeds go directly to the municipality, resulted in lower court revenues. While the construction department remains busy, revenues decreased significantly from the 2015 record year, but still remain at levels higher than 2013 and 2014.

The 2017 non-tax revenues are anticipated at \$10,016,658 – a decrease of \$359,084 over 2016.

The charge on the next page show the various sources of revenue in the 2017 budget.



## **2017 Municipal Budget Key Spending Changes**

Spending appropriations were reduced over \$43,000 for Public Safety Salaries and Wages due to the attrition of a number of several senior officers.

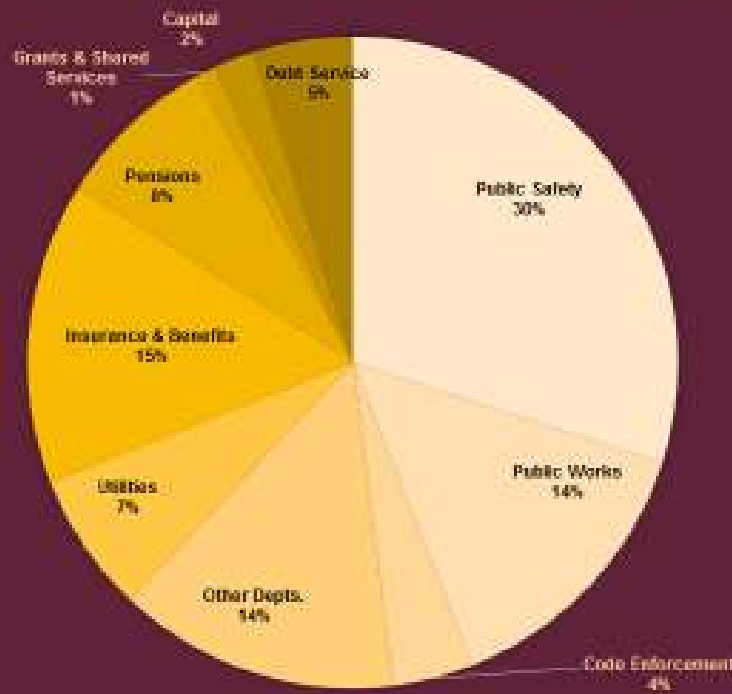
The mild winter allowed for a reduction of \$115,000 for snow removal costs. Utility costs were budgeted at \$83,000 less in 2017 primarily due to anticipated gas and diesel price decreases. Insurance and benefits costs also saw a reduction as a result of salary expense decreases and employee contribution increases.

The Capital Improvement appropriation was increased to \$585,000, which will provide much needed funding for routine capital projects in 2017 and in future years.

A breakdown of spending shows 30% of the budget for Public Safety, with 14% for both Public Works and Other Departments. The net costs of all of the Township's insurance is 15% of the budget.

The chart on the next page shows the breakdown of the 2017 budget appropriations.

### 2017 MUNICIPAL BUDGET APPROPRIATIONS BREAKDOWN



### **Hillsborough Township Tax Increase Below the Allowable CAP**

In 2017, Hillsborough Township was eligible to use any or all of these “exceptions” to exceed the 2% Levy Cap Law, and therefore increase taxes more than 2% over the prior year:

- Pension Obligation Increases
- Deferred Charges to Future Taxation
- Health Insurance Cost Increases
- Debt Service and Capital Improvement Increases

In 2017, this would have increased property taxes an additional \$194,071 in addition to the allowable 2% increase of \$371,325, for a total increase of \$565,196.

However, as in past years, no exceptions were taken, and the 2017 budget reflected an increase of \$371,157 – 43% below the allowable CAP increase of \$565,196.

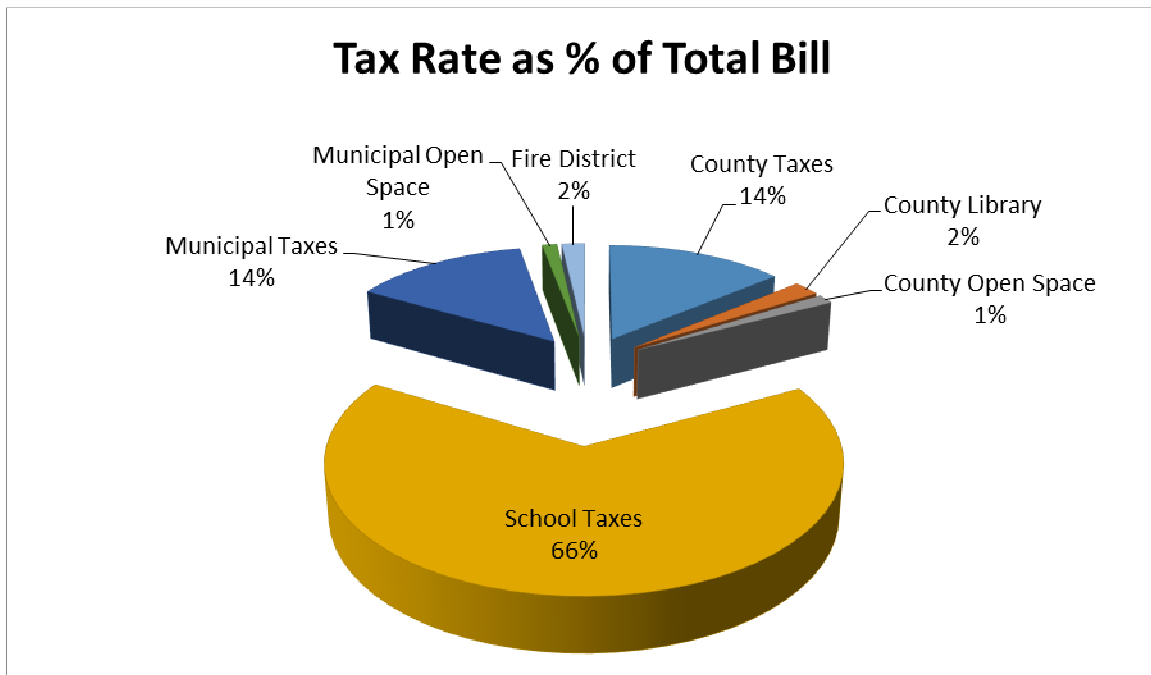
The Township has managed to control the increase in the municipal portion of the tax rate without taking exceptions and by implementing a rolling revaluation process. The results show no change in the municipal portion of property taxes from 2015 through 2017. As in the past 2 years, the municipal portion of the tax rate remains at \$.33 per \$100 of assessed value.

### **The 2017 Tax Rate and Its Components**

There are 5 components of the tax rate – school, county, municipal, open space and fire district.

The 2017 tax rate is \$2.415 per \$100 of assessed value, which is an increase of .001 per \$100 of assessed value over the 2016 tax rate.

As shown in the tax rate chart, the 66% of property taxes fund the school budget. The Township’s budget represents 14% of the total tax bill.





## **Hillsborough Township Continues to Maintain the Lowest Per Capita Spending of Area Municipalities**

When comparing the 2017 budgets for Hillsborough, Bridgewater, Montgomery and Franklin, in Somerset County, Hillsborough Township continues to have the lowest per capita spending.

The following chart shows the population based upon the most recent US Census Report as it compares to the 2017 adopted budgets:

Municipality	Population	Budget	Per Capita
Montgomery Tshp.	22,254	\$27,145,986	\$1,219.83
Bridgewater Tshp.	44,464	\$43,164,476	\$ 970.77
Franklin Tshp.	62,300	\$59,306,412	\$ 951.95
Hillsborough Tshp.	38,308	\$28,954,044	\$ 755.82

Per capita spending compares the cost of municipal services divided by each municipality's population resulting in an equalized basis for each.

## **2017 Best Practices Compliance Assures 100% of State Aid for 8th Consecutive Year**

The Best Practices Inventory Questionnaire was implemented in 2010, and was issued by the Division of Local Government Services. It provides a series of questions dealing with general management, finance and audit, budget preparation, health insurance and personnel issues.

The Best Practices Inventory Questionnaire, which was originally comprised of 50 questions, was reduced to 30 questions in 2016, and reduced again to 25 questions in 2017. This makes staying in compliance even more crucial to municipalities.

Best Practices forces municipalities to pursue and maintain Shared Services agreements, change personnel policies to reduce spending, and ensure that all State mandated reports are submitted timely.

The Township was in compliance with the 2017 Best Practices Inventory Questionnaire Hillsborough and is once again eligible to receive 100% of the final State Aid payment in 2017.

## **Chief Finance Officer's Report Hillsborough Township October 2017**

### **Summary**

The 2017 Municipal Budget totaled \$28,953,152 and was funded with \$10,016,658 in anticipated revenues combined with a municipal tax levy of \$18,936,494.

In addition to the Tax Levy and State Aid, revenues are generated from a number of sources, including fees & permits, construction fees and special items of revenue, such as cell tower leases. Surplus is also used to fund the budget. In 2016, both the Municipal Court and the Building Department experienced a drop in revenues. This affected the amount of revenue that could be anticipated in 2017, therefore causing a drop in 2 key areas.

Due to the mild winter and anticipated lower fuel prices in 2017, those budget line items were reduced for a total of almost \$200,000. The retirement of long time employees, whose positions were replaced with entry level salaries, resulted in a reduction in Public Safety Salaries & Wages. Other salary decreases as well as the continuing increase in employee contributions towards health insurance allowed the Township to reduce those line items as well.

The Township continues to refuse to take the allowable exceptions to the 2% Levy CAP, which brought the 2017 Municipal Tax Rate 43% below the allowable increase. The rolling reassessment increased the Township's ratable base by \$112 million, which once again helped hold the municipal tax rate flat by providing more dollars over which the tax levy can be distributed. In 2017, the municipal tax rate remained at the same level as in both 2015 and 2016 – \$.33 per \$100 of assessed value.

In comparing the per capita spending of neighboring municipalities, based on population and budget, Hillsborough Township's cost of services per person has remained the lowest since 2012.

For the 8<sup>th</sup> consecutive year, in spite of an increasingly limited Best Practices Questionnaire, Hillsborough Township once again remained compliant and will not experience any loss of State Aid payments. Policies and procedures will continue to be reviewed, as is the intention of the questionnaire, to ensure the Township's continued compliance.

The Township's proactive planning for the future and diligent fiscal stewardship is validated in the AA+ credit rating given by Standard and Poor's in 2014. This rating is a reflection of the Township's continued strong commitment to fiscal responsibility.

Hillsborough Township maintains a philosophy of providing a level of service that meets the expectations of the taxpayers while managing with a business-like style which includes scrutinizing spending levels, providing funding towards routine capital purchases, and working diligently to balance changes in revenues against mandatory spending increases.

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