

Wall Township Municipal Taxes – 2008

This year, our municipal tax situation was not what this committee would have hoped for and the future appears to hold even more challenges, not just for Wall Township, but for all local municipalities in NJ.

In this document, we hope to try and explain in great detail what the situation is and how it got to be this way. We want to give you the background you can't get in a newsletter because there just is not enough space.

This will be a long article covering everything we can think of that we can impart to you. Even though it is long, we feel it is very important information to know. If you read it and you still have questions, please don't hesitate to contact us and talk about this more. We are open to any and all input and ideas. We are doing the very best we can to continue to provide you the high quality services you have come to expect from Wall Township with less resources during these trying fiscal times. We would greatly appreciate any input that helps us do that more efficiently.

A Preface about Municipal Budgets

It is important to understand a fundamental truth. If you have a municipal government that is providing a certain quantity and level of services to its residents, and you don't add a single additional new person or new service in a given year, taxes are still going to go up. This is true no matter where you live. The only way they won't go up is if one or more of these three things happens:

- **Services are cut**
- **New revenues become available and/or ratables increase significantly**
- **There is surplus from previous years**

Taxes go up each year even if we don't add more employees and new services to our municipal government because costs go up. Gas prices, electrical costs, health insurance premiums – everything increases year to year. It is the same as your budget at home.

If you consider the expenses in the budget that the Township Committee can control, expenses not mandated by the State of NJ for example, the Wall Township budget will inevitably go up roughly between 2.5 cents and 4 cents per hundred dollars of value per year in today's economy. And that is without adding any new services or additional employees. If you add in on top of that large debt service for projects like the Public Safety Building (Police Station) renovation, mandates from the State and the loss of State Aid, then that number will quickly go higher.

In Wall Township spending and expenses have increased each year since 2000. The reason you may not have seen these increases or that they did not appear so large is because previous committees during this time frame had the benefit of surpluses and no significant state mandated expenses or a state mandated cap on the tax rate. Each year previous committees applied money from that surplus to

mitigate or eliminate most of those increases and in some cases even show you no increase or even a tax decrease. On your tax bill you may not have seen the increase, but one most definitely occurred. It was simply offset by the use of surplus.

Just to give you an idea, following is a chart that shows what the tax rate would have been without surplus, how much surplus was used, the tax rate you saw on your tax bill and the amount of the tax rate offset with surplus. Please note there was a revaluation that is reflected in 2002.

Year	Tax Rate Without Surplus	Surplus Used	Actual Rate on Tax Bill After Surplus	Amount of Tax Rate Offset with Surplus
2000	\$.595	\$3,350,000	\$.453	\$.142
2001	\$.587	\$3,305,000	\$.450	\$.137
2002	\$.555	\$3,037,505	\$.470	\$.085
2003	\$.452	\$2,350,000	\$.387	\$.065
2004	\$.482	\$2,150,000	\$.423	\$.059
2005	\$.528	\$2,330,000	\$.465	\$.063
2006	\$.537	\$2,708,706	\$.465	\$.072
2007	\$.557	\$2,600,000	\$.489	\$.068
2008	\$.651	\$3,200,684	\$.568	\$.083

As you can see, previous committees had the advantage of using the surplus to offset increases. They also had none of the crippling state mandates this committee has had put upon us this year and they had the benefit of operating in a time when ratables in Wall Township were increasing at a greater pace.

It is very important to understand that these previous committees had both surplus and increasing revenue, two of the three factors mentioned earlier required for counterbalancing increases. This year it has been a "Perfect Storm" of unpleasant realities. All of this will be expanded upon in greater detail in this document.

When we get back to discussing surplus, we will explain why it would have been better if the previous committees had leveled the tax rate and banked surplus for bad economic times like those we are experiencing this year.

This Year - 2008

We are in the midst of a fiscal crisis in NJ at the State level. It would be hard to imagine how it could be any worse. The pension system has been used as a bank over the years by previous state administrations and now we as local taxpayers are being put upon to fix that on an accelerated schedule. Years ago the State of NJ changed the name of franchise revenues and taxes local municipalities collected, pooled them at the state level and called it State Aid. Now they are keeping part of that money and calling it a reduction in State Aid. In other words, they simply are not going to give towns all of their own money because they need some of it.

The State has also capped the ability of municipalities to exceed 4% growth in the tax rate and 2.5% to 3.5% in expense growth. On paper and in theory, that sounds great. Someone will control the spending and protect the taxpayer. In this case it is the State of NJ that comes to the rescue by curtailing the antics of us local politicians. Unfortunately, when we get done deciding what is and is not included in the cap and factor in the how things work in the real world; it may lead to municipalities having to cut services. The kind of tangible services people don't want cut like trash pickup, brush and leaf pickup and police protection. What this cap also ultimately does is eliminate surplus.

Some people speculate that the State wants to deal with less than the 566 municipalities that exist today in NJ and are going to squeeze them with the caps and force some to consolidate. Others think it is a drive to indeed eliminate surplus. Whatever the reasons for the caps the actual results, especially for towns like Wall Township, are ultimately not completely positive.

They say timing is everything in life, and of course this happens at exactly the same time our country's economy is also in serious trouble. Gas prices and energy costs are soaring. Health costs continue to rise at double digit rates from year to year. Wall Street greed has blown up and crippled lending and hurt the stock market. Times are bad.

This year, the 2008 municipal budget for Wall Township had a 7.8 cent increase per \$100 of assessed valuation. The average home in Wall is assessed at \$312,000 and that means a \$243.36 a year or \$20.28 a month increase in municipal taxes for a home of that value. This year, every \$386,000 increase in our budget represents a 1 cent per \$100 of assessed value in increase in our tax rate. For the owner of a home assessed at the average township assessment of \$312,000, each 1 cent per \$100 of assessed value increase equals an increase of \$31.20 a year on their tax bill.

If you wish to understand the cents per \$100 of valuation model better, here is an example:

If your home is assessed at \$400,000, then divide that number by 100 and you get \$4,000. If you multiple the increase this year of 7.8 cents which is .078 times \$4,000, you can calculate that your municipal tax increase this year(not including the school board, county or fire district taxes— just the municipal increase) would be \$312, or \$26 a month.

The reasons we are in this predicament are the direct result of:

- Unprecedented state mandated expenditures we had to comply with.
- Reduced ratable growth
- The bill for the \$4,000,000 Public Safety Building (Police Station) renovation
- A loss of state aid
- The negative results of a pattern of 50% usage of surplus year to year by previous administrations

We will outline of these in greater detail shortly in this document.

The state can mandate expenses to us and take away our State Aid. It might not be right, but they can do it. We can argue whether or not the Public Safety Building needed to be renovated and if we agree it should have, someone was going to get the bill once the project was started. But the one thing that might be the most important to understand is how surplus was used by previous Township Committees. It is eye-opening to understand how surplus could have been better used so we could have it as a tool in a time when we are facing so many uncontrollable expenses, rather than when times were good to make things look even better than they were.

The Specific Reasons for this Year's Increases

Let's take a closer look at the items that caused our taxes to increase and how much impact each had on the increase. In the chart that follows, over 90% of the increases in this year's budget are accounted for in the first 6 of the 7 items listed. The last item, all other increases combined, represents less than 10% of the total budget increase. When you view this information, please keep in mind again that roughly every \$386,000 of increase in the budget equals a 1 cent increase in the cost per \$100 of valuation.

Item	2008 Budget	2007 Actual	Difference	Increase
State Pension Contributions	\$1,991,494	\$1,232,426	\$759,068	2 cents
State Reserve for Uncollected Taxes	\$1,897,148	\$1,379,570	\$517,578	1.3 cents
Debt Service – Public Safety Bldg. Renovation	\$4,301,075	\$3,512,196	\$788,879	2 cents
Insurances	\$2,760,914	\$2,598,402	\$162,512	.4 cents
Solid Waste/Landfill	\$1,275,000	\$1,184,063	\$90,937	.2 cents
Salaries and Wages	\$15,904,431	\$15,342,140	\$552,290	1.4 cents
All Other Increases			\$358,740	.9 cents

On top of this, the State kept \$278,045 of our State Aid which has been part of our revenue in past years and that meant there was another .7 cent shortfall in our budget this year which we had to overcome.

They say you are not supposed to blame others for your problems. This may be true, but the fact is that majority of our problems this year and those we face next year come directly from our leaders in Trenton – the people running the State of New Jersey. Let's look at the most significant individual items that are increasing this year's budget along with one very significant factor (the tax levy cap) that will affect us severely in future budgets.

- **State Mandated Pension Contributions-** They are up this year 61.59% or \$759,068 from \$1,232,426 to \$1,991,494 which results in **2 cents** of our increase. We are in the midst of an accelerated catch up period to fix problems of the past.
- **State Dictated Reserve for Uncollected Taxes** – This is up this year 37.52% or \$517,578 from \$1,379,570 to \$1,897,148 which results in **1.3 cents** of our increase. This item is in our budget because we never collect 100% of the taxes due to Wall Township. In Wall, our collection rate has been fairly high over the last several years, between the mid 97% level and the low 98% level. Still, for our collections every 1% is a very large number. While we don't collect 100% of the taxes due, the school board, the county and the fire districts have to be given 100% of their budgets out of what we do collect. Only the municipal government can be shorted. So, we have to build in a factor for uncollected taxes and it comes from a formula the state gives us. We have no flexibility with this number. This number is intertwined with the increases from the state, the bill for the public safety building coming due and the tax cap. All of these items played a part in conspiring to drive up this number this year and take away any maneuverability.
- **The State Mandated Tax Levy and Expense Caps** – There are two caps, one on the tax rate and one on increases in budgeted expenses. We hit our head this year on the tax rate cap from the State. When this cap is coupled with State mandated increases listed above, **we are being forced (for the first time ever) to use our surplus rather than elect to use it.** Previous committees elected to use surplus. This year we had no choice. Last year, the committee used \$2,600,000 of surplus. This year, we had to start by putting in \$2,600,000 just to make us even with last year (we had absolutely no choice). We had to put in \$2,600,000 from the beginning because everything was based on last year's budget. Once we put in this \$2,600,000 to draw even with last year's budget, then the state mandated cap forced us to use another \$600,683.61 to maneuver below that newly established cap. Our hands were literally tied. We had to use \$3,200,683.61 of our surplus this year. And that only brought us down to a 7.8 cent increase. We have just over \$900,000 of surplus left and we sincerely doubt this year will bring any additional surplus. These caps are most likely going to force us to at least look at cutting services in the future if they are not changed.

- **Debt Service** - Again, timing is everything in life and our debt service number took an unusual jump this year as we have to start paying off the newly renovated Public Safety facility otherwise known as Police Headquarters. Debt service is up 22.46% or \$788,879 from \$3,512,196 to \$4,301,075 which results in **2 cents** of our increase.
- **Loss of State Aid** – The state kept \$278,045 dollars of our “State Aid” revenue this year putting us at an additional .7 cent disadvantage.
- **Insurances** – Insurance costs are up 6.25% or \$162,512 from \$2,598,402 to \$2,760,914 which represents **.4 cents** of our increase.
- **Solid Waste/Landfill Fees** – Our fees for these services are up 7.13% or \$90,937 which represents **.2 cents** of our 9.2 cent increase.

Let’s pause here for a moment and review. In the area of debt service, this year’s committee got the bill for work previous committees began. There was no choice and it resulted in 2 cents of our increase, just like there was no choice on the 2 cents for state mandated pensions catch up payments, the 1.5 cents for state mandated reserve for uncollected taxes and the .7 cents we lost in state aid. These items alone account for 78% of the increase in this year’s budget.

If we add in the .4 cents for Insurance increases and the .2 cents for the waste management and landfill increase then right out of the gate, this committee was obligated to a 6.1 cent increase that we had zero control over. This was our unfortunate reality.

Furthermore, the pattern of surplus use by previous committees and the state mandated cap forced us to use about 80% of surplus. This puts us in a precarious position for the coming years. Once again there was no choice here. We had to do it this way.

It may sound like we are whining, and to a certain extent we are. We were all upset about this convolution of events. We have to lobby our state leaders to try to fix some of these things and bring us positive change in the future. There is no creative solution we overlooked this year. Our hands were literally tied.

Please remember from the beginning the three factors that can lead to tax reduction. With no additional surplus and no significant new revenues, we could only have cut services. We do not believe the people of Wall want fewer services. Actually, we get weekly requests for improved or additional services, which is in complete conflict with what we are trying to do which is to squeeze everything we can out of our budget.

Salary and Wages and All Other Increases

This brings us to a topic of discussion that seems to generate the strongest feelings amongst people when you talk about taxes. That is the salaries and wages for our employees. The rest of the

increase this year comes in the form of **1.4 cents** for salary and wage increases and about **.9 cents** from a miscellaneous variety of other increases.

- **Salaries, Wages and Pensions for Township Employees** – This is an expense we expect every year and it is largely from our negotiated contracts. This is up 3.6% or \$552,290 from \$15,352,140 to \$15,904,431 this year which results in **1.4 cents** of our increase.
- **Everything Else** – All the other increases throughout the total municipal budget of \$33,573,536 represent about 1% of the budget. Later you will learn that we froze all operating budget line items to the 2007 level at a minimum and in most cases to the 2006 level. However, some items we could not control, such as the fee we pay for our state mandated animal control service. It went up 45% this year from \$27,600 last year to \$40,000. All these increases throughout our budget, when added together, account for \$358,740 or **.9 cents** of our increase.

The number that represents salaries and wages consists in large part of contractual increases. Of the total number \$13,055,647 is contractual. That amount is predetermined by the contracts. That leaves \$2,796,485 that is comprised primarily of the administrative employees that work in town hall.

The contractual number is made up of the employees in our Police and Public Works departments as well as a few of our department heads and administrators. Contracts are negotiated periodically, and both the Police and Public works contracts were finalized in 2006 and began in 2007. As a result, we are currently in the second year of four year contracts for both our police and public works personnel that will expire on December 31st, 2010. These contracts will begin to be negotiated again in the late summer or early fall of 2010.

We feel strongly that both contracts are good contracts, particularly with respect to the salary increases. We come to that conclusion by comparing ourselves to other communities in NJ. These contracts are fair, but not excessive. In Wall Township we have never had a salary increase in a contract that was 4% or above.

The non-contractual number is comprised of mostly of the administrative employees mentioned previously. This committee is committed to reducing any excess and to squeezing expenditures as much as possible. We believe however that to take out our problems with the state and the economy on these employees would be both unfair and unwise.

Singling out and squeezing these employees would not create any tangible savings. Second, it would decrease employee morale. No one can run a successful business with that strategy. Think of the old days at the Division of Motor Vehicles in NJ. Unhappy employees mean dissatisfied customers.

To say someone should be happy to have a job and expect them to perform that job well with that attitude as a motivating factor sounds great. But anyone who has run a successful business knows it is not that simple. Who among us would honestly say we would be happy if we found ourselves in that situation.

What we have to do is to be sure we are operating with the right quantity and quality of staff. We have to be sure there is no excess. We then have to partner with our employees to meet our goals and satisfy our customers (the residents) as economically as possible. Those are the things we are working at. Those are the things that will have an impact on the bottom line.

Our non-contractual employees do not get lavish benefits or huge pay increases. These hard working employees who may get cost of living type pay increases.

Many of us as taxpayers go to work every day in a bad economy hoping our bosses won't use our jobs or our cost of living adjustments to fix their financial problems. This committee understands that we cannot make an impact on the problem by shortchanging this group of employees. We could only hurt our efforts to provide the best service to our customers, the taxpayers of Wall Township. The real way to effect significant change on our fiscal problems is by lobbying our leaders in Trenton and trying to find new revenue while strangling operating expenses as much as we can. All of which we are doing aggressively.

What we want you, our constituents to know is that **we recognize waste and we recognize abuse and we promise you that we will find those problems and we will fix them or eliminate them.** That will have a tangible effect in the long run where salaries and wages and running a successful service organization are concerned.

Even with those efforts being made, we may have to make hard decisions soon that will lead to our cutting expenses further by scaling back or eliminating services. We hope not, but it is possible.

Short term, we are putting together an aggressive effort to identify employees that are capable of retiring and helping to make that happen for them. We hope to realize savings by reexamining our organization and seeing how many of these employees we do not have to replace. Plus, for those that we have to replace in order to keep providing our current level of services we may be able to replace them with less experienced people at different points in their career path who will in turn cost us less in salary.

We are working this problem aggressively through attrition in the short term. Our hand may be forced in the future, but we believe it makes sense to start with attrition now and move on from there.

Please don't forget the point made earlier. We want to control all expenses and we want to maximize all budget crunching efforts, and salaries are a part of that. However, a reduction in force or demotivating efforts would just make an emotional impact the short term, not a tangible impact on our tax bills. And, that emotional impact would come at the expense of the quality of services residents receive.

In fact, this year we have the lowest percentage increase in salaries and wages from one budget year to the next in this decade. The following table shows the numbers since 2000. We are taking this very seriously as you can see.

Township of Wall Salaries & Wages Budget Figures

Year	Budgeted	\$ Increase	% Increase
2000	\$ 10,466,878.28		
2001	\$ 11,044,569.79	\$ 577,691.51	5.52%
2002	\$ 11,460,969.00	\$ 416,399.21	3.77%
2003	\$ 12,043,879.25	\$ 582,910.25	5.09%
2004	\$ 13,292,072.00	\$ 1,248,192.75	10.36%
2005	\$ 13,933,228.00	\$ 641,156.00	4.82%
2006	\$ 14,540,956.59	\$ 607,728.59	4.36%
2007	\$ 15,352,140.82	\$ 811,184.23	5.58%
2008	\$ 15,904,431.78	\$ 552,290.96	3.60%

More about Salaries and Wages

As mentioned, salaries and wages is an area that spurs a lot of emotional reaction in any governmental agency budget. Because of abuses that can be seen in the news time and time again, people inherently believe government is full of bloat. They believe people are getting paid to do nothing. They believe people are getting ridiculous salaries and benefits for doing nothing. They believe politically connected people are getting jobs where they do nothing or that they are unqualified for while qualified people are passed over. We understand that and sadly we ourselves believe it to be true in some cases.

Where Wall Township is concerned, we work hard to ensure that we are properly staffed with people that work hard and who will reflect positively on Wall Township. As with any business, this is an ongoing process of evaluation and reevaluation. We feel we are currently properly staffed. With that in mind we are still actively looking to reduce staff through attrition and plan to try to do what we have done in the past with less.

We are entering a stage of squeezing the people resources we have to try and continue to provide the number and quality of services we are currently providing with what we believe will be less than proper staffing.

This is a catch 22 as they say. Already we have significantly curbed overtime this year. Unfortunately, previous committees used overtime as a tool to reach the level of service which was provided in recent years. So, it is impossible to continue that same level of service, but we are saving money. To give a specific example, we used to use overtime to do a lot of leaf and brush pick up. That pattern was established in previous years by previous committees. This year we cut overtime, and it takes longer to get the leaves and brush picked up. As a result, we receive a great deal of complaints. We walk this tightrope every day, but this committee is focused on trying to find savings.

All of the information about salaries and wages is public information. Anyone is welcome to look over our shoulder and see what is what first hand. This committee is not arrogant enough to think we know

everything. We welcome suggestions and other points of view. We will take all the help we can get. If you think you disagree with what has been written here, contact us and let's look at it closer together.

Caps

There are two caps the State has mandated this budget year. A 2.5% cap on expenses which with a simple vote of the governing body of any municipality can be raised to a 3.5%. There is also a 4% cap on the tax levy. In Wall Township our problem this year was the tax levy cap. If you add the expenses that the State has mandated along with normal increases in our local operating expenses, we are over the 4% tax levy cap.

We get some cap exclusions, but not enough realistic cap exclusions to get the job done. For example, this year the State health care cost did not go up because they switched plans and therefore claimed a 0% increase. We are therefore only allowed a 0% increase under the cap as well. The average increase in health benefits anywhere in this country this year is more likely between 10% and 15%, yet we can exclude none of our increase.

In order to get under that 4% cap and because \$2,600,000 of surplus was used in last year's budget, the only choice we have to keep running Wall Township was to apply about 80% of our surplus as revenue to the budget in order to get under the cap.

The problem with that is that come this time next year, we will barely have any surplus left to accomplish this feat again. As of today we estimate we will be a half a million dollars short of running Wall Township with the same services we offer to the residents today. We are not alone. Howell, for example, has estimated they will be nearly \$1 million short next year themselves. The story repeats itself over and over throughout many municipalities in our State.

THE ALL IMPORTANT SURPLUS STORY

As we have already touched upon, surplus is a very, very important concept to know in order to understand the whole local tax picture. It may be the most important thing to know regarding this year's increase other than the details on state mandated expenses, the bill for the Public Safety Building and the loss of State Aid. You need to know how it was generated and how it was applied by previous governing bodies here in Wall Township to understand why our hands are tied today.

Surplus comes primarily from two sources. One source it comes from is monies budgeted and not spent in a previous year's budget. The main source of surplus though is when we collect more taxes than we have budgeted to collect. If we are successful in collecting more tax money than we guessed we would, then we have surplus. It is hard to predict from year to year how successful we will be, so sometimes we have a lot of surplus and other times we don't. The reserve for uncollected taxes is a safe guard from the State to make sure we don't guess horribly wrong.

Events have conspired to move us along a path to no longer having any surplus. While the reserve for uncollected taxes protects us from under collection of taxes, it also sets a benchmark. That benchmark

has been inching upward over time and now it will be very hard to exceed it as we have in the past. This will restrict, or more likely eliminate our opportunity for creating surplus.

Furthermore, the budget has been so tightly constructed in light of economic pressures, that we are fairly certain there will be little or no unspent money at the end of the year. Certainly there will not be anything significant enough to make a difference. Ultimately, this is not a bad thing. We don't want to pad budgets so we can have more money to use in future years. Sometimes it happens, and when it does the key is to use it as wisely as possible.

That brings us to the promise we made earlier in this document to explain how surplus could have been used differently. How in hindsight surplus could have been used more wisely in the past.

Historically, the previous committees in Wall Township have tried, perhaps with the best of intentions, to keep tax increases as low as possible or to have no increase at all. They did this by using the surplus available to them. While they may have had good intentions, it would have been better if they had worked to level the tax rate and tax increases over the years and saved more surplus.

If they had done this, we might have had some money in the bank to better handle some of this year's problems. Hindsight is 20/20 as they say, and we cannot know the motives of those previous Committees. Perhaps they could not have envisioned this situation we have today. That being said, two of our current committee members, Committeeman Edward (Ned) Thompson III and Mayor John Devlin were a part of previous committees, and both lobbied at times for a different approach. They argued for an approach that would have leveled the tax rate and banked more of the surplus for tougher times.

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Here is a chart that shows the history of our surplus in Wall Township.

Year	Available Surplus	Utilized Surplus	Percent Used	Remaining Surplus
1991	\$72,072.50	\$0	0%	\$72,072.50
1992	\$813,263.32	\$340,000.00	41.81%	\$473,263.32
1993	\$683,726.35	\$367,000.00	53.36%	\$320,726.65
1994	\$1,034,494.59	\$755,000.00	72.98%	\$279,494.59
1995	\$2,612,842.73	\$975,000.00	37.32%	\$1,637,842.73
1996	\$3,531,298.18	\$2,196,000.00	62.19%	\$1,335,298.18
1997	\$2,494,163.59	\$1,250,000.00	50.12%	\$1,244,163.59
1998	\$2,849,108.66	\$1,332,746.15	46.78%	\$1,516,362.51
1999	\$5,868,715.61	\$2,975,000.00	50.69%	\$2,893,715.61
2000	\$7,120,814.74	\$3,350,000.00	47.05%	\$3,770,814.74
2001	\$6,769,729.00	\$3,305,000.00	48.82%	\$3,464,729.00
2002	\$6,024,311.00	\$3,037,505.00	50.42%	\$2,986,806.00
2003	\$4,754,567.00	\$2,350,000.00	49.43%	\$2,404,567.00
2004	\$4,319,280.00	\$2,150,000.00	49.78%	\$2,169,280.00
2005	\$4,533,843.95	\$2,330,000.00	51.39%	\$2,203,843.95
2006	\$5,234,156.47	\$2,708,706.07	51.75%	\$2,525,450.40
2007	5,260,771.00	\$2,600,000.00	49.42%	\$2,660,771.00

Just looking from the year 1999 on, each township committee has used about 50% of the surplus in the following year's budget to keep the tax rate low, occasionally prevent an increase altogether or even show a decrease on your tax bill. When we have had small increases, no increases, and even decreases, it was not because spending was cut. It was because surplus was generated and applied to the budget.

Using surplus can be like taking drugs. Once you start, you can become addicted. Also, once you decide to stop, you will have a painful withdraw. Think of it like your home budget. For example, assume that you have to borrow from your savings 10% of what you need to pay your expenses in your home budget in a given year because your expenses outpace your income by 10%. If in the next year you assume those expenses don't increase and you also assume your income does not increase you will again be short that 10%. If you have that much left in savings, you can take it out and make up the difference

again. However, the first time you can't put in that 10% from savings or you want to stop putting it in, you better have more income that year or you will be cutting expenses.

Let's look at another example. Say for instance that in a given year the Township budget is \$20,000,000 and we take in \$18,000,000 in taxes and use \$2,000,000 in surplus. The next year the budget is \$21,000,000 and we again use \$2,000,000 in surplus, which means we need to raise \$19,000,000 in taxes. That is \$1,000,000 more in taxes that need to be raised and that will mean a tax increase in that year. Now assume in year three the budget is \$22,500,000 and we decide to start saving surplus or we have run out of surplus. We need to raise \$22,500,000 in taxes. That is \$3,500,000 more than the year before. Taxes will go up SIGNIFICANTLY that year. There will be a "spike" because of the previous pattern of surplus usage.

In our example, we could have done things differently. We would have been better going up in taxes a level amount each year rather than creating this pattern where the rate stays artificially low and then at some point has to spike up. We could have tried to level the tax increases each year and bank the surplus for use in tougher times.

Unfortunately, human nature is usually a part of the equation. Often someone on the committee is up for re-election and they historically could not resist using the surplus to offset increases and win peoples favor heading into elections. It is human nature. They may have also assumed that surplus was never ending or they could not envision we would see a time like the one that arrived this year.

Please understand this is a philosophical argument we are making here. It is one approach.

Some may argue that there should be no reserves and therefore you are obligated to use them as soon as possible. The argument is that we should not raise taxes even a small amount if we have extra money from the existing tax payers. If the tax payers overpaid for whatever reason or we found new revenues we did not anticipate, we need to use that immediately. If we bank the surplus, it could end up benefiting people other than those that contributed it. Those people may have moved.

Personally, we disagree. And, previous committees never used 100% of the surplus, so they took a half and half approach.

We believe If you put in a responsible budget you could still end up with a surplus at the end of year because you saved money, you found new revenues, you collected a very large portion of the taxes that year, or something else positive occurred. If that happens, this committee says to save it for the rainy days to make the residents lives better when that happens.

We believe in leveling the tax rate over time and preventing spikes. One reason is that spikes usually occur when times are bad, and that compounds the burden on taxpayers during these hard economic times. We believe surplus should be used more sparingly with more of it being saved for when it is really important to have. This is how successful family budgets are run and successful businesses are run. We think it is the best option for taxpayers.

If the previous committees had not used surplus, or used it in moderation only when it was necessary since 1991, we would have not only had something to protect ourselves with this year, we would have also not had an artificial budget (the ratio of tax income to expenses is not in line).

Now that times are bad, we are taking that "hit". We have to make up the difference between what we have been raising in taxes and what the budget is. We are in that withdraw period. There has been \$32,021,957 of surplus used since 1991. If we had just \$2,500,000 more of that we could have offset the mandated state expenses, the bill for the Public Safety Building and the loss of State Aid we have mentioned over and over in this document and had a more "typical" increase this year.

To be even more specific, consider this. The tax rate on your tax bill in 2002 was \$0.470 per hundred dollars of valuation. If the committee in 2003 had not used \$2,350,000 in surplus the tax rate would have been \$0.452. Had the committee in 2003 not used that surplus, taxes would have gone down naturally that year as a result of the revaluation in 2002 and a decrease in the reserve for uncollected taxes that also resulted from the effects of the revaluation.

Even though the tax rate would have gone down that year, the committee in 2003 still chose to use \$2,350,000 of surplus to lower the tax rate even further. They had an opportunity to stop the trend right there while still decreasing the tax rate. Had they done this, then we would have had a true "tax rate compared to expense" budget coming out of 2003 (no surplus). Even better than that, we would have had a greater amount of surplus to use this year. Had they done this, we would have only had to use \$2,007,200 of surplus during this rainy day to deliver a tax increase of just 2.4 cents this year rather than the 7.8 cent increase we were forced to levy on the residents.

Had the committee in 2003 done this, we still would have had the same increases in 2004 through 2007 that we actually experienced, which were 3.6 cents, 4.2 cents, 0.0 cents and 2.4 cents. We could have then also had a 2.4 cent increase this year for what is basically a more level tax rate increase. And, we would have still have \$10,131,506 of surplus going into next year.

We must point out that because there was a revaluation, had the committee in 2003 not used that surplus as we have suggested, some people would have paid more even though the tax rate went down. If your home assessment was low compared to the median of all homes in Wall Township at the time of the revaluation, you might have had to pay more after the revaluation even though township wide the tax rate went down.

If your value went way up compared to others in town, you would have paid the lower rate on a much higher number (assessment) and probably saw an increase in taxes in 2003 even though the rate went down. This probably happened to 1/3 or the residents in town (a rough guess). If the committee in 2003 had not used that surplus, it would have meant an even larger "adjustment" or increase for that approximate 1/3 of the residents. We still believe it would have been worth it for everyone in the long run to get it done in 2003, when financial times were stronger and when it would have been the least costly time to reset everything with regard to surplus.

But, as we have discovered, once surplus was used, it had to be used year after year unless a sudden inflow of revenues were to appear. As you can see now, the first time surplus is not used once it has been begun to be utilized, there will be a very large increase in taxes, a onetime large adjustment or “spike” in taxes. We essentially ran into that problem this year because of all the unusually large state mandated expenses we incurred and the new state tax levy cap. The pattern of surplus use in the past compounded our problem this year.

What is the Township Committee Doing About This?

We are extremely upset about these circumstances. We pay taxes too. We are doing everything we can to be as fiscally responsible as possible. We have referred to a number of things we are doing, and we are also thinking of new things every day to get us through these difficult times. This is an ongoing process. Specifically, the following are the things we have already started working on:

1. **Hiring Freeze** - We have put a freeze on all new hires effective April 1. There will be no new additional employees added to the town payroll until we can stem this tide.
2. **Reduce Workforce Through Attrition** – First, we must reiterate that we believe that for the services we provide we are currently properly staffed. That being said, in this budget crisis we will use attrition to our benefit. If people leave us, we will do everything we can not to replace them. This of course means we will have to do more with less people in the future until this situation has subsided. We feel very fortunate that the people we employ today throughout Wall Township are some of the best and most talented municipal employees anywhere. Because of this, we know that we can continue to provide the best services possible even if we have to use attrition as a tool during this budget crisis.
3. **Hesitate on Filling Even Necessary Positions** - We will also wait as long as possible to replace someone even if we deem an existing position is necessary to fill once someone leaves. This will not create a significant savings, but it will create some savings. Perhaps more importantly it will keep us focused and thinking about everything we can do to help the bottom line in this economy. It will also start a trickledown effect of this kind of thinking though our departments where we expect they will realize new ways to do things better with less.
4. **Accelerated Retirement Program** – We want to implement a retirement program for those employees eligible for retirement. If we can help some people decide to retire sooner rather than later, we can accomplish two things. First, we can replace some of them at lower salaries. Second, we can determine how we might reorganize so as not to replace every one of these people and reduce our total number of employees, thereby tightening our operation.
5. **Budget Freeze** – All department operating budgets have been frozen. They were frozen last year, so all departmental operating budgets will be the same in the 2008 budget as they were in both the 2006 and 2007 budgets. No increases at all. There are a small number of budgets that increased from 2006 to 2007, very small, but we have held the line on those in 2008.
6. **No More Take Home Cars** – Any new employee hired will not get a take home car. Contracts going forward will not provide this benefit while this committee has control over this.

7. **New Budget Controls, Reporting and Restraints** - We are instituting new budget controls and monthly reporting features. Our township administration has done an excellent job of managing the town including the finances, but we need to help them become even more deliberate and even more frugal in these fiscally trying times. For example, we encumbered, or reserved 10% of every budget line item. Once the first 90% is spent, the last 10% cannot be spent without specific approval. It is common in business for a group to try to spend their budget at the end of the year to use up the money to thereby ensure funding to at least the same level the following year. This is designed to prevent that from happening and to make everyone more conscious of what we are spending.
8. **Aggressively Pursue Shared Services** – We are aggressively seeking out shared services opportunities with other communities to reduce our costs. Our own township administrator has instituted once monthly meetings at town hall with other municipalities to strategize on shared services.
9. **Investigating the Addition of a Professional Purchasing Agent** - While it may seem contradictory to the first point listed above, we are considering hiring or sub contracting a professional purchasing agent for the town. We will only add this expense if we are convinced that this person can save the town more than the cost of their salary and benefits.
10. **Find New Revenues** – We will be looking for any new revenues we can find. If we can find areas where we can add fees, we will do so. Fees are borne by the user and not by the entire tax base. One new revenue source we have identified and instituted is water and sewer hookup fees for businesses. We have to dedicate township resources to this process and we should be compensated appropriately relative to the time and money it costs us to perform this function so as to remove some of the burden from the taxpayers.
11. **Attract New Ratables** – We have established a Business Development Committee to aggressively seek “clean, Wall-friendly ratables” for our town by marketing our town. We have intelligent and experienced professionals who want to volunteer their time to do this and we want to turn them loose. We have nothing to lose.
12. **The Airport** – As you are aware, purchase of the airport will probably soon be completed. The new owners will want to maximize their investment and they will be coming to us to work on those details. This should bring a lot of ratables to the town’s tax base and open up natural opportunities for our Business Development Committee in seeking to attract new ratables to Wall Township.
13. **Cap on Spending** – We are deliberating on a cap on spending. We want to find a way, if possible, to cap the Township Committees ability to commit funds to non-essential projects beyond a certain dollar value without the approval of the voters via referendum. If we can figure out how to do that effectively, we will institute an ordinance to do so.
14. **Lobbying the State of NJ and our State Legislators** – We have already met locally with Assemblyman Rible who we are sure conveyed our problems to Senator Kean and Assemblywoman Angellini. We will next seek to take our case directly to the NJ Division of Local Government Services out in Trenton.
15. **Charging Fees to Out of Town Teams who use our Recreation Facilities.**

16. **Lowered Costs of Professionals Employed by Wall Township** – We spent a great deal of time seeking out applicants for our paid professionals this year with the goal of hiring very qualified people and companies at a savings to the tax payers of Wall.
17. **Independent Audit** – We have a tremendous team here in Wall Township. Still, when an auditor and resident offered to independently look at the books for 2007 and 2008 free of charge, we took them up on the offer. They concluded that our 2007 budget was “tightly constructed” and that the 2008 budget was consistent with the 2007 budget. If the 2007 budget was tightly constructed, then we can assure you the 2008 budget is “being strangled”. This independent auditor pointed out what we have written early in this document that 90% of the increases came from the state, the necessity to start paying the bill for the Police Building renovation, insurance, landfill fees and salaries and wages increases.

Unfortunately, major changes cannot be effected easily. True change will only come over time or with significant events. For example, on the revenue side of the ledger, ratables will have to increase dramatically, not just normally. Also, we have to let our leaders in Trenton know that we need them to change their approach and stop talking about property tax reform and actually do something about it other than make it worse.

In the future we may be forced to look at all the services we provide unless that cap situation improves or we find new revenues.

More on the State of NJ

It may be harsh to say, but it seems the State of NJ could not possibly be any more of a mess than it currently is. You read about people leaving the State and it is not hard to imagine why. Our only hope is that our newly elected officials like Senator Sean Kean and Assemblyman Dave Rible, both from right here in Wall Township, along with Assemblywoman Mary Pat Angellini can help start to turn the tide in Trenton.

Unfortunately they are severely outnumbered by big city politicians who seem to be concerned only with their small part of the overall State picture. Spending is out of control and it shows no sign of stopping. We are grateful in one way that there are grants available for so many things, but at the same time where does this money come from? The spigot needs to be turned off sometime so the tank can be refilled.

Mark Twain once said, “No man’s life, liberty or property is safe while Congress is in session.” That seems to be the case in NJ these days. It seems that the State of NJ would like to consolidate. They want to see school districts consolidate and they want towns to consolidate. Rather than working with 566 municipalities, it seems they would like just 21 county governments to deal with. With their caps and mandated expenses and consumption of local taxes for their own use, they are on the way to accomplishing it.

Personally, we think larger government is less efficient. By consolidating 566 municipalities into 21 county governments you end up with one very large government. Another problem we have is that there are always a few bad apples that spoil things for everyone else. Somewhere, someone in local government is doing something they shouldn't right now, and as a result the State government is forced to act at the expense of everyone.

Did the County, School and Fire District Taxes Go Up This Year?

Yes, they all went up this year. None of them though had the impact on your bill that the municipal tax increase had this year. We have explained the reasons why in great detail and we can assure you we are not happy about it. As mentioned, we pay taxes too and we see you, our friends and neighbors, everyday. We have to be able to look you in the eye and tell you that we know what is going on, why it is going on, and that we have a plan to reverse it. We want you to know that we understand that and we are acting accordingly.

How Good of a Job are we doing in Wall Township?

Sometimes a visual can tell a much better story than a bunch of words, so we have prepared a visual to explain more of this for you (see the file accompanying this document on the web site). It is very revealing.

Please see our comparison we created to other towns, not based on the tax rate, but rather based on the actual expense budget divided by the number of residents. This shows the cost per resident to operate the township government. This is based on 2007 figures.

This is a good method to examine the operation of government, but there are two things that have to be factored in and they are trash pickup and policing. Some of the towns on this list don't pick up trash and some don't have police departments. For those that do not pick up trash, we did some homework on how much on average trash pickup costs per resident when they are paying a private firm. That number is \$360 so we added that number to each town that does not pick up trash to make the rankings more realistic.

You may have also read in the papers lately that towns that historically received State Police protection will now be paying for that service. We found some numbers that the state put out as to how much they will be charging these towns in the future and we added those numbers to the comparison to make it a more apples to apples comparison.

This listing is the most accurate way we can think of to demonstrate how well we are doing providing the services we provide. There is always room for improvement and in this document we have explained some ways in which we plan to improve, but this study shows that Wall Township is doing a good job. Everyone in NJ pays high taxes, we know that and we are trying harder and harder each day to make sure that you get good services, the kind of services you want, as economically as possible.

The Good News – Seriously!

Wall Township is a great place to live with great services. We have a lot of wonderful things. Just to name a few, we have:

- A tremendous amount of **open space**.
- The best **police force** in area – period!
- A **public works department** that does a tremendous job.
- An award winning **recycling program** that we hope to expand on.
- The newly acquired **Marconi Park property** as a resource for the town and the residents. On that property we have the **InfoAge Center**. If you have not visited InfoAge, please make it a priority to do so soon. So many volunteers have done so much to preserve our history at this location and to create a real science learning environment.
- A **Youth Center** that serviced 1102 individuals, families and groups in 2007.
- **Recreational programs** for every age which are second to none.

Summary

This Township Committee is dedicated to continuing those benefits listed above and developing new benefits for the residents as well. We will have to do so in trying circumstances and we have to be very creative because we are equally as committed to watching every penny and ensuring the each and every one is both well spent and properly spent.

We are not happy with the current circumstances. We have communicated the seriousness of the situation directly to all the town employees. We are asking them to be more vigilant than ever before with your tax money. We are helping them in that regard with new budget reports, procedures and techniques. We are freezing the current staffing level and we are keeping the operational budgets frozen to the 2006 budget year levels. We are also aggressively looking for areas to reduce costs through attrition.

This Committee is committed to being as open and honest with the residents as we can be. This article is a start, but we encourage everyone with a question, a concern or a good idea to come to us and let us know. If desired, we will set up special meetings for groups in the town to talk about the budget. We also are available to meet to talk to you and your neighbors directly.

We want you to know one thing most of all and that is why we wrote this document - we know what is going on and we are working to fix it. We are not our relying on anyone else's judgment, no matter how good and talented they are. We are crawling around in the details ourselves. We are fiscally conservative and we are making plans and taking action to reverse this trend and to be proactive instead of reactive.

One Last Note about What Else is the State Doing to Us

We mentioned the pension fund catch up, the reserve for uncollected taxes, the reduction in so called State Aid and the Caps that are strangling us and our reserves. Now, let's spend a moment on perhaps the biggest single thing that the State has done recently that will have a gigantic effect on many taxpayers in NJ, particularly those in more rural communities like Wall that have done a good job of planning and building out their communities intelligently. It is the **Mt. Laurel Housing or COAH** (Council On Affordable Housing) Round 3 Initiative. This is a document about taxes, so we will touch on it here, but we could and may write a separate paper just on this topic.

While this is not affecting our budget this year, it is looming over Wall Township and it will impact our budget in the future in many ways. Wall Township has to put together a plan by December 31st of this year as to how we will incorporate 667 affordable houses into our town in the next 9.5 years.

Of those 667 units, 25% or 166 can be senior citizen housing (55 and over). Another 25 %, or 166 units, have to be rental units like the Collingswood Mews project completed in a previous COAH initiative (Round 2). The rest have to be deed restricted houses for very low, low and moderate income families.

In the past rounds, the town had the option to use a portion of their obligation to sell off units to other towns and cities to allow them to do more to create affordable housing. For example, at a cost of \$30,000 a unit, we could sell off a number of the units we were obligated to. We could sell them to towns like Lakewood or Long Branch. We would send them the money and they would build the affordable housing in their communities.

Our leaders in Trenton were intent on doing away with this process. First, they proposed taking the cost to \$70,000 from \$30,000 for each unit. That would have cost Wall Township \$23,310,000 to sell off 50% of our obligation. It used to be that towns could, if they elected to do so, sell off 50% of their total obligation with these RCA's as they were called. However, they ultimately eliminated them altogether. They no longer exist, so we have to accommodate all of our 667 units that COAH decided we are obligated to here in Wall.

The new COAH rules supposedly provide a way for commercial development in town to fund the building of these obligations. There is a 2.5% development fee on every new commercial building project that goes into a bank to fund this. However, the math is fuzzy math. There is no way that it will fund what has been required of us. It is not even close. And, economic times are bad. There is not a lot of commercial development going on right now even if the math worked out. Yet the legislation passed and was signed into law by the Governor.

Also, we can't rely on traditional builders to do this for us; Wall Township may have to become the general contractor on this project. If we allowed the builders to do it, in order to make it profitable for them, they would have to build thousands of market value houses at the same time. In order to get to our number of 667 units, we would be looking at 1000's of new houses, not just 667. Plus, we would inherit all the people that all those houses would bring with them. Our municipal government would have to increase dramatically.

We are investigating specialty builders that may be able to build these projects for tax credits. If we can just get 667 units in this fashion than we will aggressively pursue this option as well.

Still, our only recourse may be to build them ourselves. We estimate that it will cost us about \$20,000,000 or possibly more over the next 9.5 years years to do this. Not to mention the impact on our infrastructure and the resulting taxes that would bring to Wall Townships residents. While it would not be to the same extent as mentioned in the previous paragraph, the impact on our infrastructure would still be significant.

We would need more police, more public works employees, more administrative employees, more buildings to house these people, and so on and so on. Also, we would probably have to build new schools and hire new teachers for the all the new students. School taxes would increase. It will require us to have more employees at every level of the government, in every department in order to provide the same level of service to the increased population that we provide today to our 26,000 plus residents. It is going to be a big tax burden if nothing changes.

This committee is prepared to do everything it can to insulate the existing Wall taxpayer from this situation. We have signed onto a lawsuit that the New Jersey League of Municipalities has started and we have filed our own intent to sue over this. We have also recruited several towns in a similar situation to join in with us to fight this.

We have also started a petition drive in Wall Township in order to send the message to those in Trenton that this is not well thought out this time and the math is faulty. We need everyone's support on this. The petition can also be signed at the Clerk's office at Town Hall or downloaded from the web site and returned to the Clerk's office. Stop by and sign a page or take one home and get your friends and neighbors signatures too.

This is not only unfair and poorly thought out legislation that will have significant negative impact on communities and taxpayers in NJ; it targets specific taxpayers such as all of us here in Wall. Some towns "are built out". As such, they don't have obligations or they simply don't comply with what little obligations they do have. Their taxpayers are not bearing the burden of this legislation.

Wall Township has complied with both the first two rounds. Some towns have not yet done anything. Wall Township taxpayers have already felt the impact of the first two rounds with the cost of RCA's we

used in the past and the increased infrastructure necessary due to the new residents those first two rounds brought to the town. Now we are facing the biggest impact of all while some people in other towns have not invested a dime.

Our leaders in Trenton also don't think about one group of low and moderate income people that live in Wall already, our senior citizens. As of the 2000 census 22% of our population in Wall was senior citizens. That is on par with towns identified as having a lot of seniors in their communities such as Brick and Toms River where their senior citizen populations are 23% and 24% respectively (2000 census numbers).

A lot of these people are on fixed incomes. A gentleman came to our budget hearings and said he got a \$24 a month increase this year from social security and tax increases took it all. He and folks like him will not be able to stay here once we travel down the road of adding these 667 units and the new schools and overall increased infrastructure that comes with it all. They will have to leave Wall and leave NJ like so many others are doing.

So, this legislation will have us force out one group of existing low and moderate income people in order to bring in a new group of low and moderate income people. It just does not make sense.

While we take these actions described, we still have to file our plan. If we don't file a reasonable plan by December 31st, we will be subjected to what they call "Builder Remedy" law suits.

Wall Township is attractive to developers and the way the law is, if we don't file that plan, builders can run to court and sue us to change zoning on areas that are currently not zoned residential in Wall Township. Think of the route 34 corridor. There are large tracts of land on to which their owners would like to build houses and retail rather than industrial and commercial projects which these properties are zoned for. These people will go to court if we don't file that plan and the courts will let them build the residential units they want. Again, that would mean thousands of houses, not just 667. We need to control our own fate on this issue. We cannot have the courts do it for us. Thus we need to file our plan.

We have probably scared you pretty well with this section. Let us assure you that we are doing everything we can to fight this while finding the best way to comply if we are forced to. For now this is a cautionary tale that we need to be cognizant of.

Thank you taking the time to read this and please don't hesitate to contact us with any questions about anything we have documented here.