

2006 Harding Municipal Budget

At the May 17 Township Meeting, the Township Committee unanimously approved the 60 plus page 2006 Harding Municipal Budget. The Budget details Harding's planned appropriations (spending) and revenues (income from taxes, fees, grants, etc.) and was reviewed and certified by Harding's Chief Financial Officer, Himanshu Shah, and its accountant, Suplee, Clooney, & Co.

The Thumbnail has prepared a summary of the 2006 Budget for our readers' review. Why would you care about the Municipal Budget? If you are interested whether or not your taxes are going to increase (if so, by how much), how your taxes compare against other municipalities, how much the Township spends annually, what the spending is for, how much revenue is raised from taxes, how much Township debt is outstanding, or what the Township's financial priorities are – then read on. During the Township Committee meeting, Mayor Murray conducted an informative slide presentation covering some key points of the Budget. We have included copies of the Mayor's slides, Slides 1 through 6, in our summary¹.

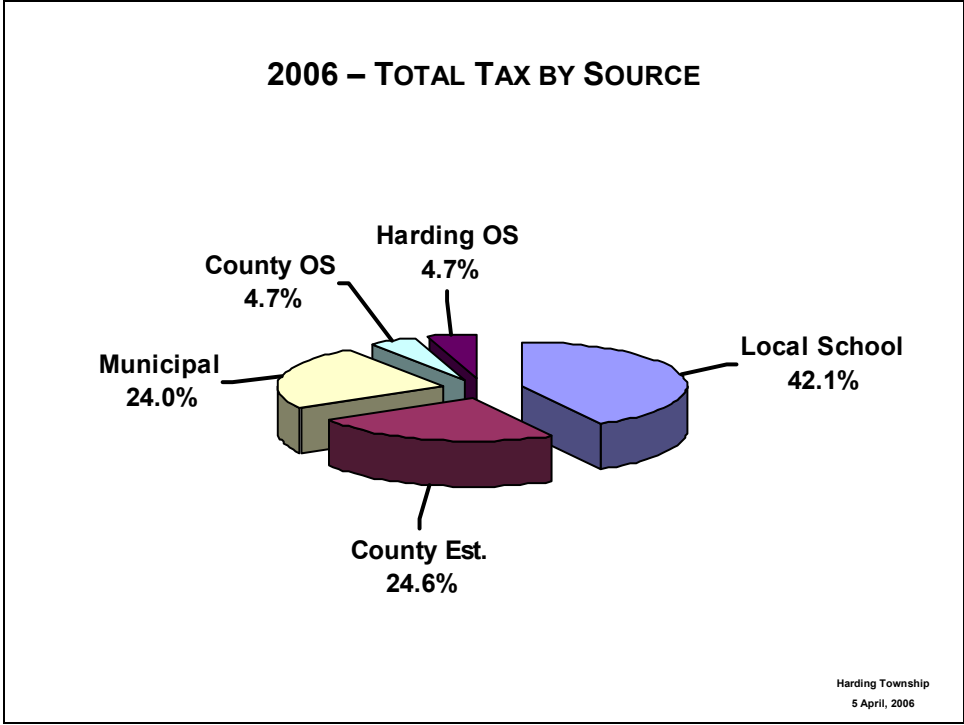
Tax Rates

New Jersey is one of 37 states that collect property taxes at both the municipal and state level. In 2004, New Jersey municipalities collected over \$18 billion in property taxes, or about \$2,099 per person, which is the highest in the nation. As any Harding property owner may know by examining his or her tax bill, the 2005 Harding ordinary property tax rates are as follows:

Tax	2005 Rate	% of Total
Municipal	0.221%	23.8%
County	0.232%	24.9%
School	0.383%	41.2%
Open Space/County	0.053%	5.7%
Open Space/Harding	0.041%	4.4%
Total	0.930%	100%

Annual tax due is calculated by applying the rate to the assessed value of the property. Slide 1 also shows the distribution by tax type although its calculations differ somewhat from our own.

¹ The original color slides are reproduced in black and white and reformatted to fit in the Thumbnail.



Slide 1

In 2005, assessed property values in Harding totaled \$1.95 billion (down \$170 million from the prior year) and taxes received from all sources totaled \$18.1 million. There is \$279 million of tax-exempt property in Harding, \$230 million of which is public land. Total assessed property value for all of Morris County is \$62.0 billion, and for New Jersey, over \$666 billion.

Harding Vs. Other Municipalities

How does Harding tax rates compare against other municipalities? Of all the 39 municipalities in Morris County, Harding’s tax rate is the lowest (at 4.09%, Victory Gardens is this highest)². As the following table shows, however, when calculated on a per capita basis, Harding has a higher tax than some neighboring municipalities and more than double the State average (note Victory Gardens is much lower).

Municipality	Rate	Rank (low to high)	Total Assessed Property Value	Annual Tax	Pop. ('04 est.)	Tax per capita
Harding	0.93%	1	\$1,951,482,871	\$18,148,791	3,292	\$5,513
Chatham Township	1.32%	3	\$2,733,271,100	\$36,079,179	10,162	\$3,550
Chatham Borough	1.39%	4	\$2,029,387,500	\$28,208,486	8,428	\$3,347
Mendham	1.40%	5	\$2,114,823,400	\$29,607,528	5,625	\$5,264
Madison Borough	2.06%	11	\$2,089,587,600	\$43,045,505	16,005	\$2,690
Morris	2.06%	22	\$3,831,652,350	\$78,932,038	21,412	\$3,686
Morristown	2.12%	13	\$2,225,308,082	\$47,176,531	18,842	\$2,504
Chester Township	3.11%	26	\$981,376,242	\$30,520,801	7,765	\$3,931
Victory Gardens	4.09%	39	\$39,746,000	\$1,625,611	1,533	\$1,060






² For a list of Morris county property tax rates see <http://www.gti.net/mocolib1/realty.html#abstract>

2006 Tax Increases

As Slide 2 shows, all Harding property tax rates except the County Open Spaces tax have been increased for 2006. The increases and 2006 rates are:

Tax	2006 Increase	2006 Rate	% of Total	% Increase over 2005
Municipal	0.0100%	0.231%	23.9%	4.5%
County (Estimated)	0.0050%	0.237%	24.6%	2.2%
School	0.0162%	0.399%	41.4%	4.2%
Open Space/County		0.053%	5.5%	0.0%
Open Space/Harding	0.0040%	0.045%	4.7%	9.8%
Total	0.0352%	0.965%	100%	3.8%

In total, property taxes increased by 3.8%, slightly more than inflation³.

TAX INCREASE PER \$100 OF ASSESSED VALUATION					
Increase	\$500,000	\$1,000,000	\$2,000,000	\$3,000,000	
Local School	\$0.0162	\$ 81	\$ 162	\$ 324	\$ 487
County Est.	\$0.0050	\$ 25	\$ 50	\$ 100	\$ 150
Municipal	\$0.0100	\$ 50	\$ 100	\$ 200	\$ 300
County OS	\$ -	\$ -	\$ -	\$ -	\$ -
Harding OS	\$0.0040	\$ 20	\$ 40	\$ 80	\$ 120
TOTAL	\$0.0352	\$ 176	\$ 352	\$ 704	\$ 1,057
					
TOTAL TAX RATE – 2005 = \$0.928					
2006 = \$0.963 E					

Harding Township
5 April, 2006

Slide 2

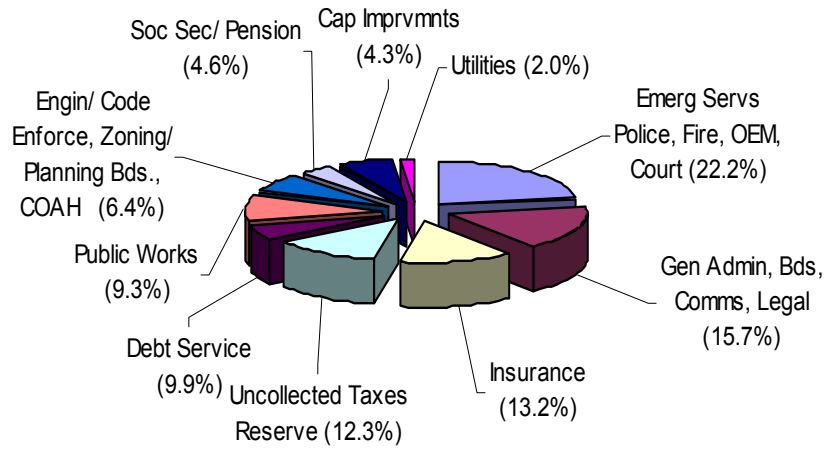
Spending

Total municipal spending for 2006 is projected to be \$8,063,617, a 5% nominal increase over 2005's \$7,677,305.64 actual appropriation. Adjusted for inflation, the increase falls to 1.4%.

How is the \$8 plus million spent? Slide 3 shows the planned allocation. Approximately \$3 million of the budget goes to pay municipal employee wages -not including benefits. The Police department wages account for about \$1.45 million of this. Insurance premiums, most of which are for employee health insurance, accounts for another \$900,000. \$250,000 is budgeted for the Capital Improvement Fund. \$100,000 is allocated to pay for improvements to the Town Hall. Approximately \$1 million is reserved against uncollected taxes. Debt service is projected to be nearly \$800,000.

³ Inflation for 2005 was 3.6% as measured by the Consumer Price Index, Northeastern Region.

2006 BUDGET APPROPRIATIONS



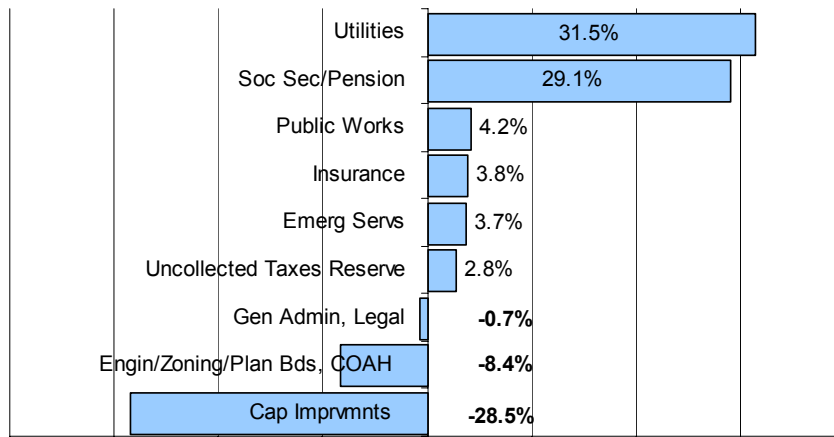
Harding Township
5 April, 2006

Slide 3

Slide 4 shows which categories increased or decreased from the prior year:

APPROPRIATION BUDGET DRIVERS

Excludes Debt Service



Harding Township
5 April, 2006

Slide 4

Tax and General Revenue

Only \$4.5 million out of the \$8+ million required comes from property taxes. The remainder, \$3.55 million, comes from general revenues, which include an anticipated surplus⁴ (\$1.86 million, same as budgeted in 2005), miscellaneous revenues (\$1.5 million), and receipts from delinquent taxes (\$180,000). Miscellaneous revenues are from a variety of sources including court fines (\$180,000), interest income on investments (\$115,000), UCC related fees (\$220,000), open space debt issuance (\$284,000), permits (\$50,000) and State aid (\$558,800, primarily comprised of a \$489,000 payment from the Energy Receipts Tax, a property relief program that taxes utilities with proceeds going to municipalities hosting utility infrastructure).

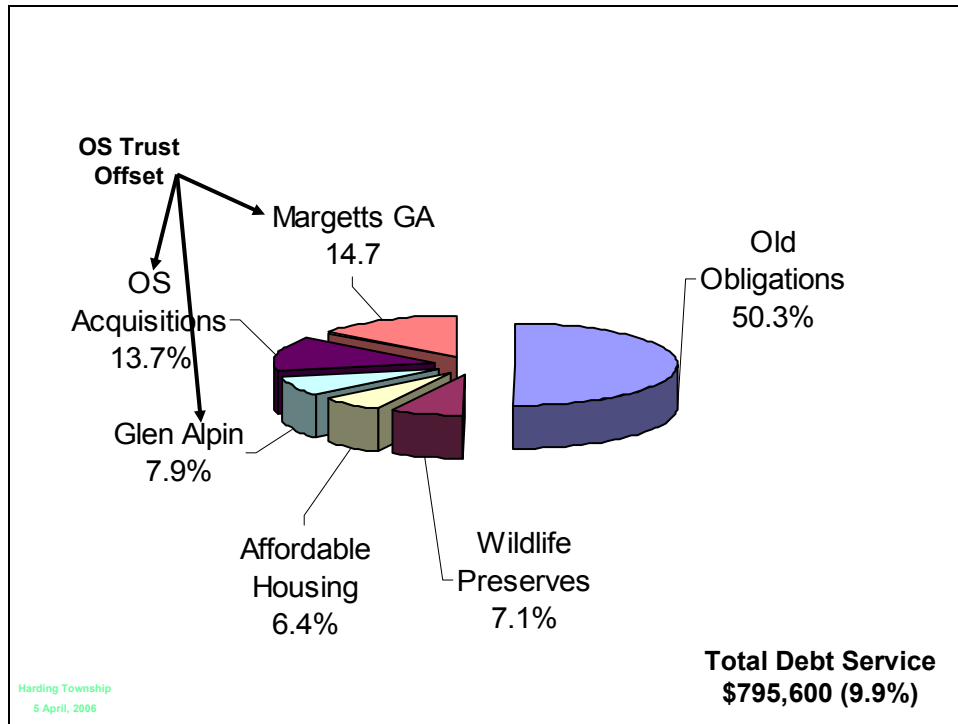
Debt

According to the Township 2005 Annual Debt Statement, Township debt, issued and authorized, totaled \$10,622,858 (with \$8.5 million issued) as of 12/31/2005. The following summarizes what the debt is being used to fund:

Purpose	Outstanding Debt Amount	% of Total
General Improvements	\$3,353,000	32%
Open Space Land/Easement Acquisition	\$6,319,858	59%
Glen Alpin Renovation	\$950,000	9%
Total	\$10,622,858	100%

In February 2006, the Township issued an additional \$5.9 million (also for Open Spaces) at a 4.5% rate, which would bring the total outstanding to over \$14 million, not including principal repayments if any. The Township's debt is rated "Aaa" (i.e. best quality) from Moody's, one of the main debt rating agencies. Debt service for 2006, which includes at least \$300,000 in principal repayment, will total about \$800,000 (compared to \$439,500 for 2005), or just about 10% of the total Municipal budget. Slide 5 shows the individual debt service components.

⁴ As of December 31, 2005, the Township had approximately \$2.5 million in surplus funds.



Slide 5

Township Financial Priorities and Open Space Finances

The Township presentation outlined priorities related to spending, debt issuance, and financial controls. The annual Capital improvements Fund is \$200,000 and its growth objective 10%. The capital projects planning process is projecting up to 6 years out. The Township is attempting to avoid additional debt, except as necessary for Glen Alpin and Open Space initiatives. There is a conservative estimated reserve for uncollected taxes; there are complete expense reports monthly; insurance payments remain significant.

Open Spaces and historic preservation is a chief priority of the Township Committee as they voted to raise the Harding Open Spaces tax rate by nearly 10%. In the budget message (part of the Budget documentation), the Township Committee states:

“In addition to the regular operating budget, the township committee is addressing the issues of open space and historic preservation in the context of maintaining Harding’s rural heritage and character.” [Concerning the tax increase] “This additional revenue will allow the township to continue to move forward aggressively to preserve land in the township and maintain and restore recently acquired properties.”

Since 1997, the date when the Open Space tax was passed by voter referendum, the program has collected over \$2.3 million in taxes. In 2005, Open Space tax revenues was \$781,156. In 2006, Open Space tax revenues are projected to be about \$878,000. Since many prior Open Space purchases have been previously funded by municipal debt, over \$280,000 of the collected amount will go to debt interest payments. The Township has budgeted 10%, or about \$90,000 annually, to go towards the Glen Alpin restoration.

A copy of the 2006 Budget may be obtained from the Township Clerk, Linda Peralta, whose office is on the 2nd floor of Municipal Building.