



BLOOMFIELD
TOWNSHIP ★ NJ

Municipal Budgeting in New Jersey

APRIL 17, 2025

PRESENTED BY: MATT LARACY CPA, CMFO, QPA

Agenda

Municipal Budgeting 101

High-level overview of the municipal budget process in New Jersey, including a summary of the general procedures, relevant laws and statutes governing municipal budgeting, and widely accepted best practices.

Bloomfield Township

Present a snapshot of Bloomfield Township's tax base and a review of major budget indicators and financial metrics

Questions

Question and Answer Session

Municipal Budgeting 101

Governing Laws and Statutes

Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

- Defines the legal framework for budget preparation, introduction, amendment, and adoption.
- Municipalities must adopt a balanced budget where appropriations do not exceed anticipated revenues, in accordance with sound accounting and fiscal practices.
- Timelines and Public Involvement: The law sets strict deadlines for budget introduction, public hearings, and adoption, and requires public notice and opportunities for citizen input before final adoption.
- State Oversight and Approval: Budgets must be submitted to the Division of Local Government Services (DLGS) within the NJ Department of Community Affairs for review and approval, ensuring compliance with statutory requirements and fiscal constraints.

Governing Laws and Statutes

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

- **Governs Financial Administration:** This law establishes the requirements for financial recordkeeping, reporting, and auditing for New Jersey local government units to ensure accountability and transparency.
- **Annual Audit Requirement:** All municipalities must undergo an annual audit conducted by a licensed Registered Municipal Accountant, with findings submitted to the Division of Local Government Services.
- **Standardized Financial Reporting:** The law mandates uniform systems for accounting and reporting, including the preparation of an Annual Financial Statement (AFS) and other prescribed reports.
- **Safeguarding Public Funds:** It includes provisions for the custody, deposit, and disbursement of public funds, including requirements for official depositories and bonding of certain officials.

Governing Laws and Statutes

Division of Local Government Services (DLGS)

- Oversight and Guidance: DLGS, part of the New Jersey Department of Community Affairs, oversees the financial practices of local governments to ensure compliance with state laws and promote fiscal integrity and transparency.
- Budget Review and Approval: The Division reviews and approves municipal and county budgets to ensure adherence to the Local Budget Law and sound financial management practices.
- Local Finance Notices (LFNs): DLGS issues Local Finance Notices to communicate regulatory updates, policy guidance, statutory changes, and procedural clarifications to local government officials.

Governing Laws and Statutes

Conservative Accounting Principles

- Cash-Basis Revenue Recognition
 - Municipal budgets are prepared on a cash basis, meaning revenues must be realistically anticipated and only counted when they are expected to be received during the budget year. This prevents overstating revenues.
- Encumbrance System for Expenses
 - Reserving budgeted funds when a purchase is authorized but before payment is made. It ensures that municipalities do not overspend and always have enough money set aside for approved obligations.
- No Deficit Spending Allowed
 - Budgets must be balanced — appropriations (spending) cannot exceed anticipated revenues. Municipalities cannot adopt budgets that include a planned deficit.

Budget Caps and Restrictions

Appropriations Cap 1976 (N.J.S.A. 40A:4-45.1)

- 2.5% Cap on Appropriations: The law establishes a cap limiting the increase in municipal and county appropriations (expenditures) to 2.5% from one year to the next, ensuring fiscal discipline and control over local spending.
- Increase to 3.5% by Ordinance: Municipalities and counties may increase the cap to 3.5% through the adoption of an ordinance, allowing more flexibility in cases of higher-than-expected needs or unforeseen costs.
- Exclusions and Exceptions: Certain expenses, such as debt service, pension contributions, and health benefits, may be excluded from the cap calculations, providing some relief for essential services and mandated costs.
- A CHALLENGE with Inflation (Extension to 3.5% is a best practice)

Budget Caps and Restrictions

Levy Cap Law (N.J.S.A. 40A:4-45.44 et seq.)

- The Levy Cap Law was enacted in 2007 as part of a broader effort to curb local government spending and reduce the tax burden on residents.
- 2% Cap on Property Tax Levy: The Levy Cap Law limits the annual increase in a municipality's property tax levy to 2% over the prior year's levy, helping control the growth of property taxes and ensuring fiscal responsibility.
- Exceptions and Exclusions: Certain expenditures are excluded from the cap, including debt service, pension contributions, and capital expenditures, which allows municipalities more flexibility in funding these essential obligations.
- Adjustments for Unforeseen Circumstances: In specific cases, municipalities can increase their property tax levy beyond the 2% cap through the adoption of an ordinance, typically with approval from the governing body.

Budget Caps and Restrictions

Cap Banking: Municipalities may carry forward unused cap room for up to three years if formally adopted by ordinance.

- **Unused Cap Space Can Be "Banked":** Under both the Appropriation Cap (N.J.S.A. 40A:4-45.3) and the Levy Cap (N.J.S.A. 40A:4-45.45), local governments can "bank" the difference between their actual increase and the maximum allowable increase for up to two succeeding years.
- **Increased Budget Flexibility:** Cap banking allows municipalities to carry forward unused capacity, providing a financial cushion for future budgets. This can be especially helpful in managing costs due to emergencies, inflation, or one-time capital needs.
- **Helps Avoid Sudden Tax Hikes:** By planning ahead and using banked cap space strategically, municipalities can smooth out year-to-year budget increases, helping to avoid abrupt property tax spikes while still maintaining service levels.

Budgeting Process

Timeline

- The municipal budget process is a year round endeavor, but typically begins more formally in the fall with departmental budget submissions and financial forecasting. It culminates in the adoption of a final budget by the governing body in the spring/summer.
- Temporary Budget Authorization funds operations before the official budget is adopted.
- Introduction & Adoption: The governing body introduces the budget via resolution, followed by a public hearing and formal adoption, as prescribed by statute.
- Outside Influences:
 - Governor's Budget Message: Typically delivered in late February, this includes proposed state aid amounts for municipalities but final State Aid Certification occurs later in the budget cycle.
 - Federal, state, and private grants may be awarded on rolling, quarterly, or annual cycles.

Budgeting Process

Key Decision Makers

- Mayor and Governing Body (Council or Committee)
 - Set policy direction, review and amend the budget, and ultimately adopt it. The mayor may have executive or ceremonial powers depending on the form of government.
- Municipal Master Plan and Related Policy Documents
 - Serve as guiding tools for long-term land use, development, infrastructure, and community investment decisions that shape budget priorities.
- Administration and Department Heads
 - Submit budget requests and provide insight into operational needs
- Chief Financial Officer (CFO)
 - Oversees financial planning, ensures statutory compliance, and prepares core budget documents.

Budgeting Process

The Public's Role in Local Budgeting

- Attend Public Meetings: Provide input during council meetings and budget hearings. Advocate for community needs.
- Serve on Boards & Committees: Join advisory groups to shape policy and planning decisions
- Vote in Local Elections: Elect officials who reflect your priorities and values.
- Stay Informed & Engaged: Follow local issues, attend forums, and communicate with elected leaders.
- Support or Oppose Referendums: Vote on specific funding measures (e.g., bond issues, school budgets) when they appear on the ballot.

Budgeting Process

Key Statutory Deadlines & Filing Requirements

- Annual Debt Statement (ADS)
 - Reports outstanding debt and available debt capacity.
- Annual Financial Statement (AFS)
 - Summarizes the municipality's financial condition at year-end.
- Budget Introduction
 - Deadline: Varies each year based on the DLGS calendar and is often extended into April or May. Grant funding, state aid timing, or other emerging factors may justify a delay in budget introduction for individual municipalities.
 - Requirement: Introduced by resolution; public notice at least 10 days before public hearing.
- Budget Adoption
 - Requirement: Must be adopted within a month of introduction, and no sooner than 28 days after introduction.
- User-Friendly Budget (UFB)
 - Provides a simplified, accessible version of the municipal budget for public review.

Budgeting Process

Best Practices

- Multi-Year Planning: Develop forecasts and capital plans to support long-term decision-making.
 - New Jersey cities have an aging infrastructure that makes long term planning even more essential than ever.
- Community Engagement: Promote transparency and encourage public input throughout the budget cycle.
- Strategic Fund Balance Management: Maintain sufficient reserves to ensure fiscal stability.
 - Strong indicator of bond rating

Budgeting Process

Fixed Costs in the Municipal Budget

- A significant portion of a municipal budget is comprised of fixed or non-discretionary costs—obligations that must be paid each year regardless of revenue performance or changes in priorities.
 - Salaries and Wages
 - Often driven by collective bargaining agreements that set wage scales and annual increases.
 - Employee Benefits
 - Health insurance, pension contributions (PERS and PFRS), and other post-employment benefits (OPEB).
 - Subject to state mandates and actuarial requirements.
 - Debt Service
 - Principal and interest payments on outstanding bonds and notes.
 - These payments are legally required and take precedence over other expenditures.

Budgeting Process

Fixed Costs in the Municipal Budget

- Utilities and Insurance
 - Includes electricity, gas, water, sewer, general liability, workers' compensation, and property insurance.
 - While somewhat variable, these are largely non-negotiable operational necessities.
- Statutory Expenses and Mandated Services
 - Payments required by law, such as Social Security, unemployment insurance, and certain court-mandated services.

Bloomfield Township 2024 Budget Data

Annual Budget

Budget Sections

- Municipal Budget
 - Majority of operations
 - Funded by various revenue sources along with the tax levy
- Open Space Trust Fund Budget
 - Provides dedicated funding to preserve and enhance public lands for recreation, conservation, and environmental protection.
- Water Utility
 - Self-Liquidating Water utility funded by water customer rents and other revenues
- Parking Utility
 - Self-Liquidating Parking utility funded parking permits, meters, and other fees

Tax Levy vs Tax Rate

Municipal Tax Levy

- This is the total amount of money a municipality needs to raise through property taxes to fund its budget. It's set by the governing body and is divided among all taxpayers based on their assessed property values.

Municipal Tax Rate

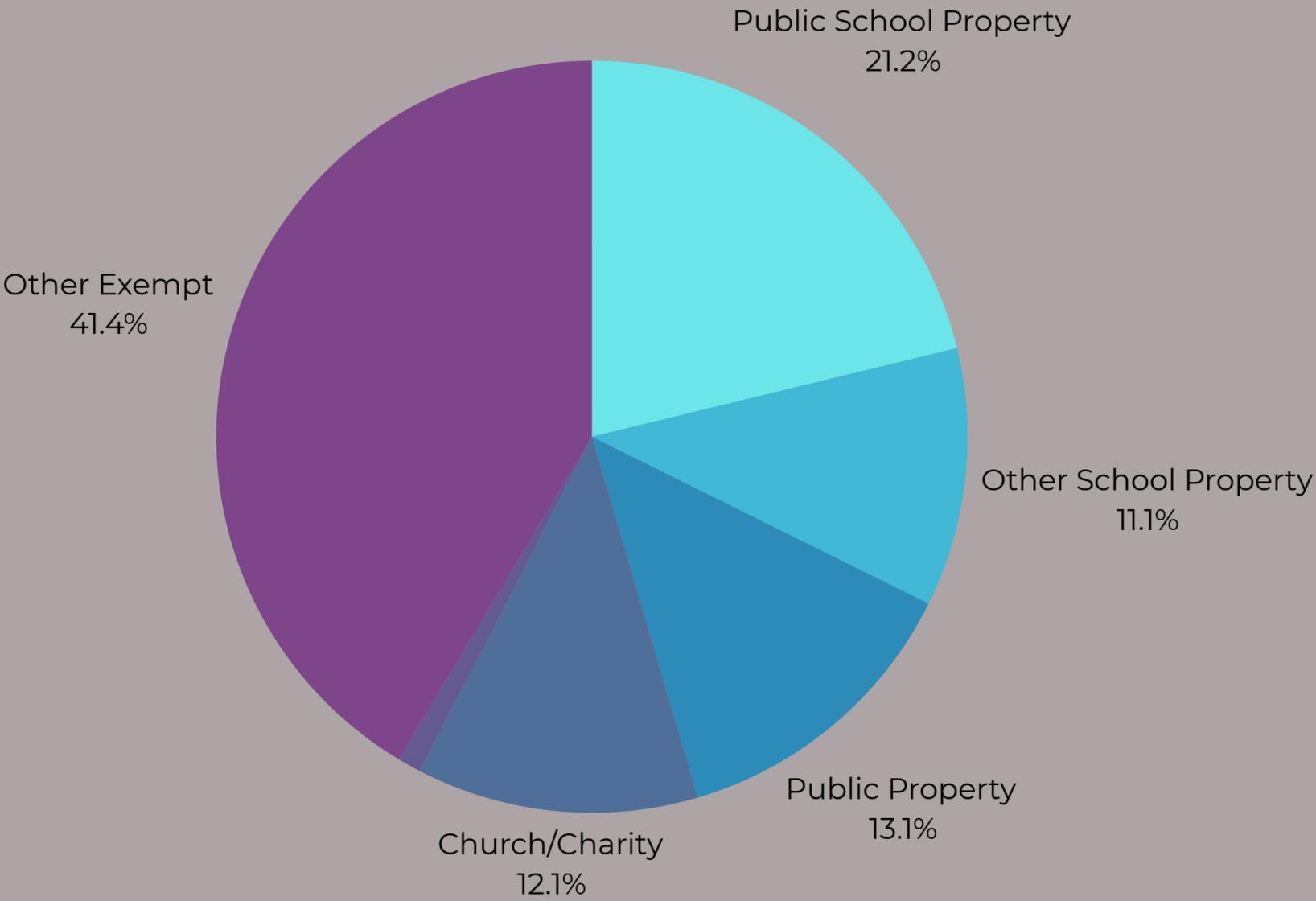
- This is the amount of tax per \$100 of assessed property value. It's what determines how much a property owner pays in taxes. For example, a tax rate of 2.5 means \$2.50 in taxes for every \$100 of assessed value.

Ratable Growth

- New construction, development, and home improvements expand the overall tax base by increasing the total assessed value of property in the municipality. When the tax base grows, the municipality can raise a higher tax levy without increasing the tax rate as much, because the tax burden is spread over more value.

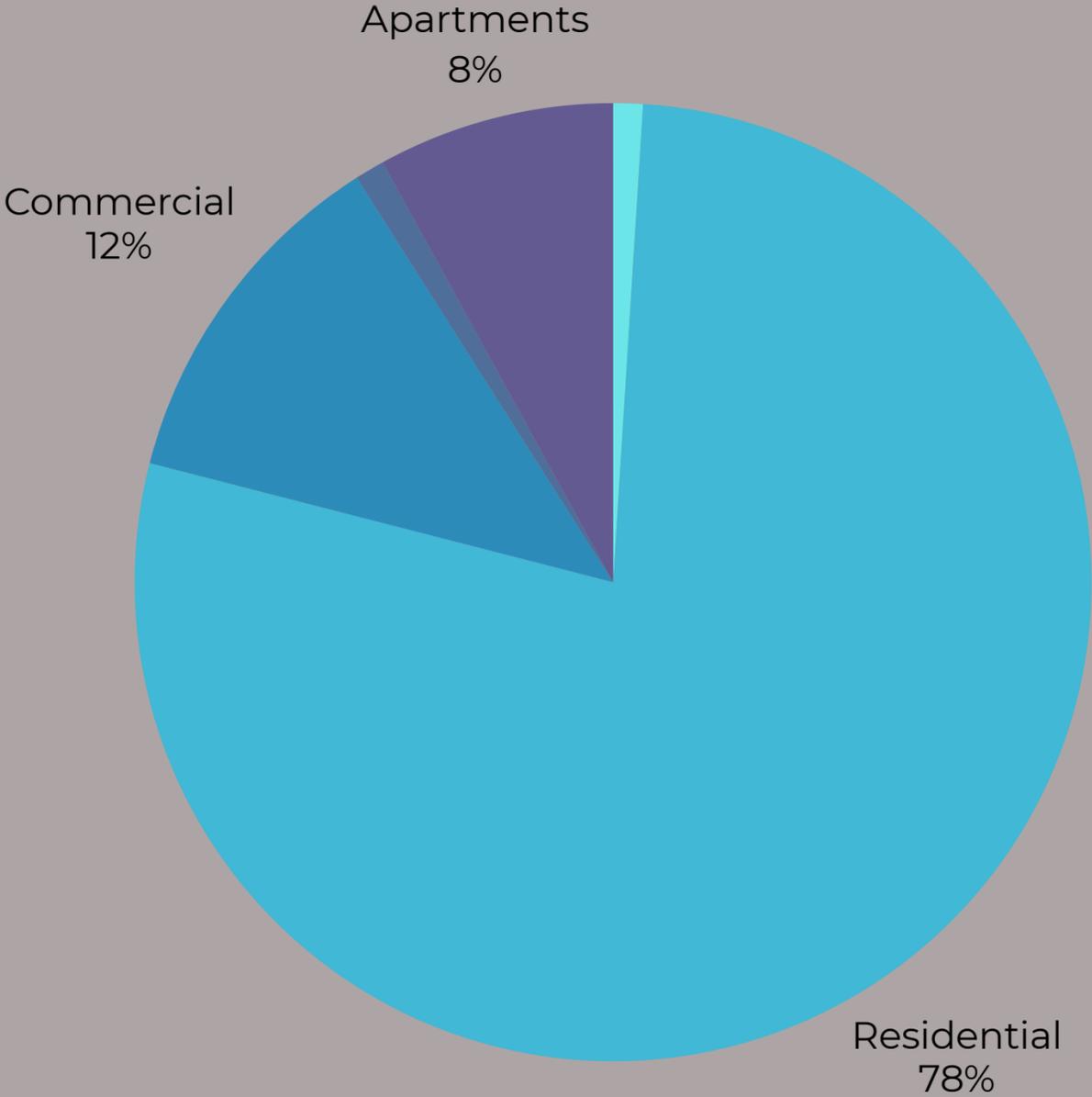
Value of Exempt Property

Public School Property	209,113,800
Other School Property	108,099,900
Public Property	131,418,400
Church/Charity	122,214,000
Cemetery	14,791,300
Other Exempt	405,067,400
TOTAL	990,704,800



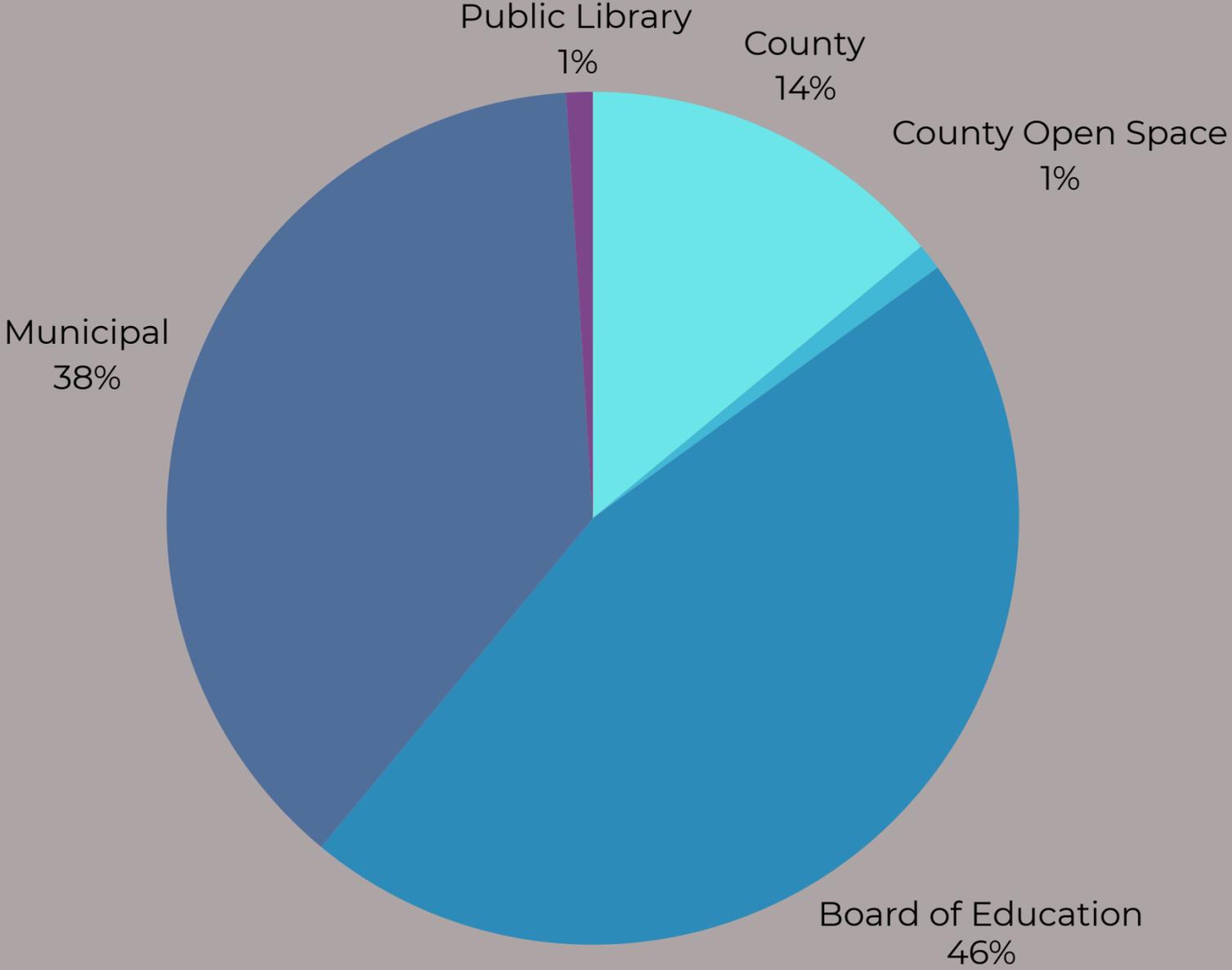
Total Assessed Value 2024

Vacant Land	49,014,600
Residential	4,133,199,700
Commercial	657,219,600
Industrial	46,825,100
Apartments	422,025,200
Railroad	339,600
Business Personal Property	6,578,200
TOTAL	5,315,202,000



Total Tax Levy 2024

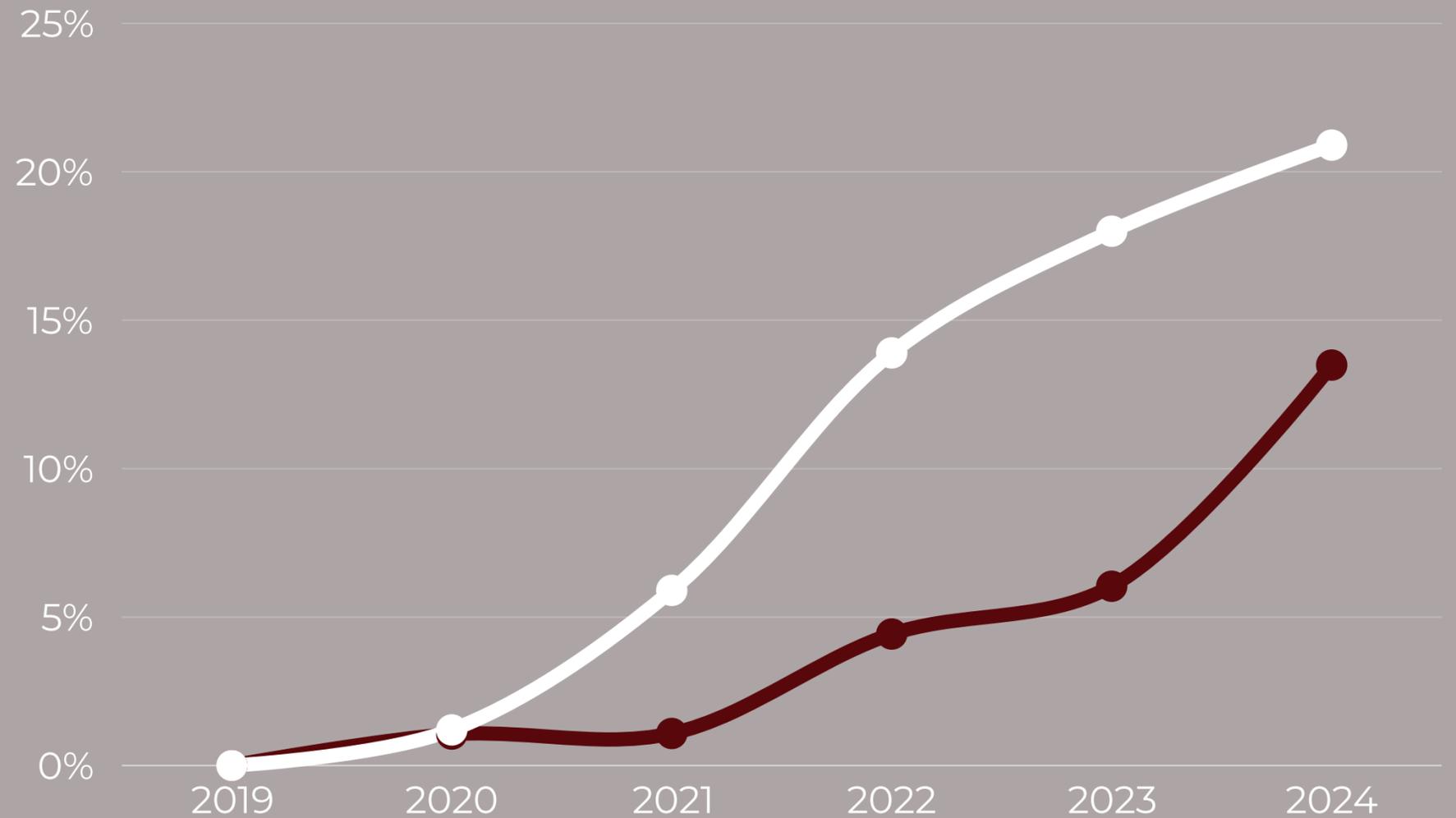
County of Essex	25,495,430.53
County Open Space	1,042,809.27
Board of Education	82,914,333.00
Municipal	68,229,066.70
Municipal Open Space	265,743.12
Public Library	2,292,866.00
TOTAL	180,240,248.62



Municipal Levy vs Inflation

From 2019-2024, the inflation rate has risen 22.70%. The municipal tax levy of the Township of Bloomfield has risen a total of 14.25%, but the impact of inflation on the budget has increased drastically in the past three years.

The Average Municipal Increase is 2.85% over these five years.



*Data Source: U.S. Bureau of Labor Statistics: All items in U.S. city average, all urban consumers, not seasonally adjusted.

ANNUAL INFLATION

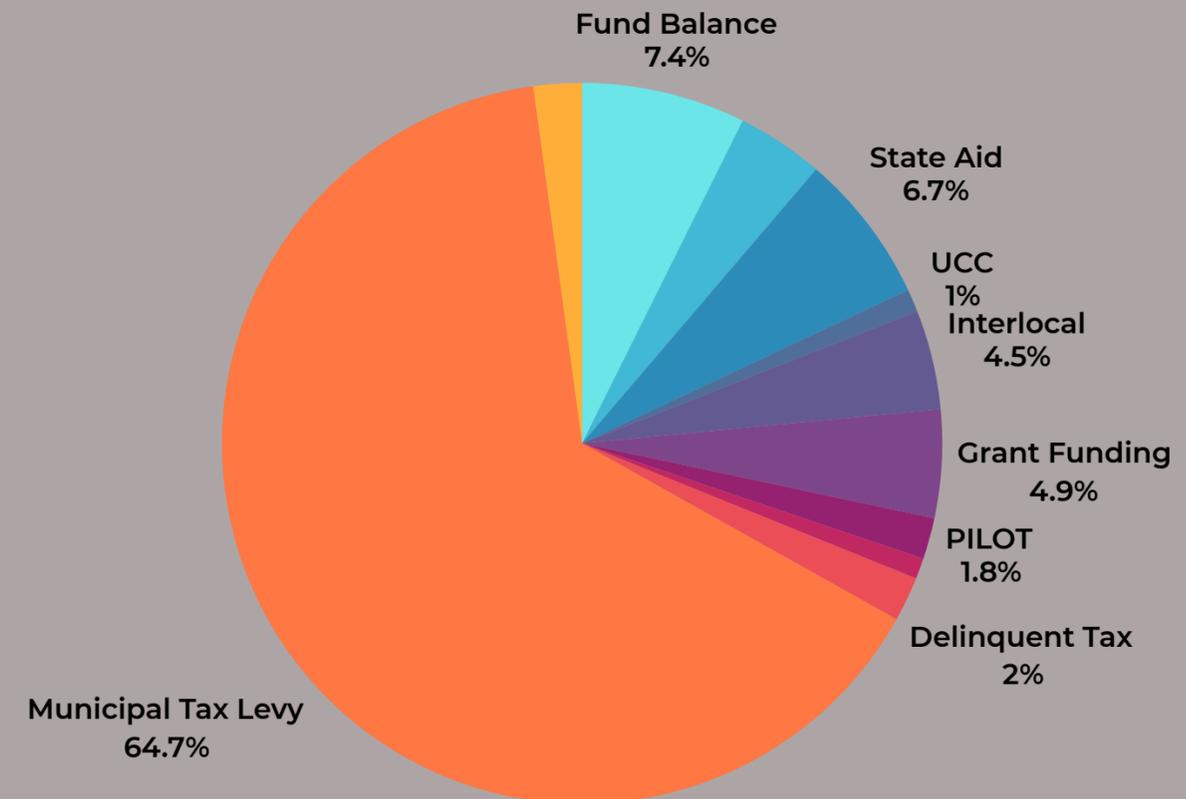
BLOOMFIELD TAX LEVY

2024 Municipal Revenue

\$105,434,880

- 68,229,067 Tax Levy
- 7,765,141 Fund Balance
- 7,116,113 State Aid
- 5,118,069 Grant funding
- 4,701,919 Interlocal Receipts
- 4,108,602 Miscellaneous Revenue
- 2,292,866 Library Levy
- 2,108,000 Delinquent Tax Receipts
- 1,942,629 PILOT Receipts
- 1,072,193 Construction Code
- 980,281 Cannabis

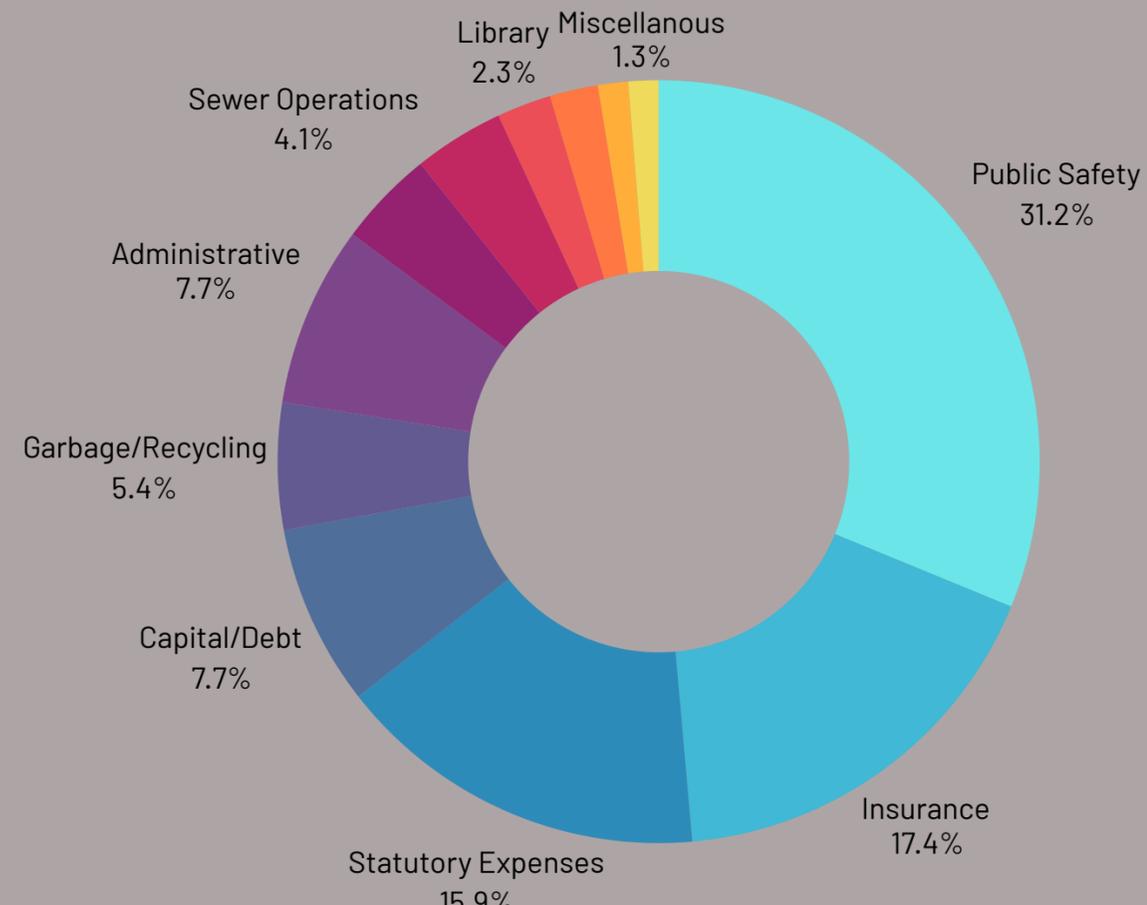
- 66% of the Municipal Budget is funded by Property Taxes.
- Grant Funding of 5% is very high compared to other local municipalities



2024 Municipal Expenses

(Including Library Funding)

- **354,446 Average Residential Assessed Value**
- **\$4,703 Average Annual Municipal Tax**
- **\$391 Per Month for Municipal Services**



Category	Average Monthly Cost
Public Safety	\$ 122
Insurance	\$ 68
Statutory Expenses	\$ 62
Capital/Debt	\$ 30
Garbage/Recycling	\$ 21
Administrative	\$ 30
Sewer Operations	\$ 16
Public Work	\$ 15
Library	\$ 9
Utilities	\$ 8
Parks and Recreation	\$ 5
Miscellaneous	\$ 5
TOTAL	\$ 391

General Questions?