

EXPLANATORY STATEMENT	
BUDGET MESSAGE	
<p>2006 OPERATING BUDGET</p> <p>The Warren County Board of Chosen Freeholders (“the Freeholder Board”) presents herein the 2006 County Budget for public review and comment.</p> <p>This spending plan appropriates \$97,850,550 for programs and services, requiring \$60,036,930 in local property taxation. The Freeholder Board continues to balance the provision of necessary services to the public with prudent fiscal management for the benefit of the County’s taxpayers. Moreover, as the County’s population continues to grow, County services are being provided to an increasing number of residents, but every effort is being made to hold costs to a minimum.</p> <p>For the seventh year in a row, the Freeholder Board has crafted a budget that reduces the estimated, equalized County tax rate. The 2006 spending plan cuts an estimated 1 cent from the 2005 equalized tax rate of 53 cents per \$100 of property, putting the new estimated rate at 52 cents, a 2 percent reduction. Doing so continues to be a challenge, as contractual obligations for salaries, wages and health care costs rise yearly. The Board is committed to controlling these increasing costs, ensuring that employees have necessary coverage while retaining affordability for our taxpayers.</p>	<p>While addressing current needs, the Freeholder Board is looking to the future. Early last year, the Freeholder Board formed the Warren County Projects Committee, which has been meeting twice monthly to examine facility needs, including renovations to the historic Warren County Courthouse. In 2006, the Freeholder Board, with input from the Projects Committee, is moving forward with developing building designs to construct human services offices and a county library headquarters at the county government campus in White Township. Moreover, the county plans to bring an historic but vacant structure at its Mansfield Township campus back into use as office space by remodeling a building that dates to the 1700s and has been owned by county government since 1830.</p> <p>These projects and others continue the Freeholder Board’s ongoing commitment to a “pay as you go” philosophy that can be appreciated by any taxpayer. The new budget retires \$1.1 million in debt, and maintains a conservative surplus of funds.</p> <p>The budget dedicates \$8.8 million for capital projects, which in addition to routine infrastructure and building improvements includes \$4.5 million to fund modernization of the telecommunications systems in county offices, building repairs at Warren Haven, construction of a garage to protect new public safety vehicles, and the initial phases of an</p>

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EXPLANATORY STATEMENT - (Continued)

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upgrade of the county's 911 emergency communications system. Without these extraordinary but vital projects, the budget would have increased by a modest 1.8 percent over last year.

Moreover, the use of state and federal grants is planned to help defray the costs of these projects. The county also is using grants it has obtained to supply computer terminals for local police cars at no cost to the municipalities.

The Freeholder Board is committed to preserving Warren County's heritage and rural character, and accordingly plans to dedicate 25 percent of the \$6.9 million in funds generated this year through the county-wide open space, farmland and historic preservation tax to preservation of historic structures. Farmland and open space preservation continue to be top priorities, as the Freeholder Board feels that maintaining the County's agricultural heritage is vital to the stability of our regional economy, to prevent overdevelopment that strains municipal, school and county budgets, and to keep the region's roads from becoming overcrowded. Therefore, 55 percent of the open space tax will be used to preserve farmland, with the remaining 20 percent dedicated to recreation and open space projects.

The Freeholder Board anticipates that by the end of the year, 15,000 acres of farmland in Warren County will be preserved, a 50 percent increase in just two years, on approximately 150 farms.

At a time when taxpayers are feeling pressured from all levels of government, the Warren County Board of Chosen Freeholders remains committed to reducing the County tax rate to help alleviate some of that pressure.

Everett A. Chamberlain
Freeholder Director

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BUDGET ANALYSIS

The total 2006 operating budget, exclusive of state and federal grant funded appropriations, increased by \$6.9 million dollars (7.7%) from the prior year budget level.

Salaries and wages of county employees represent approximately 40% of the combined operating budget appropriations. Salary and Wage Appropriations will increase \$1.7 million (5%) over the previous year. Additional staff in the Public Safety communications center will be hired to cover the Phillipsburg area. The budget contains provision for wage increases for all county employees. Approximately 25 % of the overall budget growth was attributed to increases in this category of expenditures.

Operating Expenditure (OE) appropriations in the budget increased by \$2.2 million (4.7 %) over the prior year. Approximately 24% of this OE increase is the result of a \$520 thousand dollar (4%) increase in the cost of providing health care and workers compensation insurance coverage for the county’s employees as well as increases in the cost of property and casualty liability insurance premiums.

Utility costs increased approximately \$200 thousand dollars (9 %) over the amounts appropriated in the 2005 budget due to increases in commodity prices.

The county share of the cost of maintaining county residents in State mental hospitals increased \$480 thousand dollars (9.3%) due to prior year adjustment billings from the State Department of Human Services.

Appropriations for education increased \$210 thousand dollars (3.2%) over the 2005 budget appropriation as a result of increases in the County Technical School, Special Services School District and County College operating budgets. The cost of tuition subsidies for residents attending county colleges in other counties decreased \$50 thousand dollars (28%) this year due to a decline in enrollment in those institutions.

Statutory Expenditures for employer pension and social security contributions increased \$640 thousand dollars (19.6%) primarily due to increases in the cost of mandatory contributions for the employee’s retirement systems and FICA tax increases relating to wage increases. Under NJ law, the county is obligated to pay the actuarially determined pension fund liability.

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Public safety program costs increased \$280 thousand dollars (9.4%) due to increases in the number and operating costs for housing inmates in the correctional center and youth housed in the juvenile detention facility.

General Government program costs increased \$175 thousand dollars (8.4%) due to increased professional contracted services costs. In addition the Board has decided to increase public awareness of current issues and county administered programs and services by publishing a periodic newsletter explaining the issues and services available to the citizens of the county.

The Public Works services budget increased \$150,000 (4.5%) primarily due to increases in the cost of road construction and maintenance materials and repair parts for the county's motor vehicle fleet.

All other departmental and program budget operating expenditures remained relatively constant or decreased as a result of the Boards determination to lower departmental operating costs.

The 2006 Budget will continue to adhere to the pay-as-you-go philosophy to finance our capital improvement needs. The capital improvements funded by appropriations from the 2006 current year budget increased \$4.1 million (86%) from 2005 levels.

The county will begin replacing the obsolete countywide telecommunications systems and Public Safety communication systems at a cost of \$4.3 million dollars in 2006. Additional funding will be required in future years to complete the projects. The projects are included in the County's Six Year Capital Improvement Plan this year will not require the county to incur any additional long term debt. Other projects scheduled during the year are part of an ongoing replacement and improvement program and the level of effort expended for these purposes is consistent with prior years. The Board feels that the level of capital appropriations proposed in the 2006 Capital Improvement Program are essential to adequately maintain the County's infrastructure, facilities and equipment.

Debt service requirements will decrease \$1.1 million in 2006 due to the decision of the Board to retire the \$1,000,000 Series 2004 Bond Anticipation Note (BAN) in 2005. The Board places a high priority on reducing the county's debt to minimize the financial burden on future generations.

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During the past several years, the Board has been able to maintain existing levels of services while decreasing the Equalized County Purpose Tax Rate. This was accomplished by limiting the growth in budget appropriations to the greatest extent possible thereby controlling the cost of programs.

County fiscal operations generated approximately \$7 million in surplus revenues during 2005. Approximately \$7 million dollars of surplus funds will be utilized to balance the 2006 budget year. When practical, the Board follows the prudent policy of limiting the amount of surplus utilized in the budget to the amount of surplus generated in the previous year,

Miscellaneous Revenues are expected to increase \$1.1 million (4%) over the prior year due to increased fee activity in the various departments. Intergovernmental revenues for the care of patients in county institutions will increase by 4.5% in 2006.

A combination of increases in miscellaneous program funding, combined with the additional revenue derived from the growth in the tax base, resulted in a balanced budget with an anticipated 1 cent (2. %) decrease in the Equalized County Purpose Tax Rate.

During 2005, the equalized value of assessments (Tax Base) increased \$1,320,206,229 to \$11,527,422,414 at year-end. The 2005 Equalized Tax Rate was 53 cents per \$100 of Tax Base. Given the proposed County Purpose Tax, including tax refunds and credits of approximately \$200,000, the projected Tax Rate should be 52 cents. This should be welcome news to our residents, particularly those on fixed incomes.

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SUMMARY OF BUDGET APPROPRIATIONS

(Excluding State and Federal grants)

2006 Budget total	\$96.5 Million
2005 Budget total	<u>89.6 Million</u>
Increase (Decrease)	<u>\$ 6.9 Million</u>
2006 Salaries & wages	\$35.6 Million
2005 Salaries & wages	<u>33.9 Million</u>
Increase (Decrease)	<u>\$ 1.7 Million</u>
2006 Operating Expenses	\$47.8 Million
2005 Operating Expenses	<u>45.6 Million</u>
Increase (Decrease)	<u>\$ 2.2 Million</u>
2006 Capital Improvements	\$ 8.8 Million
2005 Capital Improvements	<u>4.7 Million</u>
Increase (Decrease)	<u>\$ 4.1 Million</u>
2006 Debt Service	\$ 4.2 Million
2005 Debt Service	<u>\$ 5.3 Million</u>
Increase (Decrease)	<u>\$(1.1) Million</u>

SUMMARY OF BUDGET REVENUES

(Excluding State and Federal grants)

2006 County Purpose Tax	\$60.0 Million
2005 County Purpose Tax	<u>54.6 Million</u>
Increase (Decrease)	<u>\$ 5.4 Million</u>
2006 Miscellaneous Revenue	\$29.5 Million
2005 Miscellaneous Revenue	<u>28.4 Million</u>
Increase (Decrease)	<u>\$ 1.1 Million</u>
2006 Surplus	\$ 6.9 Million
2005 Surplus	<u>6.6 Million</u>
Increase (Decrease)	<u>\$ 0.3 Million</u>
2006 Equalized Tax Base (estimated)	\$11,527,422,414
2005-2006 Tax Base Increase	\$ 1,320,206,229
Tax revenue increase based on prior year rate	\$ 7,006,710
Estimated 2006 Equalized County Purpose Tax Rate:	
	\$0.5208 per \$100 Equalized Assessed Valuation

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CAP CALCULATION

New Jersey Statutes 40A:4-45.4 et. seq. states that, subject to specific exceptions allowed by law, “In the preparation of its budget, a county may not increase the county tax levy to be apportioned among its constituent municipalities in excess of 2.5% or the cost of living index rate (established by the NJ Division of Local Government Services), whichever is less, of the previous year’s county tax levy.” The Budget CAP calculation is provided herein to demonstrate compliance with the law.

County Purpose Tax (prior year)	\$54,611,871
Less exceptions:	
Debt Service (Net of Revenues)	4,042,848
Deferred Charges to Future Taxation (unfunded)	0
Emergency Authorizations	0
Capital improvements(NJS 40A:2-21 &40A:2-22	4,737,250
Matching Funds for Federal and State Programs	39,011
County Welfare Board	791,653
Special Services School District	183,635
Vocational School	3,846,060
Out of County Vocational School	5,000
County College(1992 Base =1,499,274)	607,241
Out of County College (1992 Base 16,000)	159,000
9-1-1 Emergency Services(NJS 40A:45-4)	1,824,282
Property Casualty & Liability Insurance	1,813,096
Workers Compensation Insurance	1,011,904
Employee Medical Insurance	10,591,425
Public Employee’s Retirement System	197,951
Police and Firemen’s Retirement System	189,925
Total Exceptions	<u>30,040,281</u>
Amount on which CAP is applied	24,571,590
Increase allowed per Index Rate (2.5%)	<u>614,290</u>
Maximum Allowable County Purpose Tax Before	\$25,185,880
Additional Exceptions Per NJS 40A:4-45.4	

Add: Additional Exceptions Per NJS 40A:4-45.4		
Revenue: New Construction Improvements		<u>749,556</u>
Maximum amount before adding appropriations exempt from CAP		25,935,436
Add: Appropriations exempt from CAP limit		
Debt Service	4,179,867	
Less: State Funded College Bonds	-207,407	
Less: Open Space Tax for Open Space Bonds	-914,894	
Less: Open Space Tax for Green Trust Loans	-101,717	2,955,849
Deferred Charges to Future Taxation (unfunded)		0
Emergency Authorizations		0
Capital improvements(NJS 40A:2-21 &40A:2-22		8,809,110
Matching Funds for Federal and State Programs		62,911
County Welfare Programs net of exemptions and State revenue		745,365
Special Services School District		184,821
Vocational School		3,980,072
Out of County Vocational School		5,000
County College(1992 Base =1,499,274)		680,969
Out of County College (1992 Base 16,000)		109,000
9-1-1 Emergency Services(NJS 40A:45-4)		2,103,286
Property Casualty & Liability Insurance		1,927,107
Workers Compensation Insurance		1,047,893
Employee Medical Insurance		10,962,125
Public Employees Retirement System	606,397	
Less ERI Liability	76,815	529,582
Police and Firemen’s Retirement System		<u>369,689</u> 34,472,776
Maximum Amount to be Raised by Taxation		60,408,213
Proposed Amount to be Raised by Taxation		<u>60,036,930</u>
Amount Under (Over) CAP		<u>\$ 371,283</u>

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