

Citizens Finance Advisory Committee

2016 Princeton Budget Newsletter

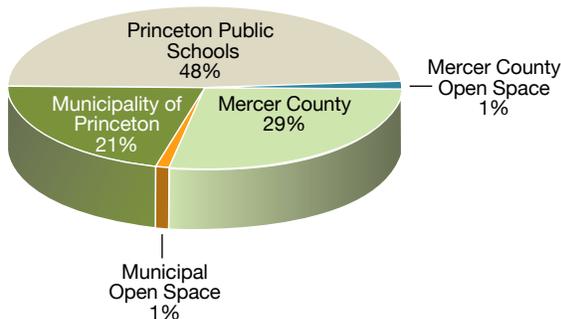


Total Property Tax Rate Increases by 2.4 Percent Municipal Tax Rate Rises by 1.9 Percent

For 2016, the total property tax rate in Princeton, including school, county and municipal taxes, increased 2.4 percent. As a result, Princeton residents whose homes are assessed at the 2016 municipal average of about \$810,000 will pay \$421 more in total property taxes (school, county and municipal taxes) than last year. Princeton's municipal tax rate is increasing by 1.9 percent, only the second increase in six years. This year's increase in municipal taxes accounts for just \$73 of the total \$421 increase for homes assessed at the municipal average. The municipal tax rise for 2016 was driven primarily by increases in fixed costs (e.g., costs for employee pensions and health insurance) combined with a flattening in non-tax revenues.

On the next page you will find a series of frequently asked questions, accompanied by answers, about your property tax bill. If you want more information about Princeton's taxes or municipal budget, please call Access Princeton at 609-924-4141 or visit www.princetonnj.gov/finance.html.

Your Tax Bill



2016 Average Tax Bill

(based on residential value of \$810,000)

	2016		Change vs 2015	
	Avg. Tax Bill	Tax Rate	Tax Rate	Tax Bill
Princeton Municipal Tax*	\$ 3,872	0.478	1.9%	\$ 73
Municipal Open Space	\$ 138	0.017	0.0%	\$ -
Princeton Public Schools	\$ 8,748	1.080	1.6%	\$ 138
Mercer County Govt & Open Space	\$ 5,581	0.689	3.9%	\$ 211
Total	\$ 18,338	2.264	2.4%	\$ 421

*Includes library tax

Letter from the Mayor

Welcome to Princeton's 2016 budget newsletter.

Here you can find information about the municipal budget and an explanation of your tax bill. Princeton continues to benefit financially from consolidation. In fact, we are saving more than originally projected by the Consolidation Commission. (See chart on p. 2.) These savings have enabled the municipality to control its portion of the tax bill.

We also benefit from the valuable work of volunteers and the generosity of private donors. Our fire department is staffed by volunteers, and the Princeton First Aid and Rescue Squad is subsidized almost entirely outside the budget with private funds. Private foundations amplify taxpayer dollars in supporting the Princeton Public Library, Recreation Department, and Corner House as well.

Various grants help pay for infrastructure improvements and other projects. A \$750,000 Mercer County grant is offsetting costs to renovate the Mary Moss Playground. The state is providing \$1,063,000 for road projects, including projects on Valley Road, Spruce, Mount Lucas, and Walnut. Two new traffic signals on Harrison at Franklin and at Hamilton will be paid for by a \$300,000 federal Safe Routes to Schools grant. A \$192,000 federal grant will underwrite the municipality's portion of a joint bike share program with Princeton University.

Non-tax revenues fund nearly one-half of our spending and we are mindful that these additional sources of revenue relieve

pressure on taxes. Later this year, Council will be reviewing rates for the parking garage and street meters. The last increase was in 2009.

Two new major housing developments will help to broaden the tax base. Avalon Bay is building 280 apartments at the former hospital site; Princeton University is building 326 units at Merwick-Stanworth, including 56 community affordable housing units. The Merwick portion of that site and the hospital site were both formerly tax-exempt.

The Council has taken steps to balance the pace of growth while preserving Princeton's unique sense of place, including formally designating the Witherspoon-Jackson neighborhood as a historic district. In addition, in response to concerns about the impact of new construction on the character of all of our neighborhoods, we launched the Princeton Neighborhood Character and Zoning Initiative, a community planning effort. To learn more, visit www.princetonneighborhoods.org.

On behalf of the Princeton Council, I want to thank our administration and finance staff and the volunteers of the Citizens Finance Advisory Committee for their guidance throughout this year's budgeting process. We are working hard to provide you with the best possible services, delivered efficiently and cost effectively.

Yours truly,
Liz Lempert, Mayor

Frequently Asked Questions

Did my 2016 property taxes go up or down?

Overall property taxes went up. In addition to a slight increase in municipal taxes, both the school tax and Mercer County tax, which account for almost 80 percent of your total taxes, rose.

- The **municipal tax** rate went up 0.9 cents from 46.9 cents per \$100 of assessed property value to 47.8 cents per \$100 of assessed value. This is an increase of 1.9 percent in the tax rate, and only the second increase in six years. For a home valued at the municipality's average assessment (\$810,000), the municipal portion of the tax bill will increase by \$73 this year.
- The **school tax** rate increased 1.6 percent; and the county tax increased 3.9 percent. The **county tax** increase reflects a 2.5 percent increase in the total county tax levy and an increase in Princeton's share of the county's total tax levy from 17.4 percent to 17.8 percent due to equalization. Equalization is used to adjust assessed property values to current market values across different municipalities. Princeton's market values have increased relative to the whole of Mercer County and, as a result, state law requires us to absorb a bigger share of county government costs.
- The **total property tax** rate increased 2.4 percent. For a home assessed at the average assessment (\$810,000) total property taxes will increase by \$421 to \$18,338 in 2016. (Please refer to the "Average Tax Bill" chart on the first page.)

Please note that the municipality of Princeton functions only as the billing and collections agent for school and county taxes. For more information on the school budget, visit the Princeton Public Schools' website at www.princetonk12.org/business/; and for more information about the Mercer County budget, visit the county's website at <http://nj.gov/counties/mercer/>.

What proportion of my property taxes supports the municipality of Princeton, the Princeton Public Schools and Mercer County?

As shown in the pie chart, "Your Tax Bill," on the first page, 22 percent of your taxes supports Princeton's municipal government and municipal open space preservation efforts. The Princeton Public Schools (48 percent) and Mercer County government and open space preservation efforts (30 percent) account for 78 percent of your property tax bill.

How much did Princeton's municipal budget change from last year?

The town's 2016 budget totals \$61,938,313, which represents an increase from 2015 of \$730,235 or 1.2 percent. Please note that residents' municipal taxes (\$33 million) fund a little more than half (53 percent) of this total budget. Contributing to the increased spending this year were increases in the cost of employee group insurance, pension payments and debt service.

(continued on Page 4)

Princeton Municipal Staff Levels



Consolidation Savings

	2015 Budget Impact	Estimated by Consolidation Commission	Difference
Reduction in Staff	-29.5	-22.5	7
Personnel Savings	\$ 3,924,452	\$ 3,431,712	\$ 492,740
Added Trash Collection Costs	(713,709)	1,280,890	567,181
Savings Before New/Improved Services	3,210,743	2,150,822	1,059,921
Cost of New/Improved Services*	(436,249)		(436,249)
Net Savings from Consolidation	\$ 2,774,494	\$ 2,150,822	\$ 623,672

* Additional staff of 6.5

Note: Total transition costs of \$2.4 million, amortized over 5 years, will reduce savings through 2017.

Access Princeton

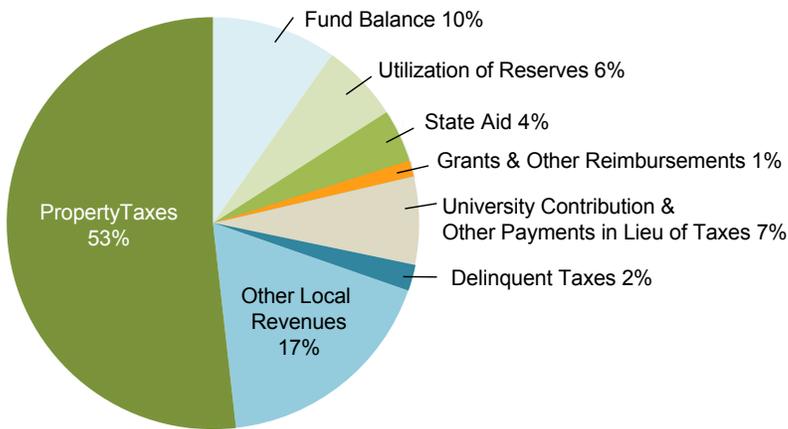
For any questions from potholes to municipal services, call 609-924-4141. Access Princeton also offers free notary services and passport help to Princeton residents.



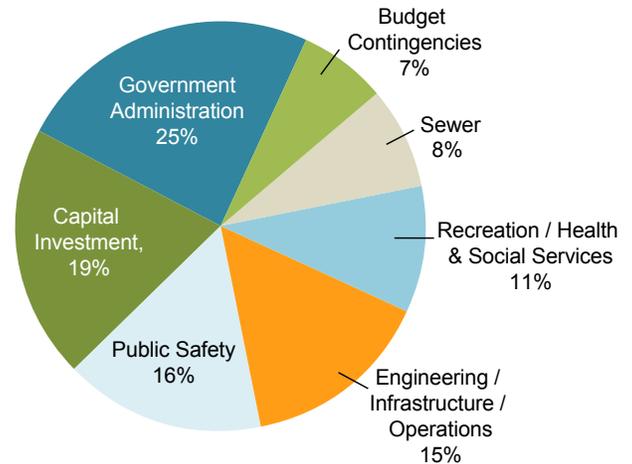
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2016 Sources of Revenue



2016 Appropriations \$61,938,313



Appropriations

	2016	2015	% change
Public Safety			
Police & Dispatch	8,168,107	8,249,170	
Fire Safety & Emergency Management	1,796,337	1,755,584	
	9,964,444	10,004,754	(0.4%)
Recreation/Health and Social Services			
Parks / Recreation / Senior Resource Center	1,209,614	1,148,375	
Health Department / Animal Control	524,951	493,431	
Library / Human Services / Corner House Counseling	4,657,017	4,603,981	
	6,391,582	6,245,787	2.3%
Engineering/Infrastructure/Operations			
Engineering / Utilities / Liability Insurance	3,557,854	3,525,330	
Roads / Buildings & Grounds / Vehicle Maintenance	3,877,669	3,883,073	
Trash Collection / Recycling	1,754,500	1,741,500	
	9,190,023	9,149,903	0.4%
Sewer			
Sewer & Solid Waste	990,185	955,030	
Stony Brook Regional Sewer Authority	3,870,000	3,850,000	
	4,860,185	4,805,030	1.1%
Government Administration			
Admin / Finance / Tax / Legal / Clerk / Planning / Zoning / Land Use	3,430,261	3,399,969	
Courts / Prosecutor / Public Defender	500,241	496,891	
Information Technology	814,446	840,207	
Pension / Social Security Contributions and Employee Insurance	8,548,476	8,128,525	
Other Salary Expense (Salary Adj, Retirement, Sick Payout)	160,000	50,000	
All Other (Grants, Busing, Environmental, Deer Management, etc.)	1,289,840	1,547,208	
Amortization of Tax Maps	25,000	25,000	
Amortization of Consolidation Expense	458,516	458,516	
	15,226,780	14,946,316	1.9%
Budget Contingencies			
Spending Contingency	1,408,600	1,408,595	
Reserve for Uncollected Taxes (Revenue Contingency)	2,914,906	2,914,902	
	4,323,506	4,323,497	0.0%
Capital Investment			
Bond Principal / Interest on Bonds / Notes	10,135,000	9,886,000	
Sewer & Green Trust Debt Service	1,496,793	1,496,793	
Capital Improvement Fund	150,000	150,000	
Storm-Related Road Repair	200,000	200,000	
	11,981,793	11,732,793	2.1%
Total Budget	61,938,313	61,208,079	1.2%

Frequently Asked Questions *(continued)*

Spending for salaries and wages was also budgeted to increase 0.2 percent, which includes funding for an additional three staff members. Total staffing is still lower than the combined staff numbers prior to consolidation. (See staff level chart on p. 2.)

It has been three years since the former borough and township merged. Wasn't consolidation supposed to lower my taxes?

Consolidation did help reduce taxes in 2013, hold taxes flat in 2014, and keep increases minimal this year and last. Princeton realized the bulk of its savings from consolidation by the end of 2014. These savings continue to help us offset rising costs, but consolidation was never conceived of as providing dramatic tax reductions year after year after year. Nonetheless, the savings from consolidation are real — and significant. The Citizens Finance Advisory Committee (CFAC) conducted a review to estimate how the actual savings from the merger compared with the original estimates of the Consolidation Commission. In a report to the municipal council last year, CFAC documented that the savings from consolidation were greater than the Consolidation Commission had projected. Savings from consolidation, as envisioned by the commission, were to be realized by reorganizing, combining and “right sizing” similar departments from the two former municipalities. These savings were to be offset by the higher trash collection costs of extending trash collection to the former township and by various expenditures related to implementing the merger. In 2015, the third year of the merger, CFAC determined that the net savings of the merger that year were \$2.77 million (not counting merger costs spread over five years, but counting expenditures on new and expanded services). This \$2.77 million savings exceeded the Consolidation Commission's estimate by \$624,000. (See chart on page 2.)

What is Princeton's level of debt and what is being done to manage it?

At the beginning of 2016, outstanding debt was \$93.8 million, a decrease of \$5.5 million from 2015, and \$11.3 million from 2014. Debt and associated capital spending are being managed to ensure that future debt service costs remain within an acceptable range while still investing appropriately to maintain our roads, buildings, parks and municipal equipment. The municipality continues to maintain its top-ranked AAA rating from municipal bond-rating agencies, indicating their highest confidence in the municipality's ability to meet its financial obligations.

How does Princeton University help to offset my property taxes?

In addition to owning a large number of tax-exempt properties, Princeton University owns the most taxable property in town and is the largest taxpayer. Moreover, as part of a seven-year agreement reached between the university and the municipality in 2014, the university will voluntarily contribute more than \$2.97 million to the town in this third year of the arrangement. This is a 4 percent increase from last year, and the agreement calls for yearly 4 percent increases until it ends, at which point the university's contribution will total \$21.72 million. The municipality has flexibility to use these funds as it chooses, and the seven-year term of the agreement helps the municipality with its long-term financial planning. Additionally, as part of the agreement, the university is contributing a total of \$2.59 million to fund other municipal projects, including paying for a new fire truck that will be in service shortly. Beyond the property taxes it is required to pay as the owner of taxable properties, the university also has agreed to pay taxes on properties that could be tax-exempt, such as graduate student housing. Including these properties and all other taxable properties owned by it, the university's total 2015 property tax payment was almost \$8.9 million. Of that amount, \$1.9 million went to the municipality.

Are my municipal taxes the only way that services are funded in Princeton?

First of all, our taxes fund just over one-half the cost of the services of police, public works, the recreation department, etc., that is included in the budget. The balance is funded by user fees, state aid, grants, contributions negotiated with Princeton University and other sources. Secondly, additional funding for a number of municipal services is not included in this budget. The Citizens Finance Advisory Committee has calculated that Princeton benefits from about \$6 million in such additional spending for such entities as the public library, Corner House, recreation department and the Princeton Senior Resource Center. Provided through private fund raising, foundations and other sources, these funds in effect, stretch residents' tax dollars by almost one-fifth. Other volunteer-based organizations, such as our fire department and first aid & rescue squad, provide invaluable services but are not covered by our municipal budget and are supplied with untold hours of time from dedicated citizens.

You May Be Eligible for Tax Relief

New Jersey offers property tax deductions for seniors, seniors who are disabled, and qualifying war veterans or their surviving spouses. Disabled veterans who qualify, or their surviving spouses, may be exempt from their property taxes.

For more information, please visit the NJ Division of Taxation Website <http://www.state.nj.us/treasury/taxation/relief.shtml> or call **Neal Snyder, Princeton Tax Assessor, at 609-924-1084.**

The Citizens Finance Advisory Committee

The Citizens Finance Advisory Committee (CFAC) is a volunteer body made up of financial professionals from the community who share their expertise with the municipality.

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Special thanks to
Roger Shatzkin