

Citizens Finance Advisory Committee

2014 Princeton Budget Newsletter



Princeton Keeps Municipal Taxes Flat — County & School Taxes Rise

For 2014, Princeton's municipal taxes remain the same as last year's. Princeton was able to hold the line and keep taxes flat largely as a result of continuing savings from consolidation. By contrast, school and county taxes have continued to rise, pushing up the total property taxes paid by Princeton residents. 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 taxes or about Princeton's municipal budget, please visit www.princetonnj.gov or call 609-924-4141.

Letter from the Mayor

Welcome to the second Citizens Finance Advisory Committee newsletter of the consolidated Princeton. This year has been a busy one as we've focused on continued savings from consolidation while emphasizing services for residents.

Princeton now has a one-stop call center for all municipal inquiries. Whether you are reporting a pothole or looking for a copy of your marriage license, or anything else in between, you can call 609-924-4141 to have your question answered by a staff person who can assist you during work hours. We will soon be launching a companion app for submitting inquiries electronically 24/7. This streamlined process of responding to requests will help you get the most out of your government.

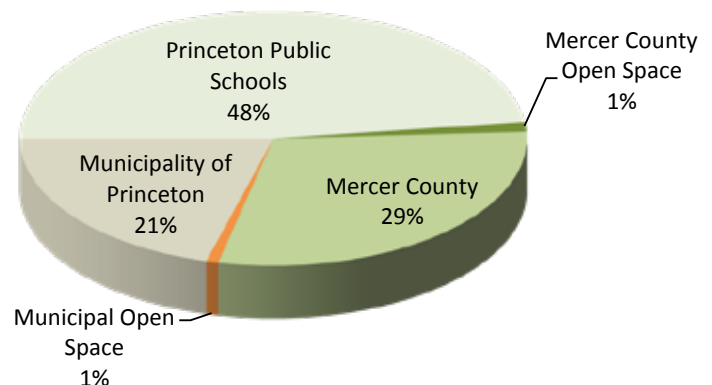
As a consolidated government, we have strengthened our relationships with other community institutions. The municipality has partnered with the Princeton Public Schools and the Princeton Public Library to hire a joint network administrator for information technology. Each institution stands to gain from the shared position through lower costs and increased service hours. The schools, library and municipality have also started discussions about working together to reduce energy usage and adopt renewables.

As another sign of strengthened community relationships, the municipality signed a Memorandum of Understanding with the Princeton First Aid and Rescue Squad. The squad will build its much-needed new headquarters at the site of the former township's public works facilities, which are now sitting dormant. In exchange, the town will acquire the squad's existing buildings and property near the Shopping Center for potential use for affordable housing.

I look forward to working with my colleagues on Council, the hundreds of volunteers on our boards and commissions, and the larger Princeton community to continue building on our successes and to create a more affordable, sustainable and innovative government that remains responsive to residents' needs.

Yours truly,
Liz Lempert, Mayor

Your Tax Bill



2014 Average Tax Bill (based on residential value of \$795,000)

	2014		Change vs 2013	
	Avg. Tax Bill	Tax Rate	%	Tax Bill
Princeton Municipal Tax *	\$ 3,601	0.453	-0.2%	\$ (8)
Municipal Open Space	\$ 135	0.017	0.0%	\$ -
Princeton Public Schools	\$ 8,324	1.047	2.0%	\$ 167
Mercer County Govt and Open Space	\$ 5,311	0.668	5.4%	\$ 271
Total	\$ 17,371	2.185	2.5%	\$ 430

* includes library tax

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Municipality of Princeton
400 Witherspoon Street
Princeton, NJ 08540

609-924-4141

Frequently Asked Questions

Did my 2014 municipal taxes increase?

The municipal tax rate is being held at the same rate as last year's, which was lowered after consolidation. There has not been a tax increase in Princeton since 2010.

Did my overall 2014 property taxes go up or down?

Overall property taxes increased, because the school and county portions of your tax bill increased. For the average Princeton residence valued at \$795,000, the overall tax bill increased \$430 in 2014 (see "Average Tax Bill" chart on first page). School and county taxes represent the majority of the property taxes you pay. Those taxes increased 2 percent and 5.4 percent, respectively, and account for the entire increase in your 2014 property tax bill.

What proportions of my property taxes support the municipality, the schools and the county?

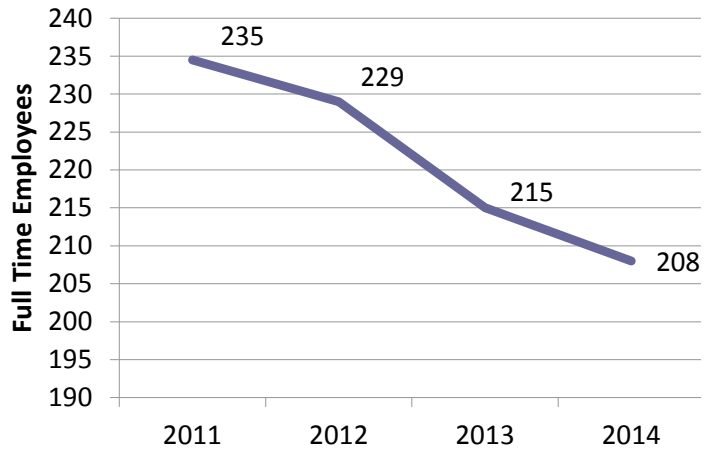
As shown in the pie chart, 'Your Tax Bill,' on the first page, 22 percent of your taxes supports Princeton's municipal government and municipal open space preservation efforts. The Princeton Public Schools account for 48 percent of your tax bill, and Mercer County government and open space preservation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

Do my municipal taxes reflect savings from consolidation?

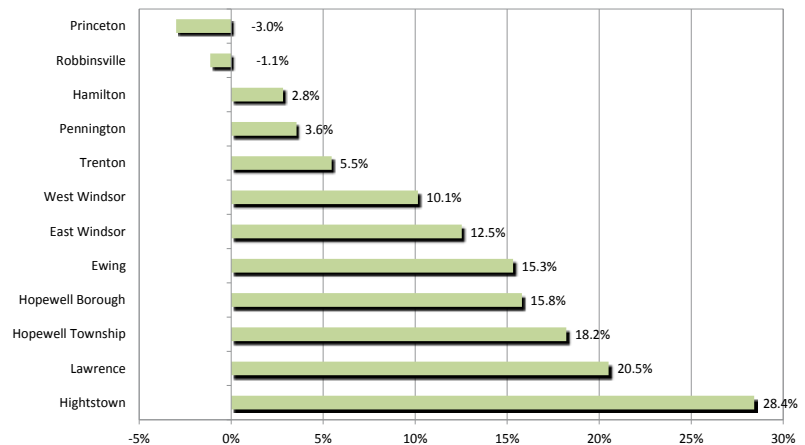
Yes, municipal taxes are lower due to savings from consolidation. Last year's consolidation of Princeton Borough and Princeton Township reduced the size of the combined municipal governments from 235 employees in 2011 to 208 employees in 2014 (see graphic this page). As a result, Princeton was able to cut its municipal tax rate in 2013 for the first time in many decades. These consolidation savings are permanent and, in fact, will grow in 2014 because of the full-year salary savings from staff who departed during 2013. Savings are partially offset by other increases in expenses, especially salary adjustments as a result of consolidation, salary increases resulting from collective bargaining and costs of road repairs. However, Princeton stands in stark contrast to nearly all other Mercer County municipalities in that it has managed to maintain or reduce its municipal tax rate (see chart on Mercer County municipal tax trends). Additional consolidation savings are expected in future years as the top-heavy salary structure of some departments becomes better aligned through retirements and attrition. Nonetheless, normal budget pressures will continue and may not allow for flat municipal tax rates to continue.

(continued on back page)

Princeton Municipal Staff Levels



Mercer County Municipal Tax Trends 2010-2013*



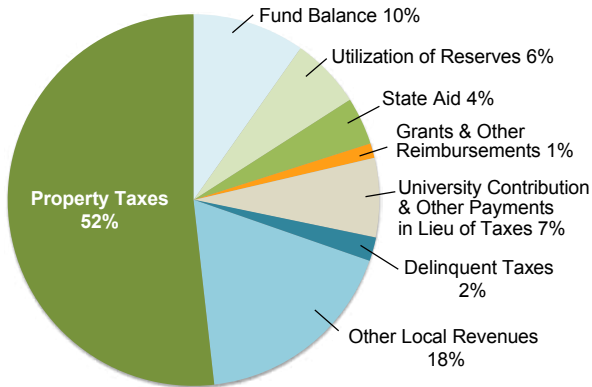
*Based on 2010-2013 Abstracts of Ratables for Mercer County and not adjusted for any intervening revaluations.

You May Be Eligible for Tax Relief

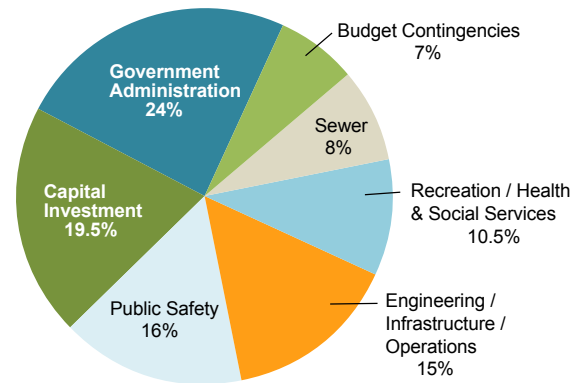
New Jersey offers property tax deductions for seniors, seniors who are disabled, and qualifying war veterans or their surviving spouses. Disabled veterans who qualify, or their surviving spouses, may be exempt from their property taxes.

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

2014 Sources of Revenue



2014 Appropriations \$59,296,780



Appropriations

	2014	2013	% change
Public Safety			
Police & Dispatch	7,868,132	7,662,447	
Fire Safety & Emergency Management	1,654,784	1,607,203	
	9,522,916	9,269,650	2.7%
Recreation/Health and Social Services			
Parks / Recreation / Senior Resource Center	1,119,303	1,096,181	
Health Department / Animal Control	510,812	447,869	
Library / Human Services / Corner House Counseling	4,499,530	4,352,233	
	6,129,645	5,896,283	4.0%
Engineering/Infrastructure/Operations			
Engineering / Utilities / Liability Insurance	3,564,845	3,108,990	
Roads, Buildings, Grounds, Vehicle Maintenance	3,524,905	3,488,366	
Trash Collection / Recycling	1,550,000	1,800,500	
	8,639,750	8,397,856	2.9%
Sewer			
Sewer and Solid Waste	917,015	919,218	
Stony Brook Regional Sewer Authority	3,890,000	3,950,000	
	4,807,015	4,869,218	-1.3%
Government Administration			
Admin / Finance / Tax/Legal / Clerk / Planning / Zoning / Land Use	3,307,571	3,120,779	
Courts / Prosecutor / Public Defender	537,234	537,859	
Information Technology	633,880	521,320	
Pension / Social Security contributions and employee insurance	7,759,257	7,754,447	
Other Salary Expense (salary adj, retirement sick payout)	475,000	425,000	
All other (Grants, Busing, Environmental, Deer Management, etc.)	1,210,537	1,246,098	
Amortization of Storm Expenses (Sandy & Irene) Tax Maps and Reval	25,000	746,602	
Amortization of Consolidation Expense	458,516	458,516	
	14,406,995	14,810,621	-2.7%
Budget Contingencies			
Spending contingency	1,408,595	2,377,999	
Reserve for Uncollected Taxes (revenue contingency)	2,918,821	3,483,205	
	4,327,416	5,861,204	-26.2%
Capital Investment			
Bond Principal / Interest on Bonds / Notes	9,481,250	9,481,502	
Sewer & Green Trust Debt Service	1,456,793	1,582,133	
Capital Improvement Fund	250,000	250,000	
Storm-related Road Repair	275,000		
	11,463,043	11,313,635	1.3%
Total Budget	59,296,780	60,418,467	-1.9%

The Citizens Finance Advisory Committee

The Citizens Finance Advisory Committee is a volunteer body made up of financial professionals from the community.

Scott Sillars, *Chair*
Will Dove
Adrienne Kreipke
Brian McDonald
Gary Patteson

Staff Liaisons
Kathryn Monzo, *Deputy Administrator*
Sandra Webb, *Chief Financial Officer*

Special thanks to Roger Shatzkin

Government Liaisons
Council: Jo Butler, Patrick Simon
Mayor Liz Lempert

Citizens Finance Advisory Committee (CFAC) Highlights

Over the past 18 months, CFAC has:

- Analyzed and provided advice on the initial consolidated budget and the 2014 budget.
- Reviewed initial capital spending plans, anticipated resultant debt service cost and its potential impact on future budgets and tax rates (most of Princeton's debt is directly the result of borrowing to fund capital spending on infrastructure — roads, sewers, sidewalks, buildings and equipment, etc.).
- Proposed to Council a series of written financial policies to help guide decision making and to communicate priorities. CFAC undertook this effort partly in response to the fact that municipal bond-rating agencies now place greater emphasis on written policies, and also in order to merge, document and strengthen our financial policies for the consolidated municipality. Policies included a budget process and timetable, target levels of Fund Balance (surplus) to be maintained, and policies with respect to debt management and levels, capital planning and capital investment.

Frequently Asked Questions *(continued)*

What is Princeton's level of debt?

What is being done to manage it?

At the beginning of 2014, outstanding debt was \$104.9 million, a reduction of \$4.3 million from 2013. Debt and associated capital spending are being managed to ensure that future debt service costs remain within an acceptable range. The Citizens Finance Advisory Committee (CFAC) is analyzing whether the municipality is investing adequately to maintain and improve its infrastructure to meet taxpayers' expectations. Consolidated Princeton received an AAA bond rating in October 2013. The AAA rating is the top possible ranking from municipal bond-rating agencies, indicating their highest confidence in the municipality's ability to meet its financial obligations.

What is Princeton University's voluntary contribution to the municipality's budget this year? Going forward, what are the terms of the university's agreement to contribute to the municipality?

The municipality of Princeton and Princeton University reached an agreement in April on a seven-year financial contribution by the university. The terms of this multi-year agreement call for a payment of \$2.75 million in 2014, an increase of \$275,000, or more than 10 percent, over the university's payment in 2013. The university's contribution will increase by 4 percent each subsequent year, and will total \$21.72 million by the end of the seven-year period. The municipality may use the funds as it chooses. The seven-year term of the agreement will allow the municipality to plan its own long-term finances.

In addition, the university will contribute a total of \$2.59 million to fund specific municipal projects, including \$250,000 toward construction of a new storage facility for the town's Department of Public Works, \$500,000 toward construction of a new Princeton First Aid and Rescue Squad facility, \$250,000 toward the expansion of the Witherspoon Street Fire Station and \$500,000 toward the purchase of firefighting equipment. The agreement also memorializes the university's longstanding practice of leaving some properties, such as graduate student

housing developments, on the tax rolls even though, by law, they could be exempt from property taxes. In 2013, the university paid a total of \$2.98 million in taxes on those properties. Note that these voluntary contributions are in addition to property taxes that the university is required to pay as the owner of taxable properties. The university's total 2013 property tax payment in Princeton was \$8.35 million, making it the largest taxpayer in town. Of that amount, \$1.85 million went to the municipality.

Are costs of consolidation reflected in the budget?

Yes, \$2.3 million of consolidation costs is being paid for over five years, and the 2014 budget includes the second installment of \$458,516. Although 2014 is the second year of repaying consolidation costs, it is the first year with a budget impact. The first installment in 2013 was offset by a one-time incentive payment from the State of New Jersey. The absence of this supplemental state aid in 2014 is reflected as a \$464,000 revenue reduction for Princeton.

What accounts for the \$1.1 million decrease in Princeton's overall budget, which goes from \$60.4 million in 2013 to \$59.3 million in 2014? Why isn't this reflected as a decrease in my municipal taxes?

The \$1.1 million reduction in the budget reflects an effort initiated by CFAC to budget more tightly based on actual experience. This year's budget incorporates CFAC's recommendations to significantly reduce contingencies in an effort to stabilize Princeton's surplus at a prudent level, rather than continue to let it grow. The spending contingency has been reduced by \$1 million and the revenue contingency (i.e., Reserve for Uncollected Taxes) has been reduced by approximately \$500,000. This budget reduction is offset by various increases, the most significant of which is a decision to fund the engineering department's staff through the operating budget rather than through the bond-funded capital budget. The net \$1.1 million reduction in budgeted appropriations did not lead to a reduction in property taxes because other revenue categories, such as state aid and utilization of reserves, decreased.