

# Unprecedented Cut in State Aid Results in 2010 Municipal Tax Increase

By Karen Kennedy-Hall  
AAP Editor

Reductions in overall spending, less staff and concessions by all township public employees weren't enough to stave off a tax increase this year to close a \$1.4 million deficit left by a huge cutback in state aid that together added up to more than double the amount of aid severed from the two previous years.

"Before we received word of the state aid cuts in late March, we had taken numerous steps to bring us to a zero percent tax increase this year," said Township Administrator Ed Grochowski, who, along with the Mayor Rick Taylor, Township Committee members and Chief Financial Officer Ron Crane, helped to craft the budget.

One of those steps was to switch to once a week trash collection, which was enough of a savings to ward off the cost increases and have a zero percent increase in the garbage district this year, said Grochowski.

In addition, he said, the township had already completed the collective bargaining process with all the unions when the figures were released for the reduction in state aid to municipalities.

"At that point, there was nowhere else to go because if we didn't impose a tax increase, we would have to go back and lay off public safety department employees, including police, fire and emergency medical services personnel, which we felt would jeopardize the town's operation and negatively impact the delivery of services to our residents.

Mayor Taylor said trimming the budget was difficult but fair under the current economic conditions and it definitely helped when all the employees, including the Township Committee and public safety, agreed to make concessions.

"The good news is we do have a 0 percent increase in the garbage district tax," said the Mayor.

"Would we have liked to have a zero percent tax increase on the municipal side? Yes, of course. And we would have had that if the state hadn't suddenly reduced our municipal aid by

21 percent, which together was more than double the reduction we faced in the past two years,” the Mayor said. “But, after all is said and done, in this climate, I believe we did everything we could and it just wasn’t possible to eliminate a tax increase.”

The budget will ask taxpayers to contribute 6.6 percent more. That will cost a resident, owning a home assessed at \$90,000, about \$99.50 a year more for the municipal and garbage portion of the tax bill.

Administrator Grochowski, in explaining the budget, said there are many different factors, too voluminous to mention, including some items mandated by law, which go into creating the municipal budget.

He said that even though there may be a decrease in one area, it does not directly equate to a decrease in taxes.

“The budget document is 4 inches thick and took many, many months to put together so to thoroughly explain everything that goes into it is impossible but some highlights will help clarify a number of points,” he said during an in-depth interview.

The main components of the budget include overall spending, which is made up of fixed spending and outside costs, anticipated revenue and ratable losses.

This year, the total budget, or overall spending, was decreased by 4.1 percent to \$35.6 million, down by \$1.5 million from the \$37.1 million last year.

Some of the fixed spending costs include salaries and wages, employee benefit payments, utility costs and departmental operational expenses.

By reducing the staff by 47 positions — 17 full time through attrition and 30 part time positions were eliminated — it reduced salary expenses by 8.6 percent to \$15.5 million, down from 17 million in 2009.

Examples of larger outside costs beyond the township’s control include employer pension contributions, liability and auto insurance premiums, and workers compensation expenses.

The employer pension contribution has been growing each year and this year it increased by 11.2 percent. Although it is a fixed cost because the township is required by law to make the payment, the amount varies from year to year.

“Insurance premiums also rose 32 percent but we were able to negotiate it lower, down to 18 percent,” said the Administrator.

In addition, employee concessions helped save the township 2.5 percent in salary and wage expenses.

All employees, including non-union, management and elected officials, and unions, including public safety, through a collective bargaining process, agreed to pay 1 percent toward health care premium costs, said CFO Crane.

“Across the board, all employees agreed to four furlough days too,” said Crane, “saving the township 1.5 percent in 2010 salary expenses.”

Crane said also included in the budget is a fixed reserve for uncollected taxes.

“The township’s tax collection rate is about 96.5 percent which leaves 3.5 percent in uncollected revenue,” Crane said. “We have to find the money the following year to raise the difference because of what we lost. And last year, the uncollected revenue increased by a quarter million dollars.”

He said another variable is ratable losses, which includes tax appeals and ownership reverting to tax exempt status.

“When there’s an appeal and the taxes are lowered, the school, county and garbage get the full amount of the original taxes billed. That lost revenue is then absorbed by the township,” he said. “In 2009, the township paid over \$350,000 in lost appeals. That was lost revenue.”

The 2010 Pennsauken Municipal Budget was on the agenda to be adopted at the June 23 Township Committee meeting.

“Laying out the components that make up the township budget is extensive and sometimes confusing,” said Mayor Taylor. “Please do not hesitate to contact us with questions or for clarification.”

The budget is available for review in the Township Clerk’s office from 8:30 a.m. to 4 p.m. Monday through Friday. To make an appointment, call (856) 665-1000 Ext. 122.