

THE CITY OF SUMMIT

NEW JERSEY

CITY HALL 512 SPRINGFIELD AVENUE SUMMIT, NJ 07901

News Release

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Paying for Public Services and Capital Projects in Challenging Times

May 21, 2024

Dear Summit Residents:

As your Council President, I would like to recap some details from our 2024 budget meeting. Each year the city, through its staff and Common Council, works diligently to balance the demands of maintaining high quality and valuable municipal services residents have come to rely on and expect, while prudently managing our financial resources. Council's paramount goal is to enhance quality of life and public safety for residents while covering rising costs and safeguarding Summit's future fiscal strength and health.

Understanding the Budget

After a thorough and thoughtful process, the Common Council adopted the 2024 budget on May 7, 2024. The two-cent increase in the municipal tax rate is the same increase each year over the last three years (with 2022 being slightly lower) and will enable the city to maintain desired services while dealing with external pressures such as inflation, a pandemic, and increasing unfunded state and federal mandates.

Only 21 cents of each tax dollar fund our municipal budget. The balance goes to the County of Union and Summit Public Schools. In 2024, the county will collect \$35.9 million, the schools will collect \$72.1 million, and the city will collect \$31 million from Summit taxpayers. Summit's estimated levy of \$31 million is the lowest of the three and comes along with its own significant obligations to its residents. This relatively small portion underscores the efficiency and challenges with which we manage city resources.

The Budget includes two components – Operating Budget and Capital Budget

The operating budget primarily covers the day-to-day operating costs of city services. In contrast, the capital budget supports longer term investments in city infrastructure and assets.

- 2024 annual operating budget at \$57.15 million up \$2.08 million from 2023, versus 2023 annual operating budget at \$55.063 million; and
- 2024 capital budget at \$4.07 million, versus 2023 capital budget at \$1.99 million.

After reducing capital expenditures in 2022 and 2023 to \$2 million per year to reduce municipal debt, the capital budget has been increased to just over \$4 million, restoring the capital budget to previous funding levels of \$4 to \$5 million per year. We needed to return to a more responsible level to maintain and replace capital assets such as roads, sewer and drainage infrastructure, fields and recreation facilities. Capital investments not only provide the foundation for public services and functions but also support the property values Summit residents expect and enjoy. Capital investment also reasserts the city's commitment to revitalizing and sustaining its infrastructure to meet community needs and effectively maintain its assets.

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Capital expenditures have ranged over the last 10 years, from \$2 million in 2014 to a projected \$4.1 million in 2024, funding needed capital repairs and replacements along with two major capital investments. This includes the Community Recreation Center at \$11 million in 2015 and \$16.75 million for the firehouse in 2019.

Overview of the Six-Month Budget Process

The Budget Process begins in October when City Administrator Michael Rogers meets with department heads to draft preliminary department budgets. This initial phase is followed by a public meeting in December, where departments present their capital needs. The finance committee meets weekly with staff over four months to refine these requests. A city budget is introduced in March or early April, and a public hearing occurs at least 28 days later.

Tax Impact

- In 2024, there was a two-cent increase (per \$100 of assessed value) in the municipal tax rate from 2023.
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In 2024, Summit's average residential home assessment value is \$435,648. Using this assessed value, a homeowner will see an average estimated increase of \$163 in their total tax bill with \$92 as the municipal portion. For comparison purposes, in 2023, the same property owner saw a \$190 increase in their total tax bill with \$100 as the municipal portion.

During the budget process, Administrator Rogers shared valuable insights into strategic financial management and careful planning that is foundational to this year's budget. He emphasized the commitment to maintaining and enhancing the quality of life of residents through well-considered allocations.

This includes a focus on vital capital improvements and the continuation of essential public services and resource management. Fortunately, the city's tax base valuation growth of \$82 million will generate about \$741,000 of new tax revenue. The new revenue will provide just over 50% of the tax revenue that is required to balance the budget, and that, combined with a modest property tax increase, will ensure property owners will not incur a 5% increase.

The municipal tax increase of 2.3% this year is slightly lower than last year's increase of 2.5%. Tax bills will rise by \$0.02 per \$100.00 in assessed value. To counteract inflation and other cost increases, some tax increase is needed each year to achieve this goal.

Two important parts of the municipal budget are the fund balance (or surplus) and the reserve for uncollected taxes. The fund balance is used as a revenue source in the annual municipal budget as well as for emergencies or large unanticipated expenses. The reserve for uncollected taxes is a line-item on the appropriation side of the budget that is used to cover any uncollected taxes in a budget year. Any unused portion of the reserve for uncollected taxes lapses into the fund balance each year. This process allows the city to stabilize the need for new tax revenue from year to year to fund city services, thereby avoiding

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large swings in budgets and tax rates. This is critical for maintaining financial health and ensuring that city services can be funded without imposing unanticipated future financial burdens on Summit's taxpayers.

Moving Forward Together

We have created a responsible budget that mirrors the priorities of our community without compromising the purse. We are listening to you, adapting, and working every day to make sound decisions for the city fiscally, programmatically, and out of legal obligation. We are proud of the sound stewardship the budget provides for our community in 2024. I strongly encourage all members of our community, in addition to participating at Common Council meetings, to also participate actively at Board of Education and Union County Commissioner meetings. Engaging in these forums is crucial for voicing opinions on fiscal strategies and advocating for prudent spending across all governmental entities. Together, we can ensure that Summit remains a vibrant and financially sound community for all its residents.

Sincerely,
Council President Lisa Allen
City of Summit, NJ
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