

NEW JERSEY

SUMMIT



2016 Municipal Budget



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TO: Citizens of the City of Summit
Mayor Nora Radest
Common Council Members

FROM: Michael F. Rogers
City Administrator

DATE: April 5, 2016

SUBJECT: **2016 City of Summit Municipal Budget**

As mandated by New Jersey Local Budget Law, and in accordance with the City of Summit Code, I am submitting Summit's 2016 Municipal Budget ("Municipal Budget") to the Common Council for consideration, authorization and adoption.

The Common Council's Finance Committee carefully examined the 2016 annual operating budget and capital improvement project requests submitted by City Department Heads and Division Managers. After several months of extensive review and discussion, the Finance Committee and key City staff formulated an annual financial plan that sufficiently balances operational needs with prudent stewardship of public monies. To this end, the proposed Municipal Budget reflects the City's commitment of preserving its sound financial position and quality of life through efficient allocation and management of limited resources while being mindful of its long-range fiscal capacity and strategic debt management practices. Further, the Municipal Budget reinforces the City's high level of service delivery goals and provides significant funding for capital improvements to rebuild, repair and improve the City's infrastructure and facilities to meet community needs. Thus, I respectfully present the 2016 Municipal Budget as a policy document that establishes a strong operational plan to provide essential public services and responsibly meet other financial obligations. To execute this plan, a nominal 0.84% increase in the Municipal Tax Rate will be required to fund it.

The 2016 Financial Totals, which includes the City's proposed Sewer and Parking Services Utility operating and capital budgets, balance revenues and appropriations of \$64.2 million compared with the 2015 Financial Total of \$80.2 million. This is a 19.9% total financial plan decrease. Moreover, the 2016 Municipal Tax Levy amount that provides revenues to support the City budget is estimated to increase by 0.92%.

Summary points of 2016 Revenue projections are as follows:

- The Municipal Tax Levy is \$236,501 more than last year. Fortunately, over \$4.9 million of added property improvement valuation to the City's 2016 tax base will provide additional municipal revenues to help offset a larger tax rate increase. But for this added valuation to the City's tax base, the 2016 Municipal Tax Rate would have increased to \$0.837, or 0.97% instead of the estimated Municipal Tax Rate of \$0.836 per \$100 of assessed property valuation.
- General Fund Balance anticipated (surplus) was reduced from \$7.6 million to \$7.1 million as a revenue source.

BUDGET REPORT

- Total Local Revenues have decreased slightly by \$5,000 despite the Municipal Court fines and costs line-item anticipated to be \$100,000 lower than last year.
- State Aid revenue amounts (Energy Receipts Taxes and School Debt Service funds) mirror receipts from the State of New Jersey in 2015.
- Enterprise Fund and Contribution revenue sources are up \$523,857, mainly due to increases in utility surplus contributions and reserve amounts for municipal and school debt service note pay-offs.

Key appropriation highlights include:

- Total Salary and Wages will rise by \$248,000, which includes approved contract salary adjustments for all members of collective negotiation units. An additional \$95,000 is included in the Reserve for Salary Adjustment account to fund a 1.5% salary increase for non-union employees.
- In the area of staffing, additional monies have been budgeted to support: (1) the Summit Police Department's school pedestrian safety program and downtown presence, hiring hourly rate Special Law Enforcement Officers (SLEO's) - Class 1 - on as needed basis. \$70,000 has been appropriated for this purpose; (2) one (1) full-time Police Officer; and (3) request from Community Programs to bring a part-time Administrative Assistant (currently a 29 hour per week employee) to full-time status.
- Combined Other Expense appropriation line-items for all municipal departments show a decrease of \$110,000, or down 1.1%.
- Pension obligations (PERS and PFRS) will increase this year by about \$175,000, or 6.0%.
- Healthcare insurance premiums will rise by 2.9%, or \$122,000. However, current City employees will contribute approximately \$1.35 million toward health insurance premium costs, about \$61,800 more than last year.
- Municipal debt service payments in the General Fund budget will increase by nearly \$160,000. In the Sewer Utility budget, debt service payments are down \$66,053 from last year. Debt service obligations for the Parking Services Utility are also down from 2015 by \$38,329.
- Snow removal and other associated costs combine for a net total increase of \$121,000 over what was budgeted for last year.
- To support the City Planning Board's efforts in conducting the re-examination of its Master Plan, the Land Use division's line-item for Planning Services has been increased by over \$20,000.

The proposed 2016 Capital Improvement Plan estimates \$8.3 million to be budgeted for various capital project needs, including those in the Sewer and Parking Services Utilities. Approximately \$3.2 million of this total amount is for investment in infrastructure such as roads, sidewalks and streetscapes throughout the City. This

Capital Improvement Plan also includes a Parking Services Utility request for \$1.9 million to be used for major improvements to the Springfield Tier Garage and a Department of Community Programs request for \$500,000 to replace artificial turf on Upper Tatlock Field. Despite the challenges to meet increasing service delivery demands and community needs, the Municipal Budget will direct its constrained resources to achieve strategic operational priorities and investments in streets, sidewalks, buildings and park facilities while maintaining a strong fiscal position.

The Budget report provides an brief overview of the City's profile and economic condition, with an assessment of where revenues come from and how money is spent. Additional details are also included about City debt and pension obligations, insurance and tax base insight. Further, a more detailed and complete picture of each municipal service area, respective departmental goals, objectives and staff are contained within the Municipal Budget document as well. The comprehensive budget document was compiled with the assistance of the Chief Financial Officer, Department Heads, Division Managers and other key administrative staff. It is the goal of City Administration for this financial and managerial document to provide transparency and guidance for the Mayor, Common Council and Summit Citizens to understand how past budget policies and decisions impacted the financial health of its municipality, and how the 2016 Budget provides for a sufficient level of financial resources to meet spending obligations and service responsibilities this year.

CITY PROFILE & ECONOMIC CONDITION

The City of Summit is a premier suburban community in the metropolitan area, consisting of six (6) square miles in Union County, New Jersey. Twenty miles west of New York City, Summit is a 15-minute drive from Newark Liberty Airport. With a population of 22,071 (2014 U.S. Census Bureau), Summit is the 118th most populated municipality in the State of New Jersey out of 565 municipalities. It is a thriving regional transportation hub with a centrally-located train station that is an integral transfer point on the Morris & Essex line of the New Jersey Transit railway, providing direct service to New York Penn Station. For such reason, among others, the New Jersey Department of Transportation has designated Transit Village status to the City, creating incentives for economic development in areas adjacent to the train station and transit. Also, two major highways to the north and east lie on the municipal borders, providing convenient access for people and commerce to circulate in and out of the City.

In 2014, Summit's median household income was \$121,509, compared with the rest of Union County at \$69,396 and the State of New Jersey at \$72,062. The City is a walkable community and has a vibrant, pedestrian-friendly central business district, employing thousands of people in more than 200 retail stores, restaurants, businesses and professional offices. Additionally, Summit has two major employers - Overlook Medical Center and Celgene Corporation. The City is the global headquarters for Celgene Corporation that recently acquired the former Merck property (80+ acres) on the west side of town, and plans to relocate about 2,000 more employees into both locations. Overall, approximately 10,000 people work in Summit, making it a net employer. According to data from the 2010 American Community Survey, the daytime population of Summit increases substantially due to commuting-to-work patterns in the City. As a result, the workday population change is over 36% greater than its residential population, increasing the potential for economic activity to take place in the City.

Summit public schools are consistently rated superior, not only academically but also for their music, art, athletics and other cultural programs. The City's free public library is one of the finest enrichment centers in New Jersey.

2016 FINANCIAL BUDGET OVERVIEW

The City government accounts for all of its revenues and appropriations within a system of “funds” based on a modified accrual accounting method. Its main fund is the General Fund. The majority of financial resources for services provided by the City, such as police, fire and trash collection, are received into and spent from this General Fund. The City maintains other funds - Capital, Trust and Utility. To be in accordance with State budget laws, the City must ensure revenues from Utility and Trust use charges (fees) are spent on costs associated with providing Sewer and Parking services within their Utility funds and Uniform Construction Code (building and construction) within its dedicated Trust. Given that Utility and Trust funds are separate from the General Fund, any annual costs to provide these service activities are only funded from their respective user fees, and not from municipal property taxes.

The financial summary totals for 2016 approximates \$64.2 million and includes appropriations for the General Fund operations, Parking and Sewer Utility Funds and their respective annual Capital Budgets. Compared with 2015, the total 2016 Financial Budget represents a \$16 million, or 20.0% decrease. The 2016 Municipal Budget is projected to rise by roughly \$218,000, or 0.44%. The total combined Capital Budgets for all three funds will require \$8.3 million to fund various infrastructure, facility and equipment needs. The 2016 total Capital budget request is 66.1% lower than the approved 2015 Capital budget plan. However, of the \$24.5 million approved in the 2015 Capital Budget, only \$9.84 million (General Fund -\$8.02 million; Sewer Fund - \$914,000; and Parking Fund - \$904,500) have been authorized by bond ordinance adoption.

	Financial Summary Totals		
	<i>2016</i>	<i>2015</i>	<i>Variance</i>
<u>General Fund</u>			
Municipal Budget	\$ 49,320,492	\$ 49,102,505	0.44%
Capital Budget	<u>5,904,800</u>	<u>13,100,000</u>	<i>(54.93%)</i>
Sub-total	<u>\$ 55,225,292</u>	<u>\$ 62,202,505</u>	<i>(11.22%)</i>
<u>Sewer Utility Fund</u>			
Operations Budget	\$ 3,475,478	\$ 3,296,271	5.44%
Capital Budget	<u>500,000</u>	<u>960,000</u>	<i>(47.92%)</i>
Sub-total	<u>\$ 3,975,478</u>	<u>\$ 4,256,271</u>	<i>(6.60%)</i>
<u>Parking Services Utility Fund</u>			
Operations Budget	\$ 3,151,722	\$ 3,347,344	(5.84%)
Capital Budget	<u>1,900,000</u>	<u>10,450,000</u>	<i>(81.82%)</i>
Sub-total	<u>\$ 5,051,722</u>	<u>\$ 13,797,344</u>	<i>(63.39%)</i>
Total Financial Budgets	\$ 64,252,492	\$ 80,256,120	(19.94%)

GENERAL FUND (OPERATING BUDGET) – PROPERTY TAX IMPACT

- **Municipal Tax Rate:** The estimated 2016 Municipal Tax Rate is \$0.836, a 0.84% increase over last year’s rate. The formula to determine the Municipal Tax Rate is as follows:

Total Appropriations is equal to the estimated total tax levies (County, Local School District and Library) plus the municipality’s total appropriations amount (excluding Reserve for Uncollected Taxes).

Municipal Tax Rate = **Step 1:** $\frac{\text{Total Appropriations minus Anticipated Non-Tax General Revenues}}{\text{Anticipated Tax Collection Rate}}$

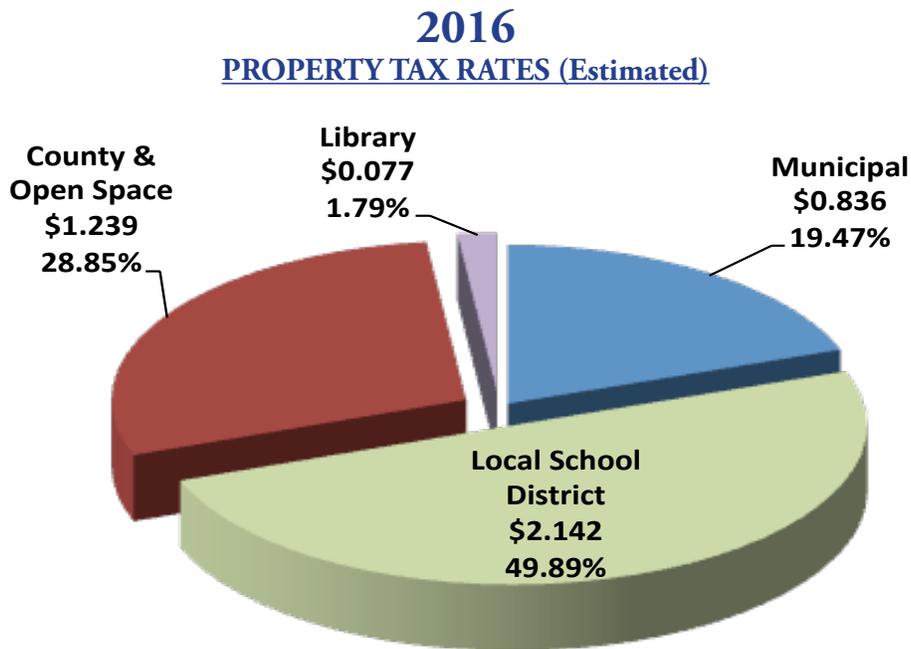
Step 2: Step 1 amount (Total Amount to be Raised by Taxes) minus Total County, School and Library Tax Levies

Step 3: Step 2 amount (Municipal Tax Levy) divided by the municipality’s Net Assessed Valuation

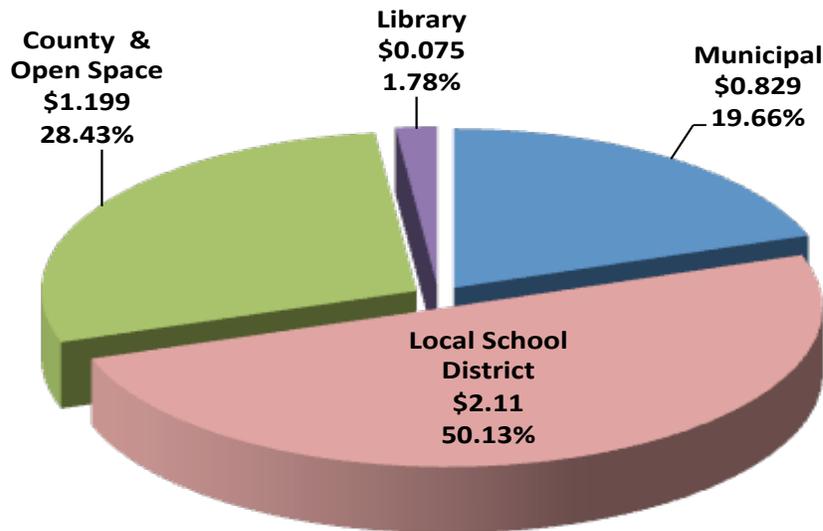
Here is how the estimated Municipal Tax Rate for Summit property owners was calculated:

Summit Tax Rate = \$ 145,640,266 - \$16,690,502 / 0.9613
= \$ 134,134,046 - \$108,142,608
= \$ 25,991,437 / \$3,109,869,300
= **\$0.836 per \$100 of Assessed Valuation**

The Property Tax Rates pie charts depict each tax rate and its respective percentage of the total tax rate amount vis-a-vis other applicable public entity tax rates estimated for 2016, and levied in 2015.



2015
PROPERTY TAX RATES



In 2016, one cent (\$0.01) of the Municipal Tax Rate is equal to \$310,986, which is based on the City’s Net Assessed Valuation amount of \$3,109,869,300. In the previous year, one cent was equal to \$310,496. The City’s tax base increase of \$4.9 million in 2016 accounts for over \$40,000 in new tax revenues, or a 0.13% effect on the Municipal Tax Rate to offset this year’s Municipal Tax Levy increase of \$236,501.

- **Total Property Tax Rates:** The chart below delineates each component of the total property tax rate amount for the last four years (plus estimated 2016).

<i>2012 - 2016 PROPERTY TAX RATES</i>					
	2016*	2015	2014	2013	2012
Municipal	\$0.836	\$0.829	\$0.828	\$0.830	\$0.826
Local School District	2.142	2.114	2.077	2.057	2.045
County & Open Space	1.239	1.199	1.135	1.102	1.021
Public Library	0.077	0.075	0.071	0.073	0.075
TOTAL	\$4.293	\$4.217	\$4.108	\$4.062	\$3.967
*2016 - Estimated Tax Rates					

Since 2012, on average, the Municipal Tax Rate increased slightly by 0.35%. The Public Library Rate has grown 0.73%. As evidenced in the chart above, the Local School District and County Tax Rates have risen, on average, by 1.18% and 4.98%, respectively. Overall, Summit property owners have experienced an average total property tax rate increase of 2.13% per year. However, the percentage change from 2012 to 2016 for all four (4) tax rates are the following: Municipal increase of 1.2%; Local School District increase of 4.7%; County and Open Space increase of 21.4%; and Public Library increase of 2.7%.

BUDGET REPORT

For Summit's average assessed residence of \$410,000, the following table shows a total tax bill breakdown comparison looking back at last year and what an estimated total tax bill might look like in 2016. Given 2016 estimates, Summit property owners will likely see their total tax bills increase 1.8% above last year.

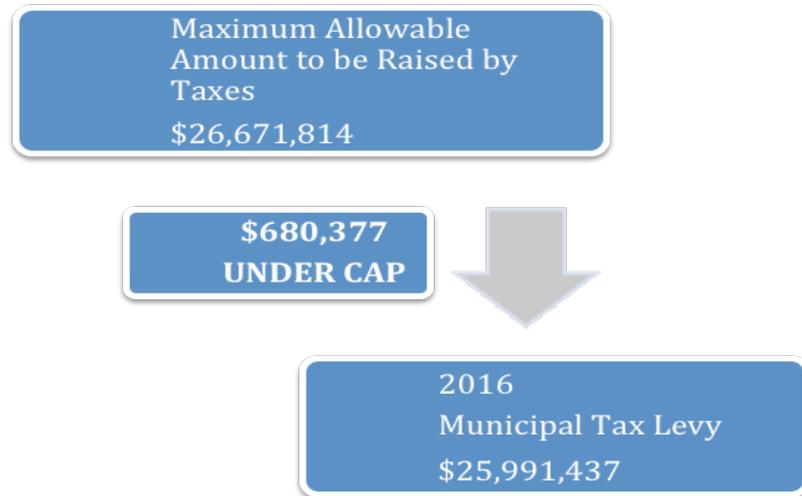
<i>Average Residential Assessed Valuation (\$410,000)</i>		
<i>Total Property Tax Bill Comparison</i>		
	2016	2015
City of Summit Taxes	\$ 3,427.60	\$ 3,398.90
Local School District Taxes	8,782.20	8,667.40
Union County & Open Space Taxes	5,079.90	4,915.90
Public Library Taxes	<u>315.70</u>	<u>307.50</u>
TOTAL TAX BILL AMOUNT	\$ 17,605.40	\$ 17,289.70
<i>Total Property Tax \$ Effect</i>	<i>\$315.70/year*</i> <i>or, 1.83% Increase</i>	
* 2016 - Estimated Tax Impact		

Another way to think about the tax impact is, for every \$100,000 of assessed valuation, a property owner should anticipate an estimated \$77.00 increase in their total tax bill. The breakdown of this \$77.00 total tax increase per \$100,000 assessed valuation is as follows:

<i>Municipal Taxes:</i>	\$ 7.00 Increase
<i>Local School District Taxes:</i>	\$ 28.00 Increase
<i>County & Open Space Taxes:</i>	\$ 40.00 Increase
<i>Public Library Taxes:</i>	<u>\$ 2.00 Increase</u>

TOTAL PROPERTY TAXES: \$77.00 Annual Increase per \$100,000 AV

- **\$680,377 UNDER Property Tax Levy Cap**: The Municipal Budget is well under the 2% Property Tax Levy Cap.

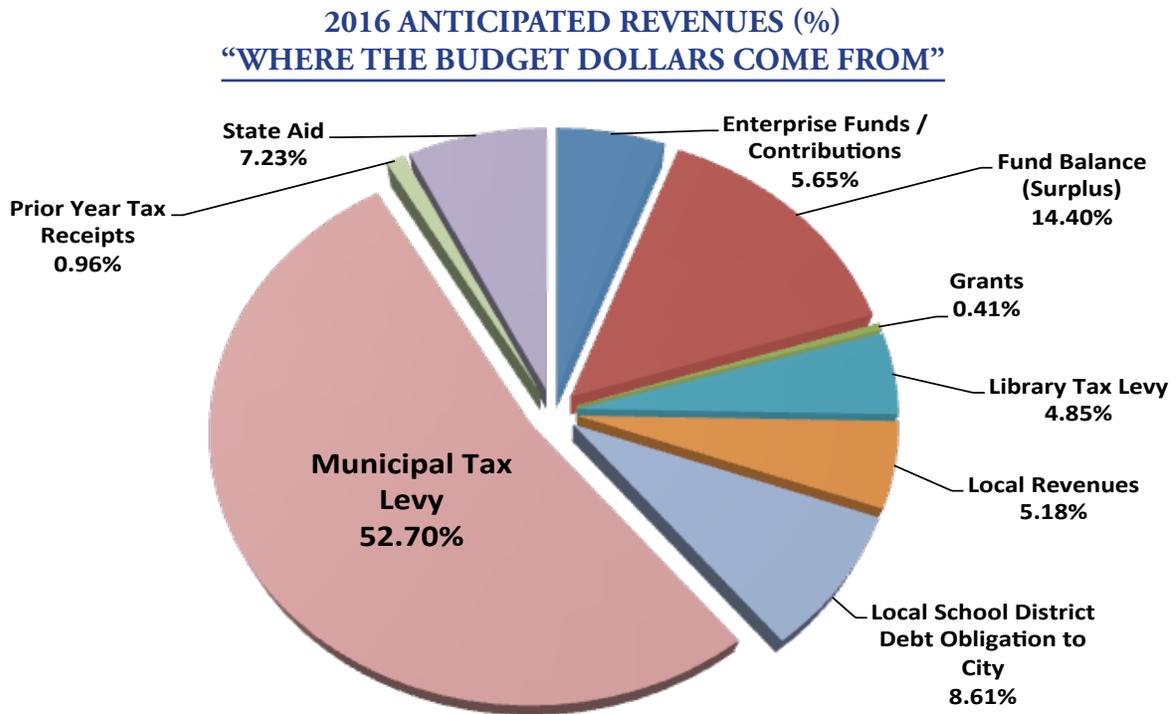


As calculated through the Property Tax Levy Cap formula, the maximum allowable amount to be raised through the City's Municipal Levy is \$26,671,814. Yet, the Municipal Budget requires \$25,991,437 in property tax revenues this year to balance total appropriations. In 2015, the City budget was \$1,057,055 under the Tax Levy Cap. The 2016 Tax Levy Cap amount is permitted under State law to "bank" for three budget years (2017-19). Given the 2016 Municipal Budget is under Cap again this year, no prior year Levy Cap bank amounts are required. For the 2017 budget, over \$2 million of prior year amounts under the Levy Cap will be banked and available, if necessary.

REVENUES

2016 GENERAL REVENUES SYNOPSIS

The Municipal Budget authorizes annual appropriations for service provision (staffing and other resources needed), programs and other financial obligations for Summit citizens. State and local laws authorize the City to raise revenues to fund these appropriations. There are several main revenue categories containing monetary sources for the City to support its operations. The following illustrates “where the budget dollars come from” to fund the City’s budget appropriations.



Expenses paid from the General Fund are supported primarily from municipal taxes. As the graph above depicts, the most significant budget revenue source derived from taxes levied on real property assessed valuations. Municipal tax revenue accounts for 52.70% of total revenues. Compared with 2015, the percentage of Municipal Tax Levy amounts to Total General Tax Revenues will grow slightly by 0.20% (2015: 52.5%). In 2016, total projected non-tax revenues are \$16,690,502, anticipated to be lower by \$56,195 from 2015 realized revenues. State aid revenues reduced slightly as School Debt Service aid was about \$7,500 lower. Local Revenue sources are projected to be slightly lower than 2015 anticipated amounts despite Municipal Court fines and costs projected to decrease by over \$100,000. Anticipated Enterprise Funds and Contributions are expected to be \$524,000 - higher than anticipated last year. Overall, in 2016, City Administration conservatively expects most revenue sources to remain stable and meet projections.

The Common Council’s Finance Committee and its municipal budget team recommend using \$7.1 million of General Fund Balance (Surplus) as a revenue source to stabilize the Municipal Budget. The 2016 General Fund Balance amount anticipated is \$500,000 lower than last year. By credit rating agency standards, the City’s use of fund balance as a budget revenue source, which is approximately 14.4%

BUDGET REPORT

of total operating appropriations this year, is considered low and qualifies as a 'very strong' financial indicator. The following Comparative Schedule of Fund Balances shows all three (3) Fund Balances year ending and the amounts utilized in succeeding years.

Comparative Schedule of Fund Balances						
	General Fund		Sewer Utility Fund		Parking Utility Fund	
	<i>Balance Ending December 31st</i>	<i>Utilized in Succeeding Year</i>	<i>Balance Ending December 31st</i>	<i>Utilized in Succeeding Year</i>	<i>Balance Ending December 31st</i>	<i>Utilized in Succeeding Year</i>
2015*	\$ 9,568,779	\$ 7,100,000	\$ 953,733	\$ 325,000	\$ 1,309,865	\$ 54,643
2014	10,071,282	7,600,000	926,849	325,000	1,556,371	386,000
2013	9,732,447	6,300,000	954,381	350,000	1,216,876	0
2012	8,072,954	6,300,000	1,251,482	346,000	731,436	0
2011	7,852,969	6,250,000	1,277,500	150,000	582,326	114,794
* 2015 - Unaudited Fund Balance amounts						

Some unassigned funds in the General Fund Balance will be used to offset discretionary appropriation reserve line-items such as \$350,000 in the Reserve for Tax Appeals and \$95,000 in the Reserve for Salary Adjustments. Recognizing the need for more non-tax revenues to stay at pace with annual appropriation demands, City Administration will focus on developing new revenue options to stabilize or reduce the Municipal Tax Levy amount. The chart below categorically outlines revenues with anticipated total amounts to fund the City's 2016 Municipal Budget (see General Revenue section, Page 4-1 for more details).

General Fund Revenues			
	2016 Anticipated	2015 Anticipated	Dollar Change from 2015
Fund Balance	\$ 7,100,000	\$ 7,600,000	(\$500,000)
Local Revenues	2,556,500	2,561,610	(5,110)
State Aid	3,568,257	3,575,789	(7,532)
Interlocal Agreements	0	41,000	(41,000)
Grants	202,361	52,350	150,011
Enterprise Funds/ Contributions	2,788,384	2,264,527	523,857
Prior Year Tax Receipts	475,000	475,000	0
Municipal Tax Levy	25,991,433	25,754,936	236,497
School District Debt Obligation	4,244,133	4,449,262	(205,129)
Library Tax Levy	2,394,420	2,328,031	66,389
TOTAL REVENUES	\$49,320,492	\$49,102,505	\$217,983

The table below shows total property tax levy amounts for years 2012-2016 along with the percentage change from 2012 to 2016. Since 2012, the City has stabilized his municipal tax needs, averaging a 0.3% increase per year.

PROPERTY TAX LEVIES

	2016*	2015	2014	2013	2012	% Change from 2012
Municipal	\$ 25,991,437	\$ 25,754,936	\$ 25,863,525	\$ 25,925,905	\$ 25,674,484	1.2%
Local School District	66,610,925	65,668,713	64,792,969	64,250,678	63,561,235	4.8%
County	37,490,406	36,222,615	34,500,481	33,419,296	30,701,110	22.1%
County Open Space	1,044,760	1,044,760	1,015,173	1,037,723	1,042,760	0.2%
Library	2,394,420	2,328,031	2,247,435	2,285,677	2,318,041	3.3%
TOTAL	\$133,531,948	\$131,019,055	\$128,419,583	\$126,919,279	\$123,297,630	8.3%

* 2016 - Estimated Tax Levies

LOCAL & ENTERPRISE/CONTRIBUTION REVENUES

Most Local Revenue sources remain consistent this year except for Municipal Court fines and costs, which has trended downward for the last five years. In fact, since 2012, total Local Revenues have held steady between \$2.57 million and \$2.60 million. The 2016 Municipal Budget provides for conservative estimated Local Revenue amounts lower than realized last year in various line items. In the Enterprise/Contribution Revenue section, the Municipal Budget continues to benefit from healthy Sewer and Parking Service Utility fund balances providing \$675,000 in revenue support this year. Lastly, restricted reserve funds for debt obligation payoff increases the Enterprise/Contribution revenue section by \$537,000.

PRIOR YEAR TAXES

In 2015, the City exceeded its anticipated tax collection rate (95.3%) by 4.28% (99.58%). Indeed, this is the City's highest collection rate in the last five years (see below).

Tax Collection			
Year	Levy	Levy \$ Collected	% of Levy Collected
2015	\$131,274,416	\$130,724,249	99.58%
2014	129,117,692	128,445,645	99.47%
2013	127,551,901	126,560,574	99.22%
2012	124,051,783	122,815,294	99.00%
2011	120,008,514	118,810,144	99.00%

BUDGET REPORT

The average quarterly delinquency rate percentage last year was 0.70%; and the average quarterly amount was \$487,117. At the end of December 2015, delinquent taxes owed to the City was \$555,917. As of March 15, 2016, outstanding property taxes billed in prior years but still uncollected are \$222,616. Lastly, the first quarter 2016 taxes billed (\$32.9 million) but uncollected are \$432,977, or 1.31%.

PROPERTY TAX LEVY CAP

The Property Tax Levy Cap law strictly limits a municipality to a 2.0% increase over the previous year's Municipal Tax Levy. The Levy Cap law does provide for several exclusions to the formula, which are as follows: (1) Change in Debt Service; (2) Allowable Increases in Health Care Insurance; (3) Pension Costs ; and (4) Capital Improvements. In addition, the Property Tax Levy Cap, similar to the Total Appropriations Cap, has an allowable increase for New Construction Value (new values x the previous year municipal tax rate). In 2016, the Municipal Budget is \$680,377 under the 2% Property Tax Levy Cap (see Levy Cap Calculation summary below).

Prior Year Amount to be Raised by Taxation for Municipal Purposes -	<u>\$25,754,936</u>
Less: Prior Year Deferred Charges to Future Taxation	(\$ 80,714)
Plus: 2% Cap Increase -	\$ 513,484
Plus: Exclusions -	\$ 462,844
Plus: New Ratable Adjustment to Levy -	<u>\$ 40,621</u>
Maximum Allowable Amount to be Raised by Taxation -	<u>\$26,671,814</u>
2016 Amount to be Raised by Taxation for Municipal Purposes -	<u>\$25,991,437</u>
2016 Municipal Levy Amount UNDER -	<u><u>\$680,377</u></u>

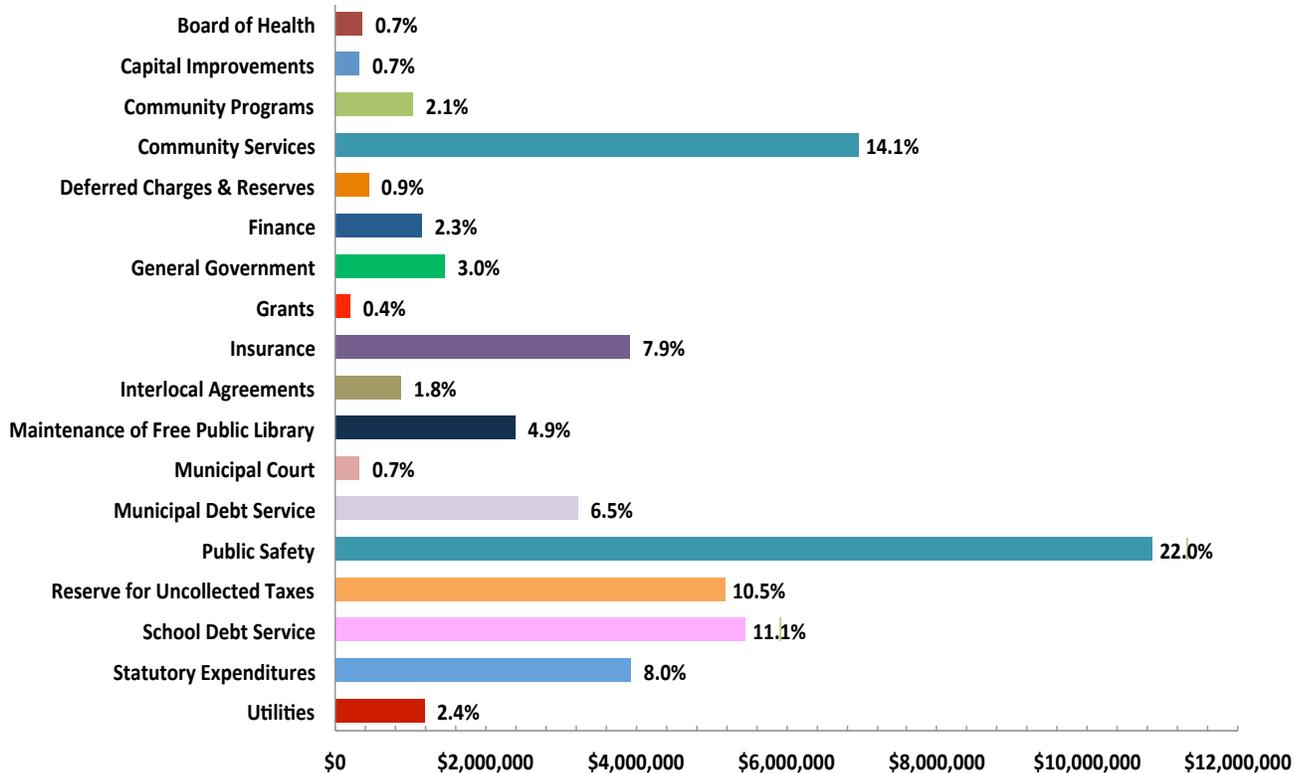
APPROPRIATIONS

2016 GENERAL APPROPRIATIONS SYNOPSIS

The 2016 Municipal Budget projects total appropriations (excluding Reserve for Uncollected Taxes) to be \$1.33 million more than the 2015 adopted budget appropriations (excluding R.U.T.). Total Appropriations needed to fund municipal services are projected to increase by \$454,525, a 1.48% increase compared with 2015 municipal operation costs (\$30,752,254). Major cost drivers within municipal operations include Salary and Wages (\$17,320,686), Healthcare Insurance (\$2,615,000) and Pension Obligations (\$3,124,065). Other appropriations, such as Debt Service payments, Interlocal Agreements and Reserves total \$12,929,432 and account for 26.2% of Total Appropriations. These appropriations total \$879,181 above 2015 appropriated amounts mainly due to full annual cost associated with the new Joint Meeting Dispatch Interlocal Agreement (\$290,000 increase), Debt Service (\$264,713 increase) and Reserves (Tax Appeals and Salary Adjustments - \$108,000 increase). Discretionary costs, such as Salaries and Wages and municipal operation Other Expenses account for 35.1% and 20.2%, respectively, of Total Appropriations. The Reserve for Uncollected Taxes line-item represents 10.5% of Total Appropriations, down 2.3% from last year.

The total percentage breakdown of 2016 Municipal Budget appropriations is shown below. A large part of each property tax dollar goes to pay Public Safety (22.0%) and total Debt Service (17.6%).

2016 PROPOSED APPROPRIATIONS (%)
“HOW THE BUDGET REVENUES ARE ALLOCATED”



BUDGET REPORT

2016 Total Appropriations Breakdown - \$49,320,492			
Board of Health	\$ 364,077	Interlocal Agreements	\$ 879,950
Capital Improvements	325,000	Maintenance of Free Public Library	2,394,420
Community Programs	1,038,818	Municipal Court	323,800
Community Services	6,958,500	Municipal Debt Service	3,226,568
Deferred Charges & Reserves	445,000	Public Safety	10,865,800
Finance	1,156,800	Reserve for Uncollected Taxes	5,184,281
General Government	1,458,418	School Debt Service	5,456,133
Grants	202,361	Statutory Expenditures	3,933,065
Insurance	3,920,000	Utilities	1,187,500

The following tables highlight the projected 2016 Municipal Budget's top five (5) largest appropriation line-items compared with 2015; the percentage change from 2012 in these same categories; and the five (5) largest appropriation increases and decreases this year.

<i>5 LARGEST APPROPRIATION LINE-ITEMS</i>				
	2016	% of Total Appropriations	2015	% of Total Appropriations
Salary & Wages	\$17,320,686	35.08%	\$ 17,080,396	34.82%
Debt Service				
* Municipal	\$3,226,568	6.54%	\$3,067,194	6.25%
* School	<u>5,456,133</u>	<u>11.05%</u>	<u>5,350,794</u>	<u>10.91%</u>
	\$8,682,701	17.59%	\$8,417,988	17.16%
Pension Obligations				
* PERS	\$ 990,065	2.01%	\$ 934,372	1.90%
* PFRS	<u>2,134,000</u>	<u>4.32%</u>	<u>2,018,053</u>	<u>4.11%</u>
	\$3,124,065	6.33%	\$2,952,425	6.02%
Health Insurance	\$2,615,000	5.30%	\$2,654,400	5.41%
General Liability/ Workers Comp.	\$1,250,000	2.53%	\$1,122,900	2.29%
<i>Total Appropriations</i>	\$49,320,492		\$49,102,505	

BUDGET REPORT

	<i>5 LARGEST APPROPRIATION LINE-ITEMS</i>		
	2012	2016	% Change from 2012
Salary & Wages	\$16,529,600	\$17,320,686	4.8%
Debt Service			
* Municipal	\$2,793,300	\$3,226,568	15.5%
* School	<u>4,914,800</u>	<u>5,456,133</u>	<u>11.0%</u>
	\$7,708,100	\$8,682,701	12.6%
Pension Obligations			
* PERS	\$1,042,526	\$ 990,065	(5.3%)
* PFRS	<u>1,987,000</u>	<u>2,134,000</u>	<u>7.4%</u>
	\$3,029,526	\$3,124,065	3.1%
Health Insurance	\$2,782,000	\$2,615,000	(6.4%)
General Liability Insurance/ Workers Comp.	\$1,057,100	\$1,250,000	18.2%

<i>5 LARGEST APPROPRIATION INCREASES</i>		
	2016 Appropriation Amount	Increase Over 2015 Appropriation
Salary & Wages	\$ 17,320,686	\$ 240,290
Municipal Debt Service	3,226,568	159,446
Reserve for Tax Appeals	350,000	150,000
Pension Obligations - PFRS	2,134,000	115,947
School Debt Service	5,456,133	105,339

<i>5 LARGEST APPROPRIATION DECREASES</i>		
	2016 Appropriation Amount	Decrease Under 2015 Appropriation
Road Repair & Maintenance OE	\$ 284,000	(\$90,500)
Police Vehicles	90,000	(90,000)
Fire Dept. Salary & Wages	3,743,000	(73,801)
DCS Administration Salary & Wages	520,000	(66,000)
Employee Group Health Insurance	2,615,000	(39,400)

BUDGET REPORT

The tables below depict the projected ten (10) largest Other Expense category appropriations in 2016 compared with 2015 in addition to projected five (5) largest Professional Service appropriation line-items.

10 LARGEST OTHER EXPENSE CATEGORIES <i>(Excludes Professional Service Line-Items)</i> 2016 and 2015 Comparison		
	2016	2015
Disposal Charges	\$ 850,000	\$ 825,000
Fuel	375,000	412,000
Electricity	372,000	356,000
Fire Hydrant Service	271,000	271,500
Telephone	220,000	219,300
Street Lighting	153,000	166,800
Technology & Software Licenses	100,000	60,000
HomeTowne TV Service Agreement	82,500	82,430
Water	67,500	66,990
Postage	50,000	45,000

5 LARGEST PROFESSIONAL SERVICE APPROPRIATIONS		
	2016	2015
Legal - Tax Appeal	\$ 225,000	\$ 300,000
Legal - General & Misc. Services	200,000	180,000
Land Use Planning Services & Special Projects	130,000	110,000
Information Technology	105,000	120,500
Tax Assessor - Appraisers	90,000	55,000
Board of Health Services	74,000	65,000

SALARY & WAGES

The total 2016 Salary and Wage amount, which includes base salary, longevity, and step increases for all full- and part-time union and non-union employees and temporary/seasonal appropriations, is \$17,320,686. This is an increase of over \$248,000 from what was appropriated in 2015. Total Overtime line-items increased by roughly \$23,000, or 4.2% above 2015 amounts (2016 Total OT - \$592,000). Overall, total Overtime appropriations are 3.4% of the total Salary and Wages amount. While Public Safety overtime accounts for 62% of total overtime appropriations, the largest increase (\$19,850) is in the Garbage and Trash Division of the Department of Community Services.

BUDGET REPORT

The chart below shows the impact from salary adjustments budgeted in 2016, which is broken down by non-union employees and collective negotiation units. Each of the three Collective Negotiation Units are contracted to receive 1.50% cost-of-living increases. For Non-Union Employees, 1.50% is allocated in the Reserve for Salary Adjustment line-item to fund their salary increases. Total Salary amounts vary from 2015 to 2016 due to retirements, resignations, new employees and/or annual salary step increases.

2016 SALARY & WAGE ADJUSTMENTS

GROUPS	TOTAL FT & PT EMPLOYEES	2016 TOTAL SALARIES	2015 TOTAL SALARIES	S&W % Adjustment in 2016	\$ Impact
Non-Union Employees	80	\$ 5,829,603	\$ 5,564,084	1.50%	\$ 83,461
Teamsters Local 469	47	3,390,821	3,308,175	1.50%	49,623
PBA Local 55	43	4,770,906	4,694,578	1.50%	70,419
FMBA Local 54	30	3,091,353	3,014,574	1.50%	45,219
TOTAL	200	\$17,082,683	\$16,581,411		\$ 248,722

OTHER EXPENSES

In municipal operations, total Other Expenses (\$9,953,028) will decrease this year by over \$12,000. In addition to the various large appropriations mentioned above, other notable appropriation increases are as follows:

- \$40,000 in Technology (Tech & Software Licenses line-item) to support annual costs related to a new, cloud-based customer relations management system, and licensing and permitting platform, among others;
- \$27,000 and \$15,000 in Finance (Payroll Services and Audit line-items) to fund additional payroll reporting and costs, and professional financial services;
- \$26,000 in Road Repair & Maintenance (Snow Removal Materials line-item) to cover increase demand and costs for winter weather-related road conditions;
- \$25,000 in Recycling (Curbside Collection line-item) to meet contractual cost obligations;
- \$18,000 in Administration (Contract Services line-item) for a professional grants consultant; and
- \$14,000 in Community Programs (Senior Bus line-item) to cover operational costs.

INSURANCE

For 2016, the City's net health care insurance premium line-item of \$2,615,000 will decrease slightly by nearly \$40,000 from last year. The City participates in the State Health Benefit Plan for the provision of medical/prescription drug insurance coverage. In addition, the City will continue to use Delta Dental as its dental insurance provider and will not incur any increase in its premium cost this year. Of the 181 eligible employees, 17 employees waive their insurance benefits for which there is no compensation to do so.

MEDICAL INSURANCE PLAN PREMIUMS

Top 4 Plans	# of Employees	Category	2016	2015	\$ Increase	% Increase
NJ Direct 10						
	15	Single	\$ 936.18	\$ 901.41	\$ 34.77	3.86%
	6	Member & Spouse	1,872.34	1,802.79	69.55	3.86%
	7	Parent & Child	1,675.77	1,523.38	152.39	10.00%
	26	Family	2,611.95	2,424.79	187.16	7.72%
<i>Sub-Total</i>	<i>54</i>	<i>Averages</i>	<i>\$1,774.06</i>	<i>\$1,663.09</i>	<i>\$110.97</i>	<i>6.36%</i>
Aetna HMO						
	6	Single	\$ 927.26	\$ 894.39	\$ 32.87	3.68%
	11	Member & Spouse	1,854.52	1,788.77	65.75	3.68%
	11	Parent & Child	1,659.80	1,511.52	148.28	9.81%
	22	Family	2,587.06	2,405.91	181.15	7.53%
<i>Sub-Total</i>	<i>50</i>	<i>Averages</i>	<i>\$1,757.16</i>	<i>\$1,650.15</i>	<i>\$107.01</i>	<i>6.17%</i>
NJ Direct 15						
	16	Single	\$ 891.46	\$ 858.35	\$ 33.11	3.86%
	8	Member & Spouse	1,782.92	1,716.69	66.23	3.86%
	2	Parent & Child	1,595.71	1,450.61	145.10	10.00%
	14	Family	2,487.17	2,308.96	178.21	7.72%
<i>Sub-Total</i>	<i>40</i>	<i>Averages</i>	<i>\$1,689.32</i>	<i>\$1,583.65</i>	<i>105.66</i>	<i>6.36%</i>
Aetna Freedom 10						
	3	Single	\$ 987.34	\$ 951.91	\$ 35.43	3.72%
	1	Member & Spouse	1,974.64	1,903.78	70.86	3.72%
	1	Parent & Child	1,767.34	1,608.73	158.61	9.86%
	15	Family	2,754.68	2,560.64	194.04	7.58%
<i>Sub-Total</i>	<i>20</i>	<i>Averages</i>	<i>\$1,871.00</i>	<i>\$1,756.27</i>	<i>\$114.74</i>	<i>6.22%</i>

BUDGET REPORT

Workers Compensation and General Liability insurance policy coverage will increase by \$27,100 to the total premium amount of \$1.15 million. Unemployment insurance and other insurances total a combined \$155,000. Overall, the City's total cost for these insurance policies are rising 1.5% this year.

PENSION OBLIGATIONS

The City's 2016 pension obligations will rise this year by a combined total of \$3,294,400. Overall, total annual pension payments for PERS and PFRS have risen \$193,210, or 6.3% above 2015 obligations.

The table below depicts the last seven (7) years of PERS & PFRS pension obligations, and annual percentage change from the previous year. Since 2010, on average, total pension obligations have increased by 4.1%.

PENSION OBLIGATION PAYMENTS

Year	PERS	PFRS	Year-to-Year % Change
2016	\$ 1,151,400	\$ 2,134,000	6.3%
2015	1,074,137	2,018,053	6.3%
2014	1,020,821	1,887,969	(6.0%)
2013	1,027,957	2,066,877	2.5%
2012	1,040,526	1,977,771	(10.5%)
2011	1,030,389	2,339,321	22.6%
2010	875,168	1,873,623	7.5%

RESERVE FOR UNCOLLECTED TAXES

Last year's tax collection rate was 99.58%. Historically, the City takes a very conservative approach by anticipating a lower annual collection rate. In 2015, \$6.3 million was appropriated in the budget based on a 95.3% collection rate. Given the City's very high collection rate over last several years, the 2016 Municipal Budget reflects a slightly higher 96.1% collection rate that, in turn, lowers the Reserve for Uncollected Taxes appropriation amount to \$5.2 million.

TOTAL APPROPRIATIONS CAP

Under the Total Appropriations CAP law, the State allows exclusions, or CAP base adjustments, to appropriation limits. Some of these exclusions are Debt Service, Reserve for Uncollected Taxes and Tax Appeals, Capital Improvements, Deferred Charges and Inter-local Service agreements. Even though the CAP Index is 0.0% this year with the option to increase it another 3.5% to 3.5% with the adoption of a CAP Bank Ordinance, the City will be well-under its allowable Total Appropriation limit again in 2016 by \$1,269,982.

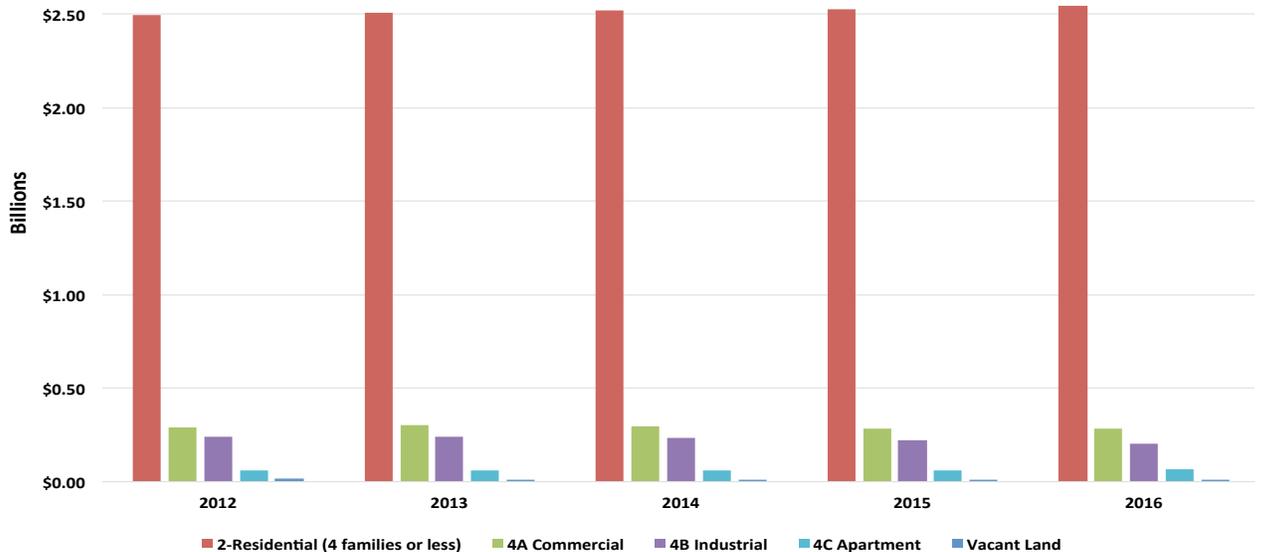
TAX BASE

The City’s operating position relies on its ability to: (1) balance its budget; (2) maintain emergency reserves; and (3) have adequate liquidity to pay its current liabilities in a timely manner. As statutorily mandated, the City must balance its budget every year. However, contending with a multitude of fiscal mandates and service demands with fluctuating tax base valuations, marginal revenue growth and ascending operational costs endangers greater burden on property owners to balance the City budget each year. The City annually evaluates its reserve funds to ensure adequate amounts exist for emergency or unforeseen costs that may occur at any point in the year to avoid potential operational budget deficits. Lastly, during any given budget year, the City often receives its revenues in small or large installments, at infrequent periods of time. Therefore, for cash flow purposes, it is imperative the City make every effort to stabilize and increase its taxable base, experience high, consistent tax collection rates and realize anticipated quarterly non-tax revenues to provide sufficient liquidity.

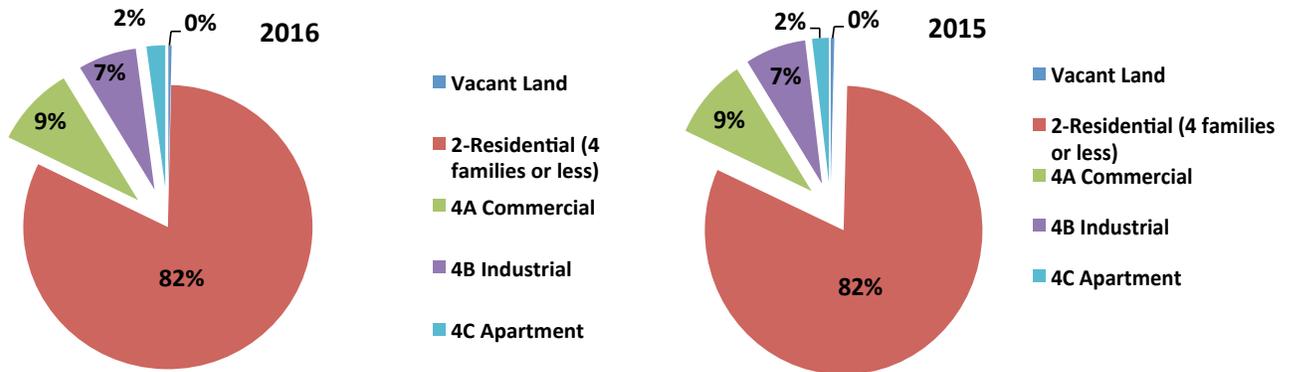
The City’s property tax base provides approximately 52.7% of municipal budget revenues through its tax levy. For this primary reason, it is essential for the City to make every effort to preserve and defend its existing tax base in tax appeal litigation, and intelligently plan new development to maximize economic utilization of its 6.0 square miles of land.

The following graphs and chart illustrate the City’s Net Assessed Valuation (NAV) over the last five years. In 2016, residential valuation makes up nearly 82% of the City’s total NAV, consistent with prior years. Additional charts provide the number of parcels for each classification type, and assessed valuation ranges for residential properties.

ASSESSED VALUATIONS (LAND IMPROVEMENTS BY CLASS)



BUDGET REPORT



Class & Type	2016	2015	2014	2013	2012
1-Vacant Land	\$ 11,306,200	\$ 12,823,900	\$ 11,933,500	\$ 12,397,700	\$ 15,091,600
2-Residential (4 families or less)	\$2,548,081,600	\$2,528,788,100	\$2,520,174,500	\$2,511,184,000	\$2,498,154,500
4A-Commercial	\$ 282,815,800	\$ 283,374,300	\$ 294,329,000	\$ 300,404,900	\$ 293,128,600
4B-Industrial	\$ 202,970,900	\$ 219,667,400	\$ 236,570,200	\$ 238,161,000	\$ 238,161,000
4C-Apartment	\$ 64,694,800	\$ 60,314,800	\$ 60,534,000	\$ 60,220,400	\$ 60,856,300
TOTAL	\$3,109,869,300	\$3,104,968,500	\$3,123,541,200	\$3,122,368,000	\$3,105,392,000

Real Property Classification	2016	2015
Vacant Land	106	109
Residential	6,234	6,230
Commercial	352	352
Industrial	10	10
Apartment	39	38
TOTAL	6,741	6,739

2016 Assessed Valuation Breakdown - Residential Homes (Single Family)		
<i>Valuation Range (\$)</i>	<i>Number of Parcels</i>	<i>Percent of Total</i>
\$0 to \$400,000	3,891	62.4%
\$400,001 to \$800,000	1,790	28.7%
\$800,001 to \$1,200,000	393	6.3%
\$1,200,001 to \$1,600,000	119	1.9%
\$1,600,001 and Up	41	0.7%
TOTAL	6,234	100.0%

The following table provides NAV variance from 2015 to 2016 in all real estate classifications:

2016 and 2015 NAV Comparison				
	2016	2015	\$ Difference	% Change
Vacant Land	\$ 11,306,200	\$ 12,823,900	\$ (1,517,700)	(13.42%)
Residential	2,548,081,600	2,528,788,100	19,293,500	0.76%
Commercial	282,815,800	283,374,300	(558,500)	0.19%
Industrial	202,970,900	219,667,400	(16,696,500)	(8.22%)
Apartment	64,694,800	60,314,800	4,380,000	7.26%
TOTAL	\$3,109,869,300	\$3,104,968,500	\$4,900,800	0.16%

Heading into 2016, the City’s NAV increased just over \$4.9 million. This good news considering the City’s tax base decreased by \$18.57 million from 2014 to 2015. Moreover, the City’s tax base valuation grew despite a \$40 million reduction in the former Merck property (recently acquired by Celgene Corporation in October 2015). Fortunately, the City continues to experience significant property improvement growth in its residential market, which increased residential assessed valuation by approximately \$20 million. In addition, Celgene Corporation completed a new 450,000 building and parking structure on its global headquarter’s site late last year that resulted in \$25 million in added commercial assessed valuation to the City tax base.

As shown in the 2016 and 2015 NAV Comparison chart above, the City’s residential and apartment NAVs expanded last year by \$23.67 million only for the gains to be offset by a \$1.51 million and \$16.69 million loss of vacant land and commercial NAV ratables, respectively.

Total tax appeal applications for 2015 were 205, which comprised of 67 filed with the State tax court, and 138 with the County tax board. Of the 67 appeal applications filed in 2015 with the State tax court, there were 22 new applications as the others were refilings on properties that have pending appeals from prior years. The County tax appeal filings were up from 2014 when 134 applications were submitted. All 138 tax appeal cases filed with the County last year were either dismissed, withdrawn or settled. Total assessment valuation lost was \$4.73 million of nearly \$90 million under appeal.

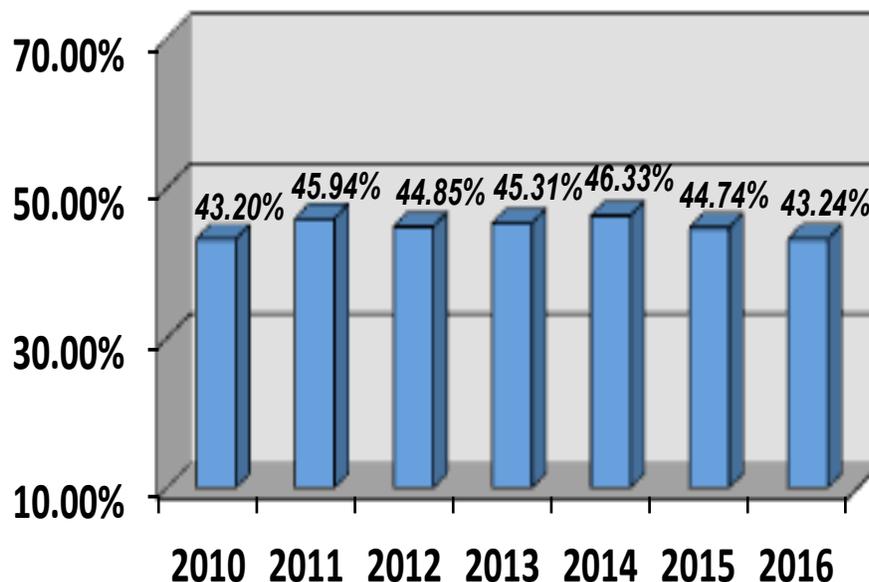
BUDGET REPORT

With regard to total State Court appeals filed in 2015, the table below shows the type of property classification under appeal, total number of appeals filed in that respective classification, the number of appeals adjudicated and/or settled, and pre- and post-adjudication/settled NAV amounts. Ultimately, of the 20 State Court appeals settled and/or adjudicated last year, total NAV lost in 2015 was \$1.7 million (post-adjudication NAV variance).

<i>2015 Tax Appeal Summary</i>					
<i>State Court</i>					
Class	# of Appeals	2015 NAV Under Appeal	# of Appeals Adjudicated/ Settled	Pre-Adjudication Net Assessed Valuation (NAV)	Post-Adjudication/ Settled NAV
Vacant Land	1	\$ 333,400	0	\$ 0	\$ 0
Residential	46	45,481,800	22	25,274,700	24,088,000
Commercial	16	34,766,800	7	6,636,000	6,109,600
Apartment	1	10,400,000	1	10,400,000	10,400,000
TOTAL	67	\$ 90,982,000	20	\$ 42,310,700	\$ 40,597,600

The City's NAV-to-Fair Market Valuation ("FMV") ratio (or "Ratio") is a primary factor used in tax appeal litigation, and determines whether a property owner has a likelihood of success under State tax law. The Ratio is a lagging indicator as it provides property sale data from a period dating back one year in addition to a weighted average of property sales data from the 2 years preceding last year from the time the County provides the ratio number in October. For example, the City's 2016 ratio is based on weighted sales data from July 2012 to June 2014, and from selected sales from July 2014 until June 2015. The graph below illustrates the City's Ratio for 2016, and the preceding five years.

Equalization Ratio (NAV-FMV)



BUDGET REPORT

As evidenced in the graph above, the City's Ratio has trended downward over the last few years as FMV real estate sales data increased vis-a-vis NAV. The relatively small Ratio move from 43.20% in 2010 to 43.24% this year indicates Summit continues to experience sustained market valuation in its real estate from the severe housing downturn in 2008 (42.79% Ratio).

RESERVES

The City Administration recommends increasing appropriations in its Reserve for Tax Appeal line-item as the City continues to actively settle prior year tax appeals with property owners who may be entitled to tax refunds. Upon recommendation from City tax appeal professionals, the reserve amount requested in 2016 is \$350,000, up \$150,000 from 2015. There are approximately 47 total pending commercial property tax appeal cases (36 properties), including prior year cases, that could result in tax revenue refunds or credits to property owners. Last year, the City refunded about \$370,000 to property owners as a result of tax appeal settlement/adjudications.

The Municipal Budget also includes a new Reserve for Salary Adjustment line-item that, upon Common Council approval, provides funding of a 1.5% salary increase for non-union employees in 2016. An amount of \$95,000 is allocated for this reserve.

DEBT STRUCTURE

The City appropriates debt service funds for the principal and interest costs associated with capital projects approved annually by the Common Council. Borrowing monies allows payments for major infrastructure improvements or large equipment purchases to be spread over multiple years in order to minimize annual budget impact and require future taxpayers that benefit from the use of this asset to pay a share of the cost. In any given budget year, capital budget costs authorized by the Common Council are typically financed with 12-month short-term bond anticipation notes (BAN's). The City will only incur interest costs at the end of the 12-month period in the following budget year.

The City's Statutory Borrowing Power(1) as of December 31, 2015 is as follows:

Statutory Equalized Valuation (2)	\$ 6,967,242,421
Statutory Borrowing Power (3)	243,853,485
Statutory Net Debt	47,025,282
<i>Remaining Statutory Borrowing Power</i>	<i>196,828,203</i>
Net Debt to Statutory Equalized Valuation	0.675%
(1) Unaudited; (2) Average of the immediately preceding 3 years (2013-2015) as calculated by State; (3) 3 1/2% of the State's equalized valuation.	

At the end of 2015, the City had a total of \$47.02 million in Municipal purpose bonds and notes outstanding. In 2016, the City's municipal debt service is \$3.22 million, an increase by approximately \$60,000.

BUDGET REPORT

Additionally, as of December 31, 2015, the outstanding debt for the Sewer Utility is \$7.95 million; and Parking Service debt owed is \$3.57 million. Debt service payments for both Sewer and Parking Services will decrease by \$66,000 and \$38,000, respectively.

In the short-term debt market, the City continues to benefit from its 'AAA' credit rating (highest and best) given by the three main credit rating agencies (Fitch, Moody's and Standard & Poors). Last year, the annual interest rate for the October 2015 bond anticipation note sale totaling \$14.86 million was 1.0%. However, the financial institution that purchased the City's BAN's paid a premium of \$141,000, which lowered the borrowing cost to a net interest rate of 0.142%.

In April 2016, the City is scheduled to issue new long-term general obligation bonds totaling \$16.03 million, consisting of \$9.9 million of General Bonds, \$4.1 million of Sewer Bonds, \$1.2 Parking Bonds and \$845,000 of Assessment Bonds. All three major credit agencies have assigned these soon to be issued bonds Aaa ratings.

The charts below present a summary of the City's General Obligation Bonds (Municipal Budget), Sewer and Parking Services Utility General Obligation Bonds. Sewer and Parking Service Utility debt obligations are funded by user fees outside the Municipal Budget.

SUMMARY OF LONG-TERM DEBT OBLIGATIONS

		Original Issuance Amount	Principal Outstanding 12/31/2015	2016 Principal Payment Due	2016 Interest Payment Due	Maturity Date
<i>Municipal Debt</i>						
2006	General Bonds	\$ 5,925,000	\$ 1,425,000	\$ 500,000	\$ 182,560	2018
2008	Refunding Bonds	7,290,000	1,120,000	375,000	40,113	2018
2011	Refunding Bonds	2,618,000	1,123,000	564,000	45,640	2017
2011	General Bonds	6,633,000	4,940,000	440,000	158,300	2025
2014	General Bonds	7,400,000	7,070,000	370,000	169,550	2028
<i>Total Municipal Debt</i>		\$ 29,866,000	\$ 15,678,000	\$2,249,000	\$ 596,163	
<i>Sewer Utility Debt</i>						
2011	Sewer Bonds	\$ 2,200,000	\$ 1,690,000	\$ 135,000	\$ 118,048	2026
<i>Total Sewer Utility Debt</i>		\$2,200,000	\$1,690,000	\$135,000	\$118,048	
<i>Parking Services Utility Bonds</i>						
2014	Parking Bonds	\$ 2,200,000	\$ 2,065,000	\$ 140,000	\$ 69,751	2028
<i>Total Parking Utility Debt</i>		\$ 2,200,000	\$ 2,065,000	\$ 140,000	\$ 69,751	

DEBT STRUCTURE TRENDS

Total Net Debt has steadily increased over the last five years from 0.49% to 0.675% (see Debt Structure Analysis: Page 2-21). The City's debt burden remains modest in the medium term due to cautious planning to maintain level debt service. In 2015, the City's net debt burden was 1.0% of equalized value. Existing debt principal amortization is aggressive with 91% scheduled to be paid down over the next 10 years. On average, since 2007, the City authorizes by bond ordinance only 65% of its approved budget for capital projects. Furthermore, of the 65% authorized project costs, the City has issued financing for only 64% of costs during this same time period. Looking forward, the City will continue to manage its 6-year capital plan annually and take on new debt obligations only if level debt service payments can be maintained.

As of December 31, 2015, the City's total Net Debt [excludes Local School, Sewer and Parking Utility debt, but does include short-term Bond Anticipation Notes (BAN's)] is \$47,025,282. The percentage of the total Net Debt to Equalized Valuation [average of last three (3) years (2013-15) - \$6,967,242,421] is 0.675%. While the City's annual Equalized Valuation (2015 - \$6.96 billion) is equal to the NAV multiplied by its NAV-to-FMV ratio in that given year, the Equalized Valuation calculated into the Net Debt ratio above is an average of the City's last three (3) years of annual Equalized Valuations.

After three consecutive-year decreases, the City's Net Debt Service expense (Long-term GO debt minus long-term Utility Debt) as a percentage of Total Revenues increased for the second consecutive year from 14.51% to 15.22%. This indicator is at its highest point in five (5) years, and will continue to trend upward for the next couple years as scheduled debt service payments will rise before sharply decreasing in a few years.

The data below sets forth the City's existing General Bond debt service schedule for from 2016 to 2028, which includes projected principal debt service amounts that will be a part of the upcoming \$9.9 million General Bond issuance. Interest rates on the new 2016 General Bond issuance are unknown at this time. Therefore, annual interest amounts shown below will change as a result.

General Bond Debt Service Schedule

Budget Year	Total General Bond Debt Service	Principal	Interest	\$ Change from Prior Year
2016	\$ 2,696,963	\$ 2,249,000	\$ 447,963	\$ 17,369
2017	3,242,498	2,869,000	373,498	545,535
2018	3,002,700	2,690,000	312,700	(239,798)
2019	2,249,700	1,985,000	264,700	(753,000)
2020	2,243,850	2,005,000	238,850	(5,850)
2021	2,266,038	2,055,000	211,138	22,188
2022	2,286,906	2,105,000	181,906	20,868
2023	2,300,488	2,150,000	150,488	13,582

BUDGET REPORT

Budget Year	Total General Bond Debt Service	Principal	Interest	\$ Change from Prior Year
2024	2,326,025	2,210,000	116,025	25,537
2025	2,348,263	2,270,000	78,263	22,238
2026	1,804,258	1,755,000	49,258	(544,005)
2027	674,966	645,000	29,966	(1,129,292)
2028	670,065	660,000	10,065	(4,901)
TOTAL	\$28,112,820	\$ 25,648,000	\$ 2,464,820	

As depicted above, debt service payments will modestly increase next year and then start to drop off in 2018. Debt reduction will continue to be the City Administration's top priority. Key to this effort will be to conservatively manage and limit new debt for capital expenditures vis-a-vis existing principal debt payments during that same year.

In 2016, proposed new total City capital projects (\$5.9 million) will exceed total principal debt service payments (\$3.26 million) by about \$1.73 million. The table below provides a five (5) year look at the City's outstanding balance at the beginning and end of each year, annual principal paydown, new capital budget dollars approved and debt authorized and issued during that year.

5-YEAR DEBT SNAPSHOT

Budget Year	Net Debt January 1st	Annual Principal Paid	Capital Budget Approved	Debt Authorized and Issued	Net Debt December 31st
2015	\$41,376,286	\$2,640,600	\$11,025,000	\$8,289,596	\$47,025,282
2014	38,920,147	2,280,600	7,692,828	4,736,739	41,376,286
2013	36,898,235	2,460,100	8,653,000	4,482,012	38,920,147
2012	35,062,307	2,320,300	7,834,000	4,156,228	36,898,235
2011	35,441,650	3,533,300	6,627,000	3,153,957	35,062,307

Below illustrates the Sewer and Parking Services Utility Debt Service Schedules until the final principal payments on sewer and parking long-term debt issuances are paid off.

Sewer Utility Debt Service Schedule

Budget Year	Total Sewer Utility Debt Service	Principal	Interest	\$ Change from Prior Year
2016	\$ 190,525	\$ 135,000	\$ 55,525	(\$ 2,775)
2017	393,425	341,000	52,425	202,900
2018	428,575	380,000	48,575	35,150
2019	434,300	390,000	44,300	5,725
2020	439,500	400,000	39,500	5,200
2021	439,250	405,000	34,250	(250)
2022	443,913	415,000	28,913	4,663
2023	448,400	425,000	23,400	4,487
2024	452,300	435,000	17,300	3,900
2025	455,600	445,000	10,600	3,300
2026	463,600	460,000	3,600	8,600
2027	290,000	290,000	0	(173,600)
2028	295,000	295,000	0	5,000
2029	305,000	305,000	0	10,000
2030	315,000	315,000	0	10,000
2031	325,000	325,000	0	10,000
TOTAL	\$ 6,119,388	\$ 5,761,000	\$ 358,388	

Parking Services Utility Debt Service Schedule

Budget Year	Total Parking Services Utility Debt Service	Principal	Interest	\$ Change from Prior Year
2016	\$ 188,910	\$ 140,000	\$ 48,910	(\$ 2,250)
2017	247,110	201,000	46,110	58,200
2018	263,260	220,000	43,260	16,150
2019	260,360	220,000	40,360	(2,900)
2020	262,410	225,000	37,410	2,050
2021	264,410	230,000	34,410	2,000
2022	266,166	235,000	31,166	1,756
2023	267,423	240,000	27,423	1,257
2024	273,360	250,000	23,360	6,000
2025	273,960	255,000	18,960	600
2026	278,954	265,000	13,954	4,994
2027	278,540	270,000	8,540	(414)
2028	282,898	280,000	2,898	4,358
2029	95,000	95,000	0	(187,898)
2030	100,000	100,000	0	5,000
TOTAL	\$ 3,602,761	\$ 3,226,000	376,761	

MUNICIPAL PERSONNEL

Over the last year, the City Organization’s staff decreased by four (4) full-time and four (4) part-time employees for a total of 200 permanent positions (175 full-time and 25 part-time), with 165 full-time and 16 part-time positions funded through the Operating Budget. This staffing reduction (6 FT and 2PT) was mainly due to the City’s Joint Meeting creation with Millburn and New Providence for a communication dispatch center. The other 10 full-time and 9 part-time positions are located in the Sewer and Parking Services Utilities, whose budgets are funded by user fees. The following table depicts all full-time and part-time municipal employees (excluding seasonal or temporary workers and elected officials), broken down by Department, Division and Office for years 2014-2016.

MUNICIPAL EMPLOYEES
(PERMANENT FULL-TIME & PART-TIME)
2014- 2016

Departments	2016		2015		2014	
	FT	PT	FT	PT	FT	PT
GENERAL GOVERNMENT						
City Administration	2	1	2	1	2	1
City Clerk	3	1	3	1	3	1
Legal	0	1	0	1	0	1
Sub-Total	5	3	5	3	5	3
FINANCE						
Financial Admin.	4	0	3	1	3	1
Tax Collection	1	1	1	1	1	1
Tax Assessment	2	1	2	1	2	1
Sub-Total	7	2	6	3	6	3
PUBLIC SAFETY						
Police Department	51	0	54	0	55	0
Fire Department	32.5	0	35.5	2	36.5	4
Sub-Total	83.5	0	89.5	2	91.5	4
COMMUNITY SERVICES						
DCS Administration	5	0	5	0	5	0
Engineering	2	1	2	1	2	1
Road Repair & Maintenance	9	0	9	0	9	0
Public Works Maintenance	7	2	7	0	7	0
Garbage & Trash	9	0	9	0	9	0
Recycling	1	0	1	0	1	0
Transfer Station	3	0	3	0	3	0
Compost Area	2	0	2	0	2	0
Fleet Maintenance	3	0	3	0	3	0

BUDGET REPORT

Departments	2016		2015		2014	
	FT	PT	FT	PT	FT	PT
Parks & Shade Trees	8	0	8	0	8	0
Code Enforcement	2	1	2	1	2	1
Uniform Construction Code	6.5	4	6.5	4	6.5	4
Sub-Total	57.5	8	57.5	6	57.5	6
Community Programs						
Community Programs	5	2	5	2	5	2
Golf Course	1	0	1	0	1	0
Family Aquatic Center	0	0	0	0	0	0
Sub-Total	6	2	6	2	6	2
Board of Health	3	0	2	2	2	2
Sub-Total	3	0	2	2	2	2
Municipal Court	3	1	3	1	4	1
Sub-Total	3	1	3	1	3	1
Sewer Utility	4	0	4	0	4	0
Sub-Total	4	0	4	0	4	0
Parking Services Utility	6	9	6	10	6	10
Sub-Total	6	9	6	10	6	10

City Personnel	2016	2015	2014
Full Time	175	179	181
Part Time	25	29	31
TOTAL	200	208	212

HEALTH CARE INSURANCE PLANS & COST SHARE

MEDICAL AND DENTAL PREMIUM COST SHARING

In accordance with the State Health Benefits Reform Law, Chapter 78, P.L. 2011, a City employee’s health care insurance contribution is determined as a specified percentage of the medical/dental coverage plans premium within a salary range expressed in the law, but not less than 1.5% of an employee’s current pensionable salary. Employees who were hired prior to the effective date of Chapter 78 were subject to a four (4) year phase-in of the full contribution amount. Various circumstances prescribed in the law may affect whether the phase-in applies to certain employees. For example, an employee who is hired on or after the statute’s effective date shall contribute at the highest level (Year 4) appropriate to their salary range, or at 1.5% of pensionable salary, whichever is greater. Currently, all City employees are now at Year 4, and will contribute approximately \$1.13 million toward healthcare insurance premium costs - about \$60,000 more than last year.

In total, gross medical and dental insurance appropriations are \$4.2 million. For medical/prescription insurance coverage, the 2016 premium is \$2.9 million; and for dental insurance, the premium is \$224,000.

As mentioned above, the net appropriation cost in the Municipal Budget is significantly lower because of other City agency cost allocation and employee cost sharing of annual healthcare premiums. Below outlines all employee cost sharing reductions from gross healthcare insurance appropriations, including employer costs shared by the Sewer and Parking Services Utilities, U.C.C. Division, Public Library and Summit Housing Authority.

Healthcare Insurance Cost Share Breakdown

Group	2016	2015	% Change from 2015
City of Summit (Medical & Dental Gross Premium Costs)	\$4,204,000	\$4,082,000	2.9%
<i>City Government</i>			
• Employer Healthcare Cost Share	\$ 2,615,000	\$ 2,654,400	(1.5%)
• Employee Medical Premium Cost Share	(854,000)	(806,800)	5.9%
• Employee Dental Premium Cost Share	(102,000)	(102,978)	(0.9%)
<i>Employee Cost Share Sub-Total</i>	<i>(\$ 956,000)</i>	<i>(\$ 909,778)</i>	<i>5.1%</i>

BUDGET REPORT

Group	2016	2015	% Change from 2015
<i>Sewer Utility</i>			
• Employer Healthcare Cost Share	(90,000)	(72,400)	24.3%
• Employee Medical Premium Cost Share	(15,600)	(14,200)	9.9%
• Employee Dental Premium Cost Share	(1,900)	(1,897)	0.2%
<i>Sub-Total</i>	<i>(\$ 107,500)</i>	<i>(\$ 88,497)</i>	<i>21.5%</i>
<i>Parking Services Utility</i>			
• Employer Healthcare Cost Share	(76,000)	(76,000)	0.0%
• Employee Medical Premium Cost Share	(80,000)	(76,000)	5.3%
• Employee Dental Premium Cost Share	(4,000)	(4,182)	(4.6%)
<i>Sub-Total</i>	<i>(\$ 160,000)</i>	<i>(\$ 156,182)</i>	<i>2.4%</i>
<i>Housing Authority</i>			
• Employer Healthcare Cost Share	(\$ 98,000)	(\$ 97,000)	1.0%
• Employee Medical Premium Cost Sharing	(26,000)	(24,000)	8.3%
• Employee Dental Premium Cost Share	(4,000)	(3,670)	9.0%
<i>Sub-Total</i>	<i>(\$ 128,000)</i>	<i>(\$ 124,670)</i>	<i>2.7%</i>

Group	2016	2015	% Change from 2015
<i>Public Library</i>			
• Employer Healthcare Cost Share	(\$ 190,000)	(\$ 109,000)	74.3%
• Employee Medical Premium Cost Sharing	(40,000)	(32,700)	22.3%
• Employee Dental Premium Cost Share	(7,500)	(6,773)	10.7%
<i>Sub-Total</i>	<i>(\$ 237,500)</i>	<i>(\$ 148,473)</i>	<i>60.0%</i>

CAPITAL ASSETS

According to CBIZ Valuation and its property valuation report dated October 19, 2015, as of December 31, 2014, the City's investment in capital assets is over \$100 million. This investment in capital assets includes land, outdoor improvements, buildings, machinery, equipment, furnishings and licensed vehicles. Assets such as equipment and furnishings were inventoried utilizing the capitalization threshold selected by the City at \$500 per unit cost with the exception of computer equipment. Major expenditures for capital assets and improvements made in 2015 will be analyzed and reported on later this year. Below is an account summary of the City's assets valued and owned at year end 2014.

City of Summit Capital Assets - Summary Report				
Asset	# of Assets	Original Cost	Accumulated Depreciation	Book Value
Land Parcels	55	\$52,289,000	\$ 0	\$52,289,000
Outdoor Improvements	132	4,897,090	3,571,664	1,325,426
Buildings	46	28,695,368	11,878,832	16,816,535
Machinery & Equipment	603	7,080,315	3,786,087	3,294,227
Licensed Vehicles	108	7,559,507	4,960,293	2,599,215
TOTALS	944	\$100,521,280	\$24,196,877	\$76,324,403

CITY OF SUMMIT 5-YEAR FINANCIAL TREND ANALYSIS

*Years ended December 31, 2011
through December 31, 2015*



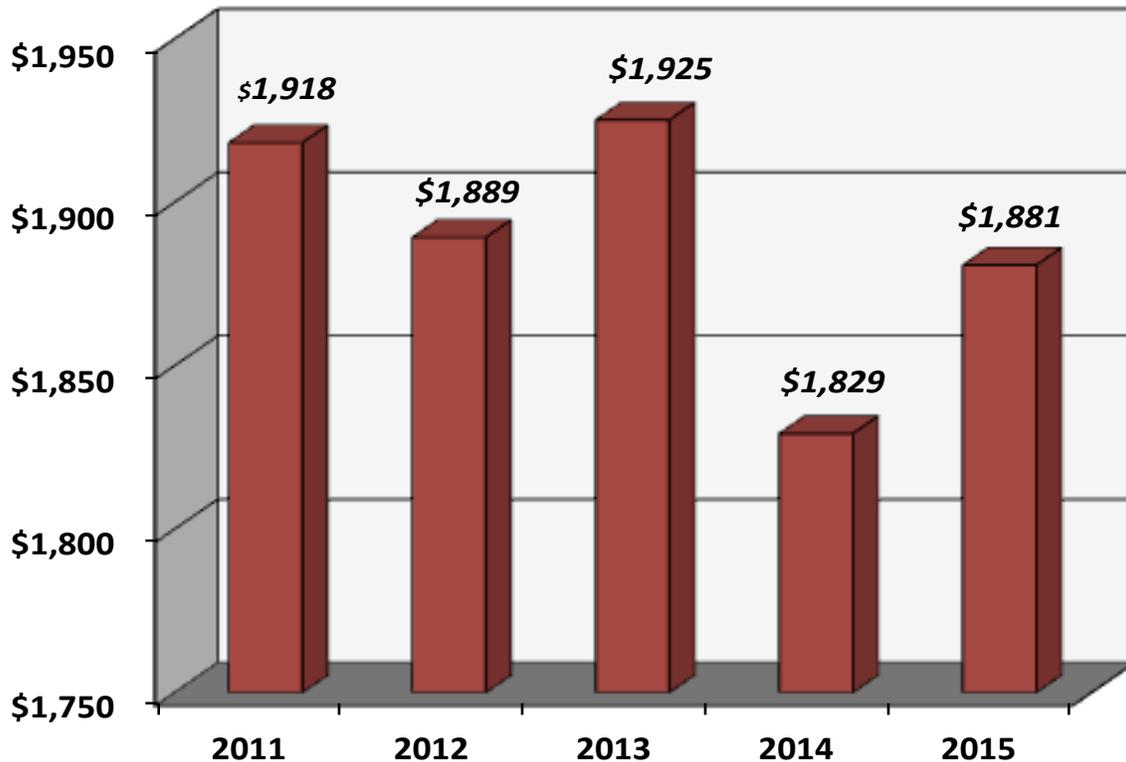
REVENUE INDICATORS

OPERATING REVENUE PER CAPITA

Warning Trend: Decreasing Operating Revenue Per Capita

Formula:

$$\frac{\text{Net Operating Revenue (Constant Dollars)}}{\text{Population}}$$



YEAR END	2011	2012	2013	2014	2015
Operating Revenue (Actual)*	\$52,342,618	\$52,442,408	\$54,231,059	\$53,412,162	\$55,313,995
CPI Index	225.7	229.6	233.0	234.8	236.5
CPI Constant	127.16	129.36	131.27	132.29	133.25
CPI In Decimals	1.272	1.294	1.313	1.323	1.332
Net Operating Revenue (Constant)	\$41,162,345	\$40,540,301	\$41,311,256	\$40,375,535	\$41,512,617
Population	21,457	21,457	21,457	22,071	22,071
Operating Revenue Per Capita	\$1,918	\$1,889	\$1,925	\$1,829	\$1,881
Dollar Change	\$(15)	\$(29)	\$36	\$(96)	\$52
Percent Change	-0.79%	-1.51%	1.90%	-4.98%	2.82%

*Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

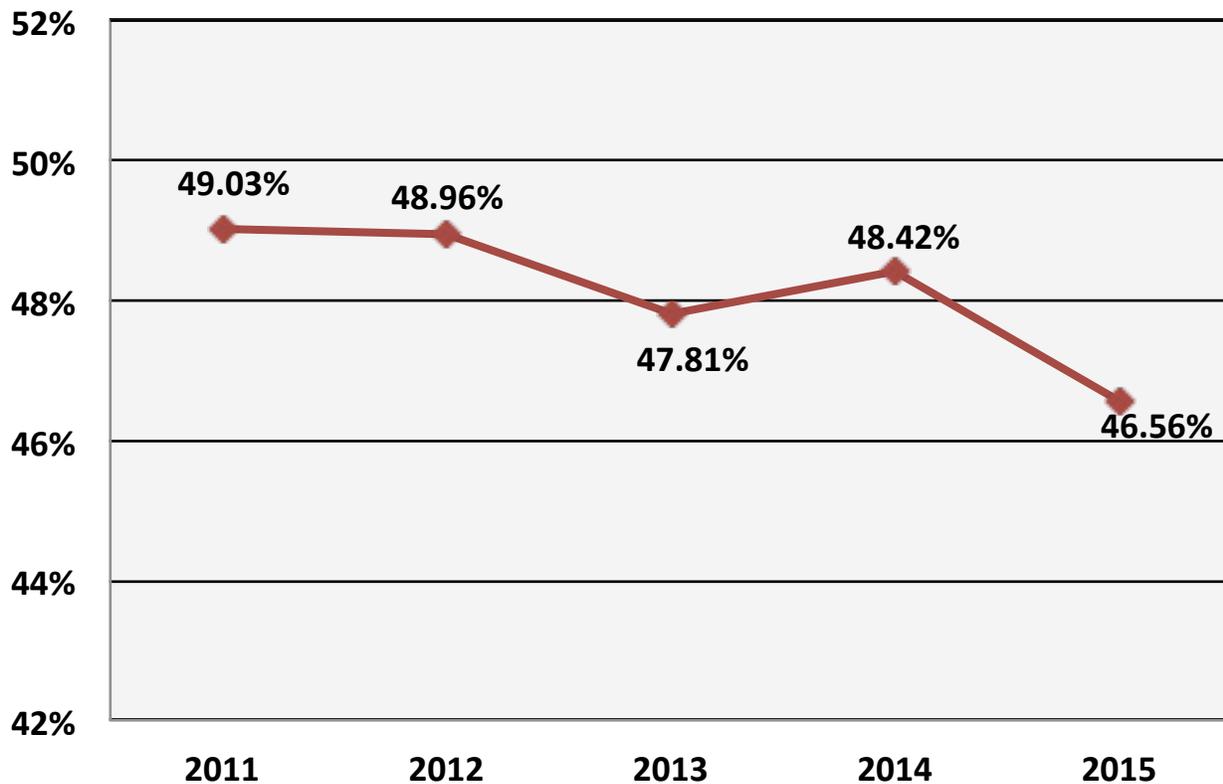
As population increases, it is expected that revenue and the need for service would increase proportionately. Per Capita Revenue shows changes in revenue relative to population. For a municipality to remain financially stable, Revenue Per Capita should remain at least constant and be relative to Expenditure Per Capita.

PROPERTY TAX REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Steady increase in the reliance of property tax revenue to balance the municipal budget

Formula:

$$\frac{\text{Property Tax Revenue}}{\text{Total Operating Revenue}}$$



<u>YEAR END</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Operating Revenue*	\$52,342,618	\$52,442,408	\$54,231,059	\$53,412,162	\$55,313,995
Property Tax Revenue	\$25,663,596	\$25,674,484	\$25,925,905	\$25,863,525	\$25,754,536
Percent of Total	49.03%	48.96%	47.81%	48.42%	46.56%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

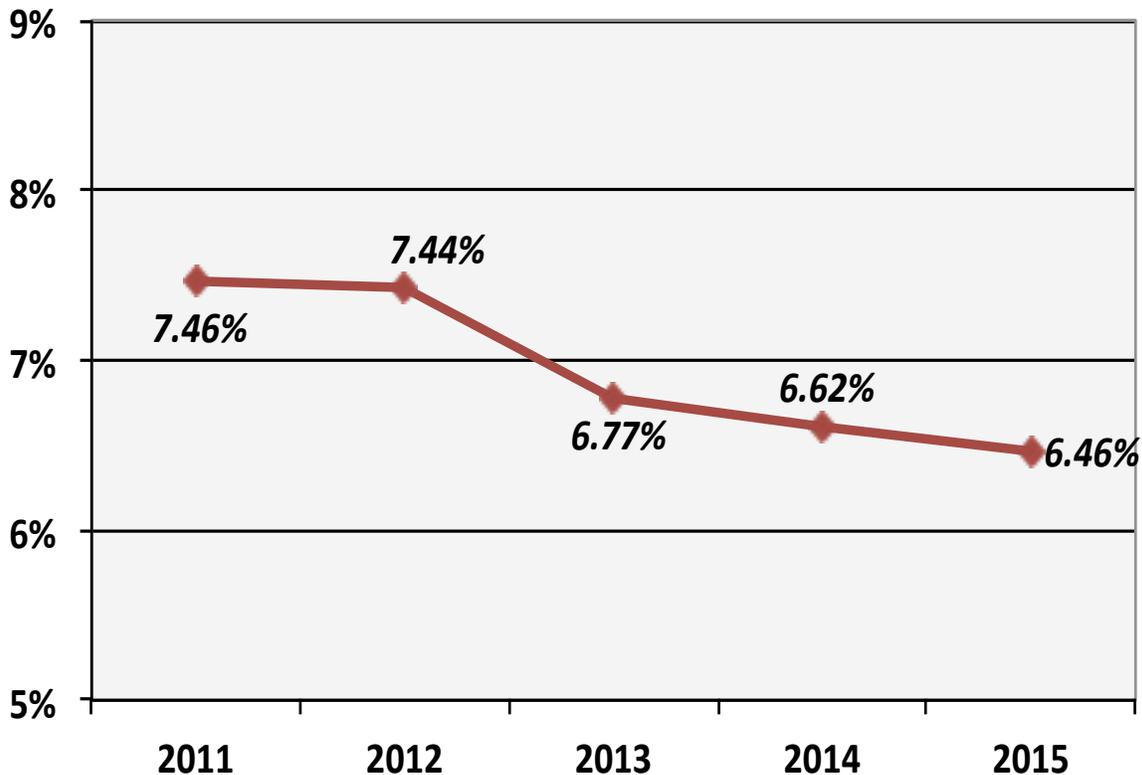
This indicator shows changes in revenue structure. Strong shifts in the percentage of any revenue source may be a warning of financial problems.

STATE AID REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of State Aid Revenue as a percentage of Total Operating Revenue

Formula:

$$\frac{\text{State Aid Revenue}}{\text{Total Operating Revenue}}$$



YEAR END	2011	2012	2013	2014	2015
Total Operating Revenue*	\$52,342,618	\$52,442,408	\$54,231,059	\$53,412,162	\$55,313,995
State Aid Revenue	\$3,904,025	\$3,899,664	\$3,672,839	\$3,533,434	\$3,575,789
Percent of Total	7.46%	7.44%	6.77%	6.62%	6.46%
CPI In Decimals	1.272	1.294	1.313	1.323	1.332

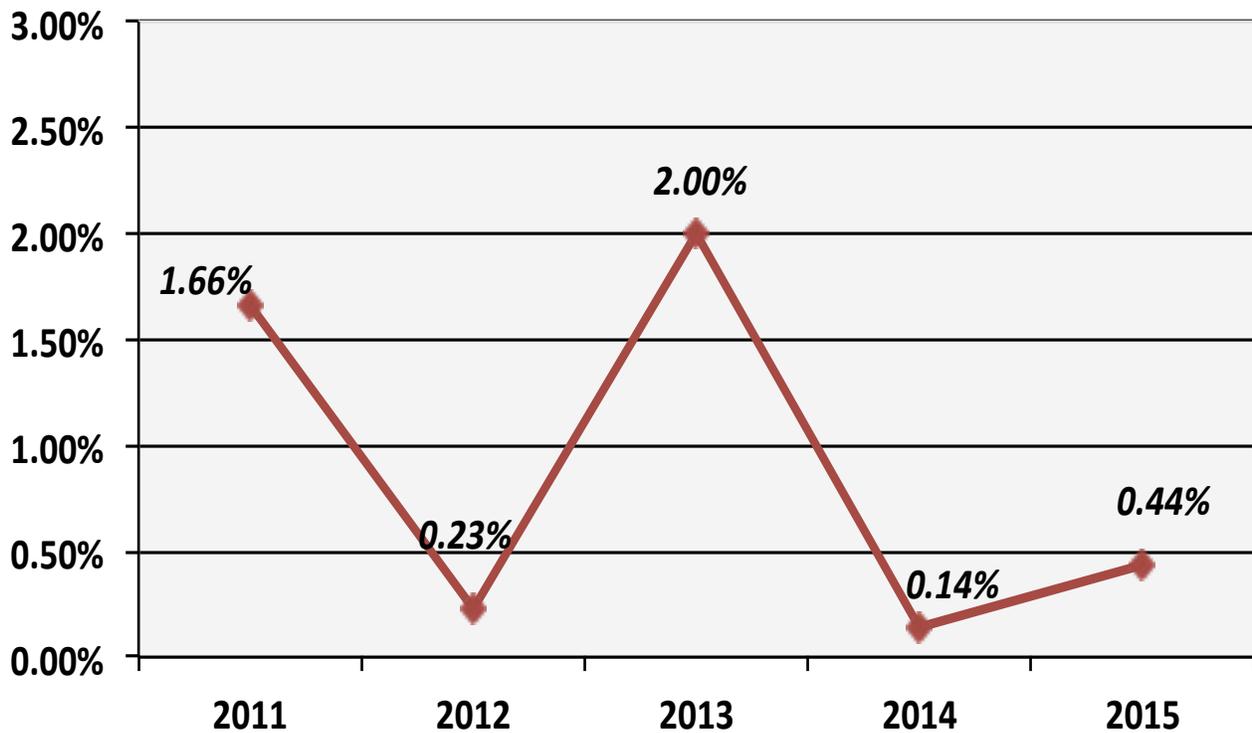
* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

State aid includes: Energy Receipts Tax (ERT) and School Debt Aid. ERT revenue is not earmarked and may be allocated towards any purpose. Decreasing State Aid Revenue and overdependence on its use to balance budget may create financial inflexibility and signal immediate financial vulnerability.

**GRANT REVENUE
AS A PERCENTAGE OF TOTAL OPERATING REVENUE**

Warning Trend: Decreasing amount of Grant Revenue as a percentage of Total Operating Revenue

Formula:
 $\frac{\text{Grant Revenue}}{\text{Total Operating Revenue}}$



YEAR END	2011	2012	2013	2014	2015
Total Operating Revenue*	\$52,342,618	\$52,442,408	\$54,231,059	\$53,412,162	\$55,313,995
Grant Revenue	\$867,558	\$120,648	\$1,083,255	\$75,296	\$242,537
Percent of Total	1.66%	0.23%	2.00%	0.14%	0.44%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

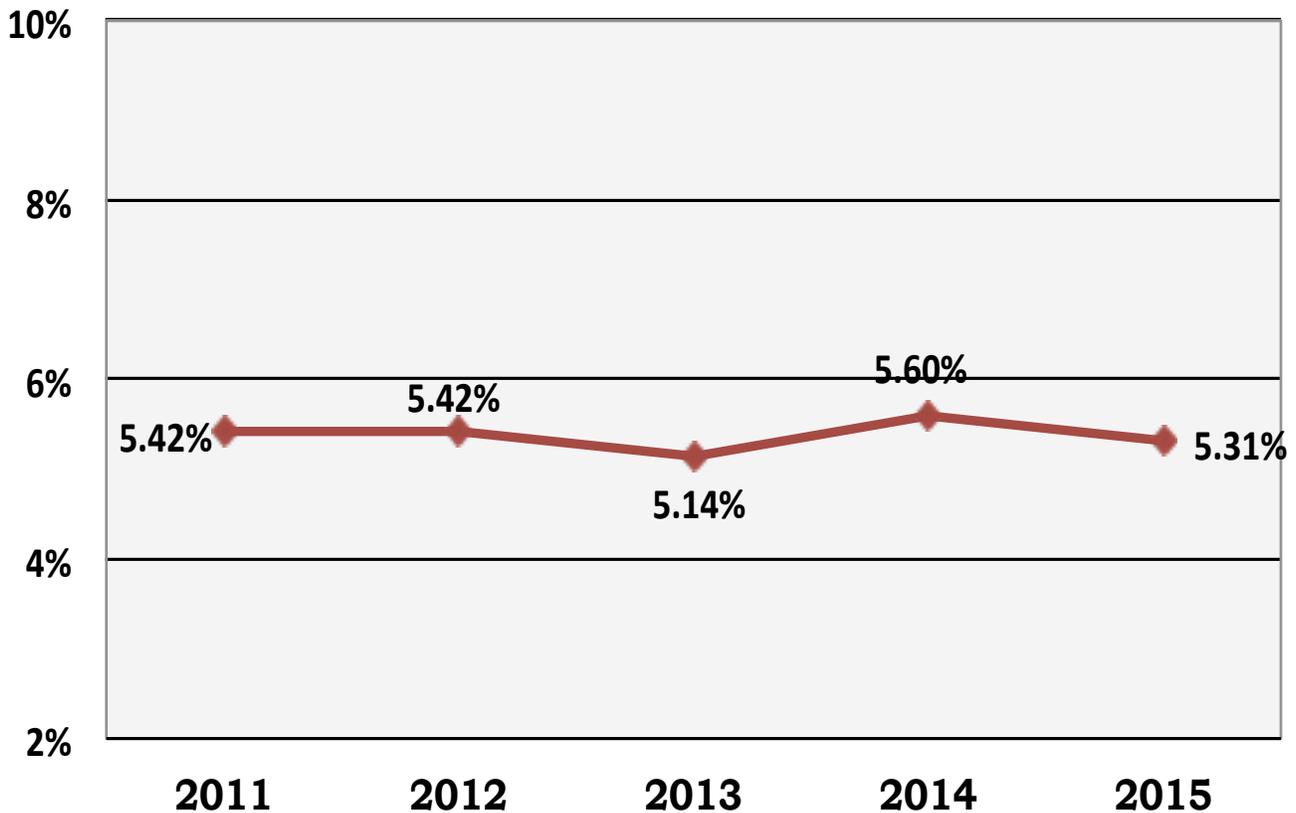
Grants include NJ DOT Municipal Aid, Greening Union County, Clean Communities, Recycling Tonnage, Drunk Driving, and Body Armor Replacement program. The grants are earmarked for specific purposes, often to implement State or Federal Programs. Decreasing Grant Revenue places a greater burden on municipal resources to fund operating expenditures or capital projects.

LOCAL REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of Local Revenue as a percentage of Total Operating Revenue

Formula:

$$\frac{\text{Local Revenue}}{\text{Total Operating Revenue}}$$



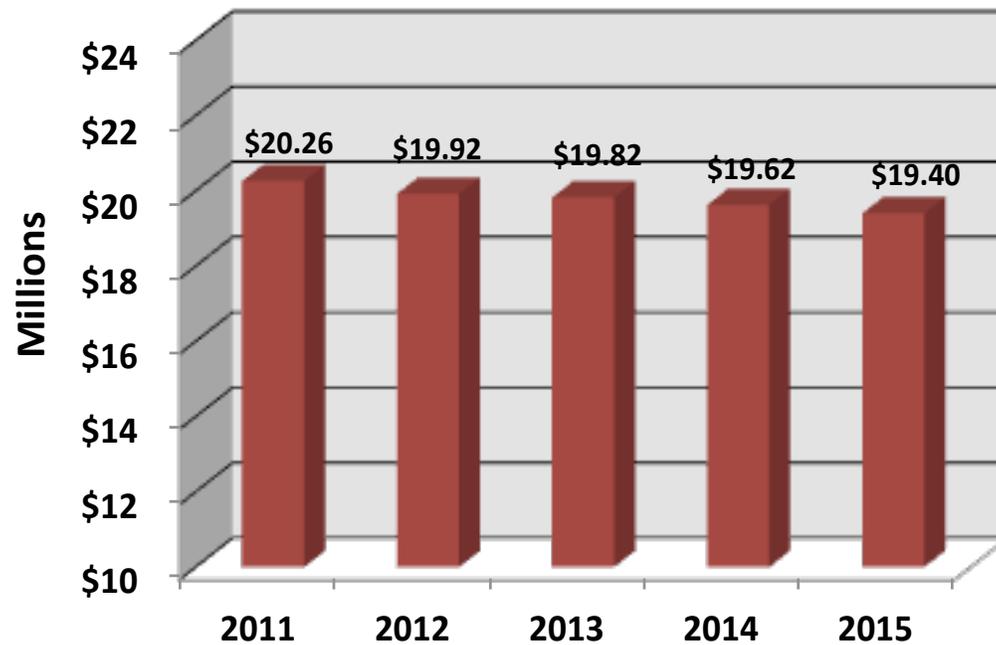
<u>YEAR END</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Operating Revenue*	\$52,342,618	\$52,442,408	\$54,231,059	\$53,412,162	\$55,313,995
Local Revenue*	\$2,839,300	\$2,843,000	\$2,787,000	\$2,993,408	\$2,936,610
Percent of Total	5.42%	5.42%	5.14%	5.60%	5.31%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

PROPERTY TAX REVENUE

Warning Trend: Decline in total
Property Tax Revenue

Formula:
$$\frac{\text{Property Tax Revenue (Constant)}}{\text{CPI In Decimals}}$$



<u>YEAR END</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Property Tax Revenue (Actual)*	\$25,663,596	\$25,674,484	\$25,925,905	\$25,863,525	\$25,754,536
CPI Index	225.7	229.6	233.0	234.8	236.5
CPI Constant	126.69	128.88	130.79	131.80	132.75
CPI In Decimals	1.267	1.289	1.308	1.318	1.328
Property Tax Revenue (Constant)	\$20,256,845	\$19,921,209	\$19,822,748	\$19,623,455	\$19,400,300
Dollar Change	\$(2,045,803)	\$(335,636)	\$(98,461)	\$(199,293)	\$(223,155)
Percent Change	-9.17%	-1.66%	-0.49%	-1.01%	-1.14%

* Property tax revenues are audited figures that include prior year delinquencies.

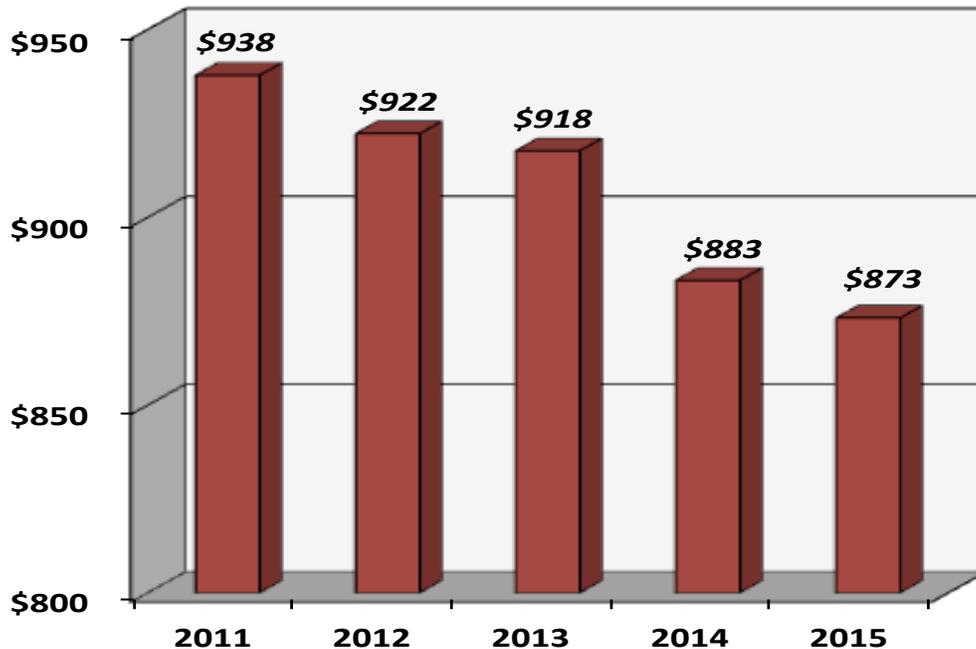
Fluctuations in Property Tax Revenue can be caused by many factors including new development, decline or rise in property values, age of property or a general decline in the regional economy. Cities that rely heavily on Property Tax Revenue are susceptible to serious economic disruption.

PROPERTY TAX REVENUE PER CAPITA

Warning Trend: Decreasing Property Tax Revenue Per Capita

Formula:

$$\frac{\text{Property Tax Revenue (Constant)}}{\text{Population}}$$



YEAR END	2011	2012	2013	2014	2015
Property Tax Revenue (Actual)*	\$25,663,596	\$25,674,484	\$25,925,905	\$25,863,525	\$25,754,536
CPI Index	225.7	229.6	233.0	234.8	236.5
CPI Constant	127.53	129.73	131.65	132.67	133.63
CPI In Decimals	1.275	1.297	1.317	1.327	1.336
Property Tax Revenue (Constant)	\$20,123,829	\$19,790,398	\$19,692,583	\$19,494,599	\$19,272,909
Population	21,457	21,457	21,457	22,071	22,071
Property Tax Revenue Per Capita	\$938	\$922	\$918	\$883	\$873
Dollar Change	\$(94)	\$(16)	\$(5)	\$(35)	\$(10)
Percent Change	-9.13%	-1.66%	-0.49%	-3.76%	-1.14%

* Property tax revenues are audited figures that include prior year delinquencies.

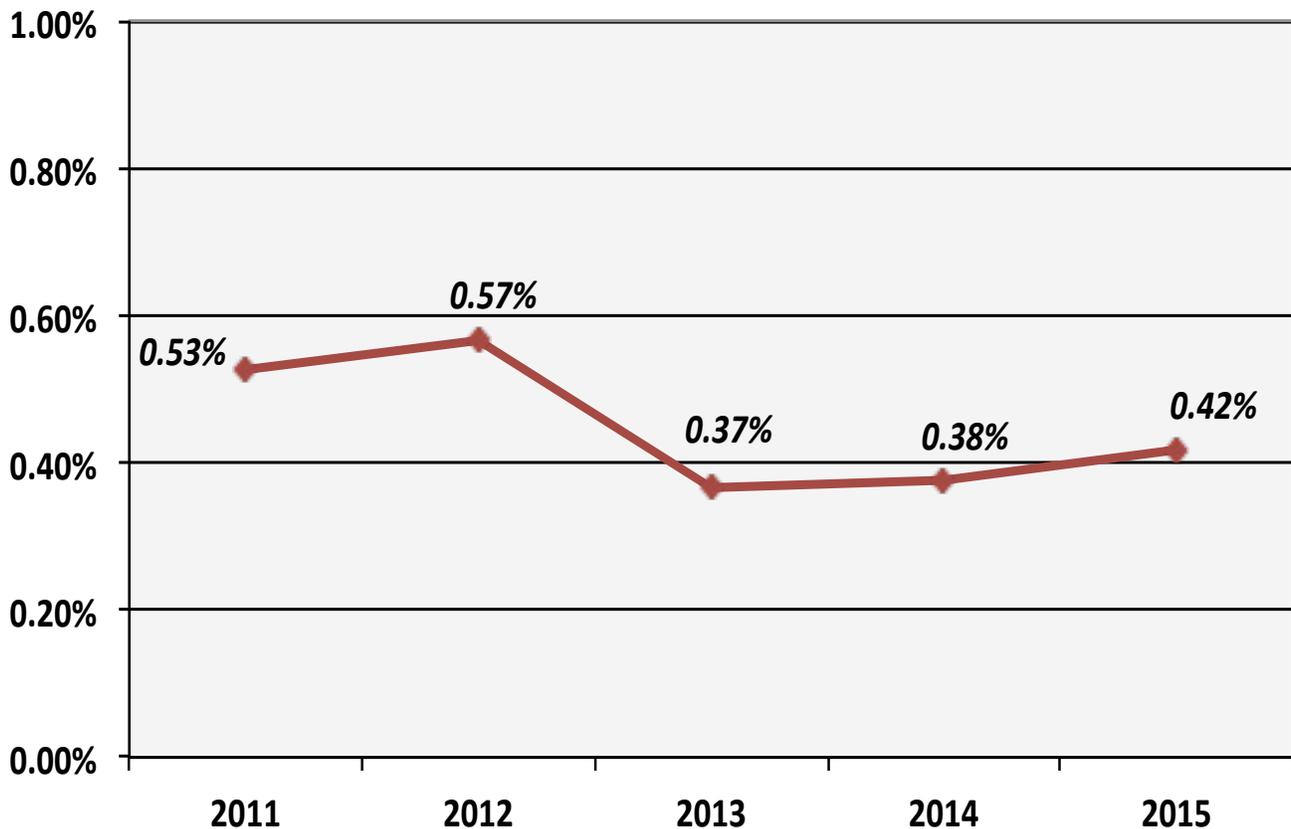
As population increases, it is expected that revenue and the need for service would increase proportionately. Per Capita Property Tax shows changes relative to population. For the City to remain financially stable, losses in Property Tax should be offset by increases in other forms of revenue.

OUTSTANDING PROPERTY TAXES

Warning Trend: Increasing Outstanding Property Tax Revenue as a percentage of Property Tax Levy

Formula:

$$\frac{\text{Outstanding Property Taxes}}{\text{Total Tax Levy}}$$



YEAR END	2011	2012	2013	2014	2015
Total Tax Levy	\$120,008,514	\$124,051,783	\$127,551,901	\$129,117,692	\$131,966,268
Outstanding Property Taxes	\$631,639	\$702,101	\$466,976	\$485,730	\$550,917
Percent of Total	0.53%	0.57%	0.37%	0.38%	0.42%

* Includes added and/or omitted tax assessed billings made in the 4th quarter of 2015 and not due until 1st quarter, 2016.

Increases in the percentage of property tax not collected indicates a serious financial problem. High levels of outstanding uncollected Property Tax decreases liquidity and the ability for the City to meet its current bills and liabilities.

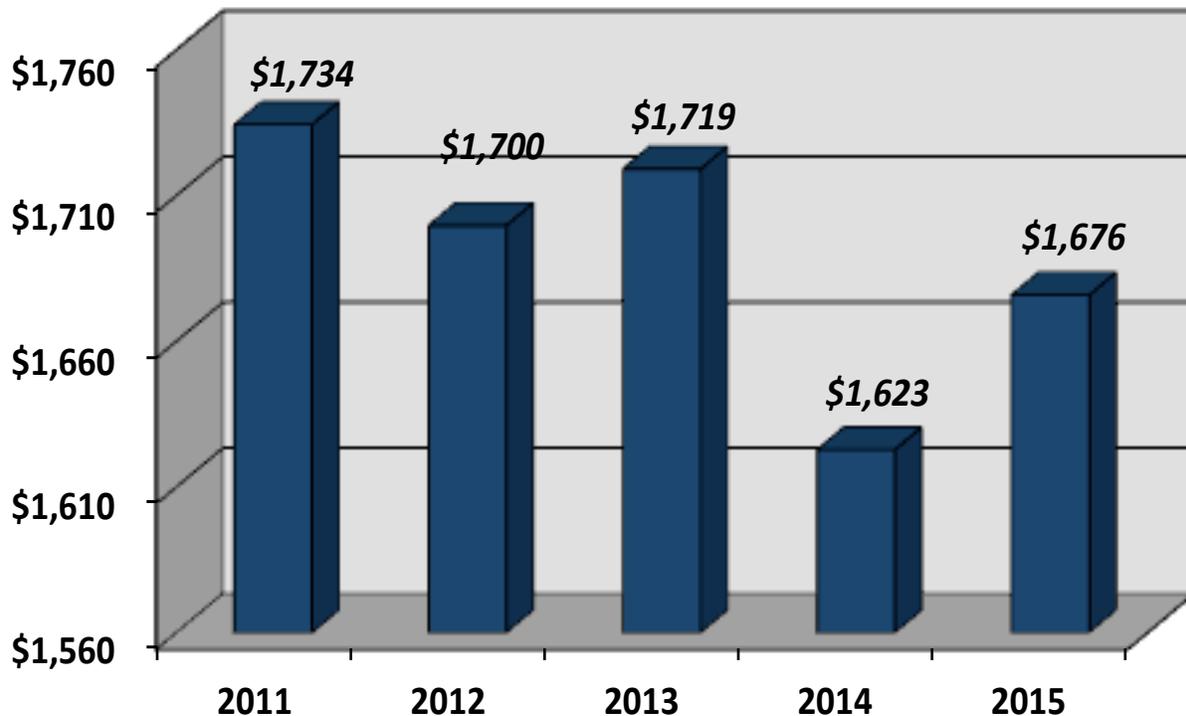
EXPENDITURE INDICATORS

EXPENDITURE PER CAPITA

Warning Trend: Increase in Expenditures per Capita

Formula:

$$\frac{\text{Total Expenditures (Constant)}}{\text{Population}}$$



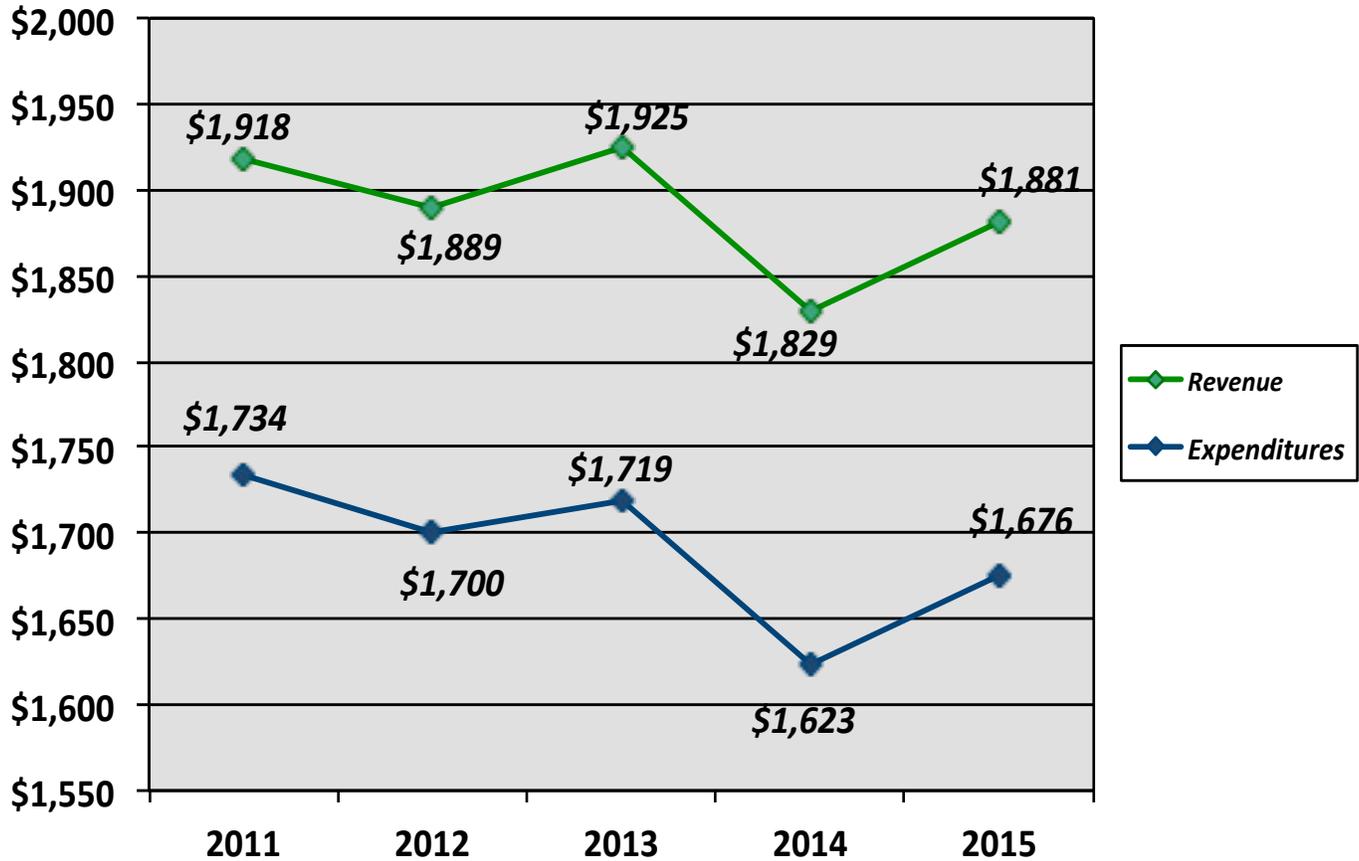
YEAR END	2011	2012	2013	2014	2015
Total Expenditures (Actual)*	\$47,308,493	\$47,164,490	\$48,409,273	\$47,367,747	\$49,270,308
CPI Index	225.7	229.6	233.0	234.8	236.5
CPI Constant	127.12	129.32	131.23	132.24	133.20
CPI In Decimals	1.271	1.293	1.312	1.322	1.332
Total Expenditures (Constant)	\$37,215,737	\$36,472,230	\$36,888,560	\$35,818,196	\$36,989,052
Population	21,457	21,457	21,457	22,071	22,071
Expenditure Per Capita	\$1,734	\$1,700	\$1,719	\$1,623	\$1,676
Percent Change	-0.08%	-2.00%	1.14%	-5.60%	3.27%

* Final budget amounts spent in respective Municipal Budget year that differs from adopted budget amounts.

Fluctuations in Expenditures can be caused by many factors including new development, debt service, contractual obligations, changes in health and/or liability insurance.

REVENUE & EXPENDITURE PER CAPITA

Warning Trend: Expenditure Per Capita greater than Revenue Per Capita

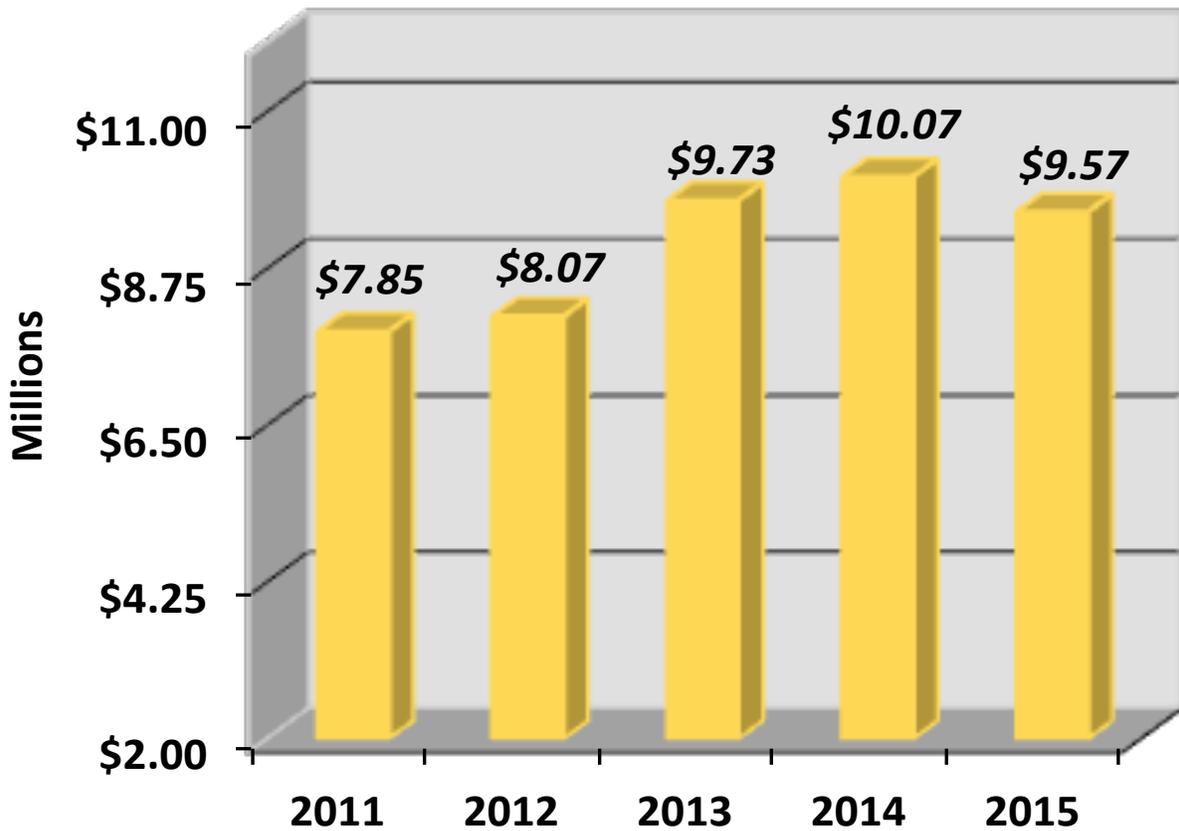


YEAR END	2011	2012	2013	2014	2015
OPERATING REVENUE PER CAPITA	\$1,918	\$1,889	\$1,925	\$1,829	\$1,881
EXPENDITURES PER CAPITA	\$1,734	\$1,700	\$1,719	\$1,623	\$1,676

OPERATING POSITION

CHANGE IN FUND BALANCE

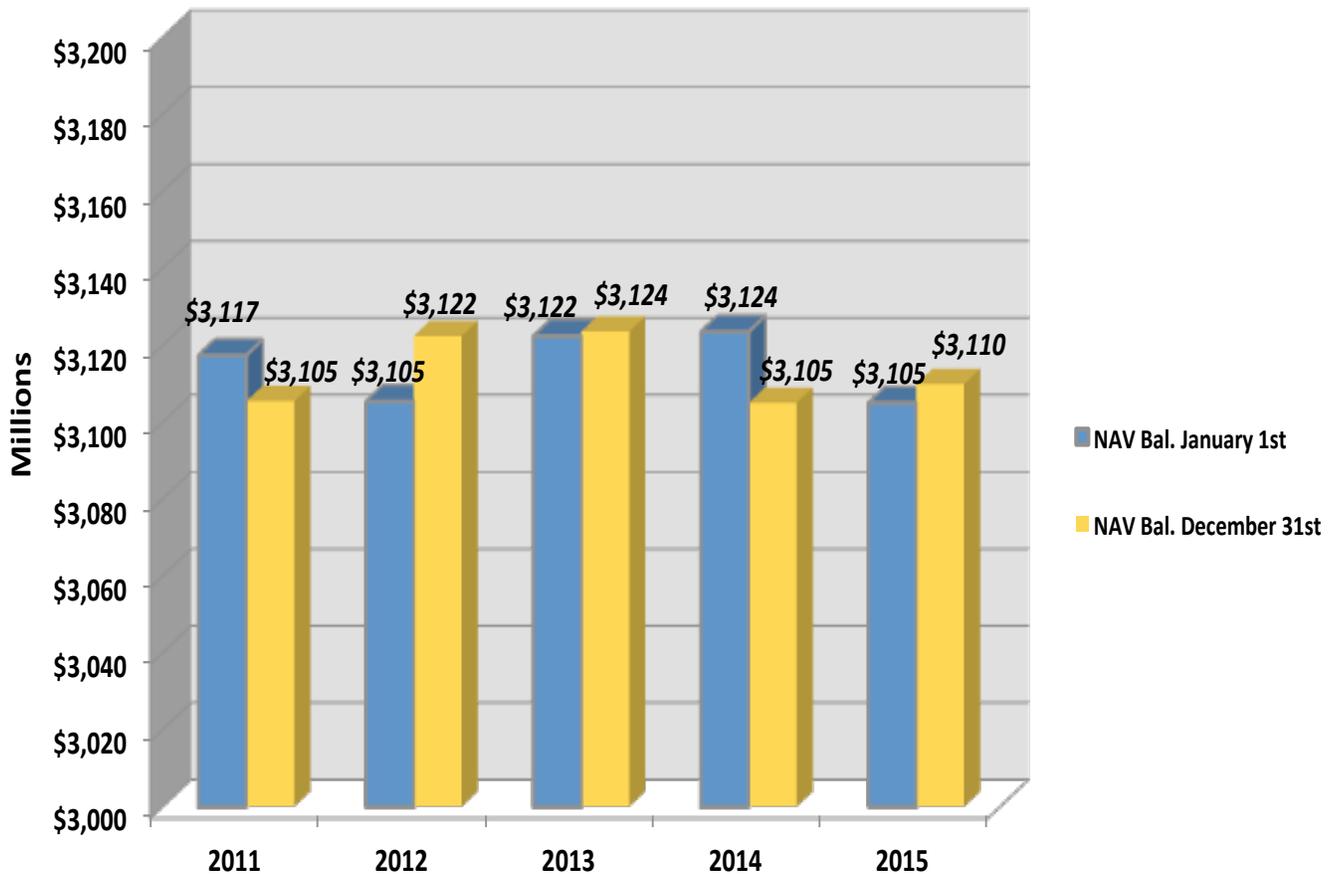
Warning Trend: Decreasing year end Fund Balance amounts



YEAR END	2011	2012	2013	2014	2015
Fund Bal. January 1st	\$8,712,799	\$7,850,339	\$8,070,077	\$9,731,947	\$10,071,232
Fund Bal. December 31st	\$7,850,339	\$8,070,077	\$9,731,947	\$10,071,232	\$9,569,829
Change in Fund Balance	\$(862,459)	\$219,737	\$1,661,871	\$339,284	\$(501,403)
Percentage Change	-9.90%	2.80%	20.59%	3.49%	-4.98%

CHANGE IN NET ASSESSED VALUATION

Warning Trend: Decrease in Net Assessed Valuation (NAV)

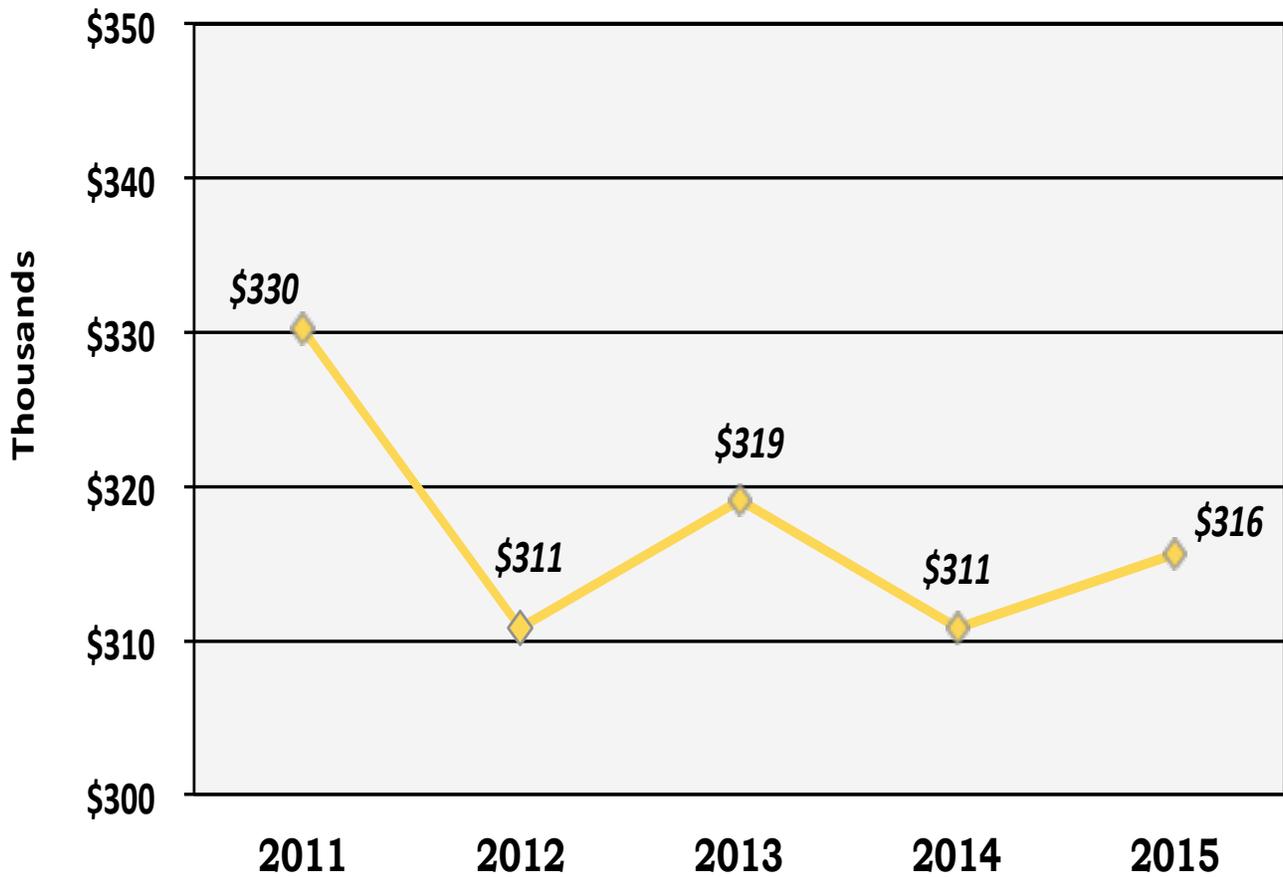


YEAR END	2011	2012	2013	2014	2015
NAV Bal. January 1st	\$3,117,381,400	\$3,105,392,000	\$3,122,368,000	\$3,123,541,200	\$3,104,968,500
NAV Bal. December 31st	\$3,105,392,000	\$3,122,368,000	\$3,123,541,200	\$3,104,968,500	\$3,109,869,300
Change in NAV (\$)	\$(11,989,400)	\$16,976,000	\$1,173,200	\$(18,572,700)	\$4,900,800
Percentage Change	-0.38%	0.55%	0.04%	-0.59%	0.16%

The City tax base has fluctuated over the last several years mainly due to sizeable valuation decreases on the former Merck property, which was purchased by Celgene Corporation in October 2015.

EQUALIZED VALUE PER CAPITA

This indicator is used for comparison purposes only.

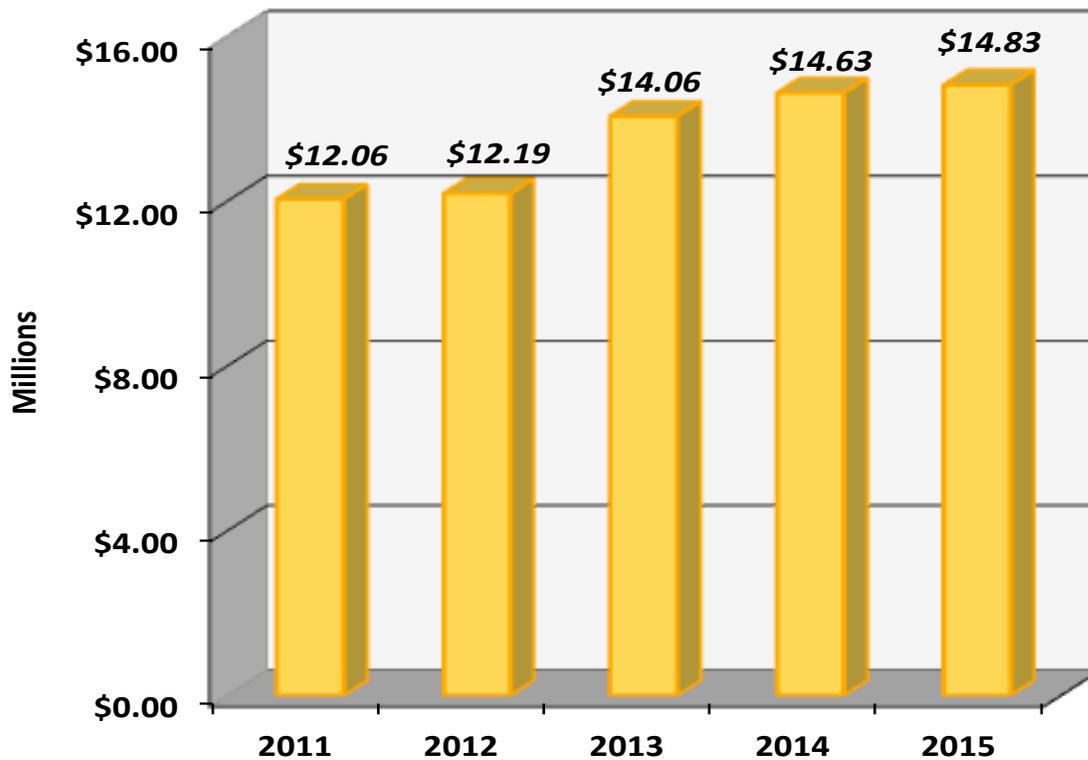


YEAR END	2011	2012	2013	2014	2015
Equalized Valuation (3-Year Average)	\$7,084,336,067	\$6,667,180,660	\$6,847,916,262	\$6,858,202,025	\$6,967,242,421
Population	21,457	21,457	21,457	22,071	22,071
Equalized Value Per Capita	\$330,164	\$310,723	\$319,146	\$310,734	\$315,674

CASH FLOW

Warning Trend: Decline in Cash Balance

Formula:
Cash Balance as of December 31st



<u>YEAR END</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Cash Bal. (Jan. 1st)	\$13,633,368	\$12,055,279	\$12,190,413	\$14,064,916	\$14,630,891
Cash Bal. (Dec. 31st)	\$12,055,279	\$12,190,413	\$14,064,916	\$14,630,891	\$14,825,707
Change in Cash Balance	\$(1,578,089)	\$135,134	\$1,874,503	\$565,976	\$194,816
Percentage Change	-11.58%	1.12%	15.38%	4.02%	1.33%

Liquidity determines the ability of a municipality to meet its short term obligations. Poor levels of liquidity may be a sign of future economic disruption.

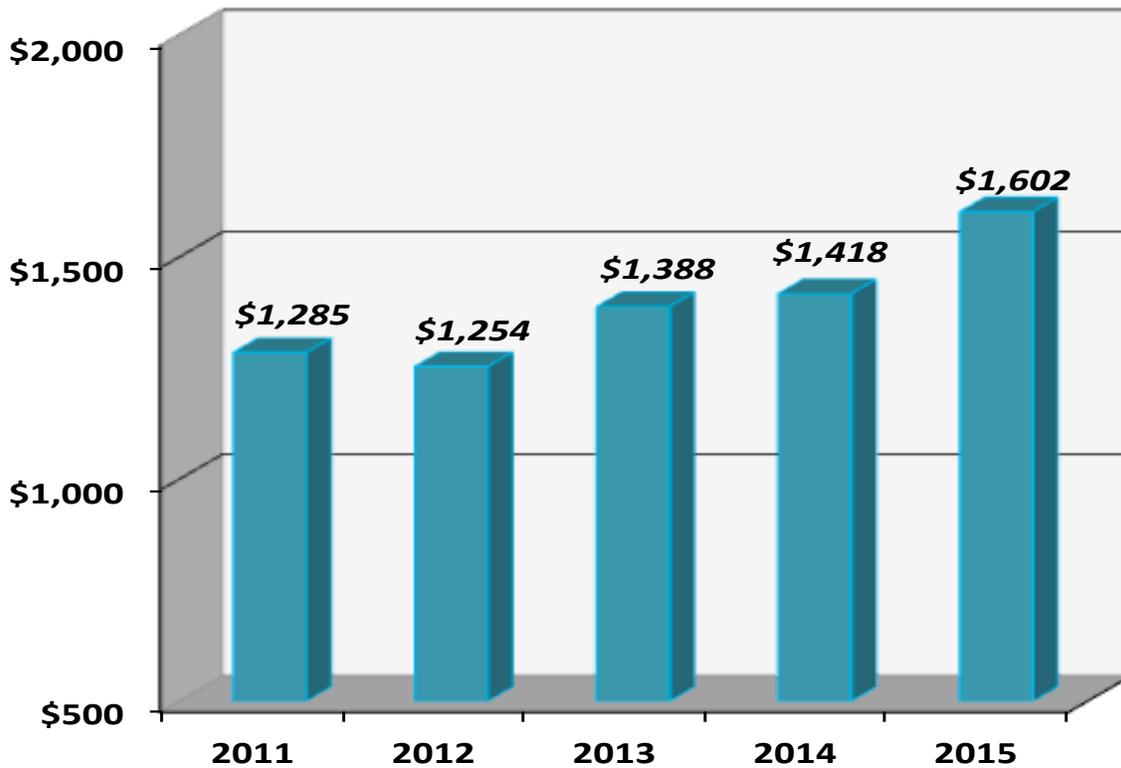
DEBT STRUCTURE

NET DEBT PER CAPITA

Warning Trend: Increasing Bonded Long Term Debt Per Capita

Formula:

$$\frac{\text{Net Debt (Constant)}}{\text{Population}}$$



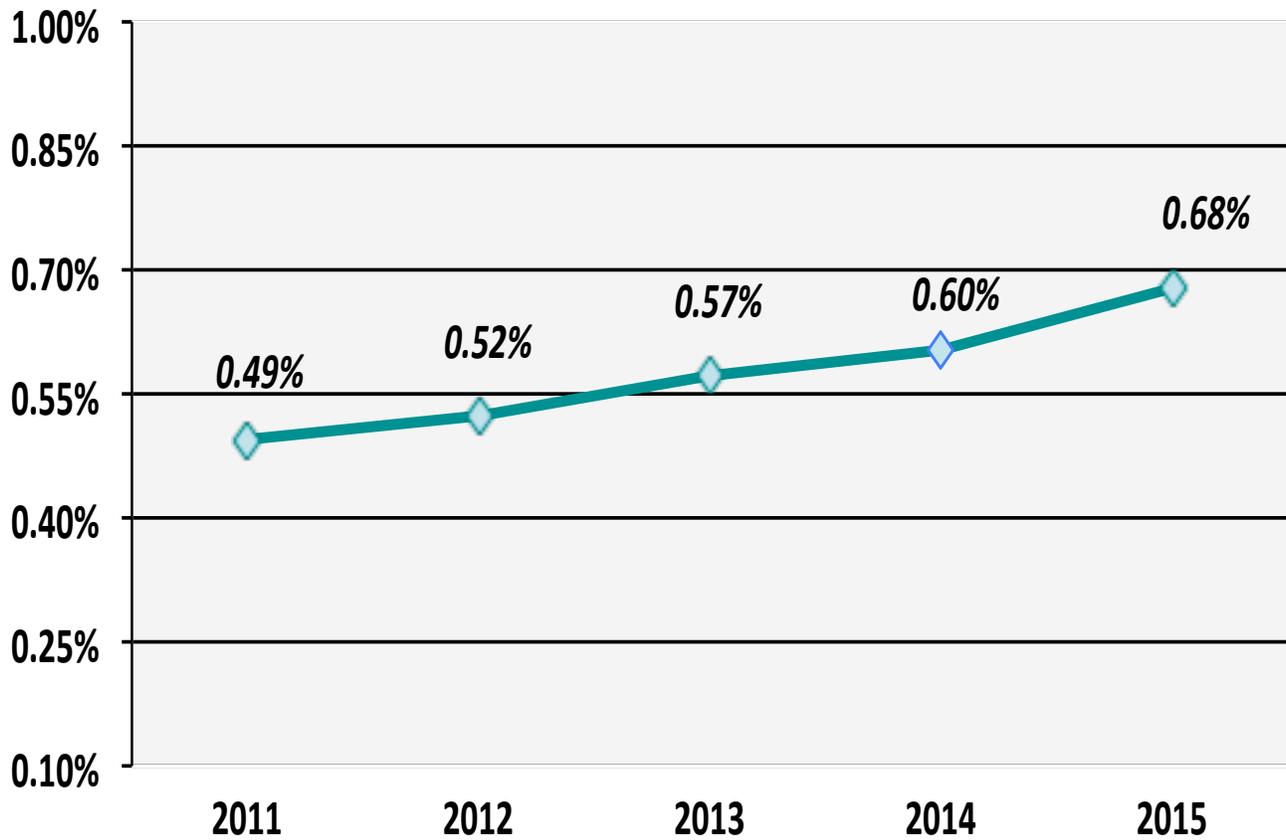
YEAR END	2011	2012	2013	2014	2015
Total Net Debt	\$35,062,307	\$34,790,264	\$39,096,903	\$41,376,286	\$47,094,282
CPI Index	225.7	229.6	233.0	234.8	236.5
CPI Constant	127.12	129.32	131.23	132.24	133.20
CPI In Decimals	1.271	1.293	1.312	1.322	1.332
Net Debt (Constant)	\$27,582,143	\$26,903,260	\$29,792,401	\$31,287,616	\$35,355,428
Population	21,457	21,457	21,457	22,071	22,071
Net Debt Per Capita	\$1,285	\$1,254	\$1,388	\$1,418	\$1,602
Dollar Change	\$(28)	\$(32)	\$135	\$29	\$184
Percent Change	-2.10%	-2.46%	10.74%	2.10%	13.00%

Increased Debt Per Capita presents a threat to the ability of property owners to pay taxes. This may lead to an increase in outstanding property taxes.

NET DEBT AS A PERCENTAGE OF EQUALIZED VALUATION

Warning Trend: Increasing Net Debt as a percentage of average equalized valuation

$$\frac{\text{Net Debt}}{\text{Equalized Valuation}}$$



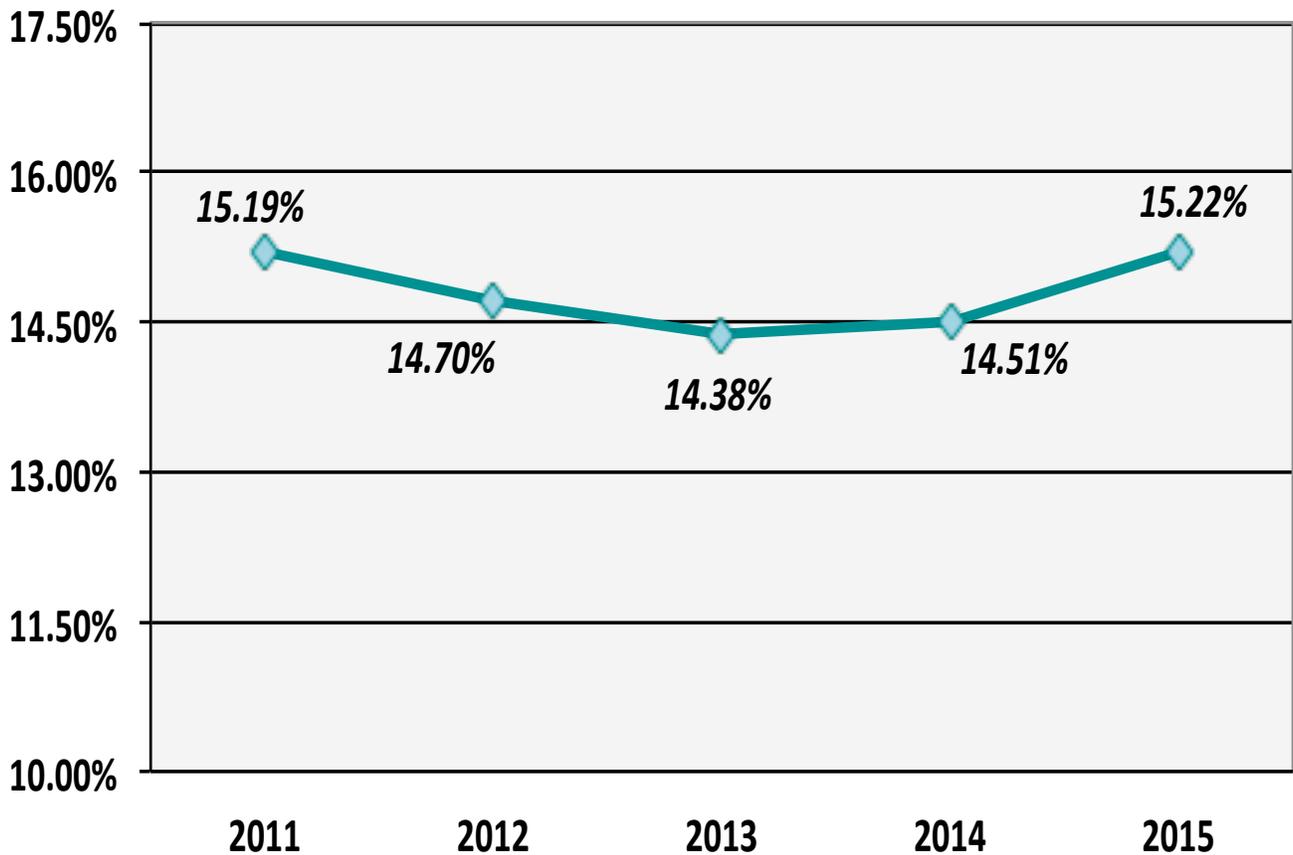
YEAR END	2011	2012	2013	2014	2015
Equalized Valuation (3-Year Average)	\$7,084,336,067	\$6,667,180,660	\$6,847,916,262	\$6,858,202,025	\$6,967,242,421
Net Debt per Annual Debt Statement	\$35,062,307	\$34,790,264	\$39,096,903	\$41,376,286	\$47,025,282
Percentage Change	0.49%	0.52%	0.57%	0.60%	0.68%

DEBT SERVICE EXPENSE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Increasing Debt Service expense as a percentage of Operating Revenue (8% is an acceptable general guideline)

Formula:

$$\frac{\text{Debt Service Expense}}{\text{Total Operating Revenue}}$$



<u>YEAR END</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Operating Revenue*	\$52,342,618	\$52,442,408	\$54,231,059	\$53,412,162	\$55,313,995
Debt Service Expense**	\$7,950,278	\$7,707,443	\$7,798,330	\$7,750,209	8,417,836
Trend	15.19%	14.70%	14.38%	14.51%	15.22%

* Audited figures that include Miscellaneous Revenues Not Anticipated (MRNA).

**Increasing Debt Service decreases expenditure flexibility by adding to fixed cost obligations of a municipality (including interest on BAN's).