

February 13, 2013

The special meeting of the Town Council of the Town of Newton was held on the above date at 6:30 p.m. Present were Mrs. Becker, Mr. Elvidge, Mr. Flynn, Deputy Mayor Ricciardo, Mayor Diglio, and Town Manager, Mr. Thomas S. Russo, Jr. Also present were Mrs. Debra Millikin, Deputy Town Manager and Ms. Dawn Babcock, CFO.

Mayor Diglio made the following declaration that "in accordance with the Open Public Meetings Act, notice of this special meeting was given to the two newspapers of record and posted on the official bulletin board on February 12, 2013."

COMMENTS BY TOWN AUDITOR

Mr. Tom Ferry, Town Auditor, addressed the Council and advised of Newton's financial status. Mr. Ferry provided some financial advice and strongly urged the Council to preserve the fund balance.

Mr. Ferry explained the difference between the 2% levy cap and the appropriations cap, and advised Council that he was impressed with Newton's budget which only has a \$21 annual increase on the average assessed residential structure.

Mr. Ferry provided a brief outline and financial status of the Newton Water and Sewer Budget.

After a lengthy discussion, Council thanked Mr. Ferry, Ms. Babcock, and Mr. Russo for their diligent work on the budget.

TOWN MANAGER'S REVIEW OF BUDGET SUMMARY

The Town Manager briefly reviewed the budget which provides "Our Guiding Principles" for the 2013 Municipal Budget and Water & Sewer Budget.

As we look forward to the introduction and eventual adoption of the 2013 Newton municipal budget, we are guided by focusing on three (3) core areas. The first is a focus on improving **cost effectiveness** through increased staff productivity with a targeted use of part-time personnel, volunteers and technology. By assessing and reducing the cost of our services, identifying and correcting inefficiencies and replacing them with higher impact alternatives, we can become an even more successful organization.

The second is a focus on **protecting core services**. We must always be cognizant of maintaining our exceptional reputation for delivering quality municipal services with an emphasis on doing things the right way, at the right time, and for the right reasons. It is our goal to sustain service levels at the 2012 level, if possible, and demonstrate positive results to the taxpayers.

Finally, we are guided by a focus on **revenue enhancement**. This allows us to minimize tax increases on the overall community while forcing us to be more deliberative with user fees and various shared services strategies. Newton has a proven track record of working with other entities to provide cost effective solutions for problems and those relationships must and will continue.

Ultimately, all three core principles are inexorably tied to the prevailing ideology of enhancing mission achievement – making the Newton municipal organization the best it can be.

APPROPRIATIONS

Newton’s 2013 Municipal Budget and Capital Improvement Program totals **\$11,600,000**. The Municipal government is a service-based organization. Approximately 65% of the municipal budget provides funding for the salaries and benefits of **63 full-time and 52 part-time employees (115), a net decrease of 8 employees from 2009**. The below chart presents a summary of how appropriations are divided within the budget and, in turn, impact local taxes.

COMPARISON OF APPROPRIATION BUDGETED AMOUNTS FOR 2012 AND 2013

	2012		2013	
	(FINAL ADOPTED)		(PROPOSED)	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Salaries	4,718,366	41.31	4,821,904	41.57
Health/Dental/Vision/Work Comp.	1,536,521	13.45	1,658,909	14.30
Pensions	841,218	7.36	824,128	7.10
FICA/SUI	233,350	2.04	224,998	1.94
Retirement/LOSAP/Accum.				
Absence	47,000	.41	49,000	.42
Subtotal	\$7,376,455	64.57	\$7,578,939	65.33
General Operating Expenses	1,561,989	13.68	1,606,599	13.85
Debt/Capital/Deferred Charges	1,960,310	17.16	1,976,145	17.04
Reserve for Uncollected Taxes	478,390	4.19	400,000	3.45
Grants	45,346	.40	38,317	.33
Total	\$11,422,490	100.00	\$11,600,000	100.00

RESERVE FOR UNCOLLECTED TAXES/TAX APPEALS

The Reserve for Uncollected Taxes (RUT) has two components. One portion of the Reserve supports municipal budget taxes. The second component covers taxes collected and remitted to the Board of Education and the County of Sussex. The Reserve for Uncollected Taxes exists as a buffer to address the shortfall between property taxes required to support local governments and the actual rate of tax collection.

The Town’s last revaluation was conducted in 2007 with property assessments based upon real estate market conditions at that time. As economic conditions have severely worsened over the intervening period leading up to this writing, we have seen a marked increase in the number of tax appeals filed by owners of all classes of properties. Due to these circumstances, the Town started the process of a reassessment of all properties at the end of 2010. The new reassessment figures were implemented for the 2011 Tax Year. The current ratio established for the 2013 Tax Year is 102.29%.

In 2012, the Town settled 1 of the 23 tax appeals cases that were filed in the State Tax Court for Tax Year 2012. The total tax dollars at risk on the 1 case that settled was \$3,286, with the actual tax dollars lost on settlements totaling only \$2,015. The Town still has 22 cases pending in the State Tax Court for 2012, involving \$69,492,300 of assessment, with a total tax dollar risk of \$120,141. I will provide you with future updates as conditions warrant.

HEALTH CARE COVERAGE

TOTAL HEALTHCARE COSTS	LESS: EMPLOYEE CONTRIBUTIONS	TOWN SHARE	
\$1,894,408	\$131,361	\$1,763,047	MED/DENTAL/VISION/EAP
<u>\$16,305</u>		<u>\$16,305</u>	INSURANCE WAIVERS
\$1,910,713	\$131,361	\$1,779,352	Subtotal
<u>\$29,565</u>		<u>\$29,565</u>	MEDICARE REIMBURSEMENT
\$1,940,278	\$131,361	\$1,808,917	TOTAL INSURANCE

BUDGET

The chart below tracks revenues over the course of the last five (5) years. As you can see, State Aid has continued to decrease while the taxpayers of Newton have had to pick up where the State has left off. Local fees continue to fluctuate along with the ability of the Town to create a consistent level of fund balance.

Here is a comparison of revenues from the period of 2009 – 2013:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
State Aid	1,246,587	1,030,186	1,025,916	1,025,916	1,025,916
Local Fees, Fines, Interest	684,127	653,073	647,715	628,472	649,545
Fund Balance (Surplus)	607,000	803,000	550,000	641,000	773,661
Delinquent Taxes	466,000	340,000	390,000	440,000	330,000
Municipal Taxes	6,857,564	7,384,386	7,758,496	7,860,280	7,913,826
Interlocal Agreements	285,716	296,889	307,429	404,488	400,766
Grants	102,157	60,903	34,904	45,346	38,317
Special Items of Revenue	93,317	189,433	87,115	376,988	467,969
Total	\$10,342,468	\$10,757,870	\$10,801,575	\$11,422,490	\$11,600,000

With State Aid and grant funding continuing to diminish, coupled with the reality of a tax base that is 35% exempt, it is an ever increasing challenge to maintain appropriate service levels and sound fiscal policies while mitigating any significant municipal tax increases. The Municipal Tax necessary to support the Newton municipal organization, including the Reserve for Uncollected Taxes, is increasing for the 2013 year. The 2013 municipal tax rate will be **1.1518 vs. 1.1380** from 2012, **an increase of 1.38 tax points**. The impact on the average assessed residential structure (\$221,256) is **only \$21 per year or \$.06 per day**.

WATER AND SEWER

The Town maintains independent financial records for the Water and Sewer fund. Both functions are supported by customer billings and do not require property tax revenues to meet financial obligations. The Water and Sewer budget is proposed at **\$4,223,250** for the 2013 year. The Water and Sewer budget provides service to **2,638 accounts**. The current rate structure continues to allow the Town to pay cash for critical infrastructure projects, reserve funds for future capital improvements and retire existing debt.

SUMMARY

As we begin the budget review process, I want to thank all department heads and staff for their invaluable assistance in putting together these important documents. If, upon review, the Governing Body wishes to see further cuts in operating expenses and/or the State of New Jersey decreases our State Aid, then my team will conduct another thorough review of same. This review would include, but not be limited to, an analysis of cutting, eliminating or furloughing personnel, decreasing other expenses, as well as additional methods of revenue enhancement and fund balance utilization.

In closing, it is my belief that the budget appropriations and revenue projections, as contained in the 2013 budget for Newton, and as of this writing, will enable the Town to meet the public's demand and need for critical services. Furthermore, the budget is structured as a fiscally responsible document to ensure that the financial well-being of our municipal government is preserved. This 2013 budget as presented will enable the municipal organization to continue mission achievement - achieving the excellence in governance expected by our customers: the taxpayers, businesses and residents of Newton. Thank you once again for the opportunity to serve the good people of Newton.

FUND BALANCE

Mr. Russo noted that on page 12 are the Fund Balance figures from 1983 to 2012. The maintenance of a surplus balance, or fund balance, provides a safeguard for emergencies and is used to help offset the costs to our citizens for support of the Municipal Budget. Mr. Russo noted that the budget as presented shows a balance of \$342,662, and believes this amount is acceptable, in keeping with the Council's wishes of a progressive fund balance.

Mr. Russo provided an overview of the 2013 Revenue Budget for Current Fund.

Mr. Russo then proceeded to review several department budgets. Mr. Russo outlined the Town Manager's budget; Town Clerk's budget; Elections budget; Town Council budget; Human Resource budget; Finance Administration budget; Assessment of Taxes budget; Collection of Taxes budget; Legal Services budget; Municipal Court budget; Planning/Zoning Admin. budget; Historic Commission budget; Community Development budget; as well as, Shade Tree Comm.; Economic Development budgets and various insurances costs. Mr. Russo reviewed the Aid to First Aid Organization contribution; OEM budget; Board of Health budget; Utility Expenses budget; and outlined the items for the celebration of public events; senior citizen program and other various contributions. Mr. Russo reviewed the Public & Private Programs (grants); Capital Improvements; Debt Service payments; Deferred Charges; the Statutory Expenditures; as well as the Reserve for Uncollected Taxes.

Throughout the budget meeting, the Town Council asked questions which were addressed by Mr. Russo, Ms. Babcock, and Mr. Ferry.

WATER/SEWER BUDGET REVIEW AND CAPITAL PROJECTS

Mr. Russo recognized Debra Millikin, Deputy Town Manager, Paul Baldwin, W/S Supervisor, John Madden, Licensed Water/Sewer Operator, David Simmons, Water Engineer and Jim Coe of Hatch Mott MacDonald representing our Sewer Engineer,

John Scheri, Mr. Russo, and Mrs. Millikin outlined the 2013 Water & Sewer Utility budget which included the operating and capital improvements. Mrs. Millikin, Mr. Coe and Mr. Simmons outlined and reviewed the anticipated 2013 capital expenditures which included the Inlet Building Upgrade; Woodside Avenue Pumping Station; Gardner Avenue Well Study; RBC Replacement; Plainfield Avenue Watermain Project; as well as the Water Allocation Project Study.

Council asked several questions which were addressed by Mrs. Millikin, Mr. Madden, Mr. Coe and Mr. Simmons.

Council thanked the Water & Sewer personnel for a great job throughout the year.

POLICE DEPARTMENT BUDGET REVIEW AND CAPITAL PROJECTS

Mr. Russo recognized Police Chief Michael Richards and Lt. Mark Zappa.

Chief Richards reviewed the police department budget with the Governing Body, outlining some of the changes he has incorporated in order to conserve on the overtime costs. It was noted that overtime costs were higher than anticipated due to several issues beyond his control, including sick leave, family leave, and workmens compensation leave.

Chief Richards outlined the capital improvements items requested which consisted of upgrades to the MDT's, CENCOM, and the server for building security.

Chief Richards read a letter from KML Technology, Inc. regarding the need to upgrade the 9-1-1 System in CENCOM.

"Products reach the end of their Product Life Cycle for a number of reasons. These reasons may be due to market demands, technology innovation and development driving changes in the product or the products simply mature over time and are replaced by functionally richer technology.

As a manufacturer of mission-critical communications systems, KML Technology must meet rigid requirements and continually evolve our software and hardware to work with our constantly changing 9-1-1 network. KML Technology has an obligation to our PSAP customers to adhere to the public safety industry's best practices while offering the newest technological innovations. It is our responsibility to keep your 9-1-1 system running 24x365 and to inform you when your software and hardware needs necessary upgrades. Your current 9-1-1 computers were installed on 7/13/2001. Your current 9-1-1 computers are 8 years old.

Although your 9-1-1 computes may be working okay at this time, you are borrowed time. Industry standards have determined that it is best practice to upgrade you 9-1-1 computers every 3-5 years. Given the age of your system and the fact that it has been running 24x365 this upgrade is mandatory.

In an effort to help you during this economically challenged time, we are offering you the chance to upgrade your system at half the cost of buying a new system...

We will no longer be able to support your current system after March 31, 2013."

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A discussion ensued on the need for an upgrade to the current 9-1-1 system. At the conclusion, Council thanked Chief Richards and Lt. Zappa for their budget presentation and for the work of the Newton Police Department.

TOWN MANAGER'S REVIEW OF BUDGET

Due to the late hour, Mr. Russo suggested that any further discussion on the budget be continued at the next Budget Hearing.

OPEN TO THE PUBLIC

Mayor Diglio opened the meeting to the public.

There was no public to be heard.

COUNCIL & MANAGER COMMENTS

Mr. Russo outlined the agenda for the next scheduled budget hearing on Thursday, February 21, 2013 at 6:30 p.m. At such time the Public Works, Engineering, Recreation and Fire Department budgets will be discussed.

There being no further business to be conducted, upon motion of Mrs. Becker, seconded by Mr. Flynn and carried, the meeting was adjourned at 9:55 p.m.

Respectfully submitted,

Teresa Ann Oswin
Deputy Municipal Clerk