

February 8, 2014

The special meeting of the Town Council of the Town of Newton was held on the above date at 9:00 a.m. Present were Mrs. Diglio, Mrs. Becker, Deputy Mayor Elvidge, Mr. Flynn, Mayor Ricciardo and Town Manager, Mr. Thomas S. Russo, Jr. Also present were Mrs. Debra Millikin, Deputy Town Manager, Ms. Dawn Babcock, CFO, Mrs. Ginny Rafferty, Treasurer and Mr. Paul Baldwin, Water/Sewer Supervisor.

Mayor Ricciardo 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 3, 2014."

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 stated that the fund balance is "healthy".

Mr. Ferry reviewed the 2% levy cap and the appropriations cap. Mr. Ferry advised Council that Newton's budget and tax levy as proposed represents the municipal taxes on an average assessed home in 2013 of \$2,548 and will go up to \$2,560 which is an increase of \$1 a month or about 3.5 cents a day.

After a brief discussion, Mr. Ferry recommended that a Resolution be prepared to anticipate cash receipts for the purpose of computing reserve for uncollected taxes. Due to the tax appeals awarded this year the governing body may elect to determine the reserve for uncollected taxes by using the average of the three preceding fiscal years. The Resolution would be approved prior to the introduction of the annual budget.

Mr. Ferry outlined the financial status of the Newton Water and Sewer Budget.

Mr. Ferry also reviewed the Ordinance to be adopted to allow the Town to exceed the 2014 Municipal Budget appropriation limits and to establish a cap bank. It provides that in the preparation of its annual budget, a municipality shall limit any increase in said budget up to .5% unless authorized by ordinance to increase it to 3.5% over the previous year's final appropriations.

Mr. Ferry, Ms. Babcock and Mr. Russo reviewed the summary levy cap calculation document.

After a lengthy discussion, Mr. Russo commended Mr. Ferry on doing a thorough job on the budget. 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 2014 Municipal Budget and Water & Sewer Budget.

“As we look forward to the introduction and eventual adoption of the 2014 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 2013 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 2014 Municipal Budget and Capital Improvement Program totals **\$12,012,000**. 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 57 part-time employees (120)**. 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 2013 AND 2014

	2013 (FINAL ADOPTED)		2014 (PROPOSED)	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Salaries	4,821,904	41.57	5,049,531	42.04
Health/Dental/Vision/Work Comp.	1,658,909	14.30	1,686,791	14.04
Pensions	824,128	7.10	851,381	7.09
FICA/SUI	224,998	1.94	235,227	1.95
Retirement/LOSAP/Accum.				
Absence	49,000	.42	62,500	.52
Subtotal	\$7,578,939	65.33	\$7,885,430	65.64
General Operating Expenses	1,606,599	13.85	1,580,932	13.16
Debt/Capital/Deferred Charges	1,976,145	17.04	2,030,172	16.90
Reserve for Tax Appeals	-	-	50,000	.42
Reserve for Uncollected Taxes	400,000	3.45	430,780	3.59
Grants	38,317	.33	34,686	.29
Total	\$11,600,000	100%	\$12,012,000	100%

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 conducted a revaluation in 2007 and a reassessment in 2010. In 2013/2014, the Town completed a hybrid assessment of all properties. As economic conditions have not improved over the intervening period leading up to this writing, we have seen a consistent and challenging level of tax appeals. However, with proper management of same by our Tax Assessor and outside professionals, we have been able to mitigate the financial impact to our annual budget. I appreciate the work they have done in this regard.

The current ratio for the 2014 Tax Year is **100%**.

In 2013, the Town settled 13 of the 15 tax appeals cases that were filed in the State Tax Court for Tax Year 2013. The total tax dollars at risk on the 13 cases that settled was \$2,069,927, with the actual tax dollars lost on settlements totaling only \$88,206. The Town still has 2 cases pending in the State Tax Court for 2013, involving \$12,575,600 of assessment, with a total tax dollar risk of \$427,193. I will provide you with future updates as conditions warrant.

HEALTH CARE COVERAGE

TOTAL HEALTHCARE COSTS	LESS: EMPLOYEE CONTRIBUTIONS	TOWN SHARE	
\$2,031,630	\$234,029	\$1,797,601	MED/DENTAL/VISION/EAP
\$15,580		\$15,580	INSURANCE WAIVERS
<u>\$2,047,210</u>	<u>\$234,029</u>	<u>\$1,813,181</u>	Subtotal
<u>\$29,000</u>		<u>\$29,000</u>	MEDICARE REIMBURSEMENT
\$2,076,210	\$234,029	\$1,842,181	TOTAL INSURANCE

Though the cost of providing health insurance continues to increase, the Town has, over a period of years, implemented proactive policies requiring employees to share in health insurance premium costs for dependent coverage. The Town, as of January 1, 2010, became a member in the North Jersey Municipal Employee Benefits Fund (NJMEBF). This has allowed us to better manage our health insurance premium costs in the long run while maintaining quality healthcare coverage for our employees and retirees. The Town implemented the 1.5% of salary payment towards health coverage for those employees not covered under an existing bargaining agreement as per State law. Additionally, the Town implemented the provisions of Chapter 78, P.L. 2011, which created a sliding scale of contributions for health insurance for government employees throughout the state of New Jersey.

REVENUES IN SUPPORT OF THE BUDGET

The chart below tracks revenues over the course of the last five (5) years:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
State Aid	1,030,186	1,025,916	1,025,916	1,025,916	1,017,377
Local Fees, Fines, Interest	653,073	647,715	628,472	649,545	598,365
Fund Balance (Surplus)	803,000	550,000	641,000	776,000	800,000

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Delinquent Taxes	340,000	390,000	440,000	330,000	360,000
Municipal Taxes	7,384,386	7,758,496	7,860,280	7,911,487	8,189,331
Interlocal Agreements	296,889	307,429	404,488	400,766	402,780
Grants	60,903	34,904	45,346	38,317	34,686
Special Items of Revenue	189,433	87,115	376,988	467,969	609,461
Total	\$10,757,870	\$10,801,575	\$11,422,490	\$11,600,000	\$12,012,000

With State Aid and grant funding continuing to fluctuate, coupled with the reality of a tax base that is over 35% exempt, it is an ever increasing challenge to maintain appropriate service levels and sound fiscal policies while mitigating any significant municipal tax increases. Furthermore, with the hybrid reassessment of all properties being recently concluded, the new Net Taxable Valuation (NVT) for the Town of Newton is \$603,870,714, a reduction of \$83,219,696. The new average residential property assessment has gone down from the 2013 level of \$221,256 to the new 2014 level of **\$188,765**. Therefore, factoring in these new calculations and the budget and tax levy as proposed, **the municipal taxes on an average assessed home in 2013 of \$2,548 will go up to \$2,560 – an increase of \$1 a month or about 3 ½ cents a 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 **\$4,013,350** for the 2014 year. The Water and Sewer budget provides service to **2,633 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 2014 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 2014 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 2013. 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 \$766,318 and believes this amount is acceptable, in keeping with the Council's wishes for a progressive fund balance.

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Mr. Russo provided an overview of the 2014 Revenue Budget for Current Fund. Mr. Russo also outlined some new ideas surrounding revenue opportunities which he will be pursuing in 2014.

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.; Employee Group Insurance; and various insurances costs. Ms. Babcock reviewed the Aid to First Aid Organization contribution; Inspection of Buildings; Code Enforcement; OEM budget; Vehicle Maintenance 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 and Ms. Babcock.

WATER/SEWER BUDGET REVIEW AND CAPITAL PROJECTS

Debra Millikin, Deputy Town Manager, recognized Tony Gagliostro, Consulting Engineer of Hatch Mott MacDonald and Paul Baldwin, Water and Sewer Supervisor. Ms. Millikin and her team outlined the 2014 Water & Sewer Utility budget which included the operating and capital improvements. Mrs. Millikin outlined and reviewed the anticipated 2014 capital expenditures which included the acquisition of Meters/Hydrants; WFP Filer Upgrades; STP Replacement of Building Roofs; STP Repair/Replace 1 RBC Mechanism; Fox Hollow Repairs; Sewer Rehab Work; Valve Replacement; Forestry Plan; Morris Lake Dam Improvements and Pump Station Improvements.

Council asked several questions which were addressed by Mrs. Millikin, Mr. Gagliostro and Mr. Baldwin.

Council thanked the Water & Sewer personnel for their presentation.

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POLICE DEPARTMENT BUDGET REVIEW AND CAPITAL PROJECTS

Mr. Russo recognized Police Chief Michael Richards.

Chief Richards reviewed the police department budget with the Governing Body. He outlined some of the reasons that the overtime costs have increased and noted that overtime costs was higher than anticipated due to several issues beyond his control, including sick leave and workmen's compensation leave.

Chief Richards outlined the Interlocal – Dispatch Police budget; and Interlocal – 911 budget.

Chief Richards outlined and explained the capital improvements items requested which consisted of the unmarked 4WD Vehicle for Detective Bureau; marked 4WD Vehicle; CENCOM and Computer Equipment; E-Ticket Scanners/Equipment; Lighted Pedestrian Signs Solar Powered; New Radio Antenna; and Logger.

TOWN MANAGER'S REVIEW OF BUDGET

Mr. Russo outlined some capital improvements which included Courtroom Improvements/Upgrades/Furniture/Equipment; and Municipal Buildings Improvements /Renovations/Furniture/Equipment. Mr. Russo noted that the Supplemental Redevelopment Funding will be eliminated from the capital expenditures and addressed the fund acquisition for an ambulance for the Newton First Aid Squad. Mr. Russo advised that he will add into the capital expenditures the Spring Street paving project with an allocation of \$70,000 which will be completed this year.

OPEN TO THE PUBLIC

Mayor Ricciardo 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 Wednesday, February 12, 2014 at 6:00 p.m.

Mr. Russo requested that the Town Council cut at least \$600,000 from the capital improvements in order to allow the Town to have the proper 5% down payment on debt authorization.

There being no further business to be conducted, upon motion of Mr. Flynn, seconded by Mrs. Diglio and carried, the meeting was adjourned at 12:30 p.m.

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Respectfully submitted,

A handwritten signature in black ink that reads "Lorraine A. Read". The signature is written in a cursive style with a long, sweeping tail on the letter "d".

Lorraine A. Read, RMC
Municipal Clerk