

January 30, 2010

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. Unhoch, Mrs. Becker, Mrs. Le Frois, Mr. Ricciardo, Mayor Elvidge (arrived at 9:14 am) and Town Manager, Tom Russo, Jr.

Deputy Mayor Becker 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 January 27, 2010.”

Deputy Mayor Becker led everyone present in the Pledge of Allegiance to the flag and the Clerk called the roll.

REVIEW BUDGET SUMMARY BY TOWN MANAGER

The Town Manager read a statement which provides “Our Guiding Principles” for the 2010 Municipal Budget & Water/Sewer Budget.

“As we look forward to the introduction and eventual adoption of the 2010 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 2009 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 shared services strategies with the Newton Board of Education, County of Sussex and communities like Andover Township. Newton has a proven track record of working with other entities to provide cost effective solutions for various 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 2010 Municipal Budget and Capital Improvement Program totals **\$10,888,297**. The Municipal government is a service-based organization. Approximately **65%** of the municipal budget provides funding for the salaries and benefits of **66 full-time and 58 part-time employees**. 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 2009 AND 2010

	2009 (FINAL ADOPTED)		2010 (PROPOSED)	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Salaries	\$4,660,089	45.06%	\$4,818,698	44.26%
Health/Dental/Vision/Work Comp.	1,126,311	10.89%	1,239,615	11.38%

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Pensions	620,425	6.00%	717,845	6.60%
FICA/SUI	218,200	2.11%	238,644	2.19%
Retirement/LOSAP/Accum. Absence	44,450	0.43%	50,150	0.46%
Subtotal	\$6,669,475	64.49%	\$7,064,952	64.89%
General Operating Expenses	\$1,499,863	14.50%	\$1,662,347	15.27%
Debt/Capital/Deferred Charges	1,498,982	14.49%	1,596,142	14.66%
Reserve for Uncollected Taxes	495,113	4.79%	425,065	3.90%
Grants	179,035	1.73%	139,791	1.28%
Total	\$10,342,468	100.00%	\$10,888,297	100.00%

Though the cost of providing health insurance continues to increase, the Town has, over a period of years, implemented policies requiring employees to share in health insurance premium costs for dependent coverage. These policies are necessary and certainly will continue for the foreseeable future. Additionally, the Town, as of January 1, 2010, became a member in the North Jersey Municipal Employee Benefits Fund (NJMEBF). This will allow us to better manage our health insurance premium costs in the long run while maintaining quality healthcare coverage for our employees and retirees.

RESERVE FOR UNCOLLECTED TAXES

The Reserve for Uncollected Taxes 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 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 not dramatically improved as of this writing, we have seen a marked increase in the number of tax appeals filed by owners of commercial, residential, and apartment properties.

The Town has reached settlement in all 10 of the 19 tax appeal cases in the State Tax Court. The total tax dollars at risk on the 10 cases that settled was \$1,067,650 with the actual tax dollars lost on settlements totaling only \$15,743. The Town has 9 cases pending in the State Tax Court with a total tax dollar risk of \$508,119. I will provide you with future updates as conditions warrant.

REVENUES IN SUPPORT OF THE 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 2006 – 2010:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
State Aid	1,428,325	1,472,084	1,266,699	1,246,587	1,245,247
Local Fees, Fines, Interest	727,450	620,000	726,145	684,127	669,815
Fund Balance (Surplus)	700,000	721,000	863,571	607,000	775,500
Delinquent Taxes	344,030	320,000	257,748	466,000	330,000
Municipal Taxes	5,008,719	5,412,595	6,184,697	6,857,564	7,440,248
Interlocal Agreements	250,400	254,700	274,400	285,716	296,889
Grants	182,085	230,927	153,533	102,157	43,582
Special Items of Revenue	63,857	86,222	76,476	93,317	87,016
Total	\$8,704,866	\$9,117,528	\$9,803,269	\$10,342,468	\$10,888,297

With State Aid and grant funding continuing to diminish, coupled with the reality of a tax base that is 25% exempt, it is an ever increasing challenge to maintain appropriate service levels

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and sound fiscal policies while mitigating any significant municipal tax increases.

The Municipal Tax necessary to support the municipal organization, including the Reserve for Uncollected Taxes, is increasing for the 2010 year. **The 2010 municipal tax rate will be .9099 vs. .8352 from 2009, an increase of 7.47 tax points.** The impact on the average assessed residential structure (\$269,000 assessed value) is \$201 per year or \$3.86 per week.

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 \$4,119,150 for the 2010 year. The Water and Sewer budget provides service to 2,651 accounts. The current rate structure continues to allow the Town to reserve funds for future capital improvements and the retirement of 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, or if the State of New Jersey revises our State Aid numbers downward, then our 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 2010 budget for Newton, 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 2010 budget as presented will enable the municipal organization to continue mission achievement - achieving the excellence in governance expected by our customers, the taxpayers and residents of Newton."

At this time, Ms. Dawn Babcock, Chief Financial Officer, explained page 8 of the budget document which outlined the Town of Newton Cap Calculations. In conclusion, Ms. Babcock noted that the 2010 total maximum appropriation is \$10,963,189.57 and the Town of Newton budget is below that amount currently at \$10,888,297.

Mr. Russo reviewed the Fiscal Facts: Your Tax Dollars. The property tax is divided among the County of Sussex, County Library, County Health Department, County Open Space, Newton Board of Education and the Town of Newton. The chart below illustrates the percentage that each of the jurisdictions received in 2009 from the average taxpayer in the Town.

Newton Board of Education	52.5%	\$1.343
Town of Newton	32.6%	\$0.835
County of Sussex	12.9%	\$0.329
County Library	1.0%	\$0.027
County Open Space	0.5%	\$0.013
County Health Department	0.5%	\$0.010
Total	100%	\$2.557 per \$100 of assessed value

FUND BALANCE

Mr. Russo noted that on page 10 are the surplus balance figures from 1983 to 2009. 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. The following table shows the amounts of surplus available and used in past years.

Mr. Russo began review of the current fund 2010 revenue budget noting that the surplus proposed to be used for 2010 is \$775,500.00. Mr. Russo outlined the local revenues; state aid revenue without offset of state funds; uniform construction code fees; interlocal service agreements; public and private revenues; and other special items of revenue.

The governing body had questions which were addressed by Mr. Russo and Ms. Babcock.

COMMENTS BY TOWN AUDITOR

Mr. Tom Ferry, Town Auditor, advised Council that the Town of Newton did very well this year with the fund balance as well as the water utility which increased by \$41,000. He advised Council that he has a few questions for the Division prior to submitting the 2010 Municipal Budget and Water/Sewer Budget.

Councilman Ricciardo questioned what the “safe” fund balance for our municipality is and was advised by Mr. Ferry that in the past ten (10%) of the tax levy was considered safe but that is very hard to accommodate due to the 4% cap levy.

Mr. Ferry advised that there is current talk to eliminate the 4% cap levy, due to the burdensome efforts and constraints for all municipalities.

REVENUES / DEPARTMENTAL REVIEW BY TOWN MANAGER

The Town Manager began with the review of the Current Fund 2010 Revenue budget. Mr. Russo then reviewed several departmental budgets, starting with the Town Manager’s budget; Municipal Clerk’s budget; Election budget; Town Council budget; and Human Resource budget. Mr. Russo commended Mrs. Read for her diligent work in monitoring her budget costs, including the advertising budget.

Mr. Russo continued with the Finance Administration budget; Tax Assessor’s budget; Tax Collector’s budget; Legal Services; Municipal Court; Engineering Services; Planning/Zoning; Historic Commission; Community Development; Shade Tree Commission; Economic Development Commission; and Ms. Babcock addressed the various insurance

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premiums. Mr. Russo commended Ms. Babcock for her fiscal responsibility within her budget. He also commended all the department heads for taking fiscal responsibility in their department budgets.

Mr. Russo advised that the Chief of Police, in attendance, would review the Police Department budget.

Police Chief John Tomasula and Lt. Michael Richards, outlined and reviewed the Police Department budget with the governing body. A question and answer period ensued by the governing body.

Chief Tomasula then outlined the dispatching (911) operations budget. Council had additional questions which were addressed Chief Tomasula.

Mr. Russo and Chief Tomasula outlined and reviewed the three (3) capital improvement request items for 2010. Lt. Richards outlined the details on the cameras on Spring Street, which was the largest capital request expenditure, at an estimated cost of \$50,000.00. Councilman Ricciardo requested some statistics on crime prevention history with having cameras as a deterrent.

Mr. Russo continued with the departmental budgets. Fire Prevention; Aid to Volunteer Fire Department; Parking Meters; Aid to First Aid Organization; Bldg. Inspections; Emergency Management; Vehicle Maintenance; Board of Health; Utility Expenses/Bulk Purchase; and Public & Private Programs.

The Governing Body had questions which were addressed by Mr. Russo.

PUBLIC WORKS REVIEW AND CAPITAL PROJECTS

Mr. Ken Jaekel, DPW Director, Mr. Rick Straway, Foreman, and Mr. Adam Vough were present to represent the Public Works Department. Mr. Jaekel outlined and reviewed the contractual services covered under his Public Works budget.

Mr. Jaekel reviewed the Road Repair & Maintenance; Snow Removal; Stormwater / Flood Control; as well as the Recycling/Sanitation budget. Mrs. Millikin noted that the State regulations are getting stricter with the dam regulations.

Mr. Russo outlined several items on the Capital Expenditures which will require the Town Engineer. Mr. Jaekel and Mrs. Millikin then outlined and reviewed several items submitted for capital improvement projects for 2010 for DPW.

Councilman Ricciardo questioned the Town Hall Elevator replacement and inquired

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whether the upgrade would need to be ADA compliant. Mr. Russo to investigate same.

OPEN TO THE PUBLIC

Mayor Elvidge opened the meeting to the public.

Mr. Neil Flaherty, 154 Sparta Avenue, commended Mr. Russo and his staff on a well prepared budget. He had a few questions on the Municipal Budget and Capital Expenditures which were addressed by Mr. Russo.

Councilman Ricciardo thanked Mr. Russo for the simplified budget context. “It’s much easier to follow,” he stated.

Mr. Ricciardo directed Mr. Russo to approach the unions to inquire whether they are willing to take a pay freeze this year and allow their contracts to be extended one year. The majority of the Council agreed with this request. Mr. Russo will forward a letter, as well as, invite them to speak to him directly for any ideas they may have regarding cost saving efforts.

COUNCIL & MANAGER COMMENTS

Mr. Russo outlined the agenda for the next budget hearing scheduled for Thursday, February 4, 2010 at 6:00 p.m. at the Newton Municipal Building.

There being no further business to be conducted, upon motion of Mrs. Le Frois, seconded by Mrs. Unhoch and carried, the meeting was adjourned at 12:32 p.m.

Respectfully submitted,

Lorraine A. Read, RMC
Municipal Clerk