

January 31, 2009

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 Mr. Elvidge, Mrs. Unhoch, Mrs. Becker, Mrs. Le Frois, Mayor Ricciardo and Town Manager, Tom Russo, Jr.

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 January 20, 2009.”

Mayor Ricciardo 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 2009 Municipal Budget & Water/Sewer Budget.

“As we prepare the municipal budget, we are guided by focusing on three 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. It is our goal to sustain service levels at the 2008 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 creative with user fees and shared services strategies with the County of Sussex and neighboring communities. Newton has a proven track record of working with other entities to provide cost effective solutions for various problems and that methodology 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 2009 Municipal Budget and Capital Improvement Program totals \$10,523,593. The Municipal government is a service based organization.

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Approximately 65% of the municipal budget provides funding for the salaries and benefits of 67 full-time and 54 part-time employees. The below chart presents a summary of how appropriations are divided within the budget and, in turn, impact local taxes.

The preliminary budget you have before you has numbers that reflect the full funding of both PERS and PFRS. Although the option may be available to defer some of those cuts if the State of New Jersey follows through on their deferral plan, I do not feel that it is prudent fiscal policy at the time of this writing.

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.

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 Sussex County. 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 continue to worsen 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 31 of its cases in the State Tax Court. The total assessment liability of the 31 properties that were under appeal exceeded \$9.9 million with a tax liability estimated at \$240,827.

REVENUES IN SUPPORT OF THE BUDGET

As you can see, we are below tracks revenues over the course of the last five 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.

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 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 2009 year. The 2009 municipal tax rate will be .85 vs. .76 from 2008, an increase of 9 tax points. The impact on the average assessed residential structure (\$269,000 assessed value) is \$240 per year or less than \$5 per week.

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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 \$4,157,000 for the 2009 year. The Water and Sewer budget provides service to 2,643 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 or eliminating personnel, other expenses, as well as additional methods of revenue enhancement.

In closing, it is my belief that the budget appropriations and revenue projections, as contained in the 2009 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 2009 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."

Prior to comments by the Town Auditor, Mayor Ricciardo commended Mr. Russo, along with Ms. Babcock, CFO, for the "new" format submitted in this 2009 Budget. "You did a great job," Mayor Ricciardo concluded.

COMMENTS BY TOWN AUDITOR

Mr. Tom Ferry, Town Auditor, worked closely and collectively with Tom Russo, Jr. and Dawn Babcock, Chief Financial Officer, preparing the 2009 Municipal Budget and Water/Sewer Budget. Mr. Ferry outlined the key components used to prepare the 2009 Municipal Budget.

Mr. Ferry advised of the new state mandates this year, which make for an extremely difficult process.

Mr. Ferry made his recommendation, which would increase the budget by

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eleven (11) points, as opposed to Mr. Russo scenario of nine (9) points. This option does not use additional fund balance (surplus). The Town Council addressed several questions to Mr. Ferry with were addressed. It was noted that the amount is uncollected taxes, for 2008, is \$466,000, which represents five (5) taxes points. The Council believes that the Fund Balance (surplus) should be increased by 15% each year as a good practice. This 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. Ferry noted the additional challenge for Newton is the reality that the tax base is 75%, with a 25% exempt, due to being a County Seat.

REVENUES / DEPARTMENTAL REVIEW BY TOWN MANAGER

The Town Manager outlined several items with a cost savings measure, which have either been implemented, in progress or projected. Mr. Russo advised Council of several procedures he has implemented with regard to purchasing. This will require more accountability from each department head.

Mr. Russo begin review several departmental of the 2009 preliminary budget, starting with the Town Manager's budget. Mr. Russo then reviewed Municipal Clerk's budget; Election budget; Town Council budget.

Mr. Russo advised that he hired a part-time Human Resource employee, Mrs. Debra Carter, therefore the Human Resource budget is a new addition, but "worth the weight in gold".

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; Fire Prevention budget and addressed the various insurance premiums.

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Mr. Russo noted that several departments obtained a cut in funding in order to maintain a fiscally responsible document but allow the well being of our municipal government to run efficiently.

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

Mr. John Tomasula, Police Chief, outlined and reviewed the Police Department budget with the governing body. Mayor Ricciardo expressed his concern with the large amount calculated for overtime. A discussion ensued among the Council and the Chief regarding the overtime.

Mr. Russo and Chief Tomasula outlined the dispatching (911) operations budget. Ms. Babcock further explained the interlocal 911 dispatching services, as requested by Council.

Council had additional questions which were addressed Chief Tomasula.

Chief Tomasula outlined and reviewed the four capital improvement request items for 2009. LiveScan Cross Match ID 1000 Fingerprint Scanner; Electric Generator for Police/Fire Base Radios at Water Tower; Property and Evidence Management Program; and Rifle Upgrades - Holographic Weapon Sight / Cleaning & Lube System.

PUBLIC WORKS REVIEW AND CAPITAL PROJECTS

Mr. Ken Jaekel, DPW Superintendent, 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. A brief discussion ensued regarding the current issues regarding recycling. Mrs. Millikin and Mr. Jaekel will continue to keep an eye on recycling costs.

Mr. Jaekel and Mr. Russo updated and reviewed the several items submitted

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for capital improvement projects for 2009. These items included Road Improvements/Resurfacing/Sidewalks; DPW Garage - Pump & Tank Repair / Installation; Acquisition of Street Signs; Truck Wash Facility (cost share with Andover Township); Light Tower; Safety Equipment; Buildings and Grounds - Town Hall Elevator Replacement; Brine System (cost share with Andover Township); and Paver.

Mr. Jaekel described in detail the benefits of purchasing a new fuel tank, which will be centralized and removed from the back of the Municipal Building. In addition to the state mandates and DEP requirements, the system would allow for better tracking and accountability. The Town charges the Newton Board of Education and the Newton First Aid Squad for fuel on a quarterly basis.

Mr. Jaekel outlined the details regarding the purchase of a Truck Washing Facility. A Truck Washing Facility is a state mandate, which is required by February 15, 2009. The Town has made contact with Andover Township who is interested in participating in a shared service with Newton. Mayor Ricciardo requested additional cost information on both systems: recycling system; water/oil system.

Mr. Jaekel outlined the Brine System and the “benefits” of having this system. The savings through manpower costs; salt costs; clean up and storm water regulations would be beneficial to the Town. The Town has contacted Andover Township who has an interest in shared services with this system.

OPEN TO THE PUBLIC

Mayor Ricciardo open the meeting to the public.

Mr. Neil Flaherty, 154 Sparta Avenue, made some suggestions, including a cut in Planning/Zoning budget for attendance to the League of Municipality, but allowing funds for education; insurance cost perhaps allowing for safety training;

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and suggested if reviewing legal counsel contractually, sometimes costs are more expensive. Mr. Russo advised that a few of Mr. Flaherty suggestions have already been implemented. The Town Council thanked Mr. Flaherty for taking the time to attend and showing an interest.

COUNCIL & MANAGER COMMENTS

Mr. Russo outlined the agenda for the next budget hearing scheduled for Thursday, February 5, 2009 at 6:00 p.m. at the Newton Municipal Building.

There being no further business to be conducted, upon motion of Mayor Ricciardo, seconded by Mrs. Unhoch and carried, the meeting was adjourned at 12:47 p.m.

Respectfully submitted,

Lorraine A. Read, RMC
Municipal Clerk