

February 7, 2015

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 Flynn, Mr. Levante, Mayor Elvidge and Town Manager, Mr. Thomas S. Russo, Jr. Also present were Mrs. Debra Millikin, Deputy Town Manager, Ms. Dawn Babcock, CFO, Mrs. Ginny Raftery and Tracy Villaverde, Human Resources Director.

Mayor Elvidge 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, 2015.”

COMMENTS BY TOWN AUDITOR

Mr. Tom Ferry, Town Auditor, addressed the Council and advised of Newton’s financial status. Mr. Ferry outlined some of the new regulations to be implemented in 2015. Mr. Ferry provided some financial advice and stated the fund balance is in good shape.

Mr. Ferry advised Council the Newton budget and tax levy as proposed represents the municipal taxes on an average assessed home in 2014 of \$2,560 and will go up to \$2,683 in 2015 which is an increase of \$10 a month or about .33 cents a day.

Mr. Ferry noted the unfortunate loss all 9 of our dispatch partners to the County of Sussex, totaling a net general revenue loss of \$357,780.

After a brief discussion, Mr. Ferry recommended that a Resolution be prepared to use a three-year averaging for tax collection.

Mr. Ferry outlined the financial status of the Newton Water and Sewer budget. Mr. Ferry was pleased that the Water and Sewer budget is self-liquidating.

Mr. Ferry reviewed the 2% levy cap and the appropriations cap. Mr. Ferry recommended the Town adopt the Ordinance allowing the Town to exceed the 2015 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 1.5% 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 brief discussion, Mr. Russo and the Governing Body thanked Mr. Ferry for his presentation.

TOWN MANAGER ’S REVIEW OF BUDGET SUMMARY

The Town Manager briefly reviewed the budget which provides “Our Guiding Principles” for the 2015 Municipal Budget and Water & Sewer Budget.

“As we look forward to the introduction and eventual adoption of the 2015 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-

February 7, 2015

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 2014 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 2015 Municipal Budget and Capital Improvement Program totals **\$12,110,000**. The municipal government is a service-based organization. Approximately 64% of the municipal budget provides funding for the salaries and benefits of **54 full-time and 52 part-time employees (106)**, a net decrease of 14 positions from 2014. 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 2014 AND 2015

| | 2014 (FINAL ADOPTED) | | 2015 (PROPOSED) | |
|---------------------------------|---------------------------------|--------------|----------------------------|--------------|
| | Amount | % | Amount | % |
| Salaries | 5,047,947 | 41.80 | 4,881,099 | 40.31 |
| Health/Dental/Vision/Work Comp. | 1,686,264 | 13.96 | 1,712,270 | 14.14 |
| Pensions | 856,381 | 7.09 | 875,958 | 7.23 |
| FICA/SUI | 235,227 | 1.95 | 234,507 | 1.94 |
| Retirement/LOSAP/Accum. Absence | 62,500 | .52 | 55,000 | .45 |
| Subtotal | \$7,888,319 | 65.32 | \$7,758,834 | 64.07 |
| General Operating Expenses | 1,618,647 | 13.40 | 1,597,019 | 13.19 |
| Debt/Capital/Deferred Charges | 2,030,172 | 16.82 | 2,158,485 | 17.82 |
| Reserve for Tax Appeals | 50,000 | .41 | 50,000 | .41 |
| Reserve for Uncollected Taxes | 430,780 | 3.57 | 493,700 | 4.08 |
| Grants | 57,982 | .48 | 51,962 | .43 |
| Total | \$12,075,900 | 100% | \$12,110,000 | 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 2015 Tax Year is **96.54%**.

February 7, 2015

In 2014, the Town settled 4 of the 8 tax appeals cases that were filed in the State Tax Court for Tax Year 2014. The total tax dollars at risk on the 4 cases that settled was \$525,452, with the actual tax dollars lost on settlements totaling \$0 (no loss). The Town still has 4 cases pending in the State Tax Court for 2014, involving \$12,601,800 of assessment, with a total tax dollar risk of \$501,047. I will provide you with future updates as conditions warrant.

HEALTH CARE COVERAGE

| TOTAL HEALTHCARE COSTS | LESS: EMPLOYEE CONTRIBUTION S | TOWN SHARE | |
|------------------------------|--|--------------------|---------------------------|
| \$2,153,257 | \$282,996 | \$1,870,261 | MED/DENTAL/VISION/EAP |
| \$15,600 | | \$15,600 | INSURANCE WAIVERS |
| <u>\$2,168,857</u> | <u>\$282,996</u> | <u>\$1,885,861</u> | Subtotal |
| \$30,500 | | \$30,500 | MEDICARE REIMBURSEMENT |
| \$2,199,357 | \$282,996 | \$1,916,361 | 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>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| State Aid | 1,025,916 | 1,025,916 | 1,025,916 | 1,025,916 | 1,025,916 |
| Local Fees, Fines, Interest | 647,715 | 628,472 | 649,545 | 598,368 | 564,231 |
| Fund Balance (Surplus) | 550,000 | 641,000 | 776,000 | 841,461 | 776,047 |
| Delinquent Taxes | 390,000 | 440,000 | 330,000 | 360,000 | 519,000 |
| Municipal Taxes | 7,758,496 | 7,860,280 | 7,911,487 | 8,189,331 | 8,620,016 |
| Interlocal Agreements | 307,429 | 404,488 | 400,766 | 402,780 | 85,000 |
| Grants | 34,904 | 45,346 | 38,317 | 47,083 | 51,962 |
| Special Items of Revenue | 87,115 | 376,988 | 467,969 | 610,961 | 467,828 |
| Total | \$10,801,575 | \$11,422,490 | \$11,600,000 | \$12,075,900 | \$12,110,000 |

With the uncertainty of State Aid payments and the fluctuating prospects of grant funding, coupled with the reality of a tax base that has 1/3 exempt properties, it is an ever increasing challenge to maintain appropriate service levels and sound fiscal policies while mitigating any significant municipal tax increases. Furthermore, the Net Taxable Valuation (NVT) for the Town increased only by \$798,311, a far cry from the level of economic activity needed in our community and region. Additionally, the new average residential property assessment has gone down from the 2014 level of \$188,765 to the new 2015 level of \$188,205. **Finally, the Town of Newton lost all 9 of its dispatch partners to the County of Sussex, totaling a net general revenue loss of \$357,780.** Therefore, factoring in these new calculations and the budget and tax levy as proposed, **the municipal taxes on an average residential property will go from \$2,560 in 2014 to \$2,683 in 2015 - an increase of \$10 a month or about 33 cents a day.** Considering the reality that staffing has decreased and operating expenses are being tightly monitored, **the only way for Newton to succeed going forward is to see increased economic activity, driving up construction revenues and increasing the overall**

commercial ratable base.

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 **\$4,028,000** for the 2015 year, a decrease of \$5,100. 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 2015 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 2015 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.”

Mr. Russo briefly reviewed the 2015 Town of Newton Cap Calculation along with the Revenue Comparison and Water Sewer Comparison both from 2007-2015. 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 2014 from the average taxpayer in the Town.

| | | |
|---------------------------|---------------|--|
| Newton Board of Education | 52.30% | \$2.079 |
| Town of Newton | 34.10% | \$1.356 |
| County of Sussex | 12.22% | \$.486 |
| County Library | .93% | \$.037 |
| County Open Space | .05% | \$.002 |
| County Health Dept. | .40% | \$.016 |
| Total | 100.0% | \$3.976 per \$100 of assessed value |

FUND BALANCE

Mr. Russo noted on page 12 are the Fund Balance figures from 1983 to 2014. The maintenance of a surplus balance, or fund balance, provides a safeguard for emergencies and

February 7, 2015

is used to help offset the costs to our citizens for support of the Municipal Budget. Mr. Russo noted the budget as presented shows a balance of \$722,291 and believes this amount is acceptable, in keeping with the Council's wishes for a progressive fund balance.

Mr. Russo provided an overview of the 2015 Revenue Budget for Current Fund. Mr. Russo noted the only new revenue in 2015 is the shared service with Green Township Municipal Court in the amount of \$40,000.00.

Mr. Russo then proceeded to review the 2015 Expenditure Budgets with various 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; 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. Mr. Russo distributed an amended page 43 for Utility Expense budget, which included the up-to-date 2014 expenditures. Mr. Russo then outlined the items for the celebration of public events; senior citizen program and other various contributions. Mr. Russo reviewed the Interlocal - Dispatch Police/911 Cencom; 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.

BREAK - 5 mins.

PUBLIC WORKS/ENGINEERING/RECREATION BUDGET REVIEW AND CAPITAL

PROJECTS

Ken Jaekel, DPW Director, Adam Vough, Assistant DPW Director, and Rick Straway, Foreman were present.

At this time, Mr. Jaekel reviewed several areas of the Public Works budget. The Council had several questions which were addressed by Mrs. Babcock, Mr. Jaekel, Mr. Vough and Mr. Straway.

Mr. Russo advised Council of the proposed upgrades to the existing streetlights. This upgrade will increase the minimum footcandle level from 0.2 to 0.5 footcandle.

At this time, Mr. Russo asked Mrs. Deckert to review the Recreation and Pool Budget. Mrs. Deckert outlined the numerous recreation programs and events that took place this year through the Recreation Department and their overall success.

February 7, 2015

Mrs. Deckert reviewed the Swimming Pool budget; Parks & Playgrounds budget as well as the Capital expenditures. Mrs. Deckert was pleased to announce the success of the 2014 pool season and outlined some additional areas of publicity planned for the 2015 season.

Mr. Russo and Mr. Jaekel outlined several areas of the capital improvement expenditures. Mrs. Deckert advised Council she is looking into a grant for the Babe Ruth Improvements and has reached out to the Newton Public Schools who have agreed to a \$10,000 contribution as well. Mr. Jaekel advised of the necessary improvements needed to the HVAC at Town Hall.

After a brief discussion, Council directed Mr. Russo to move forward with the Fire Museum Improvements as recommended by the Town Architect.

Mr. Pellow, Town Engineer, updated Council on the Trinity Street and Spring Street improvement projects to begin this summer. The crosswalks will be completed prior to the paving of the streets. Mr. Russo noted the projects will be well advertised before and during the Spring Street project. Mrs. Millikin noted she will be on site and available for any issues that arise.

Mrs. Millikin and Mr. Pellow briefly reviewed the potential concept plan of two youth fields, one soccer and one softball, to be located at 77 Madison Street. Mr. Russo noted that the owner approached the Town to inquire about purchase of same. No decision was made at this time.

Mr. Russo and Council thanked DPW, Recreation and Harold Pellow for their presentations.

WATER & SEWER BUDGET REVIEW AND CAPITAL PROJECTS

Mrs. Millikin introduced Joe Carr, Sewer Operator, and Tony Gagliostro, Consulting Engineer of Hatch Mott MacDonald. Mrs. Millikin updated Council on her team and the several changes since the various retirements from the W/S Department. Mrs. Millikin outlined the 2015 Water & Sewer Utility budget which includes the operating and capital improvements. Mrs. Millikin outlined and reviewed the anticipated 2015 capital expenditures which included the acquisition of valve replacement; Morris Lake Dam Improvements; acquisition of meters and hydrants; WFP Filter upgrades; STP RBC Replacement; Sewer Rehab Work and Pump Station Improvements.

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

Council thanked the Water & Sewer personnel for their presentation.

OPEN TO THE PUBLIC

Mayor Elvidge opened the meeting to the public.

February 7, 2015

Neil Flaherty, 154 Sparta Avenue, addressed Council with questions which were addressed by Mr. Russo.

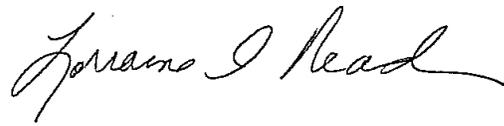
COUNCIL & MANAGER COMMENTS

Mr. Russo outlined the agenda for the next scheduled budget hearing on Thursday, February 12, 2015 at 6:00 p.m.

Mr. Russo requested the Town Council be prepared on Thursday to make any suggestions regarding changes to the Municipal budget.

There being no further business to be conducted, upon motion of Mrs. Becker, seconded by Mr. Flynn and carried, the meeting was adjourned at 12:13 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lorraine A. Read". The signature is written in black ink and is positioned above the typed name and title.

Lorraine A. Read, RMC
Municipal Clerk