

February 03, 2011

The special meeting of the Town Council of the Town of Newton was held on the above date at 6:00 p.m. Present were Mr. Elvidge, Mr. Ricciardo, Mrs. Le Frois, Mrs. Diglio, Mayor Becker and Town Manager, Mr. Thomas S. Russo, Jr.

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 19, 2011."

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 2011 Municipal Budget and Water & Sewer Budget.

"As we look forward to the introduction and eventual adoption of the 2011 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 2010 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 2011 Municipal Budget and Capital Improvement Program totals **\$10,801,575**. The Municipal government is a service-based organization. Approximately **68%** of the municipal budget provides funding for the salaries and benefits of **63 full-time and 55 part-time employees (118) a net decrease of six employees from 2010**. 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 2010 AND 2011**

	2010 (FINAL ADOPTED)		2011 (PROPOSED)	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Salaries	\$4,792,674	44.55	\$4,784,752	44.30
Health/Dental/Vision/Work Comp.	1,234,617	11.47	1,385,187	12.82
Pensions	706,380	6.57	845,852	7.83
FICA/SUI	234,087	2.18	276,000	2.56
Retirement/LOSAP/Accum.				
Absence	44,950	.42	276,000	2.56
<b>Subtotal</b>	<b>7,012,708</b>	<b>65.19</b>	<b>7,338,241</b>	<b>67.94</b>
General Operating Expenses	1,479,636	13.75	1,492,653	13.82
Debt/Capital/Deferred Charges	1,680,290	15.62	1,509,701	13.98
Reserve for Uncollected Taxes	423,293	3.93	426,075	3.94
Grants	161,943	1.51	34,905	.32
<b>Total</b>	<b>10,757,870</b>	<b>100.00</b>	<b>10,801,575</b>	<b>100.00%</b>

**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 all classes of properties. Due to these circumstances, the Town started the process of a reassessment of all properties at the end of 2010. It is our belief that this will bring the ratio back to 100% and mitigate, to the greatest extent possible, the impact of potential future appeals.

In 2010, the Town settled 4 of the 18 tax appeals cases that were filed in the State Tax Court. The total tax dollars at risk on the 4 cases that settled was \$63,746, with the actual tax dollars lost on settlements totaling only \$23,934. The Town still has 14 cases pending in the State Tax Court for 2010, involving \$43,386,400 of assessment, with a total tax dollar risk of \$192,900. I will provide you with future updates as conditions warrant.

**HEALTH CARE COVERAGE**

TOTAL HEALTHCARE COSTS	LESS: EMPLOYEE CONTRIBUTIONS	TOWN SHARE	
\$ 1,398,732	\$ (85,109)	\$ 1,313,623	Medicare Insurance
16,038		16,038	Insurance Waivers
\$ 1,414,770	\$ (85,109)	\$ 1,332,661	Subtotal
26,039		26,039	Medicare Reimbursement
\$ 1,440,809	\$ (85,109)	\$ 1,355,700	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. These policies are necessary and certainly will continue for the foreseeable future. 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 has also implemented the new 1.5% of salary payment towards health coverage for those employees not covered under an existing bargaining agreement as per the new State law.

**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 2007 – 2011:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
State Aid	1,472,084	1,266,699	1,246,587	1,245,247	1,025,916
Local Fees, Fines, Interest	620,000	726,145	684,127	669,815	647,715
Fund Balance (Surplus)	721,000	863,571	607,000	775,500	550,000
Delinquent Taxes	320,000	257,748	466,000	330,000	390,000
Municipal Taxes	5,412,595	6,184,697	6,857,564	7,440,248	7,758,496
Interlocal Agreements	254,700	274,400	285,716	296,889	307,429
Grants	230,927	153,533	102,157	43,582	34,904
Special Items of Revenue	86,222	76,476	93,317	87,016	87,115
<b>Total</b>	<b>\$9,117,528</b>	<b>\$9,803,269</b>	<b>\$10,342,468</b>	<b>\$10,888,297</b>	<b>10,801,575</b>

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.

As of this writing, the Town is still in the final stages of completing the reassessment of all properties, and therefore I am unable to accurately determine the tax impact of this year’s budget as proposed. With a revised Net Taxable Valuation (NVT) level of \$701,484,141 as of January 31, 2011, the average residential property assessment will go down from the 2010 level of \$269,000, to the new 2011 level of \$222,000. Therefore, the average municipal portion of tax payment in 2010 of \$2,428 will go up to an estimated average municipal portion tax payment of \$2,455 – an increase of \$27 or only .52 cents a week. Once the NVT number is finalized, and the budget hearing process is concluded, we will have a more definitive number.

**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 \$3,925,000 for the 2011 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 decreases our State Aid, or the revised tax rate and average residential property valuation figures are not favorable, 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 2011 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 2011 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 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 2010 from the average taxpayer in the Town.

Newton Board of Education	51.64%	\$1.399
Town of Newton	33.33%	\$0.903
County of Sussex	13.40%	\$0.363
County Library	1.00%	\$0.027
County Open Space	0.26%	\$0.007
<u>County Health Department</u>	<u>0.37%</u>	<u>\$0.010</u>
<b>Total</b>	<b>100%</b>	<b>\$2.709</b>

**per \$100 of assessed value**

**FUND BALANCE**

Mr. Russo noted that on page 12 are the Fund Balance figures from 1983 to 2010. 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 \$309,645 and believes this amount is strong, in keeping with the Council’s wishes of a progressive fund balance.

Mr. Russo briefly outlined the 2011 local revenue budget, current fund,

state aid revenue without offset of state funds; uniform construction; public and private revenue, and other special items. The total revenue budget proposed for 2011 is 10,801,574.58.

Mr. Russo then proceeded to review several department budgets. Mr. Russo outlined the Town Manager's budget; Town Clerk's 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 Fire Prevention budget; Aid to First Aid Organization; Inspection of Buildings (Construction) budget; and Emergency Management budget.

Council had various questions which were addressed by Mr. Russo and Ms. Babcock.

#### **WATER / SEWER BUDGET REVIEW AND CAPITAL PROJECTS**

Mr. Russo recognized Debra Millikin, Deputy Town Manager, Paul Baldwin, W/S Supervisor and John Madden, Operator for Water & Sewer. Mr. Russo outlined the 2011 Water & Sewer Utility budget which included the operating and capital improvements. Mrs. Millikin and Mr. Baldwin explained the anticipated 2011 capital expenditures of the flusher, as well as the acquisition of a 4-wheel drive vehicle.

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

Mr. Russo reviewed the Vehicle Maintenance budget; Board of Health budget; Utility Expenses & Bulk Purchasing budget; Senior Citizen Program budget; Public & Private Programs (grants) and addressed the current budgeted amount of \$5,000 for Main Street Newton.

Ms. Babcock outlined and described the reserve for uncollected taxes.

#### **POLICE DEPARTMENT BUDGET REVIEW AND CAPITAL PROJECTS**

February 03, 2011

At this time, Police Chief Michael Richards outlined the police department budget to the Governing Body. As part of his presentation, Chief Richards displayed one of the newly purchased rifles which were not only cost effective to buy but would cut down on overtime costs because it only requires two qualifications a year instead of four.

Chief Richards gave the Town Council an overview of his future plans, new policies as well as his intentions for the Newton Police Department. Chief Richards addressed the issue of overtime and outlined some resolutions to address the issue of overtime expenses.

Chief Richards outlined the capital improvements items requested which consisted of an upgrade to the Municipal Building video surveillance camera system and the purchase of a new all-wheel drive vehicle and questions were addressed by Chief Richards. On a final note, Chief Richards updated Council on the current implementation of the cameras on Spring Street.

Council thanked Chief Richards for his presentation and welcomed his new ideas for the Newton Police Department.

**OPEN TO THE PUBLIC**

Mayor Becker opened the meeting to the public.

There was no public comment.

**COUNCIL & MANAGER COMMENTS**

Mr. Russo outlined the agenda for the next scheduled budget hearing on Saturday, February 5, 2011 at 9:00 a.m. at the Newton Municipal Building.

There being no further business to be conducted, upon motion of Mrs. Le Frois, seconded by Mr. Ricciardo and carried, the meeting was adjourned at 9:13 p.m.

Respectfully submitted,

Lorraine A. Read, RMC  
Municipal Clerk

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