

February 2, 2012

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 Mrs. Becker, Mr. Elvidge, Mr. Ricciardo, Deputy Mayor Diglio, Mayor Le Frois and Town Manager, Mr. Thomas S. Russo, Jr. Also present was Mrs. Millikin, Deputy Town Manager and Ms. Babcock, CFO.

Mayor Le Frois 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 18, 2012."

Mayor Le Frois led everyone present in the Pledge of Allegiance and the Clerk called the roll.

Prior to the budget conversation, Mr. Ricciardo addressed two concerns which will be addressed by Mr. Russo.

TOWN MANAGER'S REVIEW OF BUDGET SUMMARY

The Town Manager read a statement which provides "Our Guiding Principles" for the 2012 Municipal Budget and Water & Sewer Budget.

"As we look forward to the introduction and eventual adoption of the 2012 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 2011 level, if possible, and demonstrate positive results to our customers.

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 2012 Municipal Budget and Capital Improvement Program totals **\$11,410,000**. 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 54 part-time employees (117) a net decrease of one employee from 2011**. 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 2011 AND 2012

	2011 (FINAL ADOPTED)		2012 (PROPOSED)	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Salaries	\$4,790,703	43.87	\$4,739,779	41.54
Health/Dental/Vision/Work Comp.	1,316,987	12.06	1,517,323	13.30
Pensions	845,852	7.74	841,218	7.37
FICA/SUI	276,000	2.53	231,637	2.03
Retirement/LOSAP/Accum.				
Absence	46,450	.43	47,000	.41
Subtotal	\$7,275,992	66.63	7,376,957	64.65%
General Operating Expenses	1,594,370	14.60	1,562,838	13.70
Debt/Capital/Deferred Charges	1,509,701	13.83	1,960,310	17.18
Reserve for Uncollected Taxes	497,646	4.56	474,200	4.16
Grants	<u>41,278</u>	<u>.38</u>	<u>35,695</u>	<u>.31</u>
Total	\$10,918,987	100.00	11,410,000	100.00%

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 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 severely worsened over the intervening period leading up to 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. The new reassessment figures were implemented for the 2011 Tax Year. The current ratio established for the 2012 Tax Year is 95.93%.

In 2011, the Town settled 3 of the 16 tax appeals cases that were filed in the State Tax Court for Tax Year 2011. The total tax dollars at risk on the 3 cases that settled was \$60,255, with the actual tax dollars lost on settlements totaling only \$14,667. The Town still has 13 cases pending in the State Tax Court for 2011, involving \$41,086,200 of assessment, with a total tax dollar risk of \$95,000. I will provide you with future updates as conditions warrant.

HEALTH CARE COVERAGE

TOTAL HEALTHCARE COSTS	LESS: EMPLOYEE CONTRIBUTIONS	TOWN SHARE	
\$ 1,622,804	\$ 76,392	\$ 1,546,412	MEDICAL INSURANCE
77,413		77,413	DENTAL/VISION/EAP*
<u>19,171</u>		<u>19,171</u>	INSURANCE WAIVERS
\$ 1,719,388	\$ 76,392	1,642,996	MEDICARE
<u>25,650</u>		<u>25,650</u>	REIMBURSEMENT TOTAL
\$ 1,745,038	\$ 76,392	\$ 1,668,646	INSURANCE

*Dental, Vision, and EAP were moved from Other Insurance to Group Health Insurance to conform to the State Flexible Chart of Accounts.

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 recently mandated 1.5% of salary payment towards health coverage (or those employees not covered under an existing bargaining agreement) as per the new State law, as well as the provisions of Chapter 78, P.L. 2011, which created a sliding scale of contributions for health insurance for government employees throughout New Jersey.

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 2008 – 2012:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
State Aid	1,266,699	1,246,587	1,030,186	1,025,916	1,025,916
Local Fees, Fines, Interest	726,145	684,127	653,073	647,715	631,694
Fund Balance (Surplus)	863,571	607,000	803,000	550,000	645,000
Delinquent Taxes	257,748	466,000	340,000	390,000	440,000
Municipal Taxes	6,184,697	6,857,564	7,384,386	7,758,496	7,860,280
Interlocal Agreements	274,400	285,716	296,889	307,429	404,488
Grants	153,533	102,157	60,903	34,904	32,867
Special Items of Revenue	76,476	93,317	189,433	87,115	369,754
Total	9,803,269	10,342,468	19,757,870	10,801,575	11,410,000

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 2012 Tax Book has not been finalized. Additionally, the Town experienced a decrease in the Net Valuation Taxable (NVT) in the amount of \$5,849,951, down to \$690,689,090. This caused the average residential structure in Newton to slightly decrease in value from \$222,309 to \$222,101. However, with prudent, conservative budgeting, the Town’s 2012 Preliminary Budget shows no increase in the amount to be raised for support of the municipal organization. This action alone would have kept the tax increase to zero, but with the slight decrease in both the NVT and average home valuation, the net result is a very slight (\$.00956) increase in the municipal tax rate. Therefore, the new average municipal tax payment on the average assessed residential structure (\$222,101) is \$2,528 vs. \$2,509 in 2011, an increase of **only \$19, or five (\$.05) cents a day**. This would be the lowest increase in the Newton municipal budget since 2000/2001.

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 \$4,061,000 for the 2012 year. The Water and Sewer budget provides service to 2,629 accounts. The current rate structure continues to allow the Town to reserve funds for future capital improvements and the retirement of existing debt. Most importantly, it allows the Town to intelligently use a fiscally conservative “debit card” approach to budgeting rather than a “credit card” mentality when it comes to necessary infrastructure improvements.

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, 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 2012 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 2012 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 2012 Newton Cap Calculation outlining the important points on page 8 and page 9. Mr. Russo then reviewed the Water Sewer revenue comparison chart from 2006 through 2012.

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 2011 from the average taxpayer in the Town.

Newton Board of Education	51.32%	\$1.673
Town of Newton	34.60%	\$1.128
County of Sussex	12.67%	\$0.413
County Library	00.95%	\$0.031
County Open Space	00.09%	\$0.003
County Health Department	00.37%	\$0.012
Total	100%	\$3.260 per \$100 of assessed value

FUND BALANCE

Mr. Russo noted that on page 12 are the Fund Balance figures from 1983 to 2011. 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 \$309,757 and believes this amount is acceptable, in keeping with the Council's wishes of a progressive fund balance.

Mr. Russo provided an overview of the 2012 Revenue Budget for Current Fund.

Throughout the budget meeting, the Town Council asked questions which were addressed by Mr. Russo and Ms. Babcock.

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.; Economic Development budgets and various insurances costs. Mr. Russo reviewed the Aid to First Aid Organization contribution; Board of Health budget; Utility Expenses budget; and outlined the items for the celebration of public events; senior citizen program and other various contributions (on page 43). 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 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, and Paul Baldwin, W/S Supervisor. Mr. Russo, Mrs. Millikin, and Mr. Baldwin outlined the 2012 Water & Sewer Utility budget which included the operating and capital improvements. Mrs. Millikin and Mr. Baldwin outlined and reviewed the anticipated 2012 capital expenditures which included the Sewer Master Plan and Model Creation; Maple Avenue project; Moran Street project; Gardner Avenue Well Study; as well as a Message Trailer.

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

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

POLICE DEPARTMENT BUDGET REVIEW AND CAPITAL PROJECTS

Police Chief Michael Richards outlined the police department budget with the Governing Body. Chief Richards outlined some of the changes he has incorporated in order to conserve on the overtime costs as well as reviewed his police dispatch center. It was noted that the Town recently contracted two additional Towns for dispatching services.

Chief Richards outlined the capital improvements items requested which

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consisted of an email server replacement; solar powered traffic data/message trailer; an unmarked 4WD vehicle for the Detective Bureau; and an upgrade to the security door locks, cameras, and intercom at Town Hall.

Council thanked Chief Richards for his budget presentation and for the work of the Newton Police Department.

OPEN TO THE PUBLIC

Mayor Le Frois 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 Saturday, February 4, 2012 at 9:00 a.m. at the Newton Municipal Building.

There being no further business to be conducted, upon motion of Mr. Ricciardo, seconded by Mrs. Becker and carried, the meeting was adjourned at 8:03 p.m.

Respectfully submitted,

Lorraine A. Read, RMC
Municipal Clerk