

YOUR TOWN HALL

A special meeting was held at 7PM before the regularly scheduled Township Committee meeting to present the fiscal budget for January thru December 2010.

KNOWN ACTION ITEMS

The Township Administrator Tony Mercantante, asked CFO, Nick Trasante, to give the presentation on the proposed budget. Mr. Trasante proceeded to read from the slide presentation (attached), which was a summary of the overall budget. He did say that there will be a public hearing on July 19 where the public can address their concerns before the budget is voted on for adoption. The presentation lasted about 26 minutes.

The discussion that took place after the presentation follows.

Mayor Gerry Scharfenberger said that any additional saving found before adoption will be included in this budget before it is voted upon. Mr. Trasante added that any savings related to new legislation that comes out will also be incorporated before the final vote.

The Mayor mentioned that there might be some issues that may affect the budget. Administrator Tony Mercantante said there are some contracts still in discussion but they won't affect the budget in any significant way. He said that there are some problematic issues in the way the town operates and some decisions need to be made to address them. Mr. Mercantante also said that certain programs could be cut that would contribute to some savings and there may be some utility savings in electric costs.

Committeeman Sean Byrnes asked about salary increases that won't be there next year. Mr. Trasante stated that the increases will not be there but will be incorporated into next year's budget. Mr. Byrnes said that the pension payment will not be increased but everything that was deferred from last years' budget will be

incorporated into next years' budget. Mr. Trasante agreed that if it was deferred last year then it would automatically be in this years' budget, minus the interest because of the deferral. Mr. Byrnes asked if the 2.8% increase is the total tax bill that includes school, county, and township increases and then stated that the actual Township increase is 12% to 13% to which Mr. Trasante agreed. Mr. Byrnes said that this doesn't reflect any problematic cuts other than that the departments were asked to cut 15%. Again, Mr. Trasante agreed. Mr. Byrnes said this budget does reflect the layoffs from this year but the benefits will be realized more next year because unemployment benefits payments will increase. Mr. Trasante said that he was not sure how much the unemployment benefits would be reduced, but did agree that the savings would be realized more next year.

Mr. Byrnes stated that the surplus is down \$400k from \$4.4M last year and onetime costs and there are one time revenues that will be taken this year. They consist of \$511k that was originally appropriated for capital serial bonds, \$202k appropriated for the revaluation and \$365k that was taken from the Sewer Authority surplus. He said that it totals \$1.078M and that it won't be available next year except for the Sewer Authority surplus. Mr. Trasante said that we will have other reserves set up from the cancellation of bond ordinances that will be used to pay for the unused portion of the debt service that was generated by those bonds. Mr. Byrnes asked if there was value in forming a group to start looking at ways to implement the tool kit if it passes in the Legislature. Mr. Trasante said a subcommittee of the Township Committee is welcome but he was not sure how the public would fit in with the rules that he has to follow as a certified finance office. Mr. Byrnes stated that if the tool kit passes we would have to come up with some means to implement it soon to realize savings in next years' budget. Mr. Trasante also agreed.

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Committeeman Tony Fiore said that he would like to know what the potential increase would have been if the Township did not have to fund the snow removal, the retirement pensions from this year and the loss of state aid. Mr. Trasante said that it would be about \$0.03 less or \$3.2M of the \$4.85M that it is now. He said that it would equate to about 70-80 dollars per household or about 2/3 of what it is now. Mr. Byrnes said that we were able to accelerate our tax sales so we could benefit from that to provide about \$2.8M in savings. Mr. Trasante said that last year it was \$3.3M and we are keeping \$500k in there so the difference is \$2.8M. Mr. Byrnes said that this is also a one time savings that we will not enjoy next year. Mr. Trasante said the savings will always be there and will not have to be made up in next years' budget.

Mr. Fiore said that Mr. Byrnes leads him to ask if everyone pays their property taxes on the last day of the quarter, will we be short about 80 days of interest and if the budget shows any loss of interest due to this. Mr. Trasante said it wouldn't impact this budget because that would only be in effect for the last quarterly tax payment. He said that we have to do it this way because all of the towns bills are due before the tax bills are due and it is difficult because there is not a lot of surplus left to make up the difference. What we collect is more important than the interest that could be realized. Mr. Fiore said that it will avoid the \$55k gained in interest and Mr. Trasante said that it should not go on beyond November. He said that the State is backed up reviewing budgets and this might cause estimated tax bills to go out.

Mr. Fiore asked to verify that the \$1M in excess health insurance, in this budget is because last year we came up short and have to come up with it this year because we are self insured. He said that with the change of the insurance broker of record it should provide some potential savings. Mr. Trasante said we

used to have reserves to cover this, but they are gone so we needed the increase of the payment this year.

Mr. Mercantante then made a motion to introduce the budget. All Committee people voted to introduce the budget except Mr. Byrnes who voted no with a comment.

Mr. Byrnes said it was important to focus on what was introduced. He said that he does have issues with what was introduced. He said Mr. Trasante has done a lot to make the best of a bad situation and has some good suggestions for savings, but a lot more could have been done throughout the year to save. He again emphasized the need for a finance committee. He said he started sending emails to Committee members in February '09 with cost suggestions because he saw that we were going to be in a financial bind. He said he made 10 recommendations for budget saving last year among them: a 15% cut in professionals' fees, (town engineers and attorneys). He recommended that the Township engineering firms go out to bid on capital construction projects, cut recreational expenses because the personnel expenses are high but the operational expenses are not. He said that we should contract out some of these services. The town should also follow through on contracting leaf and brush collection, join forces with the Board of Education (BOE) to combine maintenance functions to achieve savings there, combine the Sewerage Authority with the Department of Public Works (DPW), and insurance savings need more work. Mr. Byrnes also commented on the \$855k in three emergency services appropriations from last year and said other towns around Middletown did not have any and we can't continue to operate that way. He had also recommended, previously, that we should utilize the Arts Center more by housing a day care center there and possibly combine some programs with the Library. Earlier this year he suggested that our professionals take a fixed fee retainer but could not get support to bring it to a

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vote. He said that we can't blame Trenton anymore and Trenton can't save us. He said that it was frustrating for him because everyone saw it coming for a year and a half. He said we need some structure in government to reduce yearly increases. Committeeman Byrnes said he definitely has a problem with the budget that has been introduced.

A vote was taken and Mr. Mercantante said that the motion carried 4-1 and the budget was formally introduced. He then made a motion to introduce the Solid Waste Budget. This was approved with all Committee people voting in favor of introduction. He then made a motion to introduce ordinance 2010-3009 to exceed the initial budget appropriations limit and establish a cap bank. This was approved with a vote of 4-1 with Mr. Byrnes voting no with a comment.

Mr. Byrnes stated that, for the public benefit, if we are going to increase our spending beyond 2.5% or the cost of living increase we need authorization to do that and this will provide us with the means to go beyond the cap.

Mr. Mercantante stated that the motion carried and a public hearing will be held on July 19 before a vote for final approval.

Mr. Mercantante made a motion to adopt a resolution 10-155 authorizing the deferral of school taxes. This was approved with a vote of 5-0.

PUBLIC COMMENTS

Carol Baker said that she was not making a political statement but she can't understand why Committeeman Sean Byrnes' suggestions were not taken. She said that other towns have recycle collections twice a month and there is no brush on the streets and the taxes are about the same. The Mayor said we spend \$880 per resident which is the lowest per capita for a town our size. He said we do a lot with a little and any suggestion is taken seriously. We do not implement that which doesn't generate

savings. Carol said a lot goes to the schools. Holmdel gets less school aid, but their services are better. The Mayor said school aid does not count. Tony Fiore didn't see how the schools figure into the Township budget. Ms. Baker wanted to know if the Township was looking at whether a comparable home in Holmdel was paying about the same in taxes as a home in Middletown and how much Holmdel spends per resident. Mr. Scharfenberger said most towns spend more per resident than other towns. Mr. Fiore said when ideas are mentioned they are taken seriously. He asked the administrator if the Township Attorney was paid a flat rate and Mr. Mercantante verified that the attorney was paid a flat rate. Mr. Byrnes agreed that the township attorney is getting a flat fee but emphasized that the bulk of expenses paid to the attorney is for litigation which is not included in the flat rate. Mr. Mercantante said most firms don't do flat fee to which Sean responded that there are firms that will do it for less.

Tom Stokes stated that all five members of the Committee have been caught in an economic stranglehold. He said the public demands services and the public do not want to pay for them. He said that the town must provide these services. Mr. Stokes thinks every family needs to tighten their belts. He said that the Committee should look at the pension system. Public employees and teachers pay 5.5% into the pension system. The police and fire employees pay 8.5%. He demands that an increase by the State in pension contributions. Mr. Stokes asked if the town was taking a DEVA (Dependant Eligibility Verification Audit) on employee health benefits. The Mayor said that it was in process. Mr. Stokes said that there should be cost sharing in health benefits in addition to the minimum of 1.5% required and that the town can charge more. Mr. Trasante said that the town does that now.

Jim Grenafegge said if it wasn't for Sean Byrnes clarification about the actual municipal rate increasing over 13%, the presentation

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would have been misleading. He said that there was no transparency in the presentation. Mr. Grenafege said we are 6 months into the year and this budget proposal is unacceptable. There were things that we could have done to save but weren't done. He expressed that there was no thought leadership from the majority on the Committee because there were things we could be doing years ago to save. He referred to the person that spoke before him about belt tightening and that 9.7% of our residents that are unemployed for 6 months or more and they will feel this increase. He said the only good news will be when people not in attendance see this budget and hopefully there will be repercussions to those that are responsible for these tax increases.

The Mayor then closed the meeting due to time constraints.

Township of Middletown 2010 Budget

Introduced Municipal &
Swim Club Utility Budget

Summary of CY2009 Budget Results

■ APPROPRIATION		■ REVENUES	
■ Total Appropriations	\$61,564,754	■ Anticipated Revenues	\$61,564,754
■ Amount Expended	<u>\$60,592,442</u>	■ Actual Revenues	<u>\$61,902,846</u>
■ Appropriations Reserve	\$2,051,460	■ Excess Revenue to Surplus	\$338,092

What does This Budget Do?

- Anticipates a Reduction of State Aid \$1,564,911
- ½ Year's 1.5% Employee Contribution to Health Care Cost Approx \$120,000
- Reflects a Reduction in Salaries from 20 Retirees, 9 Layoffs, 4 resignations and 7 position eliminations.
- Prior Year Increases to All Labor Contracts
- 0% Increase for 2010 by all Employees
- Fully Funds The Township's Pension Obligation \$1,800,000
- Fully Fund Health Care Cost & Increase
- Includes a Change To an Accelerated Tax Sale Reducing Burden of Delinquency on Taxpayers
- Maintains All Current Programs and Township Events

CY 2010 Budget Summary

■ APROPRIATIONS		■ REVENUES	
■ Operations:		■ Surplus Anticipated *	\$4,000,000
Within CAPS	\$50,731,701	Miscellaneous Revenues:	
Outside Cap	\$5,287,903	Local Revenue	\$3,079,774
Capital Improvements	\$175,000	State Aid	\$6,294,173
Municipal Debt Service	\$6,819,821	UCC Fees	\$1,055,609
Total Deferred Charges	\$1,365,151	Grants	\$618,288
Judgments	\$100,000	Other Special Revenue	\$1,631,998
Reserve For Uncollected Taxes	\$500,000	Total Miscellaneous Revenue	\$12,679,842
		Receipt from Delinquent Taxes	\$2,750,000
		Subtotal General Revenue	\$19,429,842
		Amount To Be Raised by Taxes	\$45,549,734
Total General Appropriations	\$64,979,576	Total General Revenues	\$64,979,576

Cost Drivers

Recurring Costs

■ Pension Increase	\$1,800,000
■ State Aid Reduction	\$1,564,911
■ Health Care Cost	\$1,000,000

One Time Costs

■ Prior Year's Salary Increase	\$1,400,000
■ Snow & Rain Storms	\$900,000
■ Deferred Charges	\$855,000
■ Unexpected Retirements	\$760,000

Spending Analysis

Total Budget	\$64,979,576
Non Discretionary	
Deferred Charges	\$1,365,821
■ Debt Service	\$6,819,821
■ Pension	\$3,589,212
■ Salary & Wages	\$25,572,304
■ Statutory Obligations	\$1,300,000
■ Health Benefits/other Insurance	\$9,292,880
■ Library	\$3,986,437
■ LOSAP	\$325,000
■ Grants	\$641,465
■ Reserve For Uncollected Taxes	<u>\$500,000</u>
■ Total Non Discretionary	\$53,067,940
■ Discretionary Spending	\$11,911,636

Analysis of 2010 Appropriations Increase

Total Appropriations 2010	\$64,979,576
Less: Cost in 2010 not in 2009	
Full Pension Obligation	\$1,800,000
Retro and PY Salary Increase	\$1,400,000
Health Care Increase	\$1,000,000
Snow & Rain Storms	\$900,000
Unexpected Retirements	\$760,000
Emergency Appropriations	<u>\$855,000</u>
Add:	
Reserve for Uncollected Taxes	<u>\$3,300,000</u>
Total Appropriations 2010	\$61,564,576
Total Appropriations 2009	\$61,805,718
Difference is a reduction of	(\$241,142)
Or	.4%

Items in 2010 Should not Be in 2011

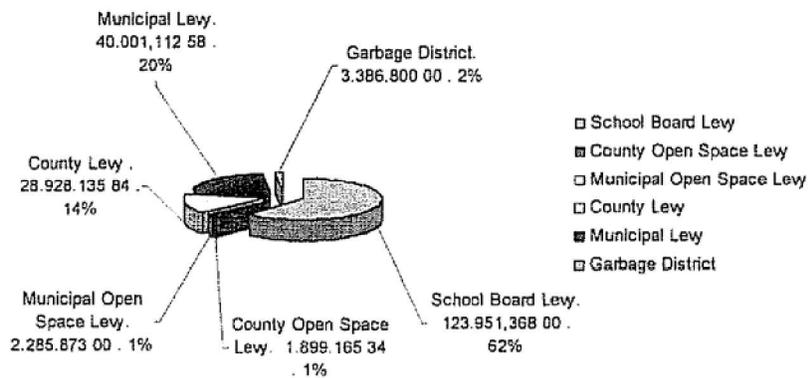
■ Retro Salary Increase	\$1,400,000
■ Snow & Rain Emergency	\$900,000
■ Emergency Appropriations	\$855,000
■ Unexpected Retirements	<u>\$760,000</u>
■ Total Savings	\$3,915,000

Introduced Tax Increase

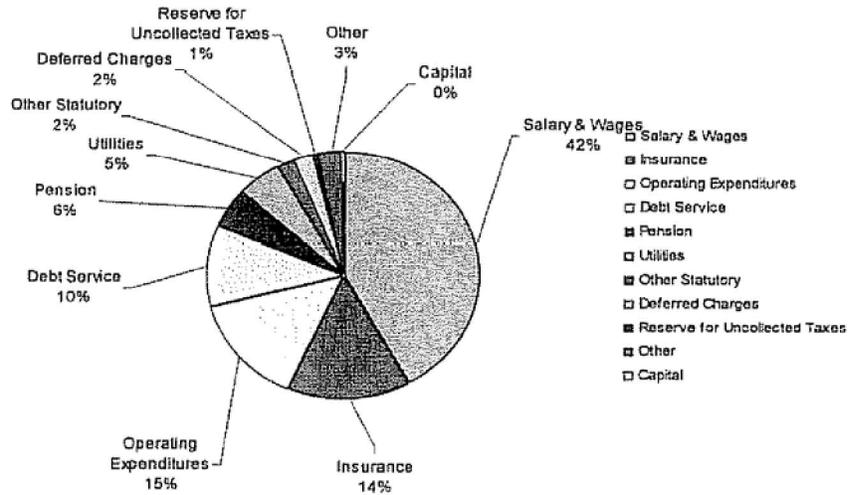
Per \$100

Municipal Tax 2009	.350 or 35 Cents
Municipal Tax 2010	.3985 or 39.85Cents
Increase Per \$100	4.85cents
Increase Per Average Home (\$437,000)	\$211.00 per Yr or \$17.66 per month
Percent Increase in 2010 of Overall Taxes Bill	2.8%

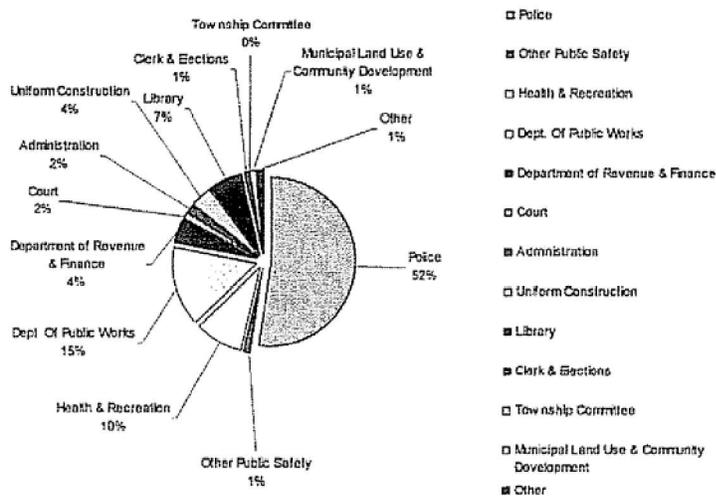
2009 School Board Levy County Open Space Levy Municipal Open Space Levy
County Levy Municipal Levy Garbage District



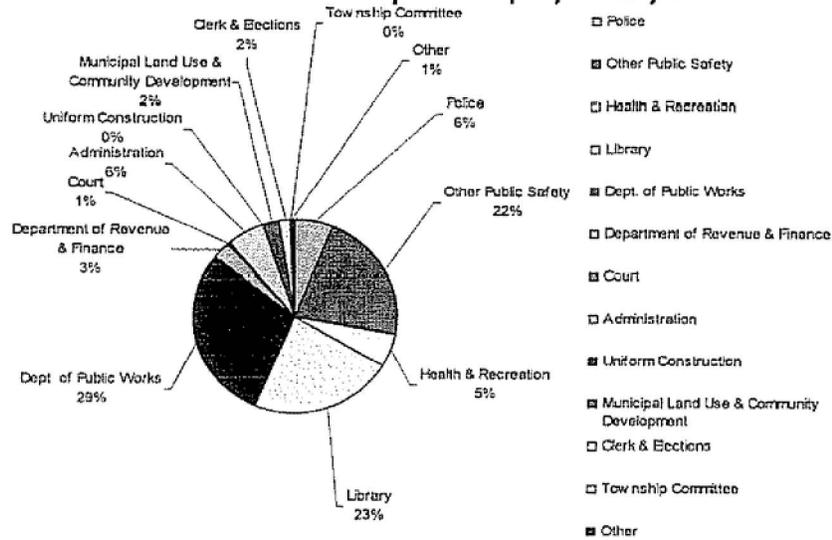
Salary & Wages vs. All Appropriations



Salary & Wage by Department



Comparison of Department OE Cost Total Equals \$9,423,672



Swim Club Utility Budget

ACCOUNT	Adopted 2009	Introduced 2010
TOTAL REVENUE	534,247.00	521,106.00
EXPENSES:		
TOTAL SALRIES & WAGES	166,000.00	166,000.00
TOTAL OTHER EXPENSE	120,045.00	124,045.00
TOTAL CAPITAL	-	-
TOTAL DEBT	233,969.00	230,000.00
TOTAL DEFERRED/STATUTORY	14,187.00	1,061.00
TOTAL APPROPRIATIONS	534,201.00	521,106.00
REVENUE (SHORT)/OVER	46.00	-

ORDINANCE 2010-3009

CALENDAR YEAR 2010

**ORDINANCE TO EXCEED THE MUNICIPAL BUDGET APPROPRIATION LIMITS AND TO
ESTABLISH A CAP BANK
(N.J.S.A. 40A: 4-45.14)**

WHEREAS, the Local Government Cap Law, N.J.S.A. 40A: 4-45.1 et seq., provides that in the preparation of its annual budget, a municipality shall limit any increase in said budget to 2.5% unless authorized by ordinance to increase it to 3.5% over the previous year's final appropriations, subject to certain exceptions; and,

WHEREAS, N.J.S.A. 40A: 4-45.15a provides that a municipality may, when authorized by ordinance, appropriate the difference between the amount of its actual final appropriation and the 3.5% percentage rate as an exception to its final appropriations in either of the next two succeeding years; and,

WHEREAS, the Township Committee of the Township of Middletown in the County of Monmouth finds it advisable and necessary to increase its CY 2010 budget by up to 3.5% over the previous year's final appropriations, in the interest of promoting the health, safety and welfare of the citizens; and,

WHEREAS, the Township Committee hereby determines that a 3.5% increase in the budget for said year, amounting to \$1,530,080 in excess of the increase in final appropriations otherwise permitted by the Local Government Cap Law, is advisable and necessary; and,

WHEREAS the Township Committee hereby determines that any amount authorized hereinabove that is not appropriated as part of the final budget shall be retained as an exception to final appropriation in either of the next two succeeding years.

NOW THEREFORE BE IT ORDAINED, by the Township Committee of the Township of Middletown in the County of Monmouth, a majority of the full authorized membership of this governing body affirmatively concurring, that, in the CY 2010 budget year, the final appropriations of the Township Committee shall, in accordance with this ordinance and N.J.S.A.40A:4-45.14, be increased by 3.5%, amounting to \$1,530,080, and that the CY 2010 municipal budget for the Township of Middletown be approved and adopted in accordance with this ordinance; and,

BE IT FURTHER ORDAINED, that any that any amount authorized hereinabove that is not appropriated as part of the final budget shall be retained as an exception to final appropriation in either of the next two succeeding years; and,

BE IT FURTHER ORDAINED, that a certified copy of this ordinance as introduced be filed with the Director of the Division of Local Government Services within 5 days of introduction; and,

BE IT FURTHER ORDAINED, that a certified copy of this ordinance upon adoption, with the recorded vote included thereon, be filed with said Director within 5 days after such adoption.

RESOLUTION 10-155

DEFERRAL OF LOCAL SCHOOL TAX

WHEREAS, the Local School District Tax for the year July 1, 2009 to June 30, 2010 was raised in the 2009 Tax Levy in the amount of \$123,951,368.00; and

WHEREAS, the statutes permit the deferral of the cash liability of such School Tax up to fifty percent (50%) of the School Tax Levy or \$59,884,638.00;

NOW, THEREFORE, BE IT RESOLVED, by the Township Committee of the Township of Middletown, County of Monmouth, State of New Jersey, that the Deferred School Tax for the Local School District be increased from the sum of \$57,750,000.00, which was deferred as of December 31, 2009 to the sum of \$59,750,000.00.

BE IT FURTHER RESOLVED, that a copy of this resolution be filed with the State of New Jersey, Department of Community Affairs, Division of Local Government Services.