

BUDGET MEETING - OPEN SESSION

Council President Walter L. Sikorski called the meeting to order at 7:10 p.m. and read the Open Public Meetings Act statement which stated that adequate notice and posting of the meeting had taken place in accordance with the requirements of P.L. 1975, Chapter 231.

The flag salute was followed by the roll call.

ROLL CALL

	PRESENT	ABSENT
<i>Mayor Patten</i>		✓
<i>Councilmember Bond</i>	✓	
<i>Councilmember Harinxma</i>		✓
<i>Councilmember Quattrone</i>	✓	
<i>Councilmember Rosenberg</i>	✓	
<i>Councilmember Schneider</i>	ARRIVED AFTER ROLL CALL	
<i>Councilmember Sikorski</i>	✓	

Also in attendance: Councilmembers-elect McGinty and Theokas; Candace Gallagher, Borough Clerk/Administrator; and George Lang, Chief Financial Officer.

APPROVAL OF AGENDA

The agenda was moved by Council President Sikorski, seconded by Councilmember Bond and unanimously approved as submitted.

PUBLIC COMMENT I

Council President Sikorski opened the floor for public comment.

Eugene Sarafin, 600-628 South Main Street, said that he appreciates being allowed three minutes to comment on "something we'll spend months on." Mr. Sarafin stated that Hightstown is surrounded by East Windsor Township, which has multiple ambulance squads and fire departments, and we should be sharing more services but haven't been able to "make a deal." "It's time to go for equal protection of the law," he said. "Manalapan uses the State police and pays very little for it. We pay millions." He suggested that, rather than spending time "agonizing about budget cuts," the governing body should approach our legislators to protest the fact that we now have a bankrupt state with no money for our communities because the State did not want to raise taxes. "It's time to have a revolution," he said. "Shared services should be based on cost and not on negotiation. ... It's pointless to cut the budget. I don't want people cut, then they'll all be on welfare." It's time, he said, to go to the governor to seek legislation for fair shared services. "Why do this over and over again?" he asked.

No one else came forward and the floor was closed.

BUDGET DISCUSSION

Council President Sikorski stated that, at the time the budget was adopted, he had proposed cutting another \$100,000, but the budget was approved by a vote of 5 to 1. At that time, however, there was a consensus to begin budget discussions earlier than usual, just following the election, which is why this meeting is taking place. He said that he and Councilmember Bond met with Mayor Patten (who is away and could not attend this meeting) to present new approaches to the budget process and hear from the public.

Mr. Sikorski went on to say, "This is not about the school or county taxes. We have no control over those, although we collect them. There is an economic tsunami affecting the global economy." He referenced an article in that day's *Trenton Times* stating that the New Jersey state budget shortfall is \$1.2 billion and "could soar." The article indicated that the State may take steps such as renegotiating vendor contracts, delaying capital expenditures and finding \$600 million in spending cuts. "We in local government," Council President Sikorski said, "need to face the possibility of reduced aid and no Extraordinary Aid. Cuts are painful no matter how well they're planned, but we need to explore all options, including the possibility of reduction in services, curtailing capital expenditures, freezes in non-union pay, givebacks in contracts, new approaches for emergency medical services and more. The Governor, he said, declared the day after Thanksgiving as a working day and "saved millions," and Lincoln's Birthday was eliminated as a holiday in future union contracts. Mr. Sikorski also mentioned job freezes, reductions in force and larger co-pays for medical insurance as a means of curtailing expenditures.

Councilmember Bond recalled last year's budget process, where Council cut the budget as much as they could, and "during one long evening, we cut \$11,000 from a \$4 to \$5 million budget. ... We need an entirely different approach." Mr. Bond stated that the Borough "took many hits" last year, including a reduction in State aid, "but the populace of the town won't stand for another 15 cent increase. A reduction in services must be looked at, he said. We need to look at how many people benefit from certain things ... look at the entire populace and determine what is good for all." Mr. Bond distributed a spreadsheet he had prepared showing the municipal tax rates over the past 12 years, and noted significant increases, particularly in the last three to six years. "That's not to say we haven't done our best to control it," he said, "with all the problems we've had.... but the reasons don't relieve the pain. We have to go with a budget that is as close to a zero tax increase as we possibly can this year. We'll try our best to not have any tax increase at all, even if it takes cutting services."

Councilmember Schneider arrived at the meeting during Mr. Bond's comments.

Councilmember Quattrone said that everyone would like to see no increase in taxes, "but we have to go one step further and find out where those increases [in past years] were." He said that, in the ten years he has been on Council, "we've tried our best to cut everything." He said that a zero-based budget would be nearly impossible to achieve and could be a waste of time to attempt. He added that he is hoping not to have to cut services.

Mr. Lang pointed out that, as far as expenditures go, a lot *has* been cut in the past few years. He noted that Hightstown's 2008 budget was more than \$250,000 below the State cap for expenditure purposes, and more than \$100,000 below the State levy cap. Our problems are not unique, he said, and other towns are facing them as well. We lost State aid last year, and pension costs have been skyrocketing, and we saw a reduction in our ratables. "Look at the whole thing," he said, and cautioned against creating too tight a budget. "We use all our surplus," he said. "Whatever surplus we generate, we use. If you cut the budget so much, there will be nothing left for surplus." He noted that in addition to cuts in State aid, the Borough has experienced significant increases in EMS and pension costs, and all costs are going up. He added that, years ago, State aid increased every year, but in the last eight years, small increases in energy receipts revenues have been offset by decreases in other formula aid.

Councilmember Schneider noted that in the mid-nineties, salary increases tended to be 4% per year across the board. Until Minute Maid ceased its operations, surplus was available each year in the utility budget, and was used to offset tax increases. "A responsible government would have held onto some of that," he said. "Our budget is not completely raised

by local taxes," he added. "It is also raised by the State. It looks like the last 10 years were the worst [for tax increases] and we were set up right before it happened."

Councilmember Bond asked how the Borough can justify another 15 or 20 cent tax increase.

Ms. Gallagher stated that she has provided documentation at this meeting that answers the questions posed regarding where the increases in appropriations took place over the past four years. She referenced a spreadsheet she had distributed detailing non-salary expenditures from 2005 through 2008, and grouping them by levels of control: those costs which we can control (primarily departmental day-to-day operating expenses), costs over which we have some, but minimal control (including utilities, postage, gasoline, COAH planning and garbage collection contracts) and those costs which are largely beyond our control (which include mandated pension costs, contracted EMS services, liability, property and medical insurance, social security, reserve for uncollected taxes and debt service). The spreadsheet¹ indicated that, despite cost increases, budgeted expenses in the "controllable" category have actually *decreased* over the past four years, and in 2008 were approximately \$12,200 less than in 2004. Over the same period, minimally controllable costs increased by only \$28,000 (dropping sharply between 2007 and 2008 due to the resumption of in house garbage collection in 2008), while those costs beyond the Borough's control increased by an astonishing \$890,000. The Borough, she said, has been successful in keeping those costs which it can control in check. The tax increases have been the result of increases in our uncontrollable costs coupled with cuts in State aid, lack of available utility surplus, and decreased ratables. She noted that, as Councilmember Schneider had indicated, until 2003, utility revenues from the Minute Maid plant were used to offset tax increases. Each year, surplus was available in our water-sewer utility that was transferred to the current budget and helped keep taxes more stable. Since the plant's closing in 2003, that has not taken place, and all utility revenues have remained in the water/sewer budget. In addition, over the past six years, salaries once charged to water and sewer have been examined and gradually reallocated properly, resulting in a higher percentage charged to the current budget.

Ms. Gallagher went on to echo Mr. Lang's cautionary statements regarding cutting the budget too severely. It is already tight, she said, and surplus that we use each year to offset tax increases is generated by spending less than what was budgeted and bringing in more revenues than anticipated. Cutting the budget severely will decrease surplus generated for future years, which, because all surplus is utilized, translates directly to tax dollars.

Regarding cuts in services, Councilmember Schneider said that he does not feel that the Borough has too many police officers, and that he feels "we are here to save money and maintain services." To cut certain services, he said, would simply shift those costs (and that burden) to the homeowners. He would not want to see the Borough "getting out of the business of public safety," he said, and recalled complaints from the public, prior to contracting for EMS services, when the wait time for an ambulance was dangerously long. He agreed that everything "should be on the table" but said that to have a zero-based budget would "pull the budget in ways you don't want to go."

Councilmember Bond noted that a "zero-based budget" is one that "starts from the ground up, based on what you need."

Ms. Gallagher noted that she has also provided a list from each department head of all the services that they provide to the public. Councilman Quattrone asked if it would be possible to analyze costs of services by department, on a per household basis. Ms. Gallagher and Mr. Lang said that this could be done.

Council President Sikorski stated that certain services benefit only some residents, while the cost is spread over the whole community. "People can't afford to live here due to the tax rate," he said. "The Governor has said that he may even cut out the homestead rebate." Our residents, he said, are interested in hearing what we're doing.

Council President Sikorski went on to say that Mayor Patten has appointed a budget committee consisting of Councilmember Quattrone, Councilmember Bond and Councilmember-elect Mike Theokas, and that this met with Mr.

¹ A full copy of this spreadsheet is included at the end of these 11/13/08 minutes.

Sikorski's approval. They are charged with meeting to review the proposals and ideas that have been brought up and come back to Council with something more concrete for further discussion.

Ms. Gallagher noted that she has also provided for Council's review a second spreadsheet with detailed line items from the Borough's budgets of 2005 through 2008, so that they can see, in detail, what has changed from one year to the next. She asked if the subcommittee would be meeting with herself, Mr. Lang and department heads when their individual budget requests are preliminarily reviewed. Council President Sikorski indicated that they would be.

PUBLIC COMMENT II

Council President Sikorski again opened the floor for public comment.

Torry Watkins, 68 Meadow Drive, thanked the Council for calling this meeting and thanked Councilmember Quattrone for requesting an analysis of Borough costs by household. "That is the start of something big here," he said, adding that it would demonstrate the "inherent inefficiency of trying to operate a one-square mile Borough."

No one else came forward and the floor was closed.

Councilmember Schneider expressed his objection to subcommittee meetings regarding the budget, and said that all budget discussions should be held in public view. Councilmember Bond said that it is likely that Council as a whole will have as many public budget meetings as in prior years. Last year, he said, liaisons met with the department heads and administrator to review their budget requests. This is similar, he said, by having three Council members participate and then report back to Council. He noted that last year's budget meetings were often attended by less than the full Council, and some members came to only one or two.

Council President Sikorski stated that the committee "was the Mayor's decision at our meeting, and I concurred with it, and I think it is an expeditious way of accomplishing things." He noted that the subcommittee, like other subcommittees, is not empowered to take any action, and must report back to the Council as a whole.

There being no further business, adjournment was moved by Councilmember Quattrone, seconded by Councilmember Bond and unanimously approved. The meeting was adjourned at 8:09 p.m.

Respectfully submitted,

Candace B. Gallagher, RMC
Borough Clerk

~~Controllable v Uncontrollable~~

**BOROUGH OF HIGHTSTOWN
OTHER EXPENSES**

	2005	2006	2007	2008
Costs which are largely controllable:				
Administration	850.00	850.00	650.00	500.00
Mayor & Council	1,800.00	1,800.00	1,800.00	1,800.00
Municipal Clerk (net of legal advertising)	4,800.00	4,100.00	4,300.00	1,900.00
Finance	6,720.00	6,150.00	5,400.00	4,950.00
Tax Collection	5,150.00	5,150.00	5,350.00	5,550.00
Tax Assessment/Interest on Tax Appeals	7,400.00	7,400.00	7,400.00	7,100.00
Police	52,295.00	57,195.00	59,915.00	54,970.00
Police Dispatch	6,750.00	6,800.00	6,300.00	5,400.00
Municipal Presecutor (2007 adjusted for salary transfer to O/E in 2008)	9,600.00	9,600.00	14,400.00	14,400.00
Interlocal - 911 Dispatch (net of health insurance allocation)	25,250.00	25,900.00	22,500.00	18,700.00
Emergency Management	250.00	250.00	250.00	250.00
Fire Department	32,625.00	27,150.00	32,450.00	31,070.00
Aid to Fire Department	4,500.00	4,500.00	4,500.00	4,500.00
Volunteer First Aid Squad (excludes electricity & vehicle maintenance)	19,000.00	13,500.00	13,900.00	13,650.00
Aid to First Aid Squad	3,000.00	3,000.00	3,000.00	1,500.00
Fire Official	5,950.00	4,500.00	4,225.00	3,775.00
Aid to First Aid Squad	3,000.00	3,000.00	3,000.00	1,500.00
Public Works - Streets and Roads	30,050.00	27,850.00	25,350.00	24,000.00
Public Works - Snow Removal	2,500.00	2,000.00	1,000.00	1,000.00
Public Works - Sanitation/Solid Waste Collection (net of collection contracts)	9,750.00	8,500.00	8,000.00	8,250.00
Public Works - Bldgs & Grounds	11,050.00	13,950.00	12,600.00	16,500.00
Public Works - Recycling	11,470.00	10,000.00	9,850.00	8,950.00
Public Works - Parks Maintenance	2,950.00	2,950.00	2,100.00	3,000.00
Uniform Construction Code	14,800.00	15,370.00	15,000.00	14,000.00
Housing Code Enforcement	100.00	400.00	400.00	700.00
Municipal Court	8,950.00	11,600.00	15,650.00	16,325.00
Information Technology - other expenses	17,500.00	14,800.00	14,150.00	15,600.00
Office Supplies/Paper products	11,500.00	11,500.00	11,850.00	11,850.00
Vehicle Maintenance	23,800.00	31,150.00	28,700.00	22,000.00
Audit Services	14,000.00	14,000.00	14,000.00	14,000.00
Legal Services (2005-07 includes salaries)	22,720.00	29,750.00	48,200.00	40,000.00
Engineering Services	15,000.00	13,000.00	13,700.00	15,600.00
Grant Writing/Administration	4,000.00	4,000.00	8,000.00	8,000.00
Other Planning/Zoning	8,500.00	8,650.00	11,150.00	10,850.00
Historic Preservation Commission	200.00	600.00	1,000.00	1,200.00
Board of Health	5,400.00	5,400.00	7,650.00	8,500.00
Health Services	48,100.00	21,800.00	22,650.00	23,600.00
Environmental Commission	5,135.00	7,685.00	7,685.00	3,805.00
Parks & Recreation Commission	8,250.00	9,200.00	11,800.00	10,700.00
Child Care Centers	10,500.00	12,500.00	12,500.00	12,500.00
Celebration of Public Events	1,500.00	1,800.00	1,800.00	1,800.00
Total costs which are largely controllable:	478,422.60	459,300.00	494,125.00	464,245.00

Controllable v Uncontrollable

Costs which are impacted by our decisions/activities but are to a large extent beyond our control				
Capital Improvements	38,000.00	61,000.00	16,000.00	20,000.00
Garbage collection contracts	102,550.00	110,150.00	130,250.00	31,250.00
Redevelopment & Minute Maid Planning	0.00	17,549.00	19,500.00	2,500.00
COAH Planning	10,000.00	7,650.00	2,500.00	6,500.00
Matching funds for grants	0.00	4,500.00	4,500.00	0.00
Postage & Shipping	5,310.00	6,500.00	8,500.00	7,500.00
Legal advertisements	3,500.00	6,400.00	6,100.00	5,800.00
Litigation	23,000.00	23,000.00	38,000.00	37,450.00
Landfill Disposal Cost (Tipping fees)	190,000.00	180,000.00	190,000.00	185,000.00
Electricity	42,000.00	44,000.00	44,200.00	60,000.00
Natural Gas	24,000.00	29,200.00	24,500.00	24,000.00
Street Lighting	37,000.00	41,500.00	41,000.00	50,000.00
Telephone	40,000.00	46,000.00	50,000.00	50,000.00
Gasoline & Diesel Fuel	22,000.00	37,000.00	48,000.00	71,500.00
Animal Control	0.00	100.00	100.00	100.00
Police - vehicle purchase (debt service)	18,600.00	0.00	16,000.00	32,000.00
Total costs we have minimal impact on	555,960.00	614,549.00	639,150.00	583,600.00

Costs over which we have little or no control				
Election costs	2,000.00	2,200.00	2,400.00	2,400.00
Contracted EMS services (gross cost)	0.00	139,000.00	203,600.00	215,000.00
Liability/Workmen's Comp Insurance	132,050.00	107,916.00	109,150.00	115,750.00
Employee Group Health Insurance	288,000.00	286,835.00	332,750.00	387,100.00
Other Insurance	11,500.00	10,000.00	8,000.00	8,000.00
P.E.R.S.	7,860.61	23,223.40	42,029.42	72,981.48
Social Security	104,000.00	108,500.00	115,000.00	126,000.00
P.F.R.S.	54,280.00	116,230.00	176,741.60	256,889.00
LOSAP	38,950.00	35,800.00	34,400.00	39,150.00
MCIA Recycling	49,550.00	49,526.04	49,526.04	49,500.00
Senior Citizen Services	22,900.00	29,500.00	26,900.00	27,050.00
Senior Citizen Transportation	2,180.00	2,180.00	2,180.00	2,180.00
Revaluation - Appropriation	0.00	0.00	32,000.00	32,000.00
Reserve for Uncollected Taxes	205,000.00	275,000.00	325,000.00	350,000.00
Debt Service <i>(net of police vehicles, shown above)</i>	252,118.00	300,732.00	368,152.00	385,101.00
New recycling tax			0.00	3,850.00
Community Services Act	44,000.00	40,000.00	40,000.00	40,000.00
Total costs which are largely uncontrollable	1,232,273.10	1,543,182.40	1,867,829.06	2,112,951.48

	2005	2006	2007	2008
Total Controllable Costs	478,423	459,300	494,125	464,245
Total costs we have minimal impact on	555,960	614,549	639,150	583,600
Total uncontrollable costs	1,232,273	1,543,182	1,867,829	2,112,951
TOTAL LISTED EXPENSES**	2,266,656	2,617,031	3,001,104	3,160,796

Controllable percentage	21%	18%	16%	15%
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**** Does not include:**

Transfer to Bd of Education and other appropriations offset by revenues

Salaries and Wages

Provision for Accumulated Sick and Vacation