



2013 EXECUTIVE MUNICIPAL BUDGET



Timothy P. Dougherty, *Mayor*

MUNICIPAL COUNCIL

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TO: Citizens of the Town of Morristown
Members of the Town Council

FROM: Mayor Timothy P. Dougherty

DATE: April 9, 2013

SUBJECT: **FY 2013 Executive Municipal Budget**

As mandated by New Jersey Local Budget Law, and in accordance with the Town of Morristown Code, I am submitting Morristown's Fiscal Year ("FY") 2013 Executive Municipal Budget ("Municipal Budget") to the Town Council for consideration, review and authorization.

As Mayor of this great, thriving community, it is my privilege to present to the Citizens of Morristown and the Town Council its fiscal year 2013 Municipal Budget. For the third consecutive year, Morristown taxpayers will realize a **decrease** in the Municipal Tax Rate. Not only will the Municipal Tax Rate be lower by about 30% of one tax cent from last year, but also the estimated Total Tax Rate for Morristown taxpayers will fall by almost \$0.04. This tax rate decrease would have been greater by almost \$0.01 but for a \$20.3 million reduction in the Town's tax base this year.

So, what is the financial impact of this tax decrease to a Morristown property owner? Essentially, for every \$100,000 of assessed valuation, a property owner can anticipate an estimated \$36.00 reduction of their total tax bill. The Municipal Tax Rate portion of this decrease will be \$3.00.

I am pleased to point out that Morristown's Tax Levy, with the adoption of this budget, has steadily declined since 2010. Unquestionably, the Town's tax rate stabilization is a direct result of tough management decisions and prudent fiscal stewardship demonstrated over the last few years.

Other important summary points about this year's Budget are:

- The Municipal Tax Levy is approximately \$255,000 lower than last year, which in effect lowers the financial tax burden to fund our government.
- Once again, we are well under the State's 2% Property Tax Levy Cap by over \$1 million.
- State Aid revenues are the same for the fourth consecutive year; and
- Even though total Appropriations show an increase over last year by nearly \$1.5 million, the Town is fortunate to have been awarded about \$1.9 million more in Grant Funds this year than last, namely, \$2 million for the Early Street land acquisition. Otherwise, total Appropriations would be down by \$376,000 from 2012.

Throughout this Municipal Budget, the following broad policy priorities are reflected:

- Financial Stability;
- Contained Workforce Levels;
- Proactive Public Safety and Code Enforcement Initiatives;
- Sound Debt Management Practices; and
- Long-range Planning.

Here is what is happening this year with a few of the main cost drivers that factor in to the stability of this Budget:

- For the first time in many years, the Town's medical insurance premium will substantially decline by 12.5%, or nearly \$700,000 from last year.
- The Town's pension bill is approximately \$117,000 lower than its 2012 bill, which was down \$360,000 from the previous year.
- Current and retired Town employees will contribute over \$400,000 toward insurance premium costs, about \$150,000 more than last year. Over the next two years, projected employee cost sharing for health care insurance will likely rise to approximately \$750,000.

When I assumed the role of Mayor in 2010, our Town was facing a multi-million dollar structural imbalance of its budget. Many factors played into this dire fiscal condition. Unfortunately, many of these factors were beyond the Town's control to fix in the short-term. Undaunted, I, along with my management team, identified budget variables that could be changed, and charted a course that entailed very difficult decisions to reduce our workforce. Over this same time period, the Town Organization has decreased by 38 full-time positions, which was a result of leaving vacated positions unfunded, involuntary workforce reductions and professional service agreements. As an outcome of the various operational and financial decisions effectuated during my term as Mayor, annual municipal operation expenses each year averaged \$1.9 million below the 2009 budget level.

At this time, I would like to sincerely thank all of our Town employees who weathered this organizational downsizing through personal sacrifice and perseverance, and remained committed to improve service delivery despite working with fewer staff and less resources.

Public safety and code enforcement are critical to any municipality in preserving its quality of life. Last year, seven (7) new patrol officers were hired, raising the Police Bureau's total to 51 sworn officers. With this increased staffing, the Police Administration intends to increase its presence with foot and bicycle patrols where higher pedestrian and vehicular traffic exist to address some of the daily quality of issues that have surfaced as a result of our Town's vibrancy. With the creation of the new Department of Code Enforcement last year, I expect that this important functional unit will perform more optimally focusing on operations management and service delivery improvement. Ultimately, more effective and efficient code enforcement will result in a better quality of life for our Citizens.

Our municipal debt burden has plagued this Town for decades. Long term debt service obligations reached its height two years ago at \$6.1 million. This year, The Town's overall debt service obligations are \$5 million, which is a decrease by over \$705,000 from 2012. Certainly, the Town's Standard & Poor's credit rating of 'AA', which means a "stable outlook," is a positive effect of a steadfast commitment to lower its debt burden. Indeed, over the last several years, we have lowered our Current Fund long-term debt obligations by \$22.1 million. During the next four years, the Town will pay off over \$17.4 million of its remaining \$33 million in general obligation debt.

Reducing its debt service burden to this extent will certainly put the Town in a better position to budget annually into its Capital Improvement Fund, and take a “pay-as-you-go” approach instead of financing future capital projects with debt. As a matter of fact, in the Town’s Sewer Utility Budget, that time has come. Due to the Sewer Utility’s significantly lower debt service payment this year, the Town is appropriating in its Utility Budget \$400,000 to pay off its short-term debt, and over \$1 million to fund capital projects by user fee revenues instead of debt. It should remain our goal to fund all Sewer Utility-related capital projects through the budget each year, and appropriate a sufficient amount to pay off \$6 million of bond anticipation notes within the next 6-7 years.

The Town’s Planning Division, led by our consultants Jonathan Rose Companies, will continue to play a key role in shaping our Town’s environment. Their planning efforts will focus on two key areas this year: (1) the land use and mobility master plan element, and (2) the production of affordable housing. Our Master Plan initiative, “Morristown Moving Forward” will kick into high gear this month and end sometime later this year. Moreover, we will work together to create and execute a strategy to put the Town’s Affordable Housing Trust Fund monies to work by creating new housing opportunities and rehabilitating existing ones where our housing funds can be best leveraged. And, finally, new residential multi-housing development continues to be robust in Town as Phase I of the Speedwell Redevelopment Plan commenced this past January. This Administration will continue to work diligently to bring other redevelopment areas to fruition.

As I stated three years ago, Morristown’s long-term viability is up to us. If we continue to keep our financial house in order, and strategically plan our environment and maintain its quality of life that invites people to live, work and invest here, we will all reap the many benefits from what this great community is, and will become...New Jersey’s premier municipality.

I truly thank everyone for allowing me to lead this dynamic Town at a crucial time in its history. For all those who participate in our government and volunteer their time to make Morristown a better place, I especially thank you for your contributions. Through all of the good and bad times, it has been privilege to serve this Town over the last three years.

The comprehensive FY 2013 operating budget, capital improvements plan and 5-year Financial Trend Analysis were compiled with the assistance of the “Executive Budget Team” – the Business Administrator, Chief Financial Officer, Department Directors and Bureau Chiefs. The 5-year Financial Trend Analysis illustrates a snapshot of the Town’s fiscal condition based on five years of data dating back to FY 2008. The FY 2013 Municipal Budget packet provides the fiscal insight and transparency for the Town Council and our Citizens to understand how past budget policies and decisions impacted the financial health of our municipality, and how this recommended Budget provides for a sufficient level of financial resources to meet spending obligations and service responsibilities this year.

FY 2013 FINANCIAL BUDGET OVERVIEW

The financial summary totals for FY 2013 approximates \$47.1 million and includes appropriations for both the Operating and Sewer Utility Funds and their Capital Improvement Plans. Compared with FY 2012, the total FY 2013 Financial Budget represents a \$1,741,319, or 3.6% decrease. The 2013 Municipal Budget is projected to increase by \$1.49 million, or 3.9% (includes Grants) primarily because of nearly \$1.9 million in new grant monies awarded, which impact both the revenue and appropriation sides of the budget. However, by stripping out Grants, the 2013 Municipal Budget actually results in a decrease of \$376,627 from last year. The FY 2013 Capital Improvement Plans combined will require \$1.66 million, or 43% reduced funding compared with last year.

	Financial Summary Totals	
	<i>FY 2012</i>	<i>FY 2013</i>
<u>Operating Fund</u>		
Municipal Budget	\$35,563,925	\$35,187,298
Grants	432,375	2,307,333
Capital Improvements Plan	\$ 3,668,500	\$ 1,195,000
<i>Percent Change</i>		<i>(2.5%)</i>
<u>Sewer Utility Fund</u>		
Sewer Utility Budget	\$9,040,344	\$7,461,194
Capital Improvements Plan	\$ 200,000	\$1,013,000
<i>Percent Change</i>		<i>(8.3%)</i>
Total Financial Budgets	\$48,905,144	\$47,163,825
<i>Percent Change</i>		<i>(3.6%)</i>

OPERATING BUDGET – MUNICIPAL PROPERTY TAX IMPACT

FY 2013 BUDGET SUMMARY POINTS

- **Slight Municipal Tax Rate Decrease:** The FY 2013 estimated Municipal Tax Rate is \$1.013, down about \$0.003 (or 30% of one tax point) from last year.

In FY 2013, one cent (\$0.01) of the Municipal Tax Rate is equal to \$220,307 as compared with last fiscal year, which one cent was equal to \$222,341. (FY 2012: \$2,223,416,160). Unfortunately, the Town lost over \$20.3 million in its Net Assessed Valuation (“NAV”) base this year (FY 2013: \$2,203,078,442) mainly due to current State law involving the Business Personal Property Tax (BPPT) on local exchange telephone companies and that Verizon no longer provides at least 51% of its municipal customers dial tone and access. Consequently, the Tax Assessor was legally required to reduce Verizon’s BPPT assessment by \$14,205,289. This NAV reduction amounts to almost \$0.01 in the Municipal Tax Rate. Thus, if the Town was raising \$22,327,449 (FY 2013 Municipal Tax Levy) through the FY 2012 NAV, the Municipal Rate would be \$1.004 instead of \$1.013.

- **\$0.04 Total Property Tax Decrease:** For Morristown’s average assessed residence of \$350,000, the following table will show the breakdown comparison of a property homeowner’s tax bill, and what the estimated total tax bill will look like in FY 2013.

<i>Average Residential NAV (\$350,000)</i> <i>Total Property Tax Bill Comparison</i>		
	FY 2012	FY 2013
Municipal Tax	\$3,556.00	\$3,545.50
Morris County Tax	1,074.50	990.50
Morris School District Tax	4,378.50	4,354.00
Public Library Tax	143.50	136.50
Total Tax Bill Amount	\$9,152.00	\$9,026.50
Total Property Tax \$ Effect		\$10.46/month or \$125.50/year

Furthermore, for every \$100,000 of assessed valuation, a property owner can anticipate this year an estimated \$36.00 reduction of their total tax bill. The breakdown of this \$36.00 total tax reduction is as follows: *Municipal*: \$3.00; *County*: \$24.00; *School District*: \$7.00; and *Public Library*: \$2.00.

- **\$1,045,080 UNDER Property Tax Levy Cap:** For three consecutive years, the Municipal Budget is well under both the 2% Property Tax Levy and Total Appropriations Caps. Under the Property Tax Levy Cap formula, the maximum allowable amount to be raised through the Town's Municipal Levy is \$23,372,529. However, the Municipal Budget requires only \$22,327,449 in property tax revenues this year. In FY 2012, the Town budget was \$841,834 under the Property Tax Levy Cap, which it is permitted under the State law to "bank" for three budget years (FY's 2013-15). The FY 2013 budget utilizes \$0 of its prior year Levy Cap bank.

REVENUES

FY 2012 RECAP

Overall, total revenues realized last year were up significantly from anticipated by \$146,000. Of the 26 main revenue line-items in the Executive Budget, only six (6) realized declines. Line-items that experienced increases totaled \$279,832 more than anticipated as opposed to declining revenue line-items that amounted to \$133,252 in revenue loss. Additionally, the Town collected nearly \$3,338,185 in Miscellaneous Revenue Not Anticipated ("MRNA") from sources such sale of municipal assets (50% of Public Works property in Speedwell Redevelopment area - Phase 1), FEMA recovery of emergency appropriations incurred in 2011 due to Hurricane Irene and October snowstorm, recycling and Payments in Lieu of Taxes.

LOCAL AND SPECIAL ITEM REVENUES

- Total Local Revenues realized were below anticipated amounts by approximately \$69,542. Yet, Special Items of Revenue ended up \$7,905 over projected.
- The Fees & Permits revenue category continued to surpass annual expectations as it has for the last several years. Since FY 2006, it has increased 14.8%, or \$52,000 in annual realized revenue.

- Municipal Court fines & costs collected were much lower than anticipated. Total Court revenues realized last year (\$848,963) came in \$97,097 lower than expected. In fact, this is the lowest amount of Court fines and costs collected since FY 2004.
- Swimming Pool fees came in nearly \$15,000 more than expected, which was consistent with what has been realized the last three years.
- Interest and Costs on Taxes rebounded from a low point in FY 2011, which was the lowest amount realized since FY 2006, to exceed its anticipated amount by \$16,000.
- Municipal Hotel and Motel Occupancy tax revenues reversed its trend upward last year to end down by \$16,000 from what was projected. Even though revenues were slightly down, the amount realized (FY 2012 - \$357,247) was above the 7-year average of \$339,276.

DEDICATED UNIFORM CONSTRUCTION CODE FEES

U.C.C. fees collected far surpassed expectations last year. Revenues realized (\$846,170) were approximately \$110,000 above what was anticipated, which is a good indicator that capital investment remains strong in Morristown.

RECEIPTS FROM DELINQUENT TAXES

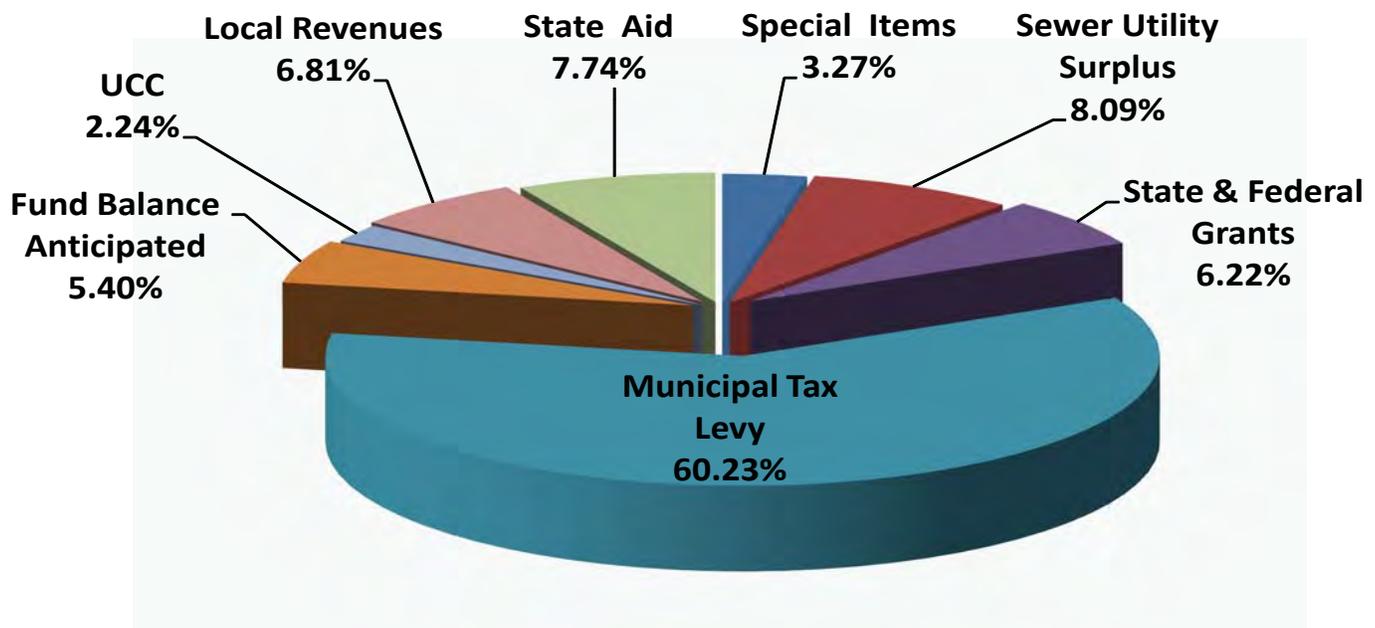
Property tax collection has experienced very good collection rates over the last four years. Nevertheless, 1.22% of total property taxes billed in FY 2011 remained delinquent and the Town realized over \$102,000 more than expected.

In FY 2012, Outstanding Property Taxes as a Percentage of the Total Property Tax Levy rose for a second consecutive year from 0.73% to 0.85% (see Revenue Analysis: Page 2-10).

FY 2013 GENERAL REVENUES SYNOPSIS

Total projected non-tax revenues (excluding Receipts from Delinquent Taxes) are \$12,859,849, down about \$125,000 from FY 2012 realized revenues. State aid revenues are anticipated to stay the same. While Local Revenue sources will decrease by \$1.13 million due to loss revenues from the Speedwell Development Corporation (Town of Morristown) lease agreement with Headquarters Plaza involving the 30-year debt obligation payback to build the HQ Plaza parking structure, Special Items of Revenue and U.C.C. fees are expected to be much higher this year by \$350,000 and \$94,000, respectively. In FY 2013, the Administration conservatively expects most revenues to remain stable. Although the Administration recommends using \$2 million of Fund Balance (Surplus) to offset the Municipal Tax Levy, approximately \$1.13 million will be used to fund one-time appropriation reserve line-items such as \$750,000 in the Reserve for Tax Appeals (see Revenue Allocation table, Page 8). Similar to the past three years, the Town Administration continues to evaluate new revenue options and determine whether to increase its various sources of Local Revenues, U.C.C. Fees and Special Items of Revenue in order to stabilize or reduce its Municipal Tax Levy amount. Below illustrates the percentage breakdown of projected revenues that fund the Town's FY 2013 Municipal Budget (see General Revenue section, Page 4-1 for specific dollar amounts).

FY 2013 ANTICIPATED REVENUES (%)
“WHERE THE BUDGET \$\$ COMES FROM”



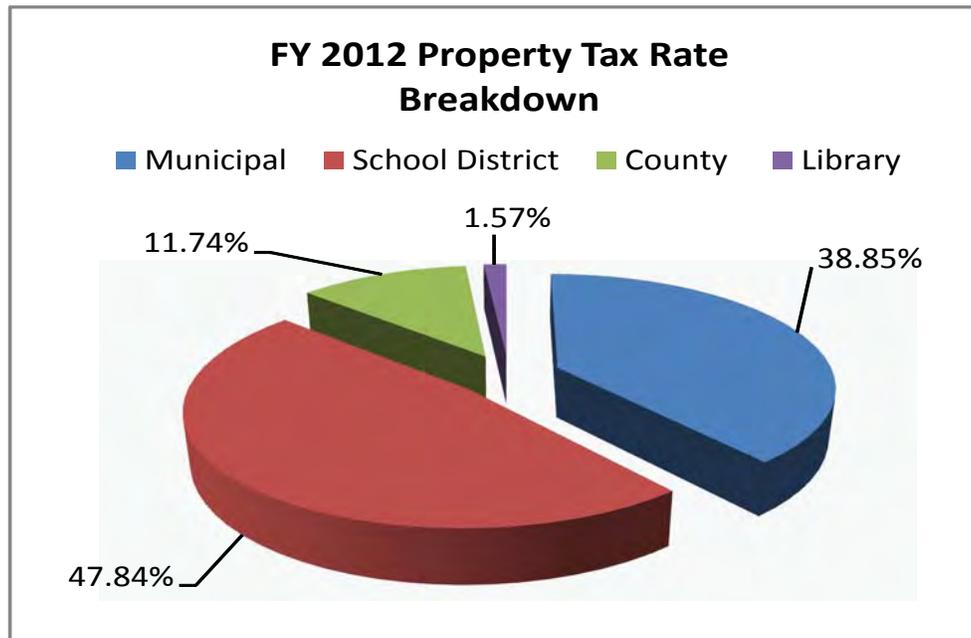
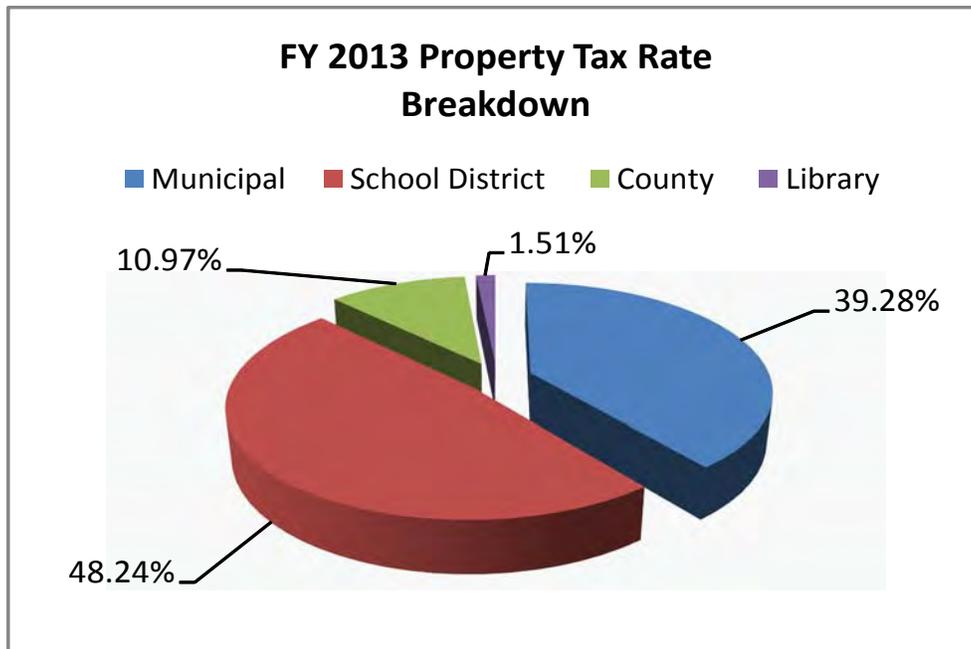
Compared with FY 2012, the percentage of Municipal Levy Taxes to Total General Tax Revenues will decrease by 3.31% (FY 2013: 60.23% vs. FY 2012: 63.54%). This decrease in the Municipal Tax Levy percentage is primarily related to three significant revenue increases in the Municipal Operating Budget; \$1.86 million in Grants, \$540,000 in Fund Balance Anticipated, and over \$350,000 in Special Revenue Items anticipated.

The chart below shows each component of the total property tax rate for the last four years (plus projected FY 2013). The Property Tax Rate pie charts depict the percentage breakdown of each tax rate for FY’s 2012 and 13, and includes the Library Tax Rate created under State Law two years ago requiring the Town to omit library funding from its Municipal Operating Budget and levy taxes with a separate, dedicated tax rate.

TOTAL PROPERTY TAX RATES

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Municipal	\$1.016	\$1.035	\$1.017	\$1.016	\$1.013
School District	1.194	1.218	1.263	1.251	1.244
County	0.318	0.332	0.311	0.307	0.283
Library*	N/D	N/D	0.044	0.041	0.039
TOTAL	\$2.528	\$2.585	\$2.635	\$2.615	\$2.579

* N/D (Non-Dedicated line-item) - Library Funding included in Municipal Tax Rate until FY 2011.



The table below shows the apportionment of the overall total property tax levy amount for each of these same years along with the percentage change from FY 2012 to FY 2013.

OVERALL PROPERTY TAX LEVY

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	% Change from FY 2012
Municipal	\$22,611,331*	\$23,373,806	\$22,607,344	\$22,582,326	\$22,327,449	(1.13%)
County	\$ 7,077,169	\$ 7,476,378	\$ 6,885,080	\$ 6,825,585	\$ 6,230,073	(8.72%)
Regional School	\$26,572,766	\$27,507,088	\$28,073,029	\$27,812,081	\$27,397,371	(1.49%)
Library**	N/D	N/D	\$ 988,534	\$ 922,288	\$ 868,145	(5.87%)
TOTAL	\$56,261,266	\$58,357,272	\$58,553,987	\$58,142,280	\$56,823,038	(2.27%)

* In FY 2009, Library portion of Municipal Tax Levy was \$1,054,349. Amount reduced for % change comparison.

** N/D (Non-Dedicated line-item) - Library Funding included in Municipal Tax Levy until FY 2011.

CURRENT FUND BALANCE (SURPLUS)

The Administration proposes to use \$2,000,000 in Fund Balance surplus for municipal operational purposes, reserves and other uses. The source and use of these surplus funds in the Municipal Budget are stated below.

REVENUE ALLOCATION

Source & Use	Amount
Revenue Source	
<i>Fund Balance Anticipated (Surplus)</i>	\$ 2,000,000
Total	\$2,000,000
Proposed Appropriation Use	
<i>Reserve for Tax Appeals</i>	750,000
<i>Municipal Operations</i>	357,900
<i>Emergency Appropriations - FY 2012</i>	279,100
<i>Reserve for Salary & Wage Increases</i>	275,000
<i>Capital Improvement Fund</i>	180,000
<i>Reserve for Vacation & Sick Time</i>	100,000
<i>Fire Truck Lease Payment</i>	58,000
Total	\$2,000,000

LOCAL REVENUES

Cable Franchise fees grew modestly last year as the Town will be able to anticipate about \$19,000 more in FY 2013 than in FY 2012. Under the Town's Fire Bureau EMS program, basic life service revenue recovery is increasing, and the Town projects to realize at least the same as last year, which was almost \$18,000 more in projected revenue. While most other Local and Special Items of Revenue amounts in this year's budget are anticipated to result in similar amounts realized last year, there are a few notable revenue source reductions in 2013.

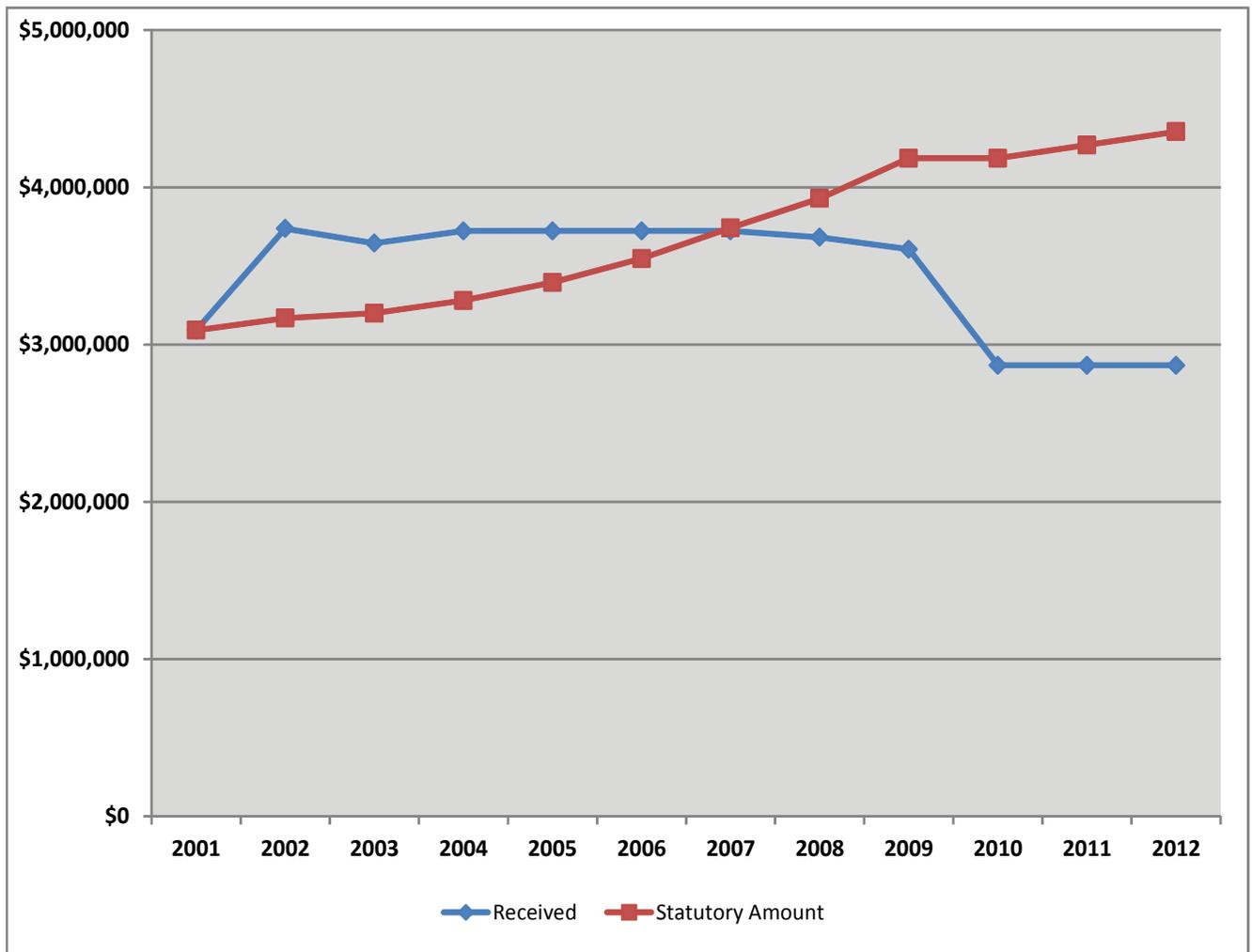
For the last two years, the Town Police Bureau, through a cooperative agreement approved by the Governing Body, has worked with the U.S. Department of Treasury (Internal Revenue Service) by having a member of the Police Bureau assigned to an IRS Task Force working on "white-collared" fraud crime. In the last two Municipal Budgets, any amounts received under this equitable sharing program have been recognized as a Special Item of Revenue. However, this year, with guidance from the Department of Treasury, the Town will be using proceeds received to offset appropriations directly related to Police Bureau operations, which the Town expects to be over \$272,000 (Police Bureau budget section, p. 7-20). Municipal Hotel and Motel Occupancy tax revenues anticipated this year will be lower by \$14,000; from \$371,000 anticipated last year to \$357,000. Lastly, the Town ended its shared service agreement with the Township of Morris to provide Animal Control Services, which annually brought in \$36,000.

STATE AID WITHOUT OFFSETTING APPROPRIATIONS

The Town's total State Aid revenues will remain the same as last year at \$2,868,599, accounting for 7.74% of its total revenues. Five years ago, State revenues used to account for about 10% of the Town's total revenue sources. Unfortunately, the loss of over \$734,000 in state revenues since 2009 has severely restricted the Town's ability to fund its municipal operations and other statutory obligations. Consequently, this substantial loss of revenue certainly contributed to the Town's organizational workforce reduction over the last 3 years and its decision to implement municipal service delivery reform measures to cut its total appropriations. Indeed, the primary State Aid revenue loss issue is that of Energy Receipt Taxes ("ERT") being diverted by the State government for their funding needs instead of its original legislative intent that was to provide municipal property tax relief.

The short history on ERT revenues is that gas and electric utility taxes were originally collected by the host municipalities. However, when the State made itself the collection agent for these taxes, it promised to return the proceeds to municipalities to alleviate property owner tax burden. Yet, for years, State officials have diverted funding from Energy Taxes to plug holes in the State budget and to fund its programs. Consequently, the cumulative impact of years of under funding has left Morristown and many municipalities with serious needs and burdensome property taxes (New Jersey State League of Municipalities website, *Energy Restoration Resource Center* section). The chart and graph below depict State Aid realized by the Town each year since 2001, and the State Treasurer's calculated Aid amounts that should have been due to the Town pursuant to statutory law, adjusted for inflation, but were not distributed.

STATE AID IMPACT



<i>Year</i>	<i>Actual Amount Received</i>	<i>Implicit Price Deflator</i>	<i>State Aid Formula</i>	<i>Excess/(Deficit)</i>
2001	\$ 3,091,147		\$3,091,147	-
2002	3,737,682	2.50%	3,168,426	\$ 569,256
2003	3,645,227	1.00%	3,200,110	445,117
2004	3,722,517	2.50%	3,280,113	442,404
2005	3,722,517	3.50%	3,394,917	327,600
2006	3,722,517	4.50%	3,547,688	174,829
2007	3,722,517	5.50%	3,742,811	(20,294)
2008	3,682,480	5.00%	3,929,951	(247,471)
2009	3,606,033	6.50%	4,185,398	(579,365)
2010	2,868,599	0.00%	4,185,398	(1,316,799)
2011	2,868,599	2.00%	4,269,106	(1,400,507)
2012	<u>2,868,599</u>	2.00%	<u>4,354,488</u>	<u>(1,485,889)</u>
	\$ 41,258,434		\$44,349,552	\$(3,091,118)

Moreover, the State reduced its funding this year, as it has for the last six years, in the Consolidated Municipal Property Tax Relief Act (“CMPTRA”) category. In FY 2009, the Town received \$720,239 in CMPTRA revenues. This year, the Town will receive just \$128,735, down \$57,444 from FY 2012. Staying consistent with their past funding pattern, the State will provide \$2,739,864 in ERT, up \$57,444 from \$2,682,420 in FY 2012, which reflects an increase amount equal to the Town’s CMPTRA revenue amount reduction.

UNIFORM CONSTRUCTION CODE FEES

As the Town expected last year, increased building permit and inspection activity generated not only more revenues than the year prior, but realized nearly \$110,000 more than what was projected. In 2013, the Town anticipates to experience the same result and projects U.C.C. fees will be at least \$100,000 higher than budgeted last year given the number, type and size of pending land use development projects and those already approved and starting construction this year.

RECEIPTS FROM DELINQUENT TAXES

The Town’s exceeded its anticipated tax collection rate last year (98.75%) by 0.26%. The average delinquency rate percentage last year on a quarterly basis was about 2.38% (see table below). As of March 31, 2013, the outstanding amount of property taxes billed in 2012 are \$311,363. Moreover, the FY 2013 first quarter tax amounts billed but uncollected are \$382,955, or 2.7%.

PROPERTY TAX DELINQUENCIES

FY (QTR)	Total Billed	Receipts	Delinquent Taxes	% of Delinquent Taxes Uncollected of Total Billed
2010 (1st)	\$14,082,712.14	(\$13,670,632.25)	\$186,464.78	1.3%
2010 (2nd)	14,093,499.13	(14,270,158.43)	(176,659.30)	(1.3%)
2010 (3rd)	14,417,476.75	(13,987,865.23)	191,980.70	1.3%
2010 (4th)	15,577,729.14	(15,905,665.27)	(327,936.13)	(2.1%)
2011 (1st)	14,597,453.67	(14,198,537.11)	398,916.56	2.7%
2011 (2nd)	14,597,453.41	(13,975,045.67)	622,407.74	4.3%
2011 (3rd)	14,083,715.80	(14,075,560.20)	8,155.60	0.1%
2011 (4th)	15,490,194.00	(15,528,617.18)	(38,423.18)	(0.2%)
2012 (1st)	14,672,410.26	(14,229,324.23)	443,086.03	3.0%
2012 (2nd)	14,685,591.53	(14,222,118.07)	463,473.46	3.2%
2012 (3rd)	14,597,340.03	(14,260,941.25)	336,398.78	2.3%
2012 (4th)	13,901,662.29	(13,760,006.58)	141,655.71	1.0%

PROPERTY TAX LEVY CAP

The Property Tax Levy Cap law, which was amended in FY 2010, strictly limits a municipality to a 2% increase over the previous year's Municipal Tax Levy. The number of exclusions were reduced significantly under the amended law to only allow for exclusions such as Change in Debt Service, Allowable Increases in Health Care Insurance and Pension Costs and Capital Improvements. The Property Tax Levy Cap, as well as the Total Appropriations Cap, have an allowable increase for New Construction Value (new values x the previous year municipal tax rate). In FY 2013, the Municipal Budget is \$1,045,080 under the 2% Property Tax Levy Cap.

APPROPRIATIONS

FY 2012 RECAP

For the second year in a row, devastating weather hit the Morristown area. In 2011, it was Tropical Storm Irene and the October snowstorm. In 2012, it was Super Storm Sandy that posed many challenges and required Town employees from public safety, health and public works to work significant extra hours. The Town suffered significant wind damage from Super Storm Sandy, including power outages that lasted up to two weeks. The Town Council approved \$217,200 in emergency appropriations to cover overtime and \$61,900 for other expenses in the Operating Budget. In FY 2012, the Federal Emergency Management Agency (FEMA) reimbursed the Town \$199,155 for operating costs and \$254,854 for capital costs that were expended during Tropical Storm Irene and the October snowstorm. For much of the damaged caused by Super Storm Sandy, Federal and State emergency declarations will allow for the Town to seek 75% reimbursement for eligible costs related to the storm.

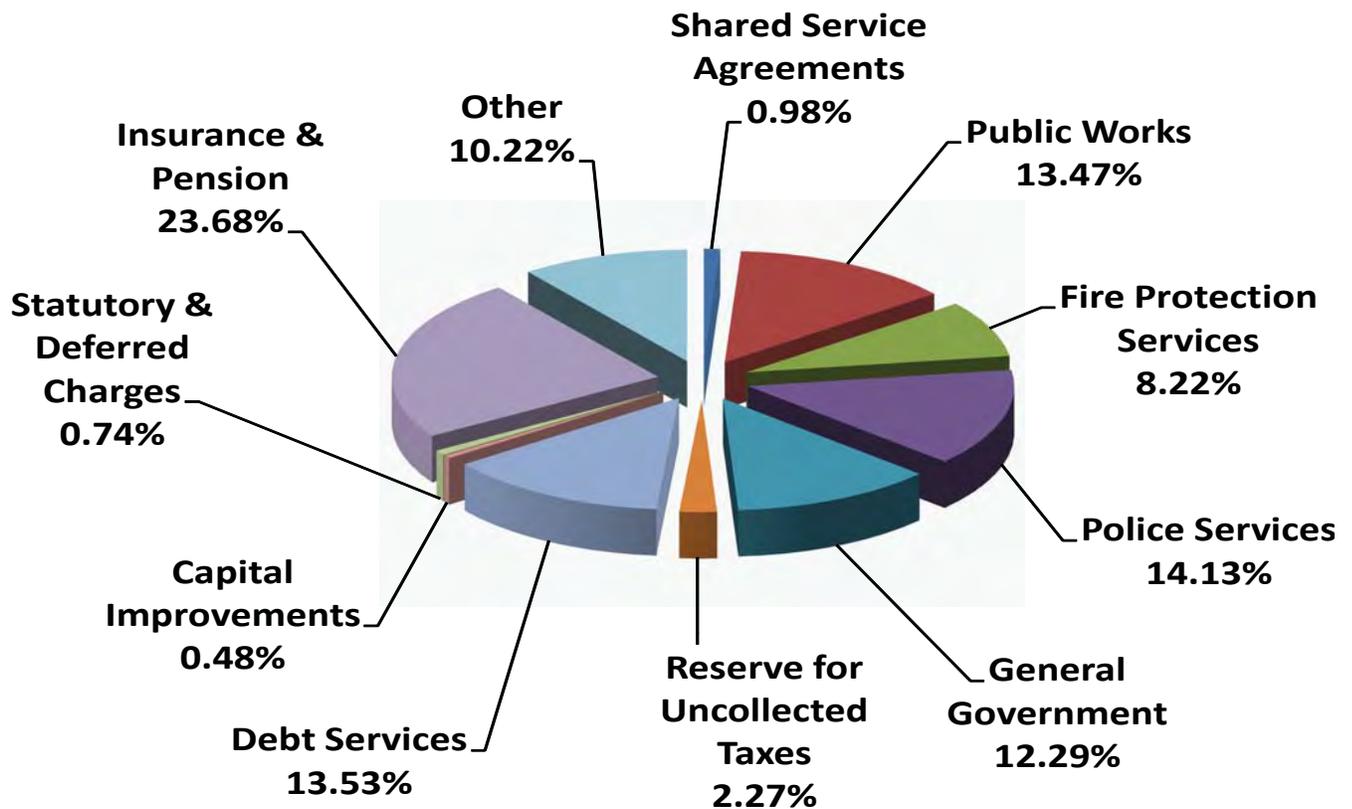
The Town has continued to realize significant savings in general legal expenses. The decision to hire a full-time, salaried Director of Law/Town Attorney to handle most of the day-to-day municipal law issues versus paying outside legal counsel has proven to be cost effective. General legal expenses for the period FY 2010 – 2012 averaged \$239,271 versus an average of \$593,907 for the period 2007 – 2009, an average savings of over \$300,000 per year. However, legal and appraisal costs related to tax appeal litigation have been increased by \$45,000 in FY 2013, which includes the cost of defending new and on-going tax appeal cases. This same budget line-item also includes on-going fees incurred from the tax appeal litigation with Atlantic Health Systems.

FY 2013 GENERAL APPROPRIATIONS SYNOPSIS

The Town's projected Total Appropriations will increase this year by \$1,498,332. More importantly, net appropriations (Total Appropriations minus Reserve for Uncollected Taxes, Grants and one-time items funded by surplus) will decrease by about \$1,557,353, or 4.6%.

The total percentage breakdown of FY 2013 Municipal Budget appropriations is shown below.

FY 2013 PROPOSED APPROPRIATIONS (%)
“HOW THE BUDGET REVENUES ARE ALLOCATED”



The following tables highlight the projected FY 2013 Municipal Budget top 5 largest appropriation line-items compared with FY 2012, the percentage change from FY 2009 in these same categories, and the 5 largest appropriation increases and decreases this year.

	<i>5 LARGEST APPROPRIATION LINE-ITEMS</i>			
	FY 2012	% of Total Appropriations	FY 2013	% of Total Appropriations
Salary & Wages (includes Reserve for S&W Increases)	\$13,611,890	38.0%	\$13,895,851	37.1%
Debt Service	5,768,739	16.1%	5,074,152	13.5%
Medical Insurance	5,546,000	15.5%	4,883,613	12.9%
Pension Obligations	2,734,345	7.6%	2,615,063	7.0%
General Liability/Workers Comp.	763,926	2.1%	763,926	2.0%
FY Total Appropriations	\$35,866,998		\$37,494,631	

	5 LARGEST APPROPRIATION LINE-ITEMS		
	FY 2009	FY 2013	% Change from FY 2009
Salary & Wages (includes Reserve for S&W Increases)	\$15,437,680	\$13,895,851	(10.0%)
Debt Service	5,992,000	5,074,152	(15.3%)
Medical Insurance	3,965,000	4,853,613	22.4%
Pension Obligations	1,175,504*	2,615,063	122.5%*
General Liability Insurance/Workers Compensation	787,000	763,926	(2.9%)

* In FY 2009, the former Administration opted to defer 50%, or \$1,027,000 of its pension obligations. The Total Pension Obligation would have been \$2,177,612.

5 LARGEST APPROPRIATION INCREASES		
	FY 2013 Appropriation Amount	Increase Over FY 2012 Appropriation
Salary & Wages (includes Reserve for S&W Increases)	\$13,620,851	\$283,961
Reserve for Tax Appeals	750,000	300,000
Emergency Appropriations (FY 2012 Deferred Charge)	279,100	189,100
Capital Improvement Fund	180,000	135,000
Winter Salt	78,373	33,373

5 LARGEST APPROPRIATION DECREASES		
	FY 2013 Appropriation Amount	Decrease Under FY 2012 Appropriation
Debt Service	\$5,074,152	(\$705,172)
Health Insurance	4,853,613	(692,387)
Pension Obligations (PERS & PFRS)	2,615,063	(117,028)
Electricity-Street Lights	625,000	(46,000)
Morris School District pass through	187,159	(17,321)

Municipal Operations: Total Appropriations needed to fund municipal services are projected to increase to \$18,034,116, a 1.5% increase when compared to FY 2012 (\$17,772,386). Increases include Salary and Wages (\$172,961), Reserve for Tax Appeals (\$300,000), Reserve for Salary Increases (\$111,000), the FY 2012 -Emergency Appropriation (\$189,100), and Capital Improvement Funds (\$135,000). Since FY 2009, Municipal Operation spending has declined by almost \$2 million, or 10%. The tables below depicts the projected 10 largest Other Expense category appropriations in FY 2013 compared with FY 2012, as well as the projected 5 largest Professional Service appropriation line-items.

10 LARGEST OTHER EXPENSE CATEGORY APPROPRIATIONS
(Excludes Professional Service Line-Items)
FY 2012 and 2013 Comparison

	FY 2013	FY 2012
Tipping Fees	\$620,000	\$633,400
Electricity (Street Lights)	325,000	360,000
Electricity (Municipal Buildings)	310,000	311,000
Gasoline/Diesel Fuels	227,500	243,700
Maintenance of Office Equipment (includes Software Licensing Renewals)	123,195	123,500
Telephones and Maintenance (LAN lines & Cellular)	125,000	120,000
Maintenance of Motor Vehicles and Equipment	133,000	120,000
Natural Gas/Propane	76,000	95,300
Education/Training	65,430	63,650
Building Maintenance & Repairs	60,000	62,000

5 LARGEST PROFESSIONAL SERVICE APPROPRIATIONS

	FY 2013	FY 2012
Legal		
• General	\$250,000	\$250,000
• Tax Appeal	275,000	225,000
• Prosecutor/Public Defender	90,000	90,000
• Planning/Board Adjustment	20,000	20,000
Solid Waste & Recycling Collection	474,000	474,000
Planning Consultant	150,000	120,000
Auditor	43,500	43,500
Information Technology	30,000	30,000

Other Appropriations: Mandatory appropriations, such as Debt Service payments, Pension Obligations, Reserve for Uncollected Taxes, Insurances and the Business Personal Property tax that passes through the municipality for the Morris School District, total \$14,991,258 and account for almost 40% of Total Appropriations. These appropriations total \$1.3 million below FY 2012 due to reductions in Debt Service Payments, Pension Obligations and Insurances. Discretionary costs, such as Salaries and Wages and Municipal Department Other Expenses account for 62% and 20%, respectively, of the other 60% of Total Appropriations.

SALARY & WAGES

Total Salaries and Wages, which make up 37.1% of Total Appropriations, will increase this year by 2.1%, or \$283,961. This amount reflects contractual salary and longevity increases, 5 vacant positions, and an increase of \$111,000 in the Reserve for Salary and Wage Increases - all funded in the 2013 budget. The chart below shows the impact from any salary increase budgeted this year, which is broken down by non-union employees and collective bargaining units.

FY 2013 SALARY & WAGE INCREASES

GROUPS	TOTAL FULL-TIME EMPLOYEES	% INCREASE	Actual \$ Amount
Non-Union Employees	26	2.00%	\$40,000
Municipal Employees Association	54	Pending Collective Bargaining Negotiations	\$0
PBA Local 43 (Patrol Officers & Superior Officers)	51	Pending Collective Bargaining Negotiations	\$0
FMBA Local 43	25	Pending Collective Bargaining Negotiations	\$0
FMBA Local 243	7	Pending Collective Bargaining Negotiations	\$0
Local 255 Supervisors	6	Pending Collective Bargaining Negotiations	\$0

OTHER DEPARTMENTAL EXPENSES (EXCLUDES GENERAL LEGAL LINE-ITEM)

Net total municipal operation Other Expenses (\$4,514,264) will increase this year by \$89,769, or 2.0% from FY 2012 (\$4,424,495). Notable appropriation increases are Winter Salt, up \$33,376, Long-range planning (\$40,000 - due to Master Plan work), and Tax Appeal Professional Fees (\$50,000).

UTILITY AND ENERGY COSTS

In January 2012, the Town held an online electricity auction. Reliant Energy was the low bidder with a price of \$0.07425 basic generation fixed cost price for a 24 month term, of which 50% of this electricity comes from various renewable energy sources. The positive financial impact of this contract can be evidenced in the chart below, which shows electricity costs in 2011 and 2012.

Budget Line-Item	2011	2012	Cost Savings
Buildings	\$365,200	\$288,848	\$76,352
Street Lights	351,813	275,105	76,708
Sewer Utility	<u>102,366</u>	<u>97,000</u>	<u>5,366</u>
TOTALS	\$819,379	\$660,953	\$158,426

The original electricity cost savings estimate was \$125,000 per year (\$250,000 total). As shown above, the Town exceeded its estimate for last year by \$33,426. In 2013, the total amount appropriated for these three

budget line-items is \$715,000, which is still approximately \$100,000 below 2011 costs.

Retail gasoline/diesel fuel prices are very volatile, and have proven difficult to project over the last several years. However, based on current market conditions and rising prices, the Administration is budgeting a \$10,900 increase over last year for this line-item. Offsetting the gasoline/diesel fuel amount is a budgeted decrease of \$19,300 for the natural gas and propane line-item.

INSURANCE

For FY 2013, the Town’s health care insurance premium, \$4,853,613, will decrease by \$692,387, or 12.5% from last year. In 2012, the Town continued to experience a very good loss rate of medical claims-to-premiums paid, which ended up at 66% ratio. The industry average year ratio level should be at around 80-83%. Compared with FY’s 2009 and 2010 extremely poor claims-to-premium ratio at 105%, the last two years have evidenced a dramatic drop in claims and consequently, have led to a “healthy” decrease in the Town’s medical premium. Lastly, the Town’s dental insurance premium will be virtually the same as last year at about \$239,537.

Workers compensation and multi-line liability (e.g., General Liability, Property, Automobile, Excess Public Officials Liability, Police Professional Liability, Crime, Environmental Impairment Liability) insurance policy coverage will remain the same as last year at a budgeted amount of \$763,926.

PENSION OBLIGATIONS

The State Division of Pension and Benefits has revised the 2013 Public Employees Retirement System (PERS) and Police and Fire Retirement System (PFRS) employer billing to reflect savings resulting from changes in the economic assumptions adopted with the revised July 1, 2011 actuarial valuations. The changes included a reduction in the systems’ investment return assumption from 8.25% to 7.95%, and a reduction in the systems’ salary increase assumption of minus 2.00% for 5 years, and minus 0.75% for all years thereafter. Earlier estimated pension obligations indicated that the Town would have been required to pay \$2,744,999, which would have been \$43,000 higher than FY 2012. However, the revised FY 2013 pension bill is \$2,584,972, \$160,027 lower than the FY 2013 bill and \$117,028 lower than FY 2012.

The table below depicts the last ten years of pension obligations, which is now heading downward for the second consecutive year.

PENSION OBLIGATION PAYMENTS

Fiscal Year	PERS	PFRS
2004	\$ 38,847	\$ 147,828
2005	79,339	356,853
2006	140,928	699,000
2007	220,980	1,072,622
2008	393,800	1,634,768

2009	282,030*	868,114**
2010	595,900	2,263,000
2011	783,500	2,279,000
2012	755,000	1,947,000
2013	675,951	1,909,021

* PERS Full Pension Amount Owed - \$ 507,892

** PFRS Full Pension Amount Owed - \$1,669,720

To understand the table above and why pension obligations escalated during FY 2004-2008, in FY 2004, the State instituted its 5-year “pay back” policy at which time the Town began budgeting and paying back its PFRS pension obligations on a twenty percent (20%) annual cost basis. In FY 2005, the Town’s PERS obligations were phased-in at 20% for the next five years. Unfortunately, the Town did not set-aside funds for a reserve account back in FY 1999 to prepare for the day it needed to pay back the pension obligations. As a result, the significant increase of appropriations during the time period of FY 2004 - FY 2009 needed to be borne in that particular budget year instead of having reserves to offset the phase-in amount. The table above illustrates what the Town’s annual pension obligation payments were as they phased back in, were deferred again, and then returned to a 100% cost basis.

After years of repaying its pension obligations during the 5-year pay back period, in FY 2009, the Town finally reached 100% full pension cost. Yet, facing the prospect of exceeding the Property Tax Levy Cap, the former Administration opted to defer 50%, or \$1,027,000 of its pension obligations. Although by making that budgetary decision it greatly relieved the burden on taxpayers in FY 2009, unfortunately, the pension bill was fully restored in FY 2010 to 100% of the FY 2009 cost plus annual actuarial adjustments. In FY 2012, the Town started repaying the deferred pension amounts, and will continue to do so for the next 14 years. The added cost to this year’s pension obligation directly related to the FY 2009 deferral is \$150,253.

RESERVE FOR UNCOLLECTED TAXES

Last year’s tax collection rate was 99.01%. The \$852,346 budgeted in FY 2013, which is \$125,416 higher than budgeted last year, is based on a 98.50% collection rate estimate.

TOTAL APPROPRIATIONS CAP

Under the Total Appropriations CAP law, the State allows exclusions, or CAP base adjustments, to appropriation limits. Some of these exclusions are Debt Service, Reserve for Uncollected Taxes and Tax Appeals, Capital Improvements, Deferred Charges and Inter-local Service agreements. Even though the CAP Index is 2.0% plus an additional 1.5% allowed under an adopted CAP Bank Ordinance, the Town will be well-under its allowable Total Appropriation limit again this year by \$1,769,436.

FY 2014 AND FY 2015 APPROPRIATION PROJECTIONS

The 2-year projected total General Revenue and Appropriation figures are based on the following annual assumptions:

- 1% Anticipated Total General Revenues
- 2% Salary & Wage increase
- 2-5% Other Expense increases
- 10% Health Care Insurance increase
- 10% Pension Obligation increase
- Town Net Assessed Valuation (NAV) Stable at FY 2013 level

	<i>FY 2013</i>	<i>Projected FY 2014</i>	<i>Projected FY 2015</i>
Non-Tax General Revenues	\$12,859,849	\$ 12,988,447	\$13,118,332
General Appropriations (Grants excluded)	\$34,334,955	\$35,684,000	\$37,121,397
Reserve for Uncollected Taxes	<u>852,346</u>	<u>855,000</u>	<u>860,000</u>
Total Appropriations	<u>\$35,187,300</u>	<u>\$36,539,000</u>	<u>\$ 37,981,397</u>
Amount to be Raised by Taxes (Municipal Tax Levy)	\$22,327,449	\$23,550,553	\$ 24,863,065
Municipal Tax Rate	\$1.013	\$1.069	\$1.129
Percent Effect on Projected Municipal Tax Rate		5.48%	5.57%

Be mindful these are only projections, but do provide conservative estimates of what to expect in the coming years. The projected FY 2014 increase is largely due to potential unknown health care insurance and pension obligation increases. While the State Pension Reform law did positively impact pension obligations by reducing them significantly the last two years, this projection still assumes a 10% increase because of future uncertainty.

OPERATING POSITION

The Town's operating position relies on its ability to: (1) balance its budget; (2) maintain emergency reserves; and (3) have adequate liquidity to pay its current liabilities in a timely manner. As statutorily mandated, the Town must balance its budget every year. However, balancing a multitude of fiscal mandates and service demands with fluctuating, limited financial resources is the real budget challenge each year. Further, the Town evaluates its reserve funds continually throughout the year to determine which reserve fund needs replenishment in the upcoming budget cycle. While the Town has done an adequate job in building and maintaining its various reserve funds in recent years, the combination of shrinking State revenues and escalating real estate tax appeals has placed serious downward pressure on the municipality's ability to meet unexpected short-term obligations and grow its Operating Fund Balance. Moreover, during any given fiscal year, the Town often receives its revenues in small or large installments, at infrequent periods of time. Therefore, it is imperative for the Town to make every effort to stabilize and increase its taxable base, experience high, consistent tax collection rates and, if necessary, solicit the financial market to borrow monies on a short-term basis to provide sufficient liquidity.

TAX BASE

A vital source to any local public entity, the Town's tax base generates its largest amount of revenues to fund its municipal budget (60.2%). For this primary reason, it is essential for the Town to make every effort to preserve and defend its existing tax base in tax appeal litigation, and to carefully plan new development to maximize economic utilization of its rather small geographic area of 2.9 square miles.

A more complete picture of the Town's NAV is shown below.

ASSESSED VALUATIONS (LAND IMPROVEMENTS BY CLASS)

FY	Vacant Land	Residential	Commercial	Apartment	Industrial	TOTAL
2013	\$25,321,600	\$1,241,869,042	\$697,912,200	\$226,722,100	\$11,253,500	\$2,203,078,442*
2012	26,496,100	1,242,453,642	701,858,700	227,140,400	11,253,500	2,223,416,160
2011	34,550,100	1,242,654,342	708,794,700	211,285,200	11,445,300	2,222,943,460
2010	56,476,200	1,247,516,242	717,666,000	211,285,200	11,445,300	2,257,627,429
2009	23,271,200	1,238,444,242	761,433,900	176,421,700	11,665,100	2,225,524,793
2008	49,435,100	1,195,501,242	824,460,800	176,921,700	11,665,100	2,273,701,864
2007	55,989,100	1,194,136,942	758,006,900	177,599,100	11,665,100	2,213,619,563
2006	20,973,400	1,186,237,542	810,147,900	168,248,100	11,665,100	2,213,494,463
2005	22,030,900	1,184,769,182	821,217,000	185,625,900	11,665,100	2,213,973,436

* Due to current State law involving the Business Personal Property Tax (BPPT) on local exchange telephone companies and that Verizon no longer provides at least 51% of its municipal customers dial tone and access., the Tax Assessor was legally required to reduce Verizon's BPPT assessment by \$14,205,289.

Since FY 2008, the Town has had sizable added assessments. However, the added assessments from various new projects have been offset by a large amount of tax appeals that have resulted in a substantial drop in NAV. It should be noted that most of these large judgments span multiple years. For example, a judgment granted in FY 2012 for a FY 2009 assessment also affects the 2009 through 2013 NAV. Settlements, on the other hand, forestall future tax court appeals saving the Town money in the long run. Billable to exempt properties have a negative effect on the NAV as well. The table below provides an impact summary of how assessment gains over the last six years have been seriously negated by assessment reductions due to tax appeals.

<i>Summary of Assessment Changes FY 2008-2013 (to date)</i>						
Description	2008	2009	2010	2011	2012	2013
Additions:						
<i>New Added Assessments</i>	\$38,325,800	\$14,700,700	\$8,545,500	\$11,204,200	\$19,128,200	\$1,797,600
<i>Exempt to Billable</i>					\$264,600	
Reductions:						
<i>State & County Judgments*</i>	(38,800,666)	(32,436,100)	(8,676,621)	(5,541,200)	(2,909,200)	
<i>Assessment Settlements in Lieu of Future Appeal</i>	(7,536,100)			(22,867,731)	(18,926,100)	(14,205,289 - Verizon) (202,200)
<i>Judgments settled for previous years</i>		(3,550,000)	(10,486,300)	(6,959,100)	(2,157,600)	(4,866,400)
<i>Billable to Exempt</i>					(3,051,500)	(714,400)
NET ASSESSMENT GAIN/LOSS	\$(8,010,966)	\$(21,285,400)	\$(10,617,421)	\$(24,163,831)	\$(7,651,600)	\$(18,190,689)

* County and State Judgments settled and applicable to the same year.

The following table provides the change in FY 2013 NAV from last year in all real estate classifications:

<i>FY 2012 and FY 2013 NAV Comparison</i>				
	FY 2012	FY 2013	\$ Difference	% Change
Vacant Land	\$ 26,496,100	\$ 25,321,600	(\$1,174,500)	(4.43%)
Residential	1,242,453,642	1,241,869,042	(\$584,600)	(0.05%)
Commercial	701,858,700	697,912,200	(\$3,946,500)	(0.56%)
Apartment	227,140,400	226,722,100	(\$418,300)	(0.18%)
Industrial	11,253,500	11,253,500	0	0.00%

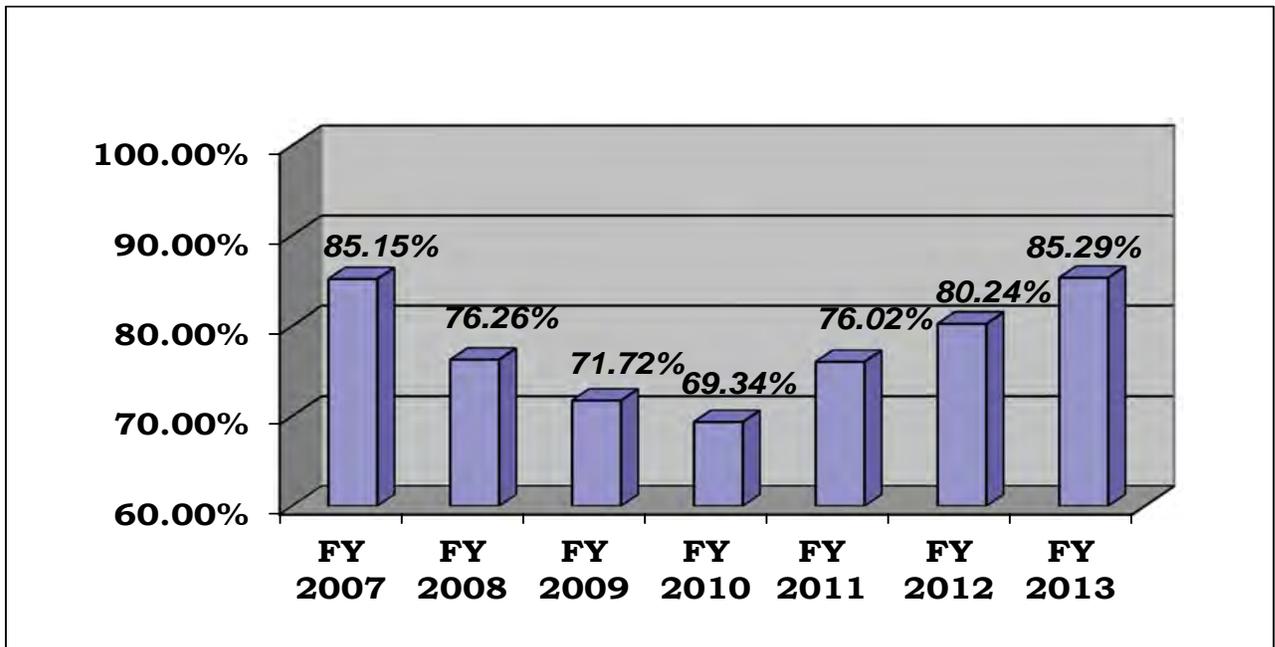
Unlike FY 2012, which the Town realized a net total gain in NAV of \$472,637, the NAV is \$20,329,190 lower this year mainly because of a \$14,205,289 valuation loss on Verizon's utility infrastructure (see explanation at bottom of Assessed Valuation table, p. 21). As one can see in the chart above, the other \$6,123,900 of net valuation loss was a result of commercial tax appeal settlements or adjudications.

Exactly 162 total tax appeals were filed last year, of which 154 were adjudicated or settled. The table below addresses only the 154 adjudicated tax appeal cases, and breaks down the type of property classification, number of appeals filed in that respective classification, the 2012 old and new total NAV of those properties and the differential amount.

<i>FY 2012 Tax Appeal Summary State & County Appeals</i>				
<u>Class</u>	<u># of Appeals</u>	<u>NAV</u>	<u>Adjudicated/Settlement NAV</u>	<u>Difference</u>
Vacant	2	\$ 492,600	\$ 492,600	\$ 0
Residential	119	46,911,900	45,377,300	1,534,600
Commercial	35	22,519,200	22,447,800	71,400
Apartment	4	3,337,100	3,337,100	0
Exempt	2	1,643,200	1,643,200	0
	162	\$74,904,000	\$73,298,000	\$1,606,000

County tax appeal applications for FY 2013 totaled 81 comprised of 43 new applications and 38 subsequent filings as of the April 1st deadline. The County tax appeal filings are significantly lower (73) when compared with last year’s total of 154. Total number of tax appeal applications filed directly with the State Tax Court for FY 2013 amount to 72, down from FY 2012 (82). Therefore, the total number of tax appeals filed for FY 2013 total 153, down 83 when compared to FY 2012.

The Town’s NAV-to-Fair Market Valuation ratio (or “Ratio”) is a primary factor used in tax appeal litigation, and determines whether a property owner has a likelihood of success under State tax law. From FY 2006 through FY 2010, the Town’s NAV-to-FMV ratio steadily declined as the FMV amount increased above a property owner’s assessed valuation. The Ratio is a lagging indicator as it provides property sale data from a period dating back one year in addition to a weighted average of property sales data from the 2 years preceding last year from the time the County provides the ratio number in October of each year. For example, the Town’s FY 2013 ratio is based on weighted sales data from July 2009 to June 2011, and from selected sales from July 2011 until June 2012. The graph below illustrates the Town’s Ratio for FY 2013, and the preceding six years.



As evidenced in the graph above, the Town's Ratio has trended upward over the last 3 years as FMV real estate sales data decreased vis-a-vis NAV. The 15.9% Ratio move from 69.34% in FY 2010 to 85.29% this year is more in line with the housing market reality that has existed since 2008.

RESERVES

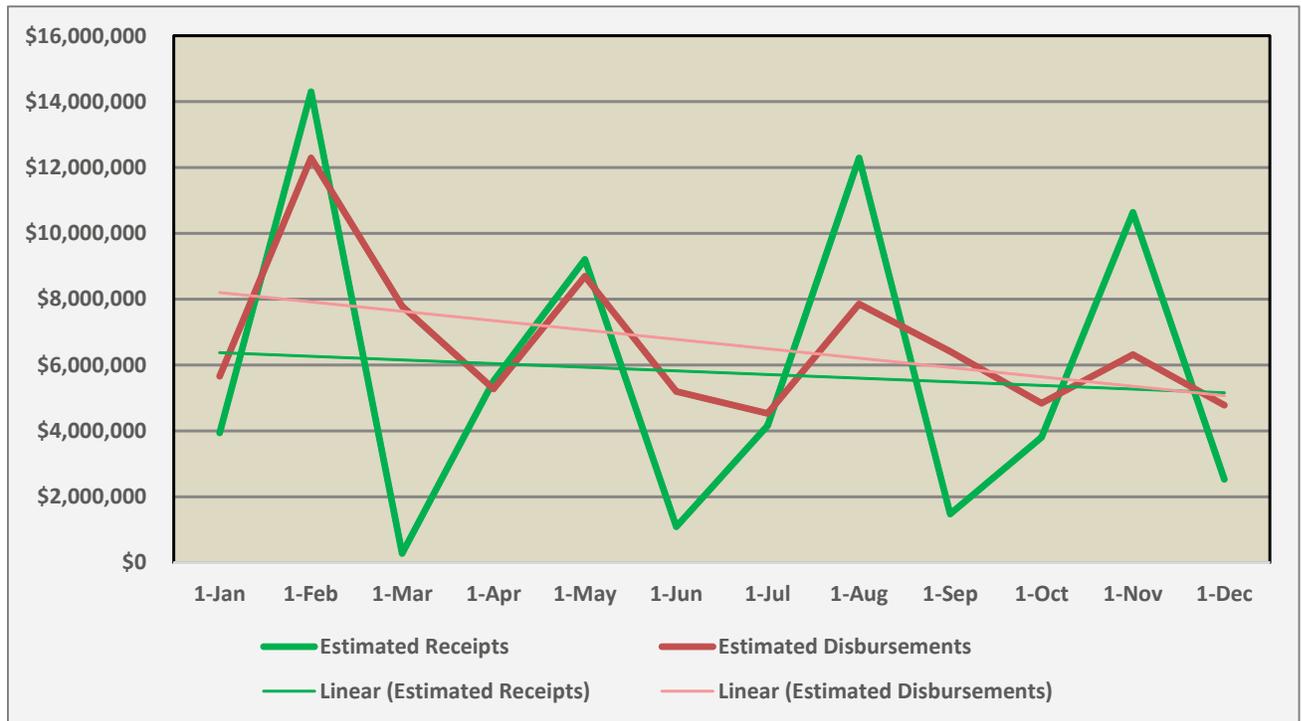
The Town will continue to fund its Reserve for Tax Appeal line-item in anticipation of covering property tax revenue losses from any tax appeal judgment or settlement. Based on the Town's property tax appeal professionals, the reserve amount needed in FY 2013 is \$750,000, up \$300,000 from last year. New commercial tax appeals filed last year increased from 21 in FY 2011 to 30 in FY 2012. In total, there are approximately 98 pending commercial property tax appeal cases from prior years that could result in tax revenue refunds or credits to property owners. Last year, the Town refunded \$822,868 to property owners. Thus far in 2013, \$378,818 in tax appeal refunds have been provided.

In 2012, the Town paid out over \$158,000 to employees for accrued time who either resigned or retired (\$44,607 for vacation and \$113,474 for sick days). As a result, the Town has depleted its Reserve for Vacation and Sick Pay and is requesting \$100,000 in this year's budget to replenish the Reserve.

CASH FLOW

During the first five months of the fiscal year, current liabilities such as debt service, State pension obligations, Morris School District monthly payments, and Morris County quarterly payments amount to almost \$40 million. Moreover, the Town does not receive its State Aid of \$2.8 million until the 8th month of the year. Consequently, to meet its current liabilities on a timely manner, the Town generally issues Tan Anticipation Notes ("TANS") during the first quarter to inject liquidity into its current fund. This allows the Town to meet its current liabilities until the third quarter tax revenue payments are collected. It should be noted that the Town paid off \$1,000,000 toward TAN principal in February 2013. Moreover, first quarter tax payments collected this year, 97.3%, are higher than this time last year, and slightly higher than the 1st quarter average for the last three years. The chart and graph below illustrate monthly fluctuations of the Town's projected cash flows during this year.

**Estimated Cash Flows (Current Fund)
For the Period January 2013 - December 2013**



<i>Month</i>	<i>Receipts (Est.)</i>	<i>Disbursements (Est.)</i>
January 2013	\$ 3,936,416	\$ 5,662,486
February	14,295,256	12,284,910
March	284,025	7,780,844
April	5,515,354	5,272,945
May	9,202,070	8,695,848
June	1,094,711	5,198,027
July	4,164,566	4,530,502
August	12,282,680	7,856,224
September	1,481,798	6,418,147
October	3,805,480	4,842,268
November	10,638,673	6,317,399
December	2,528,387	4,781,287

DEBT STRUCTURE

The Town's overall debt service obligations will decrease by \$705,172 this year.

In the short-term debt market, the Town continues to benefit from its Standard & Poor's credit rating of 'AA' (stable outlook). Last year, the average net interest cost for three (3) separate note sales totaling \$15.1 million was 0.812%. In January 2013, the prevailing bid result of the Town's \$3.5 million Tax Anticipation Note sale was a net interest cost of 0.825%, or annual interest payment of \$28,873.

The chart below presents a summary of the Town's General Obligation Bonds (Operating Budget) and Sewer Utility Debt Obligations, which are funded by property taxes and user fees, respectively.

SUMMARY OF DEBT OBLIGATIONS

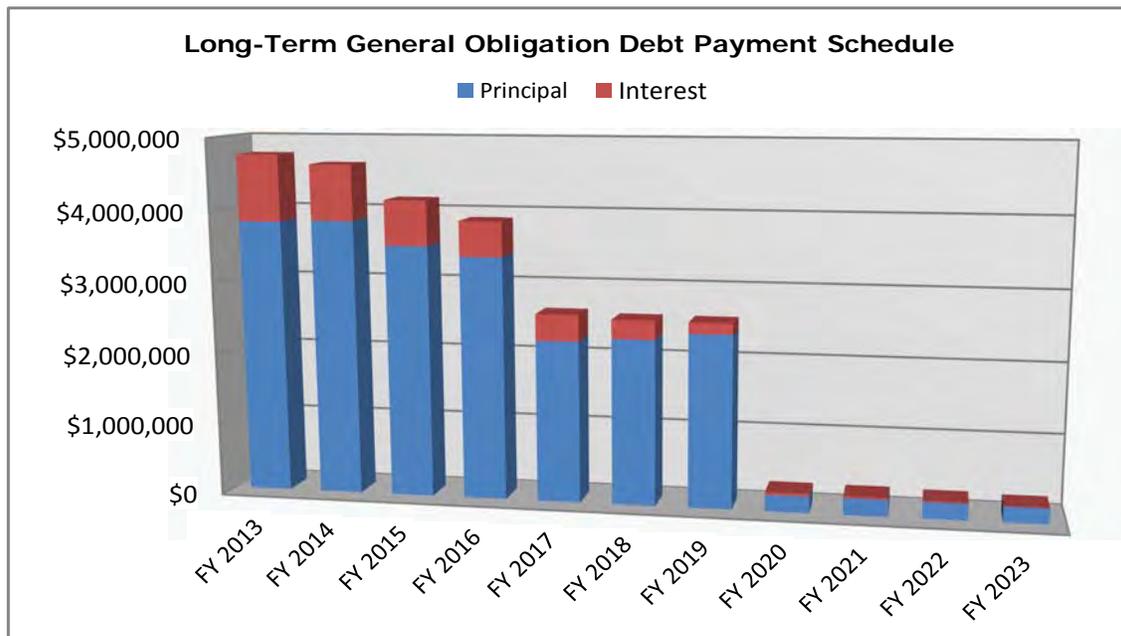
		Principal Outstanding 12/31/2012	2013 Principal Payment Due	2013 Interest Payment Due	Final Maturity	Primary Funding Source
<i>General Obligation Bonds</i>						
2007	General Refunding Bonds	\$1,044,243	\$451,765	\$ 44,601	2015	Property Taxes
2012	General Refunding Bonds	4,795,000	1,225,000	125,475	2016	Property Taxes
2002/ 2011	General Refunding Bonds	1,489,430	263,027	39,280	2018	Property Taxes
2005	General Refunding Bonds	5,205,880	638,537	337,066	2019	Property Taxes
2007	General Obligation Bonds	8,833,000	1,250,000	331,238	2019	Property Taxes
2009	General Obligation Bonds	1,150,000	0.00	53,426	2023	Property Taxes
<i>TOTAL GO Debt</i>		<i>\$22,517,473</i>	<i>\$3,828,329</i>	<i>\$931,086</i>		
<i>Sewer Utility Bonds</i>						
1997/ 2007	Sewer Refunding Bonds	\$ 365,756	\$ 158,235	\$ 15,621	2015	Sewer Users Fees
2002/ 2011A	Sewer Refunding Bonds	3,210,570	566,973	84,670	2018	Sewer Users Fees
2007	Sewer Obligations	1,112,000	80,000	41,700	2019	Sewer Users Fees
1995/ 2005	Sewer Refunding Bonds	3,069,196	376,464	198,724	2019	Sewer Users Fees
2002/ 2011B	Sewer Obligations	810,000	90,000	22,756	2022	Sewer Users Fees
1993/ 2009	Sewer Obligations	2,475,000	0.00	114,988	2023	Sewer Users Fees
<i>TOTAL Sewer Utility Debt</i>		<i>\$11,042,522</i>	<i>\$1,361,672</i>	<i>\$478,459</i>		

POSITIVE DEBT STRUCTURE TRENDS

Total Net Debt has steadily declined since FY 2008 by about \$22.1 million (see Debt Structure Analysis: Page 2-21). Though it is important for the Town to continue prudent long-term debt management practices, it should maintain a flexible adherence to its six (6) year capital improvement plan that may necessitate taking on new debt obligations. Sometime within this decade, the Town will finally be in a better position to allocate monies annually into its Capital Improvement Fund to “pay-as-you-go” for certain capital projects.

As of December 31, 2012, the Town’s total Net Debt (excludes Sewer Utility debt, but does include short-term Bond Anticipation Notes (BAN’s) is \$33,635,057. The percentage of the total Net Debt to Equalized Valuation (\$2,765,081,631) is 1.22%. This percentage has dropped 1.77% since FY 2005 (2.99%). While the Town’s annual Equalized Valuation (FY 2012 - \$2,590,224,343) is equal to the NAV multiplied by its NAV-to-FMV ratio in that given year, the Equalized Valuation calculated into the Net Debt ratio above is an average of the Town’s last 3 years of annual Equalized Valuations. Despite declining property values over the last several years, the Town’s commitment to lower its debt burden has greatly contributed to keeping its total Net Debt to Equalized Valuation below the 3.5% statutory maximum limit.

The Town’s Net Debt Service expense (Long-term GO debt minus long-term Sewer Utility Debt) as a percentage of Total Revenues has steadily declined over the last two years. This indicator reached a high point of 16.54% in FY 2010, and is now at 14.32% (see Debt Structure Analysis: Page 2- 23). This trend downward should continue over the next decade as future long-term debt service payments are scheduled to decline (assuming no, or minimal amounts of new debt being authorized, and Total Revenues increasing or remaining steady). The graph and data below sets forth the Total General Obligation debt service schedule for long-term debt from FY 2013 to FY 2023.



Fiscal Year	Total Long-Term GO Debt Payments	Principal	Interest
2013	\$ 4,759,413	\$ 3,828,329	\$ 931,084
2014	4,631,430	3,854,818	776,612
2015	4,155,558	3,527,406	628,152
2016	3,885,697	3,396,620	489,077
2017	2,629,716	2,261,491	368,225
2018	2,579,211	2,316,362	262,849
2019	2,572,063	2,417,447	154,616
2020	269,138	230,000	39,138
2021	263,375	235,000	28,375
2022	246,750	230,000	16,750
2023	225,500	220,000	5,500

As evidenced above, long-term debt service payments will modestly decrease over the next four years until FY 2017, when the Town's GO debt service payments will drop substantially by about \$1.2 million. Over the next four years, the Town will pay off over \$17.4 million in long term debt, leaving only approximately \$16.2 million outstanding.

Since FY 2008, the Town has issued BAN's because of exceedingly favorable short-term borrowing costs to finance various capital projects. At the end December 31, 2012, in the Town's Current Fund (Operating Budget), the Town has about \$8.4 million outstanding in BAN's.

Debt reduction will continue to be a high priority of this Administration, and key to this effort is to remain steadfast to a policy of not taking on more than 40% of new debt for capital expenditures vis-a-vis existing principal debt payments during that same year. For example, in FY 2013, total principal payments will exceed proposed new debt (\$1,195,000) for capital improvement projects by about \$2,633,329, roughly a 1 to 2.2 ratio of new debt to debt reduction. The graph and data below provides ample evidence of how the Town has improved its debt management practices since FY 2002, realizing a total net debt reduction of over \$19 million.

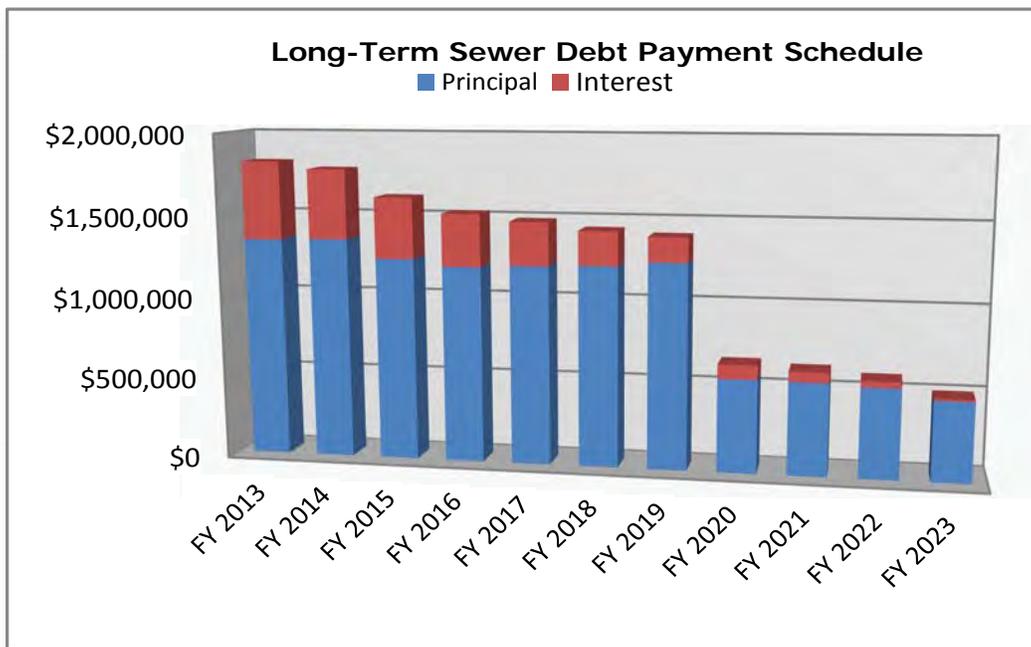
OPERATING BUDGET DEBT REDUCTION vs. NEW DEBT AUTHORIZED

Fiscal Year	GO Debt Principal Paid	New Debt Authorized	Reduction/(Increase)
2002	\$2,235,000	\$2,377,000	(\$142,000)
2003	3,160,000	2,242,000	918,000
2004	2,476,673	1,822,000	654,673
2005	2,782,153	2,610,000	172,153
2006	2,970,228	1,895,000	1,075,228
2007	3,212,293	2,226,000	986,293
2008	3,769,928	1,293,900	2,476,028
2009	4,037,340	485,000	3,552,340
2010	4,227,000	1,190,000	3,037,000
2011	4,320,000	1,200,000	3,120,000
2012	4,445,953	3,668,500*	777,453
2013	3,828,329	1,195,000**	2,633,329

* Initial 2012 Capital Budget amount adopted was \$1,757,000. The Capital Budget was later amended to include \$1,911,500 for the Prospect Street Extension in Phase I of the Speedwell Redevelopment Project, and the Rehabilitation of Cauldwell Pool.

** Administration request in FY 2013 Executive Budget (not yet authorized by Town Council).

Below illustrates the Sewer Utility Debt Service Payment Schedule until the final principal payments on sewer long-term debt issuances are paid off.



Fiscal Year	Total Sewer Utility Debt Payments	Principal	Interest
2013	\$1,825,132	\$ 1,346,672	\$ 478,460
2014	1,782,050	1,355,180	426,870
2015	1,616,745	1,242,596	374,149
2016	1,524,772	1,203,379	321,393
2017	1,484,377	1,218,508	265,869
2018	1,437,955	1,228,637	209,318
2019	1,409,892	1,257,550	152,342
2020	660,925	575,000	85,925
2021	634,659	570,000	64,659
2022	592,806	555,000	37,806
2023	502,250	490,000	12,250

This year, the Town’s Sewer Utility debt service payment is \$2.67 million lower than last year. For this reason, in the Town’s Sewer Utility budget, over \$1 million in capital projects are being funded by operating revenues instead of debt.

As of the end December 31, 2012, the Town’s Sewer Utility Fund has about \$6.7 million outstanding in BAN’s. Due to the Utility’s significantly lower debt service payment this year, the Town is appropriating \$400,000 to pay off short-term debt, or BAN’s, in the Sewer Utility budget. Assuming the Town continues to employ a “pay-as-you-go” approach to any annual Sewer capital improvement projects at the Plant and does not incur additional short-term debt to pay for such, and also factoring in long term debt service requirements continuing to decline over the next several years, the Town could reasonably plan for and budget at least \$1 million per year to pay off its existing short-term debt within the next 6-7 years.

MUNICIPAL PERSONNEL

Over the past three years, the Town Organization is down 38 full-time positions, which has contracted largely due to attrition, involuntary workforce reductions and professional service agreements. Indeed, since FY 2008, the number of Town personnel has substantially declined by 19%. However, from last year, the Town Organization’s staff grew by 2 additional employees for a total of 176 positions (167 full-time and 9 part-time), with 159 of these full-time positions funded through the Operating budget. The other 8 full-time positions are located in the Sewer Utility, whose budget is funded by user fees. There are 5 vacant full-time positions funded in the FY 2013 budget, and account for approximately \$267,784 in salary and wage costs in the total budget amount. The following table depicts all full-time and part-time municipal employees (excluding seasonal or temporary workers and elected officials), broken down by Department, Bureau, Division and Office over the last 6 years.

TOTAL MUNICIPAL EMPLOYEES FY 2008– 2013

Departments	FY 2008		FY 2009		FY 2010		FY 2011		FY 2012		FY 2013	
	FT	PT										
Administration	4	0	4	0	3	0	3	0	3	0	3	0
Town Clerk	5	0	5	0	4	0	4	0	4	0	4	0
Police	67	0	66	0	60	0	55	0	54	0	55	0
Superior Officers	16	0	17	0	15	0	14	0	14	0	15	0
Detectives	7	0	7	0	6	0	6	0	5	0	5	0
Patrol Officers	36	0	34	0	32	0	31	0	31	0	31	0
Admin. Staff	8	0	8	0	7	0	4	0	4	0	4	0
Fire	33	0	33	0	33	0	32	0	31	0	32	0
Superior Officers	7	0	6	0	6	0	6	0	6	0	7	0
Firefighters	25	0	26	0	26	0	25	0	24	0	24	0
Admin. Staff	1	0	1	0	1	0	1	0	1	0	1	0
Legal	1	0	1	0	1	0	1	0	1	0	1	0
Revenue & Finance	7	2	7	2	7	0	7	1	7	1	7	1
Treasurer	3	0	3	0	3	0	3	0	3	0	3	0
Tax Collector	4	0	4	0	4	0	4	0	4	0	3	0
Tax Assessor	0	2	0	2	0	0	0	1	0	1	1	1
Human Services	15	5	15	6	12	2	12	1	12	2	0	0
Code Enforcement	0	0	18	1								
Building & U.C.C. Enforcement	9	1	9	1	8	0	8	0	8	0	7	0

Health	4	1	3	2	3	0	3	0	3	1	3	1
Animal Control	0	2	0	2	0	1	1	0	1	0	1	0
Property Maintenance	6	0	6	0	5	0	4	0	4	0	3	0
Rent Leveling	1	0	1	0	1	0	1	0	1	0	1	0
Zoning	4	0	4	0	3	0	3	0	3	0	2	0
Public Works	52	3	50	3	46	3	40	4	38	4	39	5
Public Works	27	0	25	0	24	0	25	2	23	2	27	3
Sewer Utility	8	0	8	0	8	0	8	0	8	0	8	0
Recycling	7	0	7	0	7	0	1	0	1	0	1	0
Planning	1	0	1	0	0	0	0	0	0	0	0	0
Engineering	4	0	4	0	3	0	3	0	3	0	3	0
Recreation	3	1	3	1	3	0	3	0	3	0	1	0
Bus Transport (Colonial Coach)	1	1	1	1	1	1	0	1	0	1	0	1
Clean Communities	0	1	0	1	0	1	0	1	0	1	0	1
Municipal Court	9	4	9	4	7	3	7	2	7	2	7	2
Admin. Staff	9	0	9	0	7	0	7	0	7	0	7	0
Judges	0	2	0	2	0	2	0	2	0	2	0	2
Prosecutors	0	2	0	2	0	0	0	0	0	0	0	0

Town Personnel	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Full Time	202	199	181	169	165	167
Part Time	14	15	8	8	9	9
TOTAL	216	214	189	177	174	176

HEALTH CARE INSURANCE PREMIUM COSTS

Through the assistance of our health care insurance broker, the Town has chosen to stay with Horizon Blue Cross/Blue Shield for another year (February 2013 - January 2014). For the second consecutive year, the Town's claim experience improved significantly. Its experience rate of medical claims-to-premiums paid came in around 66% for the last 12 month period. In 2011, it was 89%. During the past 2 years, the Town's members were overall much healthier and vastly improved its loss ratio from the extremely poor 105% claims-to-premium ratio it experienced in FY's 2009 and 2010. As a result of this low loss ratio, the Town will see, for the first time in many years, a 12.5%, or \$692,387 medical insurance premium *decrease* from last year.

It is important to note that, since FY 2010, the Town has set a fixed commission amount for its health care insurance broker to receive each year. By mandating an annual fixed commission fee below the industry standard, the Town has realized a cumulative 4-year savings of \$200,000.

In 2011, when the Town changed medical insurance providers from Cigna Healthcare to Horizon Blue Cross/Blue Shield, the Town owed Cigna approximately \$843,000 to cover contractual liability

obligations that accrued over the two year period they provided coverage for the Town's employees and retirees. Recognizing this financial burden, the Town Administration successfully negotiated with Horizon a contract term to defer two months of insurance premiums owed in FY 2011 - allowing one month to be paid in FY 2012 and the other in FY 2013. Over the last two years, the Town prudently managed to reserve \$403,197 (2011) and \$411,629 (2012) for a total of \$814,826 of appropriations to offset these two months of insurance premium deferral that amounted to \$860,014.

The Town continued its 20+ year relationship with Delta Dental to provide dental insurance coverage for the next year. While the Town's total dental premium will increase by 2% this year, it is only the second time in 8 years (last in 2009) that such has occurred. This year, the Town's dental premium will be approximately \$239,537.

In sum, medical and dental insurance appropriations will total approximately \$5,869,538. However, when you deduct health care employee/retiree premium cost sharing (\$424,296), premium deferral reserve (\$411,629) and allocation of insurance benefit costs to the Sewer Utility (\$180,000), the operating budget amount for medical and dental insurance is \$4,853,613 (includes roughly \$110,000 for health insurance benefits allocated in the Division of Building and U.C.C. Enforcement).

“OPT-OUT” INCENTIVES

In FY 2010, the Governor signed legislation that placed limits on how much a municipality pays a public employee who chooses to “opt-out” of its employer's health care insurance plan. The law states that employers must now only pay up to a maximum \$5,000 per year for any employee/new enrollee who opts-out after May 21, 2010. However, for Non-Union employees, PBA, FMBA and Local 255 union members who had opted-out prior to the effective date of the new law, the Town's contractual and municipal code obligations still apply, and allows for the employee to receive forty percent (40%) of total medical and/or dental premiums; for MEA union members, fifty percent (50%); and Town Elected Officials, up to thirty percent (30%) unless a new enrollee after May 21, 2010, in which case they would receive a maximum amount of \$5,000. Further, pursuant to O-12B-10, any newly elected or re-elected official does not receive opt-out payments if they choose to forgo health care insurance coverage.

While the change in State law may diminish the financial incentive for an employee to opt-out if already covered by a spouse's insurance policy, the Town's efforts over the last several years to educate employees and retirees about the “opt-out” choice will continue to result in cost savings for those who are unaffected by the new law as well as for the Town. In fact, the Town will not have to insure 14% of its full-time employees for medical and/or dental coverage this year, realizing an overall total savings of \$401,888 in total insurance premiums.

MEDICAL AND DENTAL INSURANCE “OPT-OUT” SAVINGS
FY 2006-2013

Fiscal Year	Number and Type of Employees “Opting-Out”	Total Insurance Premiums	Total Payments to Employee	Total Premium Savings to Town
2013	23 Current Employees 2 Retirees	\$ 621,772	\$ 219,884	\$ 401,888
2012	19 Current Employees 2 Retirees	576,239	223,119	353,120
2011	18 Current Employees 3 Elected Officials 2 Retirees	568,827	218,522	350,305
2010	22 Current Employees 3 Elected Officials 2 Retirees	620,627	262,564	358,063
2009	22 Current Employees 3 Elected Officials 2 Retirees	537,092	236,210	300,882
2008	21 Current Employees 2 Elected Officials 2 Retirees	398,870	177,890	220,980
2007	17 Current Employees 2 Retirees	251,469	111,499	139,970
2006	6 Current Employees 0 Retirees	56,061	25,801	30,260

MEDICAL AND DENTAL COST SHARING TERMS

In accordance with the new State Health Benefits Reform Law, Chapter 78, P.L. 2011, a Town employee’s health care insurance contribution is determined as a specified percentage of the medical/dental coverage plans premium within a salary range expressed in the law, but not less than 1.5% of an employee’s current pensionable salary. Employees employed on the date of the health care contribution starts are subject to a four (4) year phase-in of the full contribution amount. Various circumstances prescribed in the law may affect whether the phase-in applies to certain employees. For example, an employee who is hired on or after the statute’s effective date shall contribute at the highest level (Year 4) appropriate to their salary range, or at 1.5% of pensionable salary, whichever is greater. It is estimated that current Town employees will contribute approximately \$404,000 toward insurance premium costs, about \$150,000 more than last year. Retirees insurance cost sharing obligations are about \$20,000. Over the next two years, projected employee cost sharing for health care insurance will likely rise to approximately \$750,000.

Moreover, the Town Council adopted Ordinances O-12A-10 and O-12B-10, which mandates that Town Council Members and the Mayor, whose existing terms started prior to FY 2012, must contribute twenty-five (25%) from their base salary for both their single and family medical and dental insurance coverage. For any newly elected or reelected officials whose term started January 1, 2012, they must pay 100% of

their health care insurance premiums (single or family coverage). The chart below delineates the Town's estimated annual cost savings from the State law as well as other medical and dental insurance cost-sharing terms as it relates to each specific group of employees.

MEDICAL AND DENTAL INSURANCE COST SHARING TERMS

Group	Effective Date	New Jersey Statute, Public Law 2011, c. 78, Mandated Health Care Insurance Cost Sharing Terms (unless Town Promulgated or Negotiated Cost Sharing Terms)	Estimated Annual Savings
Non-Union	1/1/2012	1.5% of Pensionable Base Salary	\$ 0
		% of Health Insurance Premium	32,917
		Dental Insurance Paid (Opted Out of Medical Coverage)	834
		Traditional Premium Differential	5,652
		<i>Group Sub Total - \$39,403</i>	
FMBA #43	1/1/2012	1.5% of Pensionable Base Salary	\$ 0
		% of Health Insurance Premium	57,054
		Dental Insurance Paid (Opted Out of Medical Coverage)	1,440
		Traditional Premium Differential	0
		<i>Group Sub Total - \$58,494</i>	
FMBA #243	1/1/2012	1.5% of Pensionable Base Salary	\$ 0
		% of Health Insurance Premium	12,038
		Dental Insurance Paid (Opted Out of Medical Coverage)	0
		Traditional Premium Differential	0
		<i>Group Sub Total - \$12,038</i>	
Local #255	1/1/2012	1.5% of Base Salary	\$ 0
		% of Health Insurance Premium	13,350
		Dental Insurance Paid (Opted Out of Medical Coverage)	0
		Traditional Premium Differential	2,616
		<i>Group Sub Total - \$15,966</i>	
MEA	1/1/2012	1.5% of Base Salary contribution	\$ 0
		% of Health Insurance Premium	86,719
		Dental Insurance Paid (Opted Out of Medical Coverage)	2,279
		Traditional Premium Differential	8,834
		<i>Group Sub Total - \$97,832</i>	
PBA #43 (Patrol Officers)	1/1/2012	1.5% contribution of pensionable Base Salary	\$ 0
		% of Health Insurance Premium	95,474
		Dental Insurance Paid (Opted Out of Medical Coverage)	0
		Traditional Premium Differential	0
		<i>Group Sub Total - \$95,474</i>	

PBA #43 (SOA)	1/1/2012	1.5% of Base Salary Contribution	\$ 0
		% of Health Insurance Premium	39,881
		Dental Insurance Paid (Opted Out of Medical Coverage)	2,888
		Traditional Premium Differential	0
<i>Group Sub Total - \$42,769</i>			
Elected Officials	7/1/2010 Town Ordinance	25% of Single and Family Medical & Dental Coverage	\$ 0
		Fully Paid Dental by Official	1,440
		<i>Group Sub Total - \$1,440</i>	
Retirees	In accordance with respective Collective Bargaining Agreement	Traditional Plan Premium Differential	16,138
		Dental Price Increase Differential	4,341
		<i>Group Sub Total - \$20,479</i>	

MUNICIPAL SERVICES

The Administration is steadfastly committed to having our government operate innovatively, and demonstrate best practices. Town employees are expected to evaluate whether their respective functions are operating efficiently, deliver municipal services in the most effective manner, and act professionally at all times when interacting with the general public. Notwithstanding an 18% reduction in municipal government positions since FY 2009, placing more of burden on existing employees, the Town Organization continues to provide vital, public services in the most professional, effective and efficient manner. Below sets forth a brief synopsis of Municipal Department efforts to be more fiscally responsible, accountable and service-oriented to all residents and entities interfacing with our Town government.

DEPARTMENT OF ADMINISTRATION AND PUBLIC SAFETY

Over the last three years, the Dougherty Administration initiated and successfully implemented a few key municipal service changes such as transferring the Town's radio communication dispatching to the County of Morris, privatizing its sanitation and recycling collection services, and restructuring its code enforcement functions into a new Department. With these changes, both efficiency and cost effectiveness have been achieved and millions of taxpayer dollars will be saved. Moreover, the Administration is in the process of implementing a system-wide performance management initiative – Morristown Performs - in all levels of Town government policy and operations in order to enhance service delivery efficiency and effectiveness. This new performance management approach will result in increased accountability and communication with our citizens.

BUREAU OF POLICE PROTECTION

In December 2012, seven (7) Morristown Police Officer trainees graduated from the Morris County Public Safety Academy after completing twenty-two weeks of training. In March of 2013, after an additional fourteen weeks of training with veteran Morristown Police officers, these rookie officers will be ready to address the numerous tasks brought to the attention of the Bureau of Police.

The seven new officers will raise the Police Bureau's total to 51 sworn officers, enabling the Police Administration to fulfill its promise to the business community to get officers back on the beat (foot patrols) in areas that have a high density of pedestrian and vehicular traffic, including around the Green as well as along Speedwell Avenue and Morris Street.

This increased staffing will also enable the Police Administration to put officers back on bicycle patrol, a valuable resource given the development in Morristown and the resulting increase in vehicular and pedestrian traffic from 6am each day until 3am the following day.

The Town and the Police Bureau continue their agreement with the Internal Revenue Service (IRS), which requires that a member of the agency be assigned to an IRS task force. In 2012, over \$170,000 was turned over to the Town as a result of the proceeds of investigations into task fraud. According to the IRS, the Town expects to receive at least \$300,000 this year that has been approved for disbursement. Further, there is a possibility that, based on an analysis of the proceeds of current IRS investigations, over \$750,000 may be approved and received by the Town in the near future. Since 2011, the Town has received over \$364,000 from this law enforcement venture.

Further, the Police Bureau continues to handle increases in assigned tasks as numerous organizations, old and new, request to hold events in Morristown. Large recent events include the Verizon 5k Marathon with over 3,500 participants, the Gran Fondo bicycle race that draws 3,000 bicyclists, and the Super Hero 4 mile that draws at least 1,000 runners.

BUREAU OF FIRE PROTECTION

The Fire Bureau strives to operate and provide the highest quality service to the citizens of Morristown. With 2 retirements in 2012, the Town Administration hired two (2) new firefighters (former Morristown Volunteer firefighters) in 2013, and will join their respective Fire Bureau tours in early spring.

The Fire Administration continues its efforts to reduce costs in all areas. In 2013, the Bureau will enhance all Mutual Aid agreements to provide an effort in regionalizing its resources. The Fire Bureau will also provide in-house training for their members, both career and volunteer, utilizing its State of New Jersey certified instructors.

Further, the Fire Bureau will aggressively seek all grant opportunities that are available, Federal, State and private source grants. Grants have been used in past years to lower equipment costs and enhance Bureau operations.

The charts below provides a breakdown of both Fire Bureau incident totals for 2011 and 2012, which includes Emergency Medical Service (EMS) calls, and Fire Prevention Life Hazard Use (LHU) and non-LHU inspections.

FIRE BUREAU INCIDENT ACTIVITY				
<i>Type of Incident</i>	<i>2011</i>	<i>% of Incident Calls</i>	<i>2012</i>	<i>% of Incident Calls</i>
Fire	179	9.21%	119	6.31%
EMS & Rescue	414	21.30%	483	25.61%
Hazardous Conditions (No Fire)	232	11.93%	217	11.51%
Service Call	211	10.85%	109	5.78%
Good Intent Call	95	4.89%	12	6.47%
False Alarm & False Call	805	41.41%	789	41.83%
Severe Weather & Natural Disaster	5	0.26%	40	2.12%
Special Type	3	0.15%	7	0.37%
Totals	1944		1886	

FIRE PREVENTION INSPECTIONS		
	<i>2011</i>	<i>2012</i>
<i>Life Hazard</i>		
• Total # of Inspections	256	259
• Total # of Re-inspections	167	100
• Total # of Cert. of Insp. Issued	217	248
<i>Non-Life Hazard</i>		
• Total # of Inspections	63	39
• Total # of Re-inspections	55	54
• Total # of Cert. of Insp. Issued	56	31

In 2013, Fire Prevention anticipates to collect approximately \$50,950 in LHU fees. Furthermore, non-LHU inspection fees expected this year should amount to about \$10,500. Fire Permit fees are expected to remain flat. The Fire Prevention Office will continue to provide for in-school fire safety education for the students of Morristown schools. Fire Prevention is looking to add 2 inspectors to the program to replace previous inspectors that either retired, or have been promoted.

OFFICE OF EMERGENCY MANAGEMENT

The Office of Emergency Management has diligently worked analyzing, planning and acquiring all available resources to mitigate, prepare for, respond to and recover from the recent natural disasters that have impacted our community. The unprecedented disaster events over the last two years have underscored the necessity to make emergency preparedness and planning a priority. After every recent event, OEM took feedback and built on what worked to improve our public safety service to the community. OEM believes a prepared public that is informed and ready to assist government is critical to fill the gap in public outreach/safety services during a disaster. Indeed, self-sufficient citizens are paramount when first responders are inundated with public safety incidents.

After Hurricane Irene and the winter storm on October 2011, it became apparent that the Town needed a core of emergency management volunteers. The recruitment efforts were started with the help of some community stakeholders. Recruitment efforts involved posting a message on the Town website, sending a notice to the elected officials and holding a membership drive at the annual fall festival on the Morristown Green. As a result of these efforts, approximately 20 Morristown residents volunteered. Thereafter, an orientation meeting was held to provide the prospective members with an overview of the Community Emergency Response Team (CERT) purpose, and expectations of membership. The training was scheduled for Friday October 26th through Sunday October 28th, 2012.

On Saturday October 27, 2012, Governor Chris Christie declared a State of Emergency as Hurricane Sandy was heading toward New Jersey and projected to make landfall on Sunday October 28th, 2012. The newly formed Morristown CERT graduated 17 new emergency volunteers that were immediately called into action to assist the residents prepare for the pending hurricane. The new CERT members performed spectacularly as they worked with other community stakeholders, church groups and first responders during the storm. Indeed, the Town's CERT members and other community volunteers became an invaluable resource to supplement existing Town personnel. The CERT volunteers provided unique services that were directly related to relief and recovery efforts.

Since last fall, a comprehensive strategic plan was created for the CERT. The CERT program's mission and priorities must align with the community and other stakeholders. With a strategic plan in place, goals were established that will help maintain a level of commitment and address challenges that may present obstacles to the program's success. The CERT program need not only engage the community (external), but the members themselves (internal) to be actively involved in the process. The strategic plan now serves as a blue print for all initiatives of the program. Morristown CERT was registered with the New Jersey Office of Emergency Management and has received confirmation of acceptance as a recognized team.

Lastly, in 2012, the Town's Emergency Operating Plan (the "Town Emergency Plan") was submitted to the New Jersey State Police Office of Emergency Management, and was approved. The Town Emergency Plan is valid for four years, and will be reviewed annually as part of our commitment to continuous improvement, and serves as a key component to guide emergency response and recovery efforts during any event.

MUNICIPAL COURT

The Municipal Courts of New Jersey continue to decide more cases than any other court in the State. What contributes to the Court Administrator's ever increasing burden are such factors as new legislation. Further, in 2012, the Town entered into a contract with a private agency to collect any outstanding monies payable to the municipal court on only those debts that the court has exhausted all enforcement remedies. Currently, the NJ Administrative Office of the Courts ("AOC") is testing the vendor's FTP/SFTP (File Transfer Protocol/Secure File Transfer Protocol). The court staff has been trained in Collection Report management and proper ATS/ACS procedures to follow. Progress reports will be provided to the Town Administration.

This new debt collection initiative, along with enlarging jurisdiction, stricter penalties for drunk driving and drug related offenses, increased drug enforcement, more vigilant code enforcement and case management complexity all contribute to the ever demanding burden to run an efficient and effective court office.

Additional facts about Morristown Municipal Court:

- Morris County rates 12th in case volume out of the 21 counties in New Jersey. Morristown continues to be #1 in case volume out of the 39 towns in Morris County.
- Morristown Municipal Court will hold 66 night sessions, managed by one Deputy and assisted with one Violation Clerk. There will be 36 day sessions at 8:30am and 1:30pm.
- DWI cases continue to burden the court schedule with many cases requiring a special session because of expert testimony and motions filed by defense attorneys. The Court will hold approximately 10 special sessions for the main purpose of disposing complicated DWI cases. These sessions are held during regular court office hours.
- The Court's Community Dispute Resolution Committee resolves minor citizen matters not only for Morristown, but for Morris Plains and Morris Township.
- Recent changes to Court Rule 1:41-3 makes educational requirements mandatory for individuals holding the title of Deputy. All three of the Town's Municipal Court Deputies will be working towards their full compliance by the end of 2013 beginning of 2014.
- The court's current Parking Offenses Adjudication Act ("POAA") Fund Balance is approximately \$48,000.00.
- The Court's POAA Fund recently covered the expense of completing a very extensive court project of reviewing and pulling court records eligible for destruction. This project was completed during night and Saturday work hours.
- Flex-time schedule continues to be used to reduce overtime cost for the Violation Clerks working night court.

OFFICE OF SENIOR SERVICES

Formerly known as the Division of Aging, the Office of Senior Services provides various activities and programs to Town residents. These include the "Flex and Stretch Exercise Program", 60+ Club, Chess and Bridge Clubs, A.A.R.P. income tax assistance and defensive driving classes, informational forums, monthly movies, insurance counseling (S.H.I.P.), blood pressure and other health-related clinics and bi-monthly newsletters. In all areas, participant numbers increased in FY 2012. Last year, the Office began offering free local trips (i.e. Washington's Headquarters, The Seeing Eye, Macculloch Hall, Turtle Back Zoo) to Morristown Seniors.

The Office also sponsors an Annual Picnic and Holiday Party. Participation in both events has greatly increased, but the costs for these programs have been significantly reduced due to the generosity of local restaurants and other Morristown businesses. Furthermore, the Office of Senior Services delivers hundreds of meals to home bound seniors through the Morris County nutrition program, and provides food/shopping transportation to individuals on Monday, Tuesday, and Wednesday mornings. Through the National Council on Aging, the Office Manager has been able to obtain clerical support at no cost to the Town.

OFFICE OF THE TOWN CLERK

The Clerk's office provides vital services as secretary to the municipal corporation and the Town Council. The Office administers licensing, elections, vital statistics and is the custodian of Town records, which during the last 3 years has served as an intake point for approximately 1,465 Open Public Records Act requests (FY 2010 - 406; FY 2011 - 487; and FY 2012 - 572).

The Clerk has completed the recertification as a Registered Municipal Clerk. Certifications of the Registrar and Deputy Registrar of Vital Statistics have been maintained as well.

With increased need to records management, in 2013, the Clerk will be working on full implementation of the State document management system, Artemis, throughout the Town Organization. The Office will work to deliver business agenda and related documents to the Town Council via tablets donated from Samsung through the work of the Office of Sustainability. Further, the Clerk's office will soon implement hosting of Council meetings streaming video linked from the Town's website.

OFFICE OF SUSTAINABILITY

The Office of Sustainability continues to pay dividends in the form of decreased costs for the 50% certified green energy the Town now uses to power its municipal buildings, parks, and streetlights. The Town expects to realize additional electricity cost savings in 2013. This Office will assist the Town Fire Bureau in planning an energy efficiency project at the Speedwell Firehouse, a portion of which may be funded through the NJ Office of Clean Energy. The proposed installation of LED lighting technology will significantly lower the operating costs and improve the safety and function of this critical municipal asset.

The Sustainability Office also plays a supporting role in the Town's Recycling Program. Since the creation of this Office, the Town has seen an increase, to the highest level ever, in the dollars returned to Morristown through the state Tonnage Rebate program. The Office expects to see this trend continue in 2013 based on the efforts of the Town's DPW Recycling Coordinator, and recycling education and enforcements of its business owners and general public.

Working with the Town Administration and Council, a main priority of this Office in 2013 will be completing specific actions that will qualify Morristown for recertification in the Sustainable Jersey program. Striving for Silver-level recognition will well position the Town to compete for, and receive associated grant funds – similar to the one previously received to complete the Town's Municipal Tree Inventory.

DEPARTMENT OF REVENUE & FINANCE

The Department is comprised of Tax Collection, Tax Assessing and Finance, which is overseen by the Chief Financial Officer (CFO). The primary responsibilities of the Finance Department are the overall custodianship of the Town's financial assets, annual state budget preparation, coordination of the annual audit, financial record keeping, and financial and debt statement preparation to name a few. An additional responsibility of the CFO is the operation of an effective cash management program. The purpose of this program is to derive the greatest possible productivity from funds being held by the Town that are not immediately needed for disbursement. While the cost of borrowing money is very low, that also means the earnings potential for these funds are also minimal.

FY 2012 highlights and projects for 2013:

- Relocation of Fund Accounts from a national financial institution to a local one as the Town's primary banking institution. By doing such, the Town has:
 - Reduced monthly costs of banking – Amount required to be on deposit is \$3,000,000 vs. over \$11,000,000 at the current National bank.
 - Increased the funds available for interest earnings – new primary banking institution is offering 0.45% on the money market accounts, which most of the accounts will be converted to. Currently, the Town is earning close to zero on its cash balances.
- Relocation of Escrow Accounts at a lower cost and more efficient reporting system.
- On-line inquiry and payments – The Town now accepts payments on-line for Tax and Sewer Bills. Taxpayers are able to pay their bills with either an electronic check, or credit or debit card for a minimal fee. They can also lookup account information as well.
- Installation of a new Section 125 flexible spending plan, which is required as part of the new State Health Benefits Reform Law, Chapter 78 , P.L. 2011, whereby Town employees will have a benefit card to manage their account.
- Transferred the Senior Tax Clerk to the Tax Assessor Office on a full time basis. With this change, the Tax Assessor Office can better serve the public.
- Working with the Recreation Division to install on-line registration and on-line direct payment system for recreation programs.

DEPARTMENT OF CODE ENFORCEMENT

In October 2012, after the Administration commissioned a consultant to review all code enforcement functional areas and provide a findings report, the Governing Body, with the recommendation of the Town Administration, adopted an ordinance to restructure the Town government organization. The underlying purpose to this reorganization was to centralize all code enforcement personnel and activities under one (1) Department and Director to improve operations management, service delivery and, ultimately, quality of life in Town. The new Department of Code Enforcement comprises of the Divisions of Building & U.C.C. Enforcement, Health/Animal Control, Property Maintenance, Rent Leveling and Zoning.

DIVISION OF BUILDING AND UNIFORM CONSTRUCTION CODE ENFORCEMENT

Consistent with direction from the Town Administration, and due to Super Storm Sandy and the destructive damage left in its path, the Town waived all Building Division "Construction Code" permit fees that were associated with any structure damage caused by the storm. This included any building, electrical and/or plumbing permits that were required due to a tree falling onto, and damaging a structure, electrical service entrance or gas meter. Permit fees, which totaled \$4,598, were waived on eight (18) properties to assist impacted property owners.

A new 3-year elevator inspection contract was awarded to EIC Inspection Corporation, of which the Building Division will get a 40 percent administrative fee as compared to the previous contract amount of 20 percent.

Over the last several years, this Division has made various procedural, technological and policy changes to improve service and ensure consistency, transparency and uniformity for its customers as it relates to issuing and managing inspections and permits. While the changes are numerous, some examples are:

- Process improvements made last year to ensure that Board approved projects be built exactly as approved (e.g., Board Approval Checklist and Affidavit) have been very successful and are working as anticipated. The partnerships established with the General Contractor, the Board Engineer, the Zoning Division and the Building Division have protected and maintained the integrity of all Board approved projects.
- Implementation of a permit Ordinance to address new commercial tenants or property sales (i.e., Commercial Certificate of Continuing Occupancy or “CCCO”) has benefited new tenants and owners alike. Visual inspections have revealed issues regarding non-functioning emergency lights and other CCCO checklist compliance requirements. Moreover, the CCCO permits generated an additional \$8,250 toward the Division’s FY 2012 revenue intake. This was a 32% increase from FY 2011.
- The Division continues to participate in the Town’s performance management initiative and to utilize a performance measurement software program for tracking, trending and benchmarking efforts in order to maximize its efficiencies and improve effectiveness wherever possible.
- Code inspections done every workday to meet customer service commitments as opposed to the previous Monday, Wednesday and Friday inspection schedule that existed prior to FY 2006.
- Open door policy for meeting and assisting customers with any questions or concerns with regard to permit, inspection and plan reviews.
- With the use of its Mitchell Humphrey software program, the Division can review weekly and monthly reports to identify open permits, pending temporary certificates of occupancy expirations, and stop-work orders. Form letters are generated and sent, and follow-up calls are made to bring closure to the matter. Lastly, monthly permit activity reports are forwarded to the Tax Assessor’s office to ensure property NAV is kept current.
- The Division continues to address open permits. Open permits are problematic to a municipality for a couple of reasons. One impact is that open improvement permits equate to new tax revenues that are not being assessed and collected. Second, open permits can affect property owner insurance claims and/or real estate sales. Thus, the Division will vigilantly pursue completion and close-out of open permits.

INSPECTION COUNTS

Fiscal Year	Building	Electric	Plumbing	Fire	Total Inspections
2012	2,293	1,272	1,712	1,108	6,385
2011	1,674	1,159	1,535	896	5,264
2010	2,526	1,612	1,290	1,686	7,114
2009	3,777	1,838	1,933	1,655	9,203
2008	2,750	1,498	1,333	1,144	6,725
2007	1,876	1,424	1,250	823	5,373
2006	1,245	874	625	320	3,064

RESIDENTIAL & COMMERCIAL PERMITS

Fiscal Year	Residential Permits	Commercial Permits	Voided Permits	Total Permits
2012	651	341	0	992
2011	618	300	0	918
2010	655	276	0	931
2009	849	259	-5	1,113
2008	778	305	-5	1,078
2007	798	327	-15	1,110
2006	650	331	-10	971

The chart above illustrates that FY 2012 was a robust year for construction permit activity within the Building Division. The number of permits and inspections for residential and commercial buildings increased from FY 2011. While residential permits steadily increased during the period FY 2006-2009, this trend reversed in FY 2009 and although there was a net gain in FY 2012, residential permit activity have remained relatively flat since FY 2010. Ironically, commercial permit activity increased again last year for the third year in a row, reversing a previous 3-year downward trend. Overall, total permits were up last year by 8.1%. The U.C.C. fees collected increased by \$109,256, or 14.8% from what was collected in FY 2011. The Division, as required by the NJ Uniform Construction Code, waived approximately \$ 12,000 in total fees for permits issued to Morris County, the Town of Morristown and the Morris School District. If the Building Division does plan review for the Morris School District, 80 percent of the permit fees are waived; and, for the other two entities, 100% of the fees are waived. Regardless, all required plan review and inspection services were provided to ensure that all safety and code requirements were strictly adhered to.

The Value of Construction increased last year by \$1,757,875, which was a 6.6% increase from FY 2011 values. The table below illustrates FY 2010 through FY 2012 comparisons of these key construction revenue indicators.

<i>Construction Revenue Comparison FY 2010- FY 2012</i>					
	FY 2010	FY 2011	FY 2012	Net Change from FY 2011	Percent Change from FY 2011
Number of Total Permits	931	918	992	74	8.1%
Value of Construction	\$30,807,378	\$26,559,800	\$28,317,675	\$1,757,875	6.6%
Total Fees Collected (Town's Share)	\$816,156	\$736,329	\$845,585	\$109,256	14.8%

Regarding the outlook for FY 2013, the immediate picture looks positive with the following redevelopment/development projects currently in the pipe-line, and scheduled for ground-breaking/application for construction permits this year:

- Phase 1 of the Speedwell Redevelopment; Area known as “Latitude” – 268 residential apartment units. (Under construction – Permits issued January 2013)
- Phase 4.1 of Speedwell Redevelopment Area (CVS Pharmacy)
- Morristown Memorial Hospital; Emergency Department and OBGYN Fit-out. (Under construction – Permits issued January/February 2013)
- Morristown Gateway - 23 Unit Apartment Building (Ridgedale Road and Lafayette Ave.)
- 29 Elm St (Old Red Cross Building) – New Dental Practice

DIVISION OF HEALTH

The Division of Health implements the science of Public Health, which is a dynamic multidisciplinary field that works to protect and improve the health of the community and individual populations. The Division focuses on the entire population’s well-being, while they are healthy, using a pro-active and preventative approach. Much of this is done by implementing educational programs, developing policies, administering services and regulations specific to our community. The focus is on limiting health disparities and working toward consistent care, equity, quality and accessibility.

2012 Accomplishments:

SuperStorm Sandy impact on Morristown: The Division of Health was challenged to balance routine day-to-day operations with the immediate demands of recovery efforts. During the aftermath of this event, the Division juggled simultaneous demands such as assisting with the warming/recharging center, protecting food safety, providing animal care and educating the public on storm issues for weeks while carrying out routine health code mandates. Governor Christie thanked all public health officials for their expertise and response stating, “local and county health officials were instrumental in preparing for and responding to Sandy” during

the Annual Conference of State and Local Health Officers.

The Animal Control Office has experienced a 50% increase in domestic animals picked up. This did not include the many wildlife calls received last year. With two shared services agreements, the Division of Health secured revenue of \$44,000 in addition to other fees, which almost fully funded a full time Animal Control Officer/Animal Cruelty Investigator (a state mandated position). The Division continues to fund and offer a free rabies clinic to residents annually. This clinic is one stop shopping for the residents since they can obtain a free rabies vaccination, a micro-chip for \$25 per animal and pay for their pet license at the same time so the process is complete and convenient. The 2013 rabies clinic will be held on June 22, 2013 at Town Hall.

The Lead Care II Program for testing children for lead is a non-funded pilot program for which the Morristown Division of Health was one of only 9 municipalities chosen in the State of New Jersey. This Program enabled the Division to offer free lead screening programs to Morristown residents. The lead testing is specifically for children 6 months -18 years of age and for pregnant women. Further, the Division offers quarterly screenings, which the time and dates can be obtained by calling the Division or checking the Town website.

During 2012, the spread of the flu virus reached epidemic proportions. The Division of Health's part-time Public Health Nurse, was able to offer free senior and an employee flu clinics in September. In addition, the Division offered clinics open to the adult population from September through November. For the underinsured or uninsured populations, free flu vouchers were available. Employees who missed the clinic were able to use free flu vouchers through the Town health insurance at a nearby national pharmacy. This was a comprehensive program and effective method of flu vaccine distribution. Costs were contained by submitting and obtaining reimbursement from Medicare.

In collaboration with Morristown Medical Center, the Division was able to offer a memory screening program that was open to, and well attended by the public. The Division also collaborated with Zufall Health Center for Child Health Conference, HIV, STD, TB and pregnancy testing and counseling through Morristown Health Center, with no cost to the Town.

The Division took advantage of two grants: the first was the Quality Improvement Grant through Rutgers in the amount of \$2,500, which covered mapping and recommendations for improving our walk in process for the public. The second grant, unfunded, was a UMDMJ student for a full semester to research and submit a sustainability study for the Division. The outcome also assisted us with goals and objectives for future planning and growth.

For the 5th year in a row, the Health Division took advantage of interns from Rutgers University who train and gain experience in the field of Public Health. The Division was also fortunate to have a long term employee from the National Council on Aging, who is bilingual. Although these volunteers only work a couple of days at no cost to the Town, they offer the Health Division coverage and enhance our ability to communicate with our citizens.

Lastly, in 2012, the Health Division ended a shared services agreement with Lincoln Park Borough and hired an experienced part-time Public Health Nurse. This service change resulted in improved nursing availability, up 40%, to Morristown residents. Moreover, this change allowed the Division to offer blood pressure screenings monthly to our Senior Citizens.

DIVISION OF PROPERTY MAINTENANCE

The Division of Property Maintenance continues its diligence to ensure efficient inspection efforts across all 28 categories of responsibility. The areas range from Certificate of Habitability, Occupancy Standards, Multiple Dwelling, Overcrowding, Systematic Area Vacant Structures - Lots, Ground Surface Hazards, Emergency Management, Lead, Asbestos, Infestation, Overgrowth, Winterization and more. With the local housing market showing signs of recovery, this Division still remains watchful of areas adversely affected from several years of economic hardship and decline. The Division looks forward to another challenging year as it strives to improve its Certificate of Habitability inspection turnaround time, identification of residential exterior violations and regularity of code enforcement inspections in the Central Business District (CBD).

Total inspections performed last year were 1,597, which was an increase by 105, or 6.8% from FY 2011 (894 total Certificate of Habitability inspections conducted; 793 total inspections performed in other categories such as occupancy of rooming/dwelling units, exterior maintenance, garbage disposal, and required utilities). Moreover, the Division realized over \$167,000 for inspection fees, and approximately \$58,000 for code enforcement violations. In FY 2012, inspection fees collected were up \$61,000, or 58%, and violation fines were down \$92,000 from FY 2011. Overall, total revenues collected last year declined by about \$31,000.

DIVISION OF RECREATION

In FY 2012, the Recreation Division maintained all programs previously offered, including Morristown Travel Basketball, which had 15 teams. Further, the Division continues to organize, manage and supervise hundreds of participants in various youth sport programs during all seasons at camps and playgrounds; and arranged other special events for residents during the year as well.

Pool membership and revenues remained consistent last year. Pool revenues totaled \$149,939 in FY 2012, which was consistent with the amount realized in FY 2011.

The Recreation Division is in the process of implementing a new online service. For the first time, pool and activity registrants will now have the option to submit an application online via the Town website; payment of which can be done by credit or debit card. The Division is currently in the process of data transfer and expect to be operational by April 2013.

DIVISION OF RENT LEVELING

Rent Leveling protects tenants in privately-owned residential properties from excessive rent increases by mandating reasonable and gradual rent increases while, at the same time, ensuring that landlords receive a fair return on their investment. In 2012, this Division collected over \$67,000 in registration fees, which was more than 10% higher than 2011. The Division continues to improve procedural operations and data management with minimal resources. Through the National Council on Aging, the Division Manager has been able to obtain clerical support at no cost to the Town. Increased coordination and communication with other Departments and Divisions, aggressive enforcement and the availability of more comprehensive current data continues to result in better rent control organization and revenue generation. Also, the Rent Leveling Division continues to provide any Morristown resident with information regarding fair housing and tenancy rights.

DIVISION OF ZONING

The Division of Zoning is responsible for providing zoning enforcement, supporting both Land Use Boards, processing zoning permits, and disseminating information regarding applicable Town Code sections to the general public. In many instances, it is the office of first contact as zoning approvals are needed for many activities undertaken throughout the Town. By having an open door policy, the Division is able to meet with the public to discuss questions, concerns, applications, and any other matter handled by this office. This operational approach cultivates a more educated public about understanding zoning code and guiding oneself through the land use process.

In 2013, the Zoning Division will continue to:

- Provide excellent customer service in a professional environment;
- Vigorously enforce the Town Zoning Code;
- Utilize technology to improve data collection and document inspections;
- Disseminate useful information to other Departments and Divisions; and
- Seek out cost saving opportunities.

Here are some Division statistics over the last two years:

ZONING PERMITS		
	<u>2011</u>	<u>2012</u>
APPLICATIONS	493	544
FEES	\$44,635	\$54,490

LAND USE BOARD (Planning & Zoning)		
	<u>2011</u>	<u>2012</u>
APPLICATIONS	49	37
FEES	\$27,811	\$32,557

DEPARTMENT OF PUBLIC WORKS

As a result of the Town Organization restructuring last year, the Department has incorporated one new division: the Division of Recreation. Further, the Division of Planning and Zoning were split into two divisions, with the Division of Planning still under the organizational umbrella of the Department of Public Works. With the addition of the Recreation Division, two laborers were integrated into the Division of Public Works. Two new laborers were also hired last year to increase its staffing strength after a few years of decline. The following are some of the main responsibilities of Public Works:

- Field and park maintenance at 14 recreation sites.
- Street sweeping of major roads every night and residential streets once every two weeks during the day.
- Snow plowing, removal and salting of 30 miles of Town streets; and sidewalk shoveling at various locations and crosswalks across Town.

- Maintenance of streets and sidewalks, such as pothole filling, repair and cleaning of catch basins and storm drains, and sidewalk repair.
- Collection of appliances, small metal, tires and batteries from residents and condominiums six times a year.
- Maintenance of municipal buildings and grounds at various locations.
- Municipal tree maintenance and removal.
- Traffic signal maintenance, sign installation and striping.
- Setup and clean-up for Town special events, such as the First Night, St. Patrick's Day parade and the Fall Festival.
- Vehicle and equipment maintenance for the Town's municipal fleet.

DIVISION OF ENGINEERING

The Engineering Division, among other responsibilities, designs and inspects construction of municipal capital projects, administers the soil disturbance ordinance and issues permits, programs and places traffic counters at various street locations, assists the Tax Collector's office in reconciling sewer billing accounts and oversees the Town's Clean Communities program.

DIVISION OF PLANNING

In 2012, the Morristown Planning Division continued to enhance the Town's planning capacity by leveraging resources, creating effective public-private-partnerships, and by developing collaborative relationships with community stakeholders. As a result, the Planning Division served the long-term goals and objectives of the municipality as follows:

- *Comprehensive Planning:* Long-term planning and policy development is a key role of the Morristown Planning Division. The Division continued to focus its efforts in two key areas: 1) the land use and mobility master plan element, and 2) the production of affordable housing. The Town's 2013 Master Plan initiative "Morristown Moving Forward" kicked-off in 2012 in partnership with a planning team funded by a grant from the North Jersey Transportation Planning Authority. The Planning Division and the Office of Sustainability launched a wide-ranging, bi-lingual outreach campaign that will leverage online and traditional media, social networking, outdoor signage, and personal relationships to involve as many residents as possible in a dialogue about the Town's future. In addition, the Planning Division, in cooperation with the Departments of Law and Administration, worked to submit all required affordable housing documentation to the NJ Department of Community Affairs. Finally, the Planning Division prepared a detailed investigation of parking and loading policies around the Epstein's Rehabilitation Area in order to increase safety and efficiency for motorists and pedestrians.
- *Redevelopment Planning:* The Town has continued to successfully use its redevelopment powers to revitalize neighborhoods and blighted parcels that remained stagnant for many years. In 2012, significant progress was seen in the Speedwell Redevelopment Area. The Planning Division worked with the Planning Board to evaluate, refine and ultimately approve the site plan for Phase One of the Speedwell Redevelopment Plan. In addition, the Speedwell Redevelopment Plan was amended in 2012 to accommodate a new CVS Pharmacy in Phase 4, which included an innovative 'parklet' as a public amenity along Speedwell Avenue. The Planning Division also worked collaboratively with two adjacent property owners and their development teams to craft the Morris Street Redevelopment Plan, which was adopted by the Governing Body in November 2012. Finally, the Planning Division issued an Request for Qualification to procure a

redeveloper for the Parking Authority's lot behind the train station that attracted 13 responses. The Division assembled a stakeholder committee to assist the Administration in the selection process and select a finalist to develop a proposal.

- *Grant Writing:* The Planning Division successfully authored three grants in 2012, bringing over \$2.4 million into Morristown. The Town received \$85,000 from the New Jersey Department of Transportation's Safe Routes to Transit program to fund traffic calming and pedestrian improvements around the Morristown Train Station, particularly along Lafayette Avenue. In addition, NJDOT also awarded Morristown a Safe Routes to School grant to fund street improvements and an educational program that will address safety concerns for students walking to the Sussex Avenue School. Finally, the Town was awarded over \$2 million by the Morris County Open Space Trust Fund and NJ Green Acres Program in order to facilitate the purchase and make permanent the current home of the Early Street Community Garden. In addition, the Town's budget for the master plan was increased through an award from the North Jersey Transportation Planning Authority in the amount of \$175,000.

In 2013, the Planning Division will continue to work in collaboration with Mayor, Governing Body and community at large on several exciting initiatives:

- *Comprehensive Planning:* The Planning Division hosted a public kick-off event for the Master Plan on January 23rd and expects to host another a series of intensive community workshops in late April. The Master Plan is projected for completion in summer, 2013. In addition, the Planning Division will work the Departments of Law and Administration to create and execute a strategy to put Morristown's Affordable Housing Trust Fund, currently containing almost \$1 million, to work by rehabilitating the existing housing stock and creating new housing opportunities in Morristown's neighborhoods. Finally, the Planning Division will work diligently with the New Jersey Department of Transportation on a capital improvement strategy that will include the improvements envisioned in the Speedwell Redevelopment Plan as well as the loading and parking improvements along Market Street, West Park Place and South Street.
- *Redevelopment Planning:* In 2013, the Planning Division will resume identifying, prioritizing and refining redevelopment proposals and opportunities throughout the Town. Specifically, the Planning Division will begin to engage the public on design proposals for the Train Station Redevelopment area. In addition, the Planning Division will continue to advance the Speedwell and Morris Street Redevelopment Projects.
- *Grant Writing:* As of early 2013, the Planning Division has already submitted two grants on behalf of the Town. The first grant, "Our Town" offered by the National Endowment for the Arts funds arts-based placemaking projects and programs that will enhance livability in downtowns. Morristown's Our Town proposal is called "Speedwell Art Works" and it was crafted and endorsed by a stakeholder team consisting of Morris Arts, the Neighborhood House, Local Initiatives Supporting Communities as well as several local business and community organizations. The second grant submitted, an application to the Sustainable Cities Design Academy to receive a several-day intensive workshop-style design and planning review of the Train Station Redevelopment Area, was recently awarded to four communities in the United States... Morristown being one of them!

CLEAN COMMUNITIES PROGRAM

The Morristown Clean Communities Program had a very successful year as indicated by the amount of trash and recyclables collected, and the number of volunteer participants. Most significant is the progressive decline in the quantity of trash, bottles and cans collected during clean up events, and steady increase in the quantity of recycled materials collected curbside and at the Recycling Center.

The Program held two volunteer clean-ups in 2012. The annual Town-wide event occurred on April 21st. There were 128 volunteers that collected 2 tons of trash and recyclables in approximately two hours. The second clean up was held on September 29th, and focused mainly on the business district and the north side of Town. At the second event, there were 45 volunteers, 840 pounds of trash and 225 pounds of recyclables.

Further, two shred events were held during 2012, one in April and the other in November. There were over two and a half tons of confidential documents shredded and carted away by professionals.

The ongoing Adopt-A-Spot initiative consisted of 9 volunteers groups, or individuals, working on 11 public areas in Town. Each group performed litter pick-ups at least four times during the year as is required. Two of the “adopters” also did seasonal plantings.

Two special clean up events were held. A local Boy Scout troop cleaned Spring Hill Place and the hill leading to the Whippany River. The World Mission Society Church cleaned up the garbage, bottles and cans, as well as large trash items that were illegally dumped in the parking lots on Bishop Nazery Way and Coal Avenue. Over 5 tons of litter were collected.

Routine inspections of public trash receptacles were performed in May, August and November. The Town owns 116 public cans for garbage and recyclables in the CBD. Clean Communities, with the assistance of Public Works employees, routinely inspect these cans on a weekly basis. New cans, replacement parts and new lids were purchased last year out of the Clean Communities grant fund, totaling \$7,300.

Lastly, Clean Communities arranged and funded a litter education program for students at Alexander Hamilton School. This consisted of in-class litter education and a school-wide assembly. It also continues to work closely with the Morristown Partnership on educating property and business owners in the CBD on property maintenance obligations.

SEWER UTILITY (WASTE WATER TREATMENT PLANT)

Since FY 2009, the Town’s municipally-owned solar energy project has reduced its electricity costs by about \$320,000, or \$80,000 per year. Moreover, Solar Renewable Energy Certificates (“SREC’s”) generated by this project has been a mechanism to realize over \$1.06 million in additional revenues to the Sewer Utility. Unfortunately, the New Jersey SREC auction market continues to falter due to the oversupply of SREC’s in the 2013 energy year (June 2012 - May 2013). In FY 2012, this project produced 600 SRECs during the calendar year. The Town sold 650 SRECs in an open market/auction forum last year generating a total of \$65,037 in revenues. In June 2012, the Town sold 294 SRECs generated during the period November 2011 through April 2011, at \$131.15 per SREC for a total \$38,558. However, the second SREC sale of 356 SREC’s in December only secured a per SREC price of \$74.38, for a total of \$26,479.

Sewer Utility capital projects planned this year, totaling \$1,013,000, are as follows:

- **\$585,000 for Sludge Reduction Project** – This project will reduce the amount of sludge to be hauled and disposed by 80 percent. The annual cost of sludge hauling and disposal is \$300,000. The estimated annual cost savings will be \$220,000 when this project is completed. Thus, this project will pay for itself in about three (3) years.
- **\$328,000 for a Jet-Vac Truck** – This equipment purchase would replace a 1987 model Jet-Vac that is beyond its useful life. This essential piece of equipment is used for cleaning the 40-plus miles of sewer mains in Morristown's collection system as well as wet-wells and tanks at the wastewater treatment plant.
- **\$100,000 for Sanitary Sewer Repairs** - The Town's ongoing TV inspection of sanitary sewers identify sewer mains in need of repair. Priority will be given to streets that need to be paved in the near future and know problem areas. Funding for these repairs will reduce or eliminate the need for call-outs to deal with emergency sewer blockages or repairs.

CAPITAL IMPROVEMENT BUDGET

The total amount of capital improvement financing requested this year is \$1,195,000. A total of \$180,000 is allocated in the Operating Budget to replenish the Capital Improvement Fund, provide for down payment monies (5% of total capital monies borrowed) to finance the capital improvement items listed below, and purchase new computer hardware and software for Town operations.

- **\$915,000 for Town Road and Sidewalk Projects:** The Town must allocate funds toward this pivotal work to maintain and repair our roads and sidewalks. The type of work to be conducted is milling and resurfacing, crack sealing, curb, sidewalk and drainage on various streets in the Town's 30 mile road network. Similar to last year, and because of the extensive damage Super Storm Sandy caused to the Town's public shade tree canopy, the Administration requests \$50,000 be funded for the purchase of trees to be planted in our right-of-ways and on other Town lands in accordance with the Community Forestry Management Plan.
- **\$140,000 for Park Improvements:** These improvements include replastering of the Burnham training pool, replacing pool perimeter fencing, 9 lane lines, a pool vacuum, two pumps for main filter and one pump for dive pool, valves and linkage for main filter, and block covers at the Burnham facility.
- **\$106,500 for replacement of DPW equipment:** One GMC 1 Ton Mason Dump Truck, one enclosed Landscape Trailer, and one ODB Leaf Vacuum (25 CY).
- **\$33,500 for improvements at Town Hall and Speedwell Firehouse:** These improvements include elevator repairs at Town Hall, new bay lighting at Speedwell Firehouse and an exterior ladder for the Town Hall chiller building.

TOWN OF MORRISTOWN FIVE YEAR FINANCIAL TREND ANALYSIS

Years ended December 31, 2008
through December 31, 2012



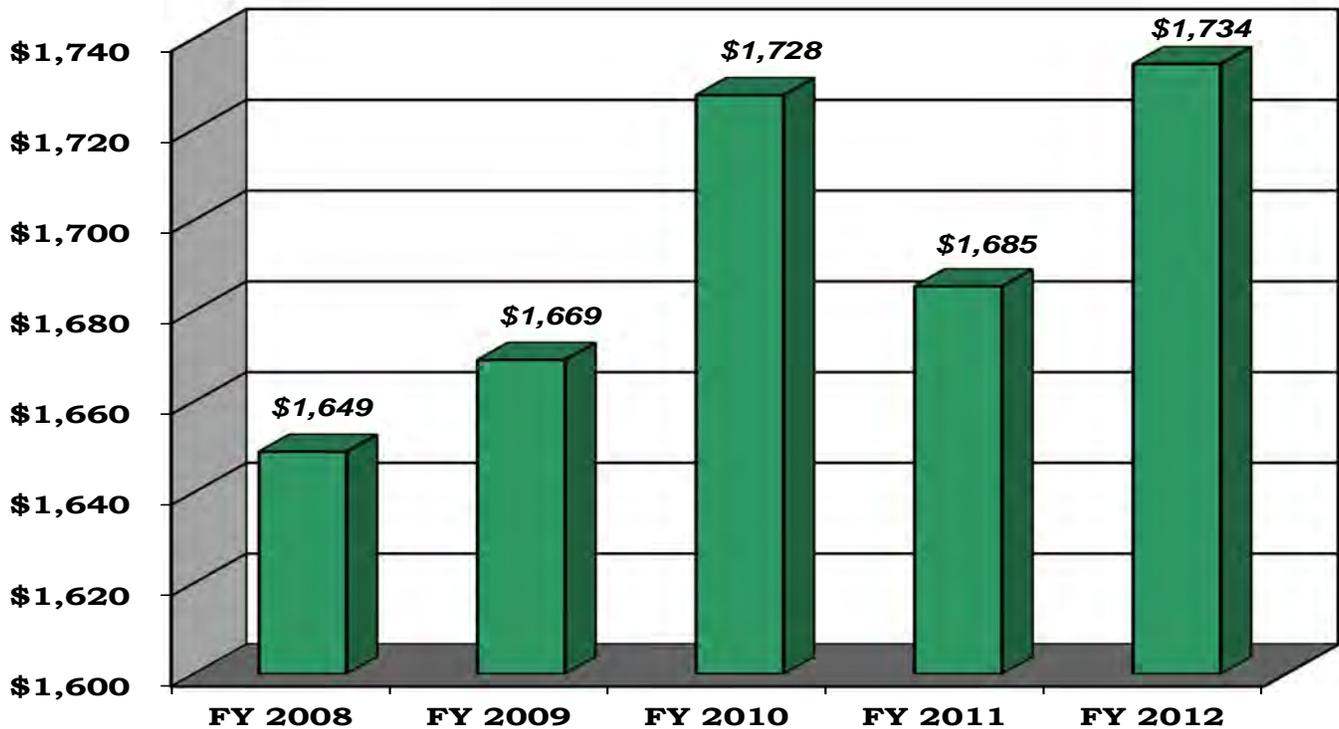
REVENUE ANALYSIS

OPERATING REVENUE PER CAPITA

Warning Trend: Decreasing Operating Revenue Per Capita.

Formula:

$$\frac{\text{Net Operating Revenue (Constant Dollars)}}{\text{Population}}$$



<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Operating Revenue (Actual)*	\$37,300,738	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797
CPI Index	215.3	214.5	218.0	224.9	229.6
CPI Constant	121.64	121.19	123.16	127.06	126.15
CPI In Decimals	1.216	1.212	1.232	1.271	1.262
Net Operating Revenue (Constant)	\$30,664,978	\$30,689,161	\$31,762,011	\$30,177,616	\$31,932,586
Population	19,122	18,905	18,905	18,411	18,411
Operating Revenue Per Capita	\$1,604	\$1,623	\$1,680	\$1,639	\$1,734
Dollar Change	\$6	\$20	\$57	\$(41)	\$49
Percent Change	0.37%	1.23%	3.49%	-2.44%	2.91%

*Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

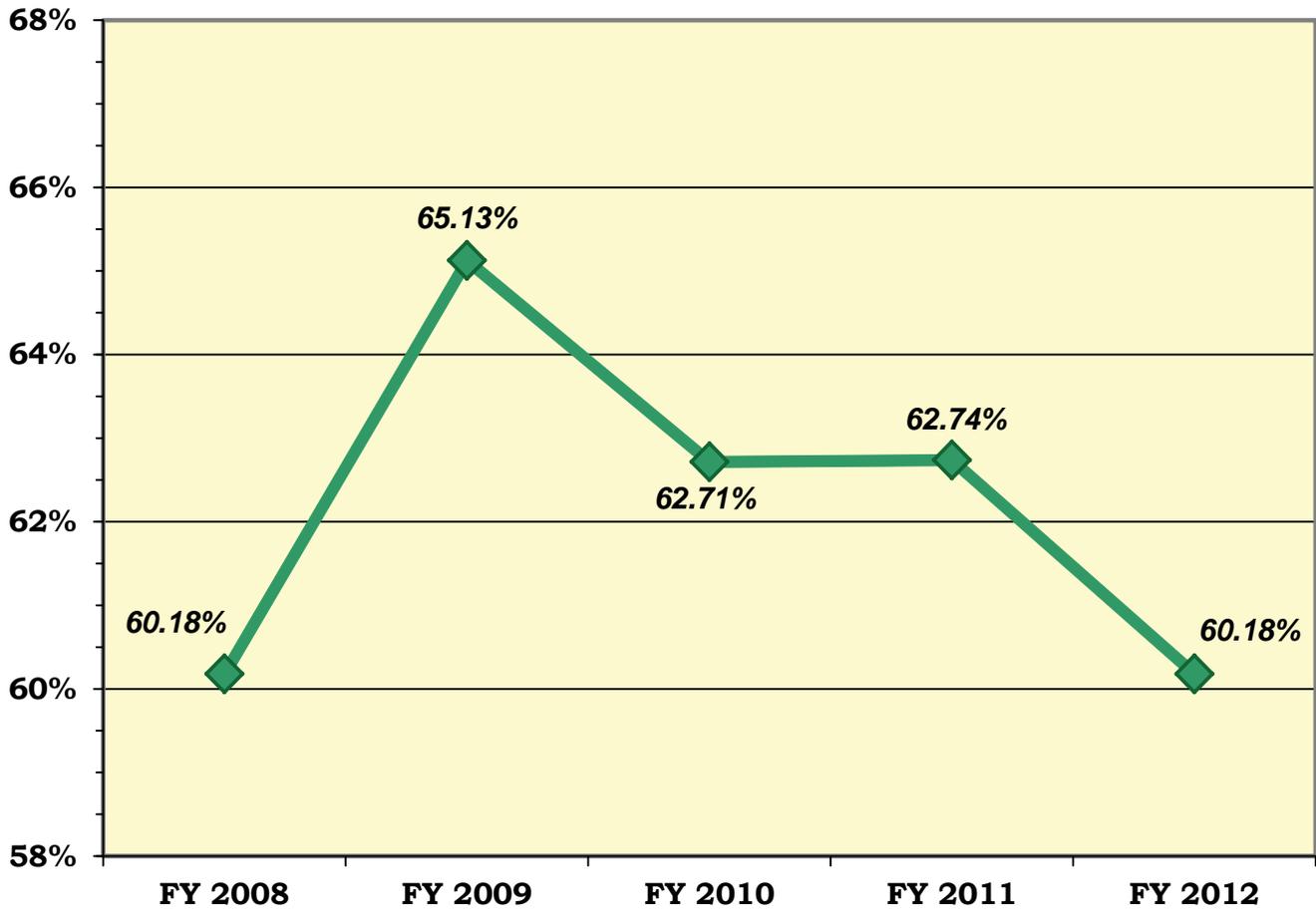
As population increases, it is expected that revenue and the need for service would increase proportionately. Per Capita Revenue shows changes in revenue relative to population. For a municipality to remain financially stable, Revenue Per Capita should remain at least constant and be relative to Expenditure Per Capita.

PROPERTY TAX REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Steady increase in the reliance of property tax revenue to balance the municipal budget.

Formula:

$$\frac{\text{Property Tax Revenue}}{\text{Total Operating Revenue}}$$



YEAR END	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total Operating Revenue*	\$37,300,738	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797
Property Tax Revenue	\$22,447,165	\$24,221,031	\$24,533,234	\$24,055,720	\$24,242,684
Percent of Total	60.18%	65.13%	62.71%	62.74%	60.18%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

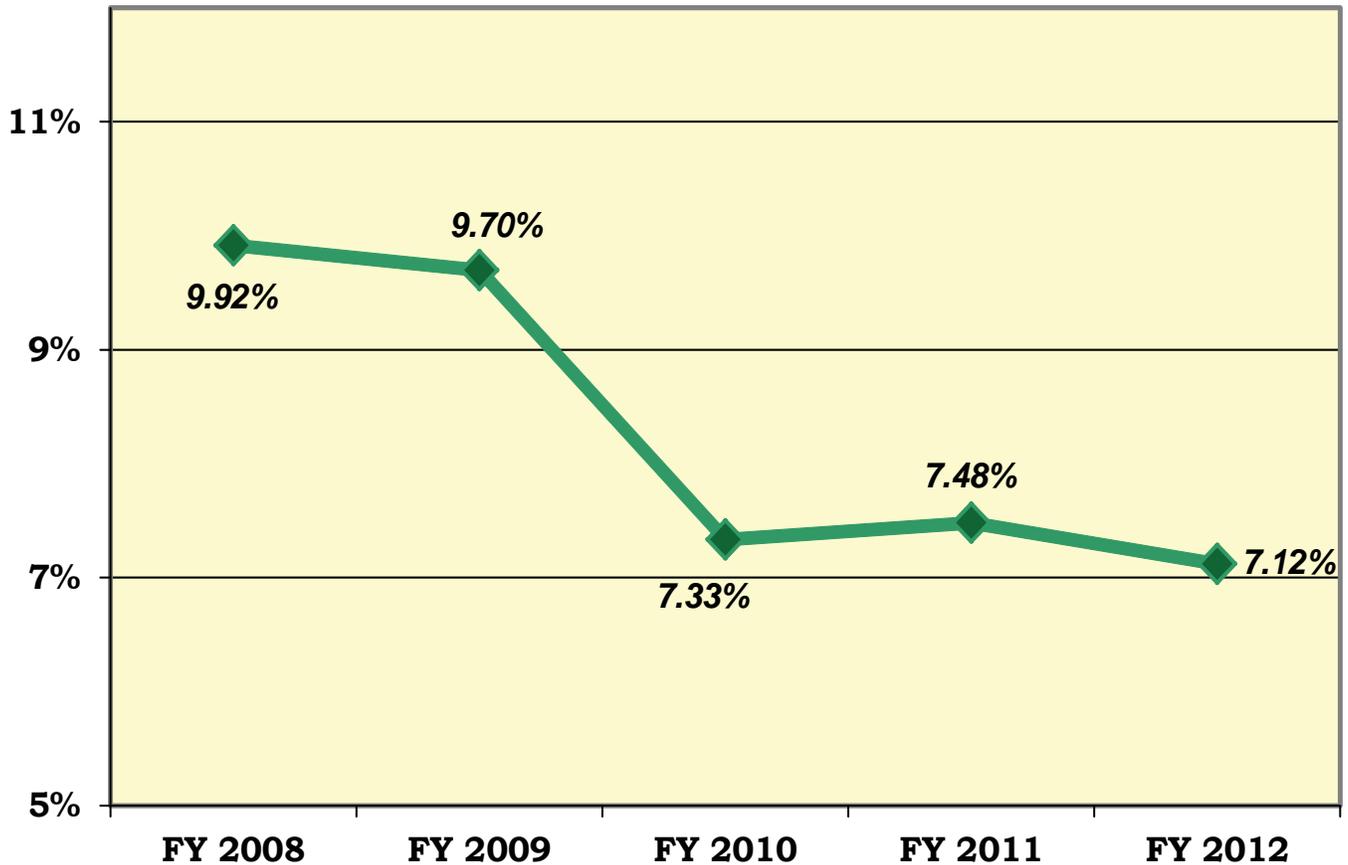
This indicator shows changes in revenue structure. Strong shifts in the percentage of any revenue source may be a warning of financial problems.

STATE AID REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of State Aid Revenue as a percentage of Total Operating Revenue.

Formula:

$$\frac{\text{State Aid Revenue}}{\text{Total Operating Revenue}}$$



FISCAL YEAR	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total Operating Revenue*	\$37,300,738	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797
State Aid Revenue	\$3,698,495	\$3,606,033	\$2,868,599	\$2,868,599	\$2,868,599
Percent of Total	9.92%	9.70%	7.33%	7.48%	7.12%
CPI In Decimals	1.216	1.212	1.232	1.271	1.262

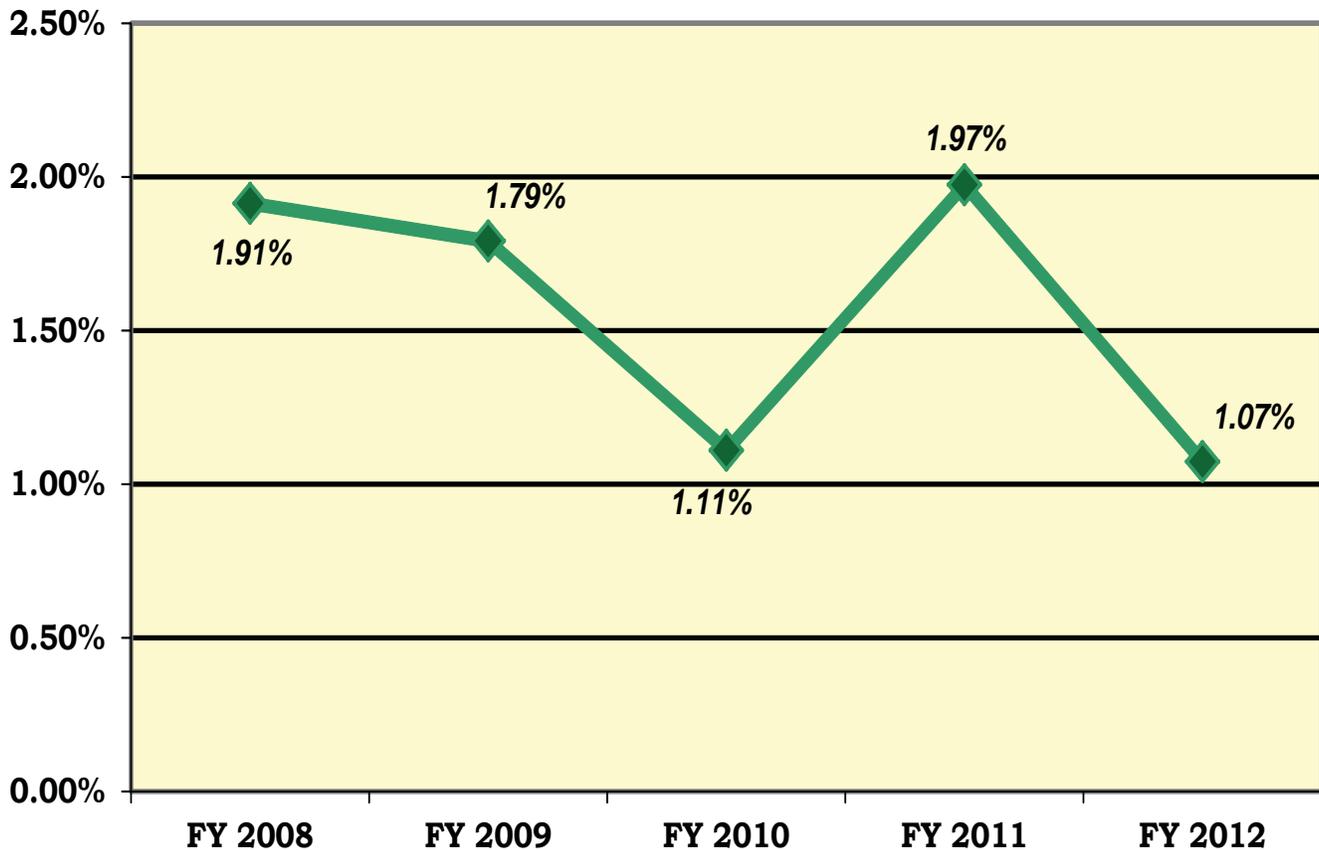
* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

State aid includes: Consolidated Municipal Property Tax Relief Aid and Energy Receipts Tax. This revenue is not earmarked and may be allocated towards any purpose. Decreasing State Aid Revenue and overdependence on its use to balance budget may create financial inflexibility and signal immediate financial vulnerability.

**GRANT REVENUE AND INTERLOCAL AGREEMENTS
AS A PERCENTAGE OF TOTAL OPERATING REVENUE**

Warning Trend: Decreasing amount of Grant and Interlocal Agreement Revenue as a percentage of Total Operating Revenue.

Formula:
$$\frac{\text{Grant Revenue \& InterLocal Agreements}}{\text{Total Operating Revenue}}$$



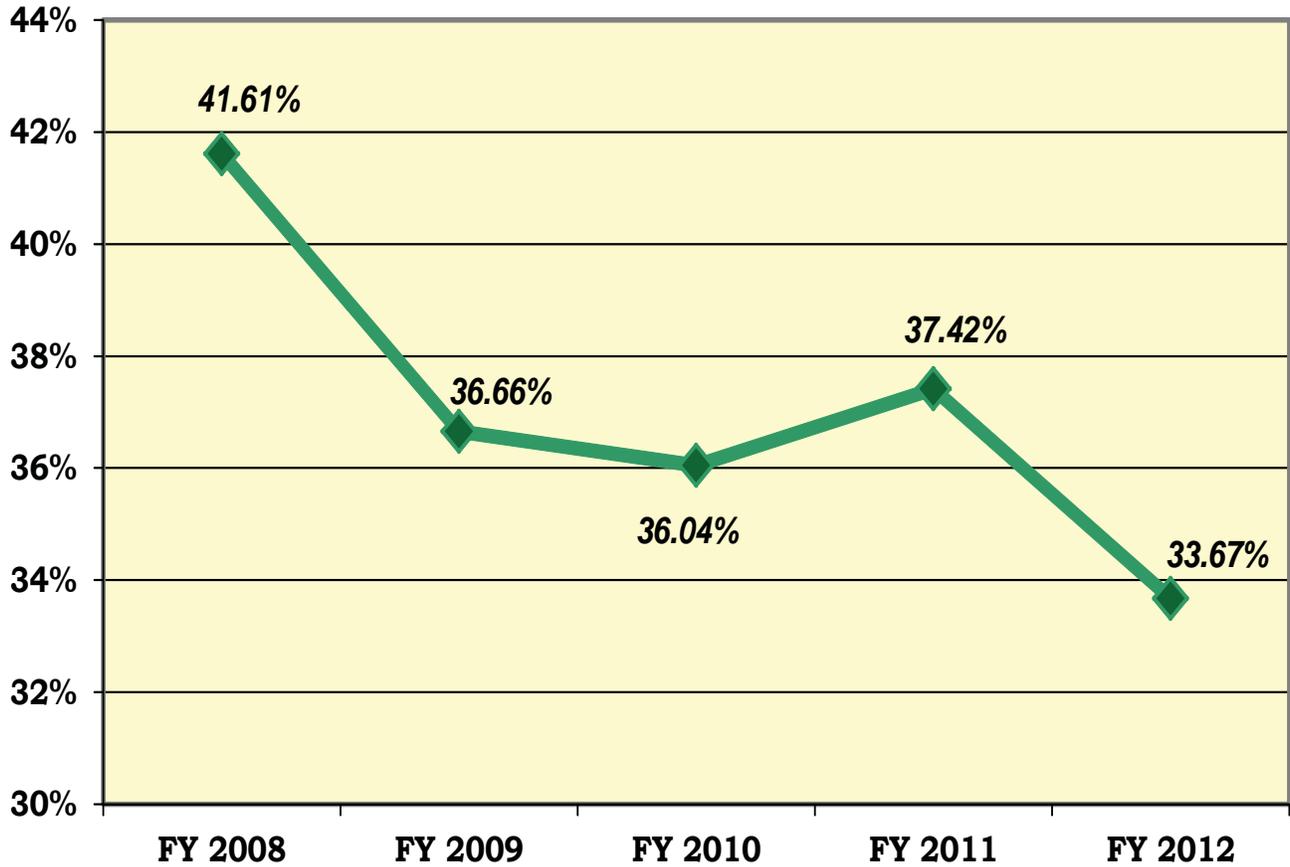
<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Total Operating Revenue*	\$37,300,738	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797
Grant Revenue	\$713,487	\$666,008	\$434,428	\$756,633	\$432,375
Percent of Total	1.91%	1.79%	1.11%	1.97%	1.07%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

Grants and Interlocal Agreements include Clean Communities, Municipal Alliance, Drunk Driving, Public Health Priority, Environmental, Protection, Body Armor Replacement program and various programs for Police Services. The grants are earmarked for specific purposes, often to implement State or Federal Programs. Decreasing Grant Revenue places a greater burden on the tax rate to balance the budget.

LOCAL REVENUE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Decreasing amount of Local Revenue as a percentage of Total Operating Revenue.



<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Total Operating Revenue*	\$37,300,738	\$37,191,445	\$39,119,674	\$38,344,897	\$40,283,797
Local Revenue*	\$15,520,895	\$13,632,606	\$14,100,058	\$14,347,953	\$13,564,595
Percent of Total	41.61%	36.66%	36.04%	37.42%	33.67%

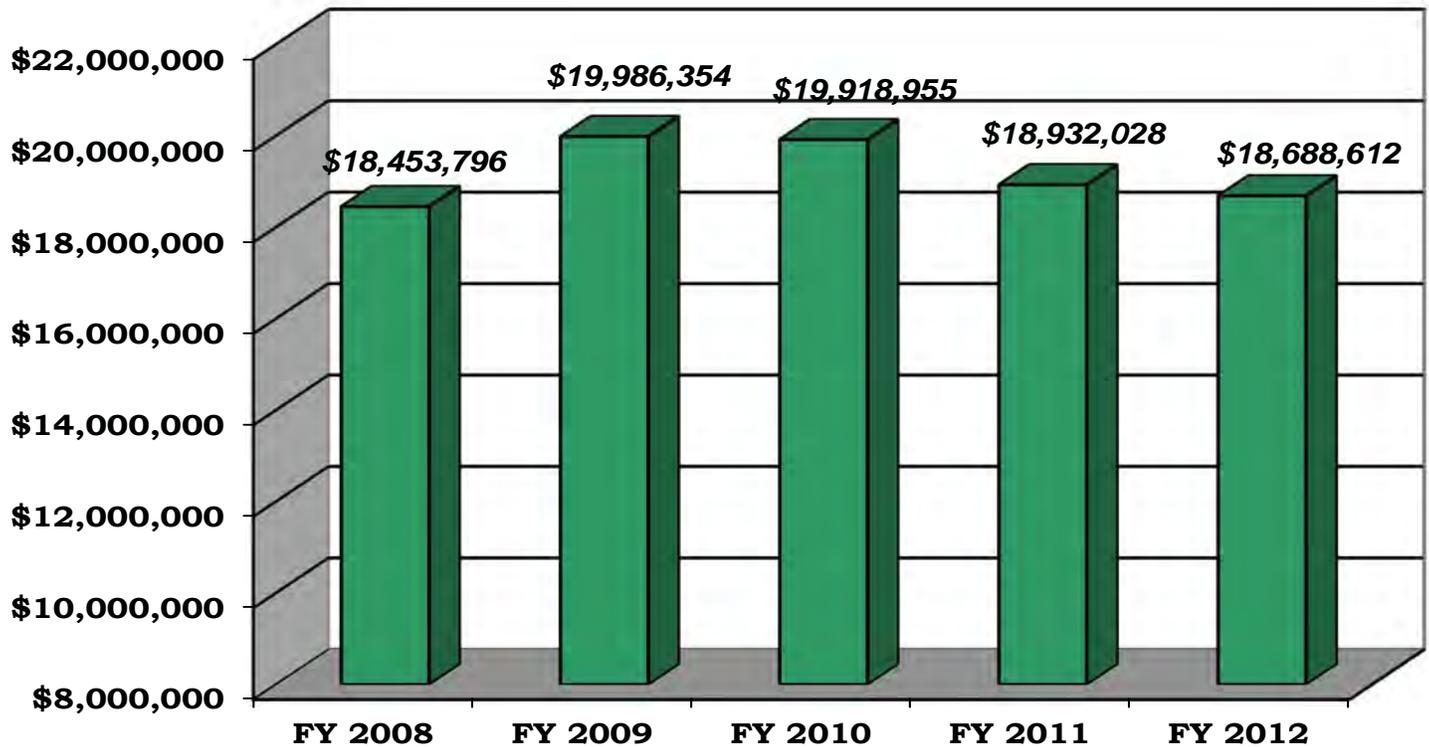
* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

PROPERTY TAX REVENUE

Warning Trend: Decline in total Property Tax Revenue

Formula:

$$\frac{\text{Property Tax Revenue (Constant)}}{\text{CPI In Decimals}}$$



<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Property Tax Revenue (Actual)*	\$22,447,165	\$24,221,031	\$24,533,234	\$24,055,720	\$24,242,684
CPI Index	215.3	214.5	218.0	224.9	229.6
CPI Constant	121.64	121.19	123.16	127.06	129.72
CPI In Decimals	1.216	1.212	1.232	1.271	1.297
Property Tax Revenue (Constant)	\$18,453,839	\$19,986,401	\$19,919,002	\$18,931,966	\$18,688,612
Dollar Change	\$186,410	\$1,532,562	\$(67,399)	\$(986,923)	\$(243,416)
Percent Change	1.02%	7.67%	-0.34%	-4.95%	-1.29%

* Property tax revenues are audited figures that include prior year delinquencies.

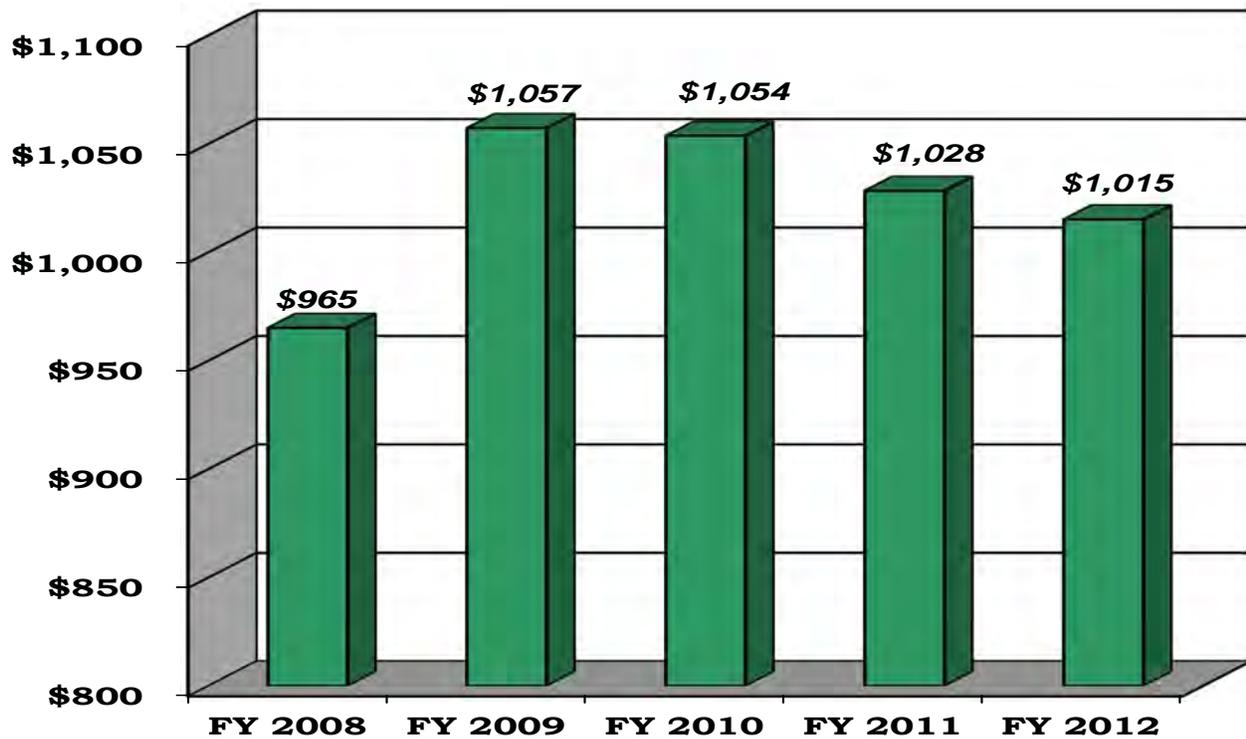
Fluctuations in Property Tax Revenue can be caused by many factors including new development, decline or rise in property values, age of property or a general decline in the regional economy. Towns that rely heavily on Property Tax Revenue are susceptible to serious economic disruption.

PROPERTY TAX REVENUE PER CAPITA

Warning Trend: Decreasing Property Tax Revenue Per Capita.

Formula:

$$\frac{\text{Property Tax Revenue (Constant)}}{\text{Population}}$$



YEAR END	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Property Tax Revenue (Actual)*	\$22,447,165	\$24,221,031	\$24,533,234	\$24,055,720	\$24,242,684
CPI Index	215.3	214.5	218.0	224.9	229.6
CPI Constant	121.64	121.19	123.16	127.06	129.72
CPI In Decimals	1.216	1.212	1.232	1.271	1.297
Property Tax Revenue (Constant)	\$18,453,839	\$19,986,401	\$19,919,002	\$18,931,966	\$18,688,612
Population	19,122	18,905	18,905	18,411	18,411
Property Tax Revenue Per Capita	\$965	\$1,057	\$1,054	\$1,028	\$1,015
Dollar Change	\$10	\$92	\$(3)	\$(26)	\$(13)
Percent Change	1.02%	9.55%	-0.28%	-2.47%	-1.26%

* Property tax revenues are audited figures that include prior year delinquencies.

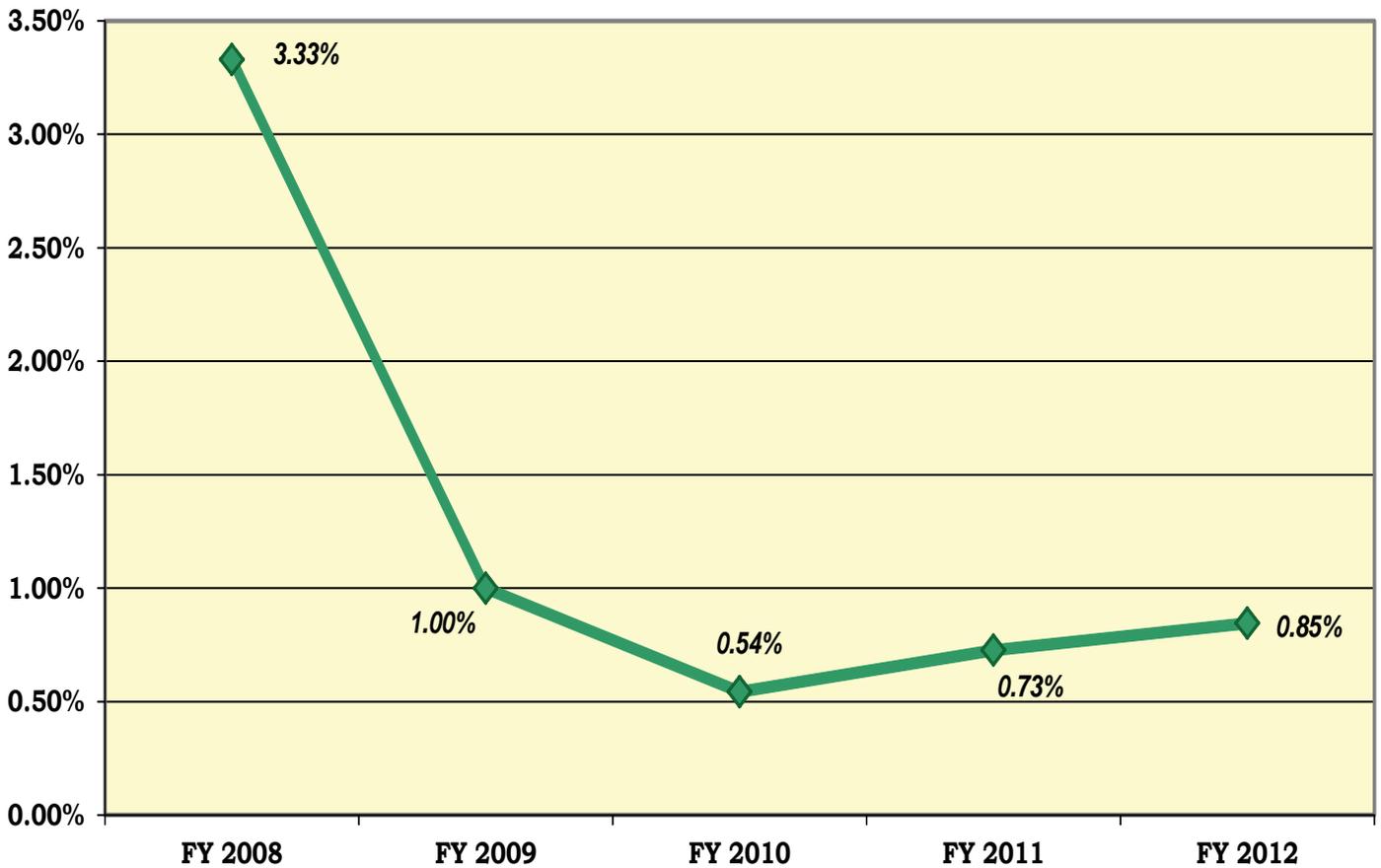
As population increases, it is expected that revenue and the need for service would increase proportionately. Per Capita Property Tax shows changes relative to population. For a municipality to remain financially stable, losses in Property Tax should be offset by increases in other forms of revenue.

OUTSTANDING PROPERTY TAXES

Warning Trend: Increasing Outstanding Property Tax Revenue as a percentage of Property Tax Levy.

Formula:

$$\frac{\text{Outstanding Property Taxes}}{\text{Property Tax Levy}}$$



<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Total Tax Levy	\$54,143,200	\$56,519,873	\$58,495,486	\$58,700,648	\$58,065,575
Outstanding Property Taxes	\$1,802,682	\$564,995	\$318,158	\$ 426,339	\$490,782
Percent of Total	3.33%	1.00%	0.54%	0.73%	0.85%

* Includes added and/or omitted tax assessed billings made in the 4th quarter of FY 2012 and not due until 1st quarter, FY 2013.

Increases in the percentage of property tax not collected indicates a serious financial problem. High levels of outstanding uncollected Property Tax decreases liquidity and the ability for the Town to meet its current bills and liabilities.

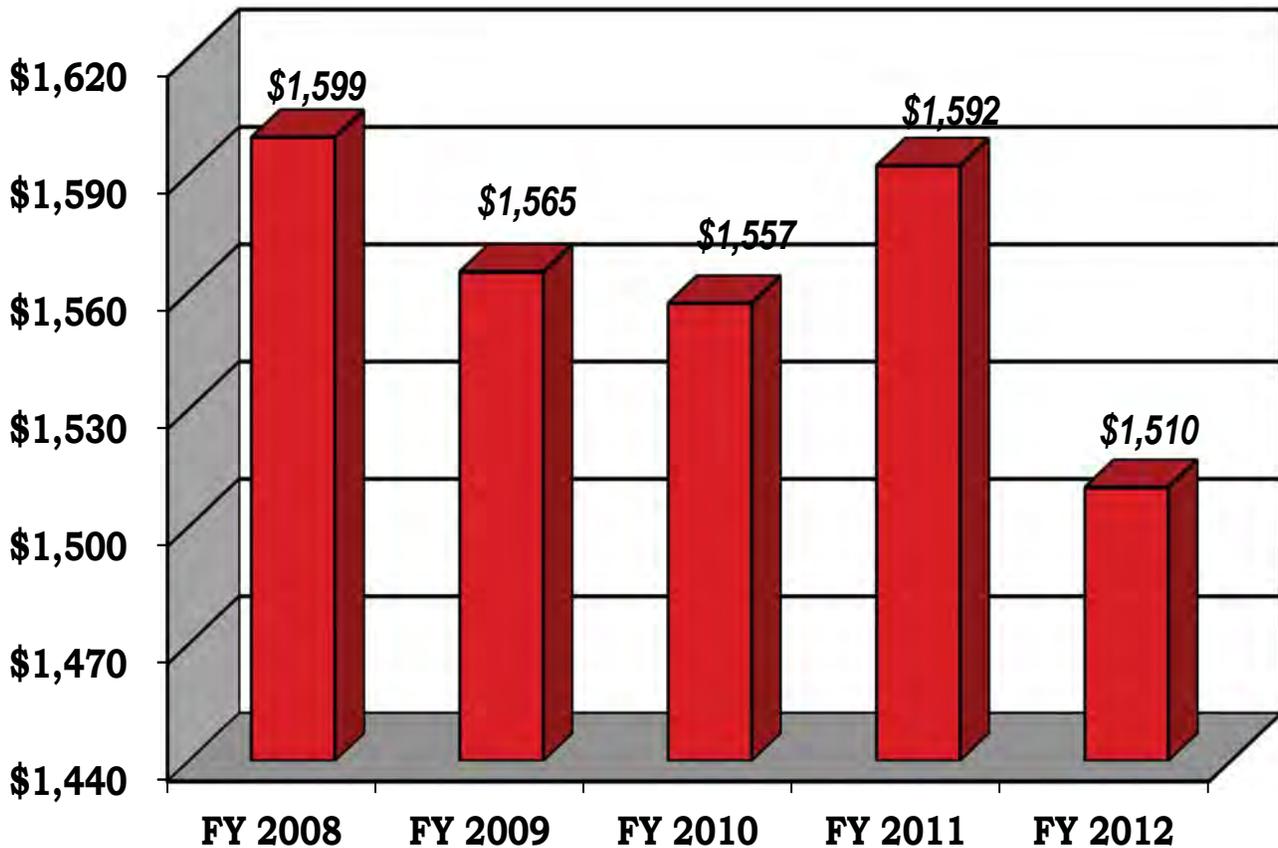
EXPENDITURE ANALYSIS

EXPENDITURE PER CAPITA

Warning Trend: Increase in Expenditures per Capita.

Formula:

$$\frac{\text{Total Expenditures (Constant)}}{\text{Population}}$$



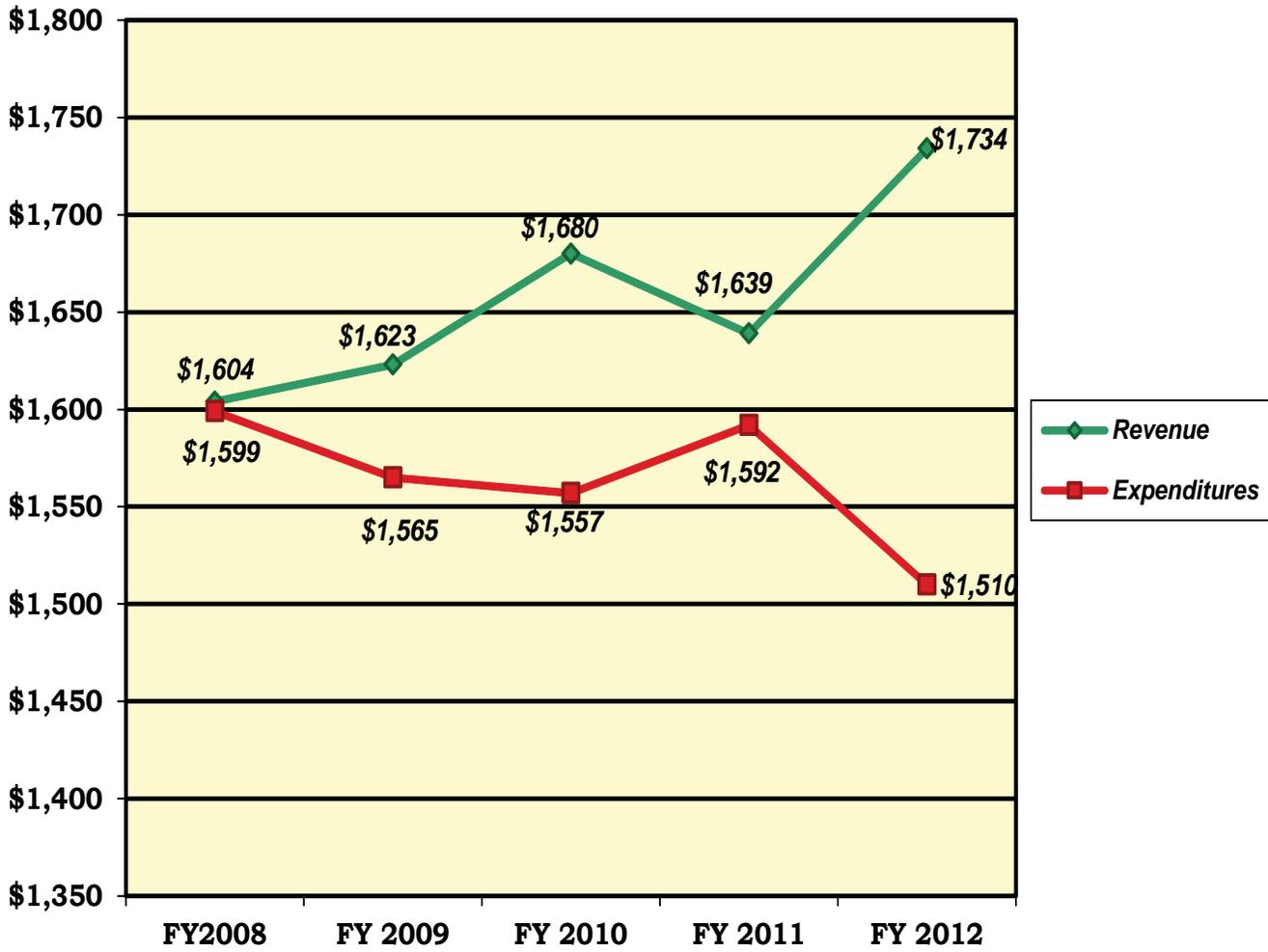
<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Total Expenditures (Actual)*	\$37,202,004	\$35,855,624	\$36,253,398	\$37,245,956	\$36,060,873
CPI Index	215.3	214.5	218.0	224.9	229.6
CPI Constant	121.64	121.19	123.16	127.06	129.72
CPI In Decimals	1.216	1.212	1.232	1.271	1.297
Total Expenditures (Constant)	\$30,583,809	\$29,586,886	\$29,434,827	\$29,312,744	\$27,799,219
Population	19,122	18,905	18,905	18,411	18,411
Expenditure Per Capita	\$1,599	\$1,565	\$1,557	\$1,592	\$1,510
Percent Change	4.02%	-2.15%	-0.51%	2.26%	-5.16%

* Final budget amounts spent in respective FY that differs from adopted FY budget amounts.

Fluctuations in Expenditures can be caused by many factors including new development, debt service, contractual obligations, changes in health and/or liability insurance.

REVENUE & EXPENDITURE PER CAPITA

Warning Trend: Expenditure Per Capita greater than Revenue Per Capita.



	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
OPERATING REVENUE PER CAPITA	\$1,604	\$1,623	\$1,680	\$1,639	\$1,734
EXPENDITURES PER CAPITA	\$1,599	\$1,565	\$1,557	\$1,592	\$1,510

PROPERTY TAX LEVY AS % OF EXPENDITURES PER PROPERTY OWNER

Appropriations	As Modified after Adoption FY 2012	Portion Funded through Tax Levy	Cost per Property Owner	Proposed FY 2013	Portion Funded through Tax Levy	Cost per Property Owner
Municipal Operations						
Business Administration/ Purchasing	\$ 501,890	\$ 314,720	\$72.57	\$ 557,260	\$ 344,414	\$ 79.34
Town Clerk	393,930	247,022	\$56.96	394,019	243,523	\$ 56.10
Police	5,530,990	3,468,317	\$799.70	5,289,096	3,268,924	\$753.03
Fire	2,975,730	1,865,991	\$430.25	3,081,035	1,904,233	\$438.66
Revenue and Finance	932,595	584,802	\$134.84	919,260	568,148	\$130.88
Code Enforcement	0	0	\$0	1,780,689	1,100,554	\$253.53
Human Services	1,109,661	695,835	\$160.44	0	0	\$0
Building and UCC	840,630	527,134	\$121.54	0	0	\$0
Public Works	4,563,360	2,861,546	\$659.80	5,049,609	3,120,909	\$718.94
Legal	396,970	248,928	\$57.40	439,440	271,596	\$62.57
Municipal Court	515,630	323,336	\$74.55	523,710	323,679	\$74.56
Total Municipal Operations	\$17,761,386		\$2,568.05	\$18,034,118		\$2,474.07
Insurance	\$ 6,309,926	\$ 3,956,765	\$911.49	5,617,539	\$3,345,438	\$770.66
Contributions to Organizations	167,700	105,160	\$24.22	185,600	110,531	\$25.46
Morris School District	220,634	138,353	\$31.87	187,159	111,460	\$25.68
Shared Service Agreements	376,404	236,032	\$54.37	367,224	218,695	\$50.38
Support of Library	0	0	\$0.00	0	0	\$0.00
Pensions and OASI	3,354,345	2,103,409	\$484.54	3,260,063	1,941,480	\$447.24
Deferred Charges & Judgment	99,015	62,089	\$14.30	279,100	166,214	\$38.29
Reserves and Contingent	719,000	450,863	\$103.86	1,130,000	672,954	\$155.02
Grants	452,375	283,671	\$65.35	2,327,333	1,386,007	\$319.28
Capital Improvements	45,000	28,218	\$6.50	180,000	107,196	\$24.69
Debt Service	5,779,739	3,624,300	\$834.90	5,074,152	3,021,833	\$696.11
Reserve for Uncollected Taxes	726,930	455,836	\$105.01	852,346	507,601	\$116.93
Total Other Appropriations	\$18,251,068		\$2,636.42	\$19,460,516		\$2,669.76

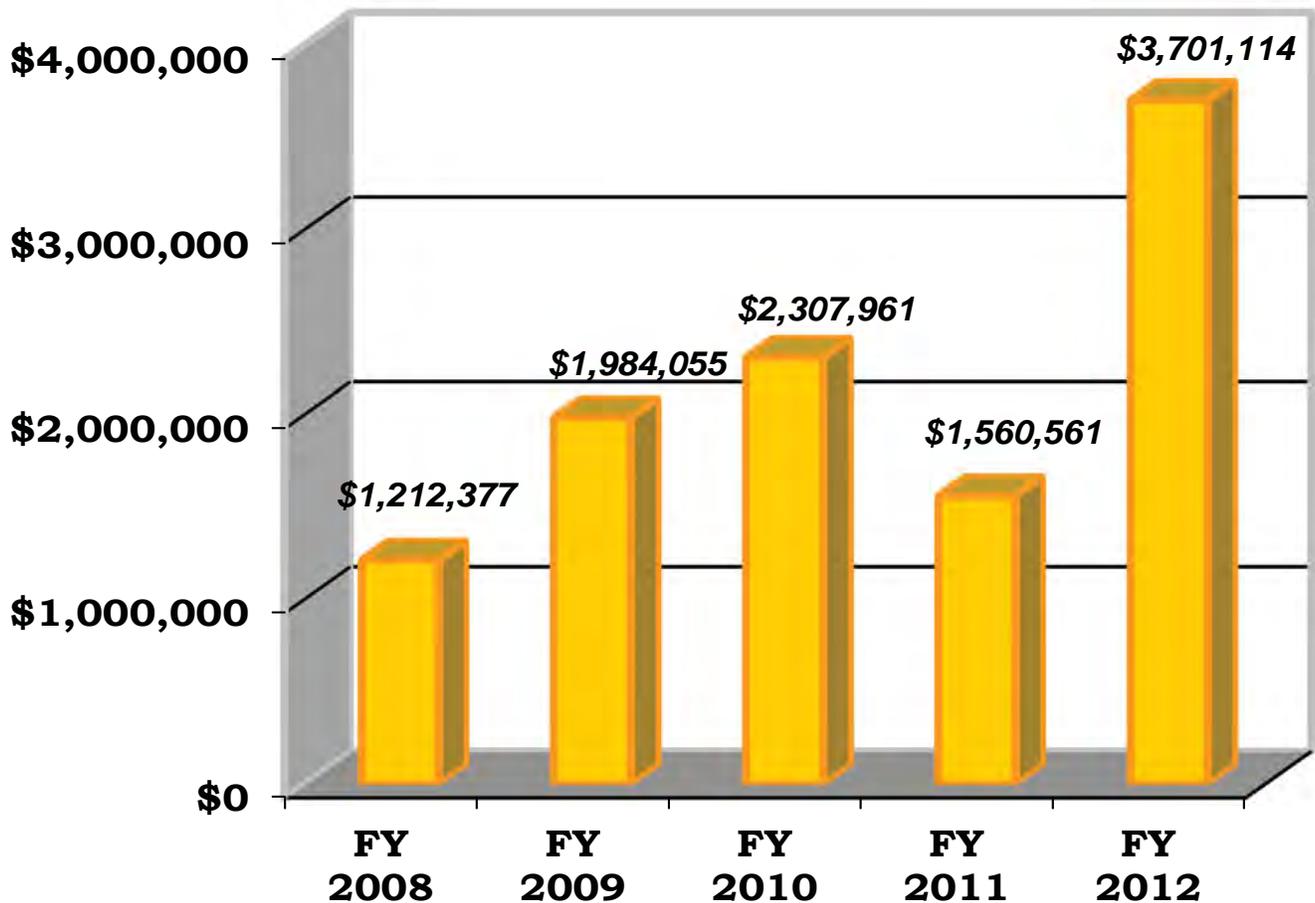
Tax Levy	\$ 22,582,326		\$22,329,349
Total Taxable Property Units	4,341		4,341

Tax payers should be aware of what municipal services and other expenditures are funded through the budget as well as how much of their tax dollars are being spent for each appropriation purpose. To illustrate these costs in a different manner, the chart above shows how much a property owner would pay annually for each area of the municipal budget if the tax levy was not based upon Net Assessed Valuation ("NAV"), but was determined simply by owning a property in the Town.

OPERATING POSITION

CHANGE IN FUND BALANCE

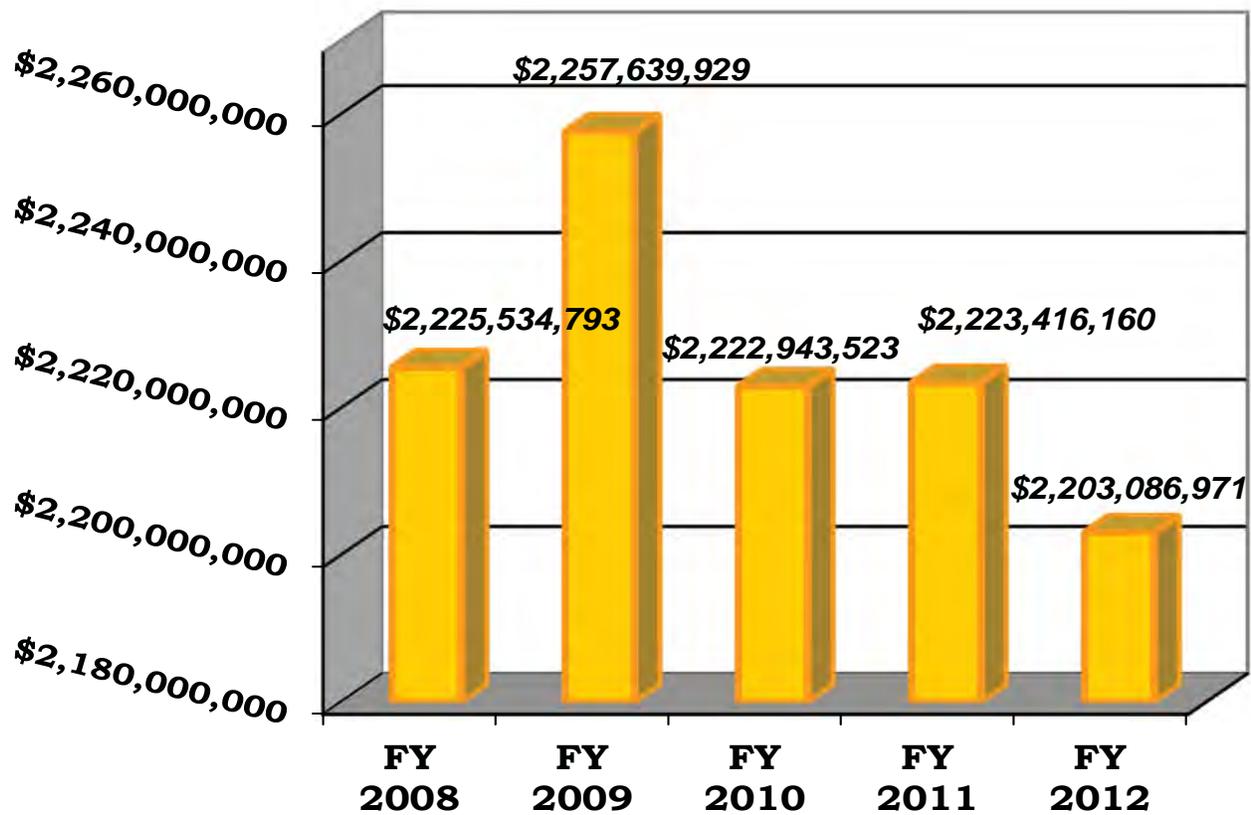
Warning Trend: Decrease in Fund Balance - 6% of the operating budget is an acceptable level of fund balance (approximately \$2 million).



<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Fund Bal. January 1st	\$3,025,060	\$1,212,377	\$1,984,055	\$2,307,961	\$1,560,561
Fund Bal. December 31st	\$1,212,377	\$1,984,055	\$2,307,961	\$1,560,561	\$3,701,114
Change in Fund Balance	\$(1,812,683)	\$771,678	\$323,906	\$(747,400)	\$2,140,553
Percentage Change	-59.92%	63.65%	16.33%	-32.38%	137.17%

CHANGE IN NET ASSESSED VALUATION

Warning Trend: Decrease in Net Assessed Valuation.

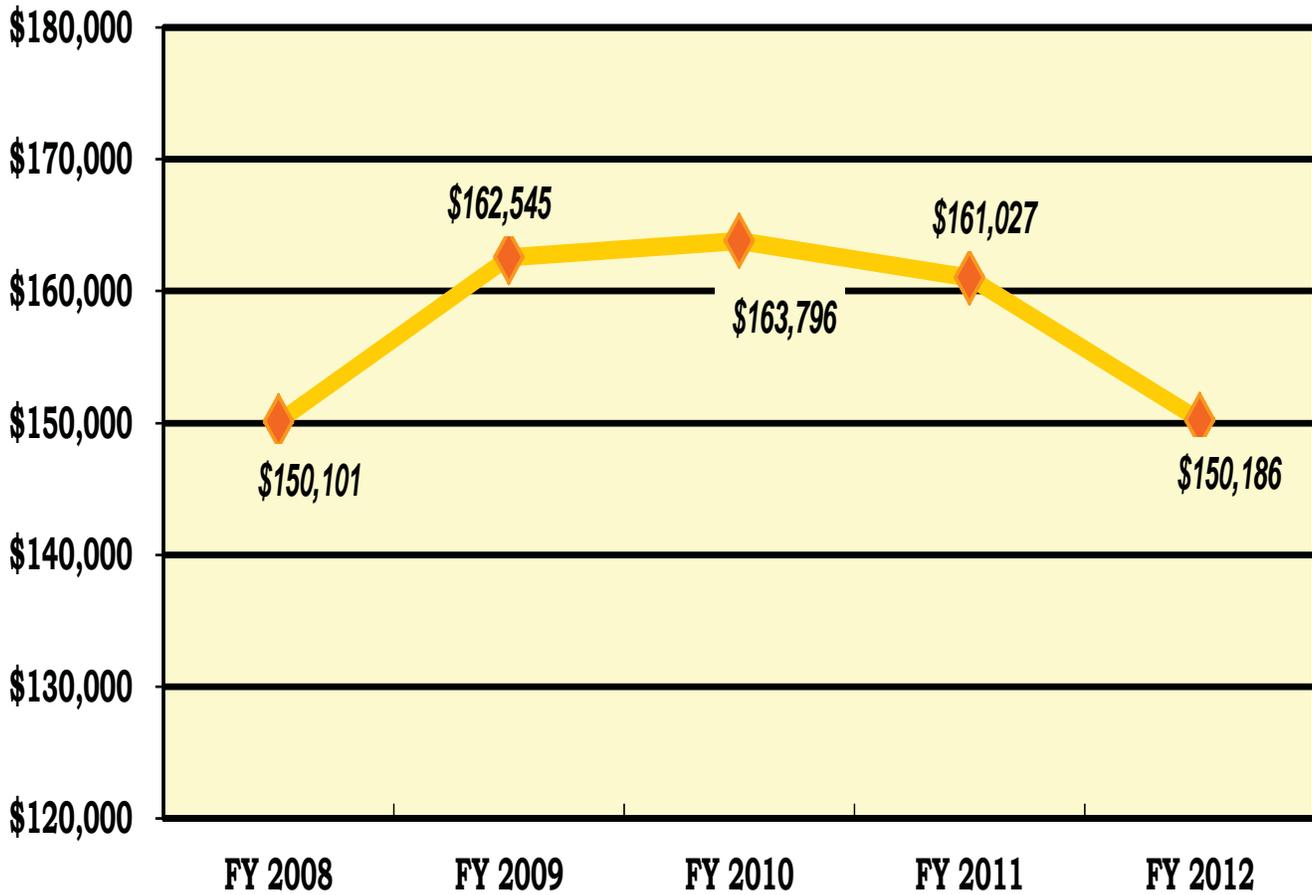


<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
NAV Bal. January 1st	\$2,272,701,864	\$2,225,534,793	\$2,257,639,929	\$2,222,943,523	\$2,223,416,160
NAV Bal. December 31st	\$2,225,534,793	\$2,257,639,929	\$2,222,943,523	\$2,223,416,160	\$2,203,086,971
Change in NAV (\$)	\$(47,167,071)	\$32,105,136	\$(34,696,270)	\$472,637	\$(20,329,189)
Percentage Change	-2.08%	1.44%	-1.54%	0.02%	-0.91%

The graph above clearly shows the Town’s year-to-year struggle with, on the positive side, NAV increases due to new development projects and, on the negative side, tax appeal losses as a result of the severe real estate market downturn.

EQUALIZED VALUE PER CAPITA

This indicator is used for comparison purposes only.

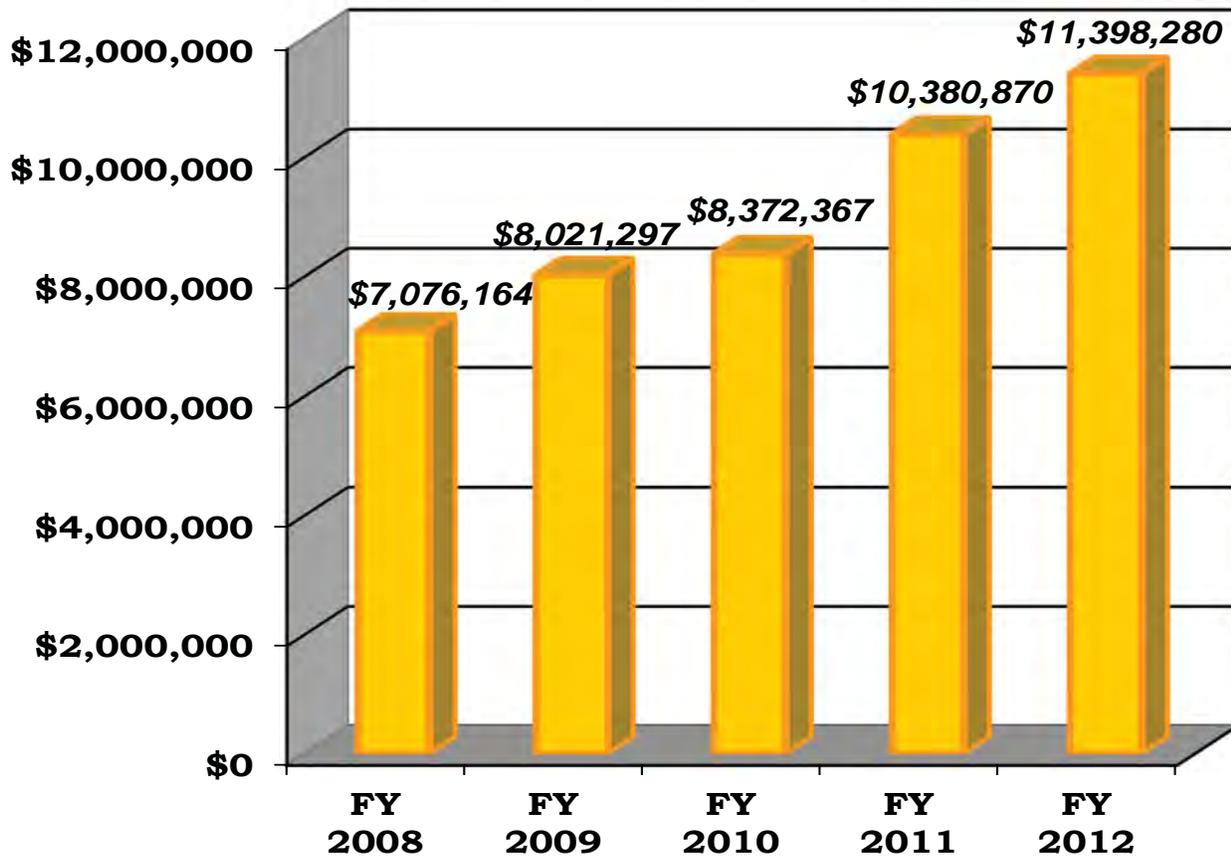


YEAR END	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
3 Yr. Avg. Equalized Valuation	\$2,870,223,314	\$3,072,921,003	\$3,096,558,331	\$2,964,665,587	\$2,765,081,613
Population	19,122	18,905	18,905	18,411	18,411
Equalized Value Per Capita	\$150,101	\$162,545	\$163,796	\$161,027	\$150,186

CASH FLOW

Warning Trend: Decline in Cash Balance.

Formula:
Cash Balance as of December 31st



<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Cash Bal. (Jan. 1st)	\$8,672,750	\$7,076,164	\$8,021,297	\$8,372,367	\$10,380,870
Cash Bal. (Dec. 31st)	\$7,076,164	\$8,021,297	\$8,372,367	\$10,380,870	\$11,398,280
Change in Cash Balance	\$(1,596,586)	\$945,133	\$351,070	\$2,008,503	\$1,017,410
Percentage Change	-18.41%	13.36%	4.38%	23.99%	9.80%

Liquidity determines a Town’s ability to meet its short term obligations. Poor levels of liquidity may be a sign of future economic disruption.

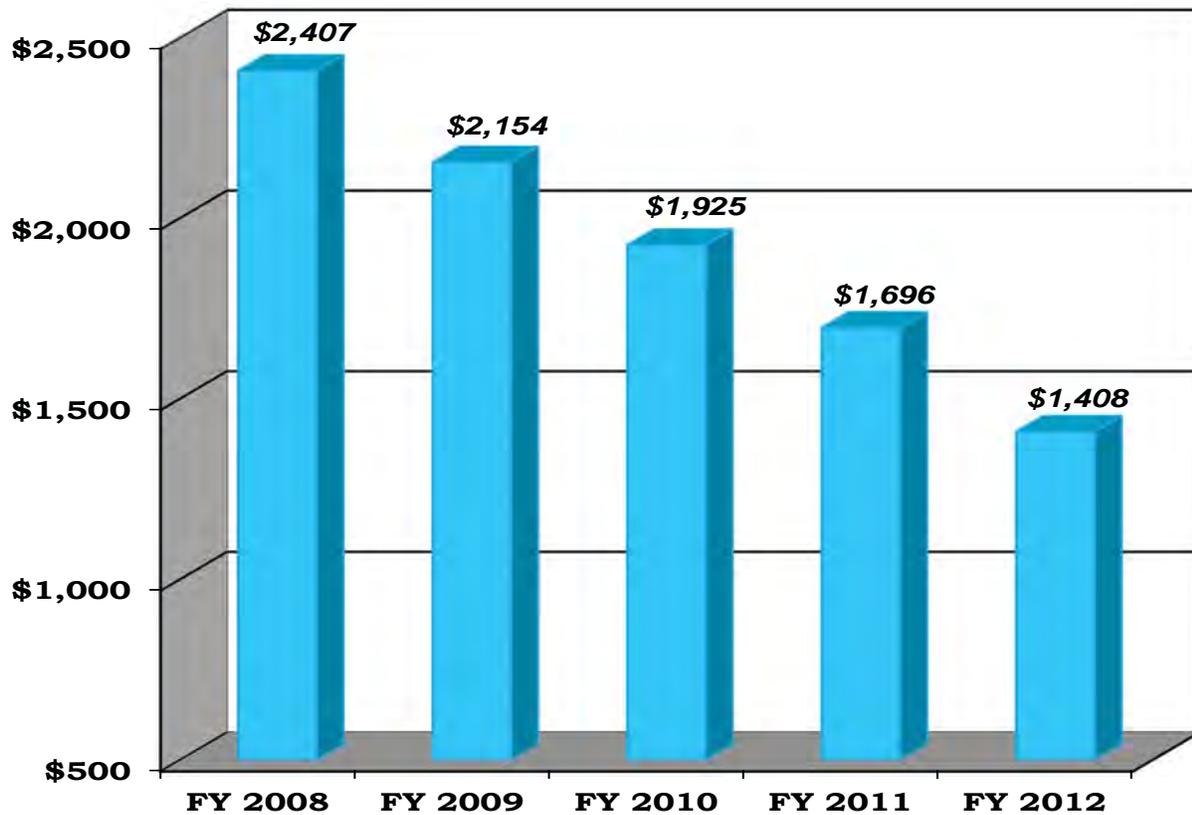
DEBT STRUCTURE

NET DEBT PER CAPITA

Warning Trend: Increasing Bonded Long Term Debt Per Capita.

Formula:

$$\frac{\text{Net Debt (Constant)}}{\text{Population}}$$



FISCAL YEAR	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Total Net Debt	\$55,775,393	\$49,339,393	\$44,811,391	\$39,673,439	\$33,635,057
CPI Index	215.3	214.5	218.0	224.9	229.6
CPI Constant	121.64	121.19	123.16	127.06	129.72
CPI In Decimals	1.216	1.212	1.232	1.271	1.297
Net Debt (Constant)	\$45,853,435	\$40,713,250	\$36,383,225	\$31,223,185	\$25,929,164
Population	19,122	18,905	18,905	18,411	18,411
Net Debt Per Capita	\$2,398	\$2,154	\$1,925	\$1,696	\$1,408
Dollar Change	\$(257)	\$(244)	\$(229)	\$(229)	\$(288)
Percent Change	-9.69%	-10.19%	-10.64%	-11.88%	-16.96%

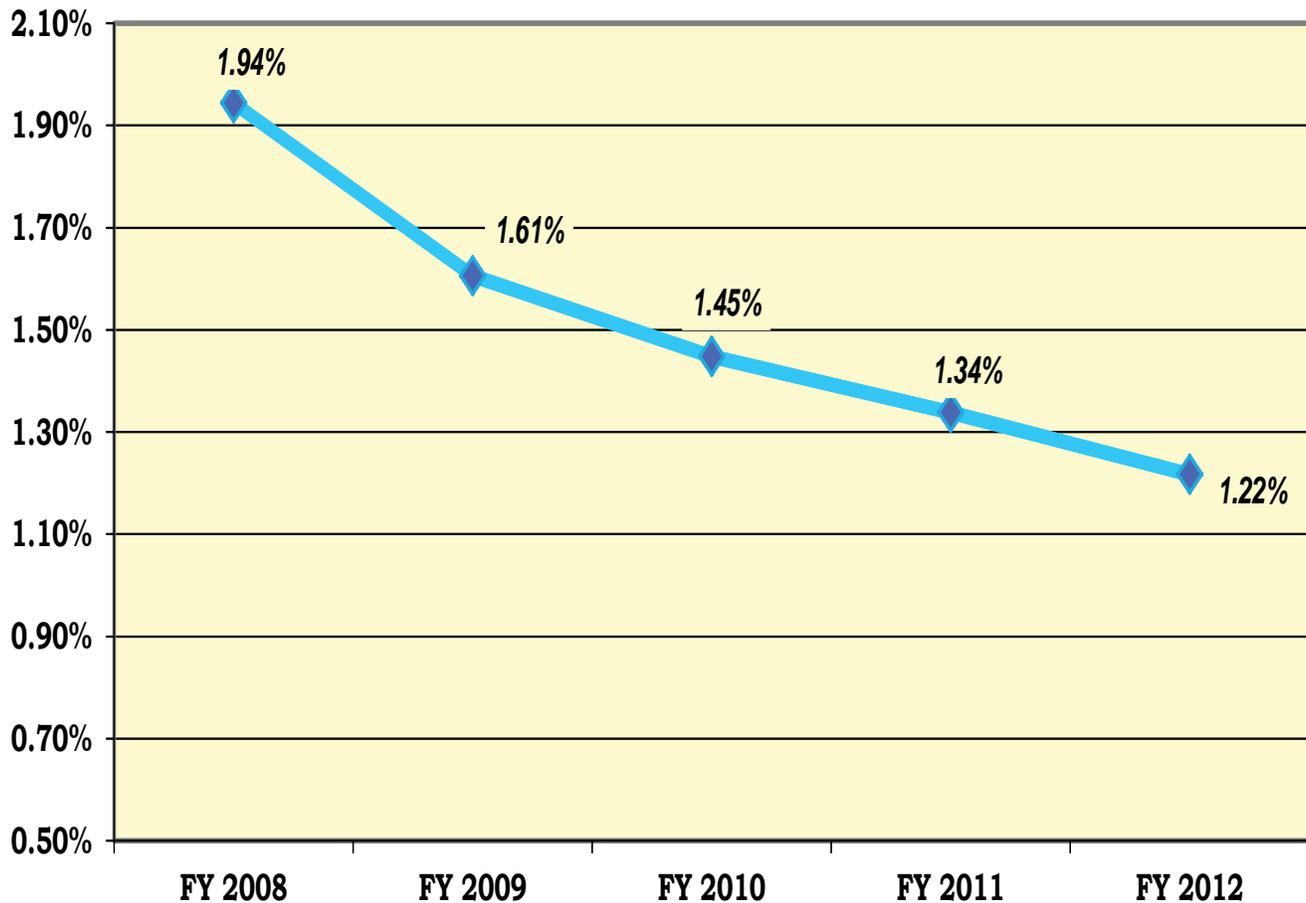
Increased Debt Per Capita presents a threat to the ability of property owners to pay their taxes. This may lead to an increase in outstanding property taxes. The Town’s more fiscally prudent long-term debt management policy over the last 5 years has led to a steady reduction (\$4-5 million per year) in its Net Debt. Indeed, since FY 2005, Net Debt has declined by approximately \$30 million.

NET DEBT AS A PERCENTAGE OF EQUALIZED VALUATION

Warning Trend: Increasing Net Debt as a percentage of average equalized valuation.

Formula:

$$\frac{\text{Net Debt}}{\text{3-yr. Avg. Equalized Valuation}}$$



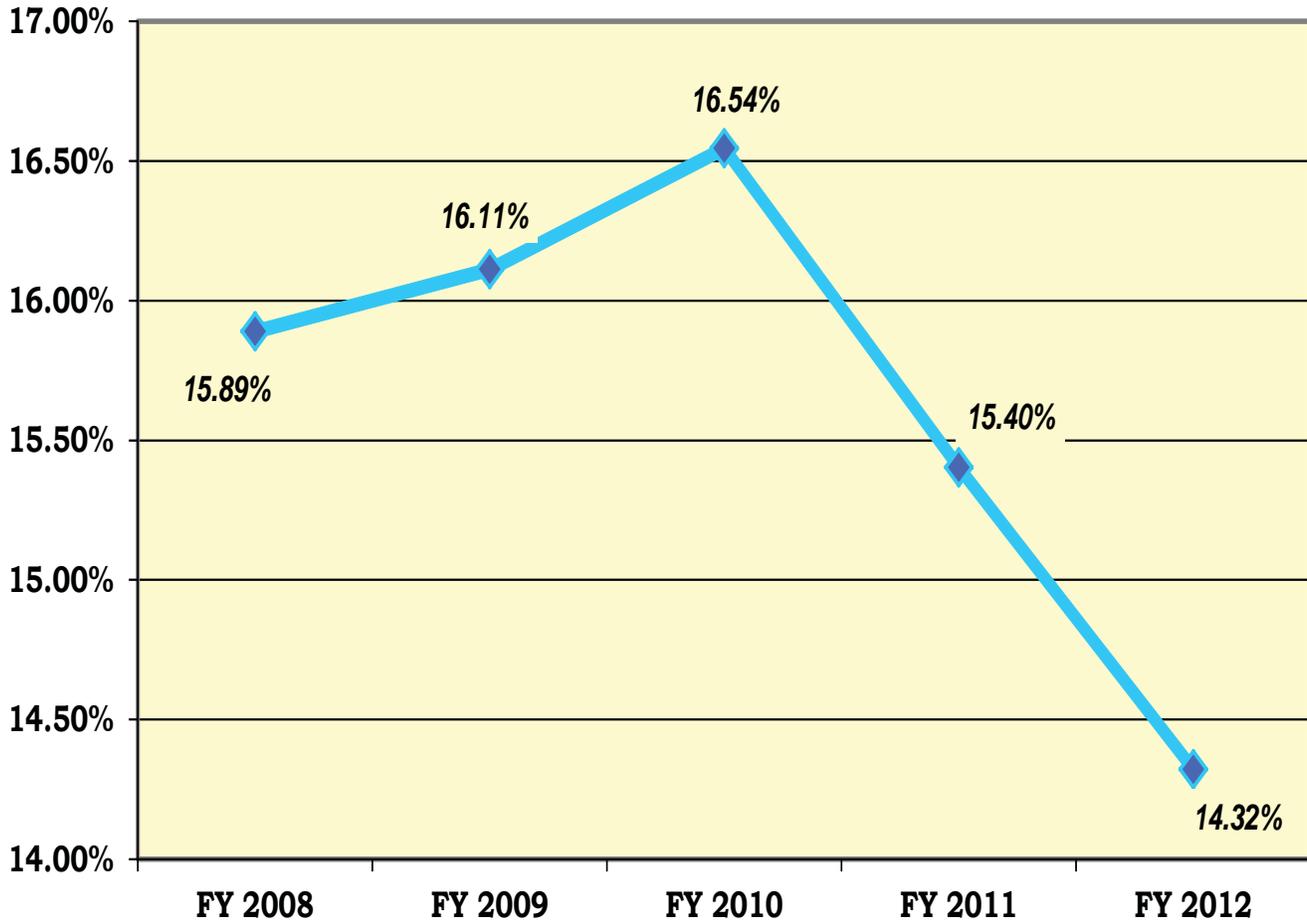
YEAR END	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
3 Year Average Equalized Valuation	\$2,870,223,314	\$3,072,921,003	\$3,096,558,331	\$2,964,665,587	\$2,765,081,613
Net Debt per Annual Debt Statement	\$55,775,393	\$49,339,393	\$44,811,391	\$39,673,439	\$33,635,057
Percentage Change	1.94%	1.61%	1.45%	1.34%	1.22%

DEBT SERVICE EXPENSE AS A PERCENTAGE OF TOTAL OPERATING REVENUE

Warning Trend: Increasing Debt Service expense as a percentage of Operating Revenue (8% is an acceptable general guideline).

Formula:

$$\frac{\text{Debt Service Expense}}{\text{Total Operating Revenue}}$$



<u>YEAR END</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Total Operating Revenue*	\$37,300,738	\$37,191,445	\$37,191,445	\$39,119,674	\$40,283,797
Debt Service Expense**	\$5,927,000	\$5,992,000	\$6,153,000	\$6,025,000	5,768,739
Trend	15.89%	16.11%	16.54%	15.40%	14.32%

* Audited Figures that include Miscellaneous Revenues Not Anticipated (MRNA).

**Increasing Debt Service decreases expenditure flexibility by adding to a Town’s fixed cost obligation (includes interest on BAN’s).