



2014 EXECUTIVE MUNICIPAL BUDGET



Timothy P. Dougherty, *Mayor*

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

FROM: Mayor Timothy P. Dougherty

DATE: April 8, 2014

SUBJECT: **FY 2014 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") 2014 Executive Municipal Budget ("Municipal Budget") to the Town Council for consideration, review and authorization.

I can proudly report as Mayor of this great municipality that our fiscal condition is stable and getting stronger. Four years ago when I became Chief Executive Officer of our Town Government, the state of our organization's financial health was grim. We were confronted by extraordinary challenges that required us to reassess our priorities and reform how we delivered municipal services.

During my first term as Mayor, the Town implemented a number of cost-cutting measures and service delivery contracts with outside entities to achieve meaningful cost efficiencies and, accordingly, save taxpayers millions of dollars. Additionally, the budgetary trend of escalating debt and pension obligations, skyrocketing healthcare insurance premiums, and unsustainable personnel expenses reversed course. As result of these operational changes and cost reductions, Morristown taxpayers saw their Municipal Tax Rate not only stabilize, but slightly decline three consecutive years.

For my second term, I am still committed to our sound financial management practices that have allowed the Town to weather the recent economic crisis, stabilize our municipal operation expenses and rebalance our fiscal structure to maintain its 'AA' Bond Rating with Standard & Poors. Now, after three consecutive Municipal Tax Rate decreases, Morristown property owners can expect another year of NO Municipal Tax increase from the 2014 Budget. Unquestionably, the Town's tax rate stabilization is a direct result of difficult management decisions and prudent fiscal stewardship demonstrated over the last several years.

The proposed 2014 Operating Budget balances revenues and appropriations of \$35.9 million compared with the 2013 Operating Budget of \$37.9 million.

Summary points of 2014 Revenue projections are as follows:

- Non- tax revenue projections are up 2.6% from 2013 realized amounts.
- The Municipal Tax Levy is approximately \$67,000 higher than last year. However, \$7.6 million of added valuation to the Town's tax base will provide new revenues to help offset this Levy increase, and keep the 2014 Municipal Tax Rate the same as last year.
- This Budget falls well under the State's 2% Property Tax Levy Cap by over \$166,000.
- State Aid revenues are the same for the fifth consecutive year; and

- Significant building activity is anticipated to continue this year. We expect a 20% increase in Uniform Construction Code Fees from what was collected in 2013.

In addition to a positive revenue outlook, the Town's financial picture is considerably better as a result of this Administration's efforts to restore the health of Morristown's Current Fund Balance. The Town relies on its Fund Balance to protect it from unanticipated revenue and appropriation challenges. Last year, our Fund Balance grew to over \$5 million, which is the largest balance realized in over a decade. Indeed, in 2009, this surplus balance declined to an alarmingly low point of just over a \$1 million. In this year's Municipal Budget, I am proposing to use \$1.7 million in Fund Balance revenue, which is the average amount used over the last 4 years, to offset any additional Municipal Tax Levy increases. I feel confident we will not only replenish this \$1.7 million in our Fund Balance by year end, but will continue to increase it and maintain a level above 15% of our Operating Budget amount.

The following is a synopsis of several main cost drivers that weigh heavily on the stability of this Budget:

- Operating budget debt service will decrease by \$16,000. Since I took office, the Town has reduced operating budget debt by \$13.8 million. Further, the Town's ratio of Debt Service payments to Total Appropriations has dropped by nearly 3.0% from a 2010 level of 17.2%. Sewer Utility debt has dropped by over \$10 million during this same time period. In this year's Sewer Utility budget, over \$825,000 is appropriated to pay down principal on short-term Bond Anticipation Notes. This is nearly \$725,000 more than what is legally required to pay down in 2014.
- The Town's pension bill is approximately \$195,000 lower than its 2013 payment. Over the past two years, pension obligations have declined by \$475,000.
- Following a \$700,000 decline last year, the Town's medical insurance premium will again fall by approximately \$500,000.
- Current and retired Town employees will contribute over \$580,000 toward insurance premium costs, about \$180,000 more than last year. Furthermore, projected employee cost sharing for health care insurance next year will likely exceed \$750,000.
- Due to the extraordinary winter season we just experienced, Public Works Division expenses budgeted solely for overtime, winter salt and snow removal is \$350,000 more than budgeted last year.

This year's budget also continues the Town's commitment to maintain healthy reserve levels. For example, the proposed budget includes \$650,000 to fund our Tax Appeal reserve. In fact, over the last four years, the Town has reserved \$2.25 million in the Tax Appeal reserve to cover property tax revenue losses from any tax appeal judgment or settlement. Even though the Town's tax base is stable and annual tax appeals submitted continue to trend downward, there are still many commercial property tax appeals with high valuation that are pending from prior years.

As a result of labor contract settlements with the six recognized employee collective bargaining units, the proposed 2014 budget includes salary increases from the past two years in addition to the agreed upon increase in 2014. Even though the negotiated cost-of-living percentage increase for all labor agreements average 1.8% over 3 years, the budgetary impact this year will be about \$660,000. Despite these wage increases, Total Appropriations in the 2014 Budget, excluding the Grant line-item amount, will remain about the same as the last two budget years.

The proposed 2014 Capital Improvement Budget Plan estimates \$2.6 million to be allocated for various capital needs. Approximately \$1.8 million of this total amount is for investment in our infrastructure such as roads, sidewalks and streetscapes throughout Town. As a part of this infrastructure allocation, I am requesting \$100,000 to fund a corridor improvement study for Martin Luther King Avenue that will be used to formulate a plan for capital projects needed to revitalize this important area of our Town. The Capital Budget plan also includes \$250,000 for the Joint Morristown & Morris Township Library to fund 25% of their total capital project cost to reconstruct the 1987 Library Wing and its exterior stone masonry walls. I consider the proposed 2014 Capital Budget reflects our unwavering efforts to make infrastructure improvements that foster economic development in Town with a major focus on improvements to our corridor roads that lead into the Central Business District.

I firmly believe this year's Municipal Budget focuses on strengthening core Town services while meeting our obligations to taxpayers. I take great pride in the high level of service our municipal government employees provide our citizens and know that this Budget keeps this Town's financial future on a prudent path. Rest assured, Morristown is moving in the right direction.

The comprehensive FY 2014 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 2009. The FY 2014 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 2014 FINANCIAL BUDGET OVERVIEW

The financial summary totals for FY 2014 approximates \$47.0 million and includes appropriations for both the Operating and Sewer Utility Funds and their Capital Improvement Plans. Compared with FY 2013, the total FY 2014 Financial Budget represents a \$847,914, or 1.8% decrease. The 2014 Municipal Budget, including Grants, is projected to decline by \$2 million, or 1.6%. This is primarily due to substantially lower grant funds awarded thus far to the Town. However, when Grant amounts are removed from the budget calculation, the 2014 Municipal Budget results in a projected increase of \$401,224 from last year. The FY 2014 Capital Improvement Plans combined will require \$2.9 million to fund various infrastructure and equipment needs. This year's request is \$692,000, or 31.3% more than the 2013 Capital budget.

	Financial Summary Totals	
	<i>FY 2013</i>	<i>FY 2014</i>
<u>Operating Fund</u>		
Municipal Budget	\$ 35,187,298	\$ 35,588,522
Grants	2,712,595	310,800
Capital Improvements Plan	<u>1,195,000</u>	<u>2,600,000</u>
Sub-total	\$ 39,094,893	\$ 38,499,322
<i>Percent Change</i>		<i>(1.5%)</i>
<u>Sewer Utility Fund</u>		
Sewer Utility Budget	\$ 7,461,194	\$ 7,921,851
Capital Improvements Plan	<u>1,013,000</u>	<u>300,000</u>
Sub-total	\$ 8,474,194	\$ 8,221,851
<i>Percent Change</i>		<i>(3.0%)</i>
Total Financial Budgets	\$ 47,569,087	\$ 46,721,173
<i>Percent Change</i>		(1.8%)

OPERATING BUDGET – MUNICIPAL PROPERTY TAX IMPACT

FY 2014 BUDGET SUMMARY POINTS

- **Stable Municipal Tax Rate:** The FY 2014 estimated Municipal Tax Rate is \$1.013, which is the same as the 2013 rate. Significant decreases in health care insurance and pension obligations in addition to a modest decrease in debt service payments factored into stabilizing the Municipal Tax Rate.

In FY 2014, one cent (\$0.01) of the Municipal Tax Rate is equal to \$221,074 (*FY 2014*: \$2,210,747,371) as compared with last fiscal year, which one cent was equal to \$220,307 (*FY 2013*: \$2,203,078,442). A \$7.6 million increase in the Town's tax base accounts for almost \$0.005 in the Municipal Tax Rate to offset this year's Municipal Tax Levy increase of \$67,077 (*FY 2014*: \$22,394,526).

- **Total Property Tax Rate Increase Below \$0.01:** 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 2014.

<i>Average Residential NAV (\$350,000)</i>		
<i>Total Property Tax Bill Comparison</i>		
	FY 2013	FY 2014
Municipal Tax	\$3,545.50	\$3,545.50
Morris County Tax	1,043.00	1,036.00
Morris School District Tax	4,322.50	4,385.50
Public Library Tax	<u>136.50</u>	<u>136.50</u>
Total Tax Bill Amount	<i>\$9,047.50</i>	<i>\$9,103.50</i>
Total Property Tax \$ Effect		\$4.67/month or \$56.00/year

Furthermore, for every \$100,000 of assessed valuation, a property owner should anticipate an estimated \$16.00 increase in their total tax bill. The breakdown of this \$16.00 total tax increase per \$100,000 assessed valuation is as follows: *Municipal*: \$0.00; *County*: \$2.00 reduction; *School District*: \$18.00 increase; and *Public Library*: \$0.00.

- **\$166,411 UNDER Property Tax Levy Cap:** For four 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 \$22,560,937. However, the Municipal Budget requires only \$22,394,526 in property tax revenues this year. In FY 2013, the Town budget was \$1,045,080 under the Property Tax Levy Cap, which it is permitted under the State law to "bank" for three budget years (FY's 2014-16). The FY 2014 budget utilizes \$0 of its prior years Levy Cap bank, which totals \$2,912,258.

REVENUES

FY 2013 RECAP

The Town's total revenues realized last year surpassed anticipated projections by \$818,008. Of the 26 main revenue line-items in the Executive Budget, only three (3) realized declines. Line-items that experienced increases totaled \$853,622 more than anticipated as opposed to declining revenue line-items that amounted to \$35,614 in revenue loss. Additionally, the Town collected nearly \$522,333 in Miscellaneous Revenue Not Anticipated ("MRNA") from sources such as FEMA recovery of emergency appropriations incurred in 2012 due to SuperStorm Sandy, interest on investments, recycling and payments in lieu of taxes (PILOT).

LOCAL AND SPECIAL ITEM REVENUES

- Total Local Revenues realized were above anticipated amounts by approximately \$226,034. Moreover, Special Items of Revenue ended up \$151,695 above projected amounts.
- The Fees & Permits revenue category continued to surpass annual expectations as it has for the last several years. Property Maintenance, Vital Statistics and Zoning revenues realized exceeded 2013 projections by a combined \$45,000.

- Municipal Court fines & costs collected were much higher than anticipated. Total Court revenues realized last year were \$864,207, which was \$66,458 above budget projections.
- Swimming Pool fees came in nearly \$16,814 more than expected, which was consistent with realized amounts during the last four years.
- Interest and Costs on Taxes rebounded from a low point in FY 2011, the lowest amount realized since FY 2006, to exceed its anticipated amount by \$21,194.
- Municipal Hotel and Motel Occupancy tax revenues shot upward by \$139,508 from what was projected. This substantial increase in revenue (FY 2013 - \$496,508) was well above the 8-year average of \$348,262.

DEDICATED UNIFORM CONSTRUCTION CODE FEES

U.C.C. fees collected far exceeded projections last year. Revenues realized (\$1,281,683) were approximately \$451,000 above what was anticipated, which is a great indicator that capital investment remains strong in Morristown.

RECEIPTS FROM DELINQUENT TAXES

Property tax collection has experienced very good collection rates over the last five years. Yet, 0.99% of total property taxes billed in FY 2012 that remained delinquent in 2013 led to approximately \$60,532 more revenue than was anticipated.

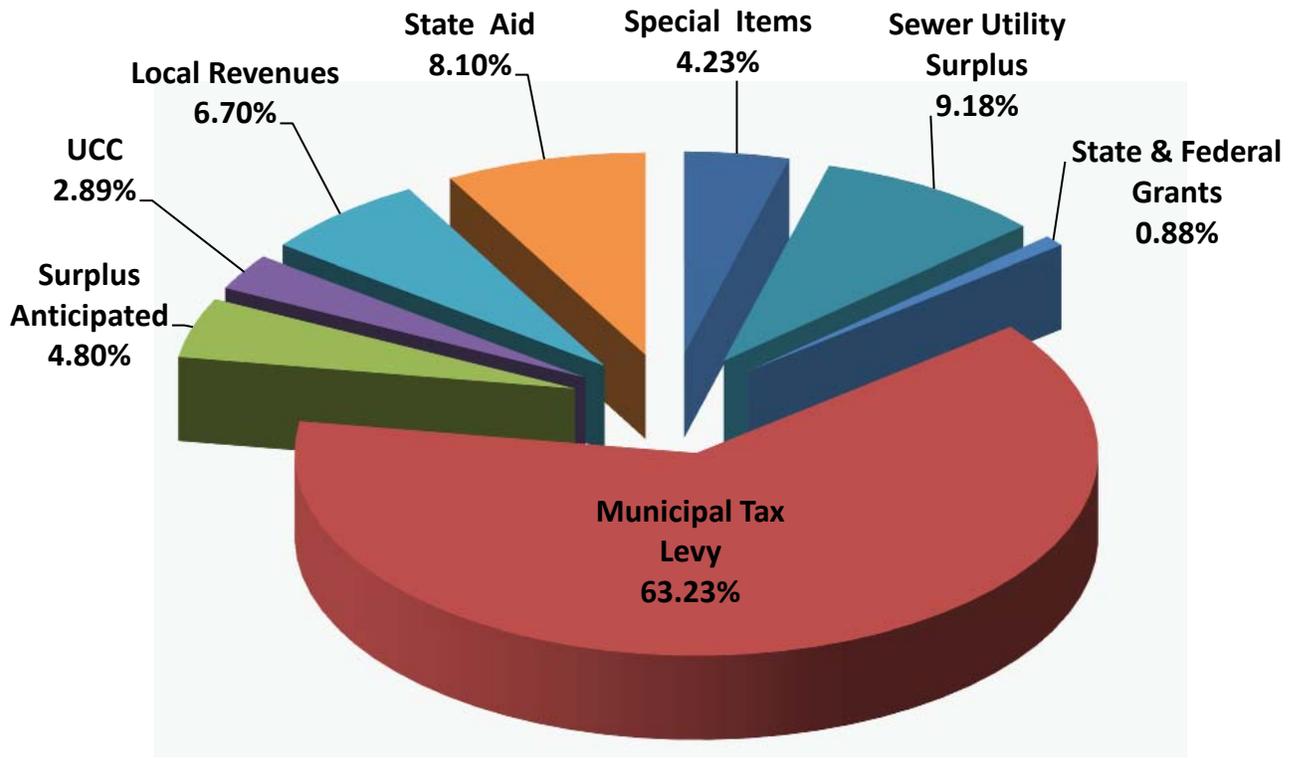
In FY 2013, Outstanding Property Taxes as a Percentage of the Total Property Tax Levy dropped from 0.85% to 0.83% after a two year trend upward (see Revenue Analysis: Page 2-10).

FY 2014 GENERAL REVENUES SYNOPSIS

Total projected non-tax revenues (excluding Receipts from Delinquent Taxes) are \$12,713,996, up about \$281,147 from FY 2013 realized revenues. State aid revenues are expected to stay the same. Local Revenue sources will decline by \$146,000 due to \$300,000 in lost projected 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. Anticipated Special Items of Revenue and U.C.C. fees, however, are expected to be much higher this year by \$534,000 and \$195,000, respectively. In FY 2014, the Administration conservatively expects most revenues to remain stable.

The Administration recommends using \$1.7 million of Fund Balance (Surplus) to balance out the Municipal Tax Levy. Approximately \$1.06 million will be used to fund one-time appropriation reserve line-items such as \$650,000 in the Reserve for Tax Appeals (see Revenue Allocation table, Page 9). Similar to the last several 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 2014 Municipal Budget (see General Revenue section, Page 4-1 for specific dollar amounts).

FY 2014 ANTICIPATED REVENUES (%)
“WHERE THE BUDGET \$\$ COMES FROM”



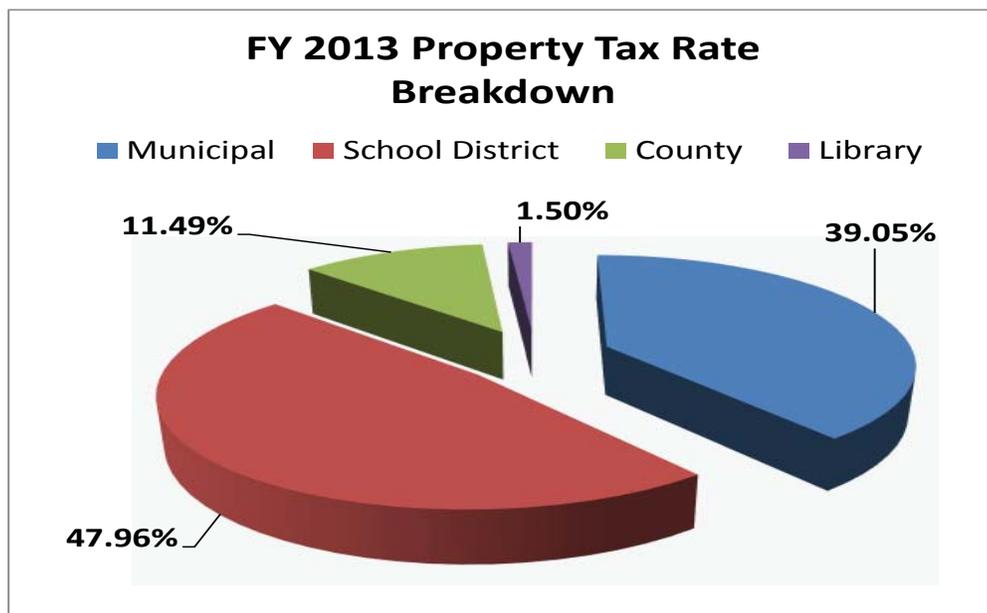
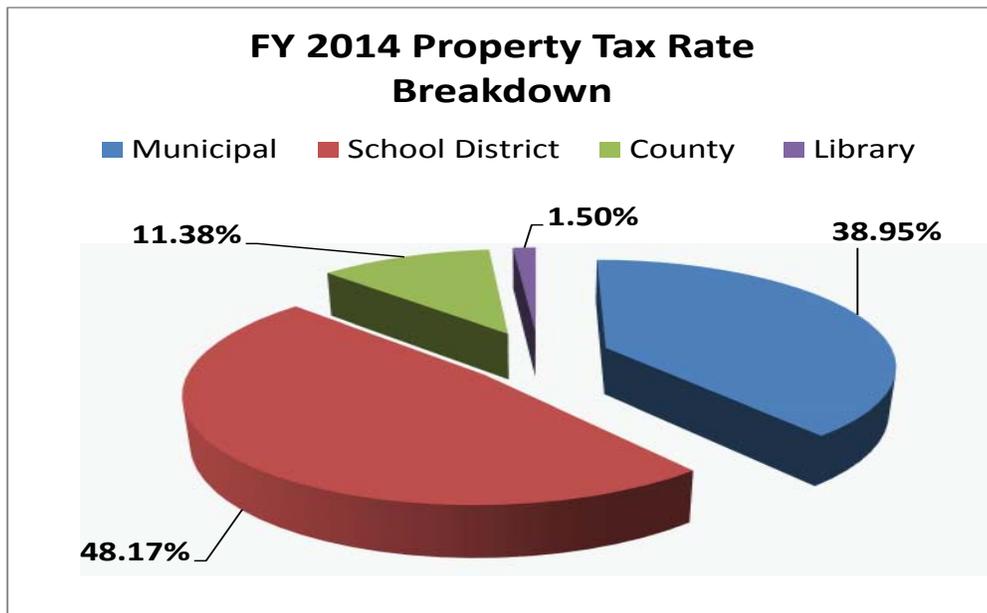
Compared with FY 2013, the percentage of Municipal Levy Taxes to Total General Tax Revenues will increase by 3.00% (FY 2014: 63.23% vs. FY 2013: 60.23%). This increase in the Municipal Tax Levy percentage is mainly tied to a \$2.4 million State & Federal Grant line-item reduction in the Municipal Operating Budget. Last year, Grant monies received (\$2.7 million) comprised over 6.2% of Total General Tax Revenues as compared with 0.88% projected this year.

The chart below shows each component of the total property tax rate for the last four years (plus projected FY 2014). The Property Tax Rate pie charts depict the percentage breakdown of each tax rate for fiscal years 2013 and 14, and includes the Library Tax Rate created under State Law three 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 2010	FY 2011	FY 2012	FY 2013	FY 2014
Municipal	\$1.035	\$1.017	\$1.016	\$1.013	\$1.013
School District	1.218	1.263	1.251	1.244	1.253
County	0.332	0.311	0.309	0.298	0.296
Library*	N/D	0.044	0.041	0.039	0.039
TOTAL	\$2.585	\$2.635	\$2.617	\$2.594	\$2.601

* 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 2013 to FY 2014.

OVERALL PROPERTY TAX LEVY

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	% Change from FY 2013
Municipal	\$23,373,806*	\$22,607,344	\$22,582,326	\$22,327,449	\$22,394,526	0.03%
County	\$ 7,476,378	\$ 6,885,080	\$ 6,847,901	\$ 6,526,730	\$ 6,536,993	0.02%
Regional School	\$27,507,088	\$28,073,029	\$27,812,081	\$27,397,371	\$27,711,111	1.13%
Library**	N/D	\$ 988,534	\$ 922,288	\$ 868,145	\$ 853,710	(1.66%)
TOTAL	\$58,357,272	\$58,553,987	\$58,164,596	\$57,119,695	\$57,496,340	0.07%

* In FY 2010, Library portion of Municipal Tax Levy was \$1,067,754.

** 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 \$1,700,000 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>	\$ 1,700,000
Total	\$1,700,000
Proposed Appropriation Use	
<i>Reserve for Tax Appeals</i>	\$ 650,000
<i>Municipal Operations</i>	622,000
<i>Capital Improvement Fund</i>	200,000
<i>Reserve for Vacation & Sick Time</i>	125,000
<i>Fire Truck Lease Payment</i>	58,000
<i>Reserve for Salary & Wage Increases</i>	45,000
Total	\$1,700,000

LOCAL & SPECIAL ITEM REVENUES

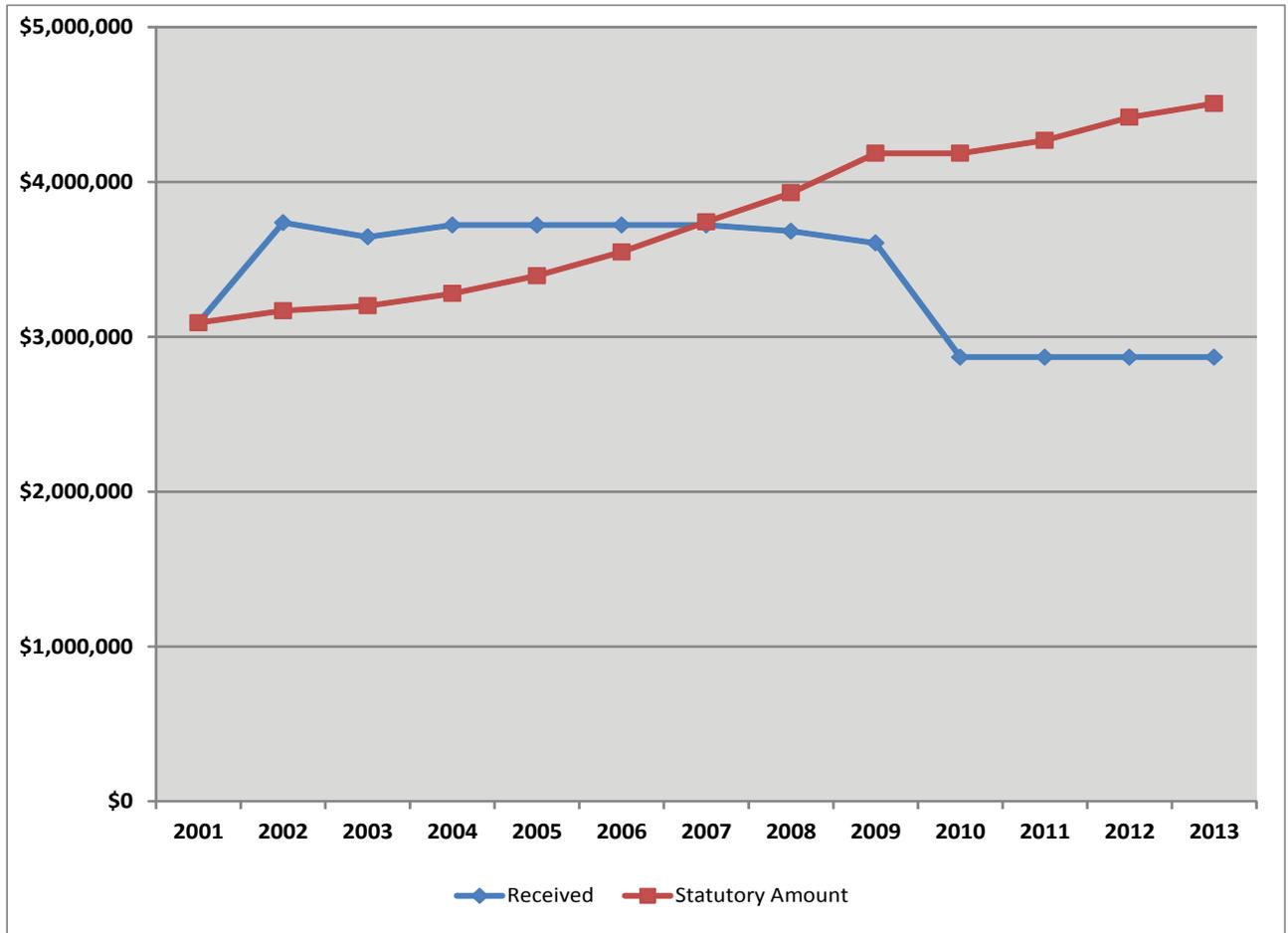
While the Administration expects most Local and Special Items of Revenue amounts to remain similar to what was collected last year, there are a few notable revenue source increases in 2014. Cable Franchise fees grew modestly last year and, as a result, about \$15,000 more is anticipated in the 2014 budget than in 2013. Since 2010, this revenue source has substantially grown by 104%. Under the Town's Fire Bureau EMS program, basic life service revenue recovery is increasing, and the Town projects to collect about the same amount realized last year. This is almost \$32,000 more than what was projected 2013. In 2014, anticipated Municipal Hotel and Motel Occupancy ("MHMO") tax revenues is \$496,000, up from \$357,000 projected last year. Given the amount of MHMO tax revenues realized in 2013, and improving economic conditions in Morris County, the Town believes the upward trend that started in 2010 will continue in 2014. Finally, the Town is budgeting \$128,000 as a special item of revenue expected from FEMA as reimbursement for municipal operation costs incurred during Superstorm Sandy in 2012.

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 8.10% of its total revenues. Six years ago, State Aid revenues used to account for about 10% of the Town's total revenue sources. Unfortunately, since 2009, the loss of over \$734,000 in state revenues 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 several years ago 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 Tax 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	2,868,599	3.50%	4,354,488	(1,485,889)
2013	2,868,599	2.00%	4,506,895	(1,638,296)
	\$ 44,127,033		\$48,920,484	\$(4,793,451)

Moreover, the State reduced its funding this year, as it has for the last seven 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 \$114,166, down \$14,569 from FY 2013. Remaining consistent with their past funding pattern, the State will provide \$2,754,433 in ERT, up \$14,569 from \$2,739,864 in FY 2013, 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 \$450,000 more than what was projected. In 2014, the Town anticipates to experience above-average revenue collection and projects U.C.C. fees will be at least \$200,000 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 exceeded its anticipated tax collection rate last year (98.50%) by 99.17%. The average quarterly delinquency rate percentage in 2013 was about 2.2% (see table below). As of March 15, 2014, outstanding property taxes billed in 2013 are \$331,463. Furthermore, the first quarter FY 2014 taxes billed but uncollected are \$445,825, or 2.9%.

PROPERTY TAX DELINQUENCIES

FY (QTR)	Total Billed	Receipts	Delinquent Taxes	% of Delinquent Taxes Uncollected of Total Billed
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%
2013 (1st)	14,478,398.58	(13,884,570.91)	593,827.67	4.1%
2013 (2nd)	14,478,398.56	(14,125,213.37)	353,185.19	2.4%
2013 (3rd)	14,228,740.38	(14,015,153.34)	213,587.04	1.5%
2013 (4th)	13,809,944.37	(13,724,986.99)	84,957.38	0.6%

PROPERTY TAX LEVY CAP

The Property Tax Levy Cap law strictly limits a municipality to a 2% increase over the previous year's Municipal Tax Levy. The number of exclusions allowed for under the Levy Cap law are 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 2014, the Municipal Budget is \$166,411 under the 2% Property Tax Levy Cap.

APPROPRIATIONS

FY 2013 RECAP

Overall, the Town managed its appropriations last year very well. Although there were no major weather events in 2013 to necessitate emergency appropriations, numerous winter storm days at the end of last year required additional resources and monies to be expended, mainly in Public Works. Due to the unanticipated early winter weather events, the Town spent nearly \$25,000 more for winter salt expenses beyond what was budgeted in 2013. Additionally, Public Works overtime exceeded budgeted amounts by \$38,000 because of expanded weekend clean-up work in the Central Business District. Lastly, for general legal expenses, the Town spent only \$146,000 of \$250,000 appropriated.

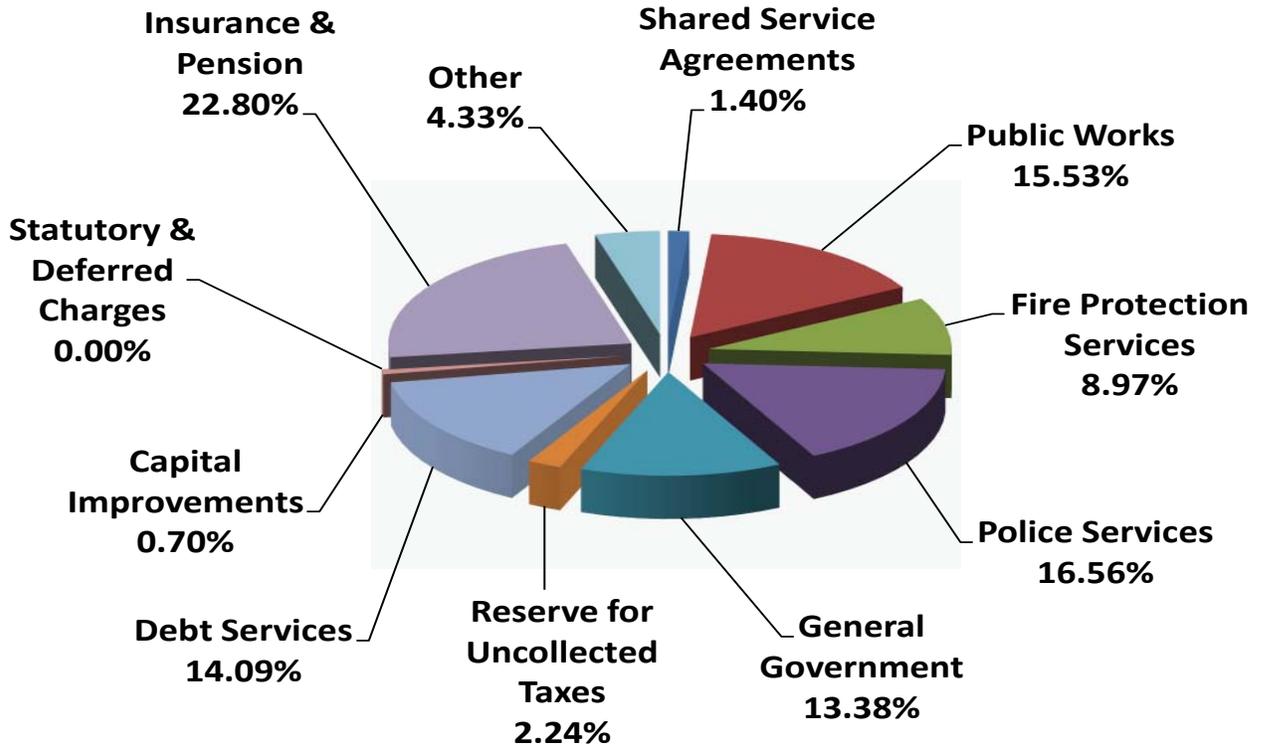
All labor contracts were finally settled with the six (6) employee collective bargaining units for years 2012 through 2014. The average cost-of-living percentage increase for all labor agreements was 1.8% over 3 years. The overall salary increase cost was approximately \$660,000 for these contract settlements. Prudently, the Town budgeted for negotiated cost-of-living adjustments by appropriating \$164,000 and \$275,000 in years 2012 and 2013, respectively, to provide for retroactive salary increases to avoid incurring budgetary hardship last year.

FY 2014 GENERAL APPROPRIATIONS SYNOPSIS

The Town's projected Total Appropriations will decrease this year by over \$2 million. More importantly, net appropriations (Total Appropriations minus Reserve for Uncollected Taxes, Grants and one-time items funded by surplus) will decrease by approximately \$1 million, or 3.0%.

The total percentage breakdown of FY 2014 Municipal Budget appropriations is shown below.

FY 2014 PROPOSED APPROPRIATIONS (%)
“HOW THE BUDGET REVENUES ARE ALLOCATED”



The following tables highlight the projected FY 2014 Municipal Budget top 5 largest appropriation line-items compared with FY 2013, the percentage change from FY 2010 in these same categories, and the 5 largest appropriation increases and decreases this year.

	<i>5 LARGEST APPROPRIATION LINE-ITEMS</i>			
	FY 2013	% of Total Appropriations	FY 2014	% of Total Appropriations
Salary & Wages	\$13,077,208	37.2%	\$13,740,269	38.6%
Debt Service	5,074,152	14.4%	5,058,457	14.2%
Health Insurance	4,853,613	13.8%	4,289,850	12.1%
Pension Obligations	2,615,063	7.4%	2,419,348	6.8%
General Liability/ Workers Comp.	763,926	2.2%	763,926	2.1%
FY Total Appropriations	\$37,899,893		\$35,899,322	

	5 LARGEST APPROPRIATION LINE-ITEMS		
	FY 2010	FY 2014	% Change from FY 2010
Salary & Wages	\$13,662,610	\$13,740,269	0.57%
Debt Service	6,153,000	5,058,457	(17.8%)
Health Insurance	4,556,000	4,289,850	(5.8%)
Pension Obligations	2,884,800	2,419,348	(16.1%)
General Liability Insurance/ Workers Compensation	904,000	763,926	(15.5%)

5 LARGEST APPROPRIATION INCREASES		
	FY 2014 Appropriation Amount	Increase Over FY 2013 Appropriation
Salary & Wages	\$13,740,269	\$663,061
DPW Overtime	350,000	255,000
Shared Services - Public Health	131,655	131,655
Computer Hardware/Software	100,000	51,050
Municipal Property Maintenance	58,050	46,626

5 LARGEST APPROPRIATION DECREASES		
	FY 2014 Appropriation Amount	Decrease Under FY 2013 Appropriation
Health Insurance	\$4,289,850	(\$563,763)
Reserve for Salary Increases	45,000	(230,000)
Pension Obligations (PERS, PFRS, DCRP & CP&F)	2,419,348	(195,715)
Debt Service Interest Payments	866,457	(194,627)
Reserve for Tax Appeals	650,000	(100,000)

Municipal Operations: Total Appropriations needed to fund municipal services are projected to increase to \$19,544,612, a 8.4% increase when compared with FY 2013 (\$18,032,115). Major increases include Salary and Wages (\$663,061), DPW Overtime and Salt (\$301,627), Information Technology Consulting fees (\$50,000), and Voice & Data network expenses (\$39,000). However, since FY 2010, Total Appropriation spending has declined by almost \$1.19 million (excluding Grants), or 3.2%. The tables below depicts the projected 10 largest Other Expense category appropriations in FY 2014 compared with FY 2013 in addition to projected 5 largest Professional Service appropriation line-items.

10 LARGEST OTHER EXPENSE CATEGORY APPROPRIATIONS <i>(Excludes Professional Service Line-Items)</i> FY 2013 and 2014 Comparison		
	FY 2014	FY 2013
Tipping Fees	\$610,000	\$620,000
Electricity (Street Lights)	335,000	325,000
Electricity (Municipal Buildings)	290,000	310,000
Gasoline/Diesel Fuels	280,600	257,500
Maintenance of Office Equipment (includes Software Licensing Renewals)	125,935	123,195
Voice (LAN lines & Cellular) & Data Network Service and Maintenance	164,000	125,000
Maintenance of Motor Vehicles and Equipment	152,000	133,000
Natural Gas/Propane	83,000	76,000
Education/Training	69,255	65,430
Building Maintenance & Repairs	68,520	60,000

5 LARGEST PROFESSIONAL SERVICE APPROPRIATIONS		
	FY 2014	FY 2013
Legal		
• General	\$250,000	\$250,000
• Tax Appeal	300,000	270,000
• 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	150,000
Information Technology	80,000	30,000
Auditor	43,500	43,500

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 \$14,236,277 and account for almost 40% of Total Appropriations. These appropriations total \$754,981 below FY 2013 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 68% and 23%, respectively, of the other 60% of Total Appropriations. Finally, the Town and Morris County have entered into two (2) multi-year Shared Service Agreements for Radio Communication Dispatching and Public Health Services that total \$364,480 and \$131,655, respectively.

SALARY & WAGES

The 2014 total Salary and Wage amount that includes base salary, longevity and step increases for all union and non-union employees is \$13,740,269, an increase of \$663,061 over last year. Further, there is \$293,000 more in overtime budgeted this year (Total OT - \$750,700) largely attributed to the Public Works Division and the past winter snow plowing/removal season. The chart below shows the impact from any salary increase budgeted in 2014, which is broken down by non-union employees and collective bargaining units.

FY 2014 SALARY & WAGE INCREASES

GROUPS	TOTAL FULL-TIME EMPLOYEES	2013 TOTAL SALARIES	2014 TOTAL SALARIES	% INCREASE in 2014	\$ INCREASE
PBA Local 43 (Patrol Officers)	38	\$2,692,959	\$3,087,587	2.25%	\$88,251
PBA Local 43 (Superior Officers)	15	1,785,298	1,827,214	2.25	41,916
Non-Union Employees	29	2,331,961	2,378,600	2.00	46,639
Municipal Employees Association	57	3,428,635	3,498,716	1.75	70,081
FMBA Local 43	24	1,850,521	1,883,910	1.75	33,389
FMBA Local 243	5	568,091	577,694	1.75	9,603
Local 255 Supervisors	5	404,535	400,256	1.50	5,916
TOTAL	173	\$13,077,208	\$13,740,269		\$295,795

OTHER DEPARTMENTAL EXPENSES (EXCLUDES GENERAL LEGAL LINE-ITEM)

Net total municipal operation Other Expenses (\$4,876,494) will increase this year by \$363,230, or 8.0% from FY 2013 (\$4,513,264). Notable appropriation increases are Municipal Property Maintenance (\$51,050), Winter Salt (\$46,627), and Tax Appeal Professional Fees (\$30,000).

UTILITY AND ENERGY COSTS

In January 2012, the Town held an online electricity auction that Reliant Energy prevailed as the low bidder with a price of \$0.07425 basic generation fixed cost price for a 24 month term (50% of electricity supplied came from various renewable energy sources). With the 2 year contract expiring in February 2014, the Town held another online electricity auction in December 2013 at which time Direct Energy was the lowest bidder for general electricity supply (\$0.07787 basic generation fixed cost price for a 12 month term) and Liberty Power for street lighting supply (\$0.08015 basic generation fixed cost price for a 12 month term). Both of these suppliers will generate 75% of its electricity from various renewable sources. Overall, the Town anticipates to save over \$65,000 this year when compared with current JCP&L basic generation service costs. The table below reflects the positive financial impact realized over the past 2 years by utilizing an online procurement auction platform to contract for electricity supply.

Budget Line-Item	2011	2012	2013	Total Cost Savings Over 2 Year Period
Buildings	\$365,200	\$288,848	\$255,000	\$ 186,552
Street Lights	351,813	275,105	311,000	117,511
Sewer Utility	<u>102,366</u>	<u>97,000</u>	<u>96,000</u>	<u>11,732</u>
TOTALS	\$819,379	\$660,953	\$662,000	\$315,795

The Town's original electricity cost savings estimate was \$125,000 per year (\$250,000 total). As shown above, the Town exceeded its 2-year cost savings estimate by over \$66,000.

Retail gasoline/diesel fuel prices continued to fluctuate last year, but the price swing was smaller. Thus, based on current market conditions and price ranges, the Administration is budgeting a \$25,600 increase above last year in this line-item. Unfortunately, natural gas and propane costs surged upward in 2013 and continue to rise this year which is why the Town is budgeting a \$10,000 increase in these 2014 line-items.

INSURANCE

For FY 2014, the Town's health care insurance premium of \$4,289,850 will decrease by \$563,763, or 13.1% from last year as a result of the Town completing its 2 month lag premium payback obligation to Horizon Blue Cross/Blue Shield (approximately \$430,000 for one month premium repayment in 2013). In 2013, the Town continued to experience a very good loss rate of medical claims-to-premiums paid, which ended up at 72% ratio. The industry average year ratio level is around 80-83%. Compared with FY's 2009 and 2010 extremely poor claims-to-premium ratio at 105%, the last three 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 \$230,000.

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' revised investment return assumption in both the Public Employees Retirement System (PERS) and Police and Fire Retirement System (PFRS) has kept the Town's pension obligations this year below 2013 amounts. In fact, earlier estimated pension obligations in 2014 indicated that the Town would have been required to pay \$2,573,658. However, the revised FY 2014 pension bill is \$2,392,148, a reduction of \$181,510 from the original pension estimate.

The table below depicts the last eleven (11) 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
2014	633,931	1,758,217

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

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

So why did pension obligations escalate during the period 2004 through 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 2008 needed to be borne in that particular budget year instead of having reserves to offset the phase-in amount.

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 this budgetary decision greatly relieved taxpayer burden in 2009, unfortunately, the pension bill was fully restored in FY 2010 to 100% of the FY 2009 cost plus annual actuarial adjustments. The table above illustrates what the Town’s annual pension obligation payments were as they phased back in, deferred again, and then returned to a 100% cost basis.

In FY 2012, the Town started repaying the pension deferral amounts, and will continue to do so for the next 13 years. The added cost to the Town’s 2014 pension obligation directly related to the 2009 deferral is \$151,703.

RESERVE FOR UNCOLLECTED TAXES

Last year’s tax collection rate was 99.17%. The \$804,949 budgeted in FY 2014, which is roughly \$47,000 below last year, is based on a 98.6% 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 0.5% this year with the option to increase it another 3.0% to 3.5% with the adoption of a CAP Bank Ordinance, the Town will be well-under its allowable Total Appropriation limit again in FY 2014 by \$1,973,550.

FY 2015 AND FY 2016 APPROPRIATION PROJECTIONS

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

- 2% Anticipated Total General Revenues
- 2% Salary & Wage increase
- 2-5% Other Expense increases
- 7.5% Health Care Insurance increase
- 7.5% Pension Obligation increase
- Town Net Assessed Valuation (NAV) Stable at FY 2014 level

	<i>FY 2014</i>	<i>Projected FY 2015</i>	<i>Projected FY 2016</i>
Non-Tax General Revenues	\$13,213,996	\$13,478,276	\$13,747,841
General Appropriations (Grants excluded)	\$34,783,573	\$35,804,409	\$37,210,212
Reserve for Uncollected Taxes	<u>804,956</u>	<u>805,000</u>	<u>805,000</u>
Total Appropriations	<u>\$35,588,529</u>	<u>\$36,609,409</u>	<u>\$38,015,212</u>
Amount to be Raised by Taxes (Municipal Tax Levy)	\$22,394,242	\$23,131,133	\$24,267,371
Municipal Tax Rate	\$1.013	\$1.046	\$1.098
Percent Effect on Projected Municipal Tax Rate		3.29%	4.91%

Be mindful these are only projections, but do provide conservative estimates of what to expect in the coming years. The projected FY 2015 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 7.5% 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. 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 (63.23%). 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
2014	\$24,721,200	\$1,250,437,042	\$697,605,000	\$226,722,100	\$11,253,500	\$2,210,738,842
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

Since FY 2009, the Town has had sizable added assessments. However, the added assessments from various new projects have been offset by a large number 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 2013 for a FY 2009 assessment also affects the 2009 through 2014 NAV. Settlements, on the other hand, forestall future tax court appeals saving the Town money in the long term. 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 2008-2014 (to date)</i>						
Description	2009	2010	2011	2012	2013	2014
Additions:						
<i>New Added Assessments</i>	\$14,700,700	\$8,545,500	\$11,204,200	\$19,128,200	\$1,797,600	\$6,152,140
<i>Exempt to Billable</i>				264,600		657,600
Reductions:						
<i>State & County Judgments*</i>	(32,436,100)	(8,676,621)	(5,541,200)	(2,909,200)	(1,345,650)	
<i>Assessment Settlements in Lieu of Future Appeal</i>			(22,867,731)	(18,926,100)	(14,205,289 - Verizon) (202,200)	(443,300)
<i>Judgments settled for previous years</i>	(3,550,000)	(10,486,300)	(6,959,100)	(2,157,600)	(4,866,400)	(16,822,100)
<i>Billable to Exempt</i>				(3,051,500)	(714,400)	
NET ASSESSMENT GAIN/LOSS		\$(10,617,421)	\$(24,163,831)	\$(7,651,600)	\$(18,190,689)	\$(10,455,660)
* 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:

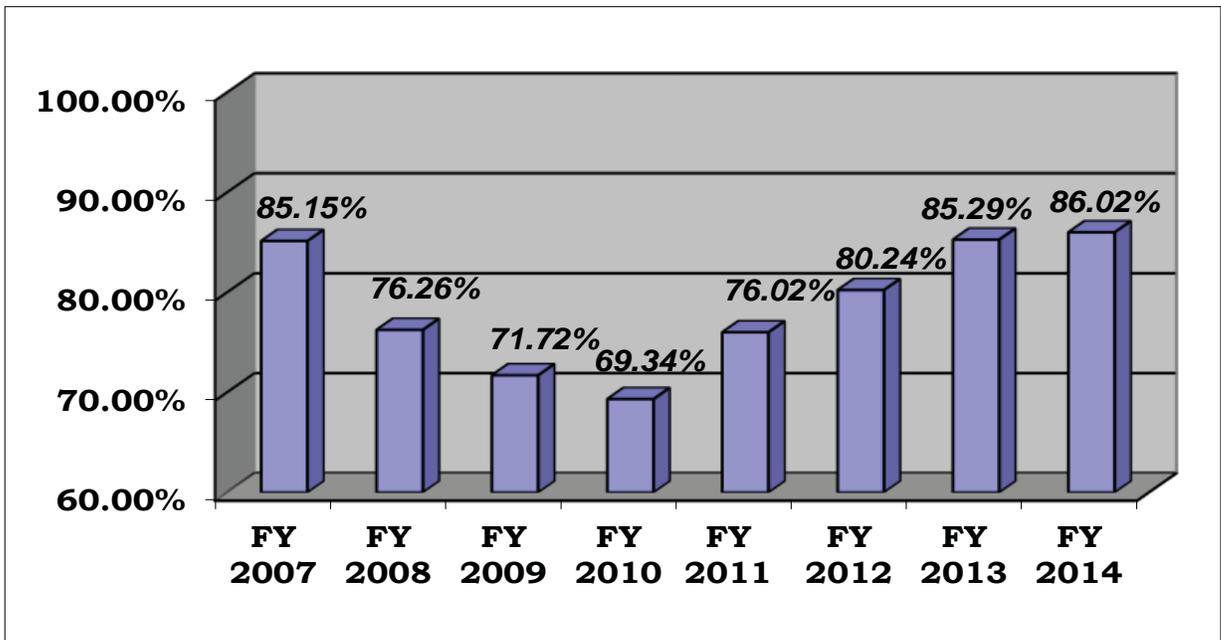
<i>FY 2013 and FY 2014 NAV Comparison</i>				
	FY 2013	FY 2014	\$ Difference	% Change
Vacant Land	\$ 25,321,600	\$ 24,721,200	\$ (600,400)	(2.37%)
Residential	1,241,869,042	1,250,437,042	8,568,000	0.69%
Commercial	697,912,200	697,605,000	(307,200)	(0.04%)
Apartment	226,722,100	226,722,100	0	0.00%
Industrial	11,253,500	11,253,500	0	0.00%

Compared with FY 2013 when the Town experienced a net total loss in NAV of \$20,329,190, the NAV increased by \$7,660,400 this year. As evidenced in the chart above, most of the net valuation increase was a result of a new 18-unit residential townhouse project.

Total tax appeal applications for FY 2013 totaled 209 comprised of 118 filed with the State tax court, and 91 with the County tax board. Of the those filed with the State tax court, there were only 5 new applications as the others were property owners that have pending appeals from prior years. The County tax appeal filings were down significantly from 2012 when 154 applications were submitted. Last year, 7 of the 209 tax appeals were either adjudicated or settled. The table below shows the type of property classification under appeal, total number of appeals filed in that respective classification, the number of appeals adjudicated and/or settled, and the 2013 old and new total NAV of those properties and the differential amount.

<i>FY 2013 Tax Appeal Summary State & County Appeals</i>					
<u>Class</u>	<u># of Appeals</u>	<u>NAV</u>	<u># of Appeals Adjudicated</u>	<u>Adjudicated/ Settlement NAV</u>	<u>Difference</u>
Vacant	6	\$ 5,076,900	0	\$ 5,076,900	\$ 0
Residential	91	41,544,400	6	41,581,950	37,550
Commercial	98	242,305,100	1	240,921,900	(1,383,200)
Apartment	12	94,844,000	0	94,844,000	0
Public Utility	2	8,529	0	8,529	0
TOTAL	209	\$383,778,929	7	\$382,433,279	(\$1,345,650)

The Town’s NAV-to-Fair Market Valuation (“FMV”) 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 2007 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 2014 ratio is based on weighted sales data from July 2010 to June 2012, and from selected sales from July 2012 until June 2013. The graph below illustrates the Town’s Ratio for FY 2014, and the preceding seven years.



As evidenced in the graph above, the Town’s Ratio has trended upward over the last 4 years as FMV real estate sales data decreased vis-a-vis NAV. The 16.68% Ratio move from 69.34% in FY 2010 to 86.02% 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. Upon recommendation from the Town’s property tax appeal professionals, the reserve amount needed in FY 2014 is \$650,000, down \$100,000 from last year. New commercial tax appeals filed last year decreased from 30 in FY 2012 to 5 in FY 2013. In total, there are approximately 118 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 \$669,780 to property owners.

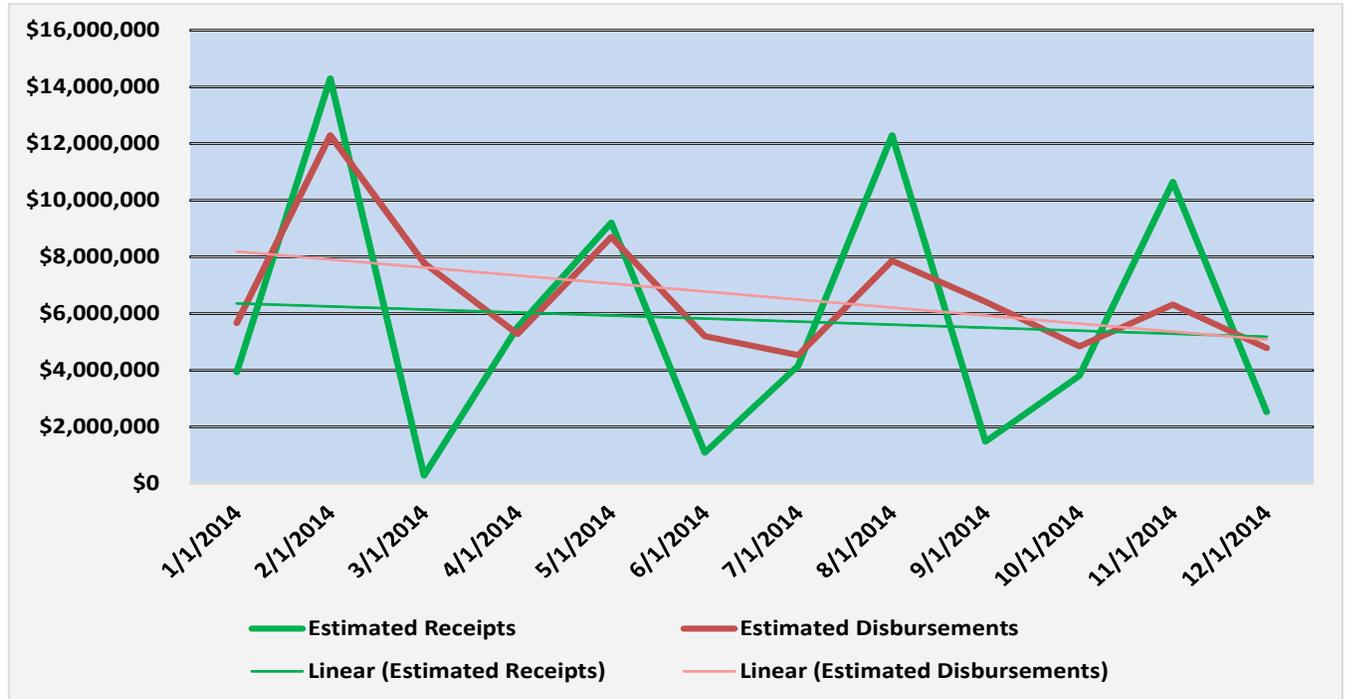
In 2013, the Town paid out over \$81,493 to employees for accrued time who either resigned or retired (\$69,804 for vacation and \$11,689 for sick days). As a result, the Town has depleted its Reserve for Vacation and Sick Pay and is requesting \$125,000 in this year’s budget to replenish the Reserve.

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 Tax Anticipation Notes (“TAN’s”) 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 \$250,000 toward TAN principal in March 2014 and reduced this year’s TAN borrowing to \$3.25 million. Moreover, first quarter tax payments collected this year, 97.1%, are exceeding last year’s collection percentage in this same quarter, and in line with the first quarter average for the last four 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 2014 - December 2014



<i>Month</i>	<i>Receipts (Est.)</i>	<i>Disbursements (Est.)</i>
January 2014	\$ 6,249,844	\$ 4,971,391
February	8,663,775	11,727,936
March	3,852,359	9,022,350
April	4,628,432	5,088,186
May	10,187,272	8,391,798
June	1,102,764	5,650,536
July	2,258,246	2,455,404
August	14,888,563	10,718,236
September	1,712,172	6,490,986
October	4,812,533	4,621,811
November	9,676,131	6,503,501
December	4,022,278	4,628,818

DEBT STRUCTURE

The Town's overall debt service obligations will decrease by about \$16,000 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 one (1) note sale totaling \$1.38 million was 0.70%. In March 2014, the prevailing bid result of the Town's \$3.25 million Tax Anticipation Note sale was a net interest cost of 0.7155%, or annual interest payment of \$23,190.

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 12/31/2013	2014 Debt Refunding	2014 Principal Payment Due	2014 Interest Payment Due	Final Maturity	Primary Funding Source
<i>General Obligation Bonds</i>							
2007	General Refunding Bonds	\$ 592,478		\$ 466,577	\$ 19,576	2015	Property Taxes
2012	General Refunding Bonds	3,570,000		1,210,000	88,950	2016	Property Taxes
2011	General Refunding Bonds	1,226,403		255,104	34,099	2018	Property Taxes
2005	General Refunding Bonds	4,567,263		673,137	296,200	2019	Property Taxes
2007	General Obligation Bonds	7,583,000	2,500,000	1,250,000	189,056	2015	Property Taxes
2007/ 2014	General Refunding Bonds		5,440,000	55,000	17,763	2019	Property Taxes
2009	General Refunding Bonds	1,150,000		0	53,426	2023	Property Taxes
	<i>TOTAL GO Debt</i>	\$ 18,689,144	\$7,940,000	\$ 3,909,818	\$ 699,070		
<i>Sewer Utility Bonds</i>							
2007	Sewer Refunding Bonds	\$ 207,521		\$ 163,422	\$ 6,857	2015	Sewer User Fees
2011A	Sewer Refunding Bonds	2,643,597		549,895	73,501	2018	Sewer User Fees
2007	Sewer Obligations	957,000	320,000	160,000	6,000	2015	Sewer User Fees

2007/ 2014	Sewer Refunding Bonds		685,000	5,000	2,215	2019	Sewer User Fees
2005	Sewer Refunding Bonds	2,692,732		396,863	174,630	2019	Sewer User Fees
2011B	Sewer Refunding Bonds	720,000		85,000	21,006	2022	Sewer User Fees
1993/ 2009	Sewer Refunding Bonds	2,475,000		0	114,988	2023	Sewer User Fees
TOTAL Sewer Utility Debt		\$ 9,695,850	\$1,005,000	\$ 1,360,180	\$ 417,141		

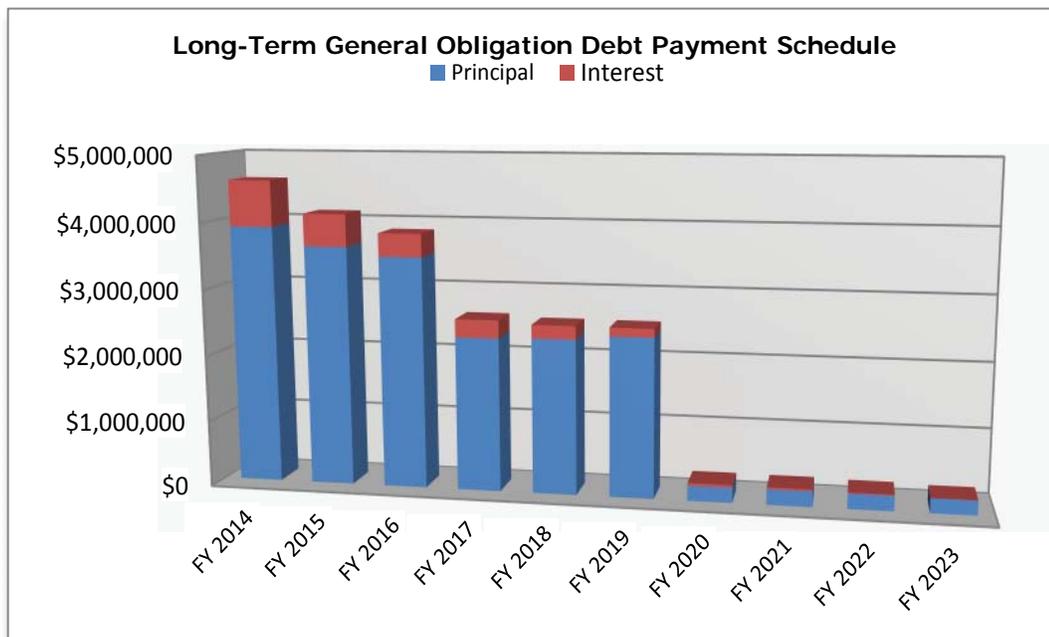
POSITIVE DEBT STRUCTURE TRENDS

Total Net Debt has steadily declined since FY 2004 by over \$35 million, and nearly \$20 million of long term debt since FY 2009 (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, 2013, the Town’s total Net Debt (excludes Sewer Utility debt, but does include short-term Bond Anticipation Notes (BAN’s) is \$30,014,816. The percentage of the total Net Debt to Equalized Valuation [average of last 3 years (2011-13) - \$2,634,667,313] is 1.139%, a 162% reduction since FY 2005 (2.99%). While the Town’s annual Equalized Valuation (FY 2014 - \$2,519,809,853) 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 three years. This indicator reached a high point of 16.11% in FY 2009, and is now at 12.54% (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). Finally, the Town’s ratio of Debt Service to Total Appropriations has fallen by nearly 3.00% from a 2010 level of 17.2%.

The graph and data below sets forth the Total General Obligation debt service schedule for long-term debt from FY 2014 to FY 2023.



Fiscal Year	Total Long-Term GO Debt Payments	Principal	Interest
2014	\$ 4,608,888	\$ 3,909,818	\$ 699,070
2015	4,123,014	3,632,406	490,608
2016	3,852,658	3,501,620	351,038
2017	2,595,694	2,326,491	269,203
2018	2,546,019	2,346,362	199,657
2019	2,539,197	2,414,447	124,750
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 three 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 \$13.4 million in long term debt, leaving only about \$5.7 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, 2013, in the Town’s Current Fund (Operating Budget), the Town has about \$9.35 million outstanding in BAN’s.

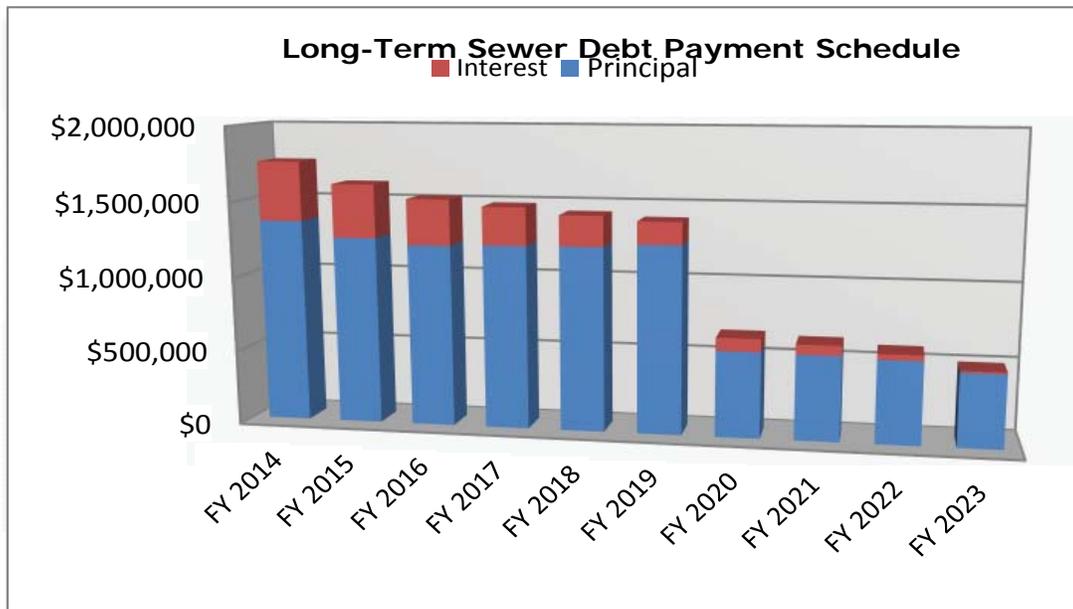
Debt reduction will continue to be a high priority of this Administration, and key to this effort is to limit new debt for capital expenditures vis-a-vis existing principal debt payments during that same year below 60%. For example, in FY 2014, total principal payments will exceed proposed new debt (\$2,600,000) for capital improvement projects by about \$1,592,000. The graph and data below provides ample evidence of how the Town has improved its debt management practices since FY 2002, realizing a total operating budget debt reduction of a net \$23.7 million.

OPERATING BUDGET DEBT REDUCTION vs. NEW DEBT AUTHORIZED

Fiscal Year	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	4,385,000	1,190,000	3,195,000
2011	4,482,000	1,200,000	3,282,000
2012	4,607,953	1,668,500	2,939,453
2013	4,013,068	1,195,000	2,818,058
2014	4,192,000	2,600,000	1,592,000

* Administration request in FY 2014 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
2014	\$ 1,759,377	\$ 1,360,180	\$ 399,197
2015	1,614,481	1,257,596	356,885
2016	1,522,438	1,218,379	304,059
2017	1,482,027	1,228,508	253,519
2018	1,435,177	1,233,637	201,540
2019	1,404,282	1,255,550	148,732
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

In 2013, the Town’s Sewer Utility debt service obligation dropped substantially by \$2.67 million from the year before. The Town’s 2013 Sewer Utility operating budget completely funded over \$1 million in capital projects instead of financing it through short-term debt. This year, debt service is down slightly from last year’s obligation. And, again, the Sewer Utility’s \$300,000 capital project needs in 2014 will be self-funded through its operating budget.

As of the end December 31, 2013, the Town’s Sewer Utility Fund has about \$6.32 million outstanding in BAN’s. Keeping to its commitment to pay off its short-term debt over the next 6 years, the Town is appropriating \$827,000 to pay down principal on its BAN’s in the Sewer Utility budget even though its legal principal installment due is only just over \$100,000. 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, the Town should be able to payoff its existing short-term sewer utility debt within 6 years.

MUNICIPAL PERSONNEL

With staffing levels hitting an historic low in 2012 due to attrition, involuntary workforce reductions and professional service agreements, the Town is cautiously rebuilding its organization with hiring decisions in key functional areas such as Code Enforcement and Public Safety. Over the last year, the Town Organization’s staff grew by 5 additional employees for a total of 183 positions (173 full-time and 10 part-time), with 165 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. 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 2009– 2014

Departments	FY 2009		FY 2010		FY 2011		FY 2012		FY 2013		FY 2014	
	FT	PT										
Administration	4	0	3	0	3	0	3	0	3	1	5	1
Town Clerk	5	0	4	0	4	0	4	0	4	0	3	0
Police	66	0	60	0	55	0	54	0	55	0	57	0
Superior Officers	17	0	15	0	14	0	14	0	15	0	15	0
Detectives	7	0	6	0	6	0	5	0	5	0	6	0
Patrol Officers	34	0	32	0	31	0	31	0	31	0	32	0
Admin. Staff	8	0	7	0	4	0	4	0	4	0	4	0
Fire	33	0	33	0	32	0	31	0	32	0	32	0
Superior Officers	6	0	6	0	6	0	6	0	7	0	7	0
Firefighters	26	0	26	0	25	0	24	0	24	0	24	0
Admin. Staff	1	0	1	0	1	0	1	0	1	0	1	0
Legal	1	0										
Revenue & Finance	7	2	7	0	7	1	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	3	0	3	0
Tax Assessor	0	2	0	0	0	1	0	1	1	1	1	1
Human Services	15	6	12	2	12	1	12	2	0	0	0	0
Code Enforcement	0	0	0	0	0	0	0	0	18	1	20	1
Building & U.C.C. Enforcement	9	1	8	0	8	0	8	0	7	0	7	0
Health	3	2	3	0	3	0	3	1	3	1	2	1
Animal Control	0	2	0	1	1	0	1	0	1	0	1	0

Property Maintenance	6	0	5	0	4	0	4	0	3	0	4	0
Rent Leveling	1	0	1	0	1	0	1	0	1	0	1	0
Zoning	4	0	3	0	3	0	3	0	2	0	4	0
Public Works	50	3	46	3	40	4	38	4	40	5	41	5
Public Works	25	0	24	0	25	2	23	2	27	3	28	3
Sewer Utility	8	0	8	0	8	0	8	0	8	0	8	0
Recycling	7	0	7	0	1	0	1	0	1	0	1	0
Planning	1	0	0	0	0	0	0	0	0	0	0	0
Engineering	4	0	3	0	3	0	3	0	3	0	3	0
Recreation	3	1	3	0	3	0	3	0	1	0	1	0
Bus Transport (Colonial Coach)	1	1	1	1	0	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	7	3	7	2	7	2	7	2	7	2
Admin. Staff	9	0	7	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	0	0	0	0	0	0	0	0	0

Town Personnel	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full Time	199	181	169	165	168	173
Part Time	15	8	8	9	10	10
TOTAL	214	189	177	174	178	183

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 2014 - January 2015). For the third consecutive year, the Town's claim experience improved significantly. It's experience rate of medical claims-to-premiums paid came in around 72% for the last 12 month period. In 2012, it was 66%. During the past 3 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 negotiated a zero percentage (0.0%) increase on its medical insurance premium in 2014. In addition, given that the Town's lag premium payback obligation to Horizon Blue Cross/Blue Shield ended this past year, the Town's projected medical insurance premium appropriations will be down by \$563,763 this 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 5-year savings of \$275,000.

The Town continued its 20+ year relationship with Delta Dental to provide dental insurance coverage for current and retired employees in 2014. Fortunately, the Town’s total dental premium will remain the same this year at an estimated premium of approximately \$230,000.

In sum, medical and dental insurance appropriations will total approximately \$5,684,826. However, factoring in deductions from employee/retiree health care premium cost sharing (\$570,640), healthcare insurance reserves (\$504,336) and allocation of insurance benefit costs to the Sewer Utility (\$210,000) and the Division of Building and U.C.C. Enforcement (\$110,000), the operating budget amount for medical and dental insurance is \$4,289,850.

“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. 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 that reason, the Town will not have to insure 13% of its full-time employees for medical and/or dental coverage this year, realizing an overall total savings of \$499,698 in total insurance premiums.

**MEDICAL AND DENTAL INSURANCE “OPT-OUT” SAVINGS
FY 2006-2014**

Fiscal Year	Number and Type of Employees “Opting-Out”	Total Insurance Premiums	Total Payments to Employee	Total Premium Savings to Town
2014	23 Current Employees 2 Retirees	\$624,698	\$125,000	\$499,698
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 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 who were hired prior to the effective date of Chapter 78 were 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 \$581,000 toward insurance premium costs, about \$171,000 more than last year. Retirees insurance cost sharing obligations are about \$24,000. By next year, projected employee cost sharing for health care insurance will likely rise to approximately \$750,000.

Moreover, pursuant to Town Ordinance O-12B-10, any newly elected or re-elected official whose term started January 1, 2012 or after 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	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	% of Health Insurance Premium	\$60,349.13
	Dental Insurance Paid (Opted-Out of Medical Coverage)	2,151.83
	Traditional Premium Differential	5,652.31
	<i>Group Sub Total - \$68,153.27</i>	
FMBA Local #43	% of Health Insurance Premium	\$85,422.36
	Dental Insurance Paid (Opted-Out of Medical Coverage)	1,444.20
	Traditional Premium Differential	0.00
	<i>Group Sub Total - \$86,866.56</i>	
FMBA Local #243	% of Health Insurance Premium	\$26,209.08
	Dental Insurance Paid (Opted-Out of Medical Coverage)	0.00
	Traditional Premium Differential	0.00
	<i>Group Sub Total - \$26,209.08</i>	

Local 255	% of Health Insurance Premium	\$16,514.28
	Dental Insurance Paid (Opted-Out of Medical Coverage)	0.00
	Traditional Premium Differential	0.00
	<i>Group Sub Total - \$16,514.28</i>	
Municipal Employees Association	% of Health Insurance Premium	\$126,612.48
	Dental Insurance Paid (Opted-Out of Medical Coverage)	2,278.56
	Traditional Premium Differential	9,490.56
	<i>Group Sub Total - \$138,381.60</i>	
PBA#43 (Patrol Officers)	% of Health Insurance Premium	\$152,546.04
	Dental Insurance Paid (Opted-Out of Medical Coverage)	0.00
	Traditional Premium Differential	0.00
	<i>Group Sub Total - \$152,546.04</i>	
PBA#43 (Superior Officers)	% of Health Insurance Premium	\$65,327.40
	Dental Insurance Paid (Opted-Out of Medical Coverage)	1,444.20
	Traditional Premium Differential	0.00
	<i>Group Sub Total - \$66,771.60</i>	
Elected Officials	100% of Single and Family Medical Coverage	\$0.00
	Fully Paid Dental by Official (Opted-out Medical Coverage)	1,444.20
	<i>Group Sub Total - \$1,444.20</i>	
Retirees	Traditional Plan Premium Differential	\$20,016.36
	Dental Price Increase Differential	4,058.04
	<i>Group Sub Total - \$24,074.40</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 14.5% reduction in municipal government positions since FY 2009, 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 four years, the Dougherty Administration initiated and successfully implemented several 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, restructuring its code

enforcement functions into a new Department and entering into a shared services agreement with the County of Morris for Public Health Services. With these changes, both efficiency and cost effectiveness have been achieved and millions of taxpayer dollars will be saved. Moreover, the Administration's system-wide performance management initiative – Morristown Performs - continues to evolve with new GIS web based technological platforms being integrated into Code Enforcement, Public Works and Public Safety operations to enhance service delivery efficiency and effectiveness. Finally, the Administration has upgraded and expanded its Local Area Network (LAN) and Wide Area Network (WAN) systems that will dramatically improve day-to-day voice and data communications.

BUREAU OF POLICE PROTECTION

The Morristown Bureau of Police is currently staffed with 53 sworn officers as result of two (2) hires made during 2013. The Bureau remains dedicated to putting 'cops on the beat' in both the business and residential areas of Morristown in the form of foot and bicycle patrols. Simultaneously, the Bureau utilizes technology in the form of GPS systems, computers and recording systems in its efforts to prevent and solve crime. Revenue realized from a joint law enforcement task force is allowing the Police Bureau to purchase items that will be used to better serve the community such as four-wheel drive vehicles, security systems and motorized vehicle recording systems.

The Town continues to grow as a 'destination' for charity events, walk-a-thons, races, festival parades and other events, all of which require planning and staffing by Police Bureau personnel. Planning for the Super Bowl LXVIII highlighted the continued responsibilities of the Bureau at Morristown Airport. Incidents such as those that occurred at the Boston Marathon and the elementary school in Newtown as well as numerous other locations throughout the country highlight the need for continued emergency response training by Morristown Bureau of Police personnel.

Morristown's continued growth and attractiveness to business owners, residents and consumers as well as the activity occurring nearly 24 hours a day present numerous challenges to the Bureau and its personnel that are met with a combination of basic policing technique and state of the art technology.

BUREAU OF FIRE PROTECTION

While the Fire Bureau continues to operate and provide the highest quality of service for its citizens, the Bureau also provides a regional response to all emergency calls. In fact, the Fire Bureau has incorporated regional training within all of its mutual aid agreements. As a result, all mutual aid fire departments are better cross trained to provide a more cost effective and efficient fire suppression response.

The Administration authorized the Fire Bureau to continue its participation in the federally-funded Urban Search & Rescue (USAR) program. USAR training and equipment is provided at no cost to the municipality. On average, the Bureau has received \$90,000 in rescue equipment over the last two years. Such items include new hydraulic cutting "jaws of life's," thermal imaging cameras, air packs, among other equipment.

Even though one firefighter retired last year, the Fire Bureau will maintain its current staffing level as a new hire started in February 2014. This new hire joined the Bureau already a New Jersey licensed

Emergency Medical Technician (EMT). Further, this new firefighter will continue to maintain that certification as well as take part in USAR training.

The Fire Bureau continues to update all of its Standard Operating Procedures and Guidelines in order to bring them in line with current fire service standards. In addition, the Bureau will start its pre-planning exercise to assess all municipal properties to determine any and all obstacles that could possibly be incurred during a fire suppression response. Furthermore, this training exercise will enable the Fire Bureau to get first hand information on any existing property violations. Typically, any other code enforcement issues found will be communicated with the proper organizational division.

The charts below provides a breakdown of both Fire Bureau incident totals for 2012 and 2013, 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>2012</i>	<i>% of Incident Calls</i>	<i>2013</i>	<i>% of Incident Calls</i>
Fire	119	6.31%	133	6.58%
EMS & Rescue	483	25.61%	724	35.82%
Hazardous Conditions (No Fire)	217	11.51%	117	5.79%
Service Call	109	5.78%	128	6.33%
Good Intent Call	12	6.47%	146	7.22 %
False Alarm & False Call	789	41.83%	741	36.67%
Severe Weather & Natural Disaster	40	2.12%	1	0.05%
Special Type - Overpressure, explosion - no fire	7	0.37%	31	1.54%
Totals	1886		2021	

FIRE PREVENTION INSPECTIONS		
	<i>2012</i>	<i>2013</i>
<u><i>Life Hazard</i></u>		
• Total # of Inspections	259	248
• Total # of Re-inspections	100	149
• Total # of Cert. of Insp. Issued	248	248
<u><i>Non-Life Hazard</i></u>		
• Total # of Inspections	39	360
• Total # of Re-inspections	54	140
• Total # of Cert. of Insp. Issued	31	305

Fire Prevention anticipates to collect approximately \$53,000 in Life Hazard Use (LHU) fees this year. Further, non-LHU inspection fees are projected to reach \$17,000. Fire Permit fees should remain flat. Lastly, Fire Prevention will continue to provide for in-school fire safety education for the students of Morristown schools.

OFFICE OF EMERGENCY MANAGEMENT

The Morristown Office of Emergency Management (“OEM”) remained actively involved in building community resiliency by focusing efforts on a full cycle of emergency services relating to preparedness, response and recovery. As the OEM transitioned from major storm recovery efforts, its key focus was to create capacity in response and recovery from future disasters/emergencies. Several initiatives were taken toward achieving that goal. A grant for \$310,800 was obtained by the New Jersey Office of Emergency Management to upgrade and replace emergency generators at the sewage treatment facility and our local shelters. As part of a collaborated effort with State and federal partners, the OEM is evaluating the use of alternative energy generation opportunities focused on critical infrastructure. Steps were taken to start the process to develop a comprehensive Continuity of Operations Plan (“COOP”) to ensure that no disruptions of essential services provided by the Town would occur during a disaster. The OEM aligned with community partners and other Town response departments to increase communication and coordination. Trainings were hosted by the OEM to ensure the Town’s emergency services leadership worked together in a unified manner.

The Town Emergency Operations Plan (“EOP”) that serves as the framework for the concept of operations for emergency services during a disaster was approved by the State of New Jersey. This plan must be reviewed on an annual basis and approved every four (4) years.

The volunteers that serve on the Morristown Community Emergency Response Team (“CERT”) have continued to be a major asset for our Town. CERT members participated in several emergency preparedness activities, assisted at community events and participated in various trainings. In September 2013, CERT partnered with Mayor Dougherty to provide residents with essential messages and information during FEMA’s National Preparedness Month. Warming and cooling centers have become a part of the OEM’s service delivery plan to provide residents relief from extreme weather conditions.

Morristown’s OEM will continue to take a proactive approach that is focused on continuous improvement toward community resiliency.

MUNICIPAL COURT

Municipal Courts continue to decide more cases than any other court system level in the state. For many citizens, it is their first and only contact with the court system. The experience that these individuals have in the Municipal Court may shape their view of the court system in general. Therefore, the needs of Morristown’s Municipal Court continue to expand and change that ultimately affect budgetary requests.

The Municipal Court has faced an increase in mandated responsibilities over the last several years such as ever-changing legislative amendments that enlarge its jurisdiction, stricter penalties for drunk driving and drug related offenses, increased drug enforcement, sterner Code Enforcement, and expanded record keeping and reporting responsibilities. Moreover, cases heard in the Municipal Court have become

more complex, and mandatory penalties have become harsher.

Notwithstanding these operational challenges, the Municipal Court office must always achieve their goal of performing at the highest level of efficiency, promptness and honesty.

The mandatory professional training requirements established by Rule 1:41-3 for all who hold the title of Deputy Court Administrator have required many hours of class attendance, homework and exams. The Town's Municipal Deputy Court Administrators are set to complete this obligation by April 2014.

The Town's Municipal Court is now up and running with a private debt collection agency that is handling over 800 accounts. The Court's share of the total outstanding debt balance comes to approximately \$240,000.

The Municipal Court's traffic and criminal system is being upgraded by the Administrative Office of the Courts with an expected completion date of mid-2014. Fortunately, new equipment and installation service will be provided to the Town's Court office at no cost to Town taxpayers. Further, the Court's two separate databases for traffic and criminal will be rolled into one system being developed under a new model - MACS "Business Process Management." Rollout has begun, and mandatory training will be scheduled.

Additional facts about Morristown Municipal Court:

- Morris County rates 10th 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 69 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 for Morristown and Morris Plains.
- The Court's current Parking Offenses Adjudication Act ("POAA") Fund Balance is approximately \$40,000.
- 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. POAA funds will also cover about \$5,000 of court expense for ATS/ACS Mailers and PATS electronic tickets.
- Flex-time schedule continues to be used to reduce overtime cost for the Violation Clerks working night court.

OFFICE OF SENIOR SERVICES

The Office of Senior Services provides various activities and programs to the senior population of Morristown. These include the “Flex and Stretch Exercise Program”, the 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 as well as bi-monthly newsletters. In all areas, participant numbers increased in FY 2013. The Office continues to offer free local trips to such places as Washington’s Headquarters, The Seeing Eye, MacCulloch Hall, Turtle Back Zoo for Morristown Seniors.

The Office also sponsors an Annual Picnic and Holiday Party for our senior population. Participation in both events has greatly increased over the last few years. Fortunately, the increased costs for these programs has been significantly offset by the generosity of local restaurants and other Morristown businesses who generally contribute food and other goods. Also, in conjunction with the Morris County Nutrition Program, the Office of Senior Services delivers hundreds of meals to home bound seniors. Additionally, food/shopping transportation is provided to individuals on Tuesday, Wednesday and Thursday 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 Town Clerk is secretary to the municipal corporation and the Town Council. The office administers licensing, elections, and is custodian of the Town’s record. During the last 4 years, the Clerk’s Office has served as an intake point for approximately 1,465 Open Public Records Act requests (FY 2010 - 406; FY 2011 - 487; FY 2012 - 572 and FY 2013 - 688).

The Clerk provides all Departments with access to the State document management system, Artemis, and processes all requests for document disposition and provides for any training requested by the Administration. The Clerk’s Office is working to safeguard the Town’s core records, and will continue to backup all computers in this office and organize and store these records in recently acquired fireproof file cabinets. This year, the Deputy Town Clerk will work to develop a cooperative review of Sidewalk Café licensing with the Town Planner. A capital funding request was submitted for transfer of historical Council meeting tapes to a digital format. Finally, the Clerk, who is set to retire August 2014, will work with the Council and Administration during the transition period after a new hire is made.

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, the outcome of such monetary policy is minimal earnings investment potential on cash held in Town accounts.

FY 2013 Highlights

- The Town consolidated most of its Fund Accounts, 23 in all, from several banks to one local bank. This local bank agreed to a lower minimum balance to cover the cost of banking in addition to opening “money market” accounts that earned 0.45% on most cash balances. As a result, the Town realized over \$45,000 in interest income for all funds in 2013.
- The Finance Office relocated and consolidated over 700 Escrow Accounts to a nearby national bank while at the same time completed a reconciliation process of all accounts.
- The Town’s longtime Payroll/Employee Benefits Specialist retired in September 2013, and was successfully replaced. Upon assuming the position, the new payroll clerk managed to effectively complete the complex task of calculating retroactive salary adjustments for several collective bargaining unit contracts settled last year.
- Assisted the Recreation Division to install on-line registration and direct payment system for Recreation programs and Pool registration.

FY 2014 Projects

- Install a miscellaneous Billing and Accounts Receivable module to the Edmunds Accounts system to more effectively track outstanding bills and amounts due the Town.
- Provide online access to employee benefit healthcare forms as well as Statement of Benefits for each program.
- Explore the following functions to be done electronically:
 - o Sewer billing for the residents who request e-billing
 - o Electronic Purchase Orders
 - o Payments via ACH

DEPARTMENT OF CODE ENFORCEMENT

The Department of Code Enforcement is comprised of the Divisions of Building & U.C.C. Enforcement, Health/Animal Control, Property Maintenance, Rent Leveling and Zoning.

The Department of Code Enforcement was created in late 2012 with the mission of implementing strategic and equitable application of code regulation. The primary goals for the creation of this new Department was to ensure efficient permitting, inspection, enforcement and abatement practices as well as effectively oversee building safety, property use and maintenance, public health, rent leveling and zoning compliance. In pursuit of this mission, the Town sought to achieve these goals by creating and implementing a strategic management plan, developing uniform values and principles, and enhancing customer service.

In 2013, the Department began conducting strategic meetings with all Code Enforcement Divisions. As a result of these meetings, a two-pronged approach was developed. First, communication and coordination efforts needed improvement across all Divisions for more effective service delivery. Thus, new standard operating procedures (SOP's) were established for complaint and annual mandatory inspections, approval or denial of permit applications, registrations, and code application. Moreover, timely communication and feedback, both internally amongst Town employees and externally (residents, landlords and business owners), are pivotal for all inquiries, applications and complaints. One tool used by citizens for communication is the Town's Report-It function on its website. One statistic revealed that between March and December 2013, the Report-It tool was used forty-three (43) times. With implementation of the Department's new SOP's, seemingly, the public is utilizing the Report-It tool more often as evidenced by over 54 submissions made during over the first 3 months of 2014.

The second part of the Department's strategic operational approach is in the field of data collection and analysis. Accurate, timely data collection and analysis will allow for a code enforcement official to identify trends such as types and location of violations as well as repeat offenders. These type of metrics will allow for efficient placing and scheduling of inspectors and effective follow-up on identified violations.

In Spring 2014, the Department will be implementing a GIS web-based software platform known as Property Pilot. Every inspector will be issued a tablet that will interact with Property Pilot software applications. This will allow for inspectors to timely document findings and provide immediate inspection results, complaint resolution, schedule updates and follow-up inspections. Further, this new data management system will generate analysis reports in a more efficient manner. Finally, code enforcement data exporting will be easier to execute into the Town's performance measurement platform in order to effectuate the Department's management by data approach.

DIVISION OF BUILDING AND UNIFORM CONSTRUCTION CODE ENFORCEMENT

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 in 2010 to ensure that both Planning and Zoning Board approved projects are built exactly as approved (e.g., Board Approval Checklist and Affidavit). This process change has proven to be very successful. Partnerships have been established with the General Contractor, the Board Engineer, the Zoning Division and the Building Division that protect and maintain 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") that 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 \$11,000 toward the Division's 2013 revenue intake. This was a 33% increase from 2012, and is 76% greater than the first year of implementation that positively indicates increased awareness and compliance of this regulation.

- The Division continues to participate in the Town’s performance management initiative and utilize a performance measurement software program for tracking, trending and benchmarking efforts in order to maximize its efficiencies and improve effectiveness wherever possible. Consistent with the goals of Administration and Code Enforcement Departments, additional enhancements to streamline and expedite the construction permit process with the use of web based technologies will be investigated and implemented.
- 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 2006.
- Open door policy for meeting and assisting customers with any questions or concerns with regard to permit, inspection and plan reviews.
- Through the use of its 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 assessed valuation 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 continue to vigilantly pursue completion and close-out of open permits.

INSPECTION COUNTS

Fiscal Year	Building	Electric	Plumbing	Fire	Total Inspections
2013	2,628	1,632	2,213	1,206	7,679
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
2013	712	318	0	1,030
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

For the third consecutive year, the chart above illustrates upward momentum for construction permit activity with an increase in permits, inspections and permit revenue fees. The number of permits for residential properties increased while commercial buildings decreased slightly from 2012 values. However, the most significant increase was to the “Value of Construction,” which realized a net increase of \$37,570,893 that should produce a net positive impact on property tax revenue for the Town. However, it should be noted that \$28,410,000 of this increase is directly attributed to the Speedwell Redevelopment Phase I (Latitude) project. Overall, total permits were up last year by 3.8%. The U.C.C. fees collected increased significantly by \$436,728, or 51.6% from what was collected in FY 2012. The Division, as required by the NJ Uniform Construction Code, waived approximately \$44,000 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, eighty percent (80%) 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 safety and code requirements were strictly adhered to.

As stated above, the Value of Construction increased last year by \$ 37,570,493, which was a 130% increase from FY 2012 values. In addition, the total fees collected (\$1,281,683) in FY 2013 was 54.4% greater than anticipated in last year’s budget. In sum, and as compared to FY 2012, FY 2013 was a very positive year with a significant number of milestone achievements (e.g., higher number of issued permits, greater “Value of Construction” and higher fees collected revenue). The table below illustrates FY 2011 through FY 2013 comparisons of these key construction revenue indicators.

<i>Construction Revenue Comparison FY 2011- FY 2013</i>					
	FY 2011	FY 2012	FY 2013	Net Change from FY 2012	Percent Change from FY 2012
Number of Total Permits	918	992	1030	38	3.8%
Value of Construction	\$26,559,800	\$28,317,675	\$65,888,568	\$37,570,893	130%
Total Fees Collected (Town's Share)	\$736,329	\$845,585	\$1,282,313	\$436,728	51.6%

Regarding the outlook for 2014, the immediate picture looks positive again with the following redevelopment/development projects currently in the pipe-line and scheduled for ground-breaking/application for construction permits this year:

- Phase 4.1 of Speedwell Redevelopment Area (CVS Pharmacy).
- Morris Street/Ford Avenue Redevelopment Project.
- Morristown Medical Center - Franklin 3rd Floor/5th Floor Renovation; Simon 3 – East Wing 11 Bed Hospice Unit, adding 2nd level mezzanine with office space in existing store room; major boiler project.
- Maple Avenue Townhouse Project (Normandy Real Estate).
- AMC Movie Theater Renovation (Permits issued January 2014).
- Whole Foods (Washington Street) – major renovation to the former A&P Supermarket.

In addition to general permits, the Speedwell Redevelopment Phase 1 project currently under construction, and above pending “large” FY 2014 projects, the Division will need additional “supplemental” inspectors to ensure timely plan review and prompt inspection services for all permit holders. Therefore, in 2014, the Building Division is planning to temporarily hire several “per diem” U.C.C. inspectors to supplement our current full-time staff. These individuals will be utilized on an “as needed basis” to ensure compliance with inspection time-lines and mandates established within the NJ Uniform Construction Code.

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.

The Morristown Division of Health was one of only 9 municipalities chosen in the State of New Jersey to provide the Lead Care II Pilot Program. This program enabled the Division to provide free lead screens programs to the community. The lead testing is specifically for children 6 months – 18 years of age and

for pregnant women. Further, the Division collaborated with the Women, Infant & Children, Visiting Nurses Association, Morristown Memorial Hospital and schools to provide screening to the Morristown community. In 2013, the Health Division tested a total of 152 children and pregnant women, of which 18 were identified with elevated blood lead levels. Those with elevated blood lead levels were provided with lead safe education and referred for follow-up venous blood testing. The Lead Care II Pilot Program ended December 2013.

The Health Division offered stroke screening program that was well attended by the public and Town employees. An ultrasound of carotid arteries and thyroid was used to identify individuals at risk of having a stroke before it occurs. The Division continued collaboration with Zufall Health Center for Child Health Conference, HIV, STD, TB, lead testing, pregnancy testing and counseling through Morristown Health Center, at no cost to the Town.

The Health Division's Registered Environmental Health Specialist (REHS) was selected by the New Jersey Department of Health and Senior Service (NJDHSS), and successfully completed the NJREHS Standardization Program. Standardization is critical for the REHS to perform food safety inspections to ensure that foods are safe, unadulterated and honestly presented at the retail level. Additionally, standardization ensures retail food inspections are performed uniformly throughout Morristown and the State.

For the 6th 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 of Aging, who is bilingual. Although these volunteers only work a couple of days at no cost to the Town, they provide the Health Division staffing coverage, and enhance our ability to communicate with Town citizens.

In 2013, the Health Division collaborated with Morris County Health Department to provide a safe food handling course that was offered in English and Spanish to food handlers of Morristown. The course trained individuals in food protection practices to ensure the safety of the food served in Morristown's retail food establishments.

The Division of Health's part-time Public Health Nurse offered, at no charge, senior citizen and employee flu clinic in September. In addition, the Division offered clinics open to the adult population from September through November. For the underinsured and uninsured population, free flu vouchers were available. Employees who missed the clinic were able to use free flu vouchers through the Town health insurance policy 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.

The Animal Control Office licensed 502 animals in 2013. 115 animals were collected, not including the many wildlife calls received last year. The Animal Control Office allows Morristown to be a "no-kill" municipality through an aggressive adoption program that results in zero euthanasia of healthy animals. For the past few years, the Division of Health has had a shared services agreement with Harding Township as a provider of Animal Control services. With this Agreement, the Health Division secured revenue of over \$8,000, which aids in funding the Animal Control Officer/Animal Cruelty Investigator position. Additionally, the Division continues to fund and offer a free rabies clinic to residents annually that resulted in 212 animals vaccinated in 2013. 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 2014 Rabies Clinic will be held on June 21, 2014 at Town Hall. Other 2014 goals are to have additional low cost vaccination clinics and increased field time for canvassing to ensure local ordinances are being enforced.

Lastly, in January 2014, the Town entered into a shared service agreement with the County of Morris for which the County will provide a full-time Health Officer, an additional REHS as well as a Public Health Educator and Supervising Health Nurse to enhance services provided by the Division. Over the term of this 5 year contract, the Town projects to save nearly \$600,000 with this service arrangement instead of bearing the full costs of these employment positions within the Town organization.

DIVISION OF PROPERTY MAINTENANCE

The Property Maintenance Division focuses on enforcing the property maintenance requirements and related provisions of the Town of Morristown Code. The Code is set up to ensure that homeowners, renters, business owners and visitors to the Town are protected from potential health and safety risks in addition to maintaining Morristown's aesthetic integrity. This is accomplished through proactive inspection, prompt action on complaints followed up with accurate information and communication with the residents, landlords and business owners of Morristown.

Staff is responsible for responding to complaints or inquiries regarding violations of occupancy standards, multiple dwelling, overcrowding, systemic area vacant structures – lots, ground surface hazards, emergency management, lead, asbestos, infestation, overgrowth, winterization (snow & ice removal), and public nuisances such as sidewalk debris, trash storage and disposal. Inspectors must quickly respond to complaints as well as identify and initiate cases based on systematic inspections throughout the Town.

In addition to code violation inspections, Town property maintenance inspectors conduct prompt Certificate of Habitability inspections for each property transfer (rental or purchase) to ensure safe housing while guarding against overcrowding. Further, property maintenance inspectors work closely with homeowners to address maintenance issues and foster cooperation that allows for immediate abatement of code violations to preserve neighborhood quality of life.

Morristown is comprised of over 4,300 properties, with 400 plus businesses that include approximately 200 restaurants and at least 2,500 residential rental units. The Division is effectively utilizing its 4 full-time certified Housing and Property Maintenance inspectors with schedules that include evening and weekend hours to ensure compliance with Town Codes.

In 2014, the Division of Housing and Property Maintenance will begin using technologies that will enable it to track data on violations specific to type, time, location and outcomes. The collection and analysis of this data will give the Division the ability to better focus its resources on education, communication and early intervention. While the Division's primary task is code enforcement, historically, this has been accomplished mostly by reacting to complaints and/or through required inspections with subsequent abatement enforcement. This year, the Division will implement operational changes designed to educate and prevent violations from occurring. Diligent performance on complaint response and requisite inspections in addition to data analysis and preventative measures will improve quality of life for all Morristown citizens.

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. Additionally, the Rent leveling Division provides any Morristown resident with information regarding fair housing and tenancy rights. The Division will continue its effort to improve procedural operations and data management in addition to increasing efficiency of rent registrations and tracking with the Department of Code Enforcement’s implementation of its new GIS technology platform.

In 2013, the Division made great progress to capture more rental units that were required to register and be in compliance with the local Rent Leveling code. As a result of these efforts to improve compliance, rent registration fees collected in 2013 increased by \$11,500 over 2012 revenues realized. Below are some Division statistics from the past 4 years:

Rent Leveling Registration				
	2010	2011	2012	2013
Total Units Registered	2,265	2,000	2,237	2,620
Registration Fees Collected	\$67,950	\$60,010	\$67,100	\$78,630
Percentage \$ Increase/ (Decrease) From Prior Year		(15%)	12%	17%

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 2014, 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.

The Division will continue to implement more efficient operational procedures and, in concert with the Building and Construction Division, foster growth and improvement within the Town of Morristown.

Here are some Division statistics over the last three years:

ZONING PERMITS			
	<u>2011</u>	<u>2012</u>	<u>2013</u>
APPLICATIONS	493	544	694
FEES	\$44,635	\$54,490	\$62,630

LAND USE BOARDS (Planning & Zoning)			
	<u>2011</u>	<u>2012</u>	<u>2013</u>
APPLICATIONS	49	37	39
FEES	\$27,811	\$32,557	\$38,120

DEPARTMENT OF PUBLIC WORKS

The Department of Public Works provides:

- Oversight and customer service for residential garbage and recycling collection performed by private contractor Blue Diamond Disposal.
- 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 six (6) 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 2013, the Morristown Planning Division continued to enhance the Town's planning capacity by leveraging resources, creating effective public-private-partnerships, and developing collaborative relationships with community stakeholders. As a result, the Planning Division, under the leader of the Mayor and Office of Administration, served the long-term goals and objectives of the municipality as follows:

Completion of 2014 Master Plan: The primary focus of the Division in 2013 was to complete a new master plan for the Town, a process that began in 2012. With a commitment to extensive public engagement, the Planning Division led an inter-disciplinary team of experts in mobility, land use, urban design and urban planning. The final product, titled Morristown Moving Forward, combines mobility and land use planning in order to create a series of integrated solutions that promote balanced development, thoughtful public spaces, architectural character, safety and accessibility for cyclists and pedestrians as well as reduced traffic congestion. The master planning process included an unprecedented level of community and inter-agency engagement including a MindMixer website, a pop-up storefront planning studio, several public workshops, countless consultations with members of the public, as well as numerous steering committee meetings that included municipal, state and county stakeholders. The Master Plan was funded in part through grants that were obtained by the Planning Division from the Geraldine R. Dodge Foundation and the North Jersey Transportation Planning Authority.

Redevelopment Plan Implementation: The Planning Division worked with development teams to implement several redevelopment plans that were adopted by the Town in 2013. Specifically, the Planning Division helped to coordinate the Morris Street redevelopers who received site plan approvals for their respective sites in early 2014. Similarly, the Planning Division worked with CVS Pharmacy to refine their site plans prior to approval by the Planning Board in early 2013. The Planning Division worked on a continual basis to engage with developers and investors through conceptual design workshops and similar discussions.

Grant Writing & Implementation: The Planning Division continued to identify, obtain and implement grants in 2013. Specifically, the Planning Division successfully applied to participate in the 2013 Sustainable Cities Design Academy hosted by the American Architectural Foundation in Washington, DC. The Design Academy retained experts in urban design, historic preservation and architecture to develop a conceptual design for Morristown's transit district. In addition, the Planning Division worked collaboratively with the Town's Engineering Division to implement a road diet and pedestrian improvements on Lafayette Avenue, which were funded by a grant from the New Jersey Department of Transportation. Finally, the Planning Division submitted a proposal for a Local Demonstration Project that was chosen by the Together North Jersey Regional Plan. As a demonstration project, Together North Jersey retained a team of efforts to assist the Planning Division in investigating and developing a Parklet program, which would provide the opportunity for local businesses to sponsor and construct a unique, seasonal public space within parking spaces.

In 2014, the Planning Division will continue to work in collaboration with the Mayor, Administration, Governing Body and community at large to advance several exciting initiatives:

Master Plan Implementation: The 2014 Master Plan includes a number of strategies and proposals that will need to be further vetted and implemented. To that end, the Master Plan calls for creation of an Action Plan and Implementation Committee to realize the plan's vision for Morristown. In 2014, the Planning Division will draft the Action Plan and convene stakeholders and decision-makers necessary to accomplish the Plan's stated goals and objectives. Specifically, the Planning Division will begin to evaluate the Town's existing Zoning Code in order to identify aspects of the code that will need to be amended in order to accomplish the sustainable, context-sensitive development and preservation objectives contained in the Community Form and Plans for Places chapters of the Plan.

Inter-Agency Coordination: The Planning Division will continue to work with outside agencies to achieve the Town's goals. Specifically the Planning Division intends to continue conversations with the New Jersey Department of Transportation regarding implementation of the Bicycle Plan as well as traffic studies and improvements at key locations such as South Street, the Morristown Green and Speedwell Avenue. Furthermore, the Planning Division will work with New Jersey Transit to advance enhancements to the appearance, functionality of Morristown Station and the development of potential surrounding lands.

Affordable Housing: The Division will work with the New Jersey Department of Affordable Housing to obtain approval of the Town's Affordable Housing Trust Fund Spending Plan.

Redevelopment Planning: The Planning Division will collaborate with developers to evaluate and advance worthwhile redevelopment projects. In particular, the Planning Division will work to advance the next phases of the Speedwell Redevelopment Area, Epstein's Rehabilitation Area and the Old Lumberyard Site at Elm and Morris Street. The Planning Division will also work to identify opportunities for transit-oriented development at Morristown Station.

Public Realm Improvements and Public Art: The Division will work with property owners, the Town's quasi-governmental entities and community advocates to identify and implement opportunities for public realm improvements and public art projects. Furthermore, the Planning Division will work with governmental agencies and members of the community to advance open space improvements.

Grant Writing: The Planning Division will focus on grants relating to flood resiliency and erosion control for the lands around the Whippany River. In addition, the Planning Division will seek funding for mobility studies to enhance safety and accessibility around Morristown Station and the Town Green.

DIVISION OF RECREATION

In 2013, the Recreation Division made two key technology improvements that have enabled greater access to services and improved communications between the Division and the public. The Community Pass Online Registration system allows customers to register for programs from home and receive alerts when programs begin. The Division's ability to accept credit card transactions has made registration easier and because of such users have provided many positive reviews.

Along with Community Pass, Morristown Recreation now has a Facebook page. Use of Facebook has enabled Morristown Recreation to communicate "up to the minute" information to residents including program cancellations due to weather, new activity information and photos of recent events. Only five months old,

residents have been viewing the Facebook page with increasing frequency and “Like” us more each month.

In addition to maintaining all existing programs including travel basketball, in-Town recreation basketball, karate, tee ball, soccer clinics, tennis lessons, summer playgrounds, after-school classes, evening yoga, and the annual Easter Egg Hunt and Halloween Celebration, the Recreation Division is poised to improve services in 2014. Service improvements include extending pool hours at Burnham Pool and adding more activities to the summer calendar when kids are out of school. Programs such as the Summer Playgrounds will see enhancements through new games, field trips and daily experiences.

In summary, the Recreation Division will continue to improve its communications and expand services offered to the public in 2014.

CLEAN COMMUNITIES PROGRAM

The Clean Communities Program once again held two volunteer clean ups in 2013. The annual Spring Clean Up was held on April 20th. Overall, 107 community volunteers collected over two tons of trash and recyclables, including a pickup truck full of metal. The second Clean Up was held on Saturday, September 28th with its focus being on the north side of Town along Speedwell Avenue. There were 18 volunteers that collected 260 pounds of trash and 200 pounds of recyclables. The second Clean Up primarily focused on cigarette butts. A contest was held to see what group could pick up the most butts during the two hour event. Cub Scout Pack 513 won with 2 pounds collected. They received a \$50.00 Morristown Partnership gift certificate for their efforts.

The Clean Communities Coordinator arranged and funded various education programs throughout 2013. Two litter education programs were given for students at Vail and Hillcrest Schools. In addition, the Coordinator taught a litter prevention class for five (5) third grade classes at Alexander Hamilton School. For Town employees, Clean Communities provided a lunch and showing of the movie “Bag It” to increase awareness of plastic use and litter. Lastly, a presentation on non-point pollution was given to the Morristown Kiwanis Club as an additional community education event.

The Adopt-A-Spot continues to grow with the addition of three more volunteers groups, for a total of 11 groups. Each group performed at least four litter pickups during the year. Four of the groups, namely Ferring Pharmaceuticals, Kiwanis, Richard Ray and Deborah Glover, also did seasonal plantings at no cost to the Town.

Two document shredding events took place in 2013, which has become a very successful program. Over three tons of confidential documents were professionally shredded and carted away, which enhances the tonnage rate for further Tonnage Grant funding to the Town.

Routine inspections of the public trash and recycling receptacles were performed quarterly. Clean Communities purchased 8 iron receptacles and 2 more portable Clear Stream receptacles and replacement lids for a total of \$3,935.00. Inspection of streets, sidewalks and residential property frontage were performed regularly. Littered conditions are reported to the appropriate Town Division, and whenever possible, to the property owners. Finally, the Clean Communities Coordinator also fields calls from the public regarding recycling issues as well as litter complaints.

Clean Communities continues to work with the Morristown Municipal Court and Morris County Probation Services, as these entities provide community service opportunities for those mandated to perform service without pay.

SEWER UTILITY (WASTE WATER TREATMENT PLANT)

Since its installation in 2009, the Town's municipally-owned solar energy project has reduced its electricity costs by approximately \$400,000, or \$80,000 per year. Moreover, Solar Renewable Energy Certificates ("SRECs") generated by this project has been a mechanism to realize over \$1.14 million in additional revenues to the Sewer Utility. In FY 2013, this project produced 652 SRECs during the calendar year. The Town sold 616 SRECs in an open market/auction forum last year generating a total of \$83,842 in revenues. In June 2013, the Town sold 212 SRECs generated during the period November 2012 through April 2013, at \$122.50 per SREC for a total \$25,970. However, the second SREC sale of 404 SREC's in December secured a per SREC price of \$143.33, for a total of \$57,872.

Sewer Utility capital projects planned this year total \$300,000, of which \$90,000 will be placed in the Sewer Capital Improvement Fund. The projects are:

- **\$150,000 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.
- **\$60,000 for Pump Replacement at Pump Stations** – Three pumps are requested to replace older pumps and provide backup protection, two (2) at the Lidgerwood Pump Station and one (1) at the Airport Pump Station.

CAPITAL IMPROVEMENT BUDGET

The total amount of capital improvement financing requested this year is \$2,600,000. A total of \$250,000 is allocated in the Operating Budget to replenish the Capital Improvement Fund; \$150,000 for down payment monies (5% of total capital monies borrowed) to finance the capital improvement items listed below, and \$100,000 allocated for new computer/communication hardware and software programs.

- **\$1,815,000 for Town Road and Streetscape Improvement Projects:** The Town must allocate funds toward this pivotal work to maintain, repair and improve 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. Additionally, approximately \$250,000 is needed to complete the Speedwell Avenue Streetscape improvements. While the Town was awarded a \$250,000 Municipal Aid grant by the State Department of Transportation last year for South Street (Phase 4) streetscape improvements, the Town must fund the rest to complete the project. Moreover, the Town Administration desires to fund a corridor improvement plan for Martin Luther King Avenue. The capital funds request for this study and possible improvement expenses is \$100,000. Lastly, to further efforts of replenishing our community's tree canopy, the Administration requests \$25,000 that will support the Town's certified arborist in implementing the Town's Community Forestry Management Plan.

- **\$275,000 for improvements at Town Hall:** These improvements include redesign and renovation of 2nd Floor (\$150,000), roof replacement re-point and clean exterior trim at Town Hall (\$110,000), and HVAC upgrades (\$15,000).
- **\$250,000 for Joint Morristown/Morris Township Library:** Capital project funding request to reconstruct exterior stone masonry on 1987 Library Wing. This amount will fund 25% of total estimated construction costs for this project.
- **\$150,000 for replacement of DPW equipment:** One (1) 4x4 Pick-up truck (\$30,000) and One (1) 8 yard Dump Truck with Plow and Salt Spreader (\$120,000).
 - **\$75,000 for Park and Dam Improvements:** \$60,000 for new Park Identification signs at twelve (12) parks, painting of light poles at Cauldwell Playground and fencing at Lidgerwood softball field; and \$15,000 for replacement of roof at Speedwell Lake Dam.
- **\$35,000 for Fire Bureau -** Replace 20 Lengths of Fire Hose that is out of service.