

Finance Committee Report

Adoption of 2007 Municipal Budget

We are here tonight to present and to adopt the 2007 Municipal Budget. As you all recall, we introduced our preliminary budget in March which levied an approximate increase in taxes of 24%.

The Finance Committee had three targets:

1. **A 24% tax increase was unacceptable and could not stand;**
2. **To work with each department head to cut up to 20% in costs; in addition to working with their 2006 operating budget figures (Not every operating area is able to reach a 20% reduction, and that has been anticipated)**
3. **To achieve a spending plan of under 3% in comparison to the 2006 spending.**

We were able to meet these targets.

We are able to present a budget to you this evening that is nowhere near the introduced 24% but is now approximately 14 1/2%.

This equates to approximately \$390 based on the average assessed home of **\$448M**

Notably, we have kept the spending plan under 3%, and when compared to 2006 levels, we actually came in at 2% compared to 2006. This 2% increase in spending includes the "normal" increases that we incur to operate the municipality, such as Utilities, Pensions, Insurance, and Employment Costs. This is where the bulk of our costs lie.

I will tell you that we have been very aggressive and rigorous in our efforts in making **cuts** to all of the departmental operating budgets, and importantly, without jeopardizing the **ESSENTIAL services that are provided to our residents, such as garbage & snow removal services, 24 hour police and fire protection and the general upkeep & maintenance of the Borough.**

On the subject of Encap:

Now, to be clear on this... **Encap** must address all of the issues now being presented to them by the DEP and other government agencies. **Not the Borough of Rutherford.**

The Agreement that this Borough has with Encap protects the interest of its residents. This fact has been published on the Borough's website, and is available in public records, as the Mayor has spoken to this fact numerous times in her efforts to correct this mistruth.

To date, we have received over \$6.5million dollars from Encap that has been applied directly toward the Borough's operating budget to reduce the tax burden to our residents over the last **4 years**. And, just as important, is the fact that the landfills that fall under the jurisdiction of the Borough of Rutherford are being capped at no expense to our residents.

Importantly, all legal costs, engineering costs and Bond Counsel expenses are, and have been, paid for by Encap and not the residents & taxpayers of Rutherford.

On the subject of our Debt Service:

The Finance Committee has also been reviewing the Debt Structure of the Borough. To date, we have already realized approximately \$600M in a reduction in our Debt Service in this year's budgeting process alone because we restructured the debt with the BCIA specific to the leasing of various capital equipment items.

The Borough has also gone before the LFB in an attempt to restructure the Borough's bond debt. We submitted **one** application, and we were denied. Importantly, we were asked for additional documentation to support our application and request to restructure. And, unfortunately, in the process of gathering this information, the credit markets began to tighten and spreads moved against us. Further, in consultation with Borough financial professionals, we decided to remove our application for the time being, as market conditions were unfavorable, due to factors outside of our control. We are taking the position that we will continue to monitor the credit markets with the intention to effect another application to restructure when the credit markets stabilize, and importantly, when market conditions are favorable again to our advantage. It certainly is in our best interest to do so.

These are the facts. Some will no doubt try to introduce interpretative argument that is geared to spin and/or confuse the issue. But, these are the facts. The budget process is transparent.

Now, I don't want to leave the Debt topic just yet, because we have Debt obligations, and it's important to understand why? So, let's put it into perspective especially when trying to assess the question of taking on long-term debt to finance capital equipment, as we have. Capital Equipment that is identified as necessary, particularly in the context of normal maintenance either because these capital equipment items (that include fire trucks, etc.) are approaching or are beyond their normal life cycle, or because through normal wear-and-tear are no longer effective, is by and large financed, if not always, through the undertaking of long-term debt obligations. Important is that by comparison the Borough of Rutherford has one of the lowest debt ratios to assessed value relative to other municipalities similar in size within the area. And, what this means is that we don't take this option lightly, and we certainly do not exploit it!

Just to take this one more step further. Municipalities on all levels make capital improvements and/or buy capital equipment (which by the way is defined as having a life span of five or more years). In practice, it would be impractical to pass along the costs of capital items to taxpayers when the items are purchased. And, everyone knows that you can't save for these items either, as you might in a "household" budgeting process. So, in practice, it is customary and expected that capital items which include capital equipment and capital improvements, including road repairs, are financed over a period of years. The alternative would be to incur the costs upfront and then to pass the costs along to taxpayers as repairs, maintenance, and equipment are committed. Or, still yet, you can do nothing and just forget about maintenance and equipment all together. This is not an option for this community.

I hope, no, I know, that we have learned from the mistakes made in the past. In looking back, there was comparatively little debt, and there was very little in the way of grants or aid coming into the Borough as well. And, importantly, nothing was being maintained either. No official road maintenance plan, no sidewalk or curb repair work. Normal maintenance was not happening.

Some may not know this history while some may have forgotten. But, I remember seeing Rutherford on Channel 4 News one night in the mid-90s because the snow had not been removed or plowed during a snow. Now at the time, I was not as familiar with the workings of the town, and I

wasn't quite sure if the message was that we had only had one plow in the town or what the story was...but now we all know what "one plow" meant.

Either way, the Borough was ineffective in providing essential services to the residents and taxpayers of Rutherford at that time. It was an inefficient use of taxpayer funds! And, the infrastructure of the Borough was in decay. I don't believe that there are any residents here tonight that would agree nor tolerate this kind of mismanagement.

We have, under the direction of this Mayor, been able to repair 49 roads, and replace numerous pieces of vital equipment and we didn't do it with bonding alone, we did it by securing grants and aid....to the tune of over 11 million dollars since January 2000. Our CFO can go into that a bit further down the line.

Do we rely too much on Grants and Aid? I don't think so. Grants and extraordinary aid help to negate the costs and true tax burden of Capital Equipment and Improvements, including road repairs. It translates into a smaller bonding commitment as well. So, I think it's our obligation to source as much grant and aid money as may be necessary to help defray the costs of capital items. Why not? And, shame on us if we don't take every opportunity that is practical, diligent and makes sense in an effort to relieve and reduce the tax burden to residents and taxpayers.

Conclusion:

So, tonight we present a budget that carries a municipal tax increase of approx \$390 on the average assessed home. Yes, to live in the Borough of Rutherford with services that include:

- (1) Public works employees, who are also our volunteer firemen and women, to come down your street five times a week, two days for trash, one day for recyclables, one day for brush, one day for metals, and let's not forget street sweeping, leaf and snow removal – All with a reduced staff and no new hires to replace retired staff or personnel who have moved on. These are the services that a municipality is supposed to provide!
- (2) One of the finest and recognized libraries in all of Bergen County
- (3) A performing arts center that has reinventing itself thanks to the efforts of our Mayor and Freeholder, the County has stepped up and committed millions of dollars to its revitalization. We will soon have a viable "anchor" and "family" forum without having to travel outside of Rutherford to the "Mega" cinemas in order to enjoy a movie with your family or loved one.

- (4) For our recreation programs at Memorial and Tamblyn Fields.
- (5) We have a nationally accredited senior center that not only brings out our seniors here in Rutherford, but is able to attract seniors from our surrounding neighbor towns, all of these services cost our property owners, **approximately one dollar a day.**

In short, we are all familiar with the expression that a picture is worth a thousand words. But, I would venture to guess that we have received a lot for our tax dollars, above and beyond the notional payment for municipal services because we have people working for you that genuinely care about this town.

Our CFO, Ed Cortright will go through the pie charts that we have on display here tonight, so that you can clearly see exactly where each dollar goes. We put together this display just for that purpose.

We will then open the hearing of citizens on the topic of the budget for any citizen wishing to speak or ask questions concerning the budget.

Respectfully submitted by,

Councilwoman and Finance Chair, Maura Keyes

August, 28, 2007