

## MINUTES

**AUGUST 28, 2008**

The Board of Chosen Freeholders of the County of Warren met in Work Session at the Warren County Technical School Auditorium, 1500 Route 57, Washington, New Jersey on August 28, 2008 at 6:34 p.m.

The meeting was called to order by Director DiMaio and upon roll call, the following members were present: Freeholder John DiMaio, Freeholder Richard Gardner and Freeholder Everett Chamberlain. Also attending were CFO Charles Houck, County Counsel Joseph J. Bell and County Administrator Steve Marvin.

The Pledge of Allegiance was led by Director DiMaio.

Director DiMaio read the following statement: **“ADEQUATE NOTICE OF THIS MEETING OF AUGUST 28, 2008 WAS GIVEN IN ACCORDANCE WITH THE OPEN PUBLIC MEETINGS ACT BY FORWARDING A NOTICE OF THIS WORK SESSION MEETING OF THE BOARD OF CHOSEN FREEHOLDERS TO THE WARREN COUNTY CLERK, THE STAR-LEDGER, AND DAILY RECORD AND BY POSTING A COPY THEREOF ON THE BULLETIN BOARD IN THE OFFICE OF THE BOARD OF CHOSEN FREEHOLDERS. FORMAL ACTION MAY BE TAKEN BY THE BOARD OF CHOSEN FREEHOLDERS AT THIS MEETING. PUBLIC PARTICIPATION IS ENCOURAGED. IN ORDER TO ASSURE FULL PUBLIC PARTICIPATION, THOSE INDIVIDUALS WITH DISABILITIES WHO WISH TO ATTEND THE MEETING SHOULD SUBMIT ANY REQUESTS FOR SPECIAL ACCOMMODATION ONE WEEK IN ADVANCE.”**

Mr. DiMaio said we are here to discuss 2009 departmental budget requests and hopefully come up with some savings projections. Due to CAP Law limitations, this budget is going to be much more difficult than we are accustomed to. He invited the CFO to offer a synopsis of the County's position.

Mr. Houck explained that the CAP Law has been around for about 30 years over which time, it has been modified. In the past, final appropriations could be increased up to 5% with the ability to bank a portion of that if not needed. This was reasonable and compliance was not problematic. A few years ago, this increase was deemed too high. At the time, with very low interest rates and inflation near zero, this may have made sense.

Then, the allowable 5% was reduced to 2.5% with a provision up to 3.5% by adopting a resolution or ordinance. Given today's economy, said Mr. Houck, an increase limited to 3.5% is not reasonable. An option of 4% came along, but this increase disallowed many of the exceptions such as funding increases for Public Assistance and Vocational and Special Services School funding. Last year, the County ran \$2 million over the 2.5%/3.5% CAP. We managed a one time fix to get through the year, said Mr. Houck, and this problem is going to get worse rather than better.

Heating oil and other utilities are all inside that CAP and the County's healthcare claims cannot increase at a rate that exceeds the State's increase and still remain outside the CAP.

Right now, budget projections are about \$2.4 million short and that's assuming we shut down Warren Acres. For anyone who thought postponing work on the new building would help, Mr. Houck explained that capital expenditures are outside the CAP so that would have no effect.

Compounding the challenges on the appropriations side, we also have decreased revenues. Equalized revenue is down, construction is down, investment income is down, etc. The only exception is the Sheriff's Office which is unfortunately due to foreclosures. Raising the County

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Purpose Tax is not an option, Mr. Houck said. Cuts have to be made and it's going to be very painful. Jobs will be lost and programs and services will be cut.

Mr. DiMaio said unless a law is enacted by the Legislature to change the CAP Law, we are compelled to meet the requirements.

Mr. Chamberlain noted that some numbers in the calculation are still unavailable at this time. What is our worst case scenario?

Mr. Houck said, "In a perfect storm", the shortage could be as high as \$4 million influenced by the following factors:

- County contribution to the pension system. Pension plans are administered by the State Treasury Department. We have no control over this. Age, salary and years of service are plugged into an actuary. We receive a letter in November telling us what we have to put in; we have to fund it. Mr. Houck said his estimate is very conservative. The actual number will probably be higher.
- Healthcare costs. As alluded to earlier, this expense could be outside the CAP if the County's increase is equal to or less than the State's increase. Last year, the State's increase was supposedly less than 4% - a number generally considered to be artificial. It is anticipated this figure will increase. The County's healthcare costs went up between 12-13% last year.
- Cost share of psychiatric institutionalization. The County's co-payment for residents admitted to psychiatric facilities is being increased from 10% to 12.5%. That may not sound like much, but it translates to an increase of 25%.

Mr. Chamberlain said usually we don't begin this process until after the first of the year so we're months ahead of the game. What is our deadline for making these tough decisions?

Mr. Houck said the date for budget introduction is January 26 with approval to follow in February. The sooner the better, especially if staff reductions are involved. It takes time to implement those changes. We can adopt an amount equal to 26.25% of last year's budget to get through the first quarter and make amendments as we move along.

We can ask for exceptions, Mr. Houck said. Waivers may be granted on a case by case basis in the 4% CAP calculation. There are no provisions for waivers in the 2.5%/3.5% equation.

Mr. Marvin thought it was likely exceptions would be granted for fuel and utilities, but there is a backlog of applications at the Local Finance Board. He asked if numerous "blanket" waivers could be covered with a single application. Mr. Houck said no and about a half-inch of paperwork has to be completed for each request.

Mr. Gardner said the philosophy behind the CAP Law is a good one, but in a county like ours where we pay as we go, it almost forces us to bond. If we feel the pinch, other counties must as well. Mr. Houck said if it's any consolation, we're ahead of the curve on this. If all counties and municipalities were to entreaty the State for a more realistic 5% CAP, there may be a ray of hope. Mr. DiMaio said he and Mr. Marvin recently met with Morris and Sussex County Officials on this matter. We have to band together and pursue legislation. In the meantime, however, this is the law.

Mr. DiMaio asked, what if we apply for waivers and find out next November that they were denied? Mr. Houck said that was a good question. A budget cannot be adopted until the waivers

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are approved and if waivers are granted, Mr. DiMaio asked, will they carry into 2010 or do we have to apply all over again? Mr. Houck said waivers are only good for the one budget year.

Mr. Chamberlain thought a positive aspect to this is that productivity and services delivered are going to be evaluated. As a team, we have to look at this.

Time was then spent looking at each department's budget line by line. A few minor questions were asked and answered.

County Sheriff Sal Simonetti said we've been through all this already. Why didn't you dictate a specific percentage to be cut?

Mr. DiMaio said there are too many different variables between departments to come up with an across the board figure. We asked Department Heads to offer up what they could and go from there. This is unfamiliar territory for us, he said. Last night was one of the most uncomfortable meetings of my life. The State is forcing us into this position. We're trying to find out what each department really needs in order to operate. Mr. Chamberlain thought the Board might have to meet with Department Heads on an individual basis.

Mr. Simonetti wondered what the Board expected to accomplish tonight. We're getting ourselves up to date and trying to learn as much as possible by asking questions, said Mr. DiMaio. That's why we're here.

Personnel Director Jerry Coyle asked a couple of questions regarding the State's logic when changing the CAP Law versus the current state of the economy. Mr. Houck said he couldn't speak for the State. Were the economy in the same shape it had been five years ago, we probably could have lived with the changes in the law. Mr. Coyle asked about the likelihood of the law getting repealed or modified. What if that happens and we've already made the cuts? Mr. Houck said he didn't foresee that happening.

Mr. DiMaio said he intended to lobby pretty hard against this. Regarding the State Legislature, 75-80% of the members used to be in county or municipal government. It's as if they've forgotten what it's like.

The Board continued with the line by line assessment of the departmental budgets. Some noteworthy changes included the following:

- One position will move out of the Freeholders' Department and into Personnel.
- Due to a retirement, a Supervisor of Accounts position in the County Clerk's Office became vacant and there are no plans to replace her.
- Insurance figures are "very soft". The picture will become clear in November.
- In the Prosecutor's Office, the Victim/Witness Program took "a big hit" with State funding being rescinded. Howard McGinn said the office is statutorily obligated to keep the program.
- The cost of road salt increased 37%.
- Of nine bargaining units, only two are settled so far for 2009, two are near settlement and five will be beginning negotiations soon for agreements expiring at the end of 2008.
- The bottom line was reduced in the Environmental Health Department due to the

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elimination of the Plumbing Subcode Services Division.

Mr. DiMaio said the vehicle fleet should be evaluated from the kind of vehicles purchased to what they're being used for. We should have a discussion before buying any vehicles, he said.

Mr. Gardner said the County should also develop an energy policy to pursue achievable cost savings. Mr. DiMaio said he was welcome to start anytime.

Mr. DiMaio wanted to examine the Office of the County Superintendent of Schools. Mr. Marvin said the County is obligated to supply clerical support, office space and office supplies.

Mr. Gardner said we have a long, hard road ahead of us. We're fortunate to have the Department Heads we have. Mr. Chamberlain thanked everyone for coming. Regarding any follow-up with individual Department Heads, Mr. Marvin asked how the Board wanted to handle this. Mr. Chamberlain said he personally wanted to be involved in every discussion although we may not have to meet with each and every Department Head. The Board can make a budget counter-offer and the Department Head can plead their case if they want.

Mr. DiMaio requested a new worksheet of potential CAP waivers be put together.

On motion by Mr. Gardner, seconded by Mr. Chamberlain, **SCHEDULED A WORK SESSION MEETING FOR WEDNESDAY, SEPTEMBER 17, 2008 AT 7:30 P.M. IN THE WAYNE DUMONT, JR. ADMINISTRATION BUILDING FOR THE PURPOSE OF DISCUSSING BUDGET MATTERS.**

Recorded Vote: Mr. Chamberlain yes, Mr. Gardner yes, Mr. DiMaio yes

There were no Closing Public Comments nor were there any Press Comments or Questions.

On motion by Mr. Chamberlain, seconded by Mr. Gardner and there being no further business to come before the Board at this time, the meeting was adjourned at 8:12 p.m.

**ATTESTED TO:**

**Steve Marvin, Clerk of the Board**

