

MINUTES**SEPTEMBER 17, 2008**

The Board of Chosen Freeholders of the County of Warren met in Work Session in its offices in the Wayne Dumont, Jr. Administration Building, Belvidere, New Jersey on September 17, 2008 at 7:37 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, Fiscal Analyst Dan Olshefski, Assistant County Counsel Erik Hassing 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 SEPTEMBER 17, 2008 WAS GIVEN IN ACCORDANCE WITH THE OPEN PUBLIC MEETINGS ACT BY FORWARDING A SCHEDULE OF BUDGET WORK SESSION MEETINGS 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.”**

Since the purpose of this session was to discuss budget matters facing the County for Fiscal Year 2009, the meeting was promptly turned over to CFO Charles Houck to provide the latest updates. Several budget worksheets were distributed for the Board's perusal.

Regarding expenses for health benefits, Mr. Houck reminded the Board that the County is limited to the State's increase, recently revealed to be 3%. Any increase over 4% will be inside the CAP.

Emphasizing that these are preliminary figures, Mr. Houck reported that the County is \$2.2 million over budget in the 2.5%/3.5% CAP calculation at the present time. In the 4% CAP calculation, the shortage is roughly \$800,000. There are still several unknowns and assumptions being made. For example, these figures assume the closure of Warren Acres and the cost share for county residents committed to State mental institutions remains unclear.

Mr. DiMaio inquired about waivers. Mr. Houck said there is no provision for waivers in the 2.5%/3.5% calculation, but we can apply CAP banking. Mr. Marvin pointed out that the ability to apply for waivers in the 4% calculation is a moot point since both calculations have to be satisfied at the same time. Mr. Houck launched into a detailed explanation of the intricacies of CAP banking formulas and procedures, acknowledging that it gets pretty complicated.

Mr. Houck predicted dramatic increases in pension plan contributions for future years. The net increase in PFRS for 2009 is 18%. Mr. Chamberlain said he had been reading about how all these funds are invested in the stock market. He was amazed at the degree to which this is allowed and that the accounts are managed by political appointees rather than

professionals. Wall Street has been on a wild ride lately. New Jersey pension funds were heavily vested in Lehman Brothers which filed for bankruptcy this week and the insurance giant, AIG, which teetered on collapse prior to a government bailout.

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Pensions aren't our only uncontrollable cost. Mr. Marvin pointed out that the State Board of Public Utilities had approved double-digit rate increases.

Further, Mr. Marvin turned the Board's attention to recently introduced legislation requiring counties, municipalities, fire districts and Boards of Education to cooperatively develop five year financial plans. The Freeholders were incredulous. "NJAC has to jump on this," said Mr. DiMaio. "And the League of Municipalities – tooth and nail," said Mr. Gardner. Mr. Marvin thought legislative relief to the CAP problem is not likely "if this is where their heads are at".

The Board then focused on a couple of line items reduced in the latest version of the budget. Dan Olshefski decided to "flat line" both Property & Casualty and Medical in the Insurances Section. The Medical Insurance is self-funded and a "healthy" increase of 8% had been budgeted for 2008. Since there has only been an increase of about 2% for the year so far, a bit of a cushion remains. Should the trend reverse itself, however, we would have to utilize the fund's surplus.

Discussion ensued regarding the possibility of opting in to the State's Health Plan. About half of New Jersey's counties are in the State Plan and Atlantic County no longer offers health care benefits for retirees. Mr. Chamberlain expressed interest in switching to the State Plan. Mr. Marvin said this may be subject to collective bargaining. Mr. Chamberlain thought with five of nine bargaining units coming to the table, the unions should be open to the discussion if they care about their employees and preserving jobs.

Mr. Houck, Mr. Olshefski and Mr. Marvin all thought it likely that the State was deliberately under-funding the plan to make it look good for the short term. Eventually, the money will have to be levied, making for double-digit increases. Mr. Chamberlain still thought it should be examined, saying our increases are in double digits as it is.

Mr. DiMaio feared once the County was "lured into" the plan, it would get hit with 20% increases. He suggested a comparison of increases between the County Plan and the State Plan over the last 10 years. Mr. Gardner said he was about to suggest the same thing. Mr. Houck pointed out that keeping the health care increase flat is actually helping us this year. Perhaps raising the retirement age from 55 to 62 should be considered.

Getting back to the big picture and the \$2.2 million shortfall, Mr. Chamberlain said he had been reflecting on what Sheriff Sal Simonetti had said at the last Work Session Meeting. Mr. Simonetti had requested that the Board give a specific directive to each department in terms of how much to cut. Mr. Chamberlain proposed telling every department they have to cut their budget by 5%. We asked for ideas, he said. We have to think outside the box. For example, the County is spending more than \$300,000 on a contracted service to provide Senior Nutrition meals. Mr. Chamberlain thought perhaps Warren Haven could provide dietary services to the Senior Nutrition sites.

Mr. Olshefski noted that some departments have already cut so not everyone would be starting at the same place. Decreased revenues have really been detrimental. Some departments, such as the 24 hour facilities, are unique and it is not practical to attempt to paint all departments with the same broad brush. Mr. Olshefski wanted to be sure he understood what figure the 5% reduction was to be based on. He was told each department's adopted 2008 budget. That 5% will take positions off the books, Mr. Olshefski said.

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Mr. Marvin said the initial Budget Call Letter asked for a prioritized listing of services offered and potential impact of ceasing to provide same. There was perhaps 50% compliance with this directive. With the exception of the Prosecutor, the Constitutional Officers did not comply in any way, shape or form, Mr. Marvin said. If they were told in black and white and they didn't do it, Mr. Marvin thought it shows that they don't care. He suggested that the Department Heads who ignored this instruction should be told to cut 10% and all others, 2.5%. The Board did not appear to take this idea seriously.

On motion by Mr. Chamberlain, seconded by Mr. Gardner, **DIRECT DEPARTMENT HEADS TO REDUCE THEIR APPROPRIATION REQUESTS BY 5% BELOW THEIR APPROVED 2008 OPERATING BUDGETS.**

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

Mr. Marvin reiterated that the 24 hour facilities will not realistically be able to cut that much.

On motion by Mr. Gardner, seconded by Mr. Chamberlain, **SCHEDULED WORK SESSION MEETING FOR WEDNESDAY, OCTOBER 15, 2008 AT 7:30 P.M. IN THE FREEHOLDERS' MEETING ROOM IN THE WAYNE DUMONT, JR. ADMINISTRATION BUILDING, 165 COUNTY ROUTE 519 SOUTH, BELVIDERE, NEW JERSEY 07823 FOR THE PURPOSE OF DISCUSSING FY '09 BUDGET MATTERS.**

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

Mr. Marvin asked if the Board had made a definite decision to de-fund the Warren County Regional Chamber of Commerce. No funds have been budgeted for it for FY '09. Mr. DiMaio said let's "see where we land" after the 5% cuts come back before deciding.

Under Closing Public Comments, someone shouted "Good job!" from their seat and the crowd applauded.

On motion by Mr. Gardner, seconded by Mr. Chamberlain, and there being no further business to come before the Board at this time, the meeting was adjourned at 9:15 p.m.

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

ATTESTED TO:

Steve Marvin, Clerk of the Board