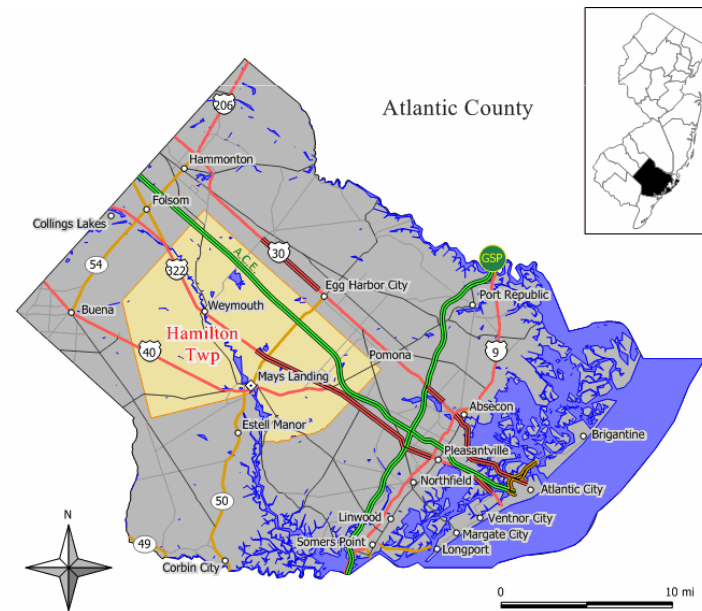




2009 Mid-Year Budget Review

July 6, 2009



***“You can’t always get what you want....
... sometimes you get what you need”***

-- Mick Jagger

I' M SORRY!



*Nobody will get what
they want in 2009*



Overview:

1. Use of Public Funds
2. Mid-Year Budget Review
3. 2010 “Coming Attractions”



Use of Public Funds

Since the economic downturn, private organizations are struggling with fundraising.

Gov't starting to cut “wants” in order to fund “needs” has placed a heavy challenge on community groups.

The result is these community groups asking their local gov't for money and/or resources.

- Rotary Club
- Mays Landing Merchants Assoc.
- 4-H
- Recreation organizations
- Boy Scouts
- Individuals wanting donations



1. User Fees
2. General Taxation
3. Permitted Uses of



Use of Public Funds

User Fee = When someone “chooses” to use a gov’t service, they pay a user fee that offsets the cost of the gov’t service so that it does not affect the general tax rate.

- Zoning permit fee
- Developer escrow fees
- Street vacation fee
- Bldg permit fee



General Taxation = “*ad valorem tax*” is a tax based on the value of real estate or real property and it is used to fund general gov’t functions for which all residents benefit.

- Police
- Fire/Rescue
- Roads
- Stormwater/Drainage
- Land Use Planning
- Solid Waste Collection



Permitted Uses of Tax Money:

User Fees = are intended to be used solely for the activity the participant is choosing to utilize (ie: purchasing a dog license)

General Taxation = NJ Constitution tells us that public monies must be for some “public benefit” or government purpose.

Confusion with spending General Taxation dollars has resulted in some well intentioned elected/appointed officials being in violation of NJSA 2C:30-2 (Official Misconduct)

- 33yr Police Chief (Carteret) >Knights of Columbus, BSA, etc
- Hunterdon County Road Dept.> churches, GSA

Township of Hamilton



Permitted Uses of Tax Money:

This was reinforced in *Roe v. Kervick*, 42 NJ 191 (1964) = established a constitutional prohibition against devoting public monies/assets to private persons/purposes.

Further spelled out in a Monmouth County Prosecutor letter (2002)

“Free municipal services to private, religious, civic groups or charitable organizations is not permitted unless there is a reimbursement mechanism established with consent of the governing body.”

“Regardless of the spirit or motivation of the elected/appointed official, such giving of public assets is illegal.”

Township of Hamilton



Summary: No matter how well intentioned, we don't have the option to donate public monies/resources to non-gov't entities.



How are we doing so far as of Jun 30, 2009?



Mid-Year Budget Review

- We are ahead of most of our peers (municipal gov't)
- Budget Adopted April 6th.
- Capital Budget done in May
- We decreased expenses
- We have decreased our structural deficit
- And we're talking about 2010 budget when most gov'ts don't have 2009 done yet



Why is it important to adopt budget on time?

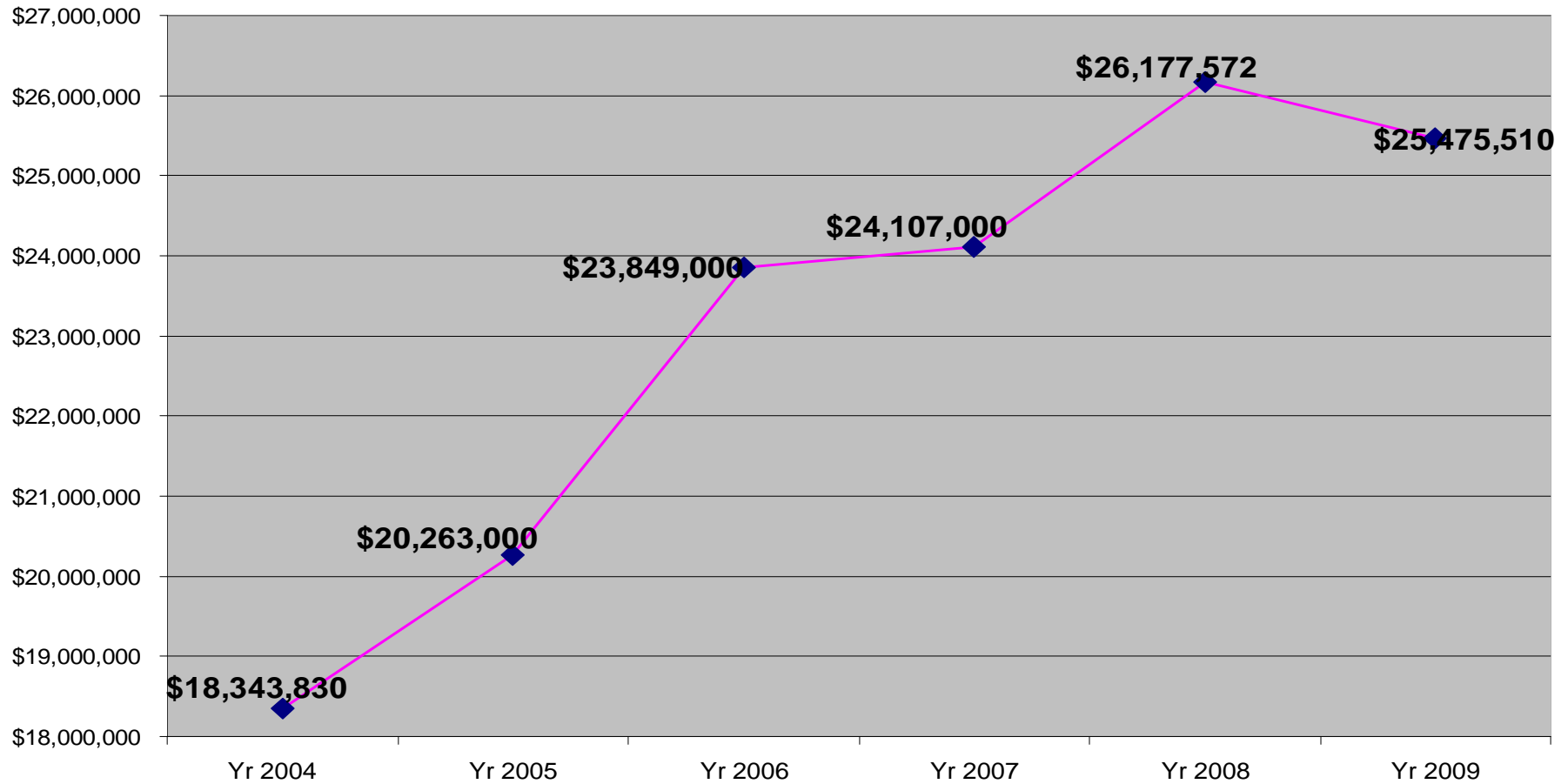
Would not have had:

- \$400,000 worth of personnel reductions
- decrease in overall expenses
- start road program
- purchase the ladder truck
- \$6.8 million bond sale
- Would not have been able to move forward and focus on 2010.



Mid-Year Budget Review: Expenses

Municipal Expenses (incl: Garbage District)



Township of Hamilton



We are doing fine with expenses:

- They are budgeted to be less than 2008 (\$700,00)
- No over-expenditures, no emergencies
- All departments are where they should be expense-wise for this time of year.
- 5 months into the year, we are tracking and will continue to monitor closely.



Township Committee authorized a bond sale, take all existing debt and go out for one, fixed rate bond:

This will stabilize future debt service payments and lock in low interest rates for next 15 years

That sale is Thursday.



Critical step to selling bonds and getting a good interest rate is the town's "Bond Rating"

Suffice it to say a lot of prep work, documentation and interviews go into establishing that bond rating.

For this sale we were rated by Standard & Poors (S&P)



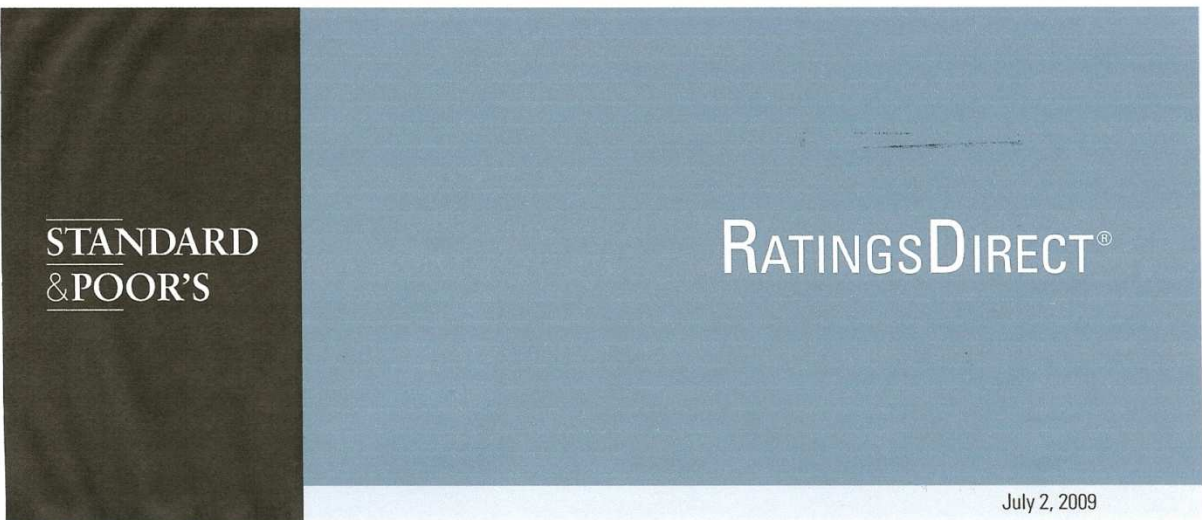
Mid-Year Budget Review: Debt/Bonding

	From	To
	Moody's	Standard & Poors
Highest	Aaa	AAA
	Aa1	AA+
	Aa2	AA
	Aa3	AA-
	A1	A+
	A2	A
Lowest	A3	A-



Township of Hamilton





Summary:
**Hamilton Township, New Jersey;
General Obligation**

Primary Credit Analyst:
Linda Yip, New York (1) 212-438-2036; linda_yip@standardandpoors.com
Secondary Credit Analyst:
Jesse Brady, New York (1) 212-438-7944; jesse_brady@standardandpoors.com

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- Rationale
- Outlook
- Related Research

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-“*Low Debt Burden*”

- “*We consider Hamilton Township’s financial position strong.*”

- singled out our “*Conservative budgeting practices.*”

- S&P concluded with our “*outlook reflects the township’s relatively stable local economy and strong financial position.*”



- We are still suffering from a structural deficit, however we are headed in the right direction.
- Our structural deficit is getting smaller



Mid-Year Budget Review: Structural Deficit

Year	Expenses	Revenues	Shortfall
2006	\$23,849,000	\$19,638,500	-\$4,210,500
2007	\$24,107,000	\$20,361,850	-\$3,745,150
2008	\$26,177,572	\$22,780,072	-\$3,397,500
2009	\$25,475,510	\$23,060,510	-\$2,415,000



2009 = we are projecting to reduce our structural deficit even further.

However, we are still carrying substantial structural deficit



Why is “Structural Deficit” such a big deal all of a sudden?

Prior to 2008 (tax levy cap law) , local gov’t never had to worry about “structural deficit”

We would just plug in the expenses we wanted and whatever we were short, could raise taxes to “balance” the budget.

We are no longer permitted to do that, our revenue ability is no longer “infinite” it is now **“finite”**



“...our revenue ability is no longer “infinite” it is now “finite”

This is the “**New Normal**” for municipalities and it is culture shock. We are way ahead of our peers on this.

Many have deferred all their school taxes, all their pension payments, used all their surplus, used all their MUA’s surplus, gone to LFB for tax waivers, etc

.....and they still have the expenses and no revenue sources.



Mid-Year Budget Review: Surplus

Year	Surplus Used	Surplus Generated
2008	\$2,415,000	\$2,980,961 *
2007	\$3,300,000	\$3,314,563
2006	\$3,745,150	\$2,801,189
2005	\$4,210,500	\$3,507,885
Total	\$11,255,650	\$9,623,637

* Includes: \$1.2 million from Garb. Dist., \$258,000 from MUA and \$379,000 School Def.



Gov't is not used to “cutting expenses”

We use “gov't speak” -- like we're cutting the rate of increase.....

Cutting total expenses in 2009 was an important accomplishment



Cutting Expenses in Gov't



It takes this armada over 1 mile to stop



Mid-Year Budget Review: Summary

This is not small feat for gov't and should not be underestimated.

Much “pain” was realized to lower expenses:

- 9 less employees
- 4 on reduced work schedules
- Unpaid furloughs
- Elimination of popular services/programs
- Upset constituents
- Damaged relationships

.....and we get to do it all over again in 2010....



Little Early for Revenue Projections:

- Tax Collection = on pace
- Court Revenue = on pace
- Construction Revenue = little behind
- State Aid = scheduled but haven't received it



Budget Revenue Strategies:

- 3 Cell Tower auctions (\$60,000 p/yr when fully operational)
- GovDeals (\$54,000 already earned)
- On-going Contiguous Owner Land Sales (\$20,000)
- Mizpah Village/Sunshine Park Land Sale scheduled(??)
- Updated fees for Construction, Zoning & Fire (\$40,000)



The Finance Committee is working on more accurate 2010 budget projections. We hope to present those at a future meeting.

What follows is a brief preview



2010 “Coming Attractions”

Our projection of a \$2.9 million shortfall for 2010 is still pretty accurate.

This projection includes all current programs, personnel and services and all labor agreements.

We can refine that number a little.



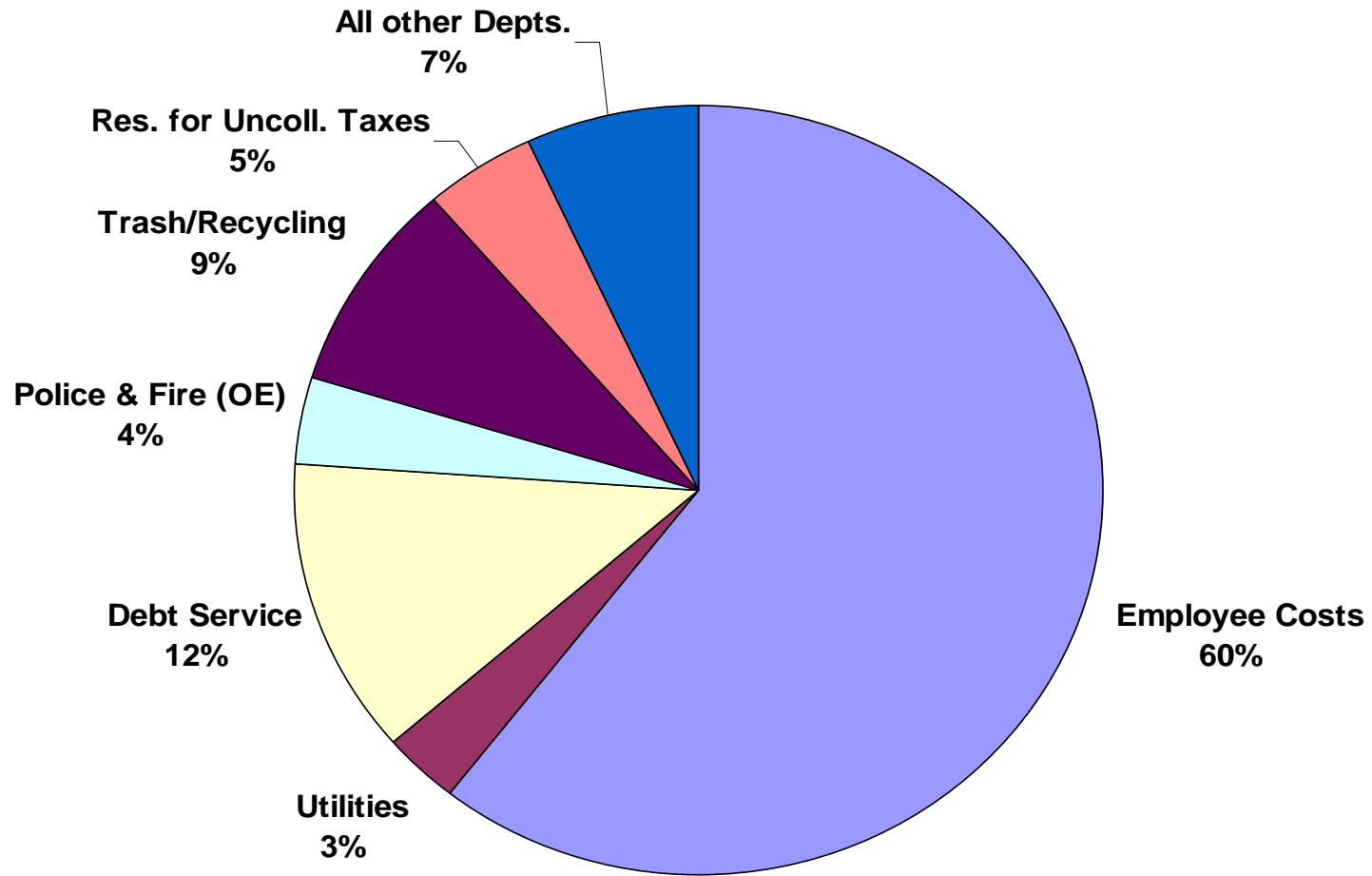
2010 “Coming Attractions”

Projected 2010 Budget Gap	\$ 2,900,000
2009 Personnel Reductions	\$ 400,000
	\$ 2,500,000
4% Tax Levy Cap	\$ (850,000)
MUA Contribution	\$ (258,000)
Same School Deferral	\$ (400,000)
	\$ 992,000

Where we are currently and we will continue to keep the Committee informed as we proceed with our Finance meetings.



2010 “Coming Attractions”



“Any Government, like any family, can for a year or two spend a little more than it earns, but you and I know that a continuation of that habit means the poorhouse”

- Franklin D. Roosevelt
July 30, 1932

