

BUDGET MEETING OF THE MAYOR AND COUNCIL
MUNICIPAL COURT/COUNCIL CHAMBERS
10 LAWLOR DRIVE, OAKLAND, NEW JERSEY
WEDNESDAY MARCH 31, 2010

MEETING CALLED TO ORDER: By Mayor Szabo at 7:07 pm

ROLL CALL: Present: Mayor Szabo, Councilmembers Burns, Di Pentima, Marcalus, Pignatelli, Stagg, Visconti. Absent: None. Also Present: Lisa Duncan, Borough Clerk; Richard Kunze, Borough Administrator.

SALUTE TO THE FLAG:

MOMENT OF SILENCE:

MEETING ANNOUNCEMENT: This meeting is being held in accordance with the Open Public Meetings Law, duly announced and posted in the municipal building.

Mayor Szabo explained that the purpose of the meeting is to review and discuss the 2010 budget. The budget must be introduced by April 14th so this begins the process. A lot of preparation has been done by the department heads, CFO, Borough Administrator, and Councilmembers Di Pentima and Visconti.

Councilman Di Pentima commented that because off the fiscal planning that has occurred, there are a lot of long-term fixes in place. The Health trust account is being built up. The Snow Removal trust is in place. The Accrued Absences trust is being set up in this year's budget in the amount of \$50,000. The calculation for accrued absences at the end of 2009 was \$ 846,000. It is important to establish that fund. Councilman Di Pentima advised that the Finance Committee, CFO and Borough Administrator met with DPW, Police and Fire Departments. The cap expense line was reduced by \$38,000 as a result. One of the biggest increases in budget lines is insurance.

Councilman Di Pentima advised that the Borough prematurely paid of BAN's in 2008. The State allowed us to fund that over a five year period from 2008 to 2012 at \$600,000 per year. We are ahead on that by almost a year. Councilwoman Stagg asked if the Council deferred some items, would we be in a better position to do those when the BAN payments were done. Councilman Di Pentima commented that there are other items that could affect that.

Councilman Di Pentima advised that the Governor has cut the Borough's State Aid by 20.4% or \$338,000. We need to make that up by cutting expenses. The Finance Committee found out today that we are \$ 120,000 over the tax levy cap of 4%. That \$ 120,000 absolutely has to be cut before the budget is introduced in two weeks. The reduction in the tax collection rate has pushed us over the tax cap. The tax collection rate has dropped from 99.1% to 98.6% due to the economy. That results in a \$ 210,000 reserve increase and the Borough can get no cap relief on that increase. Outstanding collections are also up. Councilman Di Pentima advised that the Borough collects the taxes for schools, County, open space as well as the municipal taxes. The Borough then has to pay those entities. Any uncollected taxes affect the municipal portion. He spoke about accelerated tax sales to bring in money sooner. Councilman Burns explained that tax sales allow the Borough to collect the money owed. A private individual will pay the taxes on the resident's property and then they collect the money plus 18% from the resident. Mr. Kunze advised there are typically not many liens that go unsold. By accelerating the process, it helps the Borough catch up. Councilman Burns commented that the main thing is to have cash flow to pay the

schools. Councilman Visconti commented that a tax sale is historically done once per year. This is a good move in creating cash flow. Councilwoman Marcalus asked if this is factored in the budget and Councilman Di Pentima responded that it was.

Councilman Di Pentima explained that debt service is at \$ 17 million which includes bonds and BAN's. The Borough has outstanding BAN's of \$ 7.5 million. \$ 5 million of that relates to the purchase of the NJ Capital land on Breakneck Road. The BAN's allow two years of payment of interest only. In year three, the Borough needs to start paying principal. 2011 becomes year three for the \$ 5 million. The Borough still has not received any grant money yet. Mr. Kunze advised that the Borough is waiting for the grant money from both the County and the State. He has been actively in contact with them to get this resolved. He thinks the County money is forthcoming. The State was sent an updated appraisal as they requested. Borough Attorney Steve Muhlstock is in touch with the State. Councilman Pignatelli asked the Mayor to contact Green Acres. Mr. Kunze explained that there are a lot of Green Acres requirements in order to receive the money. Most are being done after the fact. Councilman Burns questioned the open space trust fund. Councilman Di Pentima advised that there is money in the fund but not enough. He explained that in 2012, there is roughly \$ 12 million that needs to be permanently financed.

Councilman Di Pentima explained that there may need to be service cuts. The Council needs to look at Capital. The liaisons need to go back to the Department Heads for a 4% cut. The goal is no layoffs and to avoid furloughs of employees. Mayor Szabo explained that although the economy is showing signs of slowly coming back, the State is in such a hole that it has 5 to 10 years before it will see a turnaround. Councilman Di Pentima commented that Oakland is not overstaffed.

Councilman Di Pentima asked everyone to turn to the current fund worksheet he handed out this evening. The current version is 5.5% over cap. Adjustment #1 has an offset for the reserve for debt service, recommended increasing the lease for the radio station and increases the receipt for delinquent taxes. That scenario is worse at 6% over. Adjustment #2 shows the \$218,000 reduction in CAP expenses to offset the State revenue cut. That scenario gets us to a 4.4%. The goal is to reduce the operating budget by the amount the State Aid was decreased by the State.

Councilwoman Marcalus asked if there is any flexibility in the budget. Councilman Di Pentima responded there is not. Councilman Visconti would like to see more cuts but the big question is how are we going to do that. The Council still doesn't know the final impact of the 4% cuts that were authorized to take from the Departments. He explained that insurance costs escalated again and utility costs are rising. Councilman Di Pentima explained that although the Borough has received favorable BAN rates, the Borough is not earning interest income. Insurance costs have increased for the State by 20% although the Borough's increase has not been that bad. Legal costs are still high due to library litigation and contract negotiations. Councilman Di Pentima is not sure there is a lot of leeway in the departments because the departments came in with very tight budgets.

Councilwoman Marcalus advised that the Executive Summary was excellent. She questioned whether the Borough is current on fee schedules. She questioned Recreation fees, cell tower leases and recycling revenues. She questioned what the Fire Department salaries and wages were. Councilman Pignatelli responded that is the agreement the Borough made for clothing allowances in lieu of insurance benefits. Councilwoman Marcalus questioned the snow removal budget. Councilman Di Pentima responded that the Borough has a trust fund to help with expenses. Mr. Kunze responded that the Borough is not over budget for snow removal yet. If we don't have a bad December, we may not have to dip into the trust. He gave kudos to DPW Superintendent Anthony Marcucilli. Mr. Kunze advised that OE expenses stayed the same in snow removal. There was an increase in salaries and wages but a corresponding decrease to roads.

Councilman Di Pentima advised that the Health Department needs to look at and reassess programs in place. Shade Tree should charge tree replacements to the Trust fund. Public Events should be charging items to their Trust fund. Councilman Di Pentima does not want to do any gimmicks and doesn't want to artificially pump revenue because it will hurt next year's budget. The Borough is not allowed to pass on the revenue cut because the Governor will cut us again in December. Councilman Pignatelli commented that while the Council wants to provide services, we may not be able to in these economic times. Councilman Burns commented that if the Council is cutting services, it should be determined whether the service is an option or is mandated. He is not sure there is any service offered by the Health Department that is not statutorily required. Councilman Di Pentima explained that Mr. Kunze and Karin Dubowick from the Health Department didn't accept the County's figures and reworked the contract which saved the Borough money.

Councilman Burns commented that the County lives up to its obligation with snow removal. Councilman Di Pentima explained that the County does give the Borough salt for doing Route 202 and they will give us extra at the end of the year if they have it. It does help. He commented that the Council has to question any vehicle requests in Capital.

Councilwoman Marcalus asked what effect grants have on the budget. Mr. Kunze replied that grants essentially offset expenditures in the budget. The budget can be up or down year to year because of grants. Councilman Di Pentima explained that generally appropriations are offset by revenue. Revenues are down. Mayor Szabo explained that grants are not a panacea. It is incoming revenue but it is project specific. Grants are great for specific projects but it doesn't help offset the budget. Councilman Burns commented that the Borough gets a fair amount of grants for Road projects that would have had to come out of the Borough's budget anyway. The grants for the purchase of the NJ Capital property helped or the taxpayers would have had to pay the entire \$5 million purchase price. The Borough has been good about going out for grants for projects we would do anyway. Councilman Di Pentima commented that it is becoming hard to find grants that don't require a match. Mayor Szabo commented that CDBG grant money for roads have very specific guidelines for projects.

Discussion turned to Capital requests. Councilman Di Pentima commented that what the Council says yes to now affects 2011 and 2012. The Council has to question if the timing is right for certain projects. For instance, the Fire Department is requesting laptops for emergency vehicles. It is a worthwhile endeavor but you have to question if the timing is right in this market. For DPW, the Council needs to question the purchase of pickup trucks. Street and Road improvements are infrastructure and shouldn't be touched because problems will compound if infrastructure work is stopped. Mr. Kunze explained that there may be enough existing sidewalk money on hand. He will look into that. Councilman Di Pentima commented that he does not think it is the economic climate to do the DPW renovation. He also commented that the Council has to think if it is the right time to finish the Library project. Councilman Di Pentima commented that the Council has to question the Police on the laser radar unit and the radio communication system. He advised that liaisons have to go back to their departments.

Councilman Visconti advised that the Council may have to make policy decisions that do not show an immediate benefit. Councilman Di Pentima commented that the Council needs to look at the 2009 capital list that was authorized to see what actually needs to be done and what can be cut. Councilman Visconti commented that the Council has to be careful that we don't neglect things because we are not taking care of them properly. Councilman Burns commented that the only thing that has to be spent initially is the down payment. As the projects are done, then there are actually expenditures. If the Council puts in an authorization and doesn't spend the authorization, then we only have to put the down payment in the budget. Councilman Di Pentima responded that he does not want to give the authorization because the departments will think they can spend that money. Councilman Di Pentima commented that he does not

think this is the year to fund the online registration for Recreation.

OPENED TO THE PUBLIC:

On motion of Councilman Visconti, seconded by Councilwoman Marcalus, this portion of the meeting be opened to the public.

ROLL CALL: All Yeas, Councilmembers Burns, Di Pentima, Marcalus, Pignatelli, Stagg, Visconti.

No comments made.

CLOSED TO THE PUBLIC:

On motion of Councilman Di Pentima, seconded by Councilwoman Stagg, this portion of the meeting be closed to the public.

ROLL CALL: All Yeas, Councilmembers Burns, Di Pentima, Marcalus, Pignatelli, Stagg, Visconti.

MOVE TO EXECUTIVE SESSION:

On motion of Councilman Di Pentima, seconded by Councilwoman Stagg, the following resolution be introduced, adopted and duly passed on roll call vote:

WHEREAS, Section 8 of the Open Public Meetings Act, Chapter 231, P.L. 1975, (N.J.S.A. 10:4-12) permits the exclusion of the public from a meeting in certain circumstances; and

WHEREAS, this public body is of the opinion that such circumstances presently exist,

NOW THEREFORE BE IT RESOLVED, by the Mayor and Council of the Borough of Oakland, County of Bergen, State of New Jersey, as follows:

1. The public shall be excluded from discussion of action upon the hereinafter specified subject matter.
2. The general nature of the subject matter to be discussed is as follows:
Contract negotiations
3. The Mayor and Council shall release and disclose to the general public the discussion and actions taken on the subject matter of the above mentioned closed session once the Mayor and Council has arrived at a final decision on the specified subject matter.

ROLL CALL: All yeas, Councilmembers Burns, Di Pentima, Marcalus, Pignatelli, Stagg, Visconti.

Discussion ensued over contract negotiations and affect on the budget.

CLOSE EXECUTIVE SESSION:

On motion of Councilman Pignatelli, seconded by Councilwoman Stagg, the Executive Session be closed.

ROLL CALL: All yeas, Councilmembers Burns, Di Pentima, Marcalus, Pignatelli, Stagg, Visconti.

RECONVENE REGULAR MEETING:

On motion of Councilman Pignatelli, seconded by Councilwoman Stagg, the regular meeting be reconvened.

ROLL CALL: All yeas, Councilmembers Burns, Di Pentima, Marcalus, Pignatelli, Stagg, Visconti.

MEETING ADJOURNED:

On motion of Councilwoman Stagg, seconded by Councilman Visconti, the meeting be adjourned at 8:56 pm.

ROLL CALL: All yeas, Councilmembers Burns, Di Pentima, Marcalus, Pignatelli, Stagg, Visconti.

Lisa M. Duncan, Borough Clerk

John P. Szabo, Jr., Mayor

April 14, 2010

Date Adopted