

BUDGET MEETING OF THE MAYOR AND COUNCIL
HELD AT THE
BOROUGH HALL CONFERENCE ROOM
1 MUNICIPAL PLAZA, OAKLAND, NEW JERSEY
WEDNESDAY MARCH 7, 2013

MEETING CALLED TO ORDER: By Mayor Schwager at 5:03 pm.

ROLL CALL: Mayor Schwager called the meeting to order and the Clerk called the roll. Present: Mayor Schwager, Councilmembers Coira, Jensen, Marcalus, Pignatelli, Stagg, Visconti. Absent: None. Also Present: Lisa M. Duncan, Borough Clerk; Richard Kunze, Borough Administrator; James Mangin, Chief Financial Officer.

SALUTE TO THE FLAG:

MOMENT OF SILENCE:

MEETING ANNOUNCEMENT: Mayor Schwager announced this meeting is being held in accordance with the Open Public Meetings Law duly announced and included in the schedule of regular meetings.

Mr. Kunze advised this meeting is to provide the Council with an overview of the budget to be introduced next Wednesday. Mr. Mangin advised that 2012 was a good year financially. Revenue was strong and higher than anticipated which adds to surplus. We regenerated \$754,000 which was added to surplus. Surplus is now at slightly over \$ 2 million. That is with utilizing \$500,000 for the DPW building downpayment, \$100,000 for tax appeal trust and \$50,000 for accumulated absence trust. Surplus is about 15% of the operating budget. Mr. Mangin explained that you don't want surplus to be below 10% or over 15%. He explained that the biggest driver of the tax increase several years ago was the fact that there was no surplus to use for tax relief. Some of the things that have helped have been that health benefits costs have decreased over the last couple of years, State Aid has stabilized, and we have the Accumulated Absence trust.

Councilman Pignatelli commented that we can't overuse surplus because we cannot always regenerate surplus. Mr. Mangin advised that we have set up contingency funds as much as we can such as the trusts for tax appeals, accumulated absences, etc. When the 2% cap went into effect, we were already below that. Mr. Kunze advised that we have been helping ourselves with prudent fiscal practices. The State has also been stabilizing State aid. If that changes, we could be in trouble. He advised that more historical analysis will be provided with the budget workbooks.

Mr. Kunze advised that certain salary budgets bounce around. In general, all increases are according to the labor contracts which were 2.5% or a flat dollar amount depending on the salary. The Police contract was 2.5% but we had to build in an extra ½% for the split raise last year. When you build in COLA increases, the actual increase is 5.5%. Mr. Kunze advised that General services salary and wages is primarily for sick and vacation buybacks. The DPW contract this year allows the employees to sell back 5 vacation days so we built an extra \$16,000 in the budget for that. Mr. Kunze advised that there was an increase in health benefit plan costs but it is still less than we were paying on the old plan. He advised that year 3 of the employee health contributions begins in July. The employee contributions will be \$193,000 this year.

Councilman Visconti advised that we need to look at next year. Last year, we switched to the BMED and then to the Direct 10 plan in July so this year's health benefits budget is flat. The concern is that we won't be able to sustain a flat budget next year if we get a larger increase. Mr. Kunze advised that unless something catastrophic happens, we should be able to flat fund premiums for the next two years. However, we should build in extra so that we are not taking a hit in the third year. He advised that we should explore additional plans to give employees more options and the employees would be involved with crafting the new plans.

The Finance O.E. budget is up because of increased costs for ADP. Mr. Mangin is looking at an alternate provider for payroll services. Councilman Visconti asked if an additional part-time person was added in to the Administration budget. He explained that the Police Chief offered to let Chris Davis help at Borough Hall. Mr. Kunze explained that the Chief might need her back full-time at the Police Department. He has not addressed that yet in the budget because, although there might be a need, he does not know the timing.

Mr. Kunze explained that the Police O.E. budget is up for items needed to replace the retired officer. Councilman Jensen commented that there are a lot of damaged police cars and he asked what we are doing with those. Mr. Kunze responded he needs to organize an auction. Mayor Schwager brought up having an ATM machine and said there would be no cost except for the phone line. Mr. Mangin responded that it is a good idea and he will include it in the RFP for banking services.

Mr. Kunze explained that LOSAP is deferred comp for volunteers. There are more Fire Department members so we have to increase the budget. Mr. Mangin advised that next year that budget needs to be increased because the First Aid Squad also has more members. Mr. Kunze advised that the First Aid Squad made a written request for an additional \$5,000 of funding. There was a discussion on funding for the First Aid Squad. Councilman Visconti suggested that the First Aid Squad can bill insurance companies.

Mr. Kunze advised there is a reduction in the Engineering and Planning budget based on historical spending. There is an increase in the Road O.E. budget due to the street sweeping contract and the increase in uniform allowance for employees as specified in the contract. The solid waste contract is down \$166,000 this year as a result of the contract we entered into last year. The single stream recycling is working well. For the first five months, the average tonnage for recyclables was up 10% per month. Mr. Kunze advised that the snow removal budget remains flat this year. Even though there was a reduction in hours for the County Health Services contract this year, the Health O.E. budget funding was left flat in case there is a need for additional work later in the year. There is a slight increase in Recreation O.E. due to increased registrations and new programs this year. There is a slight increase in the Senior Citizen budget but Rose stretches her budget and is doing a great job with a small amount of money.

Mr. Kunze advised that the Finance Committee is proposing to move Public Events out of the budget and let them use their Trust fund money. That would save \$14,100 from the budget. That would depend on Public Events running the carnival and getting the revenue from the carnival so they can sustain the Trust fund. Councilman Pignatelli asked how much money is in Public Events Trust and Mr. Mangin responded they currently have \$105,000. Councilwoman Marcalus asked if we were funding the fireworks. Mr. Kunze responded that it would be paid out of the Trust. Mr. Mangin advised there will be a resolution next week to cancel the Public Events temporary budget appropriation because anything in the temporary budget has to be included in the adopted budget. Therefore, before the budget gets introduced, he has to get the Public Events temporary budget to zero in case the Council decides to use the Trust fund. He advised that he is

taking Public Events expenditures and charging them to the Trust fund. It can be changed back if the Council decides to leave Public Events in the budget.

Mr. Kunze advised there were general reductions in the utility budget. Mayor Schwager asked why vehicle fuel is going down. Mr. Kunze responded that last year, we took a worst case approach to budgeting and we used less than we budgeted. This year we budgeted less. However, there is an allocation in the water utility budget if needed. The pension and social security budget is stable right now. There is a modest increase of about \$18,000. There was discussion on future pension increases. Mayor Schwager asked if Obamacare will affect us. Mr. Kunze responded that it has affected us because we have to cover dependents to age 26 and that results in additional health care costs. Mr. Mangin advised that the biggest driver of pension increases is our own pensionable salaries. Councilman Pignatelli asked if we will see a reduction if we have three Police officers retire. Mr. Kunze responded we will see the effect of the retirements in 2016. It will depend on what salary the replacement officers are at.

Mr. Kunze advised that the grant numbers change regularly. Currently there is the hazard mitigation grant to help a resident raise their house. There is a drop in debt service because last year we put in \$500,000 for the DPW building down payment. Mr. Kunze explained that the idea is to keep debt service flat. There are increases in the payment of principal but interest decreased due to the good rate we got from the note sale. He explained that the net amount for debt service is flat when compared to the revenue side. Mr. Kunze explained that we do not need the special emergency appropriation for Hurricane Irene anymore so that is taken out. We are in year 3 of the special appropriation for the reassessment so funding will be kept in the budget through 2015. Mr. Kunze advised that the Highlands Council may do the Wastewater Management Plan so there is a potential that there will be a savings in the 2014 budget.

Mr. Mangin explained there is a shortfall in grants receivable. He explained that under the stimulus plan in 2009, we needed to get spending authority right away for the road program so we did a Chapter 159 resolution. We were charging the road program to the grant instead of the bond ordinance. It turns out that \$22,000 should have been charged to the bond ordinance instead of the grant so there is minor cleanup to do. Mr. Kunze advised that there is no need to fund \$100,000 for the Reserve for Uncollected taxes so the Finance Committee is proposing \$50,000. Mr. Kunze advised that the Library funding is determined by a formula based on the equalized assessed value. Mr. Kunze explained that the budget is under the appropriations cap. The total increase for inside the cap is .9%.

Discussion ensued over the revenue side. Mr. Kunze advised that the League of Municipalities is going to push again for reimbursements to municipalities for energy tax receipts. Mr. Kunze advised that last year we realized \$26,000 for the off duty officer administrative fee. This year we are going to anticipate \$ 25,000. It was identified as a new revenue source. Mr. Kunze advised that recycling revenue is down but that is offset on the cost side. Mr. Mangin advised that the radio station owes the Borough money for its rent. The Borough attorney is filing a claim. They explained that the Hurricane Irene reimbursement we received from FEMA last year will not show up in this year's budget.

The overall increase to the levy is \$ 170,000. The municipal portion is up 1.3%. That amounts to a \$ 33 increase on the average assessed home of \$408,700. That is for municipal, library and open space combined. The overall levy increase is 1.04%.

MOVE TO EXECUTIVE SESSION:

On motion of Councilman Jensen, seconded by Councilman Visconti, 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:
Personnel and potential litigation
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 Coira, Jensen, Marcalus, Pignatelli, Stagg, Visconti.

Discussion ensued over police personnel issues as they relate to the budget as well as how potential litigation relates to the budget.

CLOSE EXECUTIVE SESSION:

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

ROLL CALL: All yeas, Councilmembers Coira, Jensen, Marcalus, Pignatelli, Stagg, Visconti.

MOTION TO RECONVENE BUDGET MEETING:

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

ROLL CALL: All yeas, Councilmembers Coira, Jensen, Marcalus, Pignatelli, Stagg, Visconti.

Discussion ensued over whether to use surplus to make the municipal budget flat or whether to leave with the 1.3% increase. Councilman Visconti advised that Mr. Kunze is concerned if we keep hitting zero, we are going to have cap issues in the future. The consensus of the Council was to leave the 1.3% increase for the budget introduction.

There was no public present to speak.

MEETING ADJOURNED:

On motion of Councilman Jensen, seconded by Councilwoman Stagg, the meeting be adjourned at 6:46 pm.

ROLL CALL: All yeas, Councilmembers Coira, Jensen, Marcalus, Pignatelli, Stagg, Visconti.

Lisa M. Duncan, Borough Clerk
March 27, 2013

Mayor Linda H. Schwager

Date Approved