

BUDGET MEETING OF THE MAYOR AND COUNCIL  
HELD VIA ZOOM VIDEO CONFERENCE  
1 MUNICIPAL PLAZA, OAKLAND, NEW JERSEY  
MONDAY MARCH 8, 2021

MEETING CALLED TO ORDER: By Mayor Schwager at 6:31 pm.

ROLL CALL: Mayor Schwager called the meeting to order and the Clerk called the roll. Present: Mayor Schwager, Councilmembers Biale, Kulmala, Pignatelli, Slasinski, Talamini, Van Eck. Absent: None. Also Present: Lisa M. Duncan, Borough Clerk; Richard Kunze, Borough Administrator; David Young, 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, submitted to the newspaper and advertised more than 48 hours in advance of the meeting and notice posted in the Municipal Building and on the Borough website.

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Mayor Schwager announced this is the first time the entire Council is seeing the budget which is still in draft form. The budget can be changed before introduction on March 24<sup>th</sup>. After the budget is introduced on March 24<sup>th</sup>, it will be advertised and a public hearing held.

Mr. Kunze advised this is a basic budget overview for the Council.

CFO David Young gave a summary of 2020 and the effects COVID-19 had on the budget. He advised COVID-19 is still affecting revenue streams. He spoke of how fees were down from 2019. There are five revenue streams that are down over \$ 400,000 in 2020 due to COVID. The State is allowing municipalities to anticipate non-tax revenues by using a three-year average which gives the ability to anticipate a declining impact of COVID 19 in 2021. The budget for local revenues will still be \$ 250,000 below the 2019 budget. Councilman Talamini asked if the State has been helpful with exceptions due to COVID. Mr. Young responded the State is letting municipalities use the three-year average and they are allowing the budget to be adopted later than the statutory timeline. The State let the Borough use our storm reserve trust to pay for COVID expenses. FEMA and the Cares Act are reimbursing us about \$ 105,000 and there will probably be another \$ 40,000 that will be reimbursed. The Borough can recoup expenses through the end of September.

Mr. Young advised that there were lower expenses in 2020 due to the three month shut down of offices. He explained that 2020 expenditures will not be good indicators for 2021 in many areas. He explained that for the 2021 budget, they looked at the prior four years actual trend with a four year future budget projection. They reviewed contractual obligations and targeted expense reductions.

Mr. Young advised that appropriations for 2021 are \$ 21,827,000 as compared to \$ 20,617,924 for 2020. This is excluding \$ 1.2 million in grants which is up 6%. Salaries and wages are up

\$ 40,000. The main driver is Police Salaries and wages. The increase is being kept lower due to breakage from retirements. There are five key drivers that account for an increase of 1,235,000. Debt service is up \$ 500,000 which we knew was coming. There is increased utility support of \$165,000 to address the penalty and fees. Mr. Kunze advised this covers payments in 2020 and 2021. The third key driver is the 2021 reassessment which was ordered by the County. Mr. Kunze advised he is working with the Assessor to get out the RFP. The project will cost \$250,000. He explained that last year, there was discussion of a rolling assessment. There is a one time cost of \$ 200,000 and then a cost of \$ 50,000 per year. He explained that a reassessment is done to set the assessments at market value. When the ratio of assessed to market value hits 80%, the County will order a reassessment. The rolling reassessment captures changes as they occur so it keeps in line over five years. This should help to avoid tax appeals moving forward. Mr. Young advised there is \$ 100,000 in the budget for tax appeals. If this reassessment does what it is supposed to, we may be able to pay the \$ 50,000 yearly fee from that money.

Mr. Young explained the fourth key driver is the pension allocation which is determined by the State based on prior year salaries. PERS is up 20% and PFRS is up 11%. Mr. Kunze explained it is predicated on overall salaries and wages. An actuarial study is done each year and a percentage is charged to the town. Councilman Pignatelli thinks it is hypocritical that the State wants municipalities to pay when they haven't made their payments. Councilman Kulmala asked what the payments were last year. Mr. Kunze responded that the payment for both PERS and PFRS was \$ 1.3 million last year and this year it is \$ 1.47 million.

The fifth key driver is the solid waste contract is up for renewal. They think there will be a \$150,000 increase. Councilman Van Eck asked if that increase would be based on the current service. Mr. Kunze responded it would. Councilman Van Eck asked if the Council opted to make changes to the contract, would it avoid an increase. Mayor Schwager asked if that includes recycling. Mr. Kunze responded it includes collection. He explained that there is a lack of competition and increased pressure due to escalated wages. If there is a change in the service level, it would mitigate some of the cost increase. Mr. Kunze explained we will bid out multiple options so we can see the most cost effective. He explained that if we drop to once per week garbage collection, there will not be a 50% reduction in cost. Councilman Biale explained that there would be just as much garbage collected once per week. He advised that the Borough even sought vendors out of state last time. He advised that we are working off the same figures as 2020 this first quarter of 2021. Mr. Kunze explained that there were 7 or 8 years with a decrease but the past three or four years, there has been a dramatic increase. We have let the State know what is happening with the bids.

Mr. Young spoke about revenues. He explained that we started the year with more surplus so we are trying to use more. We are trying to utilize surplus for the one time charges like the reassessment and the utility support. He explained that we are anticipating more revenue than in 2020 but less than 2019 levels. He explained that the Borough has not gotten an increase in State Aid in 10 years. Councilman Kulmala stated that they are anticipating construction fees down but the real estate market has skyrocketed. Mr. Young explained that the Borough is restricted to a three-year average to anticipate revenues.

Councilman Biale asked if the Reserve for uncollected taxes was increased. Mr. Young responded it was increased approximately \$ 15,000. Councilman Biale asked if that can be dropped. Mr. Young explained that it can be reduced some but on the other side, anything that is left in that account will replenish surplus. If it is reduced, that won't go to surplus next year. Councilman Biale questioned how much we are paying this year for the reserve for the fire truck. Mr. Kunze responded it is \$ 200,000 each year. Councilman Biale asked if that can be dropped

down to \$ 100,000. Mr. Young explained that the reserve pulls out of surplus. He explained that the Borough has \$ 1.5 million in other debt so if that money is not used for the fire truck, it can be used for something else. Councilman Pignatelli commented that was being done to pay for the ladder truck which has been bought. Any money being put aside now is for other vehicles. He stated tha the Borough has always bonded for the purchase of fire trucks. Councilman Biale stated that is not a bad consideration since interest rates are low. Mr. Kunze explained that the rates are low now but the Borough would not need to go out for bonds for a few years. We don't know what the rates will be at that time. Councilman Biale wants to drop the allocation to \$100,000 to ease the tax increase for the residents. Councilman Pignatelli and Councilman Kulmala agreed. Councilman Van Eck asked if that allotment can be dropped altogether. Mr. Kunze advised that they thought this was a best practice to avoid debt. Councilman Pignatelli stated this would be the year not to put aside that money. Councilman Biale stated this would be a good year to drop it by \$ 100,000 to less pressure on the residents. Councilman Kulmala asked why the payment for the fire truck couldn't be skipped this year. Mr. Young advised that for long term planning purposes, a \$ 1.2 million fire truck will cost \$ 1.4 million to bond. Mayor Schwager stated that we have learned in the past that a zero increase affects the taxpayers more than if small increases are done each year. Further discussion ensued over the fire truck. Mayor Schwager stated that Mr. Young will run both sets of numbers.

Mr. Young spoke about fund balance. He explained that 2020 was a little higher because we cancelled a note payment that we didn't have to make and that went right to surplus. Mayor Schwager asked what the advantage is of a large surplus. Mr. Young explained that we use \$ 1.5 million each year toward the budget. This year, we are utilizing \$ 2 million. The surplus is to have for emergencies. He explained that we are at a good place now according to the surplus policy. Mr. Kunze explained that when the Borough is faced with a one time expenditure, we have the ability to pay it without a burden. Councilman Biale stated it is proper to make sure the residents aren't burdened with taxes. We might need to make sure we give the residents a break. Councilman Pignatelli agreed. Councilman Talamini stated that if the fund balance is lowered and something comes up, they would get hit with taxes then if the Borough didn't have the money to fund it. Mayor Schwager asked who came up with the policy. Mr. Kunze responded he and Jim Mangin who was the CFO at the time came up with the policy in 2013. It was a best practice issue that the State wanted municipalities to have a surplus policy. Mayor Schwager asked who came up with the 10 to 15% range. Mr. Kunze responded he and the CFO did. Mayor Schwager asked what would happen if the amount in surplus was lower. Mr. Kunze responded that we will have issues in subsequent years with a tax increase. Councilman Kulmala suggested taking out the fire truck allotment and looking at fund balance. Councilman Pignatelli stated that a healthy fund balance is good for the bond rating.

Mr. Young advised the State requires a 2% tax levy cap plus we are allowed an additional 3.5% appropriation cap. He advised that the proposed budget is a 3.5% increase. It would be an increase of \$ 107 for the average assessed home. The average tax increase over the last eleven years. Councilman Talamini stated that at last year's budget presentation, Mr. Young stated there could be a 7% increase this year. Mr. Young explained that the bond sale was pushed out a year but we did have to make a note payment. He explained that if the Borough had done a 2% tax increase each year, we could be doing pay as you go for projects and the debt would be half of what it is.

Mr. Young advised if half the appropriation for the fire truck is taken out of the budget, the increase would be 2.9%. If the whole fire truck appropriation is taken out, the increase would be 2.2%. Councilman Van Eck asked if the appropriation for the Chief's vehicle is taken out of the budget, could the increase get down to 2 %. Mr. Young responded it could. Councilman

Talamini stated that would be kicking the can down the road. Councilman Van Eck stated that we already purchased the ladder truck so we don't need that appropriation. Mr. Kunze responded these are ongoing appropriations for additional Fire Department vehicles. Councilman Talamini commented that you have to weigh out the maintenance costs versus the cost of a new vehicle. Mr. Kunze stated that they would have to analyze the costs and stated that possibly the fire trucks would not have to be replaced in 20 years. Councilman Biale stated that the Council has to rethink the policy from 10 years ago in order to help the residents. Mr. Young advised that the Council only has control over 25% of the taxes collected. The other 75% of the taxes collected are for the schools and the County. He spoke of how the school budgets have increased each year.

Mr. Young advised if the \$ 200,000 for the fire truck is removed from the budget, it would reduce the cost to the average assessed homeowner from \$ 107 to \$ 69 and the tax increase would be 2.13%. Councilman Talamini asked how that affects the budget going forward. Mr. Young advised if the appropriation for the fire truck is put back in to the budget in the future year, it will add 1.5% to that year. Councilman Van Eck stated that the Borough is not going to have another year like this with the reassessment. Mayor Schwager asked what the percentage increase would be if the appropriation for the fire truck was cut from \$ 200,000 to \$ 100,000. Mr. Young responded that the increase would be 2.75%. He stated that when projecting the next four years, the appropriation for the fire truck has already been included. He advised that there was breakage from the Police Department this year which we won't have again next year. Councilman Van Eck feels the replacement of the Chief's vehicle is not necessary. He asked how we came to the number for the 2022 road program. Mr. Kunze responded it is based on the estimate of what we think we need to maintain the roads. The figure is probably light but we are constrained with the economic situation. Councilman Van Eck asked if there is a plan of what roads are going to be addressed. Mr. Kunze responded there is a ranked list of streets that the DPW and the Engineer go over each year. Councilman Talamini asked if the roads were less worn this year because there was less traffic. Mr. Kunze responded that most of the roads for this year were on the priority list. Councilman Pignatelli stated that the more severe winter may have impacted the roads. Mr. Young stated that the roads are in the debt plan so there is not a current year budget impact but there is a future budget impact.

Councilman Biale suggested saving \$ 45,000 from the Reserve for Uncollected Taxes. He asked if the \$ 45,000 were removed and the \$ 100,000 of the fire truck allotment was removed, would that get the increase down to 2.5%. Mr. Young responded it would. Mayor Schwager asked if two patrol cars are needed. Councilman Kulmala asked if Tahoes are being replaced because he thought the Tahoes had a longer life expectancy. Mr. Kunze will look at which vehicles are being replaced. It does not change the number of vehicles being replaced. It is based on mileage and engine hours running. Councilman Kulmala questioned the \$ 13,000 for replacement of handguns. Mr. Kunze explained that the Police Department is changing from 357 to 9 mm handguns. Mr. Young explained that the 357 cartridge is hard to find and is more expensive. Councilman Kulmala stated that the State is giving the municipality money for body cameras. Mr. Kunze advised that the State is going to make money available but he is unsure when so he doesn't want to remove it from the budget yet. He explained that they want to outfit one whole shift with body cameras and have enough for the next shift. Councilman Pignatelli stated the State should pay for the body cameras. Councilman Biale asked if we can get clarification on that. Councilman Kulmala asked if we were to spend the money now on the body cameras, could it be offset with grant money. Mr. Young responded it could be offset with grant money.

Councilman Van Eck stated the keyless entry system is expensive. Mr. Kunze advised that it is already installed in Borough Hall and the Fire Companies and it is already funded for the DPW.

This would allow us to expand to other facilities including the Recreation shed. There are security features. Councilman Van Eck questioned replacing the AV system at the Senior Center and asked if that is being done so we can have meetings there. Mr. Kunze responded that the current system is 30 years old. This would be a state of the art system that would enable presentations and remote meetings. He explained that we are applying for a grant for this purchase. Councilman Kulmala stated that if the building will be used for Council meetings, that is an element for funding.

Mr. Young advised that there are three revenue streams for the Water Utility. He explained we are anticipating a higher amount of surplus utilized to close out funding for projects completed in 2006 and 2007. He explained that at that time, there was a change to the CFO, auditor and bond counsel so it just got missed. Mr. Young explained that salaries and wages are up due to a half year staffing increase. He explained there is a new State requirement to start treating for PFOA's so there is a new allocation in the budget. Mr. Young advised there is no increase to rents this year. Councilman Talamini asked if the painting of the tank was a necessity. Mr. Young explained that we have been building up surplus in order to pay for this project this year. Councilman Biale asked if the water main replacements is the same project we are getting the CDBG grant for. Mr. Young responded it is not but the Borough will apply for another grant to hopefully offset that expense. He explained that over time, we have to build up the capacity for water main replacements in order to comply with the Water Accountability Act.

Mr. Young advised that we are looking to decrease surplus for the Sewer Utility. The ACO will be funded out of the surplus from the Current budget. There was no surplus replenishment in the Sewer Utility. Mr. Young explained that the Borough cannot do shutoffs for non-payment of water and sewer bills and the Borough is down with collections. Councilman Talamini stated that Rockland Electric sent out a letter to their customers saying to make arrangements for a payment schedule. He asked if we can send that to the water and sewer customers. Mr. Young advised the State is going to require us to send out information. The website will have options for people regarding utility payments. He stated the Borough could do a separate mailing as well. Mr. Young advised that \$ 168,000 was put in the Sewer Utility budget to replenish surplus. There are no new capital projects planned for the Sewer Utility.

Councilman Talamini thanked Mr. Kunze and Mr. Young for all the work they have done so far on the budget and he thanked them for thinking forward. He stated the Council has to think about how actions taken now affect the future budgets. Councilman Kulmala asked if there has been any progress with selling the lots on Valley View and Manito. Mr. Kunze responded that he is working with Brian to get these on the market and suggested that maybe an auction can be done in the spring.

#### OPENED FOR PUBLIC COMMENT:

On motion of Councilman Biale, seconded by Councilman Kulmala, this portion of the meeting be opened for public comment.

ROLL CALL: All yeas, Councilmembers Biale, Kulmala, Pignatelli, Slasinski, Talamini, Van Eck.

No comments made.

CLOSED FOR PUBLIC COMMENT:

On motion of Councilman Van Eck, seconded by Councilman Kulmala, this portion of the meeting be closed to public comment.

ROLL CALL: All yeas, Councilmembers Biale, Kulmala, Pignatelli, Slasinski, Talamini, Van Eck.

MEETING ADJOURNED:

On motion of Councilman Pignatelli, seconded by Councilman Kulmala, the meeting be adjourned at 8:32 pm.

ROLL CALL: All yeas, Councilmembers Biale, Kulmala, Pignatelli, Slasinski, Talamini, Van Eck.

*Lisa M. Duncan*

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Lisa M. Duncan, Borough Clerk  
March 24, 2021

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Date Approved

*Linda H. Schwager*

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Mayor Linda H. Schwager