

BUDGET MEETING OF THE MAYOR AND COUNCIL
HELD AT THE
BOROUGH HALL CONFERENCE ROOM
1 MUNICIPAL PLAZA, OAKLAND, NEW JERSEY
MONDAY APRIL 23, 2018

MEETING CALLED TO ORDER: By Mayor Schwager at 6:46 pm.

ROLL CALL: Mayor Schwager called the meeting to order and the Clerk called the roll. Present: Mayor Schwager, Councilmembers Biale, Knapp, Kulmala, Levy, Pignatelli, Talamini. Absent: None. Also Present: Lisa M. Duncan, Borough Clerk; Richard Kunze, Borough Administrator.

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.

Councilman Levy commented that he and Councilmembers Biale and Knapp are trying to understand this budget. Councilman Knapp commented that budget adoption is an important vote and he wants to be informed. Councilman Levy commented that he thought that surplus should not be used to defer taxes. He commented that it looks like the budget is padded to create surplus. He questioned the amounts for salaries, recycling revenues and tax appeals. He doesn't understand how there is an extra \$600,000 in the salaries budget. He feels the salaries for any new employees being hired this year should only have six months salary in the budget. He asked how much was budgeted for new hires at the Police Department, new hires at Borough Hall and for the contractual increases. He commented that does not account for the \$600,000 in the budget. Mr. Kunze is unsure of the \$600,000 figure that Councilman Levy is referring to. Mr. Kunze explained that each year he recreates every salaries & wages budget each year based on the goals of the Governing Body. If someone is going to retire, that is accounted for.

Councilman Levy commented that he does not want to create abnormal surplus because that will eventually hurt our bond rating. Councilman Pignatelli felt that surplus should be used but does not have to be used in excess. Councilman Levy commented that it looks like the budget is padded to create the surplus that Councilman Pignatelli is wanting to use to defer taxes. Mr. Kunze responded that he does not want to overuse surplus. He explained that years ago, the Governing Body tried to stabilize the amount of surplus used for recurring operations. If there was extra surplus, it could be used for one-time purchases. In general, the amount of surplus used has been kept to that policy. However, this year it was boosted to get to a zero increase. However, doing this means there will be a tax increase next year. He explained that the amount of surplus used can be cut down for a small tax increase or appropriations can be cut.

Councilman Levy spoke about recycling. He questioned the \$ 50,000 budgeted as revenue. Mr. Kunze explained that amount was chosen based on discussion with DPW. We asked the current hauler what the costs would have been last year if we had done dual stream. He explained that we may not realize that amount of revenue but we are saving more for disposal. However, you can cut back on the amount. Councilman Levy does not understand how revenue that is not guaranteed can be budgeted. Mayor Schwager asked how much surplus we have. Mr. Kunze responded there is approximately \$ 4.4 million cash on hand. Mayor Schwager commented that the Borough is not a bank. Surplus shouldn't be used for a zero increase especially if there is going to be a large increase the following year. Councilman

Levy asked if the use of surplus could jeopardize the bond rating. Mr. Kunze responded it could if surplus is continually used to fund recurrent operations.

Councilman Pignatelli asked if Mr. Kunze could finish his explanation on salaries & wages. Mr. Kunze explained that there is an additional \$ 276,000 inside the cap and \$ 100,000 being used for the accumulated absence trust and it is offset by revenue. Councilman Levy feels that if we no longer have Chief Kasper and Lt. Doug Eldridge on the payroll that there should be \$ 380,000 less in salaries. Mr. Kunze explained that we used the accumulated absence trust for their payouts. Normally, the contribution each year to the accumulated absence trust is \$ 100,000 but this year we are using \$ 200,000 to replenish the account from those two large payouts. Councilman Levy stated that we lost a \$380,000 salary burden with those retirements yet \$ 276,000 is being added to the salaries budget and he commented that it is overbudgeting. Mr. Kunze explained that you are replacing the officers who retired with officers that are making almost as much. Mr. Kunze explained his calculations for the Police Department salaries budget and advised that even with status quo from last year, there would be a 4 to 4.5% increase this year due to cost of living raises, step increases and longevity. Discussion ensued over potential staffing.

Borough Auditor Frank DiMaria entered the meeting at 7:15 pm.

Councilman Levy asked Mr. DiMaria what amount of surplus the Borough should be carrying. Mr. DiMaria explained that the amount should be according to the policy set by the Governing Body. He spoke about the amount of surplus being generated each year. The amount being used to offset operations is at the high end of the spectrum but is not out of line. Councilman Levy reiterated that we should not be using too much surplus because of the potential of a back end problem. Mr. Kunze explained that over the past three to five years, the garbage contract was stable, salaries and wages went up only incrementally because staffing was kept level. Now we are going to add services. Councilman Levy questioned why if we are moving to a different mode, we are using the surplus to give back taxes. He spoke about recycling and the tax appeal budget. Our Tax Assessor was telling us what a good job we do settling tax appeals but we are still funding the tax appeal reserve. Mr. Kunze advised if we lose the Cablevision appeal, there is a potential loss of \$ 300 to 400,000 and there are still other open appeals. Mr. Kunze explained that is a decision for the Governing Body to make as to how much to fund. Mr. DiMaria advised that the Borough could always bond for tax appeal settlements. He explained that the Governing Body could give a 1.5% increase this year and a 1.5% next year instead of a zero this year.

Councilman Pignatelli asked Mr. DiMaria if using the surplus to attain a zero increase would put the town in jeopardy. Mr. DiMaria spoke about the options available to attain a zero percent other than using surplus.

OPENED TO THE PUBLIC:

On motion of Councilman Knapp, seconded by Councilman Levy, this portion of the meeting be opened to the public.

ROLL CALL: All yeas, Councilmembers Biale, Knapp, Kulmala, Levy, Pignatelli, Talamini.

Frank Di Pentima, 6 Mountain Lakes, applauded the Governing Body for having this discussion on the budget. He explained that the budget is a policy decision. He is concerned about the additional surplus being used to cover operations. The bond rating agencies will look at this. The budget should not have a zero increase just for the sake of having a zero. Mr. Di Pentima handed out an analysis of the increases and decreases in the 2018 budget. He also distributed an analysis of surplus activity for the past few years as well as an analysis of appropriations reserve over the last few years in order to show the amount that is lapsing into surplus. He advised there can be reallocations in the budget without having to use surplus. He suggested that the funding to the health care trust can be cut. Mr. Kunze advised that the Borough

has a huge liability down the road to pay retiree health benefits. He explained that every three years, the Borough is required to do an actuarial analysis. The latest one has our liability at \$ 20 million. We have not been funding that. The thought was to start putting aside money to help fund the future health benefits retiree costs.

Mr. Di Pentima spoke about returning money to surplus from unspent appropriations. Councilman Knapp asked if there was a way to determine what departments are not spending their budgets each year. Mr. DiMaria advised that the zero increase can be funded from other lines in the budget. Councilman Levy does not want to use surplus if it is going to cause a big hit a few years from now. Councilman Pignatelli would like to see a list of options. Mr. Di Pentima responded that Councilman Pignatelli should look at the report he just handed out of where funds were underspent the past few years. Mr. Kunze did explain that there are contingencies in the budget each year. For instance, DPW has contractual obligations but there are contingencies in their budget if items were to break and need repair. The legal budget has had contingencies. Mr. Di Pentima would look at where appropriations can be cut which would decrease the need to use surplus. He explained that you can cut the salaries lines if the additional personnel are not being hired for the full year and that the Police vehicles can be put in the capital budget. He explained that every \$100,000 that is cut is worth \$ 20 on the average house.

CLOSED TO THE PUBLIC:

On motion of Councilman Biale, seconded by Councilman Levy, this portion of the meeting be closed to the public.

ROLL CALL: All yeas, Councilmembers Biale, Knapp, Kulmala, Levy, Pignatelli, Talamini.

Councilman Pignatelli explained how the Finance Committee came up with the idea of a zero increase. There is over \$ 4.4 million in surplus available. Mr. Kunze advised that the amount of increase should be what the Governing Body is comfortable with. Discussion turned to the Library. Councilman Knapp commented that last year, their 1/3 mil contribution was \$801,000 and the Borough gave them an additional \$45,000. If this year's funding formula amount is \$826,000, he questioned the need for the extra \$45,000. Mayor Schwager commented that the Governing Body has to be fiscally responsible. She does not believe that using surplus for a zero increase is fiscally responsible. Discussion ensued on areas to cut. Councilman Levy feels there should be a 1.5% increase this year because there are increases to pension. Councilman Talamini does not have an issue with a zero increase. Councilman Knapp advised that Captain Sanzari is requesting an additional officer be hired this year.

MEETING ADJOURNED:

On motion of Councilman Pignatelli, seconded by Councilman Levy, the meeting be adjourned at 8:40 pm.

ROLL CALL: All yeas, Councilmembers Biale, Knapp, Kulmala, Levy, Pignatelli, Talamini.

Lisa M. Duncan, Borough Clerk

Linda H. Schwager, Mayor

May 9, 2018

Date Adopted