

BUDGET MEETING OF THE MAYOR AND COUNCIL
HELD VIA VIDEO CONFERENCE
BOROUGH HALL
1 MUNICIPAL PLAZA, OAKLAND, NEW JERSEY
THURSDAY APRIL 16, 2020

MEETING CALLED TO ORDER: By Mayor Schwager at 10:00 am.

ROLL CALL: Mayor Schwager called the meeting to order and the Clerk called the roll. Present: Mayor Schwager, Councilmembers Biale, Knapp, Levy, Pignatelli, 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 and advertised. This meeting is being held via video conference pursuant to guidelines issued due to the COVID-19 emergency. There will be no flag salute or moment of silence this morning.

Mayor Schwager turned the meeting over to Chief Financial Officer David Young and Borough Administrator Richard Kunze. Mr. Kunze explained that the budget was ready to be presented to the Mayor and Council three weeks ago and then we had to go back to the drawing board due to the challenges of the COVID-19 crisis. There was an issue with revenue. The Finance Committee met again and is now ready to present the budget to the Mayor and Council. The State amended the deadlines for introduction and adoption. If we introduce the budget next week and adopt at the second meeting in May, we are within State guidelines.

Mr. Young explained that the budget process is a year-long process. He reiterated that the budget did have to be reevaluated due to the Coronavirus crisis. There were some adjustments made to Library and Senior Center because the facilities are closed. The Borough will need to send out estimated tax bills so we had to increase the budget for that cost. He went over the distribution of expenditures. Salaries and Wages take up 38.1% and the amounts are contractual so there is not a lot of flexibility. Pensions & Health benefits is a fairly fixed amount and takes up 21.1 %. Fixed operating consists of 14.7% and includes contracts such as solid waste and professional services. The Reserve for Uncollected Taxes takes up 2.4%. The variable operating expenses such as utilities, ammunition, etc., accounts for 9.3% and capital and debt accounts for 14.4%. Mayor Schwager asked if 2.4% is enough for the Reserve for Uncollected Taxes. Mr. Young believes that amount would be fine since we have an accelerated tax sale each year.

Mr. Young advised the budget appropriations are up 1.7%. Salaries and wages is down as a result of retirements. Insurance is up by \$ 155,000. This happens when there are retirements because the Borough still covers the retiree and a new hire is added as well. The IT budget is up by \$ 60,000, Solid Waste is up \$ 90,000 and Code Enforcement is up \$ 55,000. Councilman Pignatelli questioned the insurance. Mr. Kunze advised that the rate change this year is modest

since the overall net change to the premium rates is 1%. He explained that the Borough is now covering more retirees and the cost for retirees is more until they reach 65. Mayor Schwager questioned the increase to the IT budget. Mr. Kunze explained that the increase is due to the security assessment, the development of a security plan and multi-factor authentication. There was also an expansion of productivity software. Some of the expenses are ongoing but he hopes it will be less next year. Councilman Biale asked if the increased cost is due to the 2018 intrusion. Mr. Kunze responded that part of the cost is for the security checks. The Borough also changed IT vendors and there is an increased cost for that. The Code Enforcement budget is up due to the hiring of a full-time person and the full phase-in of the shared service agreement with Franklin Lakes. Councilman Levy questioned the cost difference in solid waste and recycling. Mr. Kunze responded you can only compare tipping fees. The tipping fees for solid waste is \$ 68 per ton. The cost for tipping fees for dual stream recycling is \$ 35 per ton and single stream is \$ 80 per ton so it is more cost effective to do dual stream recycling.

Mr. Young advised that the 1/3 of a mil contribution for the Library is up. By statute, the municipality is required to pay 1/3 of a mil for a percentage of the assessed value. The Borough has also been providing a supplemental funding amount for the Library the past few years. This year's request is \$ 25,000. Mr. Young advised that grants are down so there is a revenue offset. He explained that we partnered with the First Aid Squad to purchase their vehicle.

Discussion turned to Capital. Mr. Young explained that there is a direct budget element to Capital for outright purchases and down payments. The majority of Capital does not impact the current budget. This year's Capital plan is \$ 6.5 million and the impact to the budget is \$ 1.1 million. Mayor Schwager asked about the computer system upgrades. Mr. Kunze responded that it is an upgrade for Borough Hall. Councilman Pignatelli commented that departments have always been good with their budgets so he doesn't want to leave insufficient funds in OE. However, he feels that some Capital items may be postponed. He spoke of the \$ 200,000 included for the replacement fire engine. He asked when Truck 1032 will be replaced. Mr. Kunze responded it is scheduled to be replaced in 2022. Councilman Pignatelli thinks this item should be delayed. He is concerned about the effects of the tax increase for those that are unemployed. He feels we have to be as frugal as we can and thinks the annual road repair should be reduced by \$ 250,000 to make an impact. He questioned Energy Efficiency Improvements and Police Department Building Upgrades.

Councilman Levy commented that Councilman Pignatelli wants to save \$ 400,000 in Capital and he asked what the net impact to the public would be. Mr. Young responded that the savings for the Energy Efficiency program would only save \$ 12,000 from the budget and we will get that money back from reduced energy costs in the next few years. Mr. Young explained that every \$ 100,000 reduction in the budget saves the taxpayer \$ 10. Councilman Levy spoke about delaying the fire truck allocation and how the cost of the truck will be more expensive in 2022 and it will negate any value for the trade-in. Mr. Young responded that the cost of the truck increases as well as maintenance costs. Councilman Levy asked what the condition of Truck 1032 is. Councilman Knapp advised that this was discussed with the Finance Committee. The Finance Committee determined that the 0% increase a couple of years ago will hurt us this year and next year. The Finance Committee spoke about taking out the \$ 200,000 for the truck and then we saw what it would do to next year. If the \$ 200,000 were taken out of this year's budget, it would bring the tax increase for this year to 3% but next year it would be a 7% increase. Councilman Knapp explained that we need to even out the tax increase as much as we can. By putting the amount in this year, the increase next year will be lower.

Mr. Young advised that the Borough will be going out to bond this year so next year's budget will increase by \$ 600,000. Mayor Schwager advised that it is fiscally irresponsible to go from 0% to 4% increase. We need to have a little increase each year. She explained that people are going to be hit hard at the end of the year with all the payments that were extended by the Government and they should be hit with a huge tax increase next year as well. If the allocation for the fire truck is delayed, we will just have to pay a bigger amount at once. Councilman Levy responded it is not fiscally smart to push something off. The Public Safety Committee and the Fire Department have determined that there is a need for the new truck. It is incumbent on the Governing Body to be responsible how we go about replacing vehicles. He advised that we are paying the price for the 0% tax increase in this year's budget. He would object to removing the allocation for the fire truck. Councilman Knapp questioned if it is better to pay cash or bond the purchase of the fire truck. Mr. Young advised that the bond would cost 30% more with interest. The \$ 200,000 allocation would be made every year forever because we are always in need of replacing vehicles. Councilman Pignatelli questioned if we have regenerated the fund balance that we have used. Mr. Kunze responded that so far we have. Councilman Levy asked how long a fire truck lasts. Councilman Knapp responded they are on a 20 year replacement schedule recommended by the NFPA. He explained that the Fire Department used to have four engines and now they operate with three engines. Councilman Levy asked if we have mutual aid with other towns and Councilman Knapp responded that we do. Mr. Kunze advised that when options were given to the Finance Committee, the fire truck was flagged for discussion. The Finance Committee decided to leave in the annual recurring charges for fleet maintenance. It is appropriate to bond for projects with a 30 to 40 year lifespan. He explained that we have been questioning bonding the road program and going more to a pay as you go program.

Councilman Pignatelli asked what the fund balance is. Mr. Young responded that it is approximately \$ 4.1 million. We are using \$ 1.6 million in this budget which leaves a balance of \$ 2.5 million which is where we should be according to our surplus plan. Mr. Kunze explained that the fund balance is in the range according to the surplus policy that is adopted each year. Mr. Kunze advised that the Energy Efficiency Improvements project is meant to save money on the operating side which will pay for itself in the long run. Mr. Kunze explained that we had applied for a grant for the Police Department generator but were told that they were not going to fund generator projects. He does not feel that can be deferred. Councilman Levy advised it is the Governing Body's responsibility to make sure the infrastructure runs properly and efficiently. Councilman Talamini questioned if the Energy Efficiency project can be deferred to next year. Mr. Kunze responded that the budget impact is only \$ 12,000 and will be offset by rebates.

Mr. Young spoke about Revenues and advised that the variable revenue stream has been reduced. We are going to have a cash flow issue because we won't receive revenue from the State until the fall. We will need to use fund balance in the meantime. There is an impact from the Coronavirus on non-tax revenues. We will use surplus to offset. Mr. Young explained that fund balance is surplus. Any revenue that is received that is above the anticipated amount will roll into next year's budget as surplus. If we spend less than anticipated appropriations, that will roll into surplus after two years. The fund balance was down slightly in 2018 and 2019 and we expect it to go down next year. Councilman Levy commented that some people say fund balance is a result of overtaxing. Mr. Young explained that some of the surplus is due to personnel replacements that lagged. Councilman Levy explained that the Borough does need some fund balance for an emergency. Mr. Young responded that the surplus policy is a good one. If the Borough gets too much surplus, it must be used. Mr. Kunze advised that the surplus policy makes us manage surplus in a responsible way. We are at a reasonable range.

Councilman Pignatelli asked what the cost of bonding is. Mr. Young responded the current note interest is 2%. In conversation with the bond counsel, he advised that the interest on the bonds has already increased. Mr. Kunze advised that the rate for long term bonding is 3%.

Mr. Young advised that there is a 4.25% increase in the tax levy. Mayor Schwager advised that 76% of what the Borough collects in taxes gets paid to the schools and the County. Councilman Knapp advised that the Borough has no control over the school levy and we must include that in our tax levy. Mr. Young advised that we still have to make our payments to the schools and the County. Mayor Schwager commented that a lot of residents are questioning why the Borough is not extending the payment of taxes. Mr. Kunze responded that the Borough has no statutory authority to extend the due date or the grace period for tax payments. The only thing the Borough has control over is interest rates. He explained that there was legislation passed in the Assembly that would in some manner allow for an extension of the grace period for payments to the schools and County but the School Boards have opposed the legislation because their payments would be delayed. Therefore, the legislation may not pass and get signed into law. Mayor Schwager reiterated that the Borough still has to make payments to the schools and the County so the only thing that can be done is reduce interest. Mr. Young explained that the interest for late tax payments is 8% on the first \$ 1500 and then 18% thereafter. Mayor Schwager asked what the interest payment would be on a \$ 3500 tax payment. Mr. Young responded the interest would be approximately \$ 130. Mr. Young explained that he has had multiple discussions on the topic. If the Borough takes the interest to 0%, there would be a risk on the revenue side where we may have to take out Tax Anticipation Notes. The Borough's Bond Counsel said the rates would cost the Borough between \$ 25,000 and \$ 35,000 in interest per month. That would also affect the Borough's bond rating which would affect our interest rates in the future. Mayor Schwager asked what the due date is for the school payments and the County payment. Mr. Young advised that we make payments to the schools each month and the quarterly payment to the County is due May 15th.

Councilman Levy commented that the Finance Committee did a phenomenal job on this budget and on the explanations and decisions made. Councilman Knapp asked that we make this presentation at the Council meeting next week for the public. Mayor Schwager asked if we can put some of the charts on the website and explanation of the payments the Borough has to make to the schools and the County. She asked if we can push off payments. Mr. Young advised that the County will probably be ok until the end of May. The schools are pretty flexible. They lower the bills for July and August because we haven't sent out our new tax bills yet. Mr. Kunze explained that we don't get a grace period statutorily.

Mr. Young advised that the tax levy this year is a 4.25% increase. The impact to the average assessed home of \$ 413,000 is an increase of \$ 123 including the Library. The average increase over the last ten years is 1.76%. The non-municipal increase has been 2.1%. The schools and the County have been consistent with 2% increases. Councilman Pignatelli asked if Mr. Young can estimate the total impact per household. Mr. Young responded the increase would be approximately \$ 330 on an average assessed home.

Mr Young advised the Water Utility budget is up 2/6%. The Borough implemented a 2% increase in the variable rate and increase the base charge to \$ 49.04 per quarter. The capital output has increased because the NJ Water Quality Act requires more water testing and maintenance. Mr. Kunze advised that we need to develop a schedule for the replacement of water mains. The first phase is in the 2020 budget. Mr. Young advised that the Sewer Utility budget is down \$ 10,300. The Borough implemented a 2% increase in the variable rate.

Councilman Levy advised that the Finance Committee did a great job on the budget. Mayor Schwager thanked Mr. Young for the graphs. Councilman Talamini thanked Mr. Young and Mr. Kunze for all the work they did because they had to go through the budget twice. Councilman Biale seconded the sentiment. Mr. Kunze thanked the department heads for their work and thanked the Mayor and Council for their patience. He advised that the Mayor and Council will not be getting the typical budget books but will get the Executive Summary. He explained that even after the budget is introduced, we can still discuss the budget. Councilman Pignatelli thanked everyone who prepared the budget. Councilman Biale stated that this presentation was comprehensive and easy to understand.

OPENED FOR PUBLIC DISCUSSION:

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

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

No comments made.

CLOSED FOR PUBLIC DISCUSSION:

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

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

MEETING ADJOURNED:

On motion of Councilman Pignatelli, seconded by Councilman Biale, the meeting be adjourned at 11:29 pm.

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

Lisa M. Duncan

Linda H. Schwager

Lisa M. Duncan, Borough Clerk
May 13, 2020

Mayor Linda H. Schwager

Date Approved