

BUDGET MEETING OF FEBRUARY 26, 2008

Mayor Weinstein called the meeting to order at 6:00 p.m. Assistant Municipal Clerk Bojanowski read the following statement of compliance:

In accordance with the Open Public Meetings Act, notice of this special meeting of the Borough of Fair Lawn was published in the Record issues of February 15, 2008. Notices were also posted on the bulletin board located on the first floor of the Municipal Building and the Maurice Pine Free Public Library. Copies were mailed to The Community News and posted on the Borough of Fair Lawn Website. The notice identified the time and location of the special meeting.

PRESENT: Mayor Weinstein, Deputy Mayors Swan and Tedeschi, and Councilmembers Baratta and Trawinski (late).

ALSO PRESENT: Manager Metzler, Assistant Municipal Clerk Bojanowski and Chief Financial Officer Eccleston.

BUDGET DISCUSSION:

Manager Metzler explained this budget is pretty much consistent with where they were last year, 62.6 % for schools, 9.3 for the County, 28.1 for municipal. Deputy Mayor Tedeschi stated it was actually up 1/10 of 1%. In regard to the tax rate comparison the CFO had taken some liberty because this is an estimate based on prior years. Last year the property taxes went up about \$82. This year under the Manger's proposed budget they would go up \$80.89, which is a little less than 2 tax points which is an increase of 3.497 % keeping in mind they have the 4% CAP that the State legislature put on the Borough last year, so they are well underneath that CAP. The Open Space Municipal Tax will be \$20.22 on an average house.

CFO Eccleston explained that the net taxable value in 2007 was \$5,074,119,673.00. This year it is \$5,079,255,301.00, so the total value of every piece of real estate in Fair Lawn has gone up.

Manager Metzler stated they would have to cut \$507,000 in expenditures to reduce the tax increase by 1 tax point which would result in a savings to the residents with a house assessed at \$404,447.00 a \$40 savings.

Manager Metzler explained budget appropriations by category. He explained what was appropriated in 2007 and what was revised in 2008 and how much it has gone up. Salaries and Wages have gone up \$580,052, Garbage and Trash Removal has been increased by \$95,000. He explained that during 2007 the Borough's carting contractor changed the location where garbage was being dumped which resulted in an increase. That increase is directly represented in the 2008 budget. He reminded them that they were actively working on the garbage contract which will take effect January 1, 2009 and currently do not know what the impact would be.

Manager Metzler continued explaining the budget appropriations; Employee Benefits has increased \$608,033 and the State Pensions have also increased \$679,735. The Police and Fire are almost at 100% and the PERS has another year to bring it up to 100%. What he is concerned about more than anything else was their investment policy because it has a lot to do with how much interest on investments they make and how much growth and how much they charge the Borough. He just read in the paper the Pension Division have been allowed to change to commodity trading which is a lot riskier but they seem to be doing 10% or higher.

Councilmember Trawinski arrived at 6:16 p.m.

Manager Metzler continued explaining, Department Budgets increased by \$354,701, Debt Service is up \$239,000, Passaic Valley Sewerage Commission has also increased \$58,100, the Library went up \$129,039, on Utilities and Gasoline there is an increase of \$52,800. Ideally if they had more money to put in there, he would have liked to because the utility and gasoline items are so volatile right now. They were limited by the CAP.

Manager Metzler explained the next item is the Self Insurance & Unemployment which has been cut \$201,054.03. Ideally they would like to see a quarter of a million to a half million dollars in each one of these accounts so that the interest generated by that money would pay the claims against it. However, they had one employee that was seriously injured in January 2006 which really made a major hit on the fund.

Manager Metzler explained that Capital Improvements has been reduced by \$20,000.00.

Emergency Appropriations the amount is \$148,900 which is one fifth the cost of the revaluation and tax maps. There are two more years of payments for the reval.

New State Grants in the amount of \$21,649 includes grants they know the Borough is receiving. Obviously, as they find out the funding from the State that number is subject to change. CFO Eccleston stated that by the time he introduces the budget he will have a good idea of what they should expect to receive. CFO Eccleston stated the five year emergency is out of the CAP and so are the State Grants.

All Other is down slightly to \$66,700. This item is where they make donations to the Cadmus House, the Mental Health Center, etc.

Reserve for Uncollected Taxes was up in the amount of \$276,580.18. CFO Eccleston stated the collection ratio in 2006 was 99.06% and in 2007 it dropped slightly to 98.99% which had to do a lot with a reval and there are some appeals during the course of the reval. CFO Eccleston state he is anticipating 3.1% less than the real number. He tries to be consistent.

Manager Metzler stated that this year they highlighted the major increases by department. He read the following:

Administrative & Executive there is an increase of \$19,250.00 because they have moved most of the leases for the copy machines into his department and now are the responsibility of the Assistant Purchasing Agent who oversees the leases and maintenance.

Human Resources there is a \$30,000 increase for the Labor Attorney. Last year the Council budgeted \$20,000 and spent \$49,970. They have four bargaining units whose contracts expire at the end of the year. Deputy Mayor Tedeschi asked if the increase was only for labor negotiations. CFO Eccleston stated it was for kinds of expenses. Councilmember Trawinski wondered why it was under human resources and not the Mayor and Council. CFO Eccleston stated when they revised the chart of accounts they were required to list them separately.

Mayor and Council increased \$252,900.00. The bulk of the increase is for Professional Services that included \$15,000 for Economic Development, \$125,000 for the Sewer Study, \$7,000 for the COAH Consultant, \$12,000 for Open Space Consultant, \$6,000 for Planning, \$55,000 for Tax Appeals, \$31,000 for Richard Lustgarten, \$10,000 for the Communications Study and \$40,000 for pending litigation. Deputy Mayor Tedeschi asked if there was any way these items could be broken out and listed separately. Councilmember Trawinski thought they should not do that because on some of the legal fees you would not want people to see how much the Borough has committed and they would not want the lawyers how much the Borough budgeted for it. That is one of the strategies they use. Deputy Mayor Tedeschi stated he understood that but wanted the Sewer Study to be known. He looked for it but could not find it. CFO Eccleston stated that each Councilmember would have an itemized list.

CFO Eccleston stated that they also have a grants person that if they get a grant they are entitled to a certain percentage of the grant so he put in \$25,000 in case they get a grant. Deputy Mayor Tedeschi asked who the grant person was. Manager Metzler said they have not awarded a contract to them yet.

Deputy Mayor Tedeschi stated that except for the legal expenses he would like those all laid out. Councilmember Trawinski agreed with that. CFO Eccleston stated he would give them two listings, one with everything that makes up the line item and one of just the legal. Deputy Mayor Swain stated she would like to see what the professionals are doing, for example the Open Space Consultant and how much the grant he helped secure. Mayor Weinstein stated it was more than just getting grants. He also gives advice and comes to all of the meetings.

Manager Metzler stated that every professional service provides the Council with scope of services, what the costs are going to be, what the fees will be and the Borough

basically tells them what they expect from them. The Borough had asked the Open Space consultant to attend all of the Open Space meetings. He oversaw the development of the grant application but they utilized staff to prepare it. The Municipal Clerk's office will have the supporting documents for each professional. CFO Eccleston stated the items that Manager Metzler read were from money that was spent in 2007. He sat down with the Municipal Clerk to see how much was spent last year and analyzed it. It may not be the same in 2008 but they will know as they go along authorizing the contracts.

Councilmember Trawinski felt that the Open Space consultant and the grant writer will be the two best expenditures the Council can make.

Municipal Clerk – there was an increase of \$10,350.00. This is to cover the cost of elections. Municipal Clerk Kwasniewski had asked for \$30,000 because she believed that represents the real cost. As they have worked through this process, Municipal Clerk Kwasniewski believed there will be reimbursements from the County for the Presidential Primary. However, she did not know what the formula would be. CFO Eccleston stated the money would be funneled through the State divided into each County and then when the County sees what the requests are they will decide how much they can reimburse each town. Councilmember Trawinski wondered if this was another unfunded mandate from the State because they created the additional Presidential Primary date. He also wondered if it was a partially funded mandate or will she certainly need the \$10,000. CFO Eccleston stated the Municipal Clerk will definitely need that money. Last year the invoice from the County came in \$12,000 more because of the cost of processing elections on the County level had gone up tremendously. He had to transfer last year to cover the cost of it in the budget.

Finance – the operating budget has gone down slightly with a \$500 increase in Auditing services.

Assessment of Taxes – there has been an \$11,000 increase. Tax Assessor Henderson had requested \$60,000 increase for 2008. He said that Tax Assessor Henderson knew that after a reval there are a tremendous amount of appeals which take a long time to do. The \$60,000 he was asking for was to cover all of the appeals that might be settled in 2008. They know it is not a reality because it will be stretched out.

Collection of Taxes – there was a modest increase of \$700.00.

Engineering – there is a \$22,600 increase due to the cost of the network agreement. This funding will be for the maintenance for the next year. It will not be a recurring expense because the network is brand new and it would be in their best interest to have the people that designed it be available to the Borough. As they move forward this number will be getting smaller. Currently there are three employees that are willing to train so there will always be someone in house to troubleshoot the problem.

Buildings and Grounds – there is an increase of \$6,100 for heating and air conditioner repairs. The system in this building continues to be a challenge however; they have made some major improvements.

Police – there is an increase in the Police Department budget in the amount of \$31,800 that is because 2008 is the 6th car replacement year.

Emergency Management – there is an increase of \$11,400 which is for physical examinations.

Maintenance Garage – there is an increase of \$20,975.00 because they see whenever there is a purchase of petroleum products, for example the price of tires have gone up dramatically. CFO Eccleston said that coming to the end of the year it is not uncommon for the Borough to buy \$10,000 worth of tires. Anything related to petroleum has gone through the roof.

Ambulance Corps – there has been an increase of \$11,100 which is directly related to clothing allowances. The Ambulance Corps is up over 60 members but with that comes the increased cost for the clothing allowances, but Manager Metzler felt that was a good thing.

Manager Metzler reviewed the total amount of the major increases which was \$427,475 and then went over the budgets in 2007 vs. 2008. Some departments budgets went down. CFO Eccleston said that some were CAP related and some of the decreases were because they had a good year last year and felt they were going to continue.

Councilmember Trawinski wondered what the increase would be if they took out the Mayor and Council section, \$252,900. Manager Metzler stated it would be 4.24% increase. Deputy Mayor Tedeschi asked if that was the only place it could be put in the budget. CFO Eccleston said they could put it anywhere they want to, but it was a Council request so that is where he would put it.

CFO Eccleston explained that they always had a CAP on expenditures. It was at one time called a 5% CAP law and they tied it into an index and it fluctuated going no more than 5% but whatever the price inflator was they always used that. That went on for many years. Then the Legislature put in a CAP about 6 years ago that the index cannot go any higher than 2.5% no matter what the index required. They would allow the Borough, by ordinance, to go up an additional 1% if they needed to do that. The CAP has now become a 3.5% CAP. It can go no higher than that unless the Council decides to go to the voters by referendum. Governor Corzine put a cap on the tax rate itself not to exceed 4%. Like every other cap there are adjustments. He exempted debt service, some health services cost, the Library, and some pension costs are all out of the CAP. Every year they adopt an ordinance for the 1% which creates a CAP bank so that if

there is a bad year they would be able to draw on it over a two year period. Normally he would have only used one year of the CAP bank. This year he used two years. The initial CAP of 2.5% was \$684,000, the 1% gave them another \$273,000, the CAP bank that was left over from 2006 was approximately \$97,000 and in 2007 they had \$164,000. CFO Eccleston stated there will be no CAP bank this year. Not only does he not have the CAP bank, he had to make up the \$364,000 in order to get in to 2009. This has been a major impact and will have to be addressed. He will have to cut another \$364,000 if everything is the same. He hoped that sometime in 2008 they could convince the State and the Legislators to make some changes and modify the CAP.

Councilmember Trawinski wondered about the added assessments and the impact upon the CAP. CFO Eccleston stated when they had added assessments in the year of 2007, the Borough would be allowed to use that as an increase in 2008 and that was \$83,000. That they always have from \$75,000 to about \$150,000 depending on how many added assessments they have during the year. The Assessor has to certify that to the County and they use that for the CAP bank.

Manager Metzler stated that they fully recognize that the 2009 budget is going to be a challenge, however, once they get this process behind them, they will begin the process to look at programs that can be cut and changes they can make to make the Borough more efficient. They are going to try to do this in the summer or as perhaps as soon as May so they can discuss it and weigh the options and how it would impact everyone. These cuts will affect a lot of people. Some of those things will result in a reduction of services but not an elimination of services. CFO Eccleston stated what they are trying to do is to look at the existing programs and figure out a cheaper way to deliver them and maintain the program.

Deputy Mayor Tedeschi wondered if he was talking about employment reduction. Manager Metzler said that is a possibility. Deputy Mayor Tedeschi asked if they would be better served to start those cuts immediately and try to reflect some of the savings in this year's budget. Manager Metzler said in some cases they would find that they have made changes. They have not had to eliminate full-time employees but there is a schedule telling him which employees would be let go and which would be transferred to another department. He did not know what the ramifications would be on some departments. They have people that have titles of Clerk Typist with specific training for certain departments that do not have seniority. It has not been priced out and they are aware that it is there. He felt the prudent way to proceed would be to have the Council have an opportunity to see what the cost saving measures would be.

Manager Metzler said that budget contains an almost a complete elimination of seasonal employees. The Departments Heads have made deep cuts into their budget and they have changes in their programs that they can attempt to maintain the level of services by looking at everything that is out there. The Council will see for example,

where repairs were made with 8 employees will now be made with 5 employees. They are going to see there has been a recommendation by the Parks and Recreation Superintendent to fill the pool later and as a result of that they do not need a security guard there. It was also recommended to eliminate the pool security from 8:00 p.m. to midnight because the Police will patrol the pool every half hour. That is a savings of \$10,000 just for that. In terms of the number of gates, there were five, Mr. Rubinstein has said for years that the Borough has five people just sitting there, so they have decided to reduce the number of gates and the savings for that will be not paying for two people for the day. They are forcing the department heads to make recommendations to the Manger to maintain the level of service and do it more efficiently.

Manager Metzler said he is going to meet with the Department Heads quarterly to monitor where the expenditures are. Recreation's numbers spike during the summer. They are prepared to work that into the calculation. The Department Heads have been told this is a real concern and they may not be able to make transfers in November to subsidize their departments. It has been made very clear to them that they need to work within what they have.

Deputy Mayor Tedeschi wondered if he had done an analysis of attrition through the year. CFO Eccleston stated that normally they can count on five to seven people retiring, but this year they only have one. The next few years will be a very small amount of people retiring. Deputy Mayor Tedeschi wondered if it would make sense in doing an analysis as to whether or not they could incentivize employees to leave. CFO Eccleston stated that is one of the plans on their list. If he had one Policeman leave that was here for twenty years at Sergeant Level, even with promoting someone and hiring someone, the savings would be about \$50,000. They are going to do an analysis of people who are eligible to retire and work out real numbers so they will be able to see the savings.

Councilmember Trawinski stated that it sounds like there is a lot that they have thought about in this mix of systemic changes. He was not sure it would be good to do it right now with everything they have on their plate in terms of the budget.

Manager Metzler stated as they move forward in the budget process they are always going to be looking at the effects of 2009 and also in 2010. They are aware that 2009 is the challenge. The decisions that are made this summer will impact the budget for the next three years. He did not want a situation that Council was trying to make budget decisions at the same time they were debating what programs would be eliminated or to cut employees. He has the spreadsheet with the employees and what department would be impacted. He has the programs that he believed the Council should look at but he does not have all the numbers calculated. There are programs that would have a zero affect on the residents but would save the Borough \$180,000. Mayor Weinstein felt the process would take time to sort this all out even though it may sound good to

buy the people out or would they be adding another layer of costs that they would have to compensate for.

Deputy Mayor Tedeschi stated they should all agree that this is the Council's budget and they have to live with the outcome and the detriments and all the things that go along with it. He wondered if there was any consideration for outsourcing. Manager Metzler said they have considered it. He also thought they would see some changes on how they maintain the parks.

Manager Metzler stated in regard to the CAP Expenditures, some full time employees have been replaced with part time employees starting in July. Some employees have been eliminated and in many instances over time has been cut. He wanted to reiterate what he said earlier, they will be meeting with the Department Heads quarterly to go over their over-time and to see what their expenditures have been and if they see any spikes, they will make adjustments to correct that.

Deputy Mayor Tedeschi stated there used to be a monthly over-time report by department, by the type of over-time, does that still exist. CFO Eccleston said yes and it goes out to every department every month. Deputy Mayor Tedeschi wanted the Council to get it again. They talked about controlling emergencies and about a senior person going out on over time. Deputy Mayor Swain suggested they look into prevention. Deputy Mayor Tedeschi stated they should send out the laborers. Manager Metzler explained that they had a water main break the other day and he received a call from Ron Conte who said in case he received a call from a resident, they would be fixing a water main break and three guys are standing around looking, those three are laborers and were being trained.

Manager Metzler wanted to point out the cuts that were made. CFO Eccleston said the largest cuts were coming out of the self insurance fund.

CFO Eccleston spoke about Workman's Comp. In other years what ever interest they made covered the claims. A prior Council took money out of the funds because they felt they were excess funds but then it became a pattern. Each Council took more and more. He put in what he would like to have in those funds.

CFO Eccleston continued that in the end of 2006 he had \$400,000 left in Workmen's Comp, and a deficit liability of \$49,549.90 so he put more appropriations in last years budget. At the end of the year they actually had \$43,000 left in Workman's Comp. The Borough took a big hit when one of the employees was hit on the garbage truck and they are still paying bills. Every year he asks the self insurance people to give him the reserves he should set up and that's the \$181,000 and \$71,000 which are the reserves for pending claims for 2008. He said he is not happy with the funds that will be left over but felt they need to take their time to develop a plan for 2009 on how they can do things better, how they can work on cutting expenses and he was willing to take the

chance on this. He is assuming the Borough would not have a catastrophic claim like it did in 2006. In the forward letter that the Manager gave them he asked if the Council would consider taking the cuts they make from other departments and put it into the Self Insurance fund.

Deputy Mayor Tedeschi said this scares him because there are 225 employees and the probability of one of them being seriously injured cannot be depended on a luck factor because if another person got hurt, they would be talking about \$400,000 in a heartbeat. Having said all of that, he went back to the Departmental Budgets that went up 14%. It just seems contrary. CFO Eccleston stated the departments that went up had to. Deputy Mayor Tedeschi wondered what the effect would be on the 2009 budget if either of these accounts were underfunded by a total or combination of \$225,000. CFO Eccleston replied that he would have to put a budget appropriation in like he did in 2007 because there was a deficit. CFO Eccleston said most of the expenditures for the year 2007 are complete by March or June in the reserve budget. If they have money left over; he is going to propose to the Manager and Council to transfer money out of reserves into these funds if he can. He will have the chance to make the transfers from January through the end of March. He proposed a transfer of these two funds and was hoping for a couple of hundred thousand dollars from Appropriation Reserve. He said he was confident by using the same ratio as he did for uncollected taxes that he will maintain the surplus. Surplus is in excellent shape. The sad thing about this CAP law, the Borough could be in excellent shape but have the restraints and would not have a major tax increase even if they didn't have the CAP. They could accomplish the same things but the State will not let them do it. This year surplus went up by \$2,300,000. He felt with some of the changes they made in fees it will generate excesses. The interest rate went up and he was able to generate interest on investments. One of the largest sources of increase they had was \$600,000 he made on interest on investments.

Deputy Mayor Tedeschi asked what the JIF rebate was last year. CFO Eccleston stated it was \$87,000. This year he had the JIF reduce the Borough's bill.

Councilmember Trawinski stated that two years ago when they did the long range program they were told they could stabilize taxes 3 to 5 points. The Council was told there was an ideal percentage of surplus to the total budget appropriations. Manager Metzler said the three benchmarks that they set were the amount of surplus vs. total budget appropriations. The ideal was the 15 to 19%. In 2007 it was 18.24%, and in 2008 it was 22.27%. The other benchmark was the application of surplus to operating cost because the ideal is 45 to 55 percent. In 2006 it was 55.41%, in 2007 it was 50.6%. Then there was the debt service versus total budget appropriations. The only goal was to maintain a downward trend.

Councilmember Trawinski stated with the projected 22.27% in 2008, is he talking into account the back dooring of the surplus. CFO Eccleston stated that is how he is doing it. Councilmember Trawinski said he would be able to do but he would still be able to

maintain the desired level of surplus that two years ago he said made sense. CFO Eccleston stated that everything has to be the same. In Fair Lawn, the tax collection ratio is 98.9%, which is very consistent. He is comfortable that they will have the 99% collection ratio which will generate surplus.

Councilmember Trawinski stated that because of the CAP, unless they make cuts elsewhere, the Borough cannot go to that program of buying fuel efficient vehicles. Manager Metzler said they are within the CAP. He said they would have to cut something else to have the money to buy these vehicles. That is why they have asked the State to move them out of the CAP. Mayor Weinstein stated it cannot be done since the Borough has met the CAP.

Deputy Mayor Tedeschi stated the same amount of surplus would not be generated. His concern becomes in essence have they become land locked with that surplus to the degree that they are depriving the citizens the opportunity to take advantage of it. If that is true, if a town can go to the State and say they need extraordinary aid, why can't they go to the State by way of Senator Gordon and say they want to do the reverse because they have the ability to release some surplus and give it back to the taxpayers. CFO Eccleston stated the only way they allow anyone to do that is by formal presentation before the Local Finance Board and at this stage of the game, he did not think they were there yet. If they had to cut into programs and massive layoffs and things like that maybe the Council would decide to do that. He felt comfortable that they could achieve their goal because of the collection ratio, because he knows that he used the same percentages and thought it would be good. Deputy Mayor Tedeschi felt he should use some of that surplus immediately to fund the self insurance fund. CFO Eccleston stated they had 22% and had used \$1.6 million in surplus this year. \$9,944,000 is the total surplus. Deputy Mayor Tedeschi stated as a Councilman he has a problem saying they have this surplus and then have to cut services. CFO Eccleston stated in 2008 they are not going to do that. Deputy Mayor Tedeschi said that Manager Metzler said they would have to cut services.

It was agreed to have the Police Department, Parks and Recreation and DPW attend Saturday's meeting.

POSTING BUDGET AS INTRODUCED ON THE WEBSITE:

Deputy Mayor Tedeschi proposed putting the introduced budget on the Borough website. CFO Eccleston said he has a summary which has everything that is in the regular budget, he will give it to Ron Lottermann, the Webmaster.

There was a unanimous consensus to have the introduced budget posted on the Borough website.

MISCELLANEOUS PUBLIC COMMENTS:

Harvey Rubinstein, 28 Rutgers Terrace asked about the communication study and what they would be studying. Manager Metzler informed him they would be looking into cell tower placement.

Mr. Rubinstein felt that in regard to Memorial Pool the Council was being dollar wise and pound foolish in terms of the security. They would not want human waste or glass in the pool. Mayor Weinstein stated they will talk to Superintendent Graff about it. Mr. Rubinstein wondered if they could manage with only one station at the pool and suggested they should have at least three.

ADJOURNMENT TO REGULAR MEETING:

Upon motion by Deputy Mayor Tedeschi and a second by Councilmember Baratta, the meeting was adjourned to the regular meeting at 7:31 p.m.

Respectfully submitted,

Marilyn B. Bojanowski, RMC
Assistant Municipal Clerk

The undersigned have read and approved the foregoing minutes.

Mayor Steven Weinstein

Councilmember Jeanne Baratta

Deputy Mayor Lisa Swain

Deputy Mayor Joseph Tedeschi

Councilmember Ed Trawinski