MINUTES OF THE SPECIAL BUDGET MEETING
OF THE MAYOR AND COUNCIL

FEBRUARY 9, 2011

A Special Budget Meeting of the Mayor and Council was held in the Municipal Building on February 9, 2011.

Mayor Bivona opened the meeting at 8:30 A.M. Borough Clerk, Sally Bleeker, read the Sunshine Law Statement.

ROLL CALL

The following Council Members and Professional Staff were present: Mayor Bivona, Councilman Friscia (9:03 A.M.), Councilman Kahwaty, Councilwoman Lota, Councilman Pedone, Councilman Smith, Borough Administrator Hart, Chief Financial Officer Pike and Borough Auditor Lerch. Council President Ramsey was absent.

PUBLIC'S OPPORTUNITY TO SPEAK

Mayor Bivona said that no from the public was in attendance to speak this morning.

2011 BUDGET DISCUSSION

Mayor Bivona said that the 2010 audit has been completed. Mayor Bivona turned the meeting over the Dieter Lerch, the Borough Auditor, who referred to the financials. He explained that under the State Constitution, the Borough is required to have a balanced budget meaning that the total expenditures equal the total anticipated revenues. A surplus occurs when revenues are budgeted and the funds collected exceed what is budgeted. Mr. Lerch stated that a budget has a two year life in a governmental entity meaning that whatever was not spent in the 2010 year budget does not go to surplus but stays in a reserve until the end of 2011. Surplus was also generated in tax collections. Mr. Lerch explained that the County and School Board collects their allotted taxes from the Borough who has to cover the full amount calculated even if individual taxpayers do not pay the required amount of school and local taxes that are due.

Mr. Lerch said that the school, county and municipal taxes were $61 million this year and 98.39% was collected in 2010. This means that 1 ½% of the people in the Borough did not pay their taxes. In order to cover this shortfall, the Borough must budget a reserve for uncollected taxes because 100% of the taxes is never collected. Mr. Lerch said that the 2011 receipts from delinquent taxes will be whatever wasn't collected in 2010. He added that if all the taxes were collected the overage would go to surplus.

Councilman Smith commented that the revenue is set up so that it appears that the Borough is receiving all of the taxes due or receiving even more that actually received. This doesn't appear in the budget but comes in as unanticipated revenue. Mr. Lerch, explained unanticipated revenue at length and said that in 2010, the reserve for uncollected taxes was $1 million and there were cancelled taxes in the amount of $371,000 due to tax appeals. The goal last year was to have a structurally imbalanced budget which means whatever money that was taken in balances what is going out. This has been accomplished.

Mr. Lerch said that this budget was prepared by Mr. Hart and Mr. Pike based on the Borough's spending plan. It is a work in progress and any input and modifications are welcome. It is commonly believed that the governing body can only raise taxes by 2% which is only limited to normal operating expenses and isn't totally factual. This is not the case when it comes to pensions, health insurance or for debt service. Mr. Lerch stated that he has worked on the budgets for many towns and reported that no municipality has been able to adhere to a 2% budget overall because pensions and health insurance costs have increased by 15%. This budget is under the 2% CAP law; however, there is a 4 ½ % increase. The budget reflects a tax increase of $476,000. The receipt for delinquent taxes decreased by $100,000 and the reserve for debt service was used as revenue and is

no long available. Construction code fees have increased by $61,000. On a net/net basis the total revenues are down $174,000. Regarding spending, the pension was the largest increase at $140,000; salaries and wages are up $104,000; as is health insurance and debt service in other departments expenditures actually decreased by $103,000. The budget is almost flat because a revenue loss of $174,000 was balanced by the cut in departments of $103,000.

Mr. Lerch referred to actual budgeted revenues and used the Municipal Court to demonstrate how accurate they had been in budgeting that $205,000 would be collected. In fact, $204,500 was the amount taken in. The bright area was the Construction Department where $239,000 was anticipated to be collected with $373,000 being the actual amount collected.

Mayor Bivona said that next week they hope to present a list of issues and modifications for the Council to consider. Mr. Lerch said that he would project State aid to be at the same level as last year which would really have no budgetary impact. Mayor Bivona said that they are going to develop a list of unanticipated revenue so that surplus will equal the estimated unanticipated revenue.

Mr. Lerch described a change in law pertaining to libraries in New Jersey. Mr. Lerch said this will be subject to substantial interpretation particularly in towns where the money is greatly needed.

Closed Session

Councilman Kahwaty made a motion to go into Closed Session for a discussion of personnel related items. Councilwoman Lota seconded the motion, all ayes.

Adjournment

Councilman Kahwaty made a motion, seconded by Councilwoman Lota to adjourn the meeting at 9:21 A.M.

Respectfully submitted,

[redacted]