

**MINUTES OF THE SUPPLEMENTARY MEETING  
OF THE MAYOR AND COUNCIL**

**FEBRUARY 13, 2012**

**SPECIAL BUDGET MEETING**

A Special Meeting of the Mayor and Council was held in the Municipal Building on February 13, 2012.

Council President Kahwaty opened the meeting at 8:30 A.M. and Borough Clerk, Sally Bleeker, read the Sunshine Law Statement.

**ROLL CALL**

The following Council Members and Professional Staff were present: Mayor Bivona (8:55 A.M.), Council President Kahwaty, Councilman Kelly, Councilwoman Lota, Councilman Smith, Borough Auditor Dieter Lerch, Borough Administrator Hart and Chief Financial Officer Pike. Councilman Pedone and Councilwoman Ramsey were absent.

**PUBLIC'S OPPORTUNITY TO SPEAK**

Motion to open the time for public comment was made by Councilman Kahwaty, seconded by Councilwoman Lota. Discussion – none. On voice vote all in favor motion approved.

No one from the public came forward and a motion to close the time for public comment was made by Council President Kahwaty. Seconded by Councilwoman Lota. Discussion – none. On voice vote all in favor motion approved.

**DISCUSSION**

• **2012 BUDGET DISCUSSION**

Mr. Hart announced that the budget is planned for introduction on February 21<sup>st</sup>. He introduced Dieter Lerch, Borough Auditor, who was present to discuss the 2012 budget work book that he had prepared. Mr. Lerch reviewed his information stating that the Borough is required to have a balanced budget. The proposed taxation for 2012 is \$19,815,000 which is an increase of \$205,000 over the 2011 budget and there is an increase of 1.93% of the amount to be raised through taxation. He explained that the total taxes raised in the Borough are \$62 million; however, much of that is devoted to the schools as well as the County. He pointed out that less than 20% of that amount goes to the municipality and Mr. Hart commented that the tax rate in Franklin Lakes is the second lowest in Bergen County.

Mr. Lerch stated that more money has been raised than anticipated through construction fees. There is an increase in spending of \$401,000 half of which is due to capital improvements. He noted there is no increase in taxes operationally which means that the Borough is stable and the overall debt of the Borough is decreasing.

Mr. Lerch spoke about the assessed values of all properties in the Borough. Due to the decline of the home market, home values were over assessed. A reassessment was done two years ago which resulted in a 20% decline in property values. The average home in Franklin Lakes is now valued at \$1 million rather than \$1.3 million. This is the basis of municipal and school taxes; however, the County uses a different valuation system to determine taxation amounts.

Mr. Lerch explained surplus funds. He said that in the past, the Borough's surplus had been depleted at a rapid rate which caused much of the Borough's financial strife. The goal of the Council was to stabilize the surplus so that there were no issues with providing services to town residents. He explained that 2011 closed with a surplus of

\$2,434,000 and they have accomplished the goal of stabilizing the surplus. The surplus is equivalent to a personal savings account with the same amount being used to support the budget that is being regenerated. Mr. Lerch said that \$1,158,000.00 was generated last year with only \$1,125,000 being used to support the budget. This surplus means that Borough services are not threatened by the 2% cap limitation and proves that income was correctly estimated. Mr. Lerch noted that the surplus has been rebuilt and stabilized and the debt of the Borough's is being paid down.

Councilwoman Lota left the meeting at 9 A.M.

Mr. Hart questioned various methods of paying the pension deferral. Mr. Lerch stated that he has met with State legislators to discuss the option of a pre-payment or whether to borrow money to make the payments. Mr. Hart said that under the present law pre-payment is allowed.

Mr. Lerch reviewed the five year financial summary history as well as the spending cap law and the statements of revenues. Mr. Hart noted that a new carrier is being added to the monopole which will bring some income for this year with \$20,000 anticipated for 2013. Construction code fees were budgeted at \$325,000; however, \$446,000 was collected with the difference going to surplus. Mr. Lerch explained that any grants received throughout the year will be added as supplemental appropriations. Regarding the Library, if any funds in the form of a grant were to become available between now and the introduction of the budget, the budget would be amended before adoption and the money would be used for tax reduction. Mayor Bivona stated that the Council is prepared to challenge the reserve number which he expects to be in the range of \$320,000.

Mayor Bivona questioned the pension deferral and asked whether this should be paid down using surplus. The current amount is \$363,000 and this money could be taken out of surplus to save over 8% in interest. Mr. Lerch suggested adding a line item to the budget to repay the pension fund. There is money in the capital budget which is the same as surplus and is ear marked to pay future debt service. After more discussion, Mayor Bivona suggested using \$160,000 from reserve and \$200,000 from surplus to make the pension payment. He recalled that several years ago the Council agreed not to dip under \$2 million in surplus and this action would leave \$2.2 million in surplus. Mr. Hart said that this is a fiscally responsible course of action and the Council agreed to the recommendation of Mayor Bivona to use this reserve for debt service which means that the surplus would decrease to \$2.2 million which is well above the minimum. This includes pre-payment for the Library which means that the Library will have to be billed for this pre-payment and will increase their budget by slightly less than \$20,000. A bill will be forwarded to the Library reflecting this decision by the Mayor and Council.

Mr. Hart suggested that the Council identify the capital projects they are considering before the adoption of the budget. This capital budget review begins with the Finance Committee followed by a meeting on the capital budget by the Mayor and Council. All Councilmembers present agreed to proceed in this manner.

#### **ADJOURNMENT**

Motion by Councilman Smith to adjourn the meeting at 9:55 A.M. Councilman Pedone seconded the motion.

#### **Roll Call Vote**

Ayes: Councilmembers Kahwaty, Kelly and Smith

Nays:

Abstain:

Absent: Councilmembers Lota, Pedone and Ramsey

Motion Approved

Respectfully submitted,

*Sally T. Bleeker*

Sally T. Bleeker, Borough Clerk