

**MINUTES OF THE SPECIAL MEETING
OF THE MAYOR AND COUNCIL
MARCH 2, 2016**

SPECIAL MEETING

A Special Meeting of the Mayor and Council was held in the Municipal Building on March 2, 2015.

Council President Lambrix opened the meeting at 8:00 A.M. and Borough Clerk, Sally Bleeker, read the Sunshine Law Statement.

ROLL CALL

The following Council Members and Professional Staff were present: Councilperson Cadicina, Councilperson Kahwaty, Council President Lambrix, Councilperson Ramsey, and Councilperson Swist, Borough Administrator Hart and Chief Financial Officer Pike, Borough Auditor Dieter Lerch. Mayor Bivona and Councilperson Kelly were absent this morning.

OPEN TIME FOR PUBLIC COMMENT

Motion to open the time for public comment was made by Councilperson Kahwaty, seconded by Councilperson Cadicina, all ayes.

No one from the public came forward at this time and Councilperson Cadicina made a motion to close the time for public comment, seconded by Councilperson Kahwaty, all ayes.

DISCUSSION

Mr. Hart explained that the discussion today would focus on the Preliminary Budget Levy Cap Forecast worksheet that contains the numbers used during last week's Budget Meeting. The budget will be introduced in two weeks. Mr. Hart stated that surplus is being generated at a higher rate than originally projected, which means that more surplus is being used in an attempt to bring the surplus down to a level that is consistent with the amended surplus policy. This rate is 20% of the budget of the prior year, or \$3.5 million, whichever is higher.

Dieter Lerch, Borough Auditor, referred to a five year summary of the surplus, and said that they began 2015 with a surplus of \$3,045,500. Surplus is only generated when more revenue is collected than is used. The tax collection rate is excellent at 99% and the gross tax levy is \$65 million. Mr. Lerch stated that the town has been on an upswing with the ratables, and nothing is budgeted for new ratables at this time. Most of the excess budget revenue comes from the Construction Department, which took in \$722,000 well in excess of the budgeted amount. Mr. Lerch explained that the unexpended budget is at 3% of the total amount of the budget and is another way of building surplus. Other credits are items not budgeted for such as insurance dividends, road opening permits, sale of assets, etc. Other debits cover refunds to be paid from prior years, which is typical year to year. Excess funds regenerated or "profit" was \$1,585,879, and 2015 ended with a fund balance of \$3,756,379.

Mr. Lerch stated that surplus should be kept at a level that can be maintained. Council President Lambrix recommended that more surplus be used to pay down debt and to cut the tax rate. Councilperson Cadicina's concern is how to readjust during years that are slower. Councilperson Cadicina said that instead of borrowing they should use surplus for capital expenditures. Council President Lambrix agreed, and said they have made a lot of progress on the "pay as you go" goal. Mr. Lerch pointed out that the Borough has almost \$500,000 of surplus in this budget, and the Council has the flexibility to use this to retire short term debt. Alternatively, the \$500,000 could be used to fund capital improvements. Councilperson Lambrix said that \$3 million was borrowed to fund the sewers and fire trucks, and Mr. Lerch recommended that the surplus be used to pay off

new short term items such as roads. Mr. Hart said that they are contemplating using over \$1.6 million in the road program and other capital projects. Mr. Lerch said the Borough is paying off \$1.1 million of long term debt per year. In 2018, the Borough's debt service will decrease by \$300,000 through the payment of one of the bonds.

Mr. Lerch said that the ratable base will grow considerably when the golf course is built out even though more will have to be budgeted to cover surplus. Council President Lambrix stressed the importance of building surplus along with a capital and debt plan. Councilperson Cadicina was concerned about lowering the percentage and then not being able to meet all of the excess debt, or losing the ability to pay down debt as fast as they would like to. Council President Lambrix suggested keeping a written policy of 15% with the understanding that 20% is the goal they are striving to reach. The tax increase this year is proposed at \$53 per property on average, or 1.8%. Last year's tax increase was \$42 or 1.76%. Council President Lambrix suggested a 1.5% increase or \$43, which is less than last year. This tax increase will demonstrate how well the Borough is doing with decreased taxes and a continuing ability to fund new capital and continue current capital spending through the operating budget. Debt is decreasing and new taxes are being raised at a rate less than last year. Mr. Hart noted that the surplus projection at the end of this year could be \$1.5 in capital. The worst case scenario would allow the Borough to consider a \$1 million expenditure into the existing capital plan.

Councilperson Kahwaty was concerned about Mt. Laurel obligations. It was noted that the balance in the COAH fund is \$829,000, with a budget for an additional \$300,000 to be added this year.

Councilperson Cadicina asked if there were any negative aspects of raising taxes by 1.5%. Mr. Pike explained that if the base does not expand next year they will be working with \$30,000 less next year which is the amount the tax rate would be based on going forward. This will not have an immediate impact, but it will have an impact over time eventually resulting in a much smaller tax base. He believes that the higher tax rate is being used in order to pay down the debt which is positive.

Council President Lambrix said they are paying off debt and accumulating surplus. Mr. Pike explained that the higher the tax rate, the bigger the base which lowers the growth in the budget, and requires the Council to be disciplined in spending. At the moment, Council President Lambrix commented that fiscally speaking the Borough is ultra conservative. The question is how conservative does the Borough want to be. He pointed out that this budget still allows growth in the police department and at Borough Hall. Several Councilmembers again asked if there is value in retiring debt, or is it better to use surplus to pay for capital expenditures. Mr. Hart explained that the capital plan is being accelerated meaning that this plan will reduce debt over time although not dramatically. Mr. Hart said that Mayor Bivona supports Council President Lambrix, and he added that adjustments can be made for trends. Councilmembers agreed to a tax rate of 1.5%, and Mr. Hart said he would prepare a budget for introduction based on that percentage.

Mr. Hart spoke about surplus projections of 22% based on this budget. All of the capital projects could be funded using the operating budget, with no need for bonding. Mr. Hart asked if the Council would consider using the surplus to bring the projection down closer to the 20% level at the end of this year. Mr. Hart said that the projected fund balance at the end of the year will be approximately 20% of the total budget. Mr. Lerch said that slightly more than \$930,000 will be raised through additional use of surplus. Internal projections are for \$1.2 of surplus to be regenerated based on the current budget. This will be used to fund capital improvements, which means less debt will be incurred.

There was a discussion of whether or not some of this money should be used to retire debt. Council President Lambrix said that if some of this money was put towards the capital improvement fund the debt will not change. He said that the Mayor wants some of this money to go for debt reduction.

Mr. Pike suggested putting money in the operating budget to pay down the debt and whatever new debt is incurred will be added to the bank in October. They will make

\$250,000 available for the direct payment of debt. This is not being used for operating expenses and provides some flexibility.

Mr. Lerch stated that the Borough tax levy can increase to \$10,689,510, but the Borough levy is only being raised to \$10,144,269, which is \$545,241 under the new Chris Christie law. The Borough has operated under this law over the past three years and could actually raise the tax levy by \$1.5 million. Mr. Lerch said that this is indicative of how conservative the town really is, and is why the Borough is one of only 8 municipalities in the State which has a AAA rating.

Mr. Lerch and Mr. Pike left the meeting at 9:30 A.M.

Council President Lambrix said they have reviewed several requests from the Police Department. They have decided to hire a new police officer mid-year, and have decided to revisit the request for two promotions. He is not convinced about the case for the position of Captain, and he said there may be another way to reward an individual. Councilmember Ramsey said they may need to look at the structure of the department. Mr. Hart commented that unless you are promoting to lieutenant there is no need to promote to sergeant. The Chief is asking for a promotion to lieutenant.

Councilperson Ramsey said that the Police Chief needs to make his case to the Council about the structure of the Police Department. Councilperson Kahwaty agreed that they need to understand the structure of the department.

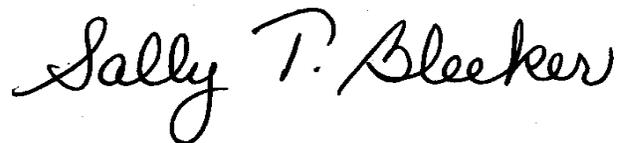
Council President Lambrix said he remains unconvinced about the need for a chief and a captain. Councilperson Kahwaty reiterated that they need to hear personally from the Police Chief. After more discussion, the Council agreed to hear from the Police Chief.

The next meeting is scheduled for Tuesday, March 7th at 8:00 A.M.

ADJOURNMENT

Motion by Councilperson Cadicina to adjourn the meeting at 9:50 A.M. Councilperson Kahwaty seconded the motion, all ayes.

Respectfully submitted,

A handwritten signature in black ink that reads "Sally T. Bleeker". The signature is written in a cursive, flowing style.

Sally T. Bleeker, Borough Clerk