
TOWNSHIP OF WEST MILFORD, COUNTY OF PASSAIC, NEW JERSEY

Minutes of: Governing Body Special Meeting
Date of Meeting: February 22, 2017
Time of Meeting: 6:30 P.M.
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Mayor Bettina Bieri called the Special Meeting of the West Milford Township Council to order.

Adequate Notice Statement

Mayor Bieri read the following statement:

Please note that in accordance with Chapter 231, Public Laws of 1975 of New Jersey, adequate advance notice of this special meeting was advertised in the Herald News in its issue of February 12, 2017; copies were provided to the Suburban Trends, the Record and Star Ledger and posted continuously on the bulletin board in the main corridor of the Town Hall and on file in the Office of the Township Clerk.

Please also make note of all fire and emergency exits - located to the left, right, front and rear of this room - for use in case of an emergency. Thank you.

Pledge of Allegiance

Mayor Bieri led all in attendance in a salute to the flag.

Agenda No. I

Roll Call

Present: Councilmembers Ada Erik, Mike Hensley, Tim Wagner, Pete McGuinness, Luciano Signorino, Marilyn Lichtenberg, Mayor Bettina Bieri.
Absent: None.
Also Present: Township Administrator/Township Clerk Antoinette Battaglia.

Agenda No. II

Purpose

To continue review of the proposed 2017 Municipal / Capital Budget.

Formal action may be taken at this meeting.

Agenda No. III

Review of 2017 Municipal Budget

Capital Overview - Mr. Casey focused on the fiscal overview of the current financial status of the municipality. The goal is to continue discussing the capital budget and put it in a 5- year perspective.

Administrator Battaglia mentioned the reason Mr. Casey is focusing on the first part of the introduction is because members of the council expressed interest in the surplus and the overall budget. There are concerns about the Governing Body being able to address capital issues without understanding the overall financial picture regarding the surplus and municipality budget. Mr. Casey will be following up with the Governing Body tomorrow via email providing documents that support what was discussed in the meeting.

Mr. Casey pointed out trend lines and to look for the variations between the two. He reviewed a report that is a snapshot of the municipality status at the end of the year. Basically, the municipality is in very good financial shape. A lot of surplus was generated and the year ended in good condition. Looking at 2016, the year started with a surplus of \$4,794,000. Last year's budget used a large amount of surplus due to the \$805,000 excess from the city of Newark and cancellation of reserves.

Surplus Generation – Surplus is generated by collecting more than is anticipated in the budget or spending less than anticipated in the budget. The first line on the report is MRA (Miscellaneous Revenue Anticipated). There was more collected than anticipated. It was a very good year with delinquent taxes, collected \$206,000 more than what was budgeted, and \$451,000 additional in tax collections. The budget was right in line with last year (\$805,000 from the City of Newark). There were some cancellations in the current budget. The biggest number is cancellations. Money which was unexpended in the 2015 budget continues to exist in 2016 if there are bills coming in late. It is cancelled through surplus. MRNA - (Miscellaneous Revenue Not Anticipated), most of them are relatively small and they are not listed in the line items because they are unpredictable. Interfund entries are made between funds, usually when an expense from one fund is being paid by another fund (general funds capital funds, trust funds, solid waste funds). \$2.8 million went over to surplus.

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Revenues – Budgeted various revenues at \$5.84 million. \$5.811 million was collected plus an additional \$330,000. There was \$1.2 million in delinquent taxes. Rita collected \$1.4 million. Taxes budgeted \$22,596,000 million plus the library on top of that. The collection ratio is very good overall at 98.33%.

Administrator Battaglia stated that the number in 2015 (99.19%) and all the numbers of the previous years shows a level of consistency. Our tax collector does a good job of keeping it consistent. The number (99.9%) escalated in 2015 due to the City of Newark (\$850,000).

Line 51 and Line 52 (Hillcrest & New Life Rent) will no longer be there next year. After June the municipality is no longer the custodian of that. Mr. Casey stated the assessed valuation line is very interesting. It is very stable with no growth. The last five years were stable with no growth, and it's normal for those new to local government. When a tax appeal is filed, the municipality can never win. All you can do is cut losses. When a judge assigns a lower value; it's a loss. No real change in equalized value in the community. The community is very stable. From a financial stand point there is no way of earning additional money.

In the beginning of the year there was \$1.397 million in outstanding taxes and \$1.973 in liens. Emphasize this and push the tax foreclosure attorney. Push liens and emphasize on foreclosures with value. Use October and November and try to maximize a rate of return. Rita collected \$75,000 in liens. There was 41.86% collected in delinquents. There are some existing liens with no economic value.

Administrator Battaglia talked about the tax lien process. When someone doesn't buy the lien, it comes back to the municipality. That's the reason for the local auction property sales. There are several properties that don't have value (undersized lots). In addition, there are a lot of restrictions; properties with slopes and wetlands will not sell. Most of the properties are undersized lots that can't develop. Mayor Bieri agreed that some of the properties are valueless to the municipality and to anyone except the property owner. Councilman Signorino asked for the number of properties and asked them to be categorized. Administrator Battaglia said there is one specific property that was listed a number of times, but it has a lot of restrictions like slopes and wetlands so it will not sell. They are undersized lots that can't be developed. Mayor Bieri asked that the staff review the lists, and if there is any kind of value to the township and something can be done with the property that it be brought before the Governing Body. Administrator Battaglia discussed what generally happens if there is a contiguous property owner that has an interest. If the property is sold, by law, we have to offer the lot to a contiguous property owner first, and the assessor places the value on it. As a general rule when we attend the property sales the contiguous property owner is usually the successful bidder.

Councilman McGuinness asked if the delinquency foreclosure number is hurting the balancing sheet for buying power. It's a delinquency the municipality is carrying. Mr. Casey stated that it can't be wiped out because it's a physical asset. Councilman Signorino requested an updated, prepared list and a RAW list of the properties including the addresses. Administrator Battaglia said first they take the list and put it out to staff. Next they create the list and do the property sales. Most of the Governing Body may not be familiar with the list. To answer Councilman Wagner's question, if the contiguous property owner purchases the property and they have an interest in somehow expanding or improving their existing property; that improves the assessed value. They could potentially add an addition to their home that they couldn't do if they didn't have the required amount of land.

Councilman McGuinness asked if the property owners know about the contiguous vacant properties. Administrator Battaglia said that they receive notification. Anyone who is a contiguous property owner gets notified of the sale in accordance with the law. There is a list maintained of all the properties. Administrator Battaglia said when the resolutions come before the Governing Body, there are notification requirements and the municipality needs them. In 2006 and in other years when the sales were not done for a long time, there was large inventory, we did the sales, and we got to a point when the municipality was making the sales, but then we put the brakes on them because there is a cost to it. Now we started the foreclosure process and the list is being created.

Mayor Bieri stated that when the township does a tax lien sale; it will typically get bought because somebody could ultimately foreclose on that property for the price of the property taxes that are due on it. It's a steal in a tax lien sale if there is value to the property. The ones we are stuck with are the ones with no redeeming value other than to the property owner. Mr. Casey stated bottom line from a budget stand point we usually budget about \$1 million to a \$1.2, as far as delinquent taxes. The maximum we can do is \$1.5 million. He budgeted \$1.2 million.

Mr. Casey discussed the Current Fund. He looks for any dramatic changes in cash liabilities. A lot of cash in the general fund is initially cash owed by developers. It is fairly stable.

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Reserved for receivables is very stable. Grant receivables didn't really change much over the years. Emergency notes dropped off this year. \$30,000 will complete all the payments for the emergency notes. He took the reserve fund of uncollected taxes out because it's not an appropriation, it's a contingency. 94% of the budget has been expended by the end of the year. Across the line that is about normal. A couple years were a little higher. 94% is a good number. Whatever is not expended two years from now becomes surplus. If you maintain a consistency, the municipality is in good shape.

Another issue is grants. Mr. Casey backed out \$300,000 in grants. If \$800,000 is removed it gives a better idea of what the operations budget was. It shows a couple of years there was no growth and then the years where the budget grew through debt service. Councilman Signorino asked why 2009-2011 was excluded. Mr. Casey said he didn't have the numbers, and it wasn't available online. Councilman Signorino asked if we can get the numbers for next time so they are entered in.

There are two accounts in capital. First one is called Capital Surplus. Whenever there is an unexpended balance and it's cancelled in a bond ordinance it drops the capital surplus. Buying can be done directly from capital surplus, and use the money directly, or cancel it and move it over to general funds as revenue. Capital surplus at the end of last year (2015) was \$53,000, and out of that \$168,000 was a premium bid on the debt with the vote on bonds last January. There was a premium paid for those bonds. That premium automatically goes into capital surplus.

The Capital Improvement fund is the agency through which the debt service is issued. It can be used specifically for direct purchase or it can be used to generate 5% down for bonds. Last year at the end of 2105 the fund balance was only \$900.00. We added \$200,000 into it. You spent \$150,000 last year on the down payment of \$3 million worth of debt. Right now the balance is \$50,931. Mr. Casey said if you recall last year he urged the Governing Body to never let the Capital Improvement Fund drop below at least \$100,000. That is the piggy bank you can use as a lever if you have problems with other monies.

Last summer Mr. Casey and the auditors talked about having a \$7- \$8 million bond sale. The bond anticipation notes at the start of the year were \$10 million. Last year \$2.8 was issued. Right now there is \$10 million. By projecting forward by 2022 there will be close to \$16-\$18 million, and \$9 million bond issue in 2022. In 2025 the bond issues fall off without increasing costs. In summary, the township is in good shape. Cash flows look to be in good shape, and there is nothing on the sheets that jump off the page.

Administrator Battaglia reminded everybody that last year at the direction of the Governing Body Mr. Casey prepared a Debt Management Plan which is on the Cloud. It can be accessed as needed. Mr. Casey was engaged to prepare the document. Ellen Mageean will continue with this process.

Farrell Field - Mr. Casey recommended \$152,000 which is required to match grants.

Park Maintenance – Park Maintenance put in a request to replace the old field tractor.

Recreation Paratransit Program- There is a request for a \$32,000 CDBG grant which is a 50/50 match. If it's put in the bond and you look at the grant money, it stays there and can be re-appropriated for something else.

Public Works Specialty Truck – Mr. Casey pointed out \$30,000 for a trailer for heavy equipment. The old trailer died. There is \$250,000 that Public Works is asking for to replace the old tractor. Next year the tractors will need to be replaced. Half of the cost is budgeted. Mayor Bieri felt the combo tractor is the way to go. The new Whirlwind tractor is a combo.

Administrator Battaglia stated we have to follow the Storm Water Management Plan requirements. This will be dedicated to those projects that deal strictly with storm water. There are a lot of advances with the Storm Water Management program. The township has been progressing and complying with the court order.

Councilman McGuinness asked that by approving capital from \$2.5 to \$2.8 how does it affect the budget. Mr. Casey said that it will increase the bond by \$300,000. The 5% impact will be \$20,000 per year. What needs to be in the budget is on the Debt Management Plan. Last year's debt was \$2.9, this year \$3.2, next year \$3.3 and then we move to \$3.5 then it drops to \$2.6. 2017 will affect 2020. Mayor Bieri stated for two years we have to pay interest only, and then we have to start paying principal. The Governing Body has bonded for a lot of things that were accruing annually. I believe that if there is an expense every year it's not a capital item it's a budget item. For example police cars, if we know we buy four a year that should be operating not capital.

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Over the recent years the council has agreed to that philosophy. Councilman Signorino stated roads are our priority and he would like to see our roads paved every single year. Most councils haven't entertained the idea because rolling it into the operating budget would increase taxes. Mayor Bieri agrees to budget for it and not bond for it.

Mr. Casey stated that township is moving about \$ 200,000 a year going through debt service. \$50,000 for parking electrical supply, \$12,000 Public Works fencing, \$25,000 for a new breathalyzer, \$1 million for road resurfacing, \$420,000 for Ridge Rd, \$60,000 for fire prevention equipment, \$508,000 for a new fire truck and \$138,000 for a vehicle re-chassis.

Engineering / Eric Miller / Ridge Rd. - Mayor Bieri stated Ridge Rd needs to be completed. By using the grant money we are shaving our costs and incorporating a bike lane. To summarize, the council did authorize a subcommittee, (Councilman McGuinness, Councilman Wagner, Administrator Battaglia, and Mayor Bieri) to meet with the County. If the council wants to pave 5 miles roughly every year, that one million should shift over to operating. That's where it belongs every year. Mayor Bieri agrees with Eric, if the capital isn't approved early, the money ends up getting spent next year.

Fire Department / Ed Steines - Two years ago Ed was asked to supply the Council with a 5- year replacement program for fire apparatus. The current truck (1992 pumper), has a transmission and pump issue. The truck covers Mountain Springs and Shady Lake. It's the shortest truck in the township. The frame of the truck is the biggest concern. Mayor Bieri said that they were going with uniform standards, so there is a potential to rotate trucks. We could potentially trade in an old truck and get money for it. Refurbishing is not an option for the 1992 truck. The Governing Body is in favor of a new fire truck.

First Aid Squad – Ken is requesting to re-chassis Rig 46, it's a 2009 and currently has 128,000 miles on it. The computer system that's on the rig is two or three generations old and at times it does not operate properly. If the rig will not dump, the cot can't be removed. It has to be done by hand. A new rig costs approximately \$250,000. The life expectancy is 120,000 miles. There is a separate request for a suspension in 47 and 49. The Rig was replaced in 2013.

Mayor Bieri said the fields need to be re-done. There is grant money at stake. The fields are highly used, and they should be done one by one. Mr. Casey recommended adding the brine truck and postponing the \$50,000 for the building hardware.

Councilman McGuinness asked if they could move the \$60,000 that's allocated to the fire departments for improvements of homes (\$10,000 per house) to the operating budget. Mr. Casey said yes. Mayor Bieri said it's an annual expenditure and it belongs in operating.

Mayor Bieri stated the roadwork money is still being spent, and she agrees with Councilman Signorino to move the funding of the road into the budget and take the hit. Explain it to the tax payers. Help the tax payers understand we are seeing a hit this year it will benefit the township in long term. It's the fiscally sound thing to do.

Councilman Wagner's concern is often times the capital budget is done first, and the operating budget is then finalized at a later date. That could potentially be a problem if the road money was moved to operating because it could stall the timing of placed orders to get construction underway. Mayor Bieri said this topic will be introduced at the next meeting. Councilman Wagner stated that he would rather see the money moved over to the municipal budget another year because there will definitely be an increase.

Mayor Bieri stated they could postpone this decision until they have a better handle of the operating budget. Councilman McGuinness said he would vote for \$150,000 less. Mayor Bieri stated we have an agreement to transfer the \$60,000 for the firehouses to the operating budget. Mr. Casey said to take \$100,000 out of Eric's program. The brine equipment is included. Remove the fire department monies. Administrator Battaglia stated when this bond ordinance comes before the Governing Body; it will need 4 affirmative votes excluding Mayor Bieri.

Ellen Mageean said that there are no increases until April. There will be a mass transportation increase for an extra driver of \$10,000. The insurance for recreation programs will be \$2,200. Mayor Bieri stated that they need to be able to fund anything that requires more than 26.5%. Councilman Signorino stated it will not increase the total budget it's only a temporary appropriation. Ms. Mageean stated that the Hillcrest utilities gas and heating is \$15,000, Software Contract is \$5,900, and 3 Retirees payouts of \$53,800. Mayor Bieri stated if we are approving the capital budget we need that money. It's not going to wait until June or July.

