

A special meeting of the East Amwell Township Committee came to order at 7:00 PM. Present were Mayor Peter Kneski, Deputy Mayor Dart Sageser, and Committee members Patricia Cregar and Tim Mathews. Committee member David Wang-Iverson was absent. Township Administrator Timothy Matheny and CFO/Treasurer Nicola Trasente were also in attendance.

In compliance with the Open Public Meetings Act, a copy of notice of this meeting was filed in the Clerk's Office, posted on the bulletin board, and sent to the Hunterdon County Democrat, Times of Trenton, and Star Ledger on March 28, 2013. The purpose of this meeting is to discuss the 2013 budget. The public is invited to attend and comment at the open portion only. Action may or may not be taken.

The meeting opened with the Pledge of Allegiance.

The Mayor recognized the new CFO/Treasurer, Nicola Trasente, and Mr. Matheny spoke about Mr. Trasente's quick involvement, including conversations, questions, and review of the budget. The Committee welcomed Mr. Trasente.

Discussion took place about some outstanding budget items, including \$189,959 shown as an expense from the Open Space Trust Fund (OSTF) for properties (Zuegner/Drift) – the ordinance, adopted twice, was to bond for the properties. After reviewing budget papers, Mr. Trasente agreed that it was shown on the Annual Financial Statement at a different figure than \$295,000, that money was expended, and there was \$105,140.50 still available in the ordinance that could be used, if needed, or cancelled.

Mr. Trasente explained at length that the authorization to bond ordinance offers municipalities flexibility in purchasing. The Township can fund the purchase with notes or bonds in the future. The CFO/Treasurer may have available cash flow to purchase immediately and plan on borrowing when convenient – he surmised that this was what happened in this case. He suggested that with the various CFO's in place, it was overlooked at the time of note purchase. He spoke about the CFO's responsibility of looking at alternatives, stating that the CFO is authorized to borrow or not without further action from the governing body (except in the case of shared service bonds). He explained his philosophy of not borrowing until needed (using cash on hand), and he liked the option of purchasing notes. Further comments included the following: an auditor may want to see items taken off the books; low interest bond anticipation notes are a source of "almost free money" and allows the CFO to keep cash; Deputy Mayor Sageser asked about seeing a statement of cash flow – the Committee received a monthly statement of cash-on-hand report from previous CFO's; Mr. Trasente said that every November he will bring to the governing body a list of ordinances that may be cancelled and determine what to do with balances; bonds or bond anticipation notes cannot be cancelled until they are paid off; current municipal bonds were referenced; Mr. Trasente concluded that issuing a bond or bond anticipation note for the outstanding sum of \$189,000 plus was not a problem.

Mayor Kneski spoke about introducing the budget at next week's meeting with the intent of keeping a flat tax rate. He also noted that the Township Committee is looking at increasing the public works department staff and a salary increase for staff and considering what the impact would be; he noted that these decisions were not finalized.

The previous CFO was given a list of items to address from the last meeting, including taking out the \$189,859.50 for Zuegner/Drift; taking out \$163,000 for the Clawson Park project – the project is being redefined; adding a COLA increase for staff and adding an additional roadman with benefits. Some discussion took place on how the previous CFO reached some of the numbers, including figures in the OSTF, which is a separate account from the budget.

Mr. Trasente commented on his philosophy of matching one time revenues with one-time expenses, acknowledging his cautiousness on replenishing accounts.

Mr. Mathews mentioned not knowing about the impact of the reassessment. Total reassessment figures are \$671,852,013 down from \$789,451,235 last year, or a difference of \$117,000,000. The OSTF would be reduced by \$47,040; additional general fund money may be necessary for debt. Mr. Mathews spoke about paying \$616,000 debt from both the OSTF and the general tax; he would like to see the budget prepared with the new figures. Some discussion took place on adjusting figures in both OSTF and general fund to pay for debt.

Additional items mentioned in discussion is removing the \$189,000 plus from the OSTF and bonding for the payment; producing a budget with a flat rate; providing a scenario with the increased staff in DPW, and the Assistant Treasurer position will be addressed at the regular April meeting.

Mr. Trasente outlined debt including Green Acres Loan, bond principal, and bond anticipation notes in the amount of \$671,000; he said that all debt could not be paid from the OSTF, noting that he reviewed the budget and revenue items. He spoke about debt payments changing each year, including principal payments are going higher. He cautioned about having more debt and a decrease in OSTF with the reassessment. He commented that one source of revenue is added taxes for new development with the municipality getting the full amount of taxes the first year.

Mr. Trasente provided an example of Monroe Township in the 1990's when they had an abundant cash flow from development, which was put into surplus and spent or used to subsidized budget items. When the cash flow stopped, there were still expenses that were accrued and a revaluation resulted in millions of dollars in tax appeals. He cautioned about a "spending pattern that was not true to the generated revenue ... with a Mayor who kept the tax rate low until now...."

Discussion turned to the capital items that were being considered in the budget, including a salt barn, an upgrade to the equipment shed, and Clawson Park improvements, which will be reduced in scope. The current version of the budget showed \$33,300 for down payment funding. There was also \$660,000 in projects listed on page 96 of the budget sheets previously prepared. Mayor Kneski referenced the budget sheet regarding the OSTF, which showed \$1.2 million with an anticipated 1.5 million with \$300,000 coming in this year (now reduced by \$47,040). It was noted that the items in the 5 year capital budget are not commitments, but a plan.

Mr. Mathews mentioned the previous CFO saying that the Township could apply for a waiver through Local Finance Board. Mr. Trasente indicated that the capital improvement fund could be used for down payments or purchase outright once an ordinance is in place; looking at the budget sheet, last page, \$41,800 was shown as being used from this fund. He suggested putting the projects in a bond ordinance and taking the down payment from what was budgeted and from funds in the capital improvement fund. Mr. Mathews commented on timing of projects, including the salt barn; a down payment would have to be in the budget.

Deputy Mayor Sageser mentioned road projects, noting that the Township has applied for a grant. Soft costs for the work (i.e., design and other costs) are not covered by the grant, although there is a 20% construction administration cost included in the grant. The costs outlined for the grant application were an estimate from the engineer.

Committee members agreed that they would like to see a clean copy of the budget with all changes make. Committee members then discussed whether the budget would be introduced at the April 11 meeting; Mr. Trasente will call the Division of Local Government Services to see if they would be able to delay the introduction to a special meeting later in the month.

Further discussion took place with the following highlights: Mr. Trasente asked if the Township Committee would like to see the information, with changes made, in the state budget format. Mr. Mathews wanted to see the budget based on the new assessed values and showing how the debt service is covered with the loss of \$47,000 in OSTF funds; the intent is try to keep the OSTF no lower than \$750,000. Deputy Mayor Sageser also mentioned the \$475,000 in capital budget items. Mr. Mathews also asked that the open items, i.e., the fifth work, across the board increase, and Township Administrator's contact, be included in the revised budget.

Mr. Trasente agreed that he would be able to provide an analysis of the OSTF with the new values along with how much to absorb for debt service and items listed. He agreed to provide the revisions via email.

Mr. Mathews asked that new detail sheets be provided to the governing body, working under the assumption that the summary sheets provided after the original budget document (dated January 30) had the figures shown incorporated into the budget detail packet. Mr. Mathews would also like to see two versions of the budget, one without a fifth DPW worker and without the COLA increase for staff and a version with the fifth worker and the COLA increase. Deputy Mayor Sageser commented on the possibility of raising taxes to get the fifth worker and salary increase, going above the flat rate for these purposes. Mr. Mathews said that he was comfortable adding

an extra man because of possible increase in scope of work for the department. Deputy Mayor Sageser said that he has not spoken with the engineer yet on the changes at Clawson Park, but they may be beyond what the DPW could do. It was clarified that the OSTF is used for debt payment, that removing the \$189,000 from the OSTF and moving it to bonds will provide extra funding in the account. However, paying for a fifth worker and COLA would be funding through the general tax, not OSTF, and this should be clarified for the public.

Deputy Mayor Sageser mentioned three items in the capital budget: the salt barn, the equipment shed, and the Clawson Park improvements; if there is a down payment in the budget for these items, the Township could decide to bond for them. Mr. Mathews asked about prioritizing the projects - he believed that Mr. Silverthorn thought that the equipment barn was the priority to protect new equipment being purchased; however, there is a risk that the salt barn could collapse. Mayor Kneski suggested leaving both in the budget and determining what the down payment would be; Mr. Matheny thought that the down payments were shown in the capital improvement fund.

Mr. Trasente advised that there was \$150,000 in revenues that would not be in the budget next year. He spoke about having a \$60 – 70,000 shortfall in anticipated revenue this year, a concern that surplus will not be replenished, and using the same figures next year, trying to keep a flat budget, there would still be a \$150,000 increase. There is a tendency not to regenerate surplus with tight budgets, and he voiced his concern with a tight budget and the fact that nothing may change next year, including an increase in pension costs, health care costs going up, and debt service going up. Mr. Trasente stated that there would be an increase in expenses without action on the part of the Township Committee and less revenues coming in. He cautioned that going with a zero increase this year, next year it will even harder unless grow is coming in.

Mr. Trasente agreed to give an analysis of keeping the tax flat with what automatically goes up each year, showing the hole that the Township will have next year. He recommended an increase of \$75,000 into the budget this year and higher next year, hoping that next year revenues would be up. He mentioned the \$38,000 in delinquent taxes and being \$15,000 lower in local revenues also. Mayor Kneski added that projections for health care and pension contributions should be reviewed and added to the projected increase for next year.

Mr. Trasente suggested a small increase in taxes this year when the Township has already gone through the revaluation (reassessment). He commented on the public's perception when values go down and taxes go up and the process being hard to explain to the public. He also mentioned the impact on those property owners who appealed their taxes this year and will probably see a higher tax rate when all property taxes are equalized. He mentioned that many residents will be upset, and the Tax Collector will "feel the brunt" once the tax bills go out.

Mr. Mathews again stated that he would like to see the detail sheets of the budget, including the 2011 and 2012 actuals and a clean copy of the 2013 budget, and a lengthy discussion took place. It was unclear on what computer the previous CFO stored the budget pages and summaries. Mr. Matheny was asked to contact the previous CFO to locate the files. Mr. Trasente preferred to complete the budget on the state forms, which showed what each department would receive. He commented that once the budget is adopted, he would be entering information and printing detailed sheets for each department in the Edmunds system. To update the current budget sheets would take him an extra couple of weeks to do so. A question was asked if his assistant could do the work; Mr. Trasente said that she was doing other work.

Deputy Mayor Sageser said that if the budget was adopted within a month, he would be satisfied even if there were a couple of inconsistencies in the lines. Mr. Mathews agreed on a rational basis, but he was "left with disgust" that professionals hired by the Township did not update the files with the summary; he stated "that he was frustrated."

Further discussion continued, as follows: Mr. Matheny will contact the previous CFO for information on where the files are located and whether they were updated; Mr. Trasente will see if the introduction of the budget can take place after April 11; Mr. Trasente will prepare two scenarios of the budget with changes discussed and a flat rate – if the budget has to be introduced on April 11, there would still be time to make changes before adoption. Mr. Trasente outlined the process for changing or amending an introduced budget, i.e., if not a significant change (less than 10% on a line) it can be adopted with an amendment. If the increase is more than 10% or

there is a new line more than 3% of the budget, the budget would have to be re-advertised and another public hearing set; he mentioned specific timelines for the hearings.

Mr. Mathews again spoke about having the details of the budget available for the public, saying that it would be difficult to explain the details to the public if questions arose. Mr. Trasente explained that other municipalities handle information differently, e.g., salary information is provided to the public without the names of employees; the budget documents, until the formal budget is introduced, are working papers and not available to the public; he spoke about his 15 years of experience in what was or was not given to the public. Mr. Mathews spoke about transparency in government, and he wanted the details.

Further comments were exchanged about having a CFO in a position for 25 years and having a yearly employee thereafter. Again, Mr. Matheny was asked to get information from the previous CFO, and Mr. Trasente agreed to contact the Division about extending the budget introduction deadline.

Mr. Trasente will also contact the Auditor to discuss the Annual Financial Statement and see if he has started any of the budget work.

Mr. Mathews spoke about the change in the tax rate based on the new revaluation figures and keeping the rate flat relative to last year. Mr. Trasente explained that the Township had a municipal levy of \$1,185,385 as the amount of taxes to be raised last year. Dividing the levy by the new value will be used to set the rate.

Mr. Trasente further explained that tax bills are usually sent out in August, providing details about the process. Mr. Mathews said that if the budget details were not available at introduction of the budget on April 11, he would expect them to be available a few weeks before adoption. Mr. Trasente explained that the introduced budget would include information on the debt service using more of the OSTF – debt service has no impact on the budget itself. Bond payment information is also included in the budget document, showing more taken from the OSTF. It was noted that the Township Committee would not like to see the OSTF less than \$750,000 and noting the \$47,000 reduction to the fund based on the new valuations.

If the budget does not have to be introduced, the Committee will try to meet in a couple of weeks to go through the updated budget. Deputy Mayor Sageser asked if there would be an increased tax rate based on discussions tonight. Mayor Kneski said that discussions would take place prior to introduction of the budget, and he hoped that Mr. Wang-Iverson could be present. He also asked whether Committee member Wang-Iverson would be able to vote on the budget if he was not present for introduction. The Clerk believed that he could and will confirm. Mr. Mathews commented on whether or not he would vote for the budget.

If the budget had to be introduced next week, the Committee will hold a special budget meeting at 7 p.m. on April 7th.

Mr. Mathews asked if Mr. Trasente will be available for the regular Township Committee meeting; it was noted that he would be available at introduction of the budget. He reiterated that the budget, until introduced, is not a public document and only work papers; the Clerk provided anecdotal information on how this Committee and previous Township Committees handled public release of budget documents. Mr. Trasente provided anecdotal information on budgets he worked on in the past and the budget process under the Faulkner type of government.

Mr. Trasente will provide the new versions of the budget for discussion.

The meeting was open to the public for comments. There being no members present, motion by Deputy Mayor Sageser, seconded by Mr. Mathews, and carried unanimously to close to the public.

There being no further business, motion by Mrs. Cregar, seconded by Deputy Mayor Sageser, and carried unanimously to adjourn the meeting at 9:35 p.m.

Teresa R. Stahl, RMC/CMC
Municipal Clerk

