

Minutes of a Special Council Meeting of the Borough of Hillsdale held at 7:35 PM on Wednesday, March 23, 2015, in the Council Chamber, Borough of Hillsdale, New Jersey.

The meeting was called to order by Mayor Arnowitz, who also led the Salute to the Flag.

OPEN SPECIAL BUDGET MEETING STATEMENT:

This is a special meeting of the Hillsdale Borough Council on this 23rd day of March 2015. Notice of the time and place of this meeting has been provided to The Ridgewood News, Pascack Press, The Record and Community Life; a copy was posted on the bulletin board outside of this meeting room and provided to any interested parties.

Please notify the Municipal Clerk for any disability requirements necessary for attendance at Mayor and Council meetings. The fire exits are located through the double doors to your left. Please silence all cell phones and pagers.

ROLL CALL:

On a roll call those in attendance were Council Members Looes, Meyerson, Ruocco, and Council President Pizzella. Also in attendance were Mayor Arnowitz, Borough Attorney Madaio, and Borough Administrator/Borough Clerk Witkowski. Council Members DeGise and DeRosa were absent.

APPOINTMENTS/OATHS OF OFFICE:

R15080 Appointment of Matthew Cavallo, Qualified Purchasing Agent

WHEREAS, the recent changes to the Local Public Contracts Law gave local Contracting units the ability to increase their bid threshold up to the State approved Bid threshold; and

WHEREAS, N.J.S.A. 40A:11-3a permits an increase in the bid threshold if a Qualified Purchasing Agent is appointed as well as granted the authorization to negotiate and award such contracts below the bid threshold; and

WHEREAS, N.J.A.C. 5:34-5 et. Seq. establishes the criteria for qualifying as a Qualified Purchasing Agent; and

WHEREAS, Matthew Cavallo possesses the designation of Qualified Purchasing Agent (Q-1360) as issued by the Director of the Division of Local Government Services in accordance with N.J.A.C. 5:34-5 et. Seq.; and

WHEREAS, the Borough of Hillsdale wishes to take advantage of the increased bid threshold:

BE IT RESOLVED, that the governing body of the Borough of Hillsdale in the County of Bergen, in the State of New Jersey hereby increases its bid threshold to the State approved bid threshold; and

NOW, BE IT RESOLVED, that the governing body hereby appoints Matthew Cavallo as the Qualified Purchasing Agent authorized to exercise the duties of a purchasing agent pursuant to N.J.S.A. 40A:11-2(30), with specific relevance to the authority, responsibility, and accountability of the purchasing activity of the contracting unit for a term of one year, effective March 16, 2015, at the rate of \$2,000. For twelve (12) months, or until a successor is appointed; and

BE IT FURTHER RESOLVED, that in accordance with N.J.A.C. 5:34-5.2, the Hillsdale Borough Clerk is authorized and directed to forward a certified copy of this resolution to the Director of the Division of Local Government Services.

Motion to approve by Council Member Looes, second by Council President Pizzella

Ms. Witkowski explained that she will send in the resolution appointing QPA, and stated it is year 2015. When she spoke to the State about the resolution regarding the cost of living, this is the year that the bid threshold can be increased, so it was suggested that the Borough pass a resolution without a limit of \$17,500, in case it is changed. Whatever the State requires is what the Borough threshold will be.

Roll Call Vote

Ayes: Council Members Looes, Meyerson, Ruocco, and Council President Pizzella

Absent: Council Members DeGise and DeRosa

APPROVAL OF MINUTES: *None*

CORRESPONDENCE: *None*

DISCUSSION:

2015 DRAFT Budget to Introduce – Robert Benecke, CMFO/Financial Advisor

Council Member Ruocco introduced Robert Benecke, who worked with the Finance Committee since mid-January. The members of the Finance Committee thanked Mr. Benecke for all of his efforts. Council Member Ruocco thanked the members of the Finance Committee and Mayor Arnowitz, who have been very supportive of the process. He also personally thanked Council Member Meyerson, who was very instructive in turning over the Chair of the Finance Committee in a seamless manner, and was also very helpful and generous with his advice and counsel. In addition, Council Member Ruocco thanked the various Department heads for meeting with the Finance Committee and being very open and honest in their discussions, as well as being very cooperative. This was a difficult year due to the financial challenges the Borough faces.

Mayor Arnowitz thanked Mr. Benecke for taking on this last-minute job. Mr. Benecke stated that he appreciates Hillsdale, and it is a very nice town. There are many earnest people working here, as well as dedicated elected officials.

It was noted for the record that Council Member DeGise arrived at 7:15 PM.

Mr. Benecke prepared a PowerPoint presentation, and he asked everyone to refer to the printouts given. Among the documents, there was a budget tax summary for the past five years prepared by Mr. Benecke so that everyone could see the trends with respect to the tax levies and tax rates, as well as assessed home values. That helps him to put together a budget guidance memo for each municipality where he works; the memo for Hillsdale is dated March 19, 2015. It has been updated several times since February 22, which was the first one he prepared. As he works with the Finance Committee to prepare the budget, the memo gets updated. It is a good guide to what is ultimately in the budget. Finally, there was a legal-sized paper giving the budget detail, including a snapshot with some detail going back three years. There was also information included for anyone who is interested, as Mr. Benecke explained, he has to work off of the State official budget document, which cannot be changed, and that, combined with the annual financial statement (AFS) and annual debt statement (ADS), comprise the financial grouping of documents for the year. In the late spring or summer, the Borough will receive its audit report, which will go with those other three documents to produce official financial statement, if necessary. One of the foremost priorities, according to Mr. Benecke, is to ensure that the Borough understands the issues of the day. The first issue for Hillsdale is the landfill closure. The first step occurred last year with the cost increases, and in 2015, the Borough will incur approximately \$320,000 in increased costs due to the landfill closure tipping fees, combined with some tax revenues. That will clearly increase the budget. On the other hand, there is a decrease in budgeted revenues. For example, as noted in the schedule, construction code fees have decreased by approximately \$30,000.

Mayor Arnowitz asked if there was something Mr. Benecke found that causes him to think that the amount of construction will decrease. Mr. Benecke responded that he did not base his assessment on that, but on a comparison with last year's receipts. The Borough cannot anticipate more this year than was received last year. Mayor Arnowitz said he thought the revenue for 2014 was \$220,000; Mr. Benecke pointed out that that was not the actual revenue, but the budgeted amount, which is used as the basis for the tax levy. The actual amount collected was approximately \$190,000.

Mr. Benecke explained that tax dollars are based upon budgets, not expenses or revenues, because the theory is that the Borough will either receive or spend, and collect based on what is budgeted. Therefore, it is necessary to work on a budget-to-budget basis when comparing major categories from year-to-year, based on the same theory that the amount budgeted is what will be spent. As an example, the reserve for uncollected taxes is the third-largest budget item, which is 100% expended. The next largest budget item is the debt service, which is also fully expended.

Another issue is that the Borough has a lot of articulated capital needs. Council Member Ruocco has spoken about the need for roads and equipment, as well as the emergency elevator repair of approximately \$150,000, and the landfill capping and some other field work that needs to be done at Centennial Field, which is approximately \$175,000. They have been taken out of the capital improvement fund, and left \$100,000 in the capital improvement fund as a down payment for a bond

ordinance. If the Council Members do not include in a bond ordinance, those two items must be added back into the budget, which will add two more tax points. Mr. Benecke commented that the landfill costs are \$320,000, which he said are due to the increased tipping fees, and Mayor Arnowitz pointed out are actually due to the loss of the recycling center/transfer station in Hillsdale, not the landfill itself. Mr. Benecke pointed out that whether it is called a landfill or a transfer station, tipping fees in the amount of \$712,600 will have to be in 2015. That represents an increase from \$392,600 in 2014, or approximately \$320,000, which is two tax points. The municipal tax rate base for 2014-2015 is approximately .549, or \$.55 per \$100 of assessed value. That means that every tax point is approximately 1.82%. Therefore, if the capital improvement fund did not have a balance of \$100,000, and the funds should be increased by the cost to repair the elevator and the costs of the Centennial Field remediation, that is \$325,000 that would have to be put back into the budget, which would add another two tax points to each property owner's tax bill.

Mr. Benecke reiterated that budgeted revenue has decreased by approximately \$100,000, or about 1% of the tax rate. Every one % of the tax rate equals approximately ½ of the tax point.

The next index or issue in the budget is that if the Borough were to take the current budget as a static base and photocopy the 2014 budget to 2015, including the transfer station expense of \$320,000 and the lost revenue amount of \$100,000, that would total a net loss of \$420,000, or approximately 3.5 tax points, or a 5% increase in taxes.

Council Member Meyerson asked where the \$100,000 loss of revenue is coming from. Mr. Benecke answered that it is coming from two main areas: the first is the decrease in construction code fees of approximately \$30,000; and the swimming pool utility. Council Member Meyerson pointed out that the Stonybrook revenue has decreased by approximately \$120,000. Mr. Benecke commented that initially, it was anticipated that the revenue would be \$185,000, which was reduced to \$127,000, and it was shown to be approximately \$48,000.

To make up for that potential 5% increase in taxes, Mr. Benecke stated that the first credit would be the capital improvement fund. The amount of the fund for 2014 was \$314,000, which is being reduced to \$100,000, and will be used as a down payment on a bond ordinance. If the Borough wished to commit to a bond ordinance, the two projects (the Public Library elevator and Centennial Field) would have to be added back into capital improvement fund. Council Member Meyerson noted for the public's benefit that the reason why it is necessary to put in \$100,000 dollars into the capital improvement fund is because the bond ordinance requires a 5% down payment. Mr. Benecke added that the flexibility in New Jersey for a bond ordinance is remarkable, because Hillsdale will have 10 years, regardless of the useful life of the equipment on the roads, to pay off the notes. The actual time is 10 years, five months, and five days. That allows the Borough (or any other municipality) to stagger its debt service so that a bond issue never arises. Council Member Ruocco pointed out that such a plan would assume that no great financial need would come up in any given year. Mr. Benecke agreed, adding that his firm always recommends to a smaller jurisdiction is going into a bond situation for the first time is to prioritize the needs (roads, field, library, and perhaps some needed equipment), put a package together that includes those needs, and do nothing the following year, which means not borrowing, and not undertaking any large capital expenditures. Council Member Meyerson stated that the current proposed budget includes the capital improvement plan of approximately \$1.5 million. It includes many items, and has already been pared down. He noted that it does not all have to be approved, but the Finance Committee is recommending approval of the items included in the capital improvement plan. Mayor Arnowitz said the elevator is not an option, and if it is put in the budget, taxes will increase by another 5%. Council Member Meyerson also pointed out that the landfill is a one-shot deal, for the most part, and will last a long time. It is hoped that the same applies to the elevator, and those of the kinds of things that normally are bonded. Mr. Benecke agreed, and added that the Borough Council could go either way with respect to equipment. Council Member Meyerson commented that when Mr. Russell first mentioned the equipment to the Finance Committee, he made a list of what his priorities were. Mr. Russell noted that the trucks last a very long time, long past the 10 years of the bond. He mentioned that every time an attempt is made to start one of the trucks, it breaks down. That is one of the main reasons why the DPW had so many problems and delays with snow removal over the past couple of years. Mr. Benecke pointed out that by the time the bond ordinance is in place, and the orders can be placed, it will be June or early July, and by the time all of the equipment is received, it will be February 2016, which is most likely when it will be needed. That will be time to plan for 2017. Council Member Meyerson recalled that there was also an engine from one of the fire trucks that needs to be refurbished, which would cost approximately \$70,000-\$100,000. There is also an issue with another engine one of the other trucks, and Council Member Meyerson stated that Chief Domville warned to the Finance Committee that if those repairs were not made, it would cause a major problem, and repairing the engines would extend lives of the equipment for

another 10 years.

Mayor Arnowitz agreed that something must be done about the trucks, whether it is done this year or next year. The first items mentioned (elevator and field) must be done as quickly as possible. Council Member Meyerson stated that his perspective is that he does not like the idea of borrowing every year, and he agreed with Mr. Benecke's statement that it would be smart to borrow this year, and then the Borough could relax for a while. Mayor Arnowitz pointed out the BANDING could later cause trouble, because it is easy in the following year to simply pay the interest and roll the BAN over for two years, which is legal. Mr. Benecke added that after the second year, principal payments must start, which then lead to an amortization schedule. The rates on BANS are also much more favorable than those on Bonds. Mayor Arnowitz recalled that when Hillsdale previously bonded, and combined all of its debt, many people warned that the interest rates would go up. The Borough Council waited a year, and the interest rates decreased. After bonding, the interest rates still did not rise. In today's economy, it seems that BANDING is not as big a risk as it was 10-15 years ago. Council Member Meyerson suggested that the Borough Council must review the proposed capital plan and understand what went into it, as well as the decisions that were made. Council Member Ruocco pointed out that a big part of the capital plan is still subject to further assessment, particularly the road program. After the first estimate was completed, the Finance Committee decided that it needed to be re-evaluated. Ms. Witkowski is working on that.

Council President Pizzella thought it was also important for the public to be aware of the fact that when the Finance Committee met with the various Departments, they were very cooperative in making all of the necessary cuts, especially Mr. Russell at the DPW, who formulated a staggered plan for his needs. Mr. Benecke mentioned that the Borough currently does not have a lot of debt, and because there will be no bond ordinance in 2016 if the full capital improvement plan is funded this year, the Borough will most likely never encounter a situation in which the debt service would crowd out other budget items, and the budget will stay manageable. If that were to happen, the Borough would have to issue another bond ordinance.

Regarding the memo, Mr. Benecke noted that there had been a lot of discussion about surplus. The surplus revenue geared into the budget as anticipated budget revenue of \$1.075 million in 2015, which is the same as it was in 2014. The amount of cash surplus available for inclusion in this budget is \$1.408 million. That is a good thing, and helps to stabilize the budget going forward. He pointed out that the Borough must be able to generate the \$1.075 million throughout the year, and if that does not happen, the Borough will either have to go back and raise taxes, or reduce spending. For 2015, the Borough starts with approximately \$330,000-\$350,000, because it was decreased by the anticipated surplus as budget revenue. There must be built back up to \$1.075 million by next February to be included as surplus. That is very important to remember. Surplus is received from two sources. The first is the cushion reserved for uncollected taxes, which must be kept intact. The second thing is that the Borough should not always go to the end of the budget, but should try to return approximately \$500,000 from every budget to surplus, looking two years ahead. Thus, the 2015 budget surplus will reflect what was not spent in 2013. It lapses into surplus from the reserve budget from two years prior. Those are typically the two sources of cash surplus. There are also minor things, such as unanticipated miscellaneous revenues, which helps to bolster those numbers.

Council Member Meyerson noted that one of the things that were eliminated was the \$50,000 in tax reserves, and he asked Mr. Benecke to explain that. Mr. Benecke answered that the reserve fund for the tax appeal appropriations was \$50,000 in the budget. The reserve for tax appeals that is placed on the balance sheet to accommodate tax overpayments when there is an adverse appeal. There also tax overpayments for bookkeeping errors or Board of Taxation judgments. Board of Taxation judgments are paid through tax overpayments, and State Tax Court judgments are paid through the tax appeals reserve. There is no need for a budget for reserve for tax appeals if the Borough has recently had a revaluation, and if there is a strong tax collection rate, because this charge against operations. That means that when a refund announcement comes in, which is the judgment from the State Tax Court, the Borough is not going to the budget to charge the checks, but the refunds are being made from payments made by taxpayers. That is why there is no need for the reserve tax appeal in the budget. However, it must be included in the balance sheet. On the other hand, if there has not been a recent revaluation, and the Borough is losing appeals to commercial taxpayers and private property owners with their appeals, that is a different story. That has to be taken care from the budget and the balance sheet. However, Hillsdale has a relatively homogeneous tax base, which is mostly residential, and should not experience those types of State Tax Court judgments to any great degree. The worst thing that could happen is that it might cause surplus to take a \$50,000 charge, which is the same thing as a \$50,000 budget.

Mayor Arnowitz stated that his concern with that is that one of the areas in which there was an increased

rate surplus for future years was in the reserve for tax appeals. He asked for clarification that it does not matter if the money comes out of the budget, or out of a reserve for tax appeals, which Mr. Benecke confirmed. Mayor Arnowitz asked for confirmation that if there is a big judgment, it can come out of surplus. Mr. Benecke said that not only could it come out of surplus, but it will come out of surplus. He cautioned that unless there is a major issue that is coming up with commercial taxpayers, the Borough should have nothing to worry about. Mr. Benecke pointed out that the last revaluation was done in Hillsdale in 2012, and it is possible that six years from now, the tables could turn. Chris Martin noted that the closer the Borough is to 100%, the better, and the ratio is going to drop. He also pointed out that Pat Wilkins, Tax Assessor, does a great job in Hillsdale with that. Mr. Benecke is hopeful that the Monmouth and Essex County models for the compliance plan for tax assessors will be implemented statewide, and Hillsdale will essentially realize 100% of the audited value. Council Member Ruocco asked if Mr. Benecke was saying that the newer model assumes that the portion of the town is reassessed every year, which Mr. Benecke said was not the case. He said that the municipality is re-evaluated the compliance plan every year by the Tax Assessor, and if it is found home values increased 4%, as long as everyone's value increases, the tax payment does not change.

Council Member Meyerson stated that this budget as proposed, notwithstanding the capital plan, yields approximately a 2.2% increase for municipal purposes. He asked Mr. Benecke if he knew what effect the school budget would have on the tax base. Council Member Meyerson understands that the Hillsdale portion of the regional school district tax obligation will drop, relatively speaking, due to the fact that the Woodcliff Lake property taxes increased so much. Mr. Benecke stated that last week they could not quantify it, and Council Member Meyerson commented that it should have a positive effect on the Hillsdale tax portion. Mayor Arnowitz noted that the Regional Board of Education is meeting tonight. Mr. Benecke stated that it would help homeowners to defray their taxes. However, Mr. Benecke did not want to delve too deeply into the issue of points because the base is .547, and was talking about percentages, 2.28% might change to 2.15%, or 2.32%, because of rounding by the Board of Taxation, rounding of the tax bills, and other rounding that occurs. That is why he estimates the property tax increase to be approximately 2%. That should be all of it, although there are a couple of issues that still need to be checked, but there are still several weeks before the budget is introduced. If the other components of the property taxes come down, the total tax rate will also decrease. The Borough Council controls 20.5% of the tax dollars, and the schools, which include Hillsdale schools as well as the regional high schools, control approximately 70% of the tax dollars, and the County controls the remaining 9.5-10%. Mr. Benecke pointed out that the amount of services each resident gets from the municipality compared to those received from the County is more than double, yet the residents only pay double to the municipality. The 20% cut the municipality gets is much more visible and valuable than the 10% taken by the County. There is no question that the municipality gives the citizens more value for their money than the County does.

Another issue to be discussed is Stonybrook. Mr. Benecke said his goal is to continue to impress upon everyone that it is a swimming pool utility, not just "Stonybrook". Last year, the revenues were approximately \$127,510; and this year, there is a deficit in revenues of approximately \$130,000. That is a problem. There was also an over-expenditure of approximately \$11,000, which is another problem. Another concern is that there was an over-expenditure in salaries and other expenses, which precludes the ability to transfer the two to avoid the over-expenditure. The \$11,000 currently appears in the budget, creating a problem. Ms. Hughes has worked to move the budget down, but the bottom line is that there is a reducing revenue base there being actual revenues at approximately \$866,000, whereas historically they were more than \$870,000. Mayor Arnowitz asked Mr. Benecke if he had an opportunity to review the financial data for Stonybrook, or if he would be doing that. He pointed out to Mr. Benecke that when the Borough Council discusses a utility like that, they usually start looking at staffing and other issues to see if there is the potential for cuts down the road. Mr. Benecke confirmed this, and Mayor Arnowitz asked if that had been done already to help some of the deficits. Mr. Benecke said it had, but he stated that, more importantly, some of the staffing is fixed-cost, and it is more important to have strategies to increase revenues, even to the point of trying to attract more people from outside of Hillsdale to use the facility, or perhaps joining services with one of the other clubs in the area, such as a golf club, and to implement cross-memberships. Those types of strategies must be considered as revenues. Mr. Benecke is not sure the costs can be cut any more than they have been; they have already been reduced by about \$50,000. He noted that it is very difficult when it is a membership-driven program. If these events and other revenue-increasing opportunities are created, it does have the potential to turn the pool utility around. There is a lot of stiff competition in the area for pool utilities. Moreover, last year was a rather "average" summer, neither too hot nor too cold. Therefore, if this year proves to be the same, the same type of revenue situation is likely to occur. Mr. Benecke estimated it would be from \$768,000-\$800,000, and the taxpayers would be expected to make up \$40,000 just to break even. The swimming pool utility needs to have its annual revenues and expenses match. Therefore, the \$127,000 in revenue last year

turned into \$40,000 this year, and next year could be zero. It is crucial that the Borough avoid that. Mr. Benecke said he would be glad to hear any ideas how to do that.

Council President Pizzella commented that one of the things to be considered as part of the Borough's economic growth is to look at Stonybrook, and Mr. Benecke agreed.

Moving on to the Public Library, Mr. Benecke noted that the library tax is declining slightly, from \$603,000 to \$591,000, so the public library budget remains unchanged at approximately \$634,000. Typically, in a small municipality, the library budget and the library tax track together, so that is one move up or down, so does the other one. Council Member Meyerson pointed out that Hillsdale has not done that for the past two years. The library budget has been kept relatively the same. There is no separate "tax" in Hillsdale for the library; the Borough must contribute to the Public Library, and the State has informed the Borough that the mandated contribution has dropped from approximately \$602,000 to 591,000. The budget was kept the same, although, as Council Member Meyerson pointed out, that was not necessary, because the Council Members feel that the Public Library is a center of excellence in Hillsdale, and is a very important part of Hillsdale, and defines it to a certain extent. Therefore, even though it is a very tough budget year, they kept the budget the same. However, it could be reduced by another \$30,000, but when that was mentioned to David Franz, the Library Director, he listed services that would be reduced if that were to happen. Therefore, it was the consensus of the Finance Committee that these services should be kept the same at the Public Library; they are used by so many patrons. Council Member Meyerson commented that very often, budgeting is the fight between what one can do and what one ought to do. Mr. Benecke pointed out that public libraries are usually viewed in a different way, or often as a type of non-profit entity that have their own revenue sources from fees, fines, and other charges, whereas with a normal utility, all of those revenues would go to the municipality that makes it possible for a public library to do all types of fundraising without having an impact on taxes, unlike a utility. Any utility that has revenue-generating programs must credit those revenues back to the utility budget.

Mr. Benecke reminded everyone that Hillsdale is part of the State Health Benefits Plan, and group insurance costs will increase by 7.4%, which is the statutory amount. There is a lot of talk around the State that by the end of the year, this will change, and everyone will see major shifts in health benefits and pensions in the State budget. The pension program will be frozen at some point and reconstituted in a new format, and health benefits, especially for Boards of Education, will change dramatically. Some of the current platinum-level programs will turn into bronze-level programs under the Affordable Care Act (ACA), and credits for State Aid will drop out, and the Boards of Education will be responsible for making those payments directly. The same thing will happen with the police and firefighters, with respect to non-union employees, who will likely be filing suit. Council Member Ruocco asked what impact that would have on the operating budget. Mr. Benecke responded that it will slowly creep into the operating budget as a positive, or decrease. Mr. Benecke also warned that in approximately 3-4 years, it is likely that the school tax/property tax levies will explode.

Council Member Loes asked if there is a shift in the pension source, which will become the responsibility of the taxpayers at the local level in a few years, which Mr. Benecke confirmed. He added that the State will force municipalities to go with cheaper healthcare programs, and they will pull the savings out of State aid. That means that if the health benefits cost \$20,000 for one Board of Education employee, that cost will be passed on to the taxpayers, for which they were never before responsible. However, it might be a benefit to Hillsdale as far as the contractual aspect is concerned, because it will be required to be included in agreements with the PBA. Council Member Meyerson pointed out that Hillsdale does not currently receive a lot of State aid, but Mr. Benecke noted that nonetheless, even if Hillsdale only receives approximately \$2 million in State aid, approximately 90% of that is for health benefits, which will be eliminated and will be mandated to be included in the union contracts. This will all be done statutorily, and the State hopes to do a constitutional amendment to this effect. The proposed constitutional amendment will make the pension exempt from being a constitutional or contractual term. Mr. Benecke moved on to discuss police salaries show a credit for one officer and an overtime reduction, and the overtime reduction is in excess of \$150,000, which must be verified. So between the \$214,000 in the capital improvement fund and the \$150,000+ for the Police Department reduction, that move toward helping to solve the \$400,000 problem of the landfill costs, plus decreasing revenues. Council Member Ruocco noted that the Police Department originally came forward with a request for an extra officer, but they decided to withdraw the request after some discussion on the matter. Regarding the overtime issue, due to the great success of the Pitman schedule so far, overtime has been reduced by approximately \$30,000. Council Member Meyerson pointed out that in the Police Department budget by \$214,000 total, and almost all of that was due to breakage from the year before, because a lot of older employees retired and were replaced by younger staff. The budget does include the most important equipment and vehicle

requests that the Police Department have made. Mr. Benecke stated that hopefully, there will be another retirement or two that will help with future breakage.

The DPW budget was formulated before the snow event last week. Mr. Benecke is also concerned about November and December as far as the DPW budget is concerned. This budget will be tight for the DPW, although money was added for snow removal. Discussions have already been held up garbage removal, and Mr. Benecke pointed out that there is not a lot of money in the budget for accumulated absences for employees. In the past, a contingency fund was used, which is set at \$50,000, to cover the entire \$12 million budget.

Mr. Benecke said he also wanted to talk about the grants. He commented that he and his colleagues prepare financial statements for municipalities to obtain grants, and when a cash grant is received, they call it an unappropriated grant. That unappropriated grant is put into the following year's budget, no matter when it is received, as long as it is received after the budget is introduced and adopted. That is what was done in the past. When grant letters are received in September and October, for whatever reason, Mr. Benecke recommends holding that money for the following year, and not doing Chapter 159 as the trend for the federal and state agencies do not pay the grants. It is important to get the grant money, and then budget for it. Doing otherwise will result the Borough having a deferred charge in the budget for \$30,000 for grant. Therefore, Mr. Benecke strongly urged the Borough to get the money in, put it in the budget, and do not rely on grant letters. Council Member Meyerson asked Ms. Witkowski how much of the grant monies that have been applied for over the past two years have actually been received. Ms. Witkowski stated that the Borough has received everything for which it has applied. Mayor Arnowitz agreed, saying that the situation described by Mr. Benecke has never occurred in Hillsdale, but due to bureaucracy, Hillsdale usually does not spend the money until it is verified that the money has been received. The only time Hillsdale lost any money was when there was a "local" grant from a private residence. There has never been a problem with collecting money from the State or County. Mr. Benecke said that is good policy to follow, but he advised that the Borough should try to avoid doing Chapter 159 in October or November. Instead, he advised that the Borough should book it as an unappropriated grant and included in the budget documents for the following year.

Finally, regarding the reserve for uncollected taxes, Mr. Benecke stated that it should increase every year with the tax levy. If the tax levy increases by 2%, the reserve for uncollected taxes should do the same. He also said they should keep in mind that the reserve for uncollected taxes exists as a buffer and a preventive measure for the County and schools. The Borough levies 20%, while the County and schools levy 80% of each tax dollar. However, the Borough must turnover 100% of their dollars, although it only collects on 8%. The remaining 2% gap is a problem. For example, the Borough bills the taxpayers approximately \$40 million, and must turnover \$32 million to the County and Schools hearing, yet the Borough has only collected \$36 million-\$38 million. That difference must be made up in the municipal budget, which is rather unfair, but if the Borough did not do that, there would not be sufficient tax resources to pay the schools and the County.

Council Member Meyerson pointed out that if the Borough loses a tax appeal and has to return money, although the Borough only receives 20% of each dollar, the taxpayers given a full refund, and the Borough does not recoup any of the additional 80% from the County on the schools. Mr. Benecke agreed that it is unfair, and noted that the Legislature has admonished against any attempts to correct the situation.

Mr. Benecke went over some of the numbers for the record. The municipal tax levy for 2015 is estimated at \$9,192,376; in 2014, it was \$8,993,438. That is an increase of approximately 2.25%. The municipal tax rate should be approximately \$.55 on the dollar; currently, it is at .549. The total average residential tax bill in Hillsdale last year was about \$12,228; for 2015, it will be somewhat less than \$12,500. The increase in this budget for municipal services will be approximately \$50-\$60 per residence. That does not include the elevator repairs and the remediation at the landfill, either for Centennial Field for the tipping fees. The school and County tax rate will increase approximately 1 point, although it could go up an additional half a point. School tax rate is estimated to be a 2.5%. The actual tax rate increase in Hillsdale will probably be approximately 1.8%-2.2%.

Council Member Ruocco noted that this year there is a requirement that each municipality must complete a user-friendly budget, and he asked of Mr. Benecke could help the Council Members to understand what it is, and what type of work they would have to do for that. Mr. Benecke answered that he would prepare the user-friendly budget. He explained that it is a distilled version of the official budget document to the published document, to something similar to the document he passed out to the Council Members, with some added components, such as number of employees; what the bond rating is if the

Borough had one; and other highlights. It is a snapshot of the budget. Council Member Ruocco commented that he was sure the people listening at home did not understand everything they were hearing tonight and he wanted to inform taxpayers that there is a document coming that will distill the budget down to manageable information. Mr. Benecke agreed, but he pointed out that it might not be ready by the time the budget is introduced or adopted, because this is a “test year” for this user-friendly budget to be rolled out. He added that there are always 3-5 issues in a bad budget year, and he has highlighted the ones in this budget several times. Steps have been taken to limit the impact that these issues will have on the taxpayers in Hillsdale, so that they will not go from a \$12,250 tax bill to a \$13,000 tax bill. That would be disastrous. Council Member Ruocco mentioned that a number of taxpayers have concerns about borrowing, and Hillsdale traditionally has not had a big presence in the debt market, as Mr. Benecke pointed out earlier. However, that may change with this budget. Mr. Benecke said that Hillsdale will still not have a big presence in the debt market, but Council Member Ruocco stated that the amount of debt being considered is significant for Hillsdale. He asked what that would mean with respect to the interest charges and principal payments over the next 10 years. Mr. Benecke noted that Hillsdale currently has a \$400,000 principal repayment for bonds, which will roll off and be replaced with the proposed bond ordinance. The key is not what will happen this year, but where Hillsdale stands in 2017, because if the Borough took notes for 10 years, the \$200,000 in 2017 could be paid off over 10 years very easily. The problem will be adding on more debt. The tax rate and budget will not be affected very much by the \$2 million bond ordinance this year. Next year, the Borough will pay approximately \$15,000-\$20,000 in interest, which is .75% interest. However, the question is what does the Borough do next, and that is why it is important to refrain from doing anything the following year. In 2016, the focus should be on what impact the current debt is having on the budget and services. It should not be that great. In several years, the payments will balloon to approximately \$120,000 because the Borough will start paying principal. Council Member Meyerson noted that the Borough pays down \$400,000 in principal reduction every year, and has been doing so for quite a while to pay off the original \$5 million bond, which has been significantly reduced. In 2-3 years, the Borough can re-evaluate the needs of the community, after paying down some of the principal and interest on the current bond. Council Member Meyerson believes it is time for the Council Members to take a good look at the infrastructure and equipment. There are several things that have to be done now, and if those costs are added into the budget, taxes will be increased by approximately 7%. That is unconscionable. Mr. Benecke noted Council Member Meyerson’s statement that taxes could be raised as much as 7%. He pointed out that if the Boards of Education and the County did not raise your taxes at all, the actual tax increase would only be 1.4%.

Council Member Looes asked about other major issues that might be included in the budget. Mr. Benecke answered that the Borough has a capital improvement fund with \$100,000 that can be used as a down payment to finance approximately \$2 million in debt. The only issues that must be dealt with are the Public Library elevator repair and the work to be done at Centennial Field. That represents a portion of the bond ordinance, and approximately \$20,000 of the down payment. The rest of the capital improvement plan is entirely up to the Council Members. Council Member Looes said she is concerned about the bonding issues that need to be included in 2017. Council Member Meyerson pointed out that her question is answered on sheet 41(b).

Mr. Benecke added that it is important to not require the DPW to be overly specific about the equipment needs, but to give them approximately \$500,000 or less to allow them to get whatever equipment they need. It is also important to have a road reconstruction program of approximately \$500,000-\$600,000 to deal with the current issues with the roads, yet not overspend and need to be re-examined in 2017. The train station improvements must also be considered, although they may not have to be done. That will not be part of the debt, but part of the capital improvement plan. Council Member Meyerson noted that the police vehicles also included, although they are not items that must be purchased in 2015. Council Member Ruocco pointed out that only one of the vehicles is in the capital budget; the other is in the operating budget. Council Member Ruocco added that it is his intention to go back to the Departments with their budget requests in order to have a record on both sides of what was agreed to.

Council Member Looes stated that she would like to know what the Council Members are considering the capital improvement plan/capital budget is concerned, because even if the amount borrowed is not \$2 million, she would like to know what is being considered.

Mayor Arnowitz stated that he went through the budget, and he listened to what Mr. Benecke had to say, and he found this presentation to be the most easily understood. Mayor Arnowitz reminded everyone that in January, he stated that this would be the most difficult budget year the Borough Council had ever faced. It has been so far. He was very impressed with Mr. Benecke was able to come in with a budget that increased taxes for under \$50 per home, and he thanked the Finance Committee, Ms. Witkowski, and Mr. Benecke.

Mayor Arnowitz stated that it was a Herculean task to put a budget together of which Mayor Arnowitz considers 20% to be “playable,” and 80% to be “fixed”. Furthermore, of the \$12 million in the budget, only \$9 million is raised through taxes.

Council Member Meyerson remarked that working with public finance is very different from the private sector, and Mr. Benecke came in at the end of the process to help pull things together for the budget. For the most part, because there was no CFO sitting with them at the Finance Committee meetings to run numbers on a regular basis, Council Member Meyerson, Council Member Ruocco, and Council President Pizzella had to work together on this. Ms. Witkowski also had to help with inputting information because there was no other staff to do it. Council Member Meyerson said that everything possible is done to put together a budget that is reasonable for the taxpayer. Mayor Arnowitz said he is pleased that it has not been necessary to change services dramatically for the residents of Hillsdale. He is disappointed in the loss of revenue from Stonybrook, which is something that will have to be considered very soon. He pointed out to the public that with respect to the Waste Management host community tipping fees that the Borough will no longer receive as a trade-off, because the Borough will not miss the aggravation, smells, traffic, and other inconveniences caused by having Waste Management in Hillsdale. The dollars that will be lost in 2015, in Mayor Arnowitz’s opinion, would have been approximately \$50,000-\$75,000. Based on State records and other transfer stations, Hillsdale would not have received what was received in the past. The contract that ended in 2014 was the tenth year of a 10-year contract. Things were very different in the garbage business 10 years ago than they were in 2014, which is the reason for the reduction. Garbage fees have decreased due to recycling. Therefore, Mayor Arnowitz believes that this budget is a one-time thing, and in 2016, Hillsdale will not see a loss of \$320,000, nor will there be another elevator issue, although there will probably be something else that will have to be addressed. This budget is very strong and solid, giving Hillsdale the maximum possible in services with a minimal amount of increase to the taxpayers. The next thing to be worked out is how it is bonded, or if it is done as a BAN. Mayor Arnowitz also congratulated Council Member Ruocco were making a difficult transition from finance in the private sector to finance in the public sector.

PUBLIC COMMENT:

Paul Matthews, 85 Ralph Avenue, said he heard discussion about Stonybrook, and the possibility of opening it up to other towns. Mr. Matthews came from Morris County, and that is what happened at Sterling Lake. Revenues had decreased, so membership was open to residents of other towns. It enabled them to clean up the lake quite a bit, as well as hosting beach parties and other events. Mayor Arnowitz pointed out that membership at Stonybrook is already open to residents of other towns, but it is necessary to try to get more members from other towns. Mr. Matthew said he supported that idea.

Council President Pizzella opened the meeting to the public for comment. There were no comments from the public at this time, so Council President Pizzella closed the public comment portion of the meeting.

ORDINANCES:

RESOLUTIONS:

COUNCIL COMMENTARIES:

Council Member Meyerson again thanked Council President Pizzella and Council Member Ruocco for their hard work and putting a budget together.

Council President Pizzella also thanked Mr. Benecke, Council Member Ruocco, and Council Member Meyerson for their work on the budget. He said that Council Member Meyerson was a guiding force in helping everyone to understand what happened in the past, and his humor helped to defuse any tension and made the process smoother.

Council Member Looes said this was a great first step and thanked everyone for their time.

Council Member Ruocco thanked everyone on the Finance Committee who works hard on this budget, and he said he thought they worked well as a team. He also congratulated chief Francaviglia for getting accepted into a Law Enforcement Executive Development Program to be held in Princeton for one week in June. Council Member Ruocco reminded everyone that the budget will be introduced on April 14, 2015, with the public hearing and adoption scheduled for May 12, 2015.

Council Member Meyerson stated that introducing the budget is simply passing a resolution that introduces the budget, which could be done at any time. He suggested that April 7 could be the formal introduction of the budget, with the passing of the resolution, and adoption of the budget 28 days later. Mayor Arnowitz asked if, at the adoption of the budget in May, the majority of the Borough Council and the Mayor must be present, or if something else is required. Mayor Arnowitz will not be available on May 12. Mr. Benecke noted that the majority of the Borough Council must be sitting and present. That means that of the six Councilmembers, at least four of them must be present, and must vote on the budget. Mr. Benecke stated that if there is a quorum, and three people vote to pass the budget, the budget will pass. Mayor Arnowitz asked what happens if the vote is 3-3, and Mr. Benecke responded that the budget would not pass in that event, and the Borough Council must come to some sort of conclusion, or risk being sanctioned by the State in September. Council Member Meyerson asked if the capital improvement plan requires four votes, and Mr. Benecke stated that the bond ordinance requires four votes to pass.

Council Member Ruocco noted that he met a woman at the Boy Scout pancake breakfast the United Methodist Church, and she mentioned that they are looking for ideas for one-day projects to do on May 17, such as fence repair, or other projects of that nature. They have the resources and manpower. Her name is Ellen Stratton. Mayor Arnowitz mentioned that cleanup crews are always needed around town; he suggested that one area that could be cleanup is Beechwood Park, which the Methodist Church uses sometimes. Councilmember Ruocco also mentioned the Senior Citizens' lunch time frame for September-December is covered through business donations, including Lepore's in Westwood and the PBA. Council Member Ruocco wished everyone a good Passover and Easter. Mayor Arnowitz asked if the Senior Citizens lunch and Methodist Church memos could be carried over to the April 7 Borough Council meeting. Mayor Arnowitz also reminded everyone about the Easter egg hunt on Saturday, March 28.

ADJOURN TO CLOSED SESSION: @8:39 PM

R15081 To provide for a meeting not open to the public in accordance with the provisions of the New Jersey Open Special Budget Meetings Act N.J.S.A. 10:4-12 – personnel.

WHEREAS, the Borough Council of the Borough of Hillsdale is subject to certain requirements of the Open Public Meetings Act N.J.S.A. 10:4-6 et seq; and

WHEREAS, the Open Public Meetings Act, N.J.S.A. 10:4-12 provides that an Executive Session not open to the public may be held for certain specified purposes when authorized by Resolution; and

WHEREAS, it is necessary for the Borough Council of the Borough of Hillsdale to discuss in a session not open to the public certain matters relating to the item or items authorized by N.J.S.A. 10:4-12(b) and designated below:

- (1) Matters required by law to be confidential.
- (2) Matters where the release of information would impair the right to receive funds.
- (3) Matters involving individual privacy.
- (4) Matters relating to collective bargaining agreements
- (5) Matters relating to the purchase, lease or acquisition of real property or the investment of public funds.
- (6) Matters relating to public safety and property.
- (7) Matters relating to litigation, negotiations and the attorney-client privilege-*personnel*
- (8) Matters relating to the employment relationship
- (9) Matters relating to the potential imposition of a penalty.

NOW, THEREFORE BE IT RESOLVED, by the Council of the Borough of Hillsdale assembled in public session this date that an Executive Session closed to the public be and the same is hereby authorized for discussion of matters relating to the specified items designated above. It is anticipated that the deliberations conducted in closed session may be disclosed to the public upon the determination of the Borough Council that the public interest will no longer be served by such confidentiality.

Motion to adjourn to closed session made by Council Member Looes, second by Council Member Ruocco.

Roll Call Vote:

Ayes: Council Members DeGise, Looes, Meyerson, Ruocco, and Council President Pizzella

Absent: Council Member DeRosa

RECONVENE REGULAR MEETING: @9:40 PM

Motion to reconvene regular session was made by Council Member Meyerson, Second by Council President Pizzella.

Roll Call Vote:

Ayes: Council Members DeRosa, Looes, Meyerson, Ruocco, and Council President Pizzella

Absent: Council Member DeGise, Council Member DeRosa

Borough Attorney Madaio said let the record reflect all members of the governing body were present for commencement of the executive session and are present for the recommencement of the open session, as well as the Borough Clerk/Borough Administrator and the Borough Attorney. Mayor Arnowitz will direct Ms. Witkowski to set up interviews with the two finalists for the Chief Financial Officer position. These are for interviews with Council Members who have not yet interviewed them. There may be further discussion with these candidates, depending on the results of these interviews.

ADJOURNMENT: @9:41 PM

Motion to adjourn was made by Council Member Looes, second by Council Member Meyerson.

Roll Call Vote:

Ayes: Council Members, Looes, Meyerson, Ruocco, and Council President Pizzella

Absent: Council Members DeGise, Council Member DeRosa

THE NEXT MEETING OF THE MAYOR AND COUNCIL WILL BE
TUESDAY, APRIL 7, 2015 ~ BEGINNING AT 7:30 PM

Susan Witkowski, Municipal Clerk

APPROVED AS PRESENTED
MAY 5, 2015

Susan Witkowski, Municipal Clerk