

TOWNSHIP OF VERNON

TOWNSHIP COUNCIL SPECIAL BUDGET MEETING

April 5, 2010

The Special Meeting of the Township Council of the Township of Vernon was convened at 7:00 p.m. on Thursday, April 5, 2010 in the Vernon Municipal Center, 21 Church Street, Vernon, New Jersey with Mayor Sally Rinker presiding.

STATEMENT OF COMPLIANCE

In accordance with the Open Public Meetings Act, N.J.S.A. 10: 4-7, adequate notice of this meeting was provided to the New Jersey Herald newspaper on March 29, 2010 and such notice was posted on the bulletin board in the Municipal Building.

SALUTE TO THE FLAG

The Mayor led the assemblage in the salute to the flag.

ROLL CALL OF MEMBERS

Present were Council Members Richard Carson, Michael Pier, Valerie Seufert, and Mayor Sally Rinker. Council Member Harry Shortway was absent.

Also present were Interim Manager Catherine Navarro-Steinel, Municipal Clerk Robin Kline, Township Attorney John Ursin, and Financial Consultant Robert Benecke.

Council Member Richard Carson thanked the Vernon Township Police Department, Animal Control, Vernon Ambulance Squad, and St. Anthony's Hospital staff for their immediate and capable assistance in responding to a family emergency.

PUBLIC COMMENTS

Mayor Rinker opened the meeting for Public Comment.

Jessi Paladini, [REDACTED] commented that the 2010 Budget had been trimmed down considerably and applauded Municipal Clerk Robin Kline for her diligence in cutting wasteful spending during the time she was the Acting Manager. Ms. Paladini then questioned why the Township continues to pay for professional development courses for municipal employees if the Township has a tight budget.

Gary Martinsen, Vernon resident and business owner, requested the Council to do the best they can in finalizing the 2010 Municipal Budget.

Terri Vanderhey, Vernon Firemen's' Association, commented that the 2010 budgets for the four Fire Departments and two Ambulance Squads have been cut and asked that all budget funding be restored. Ms. Vanderhey reminded the Council that all emergency responders are volunteers and rely on the Township to fund the operating expenses of the Fire Departments and Ambulance Squads so that the volunteers can continue to focus on their work and not fundraising efforts.

Seeing no one else from the public wishing to speak, Mayor Rinker closed the public portion of the meeting.

COUNCIL DISCUSSION OF THE 2010 PROPOSED MUNICIPAL BUDGET

Mr. Benecke distributed his proprietary budget work sheet to the Council for review and discussion.

Mr. Robert Benecke informed the Council that Vernon Township experienced a \$780,000 loss in State Aid for the 2010 Municipal Budget, including a \$294,000 loss in Watershed Moratorium Offset funding, which has been in place for the past 10-15 years. Mr. Benecke reported that the Acting Manager, Robin Kline, drafted a layoff plan to absorb the anticipated loss in State Aid up to 20%; however, with the complete

loss of the watershed funding, the loss in State Aid increased to approximately 27%. Further complicating the budget, Mr. Benecke informed the Council that the township's tax base continues to erode, further reducing anticipated revenues.

Mr. Benecke reported despite the \$780,000 loss in State Aid, the proposed 2010 Budget and the tax levy remains the same as presented to the Council at the March 4, 2010 Budget Meeting and further reported that the Local Finance Board approved an "Unexpended Balances Transferred" account for the \$371,000 Ameripay loss.

Mr. Robert Benecke explained the Council-Manager form of government dictates the Manager present the budget and hold at least one public hearing with all Municipal Departments prior to March 19, 2010 and stated that former Acting Manager, Robin Kline, completed the budget process as required by law and presented a balance budget to the Council at their March 4, 2010 Council Meeting. In addition, Mr. Benecke stated a Special Council Budget Work Session was scheduled for March 19, 2010 to discuss the Governor's Budget Address, however, the Council cancelled that budget work session delaying the budget discussion until today.

Mr. Benecke applauded the budget team for putting together a very good budget and anticipating the cut in State Aid funding revenues.

Application for 2010 Transitional Aid

Mr. Benecke informed the Council that the Division of Local Government Services has not yet released the Local Finance Notice detailing the process and procedures municipalities must follow in applying for Transitional Aid. Towns with a high Tax Levy CAP and a high property tax increase would be eligible for Transitional Aid funding. Mr. Benecke anticipated that Vernon Township could apply for \$500,000; however, he recommended the Township Council introduce the 2010 Municipal Budget on April 8, 2010 in order to qualify for Transitional Aid. Mr. Benecke advised that the introduced 2010 Municipal Budget could be amended at any time in May, June or July, since local governments cannot establish their budgets until the State Budget is adopted.

Mr. Benecke advised that the Township could apply for Transitional Aid based on financial hardships experienced with the clean-up costs associated with the December 2008 ice storm; increased costs associated with the Municipal Services Act; and an increase in uncollected taxes.

Highlights of the 2010 Municipal Budget

Mr. Benecke presented the following budget highlights:

1. The revised 2010 Budget is \$21,813,261, a reduction of \$172,963 (1%) from the 2009 Budget of \$21,986,224.
2. The Total Operating Budget, before consideration of the reserve for uncollected taxes, is \$19,513,261, a reduction of \$452,916 (2.3%) from the 2009 Budget of \$19,966,177.
3. Within the Operating budget, the largest increases are (i) the Municipal Services Act increase of \$300,000, and (ii) the Police salary account increase of \$246,827 for a combined increase total of \$546,827.
4. Total non-tax revenues are down \$946,895: from \$6,599,453 in 2009, to \$5,652,558 in 2010.
5. The 2010 municipal tax levy is estimated at \$16,160,701, an increase of \$773,932 (5%) from the 2009 levy of \$15,386,771. Mr. Benecke noted that had the pension deferral not been taken in 2009 the municipal tax levy would have been \$15,889,751, an increase of only 1.7% in the 2010 Budget.
6. The 2010 municipal tax rate is estimated at \$0.576, an increase of 2.9 points over the 2009 municipal tax rate of \$0.547. The 2.9 points equates to a 5.3% increase.
7. The "Ameripay" issue remains unfunded and if not collected or reimbursed would negatively affect the budget going forward.
8. The Township should apply for State Transitional Aid. Mr. Benecke's recommendation would be to apply for \$500,000, which would cover the increase in the reserve for uncollected taxes plus the operating deficit resulting from the short fall in 2009 tax revenues. Transitional Aid, if awarded, would not be shown in the introduced budget, but would be deducted from the municipal tax levy.

9. The Township must comply with “to be promulgated” best financial practices by the Division of Local Government Services; otherwise an additional sum of \$100,000 will be deducted from the 2010 State Aid allocation. Compliance must be achieved prior to November 2010.
10. Caution should be taken in the estimated amount set aside for unemployment insurance should the layoff plan be fully implemented.

Mr. Benecke reported that the 2010 Municipal Budget as presented would add an annual property tax increase of \$65-\$68 for the average home assessed at \$229,000. The average annual property tax of in Vernon Township is \$5,600 compared with the Sussex County average of \$6500, and the state average of \$7300.

Mr. Benecke reminded the Council that the budget team cut out over \$1.5 million from the 2010 municipal department operation budgets, scouring all municipal department budgets to the bone. Mr. Benecke noted tonight’s meeting is the Council’s “third over” of the budget and reminded the Council that next year’s budget will have a host of other challenges, including among other things, a further reductions to state aid; continual erosion of the tax base; labor union contracts; the water and sewer problem in the Town Center; and further reductions in school enrollments.

COUNCIL DISCUSSION – 2010 MUNICIPAL BUDGET

The Council discussed the number of tax appeals and Tax Court matters filed in 2009, and those anticipated to be filed in 2010, and the impact these tax appeals would have in lost revenues in 2010 and future budgets. The Township’s current assessment ratio is 88% after last year’s property assessment revaluation.

The Council questioned how much the school budget might increase this year. Mr. Benecke estimated the school budget might increase as much as 4%, increasing property taxes approximately \$131 per average assessed household.

Mayor Rinker questioned the urgent timeline in which the Council must introduce the 2010 Budget in order to qualify for Transitional Aid and stated she needed more information regarding budgetary details. Mr. Benecke responded that if the Township anticipates applying for Transitional Aid, the municipality should introduce the budget as soon as possible to get in front of the line. He noted that everyone in Vernon Township is new to the budget process, including Members of the Council, Manager, and CFO.

Mayor Rinker commented that before she undertakes any endeavor she wants to be prepared and stated there have been repeated efforts by the Council and herself to have more information and communication regarding the budget and stated she personally needed more communication and interface with what’s going on and asked that the Finance Advisory Committee be involved as much as possible. Mayor Rinker further stated that she wanted to be a part of the conference call meeting scheduled with Mr. Benecke to go over the cuts to the State Aid. She came to the Municipal Building with a member of the Finance Advisory Committee to attend that meeting; however, the meeting did not take place. Mayor Rinker twice questioned Ms. Kline why the meeting was cancelled. Ms. Kline responded she did not cancel the meeting.

Mr. Benecke further stated a Special Budget Work Session was scheduled for March 18, 2010 with the Council to discuss the impacts of the state aid cuts. He emphasized that the bottom line budget numbers and tax levy did not change since the state released its reductions in state aid. Mr. Benecke commented that the layoff plan was created to absorb any cuts to state aid.

Mayor Rinker stated she did not feel personally prepared and commented that the Council is rushing for a decision in a few days to introduce the budget. Mr. Benecke offered to address any budget questions or details with the Council and recommended that the Council introduce the budget no later than April 22, 2010.

Council Member Michael Pier questioned if the Township’s Transitional Aid application is a guaranteed since it is designed to be used by towns with high tax increases. Mr.

Benecke responded that the state calculated Vernon Township's state aid numbers based on medium equalized tax rate/medium income formula, which is not high and not low. Mr. Benecke reported that Vernon Township has a low tax levy in comparison to similar-sized towns in New Jersey with a population of approximately 25,000 due to its low tax base. Mr. Benecke commented that Vernon Township could justify its need for Transitional Aid.

Council Member Valerie Seufert questioned why the Capital Budget had not been funded this year. Mr. Benecke responded there is approximately a \$180,000 carry-over funded from last year's Capital Budget, which could be used to fund a small bond ordinance for capital projects; however, he recommended a "debt moratorium" especially in light of the anticipated sewer and water system infrastructure project costs and the SCUMA Sewer Agreement costs of approximately \$773,000 coming on line next year.

Council Member Valerie Seufert commented that she would like to review a Capital Budget together with the Operational Budget. Mr. Benecke commented that when the Council directed they wanted little or no debt that translates to little or no capital spending. The \$180,000 carry-over amount could be used for small projects or used to fund a down payment for a bond ordinance on an emergent basis. Mr. Benecke reminded the Council that capital improvement projects are 100% debt. Mr. Benecke further informed the Council that the Township has a structural deficit of \$190,000. There is no cash surplus, which is mostly due to uncollected taxes.

Council Member Valerie Seufert then questioned whether funds were budgeted for engineering consultant costs to replace the loss in municipal staffing. Council Member Seufert also questioned the aggregate cost of \$45,000 in the operational budget for professional development and training, which is budgeted across all municipal departments and asked those costs to be reduced if at all possible.

Council Member Valerie Seufert commented that she would like to have a budget work session to go over the Operational Budget line item by line item. Mayor Rinker and Council Member Richard Carson agreed.

Mayor Sally Rinker questioned the amount of money currently in surplus. Mr. Benecke responded there is no surplus and reported the Township has a structural deficit of approximately \$190,000 largely due to a shortfall in taxes. The Township is seeking approval from the state to allow \$210,000, anticipated in this year's recovery of the revaluation program, to be transferred to surplus.

Council Member Valerie Seufert further questioned why there are no anticipated revenues from grants reported in the proposed 2010 Budget. Mayor Rinker questioned Mr. Zuckerman regarding the status of his report on pending Township grants. Mr. Bill Zuckerman, CFO, responded that his office is preparing a report detailing the status of grant funds receivable in 2010 and would be adding that information to the budget document. Mr. Benecke informed the Council that the Township would be reporting the following five grants on the budget document: The drunk driving grant, in the amount of \$7,054; body armor replacement grant, in the amount of \$3,200; Clean Communities grant, in the amount of \$8,868; Recycling tonnage grant, in the amount of \$12,415; and, the Master Plan reexamination grant, in the amount of \$16,156.

Council Member Richard Carson asked if the Financial Advisory Committee had any questions or comments.

FINANCIAL ADVISORY COMMITTEE COMMENTS

Mr. Thomas McClachrie, Chairman of the Finance Advisory Committee, commented that it is a best practice for the municipality to aggressively collect taxes and to hold an accelerated Tax Sale. Mr. McClachrie then questioned why Sheet 43 of the State Budget document was not completed. He was informed that the CFO would be completing the State Budget document in the coming week.

Mr. McClachrie further questioned how the Township would be paying-off the Town Center debt and reported total debt comprises approximately 13% of the budget. Mr.

Benecke answered that the Township would assess back the costs to the properties within the Town Center as the Town Center is built out.

Mr. McClachrie further questioned the budget process and why the Council and Financial Advisory Committee were given a completed budget on Thursday without further input from the Council or the Financial Advisory Committee. Mr. Zuckerman responded that the budget process began last November with Council Members Valerie Seufert and Richard Carson participating in budget work meetings with the Manager. In addition, several budget work meetings were held with the Financial Advisory Committee and municipal departments. Mr. Zuckerman further clarified that the budget document presented is the conclusion of management's work product and is presented to the Council for their review and changes.

Mr. David Gornstein commented that perhaps the budget process is flawed. Mr. Benecke commented that under the Council-Manager form of government, the budget process, for better or worse, is a management process. The statute provides that the Manager present the Council a balanced budget prior to March 19, 2010. The Council then has 30 – 60 days to introduce and adopt the budget. Mr. Benecke credited Ms. Kline and the budget team in putting together a balanced budget within a short period and stated that planning and goal setting is a very important aspect of the budget process.

COUNCIL COMMENTS

Council Member Michael Pier commented that he would like to see the Manager and Finance Department begin the budgeting process well in advance of the budget year for better planning purposes. Further, in Ms. Kline's defense he stated she was required to put a budget together within two months and she anticipated and accounted for up to a 20% cut in state aid. Council Member Pier further commented that the Council must be mindful that Ms. Kline was never in the position to prepare a municipal budget before and stated she did a good job.

Council Member Michael Pier recommended that the Council move forward on the 2010 Municipal Budget at the April 22, 2010 Council Meeting.

Mayor Sally Rinker commented that the Township's financial position and fiscal constraints are a personal source of anguish. Mayor Rinker further stated she was very concerned that this year with a majority of new Council Members, together with a new budget team consisting of a new CFO, Deputy Manager, Fiscal Analyst, and Acting Manager, all of whom never put together a municipal budget before, would be challenging. Mayor Rinker thanked Mr. Benecke for his expert guidance and role in the budget process and stated her dissatisfaction with not being more included in the process.

Mayor Rinker also questioned the status of the layoff plan and what union concessions have been presented to avoid layoffs. Mr. Brian Palaia, Deputy Manager, updated the Council on the status of the layoff plan. He stated the Department of Personnel approved the Township's layoff plan on March 31, 2010 and layoff notices had been issued in accordance with the Civil Service statutes. Mr. Palaia reassured the Council that some positions are reduced by attrition through retirement and filing of permanent disability. Mr. Palaia further stated that discussions are continuing with the collective bargaining unit for the DPW employees, seeking concessions to avoid layoffs of two DPW employees. Layoffs are scheduled to be effective May 15, 2010. Mr. Palaia stated he was hopeful that the number of DPW positions on the layoff plan would be reduced due to voluntary concessions.

Council Member Michael Pier questioned how many municipal employees are due to retire this year. Mr. Palaia responded three employees would be eligible to retire with full benefits.

Mr. Benecke offered to provide any additional information requested by the Council, Manager, or Financial Advisory Committee to help further the introduction of the 2010 Municipal Budget for either the April 8 or April 22 Council Meeting.

Council Member Richard Carson stated despite the dismal and worrisome budgetary and financial constraints, a positive opportunity might be achieved through the continued pursuit of shared services and encouraged management to explore shared services as a means to reduce costs and lower the tax burden.

Council Member Valerie Seufert thanked the budget team for all their work and commented that she too would have liked to have had more information throughout the budget process. Council Member Seufert further stated that despite the new budget team did not have prior experience in drafting a municipal budget, an excellent job was done.

Mayor Sally Rinker recognized the many members of the Fire Departments in attendance and extended appreciation for their volunteer service. Mayor Rinker reassured the fire and ambulance volunteers that budget cuts do not reflect less appreciation and was hopeful that the Council would do their best to restore their budgets. All Members of the Council readily concurred.

ADJOURNMENT

There being no further items of business to be conducted on the agenda, Council Member Richard Carson made a motion for adjournment. Motion seconded by Council Member Valerie Seufert with all members voting in favor.

The Special Meeting of the Township Council of the Township of Vernon was adjourned at 9:27 p.m.

Respectfully submitted,

Robin R. Kline

Robin R. Kline, MAS, RMC
Municipal Clerk

Minutes approved: May 13, 2010