
TOWNSHIP OF WEST MILFORD, COUNTY OF PASSAIC, NEW JERSEY

Minutes of: Governing Body Special Meeting
Date of Meeting: March 30, 2016
Time of Meeting: 5:30 pm
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Council President Dale called the Special Meeting of the West Milford Township Council to order.

Adequate Notice Statement

Council President Dale read the following statement:

Please note that in accordance with Chapter 231, Public Laws of 1975 of New Jersey, adequate advance notice of this special meeting was advertised in the Herald News in its issue of March 23, 2016; copies were provided to the Suburban Trends, the Record and Star Ledger and posted continuously on the bulletin board in the main corridor of the Town Hall and on file in the Office of the Township Clerk.

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

Pledge of Allegiance

Council President Dale led all in attendance in a salute to the flag.

Agenda No. I

Roll Call

Present: Councilmembers Ada Erik, Mike Hensley, Tim Wagner, Michele Dale,
Luciano Signorino, Marilyn Lichtenberg
Absent: Mayor Bieri.
Also Present: Township Administrator/Township Clerk Antoinette Battaglia

Agenda No. II

Purpose

Review of the proposed 2016 Municipal Budget:

Chuck Ferraioli, Auditor

Mr. Ferraioli addressed the council about the municipal budget. He explained that he normally comes this time of the year to talk about the budget. He spoke with Mr. Casey and reviewed what was sent to the council and he has no changes to what was presented.

Mr. Ferraioli provided a handout to the council and explained about the standard auditors report. He stated that the report is based on the bond sale we had this year. He further advised council that Standard & Poors has given the municipality an AA+ rating. He noted that, to the best of his knowledge, there are only five AA+ rated towns in the State of New Jersey. Mr. Ferraioli outlined the benefits of having a high rating. He said right now, you don't feel what the upgrade has done to you because the interest rates are so low. When the rates change, this rating could result in significant savings. In addition, the AA+ rating will help with our bonds, as well as the Board of Education bonds. Mr. Ferraioli explained that each town's rating can ultimately affect the County's credit rating further adding that surrounding counties of Morris and Bergen are both AAA rated.

Mr. Ferraioli highlighted other areas of the report. He said that it is important as you put the budget together to try to be cognizant of long term plans and goals. In the report, he made note of contingent liability which has to do with debt. He explained that S&P does not really have a problem with our debt and the debt that we have outstanding for our town is reasonable. Another item noted in the report is our pension plans. He said that the State of New Jersey is impacting us because of the recent news. One of our credit weaknesses is the pension and other post-employee benefits and there is really nothing that you can do at this point. He stated that when he talked with the S&P analyst, maintaining a healthy surplus, implementing a capital plan and a debt service plan that would be adopted by a resolution along with a surplus policy. He noted that it is going to be hard to get to a AAA rating if we can't increase the ratable base. If that's the case, the state needs to find other ways to try and put us on the same footing as other towns. Mr. Ferraioli stated that he was talking with Ms. Battaglia about DEP waivers, fines, permits, and increased watershed aid. The state does not have deep pockets these days so he does not see our watershed aid getting increased. Council President Dale asked if this report reflects the increased assessment for Newark watershed lands. Mr. Ferraioli said it does. Councilman Wagner asked how many towns have a AA+ rating. Mr. Ferraioli said that he doesn't know and the last time he looked was several years ago and there were five. He said that AA+ is a very strong rating.

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Mr. Ferraioli explained that when we sell bonds in New Jersey, we say that the bonds are backed with a "full faith in credit" of the township. If Atlantic City defaults, all bets are off the table because that phrase "backed by the full faith in credit", becomes meaningless. He said that it is going to cost every school board, every county in the State of New Jersey probably a quarter of a percent more in interest because the backing is not there. Mr. Ferraioli said that every time he sees a senator or an assemblyman, he tells them that they have to work something out with Atlantic City. Atlantic City cannot default, bottom line, or we will pay for it.

Mr. Ferraioli said that he would like to discuss the annual debt statement. He explained that this is a statutory report that has to be filed with every town. It shows the gross borrowing of the town and they are responsible whether it is bonds or notes that we have not bonded for yet. He stated that at the end of 2014, West Milford had \$30,386,000 and in 2015 we had \$34,824,546. He noted that we took an increase last year for two reasons. We went through two terrible winters, and the council decided to be more aggressive on a lot of road projects and the new library which is under construction. He said that he does not expect to see increases every year. Mr. Ferraioli said that when he spoke with Mr. Casey, who has presented a \$3 million dollar capital budget which is consistent with what we have done in the past. Mr. Ferraioli said as far as net debt, you calculate it by taking the net debt which is \$34,824,000 and take the three year average of equalized valuation, equaling a percentage of 1.166%. In the past, he has told his clients that he likes to keep them at 1% and West Milford is a little above it this year. Mr. Ferraioli explained that the equalized valuation is a number that is supposed to represent the true real estate value at the end of the year. He said we have been declining for a while but showed an increase in 2015 and he was somewhat surprised. It tends to be following the normal of what we see with the NYC market. When that market gets hot, it moves to Bergen County, Hudson County, and some parts of Union County so it takes longer to get here. Councilman Signorino asked how you achieved that specific number. Mr. Ferraioli said he goes on the computer and download a page from the State of New Jersey. He stated that it does show an increase and we have not seen one in a while.

Mr. Casey stated that you may have noticed that even now the assessed value is down about \$5 million and the library is a fixed value, the library went up because they are using the equalized value. He said that it does have some impact on the township because the equalized value has gone up based upon the alleged sales in the community from the county tax board. You can see the impact on the budget. Mr. Ferraioli explained that from the budget in front of you, the projected tax levy increase is based upon the library, open space, municipal services and solid waste. He said that the assessed value is based on the value at the time of the re-evaluation and it is decreased by anyone who successfully wins a tax appeal. It is increased by any tax appeals that the township is successful on winning or any new construction. In 2016, a tax point is \$276,121. Mr. Ferraioli explained that in 2016, every time we spend \$276,121, we increase the tax levy by one point. He noted that one point equates to \$24.70 for the average home owner and the average home is assessed at \$247,000. He stated that where we stand right now, if you look at the library, the levy is up \$52,669 and that's because it is based on the equalized valuation. He noted that the municipal levy right now is up \$581,346 and there is no change in open space and no change in solid waste. Mr. Ferraioli explained that if you were to move forward with this budget, you would be looking at an increase on your end of two and a half tax points or 2.7% percent. That 2.7% would equate to an increase of \$60.72 on the average home. Mr. Ferraioli said that the school has introduced a budget at a \$1 million dollar increase and that's not going to be their final number. He added that the county has adopted their budget and this year it is up 1.6%. Last year their budget was up 4% percent. He said that does not mean that we are going to see a 1.6% increase from our taxes from the county. Mr. Ferraioli explained that once we actually see the tax levy, he can tell you what it is in tax points, but it's not available at this time.

Mr. Ferraioli addressed the council about the tax levy. He explained that the only thing that we know about the tax levy is that it's going up every year. In addition, the salaries, charges and pension are going to go up. He indicated that the council has not made cuts yet which they have traditionally done in the past. Mr. Ferraioli suggested that the council introduce a budget at the next meeting to get the ball rolling. He stated that we have done this in the past and it is not the final budget. We can introduce it, have the public hearing and you continue to meet and make cuts. Then we can amend the budget and come up with a final tax rate. He explained that once you introduce, you have to wait at least 28 days before you have the public hearing and then if we amend it and it is a significant amendment which is anything more than 10% of one line item, then you have to have a separate public hearing. Our goal is to get the tax bills out so you would collect your taxes by August 1st. Mr. Ferraioli stated that if we don't have the cash coming in, we would have to borrow money because we would still have to pay the school and the county. Council President Dale asked if we have separated the municipal, school, and library/open space on the tax bills. Mr. Casey said that yes it is separated out. Mr. Ferraioli said that there are two caps that you have to work with. The stricter one is the Christy Cap which is on the tax levy. Right now if you were to move forward with this budget, you would be \$126,454 on your cap. He stated that it's not a worry.

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Mr. Ferraioli explained about how to build surplus. He stated that every time the school levy goes up a dollar, our surplus increases by 50 cents. If the school levy were to decline by \$1 dollar, our surplus would decline by 50 cents. In addition, Mr. Ferraioli addressed the council about revenues. He said that all of the revenues that we have anticipated for the year except for taxes, exceeded calculations. He reviewed delinquent tax collections and noted that we collect more than we budget because we have a reserve for uncollected taxes. We know that we will not collect 100% of our tax levy at any one time but we have to pay the county 100%. In addition, we have to pay the school 100% and we need enough money to operate. He noted that we cancelled \$32,000 out of the 2015 budget and had various miscellaneous revenues of \$282,000. Mr. Ferraioli explained that the biggest thing there is, is the insurance dividend which was \$161,000. For the 2014 budget, after paying all of the bills and bills coming due in 2015, the amount left was \$1,312,000 and that goes into surplus. Prior year inter-funds or borrowing money between one fund and the other was \$28,000 and there was a refund of prior year's expenditures of \$7,591.

Mr. Ferraioli addressed the council about the school levy. He explained that the school levy was up \$270,000 twice or \$540,000 last year and it threw off \$270,000 of surplus to us. He said that this is probably one of the smallest increases in surplus from deferred school taxes that we have had in a long time because the school levy was not up much last year. This year, we have realized that we have brought back into surplus \$3,522,000. He stated that in the budget for 2015, we used \$2,500,000 and we ended the year with a total surplus of \$4,826,000. We increased the surplus by \$1,022,000 so that was a good year. Mr. Ferraioli said that his concern about the amount of surplus that we are using in the 2016 budget is keeping that AA+ credit rating. He noted that it is very important for us to maintain the surplus and the higher the rating, the smaller that we will be paying on interest. He said that Mr. Casey is suggesting that we use \$3,626,000 or 75.14% in this year's budget and that would leave us a balance of \$1,200,000. Mr. Ferraioli said that he knows the governing body is going to make cuts to the budget and suggested taking the first \$100,000 of cuts and \$100,000 less of surplus. That will give us the same going into next year as what we had this year and should help with any credit ratings going forward. He stated that it will help to have \$1,300,000 in surplus. Mr. Casey agreed. Mr. Casey explained that with the property tax impact this year, we are fortunate enough that we are under the last two years in terms of increases. This budget is already at a lower tax impact than last year or the year before. Mr. Casey said that it is important to remember that we are going to have to go out for bonds within the next two years and there will be more when we come up with the capital budget. He explained that from an auditor's standpoint, you have to think about future impact and if you can keep doing that, it is in your long term best interest. Mr. Ferraioli asked Mr. Casey his thoughts about the AA+ rating. Mr. Casey said the interest rates are so low right now and you really don't notice a difference but when the interest rates go back up, your bond rating might be a point and a half in interest rate. He stated that over time, you are talking about real money. Mr. Ferraioli said that if you read the auditor's report, they will tell you what they liked about the town. He explained that being a North Jersey town is a plus because the incomes in the northern part of the state are higher than most of the country. In addition, there are also jobs because of the access to NYC, Bergen County, and lower Passaic County. Mr. Ferraioli indicated that they also liked that our debt is mostly paid off within a 10 year period and the finances have improved over the past couple of years. Most importantly, he noted they would like to see a debt service plan and a capital plan for five years. He explained that we would need to do this by resolution and doing it that way does not lock you in. Once the resolutions are established, they can be put on for the reorganization meeting every year and that will be a plus for our credit rating. He stated that we should really introduce the budget at the next meeting. Councilman Hensley said that he is in favor of having a 5 year plan put in place for our debt service. It would help guide everyone on the council each year that we do have a plan in place to reduce the debt in the township while also helping our credit rating.

Auditor Chuck Ferraioli left at 6:06pm.

Mr. Casey addressed the council and said that there are two things that he would like to accomplish tonight. He said that he has a revised capital budget for the governing body which gets us down to \$3 million and has a spread sheet that we can start looking at in terms of changes in the budget.

Mr. Casey provided a handout to the council. The first item is a revised capital. The funded line has suggestions that should be funded in 2016. The future funding would be spread out over the next three or four years depending on how the budget works out. Mr. Casey said we are looking at funding the elevator match for the teen coffee house which is a matching grant. We are looking at rehabilitating the tennis court and funding the purchase of an air compressor. The wind storm a couple of days ago resolved one of the issues of the salt shed. He said that it decided to take the roof and relocate it so we have to replace that. However, he recommends using the snow reserve funds to build one of the temporary facilities that we have talked about. Mr. Casey said that again, we are trying to keep the four dump trucks funded in the capital budget because of the conditions of the vehicles. He added that he has maintained funding for the county salt shed. The issue with the storage containers is that there are four of them there and they are \$2,700 per container delivered. Mr. Casey said that we also have the outfitting of the township's portion of the library plus the interconnection of the three buildings on site with fiber optic lines. The septic

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replacement in the DPW was funded, the body armor replacement in the police department and the third or fourth year of the retrofit program. Mr. Casey explained that he has reduced the road program by \$200,000 because he was told that there is \$300,000 left over from last year.

As far as the road assessment program, Mr. Casey was informed that it will take \$150,000 is to get it up and running to supplement what you have now as well as to start next year. In addition, we are going to do the Ridge Road project. In the fire department, Mr. Casey noted that we are going to continue the traditional \$10,000 in capital equipment for each fire company. The turnout gear is going to be spread out over three years. Mr. Casey stated that he talked with the fire commissioner and he asked what we need to keep the community pumper running. He said that it will be \$60,000 and there is nothing else wrong with vehicle. Mr. Casey said that after his discussion with Mr. Steines, he is going to look at reconditioning some of the vehicles instead of replacing them. Some of them are in decent shape and you can get extended life out of them. He said this budget includes funding for power lifts for the Upper Greenwood Lake First Aid Squad, spreading the air packs over two years and keeping the boat in the funded line. He sent an email to the fire department as well as the fire commissioner about the boat and he has not gotten a response. Councilwoman Erik said that the boat belongs to Fire Company #5.

Mr. Casey said that when you add all of that up, the total is \$2.9 million. He said that you need to keep at least 3% for issuance costs and pay your bond attorney. After those expenses, we are at \$3 million. If you are agreeable with that type of spread, you need to get moving on this and introduce the budget. He noted that the council can amend the temporary budget to fund the down payment which will allow them to introduce a bond ordinance. If you start the bond ordinance process, it will run simultaneously with the budget. The rule on the temporary budget is that whatever is in the temporary budget must be in the final budget so it's safe from the bond issuance standpoint to put the bond there. Mr. Casey asked the council if they have any changes or suggestions. Township Administrator/Clerk Battaglia said that the timeline would be to amend the temporary budget on April 6th, which is our next upcoming meeting. If we did that amendment to the temporary budget, we can consider the introduction of the capital ordinance at the regular meeting in April and that will give us time. Ms. Battaglia said we will go from that meeting to the bond council and ask them to draft the bond ordinance for introduction at the regular meeting. Mr. Casey said if you introduce the last meeting in April, you can adopt the first meeting in May. He stated that we will move in that direction.

Mr. Casey addressed the council and said that the next handout is where we stand on the budget. He noted that we have the same calculation that Mr. Ferraioli had. Mr. Casey said that it shows your property tax total and that includes the library. He stated that the assessed value is \$276,100. Right now we show that the tax rate for us with the library is 86 cents. Mr. Casey said that he would like to talk about the issues that we have discussed. The first change is the deletion of the lobbying program for \$48,000. The second deletion is the mechanic because our discussion with the governing body indicated that they were more in favor of the fire department contracting out the annual inspection program. The third item is the gypsy moths. He said that \$31,000 is the number that we can anticipate receiving in the grant for the gypsy moth program. Mr. Casey stated that the large SUV that the governing body took out of the capital program was also budgeted in the operating budget so he took that out. He added that one of the issues that need to be discussed is the seasonal help in the DPW. Mr. Casey noted that there were other reductions as well. There was \$125,000 in there for the retirement contingent account, predicated upon the fact that four individuals have said that they are eligible to retire. He said that only two are retiring and we have the CFO. He said that the bottom line is that we can take \$25,000 out of that account and right now because we are going to project \$86,000. He said that we will still have room in case someone else would like to retire. Mr. Casey indicated that the West Milford First Aid Squad had dramatically increased their maintenance costs by \$25,000. He is suggesting that we split the difference with them so he pulled \$10,000 out. In addition, there was a request by the Township Attorney for \$5,800 dollars to file the appeal for the watershed tax appeals. He said that we have \$10,000 in there now for expert testimony in that case and that would take half of it. The last item that we can reduce is in the operating budget is in the fire department. Mr. Casey added that there was \$30,000 dollars provided annually for turnout gear, but since we are providing \$120,000 for him out of the capital portion, it can be reduced.

Mr. Casey indicated that those are the changes that he sees right now. Council President Dale asked if she can get these updates electronically. Mr. Casey said that he will send the revised document. Township Administrator/Clerk Battaglia said that if Mr. Casey amends the document and emails it out to everybody, this could be the basis potentially for the budget to be introduced on April 6th knowing that you can make amendments between introduction and adoption. The council agreed. Councilwoman Lichtenberg asked if we thought about how many people we want possibly for seasonal help in the DPW. Mr. Casey said it depends on who you ask. Public works said that they want one per jurisdiction. He said that we were originally thinking two overall. Township Administrator/Clerk Battaglia said that she understands that they would like one per district, but because we are so focused on our DPW doing the winter storms, we have to factor in that most of the guys take vacation in the summer months. She expressed that assigning them one per district might not be the best use of personnel. If we assign them where there are deficiencies, then that would keep each crew going where the need lies. Councilwoman

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Erik asked how many of them are out on vacation at one time. Ms. Battaglia said that they schedule their vacations as best as they can but each supervisor approves that. Council President Dale said that we changed that last year because we consolidated it for the summer time. Township Administrator/Clerk said that there is an issue with that this year because of the septic and we are requesting that we keep all of the depots open. She stated that we do not think that the septic can accommodate the influx of the manpower. Council President Dale said that this has not been tried in the past so it's a conservative approach to maintenance during the summer months and accomplishing the goals set forth. She added that we can evaluate it to see what we do accomplish and if there is more or less needed. Councilwoman Erik asked if we are still going to find more mature help. Mr. Casey said that if we are going May through October, we are not talking about the college kid; we are talking about more mature people. Council President Dale said that she hopes that as retirements happen, we would have hopefully provided the opportunity for the good seasonal worker to become full time employee at some point in time. She said that it is a good opportunity because we do have some anticipated retirements. Councilman Signorino stated that was a part of the preliminary discussion to use it as a recruiting tool. Councilwoman Lichtenberg said that she is in favor of the two seasonal workers.

Mr. Casey said that the other question was about capital reserve for future emergencies and future emergency vehicles. Council President Dale said that at some point especially with a five year budget planning cycle, you are going to want to be able to start funding that. Otherwise, you are just going to end up continually faced with the increase, year after year until we get on some sort of plan. Township Administrator/Clerk Battaglia explained that in terms of this year's budget, the governing body is considering a tremendous investment into our equipment and that has not been done in a long time. Since that investment is made this year, next year may be the most appropriate time to start building those funds because right now you do have the major expenses. Council President Dale said that she would agree with that but as long as it's with the five year forecasting. She stated that hopes that future councils continue that process. Ms. Battaglia indicated that she will get a proposal for a five year capital plan. Councilman Signorino stated that he is concerned because we do have some significant items like the trucks this year that weren't anticipated. He suggested budgeting starting next year for the fire apparatus on an annual basis. Council President Dale said that she also doesn't want to limit it to particular apparatus. She suggested taking a certain percent of the budget to reserve for future expenses and to establish a general fund versus just being left to specific items.

Councilman Wagner stated that the small dump truck in the recreation department is being funded in the future. He explained that they probably have some older vehicles and do a lot of driving. He asked if there are any other solutions that we have for them. Mr. Casey said that if you give them one of the older trucks from public works, you are going to find that they are just going to ruin the fields. Councilman Wagner said that the vehicles are in very bad shape. Township Administrator/Clerk Battaglia said that we really don't have any leftover or transitioning trucks in our fleet. Council President Dale said prior councils did not replace vehicles in that fleet for so many years. Councilman Signorino said that he knows that the councils in the past have appropriated funds for replacing those vehicles but they were just never purchased. He said that there is now directive from the council and the administration to actually follow through a little more now on making those purchases. Township Administrator/Clerk Battaglia indicated that there were years that there was a disconnect. Councilman Hensley asked if it was possible that the Board of Education has an old pickup truck. Township Administrator/Clerk Battaglia explained that it has been a habit in the past to accept vehicles from other public entities and it has not worked to our benefit. She stated that we have accepted a number of vehicles that have turned out to be very costly to us. Maybe, if there are any residents that have a pickup truck that they would like to donate to the town. Councilman Hensley suggested starting a go fund me page and letting all of the teams know that the recreation department needs a small pickup truck. Council President Dale said that it is a work in progress. Township Administrator/Clerk Battaglia said that Mr. Casey is saying if we go back to the recreation department, perhaps they could consider a much less costly vehicle. Mr. Casey said that there are a variety of trucks on the county and state bid, they should look at that and see if there is one that will meet their needs. Councilman Wagner asked if we are able to buy vehicles through auction. Township Administrator/Clerk Battaglia said she doesn't think that public entities can partake in an auction. Mr. Casey suggested seeing if there is a cost effective vehicle out there because the price for the current requested vehicle is \$77,000. Mr. Casey said that we would get back to the governing body with some options.

Mr. Casey said after discussing those items on that sheet, adding the \$26,400 in and \$5,800, the budget has been reduced by \$212,000. Mr. Casey said that he is open to suggestions from the governing body. He indicated that the budget is down to about 85.5 cents and he will send an electronic copy with the updated changes. Township Administrator/Clerk Battaglia said that potentially if we were to do a small pickup truck for CS&R, we would increase that by \$30,000. Mr. Casey asked if there are any objections or comments. Councilman Wagner asked about the police vehicles. He stated that we have approved five vehicles and asked what the other comparable towns like Ringwood do to assess the life of their vehicles. He asked if they are replacing them every two years, three years, or every 200,000 miles. Township Administrator/Clerk Battaglia said that we haven't done research to other towns. Councilman Wagner

