

WORK SESSION DECEMBER 7, 2010

Mayor Tedeschi called the meeting to order at 8:10 p.m.

PRESENT: Mayor Tedeschi, Deputy Mayors Swain and Weinstein and Councilmembers Baratta and Trawinski.

ALSO PRESENT: Manager Stafford, Municipal Clerk Kwasniewski and Attorney Rosenberg.

BUDGET OVERVIEW:

CFO Palermo was present to give a budget overview as to where they are and where they will be going.

CFO Palermo stated she had prepared a preliminary draft of the 2011 budget which includes all the cost known today. They sent out budget request forms to all of the departments and received them back. She put together the budget including all of their requests such as personnel and operating. As far as the salaries were concerned for the negotiated contracts she included all salaries and steps. For the rollover contracts she only included the steps. She did not include furloughs or cuts in part time wages. She included no allocations to cost centers. She included all operating requests and included meeting the full emergency for water. She included no catastrophic medical events and with regard to the rates used for medical for 2011, IDA advised that because they only had the three month window to base their experience rate for 2011, it wasn't sufficient enough to give rates for 2011. She used the 2010 Cobra rates that cover through their contract and after their contract expires there is a 15% industry standard increase. They are meeting with the Risk Manager on Thursday to address self insurance funds, liability and workman's comp. Any adjustments will be made when they review them and when the 2011 rates are available from IDA she will adjust these figures.

CFO Palermo said she did this with \$3 million in surplus and she anticipated state aid equivalent to what was received in 2010. She has not been given 2011 tax cap calculations so she had to use the 2010. She noted that they can no longer go to the Local Finance Board if they wish to exceed the cap.

CFO Palermo explained that there are certain costs that are allocated to different areas. She noted that as she saw it with all of the costs known today, this is the worst situation. CFO Palermo said all of the requests are included because they have not met with the department heads yet. She noted that the operating expenses are pretty flat. The salaries and wages other than the

contractuals are flat. The increase in the entire budget is \$1.2 million of total budget. She stated it was a 2.7% increase from last year.

CFO Palermo stated she used a \$3 million fund balance that is a \$2 million decrease in fund balance. That is assuming a \$5 million surplus at the end of the year, again maintaining \$2 million to make operations, that is a big decrease. There is a \$325,000 shortfall in revenue compared to last year. CFO Palermo explained that Sheet One shows a general budget and shows where the increases are and where the decreases are. Deputy Mayor Weinstein questioned the fund balance if that was the amount she would be using. That would leave \$2 million. CFO Palermo stated that last year they had \$6.9 million and that was what she utilized.

Deputy Mayor Swain asked about the grants. CFO Palermo said there may be more coming in as the year goes on. The main reason this decreases so much is the H1N1.

CFO Palermo said on the second sheet is a rough draft of the tax cap levy using last year's exceptions and making it a hard 2% cap. It brings the Borough an increase of about \$560,000 but with all the exceptions they are \$3.5 million short of the cap.

Mayor Tedeschi said the operating budgets were flat and they were looking at requests from the department heads in that revenue of the operating expenses, even if that gets vetted out, there isn't a lot of fruit on the tree.

Councilmember Trawinski asked what CFO Palermo had in the budget for the matching 5% on capital. CFO Palermo explained \$175,000 which is the same as last year. Mayor Tedeschi asked if she was comfortable with the salaries and wages. CFO Palermo said she used for the contractual figures, steps for the non rollover contracts, no furloughs and no cuts in part time wages. This is the worst situation.

Mayor Tedeschi wondered if they could receive the Manager's Budget before the statutory date of February 15, 2011. He noted that the Council is anticipating recommendations to offset the shortfalls. Manager Stafford explained that they plan on scheduling meetings with the department heads. As the CFO said, there is not much here. Mayor Tedeschi said they know they are short \$3.5 million dollars so if they cannot change their operating expenses, what will they do. Manager Stafford stated the Borough would have two options, an all out departmental change or referendum.

Councilmember Trawinski stated he did not like either of those options. The reality is there will have to be a significant cut in services and/or even if they

brought the surplus to zero, they would still be a million short. All they would be doing is postponing the inevitable to next year. Next year they will be down a million assuming they can replenish surplus to \$4 million which is unlikely based on where they are. Operation revenue is down \$325,000.

Mayor Tedeschi wondered if they could do an analysis with the department heads in regard to the local revenue to show them where the revenue is failing. Manager Stafford said that would be part of their meetings.

Mayor Tedeschi stated that they know that building permits were down, hotel tax is down, other miscellaneous revenue is down and there is a severe reduction in the Municipal Court.

Councilmember Trawinski wondered if this also assumes no change in the ratable base, when in reality faced with a large number of appeals, does it assume the successful appeal and any additions to ratable. CFO Palermo said she took into account additions to ratable equivalent to last year. CFO Palermo said that the tax refunds are a direct hit to surplus. Councilmember Trawinski said what about next year. CFO Palermo said she was hoping it would be offset by any additions. Mayor Tedeschi wondered if he heard an assumption that although there are ratables being lost by way of appeals, there are ratables to offset increases to offset that. Councilmember Trawinski questioned the assumption when building department fees are down which is a leading indicator of whether the ratables will increase because that is where the added assessments will come from.

Deputy Mayor Weinstein said as far as the third party ambulance billing and the false alarm situation, when these things get implemented, how would that affect the calculations based on some estimate because they never received that revenue before. CFO Palermo stated that the company may be able to provide a general estimate that can be submitted with the budget so it can be anticipated. CFO Palermo said she needs a signed contract to anticipate any revenue.

Manager Stafford stated meetings will be scheduled with the department heads after that they will redo the budget and then they can schedule another meeting.

Deputy Mayor Swain wondered what the referendum process was if they had to do that. She wanted to know if the referendum was on a specific amount and if the voters had options in terms of raising the cap. Manager Stafford said truthfully he did not know because it has not been done yet. They have had meetings with the Auditor and have begun to explore that with him and he is researching it as well.

Mayor Tedeschi asked when they propose to come back to the Council with the budget. CFO Palermo said they have scheduled meetings with the departments in the beginning of the year. Mayor Tedeschi wondered what would be achieved with these department head meetings since there is not much there. Councilmember Trawinski said they would achieve is the way the department operates. Mayor Tedeschi said they have on the agenda a number of changing events such as the recycling and outsourcing parks. Councilmember Trawinski wondered how significant those events are unless they eliminate the services the Borough would have to pay for outside services. They would be substituting one cost area for another. Manager Stafford explained they would compare it against cost then taking into consideration eliminating human resources. Councilmember Trawinski said there will still be a cost. Mayor Tedeschi said they were looking at ways to deliver a similar service. Deputy Mayor Weinstein said they also have to look at how the personnel cross over into other departments. Manager Stafford stated that was a very big component.

Councilmember Trawinski said the big issue was the leaf pick up and going into bagging leaves. It has been on the table in the past and has consistently been rejected. They know that there would be a huge cry out over that. Mayor Tedeschi said they would want to know what the savings are for doing it that way. Councilmember Trawinski said it would be important to quantify the cost of that because it would be extremely useful. Mayor Tedeschi said that is what the RFP and bid proposals will do.

Councilmember Trawinski gave an example of Toms River selling their water utility hoping to have savings. Initially they did have the savings but in the long run it cost significantly more. Manager Stafford said that is something to think about in regard to recycling meaning the initial contract price might be X but the subsequent term bids might be two or three X. Mayor Tedeschi said the real question was how it compares to what they are paying now. Manager Stafford stated if recycling cost \$1.7 million dollars in human resources, fuel, vehicles, expenses, etc. and the bid comes in at \$600,000 what will they do. Mayor Tedeschi said there is no singular solution. Mayor Tedeschi said it is going to be a cumulative event. Manager Stafford said it would be disingenuous for him to sit there during this conversation and not say it is the magic stroke of the pen. Councilmember Trawinski said they all recognize this.

Mayor Tedeschi wondered when they could expect the budget. Manager Stafford said by the end of January. Mayor Tedeschi said he did not believe the Borough would get the same state aid this year. Councilmember Trawinski stated they may have some indication when the Governor gives his State of Address at the end of January. CFO Palermo said maybe by then they will have the toolbox ready.

Councilmember Baratta wondered what the Monday meeting is about. Councilmember Trawinski said it is premature. Deputy Mayor Weinstein agreed. Mayor Tedeschi stated it may be premature but they do want to see what is going on. There is a laundry list of items that are being worked on. Those items should be moving forward. He thought two or three weeks may be better for the next meeting.

Deputy Mayor Weinstein asked Municipal Clerk Kwasniewski the date last year the budget was given to the Council. Municipal Clerk Kwasniewski said it was in March because they didn't get the numbers from the State.

Mayor Tedeschi stated that Manager Stafford, CFO Palermo and Municipal Clerk Kwasniewski need to have this budget at the top of their list because they have to work on this to affect change before March or April.

Councilmember Trawinski stated if they do furloughs they have to start thinking about it. Councilmember Baratta said that furloughs don't work. Mayor Tedeschi said it is nibbling around the issue. Manager Stafford said that he can rest assured that he and the other department heads are living this 80% of their day. Mayor Tedeschi thought that was good.

Deputy Mayor Swain asked for an update as to where they are with the employee suggestion list. Councilmember Baratta thought they should revisit that list.

Deputy Mayor Weinstein stated they have to immediately find out what the answers is for example the third party ambulance billing. Mayor Tedeschi said they have to treat the most serious problem and make it go to the top of the list. He wanted to know where the most potential savings are. He could not see what the expectation would be in talking to the department heads when the budget is only a 1.1% over last year's.

Manager Stafford noted simultaneously with that they are drafting the bid specifications for the recycling, dealing with the false alarm company, and dealing with negotiations that the Governing Body authorized last week.

Councilmember Trawinski said they received an e-mail from the President of the Ambulance Corps requesting a meeting with Manager Stafford. Mayor Tedeschi wondered what the Borough's alternatives would be if they do not want to do it. He would like to have a plan in place.

Municipal Clerk Kwasniewski returned to the question that Councilmember Baratta asked about holding the meeting next week. Mayor Tedeschi said he thought Councilmember Baratta was right and maybe in a week or two.

There was a unanimous consensus to cancel the Budget Meeting for the following week.

Attorney Rosenberg advised that the bids are being worked on. Mayor Tedeschi said he would like to review them on December 14th. Councilmember Trawinski suggested holding off picking a date until they see where they are after the next Work Session with those item. Mayor Tedeschi said he would like to schedule a date to keep the ball moving. Once the bid specs are done, there is no reason they should not go out. The sooner they go out and the sooner they can make a decision. He questioned savings on the furloughs. He would like to know what they really were for last year so when they are looking forward to what the furlough value is there will be a realistic number. Municipal Clerk Kwasniewski said it was calculated to be \$35,000 per day and they have to remember that was not with over time or comp time generated. That did not happen because they had overtime and straight time. Mayor Tedeschi said they have to calculate the real number.

Councilmember Trawinski suggested that the Manager and CFO talk to Brian Hague the Acting County Administrator and Al Dispoto the County Treasurer because they had five furlough days last year in the County. It was his understanding the savings they expected were in fact the savings and they did not have a spike in overtime or other issues. He would like the Council to understand if that is true how they did it. Mayor Tedeschi said that he agreed with that but did want to know what a furlough day was worth to Fair Lawn. Deputy Mayor Weinstein said the amount would be different if the furloughs are voluntary since whole departments will not be shut down. If they do it that way the additional costs will not be the same as last year. Deputy Mayor Weinstein stated they know that if they cram 14 furlough days in five months there will be excessive over-time. This year if it is spread out over the year all those costs will be spread out. Mayor Tedeschi said he did not like furloughs because they are not the solution. They are short term solutions and they are nibbling around the problem. Councilmember Baratta wondered if they know the true overtime cost that was generated specifically because of furloughs.

Manager Stafford said if CFO Palermo gave the Department Heads a list of the furlough dates and asked for the over time generated on those days. Councilmember Baratta thought there would be over time other than furlough days to make up for the furlough days. She was talking about the furlough week. Manager Stafford said there are other factors at work, if someone had scheduled time beyond their normal work day up until the over time high water mark that would be straight time. Yet if it was an emergency call out before the high water mark, it is to a degree unquantifiable.

Deputy Mayor Swain questioned what the next meeting would be. Municipal Clerk Kwasniewski explained there is a Work Session on December 14th which will include a Special Meeting.

PUBLIC COMMENTS:

Upon motion by Councilmember Trawinski and a second by Deputy Mayor Swain, the time for public comments was opened.

Pam Coles, 13-34 George Street, spoke about the revenue fund balance and asked what each department head saves on the average. Councilmember Trawinski said they can't. Deputy Mayor Weinstein said the truth of the matter is, the Borough has always been so efficient that now they are being hurt by that. Mayor Tedeschi said that there is only so much they can do with the operational budget. That budget for years went up 1.1% per year. Councilmember Trawinski said built into this budget are percentages of cost increases that are beyond everyone's control. They went to the Board of Public Utilities last year asking them not to increase their rates. They raised the rates 7.8% instead of the 12%. However, the Borough is limited to a 2% increase so that 5.8% has to come from somewhere. Other people suggest they use the \$2 million in surplus, but next year there will be zero surplus before they even start.

Ms. Coles commended Fair Lawn for doing such a great job on the leaf pick up. She thought the Borough was picking up leaves effectively. Councilmember Trawinski said the Borough has been doing it in violation of the storm water management rules and regulations that the DEP has imposed upon the Borough. Mayor Tedeschi said the objective is to pick up all the leaves so the streets are safe. Ms. Coles thought they should have a discussion with the residents because they need their cooperation. She also thought they could ask the residents to bag their leaves and take it to the Recycling Center. Mayor Tedeschi stated that 22% of Fair Lawn is Senior Citizens and cannot be expected to take their leaves to the Recycling Center because they expect that service from the taxes they pay. Councilmember Trawinski noted that when they asked people of Fair Lawn to share other cost savings with the Borough, every interest group came out and said take it from someone else. Last year the Council took a quarter of a million dollars from the Library and there was a huge cry out from the likes you haven't seen. Technically they could have taken another three quarters of a million and still lawfully funded the Library.

Craig Miller, 5 Ramapo Terrace, wondered what happens if the voters turn down the referendum. Councilmember Trawinski said they would have to go back and cut the budget.

There being no comments from the public, upon motion by Councilmember Baratta and a second by Councilmember Trawinski, the time for public comments was unanimously closed.

CLOSED SESSION:

Upon motion by Councilmember Trawinski and a second by Councilmember Baratta, the following Closed Session resolution was unanimously adopted at 9:25 p.m.

WHEREAS; the Open Public Meetings Act of the State of New Jersey permits the public to be excluded from certain matters to be discussed by the Governing Body; and

WHEREAS; the Mayor and Council of the Borough of Fair Lawn desire to discuss Personnel – Appointments to Board, Commissions, Committees, Appointments of Professionals, Substitute Crossing Guards and Attorney Client Privilege – Naugle House; and

WHEREAS; these matters are ones which permit the exclusion of the public from such discussions; and

WHEREAS; minutes will be taken during this closed session and once the need for confidentiality no longer exists the minutes will be available to the public.

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Council of the Borough of Fair Lawn that the public be excluded since these matters as set forth above are ones which permit the exclusion of the public from such discussions.

PROFESSIONALS:

Mayor Tedeschi stated that they had discussed asking all of the Borough's Professionals to reduce their fees by 2%. He proposed asking any professional associated with Planning Board, Zoning Board, Broadway Improvement Corporation, River Road Corporation to take a 2% reduction also.

There was a unanimous consensus to ask the professionals that deal with the various boards to take the 2% decrease.

Attorney Rosenberg wondered if there are any other entities that deal with professionals.

Municipal Clerk Kwasniewski wondered if the Council wanted her to request from the professionals in writing why they cannot reduce their rate by 2%. Most people have said fine just take the 2%. She will send the letters out tomorrow and will copy the Mayor and Council.

ADJOURNMENT:

Upon a motion by Councilmember Baratta and a second by Deputy Mayor Weinstein, the meeting was adjourned at 10:25 p.m.

Respectfully submitted,

Joanne M. Kwasniewski, RMC,CMC,MMC
Municipal Clerk

The undersigned have read and approved the foregoing minutes.

Mayor Joseph Tedeschi

Councilmember Jeanne
Baratta

Deputy Mayor Lisa Swain

Councilmember Ed Trawinski

Deputy Mayor Steven
Weinstein