

**BUDGET WORKSHOP MEETING
TOWNSHIP OF MONROE
APRIL 1, 2015**

A.) OPENING CEREMONIES

CALL TO ORDER

The Budget Workshop Meeting of the Township of Monroe was called to order at 7:02 PM by **Council President, Frank Caligiuri** in the Second Floor Meeting Room of the Municipal Complex located at 125 Virginia Avenue, Williamstown, New Jersey.

This meeting was advertised pursuant to the New Jersey Open Public Meetings Act (*NJSA 10:4-6 thru 10:4-21*). Notices were placed in the official publications for Monroe Township (i.e.: South Jersey Times, the Courier Post and the Sentinel of Gloucester County). A copy of that notice is posted on the bulletin board at the Municipal Complex.

SALUTE TO FLAG

Business Administrator, Kevin Heydel led the assembly in the Pledge of Allegiance to our Flag.

ROLL CALL OF TOWNSHIP OFFICIALS

Cncl. Walter Bryson	Present
Cncl. Marvin Dilks	Present
Cncl. Rich DiLucia	Present
Cncl. Bob Heffner	Present
Cncl. Bart McIlvaine	Present
Cncl. Cody Miller	Present (Arrived 8:00 PM)
Cncl. Pres., Frank Caligiuri	Present
Mayor Daniel Teefy	Present
Business Administrator, Kevin Heydel	Present
Twp. Clerk, Susan McCormick	Present

B.) GENERAL PUBLIC DISCUSSION

Cncl. Heffner made a motion to open the General Public Discussion. The motion was seconded by **Cncl. Dilks** and unanimously approved by all members of Council in attendance. With no one wishing to speak **Cncl. Bryson** made a motion to close the General Public Discussion. The motion was seconded by **Cncl. Heffner** and unanimously approved by all members of Council in attendance.

C.) MATTERS FOR DISCUSSION

• **2015 MUNICIPAL BUDGET**

Business Administrator, Kevin Heydel explained he met with the Budget Committee, Cncl. Pres., Caligiuri, Cncl. McIlvaine and Cncl. Miller, to review the Detailed Budget Workbook now being presented to all members of Council for review. He gave some background information on how the budget document is prepared, what items make up the surplus balance and the categories, departments and summaries included in the Detailed Budget Workbook. He explained the document shows what our surplus balances were from 1994 to present, what was used and what the surplus balance will be after surplus is used to support the 2015 budget. Mr. Heydel noted he also distributed to Council a six year Capital Plan for discussion this evening. He then proceeded to review the following sections of the Detailed Budget Workbook:

Section 1 - 2011 - 1015 Revenue/Appropriations Tax Impact Report

Mr. Heydel explained anticipated revenues and budget appropriations were included in this section back to 2011 to give a history and show what is leading up to 2015. The overall impact of this budget for municipal purposes is a 2.9% tax increase, the Board of Education is looking at a 2.53% increase and from what he can calculate the County will be proposing a 5.7% tax increase, mainly because of the tax appeals on large parcels or industrial sites throughout the County. Wal-Mart and Sam's Club have appealed their taxes for 2015 and the County has indicated they will defend this as rigorously as possible. If the taxes are reduced a million or two between the two properties our added assessments will be somewhere to the tune of eight million dollars and that has been shown in the tax impact forecast for 2016. Mr. Heydel explained the Detailed

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Budget Workbook was changed since the Budget Committee Meeting due to his conversation with Standards and Poors over our credit rating. In that discussion they wanted to see what the forecast looked like so he didn't want to be as conservative as he normally is but the forecast is still within the range of realism. Next year in regards to how we are progressing we are on par for a better than 6% increase. Mr. Heydel noted 26% of taxes go to the municipality, 56% goes to the Board of Education and 18% goes to the County. The blended rate for the tax increase will be approximately 3.2% and that was calculated by doing a weighted average.

Section 2 2012 - 2016 Budget Revenue - Fund Balance Change Report

Mr. Heydel explained this report shows what was budgeted, what the actuals were and that some revenues came in higher than what was anticipated but that is because he never wants to overstate revenue or get into a situation where he does not meet his target. In next year's budget that difference will be forecasted as excess revenue. Mr. Heydel proceeded to explain the revenue line items, how he was forced to raise some of the revenue targets in the 2015 budget, the deficit in delinquent taxes and that the excess current tax collections was caused in part by the added assessments and collections that have come in. He explained some of the numbers in this report are a result of the compliance plans but because of his conversation with Standards and Poors he felt he had some leverage to raise up the expectations for next year. He explained he expects \$640,000.00 in "Unanticipated Revenue" because he knows some of the contracts, what is routine from year to year and what the variables are. The "Appropriation Reserve Lapsed" will be between \$940,000.00 and \$950,000.00 and the changes in fund balance will be \$2.1 million dollars. The fund balance at the end of 2014 was \$3,349,422.00 and even though we would like to use less the budget will not support using less than \$2.8 million, which will leave a balance of \$549,000.00. A change in fund balance for next year is forecasted at \$2,130,000.00, which will give us approximately \$2.7 million at the end of the year. He explained if he is conservative another \$300,000.00 could be pulled in bringing that up to \$3,000,000.00 but by using \$2,800,000.00 we would only have a \$200,000.00 balance. The problem is revenue is not coming in to support our budget and the surplus is not being replenished. Cncl. Bryson questioned where grants are shown. Mr. Heydel explained grants are not shown, as they are a wash due to the revenue side being matched up to the appropriation side causing them to zero out. Cncl. DiLucia questioned whether the HIF money that was anticipated to be returned was shown. Mr. Heydel noted his preference was not to include that but he raised his forecast for 2016 up \$500,000.00 anticipating that HIF refund. Next year if we find out we will be getting that in April or May it can be shown as revenue and used to help support next year's budget as opposed to waiting to use it in 2017. He explained that is something that can be used but he doesn't want to count on it at this particular time as he doesn't like to show one time hits as revenue because what happens the following year when you don't have that coming in. The HIF refunds will be made in 2016, 2017 and 2018 but we lose that revenue in 2019. He explained he tries to use funds like that as surplus but it is an option to use next year if we really need it to help support the budget. Cncl. DiLucia questioned whether or not the number shown in 2016 as anticipated increase to the budget reflects that half a million dollars. Mr. Heydel replied no he does not show that. Cncl. DiLucia noted then if nothing happens unforeseen then the budget will be reduced by that amount. Mr. Heydel replied yes, that is the option we would have at that time. He then noted he is hoping to have roughly about \$700,000.00 left from this year's budget to put in reserve. Cncl. Bryson questioned whether anything will be done in regards to uncollected taxes. Mr. Heydel explained Cncl. Bryson is talking about an accelerated tax sale. Normally when properties go up for tax sale we allow people to be delinquent for a year so they basically get a grace period before they go to tax sale. If we did an accelerated tax sale this year properties that were delinquent from 2014 plus those delinquent in 2015 would be included and what that does is give you an influx and raises your tax collection rate to close to 99% from the 96% collection rate. The reserve for uncollected funds is always calculated on the difference between 100% and the 96½% collection rate so 3½% of the tax levy would need to be supported in a reserve for uncollected funds. If 99% of taxes are collected we would not be putting \$3,000,000.00 in the reserve we would only put \$1,000,000.00 there and get a \$2,000,000.00 onetime hit to surplus, less about \$500,000.00 from interest in cost on taxes, so we would have a one-shot net gain of \$1.5 million dollars. Mr. Heydel noted his concern is the long term impact after that one year. Cncl. DiLucia felt that would be something that would only be done in the event of an emergency because giving up that 18% interest, which is compounded, is a big loss in revenue going forward. Mr. Heydel noted he has not fully investigated that process yet and sometime during this year he will go to his peers in other

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municipalities to find out what the short term and long term impacts are to this and see if it is something we should do. He did have conversations with the CFO and she doesn't believe that we really need to do it this year but he noted he is still on the fence and is not convinced. **Mayor Teefy** questioned the number of times an accelerated tax sale can be done. Mr. Heydel replied only once.

Comparative Actual Revenue Summary

Mr. Heydel explained for the Mayor and Council's benefit he prepared a Comparative Actual Revenue Summary report that goes back to 2006 and it could go back to 1995. This report shows where revenue comes from, the trends throughout the years and where there were one-time bumps in revenue. A great example of that is ambulance billing where it was a little over or a little below \$800,000.00 from 2006 to 2012 and then in 2013 it went to \$1,060,000.00 and \$987,000.00 in 2014. Now, that is leveling off to about \$900,000.00. The 2013 bump was caused from 2012 billing issues but when the charts got better and the rates were increased it resulted in more money. This report also shows State aid has been frozen for the last five years after being cut \$1.7 million from 2007 and that miscellaneous revenues got us through during the recession. In 2010 the County reimbursed us \$800,000.00 for our tax re-evaluation, in 2011 we received HIF dividends, in 2013 we cashed in stocks and collected over \$200,000.00 and the red light camera supported us. These were all one time shots that are no longer there and that is how we got through the recession. Mr. Heydel noted moving forward he does not see any one time shots other than that which is coming from the HIF in 2016 so if our revenue stays the same and our expenses are going up we will need that \$500,000.00 to help support our expenses. **Cncl. Bryson** questioned where is the State rebate shown that goes to the taxpayers. Mr. Heydel explained that goes directly to the taxpayers and that has nothing to do with our budget. **Cncl. Heffner** questioned what is happening with the court. **Mayor Teefy** noted the revenue numbers are going down but he has not had a chance to address that yet. Mr. Heydel added we pulled in \$200,000.00 from the court and so did Franklin Township and we are much a bigger township. They have twenty-six police officers that wrote twice as many tickets as our sixty police officers but he didn't know if those funds were a result of tickets or court cases. **Mayor Teefy** noted he would look into that.

Section 3 - 2015 Budget Appropriations

Mr. Heydel explained this report shows the budget plan, the actuals and the variance, which is the money budgeted but not spent and that is what makes up the appropriation reserves. He explained he did not budget according to the 2014 actuals but prepared a 2015 budget plan. He then went on to explain the various line items included in this report. **Cncl. DiLucia** referred to the 4% increase in the amount budgeted for health insurance and noted that is an over estimate. Mr. Heydel replied yes and no. He explained we have retirees that stay on benefits and the new people that fill those positions so this is not just the 3% increase from Blue Cross/Blue Shield. We need to budget for those duplications in benefits, as there is no attrition rate when people retire with benefits. Plus we are adding four police officers because within the next two years we have seven police officers eligible to retire. Council questioned whether seven officers have declared they would be retiring. Mr. Heydel advised they have not declared yet but they will as soon as they reach 25 years of service just like anyone would if they could get a pension of \$75,000.00 at 52 years old. **Cncl. McIlvaine** noted he retired as a patrolman and his pension is \$56,000.00 a year, 65% of his last year's salary. His brother was a State Trooper who made \$120,000.00 and his pension is \$75,000.00 a year. Mr. Heydel noted we have Lieutenants retiring that make \$120,000.00 a year, the Deputy Chief makes \$130,000.00 and the Chief makes \$130,000.00 so they are walking out with a \$75,000.00 pension and a health benefit plan worth \$25,000.00. **Cncl. DiLucia** noted so the \$100,000.00 liability we are carrying is what is being factored in. Mr. Heydel noted plus as people reach the age of 65 we reimburse them and their spouses for Medicare Part B and in 2014 that number hit over \$70,000.00. The good news is the JIF rates actually went down by \$60,000.00 and that is attributed to our loss ratios, which has been fairly good. Mr. Heydel spoke of the revenues brought in from the red light camera, the fees that were paid for that service and noted it provided a net of \$1.1 to \$1.2 million over the life of the program. He spoke of fires services that had an increase of \$17,750.00 and explained that is the fire hydrant cost from the MMUA. Originally that was \$54,000 and the Mayor negotiated that down to \$45,000.00. **Cncl. McIlvaine** expressed his concerns over this bill and questioned whether we charge the MMUA for trash pick-up. Mr. Heydel replied no. **Cncl. McIlvaine** noted that is the

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cost of them doing business and they need those fire hydrants to flush and maintain their system so if we don't pay this there is nothing that they can do. The MMUA does not pay property taxes and if they dig up the streets they get no permits, we fix them, we pick up their trash and this is taking money from Peter and giving it to Paul. He felt it is totally ridiculous just like the school district, which should at least be picking up the tipping fees for their trash. Mr. Heydel advised the MMUA doesn't charge us for water for any of the municipal buildings. Cncl. DiLucia noted the MMUA did help the township with snow removal. Cncl. McIlvaine noted they did less snow removal this year and they are not going to help at all next year. He added his and many other homes in Monroe Township do not have access to fire hydrants so why should all those residents pay that cost, that is not fair. **Mayor Teefy** suggested paying it this year and then he would sit down with them next year to address the issue. Cncl. McIlvaine noted his taxes are currently \$12,500.00 a year and soon they will be \$14,000.00 and he will be forced to sell the home he loves and move out of Monroe Township. If we can get \$50,000.00 or \$75,000.00 from them we need to get it because next year is going to be brutal. **Mayor Teefy** questioned whether Cncl. McIlvaine was saying he wanted the schools to pay the tipping fees. Cncl. McIlvaine replied yes; noting his school taxes are \$7,000.00 a year and those fees should be taken out of that money. Right now they squander money and don't recycle so we are paying to get rid of recycling materials that we could be making money on. Mr. Heydel noted they do recycle cardboard. Cncl. McIlvaine noted we need to pinch pennies and we could be going to Cumberland County and paying \$68.00 per ton instead of \$83.00. He questioned why we are forced to go to Gloucester County; is there a contract that we signed. Mr. Heydel noted that is mandated. **Cncl. Dilks** explained the County pays for it and every town in the County is required to pay those fees. Cncl. McIlvaine noted he is new to this but there are certain bills he feels we should not be paying, the hydrant bill and the tipping fees for school trash. If it's \$100,000.00 a year that's \$100,000.00 they spend that we aren't because we're eating the bill for them. **Mayor Teefy** noted they would not just absorb that \$100,000.00 they would look at it as if we were giving them a bill for \$100,000.00. **Cncl. Heffner** noted the way he looks at it is no matter what, every taxpayer is going to pay for it whether we pay for the trash or the school pays for it. The problem is when looking at the tax bill the municipal portion is 20% and the school is 60% so taxpayers should go to the school board to complain; they are the big user let them take the beating but people come here to complain. He agreed with Cncl. McIlvaine that the school board should absorb those costs because there is some big time fat over there. **Cncl. Dilks** noted we collect the taxes for the County, the school district and whatever is left we get. Mr. Heydel explained according to New Jersey law the County and the school districts get 100% of the taxes and we eat the losses from the tax appeals. Cncl. McIlvaine noted he worked for the MMUA and they are a great group of guys that do a lot for this township but Atlantic City Electric does not charge Monroe Township for the pole in front of his house that runs the electric and Comcast gives Monroe Township money to have cable in the township. **Cncl. Pres., Caligiuri** noted the cable bill includes a municipal fee. Cncl. McIlvaine noted he pays that, Monroe Township does not write a check to the cable company like we will be doing for the MMUA. **Mayor Teefy** explained the MMUA said it was a public safety issue for the Fire Department and when he brought up that they use the hydrants to flush their systems and questioned why the township was paying this bill they said it was to cover maintenance costs. The Mayor requested that they split the bill for the hydrants and next year he will address the cost for maintenance until there is no cost at all. **Cncl. Bryson** spoke of people leaving New Jersey because of high taxes, the issues with the schools that have been ongoing for years and he suggested requesting the State look into ways to reduce real estate taxes for the schools by mandating regulations by county. Cncl. McIlvaine noted if we save \$100,000.00 that equals two employees and right now we can't even pave a street because we do not have enough manpower, as employees were cut to the bone in order to get through the recession. We need to save every penny we can and if it comes out of the school budget that's a shame. People can only be taxed to a certain point, then they start leaving this State but then they end up paying an exit tax. Mr. Heydel went on to say the line item for Code Enforcement was increased to \$40,000.00 so we can be aggressive in cleaning up properties. The Uniform Fire Safety line item was increased by \$26,000.00 because the Fire Inspector has been requesting a car for about ten years and one can be purchased under State Contract for about \$23,000.00 to \$24,000.00. The Fire Inspector is currently driving a 1998 Lumina. Cncl. McIlvaine questioned whether there were any police cars he could use. Mr. Heydel replied no, as we are also low on police vehicles. The remainder of the line items were held in check with the exception of electricity and street lighting. **Cncl. DiLucia** questioned an increase of 67% for public event celebrations. Mr. Heydel explained some of our events have been funded through camp profits. We need to pay for the Music Festival

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vendors but we don't have that upfront money, which is why that line item was increased. The bands participating in the Halloween Parade also need to be paid so we increased the budget, which will save some of the camp funds. The vendors at the Music Festival pay \$25.00 but that money is not in on time to pay upfront expenses so this will address cash flow. Cncl. DiLucia questioned whether the township made any money on these events from all the vendors that are there other than the license fees. Cncl. Heffner explained we tried to charge them 10% but there was no way to keep a tab on them except through the honor system and we know some of the vendors were not being honest and they were not invited back. Mr. Heydel noted the street vendors pay a \$25.00 fee to participate and they don't make enough money to pay anything. The food vendors make the money and they pay 10% because they want to come back next year. Cncl. DiLucia questioned whether tickets could be sold to purchase food so at the end of the night you look at the number of tickets that were dispensed and you know what their revenue was. Cncl. Heffner noted it is not just hotdogs and soda, some people are coming in with platters plus that allows too many people handling money. Mr. Heydel noted the Music Festival is more of a township event than a money maker for the township. Cncl. DiLucia questioned what the cost was for the township events. Mr. Heydel replied the Music Festival is about \$15,000.00 and the fireworks have been about \$13,000.00 for the last ten years. Mr. Heffner added Jim Bonder also gets donations for these events. Council discussed the fluctuation in the cost of gasoline and diesel fuel. Cncl. Heffner questioned the cost of street lighting and the number of street lights the township has. Mr. Heydel explained they charge by the light however we save money by being in the South Jersey Power Cooperative for the kilowatt cost. He added he could check the bill list to see how many lights we have. Mr. Heydel explained the statutory expenditures include the Library costs, LOSAP and retirement systems (PERS, P & F and DCRP). Council posed questions regarding pension costs and Mr. Heydel explained how the pension expenditures were calculated and what percentage the township paid. Cncl. DiLucia noted Mr. Heydel had told him that the wage increases for 2015 were calculated at 2½% but when he reviewed the budget in some instances it is a lot more than that and he questioned why. Mr. Heydel explained it depends upon who the person is and whether or not they are getting step increases during the year. Cncl. DiLucia noted he is talking about people that were already at the top of their range because some were increased by 6% and 7%. Mr. Heydel explained he always rounds up \$100.00 to \$200.00 and other than that he would need to know specific people, as that is the only way he would be able to explain whether it is a promotion from one title to another or a step increase. Cncl. DiLucia questioned if Mr. Heydel's intention was to only raise wages 2½% when someone was at the top of their range already. Mr. Heydel replied yes, but, he always rounds up \$100.00 to \$200.00 so he does not get in a position where he would be short. Cncl. DiLucia noted he was questioning this because if Mr. Heydel put 2½% into the computer and it calculated increases at 4% that would involve a substantial amount of money. He added he understands the Police Department's budget because they have longevity increases, ten year increases, fifteen year increases so the average increase for a policeman is 9%. Mr. Heydel noted he manually created this report by manually entering each one of these salaries so he would need specifics to be able to answer this question. He noted when he was preparing the budget he also factored in whether job changes could occur during the year. Cncl. DiLucia questioned whether that should be discussed at the time of the change as opposed to including it in the budget that impacts the tax base for something that hasn't been done yet and may not be done. Mr. Heydel explained the increase will be seen in the budget but if it does not go through the salary ordinance and that money is not paid it will roll into the reserve. Cncl. DiLucia felt he could not defend that to the taxpayers as that could amount to a big number. Cncl. Bryson questioned why the line item for Economic Development went up from \$10,000.00 to \$25,000.00, which is an increase of 150%. Mr. Heydel explained that budget was increased because we are looking to have the Economic Development Commission become a lot more aggressive and work positively for the township. Mayor Teefy added the Commission is going to be more aggressive in marketing the township to try to get some business and revenue in. Cncl. Miller added \$5,000.00 is for the sponsorship of the tax card program. Mr. Heydel advised that program will cost the township \$7,000.00 of that increase because we could not raise enough in sponsorship to pay 100% of the program. Those that gave \$5,000.00 towards the card will have sole marketing rights to the card and the township is then going to pick up the difference to launch the program. Cncl. Bryson questioned how many merchants are in the program. Cncl. Miller noted we haven't gotten that number yet. Cncl. DiLucia suggested that before \$10,000.00 is spent to make up these cards the EDC be requested to make up a list of what merchants will be participating in this program. Mayor Teefy noted they are working on that and the cards will not be made up until we know who is participating. Cncl. Miller explained

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the cost for our municipality is about \$10,000.00 as it is based on population and we were able to get a bank to sponsor some of those costs. The cost in a smaller municipality such as Glassboro is about \$5,000.00. Cncl. DiLucia noted when this program was presented to Council last year he was under the impression that the company and the EDC were going to get these cards paid for and get the merchants to make a commitment that they would be involved in it but the company didn't do anything so far except sell it. Mr. Heydel noted the company can't do anything until the EDC finishes getting people signed up and committed to the program and they have not been able to get enough sponsors to pay for the cards, as they were only able to raise \$5,000.00. Cncl. DiLucia noted and Cncl. Miller got that; the EDC did nothing. Cncl. Miller explained they will not move forward with this if we do not have the list of businesses. Traditionally the way this works the company that provides the cards does not solicit businesses that should be done by the EDC. Mr. Heydel noted in the past the EDC did not have much authority or attention given to them but now we have a new administration, a new leadership and perhaps a more hands on active approach that will give them a little boost, a sense of importance and more of a commitment in what they are doing. Cncl. DiLucia noted he is disappointed that they have not gotten a group together to participate in the last six months. Mr. Heydel explained if the program comes to fruition the money will be spent but if it doesn't that money will not be spent so we should give them a little time under the new leadership. Cncl. Bryson questioned the \$40,000.00 included in the budget for Code Enforcement. Mr. Heydel explained that was to address the vacant properties throughout the township and hopefully we will be able to recoup some of that money on the registration of vacant properties. Revenues for vacant properties cannot be forecasted because he does not have information on that at this time but he can forecast an expense if we are going to be active in addressing these properties. Cncl. Bryson questioned where the money goes from the vacant properties. Mr. Heydel advised right now it will go into miscellaneous revenue once we start to collect that.

10 Year Comparative Actual Expenses

Mr. Heydel explained this report shows where expenditures are going up, where they are staying the same, where they are out of our control and those that are in our control. He suggested Council review these and if they had any questions they could give him a call.

Section - 5 Debt Services

Mr. Heydel noted the debt is what it is and there is not much we can do about it until the year 2019 when it will be lowered. Last year we had \$700,000.00 in an unfunded ordinance and his plan was to take roughly \$75,000.00 to pay down that debt but the budget couldn't support that and only \$25,000.00 was paid down.

Budget Surplus/Tax Rate Analysis

Mr. Heydel explained this report shows the budget surplus balances at the end of the year, what was used in the succeeding year and the remaining balances. After this year the balance will be \$549,000.00 and that is where we were hit in the S & P rating. The good news is we retained our AA Rating, which is a positive thing in this environment. That report will be sent to Council within the next week. Mr. Heydel noted ultimately he would like to leave 3% in the budget surplus but we have not had that since 2009 and that is due to the fluctuation from the tax appeals and not being able to replenish our surplus.

Section - 7 Full Time - Part Time Headcount

Mr. Heydel advised in 2015 the Police Department has 72 employees, which includes 66 police officers, the clerical staff and the four new officers previously mentioned. Cncl. DiLucia noted the cost for the new police officers is an increase of \$100,000.00 a piece and he questioned what the justification is for spending that money. Mr. Heydel explained some police officers will be retiring and it takes new officers about a year to get out on the street by themselves, as the Police Academy takes six months and then they are in training for six months. Mayor Teefy noted the individuals were scheduled for training in Atlantic County on April 6th but that class was cancelled because other towns pulled out. We looked at places in North Jersey but the commute would have been too much so now they will be going in August to the Gloucester County Police Academy. Cncl. DiLucia noted then none of the cost will appear in 2015. Mr.

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Heydel replied the officers will be hired in August and while they are in training their \$39,000.00 salary. Cncl. DiLucia questioned what the expected attrition was for this year. Mayor Teefy advised there was one to start the year and then we are looking at possibly five next year. Cncl. DiLucia noted when he spoke to the Chief he said there was one this year and maybe seven within the next couple of years that have not yet declared. Mr. Heydel noted you can't wait for them to declare because we did that in the past and the Police Department was down to 58 officers and then when we had six officers on worker's compensation for thirty days we were down to basically nothing. The Mayor added and then we were paying a lot in overtime so we are hoping to keep the number of officers around 66. Mr. Heydel stated in the past we have budgeted for 70 officers but the highest we achieved was 67. Cncl. DiLucia explained the way the police contract is structured when there is a lot of attrition it is self-funding because when an officer leaves making \$100,000.00, without benefits, and someone is brought in at \$39,000.00 you are picking up \$60,000.00. Mr. Heydel noted not necessarily because when people leave others get promoted so you may be saving a little but that is quickly wiped out by the steps when they go from \$39,000.00 to \$45,000.00 to \$54,000.00 to \$60,000.00. Cncl. DiLucia noted because they have an accelerated longevity schedule there is less of a savings than normal. He questioned after ten years when the police get a 4% bump is that annually to fifteen years or is that a onetime bump. Mr. Heydel explained they get 4% for years 11, 12, 13 and 14 and then in year 15 they get a 6% bump. Cncl. DiLucia noted then if the numbers are equal that is about a 6% automatic increase in that budget group and about a 9% in the other budget group and that is a tremendous cost so it does save money but not as much as you would like. Mayor Teefy looked into it and advised one officer will be retiring this year and four next year and three possibly the year after that.

Capital Improvement Program

Mr. Heydel explained the 2015 capital budget is not much different than the one presented last year. He then proceeded to review each line item giving the reasons why each of the following items were requested:

- Legal settlement Black Horse Pike property - \$707,000.00 (Closing on property May 19th)
- Upgrade township wide software server - \$20,000.00 needed due to current 2003 server no longer supported by Microsoft after June 2015.
- Three SUVs for the Police Department - five police cars budgeted under the operations budget because cars cannot be purchased under capital. Technically eight cars should be purchased each year for the staffing to give an eight to ten year life. Our cars are about twelve years old because during the budget crunch years four were purchased instead of eight and now we are behind. SUVs can be purchased through capital funds so three have been included in the capital and that will take us to eight vehicles.
- 700 megahertz radios for the Police and Fire Departments. The County is supplying 80% of the radios and funding the \$3,000.00 Motorola radios that we will be using. We are buying \$1,500.00 radios that can be programed to read the 700 megahertz.
- Last year \$250,000.00 was included in the capital for improvements to the Cecil fire house but that was removed this year since we don't know where that project is going yet.
- \$75,000.00 repairs to the Williamstown Fire House
- \$115,000.00 to refurbish Ambulance 2945, a 2006 with over \$100,000.00 miles. The existing box will be removed and put on a new chassis. An additional five year warranty on the box will be included.
- \$400,000.00 for a Road Program. The money will just give us patch work because to pave a road cost approximately \$600,000.00.

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C.) MATTERS FOR DISCUSSION (cont'd)

- \$275,000.00 for an Automated Recycling Truck needed to keep the fleet running.
- \$75,000.00 for various municipal building improvements. The municipal building will be thoroughly cleaned, painted (inside) and rugs will be replaced.
- \$50,000.00 to demolish the old Main Street library building. The building is full of green mold so we don't know what the cost will be to demolish it. Council questioned whether the mold could be contained and the building cleaned so it could be sold. Mr. Heydel advised the only thing that will be contained in that building might be the brick walls because the roof, the heating and air conditioning systems are not salvageable.

Mr. Heydel noted when you look at the six year capital plan the total for this year is \$2,017,500.00 and close to \$1.7 is forecasted for next year and \$1.6 the following year but these are all subject to change. We try to do the best we can to focus on what dollars we will need and that can be more or less depending on what we can afford. He explained \$100,000.00 will be put down leaving us with \$1,917,000.00 to spend and if that is done over a ten year life period \$191,700.00 will need to be funded in next year's budget assuming that it is calculated and done on a ten year life cycle. He noted we could probably go out longer but we wouldn't want to go past fifteen years because all we would be doing is paying interest. The interest has not been calculated because he is assuming this will be unfunded and if we get short term notes it is \$8,000.00 on each, which will not have a big impact. In 2017 the cost would be close to \$150,000.00, in 2018 it would be \$69,000.00 and what happens after all those years is where the problem is. When you go out to 2017 the impact from 2015 and 2016 is \$351,000.00 and that is over and above what we pay today. When we get to 2018 that impact is going to be \$500,000.00. In 2019 we could go out for bonding so a 1.75% interest rate was calculated on that and what the additional payments were going to be. The problem is this three year period because we cannot afford to add those numbers to our budget, as that would be in addition to any of our fixed costs that can go up. It does not include purchasing property and building a new Cecil Fire House or anything above \$150,000.00 to repair the Williamstown Fire House. Mr. Heydel noted in 2016 the net increase to the budget is \$274,000.00 over today, in 2017 it is \$375,000.00, in 2018 if we continue with this spending plan it will be \$500,000.00. He noted he started calculating what the payments are going to be and when we get to 2019 our debt decreases \$1.1 million so it is now down to \$460,000.00. The law does not require us to pay any principal down on short term notes for three years so we could actually push those payments out to a bond and pay it in 2019, except for the \$700,000.00 that we did in 2014. Council questioned whether the interest would need to be paid and Mr. Heydel advised the interest rate at the time we would go out to bond would be paid. He explained if we go out to bond in 2019 the best bet would be to frontload that bond on principal because we will have the \$1.1 million room to do it. Council questioned if Cecil's fire house was pushed off until 2019 would we be okay with that. Mr. Heydel noted that was not calculated into this forecast, this is on the current capital plan. Council questioned if we would see an increase in revenues could we ever project a change where we would want to start making some payments on the principal. Mr. Heydel replied yes, if we start getting revenue in and our budget can support it he would be the first to say start paying off the debt, don't push it out. He added he wouldn't want to do this because it goes against his budgeting principals but if we have to do it, it is there if we need it. Council questioned whether it could be taken out longer than ten years. Mr. Heydel explained it would go through Bond Counsel who determines the useful life of what is being purchased. With the purchase of property it can go out fifteen years, as that has a forty year useful life but we wouldn't bond for forty years. The longer you go out for bond the more interest you pay and the rate is higher as well. Currently we are doing a refunding bond, which will save \$14,000.00 to \$15,000.00 a year for ten years. It is important that we keep our bond rating and we need to look at whether we will be maintaining a AA Rating in 2019 or will we be looking at a lower rate that will drive up interest costs. **Cncl. DiLucia** noted it appears that in every budget revenue has decreased so we need to start thinking about areas to raise revenue as opposed to revenue spending because it is only going to get worse. Mr. Heydel noted we need an entity to come in where we can get payment in lieu of taxes because if you look at other municipalities such as Glassboro and Washington Township their revenue side is littered with payment in lieu of taxes. He noted we should have done that with Wal-Mart, which is paying \$700,000.00 in taxes and we would have gotten 75% of that, instead we are getting \$150,000.00. We are getting payment in lieu of taxes from Justin Commons and that is about \$55,000.00 a year.

