TOWNSHIP OF DENVILLE
MUNICIPAL COUNCIL
BUDGET WORKSHOP MEETING
FEBRUARY 13, 2017

The Meeting was called to order by President Golinski at 7:05 p.m. The Salute to the Flag was recited, followed by the reading of the Open Public Meetings Act Statement by Deputy Township Clerk Danielle Lewis. Deputy Clerk Lewis noted that this is a non-smoking facility and asked that all electronic equipment be silenced at this time.

ROLL CALL: Gabel, Witte, Kuser, Lyden, Fitzpatrick, Murphy, Golinski

ABSENT: None

ALSO IN ATTENDANCE: Thomas W. Andes, Mayor, Steven Ward, Business Administrator, Michael Guarino, CFO

OPEN PUBLIC PORTION: None

CLOSE PUBLIC PORTION.

President Golinski turned the meeting over to Administrator Ward to resume discussion of the 2017 budget. Mr. Ward reviewed the memo, dated February 7, 2017, which list the potential budget adjustments for consideration by Council, a copy of which is attached to the end of these minutes. He explained that each section includes the name of the appropriation line-item, the potential reduction amount, and the potential reduction in taxes for the average assessed property.

President Golinski asked the Council if they had any questions regarding the potential budget adjustments and if anyone would like to discuss any of the line-items in particular.

Councilmembers Gabel, Witte, and Kuser all stated that they were in favor of the potential budget adjustments, particularly item 4, which relates to the Reserve for the Sale of Municipal Assets. Councilmembers Fitzpatrick, Murphy, and Lyden stated they were also in favor of all of the presented options.

Councilman Murphy mentioned that the budget line-item for Gasoline and Diesel is $240,000, of which approximately $105,000 was used last year. He asked Mr. Guarino if there is any way to predict fuel prices for 2017 so that the budget could be tightened. Mr. Ward said that any extra balance in this line-item would be considered for transfers, if needed, at the end of the year. Because fuel is a commodity, there is no predictability in price as it is dependent on economic, geographical, and other circumstances. He also stated that there will be a resolution requesting a transfer of money from the Gasoline and Diesel appropriation line-item into the Snow Removal Trust. Discussion ensued about the fluctuation of gasoline prices and the potential impact on the budget if there were to be an increase in prices.

Councilman Fitzpatrick commented that a lot of contractual services seem to be budgeted higher this year than in the past. The first service he referenced was the Assessment of Taxes under “Other Expenses”. Mr. Ward explained a lot of the contractual services within that line-item are associated with the cost of appeals. Mr. Fitzpatrick then asked about the amount proposed for the Planning Board’s Outside Litigation line-item. He asked if the Planning Board is anticipating future litigation to which Mr. Ward responded that there is currently some pending litigation.

Councilman Kuser asked about the amount allotted to the Public Defender, specifically asking if he is paid if his services are not used by the Township. Mr. Ward explained that the Public Defender is here frequently and compensated at a flat rate.
Councilman Gabel asked how the amount of funds for the Reserve for Tax Appeals was determined. Mr. Ward said that the Auditor and the Tax Assessor came up with a conservative number based on a review of recent appeal amounts as well as other factors. Mr. Gabel also asked if any unused funds in reserve could be transferred to fund balance and Mr. Ward said that there is that potential. Mr. Gabel then asked when the Board of Education will present their budget to the Council. Mr. Ward said the Board of Education typically requests to present their budget to the Council in March or April. Mayor Andes added that the Board of Education’s first budget meeting was being held tonight.

President Golinski asked if the amount for Auditing Services proposed in the budget could be decreased, to which Mr. Guarino stated that the amount is fixed and could not be reduced. Mr. Golinski then asked why the line-item for Mosquito Control has been reduced to zero, to which Mr. Ward responded that Morris County now handles Mosquito Control. Mr. Golinski then questioned $170,000 in the budget for street lighting, asking if this cost is a more predictable than gasoline and diesel and if the lighting downtown could be converted to something more cost-efficient, such as LED lighting. Councilman Kuser said that JCP&L charges per light, so the installation of LED lighting would not impact the cost to the Township.

There was then a discussion about snow removal by New Jersey Department of Transportation along the Route 53 and Route 80 sidewalks.

Councilman Fitzpatrick asked a question about the amount allocated for grant-writing services under the Misc. Contractual Services in the Mayor’s Office budget. Mr. Ward explained that the amount is estimated and will only be used when grants are available and being applied for on behalf of the Township.

Mr. Ward then confirmed there were no further questions about the proposed amount budgeted for the Dive Team.

President Golinski asked if the Council was in favor of the budget as proposed with the additional four (4) budget adjustments incorporated into it, to which there was unanimous agreement.

Councilwoman Witte mentioned that she met with members of the Denville Senior Citizens Association and they expressed their appreciation to the Council for their effort to keep the tax increase around $30 per average assessed property.

Mr. Ward stated that the budget would be introduced on Tuesday, February 21st with the public hearing and adoption of the Budget to be held at the March 21st Council meeting.

**MOTION TO ADJOURN: MOVED BY MEMBER WITTE, SECONDED BY MEMBER GABEL**

**AYES: UNANIMOUS**

Meeting adjourned at 8:01 p.m.

Respectfully submitted by:

Danielle Lewis
Deputy Municipal Clerk
BUDGET MEMORANDUM

TO: Council President Chris Golinski
   Township Council Members

FROM: Mayor Thomas Andes
       Business Administrator Steven Ward
       Chief Finance Officer Michael Guarino

DATE: February 7, 2017

RE: POTENTIAL BUDGET ADJUSTMENTS FOR CONSIDERATION

On January 26, 2017, Administration presented the Township Council with the proposed 2017 Municipal Budget. The budget provides for a $38.48 increase municipal tax levy for the average assessed property in Denville.

As mentioned at the budget hearing of February 6, 2017, Administration has identified four (4) line-items where the Township Council may contemplate additional adjustments in order to potential further reduce the tax implications of the 2017 Municipal Budget. These adjustments can be made without impact in our ability to maintain the current high levels of services and will only have only very limited future budgetary implications as described herein.

Please note that a net increase or decrease of $7,625 in appropriations and/or expenditures shall have a $1.00 impact on the municipal tax levy for the average assessed property.

The four (4) line-items are as follows:
1. **APPROPRIATION LINE ITEM:** LIABILITY INSURANCE
   
POTENTIAL REDUCTION: $33,000
   
REDUCTION TO AVERAGE TAX PAYER: $4.32

As a result of a negative claims history dating back to claims filed in the late-2000s, the Morris County Joint Insurance Fund (JIF) increased our Employment Practices Liability (EPL) deductible from $20,000 to $75,000, starting in 2014. Without significant claims in 2014 or 2015, the JIF returned our deductible back to $20,000, effective January 2016.

During the past three (3) years, $75,000 of the funds appropriated in the liability insurance line-item were to ensure adequate funding was in place to pay for our deductible in the event of an EPL claim. In 2014 and 2015, that was sufficient for one (1) claim deductible, and in 2016 that was sufficient for three (3) claim deductibles.

In preparation of the 2017 Municipal Budget, Administration did not perform an adjustment for the reduced deductible as described above. With very minimal future budgetary impact, Administration would feel comfortable if the Township Council reduced the amount in the liability insurance line set aside for deductibles by $33,000. This would be sufficient to cover one EPL (1) claim deductible. In the event there is more than one EPL claim, we would have to perform budget transfers to provide for the additional deductible funding.

2. **APPROPRIATE LINE ITEM:** UNEMPLOYMENT INSURANCE
   
POTENTIAL REDUCTION: $5,000
   
REDUCTION TO AVERAGE TAX PAYER: $0.65

At the current time, the Township’s Unemployment Insurance Trust has a balance of $146,000 from both municipal and employee contributions. As a point of reference, during the past four years, the Township has only paid the following in Unemployment Insurance Claims:

- 2013 - $9,074
- 2014 - $11,110
- 2015 - $15,014
- 2016 - $7,955

With the mandatory employee deductions/contributions of approximately $13,500 per year, even with the elimination of the $5,000 municipal contribution to the Unemployment Insurance Trust Account, this account will continue to grow if the claims remain at their current rate.

As there are no layoffs or staff reductions contemplated in the coming year(s), there is no downside anticipated with this proposed action.
3. APPROPRIATION LINE ITEM: CAPITAL IMP. FUND
   POTENTIAL REDUCTION: $25,000 (up to)
   REDUCTION TO AVERAGE TAX PAYER: $ 3.27

The Township increased the contribution into the Capital Improvement Fund from $255,000 in 2015 to $555,000 in 2016. The capital improvement fund is utilized to fund capital purchases outright as well as for the obligatory 5% down payment on bonded items. As a result of a smaller than normal capital budget, the proposed 2017 budget has reduced the Capital Improvement Fund contribution by $50,000 from $555,000 in 2016 to $505,000 in 2017.

We would be comfortable if the Township Council reduces the Capital Improvement Fund contribution by up to an additional $25,000 to $480,000 in 2017. Without a corresponding reduction in the total of fully funded capital item, such a reduction to the Capital Improvement Fund will have a slight impact on our future debt service schedule.

4. TRUST ACCOUNT: RESERVE FOR SALE OF MUN. ASSETS
   POTENTIAL REVENUE INCREASE: $ 10,000
   REDUCTION TO AVERAGE TAX PAYER: $ 1.31

In reviewing the balances in our various trust accounts outlined in the e-mail I sent to you earlier this week, Administration identified a balance of $46,697 in its “Reserve for the Sale of Municipal Assets.” This account is funded any time we auction excess municipal property at the end of its useful life, which we typically perform at least one auction per year. As there is no statutory requirement for maintaining a minimum balance in this fund, Administration would like to propose to alternatives (one of which is our preferred alternative as described below).

So as to avoid a “spike” in revenues, which will create a revenue shortfall during the subsequent year’s budget if all $46,697 is anticipated all at once, Administration would suggest that if the Township Council desires to utilize these funds for tax relief, that we anticipate $10,000 as a revenue for the next five (5) budget cycles (2017 - 2021). This will provide tax relief and will not create a large revenue shortfall to make up at the end of the cycle. Furthermore, as additional assets are being sold, the $10,000 appropriation may extend beyond the five (5) years.

Administration’s preferred alternative would be to utilize this one time source of funds to resurface additional roads. This would be a one-time revenue being spent on a one-time supplemental expense, which will have no long-term budgetary impact. The Township Engineer is rating several additional roads that have been put on our radar, so that we can make a recommendation based upon these ratings and available funding before the next budget hearing.

If you have any questions or require additional information, please feel free to contact the Mayor, Mike Guarino or myself.