

Mayor Kalaka-Adams called the meeting to order and requested those present to join her in the Pledge of Allegiance to the Flag.

Borough Clerk Smeltzer read the following statement:

"GOOD EVENING LADIES AND GENTLEMEN. THIS MEETING IS NOW CALLED TO ORDER. IN LINE WITH THE BOROUGH OF SEA BRIGHT'S LONGSTANDING POLICY OF OPEN GOVERNMENT, AND IN COMPLIANCE WITH THE "OPEN PUBLIC MEETINGS ACT", I WISH TO ADVISE YOU THAT ADEQUATE NOTICE OF THIS **BUDGET WORKSHOP MEETING** HAS BEEN SUPPLIED TO THE COURIER, ASBURY PARK PRESS, THE HUB, THE LINK AND TWO RIVER TIMES ON FEBRUARY 2 2007 AND POSTED ON THE BULLETIN BOARD IN THE BOROUGH OFFICE. IN EACH INSTANCE, THE DATE, TIME AND LOCATION OF THIS MEETING WERE PROVIDED IN THE NOTICE. THIS MEETING IS OPEN TO THE PUBLIC."

3. ROLL CALL:

Present: Councilmembers Bills, Keeler, Kelly, Scriven, Mayor Kalaka-Adams

Absent: Fernandes, Long

BUDGET DISCUSSION:

CFO Bascom said that Budget process and other aspects that will influence the Budget was discussed during a recent meeting with the Department of Community Affairs and the Division of Local Government Services. The introduction of the Budget is in March rather than February because the State Budget would not be introduced until the end of February or the beginning of March. The 4% CAP law and the Rebate law, which directly affect us cannot be calculated because the Governor has not signed the law and a definition of the regulations are not available to us.

The Ordinance for allowing Sea Bright to go to a 3 ½ CAP from a 2 ½ is on for second reading on February 20, 2007 during the regular Council Meeting. This necessary item allows you to have a management tool to continue to adjust the Budget for a compliant Budget. If the CAP Ordinance is not adopted before the Budget Introduction, you will not have an option to return and do the CAP Rate Ordinance.

CFO Bascom said that Homeland Security costs and insurance costs that were previously outside Municipal CAPS are now inside the CAP. Even though insurance has increased it has to be kept within the 3 ½ % CAP. This produces difficulty in maintaining a Budget within the CAP.

CFO Bascom said he would have a draft Budget given to them by March 6, 2007 for review and during that Council Meeting; they could let him know if the Budget was ready for introduction or if there are additional changes. He said the Introduction of the Budget is scheduled for March 20, 2007.

CFO Bascom said Sea Bright could still apply for Extraordinary Aid however; the increases are not substantial enough to qualify. The State requires double-digit increases to qualify for Extraordinary Aid. The budget is up 5.2 cents per one hundred dollars over last year. The aid is for emergency circumstance that puts the town into fiscal distress.

CFO Bascom said the amount to be raised by taxation in this draft budget is \$307,037.09

The increase to the budget was because of the following major impacts: the Group Insurance is \$27,000, Solid Waste Disposal is \$7,000, Electric is \$6,000, Police Pensions is \$45,000, Public Employee Pensions is \$11,000 and the Reserve for Uncollected Taxes is \$25,000. The total increase of these identified appropriation is \$121,000. There is an appropriation in this budget of \$222,000 for the Beach Replenishment payment made by the County to the Borough. There is a revenue and an appropriation and the impact on the Budget is zero. If we took that out of the Budget, the total appropriations would be down a little from last year. If it were not for the Beach Replenishment payment, the total appropriations would be down \$36,000. That is because of a reduction in debt service and because some of the departments have cut back in their budget. As a result, we would have had a decrease in appropriations not in taxes.

CFO Bascom said that they did not regenerate a surplus because of tax appeals.

Regarding Homeland Security aid CFO Bascom handled it as a loss of \$25,000. The State has not informed Sea Bright as to whether they were going to receive the aid.

CFO Bascom suggested a 15% rate increase for the Sewer Fund. He asked the Council to move forward with that so it could take place in the second quarter billing. This is necessary because the Sewer Utility is no longer self-liquidating. This was discussed this last year and the decision was to delay increasing it for another year. This caused a short fall in the Sewer Utility and the revenues were not met. It proved to not be self-liquidating.

CFO Bascom said that Beach Utility did not regenerate the surplus. This is critical because unlike the Sewer Utility there is not a way of increasing revenue. The Beach Budget was cut substantially.

CFO Bascom recommended increasing Sea Bright's Beach fees in relation to other town's beach fees and cut costs within the Beach Utility. Raising the Beach fees is one revenue that could help the Borough get through this year.

CFO Bascom said that the Annual Debt Statement shows the effects of the Beach and Sewer Utility being not self-liquidating. This counts as general debt and it reduces the ability for additional debt in the General Fund.

Sheet 6 shows the various balances in the Trust Funds. The eighteen thousand for the off duty police may be due to the Borough and it could be listed as revenue. This could be removed from the Trust Fund and placed in the General Fund. Before the budget is adopted that money could be used to reduce the tax rate.

The Reserve lists the funds dedicated for specific purposes. Beautification has \$3,000, Public Relations has \$4,000, Fire Safety has \$3,400, Parking Offenses Adjudication Act has \$3,600, Recycling has \$1,500, Library has \$24,000, Recreation has \$25,000, and the Insurance Fund has \$5,500. The Insurance can be used to pay deductibles on additional losses and replace things. Law Enforcement Cash is confiscated funds that the Police get from drug raids etc. This can be used for police purposes as long as it is not duplicated when it is budgeted.

Sheet Eight shows the Trial Balance-General Capital Fund which are bonds in the amount of \$380,000. These have been authorized but not borrowed. The equipment lease for \$224,300 is money borrowed through the Monmouth County Improvement Authority. The balance from the Shore Protection loan is over \$109,000. The EDA loan is \$15,750. The Capital Improvement Fund is \$76,938, which is money that could be used for down payments on improvements.

The Appropriated Reserves for Federal and State Grants shows that the NJ DCA Special Legislative Grant of 2002 has a balance of \$2,600. This needs to be expended or the State will require the money to be returned. The DWI Enforcement Fund is money to be used to buy a police car etc. The Clean Community grant has to be expended.

Sheet 13 shows the Local District School Tax. Levy from July 1 through June 30 last year as \$821,000. The School Tax deferred is \$282,000. Fifty percent of the tax levy of \$821,000 can be deferred. The deferred school tax adds \$127,000 to the surplus. Deferring the school tax has to be done before introducing the Budget.

Sheet 14 shows the Regional Tax. There is money that can be deferred. CFO Bascom said he is concerned about deferred school taxes because if the school tax situation changes in anyway the deferral has to be reversed. The referral is kept on the books for the entire amount of the levy that was due to the school and it is considered a liability. Technically, half of that could be used as a surplus and it could be borrowed as a deferral. This strategy could be used to lower the tax rate from five cents to one or two cents.

Sheet 15 shows County Taxes Payable and \$1,933,000 that was paid to the County. Sheet 17 shows the Statement of General Budget Revenues 2006 reflecting the total excess revenue of \$151,000.

The General Budget Appropriations in 2006 showed the total budget adopted at \$4,510,000 and the grants added to it brings it to \$4,562,000. Out of that amount, \$4,048,000 was spent before the end of the year although encumbrances carried into this year. The Reserve Uncollected was \$325,000, which gets charged against the budget. The total reserve amount was \$160,000 and a portion of that will be expended because December bills came in January are not reflected. The operating budget was tight and there was no excess remaining at the end of the year.

The results of the 2006 Operations is where it is decided whether the operations are a surplus or a deficit during the year. Excess of Anticipated Revenues is \$22,000, Delinquent Taxes is \$8,500, Required Collection of Taxes is \$120,000, Unexpended Balances of Appropriations is \$28,000, Miscellaneous Revenue not Anticipated is excessive revenues that is not part of the Anticipated Revenues within the Budget as \$56,000. Unexpended Balances of 2005 Appropriation Reserves is \$34,000. Cancelled Encumbrances is \$95,000. The tax appeals refunds are reflected in the Refund Prior Years Revenue for \$76,000. The Surplus Balance is \$247,490.

Sheet 21 shows the Surplus Current Fund 2006. The surplus going into last year was \$1,037,939. In the Budget \$558,000 was appropriated and ending that year with \$726,000 in surplus.

Sheet 22 shows the Tax Collection Rate was 99.95%. A big portion of this is the tax appeals. Canceled Taxes was \$129,000.

Sheet 29 is the Special Emergency for the Revaluation, which shows that the original amount appropriated was \$80,000 and the Balance is \$16,000 and the 2007 appropriation will be the last one and next year it will not be in the budget.

Sheet 31 pertains to Service for Bonds for long-term debt for this year is stable at \$247,000 and \$181,000 was paid leaving the balance at \$3,263,000. The interest is \$144,000.

The Shore Protection loan balance coming into last year was \$323,000 and \$213,000 was paid leaving a balance of \$109,000 The entire balance will be paid this year and next year there would not be any payment.

The Capital Lease Program Obligations is the Monmouth County Improvement Authority Equipment Lease. The balance is \$224,300 and this year a payment will be \$33,300.

Sheet 36 shows the Capital Improvement Fund, which is the amount available at this time for down payments on Capital Improvements or to be fully appropriated for a Capital type of use. They have been trying to build this fund in anticipation of Capital projects coming down the road. As we go through the Smart Growth process there will be projects that are going to require down payment money. If there is no five percent down payment money there can be no borrowing. There was \$91,000 coming into the year and \$25,000 was appropriated into the fund and we used \$40,000 and there is \$76,938 and CFO Bascom proposes adding \$50,000 or \$25,000 because of the tightness of the Budget.

The Sewer Utility Budget on Sheet 58 shows \$110,000 of surplus which was used. There was \$175,000 in sewer rent and \$620,000 was received. This was more than expected and it is attributed to December 2005 billing, received in January 2006. The appropriations were \$600,000 and \$761,000 was expended with \$39,000 remaining.

CFO Bascom recommended the Sewer Increase because \$110,000 was used and the \$138,000 in the beginning of the year is now \$105,000 and it reduces the amount we can anticipate as a revenue in the budget plus we are in a cash flow situation and we are not generating enough revenue in the sewer utility to keep it self-liquidating.

Sheet 63 shows the Debt service bond for the sewer with an outstanding \$606,000 and \$30,000 was paid and \$576,000 is remaining and \$62,000 in this year's budget.

The Beach Utility Budget anticipated \$48,000 in surplus, which was utilized. We anticipated \$285,000 in beach fees and received \$271,000. On the appropriation side, we budgeted \$333,000 and used \$299,000. In Beach Utility, there is \$7,500 in Anticipated Revenue and \$8,700 for canceling 2005 Budget Reserves. The deficit in revenues is \$13,000 and the total excess for the entire budget operations was \$2,900. The only two revenues in the Beach budget \$13,000 and the Beach fees of \$271,000.

Sheet 4 of the General Budget shows Surplus Anticipated of \$400,000 and last year it was \$558,500. This is the biggest reason for the proposed tax increase. Deferring School taxes could be used to adjust the tax increase. Approximately \$104,000 has to be cut from the budget to have the same tax rate as last year.

ABC licenses revenue was \$31,000 and \$33,000 was anticipated. CFO said the license fee could be increased by 20% in one year

as a maximum. This increase has to be done before the Budget is introduced.

Sheet 9 shows the majority of the grants are offset with a matching appropriation and as the grants come in they will be added to the budget and the net impact will be zero.

Sheet 11 shows the Summary of General Revenues and the Amount to be Raised by Taxation is \$3,345,018.86 as compared to last year, which was \$3,037,981.77 that is an increase of \$370,000. The total general revenues are \$4,747,709.64 as compared to last year at \$4,562,000, which is an increase of \$185,000. The budget is up \$185,000 and \$222,000 is the Beach Replenishment Grant and without the grant, we would be down \$40,000.

The Revenue Administration Operating Expenses and Tax Assessment are down because of the tax appeals. Last year in revenue administration, we budgeted monies for interest payments when we refunded the taxes. This did not have to be in the budget this year. Last year, Tax Assessment and other Expenses shows that we had to pay for appraisals and appraisers for the tax appeal process. This year we do not expect the same tax appeal activity.

The insurances are all back inside the CAP as shown on Sheet 14. Last year the budget for insurance was zero and this year it is \$84,000 for Liability Insurance, \$58,000 for Workers Compensation and \$355,000 for Employee Group Insurance. Those numbers are outside the CAP. The number that is up is the Group Insurance and \$27,000 increase and this is not a big increase.

On Sheet, 15A there is a slight increase for Solid Waste Disposal. This is the new contract that was just signed and this amount is close to the number that was before contracting out the garbage.

On Sheet 17 shows the Utility Expenses and Bulk Purchases everything is stable except for electricity where we need to reflect the energy increase.

On Sheet 20, General Liability, Workman's Compensation and Group Health showed how much was expended will be moved inside the CAP

On Sheet 20A PFRS and PERS shows a large increase of \$45,000 for Police and \$11,000 for Public Employee costs this is the continue phase in of Municipal Contributions to the Pension System.

Sheet 26 is the Capital Improvement and fifty thousand dollars have been budgeted into it. They could lower it to twenty-five thousand dollars after reviewing the budget to offset the tax increase.

Sheet 27 is the debt service. The Debt Service is down \$70,000 from last year.

Sheet 29 shows the Reserve for Uncollected Taxes that there is \$350,000 and considering the tax collection rate was 95% this year and this is the maximum that can be used to calculate the reserve of uncollected. The flexibility is not here and this number may even go up. This is attributable to the tax appeals.

The reserve Uncollected is that money has to be collected by the Borough, for the local and regional school district and the county. The county and the school districts have to get one hundred percent of their funding. If we do not collect one hundred percent of taxes, we still have to give them one hundred

percent. You are adding to the bottom line of the tax rate the amount of funds that you will insure that you will get one hundred percent of the money you need to run the local budget and pay those three agencies. Because the collection rate was ninety-five this year as opposed to 98 or 99 percent, we may not have the flexibility in this line to adjust that to reduce the tax rate.

On sheet 34 shows an anticipated fifty thousand dollars in sewer surplus and sewer user fees of \$38,000 dollars and hopefully with a fifteen percent sewer increase that will allow it to be self-liquidating. The sewer appropriation is stable from last year.

The Beach Utility Budget can anticipate a maximum of \$13,500 as compared to \$48,000 of last year. The maximum Beach user fees is anticipated \$271,624 which was taken in last year, the bottom line shows the budget last year \$333,000 and this year can only be \$285,000. The salary and wage had to be cut from \$189,000 to \$176,444 and this can be done by cutting back labor hours or employees. The opportunity here is \$39,000 in Appropriation Reserves from last year and with approval from the state, you can anticipate a portion of that into this Budget. You are canceling the reserves a year earlier. In the 2006, reserve there is \$39,000 and you have the ability to cancel that earlier rather than waiting for the end of this year and using it in 2008 you can use it in the 2007 budget. The effect of that is that next year when you are doing the 2008 budget and you have had a good 2007 Beach Season you will be in a situation that you will have no choice but to make severe cuts in the budget. CFO suggested cutting \$10,000 from the appropriation reserves a year earlier and add the \$10,000 to the other expenses budget and get through the Beach Season that way.

Sheet 40B is the Capital Budget. These are items dating back to 2002 that the Borough Council has directed CFO Bascom to include them as future capital improvements plans, ongoing projects or projects on hold.

The Monmouth County Improvement Authority is available every other year and it is a good program where Sea Bright would benefit by lower interests on financing. CFO Bascom said the Capital requests made by the departments and some were eligible for application with the Monmouth County Improvement Authority

13. ADJOURNMENT:

There being no further business before the Governing Body. Councilwoman Bills made a motion to adjourn the meeting at 8:13 P.M. Second by Councilman Kelly and approved upon unanimous voice vote.

Respectfully Submitted,

Maryann M. Smeltzer
Municipal Clerk