

BUDGET MEETING 10-25-17

ACTION MEASURES:

- Contact Braslow about whether we must go out to bid for financing on the lease purchase for the new truck.
- Check with Braslow about time line for Special Election. Cedar Knolls says theirs was a shorter time period. Nov. 3rd is 8 weeks. 9 weeks is this Friday.
- Check with the Local Finance Board and see what they need us to do about the lease purchase. Braslow may be able to prepare the application if he has done it before.
- Prepare wording for a referendum. Two new employees - \$140,000.

SPECIAL BUDGET MEETING – October 25, 2017

A Special meeting of the Board of Fire Commissioners of Fire District No. 2, Township of Hanover, was called to order by Chairman Polo at 6:00 pm on the above date at the Whippany Firehouse at 434 Route 10, Whippany, New Jersey.

Commissioners Present: Michael Mihalko, Jim Kitchell, Jim Kraley, Randy Polo & Derrick Shearer

ABSENT: None

Also at this meeting were Chief Joe Cortright and Vince Montanino, Registered Municipal Accountant. His expertise as an accountant will be very helpful in aiding the Commissioners in reviewing the 2017 budget and setting up the preliminary 2017 budget.

At this time the Chairman read the following:

Pursuant to statute made and provided, let the minutes show that notice of this meeting was transmitted to the following newspaper; the Daily Record, and filed with the Clerk of the Township of Hanover and the Clerk of this board at least 48 hours prior to the call to order of this meeting.

The Chairman now stated that the purpose of this meeting was to review the present budget and set up the 2018 budget.

NEED FOR NEW STAFF - Chief outlined the need for hiring one or two more people. The group discussed wants and needs and they would rather table the new small vehicles like a Durango in favor of a new employee.

J. Kraley asked about where they would sit – desks? Cubicles?

Chief outlined that they would not be sitting at the same time. The shifts would be different but still total 80 hours at the end of 2 weeks. The current guys are in agreement. The Chief delineated some of the possible time shifts.

We'd have to re-negotiate their contracts.

Chief said that vacation days would have to turn into paid time off.

Mike that all that would have to be discussed.

The Chief went over his proposal for a new employee line by line – Salary, Health Care, Pension, etc...

Mike brought up studies where the longer shifts may result in more fatigue, accidents on the job, etc...

The Chief mentioned 6 am – 10 pm or 6-2, and 2-10, which Mike liked better.

The Chief said the guys liked the longer days instead.

NEW TRUCK COSTS: The new truck will cost \$675,000. We're talking about \$250,000 down and financing \$425,000. Still want to put \$100,000 away. 2% - 4% rate for financing. That should be more than enough.

Payment would be approximately \$5,300 / month or \$60,000 / year and a 7-year lease term.

Group discussed the age of the trucks and the possibility of a new one.

Vince Montenino arrived.

We told him some of our wants / needs.

1. The contract is signed.

We'll need expenses to outfit the firehouse.

\$100,000 at least. It's \$40,000 to move the exhaust fans.

2. New fire truck
3. New employee(s)

Health insurance is going to go up, as well as pension and other expenses. New Fire Safety number for Fire Official for 2018 will be \$35,912.47.

NEW TRUCK: Vince said for a new truck – we can fund some of it from Capital. We'd work with OshKosh on the lease to purchase. We'll need to discuss how much we'd be putting down.

Vince said the first thing we need is **voter approval** to lease / purchase the truck. Yes, we need to do that in a special election.

Derrick said we can word it – “To cost no more than.....”

We could even contribute \$300 and finance \$300. Down payment needs to be discussed further, depending on the rate they give us.

Mike – We have to go to bid on the financing part, don't we? That's what the guy from Pierce told him. Of course, he is just a salesman. But then again, he does this all the time.

Derrick – The Local Finance Board wants to see that we looked around and got other estimates.

They have an application to be filled out and they may want to ask us questions. Vince says that sometimes they rubber stamp it after a quick perusal, but you never know.

** We need to check into that and see whether we need bids for financing.

Vince said that Montville just did the same thing as we are trying to do, and he doesn't believe they went through the Finance Board. However, they were paying cash so that may be the difference.

If it's 55 days, to advertise the election, we're close. Cedar Knolls is doing theirs on Nov. 25th and Braslow approved it. Nov. 3rd is 8 weeks and this Friday is 9 weeks. They are paying cash so maybe that's why.

**We need to get in touch with Braslow about the timeline required.

Derrick – We thought a rough ballpark was to put \$200 – 250 k down with a 7-year lease on the remaining \$420k.

Vince said Montville was able to do a 5-year lease and put down half. They did \$300k and financed \$300k. The bigger your down payment, the better your interest rate could be.

There is a cost involved with the lease / purchase. You have an application to the Local Finance Board, and also the election costs.

**Check with Braslow to see if he has prepared these types of applications before for the Finance Board and maybe he can just fill in your name and be all set.

Budget:

Vince: You have \$78,000 banked from last year. In addition to the 2% cap levy, you have \$20,000 to add to it. So, we can go up to \$1.2 million in the tax levy without a referendum.

What is a **referendum** exactly?

A referendum is when we go to the public by way of Resolution and ask to exceed the 2% cap. It's different from the regular budget. We need to do it in an election. We would have to do it before the third Saturday in February. Voters would have to vote on it. We adopt our budget in January.

Derrick – Let's not discount the chance. If our needs are \$30,000 - \$40,000 difference, we should go to a referendum.

At this time, the budget was gone through line by line – with increases made where necessary. (New worksheet attached).

At the bottom – Vince was asked about the fund balance utilized.

He explained: At the end of 2016, because of the accrual of the extra pension payment, the balance was \$142,000 – of which we used \$105,000.

We have to get under \$100,000.

Our base is \$35,000 and the unspent Purchase of Assets (\$106,000) gets us just up there.

Vince - For the truck: After 2017, the reserve will be \$409,000. Plus \$57,800 left over from the last purchase of a truck. Gives us \$468,000. So, you may want to put more in for a better interest rate.

Derrick explained that we want to keep building our reserves towards a second truck in the next few years.

Vince – So in 2019, you'll have a lease/ purchase payment PLUS put away money towards the second truck.

Mike – How do we pay the lease payment?

Vince – It would start in 2019. Election in 2017 – and order the truck in 2018. Wouldn't get delivered until 2019.

The Chief said we would just put it on the ballot – We need to raise \$300,000 towards a new truck. It's in addition to our budget.

Vince said no – when the payments need to be made – we will need a line item in the budget in order to pay them. It does come out of our budget.

The new line would go into Capital Appropriations saying “Outlay for Truck” or “Debt Services”.

That year, we would budget \$70,000 for the lease payments and still put away \$30,000 in reserve. That's equal to the usual \$100,000 we put away.

Mike – Playing Devil's Advocate - If we put down the whole \$409,000, we would deplete our entire savings. We need a \$100,000 buffer just for accounting purposes. We don't get the town check right away, and we need that in there for something that might come up.

Randy – What if we put \$400,000 down and run the same scenario in 2018 and save another \$100,000. Can we use it to pay down the first truck?

Vince – No. Oshkosh will hold you to the lease term. There is no prepayment of principal or interest.

Mike – What about if we take \$400,000 from the general fund from Morgan Stanley – we could add the things we need.

Vince – You don't want to do that. You have mentioned the cash flow problem and you'd leave yourself strapped.

NEW GUY

Chief – If we hire a guy, it's 4 months before he starts – at least. McNeil does background checks – inexpensively.

Why don't we take Vince's suggestion and reduce Purchase of Assets by \$46,000 and then jockey money for the new guy. We all see the need for more people here.

Let's make a deal – One guy is good, two is better and 3 is great! It's not going to happen January 1st. What if we stagger throughout the year? Do our due diligence and make a list of potential hires. Hire one guy that would start April 1st and the next one would start June 1st. We'd already have the candidates picked and just offer them the job then. “Do you want it or not?” If not, we go to candidate #3.

Mike – Where's the deal part?

Chief – You wouldn't have to hire both all at once and the budget would only be hit for half a guy's salary.

Mike – Till the next year. Our budget goes up more than 2% / year. Insurance just went up 20% this year. The guys are 3% raises. Then there are their expenses too.

So, we're behind the eight ball already. Maybe next year is the time to do it – when we know what the lease payment number will be, and we can ask for that and the salaries in the same referendum.

Randy – Why don't we go for it now? We want to add manpower. We'll have to take it on the chin sometime.

Mike – IF we have to take it on the chin, I'm for doing it all at once. We can start compiling call volume. We can ask for that as well as the amount of the lease payment and do it all in one election.

We could lump the two full salaries into the same referendum as money we'll need to make ends meet. We'll have more info for 2019 when we know what the lease payment will be.

Derrick – We could say – we're going above the cap – we need \$140,000 for 2 staffers and \$100,000 for the lease payments.

Vince – We may not need permission from the public for the lease payments. Use the referendum for just the 2 employees.

Mike – When someone asks us why we can't stay under the cap, what do we say? How do we convince them not to vote against it? Playing Devil's Advocate here again – The guys are overpaid. Why did they get 3% raises and not 2%? In my day we never made that much money..... Why do we need more guys? Etc...

Vince – You don't need to put in the lease payments – just the salaries. You already voted on the truck, The referendum for that part would not be needed.

Randy – Could we put in even more money into the referendum? Say we need \$200,000 instead of just \$140,000?

Vince – You could say you need money for future Capital Reserves but I wouldn't mention that. You'd be asking for money just to put it away – not use it.

Derrick – If we do a referendum, then next year's 2% cap is on this higher amount.

Vince – Take Public Safety as your position. The 2 staffers will help your coverage and responses.

Mike – So, if we exceed the cap by \$100,000 or more, we need a Resolution first. Then it needs to be approved by the public.

Vince – You may be able to do it at a special meeting – not an election.
Vince then proceeded to check on that. He read an actual referendum from another town. It DID say it needed to be in the general election.

There is an explanation paragraph at the end that goes on the ballot, explaining what a YES or No vote actually accomplishes.

It was decided to put a referendum in this year's special election along with the question about purchasing the new truck.
Derrick can maybe get the sample one from Vince in order to use the same wording.

December 11th will be the first reading of the budget and at the January 8th meeting we will adopt it.

Meeting was adjourned at 9:30

Respectfully submitted:
Janet Gant-Hammond / Board Secretary