

**MOUNT LAUREL FIRE DISTRICT #1
BOARD OF FIRE COMMISSIONERS
SPECIAL MEETING / WORK SESSION**

January 3, 2011

Fire Department Headquarters Station

Meeting Minutes #1

IN ATTENDANCE:

1. Commissioner Cornue
2. Commissioner Nash
3. Commissioner Roura
4. Commissioner Shapiro (arrived @ 8:10)
5. Commissioner Shestack
6. Administrator Jones
7. Deputy Chief Colucci

NOT PRESENT:

1. Chief of Department Gallos

The meeting was called to order by Commissioner Cornue at 8:04 PM.

The Pledge of Allegiance was recited and a moment of silence observed.

The Public Announcements were read by Commissioner Roura.

PUBLIC HEARING ON 2011 BUDGET OPENED:

Commissioner Cornue provided the audience with a brief overview of the financial situation of the Fire District. Over the past few years, we have experienced significant financial challenges, as have all local governments across the State. In 2008, the State imposed a 4% Levy CAP to limit the growth of property taxes, which forced us to make some very hard financial decisions. Last year, the State reduced the Levy CAP to 2%, which will squeeze us even more as many of our costs continue to increase. So far, the tools to deal with the reduced Levy CAP have either not been forthcoming as promised or have been diluted in their ability to provide relief.

He added that we have existing 10 year Apparatus Capital Lease debt that will be paid off this year and we are asking the public to support a new Apparatus Capital Lease that will be used to replace several aging and maintenance intensive vehicles and allow us to replace the expiring debt with new debt of substantially the same amount. Even with all of the financial pressures that we are facing, he proudly noted that the Board and management have developed a good plan for 2011 that does not increase the property tax rate for our residents.

ADOPTION OF RESOLUTIONS:

Resolution #2011-01 "Authorization for the Board of Fire Commissioners to read Budget by Title". Commissioner Shestack made a motion to adopt the resolution, which was seconded by Commissioner Roura. The motion was unanimously approved by the Board.

Commissioner Cornue opened up the meeting to questions from the public.

Firefighter Alan Pine asked if the proposed 2011 tax rate was different than that from 2010. Administrator Jones replied that the proposed tax rate of 23.8 cents in 2011 was the same as it was in 2010. Firefighter Pine asked if that carried over to the referendum question. Administrator Jones corrected him clarifying that the Apparatus Capital Lease ballot question was not considered a referendum question. Firefighter Pine rephrased his question, asking if the Apparatus Capital Lease increases the tax rate or keeps it the same. Administrator Jones replied that the Apparatus Capital Lease question will have no impact on the proposed 2011 tax rate. Commissioner Shestack added that in 2011 we are making the final \$258,000 payment on the existing Apparatus Capital Lease. The first debt service payment on the new Apparatus Capital Lease, if the ballot question is approved by the voters, will be as close as possible to the current \$258,000 amount and will begin in 2012 and will therefore not increase the tax rate in 2012.

Commissioner Nash added that if the Apparatus Capital Lease ballot question is not approved by the voters, the \$258,000 in debt service we are retiring this year would be subtracted in the 2012 Budget 2% Levy CAP calculations, which would open up a significant hole in the 2012 Budget. Administrator Jones explained that the 2% Levy CAP increase represents about \$165,000 in new revenue in 2012. The expired debt service of \$258,000 would be subtracted from that, leaving us with a hole in the 2012 Budget of at least \$93,000 before we even started the budget process. Commissioner Nash clarified that although the Administrator stated the 2011 tax rate would be the same as the 2010 tax rate, if there is a reduction in tax ratables, the tax rate may increase because of it. Administrator Jones agreed that the 23.8 cent tax rate that we are proposing could go up by 0.1 cents or more if tax ratables continue to fall or it could go down if they increase. This happened in 2010 when we originally received voter approval for a tax rate of 23.5 cents but because of tax ratable losses, we ended up with an actual tax rate of 23.8 cents. Commissioner Shestack explained that we have no choice but to budget according to the tax ratable information that the Administrator gets from the Township Tax Assessor in October each year. Firefighter Pine indicated that he needed this information so the Union could begin preparing their budget message for the voters. He then asked a question about the end-of-year surplus the Fire District expects to have after CBA retroactive pay is subtracted from the roughly \$1.2 million that the 2009 Audit indicates was available at the start of 2010. Administrator Jones replied that the amount of surplus available has nothing to do with the payment of retroactive pay when the CBA's are settled. Firefighter Pine indicated that he wanted to know how much surplus the Board expects to have on hand at the end of 2011. Administrator Jones walked him through the calculations of how surplus is calculated as it is shown on page SS-2 in the 2011 Budget. Without knowing the actual amount of surplus remaining as a result of 2010 operations, it is impossible to estimate the surplus that will be available at the end of 2011. Commissioner Nash added that the Fire District needs to have approximately \$900,000 in surplus remaining at the end of a given year in order to meet the cash flow requirements of the temporary budget payroll and other expenses in January and February before the Township provides us with our 1st quarter tax revenue payment on 3/1.

Firefighter Guelich asked about the 2010 referendum that funded the purchase of new SCBA and the new SCBA compressor at Station 361. He asked what happened to the leftover referendum funds that were not spent on these items. Administrator Jones stated that unspent referendum line item funds cannot be used for anything other than the intended items and they revert to surplus at the end of 2010. Commissioner Shestack confirmed this and stated that these funds are helping the Board keep the tax rate stable for our residents in 2011. Without it, we almost certainly would have had to raise taxes by at least 2% and to also have to cut back on some other essential line items as we have been doing for the past few years. Commissioner Roura interjected that the 2010 Budget surplus cannot actually be allocated for expenditure until the 2012 Budget, but it does help our cash flow situation in the beginning of 2011. Administrator Jones added that the tax revenue that funded the referendum items and the 2010 Budget together equates to a tax rate of 23.8 cents in both 2010 and 2011 with the amount dedicated to the referendum items in 2010 now being part of the 2011 tax base. We are using that in 2011 to keep the tax rate stable and hopefully to catch up on deferred maintenance and equipment purchases that have been cut in previous years when the budget was very tight.

Commissioner Roura added that for a number of years, the Fire District has been unsuccessful in winning federal grant funding for new SCBA and replacement air cylinders whose 15 year lifespan was up in 2011. In 2010, with time running out to replace the expiring air cylinders, the Board applied again for federal grant funding and also presented the voters with a referendum question in the event that we failed to secure a grant. We also funded for replacement of 1/2 of our air cylinders in the 2010 Budget in the event that no grant was received and the referendum failed, with the expectation that we would at least be able to replace enough air cylinders to continue operating. Luckily, we won a federal grant in 2010 to replace 2/3's of our SCBA and air cylinders with the balance being covered with funds from the approved referendum. Commissioner Nash added that what was just described is only a small part of management's strategic operational planning over time that goes on behind the scenes. Management developed this "fail-safe" process last year to insure that the Department could continue to perform our mission and that any unused funding would be used in future years to hopefully continue that strategic operational planning. He hoped that Firefighter Guelich could appreciate, as a citizen, what has to be done to keep this business operating and available to respond to any call for service that we receive. Firefighter Guelich stated that there is a fine line between strategic management practices that the Board is trying to undertake and full disclosure to the taxpayers. As a taxpayer, he doesn't understand why the funds earmarked for the purchase of the SCBA equipment continue to be part of the tax rate in future years, where it can be used for whatever the Board wants to use it for. He thought that the reason behind the 4% or 2% Levy CAP was to keep spending down and make it difficult for money to be wasted. He stated that it is getting increasingly difficult for people to make ends meet and although he understands that the Board is operating within the limits of the statutes, as a taxpayer he doesn't think that it is being fair to the residents. He added that he didn't vote for the budget tax increase last year but he did vote to approve the referendum so that the new SCBA could be purchased.

Administrator Jones stated that it is important to understand that with the 2010 Budget capped at 4%, we were still well short of the amount of revenue needed to operate and we made a number of spending reductions to balance the budget. Referendum questions are the only means that we have to exceed the 2% Levy CAP and once it is approved by the voters, the taxes raised to fund the referendum items become part of the future tax rate base. He could not say whether this was good or bad, but it is the way the statute works.

Commissioner Shestack clarified that this is not a loophole because the public always has the option of approving both the budget and referendum questions every year, which is what happened in 2009 when the budget passed overwhelmingly but the referendum question failed by 8 votes. He added that the Board had a Plan A, B & C in place as contingencies in the 2010 Budget to give us the best chance at funding the purchase of new SCBA equipment so that our firefighters could do their job. Funds that were left over from this contingency planning allow us to hold the line on taxes in 2011, which very few local governments in this area will be able to do. In 2012, when these funds have been audited and are part of the surplus that we can use, maybe we can hold the line on a tax increase again or put more money into our deferred facilities maintenance and new equipment, both of which have significantly suffered under 4 years of Levy CAP restrictions. He hoped that Firefighter Guelich understood what we were trying to do and how it benefits the community and our residents. Firefighter Guelich stated that he was not questioning that and he understood that the Board's job is very difficult these days trying to keep the Department going. Administrator Jones noted that our annual cost increases under the CBA's didn't change when the Levy CAP was imposed in 2008 and that we continued to fund those increases at the expense of the rest of our operating budget. Now that those CBA's have expired, the Board is trying to bring them more in line with the Levy CAP realities that we have to deal with every year. Commissioner Nash stated that the Board is unable to do much strategic planning because of the limits on how much property taxes can increase, noting that the 2% increase we could have included in the 2011 Budget was \$164,630, which doesn't go very far in covering increased operating costs. He was concerned about the 2012 and 2013 years when we will have used up any surplus we currently have in reserve.

Firefighter Guelich asked about the substantial increase in Fringe Benefits on page 5 and what the explanation was for that. Commissioner Shestack explained that the cost of health benefits is increasing by 12% in 2011, which we have no control over because the SHBP has very few options for employers to use in saving premium costs and because any changes in the health insurance coverage has to be negotiated with the Union. Our health benefit obligations has increased \$163,000 this year alone, from \$780,000 actually being spent in 2010 to an estimated \$943,000 being needed in 2011, and with the CBA's currently in arbitration, he would not expect them to be willing to even discuss the issue. He added that our pension obligation has increased \$177,000 this year, from \$644,000 in 2010 to \$821,000 in 2011. Administrator Jones added that over the past 4 or 5 years, these costs have both increased far more than anything else in the budget and he anticipated that in 2012, each will approach the \$1 million mark. If we had raised taxes up to the 2% Levy CAP limit this year, we could have received exclusions for some of the increased health benefit and pension obligation costs that would have allowed us to exceed the CAP, but since we did not raise taxes we are unable to. Commissioner Nash added that the pension system is currently in crisis because State and local government did not contribute their full share for a number of years and because of the tanking of pension fund investments a few years ago. Employees contributed their shares during this period, but it was nowhere near enough to cover the investment losses and the missed contributions. Commissioner Shestack agreed with Commissioner Nash's assessment of the pension problem and added that Administrator Jones had brought his concerns about our pension obligation to the Board 10 years ago and the Board discussed how long the pension funds could sustain themselves without employer contributions. The Board went so far as to ask the pension board if we could set up a reserve account for employer pension contributions back then, so that we could avoid a huge liability later. Unfortunately, they would not permit us to do that and now we see that what we feared would happen has come to pass.

Firefighter Guelich asked why the budget for overtime went up from \$250,000 in 2010 to almost \$333,000 in 2011. Commissioner Shestack replied that through attrition, retirements and promotions, we now have less career staff than we had a few years ago and the Board felt that it would be less expensive to use overtime to cover staffing than it would be to hire replacement firefighters, which would have cost approximately \$200,000. Administrator Jones added that we are now stretched pretty thin on our crew sizes and as soon as someone calls out unexpectedly, we have to use overtime to cover the crews much more frequently. Commissioner Nash added that with the incorporation of the new 12 hour schedule at Station 363, it will take time to evaluate how it will affect the overtime budget. Deputy Chief Colucci clarified that the \$83,000 increase in overtime is not solely to cover the implementation of the 12 hour schedule and is more due to the Board's current policy of not backfilling firefighters as a result of retirements and promotions. Firefighter Guelich thanked the Board for the explanations but he still wanted to know what it will cost to implement the new 12 hour schedule at Station 363. Deputy Chief Colucci replied that we cannot predict how much overtime will be used because of the new 12 hour schedule, but we know that the increase in cost to implement it includes the cost of a Lieutenant promotion and the additional holiday leave pay that the 12 hour shift employees will now be eligible for. Firefighter Guelich felt that we should be able to better predict the overtime needed from an analysis of historical data. He added that if he went to his boss and proposed to do something that involved spending money, the 1st question he would be asked is for an accurate estimate of how much it was going to cost. He felt that taxpayers had a right to know what the true cost of the new 12 hour schedule at Station 363 is going to be before it was rushed into place. Administrator Jones noted that overtime in public safety is a little different than in the private sector because we have an obligation to put adequately staffed apparatus on the street every day and this can't be done with less than a certain number of people. The alternative is to close stations periodically to combine crews that are short staffed, which adversely affects coverage and response times elsewhere. Annual overtime needs are the most difficult budget item to forecast because there is no crystal ball that tells us how often and who will be calling out or who will be injured for a prolonged period of time. Deputy Chief Colucci added that with a big snowstorm, we can easily spend \$30,000 on storm-related overtime just making sure that crews are on-duty when and where they are most needed.

Commissioner Shapiro asked Firefighter Guelich if he was more concerned about the overtime budget or the implementation of the new 12 hour schedule at Station 363 and the costs associated with it. Firefighter Guelich stated that the bottom line for him is that the Board has increased the number of hours covered by the career staff of the Department and that there was a cost to do that. Administrator Jones replied that the cost to implement the current Station 363 12 hour schedule is approximately \$22,000 annually plus some overtime that is generated because the other crews are down to 4.

With no further public comment, Commissioner Cornue thanked those that had made comments and closed the Public Hearing.

ADOPTION OF RESOLUTIONS:

Resolution #2011-02 "2011 Adopted Budget Resolution Mount Laurel Fire District #1, Fiscal year: From January 1, 2011 to December 31, 2011". Commissioner Roura made a motion to adopt the resolution, which was seconded by Commissioner Shapiro. The motion was unanimously approved by the Board.

Resolution #2011-03 "Authorized Signatories for Bank Accounts" Commissioner Roura made a motion to adopt the resolution, which was seconded by Commissioner Shapiro. The motion was unanimously approved by the Board.

OTHER MATTERS:

Discussion of 2011 Budget and Annual Election Public Relation Issues & Ideas: Commissioner Cornue asked Commissioner Shapiro if the Public Relations Committee has discussed what they wanted to do in promoting the budget and the election. Commissioner Shapiro replied that we normally put on the Budget Forum with a PowerPoint presentation and several speakers to brief the public about how the Department operates and about the budget. She asked the Board members if they had any new ideas about how to get the word out and how much they wanted to spend to do so. She was working with Deputy Chief Colucci and Administrator Jones to update the PowerPoint presentation and decide who will be presenting the information. She didn't know if the Budget Forums work due to the relatively minor number of residents that attend, but she felt that they were necessary to have for reasons of full disclosure and the opportunity to ask questions. Short of preparing and mailing a community newsletter to each household, we have put it up on the website and we have put it on the message board signs. Administrator Jones felt that we needed to do more this year to get the information in residents' hands if we want them to support the Apparatus Capital Lease question, which is very important this year. He added that we could approach the MUA again this year to add a flyer to their January billing, but we need to move pretty quickly to get that done in time. He asked the Board if they wanted to put together a community newsletter this year and estimated that the cost would be around \$8,000 for preparation, postage and printing, but we would have to get moving immediately. Commissioner Shestack wasn't concerned about the budget being defeated because there is no tax increase, but passage of the Apparatus Capital Lease question is critical so that we can replace apparatus and avoid a big exclusion hit against our 2% Levy CAP allocation in 2012 because of the debt service reduction. Administrator Jones agreed that passage of the Apparatus Capital Lease question is almost as important as the 2010 Referendum question was.

Commissioners Shestack and Shapiro both agreed that a community newsletter to publicize the stable budget and the Apparatus Capital Lease was our best marketing option. Lieutenant Kathleen Kirvan suggested contacting the School District about sending information home with the kids. Administrator Jones and Deputy Chief Colucci noted that they may be reluctant to do that because it was kind of political and didn't involve fire prevention or fire safety. Commissioner Nash suggested that we could write "letters to the editor" to make the public aware of the election and our efforts to keep their taxes stable. Administrator Jones agreed, but stated that the biggest problem is that neither the Mt. Laurel Sun nor the Central Record reaches all of our residents. At the request of Commissioner Cornue, he had started working on a draft article, which has been provided to the Board this evening for review. Commissioner Shapiro stated that it was very well written and that we understand it completely, but it needs to be revised if we want residents to read the whole thing. Administrator Jones suggested bringing in Bob Schiers from RAS Associates, who has helped us with all of our previous newsletters and done a good job for us. Commissioner Cornue asked about the timeframe for a community newsletter and Administrator Jones replied that it would be in the mail to residents on the Monday or Tuesday of the week leading up to the Saturday election. The newsletters would have to be drop shipped to the post office on the Friday before delivery to the residents. We have always tried to give the printer a week and the mail sorting firm a week as well with an additional week built in for contingencies. This leaves us with a deadline for delivery of the final draft to the printer of Monday 1/24/11, which he felt was within reach if we get moving on it immediately.

Deputy Chief Colucci suggested that we brief our members on the budget and the election so that they have the correct information to pass along to their friends, family and other voters. Commissioner Cornue agreed that having the correct information is important for our members. Deputy Chief Colucci stated that he will think about how he wants to pursue this and get back to the Board with ideas.

PUBLIC PARTICIPATION:

Captain Todd Evans appreciated the explanation about the pensions and health benefits in response to the questions asked by Firefighter Guelich. He fully supported the Budget Forum even though it is usually only attended by a few people. He thanked the Board for their support during his tenure as Shop Steward of the Officers Shop and was comfortable leaving it in Lieutenant Kirvans' capable hands. Commissioner Nash asked him how the Station 362 World Trade Center Steel Memorial was coming along. Captain Evans replied that he would report in more detail next month following a meeting that he just had with Bob Garrison, Jr. of Garrison Architects, who have designed several of our new facilities and is graciously donating architectural services for the project. The 911 Memorial will try to recognize the events of 9/11/01 and the locations that were affected. Construction Official Ray Holshue has informed him that no construction permits would be needed and that he would work with the Zoning Office to get their approvals. Commissioners Nash and Cornue thanked Captain Evans for his service and that it was a pleasure working with him. Commissioner Cornue congratulated Lieutenant Kirvan and looks forward to working with her in the future as well.

Resolution #2011-04 "Closing of Meeting Pursuant to Open Public Meetings Act". Commissioner Shestack made a motion to adopt the resolution, which was seconded by Commissioner Roura. The motion was unanimously approved by the Board.

THE OPEN SESSION ADJOURNED AT 9:29 PM.

A CLOSED SESSION BEGAN AT 9:46 PM.

THE CLOSED SESSION ADJOURNED AT 9:57 PM.

Commissioner Cornue brought up earlier an open issue from last year, the "Fee for Service" program, which he had forgotten to bring up for discussion in the initial Open Session. He would like to resume discussion on it at the 1/17/11 Regular Meeting and asked everyone to refresh themselves on it. He felt that while we anticipate being able to make ends meet in 2011, we will eventually be faced with revenue shortfalls again and that this could be a very viable option. Commissioner Nash suggested that discussing this issue prior to the February election may be a little risky and that it may be more appropriate to discuss after the election is over. He was concerned that taxpayers may not be receptive to this idea and that we might be sending a mixed message if we bring it up at the same time we talk about stable tax rates and the Apparatus Capital Lease. Commissioner Cornue understood his concerns but felt that we can still discuss it without making a final decision on it until later this year. He believed that it is fair to bill a "fee for service" to the insurance companies of non-residents requiring our services because they do not pay taxes for those services as our residents do. Commissioner Nash had reservations about the number of people that actually received our services but were not residents of Mount Laurel and advocated that our residents should never see a bill for our services. Commissioner Shestack guessed that most of the non-residents that we service probably involve MVA's on Route 295 and the NJ Turnpike. Deputy Chief Colucci added that annually we respond to about 600 MVA's and about 2,200 calls for service. Commissioner Shestack estimated that about 200 of those 600 are probably non-residents and could be billed for our services. Deputy Chief Colucci estimated that the average bill based on the fee schedule we were considering would be between \$400 and \$1,000, which Commissioner Shestack calculated could result in an additional \$80,000 to \$200,000 of revenue annually just for MVA's. Commissioner Shestack agreed with Commissioner Nash on his position, although he recalled Solicitor Braslow advocating that we have to treat everybody equal. Commissioner Nash agreed that this was Solicitor Braslow's position the last time that the Board had discussed this issue. Commissioner Shestack stated that he could not support that position and would only be in favor of charging a "fee for service" if Mount Laurel residents are exempt from being billed. Deputy Chief Colucci stated that to avoid the discrimination that Solicitor Braslow was concerned about, we might still have bill everyone receiving our services, but we can make sure that the bill clearly and boldly states that our residents are exempt from paying it. Commissioner Shestack felt that we needed more input from Solicitor Braslow on this before we could make a final decision that everyone on the Board is comfortable with.

THE MEETING ADJOURNED AT 10:11 PM.