



City of Lambertville
WORK SESSION
TUESDAY, AUGUST 6, 2019, 7:00 PM
PHILLIP L. PITTORE JUSTICE CENTER
25 SOUTH UNION STREET
MINUTES

COMPLIANCE WITH THE OPEN PUBLIC MEETINGS ACT

Mayor Fahl called the meeting to order at 7:00 p.m. and asked the City Clerk to read the following statement of compliance with the Open Public Meetings Act into the record.

"Adequate notice of the regularly scheduled work session held on August 6, 2019, has been provided through the posting of the annual meeting schedule, by emailing notice to the Hunterdon County Democrat and the Trenton Times and to various individuals on the list serve in accordance with Section 13 of the Open Public Meetings Act."

ROLL CALL

Present: Councilman Sanders, Councilwoman Taylor, Councilwoman Warner by phone from 8:46 to 9:27 p.m., Mayor Fahl.

Absent: Council President Asaro

PLEDGE OF ALLEGIANCE

Mayor Fahl led the public in the Pledge of Allegiance.

MOMENT OF SILENCE

The City Clerk led the public in a moment of silence in honor of those serving in the United States Armed Forces in Country and abroad.

RESOLUTIONS

Resolution Number 108-2019: A Resolution to Authorize the Salary & Wage for Second Quarter of Frenchtown Shared Services.

Mayor Fahl read the resolution into the record by title and informed the members of the public that this resolution is to pay the salary and wage for the shared services agreement with Frenchtown for construction services.

RESOLUTION NUMBER 108-2019

A Salary & Wage Resolution, Second Quarter of 2019, for Shared Services Agreement with the Borough of Frenchtown

NOW THEREFORE BE IT RESOLVED BY THE Governing Body of the City of Lambertville that the following is hereby authorized for the second quarter 2019 shared services agreement with the Borough of Frenchtown:

PAID TO:

Charles Rogers: \$2,760.00

Keith Steele: \$70.00

DUE TO:

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Victor Timpanero: \$500.00

Timothy Dieterman: \$500.00

Kenneth Rogers: \$31,459.91

ADOPTED: August 6, 2019

Mayor Fahl asked for a motion to adopt Resolution Number 108-2019. Councilman Sanders made a motion to adopt Resolution Number 108-2019. Councilwoman Taylor seconded the motion. An affirmative voice vote was taken in favor of the motion by all members present. MOTION CARRIED.

NEW BUSINESS/CONSTITUENT CONCERNS

Handicapped Parking Space: Moving from 31 Jefferson Street to 18 Jefferson Street (George Street side). Mayor Fahl informed the members of the public present that this will be an ordinance introduced at the August 22, 2019 session. Councilman Sanders commented that he resides within 200 feet of the property and will not be able to participate in the introduction or adoption of the ordinance.

2020 Budget Process and Overview.

Mayor Fahl and the Business Administrator gave an overview of the 2020 budget process with the members of the Governing Body and the members of the public present.

Mayor Fahl informed the members of the public that this isn't the last time you will be hearing about significant concerns about the budget plans; structural changes within the city; and how the governing body is addressing the budget. She commended the Business Administrator, the Deputy Treasurer, and the City Clerk for their help with this process.

The Business Administrator Thanked Mayor Fahl. He then went over the PowerPoint presentation with the members of the public present. He informed everyone that if they had questions, there would be a "q and a" at the end, but if something doesn't make sense to help him know.

Mayor Fahl commented that the operating budget isn't just salaries, it covers other things, like our phone bills, internet, utility, health insurance, contributions to the insurance fund and anything like that.

Bonds are a catch all term. This is our credit card, how we borrow money. Short term debt is a bond anticipation note. Longer term debt, obligation bond. Money that can only be spent on the thing that it was borrowed for. There are three costs with a bond and they include the down payment, short-term interest, and the principal. You need to

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understand the “c” point so you don’t have a jump in taxes. The problem statement was reviewed.

Councilwoman Taylor asked if the current fund balance is all or primarily reserve for debt service. The Business Administrator commented that they are two pots of money. One is reserve for debt service account; we do have a fund balance account. It is already expected as a revenue. Because we are relying on that money back, it isn’t really a savings. The total amount of debt was reviewed. 24% of the budget goes to pay the debt service. Mayor Fahl commented that it is ¼ of the budget and essentially a credit card payment, one of the four tax payments made by property owners funds the debt service payment. The Best Practice was reviewed. It suggests 5-8% is suggested and the actual for Lambertville is 24%.

Mayor Fahl commented that the estimate of average between 1 million and 1.5 million, does not account for major projects we were anticipating, affordable housing, infrastructure project (Swan Creek), general spending only, building maintenance, roads, not the big stuff we have been discussing. The Business Administrator noted that there are other ways to think about this, if we continue spending, not taking into account or the unexpected projects, this doesn’t include any of that. If we did that for the next five years, we would be paying \$8,668,837 in the next five years just for debt service.

The Business Administrator went over the chart that reflected the debt service payments. He reviewed the spike in 2024 that we are obligated to pay. The spike is already on track for that.

Mayor Fahl commented that borrowing nothing is not an option because we have major infrastructure concerns with buildings, obligation to maintain roads, and the blue line is fiction, but we are committed through this process to find a way to responsibly borrow money so that no one has to have this conversation again, and be fiscally responsible in perpetuity. Mayor Fahl explained that your tax bill from the city, only 17.5% of that tax bill is the money we are talking about here. When we say \$1,000, you have to factor in the county, school and fire taxes as well.

Herb Spiegel, a member of the public asked where the City borrowed from. The Business Administrator commented that the City has a Bond Attorney who helps the city to buy and sell municipal bonds. It is a controlled sale and anyone can buy them. The range fluctuates, and is in the 2-3% range. All debt is at different interest rates. We have done multiple bond ordinances per year, all debt consolidated this year, and we are looking at refinancing and potentially bringing interest rates down maybe half a point. We can get that and put it on the website.

The Business Administrator commented that the City has a financial advisor, a bond attorney and the Governing Body votes on accruing debt. In the past the City used borrowed money, unspent money to cover debt which is not the best practice.

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Mayor Fahl explained the process by using Clinton Street as an example. The City borrowed money knowing we received a grant to fund the project. Instead of paying down the debt when the grant money was received, the City put the money in an account titled "Reserve for Debt Service." Its like taking out a credit card to pay off this credit card.

The Business Administrator added that the City is pretty thin and we don't have cash. This is less organized and lessens the purchasing power every single year. The professional service fees with no retainers, were charged to capital projects. We want to hire professionals on an operating basis. The fees for email accounts gets spread out all over the department account. No money was ever budgeted to pay for it and there isn't a separate account.

Mayor Fahl expressed her concern for general citizenry. The budget is transparent document that tells you what the cost to operate the city is, but we don't have a true accounting of what each department costs. The construction office is charged \$.20 for paper, that's the idea we are creating here, creates lack of transparency. We can't budget for each department over time.

Councilwoman Taylor commented that the line item in the budget, we didn't create a line item for the internet, the general cost of doing business because it is spread out over all of the users.

The Business Administrator commented that the email system is a good example. He initiated google docs because google provided extra tools, retaining records, if we need to find records for legal issues, it was a small cost, it cost more to do that - to spread it out among all of the users. Every department got hit with the fee and it wasn't fair because they don't have ownership of it.

Michael Heffler commented that he felt it was great they are doing this; he likes the idea of transparency. He said he thought the city was going to talk about things they couldn't control like snow and ice control measures. He asked how you manage arbitrary cost? The Business Administrator commented that we budget arbitrarily, put the best estimate in the budget and the hard part is there is no wiggle room. If things were getting worse, we have no way to accommodate the increase in between sub accounts and you see that through transfer resolutions. But if you don't have anywhere to transfer from, the idea is to build a little cushion as long as you trust and if they don't spend it all you get to use it the next year.

Mayor Fahl commented that the cushion in the annual budget allows you to pay for unexpected snow, but if it isn't used it goes into a rainy-day fund so we have some place to pull it from.

The Business Administrator reviewed the Capital Plan with the members of the public. He said the three-capital plan is very minimal. This year, we are producing a six-year capital plan, which is required for municipalities with 10,000 or more residents. Best

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practice includes understanding the condition of our facilities, 100% of the roads in Lambertville, all of that gets put into a capital plan. The goal is to keep within the CAP so you can keep your debt service payments flat. We don't have the process of planning and having the right conversation is really where the value comes from.

Mayor Fahl commented that in the past, the City picked projects throughout the year and bonded for each project. We will plan for the next six years and then stick to the plan and bond at the beginning of the year doing the stuff that the governing body decides to do.

Councilwoman Taylor asked how much it cost for a bond ordinance. The Business Administrator said \$5,000 to \$10,000 per bond. The City adopted 12 bond ordinances in 2018, 8 the year before, and sometimes moved money around. Money is worth what money is worth, that \$1,000 project is no more or less if it is attached to a \$100,000 project.

Mayor Fahl commented that we have no idea of long-term cost for maintaining this building. If something breaks, we are going to have to fix it and there is no place in the budget to fund it.

The Business Administrator reviewed the rules for increasing appropriation lines. The CAP is 2.5% and there are exceptions. Every year we adopt a CAP Bank Ordinance that allows us to save the funds that are not used for use in the next two budget cycles. The difference is the real problem. The appropriation lines that are not reflective of the true cost and it will take within the CAP. The Business Administrator reminded everyone that this is not a one-year solution. The existence of structural deficit in 2019 is \$450,000. We had to take money out of fund balance and reserve for debt service. We have one year left in cash to pay down debt. The Chart was reviewed in detail.

Mayor Fahl commented that the City had to find \$233,000 in the budget, which is pretty significant, to pay for the deficit.

Kathy Williams commented that in 2014, the City was charging for garbage removal. And she asked if we really needed the fence around the school. The Business Administrator responded that the City won't start paying for the bond that funded the fence until 2024. This was from older debt. Mayor Fahl responded that no one project, all debt for 2018 will come due at the same time. The Business Administrator informed the members of the public that for every \$100,000.00 that was bonded for, it cost tax payers \$49 per year.

Michael Heffler asked about general obligation bonds if they were tied to capital project. Mayor Fahl responded that we were taking out extra bonds to cover the deficit.

Councilman Sanders asked about the debt service paid in 2018 and 2019, what is the difference? Mayor Fahl responded that it isn't from year to year, we had a specific

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amount from the former administration and that \$400,000 was the difference from what was budgeted and what was needed. The number was given by our bond attorney.

Councilwoman Taylor asked about the amounts in the budget for debt service. The Business Administrator explained that they are in a debt schedule that runs through 2032. The only way you can change an appropriation line is by 2.5% over time, what that means is you are beholden to last year's appropriation line. No new spending over the next five years isn't realistic. If we continue to spend at the current rate, \$1 million per year, changes to \$4 million. Mayor Fahl responded that to put this in context, the budget is \$5.3 million. Money that isn't in the budget currently. Councilwoman Taylor asked if it was caused solely by debt service. Mayor Fahl responded that the previous budget under funded every line. The example was if the election cost was \$5,000, it was funded at \$2,000. The most extreme and the one we can address most quickly is our debt service. We need to be honest about what it cost to run the government and we have not done that. Councilwoman Taylor commented that the City needed to abide by the CAP. Mayor Fahl said it will take years to build out a cushion.

The Business Administrator reviewed the CAP Bank process with the members of the public. He informed the members of the public present that you can apply it to next year's budget if you want to increase it but it isn't actual money.

Councilman Sanders asked for clarification. He said you are suggesting that in keeping taxes flat, we are putting ourselves at a disadvantage and we should take advantage of the 2.5% increase so that we have additional money. The Business Administrator commented that it was his recommendation. This will protect ourselves and is the most responsible thing. It goes up a little every year, not the most, but not the least, building the budget because what you end up with is this fund balance so you have discretion.

Councilman Sanders asked if the Reserve for Debt Service of \$940,000.00 is high or low. The Business Administrator commented that it is unusual to use the account in this way. Basically, you can only spend reserve debt service on debt service, you don't have to worry, can apply that when you need it. He recommends creating fund balance from the operating budget and that is the pot of money that if something happens, way more than anticipated, you don't need to do an emergency, you can pull it out of surplus, and it could be applied to anything.

Councilwoman Taylor asked if we have this unusual amount in the reserve for debt service, why would we not liquidate it? The Business Administrator explained there are a couple of factors. This is the largest source of cash right now. We have unexpected emergencies, we have a minimum of 10% on hand; and it is money, cash on hand, money in accounts that is important to maintain for the credit rating. We need to be careful about how we use it.

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Mayor Fahl responded that we need to be clear about reserve for debt service. We continue to pay interest on that account. While it is unusual wrapping your head around it, the city was using money we had to pay interest on.

Councilwoman Taylor asked why then, would we not pay down debt. The Business Administrator commented that there isn't an amazing return in doing that right now. He is working with the City's Financial Advisors to come up with a plan.

Councilman Sanders commented that we talked about the credit rating and finding a balance. The Business Administrator responded that we will do that through this process.

The Business Administrator reviewed solutions slide with the members of the public. The debt management plan was reviewed. The goals we want to hit were reviewed. The Business Administrator commented that the staff runs pretty lean and they are doing a phenomenal job with very little to work with. The plan is in motion to reduce cost. The main fix is bringing in new revenue, new retail's through redevelopment. Air BNB fees, little one-time things, auctioning off old equipment, anticipating new grants to offset cost, all considerations. The conversations do not include cutting staff to save money. They provide incredible services for what we have. The focus is on bringing in new money and in 2025 we will look at the success markers. There is a big drop in the debt service payment in 2025.

Mayor Fahl commented that we need to look at the anticipated revenues to see where we are undercharging for services or take a hit to provide cheaper services in other areas. The next six months is beating the drum, transparent government, charging the city the cost of those services and generating revenue through other means. She informed the governing body that this will require a commitment and from the public. The next five years will be difficult with hard decisions about revenue and projects. We will need to break promises to make sure we can be on a steady financial path. For example: the Clinton Street Phase II project. The residents were promised a \$500,000 project. We will need to stay within the lane of the grant from NJDOT and not pay for the extra niceties that people feel are necessary. This does not just apply to road projects; this is in every corner we need to continue to push forward to 2025.

Kathy Williams commented that her portion of Coryell Street was just resurfaced by the water company. She asked what the NJDOT project would include. Mayor Fahl responded that it would include the sidewalks. Ms. Williams commented that she has had crappy sidewalks for over 20 years and they don't need new sidewalks.

Mayor Fahl asked the Governing Body for questions or comments. Councilman Sanders and Councilwoman Taylor commented that they were asking questions all along and had no further comments.

Mayor Fahl opened it up to the public for questions or comments.

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Deb Vari of 115 Clinton Street commented that she appreciated all of the work that has gone into this, the transparency. She said it is important the they understand and she couldn't help thinking about how we got here, who are the financial advisors? Hopefully they aren't the same people. She said she wasn't looking to place blame and asked about accountability. She commented that if she ran her group like this, she would have been fired. Mayor Fahl commented that she talked about significant changes along with dedicated work from the Governing Body, produced a new position in the City which was difficult to do. The value of a Business Administrator beyond an excellent presentation, is that you have somebody who is looking and managing the administration of the city on a day-to-day basis. One of the ways we got here is that we didn't have someone here, everyone was doing their job and pushing forward but no one was visioning. This is a different world from where we were in May. We are working actively now on making significant changes, the CMFO, the advisors, and how the budget process worked with contracted workers. That is from the leadership of the Business Administrator and the help of the administrative side of the City to find places we were weak. Really a question of apples to oranges from the 2019 budget to the 2020 budget so that it can't happen again.

Mayor Fahl informed the members of the public present that she has worked with the Business Administrator on several communication methods to talk about this issue. She expects to have a pretty aggressive community outreach about this issue that goes beyond slides on line. Between now and 2020 budget, we will have a couple of town halls, we will go into homes, produce a newsletter (Lambertville Matters) which will be finished in September.

Judy Detrano, Coryell Street, asked about the impact or time frame for redevelopment. Mayor Fahl responded that she is working actively with the City Planner, the Business Administrator, developers and development is happening all the time around us. We have not been taking that development into consideration for the budget. It will be a part of it. The City Planner commented that there have been a number of projects approved by the Planning Board and Zoning Board of Adjustment, where the landowner applied for building permits and they build a development. The City can't predict that, and can't include revenue from projects like that in the first year. We are currently working on something to get an understanding of what the potential could be. At this point it is only a rough estimate and it is site specific to the project.

Mayor Fahl commented that the City should be considering that as part of the future. We should always be looking six years ahead, all of the time, planning six years out. The idea is to see the forest through the trees, we have not been planning our forest.

Councilwoman Taylor commented that the conversations are beginning to start, how the City facilitates this rather than waiting for it to come to us, and be proactive, is an important strategy as well.

ANNOUNCEMENTS

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Mayor Fahl read the announcements into the record by title.

Vacancy: The City of Lambertville is looking for a qualified person to serve as the Certified Municipal Finance Officer and Treasurer, with a preferred Qualified Purchasing Agent License. All interested parties should visit www.lambertvillenj.org for additional information.

Office Closures:

All City offices will close on Friday, August 30 and Monday, September 2 for Labor Day.

Garbage and Recycling Pick-up scheduled for Friday will be picked up on Thursday, August 29.

Third Can/Food Waste Recycling schedule will be as follows:

Friday, August 30th pick-up will be on Thursday, August 29

Monday, September 2 pick-up will be on Tuesday, September 3

PUBLIC PARTICIPATION

Kathy Williams invited the community to the Coryell Street block party scheduled for September 1.

Councilwoman Warner joined the meeting by phone.

CLOSED SESSION: *The Governing Body will go into closed session to discuss personnel as it relates to the hiring of the CMFO and Contracts as it relates to Community Aggregation.*

RESOLUTION

“Authorizing a Closed Session at the August 6, 2019 Work Session of the Lambertville City Council Meeting to Discuss Personnel as It Relates to the CMFO Position, and Contracts as it Relates to the Community Aggregation Program”

WHEREAS, the Council of the City of Lambertville is subject to certain requirements of the Open Public Meetings Act, N.J.S.A. 10:4-6, et seq.; and

WHEREAS, the Open Public Meetings Act, N.J.S.A. 10:4-12, provides that a closed session, not open to the public, may be held for certain specified purposes when authorized by N.J.S.A 10:4-12(b).

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of Lambertville that a closed session shall be held on August 6, 2019, in the Phillip L. Pittore Justice Center, located at 25 South Union Street, Lambertville, to discuss the following matters:
Personnel As it Relates to the CMFO Position, and Contracts as it Relates to the Community Aggregation Program.

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BE IT FURTHER RESOLVED that the deliberations conducted in closed session may be disclosed to the public upon the determination of the Lambertville Mayor and City Council.

ADOPTED: August 6, 2019

Mayor Fahl and City Council convened in closed session at 8:46 p.m. with a motion made by Councilman Sanders and seconded by Councilwoman Taylor. An affirmative voice vote was taken in favor of the motion by all members present. MOTION CARRIED.

Mayor Fahl and City Council re-convened in regular session at 9:27 p.m. with a motion made by Councilman Sanders and seconded by Councilwoman Taylor. An affirmative voice/roll call vote was taken in favor of the motion by all members present. MOTION CARRIED.

ADJOURNMENT

The meeting adjourned at 9:27 p.m. with a motion made by Councilman Sanders and seconded by Councilwoman Taylor. An affirmative voice vote was taken in favor of the motion by all members present.

Respectfully submitted,



Cynthia L. Ege, CMR, RMC, City Clerk



The August 6, 2019 work session minutes were approved at the regularly scheduled voting session of August 22, 2019.