

Minutes

SPECIAL MEETING OF COUNCIL

Held in Town Hall Council Chambers

100 Central Avenue, Hammonton, N.J.

Friday, May 19, 2006 at 9:00 A.M.

Minutes can be viewed at www.townofhammonton.org

MEETING CALLED TO ORDER BY MAYOR DIDONATO at 9:00 a.m.

ROLL CALL

Mayor DiDonato - Present

Councilpersons:

Bertino - Present

Colasurdo - Present

Falcone - Present

Massarelli - Present

S. Lewis - Absent

Wuillermin - Present via telephone

PRESENT ALSO

Brian Howell, Town Solicitor

PLEDGE OF ALLEGIANCE

PUBLIC SAFETY NOTICE

This meeting has been properly posted on the bulletin board reserved for such notices on the first floor of the Town Hall and mailed to two newspapers pursuant to law. Please familiarize yourselves with the fire exit drawing to the rear of the Council Chambers. Also, there is to be no smoking in the Town Hall at any time.

REASON FOR MEETING - DISCUSS 2006 DEFEATED SCHOOL BUDGET

Mayor DiDonato advised the reason for this special meeting is to once again discuss the defeated school budget and Resolution 66-2006 adopted by Mayor and Council on May 15, 2006.

Mr. Brian Howell, Town Solicitor, handed out a revised resolution for Mayor and Council consideration modifying Resolution 66-2006 adopted by Mayor and Council Monday, May 15, 2006. He explained that the Board of Education did not accept the agreement to sell the Hammonton Middle School at their Special Meeting held 5/18/06.

Councilperson Colasurdo questioned if there is any way the Mayor and Council can still proceed to purchase the Middle School even though the School Board is not in agreement?

Mr. Howell stated yes, the Mayor and Council can still proceed with Resolution 66-2006 as adopted 5/15/06 or they may wish to modify same today. He further advised that Mr. Charles Muller has agreed to accept a revised fax of resolution today by 4:00 p.m. He advised that the school has come up with different financial data than that presented by the Auditors on May 15, 2006.

Mayor DiDonato questioned how can the financial data be different from that presented at 5/15/06 council meeting?

Councilperson Falcone questioned the legality of purchasing the Middle School and stated he does not think the board will agree to this practice.

Mr. Howell disagreed and stated he felt that the Town can legally purchase the Middle School. He feels having the town own the school and charge rental fees to Hammonton as well as Waterford would be beneficial and he feels confident that the law would allow for such a transaction. The Town would also have use of school facilities such as gymnasium, arts center, etc. He did not feel he heard a better solution at the 5/18/06 Board of Education meeting.

Mrs. Rehmann, in response to Mr. Howell, stated the board may want to explore the possibility of selling the Middle School to the town in the future, however, right now the board wishes to base the budget on actual dollars as they need to know they have actual dollars next year and there is no guarantee of this if they should sell the Middle School to the Town.

Mayor DiDonato questioned Mrs. Rehmann if the argument wins at the State level and the Town may purchase the Middle School would the board then consider this option?

Mrs. Rehmann responded there are too many issues including Waterford's contract to discuss this purchase at this late time. The School does not have surplus but they certainly have land to back them.

Councilperson Colasurdo stated he felt the money the school would incur from the town purchasing the Middle School would be immediate.

Mrs. Rehmann disagreed that the funds would be immediate.

Mr. Howell questioned Mr. Swartz, Town Auditor, when the district would feel the impact of the school purchase?

Mr. Swartz responded the board is mandated to notify the County Superintendent of Schools as soon as they realize there is a projected deficit. If we are anticipating a \$500,000 deficit then that would be a known deficit at the end of the year. Also the district would feel the cash flow restrictions throughout the year. The school expends money from federal programs throughout the year but does not realize the money until the end of the year.

Councilperson Wuillermin, via telephone, reviewed the scenario as follows: stating he felt that due to the fact that the town received the school budget late and the town did due diligence to try to remedy the school problem by the deadline effective 5/19/06 at 4:00 p.m., and knowing with certainty that there is a projected deficit in school budget only to attend the Board of Education meeting last evening 5/18/06 to hear from them that maybe the deficit may not be there that maybe the school may realize a surplus, how can town council proceed in a rational manner at this point? He compared the situation to one planning a vacation and getting into the car and then trying to decide where they want to go. He stated for the record he is in support of the Resolution 66-2006 that the Mayor and Council adopted 5/15/06.

Councilperson Falcone complimented the Fiscal Oversight Committee on their research, however, he once again questioned the legality of the town purchasing the Middle School? He would feel more comfortable if he knew for sure the town was on solid legal ground.

The Solicitor responded he could not confirm that the town is acting on solid legal ground. However, the resolution reflects that if we find we cannot legally purchase the Middle School then we have an alternative in the resolution 66-2006 adopted 5/15/06 to cut the school budget.

Councilperson Falcone questioned the possibility of purchasing school property instead of the Middle School?

Mr. Swartz stated the town can lend money to the school but it would be a debit to cash and credit to liability but would have no impact on budget. Another option is to put a grant to the Board of Education in the town budget but that has to come directly from the surplus of the town or a tax levy of the town. On the towns books it would become a loan receivable.

Solicitor questioned would a loan immediately impact the tax rate?

Mr. Swartz stated no as it would not be a budgetary action. It would be the same as if you have a capital project. It has a zero percent on the tax rate.

Councilperson Falcone questioned options to guarantee the town gets the money back?

Mr. Swartz stated he cannot guarantee that.

Councilperson Colasurdo questioned if the town gives the school the federal money up front?

Mr. Swartz advised there is \$2 million in federal money expended by District and not they will not get this money back until March. The town can give the school the money up front and it would be considered the same as a loan.

Councilperson Falcone questioned what impact would that have on the school?

Mr. Swartz responded it would not have any impact on tax rate or budget. It would be strictly a cash flow option.

Mayor DiDonato stated the school has already come to the town for early payment in the past and town complied so this practice has already taken place.

Mr. Swartz stated if the school states they have a cash flow problem the town is obligated to give the money to the school. If the town does not have the money then they must take out a loan for same.

Public Heard

Mayor DiDonato opened the meeting to the public?

No one desired to be heard.

Mr. Swartz once again stated it is the town's decision as to what cuts to be made to Board of Education budget. The only downside is that since we are at the 12th hour deadline whatever decision this Mayor and Council make today the school district will be obligated to set their budget with that in mind. Once that happens any modifications made after the fact will reflect next years tax levy, not this year's tax levy. The Commission decides if the decision will afford a sufficient education or not. Any additional funds allowed by Commissioner will reflect next years tax levy. Mr. Swartz further advised there is a law and the Commissioner is requesting a "squeeze" be placed on school districts to enforce budget compliance. He feels with the assumptions the auditors made in reviewing the district's budget that the district will be facing a deficit next year.

Mayor DiDonato questioned Mr. Swartz why do you think school board did not go through every single line item to best determine their needs/cuts prior to coming up with their proposed tax increase that did not go forth on April 18, 2006 School Election Day and ultimately came back to Mayor and Council for action?

Mr. Swartz stated he could not answer that question and explained the budget anticipation process as is should have occurred.

Mayor DiDonato questioned if Mr. Swartz would recommend looking at each line item in future?

Mr. Swartz answered yes and he further recommended that the School Board not look historically but to look at actual costs anticipated for coming year.

Mrs. Rehmann wanted to clarify that when the board was told they were in a deficit the question arose as to how can that be. Barbara Prettiman came in and explained this is what happened. Therefore, the line item is now of the current budget. If we can identify where the shortfall came from we better know how it impacts the budget. She also confirmed that the school board did anticipate their budget just as Mr. Swartz explained on actual costs. However, they are attempting to address the prior shortfall which is causing the deficit. Her main concern is the children's education and she is confident that the tax levy proposed by Mayor and Council will definitely impact the level of education.

Mayor DiDonato explained the sources of revenue in the school budget to be 4.5 percent increase in appropriations. With inflation and teachers raises he still does not understand how the school board cannot find cuts to make in their budget.

Resolution #R066B-2006 Amend 66-06 School Budget

Resolution #066B-2006

RESOLUTION AMENDING RESOLUTION 066-2006 DEFEATED SCHOOL BUDGET

WHEREAS, the proposed 2006-2007, School Budget of the Board of Education of the Town of Hammonton, County of Atlantic and State of New Jersey, was defeated at the annual election held on Tuesday, April 18, 2006;

WHEREAS, pursuant to N.J.S.A. 18A:22-37, the Mayor and Town Council consulted with the Board of Education, School Superintendent, and Business Administrator and desire to certify the amount deemed necessary to provide a thorough and efficient education to the students of the Hammonton Public School system; and

WHEREAS, it is the recommendation of the Mayor and Council of the Town of Hammonton that certain revisions be made to the 2006-2007 budget of the Town of Hammonton Board of Education.

NOW, THEREFORE BE IT RESOLVED by the Mayor and Council of the Town of Hammonton, County of Atlantic and State of New Jersey as follows:

That the amounts to be included in the taxes to be assessed, levied and collected in the Town of Hammonton School Budget are:

TAX LEVY

General Fund-Original \$ 15,762,794

Reduction \$ 1,241,028

General Fund-Certified \$ 14,521,766

SPECIFIC LINE ITEM REDUCTIONS AND SUPPORTING REASONS

Account # Name Amount Reason

See attached Tables 1-4 of Reductions with supporting explanations and related background information **CONTAINED IN ATTACHED REPORT. SAME SHALL BE ATTACHED AND INCORPORATED INTO THIS RESOLUTION FOR CERTIFICATION.**

TOTAL TAX REDUCTION \$1,241,028

This plan contemplates the purchase of the Middle School building on N. Liberty St. by the Town of Hammonton for the sum of \$1.5 Million, subject to all requisite approvals. The Town and District (as well as the Waterford Board of Education) shall thereafter enter into a long term lease with rent charged at current values.

Furthermore, should the State not approve the sale/leaseback, the Mayor and Council of the Town of Hammonton hereby request that the tax levy remain at 7.1 cents and not be modified by the State unless and until the State conducts a forensic audit in light of the inconsistent financial data supplied to Mayor and Council by the School District.

BE IT FURTHER RESOLVED that there is hereby certified and substantiated that there be a reduction in the tax increase of 22.9 cents defeated by an approximate 2:1 margin. Mayor and Council, with the assistance of its fiscal oversight committee which spent more than 500 hours (in the aggregate) in reviewing the district's finances, have hereby modified the budget pursuant to the attachments which shall result in a 7.1 cent tax increase.

BE IT FURTHER RESOLVED that the revised General Fund Budget to be raised from Local Tax Levy in the amount of \$14,521,766 is **CERTIFIED BY THE TOWN OF HAMMONTON AND HEREBY** deemed to be sufficient to provide a thorough and efficient system of schools in the Town of Hammonton.

BE IT FURTHER RESOLVED that the Fiscal Oversight Committee and the Auditor of the Town of Hammonton and the Finance Committee of the Hammonton Board of Education shall meet on a monthly basis to review the fiscal status of the District and report its findings to Mayor and Council.

BE IT FURTHER RESOLVED that **IT IS CERTIFIED BY THE TOWN OF HAMMONTON THAT** the above reductions will not negatively impact on the stability of the District given the need for long term planning and budgeting.

BE IT FURTHER RESOLVED that certified copies of this Resolution be forwarded to the Hammonton Board of Education, the County Tax Board, the Local Tax Assessor and two copies to the County Superintendent of Schools.

BE IT FURTHER RESOLVED that there shall be no appropriation, encumbrance or expenditure of funds by the District associated with the sale/lease of the Middle School until the State approves same.

After a lengthy discussion with consideration to many options by everyone it was on the motion by Mayor DiDonato, seconded by

Councilperson Colasurdo, to adopt Resolution #R066B-2006 which amends 66-2006 previously adopted 5/15/06 and the Clerk to forward this final resolution concerning defeated school budget to NJ Department of Education, Charles Muller; and Board of Education, Ms. Leslie Motz by 4:00 p.m. today 5/19/06.

ON THE QUESTION

Councilperson Falcone once again questioned the legality of the purchase of the Middle School?

Solicitor reviewed for everyone both #R66-2006 adopted 5/15/06 and #R066B-2006 proposed for adoption by Mayor and Council today 5/19/06 in full.

Mr. Swartz added he wants to make sure that Mayor and Council understand that with the revenue modification, which the board would have to place into budget documents, would have to be approved by the county board.

Councilperson Falcone questioned if we acknowledge \$1.5 million is needed then how are we making that up in the school budget? If the sale of the school fails and in all likelihood it will, how will we compensate the difference for the school? We are all in agreement that we want to protect the taxpayers and provide a through education.

Councilperson Colasurdo stated we are trying to protect the taxpayers money. This Mayor and Council does not want to take 14 cents from the taxpayers as they voted the school budget down. This is a safety mechanism.

Mayor DiDonato responded council has to test the waters with this and make every attempt to properly charge Waterford which will provide an extra revenue source for the school. He requested the Clerk to invite the Mayor of Waterford to the next council meeting to allow him to get involved and confirm that they will not challenge the towns decision but will cooperate.

Councilperson Falcone still questioned where the additional funding will come from if the school does fall short at the end of this year and hopefully they will not?

Mayor DiDonato stated the school is sitting on surplus, property on White Horse Pike, that can be sold to make up for the shortfall if and when it happens.

Mrs. Rehmann questioned will the state prepare the forensic audit?

Mayor and Council stated yes and Mayor believes by statute they must run a forensic audit.

ROLL CALL

Councilpersons:

Bertino - Yes

Colasurdo - Yes

Falcone - Yes

Massarelli - Yes

S. Lewis - Absent

Wuillermin - Absent

Mayor DiDonato - Yes

Mayor DiDonato declared the motion carried.

Public Heard

Mayor once again opened meeting to the public.

Councilperson Falcone requested a resolution supporting county resolution concerning voter fraud be adopted today?

Solicitor requested this resolution be taken up at the Regular Meeting of Council to be held Monday May 22, 2006.

The Clerk was so advised.

MEETING ADJOURNED at 10:10 a.m.

Motion by Councilperson Colasurdo, seconded by Councilperson Falcone, the meeting be adjourned. Motion carried.

Prepared by April Boyer Maimone, Deputy

Approved by Susanne Oddo, Town Clerk/Adm.