

TOWNSHIP COMMITTEE MEETING  
February 15, 2011

The Special Budget Meeting of the Township Committee of the Township of Cranbury was held at 7:30 p.m. in the Town Hall Meeting Room. Answering present to the roll call were Township Committee members: David Cook, Glenn Johnson, Daniel Mulligan, James Taylor, and Mayor Win Cody. Also present were Denise Marabello, Township Administrator/Director of Finance; and Kathleen R. Cunningham, Clerk/Assistant Administrator. Mayor Cody led in the salute to the flag, and Ms. Cunningham gave the following Open Public Meetings Act statement:

In accordance with Section 5 of the Open Public Meetings Act, it is hereby announced and shall be entered into the minutes of this meeting that adequate notice of this meeting has been provided:

- (1) Posted on the Bulletin Board of the Municipal Office at 23-A North Main Street, Cranbury, New Jersey and remains posted at that location.
- (2) Communicated to the Cranbury Press, Home News Tribune and Trenton Times on January 25, 2011.
- (3) Was filed at the Cranbury Municipal Office, 23-A North Main Street, Cranbury, New Jersey, posted on the Township's web site and remains on file for public inspection, and
- (4) Sent to those individuals who have requested personal notice.

Mayor Cody announced the only item on tonight's agenda was the Township Budget. Mr. Cook asked if \$3.75 million is the updated surplus number. Stating the Township had a revaluation in 2006, Mr. Taylor asked what the actual rate increase was because there was a \$2.3 million surplus in that budget. Ms. Marabello stated she could go back and retrieve those numbers. Mayor Cody asked if the Township had its final numbers, and Ms. Marabello stated the Township has the final assessed value numbers, certified by the County, which is \$1,600,465,157, down by approximately \$95,000,000. Mayor Cody stated the valuation number is down by a little less than 1%. He stated the budget the Township put in place is ending and suggested the Committee look at the tax forecasts. Ms. Marabello stated the revenue and appropriations include grants. If the Township receives other grants during the year, the grants are added as Chapter 159. Ms. Marabello stated interest on investments and deposits decreased due to interest rates dropping, which was anticipated. Mayor Cody stated last year the Township needed to fund \$7.5 million, and would need to fund \$8.9 million this year without surplus. Mayor Cody stated this does not include state aid, and Ms. Marabello reported the Township does not have the state aid figures yet. Mr. Cook raised his concern of using more surplus, and going forward, the Committee should consider keeping it flat or reducing the use of surplus. Mayor Cody stated the budgeted use of surplus last year was \$1.1 million, replenished at \$1.4 million. Ms. Marabello confirmed \$780,000, which was the reserve from the 2009 budget, and half of that amount was funds set aside for payout for police contract negotiations. Ms. Marabello stated since the budget has been tightened, the Township can anticipate not having that type of reserve moving forward. Mr. Mulligan confirmed last year's replenishment rate was funded by a portion of that \$780,000 last year. Ms. Marabello explained in the previous year, the amount was \$1.2 million. She anticipates it will be less than \$1 million in 2011. Mr. Cook asked if the surplus historically gets funded through sewer hookups, etc., and Ms. Marabello replied the business part of the surplus is added and omitted, such as added tax and assessments, and was very low this year. The largest amount is coming from prior years' budgets and from sale of land. Budgets in the past were healthy, and not all was spent so funds became surplus, which the Township will not see moving forward. Ms. Marabello stated the problem with the levy tax is the Township will not be able to raise taxes when needed, and the Township will need to use surplus. The Township must be sure it has enough surplus set aside so the Township does not have to go to referendum. Mr. Taylor asked at what amount the surplus needs to be for the Township to keep its bond rating.

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Ms. Marabello stated it is very difficult to say, however, 10% to 20% is a healthy amount of surplus. Ms. Marabello explained the bond rating is based on surplus and on other financials. Going to referendum to raise taxes would affect the bond rating. Mr. Mulligan referred to the League of Municipalities website, and stated the ratable base (Cranbury's is declining) and tax delinquencies (Cranbury has none) are also taken into account for bond rating. Mr. Mulligan stated a surplus is not common in many New Jersey municipalities. Cranbury Township is in a very good financial position, and the task at hand is to keep it that way. Ms. Marabello stated Cranbury is able to provide services to residents, but if the Township has to start cutting the budget, services will be cut. Mr. Cook stated based at the current consumption of surplus, using a replenishment rate of \$800,000, the Township would have to go to referendum in four years because the surplus would be depleted. Ms. Marabello confirmed that would be the case if the Township needed to increase taxes by more than the State allowed and the Township did not have enough surplus to balance the budget. Mayor Cody stated if taxes were kept flat, the assessed value of the Town did not change and there was a 2% increase in spending, the Township would run out of surplus in four (4) to five (5) years. However, Mayor Cody said we do not know the future. The Township did approve four (4) building projects this year, which will not impact ratables this year, but may next year. Mayor Cody stated relative to other municipalities in the State, Cranbury is in good shape. He was optimistic the economy would improve, but if not, could consider the level of services offered in the future. Mayor Cody stated the Township is not in a bad financial situation to raise taxes as the surplus is above what it should be, State aid may be forthcoming, and the Township may get some more ratables. If the valuation goes up, taxes go up automatically. Ms. Marabello stated she asked Steve Benner, Township Tax Assessor, about the assessed value and was advised that if the Township leaves the assessed value at the same rate for the next five (5) years, the rate would average out. Mayor Cody stated the future is uncertain, and stated he is reluctant to raise taxes for residents in this economy; however, if the situation worsens in three years, the Township can revisit it at that time. Ms. Marabello stated if the Township does nothing today, taxes may have to be raised by \$.04 to \$.05 in three (3) years. Mr. Cook stated he would rather receive a tax cut in three (3) or four (4) years rather than use the surplus faster than the Township is able to replenish it. Once the surplus is gone, the increase in taxes will have to be high and along with that, there will be service cuts. Mr. Cook stated he is in favor of keeping the surplus neutral, with the possibility of a tax cut in the future. Mayor Cody stated the numbers are consistently going up. Mr. Taylor stated he could agree if the Township did have the police contract funds coming back and the sale of land in 2007 coming into the surplus. Ms. Marabello asked the Township Committee to look at what is happening to excess tax collections. Mr. Taylor stated it is dropping dramatically, and Ms. Marabello stated it will continue. Mr. Taylor doesn't want to set a budget based on the economy three (3) years from now, but also doesn't want to set a budget based on a rosy picture. Mayor Cody stated the Township is not doing layoffs and furloughs like other municipalities. Mr. Taylor stated Cranbury cannot be compared to other municipalities because historically the Township is conservative. He stated the Township Committee has done its due diligence with this budget. Mr. Taylor inquired if the Township has reserves for the police contract this year, and Ms. Marabello stated it is not needed for this year, but if there is not an FOP contract in 2012, the Township will need to anticipate putting money aside. Mayor Cody stated the future does not look bleak. Ms. Marabello asked the Committee to consider more than half of the ratable base is warehouses. Many of those assessed values have decreased, and by not increasing taxes, the warehouses will be paying less in taxes. The average assessed household amount decreased from \$617,439 to \$608,299. The average household paid \$2,315/year in municipal taxes. If the rate was raised by \$.01 next year, residents would be paying \$2,341 (\$26 more than paid in 2010). If the rate is raised by \$.02, the amount is \$2,402 (\$87 more). If \$.03 is \$148, that would be \$11 more in municipal taxes. Ms. Marabello agreed it is a hard time for residents, but the increase is only \$11.00/month. Mr. Mulligan said he did not run for Township Committee to raise taxes, however, with reducing the budget by \$500,000 since last year, cuts were made to services residents use, such as Recreation, Senior Center, and Police headcount. Mr. Mulligan stated he is not sure the community is ready for those cuts. He stated there are built-in costs such

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as pensions and health care which have no flexibility to reduce. There is not wasteful spending occurring in Cranbury. Looking at the long-term future of the Town, if the surplus is depleted, Mr. Mulligan stated he is concerned about having to go to referendum and not having control over cuts in the future. Mr. Cook stated \$87/year on average on a \$.02 increase to keep services intact in Cranbury and not run the risk of having to make cuts later is worth the increase. Mayor Cody stated the Township is in good shape and did not want to raise taxes. Ms. Marabello said the decision has to be made if taxes should be raised, and if State aid is received, the Township can use less of the surplus. Ms. Marabello stated a decision must be made and State aid information would not be available until late March. She stated the Township does not know the amount of state aid before the introduction of the budget but will know the amount before adoption. She stated the budget can be introduced and then amended if necessary before final adoption. Mayor Cody asked if the budget had to be introduced on February 28th, and Ms. Marabello stated it could wait, but stated the Township Committee has to be comfortable with the tax rate. She did not recommend waiting for state aid numbers before introducing the budget. Ms. Marabello explained the budget must be introduced one month prior to its adoption. Not adopting the budget on time is frowned upon and can impact the Township's bond rating. Mr. Taylor stated he is opposed to delaying the budget introduction. Mr. Cook stated the two (2) issues affecting the 2011 budget are the Brainerd Lake Dam and sewer improvements. Ms. Marabello confirmed the Township will be spending over \$2 million for those two (2) items over the next couple of years, which will affect our debt service. Mr. Mulligan inquired procedurally if the budget could be amended mid-year, and Ms. Marabello confirmed that could not be done. Mayor Cody stated the Township lost most of its state aid, but kept the energy receipts tax. Ms. Marabello replied the Township should receive the energy receipt tax, but did not know the amount. Mayor Cody stated 98% of the state aid is the energy receipt tax. Mr. Mulligan clarified it is not state aid, but our tax dollars coming back to the Township. Mr. Cook asked if the "state aid" would be used as replenishment to the surplus, and Ms. Marabello explained it helps offset by being additional revenue. Mr. Mulligan stated the Township is gambling if taxes are not raised since we would be put in a position where cuts may need to be made in the future. Mr. Taylor stated he did not think it was fiscally responsible to keep the tax rate flat.

Mayor Cody asked the Township Committee members for their tax rate number. Mr. Johnson stated he was concerned about the surplus. He stated while campaigning he received many comments about sewer fees and questioned why the fees had to go up so much. Mr. Johnson stated some tax increase is necessary and he would go as high as \$.02. Mr. Taylor agreed many residents were upset about the sewer increase. Recognizing this is not a good economy to raise taxes and not knowing the amount of state aid, Mr. Taylor would also go as high as \$.02. Mr. Cook said the Township is going into the surplus, and the past sources of replenishment are no longer available. He stated he believes taxes should be raised now, and understanding sewer will be an issue in the future, it is fiscally responsible to raise taxes \$.02. This is not contingent on state aid since any aid now will be "found" money or replenishment money for the surplus, which is diminishing even with that replenishment. Mr. Mulligan stated the Township is trying to pay its bills, and it is not collecting enough taxes to cover he bills. The Township has a new 2% cap, which in the long term may put the Township in a position to go to referendum. Mr. Mulligan stated Cranbury does not want a tax increase, but at the same time Township costs have increased. Health benefits and pension costs have increased, and those costs are out of the Township's control. The Township does not know the future costs of the dam repair, possible affordable housing, and possible land acquisition for affordable housing. From a fiscal standpoint, having the surplus is positive. Mr. Mulligan stated he felt the economy may be uncertain until the next presidential election. The Township is not seeing business growing; approvals have been granted, but land has not been broken. Mr. Mulligan stated he did not run for Township Committee to raise taxes, but looking beyond his three-year term, stated the right thing to do for the community, while difficult, is to commit to \$.02 tax increase this year. Mayor Cody stated he is opposed to a tax increase because the Township is in a strong financial

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2011 Budget Discussion (continued)

position and the surplus is high. The surplus was replenished last year and if it is an issue in a few years, it can be addressed then. Mayor Cody stated it makes no sense to him to raise taxes and he is opposed to it, however, the majority of the Township Committee is recommending a \$.02 tax increase. Mr. Taylor suggested if taxes were raised \$.02 and state aid comes in, he would like to see the state aid be used to reduce the debt service rather than go into surplus. Ms. Marabello stated the Township cannot earmark the state aid specifically; however it can fund a capital project out of surplus. Mr. Mulligan stated the Township is proceeding under the assumption there is no state aid. If the Township does receive aid, Mr. Mulligan suggested using it to purchase a dump truck instead of using it for long-term debt. Ms. Marabello stated when the capital accounts become low, it is necessary to go out for notes.

Mayor Cody stated \$.02 will be the tax rate. Ms. Marabello stated the budget will be introduced on February 28<sup>th</sup>. The Township will see if the State allows adoption of the budget or if the Township is told to wait until April to adopt. Ms. Marabello explained the State came to her last year with state aid numbers right before adoption. Mr. Taylor asked if the Township can change the budget, and Ms. Marabello replied the budget can be amended before adoption. Ms. Marabello stated whether or not the Township receives state aid, what she is hearing is the Township Committee wants a \$.02 tax increase and the surplus, if received, could be applied to fund capital projects. Mayor Cody clarified the Township Committee wants a \$.02 increase and the amount is not contingent on the amount of state aid.

The consensus among the members is to use any state aid to fund projects instead of increasing long-term debt. Mayor Cody stated the Township Committee is deciding on the tax rate and not how the surplus is to be used. Messrs. Cook, Johnson, Mulligan and Taylor were in agreement with the \$.02 tax increase.

Mayor Cody then opened the meeting to public comment and questions. Hearing no comment from the public, Mayor Cody stated the public was welcome to contact the Township Committee members at any time.

Mr. Taylor inquired the status of the bus stop signs ordered for Old Trenton Road. Ms. Marabello stated Old Trenton Road is a County road and stated the school is ordering the signs and Township Public Works is going to assist installing the signs. Ms. Marabello will follow up on the status.

Hearing no additional comments or questions from the public, Mayor Cody closed the public portion and asked for a motion to adjourn the meeting.

On motion by Mr. Taylor, seconded by Mr. Cook and unanimously carried, the meeting adjourned at 8:30 p.m.

Ayes: (Cook  
(Johnson  
(Mulligan  
(Taylor  
(Cody

Abstain: (None  
Absent: (None

Nays: (None

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Jean Golisano, Deputy Clerk