

## **MINUTES**

SPECIAL MEETING, THURSDAY, SEPTEMBER 30, 2010 AT 7:00 P.M. OR AS SOON THEREAFTER AT BOROUGH HALL

### **OPEN PUBLIC MEETINGS ACT.**

BOROUGH CLERK: this meeting is being held in accordance with the rules and regulations of the Open Public Meetings Act of the State of New Jersey. Adequate notice of this meeting was provided by forwarding a Sunshine notice which included the time, date and location of this public meeting of the Mayor and Council.

### **ROLL CALL:**

COUNCIL MEMBERS: Councilman Bianchi, Councilman Hughes, Councilman Johnson, Councilman Kearney, Councilman Tanelli, Councilman Yampaglia

ALSO PRESENT: Mayor Peter C. Massa, Borough Clerk, Terence M. Wall, Borough Attorney, Randy Pearce

### **PLEDGE OF ALLEGIANCE**

Mayor Massa – at this time at the request of Council president, I'm going to entertain a motion to suspend the regular order of business so that we can hear the report from Mr. Lerch. Motion?

### **MOTION TO SUSPEND REGULAR ORDER OF BUSINESS**

INTRODUCED BY: Councilman Hughes

SECONDED BY: Councilman Kearney

ROLL CALL: All council present vote in the affirmative

Mayor Massa – Mr. Lerch the floor is yours.

### **PRESENTATION**

Mr. Lerch – what I'd like to do is go through a couple things with you. First I'd like to talk a little bit about what the audit is. And then I'd like to discuss the process so everybody has a feel for what happened. I don't know if this has ever been presented before to the mayor and council in this type of format so I'm not sure if anyone's familiar with the audit and how the process works and then I will go through each of the comments and recommendations and at that point if anybody has a specific question, you can ask a question or you can wait to the end. What I do want to start out by saying is that the 2009 audit was completed and it has a qualified opinion. It's qualified because of a lack of fixed assets, its also qualified for the LOSAP report; it's a qualification for you to have in every single municipality that has a LOSAP program so that's not unusual. It's unusual for the fixed assets not being valued or having a report for value. Having said that, the audit process continued over several months and at the end of that process, we sat down, myself, my staff members, we invited Council president Rich Hughes, we invited the mayor at that point and we had the administration at this meeting and this meeting was over a two day period. We probably spent about honestly about ten hours in this process trying to get our hands around what happened to make sure that the most important thing from my perspective is to get it right. The ideas really is to get it right, to go through the process, trying to get our hands around the information what we found, have some feedback with the administration so everybody's on the same page. We did go through that process, that was probably one of the longest processes that I've ever gone through as far as an audit exit comments to go over that period of time. What it did result in, it did result in 24, 25...

Administrator Wall – 25.

Mr. Lerch – it resulted in 25 audit recommendations and what I'd like to do for the mayor and council if you have your books, really what I'm going to do is I'm going to go through the body of the report and read you the findings, discuss the findings and then the recommendations or corresponding order. So the very first comment that I have deals with the fixed assets. The fixed assets are a requirement in New Jersey administrative code. The borough's required to have a value of all its assets and keep an accounting of those assets. That valuation was not available for review for audit so we were unable to audit or come up with a term in fixed asset value in the borough. The second comment deals with the minutes. When we came in to do the audit and again let me step back one second because I just want everyone to understand that what I'm talking about is 2009. It's a snap shot of '09. This is not indicative of what's happening in '10 okay, everyone just needs to keep that in mind. So for 2009, our audit revealed that the minutes of certain meetings were not prepared timely and presented to timely to the governing body for approval and certain minutes were lacking some of the supporting documentation that really needs to be attached to the minutes.

Administrator Wall- mayor and council, just a noted. When you see an asterisk by any of the comments, that would denoted it is in process, for the approximately 20 items that do not have an asterisk, that indicates that the issue is resolved and complete so we'll be focusing on approximately four of the items out of the 25 moving forward for your edification as you're going down the list.

Mr. Lerch – just to give you a little flavor of the minutes. The minutes for the meetings for June, July, and August and September of '09 weren't presented to the governing body until December. February, April, and October of '09 were presented to the governing body in fiscal year '10. Very important that these minutes be updated on a current basis. It's certainly one of the most crucial things that we do as part of an audit process is to read minutes. That is an official document as to official recording of what's happening in the town. The next comment deals with our audit of the general capital fund. The general capital fund is the fund that accounts for your major improvements, all your ordinances, when we looked at the ordinance balances, in the general capital fund at the end of the December of '09, there were several ordinances where the money was spent that were over 5 years old and the funding never occurred. What I mean by that is that when you do an ordinance, you have an authorization for debt and you spend you the money and you never fund it either through the budget process or by borrowing the money. So...

Councilman Hughes – well, by borrowing money you mean like we bonded normally would...

Mr. Lerch – right, how do you fund it, you either fund it through the budget, through the budget process or you could fund it through short term notes and you could also fund it through permanent bonds. But there were ordinances that accumulated over \$105,000 that have negative cash. So it hurts your cash flow, what does that mean, it means that in a general capital fund we spent the money for a specific purpose yet we didn't have the money in the general capital fund so we had to borrow it from the current funds. It's a loan. So you're borrowing money from the current fund to pay for the capital fund expenditures. The next comment deals with unrecorded contracts and commitments in the general capital fund. When we did our audit, our audit revealed that there were certain contracts that were not recorded at the end of the financial period to a substantial sum of money of over \$886,000. Certain one's, the biggest one was dealing with a fire truck. We had other items that were near the library renovations. We had sewer repairs. We had apron improvements. I can't stress it enough and I think this is going to be something that you're going to see that's probably going to be in four or five of these kind of recommendations. Is that what's happening is internally, there were expenditures being authorized at your level without adequate certification or funding available. There'd be a contract that would be awarded without a certification of funds or available.

Mayor Massa – just to interrupt Mr. Lerch, what you're saying here is every time there's an award, there should be accompanied with that a document of certification of funds?

Mr. Lerch – absolutely.

Mayor Massa – okay. Thank you.

Mr. Lerch – and it's critical for you and I think what happens when you look at this and when I come to the end of the year and I look at any municipality and you're sitting there going through the financial records and we're doing an audit to make sure that all the contracts are encumbered and awarded properly. And when you're talking almost \$900,000, it's a little unnerving. The next comment deals with our audit of the cash disbursement cycle. It kind of ties in a little bit what we were just talking about. We had numerous incorrect budget account charges in the current fund and in the capital. What does that mean? It means that when we come in and we did our test of expenditures and we do random sample of vouchers and we make sure that if you're buying an O and E item that's police, that the OE item for police is being charged to police. What we found is that there are numerous items that we're being charged to the wrong line item account. And also in the capitals, when we looked at capital, we want to make sure that if you're buying any item if it was for fire truck and items that pertain to a fire truck that it's not being charged to an ordinance that calls for municipal improvements. We had a lot of cross charging being done where the expenditures were not being tagged to the proper line or the proper ordinance account. There were also payments being made for various sewer repairs and a contract awarded for a senior bus that had no spending authorization. So here again, we're making expenditures and awarding repairs contracts for emergency repairs sewers, there was no budgetary no statutory or authorization established for that. Could be done two ways, you can have a line item in your operating budget that accounts for that or you can do an ordinance and then charge it out as part of a sewer repair ordinance for those type of improvements.

Councilman Bianchi – did we receive the money, the \$90,000 for the bus?

Mr. Lerch – not yet.

Councilman Bianchi – we didn't get it yet. But it is coming.

Mr. Lerch – at my understanding, it's coming. My problem is with that, I mean we can regress a second on that. My problem with that is that the money was spent now, the money was physically spent in 2010. 2009 under the audit period, the contract was awarded. The contract gets awarded in 2009, we don't have a spending authorization for it, so I kick it out. 2010, now the money was spent, the check might have been cut in January or February physically spent. So right now, you're sitting here in 2010 with an expense that's really in [inaudible] because you don't have a charge for it. You don't have a specific purpose for it funding source. What's happening now I believe is that we're trying to get the funding for this particular bus. If the funding doesn't happen and the funding doesn't come in in 2010 which is only three more months away, then you're going to have another issue because you're going to have to figure out how to fund that bus. Either you're going to have to do that through a capital ordinance or provide it in the budget unless you get the grant funded.

Councilman Bianchi – where did the money come from to pay for the bus? Do you know where it came from?

Mr. Lerch – it just came from cash on hand, it's out there and it's in the banks. I don't know where it's actually charged right now. In '10, I don't know, it's charged somewhere but it's clearly not charged in the appropriate location.

Councilman Hughes – is all this legal that all this?

Mr. Lerch – no and I think that's where we get into this whole process and some of the issues is really what is the process. The process has to ensure that before you make payments or award contracts, that you're getting a certification of funds and you have proper ability and proper authorization to spend the money. If that doesn't happen, then anything can happen. And the most important thing that you can have is really a control. You need to have a control in place. I know we've had many meetings after that exit conference where we discussed some of the corrective action, and I believe some of the corrective action has taken place. You need to talk about a little bit further in the report

where we had an accounts payable clerk and where they have access to stamps and preauthorization of purchase orders. I know that a lot of that has been addressed.

Councilman Bianchi – Paul, I got another question for you. Let's go back to the fire engine that we just bought. I know the state gave us what, 300,000?

Mayor Massa – 350 as I believe right.

Councilman Bianchi – alright, we did receive that? Okay we got that check. But where did we get the 500,000, where did it come from?

Councilman Bianchi – I believe that was already, that was bonded.

Mr. Lerch – it was bonded. It's just a procedural issue. It's not that you didn't have the money, what's happening is that the financial statements and financial records need to reflect any time that you're awarding contracts as well so although you may have authorized it and you may have had an appropriation, the reporting of the financial statements didn't reflect the contract. So you have to every time you award a contract, it's got to be reflected in the financial statements. And it's not being done. So when we came at the end of the year, you had spent \$800,000 that was authorized by the governing body and you had spending authorization, but it wasn't being recorded downstairs. So your books would have shown that you have \$800,000 more to spend on certain items than you actually [inaudible].

Councilman Hughes – well one of the things that was glaring in the discussions I've had with you and in the exit interview with the library renovations, could you explain how that fits in with this and how that was an aspect of this?

Mr. Lerch – sure, sure. One of the other items here deals with a contract awarded for library renovations that exceeded the improvement authorization; improvement authorization is your legal limit, your legal ability to spend money. So there was an award for \$49,000 that exceeded the authorization. That's a violation of state statute. What it is when we looked at the library ordinance and this over expenditure we realized that the original library ordinance was written for a value of approximately \$200,000. The contract was awarded for \$249,000 on a \$200,000 ordinance. Then there were additional items being charged for books and shelving and all kinds of other items that were added to the library ordinance. So the library ordinance originally is established for \$200,000. The original contract gets awarded for 250 roughly. There's another change order for \$50,000 and then there's roughly another \$100,000 worth of additional library type expenditures and we were concerned when I looked at that originally, where are these being charged too again because the library ordinance itself only had a \$200,000 value and as it turns out, these additional \$200,000 worth of charges were being charged to other ordinances that were identified as improvements to municipal buildings, various municipal buildings.

Councilman Hughes – is that where that bike path money went to?

Mr. Lerch – I don't know where the bike path money went to. We had some charges to a bike path when we never actually built a bike path so that's just another example. I mean there was an ordinance authorizing a bike path. I know there was a bike path never completed but yet we have roughly \$35,000 worth of charges over the last two years to this ordinance. Just some other kinds of items that we found, you know what's the cause really the cause is because the purchase always with the approvals are prove prior to the processing of the certification of the budget that you have available funds.

Councilman Tanelli – can I ask you a quick question mayor? What's the holdup with the \$90,000 from Rothman's office for the senior bus? Has anybody been in communication with him? I mean that senior bus was a grant, that should have been satisfied.

Administrator Wall – yeah, there's a process with the federal transportation administration. They run the funding through NJ Transit and the funding is in process of being completed. But the FTA, they're funding vehicles through NJ transit and so we're

on top of those folks regarding how to pull those funds down. New Jersey transit did not communicate with the borough as to how to draw down the funds. I reached out to the FTA and New Jersey transit to determine the location of funds. They now are engaged in securing the funds, processing the paperwork correctly, and if everything is in order as it should be to send the funds to the borough.

Councilman Tanelli – they give you a time table, I mean we're 9 months into the year already?

Administrator Wall – we're expecting the project closed out in this fiscal year, in this calendar year.

Councilman Tanelli – alright, thanks.

Mr. Lerch – the next item is a repeat from last year's audit. This one dealt with a comment that was previously reported which continued. Basically what it's talking about is these grant draw downs and we'll talk a little bit more about the grant and specifically was identified in last years audit that there was a department of housing and urban development grant that was awarded to the borough but the documentation was not completed timely for the drawdown. There was a repeat again. This is part of the same process that we observed in 2009. So explain that.

Administrator Wall – the department of urban development requires semi annual reports that are typically generated from the finance department or engineering or another related department that can speak to what the process is, this goes back to 2005. Typically draw downs and grant processes are handled within the finance department. The 375,000 which is part of Ridge Road streetscape phase 2, the draw down would typically be done and the person that was, the authorized person to draw down those phones in their electronic system is the director of finance, your CFO. The funds had yet to be drawn down. I ensure that the semiannual reports that date back to 2005 prior to my arrival here but recreating the semiannual reports that needed to be done, were done, they are done, they've been submitted as well as the other related documentation so we should be pulling that 377,000 down to prior 12/31/10.

Councilman Bianchi – is that the street up at the pike?

Administrator Wall –streetscape phase 2, yes.

Councilman Bianchi – the one they're going to build?

Administrator Wall – no no, I'm sorry, that's phase 3.

Councilman Bianchi – now, we paid for that. Where did that money come from? We're just waiting for the grant money to come in.

Administrator Wall – yes, you're drawing down your reimbursements on the grant fund for 377,000 approximately. The \$460,000 grant that I wrote for you for streetscape phase 3, that's going according to program, signup on the contacts and that projects ready to start. That's a separate, that's a new plan.

Councilman Bianchi – that's a new one but we still didn't get the grant money for...

Administrator Wall & Mr. Lerch – that's right.

Mr. Lerch – and I think what you'll see is one of my other comments down here down towards the bottom of the page here, you know we're talking about which is really alarming when you talk about the grant receivables that are outstanding in current fund and capital, you're talking \$700,000 in the current operating account and \$1.6 million dollars in the general capital account that is still outstanding and not received. And that's why your cash poor.

Councilman Bianchi – how do we get that money? I mean some of these projects here, it was three years old.

Mr. Lerch – and some are older than that. It's a process that has absolutely started, it started when we met actually before the exit conference, we sat down, we would give Terence an update as to where we are going, what did we find, and that's when the paperwork started and Terence can fill you in as to where you are today, how does that happen, what does it represent. I can try to explain what it could possibly be. When you have these ordinances and we'll talk about the capital fund for instance, you're doing ordinances and you're authorizing grant money. We know that the money was spent because when you look at the ordinance the money was spent, and that's how you're creating this negative cash. Either the reimbursements were never filed for, or you filed for reimbursements in previous years and you may have written a grant that said that it was going to be for a specific purpose since part of the money was spent on something that may not have been approved for reimbursement so you'll never collect on it. And those are some of the options that are out there so why this happens.

Councilman Hughes – so in essence, we're either utilizing cash reserves to cover the bills or we're borrowing money on a short term basis, paying interest on this money for years and years instead of getting this reimbursed in time with fashion.

Mr. Lerch – and the other problem is it that what's it creating is it's one of my other comments here, it's creating these interfunds. You know, when you look at your balance sheet without getting too technical on what that does for you, when you have receivables in you're current fund due from other funds which is what's happening, that it's limiting your surplus in the amount of surplus you could use for relief back in the budget. The division state of New Jersey is only going to allow you to take the piece of surplus that you have that's cash. So if I have a million dollars in surplus and I have a half a million dollars under receivable, they're only going to let you use a half a million because it's a concern [inaudible]. They're only going to let you use cash. So when you have \$600,000 in grant receivables in current fund alone and interfunds, that limits the amount of surplus or cash surplus that you have available.

Councilman Tanelli – mayor I have a question. So explain how this process works for me because obviously I must have been asleep up here but you get a grant, you get a letter that you're awarded \$300,000 for a fire truck. We have the letter from the federal government from Menendez office saying we've been awarded X amount of dollars. We as a council sit up here and we approve, we authorize the purchase of a vehicle. The vehicle gets ordered. The vehicle comes in, we pay for the vehicle, whose responsibility is it to collect on the grant for the on the grant or whatever's being awarded to the borough, who's responsibility is it once we approve it and authorize the purchase, [inaudible]? Who draws the money down? Whose responsibility is that?

Mr. Lerch – the Borough of North Arlington.

Councilman Tanelli – well, the CFO, is it the tax office?

Mr. Lerch – it depends, well it certainly not a tax issue I could tell you that. So you're really looking at it's a combination between looking at the CFO and the administrator and it depends how you have that division of duties segregated. It's a combination of both and I don't know who's responsible for filing the paperwork but it's certainly something that gets done by having your engineer providing the reports, by having someone collate all that information by getting vouchers, proof of payment of goods and services from the CFO and then by gathering all that information and filing with the correct agency. It's probably a combination of everybody of how does that happen. The problem is is when you look at this, a lot of it and some of it's old and goes back two years, three years, four years and it's a tremendous amount of money, it's a drain on your government it really is. And what's happening is is that we started the process, we started looking at it, we sat down and created a huge spreadsheet as to exactly every ordinance, what the grants were, we tried to go back with the CFO, tried to figure out where the money is. We found some of the money was put into the wrong [inaudible] as it came in so we had to reallocate it as part of our process here but now the job is to really figure out call these agencies and say

hey listen, you know what we had a grant that was five years old and it was from the county of Bergen Open Space or what have you and can we collect. And I think that's the process that maybe Terence can kind of fill you guys in as to where you are in the process.

Administrator Wall – I can just share with you. Part of your finance contract is drawing down the grants and handling those issues, not to belabor the point, but the authorized representative for housing and urban development to draw down funds is your current CFO, Joe Iannoconni. That said, I pulled every finance piece from downstairs, back up stairs to get it resolved with HUD smart growth grant, the senior bus in Bergen County Open Space requisition trust. There are items that go back that I was never, I wasn't here at the time that go back to as Paul had indicated to 2005 and 6.

Councilman Bianchi – I'd like to say something. You know what I think? Joe Iannoconni is a nice guy but for 2 hours a week, what can he do. You know? You know what I'm saying?

Councilman Hughes – actually Mr. Mayor, I think personnel matters we really need to discuss at closed session so I'd rather now get into anybody's name or job title here at this juncture because I don't want to run a foul of the rights required.

Mayor Massa – well yeah, you and I have had some conversations about making revisions to the CFO operation as it is in the past so you can continue.

Administrator Wall – just for the mayor and council's edification, strictly on the outstanding grant, they've all been pulled out of finance. I'm personally addressing every single one regardless of how many years it goes back. HUD has there, I'm sorry go ahead.

Councilman Bianchi – is that money still there after five years?

Administrator Wall – yes, absolutely. I've confirmed that...

Councilman Bianchi – 2005, that money's still there waiting for us?

Administrator Wall – yes, Chloe Drakes at Bergen County Open Space and Requisition Trust fund, they've confirmed that there, we had one project that was the field behind the high school. You paid out \$100,000 you still have 50,000 you never received. That was back in 2005 or so. Those requisitions have been packaged together, shipped up. Housing Urban Development is the \$377,000. There's an individual there who has now received the semi annual reports for this project which go back to 2005 just to give you're a time perspective.

Councilman Bianchi – so we're talking about almost 2 million dollars?

Administrator Wall – the smart growth grant also we had approval to convert it to a we were about to lose a grant when I came on board for about \$65,000, we converted it to a circulation element grant to help you with your re-examination of your master plan. Their paper work I needed to resend the state the documentation indicating their approvals to apply to a new grant. They are moving, they're going to get back to us but they're moving their offices. They now have all their paperwork which they previously approved to pull down that I think its around 50 or \$60,000 and last thing on the bus, the FTA works through the NJ Transit to move the earmark funds regarding the senior bus to the borough. I can just as a statement of fact, we received no communication on the draw down process. That said, we've been in touch with the NJ, I've been in touch with the NJ Transit and the FTA. Dove tailing these agencies together to pull these funds down and we do expect these items cleared out by the end of this calendar year.

Councilman Bianchi – but Rothman's name was on that check. He had a big 6 foot check right mayor?

Administrator Wall – yes.

Councilman Bianchi – and his name was on it and it didn't say any New Jersey Transit or nothing.

Administrator Wall – right but similar to CDBG, community development block grant is run through Bergen County so they're federal funds but they run through the county and the county administers them. Similarly, this FTA, this federal transportation administration federal grant, the disbursing agency or the agency that handles the checks and balances of those accounts is delegated to NJ Transit and that's the organization where it comes finally.

Councilman Kearney – Mr. Lerch I have a question. With all due respect may I Mr. Mayor?

Mayor Massa – sure.

Councilman Kearney – so my understanding is you have a spreadsheet, you have in an organized fashion what ordinances were made where you can try to track down systematically track down money where it went and what monies we may have coming to us by way of going through a checklist that you've developed.

Mr. Lerch – right and we've also...

Councilman Kearney – and how far back can you go?

Mr. Lerch – well I mean we can only use the data that we have available [inaudible]. What we've done is we've created this list of all these receivables, identified the ordinances, identified the agencies...

Councilman Kearney – how many years back can you go? That's if you know.

Mr. Lerch – we have the list and I have just ordinance numbers here without years so I don't know I can always covert that but I didn't do that as part of my report so...

Councilman Hughes – well we have a debt report [inaudible] has it gone back to March 10<sup>th</sup> 2005 and there's actually one before that with no date.

Mr. Lerch - So what we've done is we've prepared the spreadsheet and then the trick now is to really try to be aggressive on the collection side which I know that I personally have at least five or so meetings with Terence and the CFO to try to get this thing rolling as to where we are. I know they're making headway on it. We've also tracked the amount of money that we did now finally starts to receive on some of these grants. My only concern is that I can tell you with almost complete certainty that other 1.8 million; you're not going to collect 1.8 million. It's not happening and for some of the reasons I indicated either because maybe the original award was for a specific widget and then we used it on widget B not widget A and so it becomes a disallowable expense for the grant. Maybe not for the ordinance. What does it mean? It means that in the end that you have to rectify the problem because you've spent the money but yet you haven't collected the money because you assumed it was going to be collected through this grant process. That inevitably is not going to happen to the [inaudible] million.

Councilman Tanelli – I'm sorry, do you have it itemized what was like Councilman Kearney said; you have an itemized list of what was spent and what it was spent on? Can I get a copy?

Mr. Lerch – no, I don't have a list of what was spent, I have a list of each ordinance that had the receivable against it and the status of where it is.

Councilman Tanelli – I'd like to know what ordinance was passed and what was purchased that wasn't supposed to be purchased with that ordinance.

Mr. Lerch – its in the audit report. I mean if you go to pages 77 and 78, it gives you the detail list of every grant that's outstanding and what ordinances attach to it. You can go back and attach the years, I didn't do that. How do you rectify? The only way you're going to rectify that now is that at some point down the road you're going to have to go through this process and when you get to the point that you know that you've exhausted all your resources and collected everything that you're going to collect, then you have to look at it collectively and say now we need to go back and we need to reissue another ordinance that amended those ordinances because those ordinances were established with grant receivables. Now you have to authorize debt to pay it. You've paid it already, you've made the cash payments, you just never collected on them. And the only way to fund those ordinances then is to go back, redo the ordinances, authorize the debt and borrow the note on it.

Councilman Kearney – at the beginning of the meeting you said that you didn't have all minutes that you consider timely. Well do you have the minutes that would reflect these ordinances like now?

Mr. Lerch – we do and I think what you're going to see is that the majority of these go back before '09. So remember I'm only here from January 1 of '09. And if you look...

Councilman Kearney – of 2010 you mean right?

Mr. Lerch – well right but my audit covered '09.

Councilman Kearney – okay gotcha.

Mr. Lerch – so if you were to look at those two exhibits, anything that's authorized on those two exhibits are going to be 2009. Anything that was there previously is obviously before '09. I think I would imagine that you can get copies of all the ordinances and everything that as it was authorized.

Administrator Wall – we have copies of all those items. There are some but one particular the construction of the bikeway, what I'm seeing as were observing is each item has a story. The bikeway is \$159,000 grant as an example. The bikeway itself was never constructed and so you would I guess we could lose the grant; there were acquisition issues on property so weren't able to utilize the grant and the grant would be cancelled for that reason because of acquisition issues. The reason I illustrate that one, it's an example of money that you would because the project itself was never completed due to property acquisition issues, you would essentially lose the ability to utilize those funds but each particular item

Mr. Lerch – and that's the exception though...

Councilman Hughes – but there's money charged against that grant for what purpose we don't know, we would have to fund that through borrowing since were going to lose the grant and we spent the money on something else and I'm sure like Mr. Lerch says that goes back before his time and before the period of time that he was investigating. So it wasn't his responsibility to find out what that money was spent on. But we now have to cover that debt. And we've been basically floating short term notes to paying the interest on it to cover it.

Mr. Lerch – you also have the same problem in your general operating fund. And just for your reference, I'll give you the page and you can see there's over \$600,000 worth of grant receivables. Most of them are old that you put in the budgets, try to balance the budget with and never collect and so what's going to happen is again, you're either going to have to try to and of course that's the first option is to try to collect on these. If you can't collect on these, what's going to happen is you're going to write them off. So you put them in budgets, you anticipated it, never collected; you're going to write them off. They'll be a charge as some point in your operations. That's page 52.

Council Bianchi – that's \$600,000 Paul.

Mr. Lerch – 52.

Councilman Bianchi – do we know what those ordinances were, what it was spent on?

Mr. Lerch – yeah, well you know what the grant was for. So if you go to page 52, it lists each separate one. Now sure, some of these are going to be valid and going to be able to collect on some of them, I would have to venture to guess you're not going to be able to collect but you have to be aggressive. You need to be aggressive and try to chase these monies down.

Councilman Kearney – when you say there's going to be a charge for the 600 + thousand dollars, are you talking about then we have to find the revenue to pay for this?

Mr. Lerch – no, a little different here because what's happened is is that this \$600,000 receivable balance was already realizing your operating budget as a revenue. You put it in to balance your budget, what happens is the check never came in. So you spent it. Check never came in. Now, on the financial side what's going to happen is that if it's invalid receivable after you research you'll have to write it off and it's going to be a charge against your surplus. You're going to reduce surplus by the amount that you write these off.

Councilman Bianchi – on page 52, it lists the grants that are outstanding receivables, can you explain that to me quickly, I mean you don't have to into a big thing? Like it says here, like T grant, watershed managing, public education, drunk and driving enforcement fund, New Jersey Department of Transportation [inaudible] grant.

Mr. Lerch – you what? It would probably be better if Terence explained the specifics on what those grants are, again I don't...

Administrator Wall – well briefly mayor and council, the mobility grant is a grant I solicited from the department of transportation, Carmen Valentine, we actually have a meeting following the Thursday with Council president Hughes and mayor Massa. This has to do with, I'll go through some of them briefly, this is 71,000 grant that is being reimbursed 100%. We are, Carmen has is working on that reimbursement. That project isn't finished, the reason you haven't, that's not all cleared up because it's not done yet.

Mr. Lerch – and that's an '09 grant. If you look at that column that says accrued, that means it's an '09 grant.

Administrator Wall – so that's...

Mr. Lerch – so focus on the old ones on the left side.

Administrator Wall – alright well just briefly, that 71,000 the project's not done yet so the you'll receive all of those fundings. That has to do with Ridge Road planning. Another one is Canterbury phase 2 for example; it's \$150,000 grant that's on the left side that Paul's indicating. I think your prior meeting and the meeting before, you did the project close out and the paperwork has been submitted. You'll receive a 100% of that 150,000. The 108,000 of municipal assistance grant, those are your map grants. I got to check to see why this is still in this column but you typically received all of these dollars and you'll certainly receive all of those dollars as well. The smart growth grant referenced earlier, the state did not locate the paperwork showing that they approved it; I submitted it back to them so they have the paperwork showing that they approved it and they will be giving you those funds because I sent them their approval back to [inaudible]. So they had their paperwork in case there's a processing issue. So that 1, 2, 3, almost 400,000 of the items under discussion I think we have 636 here...

Councilman Bianchi – Terence?

Administrator Wall – yes sir.

Councilman Bianchi – where it says balance December 31<sup>st</sup> of 2009 at the end of the year, \$689,917 that's what owed us?

Administrator Wall – yes, that would be owed you the map grant you're 108,000 you received 150,000 Canterbury Phase 2, you just approved the final punch list and the close out paperwork from the borough engineer last month or the month before for the 150,000. You will receive that. The \$242 map grant, I can't speak to that right now. Municipal alliance, you'd typically do receive those funds. The \$50,000 T-ball grant, I researched that with Bergen County. I believe that's the one that goes back to 2005. I'm working with Chloe Drake. In 2005, there was I don't know who was in charge of that moment but it was never reimbursed. I took all of the paperwork packaged it up, spoke to Bergen County. By way of reference, I got here in late '07. And sent that paperwork in so we'll receive that \$50,000 so that money will be coming. The block grant generator is showing a balance of 22,392. That may be a grant that you didn't fully expend in that project. [inaudible] between the library and the I believe the board of health in there. So if you don't expend the entire grant, you have a grant for 150,000 and you only do a 135,000 of work, they don't give you 15,000 or ask you where you would like to put it. They cancel that out. So as far as that type of house keeping to these, the extent to which you have you have finished your project and there are grant funds available. Typically they are, they don't cut you a check for that balance, they cancel them out. Smart growth for \$60,000 as I referenced earlier, that was a 2005 grant that was for a Porete Avenue redevelopment or Ridge Road redevelopment plan. When I got here late '07, we received a letter that they were canceling that grant. I called the state on this some of the folks over there and we converted it to a currently available bucket description because the description that they had in 2005 is no longer valid. So they approved it and that was that item I referenced to you. I sent them back the paperwork where they approved it, they need to update the New Jersey sage system they use an electronic system. It's basically their electronic grants bible. If it's not in there, it doesn't exist. So, when our planner had reached out, they looked into the system but it didn't exist in the system, if it's not there as far as they're concerned it doesn't exist. So they have all the paperwork, they need to populate their electronic system and then draw down that 60,000 you'll get and finally going back to what we first discussed, just to sum up the 71,000 community mobility form grant. We were one of only five or ten municipalities in the state of New Jersey that was awarded a grant to look at new techniques and zoning techniques built around pedestrians in the flow of pedestrian traffic not build the standard zoning of framework. We have a final meeting on Monday. Carmen Valentine from New Jersey Department of scratch that, she's with Rutgers and Brett Barnes is NJDOT. They work together to fund the \$70,000 planning process which would be completed next week. And you will receive 100% reimbursement of those funds. Some of the smaller items, I can send a subsequent report...

Councilman Hughes – but unfortunately it doesn't help us until the money actually comes in. And hopefully we can get it in this year but that seems to be a work in progress.

Councilman Tanelli – so there's a few issues here. Number one is there's money on the books from years ago that we never collected. There's money on the books that were spent, we collected some of it but not all of it because were not doing all of it, so [inaudible] be made. We have to adjust whatever?

Mr. Lerch – that's a small piece, that's a very small piece.

Councilman Tanelli – what I'm concerned about is, you claim that there's some items that were purchased that was not intended to be purchased...

Mr. Lerch – that's an option.

Councilman Tanelli – well I mean that's a pretty big accusation. That's what I'm interested in. I'm interested to find out what ordinance were passed and what things were purchased on here that weren't authorized to be.

Mr. Lerch – you'll have to excuse me, I did not I did not say that that in fact happened. What I did say is that you asked me as to what kind of options, how does this come about.

Councilman Tanelli – I must of misunderstood and I'm sorry.

Mr. Lerch – but I'm trying to explain to you how this can happen.

Councilman Tanelli – right.

Mr. Lerch – so it's either not filing for the paperwork or you had an authorization of X dollars and wind up only spending some of it on what's authorized and some of it was an unallowable cost.

Councilman Tanelli – right.

Councilman Hughes – an example is streetscape that we just approved 2 months ago. Streetlights cannot be...

Councilman Tanelli – right, I got it.

Councilman Hughes - ...included in, the state won't, the federal government won't pay for the streetlights nor will they pay for the tax they're going to charge us on the streetlights. So...

Councilman Tanelli – which we didn't find out until it was already completed and we're starting phase 3.

Councilman Hughes – right so we have to pay the tax for the previous street lights. So that's a cost that's not reimbursed and we did account for that in the bond at the time.

Mr. Lerch – now you have to figure out how to account for all those little pieces that over time they made it up to 1.5 million.

Councilman Hughes – yeah, which may be from previous bonds. They bonded the amount of the grant and then found out there were other costs that were unallowable like the streetlights and that's why they exceeded the amount of the grant and that's where I guess at some point our CFO's going to have to dig into each one of these each one individually and give us a report on them.

Mr. Lerch – right right.

Councilman Tanelli –he really should have that report already because our first budget meeting, the budget meeting I attended, this was brought to [inaudible]...

Mr. Lerch – right, we talked about it then. That's correct.

Councilman Tanelli – this was brought to everyone's attention at that meeting. Months and months ago.

Mr. Lerch – months and months.

Councilman Tanelli – this should have been resolved by now at least to the point where we know where are and attacking you properly so that we can get as much as this money as we can. We were talking about it in September and October [inaudible].

Mr. Lerch – yeah, we've you know what we've my office at least has said to the finance department that anytime you receive a check on any grant money, send us a copy so we can keep track of what's going on and so we have a pretty handle as to I know Terence went through the current fund and it looks like most of that hopefully will be collected over time and I don't know what the breakage might wind up being 100,000 that's going to be uncollected here of the 600 but capitals big. Capitals 1.6 million and some of its old

and you know you need to be aggressive and chase down and see what happens and whether or not and it could be a legitimate reasons as to the purpose change. The plan said we were going to spend it on this specific purpose and fund it through the grant and then the expense came in and part of it wasn't allowable under the grant so it had to be spent and it was but you're not going to get reimbursed on.

Mayor Massa – so before you can get reimbursed, you have to show that you actually spent the money on what the grant was allocated.

Mr. Lerch – exactly. Exactly.

Mayor Massa – so is there any evidence any of these grants money was spent for other things specifically other than what's in the grant or could they have been ancillary expenses that were tied to the grant or unforeseen expenses I don't know?

Mr. Lerch – I didn't do an investigation of the grants. I mean I'm trying to give you an overall picture excuse me an overall perspective as to where you are and what may had happened. Some of the rationale in it is common and those are the kind of things that occur. You need to explore each one independently and see why you didn't collect and chase the money down.

Mayor Massa – but you didn't do that...

Mr. Lerch – we didn't do an investigation a detail investigation of the grants, no.

Mayor Massa – ...in your audit.

Mr. Lerch – no.

Administrator Wall – one of the items that Mr. Lerch was alluding to is funding that is set up and then items that were not directly related to that funding charged against that. The bicycle path being one of the examples. Downstairs how its how the financial side is taken care of these items. Clearly, you're successful in obtaining grants, you obtain a tremendous amount of grants. The back end side of drawing down those grants and making sure all of the items are matched together to have those funds finally get to where they need to be in the taxpayer's pocketbook, that's the important piece. But during this iterative process, we also saw that certain items were charged to areas where they should not have been charged. We did a tremendous amount of catch basins in the last couple of years. We've had emergencies and failures with sewers and catch basin work, I would say approximately 45 catch basins. A number of those invoices it appeared 46,000 or so at least were charged to a bike path ordinance. So that finance function downstairs is an area where frankly I've been very aggressive and I've been spending a lot of time downstairs lately to make sure that we're in order with what the auditor has discovered moving forward. So our fiscal house downstairs is in order and we're doing things correctly. But that's an example, the catch basin work, the emergency sewer repairs, and items that we typically don't expect a storm where we have the tree company out working on trees all evening and we received a large bill. I think that what happens especially when our budgets are so tight, this isn't an excuse but this is an observation, that towards the end of the year it becomes a search for which area can fund catch basins, sewer repairs, tree work, the different items that come in towards the end of the year and that's an area that needs to be addressed up front so the mayor and council can know that each item is handled appropriately.

Councilman Hughes – one more question Paul before we beat this dead horse. Has this outstanding receivables on grants and stuff showed up on previous audits?

Mr. Lerch – yeah, yes it has. Just for a bit of a reference. The balance coming forward that ended in 2008, there was over a million dollars in grant receivables outstanding and the current fund had over \$600,000 of grant receivables outstanding. So this has been going on it looks like for a number of years.

Councilman Bianchi – Paul I have a question too, last question. Going back to the library, the mayor and council approved 200,000, how do they draw a check for 249,000 and another 100,000 over that without our approval?

Mr. Lerch – I'm not saying it wasn't approved, I'm not saying the payment wasn't approved. What I'm saying is that the original ordinance that was established and I think that was originally established in '08 if I'm not wrong. That the original ordinance was for \$200,000; the contract that was awarded was for 240. You can't award a contract when you don't have an authorization to provide for the contract. And then subsequent expenditures were made of roughly \$160,000 more that obviously couldn't have been charged to that ordinance but were charged to other municipal ordinances.

Councilman Bianchi – how could that be?

Mr. Lerch – I don't know.

Councilman Bianchi – how could you draw \$160,000 at of another ordinance?

Mr. Lerch – I don't know.

Councilman Bianchi – who writes that check? Do you just walk in and get a check? It never came before us.

Mr. Lerch – I don't know.

Mayor Massa – it would have to come before [inaudible]...

Councilman Bianchi – I don't what to tongue tie everybody, you know what I mean.

Mayor Massa - ...a requisition...

Mr. Lerch – a requisition would have come, it would have been on the bills list, you know that would have occurred. The real process the real point is is that when you're really you have to make sure you have adequate internal controls. If you have adequate internal controls to stop the error of deviation before it happens, that's the goal. And they weren't there. The controls weren't strong....

Councilman Hughes – we have generally passed appropriation resolutions and a lot of times the wording is pending certification of funds. We very rarely ever see that certification of funds. Should we change our procedure where the certification of funds is actually part of the resolution, signed off?

Mr. Lerch – I think it's changed. My understanding it should have been changed already right Terence?

Administrator Wall – yes.

Mr. Lerch – I mean we've had many of conversations with that particular subject matter. So we've basically informed the CFO that listen first of all you can't make a payment to any vendor if you don't have the appropriate budget account balance or the improvement authorization [inaudible]. We've had conversation where flat said listen, if you don't have the authorization, do not make the payment. And we'll figure it out afterwards how are you going to provide the appropriation for it. And as far as certifications for any contracts, we've made it very clear again I know have that he's to provide you with a certification saying that the funds are available. And if you can't do that, stop the paperwork. It's as simple as that. It's that simple control process. If you set the control up, there's no reason why it should ever get paid or ever get awarded where you do not have authorization or proper payment.

Councilman Bianchi – who gives us the authorization?

Administrator Wall – CFO. It's the director of finance, CFO, statutory responsibility.

Mr. Lerch – okay, move along?

Councilman Hughes – what number we at?

Mr. Lerch – well we're at 7 but we took a few out there along the road. The next one deals with the adoption of an outside police duty ordinance. In 2009, an ordinance was established for the outside police duty when you have police officers that are used to provide road assistance for PSE&G and those type of vendors. The ordinance was established but it never identified the rate, it never identified an administrative fee that was clearly spelled out. I know that's been rectified already right?

Administrator Wall – that's done.

Mr. Lerch – that ordinance has been corrected. There's also tracking of the money. Financially again, the borough is required to track this money in the trust fund general ledger. That wasn't being done as part of procedural process. The next one deals with collections of monies from departments; various departments collect money, they turn it over to the treasurers office. Good internal controls would dictate that that money would be sent over on a [inaudible] every 48 hours, in order to make sure that you're securing borough assets if you will, we had some violations with the court and the health department. The next item deals with the recreation/youth center. This became a particular bit of a problem because we were lacking quite a bit of documentation to go through and do a proper review of that particular department. Some of the issues that we had is that we had a resolution or fee ordinance establishing the recreation fees was not available and clearly every fee has to be done by ordinance or resolution. The cash receipt ledger which records the cash receipts was not maintained for the recreation fees or the snack bar. The cash receipt revenue collection has not been turned over within an appropriate 48 hour time period. The bank accounts not been reconciled the entire year and the checkbook contained blank checks with authorized signatures which is obviously a no-no. Attendance records and registrations were not available. It's the only way that I can actually do an audit to make sure that individuals actually paid for the services were provided the services; without those records it's impossible for me to verify. Timesheets were completed for recreation employees however there was no department head signature giving approval of those timesheets. We did you know because of the lack of information that we had here and my concerns about not being able to get my hands around the recreation center in '09, we did kind of go forward. And we looked at the processes that are in place for '10 and I feel comfortable based upon that walk through and the limited amount of research and review that we've done in '10 that that's now being taken care of.

Councilman Hughes – so that's been completely overhauled now [inaudible].

Mr. Lerch – It's been overhauled. The individual was in here when my staff was here completing the audit asked for direction as to how to properly record and keep records and what we wanted and what we expected. So we've gone through that process and provided the list of the processes and procedures that need to be in place and I believe that's being [inaudible], that's being taken care of.

Councilman Bianchi – uh Paul? Why couldn't you get the information in 2009?

Mr. Lerch – wasn't available.

Councilman Bianchi – why wasn't it available? I don't understand.

Mr. Lerch – I can't answer that.

Councilman Bianchi – did you speak to anyone?

Mr. Lerch – yes, my staff did absolutely.

Councilman Bianchi – who did they speak to?

Mr. Lerch – I don't know if it's the current individual or the previous one, I'm not sure. I don't want to say without having 100% factual information.

Councilman Johnson – was it not available or did it not exist?

Mr. Lerch – not available, I don't know what that means, it means that we weren't given access to it. Does it exist somewhere, I don't know. It's unavailable.

Mayor Massa – we'll have the administrator review that issue.

Mr. Lerch – okay. The next one we dealt with and that's all about the grant receivables, we don't need to talk about that any longer. We beat that horse. The next item deals with the other trust fund. When we did the audit we realized and it came to our attention there were numerous miscellaneous reserves if you will for various purposes. Trust funds are allowed to be established and utilized in a municipal government. There are some basic trust funds that are authorized by statute meaning an escrow trust where you collect develop escrow, you use it for they use it for specific purposes and then the trust and the escrow will be refunded back. There were numerous items in here that did not have approval from the division of local governmental services for an authorized reserve. Our suggestion was that that we review the balances or the administration review the balances; do two things. One is to look at him if there is reserves in here that are not serving a practical purpose at this point, they should be cancelled. The ones that are legitimate and are serving practical purpose, they should require a dedication by rider which the governing body would have to approve. We sent down to the division and the division would ultimately make the determination whether or not they'll approve the purpose. I believe that's been handled. That's all those resolutions, that's that cancellation resolution which was done.

Administrator Wall – these are all the items that you addressed at your prior meeting.

Mr. Lerch – right, right. That was housekeeping. The next item deals with bidding. We certainly all and you would have a better feel for it than me of course about the tipping and the emergency that was required after the baler closed. So our audit revealed that an emergency contract was awarded for tipping fees because of the closure in the end of 2008 of the baler. What's happened though is you have to understand is that that was clearly awarded under contract but over a years period of time, it's no longer an emergency. And so you go through that first couple of months as an emergency you do the contract you do the resolution you do a statement as to why you're authorizing a contract under an emergency contract and then at that point you should start the process of actually going and trying to secure the lowest bid for the tipping fees and that never happened.

Councilman Hughes – what number?

Mr. Lerch – I'm actually just going in order of, it's probably number 20 on my comments. I'm going a little bit out of order because I'm looking through the body of my report. One of the other issues that came up as far as this particular one goes back to the library again. We had a contract a state contract was awarded for the library shelving, that was not approved in the minutes. Any contract needs to be approved in the minutes so if you're going through a competitive bid process, it should be awarded and approved in the minutes. If you're doing a state contract, you need to then again also put it through the minutes. I mean my general rule is that you can never go wrong by including everything through the official minutes.

Councilman Hughes – so we spent the money without approval?

Mr. Lerch – you had a state contract that just never was approved at your level. The state contract purchase piece of it.

Councilman Hughes – well that's [inaudible] wrong price right? The state contract establishes pricing, not the approval to go and spend it.

Mr. Lerch – yeah, the state contract generally means that the state went out and did the bidding process on for the entire state of New Jersey. We get it catalogued, you're able to pick pieces out of that and not go through the bidding process and it saves you money and you go through the process.

Mayor Massa – and then we purchase that from the state contract.

Mr. Lerch – from the vendors who was listed under a state contract. What you didn't do, is you didn't authorize that purchase of a state contract and the minutes. That was not done.

Mayor Massa – so that would've required a resolution?

Mr. Lerch – yes.

Councilman Hughes – is there a reason this wasn't done out of library funds instead of municipal? I mean this sounds like furniture and equipment and everything that should have been done out of their funding.

Mr. Lerch – you know I don't know, I mean the only thing I could say to that is that there was a library renovation ordinance that was passed I think in '08 I believe and that may have been part of the original plan of the ordinance but again without beating that horse, that was the one that was throwing \$200,000 when the original contract was awarded for 240. So obviously there wasn't money in there but ...

Councilman Hughes – then we spent another 100,000 on furniture. Can that be back charged to the library funding because they do have their own funding established by law?

Mr. Lerch – it's possible.

Councilman Hughes – because I don't believe furniture was included in any of those renovations that we approve that time so.

Mr. Lerch – you'd have to work that out with the library.

Mayor Massa – we'll have the administrator review that issue.

Administrator Wall – back charging the ...

Councilman Hughes – back charging the library for the furniture even if it's you know if they can't pay all in one year, do it every couple years

Administrator Wall – okay.

Mr. Lerch – those were all prior year comments that were repetitive in the current year's audit, repeated back in the current year's audit. Now I'm dealing with new stuff that we had come up with that was not in the prior year audit. I talked about the next item again to, this deals with the interfunds, we had gone through this and I explained how we have \$600,000 worth of receivables from other funds and general funds and its creating cash flow problems for you. You need to liquidate them. The only way you can liquidate these funds and it's primarily through the general capital is that if you have ordinances that are authorized and you're spending money on your ordinances, you need to go out and take temporary financing, temporary notes to provide the cash flow and then you'll be able to pay back [inaudible] some of the loans. You're big problem is the grants because those grant monies for the majority of them have been spent. And it's going to be an issue unless you try to go through and change the ordinance and go through that of the process. The next item deals with petty cash. We did an audit of the petty cash. What we had determined is that there was no policy in place, former policy. Again, good internal controls would dictate that you would have a formal policy which would indicate the type of items that are allowable to be charged, set a maximum expenditure, have some

processes and policies in place to safeguard the petty cash assets. What we did, is we also did some testing of those petty cash reimbursements and we had one smaller item that didn't have a supporting invoice.

Administrator Wall – yeah, we did do a petty cash 12 through 19 have been are resolved. They did note that there's some ice purchase for Memorial Day parade that my staff did not keep the receipt for the ice. We do have a petty cash policy in place now and items 12 through 19 are taken care of.

Mr. Lerch – the next item deals with our audit of the cash disbursement cycle. Couple of things in here, number one is that there were payments made to employees for clothing allowance and travel stipends that did not have invoices supporting reimbursements. What we're really saying is that anytime you have this type of stipend or allowance, you need to include it as part of a w-2 wage. Simply put, you cannot be an employee and also receive a purchase order reimbursement. The only way you could do that in allowance I should say. You cannot be an employee and receive a purchase order for an allowance. If you are an employee and you're receiving a clothing allowance or other stipends, travel stipends. Those amounts have to be added to your w-2 wages, taxable wages. The only way you could get around that is if you had receipts. So if you were giving somebody a car allowance for \$100 a month. They could either add it on the \$1200 either to their w-2 or they can provide you documentation by route, by mileage what the reimbursements for. Same thing with a clothing allowance. If you can provide all the documentations to what your spending and your clothing allowance on, then its not a taxable issue. Payments were made to employees for just additional job duties, i.e. the dui sessions and grant coordinator which were processed through a purchase order, similar situation again. Go back to it again; if you are employee, you cannot be receiving these additional stipends through purchase orders. If you're getting paid for additional duties to attend DWI's or court sessions, whatever it happens to be, that additional amount of money that you're being paid on top of your salary needs to be added to the w-2s. And the last item deals with payments for cost reimbursements could not be verified through contractual, agreement, or resolution. The point here is that if you are authorizing an individual to take additional classes or certifications, you need to either have that in the person's contract or you need to do that and award these additional items through resolutions and that wasn't happening. The next item deals with the developer's escrow. Developer's escrow is required by statute to be reported and tracked separately in an interest bearing account and that wasn't happening. So when you have an outside developer coming in who posts development money for a specific project, obviously it needs to go into a dedicated bank account with that developer's name on it. He's entitled to a piece of the interest 2/3rds, 1/3<sup>rd</sup> would remain with the borough. You would be able to track all of the disbursements and to determine the balance that's left that's due to developer. That wasn't happening in 2009. The next item deals with the unemployment. The borough presently is under the reimbursement method for unemployment contributions meaning that a piece of the employee's deduction is not being put into a dedicated unemployment trust fund. That has to happen. The other thing that's going on is that in 2009 that the borough overspent its unemployment line item by \$35,000. So that \$35,000 is being funded in a 2010 budget as well as the current portion.

Councilman Hughes – why wouldn't that have happened? Why wouldn't that have, the money's being deducted from their pay, why wouldn't that have been set up in that trust?

Mr. Lerch – it was never set up in a trust, it was just sitting in, it's sitting in a payroll account. It needs to be in a dedicated account because that is not borough money. The next item deals with our order of payroll. Salaries for library personnel cannot be verified through a salary ordinance or resolution authorizing the amount of payment. Time sheets were not all being approved by the department head or supervisor. Manual neck checks have only one authorized signature. And the administrator's being provided with a borough owned vehicle for which he uses for personal purposes, a piece of it and that value has to be determined as well as being added to his w-2 wage.

Councilman Bianchi – can you explain that salaries to the library?

Mr. Lerch – sure. Any individual who's being paid needs to be established through either a contract or a salary ordinance or resolution.

Councilman Bianchi – and you couldn't verify the library?

Mr. Lerch – no I couldn't. as far as what the payment should be.

Councilman Tanelli – now they handle their own account because their autonomous correct so.

Councilman Hughes – it comes to the borough payroll account.

Councilman Tanelli – but their salaries and their would be on the ordinance, no? or on their resolution?

Mr. Lerch – you what we couldn't find anything that indicated what the individual should be paid.

Councilman Tanelli – I was at a meeting physically had a meeting early in the year when they actually were discussing increasing a few of their salaries, one in particular, one of the women had gained here masters degree and they were going to increase her salary to keep her child's librarian. If I'm not mistaken, you were at the same meeting mayor and I think they may have passed it by resolution, I'm not sure why you couldn't find documentation to state that. Whether that's the correct way to do it or not, I mean that's you're job...

Councilman Hughes – well that's this year.

Councilman Tanelli – I'm sorry?

Councilman Hughes – this is last year's audit. You're talking about this year right?

Councilman Hughes – oh yeah right.

Mr. Lerch – yeah, I'm talking about '09. I mean if it's being done in '10 I don't know.

Mayor Massa – so Lerch what you're saying is a resolution that's passed by the library...

Mr. Lerch – the library's funding their salaries.

Mayor Massa – should also be passed by the mayor and council?

Mr. Lerch – right.

Mayor Massa – I recall seeing somebody's in the past but I'd have to take a look at the paperwork.

Mr. Lerch – the next item deals with your payroll tax returns, 941 and the New Jersey 927 mailing addresses. Really what's happening here is that these tax returns did not have the borough address listed. They had the vendor that's providing your payroll services, their address listed. And I don't know if everybody's familiar with what happened about a year ago with Ameripay. Ameripay was another payroll provider. They were putting their own address down and not the various municipalities and school boards.

Mayor Massa – and they were withholding the cash rather paying the IRS.

Mr. Lerch – right. So what happens is that these municipalities didn't really pick up on this because these IRS notices would be going to my own company. Even though it said Borough of North Arlington but it would be coming to 1717 Route 208 and so what's happened is is that because of this whole Ameripay, it's important to make sure that all your payroll tax returns have your address, not the payroll provider. The other thing, the flip side to that now is that there was a local finance notice that came out which basically

dictated how the individual municipalities can then also make sure that the government entities had received their payments. So you can verify online that your payment was received and you need to make sure the addresses are right. Millions were stolen out of that.

Administrator Wall – we changed the address.

Mr. Lerch – you know what, I had a client where they changed it and it went back and forth four times. It wasn't Ameripay but be careful that they don't just keep changing it on you.

Administrator Wall – oh okay.

Mr. Lerch – okay, just a point of reference.

Councilman Hughes – do we utilize the payroll company for tax filing?

Mr. Lerch – you don't use Ameripay.

Councilman Hughes – no, we use [inaudible].

Mr. Lerch – [inaudible].

Councilman Hughes – do you know Terence if we use that for doing our tax filing or if we do that on our own [inaudible]?

Administrator Wall – I'd have to verify that for you.

Mr. Lerch – no I think we use them. That's why the address is their address.

Councilman Hughes – that's why they're getting the ...

Mr. Lerch – that's why it's their address, right, right, right. The next item deals with checks drawn on a municipality. Right now you have two signatures; statute requires that you have three signatures on these checks, okay so that needs to be modified.

Administrator Wall – it has been.

Mr. Lerch – another point that I should note is that the accounts payable clerk, you know you talk about controls again here that the control environment was not secure because the accounts payable clerk had access to the check stock and also access to the two signatures via stamp.

Administrator Wall – we threw the stamp out.

Mr. Lerch – right. We didn't find any incidences where there were issues, just I'm telling you that the control was weak and it could lead to potential problems. We talked about the library contract not being approved the change order. Right, did we talk about a change order? There was a \$46,000 change order for the library renovation that was not approved in official minutes. Just another tidbit on the library. The 2008 audit synopsis is required to be published in the newspaper and advertised. It wasn't, I don't know if it's been.

Administrator Wall – yes.

Mr. Lerch – it was. This one's a little alarming when you look at what I have here and it deals with bank reconciliations. There were numerous bank reconciliations when we went through and did the audit that there were outstanding items that were as old as 1996. You know, housekeeping, good housekeeping, good internal controls would tell you that you would look back at every year you would go back and cancel anything that's a year older. Chances are they're not going to be valid, no one's going to wind up cashing those checks. We had numerous items that go back years and years and years and years. So,

again, one of our recommendations was we sat down with the appropriate individuals and said listen go through this, cancel, clean up all these bank reconciliations. Just something that should be done on an annual basis. Our audit also revealed that there were tax overpayments that were in excess of \$100,000 that were prior to 2009. Again, housekeeping, these go back over a three year period. You need to look at these on a current basis. If you have tax overpayments, we need to determine if they're valid. If they're valid overpayments, they either need to be applied to the individual's current year or they need to be refunded. If it was done through an error in the system, you need to determine that and then cancel the outstanding balances. That wasn't being done on an annual basis. And believe it or not, last but not least, is the audit of the health benefit bills. What we do is part of our audit process is that we go through your active list of benefits and we determine whether or not the individuals on that list actually work here and are to be provided benefits. We had one individual and I believe it was the spouse and I right with that...

Administrator Wall – the retiree.

Mr. Lerch – a retiree right...

Administrator Wall – unusual situation.

Mr. Lerch – right who remained on benefits until May of 2010, obviously that ties into when we were here doing the audit and who was deceased in April of '07. So you have quite a few years there we were paying for that particular individual. I know we received a fourth month credit, I don't know if you can do anything better than that.

Administrator Wall – we're looking for better than that. We were never notified about the deceased individual. We checked the bills regularly on active employees and we are reviewing whether there's more at play with this particular issue as it relates to benefits and pensions. So, we'll report back to you if there's something other than simply gaining a reimbursement back for paid premiums due to the borough not being notified of an individual no longer being eligible due to being deceased on a retiree basis.

Mayor Massa – how far back...

Councilman Bianchi – can we recoup that, sorry mayor.

Mayor Massa – go on Joe.

Councilman Bianchi – can we recoup that money?

Administrator Wall – we recouped a portion of it, we're seeking all of it and that's a matter in front BMED and the Joint Insurance Fund.

Mayor Massa – could these relationships been as a part of side agreements that were made by previous administrations with individuals.

Administrator Wall – not in this particular case because when a member, one would be enjoying benefits when one is living and when you're not, you wouldn't require health benefits. So there'd be no connection there. It's not related to, wouldn't related to that type of benefit. We do have some folks that are on a ten year benefit period that expires I believe August 31<sup>st</sup> through a prior arrangement a loosely described as a bio type of arrangement, a retirement arrangement but specific to this item, this was a very unusual item where the borough's not notified about a change in status from a retiree basis. The active employees, that's very easy to obviously to track and we are tracking more rigorously on the retirees. Because typically we'd be notified mayor and council here from time to time a retiree has passed away or retired spouse what have you. In this particular situation, that notification was not made. We had gone back to secure the tax payers premiums that were used to fund this. We're examining it further for to understand exactly why this happen. Yes sir?

Councilman Bianchi – can the spouses, the remaining spouse be made to pay? For instance if they're retired husband and wife and the husband dies, the wife is working and she never notified the town and she still kept getting her insurance paid and her husband's insurance, isn't she liable, isn't that criminal?

Administrator Wall – that's an excellent legal question.

Mayor Massa – not to interject but we'd have to know who is the individual and what the facts and circumstances are in the case of some employees, the survivor benefits are handled by collective bargaining agreements or by state statutes. But if you have a case where a particular employee or former employee was not covered under a collective bargaining agreement or state statute because there's employments said they were part time or [inaudible] benefits, that would have to be reviewed I would expect.

Councilman Hughes – seems like we have a lot of things to fix in our house.

Mr. Lerch – you do.

Councilman Hughes – mayor, I do have a question for you. Since the library played so prominently in this audit and the renovations that were there that started out as new lights and ended up rebuilding the whole library. You were conducting an investigation along with Mr. Wall as to some of the procedures that were done where contracts were awarded by our purchasing agent and the individual that was awarded the contract were thrown off the job and another individual was brought in to do work and you were conducting an investigation [inaudible] on that. Can you enlighten us as to what was covered in that?

Mayor Massa – well Mr. Wall has a report available for us, I believe you concluded it at some point and you have it available?

Administrator Wall – I can copy it out to the council. I have a draft that I can complete and forward out by tomorrow afternoon.

Councilman Hughes – well essentially were proper procedures followed or not?

Mayor Massa – well, I don't know if you can answer that question tonight or you want to take a look at it and [inaudible] bring it up in executive session.

Administrator Wall – I can share my thoughts with the council, whatever you'd prefer, I'd be happy to.

Mayor Massa – lets have his report concluded because you and I discussed someone's [inaudible] investigated and I've been on top of Mr. Wall to handle that course he has a lot of other issues to handle to. Keeping in mind that he's doing the work of three people in that office, we use to have a lot of help, now we don't but I think you have pretty much all of the facts available...

Administrator Wall – yes.

Mayor Massa – if you don't, just let the council president know when, let me know when, and perhaps councilmen, we can raise it in executive session, that's...

Councilman Hughes – very good sir.

Administrator Wall – and with your permission, I'll send a summary report tomorrow to both of you.

Councilman Hughes – very good thank you. I guess that concludes your audit Mr. Lerch?

Mr. Lerch – yup.

Councilman Hughes – could you, we originally we had intended to adopt the budget tonight but because of some procedural problems and issues there where we have to

notify the newspapers for ten days and everything else like that, we weren't able to do that. But we pretty much have our results from local finance board regarding the cap waiver, we have our results regarding the transitional aid award that was giving to the Borough of North Arlington so maybe Mr. Lerch can enlighten us as to where we stand with the budget. We will be, I think we're going to be having two meetings in October to get this done because we have to do an amendment, have a public hearing on that and then we'd finally do a final adoption of the budget after the amendments are done so...

Administrator Wall – and also attend a local finance board meeting on October 13<sup>th</sup>.

Councilman Hughes – if could maybe elaborate what we're [inaudible].

Mr. Lerch – sure absolutely, um...

Mayor Massa – just for the record, is this part of his presentation this audit and 2010 budget?

Councilman Hughes –yes sir.

Mayor Massa – okay, so this is all combined now, okay.

Mr. Lerch – yes and as you indicated that the borough was successful, I was down out local board last month representing the Borough of North Arlington. We were done there requesting a tax levy waiver. The original waiver was for about \$635,000. The Friday before that meeting, the Borough of North Arlington was again successful in receiving an award of \$400,000 of transitional aid. I think that the mayor and council should be commended on that. Having said that and having received that \$400,000 it automatically reduced the amount of the waiver request by that \$400,000. So in essence, the waiver was for an amount of \$235,000 which we did receive. Once we received the waiver, we started the process of going through and determining the adequacy of the remaining budget. We had performed a forecast internally, my office as to where we think 2010 is going to be and how we're doing in 2010 since we are now 9 months through the budget process. In doing that, we had prepared and it hasn't been simulated yet 'cause we're still working on it an amendment to the budget. The amendment to the budget generally moves things around. The only thing that's of significance in that budget amendment is to reduce the amount to be raised by taxation by \$400,000. The other adjustments are for adjustments because some of the revenue projections that we had originally utilized are not going to be at the same value that we originally anticipated. We were well within our authority to utilize the amount of actual receipts from the previous year on the revenue side but we had done, we had done a little more planning. We had looked at exactly how the revenue stream is coming in and we had determined that at that point, certain adjustments needed to be made on the revenue cycle and so we are being very proactive. We are trying to set forth a budget that is accurate that will provide sustainability to the borough, that will be a budget without structural deficits. And so we are preparing an amendment and the process of that amendment because of the delay in the advertisement for a budget hearing that was originally scheduled for today, we have to wait two weeks. So what we're going to do is we're going to have an advertisement in the newspaper I believe Saturday requesting or at least notifying the public that we will have a hearing on the budget. That'll be on October 14<sup>th</sup>. That night we'll have a hearing on the budget. We will also be introducing a budget amendment and as I indicated the budget amendment is now adjusted to reflect the 400 plus a realistic allocation on the revenues. That will require an advertisement because we are changing certain line items by more than 10% so we're unable to have a hearing and adopt the budget on the same night with the amendment. So from procedural perspective, we need to have another meeting after that because the advertisement has to be in the paper three days prior to the subsequent hearing on the amendment. So the game plan is that Thursday the 14<sup>th</sup> have the hearing, introduce the amendment, advertise the amendment then and then on Tuesday, I don't know what the date that Tuesday is, 19<sup>th</sup> maybe, 18<sup>th</sup>, Tuesday 19<sup>th</sup> Tuesday the game plan ...

Mayor Massa – Tuesday the 19<sup>th</sup>?

Mr. Lerch – yes I can check.

Administrator Wall – Tuesday's the 19<sup>th</sup>.

Mr. Lerch – the game plan then would be to gather back on Tuesday and have a hearing on the amendment because you're going to require to have a hearing on the amendment once we have the hearing on the amendment, you can close the amendment and then we can have an adoption on the budget. So the idea is to have the budget adopted by the 19<sup>th</sup>. We'd like to get the budget out to everybody in the beginning of next week. Mr. Tanelli had asked me when that was coming. We're in the process of finalizing it. I have the amendment. We also need to get the amendment approved by the division of local governmental services. We've been dealing with them as well. They're asking for an inordinate amount of information which we've actually gotten to them today with a cover letter trying to satisfy all their requirements. As Mr. Wall had also indicated, North Arlington's scheduled to go down to the local finance board for a hearing on the 13<sup>th</sup> and that hearing on the 13<sup>th</sup> is to ask the local finance board to allow the borough of North Arlington to skip one of its minimum pay downs on the Encap bond issue. That roughly [inaudible] 3 million dollars, its not roughly, it's 3 million dollars. That particular bond issue originally required a 2010 pay down due to the fact that the budget is certainly constrained in some of its limitations that we have this year, the difficulties we're having this year that we're asking for a list and relief from the state of New Jersey. And the idea would be to continue to finance that over a 15 year pay down but we would start the process in 2011 as opposed to 2010 in order to provide tax relief to the payers, taxpayers of North Arlington and that's the purpose of that particular meeting.

Mayor Massa – with respect to the revenues stream meeting adjustment, is that being adjusted up or down and what specific revenue stream is that that you're referring to?

Mr. Lerch – it's actually being adjusted down. As I indicated before that statutorily, you have every right to include the revenue that of that amount that was realizing cash last year but we chose not to do that at least that's what we're planning on doing. The idea is to try to come up and get the [inaudible] real picture. Municipal courts down, some of the other revenues are down. The anticipated on the connection on the baler is less than what we originally anticipated. So I've gone through it and I've gone through line by line and we made some determinations that some of the revenues are not going to be realistic and I can tell you that when I look at and I look at 2009. 2009's budget had a deficit of \$256,000 in anticipated revenues that never materialized and our objective here is not to allow that to happen again. So we're trying to come across with a realistic picture so this way when 2010 ends, hopefully we are very close to the target.

Councilman Tanelli – I just have a quick question.

Mr. Lerch – sure.

Councilman Tanelli – I noticed in the initial budget that was introduced that the you were expecting not only to receive the full amount of EMS money that was coming in but also putting that you were going to be receiving, the money that was anticipated in '09 that was not received. Is that something that also is being adjusted or are we leaving that?

Mr. Lerch – it is, no it actually is. It was clearly one of the issues, one of the revenue streams that I looked at. We had numerous conversations with Mr. Wall and a representative who's providing that service to us. We have an updated projection. That projection is less originally anticipated. So that's being adjusted down. Every revenue that we have now in the budget is being supported by documentation even through projections or even through outside documentations. So again, we're trying to provide a budgeted document that's going to have structural balance to it and that's going to be sustainable.

Councilman Tanelli – have you determined what the ratings are going to be or that's not determined yet until the 14<sup>th</sup>? Do you know right now what the...

Mr. Lerch – well I can give you a brief summary. Before we get to the tax side, let's just talk about the spendings. When you look at the spending side of a budget, hopefully the amendments pass and this is a final project. The spending side of the budget for 2010 believe it or not is only up \$215,000 which means it's 1%. Spending is only up 1%. If the revenue side could have been matched for the tune of 2009, clearly we would have only had a 1% increase in our tax rate. The problem with North Arlington is because of some of the structural deficits that were built in 2009's budget which is causing us to have stress on the tax dollars and the stress is not coming on the spending side because we're only up 1%, \$200,000 and that's a tremendous job. Your problem is the short fall on the revenue side and some of the non-reoccurring revenues that were built in 2009. And that's what's leading to the tax increase. We've amended the 2010 budget to reduce it for the \$400,000. Other than that, we've just gone to reallocate and looked at some of the expenditures and moved money around and we're able to deal with some of the other short falls by making adjustments on the appropriation side. So when you look at that, we're at just under a little under 11%, we're at 10.9% the increase on the tax side. Some of the major effects, what what happened again I'm not going to belabor the appropriation side but when you look at the revenue side, last year's 2009 budget as I indicated before one of the many things is that the revenues that were anticipated in 2009 did not materialized so the two [inaudible] \$256,000.

Councilman Hughes – we had to cover that in this year's budget?

Mr. Lerch – you cover it by reduction circles so had the 2009 revenue actual come in to the budget, you would have had \$250,000 more to the budget surplus which would have again affected this year's budget because you could have utilized it for surplus or tax relief. The '09 budget had included New Jersey Meadowlands contribution of 1.25 million non-sustainable revenues. So, right off the bat, when you look at 2010, there was a loss of 1.2 million. We did collect some of it in the current year so the net effect is about 1.1 million and that's some of the hole that was the major hole that you had to try and make up. How do I make up this non-reoccurring revenue? And that's what put all the pressure on the tax dollars. We have to thank Trenton for the \$400,000 absolutely, major. We did lose \$275,000 in state aid another major factor. One of the other major issues is the use of surplus. We're down significantly in the use of surplus in 2010. 2009, the majority of our surplus was utilized. We were unable to, it was at a rate that was unsustainable.

Councilman Hughes – what difficulty does that surplus create in the budget?

Mr. Lerch – it creates, it's a loss of our revenue. So if you look at 2009 and compare it to 2010, it's a \$700,000 difference in revenue. 2009 anticipated \$700,000 more in revenue; it'd be great if we can at least sustain the revenue side on the surplus. When you're over aggressive on the use of surplus and you can't sustain it, you're going to have an automatic structural deficit in subsequent year. The only way to go about that is to when you're doing these things, is to look through it and try to have an idea of what's going on in 2011.

Councilman Tanelli – what were the requirements to file for state aid last year? Wasn't one of the requirements that you need to use up most of the surplus except for all the state mandated for us to keep in the account?

Mr. Lerch – no not that I know of, no. And one of the other things that happened last year 2009 that's causing major grief in 2010 is the fact that in 2009 the governing body elected to defer the pension, huge. So in 2009, the pension deferral of roughly 200 some odd thousand, 300 thousand dollars is going to wind up costing the borough over a million dollars over its pay back period. In light of that also what happened is is that there was a tax levy cap. Last year's budget 2009 and I guess it was a flat rate, you guys would know better than me, I think it was flat, had a \$400,000 number below the maximum permitted so when we rolled into 2010, this is why we had to go down and ask for cap waiver relief because that \$400,000 was automatically built into the base. So this deferral was used to get the tax rate down to zero and you can do that if you had a plan looking forward to the future. You need to do a forecast of the subsequent coming years and what's happened is because of that, we're looking at 2010 believe it or not with a pension

bill of \$546,000. So just imagine that our total spending budget is only up 200 and '09 to '10 we have an increase of \$546,000 on the pension bill alone which means that everything else had to be cut so those were some of the issues, some of the big picture items dealing with the budget and I don't know if anybody has any questions...

Mayor Massa – any other questions? Thank you.

Mr. Lerch – we'll be back in two weeks I guess.

Mayor Massa – right.

Councilman Hughes – for the hearing on the...

Mr. Lerch – for the hearing, right.

Administrator Wall – the local finance board also requests elected officials to the extent they're available to go to Trenton as well so if you can let me know if you're able and we can be present there on the 13<sup>th</sup> of October for the waiver of the \$200,000...

Mr. Lerch – right the deferral.

Administrator Wall – so we don't have to include it in the 2010 budget, if you could let me know that offline as well and just one final note. The best practices checklist that many folks have been reading about out of the states in New Jersey, they need to complete this document certified by tomorrow or risk losing up to 5% aid payment, the final aid payment. We are not withstanding what you've heard in the prior hour. For 2010, I can share with you that you're going to receive 100% of your aid award. We met the test of qualifying for no deduction, no decrement on that, the 5% of the final aid award. That was in question and I think you'll find that you're one of the few municipalities that will have met that test as you read about best practices checklist moving forward so that's to the credit of your organization here.

Councilman Hughes – so I think starting the year with a 52% projected tax increase based on last years numbers getting it down to under 11%, I think we've accomplished a lot this year. It's not perfect but I think we did pretty good on that. We actually, there was a reason the state wouldn't let us go lower on that, correct?

Mr. Lerch – you're right councilman. After we received the \$400,000 of transitional aid and we did our forecast and reviewed the budget, I was asked to talk to the state of New Jersey and determine whether or not we were able to go through the process of trying to cut the budget even more and to reduce our tax rates by more than \$400,000 over what was introduced. It was indicated to me that no you would be, you will not be permitted to do that and that for every dollar that you attempted to reduce, your tax rate above and beyond, the \$400,000 of the award that they would reduce your state aid by that dollar value. So, at this point your hands were tied, the state will not allow you to make anymore reductions.

Councilman Hughes – but any surplus that's generated at the end of this year could be rolled into next year's budget, correct?

Mr. Lerch – correct.

Councilman Hughes – also, you want to cover the tax bills because I believe there was an error in the 3<sup>rd</sup> quarter tax bill and that's going to be corrected now in the 4<sup>th</sup> quarter?

Mr. Lerch – well I think everybody's aware that what happened in the 3<sup>rd</sup> quarter, the New Jersey statute requires that the 3<sup>rd</sup> quarter if it's done on an estimated basis, that the tax collector went certifying those estimated bills has a 5% discretion. That 5% discretion plus or minus has to be again presented to the governing body for approval. If you wanted to deviate beyond that 5% plus or minus, it would have needed governing body approval as well as approval prior with the division. That was not the case. The actual 3<sup>rd</sup> quarter was increased I believe 13% above and beyond your 1<sup>st</sup> and 2<sup>nd</sup> quarters. The

good news is that the average taxpayer or the average homeowner in North Arlington should see about a \$75 reduction from their 3<sup>rd</sup> to 4<sup>th</sup> quarter bill.

Councilman Hughes – thank you Mr. Lerch.

Mayor Massa – thank you Mr. Lerch. With respect to your audit, I only got a copy tonight, so I appreciate your summary. I'll be reviewing it and if I have any questions certainly I'll reach out for you.

Mr. Lerch – thank you mayor.

Councilman Hughes – Mr. Mayor, can I request a five minutes recess here, we've been going at it for almost two hours, just take a five minute recess before we continue?

Mayor Massa – absolutely. 5 minutes recess.

[RECESS]

Mayor Massa – ladies and gentlemen at this time, I'll open the meeting to the hearing of citizens. Anyone wishes to be heard, please come forward, state your name and address for the record and kindly limit your comments to five minutes so that everyone has an opportunity to be heard. We would ask that you respectfully confine your comments to municipal matters.

### **PUBLIC COMMENTS**

Janice Schurter – 133 6<sup>th</sup> St. the first thing on the record is that I wasn't happy that this meeting wasn't in the paper. It's not out on the bulletin board. It's not on the borough website and now I do understand I guess it is in the paper, today's paper, that everybody got into today's mail but we all work until 5:30 so that's not the first thing I do is run home and read the paper to see when there's going to be a mayor and council meeting so I guess as you could see hardly anybody showed up, the newspapers not even here so I think you need to do a better job at making sure that the public is aware and then the only other thing I'm just going to make it short and sweet, I'm still very unhappy with this 10.9% tax increase. I think the council could do a better job at working together trying to cut cost. Other towns seem to be doing it. Rutherford is working with East Rutherford and Carlstadt for shared services. And I'm still like seeing cars being repossessed in the middle of the night. There's a lot of people still in financial trouble in this town. I see fathers still walking their kids to school. I stop and talk to them, they're still unemployed, they've been unemployed for over a year and the people are not going to be able to handle a 10.9% tax increase. So I'm looking at all of you to do a better job at trying to figure ways to cut costs and whoever votes yes to this 10.9, I'm watching you carefully and you're not going to get my vote when it comes to election time. Thank you.

Mayor Massa – thank you m'am. At this time no one else wish to be heard, I'll entertain a motion to close hearing of citizens.

Sandra Araujo – 233 Crystal St.

Mayor Massa – what is your last name m'am?

Sandra Araujo – Araujo. A, R, A, U, J, O. I've been a resident in North Arlington all my life and I've been a taxpayer for about 17 years. I've been paying my taxes with no issues and find the percentage increase that is now upon us has caused me to second guess the appropriation of my tax dollars. Not only do I have to choose to live, I choose to live in North Arlington, I also choose to send my child to Queen of Peace due to the fact that I believe he gets a better education than in North Arlington public schools. How can the teachers at Queen of Peace teach our children if not better but the same as the public school for 1/4<sup>th</sup> of the money that is being spent for public school teachers. I also want to say that I too looked the paper and the meeting was not posted in any paper. I too looked at NA.org, it was not posted, this meeting was not posted there and the sign out front still said 16<sup>th</sup>.

Administrator Wall – just by way of clarification, I’m sorry m’am, I spoke to the kind lady earlier and I’ve indicated that the meeting was properly advertised according to law and that I would be happy to furnish the advertisement to any interested folks tomorrow morning.

Mayor Massa – okay, please continue.

Sandra Araujo – before we think on raising the taxes, let’s think of collecting some of the money that is owed to us. I can see that North Arlington is very good at spending but extremely poor in getting reimbursements that are owed to us. We need to spend more time in recouping the money that is owed to us instead of spending any further. Thank you.

Mayor Massa – [inaudible] motion to close.

### **MOTION TO CLOSE PUBLIC COMMENTS**

INTRODUCED BY: Councilman Tanelli

SECONDED BY: Councilman Bianchi

ROLL CALL: All council present vote in the affirmative

Mayor Massa – I’d like to comment on the comments that were made by citizens, does anyone else wish to comment that’s generally our protocols here. We understand your pain believe me when I tell you we do. Especially those of us who are senior citizens and I include myself of course. I think some of the gentleman here on the panel along with me, well one of the gentlemen. Seriously, running a municipal government this day and time is extremely difficult because we heard the very extensive report from the borough auditor; he mentioned how systematically we’ve been losing state aid, loss state aid. Last year we lost [inaudible] this year we’re able to get \$400,000 in transitional aid which is the type of aid that is generally been considered in the past as a in distressed cities aid. Whatever we do we do to contain costs and we have our work for us cut down, but there is more do and we will be doing more. We will be looking at more areas of cost savings but keep in mind that North Arlington is still one of the lowest tax, residential tax, being in the bottom of 20% tax residential taxes in the county. So, on a scale of communities with a smaller workforce, we have done a lot that we can do and there is more to do, [inaudible] and I always look for more to do and I’m sure that this governing body has an interest in doing as much as they can because just like you we pay the taxes also. Just like you, some of us are retired or semi-retired living on fixed incomes. I know the pain of our senior citizens who are getting a double whammy this year because they’ve lost over \$1300 in tax rebates. Tenants have lost their money in rebates. So please understand that we scrutinize every department, every operation and we’re going to be looking at it even more detail, especially now as the next few weeks evolve and we’ll be putting the, the council has to put together the final budget but I appreciate your attendance here and having your voices heard. Whatever issues there were with the meeting notice, I think we have them resolved but the fact remains we in order to take care of some legal issues with the state of New Jersey, the department of local finance board, there was a deferment in the actual budget introduction tonight which the council elected to make and so there will be another hearing I believe on the 14<sup>th</sup> definitely.

Administrator Wall – correct.

Mayor Massa – and then there will be a subsequent hearing scheduled where you can also come and be heard. Any other...

Councilman Hughes – Mayor, yeah I’d like to, just a couple comments. As far as the meeting notice, we have an obligation by law to notify the newspapers. They do not have an obligation to print it so unfortunately that puts us in bad light. As far as the reason it wasn’t on the bulletin out front, I do apologize for that. That should have been corrected and taken care of and we’ll make sure that doesn’t happen again. As far as the aspect of the budget, I think you saw tonight some of the reports that we’ve been living on a credit card based economy in the Borough of North Arlington. We’ve been spending money that we didn’t have, we’ve been spending beyond what we were appropriating. We

haven't been very effective in collecting on grants and receivables over the years and all of these things as Mr. Lerch said created problems in this year's budget, created a budget that we started the beginning of year of at 52% and I know that number sounds beyond comprehension, but that's what the numbers were created by last year's auditor so we were able to bring those numbers down to about like I said a little under 11%. We are aggressively as Mr. Wall iterated before, we are aggressively seeking to get reimbursed for all of these grants. We're doing everything necessary to get all of the paperwork in, all of the documentation done, he'd get all this stuff in there. We've also recently had you know it's been delayed, it was delayed by the state of New Jersey, the DEP screwed up on some aspects of the application but the baler is now opened. It's increasing you know almost on a weekly basis, the amount of revenue that's coming in we are looking forward to saving ¾ of a million dollars in getting rid of our garbage in next years budget. Most of those things, most of the savings that we're generating this year aren't going to have their full effect until next year so it does put us in a very difficult position but we do look forward to a much better time ahead so we should see substantial savings next year in our budget. We should see substantial revenue increases in our budget and later on down the road when the redevelopment plan comes into effect and we got new ratables coming into town. It's also going to help us. You know one of things that also makes it very difficult is the fact that we have almost I think it's like almost \$900,000 of unpaid taxes. Well when he doesn't pay his taxes and he doesn't pay his taxes, well the rest of us have to pay the bill so it hurts all of us and that's what happens when we cut our surplus to such a degree to the point where its too low, it creates problems in our budget so you know we are aware of the pain and unfortunately where it's time to pay the bill. We've been living a credit card society or credit card budget for many years and we have to pay the bill now so.

Councilman Bianchi – can I say something?

Mayor Massa – councilman.

Councilman Bianchi – Janice, I was talking to your husband the other day, he came in the store; we talked for a while and he had some ideas but I don't know how to implement, you know, he says about the police, he said about a few things he wanted to do our taxes were too high, school teachers were making too much money. I don't know how this mayor and council can fix that, you know, I really don't. What do you do? The schools autonomous. We cut them \$500,000 this year. We cut them \$500,000 and they still got raises. So and the year before we cut them \$600,000 or whatever it was, I'm not to sure. So we're really trying to hold the line but there's only so much we can do. You know some of these [inaudible] were autonomous, you know like the school, the library, so we're trying but I know you're not very happy but I'm not happy either you know but I don't know what to do.

Mr. Schurter – only 2.5 miles away the same houses is paying \$3,500 in taxes and [inaudible] ...

Councilman Bianchi – I remember what you told me and I was reading the paper today. It says we were talking about East Rutherford. Tax payers see an average of a 31% tax increase in East Rutherford...

Mr. Schurter – [inaudible]

Mayor Massa – excuse me sir, I understand you like to comment but the hearing of citizens has been closed. The councilman has the floor. We try to accommodate people when we can.

Councilman Bianchi – when this did come out in paper today and I read it, I thought of you when you were telling me that. Don't forget they got Giant's stadium, they got the Meadowlands...

Mr. Schurter – [inaudible].

Councilman Bianchi – yeah but they still get tax dollars from them, they still get revenue. They got [inaudible] arena. I mean they have a lot of things. We don't have nothing here in North Arlington except a few little industries around. So you know I mean we're trying our best we just don't have the money coming in that they do. And I thought of you when I read this today. You know, that's why I brought the paper with me.

Mr. Schurter – [inaudible].

Councilman Bianchi – you're about the 5<sup>th</sup> person who told me that. I don't know the answer to that question.

Mayor Massa – I don't think we can. That's part of our problem. There's so many nontaxable entities in this community that we ...

Mr. Schurter – am I one of them?

[laughter].

Councilman Hughes – well that's, the utilities and the gas lines are part of the state utility tax. The state of New Jersey collects the taxes on all of the utilities and right of ways.

Mayor Massa – they give us a tax share.

Councilman Hughes – and then they give us a tax share based on the amount of utilities we have going through the borough but like Mr. Lerch said that was cut \$275,000 this year so I guess the state needed to keep a bigger cut of that.

Mayor Massa – by the way, a young lady did make a comment I think regarding teacher's salaries. This governing body does not control teacher's salaries. Teacher's salaries are controlled by the board of education and when you look at your tax bill, a big chunk of tax bill goes to the board of education. A bigger chunk than what comes to municipal government. So I would urge you to get involved with the board of education, go to their meetings. I'm not telling you not to come here because it could be very easy for any mayor or any member of a council to say go some place else. We don't mind hearing from you good, bad, or indifferent because you're the voice of the community. You pay the taxes and you've earned the right to be heard and to complain about things that you feel need addressing. But was said before, several years ago, Councilman Granell was on the budget committee. This municipal body cut the board of education budget by \$300,000 which gave you a zero tax increase for the board of education. This year this council cut the board of education's budget which was much higher by \$500,000 and previous years when the board of education's budget failed, we have as far as my administration's concerned; we've cut that budget whatever we can. We take a lot of criticism for because people will tell us you're anti kids if you cut a budget but 24% keep in mind of the municipal board of education's operating budget is in executive expenses and administrative expenses. So when we cut the budget, that's where we expect the cuts to go. We don't expect it to filter down to the classroom and the kids. And as far as teacher's salaries are concerned, again they've been negotiated. And a big part of everybody's salary, public employees in particular, whether they be teachers, policemen, firemen, have been subjected to the binding arbitration process. Now both the governor and the legislature in New Jersey. For the first time in my memory in history, have agreed that this process has to change. The arbitrators have to take a look at the impact on the taxpayer in every community. So I am expecting that now the governor and the legislature and the coming legislative session will give us the tools to be able to be in a much better bargaining position. It's been my philosophy to attempt to hold the line in every way especially with salaries with benefits because my feeling is that public employees are very fortunate. They have a job, they have benefits, time and packages and I was one of them for many years, over four decades, give away my age now. And the chief can verify and the chief knows that. police officers know that. They know that they have a responsibility to the community. Just with our police department alone, we work this police department with less than 30 active police officers right now, am I correct chief? When I started the job in 1971 over here, we had 44 cops. We had give detectives. We were very busy. This chief of police right now is probably running this department

more cost effectively. In my personal experience, in my knowledge, more effectively than any other chief in the history of this community because of the severe financial restraints that are being placed on municipal government. So I'm not here to be a cheerleader for public employees but I do want the public to understand that is a crucial part of it. I'm a cheerleader for the taxpayer. That's my responsibility. So I have to negotiate in good faith with all of the unions and the with the expectation that they will do everything to hold the line and that's what we're going to do. And when we say we're looking at other areas to trim this budget, certainly. That's something we will do. There are a number of different issues that are out there. We're going to be following this checklist that the state of New Jersey is giving us to comply with the memorandum of understanding so that none of that grant money is lost, that aid and we will make certain that we can give you the tax payer the best charge for your buck; the best bank for your buck so to speak. And we do understand when I tell you especially at the older people in the community, the economic struggles that you face. Anybody else have anything?  
Councilman.

Councilman Tanelli – two things not in regard to the public comments. One is Councilman Hughes mentioned the increased tonnage going to the baler; for the last three weeks I've asked for a tonnage report from the facility, some information from them on what's going in daily, weekly, anything and what's the hours of operation, what days they're opened. I haven't heard back from I know Mr. Wall's contact for information we haven't received any.

Councilman Hughes – I think that contractor is obligated within twenty days of the end of the quarter to give us a report and a payment so we should be getting a report and a payment within 20 days of today. So, the 30<sup>th</sup> is the end of the quarter, that is what I believe the contract that was signed between the Meadowlands and environmental services.

Councilman Tanelli – okay, one other thing mayor is that the date that the budget, the adoption of the budget is set up, the mayor's been aware so is Terence Wall for some time that I'm going to be out of town, I'd like to try and push the meeting to the following Monday if we can statutorily. If anybody has any objections to that rather than the 19<sup>th</sup>, move it on the.

Councilman Hughes – I think it would be up to the well the budget hearing will be on the 14<sup>th</sup>.

Councilman Tanelli – yeah and there's the adoption.

Councilman Hughes – well the adoption will be on the 18<sup>th</sup> after we have a hearing on the amendment. So the budget hearing is on the 14<sup>th</sup>.

Councilman Tanelli – correct.

Councilman Hughes – but we were going to introduced an amendment that night to modify the budget. I mean you're going to get the final budget. But administratively we have to introduce an amendment to [inaudible] numbers around...

Councilman Tanelli – but the actual final adoption doesn't take place until the 19<sup>th</sup>.

Councilman Hughes – not until the amendments passed, that's correct.

Mayor Massa – the auditors said the 19<sup>th</sup>.

Councilman Tanelli – so I'm asking to move that date if it's statutorily possible to move that date to the following Monday.

Mayor Massa – is there any legal restraint that would bar us from changing that date so that the councilman can be...

Councilman Hughes – just the local finance board because we’re basically about four months beyond where they’d like to budget.

Mayor Massa – we can move it a few days to make sure that every member of this panel is present. I think that’s in the best interest of the community. So we will work on that Councilman.

Councilman Tanelli – thank you.

Councilman Bianchi – I have a question. The baler, like Steve asked for tonnage report, do we have anybody that works for the town down there to secure to that tonnage report is correct?

Mayor Massa – no, bare in mind the contract is between the environmental logistics and the Meadowlands Commission so the Meadowlands Commission should be the entity that would be providing us with the report and...

Councilman Bianchi – oh so the Meadowlands Commission has somebody down there?

Mayor Massa – I would expect that they do routine audits or have regular supervision.

Councilman Hughes – they did in the past.

Mayor Massa – so they have in the past Mr. Councilman says, I don’t know who’s there but we do know that the tonnage is not what it was originally expected so we will have to make those adjustments because if the tonnage is down then the revenue to the community is down.

Councilman Bianchi – well what I was made to understand is that first of all they’re only open one month. Number two, some of these towns that want to do business with the [inaudible] the baler have contracts, Lyndhurst, Rutherford, Hackensack they want to come to this baler but they have to wait for their contracts to end. That’s what I heard I don’t know how true it is.

Mayor Massa – that’s been published in the local press.

Councilman Hughes – and many of them are going out on bid and they’re in the bid process now which generally takes 60 days on a garbage contract.

Councilman Bianchi – so the tonnage will go up hopefully.

Mayor Massa – hopefully we’ll see some improvement.

Councilman Hughes – one other thing Mayor in regard to the budget here, just be aware the borough employees have been very cooperative this year in accepting a pay freeze. In fact the only department this year that’s got a raise was the police department and the only reason that happened was they were in the third year of a binding arbitration contract. So this is the final year of their contract and it was issued by binding arbitration with the state of New Jersey which once they issue an edict it’s almost like law, we can really break it. So but all of the other borough employees have accepted a pay freeze for this year and there has been no pay increases for any of the borough employees this year so they have been doing their part.

Mayor Massa – thank you, anyone else? Resolutions on consent.

### **RESOLUTIONS ON CONSENT**

R-245-10 RESO RE: AUTHORIZATION TO PAY CLAIMS

R-246-10 RESO RE: APPROVAL OF PURCHASES OVER \$3,000

R-247-10 RESO RE: EMS BILLING

R-248-10 RESOLUTION REGARDING ABSENCE FROM MEETINGS IN THE BOROUGH OF NORTH ARLINGTON

R-249-10 RESOLUTION REGARDING PROFESSIONAL TRAINING COURSES FOR ELECTED OFFICIALS IN THE BOROUGH OF NORTH ARLINGTON

R-250-10 A RESOLUTION OF THE BOROUGH OF NORTH ARLINGTON REQUESTING APPROVAL OF THE DIRECTOR OF THE DIVISION OF LOCAL GOVERNMENT SERVICES TO ESTABLISH A DEDICATED TRUST BY RIDER FOR THE COLLECTION AND DEPOSIT OF MONIES FROM ACCUMULATED LEAVE

R-251-10 RESO RE: CANCELLATION OF TRUST FUND BALANCES

R-252-10 RESO RE: AUTHORIZING BOROUGH CLERK TO GO OUT TO BID FOR THE PURCHASE OF STREET-SWEEPER

R-253-10 RESIGNATION/RETIREMENT OF LIEUT. GEORGE DUFF

R-254-10 RESO RE: HIRING OF STAFF FOR THE YOUTH CENTER

R-255-10 RESOLUTION OF BOROUGH OF NORTH ARLINGTON, IN THE COUNTY OF BERGEN, NEW JERSEY RATIFYING THE MAKING OF AN APPLICATION TO THE LOCAL FINANCE BOARD PURSUANT TO N.J.S.A. 40A:2-51

R-256-10 RESOLUTION FOR MUNICIPALITIES TO CONFIRM ENDORSEMENT OF COMMUNITY DEVELOPMENT PROJECTS

R-257-10 RESOLUTION AUTHORIZING THE RECEIPT OF PUBLIC BIDS FOR THE NJDOT 2010 ROAD RESURFACING PROGRAM IN THE BOROUGH OF NORTH ARLINGTON

Administrator Wall – two additional items are:

R-259-10 RESO RE: APPOINTMENT OF CROSSING GUARDS William Earnest and Dennis J. Bozidlo

R-260-10 RESO RE: TO FURNISH AND INSTALL HVAC SYSTEM FOR SCHUYLER FIRE COMPANY #2

Administrator Wall – this regards funding that was recent approved. I mentioned that on the record because the certification of funds identifying the recently authorized bond ordinance will be attached to this resolution confirming the account prior to the commencement of any installation. Your tax collector and CFO is here part time on a Tuesday evening, I need to obtain that document, it will be attached to the resolution and no work will commence until that proper certification is attached to this resolution. That's resolution 260-10.

Councilman Kearney – can I have point of order? 254 [inaudible] off consent?

Mayor Massa – 254? Okay that'll be a vote for regular session.

Councilman Hughes – I do have a question Mr. Mayor point of order. The bills list, is there, I don't see a certification of funds on that [inaudible].

Mayor Massa – which one is that?

Councilman Hughes – the bills list. Shouldn't there be a separate signature on here from the CFO as far as regular bills list?

Administrator Wall – the process of the certification of the funds of the bills list as I understand it work with First Byte, your vendor for financial services downstairs. The system does not allow any over expenditures in any sub account the way it's structured. There is no ability to enter any requisition that does not have the funding available. In the past, departments were able to enter requisitions that would create an overage situation. So, I've gone over this issue during the audit process when we were eliminating signature stamps downstairs and pulling grant funds and these types of things and my recollection on this specific item on bills list because I asked for a specific certification for any bills list as well prior to being listed on your agenda. After the modifications were made by first byte in the system, in the requisition system, you're prohibited from entering in any dollar that's not already that doesn't have the ability to be expended. So what this product is and whenever you decide to do this bill list is certainly your decision. But my understanding from the finance office is that all of these items on here are have funding available.

Councilman Hughes – okay, could we verify with Mr. Lerch? I mean, I know we have to pay our bills and what I would recommend is we pass it tonight pending certification of funds; let's verify with Mr. Lerch the procedure with the bills list whether it needs a separate certification of funds or if this budget restraint within the computer program is acceptable. Okay?

Administrator Wall – okay, certainly.

Mayor Massa – that's a valid inquiry from the council. Motion introduced the consent agenda.

INTRODUCED BY: Councilman Hughes  
SECONDED BY: Councilman Kearney

Mayor Massa – I would like to comment briefly if I could on our R-253-10, the retirement of Lieutenant George Duff from the police department. I want to personally offer Lieutenant my best wishes and best luck in his retirement. He served this department with distinction and pride as an excellent member of this police department and perhaps there might be a little prejudice in my comments because he was one of my young rookies when he was a police officer and he's got about 25 or 26 years on the job. And some of the guys have complained to me why I was still working when guys with 25 years on the job are retiring. In any event, we do want to wish him luck and wish him well in the future. I also do want to comment on some of these resolutions are requisites for the best practices and a policy that's put in place by the state of New Jersey regarding municipal administration and it's important that the community have all of these procedures and policies in place for the management of specific funds and specific operations particularly the money that we received through grants, money that we received from that goes into special accounts. So, again that's an explanation as to why we see some of these resolutions that maybe unfamiliar to a lot of the people in the community rather than the regular day to day types of business that we generally have to conduct here. Any other comments?

Administrator Wall – well mayor and council [inaudible] made of council president Hughes' item earlier, if I may read resolution 245-10, I think it's illustrative as it relates to the certification of funds for the bills list. And I'd just like to read it briefly because it does identify and I think it may address the question and speak to the process that was put in place. It's short. WHEREAS, There has been presented to the Mayor and Council Members of the Borough of North Arlington, the attached list of invoices requesting payment for the work, labor, services and materials to the Borough; and WHEREAS, said attached list specify the exact line item in the budget or Ordinance to be charged therewith: \$ 4,064,480.83 WHEREAS, each of the purchases by said invoices have been duly authorized by the purchasing department, I'm just going to stop there, I will physically see a requisition and I will physically see if it's by color coded if the funds are available or the funds are not available but I ordered the finance department to block any items that were not available and I hadn't seen one since so it could not be entered into the system. Now just a follow up purchasing department agent or and I would either approve it or reject it and as you saw our spending has increased 1% and we basically

don't spend a dime unless we truly truly need to. And I'll just finish, agent or office in respect to the goods and services received, as well as the Chief Financial Officer in regard to availability of funds; I just want to reference that because it actually is here. NOW, THEREFORE, BE IT RESOLVED by the Mayor and Council of the Borough of North Arlington, that the CFO is hereby authorized to pay the claims. I just thought that was important based on the question earlier, yes Council president?

Councilman Hughes – no I understand that but in the past I've always seen a signature position for the CFO that actually says certification of funds on these resolutions. I know we've passed a pending certification of funds but maybe that wording needs to be added to this resolution for the bills list.

Administrator Wall – alright, I will check that in the morning, certainly.

Councilman Hughes – okay, thank you.

Administrator Wall – I believe mayor and council, you had a motion and a second if I'm not mistaken on all items except for resolution 254-10.

Mayor Massa – call the roll.

ROLL CALL: AYES: Councilman Bianchi, Councilman Hughes\*, Councilman Kearney, Councilman Johnson\*\*, Councilman Tanelli\*\*\*, Councilman Yampaglia\*\*\*\*

NAYS:

\*with exception of any purchases for the fire department. I also want to state my comments about commending Lieutenant Duff for his years of service to the borough. I've know George, I've trained with George Duff when the fire department and police department did joint training back in the days of the mine shaft collapses when we established a repelling team and he was always a man who did his job well and I think he needs to be commended and thanked by this borough so I vote yes.

\*\*and I just wanted to also congratulate Lieutenant George Duff for his retirement and all the years of service. I know working in the private sector as an attorney appearing in this municipal court he's always been a man that stood for justice and did his job well. Thank you.

\*\*\*yes with a standing order on the Scandariato and Alaimo bills. Thank you.

\*\*\*\*yes except for the Scandariato bill on 245. And I want to echo the [inaudible] Councilman Kearney, Councilman Hughes, and Mayor regarding Lieutenant George Duff, I wish him well in retirement.

Administrator Wall – thank you very much. R-254-10 RESO RE: HIRING OF STAFF FOR THE YOUTH CENTER.

Mayor Massa – motion introduced?

INTRODUCED BY: Councilman Kearney

SECONDED BY: Councilman Hughes

Mayor Massa – discussion?

Councilman Yampaglia – just regarding this one position Mayor, I just wanted to make a comment that regarding, I'm sure Mrs. Krychowski and Mrs. Costello are very well qualified but Nick Mazzolla Jr. [inaudible] his year's of experience and dedication, being a resident for many years in this town is I think he's the best person here but that's the only thing I wanted to say.

Councilman Kearney – if I could also speak I think the purpose of this resolution is because Mr. Mazzolla has gotten a position elsewhere as well as the other employee there. This is only to replace the people that are leaving. It's not that were taking out

people that were specifically and putting new people in. they're gone and we need new people to basically man the ship. So that's all this is for and I just wanted to make sure that was clear.

Mayor Massa – Councilman Tanelli has a comment.

Councilman Tanelli – that's not accurate. I spoke with the young lady who, Meghan Blackford, who was employed for the borough and asked her if she was contacted about the fact that she was being replaced and she said she was never called back. There's been no communication that she lost her job or that she was being replaced so that's I mean maybe Mr. Mazzolla I'm not sure what Mr. Mazzolla's situation is I didn't actually speak to him because by the time I got this last night to review it, it was too late to contact him but I did have the opportunity to speak to Mrs. Blackford and she doesn't understand why she's being replaced actually.

Mayor Massa –with respect to this resolution, if there's some doubt as to whether or not there were any issue regarding failure to higher for whatever reason, I think that we may want to table this, is something we have to move on immediately Mr. Clerk?

Administrator Wall – it's a policy decision for the mayor and council.

Mayor Massa – so does any other...

Councilman Hughes – I don't know Mr. Kearney you're the liaison for recreation, I know there were some emails going back and forth as for the need for staffing but I was under the impression that these two individuals left of their you know voluntarily.

Councilman Tanelli – well I checked just because I happen to know the one individual lives around the corner from me and she's been working for recreation for the last few years and she also worked at the library while she was putting herself through college and I checked just to make sure that that was the case and that's not what I was told but I certainly don't want to leave the youth center without I mean we can vote on this tonight, I don't want to leave the youth center with people manning it.

Councilman Kearney – point of order councilman and council president Hughes, from speaking with Michael Kraft basically I was informed that Mr. Mazzolla took a position elsewhere and is no longer going to be working the youth center and I was told and I don't have first hand knowledge like Councilman Tanelli has with regard to the other employee, I was told that she was not interested in coming back. Now I don't have first hand knowledge, I didn't speak with neither of the two individuals personally, I left it to Mr. Kraft so.

Councilman Hughes – how about this, it wouldn't create any additional funding because the rotation is set I mean the number of hours that are worked and the number of people that worked are pretty much established. Why we don't modify the resolution to higher the two new people to cover the staffing issues and table the acceptance of the resignation of the two people that are on this resolution until we can verify that it is true case that they are not interested.

Mayor Massa – thank you, I was going to recommend that Mr. President. And the other thing is what I'd like to see, we're talking about best practices at place. If somebody is going to resign, then let that department head request in writing the resignation from that employee so we have the paperwork to prove it that there was no coercion, no favoritism, no issues so I totally agree with the council president and Councilman Tanelli in this regard.

Councilman Johnson – there was no resignation.

Councilman Hughes – how do we modify this Randy?

Councilman Kearney – is there a rice notice that should have been made on this or no it didn't have to...

Councilman Hughes – only if it's a disciplinary hearing or a job performance of any sort.

Administrator Wall – I can read an amended resolution 254-10. Be it resolved by the mayor and council that the following be hired for part time staffing at the youth center, Maureen Krykowski, \$10.50 an hour, Christine Costello, \$13 an hour. That would be your new amended resolution.

INTRODUCED BY: Councilman Tanelli  
SECONDED BY: Councilman Hughes

Randy Pearce – as amended.

Mayor Massa – call the roll.

Administrator Wall – motion, second, as amended. Roll call.

ROLL CALL: AYES: Councilman Bianchi, Councilman Hughes, Councilman  
Johnson, Councilman Kearney, Councilman Tanelli  
NAYS: Councilman Yampaglia

Administrator Wall – I'm sorry was that a no vote.

Councilman Yampaglia – yes.

Administrator Wall – okay, thank you.

Mayor Massa – we'll have the clerk contact the department head and request that something in writing be submitted with respect to any resignations for the future from these positions.

Administrator Wall – yes mayor and council. The next resolution is resolution...

Councilman Hughes – Can I have a point of order?

Mayor Massa – point of order.

Councilman Hughes – Mr. Mayor, I know we're not doing Council reports tonight but I do want to bring something to the attention of the council here that has been troubling me and I'm very troubled by this. I'm sure you're aware of the emails that have been going back and forth between Mr. Pearce and Mr. Sarlo regarding some of the issues regarding redevelopment zone on Porete Avenue.

Mayor Massa – yes.

Councilman Hughes – I know we asked Mr. Pearce several months back to review the jurisdictional issues in a redevelopment zone. He established the fact that there were some procedural errors in amendments that were done to the wrong ordinance and everything else like that and basically the way everything stood was that the mayor and council was still the redevelopment board. But something happened back in May of 2009 where the zoning board kind of took it upon themselves to review what they classed as a minor variance for a company called Clayton Block and it turned out to be a new major industrial use. They took a block company that had minimal amount of traffic and minimal amount of environmental impact and they allowed them to expand their use to become a major cement distributor and I notice mornings when I go to work, I see a constant parade of cement trucks going up Belleville Turnpike at 6 o'clock at 5:30 in the morning. Some of the tours I've taken down there on Porete Avenue, I've seen cement dust all over the place. This variance, this minor variance that was acted upon by the zoning board was done with no traffic study being required of the applicant. It was also done with no environmental studies required of the applicant and when Mr. Pearce inquired as to why this application was allowed to be processed, he's really received no logical reasonable answer and it almost seems like this whole process was probably one

of the fastest steam trains I've ever seen because I've been involved with the planning board for several years and I know that the application process for any kind of a variance takes time. The application was submitted on April 30<sup>th</sup> 2009. And hearing was heard by the zoning board May 13<sup>th</sup>, 13 days later with a resolution that was written and passed that night. Now Mr. Pearce, is that a normal procedure where a resolution is acted upon the same night as the hearing particularly when the resolution contains testimony that was given at that meeting?

Randy Pearce – as you know, Mr. Hughes, I was planning board attorney for twenty years from this borough and I have never seen a resolution of this nature prepared in advance of a hearing, I've attempted to gain some insight into this issue with Mr. Sarlo. I have requested minutes of the meeting. I've requested tape recording of the meeting and I am shocked to tell you that there are no minutes of the meeting, there is no tape recording of the meeting and the resolution that was approved on May 13<sup>th</sup> and published on May 16<sup>th</sup> was a very lengthy resolution which contained testimony as to what people testified to, what issues were addressed, the fact that no one appeared to oppose the application, so how it is that Mr. Antonicello who's the chairman of the board and Mr. Sarlo could have an application submitted on April 13<sup>th</sup> and approved on May 13<sup>th</sup> with a resolution prepared in advanced without knowing what was going to happen at the hearing is extremely troubling to me.

Mayor Massa – [inaudible] one of the emails that I saw said that this may have been heard at a different date other than May 13<sup>th</sup>. Is it a matter of fact that it was in fact heard on the May 13<sup>th</sup>, [inaudible] heard in June?

Randy Pearce – unfortunately Mr. Mayor, that's one of the most troubling parts about this situation because I got that response from Mr. Sarlo. Mr. Wall has spent countless hours over the last several weeks tracking down Mr. Sarlo's explanations or attempted explanations for this situation and attempted to indicate to Mr. Wall that maybe it's not on May 13<sup>th</sup> because maybe it took place in June. But as I just indicated, having pulled the file, the actual resolution that was passed allegedly on May 13<sup>th</sup> was published on May 16<sup>th</sup>. Confirmation of the resolution being approved on May 13<sup>th</sup> was published on May 16<sup>th</sup>. So for Mr. Sarlo after being unable to satisfy my request to tell Mr. Wall to start looking elsewhere since it wasn't on the tape recordings sitting behind us. There were many other meetings during the same two week period by the mayor and council, by the planning board, etcetera, all of which were recorded properly. To tell Mr. Wall to start looking in June is totally contradicted by his own file and the fact that the resolution which was pre-prepared was published as I said on May 16<sup>th</sup>. So for him to give us this wild goose chase over the last week of looking in the June tape recordings leads me to a very unfavorable conclusion.

Councilman Hughes – now my review of the resolution that was supposedly acted upon that night and the resolution that was actually in the folder didn't even have a vote tally. So there's no indication whether this resolution passed or not. There's no indication who introduced it, who second it, and who voted on it. So, my question is with no minutes, no recording, no vote tally on a resolution, is it even a legal resolution? Does it constitute a legal meeting or did they even have a meeting? I mean there's too many things here that are unanswered, too many things here that are unanswered, too many things that are just very strange in this whole thing and somehow it just doesn't pass the smell test. I work for the board of health and the first indication that you had of food going bad was the smell of it. If it smelled fresh, it was fresh, if it didn't smell fresh, it wasn't, it was turning bad. And this whole situation just seems to have of I don't know, it just makes no sense to me and then somebody put me in, somebody put me onto the fact that I know there's been a lot of comments going back and forth, a lot of bantering going back and forth about the pay to play on this council and the various things like that and somebody referred me to the elac forms for the democratic party that year and it turns out that a month before the application was submitted to the mayor and council, I mean to the zoning board, there was a thousand dollar donation made by Clayton Block to the democratic club. A month after the application was supposedly acted on if it was acted on. Another three thousand dollars was donated and what's really troubling is the chairman of the zoning board is also the treasury for the democratic club and there's no indication on any of the resolution that he refused himself from this meeting or this

action. And I'd like to call and ask Val that all of the information that's been generated by Mr. Pearce and all of the emails that have been going back and forth, I'd like to have them all packaged up and I'd like to have them forwarded to the U.S. attorney or the state attorney general for further review because frankly this whole thing is troubling. There's too many things here that just don't make sense, there's too many things that don't make sense in any way. So I'd like to have this reviewed by an outside source sir.

Mayor Massa – okay...

Councilman Bianchi – I'd like to say something.

Mayor Massa – I think what we should do in this case is have the administrator and the borough attorney review all of the documentation whatever's available, make a determination [inaudible] review it. There are state agencies that can review this, inspector general of the SCI, the attorney general, there's possibly the department of community affairs with the local finance board, whatever the case may be. I've seen some emails, but again I have not had an opportunity to take a look at any of the hard documentation that does exist so being that's the situation, I'll have the attorney confer with the borough administrator to determine what is the best venue to have this issue reviewed.

Councilman Hughes – one other thing, Mr. Mayor. I'd also like to have it review by our attorney to ask to whether this variance is even legal because frankly this is a redevelopment zone, it's been a redevelopment zone since 1990. Industrial II use has never been allowed or approved in the redevelopment zone. That is the type of variance that was granted. It was a major use variance. My understanding is the way a major use variance can be done in a redevelopment zone and Mr. Pearce can correct me if I'm wrong on this but it has to be done by ordinance, not by variance.

Mayor Massa – well the simple question I have Mr. President is can this be remedied by an ordinance. Can this action be rescinded by an ordinance?

Councilman Hughes – I don't know if it can be rescinded...

Randy Pearce – we can't pass an ordinance rescinding what the zoning board did. We may be able to have a court overturn it based upon the steps that were taken, the way it was handled, the lack of response to that I have gotten and by the way, before this meeting today, I sent Mr. Sarlo a letter asking him to meet with me before this meeting tonight so that I would have further clarification and I have not received any acceptance of my desire to meet with him to discuss this issue. So the answer to your question Mr. Mayor, we can't pass an ordinance to change what was done although if it was done improperly and I can tell, absence minutes, absence a tape recording, it is not a valid meeting as to whether or not a court would find some argument in favor of Clayton Block of some sort of grandfather rights because it was a year ago. It would have to be left to the courts but the court would have to overturn it.

Mayor Massa – well is that the appropriate action to take, to refer it to a court? I have to put the zoning board on notice and advise Mr. Sarlo, does the council want to discuss this in executive session and then pass a resolution to take whatever action they deem appropriate?

Councilman Hughes – I think it's the best thing to do is probably have Mr. Pearce to look at the possible gain and possible loss and pursue the next course of action and then maybe at the next meeting get back to us with a report that we discuss in closed session.

Mayor Massa – I think that would be the first step to take. Councilman?

Councilman Bianchi – this is a minor issue. We're talking about the same subjects, minor issue. Ridge Road now has become a race track for cement trucks. I'm glad the chief is here tonight. I almost got hit by a cement truck.

Mayor Hughes – why is that a minor issue?

Councilman Bianchi – well you guys are talking about some heavy stuff. I'll tell you the truth, these cement trucks go out early in the morning and they're running back and forth to get cement when they empty to finish a job. They came flying through North Arlington today like you thought it was world war 6, man they were flying down Ridge Road and it was around 2:30 when kids were getting out school. You got a lot of cement and you know we haven't noticed it because its probably new but you got a lot of cement trucks running through this town and their flying, they're going to pick up another load, get back to the job, and I just wanted to make that point because one passed me today doing about 50 miles an hour on Ridge Road, easy 50.

Mayor Massa – what time was that?

Councilman Bianchi – around 2:30 give or take.

Mayor Massa – this afternoon?

Councilman Bianchi – yes. Almost took the door off my car.

Mayor Massa – well I'm sure these violations occur in the presence of our police department, they'll issue summons.

Councilman Bianchi – and the key to this whole thing is I didn't know this was going to come up tonight and it just came into my mind and with the cement trucks because there was no traffic study done on what these trucks can do.

Councilman Hughes – you know the whole attention to the redevelopment plan was to get away from heavy industrial use. We didn't want that type of use in the Meadowlands because of the problems that have been created over the years with the pollution, the heavy trucking, and everything else, we wanted to get away from that. So back in 1990's 20 years ago, this borough decided we didn't want to go this way. Clayton Block was of nonconforming use and what the zoning board allowed to happen was a major expansion of a nonconforming use with total disregard of the redevelopment plan, even the redevelopment plan that was on the books a year ago did not have any provision for that type of use.

Mayor Massa – councilor, are you prepared to submit a written report regarding this issue to the council?

Randy Pearce – I am I am, I have only received in the last couple days additional pieces of this puzzle including the realization that this meeting took place, if it took place, and I'm not convinced it took place at all. It clearly was not taped, it clearly was not that somebody did minutes. It was as I said, the resolution was drafted in advance and I have stacks and stacks of documents including some Google maps that I was able to pull up which I pulled up this week showing the property before the application and the property today and the size of the buildings that were placed on this property and the size of the operation compared to what it was before this resolution and to call this a minor variance can somehow outside of the scope of the redevelopment plan really turns logic on its head and the fact it was done in 13 days Mr. Mayor under these circumstances is very troubling. But I am prepared to put together an entire file on everything that was done. I already gave you an opinion letter last month...

Mayor Massa – yes, I have your opinion letter.

Randy Pearce – based upon the information I had at that time. I now have significantly more information which I can put into a final report.

Mayor Massa – well I think that's the appropriate step to take at this point. Any further comment or discussion on it?

R-258-10 EXECUTIVE SESSION

Administrator Wall – Whereas, the Open Public Meeting Act, Chapter 231 permits the exclusion of the public from a meeting in certain circumstances, and whereas, the Mayor and Council is of the opinion that such circumstances presently exist; and whereas, the Mayor and Council wish to discuss: Personnel, Collective Bargaining, and Anticipated and Pending litigation, Public release of the discussion will only occur after counsel approval. Action may or may not occur after discussion. May I have a motion please?

INTRODUCED BY: Councilman Tanelli

SECONDED BY: Councilman Bianchi

ROLL CALL: All council present vote in the affirmative

Administrator Wall - Now, therefore be it resolved that he mayor and council are now in executive session.

[EXECUTIVE SESSION]

Administrator Wall – back on the record.

MOTION TO RETURN TO REGULAR ORDER OF BUSINESS

INTRODUCED BY: Councilman Tanelli

SECONDED BY: Councilman Hughes

ROLL CALL: All council present vote in the affirmative

MOTION TO ADJOURN

INTRODUCED BY: Councilman Tanelli

SECONDED BY: Councilman Hughes

ROLL CALL: All council present vote in the affirmative