CITY OF ABSECON
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CITY COUNCIL

BUDGET MEETING

FEBRUARY 13TH, 2025 6:30 PM

MINUTES

FLAG SALUTE – Mayor

ROLL CALL
PRESENT: Councilmembers Alex Clark, Linda Evans (arrived at 6:36PM), Nick LaRotonda, Steve Light, Christine Parker, Mike Sykes, and Council President Richard DeRose
ALSO PRESENT: Mayor Thomas Marrone, and City Clerk Carie Crone.

STATEMENT OF THE SUNSHINE LAW & NOTIFICATION THAT THIS MEETING IS ELECTRONICALLY RECORDED

WORK MEETING AGENDA

2025 MUNICIPAL BUDGET DISCUSSION
Council President DeRose: Cautioned Council that they will have to make very tough decisions. Shared that the City is looking at close to a $900K hole. The brunt of that money comes from debt. The Firehouse debt, which has been $400K a year, has increased to $1.1M a year until paid off.. Essentially the City's former CFO could budget the max amount anticipated to bring in, most municipalities don't max that number because its not certain they will hit that number. Last year, the former CFO maxed outed every line item for revenue. Between the delta of $600K and $1.1M in debt and the maxed out of revenue, the City is looking at a significant budget issue.
Councilwoman Parker: Indicated that this was the trend for some time.
Councilman Clark: Reminded Council that the City had not raised taxes in several years.
Council President DeRose: Instead of raising taxes to account for projects, they included all costs in the bond. This saves tax payers from paying for it until later down the line. There are ways to rectify the matter, but until they actually know the picture, they are spinning their wheels. If the situation is dire, all spending may be paused. Another option is to restructure certain debt. Until they learn the concrete situation, unsure of whether it's worth it to discuss certain matters (e.g. new positions, salaries, Road Program, Capital Projects, Dept. budgets etc.)

Councilman Clark: The City will hopefully get their Annual Financial Statement by next Thursday. The statement will show current standing and projections. The auditor will look at everything and try to compare the work to the new CFO's. The main issue that the City is facing is the debt service increase from $600K to $1.16M for the firehouse loan, on top of all the normal budget items. The City had hoped for several businesses to open last year, which would have provided additional revenue. Although the City anticipates some of those businesses to open this year, the City cannot budget that money.

Council President DeRose: In reference to the Engineering Report, the City will likely be unable to make the local match for grants.

Councilman Clark: Commented that there is a chance that the City could possibly have the money available from the surplus.
Council President DeRose: Asked the auditor what they typically look for in the surplus. They typically advise municipalities to have roughly 25% of their budget in the surplus (what credit agencies look for). There is no legal requirement, however. Absecon is currently below 25% and that is before the City takes about $1M from last year. The City is currently at roughly $3M, which is about 25% of the budget. The City is looking to be below $2M, before any problems are and without a piggybank to tap into. If hard decisions aren't made this year, there will be ramifications (e.g. credit rating decrease, losing out on future grants, etc.) They need to get the finalized budget. The CFOs have been working hard and diligently, but have been delayed by obstacles. They expect to have the budget prepared by next Thursday. Ideally this would allow time for Council to review the information in preparation for the last Budget Meeting. The City would ideally be able to introduce the budget at the following Council Meeting, however, acknowledged that it would be possible to delay its introduction, if needed. In this meeting, aims to clarify to Council the realities of the situation, being that budget cuts will be necessary. Council must be intentional in their focus and prioritization. Stated that Public Safety has been Absecon's focus over the past 2 years and expressed satisfaction with the improvements made theretofore. Asked Council, as a body, what they should prioritize now in 2025. This decision will determine what money is spent and where.

Councilman Clark: Reminded Council that its possible that there have been mistakes, which, when rectified, could possibly help the financial situation. Emphasized that the main budget concern pertains to the $500K+ debt service increase. That increase alone will cost about a 7-cent tax increase.

Council President DeRose: Shared that when referring to the crossing guards, the CFO informed them that the City doesn't even have the money needed to pay them. Quoted the CFO by saying the City has "zero" dollars to spend. Echoed Councilman Clark's previous sentiment about the possibility of discovering new information during the financial processing. To emphasize the point, discussed the City's failure in 2024 to budget properly for the prospect of a snowstorm (e.g. salt, overtime pay, etc.) Shared that while most municipalities put away money every year for a Salt Fund, Absecon has not. This has thereby resulted in the drainage of a significant amount of money for Public Works, within just the first couple weeks of the new year.

Councilman Clark: Explained that if there is another snow storm, the City would have to take the money needed from its surplus. Acknowledged that, although it's not recommended to keep using money from the surplus, it is allowed. Informed Council that the auditor will be conducting an analysis, and will inform Council about what they can and cannot do. The auditor indicated that they should not yet hit the panic button, but suggest that ought to consider tightening their belt. This specifically pertains to certain projects previously discussed. Council is currently unable to make any decisions about the projects, because, due to past financial methodologies, they do not know the City's current standing.

Council President DeRose: Estimates an 11-cent tax increase. Considering recent years past, acknowledged that the increase is rather drastic.
Councilman Sykes: Asked what (est.) taxes would be on a $200K house.
Councilman Clark: Estimated that 1-cent on a $200K house would be around $20, so 12-cents would be about $250.

Council President DeRose: Reminded Council that Municipal Taxes are not the only taxes residents are subjected to. Warned that if the BOE and/or the County also raise taxes, people could be looking at a $300+ tax increase. Commented that homes in Absecon are valued up to $2M.

Councilman Sykes: Asked what is the minimum increase they plan on enacting.
Council President DeRose: Clarified that an 11-cent increase would just cover the hole.
Councilman Clark: Reiterated that it was difficult to discuss specifics because their information pertaining to financials is not yet concrete. The CFO will make the budget the highest it could possibly be (worst case scenario), and that is what Council will make their decisions on. Is not aware of what the previous CFOs plan was to address the debt service increase.
Council President DeRose: States that in addition to the $600K debt service increase, there are non-negotiables that will increase in the budget (e.g. health insurance, contracts, debt service, utilities, etc.) These increases do not include items such as salary increases, new hires, the Road Program, etc. Suggests Council review the worst-case scenario budget and (1) evaluate whether the City can function with it, (2) if not, discuss which budgets each Councilmember would be most comfortable cutting. Listed potential courses of actions, including forgoing the Road Program a year, place a spending halt on all Depts., etc.

Councilwoman Evans: Proposed for the City to stop providing reimbursements to employees who purchase items without requisitions.
Council President DeRose: Clarified that the City does not have a spending issue, as no department has gone over budget.
Councilwoman Evans: Commented there were tedious reimbursements provided. Believes if the purchases were done through requisition, the items could have been acquired at a cheaper price.
Council President DeRose: Doesn't see the direct relevancy, Council sets the budget amount and then allows the employees to spend that money. No department went over the approved budget.
Councilwoman Parker: Clarified that the money provided for the reimbursements come from the departments budget. Instead of the requisition going to a company, it goes to the individual. Explained that in the past the City has not used requisitions (as they only use purchase orders), but it is something they will use in the future. Explained that at some point there will be a budget freeze (starting possibly in September), during which there must be really good reason to purchase something in order to spend money, as everyone should already have what they need for the year.
Council President DeRose: The temporary budget has already been passed, but moving forward, when the official budget is passed, requisitions will be part of the process.

Councilwoman Parker: Recently discussed with the CFO the possibility of raising City fees so that they are comparable to other municipalities and would enable the City to make more money.
Mayor Marrone: Has obtained a comparison chart from the Construction Office comparing Absecon to about 4 similar nearby municipalities. The CFO is currently looking at the City's Codebook to verify that the City is charging the fees exactly according to ordinance. In order to change the fees, the ordinances will need to be amended. The Clerk's Office already completed a comparison chart for Animal License fees and just recently completed another comparison chart for all other Clerk-related fees (e.g. marriage license copies, mercantile license, etc.)
Councilwoman Parker: Questioned how the City would be able to change the fee (via ordinance), after the City has already spent the beginning of the year charging the old rates.

Council President DeRose: Confirmed that if they passed the Ordinance, the fees will be more expensive for those in the future. Pointed out that changing the fees would not help the City in this budget year, as the City cannot allocated money. Any fee increase would not help the City until 2026. Shared that the City's Construction Office lost over $100K last year.
Mayor Marrone: Stated that the goal is to have self-sustaining entities in the City (e.g. the Court, Sewer fund, etc.)
Councilwoman Parker: A goal is to also put money back into surplus.
Councilman Clark: Although fee increases would not help the 2025 budget directly, it helps indirectly because if the City uses from the surplus, the fees will help replenish the surplus quicker.
Councilwoman Parker: Pointed out that the City is currently paying an employee on leave in addition to their interim replacements.

Councilwoman Parker: Anticipates that the Construction Office will be a loss again this year, but reiterated that raising fees would help.

Council President DeRose: Stated that the City is not in a position where it can lay off employees. Reiterated that their options are limited to cutting programs and freezing spending.

Councilwoman Evans: Suggested they get rid of the City's cleaning service.
Councilwoman Parker: Indicated that the CFO could see if they can find a cleaning service contract. Shared that the CFO recently searched the port-a-potty contract, which there was none.
Councilman Clark: The problem with some of these suggestions is that Council is nitpicking to grasp at straws. The major issue for the City is that the debt service is going up by $500K and the City needs a 5-year plan on how to get it under control. The problem will not be solved in 2025, nor 2026. A strategy is required to get the situation under control. Money that could possibly be saved by changing cleaning services would not make a dent in even the interest costs. The long-term plans for the loan and to increase revenue (by means of increased fees) will help lower overall costs. Acknowledged that it would be good if the City could lower its spending, however its not his personal priority.

Councilwoman Evans: Asked whether they could get a list of the yearly contracts.
Councilwoman Parker: The CFO has been reviewing contracts. Discussed cost-saving options pertaining to the City's port-a-potties. These kinds of matters would typically be the responsibility of the Administrator, which the City is without.

Council President DeRose: Pointed out that by focusing on engineering projects, Council would be able to make the least amount of cuts for the most amount of money. If the City forgoes on just one project, that would save $100K.
Councilman Sykes: Referred to the engineering project which would have the City relocate $80K to use for upgrades at the front and back entrances.
Councilman Clark: Clarified how that specific project has a grant. The City also has a $580K grant for the raised crosswalk project. The City would have to pay the Engineering costs for the project (about $55K). Council must decide where they want to invest their money and for what projects. Suggested possibly including only 2 streets for the Road Program, instead of 6.
Council President DeRose: Reiterated that Council must decide which projects they want to prioritize and which ones they do not.

Mayor Marrone: Asserted that until Council is provided real clear numbers, they will not know what the City can actually afford moving forward. In the past, Council was provided money, however no explanation or information was provided regarding where it came from. The City's former professional did not clarify the terms of their loan, so it was new information when they discovered that there would be a substantial payment increase required. Praised the new CFOs for doing a fantastic job and working so hard. Explained that the CFOs are not willing to speculate at this time.

Council President DeRose: The City's options are to either raise taxes, bond, or use the surplus. The City is not projected to bring in any new revenues, so realistically their options are only to raise taxes or use the surplus. They already anticipated using the surplus, so the City must now either raise taxes or go without spending the money they would have raised through a tax increase.

Councilman Clark: Recognized that Council is stuck with a problem they did not create.
Councilwoman Parker: Expressed dissatisfaction with the way the City's previous CFO handled the budget process. Claimed that the only feedback received was that they could do "whatever they wanted, they'd just have to spend money." Praised the new CFOs for their passion.
Councilman Clark: Claimed that the former CFO never disclosed information about the loan increase, not even to the Finance Committee.

Councilwoman Parker: Asked whether there are any other costs looming in the future that Council should know about.
Councilman Clark: Affirmed that they now know the entire financial situation, so there will not be any more surprises. Returned the discussion back to the need to create a 3, 5, and 7-year plan. Hopefully by the next time they meet there will be more information. They will also be working with the auditor. The 3, 5, and 7-year plans will allow Council to plan properly for revenue.
Councilwoman Parker: Asked if the auditors had an explanation why they didn't put this in a plan.
Mayor Marrone: Asked the same question. The auditors job last year was to audit the City's 2024 Budget, as well as to look back on an internal audit of 2023. The issues within the 2024 Budget were not in his scope of work.
Councilwoman Parker: Asked whether any projections were included in previous audit reports.
Mayor Marrone: No.

Councilman Clark: Admitted that the City is struggling financially in certain areas, but they think there are ways to address the issue. They are not saying that the City cannot do any projects. Suggested, rather, that the City must be careful and cautious when spending money due to the fact that there will be a larger deficit.

Mayor Marrone: Appreciates Councilman Clarks ability to simplify and explain complicated financial matters.

Councilman Sykes: Asked for a timeline.
Councilman Clark: Hopes to have a proper outline for everyone by next Thursday, but expects that it will take 2 weeks to get a good understanding of where the City should be.
Mayor Marrone: If more information is provided earlier, asked for that information to be shared for the Finance Committee Meeting.
Councilman Clark: Urged everyone to attend the next Finance Committee Meeting. The CFO will be in attendance and her explanation may be helpful.

<u>PUBLIC PORTION</u> – (Agenda items only)
Motioned to open to the public: Councilman Clark; Seconded: Councilwoman Parker
All in Favor, None Opposed.

No discussion.

Motioned to close to the public: Councilwoman Parker; Seconded: Councilman Sykes

All in Favor, None Opposed.

ADJOURNMENT

Motioned to adjourn: Councilwoman Parker; Seconded: Councilman Sykes
All in Favor, None Opposed.

Respectfully submitted,

Carie A. Crone

Carie A. Crone, City Clerk

Approved: 3-6-25