

**Pennington Borough Council
Budget Work Session – March 22, 2022**

Mayor Davy called the Special Meeting of the Borough Council to order at 7:00 pm. The meeting was held via Zoom due to the COVID19 pandemic. Borough Clerk Betty Sterling called the roll with Council Members Angarone, Chandler, Gross, Marciante, and Stern in attendance. Ms. Gnatt was absent.

Also present was Chief Financial Officer Sandra Webb, Public Works Superintendent Rick Smith and Police Chief Doug Pinelli.

Mayor Davy stated that this is the second of two work sessions on the 2022 budget. Mayor Davy stated that Sandy and Betty have updated the budget spreadsheets and have come up with a spreadsheet on a water rate increase for discussion. Mayor Davy stated that before we get to that, Jim Reilly and Andrew Jackson are in attendance to discuss the funds requested for the master plan update. Mr. Reilly stated the Borough Planner Jim Kyle submitted a proposal to begin the Master Plan update which is due in 2023. Mr. Reilly stated that in order to do a thorough job on the Master Plan work needs to begin this year. Mr. Reilly stated that Andy Jackson is the head of the Master Plan Review Committee and they will be doing a review of the current plan which is currently in pieces and very out of date. Mr. Reilly stated that the fact that it exists in pieces limits its usefulness. Mr. Jackson outlined the committee's plans for the funds that are in the budget for 2021. Mr. Jackson stated that Mr. Kyle has submitted two proposals, one for the Master Plan Review which is \$10,350 and had been budgeted in 2022 and one for \$30,000 for the Master Plan Update which will be for next year. Mr. Jackson stated that there are number of environmental concerns that need to be included in the plan and so the review needs to be done this year. Mr. Jackson stated that as they go through the process of the review they will formulate some ideas that need to be addressed in the update. Mr. Jackson stated that the committee will be working on the vision for the Borough as they go through the review process. Mr. Jackson stated that the second meeting is scheduled for next week and they are very enthusiastic and ready to get moving on the review. Mr. Jackson stated that the idea is to have a workable document that can be easily updated and available on the website. Some discussion took place about what is anticipated for 2023 as that will impact conversations about road projects. Mayor Davy stated that the bottom line for 2022 is \$10,350.

Mrs. Webb brought up the updated worksheets for Council to review. Mrs. Webb stated that the tax rate remains at a 1 cent increase. Mrs. Webb stated that she left the two one-time revenues alone and she just wants to make sure what Council feels about these revenues. Mrs. Webb stated that we are already using a significant amount of surplus, but in a couple years we are facing \$110,000 revenue gap once these one-time revenues are gone. Mrs. Chandler asked about the American Recovery Act funding. Mrs. Webb stated that if we decrease the revenue, we also have to decrease the appropriation which is what we will do if some of the funds are moved to water and sewer.

Mr. Gross asked how many more years are left on the one time revenues. Mrs. Webb stated leaving them as they are we will have one more year. Mr. Gross stated that maybe we will have cannabis revenue to anticipate. Mrs. Chandler stated that there will also be some one time expenditures that will come out next year. Mrs. Webb stated that it is a bit of a balancing act, but she just wanted to get input from Council so we can start finalizing the budget.

Mrs. Webb stated that on the appropriation side, we added money for attorney fees, administration salary and Borough events since the last discussion.

Ms. Stern asked if she should talk about the costs for hybrid meetings now. Mayor Davy stated that Sandy might have to leave so we should continue on. A brief discussion took place regarding the Borough Administrator salary and how that will affect next year's budget. Mrs. Webb pulled up an analysis of the water rates. Mrs. Sterling stated that the targeted amount was \$120,000 because that is the loss of surplus amount. Mrs. Sterling stated that Mona did a survey of minimum charges in the area and we found that our minimum charge rate is significantly lower than surrounding water utilities. Mrs. Sterling stated that she looked at the residential users as that is our highest group of users. Mrs. Sterling stated that most users fall into the first two tiers of the rate chart. Mrs. Sterling stated that in the past the finance chair has targeted the higher users and the last rate increase was a 2.5% increase on the lower tiers and a 15% increase on the higher tiers but as we found out with this exercise, there are not that many users that fall into the higher tiers so that does not generate a lot of revenue. Mrs. Sterling stated that we have about 8% of our residential users that are only paying the minimum charge. Mrs. Sterling stated that the average user falls into the minimum plus the first tier with an average usage of 47,000 gallons. Mrs. Sterling stated that the rates that are showing reflect a larger increase on the minimum charge with a 2.5% on the remaining tiers. Mrs. Chandler asked how that compares with the surrounding utilities. Mr. Smith stated that we are talking about drinking water and as regulations ratchet up the costs for services that we provide are going up and it is hard to compare to other utilities. Mr. Smith stated that people pay much more for electric and cell phones and other utilities and we need to make sure we are not just meeting the minimum but we need to plan for the regulations that are coming. Mr. Gross asked about spreading out the increase over a couple of years. Mrs. Sterling stated that they talked about this as part of the exercise but that would require a firm commitment from Council. After discussing the options presented, Council agreed that the minimum rates need to be increased. Ms. Angarone asked when the water accountability act came about were the rates increased to compensate for those costs. Ms. Angarone stated that part of the water accountability act was to ensure that utilities are charging the true cost of water so that water utilities don't get into trouble and cause people to get sick. Ms. Angarone stated that now is the time to follow the Asset Management Plan and increase costs to keep up with the regulations.

Ms. Angarone stated that we should charge what we need to charge so that Ricky can keep the utility running safely and it is Council's job to communicate that to the customers. Mr. Marciante stated that is easier to justify a rate increase when we have justification. Mrs. Chandler stated that this is driven by the need to provide safe water.

Water

Current Min

31.16	38.95	40.51	42.07	43.62	46.74	49.86
47.57	59.46	61.84	64.22	66.60	71.36	76.11
135.90	169.88	176.67	183.47	190.26	203.85	217.44
303.17	378.96	394.12	409.28	424.44	454.76	485.07
445.56	556.95	579.23	601.51	623.78	668.34	712.90

Sewer

35.36	44.20	45.97	47.74	49.50	53.04	56.58
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Total Current Min Bill

66.52	83.15	86.48	89.80	93.13	99.78	106.43
82.93	103.66	107.81	111.96	116.10	124.40	132.69
171.26	214.08	222.64	231.20	239.76	256.89	274.02
338.53	423.16	440.09	457.02	473.94	507.80	541.65
480.92	601.15	625.20	649.24	673.29	721.38	769.47

Following the discussion Council agreed to increase the minimum charge from the first column above to the last column. Mrs. Sterling stated that based on last year's data for residential customers only increasing the minimum should bring in \$125,000 not including the excess usage. Mrs. Sterling stated that Council should keep in mind that the rates are changed by ordinance and so the new rates will only be in effect for 3 of the 4 quarters in 2022.

Ms. Angarone asked if there is value in adjusting the tiered breakpoints. Mrs. Sterling stated that some of the towns that we looked at had minimum charges on the first 2,000 of usage. A discussion took place on who the high users are. Following the discussion it was decided that the minimum charge should be increased and the minimum usage should be reduced to 2,000 gallons. Mrs. Sterling stated that she did some projections based on the average usage for 2021 and that should bring in an addition \$70,000 for the year. Ms. Stern stated that she is hearing that we are increasing the minimum charge and changing the first tier range of usage to 2,001 to 20,000. Ms. Angarone stated that she did not think that this should be done on the fly during a budget discussion. Council felt that increasing the minimum and lowering the gallons on the minimum would close the gap for this year and then the tiers can be revisited next year. Mr. Gross asked if anyone has looked at whether other utilities historically increase rates each year. Ms. Angarone stated that the rates are driven by regulations such as the Water Accountability Act which was a very expensive act to implement and now we have PFAS and Lead Line coming down the pike. Ms. Angarone stated that most towns increase rates like we do with the exception of private water systems who increase every year. Ms. Angarone stated that the reason for the increase is that we are being prudent in our asset management planning and we are keeping the system sustainable. Mayor Davy reminded Council that the auditor brought to our attention that we need to be self-liquidating.

Mayor Davy asked Ms. Stern to report her findings on hybrid meetings. Ms. Stern stated that as we have gone through the process we have discovered that there are actually three options to consider. Ms. Stern stated that one is to go back to pre-covid in person meetings with no change to the ability for the public to participate remotely and there is no cost for that. Ms. Stern stated that option two is to continue meetings fully remote the way we have been doing since covid at a cost of \$58.00 per month with the ability for the public to participate remotely. Ms. Stern stated that the third option is the hybrid meeting option which would require some upgrades to the equipment in the council room and the quote that was received came in late this afternoon and she has not had a chance to fully review it but the cost is around \$25,000. Ms. Stern stated this is a one-time equipment cost. Ms. Stern stated that she is looking for input from Council before we proceed with looking into this further. Mrs. Sterling stated that if the cost is over \$17,500 it would require going out to bid for this work. Mrs. Chandler stated that she thought the hybrid option was a good thing to look at but she does not think that it is worth spending \$25,000 when we are a small town and people can easily walk or drive to the meeting. Ms. Stern stated that if we remain on Zoom with Council in person, each Council member would have to have their laptop in front of them. Mr. Gross stated that people seem to come out when they are passionate about a topic and he did not think we would get a lot of people joining the meeting remotely. Ms. Angarone stated that people are tired at the end of the day and it is better government to give the public easy access to the meetings. Ms. Stern asked if there is a disadvantage to staying on zoom. Mayor Davy stated that the other question is how long will the government allow municipalities to remain on zoom and if the covid numbers continue to decline we may be forced to go back to in person. Mayor Davy asked for a sense of how Council would like to proceed. Mrs. Chandler was in favor of returning to in person meetings and the remaining members of Council wanted to remain remote. Ms. Stern stated that zoom is also a benefit to staff members. Mr. Smith stated that it has provided some balance in his life when he can be

home with his family and still on a meeting.

Mayor Davy stated that the April Council Meeting will remain on zoom, but he would like to continue to look into other options. Mayor Davy asked if Betty and Sandy have everything they need to finalize the budget for introduction. Mr. Smith stated that he will provide the breakdown for the ARP funds so that can be adjusted. Mayor Davy shared a copy of the ARP plan for years one and two.

At 8:26 pm, the meeting was adjourned.

Respectfully submitted,

Elizabeth Sterling
Borough Clerk