

HOUSING AUTHORITY OF THE BOROUGH OF CLEMENTON

SPECIAL MEETING

APRIL 30, 2015

Chairperson Nicholson called the Special Meeting of the Housing Authority of the Borough of Clementon to Adopt 2015 Budget Submission to the New Jersey Department of Community Affairs (Resolution HA15-08) to order at 6:10PM and announced that the meeting has been properly advertised and posted pursuant to N.J.S.A., 10:4-6, the Open Public Meetings Act. The meeting was held in the Community Room of Wooster Towers located at 22 Gibbsboro Road, Clementon, New Jersey.

Salute to flag.

Upon roll call the following were present: Commissioners Casella, Closs, Nicholson, Schmidt, and Watson. Also present at this meeting were William J. Harris, Executive Director, Anthony H. Ogozalek, Jr., Solicitor, Joseph E. Kavanaugh, Fee Accountant (arrived at 6:40PM), and Barbara J. Murray, Secretary. Absent: Commissioner Dougherty.

Mr. Harris advised the Board that the correct meeting date needs to be inserted on the HUD Budget and that our Fee Accountant, Joe Kavanaugh, would be arriving shortly to explain the budget to the Board and answer any questions anyone might have.

Commissioner Schmidt asked that since we Rice noticed all employees could we discuss personnel/salary in public. Solicitor Ogozalek said no, it has to be discussed in closed session if talking about specific people; the Rice notice is a precautionary measure.

Commissioner Schmidt said that he has some questions about compensation, hours, etc. about particular jobs and departments; Solicitor Ogozalek said that it can be talked about in public as long as it is being talked about in budget terms, not the individual employee. Solicitor Ogozalek stated that the Rice Notice is required if an individual employee or specific position has to be discussed in closed session. Commissioner Schmidt said that he wants to discuss things that relate to specific position. Solicitor Ogozalek said as long as it is not being talked about with regards to discipline or evaluation of that position; in other words as long as the issue is discussed as a line item of the budget. Solicitor Ogozalek said that as long as it is not being discussed as the performance aspect and kept as financial reasons that is ok.

Chairperson Nicholson turned the meeting over to Mr. Harris. Mr. Harris advised that our accountant prepared two documents, the Federal and State Budget 2015 and there were some new items on the State form this year pertaining to commissioners, key employees, and Board officers that may have held more than one position in another unit of government in 2014. Mr. Harris sent out a corrected e-mail regarding this information, the original e-mail stated as of 12/31/15 and it should have said as of 12/31/14. Commissioner Schmidt said that he worked for two departments in the State last year, one until 10/31/14 and the other until November 2014, and asked if that needed to be included. Mr. Kavanaugh referred to the State budget instructions and explained.

Mr. Kavanaugh said that the State budget is transference of the Federal budget, which is more concise and easier to understand. The State takes all the information and most times puts it on different lines. The State does incorporate Section 8 and Capital Funds into the budget, which the Board approves separately.

Mr. Kavanaugh asked if the Board wanted to review the Federal budget or if there were any questions. Commissioner Schmidt said that he has questions about line items but isn't sure if it involves the accountant. Mr. Kavanaugh said that he can explain how the numbers were arrived at. Commissioner Schmidt asked, for the record, how is the auditing fee split between Public Housing and Section 8. Mr. Kavanaugh said that the allocation is arrived at between himself, the Auditor, and the Executive Director; the auditing procedures are much different between Public Housing and Section 8. Commissioner Schmidt asked what the average auditing price is for a housing authority our size; Mr. Kavanaugh said that there is a housing authority with 100 units and does not have Section 8 and they are paying \$12,000. He also said that some pay \$6,000 to \$6,500 for Public Housing only.

Maintenance

Commissioner Schmidt asked about the \$81,170 line item that is budgeted for maintenance operations; Mr. Kavanaugh said that \$69,170 is for maintenance contracts and the remaining is necessary for materials and labor to maintain the building.

Commissioner Casella questioned why the budget for maintenance is going down in 2016; Mr. Kavanaugh said that in 2014 the PUM (per unit month) cost was higher than what we expect for 2016.

Benefits

Mr. Kavanaugh said that the mandated benefits are federal/state taxes, social security/Medicare, unemployment/disability, and the pension. There is also a line for overtime, should it be needed, or if we get notification that our pension will be increased next year.

Mr. Harris reminded the Board that none of our employees cost the Authority for any health benefits as they are all covered through another way and that is easily a savings of at least \$12,000 to 15,000 per employee being paid in fringe benefits.

Proposed Changes – Commissioner Schmidt

Commissioner Schmidt said that he would like to go over some line items in the budget that he has some concerns over and some possible changes. He says that the building is old and maintenance costs normally go up; in the past year we spent a lot of money because maybe for some reason or another we were not doing regular upkeep or checking things as we should have been.

Commissioner Schmidt suggested the following changes to the Federal Budget under operating expenditures:

- 1) Legal fees – increase to \$11,000
- 2) Training expenses – increase to \$6,000
- 3) Travel expenses – increase to \$1,500
- 4) Audit fees – increase to \$9,000 (\$6,000 PH and \$3,000 Section 8)

Commissioner Schmidt said that the reason he is proposing the increase for legal, travel, and training is because of RAD, should we decide to go in that direction. Commissioner Schmidt said that he does not feel that we get a proper audit with our current auditor.

Commissioner Schmidt's proposed changes in salary are:

Administration

- 1) \$65,000 reduced to \$52,847

2) \$51,135 reduced to \$50,700

Maintenance

- 1) Full-time maintenance position – reduce salary by 20% (down to \$51,500) and leave up to management whether to reduce the hourly fee or go from a 5-day work week to a 4-day work week
- 2) Part-time maintenance position – reduce salary to \$18,500 (from \$20,781)

Maintenance & Operations

Commissioner Schmidt suggested increasing that line to \$101,109; overall there is no reduction in the total operating appropriation. Commissioner Schmidt said that although we do have good employees over the last 6 or 7 years the State has only given 1% increases; if we go back and look at the Housing Authority's increases over the last 10 fiscal years, the salaries have increased by 25%. Commissioner Schmidt said that now is the time to act due to our financial status. He continued to say that we are looking into another program and does not know if he can publically say what the RAD Program is about. Mr. Harris said that this is a separate issue and not relevant to what is on the agenda and that the reality before us is to submit a budget to HUD.

Commissioner Schmidt said that in the last year we have incurred expenses that we did not anticipate and feels we need to increase the maintenance and operations line item. Commissioner Casella asked why we should decrease the labor force; Commissioner Schmidt feels that is the only way to save money.

Solicitor Ogozalek reminded the Board that the special meeting is to discuss the line items of the budget, not the how and why it is being done.

Mr. Harris asked Mr. Kavanaugh what the consequences would be with HUD if we do not have 4 affirmative votes to pass the budget tonight. Mr. Kavanaugh said that with HUD we have some time, it is the State of New Jersey that is the problem. The budget has to be adopted before the fiscal year and has to also be approved and the State requires 60 days to review it before it is adopted. If it is approved April 30th, it could be adopted in late June; if the approval goes past late June, there is a late adoption procedure. Mr. Harris asked Mr. Kavanaugh if that is outside the scope of his contract; he said yes it is.

Commissioner Watson said that we cannot approve the State budget tonight because it is not complete, Commissioner Schmidt's financial records are not available. Commissioner Schmidt said that he only found out in the last 2 days that his financial records were needed. Mr. Harris apologized that he incorrectly interrupted what financial records were needed.

Commissioner Schmidt said that if the budget is not approved tonight could we approve it at our May 6th meeting; Commissioner Casella asked what would change in the few days. Commissioner Schmidt said that if the Board is in total disagreement between now and the May 6th meeting, the Commissioners need to talk to one another to work out a compromised budget. He went on to say that he may have his position and may not want to budge, someone else may have a different position and may not want to budge; but we are going to have to compromise over the next few days. Chairperson Nicholson said that we could not do that because we would have to advertise. Commissioner Schmidt said they could talk one on one and it would not violate the Open Public Meetings Act.

Chairperson Nicholson understands that the budget is not complete because Commissioner Schmidt's financial records are not available; Mr. Harris said that is only one page of the budget. Chairperson Nicholson feels that since Commissioner Schmidt's financial records not being available is not a stumbling block that we could vote on the budget tonight; and if there are not 4 affirmative votes then we would have to schedule another special meeting. Chairperson Nicholson does not like the idea of behind the scenes conversations because there is less transparency; he likes to hear what everyone has to say and how they say it.

Chairperson Nicholson made a motion to pass the adoption of the 2015 Budget submission to the State of New Jersey Department of Community Affairs as written tonight. Commissioner Schmidt started to make another motion before the opportunity to ask for a second on Chairperson Nicholson's motion; Solicitor Ogozalek asked if there was a second to Chairperson Nicholson's motion; there was not because there was no time. Chairperson Nicholson asked for a second, Commissioner Casella seconded. Roll call vote: Ayes: Commissioners Casella, Nicholson, and Watson. Neys: Commissioners Closs and Schmidt. The motion did not carry.

Commissioner Schmidt made a motion to adopt the Department of Community Affairs Budget for the State of New Jersey July 1, 2015 thru June 30, 2016 with the following changes, pending the submission of financial information (Commissioner Schmidt).

Commissioner Watson said that he thought we were going into Executive Session to discuss the changes before we vote on it because some of it is based on individuals. Solicitor Ogozalek said we cannot discuss any of the individuals tonight, even in Executive Session, because it is a special meeting and we can only discuss the line items, not the individuals. Commissioner Schmidt said that everyone received a Rice Notice because we might be discussing personnel/salary issues tonight; Solicitor Ogozalek advised that the Rice Notice has to be done if we are discussing any part of their employment and in theory we are discussing reducing salaries. He further advised that the meeting was not advertised to discuss individual employees, only to discuss line items of the budget, increases and decreases only. The problem with special meetings is that you can only discuss what is advertised; we can put it on the agenda for our next meeting and discuss it then. Commissioner Schmidt said that the reason for reducing line items goes along with the budget and asked if we could talk about individual employees as it relates to the line item. Solicitor Ogozalek said no because the line item is not broken down that way; Commissioner Schmidt disagrees.

Chairperson Nicholson understands Commissioner Schmidt's concerns but feels that he is "opening a box of worms" that does not take into play something that has been working very well and suspects that some of the proposed changes will have a very adverse effect on the operations of the Housing Authority. He went on to say that he knows there are other options concerning this Housing Authority that are being discussed beyond this room with the governing body; there is some light that there may be some changes in the future that do not revolve around maintaining this building or establishing the same system. Chairperson Nicholson said that if Commissioner Schmidt is talking about making cuts, there are going to be people very resistant to that. Commissioner Schmidt said that he is not here to keep people happy all the time, he is here to make the tough decisions for making sure that this building lasts as long as possible. Chairperson Nicholson said that this building has the luxury of employees that are not taking health insurance benefits and the luxury of expertise that these individuals that work here and take care of this building do far and above what is required, and on their own personal time; if you want to mess with that, that is your prerogative; quite frankly I do not want to. Commissioner Schmidt

said that he knows full well what the employees are doing and is extremely grateful; Chairperson Nicholson disagrees. Commissioner Watson does not understand why we would want to take a building of this age and reduce maintenance staff to 4 days a week; Commissioner Schmidt stated that he did not say staff. Solicitor Ogozalek suggested to Mr. Harris that he Rice Notice all employees before the next meeting. Mr. Harris asked Ms. Murray for a copy of the Rice Notice she was given. Commissioner Schmidt said that this is not about how great someone is or isn't, it comes down to the amount of money we have, can we provide the same services, yes we can, are we running over our maintenance budget for the past couple of years and as the building gets older are we going to continue to run over our budget, yes we are. He went on to say that he knows there are discussions about other things that may or may not happen in the future, but we are faced with reality. Chairperson Nicholson said he does not believe that Commissioner Schmidt is facing reality, the maintenance of this building, despite its' age, is excellent based on the resources. Commissioner Schmidt interrupted after being touched and there was a verbal altercation between Commissioners Nicholson and Schmidt.

Chairperson Nicholson said that looking at the monies that go into maintaining an old building, there is no doubt this is a real concern but there are human resources that exceed their cost far from what we are paying and thinks that if there are any changes to that it does not reflect confidences in those human resources. He further said that he feels we are looking at a building that is going to deteriorate quickly due to the lack of human resources, personal touch, work ethics, and expertise beyond hourly rates; this will create more problems than positive outcome. Commissioner Schmidt asked Chairperson Nicholson if he looked at the salary increase sheet before the meeting and if he had any concerns; Chairperson Nicholson said he has a lot of concerns and went on to say that we talked about the increases in a separate meetings and we gave 2% which is standard across the board with the Borough of Clementon and elsewhere, with the exception of the Executive Director who was given a greater increase based on his one-year trial period. All borough employees, with the exception of the police department, got a minimum of 2% increase; the difference was we decided to give the Executive Director a greater increase based on his performance and expertise; at the same time the same Executive Director volunteered to take a lesser salary. Commissioner Schmidt asked Chairperson Nicholson if we were the Borough of Clementon; Chairperson Nicholson said no but that we discussed all of the increases and Commissioner Schmidt agreed with them, in fact one that was much more than 2% and asked what the actual percentage was. Commissioner Schmidt advised that the Solicitor has warned the Board and that he should go back and read the minutes where that was stated. Chairperson Nicholson said that he was not mentioning any names just saying that Commissioner Schmidt agreed to an increase that far exceeded the year before when he said that the increases should not be 1 ½%. Commissioner Schmidt asked the Chairman if he remembered the Excel file with the breakdown of other Housing Authorities. Chairperson Nicholson asked if those other housing authorities have the expense of health insurance; Commissioner Schmidt said some do and some don't. Chairperson Nicholson asked if the other authorities were high performers for many years; Commissioner Schmidt said that a lot of them are; and lastly did they have a high occupancy rate; Commissioner Schmidt said yes. Chairperson Nicholson said that we are close to 100%.

Commissioner Schmidt, seconded by Commissioner Class, made a motion to adopt the Department of Community Affairs Budget for the State of New Jersey July 1, 2015 thru June 30, 2016 with the following changes, pending the submission of financial information (Commissioner Schmidt) with the following proposed changes:

Page 1 of the Federal Budget

Operating Expenses

- 1) Legal expenses from \$9,000 to \$11,000
- 2) Staff training from \$5,500 to \$6,000
- 3) Travel expenses from \$1,470 to \$1,500
- 4) Audit fees (PH only) from \$4,200 to \$6,000

Salaries

Administration

- 1) Reduce \$109,640 to \$103,547 – this will reduce the fringe benefits with FICA at 7.65% from \$22,532 to \$22,066

Maintenance

Mr. Kavanaugh clarified what is allocated for utility labor and labor - \$21,670 (line 300) is utility labor and \$65,000 (line 330) is labor.

- 1) Full-time maintenance - \$64,914 reduce to \$51,500
- 2) Part-time maintenance - \$20,781 reduce to \$18,500

This will reduce the fringe benefits with FICA at 7.65% from \$17,815 to \$16,557.

Maintenance Operations

Increase to \$101,109 – Contracts will remain the same the difference is in labor

Chairperson Nicholson asked Commissioner Schmidt what his qualifications were on questioning the professionals because usually when an accountant or legal expert come to any Boards, they usually give their qualifications to see if they are qualified; so where do you draw your expertise from to basically question a budget that has been all filled out; Commissioner Schmidt said that he works on budgets and that he is not reducing the total appropriation amount; if we were he could understand there being an issue. He further said that he is taking the figures given by the professionals and rearranging them for various different reasons. Chairperson Nicholson questioned that even though there may be some obvious ramifications that would be a direct result of that; Commissioner Schmidt said that he is not saying he has the best idea in the world, he thinks we need to do something different from what we have been doing.

Roll call vote: Ayes: Commissioners Closs and Schmidt. Neys: Commissioners Casella, Nicholson, and Watson. The motion did not carry.

Commissioner Schmidt said that we need to address this at the next meeting after the minutes and bills have been approved; we would have more flexibility to discuss line items at that time. Chairperson Nicholson said that we should have a special meeting for the budget resolution because it is a lot of information. Mr. Harris said that he hopes we can come to some kind of agreement without having to go back to the State a second time.

Mr. Harris asked the Solicitor if we were not allowed to talk about an individual employee at a special meeting; Solicitor Ogozalek advised we can as long as it is advertised as Budget and Personnel. Chairperson Nicholson asked if it would have to be discussed in Executive Session; Solicitor Ogozalek said yes unless the employee is Rice noticed and wants to talk about it in public.

Mr. Harris advised the Board that Mr. Kavanaugh has submitted a budget that complies with the State and will warrant that he has prepared a budget that complies with Federal regulations and with the State instructions so if there are any changes or modifications he would submit a change order. He went on to say that he would leave that up to Mr. Kavanaugh and what his thoughts are on redoing work that has already been done. Mr. Kavanaugh said that logistically the HUD budget is built from the supporting pages to the summary so to change the summary you have to go to the detail first.

PUBLIC

Chairperson Nicholson opened the meeting to the public.

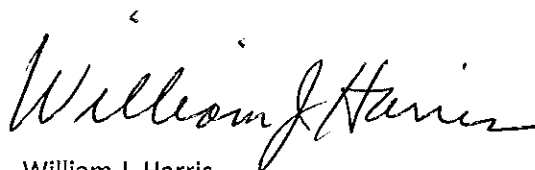
Lorraine Rossiter, Apt. 606, commented that the staff goes above and beyond what they are supposed to do. Ms. Rossiter also asked if there is a schedule to repaint the apartments and the hallways.

There were no further comments from the public; Chairperson Nicholson closed the meeting to the public.

Commissioner Schmidt said that he would be more than happy to discuss over the phone with any of the Commissioners, one on one, any budget issues between now and our next meeting, April 30, 2015.

Commissioner Casella, seconded by Commissioner Schmidt, made a motion to adjourn at 7:30PM. Voice vote: All ayes.

Respectfully submitted,

A handwritten signature in cursive script that reads "William J. Harris". The signature is written in black ink and is positioned above the printed name and title.

William J. Harris
Secretary