

**TOWNSHIP OF EGG HARBOR
SPECIAL PLANNING BOARD MEETING**

October 6, 2015

Planning Board Professional(s):

Solicitor: Christopher Brown, Esq.: (Not in Attendance)

Engineer: James A. Mott, P.E., of Mott Associates: (Not in Attendance)

Planner: Vincent Polistina, P.P., of Polistina and Associates: (Not in Attendance)

Planning Board Deannexation Professional(s):

Special Counsel: Dean R. Marcolongo, Esq. (present)

Special Planner: Stuart B. Wiser, P.P., A.I.C.P., Remington, Vernick & Walberg Engineers (present)

A special meeting of the Planning Board of Egg Harbor Township was held on the above date, 5:00 p.m., prevailing time, Egg Harbor Township Hall, Egg Harbor Township, New Jersey. The Chairperson opened the meeting by reading the statement in compliance with the Open Public Meetings Act.

Roll Call Taken as Follow(s):

Manuel E. Aponte, V-Chair., present

Charles Eykyn, present

James Garth, Sr., Chairperson, fam. illness

Frank Kearns, III

Dennis Kleiner, Alt. #1, present/excused

Robert Levy, another engage.

Mayor James J. McCullough, Jr., * **See below**

Peter Miller, Township Administrator, recused

Committeewoman, Laura Pfrommer, present

Daniel Pittaro, Alt. #II, present/excused

Paul Rosenberg, 2nd V-Chairperson, present

***May the record reflect:** Mayor James J. McCullough has recused himself from these hearings. He has sent Atlantic County Freeholder, John Carman, in his place.

MEMORIALIZATION OF RESOLUTION(S):

May the record reflect: Board Member Kleiner and Board Member Pittaro were present for the memorialization of the resolution for Spencer Gifts, LLC. They are excused from the deannexation hearing, therefore, after the memorialization both Board Member Kleiner and Pittaro left for the evening.

1. **SPPF 23-00 (Amended)**
Spencer Gifts, LLC

**Amended Prel./Final Major Site Plan
2112/4 &58**

Black Horse Pike and Spencer Avenue

Motion /Eykyn to memorialize resolution granting requested checklist waivers, variance relief, and conditional amended preliminary and final major site plan approval. Vote 4 Yes: Aponte, Eykyn, Kleiner, Pittaro,

CONTINUATION OF PUBLIC HEARING(S):

1. **Public Hearing:** Deannexation petition submitted by the Seaview Harbor section of Egg Harbor Township seeking annexation with Longport Borough.

Special Board Solicitor Marcolongo stated Leon Costello, is in attendance this evening to present and discuss the report he has prepared. He advised Mr. Costello report will be marked as Exhibit B115 (Financial Impact Report) dated October 6, 2015.

Leon Costello was duly sworn by Special Board Solicitor Marcolongo. Mr. Costello advised his address is 1535 Haven Avenue, Ocean City, New Jersey, he is with the firm of Ford and Scott. Mr. Costello stated he is within his 40th year of doing governmental accounting which is his area of emphasis with over 45 accounts. Mr. Costello then provided his educational background to the Board.

Mr. Costello advised he would like to start on page 4, exhibit B115, which shows the actual tax levies of Egg Harbor Township. He further noted this is verified by page 10, exhibit B115 from the Atlantic County Board of Taxation which shows the tax rate and assessments for Egg Harbor Township. Mr. Costello advised Egg Harbor Township's total tax Levy is \$120,717,964 and is made up of several components. Mr. Costello then referred to page 2 stating this shows the actual tax levies for Longport and is again backed-up with the information from the Atlantic County Board of Taxation on page 11, exhibit B115.

Mr. Costello stated the ratio between Egg Harbor Township and Longport that the County has equalized out is very similar. He stated Egg Harbor Township is 98.16% and Longport is 95.49%. He stated this makes the comparisons easier because they are similar to what the assessed value is to true value. Mr. Costello advised this does change from year to year based upon different market things but currently in 2015 they are similar.

Mr. Costello again referring to page 4, exhibit B115 it shows the Egg Harbor Township ratable base at \$95,385,300, which is backed-up by the assessor's report on page 23 of exhibit B115. He indicated page 23 shows the assessed values of Egg Harbor Township for the last five (5) years and what Seaview Harbor's assessed value has been for the last five (5) years.

Mr. Costello then referred to Exhibit 3 (page 6) and Exhibit 4 (page7), both included within exhibit B115 advising these pages show the removal of 95 million from Egg Harbor Township and 95 million dollars being placed into Longport. Mr. Costello stated the County taxes follow the property and there is really no change in the County tax rate because the amount of money that is assessed is based on the ratable value so if the ratable value leaves the tax goes with it so based on this they are almost the same.

Mr. Costello then referred to Exhibit 1 within overall Exhibit B115, noting the school taxes today is \$1.908 with Seaview Harbor in the tax rate. He indicated on Exhibit 3 of B115 that rate goes to \$1.956 and that is taking the same \$77 million levy and utilizing a smaller ratable base. He advised the increase to Egg Harbor Township is shown on the bottom of exhibit 3, B115. He indicated he used \$208,100.00 as the average since it was mentioned last year within Seaview Harbor testimony. So it would be \$129.02 a year for all the remaining residents in Egg Harbor Township with an average assessed property value of \$208,100.00 and going up to \$186.00, etc...

Mr. Costello advised going to Longport with the ratable based being increased all those property assessed will have decreases. He stated the amount of ratables are higher therefore the amount of levies divided into a larger number make the base smaller. Mr. Costello then referred to page 8, exhibit B115 advising this is the trend of valuations and tax rates since 2009. He then advised since 2014 the Township has suffered a ratable decreases as referenced and there were changes in the tax rate that went up. He then stated in 2013 the information was left blank because you cannot compare a tax levy between 2 million and 4 million since there was a revaluation that supported the rate.

Mr. Costello then referred the Board to page 9 of exhibit B115. He indicated this shows the trend of tax levies in Egg Harbor Township for the years 2009 and 2015 that includes the County, School and local purpose tax. He indicated for the past six (6) years the levies has risen by an average of 4.1%. Mr. Costello then referred to page 10 of exhibit B115 advising this is the actually certification of the tax levy and page 11 is the certification of the tax levy for Longport. Mr. Costello advised from page 12 – page 22 of Exhibit B115 is all the data he used to make the comparisons which is straight from the abstract of ratables showing where all these numbers came from.

Mr. Costello further noted on page 23 of Exhibit B115 is the information the assessor provided on September 8th. He indicated this is a similar chart of the assessed values from 2011, 2012, 2013 and as shown from 2012 to 2013 it is the revaluation which makes the rates a little odd for the comparison rates. He indicated at the bottom of this page is Seaview Harbor with their values during those years. Mr. Costello stated pages 24 and 25 of Exhibit B115 is some of the facts and what the assumptions were. He indicated with the County tax levy all County taxes would be recalculated. He advised if Seaview Harbor were to move to Longport their schools would not be changed with Seaview Harbor students since they are a non-operating district and send them elsewhere.

Mr. Costello then referred to the front of Exhibit B115, page 2 advising this page summarizes the information he just discussed. He did add the tax rate is rounded by the Board of Taxation and the Board may see a third decimal point difference with some of the figures because of the rounding. Mr. Costello noted page 3 of Exhibit B115 is different assumptions and it concludes if Seaview Harbor were to withdraw the Egg Harbor Township school tax rate would go up 4.8 cents, the County tax rate would remain the same and the Municipal tax rate would increase by 1.4 cents for a total increase of 6.2 cents. He added the additional numbers on this page are what was previously referenced, so a \$300,000.00 home would go up \$186.00, \$500,000.00 home would go up \$310.00, and so on. Mr. Costello stated this would be for the initial year that it would, if it were to happen, in the snapshot he presented.

Mr. Costello stated as referenced within the trends there have been increases and this would be the increases coming to each of the tax payers in Egg Harbor Township. Mr. Costello stated page 4 of Exhibit B115 is the amount of dollars associated with Seaview Harbor. He indicated the County Tax which will go with it is \$481,000.00, the School tax would be a loss 1.8 million and the Municipal tax would be a loss of \$505,000.00 and those numbers would be absorbed by the residents of Egg Harbor Township or ask the school to reduce their budget and then everyone would be made whole if this were the case. He then referred to the bottom of page 4, Exhibit B115 stating the Board will see a property that is assessed at \$750,000.00 would have a decrease of \$15,570.00 using the Longport rate versus the Egg Harbor Township rate if it were to move over.

Mr. Costello stated both Egg Harbor Township and Longport's equalized values are close to the same so there could be an argument that the 98.16% compared to the 95% valuation could change it a little but it is not significant and it would be difficult to figure out the few dollars that would make the difference if that value of Seaview Harbor went to Seaview Harbor at a slightly higher amount. He indicated it would be speculative to say what the difference would be. Mr. Costello advised these numbers are based on what we know and using those equalized values are fairly close to the same and that ratio is close enough that we have the comparison. We could argue it is an additional number but it is not going to be that much.

Mr. Costello advised this is the report he prepared, with the back-up and he is sure there will be questions. Special Board Planner Wisner stated before they go into the deep analysis. He just has a few

questions. He stated on page 2, exhibit B115 it shows assessed valuation Seaview Harbor 1-1-15 at the 95 million number and below the tax appeals are at 3.5 million. Mr. Costello stated yes. Special Board Planner Wisner asked if the 95 million with the 3.5 million factored in or is it at a 92 million number. Mr. Costello stated as of today it is a 92 million. He indicated 95 million was what the tax rate was struck on and the 3.5 million has reduced it since it was struck through the normal appeal process.

Special Board Planner Wisner asked that 95 million, which again on page 4, exhibit B115 and elsewhere is dated 1-1-15 and then you go back to page 23, Exhibit B115 the Tax Assessor's number is the same 95 million, but it is September 8, 2015. Mr. Costello stated the 95 million and the 4 billion is what everything is based upon when the tax rates are struck. He advised all the appeals that start in April to whenever they finish before the year is over are lost money to the Township and it would start next year's tax rate minus the 3 million when the tax rate is struck. Special Board Planner Wisner stated what he is asking is that Mr. Costello confirm or set him straight that despite page 23, exhibit B115 being a September 8th date the data is really the 1-1-15. Mr. Costello stated yes.

Mr. Costello stated he is showing what the values were at the time the Tax Levy was struck or the Assessor's book was printed. Board Member Aponte stated on page 3, Exhibit B115 when he was reading the financial impact of property taxes we had Kathy Bechtel's, School Board Administrator, whom was here last week, saying the school tax rate would increase by 4.9 cents and this says 4.8. Mr. Costello stated this would be the rounding as he indicated it could go one decimal point. He indicated if you look at exhibit 3 on page 6 of Exhibit B115 the new calculated school tax is 1.95572. He advised if it were not rounded it could be 4.8 but he rounded it but it is the same number. Mr. Costello stated he qualified this in the beginning on page 2 of Exhibit B115 that there is a rounding. Board Member Aponte stated so Ms. Bechtel rounded up. Mr. Costello stated it will be pages 2, 3, and 4 of Exhibit B115 will be different.

Board Member Eykyn asked on page 23, Exhibit B115 the difference between the 2012 and 2013 pretty much the percentage that would have been for the rest of the Township or were those houses that much undervalued. He indicated the valuation in 2012 have them at 28 million and 2013 they are 80 million. Mr. Costello stated they were more undervalued. He stated if you look at 28 million over 80 million compared to 2.5 billion over 4 billion the difference is much different in the Seaview Harbor area in general than the rest of the Township. Board Member Eykyn asked then for years they have been paying a lot less than their share. Mr. Costello stated they were paying having a lower assessed values.

Board Member Aponte asked so there is no confusion by having two (2) pages marked 4 referring one as 4A and the other as 4B. **May the record reflect** this change was made. Special Board Planner Wisner asked if Mr. Costello reviewed, the revenue decrease to Egg Harbor Township should the deannexation go through, as to how it will impact the budget. Mr. Costello stated it will not affect the budget. The budget is based on what you are going to spend and you divide by certain sources and the remainder goes to the tax levy. He advised the budget and the tax levy will stay relatively similar. It is when you divide the tax levy into smaller amounts you have a tax increase. Mr. Costello stated with the revenues you receive such as State Aid, the use of your fund balance, and other revenues/interest, court fines, etc.. He indicated they are still going to be what they are so to make the difference you would raise the taxes, which would then be divided among a smaller number of tax payers, therefore, creating an increase to each tax payer.

Special Board Planner Wisner asked if any analysis was done on the savings that would occur if Seaview Harbor were deannexed Longport. Mr. Costello stated in his assumptions he advised there would be

minimal changes. He used for an example police coverage. Mr. Costello stated would the Township lay off police officers because there will be no coverage needed for Seaview Harbor. He advised if the answer is we are not laying anyone off than there is no savings by not having that area. He indicated there may be some savings in trash collection and other things. He added there was also no data like this provided by the other side as to the savings and cost with the switch so he wanted to compare apples to apples. Board Member Aponte asked if Mr. Costello reviewed exhibit S72, as well as the minutes from the October 24, 2014 meeting. Mr. Costello advised he was present at this meeting, but yes, he did review and he has Mr. Ryan's report with him this evening.

Attorney Doyle asked who Mr. Costello is employed by or rather who is he a partner with. Mr. Costello stated by Ford Scott Associates in Ocean City. Attorney Doyle asked if this report was prepared on behalf of Ford Scott. Mr. Costello stated yes and was prepared by him. Attorney Doyle stated Mr. Costello advised he worked for 40+ towns. He asked if Longport is one of these towns. Mr. Costello stated yes they are the auditor. He advised they also do the school audit for Longport. Attorney Doyle asked in Egg Harbor Township other than the municipality and the school board is there any other agencies they work for. Mr. Costello advised the Municipal Utilities Authority. Attorney Doyle asked if there were any others. Mr. Costello stated not that he is aware of. Attorney Doyle stated in the audit, which one of his partners does, recognized the Golf Corporation as a component agency. Mr. Costello stated they do not audit them. Attorney Doyle stated but it is a component agency. Mr. Costello stated yes, but they do not audit.

Attorney Doyle asked were not a component agency why would it be addressed in the audit prepared by his firm. Mr. Costello stated if it says so than it is. Attorney Doyle asked if Mr. Costello is familiar with their operation. Mr. Costello stated no, he has never done it. Attorney Doyle asked nor has the firm. Mr. Costello stated the firm had done the Golf Corporation in the past but has not in at least the past three (3) years. Mr. Costello explained that Bob Schwartz was the auditor for the Township for maybe 35 years. He indicated four (4) years ago Mr. Schwartz' firm merge with his and that is when Egg Harbor Township became a client of the firm, but he has never done it. He advised Bob continued to do it until he retired and Ken Moore has done it for the past two (2) years. Attorney Doyle what about the Municipal Utilities Authority. Mr. Costello stated it is the same. Attorney Doyle asked what about the School Board. Mr. Costello stated they had not done the School Board as long.

Attorney Doyle asked when Mr. Costello heard that Seaview Harbor was seeking to deannex. Mr. Costello stated a little over a year ago when he was asked by Mr. Miller to prepare a report. Attorney Doyle asked what Mr. Miller and Mr. Costello's conversation was at that time. Special Board Solicitor Marcolongo stated it is not necessary to answer the questions as to the conversations Mr. Costello had with Mr. Miller. He indicated it is not relevant of the Board's review in this matter. Attorney Doyle placed on the record the reasoning for the question including the advisement that he has asked this question of others. Special Board Solicitor Marcolongo he indicated the Board is trying to evaluate in the information contained in the report. He instructed Mr. Costello not to answer the question.

Attorney Doyle than asked Mr. Costello since the time Mr. Miller spoke with him concerning the preparation of the report has he spoken with any other municipal official and/or employee concerning the Seaview Harbor secession. Mr. Costello stated no. Attorney Doyle stated there were 20 plus hearings and Mr. Ryan was to testify on a particular night. How did Mr. Costello know Mr. Ryan was to testify. Mr. Costello stated Mr. Miller had asked him to come and listen to Mr. Ryan's testimony. Attorney Doyle stated during the hearings Mr. Miller made comments to the papers and to the Longport Board of Commissioners concerning how much money Longport would pay if the secession were to go

through. He asked if Mr. Miller had discussed this with him. Mr. Costello stated no. Attorney Doyle asked if Mr. Costello ever saw these numbers. Mr. Costello stated no. Attorney Doyle asked if Mr. Costello was ever asked to calculate these numbers. Mr. Costello stated he was ask to prepare a report and he did it on his own.

Attorney Doyle asked Mr. Costello if has read the statute dealing with secession. Mr. Costello stated a long time ago. Attorney Doyle asked if this was with the Strathmere and Upper Township case. Mr. Costello stated yes and it was about six (6) years ago. Attorney Doyle stated the secession was denied and was held up by the Courts so we never got to the part about Sea Isle City paying back to Upper correct. Mr. Costello stated he testified one night and from there it was up to the system. Attorney Doyle asked Mr. Costello that he never looked at statute about how the bonds that might be the obligation of the tax payers moving from one town to another does the receiving town have to pay a portion of that. Mr. Costello stated yes he has looked at it and yes they would have to pay that. Attorney Doyle asked Mr. Costello that he has not been asked what that number is. Mr. Costello stated no. Attorney Doyle asked the numbers given by Mr. Miller as estimates were on his own. Mr. Costello stated yes.

Attorney Doyle stated Mr. Costello indicated he was present for Mr. Ryan's testimony and he has his report. But he was asked if he read the minutes of that meeting. He asked if he had. Mr. Costello stated no he did not. Attorney Doyle asked if any Egg Harbor Township official or employee help assist with his report. Mr. Costello stated no, other than what is stated, which is one (1) report from the Township Assessor. Attorney Doyle stated submitted an OPRA for this information. He asked if the Assessor gave him the one (1) sheet which is referenced as page 23 within his report or did the Assessor provide two (2) sheets. Mr. Costello stated there was a second sheet. Attorney Doyle why did Mr. Costello not use the second sheet. Mr. Costello stated he was not using the data within his report. He was using the assessed values. Attorney Doyle asked if the data was relevant. Mr. Costello stated it is after the fact data. He indicated the amount that is on record when the tax rate is struck is the important number. He advised the appeals that happen after this will come into effect the following January 1st and the new rate will be struck with that.

Attorney Doyle stated that is not important or relevant that doing a snapshot of what we were at the beginning of this year. Mr. Costello stated the relevance to what the appeals are is how much the Township will lose in dollars because of the appeals. He indicated he did not factor in and added assessments are not factored in and he advised there are added assessments that would negate some of this but they are not available yet. Attorney Doyle stated as he understands the Board's charge is to determine the impact of the petition, if it were granted, to the Town and if it were to be denied to the tax payer. In either way checking the impact to both. He indicated case law suggest impact is to be judged not as a snapshot of one time when the hearings are being held but into the future as described in the Avalon Case two (2) to three (3) years and in other cases several years more. So the tax appeal history does become relevant.

Mr. Costello stated the tax appeal history would reflect in the following year's tax rate. He indicated we only have half the story currently we have the appeal side but not the added side. Attorney Doyle stated the added side would only serve the purpose increasing the amount of overall ratables in Egg Harbor Township correct. Mr. Costello yes and in Seaview Harbor. Attorney Doyle asked if Mr. Costello has looked at what the added assessments are in Egg Harbor Township and Seaview Harbor over the last few years. Mr. Costello stated no.

Attorney Doyle stated he would like to introduce the second (2nd) sheet of the OPRA request from the Tax Assessor that was given to both Mr. Costello and himself entitled "appeal values of Egg Harbor Township properties", which was marked as Exhibit S139. Special Board Solicitor Marcolongo stated based upon information provided from the assessor it shows there were no tax appeals in 2011 or 2012. Mr. Costello stated this is what the Tax Assessor has indicated.

Attorney Doyle indicated on Friday he received a draft of Mr. Costello's report, then again on Saturday another draft and then on Monday the final draft. He indicated there were some changes. Doyle: received a draft on Friday, Saturday and Monday the final. He stated there were some changes and he would like to discuss. He advised on page 2, of what was sent, assumption #4 was left out but was in the original. Mr. Costello stated the drafts were just that drafts. He indicated he has submitted his final version to the Board. Special Board Attorney Marcolongo indicated he advised Attorney Doyle they were providing him with drafts and they reserved the right to make whatever changes were necessary.

Attorney Doyle stated Mr. Costello stated he added the \$208,100.00 figure based upon his recollection of Mr. Ryan's testimony and used this specific number. Mr. Costello stated yes. Attorney Doyle asked if Mr. Costello knows why Mr. Ryan used that specific number. Mr. Costello stated Mr. Ryan indicated during his testimony this was the average value of a home in Egg Harbor Township. Attorney Doyle asked Mr. Costello if he knows what the average value is. Mr. Costello stated no. Attorney Doyle asked if Mr. Costello sought this information out and does he disagree with Mr. Ryan. Mr. Costello stated no and he has no reason to say it is wrong. Mr. Costello added he provided various examples of the impact on various values of homes. Attorney Doyle stated this would include the dollar value within Egg Harbor Township of \$750,000.00 to \$300,000.00. Mr. Costello stated yes he chose round numbers.

Attorney Doyle stated he reviewed Mr. Costello's testimony in Strathmere and these numbers were used. He asked if Egg Harbor Township, in terms of its values, different than Upper township. Mr. Costello stated he has not looked to see. Attorney Doyle stated in using these numbers in trying to present what would happen does Mr. Costello know how many houses/residences there are in Egg Harbor Township that are worth more than \$500,000.00. Mr. Costello stated no. Attorney Doyle asked if Mr. Costello knows that the case law speaks of average value. Mr. Costello stated yes. Attorney Doyle asked than why Mr. Costello used other values. Mr. Costello stated to show what the comparison is to other values.

Attorney Doyle than referred to page 2 (exhibit B115) he advised if the comment concerning school taxes listed under tax levies an accurate comment for Egg Harbor Township. Mr. Costello stated it is voted if there are certain conditions. He advised if they meet specific conditions than it would not. Mr. Costello advised they have not had a vote in three (3) or four (4) years. Attorney Doyle still referring to page 2 under tax rates asked assessed valuation or net valuation taxable are they interchangeable. Mr. Costello stated yes. Attorney Doyle than stated neither one is the equalized County rate that also has to be involved.

Attorney Doyle then referred to page 3, more specifically, Assumptions: Egg Harbor Township, item number 3. He asked Mr. Costello to explain the math concerning this comment. Mr. Costello referred to page 4A explaining the value with Seaview Harbor is 4,074 billion and if you subtract 95 million you end up with 3,975 billion. Attorney Doyle asked if Mr. Costello could look at these numbers again. He indicated these are the numbers in which Mr. Costello based the ramifications of the tax levy on correct. Mr. Costello stated yes. Mr. Doyle stated when he adds the numbers and then subtracts the others he

found the number is roughly 3 million more than it should be. Mr. Costello stated he would have to check his sheets but this is what the number should be.

Attorney Doyle stated he wants to be clear what the number is because as Mr. Costello earlier stated this is the number which all of the other numbers were based upon. He indicated we need to get the starting number correct. Mr. Costello stated yes. He stated the 4,074 billion is the number provided from the tax assessor. Freeholder Carman asked Mr. Costello the difference between his numbers and those that Attorney Doyle referenced they are is not a substantial difference correct. Mr. Costello stated this is correct. Attorney Doyle stated we have been told not to speculate or estimate. He indicated if this number is not correct than the other numbers provided change. Attorney Doyle stated by his reckoning the number is wrong and the numbers do change and the tax rate implications change.

May the record reflect: Special Board Solicitor Marcolongo asked Attorney Doyle to provide Mr. Costello with his calculator. He then confirmed with Mr. Costello if he takes the \$4,074,216,362.00 and subtracts \$95,385,300.00 what is the number remaining. Mr. Costello stated it gives you \$3,978,831,062.00. Board Member Aponte stated it appears to be 3 million higher. Mr. Costello stated yes. Attorney Doyle stated this number changes all the other numbers and more specifically the tax rate implications to both the Township and the School's. He indicated by changing that number it changes the implications of the tax expenditure to make up to the various groups of the 208,000 and the 500,000 property groups. Mr. Costello stated yes. He advised it would run through all the calculations. He stated the tax rate instead of being .3024 would be .3022 so it would be 2/10th of a cent difference overall. Board Member Aponte asked what 2/10th of a cent represent. Mr. Costello stated it would \$200.00 of a million dollars and \$4.00 on the average house.

Board Member Aponte asked if they were to look at page 4B and the board looked at the number of 208,100, which is \$6,166.00 you would take \$4.00 off of it. Mr. Costello stated it would be \$6,161.00 or \$5.00. Board Member Aponte stated he is not happy the number is off. He also indicated he looked at the previous testimony and there were a couple mistakes on S72 so he stated it is par for the course, however, the issue is we are talking about \$5.00 that runs across. He asked the other Board Member's for their opinion. He advised he does not want to call this deminuous. Township Committeewoman Pfrommer stated she would like this resubmitted with the correct numbers.

Attorney Doyle stated he wants to make two (2) points. He advised this is not a tit-for-tat because he has too much respect for Mr. Costello's background and abilities to harp on a mathematical error. But when you say the other report had erroneous numbers he wants to be clear what happened that night. There was a chart that had columns of the classifications of property and when you added them across the top number, instead of having four (4) numbers that was totaled in the fifth (5th) it had two (2) numbers and it clearly did not add up to that number and we clearly acknowledged but the suggestion was made that because of that one (1) blank space in the printing and all the other numbers were correct.

Board Member Aponte asked Attorney Doyle were there not errors in both reports. Attorney Doyle stated no. He advised there was "an" error, which means one, on the report from Mr. Ryan. He indicated the error here that Mr. Costello has acknowledge is not "an" error it is a fundamental error that leads to other errors in the rate, in the addition, and in the tax rate implications. He indicated one error and several are two (2) different numbers. Attorney Doyle asked Mr. Costello how many other numbers would have to change within his report to make it accurate so as to reflect the consequences of using the wrong number. Mr. Costello stated each one of the tax calculations would have to be

changed. He indicated each one of them proportionately run the same gambit. He advised once these numbers were changed they would all change because they are linked together. Mr. Costello stated the rates would change, the amount tax assessed would be slightly less in each case.

Board Member Aponte asked Special Board Solicitor Marcolongo if it would be appropriate to postpone Mr. Costello's testimony until the numbers are correct. He indicated he is a numbers guy and believes it needs to be right. Special Board Solicitor Marcolongo stated we have went through a lot of numbers tonight that are not correct and they we would have to go through all the questions again when the numbers have been verified. He indicated it may be prudent to adjourn this to the Board's meeting of October 28th with Mr. Costello providing a report to everyone well in advance of a meeting.

Attorney Doyle given the case law and burden the petitioners have in terms of proving there is not significant injury while the tax rate is consequential and proportion of the ratables is certainly significant there are a number of financial areas that are not dependent upon this report and correcting the ledger sheets that he would like to use tonight for all our benefits. Board Member Aponte stated if it can be done without using the numbers he does not have a problem with that.

Special Board Solicitor Marcolongo stated he anticipates Mr. Costello will be submitting a supplemental report at least ten (10) days in advance of the October 28th date. Mr. Costello stated yes. Board Member Aponte asked if the Board is keeping the B115. Special Board Solicitor Marcolongo stated yes.

Attorney Doyle stated Mr. Costello indicated as an auditor he cannot speculate. However, in order to try and determine the future course of Egg Harbor Township with or without Seaview Harbor it does require some educated estimates. Does it not. Mr. Costello stated in the economy of the world we are in it is very tough to speculate what is going to happen one, two or three years from now. Attorney Doyle stated to keep them or let them go is a permanent decision not based on a snapshot now but the best estimate of the future you can make. He asked if this is true. Mr. Costello stated the snapshot as it stands now, minus the small error, is the basis that we have to go on today. He advised every year they see ratable decreases. He stated is this going to increase or change. Mr. Costello stated it is tough to speculate what is going to happen.

Attorney Doyle stated the case law said to the losers in the Avalon case, the would be petitioners, who argued it is snapshot, but it was not a snapshot, that you had to look into the future, so it requires us to do it. Attorney Doyle stated so if you can tell him how best to do that and the Board how to do that he would welcome that. Attorney Doyle asked Mr. Costello if he would look at past history in terms of growth and decline. Mr. Costello stated again it is very difficult to speculate what the future is going to hold. Difficult what the future holds. He gave an example for State Aid. He stated it was dramatical about five (5) years ago. He asked if State Aid is going to increase, decrease or stay the same. He stated it is a big number. He advised that revenue would generate or decrease what the tax levy could be which would make the impact either greater or smaller.

Attorney Doyle stated the economic reality is cycler when they are down you know they will go up and when they are up you know they will go down at some point, depression aside. He asked if this was true. Mr. Costello stated yes. Attorney Doyle stated he has looked at several years of budget reports that have been given from the Township Administrator to the Township Committee. He indicated generally Mr. Miller will include a tax rate history for Egg Harbor Township using as its source the Atlantic County Board of Taxation. He then referred to the 2014 estimated budget that gives an overview the tax history since 1989. He asked Mr. Costello if he has ever seen this document or a

similar one. Mr. Costello stated he has never see this document. Attorney Doyle asked Mr. Costello to review this document, which is as he presented, looking at the different items presented year by year are all financial factors to look at are they not. Mr. Costello stated yes.

Attorney Doyle stated this chart in terms of charting the past puts everything in a lengthier concise sheet does it not. Mr. Costello advised Attorney Doyle is stating history from 1989. Attorney Doyle asked if this could be marked as Exhibit S140 titled "Township of Egg Harbor Tax Rate History" years 1989-2014. Attorney Doyle stated revaluation years are watershed years and they change everything overnight. He indicated looking at the chart (exhibit S140) we can tell 1996 because of the asterisk and the jump in net value taxable was a year revaluation year. Mr. Costello stated yes. Attorney Doyle stated similar 2013 was a big change. Mr. Costello stated yes. Attorney Doyle stated with that aside when we look at the value changes between the two (2) revaluation years there is an uptick every year in double digits and then from 2003 to 2008 in the triple digits. Mr. Costello stated this is what the data shows. Attorney Doyle asked if Mr. Costello has any reason to doubt. Mr. Costello stated no.

Attorney Doyle stated the chart shows Egg Harbor Township was a growing municipality, its ratables growing. Mr. Costello stated during that period of time. Attorney Doyle asked if it has not continued to grow. Mr. Costello stated it has actually decreased. Attorney Doyle stated it decreased in 2011 and 2012. Mr. Costello stated and 2015 but it is not on this report. Attorney Doyle asked the value changes in the most recent years decrease in significant part because of the successful tax appeals. Mr. Costello stated yes. Attorney Doyle stated that does not mean growth did not happen just checked by the tax appeals. Mr. Costello stated correct.

Attorney Doyle stated we cannot be sure if tax appeals will continue to be successful other than after four (4) years of being in the double digits they have now fallen to 10 million dollars, suggesting that phase is now going out, no. Mr. Costello stated it could very well be. Attorney Doyle stated in terms of growth Attorney Doyle read Mr. Costello a quote from 2012 "Egg Harbor Township is a growing Township" and he indicated he read this statement again for the past three (3) years. He asked if this is accurate. Mr. Costello stated he does not know. Attorney Doyle advised he takes this statement from the Municipal Utilities Authority audit and the comment comes from Ford Scott Associates and Kenneth Moore his partner performed it.

Attorney Doyle then supplied the 2010, 2011 and 2013 fiscal year budget, general trends and significant events. He asked Mr. Costello if he disagrees with his partner's assertion. Mr. Costello stated there are more connections in each year, correct. Attorney Doyle stated Mr. Costello's summarized this by saying Egg Harbor Township is a growing municipality. Mr. Costello yes.

Attorney Doyle stated other signs of growth is the Township's own desire to grow. He advised there is a redevelopment effort in West Atlantic City is there not. Mr. Costello stated with tearing down the existing structures. Attorney Doyle stated yes. Attorney Doyle than stated did not the Township receive money, in terms of grants, from the Casino Reinvestment Economic Development Authority. Mr. Costello stated he does not know. He advised he is no the auditor from the Township. He indicated his partner is.

Attorney Doyle asked why isn't he present instead of Mr. Costello. Mr. Costello stated he was doing the financial impact based on the tax levies and what the changes would be. Attorney Doyle stated the snapshot. Mr. Costello stated yes. Attorney Doyle stated if we wanted someone to examine upon the past numbers that we see with what the future holds or the best crystal ball person who would that be.

Mr. Costello stated it could be either one of them if that is what they are told to do. Attorney Doyle stated you were not asked to do this. Mr. Costello stated no.

Board Member Aponte stated when growth was mentioned within the MUA report he stated everyone on the Board is well aware of the pinelands growth area. So he asked if it is the pinelands growth area or growth in general. He asked if this paragraph can be read into the record. Mr. Costello then read into the record from the MUA the section previously noted concerning growth and the amount of connection permits for 2013. Attorney Doyle asked except for the number the paragraph reads the same in the other reports. Mr. Costello stated yes. Special Board Planner Wisner asked if it gives any data as to what those permits are. Mr. Costello stated it just says connection permits.

Board Member Aponte asked if this means new connection permits or conversions. Mr. Costello stated he does not know, but it means to this system they are adding. Attorney Doyle stated the most significant way we see commercial growth is new ratables. He asked Mr. Costello if he is aware that finally a new Walmart will be coming to Egg Harbor Township. Mr. Costello stated he does not know this. Attorney Doyle stated he is not asking as an auditor, a partner in Ford Scott, or as the witness but as a person who lives in Ocean City and knows the area. He had not read that Walmart is coming to Egg Harbor Township. Mr. Costello stated personally no. Attorney Doyle wanted to place into evidence a newspaper article concerning Walmart. Special Board Attorney Marcolongo stated this Board has taken notice as to this site without having to have the newspaper article nor would he want Attorney Doyle to read from the article. Attorney Doyle stated this is unacceptable considering the Township expects this to be a ratable and ratables is a significant portion of what this is about and growth is important. Attorney Doyle advised the witness is saying ratables are off and he has a chart that shows on a historic basis they have gone up by significant amounts year after year and it is acknowledge in large part by tax appeals he cannot understand why we cannot say what the Walmart ratable will be when the article quotes Mayor McCullough.

Special Board Solicitor Marcolongo stated this Board is to evaluate the evidence that comes before them not necessarily newspaper articles. He stated the witness has said he does not know about the Walmart and doesn't know the ratable. He advised the witness cannot comment at all. He indicated this is cross examination of this witness. May the record reflect: Attorney Doyle and Special Board Solicitor Marcolongo discussed this issue and thereafter Special Board Solicitor Marcolongo marked this the newspaper article as S141 noting it was for identification purposes only.

Board Member Aponte asked if Mr. Costello was familiar with the tax abatement policy in Egg Harbor Township. Mr. Costello stated no he is not. Attorney Doyle stated during Mr. Ryan's testimony it was asked if he was aware of tax abatements. At which time Mr. Ryan testified he was not but advised in a large degree they were used as an engine for economic development. Attorney Doyle stated being mindful of this he would assume the financial witness for the Township would talk about prospects for the Township finances so he submitted an OPRA for the abatements that have been done for the period between 2011 -2015 and was provided a chart showing this information. He indicated he was going to place this information into evidence but if the witness does not now about abatements he asked Special Board Solicitor Marcolongo if he could place these in.

Special Board Solicitor Marcolongo stated you are cross examining this witness, if you have questions about tax abatement ask him about it. Attorney Doyle asked if Mr. Costello knows anything about the Township abatements. Mr. Costello stated no but he does know what abatements are. He explained it is when you phase in taxes over a period time the assessed values. He indicated you may have a five (5)

year program where you are taxed at 20, 40, 60, 80 and then 100%, which is the typical abatement. Attorney Doyle then referenced the statute number under the State asking if this is the correct number. Mr. Costello stated he did not know if this is the correct statute number.

Attorney Doyle asked if Mr. Costello is aware of what the statute provides as the purpose of them specifically. Mr. Costello stated to stimulate growth. Attorney Doyle then read onto the record a paragraph from the statute allowing tax abatement. He asked Mr. Costello if he agrees with this paragraph. Mr. Costello stated he does. Attorney Doyle then asked Mr. Costello stated to the degree would it not be appropriate to consider what Egg Harbor Township is doing to grow the economy. Mr. Costello stated yes. Attorney Doyle asked if Mr. Costello would not agree that Egg Harbor Township has chosen tax abatements as a path to that growth. So is it not appropriate to examine what has transpired such as how many tax abatements have they given, how much is it. Mr. Costello stated you could.

Attorney Doyle stated to the degree they are a five (5) year plan, as the statute provides, but truthfully a six (6) year plan and you get -0- taxes on the improvement the first year after construction and then it goes 20, 40, etc... over the next five (5) years. Mr. Costello stated yes. Attorney Doyle stated during this time the land continues to be assessed and the taxes that are paid are paid in lieu of full taxes. Mr. Costello stated right. Attorney Doyle stated the agreements in the statute provide the improvement will be taxed as an added assessment.

Attorney Doyle are tax payments made as added assessments divided differently than tax payments made in the regular course assessing. Mr. Costello asked for clarification. After Attorney Doyle's clarification of the question Mr. Costello stated added assessments do not go to the school. He advised the County, County Open Space, not the library and the Municipality share the added assessments. County and Township receive the county library and open space. Attorney Doyle stated so the municipality that uses the tax abatement as an engine for economic growth but at the same time gets a larger or lion's share of the taxes paid rather than sharing with the school for those five (5) years. Mr. Costello stated yes. Attorney Doyle stated so while it is an engine for economic growth it is a municipal decision to take away money that might otherwise, if the buildings were put up without the abatement, school's would have received this money. Mr. Costello stated not correct. He explained schools get their money based on its budget. He stated if it needs 75 million to operate in property taxes it receives 75 million. They do not care who pays it. They receive their 75 million dollars. Attorney Doyle stated if they need 75 million dollars and if not done as an abatement it would have given the school district by taxation \$750,000.00 than that 1% difference would have to be raised in taxes for the school district does it no. Mr. Costello stated no. He advised the school district taxes are what the school district ask for. They submit a budget, it gets certified, the County Board of Taxation gets that tax levy in a form, it is signed by the Town and the School district and that is how much money they collect regardless of what the assessments are.

Attorney Doyle stated there has been discussion as to what ratables will be in the future and Mr. Costello stated it is has been off a little bit. Attorney Doyle stated to the degree a chart would tell you the specific properties, specific amount of the assessments, the taxes that have been paid and what year they are in and if they are less than the fifth (5th) year, than we would know these assessments are coming in; in the out years for 16, 17, and 18. Mr. Costello stated yes. Attorney Doyle advised he would like to present this chart as evidence. Special Board Solicitor Marcolongo asked if he could have a foundation on the chart, who created it and based upon what documentation. Attorney Doyle stated he does not know. He indicated he had asked for, by an OPRA, to provide copies of all ordinances adopted by Egg Harbor Township Committee since January 1st, 2010 authorizing execution of an

agreement for tax abatement, etc...he advised in due course he received from the Township Clerk, Eileen Tedesco and she sent back what he asked for. He advised he does not know who in the Township the chart was derived from. Special Board Solicitor Marcolongo stated he has no difficulty with the documents he received. The chart that he does not even know who created it. Attorney Doyle stated he received the chart from the Township in response to the OPRA request or was created by some member of the Seaview Harbor resident's. Attorney Doyle stated it came with the documents advised was represented that someone in egg harbor township. Doyle: came with the documents and received as a part of it pages and pages of each separate tax abatement agreement. May the record reflect Special Board Solicitor Marcolongo reviewed the chart along with the OPRA request. He then marked the chart as Exhibit S-142 noting it was a compilation of tax abatements based on the OPRA request Attorney Doyle read into the record.

Attorney Doyle asked if Mr. Costello could review S142, which Mr. Costello had done. Attorney Doyle then asked if it would be fair to add the column on the right of the current assessment and carry that into the future based on 100%. Mr. Costello stated yes, it is going to happen. Attorney Doyle asked if it would be added ratables in coming years. Mr. Costello stated correct. Attorney Doyle then in 2016 and 2017 we can use this. Mr. Costello stated in terms of determining the value of the Township. Attorney Doyel stated yes. Mr. Costello stated yes. Board Member Aponte asked assuming these go onto the books and he is not sure how the statute deals with tax appeals on these numbers. Attorney Doyle stated he can provide the agreements, however, he believes they do speak of certain penalties if they do. Board Member Aponte stated so the Board is to take these as it will happen but we do not know what the variable of what tax appeals could be. It could go up or down.

Attorney Doyle stated he will move one of the agreement's into evidence as referenced by Special Board Solicitor Marcolongo (JESC Holdings, LLC). Attorney Doyle then asked the Board to note paragraph VIII in this agreement which references tax appeals. He indicated as referenced if someone files a tax appeal they lose their tax abatement. Board Member Aponte asked for the previous five (5) years. Attorney Doyle stated he is not sure if they can lose it going back. But going forward you would lose it. Special Board Solicitor Marcolongo stated he asked for the most recent tax abatement agreement versus the one (1) in 2010. He then marked the tax abatement agreement for JESC as Exhibit S143.

Board Member Aponte asked so after the five (5) year period they can still do a tax appeal what would their injury or payback. Attorney Doyle if that question was asked of me and I were testifying he indicated once the abatement has concluded, like any other tax payer in the municipality that pays 100% and they can appeal. Special Board Solicitor Marcolongo asked if it is the taxes abated or the assessment that is abated. Mr. Costello stated it is the tax that you pay. Special Board Solicitor Marcolongo stated so the assessment is there and on the books. Mr. Costello stated yes.

Attorney Doyle asked if he times \$.53 on the current ratable base in Seaview Harbor, which is 91+ million based on next year's numbers a fair way to determining what the tax loss is if the petition were granted. Mr. Costello yes. Attorney Doyle advised he came up with \$487,000.00. Mr. Costello stated plus any added assessment. Attorney Doyle stated this would be if there were any added assessments in Seaview Harbor. He also noted on added assessments the assessor needs to file them by November 1st. Mr. Costello stated yes. Attorney Doyle asked if they are all added at one time. Mr. Costello stated he does not know the answer to this. Attorney Doyle advised this has been mentioned a few times and since Mr. Costello is coming back on October 28th to the degree this number may have some bearing on the deliberations and it shows growth. Maybe this number could be supplied. Special Board Solicitor

Marcolongo advised he will have Mr. Costello obtain the 2015 added assessments before he comes back.

Attorney Doyle stated he asked the question before but had Mr. Costello spoken with the assessor concerning his report. Mr. Costello stated he only spoke with the assessor based upon what Attorney Doyle asked for and he received same two (2) pages. Attorney Doyle stated he is reviewing the audit for the year ending December, 2014 prepared by Ford Scott Associates, LLC and was electronically signed by Kenneth Moore. Attorney Doyle asked Mr. Costello if he is able to answer questions concerning the audit. Mr. Costello stated probably not. He did not prepare. He can answer theoretic questions, but specific numbers he did not do it.

Attorney Doyle advised he is looking at Page 11 of previous referenced audit. He asked if the number in the lower right hand corner or any number on this page represent the audited surplus. Mr. Costello stated the number in the lower right hand corner is the excess revenue only from the items that are above it. Attorney Doyle stated this number does not take into account if the appropriates were lesser or greater than what was intended. Mr. Costello stated it is strictly revenue. Attorney Doyle stated so all this is; is at the beginning of the year they anticipated "a" number and all they got was this number, which is \$367,272.00 more. He asked what happens with this more. Mr. Costello advised it can go into the fund balance. Attorney Doyle asked if Mr. Costello can provide him what the surplus number has been over the last four (4) years in Egg Harbor Township. Mr. Costello stated no, but he can easily get this information but he was not prepared to bring this tonight.

Attorney Doyle then referred to Page 39 of the audit, Note #16: Economic Dependency: he then read onto the record what was contained in Note #16. He asked Mr. Costello that this comment would not be placed in the audit if it were not an accurate statement would it. Mr. Costello stated he would assume it is correct. Attorney Doyle stated while we hear about the casinos and its trickle down effects. This Township's economy is not dependent upon the casino industry. Mr. Costello stated he does not know this but he would say probably not. Board Member Aponte stated this sounds like what the economist said last week.

Attorney Doyle asked Mr. Costello if he is aware that through December 31, 2014, the Township paid a total of \$3,050,000.00 of accumulated debt services payments on behalf of the Golf Corporation. Mr. Costello stated no. Attorney Doyle stated three (3) years ago Mr. Costello's firm gave up the Golf Corporation. He asked why. Mr. Costello stated he has no idea. Attorney Doyle asked above his ranking. Mr. Costello stated yes.

Attorney Doyle asked if Mr. Costello is aware of what the percentage is for tax collections over the last several years. Mr. Costello stated no, but he can look at it and see what it says. Attorney Doyle asked Mr. Costello to read the information onto the record. Mr. Costello read on the record percentages and the years beginning in 2014 is 99.38, 2013 is 99.07%, 2012 is 98.37%, 2011 is 98.08% and 2010 is 98.77%. Attorney Doyle asked in towns where Mr. Costello is the auditor he is familiar with what this statistic represents. He asked if Mr. Costello could explain. Mr. Costello stated it represents a very high percentage of collection. He indicated had he done the audit he would know for sure but if they have an accelerated tax sale it almost guarantees this collection. But he is not sure if the Township does or does not.

Attorney Doyle asked if Mr. Costello could explain an accelerated tax sale. Mr. Costello advised it means you can collect all the taxes in the current year to a tax sale without waiting to the subsequent year.

Attorney Doyle stated Mr. Moore would know this for Egg Harbor Township. Mr. Costello stated yes, as he would for the clients he represents. Attorney Doyle stated a bond official statement the information is prepared in part by the municipal auditor. Mr. Costello stated it could or by the financial advisor.

Attorney Doyle stated he is looking at a portion of the preliminary official statement dated August 6, 2014 for bonds issued by the Township of Egg Harbor in the amount of \$11,900,020.00, in the County of Atlantic, NJ – General Improvement Refunding Bond, Series 2014, it bears the name Roosevelt – Cross Incorporated across the bottom. He asked if this means it was not done by his firm. Mr. Costello stated Roosevelt-Cross is the purchaser. Attorney Doyle stated with the information that is contained, therein, and as Mr. Costello being an auditor, and general familiar with bond offerings and the statements are put out to be relied upon as accurate so that the bond can be sold to finance a public project for the purpose of the bond. Mr. Costello stated yes.

Attorney Doyle asked when these statements have a section entitled, fund balance, and have a table following which list the Township's fund balance in the amount utilized in the succeeding year budget for the current fund, for the past five (5) fiscal years ending December 31st. Does that represent the surplus in any given year and then how much of that surplus was used in the next year. Mr. Costello stated that is probably what it says, yes. Attorney Doyle then asked Mr. Costello to read from page A7 of the document he just described. Special Board Solicitor Marcolongo asked Mr. Costello to look at the entire document before just going to the tables to ensure he understands the context of the document. Mr. Costello stated yes. There is a chart from 2013 to 2009 that has the ending fund balance and how much was used in the next year's budget is what it says.

Attorney Doyle stated at the end of 2013 when you took into account take into consideration all the towns revenue or by other revenue and all the appropriations spent they had \$555,452.00 that was produced as revenue and not spent as appropriation and expenditures. Mr. Costello stated it was the ending fund balance free and clear. Attorney Doyle stated if he looks at these numbers from 2009 to 2013, except for 2012, by a margin of \$8,000.00 the amount that was left over exceeds what the revenue generated for municipal purposes out of Seaview Harbor today is, don't they. Mr. Costello stated that number is higher than the tax revenue from Seaview Harbor, yes.

Attorney Doyle stated on page A4, of this information, there are statistics shown for median household income, median family income, and per capita income for the Township, County and State as of 2010. He indicated the sources being the U.S. Bureau of Census 2010. He asked if these numbers are traditionally or a requirement to put into official statements. Mr. Costello stated they are not a requirement but are generally placed in about 50% of the time. Mr. Costello asked if there is any reason to doubt accuracy given the source. Mr. Costello stated he would not doubt it.

Attorney Doyle stated there is also a list of the ten (10) largest tax payers in the Township as of 2013 and their assessed valuation. He asked why this was placed in. Mr. Costello explained this is placed in to show, the reader of this document, that the 4 Billion worth of assessments, does any one (1) particular thing make up an overwhelming majority of the whole Township's value. Attorney Doyle stated so in other words the potential bond buyer wants to make sure there is a diversified economy so that the bond is likely to be a good purchase. Mr. Costello stated this is a good way to phrase it.

Attorney Doyle than referred to page A6. He indicated the classification for ratables shows the division of ratables amongst vacant land, residential, farm, commercial, industrial, and apartments. He asked what the purpose of this is. Mr. Costello stated it is to show the general make up of what the assessed values are. Attorney Doyle stated in terms of showing the health of a municipality by showing a

diversification that is not solely relying upon residential is a way of showing the Township is economically strong. Mr. Costello stated it is economically diversified. Attorney Doyle asked if diversification is strength. Mr. Costello stated it could be. He then noted residential(s) 3 Billion of 4 Billion is pretty high or the percentage is high. Attorney Doyle asked if this is inconsistent with other towns they represent. Mr. Costello stated no. Attorney Doyle asked if the 25% non-residential pretty high than most of the towns he presents. Mr. Costello advised he does not know off the top of his head.

Attorney Doyle stated on page 8A it indicates the Township indebtedness as of December 31, 2013, the total net debt is roughly 35.5 million dollars. Mr. Costello stated according to this yes. Attorney Doyle stated there is a percentage that limits a Township of what they can bond. He stated he believes that limit is 3 ½% of the rolling average of the past three (3) equalized tax. He then asked what this was. Mr. Costello stated yes and advised he does not have this number but can get. He did suggest it would be in the ballpark of 3 ½% by say taking today's value of 4 billion and saying that was roughly the same for the past three (3) years. Attorney Doyle stated so this would be around 140 million dollars. Mr. Costello stated roughly, correct. Attorney Doyle stated so this page shows a net debt of roughly 35.5 million or one quarter of what could with is quarter of what could be bonded. Mr. Costello stated yes. Attorney Doyle asked Mr. Costello that 2% of the ratable base, if the petition for Seaview Harbor were to be granted, would not affect Egg Harbor Township's ability to bond in any significant way would it. Mr. Costello stated no.

Mr. Costello stated he would like to go back to page A7 where Attorney Doyle was discussing fund balance. Mr. Costello stated the fund balance referenced is an extremely low fund balance for a Township this size. He indicated normally you would like to see close to 10% of your appropriations with 3 million dollars. He indicated this is only \$500,000.00. Attorney Doyle stated to the tax payer having a surplus is over taxation. Having a rainy day fund is understandable, however, he asked Mr. Costello if he can provide him any information from the Department of Community Affairs within the State that says municipalities should keep a 10% surplus. Mr. Costello stated no, this comes from the rating agencies such as Standard and Poor's and Moody's.

Attorney Doyle stated they are as conservative because they want the most certainty for their bond buyers. Mr. Costello stated if they had a \$750,000.00 emergency in 2014 this would wipe out their fund balance completely through no fault of their own. Attorney Doyle stated they could go in for anticipatory notes, show this as a pre-condition on the next year's budget, and fund that \$750,000.00 could they not. Mr. Costello stated yes, in next year's budget. Attorney Doyle stated but they could borrow the money for the emergency at that moment. Mr. Costello stated yes.

Attorney Doyle asked in the 45 towns Mr. Costello's firm represents how many have a surplus. Mr. Costello stated most of them. Attorney Doyle asked if the 10% fund balance written anywhere. Mr. Costello stated it usually comes with the agencies ratings report which has benchmarks. Attorney Doyle asked if they issue anything from town to town so he could obtain from website. Mr. Costello stated he doubts it. Attorney Doyle asked if Mr. Costello has some type of compilation of his 45 towns of how much each are carrying. Mr. Costello stated no. He indicated it is what he remembers from budgets and doing rating calls.

Attorney Doyle asked if Mr. Costello does Galloway and, if so, what is their fund budget. Mr. Costello stated yes and is a few dollars under 7 million. Attorney Doyle asked if he does Hamilton Township. Mr. Costello stated yes. Attorney Doyle indicated these are the three (3) linked as larger growth areas in the County. Board Member Aponte asked if Mr. Costello knows what Moody's or S and P gave the Township

as a rating. Mr. Costello stated they gave the Township an A+. Board Member Aponte asked what would be needed for this rating, such as cash on hand. Mr. Costello stated if you had the S and P ratings report it would explain why the Township received an A+ and not a double A or a double A+. He indicated they more than likely cited a low fund balance as being one of the criteria for not increasing the rating.

Board Member Aponte stated he would like to see this report and he would also like to see how much the fund balance is going down. He stated if we started at say 7 million and we are down to \$500,000.00 it is something he would like to see. Special Board Solicitor Marcolongo asked Special Board Planner Wisner to obtain information concerning the last ten (10) years of surplus. He added he has marked S144 entitled Preliminary Official Statement dated August 6, 2014, which is a bond that has been discussed. Board Member Aponte stated Attorney Doyle has asked questions about the \$500,000.00 and \$500,000.00 is what Seaview Harbors portion is give or tax of local tax.

Attorney Doyle asked if Mr. Costello testified at a hearing like this that were raised by the petitioners of Upper Township from the Strathmere area of that municipality. Mr. Costello stated yes. Attorney Doyle stated that case received press and was in the papers around her. Mr. Costello stated he guesses. Attorney Doyle the Upper Township's budget at the time was 2.248 billion dollars. Mr. Costello stated he does not remember. Attorney Doyle to the degree that it was and the ratables in Stathmere were 393 million dollars or 17.5% which is what Mr. Costello testified to and the ratables here are 2 or just under 2.5 million dollars it is a far different situation than here. Mr. Costello stated there was a much larger ratable base in the Strathmere case. Attorney Doyle stated in the Strathmere case Mr. Costello indicated in his report what the loss would be and the loss on the municipal side was peculiar because Upper had no municipal tax rate because of the significant gross receipt tax revenue item. Mr. Costello stated at that time that was correct.

Attorney Doyle stated the loss on the school side (Upper) was 20 cents. Mr. Costello stated again, whatever it was. Attorney Doyle stated far different than the 4.8 or 4.9 cents being discussed here. Mr. Costello stated it is a much different number. Attorney Doyle stated in the Strathmere case, he then began reading from Page 56 of the transcript (from Strathmere case). Attorney Doyle stated based on what was said it appears Mr. Costello was speculating than giving the hard figures that he is only limiting to himself tonight. Mr. Costello stated those comments were for what their budget could change by not growth or ratables only what cost could be eliminated if Upper Township did not have to service Strathmere.

Attorney Doyle then referred to Page 65 of same transcript stating to Mr. Costello that he was asked to opine what would happen to Sea Isles tax structure if Strathmere were to become a part of, he then began reading excerpts of Page 65 onto the record. Attorney Doyle than noted this is again speculation. Mr. Costello stated the testimony was identical. He indicated he produced the same chart as moving Strathmere into Sea Isle what the change would be on the tax rate. He indicated he did not, just like, he did here, include any expense changes to either place.

Attorney Doyle stated to Mr. Costello that nowhere in the report that was presented tonight, apart from the numbers that will be redone, that there would be a savings to Egg Harbor Township by reason of Seaview Harbor leaving. Mr. Costello stated he said this in the report that they would be insignificant. Attorney Doyle asked Mr. Costello to define insignificant by a percentage or number. Mr. Costello stated it is the same example he used earlier if Egg Harbor Township is providing police service to Seaview Harbor and they no longer provide police service. Would they reduce the police force he

indicated he would say no. Attorney Doyle stated to the degree police cars use gas and there would be some savings. Mr. Costello stated some perhaps.

Attorney Doyle stated in the Strathmere case Mr. Costello noted there would be less tipping fees in Strathmere because they generate garbage. He stated it would be the same here would it not. Mr. Costello stated yes. He further noted that outside of trash removal he saw nothing else significant. Attorney Doyle asked what about snow removal. Mr. Costello stated we could go five (5) years without having any. Attorney Doyle then suggested what about court, the zoning board fees, or the construction fees. Mr. Costello asked Mr. Doyle whom would be fired if you did not have Seaview Harbor. Attorney Doyle asked Mr. Costello if he is suggesting the only way a part of a town leaves could make up some of those savings is those savings is to cost them at least one (1) employee.

Mr. Costello stated Attorney Doyle used as a reference court. Would they change their court personnel because they do not have Seaview Harbor. He indicated he thinks the answer is no. Attorney Doyle asked Mr. Costello in general other than tipping fees the only way you can measure loss is if it rose to an employee. Mr. Costello stated you could try to do an in depth analysis as to what the cost were and try to figure out some type of number. He stated he did not do this. Attorney Doyle asked Mr. Costello if he was asked to do so. Mr. Costello stated no and added that this information was also not in their report any savings or additions so this is why he ignored it in his.

Attorney Doyle asked if Mr. Costello read the report from Mr. Ryan and he heard him testify. Mr. Costello stated yes to both. Attorney Doyle asked other than the number corrections discussed earlier is there anything within Mr. Costello's report that addressed items contained within Mr. Ryan's report. Mr. Costello stated his report was not to address Mr. Ryan's report. Attorney Doyle asked if he is to conclude that Mr. Ryan's report was accurate other than where an opinion was rendered to the significance of what occurred. Mr. Costello stated he did not verify Mr. Ryan's numbers.

Attorney Doyle referred to Exhibit S72, Page 1. He then asked Mr. Costello if it was appropriate to consider uniform construction code fees over a period of time as Mr. Ryan had within his report. Mr. Costello stated this shows the amount of new construction or additions for construction. Attorney Doyle stated this does not show the amount of construction just the fees associated but what builders and homeowners paid to obtain a permit. Mr. Costello stated correct. Attorney Doyle stated this fee is based upon a percentage as to what the builder or homeowner anticipated the cost of construction would be. Mr. Costello stated correct. Attorney Doyle stated this percentage is relatively a low percentage. He asked Mr. Costello if he knows what it is. Mr. Costello stated no.

Attorney Doyle stated to the degree that is 1% and all these permits turned into buildings you could just add two (2) zero's to them, assuming they were constructed. Mr. Costello stated he cannot comment on this. Attorney Doyle asked from 2011 to 2014 the constancy of the numbers suggest there was a significant amount of building being applied for being done. Mr. Costello stated yes and the ratables feel because of the appeals. Attorney Doyle stated the appeals came from homes constructed earlier, but this appears that construction is going on and there will be a continuation of ratable growth. Mr. Costello stated it is construction is going on and it add to assessments but we do not know what is coming off the back end. Attorney Doyle stated the back end meaning tax appeals. Mr. Costello stated yes. Attorney Doyle mentioned this several times as a negative but it is the right of a homeowner or commercial business to be taxed fairly is it not. Mr. Costello stated yes. Attorney Doyle stated tax appeals from time to time filed. Mr. Costello stated yes. Attorney Doyle indicated we have looked back at the history over the last five (5) years. He asked would it be any better to look back at the history for a longer period of time to see they were because of the eminence of a revaluation or a revaluation that

had just been done. Mr. Costello stated you can interpret it anyway you want. He indicated the appeals were larger before the revaluation. Attorney Doyle stated for the two (2) years preceding. He indicated he does not know before this because he did not ask for this information, which he added nor did Mr. Costello. Mr. Costello stated no.

Attorney Doyle then referred to Page 3 of Exhibit S72 asking if the tax levy's and spending shown are appropriate statistics to consider in a matter such as this. Mr. Costello stated he would assume. He advised the municipal levy is the municipal levy and it is what taxpayers pay. Attorney Doyle asked if this is similar for the school levy and the school tax rate. Mr. Costello stated yes.

Attorney Doyle stated in Mr. Ryan's conclusion with respect to the bonding capacity he did not think it would be material impacted by the deannexation and he noted Mr. Costello agreed with this. Mr. Costello stated yes. Attorney Doyle asked Mr. Costello if he would agree with this in respect to the schools too. Mr. Costello stated yes. He advised it is the same number. Attorney Doyle then referred to the Chart on top of Page 5, Exhibit S72 which is the property classification by number of units. He asked is it fair to say the number of vacant properties went down by 1,300 over the previous decade from 2005 to 2014. Mr. Costello stated based on the data provided. Attorney Doyle asked if this is accurate. Mr. Costello stated he does not know. He advised he did not look at these numbers. He advised whether they are accurate or not he does not know. Attorney Doyle stated assuming the number of vacant properties went down by 2,340 would this not suggest growth was going on in Egg Harbor Township. Mr. Costello stated yes. They went from vacant to residential, at least most of them. Attorney Doyle asked again this would suggest ratables were increasing by reason of construction that went on those formally vacant properties. Mr. Costello stated yes.

Attorney Doyle stated Mr. Ryan also concludes the loss of Seaview Harbor would not have a negative impact on the Egg Harbor Township MUA (municipal utilities authority). He asked if Mr. Costello agrees with this. Mr. Costello stated he does not know. Attorney Doyle asked what facts would be needed for him to know that he does not have. Mr. Costello stated he has not done the MUA (municipal utilities authority) and he does not know if they service Seaview Harbor.

Attorney Doyle stated in the Strathmere case he referenced the 17 ½% previously. He asked if Mr. Costello knew what the percent of ratables was that Seaview Harbor constituted as of the date the petition was filed. Mr. Costello stated he knows what it is as of 2015 which is 2.34%. Attorney Doyle asked if this is pre-appeal. Mr. Costello stated this was pre-appeal, correct. Attorney Doyle stated Mr. Costello spoke of looking at trends. He asked if it was not appropriate, given how important it is to judge the proportion of ratables, what the proportion of ratables was when the petition was filed, look at the tax appeal history and look at it after the tax appeals were filed in 2013 and similarly in 2014, pre/post appeal and the same in 2015 pre/post appeal. Mr. Costello stated he was using in 2015 the most adequate data that was just levied the assessments were just done. Attorney Doyle stated he understands what was done but if the ratable base were going up over that period of time it would mean the loss of Seaview Harbor would be a greater loss by reason of that increase. He indicated if it were going down it would mean it would be less of a ratable loss by reason of that trend would it not. Mr. Costello stated sure. Attorney Doyle stated so the trend has some significance. Mr. Costello stated he agreed.

Attorney Doyle then shared with the Board information that shows 2013 appeal status pre-appeal and what the ratio was and then pre-appeal/post-appeal. Attorney Doyle stated he prepared this information/chart himself and the arithmetic. The documentation that supports this information was

taken from the two (2) sheets that was supplied by the Tax Assessor to Mr. Costello. Attorney Doyle then asked Mr. Costello from pre-appeal 2013, when the petition was initially filed, to post appeal 2015, where we are now, what has happened to the trend. Special Board Solicitor Marcolongo asked Mr. Costello except for the document that is in front of him. Does he have any independent information that would support whatever statement he is about to make. Mr. Costello stated he did not do any of these calculations so he cannot verify any of them. Special Board Solicitor Marcolongo asked Mr. Costello so he would not know what the ratables were pre-petition is this correct. Mr. Costello stated that would be a fact. Special Board Solicitor Marcolongo asked that he does not have this information in front of him does he. Mr. Costello stated it is on the Assessor's OPRA request, yes, but he has not calculated any of it. Attorney Doyle stated it is in S140 and it is also within Mr. Costello's report. Special Board Solicitor Marcolongo stated thank you and to go forward. Attorney Doyle then asked Mr. Costello to provide the numbers consecutively from 2013 – 2015 post appeal. Mr. Costello provided this information. Attorney Doyle stating this information notes it dropping six (6) times over three (3) years which includes pre/post appeal. Board Solicitor Marcolongo marked this information as Exhibit S145 chart providing pre/post appeal information for Seaview harbor.

Attorney Doyle stated by reason of appeals or whatever else our proportion of ratables from 2.48 to 2.26 has dropped by 20%. Mr. Costello stated whatever that number is. Attorney Doyle asked Mr. Costello if he is familiar with Seaview Harbor physically. Mr. Costello stated yes. He advised he lives in the north end of Ocean City and is right over the bridge. Attorney Doyle stated it has come out in the testimony of this hearing that Seaview Harbor consist of 92 residential lots with homes on them, two (2) vacant lots zoned residential, a marina with 300 condominium boat slips, as well as, other improvements at the marina including fueling stations, restaurant, an office building and some marinia related structures. Attorney Doyle asked if Mr. Costello has ever been at the marina. Mr. Costello stated he had driven by but he has never gone into Seaview Harbor.

Attorney Doyle stated as provided by the planner and not questioned so far is that the only room for ratable growth in Seaview Harbor is the two (2) vacant lots and the possibility that one of 92 homes could be knocked down and rebuilt. He then noted if someone were to measure this stated if some were to measure value against 66 square miles, 35,000 vacant properties, and a municipality aggressively seeking ratables by reason of a redevelopment zone efforts in West Atlantic City, an abatement program and a stated interest in growing and being a growth area in the pinelands. He asked if this would not suggest the ability to grow the ratable base would be greater in Egg Harbor Township mainland then the portion of Egg Harbor Township that is Seaview Harbor. Mr. Costello stated yes.

Attorney Doyle then asked would it not be fair to say looking to the future that the proportion of Seaview Harbor ratables that already has to Egg Harbor Township's ratables overall dropped from 2.48 to 2.26 will continue to drop. Mr. Costello stated it would depend upon the factures of how much the mainland grows and what the regenerated construction was over there. Attorney Doyle stated mathematically it would but going back to Mr. Costello's last answer concerning the growth and the likelihood of growth in mainland Egg Harbor Township is greater than Seaview Harbor and if this that is the case then the proportion would continue to go down. Mr. Costello stated if that is the case, yes. Attorney Doyle asked does he see any reason why this would not be the case. Mr. Costello stated he does not know.

Attorney Doyle advised we have talked about the tax cost to the homeowner in Egg Harbor Township by reason of Seaview Harbor having its petition granted. At the time of the revaluation there was

information provided to Governing Body as the tax effect of that revaluation, by Mr. Miller, including showing what the effect would be. He asked Mr. Costello to review this information. Special Board Solicitor Marcolongo asked for a proffer concerning where this document comes from. Attorney Doyle stated the document is, to the best of his recollection, having gotten it a year ago from having searched the Egg Harbor Township web site for meetings and finding this report, again, through his recollection authored by Mr. Miller and was either an addendum to a report at a Township Committee Meeting or part of the budget and the effect of the revaluation.

Attorney Doyle then presented copies for the Board and Board Solicitor Marcolongo marked as Exhibit S146 advising it is a report entitled municipal wide revaluation. Attorney Doyle explained on the first page of this document it is reported and then he quoted a section "it shifted, meaning the revaluation, more the value from the residential properties to the commercial properties. The following sheet illustrates this minor shift in the ratable base". Attorney Doyle stated to Mr. Costello that as he had indicated before for credit rating, bond selling, and economic health of the community that shift is a good thing from residential ratables to commercial ratables. Mr. Costello stated he does not know. He cannot comment on this. He indicated what he previously discussed is the unit and how much they are valued at is an indication of diversity, but shifting between one or the other he does not know if this has any bearing.

Attorney Doyle stated on the first sheet of this report indicates the average home price is \$208,002.00 in 2013 and on the second page it shows various values of \$150,000.00 to \$350,000.00, correct. Mr. Costello stated yes. Attorney Doyle stated they did not show \$550,000.00 or \$750,000.00. He indicated he knows Mr. Costello had in Strathmere why did he do it in Egg Harbor Township when it would seem the reasonable numbers are at the lower end of the scale. Mr. Costello stated he will indicate again it is just compare what a million is worth old and what a million is worth after the change. Mr. Costello further noted he is sure there are places that are assessed for more than \$350,000.00. Attorney Doyle then went through the numbers that Mr. Costello used. He asked Mr. Costello if he knows how many houses in Egg Harbor Township that are assessed for more than \$500,000.00. Mr. Costello stated he answered this earlier and he stated no.

Attorney Doyle asked if he were to provide a statistic that out of the 14,000 to 15,000 houses in Egg Harbor Township a 122 homes are worth more than \$500,000.00. Would this make the statistic meaningless about what would happen to those 122 people. Mr. Costello stated in the existing data of Seaview Harbor are their assessments over \$700,000.00. Attorney Doyle stated yes there are houses in Seaview Harbor assessed for over \$700,000.00, as well as, some other homes on the mainland portion of Egg Harbor Township. Mr. Costello stated Attorney Doyle is taking something out of context. He indicated this is a chart showing various levels of assessed values and what that meant to those various levels. He indicated he did not say there are 8, 40 or 300 of them. He indicated if you were a person that was assessed at a million you would remain assessed at a million your change would be "X". He indicated this the same if you were at \$750,000.00 or \$300,000.00 this was just a chart to show what the impact would be to various assessed values. Mr. Costello indicating he is not stating how many there are of any one particular kind.

Attorney Doyle asked as far as policy decision concerning the petition would the focus not be on the overwhelming number of tax payers and what happens to them. Mr. Costello stated this is where the \$208,000.00 number comes in and others are there for comparison. Attorney Doyle stated so of all the numbers the most important is the average. Mr. Costello stated he is not saying which is the most important. Attorney Doyle asked would not looking at what happens to typically a tax payer in Egg

Harbor Township if the petition were grant is to look at the median price, which is different than the average price. Mr. Costello stated the average, theoretically, is close to the median. Attorney Doyle stated unless there are some outliers one way or the other. Mr. Costello stated it would be a belt curve and there would some off each side. Special Board Planner Wiser asked the numbers for the 100,000's when they were put together were they houses or properties. Mr. Costello stated they are an assessed value. Special Board Planner Wiser stated so it is not just houses but commercial also. Mr. Costello stated yes any assessed value. He advised there are values over 9 million dollars in Egg Harbor Township that will be effected. Attorney Doyle asked Mr. Costello if he read any cases concerning secession. Mr. Costello stated no. Attorney Doyle stated he only asked because he does not recall in any of them discussing the effect on commercial properties. He stated he does recall, in all of them, they talk about the effect on the average homeowner.

Board Member Aponte asked Mr. Costello if he is the auditor for Longport. Mr. Costello stated his office is but this is not one his either. Board Member Aponte asked if Mr. Costello knows what Longport's surplus is. Mr. Costello stated no, however, he can obtain this information. Board Member Aponte stated we have discussed our tax collection rate being 99%. He asked Mr. Costello's in his capacity as an auditor, due to discussion that the Board had last week concerning tax sales and tax sales certificates, and what banks would pay. Would this number stay high due to those and is it included in the 99%. Do we have a way to break it down. Mr. Costello stated if you have an accelerated tax sale than everything theoretically gets collected with some exceptions in the current year regardless if the current tax payer or an outside buyer pays it. Board Member Aponte stated this answers his question. He indicated he was trying to see if there was a way to narrow it that 10% of the 99%. Mr. Costello stated if you do an accelerated sale, which is usually in December, the amount would be above a normal collection because of the accelerated sale. He advised you can find this number out again if you have an accelerated sale.

Board Member Aponte stated the reason why he asked is because trends are important. He indicated there are more banks and more tax sales certificates being sold in that 99% number over the last three (3) plus years. He stated you would see the health of the community. Mr. Costello stated he would like to give an example a different way. He stated say two (2) of the board members did not pay their taxes but the other three (3) have and there is an accelerated tax sales someone will pay their tax. So towns will get their money that is why it is 99%. He indicated if they are in foreclosure the tax is going to be paid by whomever buys the property. He advised it is misleading to an extent to say you're at 99% and saying all tax payers are paying this because it could be an outside buyer paying this tax.

Board Member Aponte stated who have a vested interest in the property. Mr. Costello stated yes, the bank or whomever. He indicated you have to look at this at the tax sale to see how much is collected in December and see how much 2015 taxes were collected and this would give us an idea of how much is being paid by someone else other than the tax payer. Board Member Aponte stated if this is broken down then you could find out what the health of community is. Mr. Costello stated yes, you could break it down and find out. He indicated you would have to get the tax collector to give you an analysis.

Board Member Aponte stated he had asked Mr. Ryan and he is looking at page 14 of the minutes from October 24, 2014. At that time he asked Mr. Ryan to look at page 1 of S72. Board Member Aponte stated the reason why he asked this is because on page #3 of report (S72) it discussed tax increases, he then read onto the record a section of page #3 concerning the tax increase. He then referred to the October, 2014 minutes and read onto the record a portion of the minutes concerning \$120.70 increase and his mathematical assumptions at that time, including additional information found on page #4 of

S72 which discussed an increase of \$176.61. Board Member Aponte asked Mr. Costello if he is correct based upon his assumptions as noted in the minutes of October 24, 2014, that it is an increase of \$294.00 on an average, for which Mr. Ryan is noted as saying yes to, based upon Board Member Aponte's hypothetical example outlined in the October 24, 2014 minutes. However, Board Member Aponte stated if everything stayed the same he would be correct it is \$294.00. Mr. Costello stated yes, you would have the existing increase and the increase from the ratables that are leaving.

Attorney Doyle stated with respect to the foreclosures you can show the difference as Board Member Aponte has asked, however, does who pays it matter to the economic health of the municipal government in running its operations. Mr. Costello stated no, they still got their money. Attorney Doyle asked Mr. Costello as an auditor he is not prepared to give an opinion that several percent of the 99% taxes paid was done so by a bank or someone at a tax sale says anything to the to the economic health of the municipality or the people therein. Other than the people who did not have pay their taxes they have a problem. Mr. Costello stated right. Attorney Doyle then asked Mr. Costello if it is not accurate to say that at the tax sales there are a number of investors who purchase them because of the 18% of interest they can get or the desire to own that piece of property by foreclose on the tax sales certificate. He asked if there are not people that bid on them. Mr. Costello stated yes. Attorney Doyle than explained the bidding process for the tax sales certificate and discussed premium bids, which he indicated is money that goes to the municipality above what is due for taxes. Mr. Costello stated the premium is held in a trust and is returned the purchaser of the tax sales certificate when it is redeemed. However, he added after being questioned by Mr. Doyle that if the certificate is not redeemed within five (5) years the premium monies to go to the Township. Attorney Doyle asked if there is somewhere either in the audit or the budget that reflects how much Egg Harbor Township has received with respect to the premiums. Mr. Costello stated it would be in the audit and though he has not done the audit his guess would be there is almost none.

Attorney Doyle stated the discussion concerning ratables is based upon the idea that the only way to replace Seaview Harbor taxes that are not received by the Township is to raise everyone else's correct. Mr. Costello stated on a snapshot yes. Attorney Doyle asked if budget process is a different process than the snapshot is it not. Mr. Costello stated the budget process is an animal all by itself. Attorney Doyle stated that process is government/political/personnel in nature and under the administrative code the directors give a recommended budget for their needs to the administrator. Mr. Costello stated this is the acceptable way.

Attorney Doyle stated the administrator might red line a few items, add or leave as it is correct. Mr. Costello stated sure. Attorney Doyle stated then the administrator gives a presentation to the governing body and they have a public hearing and could make changes correct. Mr. Costello stated right. Attorney Doyle stated this is a back and forth. He suggested maybe there is greater revenues from some other source or less in appropriations needed because of some problem on the way or the reverse can be true. Mr. Costello stated it could be wide open. Attorney Doyle so to say the loss of \$487,000.00 to Egg Harbor Township will cost the average homeowner roughly \$120.00 more there is no certainty in this number is there. Mr. Costello stated there is no certainty it is a snapshot right now. He indicated there is no certainty health insurance will not go up 12% or pensions will go up 15%.

Attorney Doyle stated there is no guarantee WalMart will come in and have a ratable. Mr. Costello stated this is correct. Attorney Doyle stated all this is considered in the process and we look at trends as to where growth is going and where appropriations are going. Mr. Costello stated for the future yes.

Attorney Doyle stated this municipality has several sources of revenue that others may not. He asked Mr. Costello if any of his municipalities have a hotel occupancy tax. Mr. Costello stated yes, such as Cape May City, Galloway Township which he noted are the two (2) that come off the top of his head. Attorney Doyle asked in terms of looking at trends and looking at where numbers are headed if he were to compare sheets 6-10 of the budget from 2011-2015 would this tend to show what is happening on the revenue side. Mr. Costello stated no. He advised you would have to go through sheets 4-10.

Attorney Doyle asked Mr. Costello that a municipal budget is formed by the State and the Department of Community Affairs (DCA) so that it is uniform. Mr. Costello stated this is correct. Attorney Doyle states so when you say sheets such and such. Mr. Costello stated it is the same sheets everywhere. Attorney Doyle stated Mr. Costello is suggesting to look at all these numbers and see what is happening. He then referred to page 4 under fees and permits and saw that it went from \$800,000.00 in 2011 to \$962,000.00 in 2014 it would be an indication that the revenue base is growing as far as that line item. Mr. Costello stated for that line item correct. Special Board Solicitor Marcolongo asked Mr. Costello if he is agreeing to the statement not the numbers. Mr. Costello stated this is correct.

Attorney Doyle asked that the municipal budget is roughly 37 to 38 million dollars in this municipality for 2015. Mr. Costello stated it is 38.5 million. Attorney Doyle asked what part of this is raised by taxes. Mr. Costello stated 21.6 million. Attorney Doyle asked what is the percentage. Mr. Costello stated there are numerous factors. Attorney Doyle stated so Seaview Harbor's effect if the petition were granted is not 2% or 2+% of the budget it is 2% or 2+% of the approximate 56% that is raised by taxes. Mr. Costello stated yes, the amount of the tax levy. Attorney Doyle asked the miscellaneous revenues are not effected by them do they. The 44% of the budget. Mr. Costello stated hardly.

Attorney Doyle stated when you say the municipal budget is 38.5 million and our effect was \$487,000.00. Mr. Costello stated after appeals. Attorney Doyle stated but before added assessments. Mr. Costello stated right. Attorney Doyle stated so in round numbers \$500,000.00 over 38.5 million that would be the impact on the overall budget if the petition were granted. Mr. Costello stated it is your impact on the tax levy because this is what people pay taxes on. He indicated other parts of the budget are covered by other revenues. Attorney Doyle asked if the Police Department gets a single number in the budget. One that is derived from taxes and one derived from other revenue. Mr. Costello stated it is a single number.

Attorney Doyle stated so if our impact on the government's budget and ability to provide the public services it does and is required to provide is diminished by \$500,000.00 out of 38.5 million is it not. Mr. Costello stated no. It is \$500,000.00 out of 21 million dollars because the tax levy is what the people pay the other revenues come from other sources. He indicated if you take 38.5 million as your budget and Seaview Harbor leaves and as discussed before, the expenses do not change significantly 38 million is still the budget, the 17 million is still the revenue and the 21.6 million is what the tax payers have to pay. He indicated the remaining tax payers have to make up the \$500,000.00.

Attorney Doyle asked if the non-revenues grow by \$500,000.00. Does this not take care of that hole or if the budget makers have that available to take care of that hole if they chose. Mr. Costello stated Attorney Doyle is making an example and ignoring the expenditure side. He stated suppose the budget goes from 38 million to 40 million. Attorney Doyle stated he is not ignoring he just has not gotten to that yet. But making up a budget you are looking at all your sources of revenue are you not. Mr. Costello stated yes. Attorney Doyle stated you are looking at all the appropriations you have to make

and you try to get all the revenues because governmentally, politically and personally you want to keep the tax levy as low as you can. Mr. Costello stated that is usually the goal.

Mr. Costello stated Attorney Doyle had the 2015 budget handy he asked what was the 2014 tax levy compared to the 21.6 million. Attorney Doyle stated it may be in Mr. Ryan's report. He indicated he has 2011 and 2015. Mr. Costello stated if Attorney Doyle could go to sheet 11 of the budget and the 2nd line from the bottom shows the tax levy in 2014 and it went up \$500,000.00 in 2015 so the example of applying other revenues did not stop a \$500,000.00 increase from 2014 to 2015. He indicated the budget went from 37.8 million to 38.5 million. Attorney Doyle stated it went up \$700,000.00. Mr. Costello stated of which \$500,000.00 was made up by taxes and \$200,000.00 was by other revenues.

Attorney Doyle also noted, however, we do not know the effect yet of added assessments, tax appeals or if there will be surplus because we do not know what the snapshot will be on December 31, 2015. Mr. Costello stated no.

Mr. Costello asked Attorney Doyle to pull out his 2011 and 2015 budget copies and to go to sheet 19 and tell him what the two (2) pensions are for 2011 and for 2015. Attorney Doyle and the point being it will show an increase. Mr. Costello stated yes. Attorney Doyle stated there are increase on the revenue side and as pointed out there are increases on the appropriations side. Mr. Costello stated yes and he does not have a crystal ball to tell him which side is going to win. Attorney Doyle then asked Mr. Costello that life would be easier with Seaview Harbor's \$487,000.00 in then without. Mr. Costello stated sure.

Attorney Doyle stated it would be easier for the hotel occupancy tax to stay in force or if you budgeted a half-million dollars for snow removal because you would be better off to have no snow to remove. Mr. Costello stated there are so many variables and it is hard to forecast what is going to happen and it is very tough in a municipality, based on two (2) very big numbers, pension and health insurance, that is so volatile that from year to year and you can go back and chart this to see how much they have changed from year to year, to go to the governing body and say we can just eat this \$500,000.00 easily.

Attorney Doyle stated whatever else happens to anything else on the revenue side or the appropriation side it is a conservative approach to say let's assume there is no other place to replace that \$487,000.00 than by taxing the people. He asked if this is a conservative approach and in effect is the maximum hurt that can happen. Mr. Costello stated on the snapshot not going forward it is not the maximum that could happen. Attorney Doyle stated the maximum that could happen is that Seaview Harbor's ratable's could grow and as the tax rate grows the multiplication would yield a higher number. He asked if this is what Mr. Costello means.

Mr. Costello stated yes and added the budget could yield a higher number for the amount to be raised with or without Seaview Harbor because of what the budget spending could do and what the revenues are. Attorney Doyle stated if the money is not spent on us we do not effect this. He indicated Mr. Costello had noted if we were gone it would not cut much in services so we do not affect the appropriations side. Mr. Costello stated if you are gone the remaining tax payers if it went from 21.1 million, 21.6 million or 22.5 million the remaining tax payers will have to share in all that not just the Seaview Harbor ratables.

Attorney Doyle stated what they would be sharing if we were gone is the 98% or 99% that they are not. Mr. Costello stated no. He advised he is referring to sheet 11 and it states 21.1 million and it raised to 21.6 million. He advised the 21.6 million is what the tax payers have to pay in 2015. The tax payers

were 2.3% Seaview Harbor tax payers. He indicated when they go away the remaining people still pay the 21.6 million. He stated going forward if that numbers goes to 22.3 million the 97% and change will pay that difference. Mr. Costello stated this will grow.

Mr. Costello stated he would also like to go to Mr. Ryan's report on page 4 (S72) he stated on this report in 2014 it was 75.8 million for the schools and in 2013 it was 73.9 million for the schools. He indicated this is basically a 2 million dollar increase and in 2015 it is up to 77 million and change. He advised the remaining Egg Harbor Township tax payers pay the whole brunt of this with Seaview Harbor out or in. Mr. Costello stated the biggest increases are the schools.

Attorney Doyle asked Mr. Costello if he knows what the school budget is. Mr. Costello stated he does not know. Attorney Doyle indicated it is a total of 120 million. Mr. Costello stated the only thing he is concerned about is the tax levy. Attorney Doyle stated the school board is concerned with raising 120 million dollars is it not. He stated this is what they budget so they have to raise it. Mr. Costello stated either they raise it or receive State aid. Attorney Doyle stated they lose 1.8 million from Seaview Harbor Mr. Costello stated in 2015. Attorney Doyle stated from 120 million dollar budget. Mr. Costello stated the tax payers are the ones that are paying this.

Attorney Doyle asked the proportion of Seaview Harbor that is Egg Harbor Township is another unknown, correct, such as whether the pension will go up, whether an added source of revenue will be found. Mr. Costello stated their percent will change every year based upon on the total value. Attorney Doyle stated if this goes down than the impact of them gone is lessened. Mr. Costello stated sure and added the school amount of taxes being levied. He advised the school is not losing the 1.8 million dollars. He indicated the school gets every penny they ask for it is the other tax payers that are paying 1.8 million dollars. He stated that levy is guaranteed to the schools. Whether Seaview Harbor is in or out. Attorney Doyle stated because they have maintain a general and efficient education. Mr. Costello stated no because this is what the law is. He stated once they strike their budget and they come up with their tax levy this is what you are required to pay. He stated if the Township does not have the money than they have to go borrow to pay.

Attorney Doyle stated in 2016, as we sit here, no one can say what the percentage will be of Seaview Harbor will be nor for 2017, etc... Mr. Costello stated right. Attorney Doyle stated nor the revenue or appropriate side. Mr. Costello stated right. Attorney Doyle stated all that can be done is try to predict based upon the past and trends. Mr. Costello asked if Attorney Doyle will predict the 2 million dollar school tax levy every year. Attorney Doyle stated he is not on the Board and he will not answer that question. Mr. Costello stated it is all speculation. Attorney Doyle stated no it is not speculation is it. He questioned Mr. Costello that we should not have anyone forecasting economics. Mr. Costello stated you can forecast, however, the people at the Township level will tell you every forecast is as good as the next number that pop's-out. He stated they could find out next week that there is a 12% increase to the health insurance. He asked what forecast would he had used for the 12% increase. He stated you were probably thinking 6%-8%.

Attorney Doyle asked Mr. Costello if he would suggest given all these unknowns that there should not be any secession ever. Mr. Costello stated he does not know about this. He stated all he was trying to say is to predict a moving target in 2016, 2017 or 2018 is pretty risky. Board Member Aponte stated if they pass the Pilot Bill who knows what will happen on the County side. Mr. Costello stated but the County tax will follow the assessment. Board Member Aponte stated it would follow everywhere but it will still be higher.

Special Board Solicitor Marcolongo stated Mr. Costello will be returning on Wednesday, October 28, 2015, 5:00 p.m., after this announcement there was discussion concerning possible conflicts of the members and the professional(s). Board Secretary Wilbert advised she will confirm the special meeting date for the end of October, 2015 tomorrow during the continuation of this hearing.

Attorney Doyle advised he is of the impression the only witness tomorrow will be Mr. Higbee from the ambulance. Special Board Solicitor Marcolongo stated this is correct. Attorney Doyle advised he does not have a report from Mr. Higbee. Special Board Solicitor Marcolongo advised Mr. Higbee did not prepare a report. He will be making a presentation as to how the ambulance service works in Egg Harbor Township and discuss dispatch, which has been a concern of the residents. He added Mr. Higbee will also discuss what the effect of deannexation will be on both the residents of Seaview Harbor and Egg Harbor Township in terms of ambulance service.

Attorney Doyle advised if absence of a report does not allow him to complete a meaningful cross examination on behalf of the petitioners he will ask that Mr. Higbee come back so that he can research and better understand the numbers. Attorney Doyle stated he had submitted an OPRA one set of documents and what is given, how many calls were made to Seaview Harbor over the last six (6) years, year by year. Attorney Doyle stated he does not perceive it will be anything more than what was received the OPRA request.

Board Member Aponte stated if we have another meeting and another meeting the petitioners understand this will go into next year. Attorney Doyle thank the Board for trying to schedule so this could be finished by the end of October and the Board gave it every effort to and we all have. He indicated he hope this is not necessary.

Attorney Doyle stated he also was looking at the 19th of October as a date that could be achieved. Special Board Solicitor Marcolongo stated he is not available. He indicated the North Wildwood Zoning Board is normally on the second Monday of Month and because Columbus Day is the second Monday of the month their meeting was moved to the third Monday of the month.

Motion Carman/Pfrommer to carry public hearing to Wednesday, October 7, 2015, 7:00 p.m., prevailing time. VOTE: Aponte, Carman, Eykyn, Pfrommer, Rosenberg

SUMMARY MATTER(S):

SECTION I: Discussions of matters pertaining to the Board:

**A: General public discussion: Motion Pfrommer/Eykyn to open public portion
May the record reflect no one came forward
Motion Pfrommer/Eykyn to close public portion**

Motion Pfrommer/Eykyn to adjourn at 9:10 P.M. VOTE: Aponte, Carman, Eykyn, Pfrommer, Rosenberg.

Respectfully submitted by,

Theresa Wilbert, Secretary

