



**CITY OF ORANGE TOWNSHIP
CITIZENS BUDGET ADVISORY COMMITTEE**

Recommendations for Fiscal Year 2010-2011

Report to the Orange City Council

4/15/2011

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Introduction

The Citizens Budget Advisory Committee (CBAC) is an independent citizen committee convened by the Orange City Council. Each council person may select two Orange residents to serve as committee members. The committee reviews and makes non-aligned, non-affiliated or influenced, objective recommendations concerning the city budget and on independent issues that help our municipal government become more efficient and effective.

This year's CBAC meetings included sessions with the City Council Budget Advisor, Deputy Finance Director and City Auditor. The CBAC would like to thank Council President Hassan Abdul-Rasheed for his support of the committee's work this year and for making the insightful meetings with these financial professionals possible.

To formulate its recommendations the Committee:

- Attended budget hearings
- Reviewed budget and financial documents
- Gathered information via various forums (i.e. email and in-person meetings) from a variety of sources including financial experts, consultants and municipal representatives
- Gathered citizen comments and concerns
- Communicated and discussed findings in person, by phone and email

The CBAC analysis is being made during a time of reduced city revenues to fund services and great economic uncertainty in the county, state, country and specifically our municipality. Although there seems to be some minor recovery in progress, the outlook for a return to a more robust revenue mode is expected to be slow and may affect city finances for several more years. With that said the City of Orange faces a continuing and deepening financial crisis that will unavoidably lead to deepening cuts and probable tax increases in the future if action is not taken now to make our municipal government and services more efficient.

The CBAC report is formatted with the following sections providing both short-term tactical and strategic long-term views to address some of the above concerns.

- Overview of the Budget
- Observations & Major Recommendations concerning the 2010/11 Budget
- Department Recommendations concerning the 2010/11 Budget
- Appendix

Overview of the City Budget

A municipal budget is a planning tool and a measure of a city's progress toward its' fiscal responsibilities.

The city of Orange fiscal year runs June 30th of the current year through June 30th of the following year. This year's fiscal cycle is June 30th 2010 through June 30th 2011. For at least the past three fiscal year budget cycles (FY09 – current FY11) budget preparation and discussions on spending have not begun until 2 –3 quarters into that current fiscal year.

The City Council's Budget Advisor prepared and presented an amended budget on March 21st 2011 that is based on spending reconciliations through February 2011. The amended budget presented contains detail on funds already spent and includes projections of "probable" amounts of unexpended funds available for the remainder of the year.

Based on the CBAC's understanding of the Faulkner Act,¹ the city administration has overall statutory authority to make final, hiring and layoff decisions contingent on the total adopted budget. Accounting rules allow budget line item amounts to be rebalanced and changed during the last month of the fiscal year. Therefore, while the CBAC does not necessarily agree with all funding allocations described in the presented budget, it supports the necessity of adopting this amended budget as quickly as possible and moving on to evaluate and implement a true budget process.

CBAC Observations and Major Recommendations

Observation: The City Council and most of the cities department managers do not have adequate accounting tools to track and disseminate financial data, nor has the budget been introduced in a timely manner.

Specific problems with presented financial data include:

- Monthly financial reports that included up-to-date spending reconciliations were not provided until requested at the Budget hearings, although required by city ordinance.
- The introduced budget presented a snapshot of anticipated spending starting July 1st 2010 but did not provide updated spending for the current or prior years.
- There was no up to date employee listing made available. Salary documentation mixed current employees with retired and laid-off employees with little delineation of the employee's status.

¹ **The Faulkner Act: New Jersey's Optional Municipal Charter Law**

New Jersey's Optional Municipal Charter Law (NJS 40: 69A-1 et seq., PL 1950, c.210) Popularly known as the Faulkner Act, became law on June 8, 1950.

- There were mistakes and omissions in the documentation presented to the City Council and CBAC, some repeated from previous years. Some expenses continue to be listed in the wrong account category.

Major Recommendations

- **Change to a calendar year budget (Jan 1st – Dec 31st).** This would allow a more timely and effective budget process. It would simplify and save reoccurring costs by simplifying tax preparation, billing and other city activities.²
- **Modify the planning and budgeting process.** Introduce the initial proposed budget Q1 of the fiscal year. State requirements should be viewed only as minimum standards. By adding additional time, better financial analysis and justifications, the budget will become an effective tool for planning.
- **Upgrade financial accounting system.** The finance department should formally evaluate and inventory the needs and costs of upgrading the city financial accounting system. Grants and other sources such as “Code for America” should be sought for this important project. Failing that effort, the city needs to bond or seek emergency funding. The city cannot hope to solve its financial problems and become more efficient and transparent without a major upgrade of the financial accounting system itself.
- **Enforce mandatory reporting schedules as per Orange Township City Code³.** The accessibility of readily available financial information is essential to monitor and control municipal spending.
- **Continue state guidelines for best practices and restrictions specified in memorandums.⁴**
 - Seek approval before hiring for new positions, positions not filled as of the MOU date, and essential positions vacated after the MOU date;
 - Prohibit increases in salaries or compensation for elected officials;
 - Freeze promotions and transfers involving salary increases unless required by contractual obligations;
 - Obtain approval before hiring consultants and professionals;

² Reference Appendix A

³ Orange City Code: ARTICLE XVI Budget and Fiscal Procedures, § 4-69 Fiscal procedures, paragraph D (1)

⁴ State of New Jersey Local Finance Notice LFN2010-14, 6/23/2010:

<http://www.state.nj.us/dca/news/news/2010/approved/102810.html>

- Use a "fair and open process" to procure all contracts exempt from public bidding;
 - Obtain approval before creating new payments in lieu of taxes (PILOTs) that do not share funding with schools and counties;
 - Obtain approval to create new services; expand existing services; pay for out-of-state travel or overnight stays; or allocate matching funds for a grant;
 - Prohibit funds for entertainment expenses and most educational expenses;
 - Meet with the Director or Division of Local Government Services staff quarterly to discuss budget and fiscal progress, or more often as requested by the Division.
- **Adopt a reasonable and enforceable “Pay to Play” ordinance** establishing that an individual or business entity that makes political contributions to Municipal candidates and Municipal parties shall be ineligible to receive public contracts from the City of Orange Township.⁵
 - **Expand the “Call to service initiative” to include:**
 - Internships with local colleges, universities and Orange school system.
 - Expand opportunities to involve Orange High School students for general filing, data entry, assistance with field based programs etc... activities that may serve credit and towards possible community service graduation requirements.
 - College internships could bring less expensive resources to the city on a temporary and focused basis while providing valuable, hands on experience to students in a variety of majors.
 - Volunteer Community Service i.e. Seniors. There are many departments that could benefit from this resource, including the library.

⁵ Model Pay to Play Ordinance: <http://www.nj.gov/dca/lgs/muniaid/aidmenu.shtml> – Reference Appendix B

Department Recommendations

Orange Staffing Levels

Recommendation: Continue and expand cross-departmental cooperation and connections to include the Orange Board of Education.

Office Materials & Supplies

Recommendation: Delegate responsibility of managing in detail city office supplies to a specific person. Items such as ink and toner cartridges can be consolidated in contracts for refilling/refurbishing for large savings. More specific printed items such as stationary, business cards, and many forms, would be better produced from computer templates and printed as needed.

Professional Services

Recommendation: Consideration should be given to renegotiation of all professional contracts without waiting for expiration dates. This is recommended because of the depressed economy, which has opened up opportunities for lower contracted prices.

Contractual Service Contracts

Recommendation: Consideration should be given to renegotiation of all Orange contracts without waiting for expiration dates. Consolidation of copier and computer leases along with their associated maintenance contracts could result in substantial savings in this very competitive market.

City Owned Vehicles

Recommendation: Reduce the number of vehicles owned the city by selling vehicles not being used. This will cut insurance cost, maintenance cost as well as fuel cost.

Defer vehicle replacement for 2 years on vehicles meeting replacement criteria during 2011 and 2012.

Specific Departments

City Clerk

Recommendation: Upgrade document management to electronic system. Citywide document management and storage is decades out of date. This project should be coordinated with the financial system upgrade and might be funded from the same grant sources.

Department of Planning & Development

Recommendation: Part time assistance for inspections restaurant, health code violations, building inspectors.

Department of Community Services

Recommendation: Provide accurate financial data at budget hearings that include the recreation trust.

- Expense and participation data should be presented by program and sport to facilitate evaluations of program effectiveness (costs/benefits). Allocation should include expenses for all items including salaries for "consulting".
- During budget hearing presentations should review what percentage of trust is applied to program expenses.

Recommendation: In planning programs community services should research partnering with local and national non-profit organizations and corporate sponsorships for funding assistance programs. Alternate funding sources should be more aggressively pursued: Federal, State, and County funding and grants; shared programs, expenses and funding with the Orange Board of Education programs and neighboring municipalities.

Department of Police

Recommendation: Conduct formal financial analysis for utilizing school crossing guards as parking enforcement officers. Cost versus potential revenue generation.

Municipal Court & Other

Recommendation Analyze cost benefit and potential additional revenue generation for hiring a third municipal judge.

Library

Recommendations: No additional funding is recommended. We encourage the Library to seek other sources of funding such as private donations and grants. Also review sharing services or a merger with other local municipalities.

Appendix A

Budget Realities: Based on conversations with financial professionals and available financial documents CBAC has concluded:

- The City of Orange does not have the tax base to support its municipal government and school system without State Aid and that continuation of State Aide is uncertain.
- Approximately 67% of Orange Municipal expenses are, in fact, made up of salaries and benefits - almost 95% when all mandated costs are included (interest, tax appeal reserves, etc.)
- The \$3 million cut in State aid and Urban Enterprise Zone funding attributed to Governor Christie is a valid number.⁶
- Due to stage budget cuts the City of Orange would not have been awarded “Extraordinary State” aid no matter when or by whom the application was filed.

* Ms. Owens resigned from her position as member of the CBAC.

⁶ Transitional Aid to Localities:

http://www.nj.gov/dca/lgs/muniaid/10_aid/cy2010_transitional_aid_to_localities.htm - Reference Appendix B

Appendix B

Endnotes

1 - The Faulkner Act: New Jersey's Optional Municipal Charter Law

New Jersey's Optional Municipal Charter Law (NJSA 40: 69A-1 et seq., PL 1950, c.210)

Popularly known as the Faulkner Act, became law on June 8, 1950.

2 – Changing to a calendar year would provide Orange with a substantial, multi-million dollar windfall. The city would receive the same allotted State funding for the six-month transition budget as it would for a full year while not having to pay the pension contributions and other costs in the same time frame. The budget year starting Jan 1, 2012 would revert back to full year contributions as well as the standard yearly State aid amount.

3 - Orange City Code: ARTICLE XVI Budget and Fiscal Procedures, § 4-69 Fiscal procedures, paragraph D (1) Financial reporting.

“The Finance Director shall submit monthly and quarterly reports to the Mayor, Council and Business Administrator, with extracts there from for the heads of departments and agencies, showing the results of operations in all funds — actual versus budgeted income, expenditures versus appropriations — and the unencumbered balances of budget appropriations. Quarterly reports shall include appropriate analyses, explanations and forecasts of income, expenditures and surplus in relation to the budget.”

4 - State of New Jersey Local Finance Notice LFN2010-14, 6/23/2010:

<http://www.state.nj.us/dca/news/news/2010/approved/102810.html>

5 - Model Pay to Play Ordinance: <http://www.nj.gov/dca/lgs/muniaid/aidmenu.shtml>

6 - Transitional Aid to Localities:

http://www.nj.gov/dca/lgs/muniaid/10_aid/cy2010_transitional_aid_to_localities.htm