Citizens Budget Advisory Committee

City Council Meeting Comments, April 6, 2010

What is the CBAC?

The Citizen Budget Advisory Committee is an independent citizen group, formed by Orange City Council resolution to help our municipal government become more efficient and effective, while also providing our members with a greater understanding of our local government. Saving taxpayer's money by reviewing and making recommendations concerning the city budget also brings with it the satisfaction of being involved and hopefully making a difference in our community.

CBAC Process

The CBAC gathered information for this report by attending City Council meetings, budget hearings and through the analysis of publicly available financial records. We did basic research to identify the factors which impact municipal finances and compared Orange with other municipalities of similar size. Articles published in newspapers and a variety of internet sources including work by other municipal CBACs were crucial in placing our observations in larger context.

We had meetings and communicated ideas by e-mail. Along the way we spoke with many citizens who provided us with their thoughts and insights and voiced their many concerns. The public's assistance enabled a better understanding of the budget tradeoffs needed to insure essential services while not crushing taxpayers with ever increasing financial demands.

Interviews with city officials were found to be particularly helpful, although we must note that not all officials were receptive to speaking with us. A very special thanks to Business Administrator John Mason for his time in meeting with CBAC members and his cooperation, advise, and his help in tracking down financial documents. Thank you Valery Jackson, Director of Planning and Development, Arlene Kemp, Director of Public Works, Police Director John Rappaport, Acting Fire Chief Ben DeMarzo, and many others in the Orange Fire and Police departments, and in various other city departments too numerous to mention individually, for your detailed explanations of often complex subjects.

These types of discussions are needed to translate simple budget numbers into the context of a reasoned analysis of resources needed to provide city operations and services at appropriate levels. These conversations were so important that we recommend, going forward, a series of regular and periodic meetings between representatives of city departments, City Council and CBAC to facilitate transparency, positive working relationships and informed advice. One way to accomplish this would be by new or updated City Council standing committees as suggested by Councilperson Donna Williams. These standing committees would also compliment Mayor

Hawkins' "Call to Service" program that encourages citizen involvement on local boards and commissions.

We continue to recommend that the Citizen Budget Advisory Committee itself, be made a standing committee serving in an advisory and support capacity for both the City Council and the Administration. Two year terms are needed for committee members to become knowledgeable in their area of work and to add continuity to the committee.

The key to the success of all of these initiatives is citizen involvement. This would leverage citizen expertise and facilitate communication and cooperation between the branches of city government with no additional cost to the city. To paraphrase a past President: Ask not what your city can do for you; ask what you can do for your city.

The CBAC would like to especially thank Councilman Ed Marable who, as a member of the City Council finance and budget reconciliation committees for the past two years, met with us, spent many long hours, both last year and this, studying and working on the budget, and most importantly, supported our access to financial records. For those of you unfamiliar with the ongoing controversy, the City Clerk continues to defy the Council President and block interested stake holders and the CBAC from timely access to public documents. The bill list and various financial documents that other communities routinely publish on their websites a weeks prior to council meetings, are jealously guarded by the City Clerk as secrets to be hidden from Orange citizens prior to City Council votes. This issue is presently in Superior Court with the Orange City Attorney supporting the City Clerk's position in opposition to the interested stakeholder who initiated the legal action, and against the stated position of the City Council President, CBAC, and citizens of Orange.

To quote another president, Jimmy Carter: "Democracy depends on a knowledgeable citizenry whose access to a range of information enables them to participate more fully in public life, to help determine priorities for public spending, receive equal access to justice, and to hold their public officials accountable. Inadequate public access to information allows corruption to flourish, and back-room deals to determine spending in the interests of the few rather than many". – The Carter Center

Overview of the City Budget Process

By definition, a municipal budget should be both a planning tool and a measure of a city's progress toward its stated fiscal responsibilities. In reality, that is not what is being presented to the City Council for ratification tonight. Like the FY09 budget, we are again three quarters through the fiscal year. The budget we are looking at tonight concerns spending that started last July 1st. The FY10 Orange Budget is actually an accounting of monies already spent or encumbered.

So why is the budget so late? Who is to blame?

A large part of the blame falls on the State budget process itself. Required audits and other accounting policies mean that the budget is introduced at least a few months after the start of the fiscal year. Revenue sources must be accounted for before the budget is submitted to the State for review - including extraordinary financial aid. Submitting a budget will cause a municipality's aid application to be terminated, so obviously, any municipality waiting for extraordinary aid awards would delay introduction of their budget. If financial aid awards are delayed by the State for any reason, as happened last year, the aid requesting municipality's budgets are also delayed.

Unfortunately, the State also does not comply with or enforce its' own budget process deadlines. The CFO, Budget reconciliation committee, and the CBAC agreed on a budget in February of this year. The state delayed their response – and our budget. In addition, the State has been lax in spending policy oversight and has not instituted enforceable local spending caps.

Budget process recommendations:

- State policies need to be changed so that budgets can be submitted without compromising extraordinary aid requests. Aid awards should be handled at a later date by budget amendment, if needed, not by delaying the entire budget process.
- The State should encourage municipal budgets to be submitted before the start of the fiscal year and reviewed for sound fiscal policies – not just balanced budget accounting policy. The recent memorandum of understanding accompanying extraordinary aid grant is an example of good oversight advice delivered too late.
- The CBAC recommends sending a delegation from Orange consisting of representatives of the City Council, CBAC, Finance Department the Mayor to lobby the Christe administration for this regulatory relief.
- In addition, changing from a FY to a calendar year will more align the city's budget process with the State, simplify property tax billing, and give newly elected officials time to participate in the budget process.

The city of Orange also needs to change the way their budget process is viewed and used. A municipal budget should be about setting priorities to control future spending, not documenting past spending in order to conform to State accounting guidelines. Orange is required to have a balanced budget by State law. Assuming that a municipality – or any organization for that matter – is seeking to achieve a balanced budget, there are two basic ways to prioritize the problem. First is to carefully analyze and estimate future revenues and **adjust spending** to match. The second method is to analyze and estimate future spending and **adjust revenue** to match.

Any responsible family in Orange follows the first view when looking at their own finances. "How much do I make", therefore "how much do I have to spend", is the question that each taxpayer must answer – why not the city, or the State? It also follows that if it appears that one

might get laid off or lose one's job, isn't the prudent course of action to spend less and save more in anticipation of lost income? Wouldn't most responsible citizens consider it irresponsible to voluntarily go deeper into debt in such a situation?

Unfortunately, the City of Orange, like most municipalities in New Jersey, has always started the budget process with the wrong question. "How much do we need to raise taxes to cover our spending?" Can we get the increase below 10%? These questions set the wrong priorities from the beginning. The question that needs to be asked is "how much money do we have to spend?" Controlling spending has been more politically difficult and contractually restricted than controlling revenues - so property taxes went up year after year to cover raising municipal costs and spending. The city has always been able to fall back on the taxpayer. We have reached a limit that endangers the entire municipality.

It was a simple fact twenty years ago, and it is a simple fact today - this 2.5 square mile city does not have the tax base to support its municipal government let alone its school system. Orange is a ward of the State. We are now faced with a statewide financial crisis and the new State Administration that has put us on notice that the welfare checks will stop in two and one half months.

Orange will lose $1.9 million in State aid, $1.1 million in Urban Enterprise Zone funding and $3.9 million in school funding. Mandated increases in Health and Pension benefits are projected to be over $1.2 million. We are looking at a tax increase of almost 13% in FY 2011 beginning in a few months. That translates into individual homeowner tax bill increases from a few hundred dollars to almost **$3000**. These projections do not include the fact that our schools are subsidized by taxpayers from other communities through "Abbot" funding in the amount of more than $50 million dollars. Do not expect this to last forever.

Last year the Citizen Budget Advisory Committee made short term and long term suggestions for downsizing Orange municipal government and making government more efficient and responsible. Those recommendations are still good. This year's CBAC has many more suggestions. I will not take up anymore Council meeting time this evening to list the details, as there are other taxpayers hear who wish to be heard.

The point I want to emphasize tonight is that we have run out of time. We do not have the time for bickering, for making excuses, for hiding our little corner of the public domain from public view. There are some hard choices that have to be made by all of us. We cannot let another year go by without making fundamental changes in the way city government operates. Tonight is not the end of the budget process, it is the beginning.