

# Switching city budget cycle wasn't simple

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Orange's move to a calendar-year budget cycle may have appeared to be a simple decision. The move, however, required deep analysis and a commitment for the future, especially for the next six months.

City Council members authorized officials in April to apply to the state's Local Finance Board for permission to switch from a fiscal-year to calendar-year budget. The board granted approval during its June meeting. Orange was one of 14 municipalities during the two months prior to July 1 which received approval to switch cycles.

To gain permission, however, city officials had to present detailed financial projections for the next 2 1/2 years. These included projected budgets for 2012 and 2013 and monthly cash flow through the end of 2013.

In addition to the financial information, city officials had to promise that, with one exception, they would not seek Transitional Aid to supplement normal operations until 2014. The exception would be if an "unexpected" event, such as a

building loss or major weather event, occurred which led to a large loss of tax revenue.

State officials said the financial analysis and aid restriction is to ensure Orange, as with the other municipalities which applied, should not experience adverse effects from the switch.

The budget projections provide a glance into Orange's fiscal expectations during the next 29 months. In it, city officials presumed a spending plan of approximately \$26 million for the six months through Dec. 31. It is less than one-half of the 2011 adopted fiscal-year budget of \$53 million.

City officials were working on a "transition year" measure that Mayor Eldridge Hawkins Jr. could present to the council, Frank Baraff, the city's publicist, said Tuesday. He said they were attempting to complete their work in time for last night's council meeting.

Orange is expected to receive \$2.6 million in state aid during the six-month period, according to the state Division of Local Government Services when it released municipal aid figures last week. City officials they also have budgeted

for the city to get a combined \$8.36 million in aid in 2012.

The 2011 transition budget, said Baraff, will not include a tax increase for the remainder of the year as city officials said Orange will receive "a full year of state revenue aid for a six-month period."

Lisa Ryan, a spokeswoman for the state Department of Community Affairs, said Tuesday the statement did not mean Orange and other transitioning municipalities would receive excess aid. Ryan said the aid would be distributed within the same schedule.

"The transitioning towns get no more and no less. The aid is accounted for differently in their technical budget accounting," said Ryan. "The switch causes towns to recognize funds in a manner that builds a technical surplus," said Ryan. "These provisions ensure there is stability in their budgets and towns do not use the transaction as a one-time gimmick that causes out-year problems."

Baraff said city officials plan to follow the state's suggestion by deferring aid into 2012 and 2013 to limit potential tax increases.