

Citizens Budget
Advisory Committee



West Orange, NJ

West Orange Citizens Budget Advisory Committee

Proposed 2018-2019 Budget Executive Summary

Prepared by Anthony Campagna

June 7, 2018

To the Town Council, Town Administration, and to the Towns Citizens,

Our hope is to produce an easy to read executive summary each year for the proposed town budget. Each section is reviewed and discussed by a member of the CBAC (Citizens Budget Advisory Committee) and notes and feedback are submitted for review by the CBAC members. Each section is submitted to the town council for correctness and accuracy before publishing and if there are any changes proposed they are considered and reviewed by the CBAC and all of its members.

What is a budget and why is it important?

The CBAC hopes to bring to light a common understanding of what a budget is and what function it has in the day to day living on each and every citizen of our municipality.

The West Orange town budget is the way the town collects its revenue and spends it. the town collects revenue via taxes and state funding and spends it on running the town. Well what does running a town mean? Our town has a lot of moving parts and it's the Mayor's and the town council's job to help facilitate and manage each and every part of that process. These include, Fire & Police services, department of public works (roads, sidewalks, sewers), the parks and recreation department (green space throughout town and sports and outdoor activities), healthcare benefits for all of the town employees, pension & retirement benefits for all the town employees, regulatory review for planning, permitting, registrations, and administration, and any capital improvements (think building maintenance, new land purchased by the town, new equipment purchased by the town, etc). The town provides services like garbage collection, public library, green space (parks & playgrounds), jitney travel services, senior citizens transportation, police and fire service, sewer and water delivery, road maintenance, street lighting, sidewalk maintenance, landscaping, and many many other jobs and tasks that make living in town that much better! Each of those services has a cost associated with it and the Mayor and Town Council work diligently to balance the costs and benefits of running the town in line with the benefits it offers and the general consensus of the towns citizens. Remember, the government works for you!

Each year the Mayor submits his proposed budget with a detailed view of each department and requests approval from the Town Council. The proposed budget covers all the spending of the town and outlines the expected revenue collection and together creates the financial outlook for the next year.

The town council then reviews it and makes suggested changes before approving the budget. It's very important that the budget is reviewed to ensure that the spending of the town lines up with the value the town receives as the citizens of the town are owed clarity and transparency of where their tax dollars are being put to work. Each and every person in town has a different set of wants & needs & nice to haves, and it's the collective job of the Mayor and Town Council to balance all those needs, wants, and nice to haves into the services and functions of our great town, West Orange, New Jersey.

With that, we hope you find the below summary informative and helpful in understanding the 2018 proposed Mayors budget.

West Orange Citizens Budget Advisory Committee

2018 Budget Review:

For the fourth year in a row the municipality is increasing the tax levy by 2%, which is the state maximum increase without requiring a voter referendum. The increases cover many areas of the budget but some of the largest are a result of rising healthcare costs for the municipality workers (police, fire, municipal) [i.e. benefits], rising retirement system costs for the municipality workers (police, fire, municipal) [i.e. pensions], increased reserve for uncollected taxes [i.e. people & business who don't pay], and an increase in the surplus [emergency reserve fund for the town].

Overall the town's budget is \$83.2m or on average \$1,850 per capital (per person, based on an estimated 45,000 population). This \$83.2m represents an increase of ~\$3.5m from 2017.

The 2018 budget is Inclusive of a proposed surplus balance of \$3.26m which is up 8% year over year (or approximately \$280,000). The surplus balance represents about 4% of total spending. The surplus balance is not earmarked or allocated to any specific projects and serves as a cash balance that the town can quickly access if needed.

One of the largest pieces of the towns overall financial picture is the total debt outstanding which now sits at \$76.4m which is up 28% since 2010 (or an approximate increase of ~\$16.6m). With this increase in total debt our annual debt service costs (principal & interest payments) continue to increase and now sit at \$7.33m annually, or ~9% of the total budget. The town did however complete a large-scale refinancing of debt in 2017 that has allowed for the conversion of short term debt into long term debt at low and stable rates (relative to history). These actions are seen as proactive and advantageous to the town as broadly speaking the US is in a rising rate environment [higher interest rates increase debt service costs].

Like many municipalities in our state West Orange has struggled with a shifting and changing tax base and in 2017 the town's tax base shrunk again which is the 8th year in a row that this has happened. This shrinking tax base continues to erode total tax receipts for the town and as such has been a driver of increased property tax levels in order to make up for the lost base.

The town, however, has not had to cut significant municipal services. As examples, town trash collection still runs twice weekly, the town library has seen patronage increase (all services free of charge), and the town recreational activities continue to be well attended and well received (i.e. 4th of July etc.)

Additional services that continue to expand include the town Jitney service which shuttles town citizens to/from NJT stations free of charge and has a projected increase in its ridership to 312 total riders for 2018, though costs are approaching \$500,000 annually [~2,000 per day, 6 routes, 8 trips each = 48 trips = \$40 per bus per trip].

The Town has a capital budget plan for 2018 that includes \$5.3m for street resurfacing & improvements (repaving, restriping, filling pot holes, repairing cracks, etc.) as well as continued improvements to the Library (phase 2), and proposed items for parking lot improvements (\$150k), outdoor Ice Bumper Cars (\$110k), Tennis Court repairs (\$90k), and general repairs and improvements to green space around town (\$250k). The Township continues to invest in technology with improvements to the Police camera system, MDT replacement, and a new postage meter for the municipal offices (\$20k). There are also allocations for additional vehicles for the town, in 2017 the town purchased a new fire truck, two street sweepers, 10 4x4's for Police, and additional DWP vehicles and equipment, and again in 2018 the proposed spending on new vehicles and equipment is in excess of \$1.2m.

The CBAC has three general items for recommendation to the Mayor and the Town Council

1. Reduce the use of overtime by city employees.

When the town prepares its budget, it allocates a lump sum to each agency for overtime pay, without evaluating its actual needs, and the agency proceeds to spend whatever it deems necessary or acceptable. If an agency exceeds its overtime budget, as many do, the city routinely grants a budget modification to reconcile spending. A review of the past eight years suggests that such estimates are deliberately low as part of the effort to create the fiction of a balanced budget.

2. Eliminate/consolidate redundant departments of the town offices

The town seems to have numerous departments whose missions closely resemble the responsibilities of other departments and roles that have easy synergies across those departments. The number of employees who serve in a clerk capacity is staggering related to the function that they serve. The redundancy in government is a thing of the past. West Orange has the chance to move to a more modern format of government allowing innovative and disruptive management and agile business operations and try to reduce the nearly \$10m payroll burden relative to a town government. With this idea, the pension, HC, and benefits burden also is reduced.

3. Cut waste in the capital budget.

The town could extend the useful life of its vehicles by instituting a preventive maintenance program. We have an entire department dedicated to this service (12 headcount with ~\$1m in annual salary) yet still get burdened each year with new equipment requests and shortened life of our town's investments. Capex is expensive, maintenance capex is far less expensive. It's a simple change in a way of thinking – prevent the cause vs. treating the symptoms. It has revolutionized the way we handle healthcare in the world and can easily revolutionize the way our town handles its capital equipment.

Specific items to be considered

Telephone costs \$250,000 – the town continues to spend \$250,000 on telephone services that warrant some form of review. With new technology and services available, and significant investments in new technology in recent years, this cost should be declining. A starting point would be a cost-benefit analysis of recent years that incorporates capex costs and impacts.

Vehicles \$1,229,000 – the town continues to invest heavily in equipment that does not appear to be justified, large purchase each year for new equipment seem to ignore annual maintenance and are causing shorter usable life for existing equipment.

Fairview Insurance and the town's Insurance costs – represent nearly \$13.6m – and is not open for bidding and has not been reviewed by outside insurance agencies in two decades. Annual commissions appear to run between \$400,000 and \$500,000 but aren't given separate line item identification in the budget. That should be done for such a significant cost. Aetna is in the process of winning business in many NJ municipalities as they continue to present major savings with new plan structures fit specifically for municipal employee plans.

Highest Paid Town Employees:

In order to demonstrate full transparency and accountability the CBAC highlights the highest paid town employees, their departments, and their titles. Please feel free to reach out to your Council Members or members of the administration with any questions.

Top paid employees & Departments –

Office of Finance

- John Gross - \$163,000 – town CFO
- Mauricio Garcia - \$102,433 – Deputy municipal department head 7 IT
- Dominic Allegrino - \$102,664 – Communications Manager

Tax assessor

- Kevin Dillon - \$129,259 – Tax assessor

Tax Collector

- Joanne Gagliardo \$114,129 - Tax Collector

Health Department

- Theresa De Nova – \$149,633 – Heath Office, Right to Know Coordinator

Municipal Clerks Office

- Karen Carnevale - \$128,222 – Municipal Clerk