

Fanwood Citizen's Budget Task Group
Results and Recommendations

May 5, 2009

Introduction

- The Citizen's Budget Task Group was formed under the direction of Mayor Colleen Mahr to review, analyze, and research potential cost savings and to formulate recommendations for consideration by the Borough Council.
- The Group was made up of the following members
 - Residents: John Marquardt, Rachel Romero, Michael D'Antuono, Bill Populus, Greg Cummings and John Dolan
 - Town Council: Donna Dolce, Council President; Joan Wheeler, Councilwoman; Kathy Mitchell, Councilwoman
 - Ad Hoc Members: Fred Tomkins, CFO; Eleanor McGovern, Administrator; Patricia Celardo, Bookkeeper
- The Group conducted their work over a period of six weeks, holding four meetings and corresponding via e-mail to facilitate research and discussion of possible budget implications for the Borough.
- The Group was given an overview of Municipal Finance as well as state laws governing the budget process and we reviewed, in detail, revenues and expenses covering 2008 and a summary of the 2009 budget.
- Through our reviews and discussions the Group was introduced, first hand, to the challenges facing the Mayor and Council in balancing fiscal prudence and the need to provide an appropriate level of service to the community during these difficult economic times.
- The Group acknowledges the efforts of the Mayor and Council in finding cost savings and revenue opportunities in 2008 and the 2009 Budget. The Group feels that there are additional opportunities, a summary of which can be found beginning on page 6.
- We appreciate the time, support and open dialogue given to us and the opportunity to have served on this Group, and hope that our efforts will help the Borough meet its fiscal goals.

2008 Summary - Misc Revenue

Miscellaneous Revenue is made up of all revenue except property tax and surplus

Court	200,000
Parking meters	187,800
Interest	182,500
Energy Receipts	852,419
Extraordinary Aid/Property Tax Relief	546,376
Uniform Commercial Code	175,000
Cable/sewer/bulk waste	101,000
Other	254,987
Total	2,500,082

2008 Employee/Salary

Salaries are the largest expense category within the budget

Department	Salary	# Employees			Average Salary per FTE
		FT	PT/Seasonal	Total	
Finance	73,403	1	1	2	36,702
Tax Collector/Assessor	68,071	1	1	2	34,036
Legal	61,868		1	1	61,868
Fire Prevention	17,012		1	1	17,012
Police	2,076,009	18	1	19	109,264
Crossing Guards	63,939		7	7	9,134
Library	283,000	4	14	18	15,722
Public Works	608,797	9	2	11	55,345
Board of Health	10,229		1	1	10,229
Zoning	13,000		1	1	13,000
Construction	108,434	1	4	5	21,687
Administration	192,475	3		3	64,158
Environment	3,522		1	1	3,522
Recreation	18,014		2	2	9,007
Court	109,453	1	3	4	27,363
Prosecutors	24,572		1	1	24,572
Senior Citizens	5,014		1	1	5,014
Total	3,736,812	38	42	80	46,710

Note: Benefits of \$1mm per year adds an average of \$26k of expense for each FT employee

2008 Other Expenses Snapshot

Retirement/Social Security	650,089
Outside Legal Services	125,629
Health Insurance	1,002,332
Other Insurance	278,915
Fire Hydrants	110,000
Street Lights	98,500
Fuel (Gas and Diesel)	80,000
Utilities	151,391
All Other	<u>1,166,598</u>
Total	3,663,454

See opportunities beginning on Page 6

Summary Financial Data

	<u>2008</u>	<u>2009 Budget</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue				
Surplus	440,000	816,506	376,506	85.6%
Miscellaneous Revenues	2,500,082	1,885,657	(614,425)	-24.6%
Receipts from Delinquent Taxes	170,000	175,000	5,000	2.9%
Local Tax	<u>5,311,554</u>	<u>5,709,840</u>	<u>398,286</u>	<u>7.5%</u>
Total Revenue	8,421,636	8,587,003	165,367	2.0%
Expenses				
Operating Expenses - Salaries	3,488,441	3,509,514	21,073	0.6%
Other Expenses	3,663,454	3,264,734	(398,720)	-10.9%
Deferred Charges and Other Appropriations	174,385	442,370	267,985	153.7%
Debt Service	693,356	810,385	117,029	16.9%
Capital Improvements	50,000	200,000	150,000	300.0%
Reserve for Uncollected Taxes	<u>352,000</u>	<u>360,000</u>	<u>8,000</u>	<u>2.3%</u>
Total Expenses	8,421,636	8,587,003	165,367	2.0%

Summary: Revenues are essentially flat in 2009 as a decrease in misc revenue is offset by increased property tax and increased use of surplus.

Other expenses are down primarily due to delay in Pension contribution, offset by increase in debt service, capital improvements, and other.

See opportunities beginning on page 6.

Potential Savings

The U.S. is in the midst of a deep recession resulting in major job losses, significant drops in home prices, and a historic rise in foreclosures. Those who still have jobs are faced with salary cuts/freezes. Many households have scaled back spending. With this backdrop, the Budget Task Group feels that any proposed increase in property taxes should be re-visited and extraordinary steps be considered to avoid the increase. To this end, we recommend the following:

- Revenue:
 - Consider implementation of user fees for council owned properties (ie. fees for ball fields for users that are outside of town recreation leagues).
 - Consider an increase to parking fees for train station. The Group notes that Fanwood charges significantly less than surrounding towns. Also, consider temporarily allocating additional spaces to commuters in the Martine Ave commuter/merchant lot.
 - Consider raising fees for building permits, variance applications, licenses, court fees, fines and traffic tickets.
 - Research successful programs other municipalities have implemented and replicate if possible.

Potential Savings (Continued)

- Expenses:

- Oversight/Control

- **Health Benefits** (total spend \$1mm annually)
 - Request that Blue Cross/Blue Shield perform a beneficiary audit to ensure that all information is up to date and those that are covered are still eligible
 - Request bids from at least 3 other providers to determine if there are cost savings available.
 - Consider restricting coverage to medical only
 - **Fire Hydrants/Street Lights/Utilities** (total spend \$360k annually combined) - perform detailed audits of the bills for these services to search for improper billings and work with service providers for reductions.
 - **Fuel** (total spend \$80k annually)- ensure access to fuel is secure; review a sample of # of gallons used to a survey or estimate of vehicle mileage to ensure efficiency
 - **Petty cash** - the budget group notes a number of transactions reimbursed under petty cash. We recommend that Council considers eliminating petty cash as an option and that all financial transactions go through the regular centralized payment process. This will increase the level of control and oversight of expenditures.
 - **Tighten overall expense policy** - while the overall amounts were small in comparison to total budget, the Budget Group noted reimbursement for convention attendance, meals, flowers, and a donation. In this environment, the Group feels that the message of expense control is important.

- Department Budgets

- Re-review department budgets and consider a percentage decrease in areas that have flat or higher budgets compared to last year. The Budget Task Group did not have department level information for 2009.

Potential Savings (Continued)

■ Wages/Time Off

- Implement a wage freeze for non-contract employees and establish a wage freeze baseline for upcoming contract negotiations. The Group notes that salaries have increased from 2007 to 2008 and again in 2009.
- Consider implementing a furlough program for non-Public Safety positions. While not yet quantified, the Group feels that the potential savings may be significant. The tradeoff, of course, will be less services available but the Group feels that this option should be quantified and at least considered.
- Negotiate work rules and implement policy changes that cap non weather related overtime thus encouraging more efficient time management strategies to generate cost savings. The Group realizes that a certain level of overtime is necessary in certain departments but there does not appear to be any clear policies or guidelines regarding overtime. Also, current work-rules in some departments allow a significant amount of time off (unlimited sick days, birthdays off, and comp time) that necessitates overtime to fill in.
- Implement Public Safety staffing adjustments as recommended in the State report.

■ Vendor Management

- Generate a comprehensive list of all vendors that provide goods and services to the Borough.
- Determine where there are multiple suppliers for the same services/goods (such as office supplies, auto parts) and consider single supplier for each.
- Set up contracts/shared services arrangements for supplies that are commonly needed but not currently under contract.
- Determine if outside vendors are being used for services that can be provided in-house using existing resources. The Budget Group notes several thousand dollars paid to landscaping firms for leaf hauling as one example.
- Repairs and Maintenance - consider a single vendor for all fleet repairs and maintenance and bring the pricing for repairs and maintenance under contract or shared services
- Ensure the Borough is utilizing all available state, county and local buying contracts to maximize cost savings.

Potential Savings (continued)

- Other
 - Eliminate or significantly reduce the Capital Improvements budget for 2009 (\$200k). The Group feels that Capital Improvements should be re-visited next year.
 - Form a Grant Research Committee to assist our municipal staff in exploring and developing all potential new Grants for the Borough
 - Town Council submit a Resolution to urge NJ State Legislature to pass legislation to reform the binding arbitration process and end state-mandated expenditures. Other towns have done same.
 - Prohibit the issuance of new debt for 2009 or until a tangible gain is realized for existing/proposed projects.
 - Prepare an inventory of all assets and identify surplus or under-utilized assets. Consider selling, sharing or leasing these to increase revenue. Renegotiate or cancel equipment leases where possible.

Risks/Opportunities

Risks

- Pension contribution: In 2009, the Borough has budgeted a deferment of pension contribution. It is probable that in 2010 a full contribution will be necessary and possibly a catch-up contribution will be necessary in the future.
- Beginning in 2010, payments on a note related to downtown development is scheduled to begin, increasing expenses.

Opportunities

- Downtown Redevelopment - potential for getting the Retail and Residential space filled with resulting increase in tax revenue as the project nears completion.
- Shared Services - the Task Group acknowledges the Mayor and Council's continual consideration of further shared services possibilities, and the Group feels that this represents an opportunity for additional efficiencies.
- Contract Re-negotiation - the Group realizes that a certain amount of expenses and work rules are contractual. The Group feels that as Contracts are up for renewal changes to work rules be aligned to allow for higher productivity.

Next Steps

- The Budget Task Group has completed the initial goals that were established
- At least a few members have expressed an interest in staying involved to assist with the follow-ups outlined in our recommendations, continuing the dialogue on some issues that have come up that require more research, and continue to generate ideas. With this in mind, we would like to explore the possibility of making the Budget Task Group a standing committee in some form.