

Mayor Eldridge Hawkins Jr. FY10 BUDGET MESSAGE

When I became Mayor in July 2008, I promised to restore pride and progress to our city; make our streets and homes safer and improve our quality of life.

The budget I submitted to the City council on Monday, November 16th reflects those priorities for our government and our community.

The budget I submitted also reflects the sober fact that our nation is experiencing the worst economic conditions since the recession. Many of us in Orange have lost our jobs, been forced to take cuts in pay, or lost pension benefits. Many homeowners are in danger of losing homes to foreclosure. All homeowners have seen a drop in property values. Whether we own or rent, all of us are suffering.

In times like these, every family needs to stretch every dollar of income, and every government needs to find ways of doing more with less. Times like these demand that we take a fresh look at our priorities, make hard decisions about what we can afford and what we cannot afford, and find better less expensive ways to deliver essential services.

My administration followed these principles in preparing the budget.

I think it is important for you to understand that budgets are more than just a collection of numbers. Budgets are in fact important policy documents that should reflect the priorities of what a community believes is truly essential and what a community can truly afford. Therefore, I will spend a few minutes reviewing the priorities in this budget.

Public Safety

Our first priority has been to improve the safety and security of our residents. Hard times are usually accompanied by increases in crime. Our proposed level of funding for the Police Department in the Fiscal Year 10 budget reflects the priority of preventing increased crime in Orange. We have transformed our police department top to bottom, making community policing the guiding principle of everything we do. We have pursued an unprecedented crackdown on crime, gang violence, drug sales and quality of life crimes. As a result, we have recorded not an increase in crime, but an 18% decrease overall. Some examples of how this was achieved are:

- A gun buy back program
- Special police officers to increase police presence on the streets
- Operation Park and Walk where officers get out of their cars and walk patrols
- Monitoring of known crime hot spots
- Cross training of detectives so that they can take on additional duties
- A standardized system to handle citizens complaints under the direction of a police captain
- Reinstating the Drug Task Force
- Hiring five new police officers with a \$964,000 federal COPS hiring grant
- Receiving a \$250,000 federal Justice Administration Grant (JAG) to pay for new police vehicles and equipment

We have also built a strong partnership with state and county law enforcement agencies restoring their confidence in the Orange Police Department and making possible joint investigations and arrests.

Our fire department responds to over 2,800 alarms each year. The mission of our fire department has always been as it is today, to save lives and safeguard our residents' property. To expand, our fire fighters life saving capabilities we have initiated medical first response training enabling our fire fighters to better respond to on-scene medical emergencies and to provide life saving efforts when necessary.

We have also in the past year entered a shared services agreement to provide central fire dispatching services for our fire department at a cost savings of \$150,000 a year.

Quality of Life

We established a Quality of Life Task Force to bring together multiple city departments to address the problem of abandoned or blighted properties in our community.

The first site inspection was at the Walter G. Alexander Public Housing Complex, which led to the closing of blighted apartment buildings, which will be replaced by 165 units of new mixed income housing.

In addition, our task force has demolished seven blighted and vacant properties, boarded up ten vacant and abandoned properties, issued over 100 citations for property maintenance, fire, and health violations, regularly cleaned 163 privately owned vacant lots of illegally dumped trash and cut the grass during the summer on these properties.

Planning and Economic Development

Our Planning and Economic Development Department has secured almost \$2 million dollars in federal stimulus funding for acquisition, rehabilitation and construction of housing, \$1 million dollars in funding for rehabilitation and construction of affordable housing, and \$1.4 million dollars in Community Development Block Grant funding for boarding up and demolishing abandoned properties and for roadway improvements.

Current housing grants will provide more than 15 units of housing in the East Ward and 70 units of affordable housing for senior citizens. Other new housing includes 8 loft style housing units known as the Valley Lofts and 2 units at Reock Commons. The department has also made grant applications for an additional \$7.8 million dollars that could yield an additional 120 units of mixed income housing.

Our Planning Department also enforces our Rent Control Ordinance for 200 plus apartment buildings with over 5,100 units to ensure tenants rents are not raised unfairly.

The department has secured \$1.1 million dollars of additional Urban Enterprise Zone funding for Central Avenue Streetscape, Retail Support, increased policing, a surveillance camera system, and marketing our local businesses.

The City of Orange was recently chosen as the 20th Transit Village in New Jersey. The areas within walking distance of our train stations will now get extra help as we seek redevelopment to attract new residents and tax-paying businesses. As a result of this designation, the department secured \$100,000 for way finding signs and another \$600,000 grant is pending for site improvements and beautification of Tony Galento Plaza.

Despite the economic downturn, Orange has seen the opening of a number of new businesses, including T-Mobile, Metro PCS, Big Shots Photo Studio, Chase Bank, Little Caesars, Mазzie Hot Dogz and Daily Soup just to name a few.

Community Services

The community services staff is our front line to protect your health and welfare. They provide health and nursing services, recreation programs, older adult services, cultural affairs programs and environmental health services.

Our nursing staff provides our residents with flu shots, immunization clinics, mother and child health services, TB control and STD treatment. The environmental health staff makes sure that our restaurants, food stores and swimming pools are sanitary. They fight rat and insect infestation, and protect our children from lead paint poisoning.

In addition to youth basketball, football, soccer, baseball, swimming and tennis, our recreation division offers after school and summer programs. Our older adults division connects seniors with health and social services, coordinates volunteer visits to the homebound, sponsors social activities and events, and provides medical and other necessary transportation.

The cultural affairs division operates our local cable tv station, channel 35, broadcasting our council meetings, school events, concerts and other community events. They organize programs for holidays, family day in the park, and the summer concert series.

And, our community services staff also provides animal control, two rabies clinics each year and keeps the records of births and deaths in Orange.

Public Works

Our Public Works Department oversees garbage collection to almost 12,000 households, collecting 11 million pounds of trash each year; recycles over 1,000 cubic yards of leaves and trash, fills over 1,700 potholes, plows the snow and controls ice on over 50 miles of city streets and maintain our four city parks every day. They sweep our streets, plant new trees, remove dead and diseased trees, and maintain our city-owned buildings and parking lots.

This year, they finalized numerous projects including Argyle Avenue, Berwyn Street, Thomas Blvd., Valley St. and the Main St. intersections at Day and Cleveland. This year's resurfacing, sidewalk and curb improvement projects are Tremont Ave., Hampton Terrace resurfacing and Hillyer St. this year we will see the completion of our Chestnut Street Pump Station and the Bell Stadium Rehabilitation.

Grants

One important way to reduce the property tax burden on Orange residents is to obtain every available dollar of federal, state, and county funding. Since taking office, my administration has carefully researched what funds are available and aggressively sought to bring those dollars home to Orange. Between our very strong relationships with federal, state, and county legislators, the support and diligence of our directors, and the expertise of my Chief of Staff, Tai Cooper, we have been successful in obtaining grants and federal stimulus funding of over 6.2 million dollars in this year and last year's budgets. Included in our FY10 budget are the following grants:

- \$1.5 million from NJ Department of Community Affairs to purchase and rehabilitate bank owned (foreclosed) properties
- Community Development Block Grant
 - \$193,000 for Central Avenue streetscapes
 - \$100,000 for demolition of vacant and abandoned blighted properties
 - \$50,000 in funding for boarding up and fencing of vacant and abandoned properties
 - \$268,000 roadway infrastructure improvements
- \$964,000 COPS Hiring Grant that will pay the salaries and benefits of 5 new police officers over 5 years.
- \$251,000 Justice Assistance Grant to pay for police equipment, vehicles
- \$225,000 to restore Central Playground Pool on Central Avenue and Memorial Park at Military Park on Main Street
- \$500,000 Bell Stadium rehabilitation, field and track improvements, new fencing, seating, parking, scoreboard and drainage improvements.
- \$70,000 Hampton Terrace Roadway Improvements
- \$72,000 Hillyer Street Sidewalk Improvements
- \$140,000 Garden State Historic Preservation Grant for City Hall Façade
- \$50,000 to perform an energy audit of municipal buildings
- \$85,000 for Municipal Alliance on drug and alcohol abuse for programs to combat drug and alcohol use by young people in our community
- \$93,000 Health Services Grant for H1N1 Flu Clinics
- \$150,000 Homeland Security Grant Program for target hardening of water infrastructure at Orange and Walker Road Reservoir facilities
- \$58,000 Homeland Security Grant for firefighters equipment

- \$100,000 Transit Village Way Finding Signs

The Numbers

I spoke at length about the services we provide because it is important for you as a taxpayer to know what you get for your money. Orange provides many necessary services in a manner that is becoming increasingly efficient and cost effective.

As we all know the weak economy has wreaked havoc with municipal, county and state budgets nationwide. A study released last week found that New Jersey is one of ten states most at risk of economic calamity. The report found that although New Jersey's property taxes are the highest in the nation and the state has increased sales and income taxes, our state still faces one of the biggest budget shortfalls. The report blames years of fiscal mismanagement in Trenton for soaring debt and a persistent imbalance between what the state collects and what it spends.

This problem at the state level impacts us in Orange because we are forced to rely heavily on the property tax to fund our city, and the property tax is one of the most unfair and inequitable of taxes. In a better-managed state, there would be a greater share of income and sales taxes going to municipalities and school districts.

With these difficult fiscal times, and the inability of state government to supplement our property tax revenues, I believe we have managed our budgets comparatively well, stabilizing controllable costs, while still maintaining service levels. But, there is always room for improvement

The Fiscal Year 10 Budget I submitted for consideration and review by our City Council and Citizen Advisory Committee is a prudent spending plan totaling \$58,138,979.78 (an increase of \$3,381,480.25 over FY09) that maintains staffing levels as well as the services and programs our residents want and deserve.

During the review of this budget, my staff has scrutinized each line item and made reductions where possible. Highlights of the budget reductions we were able to achieve are as follows:

- Streets Division salaries and wages: \$ 355,000
(reflects increased use of UEZ funds)
- Inspections and licenses: \$ 92,000
- Dept. of Community Services \$ 106,550
(summer recreation was less than expected)
- Municipal employees Union (OMEBA) and Non-Union COLA: \$ 225,000
- Reduce revenue for tax appeals: \$ 658,000
- Total Budget Cuts: \$1,436,550

However, on the other side of the ledger, the city has been hit with uncontrollable cost increases, and reductions in revenue, which are as follows:

- Reduction in surplus revenue: \$ 467,000
- Reduction in interest and investments: \$ 351,000
- Reduction in Municipal Court revenue: \$ 328,000
- Increase in Police and Fire Retirement System (PFRS): \$ 1,696,310
- Increase in Public employees Retirement

System (PERS):	\$ 326,858
• Increase in police S&W (deferred COLA):	\$ 931,000
• Increase in group health:	\$ 638,000
• Increase in fire S&W (deferred COLA):	\$ 415,000
• Increase in reserve for uncollected taxes:	\$ <u>464,218</u>
• Total Uncontrollable Costs & Revenue Reductions:	\$ 5,570,144

The cost increases in the FY10 Budget that are in any way under the control of Orange represent only a 2.3% increase in the estimated tax rate.

The major uncontrollable cost increase in the FY10 Budget, the increase in pension payments for PFRS and PERS represents a 6.4% increase in the estimated tax rate for a total increase in the FY10 estimated tax rate of 8.7 %.

In the last budget year, FY 09, pension costs were only budgeted at 50% of actual cost. Legislation allowed us to take a loan for the other 50% which we must pay back beginning with FY11. This year, we must pay our full pension costs.

The estimated tax rate increase of 8.7% translates into an increase of \$436 for the average tax bill in Orange. Of this \$436, our Orange municipal government can affect only \$115. And, of that \$115, most of it is the result of our postponing last year cost of living increases for our police and fire personnel, plus the result of higher health insurance costs and the lower revenues caused by the recession.

In order to hold the estimated tax increase at 8.7%, we have been forced to take the difficult step of furloughing city administrative employees and elected officials 12 days by June 30, 2010. The furloughs will provide a savings of approximately \$326,000. Furlough days will not include our emergency services, police and fire or our school crossing guards.

I am not happy with the possibility of having to raise taxes by 8.7% and will continue to work to prevent a tax increase that large. In order to possibly reduce the estimated tax rate increase, the city has applied to the state for \$2,000,000 in Extraordinary Aid.

The city has made strides in achieving cost savings, which have helped to contain the increase in the FY10 Budget. Some of the cost savings are:

- \$1,000,000 on health benefit costs by switching to the State Health Benefits Plan
- Renegotiating the Superior Officers Association contract beginning 1/1/08 reducing the contract from 4% to 3% COLA each year for 4 years saving \$35,000 annually
- Eliminating the Purchasing Agent salary going forward
- Saving \$20,000 on the police uniform contract
- Banning non-essential travel, seminar and conference attendance for executive branch employees
- We are also achieving savings through bulk purchasing through the Cranford and Morris County Purchasing Cooperatives

I pledge to work with the City Council and the Citizens Budget Advisory Committee to seek additional spending reductions and/or new revenues after the budget is introduced. An 8.7% tax rate increase would be too high in good times. In times like these, it adds to the already unbearable financial burden we all must live with. Together we succeeded in reducing the budget last year after it was introduced, and I believe that we can do it again.

When I submitted the Budget to the City Council for them to consider and to work with me to find ways of reducing the budget more, a majority of those present voted against introducing it. There are consequences to delaying the introduction of the budget.

First, it places in jeopardy our application for \$2 million in State Extraordinary Aid. The State has all of the details of our application with the exception of an introduced budget, which is a requirement for an application to be considered. By not introducing the budget, the Council may have doomed any chance that our application will be considered.

Second, the Council has already delayed consideration of the Budget by two months by postponing the choice of an Auditor. To prepare a budget, a city must have its Annual Financial Statement. The Council did not choose an Auditor until September 15th and the Annual Financial Statement was therefore not submitted until October 6th. Every week of additional delay is another week of operating on emergency appropriations without a financial plan.

I am doing my part by banning unnecessary travel by members of my administration and by freezing hiring for non-essential jobs under my control. It is important for the Council to work with me to find ways to lower the tax increase. The way the budget process works, the Council can only make reductions in the budget after it votes to introduce the budget. So, I would hope they vote to introduce the budget without further delay.

As I said earlier, most of the estimated tax increase is mandated by the state, and beyond our control and the balance mostly for cost of living increases for our police and firefighters that were approved by the City Council last year.

There is some good financial news for Orange that is not yet reflected in our budget.

First, we have initiated shared fire fighting services discussions with West Orange and South Orange and also have had shared services discussions for certain public works services with East Orange.

It is clear that the only way small municipalities such as Orange can survive in the long run is through sharing services with their neighbors. We will continue to pro-actively explore shared services to reduce costs for our budget and our taxpayers. I am hopeful that next year's budget will begin to reflect those savings.

Second. In December of last year, at my public forum on the budget, I pointed out that, before I took office, a huge property tax increase on homes in Orange was caused by revaluation that took place when residential property values were at their highest point in history. This caused an unfair imbalance between residential and commercial property values on the books. It meant that the property taxes for many Orange homeowners increased by hundreds and even thousands of dollars in one year.

Revaluation forced homeowners to pay more than their fair share of property taxes. Then, the bubble burst, home values plummeted, but homeowners were left to pay taxes on artificially high home values. Last year, I promised to look into a reassessment to restore balance and fairness for all taxpayers.

This year, I am pleased to report that the process of reassessment is well under way. We are presently updating the tax maps. We will complete the maps by the end of this year or early in 2010. After approval from the County, reassessment will take place over the first nine months of next year. Then, the updated values will be on the books for January of 2011. All tax bills after January 2011 will be based on the updated property values.

In plain language this means that if you are a homeowner whose property taxes increased by hundreds or thousands of dollars after the last revaluation, there is a good chance your taxes a year from now will be less than they would have been without this year's reassessment.

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Let me be clear. Reassessment is not the solution to all of our fiscal problems in Orange. It does not reduce government costs. It does not guarantee either the redevelopment or the new tax-paying businesses and economic growth we need to hold down taxes in the long run.

But, reassessment should help hold property taxes down for many homeowners. I am hopeful that there will be some families who would have left Orange because of high property taxes who will now be able to stay. I am hopeful that reassessment will give homeowners more money to pay for the necessities of life in these hard times.

And, finally, I am hopeful that the City Council will work with me to reduce the tax increase. I invite you, as a citizen of Orange to participate in the budget process. The budget I have submitted to the Council and my budget message are on our website. Take the time to look at them. Then, if you have ideas about how we can reduce spending or find new sources of revenue, please get in touch with me and I will pass your ideas on to the Council. Write to me, send me an email, or call my office to make an appointment to discuss your ideas. My contact information will appear on the screen at the end of this talk.

Thank you very much for taking the time to listen to this important message.