



RICHARD D. PHELAN

BOROUGH MANAGER

MEMORANDUM

TO: Mayor and Council
FROM: Richard Phelan 
DATE: April 20, 2011
SUBJECT: Manager's Annual Report - 2010

This past year has been full of challenges for the community in Washington Borough and its local government. Like people all around the country, Borough residents are feeling the effects of the downturn in the housing market, followed by a slowdown in other sectors of the economy. Anyone who reads the newspapers knows there have been deep disagreements in the community last year relating to personal, financial, and political actions. It is a testament to the virtues of the Council-Manager form of government and a tribute to the commitment of the elected officials and the community that these disagreements have not had a negative impact on the continued provision of services to the public, nor impeded the inauguration of new initiatives.

FINANCIAL

In 2010 the Borough started reaping the benefits of the financial overhaul that began the prior year. This included a new and improved budget process. When I began my employment with the Borough in 2009, the Borough's fund balance (AKA: Surplus) was only \$39,381.4. This was caused by one-time actions that were used to artificially keep the tax rate low without consideration for replenishing the balance. In 2009, the harsh reality of this practice became clearly evident. By December 2010, only twenty (20) months after I stated working in the Borough, our current fund balance is now \$666,681.14. Additionally, during the same time frame, we made up a \$300,000 deficit in the Sewer utility and currently have a balance of \$438,833.79 in the sewer account. In short, the Borough is well on its way to recovering from the poor financial practices of the past, and we are reaping the benefits of difficult decisions that have been made.

As was the case in the prior year, we again applied for and received extra aid from the State via their Transitional Aid program. In this instance, we received \$400,000, which was used to directly reduce the tax rate within the Borough by 11 cents/\$100 of assessed value. In a two-year period, through hard work, we were able to secure a total of \$950,000 in extra State aid, which had a significant impact on both our 2009 and 2010 budget.

Unfortunately, even with departmental budgets being at or below what was actually spent in 2008; declining revenues (IE: State Aid reduced by \$125,432) was still a problem. As a result, the Borough was forced to make some unpopular decisions relating to both staffing and service levels.

INITIATIVES AND ACCOMPLISHMENTS

Shared Services Agreements

- Municipal Court Services with Mansfield Township
 - The Borough became the fourth municipal member of the Mansfield Township Shared Court System. In fact, this is the first and only 4-member municipal Shared Court in all of New Jersey.
 - This process started in 2009 and went into effect on October 1, 2010. The end result was that the Borough's Municipal Court was relocated to Mansfield Township. By relocating the Court, the Borough will save an average of \$55,000/year under this agreement while continuing to receive 100% of the revenue from summonses issued within the Borough.
 - 2010 Total Savings - \$15,709 (This is due to the fact we started the 4th quarter of the year)
 - 2011 Total Savings - \$56,301.12
- Exploration of a Shared Library Director with the local Board of Education
 - As the Library Director had announced her retirement, the Borough and Local Board of Education began talks relating to a shared position that would benefit both entities. The concept would be to maintain or increase the services offered at both the Library and Schools. This will be implemented in 2011 which would result in an annual savings of \$50,000 to the Borough.

Miscellaneous

- Continued staff accountability and financial changes
 - This includes, but is not limited to cross training of duties to ensure that there is no lapse of coverage.
- Continued Updates to the Purchasing Manual
 - As purchasing laws change, the manual is constantly updated to ensure continuity and compliance with the laws.
- Follow-up Audit Report from the Office of the State Comptroller
 - Prior to my employment with the Borough, the Office of the State Comptroller conducted an audit of Borough operations. This audit mainly focused on the financial shortcomings of the Borough. The final report listed several concerns as it relates to purchasing and contract management. To name a few, lack of compliance with both Local Public Contracts Laws & Pay-2-Play Laws, as well as poor financial/purchasing oversight. Many of the items cited were in direct violation of the law, but all of the errors were corrected with minimal effort on our part. In fact, I had implemented several of their suggestions even before I knew we were in violation.
 - In October 2009, I contacted the Office of the State Comptroller and asked them to return to the Borough to conduct a follow-up audit. My rationale for this request was for their Office to verify that the corrective actions I have put in place address the recommendations made in their initial audit. To that end, when they released their follow-up report in 2010, of the fifteen (15) recommendations initially made by their office, six (6) had been fully implemented, six (6) had been partially implemented, and three (3) could not be determined.
 - As of this report, I can confidently stated that all fifteen (15) deficiencies noted by the Comptroller have either been addressed or have sufficient checks and balances in place to ensure that the errors never happen again.

- Technological Advances
 - The Borough has significantly increased the use of digital technology. Primarily, through the use of high-speed network scanners. This allows the Borough to digitize any document and e-mail to a recipient in-lieu of mailing. As a result, a savings in postage can be achieved.
 - This also allows the Borough to upload more information to our website than has ever been possible in the past. You will see the volume of documents and data on the website has increased significantly in 2010.

- Increases to Borough Recycling
 - Thorough educating property owners on the importance of recycling, the Borough was able to increase the amount of recyclable materials collected in 2010. Specifically, we collected the following:
 - 1,910.17 tons of trash
 - 5563.28 tons of recycled material (Glass, Plastic, Aluminum, vegetative, concrete, asphalt, scrap wood, batteries, street sweepings, oil, iron/steel, paper/cardboard)

Borough Projects

- DPW Garage Project
 - The Borough completed this project and began occupying the facility in October of 2010

- Borough Hall HVAC Upgrade Project (Phase 2)
 - Prior to my employment with the Borough, it was decided that the main Air Conditioning Chiller (Phase 1) that cools the entire municipal building needed to be replaced as it was approaching (forty) 40 years old. The old chiller was removed and the new one was installed.
 - In 2010, we began the replacement of the two (2) oldest air handler units. As funds allow, the third phase of the project, which includes the replacement of additional air handlers in the ceilings will move forward.

In summation, 2010 was another challenging year. The past bad practices and lax oversight that riddled my Office with constant hurdles are now a thing of the past. The short and long term changes that were implemented are finally starting to pay off, and will do so many times over in the future. For future years, my goal is to continue focusing on strengthening our now stronger financial foundation, with the limited tools at my disposal, as well as trying to improve the quality of life for all Borough property owners and businesses. I am confident that if all parties work together, this can be achieved.