Finance Center

Gearing Up to Finance a Resurgence

By John Moor, Mayor, Asbury Park

Upon my retirement as Deputy Director of Public Works, I continued the call of public service by running for elected office. On January 1, 2015, I became the first directly elected Mayor of the City of Asbury Park.

At the time, the City was just beginning a long-awaited resurgence. More and more visitors were flocking to our beach and central business district, and we were ill-prepared to handle the exponential growth. As a Transitional Aid municipality, resources were scarce. Responding to the growth would require advance planning and sound investment in our current and future needs.

As former staff, I knew the City lacked historical investment in infrastructure and equipment. Not one road had been paved since 2010 and our fleet of vehicles was rapidly aging. To help address these issues, the City began capital planning and investing budgetary funds.

EXAMINING DEBT First, we began by looking at our current and future debt obligations. We found that in future years, our debt service payments were going to decrease, so we reinvested these savings. From 2014 to 2015, the City's Capital Improvement Fund (CIF) budget line increased from $50,000 to $150,000, this was due to an approximate $200,000 savings in debt service over this time. We reinvested a portion of these savings to begin correcting years of little investment in our infrastructure and equipment. With just an additional $100,000, we were able to complete $2 million more in capital projects. We looked at our existing debt service payment structure, analyzed the structure of the new debt we could issue, and reached the conclusion that we were comfortable that our debt service payments would not spike and would remain stable in the future.

LEVERAGING EXISTING GRANTS Second, we looked at our existing grants and how to leverage them to minimize the required down payments on new bond authorizations. The City also had unspent grant funds to fund road repaving. As the City's infrastructure had been neglected for almost half a decade, this was top priority. The City adopted a Capital Ordinance for the 2015 Road Program for approximately $4 million dollars and by mid-2016 the City award the first road improvement contract in six years.

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Even with these positive steps, we knew there was going to be an issue with adding new debt. Our net debt as the percentage of the equalized valuation of property would increase. From 2014 to 2015, the Annual Debt Statement reflected an increase from 1.392% on the three-year average of $1.28 billion, to 1.602% on the three-year average of $1.34 billion. In spite of the numbers, and the facts that we could not self-fund and would have to borrow to meet the City's needs, we chose to move forward as we had an outstanding service to provide to our residents, taxpayers, business community, and visitors. In addition, this increase in the ratio of net debt to equalized valuation was still well below the statutory 3.5% debt limit, leaving the City with adequate borrowing capacity in the event of future necessary capital requirements.

Although we had started making these investments, we still faced issues with equipment and operations. Our vehicles were in disrepair; our computers were old, and in many instances, security risks; and staff was often frustrated that they didn't

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have the tools they needed to do their jobs well, or at times, to do their jobs at all. Everyone in civil service knows the complaints received when the street sweeper is running late–add to that tax payer complaints when the street sweeper doesn't show, and magnify it with tens of thousands of visitors on weekends seeing the City streets littered with trash. The City had to make a change.

In FY2016, we concentrated on giving employees the tools they needed to do their jobs more efficiently. We were again able to increase the Capital Improvement Fund line item by $15,000 to $165,000. With these down payment monies, the City authorized approximately $2 million for operational improvements. New equipment, including trucks, computers, and furniture, was purchased across almost every department. More importantly, once we passed the Capital Ordinance and the estoppel period was over, the next Council meeting saw us authorize numerous purchases. These first steps of operations improvement energized the staff. We saw a boost in morale and productivity as staff realized we were making an effort to help them do their jobs.

Moving forward

While we were making these improvements, we never lost sight of the fact that as a governing body, we are the policy makers and have to have governance policies to help us manage ourselves moving forward. We adopted a Cash Management Plan and a Debt Management & Capital Policy to guide us on our improvements. These two documents are reviewed and adopted on a minimum of an annual basis.

In FY2017, we became ever better at capital planning. We introduced our Capital Ordinance in January, with a March adoption date, to allow for purchases with the goal of having equipment arrive before the summer beach season. As roads began to be repaved and sanitary sewers were reconstructed, the complaints of the past turned to compliments. As time went on, those compliments turned into complaints that the road improvements were taking too long–which I view as a positive knowing where we were just two short years ago.

The City of Asbury Park's ability to create a sound and stable capital plan is one of my favorite accomplishments over the last three years of my term.

Mayor's Advice

Asbury Park Mayor John Moor's advice to others:

- Do not try to do this on your own. Rely on staff recommendations, they know what they need to better do their jobs.
- Have discussions on positives and negatives of self-funding versus borrowing
- Use a spreadsheet to create a six-year plan that allows for department growth.
- Learn how to read the audit so you are aware of the financial wellbeing of your community.

These are all simple actions that can be taken to improve your municipality's finances and operations now and in the future.