How Do You Know Your Tax Dollars Are Being Spent Properly? Or Everything You Didn't Want to Know About Municipal Finance

I understand municipal finance isn't everyone's favorite subject, but don't run away yet. Just give me a few minutes of your time.

As Branchburg continues to grow, it's important that residents understand how our tax dollars are being spent, what is required before those dollars can be spent, and what safeguards are in place to make sure they are spent appropriately.

So, how do you know your tax dollars are being spent properly?

The answer is that municipal spending isn't simply a matter of the Township collecting money and then someone deciding what checks to write. There are multiple layers of statutory, administrative and financial controls governing municipal spending, and that is an important distinction. ***No single individual can simply decide to spend taxpayer money.***

The Township's financial operations are under the control of our Director of Finance, Diane Schubach, who holds multiple state-certifications as a municipal finance professional. Our CFO, Mindy D'Amico, is our official "Certified Municipal Finance Officer" responsible for the statutory management of the Township's fiscal affairs, overseeing our municipal budget, revenue collections, reporting and approving financial transactions.

Our purchasing function provides another important layer of oversight. Our Qualified Purchasing Agent, Denise Piszkowski, is a state-certified purchasing professional who ensures that the Township follows applicable procurement policies and procedures. (BTW, Diane, Mindy and Denise have over 60 years (!) of combined experience working for the Township and are a tremendous asset to our administration.)

In general, we can't just call a vendor and decide to buy something.

Depending on the dollar amount and the nature of the purchase, municipal procurement rules may require competitive bidding, requests for proposals, state contracts, cooperative purchasing contracts, or other prescribed purchasing procedures. There are exceptions, but the basic principle is that the Township must follow established rules for how public money is spent.

A purchase must go through the appropriate purchasing process. It must be reviewed and certified through our financial procedures, and ultimately, when Township Committee authorization is needed, that authorization takes place publicly through an agenda item at a public township meeting requiring a public vote.

So, there isn't one person sitting in an office who can simply say, "I want to spend two million dollars on this."

Suppose Branchburg needs to buy a fire truck. Let's say the Township anticipates the cost of a new fire truck will be between $1.5 million and $2 million.

Even if the Township has enough cash available to purchase the vehicle, it may make financial sense to finance the purchase rather than tie up $2 million of available cash, particularly when the vehicle has a multi-year lead time and the Township has access to competitive borrowing rates because of our strong credit rating (AAA+).

But here's where an important distinction comes in. If the Township adopts a $2 million bond ordinance, that does **not** mean the Township just spent $2 million.

A bond authorization establishes the legal authority to borrow and spend up to a specified amount for an identified capital purpose. Think of it this way: You give your child $20 and say, "You can go to the mall and buy jeans, but I expect change back," you haven't told them to spend the $20. You've established the maximum amount they're authorized to spend only on jeans.

It's essentially the same concept.

If the fire truck ultimately costs $1.5 million, the Township doesn't simply spend $2 million because $2 million was authorized. The expenditure is based on the actual purchase price.

Even if the Township determines that it needs a fire truck, we simply can't call the manufacturer and say, "We'll take that one." The purchase must follow all applicable municipal procurement requirements.

In many cases, the Township can take advantage of a NJ state contract through a cooperative purchasing program. This is extremely valuable because these contracts have already gone through a prescribed competitive procurement process and established the terms and conditions under which qualifying municipalities can purchase.

That means the Township isn't reinventing the procurement process every time it needs a major piece of equipment.

Once the appropriate vehicle and price are established, the Township completes the applicable authorization and contracting processes.

If the truck costs $1.5 million, for example, the Township will appropriate a bond ordinance authorizing the borrowing. The ordinance requires a prescribed public process, including the applicable readings and public votes. The eventual contract or purchase authorization is then brought before the Township Committee for approval as required.

The Township cannot simply write a $1.5 million check because someone decided they wanted a new fire truck. The entire process is designed to prevent exactly that.

Each step from authorization, appropriation, purchasing and expenditure is transparent and subject to applicable legal, administrative and financial controls.

We are subject to public meeting and public-record requirements, as well as annual independent municipal financial audits, state and county oversight where applicable, and even federal audits where federal funds are involved, such as the recent $2.25 million grant for our Emergency Operations Center.

All of these safeguards exist for a reason. They create multiple points at which expenditures are reviewed, documented, authorized and ultimately subject to public scrutiny.

Branchburg has never, to my knowledge, had a finding of financial impropriety or misappropriation of municipal funds.

Taxpayer trust doesn't come from asking residents to simply trust their elected officials. It comes from having a system in which elected officials, administrators and employees operate within clearly defined financial controls, procurement rules and regulations, public processes and legal restrictions.

And ultimately, that's the point.

Your tax dollars aren't protected by one person's promise. They're protected by an entire system of controls – and by the men and women entrusted with ensuring those controls are properly followed.

I hope reading this article was not too painful and that you now have a clearer understanding of how your tax dollars are safeguarded and spent.

Please enjoy the upcoming Fall season.

Mayor James Schworn
james.schworn@branchburg.nj.us