

Definitive  
Guide to  
Local Public  
Finance  
in New Jersey



PETER O'REILLY

## **Definitive Guide to Local Public Finance in New Jersey**

by Peter O'Reilly

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This is a work of nonfiction. No names have been changed, no events fabricated. However, some characters have been reinvented in Chapter 24. Longstanding New York Yankees fans will likely make such a connection.

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## Preface

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One of America's greatest minds, Buckminster Fuller noted that until the 19<sup>th</sup> century, human knowledge doubled each century. John Stuart Mill, a renowned British economist and philosopher, is regarded as the last man to know everything. He died more than a century ago. Such human accomplishment is now improbable. Post World War 2, human knowledge doubled every 25 years. At the present rate, human knowledge now doubles every 12 hours.<sup>1</sup> Attribute this information explosion to the internet.

As a local public finance professional, you have witnessed steady growth in the amount and complexity of information. Likewise, our roles and responsibilities have steadily grown. Even for the most experienced finance professional, there are seemingly too many details to master, while juggling many tasks. Time management is at a premium. With this book, you will be able to find and access local public finance information quickly.

I wrote this book to fulfill an outstanding need to own a go-to, fingertip reference to help myself and other local public finance workers. I want to fulfill another need of sharing and spreading knowledge. Expected benefits include career enrichment and empowerment. One may become more productive to save your ultimate employer, the taxpayer - money.

This book should appeal to beginners through experienced finance professionals, alike. Concerned citizens curious to learn how local government conducts its fiscal affairs will benefit, too. Its scope is comprehensive. Topics include fiscal statutory requirements, the different local government types, budgeting, accounting, collecting funds, raising capital, auditing, ethical considerations, and productivity of New Jersey local government. One will find this book helpful in preparing for the New Jersey State finance officer and tax collection examinations: CMFO, CCFO, and CTC. It will also serve well as a desktop reference. The book's appendix is extensive.

At the onset, a goal was set to minimize repetition and redundancy amongst the respective chapters. There has been intent focus on planning, outlining, research, and indexing to create this book. It is rich in substantive information. The book is more red meat steak than sizzle; it is heavy reading. Writing this book has been more than a two and a half years long journey comprising many nights, weekends, vacations, and holidays. Such an accomplishment would not be possible without the loving support and patience of my family.

## Introduction

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As our country grows in wealth, its residents demand more public goods and services. Government operated fire departments did not exist until about the time of the American Civil War. Before that, residents hired out-of-pocket a privately operated fire brigade or purchased fire insurance. Horse carriage traveled dirt roads make way for paved roadways for motor vehicles. Streets became networked with gas, then electric lights and now the Internet of Things controlled devices. Libraries were created, then a network of brick and mortar libraries and eventually a network of digital libraries spread across a worldwide network known as the Internet. These public resources require capital and labor, with a mechanism to finance these projects.

With the increased demand for public services coupled with constrained resources in the form of tax revenue, local public finance officers face a formidable challenge. The role of a local public finance officer is becoming ever more complex and demanding. Gaining knowledge and new skills will help address such challenges while improving one's confidence and competency. This book contains an abundant amount of helpful information for local government finance officers working in the State of New Jersey. It will appeal to those who are preparing for New Jersey State's Certified Municipal (or County) Finance Officer (CMFO/CCFO) Exam and experienced public finance officials. Members of the public may benefit, too, by becoming more informed of how their local government manages its finances.

The organizational structure of this book comprises the following six parts

- Part 1 Government Structure
- Part 2 Budgeting and Fund Accounting
- Part 3 Treasury Operations
- Part 4 Capital Management
- Part 5 Administration
- Part 6 Reference

There has been a deliberate effort and focus on the organization of content with the goal of delivering information-rich content while minimizing repetition. Each chapter will stand out on its own to present material unique to all other chapters present in the book. An experienced local public finance officer may read each chapter independently, in any sequence they desire. A more casual reader will prefer reading in sequence.

The book's first section covers the organizational structure of local government in the State of New Jersey. This provides a necessary foundation of knowledge and historical context. This yields a deeper understanding of the progression of local financial regulation. One must be familiar with the two state-level entities that a local public finance officer will interact with, the Division of Local Government Services and the Local Finance Board. A review of the different "creatures" of the State is provided. The reader will be informed of the different levels of public services and goods provided within a specific regulatory framework. A chapter has been dedicated to local public education as it provides a public service distinct from other local governmental units. A separate collection of state statutes regulates local school finance. Its accounting rules and financial disclosure requirements differ. Another chapter is dedicated to local authorities. For most of the public, they are unaware of this specific form of local government exists or its purpose. Local government workers and elected officials will benefit from a thorough description of local authorities' powers and function.

Part two concerns budgeting and accounting details. Implementing sound budget planning and accounting practices underpin and foster successful financial operations. While the Rutgers Center for Government Services financial management courses covers these topics in much detail, this section of the book touches upon some finer points. Instead of rehashing the same material, this book serves as an excellent primer. For experienced state-certified finance officers, they may find this book section a welcomed refresher. Novices and those pursuing their CMFO or CCFO state license will find this book content nicely augments their instructional classroom learning. An extensive reference section of pro forma journal entries complements the many accounting examples offered in part two.

Part three of the book covers treasury operations, namely managing cash. Finance is the management of large amounts of money. It will contain learning material that will appeal to both experienced finance professionals and those new to finance. Both a broad and deep view is offered that extensively covers many influencing economic factors at the national, state, and local government level. To provide such context will fully enrich the reader. Topics include the Federal Reserve Bank, monetary policy, and the different financial institutions that handle money. The intent is to break down and remove most if not all the mystery of how these daily reported financial topics function and why they matter to local government and the local economy. Advanced cash management techniques are presented, including how a finance officer may better manage their organization's cash flow.



Part four covers capital management. Implementing sound capital management practices may yield significant savings over many years. This book part takes a deep dive into cost-saving, capital management while satisfying both state and federal regulations. Issuing tax-free debt has a unique set of compliance requirements. Pertinent Internal Revenue Service code is explained in plain English. Properly marketing securities will yield the best price to the issuer. Determining the best price requires a detailed calculation. The methods of such financial calculation are covered with a more holistic, interest theory approach. It will empower a local public finance officer to make wise financial decisions. Such a decision may be to opt for forming a lease-purchase agreement. Lease-purchase agreements and other methods of financing, such as issuing municipal notes and bonds, are covered in detail.

Part 5 contains some administrative topics that have not been covered or emphasized much by the financial management continuing education classes at Rutgers University. This section also includes a refresher of ethics and the Local Government Ethics Law. An overview of the tax collection role and its financial disclosure requirements is offered, followed by a necessary discussion of public procurement and The Local Public Contracts Law. A refreshingly unique auditing technique is introduced. This topic works off the immediate prior chapter's discussion concerning productivity. Improving local government productivity is an effort finance professionals should champion. There is an emphasis on improving productivity. How much may be accomplished is extensively covered on both a macro and personal (micro) level.

Part 6 provides an extensive menu of reference information. It will serve well, in part, as a study guide for those preparing to sit for the CMFO, CCFO, and Certified Tax Collector (CTC) state certification examinations. It is useful as a desktop reference to help one carry out their everyday public finance officer duties.

Last, note the extensive set of references (citations) at the rear pages of the book. This offers an extensive list of further reading material. The full-fledged and an exhaustive index will provide one the ability to locate quickly an item of interest in the book.

## About the Author

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Peter O'Reilly is the Treasurer for the City of Jersey City and the Treasurer of School Monies for the Jersey City Public School District. He possesses New Jersey State licenses as a Certified Municipal Finance Officer and a Certified Tax Collector. Peter graduated Magna Cum Laude with a Master of Business Administration in Finance from New Charter University and as a salutatorian from St. John's University with a Bachelor of Science degree in Actuarial Science. Peter also has more than seven years of intensive Actuarial exam study.

Before his tenure as Treasurer, Peter was a consultant analyzing fiscal and academic performance for the Jersey City Public School District and the Learning Community Charter School. He also served his community as a two-term elect Jersey City Committee person.

Peter's professional experience includes a career as a pension actuary and as an information technology professional in financial services, media, and various tech startup ventures including founding a survey company. Peter has helped coauthor two software technology books back when Amazon only sold books. On the lighter side, Peter has also written a humor book, "Oh Really O'Reilly".