City Council
City of Hoboken
94 Washington Street
Hoboken, NJ 07030

Theresa Castellano
Carol Marsh
Michael Russo
Anthony Soares

July 8, 2004

Ms. Charlotte DeFilippo
Ms. Lizette Delgado
Honorable John H Ewing
Mr. James Harkness
Mr. Ted Light
Mr. Scott R MacFadden
Mr. Richard F. Turner

Local Finance Board
Department of Community Affairs
101 South Broad Street, PO-803
Trenton, NJ 08625-0803

Dear Commissioners:

We, four City Council members from the City of Hoboken, are writing you today to ask for your assistance in resolving the financial crisis that faces our municipality. We do so in full knowledge that the Division of Local Government Services is generally a more appropriate forum for dealing with faulty financial practices. We write to you directly at this time because we have made every effort to solicit their assistance, but despite serious disclosures of improper practice in our City, they have done little to help. We attach letters dated January 20; a second (incorrectly) dated January 20 (mailed on April 14), May 24, and June 3, as evidence of our attempts.

In the simplest possible terms, the City of Hoboken has a documented history and ongoing practice of multi-million dollar overexpenditures. We believe that deliberate underbudgeting, substandard accounting practices, the inadequate encumbrance of obligations, and disregard for the maintenance of the General Ledger and other accounting records have all played a part in creating this situation. We have, in our letters to the DLGS, documented cases of serious and seemingly deliberate under budgeting, significant charges not authorized by the council or charged to the budget, and expenditures charged to the wrong fiscal years. Despite these disclosures, the DLGS has taken no meaningful action.

The first letter referenced above and enclosed herein – Dated January 20, 2004 – identified $951,441.09 of expenditures which appeared to have been improperly carried over to SFY 2004 and thus not recognized in the SFY 2003 Annual Financial Statement as filed. Our SFY 2003 audit, delivered months late and only weeks following the receipt of our letter showed adjustments transferring over $700,000.00 of these charges back into SFY 2003. This essential but modest action, and the attached letter from the DLGS seem to have closed the matter, in their minds, at least for now.

Our latter two letters, highlighting additional serious concerns, have met with no direct response at all, except for the return of the initial letter stamped refused. (See attached.) It is not that the DLGS is ignoring Hoboken, they are spending a substantial amount of energy dealing with our City, but doing so in seemingly purposeful ignorance of facts or interpretation other than those presented by the Administration. In fact, when questioned directly about the issues raised in our unanswered letters, Judith Tripodi, speaking on a conference call in the presence of the Director, stated that they received "lots of letters" and did not intend to respond to the concerns raised in ours. Given the record of budgetary noncompliance of this administration, sole reliance on them for information regarding Hoboken's financial situation amounts to an abdication of its oversight responsibility by the DLGS.

Lacking balancing information regarding our financial situation, DLGS action has not helped improve the situation. On at least one occasion the Division met with the Mayor and members of his administration in Trenton. According to the administration, the Division has been in close contact with them throughout this situation. On two separate occasions, the Division has sent written notice to the Council of the City of Hoboken urging us to pass emergency appropriations despite the fact that the overexpenditures we face were not unanticipated, and passage of such a resolution would have been in violation of the Municipal Budget Law.

Approval of such an emergency appropriation would also have had the effect of reducing the likelihood of disclosure of the serious violations that have occurred. The Division attempted to compel these actions despite the fact that no proper accounting or documentation has ever been provided, and that no indication has been made that the Division or the majority Council Members have any intention of holding the responsible parties accountable. We cannot but believe that had the Division been in full possession of the facts, their actions and attitudes would have been very different.

An example might help describe the situation. While there are probably a score of accounts overextended in SFY 2004, the most significant and the easiest to understand is Group Health Insurance. Despite our vehement protests at the time, this account was budgeted in SFY 2004 for $8,553,015 - ***less than what was budgeted or charged in SFY 2003***. Compounding the problem, the SFY 2003 "paid or charged" as indicated in the budget only included eleven months of group health payments. The actual amount was $9,143,956. Nonetheless both Hoboken's administration and the Division have asserted repeatedly that the predicable overexpenditure in this account (now estimated at $2,000,000) was not able to be anticipated and thus eligible for emergency appropriation.

On June 30, 2004, in a conference call in which six members of the nine member council participated, a final attempt was made to force passage of these emergency appropriations. (The apparent violation of the Sunshine Law was brought to the attention of the Division Director and dismissed without explanation. In fact, all nine members were invited to participate. While there was some attempt made to keep the number of council members on the phone at any one time to four or less, in our opinion this was largely for appearance sake; the intent and result was for the majority of the council to hold a discussion of crucial policy without notice, and outside of the public view.)

During the course of the conference call, someone, we believe it was Division staff, made the claim that without an emergency appropriation the City would be unable to pay its health insurance bill without violating the Municipal Budget Law. We believe this assertion is misleading. It is our belief that the violation of law occurred long before, either when the various contracts in Group Health Insurance were approved and executed with absent or faulty certification of funds, or when the SFY 2004 budget was adopted failing to make adequate provision for the cost of the contracts previously executed. Paying the bills currently due would only have the effect of converting an over***encumberance*** into over***expenditure*** – a non-event so far as culpability is concerned.

Demonstrating this conclusively is made difficult by the ongoing violation of OPRA by the City of Hoboken. Council members are unable to obtain crucial documents (See the attached request for documentation concerning the cited reason for the increase in group health rates.) A local citizen has been requesting a copy of the most relevant contract (Blue Cross / Blue Shield) in a properly filed OPRA request since June 11, and was totally ignored for weeks. She had her request re-stamped on June 30, 2004 and has subsequently been informed that this multimillion dollar contract, on which payments have been made for over a year, does not even exist. The questions raised by this possibility are disturbing, but outside the scope of this letter.

There are many other issues here of course, some disclosed in the attached letters, but you get the idea. We are asking for a brief opportunity, ten minutes would suffice, at your next meeting to present written and oral testimony on these various matters and solicit your assistance in at least getting the DLGS to examine all sides of the issue before taking further action. We are particularly concerned that approval for adoption of the SFY 2005 budget be contingent upon full evaluation and resolution of all outstanding issues.

In October 2002, you approved the dissolution of the Hoboken Parking Authority based on the promise of this City's Administration – soon broken to the tune of $8 million – that the HPA surplus would not be "raided" to balance the City budget. At that meeting then Director Watkins pledged to the members of the Local Finance Board that Hoboken would be watched carefully. "Under a microscope" was the phrase he used. Without crying wolf we are writing to assert that Hoboken's financial compliance issues have become desperate. We honestly believe that without some intervention a microscope will prove inadequate. Soon we'll need a stethoscope.

Clearly, the tone of this letter is born of frustration. We are attempting to follow the appropriate "chain of command" in seeking answers and assistance. We have resisted, to this point, seeking intervention by one or more law enforcement agencies, i.e. Attorney General's Office or Office of the U.S. Attorney. Neither have we made a serious effort to have this issue discussed in the statewide press. However, we deem our situation as critical and will pursue this matter until someone seriously listens to us and either rectifies the situation or explains to us that what we perceive as serious financial shortcomings are, in reality, appropriate ways of conducting municipal business.

Thank you for your kind consideration of our request. Should you have any questions please do not hesitate to contact us as follows:

Theresa Castellano
Hoboken City Councilwoman

Carol Marsh
Hoboken City Councilwoman

Michael Russo
Hoboken City Councilman

Anthony Soares
Hoboken City Councilman

cc:

Mayor David Roberts	Hand Delivered
James Farina – City Clerk	Hand Delivered
Ruben Ramos Jr, Council President	Hand Delivered
Richard Del Boccio – 2nd Ward	Hand Delivered
Chris Campos – 4th Ward	Hand Delivered
Michael Cricco – 5th Ward	Hand Delivered
Nino Giacchi – 6th Ward	Hand Delivered
Louie Piccardo – Interim CFO	Hand Delivered
Matty Cannorozzi – Comptroller	Hand Delivered

Lou Roberts – Ernst & Young Metro Park 99Wood Avenue South, Iselin, NJ 08830-0471
Randy Nelson – RMA Ernst & Young Metro Park 99 Wood Avenue South, Iselin, NJ 08830-0471
Susan Bass Levin – DCA Commissioner, 101 South Broad Street, Trenton, NJ 08625-0803
Susan Jacobucci – Director DLGS, 101 South Broad Street, Trenton, NJ 08625-0803
Marc Pfeiffer – DLGS 101 South Broad Street, Trenton, NJ 08625-0800
Judith Tripodi – DLGS 101South Broad Street, Trenton, NJ 08625-0800
Patricia Parkin McNamara - Executive Secretary LFB 101South Broad Street, Trenton, NJ 08625-0803
Ms. Charlotte DeFilippo - Commissioner 65 King Street, Hillside NJ 07205
Ms Lizette Delgado - Commissioner D-Solutions 450 Tilton Rd, Suite 240 Northfield, NJ 08225
Honorable John H Ewing - Commissioner P O Box 352, Bedminster, NJ 07921
Mr. James Harkness - Commissioner 50 West State Street Suite 1010 Trenton, NJ 08608-1220
Mr. Ted Light - Commissioner 22 Ocean Lane South Seaside Park, NJ 08752
Mr. Scott R MacFadden - Commissioner 401 Chambers Bridge Road, Brick NJ 08723
Mr. Richard F. Turner - Commissioner 400 Park Avenue, Weehawken, NJ 07087