

**LFN 2012 – 19**

**August 30, 2012**

# Local Finance Notice

Chris Christie  
 Governor

Kim Guadagno  
 Lt. Governor

Richard E. Constable, III  
 Commissioner

Thomas H. Neff  
 Director

## Contact Information

### Director's Office

V. 609.292.6613  
 F. 609.292.9073

### Local Government Research

V. 609.292.6110  
 F. 609.292.9073

### Financial Regulation and Assistance

V. 609.292.4806  
 F. 609.984.7388

### Local Finance Board

V. 609.292.0479  
 F. 609.633.6243

### Local Management Services

V. 609.292.7842  
 F. 609.633.6243

### Authority Regulation

V. 609.984.0132  
 F. 609.984.7388

### Mail and Delivery

101 South Broad St.  
 PO Box 803  
 Trenton, New Jersey  
 08625-0803

Web: [www.nj.gov/dca/lgs](http://www.nj.gov/dca/lgs)

E-mail: [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us)

## Distribution

Elected Officials  
 Municipal Clerks  
 Municipal Chief Financial  
 Officers

## Transitional Aid Application Process (Municipalities Operating on Fiscal Years Only)

### MANDATORY NOTIFICATION OF INTENT TO APPLY AND MANDATORY ORIENTATION FOR NEW APPLICANTS

Any State Fiscal Year municipality intending to apply for SFY 2013 Transitional Aid must notify the Division by emailing the information set forth in the "Notice of Intent to Apply" to [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us) by no later than **September 7, 2012**.

The Mayor and Chief Administrative Officer of each State Fiscal Year municipality **not** currently receiving Transitional Aid and applying for 2013 aid **will be required to attend** a mandatory orientation meeting to discuss the application process and conditions of award. The meeting for SFY 2013 applicants not currently receiving Transitional Aid will take place on **September 13, 2012, at 1:00 PM, in Conference Room 129** of the Department of Community Affairs located at 101 South Broad Street, Trenton. Orientation meeting attendance is not required for municipalities currently receiving Transitional Aid. The application process for all applicants is described below.

### A. Overview

This Local Finance Notice (LFN) explains the criteria and application process for **SFY 2013** municipalities to be considered for Transitional Aid to Localities (TA) aid. This aid is the only discretionary aid available for SFY 2013 municipal budgets.

Aid will only be available to SFY municipalities anticipating difficulties making payments toward nondiscretionary or critical obligations including, but not limited to, debt service, contractual obligations, and public safety payroll.

Applying for aid under this program is a declaration that the municipality is incapable of meeting its obligations and managing its finances without special state assistance, oversight, and intervention. Receipt of aid will be conditioned on the municipality meeting the following requirements:

- Submitting to broad State controls over hiring, procurement, and other matters
- Enacting or strengthening comprehensive pay-to-play ordinances
- Performing reasonable revaluations or reassessments of property as required by law
- Submitting to such additional fiscal control measures as may be directed by the Division of Local Government Services

Applicants that receive aid will be required to sign a Memorandum of Understanding (MOU) with the Division of Local Government Services (Division/DLGS) acknowledging state controls and committing to compliance therewith.

A sample of the current [MOU is online](#). The terms of MOUs for the SFY 2013 cycle will likely contain additional State conditions.

The application, evaluation and award process is rigorous and developed to apply to municipalities that have severe structural financial problems. Only municipalities demonstrating substantial actions to become self-sufficient by increasing revenues or reducing costs will be awarded funds.

Labor cost reductions and changes in service delivery are general preconditions for receipt of aid. Applications must show that the municipality has moved beyond planning for operational efficiency and has begun to reduce costs. Maintenance of the "status quo" will not suffice.

The application and introduced budget should reflect only funding for essential services. Budgets must eliminate discretionary spending funded by property taxes, such as discretionary accounts for elected officials, nonessential funding of non-profit agencies, and budgeting for non-essential personnel vacancies.

Additionally, applicants shall demonstrate that user fees have been established for discretionary services so that taxpayers are not subsidizing nonessential programs.

#### **A. SFY 2012 Transitional Aid Recipients Applying in SFY 2013**

Municipalities that received Transitional Aid in SFY 2012 and are operating under an MOU through the end of 2013 will be eligible for early termination of the terms of the MOU if they sign an agreement not to apply for additional aid for SFY 2013 and for the next two budget years. These municipalities are encouraged to contact the Director of the Division of Local Government Services to make application for early termination.

In addition, these municipalities, if applying for SFY 2013 TA, must certify that they are in substantial compliance with all conditions and requirements of their 2012 MOU conditions, including, but not limited to, the following: establishment of a pay-to-play ordinance; elimination of longevity for employees not contractually entitled to longevity pay, and receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Finally, all municipalities currently operating under a Transitional Aid MOU are advised that a decrease from last year's funding is likely. Requesting level or increased funding will be viewed as a failure to acknowledge the need to reduce reliance on Transitional Aid and will adversely impact applications. Applicants seeking level or increased funding must include a letter from the mayor addressing why they failed to reduce their need for funding.

The Division will consider reducing oversight provision in the MOU for those municipalities requesting an amount of Transition Aid for 2013 that reflects a reduction of at least 15% of aid provided in 2012.

### **B. Eligibility to Apply**

Applicants must meet the following minimum criteria in order to be considered for the award of funds under the Transitional Aid program.

1. The municipality received Transitional Aid during SFY 2012. See #10 below for eligibility criteria for municipalities that did not receive Transitional Aid during SFY 2012.
2. The budget must be introduced on, or before, September 28, 2012. For the purposes of introduction only, municipalities may anticipate 85% of TA funds received in SFY 2012. This level of funding is not a guarantee and is only permitted for the limited purposes of advancing a budget for introduction. The budget shall be subject to Division review (no local examination). Municipalities that have adopted their budgets are not eligible for aid.
3. The municipality must demonstrate reductions or limited increases in Salary and Wages (S&W) costs. The applicant shall document changes in S&W line items that resulted in the decrease. The Division expects that the municipality shall have engaged with its unions and non-union employees to effectuate savings through reduced salary costs, reduced staffing levels, modified work rules, modified controllable benefits costs, or other effort to mitigate S&W costs. Acceptance or reliance on the status quo of salary and wage costs will disqualify an applicant.
4. The levy in the introduced budget must contain a tax increase of no less than the maximum permitted by the levy cap workbook or 6%, whichever is less. It should be noted that this requirement is for planning purposes only and will not prohibit aid from being awarded allowing for a final budget with different levy.
5. Left blank intentionally.
6. The municipality must demonstrate severe fiscal distress that will result in a constrained ability to raise sufficient revenues to meet budgetary requirements. If such fiscal distress was created by the municipality (i.e., deliberately deferring costs, issuing debt with "balloon payments," or imprudently using one-time resources without taking steps to plan for the future loss of the revenue), the applicant's chance of success will be diminished substantially.
  - Severe fiscal distress can be demonstrated by the presence of substantial structural or accumulated deficits, and/or limited ability to raise supplemental non-property tax revenues.

- The “constrained ability” criteria must document why existing local revenues, including sewer fees, municipal court revenues, and property taxes cannot be raised to cover increased costs or offset reduced revenues. If available, other local revenue raising options must be implemented as part of the application.
  - Documented extraordinary demands for public safety appropriations, can supplement a constrained ability to raise revenues.
7. The budget shows spending restraint from SFY 2012. This must include documented efforts to share public safety dispatch, code enforcement, public health services, and other services offered by neighboring municipalities, area boards of education, local authorities, or the county, if those costs are less than the current full cost of providing equivalent service. Municipalities should document demonstrated efforts to reduce energy costs, including bidding (individually or through a cooperative) for electricity and natural gas, and implementation of renewable energy systems.
- The application also must include an explanation and documentation of all cost reduction efforts, including attempts explored, but not implemented, and why they were not pursued.
8. Actions to increase revenues and ratables: the municipality must provide an assessment of existing local revenues, whether or not rates or collections can be increased, and a plan to implement potential changes.
9. For applicants not currently receiving TA, the municipality shall agree to introduce a model pay-to-play ordinance prior to September 28, 2012, pursuant to P.L. 2005, c.271, limiting the awarding of public contracts by the municipality or its agencies to business entities that have made a contribution pursuant to N.J.S.A. 19:44A-1 *et seq.* and restricting the contributions that the holders of a contract can make during the term of a contract. The ordinance shall be substantively identical to the [Model Ordinance](#) posted on the Division’s website.
10. A municipality that did not receive Transitional Aid last year may apply if it meets criteria 2-9 above, **AND** it suffered an extraordinary revenue loss or extraordinary appropriation increase (other than appropriation increase common to other municipalities.)

### C. Application Requirements

Together with the application, the municipality shall provide to the Division in both hard copy and electronic format:

1. The budget documentation provided to the governing body in support of budget line items. The Division reserves the right to request additional budget documentation.
2. Current organizational charts showing budgeted positions and titles.
3. **\*For new applicants only\*** In Excel format, separate files for each of the last four years showing the name of each officer and employee of the municipality as of the first payroll of the state fiscal year starting with June 2012, together with their annual salary, title, department, and date of hire.
4. If the municipality does not participate in the State Health Benefits Program, provide a written explanation as to why and how much the municipality saves by not using the SHBP.

5. Debt service schedules for all municipal obligations, including municipally operated utilities; all listed by payment date.
6. A list of all motor vehicles owned or leased by the municipality (excluding construction equipment and fire apparatus); the agency assigned its use; if the vehicle is assigned to an individual, the name of the individual; and if the vehicle is used by the individual outside of the regular work day.
7. For Civil Service municipalities, a certified statement (part of the application form) from the head of personnel or human resources stating that the municipality has placed the names of all current civil service employees in CAMPS (County and Municipal Personnel System).

In addition:

- After the application is submitted, the Mayor, Chief Administrative Officer, and Chief Financial Officer shall participate in a telephone conference call or an in-person meeting, as scheduled by Division of Local Government Services staff to discuss the application.
- The Division reserves the right to request additional information during the application review process.
- By submitting the application, the municipality acknowledges that the law provides that the decision of the Director regarding aid awards is final and not subject to appeal.

The Division must receive applications and related material, including introduced budgets, for SFY 2013 budgets by **September 28, 2012**. Budgets must be introduced by the application deadline or no aid will be provided. Award decisions are expected to be made as soon as possible thereafter, so that municipalities may plan for a levy cap referendum if necessary.

The [application can be downloaded](#) from the Division website. Contact the Division at [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us) with any questions.

---

Approved: Thomas H. Neff, Director

### Table of Web Links

Page	Shortcut text	Internet Address
2	Online MOU	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/ta_generic_mou_cy2011_fy_2012.doc">http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/ta_generic_mou_cy2011_fy_2012.doc</a>
4	Model Ordinance	<a href="http://www.nj.gov/dca/lgs/muniaid/pay_to_play_ordinance-contractor.doc">www.nj.gov/dca/lgs/muniaid/pay_to_play_ordinance-contractor.doc</a>
5	Downloadable Application	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/sfy_2013_transitional_aid_application.doc">http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/sfy_2013_transitional_aid_application.doc</a>
6	2011 Taxes file	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/property_docs/11_data/11taxes.xls">http://www.nj.gov/dca/divisions/dlgs/resources/property_docs/11_data/11taxes.xls</a>

## Appendix A

### Instructions for Completing the Transitional Aid Application Form

Complete the Application Form in its entirety. Use the criteria for application in section B of this Notice to determine if the municipality is eligible to even apply. The Division will review the form for eligibility and will reject forms that do not meet the criteria.

#### Application Form

1. The Application Form is designed to be filled out using Microsoft Word.
2. The application and all associated material must be submitted through two hard copies with original signatures, as well as, electronically (with or without signatures).
3. Fields will expand if additional room is needed to complete an item; it is permitted for pages to be added if text continues to an extra page.

#### Definitions and Form Guidance:

- Section VI-4: Average Residential Assessment - use the amount in DLGS online [2011 Taxes file](#) Column AC.

#### Submission Checklist:

- Signed and certified Application Form
- Copy of introduced budget, Annual Financial Statement, and budget documentation
- Organization charts
- Copies of current labor contracts
- Copies of salary ordinance/resolutions and any contracts of non-union affiliated individuals
- Debt service schedules for all municipal obligations, including municipally operated utilities; all listed by payment date
- For prior recipients requesting level or increased funding, a letter from the Mayor explaining why they failed to reduce their need for funding

#### Submission Instructions:

- E-mail electronic forms to [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us), with “<name of municipality> Transitional Aid Application” in the subject line.
- Submit one copy of the signed application form and any printed documents to:  
Transitional Aid Program  
Division of Local Government Services  
101 South Broad Street  
PO Box 803  
Trenton, NJ 08625-0803

**Contact the Division** at [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us) with any questions. Please put “Transitional Aid Question” in the subject line.

**Notice of Intent to Apply - Transitional Aid Program  
SFY 2013  
Division of Local Government Services  
Department of Community Affairs**

Complete this form if the municipality is considering applying for financial assistance under the Transitional Aid to Localities program for SFY 2013. Submission of the form is non-binding and does not require a municipality to submit a formal application. It is for informational and planning purposes only.

File the Notice **no later than September 7, 2012**.

In addition, the Mayor or Chief Administrative Officer of potential SFY 2013 applicants (provided they are not currently recipients of Transitional Aid), **must attend the orientation meeting at 1:00 pm on September 13, 2012** at 101 South Broad Street, Room 129, Trenton.

Name of Municipality:				County:	
Contact Person:				Title:	
Phone:		Fax:		E-mail:	

Submit the Notice by either email ([dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us)) with the subject line: "TA Notice of Intent," faxing to (609-292-9073), or mailing it to:

Transitional Aid Program  
Division of Local Government Services  
PO Box 803  
Trenton, NJ 08625-0803