

LFN 2011-10

March 4, 2011

Local Finance Notice

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CY 2011/SFY 2012 Budget and Levy Cap Issues Update

Since the release of Local Finance Notices 2011-2 through 2011-4, ongoing reviews of issues related to budgets and application for the 2010 property tax levy cap have resulted in modifications and additional explanations of material covered in those Notices. The following changes are immediately applicable for municipal and county CY 2011 budgets and for planning SFY 2012 municipal budgets.

Where this Notice updated those Local Finance Notices, the originals have been amended to reflect the changes made by this Notice. The revised Notices have been posted as, [2011-2R](#), [2011-3R](#) and [2011-4R](#).

Local officials are also reminded that the Municipal Information Sheets for CY 2011/SFY 2012 budgets have been posted on the [Division's website](#).

1) Change in Treatment of Capital Leases for Levy Cap Purposes

The definition of a capital expenditure now includes all leases of equipment or other improvements, regardless of whether or not the lease was made before or after July 1, 2007. Thus, appropriations for "non-operating expenses with a useful life of more than five years," budgeted in the capital improvement section of the budget, are cap exclusions. This specifically includes leases that transfer ownership at the end of the lease period.

Local units are reminded to be sure that provisions of the Local Public Contracts Law are followed when procuring leases, regardless of how they are financed. Leases that are not for capital acquisitions (i.e., sale -leasebacks) or do not result in ownership or do not provide an option for ownership at the end of the lease are NOT eligible for the levy cap exclusion.

2) Change in Allowable Accounting of Employee Health Care Contribution Reimbursements

The Division is modifying accounting procedures to facilitate the payment of health insurance bills. This does not affect the budgeting policy of only budgeting the municipality's net obligation for employee health insurance costs.

Reimbursements to the appropriation may now be made only if the local unit employer can pay the bill from one account. The employer must still collect the employee contribution through payroll deduction through the payroll agency account.

3) Posting Budgets on the Internet

N.J.S.A. 40A:4-10 was recently amended (P.L. 2011, c.7) to require municipalities and counties to maintain the three previous years of adopted budgets on their website, in addition to the current year, once adopted. This is now in effect. All municipalities and counties should comply with this requirement now by posting their budgets for Fiscal Years 2008-2010 online, and as soon as adopted, post their FY 2011 budget.

The budget document is the adopted version of the complete state budget form including utilities, appendices, and capital improvement budget. Posting may be as an Adobe Acrobat Document (PDF), a TIF formatted file, or if locally desired, an Excel worksheet. Local officials may consult with the Division if they have questions regarding this requirement.

The Division is aware that approximately 18 municipalities do not currently maintain a municipal government website. In these cases, N.J.S.A. 40A:4-10 requires the Division to post their budgets.

Those budgets should be sent to the Division in Acrobat PDF format to egg@dca.state.nj.us. If the budgets are more than 10 megabytes, please contact the Division to make alternate submission arrangements as the Division's email server will reject files of that size or greater. They will be posted on the Division's website as an "Information Resource" under the heading "[Municipal Budgets Online](#)." The 2008-2010 files should be submitted within the next two weeks, and the 2011 budget sent within two weeks of adoption. Each year, the Division will update the webpage by removing the earliest year and adding the current one.

4) Optional Levy Cap Exclusions for Shared Services

The 2010 levy cap law permits increases in items that are exclusions to the levy cap, (i.e., pension and health benefits costs) that are billed to shared service recipients, to be taken outside the cap by those recipients. There is no requirement, however, for providers to bill or charge their recipients for these increases and there is no obligation for recipients to take them as levy cap exclusions.

The Division respects that many shared service agreements may not provide for breakouts of those costs in agreements. There was no intention that these costs had to be isolated; the law only allows the exception if the local unit desires to use the exception if the increase is specifically billed.

5) Timing of Anticipation of Library Surplus Revenues

N.J.S.A. 40:54-15(a) requires surplus of a free municipal public library that is in excess of certain threshold to be transferred to the municipality upon approval of the State Librarian (details in [Local Finance Notice 2011-4R](#)). Once transferred, the municipality is required to anticipate the revenue to be used to reduce the local property tax levy.

The Division has concluded that those funds do not have to be used all at once or in the year they are transferred. To do otherwise could result in erratic changes and unanticipated consequences in levy cap and financial planning. Thus, the anticipation of transferred

library surplus may be spread over multiple budget years and does not have to be used in the year they are received.

Once transferred, funds not anticipated in the current year's budget are to be held as a non-spending reserve in the Trust Fund until anticipated in future budgets for property relief (i.e., anticipated without an offsetting appropriation).

6) Budget Calendar Changes

The fixed dates for budget Introduction and Adoption as shown [in Local Finance Notice 2011-2](#) (non-referendum only) may be interpreted as being extended to the next regularly scheduled governing body meeting where formal action may be taken.

7) Clarifications and Modifications of Property Tax Levy Cap Referendum (Local Finance Notice 2011-9)

Since the release of [Local Finance Notice 2011-9](#) several additional matters have been reviewed by the Division of Elections and the Division of Local Government Services. Municipalities planning a levy cap referendum must note the following:

- a) [Local Finance Notice 2011-3](#) (page 3) noted that if a levy cap referendum is planned, the budget must be introduced by March 7. That date was in error, it should have read April 8.
- b) Regarding the Notice of Availability of Mail-in Ballots and all other required advertising, both school and municipal display ads can and should be, wherever possible, combined to save money.
- c) Concerns have been raised about extending election hours in regional school districts to accommodate a municipality levy cap referendum. Because of the variability of voting hours in regional districts, local officials must contact the Division of Elections for guidance on setting voting hours and cost allocations.
- d) If the Municipal Clerk is taking responsibility for the publication of the Notice of Availability of Mail-In Ballots, the Clerk must keep in mind that the statute requires the full publication of the Application for Vote by Mail Ballot form. The statutory reprint does not include the form. That form can be obtained from the County Clerk or from the [Division of Elections website](#).
- e) The formal budget public hearing process does not change when there is a referendum; the public hearing must be held any time after 28 days from the day the budget was introduced. In some cases, this means the public hearing will be held after the referendum. In all cases, the budget (or summary) must be published no later than April 15.

Questions on any of these matters can be emailed to the Division at dlgs@dca.state.nj.us.

Approved: Thomas H. Neff, Director, Division of Local Government Services

Table of Web Links

Page	Shortcut text	Internet Address
1	Local Finance Notice 2011-2R	http://www.nj.gov/dca/lgs/lfns/11lfns/2011-2R.doc
1 & 3	Local Finance Notice 2011-3R	http://www.nj.gov/dca/lgs/lfns/11lfns/2011-3R.doc
1 & 3	Local Finance Notice 2011-4R	http://www.nj.gov/dca/lgs/lfns/11lfns/2011-4R.doc

1	Division's web site	http://www.nj.gov/dca/lgs/fiscal/2011_data/11mis/menu_mis_2011.shtml
2	Municipal Budgets Online	http://www.nj.gov/dca/lgs/budonline/budonline.html
3	Local Finance Notice 2011-9	http://www.nj.gov/dca/lgs/lfns/11lfns/2011-9.doc
3	Division of Elections website	http://www.njelections.org/vote-options.html