A. Overview

This Local Finance Notice explains the criteria and application process for both CY 2011 and SFY 2012 municipalities to be considered for Transitional Aid to Localities (TA) grant. This aid is anticipated to be the only discretionary aid available to provide general support of municipal budgets.
It will only be available to 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 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; and,
- 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. It is expected that the terms of MOUs for the CY 2011/SFY 2012 cycle will be strengthened in the areas of pay-to-play, require additional State approvals for executing certain contracts, and may or may not contain other terms and conditions including the payment of the salary costs of, and office space for, a State liaison selected by the Director of the Division of Local Government Services.

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 and services provided by another government or non-profit agency.

Additionally, applicants shall demonstrate that user fees have been, or will be, created for appropriate services that reasonably offset the costs of services that are provided.

### B. CY 2010/SFY 2011 Transitional Aid Recipients

**Applying in CY 2011/SFY 2012**

Municipalities that received Transitional Aid in CY 2010/SFY 2011 and are operating under an MOU through the end of the current budget year will be eligible for early termination of the terms of the MOU if they sign an agreement not to apply for additional aid for CY 2011/SFY 2012 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 CY 2011 TA, must certify that they complied with all conditions and requirements of their 2010 MOU conditions, including, but not limited to, the following: submission of a Transition Plan, adoption of a pay-to-play ordinance, 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 prior year 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.

C. Applicant Eligibility Requirements

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 CY 2010 or SFY 2011. See #10 below for eligibility criteria for municipalities that did not receive Transitional Aid during CY 2010 or SFY 2011.

2. The budget must be introduced, but not adopted, at the time the application is made. The budget shall be subject to Division review (no local examination). Municipalities that have adopted their budgets are not eligible for aid.

3. Demonstrated 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 increase in the proposed budget must exceed an increase of $250 in property taxes on an average residential parcel (2010 parcel value, per DLGS calculation, to be published shortly).

5. The municipality shall publicly advertise by March 7, 2011, that it may seek voter approval to exceed the statutory levy cap at an April 27, 2011, election. This is done by publishing a Notice of Availability of Mail-in Ballots (covered in pending Local Finance Notice 2011-8). Aid is expected to be awarded prior to the April 7 deadline for making a final decision about holding a referendum.

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.

   o This can be demonstrated by the presence of substantial structural or accumulated deficits, and/or limited ability to raise supplemental non-property tax revenues.

   o The “constrained ability” criteria must document why local revenues, including sewer fees, municipal court revenues, and property taxes (in excess of the $250 increase required above) 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.

   o Documented extraordinary demands for public safety appropriations, can supplement a constrained ability to raise revenues.

7. The budget shows cost reductions from 2010. 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
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costs are less than the current full cost of providing equivalent service. 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 the rates or collections can be increased, and a plan to implement potential changes.

9. The Municipality shall introduce a model pay-to-play ordinance prior to March 18, 2011, 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 limiting 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 experienced an equalized value loss of at least 2 percent from 2009 and 2010; or suffered an extraordinary revenue loss (exclusive of State formula aid reductions), or specific, extraordinary appropriation increases, other than appropriation increases common to other municipalities. The documentation of this requirement is calculated in the application.

D. 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. In Excel format, separate files for each of the last four years showing the name of each employee of the municipality as of the first payroll of the calendar year starting with January 2011, together with their annual salary, title, department, and date of hire.

4. If the municipality uses sworn police or fire fighters for 9-1-1 call-taking or emergency dispatch service, or funds rear-yard solid waste collection, the application shall include a cost justification of maintaining the service without changes.

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 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 from the head of personnel or human resources stating that the municipality has placed the names of all current civil service employees in the CAMPS system.

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1 Defined as the 2010 Taxation Director’s Equalized Value and the County 2010 Table of Equalized Value amount for county tax apportionment purposes.
In addition:

- The Mayor, Chief Administrative Officer, and Chief Financial Officer shall participate in a telephone conference call or an in-person meeting prior to March 25, 2011, as scheduled by Division of Local Government Services staff.
- The Division reserves the right to request subsequent 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 CY 2011 budgets by March 11, 2011. Awards are expected to be made on or about March 25, 2011, so that municipalities may plan for a levy cap referendum if necessary.

The Instructions on the last page of this Notice have important information to assist in completing the Application. The application can be downloaded from the Division website. Contact the Division at dlgs@dca.state.nj.us with any questions.

Approved: Thomas H. Neff, Director

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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. 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:

- “State formula aid” for purposes of calculating revenue loss only includes reductions to Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts (ETR).
- Section VI-4: Average Residential Assessment - use the amount in DLGS online 2010 Taxes file Column AC (the link will only work when the file is posted).

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
☐ Copy of Notice of Availability of Mail-in Ballot for possible April 27 levy cap referendum

Submission Instructions:

- E-mail electronic forms to 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 with any questions. Please put “Transitional Aid Question” in the subject line.
Notice of Intent to Apply - Transitional Aid Program
CY 2011/SFY 2012
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 CY 2011 or SFY 2012. 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.

A Notice for CY 2011 shall be filed by March 1, 2011; for SFY 2012, file the Notice by March 18, 2011.

In addition, the Mayor or Chief Administrative Officer of potential CY 2011 applicants must attend the orientation meeting at 3:00 pm on March 2, 2011 at 101 South Broad Street, Trenton.

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<th>Name of Municipality:</th>
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<tbody>
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<td>Contact Person:</td>
<td>Title:</td>
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Submit the Notice by either email (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