



**LFN 2020-16**

**July 17, 2020**

**Contact Information**

**Director's Office**

V. 609.292.6613  
F. 609.633.6243

**Legislative and  
Regulatory Affairs**

V. 609.292.6110  
F. 609.633.6243

**Financial Regulation  
and Assistance**

V. 609.292.4806  
F. 609.984.7388

**Local Finance Board**

V. 609.292.0479  
F. 609.633.6243

**Mail and Delivery**

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

**Web:**

[www.nj.gov/dca/divisions/dlgs](http://www.nj.gov/dca/divisions/dlgs)

**E-mail:** [dlgs@dca.nj.gov](mailto:dlgs@dca.nj.gov)

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**Elected Officials  
Municipal Clerks  
Municipal Chief  
Financial Officers**

# Local Finance Notice

Philip D. Murphy  
Governor

Lt. Governor Sheila Y. Oliver  
Commissioner

Melanie R. Walter  
Director

## **Transitional Aid Application Process (Municipalities Operating on State Fiscal Year Only)**

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

Any municipality operating on a fiscal year basis that intends to apply for FY 2021 Transitional Aid to Localities (Transitional Aid) must notify the Division of Local Government Services (Division) by emailing the information set forth in the "Notice of Intent to Apply" to [dlgs@dca.nj.gov](mailto:dlgs@dca.nj.gov) by no later than July 24, 2020.

The Mayor and Chief Administrative Officer of each municipality **not** currently receiving Transitional Aid and applying for 2021 aid will be required to attend a mandatory orientation meeting to discuss the application process and conditions of award. The meeting for FY 2021 applicants not currently receiving Transitional Aid will take place at a date and time, as agreed to by the applicant and the Director of the Division of Local Government Services, in accordance with all social distancing guidelines in effect at that time. Orientation meeting attendance is not required for municipalities currently receiving Transitional Aid.

The application deadline will be August 28, 2020.

The application process for all applicants is described below.

### **FISCAL YEAR TO CALENDAR YEAR REVERSION**

Please be advised that municipalities operating on a fiscal year basis in FY2020 that are reverting to a calendar year budget cycle effective January 1, 2021 will be eligible to apply for Transitional Aid in calendar year 2021. There will be no transitional aid application process during the transition budget cycle, defined as the 6-month period from July 1<sup>st</sup> through December 31<sup>st</sup>. For those municipalities intending to continue in the Transitional Aid Program following reversion, an 18-month Memorandum of Understanding governing the entire transition period will be executed.

### **NEW APPLICANTS**

**Any FY municipality that did not receive Transitional Aid in 2020 and is applying for aid in 2021 shall agree to State oversight that begins on the date the application is submitted – not on the date of award, if any, of Transitional Aid. State oversight pursuant to this condition of application will terminate if no award is provided or if the application is withdrawn. Oversight upon application will be identical to standard conditions imposed on recipients of aid as discussed in more detail below.**

## A. FY2021 New Applicants

Transitional Aid is the only discretionary aid available for FY 2021 municipal budgets and will only be available to FY municipalities that have severe structural difficulties and anticipate difficulties making payments toward nondiscretionary or critical obligations including, but not limited to, debt service, contractual obligations and payroll.

The application, evaluation and award process are rigorous and developed to apply to municipalities that have severe structural financial problems.

An award of Transitional Aid is conditioned on the municipality meeting the following requirements:

- Submitting to broad State oversight of 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.

Applicants who are awarded aid will be required to sign a Memorandum of Understanding (MOU) with the Division acknowledging state oversight and committing to compliance therewith. A sample of the current [MOU is online](#).

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.

## B. FY 2020 Transitional Aid Recipients Applying in FY 2021

Municipalities that received Transitional Aid in FY 2020 and are operating under an MOU through the end of FY 2020 will be eligible for early termination of the terms of the MOU if they sign an agreement not to apply for additional aid for FY 2021 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 FY 2021 TA, must certify that they are in substantial compliance with the conditions and requirements of their 2020 MOU.

Finally, municipalities currently operating under a Transitional Aid MOU are advised that funding will likely decrease from last year. Transitional Aid is designed as short-term gap financing to assist municipalities through temporary fiscal crises. It is not intended to provide long-term budgetary supplementation. 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 provisions in the MOU for those municipalities requesting an amount of Transitional Aid for FY 2021 that reflects a reduction of at least 15% of aid provided in FY 2020 or otherwise demonstrating sustainable structural improvements in their fiscal management practices.

### C. 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 FY 2020. See #8 through 10 below for eligibility criteria for municipalities that did not receive Transitional Aid during FY 2020.
2. All financial documents shall be received by the Division on or before August 28, 2020. For the purposes of budget introduction only, municipalities may anticipate 85% of TA funds received in FY 2020. 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 Wage (S&W) costs. 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 efforts to mitigate S&W costs.
4. The introduced budget must contain a 2% tax increase over the prior year tax levy as long as it doesn't exceed the tax levy cap workbook maximum allowed by the Local Budget Law, N.J.S.A. 40A:4-1 et seq. It should be noted that this requirement is for planning purposes and may not prohibit aid from being awarded to support a final budget with a different levy.
5. 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 utility and other 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 be used to supplement the lack of ability to raise revenues.
6. The budget must show spending restraint from FY 2020. This must include documented efforts to share municipal services, including 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 must also include an explanation and documentation of all cost reduction efforts, including attempts explored, but not implemented, and why they were not achieved.

7. The municipality must provide an assessment of existing local revenues, including whether rates or collections can be increased, and a plan to implement potential changes.
8. For applicants not currently receiving TA, the municipality shall agree to introduce a model pay-to-play ordinance prior to August 28, 2020, 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 conform to the [Model Ordinance](#) posted on the Division's website.
9. For applicants not currently receiving TA, the municipal governing body shall adopt a resolution authorizing application to the Division and acknowledging that upon submission of the application, State oversight shall begin immediately and will be terminated only upon one of the following conditions: (1) the application for aid is withdrawn; (2) notice is received that no award of funds will be provided in FY 2021. If grant is awarded, then supervision is memorialized pursuant to the terms of an MOU executed as a condition of award.
10. Applicants not currently receiving TA may apply if they meet criteria 2 through 9 above, **AND** must have suffered an extraordinary revenue loss or extraordinary appropriation increase (other than appropriation increases common to other municipalities).

#### **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. **\*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 period of the calendar year together with their annual salary, title, department, and date of hire.
4. If the municipality does not participate in the State Health Benefits Program, a written explanation as to why not and how much, if any, the municipality saves by not using the SHBP should be provided. In addition, provide support documentation regarding employee health benefit contributions pursuant to Chapter 78.
5. Debt service schedules for all municipal obligations, including municipally operated utilities, 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 or taken home by the individual.
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).
8. For applicants not currently receiving TA, the municipality must submit a resolution agreeing to State Supervision upon application (See #9 under "Eligibility to Apply").
9. The municipality's Chief Administrative Officer must provide a certification that copies of all active collective negotiations agreements and the cost-out of each have been delivered to PERC. Support documentation regarding the method of cost out must also be provided.

### **E. Other Conditions**

- No applicant should assume the receipt of any aid. Municipal governing bodies applying for aid should take actions and plan accordingly, including advancing a levy referendum, if appropriate, to prepare for the possibility of not receiving aid.
- After the application is submitted, the Mayor, Chief Administrative Officer, and Chief Financial Officer shall participate in a telephone conference call or 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 pursuant to law, the Director's discretionary decision regarding aid awards is final and not subject to appeal.
- Applicants shall demonstrate that user fees have been established where reasonable and practicable for discretionary services so that taxpayers are not subsidizing nonessential programs.

The Division must receive applications and related material, including introduced budgets for FY 2021, by August 28, 2020. 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.nj.gov](mailto:dlgs@dca.nj.gov) with any questions. Please put “Transitional Aid Question” in the subject line.

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Approved: Melanie R. Walter, Director

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### Table of Web Links

Page	Shortcut text	Internet Address
2	Online MOU	<a href="https://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/cy_model_mou.pdf">https://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/cy_model_mou.pdf</a>
4	Model Ordinance	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/pay_to_play_ordinance-contractor.doc">http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/pay_to_play_ordinance-contractor.doc</a>
5	Downloadable Application	<a href="https://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/sfy%20transitional%20aid%20application.docx">https://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/sfy%20transitional%20aid%20application.docx</a>

## Appendix A

### Instructions for Completing the Transitional Aid Application Form

Use the criteria for application in section C of this Notice to determine if the municipality is eligible to apply. Complete the application in its entirety. A completed application must include copies of all required documents as outlined in section D of this Notice and the submission checklist attached as part of the application and noted below. The Division will review the form for eligibility and will reject forms that do not meet the criteria.

#### Application:

1. The application 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 an electronically signed document.
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.

#### Submission Checklist:

- Signed and certified application
- 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
- For new applicants, a governing body resolution authorizing application and agreeing to State supervision immediately upon filing of the application.
- A list of all motor vehicles owned or leased by the municipality (excluding construction equipment and fire apparatus); the agency assigned to 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 or taken home by the individual
- A certification that copies of all active collective negotiations' agreements and the cost-out of each have been delivered to PERC. Support documentation regarding the method of cost out must also be provided

#### Submission Instructions:

- E-mail electronic forms to [dlgs@dca.nj.gov](mailto:dlgs@dca.nj.gov), 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

**Notice of Intent to Apply - Transitional Aid Program  
FY2021  
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 program for FY2021. 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 July 24, 2020**.

In addition, the Mayor or Chief Administrative Officer of potential FY2021 applicants (provided they are not currently recipients of Transitional Aid), **must attend the orientation meeting on** a date and time, as agreed to by the applicant and the Director of the Division of Local Government Services, in accordance with all social distancing guidelines in effect at that time..

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

Submit the Notice by email ([dlgs@dca.nj.gov](mailto:dlgs@dca.nj.gov)) with the subject line: "TA Notice of Intent," or mailing it to:

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