

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
GOVERNORJANE M. KENNY
COMMISSIONERSTEPHEN R. SASALA, II
ACTING DIRECTOR**NOTE TO ALL CHIEF FINANCE OFFICERS**

Please share this information with other officials in your municipality.

On July 6, 1998, DCA Commissioner Jane M. Kenny appointed DCA Deputy Commissioner Stephen R. Sasala, II as Acting Director of the Division of Local Government Services, as interim replacement to former Division Director Beth Gates, who recently left the Division. Acting Director Sasala is expected to serve until a permanent appointment is made later this year.

SFY 1999 BUDGET INFORMATION

This Local Finance Notice contains important information concerning the preparation and submission of your SFY 1999 Budget, 1998 Annual Financial Statement and subsequent budget amendments. *Please read this carefully and share this Notice with your elected officials, chief administrator, municipal clerk and registered municipal accountant.* Included with this Notice are the following items:

- SFY 1999 Municipal Information Sheet;
- SFY 1999 State Aid Certification;
- FY 1998 Chapter 159 Summary Report;
- Sample Budget Publication Notice;
- A subscription form to receive **all** Local Finance Notices issued in 1998. Use this form if you want to receive all Notices, not just those targeted toward individual officials.

Budget Introduction

Adherence to the statutory deadlines for the introduction and adoption of municipal budgets and the filing of annual financial statements and annual audits will be enforced. All fiscal year municipalities must introduce a 1999 budget and file a 1998 annual financial statement by August 10. Noncompliance may jeopardize a municipality's eligibility for discretionary aid, and may subject the municipal governing body members to penalties.

The State Aid certification reflects the adoption of the State's FY 1999 budget — these amounts are final appropriations and not subject to change. The Aid Recapitulation and Payment Schedule will be mailed shortly.

Sample Budget Publication Form

N.J.S.A. 40A:4-61 contains the advertisement requirements of the budget document by permitting a summary that meets the minimum requirements set forth in the law. Included with this Local Finance Notice is a sample publication form for municipalities and counties. This form meets the minimum required by law, though publication of additional detail is encouraged and printing the full document is still permitted. Pursuant to advice from the Attorney General's office, if the summary is utilized, upon request, copies of the complete budget **must** be made available to the public free of charge. The following relates to the model form:

- The Summary of Appropriations section entitled "Final 1998 Budget" refers to the 1998 budget as modified by all transfers.
- Items No. 2 and No. 4 on the municipal form "Deferred Charges and Other Appropriations" refer to those categories which do not conform to any of the other categories.
- Total Revenues and Total Appropriations must balance.

SFY 1999 Budget Cap

SFY 1999 CAP and CAP banking calculations are included with this Notice. CAP rates and model documents were included with Local Finance Notice CFO-98-4. Local units will receive a "CAP Bank" for the unused portion of total allowable operating appropriations calculated at a rate of five percent (5%). The CAP bank has a useful life of two (2) years.

For local units planning to utilize a CAP index rate ordinance in FY 1999, the ordinance must be introduced prior to the introduction of the budget and adopted prior to the adoption of the budget. Copies of the introduced and adopted ordinance must be submitted to the Division.

Under the provisions of the CAP law, no transfers may be made from or among outside CAP appropriations. To avoid illegal transfers and overexpenditures, the Division suggests grant and library appropriations be budgeted as a single, all-purpose line item, instead of the traditional "salary and wages" and "other expenses" line items.

If the municipality plans to use cash surplus as a CAP waiver, approval from the Local Finance Board is required. An application can be obtained by calling (609) 292-4537. It must be completed timely and scheduled for Board approval prior to final adoption of your budget. Please note that the Local Finance Board will not entertain any applications unless the annual financial statement, budget and SFY 1997 audit have been filed with the Division.

If your municipality had an appropriation for Municipal Services Act outside the CAP in 1998, this appropriation was added to the CAP base for 1999. This appropriation should now be included inside the CAP. Also, if your municipality had an appropriation for Public Defender inside the CAP in 1998, this appropriation was deducted from the CAP base for 1999. This appropriation should now be included outside the CAP (see Local Finance Notice CFO-98-3).

Special Items of Revenue

As implemented several years ago, special items of revenue resolutions are no longer required by the Division. All special item documentation must be filed with the Division. Use the special item checklist to determine the documentation required by the Division and send one copy with your approved budget.

New Laws

P.L. 1997, c.256 provides requirements for local governments to administer funding and public defender services, beyond what may have been provided in the past. Local Finance Notice CFO-98-3 outlines the requirements of the statute. It has an impact on many municipalities and should be carefully reviewed in context of the budget.

P.L. 1997, c. 24, consolidated and established procedures for open space, recreation, farmland, and historic preservation dedicated trust funds. Local Finance Notice MC-98-2 outlines the requirements of this law.

Pension Appropriations

The effect of the Pension Security law adopted passed last year local units provides a continued reduction in pension obligations for SFY 1999 budgets. State Fiscal year municipalities are not required to include an appropriation for Public Employees Retirement System obligations. Reductions for Police and Firemen's Retirement System employers will reflect a credit similar to last year's, reducing their normal billing. Municipalities participating in the Early Retirement Incentive Program (ERI) must, however, provide appropriations in the amount specified on the billing from the Division of Pensions. Questions regarding pension billing should be directed to the Division of Pensions and Benefits at 609-984-4517. Municipalities are cautioned that while there is no cap base adjustment offsetting the pension reductions, this is not a permanent reduction and pensions costs will have to be budgeted in the future.

Accelerated Tax Sale/Levy Sale

Proceeds realized from an accelerated tax sale or a levy sale should not be included as part of the tax collection rate, as required in the law. Two new Annual Financial Statement sheets were added to aid in these calculations. On Sheet 22 of the Annual Financial Statement, the proceeds from these two sales should be included in the calculation. On Sheet 22a, the percentage of collection is calculated minus these proceeds. On Sheet 25, the Reserve for Uncollected Taxes Calculation is calculated using the percentage of collection from Sheet 22a. Sheet 25a provides the calculation reducing the reserve for uncollected taxes by the proceeds of the accelerated tax sale.

The first year the reserve for uncollected taxes is reduced as the result of an accelerated tax sale, prior to the adoption of the budget, the Chief Financial Officer must provide the governing body with a fiscal analysis of the impact of the action. The governing body must also pass a resolution authorizing the accelerated tax sale each year prior to the adoption of the budget. A fiscal impact analysis is also required for a tax levy sale. The governing body must also pass a resolution prior to the adoption of budget and the contract must be in place and approved by the Division prior to the adoption of the budget. Detailed information about accelerated tax sales and tax levy sales are found in Local Finance Notices MC-97-5, CTC-97-4 and CTC-97-5.

Alternate Calculation of Reserve for Uncollected Taxes

N.J.S.A. 40A:4-41(c), enacted into law in 1997 (P.L. 1997, c.28), provides alternate methods of calculating the reserve for uncollected taxes. One method permits the use of a three year average, instead of using the prior year collection rate, and can be used by any municipality. The other method can only be used if the amount of tax refunds paid in the prior year exceeded one percent of the total tax levy and permits a calculation of the reserve, using a collection rate that eliminates the impact of the refunds from the calculation. Both provisions require a governing body resolution **adopted prior** to introduction of the budget to utilize them. Recent advice from the Attorney General's office requires that this timing requirement cannot be waived to allow passage after introduction; **it must be adopted prior to introduction.**

Amendments and Budget Adoption

Amending resolutions must be certified for mathematical accuracy by the registered municipal accountant. Regardless of the municipality's local examination status, amending resolutions must be submitted to the Division promptly upon introduction. N.J.S.A. 40A:4-9 contains the requirements for publication of amendments. If the amendment does not require advertisement, the municipality may amend and adopt at the same meeting, provided a copy of the amendment is approved by the Division prior to the meeting.

The Chief Financial Officer must ensure that amendments and other changes required by the Division are applied to the adopted budget. Additionally, Section Two of the adopted budget must be verified for accuracy.

If you have any questions on information in this Notice, contact the Bureau of Financial Regulation and Assistance at (609) 292-4806.

Stephen R. Sasala, II

Stephen R. Sasala, II, Acting Director
Division of Local Government Services

Enclosures

Distribution: SFY Chief Financial Officers
CFO to distribute copies to elected officials, chief administrator, municipal clerk, and registered municipal accountant.