C

Susan Gouveia

From: Lashway, Lisa
Sent: Tuesday, January 28, 2014 10:33 AM
To: Canning, Sean
Cc: Susan Gouveia
Subject: FW: Transitional Aid Application Process for CY Municipalities

Correspondence -

Michelle Masser
Deputy Clerk

973-691-0900 Ext. 7291
FAX 973-691-2080
PO Box 450
Budd Lake, NJ 07828

-----Original Message-----
From: egg@dca.state.nj.us [mailto:egg@dca.state.nj.us]
Sent: Monday, January 27, 2014 1:48 PM
To: Lashway, Lisa
Subject: Transitional Aid Application Process for CY Municipalities

Dear Municipal Clerk:

The Division has posted Local Finance Notice 2014-2 (www.nj.gov/dca/divisions/dlgs/lfns/14/2014-02.pdf) concerning the 2014 Transitional Aid Application Process for Calendar Year municipalities. This aid is only available to address financially distressed communities that have reached a point that without aid they will be unable to pay debt service or the costs of essential services. Aid comes with significant conditions including, but not limited to: the requirement to adopt a strict pay-to-play ordinance; the elimination of health care for all officers and employees other than those with full time status; a ban on certain travel and other discretionary costs; requirements to obtains State approvals for hires as well as for certain contracts and initiatives; and the imposition of a State Fiscal Monitor.

Calendar Year municipalities intending to apply for Transitional Aid should carefully review LFN 2014-02 and the CY 2014 Application (www.nj.gov/dca/divisions/dlgs/resources/muni st docs/CY2014 transitional aid application.doc (both available on our website) as soon as possible due to pertinent deadlines and be prepared to accept conditions immediately pending a final determination of an award.

THIS NOTICE HAS BEEN SENT TO THE FOLLOWING OFFICIALS: Municipal Clerk and Chief Financial Officer

new jersey dca
department of community affairs
people places progress
division of local government services dlgs

Local Finance Notice

LFN 2014-2

January 24, 2014

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/divisions/dlgs
E-mail: dlgs@dca.state.nj.us

Distribution

Elected Officials
Municipal Clerks
Municipal CFOs

Transitional Aid Application Process
(Municipalities Operating on Calendar Year Only)

MANDATORY NOTIFICATION OF INTENT TO APPLY AND MANDATORY ORIENTATION FOR NEW APPLICATIONS

Any Calendar Year municipality intending to apply for CY 2014 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 by no later than **February 12, 2014.**

The Mayor and Chief Administrative Officer of each Calendar Year municipality **not** currently receiving Transitional Aid and applying for 2014 aid **will be required to attend** a mandatory orientation meeting to discuss the application process and conditions of award. The meeting for CY 2014 applicants not currently receiving Transitional Aid will take place on **February 14, 2014 at 2:00 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 deadline will be March 14, 2014** – the same date that budgets must be introduced.

The application process for all applicants is described below.

NEW APPLICANTS

Any Calendar Year municipality that did not receive Transitional Aid in 2013 and that is applying for aid in 2014 shall agree to State oversight that begins on the application due date – 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 , which is discussed in more detail below.

A. Overview

This Local Finance Notice (LFN) explains the criteria and application process for **CY 2014** municipalities to be considered for Transitional Aid to Localities (TA) aid. This aid is the only discretionary aid available for CY 2014 municipal budgets.

Aid will only be available to CY 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 new 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 CY 2014 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 action toward becoming 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 is beginning to reduce costs.

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 where, reasonable and practicable, for discretionary services so that taxpayers are not subsidizing nonessential programs.

B. CY 2013 Transitional Aid Recipients Applying in CY 2014

Municipalities that 1) received Transitional Aid in CY 2013 and 2) are operating under an MOU through the end of 2014 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 2014 and the following two budget years. Such municipalities are encouraged to contact the Director of the Division of Local Government Services if they seek to apply for early termination.

In addition, municipalities applying for CY 2014 Transitional Aid must certify to being in substantial compliance with all conditions and requirements of their 2013 MOU, 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, 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 funding needs.

The Division will consider reducing oversight provision in the MOU for those municipalities requesting an amount of CY2014 Transition Aid that reflects a reduction of at least 15% from CY2013 Transitional Aid.

C. Eligibility to Apply

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

1. The municipality received Transitional Aid during CY 2013. For municipalities that did not receive Transitional Aid during CY 2013, see #10 and 11 below regarding eligibility criteria.
2. The budget must be introduced on or before March 14, 2014. For the purposes of introduction only, municipalities may anticipate 85% of TA funds received in CY 2013. 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 having 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 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. 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 for meeting budgetary requirements. If the

municipality created such fiscal distress (i.e., deliberately deferring costs, issuing debt with "balloon payments," or imprudently using one-time resources without taking steps to plan for future revenue loss), the applicant's chance of success will be substantially diminished.

- 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 as compared to CY 2013. 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 March 14, 2014, 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. For applicants not currently receiving TA, the municipal governing body shall adopt a resolution authorizing an application 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 2014; or (3) consistent with the terms of the an MOU required to be executed as a condition of grant award.

11. Applicants not currently receiving TA they may apply if they meet criteria #'s 2 through 10 above, **AND** 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 (SHBP), provide a written explanation as to why not and how much, if any, 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).
8. For applicants not currently receiving TA, the municipality shall have submitted the resolution agreeing to State Supervision immediately upon application pursuant to the provision above.

In addition:

- New applicants should not assume the receipt of aid. Municipal governing bodies newly applying for aid should take actions to prepare for the possibility of not receiving aid and plan accordingly, including the advancement of a levy referendum if appropriate.
- 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 the 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 the law provides that the Director's decision regarding aid awards is final and not subject to appeal.

The Division must receive applications and related material, including introduced budgets, for CY 2014 by March 14, 2014. 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 with any questions.

Approved: Thomas H. Neff, Director

Table of Web Links

Page	Shortcut text	Internet Address
2	Online MOU	http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/cy2013_generic_mou.doc
4	Model Ordinance	http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/pay_to_play_ordinance-contractor.doc
6	Downloadable Application	http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/CY2014_transitional_aid_application.doc

Appendix A
Instructions for Completing the Transitional Aid Application Form

Complete the Application Form in its entirety. Use the application criteria in Section "B" of this Notice to determine the municipality's eligibility to apply. The Division will review the form for eligibility and reject any forms not meeting 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; pages may be added if text continues onto an extra page.

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 the failure to reduce their funding need
- ☐ For new applicants, a governing body resolution authorizing application and agreeing to State supervision immediately upon filing of the application.

Submission Instructions:

- E-mail electronic forms to dlgs@dca.state.nj.us, with "<name of municipality> Transitional Aid Application" in the subject line.
- Submit two hard copies of the signed application form with original signatures 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 2014
Division of Local Government Services
Department of Community Affairs

Complete this form if the municipality is considering applying for financial assistance under the CY2014 Transitional Aid to Localities program. Submission of the form is non-binding and does not require a municipality to submit a formal application. The form is for informational and planning purposes only.

File the Notice **no later than February 12, 2014**.

In addition, the Mayor or Chief Administrative Officer of potential CY 2014 applicants not currently receiving Transitional Aid **must attend the orientation meeting at 2:00 pm on February 14, 2014** at 101 South Broad Street, Room 129 in Trenton.

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

Submit the Notice by email (dlgs@dca.state.nj.us) 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