



LFN 2011-39

December 23, 2011

Local Finance Notice

Chris Christie Governor Kim Guadagno Lt. Governor Lori Grifa Commissioner Thomas H. Neff Director

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Distribution
 Municipal and Freeholder Clerks
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CY 2012 Municipal Transitional Aid to Localities Application Process

IMPORTANT NOTE REGARDING STATE BUDGET APPROVAL OF TRANSITIONAL AID PROGRAM

When Governor Christie proposes the State's FY 2013 Budget, it is expected to include funding for the Transitional Aid to Localities program. This Local Finance Notice establishes the Transitional Aid application process for Calendar Year municipalities in anticipation of funding in the 2013 budget. Be advised that aid awards are dependent on legislative approval of the budget and without the proper legislative action, awards will not be possible.

ORIENTATION FOR CALENDAR YEAR MUNICIPALITIES

Any Calendar Year municipality **that is not currently receiving Transitional Aid** intending to apply for CY 2012 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 noon on January 31, 2012.

The Mayor or Chief Administrative Officer of each Calendar Year municipality **not** currently receiving Transitional Aid and applying for 2012 aid **shall attend** a mandatory orientation meeting to discuss the application and conditions of award. The meeting for CY 2012 applicants not currently receiving Transitional Aid will take place on February 13, 2012, at 1:00 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 process for all applicants is described below.

(Notice continued on Page 2)

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A. Overview

This Local Finance Notice (LFN) explains the criteria and application process for **CY 2012** municipalities to be considered for Transitional Aid to Localities (TA) aid. This aid is the only discretionary aid available for CY 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 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](#). The terms of MOUs for the CY 2012 cycle will newly require additional State approvals.

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, nonessential funding of non-profit agencies, and budgeting for non-essential personnel vacancies.

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 2011 Transitional Aid Recipients Applying in CY 2012

Municipalities that received Transitional Aid in CY 2011 and are operating under an MOU through the end of 2012 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 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 2012 TA, must certify that they complied with all conditions and requirements of their 2011 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 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 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 2011. See #10 below for eligibility criteria for municipalities that did not receive Transitional Aid during CY 2011.
2. The budget must be introduced, but not adopted, at the time the application is made. For the purposes of introduction, municipalities may anticipate 75% of TA funds received in CY 2011 and level funding of CMPTRA and ETR Aid. However, actual CMPTRA and ETR will not be finalized until the Governor gives his budget address on February 21. 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 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 in the introduced budget must equal the maximum permitted levy under the 2010 levy cap law. 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 a lower levy.
5. (Left blank intentionally)
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.

- 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 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 cost reductions from CY 2011. 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 February 29, 2012, 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** it suffered an extraordinary revenue loss (exclusive of State formula aid reductions), or specific, extraordinary appropriation increases, 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 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. ***NEW – IMPORTANT*** If the municipality uses insurance other than the State Health Benefits Plan, provide a written explanation as to why and how much 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).

In addition:

- The Mayor, Chief Administrative Officer, and Chief Financial Officer shall participate in a telephone conference call or an 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 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 2012 budgets by **February 29, 2012**. Budgets must be introduced by the application deadline or no aid will be provided. Awards are expected to be as soon as possible thereafter, 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

Table of Web Links

Page	Shortcut text	Internet Address
2	Online MOU	www.nj.gov/dca/lgs/muniaid/11_aid/11tran_aid/ta_generic_mou_cy2011_fy_2012.doc
4	Model Ordinance	www.nj.gov/dca/lgs/muniaid/pay_to_play_ordinance-contractor.doc
5	Downloadable Application	www.nj.gov/dca/lgs/muniaid/11_aid/11tran_aid/cy_2012_transitional_aid_application.doc
6	2011 Taxes file	www.nj.gov/dca/lgs/taxes/11_data/11taxes.xls

Appendix A

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 [2011 Taxes file](#) Column AC (*this file will not be posted until mid-January and 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

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 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 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.

File the Notice by January 31, 2012.

In addition, the Mayor or Chief Administrative Officer of potential CY 2012 applicants (provided they are not currently recipients of Transitional Aid), **must attend the orientation meeting at 1:00 pm on February 13, 2012** at 101 South Broad Street, Room 129, Trenton.

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

Submit the Notice by either email (digs@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