

# LOCAL FINANCE NOTICE

JAMES E. MCGREEVEY  
GOVERNOR

SUSAN BASS LEVIN  
COMMISSIONER

MATTHEW U. WATKINS  
DIRECTOR

## SFY 2003 BUDGET INFORMATION

### Introduction

This Local Finance Notice contains important information concerning the preparation and submission of your SFY 2003 Budget, and SFY 2002 Annual Financial Statement. *Please read this carefully and share this Notice with your elected officials, chief administrator, municipal clerk and registered municipal accountant.* SFY 2003 Cap and Cap Banking calculations were mailed with your budget forms in May. Included with this Notice are the following items:

- SFY 2003 Municipal Information Sheet (page 10)
- SFY 2003 State Aid Certification (page 11)
- Sample Budget Publication Notice
- Local Finance Board meeting dates
- List of Local Finance Board members and application distribution information

The attached **State Fiscal Year Municipal Budget Process Instructions** contains information on a wide range of budget policies and practices. The remainder of this Notice highlights elements specific to SFY 2003 and new laws. Also review Local Finance Notice CFO 2002-5, which covers State aid formulas and payment matters.

### Important SFY 2003 Budget Facts

- Annual Financial Statement Due Date for municipalities – **August 15**
- Statutory Municipal Budget Introduction date – **August 15**
- Cap Index Rate – 1%
- The Division will examine all fiscal year municipalities. No budgets are eligible for local examination.
- PERS and PFRS contributions continue to be suspended in SFY 2003.

### Use of GovConnect and the Division Web Site

The Division now uses GovConnect and e-mail to communicate with CFO's. In the event you have not received information via e-mail or are not registered with GovConnect as CFO for your municipality, you must contact the GovConnect office at 609-292-1098 immediately. **Local Finance Notices are no longer being mailed to CFO's.** GovConnect News is regularly updated with information of interest to local officials – you should check it several times a week.

The Division's web site is regularly updated with new information. Most budget-related information and spreadsheets are found under the following links: Financial Regulation and Assistance, Municipal State Aid, Property Taxes, and Local Finance Notice. Our address is: <http://www.nj.gov/dca/lgs>. Take time to regularly check out our site.

## Use of the Flexible Chart of Accounts

As started in SFY 2001, all budget line items must display the related account numbers from the Flexible Chart of Accounts. No changes have been made to the chart since Local Finance Notice CFO 2000-5 was issued in March of 2000.

### New Laws

The Local Finance Board has adopted rules that govern how local government units manage and finance compensation for accumulated absence time for their employees. The rules are codified as N.J.A.C. 5:30-15. The new rules allow municipalities to establish a trust fund via passage of a Dedication by Rider resolution to accumulate a funding source for this liability. The rule also calls for the disclosure of the liability in the local units budget message. All the details are outlined in Local Finance Notice CFO 2002-1. Web versions of documents and spreadsheets are also available in a Document Library on GovConnect (click on "View all Document Libraries").

N.J.S.A. 40A: 4-62.1 was amended by P.L. 2001, Chapter 138 to permit the establishment of a Snow Removal Reserve via passage of a Dedication by Rider resolution, which must be submitted to the Director for approval. The Law provides that unexpended balances budgeted annually for snow removal or other purposes may be lapsed into the reserve. Permitted expenditures from this reserve would include snow removal salaries and wages and salt and sand purchases. It would also include maintenance or purchase of various snow removal equipment. A resolution authorizing the amount to be transferred to the reserve should be adopted by the governing body in accordance with the provisions of N.J.S.A. 40A:4-58 and 59. The funds may be used for any purpose related to snow or ice removal after the current year budget appropriations for that purpose has been expended.

A recent amendment to the cap law [N.J.S.A. 40A:4-45.3(nn)] permits municipalities to appropriate the full salaries of police officers hired under the federal "Community Oriented Policing Services" (COPS) program as a CAP exception once the program is complete. The appropriation should be placed on sheet 20 of the budget under "Other Operations Excluded from CAP."

### Pension Appropriations

For SFY 2003, municipalities and counties are not required to include an appropriation for Public Employees Retirement System and Police and Fire Retirement System obligations. However, preliminary estimates of pension system obligations point to the need for appropriations in FY 2004. Local units should begin to plan for pension payments next year. Local units 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.

### Local Finance Notice Information

A subscription form to receive printed copies of **all** Local Finance Notices issued is included in this package. Use this form if you want to receive a mailing of all Notices, not just those targeted to individual officials. As an alternative, all Local Finance Notices will be announced and available through GovConnect News. In addition, when notices are issued they are posted on the Division's web site. They can be found

by clicking on the Local Finance Notice link from the Division home page at: [www.nj.gov/dca/lgs](http://www.nj.gov/dca/lgs). In addition to the posting of Notices on the web site, the Division will send out a free e-mail alert and web site link each time a new Notice is posted. To sign up for this free service, e-mail us a request at [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us)

If you have any questions on information in this Notice, contact the Bureau of Financial Regulation and Assistance at (609) 292-4806. Please carefully review the attached State Fiscal Year Municipal Budget Process Instructions and Notice CFO 2002-5 received in late July.

s/ *Matthew U. Watkins*  
Matthew U. Watkins, Director  
Division of Local Government Services

Enclosures

Distribution: SFY Municipal Chief Financial Officers via GovConnect: CFO to distribute copies to elected officials, chief administrative officer, municipal clerk, and registered municipal accountant

**LOCAL FINANCE BOARD 2002 MEETING DATES**

<b>Meeting</b>	<b>Applications Due</b>
August 14, 2002	July 24, 2002
September 11, 2002	August 21, 2002
October 9, 2002	September 18, 2002
November 13, 2002	October 16, 2002
December 11, 2002	November 20, 2002

## State Fiscal Year Municipal Budget Process Instructions and State Aid Information

### Budget Calendar

Adherence to the statutory deadlines for the introduction and adoption of state fiscal year budgets and the filing of annual financial statements and annual audits will be enforced. All state fiscal year municipalities must introduce a 2003 budget and file a 2002 annual financial statement by August 14. Noncompliance may jeopardize a municipality's eligibility for Extraordinary Aid and may subject governing body members to penalties. The SFY 2001 Audit must be received in order to receive budget approval.

### 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. This form meets the minimum required by law, though publication of additional detail is encouraged and printing the full document is permitted. The **Attorney General's office has advised the Division that if the summary is used, copies of the complete budget must be made available upon request by a member of the public, free of charge.**

With regard to the model form:

- The Summary of Appropriations section entitled "Final 2002 Budget" refers to the 2002 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 that do not conform to any of the other categories.
- Total Revenues and Total Appropriations must balance.

### Special Items of Revenue

As implemented several years ago, the Division no longer requires special items of revenue resolutions. 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.

### 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 per the enabling legislation. Two Annual Financial Statement sheets are used 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. The first year an accelerated tax sale is conducted, Sheet 25, the Reserve for Uncollected Taxes Calculation, is calculated using the percentage of collection from Sheet 22. 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 the 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) allows 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. A governing body resolution **adopted prior** to the introduction of the budget is required to utilize either provision. 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**

The Registered Municipal Accountant must certify amending resolutions for mathematical accuracy. 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 that prior to the meeting the Division approves a copy of the amendment.

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.

### **State Aid**

Local officials should review Local Finance Notice CFO 2002-5 (Aid Payment Certification) for details about SFY 2003 state aid payments and related issues. The balance of this Notice reviews several specific State aid issues.

### **Extraordinary Aid**

The Extraordinary Aid program is budgeted at \$30.5 million. Applications and instructions have been recently sent to Municipal Clerks. To be considered for funding, applications are **due by August 30, 2002**. The budget must be introduced, the Annual Financial Statement filed, and the 2001 audit must be submitted to the Division at the time application is made.

Receipt of this aid last year is **not** an assurance of receiving it again this year and cannot be reasonably anticipated. **Therefore, Extraordinary Aid cannot be included in an introduced budget.** Review Local Finance Notice MC 2002-2 for important Extraordinary Aid qualification and aid award policies.

**Garden State Preservation Trust Fund**

P.L. 1999, c.152 established the Garden State Preservation Trust Fund. The law provides a sliding scale of payments in lieu of taxation for property purchased by the State to replace the ratable loss absorbed by the local taxing districts. Notwithstanding other provisions of law to the contrary, the State budget authorizes municipalities to anticipate all funds as property tax relief in their budgets.

For revenues received under this program during SFY 2002, the receipts should have been reserved and are now anticipated in full in the SFY 2003 budget. The amount received in the fall of 2001 is shown on the certification as the amount to be anticipated in SFY 2003. Please remember that based on the law, portions of this State aid will decline over time.

**REAP Revenue**

The FY 2003 State budget provided limited REAP aid as a hold-harmless program for certain municipalities that have been previously advised of their eligibility. For SFY 2002 recipients, the SFY 2002 Annual Financial Statement, Sheet 22, includes, under Item 10 Cash Collected, an amount for REAP Revenue Realized. REAP revenue should be recorded the same as Senior Citizens and Veterans Deductions, which are due from the State. Any excess REAP revenue realized because of rounding by the county Board of Taxation should be recorded as Miscellaneous Revenue Not Anticipated.

**SAMPLE  
2003 Municipal Budget**

of the \_\_\_\_\_ of \_\_\_\_\_, county of \_\_\_\_\_ for the fiscal year 2003.

**Revenue and Appropriation Summaries**

Summary of Revenues	Anticipated	
	2003	2002
1. Surplus		
2. Total Miscellaneous Revenues		
3. Receipts from Delinquent Taxes		
4. a) Local Tax for Municipal Purposes		
b) Addition to Local District School Tax		
<b>Tot Amt to be Raised by Taxes for Sup of Muni Bud</b>		
<b>Total General Revenues</b>		

Summary of Appropriations	2003 Budget	Final 2002 Budget
1. Operating Expenses: Salaries & Wages		
Other Expenses		
2. Deferred Charges & Other Appropriations		
3. Capital Improvements		
4. Debt Service (Include for School Purposes)		
5. Reserve for Uncollected Taxes		
<b>Total General Appropriations</b>		
<b>Total Number of Employees</b>		

2003 Dedicated		Utility Budget	
Summary of Revenues	Anticipated		
	2003	2002	
1. Surplus			
2. Miscellaneous Revenues			
3. Deficit (General Budget)			
<b>Total Revenues</b>			
Summary of Appropriations		2003 Budget	Final 2002 Budget
1. Operating Expenses: Salaries & Wages			
Other Expenses			
2. Capital Improvements			
3. Debt Service			
4. Deferred Charges & Other Appropriations			
5. Surplus (General Budget)			
<b>Total Appropriations</b>			
<b>Total Number of Employees</b>			

Balance of Outstanding Debt				
	General	Water Utility	Sewer Utility	Utility - Other
Interest				
Principal				
<b>Outstanding Balance</b>				

Notice is hereby given that the budget and tax resolution was approved by the \_\_\_\_\_ of the \_\_\_\_\_, County of \_\_\_\_\_ on \_\_\_\_\_, 2002.

A hearing on the budget and tax resolution will be held at \_\_\_\_\_, on \_\_\_\_\_, 2002 at \_\_\_\_\_ o'clock (AM / PM) at which time and place objections to the Budget and Tax Resolution for the year 2003 may be presented by taxpayers or other interested persons.

Copies of the budget are available in the office of the \_\_\_\_\_ (Municipal Official's name and title) at the Municipal Building, \_\_\_\_\_ (Address), New Jersey, \_\_\_\_\_ (Phone #) during the hours of \_\_\_\_\_ to \_\_\_\_\_.



## State of New Jersey

DEPARTMENT OF COMMUNITY AFFAIRS  
101 SOUTH BROAD STREET  
PO Box 803  
TRENTON NJ 08625-0803

JAMES E.  
MCGREEVEY  
GOVERNOR

SUSAN BASS LEVIN  
Commissioner

### LOCAL FINANCE BOARD DISTRIBUTION INFORMATION EFFECTIVE: February 1, 2002

The following is a list of Local Finance Board members and their mailing addresses

**NOTE:** Mail one application to each of the following Members of the Local Finance Board 15 business days prior to the scheduled hearing. Please authorize your application to be delivered without the signature of recipient.

Susan Doctorian  
36 Lenape Trail  
Middletown, NJ 07748

The Honorable John H. Ewing  
8118 Fellowship Road - **Delivery Only**  
Liberty Corner, NJ 07920

Mr. Charles Guhr  
205 E. Syracuse Avenue  
Wildwood Crest, NJ 08260

or  
P.O. Box 352 - **Regular Mail**  
Bedminster, NJ 07921

Patricia Migliaccio  
41 Monroe Drive  
Mercerville, NJ 08619

James Harkness  
50 W. State Street, Suite 1010  
Trenton, NJ 08608-1220

Mr. James T. Mullins  
29 Turnberry Circle at the Meadows  
Toms River, NJ 08753

Daniel P. Reynolds, SDAG  
Division of Law  
25 Market Street, PO 112  
Trenton, NJ 08625-0112

Mr. Richard F. Turner  
400 Park Avenue  
Weehawken, NJ 07087

### MAIL THE ORIGINAL APPLICATION PLUS TWO COPIES TO:

Patricia Parkin McNamara, Executive Secretary  
Local Finance Board  
Department of Community Affairs  
101 South Broad Street, PO-803  
Trenton, NJ 08625-0803  
(609) 292-4537



**LOCAL FINANCE NOTICE SUBSCRIPTION FORM**  
**New Jersey Department of Community Affairs**  
**Division of Local Government Services**  
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The Division of Local Government Services offers a subscription service for its Local Finance Notices. There are two types of subscriptions available: traditional mail or by e-mail of web links to all Notices. As in previous years, the Division will continue to post the Local Finance Notice on its web site, [www.state.nj.us/dca/lgs/](http://www.state.nj.us/dca/lgs/), to which the e-mail will link recipients.

The fee for mailing of all Notices is \$50 for calendar year 2002 notices and \$30 for each prior years notices. **There is no fee for automatic e-mailing of all Notices.** To subscribe, kindly return the bottom portion of this form, indicating if the subscription is for mail or e-mail. For mailing, return your subscription form with a check or purchase order made payable to: Treasurer, State of New Jersey.

Mail all paid subscription forms to:

Local Finance Notice Subscription  
 Division of Local Government Services  
 PO Box 803  
 Trenton, New Jersey 08625-0803

Subscriptions for e-mail can be sent to: [DLGS@dca.state.nj.us](mailto:DLGS@dca.state.nj.us) or made on the form. Please request "Local Finance Notice subscription" in the body of the e-mail.

If you have any question please call 609-984-6626.

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 Delivery orders will be accepted by mail only – no orders will be taken by telephone

**PRE PAYMENT OR GOVERNMENT PURCHASE ORDER REQUIRED**

Make checks payable to: Treasurer, State of New Jersey

<b>Division of Local Government Services</b> <b>Local Finance Notice Subscription</b>		
Please print and check appropriate box for each item desired		
Mail Subscription <input type="checkbox"/>	E-Mail Subscription <input type="checkbox"/>	
		E-Mail Address: _____
Current Subscription	Prior year package (\$30 per year)	
2002 (\$50) <input type="checkbox"/>	2001 <input type="checkbox"/>	2000 <input type="checkbox"/>
	1999 <input type="checkbox"/>	1998 <input type="checkbox"/>
	1997 <input type="checkbox"/>	1996 <input type="checkbox"/>
	1995 <input type="checkbox"/>	
Total \$ _____		
Name: _____		
Organization: _____		
Address: _____		

New Jersey Division of Local Government Services  
**Municipal Information Sheet -SFY 2003**

Municipality:  
 County:

Local Budget Examination Status:  
 Group:

Net County Taxes Apportioned	
Less Municipal Budget State Aid	
Net County Taxes Less Municipal Budget State Aid	
County Library Taxes	
Local Health Service Taxes (N.J.S.A. 26:3A2-19)	
County Open Space Preservation Tax (N.J.S.A. 40:12-16 et seq.)	
Total County Taxes	
Local District School	
Regional, Consolidated, & Joint School Budget	
Local District School Tax in Municipal Budget	
Total School Taxes Levied	
Local Municipal Purposes	
Municipal Open Space	
Total Municipal Taxes Levied	
Total Tax Levy	
Net Value Taxable	
General Tax Rate per \$100 assessed value	
CY 2001 Senior Citizens Reimbursement by State (P.L. 1976, c.73)	
CY 2001 Veterans Reimbursement by State (P.L. 1976, c.73)	
Administrative Fee	
Total Revenue	
Regional Efficiency Aid Program – Aid Award	
Regional Efficiency Aid Program – Credit Amount Billed	
<b>Debt Statement Equalized Valuations</b>	
1999	
2000	
2001	
<b>3 Year Average Equalized Valuation</b>	
SFY 2003 Minimum Library Appropriation (N.J.S.A. 40:54-8)	

Sources: 2001 County Abstract of Ratables, Division of Local Government Services and Dept. of Treasury data.

NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS  
DIVISION OF LOCAL GOVERNMENT SERVICES

CERTIFICATION OF STATE AID FOR  
STATE FISCAL YEAR 2003 BUDGETS

Municipality:  
County:

This certification reflects the final State FY 2003 budget. State Fiscal Year municipalities are authorized to adopt their budget using these amounts. Line items for all aid must be reflected on Sheet 5 of the budget document.

CFO's enrolled in the myNewJersey portal GovConnect system received this via e-mail.

SFY 2003 AID PROGRAM	CY 2003 ALLOCATION
CMPTRA Allocation	
Energy Receipts Tax	
Supplemental Energy Receipts Tax	
Legislative Initiative Municipal Block Grant	
Garden State Trust Fund	
<b>Total Aid</b>	
Business Personal Property Tax Depreciation Adjustment <sup>1</sup>	
BPP Adjustment for school purposes <sup>2</sup>	

<sup>1</sup> If an amount is shown, the total is incorporated into the total CMPTRA allocation.

<sup>2</sup> Any amount shown for BPP Adjustment for School purposes must be appropriated and paid to the board(s) of education prior to June 30, 2003. See Notice for details.