

LOCAL FINANCE NOTICEJIM FLORIO
GOVERNORMELVIN R. PRIMAS, JR.
COMMISSIONERBARRY SKOKOWSKI, SR.
DIRECTOR**FY 1993 INTERLOCAL SERVICES AGREEMENTS -
CAP EXCEPTION AND BUDGET PROCEDURES****BACKGROUND**

Traditionally, municipalities who provide an interlocal service (known as provider) to another municipality (known as recipient), have been granted a budget cap appropriation exception in the amount of the revenue anticipated in the budget. In 1990, amendments to the cap law, specifically the creation of N.J.S.A. 40A:4-45.3(aa), created a cap exception for "extraordinary expenses...required for the implementation of an interlocal services agreement," upon approval of the Local Finance Board.

This Notice details the procedures the Board and Division have recently developed to expedite utilization of this exception. Though counties are not specifically referenced, the provisions also apply to them in the unusual circumstance where the county is a recipient of an interlocal service.

Use of this procedure should improve the administration of inter-local service agreement (ILSA) budget practices. It also serves to encourage municipalities to enter into agreements that prove cost effective or are otherwise in the interest of the taxpayers.

This subject will be discussed at sessions of the Government Finance Officers Association Fall Conference and at the November League of Municipalities Annual Conference.

GENERAL POLICIES

1) The Board has approved a master list of types of interlocal services that meet with its approval. This list may be expanded upon application by a municipality or recommendation of Division staff. A copy of this list is attached.

2) When an Application for an Interlocal Service Agreement Budget Cap Exception and required documentation is filed and the ILSA is on the approved list, Division technical staff will approve budget appropriations as extraordinary and necessary for the implementation of an Interlocal Services Agreement (ILSA); and, thus, a cap exception under N.J.S. 40A:4-45.3(aa).

3) ILSA's must be adopted in accordance with N.J.S. 40:8A et seq., and placed into effect after the issuance of this Notice to be considered under this procedure.

4) Existing ILSA's may continue under previous budget practices with no change to the cap structure. However, reporting provisions detailed below must be followed for Fiscal Year 1993.

DEFINITIONS

Local officials may rely upon the following definitions (Webster's New World) in preparing their submissions to the Division:

Extraordinary - more than ordinary: not of the ordinary order or pattern; going beyond what is usual, regular, common or customary: not following the general pattern or norm; exceptional to a very marked extent: most unusual: far from common

Implementation - to carry into effect; fulfill; accomplish: to provide the means to carry out of; give practical effect to

EXCEPTION PROCEDURE

In order to receive a cap exception, a recipient municipality must provide the Division of Local Government Services the following documentation:

1) "Application for Interlocal Services Agreement Budget Cap Exception" (attached to this Notice). The application includes basic information about the ILSA and certification of costs required from the Chief Financial Officer.

2) A certified copy of an Interlocal Services ordinance and executed contract (if appropriate) between the parties.

3) Resolution from the Governing Body approving submission of the application.

If the Division determines that the application meets the requirements, the cap exception is granted and an identification number is assigned to the ILSA. When this number is used as part of the line item description in either the recipient or provider budget documents, no other copies of contracts or ordinances need be provided to the Division as budget documentation.

Budget line items for ILSA appropriations should follow this example:

(In Recipient Budget - Sheet 20)
Interlocal Service Agreement - Township of Provider - DLGS ID #
Solid Waste Collection Service

(In Provider Budget - Sheet 20)
Interlocal Service Agreement - Town of Recipient - DLGS ID #
Solid Waste Collection Service
Salaries & Wages
Other Expenses

ILSA PLANNED APPROPRIATION REPORT

This section applies to all ILSA's, whether or not covered under this cap exception option, and is intended to ensure that budgeted revenues and appropriations for ILSA services in provider and recipient budgets match.

Effective with FY 1993 budgets, Chief Financial Officers of recipient municipalities shall submit an ILSA Planned Appropriation Report (part of this Notice). It should be submitted at least 30 days prior to their budget introduction date, but no later than the budget introduction. This report serves as certification of the agreement reached between the provider and recipient of services (whether or not the provider is another municipality) for the cost of services provided during the budget year. This replaces any individual certifications or contracts that have been required for budget approval.

This single form will be part of the Division's computerized data base and will provide the basis for budget review of appropriations and revenues in the affected budgets. Municipalities operating under traditional ILSA practices must also use this procedure.

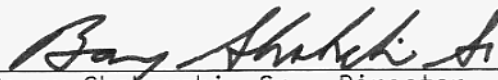
REQUIREMENTS OF INTERLOCAL SERVICE AGREEMENTS

Officials are urged to carefully review N.J.S.A. 40:8A, the Interlocal Services Act, the statute that generally governs interlocal service agreements. Section 40:8A-4 requires municipalities to enter into an ILSA contract through adoption of an ordinance (for counties, through a resolution). Under the act, the contract shall specify the following:

- 1) the exact nature and extent of the services to be performed jointly or by one or more of the parties as "agent" for any other party or parties (Note: in common usage, the Division equates the term "agent" to be "provider");
- 2) measurable standards of the level, quality and scope of such performance, with specific assignment and allocation of responsibility for meeting such standards between or among the parties;
- 3) the estimated cost of such services throughout the duration of the contract, with allocation thereof, to the parties, in dollar amounts or by formula, including a time schedule for periodic payment of installments of such allocations; which specifications may include provision for the periodic modification of estimates or formulas contained therein in the light of actual experience and in accordance with procedures to be specified in the contract;
- 4) the duration of the contract, which shall be for seven years, unless otherwise agreed upon by the parties; and,
- 5) the procedure for payments to be made under the contract.

As this is effective for Fiscal Year 1993, municipalities operating under the State Fiscal Year system can take advantage of it immediately. Calendar year municipalities may start planning for its implementation in 1993 by reviewing options for ILSA's and adopting the necessary ordinances and agreements. Applications may be filed at any time, and municipalities are urged to move forward at their earliest opportunity to file them prior to next year's budget cycle.

Questions surrounding requirements for ILSA agreements can be answered by the Bureau of Local Management Assistance at (609) 292-7842. This Bureau also has several publications about ILSA's and the enabling legislation available upon request. Questions surrounding the exception process are handled by the Bureau of Financial Regulation and Assistance at (609) 292-4806.



Barry Skokowski, Sr., Director
Division of Local Government Services

Distribution:

Municipal and County Chief Administrative Officers
Municipal and County Chief Financial Officers

**LOCAL FINANCE BOARD APPROVED
INTERLOCAL SERVICE AGREEMENTS
FOR BUDGET CAP EXCEPTIONS - NOVEMBER, 1992***

ANIMAL CONTROL

Animal Control and Pound Services
Animal Control Officer
Animal Control Services
Dog Canvasser
Pound and Holding Facility

CODE ENFORCEMENT

Code Enforcement
Code Enforcement/Zoning

CONSTRUCTION CODE

Construction Official Inspection
[May include building, plumbing,
electrical and/or fire inspection.]

CORRECTIONS

Community Service Workers
Housing of Juveniles
Jail Inmates for Public Works Activities

COURTS

Court Room Use
Joint Municipal Court

DATA PROCESSING

Animal License System
Cooperative Automation of Library Services
Equipment Sharing
Financial Systems
General Inventory Systems
Miscellaneous Revenue System
Payroll System
Police Package
Police System - Incidents Warrant Address
Property Tax Assessment System
Property Tax Bill Preparation
Property Tax Collection and Assessment System
Property Tax Collection System
Traffic Tickets
Utility System Billing

DEVELOPMENT CORPORATION

Development Corporation

DISPATCHING

911 Emergency Services
Emergency Services
Emergency Services (Including 911)
Fire and Rescue Services
Fire Services
Police Services
Police, Fire and Rescue Services

EMERGENCY MANAGEMENT

Emergency Management

EMERGENCY MEDICAL SERVICES

Rescue Squad
Hazardous Materials Response Team

FIRE SERVICES

Protection Services
Sharing Fire Equipment

FUEL

Supply for Motor Vehicles

HOUSING

Affordable Housing Administration

JOINT USE OF EQUIPMENT

Equipment Purchase
Equipment Sharing
Equipment Rental

LAND USE PLANNING

Planning

LIBRARY SERVICES

Joint Library
Library Services
Library Technical Services

PARKS AND RECREATION

Parks and Recreation
Recreation
Recreation Space

POLICE

Administration of Drug Alliance Program
County ID Bureau
Countywide Narcotic Task Force
Crime Prevention
Drug and Alcohol Prevention
Emergency Police Assistance
Emergency Response Team (Hostage Negotiation)
Equipment
Forensic Autopsies
Mobile Data Terminal Units
Pistol Range
Police Services
Regionalization of Police Force
Services to Housing Authority

PRINTING

Printing Services

PUBLIC HEALTH SERVICES

Dental Health Program Services
Diabetes Education
Health Services
Immunization Clinic
Inspection Services
Laboratory Services
Nursing Services
Parochial School Public Health Nursing Program
Sanitary Inspector

PUBLIC TRANSPORTATION

Bus Service

PUBLIC WORKS

Beach Cleaning
Brush Grinding
Building and/or Grounds Maintenance
Construction of Salt and/or Sand Storage Shed
Public Works Activities
Purchase of Road Materials
Road Maintenance
Road Striping
Sewer Maintenance
Snow Removal
Storm Drain Cleaning
Street Signs
Street Sweeping
Traffic Signal Maintenance
Tree Planting
Tree Trimming and Mulching

**RECYCLING AND SOLID WASTE
DISPOSAL**

Cardboard and Newspaper Recycling Depot
Collection of Recyclable Material
Composting Site
Disposal of Compostable Vegetative Materials
Landfill Closure Plan
Leaf and/or Grass Composting
Provision of Equipment and/or Vehicle
Recycling Collection Center
Refuse Transfer and Disposal
Trash Collection

**SENIOR CITIZEN/DISABLED SERVICES
TRANSPORTATION**

SEWAGE DISPOSAL

Joint Meetings
Sewage Disposal

(continued on reverse)

**LOCAL FINANCE BOARD APPROVED
INTERLOCAL SERVICE AGREEMENTS FOR
BUDGET CAP EXCEPTIONS - AUGUST, 1992**

STAFF SHARING

Chief Financial Officer
Construction Official
Engineer
General
Housing Cost Estimator
Tax Assessor
Tax Collector
Welfare Director
Welfare Services
Zoning Officer

STORAGE TANK REMOVAL

Underground Tank Removal and/or
Tank Installation

WATER SUPPLY

Water Supply

ZONING

Enforcement Services