

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
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DIRECTOR**CY 2000 BUDGET INFORMATION**

This Local Finance Notice contains important information concerning the preparation and submission of your CY 2000 Budget, 1999 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:

- CY 2000 Municipal Information Sheet;
- Chapter 159 Summary Report;
- Sample Budget Publication Notice;
- Local Finance Board meeting dates;
- List of Local Finance Board Members;
- A subscription form to receive **all** Local Finance Notices issued in 2000. Use this form if you want to receive all Notices, not just those targeted toward individual officials. Please note that notices will also be posted on the Division's web site as they are issued. Our address is:
<http://www.state.nj.us/dca/lgs/pages/dcadlgs.htm>

Introduction

Adherence to the statutory deadlines for the introduction and adoption of municipal and county budgets and the filing of annual financial statements and annual audits will be enforced. All calendar year municipalities must introduce a 2000 budget and file a 1999 annual financial statement by February 10. All counties must introduce a 2000 budget and file a 1999 annual financial statement by January 26. Noncompliance may jeopardize a municipality's eligibility for Extraordinary Aid, and may subject municipal and county governing body members to penalties.

The State Aid information will be forthcoming, once the Governor's budget is announced. Concerns over State aid should not preclude your municipality from introducing a budget by February 10. Local governments have statutory authority to anticipate revenues certified by the Director of the Division of Local Government Services and others up to the amount realized in the prior year for introduction purposes. Any final adjustments may be corrected through the budget amendment process. As always, receipt of State Aid is subject to final passage of the State budget.

Division's Web Site

Information has been added to the Division's Web Site under the Bureau of Financial Regulation and Assistance. This new information includes a spreadsheet containing the information on the enclosed Municipal Information Sheet for all municipalities. Also, the Regional School Debt Computation has been added which will also assist in the preparation of the 1999 Annual Debt Statement. Our address is:

<http://www.state.nj.us/dca/lgs/pages/dcadlgs.htm>.

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 1999 Budget" refers to the 1999 budget as modified by all transfers.
- Items No. 2 and No. 4 on the municipal form and item No. 4 on the county 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.

Budget Review - Local Examination

N.J.S.A. 40A:4-78(b) and rules promulgated by the Local Finance Board permit certain municipalities in sound fiscal condition to assume the responsibility, normally granted to the Director of the Division, of conducting the annual budget examination required by the Local Budget Law.

All documents associated with the budget process must be filed with the Division, regardless of local examination status. It is absolutely critical for local officials to understand that participation in the program does not relieve them from filing, with the Division, all budget documents that are normally filed. This includes three copies of the introduced and adopted budgets, special item checklists, and any other documentation that is normally part of the budget review process. The Division must have a complete file for every municipality, regardless of who examines the budget.

The Group Number and eligibility status of your municipality is shown on your Municipal Information Sheet, which is included with this Notice. For 2000, Group 3 will be examined by the Division and Groups 1 and 2 are able to participate in the Local Examination Program. The qualification form to be completed by the Chief Financial Officer is now part of the Annual Financial Statement. Please note, if your municipality conducted an accelerated tax sale in 1999 or you are planning to conduct one in 2000, your municipality does **not qualify** for local examination. Also, if your municipality is planning a Tax Levy Sale, you do not qualify for local examination.

Even though a municipality may successfully pass the eligibility and qualification process, the governing body may choose to have the Director conduct the examination. This option cannot be elected by the Chief Financial Officer. The governing body must pass a resolution waiving its rights to locally examine, and request the Director to conduct the examination. This choice must be made prior to the introduction of the budget.

If the municipality is deemed eligible and qualifies for local examination, the examination must be completed, pursuant to N.J.S.A. 40A:4-45.3, 4-76 and 77 and any other applicable statute. Prior to budget adoption, the Chief Financial Officer and governing body must both agree that these requirements have been met. On the forms distributed with the budget packages, the Chief Financial Officer must certify and the governing body must execute a resolution approved by the majority of its full membership.

The Division will signify acceptance of the adopted budget by certifying the levy to the County Board of Taxation. You will not receive a copy of the budget in the mail.

CY 2000 Budget Cap

Local units have received their 2000 CAP and CAP banking calculations. CAP rates and model documents were included with Local Finance Notice CFO-99-7 which set the CAP rate at 2.5%. 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 CY 2000, the ordinance, in the case of a municipality and resolution or ordinance, in the case of a county, 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 CY 1998 audit have been filed with the Division.

Counties should also be aware that P.L. 1997, c.52 provides a CAP exception for certain mosquito control activities.

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.

Accelerated Tax Sale/Levy Sale

A municipality that conducted an accelerated tax sale in 1999 or is planning on conducting an accelerated tax sale or levy sale in 2000 is ineligible for local examination. Proceeds realized from an accelerated tax sale or a levy sale

should not be included as part of the tax collection rate per the legislation. 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. The first year you conduct an accelerated tax sale, 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 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.

Pension Appropriations

For Calendar Year 2000, municipalities are not required to include an appropriation for Public Employees Retirement System obligations. Police and Firemen's Retirement System bills are estimated to be mailed in early January. 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.

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. To utilize either provision, requires a governing body resolution **adopted prior** to the introduction of the budget. 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.

Municipalities conducting a local examination are subject to publication requirements and must file the amendment with the Division, though Division approval is not required.

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. Special attention by the Chief Finance Officer should be paid to amendment reviews where Local Examination is in effect.

Upon receipt of the adopted budget and verification of the levy, the Division will certify the CY 2000 municipal or county purpose tax levy to the County Board of Taxation. A municipality with a Type I school should submit the Board of School Estimate resolution setting the school levy, the concurring resolution of the municipal governing body, if applicable, and a copy of the A4F form to the Division.

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

Ulrich Steinberg

Ulrich H. Steinberg, Jr., Director

Division of Local Government Services

Enclosures

Distribution: Municipal and County Chief Financial Officers

CFO and CCFO to distribute copies to elected officials, chief administrator, municipal clerk, and registered municipal accountant.