

New Jersey Department of Community Affairs  
Division of Local Government Services

CFO 2003-11

10/20/2003

Notice Number

Date

# LOCAL FINANCE NOTICE

JAMES E. MCGREEVEY  
GOVERNOR

SUSAN BASS LEVIN  
COMMISSIONER

JOSEPH P. MONZO  
ACTING DIRECTOR

## Calendar Year 2004 - Municipal Budget Cap Index Rate

Pursuant to N.J.S.A. 40A:4-45.1a, the Director of the Division of Local Government Services must promulgate the index rate applicable to municipal and county budget caps.

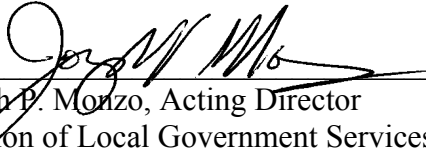
Based on the Implicit Price Deflator for State and Local Government, calculated by the United States Department of Commerce, Bureau of Economic Analysis, (September 2003, Survey of Current Business), the index rate for CY 2004 is two and a half percent (**2.5%**).

A municipality, by ordinance, may increase the aforementioned percentage up to five percent under the provisions set forth in N.J.S.A. 40A:4-45.14(b). A model ordinance is included with this Notice and is available for download as a word document on the Division's web site at [www.nj.gov/dca/lgs/lfns/lfnmenu.shtml](http://www.nj.gov/dca/lgs/lfns/lfnmenu.shtml).

If a governing body wishes to increase its allowable percentage increase in its budget the following steps must be taken:

1. After January 1<sup>st</sup>, and **prior to introduction** and approval of the budget, an ordinance (resolution for counties) must be introduced that details the following:
  - a. The new rate (increase percent) to be adopted; and,
  - b. The additional amount of appropriations (or tax levy for counties) to be added by the increase.
2. The ordinance (resolution) must be approved by a majority of the full membership of the governing body, published, and a public hearing held at least 10 days after the publication date. A certified copy of the introduced action must be filed with the Director of the Division of Local Government Services within 5 days of its introduction.
3. The governing body may take a final vote on the action any time after the public hearing and prior to adoption of the budget. Depending on the form of government, the chief executive may veto the action in accordance with local procedures.
4. The ordinance takes effect immediately upon passage, and a certified copy of the adopted action must be filed with the Director within 5 days.
5. Cap increase referendums are not permitted if this option is chosen.

If you have any questions regarding this determination, please call the Bureau of Financial Regulation and Assistance at (609) 292-4806 or by e-mail at [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us).

  
Joseph P. Monzo, Acting Director  
Division of Local Government Services

Distribution: County and Calendar Year Municipalities Chief Financial Officers via GovConnect

Director's Office  
(609) 292-6613

Local Government  
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(609) 292-6110

Financial Regulation  
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(609) 292-4806

Local Finance  
Board  
(609) 292-0479

Local Management  
Services  
(609) 292-7842

Authority Regulation  
(609) 984-0132

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(609) 984-7388

101 South Broad Street

P.O. Box 803  
[www.nj.gov/dca/lgs](http://www.nj.gov/dca/lgs)

Trenton, New Jersey 08625-0803

**2004 MODEL "CAP" ORDINANCE TO EXCEED INDEX RATE;  
INDEX RATE LESS THAN 5 % LIMITATION FOR THE YEAR 2004 (N.J.S.A. 40A:4-45.14)**

**WHEREAS**, the Local Government Cap Law, N.J.S. 40A:4-45.1 et seq., provides that in the preparation of its annual budget, a municipality shall limit any increase in said budget to 5% or the index rate, whichever is less, over the previous year's final appropriations, subject to certain exceptions; and,

**WHEREAS**, P.L. 1986, C. 203 amended the Local Government Cap Law, to provide that a municipality may, in any year in which the index rate is less than 5%, increase its final appropriations by a percentage rate greater than the index rate but not to exceed the 5% rate as defined in the amendatory law, when authorized by ordinance; and,

**WHEREAS**, the index rate for 2004 has been certified by the Director of the Division of Local Government Services in the Department of Community Affairs as 2.5%; and,

**WHEREAS**, the (*insert the name of the governing body*) of the (*insert the name of the municipality*) in the County of (*insert the name of the county*) finds it advisable and necessary to increase its 2004 budget by more than 2.5 % over the previous year's final appropriations, in the interest of promoting the health, safety and welfare of the citizens; and,

**WHEREAS**, the (*insert the name of the governing body*) hereby determines that a (*insert the rate of increase*) % increase in the budget for said year, amounting to \$ (*insert the dollar amount increase*) in excess of the increase in final appropriations otherwise permitted by the Local Government Cap Law, is advisable and necessary.

**NOW THEREFORE BE IT ORDAINED**, by the (*insert the name of the governing body*) of the (*insert the name of the municipality*), in the County of (*insert the name of the County*), a majority of the full authorized membership of this governing body affirmatively concurring, that, in the 2004 budget year, the final appropriations of the (*insert the name of the municipality*) shall, in accordance with this ordinance and P.L. 1986, C. 203, be increased by (*insert the rate increase*) %, amounting to \$ (*insert the dollar amount increase*), and that the 2004 municipal budget for the (*insert the name of the municipality*) be approved and adopted in accordance with this ordinance; and,

**BE IT FURTHER ORDAINED**, that a certified copy of this ordinance as introduced be filed with the Director of the Division of Local Government Services within 5 days of introduction; and,

**BE IT FURTHER ORDAINED**, that a certified copy of this ordinance upon adoption, with the recorded vote included thereon, be filed with said Director within 5 days after such adoption.