

LFN 2013-20

September 3, 2013

Local Finance Notice

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Distribution

Municipal Clerks
 Chief Financial Officers
 Municipal Elected Officials

CY 2013/SFY 2014 Best Practices Inventory

The State's Fiscal Year 2014 Appropriations Act (P.L. 2013, c.77) requires the Division of Local Government Services ("Division") to determine how much of each municipality's final 5% allocation of CMPTRA and ETR aid will be disbursed based on the results of a Best Practices Inventory ("Inventory") to be completed by each municipality. The Inventory encourages municipalities to embrace practices that promote financial accountability and transparency. This Local Finance Notice provides guidance on how the Division will implement this statutory requirement.

Municipalities operating on a Calendar Year or Transition Fiscal year (SFY reversions) must return their completed Inventory to the Division by **October 15, 2013**. Those municipalities operating on State Fiscal Year budgets must return their completed Inventory by **April 1, 2014**. Completion and filing instructions are included in an Appendix to this Notice. Weblinks are provided on the bottom of the Inventory to items cited in questions 4, 5, 9, 13, 17, 29, 33, 40 and 50.

The CY2013/SFY2014 Inventory remains 50 questions, 12 of which are completely new. In light of the Comptroller's recent report on local government legal fees, one question asks whether your municipality follows certain best practices with respect to its legal work. Another new question highlights the need for municipalities to review their emergency management plans in light of Superstorm Sandy.

For purposes of clarification, some repeat questions may be in a different form as compared to last year; however, the same information is being sought. Perfect scores are not required to receive the final 5% State aid payments.

Items of note include:

1. **User Friendly Format.** The Inventory is in the form of an [Excel worksheet](#) that must be filled out and emailed to the Division. In addition to allowing "yes" or "no" answers, for certain questions the form allows the option of answering each question as "not applicable" or that compliance will be "prospective." "Not applicable" is only an appropriate answer if a municipality concludes that the requirement is impossible to meet given the municipality's circumstances.

Using “not applicable” requires an explanation of why it is not applicable in the “comment” space provided. The “prospective” answer should only be used to indicate that compliance with a practice will be forthcoming in the upcoming year based on good faith efforts and direction from appropriate officials to implement the practice. The spreadsheet automatically computes the score, with “prospective” and “not applicable” counted as positive answers for purposes of scoring.

2. **Repeat Questions cannot be answered “Prospective”.** These are questions the Division found to be critical performance measures worthy of continued monitoring. The CY2013/SFY2014 Inventory will not allow an answer of “prospective” to any question color keyed in red or green. As stated in Local Finance Notice 2012-18, a “prospective” answer in the prior year’s Inventory reflected a commitment toward compliance in the upcoming year. The Division will actively review completed Inventories and may withhold credit if requisite good faith efforts to comply are not apparent.
3. **Certain Questions Cannot Be Answered “Non-Applicable”.** The Division has identified certain questions that should be applicable to all municipalities. As a result, answers of “non-applicable” will not be allowed for those questions color-coded blue or green.
4. **Criteria for Withholding Aid.** This year’s criteria withholds aid in an identical manner to that used in last year’s inventory, using a sliding scale up to the full amount of final aid payment:

# of Questions scored yes, prospective, or “not applicable”	Amount of Aid Disbursed	Impact on final 5% aid payment/impact on total aid
41-50	100%	No penalty
33-40	80%	Lose 20% which equals 1% of total aid
25-32	60%	Lose 40% which equals 2% of total aid
17-24	40%	Lose 60% which equals 3% of total aid
9-16	20%	Lose 80% which equals 4% of total aid
0-8	0%	Lose 100% which equals 5% of total aid

5. **Appeals Permitted.** The State Appropriations Act requires the Director of the Division of Local Government Services to exercise discretion and flexibility in scoring the Best Practices Inventory and reasonable accommodations will be considered where circumstances warrant. Appeals to the Director must be submitted **no earlier than the submission deadline, but no later than October 25, 2013 (or April 11, 2014 for SFY Municipalities).**

Important changes to the Inventory include:

- **Inventory Certification.** The municipality’s Chief Administrative Officer, in addition to the Chief Financial Officer, must certify this year’s Inventory; the space for which is provided on the worksheet. The Division made this change due to the varied nature of the questions being asked. Both officials must provide their certification number for all licenses they have been issued by the Division of Local Government Services.
- **Governing Body Acknowledgement.** As for the governing body’s acknowledgement, the completed form must be an agenda item for discussion at a municipal governing body meeting. In contrast to last year’s process, the Municipal Clerk must certify **on the worksheet** that the Inventory and the results thereof were discussed publicly, with the inventory results and the certification of same by the chief administrative and financial officers referenced in the meeting minutes. There is no separate certification submission

for municipal clerks this year. The purpose of the acknowledgement requirement is to ensure that local officials have been apprised of their municipality's Best Practices Inventory response.

- **No Inventory Amendments Permitted Except Upon Appeal to Director.** Once the municipality's Best Practices Inventory is transmitted to the Division, the worksheet cannot be amended and resubmitted except by making an appeal to the Director through the process outlined on Page 2.

Approved: Thomas H. Neff, Director.

APPENDIX
INSTRUCTIONS TO COMPLETE AND SUBMIT THE CY 2013/SFY 2014
BEST PRACTICE INVENTORY

Step 1 -- Download the Excel spreadsheet from the Division's Best Practice webpage at http://www.nj.gov/dca/divisions/dlgs/programs/best_practices.html. The worksheet is locked and allows access only to relevant fields.

Step 2 – Select Name of Municipality: follow the instruction at the top of the worksheet. (Click in cell C1, then click on the down arrow on the right side of the cell, then choose the name of municipality.)

Step 3 – for each inventory question, click in the “Select” cell in Column C and choose the appropriate response.

For those questions that permit a non-applicable answer, if the answer to a question is “Not Applicable” insert an explanation in the “comment” cell (Column E). The cell can expand to fit the size of the comment.

Step 4 – The Chief Administrative Officer and Chief Financial Officer for the municipality insert their name, certifying to the application's accuracy, and provide any license number that has been issued to them by the Division of Local Government Services. For example, if a certified Chief Financial Officer is also a Certified Tax Collector, their CTC license number should also be provided.

Step 5 – The Municipal Clerk will certify that the Inventory results, and the certification of same by the Chief Administrative Officer and Chief Financial Officer, was discussed with the governing body at a public meeting and will be incorporated into the minutes thereof.

Step 6 – Save the file using the following naming structure: *2013_best_practice_****.xls* and replace ******** with the municipality's 4-digit municipal code # (it appears in Cell B2 after the municipality's name is chosen).

Step 7 – Email the worksheet to: bestpractices@dca.state.nj.us Please include in the Subject Line the name of the municipality and the phrase “Best Practice Submission.”

Email questions concerning completing the worksheet to dlgs@dca.state.nj.us. The deadline for submitting the CY 2013 filing is October 15, 2013; the SFY 2014 deadline is April 1, 2014.