



**LFN 2013-05**

**January 4, 2013**

# Local Finance Notice

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101 South Broad St.  
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### Web:

[www.nj.gov/dca/divisions/dlgs](http://www.nj.gov/dca/divisions/dlgs)

E-mail: [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us)

### Distribution

Elected Officials  
Municipal Clerks  
Municipal C.F.O's

## Transitional Aid Application Process (Municipalities Operating on Calendar Year Only)

### MANDATORY NOTIFICATION OF INTENT TO APPLY AND MANDATORY ORIENTATION FOR NEW APPLICANTS

Any Calendar Year municipality intending to apply for CY 2013 Transitional Aid must notify the Division by emailing a completed "Notice of Intent to Apply" to [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us) by January 25, 2013.

The Mayor and Chief Administrative Officer of each Calendar Year municipality not currently receiving Transitional Aid and intending to apply are required to attend a mandatory orientation meeting to discuss the application process and conditions of award. This mandatory meeting will be on January 29, 2013, at 1:00 PM, in Conference Room 129 of the Department of Community Affairs, 101 South Broad Street, Trenton. The application process for all applicants is described below.

**SPECIAL NOTE CONCERNING PROSPECTIVE APPLICANTS SEEKING TO AMELIORATE IMPACTS OF SANDY:** Federal assistance is available for municipalities that have lost taxable properties and revenue sources due to Superstorm Sandy. Any municipality seeking to apply for Transitional Aid to address such losses must immediately meet with the Division to discuss local efforts to obtain federal assistance. State aid will not be made available to municipalities not making every effort to obtain federal assistance.

### A. Overview

This Local Finance Notice (LFN) explains the criteria and application process for **CY 2013** municipalities to be considered for Transitional Aid (TA). Transitional Aid is the only discretionary State aid available for CY 2013 municipal budgets.

Aid will only be available to CY municipalities anticipating difficulties making payments toward nondiscretionary or critical obligations including, but not limited to debt service, contractual obligations and public safety payroll.

Applying for aid under the Transitional Aid program is a declaration that the municipality is incapable of meeting its obligations and managing its finances without special state assistance, oversight and intervention.

Receipt of aid will be conditioned on the municipality meeting the following requirements:

- Submitting to broad State controls over hiring, procurement, and other matters
- Enacting or strengthening comprehensive pay-to-play ordinances
- Performing reasonable revaluations or reassessments of property as required by law
- Submitting to such additional fiscal control measures as may be directed by the Division of Local Government Services

Applicants that receive aid will be required to sign a Memorandum of Understanding (MOU) with the Division of Local Government Services (Division/DLGS) acknowledging state controls and committing to compliance therewith.

A sample of the current MOU is on the Division's website under the [Municipal State Aid](#) section. The terms of MOUs for the CY 2013 cycle will likely contain additional State conditions. Those municipalities seeking aid solely due to the impacts of Superstorm Sandy, will be asked to sign a different MOU with specially tailored conditions focusing on: updating emergency management plans; demonstrating a commitment to quickly rebuilding public property and ratables in a manner designed to minimize recurring damage; pursuing efficiencies through mergers or shared services as deemed appropriate by local officials to address changed populations or service models; and aggressively pursuing all available federal assistance.

The application, evaluation and award process is rigorous and developed to apply to municipalities having severe structural financial problems. Only municipalities demonstrating substantial actions to become self-sufficient by increasing revenues or reducing costs will be awarded funds.

Labor cost reductions and changes in service delivery are general preconditions for receipt of aid. Applications must show that the municipality has moved beyond planning for operational efficiency and has begun to reduce costs. Maintenance of the "status quo" will not suffice.

The application and introduced budget should reflect only funding for essential services. Budgets must eliminate discretionary spending funded by property taxes, such as discretionary accounts for elected officials, nonessential funding of non-profit agencies and budgeting for non-essential personnel vacancies.

Additionally, applicants shall demonstrate that user fees have been established for discretionary services so that taxpayers are not subsidizing nonessential programs.

#### **A. CY 2012 Transitional Aid Recipients Applying in CY 2013**

Municipalities that received TA in CY 2012 and are operating under an MOU through the end of 2013 will be eligible for early termination of the terms of the MOU if they sign an agreement not to apply for additional aid for CY 2013 and for the next two budget years. These municipalities are encouraged to contact the Director of the Division of Local Government Services to make application for early termination.

If applying for CY 2013 TA, current recipients must certify that they are in substantial compliance with all conditions and requirements of their 2012 MOU conditions, including, but not limited to, the following: establishment of a pay-to-play ordinance; elimination of longevity for employees not contractually entitled to longevity pay; and receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Finally, all municipalities currently operating under a TA MOU are advised that a decrease from last year's funding is likely. Requesting level or increased funding will be viewed as a failure to acknowledge the need to reduce reliance on TA and will adversely impact applications. Applicants seeking level or increased funding must include a letter from the mayor addressing why they failed to reduce their need for funding.

The Division will consider reducing oversight provision in the MOU for those municipalities requesting an amount of Transitional Aid for 2013 that reflects a reduction of at least 15% of Transitional Aid provided in 2012.

### **B. Eligibility to Apply**

Applicants must meet the following minimum criteria in order to be considered for the award of funds under the TA program.

1. The municipality received Transitional Aid during CY 2012. See #10 below for eligibility criteria for municipalities that did not receive TA during CY 2012. See #11 below for eligibility criteria for municipalities applying for funds due solely to the impact on revenue sources (ratables and other revenues) of Sandy.
2. The budget must be introduced on, or before, March 15, 2013. For the purposes of introduction only, municipalities may anticipate 85% of TA funds received in CY 2012. This level of funding is not a guarantee and is only permitted for the limited purposes of advancing a budget for introduction. The budget shall be subject to Division review (no local examination). Municipalities that have adopted their budgets are not eligible for aid.
3. The municipality must demonstrate reductions or limited increases in Salary and Wages (S&W) costs. The applicant shall document changes in S&W line items that resulted in the decrease. The Division expects that the municipality shall have engaged with its unions and non-union employees to effectuate savings through reduced salary costs, reduced staffing levels, modified work rules, modified controllable benefits costs, or other effort to mitigate S&W costs. Acceptance or reliance on the status quo of salary and wage costs will disqualify an applicant.
4. The levy in the introduced budget must contain a tax increase of no less than the maximum permitted by the levy cap workbook or 6%, whichever is less. It should be noted that this requirement is for planning purposes only and will not prohibit aid from being awarded allowing for a final budget with different levy.
5. Left blank intentionally.
6. The municipality must demonstrate severe fiscal distress that will result in a constrained ability to raise sufficient revenues to meet budgetary requirements. If such fiscal distress was created by the municipality (i.e., deliberately deferring costs, issuing debt with "balloon payments," or imprudently using one-time resources without taking steps to plan

for the future loss of the revenue), the applicant's chance of success will be diminished substantially.

- Severe fiscal distress can be demonstrated by the presence of substantial structural or accumulated deficits, and/or limited ability to raise supplemental non-property tax revenues.
  - The "constrained ability" criteria must document why existing local revenues, including sewer fees, municipal court revenues, and property taxes cannot be raised to cover increased costs or offset reduced revenues. If available, other local revenue raising options must be implemented as part of the application.
  - Documented extraordinary demands for public safety appropriations, can supplement a constrained ability to raise revenues.
7. The budget shows spending restraint from CY 2012. This must include documented efforts to share public safety dispatch, code enforcement, public health services, and other services offered by neighboring municipalities, area boards of education, local authorities, or the county, if those costs are less than the current full cost of providing equivalent service. Municipalities should document demonstrated efforts to reduce energy costs, including bidding (individually or through a cooperative) for electricity and natural gas, and implementation of renewable energy systems.
- The application also must include an explanation and documentation of all cost reduction efforts, including attempts explored, but not implemented, and why they were not pursued.
8. Actions to increase revenues and ratables: the municipality must provide an assessment of existing local revenues, whether or not rates or collections can be increased and a plan to implement potential changes.
9. For applicants not currently receiving TA, the municipality shall agree to introduce a model pay-to-play ordinance prior to March 30, 2013, pursuant to P.L. 2005, c.271, limiting the awarding of public contracts by the municipality or its agencies to business entities that have made a contribution pursuant to N.J.S.A. 19:44A-1 *et seq.* and restricting the contributions that the holders of a contract can make during the term of a contract. The ordinance shall be substantively identical to the [Model Ordinance](#) posted on the Division's website.
10. A municipality that did not receive TA last year may apply if it meets criteria 2-9 above, **AND** it suffered an extraordinary revenue loss or extraordinary appropriation increase (other than appropriation increase common to other municipalities.)
11. Municipalities applying for funds due solely to the impact on expenditures or revenue sources due to the impacts of Sandy shall not be required to meet the conditions above with the exception of #2. However, any municipality seeking to apply for transitional aid to address such losses must immediately meet with the division to discuss local efforts to obtain federal assistance. State aid will not be made available to municipalities that have not made every effort to obtain federal assistance.

### C. Application Requirements

Together with the application, the municipality shall provide to the Division in both hard copy and electronic format:

1. The budget documentation provided to the governing body in support of budget line items. The Division reserves the right to request additional budget documentation.
2. Current organizational charts showing budgeted positions and titles.
3. **\*For new applicants only\*** In Excel format, separate files for each of the last four years showing the name of each officer and employee of the municipality as of the first payroll of the calendar year starting with January 2012, together with their annual salary, title, department, and date of hire.
4. If the municipality does not participate in the State Health Benefits Program, provide a written explanation as to why and how much the municipality saves by not using the SHBP.
5. Debt service schedules for all municipal obligations, including municipally operated utilities; all listed by payment date.
6. A list of all motor vehicles owned or leased by the municipality (excluding construction equipment and fire apparatus); the agency assigned its use; if the vehicle is assigned to an individual, the name of the individual; and if the vehicle is used by the individual outside of the regular work day.
7. For Civil Service municipalities, a certified statement (part of the application form) from the head of personnel or human resources stating that the municipality has placed the names of all current civil service employees in CAMPS (County and Municipal Personnel System).
8. FOR ONLY THOSE MUNICIPALITIES WITH AREAS DESIGNATED "AREAS IN NEED OF REDEVELOPMENT" AND "AREAS IN NEED OF REHABILITATION": In recognition that special tax exemptions or abatements should be granted only where essential to ensure economic development, the Municipality shall complete and return to the Division a completed "Tax Exemption and Abatement Report", which is an electronic fill-in spreadsheet located under the [Municipal State Aid section of our website](#). The following pdf attachments must also accompany the report: a map of all areas within municipality classified as Redevelopment Areas; a map of all areas within municipality classified as Areas in Need of Rehabilitation; and any current ordinance(s) allowing taxpayers to obtain tax exemptions or abatements as a matter of right. Please note that these filing requirements are required pursuant to State statute. It will be necessary for the Tax Collector, Chief Financial Officer, and Tax Assessor to collaborate in preparing the form and certify to the accuracy of the data submitted.

In addition:

- After the application is submitted, the Mayor, Chief Administrative Officer, and Chief Financial Officer shall participate in a telephone conference call or an in-person meeting, as scheduled by Division of Local Government Services staff, to discuss the application.

- The Division reserves the right to request additional information during the application review process.
- By submitting the application, the municipality acknowledges that the law provides that the decision of the Director regarding aid awards is final and not subject to appeal.

The Division must receive applications and related material, including introduced budgets, for CY 2013 budgets by March 15, 2013. Budgets must be introduced by the application deadline or no aid will be provided. Award decisions are expected to be made as soon as possible thereafter, so that municipalities may plan for a levy cap referendum if necessary.

The [application can be downloaded](#) from the Division website. Please contact the Division at [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us) with any questions.

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Approved: Thomas H. Neff, Director

### Table of Web Links

Page	Shortcut text	Internet Address
2	Online MOU	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/muni_stateaid.html">http://www.nj.gov/dca/divisions/dlgs/resources/muni_stateaid.html</a>
4	Model Ordinance	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/pay_to_play_ordinance-contractor.doc">http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/pay_to_play_ordinance-contractor.doc</a>
5	Downloadable Application	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/cy_2013_transitional_aid_application.doc">http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/cy_2013_transitional_aid_application.doc</a>
6	Tax Abatement Form	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/muni_stateaid.html">http://www.nj.gov/dca/divisions/dlgs/resources/muni_stateaid.html</a>
7	2011 Taxes file	<a href="http://www.nj.gov/dca/divisions/dlgs/resources/property_docs/11_data/11taxes.xls">http://www.nj.gov/dca/divisions/dlgs/resources/property_docs/11_data/11taxes.xls</a>

## Appendix A

### Instructions for Completing the Transitional Aid Application Form

Complete the Application Form in its entirety. Use the criteria for application in section B of this Notice to determine if the municipality is eligible to even apply. The Division will review the form for eligibility and reject any forms not meeting the criteria.

#### Application Form

1. The Application Form is designed to be filled out using Microsoft Word.
2. The application and all associated material must be submitted through two hard copies with original signatures, as well as, electronically (with or without signatures).
3. Fields will expand if additional room is needed to complete an item; it is permitted for pages to be added if text continues to an extra page.

#### Definitions and Form Guidance:

- Section VI-4: Average Residential Assessment - use the amount in DLGS online [2011 Taxes file](#) Column AC.

#### Submission Checklist:

- Signed and certified Application Form
- Copy of introduced budget, Annual Financial Statement, and budget documentation
- Organization charts
- Copies of current labor contracts
- Copies of salary ordinance/resolutions and any contracts of non-union affiliated individuals
- Debt service schedules for all municipal obligations, including municipally operated utilities; all listed by payment date
- For prior recipients requesting level or increased funding, a letter from the Mayor explaining why they failed to reduce their need for funding

#### Submission Instructions:

- E-mail electronic forms to [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us), with “<name of municipality> TA Application” in the subject line.
- Submit one copy of the signed application form and any printed documents to:  
Transitional Aid Program  
Division of Local Government Services  
101 South Broad Street  
PO Box 803  
Trenton, NJ 08625-0803

**Contact the Division** at [dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us) with any questions. Please put “TA Question” in the subject line.

**Notice of Intent to Apply - Transitional Aid Program  
CY 2013  
Division of Local Government Services  
Department of Community Affairs**

Complete this form if the municipality is considering applying for financial assistance under the TA program for CY 2013. Submission of the form is non-binding and does not require a municipality to submit a formal application. It is for informational and planning purposes only.

File the Notice **no later than January 25, 2013**.

In addition, the Mayor or Chief Administrative Officer of potential CY 2013 applicants (provided they are not currently recipients of TA), **must attend the orientation meeting at 1:00 pm on January 29, 2013** at 101 South Broad Street, Room 129, Trenton.

Name of Municipality:				County:	
Contact Person:				Title:	
Phone:		Fax:		E-mail:	

Submit the Notice by either email ([dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us)) with the subject line: "TA Notice of Intent," faxing to (609-292-9073), or mailing it to:

Transitional Aid Program  
Division of Local Government Services  
PO Box 803  
Trenton, NJ 08625-0803