

LFN 2017-17

September 1, 2017

Local Finance Notice

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Distribution

Elected Officials
Municipal Clerks
Municipal Chief Financial
Officers

Transitional Aid Application Process (Municipalities Operating on State Fiscal Year Only)

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

Any municipality operating on a fiscal year basis that intends to apply for SFY 2018 Transitional Aid to Localities (Transitional Aid) must notify the Division of Local Government Services (Division) by emailing the information set forth in the "Notice of Intent to Apply" to dlgs@dca.nj.gov by no later than September 15, 2017.

The Mayor and Chief Administrative Officer of each municipality **not** currently receiving Transitional Aid and applying for 2018 aid **will be required to attend** a mandatory orientation meeting to discuss the application process and conditions of award. The meeting for SFY 2018 applicants not currently receiving Transitional Aid will take place on September 29, 2017, at 2:00, in Conference Room 129 of the Department of Community Affairs located at 101 South Broad Street, Trenton. Orientation meeting attendance is not required for municipalities currently receiving Transitional Aid.

The application deadline will be October 13, 2017.

The application process for all applicants is described below.

NEW APPLICANTS

Any SFY municipality that did not receive Transitional Aid in 2017 and that is applying for aid in 2018 shall agree to State oversight that begins on the application *due* date - not on the date of award, if any, of Transitional Aid. State oversight pursuant to this condition of application will terminate if no award is provided or if the application is withdrawn. Oversight upon application will be identical to standard conditions imposed on recipients of aid discussed in more detail below.

A. SFY2018 New Applicants

This Local Finance Notice (LFN) explains the criteria and application process for **SFY 2018** municipalities to be considered for Transitional Aid. This aid is the only discretionary aid available for SFY 2018 municipal budgets.

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

The application, evaluation and award process is rigorous and developed to apply to municipalities that have severe structural financial problems.

Applying for aid under this 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; and
- Submitting to such additional fiscal control measures as may be directed by the Division.

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

A sample of the current [MOU is online](#). The terms of the MOU for the SFY 2018 cycle may contain additional State conditions.

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.

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 where reasonable and practicable for discretionary services so that taxpayers are not subsidizing nonessential programs.

B. SFY 2017 Transitional Aid Recipients Applying in SFY 2018

Municipalities that received Transitional Aid in SFY 2017 and are operating under an MOU through the end of SFY 2017 will be eligible for early termination of the terms of the MOU if they sign an agreement not to apply for additional aid for SFY 2018 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.

In addition, these municipalities, if applying for SFY 2018 TA, must certify that they are in substantial compliance with all conditions and requirements of their SFY 2017 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, legal pursuit of elimination of longevity and other remuneration (not base pay) through collective negotiations for all other employees and receipt of signed approval forms as required prior to hiring personnel and contracting with professional service vendors.

Finally, municipalities currently operating under a Transitional Aid MOU are advised that funding will likely decrease from last year. Requesting level or increased funding will be viewed as a failure to acknowledge the need to reduce reliance on Transitional Aid. 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 provisions in the MOU for those municipalities requesting an amount of Transitional Aid for SFY 2018 that reflects a reduction of at least 15% of aid provided in SFY 2016.

C. Eligibility to Apply

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

1. The municipality received Transitional Aid during SFY 2017. See #8 through 10 below for eligibility criteria for municipalities that did not receive Transitional Aid during SFY 2017.
2. The budget must be introduced on, or before, October 12, 2017. For the purposes of introduction only, municipalities may anticipate 85% of TA funds received in SFY 2017. 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 Wage (S&W) costs. 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 efforts 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. 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.
 - o 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 be used to supplement the lack of ability to raise revenues.
6. The budget must show spending restraint from SFY 2017. 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 must also include an explanation and documentation of all cost reduction efforts, including attempts explored, but not implemented, and why they were not achieved.

7. The municipality must provide an assessment of existing local revenues, including whether or not rates or collections can be increased, and a plan to implement potential changes.
8. For applicants not currently receiving TA, the municipality shall agree to introduce a model pay-to-play ordinance prior to October 13, 2017, 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.
9. For applicants not currently receiving TA, the municipal governing body shall adopt a resolution authorizing application to the Division and acknowledging that upon submission of the application, State oversight shall begin immediately and will be terminated only upon one of the following conditions: (1) the application for aid is withdrawn; (2) notice is received that no award of funds will be provided in SFY 2018; or (3) supervision is memorialized pursuant to the terms of an MOU executed as a condition of grant award.
10. Applicants not currently receiving TA may apply if they meet criteria 2 through 9 above, **AND** must have suffered an extraordinary revenue loss or extraordinary appropriation increase (other than appropriation increases common to other municipalities).

D. 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 period of the calendar year together with their annual salary, title, department, and date of hire.
4. If the municipality does not participate in the State Health Benefits Program, a written explanation as to why not and how much, if any, the municipality saves by not using the SHBP should be provided. In addition, provide support documentation regarding employee health benefit contributions pursuant to Chapter 78.
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 or taken home by the individual.
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 applicants not currently receiving TA, the municipality must submit a resolution agreeing to State Supervision upon application {See #9 under "Eligibility to Apply"}.

E. Other Conditions

- No applicant should assume the receipt of aid. Municipal governing bodies applying for aid should take actions and plan accordingly, including the advancement of a levy referendum if appropriate, to prepare for the possibility of not receiving aid.
- After the application is submitted, the Mayor, Chief Administrative Officer, and Chief Financial Officer may be required to 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 pursuant to law, 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 SFY 2018 by October 13, 2017. 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. Contact the Division at dlgs@dca.nj.gov with any questions.

Approved: Timothy J. Cunningham, Director

Table of Web Links

Page	Shortcut text	Internet Address
2	Online MOU	http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/cy_model_mou.pdf
4	Model Ordinance	http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/pay_to_play_ordinance-contractor.doc
5	Downloadable Application	http://www.nj.gov/dca/divisions/dlgs/resources/muni_st_docs/sfy%20transitional%20aid%20application.doc

Approved: Timothy J. Cunningham, Director

Appendix A

Instructions for Completing the Transitional Aid Application Form

Complete the application 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 will reject forms that do not meet the criteria.

Application:

1. The application 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.

Submission Checklist:

- Signed and certified application
- 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
- For new applicants, a governing body resolution authorizing application and agreeing to State supervision immediately upon filing of the application.

Submission Instructions:

- E-mail electronic forms to dlgs@dca.nj.gov, with “<name of municipality> Transitional Aid 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.nj.gov with any questions. Please put “Transitional Aid Question” in the subject line.

**Notice of Intent to Apply - Transitional Aid Program
SFY 2018
Division of Local Government Services
Department of Community Affairs**

Complete this form if the municipality is considering applying for financial assistance under the Transitional Aid program for SFY 2018. 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 September 15, 2017**.

In addition, the Mayor or Chief Administrative Officer of potential SFY 2018 applicants (provided they are not currently recipients of Transitional Aid), **must attend the orientation meeting at 2:00 pm on September 29, 2017** at 101 South Broad Street, Room 129, Trenton.

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

Submit the Notice by email (dlgs@dca.nj.gov) with the subject line: "TA Notice of Intent," or mailing it to:

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