



State of New Jersey
Department of Community Affairs
Division of Local Government Services

“Budgeting in the Municipal World”

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An Orientation for Municipal Officials That Are Newly Elected, Re-Elected, or Experienced
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Department of Community Affairs Division of Local Government Services (DLGS)

Timothy J. Cunningham – Director of the Division

- ▶ Provides technical and financial assistance
- ▶ Helps ensure financial integrity of all local government units
- ▶ Reviews local government financial actions
- ▶ Guides conduct of local government officials
- ▶ Website: <http://www.nj.gov/dca/divisions/dlgs/>



Local Finance Board

- ▶ Created by the Local Government Supervision Act of 1947
- ▶ Comprised of 7 Members in addition to the Chair
- ▶ Promulgates rules and regulations for local finance
- ▶ Conducts hearings for a wide variety of issues (LFB is referenced in ~55 statutory provisions)
- ▶ Oversight of Local Government Ethics Law



Local Government Ethics Law

- ▶ Local Government Ethics Law (N.J.S.A. 40A:9-22) is **your responsibility**
- ▶ “Whenever the public **perceives** a conflict between the private interests and the public duties of a government officer or employee, that confidence is imperiled.”
- ▶ DLGS Role:
 - ▶ LFB has power to initiate, receive, hear and review complaints and hold hearings regarding possible violations
 - ▶ DLGS receives ethics inquiries
 - ▶ DLGS receives requests for advisory opinions
 - ▶ Financial Disclosure Statements - filing is **your responsibility**
 - ▶ Due annually – April 30th
 - ▶ DLGS imposes fines for non-compliance



Professional Certifications

- ▶ Certified Municipal/County Finance Officer
- ▶ Registered Municipal Clerk
- ▶ Certified Municipal Tax Collector
- ▶ Certified Public Works Manager
- ▶ Qualified Purchasing Agent
- ▶ Certified Municipal Planning and Zoning Board Members



Other Areas of Oversight and Local Assistance to Municipalities

- ▶ Local Finance Notices (LFN's)
- ▶ Local Public Contracts Law
- ▶ Legislative and Regulatory Research
- ▶ Municipal Financial Analysis and Reporting
- ▶ Tax Collection
- ▶ Deferred Comp Plans
- ▶ Shared Services
- ▶ Municipal Consolidation
- ▶ Best Practices Inventory
- ▶ Transitional Aid Program
- ▶ LOSAP's



Financial Regulation and Assistance

- ▶ **Oversee Compliance for:**
 - ▶ Budgets: Municipal, County, Authority, Fire District
 - ▶ User-Friendly Budgets
 - ▶ Budget Amendments
 - ▶ Annual Financial Statements (AFS)
 - ▶ Annual Audits
 - ▶ Annual Debt Statements/Supplementary Debt Statements

- ▶ **Professional Assistance**



Purpose of Budget

- ▶ **Municipal policy statement** to set priorities for services and programs
- ▶ **Management tool** for operations for delivery of services
- ▶ **Financial control** to grant authority to spend public funds and establish tax levy & rate



Budget Process

- ▶ Temporary Budget
- ▶ Mayor and administration prepare and introduce budget
- ▶ Public hearing is required
- ▶ Governing body adopts budget
- ▶ DLGS approves budget prior to adoption
- ▶ After budget adoption, amendments include:
 - ▶ Chapter 159s
 - ▶ Emergencies
 - ▶ Transfers
 - ▶ Dedication by rider



3 Major Components of Municipal Budgeting

- ▶ **Planning**
- ▶ **Preparing**
- ▶ **Monitoring**



Budget Planning

- ▶ Strategic planning – policy goals
- ▶ Historical information – financial trends analysis, historical tax rates, historical State aid, tax appeal trends, fund balance trends, assessed valuation changes, tax collection trends, debt analysis
- ▶ Communication with professional staff – Administrator, department heads, CFO, tax collector, tax assessor, construction officials, police, court administrator, auditor, engineers, insurance brokers
- ▶ Performance measurements – review prior results, benchmarks



Budget Preparation: Major Budget Revenues

- ▶ Property Taxes – amount to be raised by taxation
- ▶ Fund balance anticipated
- ▶ Miscellaneous revenues
 - ▶ Local revenues
 - ▶ State Aid without offsetting appropriations
 - ▶ Dedicated Uniform Construction Code Fees
 - ▶ Interlocal/Shared Service Revenue
 - ▶ Public & Private Revenue (Grants)
- ▶ Delinquent tax revenue – prior years and tax title liens
- ▶ Minimum library tax



Budget Preparation: Major Budget Appropriations

- ▶ Operations
- ▶ Contingent
- ▶ Capital Improvements
- ▶ Debt Service
- ▶ Deferred Charges & Statutory Expenditures
- ▶ Reserve for Uncollected Taxes



Budget Monitoring

- ▶ Current year operations affect future budgets
- ▶ Establish good internal controls
- ▶ Monthly reports to governing body
- ▶ Certification by CFO of availability of funds
- ▶ Governing body reviews list of bills to be paid
- ▶ AFS and annual audit
- ▶ Five Year forecasting



Important Budget Issues for Elected Officials

- ▶ **Use of Fund Balance**
 - ▶ Maintain a percentage of prior year operations
 - ▶ Utilize less than 100% of fund balance
- ▶ **Miscellaneous Revenues Anticipation**
- ▶ **Setting Tax Levy**
- ▶ **Appropriation Levels**
- ▶ **Tax Appeal Information**
- ▶ **Capital Budget**



Be Aware of the “CAPS”

▶ Appropriations CAP

- ▶ Based on CPI changes (0% in 2016)
- ▶ Excludes debt service and capital
- ▶ COLA Ordinance – increases appropriations cap to 3 ½ %

▶ Levy CAP

- ▶ 2% of prior year's levy
- ▶ Excludes shared services adjustments
- ▶ Add municipal tax value of added assessments
- ▶ Excludes: debt service, County Improvement Authority payments, capital expenditures, pension costs, health insurance, State or Federal emergencies
- ▶ Referendum required for spending over CAP limits

▶ Debt CAP

- ▶ 3.5% of last 3 years' average equalized valuations
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DLGS Role in Municipal Bond Financing

- ▶ **Local Finance Board Approval**
 - ▶ Approval of certain bond financings and refundings
 - ▶ Waiver of down payment
 - ▶ Non-conforming maturity schedule
 - ▶ Debt cap waiver

- ▶ **General Municipal Oversight**

Other Key Professionals:

- ▶ **Bond Counsel**

 - ▶ **Financial Advisor**

 - ▶ **Rating Agencies**
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Questions?

