



INSTITUTE FOR PROFESSIONAL DEVELOPMENT

Appropriation CAPS and Tax Levy CAPS
JUNE 24, 2016 - NJ Law Center, New Brunswick, NJ

Hand Out Materials

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The Institute for Professional Development and Norman Eckstein

Instructor:

Rutgers University Professor and Booton Township CFO Norman Eckstein, CMFO, CTC, MPA, RMC

General Instructions to Complete the Municipal Budget Levy Cap Calculation Workbook

- a) This workbook is composed of this sheet - Instructions/Data Entry and several individual worksheets
- b) It designed to simplify data entry by having the user enter all data on this worksheet. By filling in the cells on this page, each spreadsheet will reflect the information and automatically calculate the formulas on each individual worksheet.
- c) The individual spreadsheets (tabs) are locked to protect the formulas.
- d) Fill in only the green sections of **this** worksheet.
- e) Complete each set of instructions as shown below
- f) Select the municipality (and county) by clicking the blue cell below, then click on the arrow on the right side to choose. This will populate the name and county throughout the workbook. Then continue to complete each of the following sections.
- g) The completed Levy Workbook must be submitted to the Division, via e-mail alfb@dca.nj.gov and it must be precisely named as: **municode_LCC_year.xls (all 4 digits municode must be included).**

1402	Boonton Township (Morris)	Boonton Township Morris
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A. Levy Cap Calculation Summary

1	Prior Year Amount to be Raised by Taxation - Municipal Purpose Tax	\$3,527,848
2	Current Year Amount to be Raised by Taxation - Municipal Purpose Tax	\$3,659,550
3	Cap Base Adjustment (+/-)	
4	Changes in Service Provider: Transfer (-)/Assumption of Service (+)	
5	Deferred Charges:	
5A	Current Year Appropriations:	
i	DCA Approved Emergency Declaration (NJSA 40A:4-46 ^f)	
ii	DCA Approved Special Emergency Declarations (NJSA 40A:4-54, 40A:4-55.1 & 40A:4-55.13) ^a	
iii	Debt Service/Down Payment Emergencies (NJSA 40A:4-46 ^f)	
iv	Emergency Authorizations funded by Notes (NJSA 40A:4-46 ^f) ^p	
v	Five-year Special Emergency Authorizations funded by Notes (NJSA 40A:4-53 ^h) ^c	
5B	Prior Year Appropriations:	
i	Emergency Declaration (NJSA 40A:4-46 ^f)	
ii	Special Emergency Declarations (NJSA 40A:4-54, 40A:4-55.1 & 40A:4-55.13)	
iii	Debt Service/Down Payment Emergencies (NJSA 40A:4-46 ^f)	
iv	Emergency Authorizations Funded by Notes (NJSA 40A:4-46 ^f)	
v	Special Emergency Authorizations (NJSA 40A:4-53 ^h)	
6	New Ratables - Increase in Valuations (New Construction and Additions)	\$1,562,800
7	Prior Year's Local Municipal Purpose Tax Rate (per \$100) (excluding Open Space)	\$0.414
8	Prior Year Recycling Tax Expended (Paid or Charged plus Reserved)	
9	Current Year Recycling Tax Appropriation	
10	Cancelled Prior Year Recycling Appropriation	
11	Cap Bank Data:	
	CY2013-2014:	
a	2013 Balance Available for 2016	\$51,725
	2013 Amount Utilized - 2016 Budget	\$2,475
b	2014 Balance Available for 2016-2017	\$59,905
	2014 Amount Utilized - 2016 Budget	
	CY2015:	
	2015 Maximum Allowable Amount to be Raised by Taxation	\$3,678,711
	2015 Amount to Be Raised By Taxation for Municipal Purposes	\$3,527,848
	2015 Cap Bank Utilized in CY2016	
12	Amount approved by Referendum	
13	Approved Referendum Appropriation Cancellations	
	a - Exclusions permitted only for the period of time which Emergencies are funded.	
	b - Exclusions permitted only if local unit has issued Emergency Notes/Special Emergency Notes.	
	c - Exclusions available for Special Emergencies Authorized funding of which began in 2011 and thereafter	
	d - Enter amounts of Emergencies taken as exclusions in prior year.	

The instructions can be found on the Instruction Tab of the workbook.

Summary Levy Cap Calculation

	MUNICIPALITY	COUNTY	EXAMINER
1402	Boonton Township	Morris	
Model Tax Levy Calculation Worksheet			
Levy Cap Calculation			
	Prior Year Amount to be Raised by Taxation for Municipal Purposes		\$3,527,848
	Cap Base Adjustment (+/-)		\$0
	Less: Prior Year Deferred Charges to Future Taxation Unfunded		\$0
	Less: Prior Year Deferred Charges: Emergencies		\$0
	Less: Prior Year Recycling Tax		\$0
	Less: Changes in Service Provider: Transfer of Service/ Function		\$0
	Net Prior Year Tax Levy for Municipal Purpose Tax for Cap Calculation		\$3,527,848
	Plus: 2% Cap increase		\$70,557
	Adjusted Tax Levy		\$3,598,405
	Plus: Assumption of Service/ Function		\$0
	Adjusted Tax Levy Prior to Exclusions		\$3,598,405
	Exclusions:		
	Allowable Shared Service Agreements Increase	\$0	
	Allowable Health Insurance Cost Increase	\$0	
	Allowable Pension Obligations Increase	\$5,007	
	Allowable LOSAP Increase	\$0	
	Allowable Capital Improvements Increase	\$0	
	Allowable Debt Service, Capital Leases and Debt Service Share of Cost Increases	\$47,196	
	Recycling Tax Appropriation	\$0	
	Deferred Charges to Future Taxation Unfunded	\$0	
	Current Year Deferred Charges: Emergencies	\$0	
	Add Total Exclusions		\$52,203
	Less Cancelled or Unexpended Exclusions		\$2
	Adjusted Tax Levy After Exclusions		\$3,650,605
	Additions:		
	New Ratables - Increase in Valuations (New Construction and Additions)	\$1,562,800	
	Prior Year's Local Municipal Purpose Tax Rate (per \$100)	\$0.414	
	New Ratable Adjustment to Levy		\$6,470
	2013 Cap Bank Utilized in 2016		\$2,475
	2014 Cap Bank Utilized in 2016		\$0
	2015 Cap Bank Utilized in 2016		\$0
	Amounts approved by Referendum		\$0
	Maximum Allowable Amount to be Raised by Taxation		\$3,659,550
	Amount to be Raised by Taxation for Municipal Purposes		\$3,659,550
	Amount to be Raised by Taxation for Municipal Purposes Under/Over Cap (+/-)		(\$0)

B. Shared Service Agreements Cap Exceptions - Recipients Only		
	Note: Exclusions are limited to amounts required to be paid on account of the above listed components pursuant to Shared Service Agreements and as certified by provider.	
1	Current Year Shared Services Capital, Debt Service, Pension & Health Benefits and Declared Emergency Appropriations (Automatically filled from Recipient Shared Service Exclusion Worksheet)	\$0
2	Prior Year Shared Services Capital, Debt Service, Pension, Health Benefits and Declared Emergencies Expended (Automatically filled from Recipient Shared Service Exclusion Worksheet)	\$0
3	Cancelled Prior Year Shared Services Capital, Debt Service, Pension, Health Benefits and Declared Emergencies Appropriations (Enter amount here)	
C. Health Insurance Cap Exception		
The Health Care Calculation worksheet will automatically calculate the inside cap and outside cap appropriations.		
	Note: The spreadsheet calculates the correct amount for the levy cap health insurance exclusion. If there is an increase above 2% but less than the State Health Benefits increase, the local unit is only permitted to exclude the amount of increase above the 2%. Be sure to include all appropriations, both inside and outside the cap.	
1	Current Year Group Health Insurance Total Amount Appropriated	\$222,000
2	Current Year Anticipated Revenues Offsetting Group Health Insurance Appropriation	
3	Prior Year Group Health Insurance Expended (Paid or Charged plus Reserved)	\$222,000
4	Prior Year Realized Budget Revenues Offsetting Group Health Insurance Appropriation	
<i>To print out the Health Care Calculation Worksheet now, click on the tab and click the print icon.</i>		
D. Pension Contribution Cap Exception		
The Pension Contribution Calc. worksheet will automatically calculate the exemption allowance.		
1	Current Year PFRS Normal & Accrued Liability, ERI and Deferral Obligation	\$275,998
2	Current Year Anticipated Revenues directly offsetting PFRS Pension Costs	
3	Prior Year PFRS Normal & Accrued Liability, ERI and Deferral Obligations*	\$266,200
4	Prior Year Realized Revenues directly offsetting PFRS Pension Costs	
5	Current Year PERS Normal & Accrued Liability, ERI and Deferral Obligations	\$50,697
6	Current Year Anticipated Revenues directly offsetting Pension Costs	
7	Prior Year PERS Normal & Accrued Liability, ERI and Deferral Obligations	\$49,180
8	Prior Year Realized Revenues directly offsetting Pension Costs	
<i>To print out the Pensions Contribution Worksheet now, click on the tab and click the print icon.</i>		
E. LOSAP		
1	Current Year LOSAP Appropriation	
2	Prior Year LOSAP Expended (Paid or Charged plus Reserved)	
3	Cancelled Prior Year LOSAP Appropriation	
<i>To print out the LOSAP Worksheet now, click on the tab and click the print icon.</i>		
F. Capital Improvements		
1	Current Year Capital Improvement Fund, Down Payment and Capital Improvement Appropriations.*	\$100,000
2	Current Year Anticipated Revenues offsetting Capital Improvement Fund, Down Payment and Capital Improvement Appropriations.	
3	Prior Year Capital Improvement Fund, Down Payments and Capital Improv. Expended (Paid or Charged + Reserved)	\$100,000
4	Prior Year Realized Revenues offsetting Capital Improvement. Fund, Down Payment and Capital Improvement. Appropriations	
5	Cancelled or Unexpended Prior Year Appropriation for Capital Improvement Fund, Down Payments and Capital Improvement Appropriations	
*Grant Items budgeted and Offset with revenues under the Capital Improvement section of the Budget must be omitted from the calculation		
<i>To print out the Capital Improvements Worksheet now, click on the tab and click the print icon.</i>		

G. Debt Service Cap Exception		
	Note: The Debt Service Calculation worksheet will automatically calculate the exemption allowance. Do not include Type 1 debt service in any calculation.	
1	Current Year Debt Service and County Improvement Authority Capital Lease Appropriations	\$489,071
2	Current Year Debt Service Component - Share of Cost Service Contract Appropriations	
3	Current Year Anticipated Revenues offsetting Debt Service, Capital Lease Obligations and Debt Service Component - Share of Cost Contracts	\$176,528
4	Prior Year Debt Service and County Improvement Authority Capital Lease Obligations Expended	\$442,503
5	Prior Year Debt Service Component - Share of Cost Contract Obligations Expended	
6	Prior Year Realized Budget Revenues Offsetting Debt Service, Capital Lease Obligations and Debt Service Component - Share of Cost Contracts	\$177,155
7	Prior Year Cancelled Debt Service, Capital Lease Appropriations and Debt Service Component - Share of Cost Contracts	\$2
<i>To print out the Debt Service Calculation Worksheet now, click on the tab and click the print icon.</i>		
H. Deferred Charges to Future Taxation Unfunded Cap Exception		
1	Current Year Deferred Charges to Future Taxation Unfunded Appropriations	
2	Prior Year Deferred Charges to Future Taxation Unfunded Approp (Paid or Charged)	
3	Cancelled Prior Year Appropriations for Deferred Charges to Future Taxation Unfunded	
<i>To print out the Defered Charges Worksheet now, click on the tab and click the print icon.</i>		
<i>To print out the Summary Levy Cap Worksheet now, click on the tab and click the print icon.</i>		

The instructions can be found on the Instruction Tab of the workbook.

Summary Levy Cap Calculation

MUNICIPALITY		COUNTY	EXAMINER
1402	Boonton Township	Morris	
Model Tax Levy Calculation Worksheet			
Levy Cap Calculation			
Prior Year Amount to be Raised by Taxation for Municipal Purposes			\$3,527,848
Cap Base Adjustment (+/-)			\$0
Less: Prior Year Deferred Charges to Future Taxation Unfunded			\$0
Less: Prior Year Deferred Charges: Emergencies			\$0
Less: Prior Year Recycling Tax			\$0
Less: Changes in Service Provider: Transfer of Service/ Function			\$0
Net Prior Year Tax Levy for Municipal Purpose Tax for Cap Calculation			\$3,527,848
Plus: 2% Cap increase			\$70,557
Adjusted Tax Levy			\$3,598,405
Plus: Assumption of Service/ Function			\$0
Adjusted Tax Levy Prior to Exclusions			\$3,598,405
Exclusions:			
Allowable Shared Service Agreements Increase			\$0
Allowable Health Insurance Cost Increase			\$0
Allowable Pension Obligations Increase			\$5,007
Allowable LOSAP Increase			\$0
Allowable Capital Improvements Increase			\$0
Allowable Debt Service, Capital Leases and Debt Service Share of Cost Increases			\$47,196
Recycling Tax Appropriation			\$0
Deferred Charges to Future Taxation Unfunded			\$0
Current Year Deferred Charges: Emergencies			\$0
Add Total Exclusions			\$52,203
Less Cancelled or Unexpended Exclusions			\$2
Adjusted Tax Levy After Exclusions			\$3,650,605
Additions:			
New Ratables - Increase in Valuations (New Construction and Additions)			\$1,562,800
Prior Year's Local Municipal Purpose Tax Rate (per \$100)			\$0.414
New Ratable Adjustment to Levy			\$6,470
2013 Cap Bank Utilized in 2016			\$2,475
2014 Cap Bank Utilized in 2016			\$0
2015 Cap Bank Utilized in 2016			\$0
Amounts approved by Referendum			\$0
Maximum Allowable Amount to be Raised by Taxation			\$3,659,550
Amount to be Raised by Taxation for Municipal Purposes			\$3,659,550
Amount to be Raised by Taxation for Municipal Purposes Under/Over Cap (+/-)			(\$0)

The instructions can be found on the Instruction Tab of the workbook.

Shared Services Calculation Sheet

MUNICIPALITY	COUNTY	EXAMINER
Boonton Township	Morris	
Current Year Shared Services Capital, Debt Service, Pension, Health Benefits and Declared Emergency Appropriations		\$0
Prior Year Shared Services Capital, Debt Service, Pension, Health Benefits and Declared Emergencies Expended		\$0
Shared Service Exclusion		\$0

The instructions can be found on the Instruction Tab of the workbook.

Health Insurance Exclusion Calculation Sheet

Current Year State Health Benefits Program Average Increase: 5.8%

MUNICIPALITY	COUNTY	EXAMINER
Boonton Township	Morris	

A. Current Year Group Health Insurance - Appropriation	\$222,000
Current Year Revenues Offset by Group Health Insurance Appropriation	\$0
Net Current Year Group Health Insurance	\$222,000
Prior Year Group Health Insurance (Paid or Charged Plus Reserved)	\$222,000
Prior Year Realized Budget Revenues Offset by Group Health Insurance Appropriation	\$0
Net Prior Year Group Health Insurance	\$222,000
*NET INCREASE (DECREASE)	\$0

* If Net Amount is Zero or Less No Exclusion.

2010 CAP EXCLUSION

B. If net increase is greater than zero, proceed as follows for Health Benefit Cap Calculation	
1. Net Increase Divided by Net Prior Year Amount Expended = % Increase (must be greater than 2%; if below 2% Health Benefits are subject to the 2010 Cap)	0.00%
2. Current Year State Health Average (5.8 %) Less 2% = Increase excluded from Cap	0.00%
3. % Increase (B1) less % Increase Exclusion (B2) = % Increase subject to Cap	0.00%
4. % Increase Inside Cap (B3) * Net Prior Year Amount Expended = Appropriation subject to Cap	\$0
5. % Increase Exclusion (B2) * Net Prior Year Expended = Current Year Appropriation excluded from Cap	\$0
Current Year Increase in Appropriation	\$0

1977 CAP EXCLUSION

C. If net increase is greater than zero, proceed as follows for Health Benefit Cap	
1. Net Increase Divided by Net Prior Year Amount Expended = % Increase (must be greater than 4%; if below 4% Health Benefits are inside 1977 Cap)	0.00%
2. Current Year State Health Average (5.8 %) Less 4% Increase excluded from Cap	0.00%
3. % Increase (C1) less % Increase Exclusion (C2) = % Increase Inside Cap	0.00%
4. % Increase Inside Cap (C3) * Net Prior Year Amount Expended = Appropriation Inside Cap	\$0
5. % Increase Exclusion (C2) * Net Prior Year Expended = Current Year Appropriation Outside Cap	\$0
Current Year Increase in Appropriation	\$0

The instructions can be found on the Instruction Tab of the workbook.

Pension Contribution Calculation Sheet

MUNICIPALITY	COUNTY	EXAMINER
Boonton Township	Morris	
Current Year PFRS Normal & Accrued Liability, ERI & Deferral Obligations		\$275,998
Current Year Anticipated Revenues directly offsetting Pension Costs		\$0
*Net Current Year Base Amount		\$275,998
Prior Year PFRS Normal & Accrued Liability, ERI & Deferral Obligations		\$266,200
Prior Year Realized Revenues directly offsetting Pension Costs		\$0
*Net Prior Year Base Amount		\$266,200
Difference between Current Year and Prior Year PFRS		\$9,798
% Difference between Current Year and Prior Year PFRS		4%
2% Allowance for Prior Year PFRS		\$5,324
Net PFRS Exclusion		\$4,474
Current Year PERS Normal & Accrued Liability, ERI & Deferral Obligations		\$50,697
Current Year Anticipated Revenues directly offsetting Pension Costs		\$0
Net Current Year Base Amount		\$50,697
Prior Year PERS Normal & Accrued Liability, ERI & Deferral Obligations		\$49,180
Prior year Realized Revenues directly offsetting Pension Costs		\$0
Net Prior Year Base Amount		\$49,180
Difference between Current Year and Prior Year PERS		\$1,517
% Difference between Current Year and Prior Year PERS		3%
2% Allowance for Prior Year PERS		\$984
Net PERS Exclusion		\$533
Pension Contribution Exclusion		\$5,007

The instructions can be found on the Instruction Tab of the workbook.

LOSAP Calculation Sheet

MUNICIPALITY	COUNTY	EXAMINER
Boonton Township	Morris	
Current Year LOSAP Appropriation		\$0
Prior Year LOSAP Expended (Paid or Charged plus Reserved)		\$0
Difference between Current Year and Prior Year LOSAP		\$0
% Difference between Current Year and Prior Year LOSAP		0%
2% Allowance for Prior Year LOSAP		\$0
LOSAP Exclusion		\$0

The instructions can be found on the Instruction Tab of the workbook.

Capital Improvements Exclusion Calculation Sheet

MUNICIPALITY	COUNTY	EXAMINER
Boonton Township	Morris	
Current Year Capital Improvements, Down Payment and Capital Improvement Fund Appropriations		\$100,000
Current Year Anticipated Revenues offsetting Capital Improvements, Down Payment and Capital Improvement Fund Appropriations		\$0
Current Year Base Amount		\$100,000
Prior Year Capital Improvements, Down Payment and Capital Improvement Fund Expended (Paid or Charged plus Reserved)		\$100,000
Prior Year Realized Revenues offsetting Capital Improvements, Down Payment and Capital Improvement Fund Appropriations		\$0
Prior Year Base Amount		\$100,000
Capital Improvements Exclusion		\$0

The instructions can be found on the Instruction Tab of the workbook.

Debt Service Calculation Sheet

MUNICIPALITY	COUNTY	EXAMINER
Boonton Township	Morris	
Current Year Debt Service and County Improvement Authority Capital Lease Appropriations		\$489,071
Current Year Debt Component - Share of Cost Service Contract Appropriations		\$0
Current Year Anticipated Revenues Offsetting Debt Service, Capital Lease Obligations and Debt Service Component - Share of Cost Contracts		\$176,528
Current Year Base Amount		\$312,544
Prior Year Debt Service and County Improvement Authority Capital Lease Obligation Expended		\$442,503
Prior Year Debt Service Component - Share of Cost Contract Obligations Expended		\$0
Prior Year Realized Revenues offsetting Debt Service, Capital Lease Obligations and Debt Service Component - Share of Cost Contracts		\$177,155
Prior Year Base Amount		\$265,348
Debt Service Exclusion		\$47,196

Cap Bank Calculation

MUNICIPALITY	COUNTY	EXAMINER
Boonton Township	Morris	

2013 Levy Cap Bank

Available for Banking 2016	\$51,725
Amount Utilized - 2016 Budget	\$2,475
Balance Expiring	\$49,250

2014 Levy Cap Bank

Balance Available for 2016-2017	\$59,905
Amount Utilized - 2016 Budget	\$0
Balance Available for 2017	\$59,905

2015 Levy Cap Bank

Available for Banking (2016 - 2018)	\$150,863
Amount Utilized in 2016 Budget	\$0
Balance Available for 2017-2018	\$150,863

2016 Levy Cap Bank

Maximum Allowable Amount to be Raised by Taxation	\$3,659,550
Amount to be Raised by Taxation for Municipal Purposes	\$3,659,550
Available for Banking (2017 - 2019)	(\$0)

LFN 2015-22

October 28, 2015

Contact Information

Director's Office
V. 609.292.6613
F. 609.292.9073

Local Government Research
V. 609.292.6110
F. 609.292.9073

**Financial Regulation
and Assistance**
V. 609.292.4806
F. 609.984.7388

Local Finance Board
V. 609.292.0479
F. 609.633.6243

Local Management Services
V. 609.292.7842
F. 609.633.6243

Authority Regulation
V. 609.984.0132
F. 609.984.7388

Mail and Delivery
101 South Broad St.
PO Box 803
Trenton, New Jersey
08625-0803

Web:
www.nj.gov/dca/divisions/dlgs
E-mail: dlgs@dca.nj.gov

Distribution

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Local Finance Notice

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Director

Calendar Year 2016 Municipal and County Budget Cap Information

This Local Finance Notice addresses issues related to CY 2016 Municipal and County Budgets and the 1977 and 2010 cap laws. It includes information on the 1977 cap law Cost of Living Adjustment and the use of the COLA ordinance (resolution) and Group Health Insurance increase thresholds.

Cost of Living Cap Adjustment

An annual Cost-of-Living Adjustment is authorized under the original 1977 budget cap law, currently reflected as N.J.S.A. 40A: 4-45.1a. Current law affecting municipal and county budgets requires compliance with both the "1977" cap law and the 2010 levy cap law.

Under the 1977 law, the Director of the Division of Local Government Services must promulgate the Cost of Living Adjustment (COLA, formerly called Index Rate). The COLA is based on the Implicit Price Deflator for State and Local Governments, calculated by the U.S. Department of Commerce, Bureau of Economic Analysis.

The COLA for CY 2016 budgets is calculated at **zero percent (0%)**. Pursuant to N.J.S.A. 40A:4-45.2, "municipalities and counties shall be prohibited from increasing their final appropriations by more than 2.5%..." unless action is taken by the governing body to increase their final appropriations subject to the cap to the statutorily permitted three and a half percent (3.5%). In the case of counties, the increase applies to the property tax levy, not final appropriations.

In other words, the automatic increase to the "1977" cap base is 0%, which is less than the statutory maximum of 2.5%. The governing body may pass a COLA ordinance, increasing the cap base to 3.5%.

A model ordinance is included with this Notice and will be available for download as a Word document on the [Division's web site](#).

A municipality may by ordinance, or a county by resolution, increase the COLA percentage up to 3.5% [N.J.S.A. 40A:4-45.14(b)] or bank (for up to two years) the difference between its final appropriation subject to the cap and 3.5%. Cap banking is not automatic. A single ordinance or resolution can be used to accomplish both activities: increasing appropriations and banking any unappropriated balance. Cap bank balances from 2014 and 2015 are available for use in 2016.

Using the Allowable Percentage Increase

If a governing body wants to increase its allowable percentage increase in its budget up to 3.5%, the following steps must be taken:

1. After January 1st, 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 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 (resolution) 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.

Group Health Insurance and Pension Cap Exclusions: The 1977 cap law includes a cap exception for Group Health Insurance (N.J.S.A. 40A:4-45.3e). This exception is limited to the amount appropriated that is over 4% of the previous year's expenditures, but not exceeding the State Health Benefits percentage increase. The State Health Benefits percentage increase for CY 2016 calculations is **5.8%**, so the 1977 cap exception for Group Health Insurance for CY 2016 will be the increase over 4% up to the **5.8%** increase. The amount of the cap exception is calculated in the 2016 levy cap workbook under the group health insurance tab labeled "1977 cap exclusion". Each year the exclusion is calculated and that amount represents the exception.

Similarly, there is a Group Health Insurance exclusion in the 2010 levy cap, except the exclusion is for increases over 2%. Thus, for the 2010 levy cap calculation, the Group Health Insurance exclusion is based on the same 5.8% increase, allowing increases over 2%, up to the maximum of 5.8% as cap exclusions. The levy cap workbook calculates the exclusion.

As was the case starting in 2012, pension appropriation increases are no longer a 1977 cap law exception. Therefore, the entire pension obligation will be appropriated on sheet 19 under Statutory Expenditures. The 2016 pension obligation amounts have not been issued as of the date of this notice.

If you have any questions regarding this information, please e-mail or call the Bureau of Financial Regulation and Assistance at (609) 292-4806.

Approved: Timothy J. Cunningham

Table of Web Links

Document	Internet Address
Municipal Budget COLA Increase Ordinance	http://www.nj.gov/dca/divisions/dlgs/programs/mc_budgets.html

**CALENDAR YEAR 2016
MODEL ORDINANCE TO EXCEED THE MUNICIPAL BUDGET APPROPRIATION
LIMITS
AND TO ESTABLISH A CAP BANK
(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 up to 0% unless authorized by ordinance to increase it to 3.5% over the previous year's final appropriations, subject to certain exceptions; and,

WHEREAS, N.J.S.A. 40A: 4-45.15a provides that a municipality may, when authorized by ordinance, appropriate the difference between the amount of its actual final appropriation and the 3.5% percentage rate as an exception to its final appropriations in either of the next two succeeding years; 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 CY 2016 budget by up to 3.5% 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; and,

WHEREAS the *(insert the name of the governing body)* hereby determines that any amount authorized hereinabove that is not appropriated as part of the final budget shall be retained as an exception to final appropriation in either of the next two succeeding years.

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 CY 2016 budget year, the final appropriations of the *(insert the name of the municipality)* shall, in accordance with this ordinance and N.J.S.A. 40A: 4-45.14, be increased by *(insert the rate increase)* %, amounting to \$ *(insert the dollar amount increase)*, and that the CY 2016 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 any that any amount authorized hereinabove that is not appropriated as part of the final budget shall be retained as an exception to final appropriation in either of the next two succeeding years; 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.



LFN 2015-27

December 22, 2015

Local Finance Notice

Chris Christie
Governor

Kim Guadagno
Lt. Governor

Charles A. Richman
Commissioner

Timothy J. Cunningham
Director

Contact Information

Director's Office

V. 609.292.6613
F. 609.292.9073

Local Government Research

V. 609.292.6110
F. 609.292.9073

Financial Regulation and Assistance

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Local Finance Board

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Distribution

Chief Financial Officers
Municipal Clerks
Freeholder Board Clerks
Auditors

CY 2016 Budget Matters (including recently enacted legislation)

This Local Finance Notice provides information with respect to Calendar Year (CY) 2016 budgets, along with recently enacted legislation relevant to the budget process, and is divided into the following sections:

- I. Early Budget Planning
- II. CY2016 Budget Deadline Extension & Enforcement
- III. Recent Budget-Related Legislation
- IV. Transitional Aid Application Process
- V. Municipal Aid & the FY2017 State Budget to be Proposed
- VI. Superstorm Sandy Budget Issues
- VII. Local Examination – Municipal Budgets
- VIII. Municipal User-Friendly Budget Update
- IX. Other Budget Reminders

I. Early Budget Planning

Municipalities that have not yet begun to plan and prepare their 2016 budgets are already behind and should immediately begin the process. Consistent with the practice in prior years, the Division of Local Government Services will allow an extension to the statutory deadline to introduce and adopt 2016 budgets.

Early adoption is an effective management tool in that it provides sufficient time to develop a meaningful plan for financing policy initiatives. Delayed budget adoption limits management flexibility by shortening the time period in which to implement fiscal adjustments. Ratings agencies take some comfort in early and appropriate fiscal planning, and the Division believes in facilitating early planning to help protect New Jersey's strong municipal credit history.

CY municipalities planning a property tax levy cap referendum election must meet notice and publication deadlines tied to the April school board election date. These municipalities should appropriately plan their 2016 budgets to facilitate sound decisionmaking regarding this option. The full calendar for referendums will be released when the Division of Elections sets the timetables. The budget filing dates below are expected to be consistent with election timetable. A separate Local Finance Notice will be issued when the referendum schedule is established.

II. CY 2016 Budget Deadline Extension and Enforcement

As authorized pursuant to N.J.S.A. 40A:4-5.1, the Local Finance Board approved at its December meeting the statutory budget deadline revisions set forth below. These changes modify the statutory dates for introduction, adoption, and Mayor/Council Faulkner Act and related budget transmissions. The revised dates (absent referendum dates) are shown below:

Introduction and Adoption of Budget – Non Referendum	Statutory Date	Revised Date*
Mayor/Council Faulkner Act (Executive) budget transmission to governing body	1/15	2/12
Municipal introduction and approval of budget	2/10	3/18
County introduction and approval of budget	1/26	3/18
Municipal adoption	3/20	4/22
County adoption	2/28	4/22

*or the next regularly scheduled meeting of the governing body.

Notwithstanding the revised dates, a budget may be adopted anytime within 10 days of receiving the Director's certification of approval of the budget.

Governing bodies may, by resolution adopted no later than March 18, 2016, extend the adoption date of the 2016 budget and increase temporary budget appropriations as may be necessary due to the extended period.

Municipalities and counties that fail to timely adopt their budgets risk imposition of penalties by the Director. Pursuant to N.J.S.A. 40A:4-84, the members of governing body who willfully fail or refuse to comply could face \$25-per-day fines for failure to comply with a final order of the Director.

A judicial determination of gross failure to comply with provisions of the Local Budget Law is one of the conditions for which the Local Finance Board may determine that a municipality is subject to State Supervision (N.J.S.A. 52:27BB-55 and 56). In lieu of State Supervision, if the Director finds that an eligible municipality possesses conditions that create extreme difficulty in adopting a budget in compliance with the Local Budget Law, N.J.S.A. 52:27D-118.30a authorizes

the Local Finance Board to establish a financial review board for the municipality. The financial review board would be empowered to approve the municipal budget, debt issuance, labor and other contracts, as well as approve, implement and enforce a financial plan for the municipality. Municipalities eligible for financial review boards include those that have issued municipal qualified bonds, are "Urban Aid" eligible pursuant to N.J.S.A. 52:27D-178 et seq., or have been otherwise identified by the Director to be facing serious fiscal distress.

III. Recent Budget-Related Legislation

On August 10, 2015, the Governor signed Senate Bill S2454 into law as P.L. 2015, c. 95. Known as the "Division of Local Government Services Modernization and Local Mandate Relief Act of 2015", the law makes a series of changes that streamline certain Division and Local Finance Board functions, along with relieving local governments of certain mandates and allowing greater flexibility in select areas.

This Notice, part of a series of guidance documents discussing the changes enacted by P.L. 2015, c.95, discusses sections impacting the municipal and/or county budget process.

- Sections 14 and 15 amend N.J.S.A. 40A:4-8 and 40A:4-10, respectively, to eliminate the requirement that a copy of the introduced and adopted budgets be provided to a public library.
- Section 27 amends N.J.S.A. 40A:14-34, increasing the amount that a municipality can annually appropriate for its volunteer fire companies or boards of fire commissioners to \$150,000. The Director shall adjust this amount for inflation every two years in accordance with the Cost-of-Living Adjustment promulgated for the municipal and county budget appropriations caps (N.J.S.A. 40A:4-45.1a). This means that the above-referenced \$150,000 maximum will be subject to the COLA adjustment next year.

In any municipality in which there are more than three volunteer fire companies or fire districts, or both, the governing body may now also raise and appropriate an additional \$50,000 (an increase from \$30,000) annually for each additional fire district or volunteer fire company. Not less than 50% of these additional funds shall be used for the purchase of fire equipment, materials and supplies.

- Section 39 amends N.J.S.A. 40A:4-53 to permit a special emergency appropriation for liabilities incurred to the State Department of Labor and Workforce Development for reimbursement of unemployment benefits paid to former employees. For significant layoffs, this provision (new subsection j) allows the costs of unemployment reimbursement to be spread over five years.

IV. Transitional Aid Application Process

CY municipalities in financial distress will only have one opportunity to apply for Transitional Aid to Localities (Transitional Aid). The due date for applications will be set shortly. Municipalities applying for Transitional Aid must submit an introduced budget with the application. As aid awards come with a significant loss of local control and stringent conditions, municipalities tend to request Transitional Aid only as a last resort. A separate Transitional Aid Local Finance Notice will be released in the coming weeks.

It is expected that funding for the program will continue to decline and all but the most financially stressed municipalities in danger of being unable to meet debt service, basic payroll, and other essential functions will be eligible for aid. Successful applicants must demonstrate they are already taking clear steps toward reducing spending and maximizing their own revenues.

For budget introduction purposes, the seven municipalities that received Transitional Aid in CY 2015 may anticipate Transitional Aid in an amount equal to 85 percent of their CY 2015 aid allocation (or such amounts as the Director may otherwise permit).

V. Municipal Aid and the FY2017 State Budget to be Proposed

The Governor is expected to propose a State 2017 FY budget at the end of February. At the very latest, immediately after the budget is proposed the Division will notify municipalities as to the amount of Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts aid that can be anticipated in their budgets.

VI. Superstorm Sandy Budget Issues

Superstorm Sandy continues to impact municipal and county budgets. FEMA reimbursements received are to be appropriately pledged to the funding mechanism passed by the governing body, i.e. special emergency or capital financing. For the 2013, 2014 and 2015 budget years, the Director allowed the anticipation of FEMA reimbursements as revenue to offset the budgeting of the five year special emergency pay-down. If you did not receive the entire amount of FEMA revenue anticipated, you may establish a receivable for the difference. Since this is funding from a federal source, a corresponding reserve does not have to be established. If you received excess FEMA revenue, then the excess should be used to pay-down additional special emergency notes or the revenue should be used to offset costs of a bond ordinance, depending upon what project the reimbursement represents.

For the 2016 budget, FEMA revenue will be allowed to be anticipated to offset special emergency appropriations only if the corresponding amounts are available per the State OEM website. However, a portion of the 10% municipal share will also have to be funded in 2016. The 10%

share of the portion of the special emergency that is supported by project worksheets will be funded in the 2016 budget. This 10% portion will be split over the remaining 2 years. An analysis should be submitted with the introduced budget.

VII. Local Examination – Municipal Budgets

Group 2 budgets will be examined by the Division for CY 2016. Groups 1 and 3 may be eligible for local examination. If the governing body that is eligible for local examination wants the Division to examine the budget, they must pass a resolution prior to the introduction of the budget requesting DLGS review. The local examination spreadsheet can be found on the Division's Municipal and County Budgets webpage. Eligibility status is also on the Municipal Information Sheet. **Local examination municipalities must follow all applicable statutory deadlines.**

VIII. Municipal User-Friendly Budget Update

Implementation of Statutorily Required User Friendly Budget: For CY 2016 budgets, the User Friendly Budget shall be submitted for introduced as well as adopted municipal budgets. **Municipalities must use the updated form approved by the Director and available on the Division's website.**

When making the introduced (approved) budget available to the public for the public hearing, the municipality must provide the completed User-Friendly Budget section along with the annual municipal budget. The user-friendly budget section for either the introduced or adopted budgets may be made available as a separate form, or be included with the annual budget but placed on top.

Introduced and adopted municipal budgets posted on a municipality's website must include the user-friendly budget. The user-friendly budget form can either be scanned along with the annual budget in a single pdf, with the user-friendly form pages placed in the beginning, or posted separately as an Excel document in addition to the scanned pdf annual budget.

Key changes to the User-Friendly Budget for CY2016 include:

Cover Page – The municipality's auditor and their business email address

UFB-5 (Property Tax Assessments; Exempt Properties & Property Tax Appeal Data) – In Cell S16, the calculation on the percentage of tax-exempt property is now calculated based on the assessed value rather than the number of parcels.

UFB-8 (Health Benefits) – Information for the prior budget year must now be included; specifically, the number of covered members, the prior year average cost per employee, and the total prior year cost.

UFB-10 (Debt) – Projected amounts in future year budgets for “Bond Anticipation Notes-Principal” and “Bond Anticipation Notes-Interest” no longer need to be entered. These amounts still must be entered under “current year budget”

The introduced and adopted User-Friendly Budget section must be submitted to the Division of Local Government Services. For the introduced budget, the User-Friendly Budget section need only be submitted to the Division electronically. The User-Friendly Budget section of the adopted budget must be submitted both in hard copy and electronic formats. Send one (1) hard copy of the form concurrently with the adopted annual municipal budget submitted to the Division. Electronic copies of the introduced and adopted user-friendly budgets shall be e-mailed to ufb.lgs@dca.nj.gov; the introduced User-Friendly Budget file must be named ***municode_fbi_2016.xlsm***; the adopted User-Friendly Budget file must be named ***municode_fba_2016.xlsm***.

Please reference Local Finance Notice 2015-9 and the updated User-Friendly Budget Instructions for further information on completing and submitting the User-Friendly Budget.

The User-Friendly Budget gives municipal officials a powerful tool with which to assess their municipality’s fiscal health, identify potential savings and inform constituents about measures being taken to control costs. In turn, the public will have access to a clearer picture of how tax dollars are being spent. This form only applies to municipalities and is not required to be used for county budgets; a User-Friendly Budget section for county budgets will be developed in the near future.

IX. Other Budget Reminders

Amendment Procedures: The procedures for the flow of the budget cycle are specified in N.J.S.A. 40A:4-4. The amendment process cannot begin until after the public hearing has been held on the introduced budget. Once the public hearing is held, the budget can be amended on the same night, so long as it is after the public hearing portion of the meeting.

Health Insurance Contributions and Waivers: Accounting for employee contributions for health insurance has been determined as follows:

- employee health care contributions shall be treated as a payroll agency transaction and no employee contributions shall be treated as anticipated revenue in a local unit’s budget
- amounts appropriated for employees who receive payments in lieu of accepting health benefits (“waivers”) must be appropriated as a separate line item (“Health Benefit Waiver” with FCOA Code #23-221).

To disclose the value of employee contributions and reduced employer costs for health care coverage to the public, each formal Budget Message shall contain information or a schedule showing the amounts contributed from employees, the employer share, and total costs. The

disclosure may be broken down by employee group. As an option, the local unit may include a breakdown of future revenue from those employees currently under contracts that will begin contributions when those contracts expire.

The health insurance 2010 levy cap exclusion will be based upon an average State Health Benefit increase of **5.8 percent**. The levy cap workbook will calculate the exclusion, which will be the increase over 2 percent up to the 5.8 percent maximum. The appropriation cap exception will be the increase over 4 percent up to the 5.8 percent maximum. The amount is calculated in the levy cap workbook under 1977 cap.

Municipal Library Tax Levy: P.L. 2011, c.38 requires a dedicated line item on property tax bills for municipal free and joint free public libraries. This does not result in a tax increase, but rather changes the way the minimum library appropriation is displayed to the public.

Library Surplus Transfers: N.J.S.A. 40:54-15 establishes conditions requiring transfer of certain public library fund balance amounts to a municipality. The transferred funds be used exclusively as property tax relief. This means the funds transferred must be anticipated as revenue without an offsetting appropriation and no levy cap adjustment. The transferred surplus does not have to be anticipated in the budget all in one year. Any devise, bequest, or donation made pursuant to N.J.S.A. 40:54-19 shall not be deemed surplus or transferred by the board of trustees to the municipality. The calculation and conditions concerning transfer of funds is subject to approval by the Office of the State Librarian. State Library staff are aware of the requirements and time frames, and is prepared to work with local library and fiscal officials to meet budget deadlines.

Information on “identification of excess funds” can be obtained from the State Library website. Questions on this process can be directed to Deputy State Librarian Michelle Stricker at mstricker@njstatelib.org.

Posting Budgets on Website: N.J.S.A. 40A:4-10 requires each municipality and county to post their current year adopted budget, as well as their adopted budgets for the three prior years, on their web site. The 2012, 2013, 2014 and 2015 budgets should now be posted. Once the 2016 budget is adopted it should be posted (and 2012 may be dropped). Municipalities without their own websites must have their adopted budgets for the current year and three prior years posted on the Division’s website.

If your municipality does not have a website, please scan the user-friendly budget section (adopted budget) together with your adopted annual municipal budget as a single pdf and email it to dlgs@dca.nj.gov with the subject heading “Adopted Budget DLGS Website Posting”. The adopted budget will be displayed on the Adopted Budgets – Municipalities without Websites webpage.

Table of Web Links

Document	Internet Address
P.L. 2015 c.95 (DLGS Omnibus Bill)	http://www.njleg.state.nj.us/2014/Bills/PL15/95 .PDF
Municipal & County Budgets webpage	http://www.nj.gov/dca/divisions/dlgs/programs/mc_budgets.html
Local Finance Notice 2015-9	http://www.nj.gov/dca/divisions/dlgs/lfns/15/2015-09.pdf
Updated User-Friendly Budget Form	http://www.nj.gov/dca/divisions/dlgs/resources/fiscal_docs/bud_forms/ufb_2016.xlsm
Municipal User-Friendly Budget Instructions	http://www.state.nj.us/dca/divisions/dlgs/programs/mc_bud_docs/Municipal User-Friendly Budget Instructions.pdf
P.L. 2011 c.38 (library prop. tax line item)	http://www.njleg.state.nj.us/2010/Bills/PL11/38 .PDF
<u>N.J.S.A. 40A:54-15 and 40A:54-19</u>	http://www.njleg.state.nj.us/2010/Bills/PL11/224 .PDF
Information on Library Surplus Transfers	http://lss.njstatelib.org/lss_files/ReturnOfFundsPacket040814.zip



State of New Jersey
 Department of Community Affairs
 Division of Local Government Services
 Bureau of Financial Regulation and Assistance
 Cap Calculations for the budget year of 2016

Municipality: **Boonton Township**
 County: **Morris**
 MuniCode: **1402**

Total General Appropriations for 2015	\$5,217,995
Cap Base Adjustment --	\$0
Subtotal :	\$5,217,995

Exceptions Less:

Total Other Operations	\$150,561
Total UCC	\$0
Total Interlocal Serv Agreement	\$0
Total Additional Appropriations	\$0
Total Public-Private Offset	\$23,784
Total Capital Improvement	\$100,000
Total Debt Service	\$442,505
Total Deferred Charges	\$0
Judgements	\$0
Cash Deficit of Preceding Year	\$0
Total Approp for School Purp	\$0
Transferred to Board of Ed	\$0
Reserve for Uncollected Taxes	\$564,602
Total Exceptions:	\$1,281,452

Amount on Which % CAP is Applied	\$3,936,543.86
0% Cap	\$0.00
Allowable Operating Appropriations before Additional Exceptions Per (N.J.S. A. 40A:4-45.3)	\$3,936,543.86

Cap Bank Calculations for budget 2016

2014 Bank		
Available for Banking		\$116,079.24
Utilized in Budget 2015		\$0.00
* Balance Available for budge2016		\$116,079.24
2015 Bank		
Allowable Operation Appropriations		\$4,057,164.75
Approved Budget (H-1)		\$3,936,543.86
Available for banking		\$120,620.89

* If not utilized in the 2016 budget, available amount will expire per N.J.S.A. 40A:4-45.15a