

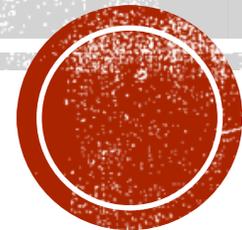
# BUDGETING FOR ELECTED OFFICIALS

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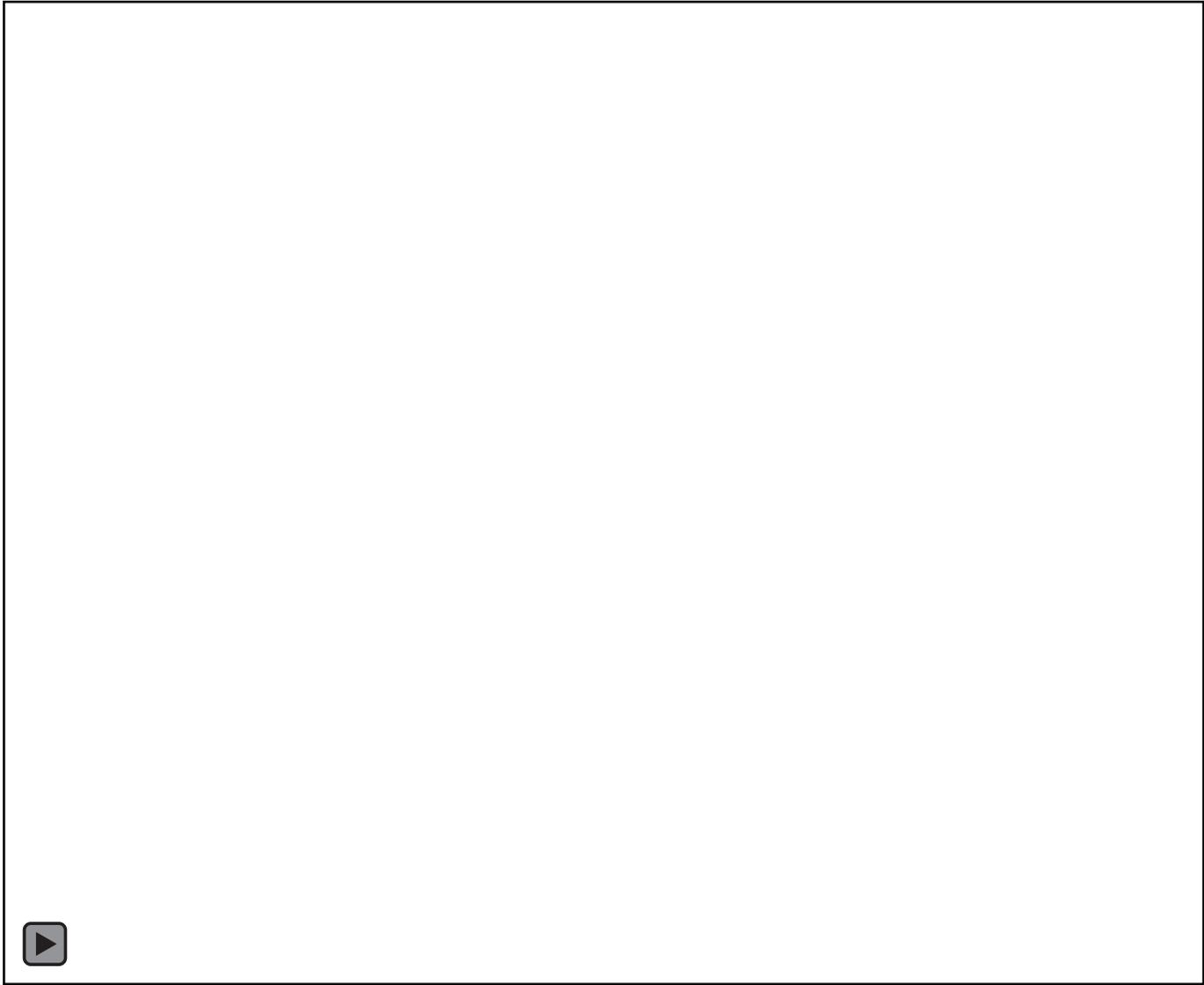


# BUDGET LAW OVERVIEW



# BUDGET RESPONSIBILITY

- Effective financial management can help municipalities transform communities into a better place to live, work and visit
- One of the governing body's greatest responsibilities is approving and regularly monitoring a municipality's budget
- Effective financial management ensures that there are funds available to implement the governing body's policies



# WHAT'S YOUR WISH ?



# BE VERY CONCERNED.....

He credited his new forecast to “hope and inspiration,”

“You can’t say we’re going to fix a \$20 million budget hole by doing nothing,” the source said. “It’s math, not magic. It just doesn’t work that way... it became obvious that we were building a house on cards that wasn’t going to stand.”

# HOPE IS NOT AN ACTION PLAN

# WHY DO WE NEED IT ?

- Planning (past, present, future)
- Control
- Accountability
- Fiscal Responsibility
- Fiscal Accountability
- Transparency
- Local Officials must vigilantly focus on the “long term” economic welfare of their community

# ESTABLISHING BUDGET POLICY

- ▶ **First things first**
  - ▶ A statement of general budget policy should be included with budget forms
    - ▶ advise the departments what the expectations are
      - ▶ i.e. - Is it a tight year, program addition or elimination
  - ▶ When policies are known at the outset misunderstandings are minimized. Also sets the tone early on in the process.
  - ▶ Budget preparation represents difficult policy decisions not just simple dollar decisions

# TELL A STORY

- **WHAT IS YOUR STORY?**
  - **HOW DO YOU SELL YOUR PROGRAMS**
    - **SEE SAMPLE OF HOW TO TELL STORY ON NEXT FEW SLIDES**

**WHAT ARE YOU TRYING TO GET ACROSS TO YOUR RESIDENTS?**

**HOW TRANSPARENT ARE YOU?**

# A LITTLE MAGIC TRICK!

- Old Amount 100
- New Amount 101

What is the change?  
Amount?

1

Percentage?

1%

- Old Amount 6
- New Amount 7

What is the change?  
Amount?

1

Percentage?

16.7%

# FACT VS. MYTH

- How much did sales tax go up in New Jersey?
- How much did the State return to Local Governments in the 2007 & 2008 Budgets?
- What is the Governor's Promise with A-1 & S-20? Did you really think you will get 20% of your taxes back?
- Read between the lines to get the real answer?

# BELIEVE IT OR NOT

- What would happen if a local budget increased by 16.7%
- How is it that the State of New Jersey can pass along a 16.7% increase and almost all of the residents believe it is only a 1% increase.
- Smoke, Mirrors and good marketing is how they can do it.

# STATUTORY REFERENCES

N.J.S.A. 40A:2 Local Bond Law

N.J.S.A. 40A:4 Local Budget Law

N.J.S.A. 40A:5 Local Fiscal Affairs  
Law

N.J.S.A. 40A:11 Local Public Contracts Law

# WHAT IS A LINE ITEM BUDGET?

- In New Jersey, each appropriation must be categorized between “**Salaries & Wages**” and “**Other Expenses**”
- This is the level of detail required when preparing the State Budget Document
- This is the format for the publicized budget
- However, local units typically break their budgets down into greater detail for internal tracking purposes

# BUDGET CALENDAR (MUNICIPAL)

Action Taken	Earliest Date	Latest Date
Budget Introduction	Jan 1	Feb 10
Filing Introduced Budget with the DLGS	3 Days after Approval	
Budget Publication (10 days prior to Adoption)	Jan 1	Mar 10
Budget Hearing (at least 28 days after Introduction)	Jan 30	Mar 20
Budget Adoption	Jan 30	Mar 20

A budget cannot be introduced until the Annual Financial Statements are filed



# BUDGET CALENDAR (COUNTY)

Action Taken	Earliest Date	Latest Date
Budget Introduction	Jan 1	Jan 26
Filing Introduced Budget with the DLGS	3 Days after Approval	
Budget Publication (10 days prior to Adoption)	Jan 1	Feb 15
Budget Hearing (at least 28 days after Introduction)	Jan 30	Feb 25
Budget Adoption	Jan 30	Feb 25

A budget cannot be introduced until the Annual Financial Statements are filed



# **TEMPORARY BUDGET**

## **(N.J.S.A. 40A:4-19)**

- Provides for the operations of the local unit in the new budget year until the budget has been adopted
- Resolution must be adopted within the first 30 days of the new year as well as any amendments
- Total Appropriations cannot exceed 26.25% of the prior year's appropriations excluding, Debt Service, Capital Improvement Fund & Public Assistance
- Why 26.25%?

# WHY DO WE HAVE A TEMPORARY BUDGET?

- **CASH BASIS BUDGETING:**

- The State of New Jersey requires a Municipality to prove its Revenue Sources received and Cash Surplus (Fund Balance) on hand at the end of the year before it will allow you to even present a Budget
- This requirement results in a Budget introduction after the filing of the Annual Financial Statements

# BUDGET AUTHORIZATION

- The municipal governing body is responsible for the final adoption of the municipal budget
- The budget must be introduced no later than February 10th and 3 copies must be filed with the Director of the DLGS within 3 days
- The budget must be published at least 10 days prior to the public hearing, which must be at least 28 days after approval
- It can be adopted no later than March 20th, or the date established by the Director of the DLGS
- 3 certified copies must be filed with the division and 1 certified copy must be filed with the county board of taxation

# BUDGET AUTHORIZATION (CONT'D)

- The purpose of the public hearing is to allow the citizens an opportunity to review the budget, ask questions, and provide their opinions
- The Municipal Budget must be posted on the town's website when the budget is read by title only at a public meeting
- A budget must be adopted by a majority of the full membership of the governing body
- If a governing body fails to adopt the budget by March 20th or the latest date set forth by the DLGS then the DLGS is required to prepare the budget
  - In such event, then each operating appropriation will be identical to the previous year's budget with certain adjustments

# **BUDGET AUTHORIZATION (CONT'D)**

The governing body may amend the budget prior to the time of holding the public hearing and during or after the public hearing. No amendment will become effective without a public hearing and publication of the amendment, if the amendment:

1. Adds a new item of appropriation in an amount in excess of 1% of the total of appropriations as stated in the approved budget
2. Increases or Decreases any item of appropriation by more than 10%
3. Increases the amount to be raised by taxation more than 5%, unless the same is made to include an emergency appropriation

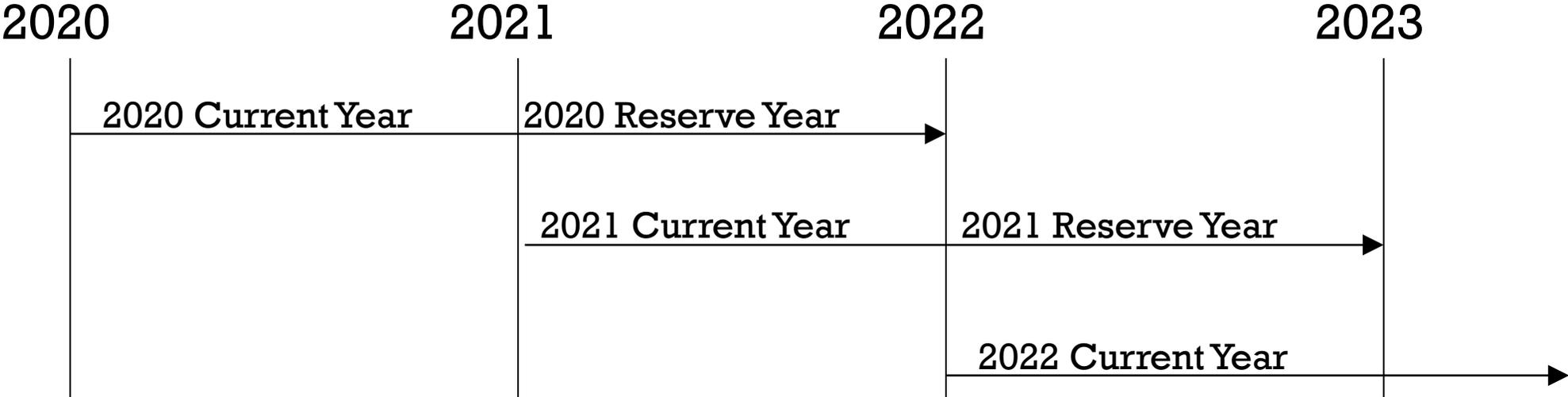
# THE BUDGET MESSAGE

- The Local Budget Law (40A:4-22) requires the budget message to contain the following:
  - Appropriation CAP Calculation
  - Levy CAP Calculation
  - Summary of appropriations appearing in both the “inside” and “outside” sections of the budget
  - Chapter 78 Health benefit calculations

# **CURRENT YEAR BUDGET VS. RESERVE YEAR BUDGET**

- A Budget is active for a two year period of time
- The second year of the Budget is to serve as a catch up period for bills that were not paid during the initial year of the Budget
- In order to charge against the reserve year budget, the goods had to have been received or services rendered in the year of that budget

# BUDGET TIMELINE



**As you can see, you are running two budgets at a time.**

# BUDGET TRANSFERS

- **Current Year Appropriations**
  - are permitted during the last two months of the fiscal year
- **Reserve Year Appropriations**
  - are permitted during the first three months of the fiscal year
- **Must be approved by resolution of the governing body by 2/3 vote of full membership**

# **OVER EXPENDITURE OF BUDGET**

## **N.J.S.A. 40A:4-57**

- No person shall expend any money, where an appropriation has not been provided, in excess of the amount appropriated for said purpose
- Violation of this section is a misdemeanor, and is subject to penalties under the criminal laws of the State of New Jersey

# **BUDGET AMENDMENTS**

## **CHAPTER 159 OF THE PUBLIC LAWS OF 1948**

- **Corrections of Title, Text or Amount (N.J.S.A. 40A:4-85)**
- **Insertion of Special Items of Revenues and Appropriations (N.J.S.A. 40A:4-87)**
- **Both require a local unit resolution and the approval of the DLGS Director**

# **EMERGENCY APPROPRIATIONS**

## **N.J.S.A. 40A:4-46 THRU 4-55**

- **“A local unit may make emergency appropriations, after the adoption of the budget, for a purpose which is not foreseen at the time of the adoption thereof, or for which adequate provision was not made therein.”**

# **“CAP” LAW N.J.S.A. 40A:4-45**

- First enacted into law on August 18, 1976.
- Amended throughout the years to accommodate current economic conditions and specific needs in the State.
- Limits the increase in appropriations to that of the “Implicit Price Deflator”. Referred to as the Index Rate.
- Limited to 5% before requiring a referendum
- CAP Banking is Automatic

# **“CAP” LAW N.J.S.A. 40A:4-45**

- **P.L. 2004, Chapter 74 “Fair & Immediate Relief”**
  - **Removed reference to the “Implicit Price Deflator” and replaced it with the Cost of Living Adjustment (COLA). Based upon the traditional federal government inflation rate**
  - **CAP is now limited to 2.5% or the COLA, whichever is less**
  - **Can go to 3.5% if an Ordinance is Passed (Index Rate)**
  - **CAP Banking is no longer automatic**

# **“CAP” LAW N.J.S.A. 40A:4-45**

- **P.L. 2010, Chapter 44 “2% Levy CAP”**
  - **2% Tax Levy CAP is now required**
  - **Exceptions favor State Discretion not local control**
    - **Pension Costs**
    - **Health Benefit Costs**
    - **Debt Service & Capital Items**
    - **Emergency Declared by the Governor**

# QUESTIONS

