

ORDINANCE NO. 2015-9

AN ORDINANCE TO EXCEED THE MUNICIPAL BUDGET APPROPRIATION LIMITS AND TO ESTABLISH A CAP BANK.

WHEREAS, the Local Government Cap Law, N.J.S.A. 40A: 4-45.1 et seq., provides that in the preparation of its annual budget, a municipality shall limit any increase in said budget to 1.5% 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 City Council of the City of Vineland in the County of Cumberland finds it advisable and necessary to increase its CY 2015 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 City Council hereby determines that a 2.0 % increase in the budget for said year, amounting to \$923,495.60 in excess of the increase in final appropriations otherwise permitted by the Local Government Cap Law, is advisable and necessary; and,

WHEREAS, the City Council 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 City Council of the City of Vineland, in the County of Cumberland, a majority of the full authorized membership of this governing body affirmatively concurring, that, in the CY2015 budget year, the final appropriations of the City of Vineland shall, in accordance with this ordinance and N.J.S.A. 40A: 4-45.14, be increased by 3.5%, amounting to \$1,616,117.30 and that the CY 2015 municipal budget for the City of Vineland 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.

Passed first reading:

Passed final reading:

President of Council

Approved by the Mayor:

Mayor

ATTEST:

City Clerk

EXPLANATORY STATEMENT - (Continued)

BUDGET MESSAGE

<u>CAP CALCULATION</u>		<u>CAP CALCULATION</u>	
Total General Appropriations for 2014	59,560,880.09	Allowable Operating Appropriations before	
Cap Base Adjustment:		Additional Exceptions per (N.J.S.A. 40A:4-45.3)	46,867,401.79
Subtotal	59,560,880.09		
Exceptions Less:		Additions:	
Total Other Operations	1,494,874.00	New Construction (Assessor Certification)	157,881.53
Total Uniform Construction Code		2013 Cap Bank	1,278,386.12
Total Interlocal Service Agreement	39,590.00	2014 Cap Bank	1,785,997.71
Total Additional Appropriations	2,457,641.00		
Total Capital Improvements	250,000.00	Total Additions	3,222,265.36
Total Debt Service	4,462,463.00		
Transferred to Board of Education		Maximum Appropriations within "CAPS" Sheet 19 @ .5%	50,089,667.15
Type I School Debt			
Total Public & Private Programs	1,337,236.00	Additional Increase to COLA rate. 3.5%	
Judgements		Amount of Increase allowable. 2.0%	923,495.60
Total Deferred Charges	300,000.00		
Cash Deficit		Maximum Appropriations within "CAPS" Sheet 19 @ 3.5%	51,013,162.75
Reserve for Uncollected Taxes	3,044,296.00		
Total Exceptions	13,386,100.00		
Amount on Which CAP is Applied	46,174,780.09		
<u>1.5% CAP</u>	692,621.70		
Allowable Operating Appropriations before			
Additional Exceptions per (N.J.S.A. 40A:4-45.3)	46,867,401.79		

NOTE:

Sheet 3b

- MANDATORY MINIMUM BUDGET MESSAGE MUST INCLUDE A SUMMARY OF:**
- 1. HOW THE 1977 "CAP" WAS CALCULATED. (Explain in words what the "CAPS" mean and show the figures.)**
 - 2. 2015 "CAP" LEVY CAP WORKBOOK SUMMARY**
 - 3. A SUMMARY BY FUNCTION OF THE APPROPRIATIONS THAT ARE SPREAD AMONG MORE THAN ONE OFFICIAL LINE ITEM (e.g. if Police S & W appears in the regular section and also under "Operation Excluded from "CAPS" section, combine the figures for purposes of citizen understanding.)**
 - 4. INFORMATION OR A SCHEDULE SHOWING THE AMOUNTS CONTRIBUTED FROM EMPLOYEES, THE EMPLOYER SHARE AND THE TOTAL COST OF HEALTH CARE COVERAGE (Refer to LFN 2013-4).**

LFN 2014-18

October 20, 2014

Local Finance Notice

Chris Christie
Governor

Kim Guadagno
Lt. Governor

Richard E. Constable, III
Commissioner

Thomas H. Neff
Director

Contact Information

Director's Office

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Local Government Research

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Financial Regulation and Assistance

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Local Finance Board

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Local Management Services

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Distribution

Municipal Clerk

Chief Financial Officer

Clerk to the Board of Chosen
Freeholders

Calendar Year 2015 Municipal and County Budget Cap Information

This Local Finance Notice addresses issues related to CY 2015 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 2015 budgets is calculated at **one and one-half percent (1.5%)**. 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 1.5%, 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 2013 and 2014 are available for use in 2015.

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 2015 calculations is 7.4%, so the 1977 cap exception for Group Health Insurance for CY 2015 will be the increase over 4% up to the 7.4% increase. The amount of the cap exception is calculated in the 2015 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 7.4% increase, allowing increases over 2%, up to the maximum of 7.4% 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 2015 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: Thomas H. Neff, Director

Table of Web Links

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