



From: NJLM - Municipal Clerks [mailto:njlm-clerks@cityconnections.com]

Sent: Friday, January 30, 2009 4:18 PM

To: Lashway, Lisa

Subject: Municipal Clerks from NJLM

LEAGUE ALERT

Municipal Clerk: Please forward to Mayor and Governing Body.

January 30, 2009

Re: I February Grant Page Posted

Re: II Pension Deferral Plan (Clarifications to Jan. 28 letter)

Re: I February Grant Page Posted

A new featured article has been posted in our Grant Resource Center. This month's article is titled: ***Grant Funding for Your Fire Department***

New featured grant opportunities have also been listed. Visit our Grant Resource Center at www.njslom.org/grants.html.

Re: II Pension Deferral Plan (Clarifications to Jan. 28 letter)

Dear Mayor:

We need to update and elaborate our January 28, 2009 letter on the Pension Payment Deferral proposal.

The Pension Payment Deferral plan represents the only possibility for new municipal property tax relief from Trenton, this year. The deferral will be especially important for municipalities absorbing, for the first time, the annual increase in their PFRS contribution under the property tax levy cap.

As you know, S-7 has been positioned for a floor vote in the Senate since December. On Monday, the Assembly Budget Committee released its companion Pension Payment Deferral bill, A-3688, which is now set for a floor vote in the Assembly. Neither version of the bill will insulate those municipalities willing to fully fund their current liabilities from increased

pension costs that will likely result from the deferral.

After two conference calls with the State Treasurer, the Governor's Chief Counsel and the Director of the Division of Pensions, we know that the Administration hopes for Assembly passage on February 5, with final Senate action to follow on February 23. Given that timetable, the Administration sees no opportunity for amendments. Accordingly, the bill, as currently drafted is the bill the Governor hopes to sign prior to his Budget Address to the Legislature in March.

Local Finance Notice 2008-25, issued December 18, 2008 addressed several elements of this issue:

- *Pending enactment of legislation, local units may proceed to introduce and adopt budgets by appropriating the full pension obligation. For municipalities and counties, the full amount of PFRS costs must be absorbed as part of both caps. If legislation is enacted, the local unit will be able to invest funds as described above, or in whatever manner is provided for in the final law...*
- *Pending FY 2009 Extraordinary Aid and Special Municipal Aid awards will not be made until this initiative is resolved. It is likely that aid awards will take into account any deferred pension obligations. Therefore, any SFY municipality that will not have adopted their budgets in the next few weeks should issue first quarter estimated tax bills in order to ensure cash flow until budgets are adopted.*
- *In the event legislation is enacted, SFY 2009 municipalities that have already adopted their budgets with the full pension amount will follow the procedure above of paying the final billed amount, and reserving and investing the unspent balance.*
- *CY 2009 municipal budgets will be expected to comply with the final proposal. Those local units desiring to introduce prior to enactment may include 100 percent of current pension billings and amend once the final policy is in place.*
- *CY 2009 fire district budgets must include the full 100 percent in their budgets. If legislation is enacted prior to the time these budgets can be amended, amendments will be allowed. Otherwise, the policies described above for SFY 2009 municipalities will apply.*

My previous letter incorrectly described the relationship of pension payments, the pension deferral, and the cap laws. I apologize for any confusion that may have created. The correct property tax levy cap treatment of pension payments follows.

Under current law (without the deferral bill):

Last year's PFRS pension payments are in the base, to which the levy increase formula is applied (starting with a 4% increase). For the first time, **the PFRS increase** must be absorbed within the allowable levy cap increase.

If the bill, as currently drafted, is enacted:

- Your pension bill that is due April 1, 2009 will be reduced almost in half and the reduction does not affect the levy cap calculation. This leaves room for increases in other expenses to be absorbed within the levy cap.
- Those "other expenses" can include funds to set aside money to help pay for your pension payments as they are phased in over the next three years. In other words, if you wish to set aside any or all of the funds you would otherwise have remitted to fully fund your pension liability, you will need to budget those monies within the cap.

The Governor's Pension Payment Deferral plan represents a short-term property tax relief initiative for municipalities facing ballooning public employee pension liabilities and an economy in peril. In the face of those challenges, its purpose is to help keep property taxes down and to prevent service cutbacks and possible lay-offs. From the perspective of local elected officials all around our Garden State, that rationale will not stand if the potential payment savings are used to justify further municipal property tax relief funding cuts. And from the perspective of our fellow citizens and our dedicated public employees, reductions in municipal property tax relief funding can only result in commensurate, collateral damage to the short-term benefits that could attend passage of the Pension Payment Deferral bill.

We understand the difficulties faced by the State, as it works toward a balanced State budget for this coming Fiscal Year. And we appreciate the limited options available. We know that this global economic crisis, too, shall pass. And we are certain it will pass faster in our State if all who strive to serve New Jersey citizens – in Washington, in Trenton and in our hometowns - all work together.

We believe that we can only navigate through the current crisis if we all maintain a continued focus on New Jersey's chronic over-reliance on regressive property taxes.

With all that in mind, we urge you to contact your legislators to communicate your position on the pension payment deferral initiative and on the likely consequences of municipal property tax relief funding cuts.

For more information, please contact Jon Moran at 609-695-3481, ext. 121.

Very truly yours,

William G. Dressel, Jr.
Executive Director

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