LFN 2019-12

September 9, 2019

Local Finance Notice

CY2019/SFY2020 Best Practices Inventory

The State's Fiscal Year 2020 Appropriations Act (P.L. 2019, c. 150) requires the Division of Local Government Services ("Division") to promulgate a Best Practices Inventory to all municipalities, through which the State obtains vital information about the status of municipal government practices in New Jersey. The CY2019/SFY2020 Inventory assesses each municipality's compliance with various laws and evaluates implementation of fiscal and operational best practices. Inventory answers provide taxpayers with an additional means of evaluating their municipality's performance, including how tax dollars are utilized.

The Inventory also identifies areas where municipalities may require further technical assistance. Furthering this objective, the Inventory contains an unscored survey section soliciting information on a variety of topics. For example, one question asks in which areas the responding municipality could benefit from technical assistance provided by the Division's new Local Assistance Bureau ("LAB"). The LAB provides no-cost comprehensive management consulting services to municipalities utilizing experienced local government professionals and data-driven analytics.

All municipalities, including those on a State Fiscal Year budget cycle, must submit their completed Inventory to the Division by Wednesday October 30, 2019.

Furthering the Division's implementation of technology solutions, the Best Practices Inventory is now hosted on an internet-based platform featuring greatly improved functionality and user-friendliness over the prior Excel form. Click on https://njdca.dynamics365portals.us/ to access the platform sign-in page. Please review the detailed step-by-step instructions on completing and submitting the Best Practices Inventory before accessing the platform.

Pursuant to the Appropriations Act, the Division must determine whether some portion of a municipality's CMPTRA and ETR Aid will be withheld based on the results of its Inventory. The municipality's final formula aid payment represents the maximum amount of aid that is subject to withholding.

Question Content and Scoring

The CY2019/SFY2020 Inventory features new and repeat questions on a variety of topics including:

- Personnel
- Budget
- Financial Administration
- Capital Projects
- Transparency
- Authorities
- Procurement

- Cybersecurity
- Shared Services
- Misc. Operations
- PILOTs & Ratables
- Affordable Housing
- Environment
- Planning & Economic Development

A total of 84 questions are distributed amongst three scoring categories: Core Competencies (38 questions), Best Practices (15 questions), and Unscored Survey (31 questions[1]). **Each municipality must receive a minimum score of 30 on the Inventory in order to receive its full Final Aid payment.**

Core Competencies address statutory and regulatory compliance obligations and other areas critical to sound municipal finance and operations. These questions score 1 point each, with positive credit awarded for "Yes" answers as well as "Prospective" and "N/A" responses when permitted by the question. Answers of "Prospective," which predominantly apply to new questions, should only be used when a municipality is committed to making good faith efforts to implement the practice in the upcoming year.

The CY2019/SFY2020 Inventory also includes a new category of Best Practices, which involve fiscal and operational practices that are of significant benefit to many municipalities but not foundational in nature, or uniformly applicable to all municipalities. All questions in the Best Practices category are worth one-half (1/2) point save for one full-point question, with positive credit awarded for "Yes" answers as well as "N/A" responses when permitted by the question. Please note that "Prospective" responses are not permitted responses under the Best Practices category.

Answers of "N/A" are only appropriate if a specific requirement does not apply to a given municipality; however, please note that some questions limit "N/A" responses to certain circumstances. Municipalities answering "N/A" should provide an explanation in the Comment space as to why the question is not applicable.

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[1] Two unscored survey questions are divided into multiple subparts to facilitate data tabulation.

There is a total of 53 scored questions (Core Competencies + Best Practices) for a total of 46 points.

The thresholds for aid withholding are as follows:

Inventory Score	Final Payment Amount Disbursed	Impact on final 5% aid payment
30 and greater	100%	No withholding
25-29	75%	Lose 25% of final CMPTRA & ETR payment
20-24	50%	Lose 50% of final CMPTRA & ETR payment
0-19	0%	Lose 100% of final CMPTRA & ETR payment

Questions in the Best Practices category are considered "extra credit" because the Inventory's scoring threshold is based on the number of Core Competencies for which the Division determined a municipality should earn positive credit, rather than Core Competencies + Best Practices combined. Thus, positive credit for Best Practices questions helps offset Core Competencies for which a municipality does not earn positive credit.

Unscored Survey questions, first featured on last year's Inventory, are meant to gather information and do not count toward a municipality's final score, although their completion is a required component of the Inventory. Answers to these questions will help determine where municipalities may require additional assistance and where the Division of Local Government Services and the Department of Community Affairs may need to prioritize technical assistance resources. Responses vary from "Yes/No" to multiple-choice to fill-in.

The Division has introduced a total of 30 new scored questions to the CY2019/SFY2020 Best Practices. For example, due to the number of recent cyberattacks on municipal government operations across New Jersey and the United States, the Inventory features four new cybersecurity questions as Core Competencies.

The Division is also pleased to announce that certain questions asked in prior years have been retired from this year's Inventory because the Division is satisfied that municipalities have embraced the obligations contained therein, achieving uniform adoption. Examples of such questions include:

- Reporting of contracts over $2 million to the State Comptroller; seeking Comptroller approval for contracts over $10 million
- Having a proper chain of approvals for emergency procurements
- Compliance with the Construction Prompt Payment Law (P.L. 2006, c. 96)

Thank you for your cooperation in these areas. Much progress has been made state-wide.

Unscored Survey questions emphasize Shared Services, Miscellaneous Operations, Planning and Economic Development and Affordable Housing. If your municipality can affirmatively answer Question 76, which pertains to known Opportunity Zone tax incentive projects, please complete and upload the Opportunity Zone Project Status Spreadsheet (an upload file button will appear for the question).

Completing and Submitting the Inventory

A municipality must answer all questions before the Best Practices platform will permit submitting the Inventory. Certain questions require information to be typed into the Comment section before the online platform counts the question as completely answered. Please refer to the Instructions for further details. **Failing to submit the Inventory is deemed equivalent to a zero score**.

The municipality's Chief Finance Officer and Chief Administrative Officer must both certify the Inventory using the Online Platform. *The Chief Administrative Officer is an individual who, regardless of title, is in charge of the municipality's day-to-day operations. If a municipality does not have a business administrator or municipal manager, this person would be whichever individual (e.g. municipal clerk, chief financial officer) is responsible for running day-to-day operations.* Every municipality has a Chief Administrative Officer.

The Municipal Clerk must certify that the Inventory and the results thereof **were or will be discussed** at a public meeting, inserting the date on which the meeting was or will be held; the inventory results and the certification of same by the chief administrative and financial officers referenced in the meeting minutes.   Municipal Clerks likewise make their certification using the online platform and do not file a separate certification document.   The purpose of the acknowledgement requirement is to ensure that local officials are apprised of their municipality's Best Practices Inventory response. Please do not wait for the Best Practices Inventory to be discussed at a governing body meeting before submitting the Inventory.

State Fiscal Year municipalities have the same Wednesday, October 30 deadline as Calendar Year municipalities.

Appeals of Best Practices Scores

A municipality may appeal its score to the Director on or before the submission deadline, but not before submitting their Best Practices Inventory. Appeals must be submitted **by close of business Wednesday October 30, 2019** via email to bestpractices@dca.nj.gov with the heading "Best Practices Appeal". The State Appropriations Act permits the Director to exercise discretion upon finding that a municipality's individual circumstances so warrant. Municipalities that wish to submit an appeal should to do so in conjunction with their Inventory submission.

Approved: Melanie R. Walter, Director

Document	Internet Address
P.L. 2019, c. 150	https://www.njleg.state.nj.us/2018/Bills/AL19/150_.PDF
Best Practices Inventory Platform	https://njdca.dynamics365portals.us/
Instructions for Best Practices Inventory Platform	https://www.nj.gov/dca/divisions/dlgs/programs/best_practices_docs/BPI%20Online%20Platform%20Instructions%20CY19-SFY20.pdf
Opportunity Zone Project Status Spreadsheet	https://www.nj.gov/dca/divisions/dlgs/programs/best_practices_docs/OZ%20Best%20Practices%20Survey%20Form.xlsx
BP Question List	https://www.nj.gov/dca/divisions/dlgs/programs/best_practices_docs/Question%20List%20-%20CY19_SFY20%20Best%20Practices%20Inventory.xlsx